



Une énergie propre  
à nous.



THE QUARTERLY  
First quarter 2019

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

**\$1,774**  
million

Net income for the quarter  
was \$1,774 million.

**94%**

The public satisfaction index  
reached 94%.

**10.0**  
TWh

Net electricity exports  
remained high at 10.0 TWh.

Hydro-Québec posted net income of \$1,774 million for the first quarter of 2019, an increase of \$130 million compared to \$1,644 million in the same period in 2018. This is one of the company's best first-quarter performances ever. Net export volume remained high, at 10.0 TWh, slightly below the historic peak of 10.1TWh reached in the first quarter of 2017. Sales volume on the Québec market also rose, as a result of higher baseload demand across all customer segments and colder temperatures. Consequently, net sales volume across all markets totaled 65.4 TWh, just shy of the record of 65.7 TWh set in the first quarter of 2015.

The ad campaign we launched in March under the theme *Clean energy to power us all* asserts our leadership in clean energy. What immediately strikes the eye is the light spectrum, a powerful visual that combines a prism created by water—our energy source—with the orange and blue of our logo.

The new signature positions Hydro-Québec as an innovative, forward-looking company and highlights our 75th anniversary, a milestone we're celebrating by recalling the numerous achievements that have marked our history. Since the company's creation in 1944, our mission has always been to provide high-quality service at reasonable rates to all customers throughout the province.

Over the past 75 years, Hydro-Québec has become one of the largest producers of clean energy on the planet, with over 99% of its power generated from renewable resources. Quebecers can take great pride in this achievement.

We offer our residential customers the lowest electricity rates in North America, while paying a dividend of over \$2 billion to the Québec government each year, benefiting society as a whole.

Our ranking as the most influential brand in Québec for the second year in a row encourages us to continue applying the high performance standards we've implemented in recent years. I personally see to this on a daily basis.

I was very pleased to learn of the Mayor of New York's commitment to pursue new talks with us regarding the Champlain Hudson Power Express (CHPE) project, a proposed underground and underwater DC line between the Canada-U.S. border and New York City. It's an eloquent example of our ability to actively contribute to the energy transition in the U.S. Northeast by providing those states with direct access to our vast reserves of clean, reliable and affordable electricity.



Éric Martel, President and Chief Executive Officer, at the launch of Hydro-Québec's 75th anniversary celebrations.

We also reached an important milestone in our interconnection project with Maine. The state's Public Utilities Commission gave the green light to the New England Clean Energy Connect (NECEC) project, which will reduce wholesale electricity prices in Massachusetts and throughout New England. In addition, it will enhance power system reliability while helping to reduce GHG emissions in the region.

Recent flooding in parts of Québec led us to adopt measures designed to provide some relief for customers whose homes or small or medium-sized businesses were affected. Special arrangements are being offered to customers who may experience difficulty paying their bills in the coming months.

When I visited those areas, I witnessed firsthand the severity of the situation. I'm grateful to our crews, whose rapid action helped ensure people's safety. Our thoughts are with our fellow citizens throughout this difficult time.

### COVER

Billboard showing the theme of our new advertising campaign, *Clean energy to power us all*.

## HIGHLIGHTS

In March, we launched a **new advertising campaign** under the theme *Clean energy to power us all*, reflecting our commitment to future generations in the broader context of the energy transition. It also highlights Hydro-Québec's impressive accomplishments over the course of its history. For 75 years, the company has been boldly putting Québec ingenuity and innovation to work, generating clean, reliable power for its customers. Featuring a new signature, a new positioning and a distinctive new image, the ad campaign underscores Hydro-Québec's strengths and its global leadership in renewable energy. With more than 99% of its power generated from renewables, primarily water, Québec is a model recognized the world over—an achievement in which we can all take great pride.

