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Setting the pace



RÉGIE DE L'ÉNERGIE

JEAN-PIERRE CHARBONNEAU
SPEAKER OF THE NATIONAL ASSEMBLY
LEGISLATIVE BUILDING, QUÉBEC CITY

MR. SPEAKER,
PLEASE ALLOW ME TO PRESENT YOU WITH THE
FOLLOWING REPORT ON THE ACTIVITIES
OF THE RÉGIE DE L'ÉNERGIE FOR THE YEAR
1999-2000.

SINCERELY YOURS,



JACQUES BRASSARD
MINISTER OF NATURAL RESOURCES
QUÉBEC CITY, JUNE, 2000

JACQUES BRASSARD
MINISTER OF NATURAL RESOURCES

MR. MINISTER,

I HAVE THE PLEASURE OF SENDING YOU THE
PRESENT REPORT ON THE ACTIVITIES OF
THE RÉGIE DE L'ÉNERGIE FOR THE YEAR
1999-2000.

SINCERELY YOURS,



JEAN A. GUÉRIN
CHAIRMAN
MONTRÉAL, JUNE, 2000

THE RÉGIE DE L'ÉNERGIE IS AN ECONOMIC REGULATION AGENCY WHOSE PURPOSE IS TO ENSURE THAT THE ENERGY NEEDS OF QUÉBEC CONSUMERS ARE SATISFIED, WHILE PROMOTING SUSTAINABLE DEVELOPMENT, ADDRESSING ECONOMIC, SOCIAL AND ENVIRONMENTAL CONCERNS, AND ENSURING ORDERLY AND ECONOMICALLY VIABLE DEVELOPMENT OF QUÉBEC'S ENERGY INDUSTRY.

TO THIS END, THE RÉGIE SETS THE RATES AND SERVICE CONDITIONS FOR NATURAL GAS DISTRIBUTORS AND HYDRO-QUÉBEC, WHILE FOSTERING THE FREE PLAY OF MARKET FORCES AND FAVOURING THE USE OF INCENTIVES TO IMPROVE DISTRIBUTOR PERFORMANCE AND BETTER MEET CONSUMER NEEDS. THE RÉGIE ALSO MONITORS THE PRICES OF PETROLEUM PRODUCTS AND STEAM.

LAST BUT NOT LEAST, THE RÉGIE APPROVES CONTRACTS FOR THE PURCHASE, TRADE AND EXPORT OF ELECTRICITY. IT IS ALSO RESPONSIBLE FOR SETTING RATES AND CONDITIONS FOR ELECTRICITY TRANSMISSION, A VITAL FACTOR FOR PARTICIPATION IN THE DEREGULATED ELECTRICITY MARKETS OF NORTHEASTERN NORTH AMERICA.

T A B L E O F C O N T E N T S

Message from the Chairman	2
Review of activities	7
Priorities for 2000-2001	12
The Régie's team	14
The complaint process	20
Petroleum products	22
Energy facts and figures	24
Highlights	33
Compliance with acts and regulations	34
Financial summary	35

THE ENERGY ENVIRONMENT

The trend towards globalization, market restructuring and market liberalization held strong in the energy sector over the past year. The integration of energy markets continued in many parts of the world.

The most dramatic development during the year was the sharp increase in world market prices for crude oil. Prices rose from their lowest point in more than a decade to the highest levels since the Gulf War crisis of 1990-91.

Soaring crude prices had a significant impact on energy costs for businesses and consumers. They also had a ripple effect on prices for other forms of energy, such as natural gas and thermally generated electricity.

Pacesetting regulation



In Canada, the movement towards increased competition and liberalization in electricity markets continued with the restructuring of Ontario Hydro's operations. Ontario's retail electricity market is to be opened up to competition as of November 1, 2000.

In Manitoba, Manitoba Hydro acquired gas company Centragaz. The move was consistent with the trend towards concentration and consolidation in the industry.

In Alberta, a tender solicitation was introduced for existing electricity generation. Retail electricity markets are to be opened up to competition as of January 1, 2001.

In the maritime provinces of Nova Scotia and New Brunswick, the natural gas market burgeoned as gas from the off-shore Sable Island field began flowing through the Maritimes & Northeast pipeline. Distribution rights were granted to the Enbridge Gas New Brunswick consortium in New Brunswick and Sempra Atlantic Gas in Nova Scotia.

In Québec, prices for petroleum products and natural gas, which together account for over 50% of Québec's energy consumption, rose significantly during the year.

Over the past 12 months, the price of regular gasoline at the pump increased substantially across Québec, climbing from an average of approximately 60¢ per litre at the beginning of the year to nearly 80¢ per litre. The increase was a direct result of the increase in the price of crude oil (Brent), which jumped from approximately US\$14 to nearly US\$32 per barrel, and other cyclical factors.

Meanwhile, the price of natural gas from Western Canada increased from approximately \$2.25 per gigajoule at the beginning of the year to about \$3.90 at the end of the year.

In the electricity sector, Hydro-Québec announced a rate freeze until April 2002 when it filed its latest strategic plan. The company said it hopes to keep rates stable until 2004. In New England's free market for electricity, the weekly peak period index fluctuated between 3.2¢ and 18.2¢ per kilowatt-hour in Canadian dollars, for an annual average of 5.7¢, compared with 3.8¢ for the same period last year. The same upward trend was observed in other northeast U.S. markets.

MR. JEAN A. GUÉRIN
CHAIRMAN



THE REGULATORY ENVIRONMENT

As the energy industry undergoes profound changes and the process of continental integration continues, regulatory agencies must adapt their methods while protecting the public interest and the interests of consumers.

To promote harmonious liberalization of U.S. electricity markets, the *Federal Energy Regulatory Commission* (FERC) issued Order No. 2000 in December 1999, which encourages electric power transmission companies to form regional transmission organizations (RTOs). The purpose is to make the wholesale market more flexible, address congestion issues, and avoid discriminatory treatment of users.

Low levels of investment in power transmission and generation infrastructure in some parts of the U.S. in recent years, coupled with growing commercial sales, have led to increasingly critical situations during peak periods and abnormally high market prices.

The challenge for regulators and governments will be to find suitable long-term planning and management mechanisms which are compatible with market liberalization.

The Régie de l'énergie organized the first *World Forum on Energy Regulation*, together with the Canadian Association of Members of Public Utility Tribunals (CAMPUT) and the National Association of Regulatory Utility Commissioners (NARUC). It was the first event of its kind in the world. Nearly 1,000 participants from close to 100 countries gathered in Montréal in May 2000 to discuss practices, experiences and trends in energy regulation, deregulation and market liberalization.

Last May, Bill 116 was tabled in the National Assembly. Among other things, it deals with the Régie's authority over power generation.

HIGHLIGHTS

The Régie handed down 238 decisions over the past year. It provided the government with an opinion on the application from Gaz Métropolitain and Company, Limited Partnership (GMCLP) for exclusive natural gas distribution rights in the Bas Saint-Laurent, Gaspésie and Côte-Nord regions. At the request of the Minister of Natural Resources, the Régie also produced an opinion on conditions for the inclusion of power generated by small private hydroelectric plants in Hydro-Québec's resource plan. Finally, the Régie worked with natural gas and electric power distributors to make sure the Y2K bug would not disrupt supply.

On the financial front, the Régie ended the year with a \$1.8 million surplus, due primarily to the postponement of some activities and stringent expenditure controls. The spending estimates for fiscal 2000-2001, filed on February 1, 2000, are 5% below authorized expenditures for fiscal 1999-2000.

With respect to natural gas, the Régie granted distribution rate increases of 1.3% to GMCLP and 0.5% to Gazifère of Hull in its 1999-2000 rate proceedings.

The Régie also authorized investments in fixed assets of approximately \$70 million by the two gas distributors and a number of specific extensions to their distribution systems.

To streamline regulatory procedures, the Régie authorized a formula for automatic annual adjustment of the return on equity and, for Gazifère, automatic annual adjustment of operating costs.

For the first time, the Régie authorized the introduction of an energy efficiency program applicable to this distributor.

With respect to electricity, after holding hearings, the Régie approved general regulatory principles for setting and applying power transmission rates.

The challenge for regulators and governments will be to find suitable long-term planning and management mechanisms which are compatible with market liberalization.

In connection with the proceeding on Hydro-Québec's power transmission rate application, the Régie organized several information sessions to help intervenors prepare for the hearings, which will be held in fiscal year 2000-2001.

With respect to petroleum products, in July 1999 the Régie determined gasoline and diesel fuel retailers' operating costs to be 3¢ per litre. In view of consumer protection considerations, the Régie decided it would not be expedient at this time to include that amount in calculating the minimum price in accordance with the *Act respecting petroleum products and equipment*. The Régie indicated, however, that it might reconsider if the market environment were to change radically in Québec or part of Québec.

In October 1999, the Régie conducted an investigation into fluctuations in gasoline and diesel fuel retail prices in three regions: Abitibi-Témiscamingue, Saguenay-Lac-Saint-Jean, and Haute-Mauricie. In its report, released in February 2000, the Régie concluded that the increases in gasoline and diesel fuel prices in those regions were due to international factors over which Québec has little control, and that market forces were operative in the regions in question.

The Régie continued monitoring petroleum product prices in Québec's 17 administrative regions. The *Bulletin d'information sur les prix des produits pétroliers*, published weekly by the Régie, served as a useful tool for consumers and stakeholders.

With respect to complaints from consumers of natural gas and electricity, the Régie received 182 written complaints, rendered 171 decisions and responded to nearly 3,500 enquiries.

In light of the costs of regulation, and the fact that those costs must ultimately be borne by consumers, the Régie conducted a broad consultation with all interested parties in order to define rules and principles for funding intervenors' costs and handed down a framework decision establishing standards and scales for intervenors' expense claims.

OUTLOOK FOR 2000-2001

During the coming year, the Régie will move ahead on numerous files in each of the sectors under its jurisdiction.

With respect to natural gas, the Régie will review the agreement negotiated by distributor GMCLP and interested parties on the implementation of incentive-based mechanisms. The Régie will also analyze GMCLP's list of unbundled services (transportation, storage, load balancing, distribution, etc.) and approve an appropriate rate structure. As well, the Régie is to approve implementation of an energy efficiency program by one of the distributors.

In the electricity sector, the Régie is to approve transmission rates this year and conduct a partial review, including public hearings, of the non-monetary conditions in Hydro-Québec's conditions governing the supply of electricity. The Régie also plans to begin a study of revenue requirements for Hydro-Québec's distribution operations.

With respect to petroleum products, the Régie will make a decision, in accordance with the Act, on the annual determination of gasoline and diesel fuel retailers' operating costs. The Régie will also report to the Minister, as stipulated in the Act, on the impact on prices and commercial practices in the gasoline and diesel fuel retail business of its first decision on operating costs.

The Régie intends to continue its efforts to streamline the regulatory process. Both consultation procedures and the decision-making process will be addressed.

STRATEGIC DIRECTIONS

As an economic regulatory agency with multifunctional responsibilities, the Régie strives to produce fair and equitable decisions and opinions with due diligence, at a reasonable cost, and in accordance with principles of due process.

To this end, the Régie will pursue the strategic objectives outlined below.

REGULATORY STREAMLINING

The Régie intends to continue its efforts to streamline the regulatory process. Both consultation procedures and the decision-making process will be addressed. For consultations, the Régie is considering alternatives to traditional public hearings while promoting active participation by interested parties.

The Régie is already using various mechanisms, such as technical meetings, pre-hearing conferences, working groups and the negotiated settlement process. The Régie also intends to deal with a larger number of applications on the basis of the file.

The Régie has already streamlined many aspects of the decision-making process. For example, the annual authorization of natural gas distributors' rates of return is now based on a multi-year automatic adjustment formula.

For Gazifère, the Régie recently approved automatic incentive-based adjustment mechanisms for operating costs, on a comprehensive, multi-year basis.

In another example of streamlining, the Régie used an adjustment mechanism that reflects variations in market prices for the monthly approval of GMCLP's natural gas costs.

The development of comprehensive incentives, based on negotiated agreements between GMCLP and the main stakeholders, is also expected to promote regulatory streamlining.

REDUCING REGULATION COSTS

The Régie's objective is to encourage intervenors to narrow and more clearly focus their submissions and avoid duplication.

In a framework decision rendered in July 1999, the Régie stipulated rules and principles for funding effective participation by intervenors and issued an *Intervenor Costs Payment Guide*. The Régie expects intervenors who want to claim expenses to adhere rigorously to the Guide.

The Régie will ensure that interventions are useful and relevant, and that the costs claimed were necessary and reasonable.

ADOPTION OF INCENTIVES

One of the Régie's basic objectives is to introduce incentive-based mechanisms designed to improve distributor performance and promote the satisfaction of consumer needs.

