

1 **Q. On page 31 of the Finance and Accounting Evidence by Barry Perry it states that**
2 **Newfoundland Power believes that the bottom level of the range for interest**
3 **coverage set previously by the Board was too low. If it was indeed too low, why did**
4 **Newfoundland Power retain an A bond rating?**

5
6 A. The response to Request for Information NLH-241 provides the basis for the statement
7 made on page 31 of the *Finance & Accounting Evidence* that the Company believes that
8 the bottom level of the range previously set by the Board was too low.
9

10 Newfoundland Power's bond rating was downgraded by the Canadian Bond Rating
11 Service ("CBRS") in 1998. As shown in the response to Request for Information CA-
12 509, following the Board's 1998 ruling in Order No. P.U. 16 (1998-99) which established
13 the bottom level of the range for Newfoundland Power's interest coverage at 2.4 times,
14 Newfoundland Power's bond rating was reduced by CBRS from A to A-.

15
16 As shown in the response to Request for Information CA-509, Newfoundland Power's A
17 rating was re-established by CBRS/Standard & Poor's in 2001 and 2002. Interest
18 coverage for 2001 was 2.52 times.
19

20 The fact that Newfoundland Power's A rating was re-established when its interest
21 coverages increased to 2.5 times, tends to support the Company's position that interest
22 coverage of 2.52 and 2.55 times, as forecast for 2003 and 2004 respectively, are required
23 in order for Newfoundland Power to maintain its A bond rating.