

INDUSTRIAL ECONOMICS, INCORPORATED

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18 January 2005

Mr. Luc Boulanger
directeur exécutif
Association québécoise des consommateurs industriels d'électricité
1010, rue Sherbrooke Ouest
bureau 1800,
Montréal, Québec CANADA H3A 2R7

REFERENCE: Régie de l'énergie du Québec, Docket No. R-3541-20041; Hydro-Québec
Distribution Tariff Structure

Dear Luc:

Attached is IEC's invoice for consulting and expert witness services in the referenced matter. Our work included:

- Meetings at IEC's offices with Pierre Vézina and yourself to discuss presentations made by Hydro Québec Distribution to AQCIE and CIFQ, alternative rate design options and to develop a strategy for these proceedings;
- Preparation of analytical memos regarding the impact of alternative cost allocation methods for post-patrimonial energy costs;
- Research US and Canadian decisions relating to incremental versus rolled-in pricing;
- Preparation of expert evidence regarding incremental and rolled-in pricing for Québec post-patrimonial energy;
- Review of intervenor evidence in the proceeding, focusing on evidence of Drazen and Mikkelsen;
- Preparation for and testifying appearance at hearings.

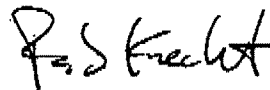
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As we discussed during the course of the project, we endeavored to try to keep costs within the budget, and I believe that we succeeded. In September, we budgeted approximately 250 professional hours for this project between Stephanie Hutchison and myself. Actual professional hours worked on this assignment were only slightly more than half that. Project expenses were also noticeably below budget.

Project expenses on this invoice are recorded at our cost. I have enclosed receipts for my travel expenses associated with my trip to Québec. Costs for IEc computer and telephone service are based on beginning of year standard per-hour cost estimates. For 2004, those rates are \$2.30 per direct hour for computer resources and \$1.00 per direct hour for telephone. Fax costs (outgoing faxes only) are charged at 25 cents per page sent, and xerox charges are 10 cents per page. These charges are reviewed annually by our federal government auditors, and are available for your review or the Régie's review.

If I can answer any questions regarding this invoice, please do not hesitate to call. Thank you for your attention to this matter.

Yours truly,



Robert D. Knecht
Principal

RDK/bk
enc.