

RAPPORT DE DOMINION BOND RATING SERVICE LIMITED

Hydro-Québec

(The rating is based on the Provincial guarantee. This report specifically analyzes Hydro-Québec.)

Current Report: July 4, 2001

Previous Report: August 1, 2000

RATING

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Rating Trend Rating Action Debt Rated
 "A" Stable Confirmed Long-Term Debt

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RATING HISTORY	<u>Current</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Long-Term Debt	"A"	"A"	A (low)	A (low)	A (low)	A (low)	"A"

UPDATE

DBRS confirms Hydro-Québec's ("the Company") long-term at "A" with a Stable trend. The ratings are a flow through of the rating of the Province of Québec (see separate report dated July 4, 2001), which unconditionally guarantees the Company's debt. The Company's operating income (DBRS-adjusted) was up 12.9% in Q1 2001 (year-over-year basis) following a 5.9% increase in 2000, and the medium-term outlook remains favourable primarily due to the high electricity prices and tight supply in the Northeast U.S. The high electricity prices and tight supply in the Northeast U.S. are positive for the Company's net export revenues given its low-cost hydro-based generation and its very low-cost, long-term contract for Churchill Falls power, as well as the new generation capacity expected to come on line later in 2001. In addition, ample water storage capability provides the Company with significant flexibility to export power at peak rates, thereby maximizing export revenues. However, the growth in export revenues will remain constrained due to limited interconnections and the limited transmission capacity available in the Northeast U.S. Although continued growth is expected in the domestic industrial sector, DBRS does not expect the domestic

market to be a significant contributor to the Company's income growth over the near term as domestic rates are frozen at 1998 rates until at least 2002.

The Company generated strong operating cash flows in 2000, which were sufficient to cover capital expenditures and dividends. However, the \$1.6 billion acquisition of Transelec, the largest transmission company in Chile, had to partially be financed with debt. As a result, the level of net debt (net of sinking fund assets) increased in 2000, but the percentage of net debt in the capital structure remained stable at 73.6%. Based on recent historical experience and on projected annual capital investments of \$2.0 billion-\$2.4 billion over the 2001-2003 period, cash flows are expected to be sufficient over the medium term to cover internal needs. It is expected that the Company will generate free cash flow surpluses over the medium term, which will be used to pay down debt. Interest costs should begin to decline as debt is paid down, although interest costs are sensitive to changes in the exchange rate due to the Company's foreign exchange exposure. EBIT interest coverage should improve, although it will remain below that of investor-owned utilities.

CONSIDERATIONS

Strengths:

- Debt is unconditionally guaranteed by province
- Competitive cost structure, low-cost hydro-based own generation + inexpensive power from Churchill Falls
- Significant water storage capacity allows for strategic energy trading and maximization of export revenues
- Free cash flow surpluses projected over medium term
- Positioned to benefit from trend in energy convergence
- Access to NB, Ontario and U.S. electricity markets

Challenges:

- High debt levels constrain profitability and contribute to weak interest coverage ratios
- Domestic rates frozen until at least 2002
- FX exposure and sensitivity to water levels increase volatility of earnings and cash flows
- Limited interconnections restrict export capacity
- Natural gas a longer-term competitive threat
- New regulatory environment

FINANCIAL INFORMATION	12 months	For the years ended December 31				
	March 2001	2000	1999	1998	1997	1996
EBIT interest coverage (times)	3.00	1.28	1.24	1.18	1.22	1.11
Net debt* in capital structure	73.3%	73.6%	73.5%	74.8%	74.8%	75.6%
Cash flow/total debt (times)	0.08	0.08	0.07	0.06	0.06	0.05
Cash flow/capital expenditures (times)	0.99	0.90	1.25	1.03	1.11	0.99
Net income (\$ millions)	1,158	1,078	906	679	786	520
Operating cash flow (\$ millions)	3,460	3,256	2,779	2,343	2,357	2,039
Electricity sales (millions of kWhs)	195,480	190,080	171,712	161,373	162,533	163,402
Electricity revenues (¢ per kWh sold)	5.59	5.35	4.95	4.96	4.88	4.68
Variable costs (¢ per net gen kWh sold)	-	1.40	1.27	1.28	1.16	2.02
Fixed costs (¢ per net gen kWh sold)	-	3.82	4.07	4.37	3.96	4.16
Average coupon on long-term debt	-	8.82%	8.71%	8.80%	8.91%	9.13%

THE COMPANY: Hydro-Québec, a Crown corporation of the Province of Québec, 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 owns Gaz Métropolitain, a natural gas distributor in Québec.

