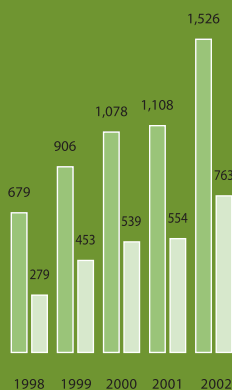


ACTION THAT BENEFITS THE ENVIRONMENT, SOCIETY, THE ECONOMY
AND ALL REGIONS OF QUÉBEC. A COMMITMENT TO FUTURE
GENERATIONS.



SOME INDICATORS

Reported Net Income and Dividends Paid
(M\$)



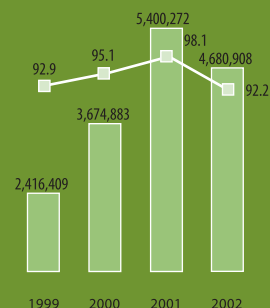
■ Reported net income
■ Dividends paid

Donations and Sponsorships
(M\$)



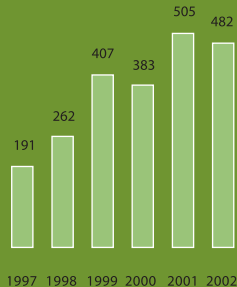
■ Donations
■ Sponsorships

Reuse of Insulating Mineral Oil in Equipment



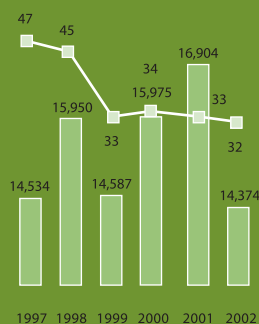
■ Reuse rate (%)
■ Quantity reused (litres)

Number of Contaminant Spills



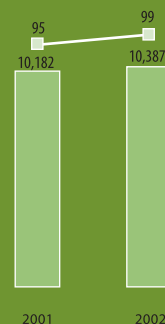
In 75% of cases, the volume spilled was 50 litres or less.

Treatment of Vegetation in Rights-of-Way



■ Treated with herbicides (%)
■ Area treated (hectares)

Wood Poles



■ Recovery rate (%)
■ Poles recovered

2 Hydro-Québec, a Company Committed to Sustainable Development

6 Action That Benefits the Environment

18 Action That Benefits Society

28 Action That Benefits the Economy

34 Action That Benefits All Regions of Québec

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

We are proud to present Hydro-Québec's first Sustainability Report, the new incarnation of the environmental performance report we have been publishing annually since 1995. For the first time, this document offers a comprehensive view of the company's commitment to promote harmonious growth in all three spheres of sustainability: environment, society and the economy. It has been drawn up in accordance with the Sustainability Reporting Guidelines 2002 issued by the Global Reporting Initiative.

Hydro-Québec has been involved in environmental protection for more than 30 years and is a pioneer in this field in Québec. Since 1989, we have embraced the principle of sustainable development, an approach that not only reconciles corporate growth with activities that are environmentally, socially and economically beneficial, but also ensures development opportunities for future generations. Our sustainability commitment is essentially founded on the three conditions we have set as prerequisites for all of our projects: they must be profitable under market conditions, environmentally acceptable, and well received by local communities.

But Hydro-Québec's commitment to sustainability goes well beyond new development projects.

First of all, the electricity industry in the Province of Québec has extraordinary environmental advantages. With a generating fleet that is 97% hydroelectric, Hydro-Québec contributes a great deal to reducing greenhouse gas emissions and improving air quality not only in Québec but throughout North America. Moreover, we make sure that our activities are subject to rigorous environmental management. In fact, we are now completing the implementation of ISO 14001—compliant environmental management systems in all our units.

By maintaining close ties with communities, local residents and Native groups, we make sure that our operations also benefit the host environment. In 2002, these ties led to 31 accords of various sorts: partnering arrangements, property rentals for community purposes, and agreements under the Integrated Enhancement Program.

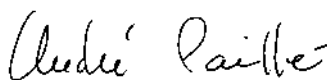
In terms of social benefits, we constantly strive to contribute to community development and to improve our corporate citizenship. These efforts translate into a sustained presence in humanitarian aid, health care, education, culture and amateur sports.

Finally, through sound management and profitable operations, Hydro-Québec serves as an engine of the Québec economy. In addition to offering Quebecers electricity rates that are among the lowest in North America and paying dividends of \$763 million this year to its sole shareholder, the Government of Québec, the company also contributes significantly to the provincial economy through its growth, capital spending and purchases of goods and services.

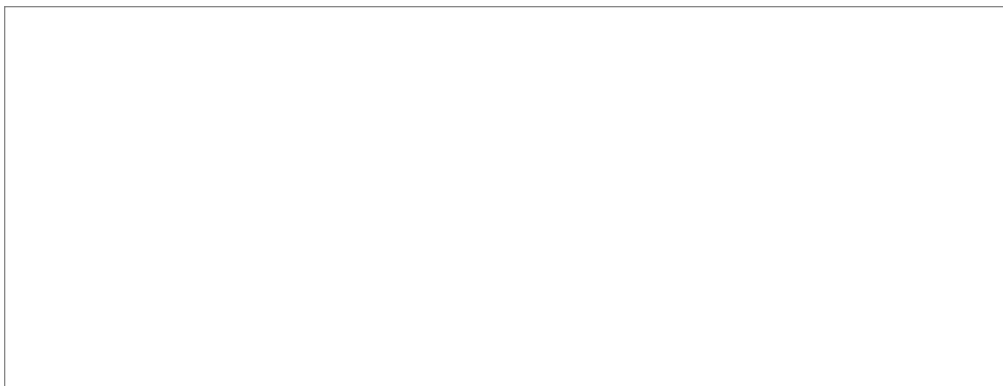
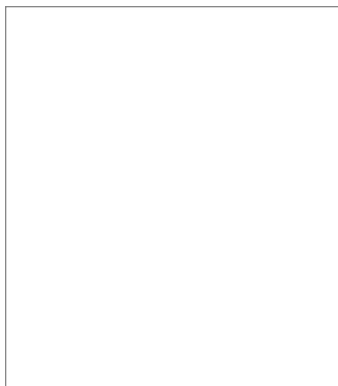
For this excellent triple-bottom-line performance, we must thank and congratulate all of our employees, who, through their motivation and dedication, make our sustainability objectives achievable... as the reader will see in this report.

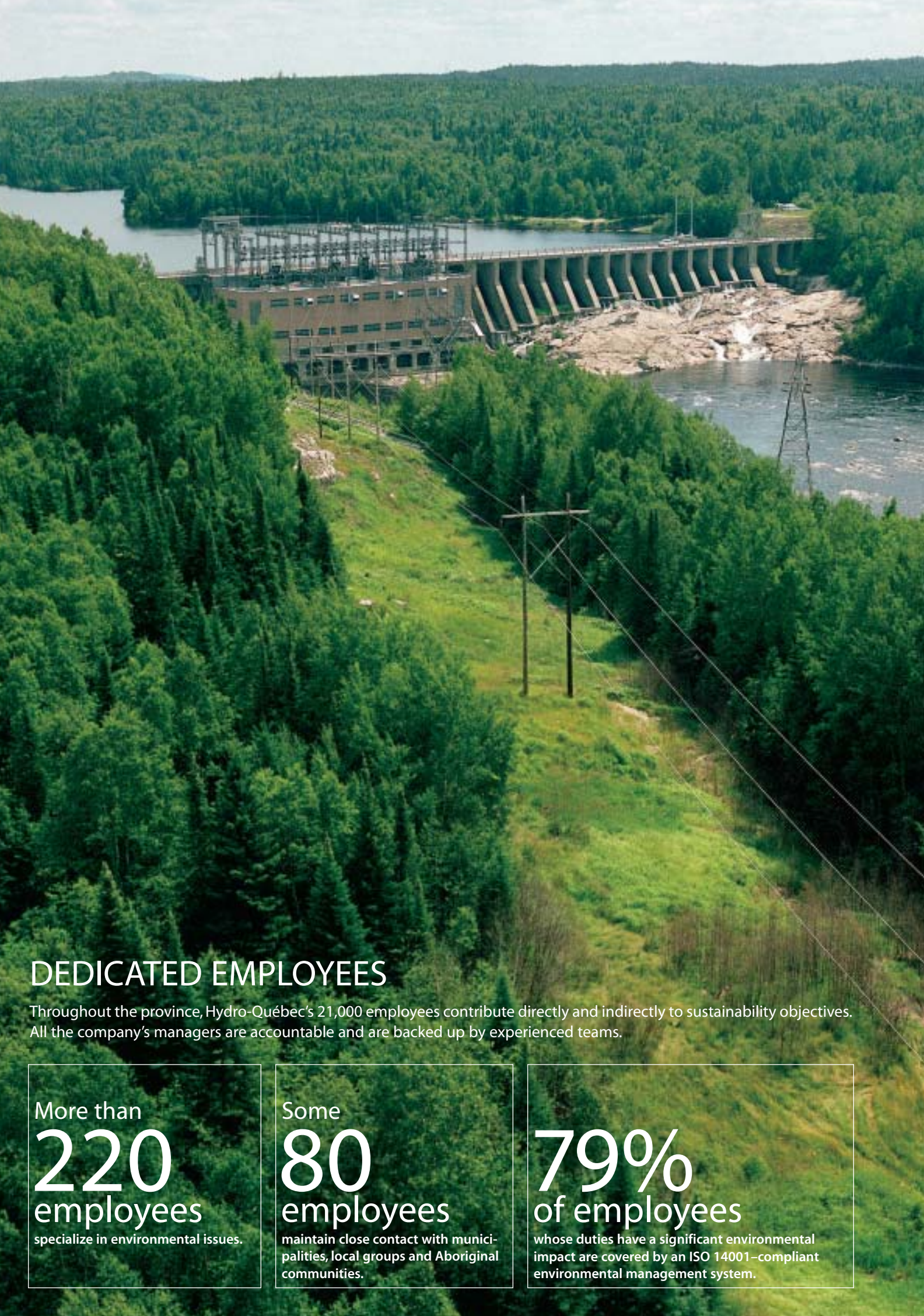


Jacques Laurent
Chairman of the Board



André Caillé
President and Chief Executive Officer





DEDICATED EMPLOYEES

Throughout the province, Hydro-Québec's 21,000 employees contribute directly and indirectly to sustainability objectives. All the company's managers are accountable and are backed up by experienced teams.

More than
220
employees
specialize in environmental issues.

Some
80
employees
maintain close contact with municipalities, local groups and Aboriginal communities.

79%
of employees
whose duties have a significant environmental impact are covered by an ISO 14001-compliant environmental management system.

HYDRO-QUÉBEC, A COMPANY COMMITTED TO SUSTAINABLE DEVELOPMENT

Profile

Hydro-Québec is one of the largest producers of green power in North America, with 97% of its total energy output generated from water resources. It has 2.8 million customers, and in 2002, its annual sales totaled 158.6 TWh in Québec and 54.7 TWh outside Québec. It had revenue of more than \$13 billion and net income of \$1.5 billion, and declared dividends of \$763 million to its shareholder, the Québec government. It also operates a 32,314-km transmission system and a 106,830-km distribution system, 9% of which is underground. It has a generating fleet of 81 power stations.

