STANDARD & POOR'S

NOVEMBRE 1999

Summary Analyses

British Columbia Hydro & Power Authority

Analyst: Valerie Blair, Toronto (1) 416-202-6012

AFFIRMED

CREDIT PROFILE

AFFIRMED RATING
British Columbia Hydro & Power Authority
Sr unsecd debt *Foreign currency*
(Gtd: Province of British Columbia) AA-

Oct. 20, 1999 Standard & Poor's affirmed its senior unsecured debt rating for British Columbia Hydro & Power Authority (BC Hydro). The rating reflects the timely debt service guarantee of the utility's owner, the Province of British Columbia (*local currency* AA-/Stable/—, *foreign currency* AA-/Stable/A-1+).

As Canada's second-largest vertically integrated electric utility after Hydro-Québec, BC Hydro generates, transmits, and distributes power from 45 generating facilities to about 1.5 million provincial customers, and also exports power to utilities in the Western U.S. and Alberta. Between 43,000 gigawatt hours (GWh)-54,000 GWh of electricity are produced annually, with more than 75% provided by major hydro-electric generating stations on the Peace and Columbia river systems.

Net income for the year ended March 31, 1999, equaled 13.1% of revenues, down from 16.1% in the prior year. Higher electricity exports and domestic sales in fiscal 1999 compared to 1998 were partially offset by increased electricity costs, higher finance charges (reflecting the weaker Canadian dollar and higher short-term interest rates), and higher operating, maintenance, and administration costs (mainly as a result of the introduction of some new programs and services).

Export revenues, arising from sales to customers in Alberta and the U.S., which are facilitated by Powerex, BC Hydro's wholly owned subsidiary, more than doubled last year compared to fiscal 1998, as a result of both higher market prices and increased sales volumes. As a share of total revenues, revenues from external sales totaled about 25% in fiscal 1999, in sharp contrast with a share of less than 7% generated by exports just two years previously. Some of this improvement in export revenues last year was eroded by increased electricity trade costs associated in part with a greater reliance on higher-priced energy purchases, given lower-than-average water inflows into the utility's reservoirs. However, inflows for fiscal 2000 are expected to recover given the unusually high precipitation the province has experienced this year.

Even with the British Columbia economy skirting a recession last year, domestic sales revenue also was up (by 4%) in fiscal 1999 over 1998 levels, though in part because the 1998 results were impaired by a nine-month strike at a major forest products company. With increases in the number of BC Hydro customers, domestic energy demand is now greater than the capacity available from the existing hydro system,

Table 1

British Columbia Hydro & Power Authority Financial Statistics

	—Year ended March 31—				
(Mil. C$)*	1999	1998	1997	1996	1995
Gross revenues	3,017	2,533	2,403	2,269	2,287
Net income from cont. operations	395	408	339	150	162
Funds from operations (FFO)	792	779	699	505	481
Net cash flow	792	779	699	505	481
Capital expenditures	402	319	328	364	421
Total capitalization	8,836	8,445	8,637	8,765	8,822
Adjusted ratios					
EBIT interest coverage (x)	1.54	1.56	1.42	1.16	1.18
Total debt/total capital (%)	85.1	85.5	86.2	87.1	87.5
FFO interest coverage (x)	2.09	2.07	1.86	1.53	1.52
FFO/average total debt (%)	10.8	10.6	9.2	6.6	6.2

*As of March 31, 1999, US$1 equals C$1.51. EBIT—Earnings before interest and taxes.

Table 2

British Columbia Hydro & Power Authority Operating Statistics

	1999	1998	1997	1996	1995
Total sales (GWh)	64,506	56,460	54,484	46,822	46,981
Residential (%)	21.7	24.3	26.0	28.7	27.8
Commercial (%)	24.5	27.4	27.9	31.7	31.0
Industrial (%)	22.8	23.1	26.0	31.1	29.4
Other* (%)	31.0	25.2	20.1	8.5	11.8
Avg. retail revenues (Cdn. cents/kWh)	4.61	5.38	4.98	5.01	5.00
Retail sales growth (%)	14.3	3.6	16.4	(0.3)	5.2
Total capacity (MW)	11045	10999	10829	10851	10838

*Includes exports. GWh—Gigawatt hours. kWh—Kilowatt hours. MW—Megawatts.

particularly during peak load periods. Consequently, BC Hydro has secured long-term energy purchases from independent power producers and other energy suppliers to close this gap. As the cost of these energy purchases is higher than that of the utility's hydro sources, management will be increasingly seeking cost efficiencies in other areas of operations.