Integrated Electric Utility

DOMINION BOND RATING SERVICE LIMITED

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REGULATION

Hydro-Québec's transmission and distribution operations are regulated by the Province of Québec's Régie de l'énergie. In 2000, the provincial government amended the *Act respecting the Régie de l'énergie*, which included: (a) The clarification of the deregulation of generation (it removed electricity generation from the Régie's jurisdiction). While generation remains unregulated, Hydro-Québec retains sole responsibility for developing sites with a capacity of over 50 MW; and (b) The establishment of a heritage electricity

pool for Québec consumers. For Hydro-Québec, it means that the generator must supply the distributor with a maximum of 165,000 GWh/year for Québec customers at a set price of 2.79¢/KWh. The Act also introduced competition to the wholesale market for all needs in excess of the heritage pool. The wholesale market had already been open to competition since May 1, 1997. However, given the low cost of power offered by Hydro-Québec, none of the other distributors in the province had exercised the option.

CONSIDERATIONS

Strengths: (1) Hydro-Québec's debt (excluding roughly \$223 million in capital leases) is unconditionally guaranteed by the provincial government. As such, the rating assigned to the Company is a flow through of the rating of the Province of Québec.

(2) Hydro-Québec's cost structure is very competitive, largely a result of its low cost of power. Its own generating capacity is almost entirely hydro-based, which is the most cost efficient form of electricity generation, thus resulting in one of the lowest variable cost structures in Canada. Furthermore, it purchases almost all of the power generated from Churchill Falls (in Labrador) until 2041 at rates equal to 0.25¢ per kWh, falling to 0.20¢ per kWh between 2016 to 2041. Hydro-Québec sells the electricity primarily to Québec customers within Hydro-Québec's tariff base, generating income in excess of \$600 million per year from this power. The Company has also signed a winter capacity contract with CF(L)Co (Churchill Falls), which provides it with additional winter capacity at a maximum cost of \$1.3 billion over 42 years.

(3) The Company, through its reservoirs, benefits from almost unlimited water storage capacity, which provides for strategic energy trading. This allows Hydro-Québec to buy low-cost power during off-peak periods and sell self-generated power at higher rates during peak demand periods to maximize 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) The Company is expected to continue to generate positive free cash flows over the medium term, which should permit it to pay down its debt, thus reducing its interest expenses (assuming the Canadian dollar does not significantly depreciate) and improving its profitability.

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

(6) Both provinces on either side of Québec, New Brunswick and Ontario, have been having problems with their nuclear reactors. Hydro-Québec has surplus generating capacity and, as such, these provinces represent attractive markets for Québec. In addition, the Company's export subsidiary obtained a FERC power marketing license in 1997, which has enhanced its access to U.S. markets. In return, the Company had to grant U.S. utilities reciprocal (wholesale) access within the Province of Québec. However, Hydro-Québec has not given up much due to its competitive advantage in terms of its low-cost hydro-based

energy, the low Canadian dollar, and the monopoly granted to Hydro-Québec by the Régie de l'énergie for the annual supply of wholesale power up to 165 TWh (domestic sales are currently at about 152 TWh) at a fixed price of 2.79¢/kWh. Hydro-Québec's export capability should also 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 remaining at about 74% of total capital, Hydro-Québec continues to have a weaker balance sheet relative to investor-owned utilities, which typically have debt/capital ratios of about 55%. Although the vast majority of the debt is unconditionally guaranteed by the provincial government, the high level of debt nevertheless results in higher interest expenses and, thus, constrains profitability and results in weak interest coverage ratios.

