

RÉPONSE DE SCGM À UNE DEMANDE D'INFORMATION

Origine : Lettre du 27 octobre 1999

Demandeur : ACIG

Question : 7.1.1 **Référence :** SCGM-7, doc. 1, p. 6, lignes 2 à 4 (notation de crédit) :

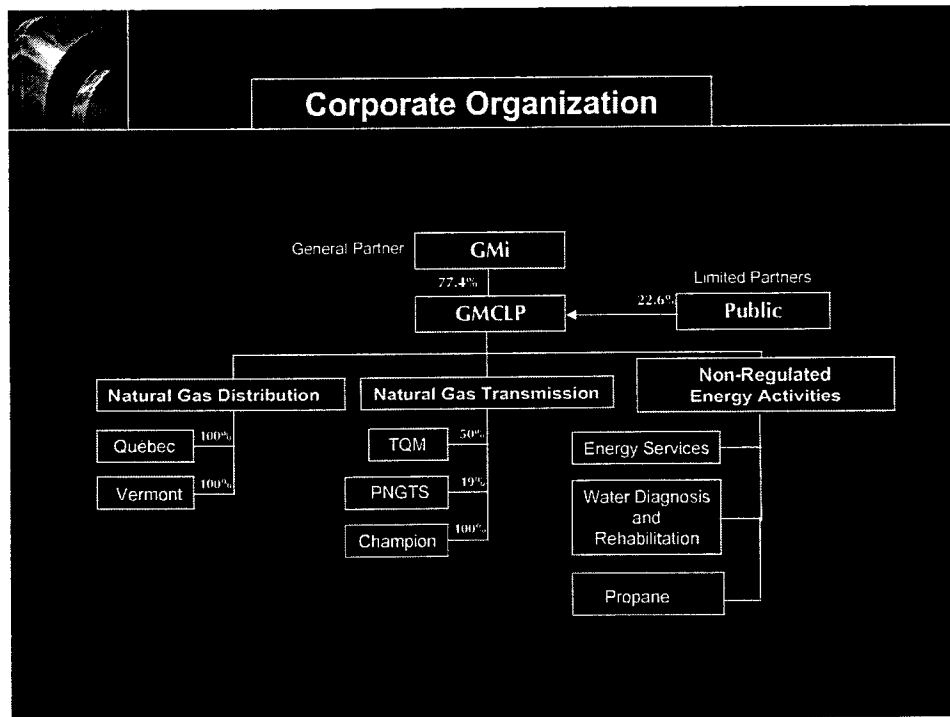
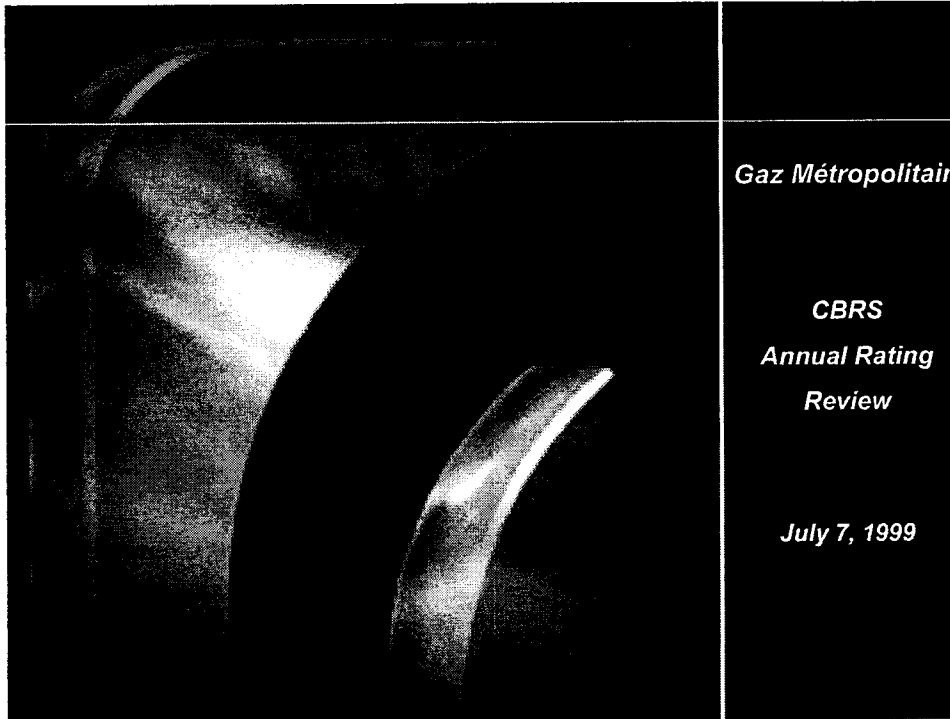
Demandes :

