



**Fondation
Hydro-Québec
pour l'environnement**

Annual Report 2004



Fondation Hydro-Québec pour l'environnement

The Fondation Hydro-Québec pour l'environnement (the Foundation) is a nonprofit organization whose mission is to contribute to the long-term enhancement and protection of the environment. With a view to conservation and sustainable development, the Foundation supports initiatives that are likely to have structuring effects and meet local needs.

TABLE OF CONTENTS

01	Message from Management
02	Overview of 2004
08	2004 Projects
24	Financial Statements

The photograph on the cover, by Louise Emond of Hydro-Québec, shows the Portneuf sandbank, a three-kilometre spit at the mouth of the Portneuf River. Credits for the other photographs are listed on page 31.

Message from Management

Launched on March 1, 2001, the Fondation Hydro-Québec pour l'environnement is a partner for Québec communities that are taking concrete action to protect, restore and enhance their environment.

In 2004, the Foundation selected 16 projects in 10 regions of Québec; these have joined the 34 projects accepted in previous years. Among the environmental organizations that received support, four had already developed ties with the Foundation during previous projects carried out between 2001 and 2003. This is evidence of the ongoing nature of our commitment to the preservation and enhancement of Québec's environmental heritage and to responsible use of the land and its resources.

The Foundation's grants to its partners' initiatives in 2004 exceeded \$900,000. The project proponents' efforts were incalculable. We would like to take this opportunity to thank them all, as well as the members of the Foundation's Board of Directors and the Advisory Committee experts who enlightened their decisions. We would also like to pay tribute to someone who is no longer with us: the late André Magny, who was a Board member during the Foundation's early years.

An ISO 14001 environmental management system was also implemented this year at the Foundation and was duly registered in January 2005. Sound environmental practices and sustainable development principles guide our actions every day!



Marie-José Nadeau

President
Fondation Hydro-Québec pour l'environnement



Catherine Leconte

Executive Director
Fondation Hydro-Québec pour l'environnement

Overview of 2004

In 2004, the Foundation supported 16 new projects submitted by nonprofit organizations that are working to conserve and enhance Québec's environmental heritage. These organizations help to protect fragile species, preserve their habitats and make communities aware of environmental issues related to their own surroundings.

Protection, restoration and enhancement of habitats and ecosystems

The acquisition of private lots and servitudes in the Grand Bois de Saint-Grégoire will protect an additional 20 ha of an area with a wide variety of plant species. The relocation of some trails in Mont-Wright park will help preserve an old-growth forest. An organization known as RAPPEL is continuing to combat silting, algae proliferation and pollutant infiltration in lakes in the Eastern Townships by offering more incentives to owners of waterfront property to plant vegetation along their banks. In all, seven projects contributed to the protection and conservation of various habitats and ecosystems in 2004 through acquisitions, conservation commitments or various enhancements that optimized habitats and conditions for safeguarding the environment.

Ecosystems* Protected by Partners of the Foundation	
Year	Area (in hectares)
2001	162
2002	550
2003	140
2004	20
Total	872

* Other than wetlands.

Protection and enhancement of wetlands

Wetlands such as peat bogs, marshes and swamps are home to many threatened or vulnerable plant species as well as a considerable number of amphibians and reptiles. These environments play an essential role in water purification. In 2004, the Foundation supported four wetlands projects. One was the continued enhancement of the Johnville woodland, where the Foundation had already supported action in 2002. The other three will add 374 ha to the total wetlands preserved since 2001 by partner organizations through acquisitions, conservation commitments or various types of enhancement that optimized habitats and conditions for safeguarding the environment.

Wetlands Protected by Partners of the Foundation	
Year	Area (in hectares)
2001	–
2002	802
2003	1,190
2004	374
Total	2,366





Restoration and enhancement of rivers

Rivers provide shelter, breeding sites and feeding areas for a wide diversity of species. These habitats are often among those most affected by economic development. In one project, a 9-km stretch of the Gervais River was restored and facilities were built for animals and fish to help preserve the biological diversity of this agricultural area.

To improve fishing in an environment altered by logging and mining, FaunENord worked on 10 rivers and streams, making them more accessible for fish and thus increasing fish productivity. With a similar goal, the Société de gestion des ressources du Bas-Saint-Laurent cleaned up and enhanced three creeks to increase brook trout recruitment in Lake Mistigouèche.

A citizens' committee at Pointe-Fortune was very active improving water quality and wildlife habitats in and along the Ruisseau à Charrette, near Rigaud.

In 2004, 15 streams were restored and enhanced with the Foundation's support.

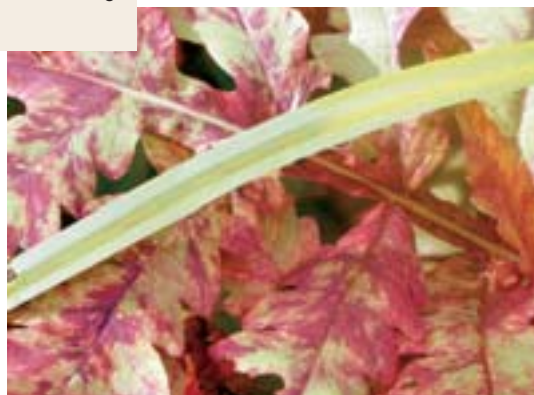
Streams Restored or Enhanced	
Year	Number
2001	4
2002	3
2003	2
2004	15
Total	24

Education and awareness of local and regional environmental realities

A permanent interactive exhibit on the natural environment of the Lanaudière region, created by the Corporation de l'aménagement de la rivière L'Assomption, is an original way of making the public aware of the issues involved in water management by watershed and providing a great deal of information to land users.

