Appendix D

Credit Rating Reports

The following documents are referenced in Section 5.0 Capital Structure and Financing. They are listed in the order they appear in the document.

Attachment 1	S&P Research Update: Emera Inc., Subsidiary Nova Scotia Power Inc. Ratings Lowered to 'BBB' Off Watch, June 21, 2006
Attachment 2	Moody's Investors Service, Rating Action, October 11, 2005
Attachment 3	S&P Industry Report Card: Canadian Utility Sector, February 1, 2006
Attachment 4	DBRS Research Update: Emera Inc., Confirms at BBB (high), May 16, 2006
Attachment 5	DBRS Press Release: Nova Scotia Power Inc. "Under Review with Negative Implications", October 30,2002

Attachment 1 S&P Research Update: Emera Inc., Subsidiary Nova Scotia Power Inc. Ratings Lowered to 'BBB' Off Watch, June 21, 2006

STANDARD &POOR'S RATINGSDIRECT

RESEARCH

Research Update: Emera Inc., Subsidiary Nova Scotia Power Inc. Ratings Lowered To 'BBB', Off Watch

Publication date: 21-Jun-2006
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Credit Rating: BBB/Stable/--

Rationale

On June 21, 2006, Standard & Poor's Ratings Services lowered its long-term corporate credit on Nova Scotia-based Emera Inc. (Emera) to 'BBB' from 'BBB+'. At the same time, the debt ratings on Emera were lowered to 'BBB-' from 'BBB' and the long-term corporate credit and senior unsecured debt ratings on Nova Scotia Power Inc. (NSPI), Emera's regulated electric utility subsidiary, were lowered to 'BBB' from 'BBB+'. The ratings on NSPI's preferred shares were lowered to 'BB+' from 'BBB-'. The ratings were removed from CreditWatch with negative implications, where they were placed March 10, 2006. The outlook is stable.

The ratings action reflects an expectation that the company's historically weak cash flow metrics will not materially improve in the next several years given: no assurance of full recovery of fuel-related expense under the current regulatory framework; an evolving fuel procurement strategy; and upcoming challenges related to the approval, financing, and execution of several proposed capital projects.

The ratings on Nova Scotia-based Emera and NSPI are based on the consolidated business and financial risk profile of the parent, Emera, based on Standard & Poor's consolidated rating methodology. The ratings reflect Emera's vertically integrated utility operations and monopoly electricity distribution and transmission activities, regulated cash flows, and largely residential and commercial customer base. Offsetting these strengths are a moderate financial profile, absence of a timely fuel cost recovery mechanism for NSPI, some exposure to higher risk activities such as energy trading, and a strategy for growth through acquisition.

Emera is a utility holding company based in Halifax, N.S. The ratings on Emera are supported by the average business risk profile of regulated, Canada-based NSPI and above-average business profile of its regulated, U.S.-based Bangor Hydro-Electric Co. (BHEC; unrated). Together, these utilities generate approximately 95% of Emera's cash flow and represent a similar percentage of its assets. NSPI is a vertically integrated electric utility and accounts for about 75% of consolidated assets and 85% of Emera's funds from operations (FFO). NSPI benefits from its monopoly position as the principal electricity supplier in the Province of Nova Scotia. BHEC is a regulated utility that provides low-risk transmission and distribution services to about 110,000 customers based in southeastern Maine.

Emera's predominantly regulated cash flows are underpinned by cost of service regulation that is generally supportive of credit quality and allows NSPI to earn an ROE of between 9.3% and 9.8% on a deemed equity layer for the purpose of ratemaking of 37.5%. The regulation allows the subsidiary to maintain an equity layer of up to 40% without penalty. Although electricity rates are subject to approval by the UARB, the utility is not subject to an annual review process by the regulator. Regulated cash flows from BHEC are supported by regulation under the Maine Public Utilities Commission that provides for an earnings band for its distribution business of 5%-17% ROE, beyond which there is a sharing mechanism with customers. Although rates are set at the midpoint based on an ROE of 11%, they also have a built-in average annual distribution rate reduction of 2.5% per year from 2003-2008. Almost 40% of BHEC's electricity rates relates to stranded cost recovery, highlighting a

supportive regulatory regime.

Regulated utility customers provide a solid revenue base with modest growth. About two-thirds of Emera's 582,600 regulated electricity customers serviced by NSPI and BHEC are residential and small commercial customers, whose electricity demand is typically less adversely affected by economic downturns. Furthermore, about 70% of Emera's regulated sales revenues are derived from NSPI's and BHEC's diversified residential and commercial customer base at regulated prices, thus providing a backdrop of stability for Emera's regulated cash flows. In the past five years, Nova Scotia's economy, with real GDP growth averaging 3.5% per year, has been generally in line with the Canadian national average annual growth rate. Forecast real GDP growth of slightly more than 2.0% is expected in 2006 for Nova Scotia. The strength of the province's economy, however, is largely dependent on the performance of the U.S. and Canadian economies and on conditions prevailing in offshore oil and gas development and exploration. Organic growth opportunities, however, are limited in the mature markets of Nova Scotia and Maine, and the growth in Emera's total number of customers has averaged about 1% per year since 2002.

Emera's financial profile is satisfactory for the ratings given lower-than-expected rate increases in 2005 and 2006 at NSPI and no assurance of full recovery of uncertain fuel costs in the medium term. Furthermore, the company's fuel expense is somewhat offset and its cash flow mildly enhanced by the proceeds from the resale of contracted gas supply that are exposed to commodity risk and are not considered sustainable. On a consolidated basis, adjusted FFO interest coverage in 2005 improved marginally to 3x from 2.8x in 2004. FFO-to-average total debt remained unchanged as compared with 2004, at about 14%. Leverage as measured by total debt-to-total capital was 55%, similar to 2004. The current ratings are premised on further marginal improvement in 2006 with FFO interest coverage reaching 3.2x and FFO-to-average total debt 16%.

Emera continues to face significant risk regarding the timeliness and certainty of the recovery of NSPI's fuel costs. A negative for the credit is the exposure of NSPI's cash flows to increased variances between actual fossil fuel costs and the fuel expense recognized in the setting of the utility's regulated rates. Not only is there an absence of any mechanism by which fuel cost variances can be mitigated after the fact, the utility's fuel procurement process and hedging strategy have not been approved by the regulator. Although the regulator had indicated in its March 2005 decision that a fuel cost protection mechanism might be considered, its effectiveness and timeline for implementation remain unknown as NSPI did not request a fuel cost protection mechanism in its 2006 rate application filed in July 2005. Delays and prolonged recovery of approved regulatory costs (taxes and depreciation) also contribute to NSPI's satisfactory financial profile.

Although Emera's involvement in unregulated business activities represents a relatively small contribution to overall cash flows, these regulated and higher risk activities marginally weaken the overall business profile of Emera. Furthermore, the company's current growth strategy is based on acquisitions of price competitive merchant generation as well as regulated transmission and distribution utilities of a manageable size. In keeping with this strategy, in 2004 the company acquired, in partnership with Brookfield Power Inc. (BBB/Stable/A-2), two small run of the river hydroelectric generators and a larger pump storage facility in New England. Emera also intends to develop the recently announced Brunswick pipeline for approximately US$300 million that is expected to deliver natural gas under contract to Repsol YPF S.A. (BBB+/Watch Neg/A-2) from a proposed liquefied natural gas terminal in New Brunswick to the Maritimes and Northeast pipeline system at the U.S. border. Contribution to cash flow from these facilities of about C$3 million is expected in 2006, but will not provide meaningful support to key credit metrics.

Liquidity

Standard & Poor's assesses Emera's liquidity to be adequate given the company's expected cash flow generation, its available bank facilities, and its ability to access capital markets through its existing MTN shelf programs at both the holding and operating company levels. On a consolidated basis, expected FFO in 2006 should be sufficient to meet expected capital expenditures and dividend payments. At year-end 2005, in support of its unregulated activities, Emera had access to debt capital through C$600 million in credit facilities, of which C$530 million remained available, as well as through a C$300 million MTN shelf that expires in April 2007. Emera's

consolidated lines of credit meet the company's operating needs and provide liquidity support to Emera's proprietary trading activities. At the subsidiary level, NSPI has an additional C$400 million bank facility that serves to backstop its C$400 million CP program, of which C$274 million had been issued as of March 31, 2006. At quarter-end, NSPI had issued C$9.6 million in LOC from its C$100 million operating facility and BHEC had access to US$21 million from its bank lines of US$70 million. There was also C$150 million of remaining capacity on NSPI's C$400 million MTN shelf that expires in April 2007.

Outlook

The outlook on Emera and its subsidiary NSPI is stable, reflecting an expectation that the company's key credit metrics will continue to improve marginally in the next two to three years. A negative rating action could result if the expected progress in the next two years toward improving NSPI's sustainable credit metrics and toward reducing cash flow exposure to uncertain cost recovery is not achieved. A significant, largely debt-funded acquisition could also strain the rating. A positive rating action would require further, sustainable improvement in key cash flow credit metrics with no increase to the company's overall business risk profile.

Ratings List

Ratings Lowered And Removed From CreditWatch

	To	From
Emera Inc.		
Corporate credit rating	BBB/Stable/--	BBB+/Watch Neg/--
Senior unsecured shelf debt (prelim)	BBB-	BBB/Watch Neg
Nova Scotia Power Inc.		
Corporate credit rating	BBB/Stable/--	BBB+/Watch Neg/--
Senior unsecured debt	BBB	BBB+/Watch Neg
Preferred shares		
Global scale	BB+	BBB-/Watch Neg
Canadian national scale	P-3(High)	P-2(Low)/Watch Neg
Commercial paper		
Canadian scale	A-2(Cdn)	A-2(Cdn)/Watch Neg

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

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Attachment 2 Moody's Investors Service, Rating Action, October 11, 2005

From: DE SOUZA, JOSSANA
Sent: Tuesday, October 11, 2005 12:54 PM
To: SIDEBOTTOM, MARK; JANEGA, RICHARD CHRISTOPHER; Peters, Nicholas
Subject: Rating Action -- Emera Inc.



