

THE RÉGIE DE L'ÉNERGIE IS AN ECONOMIC REGULATION AGENCY.

ITS MISSION IS TO RECONCILE THE PUBLIC INTEREST, CONSUMER PROTECTION

AND THE FAIR TREATMENT OF THE ELECTRICITY CARRIER AND THE DISTRIBUTORS.

THE RÉGIE STRIVES TO ENSURE THAT ENERGY NEEDS ARE SATISFIED

WHILE PROMOTING SUSTAINABLE DEVELOPMENT AS WELL AS INDIVIDUAL

AND COLLECTIVE EQUITY.

2004-2005 ANNUAL REPORT

Québec 

Mr. Pierre Corbeil  
Minister of Natural Resources and Wildlife

Mr. Michel Bissonnet  
Speaker of the National Assembly  
Parliament Building, Québec City

Mr. Minister:

I have the pleasure of submitting to you this report on the activities of the Régie de l'énergie for the year 2004-2005.

Sincerely yours,



JEAN-PAUL THÉORÊT  
Chairman  
Montréal, June 2005

Mr. Speaker:

I am pleased to table the following report on the activities of the Régie de l'énergie for the year 2004-2005.

Sincerely yours,



PIERRE CORBEIL  
Minister of Natural Resources and Wildlife  
Québec, June 2005

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DRAWING ON THE EXTENSIVE EXPERIENCE IT HAS ACQUIRED SINCE ITS CREATION IN 1997, THE RÉGIE CONTINUED DEMONSTRATING ITS EXPERTISE AND PURSUING A DYNAMIC APPROACH IN 2004-2005. SEEKING TO SATISFY THE LEGITIMATE EXPECTATIONS OF THE PUBLIC AND THE COMPANIES IT REGULATES, THE RÉGIE TOOK DUE CARE IN RENDERING ITS DECISIONS.

## MESSAGE FROM THE CHAIRMAN



THE CHAIRMAN: JEAN-PAUL THÉORÊT

The Régie de l'énergie also introduced new procedures to meet the needs of the individuals and companies under its jurisdiction. One example is the conciliation service for consumer complaints, which has been highly successful from its inception.

The Régie used a variety of means to ensure that energy regulation in Québec is modern and efficient. First, we worked on streamlining our procedures. In addition to the conciliation service, the Régie has been developing an application guide for regulated companies.

The guide will help make the handling of cases more efficient by providing a full list of the information required in a submission. It will make it easier for interested parties to decide whether to intervene in a case and let the Régie proceed more quickly with its regulatory and decision-making processes. The Régie also pursued its review of its rules of procedure in order to make the process less legalistic, facilitate public participation, and use simpler and more flexible regulatory methods.

Secondly, the Régie took steps to ensure the predictability of its rulings in light of regulatory principles based on the technical and legal standards stipulated in the *Act respecting the Régie de l'énergie*, and in the Régie's past decisions.

Thirdly, we are using modern technology to publicize our activities widely. The Régie is providing real-time information on developments in all current cases through its Web site.

In the coming months, the Régie will begin developing a second strategic plan, focused on its external clients. The plan will help guide our future efforts to provide quality services designed to meet client needs.

Finally, the Régie will continue honing its expertise in economic regulation by staying abreast of best regulatory practices and of trends and constraints in global energy markets.

## MARKET ENVIRONMENT

Global energy demand continued to grow in 2004-2005. Strong demand for petroleum products, coupled with the tense international geopolitical situation and production difficulties, drove up crude prices. The price of Brent crude oil jumped 39% in relation to 2003. In 2005, prices have remained high and volatile. On March 22, 2005, the price of North Sea oil reached an all-time peak of US\$55.73 per barrel.

As a result, there were wide fluctuations in petroleum product prices. Gasoline ranged from \$0.70 to nearly \$1.00 per litre. Canadian natural gas prices at Empress ranged between C\$5.50 and C\$7.74 per gigajoule (GJ), compared with a range of \$5.32 to \$6.78 the previous year. The price of system gas that Gaz Métropolitain and Company, Limited Partnership (GMCLP) charges its clients held stable within a range of C\$6.12/GJ to C\$6.88/GJ.

In the area of electric power, investigation of the massive power failure that blacked out the northeastern part of North America (except Québec) in August 2003 and implementation of the recommendations made by the Canada-U.S. working groups continued in 2004-2005. The Régie is taking an active interest in the continuing efforts to establish mandatory transmission system reliability standards, and to secure the long-term viability and development of existing transmission systems.

The restructuring of the electric power industry is continuing in the United States and Canada, and the rules governing the workings of the market are changing. The Ontario government passed the *Electricity Restructuring Act, 2004* in December, and New Brunswick proceeded with unbundling electric power transmission services to allow third parties to access its network.

## REGULATORY ENVIRONMENT

The Régie's role, as defined in the Act, is to reconcile the public interest, consumer protection and fair treatment of regulated companies. It must ensure that energy needs are met while promoting sustainable development and due regard for individual and collective equity.

The Régie therefore plays an important part in the development of Québec's energy industry. It also helps foster greater understanding of the issues facing Québec society. For example, in June 2004, the Régie submitted its opinion on the security of Québec's electricity supply and the need for the Suroît project, which had been requested by the Minister of Natural Resources, Wildlife and Parks.

In a process that has far-reaching implications for the regulatory environment, the Québec government is developing an energy strategy in response to the new challenges facing Québec society. From January 25 to April 7, 2005, the *Commission de l'économie et du travail* established by the government heard more than 160 briefs during a public consultation on Québec's energy industry.

In March 2005, the Minister of Natural Resources and Wildlife asked the Régie to submit an opinion on the legal and regulatory provision for a 175 MW limit, as stipulated in *Hydro-Québec's tariffs*, and asked the Régie to consider the impact on Québec society of supplying such quantities of electricity to major industries. The opinion was submitted to the Minister for review on May 30, 2005 and released on June 13, 2005.

