

1 Q. On page 46 Mr. Coyne states:  
2

3 “Comparison to the Canadian proxy group is not possible because Emera Inc. is the  
4 only company in the Canadian peer group that has relevant credit metrics from  
5 Moody’s. Enbridge Inc. is rated by Moody’s, but has different credit metrics that  
6 do not align with these categories. Canadian Utilities Limited and Valener, Inc. are  
7 not rated by Moody’s.”  
8

- 9 a) Please explain why Mr. Coyne did not simply compare NP to the Canadian  
10 utilities using the credit metrics used by DBRS, since all five Canadian utilities  
11 have debt ratings from DBRS.  
12 b) Please provide a comparison of NP to the Canadian utilities using the credit  
13 metrics used by DBRS.  
14 c) In JMC-2 in Appendix A of Mr. Coyne’s 2015 evidence, Mr. Coyne compared  
15 the S&P credit metrics for NP to all four Canadian utilities included in his  
16 current Canadian Proxy group. JMC-2 showed that (after excluding Valener):  
17 NP had a much lower Debt to Capital ratio (55%) than the average (64%); NP  
18 had a higher EBITDA to Interest Coverage ratio (4.52) than the average (4.12);  
19 NP had a slightly lower FFO to Interest Coverage ratio (3.61) than the average  
20 (4.06); NP had a higher FFO/Debt ratio (17.5%) than the average (13.7%); and,  
21 NP had a much lower Debt to EBITDA ratio (3.30) than the average (5.54).  
22 Therefore, at the time NP was above average according to these metrics. Please  
23 explain why Mr. Coyne did not replicate this analysis during these proceedings.  
24 d) Please update JMC-2 from Appendix A of Mr. Coyne’s 2015 NP evidence, and  
25 provide all supporting data and worksheets.  
26

- 27 A. a) Mr. Coyne determined the credit metrics analysis would provide a more useful and  
28 meaningful comparison if he used the same source for both the Canadian and U.S.  
29 proxy group companies. DBRS does not provide credit ratings for the companies in  
30 Mr. Coyne’s U.S proxy group. Newfoundland Power is rated by Moody’s Investors  
31 Service, but not by Standard & Poor’s. Mr. Coyne ultimately determined that  
32 Moody’s was the best source of credit metrics for this analysis because all of the  
33 companies in his U.S. electric proxy group are covered by Moody’s. Only two of the  
34 four companies in the Canadian proxy group are covered by Moody’s, and only  
35 Emera Inc. has credit metrics that can be compared to those of Newfoundland Power,  
36 making the comparison to the Canadian proxy group less meaningful.  
37  
38 b) As explained in the previous response, Mr. Coyne determined that the credit metrics  
39 analysis provided the most meaningful comparison between Newfoundland Power and  
40 the U.S. electric proxy group using credit ratios reported by Moody’s Investors Service.  
41  
42 c) Newfoundland Power is not rated by Standard and Poor’s. As such, S&P credit metrics  
43 are not available for Newfoundland Power. In 2015, Mr. Coyne calculated the credit  
44 metrics for Newfoundland Power based on his understanding of the methods used by  
45 S&P. These calculations, however, require numerous assumptions about adjustments

- 1           that S&P makes to net income, Funds From Operations, EBITDA, and the capital  
2           structure components. Rather than attempting to perform that analysis again, Mr.  
3           Coyne decided to use credit metrics reported by Moody's, since Newfoundland Power  
4           is rated by Moody's but not by S&P.  
5  
6           d) Mr. Coyne has provided the S&P credit metrics for the companies in the Canadian and  
7           U.S. proxy groups. Please see Attachment A. However, Mr. Coyne has not attempted  
8           to compute the S&P credit metrics for Newfoundland Power for the reasons stated in  
9           subpart (c) above.

**S&P Credit Metrics**

**CREDIT METRICS ANALYSIS**

Newfoundland Power  
Exhibit JMC-9

<u>Company Name</u>	<u>Ticker</u>	<u>Debt to Capital Ratio</u>	<u>EBITDA to Interest Coverage</u>	<u>FFO to Interest Coverage</u>	<u>FFO / Debt (%)</u>	<u>Debt to EBITDA</u>
		<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>
		<u>U.S. Proxy Group</u>				
ALLETE, Inc.	ALE	47%	4.85	7.10	20.0%	3.96
Alliant Energy Corporation	LNT	59%	4.73	5.88	17.5%	4.83
American Electric Power Company, Inc.	AEP	56%	5.07	6.11	18.9%	4.25
Duke Energy Corporation	DUK	56%	4.01	5.24	15.4%	5.01
Edison International	EIX	58%	4.45	8.10	22.9%	3.59
Eversource Energy	ES	57%	5.36	6.11	14.4%	5.36
OGE Energy Corporation	OGE	47%	5.47	6.07	22.6%	3.58
Pinnacle West Capital Corporation	PNW	49%	5.66	7.06	25.1%	3.25
PNM Resources, Inc.	PNM	63%	4.04	5.29	16.7%	4.70
Southern Company	SO	66%	4.60	5.78	14.6%	5.43
U.S. Proxy Group		56%	4.83	6.27	18.8%	4.40
		<u>Canadian Proxy Group</u>				
Canadian Utilities Limited	CU	66%	3.89	4.14	12.5%	5.79
Emera Incorporated	EMA	67%	3.23	3.46	10.4%	6.38
Enbridge Inc.	ENB	50%	3.60	3.20	10.3%	6.84
Valener, Inc.	VNR	[1]	N/A	N/A	N/A	N/A
Canadian Proxy Group		61%	3.57	3.60	11.1%	6.34

Notes & Sources:

All values are based on Standard and Poor's adjusted credit metrics for the holding-company

[1] Valener is no longer rated by S&P.