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MOODY'S
INVESTORS SERVICE

Six Month Update

US Regulated Utilities

Outlook Stable, But Plentiful Gas Changes The Landscape

Our outlook for the investor-owned US regulated electric and gas utility sector is stable. This outlook reflects our expectations for the fundamental business conditions in the industry over the next 12 to 18 months.

» Our outlook for the US investor-owned regulated electric and gas utility sector is stable, based on generally supportive regulatory relationships and an expectation that prudently incurred costs and investments will be recovered in rates on a reasonably timely basis.

» Low natural gas prices are generally positive for the regulated utility industry but have changed the landscape, affecting dispatch curves, customer rates, coal inventory and supply management, relative competitiveness of different regions, and investment plans.

» Significant capital investment programs, primarily for transmission and distribution upgrades, environmental retro-fits and replacement generation, pose execution risks.

» On balance, we continue to see regulatory relationships as supportive of credit quality.

» Capital markets are open and welcoming to the industry, which is generally viewed as counter-cyclical, and bank liquidity appears ample.

» While we note that there are currently some significant positives for the industry, including a low interest rate environment and low natural gas and purchased power prices, we view the industry as stable overall and observe that aggregate key financial metrics continue to remain within a relatively narrow band. The regulated nature of the industry means that both the benefits of lower costs and the burden of higher costs are, in general, eventually allocated to customers, with varying degrees of regulatory lag.

» Factors that could result in a positive outlook for the industry include a broad-based shift in state regulation of utilities to a formula rate-making approach similar to that used by the Federal Energy Regulatory Commission (FERC) or a shift in the prevailing corporate financing model employed by utilities toward lower dividend payout ratios or higher levels of equity employed.

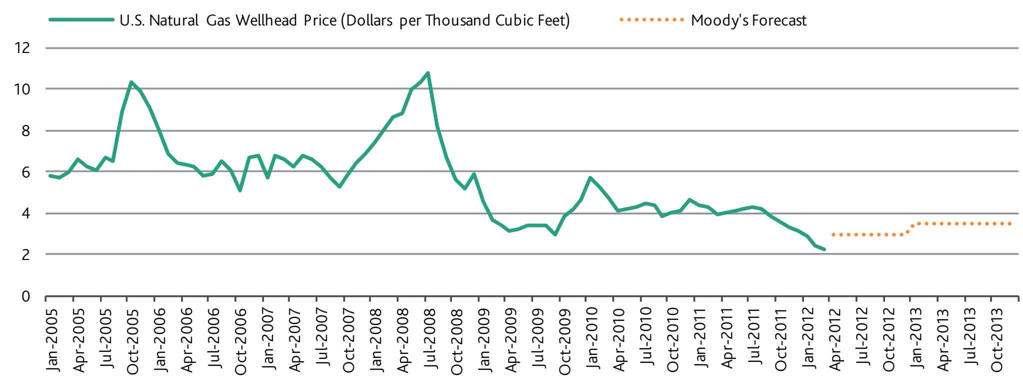
» Factors that could cause a deterioration in the outlook include a broad-based, material timing lag in the recovery of costs - especially in a period of rapid inflation, a widespread increase in affordability issues (that would likely cause a deterioration in the overall regulatory environment) or a major, prolonged dislocation in capital markets.

Note: Industry outlooks are not explicit signals of the likely direction of ratings in an industry. They are a view of the business conditions that factor into our ratings.

Low natural gas prices benefit the industry, with some exceptions

Natural gas prices, which peaked in 2008 well above $10 per MMBTu and were above $4 for most of 2010 and the first nine months of 2011, have languished below $3 over the past nine months, due to excess supply resulting from shale gas development combined with weak demand caused by a sputtering recovery since the Great Recession and three quarters of unusually mild weather. Since gas-fired generation has typically been the price-setting fuel for on-peak periods in most regional power markets, power prices have also registered large declines. Coal prices have decreased much more slowly – utilities purchase most of their coal under long-term contracts with slower re-pricing mechanisms, and as a global commodity, coal prices have seen some support from Asian demand. Natural gas prices were low enough relative to coal during the past nine months for gas-fired generation to supplant a substantial portion of coal – historically the predominant base load fuel.

FIGURE 1
Nat. Gas Prices and Forecast



Source: EIA.gov & Moody's

While changing fuel prices do not typically have a direct impact on the profitability of electric and gas utilities due to the preponderance of fuel and purchased power adjustment clauses, the current period of low natural gas prices is a material benefit to a large portion of the sector. Customers benefit from lower utility bills, which tend to have a positive impact on regulatory relationships and make it easier for utility commissions to authorize base rate increases for capital investment related to new plants, environmental compliance and infrastructure improvements without causing rate shock or materially altering the affordability of power and gas service. Lower customer bills combined with lower purchased power and purchased gas expenses have decreased utilities' working capital needs. Electric T&Ds, integrated electric utilities with greater gas-fired capacity and local gas distribution companies (LDCs) tend to benefit the most from these dynamics. Some benefits are specific to electric utilities. Coal-to-gas switching has decreased integrated electric utilities' air emissions and made it easier to comply with the interim Clean Air Interstate Rules. In addition, despite a general price inelasticity of demand, lower all-in rates could eventually be positive for volumes. Unlike gas LDCs, many of which have de-coupling mechanisms that insulate them from most changes in volume usage, electrics more typically do not, so they benefit from volume growth in between rate cases. Appendix C shows a ranking of integrated utilities by the percentage of electricity produced from natural gas in 2011. Companies that we believe are beneficiaries of this trend toward lower rates, lower working capital and infrastructure investment include NV Energy Inc. (Ba1 stable), Sempra Energy (Baa1 stable), Florida Power & Light Company (A2 stable), a unit of NextEra Energy, Inc. (Baa1 stable) and Northeast Utilities (Baa2 stable).