BC Hydro's debt-to-capital ratio was 85.5% at March 31, 1998, down from prior years. The longer-term target for debt to capital is 75%.

Great Lakes Power Inc.

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AFFIRMED

CREDIT PROFILE

ISSUER CREDIT RATING	
Great Lakes Power Inc.	
Issuer credit rtg	BBB/Stable/A-2
AFFIRMED RATINGS	
Sr unsecd debt *Foreign currency*	BBB-
CP *Local currency*	A-2

Oct. 22, 1999 Standard & Poor's affirmed its issuer credit, senior unsecured debt, and commercial paper ratings for Great Lakes Power Inc. (GLP).

The ratings reflect GLP's low generation costs, the operating flexibility of hydraulic generation with water storage capability, satisfactory capitalization, and diversification into power projects with strategic partners. These strengths have traditionally been offset by the risk of an economically narrow primary service territory in Northern Ontario. This risk will begin to be superseded by GLP's gradually growing exposure to the nascent competitive Ontario electricity market, as it gains the ability to deliver power into the broader Ontario market when the era of open access begins, in late 2000. As well, recent and planned acquisitions will further diversify capacity, with the Northern Ontario System representing only one-third of total generation.

Ontario electricity market reforms bring the possibility of variable and uncertain prices to generators and purchasers (GLP is presently both). However, GLP is shielded to a large degree from price variability by virtue of long-term contracts covering 90% of generation output. The most recent contract covers 110 megawatts (MW) of demand with the Sault Ste. Marie Public Utilities Commission (SSM PUC), extending to 2008, with a built-in price reset mechanism in 2003. This contract has specifically been grandfathered by the Ontario Energy Board in its Oct. 18 Standard Service Supply Code (SSS) ruling, allowing the SSM PUC to pass on contracted prices to its own residential, commercial, institutional, and industrial clients. Contracts with GLP's two direct industrial customers, St. Mary's Paper and Algoma Steel, representing 175 MW of demand, are up for renewal soon. Though renewal is likely in both cases, GLP does not have much downside in the event of nonrenewal, as the company can respond by reducing electricity purchases, bringing purchases more in line with sales (self-generation now accounts for roughly 70% of sales). GLP rates have always been well below rates of the former Ontario Hydro.

Table 1

Great Lakes Power Inc. Financial Statistics*

	—Year ended Dec. 31—				
(Mil. C$)¶	1998	1997	1996	1995	1994
Gross revenues	292	292	281	280	261
Net income from cont. operations	96	114	103	97	96
Funds from operations (FFO)	120	121	117	101	113
Net cash flow	55	56	56	40	56
Capital expenditures	18	37	148	19	34
Total capitalization	2,172	2,119	2,169	2,017	1,909
Adjusted ratios					
Pretax interest coverage (x)	2.25	2.62	2.32	2.30	2.53
Total debt/total capital (%)	49	48	50	49	48
FFO interest coverage (x)	2.5	2.7	2.4	2.1	2.4
FFO/average total debt (%)	11.6	11.5	11.3	10.5	12.3

*Consolidated, historical cost basis. ¶As of Dec. 31, 1999, US$1 equals C$1.542.

Table 2

Great Lakes Power Inc. Operating Statistics*

	—Year ended Dec. 31—				
	1998	1997	1996	1995	1994
Units supplied (GWh)	2,378	2,313	2,270	2,125	2,064
Avg. supply revenues (Cdn. cents/kWh)	5.23	5.37	5.41	5.39	5.27
Owned supply (%)	40.7	64.2	75.0	62.0	63.0
Purchases (%)	59.3	35.8	20.6	35.0	34.5

*Great Lakes Power System only. GWh—Gigawatt hours. kWh—Kilowatt hours.