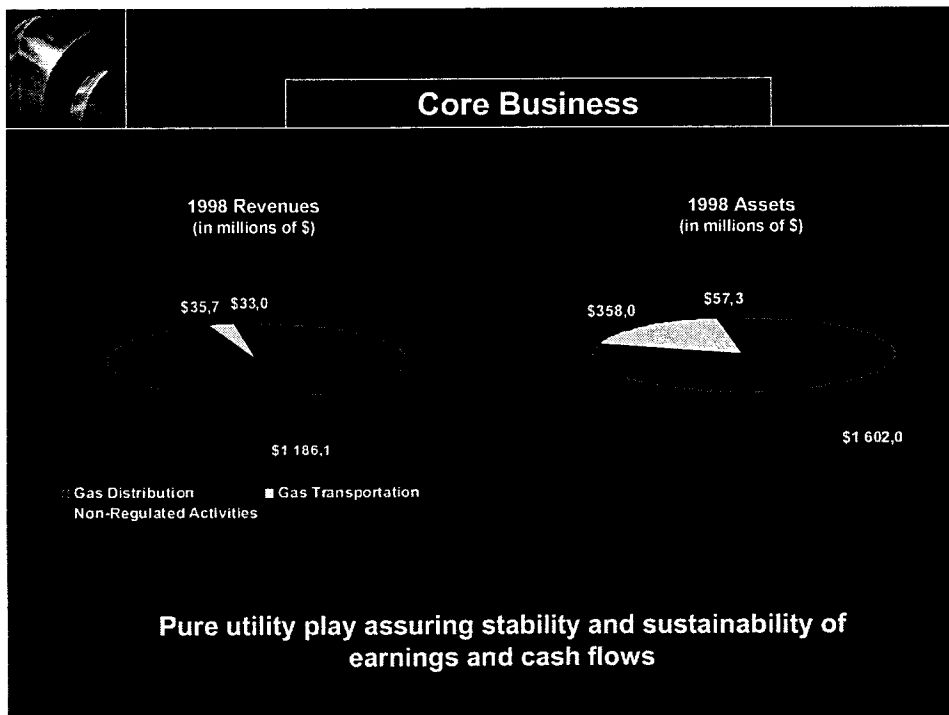
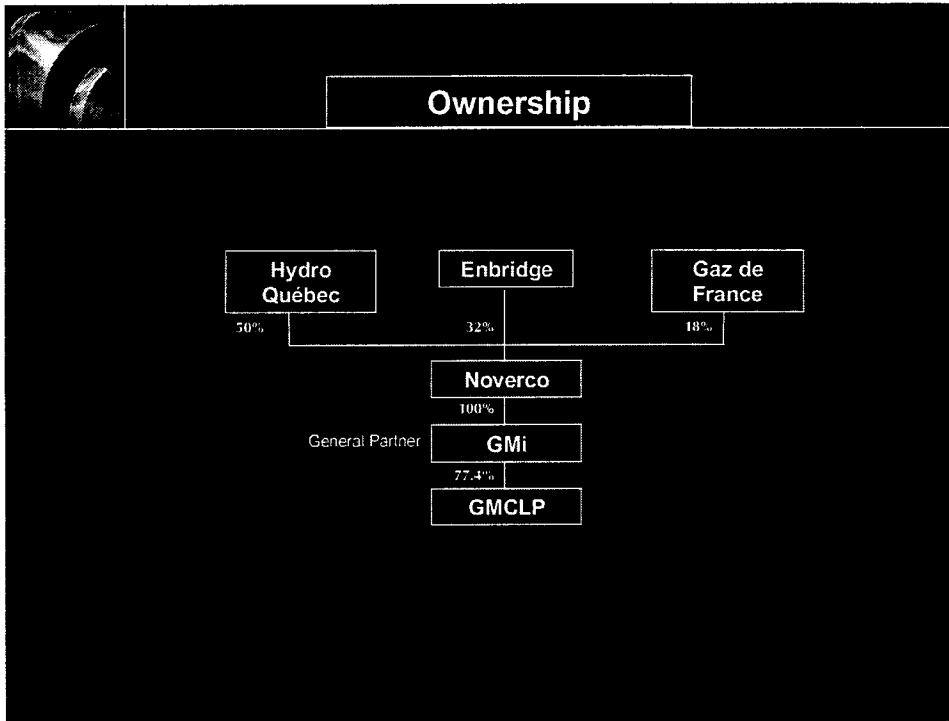
- a) Veuillez produire le dernier document de présentation produit par Gaz Métro auprès des agences de notation DBRS et CBRS.
