

1 **Volume 2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk**  
2 **Profile**

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4 **Q. Please confirm that S&P will not rate an operating subsidiary's debt higher than the**  
5 **parent unless there are exceptional reasons, such as ring fencing the sub or the use**  
6 **of first mortgage bonds.**

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8 A. While it is generally true that an operating subsidiary's S&P credit rating is closely tied  
9 to its parent company unless there are significant ring-fencing provisions in place that  
10 separate the operating utility from its parent, the same is not true for Moody's credit  
11 ratings, which more directly reflect the business and financial risk profile of the operating  
12 utility.