

1 Q. **Re: TRO Evidence** What is the current revenue to cost ratio on the L'Anse
2 au Loup system and what would the load need to be to achieve a one to one
3 revenue cost ratio?

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6 A. Based on the 2004 Test Year Forecast Cost of Service Study, the revenue to
7 cost ratio for the L'Anse au Loup system is 0.55. Using only energy sales to
8 determine an average unit cost for the system, and ignoring increased
9 purchased power or fuel costs, the load would need to increase from the
10 forecast 14,785 MWh to approximately 26,800 MWh. It is highly unlikely this
11 load could be achieved. The load required to achieve a one to one ratio
12 would be even higher when one considers the additional costs arising from
13 the following:

- 14 1. Secondary purchased power from Hydro Quebec currently has an
15 operational cap of 3 MW, and any customer demand beyond that
16 level would necessitate operation of the L'Anse au Loup diesel
17 plant;
- 18 2. Current generation and distribution facilities in L'Anse au Loup
19 would need to be reconfigured and upgraded to meet a load
20 increase of such magnitude.