THE RÉGIE PLAYS AN IMPORTANT PART IN THE DEVELOPMENT OF QUÉBEC'S ENERGY INDUSTRY. IT ALSO HELPS FOSTER GREATER UNDERSTANDING OF THE ISSUES FACING QUÉBEC SOCIETY.

## REVIEW OF ACTIVITIES

**In the area of electric power distribution**, the Régie rendered decisions on several applications from Hydro-Québec Distribution relating to tariffs, energy efficiency, supply contracts in excess of the heritage electricity pool, and other matters.

Hydro Québec's tariff application concerned the distributor's rates for all Québec consumers after April 1, 2005. The Régie authorized a 1.2% rate increase.

With respect to energy efficiency, the Régie reviewed the distributor's application for approval of a \$119 million budget for 2005 as part of its *2005-2010 comprehensive energy efficiency plan*, which entails an overall investment of \$1.7 billion (\$1 billion of which will be covered by Hydro-Québec) and is expected to yield energy savings of 3 TWh by 2010.

Pursuant to its mandate to monitor tender solicitations and approve contracts awarded to satisfy the distributor's needs in excess of the heritage electricity pool of 165 TWh, the Régie approved the contracts submitted by the distributor.

Finally, the Régie authorized nearly \$550 million in capital expenditures for the building and upgrading of infrastructure related to electricity distribution.

**With respect to electricity transmission**, the Régie approved certain aspects of the electric power carrier's tariffs, established in 2001, including a code of conduct. The carrier also submitted a cost allocation study and a proposal to modify the complaints procedure.

The Régie authorized \$922 million for the building and upgrading of infrastructure related to electricity transmission.

**In the area of natural gas distribution**, the Régie set rates as of October 1, and authorized the capital expenditures submitted by the gas distributors (GMCLP and Gazifère Inc.). GMCLP's distribution rates were reduced by an average of 3%, while those of Gazifère Inc. increased by an average of 0.5%. The Régie authorized energy efficiency budgets totalling \$8.5 million and capital expenditures for the distribution of natural gas in the amount of \$234 million.

With regard to GMCLP in particular, the Régie renewed the distributor's performance incentive mechanism until 2009. It had initially been approved for a five-year period. The Régie is also overseeing work on the review of GMCLP's rate structure with a view to promoting energy efficiency. It approved the creation of a fund for this purpose.

**In the area of petroleum products**, the Régie conducted an impact study of the exercise of its authority over gasoline and diesel fuel retail prices and commercial practices. It tabled its report in the National Assembly on October 26, 2004. The Régie also continued monitoring petroleum product prices in all 17 of Québec's administrative regions.

## OUTLOOK FOR 2005-2006

**With respect to electricity distribution**, the Régie noted in the opinion it submitted to the Minister in June 2004 that sustained demand is expected in Québec in the coming years. This year, for the first time, Québec demand will exceed the heritage electricity pool of 165 TWh.

This has a number of implications. The Régie will render a decision on the distributor's 2005-2014 supply plan and its framework agreement with Hydro-Québec's generation division, under which the latter has an obligation

to meet unforeseen electricity demand in excess of the heritage pool. In the distributor's next rate case, the Régie will determine a cost allocation method for electricity in excess of the heritage pool.

The Régie will continue to monitor tender solicitations for the supply of electricity in excess of the heritage pool, including those related to wind energy and cogeneration. It will also consider whether the distributor's procedure and code of ethics have been duly followed. All resulting contracts will be submitted to the Régie for approval.

The Régie will study the distributor's application to modify its tariffs and will continue its review of conditions of supply. It will be called upon to approve capital expenditure plans submitted by the distributor. With respect to energy efficiency, the Régie will rule on the distributor's proposed 2006 budget for the comprehensive energy efficiency plan.

**In the area of electricity transmission**, the Régie will render a decision on an application concerning the carrier's cost of service and changes to transmission rates, which will include a cost allocation study and examination of proposed changes to the complaints procedure. The Régie also expects an increased number of requests for authorization of capital projects with a value over \$25 million each in 2005-2006. Finally, it is expected that the Régie will be called upon to render a decision on transmission system reliability standards.

**With respect to natural gas**, the Régie will review the two distributors' conditions of service in order to standardize them and will set the distributors' rates, as it does every year. The Régie will authorize their supply plans and capital expenditures related to distribution.

In the specific case of GMCLP, the Régie will study major capital projects and may also be called upon to rule on an application for approval of a liquefied natural gas supply contract related to plans for a methane terminal.

**In the area of petroleum products**, the Régie will work on determining, in accordance with the Act, an amount per litre for service stations' operating expenses. In 2003, the Régie set this amount at 3¢ for a three-year period. The Régie will also continue monitoring prices.

With respect to administrative practices, the Régie intends to pursue its dialogue with stakeholders and the companies under its jurisdiction. In this way, the Régie's directors and commissioners remain attuned to their needs and expectations. The Régie will also maintain an active dialogue with provincial, federal and U.S. regulatory bodies in order to learn from the experience of its counterparts.

To this end, the Régie will continue its participation in the work of the Canadian Association of Members of Public Utility Tribunals (CAMPUT), which I have had the privilege of chairing since 2003. In May 2005, CAMPUT held its annual conference in Québec City and the event attracted a record 400 participants. The Régie will also be involved in organizing the Third World Forum on Energy Regulation, to be held in October 2006 in Washington, D.C.

#### ACKNOWLEDGEMENTS

The Régie owes the achievements of the past year to the expertise and energy of its staff and ongoing cooperation from stakeholders and regulated companies.

In conclusion, I would like to mention the valuable contribution of my predecessor Lise Lambert, who served as the Régie's Vice-Chairman from 1997 to 2002 and Chairman from June 2002 to October 2004. Ms. Lambert spearheaded a consumer-focused approach towards the handling of complaints from consumers of natural gas and electricity by setting up a conciliation service and brought her characteristically rigorous approach to bear on all the vital regulatory and administrative work carried out under her leadership.



