

1 Q. Consumer Question: Please provide analysis of the impact of a 1% increase in the  
2 rate of return on equity on the project costs and on the power rates?

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5 A. For DG2 analysis, the Labrador-Island Transmission Link was financed with 25%  
6 equity, and the Muskrat Falls generating facility was financed with 100% equity.  
7 The following table summarizes the impacts if the rate of return on equity were to  
8 increase by 1%.

Impacts of 1% Increase in Equity Return	
Description	Impact
Labrador-Island Transmission Link project costs at in-service, due to higher financing costs during construction	\$21 million increase
Total Cumulative Present Worth (\$2010) of the Interconnected Island alternative, for the period 2010 to 2067	\$556 million increase
2017 estimated retail rate impact	4% increase

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11 Please note that a change in the cost of equity does not affect the project costs for  
12 the Muskrat Falls generating facility. That project component is not financed on a  
13 regulated basis and the cost of equity financing is not capitalized.