The benefits are not universal. Low gas prices create direct and indirect pressures on some regulated electric utilities. Predominantly coal-fired utilities now need to manage burgeoning coal piles, as well as supplier agreements and rail/barge transport agreements that may not have been negotiated to include the operational flexibility that current market conditions require. Commissions in some jurisdictions are questioning the prudency of these contracts. Utilities that are making large coal-fired or nuclear investments, some with relatively un-tested technologies, could face inflexible cost caps and other forms of regulatory second-guessing, given that the "path not taken" – more gas-fired generation, would probably have been more cost-effective in the short term. Utilities in states with aggressive renewable portfolio standards must purchase or build capacity that is much more expensive than the current gas-fired alternative. In our view, the bulk of these mostly pre-approved projects will make their way into rate base in a reasonably timely manner. We nonetheless believe regulators' perception of what constitutes just and reasonable rates is influenced by comparisons with the rates of utilities in the same region, which may be materially lower or higher due to different investment decisions and fuel mixes. Examples of companies exposed to these potential indirect negative effects include South Carolina Electric & Gas (SCE&G, Baa2 stable), a unit of SCANA Corporation (Baa3 stable), Georgia Power (A2 stable) and Mississippi Power (A1 RUR down), both units of the Southern Company (Southern, Baa1 stable), Pacific Gas & Electric (A3 stable) a unit of PG&E Corporation (Baa1 stable) and Southern California Edison Company (A3 stable), a unit of Edison International (Baa2 stable).

Low gas prices have a direct negative impact on hybrid utility holding companies – examples include Entergy Corporation (Baa3 stable), FirstEnergy Corp. (Baa3 stable), and PPL Corporation (PPL, Baa3 stable). Many hybrid holding companies have used substantial free cash flow from their merchant generation subsidiaries during the boom years to finance dividends, stock buybacks, or investments in regulated or unregulated businesses. As this source decreases or dries up, the importance of hedging policy, financial policy and balance sheet management on the ratings of these holding companies and their regulated subsidiaries increases.

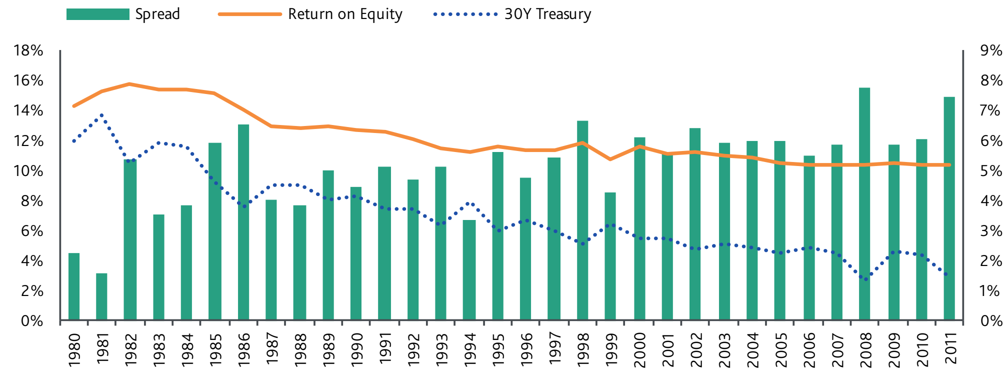
Supportive regulatory climate continues, but returns on equity inch downward

In general, regulatory relationships in the industry remain supportive, abetted by low interest rates and inflation as well as low natural gas and purchased power costs. In addition, the "back to basics" strategy of many utilities over the past 5-8 years has generally meant that they have devoted more time and attention to fostering positive regulatory relations and, in some cases, have obtained legislative outcomes that improved the legal framework for rate-setting and timely cost recovery. States where we have observed some improvement in regulatory climate include Arizona, Florida, Nevada, Oregon, Texas (for T&D utilities) and Washington.

States that we continue to view as challenging include Illinois, where the commission has not instituted some provisions of the recently passed utility legislation in some recent rate cases, West Virginia, Maryland and Texas (for integrated utilities). Ohio's recent decisions on Electric Security Plans delivered some surprises, and we will be watching the outcomes of those cases very closely to determine whether our assessment of that regulatory environment will be revised downward. Other states we will be watching closely in the next six months include California, where the major utilities all have important rate cases including cost of capital proceedings, Mississippi, where the commission recently denied CWIP recovery for the Ratcliffe/Kemper plant due to pending litigation by the Sierra Club, and North Carolina, which instituted a series of hearings related to a controversial decision by the board of Duke Energy Corporation (Duke, Baa2 stable) to replace its new CEO within hours of the closing of the merger with Progress Energy, Inc. (Progress, Baa2 stable).

FIGURE 2

Authorized Returns on Equity, Treasury Rates and Spread



Source: SNL & Bloomberg

Historically low US Treasury rates continue to be a major factor pressuring allowed ROEs. While we view allowed ROEs as only one of many components that determine the strength of a utility's cash flow, they can be a leading indicator of the regulatory relationship. In some jurisdictions, regulators are aware that the current interest rate environment is unprecedented and likely unsustainable, and they prefer to regulate financially healthy utilities that can withstand a turnaround in interest rates. In other jurisdictions, regulators appear more content to lower ROEs. In general, we see ROEs inching down for the industry.

