Q. At p. 37, Mr. McDonald states, "We consider the debt rating to be an objective indicator of total risk. Since we did not find significant differences in total risk between our proxy group and the Company, we did not make any further adjustments to our results." Given that Mr. McDonald considers debt ratings to be an objective indicator of total risk, would it not follow that in order for Mr. McDonald to find 'significant differences in total risk' that would require that the companies in the proxy group have a different credit rating than Moody's Baa 1? Please explain.

A. Mr. MacDonald believes the word "*objective*" should be interpreted as to meaning that Moody's debt ratings are prepared independently without influence from the issuer. See CA-PUB-60.

Mr. MacDonald notes that Moody's debt ratings were one criterion in the selection process of the US proxy group. Comparable companies were selected on the basis that they were comparable (in total risk) to Newfoundland Power. Mr. MacDonald confirms that (all else equal), a company in his proxy group with a different credit rating than Moody's Baa1 would not be considered comparable to NP in total risk.