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Credit Opinion: Interconexion Electrica S.A. E.S.P.

Global Credit Research - 08 Oct 2015

Colombia

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2

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Key Indicators

[1]**Interconexion Electrica S.A. E.S.P.**

	2009	2010	2011	2012	2013
(FFO + Interest) / Interest	3.1x	4.5x	3.1x	3.7x	5.0x
FFO / Debt	20.9%	21.7%	11.8%	20.7%	26.0%
Debt / Fixed Assets	74.1%	76.6%	87.7%	75.8%	72.9%
RCF / Debt	12.1%	12.4%	2.7%	7.1%	14.6%

[1] All ratios calculated in accordance with the Global Regulated Electric and Gas Networks Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Ownership structure

- New 2020 Corporate Strategy is credit positive while reorganization of the Colombian transmission operations is credit neutral

- Relatively transparent regulatory framework and limited volumetric exposure underpin cash flows

- Group's foreign subsidiaries have limited impact on the rating

- Prudent financing of growth initiatives

- Credit metrics expected to weaken but remain commensurate with the rating category

Corporate Profile

Headquartered in Medellin, Interconexion Electrica S.A. E.S.P. (ISA) is the largest electricity transmission company in Colombia (Baa2 stable). Since 2014, INTERCOLOMBIA S.A. E.S.P. (NTERCOLOMBIA), a 100%--owned subsidiary, has operated and maintained the Colombian owned transmission assets and has provided said services and engineering to third parties. Its current market share approximates 71.4% in terms of income generated in the Interconnected National Transmission System (STN). These operations are subject to the purview of the Comision de Regulacion de Energia y Gas (CREG).

The company also holds direct and indirect ownership-stakes in a portfolio of power transmission subsidiaries including the 99.99% owned Colombian Transelca and ISA Bolivia as well as the 66.86% owned (excluding preferred stock) in ISA Capital do Brasil. The latter controls 89.5% of the common voting stock (38% of the capital stock) of the Brazilian Companhia de Transmissao de Energia Electrica Paulista (CTEEP).

In Peru, it holds direct and indirect ownership stakes in ISA Peru (100%), Red de Energia del Peru (60%) and Consorcio TransMantaro (60%; Baa3 stable) whose collective market shares currently aggregates 65%. ISA further holds directly or indirectly a 100% interest in Interchile that following its incorporation in 2013 is pursuing four transmission projects in Chile. Other ISA's subsidiaries include Interconexion Electrica Colombia-Panama (50% interest) and Compania de Expertos en Mercados XM (the Colombian coordinator of power operations; 99.7% stake in).

The group also renders telecommunication data transport services via optic fiber in Colombia, Peru, Venezuela, Chile, Brazil, Argentina and Ecuador through its subsidiaries Internexa and Transnexa. The group's operations further include five concession toll-roads held via Intervial Chile (with ISA's indirect ownership in the concessions ranging between 75% and 100%).

The Colombian government is ISA's majority shareholder (51.41% ownership-stake). Other major shareholders include Empresas Publicas de Medellin E.S.P. (10.17%), Ecopetrol (5,32%) and Empresa de Energia de Bogota (1.67%). The balance of 31.44% is publicly held including institutional investors (18%). Similar to other publicly controlled entities, ISA is subject to fiscal control under the General Nacional Accounting Authority, and requires approval from the Colombian Ministry of Finance (Ministerio de Hacienda y Credito Publico) to incur new debt or provide guarantees.

As of June 30, 2015, ISA reported consolidated assets, indebtedness and Last Twelve Month cash flows of operations (CFO) around US$10.2 billion, US$4.1 billion, and US$667 million, respectively. ISA ceased to publish quarterly standalone financial statements following the reorganization of its transmission operations in Colombia. At year-end 2014, ISA's standalone assets, CFO (excluding subsidiaries' dividends) and indebtedness (excluding subsidiaries' intercompany-loans) represented around 38%, 35.3% and 15% of the consolidated assets, CFO and indebtedness, respectively.

Rating Rationale

Because the Colombian government is ISA's majority shareholder, ISA falls under the scope of Moody's rating methodology for Government-Related Issuers (GRIs). As explained later this methodology incorporates four components, namely (i) sovereign rating of Colombia (Baa2 stable), (ii) Moody's assessment of a medium probability of extraordinary support from the sovereign, (iii) high level of dependence, as well as (iv) ISA's Base Credit Assessment (BCA) of baa2, based on a scale of aaa to c in which aaa indicates the highest credit quality.