 - b) Veuillez produire les nouvelles évaluations de crédit à être émises par DBRS et CBRS dès que celles-ci seront disponibles.
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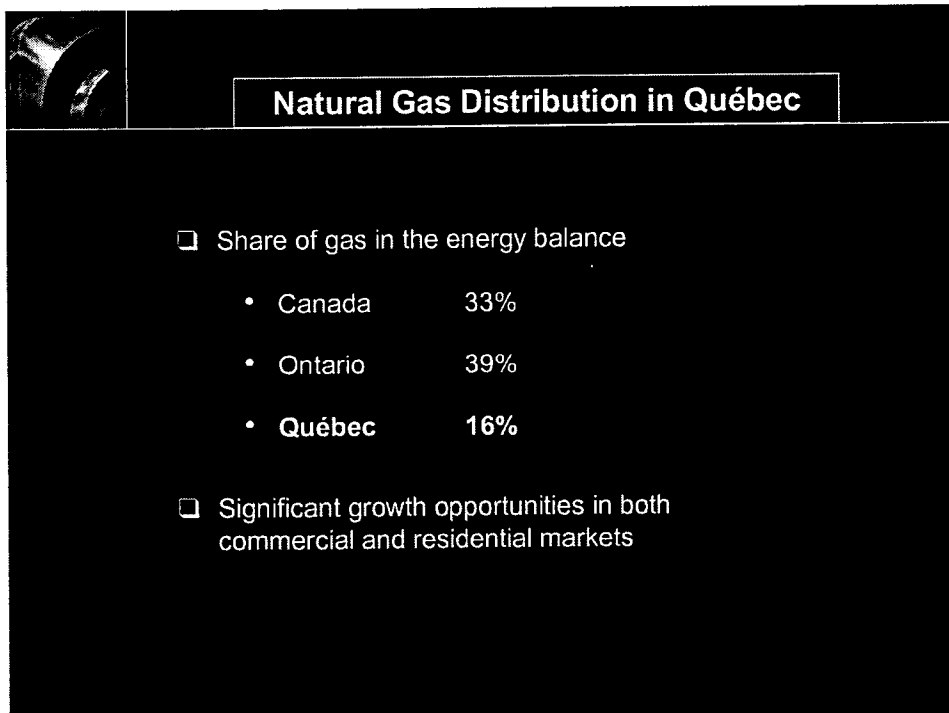
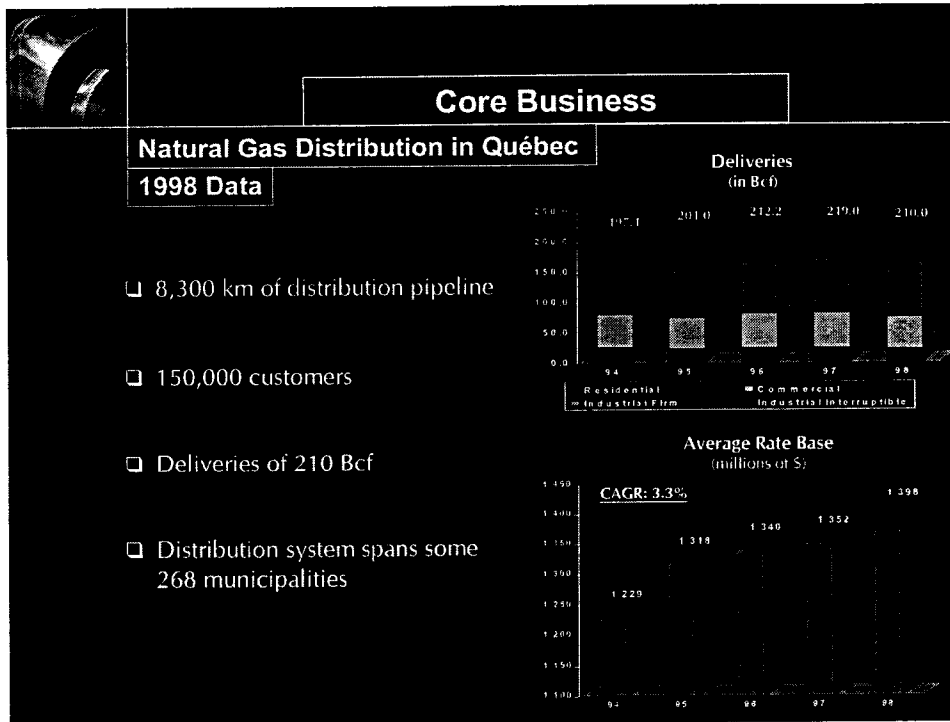
Réponse :


