

- 1 **Q. Further to the above RFI, if a utility is unable to obtain a particular credit rating, is**
2 **it Mr. Coyne’s judgement that the allowed ROE or capital structure should be set at**
3 **an unjust or unreasonable level to obtain such a rating? In other words which is**
4 **more important: setting just and reasonable rates or targeting a particular credit**
5 **rating? Has Mr. Coyne ever testified on behalf of a Canadian utility that was unable**
6 **to obtain an investment grade credit rating? If so, why was the rating unattainable?**
7
- 8 A. No. The fair return standard requires that the authorized return for a regulated utility be
9 established at a level that allows the utility to maintain its financial integrity and access
10 capital markets at all times on reasonable terms and conditions.
11
- 12 Setting a fair return is more important than targeting a particular credit rating. However,
13 several Canadian regulators have determined that a fair return depends in part on the
14 credit rating that will result from that return.
15
- 16 No, Mr. Coyne has not testified on behalf of a Canadian utility that was unable to obtain
17 an investment grade credit rating. However, the market for lower rated bond issues in
18 Canada is much less liquid than the market for bonds rated A- or higher. That is one
19 important reason why some regulators in Canada have targeted a specific credit rating as
20 part of setting a fair return.