

1 Q. **Reference: Page 3.26.**

2 Please provide a description of Hydro's requirement to maintain sinking funds.

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4 A. The decision to establish sinking funds for the Series X, AB, Y, AD and V debentures
5 was made at the time the debt was issued. Therefore, the requirement to maintain
6 the funds until maturity of the underlying debt was specifically provided for in the
7 bond indenture of each Series. Sample language from the Series V debenture,
8 which is identical to that found in the debentures of other Series noted above,
9 except for relevant dates and contribution rates, is as follows:

10 *“Hydro shall establish a sinking fund for payment of the principal of the*
11 *Debentures at maturity by paying out of the general funds of Hydro on or before*
12 *June 15 in each of the years 1990 to 2013, inclusive, an amount equal to 1 ½% of*
13 *the principal of the Debentures then outstanding. Such payments together with*
14 *the earnings thereon shall be reserved, invested and reinvested by Hydro for*
15 *payment of the principal of the Debentures at maturity, provided that if in any*
16 *year Hydro determines that the sinking fund is sufficient for payment of principal*
17 *of the Debentures then outstanding at maturity, no such payment need be made*
18 *and no funds in excess of the amount Hydro determines sufficient for payment of*
19 *the Debentures then outstanding at maturity need be reserved in the sinking*
20 *fund. Sinking fund investments shall be limited to bonds, debentures, or other*
21 *evidences of indebtedness of, or guaranteed by, the Government of Canada or*
22 *any provinces of Canada or any Chartered Bank in Canada.”*

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24 For each series noted above, Hydro applied to the Board of Commissioners of Public
25 Utilities (“the Board”) for approval to issue the debt. In each application to the
26 Board, Hydro noted its intention to use a sinking fund to support the retirement of
27 each underlying debt issue.