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# Credit Ratings

**Q3 2009  
FINANCIAL UPDATE**

QUARTERLY REPORT  
OF THE U.S. SHAREHOLDER-OWNED  
ELECTRIC UTILITY INDUSTRY

### About EEI

The Edison Electric Institute is the association of U.S. shareholder-owned electric companies. Our members serve 95% of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70% of the U.S. electric power industry. We also have 79 international electric companies as Affiliate members and more than 190 industry suppliers and related organizations as Associate members.

### About EEI's Quarterly Financial Updates

EEI's quarterly financial updates present industry trend analyses and financial data covering 69 U.S. shareholder-owned electric utility companies. These 69 companies include 58 electric utility holding companies whose stocks are traded on major U.S. stock exchanges and eleven electric utilities who are subsidiaries of non-utility or foreign companies. Financial updates are published for the following topics:

Dividends	Rate Case Summary
Stock Performance	SEC Financial Statements (Holding Companies)
Credit Ratings	FERC Financial Statements (Regulated Utilities)
Construction	Fuel

### For EEI Member Companies

The EEI Finance and Accounting Division is developing current year and historical data sets that cover a wide range of industry financial and operating metrics. We look forward to serving as a resource for member companies who wish to produce customized industry financial data and trend analyses for use in:

- Investor relations studies and presentations
- Internal company presentations
- Performance benchmarking
- Peer group analyses
- Annual and quarterly reports to shareholders

### We Welcome Your Feedback

EEI is interested in ensuring that our financial publications and industry data sets best address the needs of member companies and the financial community. We welcome your comments, suggestions and inquiries.

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### Future EEI Finance Meetings

44th EEI Financial Conference  
November 1-4, 2009  
Westin Diplomat Resort & Spa  
Hollywood, Florida

EEI International Utility Conference  
March 14-16, 2010  
London Hilton on Park Lane  
London, United Kingdom

For more information about EEI Finance Meetings, please contact Debra Henry, (202) 508-5496, [dhenry@eei.org](mailto:dhenry@eei.org)

# The 69 U.S. Shareholder-Owned Electric Utilities

The companies listed below all serve a regulated distribution territory. Other utilities, such as transmission provider ITC Holdings, are not shown below because they do not serve a regulated distribution territory. However, their financial information is included in relevant EEI data sets, such as transmission-related construction spending.

Allegheny Energy, Inc. (AYE)

ALLETE, Inc. (ALE)

Alliant Energy Corporation (LNT)

Ameren Corporation (AEE)

American Electric Power Company, Inc.  
(AEP)

Avista Corporation (AVA)

Black Hills Corporation (BKH)

CenterPoint Energy, Inc. (CNP)

Central Vermont Public Service  
Corporation (CV)

CH Energy Group, Inc. (CHG)

Cleco Corporation (CNL)

CMS Energy Corporation (CMS)

Consolidated Edison, Inc. (ED)

Constellation Energy Group, Inc. (CEG)

Dominion Resources, Inc. (D)

DPL, Inc. (DPL)

DTE Energy Company (DTE)

Duke Energy Corporation (DUK)

*Duquesne Light Holdings, Inc.*

Edison International (EIX)

El Paso Electric Company (EE)

Empire District Electric Company (EDE)

*Energy East Corporation*

*Energy Future Holdings Corp.* (formerly TXU  
Corp.)

Energy Corporation (ETR)

Exelon Corporation (EXC)

FirstEnergy Corp. (FE)

FPL Group, Inc. (FPL)

Great Plains Energy Incorporated (GXP)

*Green Mountain Power Corporation*

Hawaiian Electric Industries, Inc. (HE)

IDACORP, Inc. (IDA)

Integrus Energy Group, Inc. (TEG)

*IPALCO Enterprises, Inc.*

*Kentucky Utilities*

*KeySpan Corporation*

*Louisville Gas and Electric*

Maine & Maritimes Corporation (MAM)

MDU Resources Group, Inc. (MDU)

MGE Energy, Inc. (MGEE)

*MidAmerican Energy Holdings Company*

*Niagra Mohawk Power Corporation*

NiSource Inc. (NI)

Northeast Utilities (NU)

NorthWestern Corporation (NWE)

NSTAR (NST)

NV Energy, Inc. (NVE)

OGE Energy Corp. (OGE)

Otter Tail Corporation (OTTR)

Pepco Holdings, Inc. (POM)