Moody's Investors Service

Credit Portfolio Monitoring Service - 10/11/2005 11:47:59 AM

Moody's has published a document on Emera Inc. which you have listed in your portfolio Emera Inc:

10/11/2005 Rating Action -- MOODY'S AFFIRMS RATINGS OF EMERA INC. AND NOVA SCOTIA POWER INC.; REVISES OUTLOOK TO NEGATIVE

Approximately C $1 Billion of Debt Securities Affected

Toronto, October 11, 2005 -- Moody's Investors Service affirmed the ratings on the debt obligations of Emera Inc. ("Emera") and its principal operating subsidiary, Nova Scotia Power Inc. ("NSP"). The following ratings were affirmed: Nova Scotia Power Inc. Baa1 senior unsecured and Prime-2 (Baa) short-term; Emera Inc. Baa2 senior unsecured. The rating outlook has been revised to negative from stable for both companies.

The revision of the rating outlook reflects a weakening of both companies' financial profiles due to NSP's recent inability to fully recover its fuel costs through rate increases. The negative outlook also considers that the magnitude of NSP's fuel price risk exposure over the next several years could make it difficult to raise rates sufficiently for full recovery on a timely basis. During this period, Moody's expects that increasing capital expenditure requirements will cause NSP to have consistently negative free cash flow after dividends and capital spending.

The affirmation of Emera's ratings reflects the relatively low risk nature of the company's regulated utility subsidiaries. Emera's rating is substantially based on the credit strength of NSP, which comprises over 75% of assets and approximately 84% of EBIT on a consolidated basis. It also reflects the fact that Emera's other principal asset, Bangor Hydro - Electric (BHE), is a regulated monopoly transmission and distribution utility. NSP and BHE together represent in excess of 90% of Emera's consolidated revenue and assets. The affirmation of NSP's ratings considers its relatively low business risk as a cost-of-service regulated utility, its fairly steady financial results and its stable and relatively isolated franchise area. However, Emera and NSP's ratings also incorporate relatively higher leverage and weaker cash flow coverages compared to industry peers in their rating categories; NSP's fuel price risk exposure; and some difficulties in NSP's relationship with its regulator Emera's rating considers the structural subordination of Emera's debt to approximately $1.6 billion of debt at its operating subsidiaries.

Emera is a conservatively managed utility and energy services holding company. Management's growth strategy focuses on the regions in relatively close proximity to Emera's home market of Nova Scotia. Sectorally, Emera has focused on developing or acquiring energy infrastructure assets that are similar or complementary to its core electric utility business and generate regulated or lower-risk unregulated returns. With the exception of 2001, the year in which the BHE and Sable acquisitions took place, consolidated leverage had been on a moderate down-trend. However, we expect the debt proportion of total capital to increase over the 2005 to 2008 time frame in the absence of significant rate increases, as NSP faces the combined impact of fuel cost escalation and higher capital expenditures that are largely related to emission control upgrades.

The Nova Scotia Utility and Review Board's (UARB) lack of support for NSP's filing of a negotiated settlement for 2005, continuing regulatory concern over the company's fuel procurement strategy and practices, and disallowance of $18 million of the utility's fuel budget are evidence of challenges in NSP's regulatory relationship. The UARB also indicated that an independent audit of the utility's progress with respect to fuel procurement practices will follow any future NSP application for an automatic fuel price adjustment mechanism. NSP continues to grapple with escalating fuel costs which are reflected in the 15.9% rate increase for residential customers that the utility has requested in its 2006 rate application filed in July 2005.

Factors that could apply downward pressure on the ratings include Emera's inability to maintain sustainable consolidated credit metrics commensurate with the company's risk profile and ratings (FFO to interest coverage of about 3.0x and a percentage FFO to debt ratio in the mid-teens), a lack of reasonably timely recovery of increased outlays for fuel and capital spending, and an acquisition that significantly alters Emera's business or financial risk profile. While considered unlikely in the near term, sustainable improvement in Emera's consolidated credit metrics (FFO interest coverage approaching 4x and FFO/debt in the range of 20%) combined with the adoption of an automatic fuel price pass through mechanism could lead to an upgrade.

Emera is a diversified utility and energy services company headquartered in Halifax, Nova Scotia.

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Attachment 3 S&P Industry Report Card: Canadian Utility Sector, February 1, 2006

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RESEARCH

Industry Report Card: Canadian Utility Sector

Publication date: 01-Feb-2006
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Commentary/Key Trends

In the past six months, the ratings in the Canadian utility sector continued to reflect a stabilization of credit quality. Credit outlooks, a leading indicator of rating trends, show that stable outlooks outnumber negative outlooks by over four to one, up from a ratio of about three to one for stable outlooks to negative outlooks and CreditWatch negative placements in mid-2005. As with rating actions undertaken in the first six months of 2005, the rating actions in the second half of the year reflect company-specific developments rather than a widespread improvement in the industry's credit quality. The biggest influence on ratings changes, more particularly outlook changes, has been the impact of M&A activity. Other major influences have been the bedding down of previous acquisitions or the reduced risk surrounding major capital expenditure programs, with positive and negative developments in regulatory risk responsible for a small number of rating actions.

Highlighting the relatively stable credit quality, close to three-quarters of the 17 rating actions undertaken since the last industry report card (see "Industry Report Card: Canadian Utility Sector," published July 21, 2005, on RatingsDirect, Standard & Poor's Ratings Services' Web-based credit analysis system), reflect positive developments in credit quality. These include the assignment of a new rating, raising of two debt issue ratings, seven changes in outlooks to stable from negative, and two revised outlooks to positive from stable. More specifically, they include the assignment of a corporate credit rating to AltaLink Investments L.P. (BBB-/Stable/--), the ring-fenced parent company of AltaLink L.P. (A-/Stable/--); the raised senior debt issue ratings on Electricity Distributors Finance Corp (EDFIN) and Maritime Electric Co. Ltd. (BBB+/Stable/--) to 'A-'; the assignment of stable outlooks to: Fortis Inc. (BBB+/Stable/--) and its subsidiaries, Newfoundland Power Inc. (BBB+/Stable/--), and Maritime Electric; Westcoast Energy Inc. (BBB/Stable/--), and its subsidiary Union Gas Ltd. (BBB/Stable/--); Pembina Pipeline Corp. (BBB/Stable/--); and Superior Plus Inc. (BB+/Stable/--); and the assignment of positive outlooks to Chatham-Kent Energy Inc. (A-/Positive/--), due to ratings action on its parent, and Ontario Power Generation Inc. (BBB+/Positive/--). Of the five other rating actions in the last half of 2005, one was the assignment of a negative outlook to Caribbean Utilities Co. Ltd. (A/Negative/--); one was the withdrawal of the rating on Terasen Pipelines (Trans Mountain) Inc. (unrated); another was the affirmation of the negative outlook on TransCanada PipeLines Ltd. (A-/Negative/--); and the remaining two were the assigning of negative outlooks to Terasen Gas Inc. (BBB/Negative/NR) and Terasen Inc. (BBB/Negative/NR) following their acquisition by Kinder Morgan Inc. (BBB/Negative/A-2).

Looking ahead, in the first six months of 2006, focus will be on the ratings on Nova Scotia-based Emera Inc. (BBB+/Negative/--) and its wholly owned subsidiary Nova Scotia Power Inc. (BBB+/Negative/--). On July 5, 2005, the outlook on Emera and its subsidiary was revised to negative from stable. Standard & Poor's stated at that time that regulatory developments could trigger another rating action, which could include a downgrade. The company's financial profile has been weakened by under-recovery of increasing fuel costs and the delayed and prolonged recovery of significant tax expense. Whether the ratings remain at their existing level of 'BBB+' with a negative outlook or move lower will depend largely on the outcome of the pending Nova Scotia Utility and Review Board rate determination, expected in the first half of 2006. Because NSPI contributes about 85% of Emera's cash flow, without solid potential for significant improvement in NSPI's credit metrics over the course of the next two to three years and/or a reduction in NSPI's risk exposure to volatile fossil fuel costs, a downgrade is likely.

A notable rating event since the last report card was the assignment in late 2005 of recovery ratings to first mortgage bonds in the Canadian utility sector. The first mortgage bonds of Maritime Electric and Newfoundland Power were assigned recovery ratings of '1+' and '1', respectively. The ratings indicate the highest expectation of full recovery of principal (100%) in the event of a payment default by Maritime Electric, and a high expectation of full recovery of principal (100%) in the event of a payment default by Newfoundland Power. The recovery ratings assigned to the two Fortis subsidiaries follow the assignment of a recovery rating of '2' to Algonquin Power Income Fund's (APIF; BBB+/Stable/--) secured bank loan in

April 2005, which indicates the expectation for substantial recovery of principal (80%-100%) in the event of default by APIF. In 2006 Standard & Poor's will assign recovery ratings to the secured debt of other Canadian utilities.

A number of pending issues in the sector have the potential to influence credit quality across the industry, or in particular markets. Most of the issues identified are manageable or unlikely to have an impact on ratings at this stage, but might in the future. Where possible the issues have been factored into existing ratings; however, for some issuers the risks involved and the issuer's risk mitigation measures are still to unfold and as such it is premature to take rating action at this point. Standard & Poor's will be paying particular attention to three issues in 2006:

- The financial impact of declines in allowed ROE;
- The implementation of smart meters in Ontario, and;
- The financing and execution of major pipeline, liquefied natural gas (LNG), and electricity generation projects.

Declining regulatory ROEs

The annual automatic adjustments to allowed ROE embedded in the frameworks of a number of Canadian regulatory regimes have led to lower ROEs for many utilities. Although the adjustment mechanisms provide transparency and predictability to the regulatory process, at some point, the cumulative effect of lower ROEs, particularly if ROEs move lower than current levels, could have an impact on the financial profile material enough to adversely affect the credit quality of utilities. Lower allowed ROEs have been the norm in recent times, as evinced by a steady decline in the past two years and, more recently, by the automatic lowering of ROEs to less than 9.0% to reflect lower bond rates in late 2005 to apply in 2006. The sub 9% returns apply to a number of utilities regulated by the National Energy Board and the respective regulators in Alberta and British Columbia. Furthermore, a forecast 10% reduction in the current allowed ROE to 9.0% from 9.88% has been flagged as the likely outcome for local distribution companies (LDCs) in Ontario applying on a historical year basis following the completion of the current rate determination before the Ontario Energy Board (OEB).

