Q. **Reference: Volume 1, table 4-3, page 4.6 and page 4.7**

Hydro provides (table 4-3) a table which summarizes the sub-components of the Muskrat Falls Supply Costs from 2024 Actual to the 2027 Test Year - with the Base Block Capital Costs Recovery representing approximately 69% ($216.1 M/$315.3 M) of the total Muskrat Falls PPA supply costs for the 2027 Test Year. Hydro states (lines 2 to 4 of page 4.7) “The Base Block Capital Costs Recovery is based on the volume of energy delivered and ensures all costs related to the development of Muskrat Falls Hydroelectric Generating facility are recovered over the term of the Muskrat Falls PPA.”

a) Provide the calculations of the Base Block Capital Costs Recovery that were used to derive the amounts for 2024 Actual to the 2027 Test Year in table 4-3.

b) Extend table 4-3 to include 2028 Forecast to 2030 Forecast and provide the calculations of the Base Block Capital Cost Recovery to derive the forecast amounts.

A. **a)** The calculation of the Base Block Capital Cost Recovery for 2024–2027 is presented in Table 1.

Table 1: Base Block Capital Cost Recovery 2024–2027

	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year
Muskrat Falls Supply Price ($/GWh)	87,896.49	89,654.42	91,447.51	93,276.46
GWh for Operating Year	2,024	2,132	2,241	2,317
Base Block Capital Cost Recovery ($ Millions)	177.9	191.1	204.9	216.1

The Muskrat Falls Supply Price is a derived price that allows for an 8.4% rate of return on equity used to fund the development costs of the Muskrat Falls Hydroelectric Generating Facility (“Muskrat Falls Plant”) up to the original budget at sanction, and a 3.0% rate of return on equity used to fund development costs of the Muskrat Falls Plant in excess of the original budget.

The GWh used to calculate the Base Block Capital Cost Recovery is the Base Block Energy from Schedule 2 of the Muskrat Falls Power Purchase Agreement (“PPA”).

b) Table 4-3 extended to include the 2028–2030 forecast is presented in Table 2.

Table 2: Muskrat Falls PPA Supply Costs 2024–2030 ($ Millions)[1]

	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year	2028 Forecast	2029 Forecast	2030 Forecast
Base Block Capital Cost Recovery	**177.9**	**191.1**	**204.9**	**216.1**	**227.6**	**239.6**	**254.6**
Other Costs							
Operating Costs	26.8	26.5	24.6	21.7	23.2	23.8	24.4
Impact and Benefit Agreement	5.9	43.3	13.9	14.2	14.8	15.0	15.3
Water Power Rental	15.5	13.9	16.1	16.4	16.9	17.2	17.6
Other	(1.1)	(3.7)	0.7	0.7	0.7	0.7	0.7
Muskrat Falls Sustaining Capital Costs	0.3	2.0	3.7	5.4	1.0	1.5	4.6
LTA[2] Payments	48.0	45.0	59.7	49.4	51.4	52.2	54.5
Total Other Costs	**95.4**	**127.0**	**118.7**	**107.8**	**108.0**	**110.4**	**117.2**
Muskrat Falls PPA Power Purchases per Agreement	**273.3**	**318.1**	**323.6**	**323.9**	**335.6**	**350.0**	**371.8**
Muskrat Falls PPA Sustaining Capital Deferral	(10.8)	(6.3)	(18.9)	(8.6)	(3.8)	(2.7)	(5.4)
Total Muskrat Falls PPA Supply Costs	**262.5**	**311.8**	**304.7**	**315.3**	**331.8**	**347.3**	**366.4**

The calculation of the Base Block Capital Cost Recovery for 2028–2030 is presented in Table 3.

Table 3: Base Block Capital Cost Recovery for 2028–2030

	2028 Forecast	2029 Forecast	2030 Forecast
Muskrat Falls Supply Price ($/GWh)	95,142.0	97,044.8	98,985.7
GWh for Operating Year	2,392	2,468	2,544
Base Block Capital Cost Recovery ($ Millions)	227.6	239.5	251.8
Base Block Capital Cost Recovery Adjustment Interest ($ Millions)[3]	0.0	0.1	2.8
Total Base Block Capital Cost Recovery ($ Millions)	**227.6**	**239.6**	**254.6**

[1] Numbers may not add due to rounding.
[2] Labrador Transmission Assets (“LTA”).
[3] The Base Block Capital Cost Recovery Adjustment is an adjustment applied monthly, as required, to allow Muskrat Falls to meet its debt servicing obligations for that month. The Base Block Capital Cost Recovery Adjustment accrues interest at a rate equal to Newfoundland and Labrador Hydro’s (“Hydro”) prevailing regulated weighted average cost of capital. The Base Block Capital Cost Recovery Adjustment is recorded as a related party receivable by Hydro and is not included as part of Hydro’s Muskrat Falls supply costs. Muskrat Falls will reimburse Hydro for the Base Block Capital Cost Recovery Adjustment as funds are available.