JEAN-PAUL THÉORÊT  
Chairman  
June 2005

THE RÉGIE DE L'ÉNERGIE IS AN ORGANIZATION THAT MAKES INFORMED, TIMELY DECISIONS, APPLIES EFFICIENT REGULATORY APPROACHES, AND SUPPORTS THE SMOOTH OPERATION OF THE QUÉBEC ENERGY MARKETS UNDER ITS JURISDICTION.



## OUR MISSION

THE RÉGIE DE L'ÉNERGIE IS AN ECONOMIC REGULATION AGENCY. ITS MISSION IS TO RECONCILE THE PUBLIC INTEREST, CONSUMER PROTECTION AND THE FAIR TREATMENT OF THE ELECTRICITY CARRIER AND THE DISTRIBUTORS. THE RÉGIE STRIVES TO ENSURE THAT ENERGY NEEDS ARE SATISFIED WHILE PROMOTING SUSTAINABLE DEVELOPMENT AS WELL AS INDIVIDUAL AND COLLECTIVE EQUITY.

TO THIS END, THE RÉGIE FIXES AND MODIFIES THE RATES AND CONDITIONS FOR THE TRANSMISSION OF ELECTRIC POWER BY THE ELECTRICITY CARRIER, THE DISTRIBUTION OF ELECTRIC POWER BY THE ELECTRICITY DISTRIBUTOR, AND THE SUPPLY, TRANSMISSION, DELIVERY AND STORAGE OF NATURAL GAS BY THE NATURAL GAS DISTRIBUTORS. IN FIXING AND MODIFYING RATES, THE RÉGIE FAVOURS THE USE OF INCENTIVES TO IMPROVE THE PERFORMANCE OF THE ELECTRICITY CARRIER, THE ELECTRICITY DISTRIBUTOR AND THE NATURAL GAS DISTRIBUTORS, AND TO PROMOTE THE SATISFACTION OF CONSUMER NEEDS.

THE RÉGIE EXAMINES CONSUMER COMPLAINTS ABOUT DECISIONS RENDERED BY THE ELECTRICITY CARRIER, THE ELECTRICITY DISTRIBUTOR OR A NATURAL GAS DISTRIBUTOR CONCERNING THE APPLICATION OF THE RATES OR CONDITIONS OF SERVICE. THE RÉGIE ALSO MONITORS THE PRICES OF PETROLEUM PRODUCTS AND STEAM.

	RATE-FIXING		PRICE-MONITORING
	ELECTRICITY	NATURAL GAS	PETROLEUM PRODUCTS
SUPPLY	< = 165 tWh at 2.79¢ / kWh > 165 tWh : call for tenders	Free market	Free market
TRANSMISSION	Cost of service	National Energy Board (federal)	Other jurisdictions
DISTRIBUTION	Cost of service	Incentive-based mechanisms	Operating costs and expediency of inclusion
COMPLAINTS	Decision-making authority	Decision-making authority	No authority

## ROLE AND POWERS

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The Régie de l'énergie is a multi-functional economic regulation agency with administrative and quasi-judicial functions. The role of the Régie de l'énergie is to regulate monopolies in electricity transmission, electricity distribution and natural gas distribution. It also monitors non-monopoly markets to ensure that the free market system benefits consumers, while permitting healthy competition between market players.

The Régie has authority to fix the rates and conditions for the transmission and distribution of electric power and the supply, transmission, delivery and storage of natural gas, after holding public hearings.

It also monitors the operations of electricity and natural gas distributors to ascertain that consumers are adequately supplied, and monitors the operations of the electricity carrier, the electricity distributors and the natural gas distributors to ascertain that consumers are charged fair and reasonable rates. It approves the electricity and natural gas distributors' supply plans and commercial programs. The Régie also approves investment projects, the construction of immovables or the acquisition of assets intended for the transmission or distribution of electric power or the distribution of natural gas. It approves the electricity carrier's operating and technical standards, including transmission network reliability standards.

The Régie monitors application of the tender solicitation and contract awarding procedure and code of ethics for the electricity distributor's supply contracts. The resulting supply contracts are submitted to the Régie for approval.

The *Act respecting the Régie de l'énergie* gives Hydro-Québec the exclusive right to distribute electricity throughout the territory of Québec, excluding the territories served by a distributor operating a municipal, cooperative or private electric power system. Municipal systems also have exclusive distribution rights within the territories they serve.

The Régie has sole authority to examine consumer complaints about a decision rendered by the electricity carrier, an electricity distributor or a natural gas distributor concerning the application of the rates or conditions of service. The carrier and distributors are required to apply an internal complaint examination procedure approved by the Régie.

The Régie also has the power to monitor petroleum product prices and can provide consumers with information in this regard.

With respect to gasoline and diesel fuel, the Régie has the authority to determine, every three years, an amount per litre representing the operating costs borne by a gasoline or diesel fuel retailer, and to assess the expediency of excluding the amount from or including the amount in the operating costs borne by a retailer.





## COMMISSIONERS

Left to right:

Anthony Frayne, Benoît Pepin, Gilles Boulianne, Jean-Paul Théorêt, Louise Rozon, François Tanguay, Robert Meunier, Michel Hardy, Richard Carrier.

## A POOL OF EXPERTISE

The Régie is an economic regulation agency with a variety of functions. To analyze the applications and evidence brought before it, it requires specialized knowledge and expertise of energy-related matters. Its commissioners and staff are experts on energy and economic regulation who have been selected on the basis of the quality and relevance of their experience and training.

Engineers, accountants, economists, lawyers and other professionals analyze and monitor cases related to natural gas, electricity and petroleum products on a daily basis. A support team helps manage cases and respond to the citizens who use the Régie's services. Since their expertise must be kept up-to-date, the Régie promotes training for its people and makes sure they are kept abreast of regulatory and technical developments.

