Q. **Reference: Volume I, Section 3.1.1, Chart 3-1, Issue Topic: Operating Efficiencies**

Please revise Chart 3-1 to show operating costs gross of deferred costs to the General Expenses Capitalized Deferral Account and productivity allowances.

A. As stated in Newfoundland and Labrador Hydro's ("Hydro") response to NP-NLH-036 of this proceeding, the productivity allowances reflected in 2026 and the 2027 Test Year form an integral part of Hydro's operating cost forecast. The forecast presented by Hydro represents its best estimate of the costs required to operate the system safely and reliably while also incorporating anticipated productivity improvements and cost efficiencies. Presenting the forecast gross of the productivity allowance would therefore produce a hypothetical scenario that Hydro does not consider representative of its expected operating costs.

The appropriate comparison is therefore between Hydro's actual historical costs and the operating cost forecast as filed, which already reflects Hydro's commitment to achieve productivity savings and deliver the benefits of those efficiencies to customers.

Please refer to Hydro's response to NP-NLH-046 of this proceeding for a revised Chart 3-1 showing operating costs gross of deferred costs to the General Expenses Capitalized Deferral Account.