

**FINANCIAL DATA
RELATIVE TO
THE INSTITUTE OF RESEARCH
OF HYDRO QUEBEC - IREQ**

1 In accordance with the D-2003-93 decision of the Régie and at the request of the
2 Distributor, the Institute of Research for Hydro Quebec (IREQ) submits below the
3 sum of its financial data related to services invoiced at total cost as well as
4 various information relative to the basis of invoicing and transmission costs.

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1. CURRENT RULES CONCERNING INTERNAL INVOICING

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

- 8 • The tariffs for the products and services are established on the basis of
9 total cost. Moreover, the current tariffs are uniform and identical for all
10 customers;
- 11 • The customer-supplier agreements are established annually and are the
12 subject of a negotiation on the required level of service, quantities, delays
13 and the methods of invoicing;
- 14 • The invoicing is established on the basis of the service consumption
15 specific to a customer.

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2. EVOLUTION OF SERVICE INVOICED TO THE DISTRIBUTOR

17 Tables 1 and 2 below present the Distributor's share of IREQ's revenues for each
18 of the years 2001 to 2004.

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

Areas	Internal Invoicing for IREQ (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
Projects of technological innovation	19.6	52.2	37.0%	18.4	51.8	35.5%
Technical support	7.3	19.9	36.7%	7.5	19.3	38.9%
External client services	0.0	15.2	0.0%	0.0	9.9	0.0%
Exploratory research	0.0	9.0	0.0%	0.0	8.9	0.0%
Others	0.0	3.0	0.0%	1.5	9.7	15.5%
Total - Before return	26.6	99.3	26.8%	27.4	99.6	27.5%

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

Areas	Internal Invoicing for IREQ (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
Projects of technological innovation	19.6	52.3	37.5%	19.6	52.3	37.5%
Technical support	8.1	17.6	46.0%	8.1	17.6	46.0%
External client services	0.0	9.9	0.0%	0.0	9.9	0.0%
Exploratory research	0.0	9.0	0.0%	0.0	9.0	0.0%
Others	0.0	7.1	0.0%	0.0	7.1	0.0%
Total - Before output	27.7	95.9	28.9%	27.7	95.9	28.9%

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 in 2001

<i>Financial period ending December 31 2001</i>				
Domain	Invoicing Base	Volumes invoiced		Ratio Distributor/ Hydro Québec
		Distributor	Hydro Québec	
Projects of technological innovation	Hours	99 137	241 207	41.1%
Technical support	Hours	37 910	111 507	34.0%

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Table 4
Principal Volumes Invoiced in 2002

<i>Financial period ending December 31 2002</i>				
Domain	Invoicing Base	Volumes invoiced		Ratio Distributor/ Hydro Québec
		Distributor	Hydro Québec	
Projects of technological innovation	Hours	99 846	272 431	36.7%
Technical support	Hours	47 077	118 035	39.9%

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Table 5
Principal Volumes Invoiced in 2003

<i>Financial period ending December 31 2003</i>				
Domain	Invoicing Base	Volumes invoiced		Ratio Distributor/ Hydro-Québec
		Distributor	Hydro-Québec	
Projects of technological innovation	Hours	105 110	288 059	36.5%
Technical support	Hours	50 739	108 163	46.9%

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Table 6
Principal Volumes Invoiced in 2004

Domain	Invoicing Base	<i>Financial period ending December 31 2004</i>		Ratio Distributor/ Hydro Québec
		Volumes invoiced		
		Distributor	Hydro Québec	
Projects of technological innovation	Hours	105 110	288 059	36.5%
Technical support	Hours	50 739	108 163	46.9%

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The consumption of these products during the period covered remains relatively stable around \$27 M despite a slight increase in the Distributor's consumption.

3. COMPONENTS OF THE TOTAL COST OF IREQ'S SERVICES

7 The charges taken into account in the calculation of the total cost of the products
8 and services invoiced by IREQ are presented below.

