

1 **Q. In its Credit Opinion of 19 July 2011 on Newfoundland Power Inc., Moody's states,**

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3 **"All of NPI's operations are located in Canada whose regulatory and**  
4 **business environments we consider to be supportive relative to those**  
5 **in other jurisdictions. Further, we consider the PUB to be one of the**  
6 **more supportive regulators in Canada. Notwithstanding that NPI's**  
7 **2011 allowed ROE of 8.38% is currently one of the lowest in Canada,**  
8 **its 45% deemed equity is one of the highest in Canada and the PUB's**  
9 **decisions tend to be timely and balanced. We believe that the PUB's**  
10 **review and approval of NPI's capital spending plans and long term**  
11 **debt issuances significantly reduces the risk of cost allowances or the**  
12 **inability to fully recover costs on a timely basis. NPI submits a**  
13 **proposed capital plan for PUB approval annually. Furthermore, NPI**  
14 **is required to obtain PUB pre-approval for the issuance of any First**  
15 **Mortgage Bonds (FMB) or the incurrence of credit facilities with**  
16 **maturities exceeding one year."**

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18 **Does Ms. McShane know why Moody's considers Canada's regulatory and**  
19 **business environments to be supportive relative to those in other**  
20 **jurisdictions, which the Consumer Advocate takes to include the U.S.? Does**  
21 **Ms. McShane agree with Moody's opinion? If not, why not?**  
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23 **A.** Moody's rationale is set out in its *Rating Methodology: Regulated Gas and Electric*  
24 *Utilities*, August 2009, provided in response to CA NP 233. For Ms. McShane's views  
25 regarding Canada vs. the U.S., please see response to CA NP 237. Ms. McShane has not  
26 studied any other regulatory jurisdictions in sufficient detail to offer an opinion.