PG&E Corporation (PCG)

Pinnacle West Capital Corporation (PNW)

PNM Resources, Inc. (PNM)

Portland General Electric Company  
(POR)

PPL Corporation (PPL)

Progress Energy (PGN)

Public Service Enterprise Group Inc.  
(PEG)

*Puget Energy, Inc.\**

SCANA Corporation (SCG)

Sempra Energy (SRE)

Southern Company (SO)

TECO Energy, Inc. (TE)

UIL Holdings Corporation (UIL)

UniSource Energy Corporation (UNS)

Unitil Corporation (UTL)

Vectren Corporation (VVC)

Westar Energy, Inc. (WR)

Wisconsin Energy Corporation (WEC)

Xcel Energy, Inc. (XEL)

\* Puget Energy was acquired by Puget Energy LLC on February 6, 2009. Puget Energy LLC was formed by a group of infrastructure investors led by the Macquarie Group.

# Companies Listed by Category

## (as of 12/31/08)

Please refer to the Quarterly Financial Updates webpage for previous years' lists.

Given the diversity of utility holding company corporate strategies, no single company categorization approach will be useful for all EEI members and utility industry analysts. Nevertheless, we believe the following classification provides an informative framework for tracking financial trends and the capital markets' response to business strategies as companies depart from the traditional regulated utility model.

Regulated	80%+ of total assets are regulated
Mostly Regulated	50% to 80% of total assets are regulated
Diversified	Less than 50% of total assets are regulated

Categorization of the 58 publicly traded utility holding companies is based on year-end business segmentation data presented in 10Ks, supplemented by discussions with company IR departments. Categorization of the 11 non-publicly traded companies (*shown in italics*) is based on estimates derived from FERC Form 1 data and information provided by parent company IR departments.

The EEI Finance and Accounting Division continues to evaluate our approach to company categorization and business segmentation. In addition, we can produce customized categorization and peer group analyses in response to member company requests. We welcome comments, suggestions and feedback from EEI member companies and the financial community.

### Regulated (44 of 69)

ALLETE, Inc.  
 Alliant Energy Corporation  
 Ameren Corporation  
 American Electric Power Company, Inc.  
 Avista Corporation  
 Central Vermont Public Service Corporation  
 CH Energy Group, Inc.  
 Cleco Corporation  
 CMS Energy Corporation  
 Consolidated Edison, Inc.  
 DPL, Inc.  
 DTE Energy Company  
*Duquesne Light Holdings, Inc.*  
 El Paso Electric Company  
 Empire District Electric Company  
*Energy East Corporation*  
 Great Plains Energy Incorporated  
*Green Mountain Power Corporation*  
 IDACORP, Inc.  
*IPALCO Enterprises, Inc.*  
*Kentucky Utilities*  
*KeySpan Corporation*  
*Louisville Gas and Electric*  
 Maine & Maritimes Corporation  
*Niagara Mohawk Power Corporation*  
 Northeast Utilities

NorthWestern Energy  
 NSTAR  
 NV Energy, Inc.  
 PG&E Corporation  
 Pinnacle West Capital Corporation  
 PNM Resources, Inc.  
 Portland General Electric Company  
 Progress Energy  
*Puget Energy, Inc.*  
 Southern Company  
 TECO Energy, Inc.  
 UIL Holdings Corporation  
 UniSource Energy Corporation  
 Unitil Corporation  
 Vectren Corporation  
 Westar Energy, Inc.  
 Wisconsin Energy Corporation  
 Xcel Energy, Inc.

### Mostly Regulated (19 of 69)

Black Hills Corporation  
 CenterPoint Energy, Inc.  
 Dominion Resources, Inc.  
 Duke Energy Corporation  
 Edison International  
 Entergy Corporation  
 Exelon Corporation  
 First Energy Corp.