The Régie de l'énergie is composed of 9 permanent commissioners, including 2 supernumerary commissioners. A team of 65 managers, professionals and support staff provides the commissioners with analyses, legal opinions and follow-up on files.

## OPERATIONS

The Chairman of the Régie, who also sits as a commissioner, assigns and coordinates the work of the commissioners. He is responsible for the Régie's administration and directs its staff. He launches appropriate investigations and inspections under the Act. He is assisted by an Executive Assistant and a support team.

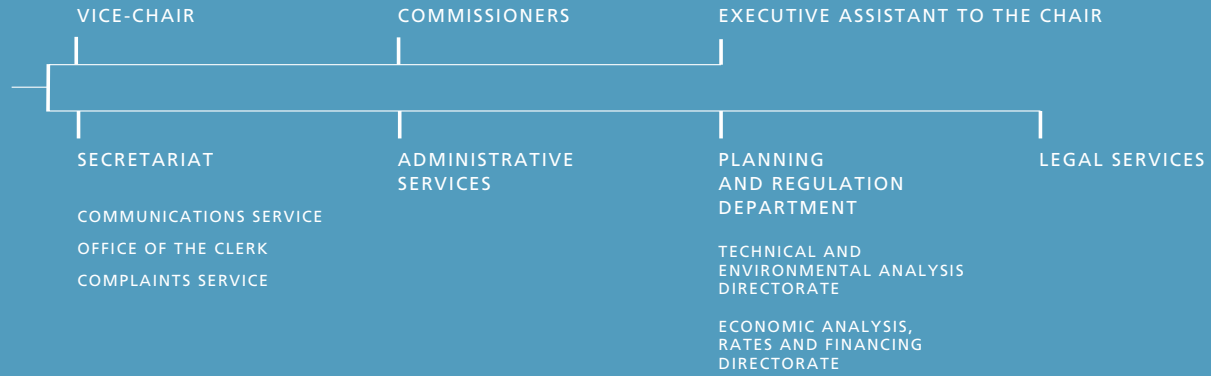
The Management Committee consists of eight managers: the Chairman of the Régie, the Vice-Chairman, the Secretary, the Executive Director, the Director of Legal Services, the Director of Administrative Services, the Communications Director, and the Executive Assistant to the Chairman. The Committee discusses the Régie's administrative affairs, including the allocation of resources to various operations. The Committee also monitors administrative and financial matters.

The Committee of Commissioners, composed of all the commissioners, meets to discuss the Régie's general approaches and to coordinate the regulatory agenda.

## ADMINISTRATIVE STRUCTURE

The Régie has a streamlined structure composed of the Chairman's Office and four departments. The majority of the Régie's employees work at the head office in Montréal, where most activities and hearings take place. The Régie also has an office in Québec City to serve clients in the Québec City area and Eastern Québec.

# CHAIR



34

APPLICATIONS

147

CONSUMER COMPLAINTS

71

DAYS OF HEARINGS  
56 ON APPLICATIONS  
15 ON COMPLAINTS

3

PREPARATORY MEETINGS

27

WORKING MEETINGS

6

NEGOTIATED AGREEMENT PROCESSES

21

CONCILIATION SESSIONS

255

DECISIONS  
165 ON COMPLAINTS  
90 ON APPLICATIONS

## REVIEW OF ACTIVITES

09

### 2004-2005 SUMMARY OF ACTIVITIES

The Régie seeks to provide forward looking regulation and high calibre monitoring services. The active participation of a wide range of stakeholders helps the Régie make informed decisions which ensure that energy needs are satisfied while promoting sustainable development and respecting principles of individual and collective equity.

This past year, 34 applications were filed with the Régie, 71 days of hearings were held and 21 conciliation sessions were conducted to settle consumer complaint cases. Three preparatory meetings took place, as well as 27 working sessions. The working group on the Gas Métropolitain and Company, Limited Partnership (GMCLP) rate case met six times.

The Régie rendered 255 decisions during the year, several of which have a significant impact on Québec society as a whole. By means of its tariff decisions and its authorization of capital expenditures, and by monitoring the operations of the companies under its jurisdiction, the Régie ensures that rates are fair and reasonable. It also assures the highest possible level of customer satisfaction and sees to it that companies are managed effectively.

By harmonizing the interests of regulated companies and consumers while safeguarding the public interest, the Régie ensures the smooth operation of energy markets. In pursuing its mission it is guided by the principles of sustainable development.

All regulatory decisions were made within the timeframes the Régie established with a view to meeting the needs of both consumers and industry - a basic aim of economic regulation.

### DAILY CONTACT WITH CONSUMERS

During the year, the Régie responded to more than 4000 inquiries from consumers concerning distributors' complaints procedures and about the price of petroleum products.

The Régie's Web site received thousands of visits each month and there were more than 400 subscribers to the weekly e-mail news service. The Régie also responded to several hundred calls from the media about a wide variety of issues.

ELECTRICITY SALES IN QUÉBEC  
M \$

2004	8,922
2003	8,578
2002	8,112
2001	7,803
2000	7,794
1999	7,448

ELECTRICITY SALES IN QUÉBEC  
TWH

2004	165.9
2003	167.1
2002	158.6
2001	152.2
2000	152.8
1999	147.0

HERITAGE POOL ELECTRICITY

SOURCE: HYDRO-QUÉBEC: 2004 ANNUAL REPORT

## ELECTRICITY

### ELECTRICITY DISTRIBUTION

The Régie rendered a decision on the distributor's rate application and set electric power rates for all Québec consumers as of April 1, 2005. It authorized an average increase of 1.2%.

On June 30, 2004, the Régie submitted its opinion to the government on the security of Québecers' electricity supply and the contribution of the Suroît project. The opinion published by the Régie on this high-profile issue included 16 recommendations to government.

The Régie also reviewed the application for approval of the \$116 million 2005 energy efficiency budget, as well as the distributor's 2005-2010 comprehensive energy efficiency plan, which calls for investments of \$1.7 billion (\$1.01 billion of which will be covered by the distributor) to achieve energy savings of 3 TWh.

