



Message from the President and Chief Executive Officer

NET INCOME FOR THE
QUARTER IS
\$306
MILLION

THE CUSTOMER
SATISFACTION
INDEX REACHED
91%
IN JUNE

RECORD EXPORTS OF
3.16 TWh
IN JULY

THE RATE INCREASE
REQUESTED FOR
2017-2018 IS
1.6%
IS LOWER THAN
INFLATION

For the second quarter of 2016, Hydro-Québec's net income totaled \$306 million, which is \$37 million less than in the same quarter in 2015. The decrease is largely due to a planned outage of one of the main export links between Québec and New England in April and May, which was caused primarily by scheduled maintenance work. As a result, net electricity exports by Hydro-Québec Production were down \$58 million compared to 2015. Had it not been for this outage, net income would have been comparable to last year's. On the Québec market, heritage pool electricity supplied by Hydro-Québec Production to Hydro-Québec Distribution increased by \$25 million compared to the same period last year. This increase is due to the impact of temperatures, especially in April 2016, when they averaged 3°C lower than normal.

Thanks to our clean and renewable electricity and our know-how, we can set ambitious sights for the future, as shown in our *Strategic Plan 2016–2020* released in June. This plan lays the groundwork to double our revenue over the next 15 years so as to increase profits, places customers at the heart of our priorities, and opens new avenues for growth, in particular through the acquisition of assets or stakes in companies.

When the Strategic Plan was released, I announced that Hydro-Québec was launching an offensive to attract data centres to Québec. The objective is simple: facilitate and accelerate the arrival of these centres, which can count on a renewable, clean source of reliable power, competitive electricity rates, a modern telecommunications network, a climate conducive to reduced energy consumption, and an abundance of skilled labor.

We achieved a significant milestone in customer service: since June 25, our customer relations centres have been open weekday evenings and weekends so that we can serve our customers better. This extension of our business hours was implemented just in time for moving season, which is a very busy period for us. Our centres were



Éric Martel, President and Chief Executive Officer

also open on July 1 from 9 a.m. to 5 p.m.—a first at Hydro-Québec. Our customer service representatives answered a total of 3,758 calls that day.

Thanks to our business strategy and the coordinated work of our generation and transmission teams, our electricity exports reached unprecedented heights in July. We set a monthly record of 3.16 TWh (breaking our previous record of 2.92 TWh reached in July 2012) and a record of 119.3 GWh in a single day, July 29.

I made a commitment to our customers that our rate increases in the coming years would be no more than inflation—a promise we kept for our 2017–2018 rate application, filed with the Régie de l'énergie in July for approval. We're proposing a 1.6% increase for residential customers and most business customers.

Since my arrival at Hydro-Québec more than a year ago now, I've seen the company's enormous growth potential and the remarkable expertise of our employees. Their hard work is the reason for our success, and I'm sincerely grateful to them.

Highlights

Ambitious targets // As indicated in the *Strategic Plan 2016–2020*, our targets for 2020 include an overall public satisfaction rating above 90%, 2,500 public charging stations for electric vehicles, and net income of \$3.2 billion. Over the Plan period, we intend to invest \$18.1 billion (excluding growth avenues), more than \$4 billion of which will go to the Plan Nord area. By 2030, we aim to have doubled our revenue to reach a net income of \$5.2 billion.

A new licence // A new decommissioning licence for Gentilly-2, issued by the Canadian Nuclear Safety Commission (CNSC), came into effect on July 1 and is valid for ten years. In particular, it authorizes the company to operate its radioactive waste storage facility.

A bold decision // In August, the State of Massachusetts passed a bill authorizing the purchase of significant quantities of hydropower and construction of the transmission infrastructure needed to deliver it to consumers. For the first time, Massachusetts will be able to benefit from the flexibility and energy volume offered by large hydropower resources like those of Hydro-Québec. This decision also lays the foundation for the New England states to collaborate on transitioning, at a reasonable cost, to clean energy sources such as hydropower.

A major contribution // Hydro-Québec will contribute \$100,000 over a two-year period to a research initiative spearheaded by the Massachusetts Institute of Technology (MIT), the Ouranos consortium and HEC Montréal. The money will be used to develop and implement an important modeling tool that will be available for climate change researchers. The tool will focus on Québec and New England and will seek to identify opportunities for optimal expansion of renewable energy sources in the two regions, including expanded trade in electricity.

2017-2018 RATE ADJUSTMENT APPLICATION

In line with the company's commitment to keep rate increases lower than or equal to inflation



For homes with electric heating, the 2017–2018 rate adjustment will mean an increase of \$0.43/month for an apartment, \$2.36/month for a small house, \$3.84/month for a midsize house and \$5.11/month for a large house.

FINANCIAL HIGHLIGHTS (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
Revenue	4,302	2,815	
Electricity sales in Québec	3,647	2,540	
Electricity sales outside Québec	555	258	
Other revenue	100	17	
Expenditure	2,065	1,883	
Financial expenses	653	626	
Net income	1,584	306	
Investments	618	844	



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