Q. **Reference: Volume I, pages 4.8, 4.11 and 4.14, Muskrat Falls Project Operating and Sustaining Capital Costs**

Hydro states that operating costs and sustaining capital costs associated with the Muskrat Falls Hydroelectric Generating Facility, the Labrador Transmission Assets and the Transmission Funding Agreement are budgeted by Hydro with the same level of prudence and scrutiny as the regulated operating and capital costs.

a) Explain the budgeting and approval process for the operating and sustaining capital costs, including the role of Hydro Regulated in the process.

b) Were there any changes in the budgeting and approval process as a result of the amalgamation? Explain.

c) Is there a productivity allowance included in the Muskrat Falls Project operating costs? If so, how much? If not, explain why this would not be considered in the budgeting process.

A. **a)** Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-010 and CA-NLH-049 of this proceeding for the budgeting and approval process related to operating costs and sustaining capital. Costs related to the Muskrat Falls Hydroelectric Generating Facility, the Labrador Transmission Assets and the Labrador-Island Link follow the same budgeting and approval processes as Hydro with additional opportunities of review provided to the Joint Operations Committees, the Collateral Agent and the Government of Canada.

b) No, there were no changes in Hydro's budgeting and approval process as a result of the legal amalgamation of Nalcor Energy and Hydro on January 1, 2025.

c) As part of our budget process, Hydro has included productivity savings of $2.7 million in the Muskrat Falls Project operating costs.