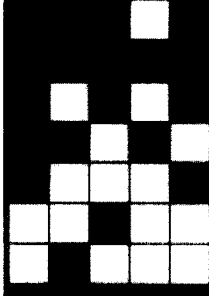




Macquarie Research
Equities



CAMPUT 2008

What are Investors Looking For?

Matthew Akman

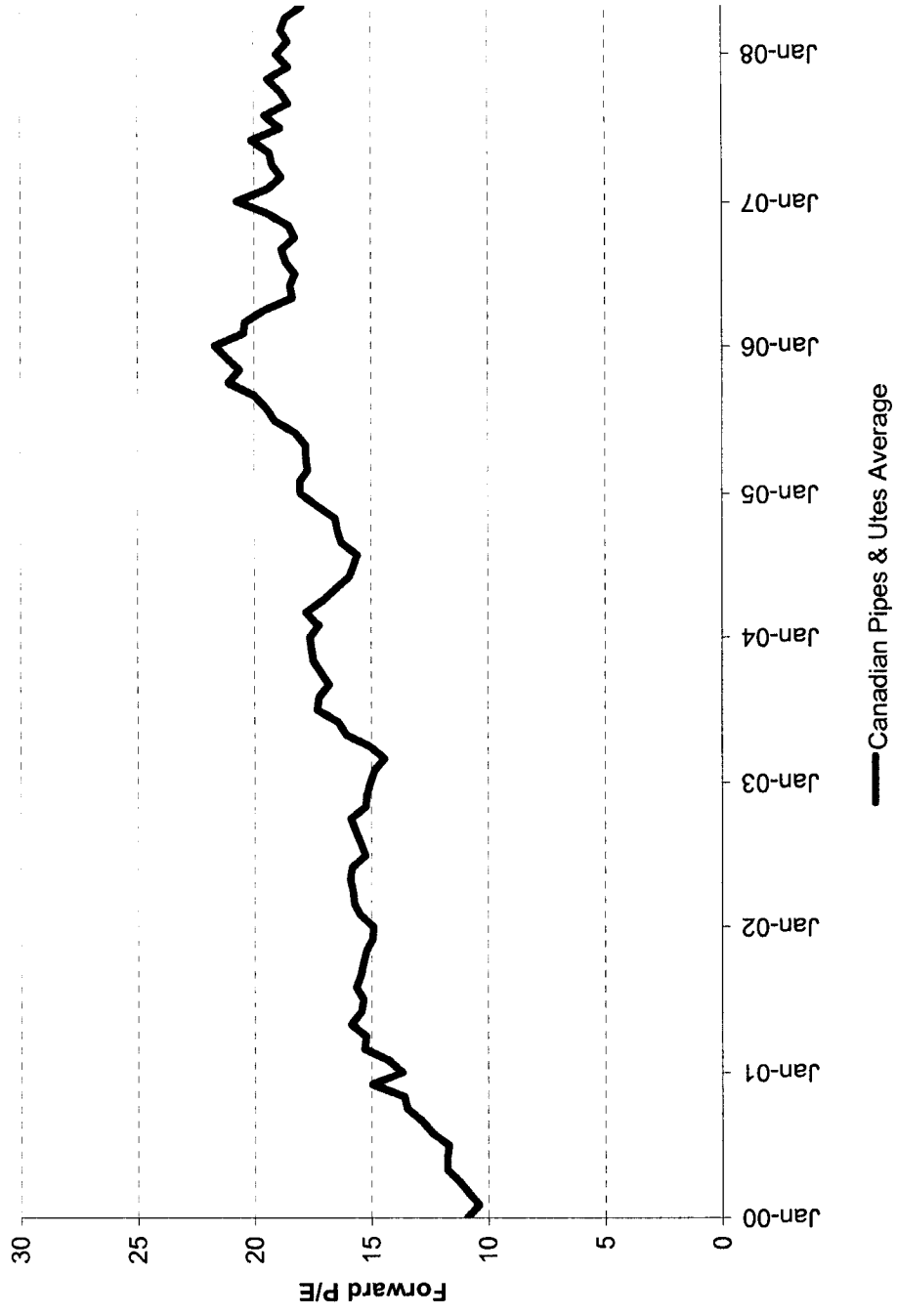
Managing Director

Equity Research - Energy Infrastructure

Macquarie Capital Markets

In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. Please see disclaimer.