FIGURE 3

Selected Rate Case Decisions in 2012

			Increase Authorized			Increase Requested			
Company	Service	Date	Rate Increase ($M)	Return on Rate Base(%)	Return on Equity (%)	Date	Rate Increase ($M)	Return on Rate Base (%)	Return on Equity (%)
Appalachian Power Co.	Electric	1/3/2012	26.1	NA	11.40	3/31/2011	26.9	8.36	12.15
PacifiCorp	Electric	1/10/2012	34.0	NA	NA	5/27/2011	32.7	8.25	10.50
Ameren Illinois	Natural Gas	1/10/2012	32.2	8.33	9.06	2/18/2011	49.5	9.31	10.75
Peoples Gas Light & Coke Co.	Natural Gas	1/10/2012	57.8	6.94	9.45	2/15/2011	112.6	8.11	10.85
Duke Energy Carolinas LLC	Electric	1/25/2012	92.8	8.10	10.50	8/5/2011	215.5	8.63	11.50
Duke Energy Carolinas LLC	Electric	1/27/2012	368.0	8.11	10.50	7/1/2011	525.0	8.51	11.25
Virginia Electric & Power Co.	Electric	2/2/2012	34.1	8.77	11.40	5/2/2011	35.3	8.77	11.40
Gulf Power Co.	Electric	2/27/2012	68.1	6.39	10.25	7/8/2011	101.6	7.05	11.70
Virginia Electric & Power Co.	Electric	3/23/2012	46.8	8.48	11.40	6/27/2011	50.1	9.60	13.50
Northern States Power Co. - MN	Electric	3/29/2012	72.9	8.32	10.37	11/3/2010	150.6	8.57	10.85
Westar Energy Inc.	Electric	4/18/2012	50.0	NA	NA	8/25/2011	90.8	8.68	10.60
Public Service Co. of CO	Electric	4/26/2012	234.4	8.08	10.00	11/22/2011	281.0	8.50	10.75
Puget Sound Energy Inc.	Electric	5/7/2012	63.3	7.80	9.80	6/13/2011	125.4	8.26	10.75
Consumers Energy Co.	Electric	6/7/2012	118.5	6.70	10.30	6/10/2011	180.9	6.86	10.70
Hawaiian Electric Co.	Electric	6/29/2012	43.1	8.11	10.00	7/30/2010	93.8	8.54	10.75
Washington Gas Light Co.	Natural Gas	7/2/2012	20.0	8.26	9.75	1/31/2011	28.5	8.58	10.50

Source: SNL

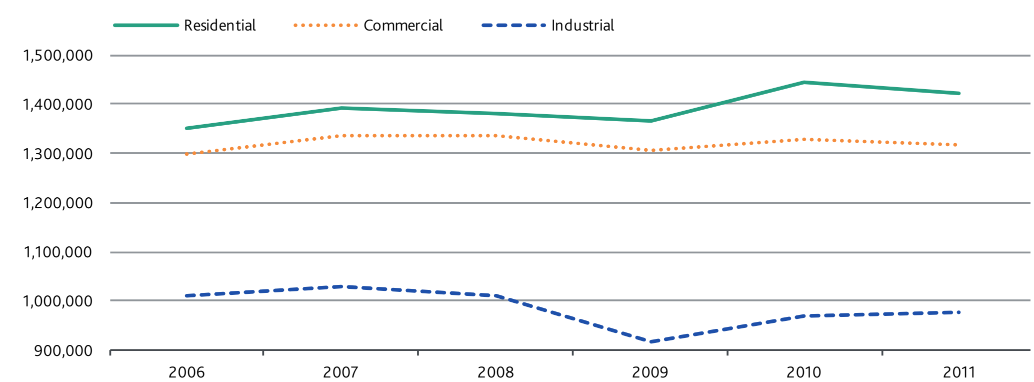
Affordability issues are currently tempered by generally lower fuel rates

The electric utility bill affordability issue raised in several prior industry outlooks has generally been tempered by lower gas prices. One measure of affordability is the percentage of average annual electric bills to disposable income shown in Appendix D. This percentage varies considerably from state to state and is impacted by usage patterns as well as the level of rates and the regional economy. Percentage changes in rates, rather than absolute rates, are the most important factor in perceptions of affordability. Appendix D also shows changes in average rates by state from 2009 to 2011. The greatest concern would be high percentage rate increases in a state with high usage patterns and relatively low disposable income. We view West Virginia and Kentucky as having a high exposure to rate increases from environmental retro-fits, South Carolina as having high exposure due to the size of the new nuclear investment program undertaken by SCANA and South Carolina Public Service Authority (Aa3 stable), and California as having high exposure (tempered to a degree by low average usage) due to additions of costly solar and wind power. The ongoing affordability of rates is an issue that is often cited by the industry and, despite the recent easing, one that remains of concern to Moody's.

Growth Volumes

Lower volumes represent an area of potential weakness for the electric utility industry, for which rate design is typically skewed toward volumetric charges (a substantial portion of most utilities' fixed costs as well as their variable costs are recovered in volume-based charges). Nationwide, volumes decreased 0.8% from 2010 to 2011, with the decline most pronounced in the residential sector, due in part to milder weather. Industrial demand increased 0.5% but remains below pre-recession levels.

FIGURE 4
Retail Sales by Customer Class
(GWh)



Source: EIA.gov

As shown in Appendix E, growth in industrial demand in 2011 was very uneven from state to state. States with exposure to energy, automobiles, and petro-chemicals fared well, as did the traditional manufacturing magnets of the southeast. The outlook for the industrial sector is less robust in light of contraction in Europe and slowing growth in China.

Volumetric de-coupling for gas LDCs is fairly pervasive, but it is more limited for electric utilities. De-coupling is sometimes accompanied by lower allowed ROEs, since risk is perceived as lower. Statewide electric de-coupling programs include those in California, Maryland and New York, while states with programs affecting only some utilities include those in Connecticut and Massachusetts.

For more information on volumes, please refer to Moody's June 2012 Special Comment "US Electric Power Generation Volumes: Shift in Electric Generation Mix Favors Natural Gas, Renewables at Expense of Coal".

