

1 **Q.** **Reference: *Fair Return for Newfoundland Power (NP)*, Evidence of**
2 **Laurence D. Booth, September 28, 2021, page 96.**

3
4 **Please confirm that Newfoundland Power’s issuer rating from Moody’s is**
5 **Baa1 and that the A2 credit rating referenced on page 96 of Dr. Booth’s**
6 **evidence is the secured debt credit rating associated with Newfoundland**
7 **Power’s first mortgage bonds.**

8
9
10 **A.** Yes. For the benefit of the Board some rating agencies assign an issuer and an
11 issue rating. The issuer rating can be viewed as a base rating they assign even if
12 no debt is outstanding. They do this since the rating is often part of a contract
13 independent of debt, while it also helps the framework of the rating. The issue
14 rating is then the rating of an individual issue where some firms have multiple
15 classes of debt securities outstanding and thus multiple issue ratings. The
16 priority of the issue in terms of their claim on income and the asset when in
17 default is the main determinant of the different issue ratings.

18
19 Other rating agencies such as DBRS automatically assign the higher rating
20 when a lower priority debt instrument is retired.

21
22 As far as the investor is concerned it is the issue rating that is important in their
23 risk assessment since they buy the issue not the issuer.