

1 **Q. Has the company ever issued second mortgage bonds and are there any restrictions**
2 **on their issue if they have?**

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4 A. The Company has issued second mortgage bonds in the past under a Deed of Trust and
5 Mortgage securing General Mortgage Bonds, dated September 15, 1966 and made by
6 Newfoundland Power in favour of Montreal Trust Company (“General Mortgage Trust
7 Deed”). The last time the Company issued general mortgage sinking fund bonds was in
8 1977, with a related redemption in 1992.

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10 The issuance of bonds under the General Mortgage Trust Deed requires a 2.0 times
11 interest coverage test. This is consistent with the Company’s First Mortgage Trust Deed
12 except that the calculation of annual interest charges includes all of the Company’s long-
13 term debt. For the purpose of the First Mortgage Trust Deed, the calculation of annual
14 interest charges is limited to that associated with first mortgage bonds.

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16 The issuance of bonds under the General Mortgage Trust Deed also requires the
17 Company’s paid-up capital and retained earnings be one and one-half times the aggregate
18 principal amount of all general mortgage bonds to be outstanding after the proposed
19 issuance. This test is required under the General Mortgage Trust Deed since the
20 mortgages are not secured by a first charge on the Company’s assets. This security is
21 only available under the First Mortgage Trust Deed.