

1 **Q. Please provide a copy of any further credit opinions/rating reports received since**
2 **the filing of the Application.**

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4 A. Newfoundland Power received two press releases from Moody's Investors Service in
5 August 2009.

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7 Attachment A is a press release from Moody's describing the broad application of the new
8 notching policy for senior secured debt ratings of investment-grade regulated utilities.

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10 Attachment B is a press release from Moody's relating to the upgrade of Newfoundland
11 Power's first mortgage bonds and the assignment of a Baa1 issuer rating.

Moody's Investor Service, 03-Aug-09
Rating Action: Moody's upgrades most senior secured ratings of investment-grade regulated utilities by one notch



Moody's Investors Service

Rating Action: **Moody's upgrades most senior secured ratings of investment-grade regulated utilities by one notch**

Global Credit Research - 03 Aug 2009

Approximately \$91 billion of debt securities upgraded

New York, August 03, 2009 -- Moody's Investors Service has upgraded the majority of senior secured debt ratings of investment-grade regulated utilities by one notch. The senior secured debt upgraded includes first mortgage bonds, other first lien mortgage bonds, and securities backed by first lien mortgage bonds.

"This rating action widens the notching between most senior secured debt ratings and senior unsecured debt ratings of investment-grade regulated utilities to two notches from one previously," said Moody's Vice President-Senior Credit Officer Michael Haggarty. "The wider notching is based on our analysis of the history of regulated utility defaults, which indicates that regulated utilities have defaulted at a lower rate and experienced lower loss given default rates than non-financial, non-utility corporate issuers."

This historical analysis was outlined in "Default, Recovery, and Credit Loss Rates for Regulated Utilities, 1983-2008," a report published by Moody's in April along with a request for comment to market participants on the possible implementation of wider notching of ratings in the utility sector.

"The study of defaults and the significant disparity in the magnitude of loss given defaults provides a compelling rationale for placing an additional notch between the senior secured and senior unsecured ratings," said Haggarty. There are certain limited exceptions to the wider notching, including senior secured ratings currently under review for possible downgrade or issuers with negative rating outlooks.

For more information, please see "Proposed Wider Notching Between Certain Senior Secured Debt Ratings and Senior Unsecured Debt Ratings for Investment Grade Regulated Utilities," Moody's Special Comment, May 2009.

Senior secured debt ratings upgraded include:

