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## US Regulated Utilities

## Lower Authorized Equity Returns Will Not Hurt Near-Term Credit Profiles

The credit profiles of US regulated utilities will remain intact over the next few years despite our expectation that regulators will continue to trim the sector's profitability by lowering its authorized returns on equity (ROE). Persistently low interest rates and a comprehensive suite of cost recovery mechanisms ensure a low business risk profile for utilities, prompting regulators to scrutinise their profitability, which is defined as the ratio of net income to book equity. We view cash flow measures as a more important rating driver than authorized ROEs, and we note that regulators can lower authorized ROEs without hurting cash flow, for instance by targeting depreciation, or through special rate structures. Regulators can also adjust a utility's equity capitalization in its rate base. All else being equal, we think most utilities would prefer a thicker equity base and a lower authorized ROE over a small equity layer and a high authorized ROE.

- » **More timely cost recovery helps offset falling ROEs.** Regulators continue to permit a robust suite of mechanisms that enable utilities to recoup prudently incurred operating costs, including capital investments such as environment related or infrastructure hardening expenditures. Strong cost recovery is credit positive because it ensures a stable financial profile. Despite lower authorized ROEs, we see the sector maintaining a ratio of Funds From Operations (FFO) to debt near 20%, a level that continues to support strong investment-grade ratings.
- » **Utilities' cash flow is somewhat insulated from lower ROEs.** Net income represents about 30% - 40% of utilities' cash flow, so lower authorized returns won't necessarily affect cash flow or key financial credit ratios, especially when the denominator (equity) is rising. Regulators set the equity layer when capitalizing rate base, and the equity layer multiplied by the authorized ROE drives the annual revenue requirements. Across the sector, the ratio of equity to total assets has remained flat in the 30% range since 2007.
- » **Utilities' actual financial performance remains stable.** Earned ROEs, which typically lag authorized ROEs, have not fallen as much as authorized returns in recent years. Since 2007, vertically integrated utilities, transmission and distribution only utilities, and natural gas local distribution companies have maintained steady earned ROE's in the 9% - 10% range. Holding companies with primarily regulated businesses also earned ROEs of around 9% - 10%, while returns for holding companies with diversified operations, namely unregulated generation, have fallen from 11% (over the past seven year average) to around 9% today.

### Robust Suite of Cost Recovery Mechanisms Is Credit Positive

Over the past few years, the US regulatory environment has been very supportive of utilities. We think this is partly because regulators acknowledge that utility infrastructure needs a material amount of ongoing investment for maintenance, refurbishment and renovation. Utilities have also been able to garner support from both politicians and regulators for prudent investment in these critical assets because it helps create jobs, spurring economic growth. We also think regulators prefer to regulate financially healthy utilities.

Across the US, we continue to see regulators approving mechanisms that allow for more timely recovery of costs, a material credit positive. These mechanisms, which keep utilities' business risk profile low compared to most industrial corporate sectors, include: formulaic rate structures; special purpose trackers or riders; decoupling programs (which delink volumes from revenue); the use of future test years or other pre-approval arrangements. We also see a sustained increase in the frequency of rate case filings.

A supportive regulatory environment translates into a more transparent and stable financial profile, which in turn results in reasonably unfettered access to capital markets - for both debt and equity. Today, we think utilities enjoy an attractive set of market conditions that will remain in place over the next few years. By themselves, neither a slow (but steady) decline in authorized profitability, nor a material revision in equity market valuation multiples, will derail the stable credit profile of US regulated utilities.

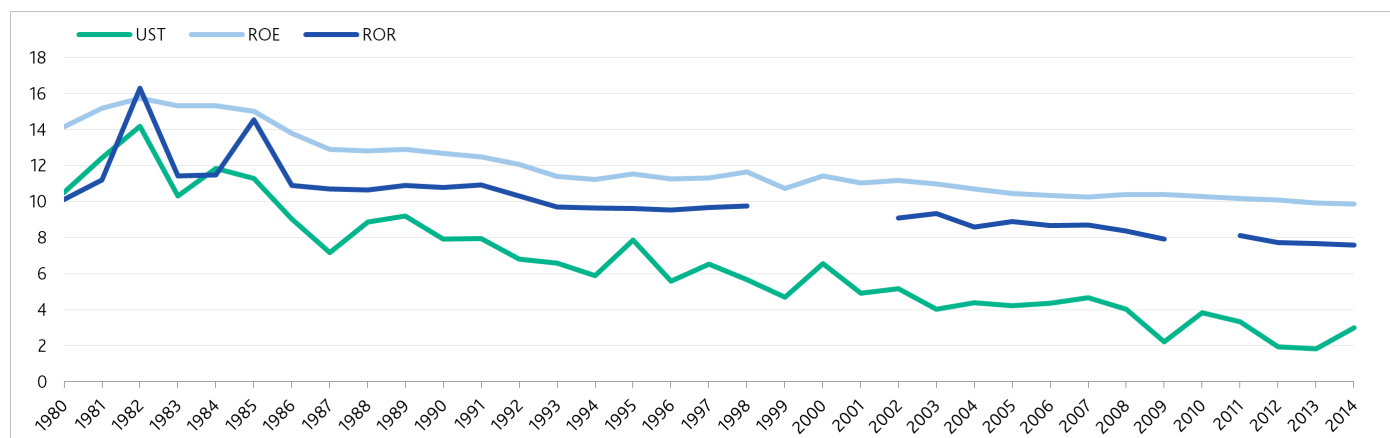
### Cost recovery will help offset falling ROEs

Robust cost recovery mechanisms will help ensure that US regulated utilities' credit quality remains intact over the next few years. As a result, falling authorized ROEs are not a material credit driver at this time, but rather reflect regulators' struggle to justify the cost of capital gap between the industry's authorized ROEs and persistently low interest rates. We also see utilities struggling to defend this gap, while at the same time recovering the vast majority of their costs and investments through a variety of rate mechanisms.