Ceteris paribus, lower ROEs mean cash flow available for debt service will be lower. A large number of gas and electricity utilities in Canada operate under cost of service and rate of return regulatory frameworks. Under such frameworks the operating and debt service costs are fully recovered and the utility is allowed to earn a ROE linked to long-term bond rates, on a deemed equity layer in its capital structure, through its regulated tariffs. As a consequence, the cash flow generated by the business in excess of cash operating and debt service costs, which provides a cushion in meeting debt service commitments and allows for investment in the business, is for the most part provided by the allowed ROE and return of capital through the noncash depreciation expense.

Although not a concern for ratings now, a material reduction in allowed ROEs beyond what is known or expected will likely lead to increased financial risk and possible weakening of credit metrics and credit quality with corresponding rating action. The situation of lower ROEs generally is more acute for those utilities with high-embedded costs of debt, which exacerbates the impact of lower cash flow coverage, and those forced to use deferral accounts. Although the deferral accounts provide a mechanism for ultimate cost recovery, they nevertheless reduce the timely initial receipt of cash flow by the business and together with low ROEs can adversely affect already modest credit metrics.

Perversely, the saving grace for the credit quality of many Canadian utilities is that already low ROEs and thin equity layers in deemed capital structures relative to global peers mean lower annual adjustments to ROEs on their own generally have a marginal impact on the financial profiles of utilities. A bigger influence on cash flow credit metrics, such as funds from operations (FFO) interest coverage and FFO to average total debt, is the cash generated by a return of capital (depreciation expense). Typically, the cash generated through the return of capital is close to twice that generated by a return on capital. As a consequence, any move by regulators to reduce allowed depreciation rates would likely have more of an impact on cash flow credit metrics and ratings. Further alleviating some of the credit concern is the recent trend in bond rates. Long-term rates have risen since the start of 2006 (by about 25 bp), but continue to remain at about their lowest level in more than three decades. Nevertheless, despite the recent modest increase, volatility in markets could see long-term bond yields move 25bp-50 bp either side of current levels. A potential issue for utilities and their cash flows under such circumstances becomes the point in time used by regulators to set their ROE.

Ontario smart meters initiative

The provincial government of Ontario's C$1 billion smart meter initiative presents potential financing and operational challenges for electricity LDCs. The LDCs rated by Standard & Poor's are generally viewed as

having the wherewithal and financial capacity to manage the risks involved in the smart meter rollout. Nevertheless, the unforeseen risks involved, delays to enabling legislation, and current lack of direction in terms of the timing of installation, the financing of meters, the technology to be used, the capability of IT systems of individual LDCs and the industry to handle the data management requirements create uncertainty for LDCs and the industry at large.

The necessary commitments by LDCs to fund the meter initiative would be material. Initial estimates vary from C$600 million for the province's largest LDC, Hydro One Inc. (A/Stable/A-1), to a few million dollars at best for some of the smallest of the 90 or so LDCs operating in Ontario. Typically, the anticipated outlay for larger LDCs is in the order of tens of millions of dollars spread over a period of about three years. For some utilities, available cash balances and credit lines, and cash flows will provide the funding to meet the implementation costs. For others, however, the millions of dollars involved might create a strain on their liquidity and reduce their financial flexibility. Although the cost of the smart meters is likely to be recovered through tariffs as assets are rolled into the LDC's regulated asset base, the mechanism by which this is to be done remains unresolved. Furthermore, the delay between the capital outlay and receipt of regulated returns might stress the credit metrics of some LDCs. In addition, the redirection of capital or financial resources previously earmarked for other company-specific programs or the maintenance of liquidity to the mandatory smart meter initiative could adversely affect the LDC's financial flexibility and, as a consequence, increase its financial risk profile. Smaller LDCs with no access to capital markets would likely be under more funding pressure than larger LDCs in securing funding.

An often-overlooked risk surrounding the smart meters initiative is the technology risk involved and the increased demand on LDC customer care systems. The utility sector in Canada and in other markets globally is littered with examples of electricity utilities that have failed to adequately manage the implementation of new technologies and new back office systems, and underestimated the additional resources needed to adequately meet the increased workload of call centers. Such mismanagement has led to billing and customer care problems, a drain on working capital, and financial loss. For some, particularly those involved in fully competitive markets, the consequences have been more extreme and have led to loss of customers, significant financial loss, and ultimately been a contributing factor in the utility's total exit from the market. The loss of customers is not as relevant in the Ontario market, as the vast majority of rated LDCs do not engage in competitive retailing of electricity, but it does highlight, however, the risk inherent in adopting new technologies in an evolving market, and the potential financial consequences if the implementation of the systems and communication with the consumer are not adequate. How the smart meters will fit with existing customer billing systems and whether substantial upgrades to, or replacement of, existing back office systems will be required remains unknown at this stage and, as a result, heightens potential operating and financial risks for LDCs.

Major project developments

Major pipeline and LNG developments, and electricity generation projects, such as those earmarked or currently being undertaken by Enbridge Inc. (A-/Stable/--), Gaz Metro Inc. (A-/Stable/--), Pembina Pipeline, TransCanada PipeLines, and Terasen have the potential to adversely affect the business and financial risk profiles of the sponsors. The projects themselves carry the usual financial, regulatory, and construction risks, but in some cases the projects also introduce new operational, sovereign, and counterparty risks for the sponsors. For others, the impact is not operational but primarily financial. Major projects are costly and once commitments are made, the financial flexibility of the issuer can be severely curtailed. Furthermore, many of the multibillion-dollar projects will require external financing, and more than likely involve the use of off-balance-sheet transactions. What residual exposure issuers have to the projects and financing vehicles used will be critical to whether the issuer is able to maintain the existing rating.

For many of the projects Standard & Poor's has already factored into the ratings specific risks involved as well as the changing risk appetite of sponsors. Examples include TransCanada PipeLines' involvement in the estimated C$4.25 billion refurbishment of the Bruce Power nuclear facility, Pembina Pipeline's Horizon Pipeline, and Enbridge's foray into electricity generation and other areas with greater business risk than its core operations. For other projects such as proposed major pipeline developments, a final decision on the issuer's level of involvement in, and exposure to the developments remain unknown and as such it is premature to incorporate fully the potential risks into the ratings as the type, magnitude, and mitigants, if any, are still evolving. Nevertheless, as projects move closer to the point where major operational and financial commitments are soon to be made, Standard & Poor's will take the necessary rating action to reflect the risk to bondholders if warranted.

Chart 1

Canadian Utility Sector
Long-Term Ratings Distribution

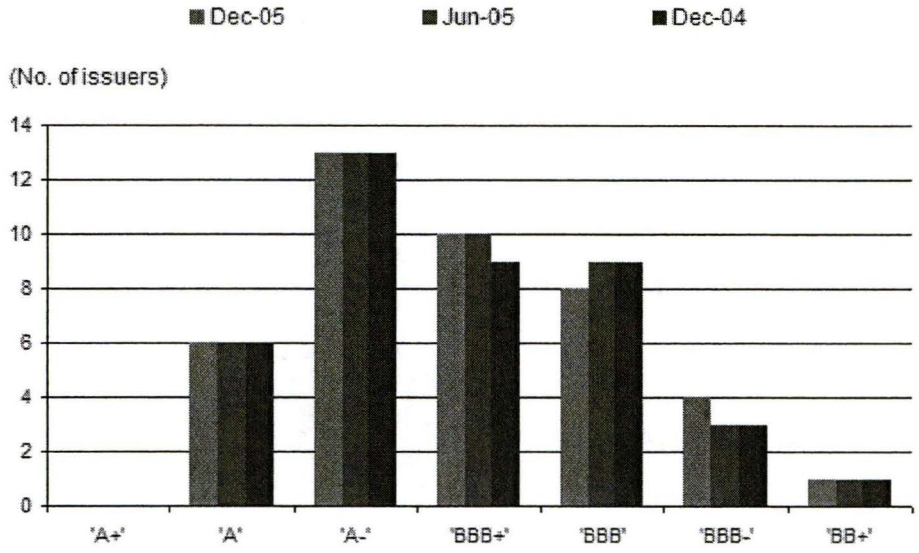
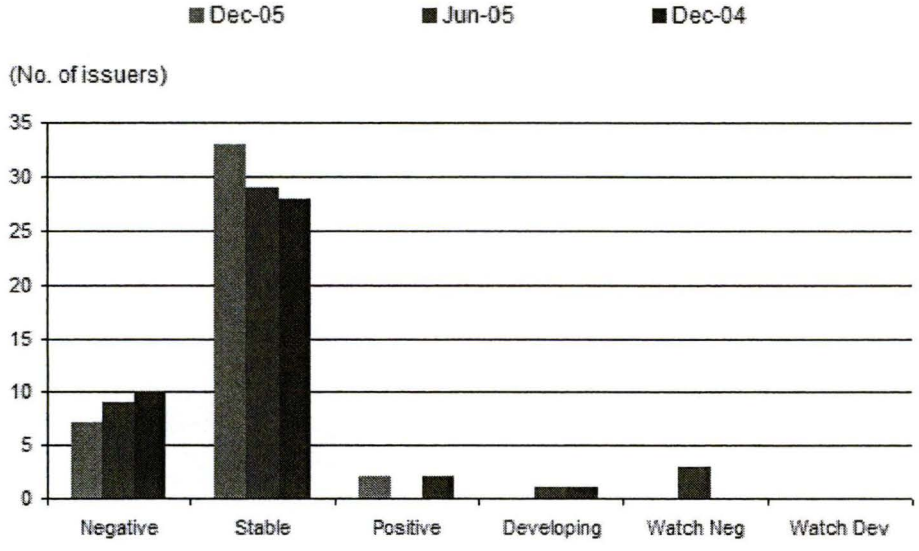


