

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
St. Lawrence Gas Company
Case 15-G-0382
October 2015

Prepared Exhibits of:

Staff Finance Panel

Patrick Piscitelli
Principal Utility Financial
Analyst

Vincent Califano
Senior Utility Financial Analyst

Office of Accounting, Audits and
Finance
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Table of Contents

Exhibit	PDF Page
Exhibit__(SFP-1)	3
Exhibit__(SFP-2)	5
Exhibit__(SFP-3)	6
Exhibit__(SFP-4)	8
Exhibit__(SFP-5)	9
Exhibit__(SFP-6)	10
Exhibit__(SFP-7)	11
Exhibit__(SFP-8)	12
Exhibit__(SFP-9)	14
Exhibit__(SFP-10)	15
Exhibit__(SFP-11)	17
Exhibit__(SFP-12)	29

PATRICK PISCITELLI**PROFESSIONAL New York State Department of Public Service, Albany, NY****EXPERIENCE** *Principal Utility Financial Analyst*

December 2003 – Present

Provide analysis and recommendations to Senior Management and other members of the Department of Public Service regarding financial and accounting issues for New York State utilities. Also, provides rate of return, financial, and accounting testimony in electric, telephone, and water company rate proceedings.

National Grid USA, Westborough, MA*Principal Financial Analyst*

November 2002 – December 2003

Responsible for the development and implementation of the National Grid USA Risk Management Policy for the management of the Company's energy procurement market and credit risks. Also, responsible for establishing the procedures for evaluating, reporting, and monitoring the risk exposures and for the operating Companies adherence to the Corporate Policies and Procedures.

Niagara Mohawk Power Corporation, Syracuse, NY*Corporate Financial Risk Manager*

October 1996 – November 2002

Responsible for the development and implementation of a Corporate Financial Risk Management Program to manage the financial risks of commodity and foreign currency transactions, and the corporate loan portfolio. Interact and make presentations to Senior Management regarding Financial Risk Management strategies and results. Developed and implemented Financial Risk Management Plans, Policies, and Procedures and developed Value-at-Risk and Credit-at-Risk Models to quantify the Capital-at-Risk resulting from the Energy and Gas Supply Portfolios.

Associate Director of Finance and Investments

May 1991 - October 1996

Analyzed and presented recommendations to Senior Management regarding the financing options available to the Company. Co-managed the Pension Fund and managed all investment aspects of the Nuclear Decommissioning Trust Fund, the Supplemental Executive Retirement Plan, and charitable foundation. Responsible for interacting with the Investment Community to carry out the plans and policies of Niagara Mohawk.

First Albany Corporation, Albany, NY*Assistant Vice President*

October 1987 - May 1991

Responsibilities included investment banking, consulting, and conducting financial and economic analysis. As an Investment Banker and consultant, I was responsible for analyzing investment opportunities for institutional clients and authoring investment research reports. Served as the financial analyst to the United States Bankruptcy Court during the Public Service of New Hampshire Bankruptcy Proceeding.

New York State Department of Public Service, Albany, NY*Senior Utility Financial Analyst*

July 1981 – May 1983

Associate Utility Financial Analyst

May 1983 – June 1985

Principal Financial Analyst

June 1985 – October 1987

In positions of increasing responsibility provided analysis and recommendations to Senior Management and other members of the Department of Public Service regarding financial and accounting issues for New York State utilities. Provided rate of return, financial, and accounting testimony in electric, telephone, and water company rate proceedings. Also negotiated and testified in various rate case settlements.

Russell Sage Graduate School, Albany, NY

Adjunct Professor, MBA Program

Fall 1996

EDUCATION

Union University, Schenectady, NY*Master of Business Administration**Concentration - Management Information Systems***State University College at Potsdam, New York***Bachelor of Arts**Major - Economics*VOLUNTEER
ACTIVITIES**Empower Federal Credit Union,**

Member of the Board of Directors

Finance Committee

September 1999 – present

Chairman of Empower Associated Services

March 2013 - present

Onondaga Community College Housing Development Corporation,

President of the Board of Directors

Finance and Audit Committee

September 2006 - present

St. Lawrence Gas Corporation
Cost of Debt
 For Rate year Ending May 31, 2017

Type			Principal Amount Outstanding	Interest Rate %	Charges During Rate Year	Months Outstanding in Rate Year	Average Amount Outstanding During Rate Year	Interest Expense During Rate Year	Total Expense During Rate Year	Total Principal Charges & Interest During Rate Year
Long-Term Debt										
Unsecured Note	Variable	KeyBank LTD Note - New issuance	7,000,000	2.540%	-	12	7,000,000	177,800	177,800	7,177,800
Short-Term Debt										
Unsecured LOC	Variable	KeyBank Line of Credit - New Issuance	6,000,000	1.235%	-	12	6,000,000	74,100	74,100	6,074,100
	Variable	Enbridge Inc.- Grid Note	2,196,769	1.235%	-	12	2,196,769	27,130	27,130	2,223,899
Total Debt Outstanding			<u>\$ 15,196,769.00</u>		-		<u>\$ 15,196,769</u>			<u>\$ 15,475,799</u>
Interest Charges for the Rate Year								<u>\$ 279,030</u>		
Total Expenses									<u>\$ 279,030</u>	
Plus: Amortization of Debt Discount and Expense									-	
Less: Amortization of Premium on Debt									-	
Total Cost of Debt									<u>\$ 279,030</u>	
Cost of Debt Net Interest Rate									<u>1.84%</u>	

