

- Q. If the Board were to set rates on the basis of a rate of return on equity of 8.75%, being the mid-point of Dr. Kalymon's recommended range, and set a maximum common equity component of 40%, is it Dr. Kalymon's opinion that Newfoundland Power would maintain an A credit rating. Please explain the answer.
- A. **If the Board were to set a return on equity of 8.75% and set a maximum common equity component of 40% as recommended, Dr. Kalymon's opinion is that Newfoundland Power will maintain a credit rating within the A range. This rating would provide adequate access to the debt markets and certainly would not be less than the credit rating of the parent company Fortis which operates with an A- rating. This opinion is based on the comparisons with the financial ratios of other utilities and with those of Fortis as discussed in Dr. Kalymon's testimony on pages 13-18.**