In a decision rendered in May 1999, the Régie set up a negotiated settlement process and invited GMCLP to negotiate an incentive-based mechanism with the intervenors. A working group was formed in December 1999 and a draft negotiated agreement was recently filed with the Régie (with one dissenting opinion).

As noted above, the Régie also approved an incentive-based mechanism for operating costs for Gazifère.

The introduction of incentives should promote streamlining of the annual rate review process, since many elements of the cost of service will then be calculated on the basis of quasi-automatic formulas. This type of streamlining will be easier to achieve in the near future in sectors in which there is a long tradition of regulation.

The Régie strives

to produce fair

and equitable decisions

and opinions with due

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of due process.

IMPROVED COMMUNICATIONS

By virtue of its nature and functions, the Régie has a duty to exercise discretion so as to avoid casting doubt on its objectivity, independence and impartiality. Therefore, the Régie cannot comment on its decisions and opinions.

At the same time, the Régie has a duty to inform consumers, intervenors and the general public about its decisions, operation, rules of procedure, and the timetable for its work and hearings.

The Régie will step up its communication efforts in order to reach all segments of its audience in all parts of Québec. The Régie's Sainte-Foy office frequently holds hearings on complaints from consumers of natural gas and electricity. The public hearings on GMCLP's application for exclusive distribution rights in the Bas Saint-Laurent, Gaspésie and Côte-Nord regions were also held in Québec City.

The Régie may sit in any other region of Québec, if necessary.

RESULTS-ORIENTED TEAMWORK

To offer a pacesetting, high-calibre regulatory service at a reasonable cost, the Régie has improved its work processes over the past year.

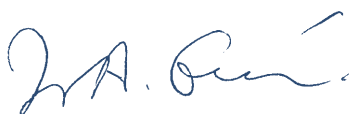
The new work organization clearly defines each person's responsibilities and the steps in the work process. It also emphasizes team work, complementarity between the Régie's various units, and a results-based approach.

ACKNOWLEDGEMENTS

The Régie's decisions and opinions have a significant economic impact on all consumers and distributors. The quality of the Régie's work reflects the high calibre of its commissioners, of its staff at all levels, and of the interventions it receives.

The year past was one of new challenges. The Régie's staff took up those challenges with confidence and vigour. I thank them for their invaluable contribution and constant support. I thank the commissioners in particular for their dedication, and all employees for their hard work and professionalism. I also want to express my gratitude to all distributors and intervenors for their cooperation during this period of regulatory renewal.

In conclusion, I would like to pay tribute to commissioner Pierre Dupont, who left us last March to take up new professional challenges. He has made a vital contribution to the Régie's work from its inception.



JEAN A. GUÉRIN
Chairman

June 2000

*The Régie's decisions
and opinions have
a significant economic
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and distributors.*

THE RÉGIE WORKS TO OFFER A PACESETTING, HIGH-CALIBRE REGULATION AND MONITORING SERVICE. ACTIVE PARTICIPATION BY A WIDE RANGE OF INTERVENORS HELPS THE RÉGIE MAKE INFORMED DECISIONS. THE RÉGIE TAKES ECONOMIC, SOCIAL AND ENVIRONMENTAL CONCERNS, AND CONSIDERATIONS OF INDIVIDUAL AND COLLECTIVE FAIRNESS, INTO ACCOUNT IN ITS DECISIONS.

DURING THE PAST YEAR, THE RÉGIE RECEIVED 16 APPLICATIONS, HELD 80 DAYS OF HEARINGS, AND 7 DAYS OF TECHNICAL MEETINGS. IT RENDERED 238 DECISIONS, ISSUED 2 OPINIONS, AND CONDUCTED AN INQUIRY INTO FLUCTUATIONS IN GASOLINE AND DIESEL FUEL PRICES IN THE ABITIBI-TÉMISCAMINGUE, SAGUENAY-LAC-SAINT-JEAN AND HAUTE-MAURICIE REGIONS.



Review of activities

SUMMARY OF ACTIVITIES – 1999-2000

NUMBER OF APPLICATIONS	16
NUMBER OF CONSUMER COMPLAINTS	182
NUMBER OF DAYS OF HEARINGS	80
<ul style="list-style-type: none"> • 31 ON COMPLAINTS • 49 ON APPLICATIONS 	
TECHNICAL MEETINGS	7
NUMBER OF DECISIONS	238
<ul style="list-style-type: none"> • 171 ON COMPLAINTS • 67 ON APPLICATIONS 	
NUMBER OF OPINIONS	2
NUMBER OF INQUIRY	1

General matters

The Régie de l'énergie continued its efforts to streamline the regulatory process and lower the cost of regulation. It concluded its work on establishing guidelines for the payment of intervenors' expenses, with a view to promoting effective participation by interested groups while more efficiently managing the resources made available to intervenors.

Generic hearing on intervenor costs (R-3412-98)

No.: D-99-124, July 23, 1999

Subject: Decision on an Intervenor Costs Payment Guide

Decision: By this decision, the Régie adopts the *Intervenor Costs Payment Guide* after conducting a generic hearing process, which began on November 25, 1998, and establishes a series of easy-to-use scales for fees and expenses.

The principles adopted by the Régie include resource optimization measures to control the cost of regulation, measures on interventions and the processing of applications, and measures to improve operations, including a requirement that all intervenors that wish to claim costs file an estimated budget and use new claim forms.

OUTLINES OF THE RÉGIE'S INQUIRY, DECISIONS AND OPINIONS WITH RESPECT TO ELECTRICITY, NATURAL GAS AND PETROLEUM PRODUCTS.

Electricity

During the year, the Régie studied applications concerning a framework for fixing electric power rates and adopted general regulatory principles for the determination and application of electric power transmission rates. The decision made it possible for the Régie to go ahead with work on fixing power transmission rates. Two-phase public hearings are being held on the matter. The first phase has been completed and the Régie has asked Hydro-Québec to file an amended application by August 15, 2000.

The Régie also held public hearings in order to provide the Minister with an opinion on conditions for the inclusion of power from small private hydroelectric plants in Hydro-Québec's resource plan. It continued the administrative process of monitoring security of supply, focusing on runoff levels. Finally, it reviewed Hydro-Québec's Y2K precautions.

Hearing on general regulatory principles for the determination and application of electric power transmission rates (R-3405-98)

No.: D-99-120, July 20, 1999

Applicant: Hydro-Québec

Subject: Decision concerning general regulatory principles for the determination and application of electric power transmission rates, to be set in a subsequent proceeding (*Act respecting the Régie de l'énergie*, section 32(1)(3)).

Decision: By this decision, the Régie de l'énergie stipulates the following general principles for the determination of Hydro-Québec's power transmission rates:

- use of forward test years;
- averaging of 13 consecutive months to establish rate base and capital structure;
- use of a test year and rate year beginning January 1, corresponding with Hydro-Québec's fiscal year;
- primacy of the *Act respecting the Régie de l'énergie* in the determination of regulated operations;
- separation of regulated and unregulated operations using the absorbed cost method.

The Régie notes that this process of defining general principles is the first step in implementing regulatory principles. The principles may be re-evaluated in light of experience after the upcoming rate proceedings so as to better reflect Hydro-Québec's operating environment and conditions.

Lastly, the regulatory principles set out in this decision will serve as a basis for considering the application on the determination of the average unit transmission price and modifications to electric power transmission rates (R-3401-98). That application must therefore be amended to take into account the general principles adopted by the Régie in this proceeding.

Public hearing on the determination of the average unit transmission price and modifications to electric power transmission rates (R-3401-98)

No.: D-99-205, November 18, 1999

Applicant: Hydro-Québec

Subject: Decision announcing public hearings on the determination of the average unit transmission price and modifications to electric power transmission rates (*Act respecting the Régie de l'énergie*, sections 48 to 51)

Decision: The Régie de l'énergie announces the holding of public hearings and decides to establish a two-phase process. The first phase of the public hearings will be an information stage, beginning in February 2000, which will consist of at least three information sessions. The second phase will be the hearings per se. The first pre-hearing conference is scheduled for April 12, 2000. The date of the second pre-hearing conference will be determined at a later date.

The decision also provides for Hydro-Québec to file an amended application by July 4, 2000.

Opinion on conditions for utilization of power generated by small hydroelectric plants – section 42 of the *Act respecting the Régie de l'énergie* (R-3410-98)

Opinion A-99-02, December 14, 1999

On June 11, 1998, the Minister of State for Natural Resources asked the Régie for an opinion on conditions for the inclusion of production from small private hydroelectric plants in Hydro-Québec's resource plan. The Minister asked the Régie to specify the quota which should be allocated to such an option, to indicate the period of time for which that quota should apply, and to issue an opinion on the socially acceptable purchase price.

While acknowledging that this option does not meet some of the conditions often cited for an approach of this type, the Régie believes it would be useful to consider introducing a quota in this case, given the existing structure of the electricity market in Québec and the specific features of the option in question.

Taking into account long-term growth in demand, the Régie is of the view that the electricity generated by such option would serve to meet the additional demand that may be expected within the time frame for the introduction of the quota. The Régie therefore concludes that the price of the electricity supplied should be based on the cost savings to Hydro-Québec, calculated on the cost of the new generating facilities that would otherwise be required to meet Québec demand. In the absence of data from Hydro-Québec, the Régie is using data supplied by AQPER (Québec renewable energy production association) on the cost of the Lower Churchill project, which were made public by the Government of Newfoundland.

The Régie is of the view that the cost of transmitting the electricity to users should be included in project costs. AQPER estimates the cost of the Lower Churchill project at 4.4¢/kWh (1998 dollars), expressed as an annuity increasing at the rate of 1.5%. That cost must be adjusted for the property taxes paid by private producers, which Hydro-Québec does not pay, and for processing losses which are avoided by private producers.

In addition, to estimate the cost savings for Hydro-Québec, other adjustments, which may vary from one small plant to another, must also be made; these include the expected output at peak hours and the cost of connecting to Hydro-Québec's grid. Based on the information entered into evidence and all the adjustments that need to be made, the Régie is of the view that the cost savings from a typical small plant would probably be under 4¢/kWh. To make a more precise estimate, more recent and definitive data on Hydro-Québec's long-term marginal cost would be required.

A price cap that reflects the cost savings from private power generation and the adjustments that government might want to make, for reasons of fairness, in consideration of the fact that private producers pay the government water royalties and corporate income tax, which Hydro-Québec is exempted from paying, would be in the area of 4.5¢/kWh for a typical project. To determine the size of the quota, the Régie compared this reference price with the production costs of small plants, as estimated by AQPER. The Régie recommends that the maximum quota be set at 150 MW and proposes that the price be determined through a competitive bidding process, with a price cap. The average price paid should therefore be below 4.5¢/kWh.

With respect to the method for implementing the quota, the Régie recommends that public sites deemed unacceptable for environmental reasons be eliminated at a very early stage in the process. The Régie is of the view that a single call for tenders should be issued for all the projects, whether they are located on public, semi-public or private land. The final selection should be made on the basis of criteria related to price, respect for the natural and human environment, the developer's qualifications, local community participation and the benefits for the community.

Hearing on application for changes to Hydro-Québec's rates for 1999 (R-3418-98)

No.: D-99-107, June 14, 1999

Applicant: AQCIE and AIFQ

Subject: Interlocutory decision on motion for dismissal and prematurity of an application for changes to Hydro-Québec's rates as of May 1, 1999

Decision: The Régie denies Hydro-Québec's motion to dismiss the application but suspends examination of the application filed by AQCIE and AIFQ until the first of the two following events occurs:

- determination of methods for setting and implementing electric power supply rates;
- issuing of decisions on files R-3401-98 and R-3405-98.

Hearing on Hydro-Québec's service conditions (R-3439-2000)

No.: D-2000-35, March 3, 2000

Text of Public Notice announcing a Hearing on Hydro-Québec's service conditions:

Section 48 of the *Act respecting the Régie de l'énergie* authorizes the Régie to fix or modify, upon request or at its own initiative, the conditions for the supply of electric power by Hydro-Québec. The Régie may ask the distributor to file a modification proposal.

Under that authority and in accordance with section 25 of the *Act respecting the Régie de l'énergie*, the Régie decided by Decision D-2000-35 to hold public hearings in order to review the conditions of service set out in Bylaw 634. The Régie also determined that the proceeding would not deal with rates for the supply of electricity but only with non-monetary conditions.

The Régie invited Hydro-Québec and intervenors to a pre-hearing conference, the first stage in the process. The Régie wants to hear participants' views about the issues which should be considered in this review.

The Régie has identified several topics, on a preliminary basis:

- the service contract;
- Hydro-Québec's credit and collection practices;
- metering, billing and terms of payment;
- the information provided to customers, particularly with regard to service charges.

