

1 Q. **Reference: Sustaining Capital Deferral Account**

2 On page 32, lines 2-4 Hydro is proposing to defer the monthly payments relating to sustaining
3 capital costs and include a monthly interest charge for interest incurred during construction in
4 the proposed Sustaining Capital Deferral Account. Is the interest incurred during construction a
5 cost in addition to the Muskrat Falls PPA payments? Would this cost be incurred if sustaining
6 capital costs were recognized consistent with the commercial terms as up-front payments?
7 Please explain.

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10 A. The interest cost incurred during construction for the capital work would be incurred regardless
11 of whether the sustaining capital costs were deferred or recognized as up-front payments as
12 Newfoundland and Labrador Hydro (“Hydro”) is incurring interest costs to finance the capital
13 additions under the Muskrat Falls Power Purchase Agreement. Hydro is proposing to defer the
14 costs to ensure the costs of long-life assets are matched with the assets’ useful life consistent
15 with the inter-generational equity.