RAPPORT DE CRÉDIT : DBRS 2019

Rating Report

Énergir Inc.

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DBRS

Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Commercial Paper	R-1 (low)	Confirmed	Stable
First Mortgage Bonds *	A	Confirmed	Stable
Senior Secured Notes *	A	Confirmed	Stable

* Guaranteed by Énergir, L.P.

Rating Update

On April 16, 2019, DBRS Limited (DBRS) confirmed the Issuer Rating and the First Mortgage Bonds (FMB) and the Senior Secured Notes (the Notes) ratings of Énergir Inc. (Énergir or the Company) at "A" as well as its Commercial Paper (CP) rating at R-1 (low), all with Stable trends. Énergir's ratings are based on the credit quality of Énergir, L.P. (the Partnership), which guarantees the Company's FMBs, the Notes and a secured credit facility that supports the CP program. Énergir is the general partner of the Partnership and serves as its financing entity.

The Partnership's business risk profile continues to be underpinned by its portfolio of regulated utilities, which provides stable earnings and cash flows. The Partnership's regulated natural gas distribution utility in Québec (Québec or the Province; rated A (high) with a Stable trend by DBRS) is Énergir-QDA (approximately 62% of EBITDA in the last 12 months ended December 31, 2018 (LTM F2019), which is regulated by the Régie de l'énergie (the Régie). Regulation under the Régie remains supportive of the "A" rating with Énergir-QDA currently operating under a cost-of-service (COS) regime with a reasonable allowed return on equity (ROE) of 8.90% and deemed equity of 46% (including 7.5% of preferred shares). Regulation for the Partnership's Vermont utilities (approximately 36% of LTM F2019 EBITDA), which include Green Mountain Power Corporation (GMP) and Vermont Gas Systems, Inc. (VGS), have also remained reasonable with allowed ROEs of 9.30% and 8.50%, respectively, on deemed equity of 49.9% and 50.0%, respectively.

DBRS notes that the Partnership has been pursuing opportunities in non-regulated segments, particularly in energy production, services and storage. For F2019, the Partnership intends to invest about $180 million in solar projects at its wholly owned subsidiary, Standard Solar Inc. (Standard Solar), a vertically integrated power project contractor, operator, developer and owner. While earnings and cash flows from the non-regulated segment are typically more volatile as a result of the higher associated volume risk, DBRS notes that these investments have remained relatively modest compared with capex for the Partnership's regulated operations. Additionally, under the trust deed, the Partnership's interest in non-regulated energy-related activities and non-energy-related activities must not exceed 10% of total

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Financial Information

Énergir, L.P. (consolidated)	3 mos. to Dec. 31		12 mos. to Dec. 31	For the year ended September 30			
(U.S. GAAP; DBRS-adjusted ratios)	**2018**	**2017**	**2018**	**2018**	**2017**	**2016**	**2015**
Cash flow/Total debt (1)	20.1%	20.0%	16.8%	17.8%	16.0%	16.8%	16.9%
EBIT gross interest coverage (times) (1) (3)	2.97	2.94	2.59	2.57	2.32	2.44	2.61
Total debt in capital structure (1) (2)	66.3%	66.0%	66.3%	65.3%	64.7%	66.5%	65.1%

1 Adjusted for operating leases. 2 Common equity adjusted for accumulated other comprehensive income. 3 Numerator includes distributions received from equity investments.

Issuer Description

Énergir Inc. is a holding company with majority ownership of Énergir, L.P., which owns and operates natural gas distribution in Québec and natural gas and electricity distribution in Vermont as well as financial interests in transmission, storage, gas and other underground systems enterprises. Énergir, L.P. is 71% owned by Énergir Inc. and 29% owned by Valener Inc. (Valener; rated Pfd-2 (low) with a Stable trend by DBRS).

Rating Update (CONTINUED)

non-consolidated assets (4.98% as at December 31, 2018) and non-energy-related activities may not exceed 5% of total non-consolidated assets (none as at December 31, 2018). As such, regulated operations continue to represent the large majority of the Company's activities.

The Partnership's key credit metrics remained steady and commensurate with the "A" rating in LTM F2019. DBRS expects the Partnership's financial risk profile to remain stable and the Partnership to continue funding any free cash flow (FCF) deficits as a result of the capex program ($540 million for F2019) prudently with a mix of debt and equity to maintain the current ratings.

Rating Considerations

Strengths

1. Supportive regulation in Québec
The regulatory framework in Québec is viewed as supportive, reflecting the following factors: (a) full recovery on gas supply costs through an automatic monthly adjustment mechanism, (b) rate stabilization accounts to mitigate revenue fluctuations due to the weather and (c) reasonable authorized ROE and capital structure ratio.

