

**DOCUMENT ÉMANANT DE STANDARD & POOR'S,  
INTITULÉ "CANADIAN UTILITY REGULATION REVIEW  
LEADS TO WATCH NEGATIVE PLACEMENTS"**



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### Canadian Utility Regulation Review Leads to Watch Negative Placements; TCON March 6 @ 11 AM

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TORONTO (Standard & Poor's) March 5, 2003--Standard & Poor's Ratings Services today said it placed its ratings on five Canadian utilities on CreditWatch with negative implications, pending a review of the various regulatory environments in which the utilities operate. In addition, the ratings on 10 other utilities will remain on CreditWatch with negative implications pending the same review.

Standard & Poor's will hold a teleconference to discuss the review and related commentary "Canadian Utility Regulation Reassessed as a Rating Factor" on Thurs., March 6, 2003, at 11:00 a.m. Eastern Time (ET). (See "Teleconference Information" below for details.)

The review will address the appropriateness of placing exceptional analytical reliance on the positive influence of regulatory factors in Standard & Poor's analysis of Canadian utilities.

Investor-owned Canadian utilities are among the most highly leveraged utilities in Standard & Poor's global ratings universe, with financial profiles that are noticeably weaker than those of their global peers. The highly leveraged financial profiles of Canadian utilities generally stem from regulatory directives, which essentially dictate the financial profiles of most utilities. Standard & Poor's has maintained strong investment-grade ratings on a large number of Canadian utility companies, despite balance-sheet and profitability metrics that are significantly weaker than those exhibited by similarly rated utilities in other countries or jurisdictions.

"Historically, the justification frequently cited for the high investment-grade ratings has been that the supportive nature of Canadian utility regulation would sustain a high level of credit quality notwithstanding the aggressive financial profiles," said Thomas Connell, managing director and office head of Standard & Poor's Toronto office. "Standard & Poor's is reexamining whether regulation or other aspects of these utilities' risk profiles compensate for their more aggressive financial profiles, and provide justification for high investment-grade ratings."

The companies (and their subsidiaries) affected by today's CreditWatch negative placements were those that have large segments of their overall business risk and financial risk profiles affected by regulation and had stable or negative outlooks. These companies are: Atco Ltd. (A+), Emera Inc. (BBB+), Fortis Inc. (A-), TQM Pipeline & Co. LP (BBB+), and Foothills Pipe Lines Ltd (A-1(Low)).

In addition, the following companies (and their subsidiaries) will remain on CreditWatch with negative implications, as they also have large portions of their business and financial profiles affected by regulation: BC Gas Inc. (BBB+), Borealis Infrastructure Trust (Enersource; A+), Electricity Distributors Finance Corp (EDFIN; A-), Hamilton Utilities Corp. (A+), Hydro Ottawa Holdings Inc (A), London Hydro Inc. (A-), Oakville Hydro Corp (A), Toronto Hydro Corp. (A), TransCanada Pipelines Ltd. (A-), and Veridian Corp. (A-).

Although the pending regulatory review could affect Atco and Fortis given the magnitude of regulated operations relative to consolidated assets, the companies' respective business risk profiles and ratings also will take into consideration the impact of a significant proportion of higher risk, nonregulated businesses.

In the case of BC Gas, Standard & Poor's has determined that the acquisition of a one-third interest in Express Pipeline System was a credit neutral event and will not affect the rating. Nevertheless, as the company's business risk and financial profiles are significantly affected by regulation, it will remain on CreditWatch pending the announcement of today's review.

In the case of TransCanada, Standard & Poor's had consistently assessed

the company's regulated capital structure as weak for the 'A-' rating; however, the company's above-average business profile was viewed as sufficiently strong to support the rating. As the regulated pipelines account for the majority of TransCanada's assets and cash flows, a diminished view of the regulatory framework could affect the credit rating. In addition, Standard & Poor's did anticipate the company would expand its nonregulated businesses in an effort to bolster its financial performance, but the nonregulated businesses were not expected to compromise its overall business risk profile. Both the regulatory review and the reassessment of the risk profile associated with TransCanada's portfolio of power assets will factor into the resolution of the CreditWatch placement.

Ratings placed on CreditWatch with negative implications can be either affirmed or downgraded upon resolution of the CreditWatch status. Standard & Poor's expects to resolve all of the CreditWatch placements within about three months, following discussions with each company and various regulatory bodies.

The report titled "Canadian Utility Regulation Reassessed as a Ratings Factor" and complete ratings information on today's actions can be found on RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). The commentary also can be found on Standard & Poor's Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Click Fixed Income and find the article under "Commentary and News." All ratings affected by today's ratings actions can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Fixed Income in the left navigation bar, select Credit Ratings Actions.

Members of the media may obtain copies of the full report by contacting the Toronto Ratings Desk at (1) 416-507-2600 or by E-mail at [canadian\\_ratings@standardandpoors.com](mailto:canadian_ratings@standardandpoors.com).

Teleconference Information

Standard & Poor's will hold a teleconference Thurs., March 6, 2003, at 11:00 a.m. ET, to discuss the Canadian utilities regulation review and related commentary. The dial-in information is as follows:

- Live-dial-in number: (Canada/U.S.) 1-712-257-0470
- Confirmation number: 2888777
- Passcode: CANADA
- Duration: 45 minutes approximately (including Q&A)
- Participants: Thomas Connell, Damian Di Perna
- Replay number: (Canada/U.S.) 1-402-280-9976 (The replay will expire on Thurs., March 20.)

The call will begin promptly at the time indicated. Please call at least 15 minutes before the scheduled start of the call to complete the precall registration process. There is no charge to participate other than long-distance telephone charges, if applicable. Participants will be asked to provide their name, title, company affiliation, and fax number. Replays will be available two hours after the call is completed on Standard & Poor's Web site at [www.standardandpoors.com](http://www.standardandpoors.com) under Events, Teleconferences. For more information contact Lucy Williams in Toronto at 416-507-2533.

Ratings List

- Atco Ltd.  
Corporate credit rating A+/Watch Neg/--✓
- CU Inc.  
Corporate credit rating A+/Watch Neg/A-1
- Canadian Utilities Ltd.  
Corporate credit rating A+/Watch Neg/A-1
- Emera Inc.  
Corporate credit rating BBB+/Watch Neg/--✓
- Nova Scotia Power Inc.  
Corporate credit rating BBB+/Watch Neg/--
- Foothills Pipe Lines Ltd  
Commercial paper  
Canadian national scale A-1(Low)/Watch Neg

Fortis Inc.  
Corporate credit rating A-/Watch Neg/-- ✓

Maritime Electric Co. Ltd.  
Corporate credit rating A-/Watch Neg/--

Newfoundland Power Inc.  
Corporate credit rating A-/Watch Neg/--

TQM Pipeline & Co. LP  
Corporate credit rating BBB+/Watch Neg/-- ✓

Trans Quebec & Maritimes Pipeline Inc  
Corporate credit rating BBB+/Watch Neg/--

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