

**FINANCIAL DATA RELATIVE TO
HYDRO-QUEBEC TRANSÉNERGIE**

1 In accordance with the D-2003-93 decision of the Régie and at the request of the
2 Distributor, Hydro-Quebec TransÉnergie submits below the sum of its financial
3 data pertaining to the total costs of its invoiced services other than transmission
4 service as well as various information relative to the basis for invoicing and
5 related cost inductors.

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1. ORGANIZATIONAL CONTEXT

7 It is important to specify that at the end of 2001, the telecommunications activities
8 were entrusted to the TransÉnergie division, the main user of these services.
9 Previously, these activities were under the responsibility of the former
10 Technologies Information Unit (DPTI). In addition, starting in 2004, the telephony
11 activities will be transferred to the Centre for Shared Services.

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13 Consequently, historical data for 2001 and 2002 and for the base year 2003 were
14 modified to make them comparable with the situation prevailing for the projected
15 year 2004. Although these organizational changes did not have any negative
16 impact on the quality and cost of the services rendered to the Distributor, they did
17 have a significant effect on the nature and behavior of the costs by activity.
18 Therefore, the revised data are thus collectively representative, but they lend
19 themselves poorly to detailed analysis since they do not reflect the organizational
20 reality in which these activities were carried out. These organizational changes
21 were announced in phase 1 and since then, no other changes or transfers were
22 agreed upon or have been considered.

2. CURRENT RULES CONCERNING INTERNAL INVOICING

1 It is appropriate to recall briefly the current rules concerning Hydro-Quebec
2 internal invoicing:

- 3 • The tariffs for the products and services are established on the basis of
4 total costs. Moreover, the current tariffs are uniform and identical for all
5 customers;
- 6 • The customer-supplier agreements are established annually and are the
7 subject of a negotiation on the required level of service, quantities, delays
8 and the methods of invoicing;
- 9 • The invoicing is established on the basis of the specific consumption of
10 the customer.

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3. EVOLUTION OF THE SERVICES INVOICED TO THE DISTRIBUTOR

12 Tables 1 and 2 below, for each of the years 2001 to 2004, present the share of
13 the revenues of TransÉnergie from the Distributor, excluding the income from
14 transmission services.

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Table 1
2001-2002 Share of Revenues Originating From the Distributor

Domains	Invoicing interns of TransÉnergie (in M\$)					
	Financial Period Ending December 31, 2001			Financial Period Ending December 31, 2002		
	Distributor	Hydro-Québec	Ratio Distributor/Hydro-Québec	Distributor	Hydro-Québec	Ratio Distributor/Hydro-Québec
Specialized Telecommunication						
Wireless	22.1	33.4	66.2%	22.1	33.3	66.4%
Circuits	4.1	135.7	3.0%	3.7	125.6	2.9%
Corporate Services (20%)	2.0	5.0	40.0%	2.1	5.6	37.5%
Others	0.7	1.0	70.0%	1.0	3.6	27.8%
Total	28.9	175.1	16.5%	28.9	168.1	17.2%
Others						
Specialized Workshop	8.9	23.1	38.5%	8.9	25.9	34.4%
Others	2.6	2.6	100.0%	3.5	3.5	100.0%
Total	11.5	25.7	44.7%	12.4	29.4	42.2%
Total – Before Return	40.4	200.8	20.1%	41.3	197.5	20.9%

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Table 2
2003-2004 Share of Revenues Originating From the Distributor

Domains	Invoicing interns of TransÉnergie (in M\$)					
	Financial Period Ending December 31, 2003			Financial Period Ending December 31, 2004		
	Distributor	Hydro-Québec	Ratio Distributor/Hydro-Québec	Distributor	Hydro-Québec	Ratio Distributor/Hydro-Québec
Specialized Telecommunication						
Wireless	22.1	33.3	66.4%	19.0	29.4	64.6%
Circuits	3.7	125.6	2.9%	2.6	171.6	1.5%
Corporate Services (20%)	2.1	5.6	37.5%	0.0	0.0	
Others	1.0	2.3	43.5%	0.8	5.0	16.0%
Total	28.9	166.8	17.3%	22.4	206.0	10.9%
Others						
Specialized Workshop	8.5	21.9	38.8%	8.5	21.9	38.8%
Others	2.4	2.4	100.0%	2.4	2.4	100.0%
Total	10.9	24.3	44.9%	10.9	24.3	44.9%
Total – Before Return	39.8	191.1	20.8%	33.3	230.3	14.5%