The coming liberalized electric market environment in Ontario entails risks related to both supply and price variability, and also opportunities for flexible producers like GLP. GLP's competitive rates (12% to 17% below currently prevailing rates) and managerial focus should allow it to take advantage of the more open environment in future. Nearer term, even in the unlikely event that GLP's direct customer base declines, the flexibility offered by its hydraulic operations, including the ability to use pump storage, will allow GLP to benefit from time-of-day price differentials, independent of changes in annual or daily average price levels.

OUTLOOK: STABLE

The outlook reflects Standard & Poor's expectation that pending changes in the function of the Ontario electricity markets will not lead to a significant erosion of GLP's competitive position or profitability, and may instead present profitable new opportunities.

Hydro-Québec

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AFFIRMED

CREDIT PROFILE

AFFIRMED RATINGS

Hydro-Québec	
Sr unsecd debt (Gtd: Province of Quebec)	A+
CP (Gtd: Province of Quebec)	A-1+

Oct. 20, 1999 Standard & Poor's affirmed its senior unsecured debt and commercial paper ratings for Hydro-Québec. The ratings are based on the timely debt service guarantee provided by the utility's owner, the Province of Québec (*local currency* A+/Stable/—, *foreign currency* A+/Stable/A-1+).

With the recent break-up of the former Ontario Hydro into five distinct successor companies, Hydro-Québec has become Canada's largest vertically integrated electric utility, generating and distributing power to 3.4 million residential, commercial, and industrial customers in Québec. It also supplies power to nine municipal systems, one regional cooperative, and some 15 electric utilities in the Northeast U.S., Ontario, and New Brunswick.

In 1998, net income for the utility fell to 7.7% of revenues from 9.3% the previous year. This resulted from lower domestic sales attributed to the devastating January 1998 ice storm, coupled with milder-than-average temperatures for most of the year, and higher electricity and fuel purchases than in 1997, because of low precipitation overall last year. Offsetting these factors to some extent were higher firm and short-term sales outside Québec, up by almost 37% over 1997 levels. Of note, repairs and reinforcements to Hydro-Québec's transmission system following the ice storm were completed by December 1998, with the bulk of the cost having been assumed by the provincial and federal governments.

Table 1

Hydro-Québec Financial Statistics

	—Year ended Dec. 31—				
(Mil. C$)*	1998	1997	1996	1995	1994
Gross revenues	8,812	8,423	7,754	7,680	7,335
Net income from cont. operations	679	786	520	390	667
Funds from operations (FFO)	2,018	2,389	2,062	1,769	1,896
Net cash flow	2,018	2,389	2,062	1,769	1,896
Capital expenditures	2,331	2,133	2,047	2,768	3,299
Total capitalization	53,466	51,384	50,589	50,564	48,673
Adjusted ratios					
EBIT interest coverage (x)	1.20	1.25	1.15	1.11	1.20
Total debt/total capital (%)	75.2	75.0	75.4	76.4	76.3
FFO interest coverage (x)	1.61	1.74	1.61	1.50	1.57
FFO/average total debt (%)	5.1	6.2	5.4	4.7	5.3

*As of Dec. 31, 1998, US$1 equals C$1.53. EBIT—Earnings before interest and taxes.

Table 2

Hydro-Québec Operating Statistics

	1998	1997	1996	1995	1994
Total sales (GWh)	161,373	162,533	163,402	165,982	158,055
Quebec					
Residential (%)	29	32	31	29	31
Commercial (%)	18	18	18	18	18
Industrial (%)	38	38	37	36	36
Other (%)	3	3	3	3	3
Exports (%)	12	9	12	14	12
Avg. retail revenues (Cdn. cents/kWh)	4.96	4.88	4.69	4.57	4.59
Retail sales growth (%)	(0.7)	(0.5)	(1.6)	5.0	4.0
Total capacity (MW)	31,472	31,397	31,413	31,162	30,435

GWh—Gigawatt hours. kWh—Kilowatt hours. MW—Megawatts.

