DOMINION BOND RATING SERVICE LIMITED

AVRIL 2000

Hydro-Québec

(The rating is based on the Provincial guarantee. This report specifically analyzes the Utility.)

Current Report: August 1, 2000
Previous Report: December 1999

RATING

Rating	*Trend*	*Rating Action*	*Debt Rated*
"A"	Stable	Upgraded	Long-term Debt

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RATING HISTORY (as at Dec. 31)	*Current*	*1999*	*1998*	*1997*	*1996*	*1995*	*1994*
Long-term Debt	"A"	A (low)	A (low)	A (low)	A (low)	"A"	"A"

UPDATE

Hydro-Québec's rating is a flow-through of the rating of the Province of Québec, which unconditionally guarantees the Utility's debt. DBRS upgraded the Provincial Government's long-term debt rating in June 2000. The Utility's earnings outlook continues to improve. (1) Hydro-Québec's exports should benefit from the impact of U.S. electric industry restructuring. The newly forming U.S. regional transmission organizations should improve the Utility's ability to export power to more U.S. customers as does its FERC power marketing license. (2) Low-cost hydro-based generation and a very low cost long-term power contract for Churchill Falls power contribute to a very competitive cost structure, particularly in comparison to U.S. utilities. In addition, ample water storage capability provides the Utility with significant flexibility to export power at peak rates, thereby maximizing export revenues. (3) Hydro Québec is the largest utility in Canada based on installed generating capacity of 31,505MW, and together with a 41.2% (and an option on an additional 9%) ownership interest in Noverco Inc., the Utility is well-positioned to become one of the dominant players in the North American energy industry. However, challenges remain. (1) Consistently high debt levels have constrained profitability and contributed to weak EBIT interest coverage ratios. While financial leverage is expected to decline over the next 4 years, coverage ratios will remain below 1.5X. Other factors which may effect earning over the shorter-term include: (2) A domestic rate freeze in effect until 2002; and (3) An earnings sensitivity to water levels.

CONSIDERATIONS

Strengths:

- Debt is guaranteed by the Provincial Government
- Low cost hydro-based generation
- Water storage capacity allows for strategic energy trading and maximization of export revenues
- Churchill Falls is a very low-cost source of power
- Projected cash flow surpluses available for potential debt reduction
- Positioned to benefit from trend in energy convergence
- Open access to U.S. electricity markets

Challenges:

- High debt levels constrain profitability and contribute to consistently weak interest coverage ratios
- Domestic rates have been frozen until 2002
- Exposure to currency exchange rates: 55% of debt denominated in foreign currencies
- Earnings are sensitive to water levels
- Natural gas is a competitive threat in domestic and export markets
- Regulatory monitoring increasing – the Régie de l'énergie

FINANCIAL INFORMATION

	12 Mos.	For years ended December 31					
	Mar-00	1999	1998	1997	1996	1995	1994
EBIT Interest Coverage (times)	1.30	1.24	1.18	1.22	1.11	1.06	1.07
Net Debt in the Capital Structure	72.6%	73.5%	75.1%	74.8%	75.4%	76.2%	75.9%
Cash Flow/Total Debt (times)	0.07	0.07	0.06	0.06	0.05	0.04	0.05
Cash Flow/Capital Expenditures (times)	1.42	1.25	1.03	1.11	0.99	0.63	0.60
Operating Income ($ millions)	4,182	4,038	3,844	3,841	3,676	3,686	3,476
Net Income ($ millions)	1,082	906	679	786	520	390	667
Operating Cash Flow ($ millions)	2,958	2,779	2,343	2,357	2,039	1,699	1,896
Electricity Sales (millions of kWhs)	176,212	171,712	161,373	162,533	163,402	166,101	158,166
Electricity Revenues (¢ per kWh sold)	4.21	4.95	4.96	4.88	4.68	4.56	4.59
Variable Costs (¢ per net gen kWh sold)	-	1.24	1.24	1.16	1.09	1.17	1.32
Fixed Costs (¢ per net gen kWh sold)	-	3.86	4.22	3.96	3.83	3.70	3.43
Purchased Power (¢ per gross kWh purchased)	-	1.36	1.20	0.89	0.86	0.87	0.85
Pre-tax Margin* (¢ per kWh sold)	-	0.52	0.32	0.45	0.30	0.22	0.40

* Excludes ancillary revenues.

