Q. **Reference: Supplemental Material, page 9, Table 4-3**

**a)** Provide a breakdown of the components of "Operating Costs" for 2024 to the 2027 Test Year.

**b)** Provide an explanation for the significant decrease in the Impact and Benefits Agreement in 2026 Forecast and the 2027 Test Year in comparison to 2025.

**c)** Footnote 25 states that "other" is primarily related to interest earned and operational financing costs. Explain why "other" is increasing by $4.4 million in 2026 Forecast and 2027 Test Year in comparison to 2025.

A. **a)** A breakdown of the components of "Operating Costs" for 2024–2027 is provided in Table 1.

**Table 1: Muskrat Falls Operating Costs ($ Millions)[1]**

| Description | 2024 Actual | 2025 Actual | 2026 Forecast | 2027 Test Year |
|---|---|---|---|---|
| Labour Recharge | 6.2 | 6.7 | 7.9 | 8.0 |
| Overtime Recharge | 0.7 | 1.4 | 0.6 | 0.6 |
| Software Licenses, Memberships and Subscriptions | 0.0 | 0.0 | 0.1 | 0.1 |
| System Equipment Maintenance | 9.8 | 8.1 | 5.7 | 3.6 |
| Professional Services | 3.6 | 4.3 | 3.3 | 3.2 |
| Insurance | 2.9 | 2.5 | 2.6 | 2.5 |
| Equipment Rentals | 0.2 | 0.1 | 0.0 | 0.0 |
| Utilities | 0.1 | 0.2 | 0.1 | 0.1 |
| Travel | 0.4 | 0.4 | 0.3 | 0.3 |
| Transportation | 0.7 | 0.5 | 0.9 | 0.9 |
| Training | 0.2 | 0.2 | 0.2 | 0.2 |
| Advertising, Donations and Community Involvement | 0.0 | (0.1) | 0.0 | 0.0 |
| Building Rental and Maintenance | 0.3 | 0.1 | 0.2 | 0.2 |
| **Total Gross Operating Costs** | **25.2** | **24.5** | **21.8** | **19.7** |
| | | | | |
| Cost Recoveries | 1.6 | 2.0 | 2.9 | 2.0 |
| **Total Net Operating Costs** | **26.8** | **26.5** | **24.6** | **21.8** |

[1] Numbers may not add due to rounding.

**b)** The $29.4 million decrease in costs relating to the Impact and Benefits Agreement ("IBA") from 2025 to 2026 relates to an adjustment paid by Newfoundland and Labrador Hydro ("Hydro") to Muskrat Falls in 2025 due to the IBA Amending Agreement signed in October 2024. The IBA Amending Agreement committed to an annual IBA payment to Innu Nation of $12 million, indexed annually at the Consumer Price Index ("CPI"), and was retroactive, causing the 2024 IBA payment to increase. The change between the 2026 Forecast and the 2027 Test Year is in relation to the forecasted annual increase in CPI.

**c)** While "Other" costs in 2024, 2026 and 2027 Test Year primarily relate to interest earned and operational financing costs, 2025 also included a one-time recovery for insurance proceeds of approximately $2.8 million. The remaining variance consists of approximately $1.4 million in interest earned on the Muskrat Falls operating bank account and a small variance of approximately $0.2 million for operational financing costs. Hydro has not forecasted any interest earned on the operating bank account for the 2026 Forecast or 2027 Test Year.