

Hydro-Québec Distribution

2004 Distribution Tariff Application Demande R-3541-2004

Before the
Régie de l'énergie du Québec

Evidence of Mark Drazen

On behalf of the
Fédération Canadienne de l'Entreprise Indépendante
(FCEI)
and the
Association des Stations de Ski du Québec (ASSQ)

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|-------------------------------------|
| Régie de l'énergie |
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Section I Introduction

Sponsors

This evidence is submitted on behalf of the Fédération Canadienne de l'Entre prise Indépendante (FCEI) and the Association des Stations de Ski du Québec (ASSQ).

Purpose

This evidence deals with the appropriate level of costs for setting rates for the 2005-2006 tariff year for Hydro-Québec Distribution ("HQD" or "the Distrib utor"). This involves an examination of the expenses and the evidence of HQD regarding its efficiency indicators.

As discussed in R-3492-2002, effective regulation is a cumulative and evolving process, which requires accumulation of data over time. Therefore, this evidence also reviews historical and prospective cost data.

HQD has proposed three accounting mechanisms: (1) a deferral account for post-heritage energy costs; (2) a deferral account for foreign exchange; and (3) a rate rider intended to reconcile the difference between the test year (January-December) and the rate year (April-March). This evidence will comment on the need for and usefulness of these mechanisms.

Bases for Analysis

As mentioned in our evidence in R-3492-2002, Phase 2, whether the costs claimed by the utility are reasonable must be determined by asking "*reasonable compared to what*"? That is, a basis for comparison is necessary in order to determine reasonableness.

The costs claimed for the test year can be analyzed in several ways:

- Based on an item-by-item evaluation of the reasons for each cost;
- Compared to the level of costs in previous years;
- By comparison of previous forecasts to actual numbers for prior test years; and
- Compared to costs and cost trends of other utilities.

1
2 Each of these serves a purpose. The item-by-item analysis is the basic approach, which
3 gives the regulator and stakeholders understanding about the structure of the particular
4 utility and the assumptions used to calculate the claimed costs.

5
6 Comparing the forecast cost to previous years' actual costs shows how costs have
7 changed and whether the utility has been able to achieve efficiencies. In this respect, as
8 HQD points out, sometimes it is necessary to compare the costs on an aggregate basis.
9 For example, HQD claims that although its direct costs of salaries and benefits have
10 increased relative to the previous test year, this is offset by a corresponding decrease in
11 the charges from the Center for Shared Services.

12
13 Next, we can look at the quality of the utility's forecasting process. This is based on a
14 comparison of previous forecasts to actual numbers. Clearly, this relies on an
15 accumulation of data over several cases.

16
17 Finally, comparisons with other utilities can show whether the claimed efficiency gains are
18 superior to or inferior to those of other utilities.

19 20 21 ***Quality of Data***

22 Because a major purpose of the rate case is to evaluate the utility's forecast, it is essential
23 to have complete and consistent information for this purpose. As noted in the evidence in
24 R-3492-2002, the forecast has two parts that must be explained: (1) the historical data
25 used as the starting point, and (2) the process used to project those data (sales, costs and
26 investments) into the future. These should be clearly explained. In this area, there is still
27 considerable room for improvement by the Distributor.

28
29 An example of this is the sales forecast. HQD-3, Document 2, Page 5 presents a forecast
30 of sales for the years 2004 and 2005. However, the data are not presented on a
31 consistent basis. When asked by the Régie why the sales for Rates D & DM were lower in
32 2005 than in 2004, HQD responded (see HQD-14, Document 1, Response 1.1) that the
33 2004 data had to be normalized for temperature and the November adjustment for unbilled
34 sales (facturé-livré). The calculation of the temperature adjustment has not been provided.
35 As for unbilled sales, given that the adjustment is not made until November (although it is
36 for the period July-June preceding), it is not clear why the numbers presented in the
37 evidence include that adjustment, which then must be reversed for a proper year-to-year
38 comparison. In order to avoid unnecessary time spent by regulators and other
39 stakeholders, such normalized data should be presented in the application. Furthermore,
40 the workpapers showing the derivation of the adjustments should be made available with
41 the application. Although the details about the overall forecast of sales have been
42 presented in another case (R-3550-2004) the derivation of the amount by tariff class is not
43 clear.

44
45 In a more general fashion, the Régie requested the Distributor to consider the development
46 of a standardized data form similar to the FERC Form 1. In HQD-4, Document 3, the

1 Distributor explains why, in its opinion, a Canada-wide form would not be useful. The
2 reasons given are:

- 3
- 4 • differences in information systems, accounting practices and methods of
5 charging costs;
- 6
- 7 • the possibility of data manipulation;
- 8
- 9 • differences between the accounting system and the standardized system of
10 accounts;
- 11
- 12 • differences in size and organizational structure among the utilities;
- 13
- 14 • insufficiency of Form 1 data for benchmarking; and
- 15
- 16 • differences in regulation.
- 17

18 It is not an overstatement to say that in regulation of U.S. electric utilities, the Form 1
19 report remains the primary source of information for intervenors to understand the cost
20 structure of the utility. This is based on many years of experience in rate cases. The
21 differences mentioned by HQD exist among utilities in the United States. In fact, in some
22 cases there are more difficulties, because a single utility serves customers in more than
23 one state. The basic Form 1 data are given for the utility as a whole and not separated by
24 state. However, utilities are often asked or required to separate the data by state precisely
25 for the purpose of state regulation.

Section II Analysis of HQD Cost of Service

Topics

This section presents a review and analysis of several components of HQD's forecast revenues and costs:

- Sales
- Salaries
- Evaluation of efficiency indicators
- Forecast reliability

Sales

Table 1 shows HQD's forecast of sales for the test year 2005 compared with the years 2004 and 2003. The 2004 numbers are forecasts, one from R-3492 and one from this case. Table 1 also shows the latest forecast on a normalized basis, which reflects adjustments for colder-than-average temperature and the adjustment for unbilled sales related to 2003. A more detailed version is provided in Schedule 1.

Table 1

Ventes: Prévues et Réelles (GWh)

| Tarif | 2003 Norm. | 2004 | | 2005 Prévu | Croissance | | |
|--------------------------------|---------------|-----------------|-----------------|---------------|---------------|-------|-------|
| | | Prévu R-3492 | Prévu R-3541 | | Norm. | 03-05 | 04-05 |
| D et DM | 53 188 | 53 133 | 55 139 | 53 853 | 54 643 | 1.4% | 1.5% |
| DH | 4 | 4 | 4 | 4 | 4 | | |
| G et à forfait (T1, T2, T3) | 12 395 | 12 214 | 12 737 | 12 531 | 12 574 | 0.7% | 0.3% |
| G-9 | 1 060 | 1 055 | 1 076 | 1 068 | 1 086 | 1.2% | 1.7% |
| M et MR | 25 123 | 25 904 | 25 953 | 25 601 | 25 973 | 1.7% | 1.5% |
| L et LR | 48 518 | 48 451 | 47 078 | 46 895 | 52 058 | -3.6% | 11.0% |
| H | 13 | 16 | 10 | 10 | 10 | | |
| DT | 2 609 | 2 585 | 2 609 | 2 586 | 2 635 | -0.9% | 1.9% |
| Éclair. publ. et Sentinelle | 562 | 553 | 559 | 557 | 554 | -0.8% | -0.6% |
| Contrats spéciaux | <u>20 267</u> | <u>20 298</u> | <u>18 423</u> | <u>18 367</u> | <u>18 457</u> | -9.4% | 0.5% |
| Total patrimonial | 163 739 | 164 213 | 163 588 | 161 472 | 167 994 | -0.2% | 2.8% |
| Total non patrimonial | 1 649 | 1 848 | 1 680 | 1 680 | 990 | | |
| Total réseaux autonomes | <u>297</u> | <u>304</u> | <u>302</u> | <u>302</u> | <u>307</u> | 1.68% | 1.66% |
| Total | 165 685 | 166 365 | 165 570 | 165 366 | 169 291 | -0.2% | 2.4% |

1 Other than the increase in Tariff L sales, resulting from the new aluminum plants, HQD's
2 forecast is for a relatively weak growth in sales.

3
4 The Distributor explains that its forecast of economic activity in 2004 and 2005 is lower
5 than that of other forecasters (HQD-3, Document 2, Page 5). Obviously, there is no way
6 to know at this time which forecast will be correct. However, what we do observe is that
7 by using a conservative forecast, HQD greatly reduces the risk of an unfavourable variance
8 in sales. Since it is compensated for risk in the equity return, it is appropriate for HQD to
9 bear a reasonable amount of risk in the forecast.

10
11 Higher sales will increase the amount of post-heritage energy that must be purchased.
12 This will carry a higher cost than the average cost of supply in the forecast. In R-3492-
13 2002, Phase II, HQD observed that it had no incentive to forecast sales on the low side,
14 because of the higher cost of post-heritage supply. This case is different, though. With its
15 proposal for a "pass-on" account (also called a "deferral account"), HQD would not bear
16 any risk related to the additional supply cost.

17
18
19 ***Costs-Summary***

20 For convenient reference, a high level summary of HQD's claimed cost of Distribution and
21 Customer Service (D/CS) for 2003 through test year 2005 is provided in Table 2.