Natural gas price volatility and election season posturing complicate decision-making for environmental capex

Utilities will generally be able to recover their investments in required environmental retro-fits in a reasonably timely manner. However, utilities face execution risk similar to any project with a high price tag and long lead-time – obtaining regulatory approvals, staying on budget and on time, and getting timely recovery once construction is complete. These factors increase the importance of mechanisms that ensure timely recovery of investment, including riders, trackers, rate formulas and forward test years. Companies with significant environmental capex programs include Alliant Energy Corporation (Baa1 negative), American Electric Power Company (Baa2 stable), Dominion Resources Inc. (Baa2 stable), PPL, Southern and Xcel Energy Inc. (Baa1 stable).

For the current round of expenditures, utilities face some additional uncertainties. The timeframe for compliance with the Mercury and Air Toxics Standards (MATS), like the Cross State Air Pollution Rules (CSAPR), is currently the subject of litigation that could lead to extension of the compliance deadlines. New regulations, for instance for once-through cooling, coal ash, carbon and ozone, could materially increase the expenditures required for compliance. In addition, deciding which coal plants should be replaced with gas-fired plants is complicated by the continued volatility of natural gas prices. Given the absence of a crystal ball, utilities will be making significant long-term investments with incomplete information.

While the outcome of the national elections could influence the timeframe for compliance, the scope of permitted delays/exceptions or even the exact final standards that have to be achieved, we currently expect that MATS and CSAPR will be implemented largely in their current form. In the long run, we see a trend toward stricter environmental regulations, regardless of the outcome of these elections. However, we do not currently incorporate a view that near-to-intermediate term incremental regulations will have an impact of the same magnitude that MATS will have on plant retirements and expenditures.

Consolidation likely to resume - eventually

A quartet of mergers closed in the past six months – Duke with Progress, Exelon Corporation (Exelon, Baa2 RUR down) with Constellation Energy Group, Inc., Northeast Utilities (NU, Baa2 stable) with NSTAR, LLC (NSTAR, A3 stable) and Green Mountain Power (Baa2 stable) with Central Vermont Power (Baa2 stable). However, we observe that the major impediments to mergers, leadership questions and regulatory issues, increased during the approval processes for three of these transactions.

While utilities generally expect state commissions to extract benefits for ratepayers, Connecticut conducted a surprise, late-in-the-game review of the NU/NSTAR merger and imposed a round of economic conditions after initially stating it did not have authority over the transaction. In some cases, FERC imposed stricter standards than expected for market power mitigation. Exelon/Constellation agreed to restrict the universe of potential acquirers for the sale of power plants in PJM East it had proposed –rules that could prove costly in a difficult market for merchant power plant sales. For Duke/Progress, an outright sale of plants was not an option due to North Carolina commission strictures, and FERC rejected two market mitigation plans involving substantial transmission expenditures before finally approving the third plan. The leadership plan for Duke/Progress, which was a component of the executed merger agreement, was undone by the board of the combined company within hours of the merger's close. We view these factors as having a chilling effect on additional mergers in the near term.

Nonetheless, the economic logic of further utility industry consolidation remains compelling, and mergers will eventually resume.

Liquidity ample despite turbulence at financial institutions

Liquidity for regulated utilities has remained strong, with almost all companies renewing their syndicated revolving agreements in the past 18 months – generally for five years at favorable terms. Domestic and international banks have pulled out of some US sectors, but utilities have continued to attract bank commitments due to their good default performance during the great recession and the fee business that they provide to banks, attributable in part to utilities' capital intensive nature. Capital markets remain open and welcoming.

The only sour note is the potential contraction of commodity counter-party liquidity, as a result of new regulations and because banks that are strong in commodities tend to also have a large exposure to investment banking and trading, which have a more challenged outlook in the current environment. While utilities can hedge on exchanges, over-the-counter transactions provide certain benefits – most importantly, generally lower collateral posting requirement since banks typically only require collateral for mark-to-market exposure above an unsecured threshold. Over-the-counter trades are often the only option for less liquid trading hubs and longer time periods. A decrease in commodity liquidity will have the greatest impact on utilities that seek to smooth out the volatility of natural gas purchases through forward hedging, and for hybrid utility holding companies that hedge their merchant power operations.

Aggregate financial profile remains strong but equity issuance is being deferred

The aggregate metrics for the selected peer group (see Appendix A) were somewhat less strong in 2011 than in 2010, despite a 4.5% increase in cash from operations before changes in working capital (CFO Pre-WC), reflecting an increase in sector debt. Aggregate metrics in 2011 correspond to a strong Baa2 scoring for our Rating Methodology Factor 4 – Financial Strength. After haircutting CFO Pre-WC for an assumed impact of bonus depreciation, metrics in 2011 correspond to a weak Baa2 Financial Strength scoring.

In general, we expect that the industry will need to issue equity to fund a portion of announced capital investment programs, but companies are largely choosing to defer this issuance (due in part to the positive cash flow impact of bonus depreciation).

FIGURE 5

Peer Group Aggregate Credit Metrics:

With Moody's Standard Adjustments	
CFO Pre-W/C + Interest / Interest	
FY 2009	4.2x
FY 2010	4.5x
FY 2011	4.5x
CFO Pre-W/C / Debt	

With Moody's Standard Adjustments & Special Bonus Depreciation Adjustment	
CFO Pre-W/C + Interest / Interest	
FY 2009	3.5x
FY 2010	3.7x
FY 2011	3.7x
CFO Pre-W/C / Debt	

FIGURE 5

Peer Group Aggregate Credit Metrics:

FY 2009	18.8%
FY 2010	19.4%
FY 2011	18.4%
CFO Pre-W/C less Dividends / Debt	
FY 2009	15.0%
FY 2010	15.3%
FY 2011	14.3%
CFO pre-W/C	
FY 2009	73,678,571
FY 2010	78,004,072
FY 2011	81,552,109
Total Debt	
FY 2009	391,660,342
FY 2010	402,971,918
FY 2011	444,349,126
Capital Expenditures	
FY 2009	69,727,172
FY 2010	69,820,513
FY 2011	77,292,126
Debt to Capitalization	
FY 2009	51.3%
FY 2010	49.8%
FY 2011	50.1%
Payout Ratio	
FY 2009	62.7%
FY 2010	60.0%
FY 2011	61.6%

FY 2009	14.5%
FY 2010	15.1%
FY 2011	14.1%
CFO Pre-W/C less Dividends / Debt	
FY 2009	10.6%
FY 2010	11.1%
FY 2011	10.1%
CFO pre-W/C	56,595,414
FY 2009	60,898,046
FY 2010	62,615,538
FY 2011	61,096,506

We subtract the special bonus depreciation adjustment from CFO pre-W/C. We estimate this adjustment by multiplying capital expenditures by 70% (representing qualifying assets) and then multiplying by 35% (representing the tax benefit).