Chart 2

Canadian Utility Sector
Outlook Distribution



Issuer Review

Table 1 Canadian Utility Sector			
Electric Utilities			
Issuer	**Corporate credit rating***	**Analyst**	**Comment**
Algonquin Power Income Fund (APIF)	BBB+/Stable/--	Nicole Martin	In December 2005, APIF announced it had purchased another small water and wastewater utility company in Arizona for C$10.2 million. The acquisition was not unexpected and is consistent with the fund's growth strategy. As of Sept. 30, 2005, cash flow from operations was lower than expected due to poor hydrology conditions in Ontario and Quebec during the summer and poor performance at the fund's Peel

			generation facility. Hydrology in early fourth quarter, however, showed some improvement.
AltaLink, L.P. (AltaLink)	A-/Stable/--	Nicole Martin	Although the ratings on AltaLink and its owner AltaLink Investments, L.P. (AILP) largely reflect their stand-alone credit quality, the ratings are linked. A material deterioration in AltaLink's creditworthiness would have a direct impact on the ratings on AILP and vice versa. The ratings on AltaLink were affirmed in November 2005 and are not affected by the proposed change to AILP's ultimate ownership structure (see AILP below). During AltaLink's upcoming period of significant capital expansion, a continued expectation of timely annual equity injections from the ultimate unitholders of AILP has been factored into the ratings on both entities.
AltaLink Investments, L.P.	BBB-/Stable/--	Nicole Martin	On Nov. 7, 2005, Standard & Poor's assigned its 'BBB-' long-term corporate credit rating to AILP, an Alberta-based holding company and sole limited partner of AltaLink, an Alberta-based electricity transmission company. At the same time, a rating of 'BBB-' was assigned to AILP's inaugural C$200 million senior unsecured capital market debt issue. The company's current ownership structure is set to change, pending approval by the Alberta Energy and Utilities Board. On Nov. 4, 2005, SNC-Lavalin Group Inc. (BBB+/Stable/--) and Macquarie Essential Assets Partnership agreed to increase their respective indirect ownership stakes in AILP to about 77% and 23% from 50% and 15%. Two of the four current owners, Ontario Teachers' Pension Plan Board (25%) and Trans-Elect Inc. (10%), expect to exit the business.
ATCO Ltd.	A/Stable/--	Nicole Martin	The ratings on ATCO were affirmed in fourth-quarter 2005, supported by the company's average business profile and steady, albeit weak financial profile as compared with global peers', that is derived from ATCO's diversified operations, stable regulatory environment, and conservative management. Third-quarter results were in line with expectations. As of Sept. 30, 2005, on a rolling 12-month basis, adjusted FFO interest coverage remained similar to first- and second-quarter results, at about 4.0x.
Borealis Infrastructure Trust's Borealis-Enersource series bonds	A-¶	Laurie Conheady	The rating on Borealis Infrastructure Trust's C$290 million Borealis-Enersource series bonds reflects the creditworthiness of Mississauga, Ont.-based Enersource Corp. The third-quarter financial results for Enersource in 2005 were in line with expectations, with the company maintaining healthy liquidity including a cash balance of close to C$30 million, and a fully available C$50 million bank facility. The announced sale of the company's water heater rentals contracts to Union Energy L.P. on Jan. 23, 2006, is mildly positive in reducing the business risk profile of the company as it realigns its strategic focus; however, it will not have an impact on the rating due to that business' relatively small contribution to the consolidated business risk profile and cash flow of Enersource.
Brookfield Power Inc. (formerly Brascan Power Inc.)	BBB/Stable/A-2	Laurie Conheady	In mid-December 2005, Brookfield Power successfully refinanced the US$500 million bridge facility it used in 2004 to purchase Reliant Energy Inc.'s upstate New York generating assets. The facility was refinanced through the issuance of US$550 million in nonamortizing senior secured notes comprising three series. The issue was nearly four times oversubscribed. The company was also successful in fourth-quarter 2005 in being awarded the right to develop its 90-MW Prince Phase II wind project near Sault Ste. Marie, Ont., to complement its existing Prince Phase I project currently under construction. The company's wholly-owned subsidiary, Brookfield Power Corp. (formerly Brascan Power Corp.) also announced Jan. 11, 2006, the acquisition of two hydroelectric generating facilities of almost 40-MW capacity located in Maine for US$144 million and on Jan. 20, the acquisition of Beaver Power Corp. and its four hydroelectric facilities totaling 50 MW in northern Ontario. The project and acquisitions are in line with Standard & Poor's expectations for the company as it continues to expand its hydro and renewable generation portfolio.
Canadian Utilities Limited (CU)	A/Stable/A-1	Nicole Martin	The ratings and outlook on CU reflect the ratings and outlook on its major shareholder, ATCO Ltd. As of Sept. 30, 2005, on a rolling 12-month basis, adjusted FFO interest coverage at CU was slightly higher at about 4.1x as compared with first- and second-quarter results of 3.9x and 4.0x, with the increase in 2005 reflective of improved cash flows as a result of the Barking Power settlement. On a year-end basis, the slow and modest strengthening trend of FFO interest coverage seen in the past several years from 3.4x in 2001 to 3.7x in 2004 and further improvement in 2005 is not expected to continue. This improvement can be attributed to growth in the company's nonregulated generation portfolio. During this period, new projects began to generate cash flows and capital spending decreased. Barring any major transactions, stable FFO interest coverage of about 4x, however, is expected in 2006 and 2007.
Caribbean Utilities Co. Ltd. (CUC)	A/Negative/--	Laurie Conheady	Addressing one of the uncertainties about its creditworthiness, CUC recommenced license negotiations with the Cayman Island government in November 2005. As of the date of publishing, no outcome had been announced. In mid-December 2005, the company also moved to reduce short-term bank indebtedness with a senior debt issue of US$30 million. Furthermore, the company's bank facilities were scaled back in second-quarter ending Oct. 31, 2005 by US$5 million to US$40 million, in line with its agreement with the Royal Bank of Canada to reduce the line of credit as business interruption insurance payment is received. The recovery of the Cayman Island economy after Hurricane Ivan in 2004 continues, with only 1,100 largely residential customers remaining disconnected from the network as of Oct. 31, 2005, down from 1,500 six months earlier. CUC expects electricity sales to return to 100% of pre-Ivan levels by April 2006. The company's financial results for second-quarter fiscal 2006, were in line with Standard & Poor's expectations.
Chatham Kent Energy Inc. (CK Energy)	A-/Positive/--	Nicole Martin	The rating and outlook on CK Energy reflect the rating and outlook on its sole shareholder and guarantor, the Municipality of Chatham-Kent (Chatham-Kent; A-/Positive/--). The ratings and outlook on CK Energy could be changed: if the outlook on the shareholder were revised, if the relationship with the shareholder were to be modified to a less supportive framework, or if the utility's stand-alone creditworthiness differed significantly from that of the municipality. The utility has applied to the OEB for a 2.3% rate increase effective May 1, 2006, and rate harmonization within its franchise to be phased in over a three-year period. As of Sept. 30, 2005, on a rolling 12-month basis, adjusted FFO interest coverage was about 4.2x, FFO-to-average-total-debt was about