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7 The principal basis for invoicing and volumes related to these products and
8 services are presented in tables 3 to 6 below:

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**Table 3
Principal Volumes Invoiced 2001**

Domains	Financial Period Ending December 31, 2001			
	Invoicing Base	Volumes Invoiced		Ratio Distributor/ Hydro-Québec
		Distributor	Hydro-Québec	
Specialized Telecommunication				
Wireless	Apparatuses in service	4 432	7 852	56.4%
Circuits	Dedicated Circuits	678	8 073	8.4%
Corporate Services (20%)	Labour	7 771	19 727	39.4%
Others	Hours	5 908	7 899	74.8%
Others				
Specialized Workshop	Hours	46 795	154 800	30.2%

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**Table 4
Principal Volumes Invoiced 2002**

Domains	Financial Period Ending December 31, 2002			
	Invoicing Base	Volumes Invoiced		Ratio Distributor/ Hydro-Québec
		Distributor	Hydro-Québec	
Specialized Telecommunication				
Wireless	Apparatuses in service	3 973	8 215	48.4%
Circuits	Dedicated Circuits	663	7 910	8.4%
Corporate Services (20%)	Labour	7 807	21 144	36.9%
Others	Hours	8 308	11 189	74.3%
Others				
Specialized Workshop	Hours	47 631	154 976	30.7%

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**Table 5
Principal Volumes Invoiced 2003**

Domains	Financial Period Ending December 31, 2003			
	Invoicing Base	Volumes Invoiced		Ratio Distributor/ Hydro-Québec
		Distributor	Hydro-Québec	
Specialized Telecommunication				
Wireless	Apparatuses in service	3 973	8 215	48.4%
Circuits	Dedicated Circuits	663	7 910	8.4%
Corporate Services (20%)	Labour	7 807	21 144	36.9%
Others	Hours	8 309	11 129	74.7%
Others				
Specialized Workshop	Hours	47 200	145 530	32.4%

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**Table 6
Principal Volumes Invoiced 2004**

Domain	Financial Period Ending December 31, 2004			
	Invoicing Base	Volumes Invoiced		Ratio Distributor/ Hydro-Québec
		Distributor	Hydro-Québec	
Specialized Telecommunication				
Wireless	Apparatuses in service	4 226	8 860	47.7%
Circuits	Dedicated Circuits	285	7 884	3.6%
Corporate Services (20%)	Labour	0	0	
Others	Hours	6 600	9 200	71.7%
Others				
Specialized Workshop	Hours	47 200	145 530	32.4%

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4 During the period covered, the consumption of these products is relatively stable.
5 On the other hand, the charges after return show a decrease of \$7 M or -5.7% for
6 2001 to 2004. This reduction is primarily explained by a revision of the 2004
7 tariffs related to the telecommunication services.

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4. COMPONENTS OF THE TOTAL COST OF TRANSÉNERGIE SERVICES

9 The charges taken into account in the calculation of the total costs of the
10 specialized telecommunications products and services, and services rendered by
11 TransÉnergie other than transmission services, are presented in Table 7 below.
12 The data prior to 2004 are real or forecasted adjusted data.

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Table 7
Total Costs of Services for TransEnergie

Components of costs	Costs (in M\$)			
	Financial Period Endnig December 31			
	Historical years		Base Year	Forecast Year
	2001	2002	2003	2004
Operating costs	49.5	86.6	75.0	118.8
Salary Expenses	34.4	39.5	39.4	42.1
<i>Salary base</i>	26.1	30.0	30.8	33.0
<i>Overtime</i>	3.1	2.8	2.0	2.2
<i>Bonuses and miscellaneous revenues</i>	1.8	2.6	2.4	2.4
<i>Social benefits</i>	3.4	4.1	4.2	4.5
Other Charges	15.1	47.1	35.6	76.7
<i>External Services</i>	6.4	7.0	7.5	7.6
<i>Professional Services</i>				
<i>Purchases</i>	9.5	10.6	7.4	7.3
<i>Internal suppliers</i>	4.1	26.4	19.5	55.7
<i>Others</i>	-4.8	3.1	1.2	6.1
Amortization	85.4	85.7	55.1	66.2
Taxes	16.2	6.3	5.4	6.4
Revised financial expenses	52.5	41.6	40.4	43.1
Total Costs - TransÉnergie	203.6	220.2	175.9	234.5
Composition of charges (in %)	100.00%	100.00%	100.00%	100.00%
Salary Expenses	16.88%	17.94%	22.40%	17.95%
Other Costs	7.43%	21.39%	20.24%	32.71%
Amortization	41.94%	38.92%	31.32%	28.23%
Taxes	7.96%	2.86%	3.07%	2.73%
Revised financial expenses	25.78%	18.89%	22.97%	18.38%

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4 The segregation by nature of the charges is principally affected by the existing
5 links and exchanges between the organizational structures prevailing during the
6 base year and contributing to the realization of these activities. Notably, the 2001
7 data primarily contains the data projected by the previous unit, Technologies
8 Information (DPTI), for establishing the cost of specialized telecommunications.