2. Reasonable financial profile
The Partnership's consolidated financial profile has remained reasonable for the current ratings, including a cash flow-to-debt ratio of 16.8% and an EBIT interest coverage ratio of 2.59 times (x) in LTM F2019. Although the consolidated debt-to-capital ratio of 66.3% at December 31, 2018, was relatively weak for the current ratings, the non-consolidated ratios remained consistent with the ratings (i.e., cash flow-to-debt ratio of 17.6%, debt-to-capital ratio of 56.0% and EBIT interest coverage ratio of 2.05x).

3. Cash flow diversification
The Partnership benefits from a large base of regulated utility assets, including: (a) gas distribution in Québec; (b) U.S. natural gas and electricity distribution in Vermont through GMP and VGS; (c) U.S. electricity transmission in Vermont through majority ownership in Vermont Electric Power Company, Inc. and Vermont Transco LLC (Transco); (d) financial interest in three natural gas transportation enterprises, namely Trans Québec & Maritimes Pipeline Inc. (TQM; rated A (low) with a Stable trend by DBRS), Portland Natural Gas Transmission System (PNGTS) and Champion Pipe Line Corporation Limited (Champion); and (e) financial interests in wind power projects.

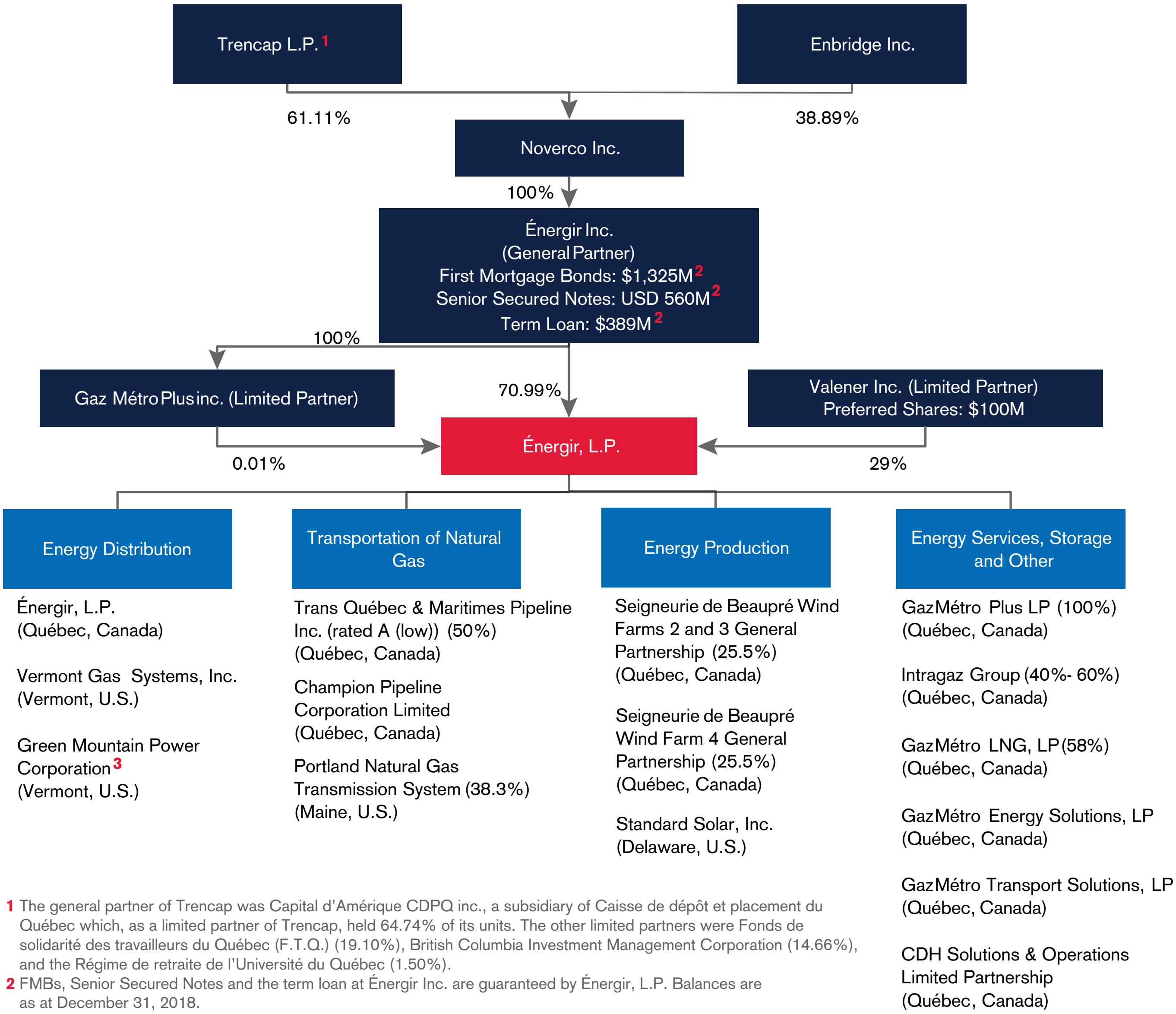
Challenges

1. Higher risks associated with volume and energy cost in Vermont electricity distribution
There is a higher level of volume risk associated with regulated operations in Vermont than in Québec as there is no rate stabilization mechanism for the Partnership's electricity distribution subsidiaries in Vermont to mitigate against volume delivery fluctuations due to the weather.

2. Industrial customers are sensitive to economic conditions
In Québec, approximately 60% of natural gas distribution is consumed by industrial customers, whose consumption is highly sensitive to economic conditions. A significant reduction in demand from these customers could affect the Partnership's distribution revenues; however, this risk is mitigated by firm service contracts of more than one year with many of these customers providing guaranteed payment of a significant portion of distribution services, regardless of their levels of consumption. Firm service contracts account for more than 80% of all industrial volume consumption, which provides the Partnership with sufficient time to reallocate its revenue requirement among customer classes if necessary.

3. Risk associated with inaccurate cost projection