(2) Although operating income (DBRS-adjusted) was up 5.9% in 2000, the profitability of the Company's domestic electricity operations continues to be constrained by the rate freeze in effect until at least 2002. It is not yet known whether the provincial government will allow the rate freeze to be lifted in 2002 given the political sensitivity to rising electricity prices.

(3) The Company's earnings and cash flows are sensitive to: (a) changes in water levels, given the dominance of hydro-based generating capacity; and (b) changes in the exchange rate, given that the Company's net foreign exchange exposure. At the end of 2000, the Company's net FX exposure (taking into account all hedges) stood at about 12% of long-term debt. The Company has been reducing its net FX exposure and it currently stands at about 10%. Although it has come down significantly, the Company's earnings and, particularly cash flows, remain sensitive to movements in the exchange rate.

(4) Hydro-Québec has limited interconnections, which restrict export capacity and, consequently, earnings growth. Export capacity to Ontario, which is currently particularly constrained, should increase in the medium term given the project to build a new 1,250 MW interconnection. However, the project is currently delayed as a result of delays in obtaining certain permits from the Ontario government.

(5) Natural gas, which can be used to generate electricity or as an alternative form of energy, remains a longer term competitive threat. More recently, the flow of natural gas

from the Sable Offshore Energy Project to the U.S. Northeast through the Maritimes and Northeast Pipeline (see separate DBRS report) and the Portland Natural Gas Transmission System have extended this competitive threat to export markets in the U.S. Northeast.

(6) The establishment of the Régie de l'énergie in 1996 and the amendments made to the regulatory environment in 2000 increase the regulatory risk for Hydro-Québec.

EARNINGS

Hydro-Québec

Income Statement

(\$ millions)	12 mos. ended	For years ended December 31				
	March 2001	2000	1999	1998R	1997	1996
Revenues:						
Residential/farm	n/a	3,167	3,034	2,906	3,066	2,945
Commercial/institutional	n/a	2,002	1,963	1,894	1,885	1,835
Industrial	n/a	2,405	2,236	2,177	2,162	2,061
Other	n/a	220	215	216	218	226
Subtotal domestic revenues	7,865	7,794	7,448	7,193	7,331	7,067
Exports (long-term) *	n/a	377	427	391	350	292
Exports (short-term) *	n/a	2,003	624	423	246	296
Subtotal export revenues	3,071	2,380	1,051	814	596	588
Total electricity revenues	10,936	10,174	8,499	8,007	7,927	7,655
Other	1,398	1,255	1,109	805	360	25
Total revenues	12,334	11,429	9,608	8,812	8,287	7,680
Expenses:						
Operating & administration	2,140	2,135	1,912	1,681	1,602	1,542
Electricity purchases	2,418	1,715	544	472	292	250
Fuel costs	n/a	693	565	427	237	25
Decommissioning	n/a	12	10	9	8	7
Depreciation & amortization	1,894	1,884	1,721	1,580	1,537	1,420
Property + capital taxes	524	525	592	610	582	568
Debt guarantee fee	187	187	197	189	188	192
Total operating costs	7,868	7,151	5,541	4,968	4,446	4,004
Operating income	4,466	4,278	4,067	3,844	3,841	3,676
Interest expense	n/a	3,231	3,177	3,272	3,153	3,312
Non-cash financial charges	n/a	(181)	(144)	(109)	(98)	(166)
Other (income) / FX / expense	n/a	132	115	(9)	(6)	10
Net interest expense	3,290	3,182	3,148	3,154	3,049	3,156
Income before minority interest	1,176	1,096	919	690	792	520
Less: non-controlling interest	18	18	13	11	6	0
Net income	1,158	1,078	906	679	786	520