This is the sixth educational project supported by the Foundation since 2001. Ten of the other projects funded in 2004 included a significant educational component to enhance public awareness of local environmental issues.

Educational Projects	
Year	Number
2001	3
2002	–
2003	2
2004	1
Total	6



Protection of species that are threatened, vulnerable or at risk

In 1996, the Québec government adopted a biodiversity strategy and action plan, confirming its adherence to the principles and objectives of the United Nations Convention on Biological Diversity.¹ The Foundation participates in the follow-up to this action plan by compiling the data supplied by its partners on the species and ecosystems involved in their projects.

In 2004, nine species designated as threatened or vulnerable by the provincial departments of the Environment and of Natural Resources, Wildlife and Parks² benefited from projects undertaken by partner organizations with the Foundation's support. Ten of the sixteen projects have had a direct positive impact in this regard. The 2004 projects also helped to protect another 40 plant and animal species likely to be designated threatened or vulnerable in Québec.



Number of Threatened or Vulnerable Species Total for 2001–2004 Projects*

Extirpated community	1
Threatened or vulnerable species	17
Species likely to be designated threatened or vulnerable	52

* Each species is counted only once although some benefited from more than one project.

- Adopted in June 1992 at the Earth Summit in Rio de Janeiro, the Convention on Biological Diversity has been ratified by some one hundred countries. It covers the entire living world, not just wild plants and animals, and gives equal footing to the sustainable use of resources and conservation in the strict sense.
- Stemming from the *Act respecting threatened or vulnerable species*, adopted by the Québec government in 1989, the designation process stipulates that a threatened species is one whose extirpation is feared, and a vulnerable species is one whose survival is precarious, but for which extirpation is not expected.

Foundation's Contribution to the Protection of Plant and Animal Species in 2004

Extirpated community
(being reestablished)

Fish
striped bass^[10]

Threatened (t) or vulnerable (v) species

Amphibians
western chorus frog (v)^[7]

Birds
peregrine falcon (v)^[7]
bald eagle (v)^[1,7]

Plants
wild leek (v)^[1,7]
puttyroot (t)^[6]
false hop sedge (t)^[1]
American ginseng (t)^[6,7]
broad beech fern (t)^[6]

Fish
American shad (v)^[1]

Species likely to be designated threatened or vulnerable

Amphibians
pickrel frog^[7]
four-toed salamander^[6,7]
spring salamander^[7]
northern dusky salamander^[7,8]

Mammals
rock vole^[4]
southern bog lemming^[4,5]
silver-haired bat^[4]
hoary bat^[1,4]
mountain lion^[7]
bobcat^[7]
smoky shrew^[7]
pigmy shrew^[7]
eastern pipistrelle^[7]

Funding by the Foundation since 2001

The 16 new projects in 2004 bring the total number of projects supported by the Foundation since 2001 to 50. The grants to partner organizations in 2004 totaled over \$900,000; this includes the three-year project to reintroduce striped bass

into the St. Lawrence River estuary which began in 2003. Since its inception, the Foundation has contributed \$3.2 million to projects in 14 of the 17 administrative regions in Québec.

Funding by Project Category	Number of Projects		Grants to Partners (\$)	
	2004	Since 2001	2004	Since 2001
Protection, restoration and enhancement of habitats and ecosystems	7	16	296,727	1,099,785
Protection and enhancement of wetlands	4	9	276,165	703,795
Restoration and enhancement of rivers	4	13	122,231	459,098
Awareness and education	1	6	45,000	152,711
Protection of threatened or vulnerable species	–	6	160,500*	819,500
Total	16	50	900,623	3,234,889

* Contribution to the three-year project, begun in 2003, to reintroduce striped bass into the St. Lawrence River

Birds

Barrow's goldeneye ^[2]
short-eared owl ^[3]
least bittern ^[1, 5, 7]
yellow rail ^[5]
sedge wren ^[5]

Plants

green-mountain
maidenhair fern ^[7]
Aleutian maidenhair fern ^[7]
white wood aster ^[6]

discoid beggarticks ^[5]
hairy-leaved sedge ^[7]
common sedge ^[7]
northern long sedge ^[6]
swamp white oak ^[1]
Clinton's woodfern ^[1, 4, 7]
showy orchid ^[7]

downy rattlesnake plantain ^[6]
lizard's tail ^[1]
wood muhly ^[7]
large round-leaved orchid ^[7]
white-fringed orchid ^[4, 9]

marshpepper smartweed ^[5, 7]
American bladdernut ^[1]
Virginia chain fern ^[6, 9]

Fish

brassy minnow ^[1]

Reptiles

northern water snake ^[1]
wood turtle ^[7]

Partners

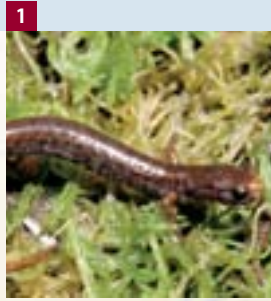
[1] Comité des citoyens de Pointe-Fortune
[2] Les Amis du boisé de la pointe Saint-Gilles
[3] Comité de protection et de mise en valeur du banc de Portneuf
[4] Johnville Woodland Conservation Corporation
[5] Ducks Unlimited Canada
[6] Centre d'interprétation du milieu écologique du Haut-Richelieu

[7] Société de conservation du corridor naturel de la rivière au Saumon
[8] Memphrémagog Wetlands Foundation
[9] Corporation d'aménagement et de protection de la Sainte-Anne
[10] Fédération québécoise de la faune (2004 section of a project accepted in 2003)