Its core operations are carried out by five divisions:

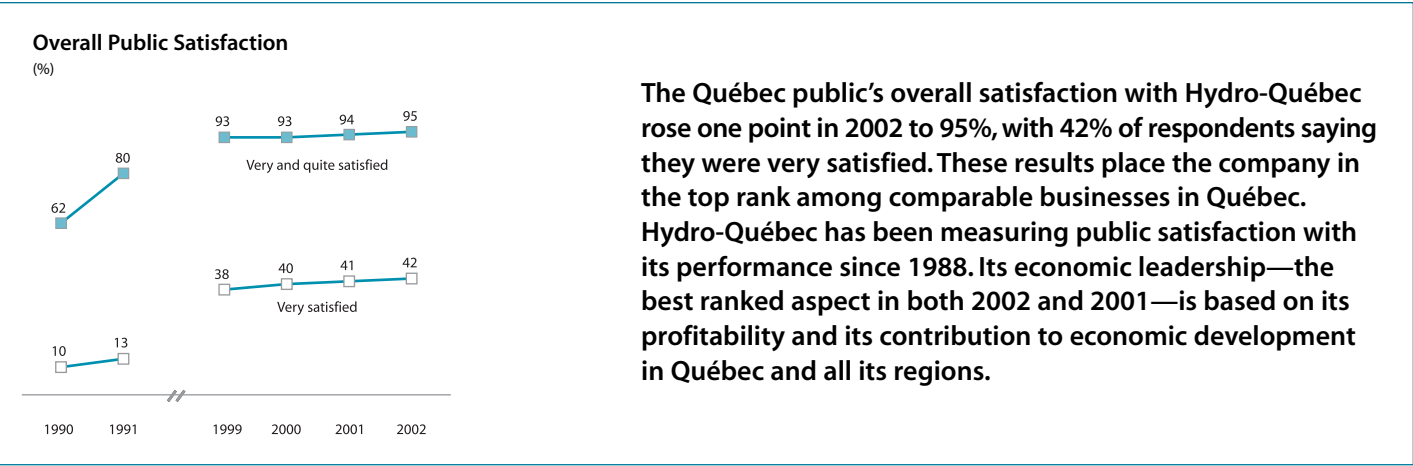
- Hydro-Québec Distribution
- Hydro-Québec TransÉnergie (transmission)
- Hydro-Québec Production (generation)
- Hydro-Québec Équipement (construction and engineering)
- Hydro-Québec Pétrole et gaz (oil and gas)

The corporate affairs (government relations, community relations, legal, industrial security, communications and environment), shared services, financial services, research, strategic planning and human resources functions support the core operations of the five divisions and contribute to Hydro-Québec's development.

Hydro-Québec's generating output is sold mainly on the Québec market and is produced by facilities located throughout the province's 1,667,900-km² territory.



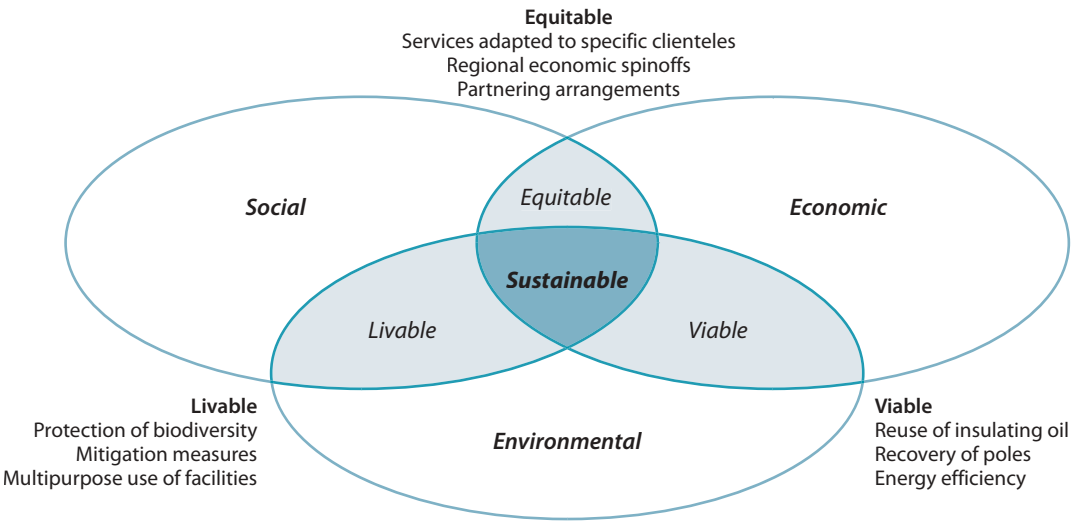
Hydro-Québec is a major producer, transmission provider and distributor of electricity, headquartered in Montréal. Its core mission is to supply Quebecers with the electricity they need.



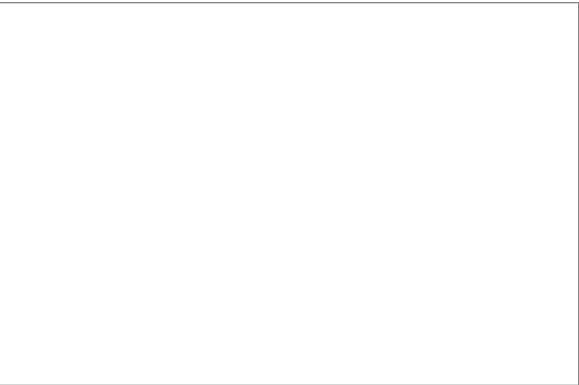
Vision, Values, Ethics

Hydro-Québec is an environmentally innovative company that has adhered to the principles of sustainable development since 1989. It regards sustainability as a long-term commitment that combines environmental protection, social equity and economic efficiency. Through this commitment, it strives for equitable, viable and livable development, in line with its vision and values.

Sustainable Development



Beauharnois region



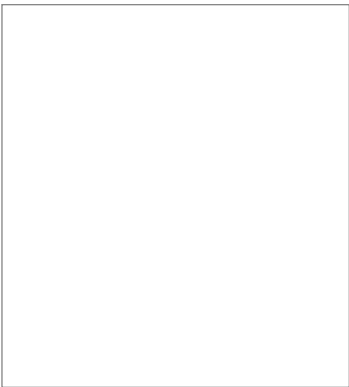
<i>Vision</i>	<i>Values</i>	<i>Ethics</i>
<i>To become a world leader in energy</i> By developing its expertise for the benefit of its customers, employees and shareholder and by working with partners in business ventures.	Customer satisfaction “Business first” approach Respect for employees Quality improvement Respect for the environment in cooperation with local communities Safeguarding the future	All Hydro-Québec employees are bound by a code of conduct that guides them in their work and encourages them to demonstrate honesty, loyalty and diligence, respect for people and the environment, protection of confidential information and fair treatment of customers, suppliers and partners. Similarly, a code of ethics and professional conduct sets out the duties and obligations of directors and executives.

**Responsible
Management**

The Environment and Social Responsibility Committee of the Board of Directors reviews the values and policies associated with sustainable development and advises the Board on such issues.

Nine corporate policies and some 30 corporate directives define the company’s sustainable development approach. Moreover, four of the divisions as well as the units registered to ISO 14001 each have a declaration of environmental principles that specifies their commitments in this area and provides the basis for procedures adapted to their environmental management systems. Hydro-Québec also has various internal networks of managers and specialists who assist the decision makers.

Although its commitment to sustainable development is not new, the company assesses its progress on an ongoing basis and periodically establishes goals and targets with a view to continuous improvement. It constantly monitors new approaches geared to sustainable development and incorporates them into its practices.





With most of its energy output generated from water, Québec's electricity industry produces per capita greenhouse gas emissions that are

68
times lower

than elsewhere in Canada.

More than

6,000
employees

attended environmental training on awareness sessions in 2002.

ACTION THAT BENEFITS THE ENVIRONMENT

Reduced Greenhouse Gas Emissions

Like most Quebecers, Hydro-Québec considers climate change to be a critical issue. Canada recognized the importance of this problem when it recently ratified the Kyoto Protocol, intended to limit greenhouse gas (GHG) emissions.

When compared with the rest of Canada and other industrialized countries, Québec's GHG performance is remarkable. In Québec, per capita GHG emissions are one-half those of the other Canadian provinces as a whole, and one-sixth of Alberta's. This excellent result is related directly to the performance of Québec's electricity industry, whose per capita emissions are 68 times lower than elsewhere in Canada. And this performance can mainly be credited to Québec's decision to promote the development and use of hydropower.

For a number of years, Hydro-Québec has conducted short-term electricity sales and purchases. However, it sells more electricity to its neighbors each year than it purchases. The company's main customers are in New England, New York State, Ontario and New Brunswick. Each year, these net electricity transfers result in avoided GHG emissions equivalent to the exhaust from six million cars.

Hydro-Québec "labels" its product. This duly audited* label indicates the characteristics of its electricity, namely the sources of supply (excluding the output from off-grid generating stations) and the related atmospheric emissions. Many American states will soon require their power suppliers to provide such labeling. In comparison with the regional average calculated for the six New England states, New York State, Ontario and New Brunswick for 2001, Hydro-Québec's electricity produces 28 times less CO₂, 21 times less SO₂ and 17 times less NO_x per terawatt-hour sold.

* The data on the label covers the period from January to December 2001. It was audited by Samson Bélair/Deloitte & Touche.

Floating chambers for measuring GHGs



According to the results of our research, reservoirs over 10 years old emit no more GHGs than natural lakes.

Main Atmospheric Emissions

- CO₂ (carbon dioxide): the predominant greenhouse gas created by human activity and a cause of climate change.
- SO₂ (sulphur dioxide): a key precursor of acid deposition and fine particulates.
- NO_x (nitrogen oxides): a key precursor of ground-level ozone (a component of urban smog) and acid deposition.

Putting Hydropower First

Hydro-Québec's first and foremost contribution to the reduction of greenhouse gases is its ongoing development of the hydroelectric potential of Québec and nearby regions.

The agreement signed in 2001 by the Québec government and the Cree Nation of Québec, described as a "Peace Among Braves," enabled the company to resume some major hydropower projects in 2002. Construction of the Eastmain-1 development in northern Québec and impact assessments for Eastmain-1-A generating station and the Rupert diversion got under way.

Work proceeded on the construction of the Sainte-Marguerite-3 hydropower project, the new powerhouse at Grand-Mère, in the Mauricie region, and Toulnostouc generating station on the North Shore, as well as on the major rehabilitation of Beauharnois generating station. The company continued studies on the harnessing of the Péribonka River and completed the partial diversion of the Portneuf and Sault aux Cochons rivers. It also obtained the necessary government approvals for the partial diversion of the Manouane River.

In addition, Hydro-Québec is studying hydroelectric development potential in Nunavik and has given its subsidiary, Société d'énergie de la Baie James (SEBJ), a mandate to make a preliminary assessment.