			22%, and total-debt-to-capital was about 45%.
CU Inc.	A/Stable/A-1	Nicole Martin	The ratings and outlook on CU Inc. reflect the ratings and outlook on its sole shareholder CU and CU's ultimate parent, ATCO Ltd. CU Inc.'s FFO interest coverage on a rolling 12-month basis continues to fall within the historical range of 3.6x-3.8x. The utility's key credit metrics are expected to remain stable and in line with the overall deemed regulatory structures of its portfolio of Alberta-based utility operations in 2006. An 'A' debt rating was assigned to CU Inc.'s C$185 million senior unsecured debenture issued in November 2005 used to refinance maturing debt.
Electricity Distributors Finance (EDFIN) Corp.	A-¶	Laurie Conheady	The rating on the C$175 million EDFIN debt issue was raised to 'A-' from 'BBB+' on Nov. 29, 2005. The rating uplift reflects greater stability of the Ontario regulatory regime governing the electricity network operations of the three EDFIN participants, Barrie Hydro Distribution, PowerStream, and EnWin Powerlines, as well as improving credit metrics of the utilities flowing from increases in tariffs and recovery of regulatory assets, and in the case of EnWin Powerlines, lower leverage as a result of its debt reduction program. Furthermore, some of the EDFIN participants are also realizing the benefits of improved business risk profiles from recent organizational restructurings or the scaling-back of their exposure to higher risk nonregulated activities.
Emera Inc.	BBB+/Negative/--	Nicole Martin	Financial results for third-quarter 2005 were in line with expectations. Rising fossil fuel expense at Emera's wholly owned subsidiary NSPI is having the expected negative impact on consolidated cash flow. Emera's coverage ratios on a 12-month rolling basis remain weak for the rating, reflected in the negative outlook. Proceeds of C$20 million from the sale of Emera Fuels Inc. in September 2005 were a positive for the company's cash position and marginally reduced some of the financial pressure flowing from the expected under recovery of rising fuel costs at NSPI in 2005. Although FFO interest coverage improved in the third quarter (2.9x as compared with about 2.5x the previous three quarters), it remained well below the 3.4x or better achieved for the first three quarters of 2004.
ENMAX Corp.	A-/Stable/--	Nicole Martin	Regulatory matters dominate recent developments at ENMAX. On Jan. 17, 2006, the Alberta regulator released its decision regarding ENMAX's distribution tariff for 2005 and 2006, keeping it flat. The hearing for ENMAX's commodity-related, regulated rate tariff for 2005 did not begin until September 2005; the AEUB is expected to issue its decision in first-quarter 2006. In October 2005 ENMAX filed its first transmission tariff (2006) application with the Alberta provincial regulator; the provincial government previously set ENMAX's transmission tariff. A hearing date had not been set as of the date of publication so a decision is unlikely before mid-2006. Consistent with expectations, as of Sept. 30, 2005, unadjusted 12-month rolling metrics continued to decline, largely due to shrinking margins resulting from increased competition in Alberta's energy retailing market. The company's financial profile, however, remains appropriate for the rating.
EPCOR Power L.P. (EPCOR Power)	A-/Stable/--	Laurie Conheady	EPCOR Power's financial results for third-quarter 2005 were largely in line with Standard & Poor's expectations, boosted modestly by higher revenue at its Ontario plants, but offset in part by lower revenues at its Curtis Palmer hydro electric plant. The higher revenues highlight an element of flexibility in the L.P.'s operations whereby EPCOR Power can more profitably redirect excess gas for sale at prevailing high prices rather than use the gas for electricity generation.
EPCOR Utilities Inc. (EPCOR Utilities)	BBB+/Stable/--	Laurie Conheady	Consistent with its strategy to realign its business, EPCOR Utilities continues to develop its commercial generation operations and to focus its competitive energy retail business on a smaller number of higher value customers. The company was successful in November 2005 in securing another wind farm mandate under Ontario's renewable energy request for proposals. The project, Kingsbridge II, is a 160-MW wind farm to be constructed near EPCOR Utilities' existing 40-MW Kingsbridge I wind project under construction on the shores of Lake Huron. The cost of Kingsbridge II is estimated at approximately C$300 million. The announcement follows the sale of EPCOR's Alberta midsize commercial, industrial, and institutional electricity contracts to Nexen Marketing (a subsidiary of Nexen Inc.; BBB-/Stable/--) in early September 2005. The company enhanced its liquidity with the establishment of a C$800 million MTN program in October, which it used successfully in mid-November to raise C$200 million to repay CP outstanding used in the acquisition of its interest in EPCOR Power. EPCOR Utilities' financial results for third-quarter 2005 were in line with Standard & Poor's expectations.
Fortis Inc.	BBB+/Stable/--	Laurie Conheady	The ratings on Fortis and its subsidiaries were affirmed on Dec. 7, 2005, and the outlook was revised to stable from negative. Fortis' large but manageable capital expenditure program, together with its demonstrated ability to raise debt and equity funding when required, provides comfort that the ratings are no longer under as much pressure as they once were. Nevertheless, the company's credit metrics are weak for the rating and are expected to remain so in the next few years. In mid-December the company's two western Canadian utilities, where the bulk of the company's capital expenditure is to be undertaken, were the subject of regulatory developments. Fortis BC received regulatory approval for an interim refundable rate increase of 5.9% to assist in the funding of its expenditure program, while FortisAlberta received interim rates to recover transmission costs under a new rate structure, and filed its 2006-2007 distribution tariff application which included, among other items, a 3% distribution rate increase in 2007 and C$360 million in capital projects in 2006 and 2007.
Hamilton Utilities Corp. (HUC)	A/Stable/--	Laurie Conheady	The rating on HUC was affirmed on Dec. 1, 2005, on the successful merger of its LDC with that of St. Catharines Hydro Inc.'s network business, and continued stability in HUC's business environment. The reliability of HUC's liquidity position was enhanced as the company's one-year C$100 million bank line was renewed as a three-year revolving bank line on maturity, Jan. 31, 2006. Along with fellow LDCs in Ontario, HUC is currently subject to a rate determination by the OEB, and expects a decision to be made regarding its 2006 rate application by April 2006.
			Returns from higher-than-average summer energy loads, together with reduced cash outlays on capital expenditure and salaries stemming from the strike by energy professionals in mid-2005, and credit received from the Independent Electricity System Operator for a government mandated refund point to a stronger-than-budgeted cash position at year-end 2005. The company used its enhanced cash position in mid-

Hydro One Inc.	A/Stable/A-1	Laurie Conheady	December 2005 by issuing a final notice of redemption of all C$108.5 million of notes outstanding that were due Jan. 30, 2006. Hydro One has submitted its rate application to the OEB, for distribution tariffs to apply from May 1, 2006. The oral hearing into the application was held in mid-January 2006 with a decision expected second-quarter 2006. The company's third-quarter 2005 results were in line with Standard & Poor's expectations.
Hydro Ottawa Holding Inc. (HOHI)	A-/Stable/--	Nicole Martin	In the fall of 2005 Hydro Ottawa Ltd., the regulated distribution subsidiary of HOHI, applied to the OEB for a 2.4% distribution rate increase in 2006. Because the application was based on a forward test year as opposed to the utility's historical rate base, an oral hearing took place in late January 2006. A decision by the OEB is expected before the May 1, 2006 implementation date of 2006 rates. On a rolling 12-month basis, HOHI's key credit metrics continue to show improvement as expected, given the allowed rate increase implemented in spring 2005.
London Hydro Inc. (LHI)	A-/Stable/--	Nicole Martin	The rating on LHI was affirmed in fourth-quarter 2005. LHI applied to the OEB for a rate increase of approximately 3% effective May 1, 2006. The LDC will have to respond to written interrogatories but there will not be an oral hearing; a decision by the OEB is expected in second-quarter 2006. For the purpose of establishing its regulated revenue requirements, LHI's equity layer is deemed at 45% although the utility chooses to maintain an equity layer of 60%. A regulatory decision in 2005 regarding the recoverability of deferred regulatory assets awarded LHI 93% of the costs it had applied for, with C$3.5 million remaining unapproved as of Sept. 30, 2005. On a rolling 12-month basis, FFO interest coverage remained above 5x in the first three quarters of 2005, with FFO-to-average-total-debt just under 30%.
Maritime Electric Co. Ltd.	BBB+/Stable/--	Laurie Conheady	The ratings and outlook on Maritime Electric reflect the rating and outlook on its sole shareholder, Fortis Inc. The rating was affirmed Dec. 7, 2005. At the same time, a recovery rating of '1+' was assigned to the company's senior secured debt, reflecting the highest probability of recovery in the event of bankruptcy, and the rating on the debt was raised to 'A-' from 'BBB+'. The company's third-quarter results were in line with expectations. Progress on the construction of the company's 50-MW combustion turbine facility in Charlottetown, PEI, is on time and on budget with the plant currently in the final commissioning and testing phase.
Newfoundland Power Inc.	BBB+/Stable/--	Laurie Conheady	The ratings and outlook on Newfoundland Power reflect the rating and outlook on its sole shareholder, Fortis Inc. The rating was affirmed Dec. 7, 2005. At the same time a recovery rating of '1' was assigned to the company's secured debt, reflecting a high probability of recovery in the event of bankruptcy. The company's 2005 results were in line with expectations. On Nov. 15, 2005, the company announced it had received regulatory approval for its 2006 capital expenditure program of C$49 million.
Nova Scotia Power Inc. (NSPI)	BBB+/Negative/--	Nicole Martin	The ratings and outlook on NSPI reflect the ratings and outlook on its sole shareholder, Emera. Meaningful improvement in both the subsidiary's and parent's business and financial profiles, however, is largely reliant on favorable regulatory decisions regarding fuel cost recovery in 2006 and future years. Significant increases in the price of oil, coal, and natural gas are behind NSPI's 2005 application to the regulator for an average 13% increase in electricity prices for 2006, slightly below the 15% initially requested. A 2006 tariff decision is expected in first-quarter 2006.
Oakville Hydro Corp.	BBB+/Stable/--	Laurie Conheady	Oakville Hydro is currently the subject of a rate determination before the provincial regulator, the OEB. An outcome is not expected until second-quarter 2006. Like the majority of LDCs in Ontario, Oakville Hydro's rate application was based on a historical test year, thereby removing a requirement for the company to undertake oral hearings.
Ontario Power Generation Inc. (OPG)	BBB+/Positive/--	Nicole Martin	On Sept. 27, 2005, the ratings on OPG were affirmed and the outlook revised to positive from developing. The positive outlook reflects improving cash flow from operations resulting from a new, more favorable, regulated pricing scheme for more than half of OPG's electricity production, favorable market prices, and increased nuclear output. In addition to the generator's improved business and financial risk profiles, the ratings also reflect the close relationship between the company and its higher rated owner, the Province of Ontario (AA/Stable/A-1+). The province continues to hold all the company's long-term debt, and, until at least 2008, remains the key player in the regulatory oversight of OPG's operation and finances.
Toronto Hydro Corp.	A-/Stable/--	Laurie Conheady	Toronto Hydro's liquidity was enhanced in fourth-quarter 2005 with the establishment of a C$1 billion MTN shelf program. The shelf program provides the company with ready access to the Canadian debt capital market. It also provides Toronto Hydro with greater funding flexibility should the City of Toronto exercise its right to call part of the C$980 million promissory note owed to it by the utility. The financial close of the transaction to purchase the City of Toronto's street lighting and expressway lighting assets on Dec. 31, 2005, had no impact on the company's credit profile, with the company using its large cash balance of C$374 million as of Sept. 30, 2005, to fund the C$60 million purchase. Furthermore, the street lighting function is consistent with Toronto Hydro's core business. The company's third-quarter results were in line with Standard & Poor's expectations.
TransAlta Corp.	BBB-/Stable/--	Nicole Martin	Although TransAlta's liquidity remained adequate in the second half of 2005 and current market conditions are cash flow positive for TransAlta's merchant generation, the higher electricity prices also have the potential to increase the company's collateral calls. The company's market and credit event liquidity adequacy ratio of about 0.8x as of Sept. 30, 2005, was down significantly from 1.1x as of June 30, 2005. The lower ratio was due to higher electricity forward prices tied to increased gas forward prices out to 2007. The company completed an issuance of C$200 million in senior unsecured debt in December 2005 that matures in 2007. Average unadjusted total debt levels have stabilized due to reduced financing needs, as capital spending in 2005 was significantly lower compared with previous years. In the first three quarters of 2005, TransAlta's unadjusted credit metrics, calculated on a rolling 12-month basis, improved as expected. FFO has increased and interest expense has modestly decreased.
			The ratings on Calgary, Alta.-based TAU reflect the 'BBB-' rating on its sole shareholder, TransAlta Corp. TAU's production as of Sept. 30, 2005, was lower than in the same