Source: MFM

Conclusion

Our stable outlook is underpinned by the nature of electric and gas utilities in the US as monopolistic, regulated enterprises. Overall, we see a constructive regulatory environment, welcoming capital markets, good liquidity and fairly stable financial profiles, such that the industry is relatively well positioned to face the challenges of a large capital expenditure program over the next several years.

Appendix A – Selected Peer Group

PORTFOLIO: Outlook Update 2012 - Peer Group

Entity Name	Current LT Rating	Outlook	Analyst
Madison Gas and Electric Company	A1	Stable	Natividad Martel
NSTAR LLC	A3	Stable	Natividad Martel
PECO Energy Company	A3	Stable	Angelo Sabatelle
Wisconsin Energy Corporation	A3	Stable	Natividad Martel
Public Service Electric and Gas Company	(P)A3	Stable	William Hunter
ALLETE, Inc.	Baa1	Stable	Natividad Martel
Alliant Energy Corporation	Baa1	Negative	Natividad Martel
Baltimore Gas and Electric Company	Baa1	Stable	Angelo Sabatelle
Integrys Energy Group, Inc.	Baa1	Stable	Scott Solomon
MidAmerican Energy Holdings Co.	Baa1	Stable	Mihoko Manabe
OGE Energy Corp.	Baa1	Stable	Mihoko Manabe
Oncor Electric Delivery Company LLC	Baa1	Negative	James Hempstead
PG&E Corporation	Baa1	Stable	Angelo Sabatelle
Sempra Energy	Baa1	Stable	Angelo Sabatelle
Southern Company (The)	Baa1	Stable	Michael Haggarty
Xcel Energy Inc.	Baa1	Stable	Mihoko Manabe
Consolidated Edison, Inc.	(P)Baa1	Stable	Mihoko Manabe
NextEra Energy, Inc.	(P)Baa1	Stable	Michael Haggarty
American Electric Power Company, Inc.	Baa2	Stable	William Hunter
Commonwealth Edison Company	Baa2	Stable	Angelo Sabatelle
Dominion Resources Inc.	Baa2	Stable	William Hunter
DTE Energy Company	Baa2	Positive	Scott Solomon
Duke Energy Corporation	Baa2	Stable	Michael Haggarty
Edison International	Baa2	Stable	Angelo Sabatelle
ITC Holdings Corp.	Baa2	Stable	Mitchell Moss
Northeast Utilities	Baa2	Stable	Natividad Martel
Pinnacle West Capital Corporation	Baa2	Stable	Mitchell Moss
Progress Energy, Inc. **see note*	Baa2	Stable	Michael Haggarty
TECO Energy, Inc.	Baa2	Stable	Mitchell Moss
IDACORP, Inc.	Baa2	Stable	Ryan Wobbrock
Westar Energy, Inc.	Baa2	Stable	Ryan Wobbrock
Ameren Corporation	Baa3	Stable	Michael Haggarty
Black Hills Corporation	Baa3	Stable	Ryan Wobbrock
CenterPoint Energy, Inc.	Baa3	Positive	Mihoko Manabe
Entergy Corporation	Baa3	Stable	William Hunter
FirstEnergy Corp.	Baa3	Stable	Scott Solomon
Great Plains Energy Incorporated	Baa3	Stable	Ryan Wobbrock
NiSource Inc.	Baa3	Stable	Mihoko Manabe

PORTFOLIO: Outlook Update 2012 - Peer Group

Entity Name	Current LT Rating	Outlook	Analyst
Pepco Holdings, Inc.	Baa3	Stable	Scott Solomon
PPL Corporation	Baa3	Stable	Angelo Sabatelle
SCANA Corporation	Baa3	Stable	William Hunter
UIL Holdings Corporation	Baa3	Stable	Ryan Wobbrock
Cleco Corporation	(P)Baa3	Stable	Mitchell Moss
CMS Energy Corporation	Ba1	Positive	Scott Solomon
DPL Inc.	Ba1	Stable	Scott Solomon
Duquesne Light Holdings, Inc.	Ba1	Stable	Michael Haggarty
NV Energy Inc.	Ba1	Stable	Angelo Sabatelle
PNM Resources, Inc.	Ba1	Stable	Mitchell Moss
Puget Energy, Inc.	Ba1	Stable	Scott Solomon
UNS Energy Corporation	Ba1	Stable	Mitchell Moss

Note: Peer metrics are based on financial data though 3/31/12. As of that date Progress Energy had not yet merged into Duke Energy.