Development projects must meet the following three conditions:

- They must be profitable under market conditions.
- They must be environmentally acceptable.
- They must be well received by local communities.

Decelles reservoir



Promoting Hydroelectricity

Hydro-Québec promotes hydroelectricity in a number of ways, including its involvement in various associations.

- It is a member of the board and chairs the Environment Committee of the International Hydropower Association, where one of the company's executives is serving a term as vice-president.
- It participates in the activities of the Canadian Hydropower Association and has a seat on the board.
- It represents public utilities on the advisory committee of the Dams and Development Project.

As host of the event, the company has devoted considerable effort to organizing the 21st conference of the International Commission on Large Dams, to be held in Montréal in June 2003.

Every year, Hydro-Québec organizes the International Conference on Energy as part of the Conference of Montreal, which brings together high-ranking decision makers from all over the world.

The company is also active in the development of various renewable energy markets in the U.S. Northeast. Its goal is to see that hydropower is recognized and included in renewable energy portfolios.

Ensuring a Diversified Supply

If Hydro-Québec cannot complete its hydroelectric projects in a timely fashion, it intends to diversify its facilities in order to meet the needs of all its markets, by selectively building gas-fired thermal generating stations that use the best technology available to ensure efficient power production and a positive environmental performance. An initial 800-MW project, the Suroît combined-cycle generating station, was submitted to the Bureau d'audiences publiques sur l'environnement (BAPE) in 2002.

Construction work on the new Grand-Mère generating station



The Toulnostouc jobsite



Promoting Other Renewables

Hydro-Québec is the largest buyer of wind power in Canada. In fact, the company has undertaken to meet a portion of its energy needs over the next few years with 1,000 MW of wind power and 100 MW of biomass power.

In addition to its own hydroelectric output, Hydro-Québec purchases electricity from independent power producers that chiefly use low-emission energy sources.

Electricity Generation and Purchases (GWh)

	2000	2001	2002
Hydropower generated	147,585	139,594	145,401
Hydropower purchased	31,728	29,623	32,518
Small hydropower, biomass and waste reclamation	2,214	2,587	3,055
Wind power purchased	181	158	169
Total – Renewables	181,708	171,962	181,143
Total electricity generated	152,831	144,679	150,135
Total electricity purchased	34,123	37,473	39,204
Total electricity generated and purchased	186,954	182,152	189,339
Renewables/ total electricity generated and purchased (%)	97	94	96

Promoting Energy Efficiency

Greenhouse gas emissions are also reduced through the efficient use of energy, and Hydro-Québec has been active in this area since the early 1960s. From 1990 to 2000, its initiatives led to energy savings of some 2,500 GWh—the equivalent of the annual consumption of 120,000 residential customers.

Saint-Ulric-de-Matane



New panel trucks have been developed that allow crews to operate electrical and hydraulic equipment without having to leave the truck motor running.



In 2001, Hydro-Québec began a thorough review of the residual potential for energy conservation in Québec, in conjunction with the Agence de l'efficacité énergétique du Québec (AEEQ). This work led to the development of an Energy Efficiency Plan, which was submitted to the Régie de l'énergie (Energy Board) in 2002. The plan calls for

- 16 programs, including 3 to provide financial support for AAEQ programs
- investments totaling \$234 million over slightly more than three years (2003–2006), with \$109 million provided by Hydro-Québec
- 750 GWh in energy savings by the end of 2006, or almost 9% of the estimated technical and economic potential over a five-year period

Energy efficiency sometimes involves simple, innovative initiatives that offer substantial environmental or financial benefits for the community. Hydro-Québec is setting a good example: a boiler that burns slash from the Toulmoustou construction site heats the local sports centre. It has also made energy efficiency gains through technological innovations improving turbine performance. As well, since 1997, it has reduced energy losses on its transmission system by 1.8 TWh.

Developing New Technologies

In 2002, Hydro-Québec invested considerably in the development of low-emission technologies, such as the lithium-metal-polymer battery, waste pyrolysis and hydrogen storage. Hydro-Québec CapiTech, the company's venture capital subsidiary, has injected more than \$270 million into businesses that are developing such applications.

As a result of the cooperative efforts begun in 2002 with its European partners, the Dassault and Heuliez groups, Hydro-Québec will provide the drive system of a prototype electric vehicle to be launched at the Frankfurt motor show in 2003. The vehicle will not only contribute to reduced GHGs but will also decrease emissions of gases associated with urban smog, thereby improving air quality in cities.

Careful Environmental Management

Improving Performance with Environmental Management Systems

Hydro-Québec began the process of implementing ISO 14001-compliant environmental management systems (EMS) in 1997. In 2002, Hydro-Québec TransÉnergie obtained registration, and the energy technologies laboratory in Shawinigan was added to the certificate of Hydro-Québec's research institute. These units join the nine others already registered.

Celebration of ISO 14001 certification at the energy technologies laboratory



Raising Suppliers' Environmental Awareness

Hydro-Québec ensures that its suppliers meet its environmental requirements. To that end, it increases their awareness through such activities as training for construction employees and contractors, and includes environmental and social conditions in their contracts. For construction projects, for example, 23 standard environmental clauses are part of all tender calls, and other provisions can be added on a case-by-case basis.

Avoiding Waste

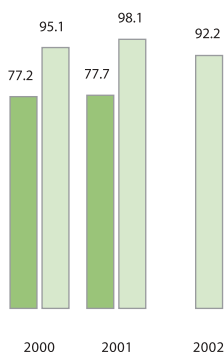
Hydro-Québec gives priority to the purchase and development of high-performance equipment with a long service life. It uses resources as efficiently as possible and implements such measures as reduction at source, reuse, reclamation and recycling.

In the area of recovery, good practices are yielding excellent results. For instance, power-line hardware recovery rose from 172 tonnes in 2001 to 220 tonnes in 2002, and the figures for paper and paperboard went from 520 tonnes in 2001 to 589 tonnes in 2002.

As well, more than 1,400 wooden pallets were reused at stores and warehouses on the Island of Montréal alone. As part of the effort to reduce paper consumption, the company continued to promote the online billing and payment program launched in 2001. Almost 20,700 customers had signed up for the program at the end of 2002, for potential savings of 285,000 bills and envelopes for the year.

Hydro-Québec also recovers, decontaminates and regenerates insulating mineral oil (IMO) used in its oil-immersed equipment. It compares its performance in this regard against the aggregate performance of the member companies of the Canadian Electricity Association (CEA). In 2002, Hydro-Québec decontaminated and regenerated 4,680,908 litres of IMO for reuse in its equipment or sale to certain suppliers. The reuse rate for IMO, which actually performs better than new oils, amounts to 92.2%.

Reuse of IMO
in Equipment
(%)



Preventing Pollution

Each year, Hydro-Québec establishes practices to reduce the environmental impacts of its projects and operations. In 2002 Hydro-Québec developed a reusable container that makes recovery of residual materials more efficient. The company also adopted a technical solution that curtailed the use of noisy diesel generators in urban areas. In addition, it replaced the conventional greasing mechanisms on two of the butterfly valves at Bersimis-1 generating station to eliminate discharges of grease into the environment.



Hydro-Québec has set up 525 residual hazardous materials recovery centres at its facilities throughout Québec.

■ CEA
■ HQ

Year 2002 data for the CEA are not available.

Environmentally Acceptable Projects

Various solutions are applied or tested to lessen the risk of spills or reduce the damage they cause. For example, electronic remote sensing equipment has been installed on fueling station tanks in certain locations. These systems quickly detect any leakage from the tanks.

Hydro-Québec promotes the environmental acceptability of its projects by doing environmental assessments, applying mitigation and compensation measures, and maximizing the spinoffs of its projects in cooperation with local communities. Moreover, the company carries out environmental compliance monitoring during construction and adapts its activities as required.

At the Sainte-Marguerite-3 site, for instance, Hydro-Québec built spawning grounds and stocked three lakes with fish to improve fishing conditions and habitat for brook (or speckled) trout. Since the construction site is in the Matimek controlled harvesting zone, the company also came to an agreement with the zone's managers on access conditions during construction, to ensure that hunting, fishing and recreational activities could continue.

In addition, a dozen major new projects underwent environmental assessments in 2002. These assessments yielded environmental inventories and made it possible to identify environmental issues and possible mitigation measures.

For the distribution system, 99% of the 13,000 or so projects approved this year underwent an internal environmental assessment (IEA). Ultimately, the objective is to locate "the right line in the right place".

Projects That Underwent an IEA – Distribution System (%)

	2000	2001	2002
Projects that underwent an IEA	81	96	99

Sainte-Marguerite River



Construction of spawning ground for brook trout.

La Fondation Hydro-Québec pour l'environnement

In 2002, the Fondation Hydro-Québec pour l'environnement provided \$800,000 in financial support for 10 projects designed to improve the natural environment in response to local needs.

The Foundation's initiatives helped protect three threatened plant species (American ginseng, beech fern and puttyroot) and one vulnerable species (wild leek). In addition, 17 species that may be designated threatened or vulnerable benefited from protective measures. The Foundation also made it possible to preserve or consolidate 802 hectares of wetlands and 550 hectares of protected areas. Finally, it ensured application of protection or enhancement measures for three rivers: the Mitis, the Deharveng and the Niagarette.



In 2002, 1,000 telephone interviews were conducted with customers who had distribution work done on their property. The overall degree of satisfaction with the quality of work and the environmental integration of the projects was 8.7 out of 10 for residential and business customers and 8.6 for developers.

Species and Habitat Diversity

Hydro-Québec makes a sustained effort to preserve the biological diversity of areas affected by its projects and routine operations and proposes mitigation measures designed to ensure sustainability to the extent possible. Wildlife habitat improvements such as fish passes and spawning grounds help maintain conditions conducive to biodiversity.

Environmental Knowledge and Expertise

Maintaining Employees' Environmental Competencies

Employee training and awareness are a cornerstone of effective environmental management. At Hydro-Québec, EMS training continued to be a priority in 2002. Over 10,500 employees have received such training since 1997.

More than 6,000 people attended environmental training or awareness sessions in 2002. These courses aim above all to ensure that employees in the various units that have an impact on the environment possess sound environmental competencies. They are also designed to maintain a high degree of skill and expertise among the company's environmental specialists.



Investing in the new generation

Hydro-Québec is anxious to ensure the continuity of its expertise by training competent new environmental specialists; in fact, it offered 30 four-month internships to university students in 2002. This program has been in existence since 1996.

Hydro-Québec has designated May as Environment Month. In 2002, the main goal was to make employees aware of the improvements in the company's environmental performance since 1970.

Investing in Research

Every year, Hydro-Québec invests millions of dollars to acquire the knowledge it needs to improve management of the environmental impacts of its projects and operations.

The main fields of research are technology, nuisances (noise and electromagnetic fields), contaminants (spills, contaminated soils and poles), visual impact of facilities and quality of life, maintenance of power line rights-of-way, and environmental impacts of hydroelectric developments (terrestrial and aquatic resources and habitats, estuaries, land use and reservoir management).

Hydro-Québec also analyzed various methods for calculating the ecological in-stream flow needed for the main uses of Québec's lakes and rivers.