For this first stage, the Régie invited all interested parties to submit applications for intervention, in accordance with section 8 of the *Regulation respecting the procedure of the Régie de l'énergie*, by March 27, 2000.

Natural gas

The year was marked by the streamlining of the regulatory process. For Gazifère Inc., the Régie approved an incentive-based mechanism for the determination of operating costs on a global basis.

For Gaz Métropolitain and Company, Limited Partnership, a working group consisting of the company and interested parties worked on developing guidelines and a negotiated settlement process for the implementation of incentive-based mechanisms designed to promote improved performance by the gas distributor and the satisfaction of consumer needs. The group continues its work.

Hearing on the rate application of Gaz Métropolitain and Company, Limited Partnership (GMCLP) (R-3426-99)

No.: D-2000-34, February 29, 2000

Subject: Application for changes to GMCLP's rates as of October 1, 1999

Decision: The Régie de l'énergie has approved a 2.6% increase for transport and distribution rates and the text of the resulting rate schedule. The increase is due to a significant increase in TCPL's rates and amortization of the revenue stabilization account in relation to the weather.

The authorized return on equity for distribution operations is set at 9.72%, using an automatic adjustment formula established by the Régie in the 1999 rate proceeding. The 9.72% figure is based on a 5.87% rate for Government of Canada 30-year bonds, according to the August 1999 forecast.

The Régie approved updated unit prices for category 1B "improved" interruptible service, on a temporary basis. The new rates are based on the most recent changes to cost allocation methods, including the redefinition of the "peak" factor. They also provide for the cost of load balancing losses to be shared by firm and interruptible customers.

The Régie also authorized GMCLP to add to its delivery service conditions, on a temporary basis pending review of the question of stranded costs, the requirement that customers who want to avail themselves of the delivery service ascertain that the distributor does not hold unused capacity for such customers.

Hearing on Gazifère Inc.'s rate application (R-3430-99)

No.: D-2000-48, March 30, 2000

Subject: Decision on Gazifère Inc.'s application for changes to 1999-2000 rates

Decision: The Régie approves most elements of Gazifère's proposed formula for a multi-year incentive-based mechanism for determining the necessary operating costs Gazifère must bear in order to deliver service. This incentive-based approach is consistent with the objective of regulatory streamlining. In the absence of a comprehensive cost allocation study, the Régie adopts a method for allocating administrative expenses to unregulated operations based on the proportion of revenues generated by those activities. The Régie also approves a demand management-based energy efficiency program. The approved 10.13% rate of return on equity is set on the basis of the automatic indexing mechanism approved in the preceding rate decision. Finally, the Régie approves a method for distributing any surplus return at the closing of the books based on the gross profit method.

Hearing on incentive-based measures or mechanisms to promote improved performance by a gas distributor and the satisfaction of consumer needs (R-3425-99)

No.: D-2000-53, March 30, 2000

Subject: Decision on incentive-based measures or mechanisms to promote improved performance by a gas distributor and the satisfaction of consumer needs – intervenors' expenses, phase 3 of the NSP.

Decision: By this decision, the Régie authorizes each intervenor to use up to 80% of its estimated budget (a total of \$320,000) to pursue the working group's activity during phase 3.

Opinion on application for exclusive natural gas distribution rights (R-3408-98)

Opinion A-99-01, July 16, 1999

The Régie recommends that the government grant Gaz Métropolitain and Company, Limited Partnership exclusive natural gas distribution rights for a 30-year period in the Bas Saint-Laurent, Gaspésie and Côte-Nord regions.

This opinion follows the application filed by Gaz Métropolitain with the Régie de l'énergie in August 1998. The Régie held public hearings on the application in the spring of 1999. A dozen briefs were received and twelve intervenors representing consumers, environmental groups, local organizations and energy companies were heard. No other natural gas distributor filed a competing application.

In its opinion, the Régie notes that access to natural gas fosters increased competition between different forms of energy and helps improve a region's competitiveness. It also notes that granting exclusive distribution rights will ensure a measure of equity between the regions and provide them with an additional economic development tool. The Régie is of the view that natural gas supplies from western Canada are sufficient for projected needs, but it considers the possibility of supplying the regions in question from the Sable Island fields in eastern Canada to be an added advantage.

The Régie also notes that no intervenor questioned Gaz Métropolitain's financial capacity to carry out the project at the estimated cost of approximately \$859 million. The intervenors recognized that the company has the technical expertise to complete the various phases of the project, which could be spread over 10 years. The Régie specifies that the grant of distribution rights does not automatically authorize the distributor to build a distribution system. Each extension project of a value of \$1 million or more must be approved by the Régie. The Régie will examine the financial viability of each system extension application. The Régie also notes that any future system extension projects are subject to the review process stipulated by the appropriate authorities.

Petroleum products

The Régie de l'énergie monitored the prices of petroleum products throughout the year and published the results in its weekly *Bulletin d'information sur le prix des produits pétroliers au Québec*.

A major hearing on gasoline and diesel fuel retailers' operating costs, launched in 1998, was concluded.

The Régie also conducted an inquiry into fluctuations in retail prices for gasoline and diesel fuel in the Abitibi-Témiscamingue, Saguenay-Lac-Saint-Jean and Haute-Mauricie regions over the October 1998 to December 1999 period. Various local stakeholders from the three regions took the opportunity to express their views on the matter. The report on the inquiry was released on February 24, 2000. The Régie's general conclusion was that the increases in gasoline and diesel fuel prices during the period under investigation were due primarily to international factors over which Québec has little control. The investigation also found that, despite some peculiarities, market forces are operative in the regions in question.

Hearing on operating costs borne by a gasoline or diesel fuel retailer (R-3399-98)

No.: D-99-133, July 29, 1999

Subject: Decision on a hearing on operating costs borne by a gasoline or diesel fuel retailer

Decision: The Régie determines the operating costs that gasoline and diesel fuel retailers must bear to be 3 cents per litre.

In view of consumer protection considerations and the current retail market environment for gasoline and diesel fuel in Québec, the Régie considers that it would not be expedient at this time to include that amount in retailers' expenses for the purpose of calculating the minimum price in accordance with the *Act respecting petroleum products and equipment*.

The Régie decides not to determine zones.

DURING THE COMING YEAR, THE RÉGIE WILL MOVE AHEAD ON NUMEROUS FILES IN EACH OF THE SECTORS UNDER ITS JURISDICTION.

Priorities for 2000-2001

With respect to natural gas, the Régie will review the agreement negotiated by distributor GMCLP and interested parties on implementing incentive-based mechanisms. The Régie will also analyse GMCLP's line of unbundled services (transportation, storage, balancing, distribution, etc.) and approve an appropriate rate structure. As well, the Régie is to approve implementation of an energy efficiency program by one of the distributors.

In the electricity sector, the Régie is to approve transmission rates this year and conduct a partial review of the non-monetary conditions in Hydro-Québec's conditions governing the supply of electricity; the review will include public hearings. The Régie also plans to begin a study of revenue requirements for Hydro-Québec's distribution operations.

With respect to petroleum products, the Régie will make a decision, in accordance with the Act, on the annual determination of gasoline and diesel fuel retailers' operating costs. The Régie will also report to the Minister, as stipulated in the Act, on the impact on prices and commercial practices in the gasoline and diesel fuel retail business of its first decision on operating costs.

THE FOLLOWING MATTERS ARE ON THE RÉGIE'S AGENDA FOR THE COMING YEAR:

Natural gas

- Gas distributors' 2000-2001 rates proceedings
- Unbundling
- Introduction of incentive-based measures or mechanisms for the distributor Gaz Métropolitain and Company, Limited Partnership
- Implementation of the multi-year mechanisms for determining rates of return for the shareholders or partners in a distribution company, which were established and introduced during fiscal 1998-1999
- Approval of an energy efficiency plan for the distributor Gazifère

Natural gas system extensions

In the course of the year, the Régie will consider any extension to GMCLP's distribution system worth \$1 million or more and Gazifère Inc. projects worth \$300,000 or more, in accordance with applicable regulatory provisions. The Régie will ensure that the projects meet economic criteria.

Electricity

Costs of service-transmission of electricity

Following the decision on regulatory principles, the Régie will hold public hearings to determine the electric power transmission charges to be borne by Québec consumers.

Hydro-Québec's amended application is to be filed on August 15, 2000.

Cost of Hydro-Québec's distribution service

The Régie plans to hold a public hearing during fiscal 2000-2001 on the determination of the cost of Hydro-Québec's distribution operations. The aims include establishing the rate base, operating expense budgets, and an appropriate rate of return.

Hearing on review of Hydro-Québec's conditions governing the supply of electricity (Bylaw 634)

The Régie will continue its work on the review of Hydro-Québec's conditions governing the supply of electricity. Technical meetings will be held, followed by a public hearing in the coming months.

Report in year following the determination of an amount pursuant to section 59 of the Act

Under section 169 of the Act, the Régie must report to the Minister of Natural Resources within one year following the determination of an amount under section 59 of the Act. That determination was made in Decision D-99-133.

Since Decision D-99-133 was issued on July 29, 1999, the report must be submitted within one year after that date, i.e. by July 28, 2000.

The subject of the report to the Minister is the impact on prices and commercial practices in the gasoline and diesel fuel retail business of the measures introduced under sections 59 and 139 of the Act.

Annual determination of an amount per litre representing the operating costs borne by a gasoline or diesel fuel retailer

Section 59(1) of the *Act respecting the Régie de l'énergie* stipulates that the Régie must determine annually an amount per litre representing the operating costs borne by a gasoline or diesel fuel retailer. The Régie initiated a hearing process on March 3, 2000 to hear representations from interested parties.

A number of intervenors submitted representations on the development of the gasoline and diesel fuel market in Québec during the past year.

A decision should be rendered in the coming months.

In an increasingly integrated marketplace, energy issues transcend borders. The Régie cannot effectively fulfil its mission or keep abreast of economic regulation developments without sharing knowledge with its Canadian and foreign counterparts. Since its creation, the Régie has maintained ongoing and productive contacts with other major economic regulators in Canada and abroad.

With these goals in mind, the Chairman of the Régie led the Executive Committee of the *World Forum on Energy Regulation*, which was held in Montréal from May 21 to 24, 2000. The event was organized jointly by the Régie de l'énergie, the Canadian Association of Members of Public Utility Tribunals (CAMPUT), and the U.S. National Association of Regulatory Utility Commissioners (NARUC). Nearly 1,000 delegates from a hundred countries came to listen to over 100 speakers and lay the groundwork for a network of regulators spanning the five continents.

The Régie will continue to play an active role in CAMPUT. A Régie commissioner serves as a member of CAMPUT's Executive Committee and chairs its Education Committee, and a Régie staff member sits on the Regulatory Affairs Committee and the Staff Committee.

The Régie will build on its close ties with commissions and boards in neighbouring provinces, particularly Ontario. It will pursue its contacts with other North American agencies, such as the FERC in Washington, NARUC, and Mexico's Comisión Reguladora de Energía (CRE), with which it signed a cooperation agreement in May 1999 in the context of a visit to Mexico City by the Prime Minister of Québec.

**Petroleum
products**

**Contacts
in Canada
and abroad**

THE RÉGIE DE L'ÉNERGIE IS A QUASI-JUDICIAL TRIBUNAL COMPOSED OF SEVEN PERMANENT COMMISSIONERS AND ONE SUPERNUMERARY COMMISSIONER. A TEAM OF 67 MANAGERS, PROFESSIONALS AND SUPPORT STAFF PROVIDES THE COMMISSIONERS WITH ANALYSIS, LEGAL OPINIONS AND FOLLOW-UP ON FILES.

THE RÉGIE DE L'ÉNERGIE IS AN INDEPENDENT AGENCY FUNDED PRIMARILY BY DUTIES AND FEES PAID ON A USER PAYS BASIS BY THE REGULATED DISTRIBUTORS. FOR THE FISCAL YEAR ENDED MARCH 31, 2000, THE RÉGIE HAD REVENUES OF \$8,591,915 AND POSTED A SURPLUS OF \$1,825,151.

Régie's structure

HUMAN RESOURCES

The Régie's team is young (average age 38) and well educated – nearly 45% of its professionals and managers have graduate degrees. It has an authorized staffing level of 63 permanent positions. The Régie can also hire up to 20 occasional employees during peak periods.

OPERATION

The Chairman of the Régie assigns and coordinates the work of the commissioners. He is responsible for the Régie's administration and directs its staff. He initiates appropriate inquiries and inspections under the Act. The Chairman also sits as a commissioner. He is assisted by an Executive Assistant and a support team.