Company	Ticker	Financial Risk	CIQ ID	Moody's Rating	S&P Rating	2014 % of Utility Rev.	% of Rev. score	Moody's score	Moody's	S&P Score	S&P	Dividend Paying?	DIV. Score	Not in M&A Activity?	Score	Regulated by state Commission	Reg. Score	Total Score	Proxy Group
1 Allele Inc	ALE	A	IQ289272	A3	BBB+	88%	1	7	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
2 Alliant Energy Corp	LNT	A	IQ312949	A3	A-	98%	1	7	1	7	1	Yes	1	Yes	1	Yes	1	6	selected
3 Ameren Corp	AEE	A	IQ373264	Baa1	BBB+	100%	1	8	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
4 American Electric Power Co.	AEP	A	IQ135470	Baa1	BBB	82%	1	8	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
5 Avista Corp	AVA	A	AVA	Baa1	BBB	96%	1	8	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
6 Black Hills Corp	BKH	B++	IQ255902	Baa1	BBB	93%	1	8	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
7 CenterPoint Energy Inc	CNP	B++	IQ279513	Baa1	A-	86%	1	8	1	7	1	Yes	1	Yes	1	Yes	1	6	selected
8 CMS Energy Corp	CMS	B++	IQ257682	Baa2	BBB+	95%	1	9	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
9 Consolidated Edison Inc	ED	A+	IQ263295	A3	A-	90%	1	7	1	7	1	Yes	1	Yes	1	Yes	1	6	selected
10 Duke Energy Corp New	DUK	A	IQ267850	A3	A-	94%	1	7	1	7	1	Yes	1	Yes	1	Yes	1	6	selected
11 Edison International	EIX	A	IQ301891	A3	BBB+	100%	1	7	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
12 El Paso Electric Co	EE	B++	IQ268503	Baa1	BBB	86%	1	8	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
13 Empire District Electric Co	EDE	B++	IQ269306	Baa1	BBB	99%	1	8	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
14 Entergy Corp	ETR	B++	IQ269764	Baa3	BBB	78%	1	10	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
15 Eversource Energy	ES	A	IQ292525	Baa1	A	99%	1	8	1	6	1	Yes	1	Yes	1	Yes	1	6	selected
16 Great Plains Energy Inc	GXP	B+	IQ282981	Baa2	BBB+	100%	1	9	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
17 IDACORP Inc	IDA	B++	IQ280458	Baa1	BBB	88%	1	8	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
18 MGE (Madison) Energy Inc	MGEE	A	IQ3563975	A1	AA-	99%	1	5	1	4	1	Yes	1	Yes	1	Yes	1	6	selected
19 NorthWestern Corporation	NWE	B+	IQ184841	A3	BBB	100%	1	7	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
20 OGE Energy Corp	OGE	A+	IQ293569	A3	A-	100%	1	7	1	7	1	Yes	1	Yes	1	Yes	1	6	selected
21 Pacific Gas and Electric Co.	PCG	B+	PCG	Baa1	BBB	100%	1	8	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
22 Pinnacle West Capital Corp	PNW	A+	IQ296957	A3	A-	100%	1	7	1	7	1	Yes	1	Yes	1	Yes	1	6	selected
23 PNM Resources Inc	PNM	B	IQ298441	Baa3	BBB	100%	1	10	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
24 Portland General Electric Co.	POR	B++	IQ297526	A3	BBB	93%	1	7	1	9	1	Yes	1	Yes	1	Yes	1	6	selected
25 SCANA Corporation	SCG	B++	IQ188244	Baa3	BBB+	74%	1	10	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
26 Sempra Energy	SRE	A	IQ120622	Baa1	BBB+	88%	1	8	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
27 Westar Energy Inc	WR	B++	IQ283024	Baa1	BBB+	83%	1	8	1	8	1	Yes	1	Yes	1	Yes	1	6	selected
28 Xcel Energy Inc	XEL	A	IQ527542	A3	A-	99%	1	7	1	7	1	Yes	1	Yes	1	Yes	1	6	selected
29 Hawaiian Electric Industries Inc	HE	A	IQ277854	NR	BBB-	92%	1	NA	0	10	1	Yes	1	No	0	Yes	1	4	No M&A & Moody's
30 Cleco Corp	CNL	A	IQ259829	(P)Baa1	BBB+	95%	1	8	1	8	1	Yes	1	No	0	Yes	1	5	No M&A
31 Pepco Holdings Inc	POM	B+	IQ297660	Baa3	BBB+	94%	1	10	1	8	1	Yes	1	No	0	Yes	1	5	No M&A
32 Southern Co	SO	A	IQ120623	Baa1	A-	88%	1	8	1	7	1	Yes	1	No	0	Yes	1	5	No M&A
33 TECO Energy	TE	B++	IQ306596	(P)Baa1	BBB+	100%	1	8	1	8	1	Yes	1	No	0	Yes	1	5	No M&A
34 UIL Holdings Corporation	UIL	B++	IQ310736	Baa2	BBB	87%	1	9	1	9	1	Yes	1	No	0	Yes	1	5	No M&A
35 WEC (Wisconsin) Energy Group	WEC	A+	IQ315117	A3	A-	99%	1	7	1	7	1	Yes	1	No	0	Yes	1	5	No M&A
36 ITC Holdings Corp	ITC	B++	IQ6565801	Baa2	A-	100%	1	9	1	7	1	Yes	1	Yes	1	No	0	5	No - Not Reg
37 NextEra Energy Inc	NEE	A	IQ270586	Baa1	A-	67%	0	8	1	7	1	Yes	1	Yes	1	Yes	1	5	No - % of Rev
38 Dominion Resources Inc	D	B++	IQ267105	Baa2	A-	63%	0	9	1	7	1	Yes	1	Yes	1	Yes	1	5	No - % of Rev
39 DTE Energy Company	DTE	B++	IQ266598	A3	BBB+	56%	0	7	1	8	1	Yes	1	Yes	1	Yes	1	5	No - % of Rev
40 Exelon Corp	EXC	B++	IQ296181	Baa2	BBB	39%	0	9	1	9	1	Yes	1	No	0	Yes	1	4	No - % of Rev
41 FirstEnergy Corp	FE	B+	IQ293515	Baa3	BBB-	67%	0	10	1	10	1	Yes	1	Yes	1	Yes	1	5	No - % of Rev
42 Otter Tail Corp	OTTR	B+	IQ294269	Baa2	BBB	51%	0	9	1	9	1	Yes	1	Yes	1	Yes	1	5	No - % of Rev
43 PPL Corporation	PPL	B++	IQ185508	Baa2	A-	68%	0	9	1	7	1	Yes	1	Yes	1	Yes	1	5	No - % of Rev
44 Public Service Enterprise Group Inc	PEG	A++	IQ298482	(P)Baa2	BBB+	62%	0	9	1	8	1	Yes	1	Yes	1	Yes	1	5	No - % of Rev
45 Vectren Corp	VVC	A	IQ411206	NR	A-	60%	0	NA	0	7	1	Yes	1	Yes	1	Yes	1	4	No - % of Rev

Universe of Utility Companies tracked by Value Line

Comments	Not selected due to:
1 Cleco Corp	Pending an acquisition by an Investment Mgt. Co.
2 Exelon Corp	Pending an acquisition of Pepco Holdings.
3 Hawaiian Electric Industries Inc	Pending an acquisition by NextEra.
4 Pepco Holdings Inc	Pending an acquisition by Exelon.
5 Southern Co	Pending an acquisition by Iberdola and pending acquisition of AGL Resources in 2016.
6 TECO Energy	Accepted Takeover offer from AGL Resources, announced July 2015.
7 UIL Holdings Corporation	Pending an acquisition by Iberdola.
8 WEC (Wisconsin) Energy Group	Is acquiring Integrys Co.
1 ITC Holdings Corp	Not regulated
1 NextEra Energy Inc	Revenue below 70%
2 Dominion Resources Inc	Revenue below 70%
3 DTE Energy Company	Revenue below 70%
4 Exelon Corp	Revenue below 70%
5 FirstEnergy Corp	Revenue below 70%
6 Otter Tail Corp	Revenue below 70%
7 PPL Corporation	Revenue below 70%
8 Public Service Enterprise Group Inc	Revenue below 70%
9 Vectren Corp	Revenue below 70%

S&P	Moody's	Score
AAA	Aaa	1
AA+	Aa1	2
AA	Aa2	3
AA-	Aa3	4
A+	A1	5
A	A2	6
A-	A3	7
BBB+	(P)Baa1	8
BBB+	Baa1	8
BBB	Baa2	9
ZZZ	(P)Baa2	9
BBB-	Baa3	10
BB+	Ba1	11
BB	Ba2	12
BB-	Ba3	13
B+	B1	14
B	B2	15
B-	B3	16
CCC+	Caa1	17

16 Companies were not selected.

Company	Ticker	Financial Risk	CIQ ID	Moody's Rating	S&P Rating	2014 % of Utility Rev.	% of Rev. score	Moody's score	Moody's	S&P Score	S&P	Dividend Paying?	DIV. Score	Not in M&A Activity?	Score	Regulated by state Commission	Reg. Score	Total Score	Proxy Group
1 EnBridge Inc.	ENB	B++	IQ280420	Baa2	BBB+	100%	1	9	1	8	1	Yes	1	Yes	1	No	0	5	No - Parent Co