Hydro-Québec supports four environmental research chairs: the Université de Montréal Landscape and Environment Chair, the Hydro-Québec – NSERC – UQÀM Environmental Research Chair, and two NSERC chairs at the École polytechnique de Montréal: the Industrial Chair in Site Bioremediation and the Chair in Environmental Design Engineering – Pulp and Paper. It invested more than \$500,000 in these chairs in 2002.

Ensuring Rigorous Environmental Follow-Up

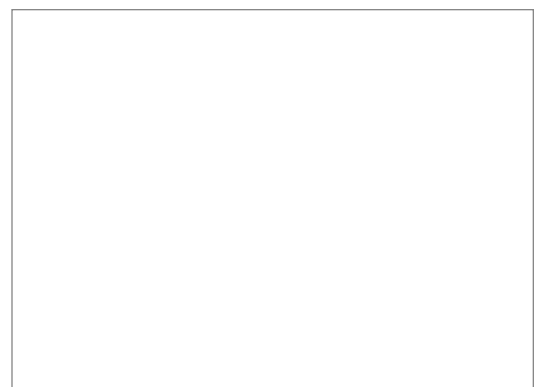
Hydro-Québec carefully monitors its projects during construction and carries out rigorous environmental follow-up after completion. In addition to validating the results and content of the environmental assessments, this follow-up improves the effectiveness of mitigation measures and helps us to design better ones.

Environmental Follow-Up During Construction of Sainte-Marguerite-3 Generating Station

At Sainte-Marguerite-3 generating station, the nearly 10-year environmental monitoring and follow-up program was completed in 2002. Here are the main conclusions, presented in a brochure titled *Construction of the Sainte-Marguerite-3 Hydroelectric Development: Environmental Highlights 1994–2002*.

- *Results of the follow-up on moose.* The area used by moose in the course of a year ranges from 10 km² to 400 km², and averages 100 km². Since moose can cover large areas, they have adapted to the flooding of a portion of their habitat.

Measuring noise from transformers



- *Results of the follow-up on birds.* Fifteen sites with 44 golden eagle nests were discovered on the cliffs of the Sainte-Marguerite and Moisie rivers. This species has not been harmed by the flooding. In the case of waterfowl, the flooding may even have had a positive impact, since it increased the surface of aquatic sites where the birds can rest, molt and feed.
- *Results of the follow-up on the Sainte-Marguerite estuary.* The filling of Sainte-Marguerite 3 reservoir from 1998 to 2002 had no impact on freshwater and saltwater habitats, since the basin upstream from the estuary remained a freshwater environment at all times. During impoundment, the rainbow smelt spawned upstream from a rocky sill 6.7 km from the mouth of the river. The cutoff of flow during this period did not affect smelt breeding.

Environmental Follow-Up at the La Grande Hydroelectric Complex

In the eastern part of the La Grande complex, a follow-up on social impacts, conducted with trappers and other groups in conjunction with Cree coordinators, satisfied the requirements of the authorization certificates for the Laforge-2 and Brisay projects (Phase II of the La Grande complex). At the same time, this follow-up fulfills an agreement between the company and the Cree communities. Consequently, it covers Phase I impacts, as well, and fills a significant gap in our knowledge of the impacts of hydroelectric developments on Aboriginal communities.

Under its mercury research program, Hydro-Québec published a report in 2002 summarizing 20 years of follow-up on fish in the region of the La Grande complex.

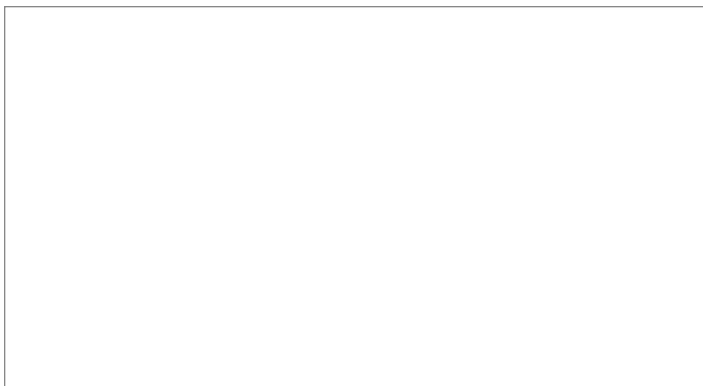
Other Follow-Ups: Establishing Baselines

Before building a project, Hydro-Québec devotes considerable effort to determining the existing conditions in the host community. These environmental studies permit a comparison with future conditions created by new projects and an assessment of impacts and the effectiveness of mitigation measures. Baselines were established in 2002 for the Toulmoustou and Eastmain-1 hydroelectric development and Opinaca reservoir projects, and for the partial diversion of the Portneuf, Sault aux Cochons and Manouane rivers. The same procedure was carried out for the landscape along Highway 10 prior to construction of the 735-kV Saint-Césaire–Hertel line.

Golden eagle



735-kV tower



**Environmental Expertise:
A Key Export**

The ponds in “W” National Park in Niger, located in the Sahel, are considered to be of global importance under UNESCO’s Man and the Biosphere Program. As a member of the E7, Hydro-Québec carried out environmental follow-up studies on rural electrification projects in this park. Hydro-Québec also provided expertise and support to the National Parks Service of the Galapagos Islands for a similar project.

In Thailand, Hydro-Québec took part in coordinating six training workshops and three technical exchanges with representatives of the Ministry of Science, Technology and Environment and the Electricity Generating Authority.

In cooperation with Mexico’s Federal Electricity Commission, Hydro-Québec planned and implemented a corporate training and technical exchange project for 2003–2005 to promote knowledge transfer.

Through Hydro-Québec International, Hydro-Québec participated in the environmental audit of the hydroelectric facilities operated by AEM Torino in Italy. The company also provided opinions on the program of follow-up studies for Yacyretá generating station in Argentina and on the effectiveness of the mitigation measures applied.

“W” National Park in Niger





\$5M

in donations for humanitarian aid, education and health.

\$9M

in sponsorships of events and organizations throughout Québec.

ACTION THAT BENEFITS SOCIETY

Cooperation with Communities

Developing Mutually Beneficial Partnerships

Hydro-Québec maintains ongoing relationships with municipalities, social and economic organizations and citizens' groups throughout Québec. Through these regular contacts, the company develops the partnerships necessary for the smooth functioning of its projects and operations as well as for the optimization of their spinoffs all over the province.

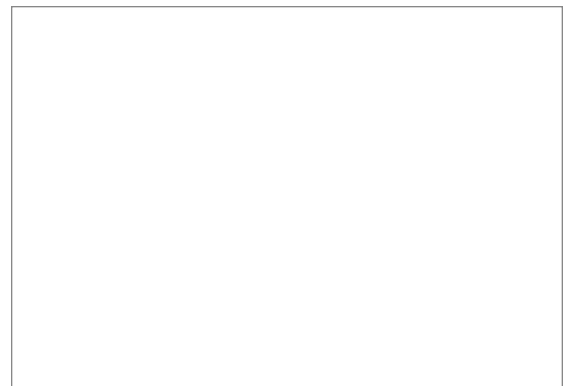
Hydro-Québec's collaboration with community representatives led to the signing of 31 agreements this year. These include partnering arrangements, agreements for the leasing of properties for community purposes, and agreements under the company's Integrated Enhancement Program.

The Union des producteurs agricoles (UPA), Union des municipalités du Québec (UMQ), Fédération québécoise des municipalités (FQM) and Hydro-Québec have set up three standing liaison committees. The HQ-UPA, HQ-UMQ and HQ-FQM liaison committees promote dialogue, carry out projects and review issues affecting relations between Hydro-Québec and local municipalities or farmers.

The results of the committees' activities in 2002 include the following.

- In September, a brochure on vegetation control, titled *La maîtrise de la végétation : un partenariat profitable*, was published jointly by Hydro-Québec, the FQM and the UMQ.
- In April, Hydro-Québec and the UMQ, in cooperation with Bell Canada and Vidéotron, published *Lotissements et réseaux de distribution souterrains : guide des bonnes pratiques*. This guide to integrating underground distribution systems in new subdivisions is intended mainly for municipal planners.

Municipality of Lotbinière



Review of Community Relations

In 2002, Hydro-Québec compiled its first review of community relations, based on a 2001 survey of representatives of regional county municipalities (RCMs), urban communities, municipalities and the main regional economic organizations. Seven focus groups held across Québec and 2,526 telephone interviews yielded the survey results. The respondents' satisfaction rate averaged 7.76 on a scale of 1 to 10. The three expectations rated highest in terms of both importance and satisfaction were reliability of the information provided by the company, its emergency response capability and facility operation.

Contributing to Joint Management of Land and Resources

As one of Québec's largest landowners, Hydro-Québec encourages the use of its properties for secondary purposes, as long as there is no danger to personal safety or facility operations. Accordingly, it has allowed the development of bicycle paths and a linear park in transmission line rights-of-way in Laval and Québec City.

Hydro-Québec also jointly manages its reservoirs with other users. For example, it installed a water level gauge and a telephone link between the Angliers fish farm and Première-Chute generating station in Abitibi-Témiscamingue for the purpose of monitoring fluctuations in levels and flows. It is also an active participant on several committees responsible for integrated management of watersheds including those of the Saint-Maurice, Gatineau, Ottawa, Richelieu and Sainte-Marguerite rivers.

Through concrete action and awareness activities, the company prevents conflicts between the operation of its facilities and the various land uses. For example, it published and circulated a guide to the multipurpose use of transmission line rights-of-way, *Pour un bon voisinage entre terrains privés et emprises de lignes*, intended specifically for the Laurentians.

Promoting Local Acceptance of Projects

One of the prerequisites for any new development is favorable reception by the host community. To improve its relations with local communities and take account of their concerns, Hydro-Québec organizes information sessions, discussions and public consultations, and participates in various committees and meetings with external analysts on environmental issues.

Première-Chute generating station



Business partnerships may also be established for generating projects. These agreements may take various forms, from limited partnerships, as with the projects on the Betsiamites River, to regional development funds, an approach used for the hydroelectric development on the Toulouste River.

Through the Integrated Enhancement Program established in 1985, Hydro-Québec contributes financially to initiatives that enhance the biophysical or social environment of municipalities affected by major power transmission projects. The purpose of the agreements signed under this program is to integrate the company's projects into the host environments.

Integrated Enhancement Program Funding

	Number	Hydro-Québec Funding (\$M)	Counterpart Funding (\$M)	Total Cost (\$M)
Initiatives in 2002	10	3.4	8.2	11.6
Initiatives since 1985	874	81.0	132.2	213.3

Development of Aboriginal Communities

The "Peace Among Braves" negotiations led to the signing of nine agreements between the Crees and Hydro-Québec in 2002. Among them were the *Nadoshtin Agreement* dealing with construction of the Eastmain-1 hydroelectric project, the *Boumhounan Agreement* on the Eastmain-1-A/Rupert Project, and the *Cree Employment Agreement*.

