

1 Q. The response provided to PUB-Nalcor-4 did not answer the question. As previously
2 requested, identify and describe each major cost category for the cost estimates
3 provided on Slide 37 of the July 18, 2010 Presentation by Nalcor of \$2.9 billion for
4 Muskrat Falls Generation and \$2.1 billion for the transmission link and the Slide 22
5 numbers of the Lower Churchill Project Capex de-escalated to 2010 of \$6.582 billion
6 the and CPW of revenue requirement of \$10.114 billion. The answer should clearly
7 reconcile the numbers on Slides 22 and 37.

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10 A. Exhibit 112 provides the detailed reconciliation of the Labrador Interconnected
11 capital cost numbers for the referenced Slides 22 and 37 from the July 18, 2011
12 presentation. Please note that the value of \$2.9 billion for Muskrat Falls will not
13 directly appear in the capital cost tables since its costs are included as a power
14 purchase expense in the Strategist modeling framework and for subsequent
15 revenue requirement analysis. The value of \$2.1 billion for the Labrador Island
16 Transmission Link (LIL) used in the presentation slide is the capital cost excluding
17 AFUDC. The LIL in-service capital cost of record used for all modeling, inclusive of
18 AFUDC, is \$2,553 million as per Exhibit 5 F.

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20 The total identified capital requirement for the period 2010 to 2067 is comprised of
21 generation expansion capital costs, sustaining capital¹, and capital costs for a new
22 transmission line and upgrades from Bay d’Espoir to Western Avalon². When
23 expressed in 2010\$ constant dollars to remove the effects of general inflation, the
24 total capital for the planning period is \$6,582 million as shown on Slide 37 of the

¹ Sustaining capital refers to NL Hydro’s underlying annual capital budget requirement for ongoing and regular support of power system operations.

² Sustaining capital and transmission line and upgrade capital costs are the same for both the Isolated Island and Interconnected Island generation expansion alternatives.

July 18, 2011 presentation. The calculation of this amount is shown on Line 7 of Exhibit – 112.

Slide 37 from the July 18, 2011 presentation also referenced a cumulative present worth (CPW) of the revenue requirement as \$10,114 million. This revenue requirement includes the Strategist generation expansion capital and operating costs, which have a CPW of \$6,652 million, and the operating costs and sustaining capital requirements for the existing rate base. Details of these two CPWs broken out by major cost category are as follows:

Interconnected Island Alternative
Cumulative Present Worth (2010 \$ millions)

Cost Category	Strategist	Revenue Requirement
O&M	376 ⁽¹⁾	1,417
Fuel	1,170	1,204
Power Purchase Costs - Existing	676	675
Power Purchase Costs - Muskrat Falls	2,683	2,682
Depreciation	450	1,144
Return on Rate Base	1,297	2,992
Total	<u>6,652</u>	<u>10,114</u>

(1) O&M as per MHI-Nalcor-1 includes insurance.