22

Table 2

Sommaire des Coûts

| | 2003 | | 2004 | | 2005 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| | (3492) | (3541) | (3492) | (3541) | (3541) |
| Charges d'exploitation | | | | | |
| Masse salariale | 569,9\$ | 594,1\$ | 581,0\$ | 609,0\$ | 621,4\$ |
| Autre charges directes | 317,0 | 303,0 | 323,6 | 324,0 | 326,5 |
| Récupération des coûts | (42,3) | (49,9) | (42,2) | (44,2) | (45,7) |
| Total | 844,6 | 847,2 | 862,4 | 888,8 | 902,2 |
| Charges de services partagés | | | | | |
| CSP | 281,3 | 274,2 | 274,3 | 272,2 | 265,1 |
| Autres | 109,2 | 117,3 | 111,7 | 104,4 | 105,1 |
| Total | 390,5 | 391,5 | 386,0 | 376,6 | 370,2 |
| Coûts capitalisés | (265,8) | (269,5) | (271,2) | (287,0) | (292,8) |
| Frais corporatifs | 44,9 | 32,5 | 45,5 | 35,4 | 36,0 |
| Facturation interne émise | (42,8) | (44,0) | (51,2) | (49,8) | (50,4) |
| Éléments exceptionnels | | | | | |
| Crédit de retraite | (44,0) | (33,2) | (18,2) | 0,0 | 18,2 |
| Reimbursement gouv. | (5,9) | (5,9) | (5,9) | (4,1) | (3,9) |
| Total | (49,9) | (39,1) | (24,1) | (4,1) | 14,3 |
| Achats de combustible | 26,9 | 30,2 | 26,9 | 29,1 | 31,1 |
| Amortissement et déclassement | 433,1 | 432,4 | 430,3 | 455,2 | 468,0 |
| Taxes | 102,4 | 104,2 | 105,9 | 106,3 | 102,4 |
| Facturation externe émise | (51,3) | (55,7) | (52,0) | (54,7) | (54,1) |
| Total | 1 432,6 | 1 429,7 | 1 458,5 | 1 495,8 | 1 526,9 |
| Coût du capital | 691,1 | 666,3 | 690,8 | 664,2 | 734,8 |
| Total | 2 123,7\$ | 2 096,0\$ | 2 149,3\$ | 2 160,0\$ | 2 261,7\$ |

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The shaded lines are items that will be discussed below. For this comparison, I have included the 2003 and 2004 forecast numbers from case R-3492-2002. Schedule 2, attached, provides a more detailed picture. Some of the 2004 numbers from R-3492-2002 were adjusted (downward) by the Régie in arriving at the costs to be charged in rates. These adjustments are not reflected in the above table, but are discussed below.

1 **Salaries**

2 In HQD-8, Document 4, the Distributor shows the increase in total salary from 2003 to
 3 2005. This increase, it says, is an average annual increase of 2.3%. The increase from
 4 2004 (forecast) to 2005 is 3.6%, as shown in Table 3.
 5

Table 3

**Masse Salariale
 par HQD
 (en \$millions)**

| | 2003 <u>Réel</u> | 2004 <u>Prévu</u> | 2005 <u>Prévu</u> | <u>Croissance</u> | |
|--------------------------|---------------------|----------------------|----------------------|-------------------|--------------|
| | | | | <u>03-05</u> | <u>04-05</u> |
| Salaire de base | 431,6\$ | 449,1\$ | 457,4\$ | | |
| Temps supplémentaire | 54,7 | 42,9 | 42,9 | | |
| Primes et revenus divers | 31,8 | 33,8 | 34,5 | | |
| Avantages sociaux | <u>76,1</u> | <u>83,2</u> | <u>86,6</u> | | |
| Total | 594,1\$ | 609,0\$ | 621,4\$ | 2,3% | 3,6% |

Source: HQD-8, Page 5.

6

7 Schedules 3-6 summarize the evolution of these costs over time.

8

9 However, in terms of rate impact, we should look at the amount requested in this case
 10 compared to the amount allowed in the previous case. This shows a different picture.
 11 In Decision D-2004-47 the Régie excluded 11.3\$ million from the total salary amount to
 12 determine the appropriate amount for ratemaking purposes (D-2004-47, Page 56). This
 13 adjustment was based on the Régie's acceptance of the Distribution stated commitment
 14 to maintain its manpower at the 2002 level of 7,700. The Régie also excluded 10.0\$
 15 million of bonuses (D-2004-47, Page 57).
 16

16

17 Therefore, if we compare the amount requested for 2005 with the amount allowed in
 18 2004, we see that the increase is 61.7\$ million, or an 11.0% increase:
 19

19

Table 4

**Masse Salariale
 R-3541 en Comparaison avec R-3492
 (en \$millions)**

| | 2004 <u>Requête</u> | 2004 <u>Ajusté</u> | 2005 <u>Requête</u> | <u>Croissance 04-05</u> | |
|-----------------|------------------------|-----------------------|------------------------|-------------------------|----------|
| | | | | <u>\$</u> | <u>%</u> |
| Masse salariale | 581,0\$ | 559,7\$ | 621,4\$ | 61,7\$ | 11.0% |

20

1 In this evidence, the Distributor states that the average level of manpower for 2005 is
 2 7,875 employees (HQD-8, Document 4, Page 9). It justifies the increase over the previous
 3 target level of 7,700 as follows:

- 4
- 5 • 28 employees transferred from other units to the distributor;
- 6 • 17 additional employees to handle supply activities for post-heritage supply; and
- 7 • 127 employees for expanded activities related to the projects SIC and PGEÉ.

8
 9 HQD says that these additional employees will not cause a significant increase in the net
 10 salary cost. With respect to the transfer of activities to the distributor as a result of
 11 decentralization, HQD says:

12
 13 *La prise en charge de ces 28 effectifs n'a globalement, aucun impact sur les*
 14 *charges d'exploitation du Distributeur puisque l'augmentation du coût de masse*
 15 *salariale est compensée par une réduction équivalente des charges de services*
 16 *partagés (approximativement 2 M\$). (HQD-8, Document 4, Page 10)*

17
 18 As regards the additional employees for Projects SIC and PGEÉ, HQD says:

19
 20 *La prise en charge de ces 127 effectifs n'a aucun impact sur les charges*
 21 *d'exploitation du Distributeur puisque l'augmentation du coût de masse salariale*
 22 *est compensée par une augmentation équivalente des coûts capitalisés puisque*
 23 *ces projets sont de nature capitalisable. (HQD-8, Document 4, Page 11)*

24
 25 Thus, looking at salaries alone may not provide a complete picture. In order to test
 26 whether it is really the case that the increase in salaries has been offset by reduction in
 27 shared service charges and by capitalizing costs, we can look at the sum of the three
 28 components—salaries, CSP charges and capitalized costs. On this basis, the increase is a
 29 smaller amount, being 24.3\$ million or 3.6%:
 30

Table 5

Masse Salariale + CSP + Coûts Capitalisés
 (en \$millions)

| | 2004 | 2004 | 2005 | Croissance 04-05 | |
|-------------------|----------------|----------------|----------------|------------------|-------------|
| | Requête* | Ajusté | Requête | \$ | % |
| Masse salariale | 581,0\$ | 559,7\$ | 621,4\$ | | |
| Charges de CSP | 386,0 | 386,0 | 370,2 | | |
| Coûts capitalisés | -271,2 | -271,2 | -292,8 | | |
| Total | 695,8\$ | 674,5\$ | 698,8\$ | 24,3\$ | 3,6% |

31
 32 But this does not show the full picture, either. Capitalizing the manpower costs for SIC
 33 and PGEÉ does not remove them from the total cost of service. The PGEÉ costs are
 34 amortized over a five-year period. Therefore, 20% of the cost comes back into the
 35 picture. If we add back the amortization of regulatory assets, the total now looks like this:

Table 6

**Coûts Au-dessus + Amortissement
des Actifs Reglementaires
(en \$millions)**

| | 2004 | 2004 | 2005 | Croissance 04-05 | |
|-----------------------|-----------------|----------------|----------------|------------------|-------------|
| | <u>Requête*</u> | <u>Ajusté</u> | <u>Requête</u> | <u>\$</u> | <u>%</u> |
| Masse salariale | 581,0\$ | 559,7\$ | 621,4\$ | | |
| Charges de CSP | 386,0 | 386,0 | 370,2 | | |
| Coûts capitalisés | -271,2 | -271,2 | -292,8 | | |
| Actifs reglementaires | <u>9,2</u> | <u>9,2</u> | <u>16,3</u> | | |
| Total | 705,0\$ | 683,7\$ | 715,1\$ | 35,4\$ | 5,2% |

Regardless of which picture one chooses, it is clear that the costs that HQD wishes to charge to customers, as compared with those previously allowed, have increased by more than the rate of inflation. The Consumer Price Index is forecast to increase by 1,1% in 2004 and 1,3% in 2005. This growth in cost has also exceeded the growth in those factors that drive costs (that is, the "cost inductors"), as shown on Table 7.

If the 3,6% increase in Table 5 is reduced to 1,3% (the rate of inflation), the increase would be 8,8\$ million, thereby reducing the amount by 15,5\$ million. If the 5,2% figure in Table 6 is reduced to 1,3%, the total cost is reduced by 22,5\$ million.

Table 7

Croissance en Inducteurs des Coûts

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>Croissance Moyenne</u> | |
|----------------------------|-------------|-------------|-------------|---------------------------|--------------|
| | | | | <u>03-05</u> | <u>04-05</u> |
| Abonnements | 3 644 463 | 3 701 163 | 3 748 963 | 1,4% | 1,3% |
| Kilometres de lignes | 106 568 | 107 122 | 107 678 | 0,5% | 0,5% |
| Puissance non-coïncidente* | 23 491 | 23 746 | 23 846 | 0,8% | 0,4% |

