

1 Q. Please provide a forecast of all equity returns the Nalcor Group of Companies  
2 forecasts will be paid to each of Nalcor and the Province of Newfoundland and  
3 Labrador each year under the current contractual agreements related to the  
4 Muskrat Falls Project. In the response explain the rationale or basis for the forecast  
5 and the assumptions used for the forecast.

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8 A. Based on Nalcor's forecast prepared in October 2018, the dividends that Nalcor and  
9 the Province are expected to receive from the Muskrat Falls Project (MFP) are  
10 provided in Table 1 below.

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12 Equity returns are comprised of the return on and return of invested capital and  
13 refer to the dividends to be paid out to Nalcor and the Province over the term of  
14 the Power Purchase Agreement (PPA) and Transmission Funding Agreement (TFA).  
15 The information provided in Table 1 is based on Nalcor's interpretation of the  
16 various MFP agreements listed in Nalcor's responses to PUB-Nalcor-016 through  
17 PUB-Nalcor-019.

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19 Some of the major assumptions underpinning Nalcor's October 2018 forecast  
20 include:

- 21 - MFP costs are aligned to the June 2017 Authorization for Expenditure reflecting  
22 a facilities cost of \$10.1B and an expected in-service date of September 2020  
23 with an estimated 50 year service life;
- 24 - The Muskrat Falls (MF) and Labrador Transmission Assets (LTA) cost recovery  
25 methodology is based on an escalating supply price with a Project Internal Rate  
26 of Return of 8.4%. The Labrador-Island Link (LIL) assets are based on a cost of  
27 service methodology with the Return on Equity set at the level approved by the

- 1 Board for privately-owned regulated electrical utilities in the province, which is  
2 currently 8.5%;
- 3 - MFP Operating and Maintenance costs are as of the August 2018 forecast;
  - 4 - Interest During Construction and Allowance of Funds Used During Construction  
5 are forecast to be expensed starting in Q4 2018 for the LTA and Q1 2020 for the  
6 LIL;
  - 7 - All costs, expenditures and payments by Hydro related to the use of the LTA and  
8 LIL prior to full in-service are assumed to be placed in a deferral account with  
9 recovery from ratepayers over the term of the PPA/TFA commencing at the  
10 Muskrat Falls in-service date;
  - 11 - Energy provided to Hydro is based on the entitlement outlined in Schedule 2 of  
12 the PPA, with the amount for 2020 prorated to align to the in-service date; and
  - 13 - The dividend forecast provided in Table 1 does not include any potential  
14 dividends that may arise from the sale of MF energy in excess of existing  
15 contractual commitments.

**Table 1:**

**Dividends (Equity required) to Nalcor and the Province (\$millions)**

	2020 <sup>1</sup>	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
LiL	336.2	62.3	61.6	60.9	60.3	59.5	58.8	58.0	57.4	56.6	55.9	55.1	54.5	55.3	63.5	54.5	53.6	52.5	51.5	50.4
MF	102.9	28.1	47.3	65.0	87.8	111.3	130.7	150.8	171.5	201.3	309.2	256.4	280.5	305.2	330.8	357.0	384.0	396.6	421.7	451.1
LTA	(61.6)	0.1	-	-	6.4	11.6	14.8	18.2	21.7	27.2	49.0	35.5	39.5	43.7	48.0	52.3	56.9	58.4	62.6	67.5
LCP	377.6	90.4	109.0	125.9	154.5	182.4	204.3	227.0	250.6	285.1	414.1	347.0	374.5	404.3	442.2	463.8	494.5	507.5	535.8	569.1

*Amounts may not add due to rounding.*

1. The dividends provided for 2020 include the forecast COREA refund and NLDA true-up with Emera following MF full commissioning.