Le document préparé pour la rencontre avec CBRS est annexé. La rencontre avec DBRS n'a pas eu lieu et devrait avoir lieu dans le courant du mois de novembre.

Les rapports d'évaluation des agences de crédit ne sont pas publiés. Or, dans le cadre d'une émission d'obligations survenue en novembre 1999, les agences ont confirmé le maintien des cotes de crédit habituelles. Ces confirmations sont annexées.



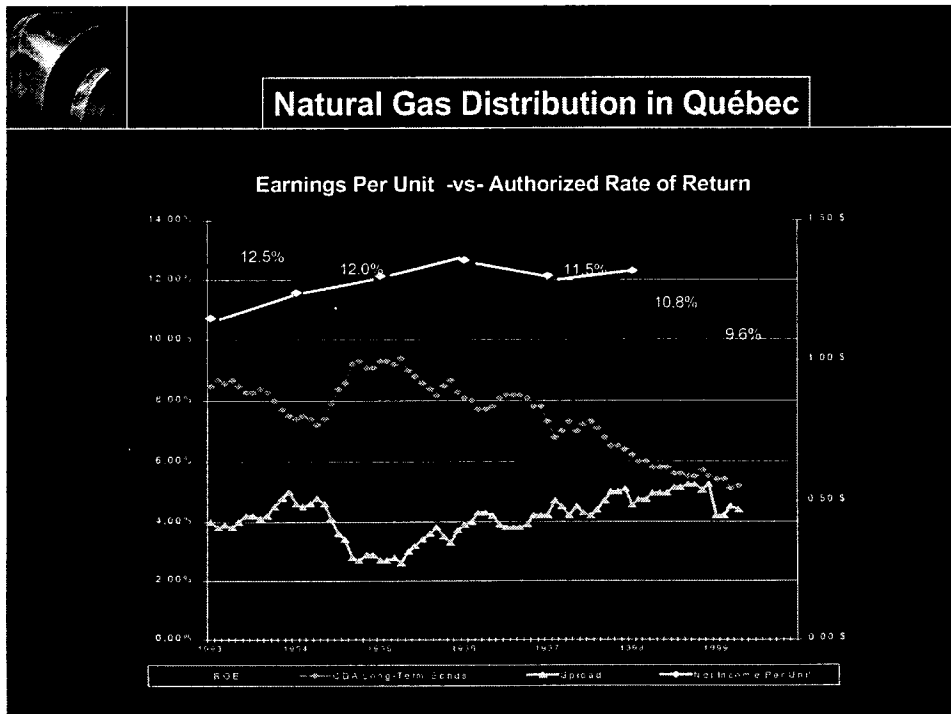


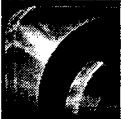




Business Risk Management

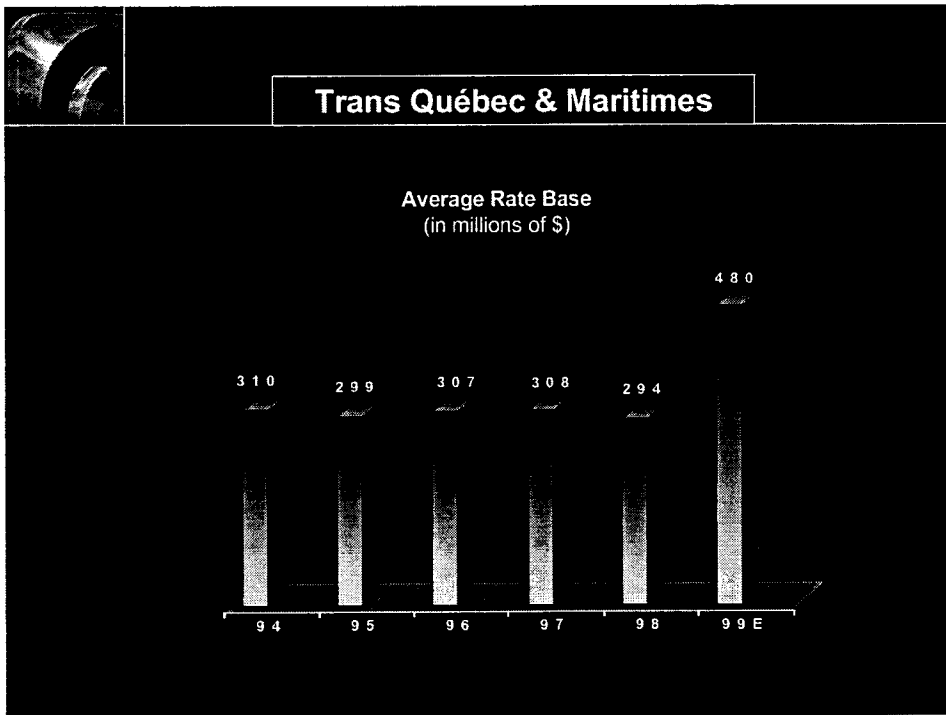
- └ Commodity exposure :
 - Cost passed on to rate payers
- └ Market risk :
 - Heavy component of large load dual-energy customers mitigated by engaging industrial customers to long-term take-or-pay contracts (3-5 years) for about 80% of their demand
- Transmission commitments on TCPL are well matched with our projected deliveries.
- Weather risk :
 - Earnings computed on normal weather (30-year average). Any variation is deferred through a normalization account
- Interest rate risk :
 - Any variation in interest on floating rate debt is normalized