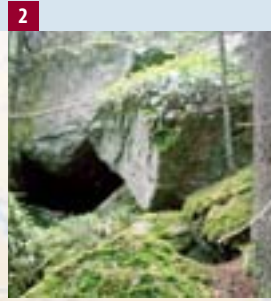
Locations of Current Projects

2004 Projects

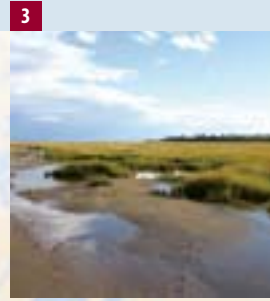
2001–2003
Projects



1
Grand Bois
de Saint-Grégoire



2
Mont Wright



3
Portneuf Sandbank



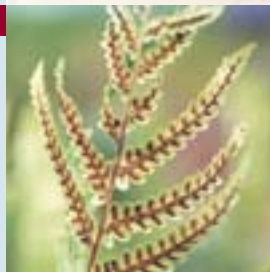
4
Rivière au Saumon



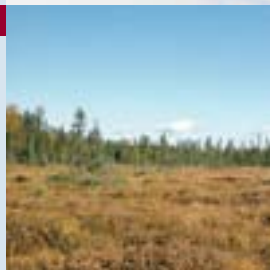
8
Katevale Marsh



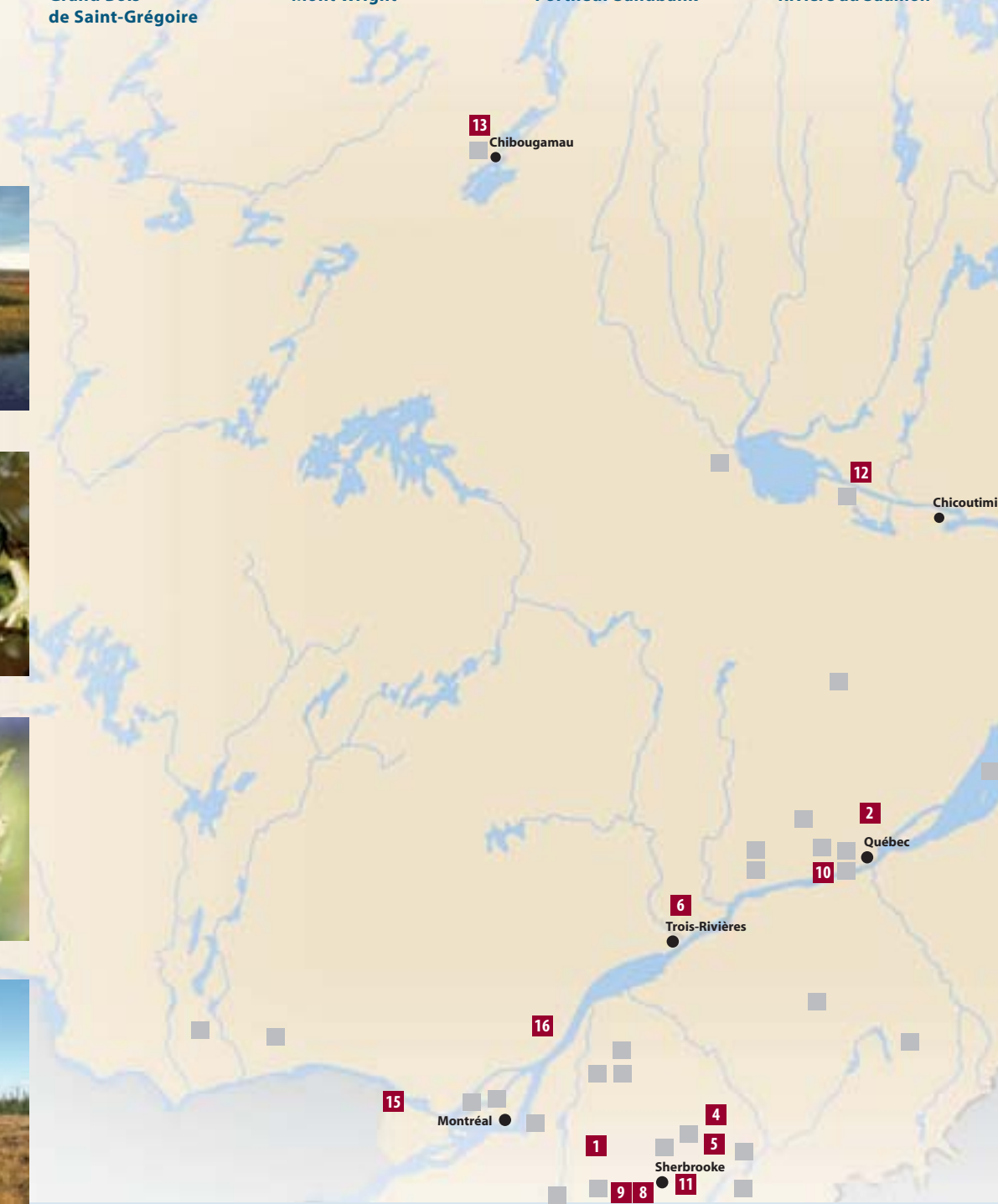
9
McTavish Marsh

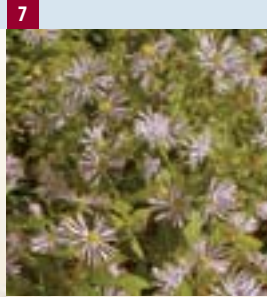


10
Chute-Panet Peat Bog



11
Johnville Bog & Forest





Lakeshores in the Eastern Townships

Parc de la rivière Batiscan

Boisé de la pointe Saint-Gilles



Rivière L'Assomption



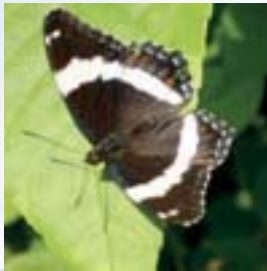
Gervais River



Degraded Watercourses in the Chibougamau Area



Lake Mistigouèche



Ruisseau à Charette

Protection of the Grand Bois de Saint-Grégoire

Centre d'interprétation du milieu écologique du Haut-Richelieu

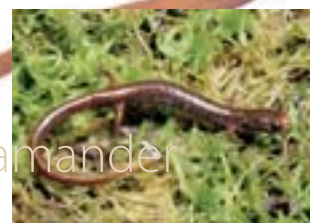
Contribution of \$50,000 to a project
with an estimated budget of \$120,000