Price/Earnings Trend





Canadian Pipelines/Utilities Equity Issuance In 2007

Date	Company	Shares	Price	Total Value
January 3, 2008	Fortis Inc.	5,170,000	\$29.00	\$149,930,000
January 16, 2008	Enbridge Inc.	15,000,000	\$38.75	\$581,250,000
February 6, 2008	TransCanada Corp.	45,390,500	\$38.00	\$1,724,839,000
February 26, 2008	Fortis Inc.	44,275,000	\$26.00	\$1,151,150,000
	Total		Total	\$3,607,169,000

Note: represents issuances by large pipelines, power or utility corps under coverage.



U.S. vs. Canadian Utilities

Company	Ticker	P/E Multiples		CAGR	
		2007	2008E	3 Yr	5 yr
<u>Canadian</u>					
Enbridge	ENB	24.3x	23.0x	5.2%	5.7%
TransCanada	TRP	17.6x	17.1x	7.1%	6.2%
Canadian Utilities	CU	15.1x	15.6x	9.3%	6.1%
Fortis	FTS	20.9x	18.2x	10.1%	7.8%
Emera	EMA	16.8x	16.3x	14.3%	1.6%
TransAlta	TA	24.0x	19.6x	22.5%	17.0%
Average		19.8x	18.3x	11.4%	7.4%
<u>U.S.</u>					
Consolidated Edison	ED	12.0x	12.9x	2.2%	1.6%
Sempra Energy	SRE	13.7x	14.3x	1.9%	5.7%
Dominion Resources	D	17.0x	13.8x	10.8%	6.5%
NiSource	NI	13.0x	13.3x	9.0%	0.3%
PPL Corp.	PPL	18.7x	19.9x	5.5%	5.6%
Average		14.9x	14.8x	5.9%	3.9%

Note:

3 year CAGR forecast based on a 2005-2008E period.

5 year CAGR forecast based on a 2003-2008E period.

Estimates for Canadian companies are from Macquarie Capital.

Estimates for U.S. companies are based on consensus forecast (sources: Company reports, Thomson, Bloomberg).



Methodology For Setting Returns On New Infrastructure Investments

Asset Category	Old Model	New Models
Traditional Power	Regulated by provinces	• Competitive market
Renewable Power	Crown Corps build	• Government RFP • Competitive RFP
Pipeline	NEB formula ROE	• Commercial deals with shippers • Incentive regulation



Changes In Allowed Equity Thickness

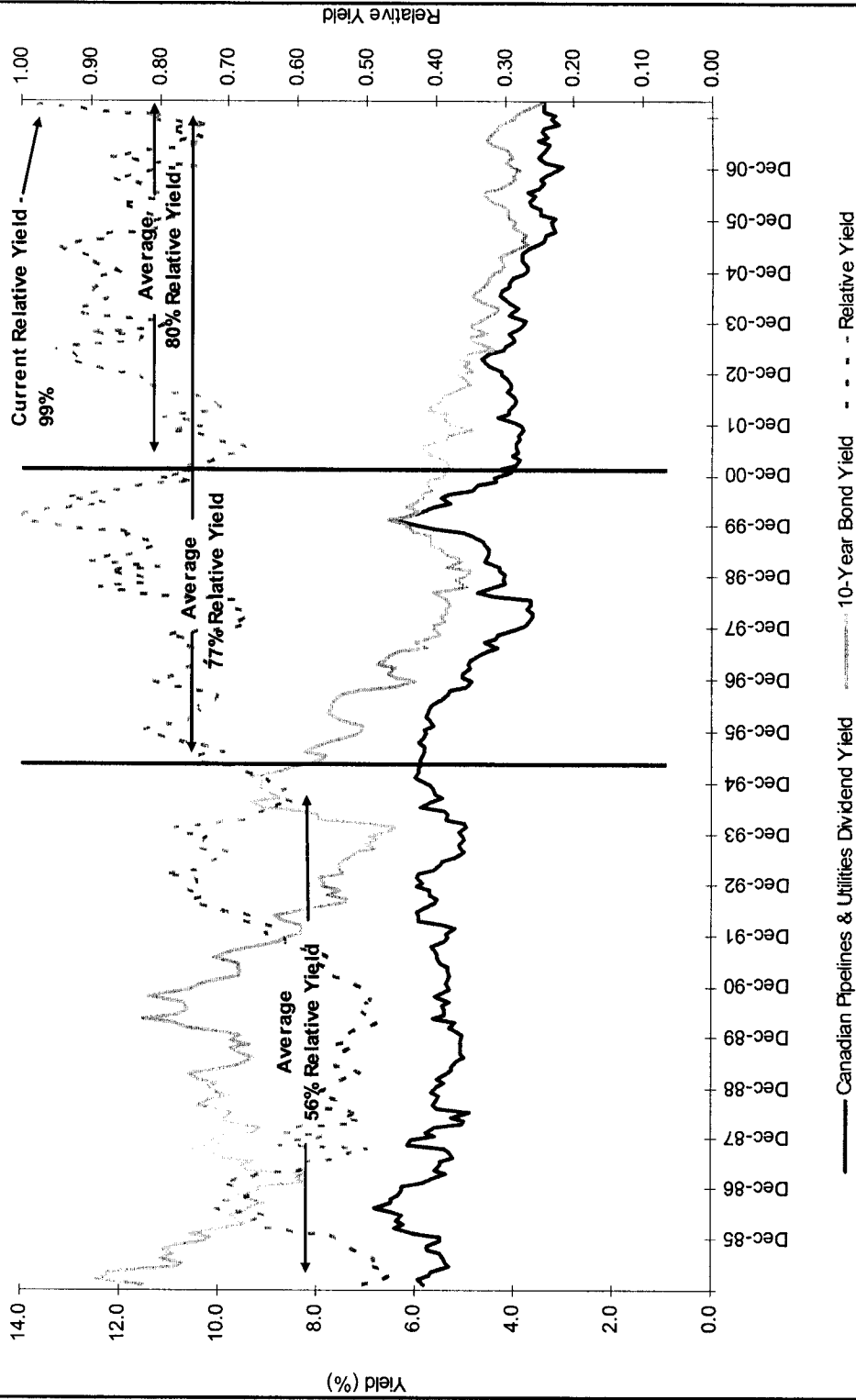
<u>Company</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Enbridge Gas Distribution	35.0%	35.0%	35.0%	35.0%	36.0%	36.0%
BC Gas	33.0%	33.0%	33.0%	35.0%	35.0%	35.0%
TransCanada Mainline	33.0%	33.0%	36.0%	36.0%	40.0%	40.0%



