

1 **Q.** Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of
2 Laurence D. Booth, September 28, 2021, page 95, lines 4-13.

3
4 **What does Dr. Booth believe to be the most important factor considered**
5 **by Moody's and DBRS in determining Newfoundland Power's credit**
6 **rating?**

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9 **A.** To repeat Dr. Booth's evidence on page 90:

10
11 *"In 2012 I referenced two reports by Moody's, one in 2005 and another in 2009*
12 *where they reviewed their rating methodology. The first one cited three major*
13 *factors that determined how it rated the supportiveness of regulation. These were*
14 *(paraphrasing)*

- 15
- 16 • *Protecting the system to ensure reliable supply.*
- 17 • *Protecting the consumer from monopoly over-charging or a sudden large rate*
- 18 *increase.*
- 19 • *Attempting to achieve a balance between satisfying shareholders versus*
- 20 *efficiency to hold down prices.*

21
22 *Second in 2009 Moody's reviewed this report and issued a new one where they*
23 *refined their assessment into the following four major areas where the %*
24 *indicates the weights applied by Moody's,*

- 25
- 26 • *Regulatory framework: 25%*
- 27 • *Ability to recover costs and earn profits: 25%*
- 28 • *Diversification: 10%*
- 29 • *Financial strength and liquidity: 40%"*

30
31 Dr. Booth would judge that all the rating agencies follow the same general
32 principles.