



Addenda

to the Strategic Plan 2002-2006

June 2002

Following hearings by the Québec National Assembly Committee on Labor and the Economy, held in January 2002, the following addenda and clarifications have been incorporated into Hydro-Québec's Strategic Plan 2002-2006.

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Preceding the
Technological
Innovation section

Natural gas sector

Gas-electricity convergence

Over the *Strategic Plan 2002–2006* period, Hydro-Québec will maintain its policy of participating in the natural gas sector, with a view to generating economic benefits for Québec.

The company's decision in 1997 to acquire a stake in the holding company Noverco was spurred by the energy convergence that has brought together North American gas and electricity companies involved in transportation/transmission and distribution. Hydro-Québec's equity interest in Noverco allows it to participate in the growth of the energy transportation and natural gas distribution sectors in northeastern North America.

Consequently, through its stake in Noverco, Hydro-Québec supports the various growth strategies of Noverco's operating companies, Gaz Métropolitain and Enbridge, especially strategies that benefit Québec consumers.

Oil and gas exploration

Exploration studies confirm the potential importance of sedimentary areas in the Gulf of St. Lawrence, the St. Lawrence River estuary and the Gaspé region. Furthermore, the demand for natural gas continues to grow in the northeastern part of North America.

Hydro-Québec is well positioned to act as a catalyst for Québec's oil and gas industry, which could lead to major economic benefits for the province. Building on its credibility, Hydro-Québec is confident in its ability to interest world-class oil companies in undertaking a major exploration program.

Hydro-Québec is counting on the following strategies. On the one hand, the company intends to participate in land-based exploration. On the other hand, if there is a call for tenders for underwater exploration, whether in the St. Lawrence estuary or the Gulf of St. Lawrence (with the exception of areas which are not already covered by prospecting licences), Hydro-Québec plans to put forward an exploration proposal developed in conjunction with oil and gas experts. Hydro-Québec will solicit the participation of private partners—world leaders in the industry who possess the know-how and the financial resources to contribute to the substantial investments required for such a large undertaking. An annual Hydro-Québec contribution of approximately \$30 million could lead to capital spending of several billion dollars over the next decade.

To develop a comprehensive, high-quality exploration proposal, it will be useful to share the many studies conducted by the Société québécoise d'initiatives pétrolières (SOQUIP), as well as geological and other data available from SOQUIP-Énergie, the Ministère des Ressources naturelles and Hydro-Québec. Operational linking, in the form of joint action by Hydro-Québec, SOQUIP-Énergie and the Ministère des Ressources naturelles, will make it possible to concentrate the significant expertise that exists in Québec, while allowing industry operations to continue.

Furthermore, the division will be asked to contribute to the development of Québec's wind-power industry. Hydro-Québec is already Canada's largest buyer of wind energy. In 2001, the company acquired approximately \$10 million of energy from independent wind-power producers, corresponding to the total output (100 MW) from their facilities in the Gaspé region. Hydro-Québec will continue to support the development of Québec's wind-power potential through a targeted purchasing program, based on an equitable, clear, competitive and public process, to be determined by the appropriate Québec government authorities. Spread over several years, these purchases should allow the wind-power industry to continue to develop in Québec, particularly in the Gaspé region. Hydro-Québec's support will aim to promote the steady development of an emerging wind-power industry that can respond to Québec's market requirements, as well as those in North America and abroad. Within this proposed framework, Hydro-Québec Distribution could purchase an additional 100 MW per year, over 10 years, up to a maximum of 1,000 MW.

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More specifically, the division will purchase the output from small hydroelectric generating stations that will be built under the new plan for the allocation and use of publicly owned water resources for generating stations of 50 MW or less, announced by the Québec government on May 24, 2001.

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