

Nalcor Energy Response to Grant Thornton Question 8.10**Question:**

Reference NAL0019237: 'Island Energy Supply and Lower Churchill Option Evaluation and Recommendation' Slide 25 'Option: Imports from/via HQ':

- It is noted that CPW of revenue requirement was \$11,559 - was there a CPW analysis completed? If so, please provide the CPW analysis along with support for assumptions used.*
- Was this CPW analysis updated during DG3?*
- What negotiations were held with HQ or other parties related to import or electricity?*

Response:

As noted on page 12 of NAL0019237, five alternatives were considered and evaluated to meet the Province's energy requirements. One of these five alternatives was Imports via Hydro Quebec. Each option was evaluated against set criteria.

The Island Energy Supply and Lower Churchill – Option Evaluation and Recommendation presentation prepared for DG2 presented an evaluation of Lower Churchill – Muskrat Falls as a preferred means of meeting the electricity needs of the island, compared to other available options. Slides 24-26 of that presentation outline that the HQ import option is inferior to LCP Muskrat, and may be infeasible for several reasons as noted on slide 26. This alternative did not progress past Phase 1 screening and therefore did not require full CPW analysis (refer to Nalcor's Submission to the Board of Commissioners of Public Utilities with respect to the Reference Question from the Lieutenant-Governor in Council on the Muskrat Falls Project, NAL0019256, section 4.2.14).

The "CPW of revenue requirement: \$11,559" on Slide 25 is derived from the attached spreadsheet: "OutputComparison.PLF10Init.Base.Oct27v2.xls", explained as follows :

Within the file noted the CPWs requested are located on the "SummaryAll" tab in cells C22 and C23 respectively. These amounts are linked to cells BI9 and BL9 in the "Detail Isl \$MWh" tab where the CPW of the annual revenue requirements of each option are found. The details for each annual revenue requirement are brought into this tab via an H Lookup formula which draws the information from the "Data" tab. Note that within the "Data" tab, the specific cases for the HQ Import Option and the NEISO Import Option can be found on rows 257 and 276 respectively. The information in the "Data" tab is the result of model runs and the file location is noted in cells B265 and B284 respectively.

CA-KPL-32 (NAL0194660) provides information on why Nalcor did not enter into discussions with Hydro-Quebec for long term electricity supply.

Relevant Documents:

- Nalcor's Submission to the Board of Commissioners of Public Utilities with respect to the Reference Question from the Lieutenant-Governor in Council on the Muskrat Falls Project, November 10, 2011 (NAL0019256), Executive Summary and Sections 4.0; 4.2.13.
- CA-KPL-Nalcor-32 (NAL0194660)
- MHI-Nalcor-3 (NAL0194661)
- OutputComparison.PLF10Init.Base.Oct27v2.xls

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