

**FINANCIAL DATA
RELATIVE TO THE
CENTRE FOR SHARED SERVICES**

1 In accordance with the D-2003-93 decision of the Régie and at the request of the
2 Distributor, the Center of Shared Services submits the following information:

- 3
- 4 • The list of the products and services offered by the Centre for Shared
5 Services to all of its customers (see Appendix 1);
 - 6 • The catalogue of the products and services of the Centre for Shared
7 Services (CSP) which provides a detailed description on each one of the
8 products and the level of services offered to all of its customers. It is
9 important to specify that the Centre for Shared Services offers its products
10 and services at uniform and identical tariffs to all of its customers (see
11 Appendix 2);
 - 12 • An analysis of the evolution of the invoicing of the products and services
13 of the Center of Shared Services from 2001 to 2004 takes into account the
14 organizational changes to facilitate the comparison as well as an analysis
15 of the cost components of the CSP;
 - 16 • Average labour force and wages by category for the CSP.
- 17

1. ORGANIZATIONAL AND HISTORICAL CONTEXT FOR THE CENTRE FOR SHARED SERVICES

18 It is important to specify that the Centre for Shared Services was set up in the fall
19 2002 and that it resulted from the merger of the activities from the old
20 Provisioning and Services (DPAS) and Information Technologies (DPTI) units.
21 During 2003, the centre of competences was put in place with regards to
22 management software packages and accounting transaction services, a situation
23 that results from the transfers of activities previously performed under another
24 organizational structure. The transfer of telecommunication services from

1 TransÉnergie to the Centre for Shared Services as of January 1st 2004 also
2 constitutes a significant change in the activities performed by the supplier.

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4 Consequently, the historical data of 2001 and 2002 as well as those of the base
5 year 2003 presented in the body of this testimony, were changed to make them
6 comparable with the current projected year 2004. Although these organizational
7 changes did not have any negative impact on the quality and the cost of the total
8 services rendered to the Distributor, they did have a significant effect on the
9 nature and the behavior of the costs by activity. The revised data collectively are
10 thus representative, but they lend themselves poorly to detailed analysis since
11 they do not reflect the organizational reality in which these activities were carried
12 out. These organizational changes were announced in phase 1 and since then,
13 no other changes or transfers were agreed upon or have been considered.

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2. CURRENT RULES CONCERNING INTERNAL INVOICING

15 It is appropriate to recall briefly the current rules concerning Hydro-Quebec's
16 internal invoicing:

- 17 • The tariffs for the products and services are established on the basis of
18 total costs. Moreover, the current tariffs are uniform and identical for all
19 customers;
- 20 • The customer-supplier agreements are established annually and are
21 subject to negotiation on the required level of service, quantities, delays
22 and the methods of invoicing;

- The invoicing is established on the basis of the service consumption specific to the customer.

3. EVOLUTION OF THE SERVICES INVOICED TO THE DISTRIBUTOR

Tables 1 and 2 present the costs invoiced to the Distributor for the products and services listed and which are starting in 2004, offered by the Centre for Shared Services. The data presented indicate the Distributor's share of the invoice in the sales turnover of the CSP in 2004. The 2001 to 2003 data were corrected to render a situation comparable to the situation that will prevail in 2004.

