

1 Q. Reference: Dr. Cleary Evidence, Page 16, Lines 22-23: Please provide each
2 and every reference contained in the recent debt rating reports provided in Exhibit
3 4 of NP's evidence to "...S&P's 2002 opinion that NP possesses low business risk."

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5 A. Moody's report, January 19, 2015:

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7 1. Page 1, the first two points under the heading "Rating Drivers" read:

- 8 - "Low-risk regulated electric utility"
9 - "Supportive regulatory and business environment"

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11 2. Page 2, under "Summary Rating Rationale":

12 *"NPI's Baa1 issuer rating reflects the company's low business risk as a vertically*
13 *integrated cost-of-service regulated utility with no unregulated business activities.*
14 *Approximately 93% of NPI's power requirements are purchased from*
15 *provincially-owned Newfoundland & Labrador Hydro (Hydro), the cost of which*
16 *is passed through to ratepayers. Despite NPI's allowed Return on Equity (ROE)*
17 *of 8.80% for 2013-2015, we continue to view the PUB as one of the more*
18 *supportive regulators in Canada. Regulatory decisions tend to be reasonably*
19 *timely and balanced and NPI's 45% deemed equity is among the highest in*
20 *Canada. In addition, NPI benefits from a number of deferral accounts that are*
21 *intended to protect it from factors beyond management's control."*

22
23 3. Page 2, under "Detailed rating Considerations":

24 Heading #1 – "Low-risk business model" – the two paragraphs that follow this
25 heading provide reasons for this assessment.

26 Heading #2 – "Supportive regulatory and business environment" – the four
27 paragraphs that follow this heading provide reasons for this assessment.

28
29 DBRS report, August 21, 2015:

1 1. Page 1, paragraph 1:

2 *“The confirmations reflect the stable nature of the Company’s regulated*
3 *electricity distribution business and its solid financial risk profile.”*
4

5 2. Page 1, paragraph 2:

6 *“Newfoundland Power’s business risk profile continues to be supported*
7 *by the reasonable regulatory regime in Newfoundland and Labrador. The*
8 *Company, which is regulated by the Board of Commissioners of Public*
9 *Utilities (PUB), operates under a cost-of-service (COS) framework, which*
10 *allows Newfoundland Power to recover all prudently spent operating*
11 *expenses and earn a reasonable return. The Company currently has an*
12 *allowed return on equity (ROE) of 8.80% and regulated capital structure*
13 *of 45% common equity, which is comparable to its peers across Canada.*
14 *Newfoundland Power also benefits from having a Rate Stabilization*
15 *Account (RSA) and a Weather Normalization Account (WNA), which help*
16 *reduce volatility in its earnings. These accounts limit the Company’s*
17 *exposure to power price risk as the RSA passes through to customers*
18 *changes in the cost and quantity of fuel burned by the Company’s main*
19 *power supplier, Newfoundland and Labrador Hydro (NLH; rated “A”*
20 *with a Stable trend by DBRS), while the WNA stabilizes earnings during*
21 *extreme weather conditions.”*
22

23 3. Page 2, under the heading “Strengths”:

24 **“1. Stable and supportive regulatory environment**

25 Newfoundland Power operates in a stable and supportive regulatory
26 environment that is based on COS regulation. The PUB allows for the
27 pass-through of purchased power costs and an RSA is in place to absorb
28 fluctuations in purchased power costs relating primarily to the cost of fuel
29 oil used by NLH to generate electricity. Furthermore, the Company also
30 has a WNA to stabilize earnings during extreme weather conditions.”
31

32 4. Page 2, under the heading “Strengths”:

33 **“3. Stable customer base**

34 Newfoundland Power has a stable customer base, with power sales
35 consisting solely of those to residential and commercial customers.”