In the table below, we show the US Treasury 10-year yield, which has steadily fallen from the 5% range in the summer of 2007 to the 2% range today. US utilities benefit from these lower interest rates because they borrow approximately \$50 billion a year. For some utilities, a lower cost of debt translates directly into a higher return on equity, as long as their rate structure includes an embedded weighted average cost of capital (and the utilities can stay out of a general rate case proceeding).

Exhibit 1

**Regulators hold up their end of the bargain by limiting reduction in return on equity (ROE) and overall rate of return (ROR) when compared with the decline in US Treasury 10-year yields**



SOURCE: SNL Financial, LP, Moody's

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As utilities increasingly secure more up-front assurance for cost recovery in their rate proceedings, we think regulators will increasingly view the sector as less risky. The combination of low capital costs, high equity market valuation multiples (which are better than or on par with the broader market despite the regulated utilities' low risk profile), and a transparent assurance of cost recovery tend to support the case for lower authorized returns, although because utilities will argue they should rise, or at least stay unchanged.

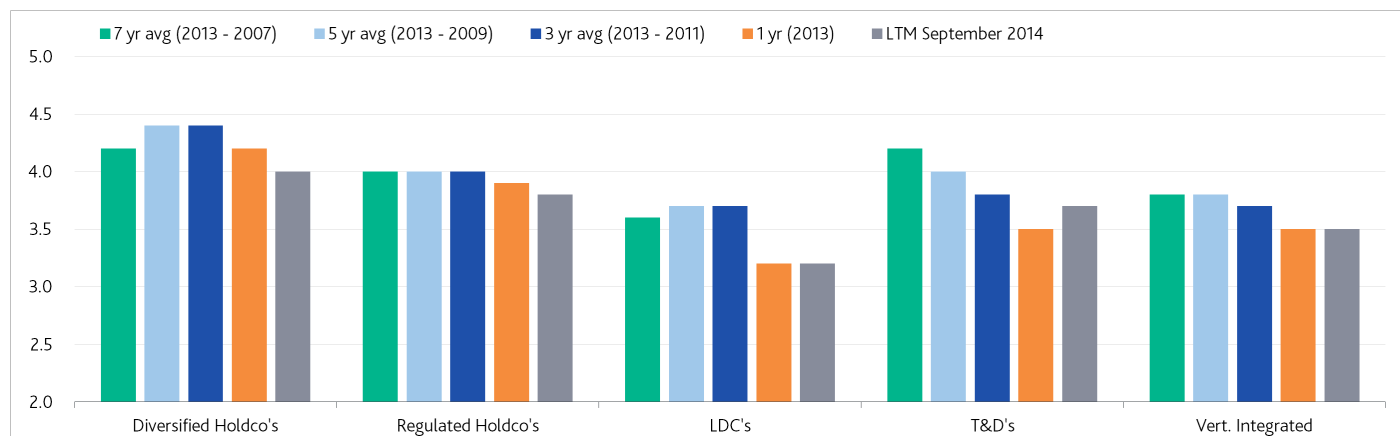
One of the arguments for keeping authorized ROEs steady is that lowering them would make utilities less attractive to providers of capital. Utility holding companies assert that they would rather invest in higher risk-adjusted opportunities than in a regulated utility with sub-par return prospects. We see a risk that this argument could lead to a more contentious regulatory environment, a material credit negative. We do not think this scenario will develop over the next few years.

Our default and recovery data provides strong evidence that regulated utilities are indeed less risky (from the perspective of a probability of default and expected loss given default, as defined by Moody's) than their non-financial corporate peers. On a global basis, we nonetheless see a material amount of capital looking for regulated utility investment opportunities, and the same is true in the US despite, despite a lower authorized return. This is partly because investors can use holding company leverage to increase their actual equity returns, by borrowing capital at today's low interest rates and investing in the equity of a regulated utility.

Despite the reduction in authorized ROEs, US utilities are thankful to their regulators for the robust suite of timely cost recovery mechanisms which allow them to recoup prudently incurred operating costs such as fuel, as well as some investment expenses. These recovery mechanisms drive a stable and transparent dividend policy, which translates into historically very high equity multiples. Moreover, cost recovery helps keep the sector's overall financial profile stable, thereby supporting strong investment-grade ratings.

Exhibit 2

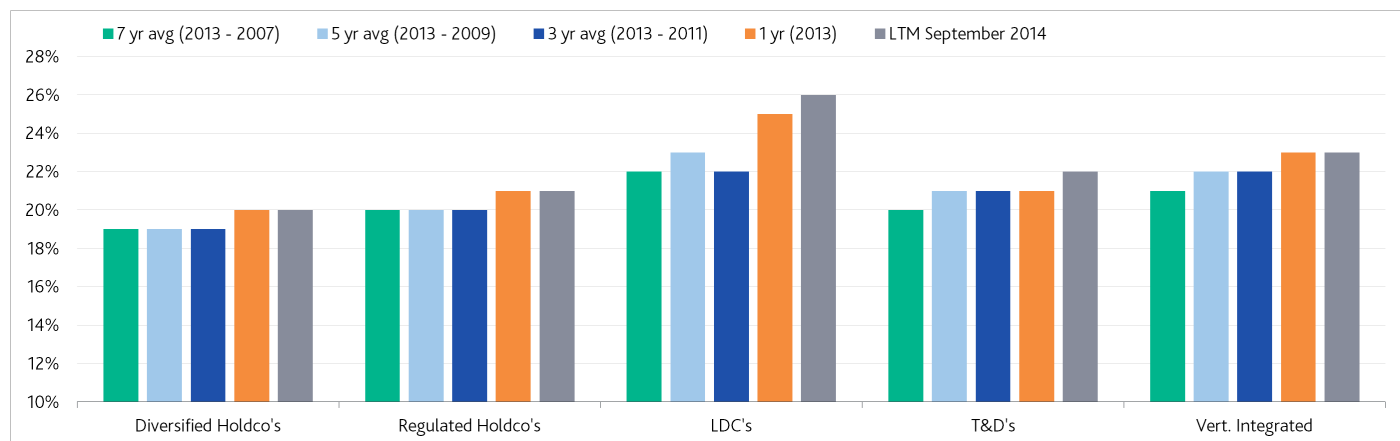
**With better recovery mechanisms, the ratio of debt-to-EBITDA can rise, modestly, without negatively impacting credit profiles**



