

1 **Q. Reference: Dr. Cleary’s Evidence, Page 29, Lines 2-4**  
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3 **If DBRS’ credit metrics support an AA rating for Newfoundland Power, why**  
4 **is the Company’s DBRS rating only A? Is this lower rating an indication that**  
5 **DBRS believes that Newfoundland Power has higher business risk? If not,**  
6 **what is causing this lower credit rating in Dr. Cleary’s opinion?**  
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8 A. Dr. Cleary cannot speculate as to why NP has an A rating, other than to note that he  
9 is not aware of any privately owned Canadian utilities that have a AA debt rating,  
10 NP’s metrics lie just above the AA metric thresholds, and/or they consider the lower  
11 rating of NP’s parent company Fortis Inc. (i.e., DBRS – BBB(High); Moody’s -  
12 Baa3) despite the fact both agencies note that NP is independent from Fortis Inc. As  
13 Dr. Cleary points out in his responses to NP-CA-082 and NP-CA-083, rating  
14 agencies consider other factors in addition to credit metrics in determining their  
15 overall assessment.  
16

17 Dr. Cleary finds it highly unlikely that NP’s ratings reflect higher business risk,  
18 since both DBRS and Moody’s indicate that NP’s low business risk is among its  
19 key strengths associated with its rating, as noted in the responses to NP-CA-065 and  
20 NP-CA-066. In particular, Moody’s lists the following strengths: 1. “Low risk  
21 regulated utility, primarily a T&D, with 93% purchased power from provincial  
22 generators”; 2. “Supportive regulatory environment”; and, 3. “Stable cash flow  
23 metrics with CFO pre-W/C to debt in the mid to high teens”. DBRS lists the  
24 following strengths: “1. Stable and supportive regulatory policy; 2. Solid financial  
25 profile; and, 3. Stable customer base.”