

1 Q. Reference: CA-NP-50

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3 NP was asked about the preferred share market and indicated that current  
4 perpetual issues with a fixed coupon were not marketable. Can NP provide the  
5 latest copy of BMO's Preferred Share Statistics or failing that confirm the following  
6 data from their November 30, 2015 issue? Either way can NP confirm that there  
7 have been several recent issues of perpetual preferred shares including one by  
8 Canadian Utilities at a 5.25% coupon in August 2015?  
9



Announced New Issues

Closing Date	Symbol	Company	Coupon	Fixed Coupon Floor	Series	Structure	Reset Date	Initial Spread (bp)	SSP / DBRS	Curr	Size \$ Million
2015											
30-Jan-15	RY.PR.J	Royal Bank of Canada	3.60%		80	Fixed Reset	24-May-20	274	P2 / P2	CAD	600
2-Mar-15	TRP.PR.G	Transcanada Corp	3.80%		11	Fixed Reset	30-Nov-20	296	P2 / P2L	CAD	250
3-Mar-15	FFH.PR.M	Fairfax Financial Holdings	4.75%		M	Fixed Reset	31-Mar-20	398	P3 / P3	CAD	230
10-Mar-15	TD.PF.D	The Toronto-Dominion Bank	3.60%		43	Fixed Reset	31-Jul-20	279	P2 / P2	CAD	350
11-Mar-15	CM.PR.Q	Canadian Imperial Bank	3.60%		0	Fixed Reset	31-Jul-20	279	P3H / P2	CAD	300
12-Mar-15	BIP.PR.A	Brookfield Infrastructure Partners	4.50%		5	Fixed Reset	30-Jun-20	356	P2L / NA	CAD	125
12-Mar-15	HSE.PR.E	Husky Energy Inc	4.50%		7	Fixed Reset	31-Mar-20	357	P2L / P2L	CAD	200
13-Mar-15	RY.PR.M	Royal Bank of Canada	3.60%		2	Fixed Reset	24-Nov-20	262	P2 / P2	CAD	300
1-Apr-15	VSN.PR.E	Veresen Inc	5.00%		BF	Fixed Reset	30-Jun-20	427	P3H / P3	CAD	200
10-Apr-15	PPL.PR.J	Pembina Pipeline Corp	4.75%		E	Fixed Reset	1-Dec-20	391	P3H / P3	CAD	225
24-Apr-15	TD.PF.E	The Toronto-Dominion Bank	3.70%		9	Fixed Reset	31-Oct-20	287	P2 / P2	CAD	200
29-May-15	EFN.PR.G	Element Financial Corp	6.50%		9	Fixed Reset	30-Sep-20	534	NA / NA	CAD	173
5-Jun-15	BMO.PR.Y	Bank of Montreal	3.80%		G	Fixed Reset	25-Aug-20	271	P3H / P2	CAD	200
9-Jun-15	RY.PR.N	Royal Bank of Canada	4.90%		33	Perpetual	n.a.	n.a.	P2 / P2	CAD	150
9-Jun-15	L.PR.B	Loblaw companies Ltd	5.30%		BH	Perpetual	n.a.	n.a.	P3H/P3	CAD	225
17-Jun-15	HSE.PR.G	Husky Energy Inc	4.60%		8	Fixed Reset	30-Jun-20	352	P2L/P2L	CAD	150
21-Jul-15	TD.PF.F	The Toronto-Dominion Bank	4.90%		7	Perpetual	n.a.	n.a.	P2 / P2	CAD	150
22-Jul-15	RY.PR.O	Royal Bank of Canada	4.90%		11	Perpetual	n.a.	n.a.	P2 / P2	CAD	150
29-Jul-15	BMO.PR.Z	Bank of Montreal	4.90%		BI	Perpetual	n.a.	n.a.	P3H / P2	CAD	150
7-Aug-15	CU.PR.H	Canadian Utilities Ltd	5.25%		35	Perpetual	n.a.	n.a.	P2H / P2H	CAD	125
24-Sep-15	CU.PR.J	Canadian Utilities Ltd	4.50%	Y	35	Fixed Reset	1-Dec-20	369	P2H / P2H	CAD	250
2-Oct-15	BAM.PF.H	Brookfield Asset Management Inc	5.00%	Y	44	Fixed Reset	31-Dec-20	417	P2 / P2L	CAD	250
2-Oct-15	RY.PR.P	Royal Bank of Canada	5.25%		BI	Perpetual	n.a.	n.a.	P2 / P2	CAD	150
23-Nov-15	ALA.PR.I	AltaGas	5.25%	Y	1	Fixed Reset	31-Dec-20	419	P3H / P3	CAD	250
25-Nov-15	BEP.PR.G	Brookfield Renewable Energy Partners L.P.	5.50%	Y	7	Fixed Reset	31-Jan-21	447	P3H / P3H	CAD	175
15-Dec-15	W.TBA	Westcoast Energy Inc	5.25%	Y	10	Fixed Reset	15-Jan-21	426	P3H / P2L	CAD	115
Total 2015 Year-to-Date Issuance											5,643