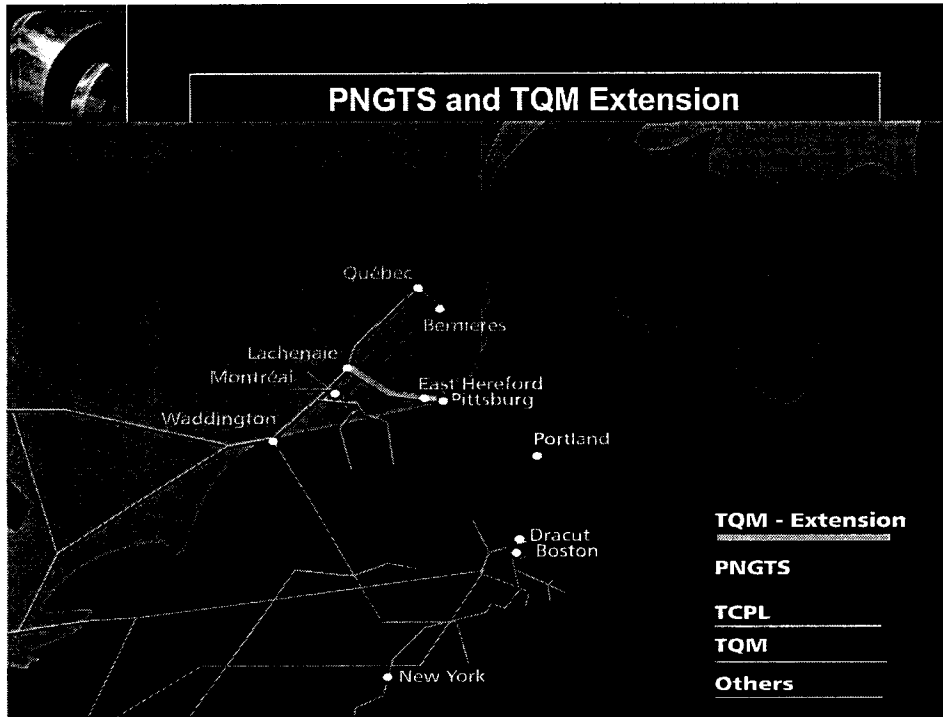




Trans Québec & Maritimes

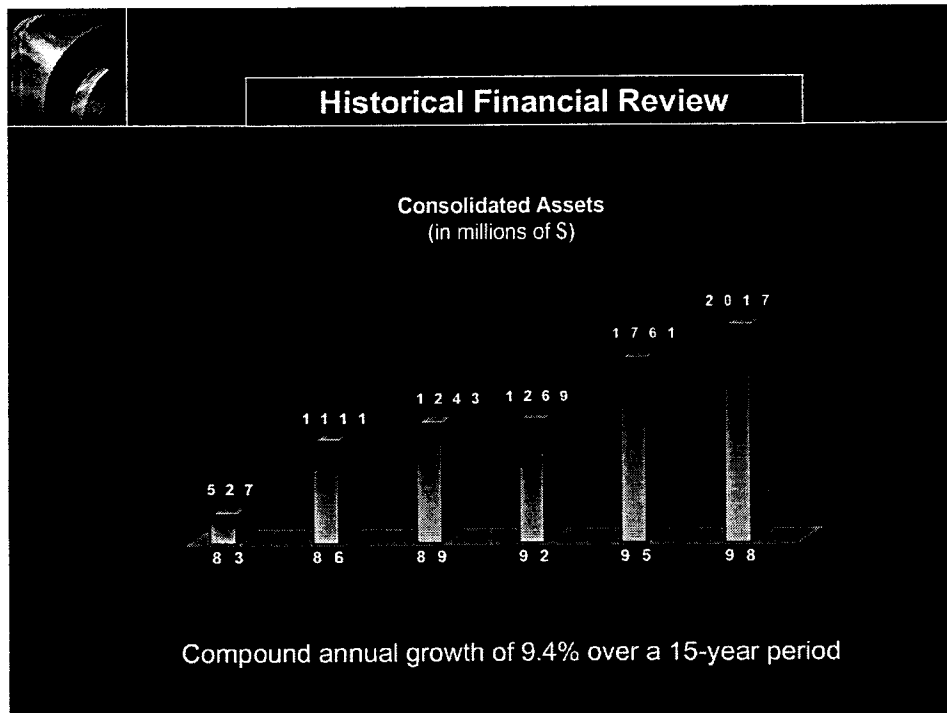
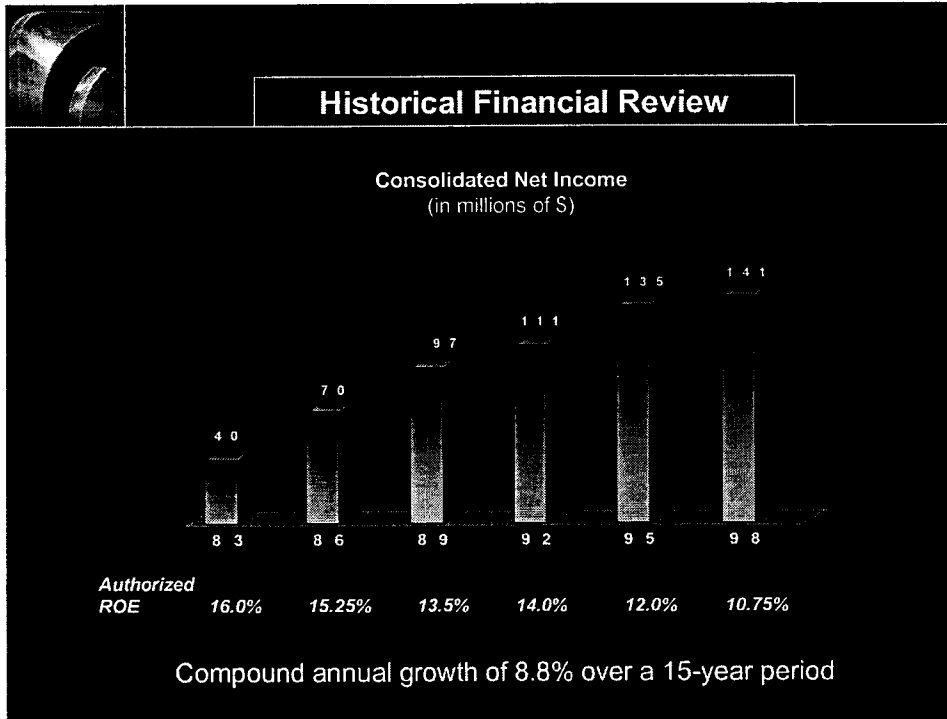
- ❑ 50% interest, TCPL being the other partner
- ❑ 572 km of transmission pipeline (217 km built in 1998)
- ❑ \$257 million expansion in 1998 to interconnect with PNGTS for which GMCLP was the project manager
- ❑ \$40 million increase in regulated equity
- ❑ Every \$ in equity yields 15.2% in net return

