

ELECTRICITY PURCHASES AND TRANSMISSION SERVICE

1. SYNOPSIS OF ELECTRICITY AND TRANSMISSION PURCHASES

	Electricity and Transmission Services Purchases (in millions of dollars)			
	<i>Financial Period Ending December 31</i>			
	Historical Years		Base Year	Forecast Year
	2001	2002	2003	2004
Electricity Purchases	4 099.3	4 224.6	4 487.9	4 627.4
Heritage	4 046.9	4 173.2	4 420.6	4 488.6
Non Heritage	52.4	51.4	67.3	138.8
Transmission Service	2 313.0	2 313.0	2 313.0	2 313.0
Local Load	2 313.0	2 313.0	2 313.0	2 313.0
Electricity and Transmission Purchases	6 412.3	6 537.6	6 800.9	6 940.4

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2. ELECTRICITY PURCHASES

2 To serve Quebec customers, the Distributor has a volume of 165 TWh of
 3 heritage electricity at an average cost of 2.79¢/kWh. The Distributor does not
 4 foresee going beyond this volume before 2005.

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6 *The Law governing the Régie* foresees distributing the cost of supply of 2.79
 7 ¢/kWh between the consumer categories according to their consumption
 8 characteristics. For special contracts, whose consumption volume exceeds 20
 9 TWh and is part of heritage consumption, the cost of supply corresponds to the
 10 rate envisioned in the contract, with deductions made from applicable
 11 transmission and distribution costs according to their consumption
 12 characteristics. This formula protects other consumer categories from electricity
 13 price fluctuations that are inherent in the special contracts.

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1 Additionally, the heritage consumption volume excludes those volumes from real
2 time or back up energy tariff, much like the volumes of energy supplied from the
3 blocks determined through government regulation. For this reason, Hydro
4 Quebec Generation benefits from real time rates BT, LC, LR and MR, the back
5 up rates GD, H, LD and LP, as well as the interruptible power programs I and II.
6 The cost of supply that corresponds to real time tariffs and back up energy is
7 established according to market price.

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9 The costs and volumes of electricity provided for the years 2001 to 2004 are
10 detailed in the table that follows. Forecasts for 2003 and 2004 reflect Hydro-
11 Quebec Generation's decision to continue, starting from December 1st 2003,
12 supplying tariff BT only insofar as the paid price reflects the market rates, which
13 is estimated at 7.5¢/kWh. They assume the maintenance of tariff BT until
14 December 31, 2004 without regard for the regulatory treatment required by the
15 Distributor for the losses related to this tariff as per HQD-3, Document 2, and for
16 which no rate increase is currently required. Lastly, these forecasts do not
17 include any provisions for climatic risks.

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	Electricity Purchases (in millions of dollars)			
	<i>Financial Period Ending December 31</i>			
	Historical Years		Base Year	Forecast Year
	2001	2002	2003	2004
Heritage Electricity				
Volume (<i>in GWh</i>)	150 377	156 437	162 553	164 120
Supply cost				
Before special contracts adjustment	4 191.9	4 359.5	4 535.2	4 574.5
After special contracts adjustment	4 046.9	4 173.2	4 420.6	4 488.6
Non Heritage Electricity				
Volume (<i>in GWh</i>)	1 572	1 540	1 707	1 853
Tariff BT	1 560	1 527	1 700	1 846
Others	12	13	7	7
Supply cost	52.4	51.4	67.3	138.8
Tariff BT	51.8	50.7	67.0	138.5
Others	0.6	0.7	0.3	0.3
Electricity Purchases				
Volume (<i>in GWh</i>)	151 949	157 977	164 260	165 973
Supply Cost	4 099.3	4 224.6	4 487.9	4 627.4

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3. TRANSMISSION SERVICE

4 The costs related to transmission service for local load correspond to the current
5 tariff as of January 1st 2001, as set by the Régie in its D-2002-95 decision.