ISA's BCA is a representation of its intrinsic creditworthiness before taking into account possible extraordinary support from the sovereign. The BCA factors the leading position of its transmission operations in Colombia, their limited volumetric exposure, the low business risk profile of these operations as well as the lack of credit implications from the implementation of the reorganization of its Colombian operations. The rating factors that the implementation of the 2020 Corporate Strategy has helped improve the group's profitability while it assumes ISA will further contribute to a disciplined expansion as the group pursues significant growth opportunities in Colombia, and other regional countries with transparent regulatory frameworks. The rating acknowledges the importance of the group's foreign subsidiaries but the uplift is modest given these subsidiaries' limited ability to distribute dividends in the wake of their material investment programs and debt repayment obligations. The rating assumes sufficient financial and operational separateness between ISA and most of these subsidiaries, particularly the operations in Brazil and Chile.

The rating assumes these investments will be funded in a prudent fashion and that the outcome of the ongoing transmission tariff review process in Colombia will be overall credit supportive such that ISA will be able to further record credit metrics that remain commensurate with the Baa-rating category. Further key factors tempering the rating include ISA's material dependence on the capital markets to meet unexpected cash flow shortfalls albeit its current debt maturity profile is considered manageable. The rating also considers the group's limited foreign currency exchange rate risk.

DETAILED RATING CONSIDERATIONS

OWNERSHIP STRUCTURE

The Colombian government does not guarantee ISA's debt obligations, and there is no evidence that this could change in the future; however, we believe that there is a "medium" likelihood of government support in the case of distress for several reasons including the current 51.41% ownership stake and the strategic importance of the company's operations for the country's economy. Our estimate of "high" default dependence reflects the significant degree to which Colombia is exposed to the same risks as those that would affect the credit quality of ISA's domestic operations, and our expectation that there is an elevated likelihood that the government and ISA would default simultaneously due to common risk factors.

2020 CORPORATE STRATEGY FOCUS ON PROFITABILITY IS CREDIT POSITIVE

ISA's 2020 Corporate Strategy's strives to expand the group's footprint while focusing on improving the profitability and efficiency of its core businesses. It targets to triple its consolidated profits by 2020 by bidding in process where it can generate high returns as well as by capturing opex savings. We note that at year-end 2014 ISA recorded a consolidated operating margin of 47.9%. This represented a reverse of the declining trend registered over the last several years by exceeding the 46.5% level registered at year-end 2012 (2013: 43.1%), a credit positive.

Management has targeted to capture procurement synergies given the group's significant investment programs in Colombia, Brazil, Peru and Chile while has adopting a portfolio approach when evaluating new investment opportunities. Despite being pre-qualified ISA has not participated in any of the toll-road projects currently auctioned in Colombia; however, it has not excluded participating in the fourth wave. ISA believes it could leverage the knowledge acquired over the last several years at its Chilean toll operations. Possible partnerships into its bids could reduce the risks and financial burden. This is a credit positive which has been used previously in other endeavors. For example, ISA's subsidiary, INTERNEXA, executed an agreement with the Brazilian subsidiaries of the International Finance Corporation (IFC; Aaa, stable) and the investment fund manager (IGF) to participate in the financing and structuring of telecommunications and IT projects in Brazil. To that end, the subsidiary INTERNEXA Participacoes will receive capital contributions that will initially aggregate up to US$50 million. Also, Empresas de Energia de Bogota S.A.. E.S.P. (EEB) holds a 40% minority equity interest in ISA's Peruvian transmission subsidiaries, REP and CTM.

REORGANIZATION OF COLOMBIAN TRANSMISION OPERATIONS IS CREDIT NEUTRAL

The implementation last year of the reorganization of the Colombian transmission operations required approvals from bondholders, shareholders and regulatory authorities. ISA capitalized INTERCOLOMBIA with cash and in-kind contributions aggregating over US$30 million. Importantly, it also arranged with the system's grid operator, XM, a cash flow split wherein INTERCOLOMBIA and ISA will directly receive 20% and 80% of the scheduled transmission remuneration, respectively. The split of cash flows allows INTERCOLOMBIA to recover its operational costs while it up-streams any excess cash flows (2014: around US$7 million). Not forcing ISA to completely rely on INTERCOLOMBIA's dividends helps to mitigate structural subordination considerations.

