

1 Q. PUB-Nalcor-45 asked Nalcor to identify the key policy objectives used in the
2 approach to determine the purchase price of Muskrat Falls energy. The response
3 states that the key policy objective is developing the Lower Churchill Resource and
4 no other objectives were listed. Please confirm that no other public policy
5 objectives or considerations affected the determination of the Muskrat Falls power
6 purchase price other than the development of the Lower Churchill Resource.

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9 A. The power purchase price for Muskrat Falls has been established in a manner that is
10 consistent with a utility level return on equity for the investment (as per PUB-
11 Nalcor-44) while providing an annual approach to pricing that achieves ratepayer
12 benefits as outlined in Exhibit 36.

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14 The policy objective of developing the Lower Churchill Project is the cornerstone of
15 the Province's *Energy Plan* and the proposed pricing arrangement helps to facilitate
16 its development since interconnected rates are consistently lower than isolated
17 rates.

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19 The Muskrat Falls pricing model is based on a substantial equity injection by the
20 Province in Muskrat Falls and this is consistent with the Province's stated intent in
21 the *Energy Plan* of "the strategic investment of a significant portion of our non-
22 renewable resource revenues in renewable infrastructure." ¹

¹ Energy Plan, page 30