

1 Q. Please provide Hydro's schedule for sinking fund contributions in 2007 and  
2 for the subsequent 5 years. Please indicate how Hydro determines the  
3 sinking fund contributions in each year. Are the sinking fund contributions  
4 required by the debt instrument, by legislation, or justified by Hydro on some  
5 other basis? If sinking fund contributions are required by the debt instrument  
6 or legislation, does Hydro limit its sinking fund contributions each year to the  
7 minimum required? If Hydro's sinking fund contributions are not required but  
8 justified by Hydro on some other basis, please provide all analysis, detail and  
9 reports prepared by Hydro in support of this justification.

10  
11 A. Sinking funds have been established for each of the debenture issues listed below in  
12 accordance with the terms of the debentures. Each debenture issue requires an  
13 annual payment, expressed as a percentage of the principal amount of the  
14 debentures outstanding, into a sinking fund. These payments are required for each  
15 year the debentures are outstanding, up to and including the year immediately prior to  
16 maturity, or until such time as Hydro determines the sinking fund shall be sufficient to  
17 retire all outstanding debentures at maturity. Hydro has determined that the sinking  
18 fund established for the 10.50% Series V Debentures maturing on June 15, 2014  
19 shall be sufficient to retire all outstanding Series V Debentures at maturity and has  
20 ceased making contributions to that fund.

21 **(\$ Thousands)**

22	<u>Year</u>	<u>10.50% (V)</u>	<u>10.25% (X)</u>	<u>8.40% (Y)</u>	<u>6.65% (AB)</u>	<u>5.70% (AD)</u>	<u>Total</u>
23	2007	0	\$1,500	\$2,400	\$3,000	\$1,250	\$8,150
24	2008	0	\$1,500	\$2,400	\$3,000	\$1,250	\$8,150
25	2009	0	\$1,500	\$2,400	\$3,000	\$1,250	\$8,150
26	2010	0	\$1,500	\$2,400	\$3,000	\$1,250	\$8,150
27	2011	0	\$1,500	\$2,400	\$3,000	\$1,250	\$8,150
28	2012	0	\$1,500	\$2,400	\$3,000	\$1,250	\$8,150