Q. Consumer Question: Nalcor has been used to develop Muskrat Falls, rather than developing Muskrat Falls directly through Hydro (a regulated utility). Using Nalcor as the developer of Muskrat Falls produces a CPW preference of $2.2 Billion for the Muskrat Falls option. The CPW analysis looks at projects costs only. Nalcor sells power to Hydro under a power purchase agreement (PPA) based on the Bruce Power model (designed to have low power prices in the earlier years). This PPA cost from Nalcor is used as a cost for Hydro in the CPW analysis. At MHI-Nalcor-18, Nalcor states, "The supply of MF energy is through a power purchase agreement and not on a cost of service basis. Exhibit 15 shows the development of the power purchase agreement price to Hydro (which is reflected in the CPW analysis), and the inputs used in exhibit 15 are those for the developer of MF, not Hydro." This CPW preference of $2.2 Billion would change if Hydro developed Muskrat Falls directly, what is the CPW if Hydro as a regulated utility developed Muskrat Falls directly?

A. Please refer to the response to PUB-Nalcor-177. MHI has also provided analysis concerning the COS approach versus the PPA approach for the pricing of Muskrat Falls energy. Please see the MHI Report, Volume I, page 84, Section 7.2 wherein they state: “Using an 8% interest rate for calculating AFUDC, the CPW using a COS approach is approximately equal to that using a PPA approach”.