Source: HQD-4, Document 1, Page 14
HQD-12, Documents 2, 3 et 4, Page 69

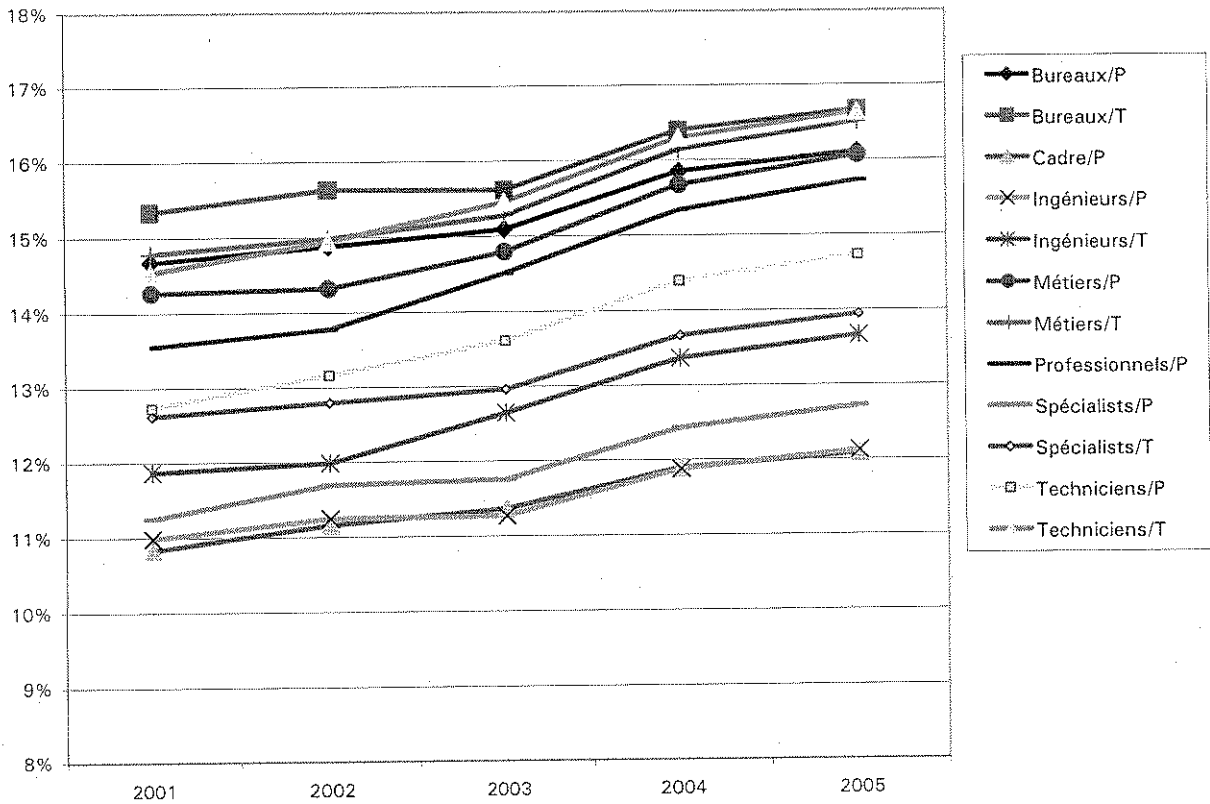
*Consommateurs en basse tension.

The reasons for the overall increase are the increases in salaries at rates of 2.1% to 2.9% (the higher number for executives) and that the ratio of social benefits to salary has been increasing each year, as shown on Table 8:

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2
3

Table 8

Proportion: Avantages Sociaux/Salaire



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5
6
7

Evaluation of Efficiency Indicators

8
9
10

In HQD-4, Document 1, the Distributor shows the results of various efficiency measures, including most of those requested by the Régie in R-3492-2002. According to the Distributor:

11
12
13
14

L'analyse de ces indicateurs, significative puisque établie sur plusieurs années, démontre que, dans l'ensemble, l'efficacité globale du Distributeur ainsi que l'efficacité par processus se sont améliorées sur la période considérée :

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16
17

• 16 des 23 indicateurs se sont améliorés sur la période 2001 à 2005, présentant ainsi une décroissance annuelle moyenne;

18
19
20

• les 6 autres indicateurs ont connu une évolution légèrement défavorable

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22
23

sur la période 2001 à 2005. Cependant, dans tous les cas, la hausse observée est inférieure à celle de l'indice de prix à la consommation qui,

24
25

sur la même période, a cru annuellement de 1,9 %; (HQD-4, Document 1, Page 14)

1
2 However, the results are not as favourable as HQD claims. As discussed above, in
3 evaluating whether the costs are reasonable—or, in this case, whether the results have
4 improved—the important question is “*compared to what*”? Or, we might say here,
5 “*compared to when*”? Table 9, below, shows the change in the efficiency indicators as
6 presented by HQD, based on 2001-2005, along with two more columns showing the
7 changes 2003-2005 and 2004-2005.
8

Table 9

| <u>Description</u> | <u>Croissance Annuelle</u> | | |
|--|----------------------------|--------------|--------------|
| | <u>01-05</u> | <u>03-05</u> | <u>04-05</u> |
| Indicateurs globaux | | | |
| <i>Indicateurs déposés par HQ Distribution (R-3492-2002)</i> | | | |
| 1- Coût total Distribution et SALC (¢) par kWh normalisé | -1,1% | 3,4% | 2,4% |
| 2- Charges d'exploitation nettes Dist. et SALC (\$) par abonnement | -0,4 | -0,9 | -1,2 |
| 3- Charges d'exploitation nettes Dist. et SALC (¢) par kWh normalisé | -1,3 | -0,5 | -2,5 |
| 4- Immobilisations en exploitation nettes (\$) par abonnement | 0,3 | 0,6 | 0,8 |
| <i>Nouveaux indicateurs demandés par la Régie</i> | | | |
| 5- Coût total Distribution et SALC (\$) par abonnement | -0,1 | 3,0 | 3,9 |
| 6- Coût total Distribution et SALC (k\$) par km de réseau | 0,6 | 3,8 | 4,8 |
| 7- Charges d'exploitation nettes Distribution et SALC (k\$ par km) | 0,4 | 0,0 | 0,4 |
| 8- Immobilisations en exploitation nettes (k\$) par km de réseau | 1,0 | 1,5 | 1,5 |
| 9- Immobilisations en exploitation nettes (¢) par kWh transité par le réseau | -0,6 | 1,0 | 2,6 |
| Indicateurs du processus Services à la clientèle | | | |
| <i>Nouveaux indicateurs demandés par la Régie</i> | | | |
| 10- Coût total du processus SALC (\$) par abonnement | 0,6 | 2,5 | 1,9 |
| 11- Coût total du processus SALC (¢) par kWh normalisé | -0,4 | 2,9 | 2,9 |
| 12- Charges d'exploitation nettes SALC (\$) par abonnement | -0,4 | -0,5 | -0,8 |
| 13- Charges d'exploitation nettes SALC (¢) par kWh normalisé | -1,4 | -0,2 | -3,3 |
| 14- Effectif moyen SALC par 100 000 abonnements | -0,8 | -1,5 | -1,0 |
| 15- Effectif moyen SALC par TWh normalisé | -1,7 | -1,3 | -2,7 |
| Indicateurs du processus Distribution | | | |
| <i>Nouveaux indicateurs demandés par la Régie</i> | | | |
| 16- Coût total Distribution (k\$) par km de réseau | 0,1 | 3,9 | 5,3 |
| 17- Coût total Distribution (¢) par kWh transité par le réseau | -1,5 | 3,4 | 6,4 |
| 18- Charges d'exploitation nettes Dist. (k\$) par km de réseau | -0,3 | -1,3 | -0,7 |
| 19- Charges d'exploitation nettes Dist. (¢) par kWh transité par le réseau | -1,9 | -1,9 | 0,3 |
| 20- Effectif moyen Distribution par 1000 km de réseau | 0,3 | 1,0 | -0,5 |
| 21- Effectif moyen Distribution par TWh transité par le réseau | -1,3 | 0,5 | 0,5 |
| <i>Nouveaux indicateurs proposés en 2004 par HQ Distribution</i> | | | |
| 22- Coût total du processus Distribution (\$) par abonnement | -0,6 | 3,0 | 4,5 |
| 23- Charges d'exploitation nettes du Distribution (\$) par abonnement | -1,0 | -2,2 | -1,5 |
| Taux de croissance de l'inflation - IPC Canada | 1,9% | 1,2% | 1,3% |

9
10 In the same way as discussed above, a comparison of the 2005 values with 2004 should
11 take into account the findings of the Régie regarding 2004 costs. In addition to the

1 exclusion of 21,3\$ million of salary and bonus cost previously mentioned, the Régie
 2 excluded 13,3\$ million of corporate charges.

3
 4
 5 **Reliability of Forecast Data**

6 An important issue when using a forecast test year is the reliability of the forecast. *First*,
 7 there is the question of how close the test year actual results correspond to the forecast
 8 made during the rate case. *Second*, there is the question of how forecasts for the future
 9 change over time.

10
 11 Variances between forecast and actual results can be for reasons that are outside the
 12 control of the utility or within the control. Clearly, changes in weather-related sales
 13 (primarily electric heating) are to be expected.

14
 15 On the other hand, the numbers filed by the Distributor in this case and the last case
 16 showed changes in costs that might be expected to be more under its own control or more
 17 stable in the forecasts. For example, the Distributor has experienced a rather significant
 18 increase in charges for depreciation and amortization. A review of the forecast data from
 19 the previous case in this one shows that the expected amount in 2004 is about 25\$ million
 20 higher than the amount that was forecast last year.

21
 Table 10

**Amortissement et Déclassement
 (en \$millions)**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-----------------------|----------------|----------------|----------------|
| <u>R-3541</u> | | | |
| Immobilisations | 393,9\$ | 419,5\$ | 411,5\$ |
| Actifs incorporels | 28,0 | 27,2 | 40,2 |
| Actifs réglementaires | 6,1 | 8,5 | 16,2 |
| Radiation et retraits | 4,4 | — | — |
| Total | 432,4\$ | 455,2\$ | 468,0\$ |
| <u>R-3492</u> | | | |
| Immobilisations | 426,5\$ | 413,4\$ | |
| Actifs incorporels | | | |
| Actifs réglementaires | 6,1 | 9,2 | |
| Radiation et retraits | 0,5 | 7,7 | |
| Total | 433,1\$ | 430,3\$ | |

22
 23 Because the amounts for depreciation of plant in service (immobilisations) and regulatory
 24 assets were combined in R-3492-2002, it is not clear what has caused the increase.
 25

1 Next, we can look at HQD's longer -term forecast. HQD-9, Document 2 is the "i mpact
 2 tarifaire sur 5 ans des additions prévues". A comparison of the data in this with those
 3 from R-3492-2002 (HQD-6, Document 11, revised 2003-Nov-25 in that case) is shown in
 4 Table 11.