- *Nadoshtin Agreement*. This agreement allows Hydro-Québec to build and operate the Eastmain-1 project, as described in the *James Bay and Northern Québec Agreement*. Work began in 2002. Crees in Eastmain, Mistissini, Nemaska and Waskaganish will play an active part in the project. Hydro-Québec has committed to award construction contracts worth \$300 million to Cree contractors.
- *Boumhounan Agreement*. This agreement provides a framework for the construction of Eastmain-1-A generating station and diversion of the Rupert River, and affects Crees in four communities (Eastmain, Mistissini, Nemaska and Waskaganish). The Crees are participating with Hydro-Québec in project-related studies and work, and will be involved in all phases of the draft design and in obtaining the necessary approvals. Société d'énergie de la Baie James (SEBJ) has also undertaken to allocate \$5 million to the Crees at the draft-design phase and, if the project becomes a reality, it will award contracts worth \$240 million to Cree contractors.

Many of Hydro-Québec's generating facilities are located on land inhabited and used by Aboriginal communities, which therefore receive special attention from the company. Québec is home to 11 Aboriginal nations, with 79,268 people residing in 55 communities.



- *Cree Employment Agreement.* In this agreement, Hydro-Québec reiterated its commitment to hire 150 Crees by March 2017 for permanent positions in the James Bay region.

In addition, Aboriginal employees of Hydro-Québec who work in Nunavik have received training to give them the skills to perform certain tasks and help them move into more senior positions.

In 2002, Hydro-Québec awarded contracts worth approximately \$90 million to Aboriginal organizations, contractors and self-employed workers.

The company also awarded scholarships to six students, out of eleven candidates from four of the eleven Aboriginal nations in Québec. Two university students received 12-week internships at Hydro-Québec and prizes of \$2,000. In addition, \$1,000 awards of excellence were given to four college students. Hydro-Québec hopes these awards will encourage young Aboriginals to continue their postsecondary education.

Improved Quality of Life and Landscape

Undergrounding the Distribution System

Hydro-Québec is concerned with the visual impact and footprint of the overhead distribution system. For this reason, while aware of the cost involved, the company wishes to stimulate its customers' interest in underground lines. It has therefore established a two-part undergrounding program to enhance new residential developments and public thoroughfares.

Under part one, aimed at new residential neighborhoods, the number of new customers who chose an underground system for their new home rose nearly 30% over 2001.

As at December 31, 2002, Hydro-Québec had received 20 applications under part two of the program, designed to enhance public thoroughfares. Four of these projects have been completed and another four are in progress.

Hydro-Québec is a major partner in the government's undergrounding program, in which municipalities are invited to submit projects to Québec's Department of Natural Resources, which makes a selection based on the heritage, culture and tourism value of each site. This program has a budget of \$300 million for 2001 to 2006. Of the 120 applications received since the program was announced, 20 have been approved. Work began at 13 sites in 2002, and two projects have now been completed.

Hydro-Québec's workforce includes 155 Aboriginal employees.



Integrating Projects into the Environment

For many years, efforts to harmonize power facilities with the landscape and the environment have been an integral part of all projects at Hydro-Québec right from the design stage.

At Langlois substation in Montérégie, for example, the company designed night lighting that has no impact on the quality of life for nearby residents, and minimized the building height to limit the visual impact of the substation.

Hydro-Québec continued to protect and enhance the province's built and technological heritage, as well as the natural and archaeological heritage. For example, many undergrounding projects were the subject of archaeological compliance monitoring.

Business Practices That Meet Customers' Needs

Meeting Customer Expectations

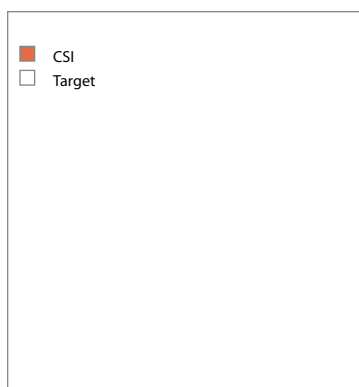
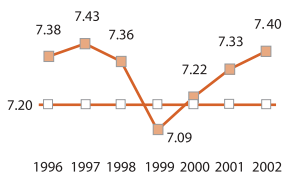
Customer satisfaction is a major concern for Hydro-Québec and has been monitored since 1992. A list of customer expectations is drawn up each year in conjunction with focus groups representing the different customer categories. The expectations customers consider most important include the safety of facilities, rates, reliability of service, accuracy in billing and quality of customer service.

Other expectations deemed priorities by customers include fair and equitable treatment, respect and understanding. In 2002, all customer categories felt that Hydro-Québec had improved these aspects: satisfaction was at its highest level since 1992 (between 7.2 and 7.9 out of 10, depending on the expectation and the customer category).

In terms of the environment, respect for residential customers' property during work and improved pruning methods are among the top expectations. Customer satisfaction in these areas rose to 7.6 out of 10 in 2002, from 7.1 in 1999.

In the Montréal area, where there is a substantial immigrant population, Hydro-Québec has worked out programs to meet the special needs of cultural communities. In partnership with organizations that provide orientation services to new arrivals, the company is developing better ways of communicating, particularly with unilingual customers who speak neither French nor English. For example, Hydro-Québec negotiates service agreements for newcomers in various languages through immigrant aid organizations. It also supports the development of cultural communities by sponsoring sociocultural events and partnering with business associations.

Customer Satisfaction Index (CSI)



During the year, managers took courses to make them more aware of different cultures and the specific needs of immigrant customers.

Hydro-Québec takes care of low-income customers through services and specific initiatives. In winter (December 1 to March 31), the company maintains service to residential customers who heat with electricity and reconnects those whose power was cut off for failure to pay. The company also offers flexible payment terms and has special, very flexible payment arrangements with over 20,000 low-income customers. Ongoing relations with consumer and family budgeting groups have led to the development of new services and have elicited the participation of some 30 associations in a study of low-income customers.

Handling Complaints and Claims

Hydro-Québec is diligent in handling complaints and claims from its customers. In 2002, it received about 12,500, mainly from residential customers. Complaints generally involve liability, collection, consumption and billing. Most claims deal with power fluctuations, outages, system maintenance and property damage.

Public Health and Safety

Hydro-Québec is committed to assessing and preventing public health hazards that may be caused by its operations and facilities. The company carries out any necessary studies and publishes the results. For example, it sponsors a research chair for analyzing toxicological risks for human health at the Université de Montréal.

To reduce the number of incidents involving the public and contractors (22 in 2002), Hydro-Québec has developed a public awareness program on the safe use of electricity. In addition, the company audits the safety of its facilities.

Hydro-Québec also monitors questions related to electric and magnetic fields, an environmental issue associated with the installation and refurbishment of power lines and operation of the transmission and distribution systems.



Privacy

In 2002, Hydro-Québec adopted a business practice that will strengthen the protection of customers' personal information and lead to new guidelines for handling third-party requests for information. This practice will be implemented in 2003 and 2004.

Employee Development Motivating Employees

For Hydro-Québec, human resources constitute an asset to be preserved and developed.

For a number of years, the company has conducted an annual survey to determine the level of satisfaction and motivation of its employees. The results show that the level of job satisfaction at Hydro-Québec increased from 7.15 to 8.1 out of 10 between 1998 and 2002.

Variable compensation for the company's senior executives includes an annual objective to improve employee motivation. During 2002, communication and regular recognition of employee contributions were emphasized.

Meeting Pay Equity and Employment Equity Standards

To comply with the *Pay Equity Act*, Hydro-Québec has set up 10 programs intended to align compensation paid to employees in predominantly female job categories with that paid to employees in predominantly male job categories for equivalent work.

In accordance with the *Act respecting equal access to employment in public bodies*, which promotes representation of women, Aboriginals, visible minorities and ethnic minorities, Hydro-Québec compiled a comprehensive list of its employees in November 2002 and analyzed the types of jobs they held. This analysis will enable the company to revise its recruitment, hiring and retention methods and ensure that they are free from any form of discrimination.

Focusing on Employee Health and Safety

The health of employees is important to Hydro-Québec. It develops and uses new approaches to current health issues, such as mental health problems. An employee assistance program provides access to professional services 24 hours a day, seven days a week, so that employees can obtain support when they are dealing with personal or job-related problems.

Training

Hydro-Québec devotes a great deal of effort to training its employees and updating their expertise and skills. In 2002, 16,798 employees received training in-house or at outside institutions. This represents an average of 57.2 hours of instruction per employee trained during the year, and an investment of \$81 million.



Employee safety is also a constant concern at Hydro-Québec. Work-related accident frequency is in line with industry standards. In 2002, the operating procedures of internal health and safety committees were reviewed, and the company analyzed how its employees view potential hazards.

To improve job attendance, the company developed management indicators, along with a diagnostic tool to help it understand the factors that promote good attendance. A preliminary guide to the best attendance management practices was also compiled.

Succession Management: The Key to Retaining Expertise

Succession is a major issue for Hydro-Québec. This year it therefore stepped up the corporate succession support plan it adopted in 2001.

As part of this program, the company updated turnover forecasts and identified the most vulnerable positions as well as the reasons why they will be vacated. It introduced advance staffing measures for these positions, along with knowledge-transfer programs. To ensure a well-trained succession in electrical engineering, the company also joined with six Québec universities in founding the Institute of Electrical Power Engineering.

Hydro-Québec has offered paid internships to university students for a number of years. Since 2000, close to 450 students have been able to gain job experience by working alongside company employees. The number of paid university internships rose from 140 in 2000 to 184 in 2002.

Active Involvement in Québec Society

The company is actively committed to Québec society and maintains a strong presence all across the province. Hydro-Québec supports numerous causes through its donations and sponsorships. In 2002, donations totaled \$5 million and were mainly devoted to humanitarian aid, education and health.

The 2002 Centraide/United Way campaign at Hydro-Québec produced outstanding results. The total contribution by employees and the company was \$4.5 million. This represented a 10% increase over the amount raised in 2001, making Hydro-Québec the top donor company in Québec.



Hydro-Québec is enhancing its support for organizations that assist young people and women in difficulty. For example, for the past three years it has provided funding for the “Partners for Life” program of the Quebec Mental Illness Foundation, a suicide and depression prevention program for young people.

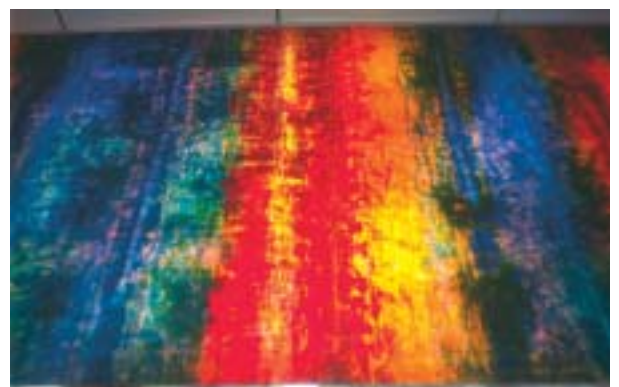
The sponsorship budget, which totaled \$9 million, supports science and culture, social and economic programs, the environment and sustainable development, and amateur sport. Hydro-Québec sponsored numerous provincial and regional events during the year.

