

1 Q. The response to PUB-Nalcor-3 did not answer the question. As previously
2 requested, identify and describe each major cost category for the Total Capex for
3 the Isolated Island Scenario that is included within the estimate of \$3.2 billion
4 shown on Slide 18 of the July 18, 2011 Presentation by Nalcor and the Capex de-
5 escalated to 2010 of \$8.074 billion and the CPW of revenue requirements of
6 \$12,272,000 (sic) shown on Slide 19. The answer should clearly reconcile the
7 numbers on Slides 18 and 19.

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10 A. Exhibit - 111 provides the detailed reconciliation of the Isolated Island capital costs
11 for the referenced Slides 18 and 19 from the July 18, 2011 presentation.

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13 The value of \$3.2 billion is a subset of Strategist generation expansion capital costs,
14 covering new generation costs for the period up to and including the replacement
15 of the existing thermal facilities at Holyrood. In the original presentation slide, this
16 value of \$3.2 billion excluded Holyrood upgrade capital. The projects included in
17 the \$3.2 billion are identified with a reference to footnote 3 on the attached Exhibit
18 - 111.

19

20 The total identified capital requirement for the period 2010 to 2067 is comprised of
21 generation expansion capital costs, sustaining capital¹, and capital costs for a new
22 transmission line and upgrades from Bay d’Espoir to Western Avalon². When
23 expressed in 2010\$ constant dollars to remove the effects of general inflation, the
24 total capital for the planning period is \$8,074 million as shown on Slide 19 of the

¹ Sustaining capital refers to NL Hydro’s underlying annual capital budget requirement for ongoing and regular support of power system operations.

² Sustaining capital and transmission line and upgrade capital costs are the same for both the Isolated Island and Interconnected Island generation expansion alternatives.

July 18, 2011 presentation. The calculation of this amount is shown on Line 6 of Exhibit - 111.

Slide 19 from the July 18, 2001 also referenced a cumulative present worth (CPW) of the revenue requirement as \$12,272 million. This revenue requirement includes the Strategist generation expansion capital and operating costs, which have a CPW of \$8,810 million, plus the operating costs and sustaining capital requirements for the existing rate base. Details of these two CPWs broken out by major cost category are as follows:

Isolated Island Alternative
Cumulative Present Worth (2010 \$ millions)

Cost Category	Strategist	Revenue Requirement
O&M	634 ⁽¹⁾	1,608
Fuel	6,049	6,092
Power Purchase Costs - Existing	743	743
Power Purchase Costs - Muskrat Falls	0	0
Depreciation	553	1,247
Return on Rate Base	831	2,582
Total	<u>8,810</u>	<u>12,272</u>

(1) O&M as per MHI-Nalcor-1 includes insurance.