Under the current COS methodology, Énergir-QDA may not recover the shortfall between earned net income and allowable net income due to the fixed nature of its earnings sharing mechanism with the Régie. A shortfall may arise if the actual cost of providing such services is higher than the projected cost. If the difference between actual and projected costs is significant, there could be a material negative impact on the Partnership's credit metrics; however, given the long operating history of this utility, DBRS believes that the probability of a materially inaccurate cost projection is low.

Simplified Organizational Chart



1 The general partner of Trencap was Capital d'Amérique CDPQ inc., a subsidiary of Caisse de dépôt et placement du Québec which, as a limited partner of Trencap, held 64.74% of its units. The other limited partners were Fonds de solidarité des travailleurs du Québec (F.T.Q.) (19.10%), British Columbia Investment Management Corporation (14.66%), and the Régime de retraite de l'Université du Québec (1.50%).
2 FMBs, Senior Secured Notes and the term loan at Énergir Inc. are guaranteed by Énergir, L.P. Balances are as at December 31, 2018.
3 Significant ownership interest in Vermont Transco LLC (direct and indirect totaling 73.6%) and Vermont Electric Power Company, Inc (38.8% direct).

Énergir Inc. is the financing vehicle for Énergir, L.P. with funds raised by the Company loaned to the Partnership on similar terms and conditions. Given the mirror-like structure of the financing, the only substantive difference between the two entities is the $892.8 million of subordinated debt at Énergir Inc. (intercompany debt from Noverco, Inc. (Noverco), not rated by DBRS and not shown in the above chart). Failure to pay interest or principal on the subordinated debt would not cause either acceleration of that debt or a cross default to senior debt. Consequently, the subordinated debt is treated as equity by DBRS.

The trust deeds stipulate that all of the Partnership's interest in non-regulated energy-related activities and non-energy-related activities must not be more than 10% of its total non-consolidated assets (4.98% as at December 31, 2018). As for non-energy-related activities, the Partnership's interest in such activities may not exceed 5% of its total non-consolidated assets (none as at December 31, 2018).

DBRS notes that Noverco has offered to acquire all of Valener's outstanding common and preferred shares (see DBRS press release, "DBRS Comments on Proposed Acquisition of Valener Inc. by Noverco Inc.," dated March 28, 2019). Based on its preliminary review, DBRS believes that completion of the arrangement as described would have no impact on Énergir's credit profile and that Valener's Cumulative Rate Reset Preferred Shares rating would be discontinued upon repayment.