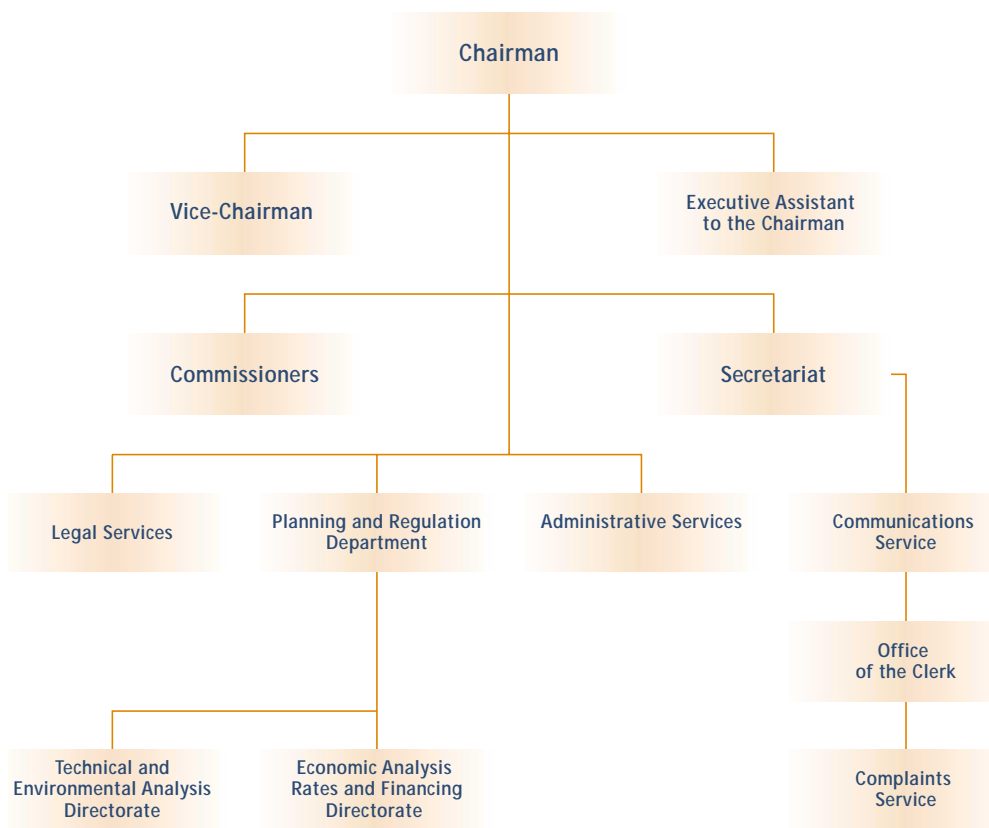
The *Management Committee* consists of eight managers, including the Chairman of the Régie, the Vice-Chairman, the Secretary, the Executive Director, the Director of Legal Services, the Director of Administrative Services, the Communications Director, and the Executive Assistant to the Chairman. The Committee discusses the Régie's administrative affairs, including the allocation of resources to various operations. The Committee also monitors administrative and financial matters.

The *Committee of Commissioners*, composed of all the commissioners, meets to discuss the Régie's general direction and the coordination of the regulatory agenda.



THE RÉGIE HAS A FLEXIBLE STRUCTURE COMPOSED OF THE CHAIRMAN'S OFFICE AND FOUR DEPARTMENTS. THE MAJORITY OF THE RÉGIE'S EMPLOYEES WORK AT THE HEAD OFFICE IN MONTRÉAL, WHERE MOST ACTIVITIES AND HEARINGS TAKE PLACE. THE RÉGIE ALSO HAS AN OFFICE IN SAINTE-FOY TO SERVE CLIENTS IN QUÉBEC CITY AND EASTERN QUÉBEC.

ADMINISTRATIVE STRUCTURE



The Régie has a flexible structure composed of the Chairman's office and four departments.

THE COMMISSIONERS: AT THE CENTRE OF THE RÉGIE'S ACTIVITIES.

The commissioners come from the energy industry, environmental groups, the legal community, government and administrative tribunals. To render the best decision, they examine the evidence filed by intervenors and their witnesses at the hearings or on the basis of the file. They analyze the evidence, with the support of the technical and legal staff, before drafting their decisions. They exercise their quasi-judicial powers independently and impartially.

JEAN A. GUÉRIN

Chairman

A native of Québec City, Jean Guérin has a Master's degree in Economics from the University of Ottawa. After holding several senior positions in the Canadian government, he was a senior official with the ministère de l'Énergie et des Ressources du Québec between 1977 and 1981. He then served as vice-president, development with the Société québécoise d'initiatives pétrolières (SOQUIP) from 1981 to 1988, executive director of Consortium Soligaz (1988-1993), senior partner with Saint-Aix-Groupe Conseil (1994-1997) and a member of the 1995 commission of inquiry that examined Hydro-Québec's policy on purchasing electricity from private sources.

LISE LAMBERT

Vice-Chairman

A native of Lévis, Ms. Lambert has a law degree from Université Laval and is a member of the Barreau du Québec. A litigator with the law firm Vézina Pouliot from 1971 to 1982, Ms. Lambert held the position of vice-president and commissioner with the Commission des transports du Québec from 1982 to 1997.

Commissioners



FIRST ROW (LEFT TO RIGHT):

ANTHONY FRAYNE,

LISE LAMBERT,

JEAN A. GUÉRIN,

JEAN-NOEL VALLIÈRE,

FRANÇOIS TANGUAY

AND CATHERINE RUDEL-TESSIER.

SECOND ROW:

ANDRÉ DUMAIS

AND MARC-ANDRÉ PATOINE.

NOT PICTURED:

PIERRE DUPONT.

**ANDRÉ DUMAIS**

A native of Trois-Rivières, Mr. Dumais has a degree in Civil Engineering from Université Laval and belongs to the Ordre des ingénieurs du Québec. From 1971 to 1997, Mr. Dumais held a variety of senior positions with Shell Canada. Following a transfer to the planning department of Royal Dutch Shell in London, Mr. Dumais worked as superintendent of Shell's Eastern Montréal oil refinery and was subsequently named vice-president, marketing for Québec and the Maritimes. While president of the Québec division of the Canadian Petroleum Products Institute from 1990 to 1993, he contributed to the work of the Québec Government's Groupe-Conseil Énergie. He also sat as a member of the Consultation Panel for the Public Debate on Energy.

PIERRE DUPONT (up to March 30, 2000)

A native of the Matapédia valley, Mr. Dupont has a Master's degree in Economics from Université Laval. He worked as a research coordinator for Université Laval's energy and natural resources conservation research group (GREEN) from 1983 to 1985. He subsequently worked as an economist in the energy division of the ministère des Ressources naturelles du Québec from 1985 to 1989, and then served as an executive in the ministry until 1995. He also served as a director on the Government of Québec's Conseil exécutif from 1995 to 1997.

ANTHONY FRAYNE

A native of the United Kingdom, Mr. Frayne earned a Bachelor's degree in economics from the London School of Economics and an MBA from McGill University. He served as an economist with Canada's Department of Transport from 1972 to 1979 and then continued his career with Hydro-Québec from 1979 to 1987 and 1990 to 1997. His work involved rate design, general planning and international relations. He also supervised a study of electricity rates in Uruguay for Hydro-Québec International. He was director of financial analysis and planning for Montréal's public transit commission (STCUM) from 1987 to 1990. Mr. Frayne qualified as a fellow of the Institute of Chartered Accountants of England and Wales.

MARC-ANDRÉ PATOINE

A Montréal native, Mr. Patoiné earned a law degree from Université de Montréal and was a lawyer in private practice from 1967 to 1975. He joined the School Council of the Island of Montréal as head of the legal department in 1976. In 1979, he was appointed director of the legal department of the ministère de l'Éducation du Québec. He was a litigator with the ministère de la Justice from 1983 to 1999, representing the Attorney General of Québec in civil, administrative and constitutional cases at all levels. He was appointed a commissioner with the Régie de l'énergie in 1999.

CATHERINE RUDEL-TESSIER

A native of Montréal, Ms. Rudel-Tessier earned a law degree from Université de Montréal and a Master's degree in Public Law from Université Laval. She worked for various Québec Government ministries from 1976 to 1981; her functions included coordinating follow-up on draft legislation for the Revenue and Transport ministries. From 1981 to 1985, she handled press relations for the Office of the Prime Minister of Québec. Ms. Rudel-Tessier was a commissioner with the Commission des Affaires sociales du Québec from 1985 to 1997.

FRANÇOIS TANGUAY

A native of Montréal, Mr. Tanguay has been active in environmental protection since the late 1960s and has acquired practical experience in that field. He was co-founder of Les Amis de la Terre (Québec) and worked with several environmental groups before becoming coordinator for energy issues with Greenpeace Québec and then head of the organization. In that capacity, he was asked to sit on the Consultation Panel for the Public Debate on Energy. He has also hosted programs about the environment for Radio-Canada and has published several works on ecological construction.

JEAN-NOËL VALLIÈRE

Mr. Vallière is from the town of Asbestos and has a Bachelor's degree in economics from Université Laval. He is an economist and worked as research officer for the ministère des Transports and the ministère de l'Énergie et des Ressources from 1974 to 1988. From 1988 to 1994, he was responsible for producing the *Essence Express* newsletter, published by the ministère de l'Énergie et des Ressources. He then worked as research officer in the natural gas and oil directorate of the ministère des Ressources naturelles du Québec from 1994 to 1998.

THE
COMMISSIONERS:
AT THE CENTRE
OF THE RÉGIE'S
ACTIVITIES

THE RÉGIE'S FOUR DEPARTMENTS



Secretariat

The Secretariat is the first point of entry for contact with the Régie. It speaks on the Régie's behalf and acts as the sole contact with intervenors. The Secretary of the Régie coordinates hearing agendas with interested parties and is responsible for information exchange and procedural follow-up. It must be borne in mind that, given its quasi-judicial nature, the Régie has a duty to exercise discretion.

The Secretariat is also responsible for distributing the Régie's decisions and publicizing its role. It is made up of three divisions:

Office of the Clerk: Keeps the Régie's records and is responsible for managing and distributing all public documents related to the Régie's work.

Consumer complaints information line: Receives nearly 300 telephone calls each month from consumers seeking information on their recourse or wishing to file a complaint against a distributor of electricity or natural gas.

Communications service: Designs, implements and monitors the external and internal communications program, and maintains ongoing relations with the public and the media. The Régie applies a transparent communications strategy designed to provide full information on its decisions and opinions.

Administrative Services



Administrative Services supports the Régie's daily activities. The Department consists of the ***Human, Financial, Physical and Information Resources Directorate***, the ***Documentation Centre*** and ***Reception***.

The *Planning and Regulation Department* provides the Régie with economic, financial and technical expertise, consulting services and the opinions that may be required by the Régie in the course of its activities, particularly in matters pertaining to the analysis of applications. It provides leading-edge expertise appropriate to the nature and complexity of the issues under the Régie's jurisdiction.

It also provides the Régie's commissioners with the analyses required for informed decision-making, taking into account all factors involved in the matters under consideration. The Department ensures that basic regulatory approaches are maintained in a consistent manner. Through its work and research, it supports the adaptation of the regulatory framework to different market environments and to the assessments of regulatory practices. The Department consists of two directorates:

The *Economic Analysis, Rates and Financing Directorate* provides expert analysis of all economic, accounting and financial aspects of the Régie's work, primarily for the purpose of setting the rates of regulated distributors.

The *Technical and Environmental Analysis Directorate* assesses all such related matters submitted to the Régie. It performs the required analysis for the purpose of monitoring the operations of Hydro-Québec and natural gas distributors.



The *members of Legal Services* act as legal counsel on all matters related to the interpretation of the Act and the regulations, and on all applications brought before the commissioners for decision or for submission of an opinion to the Government. The legal advisers act as attorneys, questioning intervenors' witnesses in writing (when the case is being decided on the basis of the file) or at the hearing in order to round out the evidence and provide the commissioners with complete files on which to base their opinion or decision.



Planning and Regulation Department

Legal Services

No one can do without energy. Be it in the form of natural gas or electricity, energy is essential to us all. The Régie strives to ensure that relations between the providers of this basic necessity and consumers are harmonious, and that consumers know the rules of the game.

Consumers who have grievances or simply are experiencing communication problems with their distributor of natural gas or electricity can call the Régie's toll-free information line, based in Montréal and Québec City, for information on the process for filing a complaint with their distributor. The service also provides information on their recourse before the Régie if they fail to obtain satisfaction. In short, it exists to serve consumers when they need it.

The problems reported by consumers last year were different from years past because of a labour dispute at Hydro-Québec. Many of the calls received related to the electricity consumption estimates made during this labour dispute and Hydro-Québec's subsequent adjustments.

