Q. **Reference: Volume 1, page 4.4**

Hydro states (lines 4 to 7) "At the end of each year, Hydro may either defer the resulting NLH Deferred Energy for future use or monetize all or a portion of it at the Annual Average Sales Price. The Annual Average Sales Price reflects the net proceeds from Muskrat Falls energy and capacity sales to external markets during the year." Summarize the calculations of monetized energy and Annual Average Sales Price from the Muskrat Falls PPA.

A. As described in Volume I, Chapter 4.2.1 of the 2026 General Rate Application, when Newfoundland and Labrador Hydro's ("Hydro") required deliveries of Base Block Energy are less than its entitlement as outlined in Schedule 2 of the Muskrat Falls Power Purchase Agreement ("PPA"), the unused portion becomes NLH Deferred Energy.

The annual NLH Deferred Energy balance is calculated as:

> Opening NLH Deferred Energy balance + Annual Base Block Energy Entitlement + Annual Supplemental Energy Entitlement - Muskrat Falls Energy Delivered to Hydro = Closing NLH Deferred Energy Balance.

At the end of each calendar year, Hydro may elect to carry forward all or a portion of the resulting NLH Deferred Energy Balance for future use or monetize all or a portion of the balance in accordance with the Muskrat Falls PPA.

Annual Average Sales Price

Annual Average Sales Price is calculated based on the net proceeds realized from Muskrat Falls export sales to external markets during the year, divided by the total Muskrat Falls export energy delivery volume associated with those sales:

> Annual Average Sales Price ($/MWh) = Net Proceeds from Muskrat Falls export sales ($CAD) divided by Total Volume of Muskrat Falls export deliveries (MWh)

Monetization Payment

Where Hydro elects to monetize NLH Deferred Energy, the monetization payment is calculated as follows:

> Monetization payment ($CAD) = NLH Deferred Energy Balance elected for monetization (MWh) x Annual Average Sales Price ($/MWh)

The monetization payment is a contractual settlement mechanism established under the Muskrat Falls PPA and does not represent a physical delivery of energy. Rather, it provides Hydro with the value associated with previously accumulated NLH Deferred Energy based on the Annual Average Sales Price determined for the applicable year.