

1 Q. **Reference: PUB-NLH-098, Attachments 1–2; NP-NLH-075 through NP-NLH-077; CA-NLH-063;**
2 **CA-NLH-083(b)–(c); CA-NLH-264 above**

3 a) Reproduce the \$115.1 million Muskrat Falls working-capital allowance included in rate
4 base, including component payment dates, the 36-day mitigation lag, 44.5-day revenue
5 lag and HST adjustment. Identify the receipts that fund the \$806 million of expenses and
6 explain why approximately \$585 million is used as the revenue-weighting base.
7 Reconcile receipts excluded from that base and Churchill Falls purchases with the other
8 working-capital calculations and customer-class allocations.

9 b) Recalculate the allowance and annual return using: (i) filed lead/lag timing; (ii) the latest
10 expected cash receipt and payment dates; and (iii) unchanged annual mitigation
11 allocated proportionately to the dates of the corresponding supply payments. State the
12 assumptions and explain any implementation objections separately.

13 c) Reconcile the amounts and periods financed through this allowance, the SCVDA and
14 other working-capital recovery. Identify any overlap and show the exclusions or offsets
15 that prevent duplicate recovery.

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18 A. a) Please refer to PUB-NLH-098, Attachment 1, which provides the detailed calculation of the
19 \$115.1 million Muskrat Falls working-capital allowance, including the component payment
20 timing, mitigation receipt lag, customer revenue lag and HST adjustment. For clarity, the
21 attachment explains the composition of the approximately \$585 million revenue-weighting
22 base, and reconciles the receipts excluded from that base, Churchill Falls purchases, the
23 other working-capital calculation and the applicable customer-class allocations.

24 In addition, please refer to CA-NLH-264, Attachment 1 for a further detailed breakdown of
25 the \$806 million expenses.

26 b) There are no changes to the working capital filed.

1 The timing of rate mitigation funding in 2027 is not known with certainty at this time. For
2 purposes of the 2027 Test Year working capital calculation, the timing of rate mitigation
3 funding was assumed to be received monthly and the timing to be consistent with the
4 timing of utility revenue received. Historically, the majority of rate mitigation funding has
5 been received in the following year based on the ending balance in the Supply Cost Variance
6 Deferral Account ("SCVDA") for the preceding year. Applying this historical timing to the
7 working capital calculation would materially increase the lead/lag period and, consequently,
8 increase average rate base and Newfoundland and Labrador Hydro's revenue requirement.

- 9 c) No overlap exists between the working capital allowance and the SCVDA. The working
10 capital allowance reflects the financing requirement associated with the timing of test year
11 cash payments and receipts. The SCVDA captures variances between actual amounts and
12 those reflected in the test year. Accordingly, amounts captured through the SCVDA are not
13 also reflected in the working capital allowance.