Q. The CPW analysis, submitted for this current Review arising from the Reference to the Board by the Lieutenant-Governor in Council, used only the Isolated Island load forecast for both options. Please explain the objectives met and reasons for the Muskrat Falls-Labrador-Island Link Project load forecast not being used for the Muskrat Falls-Labrador-Island Link Option, and describe the strategies Nalcor expects to use in ensuring there will be no future implications for ratepayers resulting from this decision.

A. As indicated in Nalcor's response to PUB-Nalcor-86, the 2009 Generation Planning Issues report, identified a reduction in energy requirements in the interconnected case compared to the isolated case during the period from 2018-2028. This decline was attributed to higher initial rates associated with the interconnected case.

After reviewing the 2009 results, Nalcor established an internal objective that rates for the Interconnected Island alternative would be no higher than those for the Isolated Island alternative during the early years after commissioning of the Lower Churchill Project. The adoption of this internal objective would prevent the short term rate impacts, and consequently the change in demand, in the 2009 forecast from reoccurring. In the event there were material cost and rate differences forecasted during this period, mitigation strategies would be implemented to ensure that the internal objective would be achieved.

The NLH revenue requirements in the Interconnected Island and Isolated Island alternatives for the DG2 analysis are forecasted to be similar during the early years of start up for the Lower Churchill Project. This can be seen from PUB-Nalcor-5, reproduced below:

Year	Interconnected Island Case	Isolated Island Case
	Revenue Requirements ($M)	Revenue Requirements ($M)
2015	624.4	650.3
2016	648.2	694.0
2017	765.1	716.8
2018	781.4	751.5
2019	804.9	771.7
2020	810.7	804.1
2021	797.5	810.2
2022	803.2	851.7
2023	810.5	906.2
2024	818.7	930.5
2025	830.5	960.2
2026	847.4	988.0
2027	863.7	1022.8
2028	880.8	1067.8

Table 1 – Forecasted Revenue Requirements at DG2[1]

Since the 2010 analysis did not show any significant differences in revenue requirements in the early years after in-service, the potential mitigation strategies referred to above were not developed.

With no significant differences in revenue requirements after in-service of Muskrat Falls and the Labrador-Island Transmission Link, short term rates would be similar. Therefore there was no basis for different short term load forecasts for the two alternatives.

A common forecast corresponding to the Isolated Island alternative forecast was used for both alternatives. It is recognized that the long-term requirement for this forecast would be lower than the long-term requirement for the Interconnected Island alternative for the reason discussed in Nalcor's response to PUB-Nalcor-86.

[1] PUB-Nalcor-5

Based on DG2 information, there are no 'ratepayer implications' predicted from the use of a common forecast. If a divergence in forecasts such that Interconnected Island rates would be higher than Isolated Island rates when the two alternatives are evaluated at DG3, then appropriate mitigation strategies will be implemented to prevent adverse ratepayer implications from occurring.