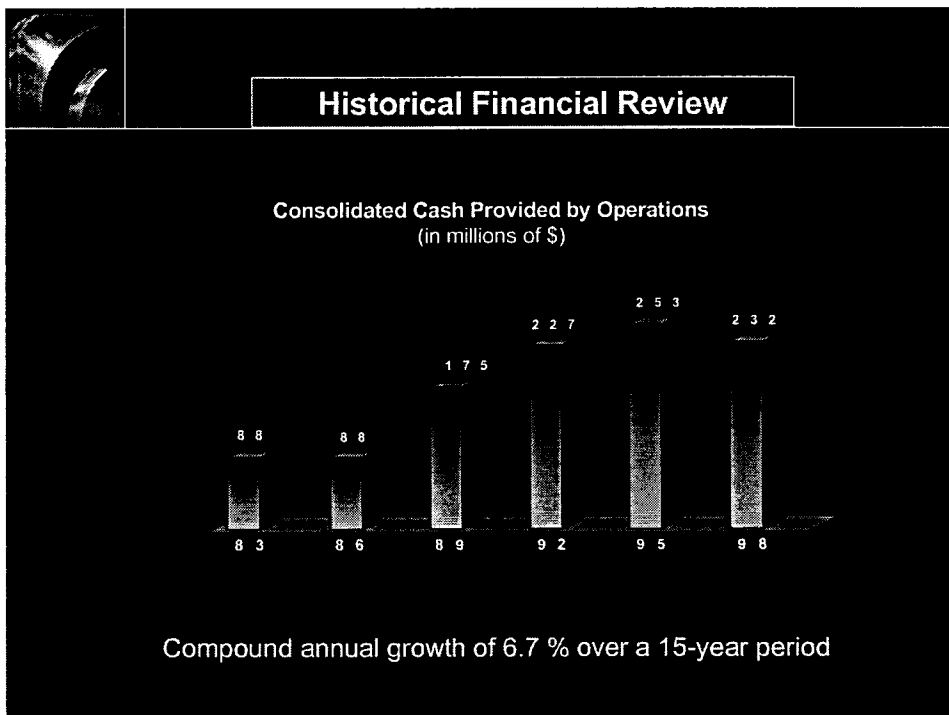
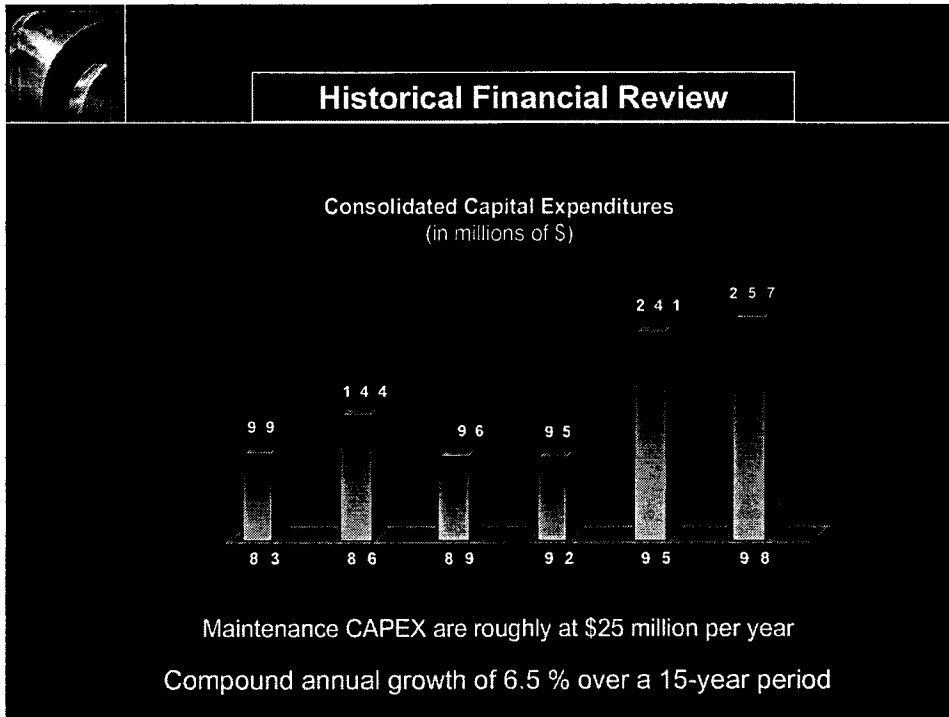




Portland Natural Gas Transmission System


- 19.1% equity interest with:
 - TransCanada PipeLines
 - El Paso Energy
 - MCN Energy
 - NIPSCO Industries
 - Bay State Gas
 - Northeast Utilities
- CA\$700 million investment
- CA\$1 billion when combined with the TQM extension






		Financial Review				
		<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
<input type="checkbox"/>	Interest coverage	2.5	2.5	2.7	2.7	2.9
<input type="checkbox"/>	Operating cash flow/total debt	0.28	0.27	0.30	0.27	0.20
<input type="checkbox"/>	Debt/capital	54.9%	53.8%	53.7%	53.6%	58.5% ⁽¹⁾
<input type="checkbox"/>	Cash flow/maintenance capital expenditures	10.1	9.9	11.0	10.3	9.2
<input type="checkbox"/>	Cash flow/total capital expenditures	1.04	1.03	1.89	2.16	0.89
⁽¹⁾ Prior to the recent equity issue. This ratio now stands at 55.1%						

		Financial Review				
<input type="checkbox"/>	Strong and stable capital structure					
<input type="checkbox"/>	Sound coverage ratios favorably compared to industry averages					
<input type="checkbox"/>	Generated cash flows largely sufficient to meet new financing requirements					
<input type="checkbox"/>	Proven track record in achieving allowed rate of return					