According to the 1998-2002 strategic plan, hydro rates in Quebec are to remain at their current levels until 2002 for all customer categories. Thus, the province continues to enjoy among the lowest rates in North America.

Hydro-Québec is continuing discussions with Newfoundland and Labrador Hydro Corp. about the possibility of jointly developing the remaining hydropower potential of the Churchill River in Labrador. This project in its entirety would require an investment of approximately C$10 billion over a decade, adding 3,200 megawatts of capacity to the systems of the two utilities. However, before the project can be initiated, approvals from the aboriginal and local communities in Labrador, as well as environmental approvals, must be obtained.

Hydro-Québec's debt-to-capital ratio was approximately 75% last year, similar to 1997. With the capitalization ratio at, or slightly above, 25% in each of the past two years, the utility has been required to make dividend payments in 1997 and 1998 to its owner, Quebec, for the first time in almost a decade.

Manitoba Hydro-Electric Board

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AFFIRMED

CREDIT PROFILE

AFFIRMED RATING	
Manitoba Hydro-Electric Board	
CP *Foreign currency*	
(Gtd: Province of Manitoba)	A-1+

Oct. 21, 1999 Standard & Poor's affirmed its commercial paper rating for Manitoba Hydro-Electric Board. The rating reflects the timely debt service guarantee provided by its owner, the Province of Manitoba (*local currency* AA-/Stable/—, *foreign currency* AA-/Stable/A-1+).

The utility relies almost exclusively on low-cost hydro generation, produced at 12 hydraulic stations, two thermal generating stations, and six diesel sites. Manitoba Hydro has almost 400,000 customers in the province, excluding the center of the provincial capital, Winnipeg, which is served by Winnipeg Hydro.

In fiscal 1999 (year ended March 31), Manitoba Hydro's net income exceeded C$100 million for the third year in a row, while a new record was established for export sales. Despite lower-than-average water levels last year in Manitoba, revenues from power sales to out-of-province customers, overwhelmingly to the U.S., rose 9.8% above the 1998 level. Export earnings, which accounted for less than 10% of total revenues in the early 1990s, have grown more than five-fold since then, today representing about 30% of the utility's overall revenue. Manitoba Hydro's recent membership in the Mid-Continent Area Power Pool should enable it to continue expanding its export sales south of the border. Domestic power sales revenues also climbed compared to 1998, despite no increases to electricity rates, though at a more modest pace of 1.5%. Of note, the utility's recent acquisition of Centra Gas and its gas distribution facilities will strengthen its domestic business.

Total expenditures increased by 5.5% in fiscal 1999 over the previous year, primarily a result of the higher fuel and power water purchases that were required to offset the lower water supply conditions. Net of these specific costs, expenditures rose by only 0.7% last year above over the 1998 level, similar to the growth rate in the previous two years.

Table 1

Manitoba Hydro-Electric Board Financial Statistics

	—Year ended March 31—				
(Mil. C$)*	1999	1998	1997	1996	1995
Gross revenues	1,081.6	1,041.1	1,022.6	984.6	940.9
Net income from cont. operations	100.1	110.5	101.0	70.1	55.9
Funds from operations (FFO)	325.2	334.1	304.9	271.2	240.5
Net cash flow	325.2	334.1	304.9	271.2	240.5
Capital expenditures	331.6	248.1	286.9	271.2	232.6
Total capitalization	5,679	5,616	5,505	5,226	5,088
Adjusted ratios					
EBIT interest coverage (x)	1.20	1.22	1.20	1.14	1.11
Total debt/total capital (%)	88.2	89.9	91.7	93.2	86.7
FFO interest coverage (x)	1.64	1.66	1.61	1.55	1.49
FFO/average total debt (%)	6.5	6.6	6.2	5.6	4.9

*As of March 31, 1999, US$1 equals C$1.51. EBIT—Earnings before interest and taxes.

