

- 1 Q. (a) What consideration, if any, was given by the Department of Finance,  
2 Government of Newfoundland for the shares represented by the  
3 certificates produced in answer to IC 60?  
4
- 5 (b) Provide a copy of any agreement relating to the issuance of these  
6 shares.  
7
- 8 (c) How was it decided how many shares would be issued and why are  
9 there three different share certificates?  
10
- 11 (d) Confirm that, aside from the consideration for the shares referred to in  
12 (a), no capital contributions have been made by the Government of  
13 Newfoundland to Hydro and that the full amount of retained earnings  
14 on a regulated basis being considered as equity for the purpose of this  
15 application represents an accumulation of amounts earned by Hydro  
16 as its net income or margin (previously expressed for regulatory  
17 purposes as an interest coverage margin) from sales to ratepayers.  
18
- 19 (e) Provide a copy of the audited financial statements for Hydro or its  
20 predecessor for each of the years 1973, 1975 and 1975.  
21
- 22 A. (a) The Department of Finance, Government of Newfoundland gave  
23 Newfoundland and Labrador Hydro 775,998 common shares of  
24 Churchill Falls (Labrador) Corporation Limited for the 22,503,492  
25 shares of Newfoundland and Labrador Hydro.  
26
- 27 (b) There was no written agreement relating to the issuance of these  
28 shares.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

(c) Hydro issued the shares in exchange for 775,998 shares in Churchill Falls (Labrador) Corporation Limited (CF(L)Co) transferred to it by the Government of Newfoundland. These CF(L)Co shares were valued at \$29 each for a total of \$22,503,942. The 22,503,942 common shares issued by Hydro to the Department of Finance, Government of Newfoundland had a par value of \$1 each. There was no specific reason why three share certificates were issued.

(d) The Government of Newfoundland provided a capital contribution of \$2.2 million to Hydro for the costs incurred on the Muskrat Falls Project and \$15.4 million for the purchase of shares in the Lower Churchill Development. Both of these contributions and their related assets are eliminated from the regulated financial statements. The full amount of retained earnings on a regulated basis arose from the accumulation of Hydro's net income less any dividends paid to the Province.

(e) Copies of the audited financial statements for 1973 and 1975 are attached.