Consolidated Earnings and Outlook

Énergir, L.P. (consolidated)	3 mos. to Dec. 31		12 mos. to Dec. 31	For the year ended September 30			
(CAD millions; U.S. GAAP; DBRS-adjusted ratios)	2018	2017	2018	2018	2017	2016	2015
EBITDA, as adjusted 1, 2	209	190	673	654	587	600	545
EBIT 2	101	95	287	281	259	273	261
Interest expense on long-term debt	37	34	141	138	130	130	133
Net operating earnings after tax 2	61	49	108	96	78	103	80
Total share in earnings of equity investments	40	38	139	137	129	124	119
Net income before non-recurring items	102	85	253	235	228	225	194
Reported net income	119	60	274	216	241	278	181
Return on average common equity	20.8%	18.2%	12.8%	12.1%	12.4%	13.0%	11.2%
Segmented EBITDA 2							
Énergir - QDA	114	105	349	340	329	316	305
VGS and GMP	52	47	200	195	164	193	169
Natural Gas Transportation	0	0	2	2	2	2	2
Energy Production	(4)	(3)	(10)	(10)	(4)	(1)	(1)
Energy Services, Storage and Other	4	4	18	18	12	6	6
Total excluding Corporate and Other	**167**	**153**	**559**	**544**	**503**	**515**	**480**
Corporate and Other	(2)	(3)	(10)	(11)	(15)	(11)	(8)
Total EBITDA	**165**	**150**	**548**	**533**	**487**	**505**	**472**
Regulated rate base (Énergir-QDA)			2,157	2,118	2,044	1,956	1,940
Approved deemed common equity (Énergir-QDA)			38.5%	38.5%	38.5%	38.5%	38.5%
Allowed ROE (Énergir-QDA)			8.90%	8.90%	8.90%	8.90%	8.90%

1 Adjusted to remove amortization expenses from direct costs. 2 Excludes earnings from equity investments.

F2018 Summary

The vast majority of the Partnership's EBITDA and earnings are generated by low-risk regulated utilities and pipelines supported by long-term contracts. The Partnership's normalized earnings increased by about 3% in F2018 compared with F2017.

- Énergir-QDA's normalized earnings fell by 1.7%, mainly due to an unfavourable revenue normalization mechanism adjustment in F2018 compared with a favourable adjustment in F2017.
- Combined normalized earnings of GMP and VGS rose by 3.5%, supported by higher rate bases for each entity and a higher allowed ROE, partly offset by lower equity thickness at GMP.

Normalized earnings were also negatively affected by a less favourable exchange rate for U.S. operations.

Q1 F2019 Summary and Outlook

Normalized earnings for Q1 F2019 rose by 21% compared with Q1 F2018. Énergir-QDA's normalized earnings rose by 2.8% while combined normalized earnings of GMP and VGS rose by 37%, largely due to colder temperatures and timing with respect to the U.S. tax reform, which are expected to be reversed by the end of F2019.

DBRS expects the Partnership's normalized earnings for the year to be supported by continued rate-base growth in the regulated operations.

Consolidated Financial Profile

Énergir, L.P. (consolidated)	3 mos. to Dec. 31		12 mos. to Dec. 31	For the year ended September 30			
(CAD millions; U.S. GAAP; DBRS-adjusted ratios)	**2018**	**2017**	**2018**	**2018**	**2017**	**2016**	**2015**
Net income before non-recurring items	102	85	253	235	228	225	194
Depreciation & amortization	108	95	386	373	327	327	284
Distributions received	26	22	130	126	102	112	122
Non-cash share in earnings of equity investments	(40)	(38)	(139)	(137)	(129)	(124)	(119)
Deferred income taxes/Other	2	25	35	57	39	50	53
Cash flow from operations	**199**	**189**	**664**	**654**	**567**	**590**	**534**
Distributions to partners	(52)	(52)	(217)	(216)	(204)	(197)	(187)
Capex	(105)	(135)	(429)	(459)	(573)	(691)	(742)
Gross free cash flow	**41**	**2**	**18**	**(21)**	**(210)**	**(298)**	**(394)**
Change in working capital	(173)	(152)	(41)	(20)	13	18	29
Change in regulatory assets & deferred charges	17	7	1	(9)	(20)	(79)	(39)
Net free cash flow	**(115)**	**(144)**	**(22)**	**(50)**	**(217)**	**(359)**	**(405)**
Acquisitions/Long-term investments	(25)	(93)	(17)	(85)	(8)	(56)	(41)
Net change in equity	2	6	11	15	140	15	282
Net change in debt	162	231	(8)	61	135	382	139
Other	3	2	11	10	(1)	(1)	12
Change in cash	**27**	**3**	**(24)**	**(48)**	**49**	**(19)**	**(14)**
Total debt	3,944	3,771	3,944	3,659	3,526	3,497	3,147
Total debt in capital structure 1 2	66.3%	66.0%	66.3%	65.3%	64.7%	66.5%	65.1%
EBIT gross interest coverage (times)1 3	2.97	2.94	2.59	2.57	2.32	2.44	2.61
Cash flow/Total debt 1	20.1%	20.0%	16.8%	17.8%	16.0%	16.8%	16.9%
Distributions/Net income before non-recurring items	51.0%	61.6%	85.7%	92.2%	89.4%	87.7%	95.9%
Non-Consolidated Metrics							
Total debt in capital structure 1 2	56.0%	56.2%	56.0%	55.1%	54.9%	56.7%	55.1%
EBIT gross interest coverage (times) 1 3	3.00	3.46	2.05	2.14	2.31	2.11	2.37
Cash flow/Total debt 1	24.1%	24.0%	17.6%	18.7%	17.7%	16.6%	17.1%

1 Adjusted for operating leases. 2 Common equity adjusted for accumulated other comprehensive income. 3 Numerator includes distributions received from equity investments.