Table 2

Manitoba Hydro-Electric Board Operating Statistics

	1999	1998	1997	1996	1995
Total sales (GWh)	28,461	30,372	28,501	26,412	25,112
Avg. retail revenues (Cdn. cents/kWh)	3.80	3.43	3.59	3.73	3.75
Retail sales growth (%)	(6.3)	6.6	7.9	5.2	0.1
Total capacity (MW)	5,137	5,137	5,343	5,343	5,343
Capacity factor (%)	69.3	67.9	63.8	67.1	61.2

GWh—Gigawatt hours. kWh—Kilowatt hours. MW—Megawatts.

The strong results for export earnings, in particular during fiscal 1999, permitted the utility to once again avoid seeking any rate increases for this current fiscal year. The last rate increase for large industrial customers occurred on April 1, 1992, whereas general rates for most customer groups in the province were last raised on April 1, 1997. Manitoba Hydro's rate structure thus remains the lowest in Canada. Further, any future rate increases are to remain below forecasted inflation rates, according to the corporation's medium-term plan.

The debt-to-capital ratio has fallen from approximately 90% at year-end fiscal 1998 to roughly 88% as at March 31, 1999. The utility has several long-term financial targets, including achieving and maintaining a debt-to-equity ratio of 75% by fiscal 2006.

New Brunswick Power Corp.

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AFFIRMED

CREDIT PROFILE

AFFIRMED RATING	
New Brunswick Power Corp.	
Sr unsecd debt *Local currency* (Gtd: Province of New Brunswick)	AA-

Oct. 22, 1999 Standard & Poor's affirmed its senior unsecured debt rating for New Brunswick Power Corp. (NB Power). The rating reflects the debt service guarantee of its owner, the Province of New Brunswick (AA-/Stable/A-1+).

The utility generates and distributes power throughout the province and for export to other Canadian provinces and the U.S. NB Power operates six hydro-electric plants, one nuclear facility, five thermal plants, and three combustion turbine plants, with a combined generating capacity of 4,116 megawatts.

Due to a comprehensive financial review now being undertaken by the new conservative government, which was elected last spring, the utility's financial results for fiscal 1999 have not yet been released. However, for the most recent year available—fiscal 98 (year ended March 31), NB Power recorded a net loss equivalent to 1.9% of revenues (after transfers from reserves) for the second consecutive year. However, with higher revenues—due to an average 2.9% rate increase, load growth, and higher export sales—operating results did improve relative to 1997. Before drawdowns from reserve funds, the fiscal 1998 loss was approximately half that in the prior year, while operating cash flow grew by 26% over the 1997 level.

Losses in both years resulted from longer-than-anticipated outages at the Point Lepreau nuclear facility and associated costs as work was carried out to bolster the station's safety and reliability. Though a major refurbishment of the plant will likely be required by 2008, in the meantime, the continued operation of Point Lepreau is said to offer the most cost-effective means of meeting NB Power's energy needs. If the facility does not operate beyond 2008, C$450 million of its capital value will remain unamortized. A C$450 million reduction in the carrying value of the plant has been taken, leaving an undepreciated amount that is recoverable over the period to 2008. (An offsetting deferred charge was recorded on the utility's balance sheet as at March 31, 1998.) Management is now in the process of identifying a revenue stream in-

Table 1

New Brunswick Power Corp. Financial Statistics

	—Year ended March 31—				
(Mil. C$)*	1998	1997	1996	1995	1994
Gross revenues	1,140.4	1,037.1	1,018.1	942.3	895.7
Net income from cont. operations	(21.2)	(19.4)	8.2	25.7	23.7
Funds from operations (FFO)	163.1	129.0	123.5	144.0	174.5
Net cash flow	163.1	129.0	123.5	144.0	174.5
Capital expenditures	60.6	72.6	167.5	162.3	295.9
Total capitalization	4,081	4,129	3,898	3,820	3,737
Adjusted ratios					
EBIT interest coverage (x)	0.94	0.95	1.02	1.06	1.06
Total debt/total capital (%)	88.8	88.4	88.5	88.1	91.1
FFO interest coverage (x)	1.43	1.33	1.30	1.36	1.44
FFO/average total debt (%)	4.8	3.7	3.5	4.3	5.3

*As of March 31, 1999, US$1 equals C$1.51. EBIT—Earnings before interest and taxes.

