

1 Q. [Sinking Fund] - Please explain and fully substantiate the depreciation percentage
2 column in the Attachment to CA-NLH-152. To the extent the percentage
3 corresponds to debt or similar cost associated with the construction and installation
4 of the corresponding asset, specifically state if and when Hydro refinanced any high
5 cost debt and how and when the lower cost of debt was reflected in the sinking
6 fund calculation. If Hydro did not refinance high cost debt (i.e., 14% issued in the
7 mid 1980s) when rates dropped, fully explain and justify such decision. If Hydro
8 refinanced any debt, but did not change the sinking fund interest rate, fully explain
9 and justify such decision. Finally, provide all supporting documents.

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12 A. The hydraulic assets listed in CA-NLH-152 date back to 1967, the in-service year of
13 the Bay d'Espoir generating plant. At that time these specific assets were assigned
14 a sinking fund rate of 5.25% based on the long term debt associated with the
15 construction of that facility. Subsequently this specific debt issue was repaid
16 however recovery of the capital investment from customers remains ongoing since
17 the asset lives for Bay d'Espoir assets range up to 100 years.

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19 In the case of many of Hydro's assets, the debt rolls over, or revolves, most likely at
20 a different rate, which has been at times higher and sometimes lower. The practice
21 has been however, since the inception of the company, that once the sinking fund
22 rate is established for an asset, that rate remains in place for the life of the asset.