

1 **Q. Dr. Cleary Evidence, Page 35, Line 22 to Page 36, Line 6: Moody's Investors**  
2 **Services weights Regulatory Framework at 25%, Ability to Recover Costs and Earn**  
3 **Returns at 25% and Diversification at 10% in arriving at utility credit ratings.**  
4 **Please provide the values that Dr. Cleary believes Moody's Investors Services will**  
5 **attribute to each of these 3 factors if the Board were to accept his recommendation**  
6 **that Newfoundland Power's equity ratio be reduced to 40%.**

7  
8 **A. Dr. Cleary cannot predict precisely how an analyst at Moody's would evaluate NP**  
9 **relative to these criteria, because there are too many factors involved, and such a**  
10 **prediction is also based on individual judgment.**

11  
12 However, consistent with his response to PUB-CA-020, his best prediction would be that  
13 Moody's would have no reason to change from the 12-18 month forward view ratings  
14 provided in the January 19, 2015 Moody's report, provided in Exhibit 4 of NP's  
15 evidence, as stated below:

<u>FACTOR</u>	<u>SCORE</u>
16	
17 <b>Regulatory Framework (25%)</b>	
18	
19 (a) Legislative and Judicial Underpinnings of the Regulatory Framework:	A
20 (b) Consistency and Predictability of Regulation:	A
21	
22 1. Ability to Recover Costs and Earn Returns (25%)	
23 (a) Timeliness of Recovery of Operating and Capital Costs:	Aa
24 (b) Sufficiency of Rates and Returns:	
25 Baa	
26 2. Diversification (10%)	
27 (a) Market Position:	
28 Baa	
29 (b) Generation and Fuel Diversity:	Baa
30	

- 1 Clearly, such an assessment, combined with the strength of metrics demonstrated in Dr.
- 2 Cleary's evidence under a 40% equity ratio, indicates that NP's credit rating would not be
- 3 in jeopardy.