

## **ELECTRICITY PURCHASES AND TRANSMISSION SERVICE**



**1. SYNOPSIS OF ELECTRICITY AND TRANSMISSION PURCHASES**

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

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

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

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

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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 1<sup>st</sup> 2001, as set by the Régie in its D-2002-95 decision.