FPL Group, Inc.  
 Integrys Energy Group  
 MGE Energy, Inc.  
*MidAmerican Energy Holdings*  
 NiSource Inc.  
 OGE Energy Corp.  
 Otter Tail Corporation  
 Pepco Holdings, Inc.  
 Public Service Enterprise Group, Inc.  
 SCANA Corporation  
 Sempra Energy

### Diversified (6 of 69)

Allegheny Energy, Inc.  
 Constellation Energy Group, Inc.  
*Energy Future Holdings*  
 Hawaiian Electric Industries, Inc.  
 MDU Resources Group, Inc.  
 PPL Corporation

Note: Based on assets at 12/31/08

# Credit Ratings

## HIGHLIGHTS

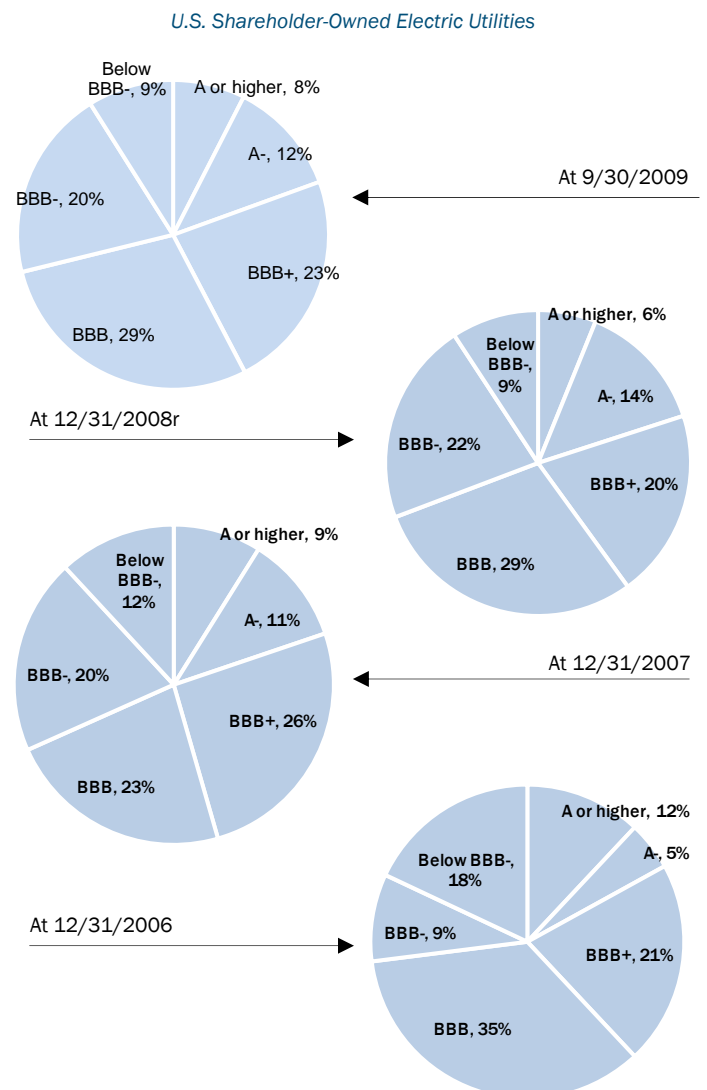
- Ratings activity was relatively quiet in Q3. The quarter's 15 actions put it in the bottom quartile in terms of total quarterly actions since Q1 2001.
- Industry credit quality fell marginally — with eight downgrades barely outnumbering seven upgrades — following a sharper decline in the year's first half. There were 31 downgrades and 18 upgrades through the first nine months of the year.
- Downgrades related primarily to regulatory lag and risks from large construction projects. Upgrades centered on a stabilized regulatory environment in Illinois.
- In late October, 78% of outlooks were Stable, 17% were Negative or Watch-Negative and only 5% were Positive or Watch-Positive.

## COMMENTARY

Ratings activity was relatively quiet during the third quarter. The quarter's 15 actions (defined as upgrades or downgrades affecting either parent companies or subsidiaries) put it in the bottom quartile in terms of total actions since EEI began tracking quarterly totals in Q1 2001. The median quarter during that period saw 31 actions. The third quarter's downgrades related primarily to the financial impact of regulatory lag and other risks from large construction projects. Upgrades centered on a stabilized regulatory environment for utilities in Illinois.

Industry credit quality fell marginally — with eight downgrades barely outnumbering seven upgrades — following a sharper decline during the first half of the year. In total, there were 31 downgrades and 18 upgrades through the first nine months of 2009.

