

1 **Q. What would Newfoundland Power have to do to restore its credit rating (in fact or**
2 **perception) should the credit agencies have a negative view on a change in equity**
3 **ratio?**

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5 A. Credit ratings are bound to view any change in the common equity ratio as marginally bad
6 for the rating. However, the Board has to do what it is right in setting rates, which is award a
7 fair and reasonable rate of return, not try and manage a credit rating. Dr. Booth would be
8 very surprised if NP were downgraded, but if NP went to A (low) the consequences for NP
9 are minimal.

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11 Dr. Booth would note that the modal (typical or most common) credit rating in the US for an
12 electric utility is BBB and while utilities are constantly arguing for comparable US financial
13 metrics, ie., allowed ROE and common equity ratios, they never argue for comparable US
14 bond ratings!