

**NEWFOUNDLAND AND LABRADOR  
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD**

**NO. P.U. 42(2017)**

1 **IN THE MATTER OF** the *Electrical Power*  
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the  
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,  
4 Chapter P-47 (the “*Act*”), as amended, and regulations  
5 thereunder; and  
6

7 **IN THE MATTER OF** an application by  
8 Newfoundland and Labrador Hydro for approval  
9 to issue debt pursuant to section 91 of the *Act*.  
10

11  
12 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation duly organized and  
13 existing under the *Hydro Corporation Act*, is a public utility within the meaning of the *Act*, and  
14 is also subject to the provisions of the *EPCA*; and  
15

16 **WHEREAS** on November 21, 2017 the Board received an application from Hydro for approval  
17 of the issuance of up to \$700 million of indebtedness to the Province of Newfoundland and  
18 Labrador (the “Application”);  
19

20 **WHEREAS** the Application proposed that the Province of Newfoundland and Labrador borrow  
21 on Hydro’s behalf and lend the proceeds to Hydro on identical terms and conditions to ensure  
22 least cost borrowings; and  
23

24 **WHEREAS** the Application set out the following general terms and conditions of the  
25 indebtedness:  
26

27	Term:	40 years
28	Amount:	up to \$700 million
29	Coupon rate:	up to 6%
30	Issue date:	on or before March 31, 2018
31	Cost to Hydro:	0.375% to 0.700% of face value plus incidentals
32	Sinking fund:	no

33

34 **WHEREAS** the Application stated that the funds borrowed will be used to retire outstanding  
35 short-term debt, including an outstanding short-term promissory note in favour of Nalcor, and to  
36 finance items such as debt service, fuel, ongoing capital, operating and maintenance costs, the  
37 refinancing of Series X debentures and Hydro’s approved capital program of approximately \$300  
38 million; and

1 **WHEREAS** the Application was circulated to Newfoundland Power Inc. (“Newfoundland  
2 Power”), the Consumer Advocate, Dennis Browne, Q.C., a group of industrial customers: Corner  
3 Brook Pulp and Paper Limited, NARL Refining LP and Vale Newfoundland and Labrador  
4 Limited (the “Industrial Customer Group”); Praxair Canada Inc.; and Teck Resources Limited;  
5 and  
6

7 **WHEREAS** on November 29, 2017 Newfoundland Power and the Industrial Customer Group  
8 confirmed that they did not have any comments in relation to the Application; and  
9

10 **WHEREAS** the Board did not receive any other comments in relation to the Application; and  
11

12 **WHEREAS** pursuant to subsection 91(1) of the *Act* a public utility may not issue evidence of  
13 indebtedness payable more than one year from the date of issue until it has obtained approval  
14 from the Board for the proposed issue; and  
15

16 **WHEREAS** pursuant to section 28 of the *Hydro Corporation Act, 2007*, SNL 2007, Chapter H-  
17 17, authorization for the indebtedness is required from the Lieutenant Governor in Council; and  
18

19 **WHEREAS** on December 5, 2017 Hydro provided a copy of Order in Council OC2017-347  
20 authorizing the Government of Newfoundland and Labrador to provide long-term funding up to  
21 \$700 million to Hydro, which includes \$225 million to repay the outstanding promissory note in  
22 favour of Nalcor, on such terms as conditions as the Minister of Finance may determine, on a  
23 cost recovery basis; and  
24

25 **WHEREAS** the Board has reviewed the Application and supporting material and finds that  
26 approval of the proposed issue of indebtedness of up to \$700 million is in accordance with law  
27 and for a purpose approved by the Board.  
28  
29

30 **IT IS THEREFORE ORDERED THAT:**  
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32 1. The proposal by Hydro to borrow from the Province of Newfoundland and Labrador in an  
33 amount of up to \$700,000,000 to retire outstanding short-term debt, including an outstanding  
34 short-term promissory note in favour of Nalcor, and to finance items such as debt service,  
35 fuel, ongoing capital, operating and maintenance costs, the refinancing of Series X  
36 debentures, and Hydro’s approved capital program, is approved subject to the following  
37 conditions:  
38

39 (a) The debt shall be issued on or before March 31, 2018.  
40

41 (b) Hydro shall file with the Board an affidavit specifying the terms and conditions of the  
42 debt issue within five (5) days after terms and conditions have been successfully  
43 negotiated, setting out the following where applicable:

- 44 (i) date of issue;  
45 (ii) term;  
46 (iii) maturity date;  
47 (iv) principal amount;  
48 (v) interest rate;

- 1 (vi) price to the public and to the underwriters;
- 2 (vii) yield to the public;
- 3 (viii) underwriting fee;
- 4 (ix) actual cost to Hydro; and
- 5 (x) any other material terms or conditions.
- 6
- 7 (c) Hydro shall file with the Board a copy of the Loan Agreement relating to the debt issue
- 8 within five (5) days after the conditions have been accepted by Hydro.
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- 10 (d) Hydro shall file with the Board a report on the disposition of the proceeds no later than
- 11 six months from the date of the closing.
- 12
- 13 2. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador, this 11<sup>th</sup> day of December, 2017.



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Darlene Whalen, P.Eng.  
Vice-Chair



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Dwanda Newman, LL.B.  
Commissioner



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James Oxford  
Commissioner



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Cheryl Blundon  
Board Secretary