Source: Moody's Investors Service

Appendix B – Metrics for Selected Peer Group

	CFO Pre-W/C				(CFO Pre-W/C + Interest) / Interest Expense				(CFO Pre-W/C) / Debt				(CFO Pre-W/C - Dividends) / Debt				Debt / Book Capitalization			
	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM
ALLETE, Inc.	210,700.00	243,166.67	269,266.67	276,966.67	5.44x	5.98x	6.09x	6.21x	23.28%	24.41%	24.30%	25.02%	17.04%	18.31%	18.69%	19.28%	43.15%	43.19%	43.27%	42.51%
Alliant Energy Corporation	843,066.67	800,200.00	771,366.67	707,466.67	7.00x	6.08x	5.93x	5.58x	28.25%	24.83%	23.48%	21.85%	22.07%	18.83%	17.24%	15.46%	41.59%	41.33%	40.58%	40.07%
Ameren Corporation	1,907,000.00	1,906,666.67	1,741,333.33	1,708,333.33	4.09x	4.25x	4.26x	4.23x	20.80%	21.72%	21.04%	20.70%	16.89%	17.44%	16.44%	16.12%	46.44%	44.99%	42.16%	43.64%
American Electric Power Company,	3,856,000.00	3,608,666.67	3,840,666.67	4,011,416.67	4.05x	3.94x	4.33x	4.52x	17.79%	17.05%	18.37%	19.00%	14.28%	13.14%	14.06%	14.71%	52.58%	50.21%	47.81%	47.56%
Baltimore Gas and Electric Company	761,320.00	604,820.00	441,000.00	489,000.00	5.16x	4.99x	3.92x	4.06x	28.91%	25.05%	16.35%	18.12%	40.78%	24.91%	13.07%	18.00%	46.00%	41.00%	42.60%	42.25%
Black Hills Corporation	249,873.00	191,044.67	264,793.33	248,040.33	3.52x	2.72x	3.17x	2.93x	18.89%	12.52%	14.97%	15.06%	14.72%	8.82%	11.62%	11.35%	49.66%	52.86%	54.36%	52.06%
CenterPoint Energy, Inc.	1,480,666.67	1,569,333.33	1,812,666.67	1,850,666.67	3.13x	3.33x	3.92x	3.99x	13.80%	15.07%	18.08%	17.04%	11.22%	12.01%	14.72%	13.91%	66.47%	62.94%	55.45%	56.89%
Cleco Corporation	141,208.00	268,773.67	343,948.00	417,217.00	2.63x	3.67x	5.59x	7.10x	9.66%	15.99%	23.63%	29.23%	5.95%	12.48%	18.96%	24.20%	48.53%	47.33%	41.29%	40.38%
CMS Energy Corporation	1,135,166.67	1,235,000.00	1,294,333.33	1,263,333.33	3.12x	3.51x	3.79x	3.77x	14.08%	14.99%	16.03%	15.79%	12.63%	13.05%	13.44%	13.07%	72.84%	71.83%	66.52%	66.09%
Commonwealth Edison Company	1,278,950.25	1,311,248.92	1,707,964.25	1,654,244.25	4.02x	3.86x	5.20x	5.16x	19.80%	19.62%	25.34%	25.09%	16.04%	14.93%	20.84%	20.49%	40.26%	39.42%	37.79%	37.15%
Consolidated Edison, Inc.	2,103,333.33	2,794,000.00	3,331,666.67	3,080,666.67	3.50x	4.76x	5.56x	5.17x	15.70%	20.66%	22.25%	20.04%	11.13%	15.93%	17.55%	15.45%	45.47%	42.84%	43.80%	44.39%
Dominion Resources Inc.	3,351,769.27	2,426,850.60	3,572,480.43	3,613,554.53	4.33x	3.46x	4.62x	4.63x	17.27%	13.06%	16.27%	16.78%	11.66%	7.00%	10.92%	11.25%	55.13%	52.17%	56.27%	54.43%
DPL Inc.	578,000.00	496,466.67	348,733.33	288,133.33	7.57x	7.70x	5.84x	4.40x	41.10%	36.28%	13.10%	10.85%	31.94%	26.07%	6.49%	3.95%	45.39%	42.33%	48.75%	48.88%
DTE Energy Company	1,894,666.67	2,289,000.00	2,031,883.33	2,064,883.33	4.03x	4.73x	4.61x	4.70x	19.73%	24.46%	20.74%	21.35%	16.11%	20.61%	16.72%	17.24%	53.31%	49.90%	48.90%	48.34%
Duke Energy Corporation	4,179,000.00	4,045,333.33	3,925,333.33	3,907,333.33	5.23x	4.78x	4.68x	4.64x	22.54%	20.94%	18.04%	18.33%	15.75%	14.24%	11.81%	12.00%	40.36%	39.61%	41.82%	41.18%
Duquesne Light Holdings, Inc.	231,200.00	251,966.67	272,000.00	N/A	2.65x	2.42x	2.43x	N/A	10.84%	12.14%	12.31%	N/A	9.35%	11.84%	12.03%	N/A	57.88%	54.89%	55.24%	N/A
Edison International	3,442,000.00	4,526,666.67	4,714,000.00	4,456,000.00	3.96x	4.93x	3.96x	3.75x	18.28%	22.07%	15.18%	14.03%	15.79%	20.07%	13.83%	12.72%	56.70%	56.00%	66.88%	66.71%
Entergy Corporation	3,074,690.33	4,418,727.67	2,965,188.00	2,966,461.00	5.14x	7.08x	5.47x	5.37x	21.75%	31.92%	19.67%	19.38%	17.67%	27.55%	15.76%	15.54%	46.53%	44.83%	46.96%	47.32%