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

Domains	Internal invoicing of the CSP (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
Provisioning and Services						
Building services	59.8	158.0	37.8%	65.8	169.1	38.9%
Air and Transportation	38.4	86.0	44.7%	42.3	95.5	44.3%
Material Management	35.6	75.2	47.3%	36.2	71.6	50.6%
Documents Management	8.5	19.0	44.7%	8.4	19.5	43.1%
Acquisition	5.1	24.1	21.2%	5.3	22.6	23.5%
Technical Expertise and Training	1.2	2.6	46.2%	1.4	3.2	43.8%
Total	148.6	364.9	40.7%	159.4	381.5	41.8%
Information Technologies						
Data Processing Solutions	35.0	85.6	40.9%	41.7	92.9	44.9%
Technology Operations	32.7	66.4	49.2%	31.5	66.7	47.2%
Office Automation	24.2	53.6	45.1%	18.0	43.6	41.3%
Total	91.9	205.6	44.7%	91.2	203.2	44.9%
Telecommunication Services						
Telephony	24.1	104.6	23.0%	20.0	92.0	21.7%
Corporate services (80%)	9.4	23.9	39.3%	8.4	22.6	37.2%
Total	33.5	128.5	26.1%	28.4	114.6	24.8%
Others						
Accounting Transaction Services	5.9	17.6	33.5%	6.0	17.6	34.1%
Centre of competences – Management software	0.2	25.6	0.8%	0.2	25.6	0.8%
Total	6.1	43.2	14.1%	6.2	43.2	14.4%
Total – Before return	280.1	742.2	37.7%	285.2	742.5	38.4%

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Table 2

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2003-2004 Share of Revenues Originating From the Distributor

Domains	Internal invoicing of the CSP (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
Provisioning and Services						
Building services	69.5	164.5	42.2%	58.7	155.0	37.9%
Air and Transportation	43.7	105.8	41.3%	42.3	100.4	42.1%
Material Management	33.1	70.5	47.0%	35.1	73.5	47.8%
Documents Management	8.5	18.4	46.2%	6.7	16.2	41.4%
Acquisition	6.2	24.2	25.6%	6.0	24.9	24.1%
Technical Expertise and Training	1.1	2.2	50.0%	1.2	2.8	42.9%
Total	162.1	385.6	42.0%	150.0	372.8	40.2%
Information Technologies						
Data Processing Solutions	52.7	90.0	58.6%	45.1	69.6	64.8%
Technology Operations	35.2	53.2	66.2%	27.8	44.1	63.0%
Office Automation	22.7	50.1	45.3%	27.0	56.6	47.7%
Total	110.6	193.3	57.2%	99.9	170.3	58.7%
Telecommunication Services						
Telephony	21.3	94.6	22.5%	22.8	89.5	25.5%
Corporate services (80%)	8.4	22.6	37.2%	9.8	22.8	43.0%
Total	29.7	117.2	25.3%	32.6	112.3	29.0%
Others						
Accounting Transaction Services	6.1	17.0	35.9%	7.2	17.7	40.7%
Centre of Competences – Management software	1.4	25.6	5.5%	13.2	33.8	39.1%
Total	7.5	42.6	17.6%	20.4	51.5	39.6%
Total – Before returns	309.9	738.7	42.0%	302.9	706.9	42.8%

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4 The main basis for invoicing and the volumes related to these products and
5 services are presented in the following tables 3 to 6:

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Table 3

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Principal Volumes Invoiced in 2001

Domains	Financial Period Ending December 31 2001			
	Invoicing Base	Invoiced Volumes		Ratio Distributor/ Hydro-Québec
		Distributor	Hydro-Québec	
Provisioning and Services				
Building services	Square meters	515 216	1 043 091	49,4%
Air and Transportation	Vehicles	3 342	7 774	43,0%
Material Management	Value of transactions-shops (\$)	227 074 000	304 877 575	74,5%
Documents Management	Administrative effectives	5 599	12 206	45,9%
Acquisition	Years/People	34	157	21,7%
IT				
Data-processing solutions	Cumulated costs by system (\$)	35 000 000	85 600 000	40,9%
Technology Operations	Cumulated costs by system (\$)	32 700 000	66 400 000	49,2%
Office Automation	Computers and printers	7 946	15 458	51,4%
Telecommunication Services				
Telephony	Phone lines	12 607	36 149	34,9%
Corporate services (80%)	Total labour	7 748	20 986	36,9%
Others				
Accounting Transaction Services	Volume of transactions	415 959	n.d.	n.d.

