

1 **Q. McShane Evidence – Moody’s credit opinion of 19 July 2011 on Newfoundland**
2 **Power Inc. stated that:**

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4 **“Moody’s considers NPI’s business risk profile to be more like that of a T&D utility**
5 **than a vertically integrated utility. The T&D segment is regarded as a relatively**
6 **lower risk segment of the electric utility industry since it is typically not exposed to**
7 **commodity price and volume risks or the operational, financial and environmental**
8 **risks associated with electricity generation.”**
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10 **Does Ms. McShane agree with the statement of Moody’s that the T&D segment is**
11 **regarded as a relatively lower risk segment of the electric utility industry? If not,**
12 **fully explain.**
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14 **A.** Ms. McShane would agree that, broadly, the T&D segment has less fundamental business
15 risk than the generation segment. However, this does not mean that the total risk, which
16 includes business, regulatory and financial risk, of all vertically integrated utilities is
17 lower than the total risk of all T&D utilities.