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Table 7
Total Cost of the Services of IREQ

Cost Components	Charges (in \$M)			
	Financial period ending December 31			
	Historical Years		Basic Year	Forecast Year
	2001	2002	2003	2004
Running costs	88.2	88.9	93.4	93.5
Salary expenses	49.2	51.9	53.6	55.5
<i>Salary base</i>	39.0	41.3	43.6	45.0
<i>Overtime</i>	2.9	2.8	2.1	2.2
<i>Various premiums and incomes</i>	1.8	2.1	1.9	2.0
<i>Social benefits</i>	5.5	5.7	6.1	6.3
Other charges	39.0	37.0	39.8	38.0
<i>External services</i>	6.6	5.5	6.3	5.8
<i>Professional services</i>	3.5	3.9	4.5	4.2
<i>Purchases</i>	9.5	9.1	11.5	10.5
<i>Internal suppliers</i>	16.1	14.7	13.2	13.2
<i>Others</i>	3.3	3.8	4.3	4.3
Amortization	7.2	7.3	5.8	5.8
Taxes	0.4	0.9	0.8	0.8
Revised financial expenses	3.5	2.5	2.3	2.3
Total Charges - IREQ	99.3	99.6	102.3	102.4
Composition of the charges (in %)	100.00%	100.00%	100.00%	100.00%
Salary expense	49.55%	52.11%	52.39%	54.20%
Other charges	39.27%	37.15%	38.91%	37.11%
Amortization	7.25%	7.33%	5.67%	5.66%
Taxes	0.40%	0.90%	0.78%	0.78%
Revised financial expenses	3.52%	2.51%	2.25%	2.25%

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4. PRINCIPAL BASIS OF INVOICING AND INVOICED VOLUMES BY IREQ

4 The following table groups the basis for invoicing and the volumes associated
5 with the principal products or internal invoicing services rendered by IREQ's, as
6 presented in the preceding sections. This information is generic and reflects the
7 essence of the basis for invoicing and other technical parameters related with a
8 product or specific service appearing in the customer-supplier agreements
9 submitted in HQD-5, Document 5.5.

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Table 8
Principal Basis for Invoicing and Volumes

Domain	Invoicing Base	Volumes invoiced			
		<i>Financial period ending on December 31</i>			
		Historical Years		Basic Year	Forecast Year
		2001	2002	2003	2004
Projects of technological innovation	Hours	241 207	272 431	288 059	288 059
Technical support	Hours	111 507	118 035	108 163	108 163

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5. IREQ LABOUR FORCE AND AVERAGE SALARIES

	Historical Years		Basic Year	Forecast Year
	2001	2002	2003	2004
Average Annual Manpower	589	596	587	587
Office	59	55	53	53
Permanent	46	44	46	46
Temporary	13	11	7	7
Trades	38	37	34	34
Permanent	34	34	32	32
Temporary	4	3	2	2
Technicians	142	145	147	147
Permanent	138	140	140	140
Temporary	4	5	7	7
Engineers	8	8	8	8
Permanent	8	8	8	8
Temporary	0	0	0	0
Scientific	250	264	260	260
Permanent	238	242	239	239
Temporary	12	22	21	21
Specialists	49	48	48	48
Permanent	47	46	48	48
Temporary	2	2	0	0
Professionals	7	7	7	7
Permanent	7	7	7	7
Executives/Management	36	32	30	30
Permanent	36	32	30	30
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
Scientific				
Permanent	80 653,0	86 831,0	91 879,0	95 130,0
Temporary	63 184,0	62 814,0	65 903,0	67 649,0
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
Professionals				
Permanent	76 467,0	80 041,0	84 067,0	87 133,0
Temporary	60 486,0	60 569,0	63 091,0	64 823,0
Executives/Management				
Permanent	89 318,3	92 574,2	96 737,0	101 260,0

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