Pursuant to its mandate to monitor tender solicitations and approve contracts awarded to satisfy the distributor's needs in excess of the heritage electricity pool of 165 TWh, the Régie approved the contracts submitted by the distributor.

Further, on March 15, 2005, the Régie received a request from the Minister of Natural Resources and Wildlife for an opinion concerning the distribution of electricity to major industrial consumers. The Régie was asked to examine the legality of the 175 MW limit stipulated in *Hydro-Québec's tariffs* and to consider the impact on Québec society of supplying such quantities of electricity to major industries.

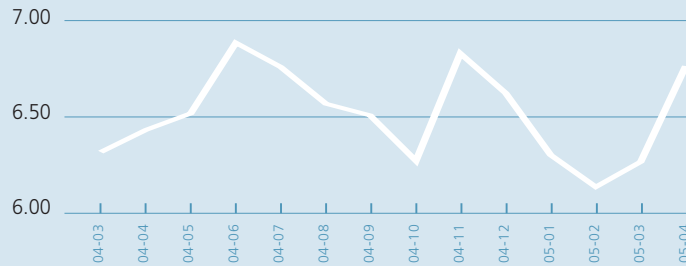
Finally, the Régie authorized \$550 million in capital expenditures for infrastructure projects related to electricity distribution.

### ELECTRICITY TRANSMISSION

The Régie approved certain aspects of the electric power carrier's tariffs, established in 2001, including a code of conduct. The carrier also submitted a cost allocation study and a proposal to modify the complaints procedure.

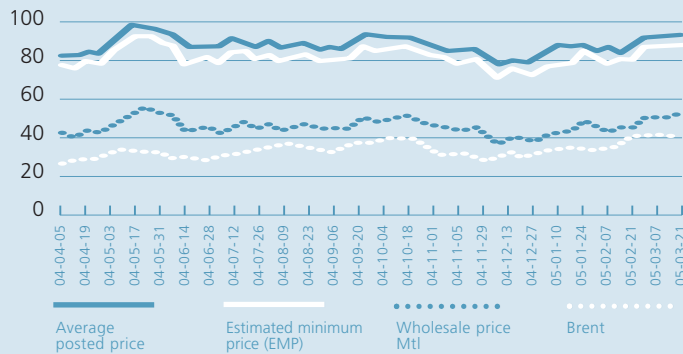
The Régie also authorized \$922 million in infrastructure projects related to electricity transmission.

MONTHLY EVOLUTION OF SYSTEM GAS PRICE — GMCLP  
\$/GJ

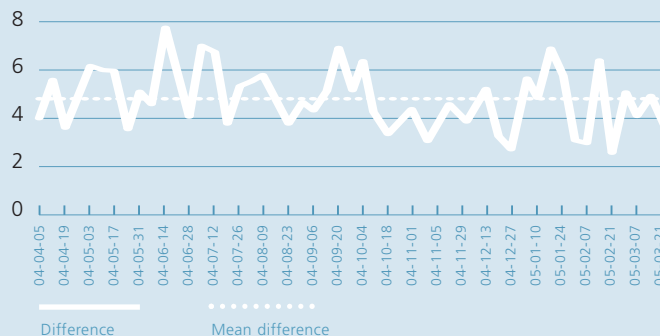


SOURCE: GAZ MÉTRO

WEIGHTED PRICE OF REGULAR GASOLINE FOR QUÉBEC AS A WHOLE  
¢/litre



DIFFERENCE BETWEEN WEIGHTED PRICE AT THE PUMP AND ESTIMATED MINIMUM PRICE OF REGULAR GASOLINE — QUÉBEC  
¢/litre



SOURCE: RÉGIE DE L'ÉNERGIE

## NATURAL GAS

The Régie set rates as of October 1, and authorized applications for capital expenditures submitted by the gas distributors (GMCLP and Gazifère Inc.). GMCLP's distribution rates were reduced by an average of 3%, while those of Gazifère Inc. increased by an average of 0.5%.

The Régie rendered a decision on changes to the performance improvement incentive mechanism for GMCLP. First approved by the Régie for a five-year period beginning in 2000, the performance incentive mechanism was renewed until 2009.

The Régie also oversees work on the review of GMCLP's rate structure with a view to promoting energy efficiency. It approved the creation of a fund specifically for this purpose.

Finally, the Régie has continued to study the two natural gas distributors' conditions of service with a view to offering consumers standard contracts.

The Régie authorized the natural gas distributors to make capital expenditures totalling \$234 million.

## PETROLEUM PRODUCTS

In accordance with the *Act respecting the Régie de l'énergie*, the Régie conducted an impact study of the exercise of its authority over gasoline and diesel fuel retail prices and commercial practices. It tabled its report in the National Assembly on October 26, 2004.

The Régie continued monitoring petroleum product prices and published the results every week in its *Bulletin sur les prix des produits pétroliers au Québec*, which is available on the Régie's Web site. It also responded to daily calls concerning petroleum product prices from the public and the media.

THE GEOPOLITICAL SITUATION AND GROWING GLOBAL ENERGY DEMAND CONTINUED EXERTING A POWERFUL INFLUENCE ON PETROLEUM PRODUCT PRICES. PRICES FOR GASOLINE, DIESEL FUEL AND LIGHT FUEL OIL FLUCTUATED WIDELY IN 2004-2005.

The Régie monitors petroleum product prices in Québec's 17 administrative regions, compiles the results, and makes them available to interested persons. It also calculates the estimated minimum price of gasoline and diesel fuel, based primarily on fluctuations in the wholesale price at the loading ramp in Montréal, on a weekly basis.

The Régie's *Bulletin d'information sur les prix des produits pétroliers au Québec*, a weekly report which has become the standard source on petroleum product prices in Québec, is posted on the Régie's Web site every week. The Régie also responds to daily calls from consumers, industry and the media.

