Q. **Reference: Volume 1, page 127; OC2013-343**

Confirm whether the exemption of Muskrat Falls Project costs from Board disallowance or reduction under OC2013-343 and related instruments reduces Hydro's cost-recovery risk, for the exempted cost categories, relative to costs that remain subject to ordinary prudence review. Provide a direct confirmation or denial; if Hydro disputes that the exemption reduces cost-recovery risk for the exempted categories, explain the basis for that position.

A. Relative to costs subject to prudence review in the ordinary course of a rate application, the exemption of specified Muskrat Falls Project costs from disallowance, reduction, or alteration by the Board of Commissioners of Public Utilities does reduce regulatory cost-recovery risk for those exempted cost categories. However, Newfoundland and Labrador Hydro ("Hydro") further notes that pursuant to Order in Council OC2024-062, Hydro is directed by Government of Newfoundland and Labrador to structure any rate application to target a 2.25% per year rate increase for domestic Island customers with any additional funding required to mitigate Muskrat Falls Project costs to be through Hydro's own sources.