Q. Further to Exhibit 101, p. 25 referred to in PUB-Nalcor 106, what are the estimated average energy costs in 2010 $/MWh, at the busbar, for each of the Muskrat Falls and the Gull Island developments.

A. Exhibit 101, page 25 states:

"*As the Island requirements represent a much lower proportion of the Gull Island output and in the absence of confirmed export transmission via Quebec or new, large industrial load in Labrador, the financial returns for the Gull Island project selling only to the Island would be unacceptably low and the project would likely not be supported in capital markets. In order to provide the same rate of return as projected for the Muskrat Falls project in the DG2 decision, the purchase price for power from Gull Island would have to be approximately 60 percent higher than power from Muskrat Falls.*"

Based on sales to the Island only, the busbar price for Muskrat Falls that returns an 8.4% internal rate of return is approximately $76 /MWh (2010$) escalating at 2% per year (see MHI-Nalcor 58 (h)).

Using the above methodology, the busbar price for Gull Island that returns an 8.4% internal rate of return selling only to the Island is approximately $122 /MWh (2010$) escalating at 2% per year.