SOURCE: Company filings; Moody's

Exhibit 3

**The ratio of Funds From Operations to debt is rising, a material credit positive, but the rise is partly funded by bonus depreciation and deferred taxes, which will eventually reverse**



SOURCE: Company filings; Moody's

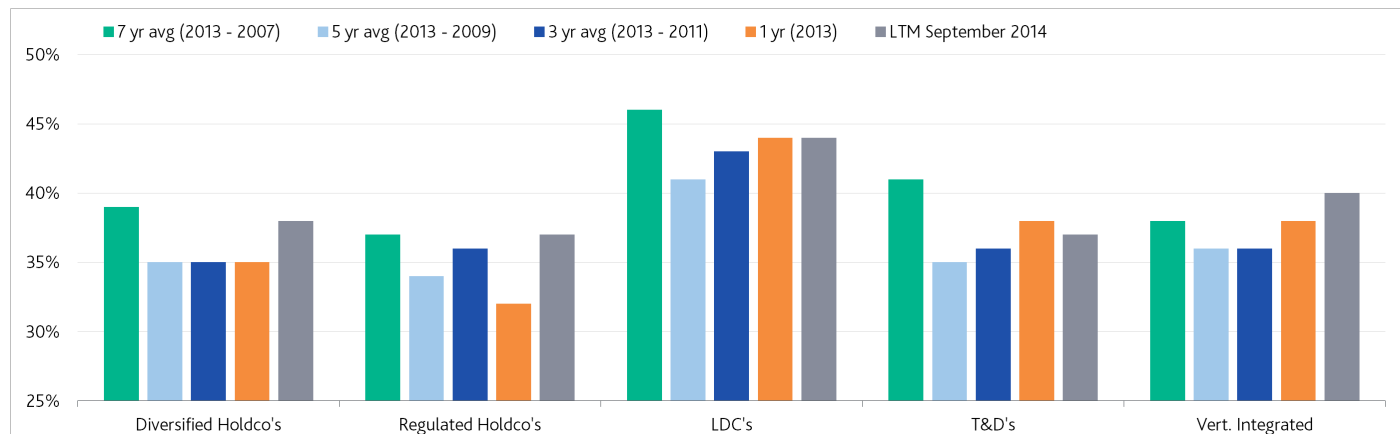
### Utilities' cash flow is somewhat insulated from declining ROEs

Across all our utility group sub-sectors (see Appendix), net income - the numerator in the calculation of ROE - accounts for between 30% - 40% of cash flow. While net income is important, cash flow exerts a much greater influence over creditworthiness. This is primarily because cash flow takes into account depreciation and amortization expenses, along with other deferred tax adjustments. We note that deferred taxes have risen over the past few years, in part due to bonus depreciation elections, which will eventually reverse. From a credit perspective, there is a difference between the nominal amount of net income, which goes into cash flow, and the relationship of net income to book equity (a measure of profitability).

In the chart below, we highlight the ratio of net income to cash flow from operations (CFO) for our selected peer groups. Across all of the sectors, the longer term historical average of net income to CFO has fallen compared with the late 2000s, but has been rising over the more recent past. This is partly a function of deferred taxes, which have become a larger component of CFO over the past decade.

Exhibit 4

**Net income as a % of cash flow from operations has been steadily rising (since 2011)**

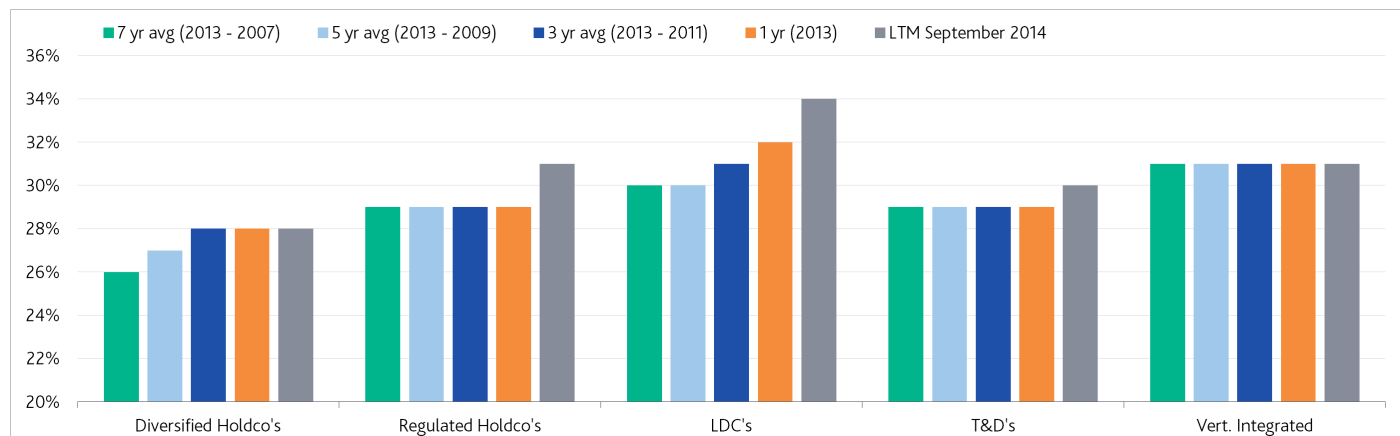


SOURCE: Company filings; Moody's

We can also envisage scenarios where regulators seek to achieve a reduction in authorized ROEs without harming credit profiles by focusing on utilities' equity layer. In the chart below, we illustrate median equity as a percentage of total assets for our selected peer groups. In our illustration, utilities will benefit from acquisition related goodwill on one hand, and impairments on the other.

