



5 May 2023

The Honorable Christopher Bray, Chairman
Senate Committee on Natural Resources and Energy
115 State Street
Montpelier, VT 05633

Dear Chairman Bray;

I write to you in response to the Bloomberg News article that was shared with your committee this week. The 27 April article misrepresents Hydro-Québec's (HQ) energy margins and fails to highlight the wisdom of improved grid integration between our systems.

As we explain in our Strategic Plan, HQ is developing significant new capacity to meet carbon neutrality goals between now and 2050. This is not news; there is no jurisdiction in northeast North America where this is not the case.

Contrary to the sensationalist tone in Bloomberg, the dialog in Québec is about the planful development of initiatives over the next 10 to 20 years, and beyond, to meet our long-term objectives. HQ has been and will continue to be a major clean energy supplier in Northeast U.S. markets, including in Vermont where HQ has historically provided a significant portion of the State's clean energy supply, delivered as part of a long-term supply agreement.¹ There are no concerns over our ability to supply existing and future export commitments, including two new power purchase agreements: the Champlain Hudson Power Express (CHPE) and the New England Clean Energy Connect (NECEC). These projects will deliver large volumes of clean energy supply to New York and New England, providing substantial environmental, economic and reliability benefits.

Bloomberg oversimplifies comments by HQ Vice President Dave Rhéaume, who has spoken previously about how the company's tightening energy margins do not mean the province is "running short of electricity" (as expressed in the Bloomberg article), and certainly don't mean we will not meet export commitments.

The discussion we're having is what we need to build out in the next 10-15-20 years , and some folks are interpreting that to mean that we're suddenly running out of power [...] When we have a firm commitment with a neighboring market, we deliver on that contractual commitment [...] Margins are smaller than future demand expected from new

¹ In 2020 HQ provided nearly 65% of Vermont's Tier 1 REC compliance and 44% of Vermont's physical energy deliveries after accounting for REC certificate retirements (2022 Vermont Comprehensive Energy Plan, page 240 and 243).

industries (hydrogen, battery makers, data centers), so we'll have to make choices [...] We are still sitting on surpluses, and we are selling those surpluses.²

The fact is that HQ still has vast amounts of energy available, what many refer to as surpluses. Increased demand from future industrial needs in Québec, such as for hydrogen fuel, batteries, data centers, etc., is bigger than our margins as they exist today. However, this increase in demand is expected to take several years to materialize, providing HQ with the opportunity to bring online additional clean supply to match it (precisely as anticipated in our strategic plan).

That's why HQ has already begun to implement the necessary strategies to meet the projected increase in demand: new energy efficiency measures, refurbishments of existing hydropower facilities and new calls for tender for wind and other renewable resources.

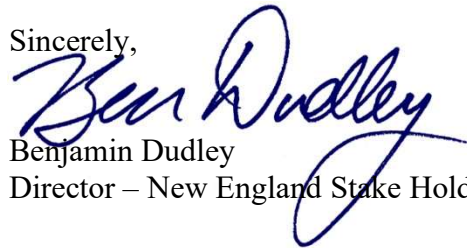
We continue to increase our renewable energy capacity, through these measures and we remain fully committed to the energy transition in Québec and supporting our neighbours with theirs.

It is unfortunate these details were not reflected in the Bloomberg article, even though they were explained to the journalist, with whom we have since respoen.

In conclusion, we wish to highlight the particular value that Québec hydropower holds for the future, as part of a clean energy portfolio of resources connected through bidirectional transmission. This interregional approach will allow our neighbors in Vermont to leverage the unique characteristics offered from the HQ system, notably the flexibility of its reservoirs, to facilitate the state's clean energy transition while simultaneously helping to address critical risks and system vulnerabilities that continue to present challenges to the New England energy system.

Thank you for the opportunity to correct your committee's record. If you have questions on this, please do not hesitate to contact me.

Sincerely,



Benjamin Dudley
Director – New England Stake Holder Relations

²Radio Interview, 1 February 2023. Translated from the French original.
<https://www.985fm.ca/audio/537848/entreprises-interessees-a-notre-electricite-plusieurs-nouvelles-filieres>