Company Name	Ticker	Moody's Ratings	S&P Ratings	Moody's Ratings	S&P Ratings	2014 Utility Revenue	2014 Equity Ratio (10K)	S&P Business Profile	Business Risk Weighting	S&P Financial Profile	Financial Risk Weighting	Category
1 ALLETE Inc.	ALE	A3	BBB+	7	8	88%	54%	Strong	2	Significant	4	Electric
2 Alliant Energy Corp	LNT	A3	A-	7	7	98%	46%	Excellent	1	Significant	4	Combo
3 Ameren Corp.	AEE	Baa1	BBB+	8	8	100%	52%	Excellent	1	Significant	4	Combo
4 American Electric Power Co. Inc.	AEP	Baa1	BBB	8	9	82%	47%	Strong	2	Significant	4	Electric
5 Avista Corp.	AVA	Baa1	BBB	8	9	96%	50%	Strong	2	Significant	4	Combo
6 Black Hills Corp.	BKH	Baa1	BBB	8	9	93%	47%	Excellent	1	Significant	4	Combo
7 Centerpoint Energy Inc.	CNP	Baa1	A-	8	7	86%	34%	Excellent	1	Significant	4	Combo
8 CMS Energy Corp	CMS	Baa2	BBB+	9	8	95%	30%	Excellent	1	Aggressive	5	Combo
9 Consolidated Edison Inc.	ED	A3	A-	7	7	90%	51%	Excellent	1	Significant	4	Electric
10 Duke Energy Corporation	DUK	A3	A-	7	7	94%	50%	Excellent	1	Significant	4	Combo
11 Edison International	EIX	A3	BBB+	7	8	100%	46%	Excellent	1	Significant	4	Combo
12 El Paso Electric Co.	EE	Baa1	BBB	8	9	86%	46%	Strong	2	Significant	4	Electric
13 Empire District Electric Co.	EDE	Baa1	BBB	8	9	99%	49%	Strong	2	Significant	4	Electric
14 Entergy Corporation	ETR	Baa3	BBB	10	9	78%	42%	Strong	2	Significant	4	Electric
15 Eversource Energy (Northeast	ES	Baa1	A	8	6	99%	53%	Excellent	1	Significant	4	Combo
16 Great Plains Energy Inc.	GXP	Baa2	BBB+	9	8	100%	50%	Excellent	1	Significant	4	Combo
17 IDACORP Inc.	IDA	Baa1	BBB	8	9	88%	55%	Strong	2	Significant	4	Combo
18 MGE (Madison) Energy Inc.	MGEE	A1	Aa-	5	4	99%	62%	Excellent	1	Intermediate	3	Electric
19 Northwestern Corp	NWE	A3	BBB	7	9	100%	47%	Strong	2	Significant	4	Combo
20 OGE Energy Corp.	OGE	A3	A-	7	7	100%	54%	Strong	2	Intermediate	3	Combo
21 PG&E (Pacific) Corp.	PCG	Baa1	BBB	8	9	100%	51%	Strong	2	Significant	4	Combo
22 Pinnacle West Capital Corp.	PNW	A3	A-	7	7	100%	55%	Excellent	1	Intermediate	3	Combo
23 PNM Resources Inc.	PNM	Baa3	BBB	10	9	100%	46%	Strong	2	Significant	4	Combo
24 Portland General Electric Co.	POR	A3	BBB	7	9	93%	43%	Strong	2	Significant	4	Combo
25 SCANA Corp.	SCG	Baa3	BBB+	10	8	74%	45%	Excellent	1	Significant	4	Electric
26 Sempra Energy	SRE	Baa1	BBB+	8	8	88%	46%	Strong	2	Significant	4	Combo
27 TECO Energy Inc.	TE	Baa1	BBB+	8	8	100%	42%	Excellent	1	Significant	4	Combo
28 Westar Energy Inc.	WR	Baa1	BBB+	8	8	83%	49%	Excellent	1	Significant	4	Combo
29 Xcel Energy Inc.	XEL	A3	A-	7	7	99%	46%	Excellent	1	Significant	4	Combo
Median		Baa1	BBB+	8.00	8.00	96%	47%	Excellent	1	Significant	4	Median
Average of Proxy Group		Baa1	BBB+	7.83	7.93	93%	48%	Excellent	1.4	Significant	3.9	Average of

Sources

- 1 Latest Credit Ratings from Standard & Poor's & Moody's Credit Reports (as of 7-15-2015).
- 2 Percentage Utility Revenue from 2014 Annual reports(10K) (as of 7-16-15 from Regulated Revenues 2014 excel spreadsheet on T:drive).
- 3 2014 Equity Ratios from Capital IQ, a business unit of Standard and Poor's.
- 4 Business & Financial Profiles From Standard & Poor's Latest Credit Reports (as of 7-16-2015).
- 5 Moody's ratings were based on their Respective S&P Ratings.
- 6 Madison Gas & Electric Co. (MGEE) is ratings is from the Moody's Credit Reports (as of 7-28-2015) but the companies website confirms a S&P rating of AA-.
- 7 Moody's ratings were based on their Ratings found on the Moody's website.

S&P	Moody's	Score
AAA	Aaa	1
AA+	Aa1	2
AA	Aa2	3
AA-	Aa3	4
A+	A1	5
A	A2	6
A-	A3	7
BBB+	Baa1	8
BBB	Baa2	9
BBB-	Baa3	10
BB+	Ba1	11
BB	Ba2	12
BB-	Ba3	13

Business Risk Profile	Score	Financial Risk Profile	Score
Excellent	1	Minimal	1
Strong	2	Modest	2
Satisfactory	3	Intermediate	3
Fair	4	Significant	4
Weak	5	Aggressive	5
Vulnerable	6	High Leveraged	6

Investment Grade rating that indicates that a municipal or corporate bond has a relatively low risk of default. Bond rating firms, such as Standard & Poor's, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

Interest Rates (Utility Bond Yields)

Month	Apr 2015	May 2015	Jun 2015	3 Month Average
<u>LT Yield</u>				
Aa	3.64%	4.05%	4.29%	3.99%
A	3.76%	4.17%	4.39%	4.11%
Baa	4.51%	4.91%	5.13%	4.85%

Source - Mergent Bond Record

Staff Proxy Group Stock Price 3 Month Average Exhibit__(SFP-7)								
Company	Ticker	Three-month Price	Apr 2015		May 2015		Jun 2015	
			High	Low	High	Low	High	Low
1 ALLETE Inc.	ALE	\$49.62	52.98	49.84	50.87	46.27	52.49	45.29
2 Alliant Energy Corp	LNT	\$60.37	64.14	60.20	62.38	57.06	62.94	55.52
3 Ameren Corp.	AEE	\$40.66	43.00	40.68	41.93	37.26	43.85	37.26
4 American Electric Power Co.	AEP	\$55.88	58.35	55.38	57.72	52.32	59.18	52.30
5 Avista Corp.	AVA	\$32.43	34.49	32.45	33.26	30.10	34.15	30.10
6 Black Hills Corp.	BKH	\$47.03	52.96	49.03	50.15	43.48	48.21	38.32
7 Centerpoint Energy Inc.	CNP	\$20.02	21.48	20.28	21.29	18.92	20.42	17.72
8 CMS Energy Corp	CMS	\$33.74	35.83	33.62	34.61	31.22	35.97	31.22
9 Consolidated Edison Inc.	ED	\$61.09	63.03	59.91	62.54	56.86	67.37	56.86
10 Duke Energy Corporation	DUK	\$75.50	79.88	76.16	78.85	70.41	77.53	70.15
11 Edison International	EIX	\$60.03	64.55	59.78	62.31	55.18	63.18	55.18
12 El Paso Electric	EE	\$36.70	39.26	37.00	38.09	33.77	38.32	33.77
13 Empire District Electric Co.	EDE	\$23.32	25.41	23.47	24.14	21.56	23.99	21.33
14 Entergy Corporation	ETR	\$74.00	79.84	76.25	78.46	69.06	77.16	63.20
15 Great Plains Energy Inc.	GXP	\$25.99	27.63	26.03	26.72	24.06	27.46	24.06
16 IDACORP Inc.	IDA	\$60.06	64.22	59.83	60.96	55.40	64.52	55.40
17 Madison Gas & Electric Co.	MGEE	\$40.46	45.33	41.29	42.40	36.46	40.79	36.46
18 Northeast Utilities / Eversource	ES	\$48.62	51.42	48.40	49.91	45.20	52.15	44.64
19 Northwestern Corp	NWE	\$52.15	54.65	51.75	52.93	48.44	56.68	48.44
20 OGE Energy Corp.	OGE	\$30.74	33.21	31.34	32.87	28.28	31.62	27.14
21 PG&E Corp.	PCG	\$52.05	54.69	51.40	54.32	48.77	54.63	48.51
22 Pinnacle West Capital Corp.	PNW	\$60.81	64.95	60.78	61.88	56.01	65.23	56.01
23 PNM Resources Inc.	PNM	\$27.05	29.78	27.28	28.18	24.49	28.17	24.42
24 Portland General Electric Co.	POR	\$35.47	37.69	34.99	36.04	33.04	38.00	33.04
25 SCANA Corp.	SCG	\$53.45	56.26	52.56	54.36	49.89	57.73	49.89
26 Sempra Energy	SRE	\$104.35	111.09	105.09	108.83	98.67	108.36	94.05
27 TECO Energy Inc.	TE	\$19.27	19.94	18.77	19.28	17.60	22.45	17.60
28 Westar Energy Inc.	WR	\$37.25	39.65	37.47	38.39	33.88	40.22	33.88
29 Xcel Energy Inc.	XEL	\$33.95	35.35	33.51	34.85	31.76	36.48	31.76
Average Stock Price		\$46.62						