ALLETE, Inc. upgraded to A2 from A3

Avista Corp., upgraded to Baa1 from Baa2

Black Hills Power, Inc., upgraded to A3 from Baa1

CenterPoint Energy Houston Electric LLC, upgraded to Baa1 from Baa2

Central Illinois Public Service Company, upgraded to Baa2 from Baa3

Central Maine Power Company, upgraded to A2 from A3

Cleveland Electric Illuminating Company (The), upgraded to Baa1 from Baa2

Colonial Gas Company, upgraded to A1 from A2

Commonwealth Edison Company, upgraded to Baa1 from Baa2

Connecticut Light & Power, upgraded to A2 from A3

Consumers Energy Company, upgraded to A3 from Baa1

Dayton Power & Light Company, upgraded to Aa3 from A1

Delmarva Power & Light Company, upgraded to A3 from Baa1

Detroit Edison Company (The), upgraded to A2 from A3

Duke Energy Carolinas, LLC, upgraded to A1 from A2

Duke Energy Indiana, Inc., upgraded to A2 from A3

Duke Energy Ohio, Inc., upgraded to A2 from A3

Duquesne Light Company, upgraded to A3 from Baa1

Entergy Arkansas, Inc., upgraded to A3 from Baa1

Entergy Gulf States Louisiana, LLC, upgraded to Baa1 from Baa2

Entergy Louisiana, LLC, upgraded to A3 from Baa1

Entergy Mississippi, Inc., upgraded to Baa1 from Baa2

Entergy Texas, Inc., upgraded to Baa2 from Baa3

Florida Power & Light Company, upgraded to Aa2 from Aa3

Green Mountain Power Corporation, upgraded to A2 from A3

Illinois Power Company, upgraded to Baa2 from Baa3

Indianapolis Power & Light Company, upgraded to A3 from Baa1

International Transmission Company, upgraded to A2 from A3

ITC Midwest LLC, upgraded to A2 from A3

Jersey Central Power & Light Company, upgraded to A3 from Baa1

Kansas Gas and Electric Company, upgraded to Baa1 from Baa2

Laclede Gas Company, upgraded to A2 from A3

Massachusetts Electric Company, upgraded to A1 from A2

Metropolitan Edison Company, upgraded to A3 from Baa1

Michigan Consolidated Gas Company, upgraded to A2 from A3

Michigan Electric Transmission Company, LLC, upgraded to A2 from A3

Monongahela Power Company, upgraded to Baa1 from Baa2

Narragansett Electric Company, upgraded to A1 from A2

New Jersey-American Water Company, Inc., upgraded to A2 from A3

Niagara Mohawk Power Corporation, upgraded to A1 from A2

Northern Illinois Gas Company, upgraded to Aa3 from A1

Northern States Power Company (Minnesota), upgraded to A1 from A2

Northern States Power Company (Wisconsin), upgraded to A1 from A2

Northwest Natural Gas Company, upgraded to A1 from A2

Northwestern Corporation, upgraded to A3 from Baa1

Ohio Edison Company, upgraded to A3 from Baa1

PacifiCorp, upgraded to A2 from A3

Pennsylvania-American Water Company, upgraded to A2 from A3

Pennsylvania Electric Company, upgraded to A3 from Baa1

Pennsylvania Power Company, upgraded to A3 from Baa1

Portland General Electric Company, upgraded to A3 from Baa1

Potomac Edison Company (The), upgraded to Baa1 from Baa2

Potomac Electric Power Company, upgraded to A3 from Baa1

Progress Energy Carolinas, Inc., upgraded to A1 from A2

Progress Energy Florida, Inc., upgraded to A1 from A2

Public Service Company of Colorado, upgraded to A2 from A3

Public Service Company of New Hampshire, upgraded to A3 from Baa1

Public Service Electric and Gas Company, upgraded to A2 from A3

Puget Sound Energy, Inc., upgraded to Baa1 from Baa2

Rochester Gas & Electric Corporation, upgraded to A3 from Baa1

San Diego Gas & Electric Company, upgraded to Aa3 from A1

South Jersey Gas Company, upgraded to A2 from A3

Southern California Edison Company, upgraded to A1 from A2

Southern California Gas Company, upgraded to Aa3 from A1

Southern Connecticut Gas Company, upgraded to A3 from Baa1

Southern Indiana Gas & Electric Company, upgraded to A2 from A3

Superior Water, Light and Power Company, upgraded to A2 from A3

System Energy Resources, Inc., upgraded to Baa2 from Baa3

Terasen Gas Inc., upgraded to A1 from A2

Toledo Edison Company, upgraded to Baa1 from Baa2

Tucson Electric Power Company, upgraded to Baa1 from Baa2

Union Electric Company, upgraded to A3 from Baa1

West Penn Power Company, upgraded to Baa1 from Baa2

Westar Energy, Inc., upgraded to Baa1 from Baa2

Senior secured shelf ratings upgraded include:

El Paso Electric Company, upgraded to (P)A3 from (P)Baa1

Virginia Electric and Power Company, upgraded to (P)A2 from (P)A3

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**Moody's Investor Service, 03-Aug-09
Rating Action: Moody's upgrades FMBs to A2; assigns Baa1 issuer rating to
Newfoundland Power**



Moody's Investors Service

Rating Action: **Moody's upgrades FMBs to A2; assigns Baa1 issuer rating to Newfoundland Power**

Global Credit Research - 03 Aug 2009

Approximately \$474 million of debt securities affected

Toronto, August 03, 2009 -- Moody's Investors Service announced today that it upgraded Newfoundland Power Inc.'s (NPI) existing secured first mortgage bonds (FMBs) to A2 from Baa1. In addition, Moody's assigned a Baa1 issuer rating. NPI's rating outlook remains stable.

The upgrade of NPI's secured FMBs to A2 from Baa1 is driven by two factors each of which accounts for one notch of the two-notch upgrade. The assignment of a Baa1 issuer rating to NPI effectively constitutes a one-notch upgrade given that it would be typical for the senior secured rating of an investment grade-rated utility to be one notch higher than its senior unsecured rating. In NPI's case, Moody's had not historically accorded a full notch of lift to NPI's senior secured debt because, other than its unsecured bank credit facility (not rated by Moody's), all of NPI's debt was, and continues to be, senior secured. However, Moody's has reconsidered this approach given the elimination of the material adverse change clause from the current bank credit agreement and determined that the benefit of the security afforded to NPI's FMB holders, relative to its bank lenders and other unsecured creditors, combined with the recent strengthening of NPI's financial profile warrant a distinction between its unsecured and secured ratings. The second factor contributing to the two-notch upgrade is the adoption of Moody's policy for wider notching between the senior unsecured and senior secured ratings of investment grade-rated utilities as outlined in "Default, Recovery, and Credit Loss Rates for Regulated Utilities, 1983-2008," a report published by Moody's in May 2009 along with a request for comment to market participants on the possible implementation of wider notching of ratings in the utility sector.

NPI's Baa1 issuer rating reflects the fact that the company's operations are exclusively based in Canada, a jurisdiction where regulatory and business environments in general are relatively more supportive than those of other international jurisdictions such as the United States, in Moody's view. The Baa1 issuer rating also reflects Moody's belief that the improvement in NPI's credit metrics that occurred during 2008 is likely to be sustainable although the company's metrics remain somewhat weaker than those of other Baa1-rated low risk regulated utilities. Moody's believes that NPI's somewhat weaker metrics are balanced by NPI's relatively more supportive regulatory environment. Moody's considers the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) to be one of the more supportive regulators in Canada and notes that NPI's 45% target equity component is among the highest for Moody's-rated electric utilities in Canada and that its 2009 allowed ROE is 8.95%.

The principal methodology used in rating NPI is the March 2005 Global Regulated Electric Utilities rating methodology, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, under the Ratings Methodologies subdirectory.

The last rating action was on June 8, 2005 when NPI's senior secured rating was assigned.

NPI is a regulated electric utility subsidiary of Fortis Inc. and serves the island portion of the province of Newfoundland and Labrador. NPI is headquartered in St. John's, Newfoundland and Labrador.

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