COMPANY Hydro-Québec, a Crown Corporation, generates, transmits and distributes electricity in the Province of Québec. The Utility has a 41% ownership interest (and an option on an additional 9%) in Noverco, which has a 77% interest in Gaz Métropolitain.

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CONSIDERATIONS

Strengths: (1) Hydro-Québec's long-term debt (excluding roughly $231 million in operating leases) is unconditionally guaranteed by the Provincial Government. As such, the rating assigned to the Utility is a flow-through rating of the Province of Québec.

(2) Generating capacity is almost entirely hydro-based, the most cost efficient form of energy generation, and contributes to one of the lowest variable cost structures in Canada.

(3) The Utility has almost unlimited water storage capacity, which provides for strategic energy trading. This allows the Utility to buy low cost power during off peak periods and sell self-generated power at higher rates during peak demand periods to maximize the export revenues. In addition, the storage capacity greatly simplifies its own peak shaving needs, since hydro generation is simple to turn on and off.

(4) Hydro-Québec has control over most of the power generated from Churchill Falls in Labrador until the year 2041, at rates equal to 0.25¢ per kWh, falling to 0.20¢ per kWh between 2016 to 2041. The Utility sells the electricity at rates equal to 4¢-5¢ per kWh, and generates income in excess of $600 million per year from this power. Hydro-Québec recently signed a winter capacity contract with Churchill Falls, which provides the Utility with additional winter capacity for $1.3 billion over 42 years.

(5) With its indirect investment in Gaz Métropolitain, the Utility is in a good position to benefit from the trend towards energy convergence.

(6) Hydro-Québec's export subsidiary obtained a FERC power marketing license in 1997, which has enhanced the Company's access to U.S. markets. In return, the Utility had to grant U.S. utilities reciprocal (wholesale) access within the province. However, Hydro-Québec did not give up very much, since: (a) It will be difficult for U.S. electric utilities to compete against its low cost hydro based energy, particularly given that electricity rates in the U.S. Northeast average US 9¢-11¢ per kWh. (b) The relatively low Canadian dollar gives Hydro-Québec a further competitive advantage over U.S. electric utilities. (c) About 3% of electricity in the province is distributed by third parties that can potentially buy from energy marketers.

(7) The Utility has been able to annually refinance about $2 billion in maturing debt at progressively lower coupons, thereby reducing interest expenses and improving profitability. Earnings should continue to benefit from this trend over the next five years given the Utility's debt maturity schedule and a weighted average coupon on Canadian dollar debt of 8.8%. Also, long-term debt is being paid down.

(8) A framework for an agreement to develop the lower Churchill River was announced in March 1998 and a revised project was presented in June 1999 which would deliver essentially the same product at a reduced capital cost. There are two phases of this expansion: (a) $0.9 billion (to be financed by Hydro-Québec) to partially divert the Romaine River to increase the energy output at Churchill Falls. This should result in energy being generated at under 3¢ per kWh (versus 5.25¢ per kWh for equivalent natural gas capacity in Québec), with minimal environmental impact. (b) About 2,200 MW at Gull Island at a cost of $3.1 billion (one-third financed by Hydro-Québec), plus about $2.5 billion (wholly financed by Hydro-Québec) in transmission lines. This power should also be developed at a price under 3¢ per kWh by 2009. In May 2000, the premiers of Québec and Newfoundland & Labrador jointly announced that the development of the project would be delayed because the current price volatility in electricity markets made it difficult to reach an agreement on a long-term price for the power generated by the new project. Hydro-Québec, however, remains committed to the future development of the project.

(9) Both provinces on either side of Québec, New Brunswick and Ontario, are having major problems with their nuclear reactors. Hydro-Québec has surplus generating capacity, and these two provinces represent potential new markets for Québec.