With the exception of the Montérégie hills and wooded peat bogs, the Grand Bois de Saint-Grégoire, covering 465 ha, is the last large tract of woods in the Richelieu Valley. The Grand Bois is located in an area noted for intense agricultural operations but offers a remarkable floristic diversity, with more than 325 plants inventoried, including three threatened species: American ginseng, broad beech fern and puttyroot. The Department of Natural Resources, Wildlife and Parks has therefore placed the southern portion of the Grand Bois in the "refuge forests" category of exceptional forest ecosystems.

Since 1997, the Centre d'interprétation du milieu écologique du Haut-Richelieu (CIME) has been working toward the long-term protection of this site to preserve its ecological integrity, mainly through the voluntary participation of woodland owners in conservation efforts.

By acquiring private lots and servitudes, CIME will be able to increase the area of the Grand Bois under perpetual protection by some 20 ha.

Redbelly snake



Four-toed salamander

Protection and Enhancement of the Parc de la forêt ancienne du mont Wright

Association forestière Québec métropolitain

Contribution of \$40,000 to a project with an estimated budget of \$91,000

Mont-Wright forest is one of 128 sites recognized as “old-growth forests” by the Québec Department of Natural Resources, Wildlife and Parks. In the late 1980s, the Regional County Municipality of Jacques-Cartier and the Municipality of Stoneham and Tewkesbury designated it a municipal conservation park. It contains two exceptional forest ecosystems that are more than 300 years old: a sugar maple-yellow birch-beech stand and a yellow birch-fir stand that have never been subjected to any development or severe natural damage.

Still, ever-increasing unregulated use of the park has caused degradation of the forest in certain places. The traffic of hikers, climbers and all-terrain vehicles has damaged exposed tree roots along the trails. Steep slopes, trampling, runoff and inadequate plant cover and root systems have led to considerable erosion in priority conservation areas. Moreover, prohibited activities, such as wood harvesting, camping and campfires, also threaten the forest.

The project, spearheaded by the Association forestière Québec métropolitain, involves relocating certain trails to ensure sustainable protection of the ecosystem while enhancing its intrinsic characteristics; it also entails heightening awareness and educating the park’s users, who often underestimate its exceptional value.

2

Habitats and ecosystems



Protection and Enhancement of the Portneuf Sandbank

Comité de protection et de mise en valeur du banc de Portneuf

Contribution of \$66,000 to a project
with an estimated budget of \$93,000

3

Habitats and ecosystems

The three-kilometre sand spit at the mouth of the Portneuf River, on the Upper North Shore of the St. Lawrence, is an outstanding bird-watching site and is of vital importance to the shorebirds that use it as a nesting and staging area.

The Portneuf sandbank was designated an "Important Bird Area" (IBA) in 1996 under the site-protection program established by BirdLife International and managed in Québec by the Union québécoise pour la conservation de la nature.

The project aims to reconcile people's leisure activities with the protection of nesting, feeding and resting areas for the many species of birds that use the sandbar. It involves creating marked trails for hikers and users of all-terrain vehicles, installing fences and conducting awareness activities regarding the fragile nature of the area.



Stilt sandpiper



Savannah sparrow



Baird's sandpiper

Conservation of the Rivière au Saumon Natural Corridor and Drainage Basin

Société de conservation du corridor naturel de la rivière au Saumon

Contribution of \$48,000 to a project with an estimated budget of \$163,000



Habitats and ecosystems

The natural corridor of the Rivière au Saumon is part of the extension of Mount Orford provincial park to the south, and extends as far north as Kingsbury on the Saint-François River. This large area covers 290 km² and has seen little fragmentation due to human activity. Since it is difficult to access for recreational, agricultural or forestry activities, it has for the most part conserved its natural features, which gives it considerable ecological value.

To protect this area from significant disruption, the project aims for voluntary conservation through private stewardship, which is less costly than acquisition of properties. Awareness activities for property owners and land users are also planned, to stress the importance of preserving natural habitats.

The broad diversity of its natural habitats—forests, aquatic environments and wetlands—is conducive to the presence of plant and animal species, some of which are considered threatened or are likely to be designated as such. Moreover, the Department of Natural Resources, Wildlife and Parks has inventoried seven exceptional forest ecosystems in it, three of them “refuge forests” for species such as the bobcat, the black bear, Cooper’s hawk and the bald eagle.



Spring salamander



Gray treefrog



Wood turtle



Spotted salamander



Replanting of Lakeshores in the Eastern Townships

Regroupement des associations pour la protection de l'environnement des lacs et des cours d'eau de l'Estrie et du haut bassin de la rivière Saint-François (RAPPEL)

Contribution of \$60,000 to a project with an estimated budget of \$147,000

5

Habitats and ecosystems

RAPPEL, an umbrella organization for about 60 associations of waterfront landowners on lakes in the Eastern Townships and along the upper Saint-François River, has for several years been conducting a bank replanting program. Seeing that the interest of its member associations was flagging, RAPPEL decided to redesign its program by offering innovative solutions that give waterfront landowners greater incentive to plant vegetation along banks, in order to combat erosion, reduce silting and filter out polluting and fertilizing matter.

