Q. **Reference: Application, Chapter 4, Table 4-1, page 4.2**

Hydro indicates that Muskrat Falls costs included in the 2027 Test Year are $780.4 million. Rate mitigation in the 2027 Test Year is $502 million. In Hydro's opinion:

a) Does the $780.4 million cost of the Muskrat Falls assets less the rate mitigation value of $502 million reflect the value of the Muskrat Falls assets in 2027?

b) What is the value of the Muskrat Falls assets to the IIS? For example, is its value equivalent to the capacity and energy produced by the Muskrat Falls assets and delivered to the IIS multiplied by the marginal cost of capacity and energy on the IIS?

c) What is the market value of the Muskrat Falls assets?

d) Is the cost of the Muskrat Falls assets competitive with the cost of the Reference Expansion Plan?

A. **a)** No. The rate mitigation value of $502 million is based on a target rate in accordance with Government of Newfoundland and Labrador's rate mitigation plan and is not an input to the calculation of the value of the Muskrat Falls assets.

b) It is Newfoundland and Labrador Hydro's ("Hydro") opinion that the information requested is not necessary for a satisfactory understanding of the matters to be considered in the 2026 General Rate Application ("GRA") as required by the *Board of Commissioners of Public Utilities Regulations, 1996*. Pursuant to Order in Council OC2013-343, the applicable Muskrat Falls supply costs are required to be included in Hydro's cost of service and recovered without disallowance, reduction, alteration, or subsequent review. Accordingly, the value of the underlying assets has no bearing on the determination of Hydro's revenue requirement or the recovery of those costs in the 2026 GRA.

c) Please refer to Hydro's response to part b).

d) Please refer to Hydro's response to part b).