Exhibit 5

#### Equity as a % of total assets, not capitalization, includes both goodwill and impairments



SOURCE: Company filings; Moody's

### Utilities' actual financial performance remains stable

Earned ROE's, as reported by utilities and adjusted by Moody's, have been relatively flat over the past few years, despite the decline in authorized ROEs. This means utilities are closer to earning their authorized equity returns, which is positive from an equity market valuation perspective.

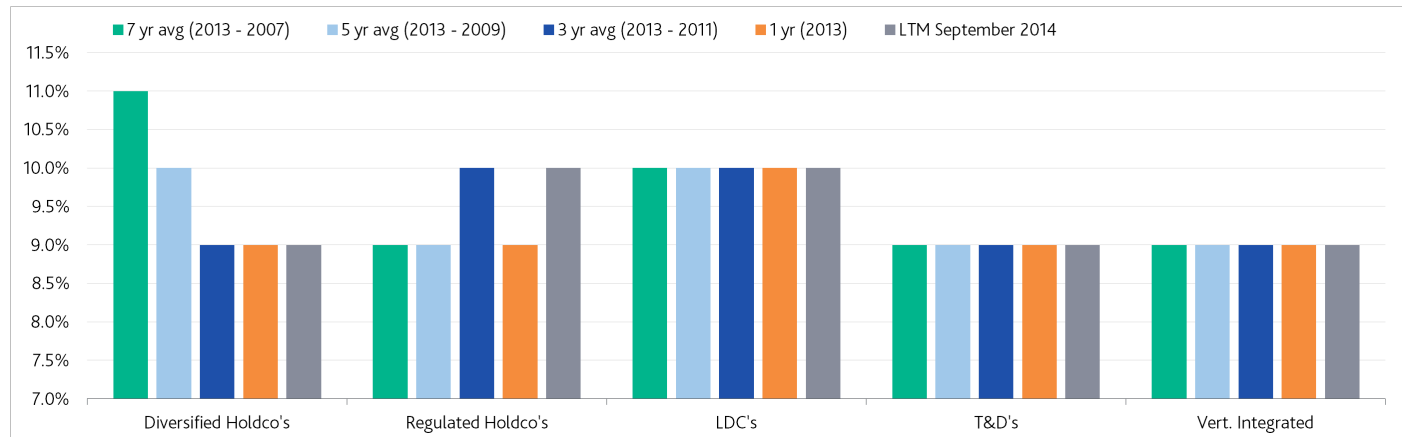
The authorized ROE is a popular focal point in many regulatory rate case proceedings. In addition, many regulatory jurisdictions look to established precedents that rely on various methodologies to determine an appropriate ROE, such as the capital asset pricing model or discounted cash flow analysis. In some jurisdictions where formulaic based rate structures point to lower ROEs for a longer projected period of time, regulators are incorporating a view that today's interest rate environment is "artificially" being held low.

Regardless, we think interest rates will go up, eventually. When they do, we also think authorized ROEs will trend up as well. However, just as authorized ROEs declined in a lagging fashion when compared to falling interest rates, we expect authorized ROEs to rise in a lagging fashion when interest rates rise.

Depending on alternative sources of risk-adjusted capital investment opportunities, this could spell trouble for utilities. For now, utilities can enjoy their (historically) high equity valuations, in terms of dividend yield and price-earnings ratios.

Exhibit 6

**GAAP adjusted earned ROE's are relatively flat across all sub-sectors except Holding Companies with Diversified Operations, while the lower-risk LDC sector is outperforming**



NOTE: GAAP adjusted ROE, not regulated ROE, does not adjust for goodwill or impairments.