In return for minimal participation in the program by landowners, RAPPEL undertakes to provide permanent tools and to lead workshops and planting activities for the associations. For example, it provides them with:

- the list of plants sold by garden centres in their region
- direct assistance on planting days
- technical data sheets in a promotional kit
- standard development plans based on the specific characteristics of banks and shorelines
- a discount card to enable participating landowners to purchase the necessary plants
- preparation of a virtual management plan for severely degraded banks

The redesigned program should promote the participation of at least 550 members of the associations affiliated with RAPPEL.

Harlequin blueflag



Mountain holly

Development of a Bat-Breeding Site in the Mauricie region

Corporation du Parc de la rivière Batiscan

Contribution of \$12,600 to a project with an estimated budget of \$15,000

The mandate of the Corporation du Parc de la rivière Batiscan is to carry out development, maintenance and various activities on a vast natural site located partly on Hydro-Québec property, in Saint-Narcisse. Conservation and enhancement of the park's environmental characteristics are the organization's top priorities. Over the years, several initiatives have been taken to promote the development of wildlife and give the thousands of people who visit the site each year an opportunity to see local fauna.

This year, the Corporation decided to build a maternity roost for bats to offset the loss of these mammals' natural habitat in the region. A detailed study of the characteristics required to attract bats was made to select a site and a structure suitable for the birth and rearing of young bats.

Ultimately, the site's managers would like to establish new bat colonies in the region. Moreover, they intend to use the maternity roost to make the public and logging operators aware of the importance of preserving this animal's reproduction sites, especially by conserving the dead trees and hollowed-out trunks that bats are partial to.



Enhancement of the Biodiversity of Pointe Saint-Gilles

Les Amis du boisé de la pointe Saint-Gilles

Contribution of \$20,000 to a project
with an estimated budget of \$56,000

Since Pointe Saint-Gilles is within the boundaries of Baie-Comeau, it is a very popular place for recreational activities and the observation of plant and animal life. This 110-ha woodland has been designated a public park by its owner, Abitibi Consolidated of Canada. Les Amis du boisé de la pointe Saint-Gilles were asked to assume management of it in 2002.

As a result of the woodland's popularity and lack of infrastructure, the site has become degraded over the years and certain sensitive areas are threatened. The proponent would like to correct this situation, to enhance the site and to use it for biodiversity education and awareness, and as an observation point for a coastal ecosystem. Marked trails, ramps, and nature-interpretation points and panels are some of the estimated enhancements that will give the woodland a truly ecological vocation.

Aster



Conservation of Katevale Marsh

Ducks Unlimited Canada

Contribution of \$100,000 to a project with an estimated budget of \$300,000

Katevale Marsh is located at the south end of Lake Magog, in the Municipality of Sainte-Catherine-de-Hatley. It was recognized in 1966 by the Canadian Wildlife Service as a wetland worthy of conservation and is noted for a high biological productivity that attracts a wide variety of plant and animal species. The noted plant species include marshpepper smartweed, discoid beggarticks and duckweed. As for wildlife, many species of fish, amphibians and reptiles have been observed in the marsh and more than 200 bird species have been inventoried.

A land trust already protects a large portion of the marsh, but its eastern portion is coveted as a potential site for vacation activities. To ensure permanent conservation of this wetland, Ducks Unlimited Canada will purchase 105 ha of undeveloped, unharvested land corresponding to the eastern portion of the marsh and the adjacent riparian forest. In this way, the marsh will be better protected by a wooded strip of land which will help maintain the hydrological balance in the area and preserve habitats.



Flowering rush



Nodding beggarticks

Conservation of McTavish Marsh

Memphrémagog Wetlands Foundation

Contribution of \$86,000 to a project
with an estimated budget of \$195,000

The eastern portion of the Lake Memphrémagog watershed, in the southernmost part of Québec, is a fairly flat landform with many streams and poorly drained soils that offer ideal conditions for beaver colonies. The structures built by beavers have created numerous small marshes whose ecological importance to the Eastern Townships is recognized.

McTavish Marsh is one of the wetlands created by the succession of beaver ponds along Taylor Creek. In 2001, private donors made it possible to protect about 16 ha of it. However, the marsh as a whole cannot be protected unless action is taken throughout its watershed. This project involves acquiring an additional 19 ha adjacent to the marsh in an area coveted for its residential development potential. This initiative aims to safeguard all functions of the wetland and to maintain the habitats of many plant and animal species, including the northern dusky salamander.

Spring peeper



Sensitive fern



Bullfrog

Conservation and Enhancement of Chute-Panet Peat Bog

Corporation d'aménagement et de protection de la Sainte-Anne

Contribution of \$40,000 to a project with an estimated budget of \$60,000

The Chute-Panet peat bog, northwest of Québec City, covers 250 ha and is bordered by an agroforest area and an urban fringe area. It is a remarkable ecological site and an important freshwater reserve. The Corporation d'aménagement et de protection de la Sainte-Anne has therefore made it a priority to preserve the water quality of the Sainte-Anne watershed.

The approach taken by the Corporation to protect the peat bog is private stewardship, which includes acquisition of properties, real or personal conservation servitudes, voluntary conservation and establishment of a nature reserve as defined in the *Natural Heritage Conservation Act*.