## I. S&P Utility Credit Ratings Distribution

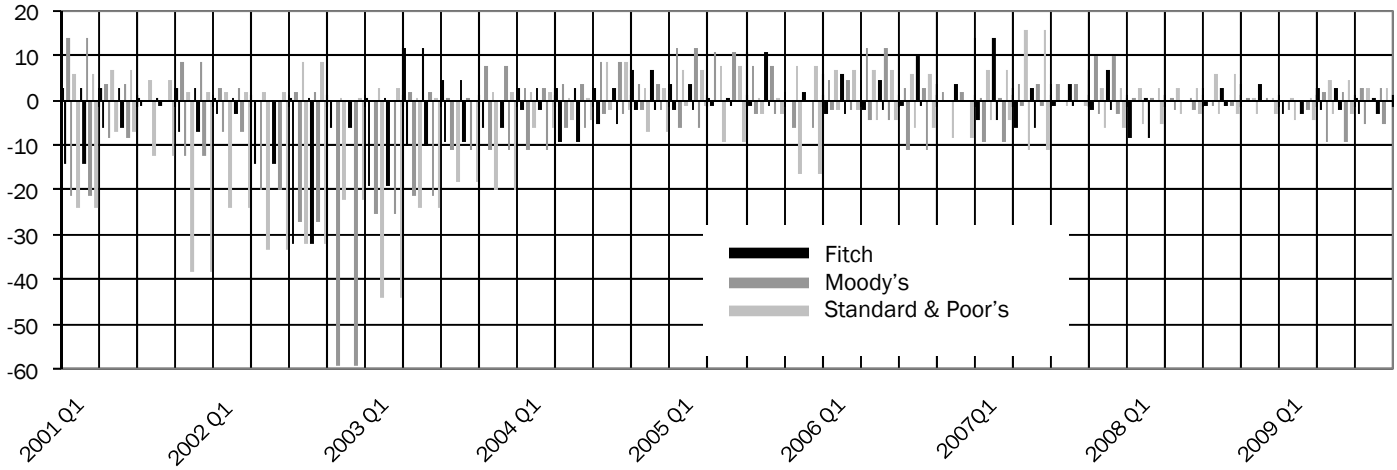


Note: Rating applies to utility holding company entity.  
Source: Standard & Poor's, SNL Financial, EEI Finance Department and company annual reports.

## II. Credit Rating Agency Upgrades and Downgrades

*U.S. Shareholder-Owned Electric Utilities*

Positive = upgrades    Negatives = downgrades



	2003				2004				2005				2006				2007				2008				2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q2
Fitch (Up)	1	12	5	0	3	3	3	7	4	1	11	2	6	5	10	4	14	3	4	7	1	0	3	4	0	3	1
Fitch (Down)	-19	-10	-9	-6	-2	-9	-5	-2	-2	-1	-1	0	-3	-2	-1	0	-4	-6	-1	-2	-8	0	-1	0	-3	-2	-3
Moody's (Up)	0	2	1	8	3	4	9	4	12	11	8	0	5	12	3	2	1	4	4	10	1	1	0	1	0	2	3
Moody's (Down)	-25	-21	-11	-11	-11	-6	-3	-2	-6	0	-3	-6	-2	-4	-11	0	-9	-1	0	-3	0	-2	-1	0	-2	-9	-5
S&P (Up)	3	1	0	2	2	1	9	3	7	8	1	8	7	7	6	0	7	16	0	3	3	3	6	1	1	5	3
S&P (Down)	-44	-24	-18	-20	-6	-4	-2	-7	-1	-9	-3	-16	-2	-4	-6	-8	-4	-11	-1	-6	-5	-3	-3	-3	-4	-3	0

Note: Data presents the number of occurrences and includes each event, even if multiple actions occurred for a single company.  
 Source: Fitch Ratings, Moody's, Standard & Poor's

### III. Total Ratings Actions

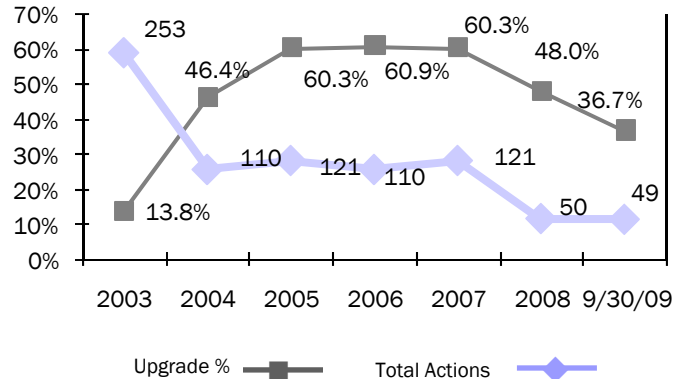
*U.S. Shareholder-Owned Electric Utilities*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009*</u>
Fitch	57	62	34	22	31	41	17	12
Moody's	118	79	42	46	39	32	6	21
Standard & Poor's	125	112	34	53	40	48	27	16
<b>Total</b>	<b>300</b>	<b>253</b>	<b>110</b>	<b>121</b>	<b>110</b>	<b>121</b>	<b>50</b>	<b>49</b>

