Q. Consumer Question: On p. 40 of 158 of the Nalcor submission Nalcor states that, "That the price that NLH pays for power and energy on behalf of island ratepayers is a cornerstone of the Lower Churchill project". Re the price Hydro pays to Nalcor for MF power- In CA #127 states in year 1 (2017) MF on PPA basis is $87/MWH on a COS basis it is $214/MWH or 2.5 x higher on a COS basis compared to the PPA used by see answer CA #126 (e) 75% debt is not financeable for the PPA- the market is telling us something important about the PPA used by Nalcor - a higher than normal equity to debt is needed. Nalcor states, " in an escalating supply price analysis framework leverage of 75 % debt is not financeable because the initial low sale volumes and associated revenues would result in inadequate debt service coverage as required in capital markets". Can Nalcor provide a graph showing the price charged by Nalcor to Hydro from 2017 to 2067 on a PPA compared to a COS basis so the consumers of Newfoundland and Labrador can compare the impact of these 2 methods over a 50 year period ?

A. The requested analysis does not assist consideration of the Reference Question. Consistent with the Terms of Reference and the Reference Question, Nalcor's analyses for this proceeding have considered the Cumulative Present Worth (CPW) of the Interconnected Island alternative and the Interconnected Island alternative. Please refer to Nalcor's responses to CA/KPL-Nalcor-42 and PUB-Nalcor-177, as well as Exhibit 36.

Please note that Nalcor's response to CA/KPL-Nalcor-126 is not based on information received from "the market". The reference to 75% debt was in response to an information request contained in CRFI-PUB-Nalcor-17. The determination that an escalating PPA with 75:25 debt:equity ratio would not achieve the required debt service coverage was based on an analysis undertaken by Nalcor and its financial advisors.

In the context of a Federal loan guarantee, Muskrat Falls could support a debt:equity ratio of 66:34. Please refer to Nalcor's response to CA/KPL-Nalcor-193 and specifically part (d).