Q. **Reference: Application, Volume 1, page 4.1**

Hydro states (lines 8 to 11) "*Government's rate mitigation plan effectively mitigates approximately 39% of Hydro's overall costs…This provides rate predictability up to 2030…these costs are outside of the Board's jurisdiction for review or prudence assessment…Hydro is providing this information in the interest of transparency and accountability, to ensure stakeholders and customers have the opportunity to consider all material costs reflected in Hydro's cost of providing service.*"

a) Confirm (or otherwise explain) that approximately 60% of Hydro's 2027 Test Year regulated revenue requirement ($780 million of Muskrat Falls Supply Costs/unmitigated revenue requirement of $1.3 billion) is under the control of Hydro's Board of Directors and not subject to the Board's disallowance, reduction or regulatory adjustment.

b) Explain what Hydro means by stating that stakeholders and customers will have the opportunity to *"consider"* the Muskrat Falls supply costs in this proceeding.

A. **a)** Pursuant to Order in Council OC2013-343 clause 1) a) to c), as discussed in Newfoundland and Labrador Hydro's ("Hydro") response to part a) of CA-NLH-037 of this proceeding, the entirety of the 2027 Test Year Muskrat Falls supply cost is to be included as costs, expenses or allowances, without disallowance, reduction or alteration of those amounts through any processes under the *Electrical Power Control Act, 1994* or the *Public Utilities Act*. The costs are to be included in Hydro's cost of service calculation and recovered in full by Hydro in Island interconnected rates charged to the appropriate classes of ratepayers. These costs, expenses and allowances are not to be subject to subsequent review, disallowance, reduction, or alteration. The costs are those paid by Hydro to a Labrador-Island Link ("LIL") party, a system operator for LIL-related services, or to the Muskrat Falls Corporation pursuant to agreements or arrangements to which the Muskrat Falls Project Exemption Order applies. Hydro and its Board of Directors are bound by the terms of those agreements and arrangements.

b) As Hydro noted in its 2026 General Rate Application, Hydro has provided the information regarding the Muskrat Falls supply costs to allow the Board of Commissioners of Public Utilities, intervenors, and the public to have a comprehensive and transparent understanding of Hydro's costs of providing service. The inclusion of the Muskrat Falls supply costs allows parties to review and understand the magnitude and nature of these costs, how they are reflected in Hydro's revenue requirement and allocated through cost of service, and the extent to which those costs are offset through the Government of Newfoundland and Labrador's rate mitigation plan. In this context, Hydro's reference to stakeholders and customers having the opportunity to "consider" these costs means that parties are able to review and understand their impact on customer rates and Hydro's overall cost of service, notwithstanding that the costs are not subject to subsequent review, disallowance, reduction, or alteration.