This is a material credit positive particularly considering that ISA has retained all the outstanding indebtedness (at the end of June 2015 around US$656 million) related to the Colombian transmission business. ISA will also incur any indebtedness required to fund any new investment initiatives won under public bids auctioned by the Colombian Unidad de Planeacion Minero Energetica (UPME), the special administrative body of the Ministry of Mines and Energy (MME). Although INTERCOLOMBIA will undertake the construction of any new transmission facilities, no indebtedness is expected to be issued at INTERCOLOMBIA.

On a less positive note this reorganization somewhat limits the comparability of ISA's historical standalone financial performance on a standalone basis to assess the effects of the implementation of the 2020 Corporate Strategy on these operations.

OUTCOME OF CREG's ONGOING TRANSMISSION TARIFF-REVIEW EXPECTED TO BE CREDIT SUPPORTIVE

The visibility of ISA's operational cash flows is a positive from a credit perspective, as they enhance the company's ability to service its outstanding indebtedness. Its transmission assets are long lived, with relatively low operating risk along with high historical availability factors (around 99.9%) and low energy losses (0.01%). Despite efforts to eliminate barriers to entry, the top five transmission companies in Colombia (total of nine) account for over a 90% market share with ISA and Transelca accounting for around 80% for the foreseeable future. The very limited volumetric exposure of their remuneration is another credit positive. We further observe that transmission charges are also linked to inflation but lack adjustments for changes in the exchange rate (USD/local currency) as is the case in other jurisdictions, a credit negative.

Transmission assets that became operational before 2000 still account for the bulk of its asset base The tariffs associated with ISA's assets that became operational before 2000 were set in 2009 and are premised on a 11.5% weighted average cost of capital (WACC) to be applied on the assets new replacement value (VNR). These tariffs are subject to CREG's review every five years; however, CREG's changes to the methodologies to set the WACC and new tariffs have resulted in outcome delays. Most stakeholders anticipate a revision downward of the WACC to reflect the lower country-risk premium but its effect could be offset by certain factors considered under the new methodology. The CREG's proposed changes in the electric tariff methodology (for distribution and transmission companies) are more significant and include consideration of using the optimized depreciated value of the asset base instead of the VNR in order to incentivize investments. This adds some uncertainty regarding the financial impact of this current tariff review on the electric transmission and distribution companies, a credit negative. The outcome is now expected during 2016. We understand that CREG is considering the stakeholders' feedback and inputs before making a final decision, a credit positive. This approach supports our view of the overall credit supportiveness of the Colombian regulatory environment and the relationship of CREG with the utilities. In our opinion, even though still subject to further development this framework has been in place for over fifteen years, albeit still subject to changes, and compares well to those in other Latin American countries in terms of predictability and transparency.

During 2014, ISA commissioned eight projects including the Sogamoso transmission project that was commissioned in August 2014 (initial date: June 2013). It further won last year three new projects (annual revenue: US$21 million). ISA has earmarked investments in excess of over US$750 million over the next three years (2015: US$189 million). The rating assumes it will continue participating in new transmission initiatives in Colombia. For example, projects with total reference value of US$260 million were identified in UPME's latest Expansion Plan. The latter coordinates the public tender process to allocate these projects. The remuneration of these assets (commissioned after 2000) are subject to the winning bid terms for the first 25 operational years which includes estimated annual revenues in USD along with Administration, Operation and Maintenance expenses, and the opportunity costs of the capital invested. After 25 years, these assets will be subject to the CREG's transmission charges (pre-2000 assets) and tariffs reviews.

On a less positive note, similar to other countries in LatAm, transmission projects in Colombia are facing challenges to attain rights of way, easements and environmental permits. However, we also observe the increased involvement of the Colombian authority for environmental licenses (ANLA) that was created in September 2011 to enhance the decision making process to attain such authorizations for key projects. If the project's sponsor manages to prove that the delay should be considered a Force Majeure outside of its control, the MEM will approve the extension of the completion deadline, a credit positive. We understand this was the case with the Sogamoso transmission project mentioned earlier. Nevertheless, we consider a credit weakness that damages caused by terrorist attacks are not considered Force Majeure. Last year, 57 towers (2012: 88) were attacked with associated recovery costs of around US$5 million. That said, the company is compensated via tariffs for the costs associated with repairing the attacked transmission assets that became operational before 2000, while the resulting costs for the post-2000 assets are considered in the submitted bid. It should be noted that the company has been able to cope with these attacks without any major consequences on the electric services in the country.

