Q. Consumer Question: Let's talk about PPA versus COS. PPA does indeed provide the advantage of "lower long run cost" favoring the project. But, does the CPW compare, perhaps unfairly, an apple with an orange? It is probable that a private entity could package development of viable on-island hydro potential first, followed by evolving thermal options and bring it up to the 2036 base when all Muskrat Falls power is firmed up (thereafter the scenario is the same to 2067). However, the twist is the package would also have the advantage of a 50 year PPA amortization financing arrangement for each component. Can this be a RFI within the PUB mandate at this stage of proceedings?

A. Please see CA/KPL-Nalcor-248. The PPA approach to pricing Muskrat Falls power is itself a cost based approach which recovers fixed charges in a different pattern than a conventional cost of service approach which uses a rate base approach for price setting. The PPA approach, which is based on an internal rate of return methodology, will be essentially equal on a present value basis to a cost of service approach for pricing when the cost of capital and the cash flow timing differences are properly accounted for.

The current Isolated Island Generation expansion plan as shown in Table 22[1] of Nalcor's Submission is the least cost isolated expansion plan as analyzed through Strategist utility planning software given the reliability criteria, load forecast, available supply resources and associated input costs.

[1] Page 106, Volume 1 of Nalcor's Submission.