	CFO Pre-W/C				(CFO Pre-W/C + Interest) / Interest Expense				(CFO Pre-W/C) / Debt				(CFO Pre-W/C - Dividends) / Debt				Debt / Book Capitalization			
	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM
FirstEnergy Corp.	2,821,333.33	3,057,000.00	3,100,666.67	3,101,666.67	3.51x	4.11x	3.66x	3.61x	15.69%	16.82%	14.38%	13.73%	11.96%	13.14%	10.30%	9.65%	62.27%	60.33%	53.28%	54.09%
Great Plains Energy Incorporated	449,875.00	684,641.67	596,008.33	588,513.33	2.88x	4.05x	3.62x	3.34x	10.99%	16.48%	13.83%	12.90%	7.94%	13.39%	10.82%	10.09%	55.22%	53.85%	53.33%	55.97%
IDACORP, Inc.	318,548.33	317,749.67	299,647.33	260,717.33	4.50x	4.27x	4.10x	3.69x	18.88%	16.98%	16.29%	14.11%	15.51%	13.89%	13.04%	10.79%	46.12%	47.22%	43.19%	42.82%
Integrys Energy Group, Inc.	839,431.67	825,015.83	817,982.50	722,682.50	5.49x	5.95x	6.69x	6.16x	27.18%	27.48%	28.31%	24.99%	20.08%	21.03%	20.90%	17.39%	45.48%	43.54%	41.00%	40.60%
ITC Holdings Corp.	297,146.67	432,705.00	323,989.67	318,147.67	3.26x	4.01x	3.18x	3.12x	12.10%	17.13%	12.10%	11.16%	9.56%	14.52%	9.47%	8.65%	65.97%	63.81%	62.12%	62.72%
Madison Gas and Electric Company	111,846.67	135,490.33	138,867.33	142,275.33	5.91x	7.39x	6.44x	6.40x	28.00%	31.34%	28.16%	28.89%	23.16%	25.29%	22.76%	30.15%	36.08%	37.90%	40.53%	39.82%
MidAmerican Energy Holdings Co.	3,559,666.67	3,354,666.67	3,686,333.33	3,927,333.33	3.72x	3.73x	4.04x	4.28x	16.83%	16.11%	17.42%	17.92%	16.83%	16.11%	17.42%	17.92%	53.42%	51.39%	49.79%	49.84%
NextEra Energy, Inc.	4,531,757.75	3,542,378.88	4,215,378.88	4,193,378.88	6.30x	4.49x	4.83x	4.77x	25.61%	17.59%	18.92%	18.01%	20.81%	13.30%	14.60%	13.80%	48.29%	49.92%	51.22%	51.84%
NiSource Inc.	1,121,866.67	1,295,200.00	1,194,666.67	1,213,566.67	3.38x	3.91x	3.84x	3.81x	13.30%	15.66%	13.66%	14.05%	10.30%	12.57%	10.71%	11.05%	56.09%	53.63%	53.65%	52.73%
Northeast Utilities	1,080,229.17	1,220,468.33	973,612.00	806,734.00	4.23x	5.28x	4.24x	3.56x	17.82%	20.04%	14.77%	11.11%	15.09%	17.03%	11.78%	8.35%	54.72%	52.52%	52.58%	54.77%
NSTAR LLC	707,742.00	506,939.00	772,731.33	N/A	4.88x	4.19x	6.23x	N/A	20.49%	15.81%	24.52%	N/A	15.85%	10.56%	18.93%	N/A	52.68%	49.74%	47.77%	N/A
NV Energy Inc.	814,367.67	809,896.00	699,804.00	697,278.00	3.14x	3.11x	2.97x	2.95x	14.31%	14.67%	13.22%	13.11%	12.62%	12.75%	11.04%	10.89%	57.10%	54.69%	52.90%	53.08%
OGE Energy Corp.	706,033.33	758,966.67	828,433.33	856,233.33	5.28x	5.86x	5.97x	5.95x	25.85%	28.73%	25.95%	25.15%	20.86%	23.24%	20.81%	20.13%	45.34%	40.84%	41.76%	43.26%
Oncor Electric Delivery Company	1,059,213.33	1,152,000.00	1,454,000.00	1,420,000.00	3.78x	4.02x	4.70x	4.62x	16.91%	17.39%	21.40%	19.96%	12.57%	14.21%	19.27%	17.57%	42.61%	42.91%	42.48%	43.43%
PECO Energy Company	1,189,975.08	1,143,385.74	1,047,487.74	1,043,341.49	6.37x	6.14x	7.82x	8.06x	33.07%	36.81%	38.22%	38.06%	24.21%	29.38%	25.26%	25.96%	42.15%	39.09%	34.34%	34.20%
Pepco Holdings, Inc.	717,000.00	799,000.00	701,666.67	811,666.67	2.82x	3.37x	3.45x	3.80x	10.75%	14.87%	12.04%	13.36%	7.18%	10.39%	7.85%	9.35%	49.31%	43.62%	44.74%	44.79%
PG&E Corporation	3,511,596.67	3,546,916.67	4,156,130.00	4,254,130.00	5.02x	5.33x	5.94x	6.03x	24.16%	22.79%	24.07%	25.15%	20.18%	18.61%	20.06%	21.01%	49.12%	48.06%	48.81%	47.44%
Pinnacle West Capital Corporatio	1,176,068.67	1,095,576.33	1,033,000.00	1,067,257.00	5.35x	4.87x	4.97x	5.13x	24.84%	24.89%	23.10%	23.03%	20.51%	19.96%	18.14%	18.24%	49.02%	43.91%	43.29%	44.50%
PNM Resources, Inc.	467,913.33	454,695.67	453,396.00	474,159.00	4.05x	4.09x	4.06x	4.24x	21.82%	19.96%	20.81%	21.11%	19.67%	17.93%	18.71%	19.14%	47.46%	50.04%	48.51%	49.04%
PPL Corporation	1,808,659.50	2,675,980.00	3,017,840.22	3,347,138.59	4.52x	5.09x	4.00x	4.18x	18.84%	17.81%	15.48%	17.01%	13.47%	13.79%	11.40%	12.79%	54.95%	55.92%	55.38%	54.51%
Progress Energy, Inc.	2,369,666.67	2,564,000.00	1,967,000.00	1,875,000.00	3.99x	4.21x	3.54x	3.43x	16.59%	17.86%	12.86%	11.78%	11.70%	12.86%	8.06%	6.68%	57.16%	54.86%	55.08%	55.54%

