

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

**AN ORDER OF THE BOARD**

**NO. P.U. 40(2020)**

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** pursuant to subsection 91(1) of the *Act* a public utility may not issue evidence of  
17 indebtedness payable more than one year from the date of issue until it has obtained approval from  
18 the Board for the proposed issue; and  
19

20 **WHEREAS** on December 8, 2020 the Board received an application from Hydro for approval of  
21 the issuance of up to \$300 million of indebtedness to the Province of Newfoundland and Labrador  
22 (the “Application”); and  
23

24 **WHEREAS** the Application proposed that, to ensure least cost borrowing the Province of  
25 Newfoundland and Labrador borrow on Hydro’s behalf and lend the proceeds to Hydro on  
26 identical terms and conditions, consistent with the debt issue approved by the Board in Order No.  
27 P.U. 42(2017); and  
28

29 **WHEREAS** the Application stated that the funds borrowed will be used to retire outstanding  
30 short-term debt which was used to finance normal expenditures relating to items such as debt  
31 service, fuel, operating and maintenance costs and cash requirements for capital programs; and  
32

33 **WHEREAS** Hydro stated that in the absence of long-term debt refinancing, borrowings under the  
34 promissory note program would exceed Hydro’s promissory note program limit in December 2020  
35 and its short-term debt cap in late 2021; and  
36

37 **WHEREAS** pursuant to section 28 of the *Hydro Corporation Act, 2007*, SNL 2007, Chapter H-  
38 17, authorization for the indebtedness is required from the Lieutenant Governor in Council; and

1 **WHEREAS** the Application provided a copy of Order in Council OC2020-273, dated December  
2 7, 2020, authorizing the Government of Newfoundland and Labrador to provide long-term funding  
3 of up to \$300 million to Hydro on such terms as conditions as the Minister of Finance may  
4 determine, on a cost recovery basis, and to require the payment of a fee in respect of all such  
5 monies advanced to Hydro, including a Debt Guarantee Fee; and

6  
7 **WHEREAS** the following general terms and conditions of the indebtedness were set out in the  
8 Application:

9  
10 Term: up to 40 years  
11 Amount: up to \$300 million  
12 Coupon rate: up to 6%  
13 Issue date: on or before April 30, 2021  
14 Cost to Hydro: up to 0.700% of face value plus incidentals  
15 Sinking fund: no

16  
17 **WHEREAS** the Application was circulated to Newfoundland Power Inc. (“Newfoundland  
18 Power”), the Consumer Advocate, Dennis Browne, Q.C., a group of industrial customers: Corner  
19 Brook Pulp and Paper Limited, NARL Refining LP and Vale Newfoundland and Labrador Limited  
20 (the “Industrial Customer Group”), Praxair Canada Inc., and Teck Resources Limited; and

21  
22 **WHEREAS** on December 11, 2020 Newfoundland Power confirmed that they did not have any  
23 comments in relation to the Application; and

24  
25 **WHEREAS** on December 15, 2020 the Industrial Customer Group confirmed that they did not  
26 have any comments in relation to the Application; and

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

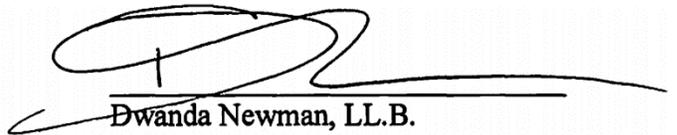
29  
30 **WHEREAS** on December 17, 2020 Hydro filed a reply submission noting that there were no  
31 comments from any of the parties and requesting that the Board approve the application as  
32 submitted; and

33  
34 **WHEREAS** the Board has reviewed the Application and supporting material and finds that  
35 approval of the proposed issue of indebtedness of up to \$300 million is in accordance with law and  
36 for a purpose approved by the Board.

1 **IT IS THEREFORE ORDERED THAT:**  
 2

- 3 1. The proposal by Hydro to borrow from the Province of Newfoundland and Labrador in an  
 4 amount of up to \$300,000,000 to retire outstanding short-term debt is approved subject to the  
 5 following conditions:  
 6
- 7 (a) The debt shall be issued on or before April 30, 2021.  
 8
- 9 (b) Hydro shall file with the Board an affidavit specifying the terms and conditions of the  
 10 debt issue within five (5) days after terms and conditions have been successfully  
 11 negotiated, setting out the following where applicable:  
 12 (i) date of issue;  
 13 (ii) term;  
 14 (iii) maturity date;  
 15 (iv) principal amount;  
 16 (v) interest rate;  
 17 (vi) price to the public and to the underwriters;  
 18 (vii) yield to the public;  
 19 (viii) underwriting fee;  
 20 (ix) actual cost to Hydro; and  
 21 (x) any other material terms or conditions.  
 22
- 23 (c) Hydro shall file with the Board a copy of the Loan Agreement relating to the debt issue  
 24 within five (5) days after the conditions have been accepted by Hydro.  
 25
- 26 (d) Hydro shall file with the Board a report on the disposition of the proceeds no later than  
 27 six months from the date of the closing.  
 28
- 29 2. Hydro shall pay all expenses of the Board arising from this Application.

**DATED** at St. John's, Newfoundland and Labrador, this 18<sup>th</sup> day of December, 2020.

  
 Dwanda Newman, LL.B.  
 Vice-Chair

  
 Christopher Pike, LL.B., FCIP  
 Commissioner

  
 Sara Kean  
 Assistant Board Secretary