

1 Q. Has a term sheet been developed detailing how the Power Purchase Agreement
2 (PPA) between Nalcor and Hydro will be structured? If so, please provide a copy of
3 the term sheet. If not, please describe in detail the methodology for the
4 determination of the selling price and how the PPA will be structured and its impact
5 on ratepayers.

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8 A. A term sheet that details how the Power Purchase Agreement (PPA) between
9 Nalcor and Hydro has not been developed.

10 Nalcor has determined through analysis (for example, PUB- Nalcor- 48 and Exhibit
11 15) that the Muskrat Falls project would be financially viable if Muskrat Falls
12 recovered its full costs on the Island block over a 50-year supply agreement.

13 Based on DG2 cost estimates, the \$76 per MWh supply price (expressed in 2010\$,
14 escalating at 2 percent and applied to projected island market volume) is the supply
15 price that results in an 8.4 percent Internal Rate of Return, assuming no other sales
16 are made.

17 While the structure of the PPA has not been determined, Nalcor envisages that this
18 will be treated as a power purchase expense in NLH's overall regulated revenue
19 requirement.