## PETROLEUM PRODUCTS

### OVERVIEW OF PRICES

#### REGULAR GAS

From April 1, 2004 to March 31, 2005, the weighted average price of regular gasoline at the pump for Québec as a whole was 87.3¢/litre, compared with 76.1¢/litre during the previous year.

The average spread between the weighted retail price of regular gasoline, before taxes, and the estimated minimum price was 4.7¢/litre during the period of April 1, 2004 to March 31, 2005, compared with 4.9¢/litre during the same period of the previous year.

##### WEIGHTED RETAIL PRICE

▼ 77.3 ¢/litre, December 13, 2004      ▲ 97.8 ¢/litre, May 17, 2004

During the same period, the average weekly minimum price at the loading ramp in Montréal (the refinery price) moved in tandem with the price at New York.

##### PRICE AT THE LOADING RAMP

▼ 36.5 ¢/litre, December 13, 2004      ▲ 54.9 ¢/litre, May 24, 2004

The price fluctuations at the loading ramp were reflected in the estimated minimum price, which is composed of the minimum price at the ramp, average minimum transport costs, and applicable taxes.

##### ESTIMATED MINIMUM PRICE

▼ 71.4 ¢/litre, December 13, 2004      ▲ 92.6 ¢/litre, May 24, 2004

#### LIGHT FUEL OIL

The weighted average price of light fuel oil in Québec as a whole was 58.1¢/litre, an 11.9¢/litre decrease from the previous year.

##### WEIGHTED RETAIL PRICE

▼ 47.8 ¢/litre, April 12, 2004      ▲ 65.7 ¢/litre, March 21, 2005

#### DIESEL FUEL

The weighted average price of diesel fuel was 85.6¢/litre in 2004-2005, an increase of more than 13.6¢/litre from the previous year.

##### WEIGHTED RETAIL PRICE

▼ 75.1 ¢/litre, April 12, 2004      ▲ 95.4 ¢/litre, October 25, 2004

Visit [www.regie-energie.qc.ca](http://www.regie-energie.qc.ca)

for more information and to consult the *Bulletin sur les prix des produits pétroliers au Québec*, along with a variety of statistics.

## ELECTRICITY

### TRANSENERGIE

- Application concerning the determination of the carrier's cost of service and changes to its transmission rates
- Application for approval of transmission system reliability standards
- Applications for authorization of capital expenditures

### ELECTRICITY DISTRIBUTION

- Application for changes to the distributor's rates
- Application for changes to a number of the distributor's conditions of service and related expenses
- Application for approval of an interruptible power option (Medium power category)
- Application for approval of 2005-2014 supply plan
- Application for approval of framework agreement between Hydro-Québec Distribution and Hydro-Québec Generation for supplies to cover unexpected weather conditions and unscheduled energy
- Application for approval of wind integration service
- Application for authorization of capital expenditures
- Application for approval of 2006 energy efficiency budget
- Monitoring of the distributor's tender solicitations, including calls for tenders for wind energy, energy produced by cogeneration and short-term purchases
- Application for approval of supply contracts
- General review of independent systems (energy efficiency, commercial programs)

### ADMINISTRATIVE FOLLOW-UP

- Annual reports from the electric power carrier and distributor
- Status report on distributor's supply plan
- Request from the Minister of Natural Resources and Wildlife for an opinion on electricity distribution to major industrial consumers

## NATURAL GAS

- Modification of gas distributors' conditions of service

### GAZ MÉTROPOLITAIN AND COMPANY, LIMITED PARTNERSHIP

- Application for changes to the rates of Gaz Métropolitain and Company, Limited Partnership as of October 1, 2005
- Application for approval of supply plan
- Application for approval of energy efficiency plan
- Application for approval of the Energy Efficiency Fund's annual and three-year action plans
- Application for authorization of capital expenditures
- Application for approval of a liquefied natural gas supply contract

### GAZIFÈRE INC.

- Application for changes to rates as of October 1, 2005
- Review of incentive mechanism
- Application for approval of supply plan
- Application for approval of energy efficiency plan
- Applications for authorization of capital expenditures

### ADMINISTRATIVE FOLLOW-UP

- Monthly check of price GMCLP charges system gas customers for gas supply service
- Application for approval of rate adjustments made during the year as a result of decisions by other competent authorities concerning GMCLP and Gazifère Inc.

## PETROLEUM PRODUCTS

- Monitoring of petroleum product prices and weekly publication of the *Bulletin d'information sur les prix des produits pétroliers au Québec*
- Determination of an amount per litre representing the operating costs borne by gas and diesel fuel retailers

# CLIENT RELATIONS

The Régie holds yearly meetings with persons who represent the interests of residential, commercial, institutional and industrial consumers, environmental groups, the electric power carrier, and the distributors of electricity and natural gas. At these meetings, the Régie's Chairman and directors listen to clients' comments, concerns and suggestions, and then take steps to meet their needs.

## MORE EFFICIENT CHANNELS OF COMMUNICATION FOR ALL CONCERNED

The Régie's Web site provides access to all public documents pertaining to past and current applications and to transcripts of hearings. A powerful search engine makes it possible for users to find what they are looking for. The site also features a section entitled "What's New" which offers updates on current cases. Pages from the section on petroleum product prices are e-mailed to interested parties who subscribe to the service.

Electronic communications have become the norm at the Régie. Since it is possible to update the site in real time, documents related to current hearings can be consulted almost immediately. Since the interested parties have continuous access to electronic versions of the documents, it is possible to conduct paperless hearings. And since hearings are broadcast online in real time, all interested parties can listen to the proceedings live without having to attend.

The constant effort to improve the Régie's Web site and communication channels make the Régie's work more easily accessible to participants as well as to the general public. In addition, the weekly publication of the *Bulletin sur les prix des produits pétroliers au Québec* has made the Régie's site a source of information frequently consulted both by the public and the media.

