

**Question 22 (translated from French) :**

If the costs provided by HQT following a request for an exploratory study are expressed in project investment dollars, please provide the formula or factor used by HQD to convert this amount into dollars per year, which are added to the price of annual generation in order to compare the energy purchase cost assessed by HQD between two projects.

**Answer 22:**

The costs provided by HQT are first marked up by the operating costs (15% of investments), then spread out among the Distributor and Transmission Provider based on the maximum contribution to which each one is subject.

The costs are then converted into annual amounts using the method described below.

- For the portion of the costs assumed by the Transmission Provider, the determination of the annuity takes an equipment service life of 40 years into account and a real discount rate based on the prospective cost of the Transmission Provider's capital along with a fixed inflation rate.
- For the portion of the costs assumed by the Distributor, the determination of the annuity takes into account the contract term fixed at 20 years and a real discount rate based on the prospective cost of the Distributor's capital along with a fixed inflation rate.
- The prospective costs of the Transmission Provider and Distributor's capital are those recognized by the Régie de l'énergie and which are in force at the time the bids are assessed.

Finally, the unit cost (\$/MWh) is obtained from the aggregate of the two annuities, which is divided by the annual net energy (energy generated less transmission losses).