Operating income (DBRS-adjusted) continued to grow in the first quarter of 2001, following a strong 5.9% increase in 2000 to \$4.3 billion. Earnings also registered robust growth, rising 20% in 2000 to top the \$1 billion mark. The strong growth was a result of sharply higher electricity revenues, which more than offset the increase in operating costs and interest costs. The increase in electricity revenues was led by: (1) the jump in electricity exports, which have much higher margins than domestic sales due to the current high spot prices in the Northeast U.S.; and (2) the 3.9% increase in domestic sales volumes. The surge in electricity exports was entirely driven by short-term sales due to the higher market prices for electricity. The establishment by the Company of an energy trading floor in 2000 permitted the Company to maximize its participation in the regional energy exchanges. On the domestic front, a variety of factors worked together to account for the robust growth in electricity sales, including: (a) increased industrial demand related to the strong

economic growth in 2000; (b) colder weather relative to 1999; (c) increased demand from customers having dual-energy systems due to the high oil and natural gas prices; and (d) higher aluminum prices as Hydro-Québec has sales contracts whereby the rates are based on the price of aluminum.

Outlook: The outlook for the Company's earnings remains favourable given its fundamental strengths, namely: (a) its low-cost hydro-based generating capacity; and (b) a long-term (until 2041), very low-cost purchase contract for Churchill Falls power. Furthermore, electricity demand out of the Northeast U.S. remains strong and market prices remain high, providing significant support to the Company's earnings in the short term. However, earnings growth in the domestic market will continue to be limited by the domestic rate freeze in effect until at least 2002. The slowdown in the economy could also have a dampening effect on earnings growth. However, this is likely to be largely mitigated by the

positive impact on electricity demand of continued high oil and natural gas prices. Over the next four years, the Company projects earnings to grow to about \$1.6 billion by 2004, based on the following assumptions included in the Company's Strategic Plan 2000-2004: (1) electricity sales volume growth of about 2% over the 2000-2004 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; and (3) lower financial expenses over the longer term as a result of debt reduction and a stronger Canadian dollar.

However, given the mostly debt-financed, \$1.6 billion acquisition of Transelec (the principal transmission system in Chile) in 2000, DBRS does not expect the Company's financial expenses to decline much over the medium term from their 1999 level. Furthermore, it remains highly uncertain whether the Canadian dollar will strengthen over

the medium term (a higher percentage of the Company's debt is denominated in U.S. dollars).

Given the slowdown in the economy and the freeze on rates in Québec, combined with the new generation capacity expected to come on line in 2001 and the high electricity prices and tight supply in the Northeast U.S., DBRS expects that the majority of the Company's earnings growth in the medium term will come from the export market. Furthermore, once Hydro-Québec's long-term sales contracts expire (a number expire in 2001 and 2002), additional capacity will be freed up, which will allow the Company to sell even more electricity into the U.S. short-term market at higher prices. However, the growth of exports could be constrained by the limited transmission capacity available in the Northeast U.S. relative to the demand requirements. The Company's ongoing investments outside North America should also positively contribute to its earnings over the longer term.

FINANCIAL PROFILE

Statement of Cash Flows (\$ millions)	12 mos ended	For years ended December 31				
	Mar-01	2000	1999	1998R	1997	1996
Net income	1,158	1,078	906	679	786	520
Depreciation & amortization	2,180	2,036	1,920	1,782	1,573	1,514
Other non-cash charges	122	142	(47)	(118)	(2)	5
Operating cash flow	3,460	3,256	2,779	2,343	2,357	2,039
Less: dividends	453	453	279	357	357	0
Less: capital expenditures	1,830	1,812	1,642	2,092	1,590	2,056
Cash flow before working capital	1,177	991	858	(106)	410	(17)
Less: changes in working capital	2	(89)	(105)	118	(389)	34
Free cash flow	1,175	1,080	963	(224)	799	(51)
Less: other investments	1,654	1,809	585	185	543	(9)
Plus: net financing	607	806	(311)	345	(403)	(288)
Net change in cash	128	77	67	(64)	(147)	(330)
Net debt (net of sinking fund assets)	41,780	40,236	38,659	39,860	38,698	38,641
% net debt in capital structure	73.3%	73.6%	73.5%	74.8%	74.8%	75.6%
EBIT interest coverage	1.36	1.28	1.24	1.18	1.22	1.11

As was the case in 1999, the Company's cash from operations in 2000 was more than sufficient to cover capital expenditures and dividends to the Province of Québec. However, its internally generated cash flows were not sufficient to cover the \$1.6 billion acquisition of Transelec, a transmission company in Chile. The Company financed the acquisition using short-term bridge financing, and had not yet permanently financed the transaction as at the end of 2000. In April 2001, Transelec completed its permanent financing by issuing US\$700 million of bonds (without recourse to Hydro-Québec). In 2000, the Company's level of net debt (net of sinking fund assets) on the balance sheet increased by \$1.6 billion; however, a large portion of the increase (about 46%) was due to exchange rate effects.

