

1 Q. **Reference: Supply Cost Accounting Application, Appendix A, page 1 of 7.**

2 Please clarify what is included in Items A and B. For example, does the definitions include  
3 operating and maintenance costs and sustaining capital amounts?

4

5

6 A. In Newfoundland and Labrador Hydro's ("Hydro") proposed Supply Cost Variance Deferral  
7 Account Definition, Section A, 1.0, Items A and B are defined as "Actual Purchased Power  
8 Expense from Muskrat Falls PPA Charges" and "Actual Purchased Power Expense from TFA  
9 Charges", respectively.

10 For Item A, in accordance with the Muskrat Falls Power Purchase Agreement ("Muskrat Falls  
11 PPA"), actual charges will include:

- 12 i. Base Block Capital Cost Recovery;
- 13 ii. Operating Costs;
- 14 iii. Water Power Rentals; and
- 15 iv. Payments under the Impact and Benefits Agreement.

16 Hydro notes that this excludes both Sustaining Capital<sup>1</sup> and Generation Interconnection  
17 Agreement ("GIA") Payments.<sup>2</sup>

18 For Item B, Transmission Funding Agreement ("TFA") charges will include all items in the  
19 Commercial PPA (Operating Costs, Depreciation, Return on Equity and Debt, Taxes). The  
20 sustaining capital under this agreement will not be financed by Hydro but will be billed under

---

<sup>1</sup> Sustaining Capital is billed under the Commercial Agreement as part of the PPA. Hydro is proposing the Muskrat Falls PPA Sustaining Capital Deferral Account in Schedule 1, Appendix C, Page 1 of 1 to defer and treat these costs similar to Hydro's capital assets.

<sup>2</sup> GIA Payments are included in the Commercial PPA but will be treated as an affiliate loan.

1 the TFA through its monthly bill payments to include depreciation and financing costs. Cost  
2 included in the monthly PPA for the recovery of sustaining capital will be included in the deferral  
3 account.