Hydro-Québec also encourages its employees to get involved in community organizations and assists their efforts. Employees who volunteer with non-profit organizations can apply for a financial contribution of up to \$1,000 from Hydro-Québec for the organizations they support. In 2002, over 220 employees obtained contributions totaling nearly \$183,000.

Hydro-Québec is one of the 20 or so Canadian companies that invest over \$100 million in research and development every year. Over the year, the company also supported 20 university research chairs, contributing nearly \$1.7 million. This is an increase of more than 10% from 2001.

Mousseau Mural

The mural by Québec artist Jean-Paul Mousseau has adorned the head office lobby since its inauguration in October 1962. Its lighting system became defective in the 1980s and Hydro-Québec decided to restore it for the work's 40th anniversary in 2002. Titled *Lumière et mouvement dans la couleur*, this masterpiece can now be admired by passers-by on René-Lévesque Boulevard.





More than
\$1.6 billion

in purchases of goods and services in Québec in 2002.

91%

of goods and services purchased from
Québec-based companies.

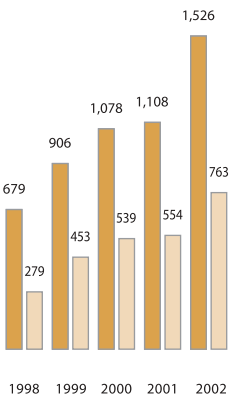
ACTION THAT BENEFITS THE ECONOMY

An Asset for Québec Society

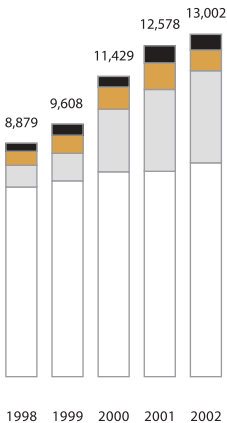
Since Hydro-Québec is a government-owned company, its profitability is a major asset for Québec society. The company intends to build on this legacy in order to leave a sound, healthy business for future generations. This is all the more important as its assets represent some \$59 billion, and are of considerable economic, financial and social interest to Québec.

Overall, the company's financial ratios show a marked improvement. Return on equity reached 11% compared with 7.6% reported in 2001. Return on revenue rose to 11.7%, interest coverage went from 1.43 to 1.56, and self-financing increased to 71.6%. Since the capitalization rate remains above the fixed threshold of 25%, the company will pay its shareholder, the Québec government, dividends of \$763 million for 2002; it also paid taxes totaling \$580 million.

Reported Net Income and Dividends Paid (\$M)

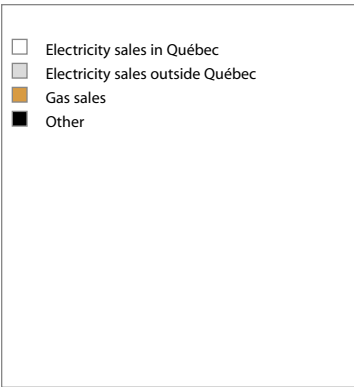


Revenue (\$M)



Rate Comparison

City	Residential Rate (¢/kWh)
Winnipeg, MB	5.89
Montréal, QC	6.03
Ottawa, ON	7.29
Halifax, NS	9.40
Toronto, ON	9.65
Portland, OR	10.20
Edmonton, AB	11.18
Seattle, WA	11.19
Boston, MA	18.05
New York, NY	19.39
San Francisco, CA	28.68



In 2002, consolidated net income totaled \$1,526 million, up \$418 million from 2001. Over the past six years, Hydro-Québec has paid \$2.9 billion in dividends to its shareholder. In addition, a portion of its income is reinvested in the company to improve service quality and strengthen the system. Since it was established in 1944, Hydro-Québec has consistently generated income, a good part of which has been reinvested in Québec society as a whole.

Electricity rates in Québec are among the lowest in the world and have been frozen since 1998, giving the province a competitive edge over other parts of northeastern North America. The favorable rates also have a direct impact on Quebecers' standard of living and the competitiveness of Québec businesses.

Support for a Dynamic Québec Economy

Given its extensive assets and the scope of its operations throughout the province, Hydro-Québec plays an important role in the Québec economy. Such regions as northern Québec, the North Shore and Mauricie continue to benefit from the economic spinoffs of the hydroelectric developments in these areas.

In January 2003, Hydro-Québec filed a brief with the government committee studying ways to maximize the economic spinoffs of natural resource development in the resource regions, which was set up further to the regional development summit in 2002. It reiterated its desire to support economic development and employment all across Québec.

In 2002, the company purchased goods and services worth \$1,648 million, thereby supporting approximately 12,000 direct jobs. About 91% of the purchases were from Québec-based companies. To enhance its contribution to regional economies, Hydro-Québec sets up various joint committees with community representatives and takes steps to optimize the regional economic spinoffs of its operations and projects.

Hydro-Québec also contributes to local and regional economic growth by participating in initiatives and associations, with the goal of developing mutually beneficial partnerships. Here are some examples.

- In conjunction with representatives of the provincial Department of Industry and Trade, the Department of Regions, Emploi Québec and Investissement Québec, Hydro-Québec monitors company retention and shares information via a committee set up to retain and expand businesses in the Laurentians. Hydro-Québec is a founding member of this committee.

Surveying on the site of Touloustouc generating station



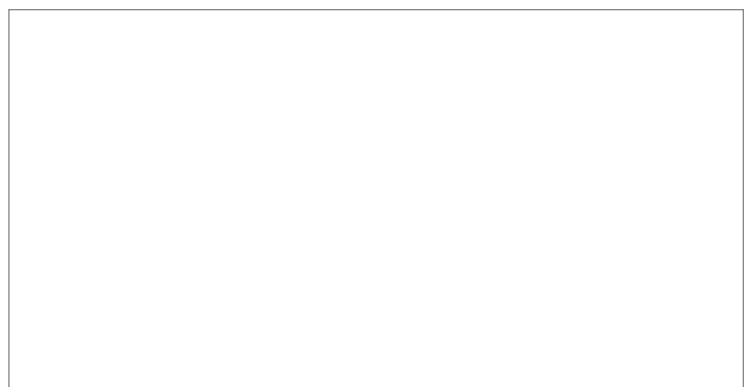
- Hydro-Québec is part of the coordinating committee set up by the Lanaudière regional administrative conference to support economic projects. This committee is composed of the Assistant Deputy Minister of Regions and representatives of the Department of Industry and Trade, the regional development board and Investissement Québec. Its mandate is to select economic projects that are eligible for support programs for the most economically disadvantaged RCMs.
- Regional Hydro-Québec representatives are active in various local economic organizations, such as chambers of commerce, regional and local development boards, and sector-based development groups such as Laval Technopole, the Québec aluminum research and development centre, the Québec City regional board of trade and the Rimouski tourism and conference bureau.

Contribution to Provincial and Regional Economies	2000	2001	2002
Purchases of goods and services (\$M)	1,475	1,446	1,648
Direct jobs supported through contracts (person-years)	10,393	10,892	12,250
Municipal and school taxes (\$M)	38	37	36

Hydro-Québec's workforce, which is located throughout the province, also contributes to regional economic growth. Of the company's approximately 21,000 employees, more than 14,000 live outside Montréal and Québec City.

Hydro-Québec attaches great importance to job creation in the areas in which its capital projects are located. In recent years, it has broken ground on several projects representing investments of over \$6 billion. These include the hydroelectric development projects at Sainte-Marguerite-3, Toulnostouc, Grand-Mère and Eastmain-1, as well as the Montérégie loop.

Camp at Toulnostouc jobsite



Project	Region	Total Jobs (Person-Years) for the Project
Sainte-Marguerite-3	North Shore	5,472
Toulnostouc	North Shore	2,454
Outardes-3	North Shore	621
Grand-Mère	Mauricie	2,700
Eastmain-1	Northern Quebec	6,000
Montréal loop	Montréal	1,250
Total		18,497

Hydro-Québec will also be involved in developing the province’s gas potential by exploring the sedimentary zones in the Gulf of St. Lawrence, the estuary and the Gaspé Peninsula. It aims to act as a catalyst in this endeavor, which could result in substantial economic spinoffs.

The company supports the development of wind power through a purchasing program and calls for tenders. Such purchases should support the development and consolidation of a wind power industry in the Gaspé Peninsula and the Magdalen Islands.

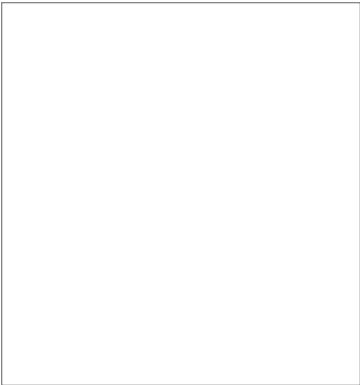
Moreover, by opening 19 of its facilities and sites to the public, Hydro-Québec contributes to regional recreation and tourism. It supports organizations that coordinate guided tours of its properties, such as the Cité de l’Énergie (90,000 visitors in 2002) and the Sept-Chutes recreation and tourism complex (34,000 visitors in 2002).

Sept-Chutes generating station



More than 200,000 people visited Hydro-Québec facilities and sites in 2002.

Drilling platform



**Technology Development
in Québec Business**

Hydro-Québec is committed to being a true business partner to its industrial, commercial and institutional customers. This is reflected in an ongoing presence in outlying regions and the forming of solid contacts with its customers and partners.

Québec has an open economy, and the company's industrial customers export much of what they produce. To help with this objective, Hydro-Québec, in cooperation with the Network of Export Commissioners, the Quebec Manufacturers & Exporters Association, the Department of Industry and Trade, and other economic agencies, sponsored networking events between Québec companies and foreign businesses. One such event, *Naturallia 2002*, brought together 50 Québec companies and 135 foreign businesses in Rouyn-Noranda, while *Horizon exportation* held a series of six regional meetings in Québec for small and medium-sized exporters.

Hydro-Québec research facilities also support the expansion and improvement of its regional industrial customers' operations. Since 1997, the company has been associated with 66 projects representing industrial investments of \$5 billion. These projects created some 30,000 direct and indirect jobs.

Textile technology centre





More than
14,000
employees
live outside Montréal and Québec City.

More than
12,000
jobs
supported directly by the company's
purchases throughout Québec.

ACTION THAT BENEFITS ALL REGIONS OF QUÉBEC

Lower St. Lawrence

- Hydro-Québec participated in the forum promoting energy efficiency in the Lower St. Lawrence region.
- Support from the Fondation Hydro-Québec pour l'environnement helped the corporation managing sport fishing on the Mitis River to rebuild the salmon trapping system below Mitis-2 generating station.
- Permission was given to students and professors from the Université du Québec à Rimouski to use three Hydro-Québec wind turbines at Saint-Ulric-de-Matane.
- Hydro-Québec also supported the Jeunes Entreprises du Bas-Saint-Laurent, an organization promoting entrepreneurship among high-school students.
- The following events and organizations were funded: Rimouski's international film festival, the Rimouski International FestiJazz, the Friends of the Reford Gardens in Métis, the Kamouraska heritage festival, the Tremplin song and comedy festival held in Dégelis and the painting symposium promoted by Saint-Germain and Kamouraska.