F2018 Summary

The Partnership's key credit metrics remained supportive of the ratings in F2018. The non-consolidated debt-to-capital ratio of 55.1% was in line with the regulatory capital structure of 46% equity (including 7.50% of preferred shares).

- Cash flow from operations increased by 15%, mainly due to higher rates and the favourable impact of colder temperatures at Énergir-QDA combined with higher distributions received from equity investments.
- Capex decreased significantly in F2018, largely as a result of the April 2017 completion of VGS's system development project in Addison County as well as the startup of Gaz Métro LNG's second liquefaction train at the liquefaction, storage and regasification plant.
- The Partnership distributed over 90% of net income to its limited partners. Under the Partnership Agreement, Énergir, L.P. will not distribute any less than 85% of its net income before non-recurring items to its partners, except under extraordinary circumstances.
- The Partnership funded its net FCF deficit mainly with debt issuance.

Q1 F2019 Summary and Outlook

The Partnership's key credit metrics remained relatively stable in LTM F2019. The debt-to-capital and cash flow-to-debt ratios weakened modestly as a result of the higher debt load.

- Capex fell in Q1 F2019 compared with Q1 F2018, mainly due to lower investments within the Energy Distribution segment and in Standard Solar's solar farm projects.
- The Partnership has forecast capex of $570 million in F2019 with an estimated $360 million for the energy distribution activities in Québec and Vermont as well as $180 million for Standard Solar.
- The Partnership's financial profile is expected to remain relatively stable in F2019 with metrics remaining supportive of the current ratings.

Liquidity

Credit Facility (non-consolidated)

As at December 31, 2018	Maturity	Committed	Drawn/CP Backstop	Letters of credit	Available
Secured Term Loan	Mar-2023	800.0	389.4	25.8	384.8
Total		**800.0**	**389.4**	**25.8**	**384.8**

Énergir has an investment policy in place such that the Company should not have CP maturities that exceed an aggregate amount of $35 million for two consecutive business days to ensure that the $50 million swingline facility, which is available under its credit facility, maintains adequate liquidity to backstop the CP program. The debt issued under this term loan is guaranteed by the Partnership and matures in March 2024. Énergir is expected to continue to reserve capacity under its bank credit facility for amounts outstanding under the CP program.

Long-Term Debt

The following is a table of the Partnership's debt maturities on a consolidated basis:

Consolidated Debt Maturities as of December 31, 2018	2019	2020	2021	2022	2023	Thereafter	Total
(CAD millions)							
Énergir	100	100	150	177	388	1,561	2,476
NNEEC	0	0	0	68	0	68	136
VGS	1	1	1	1	1	157	164
GMP	97	136	43	12	1	830	1,119
Other					12		12
Sub Total	**198**	**237**	**194**	**259**	**403**	**2,616**	**3,907**
Financing costs							(17)
Total							**3,891**

The debt maturity schedule is reasonably spread out with minimal refinancing risk over the next five years.

Covenants and Restrictions

The Partnership's long-term trust deeds and other agreements contain restrictive covenants that restrict its issuance of any long-term debt if such issuance would result in its long-term debt-to-total capitalization ratio exceeding 65% and its long-term debt interest coverage ratio being less than 1.5x (both on a non-consolidated basis). In addition:

If the Partnership's long-term debt-to-capitalization ratio exceeds 75% (on a non-consolidated basis), it will not make a distribution to its partners.

- As of September 30, 2018, the Partnership's non-consolidated long-term debt-to-total capitalization ratio and the non-consolidated long-term debt interest ratio were 53.3% and 3.70x, respectively.
- The Partnership's interests in non-regulated energy-related activities and non-energy-related activities must not be more than 10% of its total non-consolidated assets (4.98% at December 31, 2018), and its interest in such activities may not exceed 5% of its total non-consolidated assets. As at December 31, 2018, the Partnership had no interest in such activities.

Regulation Update

1. Énergir -QDA – Regulated by the Régie

Énergir-QDA continues to operate under COS for F2019. The regulatory framework in Québec is viewed as supportive with the following major features:

- Natural gas supply costs are fully passed on to customers through an automatic monthly adjustment mechanism.
- All transportation costs charged by TransCanada PipeLines Limited (TCPL; rated A (low) with a Stable trend by DBRS) are included in the COS of Énergir-QDA and are reflected in its transportation rates.
- Énergir-QDA is allowed to recover the cost of providing its service and to earn a reasonable rate of return on its rate base.
- Énergir-QDA has been subject to the Cap and Trade System regulation effective January 1, 2015. The compliance cost is fully passed onto ratepayers.