In 1999-2000, the Régie's Office of the Clerk received 182 written complaints, and decisions were rendered in 171 cases during the same period.

Responsive to consumers' needs

THE PROCEDURE

For each distributor, the Régie has approved a specific procedure for handling consumer complaints about the application of the rates or conditions of service (decision D-98-25).

In general terms, the procedure is as follows:

1

Consumer complaints concerning the application of the rates or conditions of service must first be filed with the distributor's customer service department, which can be contacted at the number or address that appears on the invoice.

2

If the consumer is dissatisfied with the response, he or she can file a written complaint with the distributor. The distributor then has 60 days to provide a written decision on the complaint.

3

If the consumer is still dissatisfied with the distributor's decision, he or she can ask the Régie to review the matter by filing a written complaint outlining the reasons for his or her dissatisfaction within 30 days of the distributor's decision. The complaint should be addressed to the Régie's Secretariat and accompanied by the distributor's decision and a cheque or money order for \$30 made out to the Régie de l'énergie.

4

Failing an agreement between the distributor and the consumer, the Régie examines the complaint on the basis of the evidence in the file. It may also decide to hold a hearing, either at its own initiative or in response to a request from the complainant or the distributor.

THE RÉGIE DE L'ÉNERGIE'S JURISDICTION

The Régie de l'énergie has exclusive decision-making power to:

- examine any complaint filed by a consumer concerning the application of a rate or a condition governing the supply or transmission of electric power by an electric power distributor;
- examine any complaint filed by a consumer concerning the application of a rate or a condition governing the transmission, supply or storage of natural gas by a natural gas distributor;
- see to it that consumers are charged the applicable rates and are subject to the applicable conditions (section 31(4) of the *Act respecting the Régie de l'énergie*).

Under current legislation and regulations, the Régie de l'énergie has no jurisdiction to deal with complaints in some areas, including:

- theft of energy
(see decisions *D-98-167* and *D-2000-13*);
- the terms of payment of a debt owed to a distributor
(see decision *D-98-26* and others);
- claims for damages and interest against a distributor
(see decision *D-98-140* and others);
- applications that are not complaints from a customer of the distributor
(see decision *D-98-70* and others).

ADDITIONAL INFORMATION

For more information on the complaints procedure for a specific distributor, consumers can call the Régie's complaints information line:

(514) 873-5050 (Montréal area)
 (418) 646-0970 (Québec City area)
 1 888 873-2452 (outside Montréal and Québec City)

TO KEEP THE PUBLIC INFORMED, THE RÉGIE REGULARLY UPDATES ITS WEB SITE. A PAGE IS CREATED FOR EACH PUBLIC HEARING, MAKING ALL RELEVANT INFORMATION AVAILABLE IN REAL TIME. THE SITE HAS BECOME A BASIC REFERENCE SOURCE ON THE ENERGY INDUSTRY.

www.regie-energie.qc.ca

<http://www.>



DISTRIBUTORS

*Coopérative régionale
d'électricité de
Saint-Jean-Baptiste
de Rouville*

Gazifère Inc.

*Gaz Métropolitain
and Company, Limited
Partnership*

Hydro-Coaticook

Hydro-Québec

Hydro-Sherbrooke

Hydro Westmount

Ville d'Alma

Ville d'Amos

Ville de Baie-Comeau

Ville de Joliette

Ville de Jonquière

Ville de Magog

PETROLEUM PRODUCT PRICES ARE A DAILY CONCERN FOR CONSUMERS, NOT ONLY BECAUSE FUEL IS A VITAL COMMODITY BUT ALSO BECAUSE GASOLINE, DIESEL FUEL AND FUEL OIL PRICES ARE VOLATILE. CONSUMERS TODAY ARE BETTER INFORMED: THEY KNOW THE COMPONENTS OF THE PRICE AND REACT MORE STRONGLY TO CHANGES.

Gasoline: At what price?

Fluctuations in the price of gasoline and diesel fuel were in the news throughout the year. Prices rose to record levels during the winter. The significant variations, which saw an increase of over 30% in the price at the pump in the course of the year, were driven in part by changes in the price of crude (the price of a barrel of crude oil nearly tripled).

THE RÉGIE AND PRICE MONITORING

The results of the weekly monitoring of prices at the pump and the determination of the minimum price were made available to the general public on a regular basis through the *Bulletin d'information sur les prix des produits pétroliers*, which is posted on the Régie's Web site. It served as a useful reference for the Québec media and was quoted extensively.

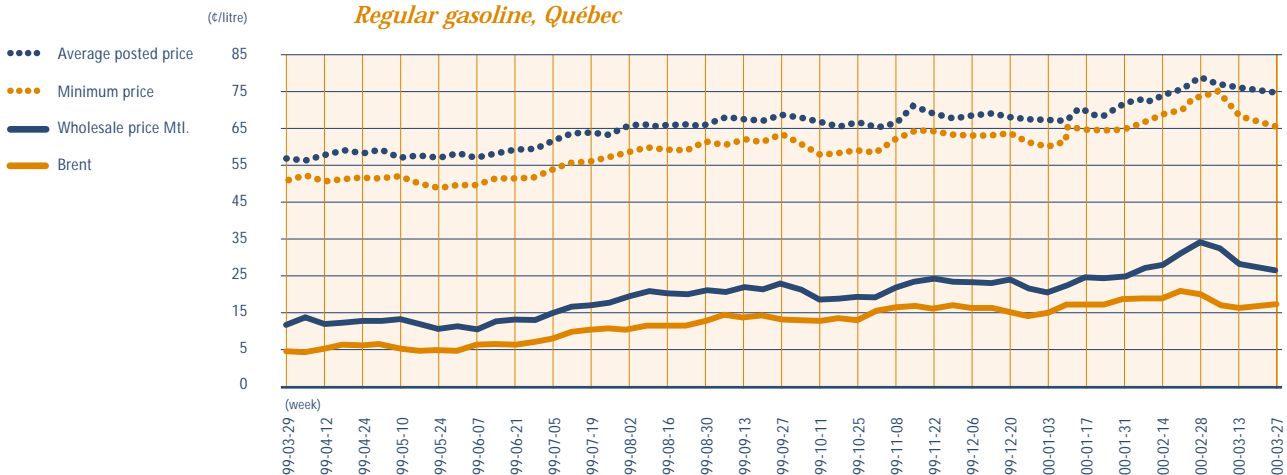
IN A NUTSHELL

From April 1, 1999 to March 31, 2000 the weighted average price for regular gasoline for all of Québec ranged from 59.7¢/litre to 76.3¢/litre. The price peaked at 79.2¢/litre during the week of March 13, 2000.

During the same period, the minimum benchmark price followed the upward trend in wholesale prices at the loading ramp in Montréal, rising from 53.8¢/litre at the end of March 1999 to 69.9¢/litre twelve months later. The average gap between the price at the pump and the minimum price over the period was 5.5¢/litre.

The last twelve months also saw significant increases in diesel fuel and fuel oil prices over previous years. The monthly average price of diesel fuel increased from 55.8¢/litre in March 1999 to 78.4¢/litre in February 2000. The average posted price of fuel oil (heating oil) rose from 28.2¢/litre in March 1999 to 46.0¢/litre twelve months later. The strongest increases were in the month of February, when the average price climbed to 49.2¢/litre.

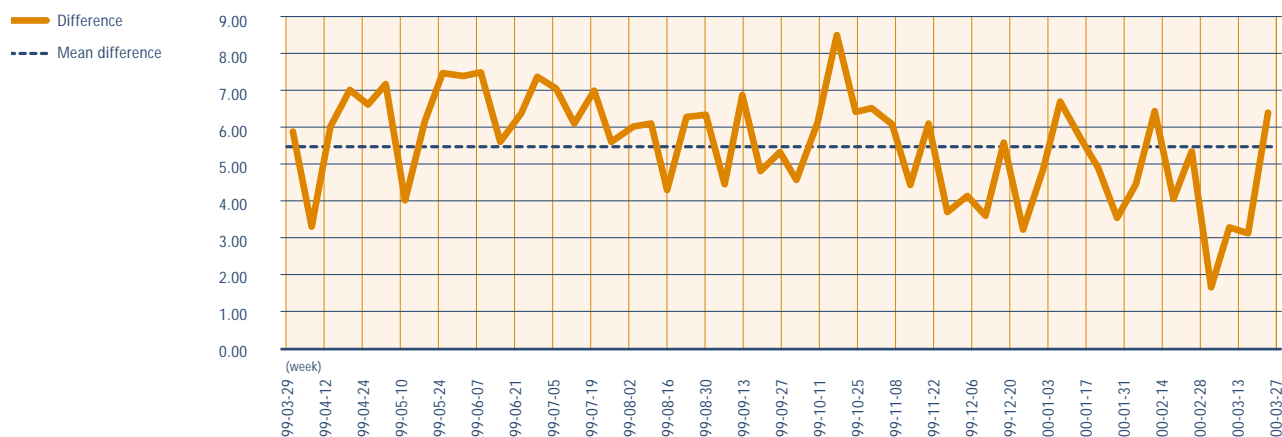
AVERAGE PRICE AT THE PUMP Regular gasoline, Québec



Sources: Régie de l'énergie and Bloomberg

DIFFERENCE BETWEEN AVERAGE PRICE AT THE PUMP AND MINIMUM PRICE

Regular gasoline, Québec



Sources: Régie de l'énergie and Bloomberg

AVERAGE POSTED PUMP PRICE AND MINIMUM PRICE OF REGULAR GASOLINE

Region	Week of March 29, 1999		Week of July 26, 1999		Week of November 29, 1999		Week of March 27, 2000	
	Ave	Min	Ave	Min	Ave	Min	Ave	Min
1. Bas-Saint-Laurent	55.5	50.2	63.0	55.5	71.9	62.7	76.9	66.3
2. Saguenay-Lac-St-Jean	55.8	47.8	63.5	53.0	68.9	60.3	78.5	63.9
3. Québec City	61.1	52.1	63.7	57.4	65.6	64.7	72.5	68.2
4. Mauricie	55.5	52.2	62.4	57.5	70.3	64.8	74.4	68.3
5. Estrie	56.5	52.6	65.3	57.9	71.3	65.2	76.1	68.7
6. Montréal	61.8	53.8	65.4	59.1	71.0	66.4	76.4	69.9
7. Outaouais	57.2	48.8	60.8	54.1	65.4	61.4	74.5	64.9
8. Abitibi-Témiscamingue	60.3	49.6	68.8	54.9	71.8	62.2	79.6	65.8
9. Côte-Nord	58.8	49.5	64.7	54.8	69.8	62.0	79.8	65.6
10. Nord-du-Québec	62.8	50.0	72.6	55.3	79.3	62.6	84.0	66.1
11. Gaspésie-Îles-de-la-Madeleine	54.0	49.6	62.7	54.9	71.7	62.2	75.9	65.8
12. Chaudière-Appalaches	60.3	52.2	65.5	57.5	67.7	64.7	73.4	68.3
13. Laval	61.7	53.9	66.0	59.2	70.1	66.5	76.5	70.1
14. Lanaudière	60.7	52.2	66.6	57.5	70.2	64.7	78.0	68.3
15. Laurentides	59.2	51.2	65.7	56.5	71.7	63.8	77.6	67.3
16. Montérégie	61.2	52.2	63.8	57.5	70.2	64.8	76.0	68.3
17. Centre du Québec	57.5	52.6	65.9	57.8	72.3	65.1	76.2	68.7
Québec weighted mean:	59.7	51.9	64.7	57.2	70.0	64.4	76.3	68.0

Ave: Mean pump price from sampling surveys

Min: Minimum pump price under those paragraphs of section 139 of the Bill 50

Minimum price = estimated wholesale price + average minimum transportation + taxes

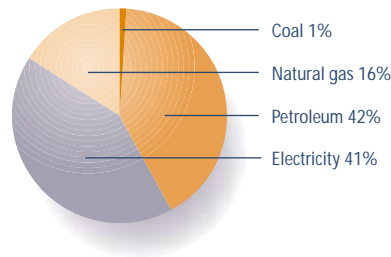
Note that the minimum price should be considered a benchmark price. The minimum price published by the Régie for a given region is an average; there may be variations in the minimum price within a single region.

N.B. The minimum price is calculated on the basis of the estimated wholesale price for Thursday of the preceding week, pursuant to the Ministerial Order of November 26, 1997, replacing Order 96-350.