Table 2

New Brunswick Power Corp. Operating Statistics

	1998	1997	1996	1995	1994
Total sales (GWh)	18,577	16,804	17,338	16,361	15,110
Avg. retail revenues (Cdn. cents/kWh)	6.08	6.06	5.77	5.64	5.82
Retail sales growth (%)	9.6	(3.0)	6.0	8.3	(3.9)
Total capacity (MW)	4,173	4,165	4,126	4,116	4,016

GWh—Gigawatt hours. kWh—Kilowatt hours. MW—Megawatts.

tended to recover the deferred charge over a future period. As this is increasingly unlikely, the province will probably record the liability in its own books.

In May 1999, the government released a special report of the select committee on energy discussing the restructuring of the electricity industry, particularly in light of the arrival of natural gas in the province, and its implications for NB Power. One of the key recommendations is that the province adopt a policy of a gradual transition of the utility from its monopoly structure, eventually separating it into three distinct crown corporations (one each for generation, transmission and distribution). One of the main concerns noted in the report is NB Power's large debt burden, currently representing about 88% of total capital. The report, therefore, also calls upon management to introduce a comprehensive plan for debt reduction.

Newfoundland and Labrador Hydro

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AFFIRMED

CREDIT PROFILE

AFFIRMED RATINGS

Newfoundland and Labrador Hydro	
Sr unsecd debt *Local currency*	
(Gtd: Province of Newfoundland)	BBB+
CP *Local currency*	
(Gtd: Province of Newfoundland)	A-2

Oct. 25, 1999 Standard & Poor's affirmed its senior unsecured debt and commercial paper ratings for Newfoundland and Labrador Hydro (NLH). The ratings reflect the guarantee of its majority owner, the Province of Newfoundland (BBB+/Stable/A-2).

NLH generates, transmits, and distributes electric power within the province, generating with hydraulic and fossil fuel (mainly oil) plants. NLH owns 65.8%, and Hydro-Québec 34.2%, of Churchill Falls (Labrador) Corp. (CF(L) Co.), which operates the massive 5,400-megawatt (MW) Churchill Falls station, representing some 75% of NLH's generating capacity.

Revenues and net income for NLH surged ahead in 1998, due to the sale of "recall power" from Churchill Falls to Hydro-Québec, made possible by the March 1998 agreement between Newfoundland and Québec. Partly offsetting this major sales increase, sales to Newfoundland Power (the bulk of sales on the island of Newfoundland) and also sales of the Labrador interconnected system both declined, though sales from CF(L) Co. to Hydro-Québec (exclusive of the recall power sales) increased by 8.2%. NLH continues to trim costs to both keep rates stable and improve net income.

NLH is continuing to negotiate with Hydro-Québec on the development of hydraulic generation sites in Labrador. The

Table 1

Newfoundland and Labrador Hydro Financial Statistics*

	—Year ended Dec. 31—				
(Mil. C$)¶	1998	1997	1996	1995	1994
Gross revenues	404.8	385.8	369.1	369.6	361.9
Net income from cont. operations	77.5	43.4	28.9	32.9	17.1
Funds from operations (FFO)	126.4	92.5	71.1	76.3	80.9
Net cash flow	126.4	92.5	71.1	76.3	80.9
Capital expenditures	34.0	32.0	30.5	39.9	25.5
Total capitalization	2,427	2,330	2,407	2,539	2,018
Adjusted ratios					
Pretax interest coverage (x)	1.50	1.24	1.16	1.18	1.09
Total debt/total capital (%)	71.5	72.6	69.6	70.6	70.9
FFO interest coverage (x)	1.58	1.25	1.14	1.21	1.26
FFO/average total debt (%)	13.0	10.5	4.9	5.4	5.5

*Consolidated, historical cost basis. ¶As of Dec. 31, 1998, US$1 equals C$1.542.