DIVERSIFICATION BENEFITS....

ISA's rating recognizes the size and the diversification benefits associated with the group's operations outside of Colombia particularly those in Brazil (debt 2Q2015: around US$666million or 16.2% of the consolidated debt; out of which 40.5% and 44.3% were outstanding at CTEEP and ISA Capital, respectively), Peru (debt: US$864 million; 21% of the consolidated debt) and Chile (debt: US$1.75 billion; 42.5%). For 2014, their contribution to the group's EBITDA (without adjustments for minority interests) represented 11.3% (Brazil), 14.7% (Peru), 34.4% (Chile), respectively.

ISA's ratings consider the overall modest but growing dependence on the dividends received from its other subsidiaries to service its debt. These dividends still represent less than 30% of the operating cash flows (Moody's CFO calculations considers interest expenses and income as well as dividends received). For example, during 2014 these accounted for around 30% of ISA's operating cash flows on a standalone basis; however, the Colombian subsidiaries are still expected to account for the bulk of these dividends, particularly Transelca that last year almost doubled its distributions (2014: US$54 million; 2013: US$29 million) accounting for around 74% of the total cash upstreamed. We also note that ISA uses intercompany loans to release cash trapped at its subsidiaries. These approximated US$150 million at year-end 2014, mainly from Transelca (around US$112 million), Internexa (around US$13 million), and ISA do Brasil's (about US$24 million). The maturity of the latter is now December 2016 (previously December 2014) while Transelca's loans to its parent company are scheduled to mature between October 2022 and 2027. ISA also reported at year-end 2014 outstanding receivables with some of this key subsidiaries (Transelca: around US$25 million) while also using intercompany shareholder loans to help some of its international subsidiaries fund their capex programs (

ISA Maule: $108 million).

...BUT LIMITED RATING CONSIDERATIONs FROM THE FOREIGN OPERATIONS

We consider the Peruvian subsidiaries in our analytical assessment of ISA given the company's equity contributions and guarantees (proportionate to its ownership interest) provided to lenders to fund the current construction works of CTM if they are unable to complete them. This remains a key consideration in CTM's rating as detailed in its Credit Opinion published on our website. However, we anticipate dividends from Peru, particularly from CTM, will remain modest before 2017. In Peru, the group's current backlog of projects approximates US$700 million.

ISA has also provided guarantees for financial arrangements executed by EPR until 2027 (year-end 2014: US$36.4 million) and Internexa (US$32.8 million; until 2017) while also pledging its shares in ISA Bolivia (around US$10 million until 2019) and REP (US$47 million until 2031) as debt service guarantees. It is our understanding that ISA does not plan to provide any significant additional guarantees on behalf of its existing telecommunication and transmission subsidiaries.

ISA continues pursuing new growth opportunities in the Chilean transmission and toll-road sectors. These projects are also awarded under public auctions organized by the authorities. In 2012 and 2014, ISA won three transmission projects (about 917km networks) with estimated construction time of five years. We understand that the bulk of the capex (around US$1 billion) started this year and is expected to peak during 2016 (over US$400 million) before scheduled completion in 2017. The projects' annual revenues during the first twenty years are expected to approximate US$80 million; thereafter, the projects will be subject to regulated transmission tariffs, a credit positive. Given the transparency and stability of the Chilean regulatory framework and ISA's expertise in the transmission sector, we believe these investments are credit positive although not without risks given the social and environmental opposition in Chile to new transmission projects. That said, we understand that ISA is making progress in attaining the rights of way, a credit positive, and that its completion schedule incorporates some leeway to cope with the inherent risks associated with these types of projects.

We also acknowledge the investment-grade ratings of the indebtedness incurred to fund portions of three out of its five existing toll road concessions, namely Ruta del Maipo (Baa3; Stable), Ruta Maule (Baa3; Stable) and Ruta del Bosque (Baa3; Stable). The remaining two toll roads are not publicly rated; however, ISA's rating incorporates the expectation that any dividends received from the Chilean toll-road concessions are subject to a distribution test and will be largely used to fund growth initiatives (identified opportunities: US$500 million) as well as to repay the outstanding intercompany loan granted to ISA Inversiones Maule (current balance around US$108 million) to help fund the acquisition in 2011 of the 40% minority ownership interest (total consideration US$211 million).