Data Source



Capital IQ
A Standard & Poor's Business

Case 15-G-0382

STAFF - GENERIC FINANCE METHOD

Discounted Cash Flow (DCF) Model

#	Company	Ticker	Beta	Price	EPS	DPS			BPS			Number of Shares		DPS Growth
					Earnings Per Share 2018-20	Dividends Per Share			Book Value Per Share			2015	2018-20	2018-20
1	ALLETE Inc.	ALE	0.80	\$49.62	4.00	2.02	2.10	2.40	37.05	38.30	42.75	49.00	50.00	4.55%
2	Alliant Energy Corp	LNT	0.80	\$60.37	4.50	2.20	2.36	2.85	31.75	32.45	34.65	111.00	115.00	6.49%
3	Ameren Corp.	AEE	0.75	\$40.66	3.25	1.65	1.69	1.85	28.60	29.70	34.25	242.65	250.00	3.06%
4	American Electric Power Co. Inc.	AEP	0.70	\$55.88	4.25	2.15	2.27	2.65	35.75	37.20	42.00	492.00	500.00	5.29%
5	Avista Corp.	AVA	0.80	\$32.43	2.50	1.32	1.37	1.55	24.50	25.15	27.50	62.30	64.00	4.20%
6	Black Hills Corp.	BKH	0.95	\$47.03	3.25	1.62	1.68	1.90	31.90	33.05	36.50	45.00	46.00	4.19%
7	CenterPoint Energy Inc.	CNP	0.80	\$20.02	1.40	0.99	1.03	1.15	10.65	10.80	11.75	431.00	450.00	3.74%
8	CMS Energy Corp	CMS	0.75	\$33.74	2.25	1.16	1.24	1.50	14.15	15.05	17.75	277.00	285.00	6.55%
9	Consolidated Edison Inc.	ED	0.60	\$61.09	4.50	2.60	2.68	2.90	44.35	45.80	50.75	293.00	293.00	2.66%
10	Duke Energy Corporation	DUK	0.60	\$75.50	5.25	3.21	3.27	3.55	58.65	60.10	65.00	688.00	692.00	2.78%
11	Edison International	EIX	0.75	\$60.03	5.00	1.71	1.89	2.45	35.50	37.50	44.25	325.81	325.81	9.04%
12	El Paso Electric Co.	EE	0.75	\$36.70	2.75	1.17	1.23	1.40	25.20	26.10	29.50	40.50	41.10	4.41%
13	Empire District Electric Co.	EDE	0.70	\$23.32	1.75	1.05	1.07	1.20	18.35	18.85	20.25	44.00	47.50	3.90%
14	Entergy Corporation	ETR	0.70	\$74.00	6.00	3.32	3.32	3.80	57.95	59.70	65.75	179.50	179.50	4.60%
15	Great Plains Energy Inc.	GXP	0.85	\$25.99	2.00	1.00	1.06	1.20	23.70	24.40	26.75	154.50	155.50	4.22%
16	IDACORP Inc.	IDA	0.80	\$60.06	3.90	1.88	1.95	2.25	40.70	42.60	47.05	50.30	50.30	4.89%
17	Madison Gas & Electric Co.	MGEE	0.75	\$40.46	3.30	1.15	1.19	1.35	20.00	21.15	25.00	35.00	36.00	4.29%
18	Eversource Energy	ES	0.75	\$48.62	3.75	1.67	1.78	2.10	32.60	33.80	38.25	318.00	322.00	5.67%
19	Northwestern Corp	NWE	0.75	\$52.15	3.75	1.92	2.00	2.25	32.65	34.00	38.50	47.00	47.00	4.00%
20	OGE Energy Corp.	OGE	0.90	\$30.74	2.25	1.05	1.16	1.55	17.10	17.95	20.25	200.00	202.00	10.14%
21	PG&E Corp.	PCG	0.65	\$52.05	3.75	1.82	1.82	2.10	34.55	35.95	40.75	500.00	520.00	4.89%
22	Pinnacle West Capital Corp.	PNW	0.70	\$60.81	4.50	2.44	2.56	2.95	40.95	42.40	47.00	111.00	118.00	4.84%
23	PNM Resources Inc.	PNM	0.85	\$27.05	2.35	0.80	0.85	1.15	22.10	22.70	25.50	80.00	80.00	10.60%
24	Portland General Electric Co.	POR	0.80	\$35.47	2.75	1.17	1.23	1.55	25.80	26.95	30.50	88.70	89.50	8.01%
25	SCANA Corp.	SCG	0.75	\$53.45	4.50	2.18	2.26	2.50	38.05	39.70	45.50	143.00	149.00	3.42%
26	Sempra Energy	SRE	0.80	\$104.35	7.25	2.80	2.96	3.60	47.80	49.80	58.75	247.50	251.50	6.74%
27	TECO Energy Inc.	TE	0.85	\$19.27	1.40	0.90	0.92	1.00	11.10	11.30	12.25	236.00	240.00	2.82%
28	Westar Energy Inc.	WR	0.75	\$37.25	3.00	1.44	1.50	1.65	25.60	26.35	29.25	130.00	140.00	3.23%
29	Xcel Energy Inc.	XEL	0.65	\$33.95	2.50	1.28	1.36	1.60	20.85	21.75	24.50	508.00	516.00	5.57%
Median Beta			0.75											
Average Beta			0.76	46.62								Median		4.55%

