

1 **Q. In its discussion of its credit ratings, NP indicates the issue ratings of A2 from**
2 **Moody's and A from DBRS, both stable. However, in its filing page 3-14 NP refers**
3 **in footnote 30 to what appears to be its issuer rating from Moody's of Baa1. Please**
4 **indicate which rating NP believes that investors use in deciding to buy NP's bonds:**
5 **the issuer or the issue rating and justify the answer and what NP regards as a**
6 **"sound" credit rating consistent with the EPC(1994) the issue or issuer rating?**
7

8 A. Newfoundland Power cannot provide an indication of what level of consideration
9 individual investors may give to certain information provided in credit rating reports,
10 including credit ratings, when analyzing the Company's bonds.
11

12 Generally, a rating is a credit rating agency's opinion of the credit quality of individual
13 obligations or of an issuer's general creditworthiness.¹ According to Moody's, ratings
14 are not recommendations to buy or sell, nor are they a guarantee that default will not
15 occur. Investors use ratings to *help* price the credit risk of fixed-income securities they
16 *may* buy or sell.²
17

18 Moody's issuer rating for Newfoundland Power is Baa1. Moody's states that:
19

20 *"The credit profile is negatively impacted by the risk of future cost*
21 *recovery associated with the Province of Newfoundland and Labrador's*
22 *sizeable Muskrat Falls hydroelectric project. This politically sensitive*
23 *project is large relative to the provincial economy and may place*
24 *considerable upward pressure on the future electricity rates of NPI, a*
25 *credit negative.*"³
26

27 Moody's also provides the first mortgage bond rating for Newfoundland Power of A2.
28 The rating reflects the first mortgage security over the Company's property, plant and
29 equipment and floating charge on all other assets and is consistent with the two-notch
30 differential between most secured and unsecured debt ratings.⁴

¹ A credit rating agency will use a particular methodology to ultimately determine a Company's credit rating. For example, Moody's has indicated that the overall regulatory environment is the most important consideration in determining a credit rating for regulated utilities. See Attachment A to the response to Request for Information CA-NP-095 for Moody's *Rating Methodology: Regulated Electric and Gas Utilities, June 2017*.

² See Moody's publication, *Rating System in Brief*. Moody's provides that "...Many also use ratings as limits on their investment parameters and as means for expanding their investment horizons to markets or security types they do not cover by their own analysis. Because major investors globally rely on Moody's ratings, the ratings help to provide issuers of debt with stable, flexible access to those sources of capital."

³ See the *2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 4, Credit Ratings Reports: Moody's*, page 1.

⁴ See the *2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 4, Credit Ratings Reports: Moody's*, page 7.

1 DBRS provides that both Newfoundland Power’s issuer rating and first mortgage bond
2 rating are A.⁵
3
4 Newfoundland Power submits that its existing investment-grade credit ratings from
5 Moody’s and DBRS are “sound” credit ratings in the context of the *Electrical Power*
6 *Control Act, 1994*.

⁵ See the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 4, Credit Ratings Reports: DBRS, page 1