10

White-fringed orchid



Roundleaf sundew

Sheep laurel



Pitcherplant

Consolidation and Enhancement of the Protected Area of the Johnville Bog & Forest Park

Johnville Woodland Conservation Corporation

Contribution of \$50,000 to a project with an estimated budget of \$125,000

Wetlands

The Johnville Bog & Forest Park, in the Town of Cookshire-Eaton in the Eastern Townships, is well known in the region as an area used to promote environmental and ecosystem awareness. The park covers 180 ha and includes a peat bog, several ponds, a brook and a variety of forest stands that are distinct from the surrounding agroforest landscape. In southern Québec, peat bogs form islets that are home to species of plants and animals not present in neighboring areas.

The proximity of urban areas and certain human activities have put pressure on the park's most sensitive features. Disruption of the peat bog's hydrological regime has caused surface drying and altered the vegetation. Unregulated use of the area has created many trails that have degraded the banks of the ponds and the soils of the peat bog.

The project involves building infrastructures to ensure that human activities are compatible with low-impact use of the area's natural attractions. Creation of designated trails in areas of the park that have already been degraded or disrupted will improve access for visitors while ensuring long-term protection of sensitive surrounding areas. Interpretation panels will provide information on geomorphological and ecological phenomena specific to the region. The project also aims to make riparian landowners aware of the impact their activities may have on the park's ecosystem. In certain cases, this initiative may lead to the signing of voluntary conservation agreements.



Agro-Environmental Restoration of the Gervais River and Enhancement of Its Aquatic and Riparian Habitats

Comité ZIP Alma-Jonquière
Contribution of \$42,260 to a project
with an estimated budget of \$61,225

Concerned by the degradation of the water quality and wildlife resources of the Gervais River, the Municipality of Saint-Nazaire gave the Comité ZIP Alma-Jonquière a mandate to study the causes and to develop and apply an action plan to restore the natural characteristics of the river.

The action plan requires awareness and active involvement on the part of the local population, especially farm producers, since the study demonstrated that certain agricultural activities are aggravating the degradation, leading to a loss of shrub and forest cover on the banks and the sliding of soil into the river as a result of bank erosion and trampling of the banks by livestock.

Priority action will be taken on nine kilometres of banks. The project involves cleaning up domestic and plant debris; stabilizing the banks with vegetation-engineering techniques; installing fences to keep livestock away from the river; and stabilizing eroded culverts and slopes. At a later date, breeding sites and habitats will be established for brook trout, as well as for birds and small wildlife.



12

Restoration of Aquatic Habitats in Degraded Watercourses in the Chibougamau Area

FaunENord

Contribution of \$25,500 to a project with an estimated budget of \$31,000

13
FaunENord is a northern Québec organization whose mission is to protect and promote wildlife and ecosystems. It has carried out educational and enhancement programs related to environmental features in the Chibougamau region and also strives to restore aquatic habitats through the creation of spawning, rearing and feeding grounds in degraded watercourses.

A 2001 study of 85 watercourses showed that fish had difficulty accessing 37 sites. Eleven of the most affected sites will be given priority: vegetation jams will be broken up, bank erosion will be corrected, culverts will be reconstructed and fording will be prohibited. In certain places, beaver dams will have to be destroyed.



Enhancement of the Main Tributaries of Lake Mistigouèche

Société de gestion des ressources du Bas-Saint-Laurent

Contribution of \$16,500 to a project with an estimated budget of \$16,500

Lake Mistigouèche, the headwaters of the Mitis River, is very popular for fishing. Since the brook trout yield has decreased significantly since 1999, the managers of the Lower St. Lawrence controlled harvesting zone and wildlife specialists determined that the habitat may have deteriorated over time as a result of drawdown in the lake. This phenomenon can carry dead trees to the mouths of streams, obstructing natural passages to the main spawning and rearing grounds used by brook trout.

The lake's main tributaries, which are targeted for their considerable wildlife potential, were therefore selected to promote movement by brook trout. The migration of juveniles and spawners will be facilitated by various enhancements and the elimination of obstacles, such as vegetation jams at the mouths and on the upper portions of streams. Moreover, the creation of trenches and spawning grounds will encourage fry production and should increase the lake's brook trout population.



Restoration of Ruisseau à Charrette Habitats

Comité des citoyens de Pointe-Fortune

Contribution of \$37,800 to a project
with an estimated budget of \$65,500

The project is part of a broad plan to conserve and enhance a hydrographic system that covers 750 ha and comprises Ruisseau à Charette and Brazeau Bay. The site is in the municipalities of Pointe-Fortune and Rigaud in a subwatershed of the Ottawa River, on the Atlantic migratory path for waterfowl. It has been included in the programs of the North American Waterfowl Management Plan, a joint initiative by Canada, the United States and Mexico.

For several years, the Comité des citoyens de Pointe-Fortune has been managing this site, where it offers recreational and educational activities for the public at large, especially children aged 10 to 14.

The studies conducted by the committee in 2000 brought to light various phenomena that affect the quality of the wildlife habitats on Ruisseau à Charette: bank erosion, lack of diverse vegetation, insufficient water flow and inadequate food and shelter for wildlife. To rectify this situation, a series of measures will be taken on certain sections of Ruisseau à Charette. Certain slopes will be smoothed, banks will be stabilized with vegetation-weaving techniques, and trees and shrubs will be planted to improve water quality. Baffles will be installed to accelerate the stream's flow, resulting in better oxygenation of the water. These measures should encourage the development of upstream species.

American columbine



Northern leopard frog



Canada goose



Permanent Interactive Exhibit on the Watershed of the Rivière L'Assomption

Corporation de l'aménagement de la rivière L'Assomption

Contribution of \$45,000 to a project with an estimated budget of \$119,160

The Corporation de l'aménagement de la rivière L'Assomption is an innovative Québec organization involved in water management by watershed. It advocates a comprehensive approach to protection and enhancement of water resources, while promoting active participation of the local communities concerned.