The following table summarizes the key regulatory parameters for Énergir-QDA:

	F2019	F2018	F2017	F2016
Authorized ROE (on common equity)	8.90%	8.90%	8.90%	8.90%
Deemed equity (including 7.5% of preferred shares)	46%	46%	46%	46%
Average rate base in rate case	$2,157 million	$2,118 million	$2,044 million	$1,956 million

In December 2018, as part of Phase I of its 2020 rate case, Énergir-QDA submitted a proposal to the Régie that would ease the regulatory process by introducing multi-year treatments of certain rate-setting parameters. The proposal would be in effect for the next three rate cases (2020 to 2022) until the parameters of an incentive mechanism are fully developed. The Régie released its decisions on Phase I in March 2019, renewing the authorized ROE of 8.9% for F2020. Operating expenses for F2020 to F2022 will be subject to an indexation formula comprising increased price index (75% Provincial hourly wages and earnings index, 25% Provincial consumer price index) and customer growth, adjusted by a discount factor of 0.75. A decision on Phase II is expected in fall 2019.

2. Vermont Distribution Utilities – Regulated by Vermont Public Utilities Commission (VPUC)

GMP and VGS are regulated by the VPUC. Rates for their activities are established based on a COS methodology. The base rates for the Partnership's Vermont utilities are approved annually by the VPUC whereas natural gas and electricity prices are adjusted quarterly and annually, respectively, using the rate-adjustment mechanism in place. The following table summarizes the key regulatory parameters for the two Vermont utility subsidiaries:

	F2019			F2018			F2017		
	Deemed equity	Authorized ROE	Average rate base (USD)	Deemed equity	Authorized ROE	Average rate base (USD)	Deemed equity	Authorized ROE	Average rate base (USD)
GMP	49.9%	9.30%	1,558 million	48.6%	9.10%	1,433 million	50.3%	9.02%	1,353 million
VGS	50%	8.50%	255 million	50%	8.50%	248 million	50%	8.50%	202 million

GMP

Effective October 1, 2012, Green Mountain and Central Vermont Public Service Corporation merged to form GMP. As part of the merger agreement, GMP agreed to the following savings-sharing plan during the first ten years following the close of the merger: (1) flow through to ratepayers via rates credits of USD 2.5 million, USD 5.0 million and USD 8.0 million in 2013, 2014 and 2015, respectively; (2) 50% of total savings from 2016 to 2020 (USD 15.6 million in 2016, USD 16.9 million in 2017 and estimated USD 18.2 million in 2018, USD 14 million in 2019 and USD 14.5 million in 2020); and (3) all savings in 2021 and 2022. GMP is required to file a savings guarantee plan with the VPUC by December 31, 2022, to compensate ratepayers if the total merger saving is less than USD 144 million during the ten-year period. GMP expects to realize sufficient synergies to reach the USD 144 million objective.

In April 2018, GMP filed its COS proposal for January 1, 2019, to September 30, 2019, to align GMP's rate period with its fiscal year. In December 2018, the VPUC approved an overall rate increase of 5.43% based on an authorized ROE of 9.30% and deemed equity of 49.85% for the period; however, the rate increase will be more than fully offset by the impact of reimbursements to customers of the regulatory liabilities related to the December 2017 U.S. Tax Reform legislation, thereby resulting in an overall decrease of 0.90%. DBRS does not expect the modest decrease in rates to have a material impact on the Partnership's earnings and cash flows.

In June 2018, GMP filed a proposal to adopt a new multi-year regulation plan. Hearings are scheduled for April 2019 and the VPUC is expected to issue its decision in June 2019.

Regulation Update (CONTINUED)

VGS

VGS is subject to an Alternative Regulation Plan for F2019, which includes a natural gas cost quarterly adjustment mechanism.

In February 2018, VGS filed a COS proposal for F2019. In August 2018, VGS reached an agreement with the Vermont Department of Public Service regarding its 2019 rate case that provides for a 3.9% increase in distribution rates and an average rate base of USD 255.5 million. In October 2018, the agreement was approved by the VPUC and the new rates took effect on November 1, 2018.

3. Vermont Electricity Transmission – Regulated by the Federal Energy Regulatory Commission (FERC)

Transco, which is 73.6% indirectly owned by the Partnership, owns transmission assets in Vermont. Transco operates under a COS framework regulated by the FERC, which allows it to recover all prudently incurred operating costs. Transco is not exposed to any volume or commodity risk.

