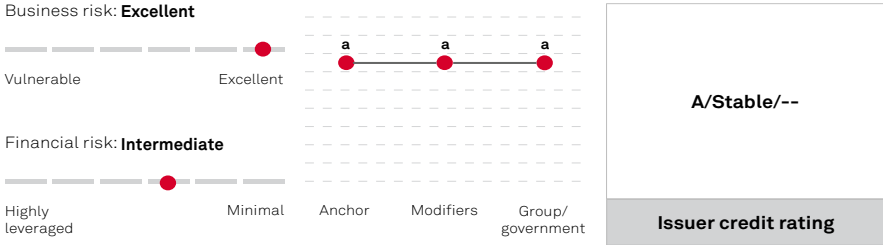


Energir Inc.

January 6, 2025

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Low-risk, regulated natural gas and electricity distribution utility operations with limited commodity exposure.	Some exposure to nonutility operations that are susceptible to cash flow volatility.
Geographic and regulatory diversity with operations in multiple service territories, primarily Quebec and Vermont.	Negative discretionary cash flow indicates external funding needs.
Effective management of regulatory risk under generally supportive tariff structures and use of various regulatory mechanisms, including decoupling.	Exposed to physical risks though its Vermont utility operations.

Research contributor

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Our rating reflects the company's credit-supportive regulatory frameworks in Quebec and Vermont. Energir Inc. generates the majority of its cash flow from its low-risk, regulated utility operations in Quebec and Vermont, which S&P Global Ratings views as credit-supportive jurisdictions. The company's use of regulatory mechanisms, including decoupling and multi-year rate plans (MYRPs), enable it to recover its incurred operational and capital expenses in a timely manner, which underpins the stability of its cash flows.

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Energir L.P. was authorized a rate increase of about C\$78 million effective for Energir L.P.'s 2025 fiscal year, consistent with the company's 2022 multi-year rate case order, which we have viewed as credit supportive.

In August 2024 the Vermont Public Utilities Commission (VPUC) approved Energir subsidiary's, Green Mountain Power (GMP), periodic rate increase effective October 2024 for about \$38 million. GMP is currently operating under an MYRP effective from Oct. 1, 2022, until Sept. 30, 2026, that governs its rates, which we have assessed as credit supportive. The increase in base rates reflects a formulaic return on equity adjustment (9.97% for 2025 compared to 9.58% for 2024), inflationary adjustments for its operations and maintenance, and accumulated deferred taxes adjustments.

We view the recent partial approval of GMP's zero outage initiative (ZOI) as supportive for credit quality by addressing physical risks. The VPUC approved \$150 million of ZOI capital spending over the final two years of GMP's MYRP. The ZOI capital spending includes a series of grid-hardening upgrades and energy storage installations that are intended to enhance network resilience against storms. As part of the approval, GMP is to defer project-related expenses for future recovery. GMP is to place projects into rate base once completed and approved by the VPUC. Furthermore, ZOI spending completed between April and September 2025 will be submitted as part of the full traditional base rate case for GMP's 2027 base rates, and projects completed on or after October 2025, will be included in future rate cases.

While the ZOI spending could expose GMP to execution and cost overrun risks, we still view the ZOI as credit supportive. The VPUC's approval of this program reflects climate change and the increasing frequency of damaging weather events. Over the past 10 years, GMP has incurred \$115 million in direct major storm costs, with 40% of that total experienced in 2022 and 2023. GMP's MYRP did not incorporate this higher level of capital resiliency spending and the VPUC's more proactive approach is credit supportive.

We expect the company's financial measures will be pressured due to robust capital expenditure. We forecast Energir to operate with limited financial cushion in relation to our downgrade threshold of funds from operations (FFO) to debt of 14%. This is due to the company's robust capital expenditure (capex) of about C\$2.8 billion from 2025 to 2027, reflecting the company's ZOI spending in Vermont, general system expansion, as well as purchases of greenhouse gas allowances under Quebec's cap-and-trade system. This will be partially offset by periodic rate increase from its Quebec and Vermont utilities as part of their multi-year rate case orders. We also expect common equity of about C\$425 million through 2028, partially offsetting its weakness from increased capex. Under our base case scenario, we expect FFO to debt of 14%-17% through 2027.

Outlook

The stable outlook reflects our expectation that Energir will maintain FFO to debt above our 14% downgrade threshold. The outlook also reflects our expectation that management will continue to focus on its core regulated business without experiencing any adverse regulatory decisions.

Downside scenario

We could lower our rating on Energir over the next 12 to 24 months if:

- The company's credit metrics deteriorate, including its S&P Global Ratings-adjusted FFO to debt falling below 14% and remaining at that level with no prospects for improvement. This

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could occur because of an adverse regulatory decision, a material debt-financed acquisition, or significant operating challenges; or

- The company's business risk weakens substantially. This could occur if it materially increases its unregulated or generation operations.

Upside scenario

We could raise our rating on Energir over the next 12 to 24 months if it demonstrates long-term, sustainable, and low-risk growth or improved financial measures, including S&P Global Ratings-adjusted FFO to debt of consistently near or above 20%.

Company Description

Energir Inc. provides electricity and natural gas energy services in Canada and the U.S. The company mainly holds an ownership stake of about 71% in Energir L.P. (ELP), the general partner and a financing vehicle. ELP is a diversified energy infrastructure and services company with more than C\$11 billion in assets serving over 540,000 customers. ELP's core operations are the distribution of natural gas in Quebec and Vermont and regulated electric transmission and distribution in Vermont. ELP also operates in the energy production and energy services and storage sectors.

Rating Component Scores

Foreign currency issuer credit rating	A/Stable/--
Local currency issuer credit rating	A/Stable/--
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Excellent
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	a
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	a

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024

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- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- ARCHIVE | Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- ARCHIVE | General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings Detail (as of January 06, 2025)*

Energir Inc.	
Issuer Credit Rating	A/Stable/--
Issuer Credit Ratings History	
17-Dec-2013	A/Stable/--
26-Nov-2013	A-/Watch Pos/--
26-Aug-2011	A-/Stable/--
Related Entities	
Energir L.P.	
Issuer Credit Rating	A/Stable/--
Commercial Paper	
<i>Local Currency</i>	A-1
<i>Canada National Scale Commercial Paper</i>	A-1(MID)
Green Mountain Power Corp.	
Issuer Credit Rating	A/Stable/--
Northern New England Energy Corporation	
Issuer Credit Rating	A/Stable/--
Senior Unsecured	A-

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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