TransAlta Utilities Corp. (TAU)	BBB-/Stable/--	Nicole Martin	period in 2004 due to the decommissioning of two units at the Wabamun plant and the forced outage of a third unit. TAU was forced to shut down the unit for almost a month, due to a CN train derailment that resulted in an oil spill near the coal-fired plant's water intake and lost opportunity cost of about C$13 million. TransAlta is seeking compensation from CN. In 2006, at the subsidiary level, availability of generation facilities of better than 85% and capital expenditures of less than C$100 million are anticipated, similar to 2005.
Utilities With Provincial Guarantees			
British Columbia Hydro & Power Authority (BC Hydro)	AA§	Nicole Martin	The ratings on BC Hydro's senior unsecured debt are based on the timely debt service guarantee provided by the utility's owner, the Province of British Columbia (AA/Stable/A-1+). In December, the first of three lawsuits filed by California's Attorney General against Powerex Corp. (BC Hydro's energy trading subsidiary) was dismissed by the California State Court. The lawsuit had alleged that Powerex manipulated California markets during the 2000-2001 California power crisis. The case was dismissed on the grounds that FERC, not the courts, is the proper authority to rule on the matters. Both FERC and the U.S. Court of Appeals for the Ninth Circuit have rejected similar allegations against Powerex relating to the California crisis. In November, Powerex received renewal of its electricity export permit from the U.S. Department of Energy for a five-year period with essentially the same terms and conditions as its previous permit.
Hydro-Quebec	A+§ A-1+§	Nicole Martin	The ratings on Hydro Quebec's senior unsecured long-term and short-term debt are based on the timely debt service guarantee provided by the utility's owner, the Province of Quebec (A+/Stable/A-1+). On Sept. 1, 2005, Hydro-Québec filed its 2006-2007 rate application that proposes a 3% rate increase due mainly to the high costs related to increased electricity demand in Québec. New sources of electricity supply, over and above the utility's 165-TWh in the heritage pool priced at C$29 per MWh, will cost an average of C$90 per MWh in 2006. In November 2005, Hydro-Québec announced the sale of its 75% interest in Cross Sound Cable Co. for US$160 million. Preparation for Phase III of the public consultations for the Eastmain-1-A and Rupert diversion is ongoing. The project includes the construction of up to 770 MW of additional capacity on the Eastmain 1 reservoir.
Manitoba Hydro-Electric Board (Manitoba Hydro)	A-1+§	Nicole Martin	The rating on Manitoba Hydro's CP is based on the timely debt service guarantee provided by the Province of Manitoba (AA-/Stable/A-1+). Above-average water flow conditions in 2004 and 2005 allowed above-average exports to U.S. markets experiencing hot summer weather and related increased air conditioning demand and electricity prices. July's monthly export sales of C$85 million set a record for the utility. In March 2005, the provincial regulator approved an electricity rate increase of 2.25% effective April 1, 2005. Given better-than-expected cash flow forecast for fiscal 2005-2006 due to favorable water conditions, the utility has foregone a second conditional electricity rate increase that had been tentatively scheduled for Oct. 1, 2005.
New Brunswick Electric Finance Corp. (NBEFC)	AA-§	Nicole Martin	The rating on the C$125 million senior unsecured provincially guaranteed debt originally issued by the former New Brunswick Power Corp.'s (NB Power), and now an obligation of NBEFC, continues to reflect the debt service guarantee of the Province of New Brunswick (AA-/Stable/A-1+). Cash flow from operations from NBEFC's wholly owned New Brunswick Power group of companies (group) supports all the debt obligations at NBEFC. NB Power Distribution and Customer Service Corp. (part of the group), has requested an overall 11.6% rate increase as of April 1, 2006, to cope with rising fossil fuel costs. No tariff decision had been reached as of time of publication. On Sept. 1, 2005, NB Power Holding Corp. (part of the group) announced that it was proceeding with legal action against Bitumenes Orinoco, S.A., Petroleos de Venezuela S.A., and the Bolivarian Republic of Venezuela with regards to the long-term supply of Orimulsion® to NB Power's Coleson Cove generating station. Among other proposed resolutions to the claim, the utility is seeking damages, estimated at approximately C$560 million, for negligent misrepresentation. In October, the province announced its target of securing 400 MW of wind energy by 2016, and the group released its 2004-2005 annual report. Neither NBEFC nor the group discloses quarterly results.
Newfoundland and Labrador Hydro (NLH)	A-§	Nicole Martin	Because there is no immediate need for investment in new generation to serve the provincial load in Newfoundland and Labrador, annual FFO at NLH of more than C$100 million are more than sufficient to internally fund anticipated capital spending of less than C$50 million per year until post 2008. The Government of Newfoundland and Labrador and its wholly owned utility, NLH, continue to explore the feasibility of a 2,800-MW hydroelectric development on the Lower Churchill river in Labrador. An assessment of several development options is ongoing. Electricity from the proposed project would be sold in several Canadian and U.S. jurisdictions. In addition to a Newfoundland and Labrador-sponsored development proposal, the province announced in August 2005 that three third-party conceptual proposals are also under consideration. They include proposals by: a consortium that includes Hydro-Quebec, a Crown agency of the Ontario provincial government, and engineering firm SNC Lavalin; Calgary-based TransCanada Corp.; and the Tshiaskueshish Group, a consortium that includes Macquarie North America, Ltd., Innu Development Limited Partnership, Peter Kiewit Sons Co., and Innu Kiewit Constructors. Furthermore, NLH announced Jan. 20, 2006, that its provincial shareholder had directed them, as the execution lead for the province's Lower Churchill development option, to submit an application to Hydro-Québec TransÉnergie (Hydro-Québec's transmission division) for transmission service to transmit Lower Churchill power from the Labrador-Quebec border to markets in Quebec, Ontario, the Maritime provinces, and the northeastern United States.
Gas Distribution Utilities & Pipelines			
AltaGas Income Trust (AIT)	BBB-/Stable/--	Bhavini Patel	AIT generated strong cash flows in the third quarter on the strength of its field gathering and processing, extraction, and pipeline operations, as well as the strong operating margins realized in its energy services segment. AIT is committed to expanding its gathering and processing segment, and maintaining throughput volumes, as demonstrated by a number of smaller scale, growth projects and acquisitions announced throughout the third quarter. Although third-quarter results were strong, AIT continues to

			be exposed to operating risks and commodity price exposure associated with its energy services segment, as well as execution risks associated with potential future acquisitions and growth initiatives.
Enbridge Gas Distribution Inc. (Enbridge Gas)	A-/Stable/--	Laurie Conheady	The rating and outlook on Enbridge Gas reflects the rating and outlook on its sole shareholder, Enbridge Inc. The ratings on Enbridge Gas were affirmed Dec. 16, 2005. Highlighting a supportive feature of the company's regulatory framework, in late December 2005 Enbridge Gas received approval from the OEB to increase its gas supply charge by about 22% to reflect the increased cost of the commodity. The company's delivery charge was also increased marginally to cover higher distribution costs.
Enbridge Inc.	A-/Stable/--	Laurie Conheady	The ratings on Enbridge and its subsidiaries, Enbridge Pipelines and Enbridge Gas Distribution, were affirmed Dec. 16, 2005, based on an expectation of continued stability in Enbridge's consolidated financial profile, which is critical given its move over time to expand its scope of operations into areas with greater business risk than that associated with its current core liquids transportation and gas distribution operations. The marginally heightened business risk profile has reduced the level of flexibility for any deterioration in credit metrics at the current rating. In November 2005 Enbridge successfully completed a C$150 million MTN issue and its third-quarter results to Sept. 30, 2005, were in line with expectations.
Enbridge Pipelines Inc.	A-/Stable/--	Laurie Conheady	The rating and outlook on Enbridge Pipelines reflect the rating and outlook on its sole shareholder, Enbridge Inc. The ratings on Enbridge Pipelines were affirmed Dec. 16, 2005. Enbridge Pipelines improved its funding flexibility in the last quarter of 2005 with the establishment of a C$600 million MTN shelf program, which it successfully used in mid-December 2005 to undertake a C$250 million seven-year note issue. The company's third-quarter results were in line with expectations.
Fort Chicago Energy Partners, L.P. (Fort Chicago)	BBB/Stable/--	Bhavini Patel	Third-quarter results primarily reflected stable cash flow contributions from the partnership's pipeline businesses and frac spread volatility in the natural gas liquids (NGL) business (Aux Sable). Although on a year-over-year basis, results from Fort Chicago's partially owned Aux Sable are stronger following Hurricanes Katrina and Rita, natural gas prices increased significantly relative to NGL price increases, resulting in narrow margins. Fort Chicago has entered into two strategic partnerships, during the third quarter, at minimal capital cost that will focus on organic growth. The partnership has taken an ownership position in the Jordan Cove Energy Project L.P., which plans to develop a LNG terminal and storage base in Oregon, and a 20% interest in an independent power development firm. On Jan. 20, 2006, Aux Sable tentatively entered into a marketing agreement with BP Products North America Inc. Although the agreement is positive for Fort Chicago as it will raise the floor under Aux Sable's cash flows, Aux Sable's contribution to Fort Chicago's overall cash flows will remain relatively small, thereby not materially affecting the partnership's consolidated business or financial profile.
Gaz Metro, Inc. (GMI)	A-/Stable/--	Bhavini Patel	In late October, GMI announced that it had broadened its mission statement. The expanded mission statement is expected to allow GMI to maintain and grow its core business of natural gas distribution within Quebec, while simultaneously enabling GMI to expand into related energy sectors such as wind projects and LNG. In the near term, GMI's financial risk profile is expected to remain relatively unchanged as the company's cash flow protection measures will be largely dictated by its regulated rate of return and deemed capital structure. The stable outlook reflects Standard & Poor's expectation of consistent earnings.
Inter Pipeline Fund (IPF)	BBB/Stable/--	Bhavini Patel	In third-quarter 2005, IPF announced its C$270 million acquisition of Simon Storage Ltd. (Simon), the largest independent petroleum and petrochemical storage business in the United Kingdom. The storage assets are complementary to IPF's existing base of long-life infrastructure assets and also provide the partnership with additional geographic diversification. Furthermore, fee-based contracts provide a stable cash flow stream with no exposure to commodity prices and minimal exposure to volume risk. In the past three years, Simon has demonstrated the ability to generate stable EBITDA averaging about C$30 million per year. The introduction of U.K. assets and their respective cash flow stream does introduce a moderate amount of foreign exchange risk to IPF's cash flows, but not substantial enough to materially affect the partnership's financial profile.
Pembina Pipeline Corp.	BBB/Stable/--	Bhavini Patel	The outlook on Pembina was revised to stable on Nov. 16, 2005. The outlook revision follows moderate improvement in Pembina's business profile as a result of organic growth opportunities primarily within its oil sands operating segment and as well as modest and sustainable improvements realized in the fund's capital structure, as a result of debt reduction and equity issuance. On Dec. 7, 2005, Pembina received a favorable tax decision pertaining to the tax dispute between its subsidiary, Alberta Oil Sands Pipeline Ltd. (AOSPL) and the Syncrude owners, which allows AOSPL to continue to collect deemed taxes in tolls for the duration of the contract, which presently expires in 2035.
Superior Plus Inc. (Superior)	BB+/Stable/--	Bhavini Patel	On Dec. 20, 2005, Standard & Poor's affirmed its 'BB+' long-term corporate credit and 'BBB-' senior secured debt ratings on Superior. At the same time, the ratings were removed from CreditWatch, where they were placed with negative implications Sept. 30, 2005. The outlook is stable. The outlook reflects the expectation that Superior's business risk profile will remain relatively unchanged in 2006. A negative rating action is possible if the fund acquires new businesses with higher business risk which is not appropriately offset by stronger financial performance.
Terasen Gas Inc.	BBB/Negative/--	Bhavini Patel	Terasen Gas is a gas distribution subsidiary of Terasen Inc. which was acquired by Kinder Morgan Inc. (KMI) on Nov. 30, 2005. The creditworthiness of Terasen Gas now mirrors that of its ultimate parent, KMI.
Terasen Inc.	BBB/Negative/--	Bhavini Patel	The ratings on Terasen reflect the consolidated credit profile of its new parent, KMI, following that company's purchase of Terasen on Nov. 30, 2005. On Dec. 6, 2005, the ratings on KMI and its subsidiaries were removed from CreditWatch and the outlook was revised to negative. The negative outlook reflects the considerable challenges faced by KMI as it works to integrate the Terasen assets and business operations into its