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Macquarie Research Equities

Dividend Yield Relative to Bond Yield

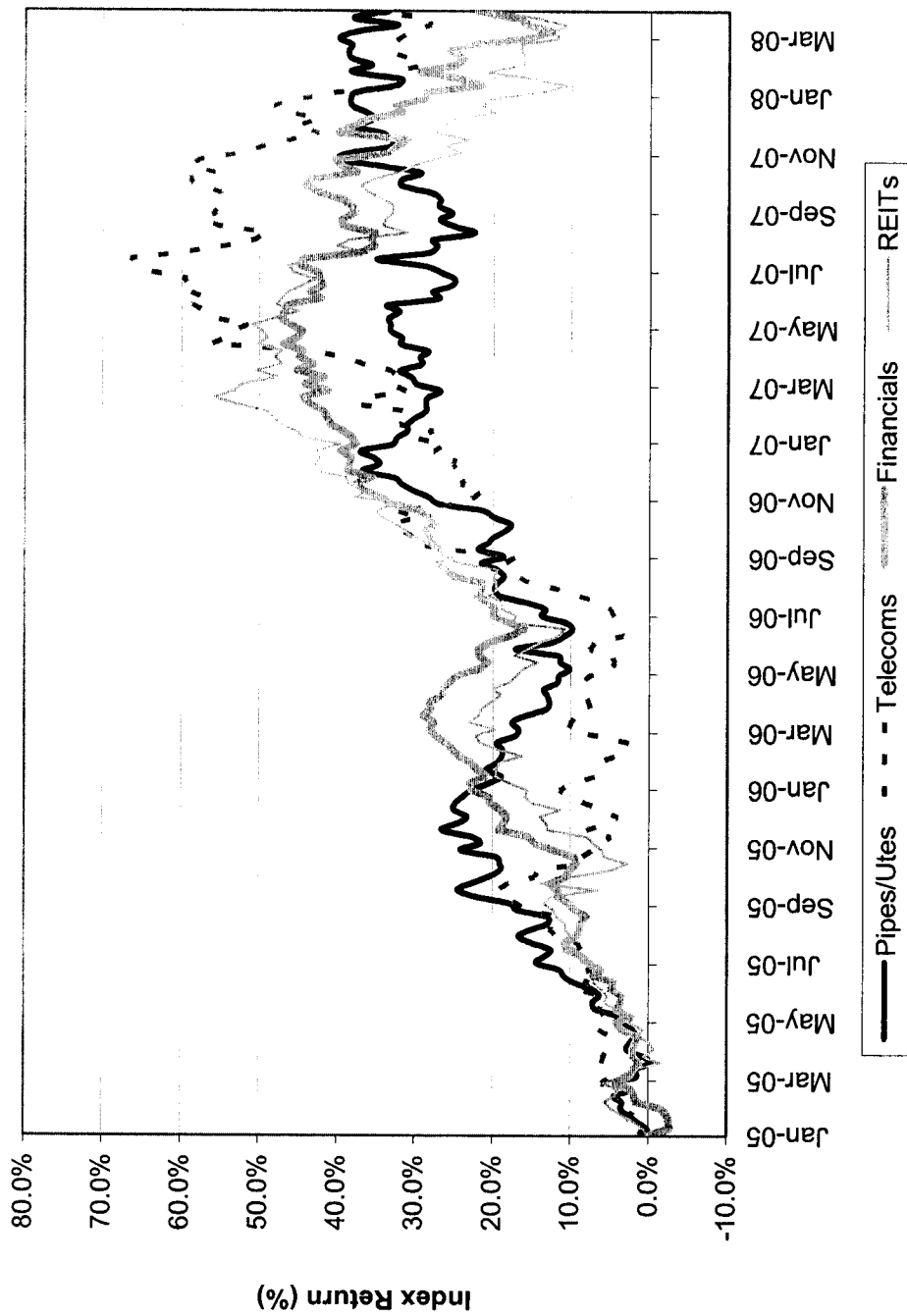


Note: Bond yield represented by the Government of Canada 10-yr bond yield.



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Comparative Indexes



Note: Index return based on a January 1, 2005 start date.



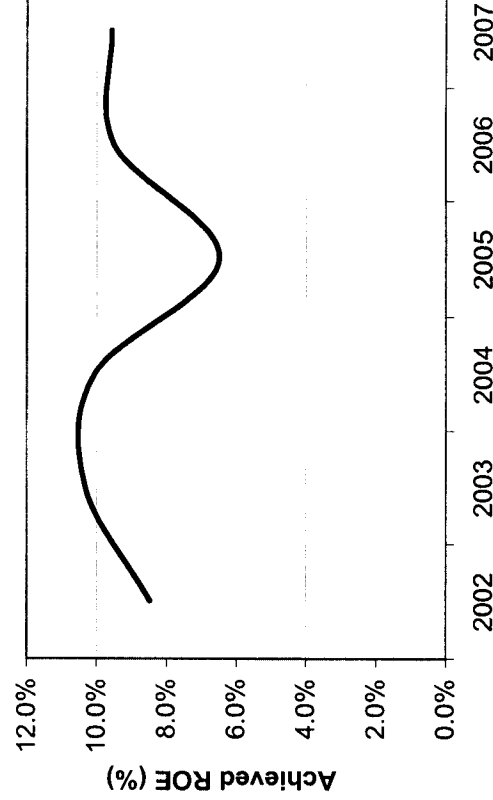
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Emera Valuation

EMA valuation vs. group

	P/E		EV/EBITDA	
	2007	2008E	2007	2008E
Emera	16.8x	16.3x	8.4x	8.2x
Comparative group average	19.2x	17.5x	9.0x	8.7x

NSPI achieved ROE in recent years





Conclusion

- The ROE formula appears to be working
- *But evidence may be masked by:*
 - Fund flows away from other yield product
 - Modest increase in allowed equity
 - Loosening of regulatory framework
- So a reduction in allowed returns could be detrimental
- The whole framework and its effectiveness is contingent on its stability and reliability



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Important disclosures:

Recommendation definitions

Recommendation definitions

Macquarie – Australia/New Zealand

Outperform – return >5% in excess of benchmark return (>2.5% in excess for listed property trusts)

Neutral – return within 5% of benchmark return (within 2.5% for listed property trusts)

Underperform – return >5% below benchmark return (>2.5% below for listed property trusts)

Macquarie – Asia

Outperform – expected return >+10%

Neutral – expected return from -10% to +10%

Underperform – expected return <-10%

Macquarie First South – South Africa

Outperform – expected return >+10%

Neutral – expected return from -10% to +10%

Underperform – expected return <-10%

Macquarie – Canada

Outperform – return >5% in excess of benchmark return

Neutral – return within 5% of benchmark return

Underperform – return >5% below benchmark return

Recommendation – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Recommendation proportions

	AU/NZ	Asia	RSA	CA
Outperform	47.39%	64.32%	64.58%	71.65%
Neutral	40.77%	19.28%	33.33%	25.98%
Underperform	11.85%	16.40%	2.08%	2.36%

For quarter ending 30 September 2007

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Australian/NZ/Canada stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense

Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit /efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit /average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).



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