

1 Q. **Reference: Section 3: Finance, Table 3.1, page 3.5 and Table 3.2 on Page 3.9.**

2 From Table 3.1 and 3.2, why does guaranteed debt outstanding and total regulated
3 debt drop significantly 2007 and 2013?

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6 A. The reduction in net regulated/guaranteed debt is mainly the result of (a) continued
7 annual investment of \$8.2 million into the underlying sinking funds, (b) an increase
8 in the book value of the underlying sinking funds due to earnings over the period in
9 question and (c) a \$200 million maturity in 2007 that was not refinanced.

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11 With respect to points (a) and (b), the book value of the reported sinking fund
12 assets increased \$110.4 million from \$132.2 million in 2007 to \$242.6 million, while
13 Hydro's holdings of its own issues increased a further \$31.2 million¹, resulting in a
14 decrease in net debt of \$141.6 million. This, taken together with the \$200 million
15 maturity referenced in (c) above, resulted in a decrease of \$341.6 million.

16 However, this was offset by an increase of \$99.5 million in net short-term
17 borrowing over the period, as well as changes in the non-regulated and CF(L)Co
18 debt pool totalling \$39.2 million, for a net decrease of \$202.9 million.

¹ Hydro's holdings of its own debt, which includes mostly stripped bond coupons, is not grouped with the sinking funds for reporting purposes. Rather the balance of the holdings is netted directly off the reported long-term debt balance shown in Table 3.2.