\* Through September 30, 2009  
 Note: Full year, except where noted.  
 Source: Fitch Ratings, Moody's, Standard & Poor's

### IV. Direction of Ratings Actions

*U.S. Shareholder-Owned Electric Utilities*



Note: Full year, except where noted.  
 Source: Fitch Ratings, Moody's, Standard & Poor's

## V. S&P Utility Credit Rating Distribution by Company Category (at period end)

### U.S. Shareholder-Owned Electric Utilities

	12/31/2003		12/31/2004		12/31/2005		12/31/2006		12/31/2007		12/31/2008		9/30/2009	
<b>REGULATED</b>														
A or higher	6	17%	7	19%	7	19%	6	19%	5	13%	3	8%	3	7%
A-	5	14%	4	11%	3	8%	1	3%	2	5%	4	10%	6	15%
BBB+	6	17%	7	19%	8	22%	7	22%	10	26%	9	23%	9	22%
BBB	6	17%	8	22%	9	25%	9	28%	8	21%	9	23%	10	24%
BBB-	5	14%	5	14%	3	8%	3	9%	7	18%	9	23%	8	20%
Below BBB-	8	22%	5	14%	6	17%	6	19%	6	16%	5	13%	5	12%
<b>Total</b>	<b>36</b>	<b>100%</b>	<b>36</b>	<b>100%</b>	<b>36</b>	<b>100%</b>	<b>32</b>	<b>100%</b>	<b>38</b>	<b>100%</b>	<b>39</b>	<b>100%</b>	<b>41</b>	<b>100%</b>
<b>MOSTLY REGULATED</b>														
A or higher	3	15%	2	9%	2	9%	1	4%	1	5%	1	5%	2	11%
A-	2	10%	1	4%	0	0%	2	9%	3	16%	5	26%	2	11%
BBB+	5	25%	6	26%	6	27%	3	13%	4	21%	2	11%	5	26%
BBB	4	20%	7	30%	9	41%	11	48%	6	32%	8	42%	6	32%
BBB-	2	10%	7	30%	0	0%	1	4%	4	21%	3	16%	4	21%
Below BBB-	4	20%	0	0%	5	23%	5	22%	1	5%	0	0%	0	0%
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>23</b>	<b>100%</b>	<b>22</b>	<b>100%</b>	<b>23</b>	<b>100%</b>	<b>19</b>	<b>100%</b>	<b>19</b>	<b>100%</b>	<b>19</b>	<b>100%</b>
<b>DIVERSIFIED</b>														
A or higher	0	0%	0	0%	0	0%	1	9%	0	0%	0	0%	0	0%
A-	2	13%	1	9%	1	9%	0	0%	2	22%	0	0%	0	0%
BBB+	4	27%	3	27%	2	18%	4	36%	3	33%	2	29%	1	17%
BBB	5	33%	5	45%	5	45%	3	27%	1	11%	2	29%	3	50%
BBB-	2	13%	1	9%	2	18%	2	18%	2	22%	2	29%	1	17%
Below BBB-	2	13%	1	9%	1	9%	1	9%	1	11%	1	14%	1	17%
<b>Total</b>	<b>15</b>	<b>100%</b>	<b>11</b>	<b>100%</b>	<b>11</b>	<b>100%</b>	<b>11</b>	<b>100%</b>	<b>9</b>	<b>100%</b>	<b>7</b>	<b>100%</b>	<b>6</b>	<b>100%</b>

Note: At period end. Percentages may not total 100% due to rounding.  
Source: Standard & Poor's, SNL Financial, EEI Finance Department

Ratings outlooks in late October were somewhat more negative than positive. While 78% of assigned outlooks were Stable, 17% were Negative or Watch-Negative and only 5% were Positive or Watch-Positive. These statistics include all outlooks assigned by Moody's, S&P and Fitch to the 69 parent companies in EEI's shareholder-owned universe.