(10) Hydro-Québec can increase existing generation capacity by 4%+ by diverting small rivers or adding newer, more efficient generators. This can be done relatively inexpensively with attractive returns. For example, in 1999 the Utility ratified an agreement with the Innu Indian community of Betsiamites to construct a 440 MW plant on the St. Lawrence North Shore, in which the Innu will have a 17.5% equity stake and will receive 17.5% revenue from electricity sold. There is also considerably more hydro capacity in Northern Québec, which could be developed one day, provided environmental and native issues can be addressed. DBRS estimates this potential at up to 30,000-40,000 MW which is greater than Hydro-Québec's current capacity, however, not all of this capacity is currently economic.

(11) The Utility's export capability should benefit from industry restructuring in the U.S., especially given the creation of regional transmission organizations in the U.S., which will reduce transmission costs and the "pancaking" of rates.

Challenges: (1) With debt levels of about 73%, Hydro-Québec has a weak balance sheet, particularly in comparison to the 55% average typical of investor-owned utilities. Although the risk of default is offset by Provincial Government guarantees that support the Utility's debt, this has resulted in consistently weak interest coverage ratios.

(2) The Utility has experienced very low profitability over the past decade due to: (a) Consistently high debt levels, with interest costs currently equal to about 33% of total revenues. By comparison, interest costs of the private sector utilities, which have considerably stronger balance sheets, ranged between 10-15% of revenues over the same period. (b) Hydro-Québec has had to maintain very competitive electricity rates in the province in order to retain market share in light of the availability of natural gas.

(3) The Utility's interest costs and debt levels are sensitive to currency exchange rates. Of the $38.6 billion in long-term debt outstanding at December 31, 1999, $21.4 billion

(or 55%) is denominated in foreign currencies. U.S. dollar denominated debt (about 42%) is, however, largely hedged by future U.S. dollar revenues (77%), while currency swaps are used to hedge most of the remaining currency exposure.
(4) Given the hydro-based nature of generating capacity, the Utility's earnings are sensitive to water levels. The Utility must manage reservoir levels to ensure that earnings are not adversely affected by abnormally low water levels.
(5) Natural gas, which can be used to generate electricity or as an alternative form of energy, remains a competitive threat that continues to pressure electricity rates in the province. More recently, the development of Sable Island gas reserves, and the construction of the Maritimes and Northeast Pipeline (see separate report) and the Portland Natural Gas Transmission System have extended this competitive threat into export markets in the U.S. Northeast.
(6) Electric industry restructuring in North America, including deregulation, is creating uncertainty with respect to electricity rates. (a) With high fixed costs and low variable costs, electricity prices can fall sharply before generators are shut down in the industry. (b) Markets with excess generating capacity face the greatest risks if a marginal pricing strategy is adopted.
(7) Hydro-Québec's transmission and distribution operations will be subject to increased regulatory oversight.
(8) Hydro-Québec has limited interconnections, which limit export capacity. Export capacity to Ontario, which is currently particularly constrained, should increase as a 1,250 MW capacity interconnection is currently under development for 2003.
(9) The Province of Québec "equity" accounts Hydro-Québec's income, so dollar for dollar, the income generated by Hydro-Québec reduces the deficit of the Provincial Government. Given the strong motivation of the province to balance its budget, there is a strong risk that the province could become more short-term oriented with respect to its directives as they relate to Hydro-Québec.

EARNINGS

Earnings in 1999 increased to $906 million compared to $679 million the year previous, or an increase of 33.4%. The sharp improvement in earnings is largely attributable to a 6.4% increase in electricity sold, led by a 33.2% gain in exports and 2.9% growth in electricity sold within Québec. *Domestic revenues* were up 3.5% with (a) about 37% of the increase attributable to stronger demand, especially in the forestry industry, where there was an absence of strikes. (b) More seasonable temperatures compared to the relatively warm weather in 1998, accounting for 31% of the annual increase. (c) The absence of non-recurring events (i.e. the 1998 ice storm) which boosted domestic revenues by about 29%. *Export revenue* growth occurred largely in the spot/short-term segments, as the Utility took advantage of open market access to the U.S. with its comparatively low cost source of power.

Outlook: Earnings growth should continue to benefit from material strengths including: (a) Low-cost hydro-based generating capacity; (b) A long-term (until 2041), very low cost power purchase contract for Churchill Falls power, which is in turn resold at considerably higher rates. DBRS estimates that Churchill Falls' low-cost power (roughly $0.25 per kWh) contributed at least $600 million to 1999 earnings. (c) Restructuring of the U.S. electricity industry which together with its FERC marketing license is enhancing the Utility's access to export markets. However, earnings growth over the shorter term is restricted by the relatively low rates driven by a domestic rate freeze in effect until 2002.