5
 Table 11

Prévision des Investissements Futurs
 (en \$millions)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>Total</u> |
|---|----------------|----------------|----------------|----------------|------------------|
| <u>R-3492-2002</u> | | | | | |
| Mises en service des investissements: | | | | | |
| En croissance de la demande | 211,0\$ | 200,3\$ | 193,5\$ | 189,6\$ | 794,4\$ |
| Ne générant pas de revenus additionnels | 439,3 | 427,2 | 424,1 | 431,3 | 1,721.9 |
| Projet SIC | | | 260,4 | | 260,4 |
| Total | 650,3 | 627,5 | 878,0 | 620,9 | 2 776,7 |
| Amortissement | (443,9) | (485,3) | (504,9) | (538,4) | (1 972,5) |
| Ajouts nets | 206,4 | 142,2 | 373,1 | 82,5 | 804,2 |
| <u>R-3541-2004</u> | | | | | |
| Mises en service des investissements: | | | | | |
| En croissance de la demande | 240,1 | 238,5 | 222,8 | 217,0 | 918,4 |
| Ne générant pas de revenus additionnels | 341,6 | 391,0 | 483,5 | 460,7 | 1,676,8 |
| Projet SIC | | | 311,3 | | 311,3 |
| Total | 581,7 | 629,5 | 1 017,6 | 677,7 | 2,906,5 |
| Amortissement | (451,7) | (479,5) | (494,7) | (524,0) | (1 949,9) |
| Ajouts nets | 130,0\$ | 150,0\$ | 522,9\$ | 153,7\$ | 956,6\$ |

6
 7 This shows that the expectation of investment to serve growth in demand is forecast to be
 8 higher now than it was a year ago. This is despite HQD's current expectation that growth
 9 will be lower than it previously forecast. Next, there has been a large increase in the
 10 forecast cost of Project SIC. Finally, even though total gross investment over the four-year
 11 period is expected to be higher than it was in the previous case, the cumulative
 12 depreciation and amortization is forecast to be slightly lower.

Section III Deferral Accounts

Description

HQD has proposed the implementation of two deferral accounts, one for post-heritage energy cost and one for foreign exchange cost.

Analysis

Deferral accounts have been used by utilities when the cost in question is both large and very difficult to forecast. The advantage of a deferral account is that it reduces or removes the need for the regulator to determine the most likely amount, because there will be a "true-up" or reconciliation of the actual cost incurred to the forecast amount after the end of the year. On the other hand, the disadvantage of a deferral account is that it can reduce the incentive of the utility to minimize the cost in question. If the utility knows that any variation in cost can be passed through, there is less incentive to exert effort to minimize that cost.

Post-Heritage Energy Cost Deferral

The cost of post-heritage energy can differ from the forecast amount as a result of variations in the volume of energy and in the unit price of the energy.

Price Variance

The Distributor has forecast that it will require 2 063 GWh of post-heritage energy at an average cost (including losses) of 8,06¢/kWh. This produces a total cost of 166,3\$ million. If this energy were purchased at the heritage supply cost of 2,79¢/kWh, the cost would be 57,6\$ million.

The effect of a deferral account is to transfer the risk of variation from the utility to the customers. It is understandable that the utility would prefer to have as much risk transferred to the customers as possible, but this is not consistent with the idea that the utility itself should bear some risk. Indeed, the return on equity allowed to the utility includes a premium over the risk-free rate for the very purpose of compensating the utility for bearing some risk.

With respect to the risk of cost variation, we must first ask how large that risk might be. At the time of filing the application, HQD did not have contracts for any of this supply, so we shall evaluate the issue first in this context. HQD has forecast a cost of power to be 8,06¢/kWh, or 80,6\$/MWh. Table 12 shows a summary of monthly average market prices in Ontario, as a measure of market price volatility. This shows that the average price over the year has been around 50\$-54\$/MWh. If a party bought only in the highest two months or lowest two months, the maximum variation would be from +5\$/MWh to

1 + 30\$/MWh. For 2 063 GWh, this variability might be considered to be a degree of risk
 2 that has not been included in consideration of HQD's return on equity.
 3

Table 12

Ontario Monthly Market Prices (\$/MWh)

| | | <u>2003</u> | <u>2004</u> |
|-----------|------------------|-------------|-------------|
| January | | 59.6 | 66.2 |
| February | | 86.5 | 52.7 |
| March | | 81.5 | 48.9 |
| April | | 58.9 | 45.9 |
| May | 29.2 | 43.2 | 48.1 |
| June | 35.1 | 41.6 | 46.7 |
| July | 58.1 | 40.1 | 45.6 |
| August | 64.2 | 49.0 | 43.5 |
| September | 75.2 | 48.6 | 49.6 |
| October | 48.7 | 57.1 | 49.1 |
| November | 49.4 | 40.5 | |
| December | 56.3 | 44.4 | |
| Average | 52.0 | 54.2 | 49.6 |
| Variation | | | |
| | Highest 2 months | 17.7 | 29.7 |
| | Lowest 2 months | (19.9) | (14.0) |

4
 5
 6

Price Variance—Current Situation

7 HQD has recently signed contracts for a large portion of the post-heritage supply. Tender
 8 A/O 2004-03 covers 800 GWh from January-April, 2005 and Tender A/O 2004-04 covers
 9 900 GWh for May-September, 2005. Together, these cover over 80% of the anticipated
 10 post-heritage supply need. As a result, the price risk faced by the Distributor has
 11 decreased substantially. On the remaining forecast amount of 363 GWh, a potential swing
 12 of, say, 20\$/MWh would amount to approximately 7,2\$ million. In this context, I would
 13 question whether a deferral account is appropriate.

14
 15
 16

Volume Variance

17 The impact of volume variance—the need to buy more or less post-heritage energy—is
 18 different, and, in fact, may be slightly less than before. HQD's average revenue is equal
 19 to about 55\$/MWh. When the entire supply is from the heritage contract, the incremental
 20 or decremental supply cost is 27,9\$/MWh. An increase or decrease in the volume sold

1 yields a net change in revenue of 27,1\$/MWh (= 55\$/MWh - 27,9\$/MWh). If HQD sold
2 more, its earnings increased; if it sold less than the forecast, its earnings decreased.

3
4 With the introduction of post-heritage supply into the mix, the situation is reversed. If
5 HQD sells an additional MWh, the incremental revenue (on average) will be 55\$/MWh, but
6 the incremental cost, assuming its forecast, will be 80,6\$/MWh. Thus, each additional
7 MWh sold (relative to the forecast) will generate a loss of 25,6\$/MWh. On the other hand,
8 a reduction in sales will generate a corresponding increase in earnings, because of the
9 ability to avoid buying post-heritage energy. Thus, the magnitude of HQD's exposure to a
10 change in sales is very nearly the same as it was without the post-heritage energy, only
11 the direction has changed. Heretofore, increased sales mean an increased earnings and
12 decreased sales meant decreased earnings; henceforth, the opposite will be true in both
13 directions.

14
15 As a result, HQD's risk exposure for volume variance has not changed materially. We
16 recognize that this situation is very much specific to the facts in this proceeding. In the
17 future, the situation might be different. For now, however, to include the volume variance
18 in the deferral account would result in a decrease in the overall risk faced by HQD. If the
19 volume variance is included in the deferral account, then it would be appropriate to revisit
20 the amount of risk premium awarded to HQD. Since that is not an issue in this docket,
21 within the context of this case the recommendation is that volume variance should not be
22 included.

23 24 25 ***Prudence Test for Cost Variance***

26 The recommendation that cost variances be recorded to a deferral account does not mean
27 that it is necessarily appropriate to pass on all cost variances to the customers. HQD
28 should be under an obligation to minimize, within reason, the costs that it incurs for post-
29 heritage supply. This is discussed in more detail in the evidence of Mr. Mikkelsen.

30 31 32 ***Exchange Rate Variance***

33 An exchange rate deferral account is consistent with the idea that HQD should be allowed
34 to have a deferral account for the unit cost of post-heritage energy for the forecast
35 volume. For the same reasons as described above, in the current context where most of
36 the forecast post-heritage volume has been hedged through contracts, there is less need
37 for an exchange rate deferral (unless the exchange rate has not been fixed).

Section IV Rate Rider

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Rate Rider

HQD has requested a rate rider (“cavalier”) that recovers the claimed underrecovery of costs that results from having a test year of January-December, whereas the change in rates becomes effective only on the following April 1.

Evaluation

We can approach this question in two ways: (1) What is the practice of other regulators; and (2) Is this concept logical in terms of HQD itself?

As regards the first, there is no consistency of practice among regulators in Canada and the United States. In most jurisdictions, new rates take effect following the regulator’s decision, which may come after the beginning of the test year. In these jurisdictions, there is no mechanism to recover what HQD characterizes as “lost earnings”. The underlying principle is that the new rates are intended to reflect the costs during the period they are in effect, but there is no way to guarantee an exact match. Some jurisdictions, like Québec, use a totally forecast test year. Other jurisdictions use a historical test year, with adjustments for “known and measurable” changes that will occur after the end of the test year. In short, it is not expected that there will be a perfect match between revenues and costs for any particular calendar year. Alberta, unlike most other jurisdictions, does have a regulatory approach of allowing the utility to recover earnings for the entire test year, even if the rates become effective after the beginning of the test year.

Next, it should be noted that the issue can go in both directions. If the Régie were to determine that HQD rates should be lowered, a rate rider would have the effect of requiring HQD to refund to customers money for the period January-March as well as a decrease effective April 1. There is no reason to believe that rate changes will always result in increases. In this case, two of the main cost increases included in the request are the higher cost of capital and pension charges. A change in capital markets could result in lower costs next year. Similarly, depending on the outcome of Case R-3549-2004, HQD’s cost of service from HQ TransÉnergie could decrease. There is some degree of ebb and flow in utility costs. It is hardly unknown that a utility which requests a rate increase comes out of the process with a rate decrease.

To summarize, there is no strong precedent in regulatory practice for a rate rider of the form proposed by HQD.

Next, we ask whether there are factors specific to HQD (or to Québec) that support using such a rate rider. The main factor that might support such an idea is the need for increasing amounts of post-heritage energy. HQD’s entitlement to the heritage energy is determined on a calendar year basis. The expectation is that the amount of post-heritage energy that must be purchased will increase each year over the previous year. Accordingly, HQD will most likely experience higher costs each subsequent year, until and

1 unless market prices decrease to an extent that offsets growth in the post-heritage energy
2 volume. Given that the purchase of post-heritage energy is an increased cost that will be
3 incurred from the first of the year, HQD will not be able to recover this higher cost except
4 through a special mechanism. If the Régie accepts the proposal for a deferral account, this
5 would be a simple way of recovering the extra cost of post-heritage energy during the first
6 three months. If (as we have recommended) a deferral account is not used, then a rate
7 rider for the known amount of additional cost is an alternative.

