Q. **Reference: Volume I, Section 5.3.2, Issue Topic: Working Capital Allowance Methodology**

Please provide an analysis for the 2027 test year which has rate mitigation funding receipts occurring on the same day as the power purchases associated with the Muskrat Falls and transmission agreements. What would the Working Capital Allowance – Muskrat Falls Related component of average rate base be for the 2027 test year under this scenario?

A. Under the Muskrat Falls Power Purchase Agreement ("PPA") and Transmission Funding Agreement ("TFA"), Newfoundland and Labrador Hydro is required to make payments on the first day of the month to which the service relates. The current rate mitigation framework is not based on matching rate mitigation funding receipts to individual Muskrat Falls power purchase payments. Rather, rate mitigation funding is applied through the Supply Cost Variance Deferral Account ("SCVDA") framework to offset costs otherwise recoverable from customers.

If rate mitigation funding receipts were assumed to occur on the same day as the related Muskrat Falls PPA and TFA payments, the funding would be received before the associated costs were recorded in the SCVDA. This would not be consistent with the operation of the current rate mitigation framework and therefore does not represent the basis used in determining the 2027 Test Year Working Capital Allowance–Muskrat Falls Related component.