Earnings in 1999 were largely consistent with The Utility's Strategic Plan 2000-2004 projections. The plan forecasts earnings in 2000 to hit about $950 million (1999 target was $925 million compared to actual result of $906 million) with most of the increase attributable to slightly stronger revenues. Longer term, the plan forecasts earnings to grow to about $1.6 billion in 2004, based on the following fundamental assumptions: (1) Electricity sales volume growth of about 2% over the period, with most of the growth occurring within Québec. (2) A 38% increase in selling prices in U.S. exports markets which is expected to offset projected declines in export electricity sales. (3) Lower financial expenses over the longer term as a result of debt reduction and a stronger Canadian dollar.

FINANCIAL PROFILE

Net debt in the capital structure at December 1999 decreased to 73.5% compared to 75.1% last year as a result of stronger cash flows, lower capital expenditures and the conversion of foreign dollar debt. However, debt levels remain high compared to the 55% average debt-to-capital ratio typical of the private sector utilities, and materially constrains profitability, as well as EBIT interest coverage ratios. EBIT interest coverage ratios have consistently remained below 1.3X, compared to the 3.0X typical of the private sector.

***Outlook*:** The Utility's Strategic Plan 2000-2004 projects operating cash flows of about $2.6 billion (actual results in 1999 of $2.8 billion exceeded a target of $2.5 billion), with a long-term forecast of $3.2 billion for 2004. Capital expenditures including investments are expected to remain in the $2-$2.3 billion range (compared to historical levels as high as $4 billion) until at least 2004. Balance sheet leverage is expected to continue to decline very slowly, with the debt-to-equity ratio falling to about 68% by 2004 (72.6% as of March 2000) and EBIT interest coverage increasing to about 1.48X, partially based on the assumption of a rise in the Canadian dollar exchange rate versus the U.S. dollar (from 66.6¢ to 72.3¢ in 2004).

Operating Lines of Credit

A C$390 million (or US$350 million) with Canadian banks, a US$50 million line of credit with a U.S. bank and a revolving standby line of credit equal to about US$1,800 million. These lines of credit support a US$2.75 billion commercial paper program.

Debt Maturity Schedule

	2000	*2001*	*2002*	*2003*	*2004*
(millions)*	$2,598	$3,492	$2,827	$2,633	$1,154

*The Government of Quebec guarantees all but $231 million (largely consisting of operating leases) of the Utility's outstanding $38.6 billion debt. The variable rate portion accounts for about 26.1% of outstanding debt (including perpetual debt). A 1% change in interest rates would impact net earnings by about $100 million, excluding the impact of financial derivatives.

U.S. Industry Restructuring and Hydro-Québec

Industry restructuring in North America is positive for Hydro-Québec. (1) It has received open access to the U.S. electrical grid increasing scope for future sales. (2) The FERC 2000 bulletin encouraging creation of regional transmission organizations (RTOs) will reduce the pancaking of transmission rates (each utility charges a rate for electricity transmission, within its franchise area). RTOs reduce this pancaking of rates. (3) Restructuring enables Hydro-Québec, with its hydro storage capability, to purchase cheap power at low rates and then use its hydro generation resources to generate and sell power at peak prices. Hydro-Québec can become a formidable electricity trader, arbitraging markets throughout times of the day and year. The big disadvantage of industry restructuring is that the competing transmission and distribution companies are becoming larger and much stronger. For example, New England Electric System (NEES) is in the process of being purchased by the U.K.-based National Grid Group. NEES in turn, is in the process of taking over Eastern Utilities. NEES serves three million customers in Massachusetts, parts of Rhode Island and New Hampshire. Eastern Utilities supplies power to southeast Massachusetts and Rhode Island. These larger companies will have much more clout in negotiating bilateral contracts.