1 A warning concerning the comparison of the years 2001 and 2002 by accounting
2 category must be made, since the data is presented differently. The 2001 data is
3 projected outside of the accounting system during the establishment of the 2001
4 tariff grids.

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6 For their part, 2002 and 2003 data are extracted from the accounting ledgers and
7 present more precise information. The reduction of the depreciation charges is
8 explained by the removal of assets arising from the revised life spans of certain
9 telecommunication assets realized in 2002.

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11 Lastly, the variations noted between 2003 and 2004 are explained mostly by the
12 organizational changes surrounding the transfer of the activities of the
13 telecommunications services to the Centre for Shared Services. This transfer
14 changes the level of the cost progression which results in an increase in the
15 charges and revenues corresponding to the transfer of services between
16 TransÉnergie and the Center of Shared Services. It should be noted that this
17 accounting treatment does not affect the cost per unit of the products and
18 services invoiced to the customers, including the Distributor.

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**5. PRINCIPAL BASIS OF INVOICING AND VOLUMES INVOICED BY
TRANSÉNERGIE**

20 The following table groups the basis of invoicing and volumes associated with the
21 principal products or services of internal invoicing rendered by TransÉnergie as
22 presented in the preceding sections. This information is generic and reflects the
23 nature of the basis for invoicing and other technical parameters related to a
24 product or service appearing specifically in the customer-supplier agreements
25 submitted in HQD-5, Document 5.5.

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**Table 8
Principal Basis for Invoicing and Volumes**

Areas	Volume Invoiced				
	Financial Period Ending December 31				
	Invoicing Base	Historical Years		Base Year	Forecast Year
		2001	2002	2003	2004
Specialized Telecommunication					
Wireless	Apparatuses in service	7 852	8 215	8 215	8 860
Circuits	Dedicated Circuits	8 073	7 910	7 910	7 884
Corporate Services (20%)	Labour	19 727	21 144	21 144	s/o
Others	Hours	7 899	11 189	11 129	9 200
Others					
Specialized Workshop	Hours	154 800	154 976	145 530	145 530

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1 **6. LABOUR FORCE OF TRANSENERGIE AND AVERAGE SALARIES**
 2 **(Telecommunications and Workshops Specialists)**
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Average Annual Manpower	Historical Years		Base Year	Forecast Year
	2001	2002	2003	2004
	496	505	520	520
Office	37	36	33	33
Permanent	31	30	28	28
Temporary	6	6	5	5
Trades	106	112	111	111
Permanent	82	77	81	81
Temporary	24	35	30	30
Technicians	251	251	265	265
Permanent	234	234	242	242
Temporary	17	17	23	23
Engineers	33	34	35	35
Permanent	33	34	35	35
Temporary	0	0	0	0
Specialists	30	33	35	35
Permanent	29	29	32	32
Temporary	1	4	3	3
Executives/Management	39	39	41	41
Permanent	39	39	41	41
Average wages (in \$)				
Office				
Permanent	47 164,4	48 863,9	50 987,0	52 462,0
Temporary	41 866,3	43 634,8	45 888,0	47 571,0
Trades				
Permanent	57 771,0	62 161,0	64 880,0	66 785,0
Temporary	48 602,0	50 270,0	52 524,0	54 114,0
Technicians				
Permanent	64 362,0	66 848,0	69 837,0	71 975,0
Temporary	49 150,0	51 035,0	53 418,0	55 132,0
Engineers				
Permanent	79 593,0	82 979,0	87 780,0	90 857,0
Temporary	68 477,0	71 475,0	75 172,0	77 349,0
Specialists				
Permanent	73 059,0	75 425,0	79 281,0	82 234,0
Temporary	59 568,0	58 891,0	61 299,0	62 954,0
Executives/Management				
Permanent	89 318,3	92 574,2	96 737,0	101 260,0

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 5 The average salaries consist of base salary and social benefits.