ISA's rating also takes into consideration that it does not rely on cash up-streams from its Brazilian operations despite the intercompany loan from ISA Brasil mentioned earlier, and that it does not intend to make any equity-contributions to aid in the funding the substantial capex programs of CTEEP's subsidiaries. Following the accelerated renewal of the concession contract 059-2001 in January 2013, CTEEP's operational cash flows declined materially (around a 70% revenue reduction) so as to recover only the O&M expenses incurred plus a fee which has reduced its ability to make any material dividend distributions. ISA's rating anticipates that ISA Capital do Brasil will use any dividends received to make payments on the outstanding amounts under the bonds tendered but not redeemed (around US$30 million) as well as redeemable preferred stock issued in 2010 (BRL 816.7 million equal to around US$200 million) due in 2020. We further consider that ISA is not exposed to cross-default clauses to any of the indebtedness incurred by CTEEP to support our opinion about the sufficient degree of operational and financial separateness that exists between ISA and CTEEP's activities. ISA's rating assumes that CTEEP and ISA Capital do Brasil will be able to fully repay their outstanding financial obligations; however, we also believe that some reputational risk could incentivize ISA to provide financial support to its Brazilian subsidiaries should their available cash become insufficient to repay the maturing debt. We understand that CTEEP is still expecting the last installment of the BRL1.4billion balance that was not paid upfront in 2013 out the BRL2.9 billion compensation for the early renewal of CTEEP's transmission assets (after May 2000). On a positive note, the delayed payment will be adjusted to reflect the National Wide Consumer Price Index (IPCA) plus WACC. CTEEP has earmarked these amounts to repay its outstanding debt due also this year. The compensation value for the transmission assets that started operating before May 2000 is still pending, a credit negative factored in our view of the Brazilian regulatory environment. The rating assumes the value will be set shortly and will suffice to at least repay CTEEP's outstanding indebtedness. That said, the recovery is likely to occur embedded in tariffs and during the balance of the concession period, a credit negative. As mentioned earlier, ISA plans to continue growing its operations in Brazil (including via partnerships) and to that end has earmarked over US$700 million in potential capital outlays.

CREDIT METRICS EXPECTED TO REMAIN COMMENSURATE WITH THE RATING CATEGORY

As depicted in the grid above ISA has historically continued to report key credit metrics that are commensurate with the Baa-rating category according to the guidelines provided under the Regulated Electric and Gas Networks methodology published in October 2014. ISA's rating assumes that the outcome of the ongoing tariff review in Colombia will be credit supportive although it may result in a rate-reduction that will not be material enough to significantly jeopardize ISA's financial integrity. The rating also assumes that the group's profitability will continue benefiting from the 2020 Corporate Strategy and that new investments will be funded in a prudent fashion. It also assumes that its target payout ratio will not exceed 70% of its distributable net income. Importantly, the BCA anticipates a deterioration in ISA's standalone credit metrics as the company incurs new indebtedness to fund these new projects but also assumes that they will remain well positioned within the Baa-rating category. Specifically, its 3-year average Funds from Operations(FFO) to debt, interest coverage and Retained Cash Flow (RCF) to debt are expected to hover around the mid-teens, and exceed 3.5x and 7%, respectively. We also gain additional comfort from the incurrence test included in the company's financing documentation that requires that net debt to EBITDA remain below 4x. This places limits on ISA's ability to incur incremental debt in the absence of any additional supporting EBITDA generation, a credit positive.

In 2015, ISA started preparing its financial statements according to international financial reporting standards. We understand that most of the changes do not affect our key credit metric calculations except for the requirement to record under financial indebtedness certain leases (modest impact) as well as on the consolidated financial statements ISA Capital do Brasil's preferred equity stock obligations (previously recorded under minority interests).

Liquidity Profile

ISA's rating is tempered by its reliance on the capital markets to fund its capital requirements and to meet unexpected cash shortfalls in the absence of any committed credit facilities. Historically, this weakness has been somewhat offset by ISA's material balances of cash and marketable securities. At the end of June 2015, ISA reported cash and short-term investments on a consolidated and standalone basis approximately US$728 million and US$274 million, respectively.