Despite the increase in the level of net debt, the percentage of net debt in the capital structure remained stable at 73.6% as at December 31, 2000. While there has been some improvement, albeit modest, in the debt-to-capital ratio over the past five years, it remains high compared to the 55% average debt-to-capital ratio typical of investor-owned utilities, thus constraining profitability and EBIT interest coverage ratios. As a result, EBIT interest coverage ratios have consistently remained below 1.3 times, compared to

the 3.0 times typical of the private sector. However, it should be noted that as a Crown corporation, Hydro-Québec faces certain restrictions that investor-owned utilities do not face, such as the lack of access to equity markets. Furthermore, given that its sole shareholder is a government, which has non-financial objectives, its dividend payout structure can be significantly different from investor-owned utilities. As a result, its capital structure and other financial ratios may not necessarily be the same as those of investor-owned utilities.

Outlook: Cash flows from operations are expected to be sufficient in 2001 to finance the Company's total investment program (capital expenditures plus acquisitions and other investments) projected to be around \$2.4 billion. They are also expected to be sufficient to cover the Company's dividend payments. The Company is expecting to record a reduction in net debt in 2001. However, given the high percentage of US\$ debt (50% of debt is in U.S. dollars), the level of debt recorded on the balance sheet may not show a decline if the Canadian dollar depreciates from its December 31, 2000, level.

Over the medium term (2002-2004), the Company is projecting annual operating cash flows of between \$2.6 billion and \$3.2 billion, as outlined in its Strategic Plan 2000-2004. Capital expenditures including investments are expected to remain in the \$2.0 billion-\$2.3 billion range (compared to historical levels as high as \$4 billion) in 2002 and 2003, and then up to \$3.1 billion in 2004. Over the medium term, the Company expects that operating cash flows

will be sufficient to finance its internal cash needs and that it will be in a position to pay down its debt. Balance sheet leverage is expected to continue to decline, assuming the Canadian dollar does not significantly depreciate during this time. EBIT interest coverage should continue to increase slowly, in line with projected growth in EBIT and the declining level of debt. However, interest coverage remains vulnerable to changes in the exchange rate.

OPERATING LINES OF CREDIT

The Company has a Cdn\$350 million (or US\$350 million) line and a Cdn\$40 million line with Canadian banks, and a US\$50 million line of credit with a U.S. bank. These lines of credit are not guaranteed by the provincial government. In addition, it has revolving standby lines of credit equal to

US\$1,500 million. The standby lines are guaranteed by the provincial government. The lines of credit support a US\$2.75 billion commercial paper program. As at December 31, 2000, the Company had Cdn\$45.8 million of commercial paper outstanding

TERM DEBT MATURITY SCHEDULE

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Beyond 5 years</u>
(Cdn\$ millions)*	3,484	3,011	2,891	1,203	2,302	25,480

*The Government of Québec guarantees all but \$223 million (largely consisting of capital leases) of the Company's outstanding \$40.2 billion debt. The variable rate portion accounts for about 26.3% of outstanding debt (including perpetual debt). A 1% change in interest rates would impact net earnings by about \$101 million, excluding the impact of financial derivatives.

GENERATION PROJECTS

In 2000, much of Hydro-Québec's expenditures were related to maintaining the reliability of its existing generation facilities. The Company completed rehabilitation work on its La Gabelle, La Tuque and Tracy generating stations in 2000. Furthermore, construction continued on Sainte-Marguerite-3. This new hydro-based generating facility is expected to be commissioned in the fall of 2001, and will add 882 MW of capacity. The next major generation project to be undertaken by Hydro-Québec is the recently approved construction of the new Grand-Mère hydro facility (220 MW), which will replace the existing facility. The projected cost is \$460 million and it is

expected to be commissioned in 2004. Hydro-Québec also recently received approval to begin construction of the Toulmoustou generating facility (526 MW) on the North shore, to be commissioned in 2005.