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Table 4
Principal Volumes Invoiced in 2002

Domains	Financial Period Ending December 31 2002			
	Invoicing Base	Invoiced volumes		Ratio Distributor/ Hydro- Québec
		Distributor	Hydro- Québec	
Provisioning and Services				
Building services	Square meters	513 838	883 863	58.1%
Air and Transportation	Vehicles	3 184	7 316	43.5%
Material Management	Value of transactions-shops (\$)	252 572 700	384 209 775	65.7%
Documents Management	Administrative effectives	5 239	12 145	43.1%
Acquisition	Years/People	34	150	22.7%
IT				
Data-processing solutions	Cumulated costs by system (\$)	41 700 000	92 900 000	44.9%
Technology Operations	Cumulated costs by system (\$)	31 500 000	66 700 000	47.2%
Office Automation	Computers and printers	8 486	17 802	47.7%
Telecommunication Services				
Telephony	Phone lines	10 928	28 601	38.2%
Corporate services (80%)	Total labour	7 760	21 144	36.7%
Others				
Accounting Transaction Services	Volume of transactions	415 959	n.d.	n.d.

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Table 5
Principal Volumes Invoiced in 2003

Domains	Financial Period Ending December 31 2003			
	Invoicing Base	Invoiced volumes		Ratio Distributor/ Hydro- Québec
		Distributor	Hydro- Québec	
Provisioning and Services				
Building services	Square meters	504 707	846 310	59.6%
Air and Transportation	Vehicles	3 267	7 562	43.2%
Material Management	Value of transactions-shops (\$)	226 385 500	354 018 045	63.9%
Documents Management	Administrative effectives	5 189	13 241	39.2%
Acquisition	Years/People	48 393	187 190	25.9%
IT				
Data-processing solutions	Cumulated costs by system (\$)	52 700 000	90 000 000	58.6%
Technology Operations	Cumulated costs by system (\$)	35 200 000	53 200 000	66.2%
Office Automation	Computers and printers	8 884	16 682	53.3%
Telecommunication Services				
Telephony	Phone lines	10 884	34 175	31.8%
Corporate services (80%)	Total labour	7 760	21 144	36.7%
Others				
Accounting Transaction Services	Volume of transactions	432 793	2 428 124	17.8%

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Table 6
Principal Volumes Invoiced in 2004

Domains	Financial Period Ending December 31 2003			
	Invoicing Base	Invoiced volumes		Ratio Distributor/ Hydro- Québec
		Distributor	Hydro- Québec	
Provisioning and Services				
Building services	Square meters	510 349	864 216	59.1%
Air and Transportation	Vehicles	3 241	7 489	43.3%
Material Management	Value of transactions-shops (\$)	220 409 000	322 823 550	68.3%
Documents Management	Administrative effectives	5 262	12 215	43.1%
Acquisition	Years/People	38 732	158 836	24.4%
IT				
Data-processing solutions	Cumulated costs by system (\$)	45 100 000	69 600 000	64.8%
Technology Operations	Cumulated costs by system (\$)	27 800 000	44 100 000	63.0%
Office Automation	Computers and printers	9 261	19 711	47.0%
Telecommunication Services				
Telephony	Phone lines	12 582	37 851	33.2%
Corporate services (80%)	Total labour	7 760	21 144	36.7%
Others				
Accounting Transaction Services	Volume of transactions	454 349	2 484 478	18.3%
Centre of Competencies – Mgmt Software	Users by software package	5 265	9 426	55.9%

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4 As one can note in Tables 1 and 2, the sales turnover for the Centre of Shared
5 Services planned for 2004 amounts to \$707 M, posting an average annual
6 growth of 0.6% over the period 2001-2004, but also a decrease of \$31.8 M or
7 4.3% compared to 2003. This is a good indication of the significant efforts carried
8 out by the Centre for Shared Services to reduce its costs to the benefit of its
9 customers.