Source: Company filings; Moody's

## Appendix

Exhibit 7

### Utilities with the highest earned ROEs (ranked by 7-year average)

Company Name	Sector	Rating	1-year average (2013) ROE	3-year average (2013 - 2011) ROE	5-year average (2013 - 2009) ROE	7-year average (2013 - 2007) ROE
CenterPoint Energy Houston Electric, LLC	T&D	A3	33%	32%	25%	23%
Questar Corporation	Holdco - Primarily Regulated	A2	14%	18%	20%	20%
AEP Texas Central Company	T&D	Baa1	14%	28%	22%	20%
Exelon Corporation	Holdco - Diversified	Baa2	7%	10%	14%	17%
CenterPoint Energy, Inc.	Holdco - Primarily Regulated	Baa1	7%	16%	15%	17%
Ohio Edison Company	T&D	Baa1	23%	18%	17%	16%
Public Service Enterprise Group	Holdco - Diversified	Baa2	11%	12%	14%	15%
Dayton Power & Light Company	T&D	Baa3	7%	9%	13%	15%
Dominion Resources Inc.	Holdco - Diversified	Baa2	13%	9%	12%	15%
Southern California Gas Company	LDC	A1	14%	13%	14%	15%
PECO Energy Company	T&D	A2	12%	12%	12%	14%
PPL Corporation	Holdco - Diversified	Baa3	9%	12%	11%	14%
UGI Utilities, Inc.	LDC	A2	15%	13%	13%	13%
Entergy Corporation	Holdco - Diversified	Baa3	7%	11%	12%	13%
Cleco Corporation	Holdco - Primarily Regulated	Baa1	10%	12%	13%	13%
Alabama Gas Corporation	LDC	A2	4%	11%	12%	13%
Entergy New Orleans, Inc.	Vertically Integrated Utility	Ba2	5%	10%	11%	12%
Entergy Gulf States Louisiana, LLC	Vertically Integrated Utility	Baa1	11%	13%	12%	12%
Piedmont Natural Gas Company, Inc.	LDC	A2	11%	11%	12%	12%
Ohio Power Company	T&D	Baa1	25%	14%	13%	12%
Southern Company (The)	Holdco - Primarily Regulated	Baa1	9%	11%	11%	12%
Georgia Power Company	Vertically Integrated Utility	A3	12%	12%	12%	12%
Alabama Power Company	Vertically Integrated Utility	A1	12%	12%	12%	12%
Southern California Edison Company	Vertically Integrated Utility	A2	8%	12%	12%	12%
NextEra Energy, Inc.	Holdco - Diversified	Baa1	10%	11%	11%	12%
Wisconsin Energy Corporation	Holdco - Primarily Regulated	A2	13%	13%	12%	12%
West Penn Power Company	T&D	Baa1	17%	13%	12%	12%
San Diego Gas & Electric Company	Vertically Integrated Utility	A1	9%	10%	11%	12%
Interstate Power and Light Company	Vertically Integrated Utility	A3	10%	9%	9%	12%

NOTE: GAAP adjusted ROE, not regulated ROE, does not adjust for goodwill or impairments.

SOURCE: Moody's; company filings

Exhibit 8

**Highest (over 30%) and lowest (less than 20%) equity level as a % of total assets (ranked by 7-year average) [NOTE: Book equity is not adjusted for goodwill or impairments]**

Company Name	Sector	Rating	1-year average (2013)	3-year average (2013 - 2011)	5-year average (2013 - 2009)	7-year average (2013 - 2007)
Duke Energy Ohio, Inc.	T&D	Baa1	48%	47%	48%	50%
Yankee Gas Services Company	LDC	Baa1	41%	42%	43%	43%
Texas-New Mexico Power Company	T&D	Baa1	43%	43%	43%	43%
Oncor Electric Delivery Company LLC	T&D	Baa1	40%	41%	41%	43%
Dayton Power & Light Company	T&D	Baa3	37%	38%	39%	40%
Pennsylvania Power Company	T&D	Baa1	25%	30%	34%	40%
Black Hills Power, Inc.	Vertically Integrated Utility	A3	38%	38%	37%	38%
ALLETE, Inc.	Vertically Integrated Utility	A3	38%	37%	37%	38%
Central Maine Power Company	T&D	A3	39%	38%	38%	38%
MGE Energy, Inc.	Holdco - Primarily Regulated	NR	39%	37%	38%	38%
Duke Energy Corporation	Holdco - Primarily Regulated	A3	36%	36%	37%	38%
Jersey Central Power & Light Company	T&D	Baa2	32%	33%	36%	38%
Oklahoma Gas & Electric Company	Vertically Integrated Utility	A1	36%	37%	37%	37%
Public Service Company of Colorado	Vertically Integrated Utility	A3	37%	37%	37%	37%
Virginia Electric and Power Company	Vertically Integrated Utility	A2	37%	37%	37%	35%
Wisconsin Public Service Corporation	Vertically Integrated Utility	A1	34%	34%	34%	35%
PacifiCorp	Vertically Integrated Utility	A3	36%	35%	35%	35%
UGI Utilities, Inc.	LDC	A2	35%	34%	34%	34%
Cleco Corporation	Holdco - Primarily Regulated	Baa1	37%	36%	34%	34%
Empire District Electric Company (The)	Vertically Integrated Utility	Baa1	35%	34%	34%	34%
Great Plains Energy Incorporated	Holdco - Primarily Regulated	Baa2	35%	35%	34%	34%
Nevada Power Company	Vertically Integrated Utility	Baa1	32%	33%	33%	33%
Tampa Electric Company	Vertically Integrated Utility	A2	34%	33%	33%	33%
Wisconsin Power and Light Company	Vertically Integrated Utility	A1	34%	33%	32%	33%
Questar Corporation	Holdco - Primarily Regulated	A2	29%	28%	31%	33%
Duke Energy Kentucky, Inc.	Vertically Integrated Utility	Baa1	31%	30%	33%	33%
Florida Power & Light Company	Vertically Integrated Utility	A1	36%	35%	34%	33%
Alabama Gas Corporation	LDC	A2	59%	40%	35%	33%
El Paso Electric Company	Vertically Integrated Utility	Baa1	34%	32%	32%	33%
IDACORP, Inc.	Holdco - Primarily Regulated	Baa1	34%	33%	33%	33%
PPL Electric Utilities Corporation	Vertically Integrated Utility	Baa1	34%	34%	34%	33%
Commonwealth Edison Company	T&D	Baa1	31%	32%	32%	33%
Georgia Power Company	Vertically Integrated Utility	A3	33%	33%	33%	33%
CMS Energy Corporation	Holdco - Primarily Regulated	Baa2	20%	19%	18%	18%
Hawaiian Electric Industries, Inc.	Holdco - Diversified		17%	16%	16%	16%
CenterPoint Energy, Inc.	Holdco - Primarily Regulated	Baa1	20%	19%	17%	15%
CenterPoint Energy Houston Electric, LLC	T&D	A3	9%	15%	15%	15%
AEP Texas Central Company	T&D	Baa1	13%	15%	14%	13%