A variety of other projects within Québec are in the negotiating, discussing or planning phases, and could add significant generation capacity. Furthermore, the Company is in negotiations with Newfoundland and Labrador Hydro regarding the development of Lower Churchill. The negotiations are centered on a purchase agreement for the electricity that would be generated by this new hydro facility.

PROVINCE OF QUÉBEC

The Province of Québec's ("the Province") long-term and short-term ratings were confirmed at "A" and R-1 (low), respectively, both with Stable trends (see separate report dated July 4, 2001). Over the past six years, the Province has managed to significantly reduce the gap between revenues and expenditures that has historically plagued the Province's finances. Strong economic growth, tighter spending controls and various legislative measures adopted in recent years to improve accountability have led to a marked improvement in the Province's DBRS-adjusted balance, which grew from a deficit of \$7.5 billion in 1994 - 1995 to an unexpected surplus of \$294 million in 2000-2001. For 2001-2002, a DBRS-adjusted deficit of \$1.2 billion is expected. Although lower than last year's performance, it remains consistent with the Province's balanced budgets. The Province also has a stronger, more diversified economy, supported by important knowledge-based industries and a very competitive corporate tax system. The strengthened economic fundamentals have resulted in a broader fiscal revenue base and more

sustainable long-term growth opportunities for the Province, as reflected in the 2.7% real GDP growth forecast for 2001. Despite significant progress achieved in recent years, the Province continues to face challenges. Total tax-supported debt, in particular, is relatively high. At 60% of provincial GDP, it represents the second highest debt burden among all provinces. In addition to limiting the Province's flexibility, high indebtedness consumes a significant portion of fiscal revenues (18% in 2000-2001). Upward pressure on indebtedness is expected to remain in the near future, as the Province's balanced budgets will likely continue to require external financing to cover non-budgetary items. In 2001-2002, total tax-supported debt is projected to increase by at least \$5.5 billion, to \$136.2 billion, which should put an end to the decline in the debt-to-GDP ratio. Despite the tax cuts delivered to Québécois in the last two budgets, personal income taxes remain relatively high, especially compared to Ontario. Other risks include the high levels of foreign currency and floating rate debt maintained by the Province and the current government's commitment to sovereignty.

Hydro-Quebec

Balance Sheet

(\$ millions)

	As at Dec. 31				As at Dec. 31		
	March 2001	2000	1999		Mar-01	2000	1999
Assets				Liabilities & Equity			
Cash + equivalents	1,574	746	488	Net short-term debt	4,880	5,169	2,514
Accts receivable	2,639	1,861	1,875	A/P + accrued	3,167	3,274	2,966
Other	435	407	381	Current liabilities	8,047	8,443	5,480
Current assets	4,648	3,014	2,744	Long-term liabilities	720	586	596
Net fixed assets	49,779	49,640	48,226	Net long-term debt	36,348	34,515	35,593
Investments	748	750	702	Other liabilities	194	274	265
Deferred expenses	5,033	4,309	3,874	Perpetual debt	552	552	552
Other	688	937	681	Shareholders' equity	15,035	14,280	13,741
Total	60,896	58,650	56,227	Total	60,896	58,650	56,227

