

1 **Reference: In his evidence at page 15, lines 14 to 15, Mr. Pous states “When debt is**
2 **refinanced or retired the interest rate in the sinking fund formula must also change in order**
3 **to maintain the new constant combination of cost of debt retirement and depreciation**
4 **expense.”**

5
6 **Q. What interest rate would Mr. Pous recommend be used in the sinking fund formula**
7 **after debt is refinanced?**

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9 A. Mr. Pous is not in possession of all the facts and circumstances associated with any
10 particular refinancing and the form of regulation to which Hydro would be subject to at that
11 particular time. Thus, absent such information, no specific response can be provided.
12 However, Mr. Pous would expect that if 14% debt was refinanced with 5% debt, then the
13 sinking fund rate should have been increased to recognize the new 5% level.