8
9 A related question is what form of regulation HQD and the Régie envision for the future.
10 For the gas utilities, the concept of a “closing of the books” (fermeture des livres) has
11 been used. This operates in part to match actual revenues and actual costs for the year.
12 In effect, it is somewhat similar to the use of an overall deferral account. On the other
13 hand, the idea of performance-based regulation may be contemplated. In this case, rates
14 will be adjusted according to some external index. By design, the rates will not exactly
15 equal the cost of service. Accordingly, the possibility exists for a loss of earnings or
16 surplus of earnings relative to the actual cost of service.

17
18
19 ***Recommendation***

20 On balance, with the possible exception of the post-heritage energy cost, there is no
21 strong reason to create a special mechanism to cover rate increases (or decreases)
22 occurring on April 1 relative to a test year that starts on January 1.

Section V Recommendations

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Operating Cost

The Régie should reduce the amount of salary (and bonus) cost allowed for tariff purposes. Depending on which measure one chooses, the increase requested by HQD is 11,0% (Table 4), 3,6% (Table 5) or 5,2% (Table 6). Even if we pick the smallest of these numbers and reduce the cost to the rate of inflation (1,3%), the reduction is 15,3\$ million.

Quality of Data

HQD should be required to provide more detail in its initial filing showing the derivation of its forecast sales (by tariff class), revenues and expenses. In addition, it should show how the requested costs compare to the costs allowed in the previous cases.

Deferral Accounts

In the original context of this application, when the cost of post-heritage energy was unpredictable, it would have been appropriate to establish a deferral account for changes in the unit cost of post-heritage energy for the forecast volume of such energy, which is 2 063 GWh. Given that HQD subsequently signed contracts covering over 80% of the amount at fixed prices, this is not necessary. Variations in total sales and changes in the volume of post-heritage energy should not be charged to a deferral account. If the contracts for post-heritage energy fix the cost in Canadian dollars, a deferral account for an exchange risk related to the forecast volume of post-heritage energy is not needed. If the Canadian dollar price is *not* fixed, an exchange rate deferral account covering the cost of the forecast volume is appropriate.

Rate Rider

There is no compelling reason to establish a rate rider for HQD, except with respect to the cost of post-heritage energy.

Appendix A Experience of Mark Drazen

Mr. Drazen has worked since 1972 on economic analysis of energy and utility service, pricing in regulated and deregulated utility markets, contract negotiations, and strategic planning throughout the United States and Canada. His experience covers electric, natural gas, oil pipeline, telecommunications, transportation, waste and water utilities in seven Canadian Provinces (Alberta, British Columbia, Newfoundland and Labrador, Nova Scotia, Ontario, Québec and Saskatchewan) and in 40 states in the U.S. (Alabama, Alaska, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming).

He has appeared as an expert witness before courts, federal, provincial and state regulatory agencies (including the National Energy Board, the Canadian Radio-Television and Telecommunications Commission, the Federal Energy Regulatory Commission and the Federal Communications Commission).

Drazen Consulting Group offers economic, project planning, regulatory consulting and litigation support services to clients that include industrial utility users, municipalities, schools, hospitals, utilities and government agencies. The founding firm (Michael Drazen and Associates) was established in 1937.

The firm's work covers all aspects of utility regulation (and deregulation), including revenue requirements, cost of capital, cost analysis, pricing, valuation, performance-based regulation and industry restructuring.

Mr. Drazen is a graduate of the Massachusetts Institute of Technology, with the degrees of Bachelor of Science in Mathematics, Master of Science in Electrical Engineering, and Electrical Engineer.

Schedule 1 Summary of Costs

Schedule 2 Summary of Sales

Schedule 3 HQD Number of Employees by Category

Schedule 4 HQD Per-Employee Base Salary

Schedule 5 HQD Per-Employee Social Benefits

Schedule 6 HQD Ratio of Benefits to Base Salary

HYDRO-QUÉBEC DISTRIBUTION

Ventes: Prévu et Réel

| <u>Tarif</u> | <u>2003</u> <u>Prév.</u> <u>(1)</u> | <u>2003</u> <u>Rèel</u> <u>(2)</u> | <u>2003</u> <u>Norm.</u> <u>(3)</u> | <u>2004</u> <u>Prév. 1</u> <u>(4)</u> | <u>2004</u> <u>Prév. 2</u> <u>(5)</u> | <u>2004</u> <u>Prév. 3</u> <u>(6)</u> | <u>2004</u> <u>Norm.</u> <u>(7)</u> | <u>2005</u> <u>Prév.</u> <u>(8)</u> |
|----------------------------------|---|--|---|---|---|---|---|---|
| D et DM | 52 856 | 54 178 | 53 188 | 52 651 | 53 133 | 55 139 | 53 853 | 54 643 |
| DH | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| G et à forfait (T1, T2, T3) | 12 167 | 12 539 | 12 395 | 12 248 | 12 214 | 12 737 | 12 531 | 12 574 |
| G-9 | 1 051 | 1 059 | 1 060 | 1 072 | 1 055 | 1 076 | 1 068 | 1 086 |
| M et MR | 25 256 | 25 287 | 25 123 | 25 907 | 25 904 | 25 953 | 25 601 | 25 973 |
| L et LR | 47 924 | 48 624 | 48 518 | 48 765 | 48 451 | 47 078 | 46 895 | 52 058 |
| H | 13 | 13 | 13 | 13 | 16 | 10 | 10 | 10 |
| DT | 2 524 | 2 610 | 2 609 | 2 615 | 2 585 | 2 609 | 2 586 | 2 635 |
| Éclair. publ. et Sentinelle | 554 | 562 | 562 | 553 | 553 | 559 | 557 | 554 |
| Contrats spéciaux | 20 203 | 20 267 | 20 267 | 20 292 | 20 298 | 18 423 | 18 367 | 18 457 |
| Total patrimonial | 162 552 | 165 143 | 163 739 | 164 120 | 164 213 | 163 588 | 161 473 | 167 994 |
| BT | 1 700 | 1 631 | 1 631 | 1 846 | 1 839 | 1 657 | 1 657 | 985 |
| GD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| LD | 7 | 18 | 18 | 7 | 9 | 5 | 5 | 5 |
| LP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| MR marginal | 0 | 0 | 0 | 0 | 0 | 1 | 1 | |
| LR marginal | 0 | 0 | 0 | 0 | 0 | 17 | 17 | |
| Total non patrimonial | 1 707 | 1 649 | 1 649 | 1 853 | 1 848 | 1 680 | 1 680 | 990 |
| Rés. auton.-D et DM | 160 | 160 | 160 | 162 | 162 | 161 | 161 | 165 |
| Rés. auton.-G et à forfait | 87 | 91 | 91 | 90 | 90 | 93 | 93 | 95 |
| Rés. auton.-G-9 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 2 |
| Rés. auton.-M | 45 | 43 | 43 | 48 | 48 | 44 | 44 | 44 |
| Rés. auton.-Écl. publique et Sei | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total réseaux autonomes | 296 | 297 | 297 | 304 | 304 | 302 | 302 | 307 |
| Total | 164 555 | 167 089 | 165 685 | 166 277 | 166 365 | 165 570 | 163 455 | 169 291 |

Source:

- (1) *Demande R-3492-2002* 2003-08-14 HQD-1, Document 1, Page 16
- (2) Feuille «2003 normalisée»
- (3) Feuille «2003 normalisée»
- (4) *Demande R-3492-2002* 2003-11-10 HQD-1, Document 1, Page 16 (Révisé)
- (5) *Demande R-3492-2002* 2003-08-14 HQD-1, Document 1, Page 16; basé sur Col. 6
- (6) *Demande R-3541-2004* 2003-09-30 HQD-3, Document 2, Page 5
- (7) Feuille «2004 normalisée»
- (8) *Demande R-3541-2004* 2003-09-30 HQD-3, Document 2, Page 5

HYDRO-QUÉBEC DISTRIBUTION

Normalisation des Ventes de 2004

| <u>Tarif</u> | <u>2004 Prév. 3</u> (1) | <u>Ajust. climat.</u> (2) | <u>Ventes en Fév.</u> (3) | <u>Ajust. bissextilé</u> (4) | <u>Facturé Livré</u> (5) | <u>Ajust. Total</u> (6) | <u>2004 norm.</u> (7) |
|---------------------------------|--------------------------------|----------------------------------|----------------------------------|-------------------------------------|---------------------------------|--------------------------------|------------------------------|
| D et DM | 55 139 | (653) | 6 471 | (228) | (405) | (1 286) | 53 853 |
| DH | 4 | | 0 | | | 0 | 4 |
| G et à forfait (T1, T2, T3) | 12 737 | (33) | 1 213 | (42) | (131) | (206) | 12 531 |
| G-9 | 1 076 | | 96 | | (8) | (8) | 1 068 |
| M et MR | 25 953 | (41) | 2 149 | (75) | (236) | (352) | 25 601 |
| L et LR | 47 078 | (47) | 3 943 | (136) | | (183) | 46 895 |
| H | 10 | | 1 | | | 0 | 10 |
| DT | 2 609 | 4 | 227 | (8) | (19) | (23) | 2 586 |
| Écl. Publ. et Sentinelle | 559 | | 45 | (2) | | (2) | 557 |
| Contrats spéciaux | 18 423 | | 1 625 | (56) | | (56) | 18 367 |
| Total patrimonial | 163 588 | (770) | | (546) | (799) | (2 115) | 161 473 |
| BT | 1 657 | | 213 | (7) | (18) | | 1 657 |
| GD | 0 | | | | | | 0 |
| LC | | | | | | | 0 |
| LD | 5 | | | | | | 5 |
| LP | 0 | | | | | | 0 |
| MR marginal | 1 | | | | | | 1 |
| LR marginal | 17 | | | | | | 17 |
| Total non patrimonial | 1 680 | 0 | | (7) | (18) | | 1 680 |
| Rés. auton.-D et DM | 161 | | 16 | (1) | | | 161 |
| Rés. auton.-G et à forfait | 93 | | 9 | | | | 93 |
| Rés. auton.-G-9 | 3 | | | | | | 3 |
| Rés. auton.-M | 44 | | 4 | | | | 44 |
| Rés. auton.-Écl. Publ. et Sent. | 1 | | | | | | 1 |
| Total réseaux autonomes | 302 | 0 | | (1) | 0 | 0 | 302 |
| Total | 165 570 | (770) | | (554) | (817) | (2 115) | 163 455 |