Hydro-Québec

Balance Sheet
($ millions)

Assets:	Mar-00	As at December 31 1999	1998	Liabilities & Equity:	Mar-00	As at December 31 1999	1998
Cash + equivalents	1,437	488	295	Short-term debt	3,319	2,705	2,555
Accts receivable	2,465	1,874	1,824	A/P + accrued	2,826	2,965	2,688
Other	573	572	449	Current Liabilities	6,145	5,670	5,243
Current Assets	4,475	2,934	2,568	Long-term liabilities	644	596	392
Net fixed assets	48,115	48,226	48,042	Long-term debt	36,290	35,961	37,623
Investments	665	652	451	Other liabilities	194	265	197
Deferred expenses	3.908	3.874	4.933	Perpetual debt	552	552	552
Other	1,078	1,099	1,301	Shareholders' equity	14,416	13,741	13,288
Total	58,241	56,785	57,295	Total	58,241	56,785	57,295

Ratio Analysis	12 mos. ended	For years ended December 31						
Liquidity Ratios	Mar-00	1999	1998	1997	1996	1995	1994	1993
Current Ratio	0.73	0.52	0.49	0.61	0.61	0.69	0.89	0.70
Accumulated depreciation/Gross fixed assets	-	22.9%	21.3%	19.8%	18.1%	16.6%	15.5%	14.6%
Cash flow/Total debt (1)	0.07	0.07	0.06	0.06	0.05	0.04	0.05	0.05
Cash flow/Capital expenditures (2)	1.42	1.25	1.03	1.11	0.99	0.63	0.60	0.47
Cash flow-dividends/Capital expenditures (2)	1.29	1.12	0.87	0.94	0.99	0.63	0.60	0.47
Net debt in the capital structure (1)	72.6%	73.5%	75.1%	74.8%	75.4%	76.2%	75.9%	75.7%
Average coupon on l-t debt	-	8.71%	8.80%	8.91%	9.13%	9.40%	9.69%	9.60%
Common equity in capital structure (1)	26.7%	26.2%	24.8%	25.0%	24.4%	23.4%	23.5%	23.9%
Common dividend payout (based on div declared)	41.9%	50.0%	41.1%	45.4%	0.0%	0.0%	0.0%	0.0%
Coverage Ratios (3)								
EBIT interest coverage	1.30	1.24	1.18	1.22	1.11	1.06	1.07	1.04
EBITDA interest coverage	1.86	1.79	1.66	1.71	1.54	1.40	1.41	1.36
Fixed charges coverage	1.30	1.24	1.18	1.22	1.11	1.06	1.07	1.04
Earnings Quality / Operating Efficiency								
Power purchases/Revenues (4)	11.9%	11.6%	5.4%	3.5%	3.3%	3.4%	3.6%	3.7%
Fuel costs/Revenues	n/a	n/a	4.8%	2.9%	0.3%	0.2%	0.4%	0.3%
Operating margin	42.6%	42.2%	43.6%	46.3%	47.9%	48.5%	47.7%	46.6%
Net margin (before extras.)	11.0%	9.5%	7.7%	9.5%	6.8%	5.1%	9.2%	10.8%
Return on avg equity (before extras.) (2)	7.6%	6.6%	5.1%	6.2%	4.3%	3.3%	5.9%	7.2%
Profit returned to Government (5)	57.1%	63.0%	78.2%	72.4%	59.4%	65.2%	50.0%	46.1%
Customers/Employee	-	172	167	169	147	136	132	124
GWh sold/Employee	-	8.4	7.7	8.0	7.0	6.7	6.2	5.7