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11 In addition, the examination of Tables 3 to 6 shows a relatively stable
12 consumption of these products and services by the Distributor, except for an
13 increase in its 2003 demand for *Data Processing Solutions*, growth associated to
14 the undertaking significant development projects such as the customer
15 information system (CIS) and DCartes.

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17 This increase in demand for services by the Distributor is reflected completely in
18 the increase in its share of the sales turnover of the Centre for Shared Services.

1 Thus, it is a matter of a variation in volume and not an increase in the costs of the
2 supplier.

**4. COMPONENTS OF THE TOTAL COST OF THE SERVICES FOR THE CENTRE
FOR SHARED SERVICES**

3 The components of the total cost of the products and services of the CSP are
4 presented in Table 7 hereafter. The data preceding 2004 are corrected to take
5 into account the organizational changes and to make them comparable with
6 2004.

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8 The detailed allocations of the components of the operating costs are a function
9 of the existing links and exchanges between the organizational structures
10 prevailing during the base year. Thus, as an example, in 2001, when
11 Provisioning and Services required the services of Information Technologies or
12 Telecommunications, they were rendered by the direction of the Provisioning and
13 Services Group, these costs were presented as shared services charges
14 (internal Suppliers) whereas in 2004, the services being directly realized by the
15 CSP, these costs are mostly composed of salaries, external and professional
16 services, purchases, internal suppliers and others.

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18 This makes it a difficult exercise to compare cost components. However, taken
19 as a whole, the operational charges, depreciation, taxes and revised financial
20 expenses are comparable. This data demonstrates the efforts undertaken by the
21 supplying units in order to contain an increase in charges while providing the
22 products and services in conformity with the level of quality required by the
23 Distributor.

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Table 7
Total Corrected Costs for the CSP

Costs components	Costs (in M\$)			
	Financial Period Ending December 31			
	Historical Years		Base year	Forecasted Year
	2001	2002	2003	2004
Operational charges	663.6	653.1	657.1	611.0
Amortization	73.2	67.7	63.1	67.2
Taxes	8.5	5.0	9.2	7.5
Revised Financial Expenses	21.4	20.3	19.8	21.3
Total Charges – Centre of Shared Services	766.7	746.1	749.2	707.0

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Because of a concern for transparency, Tables 8 to 11 appearing in the following pages present more detailed information for the years 2001 to 2004. This data is in conformity with that of the original units before their transfer to the Centre for Shared Services.

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Table 8
Total Costs of the CSP Before Transfers

Costs components	Costs (in M\$)			
	Financial Period Ending December 31			
	Historical Years		Base year	Forecasted Year
	2001	2002	2003	2004
Operational charges	507.5	502.9	529.5	611.0
Salaries Expenses	170.1	174.7	211.1	246.4
<i>Salary base</i>	138.4	142.2	171.8	200.5
<i>Overtime</i>	4.4	4.5	5.4	6.3
<i>Profit sharing and miscellaneous revenues</i>	7.6	7.8	9.5	11.1
<i>Social benefits</i>	19.7	20.2	24.4	28.5
External and professional services	227.3	223.8	253.7	270.4
Internal suppliers, others	110.1	104.4	64.7	94.2
Amortization	59.6	53.1	51.0	67.2
Taxes	8.2	4.6	9.1	7.5
Revised financial expenses	17.0	16.7	17.0	21.3
Total charges – Centre of Shared Services	592.3	577.3	606.6	707.0
	Note A	Note A	Note B	Note C

Note A: Activities of the DPAS and DPTI
 Note B: Activities of the CSP with 8 domains
 Note C: Activities of the CSP with 11 domains

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Table 9
Costs Related to the Telecommunications Transferred in 2004

Costs components	Costs (in M\$)			
	Financial Period Ending December 31			
	Historical Years		Base year	Forecasted Year
	2001	2002	2003	2004
Operational charges	117.3	110.9	110.9	Note 1
Amortization	10.5	12.1	12.1	
Taxes		0.1	0.1	
Revised financial expenses	3.4	2.5	2.5	
Total charges – Centre of Shared Services	131.2	125.6	125.6	