	CFO Pre-W/C				(CFO Pre-W/C + Interest) / Interest Expense				(CFO Pre-W/C) / Debt				(CFO Pre-W/C - Dividends) / Debt				Debt / Book Capitalization			
	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM	FY 2009	FY 2010	FY 2011	Latest LTM
Public Service Electric and Gas	1,110,835.00	1,241,709.00	1,554,686.00	1,721,686.00	4.10x	4.55x	5.59x	6.19x	19.93%	21.35%	27.76%	30.85%	19.93%	18.77%	22.40%	25.48%	44.78%	43.53%	40.26%	39.26%
Puget Energy, Inc.	669,739.33	515,348.00	665,528.67	608,117.67	3.27x	2.56x	2.73x	2.49x	13.61%	9.60%	11.33%	10.78%	11.15%	7.66%	9.33%	9.73%	51.90%	54.75%	57.03%	55.32%
SCANA Corporation	588,281.25	975,041.67	868,308.33	857,308.33	3.19x	4.66x	4.05x	3.99x	11.90%	19.83%	16.08%	15.39%	7.16%	14.89%	11.38%	10.80%	51.90%	48.76%	49.56%	49.72%
Sempra Energy	2,220,333.33	2,177,666.67	2,204,333.33	2,227,333.33	4.95x	4.86x	4.73x	4.72x	22.00%	19.91%	17.49%	17.05%	18.53%	16.49%	13.93%	13.46%	48.86%	50.27%	51.63%	52.15%
Southern Company (The)	4,150,429.00	4,636,871.33	5,369,333.33	5,272,598.33	4.44x	5.25x	6.27x	6.19x	18.75%	20.82%	22.79%	21.70%	12.27%	13.81%	15.72%	14.74%	49.77%	47.36%	46.24%	46.72%
TECO Energy, Inc.	652,033.33	725,166.67	791,500.00	777,300.00	3.66x	3.96x	4.68x	4.65x	17.97%	21.09%	23.89%	23.78%	13.27%	15.99%	18.34%	18.05%	63.50%	60.49%	57.81%	57.54%
UIL Holdings Corporation	172,512.67	256,391.33	288,001.67	298,511.67	4.17x	4.52x	3.34x	3.45x	18.09%	12.62%	13.38%	14.01%	13.09%	10.07%	9.32%	9.91%	52.94%	58.75%	59.35%	58.43%
UNS Energy Corporation	364,567.33	335,722.00	353,514.00	343,494.00	4.45x	4.08x	4.11x	3.99x	19.61%	17.56%	17.50%	17.39%	17.38%	14.60%	14.43%	14.21%	65.52%	63.97%	62.96%	61.16%
Westar Energy, Inc.	520,769.33	666,375.33	672,022.00	633,389.00	3.67x	4.38x	4.42x	4.21x	14.87%	19.10%	18.48%	16.64%	11.36%	15.34%	14.63%	12.79%	51.99%	49.81%	48.18%	49.40%
Wisconsin Energy Corporation	988,612.50	988,812.50	1,226,312.50	1,209,412.50	4.98x	4.82x	5.70x	5.75x	19.49%	19.24%	23.08%	23.30%	16.23%	15.45%	18.38%	18.33%	52.11%	50.39%	47.86%	46.50%
Xcel Energy Inc.	1,861,908.67	2,124,362.67	2,431,303.33	2,528,714.33	4.15x	4.72x	5.11x	5.23x	19.86%	20.47%	19.01%	19.59%	15.27%	16.23%	15.24%	15.83%	46.86%	47.05%	50.36%	50.11%

Source: Moody's Financial Metrics

Appendix C – Natural Gas Exposure by Company

Company Name	% of Nat Gas Capacity as % of Total Capacity	% of MWh Produced by Nat Gas out of Total MWh : 2010	% of MWh Produced by Nat Gas out of Total MWh : 2011
NV Energy	57.6%	74.5%	76.9%
Sempra Energy	29.7%	73.7%	55.4%
NextEra Energy Inc.	30.0%	45.6%	51.6%
OGE Energy Corp.	48.9%	38.2%	37.0%
Cleco Corp.	51.4%	51.8%	35.8%
Southern Co.	30.6%	23.0%	27.9%
Entergy Corp.	53.9%	22.7%	24.5%
CMS Energy Corp.	40.5%	14.0%	19.0%
Xcel Energy Inc.	37.6%	15.0%	18.9%
Pinnacle West Capital Corp.	43.5%	17.6%	18.2%
Dominion Resources Inc.	29.0%	12.0%	16.9%
PNM Resources Inc.	23.6%	21.9%	15.7%
NiSource Inc.	15.8%	10.0%	14.9%
UNS Energy Corp.	32.8%	15.4%	14.4%
PG&E Corp.	11.4%	11.2%	14.0%
Edison International	12.4%	15.2%	11.4%
American Electric Power Co.	21.5%	7.6%	10.7%
Duke Energy Corp	25.8%	6.5%	9.9%
SCANA Corp.	19.3%	8.6%	9.1%
Westar Energy Inc.	38.4%	7.4%	8.8%
MidAmerican Energy Holdings Co	19.5%	7.2%	5.6%
Alliant Energy	37.0%	4.4%	4.5%
TECO Energy Inc.	55.4%	1.9%	3.5%
Madison Gas and Electric Co.	45.3%	1.9%	1.4%
Great Plains Energy	23.1%	1.2%	1.2%
Ameren Corp.	26.5%	1.1%	1.2%
DTE Energy Co.	15.3%	1.4%	1.0%
Integrys Energy Group Inc.	24.2%	0.8%	0.8%
IDACORP Inc.	17.3%	1.1%	0.8%
PPL Corp.	22.4%	0.6%	0.7%
Black Hills Corp	57.7%	1.7%	0.5%
Wisconsin Energy Corp.	21.6%	0.4%	0.2%

Source: SNL