

- 1 **Q. Mr. Cicchetti claims that declining ROEs resulting from formula ROEs may**
2 **challenge utility credit metrics and consequently access to capital. Please**
3
- 4 **a. Confirm that Newfoundland Power was just upgraded two notches by**
5 **Moody's with no mention of any changes in either the ROE formula**
6 **or deemed common equity ratio.**
7
- 8 **b. Confirm that US utilities have both higher allowed ROEs and greater**
9 **deemed common equity ratios than their Canadian peers. If not please**
10 **provide a table with both financial variables for the population of US**
11 **utilities and Canadian ones.**
12
- 13 **c. Confirm that the median bond rating for a utility in Canada is A**
14 **(Low) whereas in the US it is BBB and that Canadian utilities have**
15 **better financial market access on weaker credit metrics than their US**
16 **peers. If Mr. Cicchetti cannot confirm, please provide the DBRS and**
17 **S&P bond ratings for the utilities in b) above.**
18
- 19 **d. Explain why Canadian utilities have better market access than their**
20 **US peers and why Moody's upgraded Newfoundland Power by two**
21 **notches without requiring the significant boost in allowed ROE**
22 **recommended by Mr. Cicchetti.**
23
24
- 25 **A. (a.) Mr. Cicchetti can confirm that Newfoundland Power's rating on its first**
26 **mortgage bonds have been upgraded two notches.**
27
- 28 **(b.) Confirmed, in general. Not all U.S. utilities have higher equity ratios and**
29 **U.S. utilities in general do not have deemed equity ratios.**
30
- 31 **(c.) Confirmed regarding bond ratings. Not confirmed regarding access to the**
32 **capital markets because Mr. Cicchetti does not know what is meant by**
33 **"better financial market access."**
34
- 35 **(d.) Mr. Cicchetti does not know what "better market access" means.**
36 **Regarding Moody's upgrade of Newfoundland Power's first mortgage**
37 **bond rating, many factors affect bond ratings, not just allowed returns.**