Data Source: Value Line

Case 15-G-0382

STAFF - GENERIC FINANCE METHOD												
Discount Cash Flow Model (DCF)												
Exhibit__(SFP-8)												
	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
#	Company	Ticker	Retention Rate (B) 2018	Return on Equity (R) 2018	B x R	Increase in Shares	PBR Price / BV 2014	S Factor	V Factor	S x V	Sustainable Growth	Long Form ROE
1	ALLETE Inc.	ALE	40.00%	9.53%	3.81%	0.51%	1.34	0.01	0.25	0.17%	3.98%	8.20%
2	Alliant Energy Corp	LNT	36.67%	13.13%	4.81%	0.89%	1.90	0.02	0.47	0.80%	5.62%	9.50%
3	Ameren Corp.	AEE	43.08%	9.71%	4.18%	0.75%	1.42	0.01	0.30	0.32%	4.50%	8.42%
4	American Electric Power Co. Inc.	AEP	37.65%	10.32%	3.89%	0.40%	1.56	0.01	0.36	0.23%	4.11%	8.22%
5	Avista Corp.	AVA	38.00%	9.23%	3.51%	0.68%	1.32	0.01	0.24	0.22%	3.72%	7.92%
6	Black Hills Corp.	BKH	41.54%	9.05%	3.76%	0.55%	1.47	0.01	0.32	0.26%	4.02%	7.54%
7	CenterPoint Energy Inc.	CNP	17.86%	12.08%	2.16%	1.08%	1.88	0.02	0.47	0.95%	3.11%	8.26%
8	CMS Energy Corp	CMS	33.33%	13.02%	4.34%	0.71%	2.38	0.02	0.58	0.99%	5.33%	9.02%
9	Consolidated Edison Inc.	ED	35.56%	9.02%	3.21%	0.00%	1.38	0.00	0.27	0.00%	3.21%	7.46%
10	Duke Energy Corporation	DUK	32.38%	8.18%	2.65%	0.15%	1.29	0.00	0.22	0.04%	2.69%	6.98%
11	Edison International	EIX	51.00%	11.61%	5.92%	0.00%	1.69	0.00	0.41	0.00%	5.92%	9.23%
12	El Paso Electric	EE	49.09%	9.51%	4.67%	0.37%	1.46	0.01	0.31	0.17%	4.84%	8.07%
13	Empire District Electric Co.	EDE	31.43%	8.75%	2.75%	1.93%	1.27	0.02	0.21	0.52%	3.27%	7.86%
14	Entergy Corporation	ETR	36.67%	9.27%	3.40%	0.00%	1.28	0.00	0.22	0.00%	3.40%	7.96%
15	Great Plains Energy Inc.	GXP	40.00%	7.59%	3.04%	0.16%	1.10	0.00	0.09	0.02%	3.05%	7.19%
16	IDACORP Inc.	IDA	42.31%	8.43%	3.56%	0.00%	1.48	0.00	0.32	0.00%	3.56%	6.86%
17	Madison Gas & Electric Co.	MGEE	59.09%	13.57%	8.02%	0.71%	2.02	0.01	0.51	0.72%	8.74%	11.22%
18	Eversource Energy	ES	44.00%	10.01%	4.40%	0.31%	1.49	0.00	0.33	0.15%	4.56%	8.24%
19	Northwestern Corp	NWE	40.00%	9.94%	3.98%	0.00%	1.60	0.00	0.37	0.00%	3.98%	7.74%
20	OGE Energy Corp.	OGE	31.11%	11.33%	3.53%	0.25%	1.80	0.00	0.44	0.20%	3.72%	8.09%
21	PG&E Corp.	PCG	44.00%	9.39%	4.13%	0.99%	1.51	0.01	0.34	0.50%	4.63%	8.07%
22	Pinnacle West Capital Corp.	PNW	34.44%	9.74%	3.35%	1.54%	1.48	0.02	0.33	0.75%	4.10%	8.31%
23	PNM Resources Inc.	PNM	51.06%	9.39%	4.80%	0.00%	1.22	0.00	0.18	0.00%	4.80%	8.36%
24	Portland General Electric Co.	POR	43.64%	9.20%	4.02%	0.22%	1.37	0.00	0.27	0.08%	4.10%	7.86%
25	SCANA Corp.	SCG	44.44%	10.11%	4.50%	1.03%	1.40	0.01	0.29	0.42%	4.91%	8.88%
26	Sempra Energy	SRE	50.34%	12.68%	6.38%	0.40%	2.18	0.01	0.54	0.48%	6.86%	9.58%
27	TECO Energy Inc.	TE	28.57%	11.58%	3.31%	0.42%	1.74	0.01	0.42	0.31%	3.62%	8.21%
28	Westar Energy Inc.	WR	45.00%	10.43%	4.70%	1.87%	1.45	0.03	0.31	0.85%	5.55%	9.23%
29	Xcel Energy Inc.	XEL	36.00%	10.41%	3.75%	0.39%	1.63	0.01	0.39	0.25%	3.99%	8.08%
	Average		39.94%	10.22%	4.09%	0.56%	1.56	0.01	0.34	0.32%	4.41%	8.30%
	Median		40.00%	9.74%	3.89%	0.40%	1.48	0.01	0.32	0.23%	4.10%	8.20%

INPUTS AND CALCULATIONS FOR STAFF
Capital Asset Pricing Model (CAPM)

<u>Merrill Lynch Cost of Market¹</u>		Implied Return	Required Return
	Apr 2015	11.20%	11.30%
	May 2015	11.20%	11.20%
	Jun 2015	11.30%	11.40%
Merrill Lynch Cost of Market		11.27%	

<u>Treasury Rates²</u>		10 year	30 year
	Apr 2015	1.94%	2.59%
	May 2015	2.20%	2.96%
	Jun 2015	2.36%	3.11%
Risk-Free Rate (4/15-6/15)		2.53%	

Market Risk Premium (4/15-6/15) 8.74%

Proxy Group Beta **0.76**

Traditional CAPM Calculation	
Risk Free Rate + (Beta * (Market Return - Risk Free Rate))	
Traditional CAPM ROE	9.18%

Zero Beta CAPM Calculation	
Risk Free Rate + (0.75*Beta * (Market Return - Risk Free Rate))+(0.25*(Market Return - Risk Free Rate))	
Zero Beta CAPM ROE	9.70%

Generic CAPM ROE	9.44%
-------------------------	--------------

¹ Merrill Lynch cost of market figure is average of Implied and Required Returns for the 3 months ending June 2015 (Mar-Apr- May. 2015 Editions)

² Federal Reserve Statistical Release, [FRB: Federal Reserve Statistical Release H.15 - Historical Data Website : 'http://federalreserve.gov/releases/h15/](http://federalreserve.gov/releases/h15/)

Calculation of GFC Cost of Equity - Staff Proxy Group
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Merrill Lynch Cost of Market ¹ :	Implied Return	Required Return
Apr 2015	11.20%	11.30%
May 2015	11.20%	11.20%
June 2015	11.30%	11.40%
Expected Market Return (<i>R_m</i>)		11.27%

Treasury Rates ² :	<i>10 year</i>	<i>30 year</i>
Apr 2015	1.94%	2.59%
May 2015	2.20%	2.96%
June 2015	2.36%	3.11%
Risk Free Rate (<i>R_f</i>)		2.53%

Market Risk Premium (*MRP*): **8.74%**

Proxy Group Beta (*B*): 0.76

Proxy Group **DCF** ROE 8.20%

Traditional CAPM ROE 9.18%

Zero Beta CAPM ROE 9.70%

Generic CAPM ROE 9.44%

2/3 DCF 1/3 CAPM Weighting
Return on Equity **8.60%**

Sources:

¹ Merrill Lynch, Quantitative Profiles Reports for **April, May and June of 2015**; figure is average of Implied and Required Returns for S&P 500.

² Federal Reserve Statistical Release,

[FRB: Federal Reserve Statistical Release H.15 - Historical Data](#)



RatingsDirect®

CreditStats:

2013 Adjusted Key U.S. And European Industrial And Utility Financial Ratios

Primary Credit Analyst:

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Table Of Contents

Key Median Ratios By Rating Category

Data Requirements And Statistical Techniques

Ongoing Data Adjustments

Broader Historical Results

Differences Between Industrial And Utility Results

Key Ratios By Company And Sector

CreditStats:

2013 Adjusted Key U.S. And European Industrial And Utility Financial Ratios

This statistical report by Standard & Poor's Ratings Services presents the results of the analysis of the median credit ratios, by rating category, for U.S. industrial and utility companies and for European, Middle Eastern, and African (EMEA) industrial companies based on 2013 reported financial information and our adjustments. It also describes the data requirements and statistical techniques we used in both this and the sector-specific tables published at the same time.

Key Median Ratios By Rating Category

Included in this article are the medians of three-year weighted-average ratios for a select set of credit ratios (see tables 1 through 3). These medians are not meant to be benchmarks for any rating category because our ratings consider business risk, financial risk, and other credit factors. Furthermore, our financial risk assessments are forward-looking and are typically more heavily influenced by our forecasts than by historical results.

