

1 **Q. Dr. Cleary Evidence, Page 33, Table 12: Please provide Dr. Cleary's**
2 **understanding of whether Moody's and DBRS' credit ratings are based entirely on**
3 **the credit metrics shown in Table 12, or whether the rating agencies also take into**
4 **consideration other factors. If other factors are considered, please identify those**
5 **factors.**

6
7 **A. Dr. Cleary is well aware that credit metrics are only a part of what debt rating**
8 **agencies consider in determining their ratings.**

9 **For example, the response to CA-NP-029 provides a copy of the 2013 Moody's**
10 **Methodology for utilities, from which Dr. Cleary notes the following:**

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- 12 • **Page 4 of this document provides the overall framework, which involves making**
13 **a business risk assessment (BRA) and a financial risk assessment (FRA).**
- 14 • **Page 6 provides an outline of the primary BRA factors that include assessing**
15 **regulation, business mix, and franchise and customer mix respectively.**
- 16 • **Page 7 of this document discusses additional BRA factors that may be considered.**
- 17 • **Page 8 of this document discusses primary FRA metrics, plus some additional**
18 **metrics, while page 9 discusses other criteria.**
- 19 • **Notably, DBRS states the following on page 9 of this document:**
20 **"The final issuer rating is a blend of the BRA and FRA. In most cases, the BRA**
21 **will have greater weight than the FRA in determining the issuer rating."**

22
23 **Similarly, the Moody's 2013 Methodology Report provided in the response to CA-NP-**
24 **028, from which Dr. Cleary notes the following rating grid which is provided on page 6**
25 **of that document and which summarizes the factors they consider, and the weightings**
26 **they attach to the various factors:**

Factor / Sub-Factor Weighting - Regulated Utilities

Broad Rating Factors	Broad Rating Factor Weighting
Regulatory Framework	25%
Ability to Recover Costs and Earn Returns	25%
Diversification	10%
Financial Strength, Key Financial Metrics	40%

- 1 Pages 6-31 of the Moody's Methodology report provide details in terms of how they
- 2 assess utilities according to the factors in the grid provided above.