Table I shows the distribution of U.S. shareholder-owned electric utilities' Standard & Poor's (S&P) ratings at the holding company level. Changes in Q3 were limited to a one-notch upgrade at IPALCO Enterprises (to BBB- from BB+), which S&P attributed to the company's "excellent" business risk profile and credit metrics that consistently reflect investment-grade strength. S&P cited structural protec-

tions that insulate IPALCO and its utility subsidiary Indianapolis Power & Light from parent AES Corp. (including covenants, a pledge of stock and an independent director) as reasons for a three-notch rating difference relative to AES, whose issuer rating at S&P is BB-.

### M&A Risks Subside

On July 21, Exelon terminated its unsolicited offer to acquire NRG Energy in a stock-for-stock exchange, prompting all three rating agencies to revise their outlooks on Exelon to Stable from Watch-Negative. Shortly thereafter, Moody's and Fitch completed their reviews of Constellation Energy Group, revising their outlooks to Stable from Watch-

Negative (Moody's) and Watch-Evolving (Fitch) due in part to reduced concern over Constellation's nuclear joint venture with Electricite de France. (Constellation remains on Watch-Negative at S&P.)

While Moody's affirmed its Baa3 rating on Constellation, Fitch downgraded Constellation and its utility subsidiary Baltimore Gas and Electric (BGE) one notch (Constellation to BBB- from BBB; BGE to BBB from BBB+). Regarding BGE, Fitch cited "weak and inconsistent" cash flows over the last four to five years and continuing political and regulatory risk as negative factors that the agency weighed against credit protections such as purchased gas and purchased power recovery mechanisms, gas weather normalization and electric rate decoupling. In removing Constellation and BGE from the Watch-Evolving outlook, Fitch also cited several positive measures including the successful sale of the parent company's Houston- and London-based trading businesses and the "material reduction" of trading exposures and collateral needs. According to Fitch, Constellation also began work to replace expiring credit facilities with new sources of liquidity.

### Regulatory Relations Drive Upgrades

With M&A uncertainties subsiding, regulatory environments and local economies played a more prominent role in the quarter's ratings changes. A stabilized regulatory environment in Illinois supported upgrades of Exelon subsidiary Commonwealth Edison (ComEd) and Ameren's Illinois utilities Illinois Power, Central Illinois Public Service and Central Illinois Light. Regulatory clarity in Ohio was cited as a positive for American Electric Power Co. (AEP) subsidiary Ohio Power (notwithstanding Moody's decision to downgrade the company for other reasons). However, as noted above, continuing regulatory challenges were a driver in Fitch's downgrade of Baltimore Gas and Electric.

S&P stated that its one-notch upgrade of ComEd's issuer rating, to BBB from BBB-, reflected both an improvement in its business risk profile to "excellent" from "strong," given a "return to political normalcy" in Illinois and improved credit metrics.

Moody's one-notch upgrades of Illinois Power, Central Illinois Public Service and Central Illinois Light (all from Baa3 from Ba1), moved the companies' long-term issuer ratings to investment grade. Moody's noted the improved political and regulatory environment in the state, observing that: (1) the companies received a "reasonably supportive" rate case outcome in September 2008 in their first case following a comprehensive settlement agreement reached in August 2007, (2) the new Illinois Power Agency's first RFP process was carried out successfully and resulted in lower residential rates, and (3) recent legislation was passed that

## VI. Credit Ratings Scales

### U.S. Shareholder-Owned Electric Utilities

Investment Grade	Moody's	S&P	Fitch
	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Speculative Grade	Moody's	S&P	Fitch
	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	CCC+
	Caa2	CCC	CCC
	Caa3	CCC-	CCC-
	Ca	CC	CC
	C	C	C
Default	Moody's	S&P	Fitch
	C	D	D

Source: Fitch Ratings, Moody's, Standard & Poor's

provides Illinois utilities with a bad debt expense rider. Additionally, Moody's noted that Ameren's execution of a new two-year bank credit facility will provide it with "adequate liquidity support."

### Recession Creates Cost Recovery Challenges

Fitch downgraded AEP subsidiary Appalachian Power by one notch, to BBB- from BBB, because of weakening credit metrics driven by higher operations and maintenance costs,

under-recovery of fuel costs and high levels of capital spending. Fitch stated that the company is dependent on constructive rate outcomes in pending and future rate cases to improve its financial position. Fitch also noted that the West Virginia Public Service Commission in June suspended Appalachian Power's \$398 million filing to recover incremental fuel, purchased power and environmental compliance expenses because of "extraordinary economic conditions." (On September 30, the commission approved \$367 million for recovery through July 2013.) Fitch expects recovery deferrals in West Virginia and Virginia will slow improvement in AEP's financial measures.

