

1 Q. **Reference: Response to CA-NLH-198, part b**

2 Further to CA-NLH-198(b), please explain whether the proposed Long-Term SCVDA, effective
3 January 1, 2027, records (i) the full net amount of Muskrat Falls supply costs less associated rate
4 mitigation, (ii) variances between actual and test-year forecast costs and mitigation, or (iii) both.
5 Identify any other supply-cost or revenue variances captured by the account.

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8 A. The proposed definition of the Long-Term Supply Cost Variance Deferral Account is included in
9 Exhibit 10 of Newfoundland and Labrador Hydro's 2026 General Rate Application. With respect
10 to Muskrat Falls Supply Costs and rate mitigation, the account includes:

11 **Muskrat Falls Project ("Project") Cost Variances**

12 The Project Cost Variances will reflect the variance from test year costs for the Muskrat Falls
13 Purchase Power Agreement ("PPA") and the Transmission Funding Agreement ("TFA"). Project
14 Cost Variances will be calculated monthly based on the following formula:

$$(A - AT) + (B - BT)$$

16 Where:

17 A = Actual Purchased Power Expense from Muskrat Falls PPA Charges;

18 AT = Test Year Purchased Power Expense from Muskrat Falls PPA Charges;

19 B = Actual Purchased Power Expense from TFA Charges; and

20 BT = Test Year Purchased Power Expense from TFA Charges.

Rate Mitigation Fund Variances

The Rate Mitigation Fund Variance will be calculated monthly based on the following formula:

$$(RT - R)$$

Where:

RT = Test Year Rate Mitigation (\$); and

R = Actual Rate Mitigation (\$).

Therefore, the account captures variances between 2027 Test Year Muskrat Falls Supply Costs and actual Muskrat Falls Supply Costs incurred. The account also captures variances between the 2027 Test Year rate mitigation funding and actual rate mitigation funding received.

Other supply costs and revenue variances captured by the account are outlined in the account definition in Exhibit 10.