Table 1

Adjusted Key Industrial Financial Ratios, Long-Term Debt--U.S.						
Medians of three-year (2011 to 2013) averages						
	AAA	AA	A	BBB	BB	B
Oper. income (bef. D&A)/revenues (%)	28.0	26.9	22.7	21.3	17.9	19.2
Return on capital (%)	30.6	21.6	22.2	14.2	11.1	7.1
EBIT interest coverage (x)	40.8	17.3	10.3	5.5	3.2	1.3
EBITDA interest coverage (x)	48.3	21.3	14.1	8.2	5.2	2.8
FFO/debt (%)	293.8	117.3	68.6	35.4	24.4	12.0
Free oper. cash flow/debt (%)	189.0	78.8	45.9	19.4	11.5	3.5
Disc. cash flow/debt (%)	92.6	48.0	30.5	13.3	8.4	2.2
Debt/EBITDA (x)	0.1	0.5	1.0	2.0	2.9	4.9
Debt/debt plus equity (%)	2.8	17.2	30.7	41.1	50.4	72.7
No. of companies	4	15	94	233	253	266

Table 2

Adjusted Key Utility Financial Ratios, Long-Term Debt--U.S.					
Medians of three-year (2011 to 2013) averages					
	AA	A	BBB	BB	B
Oper. income (bef. D&A)/revenues (%)	31.7	30.2	31.1	26.4	11.3
Return on capital (%)	10.6	8.5	7.6	8.3	5.6
EBIT interest coverage (x)	4.4	3.5	2.8	2.4	1.3
EBITDA interest coverage (x)	5.9	5.1	4.3	3.9	2.5

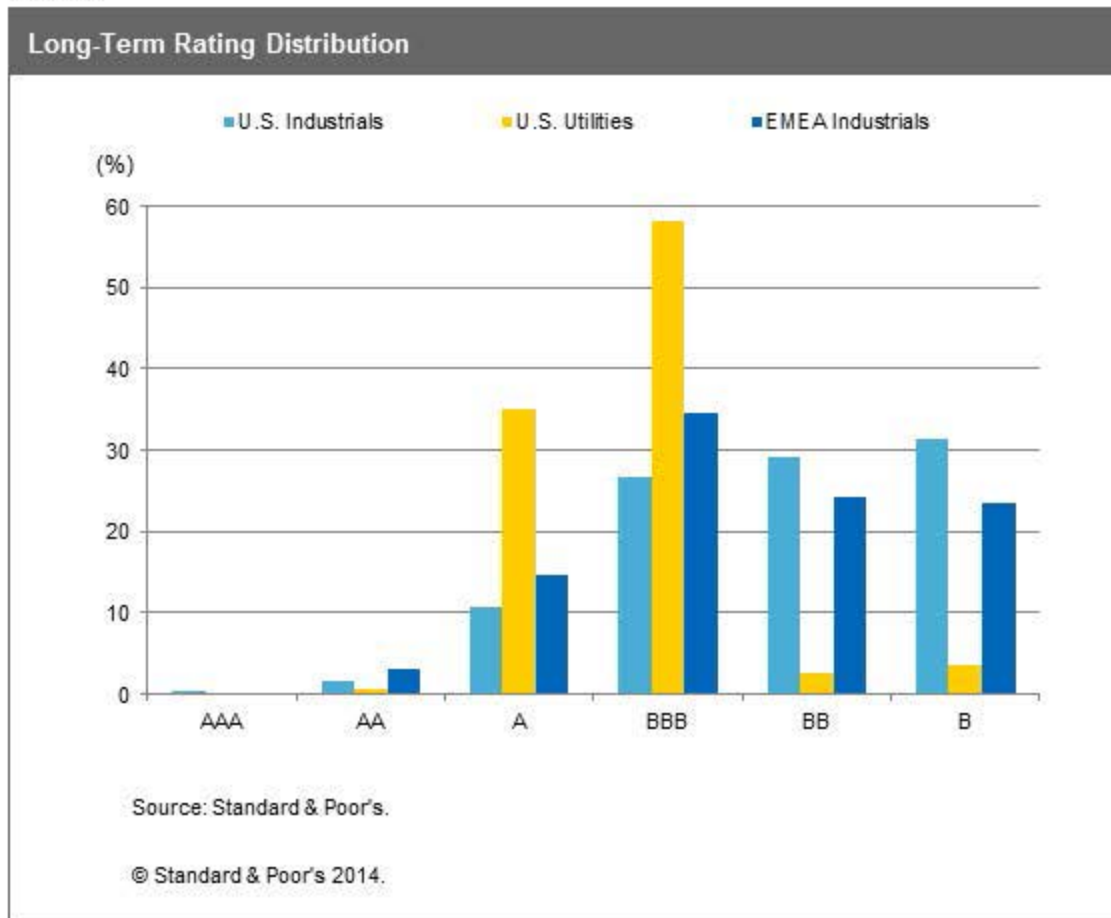
Table 2

Adjusted Key Utility Financial Ratios, Long-Term Debt--U.S. (cont.)					
FFO/debt (%)	29.4	22.7	19.9	12.7	11.7
Free oper. cash flow/debt (%)	10.1	2.1	0.6	5.2	10.7
Disc. cash flow/debt (%)	(1.7)	(3.8)	(3.9)	0.0	(0.8)
Debt/EBITDA (x)	2.8	3.6	3.8	4.9	5.2
Debt/debt plus equity (%)	47.2	52.3	54.4	57.2	74.0
No. of companies	1	68	112	5	7

Table 3

Adjusted Key Industrial Financial Ratios, Long-Term Debt--Europe, Middle East, Africa					
Medians of three-year (2011 to 2013) averages					
	AA	A	BBB	BB	B
Oper. income (bef. D&A)/revenues (%)	32.1	19.1	17.1	20.4	15.3
Return on capital (%)	19.7	16.8	12.0	9.5	7.2
EBIT interest coverage (x)	13.1	8.1	4.5	3.0	1.3
EBITDA interest coverage (x)	17.9	11.6	7.1	4.9	2.5
FFO/debt (%)	72.3	53.0	34.5	24.0	10.4
Free oper. cash flow/debt (%)	43.9	28.4	15.5	9.0	2.9
Disc. cash flow/debt (%)	18.3	10.6	6.9	3.9	0.4
Debt/EBITDA (x)	1.0	1.4	2.1	2.9	5.1
Debt/debt plus equity (%)	21.0	32.1	42.2	47.4	70.2
No. of companies	11	50	117	83	74

This median study covers 865 U.S. industrial, 193 U.S. utility, and 335 EMEA industrial companies with long-term corporate credit ratings (see chart 1).

Chart 1

The 'CCC' rating category, reserved for issuers with at least a 50% chance of defaulting, is not included. Broad credit measures are of limited use when evaluating these distressed issuers' credit risk. The reasons we assign this rating often relate to the specific terms of debt instruments and unique industry developments, not a deterioration in credit measures. Moreover, in previous studies, the range of ratios associated with 'CCC' rated issuers was wider than that in any other rating category, indicating that factors other than credit measures were behind the rating.

A more detailed analysis for each industry represented in tables 1 through 3 is published separately. The articles listed below include the mean, standard deviation, and upper and lower quartiles in addition to the data presented in this article. All were published Aug. 29, 2014, on RatingsDirect.

- ◆ CreditStats: 2013 Industrial Comparative Ratio Analysis, Long-Term Debt--U.S.;
- ◆ CreditStats: 2013 Utility Comparative Ratio Analysis, Long-Term Debt--U.S.; and
- ◆ CreditStats: 2013 Industrial Comparative Ratio Analysis, Long-Term Debt--Europe, Middle East, Africa.

Data Requirements And Statistical Techniques

The comparative ratio analysis tables listed above present data grouped by long-term rating categories. The long-term

rating data is not broken into "notches" (i.e., 'B+' is one notch higher than 'B', which is one notch higher than 'B-', etc.) because the number of companies is extremely small in some notches.

