



Credit Ratings Methodology

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Nicole Martin
Associate Director

nicole_martin@standardandpoors.com



LDC Efficiency Consultation

Why are we here?

What is Standard & Poor's role in the market place?

What is a credit rating?



Credit Ratings Standard & Poor's Symbols

Investment Grades

AAA	Extremely Strong
AA	Very Strong
A	Strong
BBB	Adequate

Speculative Grades

BB	Faces ongoing uncertainties
B	Adverse conditions will impair ability to meet obligations
CCC/C	Currently vulnerable to non payment
D	Default

Source: Standard & Poor's



Key Components of a Business Profile

- Regulation
- Markets
- Operations
- Competitive Position
- Management



Key Components of a Financial Profile

- Profitability and Cash flow
- Liquidity
- Financial Flexibility
- Sensitivity Analysis



Methodology

- Debt aspect of purchased power agreements
- Government support
- Consolidated approach



Observations

- **Improved operational efficiency**

- is a credit positive
- could strengthen but not necessarily change a credit rating opinion

- **Uncontrollable cost drivers**

- are considered in a credit rating opinion and are often contributor to business risk and cash flow variability

- **Economies of scale**

- may enhance financial flexibility and access to capital

Level of business risk sets the expectation for the financial risk a company can afford a a particular rating level