Saguenay– Lac-Saint-Jean

- Efforts continued by the joint committee set up by Hydro-Québec and the Saguenay–Lac-Saint-Jean regional cooperation and development board to maximize the benefits the community derives from Hydro-Québec projects and operations. From an estimated \$69 million in 2001, economic spinoffs grew to over \$75 million in 2002.
- Refurbishment of retaining structures continued at Pont-Arnaud and Chute-Garneau generating stations under the municipal infrastructure reconstruction program initiated following the 1996 Saguenay flood.
- The joint Mashteuiatsh–Hydro-Québec committee reviewed work packages and contracts negotiated individually for the benefit of the community of Mashteuiatsh, and helped set up the Nushinit environmental services company.

Saint-Ulric-de-Matane



City of Saguenay



- The following events and organizations were funded: the Saguenay–Lac-Saint-Jean symphony orchestra, the Théâtre les Amis de Chiffon, Chicoutimi’s Carnaval-Souvenir, the Saguenay businesswomen’s association, the operetta group Société d’Art Lyrique du Royaume, the Roberval youth employment centre and the Lac Saint-Jean International Swimming Marathon.
- Support was provided to the Université du Québec à Chicoutimi.

Québec City Area

- Under the government program for undergrounding distribution systems, Hydro-Québec Distribution buried the lines in Deschambault’s Lauzon district, recognized for its heritage and tourism value.
- The former site of Saint-Gabriel generating station (1899) in Shannon on the Jacques-Cartier River was enhanced, and a partnering arrangement was reached with Action Plan’eau-Plein-Air to revitalize the old Saint-Alban station on the Sainte-Anne River.
- Support from the Fondation Hydro-Québec pour l’environnement helped CAPSA, an organization promoting the development and protection of the Sainte-Anne watershed, clean up and restore the banks along a 20-km stretch of the Niagarette River.
- The following events and organizations were funded: Québec Winter Carnival, Québec City Summer Festival, Théâtre du Trident, Domaine Forget in the Charlevoix region, a canoe descent of the Saint-Charles River (an awareness event organized by Rivière vivante), the Québec City YWCA’s Women of Distinction Awards, the Québec City restaurant industry’s 13th gala and the Opéra de Québec foundation.
- Support was provided to Université Laval and the Université du Québec (INRS-Eau).

Mauricie

- A lookout was built and interpretation panels set up to enhance the former site of Brown generating station (1909) at La Tuque.
- The U.S. National Hydropower Association presented Hydro-Québec with its Hydro Achievement Award for Recreational Stewardship in recognition of its efforts in the Mauricie region to reconcile hydroelectric development and community needs, particularly in the area of recreation and tourism.
- The following events and organizations were funded: the Trois-Rivières international voice competition, symphony orchestra and book fair, the Mauricie international canoe race and the Cité de l’Énergie.
- The company contributed to research by the Université du Québec à Trois-Rivières.

Brown generating station



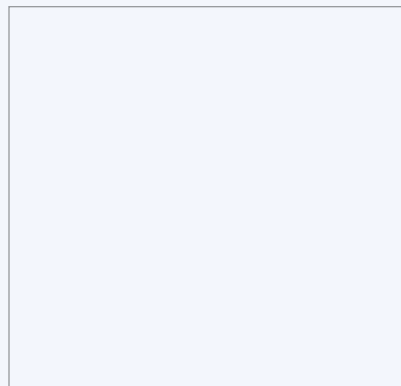
Grand-Mère hydroelectric development (construction of a new generating station on the site of the former facility, in an urban setting)

- In cooperation with the municipalities concerned, a committee was set up to monitor impacts related to noise (machinery, blasting), air quality (dust, odor) and heavy vehicle traffic.
- An advisory committee on economic spinoffs was set up, in conjunction with the local community.
- Hydro-Québec worked with Mauricie snowmobile club representatives to ensure that new operating conditions at the Grand-Mère facility would not adversely affect snowmobiling.

Eastern Townships

- The Fondation Hydro-Québec pour l'environnement provided support to:
 - The Comité du marais de Kingsbury in managing the voluntary conservation of 325 hectares of marshland;
 - The Nature Conservancy of Canada-Québec in acquiring 460 hectares in the Sutton Mountain Range, the largest undivided tract of forest in southern Québec; and
 - The Johnville Woodland Conservation Corporation in promoting public awareness by preserving and enhancing 177 hectares of peat bogs, ponds and wetland forest.
- With representatives of the regional development board and other local stakeholders, Hydro-Québec worked toward a framework for preserving the region's landscape heritage.
- The following events and organizations were funded: the Orford Arts Centre, the Circuit des Arts Memphrémagog, the Eastern Townships' scientific recreation board and the Knowlton Winter Lights Festival.
- Support was provided to the Université de Sherbrooke.

Grand-Mère generating station under construction



Montréal

- In dismantling the Rockfield–Atwater line (1930), Hydro-Québec transferred 16 heritage towers along the Lachine Canal to Parks Canada.
- Funding was provided for the restoration of the Îles de la Paix National Wildlife Area on Lac Saint-Louis.
- Under the Island of Montréal's energy efficiency forum, the company participated in a special energy and environmental management committee established to discuss problems and solutions with businesses operating in the Borough of Saint-Laurent's industrial park.
- Land on islands in the Lachine Rapids was transferred to the Nature Conservancy of Canada-Québec to establish a wildlife sanctuary.
- The company worked with the Montréal corporate training and recovery centre on a ring-binder recovery program designed to help troubled young people return to the workforce.
- The following events and organizations were funded: Montréal High Lights Festival, the Commerce Design Montréal contest, Théâtre d'Aujourd'hui, Montreal Children's Festival, the Fête des Neiges winter festival, the Montréal opera and symphony orchestra, the Centaur Theatre Company's season and that at the Saidye Bronfman Centre for the Arts, the Muestra Cultural Spanish-language artistic and cultural event, Becket Players Gala, Leonardo Da Vinci Centre, Artapalooza youth theatre festival, Saint-Laurent anti-racism day, Montréal's Italian Week and the city's Arab Festival.
- Support was provided to the Université de Montréal and Université du Québec à Montréal.

Outaouais

- Spawning grounds were built below Rocher-Fendu dam on the Ottawa River in order to promote the movement of aquatic wildlife.
- The company helped draw up integrated development plans for the Gatineau, Ottawa and Petite Nation rivers (the Gatineau River corridor study was published during the year) and took part in setting up the Gatineau watershed committee.
- The following events and organizations were funded: Créateurs de la Petite-Nation, Musiqu'en Nous and the Grands Prix tourism awards for the Outaouais region.



Central substation (1900), located in Montréal's Faubourg-des-Récollets district (now the Cité du Multimédia), was enhanced by noise control measures and architectural improvements.

Abitibi-Témiscamingue

- The company helped found ComaxAT, the committee to maximize economic spinoffs in Abitibi-Témiscamingue from major Hydro-Québec projects, for the Eastmain development.
- A website (www.comaxat.com) was launched to give private individuals, contractors and businesses operating in the region rapid access to the information they need to offer their services and expertise.
- Hydro-Québec won a regional development award from the Rouyn-Noranda chamber of commerce.
- An agreement was signed with Promoteurs d'Angliers Inc. to welcome the public and handle tours at Première-Chute generating station.
- With the city of Val-d'Or, a woodland bicycle path was developed using funds from the Integrated Enhancement Program associated with the 120-kV Saint-Blaise-Val-d'Or line construction project.
- The following events and organizations were funded: the Abitibi-Témiscamingue international film festival, the region's scientific recreation board, Rouyn-Noranda's winter festival, the Notre-Dame-du-Nord Truck Rodeo, Abitibi-Témiscamingue's tourism gala, the Festival Eau cœur d'Amos and the Témiscamingue Lake summer festival.
- Support was provided to the Université du Québec en Abitibi-Témiscamingue.

North Shore

- Support was provided to enhance tourist attractions along the Trans-Québec-Labrador Highway and to create a world biosphere reserve encompassing the Groulx Mountains, Manicouagan reservoir and crater, and the Manic-5 hydroelectric development.
- The company partnered preparations for a permanent performance to relate the saga of the construction of the Manic-Outardes complex.
- Under the Integrated Enhancement Program for the Lac-Robertson project, the municipality of Côte-Nord-du-Golfe-du-Saint-Laurent set up a multipurpose room at Nétagamious School, the municipality of Saint-Augustin built a multicultural centre, and the community of Harrington Harbour carried out a waste management initiative.

Manicouagan reservoir



- The following events and organizations were funded: the ZIP committee for the estuary's north shore, the Conseil régional de l'environnement de la Côte-Nord, the theatre in Baie-Comeau, the Tadoussac song festival, Place aux jeunes and the Grands Prix tourism awards for Manicouagan.

Sainte-Marguerite-3 hydroelectric development (1994–2002)

- Spawning grounds were built and three lakes stocked to improve brook (or speckled) trout habitat and fishing.
- An 86-km permanent road, made to access the construction site, opened up the area to hunting and fishing.
- Regional economic spinoffs totaled roughly \$500 million.
- The company participated in several committees implementing the *Uashat Mak Mani-Utenam Agreement* and promoting innovative initiatives in the community.
- Under the Integrated Enhancement Program: with the Sept-Rivières RCM, a park was developed in Rivière-Pentecôte and access to the river was improved in the municipality of Moisie; with the municipality of Gallix, the riverbanks were stabilized; with the town of Sept-Îles, the quality of local drinking water was improved.

Toulnostouc hydroelectric development

- Archaeological inventories and surveys led to the discovery of five sites, some of which were occupied between the 15th and 18th centuries.
- The company participated in several committees arising from the *Pesamit Agreement* and helped create the Betsiamites remedial works corporation (SOTRAC), which has carried out several initiatives, including projects to pass on Innu culture, build logging roads and develop greenhouse cultivation.
- Support from the Toulnostouc fund made it possible to implement several projects submitted by non-Native residents, including the development of parks, purchase of recycling bins and creation of an economic development fund.

Road to Sainte-Marguerite-3 development



Northern Québec

Eastmain-1 hydroelectric development

- An access road to the future project site was built and a camp was opened at Nemaska following the signing of the *Nadoshtin Agreement*. Opportunities were created for new business partnerships and cooperative work was undertaken with the communities of Eastmain, Nemaska and Mistissini.
- The company participated in various corporations and in committees in charge of environmental monitoring for the project, wildlife management and enhancement, and implementation of a remedial works program.

- The company was involved in the committee to maximize regional economic spinoffs in northern Québec (ComaxNord), which launched a website with ComaxAT to give private individuals, contractors and businesses operating in the region rapid access to the information they need to offer their services and expertise in connection with the Eastmain-1-A project.
- Contracts were renewed with Cree contractors for snow removal and maintenance on James Bay highways.
- The Fondation Hydro-Québec pour l'environnement funded the construction of a chute on the Deharveng River to allow Arctic char to pass.
- The following events and organizations were funded: the Nunavik Elders Conference, the Chibougamau chamber of commerce, a contest for Québec entrepreneurs, Chibougamau's August festival, the James Bay Walleye Fishing Tournament at Chapais and the Inuit Circumpolar Conference. Several service agreements were signed with the Cree community, including ones for leasing the La Grande-2 swimming pool and for renting meeting rooms.