Source:

- (1) *Demande R-3541-2004* HQD-3, Document 2, Page 5
- (2) HQD-12 Document 3 Page 67
- (3) HQD-12 Document 3 Page 68
- (4) Colonne (3) / 29
- (5) HQD-12 Document 3 Page 66
- (6) HQD-12 Document 3 Page 66
- (7)
- (8)
- (9)
- (10)

HYDRO-QUÉBEC DISTRIBUTION

Normalisation des Ventes de 2003

| <u>Tarif</u> | <u>2003 Réel</u> (1) | <u>Ajustement climatique</u> (2) | <u>Facturé Livré</u> (3) | <u>Ajustement Total</u> (4) | <u>2003 normalisée</u> (5) |
|---------------------------------|-------------------------|-------------------------------------|-----------------------------|--------------------------------|-------------------------------|
| D et DM | 54 178 | (987) | (3) | (990) | 53 188 |
| DH | 4 | | | 0 | 4 |
| G et à forfait (T1, T2, T3) | 12 539 | (141) | (3) | (144) | 12 395 |
| G-9 | 1 059 | | 1 | 1 | 1 060 |
| M et MR | 25 287 | (177) | 13 | (164) | 25 123 |
| L et LR | 48 624 | (106) | | (106) | 48 518 |
| H | 13 | | | 0 | 13 |
| DT | 2 610 | 6 | (7) | (1) | 2 609 |
| Écl. Publ. et Sentinelle | 562 | | | 0 | 562 |
| Contrats spéciaux | 20 267 | | | 0 | 20 267 |
| Total patrimonial | 165 143 | (1 405) | 1 | (1 404) | 163 739 |
| BT | 1 631 | | 4 | | 1 631 |
| GD | | | | | 0 |
| LC | | | | | 0 |
| LD et LP | 18 | | | | 18 |
| MR marginal | | | | | 0 |
| LR marginal | | | | | 0 |
| Total non patrimonial | 1 649 | 0 | 4 | | 1 649 |
| Rés. auton.-D et DM | 160 | | | | 160 |
| Rés. auton.-G et à forfait | 91 | | | | 91 |
| Rés. auton.-G-9 | 2 | | | | 2 |
| Rés. auton.-M | 43 | | | | 43 |
| Rés. auton.-Écl. Publ. et Sent. | 1 | | | | 1 |
| Total réseaux autonomes | 297 | 0 | 0 | 0 | 297 |
| Total | 167 089 | (1 405) | 5 | (1 404) | 165 685 |

Source:

(1)-(3) *Demande R-3541-2004* HQD-1 Document 2, page 66

Hydro-Québec Distribution

Composants du Revenu Requis

Exercices terminés le 31 décembre
(en millions de dollars)

| | Année historiques 2001 | 2002 | Prévu 3492 2003 | Année hist. 2003 | Prévu 3492 2004 | Année de base 2004 | Année témoin 2005 |
|--|---------------------------|----------------|--------------------|---------------------|--------------------|--------------------------|-------------------------|
| COÛT DU SERVICE DU DISTRIBUTEUR | 8,601.5 | 8,721.1 | 8,924.6 | 8,914.8 | 9,089.7 | 8,990.8 | 9,265.1 |
| Achats | 6,412.3 | 6,537.6 | 6,800.9 | 6,818.8 | 6,940.4 | 6,830.8 | 7,003.4 |
| • Achats d'électricité | 4,099.3 | 4,224.6 | 4,487.9 | 4,505.8 | 4,627.4 | 4,517.8 | 4,690.4 |
| Patrimoniales | 4,046.9 | 4,173.2 | 4,420.6 | 4,609.5 | 4,488.6 | 4,569.7 | 4,603.5 |
| Non patrimoniales | 52.4 | 51.4 | 67.3 | | 138.8 | | |
| Post patrimoniales | | | | 0.0 | | 0.0 | 166.3 |
| Tarifs de gestion et énergie de secours | | | | 66.3 | | 80.2 | 34.6 |
| Ajustement des contrats spéciaux | | | | (170.0) | | (132.1) | (114.0) |
| • Service de transport | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 |
| Charge locale | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 | 2,313.0 |
| Coûts de Distribution & Services à la Clientèle | 2,189.2 | 2,183.5 | 2,123.7 | 2,096.0 | 2,149.3 | 2,160.0 | 2,261.7 |
| Charges d'exploitation | 950.6 | 983.7 | 971.4 | 957.7 | 971.5 | 964.0 | 955.2 |
| • Charges brutes directes | 794.2 | 843.0 | 844.6 | 847.2 | 862.4 | 888.8 | 902.2 |
| Masse salariale | 524.1 | 574.5 | 589.9 | 594.1 | 581.0 | 609.0 | 621.4 |
| Salaire de base | 384.5 | 431.4 | 430.9 | | 437.0 | | |
| Temps supplémentaire | 51.7 | 43.4 | 35.1 | | 36.3 | | |
| Primes et revenus divers | 23.3 | 26.9 | 25.5 | | 26.5 | | |
| Régime d'intéressement corporatif | 8.7 | 9.7 | 9.7 | | 10.0 | | |
| Autres | 14.6 | 17.2 | 15.8 | | 16.5 | | |
| Avantages sociaux | 64.6 | 72.8 | 78.4 | | 81.2 | | |
| Autres charges directes | 310.9 | 316.3 | 317.0 | 303.0 | 323.6 | 324.0 | 326.5 |
| Dépenses de personnel et indemnités | 41.2 | 32.2 | 21.7 | 24.6 | 21.7 | 23.3 | 22.9 |
| Services externes et ressources financières | 187.2 | 166.0 | 181.7 | 160.8 | 181.4 | 184.5 | 185.9 |
| Stock, achats et locations | 102.5 | 118.1 | 113.6 | 117.6 | 120.5 | 116.2 | 117.7 |
| Récupération de coûts | (40.8) | (47.8) | (42.3) | (49.9) | (42.2) | (44.2) | (45.7) |
| Récupération Mauvaises créances | (5.3) | (6.4) | (7.8) | (6.2) | (7.8) | (6.6) | (6.6) |
| Travaux Hydro-Solution | (6.2) | (6.9) | (6.6) | (6.7) | (6.6) | (6.7) | (6.7) |
| Réclamations aux tiers et autres | (14.3) | (18.3) | (9.7) | (20.3) | (9.7) | (13.7) | (14.2) |
| Attaches et location de poteaux | (15.0) | (16.2) | (18.2) | (16.7) | (18.1) | (17.2) | (18.2) |

Hydro-Québec Distribution

Composants du Revenu Requis

Exercices terminés le 31 décembre
(en millions de dollars)

