

1 **Q. Evidence of Ms. McShane, bond ratings/credit metrics, Pages 18-23: Ms. McShane**
2 **refers to NP's improved bond rating from Moody's as being caused by technical**
3 **factors, is it her judgment that this upgrade has had no impact on NP's market**
4 **access?**

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6 A. For clarification, Ms. McShane refers to the upgrade to the rating on Newfoundland
7 Power's First Mortgage bonds which occurred during the Company's 2010 General Rate
8 Application as reflecting two factors, the first being Moody's conclusion that there
9 should be a wider differential between the secured and unsecured ratings of regulated
10 utilities, given the lower default rates of utilities compared to other non-financial
11 corporate issuers. The second was a one-notch upgrade largely in recognition of its
12 improved, and what Moody's believed at the time to likely be sustainable, credit metrics
13 in 2008.

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15 Newfoundland Power has not raised long-term debt since May 2009. Consequently,
16 market access has not been tested since that time. As a general proposition, since many
17 institutions face restrictions on the percentage of their bond portfolios that can be
18 invested in issues that are rated below A, an upgrade of First Mortgage Bonds into the A
19 category, all other things equal, should provide improved market access (i.e., a broader
20 potential investor base) for future issues.