Moody's downgraded AEP subsidiary Ohio Power one notch, to Baa1 from A3, on its projection of credit metrics more appropriate for the Baa category, even though "regulatory clarity" in Ohio provided some credit support. Moody's said it remained "somewhat concerned" that poor economic conditions in the state—especially given Ohio Power's large industrial load—could lead to challenges in future regulatory hearings.

Central Hudson Gas & Electric saw its ratings outlook affected by the recession. Moody's downgraded the company by one notch, to A3 from A2, due to the credit impacts of regulatory lag, underfunded pension obligations, and projected high capital spending for the next few years. Explaining the company's Negative outlook, Moody's stated that it reflected "the ongoing need for rate relief" to cover capex and strengthen financial measures "at a time when the NYPSC is imposing austerity measures on all New York-based utilities."

While a prolonged and severe recession has the potential to weaken industry credit quality, the current consensus among ratings agencies is that the industry is weathering the financial crisis well. EEI's review of Q3 2009 corporate bond issuance showed that the average coupon rate on new ten-year bonds, at 5.4%, continued to fall from its crisis peak of 8.2% in Q4 2008, putting it at a level nearer that of 2004 and 2005 (5.4% in both years) than 2006 through 2008 (5.8%, 5.9% and 6.5%, respectively). Banc of America Securities suggested in an October 20 fixed-income research report that utilities have generally turned to short-term borrowing, including commercial paper and revolving credit facilities, "as financial market conditions have constantly improved and made short-term financing cheaper and more accessible."

### Construction Projects Strain Credit

Several companies faced credit pressure and rating downgrades from large construction projects. SCANA's major expansion of its V.C. Summer nuclear plant — which will roughly triple the facility's capacity by 2019 — influenced Moody's decision to downgrade the company and its utility

subsidiary, South Carolina Electric & Gas (SCE&G), by one notch (SCANA to Baa2 from Baa1; SCE&G to Baa1 from A3). Moody's believes that the higher business and operating risk associated with the project offsets the "relatively supportive" regulatory environment in South Carolina. Similar to V.C. Summer unit 1, the new units 2 and 3 will be co-owned with the South Carolina Public Service Authority (Santee Cooper).

Moody's downgraded American Electric Power's Southwestern Electric Power Company (SWEPCO) by two notches, to Baa3 from Baa1, citing higher business and operating risk related to its new John W. Turk, Jr., coal-fired plant. Moody's expects SWEPCO to achieve "much weaker" credit metrics over the next few years and cited a number of legal and regulatory challenges associated with the Turk facility. Moody's also said that while "legal challenges related to coal-fired construction are not that unusual in this sector ... the current environmental momentum appears to be heightening these risks."

### Ratings Analysis by Company Category

Table V presents the distribution of credit ratings over time for the shareholder-owned electric utilities organized into Regulated, Mostly Regulated and Diversified categories. Ratings are based on S&P long-term issuer ratings at the holding company level, with only one rating assigned per company. At September 30, the categories had the following average ratings: Regulated = BBB, Mostly Regulated = BBB+, and Diversified = BBB-. These were unchanged from June 30, although the Regulated category grew marginally stronger from IPALCO Enterprises' one-notch upgrade in the quarter.

### Emerging Issue: Energy & Climate Risks

Given the current interest in Washington in new energy legislation, we note these recent agency comments regarding credit risks related to renewable energy mandates and carbon limits.

- S&P noted in its Q3 *Ratings Roundup* of October 6 that it "continues to believe that the ultimate cost of any new federal mandated energy policy will be borne by electric ratepayers dependent on timing, details and implementation rules; we continue to expect regulated electric utilities to seek recovery of mandated compliance costs through individual state regulatory frameworks." Additionally, S&P believes that the capital requirements associated with future mandatory investments in transmission, renewable generation and carbon reductions are likely to "preclude any substantial upward ratings movements for the electric industry."

- Fitch commented in an October 14 report, *Electric Utility Capital Spending: The Show Will Go On*, that beyond 2010 it expects capex budgets to rise as a result of new environmental regulation and legislation, implementation of Renewable Portfolio Standards (RPSs) and related transmission projects.■