| | Années historiques | | Prévu 3492 | Année hist. | Prévu 3492 | Année | Année |
|---|--------------------|---------|------------|-------------|------------|-----------------|----------------|
| | 2001 | 2002 | 2003 | 2003 | 2004 | de base 2004 | témoin 2005 |
| Charges de services partagés | 398.5 | 391.8 | 390.5 | 391.5 | 386.0 | 376.6 | 370.2 |
| Centre de services partagés | 269.4 | 270.9 | 281.3 | 274.2 | 274.3 | 272.2 | 265.1 |
| Approvisionnement et services | 146.2 | 156.0 | 160.2 | 159.5 | 148.1 | 147.6 | 145.1 |
| Services de bâtiments | 59.8 | 65.7 | 69.5 | 71.5 | 58.7 | 56.9 | 55.4 |
| Matériel de transport et transport aérien | 38.4 | 42.2 | 43.7 | 44.0 | 42.3 | 43.2 | 43.6 |
| Gestion du matériel | 33.2 | 33.0 | 31.2 | 30.5 | 33.2 | 33.6 | 33.3 |
| Gestion documentaire | 8.5 | 8.4 | 8.5 | 7.9 | 6.7 | 7.9 | 7.9 |
| Acquisition | 5.1 | 5.3 | 6.2 | 5.6 | 6.0 | 6.0 | 4.9 |
| Formation et expertise technique | 1.2 | 1.4 | 1.1 | | 1.2 | | |
| Technologies de l'information | 83.6 | 80.3 | 83.9 | 78.2 | 73.2 | 76.4 | 73.7 |
| Solutions informatiques | 27.0 | 31.1 | 29.2 | 26.2 | 21.6 | 20.2 | 19.7 |
| Exploitation des technologies | 32.7 | 31.3 | 32.0 | 29.8 | 24.6 | 28.0 | 25.5 |
| Bureautique | 23.9 | 17.9 | 22.7 | 22.2 | 27.0 | 28.2 | 28.5 |
| Télécommunications de service | 33.5 | 28.4 | 29.7 | 28.8 | 32.6 | 32.6 | 31.6 |
| Téléphonie | 24.1 | 20.0 | 21.3 | 28.8 | 22.8 | 32.6 | 31.6 |
| Services corporatifs | 9.4 | 8.4 | 8.4 | | 9.8 | | |
| Autres | 6.1 | 6.2 | 7.5 | 7.7 | 20.4 | 15.6 | 14.7 |
| Services transactionnels comptables | 5.9 | 6.0 | 6.1 | 6.1 | 7.2 | 6.9 | 8.1 |
| Centre de compétences - Projiciels de gestion | 0.2 | 0.2 | 1.4 | 1.6 | 13.2 | 8.7 | 6.6 |
| Unités corporatives | 46.1 | 37.0 | 34.7 | 36.2 | 34.7 | 37.3 | 36.7 |
| Services financiers | 13.5 | 13.8 | 12.2 | 11.8 | 12.2 | 11.4 | 10.4 |
| Ressources humaines | 13.4 | 13.7 | 13.3 | 15.1 | 13.3 | 17.4 | 17.8 |
| Sécurité | 5.2 | 4.8 | 4.5 | 4.1 | 4.5 | 4.0 | 4.0 |
| Contentieux | 2.7 | 3.8 | 4.3 | 4.0 | 4.3 | 4.1 | 4.1 |
| Affaires corporatives et réglementaires | 11.3 | 0.9 | 0.4 | 1.2 | 0.4 | 0.4 | 0.4 |
| Institut de Recherche d'Hydro-Québec - IREQ | 26.6 | 27.2 | 27.1 | 24.9 | 27.1 | 20.2 | 20.7 |
| Projets d'innovation technologique | 19.3 | 18.4 | 19.6 | 18.1 | 19.6 | 13.9 | 14.4 |
| Soutien technique | 7.3 | 7.3 | 7.5 | 6.8 | 7.5 | 6.3 | 6.3 |
| Divers | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Valorisation et participations | 0.2 | 0.8 | 1.9 | 1.9 | 1.9 | 1.2 | 1.2 |
| Hydro-Québec TransÉnergie | 40.4 | 41.6 | 39.8 | 41.6 | 33.3 | 36.2 | 34.0 |
| Télécommunications spécialisées | 28.9 | 29.8 | 28.9 | 28.0 | 22.4 | 22.6 | 23.7 |
| Radio-mobile | 22.1 | 22.1 | 22.1 | 21.1 | 19.0 | 19.0 | 20.0 |
| Circuits | 4.1 | 3.7 | 3.7 | 3.7 | 2.6 | 2.6 | 2.7 |
| Services corporatifs | 2.0 | 2.1 | 2.1 | 2.1 | 0.0 | 0.0 | 0.0 |
| Divers | 0.7 | 1.9 | 1.0 | 1.1 | 0.8 | 1.0 | 1.0 |
| Ateliers spécialisés | 8.9 | 8.3 | 8.5 | 10.5 | 8.5 | 10.5 | 7.2 |
| Autres | 2.6 | 3.5 | 2.4 | 3.1 | 2.4 | 3.1 | 3.1 |
| Hydro-Québec Équipement | 2.2 | 2.7 | 2.0 | 2.5 | 2.0 | 2.1 | 2.2 |
| Hydro-Québec Production | 0.6 | 1.5 | 1.5 | 1.7 | 1.5 | 1.7 | 2.1 |
| Régularisations et ajustements divers | 3.7 | 0.2 | (6.8) | 3.0 | 1.8 | (0.2) | (1.2) |
| Sur ou sous-imputations | 3.7 | 0.2 | (6.8) | 3.0 | 1.8 | (0.2) | (1.2) |
| Rendement des fournisseurs | 9.3 | 9.9 | 9.0 | 5.5 | 9.4 | 5.9 | 9.4 |
| Centre de services partagés | 5.8 | 5.7 | 5.4 | 4.2 | 5.9 | 3.9 | 6.4 |
| Approvisionnement et services | 3.7 | 3.9 | 3.2 | | 3.1 | | |
| Technologies de l'information | 0.6 | 0.5 | 1.3 | | 1.4 | | |
| Télécommunications | 0.6 | 0.4 | 0.4 | | 0.8 | | |
| Autres | 0.9 | 0.9 | 0.5 | | 0.6 | | |
| Unités corporatives | 0.2 | 0.2 | 0.1 | | 0.1 | | |
| Recherche et développement | 0.4 | 0.4 | 0.4 | | 0.4 | | |
| TransÉnergie | 2.9 | 3.6 | 3.1 | 1.3 | 3.0 | 2.0 | 3.0 |
| Coûts capitalisés | (254.1) | (252.4) | (265.8) | (269.5) | (271.2) | (287.0) | (292.8) |
| Prestations de travail | (218.9) | (232.3) | (227.9) | (247.1) | (232.7) | (248.6) | (254.4) |
| Gestion du matériel | (41.7) | (38.7) | (37.9) | (35.9) | (38.5) | (38.4) | (38.4) |
| Autres | 6.5 | 18.8 | | 13.5 | 0.0 | 0.0 | 0.0 |
| Frais corporatifs | 35.8 | 36.4 | 44.9 | 32.5 | 45.5 | 35.4 | 36.0 |
| Facturation interne émise | (23.8) | (35.1) | (42.8) | (44.0) | (51.2) | (49.8) | (50.4) |
| Refacturation d'espaces | (17.0) | (25.0) | (33.1) | (32.9) | (33.1) | (28.7) | (28.2) |
| Location de conduits | (3.7) | (4.1) | (4.1) | (4.1) | (4.1) | (2.0) | (2.0) |
| Mesurage | (1.1) | (0.6) | (0.8) | (1.0) | (0.8) | (0.9) | (0.9) |
| Expertise et autres | (2.0) | (5.4) | (4.8) | (6.0) | (4.8) | (3.4) | (2.0) |
| Usage interne | 0.0 | 0.0 | 0.0 | 0.0 | (8.4) | (14.8) | (17.3) |

Hydro-Québec Distribution

Composants du Revenu Requis

Exercices terminés le 31 décembre
(en millions de dollars)

| | Année historiques <u>2001</u> | <u>2002</u> | Prévu 3492 <u>2003</u> | Année hist. <u>2003</u> | Prévu 3492 <u>2004</u> | Année de base <u>2004</u> | Année témoin <u>2005</u> |
|--|----------------------------------|---------------|---------------------------|----------------------------|---------------------------|---------------------------------|--------------------------------|
| Éléments exceptionnels | (37.8) | (48.2) | (49.9) | (39.1) | (24.1) | (4.1) | 14.3 |
| • Crédit de retraite | (31.9) | (42.3) | (44.0) | (33.2) | (18.2) | 0.0 | 18.2 |
| • Crédit d'intérêts reliés au remboursement gouvernem | (5.9) | (5.9) | (5.9) | (5.9) | (5.9) | (4.1) | (3.9) |
| Autres charges | 547.4 | 564.5 | 562.4 | 566.8 | 563.1 | 590.6 | 601.5 |
| • Achats de combustible | 25.6 | 24.7 | 26.9 | 30.2 | 28.9 | 29.1 | 31.1 |
| • Amortissement et déclassement | 423.1 | 440.8 | 433.1 | 432.4 | 430.3 | 455.2 | 468.0 |
| Immobilisations | 413.4 | 414.5 | 426.5 | 393.9 | 413.4 | 419.5 | 411.5 |
| Actifs incorporels | | | | 28.0 | | 27.2 | 40.2 |
| Actifs réglementaires | 7.6 | 6.9 | 6.1 | 6.1 | 9.2 | 8.5 | 16.3 |
| Radiations et retraits | 2.1 | 19.4 | 0.5 | 4.4 | 7.7 | 0.0 | 0.0 |
| • Taxes | 98.7 | 99.0 | 102.4 | 104.2 | 105.9 | 106.3 | 102.4 |
| Capital | 47.7 | 46.9 | 47.9 | 49.7 | 52.7 | 50.6 | 51.5 |
| Revenu brut | 39.0 | 39.6 | 41.9 | 42.1 | 40.6 | 43.1 | |
| Taxes sur les services publiques Municipales et scolaires | 12.0 | 12.5 | 12.6 | 12.4 | 12.6 | 12.6 | 38.3 12.6 |
| Facturation externe émise | (70.3) | (63.2) | (51.3) | (55.7) | (52.0) | (54.7) | (54.1) |
| • Revenus liés à la fourniture d'électricité | (52.5) | (60.3) | (47.5) | (52.8) | (47.5) | (52.4) | (52.0) |
| Frais d'administration - Abonnés | (28.8) | (25.9) | (24.1) | (27.8) | (24.1) | (28.7) | (28.4) |
| Frais de gestion et d'ouverture de dossier | (15.0) | (14.8) | (14.8) | (14.9) | (14.8) | (14.4) | (14.4) |
| Frais de branchement | (8.7) | (9.6) | (8.6) | (10.1) | (8.6) | (9.3) | (9.2) |
| • Autres produits | (17.8) | (2.9) | (3.8) | (2.9) | (4.5) | (2.3) | (2.1) |
| Amendes pour rétablissement | (0.9) | (0.8) | (0.6) | (0.7) | (0.6) | (0.6) | (0.6) |
| Subtilisation d'énergie | (4.4) | (1.5) | (3.2) | (1.0) | (3.2) | (1.1) | (1.1) |
| Divers | (12.5) | (0.6) | 0.0 | (1.2) | (0.7) | (0.6) | (0.4) |
| Coût du capital | 799.3 | 736.7 | 691.1 | 666.3 | 690.8 | 664.2 | 734.8 |
| • Coût des capitaux empruntés (frais financiers régleme | 530.7 | 470.1 | 439.9 | 416.1 | 432.8 | 400.6 | 461.0 |
| • Coût des capitaux propres (bénéfice réglementé) | 268.6 | 266.6 | 251.2 | 250.2 | 258.1 | 263.6 | 273.9 |
| Base de tarification (moyenne 13 mois) | 8,164.0 | 8,103.1 | 8,237.5 | 8,207.3 | 8,465.2 | 8,317.4 | 8,472.7 |
| Rendement sur la base de tarification | 9.79% | 9.09% | 8.39% | 8.12% | 8.16% | 7.99% | 8.67% |
| Coût de la dette | 10.00% | 8.925% | 8.22% | 7.80% | 7.865% | 7.41% | 8.37% |
| Taux de rendement | 9.40% | 9.400% | 8.71% | 8.71% | 8.710% | 9.06% | 9.24% |

