

1 **Q. As regards Newfoundland Power's responses to CA-NP-121 parts (a) and**
2 **(b),**
3 **neither answer is responsive.**

4
5 **(a) Please provide a " responsive" answer to CA-NP-121 part (a) that provides**
6 **Mr. Coyne's rationale for deciding that it was only worthwhile to compare**
7 **NP' s credit metrics to his U.S. sample, and not to Canadian utilities.**

8
9 **(b) Please respond to part (b) of CA-NP-121 as copied below:**

10
11 **“b) Please provide a comparison of NP to the Canadian utilities using**
12 **the credit metrics used by DBRS.”**

13
14 **(c) Please calculate the S&P metrics for NP, and compare to all Canadian and**
15 **U.S. utilities that have S&P ratings and data available. Please provide the**
16 **data and workpapers (in excel format) used for this analysis.**

17
18 A. (a) As indicated in the response to Request for Information CA-NP-121, Mr. Coyne
19 continues to believe that the most comprehensive source of credit metrics for his
20 credit metric analysis is Moody’s Investors Service because Newfoundland Power
21 and all of the companies in the U.S. proxy group are covered by Moody’s.

22
23 (b) A comparison of Newfoundland Power’s DBRS credit metrics to those of the
24 Canadian proxy group is provided in Attachment A.¹ DBRS does not provide
25 credit ratings to any of the Company’s in Mr. Coyne’s U.S. electric proxy group.
26 Based on the small size of the Canadian proxy group and the differences in credit
27 metrics used by DBRS amongst the Canadian proxy group, Mr. Coyne believes
28 such a comparison is less meaningful than his analysis of the Moody’s Investor
29 Service credit metrics provided in Exhibit JMC-8 of his evidence.

30
31 (c) Attachment B shows S&P credit metrics for the Canadian and U.S. electric proxy
32 groups and credit metrics for Newfoundland Power based on the Company’s
33 calculations. Since Newfoundland Power is not rated by S&P, the Company
34 cannot confirm that its calculations are in accordance with the methodology used
35 by S&P. Attachment C is an excel worksheet detailing the Company’s
36 calculations. It can be found on Newfoundland Power’s stranded website at the
37 following link: <https://ftp.nfpower.nf.ca>.

¹ DBRS does not consistently report the same credit metrics for all companies within the proxy group. If the metric did not appear in a company’s DBRS credit rating report, it is shown as “not reported.”

DBRS Credit Metrics: Canadian Proxy Group

DBRS CREDIT METRICS ANALYSIS - CANADIAN PROXY GROUP

<u>Company Name</u>	<u>Notes</u>	<u>Canadian Utilities Limited</u> <u>August 28, 2018</u> <u>12 mos - June 30</u> <u>2018</u>	<u>Emera Incorporated</u> <u>April 25, 2016</u> <u>12 mos - Dec 31</u> <u>2015</u>	<u>Enbridge Inc.</u> <u>September 20, 2017</u> <u>12 mos - June 30</u> <u>2017</u>	<u>Valener, Inc.</u> <u>April 16, 2018</u> <u>12 mos - Dec 31</u> <u>2017</u>	<u>Newfoundland Power, Inc.</u> <u>September 5, 2017</u> <u>12 mos - June 30</u> <u>2017</u>
<u>Balance Sheet & Liquidity & Capital Ratios</u>						
Current ratio		not reported	1.92	not reported	1.00	1.24
Total debt in capital structure	a), b), c), d)	61.4%	53.6%	58.0%	15.1%	54.3%
Cash flow/Total debt	a), b), c), d)	13.7%	16.1%	12.3%	45.6%	18.8%
(Cash flow-dividends)/Capex		not reported	1.20x	not reported	not reported	0.88x
Dividend payout ratio	d)	not reported	81.4%	112.6%	100.9%	58.7%
Dividends/cash flow		38.0%	not reported	43.5%	not reported	not reported
<u>Coverage Ratios</u>						
EBIT gross interest coverage	a), b)	2.71x	2.37x	1.97x	not reported	3.07x
EBITDA gross interest coverage		not reported	3.93x	3.78x	not reported	4.85x
Fixed-charges coverage	a)	2.24x	2.35x	1.95x	not reported	3.00x
(CFO+interest)/(Interest + sinking fund payment)		not reported	not reported	not reported	not reported	3.63x
Debt/EBITDA	d)	not reported	not reported	6.39x	2.1x	not reported
Cash flow-gross interest expense coverage		not reported	not reported	not reported	30.0x	not reported
Cash flow/(Preferred dividends + interest expense)		not reported	not reported	not reported	9.4x	not reported
<u>Profitability Ratios</u>						
EBITDA margin		not reported	30.4%	57.2%	not reported	73.0%
EBIT margin		not reported	18.2%	29.7%	not reported	46.3%
Profit margin		not reported	11.9%	17.5%	not reported	18.1%
Return on equity		not reported	8.3%	6.9%	not reported	8.4%
Return on capital	b)	not reported	5.6%	not reported	not reported	6.0%