			corporate culture and systems at a time when KMI's financial position is stretched.
Trans Quebec & Maritimes Pipelines Inc. (TQM)	BBB+/Stable/--	Bhavini Patel	It is expected that TQM will continue to benefit from the stable market demand for natural gas in its primary Canadian market, Quebec. In addition, the pipeline is well positioned through its link with the Portland Natural Gas Transmission System to supply growing markets in the northeastern U.S. Furthermore, the company is strategically placed in the long term to participate in bringing incremental volumes from LNG terminals proposed to be built in Quebec onto the pipeline grid. Nevertheless, incremental volumes from the LNG projects would come with a risk in the consistency of supply. This risk could be mitigated with take-or-pay contracts. Standard & Poor's expects TQM's owners, TransCanada PipeLine and Gaz Metro L.P., will continue to support the pipeline.
TransCanada PipeLines Ltd. and NOVA Gas Transmission Ltd.	A-/Negative/--	Michelle Dathorne	Standard & Poor's affirmed its ratings on TransCanada PipeLines and its wholly owned subsidiary Nova Gas Transmission following the announcement that the Bruce Power consortium, of which TransCanada PipeLines is a party, had reached a commercial agreement with the Province of Ontario and its agent, the Ontario Power Authority, regarding the restart of units one and two at Bruce Power A nuclear facility. TransCanada's overall credit profile continues to benefit from the expansion of its North American pipeline system, and the competitive operating cost profile of the company's consolidated power portfolio. Nevertheless, TransCanada's share of the capital spending to complete the restart and refurbishment project between 2005 and 2011 at Bruce A, which is estimated at C$2.125 billion, represents a significant capital undertaking for the company. Although TransCanada continues to generate substantial free cash flows from its existing pipeline and power operations, which would adequately meet the current estimated capital requirements to complete this project, the length of time needed to complete the work and the long payback period to recoup the capital expenditures from Bruce Power's operating cash flows expose TransCanada's financial profile to some risk, if the project experiences any material delays or cost overruns. As a result of these concerns, the ratings outlook remains negative.
Union Gas Ltd.	BBB/Stable/--	Bhavini Patel	Union Gas Ltd. is wholly owned by Westcoast Energy Inc., which is wholly owned by Duke Energy Corp. (BBB/Stable/A-2). The ratings on Union Gas reflect the consolidated credit profile of its ultimate parent, Duke Energy.
Westcoast Energy Inc.	BBB/Stable/--	Bhavini Patel	The ratings on Westcoast Energy reflect the consolidated credit profile of parent Duke Energy. On Sept. 15, 2005, the ratings on Duke Energy and its subsidiaries were removed from CreditWatch and the outlook was revised to stable. The stable outlook on Duke Energy reflects Standard & Poor's assessment that the company's plan to exit the merchant generation business greatly reduces the potential for deterioration in credit quality.
*Ratings are as of Jan. 31, 2006. ¶Debt rating. §Guaranteed debt rating.			

CreditWatch

Table 2 CreditWatch Listings

Issuer	CreditWatch Implications	Date*	Reason
Superior Plus Inc.	Watch Neg	Sept. 30, 2005.	The ratings on Superior were placed on CreditWatch with negative implications following the company's announcement of its US$350 million acquisition of JW Aluminum, a U.S.-based independent flat rolled aluminum manufacturer of fin stock (for heating and air conditioning purposes), building materials, and converter foil. The CreditWatch was resolved on Dec. 20, 2005, with the assignment of a stable outlook.
*Dates represent the period from July 21, 2005, to Jan. 31, 2006, covered by this report card.			

Outlook Changes

Table 3 Outlook Changes

Issuer	To	From	Date*	Reason
Caribbean Utilities Co. Ltd.	Negative	Watch Neg	Sept. 12, 2005	The uncertainty surrounding Caribbean Utilities' future operating license and the company's financial recovery post Hurricane Ivan that formed the basis of the initial CreditWatch remains. Despite the uncertainty, there is greater comfort the rating can be maintained at its current level subject to favorable developments. An inability of the company, however, to secure a stable regulatory environment in the next couple of years, or the realization of a weaker-than-expected recovery in sales and credit metrics will likely lead to a lowering of the rating by one notch.
Chatham Kent Energy Inc.	Positive	Stable	July 22, 2005	The outlook revision on CK Energy reflects an outlook revision to positive on the Chatham-Kent, CK Energy's owner and guarantor and the stable business and financial risk profiles of the utility. The revised outlook on the municipality reflects significant reductions in forecast debt issuance in coming years and increased certainty surrounding its capital expenditure plans.
Fortis Inc.	Stable	Negative	Dec. 7, 2005	The outlook was revised to stable from negative based on greater stability in Fortis' business and financial profiles and reduced concern surrounding the level of operational and funding risk involved with its major capital expenditure program.
Maritime Electric Co. Ltd.	Stable	Negative	Dec. 7, 2005	The revised outlook on Maritime Electric Co. Ltd. reflects the revised outlook on it parent, Fortis.
Newfoundland Power Inc.	Stable	Negative	Dec. 7, 2005	The revised outlook at Newfoundland Power Inc. reflects the revised outlook on its parent, Fortis.

Ontario Power Generation	Positive	Developing	Sept. 27, 2005	The positive outlook reflects an expectation of continued improvement to OPG's cash flow and credit metrics in 2006 due to increased nuclear output and a full year of higher regulated prices. The positive outlook is also supported by the expectation of a period of relative stability in both Ontario's electricity policy and regulatory framework, and increasing transparency in decisions affecting the company's financial profile.
Pembina Pipeline Corp.	Stable	Negative	Nov. 17, 2005	The outlook revision follows moderate improvement in Pembina's business profile as well as modest and sustainable improvements realized in the fund's capital structure.
Superior Plus Inc.	Stable	Watch Neg	Dec. 20, 2005.	The ratings affirmation and assigning of a stable outlook follow a review of the company's consolidated business risk profile after its acquisition of U.S.-based flat-rolled aluminum manufacturer, JW Aluminum. JW Aluminum's business risk is higher than that of Superior's existing asset base. Nevertheless, the strength of the consolidated business profile remains the propane distribution and specialty chemicals businesses.
Terasen Gas Inc.	Negative	Watch Neg	Dec. 6, 2005.	Refer to Terasen Inc.
Terasen Inc.	Negative	Watch Neg	Dec. 6, 2005.	Ratings affirmed after KMI completed its acquisition of Terasen. The negative outlook reflects the considerable challenges faced by KMI as it works to integrate the Terasen assets and business operations into its corporate culture and systems at a time when its financial position is stretched.
Union Gas Ltd.	Stable	Watch Neg	Sept. 15, 2005	Refer to Westcoast Energy Inc.
Westcoast Energy Inc.	Stable	Watch Neg	Sept. 15, 2005.	The stable outlook on Duke Energy reflects Standard & Poor's assessment that the company's plan to exit the merchant generation business greatly reduces the potential for deterioration in credit quality. The stable outlook also accounts for a measure of clarity in the combined company's corporate structure, once the Cinergy merger is completed, that alleviates earlier concerns arising from Duke Energy's assertion that the electric and gas businesses could be eventually separated.
*Dates represent the period from July 21, 2005, to Jan. 31, 2006, covered by this report card.				