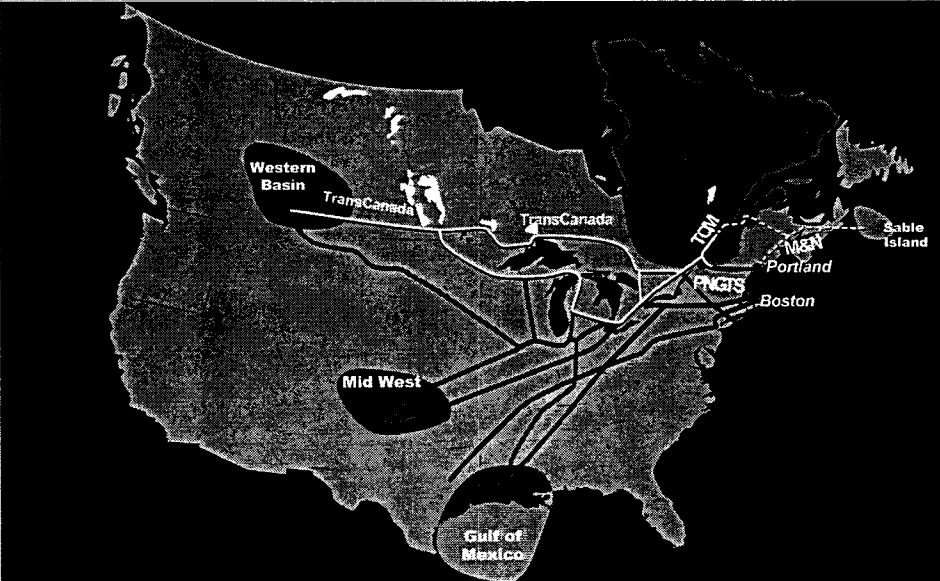


Growth Strategy


- Increase the share of natural gas in Québec's energy balance
- Diversify the sources of supply
- Diversify our sources of regulated revenues
- Generate growth with non-regulated activities



Growth Strategy




The map illustrates the natural gas supply network across the United States. Major basins are highlighted in dark grey: the Western Basin in the northwest, the Mid West in the central region, and the Gulf of Mexico in the south. A network of pipelines connects these basins to the Northeast. Key pipelines include TransCanada, TQM, M&N, and P&G&S. Specific locations marked on the map include Portland, Boston, and Sable Island.



Financial Highlights

Short-Term Debt

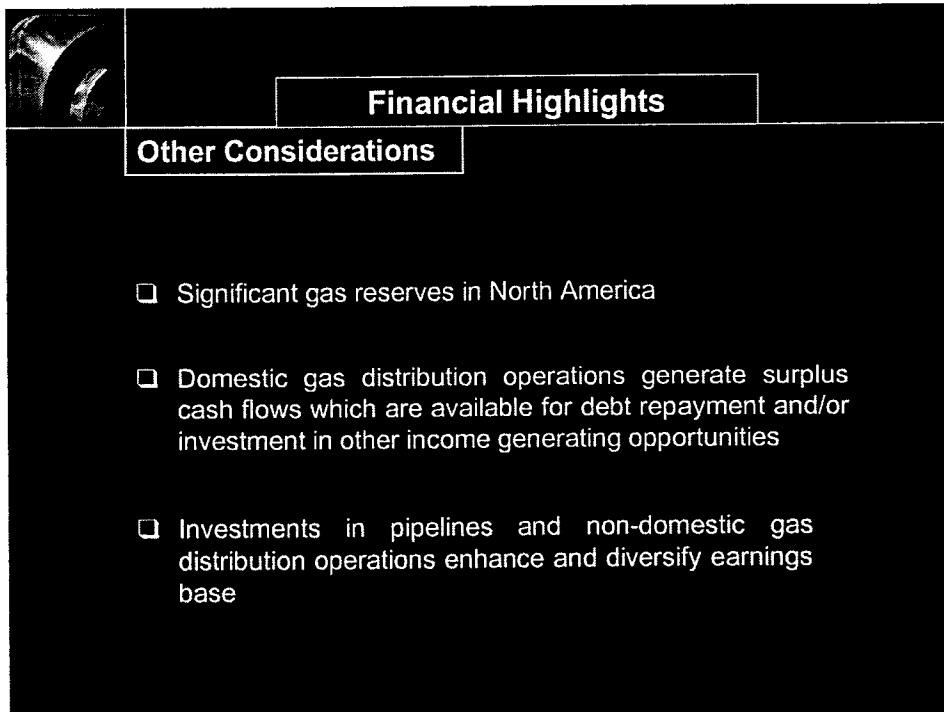
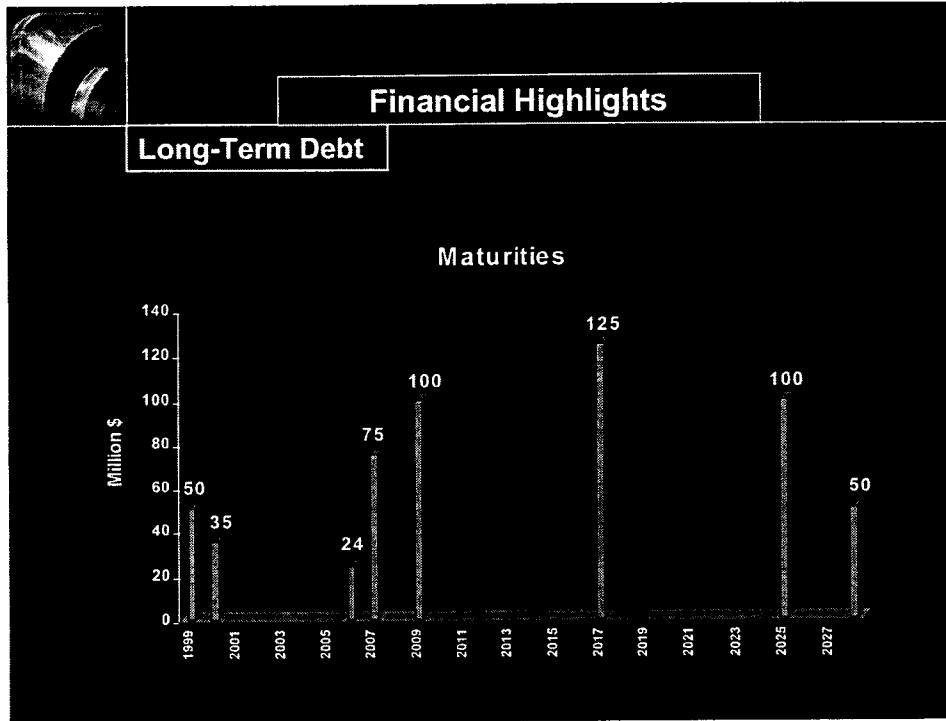
- ❑ Commercial paper program
 - up to \$300 million
 - fully backed by a seven-year evergreen line of credit
- ❑ Commercial paper ratings
 - CBRS : A-1
 - DBRS : R-1 (low)



