

Q. Consumer Question: Please provide analysis of the impact of a 1% increase in interest rates on the Muskrat project costs and on the power rates?

A. For the DG2 analysis, the Labrador-Island Transmission Link was assumed to be financed with 75% debt, and the Muskrat Falls generating facility was assumed to be financed with 100% equity. The impacts of a 1% increase in interest rates are summarized in the following table¹:

Impacts of 1% Increase in Interest Rates	
Description	Impact
Increased Labrador Island Transmission Link capital cost at in-service, due to higher financing costs during construction	\$43 million increase
Total Cumulative Present Worth (\$2010) of the Interconnected Island alternative, for the period 2010 to 2067	\$141 million increase
2017 estimated retail rate impact	3% increase

The availability of a federal loan guarantee is expected to reduce financing costs, and the CPW of the Island Interconnected case with a loan guarantee in place is reduced by \$600 million (\$2010) from the reference case. This is presented in Table 29 of Nalcor's Submission. The 2017 estimated retail rate impact of the loan guarantee is a reduction of 6% from the Island Interconnected base case.

¹ Since Muskrat Falls was assumed to be financed with 100% equity, there is no impact on Muskrat Falls costs resulting from an increase in interest rates.