Inclusion criteria

Companies were selected for inclusion in the annual data if they had both financial data and a public corporate credit rating for one or more years from 2009 through 2013. Data was attributed to 2013 if the firm's fiscal year ended after June 1, 2013, but before May 31, 2014. Only companies that report their financial data publicly have been included. However, privately held companies that file public financial statements were also included.

The number of companies in a rating category will be different every year because of rating changes, rating withdrawals, and the addition of first-time debt issuers. In addition, the most recent year usually has a smaller set of companies than the next most recent year has, reflecting the small proportion of companies filing financial statements too late to be included in the current study. Still, we consider the range of the annual number of companies over the five-year period to be narrow enough to make valid year-by-year ratio comparisons.

For the three-year and five-year averages, companies must have reported data for each of the years in question to be included. Accordingly, the number of companies we considered in the multi-year averages is typically smaller than the number in the individual year's figures.

In the process of selecting a sample of industrial companies for our CreditStats analysis, we excluded a number of highly regulated entities and natural monopolies whose target credit ratios do not reflect those of the general industrial population. The sectors we excluded were:

- EMEA gas, water, and electric utilities; and
- Some government-related entities.

Quartile information

The long-term studies use Standard & Poor's adjusted key financial ratios and include the following data:

- Mean,
- Standard deviation,
- Upper quartile,
- Median,
- Lower quartile, and
- The number of firms in the ratio analysis.

These values are computed by rating category for each year from 2009 through 2013 and for three- and five-year weighted-average ratios. Although the three-year averages help broadly define a firm's position relative to others in the same rating category, the statistical study also gives detailed, year-by-year data that assists in analyzing trends.

The quartile information helps draw limits around the median ratios to better delineate the range of ratios within a rating category. The upper quartile is the median of the upper half of the distribution of ratios; the lower quartile is the median of the lower half. The distributions are ordered by numerical value from highest to lowest for all ratios. Note that "upper" and "lower" are statistical definitions and are not in themselves descriptions of relative credit quality. Statistical definitions should not be confused with relative creditworthiness. In other words, for interest coverage

measures, the upper quartile is a value higher than the median--indicative of better credit quality. Conversely, the upper quartile figure for total debt to capital is also higher than the median, and higher leverage generally indicates worse credit quality.

Medians and three-year averages

In several cases, the mean for a specific ratio may be significantly different from the median value because several outlying numbers are in the distribution that, when included in the mean, distort the figure. The median value, on the other hand, is the figure in the middle of the distribution and, thus, avoids distortion by unusually large figures at either end of the distribution (see table 4). The statistics presented were calculated using both the full U.S. industrial universe of 'BBB' rated companies and a set of companies that excluded the three largest company values. Although the mean drops significantly, to 48.3 from 60.4, the median falls only 0.9, to 33.9.

Table 4

	Full universe	Limited set
Mean	60.4	48.3
Standard deviation	147.5	42.2
Upper quartile	54.2	53.4
Median	34.8	33.9
Lower quartile	25.1	25.0
No. of companies	225	222

The three- and five-year average values were computed using weighted averages to derive a new distribution for each ratio; they are not simply averages of the statistical data for the years shown. For example, the 'AAA' three-year average median for EBIT interest coverage was derived by:

- Computing the weighted-average interest coverage for each company for 2011 through 2013. For each firm, this was the sum of the 2011, 2012, and 2013 EBIT, divided by the sum of interest incurred in 2011, 2012, and 2013;
- Ordering the resulting ratios from highest to lowest; and
- Locating the median value.

Ongoing Data Adjustments

The CreditStats study includes the adjustments described in "Corporate Methodology: Ratios And Adjustments," published Nov. 19, 2013. Three commonly used adjustments are the capitalization of operating leases, recognition of net pension/postretirement obligations, and the netting of surplus cash and investments from debt.

The capitalization of operating leases is intended to ensure that the financials of companies that lease part or all of their operating assets are more comparable with those of firms that buy all their plant and equipment. The adjusted median ratios generated for this statistical article reflect application of the operating lease methodology whenever a company has reported the data required to perform the adjustment.

Ratios for cash flow protection, capitalization, and other measures have been adjusted to fully reflect unfunded liabilities relating to defined benefit pension plans and retiree medical plans, which we view as debt-like in nature. This

adjustment has affected the credit ratios of industrial companies in this median study to varying degrees. In some instances, these debt-like liabilities may exceed reported debt outstanding. Notably, this statistical revision to the data brings the depiction of our medians in line with our analytical perspective.

With regard to the surplus cash adjustment, our standard methodology allows for the netting of available cash and liquid investments if in our judgment they are highly liquid, and if they are accessible; that is, the cash and liquid investments are truly surplus and therefore could be used immediately to repay debt. To calculate how much cash can be netted off from debt, we deduct 25% from the available cash unless we get enough information or identify analytical reasons to support applying a lower or higher deduction. We generally will not deduct surplus cash from debt if a company is owned by a financial sponsor or has a business risk assessment that we characterize as "weak" or "vulnerable," as defined in our criteria.

Broader Historical Results

In addition to our traditional median tables, which include three-year weighted averages and annual data for 2009 to 2013, we have included annual ratio medians for the past 15 years for U.S. industrial companies in the more populated rating categories of 'B', 'BB', 'BBB', and 'A'. This additional data should be of interest to investors because it shows the extent of fluctuations in certain key ratios over a longer time frame (see charts 2 through 4).