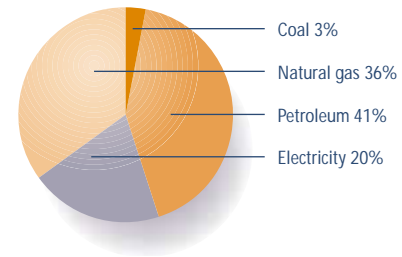
Sources: Régie de l'énergie and Bloomberg

COMPARISON OF ENERGY CONSUMPTION QUÉBEC AND CANADA, 1998

Consumption in Québec, 1998



Consumption in Canada, 1998
(excluding Québec)



Source: Statistics Canada

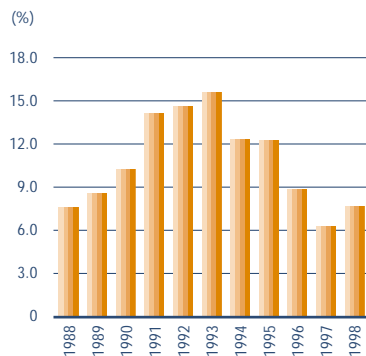
Energy regulation

THE ENERGY INDUSTRY'S ECONOMIC IMPORTANCE

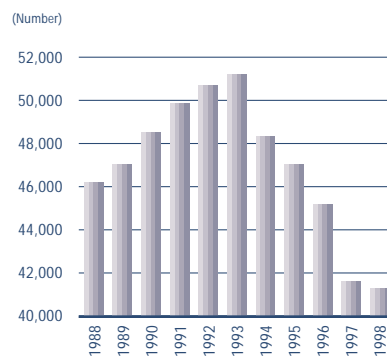
Québec's economic growth is driven in large part by development of the energy industry. The sector accounts for over 4% of Québec's gross domestic product (GDP). Approximately 34.5 million tons of oil equivalent (TOEs) are consumed in Québec yearly and energy sales total over \$15 billion. In 1998, capital investment in energy totalled over \$2.5 billion, 8.5% of all investment in Québec, and the industry generated 41,300 jobs.

The Régie de l'énergie's activities relate to this major industry, which is feeling the impact of globalization and deregulation. The Régie has jurisdiction over some forms of commercially distributed energy (electricity, natural gas, petroleum products and steam). Since the mid-80s, oil's market share has shrunk slightly, while electricity and natural gas have increased. However, oil and electricity remain the two most widely used forms of energy in Québec. Québec's energy profile differs significantly from Canada's in that electricity has a much larger market share than natural gas.

Energy investment as a percentage of total investment in Québec, 1988-98



Total employment in the energy industry, 1988-98



Sources: Economic Analysis Directorate, Ministère des Ressources naturelles du Québec, and *L'énergie au Québec*, 1999 edition.

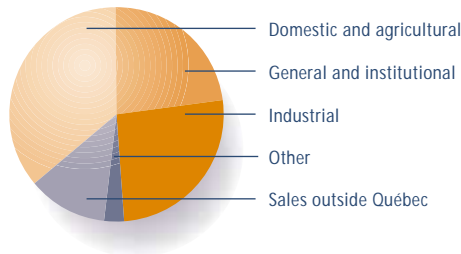
Electricity

12 months ending December 31, 1999

ELECTRICITY SALES

Sales revenues derive mainly from the domestic, agricultural and industrial markets. The volume of residential sales reflects social choices made with respect to energy over the past four decades.

Sales revenue



Type of customer	Revenue	%
------------------	---------	---

(\$000)

Hydro-Québec

Sales in Québec:

- Domestic and agricultural	3,034,000	35.7
- General and institutional	1,963,000	23.1
- Industrial	2,233,000	26.3
- Other	215,000	2.5
Total	7,445,000	87.6

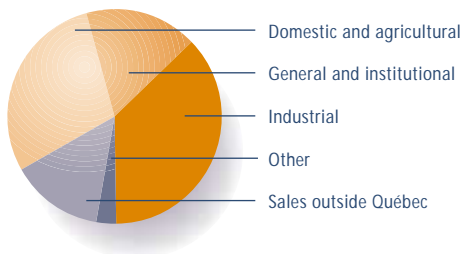
Sales outside Québec:

	1,051,000	12.4
Total sales	8,496,000	100.0

VOLUME

In terms of volume, electricity sales are mainly concentrated in the domestic/agricultural and industrial markets. Sales outside Québec increased during the year and accounted for 14.4% of total sales in 1999.

Sales volume



Type of customer	Volume	%
------------------	--------	---

(millions of kWh)

Hydro-Québec

Sales in Québec:

- Domestic and agricultural	49,315	28.7
- General and institutional	29,765	17.3
- Industrial	63,409	36.9
- Other	4,500	2.6
Total	146,989	85.6

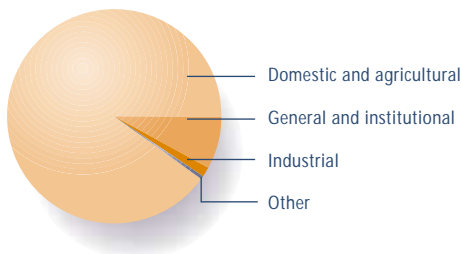
Sales outside Québec:

	24,723	14.4
Total sales	171,712	100.0

ACCOUNTS

91.5% of customers belong to the domestic and agricultural categories.

Number of accounts



Type of customer	Accounts	%
------------------	----------	---

Hydro-Québec

In Québec:

- Domestic and agricultural	3,206,211	91.5
- General and institutional	280,383	8.0
- Industrial	12,732	0.4
- Other	5,986	0.2
Total	3,505,312	100.0

Outside Québec:

	88	0.0
Total	3,505,400	100.0

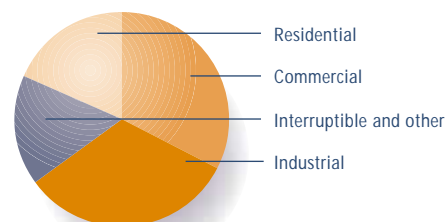
Natural gas

12 months ending September 30, 1999

REVENUE

Type of customer	Revenue (<i>\$000</i>)	%
Residential	217,553	18.4
Commercial	383,843	32.5
Industrial	382,414	32.4
Interruptible and other	196,327	16.6
Total	1,180,137	100.0

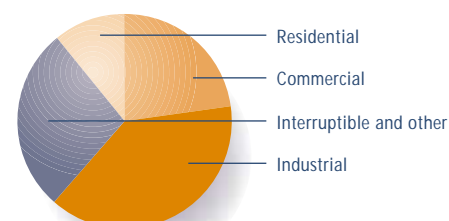
Revenue



VOLUME

Type of customer	Volume (<i>thousands of m³</i>)	%
Residential	659,442	10.8
Commercial	1,391,851	22.8
Industrial	2,354,367	38.6
Interruptible and other	1,685,887	27.7
Total	6,091,547	100.0

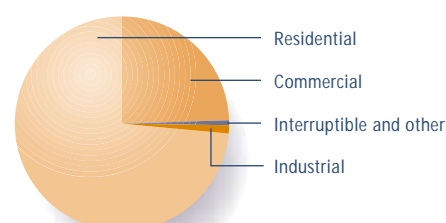
Volume



CUSTOMERS

Type of customer	Number of customers	%
Residential	126,180	74.1
Commercial	42,065	24.7
Industrial	1,928	1.1
Interruptible and other	143	0.1
Total	170,316	100.0

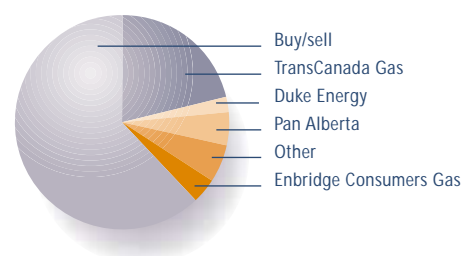
Customers



SUPPLIERS

Sources of supply	(<i>\$000</i>)	%
System gas:		
- TransCanada Gas	112,212	21.1
- Duke Energy	12,410	2.3
- Pan Alberta	26,356	5.0
- Other	30,131	5.7
- Enbridge Consumers Gas	20,125	3.8
- Buy/sell	330,780	62.2
Total	532,014	100.0

Suppliers



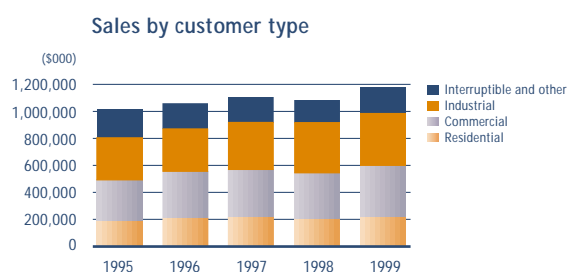
Sources: Gaz Métropolitain and Company, Limited Partnership and Gazifère Inc.: monthly reports-preliminary data.

NATURAL GAS SALES IN QUÉBEC

Last five years ending September 30

Natural gas sales have increased by 16.1% since 1995. Sales to customers with interruptible service have declined 7.7% while firm service sales to industrial customers increased by 23.5%.

Natural gas deliveries are dependent on the weather, which affects heating needs in winter, on the economic cycle, and on the use of gas by manufacturers. Gas product prices are determined by market forces. Prices of alternative energy sources, especially petroleum, also influence users' decisions to opt for one form of energy or another for a given period of time.



SALES OF NATURAL GAS IN QUÉBEC BY CUSTOMER TYPE (\$000) (before normalization)

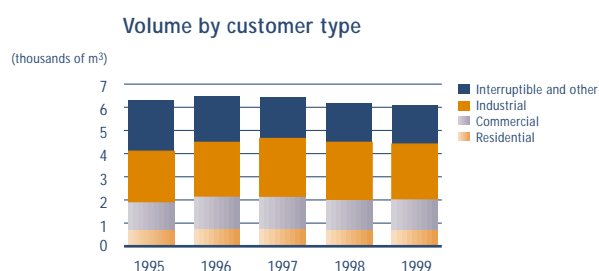
	1995	1996	1997	1998	1999	Change 95-99	%
<i>Gaz = GMCLP+Gazifère</i>							
Residential	188,395	210,708	214,672	201,739	217,553	29,158	15.5
Commercial	305,808	346,774	356,503	344,600	383,843	78,035	25.5
Industrial	309,719	312,300	346,461	369,932	382,414	72,695	23.5
Interruptible and other	212,653	190,820	189,379	169,669	196,327	(16,326)	(7.7)
Total	1,016,575	1,060,602	1,107,015	1,085,940	1,180,137	163,562	16.1
<i>Change (%)</i>	<i>(10.9)</i>	<i>4.3</i>	<i>4.4</i>	<i>(1.9)</i>	<i>8.7</i>		

VOLUME OF NATURAL GAS SOLD IN QUÉBEC BY TYPE OF CUSTOMER

Last five years ending September 30

The volume of natural gas sales fell by approximately 1% over the last year. There was a 1% increase in sales to interruptible users.

Distribution sales volume has fallen by 3.4% since 1995, primarily because of the drop in sales to interruptible users. Sales to commercial customers rose 10% over the period.



VOLUME OF NATURAL GAS SOLD IN QUÉBEC BY CUSTOMER TYPE (thousands of m³) (before normalization)

	1995	1996	1997	1998	1999	change 95-99	%
<i>Gaz = GMCLP+Gazifère</i>							
Residential	660,779	730,069	723,366	661,420	659,442	(1,337)	(0.2)
Commercial	1,264,875	1,438,208	1,437,597	1,363,236	1,391,851	126,976	10.0
Industrial	2,170,754	2,311,236	2,484,227	2,456,629	2,354,367	183,613	8.5
Interruptible and other	2,208,239	1,975,115	1,783,298	1,668,892	1,685,887	(522,352)	(23.7)
Total	6,304,647	6,454,628	6,428,488	6,150,177	6,091,547	(213,100)	(3.4)
<i>Change (%)</i>	<i>10.5</i>	<i>2.4</i>	<i>(0.4)</i>	<i>(4.3)</i>	<i>(1.0)</i>		

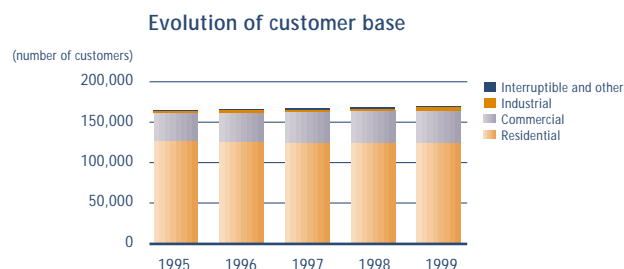
Sources:
Gaz Métropolitain and Company, Limited Partnership, and Gazifère Inc.: Monthly reports
Preliminary data for 1999

CUSTOMER BASE NATURAL GAS DISTRIBUTORS

Last five years ending September 30

The total customer base of natural gas distributors has grown by about 3.1% since 1995. The bulk of the increase has been in the commercial category.