Ratio Analysis

	12 mos. end		For years ended December 31					
	March 2001	2000	1999	1998	1997	1996	1995	1994
Liquidity Ratios								
Current ratio	0.58	0.36	0.52	0.49	0.61	0.61	0.69	0.89
Accumulated depreciation/gross fixed assets	-	24.1%	22.9%	21.3%	19.8%	18.1%	16.6%	15.5%
Cash flow/total net debt (1)	0.08	0.08	0.07	0.06	0.06	0.05	0.04	0.05
Cash flow/capital investments (2)	0.99	0.90	1.25	1.03	1.11	0.99	0.63	0.60
Cash flow-dividends/capital investments (2)	0.86	0.77	1.12	0.87	0.94	0.99	0.63	0.60
Net debt in capital structure (1)	73.3%	73.6%	73.5%	74.8%	74.8%	75.6%	76.6%	76.5%
Average coupon on long-term debt	-	8.82%	8.71%	8.80%	8.91%	9.13%	9.40%	9.69%
Common equity in capital structure (1)	26.7%	26.4%	26.5%	25.2%	25.2%	24.4%	23.4%	23.5%
Common dividend payout (based on div declared)	0.0%	50.0%	50.0%	41.1%	45.4%	0.0%	0.0%	0.0%

Coverage Ratios (3)

EBIT interest coverage	1.36	1.28	1.24	1.18	1.22	1.11	1.06	1.07
EBITDA interest coverage	1.93	1.87	1.79	1.66	1.71	1.54	1.40	1.41
Fixed-charges coverage	1.36	1.28	1.24	1.18	1.22	1.11	1.06	1.07

Earnings Quality / Operating Efficiency

Power purchases/revenues (4)	19.6%	15.0%	5.7%	5.4%	3.5%	3.3%	3.4%	3.6%
Fuel costs/revenues	n/a	n/a	n/a	4.8%	2.9%	0.3%	0.2%	0.4%
Operating margin	36.2%	37.4%	42.3%	43.6%	46.3%	47.9%	48.5%	47.7%
Net margin (before extras.)	9.4%	9.4%	9.4%	7.7%	9.5%	6.8%	5.1%	9.2%
Return on avg. equity (before extras.) (1)	7.8%	7.6%	6.6%	5.1%	6.2%	4.3%	3.3%	5.9%
Profit returned to government (5)	62.3%	65.1%	63.0%	78.2%	72.4%	59.4%	65.2%	50.0%
Customers/employee	-	171	172	167	169	147	136	132
Growth in customer base	-	0.7%	0.7%	0.7%	0.9%	1.3%	1.1%	1.1%
GWh sold/employee	-	9.2	8.4	7.7	8.0	7.0	6.7	6.2

Self Generation - Cost Structure (6) (7)

OM&A	-	1.36	1.20	1.23	1.14	1.51	1.32	1.24
Fuel	-	0.04	0.07	0.05	0.02	0.51	0.41	0.33
Variable costs	-	1.40	1.27	1.28	1.16	2.02	1.73	1.57
Government levies	-	0.52	0.60	0.64	0.58	0.52	0.57	0.62
Net interest expenses	-	2.18	2.37	2.61	2.35	2.39	2.30	2.44
Total cash costs	-	4.11	4.24	4.54	4.09	4.93	4.60	4.62
Non-cash financial charges	-	(0.18)	(0.15)	(0.14)	(0.12)	(0.13)	(0.10)	(0.08)
Depreciation	-	1.29	1.24	1.25	1.14	1.38	1.23	1.21
Total costs	-	5.22	5.33	5.65	5.12	6.18	5.73	5.75
Purchased power (cents per gross kWh purch.)	-	2.98	1.27	1.07	0.89	5.87	1.84	1.53
Churchill Falls power (cents per gross kWh purch.)	-	0.37	0.38	0.34	0.27	0.29	0.30	0.28
Purch. power (excl CF) (cents per gross kWh purch.)	-	6.19	3.76	3.52	5.51	5.05	6.06	5.32
Average domestic unit revenue (cents per kWh sol)	-	5.10	5.07	5.04	4.98	5.10	5.07	5.04
Total unit costs - self generation	-	5.22	5.33	5.65	5.12	6.18	5.73	5.75
Net margin excl Churchill Falls contribution	-	(0.12)	(0.27)	(0.62)	(0.14)	(1.07)	(0.66)	(0.71)

(1) Minority interest treated as a common equivalent. Debt including perpetual debt, net of sinking fund assets. (2) Excludes other investment expenditures before 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.

