

1 Q. In light of Hydro's 75% dividend payment policy, justify the \$70 million
2 dividend proposed in 2002.

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5 A. As indicated in our response to NP-72 (b), a significant portion of the 2002
6 dividend payment represents a payment of dividends that were not paid in
7 previous years to the shareholder. The 2002 dividend payment results in a
8 debt to capital ratio that exceeds our stated goal of 80:20, but this is viewed
9 as temporary.

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11 While the 2002 dividend payments as estimated are based on requirements
12 as communicated to Hydro by the Department of Finance, they will
13 nevertheless require approval by Hydro's Board of Directors prior to
14 payment. Hydro's current dividend policy requires that dividend payments are
15 to be made only after due consideration has been given by the Board of the
16 impact of such payment on the debt/equity ratio of the Corporation.