Sources:
Gaz Métropolitain and Company, Limited Partnership: Applications for the closing of the books and monthly reports
Gazifère Inc.: Applications for the closing of the books and monthly reports

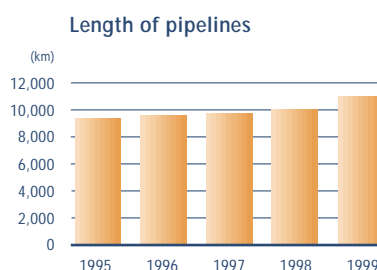


EVOLUTION AND BREAKDOWN OF CUSTOMER BASE FOR NATURAL GAS IN QUÉBEC

Type of customer	1995	1996	1997	1998	1999	Change 95-99	
Residential	126,608	125,813	125,616	125,229	126,180	(428)	(0.3)
Commercial	36,529	38,173	39,404	40,589	42,065	5,536	15.2
Industrial	1,873	1,872	1,897	1,881	1,928	55	2.9
Interruptible and other	141	128	139	143	143	2	1.4
Total	165,151	165,986	167,056	167,842	170,316	5,165	3.1
<i>Change (%)</i>	<i>0.9</i>	<i>0.5</i>	<i>0.6</i>	<i>0.5</i>	<i>1.5</i>		

NATURAL GAS DISTRIBUTION PIPELINE SYSTEMS IN QUÉBEC (Kilometers)

The natural gas distribution system in Québec has grown by 17.2% since 1995 as a result of various extension projects and system interconnections.



PIPELINES (Kilometers)

(for natural gas distribution and transportation in Québec, September 30)

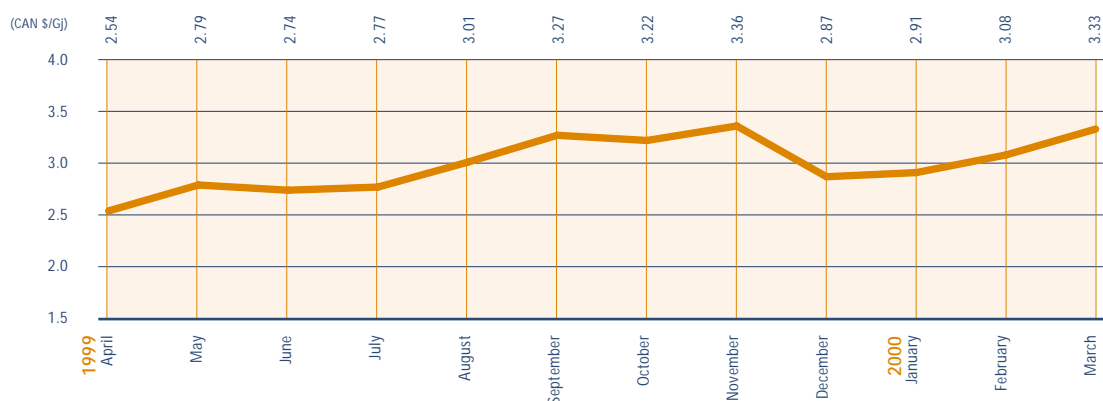
	1995	1996	1997	1998	1999	Change 95-99	
						<i>kilometres</i>	<i>%</i>
<i>Gaz Métropolitain and Company, Limited Partnership</i>							
Distribution	7,853	7,987	8,154	8,364	9,308	1,455	18.5
Transportation	1,090	1,099	1,104	1,106	1,144	54	5.0
Total GMCLP	8,943	9,086	9,258	9,470	10,452	1,509	16.9
Gazifère Inc.	448	475	486	543	552	104	23.2
Total	9,391	9,561	9,744	10,013	11,004	1,613	17.2
<i>Change (%)</i>	<i>7.84</i>	<i>1.81</i>	<i>1.91</i>	<i>2.76</i>	<i>9.90</i>		

Sources:
Gaz Métropolitain and Company, Limited Partnership: *Annual reports*
Gazifère Inc.: Reports on distribution pipelines

MONTHLY EVOLUTION OF SYSTEM GAS PRICE

Gaz Métropolitain and Company, Limited Partnership

Monthly mean: CAN \$2.99/Gj



Sources: GMCLP monthly detailed calculation of natural gas cost projections



NUMBER OF GAS STATIONS* IN QUÉBEC:

December 31, 1998: 4,998 gasoline stations

* including airport, snowmobile and marina service stations

Source: Ministère des Ressources naturelles du Québec

QUÉBEC SALES, BY PRODUCT

Consumption of petroleum products increased in Québec in 1998. There was a significant rise in consumption of heavy fuel oil but consumption of light fuel oil fell sharply. Gasoline sales continued to climb, rising to 7.9 billion litres in 1998.

TOTAL SALES VOLUME IN QUÉBEC

(millions of litres)

	1994	1995	1996	1997	1998	98/97
						%
Motor gasoline	7,531.2	7,566.9	7,696.9	7,706.6	7,899.3	2.50
Stove oil kerosene	196.4	220.4	193.8	181.9	204.5	12.42
Diesel fuel oil	3,267.4	3,368.2	3,285.7	3,540.5	3,715.9	4.95
Light fuel oil	1,960.3	1,887.7	2,060.6	1,900.6	1,646.9	(13.35)
Heavy fuel oil	1,698.2	1,511.2	1,772.0	1,450.0	1,740.0	20.00
Coke	100.8	151.5	170.4	129.6	126.1	(2.70)
Aviation gasoline	11.2	21.2	18.7	17.1	17.3	1.17
AV-turbo fuel	869.2	839.6	902.1	774	788.4	1.86
Total	15,634.7	15,566.7	16,100.2	15,700.3	16,138.4	2.79

Source: Statistics Canada

STATISTICAL AND FINANCIAL INFORMATION

Figures are based on regulated companies' results for the fiscal year:
 Gaz Métropolitain and Company, Limited Partnership: 12 months ending September 30;
 Gazifère Inc.: 12 months ending September 30;
 Hydro-Québec: 12 months ending December 31.

	1995	1996	1997	1998	1999
Investments in fixed assets (\$000)					
Gaz Métropolitain and Company, Limited Partnership (regulated)	142,938	93,172	48,870	40,523	62,606
Gazifère Inc. (regulated)	2,938	8,901	5,575	7,274	4,001
Hydro-Québec (fixed assets)	2,717,000	2,056,000	1,590,000	2,092,000	1,642,000
Net value of fixed assets (\$000)					
Gaz Métropolitain and Company, Limited Partnership (regulated)	1,157,899	1,190,412	1,198,144	1,181,109	1,211,368
Gazifère Inc. (regulated)	29,038	37,019	41,456	47,347	49,738
Hydro-Québec (excluding current construction)	42,861,000	44,124,000	44,818,000	44,693,000	44,477,000

REVENUE FROM SALES, BY DISTRIBUTOR AND BY CUSTOMER SEGMENT (\$000)

Gaz Métropolitain and Company, Limited Partnership

Residential	178,137	198,922	201,880	189,280	203,687
Firm commercial	295,744	335,560	344,327	333,094	370,937
Firm industrial	308,735	311,030	344,824	368,411	380,761
Interruptible and other	207,085	183,522	181,192	163,880	191,165
Total	989,701	1,029,034	1,072,223	1,054,665	1,146,550
Normalization/stabilization	20,475	(5,023)	5,064	23,546	28,889
Total normalized sales	1,010,176	1,024,011	1,077,287	1,078,211	1,175,439

Gazifère Inc. (total)

Residential	10,258	11,786	12,792	12,459	13,866
Firm commercial	10,064	11,214	12,176	11,506	12,906
Firm industrial	984	1,270	1,637	1,521	1,653
Interruptible	5,568	7,298	8,187	5,789	5,162
Total	26,874	31,568	34,792	31,275	33,587
Normalization/stabilization	1,003	(1,484)	(1,296)	1,406	1,848
Total normalized sales	27,877	30,084	33,496	32,681	35,435

Gas = GMCLP+Gazifère

Residential	188,395	210,708	214,672	201,739	217,553
Commercial	305,808	346,774	356,503	344,600	383,843
Industrial	309,719	312,300	346,461	369,932	382,414
Interruptible and other	212,653	190,820	189,379	169,669	196,327
Total	1,016,575	1,060,602	1,107,015	1,085,940	1,180,137
<i>Change (%)</i>	<i>(10.9)</i>	<i>4.3</i>	<i>4.4</i>	<i>(1.9)</i>	<i>8.7</i>

Hydro-Québec

Sales in Québec:					
- Domestic and agricultural	2,834,000	2,945,000	3,066,000	2,906,000	3,034,000
- General and institutional	1,843,000	1,835,000	1,885,000	1,894,000	1,963,000
- Industrial	2,041,000	2,061,000	2,162,000	2,177,000	2,233,000
- Other	221,000	226,000	218,000	213,000	215,000
Total	6,939,000	7,067,000	7,331,000	7,190,000	7,445,000
Sales outside Québec:	637,000	588,000	596,000	814,000	1,051,000
Total sales	7,576,000	7,655,000	7,927,000	8,004,000	8,496,000

Sources:

Gaz Métropolitain and Company, Limited Partnership: Applications for the closing of the books and monthly reports.
 Gazifère Inc.: Applications for the closing of the books and monthly reports.
 Hydro-Québec: Annual reports

	1995	1996	1997	1998	1999
SALES VOLUME BY DISTRIBUTOR AND BY CUSTOMER SEGMENT					
<i>Gaz Métropolitain and Company, Limited Partnership (thousands of m³)</i>					
Residential	621,874	684,346	677,496	617,962	614,733
Commercial	1,218,794	1,385,735	1,384,754	1,314,046	1,341,424
Firm industrial	2,165,405	2,303,327	2,474,383	2,446,527	2,344,466
Interruptible and other	2,159,849	1,902,145	1,702,362	1,565,741	1,597,310
Total	6,165,922	6,275,553	6,238,995	5,944,276	5,897,933
Normalization/stabilization	116,942	(22,175)	22,771	191,966	244,500
Total normalized sales	6,282,864	6,253,378	6,261,766	6,136,242	6,142,433
<i>Gazifère Inc. (thousands of m³)</i>					
Residential	38,905	45,723	45,870	43,458	44,709
Firm commercial	46,081	52,473	52,843	49,190	50,427
Firm industrial	5,349	7,909	9,844	10,102	9,901
Interruptible	48,390	72,970	80,936	103,151	88,577
Total	138,725	179,075	189,493	205,901	193,614
Normalization/stabilization	4,757	(3,946)	(313)	6,436	7,413
Total normalized sales	143,482	175,129	189,180	212,337	201,027
Gas = GMCLP+Gazifère					
Residential	660,779	730,069	723,366	661,420	659,442
Commercial	1,264,875	1,438,208	1,437,597	1,363,236	1,391,851
Industrial	2,170,754	2,311,236	2,484,227	2,456,629	2,354,367
Interruptible and other	2,208,239	1,975,115	1,783,298	1,668,892	1,685,887
Total	6,304,647	6,454,628	6,428,488	6,150,177	6,091,547
<i>Change (%)</i>	<i>10.5</i>	<i>2.4</i>	<i>(0.4)</i>	<i>(4.3)</i>	<i>(1.0)</i>
<i>Hydro-Québec (millions of kWh)</i>					
Sales in Québec:					
- Domestic and agricultural	48,842	50,294	51,246	47,701	49,315
- General and institutional	108	29,158	29,560	28,815	29,765
- Industrial	59,254	59,797	61,837	61,773	63,409
- Other	4,832	5,261	4,648	4,519	4,500
Total	142,036	144,510	147,291	142,808	146,989
Sales outside Québec:	23,946	18,892	15,242	18,565	24,723
Total sales	165,982	163,402	162,533	161,373	171,712
NUMBER OF CUSTOMERS BY CUSTOMER SEGMENT¹					
<i>Gaz Métropolitain and Company, Limited Partnership</i>					
Residential	110,965	109,360	108,202	106,650	106,433
Commercial	34,487	36,073	37,211	38,295	39,709
Firm industrial	1,865	1,864	1,889	1,873	1,919
Interruptible	114	125	133	137	137
Seasonal	25	0	0	0	0
Total	147,456	147,422	147,435	146,955	148,198
<i>Gazifère Inc.</i>					
Residential	15,643	16,453	17,414	18,579	19,747
Firm commercial	2,042	2,100	2,193	2,294	2,356
Firm industrial	8	8	8	8	9
Interruptible	2	3	6	6	6
Total	17,695	18,564	19,621	20,887	22,118
<i>Hydro-Québec (number of accounts)</i>					
In Québec:					
- Domestic and agricultural	3,099,545	3,127,136	3,157,096	3,182,033	3,206,211
- General and institutional	279,447	280,570	280,396	280,067	280,383
- Industrial	13,386	13,198	13,002	12,803	12,732
- Other	6,525	6,308	6,222	6,066	5,986
Total	3,398,903	3,427,212	3,456,716	3,480,969	3,505,312
Outside Québec:	41	48	52	61	88
Total	3,398,944	3,427,260	3,456,768	3,481,030	3,505,400
<i>Change (%)</i>	<i>1.6</i>	<i>0.8</i>	<i>0.9</i>	<i>0.7</i>	<i>0.7</i>

¹ Excluding customers of electricity distributors other than Hydro-Québec

SUPPLY SOURCES OF NATURAL GAS DISTRIBUTED IN QUÉBEC

Figures are based on regulated companies' results for the fiscal year ending September 30.

