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THE COMPANY

Beauharnois Light, Heat and Power Company holds under lease from the Province of Quebec and under sub-lease from The Montreal Cotton Company (approved by the Dominion and the Province of Quebec) both extending to the year 2003, certain water rights on the St. Lawrence River about 25 miles west of Montreal. These water rights permit the utilization of 53,072 cubic feet of water a second, and have received the necessary approvals by the Dominion Government under powers granted for this purpose by Act of the Parliament of Canada. Under the provisions of the original Orders-in-Council fixing the conditions of the grants and permits, the general plans of the development and a large part of the details of works and steps to utilize the permitted amount of water have been approved by the Dominion and Provincial Governments, and the remaining details of works and steps progressively necessary to bring the present stage of the development to the stage that will utilize such permitted amount are to receive the approval of each Government in order to ensure compliance with the conditions of such Orders-in-Council. Construction work on the development necessary to utilize these waters began in the year 1929 and has been carried on continuously since that date. The work involved the construction of a canal approximately 15 miles in length on the south side of the St. Lawrence River from Lake St. Francis to Lake St. Louis, and the erection of a large modern power house at the Lake St. Louis end of the canal for the purpose of utilizing a head of approximately 80 feet made available at that point. The canal and canal lands (excepting forebay, power house and tail-race) and the works of the Company constructed on such lands were conveyed to and vested in His Majesty in return for easements, servitudes and rights granted to the Company by the Dominion of Canada, pursuant to the provisions of Orders-in-Council of March 1, 1932, and of September 14, 1932. These easements, servitudes and rights are sufficient to enable the Company by means of the said canal to utilize such waters of the St. Lawrence River as it is now or may hereafter be authorized by or under the authority of the Parliament of Canada to divert and use for the development of hydro-electric power between Lake St. Francis and Lake St. Louis, including the right to widen, deepen and otherwise improve the said canal and to dispose of excavated material upon the Company's land outside the canal embankments by means of pipe lines placed on, along or across the canal embankments or otherwise as may be approved by the Minister of Railways and Canals. The Canal is so designed that it may be used by the Government as a link in the St. Lawrence Deep Waterway. The present plans of the Company contemplate the installation at the Company's power house, already constructed, of electrical machinery capable of generating 500,000 h.p. together with the relative dredging and development work in the canal and the construction of remedial and control works in the St. Lawrence River by the year 1938. This installation will enable Beauharnois Light, Heat and Power Company to deliver the 400,000 h.p. covered by contracts with The Hydro-Electric Power Commission of Ontario and Montreal Light, Heat and Power Consolidated and will provide the spare capacity necessary under these contracts. At the present time the power house has been completed and equipment capable of producing 200,000 h.p. has already been installed therein. The present plans for the development contemplate that further installations in the power house will be completed as follows:

On October 1, 1934.....	250,000 h.p.
On October 1, 1935.....	400,000 h.p.
On October 1, 1936.....	450,000 h.p.
On October 1, 1938.....	500,000 h.p.

The progressive installation indicated above will enable the Company to meet its progressively increasing contract commitments for the delivery of power and at the same time insure the spare capacity called for under the contracts.

POWER CONTRACTS

The Company has entered into a contract with The Hydro-Electric Power Commission of Ontario for the sale to the latter of 250,000 h.p., which contract extends to October 1, 1972; it has also entered into a contract with Montreal Light, Heat and Power Consolidated for the sale of 150,000 h.p., which contract extends to June 23, 2003.

The following schedule shows the power deliveries under the above contracts:

	The Hydro-Electric Power Commission of Ontario	Montreal Light, Heat and Power Consolidated
October 1, 1932 (now being delivered).....	35,000 h.p.	25,000 h.p.
October 1, 1933 (now being delivered).....	75,000 h.p.	50,000 h.p.
October 1, 1934.....	129,000 h.p.	75,000 h.p.
October 1, 1935.....	196,000 h.p.	100,000 h.p.
October 1, 1936.....	250,000 h.p.	125,000 h.p.
October 1, 1937 and thereafter.....	250,000 h.p.	150,000 h.p.

SECURITY

These First Mortgage Bonds are secured by a Trust Deed constituting a first fixed and specific charge on all the real and immoveable properties and rights (subject to the matters referred to in the solicitors' opinion hereinafter mentioned) and on the water powers, water rights, franchises and concessions of the Company, present and future, and on the Company's power contracts with The Hydro-Electric Power Commission of Ontario and Montreal Light, Heat and Power Consolidated and a first floating charge on the undertaking and all other assets of the Company. The charges on the properties of the Company securing these bonds are subject to the obligations of the Company contained in the above mentioned power contracts with The Hydro-Electric Power Commission of Ontario and Montreal Light, Heat and Power Consolidated, in the agreement between the Company and the Dominion of Canada dated March 1, 1932, and in the agreements with the railways whose bridges cross the canal, so that in the event of enforcement proceedings the Trustee as well as any purchaser of the undertaking would have to perform these obligations but would likewise have the benefits of the contracts and agreements.

The Trust Deed among other things provides:

- (1) That the balance of the authorized bonds may be issued in one or more series, in such currencies and at such rates of exchange, may mature on such dates, not earlier than January 1, 1973, bear such rates of interest and carry such Sinking Fund (not proportionately greater than that provided for Series "A", otherwise the Sinking Fund for Series "A" is to be increased) such conversion and redemption provisions as the Directors may determine in respect of such series.
- (2) That such subsequent series of the First Mortgage Bonds may be issued for the acquisition or construction of additional property as defined in the Trust Deed, to an amount not exceeding the

W.L.M. King Papers, Memoranda and Notes, 1933-1939 (M.G. 26 J 4, volume 149, pages C108088-C108740)

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