## CONCILIATION: AN ALTERNATE METHOD OF SETTLING DISPUTES

In October 2004, with the help of the distributors, the Régie set up a conciliation service to deal with consumer complaints. By promoting better communication between the concerned parties in an atmosphere of mutual understanding and respect, the service helps them settle disputes to their mutual satisfaction.

Whenever a complete file is received, the Régie tells complainants about the service and offers to hold a conciliation session at their convenience within a 30-day limit. The conciliation sessions are held at the Régie's offices, before an experienced conciliator chosen by the Régie through a demanding selection process.

The following statistics show that this service benefits both the distributors and their clients. Since its inception, 20 cases have gone to conciliation with the consent of the parties and 18 of these resulted in the parties reaching an agreement. Thus, the success rate is nearly 90 per cent.

## OTHER CONSUMER SERVICES

A number of tools are available to help consumers understand the Régie's roles, functions and powers, as well as the procedures it follows. For example, the procedure for handling complaints from consumers of electricity and natural gas is available online from the Régie's home page. Consumers can also call the information line. Calls are answered in under a minute.

When a consumer lodges a complaint with the Régie concerning a distributor of electricity or natural gas, he or she is sent a brochure which explains the complaints process in clear and accessible language. Also available on the Web site, the brochure helps consumers to understand and prepare for the process. Another information brochure is sent to consumers who agree to conciliation. The Secretariat's staff receives ongoing training and can respond quickly and in a straightforward manner to all questions from complainants.



## INTERVENOR COSTS AWARDED BETWEEN APRIL 1, 2004 AND MARCH 31, 2005

ELECTRICITY	\$ 2,615,427
NATURAL GAS	\$ 465,880
PETROLEUM PRODUCTS	\$ 0
<b>TOTAL</b>	<b>\$ 3,081,307</b>

## PAYMENT OF INTERVENORS' COSTS

The Régie may order the electricity carrier or any distributor of electricity or natural gas to pay, in whole or in part, expenses related to proceedings conducted under the Régie's authority. When the public interest warrants, the Régie may pay such costs for groups formed for the purpose of participating in its public hearings. The amount of the reimbursement is determined in accordance with the Act, the *Rules of Procedure* and the *Intervenor Costs Payment Guide*, adopted by the Régie in July 1999 and amended in October 2003 following generic hearings on the issue.

In 2004-2005, the Régie ordered the payment of intervenor costs totalling more than \$3 million.

## PUBLIC PARTICIPATION

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### LIST OF INTERESTED PERSONS

ABGG Technologies	Coalition pour la sécurité énergétique du Québec (ACRTGQ-AICQ-AIEQ)	Leblanc, Brigitte A.
Action démocratique du Québec	Comité environnement TCA Mauricie / Centre du Québec	Lévêque, Jean-François
Association coopérative d'économie familiale de l'Outaouais	Confédération des syndicats nationaux	Le, Quang-Tu
Association coopérative d'économie familiale de Québec	Conférence régionale des élus de la Gaspésie et des Îles-de-la-Madeleine	Moteurs Novalia 2000 and VIV Engines
Association de climatologie du Québec	Corporation de gestion intégrée de la ressource éolienne	Ontario Power Generation
Association de l'industrie électrique du Québec	Costco Wholesale Canada Ltd	Option Consommateurs
Association des arènes du Québec	Dagenais, Jacques	Ordre des architectes du Québec
Association des gestionnaires de parcs immobiliers en milieu institutionnel	Dessureault, Gabriel	Pageau, Yvon
Association des redistributeurs d'électricité du Québec	Enjeu Bois-de-Boulogne	Parti Vert du Québec
Association des services de l'automobile du Québec	Eocycle Technologies	Petro-Canada
Association des stations de ski du Québec	Fédération des commissions scolaires du Québec	Québec Forest Industry Council
Association québécoise de la production de l'énergie renouvelable	Fédération québécoise des municipalités locales et régionales	Regroupement des organismes environnementaux en énergie
Association québécoise de lutte contre la pollution atmosphérique	Franbec CDA Ltée	Regroupement national des Conseils régionaux de l'environnement du Québec
Association québécoise des consommateurs industriels d'électricité	Granules combustibles Energex	Regroupement pour la responsabilité sociale des entreprises
Association québécoise des indépendants du pétrole	Gazifère Inc.	Renaud, Stéphane
Astrolab du Mont-Mégantic	Gaz Métropolitain and Company, Limited Partnership	Service de consultants en bâtiments
Groupe Axor	Grand Council of the Cree (Eeyou Istchee)	Shell Canada Ltd.
Beaulé, François	/ Cree Regional Authority and Waskaganish Band	Stratégies énergétiques
Beaulieu, Hugo	Groupe de recherche appliquée en macroécologie	Syndicat des producteurs en serre du Québec
Beauregard, Lucien	Groupe de simplicité volontaire de Québec	Systèmes Andro
Benhaddadi Mohamed / Guy Olivier	Groupe STOP	Technik-Eaucan
Brascan Energy Marketing	Helios Centre	TransCanada Energy Ltd.
Canadian Federation of Independent Business	Heliotech	TransQuébec & Maritimes Pipeline Inc.
Canadian Petroleum Products Institute	Héritage Saint-Bernard	Ultramar Ltd.
Canadian Wind Energy Association	Hydro-Québec	Union des consommateurs
Centre d'études réglementaires du Québec	ICI Design	Union des municipalités du Québec
Chagnon, Frédéric	Imperial Oil Ltd.	Union des producteurs agricoles
Chaouqi, Réda	Industrial Gas Users Association	Ville de Beauharnois
Charest, Louis	Intergaz	Ville de Saint-Jérôme
Citoyennes et Citoyens vers Kyoto	Lamarche, Jean Laurier	
CLD Beauharnois-Salaberry	Langlois, Patrick	

## THE REGIE'S FINANCIAL RESULTS

for the fiscal year ended March 31, 2005

OPENING ACCUMULATED SURPLUS	\$ 1,216,019
REVENUES	\$ 7,751,685
EXPENSES	\$ 8,198,058
ENDING ACCUMULATED SURPLUS	\$ 769,646