Self Generation - Cost Structure (6) (7)	(cents per net generated kWh sold) (Tables may not add due to rounding)							
OM&A	-	*1.18*	*1.19*	*1.14*	1.08	1.16	1.30	1.42
Fuel	-	*0.07*	*0.05*	*0.02*	0.02	0.01	0.02	0.02
Variable Costs	-	*1.24*	*1.24*	*1.16*	1.09	1.17	1.32	1.44
Gov't Levies	-	*0.46*	*0.62*	*0.58*	0.56	0.53	0.51	0.54
Net Interest Expenses	-	*2.33*	*2.52*	*2.35*	2.36	2.45	2.42	2.52
Total Cash Costs	-	*4.03*	*4.38*	*4.09*	4.01	4.14	4.25	4.49
Non-cash financial charges	-	*(0.15)*	*(0.13)*	*(0.12)*	(0.12)	(0.14)	(0.33)	(0.52)
Depreciation	-	*1.22*	*1.21*	*1.14*	1.03	0.87	0.83	0.82
Total Costs	-	*5.11*	*5.46*	*5.12*	4.92	4.87	4.76	4.79
Purchased Power (cents per gross kWh purch.)	-	*1.36*	*1.20*	*0.89*	0.86	0.87	0.85	0.79
Churchill Falls Power (cents per gross kWh purch.)	-	*0.38*	*0.34*	*0.27*	0.29	0.30	0.28	0.28
Purch. Power (excl C.F.) (cents per gross kWh purch.)	-	*4.89*	*6.53*	*5.51*	5.05	6.06	5.32	5.29
Avg Domestic Unit Revenue (cents per kWh sold)	-	5.07	5.04	4.98	4.89	4.89	4.85	4.78
Total Unit Costs - Self Generation	-	*5.11*	*5.46*	*5.12*	4.92	4.87	4.76	4.79
Net Margin excl Churchill Falls contribution	-	*(0.04)*	*(0.42)*	*(0.14)*	(0.03)	0.01	0.09	(0.01)

(1) Minority interest treated as a common equivalent. Debt includes operating leases and perpetual debt. (2) Includes other investment expenditures after 1996.
(3) Before capitalized interest, AFUDC, debt amortizations (4) From 1999 onward includes fuel costs. (5) Includes all taxes, debt guarantee fees and dividends.
(6) Internally generated energy less energy used + lost - excludes power purchases. Transmission losses apportioned relative to total energy supplied.
Estimated costs related to Churchill Falls (interest, O&M and depreciation) deducted from expenses. (7) Incorporates DBRS estimates from 1997 onwards.

Hydro-Québec

Income Statement
($ millions)

	For years ended December 31									
Revenues:	Mar-00	Mar-00	Mar-99	1999	1998R	1997	1996	1995	1994	1993
Residential/Farm	-	-	-	3,034	2,906	3,066	2,945	2,834	2,866	2,815
Commercial/Institutional	-	-	-	1,963	1,894	1,885	1,835	1,843	1,809	1,798
Industrial	-	-	-	2,233	2,177	2,162	2,061	2,041	1,839	1,706
Other	-	-	-	215	216	218	226	221	226	233
Sub-total domestic revenues	7,519	2,325	2,251	7,445	7,193	7,331	7,067	6,939	6,740	6,552
Exports - long-term *	-	-	-	427	391	350	292	283	274	307
Exports - short-term *	-	-	-	624	423	246	296	354	245	138
Sub-total export revenues	1,176	330	205	1,051	814	596	588	637	519	445
Total electricity revenues	8,695	2,655	2,456	8,496	8,007	7,927	7,655	7,576	7,259	6,997
Other	1,113	279	249	1,083	805	360	25	28	30	32
Total revenues	9,808	2,934	2,705	9,579	8,812	8,287	7,680	7,604	7,289	7,029
Expenses:										
Operating & administration	1,892	464	484	1,912	1,681	1,602	1,542	1,686	1,766	1,800
Power purchases	1,172	352	289	1,109	472	292	250	256	261	263
Fuel costs	0	n/a	n/a	n/a	427	237	25	17	24	21
Decommissioning	9	2	3	10	9	8	7	7	6	6
Depreciation	1,765	445	401	1,721	1,580	1,537	1,420	1,221	1,090	1,014
Property + capital taxes	591	155	156	592	610	582	568	539	492	486
Debt guarantee fee	197	49	49	197	189	188	192	192	174	164
Total operating costs	5,626	1,467	1,382	5,541	4,968	4,446	4,004	3,918	3,813	3,754
Operating income	4.182	1.467	1.323	4.038	3.844	3.841	3.676	3.686	3.476	3.275
Interest expense	3.177	802	799	3.174	3.272	3.153	3.312	3.514	3.284	3.201
Non-cash financial charges	(145)	(42)	(41)	(144)	(109)	(98)	(166)	(196)	(422)	(637)
Other (income) / FX / expense	53	25	61	89	(9)	(6)	10	(22)	(53)	(50)
Net interest expense	3,085	785	819	3,119	3,154	3,049	3,156	3,296	2,809	2,514
Income before minority interest	1.097	682	504	919	690	792	520	390	667	761
LESS: Non controlling interest	15	7	5	13	11	6	0	0	0	0
Net income	1,082	675	499	906	679	786	520	390	667	761
Net Income	1.082	675	499	906	679	786	520	390	667	761
Depreciation	1.936	493	477	1.920	1.782	1.573	1.514	1.280	1.164	1.083
Other non-cash charges	(60)	23	36	(47)	(118)	(2)	5	29	65	6
Operating Cash Flow	2.958	1.191	1.012	2.779	2.343	2.357	2.039	1.699	1.896	1.850
Less: Dividends	279	0	0	279	357	357	0	0	0	0
Less: Capital expenditures	1,563	303	382	1,642	2,092	1,590	2,056	2,717	3,167	3,934
Cash flow before working capital	1.116	888	630	858	(106)	410	(17)	(1.018)	(1.271)	(2.084)
Less: Working Capital	75	742	562	(105)	118	(389)	34	38	8	(167)
Free Cash Flow	1.041	146	68	963	(224)	799	(51)	(1.056)	(1.279)	(1.917)
LESS: Other investments	514	(178)	(107)	585	185	543	(9)	51	132	96
PLUS: Net financing	36	832	485	(311)	345	(403)	(288)	614	2.209	1.223
Net Change in Cash Flows	563	1,156	660	67	(64)	(147)	(330)	(493)	798	(790)