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12 A. Introduction

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14 Newfoundland Power does not have the latest copy of BMO's Preferred Share Statistics.

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16 In the response to Request for Information CA-NP-050, Newfoundland Power stated on  
17 page 4, lines 30 to 33:

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19 *"The Company has been advised that preferred shares with a fixed*  
20 *coupon rate and perpetual term are not currently marketable in Canadian*  
21 *capital markets. Preferred shares which have a coupon rate which is reset*  
22 *at a predetermined time (typically 5 years) are currently marketable in*  
23 *Canadian capital markets".*

1 This was, as described by the section's heading, in the context of Canadian electric utility  
2 financing practice.<sup>1</sup>

3  
4 Newfoundland Power can confirm there were 7 fixed rate perpetual preferred shares in  
5 2015. The Company can also confirm that none of the issuers were a Canadian electric  
6 operating utility.<sup>2</sup> Further, the Company observes that all of the issuance amounts were  
7 in excess of \$100 million.<sup>3</sup>

8  
9 **Canadian Utilities Limited vs. CU Inc.**

10  
11 Canadian Utilities Limited is a holding company of ATCO Ltd. Canadian Utilities  
12 Limited holds various regulated and non-regulated operations, including CU Inc., ATCO  
13 Australia, ATCO Energy and ATCO Structure and Logistics.

14  
15 CU Inc. is an intermediate utility holding company used by ATCO Ltd. to hold, and  
16 finance, ATCO's regulated Alberta interests.

17  
18 Canadian Utilities Limited issued \$125 million in fixed rate perpetual shares on July 29,  
19 2015.<sup>4</sup> The use of the funds, as stated in the prospectus, "*will be added to the general*  
20 *funds of the Corporation to be used for capital expenditures, to repay existing*  
21 *indebtedness and for other general corporate purposes.*"<sup>5</sup>

22  
23 There is no indication that CU Inc. has issued preferred shares to Canadian Utilities  
24 Limited in relation to the \$125 million. Therefore, it is not clear what funds, if any, from  
25 the \$125 million issuance is being used to finance Canadian utility operations. However  
26 it is clear that CU Inc., including its Alberta subsidiaries, have not issued perpetual  
27 preferred shares in 2015 to finance Canadian utility operations.

28  
29 CU Inc. has, in the past, issued preferred shares to finance regulated Canadian utility  
30 operations. However, the use of preferred equity to finance utility operations appears to  
31 be diminishing.<sup>6</sup> In fact, on June 1, 2014, CU Inc. redeemed all outstanding 6.70 percent  
32 cumulative Redeemable Preferred Shares Series 2 totaling \$160 million. According to  
33 the Company, it refinanced these preferred shares with more cost-effective financing.<sup>7</sup> In  
34 2015, CU Inc. has had 2 debenture issuances totaling \$650 million.<sup>8</sup>

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<sup>1</sup> See the response to the Request for Information CA-NP-050, page 4, lines 7 *et. seq.* which, as described by the heading, provides information relating to current electric utility financing practice.

<sup>2</sup> In fact, 5 of the 7 issuers were Canadian chartered banks.

<sup>3</sup> Newfoundland Power has also been advised that a minimum issue of \$100 million would be required for a utility preferred share issue with a coupon reset to be marketable in current Canadian capital markets.

<sup>4</sup> See the July 29, 2015 prospectus supplement filed by Canadian Utilities Limited on SEDAR.

<sup>5</sup> See page S-11 of the prospectus.

<sup>6</sup> See the response to the Request for Information CA-NP-050, page 4, lines 9 to 24.

<sup>7</sup> See ATCO Ltd.'s 2014 *Management's Discussion and Analysis*, page 36.

<sup>8</sup> See the prospectus' dated July 27, 2015 for \$400 million and October 30, 2015 for \$250 million.

1           **Summary**

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For Canadian electric utility financing, preferred shares with a fixed coupon rate and perpetual term do not appear to be currently marketable in Canadian capital markets.