Note 1 The data of Table 8 include the costs related to these activities

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Table 10

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Costs Related to the Accounting Services Transferred in 2003

Costs components	Costs (in M\$)			
	Financial Period Ending December 31			
	Historical Years		Base year	Forecasted Year
	2001	2002	2003	2004
Operational charges	16.7	17.2	16.7	Note 1
Amortization	0.7	0.1		
Taxes				
Revised financial expenses	0.2	0.3	0.3	
Total charges – Centre of Shared Services	17.6	17.6	17.0	

Note 1 The data in Table 8 include the costs related to these activities

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Table 11

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Costs Related to the Activities of the Centre of Competence Transferred in 2003

Costs components	Costs (in M\$)			
	Financial Period Ending December 31			
	Historical Years		Base year	Forecasted Year
	2001	2002	2003	2004
Operational charges	22.1	22.1		Note 1
Amortization	2.4	2.4		
Taxes	0.3	0.3		
Revised financial expenses	0.8	0.8		
Total charges – Centre of Shared Services	25.6	25.6		

Note 1 The data in Table 8 include the costs related to these activities

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5. PRINCIPAL BASIS FOR INVOICING AND VOLUMES INVOICED BY THE CENTER OF SHARED SERVICES

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

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Table 12
Principal Basis for Invoicing and Volumes

Domain	Invoicing Base	Invoiced volumes			
		<i>Financial Period Ending December 31</i>			
		Historical Years		Base year	Forecasted Year
		2001	2002	2003	2004
Provisioning and Services					
Building services	Square meters	1 043 091	883 863	846 310	864 216
Air and Transportation	Vehicles	7 774	7 316	7 562	7 489
Material Management	Shop Taxes values (\$)	304 877 575	384 209 775	354 018 045	322 823 550
Documents Management	Administrative effectives	12 206	12 145	13 241	12 215
Acquisition	Hours	n.d.	n.d.	187 190	158 836
IT					
Data-processing solutions	Cumulated costs (\$)	85 600 000	92 900 000	90 000 000	69 600 000
Technology Operations	Cumulated costs (\$)	66 400 000	66 700 000	53 200 000	44 100 000
Office Automation	Computers and printers	15 458	17 802	16 682	19 711
Telecommunication Services					
Telephony	Phone lines	36 149	28 601	34 175	37 851
Corporate services (80%)	Effectives	20 986	21 144	21 144	21 144
Others					
Accounting Transaction Services	Volume of transactions	n.d.	n.d.	2 428 124	2 484 478
Centre of Competencies – Mgmt Software	Users by software package	n.d.	n.d.	n.d.	9 426

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1 **6. LABOR FORCE OF THE CSP AND AVERAGE SALARIES**

	<i>Financial Period Ending December 31</i>			
	Historical years		Base year	Forecasted year
	2001	2002	2003	2004
Average annual effectives	2 940	2 840	3 037	3 037
Office	778	730	818	818
Permanent	570	538	610	610
Temporary	208	192	208	208
Trades	556	547	553	553
Permanent	431	410	409	409
Temporary	125	137	144	144
Technicians	122	89	80	80
Permanent	106	73	70	70
Temporary	16	16	10	10
Engineers	87	55	53	53
Permanent	85	53	51	51
Temporary	2	2	2	2
Specialists	1 117	1 145	1 233	1 233
Permanent	1 038	1 057	1 166	1 166
Temporary	79	88	67	67
Professionals	77	79	77	77
Permanent	64	61	63	63
Temporary	13	18	14	14
Executives/Management	203	195	223	223
Permanent	203	195	223	223
Average wage (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
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

The 2004 revenue does not take into account a transfer of 283 effectives related to the activities of service Telecommunication

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