Notes & Sources:

All values are based on metrics reported in DBRS Reports issued on dates indicated for the respective company.

- a) Canadian Utilities debt is "total recourse debt" meaning total consolidated debt less all non-recourse project debt. Debt is also adjusted for operating leases as common equity and treats 75% of preferred shares within 20% of common equity as common equity.
- b) Emera Inc. debt is adjusted to include operating leases and accumulated other comprehensive income.
- c) Enbridge, Inc. debt excludes inter-company subordinated loans of \$375 million
- d) Valener common equity is adjusted to remove accumulated other comprehensive income. Preferred shares are treated as 25% debt and 75% equity.
Metric named "dividend payout ratio" is actually "distribution payout ratio" for Valener.

S&P Credit Metric Comparison

CREDIT METRICS ANALYSIS - S&P Basis

<u>Company Name</u>	<u>Ticker</u>	<u>Debt to Capital Ratio</u>	<u>EBITDA to Interest Coverage</u>	<u>FFO to Interest Coverage</u>	<u>FFO / Debt (%)</u>	<u>Debt to EBITDA</u>
		<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>
Newfoundland Power	[1]	49%	4.67	4.03	17.8%	3.65
	<u>U.S. Proxy Group</u>					
ALLETE, Inc.	ALE	47%	4.85	7.10	20.0%	3.96
Alliant Energy Corporation	LNT	59%	4.73	5.88	17.5%	4.83
American Electric Power Company, Inc.	AEP	56%	5.07	6.11	18.9%	4.25
Duke Energy Corporation	DUK	56%	4.01	5.24	15.4%	5.01
Edison International	EIX	58%	4.45	8.10	22.9%	3.59
Eversource Energy	ES	57%	5.36	6.11	14.4%	5.36
OGE Energy Corporation	OGE	47%	5.47	6.07	22.6%	3.58
Pinnacle West Capital Corporation	PNW	49%	5.66	7.06	25.1%	3.25
PNM Resources, Inc.	PNM	63%	4.04	5.29	16.7%	4.70
Southern Company	SO	66%	4.60	5.78	14.6%	5.43
U.S. Proxy Group		56%	4.83	6.27	18.8%	4.40
	<u>Canadian Proxy Group</u>					
Canadian Utilities Limited	CU	66%	3.89	4.14	12.5%	5.79
Emera Incorporated	EMA	67%	3.23	3.46	10.4%	6.38
Enbridge Inc.	ENB	50%	3.60	3.20	10.3%	6.84
Valener, Inc.	VNR	[2] N/A	N/A	N/A	N/A	N/A
Canadian Proxy Group		61%	3.57	3.60	11.1%	6.34

Notes & Sources:

All values are based on Standard and Poor's adjusted credit metrics for the holding-company

[1] Credit metrics for Newfoundland Power are based on the Company's calculations.

[2] Valener is no longer rated by S&P.