At the end of March, the Public Utilities Commission (PUC) of Maine released a **preliminary report endorsing our proposal** to build a transmission line through the state to connect the Hydro-Québec power system with that of New England. According to the report, the New England Clean Energy Connect (NECEC) project will reduce wholesale electricity prices in Massachusetts and throughout New England, while enhancing power system reliability. In addition, it will provide environmental advantages by reducing GHG emissions, and will substantially benefit Maine's economy. The report therefore recommends that a certificate of authorization be issued. The final decision of the PUC, also favorable, was handed down on April 11.

To **maximize the impact of our donations and sponsorships** on Québec society, we adopted a new policy targeting specific areas of activity. In particular, we will be directing our contributions toward projects that seek to reduce GHG emissions, support the vitality of regions across Québec and alleviate poverty. The donations and sponsorships budget will be maintained, and the funds will be shared equitably across Québec's administrative regions. Regional committees will

make recommendations for their respective regions so that the allocation of funds reflects local realities.

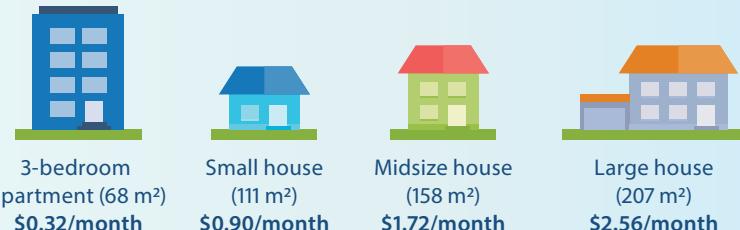
In its latest study, the market research and consulting firm Ipsos ranked Hydro-Québec as the **most influential brand in Québec** for the second year in a row. The study is based on five metrics: trustworthiness, engagement, presence, corporate citizenship and being leading edge. The *Simon dans les bois* and électrON expedition videoclips garnered large numbers of viewers, demonstrating the public's interest in Hydro-Québec.



The Electric Circuit, Hydro-Québec's public EV charging network, will deploy about 100 **fast-charge stations** in 2019. Over the next 10 years, 1,600 new fast-charge stations will be installed throughout the province. Hydro-Québec will use revenue from the increased electricity sales generated by EV charging, which is done primarily at motorists' homes, to finance the new infrastructure. Consequently, electricity rates will not be affected.

As part of the global energy transition and the emergence of alternative energy sources, Hydro-Québec has decided to build **two experimental solar farms** in the Montérégie region of Québec: one with nearly 11,000 panels in Varennes and another with 26,000 panels in La Prairie, where La Citére generating station used to be. The objectives are to test the latest solar technologies, analyze solar panel performance in our climate, determine cost-effectiveness and understand how to incorporate solar power into our grid. The results will enable us to make a decision by 2021–2022 about whether to include solar energy among our next major generating projects.

### IMPACT ON HOMES HEATED WITH ELECTRICITY



For the fourth year running, Hydro-Québec has upheld its commitment to keep electricity rate increases no higher than inflation. In its decision on 2019–2020 rates, the Régie de l'énergie approved a 0.9% increase for all residential customers and most business customers, while the inflation rate is expected to be 2.0%. Rates are established in such a way as to generate sufficient revenue to recover the estimated \$12.3-billion cost of providing electricity service to some 4.3 million customers throughout Québec in 2019. Quebecers will continue to enjoy the lowest residential rates in North America. In 2019–2020, they will pay about half the price consumers pay in Toronto, and only a quarter of what people pay in New York and Boston.

### FINANCIAL HIGHLIGHTS (\$M)

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30
<b>Revenue</b>	<b>4,640</b>		
Electricity sales in Québec	4,069		
Electricity sales outside Québec	554		
Other revenue	17		
<b>Expenditure</b>	<b>2,204</b>		
<b>Financial expenses</b>	<b>662</b>		
<b>Net income</b>	<b>1,774</b>		
<b>Investments</b>	<b>566</b>		



DETAILED QUARTERLY FINANCIAL RESULTS AVAILABLE ON OUR WEBSITE