The project involves developing a permanent interactive exhibit on the watershed of the Rivière L'Assomption.

This exhibit, which should become a model of its kind, aims to make citizens and users of the area aware of issues raised by the *Québec Water Policy*. It offers a multitude of approaches and many ways of accessing information on the various aspects of a watershed, namely geology, soil, climate, topography, wildlife, vegetation and impacts of human activity, all in relation to water, its uses, its properties and its current condition.

16

Awareness and education

Ostrich fern



White trillium



Financial Statements

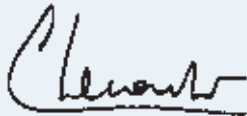
Management's Report

The financial statements of the Fondation Hydro-Québec pour l'environnement as well as all information contained in this report fall under the responsibility of Management and are approved by the Board of Directors. This responsibility involves choosing the appropriate accounting conventions that comply with Canadian generally accepted accounting principles.

To fulfill these responsibilities, Management maintains a control system designed to provide reasonable assurance as to the protection of assets, the proper accounting of transactions and the reliability of the financial statements.

The Foundation acknowledges its responsibility in managing its affairs in accordance with the governing legislation.

The auditors of PricewaterhouseCoopers LLP audited the financial statements of the Foundation in accordance with Canadian generally accepted auditing standards. Their *Auditors' Report* discusses the nature and scope of this audit as well as their related opinion.



Catherine Leconte
Executive Director

Montréal, April 2, 2005

Auditors' Report

To the Directors of the Fondation Hydro-Québec pour l'environnement

We have audited the balance sheet of the *Fondation Hydro-Québec pour l'environnement* (the "Foundation") as at December 31, 2004, and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

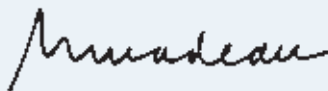
Chartered Accountants
February 4, 2005

Balance Sheet

As at December 31, 2004

\$	2004	2003
ASSETS		
Current assets		
Cash	1,819,988	1,475,692
Contributions receivable from Hydro-Québec	25,844	26,000
	1,845,832	1,501,692
LIABILITIES		
Current liabilities		
Accounts payable	237,527	194,050
Net Assets		
Restricted to environmental projects	1,179,659	1,085,520
Unrestricted	428,646	222,122
	1,608,305	1,307,642
	1,845,832	1,501,692

Approved by the Board,



Marie-José Nadeau
President



Armand Couture
Director

Statement of Operations

\$	2004	2003
Revenue		
Hydro-Québec – Contributions from (Note 4)		
Divisions	850,000	850,000
Special fund	230,905	295,411
Interest income	32,058	38,433
	1,112,963	1,183,844
Expenditure		
Environmental projects (Note 3)		
Approved during the year	265,851	432,487
Approved during previous years	380,133	335,239
General overhead and project management	166,316	176,643
	812,300	944,369
Excess of revenue over expenditure	300,663	239,475

Changes in Net Assets

\$	Restricted to environmental projects ^{a)}	Unrestricted	2004	2003
			Total	Total
Net assets at beginning of year	1,085,520	222,122	1,307,642	1,068,167
Excess of revenue over expenditure (expenditure over revenue)	(380,133)	680,796	300,663	239,475
Internally restricted with respect to projects approved in 2004 (Note 3)	474,272	(474,272)	–	–
Net assets at end of year	1,179,659	428,646	1,608,305	1,307,642

a) As at December 31, net assets restricted to environmental projects were as follows:

\$	2004	2003
Surplus restricted to projects:		
Approved during the year	474,272	889,218
Approved during previous years	705,387	196,302
	1,179,659	1,085,520

Notes to the Financial Statements

December 31, 2004

1. Status and Nature of Activities

The Fondation Hydro-Québec pour l'environnement (the "Foundation") was constituted on January 19, 2001, under Division III of the *Québec Companies Act* and started its activities on that date. Its mission is to contribute to the long-term enhancement and protection of the environment; to promote the conservation, restoration and enhancement of fauna, flora and natural habitats; and to support local needs for stewardship of the environment. Its Board of Directors is composed of six Hydro-Québec officers and four outside directors. The Foundation is a nonprofit organization that is exempt from taxes within the meaning of the *Income Tax Act*.

2. Significant Accounting Policies

These financial statements for the Foundation were prepared by management in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the use of estimates that affect the assets and liabilities reported in the financial statements and the itemized revenues and expenditures for the periods presented. Actual amounts could differ from those estimates.

Revenue recognition

The Foundation uses the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when they are received, or as receivables if the amount can be reasonably estimated and payment is reasonably assured. Restricted contributions are recognized as revenue in the fiscal year in which the related expenditures are incurred.

Expenditure recognition

Expenditures incurred for environmental projects are recorded when the reimbursement requests from organizations are approved by the Foundation. General overhead is recorded under the accrual accounting method.

3. Restrictions Affecting Net Assets

During the year, the Board of Directors of the Foundation approved financial support for 16 environmental projects (10 projects in 2003) for a total commitment of \$740,123 (\$1,321,705 in 2003), of which \$265,851 (\$432,487 in 2003) was paid out during the year. The balance of \$474,272 (\$889,218 in 2003) is internally restricted in order to reserve a portion of the unrestricted surplus in an amount corresponding to future reimbursement requests for approved environmental projects. The Foundation may not use this amount for other purposes without the prior consent of the Board of Directors.