There have been complaints filed to the FERC regarding the New England Transmission Owner's allowed ROE, which led to a reduction in the base ROE. Although the lower ROEs will reduce the revenues collected by Transco through the ISO New England Inc. Transmission, Markets, and Services Tariff, the shortfall will be collected through the 1991 Vermont Transmission Agreement with regional electricity distribution companies in Vermont and will not have a negative impact on Transco's earnings and cash flows. Additionally, even though this will place more rate pressure on the Vermont distribution utilities and their customers as they will have to contribute a larger portion of the 11.8% weighted-average return allowed for Transco's membership units, DBRS does not anticipate changes to the 1991 Agreement. DBRS notes that the FERC issued an Order Directing Briefs in October 2018, proposing a methodology to determine the just and reasonable ROE and range. Based on the FERC's preliminary analysis, it has calculated a just and reasonable ROE range of 9.60% to 10.99% with a just and reasonable ROE of 10.41% and a cap of 13.08%.

4. Pipelines – Regulated by the National Energy Board (NEB) in Canada and by the FERC

TQM – Regulated by the NEB

In April 2017, TQM (50% owned) reached a multi-year settlement agreement with its interested parties, establishing the mechanisms for determining TQM's annual revenue requirements for 2017–2021. Under this agreement, annual rates are calculated using a formula that includes a fixed-cost component and a component that is fully recoverable from or payable to customers (refer to the TQM report dated November 19, 2018, for more details).

Champion – Regulated by the NEB

Champion (100% owned) operates two natural gas pipelines that cross the Ontario border and supply Énergir's distribution system in northwestern Québec. Its activities are regulated by the NEB with tolls based on an annual COS methodology. Champion uses a ROE and capital structure equivalent to those approved by the Régie for Énergir-QDA (the deemed equity component was set at 46% and the authorized ROE was set at 8.90% for F2018).

PNGTS – Regulated by the FERC

PNGTS (38.3% owned) originates at the Québec border and extends to the suburbs in Boston, Massachusetts. PNGTS is regulated by the FERC on a COS basis. To meet growing demand for natural gas in New England, PNGTS will need to raise its network capacity by adding, among other things, a compressor to the Elliot station, for which work is expected in 2020. Projected investments will amount to $55 million for TQM and $85 million for PNGTS.

Description of Operations

The Partnership's main business segments are described below.

1. Energy Distribution (88.3% of reported adjusted F2018 net income, excluding Corporate Affairs)

- The Partnership's regulated natural gas distribution utility in Québec, Énergir-QDA (50.9% of reported adjusted F2018 net income, excluding Corporate Affairs), delivers 97% of the province's natural gas consumed and serves more than 205,000 customers.
- GMP is the largest electricity distributor in Vermont, serving more than 265,000 customers. GMP generates, transports, distributes, purchases and sells electricity as well as provides electric network construction services in Vermont. GMP also transports electricity in New Hampshire and generates relatively small amounts of electricity in New York, Maine and Connecticut.
- VGS is the sole gas distributor in Vermont, serving more than 50,000 customers and provides other energy-related services, including increased energy efficiency by renovating natural gas equipment.

2. Natural Gas Transportation (7.1% of reported adjusted F2018 net income, excluding Corporate Affairs)

- TQM (50% owned) operates a gas pipeline in Québec that connects upstream with TCPL and downstream with PNGTS and the Énergir-QDA system.
- Champion operates two gas pipelines that cross the Ontario-Québec border to supply the Partnership's distribution system in Northwestern Québec.
- PNGTS's pipeline (38% owned) originates at the Québec border and extends to the suburbs of Boston.

3. Electricity Production (1.5% of reported adjusted F2018 net income, excluding Corporate Affairs)

- This segment consists of non-regulated energy production activities related to Wind Farms 2, 3 and 4 as well as Standard Solar activities.
- Wind Farms 2 and 3 are an equal-share joint venture (JV) of Boralex Inc. and Beaupré Éole General Partnership, 51% of which is owned by the Partnership and the remaining 49% is owned by Valener. As a result, the Partnership owns 25.5% of the equity interest. The JV's core business includes owning and operating wind farms with an installed capacity of 272 megawatts (MW). All electricity generated is sold to Hydro-Québec (rated A (high)/R-1 (middle) with Stable trends by DBRS) under an agreement that expires in 2033.
- Wind Farm 4 is an equal-share joint venture of Boralex and Beaupré Éole 4, in which 51% is owned by Énergir, L.P. and the remaining 49% owned by Valener. As a result, Énergir, L.P. owns 25.5% of the equity interest. Wind Farm 4 owns and operates a wind farm with an installed capacity of 68 MW. All electricity generated is sold to Hydro-Québec under agreement that expire in 2034.
- The Partnership acquired Standard Solar in April 2017. Standard Solar develops and owns solar power systems, the power from which is sold to customers under long-term power-purchase agreements. It also provides contractor and operating services.