Rating Changes

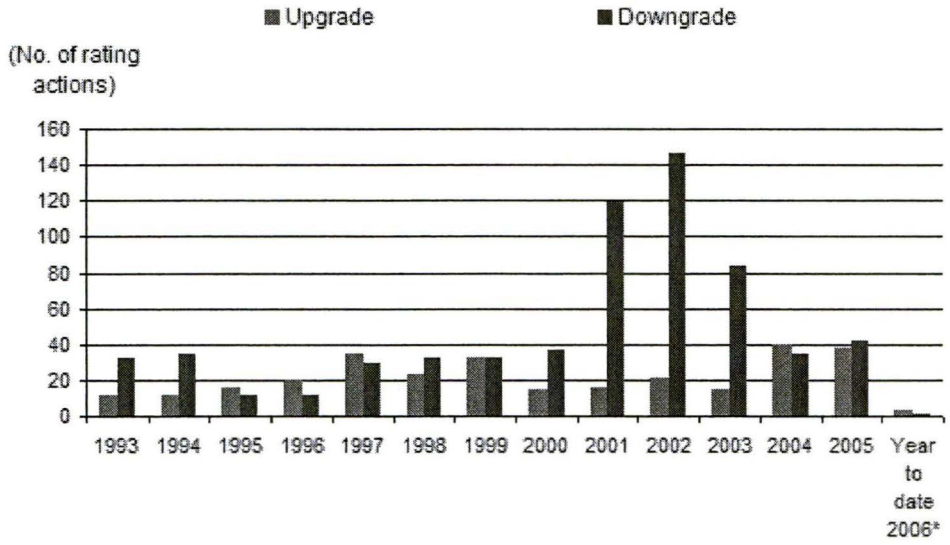
Table 4 Rating Changes

Issuer	To	From	Date*	Reason
New ratings				
AILP	BBB-/Stable/--	Not rated	Nov. 7, 2005	A 'BBB-' long-term corporate credit rating was assigned to AILP. The ratings on AILP reflect its single investment in AltaLink, an Alberta-based, regulated monopoly electricity transmission company, and the support of AILP's ultimate and creditworthy unitholders.
Upgrades				
EDFIN Corp.	A-¶	BBB+¶	Nov. 29, 2005	The revised rating reflects a combination of the improved operating environment of the underlying businesses in the structure, and improved financial profiles and/or reduced business risks specific to the three Ontario LDCs that comprise EDFIN Corp.
Maritime Electric Co. Ltd.'s first mortgage bonds	A-	BBB+	Dec. 7, 2005	The rating on Maritime Electric's first mortgage bonds was raised to reflect the secured nature of the debt instruments. The first mortgage bonds are rated one notch higher than the corporate credit rating on the company.
Withdrawn ratings				
Terasen Pipelines (Trans Mountain) Inc.	N.R.	BBB/Watch Neg/--	Dec. 6, 2005	Rating withdrawn on debt repayment.
*Dates represent the period from July 21, 2005, to Jan. 31, 2006, covered by this report card. ¶Debt rating.				

Rating Trends

Chart 3

Global Utility Sector
Issuer Upgrades Versus Downgrades



*As of Jan. 29, 2006. Source: Standard & Poor's Global Fixed Income Research

Selected Articles

Table 5 Selected Articles	
Article Title	**Publication Date**
Canadian Income Funds And The Perceptions Of Distributable Cash: Part I	Jan. 16, 2006
Industry Report Card: U.S. Oil And Gas	Jan. 12, 2006
Will High Yield or High Grade Financing Fuel New U.S. Coal Power Plants?	Jan. 10, 2006
Credit Aspects Of North American And European Nuclear Power	Jan. 9, 2006
Third-Quarter Energy Price Surge Tests Liquidity Adequacy For U.S. Energy/Utility Companies	Dec. 2, 2005
Consolidation Of Variable Interest Entities: A Canadian Perspective Revisited	Nov. 22, 2005
Standard & Poor's Discusses 2005 Outlook For Canadian Gas And Electricity Sectors	Oct. 27, 2005
Credit FAQ: Implied Government Support As A Rating Factor For Hydro One Inc. And Ontario Power Generation Inc.	Oct. 25, 2005
Peer Comparison: Consolidated Edison Inc., Hydro One Inc., And National Grid PLC--Same Ratings, Different Basis	Oct. 11, 2005
New Brunswick Electricity Market Restructuring: Credit Factors	Sept. 1, 2005
Powder River Basin Delivery Restrictions Unlikely To Affect Canadian Electricity Generators	Aug. 30, 2005
Industry Report Card: Canadian Utility Sector	July 21, 2005

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Table 6 Contact Information			
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Comments and ratings reflect available public data as of Jan. 31, 2006.

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Attachment 4 DBRS Research Update: Emera Inc., Confirms at BBB (high), May 16, 2006

Dominion Bond Rating Service®

May 18, 2006

Emera Inc.

Confirms at BBB (high), Stable, Following Announcement of Pipeline Project
Date Of Release: May 16, 2006

Please click on the Issuer name below to see all Research for that Issuer.

Issuer	Debt Rated	Rating Action	Rating	Trend	Notes	Latest Event
Emera Inc.	Medium-Term Notes	Confirmed	BBB (high)	Stb		May 16, 2006

Dominion Bond Rating Service ("DBRS") has today confirmed Emera Inc.'s ("Emera" or the "Company") rating at BBB (high) with a Stable trend, following the Company's announcement earlier today of its proposed natural gas pipeline project in southwest New Brunswick (the "Brunswick Pipeline").

The proposed Brunswick Pipeline, extending from the proposed Repsol YPF ("Repsol")/Irving Liquefied Natural Gas (LNG) terminal ("Canaport LNG") in Saint John, New Brunswick, to the Maritimes and Maritimes & Northeast Pipeline Limited Partnership will be approximately 145 kilometres in length, require no compression, and will receive fixed payments under a 25-year send-or-pay tolling contract with Canaport LNG. There is no volume risk to Emera. Payments will be guaranteed by Repsol, and Repsol will assume all development costs incurred during the permitting and construction periods. Furthermore, Emera has negotiated a contract with a subsidiary of Duke Energy Corporation to both construct and operate the pipeline on Emera's behalf. The total cost of the project is expected to be approximately Cdn$350 million.

Emera has yet to finalize the terms of financing, including whether the Brunswick Pipeline project will be financed on its balance sheet or a non-recourse basis and/or with joint venture partners. However, in the interest of being conservative, DBRS has assumed that Emera would finance this project with roughly two-thirds of additional debt on its balance sheet and one-third with new equity. In this instance, total debt-to-capital would increase to approximately 20% on a non-consolidated basis at the Emera level (from 8.3% as at December 31, 2005), which is within the range that is acceptable for Emera's current rating given its business risk profile comprised mainly of regulated utility operations.

Emera's key risk associated with this proposed gas pipeline project is the creditworthiness of Repsol, as it is ultimately Repsol, through its 25-year send-or-pay agreement, that is: (1) assuming the development risk associated with the cost of construction, and (2) the sole source of revenue for this project. Repsol is the third-largest LNG producer globally, and has approximately 30 years of reserves of natural gas in Trinidad and Tobago that would likely be available to be shipped to the Canaport LNG terminal in Saint John. The operating contract with Duke Energy Corporation will compensate for Emera's lack of experience in operating pipelines.

DBRS views these risks associated with the Brunswick Pipeline project as being manageable by Emera, and notes that this project will comprise less than 10% of Emera's total capitalization once fully operational.

Attachment 5 DBRS Press Release: Nova Scotia Power Inc. "Under Review with Negative Implications", October 30, 2002

dbrs **Press Release**

F:\GROUPS\utils\Canadian Utilities\Press Releases\Nova Scotia Power PR - Oct 30 2002.doc

Dominion Bond Rating Service Limited

Date of Release: October 30, 2002

Energy

DBRS Places Nova Scotia Power Inc. "Under Review with Negative Implications"

Matthew Kolodzie, CFA / Geneviève Lavallée,CFA / 416-593-5577 ext.2296, ext.2277 / mkolodzie@dbrs.com

Rating	Trend	Rating Action	Debt Rated
A (low)	Stable	Under Review with Negative Implications	Unsecured Debentures & MTNs
A (low)	Stable	Under Review with Negative Implications	Gov't guaranteed debt (issued prior to June 1993)
Pfd-2 (low)	Stable	Under Review with Negative Implications	Preferred shares – cumulative, redeemable
R-1 (low)	Stable	Under Review with Negative Implications	Commercial Paper

DBRS is placing the unsecured debentures & MTNs, government guaranteed debt, preferred shares and commercial paper of Nova Scotia Power Inc. ("NSPI") "Under review with Negative Implications" following the unfavourable ruling recently released by the Nova Scotia Utility and Review Board's ("UARB") on NSPI's 2002 rate application ("the ruling"). The ruling has granted an average rate increase of only 3.3% compared to NSPI's request for 8.9%.

Key factors necessitating a review of the rating include:

- The negative tone of the ruling itself suggests a sense of mistrust on the part of the UARB, which will likely influence future rate decisions.
- Regulatory lag (such as the significant delay in receiving the ruling on the 2002 rate application decision) and the future trend in the duration of the regulatory review process is material given that UARB rulings are not retroactive.
- The timing and impact of the flow through of property and corporate taxes to ratepayers, which NSPI must pay beginning in January 2003, is uncertain and will likely be delayed given the recent history of regulatory lag and the fact that UARB rulings are not retroactive.
- The UARB expressed concern over the lack of separation between Emera Inc. and NSPI and the possibility that certain costs at Emera Inc. (such as executive compensation and non-regulated activities) were a burden on NSPI ratepayers. As such, certain operating and executive compensation costs were disallowed from required revenue and some organizational changes between NPSI and Emera were outlined.

The review will focus on NSPI's ability to manage the impact that the ruling will have on its profitability and financial flexibility over the medium- to long-term, and the future direction of regulation in the province.

<Dominion Bond Rating Service Limited (DBRS) will publish a full report shortly that will provide additional analytical detail on this rating action. If you are interested in receiving this report, please contact us at: info@dbrs.com.>

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