

The Quarterly  
THIRD QUARTER 2017



hydro  
quebec  
.com

## Message from the President and Chief Executive Officer

Net income for the quarter was

**\$288**

million

Customer satisfaction reached

**93%**

in the third quarter

Net electricity exports for the first nine months totaled

**27.1 TWh**,

a new record

For the three months ended September 30, 2017, Hydro-Québec posted net income of \$288 million. For the nine months then ended, net income amounted to \$2,190 million, which is comparable to the \$2,196 million recorded in 2016. The first nine months of 2017 were marked by a historic volume of net exports. Thanks to the skillful execution of the company's sales programs and the solid performance of its generating and transmission facilities, Hydro-Québec Production's net exports totaled 27.1 TWh, or 2.7 TWh more than the previous record, set in 2016.

At the recent inauguration of Romaine-3 generating station, I underlined the remarkable efforts of our employees and suppliers. I pointed out that, in addition to helping us meet Québec's energy needs for the next 100 years, this hydropower project will enable us to offer reliable, clean and renewable power to our neighbors south of the border, thus helping to reduce GHG emissions in the U.S. Northeast.

I took the opportunity to pay my respects to the workers who lost their lives on the Romaine jobsites. To prevent such tragedies, we intend to implement more proactive management of occupational health and safety. Concrete actions have already been initiated and will continue over the coming years. On that day, like all the other guests at the inauguration, I wore a button that said "*Je m'engage dans le virage de la sécurité*" [I'm on board with workplace safety]. It's not just a slogan, it's a commitment!

Turning to the Québec market, over 40 data centers have already set up shop here, and more will surely follow by 2020, attracted by our numerous customer benefits, including competitive rates and low-carbon electricity. Some of our sales growth in Québec will also come from transportation electrification. In that regard, October saw the inauguration of the one-thousandth charging station operated by the Electric Circuit, of which Hydro-Québec is a founding member.

In the past few months, we invested much time and energy responding to requests for proposals from the states of Massachusetts and New York. Our proposals are in line with the directions set out in our *Strategic Plan 2016–2020*, which identifies exports as one of our main growth avenues.

The strong performance of our subsidiary TM4 on external markets should also be commended. TM4 sold 4,300 of its electric bus motors to China in 2016. The market potential in China is impressive, with 100,000 electric buses expected to be put on the road each year.



Eric Martel, President and Chief Executive Officer, at the inauguration of Romaine-3 generating station.

I'm aware that there's a desire among Quebecers to generate some of their electricity themselves, using photovoltaic solar and other technologies. This trend toward distributed power generation is rapidly gaining ground, especially in markets where electricity rates are high, such as California (around C 31¢/kWh). However, since residential rates in Québec are the lowest in North America at about C 7¢/kWh, distributed generation will probably progress more slowly here.

This fall, we launched a new corporate ad campaign focusing on customer service. Like previous campaigns, it revolves around the word "ON," expressing our intent to always be "ON" for our customers, for example by expanding customer service hours, enhancing our online services and responding more rapidly in the event of a power outage. Constantly improving customer service is the challenge met each day by our employees, who are driven by the desire to do better.

# Highlights



In September 2017, some **125 Hydro-Québec employees** helped restore power to nearly one million Georgia Power customers in the wake of **Hurricane Irma**. This mission was carried out under an agreement between North American electric utilities that provides for mutual assistance in such circumstances.

In July, Hydro-Québec responded to the **request for proposals** launched by **Massachusetts'** power distribution companies for **9.45 terawatthours (TWh) of clean, reliable power** to help the state **reduce** its energy costs, **improve** the security of its supply and **meet** its GHG emissions reduction targets. We proposed either **100% hydropower or a hydro-wind blend**, to be delivered over one of **three** new transmission lines.

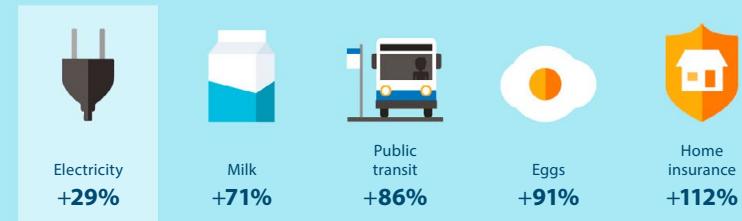
In September, we submitted **two partnership proposals** for projects that will contribute to a **clean energy future** for the State of **New York**. These call for **increased hydropower deliveries** in the short term and for several decades to come through **optimization of the state's existing transmission infrastructure**. They also set the stage for **collaboration** with New York in the choice of **new transmission facilities** that would provide access to **clean energy resources**. In one of its bids, Hydro-Québec proposed to deliver a **large quantity** of hydropower—**5.8 to 8.3 TWh** a year—to New York State, either through a **new intertie** or through an **existing intertie** with increased capacity.

According to the most recent E Source review of **North American electric and gas utility Web sites**, the **Hydro-Québec site's user-friendliness and optimization for mobile devices** made it **No. 1 in Canada** and No. 21 in North America. Between January and May 2017, a group of **residential customers** tested the usability of 114 Web sites on computers and mobile devices, using four criteria: navigation, functionality, appearance and relevance.

**Hydro-Québec** and the **U.S. Department of Energy's Lawrence Berkeley National Laboratory** (Berkeley Lab) have signed a **memorandum of understanding** to assess the feasibility of creating a Québec Berkeley (QUBE) joint research center in the San Francisco Bay area. Its mission would be to **speed up** development of next-generation **battery materials, processes and methodologies** and conduct **manufacturing from pilot scale to pre-production levels**. The technologies developed would be transferred to battery manufacturers, leading to **job creation in Québec** and California.

This fall, we launched a new phase in our **corporate ad campaign** under the theme "**You can count ON us to always be there for you**". This phase focuses on the **services** we offer customers, in particular online. One of our **new online services** is **My Consumption Profile**, which enables customers to visualize their electricity use in kilowatthours or in dollars, and to monitor day-to-day changes. With one click, they can **compare** their consumption year-over-year, **find out** what made it go up or down, **access** their monthly or daily consumption data for the past two years, and **correlate** it with the outside temperature for the same period. This **easy-to-use tool** lets people see the impact of **heating** and **air-conditioning** on **electricity consumption**.

Change in prices of consumer goods in Québec in the past 20 years



\* Source: Statistics Canada

Over the last 20 years, electricity prices in Québec have increased more slowly than the prices of many consumer products, such as milk, eggs, public transit and insurance.

## FINANCIAL HIGHLIGHTS (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
<b>Revenue</b>	<b>4,257</b>	<b>2,908</b>	<b>2,753</b>
Electricity sales in Québec	3,672	2,501	2,319
Electricity sales outside Québec	514	326	429
Other revenue	71	81	5
<b>Expenditure</b>	<b>2,097</b>	<b>1,934</b>	<b>1,839</b>
<b>Financial expenses</b>	<b>617</b>	<b>615</b>	<b>626</b>
<b>Net income</b>	<b>1,543</b>	<b>359</b>	<b>288</b>
<b>Investments</b>	<b>652</b>	<b>884</b>	<b>1 050</b>



DETAILED QUARTERLY FINANCIAL RESULTS AVAILABLE ON OUR WEB SITE