Unit Revenues and Costs (cents per net generated kWh sold) (Tables may not add due to rounding)

Revenues:										
Residential/Farm	-	-	-	6.15	6.09	5.98	5.86	5.80	5.80	5.71
Commercial/Institutional	-	-	-	6.59	6.57	6.38	6.29	6.33	6.39	6.34
Industrial	-	-	-	3.52	3.52	3.47	3.45	3.44	3.25	3.12
Other	-	-	-	4.78	4.78	4.99	4.30	4.57	4.84	4.97
Sub-total Domestic	5.07	5.18	5.16	5.07	5.04	4.98	4.89	4.89	4.85	4.78
Exports - Firm	-	-	-	4.90	4.83	4.34	3.73	3.15	3.13	3.11
Exports - Short-term	-	-	-	3.90	4.04	3.43	2.67	2.35	2.35	2.63
Average Electricity Revenues	4.21	4.02	4.10	4.95	4.96	4.88	4.68	4.56	4.59	4.60
Ancillary Revenues	-	-	-	0.00	0.11	0.02	0.02	0.02	0.02	0.02
Average Revenues	-	-	-	4.95	5.08	4.90	4.70	4.58	4.61	4.62
Costs:										
Operating + Administration	-	-	-	0.96	0.97	0.96	0.94	1.02	1.12	1.18
Power Purchases	-	-	-	0.32	0.29	0.19	0.15	0.15	0.17	0.17
Fuel	-	-	-	0.05	0.04	0.02	0.02	0.01	0.02	0.01
Variable Cost	-	-	-	1.34	1.30	1.17	1.11	1.18	1.30	1.37
Gov't Levies	-	-	-	0.36	0.48	0.47	0.47	0.44	0.42	0.43
Net Interest Expense	-	-	-	1.88	2.02	1.96	2.03	2.10	2.04	2.07
Total Cash Costs	-	-	-	3.58	3.80	3.59	3.61	3.72	3.76	3.87
Cash Margin	-	-	-	1.37	1.28	1.31	1.09	0.86	0.85	0.75
Non-cash financial charges	-	-	-	(0.12)	(0.10)	(0.09)	(0.10)	(0.12)	(0.27)	(0.42)
Depreciation	-	-	-	0.97	0.95	0.93	0.87	0.74	0.69	0.67
Pre-tax Margin	-	-	-	0.52	0.43	0.48	0.32	0.23	0.42	0.50
Variable Costs	-	-	-	1.34	1.30	1.17	1.11	1.18	1.30	1.37
Fixed Costs (deprec, interest + levies)	-	-	-	3.09	3.34	3.26	3.27	3.16	2.89	2.75
Total Costs	-	-	-	4.43	4.64	4.42	4.38	4.34	4.19	4.12

* Restated for 1996-9. Prior period amounts reflect firm and spot sales.

