

From: Barry Lewis
Sent: Thursday, October 05, 2006 9:55 AM
To: Kathi Litt
Subject: DBRS Reports
Kathi, here are DBRS reports for both Enersource and the Borealis-Enersource bonds.

I will also attempt to find the S&P reports and a prospectus.

Barry



Oct 5, 2006

Enersource Corporation

Upgrades to "A"

Date Of Release: August 30, 2005

Dominion Bond Rating Service ("DBRS") has today upgraded the ratings of Enersource Corporation ("Enersource" or the "Company") and the Borealis-Enersource Series Bonds of Borealis Infrastructure Trust to "A" with a Stable trend from A (low). The rating on the Borealis-Enersource Series Bonds is a flow through of the Issuer Rating of Enersource since the Borealis-Enersource Series Bonds are backed by a loan to Enersource. The upgrade essentially returns the rating back to the level it was at prior to the political intervention and rate cap introduced with Bill 210 in December 2002.

The upgrade is supported by: (1) an improvement in the provincial government's support of electricity distributors and the electricity market as a whole (with the passing of Bill 4 in December 2003 and Bill 100 in December 2004) together with a more stable outlook for the regulatory environment going forward, and (2) the strengthening of Enersource's financial profile.

EBIT improved over the 12 months ended June 30, 2005, while cash flow from operations has remained adequate to fully fund capital expenditures since 2002. Furthermore, operating cash flow was sufficient to cover the payment of a Cdn\$15.7 million dividend in November 2004. Beginning in 2006, annual EBIT is expected to increase by Cdn\$10 million to Cdn\$15 million. This significant increase is largely due to the following: (1) Beginning on March 1, 2006, all Ontario local distribution companies will receive the full benefit of the March 1, 2005, rate increase (after spending the first year of this revenue on demand-side management), and (2) Future rates will be set from a higher rate base reflecting a December 2004 value versus the lower 1999 value used to set rates over the past five years.

Higher capital expenditures in 2005 (approximately Cdn\$50 million net of capital contributions) are

expected to lead to a modest free cash flow deficit (before changes in working capital) for the year. However, cash flow from operations will improve along with earnings beginning in 2006, and is expected to be sufficient to fully fund capital expenditures (in the Cdn\$50 million to Cdn\$55 million range) and dividends over the medium term. DBRS expects total debt-to-capital to remain near 60% over the medium to longer term. Hence, as cash flow improves, beginning in 2006, key cash flow-to-debt and interest coverage ratios should remain adequate to support the “A” rating, given the stability of its regulated distribution operations. DBRS highlights two uncertainties/risks going forward for regulated electricity distributors in Ontario: (1) The regulatory framework beyond 2006 remains uncertain. However, DBRS expects that the Ontario Energy Board (“OEB”) will maintain a supportive regulatory framework for electricity distributors, which would likely include full cost of service recovery, a market-based rate of return, and a performance-based incentive mechanism. (2) Political intervention remains a key risk, especially in light of rising electricity commodity prices and anticipated increases in transmission and distribution rates over the medium to longer term. Should the total cost of electricity to consumers rise too quickly, the government could interfere with the OEB’s rate-making process, or cap rates as has happened in the past. This risk would be highest leading up to a provincial election. However, DBRS considers this risk to be lower under the current government than the previous government, given the current government has made a strong commitment to passing on the full cost of electricity to consumers.

Note:

Issuer ratings apply to all general senior unsecured obligations of the issuer in question.

Issuer	Debt Rated	Rating Action	Rating	Trend	Notes	Latest Event
Borealis Infrastructure Trust	Borealis-Enersource Series Bonds	Upgraded	A	Stb		Aug 30, 2005
Enersource Corporation	Issuer Rating	Upgraded	A	Stb		Aug 30, 2005

The full report providing additional analytical detail is available by clicking on the link below or by contacting us at info@dbrs.com.

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Associated Documents

Title	Description	Date
Enersource Corporation		Sep 2, 2005

Issuers in This

Borealis Infrastructure Trust

Enersource Corporation

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