We understand that at year-end 2015 ISA will maintain at least over US$50 million of cash and short-term investment balances despite a significant use this year to help fund its capital requirements (over US$200 million) which includes equity contributions to its subsidiaries but also debt repayments (total maturities in 2015 of around US$35 million). The rating also considers ISA's debt maturity profile that will remain manageable with less than US$15 million due before year-end, followed by about US$100 million and US$50 million in 2016 and 2017, respectively.

Rating Outlook

The stable outlook of ISA's baa2 BCA and Baa2 Issuer rating reflects Moody's expectation for continued, predictable cash flow generation from its core Colombian transmission businesses, along with the prudent management of the group's capital expenditure programs for all its foreign subsidiaries. The stable outlook also factors in our expectation that future growth will be pursued only in regulated businesses and that those investments will be appropriately funded such that ISA continues to report metrics that are commensurate with the Baa rating category according to the guidelines provided in Moody's regulated networks' methodology.

What Could Change the Rating - Up

Upward rating pressure on ISA's rating is unlikely given that the Colombian government's sovereign rating is Baa2 with a stable outlook. Moreover, the rating is constrained by the expected deterioration of its key credit metrics albeit they are expected to remain commensurate with the Baa-rating category.

What Could Change the Rating - Down

ISA's BCA and/or Issuer rating could be downgraded as a result of a perceived deterioration in the credit supportiveness of the Colombian regulatory framework. A negative rating action could be also be triggered if our key assumption regarding the smooth and steady progress of its foreign subsidiaries' new growth initiatives, particularly in Peru and Chile, is not proven to be correct. A downgrade could also occur if leverage ends up being higher than currently expected or by a material deterioration in the credit metrics. Specifically, if its 3-year average FFO to debt, interest coverage and RCF to debt were to fall below 12.5%, 3.0x, and 7%, respectively, on a sustainable basis.

Other Considerations

Management's foreign exchange rate risk policy strives to optimize the natural hedge associated with the group's operations such that the debt currency breakdown reflects the expected revenue streams. In this regard, over 90% of ISA's outstanding standalone debt is denominated in Colombian pesos with indebtedness in USDs accounting for the reminder. In addition, around 75% of ISA's indebtedness denominated in Colombian Pesos is indexed to the Consumer Price Index to hedge against inflation variations.

We evaluate ISA's BCA mainly relative to Moody's Regulated Electric and Gas Networks methodology that was published in October 2013. As depicted in the grid below, the issuer's indicated BCA rating based on both historical and projected credit metrics is Baa2, the same rating as its currently assigned BCA.

Rating Factors

Interconexion Electrica S.A. E.S.P.

Regulated Electric and Gas Networks [1][2]	**12/31/2013**		**Moody's 12-18 month Forward View* As of August 2014**	
Factor 1: Regulatory Environment and Asset Ownership Model (40%)	**Measure**	**Score**	**Measure**	**Score**
a) Stability and Predictability of Regulatory Regime		Baa		Baa
b) Asset Ownership Model		Aa		Aa
c) Cost and Investment Recovery		Baa		Baa
d) Revenue Risk		Aa		Aa
Factor 2: Efficiency and Execution Risk (10%)				
a) Cost Efficiency		Baa		A
b) Scale and Complexity of Capital Programme		Baa		Baa
Factor 3: Stability of Business Model & Financial Structure (10%)				
a) Ability & Willingness to Pursue Opportunistic Corp. Activity		B		Baa
b) Ability & Willingness to Increase Leverage		Baa		Baa
c) Targeted Proportion of Op. Profit outside Core Reg. Activities		B		A
Factor 4: Key Credit Metrics* (40%)				
a) (FFO+ Int exp) / Int exp (3 Year Avg)	4.7x	A	3.5x-5.0x	A
b) Debt / Fixed Assets (3 Year Avg)	78.8%	Ba	60 - 75%	Baa
c) FFO / Debt (3 Year Avg)	19.5%	A	15 - 22%	A
d) RCF / Capex (3 Year Avg)	1.2x	Baa	<0.5x	B
Rating:				
Indicated BCA Rating from Grid		baa2		baa2
Actual BCA Assigned		baa2		baa2

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE

VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2013; Source: Moody's Financial Metrics

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.