	1995	1996	1997	1998	1999
Volume (thousands of m³)					
<i>Gaz Métropolitain and Company, Limited Partnership</i>					
System gas suppliers:					
- TransCanada Gas Services	-	723,581	918,222	1,147,891	1,007,302
- Western Gas Marketing Ltd	983,373	-	-	-	-
- Novergaz Inc.	93,786	69,009	87,559	109,154	7,353
- Pan Alberta Gas Ltd	228,948	168,463	217,341	267,365	236,495
- Aquila Canada Corp	-	-	-	-	120,669
- Coral Energy Canada	-	-	-	-	63,159
- Duke Energy Canada	-	-	-	-	114,904
- CXY Energy Marketing	-	-	-	-	5,557
- Wascana	73,098	53,787	68,196	84,452	0
Total - system gas	1,379,205	1,014,840	1,291,318	1,608,862	1,555,439
Buy/sell and other:	4,278,374	5,101,678	4,919,715	4,465,110	3,757,249
Total	5,657,579	6,116,518	6,211,033	6,073,972	5,312,688
<i>Gazifère Inc.</i>					
System gas suppliers:					
- Consumers Gas Company Ltd	121,593	173,647	190,630	205,878	192,683
Total for both distributors	5,779,172	6,290,165	6,401,663	6,279,850	5,505,371
Cost (\$000)					
<i>Gaz Métropolitain and Company, Limited Partnership</i>					
System gas suppliers:					
- TransCanada Gas Services	-	37,877	62,600	84,983	112,212
- Western Gas Marketing Ltd	78,195	-	-	-	-
- Novergaz inc.	7,458	3,612	6,043	8,079	739
- Pan Alberta Gas Ltd	18,205	8,818	14,857	19,793	26,356
- Aquila Canada Corp.	-	-	-	-	21,987
- Coral Energy Canada	-	-	-	-	6,849
- Duke Energy Canada	-	-	-	-	12,410
- CXY Energy Marketing	-	-	-	-	556
- Wascana	5,813	2,816	4,549	6,253	-
Total - system gas	109,671	53,123	88,049	119,108	181,109
- Buy/sell and other	290,245	259,348	303,531	331,744	330,780
Total	399,916	312,471	391,580	450,852	511,889
<i>Gazifère Inc.</i>					
System gas suppliers:					
- Enbridge Consumers Gas	17,109	19,199	21,957	18,236	20,125
Total for both distributors	417,025	331,670	413,537	469,088	532,014
Transport	225,658	246,615	254,089	242,901	238,617
Storage and other	56,934	54,736	47,918	41,664	45,506
Total supply costs	699,617	633,021	715,544	753,653	816,137

Note: Figures for 1995 and 1996 are based on results for 12 months ending March 31.

HIGHLIGHTS OF 1999-2000 NATURAL GAS RATE CASES

In the course of its regulatory activities, the Régie rendered two decisions on natural gas rates. The Régie set the rate of return on common shareholders' equity at 9.72% for Gaz Métropolitain and Company, Limited Partnership and at 10.13% for Gazifère Inc.

GMCLP's distribution rates increased 1.3% on October 1, 1999.¹ Rates increased by an average 0.5% for Gazifère Inc. customers.

	<i>Gaz Métropolitain and Company, Limited Partnership</i>		<i>Gazifère Inc.</i>	
Decisions by the Régie:				
Decisions on rates	D-2000-34		D-2000-48	
Approval of rate schedule	D-2000-46		n/a	
Application number	R-3426-99		R-3430-99	
Filing date	March 19, 1999		April 22, 1999	
Additional revenue requested	\$9,281,000		\$390,000	
Date of decision – approval of rates	March 23, 2000		n/a	
Revenue increase (decrease) ordered	\$8,573,000		\$175,000	
Change in rates (October 1, 1999)	1.30%		0.50%	
Return requested:				
Rate base	8.47%		9.31%	
Common shareholders' equity	9.72%		10.13%	
Return authorized:				
Rate base	8.47%		9.31%	
Common shareholders' equity	9.72%		10.13%	
Rate base (averaged over 13-month period)	\$1,440,658,000		\$51,678,000	
Budget:				
Revenue from franchise sales	\$1,296,642,000		\$39,173,000	
Cost of gas and operating expenses	\$1,174,618,000		\$34,334,000	
Net revenue	\$122,024,000		\$4,839,000	
Authorized capitalization:	Breakdown	Cost	Breakdown	Cost
	%	%	%	%
Securitization of receivables	2.95	5.50	–	–
Borrowing at floating rate	0.72	6.19	–	–
Long-term credit at floating rate	10.02	5.73	–	–
Short-term debt	13.69	5.70	6.33	6.56
Medium-term debt	–	–	–	–
Long-term debt	40.31	8.75	53.32	9.03
Preferred shareholders' equity	7.50	5.64	0.21	7.50
Common shareholders' equity	38.50	9.72	40.14	10.13
Total	100.00	8.47	100.00	9.31

¹ This increase was in addition to the 1.3% rate increase previously granted for October 1, 1999 under Decision D-99-170 of September 23, 1999 to cover the increase in transportation costs.

Sources:
Gaz Métropolitain and Company, Limited Partnership: Application for rates
Gazifère Inc.: Application for rates

AS A PUBLIC AGENCY, THE RÉGIE DE L'ÉNERGIE IS REQUIRED TO COMPLY WITH A NUMBER OF ACTS AND REGULATIONS, INCLUDING THOSE THAT RELATE TO ETHICS.

CODE OF ETHICS

The *Act respecting the ministère du Conseil exécutif* stipulates that the Régie's Code of Ethics and Professional Conduct, adopted pursuant to the *Regulation respecting the Ethics and Professional Conduct of Public Office Holders* (G.O. II, 2500), is to be published in its annual report.

RÉGIE DE L'ÉNERGIE COMMISSIONERS' CODE OF ETHICS AND PROFESSIONAL CONDUCT

GENERAL PRINCIPLES

1. Commissioners shall at all times conduct themselves with loyalty and dignity, demonstrate reserve, and abstain from any statement or action that is incompatible with their duties.

In the performance of their mandate, Commissioners shall promote the satisfaction of Québec's energy needs in accordance with the principles of sustainable development and with attention to economic, social and environmental concerns. They shall also reconcile the public interest, consumer protection and equitable treatment of distributors.

IMPARTIALITY

2. Commissioners shall demonstrate impartiality at all times. They shall act and be seen to act objectively and without prejudice. They shall abstain from expressing in public any opinions that might cast doubt on their objectivity or impartiality, or that of the Régie.

INDEPENDENCE

3. Commissioners shall at all times defend the independence of their office. They shall perform their duties free of all interference. They shall avoid placing themselves in a equivocal position.

POLITICAL NEUTRALITY

4. Commissioners shall set aside their personal political opinions so as to perform their duties with due objectivity.

Commissioners shall exercise reserve in the public expression of their political opinions and shall not belong to any advocacy group that takes positions on energy-related matters.

CONFLICTS OF INTEREST

5. Commissioners shall avoid placing themselves in a position of conflict of interest. They shall arrange their personal affairs so as not to interfere with the performance of their duties. They shall not use the power of their position to obtain or grant any benefit or favour.

Commissioners shall have no interest, direct or indirect, in any company that produces, transports, distributes or supplies energy, or in any organization, association or undertaking an interest in which would create a conflict between their personal interests and the duties of their position.

DECLARATION OF INTERESTS

6. Each Commissioner shall submit an annual written declaration to the Chairman of the Régie stating all the interests he or she possesses which he or she believes could create a conflict of interest.

RECUSAL

7. Commissioners shall recuse themselves from any deliberations in which their ability to deal impartially with the application under consideration could be in doubt.

A Commissioner shall bring any situation which he or she deems to be problematic to the attention of the Chairman of the Régie.

CONFIDENTIALITY

8. Commissioners shall swear an oath of confidentiality upon entering upon their duties. Commissioners shall abstain from making any comment or taking any public position on any file, whether or not they are personally responsible for that file, and shall express their points of view only through the decisions rendered by the Régie.

Commissioners shall at all times respect the confidentiality of the documents and information to which they are made privy in the performance of their duties and may not use them for personal ends.

DUTY TO ACT WITH EQUITY

9. At hearings and in examining applications, Commissioners shall ensure that all participants have the opportunity to be heard and to make their arguments, insofar as those arguments are admissible and relevant.

At hearings, Commissioners shall maintain order, taking a firm but courteous attitude which fosters mutual respect among all present.

COLLEGIALITY

10. Each Commissioner shall provide his or her colleagues with appropriate support, while respecting the areas of competence of each. Commissioners shall strive to ensure that the decisions rendered by the Régie are consistent, so that all intervenors who appear before the Régie receive equitable treatment.

EXCELLENCE

11. Commissioners shall keep their professional skills and knowledge current so as to maintain the quality of their work.

DILIGENCE

12. Commissioners shall render written, reasoned decisions, effectively and diligently, in plain language.

OATH

13. Upon entering upon their duties, Commissioners shall take the following oath: "I, ... , Commissioner, do solemnly declare that I will exercise the powers and perform the duties of my position impartially and honestly, to the best of my ability and knowledge."

GOVERNMENT ACTION PLAN ON THE PROTECTION OF PERSONAL INFORMATION

The Régie has struck an internal committee to implement the government's action plan on the protection of personal information, in accordance with the instructions received from the Assistant General Secretary of the *Conseil exécutif* responsible for the matter.

During fiscal 1999-2000, the committee carried out the following actions:

- organizing a training session on the protection of personal information, which was dispensed by ENAP to most members of the committee;
- implementing the recommendations of the *Commission d'accès à l'information* on access to medical records and the use of fax machines and e-mail;
- developing an action plan for 2000-2001.

The action priorities for 2000-2001 relate mainly to the collection, safeguarding, use and destruction of personal information. The committee will take stock of the current situation and identify any corrective action that may be required to comply with the provisions of the *Act respecting access* and the principles of the government's action plan.

RÉGIE'S FINANCIAL SUMMARY

EXCERPTS FROM AUDITED FINANCIAL STATEMENTS

The revenues, expenditures and surplus for the fiscal year ending March 31, 2000, as given in the financial statements audited by the Auditor General of Québec, are as follows:

Revenues	\$8,591,915
Expenditures	\$6,766,764
Surplus	<u>\$1,825,151</u>

OTHER INFORMATION

The revenues for the fiscal year ending March 31, 2000 consist primarily of the duties paid by distributors of electricity, natural gas and petroleum products, in accordance with section 102 of the *Act respecting the Régie de l'énergie*. The rates and terms of payment of the annual duty are stipulated by Regulation (section 112 of the Act, Order 383-98, effective April 1, 1998).

In accordance with section 106 of the Act and Order 73-98 (effective January 21, 1998), the Régie's expenditure forecasts of \$8,235,620 for fiscal 1999-2000 were submitted on February 1, 1999 and approved by Order 654-99, effective June 9, 1999.

The projected surplus for the fiscal year ending March 31, 2000 is included in the budget estimates for fiscal 2000-2001, submitted to the government on February 1, 2000. The projected surplus will be considered in calculating the duty for 2000-2001.

REGULATORY COSTS IN QUÉBEC

1999-2000 expenditures	Cost per gigajoule	Cost per consumer
\$6,766,764 ¹	\$0.0089 ²	\$1.76 ³
1998-1999 expenditures		
\$6,676,865	\$0.0090	\$1.86
1997-1998 expenditures ⁴		
\$4,428,131	\$0.0064	\$1.47
1996-1997 expenditures (natural gas only) ⁵		
\$2,156,000	\$0.0088	\$12.99

Notes:

¹ Includes regulation costs for petroleum products.

² Total cost distributed between electricity and natural gas consumption only.

³ Total cost distributed among electricity and natural gas consumers only.

⁴ For the first 10 months during which the Régie de l'énergie was in operation.

⁵ 1996-1997 expenses are allocated in their entirety to the natural gas system (Régie du gaz naturel).

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