HYDRO-QUÉBEC DISTRIBUTION

Number of Employees

| Line | Category | Number of Employees | | | | | Growth | Growth |
|------|---------------|----------------------|----------------------|----------------------|--------------------|------------------------|-----------|-----------|
| | | 2001 | 2002 | 2003 | 2004 | 2005 | '01 - '04 | '03 - '05 |
| | | <u>Actual</u> (1) | <u>Actual</u> (2) | <u>Actual</u> (4) | <u>Base</u> (6) | <u>Forecast</u> (7) | (8) | |
| 1 | Office | 3 373 | 3 277 | 3 266 | 3 354 | 3 353 | -4.2% | 2.7% |
| 2 | Permanent | 2 270 | 2 227 | 2 165 | 2 522 | 2 522 | | |
| 3 | Temporary | 1 103 | 1 050 | 1 101 | 832 | 831 | | |
| 4 | Executives | 562 | 601 | 622 | 635 | 635 | 11.4% | 2.1% |
| 5 | Permanent | 562 | 601 | 622 | 635 | 635 | | |
| 6 | Temporary | | | | | | | |
| 7 | Engineers | 216 | 236 | 246 | 249 | 249 | 12.0% | 1.2% |
| 8 | Permanent | 214 | 229 | 238 | 237 | 237 | | |
| 9 | Temporary | 2 | 7 | 8 | 12 | 12 | | |
| 10 | Trades | 2 006 | 2 024 | 2 056 | 2 064 | 2 064 | 1.9% | 0.4% |
| 11 | Permanent | 1 903 | 1 895 | 1 891 | 1 899 | 1 899 | | |
| 12 | Temporary | 103 | 129 | 165 | 165 | 165 | | |
| 13 | Professionals | 170 | 193 | 216 | 188 | 191 | 25.9% | -11.6% |
| 14 | Permanent | 160 | 180 | 196 | 184 | 187 | | |
| 15 | Temporary | 10 | 13 | 20 | 4 | 4 | | |
| 16 | Specialists | 824 | 869 | 928 | 935 | 937 | 29.0% | 1.0% |
| 17 | Permanent | 800 | 834 | 902 | 907 | 909 | | |
| 18 | Temporary | 24 | 35 | 26 | 28 | 28 | | |
| 19 | Technicians | 433 | 451 | 436 | 447 | 447 | 3.9% | 2.5% |
| 20 | Permanent | 290 | 294 | 314 | 349 | 349 | | |
| 21 | Temporary | 143 | 157 | 122 | 98 | 98 | | |
| 22 | Total | 7 584 | 7 651 | 7 770 | 7 872 | 7 876 | 3.8% | 1.4% |
| 23 | Permanent | 6 199 | 6 260 | 6 328 | 6 733 | 6 738 | | |
| 24 | Temporary | 1 385 | 1 391 | 1 442 | 1 139 | 1 138 | | |

HYDRO-QUÉBEC DISTRIBUTION

Per-Employee Base Salary

| Line | Category | Base Salary | | | | | Growth '01 - '04 (8) | Growth '03 - '04 | Growth '04 - '05 (1) |
|------|---------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------------|---------------------|----------------------------|
| | | 2001 | 2002 | 2003 | 2004 | 2005 | | | |
| | | <u>Actual</u> (1) | <u>Actual</u> (2) | <u>R-3541</u> (4) | <u>R-3541</u> (6) | <u>R-3541</u> (7) | | | |
| 1 | Office | \$39,551 | \$40,999 | \$42,344 | \$44,076 | \$45,356 | 10.3% | 4.1% | 2.9% |
| 2 | Permanent | 41 130 | 42 536 | 44 199 | 45 481 | 46 800 | | | |
| 3 | Temporary | 36 300 | 37 738 | 38 697 | 39 819 | 40 974 | | | |
| 4 | Executives | 80 592 | 83 282 | 86 680 | 89 492 | 92 129 | 9.9% | 3.2% | 2.9% |
| 5 | Permanent | 80 592 | 83 282 | 86 680 | 89 492 | 92 129 | | | |
| 6 | Temporary | | | | | | | | |
| 7 | Engineers | 71 619 | 74 271 | 77 108 | 78 838 | 80 809 | 11.9% | 2.2% | 2.5% |
| 8 | Permanent | 71 716 | 74 590 | 77 510 | 79 456 | 81 450 | | | |
| 9 | Temporary | 61 212 | 63 823 | 65 141 | 66 623 | 68 139 | | | |
| 10 | Trades | 50 137 | 53 695 | 55 078 | 56 214 | 57 369 | 12.8% | 2.1% | 2.1% |
| 11 | Permanent | 50 559 | 54 374 | 56 030 | 57 173 | 58 340 | | | |
| 12 | Temporary | 42 342 | 43 721 | 44 172 | 45 173 | 46 196 | | | |
| 13 | Professionals | 67 802 | 70 497 | 72 157 | 75 349 | 76 953 | 11.9% | 4.4% | 2.1% |
| 14 | Permanent | 68 711 | 71 744 | 73 988 | 75 781 | 77 389 | | | |
| 15 | Temporary | 53 266 | 53 234 | 54 214 | 55 461 | 56 570 | | | |
| 16 | Specialists | 65 300 | 66 912 | 69 297 | 70 799 | 72 365 | 10.4% | 2.2% | 2.2% |
| 17 | Permanent | 65 672 | 67 529 | 69 736 | 71 273 | 72 844 | | | |
| 18 | Temporary | 52 892 | 52 209 | 54 075 | 55 432 | 56 824 | | | |
| 19 | Technicians | 52 409 | 53 965 | 56 614 | 58 836 | 60 162 | 11.1% | 3.9% | 2.3% |
| 20 | Permanent | 57 092 | 59 072 | 60 894 | 62 236 | 63 608 | | | |
| 21 | Temporary | \$42,913 | \$44,401 | \$45,599 | \$46,730 | \$47,888 | | | |

#DIV/0!

HYDRO-QUÉBEC DISTRIBUTION

Per-Employee Social Benefits

| Line | Category | Benefits | | | | | Growth '01 - '04 (5) |
|------|---------------|----------------------|----------------------|----------------------|--------------------|------------------------|--------------------------------|
| | | 2001 | 2002 | 2003 | 2004 | 2005 | |
| | | <u>Actual</u> (1) | <u>Actual</u> (2) | <u>Actual</u> (4) | <u>Base</u> (6) | <u>Forecast</u> (7) | |
| 1 | Office | \$5,882 | \$6,190 | \$6,458 | \$7,040 | \$7,363 | 28.1% |
| 2 | Permanent | 6 035 | 6 328 | 6 670 | 7 208 | 7 539 | |
| 3 | Temporary | 5 566 | 5 897 | 6 042 | 6 530 | 6 830 | |
| 4 | Executives | 8 727 | 9 292 | 9 851 | 10 646 | 11 135 | 45.1% |
| 5 | Permanent | 8 727 | 9 292 | 9 851 | 10 646 | 11 135 | |
| 6 | Temporary | | | | | | |
| 7 | Engineers | 7 871 | 8 367 | 8 719 | 9 414 | 9 847 | 28.7% |
| 8 | Permanent | 7 877 | 8 389 | 8 735 | 9 440 | 9 874 | |
| 9 | Temporary | 7 265 | 7 652 | 8 240 | 8 905 | 9 314 | |
| 10 | Trades | 7 163 | 7 708 | 8 166 | 8 825 | 9 231 | 30.3% |
| 11 | Permanent | 7 212 | 7 787 | 8 290 | 8 958 | 9 370 | |
| 12 | Temporary | 6 260 | 6 549 | 6 746 | 7 290 | 7 625 | |
| 13 | Professionals | 7 724 | 8 232 | 8 525 | 9 268 | 9 695 | 29.4% |
| 14 | Permanent | 7 756 | 8 297 | 8 592 | 9 285 | 9 712 | |
| 15 | Temporary | 7 220 | 7 335 | 7 869 | 8 504 | 8 895 | |
| 16 | Specialists | 7 366 | 7 847 | 8 166 | 8 822 | 9 228 | 29.3% |
| 17 | Permanent | 7 387 | 7 896 | 8 199 | 8 860 | 9 268 | |
| 18 | Temporary | 6 676 | 6 682 | 7 011 | 7 577 | 7 925 | |
| 19 | Technicians | 6 929 | 7 378 | 7 942 | 8 664 | 9 063 | 30.5% |
| 20 | Permanent | 7 270 | 7 776 | 8 290 | 8 959 | 9 371 | |
| 21 | Temporary | \$6,237 | \$6,634 | \$7,047 | \$7,615 | \$7,966 | |

HYDRO-QUÉBEC DISTRIBUTION

Ratio of Benefits to Base Salary

| <u>Line</u> | <u>Category</u> | <u>Benefits/Salary Ratio</u> | | | | |
|-------------|-----------------|------------------------------|---------------|---------------|-----------------|-----------------|
| | | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
| | | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> | <u>Forecast</u> | <u>Forecast</u> |
| | | (1) | (2) | (3) | (4) | (5) |
| 1 | Office | | | | | |
| 2 | Permanent | 14.7% | 14.9% | 15.1% | 15.8% | 16.1% |
| 3 | Temporary | 15.3% | 15.6% | 15.6% | 16.4% | 16.7% |
| 4 | Executives | | | | | |
| 5 | Permanent | 10.8% | 11.2% | 11.4% | 11.9% | 12.1% |
| 6 | Temporary | | | | | |
| 7 | Engineers | | | | | |
| 8 | Permanent | 11.0% | 11.2% | 11.3% | 11.9% | 12.1% |
| 9 | Temporary | 11.9% | 12.0% | 12.6% | 13.4% | 13.7% |
| 10 | Trades | | | | | |
| 11 | Permanent | 14.3% | 14.3% | 14.8% | 15.7% | 16.1% |
| 12 | Temporary | 14.8% | 15.0% | 15.3% | 16.1% | 16.5% |
| 13 | Professionals | | | | | |
| 14 | Permanent | 11.3% | 11.6% | 11.6% | 12.3% | 12.5% |
| 15 | Temporary | 13.6% | 13.8% | 14.5% | 15.3% | 15.7% |
| 16 | Specialists | | | | | |
| 17 | Permanent | 11.2% | 11.7% | 11.8% | 12.4% | 12.7% |
| 18 | Temporary | 12.6% | 12.8% | 13.0% | 13.7% | 13.9% |
| 19 | Technicians | | | | | |
| 20 | Permanent | 12.7% | 13.2% | 13.6% | 14.4% | 14.7% |
| 21 | Temporary | 14.5% | 14.9% | 15.5% | 16.3% | 16.6% |