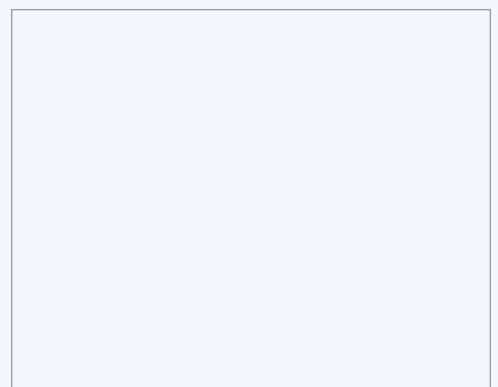
Gaspé Peninsula– Magdalen Islands

- Hydro-Québec participated in the energy efficiency forums established in the region.
- The following events and organizations were funded: the Magdalen Islands ZIP committee and youth centre, Étang-du-Nord painting symposium, Petite-Vallée song festival, Banc-de-Pêche-de-Paspébiac historic site and Sainte-Anne-des-Monts' Explorama centre for marine tourism.

Chaudière-Appalaches

- With support from the Fondation Hydro-Québec pour l'environnement, the Chaudière-Appalaches regional environment board reached voluntary agreements whereby 300 hectares of wetland forest will be preserved.

Magdalen Islands



- Under the government program for undergrounding distribution systems, Hydro-Québec Distribution buried the lines along Montée Saint-François, a heritage and tourist area located in the municipality of Saint-François-de-la-Rivière-du-Sud.
- The following events and organizations were funded: Thetford Mines music festival, Action PME Beauce, the Grands Prix tourism awards for Chaudière-Appalaches, Diffusion culturelle de Lévis for the performing and visual arts, Montmagny's world accordion festival, the Appalaches regional park and the new recreation park near the Armagh Falls.

Laval

- The company contributed to work by the board of directors of the Parc de la Rivière des Mille-Îles, devoted to developing an urban conservation area for flora and fauna.
- An agreement was signed with Laval to allow a Route verte bicycle path to follow two transmission line rights-of-way.
- Support from the Fondation Hydro-Québec pour l'environnement helped the Papineau woodland conservation association purchase and improve 20 hectares of this wooded area.
- The following events and organizations were funded: the Laval symphony orchestra, Parc de la Rivière-des-Mille-Îles, Laval Technopole's awards to business leaders, Illuminez Laval, the Grands Prix tourism awards for Laval and the Fondation Armand-Frappier's biotechnology R&D gala.

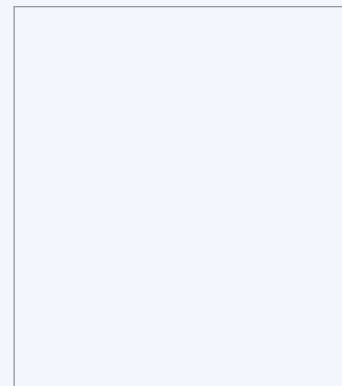
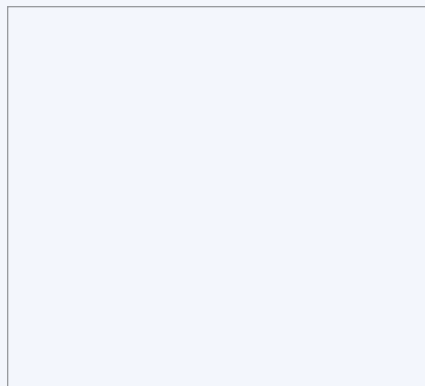
Lanaudière

- Under the Integrated Enhancement Program associated with Berthier substation and in cooperation with the municipality of Sainte-Geneviève-de-Berthier, the deck was restored on Grandchamp bridge, the only covered bridge in the region.
- The following events and organizations were funded: the ACEFL awareness event on the danger of indebtedness, the Le Gardeur summer festival, the D'Autray local development centre's Promexcel Gala, the festival at L'Assomption and the Festi-Force Louis-Cyr weight-lifting contest.

Laurentides

- The company contributed to enhancing and protecting the landscape around Taureau reservoir and helped create the regional park at Taureau Lake in the RCM of Matawinie.
- Technical support was provided to restore turbines at Légaré mill in Saint-Eustache.
- The following events and organizations were funded: the Grands Prix tourism awards for the Laurentians, the Pays-d'en-Haut winter festival, the Festi-Vent 2002 winter kite festival, Bellefeuille's winter 2002 festival, the Laurentians youth employment organization's Place aux jeunes and the Mirabel local development board's investors' night.

Kite festival in Saint-Placide



International Forum on Urban Mobility and Advanced Transportation

In cooperation with some of its subsidiaries, Hydro-Québec played an active role in the International Forum on Urban Mobility and Advanced Transportation held in Saint-Jérôme from October 9 to 12, 2002. The company showcased its electric transportation project, offering solutions for recharging electric vehicles, and presented various demonstration projects.

Montérégie

- At Beauharnois generating station, a new east extension was built and turbine intakes and draft tubes were refurbished; particular care was taken to protect heritage components.
- The construction of the Saint-Césaire–Hertel line and Montérégie substation will generate approximately \$105 million in spinoffs.
- A cell phone system for Boucherville substation operators replaced outdoor horns that were annoying the neighbors.
- With support from the Fondation Hydro-Québec pour l'environnement: 1° The CIME ecological interpretation centre in Haut-Richelieu acquired 50 hectares of woodland in the Grand Bois de Saint-Grégoire, designated as an outstanding forest ecosystem by the Department of Natural Resources; 2° A 20-hectare site at the Mount Saint-Hilaire Nature Centre was developed to optimize breeding conditions for the peregrine falcon.
- A 15-km stretch of the Richelieu River was transferred to the Nature Conservancy of Canada-Québec to build a wildlife reserve named after Pierre-Étienne Fortin.
- The following events and organizations were funded: the Montérégie symphony orchestra, the Montérégie culture and communications board and regional environment board, and the UPA Saint-Hyacinthe federation's agro-environmental program, Actions concrètes à la ferme.

Central Québec

- Hydro-Québec and the Victoriaville corporate training and recovery centre ran a power-line hardware recovery program that also helped troubled young people return to the workforce.
- The following events and organizations were funded: Mondial des cultures de Drummondville, the Victoriaville festival of new music, the region's agency to help new businesses, Warwick's cheese festival and the Grands Prix tourism awards for Central Québec.

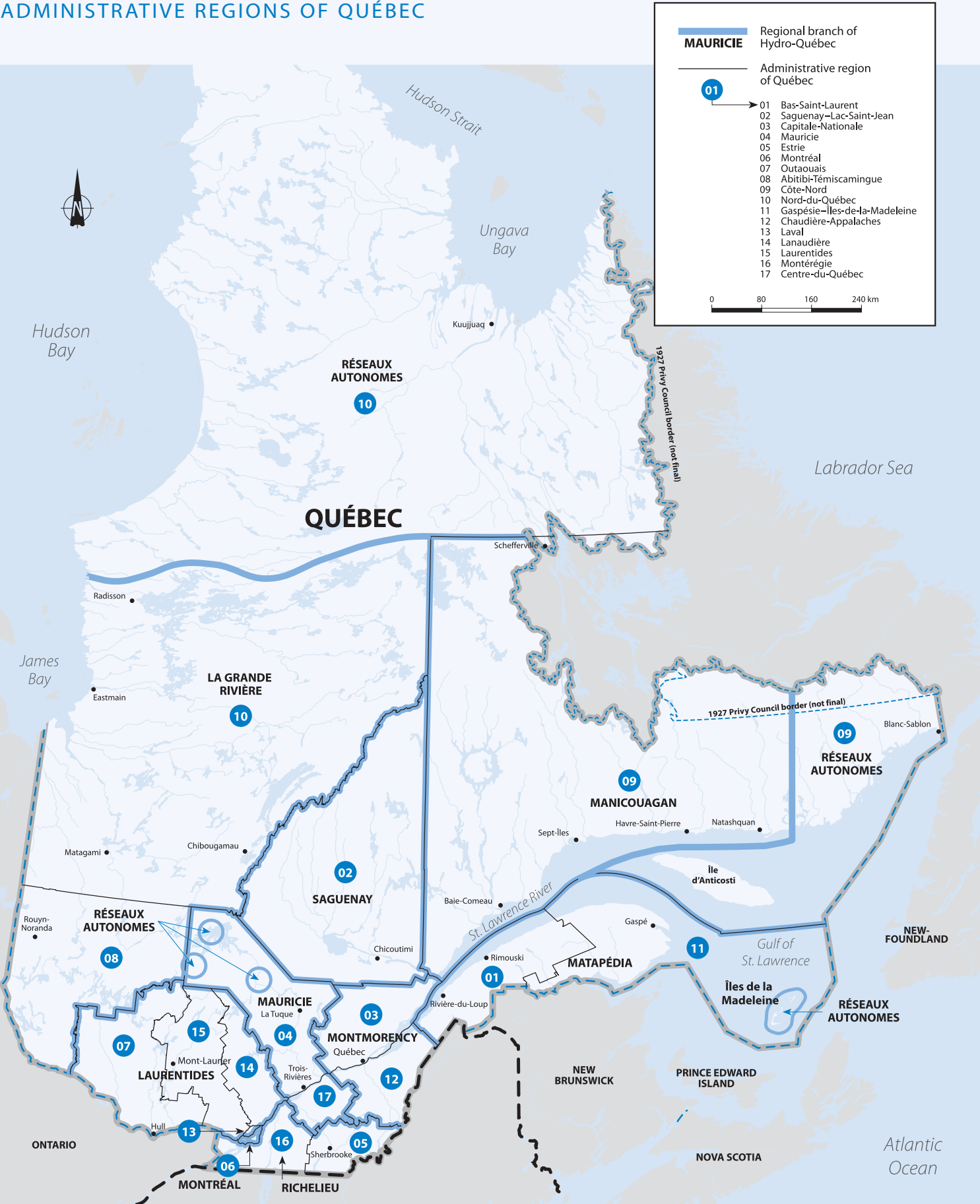
Mount Saint-Hilaire



Electric vehicle



ADMINISTRATIVE REGIONS OF QUÉBEC



About Sustainable Development

To find out more about sustainable development as Hydro-Québec sees it, consult the fact sheets on this topic on the company's website:

www.hydroquebec.com/sustainable/development/2002

Both the report and the fact sheets were prepared in accordance with the *Sustainability Reporting Guidelines 2002* published by the Global Reporting Initiative.

An audit conducted by Samson Bélair/Deloitte & Touche in 2002 verified the statistics published in last year's report, *Environmental Performance and Social Role – 2001*.

Units of Measure		MW	megawatt (one million watts)	GWh	gigawatthour (one million kilowatthours)
\$M	million of dollars	MWh	megawatthour (one million watthours)	TWh	terawatthour (one billion kilowatthours)
kV	kilovolt	GW	gigawatt (one million kilowatts)		
kW	kilowatt				
kWh	kilowatthour				

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