SOURCE: Moody's; company filings

Exhibit 9

**Highest (over 30%) and lowest (less than 15%) ratio of FFO to debt (ranked by 7-year average)**

Company Name	Sector	Rating	1-year average (2013)	3-year average (2013 - 2011)	5-year average (2013 - 2009)	7-year average (2013 - 2007)
Dayton Power & Light Company	T&D	Baa3	32%	34%	42%	42%
Questar Corporation	Holdco - Primarily Regulated	A2	29%	30%	31%	42%
Pennsylvania Power Company	T&D	Baa1	30%	34%	32%	37%
Exelon Corporation	Holdco - Diversified	Baa2	28%	34%	37%	37%
Alabama Gas Corporation	LDC	A2	23%	27%	32%	36%
Florida Power & Light Company	Vertically Integrated Utility	A1	34%	35%	35%	35%
Southern California Gas Company	LDC	A1	42%	37%	35%	34%
Southern California Edison Company	Vertically Integrated Utility	A2	32%	33%	35%	32%
Madison Gas and Electric Company	Vertically Integrated Utility	A1	39%	35%	34%	31%
PECO Energy Company	T&D	A2	29%	31%	33%	31%
Dominion Resources Inc.	Holdco - Diversified	Baa2	16%	17%	16%	14%
Entergy Texas, Inc.	Vertically Integrated Utility	Baa3	15%	14%	12%	14%
Monongahela Power Company	T&D	Baa2	13%	16%	15%	14%
CMS Energy Corporation	Holdco - Primarily Regulated	Baa2	18%	16%	15%	14%
Appalachian Power Company	Vertically Integrated Utility	Baa1	15%	13%	14%	14%
Pennsylvania Electric Company	T&D	Baa2	15%	14%	12%	13%
NiSource Inc.	Holdco - Diversified	Baa2	15%	14%	14%	13%
Puget Energy, Inc.	Vertically Integrated Utility	Baa3	14%	12%	12%	13%
Toledo Edison Company	T&D	Baa3	10%	10%	8%	13%
Cleveland Electric Illuminating Company	T&D	Baa3	11%	11%	12%	13%
AEP Texas Central Company	T&D	Baa1	14%	15%	13%	12%

SOURCE: Moody's; company filings

Exhibit 10

**Highest (over 4.5x) and lowest (less than 3.0x) ratio of debt to EBITDA (ranked by 1-year average, 2013, to focus on more recent performance)**

Company Name	Sector	Rating	1-year average (2013)	3-year average (2013 - 2011)	5-year average (2013 - 2009)	7-year average (2013 - 2007)
Berkshire Hathaway Energy Company	Holdco - Diversified	A3	7.1	5.8	5.6	5.3
FirstEnergy Corp.	Holdco - Diversified	Baa3	6.0	5.2	4.8	4.4
Wisconsin Electric Power Company	Vertically Integrated Utility	A1	5.9	6.1	5.6	5.0
Entergy Texas, Inc.	Vertically Integrated Utility	Baa3	5.8	6.1	6.2	6.1
Monongahela Power Company	T&D	Baa2	5.6	5.2	5.7	6.0
NiSource Inc.	Holdco - Diversified	Baa2	5.2	5.5	5.4	5.5
PPL Corporation	Holdco - Diversified	Baa3	5.1	4.9	5.1	4.6
Appalachian Power Company	Vertically Integrated Utility	Baa1	5.0	5.0	5.2	5.4
Progress Energy, Inc.	Holdco - Primarily Regulated	Baa1	4.9	5.6	5.1	4.9
Puget Energy, Inc.	Vertically Integrated Utility	Baa3	4.9	5.6	5.9	5.6
Cleveland Electric Illuminating Company	T&D	Baa3	4.9	5.2	4.7	4.2
Northwest Natural Gas Company	LDC	A3	4.8	4.8	4.5	4.2
Jersey Central Power & Light Company	T&D	Baa2	4.7	5.5	4.2	3.6
NorthWestern Corporation	Vertically Integrated Utility	A3	4.7	4.5	4.4	4.3
Pepco Holdings, Inc.	Holdco - Primarily Regulated	Baa3	4.7	5.1	5.2	5.2
Laclede Gas Company	LDC	A3	4.7	5.5	5.3	5.6
Atlantic City Electric Company	T&D	Baa2	4.7	4.9	4.8	4.7
Nevada Power Company	Vertically Integrated Utility	Baa1	4.6	4.6	4.9	5.0
Black Hills Power, Inc.	Vertically Integrated Utility	A3	2.9	3.2	3.8	3.6
Virginia Electric and Power Company	Vertically Integrated Utility	A2	2.9	3.1	3.4	3.4
Duke Energy Kentucky, Inc.	Vertically Integrated Utility	Baa1	2.9	3.3	3.3	3.4
Texas-New Mexico Power Company	T&D	Baa1	2.9	2.9	3.2	3.3
Oklahoma Gas & Electric Company	Vertically Integrated Utility	A1	2.9	2.9	2.9	3.0
Cleco Power LLC	Vertically Integrated Utility	A3	2.9	3.2	3.6	3.7
Consumers Energy Company	Vertically Integrated Utility	A1	2.9	3.1	3.3	3.5
Alabama Power Company	Vertically Integrated Utility	A1	2.8	2.9	3.0	3.1
Public Service Electric and Gas Company	T&D	A2	2.8	3.0	3.2	3.3
Alabama Gas Corporation	LDC	A2	2.8	2.7	2.5	2.4
Pinnacle West Capital Corporation	Holdco - Primarily Regulated	Baa1	2.8	3.1	3.3	3.6
Cleco Corporation	Holdco - Primarily Regulated	Baa1	2.8	2.9	3.4	3.6
PECO Energy Company	T&D	A2	2.8	3.0	2.6	2.6
Northern States Power Company (Wisconsin)	Vertically Integrated Utility	A2	2.8	2.9	2.8	2.8
Duke Energy Carolinas, LLC	Vertically Integrated Utility	A1	2.8	3.1	3.2	3.1
UGI Utilities, Inc.	LDC	A2	2.7	3.0	3.1	3.3
Exelon Corporation	Holdco - Diversified	Baa2	2.7	2.8	2.5	2.5
West Penn Power Company	T&D	Baa1	2.7	3.3	3.3	3.4
Questar Corporation	Holdco - Primarily Regulated	A2	2.7	2.8	2.7	2.3
Tampa Electric Company	Vertically Integrated Utility	A2	2.6	2.7	2.8	2.9
Arizona Public Service Company	Vertically Integrated Utility	A3	2.6	2.9	3.1	3.3
New York State Electric and Gas Corporation	T&D	A3	2.6	2.9	3.2	4.3
Dayton Power & Light Company	T&D	Baa3	2.5	2.2	2.0	1.9
Florida Power & Light Company	Vertically Integrated Utility	A1	2.4	2.7	2.6	2.6
Ohio Power Company	T&D	Baa1	2.4	2.8	3.1	3.3
Madison Gas and Electric Company	Vertically Integrated Utility	A1	2.4	2.8	2.8	2.9
Pennsylvania Power Company	T&D	Baa1	2.4	2.3	2.4	2.2
MGE Energy, Inc.	Holdco - Primarily Regulated	NR	2.3	2.7	2.9	3.1
Rochester Gas & Electric Corporation	T&D	Baa1	2.3	2.9	3.0	3.5
Public Service Enterprise Group Incorporated	Holdco - Diversified	Baa2	2.3	2.3	2.3	2.4
NSTAR Electric Company	T&D	A2	2.2	2.6	2.7	2.8
Southern California Gas Company	LDC	A1	2.2	2.5	2.4	2.5
Mississippi Power Company	Vertically Integrated Utility	Baa1	(3.2)	3.5	3.4	3.1

