

1 Q. Consumer Question: Is any interest during construction cost provided for in the cost  
2 projections for the Muskrat project?

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5 A. Applicable interest during construction (IDC) is included in all in-service capital costs  
6 associated with both the Isolated Island and Interconnected Island alternatives.

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8 For all regulated assets, including the Labrador-Island Transmission Link, there is an  
9 Allowance for Funds Used During Construction (AFUDC) which includes costs for  
10 both the debt and equity used during the construction period based on the  
11 weighted cost of capital (WACC). The WACC is determined by the capital structure  
12 assumed (i.e. 75-25 debt equity) and the cost of debt and equity (i.e. 7.4% and 10%  
13 respectively).

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15 The analysis for the Muskrat Falls generating facility is based on 100% equity with  
16 no debt. Since IDC only accrues against debt, no IDC is applicable.