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

Provide explanations for the $4.5 million decrease in the Muskrat Falls PPA Sustaining Capital Deferral in 2025 compared to 2024, the $12.6 million increase in 2026 Forecast, and the decrease to $8.6 million in the 2027 Test Year.

A. The Muskrat Falls Power Purchase Agreement (“PPA”) Sustaining Capital Deferral (“Deferral”) is comprised of the funding required for Sustaining Capital in relation to the Muskrat Falls and Labrador Transmission Assets. Funding is requested from Newfoundland and Labrador Hydro (“Hydro”) based on the forecasted timing of when the capital costs will be incurred and is adjusted to actuals at the end of each quarter. The primary reason for the variances in the Deferral year over year is due to the timing of funding required for a multi-year capital project to install two 330 kV line reactors connected to the transmission lines at the Muskrat Falls Terminal Station, which are assets owed by Labrador Transmission Corporation (“LTC”) (“LTC Shunt Reactors”).

Please refer to Table 1 for a breakdown of the Deferral account.

Table 1: Breakdown of Deferral Account ($ Millions)

	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year	2025 Actual vs 2024 Actual	2026 Forecast vs 2025 Actual	2027 Test Year vs 2026 Forecast
Muskrat Falls PPA Sustaining Capital Deferral							
Muskrat Sustaining Capital	(0.3)	(2.0)	(3.7)	(5.4)	(1.7)	(1.7)	(1.7)
LTC Sustaining Capital	(10.5)	(4.3)	(15.3)	(3.2)	6.2	(11.0)	12.0
	(10.8)	**(6.3)**	**(18.9)**	**(8.6)**	**4.5**	**(12.6)**	**10.3**
LTC Sustaining Capital							
Line Reactors	(9.0)	(2.2)	(12.4)	-	6.8	(10.1)	12.4
Other	(1.5)	(2.1)	(2.9)	(3.2)	(0.6)	(0.8)	(0.3)
	(10.5)	(4.3)	(15.3)	(3.2)	6.2	(11.0)	12.0
LTC Other Capital							
315 kV Right-of-Way Vegetation Clearing and Access Trail Improvements	(0.8)	(1.9)	(1.8)	(2.2)	(1.1)	0.1	(0.4)
General Contingency	-		(0.6)	(0.6)	-	(0.6)	(0.0)
Other	(0.7)	(0.2)	(0.5)	(0.4)	0.5	(0.3)	0.1
	(1.5)	(2.1)	(2.9)	(3.2)	(0.6)	(0.8)	(0.3)

Of the $4.5 million decrease in the Deferral for 2025 compared to 2024, $6.8 million related to the LTC Shunt Reactors. In 2024, $9.0 million in funding was requested from Hydro for the LTC Shunt Reactors project, compared to $2.2 million in 2025.

Of the $12.6 million increase in the Deferral for 2026 compared to 2025, $10.1 million related to the LTC Shunt Reactors. For 2026, $12.4 million in funding is forecasted to be required from Hydro related to the LTC Shunt Reactors project, compared to $2.2 million in 2025.

The LTC Shunt Reactors capital project is forecasted to be completed in 2026; therefore, there is no funding forecasted for 2027, which is the primary reason for the decrease in the Deferral for 2027 compared to 2026.