Exhibit 11

**List of Companies (NOTE: in our appendix tables, we exclude utilities with private ratings)**

Company Name	Sector	Rating
Berkshire Hathaway Energy Company	Holdco - Diversified	A3
Black Hills Corporation	Holdco - Diversified	Baa1
Dominion Resources Inc.	Holdco - Diversified	Baa2
DTE Energy Company	Holdco - Diversified	A3
Entergy Corporation	Holdco - Diversified	Baa3
Exelon Corporation	Holdco - Diversified	Baa2
FirstEnergy Corp.	Holdco - Diversified	Baa3
Hawaiian Electric Industries, Inc.	Holdco - Diversified	NR
Integrus Energy Group, Inc.	Holdco - Diversified	A3
NextEra Energy, Inc.	Holdco - Diversified	Baa1
NiSource Inc.	Holdco - Diversified	Baa2
PPL Corporation	Holdco - Diversified	Baa3
Public Service Enterprise Group Incorporated	Holdco - Diversified	Baa2
Sempra Energy	Holdco - Diversified	Baa1
Alliant Energy Corporation	Holdco - Primarily Regulated	A3
Ameren Corporation	Holdco - Primarily Regulated	Baa2
American Electric Power Company, Inc.	Holdco - Primarily Regulated	Baa1
CenterPoint Energy, Inc.	Holdco - Primarily Regulated	Baa1
Cleco Corporation	Holdco - Primarily Regulated	Baa1
CMS Energy Corporation	Holdco - Primarily Regulated	Baa2
Consolidated Edison, Inc.	Holdco - Primarily Regulated	A3
Duke Energy Corporation	Holdco - Primarily Regulated	A3
Edison International	Holdco - Primarily Regulated	A3
Great Plains Energy Incorporated	Holdco - Primarily Regulated	Baa2
IDACORP, Inc.	Holdco - Primarily Regulated	Baa1
MGE Energy, Inc.	Holdco - Primarily Regulated	NR
Northeast Utilities	Holdco - Primarily Regulated	Baa1
Pepco Holdings, Inc.	Holdco - Primarily Regulated	Baa3
PG&E Corporation	Holdco - Primarily Regulated	Baa1
Pinnacle West Capital Corporation	Holdco - Primarily Regulated	Baa1
PNM Resources, Inc.	Holdco - Primarily Regulated	Baa3
Progress Energy, Inc.	Holdco - Primarily Regulated	Baa1
Questar Corporation	Holdco - Primarily Regulated	A2
SCANA Corporation	Holdco - Primarily Regulated	Baa3
Southern Company (The)	Holdco - Primarily Regulated	Baa1
Wisconsin Energy Corporation	Holdco - Primarily Regulated	A2
Xcel Energy Inc.	Holdco - Primarily Regulated	A3
Alabama Gas Corporation	LDC	A2
Atmos Energy Corporation	LDC	A2
DTE Gas Company	LDC	Aa3
Laclede Gas Company	LDC	A3
New Jersey Natural Gas Company	LDC	Aa2
Northern Natural Gas Company [Private]	LDC	A2
Northwest Natural Gas Company	LDC	A3
Piedmont Natural Gas Company, Inc.	LDC	A2
South Jersey Gas Company	LDC	A2
Southern California Gas Company	LDC	A1
Southwest Gas Corporation	LDC	A3
UGI Utilities, Inc.	LDC	A2
Washington Gas Light Company	LDC	A1
Wisconsin Gas LLC [Private]	LDC	A1
Yankee Gas Services Company	LDC	Baa1
AEP Texas Central Company	T&D	Baa1
AEP Texas North Company	T&D	Baa1
Atlantic City Electric Company	T&D	Baa2