4. Energy Services, Storage and Other (3.1% of reported adjusted F2018 net income, excluding Corporate Affairs)

- Through subsidiaries, the Partnership (a) sells natural gas as fuel for transportation; (b) develops liquefied natural gas marketing and production activities to market compressed natural gas; (c) offers natural-gas-powered appliance sales, leases and maintenance services; and (d) operates the Montréal Thermal Plant, which supplies heat and air conditioning to the downtown area. The activities related to energy services are not regulated.
- The Partnership owns an indirect interest in Intragaz Ltd., whose main activity is underground natural gas storage and is regulated on a COS basis by the Régie.

Énergir, L.P.

(CAD milllions)	Dec. 31	Sep. 30			Dec. 31	Sep. 30	
Assets	**2018**	**2018**	**2017**	**Liabilities & Equity**	**2018**	**2018**	**2017**
Cash & equivalents	77	52	101	S.T. borrowings	53	43	49
Accounts receivable	449	230	192	Current portion L.T.D.	199	213	13
Inventories	99	81	97	Accounts payable	368	317	372
Other current assets	261	237	258	Other current liab.	214	197	163
Total current assets	**886**	**600**	**649**	**Total current liabilities**	**834**	**770**	**598**
				Long-term debt (L.T.D.)	3,692	3,403	3,463
Net fixed assets	4,680	4,524	4,254	Regulatory liabilities	730	661	382
Goodwill & intangibles	752	765	827	Other L.T. liabilities	935	905	1,134
Regulatory assets	429	402	542	Minority interest	63	65	58
Investments & others	1,557	1,448	1,257	Shareholders equity	2,049	1,935	1,893
Total assets	**8,304**	**7,740**	**7,528**	**Total liab. & SE**	**8,304**	**7,740**	**7,528**

	3 mos. to Dec. 31		12 mos. to Dec. 31	For the year ended September 30			
Balance Sheet & Liquidity & Capital Ratios	**2018**	**2017**	**2018**	**2018**	**2017**	**2016**	**2015**
Current ratio	1.06	1.32	1.06	0.78	1.09	1.01	1.05
Total debt in capital structure	65.1%	65.6%	65.1%	64.7%	64.4%	65.9%	64.5%
Total debt in capital structure 1 2	66.3%	66.0%	66.3%	65.3%	64.7%	66.5%	65.1%
Cash flow/Total debt	20.2%	20.0%	16.8%	17.9%	16.1%	16.9%	17.0%
Cash flow/Total debt 1	20.1%	20.0%	16.8%	17.8%	16.0%	16.8%	16.9%
(Cash flow - dividends)/Capex	1.39	1.01	1.04	0.95	0.63	0.57	0.47
Distributions/Net income before non-recurring items	51.0%	61.6%	85.7%	92.2%	89.4%	87.7%	95.9%
Coverage Ratios (times)							
EBIT gross interest coverage	2.37	2.39	1.78	1.77	1.66	1.73	1.78
EBIT gross interest coverage 1 3	2.97	2.94	2.59	2.57	2.32	2.44	2.61
EBITDA gross interest coverage	4.92	4.80	4.17	4.13	3.76	3.80	3.72
Fixed-charge coverage	2.37	2.39	1.78	1.77	1.66	1.73	1.78
Debt/EBITDA	4.72	4.96	5.86	5.59	6.01	5.82	5.77
Profitability Ratios							
Return on equity	20.8%	18.2%	12.8%	12.1%	12.4%	13.0%	11.2%
Return on capital	9.1%	7.9%	6.1%	6.1%	6.0%	6.3%	5.7%

1 Adjusted for operating leases.
2 Common equity adjusted for accumulated other comprehensive income.
3 Numerator includes distributions received from equity investments.

Rating History

	Current	2018	2017	2016	2015	2014
Issuer Rating	A	A	A	A	A	A
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
First Mortgage Bonds *	A	A	A	A	A	A
Senior Secured Notes *	A	A	A	A	A	A

* Guaranteed by Énergir, L.P.

Previous Actions

- Confirmed, April 16, 2018.

Related Research

- "DBRS Confirms Valener Inc. at Pfd-2 (low), Stable Trend," April 16, 2019.

Commercial Paper Limit

- $800 million.

Previous Report

- Énergir Inc.: Rating Report, April 16, 2018.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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