Table 2

Newfoundland and Labrador Hydro Operating Statistics

	—Year ended Dec. 31—				
	1998	1997	1996	1995	1994
Total sales (GWh)	39,047	37,085	32,337	33,199	33,777
Industrial (%)	3.3	4.5	5.1	4.6	4.2
Wholesale (%)	84.0	81.7	79.6	80.4	81.2
Avg. retail revenues (Cdn. cents/kWh)	5.42	5.55	5.66	5.76	5.75
Sales growth* (%)	10.6	3.0	1.3	2.2	(1.4)
Total capacity (MW)	7,255	7,255	7,255	7,254	7,254
Capacity factor* (%)	80.8	76.7	82.3	78.1	81.5

*Hydro system only (excludes Churchill Falls (Labrador) Corp.) GWh—Gigawatt hours. kWh—Kilowatt hours. MW—Megawatts.

largest are Gull Island, on the Lower Churchill River (2,200 MW), and an expansion of Churchill Falls on the Upper Churchill River (an additional 1,000 MW). With related transmission lines, the budget for all contemplated projects would reach C$10 billion over 10 years. Negotiations are expected to continue into 2000, reflecting the need to negotiate the compensation demands of the Innu, the Native people whose aboriginal territory encompasses the Churchill River.

Ontario Electricity Financial Corp.

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AFFIRMED

CREDIT PROFILE

AFFIRMED RATINGS	
Ontario Electricity Financial Corp.	
Sr unsecd debt	
(Gtd: Province of Ontario)	AA-
CP (Gtd: Province of Ontario)	A-1+

Oct. 20, 1999 Standard & Poor's affirmed its senior unsecured debt and commercial paper ratings for Ontario Electricity Financial Corp (OEFC). The ratings for the outstanding debt obligations issued by the former Ontario Hydro, now OEFC, reflect the unconditional guarantee of the Province of Ontario (AA-/Stable/A-1+).

OEFC, a corporation with no share capital, was created on April 1, 1999, in accordance with Ontario's Electricity Act, 1998. The act continued Ontario Hydro as OEFC. However, although Ontario Hydro was continued in a narrow legal sense, the act transferred substantially all the former Ontario Hydro's assets and operating responsibilities to Ontario Power Generation Corp. (OPG), Ontario Hydro Services Company Inc. (OHSC), and the Independent Electricity Market Operator (IMO). Having been stripped of all of the former Ontario Hydro's assets and operating functions, OEFC's sole role going forward will be the management of the remaining obligations of the former Ontario Hydro, especially the guaranteed debt issues still outstanding in the name of Ontario Hydro.

The liabilities managed by OEFC total C$38.1 billion, according to the latest estimates by the province. Of these, the outstanding rated bonds form the largest single category, at C$30.5 billion. Other liabilities include long-term contracts with independent power producers in Ontario, and nuclear plant-related liabilities. The last of the guaranteed bonds will mature in 2031.

Many of the guaranteed bond issues are physical bonds carrying the Ontario Hydro name. The electronically registered bonds will also continue to carry the Ontario Hydro name, even though OEFC is legally the successor company to Ontario Hydro.

OEFC will manage the servicing and retirement of Ontario Hydro bonds going forward. Its sources of funds will include principal and interest payments on notes issued to it by OPG and OHSC; payments in lieu of taxes by OPG and OHSC (entities not subject to taxation by virtue of their provincial ownership); payments from Ontario in respect to debt obligations assumed by the province in debt-equity swaps with OPG and OHSC, and, in future, a revenue stream from a yet-to-be-designed Competition Transition Charge, servicing Ontario Hydro's "stranded debt." Although OEFC has the legal power to borrow in its own name, the current plan of the province does not contemplate any direct borrowings by OEFC. Standard & Poor's will not assign an issuer credit rating to OEFC.

Standard & Poor's intends to maintain its ratings on outstanding Ontario Hydro bonds until they mature.