Electricity Sold (Breakdown)	For years ended December 31					
	2000	1999	1998	1997	1996	1995
Residential/farm	51,666	49,315	47,701	51,246	50,294	48,842
Commercial/institutional	30,490	29,765	28,815	29,560	29,158	29,108
Industrial	65,950	63,409	61,773	61,837	59,797	59,254
Other	4,651	4,500	4,519	4,648	5,261	4,832
Total domestic	152,757	146,989	142,808	147,291	144,510	142,036
Exports (long-term) *	6,844	8,711	8,101	8,072	7,819	8,975
(short-term) *	30,479	16,012	10,464	7,170	11,073	15,090
Total exports	37,323	24,723	18,565	15,242	18,892	24,065
Total (GWh sold)	190,080	171,712	161,373	162,533	163,402	166,101
Domestic energy growth	3.9%	2.9%	-3.0%	1.9%	1.7%	2.2%
Export energy growth	51.0%	33.2%	21.8%	-19.3%	-21.5%	25.6%
Total energy growth	10.7%	6.4%	-0.7%	-0.5%	-1.6%	5.0%

Unit Revenues	12 mos ended	For years ended December 31				
	March 2001	2000	1999	1998R	1997	1996
Revenues:						
Residential/farm	n/a	6.13	6.15	6.09	5.98	5.86
Commercial/institutional	n/a	6.57	6.59	6.57	6.38	6.29
Industrial	n/a	3.65	3.53	3.52	3.50	3.45
Other	n/a	4.73	4.78	4.78	4.69	4.30
Subtotal domestic	5.12	5.10	5.07	5.04	4.98	4.89
Exports (firm)	n/a	5.51	4.90	4.83	4.34	3.73
Exports (short-term)	n/a	6.57	3.90	4.04	3.43	2.67
Average electricity revenues	5.62	5.35	4.95	4.96	4.88	4.68

Generation							
Hydro	93%	29,246	29,235	29,203	29,203	29,220	28,932
Oil + diesel	5%	1,591	1,595	1,594	1,519	1,518	1,518
Nuclear	2%	675	675	675	675	675	675
Installed capacity (MW)		31,512	31,505	31,472	31,397	31,413	31,125
Available hydro (Churchill Falls)		5,428	4,765	4,083	4,213	4,213	4,213
Energy generated (GWh)							
Hydro		n/a	137,416	125,774	136,907	141,878	145,306
Nuclear		n/a	3,845	4,083	4,535	5,582	4,826
Oil		n/a	570	922	142	225	267
Natural gas		n/a	570	922	198	7	9
Gross energy generated (1)	72%	145,960	142,400	131,700	141,726	147,692	150,408
Plus: Churchill Falls purchases	16%	31,727	31,405	34,137	30,301	25,748	26,693
Other energy exchanges (2)	13%	25,793	11,307	10,200	4,006	3,451	2,899
Energy generated + purchased (2)		203,480	185,112	176,037	176,033	176,891	180,000
Less: transmission losses + internal use (2)		13,400	13,400	14,664	13,500	13,489	13,899
Total (GWh sold)		190,080	171,712	161,373	162,533	163,402	166,101
Energy lost + used/energy gen + purch		6.6%	7.2%	8.3%	7.7%	7.6%	7.7%
Primary peak demand (MW)		33,767	35,577	35,275	32,305	34,642	33,594
Peak demand/installed capacity		107.2%	112.9%	112.1%	102.9%	110.3%	107.9%
Peak demand/installed capacity ^		91.4%	98.1%	99.2%	90.7%	97.2%	95.1%

Export Interconnections (MW)							
Ontario Power Generation		1,195	1,195	1,195	1,462	1,462	1,462
New Brunswick Power		1,200	1,200	1,200	1,060	1,060	1,060
New England Utilities		2,305	2,303	2,303	2,303	2,303	2,303
New York		2,695	2,695	2,695	2,695	2,695	2,695
Total		7,395	7,393	7,393	7,520	7,520	7,520
Interconnections as a percentage of installed capacity		23.5%	23.5%	23.5%	24.0%	23.9%	24.2%

(1) DBRS estimate for 2000.

(2) DBRS estimates for 1997-2000.

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

^ Including Churchill Falls capacity.