Q. **Reference: Exhibit 17, page 1**

Hydro states "Marginal costs have fallen to reflect the availability on the Island of incremental energy and capacity from the North American mainland instead of from the island's own peaking generation." How much capacity and energy from the North American mainland, excluding Muskrat Falls/LIL, is incorporated in Hydro's 2027 Test Year?

A. The statement in the "Pricing for a Revised Island Industrial Rate" report is incorrect. Newfoundland and Labrador Hydro's marginal cost of energy methodology is based on an opportunity cost approach, defined as the price associated with sale of electric energy within regional wholesale energy markets. The marginal cost of capacity is based on the next least-cost build on the Island Interconnected System, which includes capital costs, Operations and Maintenance, and other system costs. As of December 2025, the marginal cost it is based on is the Avalon Combustion Turbine. The marginal cost is updated annually.

Neither capacity nor energy imports from outside of Newfoundland and Labrador are forecasted in the 2027 Test Year.