Q. **Reference: CA-NLH-011**

How is Hydro's all-in marginal cost for the IIS relevant in determining Hydro's capital expenditure planes and what role did it play in developing Hydro's 2027 CBA?

A. Newfoundland and Labrador Hydro ("Hydro") has not utilized its marginal costs in the development of the 2027 Capital Budget Application. Hydro's capital plans largely consist of condition or frequency-based renewal expenditures required to maintain existing assets and maintain system reliability within Hydro's established reliability criteria.