\$	Total Commitment	Disbursement	Internally Restricted
Nature Program	508,169	137,355	370,814
Support for Local Environmental Initiatives Program	164,927	83,391	81,536
Enhancement of Hydro-Québec Properties Program	67,027	45,105	21,922
Total 2004	740,123	265,851	474,272
Total 2003	1,321,705	432,487	889,218

4. Related Party Transactions

During the year, the Foundation received contributions from Hydro-Québec totaling \$1,080,905 (\$1,145,411 in 2003), including \$230,905 (\$295,411 in 2003) in annual interest generated by funds specially reserved by Hydro-Québec for the Foundation, and \$850,000 (\$850,000 in 2003) in contributions from Hydro-Québec Production, Hydro-Québec TransÉnergie, Hydro-Québec Distribution and the Environment branch. The Foundation incurred expenses of \$137,152 (\$147,436 in 2003) in relation to Hydro-Québec. These expenses consist mainly of charges related to services provided by employees of the Environment branch, billed under a fixed-price agreement between the Foundation and the Environment branch. Services provided by other administrative units for the benefit of the Foundation are billed on the basis of real costs under agreements between the Foundation and these units.

5. Statement of Cash Flows

No Statement of Cash Flows was prepared because it would not contain any relevant additional information.

BOARD OF DIRECTORS – 2004

MARIE-JOSÉ NADEAU
 President, Fondation Hydro-Québec
 pour l'environnement
 Executive Vice-President –
 Corporate Affairs and
 Secretary General
 Hydro-Québec

LOUIS AUBRY
 Acting Director General
 Direction générale du
 développement et de
 l'aménagement de la faune
 Ministère des Ressources
 naturelles et de la Faune du Québec

ARMAND COUTURE
 President
 La Société Bédelmar Itée
 Chairman of the Board
 Institut national de la recherche
 scientifique (INRS)

CARMINÉ DE BENEDICTIS
 Regional Director – Montréal and
 Director – Customer Service
 Hydro-Québec Distribution

GEORGES-HENRI GAGNÉ
 Warden, Regional County
 Municipality of Manicouagan
 Mayor of Ragueneau

STELLA LENEY
 General Manager – Environment
 and Corporate Affairs
 Hydro-Québec

LOUISE PELLETIER
 Regional Director – Mauricie and
 Director – Production – Des Cascades
 Hydro-Québec Production

PATRICK PLANTE
 President
 Initium

ANDRÉE TURCOT
 Director – Assets Planning
 and Regulatory Affairs
 Hydro-Québec TransÉnergie

MYRIAM TRUCHON
 Director – Environment
 Hydro-Québec

The photographs in this report were provided courtesy of the people or organizations listed below. Those not listed were provided by the project proponents or by Hydro-Québec. None of these photographs may be reproduced without the owner's permission.

JEAN-MARC ARSENAULT: aster [pp. 7, 14]
 SAMUEL BELLEAU: Baird's sandpiper, stilt sandpiper, savannah sparrow [p. 10]
 DUCKS UNLIMITED CANADA: Katevale Marsh [pp. 6, 15]
 CAROLINE CLOUTIER: peat bog [pp. 6, 18], pond [p. 18]
 JEAN GAUDET: bullfrog [pp. 6, 16]
 SABRINA GIRARD: spur dike [p. 19]
 LOUISE GRATTON: spring peeper, sensitive fern [p. 16]
 LOUIS-MARIE LANDRY: Virginia chainfern [p. 6], sheep laurel, white-fringed orchid, roundleaf sundew, pitcherplant [p. 17]
 AROLD LAVOIE: nodding beggarticks [pp. 2, 15], flowering rush [p. 15]
 JEFFREY MACDONALD: spotted salamander [pp. 6, 11], spring salamander, gray treefrog, wood turtle, lac La Rouche and Mount Orford [p. 11]
 MARTIN OUELLET: four-toed salamander [pp. 6, 8], redbelly snake [pp. 2, 8]
 ALEXANDRE RIVARD: Portneuf Sandbank [pp. 6, 10]
 ANDRÉ RUEL: path [p. 18]
 NADIA SAINT-PIERRE: Gervais River [pp. 7, 19]

Our Partners

Any charitable, nonprofit or other Canadian organization that can show that its project is not personal or commercial in nature but serves the general interest of the communities concerned is eligible for financial support from the Foundation.

Our Programs

- The **Nature** Program focuses on preserving natural habitats, restoring disturbed or degraded habitats and conserving the species that live in them.
Projects involve conservation and restoration of natural habitats, improvement of natural environments for flora and fauna, and conservation, restoration and protection of threatened or vulnerable species.
- The **Support for Local Environmental Initiatives** Program focuses on the day-to-day impacts that communities have on their environment.
Projects cover local environmental issues with a view to reconciling economic development with environmental protection, as well as public awareness and environmentally responsible enhancement of distinctive regional characteristics.

- The **Education** Program targets clearly defined publics whose behavior over the medium or long term may have a direct, positive impact on their environment.
Projects may include developing and implementing appropriate educational tools to inform and educate these publics and make them aware of how they affect their environment and how to protect it; other educational projects may encourage behavior modification to help resolve recognized local or regional environmental issues.
- The **Enhancement of Hydro-Québec Properties** Program has a twofold objective: to enhance the distinctive environmental features of properties owned by Hydro-Québec, its subsidiaries or divisions and of environments altered by the company's facilities or equipment, and to protect biodiversity on Hydro-Québec properties.*

For more information

For more information on the mission, programs and operations of the Fondation Hydro-Québec pour l'environnement and the projects it has supported, please visit our website at: www.hydroquebec.com/fondation_environnement.

* *Projects that involve the primary function of facilities or stem from legal obligations are not eligible.*



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*The Fondation Hydro-Québec pour l'environnement
is certified ISO 14001 under the environmental
management system of Hydro-Québec's
Direction – Environnement.*

Our mission

To contribute to the
long-term enhancement
and protection of
the environment