Financial Highlights

Long-Term Debt

- ❑ \$559 million of outstanding First Mortgage Bonds (FMB)
- ❑ First Mortgage Bond ratings
 - CBRS : A (high)
 - DBRS : A
- ❑ Shelf prospectus for issuance of \$200 million of FMB
 - from August 1998 to 2000
 - \$100 million of 10-year bonds issued in November 1998
- ❑ Duration of the LT portfolio : 7.8 years





Summary

- Pure utility play with little volatility and proven sustainability in earnings and cash flows
- Regulatory mechanisms providing stability in earnings
- Net income not directly affected by commodity price fluctuations
- Long-life quality assets and excellent credit rating with a stable trend for many years
- Maturities well distributed over the next 30 years
- Growth potential through internal expansion and selective acquisitions

October 13, 1999

Mr. Jacques Demanche, C.A.
Treasurer
Gaz Métropolitain, inc.
717, du Havre Street
Montreal, Quebec
H2K 2X3

CBRS RATING COMMITTEE DECISION
Gaz Métropolitain, inc.

Re: Gaz Métropolitain's (GMi) proposed \$100 million offering of Series H First Mortgage Bonds


As per your request, CBRS has reviewed the Company's intention to issue \$100 million of Series "H" First Mortgage Bonds and has assigned the rating of **A(High)**. This proposed offering will be conducted through the Company's \$200 million Series H First Mortgage Bonds Shelf Registration, which was rated A(High) by CBRS and will be fully utilized after the proposed issuance. These securities will be direct secured obligations of GMi and GMCLP, rank pari passu with all other series of First Mortgage Bonds and rank prior to all subordinated debentures and other unsecured obligations of GMi and GMCLP. As such, CBRS has assigned a rating of A(High) to the \$100 million Series H First Mortgage Bonds offering, the same rating assigned to the Company's currently outstanding First Mortgage Bonds.

CBRS will publicly notify its subscribers and other investors regarding the assigned rating through CBRS' New Issue Release, CBRS On-Line system (via Bloomberg and Reuters') and through CBRS's WEB site (www.cb.rs.com). CBRS expects to receive a copy of the Pricing Supplement as soon as it becomes available.

CBRS Ratings are both absolute and relative. They are absolute measurements as they distinguish between an investment grade and non-investment grade security. They are also relative measurements as they reflect the strength of an issuer in a spectrum characterized by many different companies in many different industries.

As standard procedure in the rating process, it is expected that CBRS will be kept informed of all material events pertaining to the Company, which could affect its credit rating. Material events include changes in the investment portfolio, changes in management, changes in corporate policy, changes in accounting policy, financing of any nature, all major investments or undertakings. This list is not exclusive. While the definition of a "material event" is a matter of interpretation, when any reasonable doubt is present, CBRS should be consulted.

Should you require any further information regarding the above, please contact the undersigned or Damian Di Perna, Vice-President & Director at (416) 956-4870.


Zaheer H. Khan, Member
CBRS Rating Committee



Dominion

Bond

Rating

Service

Limited

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October 13, 1999

BY FAX

Jacques Demanche, C.A.
Treasurer
Gas Métropolitain, Inc.
117 du Havre Street
Montréal, Québec
H2K 2X3

M. Demanche,

Re: Proposed \$100 million, 10-Year Mortgage Bonds

DBRS confirms Gas Métropolitain, Inc.'s long-term credit rating of "A" with a Stable trend for the above tranche, issued under the August 1998 \$200 million shelf prospectus and based on the understanding that proceeds will be used to refinance maturing debt.

Yours sincerely,

Tony Catalfo
Senior Financial Analyst