

1 Q. **Reference: Supplemental Material, page 8, Table 4-1**

2 Provide an explanation for the decrease in the 2025 Actual Muskrat Falls PPA costs in
3 comparison to the 2025 Forecast. Would the reason for this decrease have any impact on the
4 costs forecast for 2026 and the 2027 Test Year?

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7 A. The actual Muskrat Falls Power Purchase Agreement costs per Table 4-3 of Newfoundland and
8 Labrador Hydro's ("Hydro") 2026 General Rate Application – Supplemental Material filing were
9 \$318.1 million, \$4.9 million lower compared to the 2025 Forecast of \$323.0 million, primarily
10 due to a \$2.4 million decrease in Muskrat Falls sustaining capital costs and a \$1.9 million
11 decrease in operating costs. The decrease in sustaining capital costs was a result of the timing of
12 spend, as two capital projects (Lintel Beam repairs and the purchase of a boom truck) were
13 delayed to 2026. The decrease in operating costs was due to the timing of spend and savings in
14 environmental contract costs.

15 The 2026 Forecast and 2027 Forecast were prepared earlier than the 2025 Forecast. Costs
16 originally forecasted to occur in 2025 that were subsequently delayed to 2026 will increase what
17 the 2026 actual costs will be.

18 The Lintel Beam repairs and the purchase of the boom truck are forecasted to be complete in
19 2026; therefore, this delay will have no impact on 2027. Any impact to 2027 operating costs in
20 relation to the professional services savings identified is immaterial.

21 Muskrat Falls Corporation charges Hydro based on actual costs incurred. Any variances between
22 actual Muskrat Falls supply costs and those in Hydro's 2027 Test Year are deferred in the Supply
23 Cost Variance Deferral Account.