Hydro-Québec

Operating Statistics		For years ended December 31						
Electricity Sold - Breakdown		1999	1998	1997	1996	1995	1994	1993
Residential/Farm		49,315	47,701	51,246	50,294	48,842	49,437	49,282
Commercial/Institutional		29,765	28,815	29,560	29,158	29,108	28,315	28,358
Industrial		63,409	61,773	61,837	59,797	59,254	56,580	54,646
Other		4,500	4,519	4,648	5,261	4,832	4,670	4,692
Total domestic		146,989	142,808	147,291	144,510	142,036	139,002	136,978
Exports - Long-term *		8,711	8,101	8,072	7,819	8,975	8,759	9,865
- Short-term *		16,012	10,464	7,170	11,073	15,090	10,405	5,256
Total exports		24,723	18,565	15,242	18,892	24,065	19,164	15,121
Total - GWh sold		171,712	161,373	162,533	163,402	166,101	158,166	152,099
Domestic energy growth		2.9%	-3.0%	1.9%	1.7%	2.2%	1.5%	3.8%
Export energy growth		33.2%	21.8%	-19.3%	-21.5%	25.6%	26.7%	20.1%
Total energy growth		6.4%	-0.7%	-0.5%	-1.6%	5.0%	4.0%	5.2%
Generation								
Hydro	93%	29,235	29,203	29,203	29,220	28,932	28,207	26,896
Oil + diesel	5%	1,595	1,594	1,519	1,518	1,518	1,518	1,518
Nuclear	2%	675	675	675	675	675	675	685
Installed Capacity - Megawatts		31,505	31,472	31,397	31,413	31,125	30,400	29,099
Available Hydro - Churchill Falls		4,765	4,083	4,213	4,213	4,213	4,213	4,213
Energy Generated - GWh								
Hydro		n/a	n/a	n/a	141,878	145,306	134,327	126,084
Nuclear		n/a	n/a	n/a	5,582	4,826	5,758	5,125
Oil		n/a	n/a	n/a	225	267	369	299
Natural Gas		n/a	n/a	n/a	7	9	17	44
Gross energy generated (1)	78%	*145,000*	*136,400*	141,726	147,692	150,408	140,471	131,552
PLUS: Churchill Falls purchases	17%	31,405	34,137	30,301	25,748	26,693	27,413	29,909
Other energy exchanges (1)	5%	*8,707*	*5,500*	*4,006*	3,451	2,899	3,438	3,397
Energy generated + purchased (1)		*185,112*	*176,037*	*176,033*	176,891	180,000	171,322	164,858
LESS: Internal use		*1,000*	*1,100*	*1,100*	1,112	1,094	1,239	1,144
Transmission losses		*12,400*	*13,564*	*12,400*	12,377	12,805	11,917	11,615
Total - GWh sold		171,712	161,373	162,533	163,402	166,101	158,166	152,099
Energy lost + used/Energy gen + purch		7.2%	8.3%	7.7%	7.6%	7.7%	7.7%	7.7%
Primary peak demand - megawatts		35,577	35,275	32,305	34,642	33,594	35,443	33,600
Peak demand/Installed capacity		112.9%	112.1%	102.9%	110.3%	107.9%	116.6%	115.5%
Peak demand/Installed capacity ^		98.1%	99.2%	90.7%	97.2%	95.1%	102.4%	100.9%
Export Interconnections								
Ontario Hydro		1,195	1,195	1,462	1,462	1,462	1,462	1,462
New Brunswick Power		1,200	1,200	1,060	1,060	1,060	1,060	1,050
New England Utilities		2,303	2,303	2,303	2,303	2,303	2,303	2,303
New York		2,695	2,695	2,695	2,695	2,695	2,695	2,675
Total - Megawatts		7,393	7,393	7,520	7,520	7,520	7,520	7,490
Total simultaneous export		6,497	6,497	6,497	6,497	6,497	6,497	6,340
Interconnections as a % of Intstalled Capacity		23.5%	23.5%	24.0%	23.9%	24.2%	24.7%	25.7%

* Restated for 1996-99. Prior period amounts reflect firm and spot sales.

^ Including Churchill Falls capacity. (1) DBRS estimates for 1997-99.