

1 Q. Provide a detailed breakdown of accounts payable by year for the period  
2 2002 to 2007 forecast including an explanation for the significant reduction  
3 shown in the 2006 and 2007 forecasts. (Finance and Accounting Evidence,  
4 Schedule I, page 2 of 10, line 22)

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7 A. A summary of actual year ending accounts payable balances is outlined in  
8 the following table.

<b>Accounts Payable (\$000)</b>	<b>Actual</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Accounts Payable Trade</b>	5,972	6,177	13,184	7,437
<b>Contractor Retainage</b>	11,069	5,066	1,745	2,164
<b>Accrued Liabilities Trade</b>	25,142	16,546	10,276	26,149
<b>Capital</b>	2,239	6,720	3,197	3,614
<b>Taxes</b>	6,370	6,941	10,111	8,993
<b>Miscellaneous</b>	1,005	997	2,315	965
<b>Total Accounts Payable</b>	<b>51,797</b>	<b>42,447</b>	<b>40,828</b>	<b>49,322</b>

9 On a forecasted basis, the accounts payable balances for 2006 and 2007 are  
10 not comparable to the historical balances. The 2006 and 2007 forecast  
11 balances of \$17 million and \$14 million respectively are a product of Hydro's  
12 methodology for the computation of year ending cash balances. Generally  
13 there are two methods utilized when preparing cash forecasts: the balance  
14 sheet method and the receipts and disbursements method. Hydro utilizes the  
15 latter. In the balance sheet method, year ending cash balances are  
16 determined based on an approach that first estimates all balance sheet  
17 accounts with the exception of cash. The cash account is then utilized as the  
18 balancing figure. In the receipts and disbursements method employed by  
19 Hydro, a detailed estimation of expected cash flows is performed and an

1        ending cash balance thus determined. The cash balance so determined is  
2        then incorporated into the estimated balance sheet, with the balancing  
3        account then becoming accounts payable. Variations between forecast and  
4        actual cash flow timing, particularly at year-end, can impact on the resultant  
5        accounts payable balance as estimated.