## FINANCIAL SUMMARY

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### RÉGIE EXPENDITURES PER GIGAJOULE AND PER CONSUMER

YEARS	RÉGIE EXPENDITURES	EXPENDITURES PER GIGAJOULE <sup>1</sup>	EXPENDITURES PER CONSUMER <sup>2</sup>
2004-2005	\$8,198,058	\$0.0064	\$1.0860
2003-2004	\$8,372,922	\$0.0064	\$1.1149
2002-2003	\$7,913,091	\$0.0065	\$1.0614
2001-2002	\$7,585,800	\$0.0064	\$1.0237
2000-2001	\$7,347,882	\$0.0060	\$0.9960
1999-2000	\$6,766,764	\$0.0057	\$0.9207

<sup>1</sup> Expenses distributed among electricity, natural gas, gasoline and diesel fuel consumption in Québec.

<sup>2</sup> Expenses distributed among the population of Québec. (Source: Statistics Canada).

### OTHER INFORMATION

Revenues for the fiscal year ended March 31, 2005 consisted primarily of the duties paid, in accordance with section 102 of the Act, by the carrier, the electric power distributors, including Hydro-Québec Distribution, the natural gas distributors and petroleum product distributors that exceed the volume stipulated by regulation. Pursuant to section 107 of the Act, any amount by which revenues exceed expenditures in a fiscal year is carried over to the subsequent annual budget, reducing the duties payable to the Régie during the following fiscal year. The audited accumulated surplus for 2004-2005 will therefore be taken into account in calculating the duties payable in 2005-2006.

In accordance with section 106 of the Act and Order-in-Council 73-98 (effective January 21, 1998), the Régie's budget forecasts for fiscal 2004-2005 were submitted to the Government on January 28, 2004 and approved by Order-in-Council 863-2004.

THE ACT RESPECTING THE MINISTÈRE DU CONSEIL EXÉCUTIF STIPULATES THAT THE RÉGIE'S CODE OF ETHICS AND PROFESSIONAL CONDUCT IS TO BE PUBLISHED IN ITS ANNUAL REPORT.

## RÉGIE DE L'ÉNERGIE COMMISSIONERS' CODE OF ETHICS

**1. GENERAL PRINCIPLES** Commissioners shall at all times conduct themselves with loyalty and dignity, demonstrate reserve, and abstain from any statement or action that is incompatible with their duties. In the performance of their mandate, commissioners shall promote the satisfaction of Québec's energy needs in accordance with the principles of sustainable development and with attention to economic, social and environmental concerns. They shall also reconcile the public interest, consumer protection and equitable treatment of distributors.

**2. IMPARTIALITY** Commissioners shall demonstrate impartiality at all times. They shall act and be seen to act objectively and without prejudice. They shall abstain from expressing in public any opinions that might cast doubt on their objectivity or impartiality, or that of the Régie.

**3. INDEPENDENCE** Commissioners shall at all times defend the independence of their office. They shall perform their duties free of all interference. They shall avoid placing themselves in a vulnerable position.

**4. POLITICAL NEUTRALITY** Commissioners shall set aside their personal political opinions so as to perform their duties with due objectivity. Commissioners shall exercise reserve in the public expression of their political opinions and shall not belong to any advocacy group that takes positions on energy-related matters.

**5. CONFLICTS OF INTEREST** Commissioners shall avoid placing themselves in a position of conflict of interest. They shall arrange their personal affairs so as not to interfere with the performance of their duties. They shall not use the power of their position to obtain or grant any benefit or favour. Commissioners shall have no interest, direct or indirect, in any company that produces, transports, distributes or supplies energy, or in any organization, association or undertaking an interest in which would create a conflict between their personal interests and the duties of their position.

**6. DECLARATION OF INTERESTS** Each Commissioner shall submit an annual written declaration to the Chairman of the Régie stating all the interests he or she possesses which he or she believes could create a conflict of interest.

**7. RECUSAL** Commissioners shall recuse themselves from any deliberations in which their ability to deal impartially with the application under consideration could be in doubt. A commissioner shall bring any situation which he or she deems to be problematic to the attention of the Chairman of the Régie.

**8. CONFIDENTIALITY** Commissioners shall swear an oath of confidentiality upon entering upon their duties. Commissioners shall abstain from making any comment or taking any public position on any file, whether or not they are personally responsible for that file, and shall express their points of view only through the decisions rendered by the Régie. Commissioners shall at all times respect the confidentiality of the documents and information to which they are made privy in the performance of their duties and may not use them for personal ends.

**9. DUTY TO ACT WITH EQUITY** At hearings and in examining applications, commissioners shall ensure that all participants have the opportunity to be heard and to make their arguments, insofar as those arguments are admissible and relevant. At hearings, commissioners shall maintain order, taking a firm but courteous attitude which fosters mutual respect among all present.

**10. COLLEGIALITY** Each commissioner shall provide his or her colleagues with appropriate support, while respecting the areas of competence of each. Commissioners shall strive to ensure that the decisions rendered by the Régie are consistent, so that all intervenors who appear before the Régie receive equitable treatment.

**11. EXCELLENCE** Commissioners shall keep their professional skills and knowledge current so as to maintain the quality of their work.

**12. DILIGENCE** Commissioners shall render written, reasoned decisions, effectively and diligently, in plain language.

**13. OATH** Upon entering upon their duties, commissioners shall take the following oath: "I, ... , commissioner, do solemnly declare that I will exercise the powers and perform the duties of my position impartially and honestly, to the best of my ability and knowledge."

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For more information on the Régie, its people, its accomplishments and upcoming cases, visit the Régie web site.

Full information on the cases currently before the Régie is also posted on the web site. Our site has therefore become an indispensable reference for anyone interested in energy issues.

[www.regie-energie.qc.ca](http://www.regie-energie.qc.ca)



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