Baltimore Gas and Electric Company	T&D	A3
CenterPoint Energy Houston Electric, LLC	T&D	A3
Central Hudson Gas & Electric Corporation	T&D	A2
Central Maine Power Company	T&D	A3
Cleveland Electric Illuminating Company (The)	T&D	Baa3
Commonwealth Edison Company	T&D	Baa1
Connecticut Light and Power Company	T&D	Baa1
Consolidated Edison Company of New York, Inc.	T&D	A2
Dayton Power & Light Company	T&D	Baa3
Delmarva Power & Light Company	T&D	Baa1
Duke Energy Ohio, Inc.	T&D	Baa1
Jersey Central Power & Light Company	T&D	Baa2
Metropolitan Edison Company	T&D	Baa1
Monongahela Power Company	T&D	Baa2
New York State Electric and Gas Corporation	T&D	A3
NSTAR Electric Company	T&D	A2
Ohio Edison Company	T&D	Baa1
Ohio Power Company	T&D	Baa1
Oncor Electric Delivery Company LLC	T&D	Baa1
Orange and Rockland Utilities, Inc.	T&D	A3
PECO Energy Company	T&D	A2
Pennsylvania Electric Company	T&D	Baa2
Pennsylvania Power Company	T&D	Baa1
Potomac Edison Company (The)	T&D	Baa2
Potomac Electric Power Company	T&D	Baa1
Public Service Electric and Gas Company	T&D	A2
Rochester Gas & Electric Corporation	T&D	Baa1
Texas-New Mexico Power Company	T&D	Baa1
Toledo Edison Company	T&D	Baa3
West Penn Power Company	T&D	Baa1
Western Massachusetts Electric Company	T&D	A3
Alabama Power Company	Vertically Integrated Utility	A1
ALLETE, Inc.	Vertically Integrated Utility	A3
Appalachian Power Company	Vertically Integrated Utility	Baa1
Arizona Public Service Company	Vertically Integrated Utility	A3
Avista Corp.	Vertically Integrated Utility	Baa1
Black Hills Power, Inc.	Vertically Integrated Utility	A3
Cleco Power LLC	Vertically Integrated Utility	A3
Consumers Energy Company	Vertically Integrated Utility	A1
DTE Electric Company	Vertically Integrated Utility	A2
Duke Energy Carolinas, LLC	Vertically Integrated Utility	A1
Duke Energy Florida, Inc.	Vertically Integrated Utility	A3
Duke Energy Kentucky, Inc.	Vertically Integrated Utility	Baa1
Duke Energy Progress, Inc.	Vertically Integrated Utility	A1
El Paso Electric Company	Vertically Integrated Utility	Baa1
Empire District Electric Company (The)	Vertically Integrated Utility	Baa1
Entergy Arkansas, Inc.	Vertically Integrated Utility	Baa2
Entergy Gulf States Louisiana, LLC	Vertically Integrated Utility	Baa1
Entergy Louisiana, LLC	Vertically Integrated Utility	Baa1
Entergy Mississippi, Inc.	Vertically Integrated Utility	Baa2
Entergy New Orleans, Inc.	Vertically Integrated Utility	Ba2
Entergy Texas, Inc.	Vertically Integrated Utility	Baa3
Florida Power & Light Company	Vertically Integrated Utility	A1
Georgia Power Company	Vertically Integrated Utility	A3
Gulf Power Company	Vertically Integrated Utility	A2
Hawaiian Electric Company, Inc.	Vertically Integrated Utility	Baa1
Idaho Power Company	Vertically Integrated Utility	A3
Indiana Michigan Power Company	Vertically Integrated Utility	Baa1
Interstate Power and Light Company	Vertically Integrated Utility	A3
Kansas City Power & Light Company	Vertically Integrated Utility	Baa1
Kentucky Power Company	Vertically Integrated Utility	Baa2

Madison Gas and Electric Company	Vertically Integrated Utility	A1
MidAmerican Energy Company	Vertically Integrated Utility	A1
Mississippi Power Company	Vertically Integrated Utility	Baa1
Nevada Power Company	Vertically Integrated Utility	Baa1
Northern States Power Company (Minnesota)	Vertically Integrated Utility	A2
Northern States Power Company (Wisconsin)	Vertically Integrated Utility	A2
NorthWestern Corporation	Vertically Integrated Utility	A3
Oklahoma Gas & Electric Company	Vertically Integrated Utility	A1
Pacific Gas & Electric Company	Vertically Integrated Utility	A3
PacifiCorp	Vertically Integrated Utility	A3
Portland General Electric Company	Vertically Integrated Utility	A3
PPL Electric Utilities Corporation	Vertically Integrated Utility	Baa1
Public Service Company of Colorado	Vertically Integrated Utility	A3
Public Service Company of New Hampshire	Vertically Integrated Utility	Baa1
Public Service Company of New Mexico	Vertically Integrated Utility	Baa2
Public Service Company of Oklahoma	Vertically Integrated Utility	A3
Puget Energy, Inc.	Vertically Integrated Utility	Baa3
Puget Sound Energy, Inc.	Vertically Integrated Utility	Baa1
San Diego Gas & Electric Company	Vertically Integrated Utility	A1
Sierra Pacific Power Company	Vertically Integrated Utility	Baa1
South Carolina Electric & Gas Company	Vertically Integrated Utility	Baa2
Southern California Edison Company	Vertically Integrated Utility	A2
Southwestern Electric Power Company	Vertically Integrated Utility	Baa2
Southwestern Public Service Company	Vertically Integrated Utility	Baa1
Tampa Electric Company	Vertically Integrated Utility	A2
Tucson Electric Power Company	Vertically Integrated Utility	Baa1
Union Electric Company	Vertically Integrated Utility	Baa1
Virginia Electric and Power Company	Vertically Integrated Utility	A2
Wisconsin Electric Power Company	Vertically Integrated Utility	A1
Wisconsin Power and Light Company	Vertically Integrated Utility	A1
Wisconsin Public Service Corporation	Vertically Integrated Utility	A1

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