Q. With reference to Nalcor's presentation on July 18, 2011, the following information was provided:

- Slide 37 – Muskrat Falls Generation cost is \$2.9 billion and Labrador-Island Transmission Link is \$2.1 billion for a total of \$5.0 billion.
- Slide 22 – Lower Churchill Project (LCP) Capex de-escalated to 2010 is \$6.582 and CPW of revenue requirement is \$10.114 billion.

Please identify and describe the detailed cost categories and corresponding costs which are included in each of these figures for the Muskrat Falls – HVDC Link Option.

A. The reference to capital costs on Slide 37 of \$2.9 billion for Muskrat Falls and \$2.1 billion for the Labrador-Island Transmission Link (LIL) refer to nominal dollars inclusive of contingency and escalation but excluding AFUDC.

On Slide 22, the reference to CPW of revenue requirement of \$10.114 billion is sourced to Hydro's long-term financial projections that derive its overall wholesale revenue requirement by combining the generation expansion plans, which represent incremental costs, with the existing rate base. Thus the Muskrat Falls - LIL generation expansion CPW of \$6.652 billion is included in the CPW total utility revenue requirement value of \$10.114 million.

The reference to \$6.582 billion (2010\$) represents all revenue requirement capital associated with the Muskrat Falls - LIL supply alternative inclusive of generation expansion and Hydro's ongoing underlying annual capital program for system maintenance and reliability. Starting from nominal annual dollars, these values are de-escalated for general inflation to 2010$ and totaled to derive the $6.582 billion. Because Hydro's purchases of Muskrat Falls energy enters its revenue requirement as a power purchase expense, the capital associated with the Muskrat Falls generating plant itself would not be included in Hydro's capital program for the purposes of calculating its revenue requirement.