Chart 2

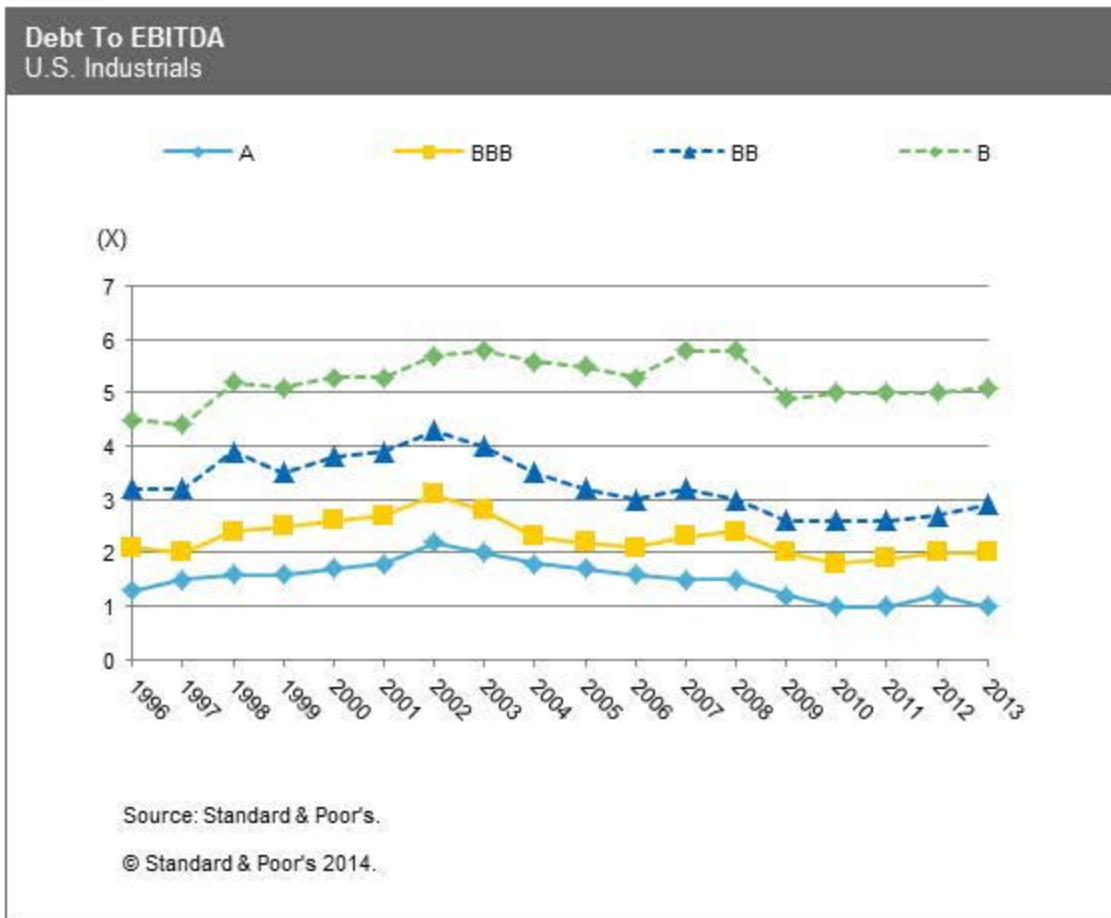


Chart 3

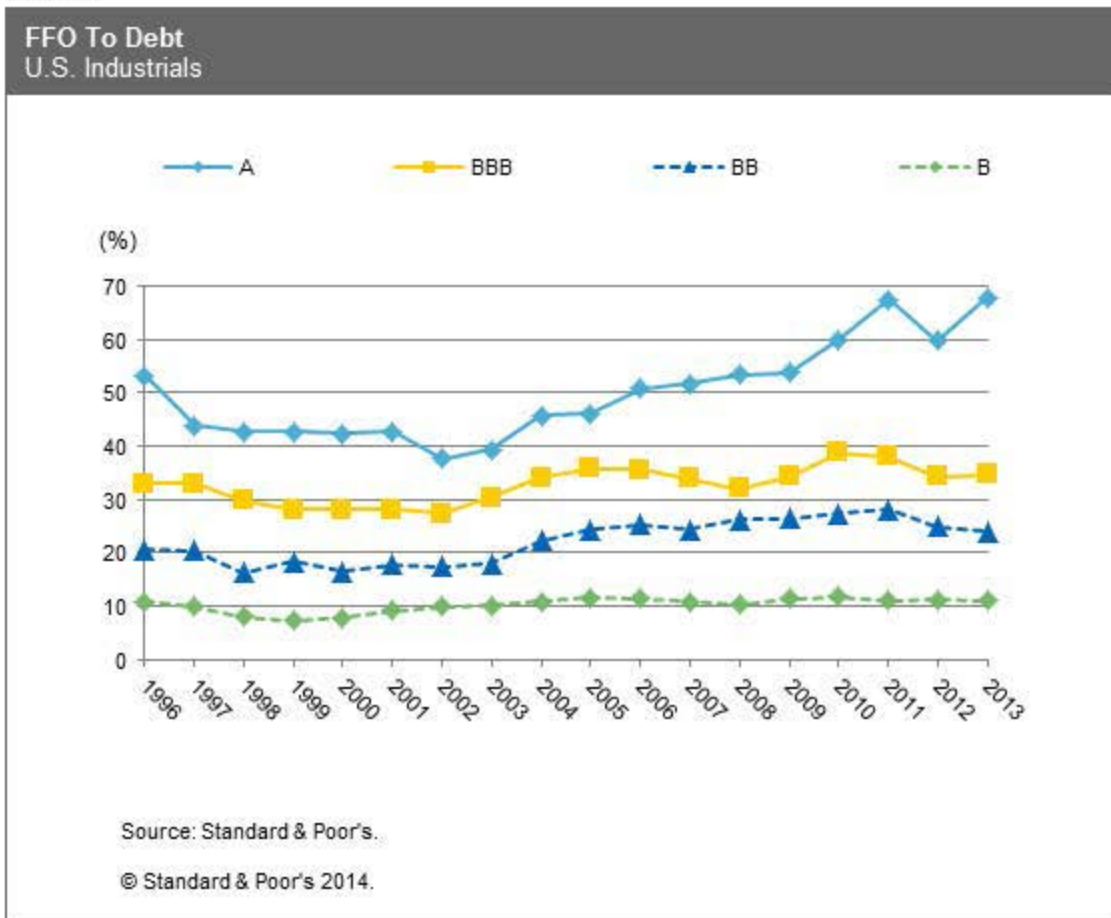
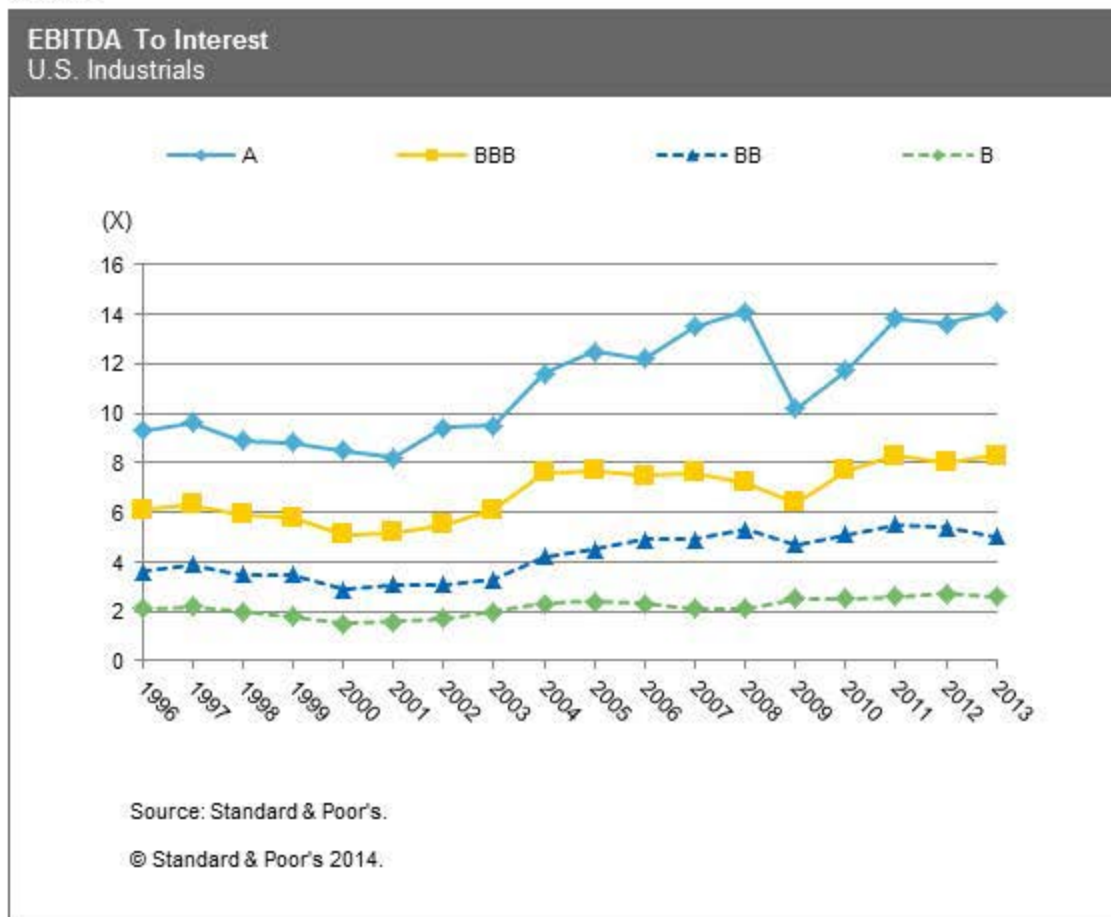


Chart 4



With this longer time perspective, changes in our analytical methodologies may cause the ratios to shift. The most recent change occurred in 2013, when we released our revised "Corporate Methodology" and "Corporate Methodology: Ratios And Adjustments," both published Nov. 19, 2013.

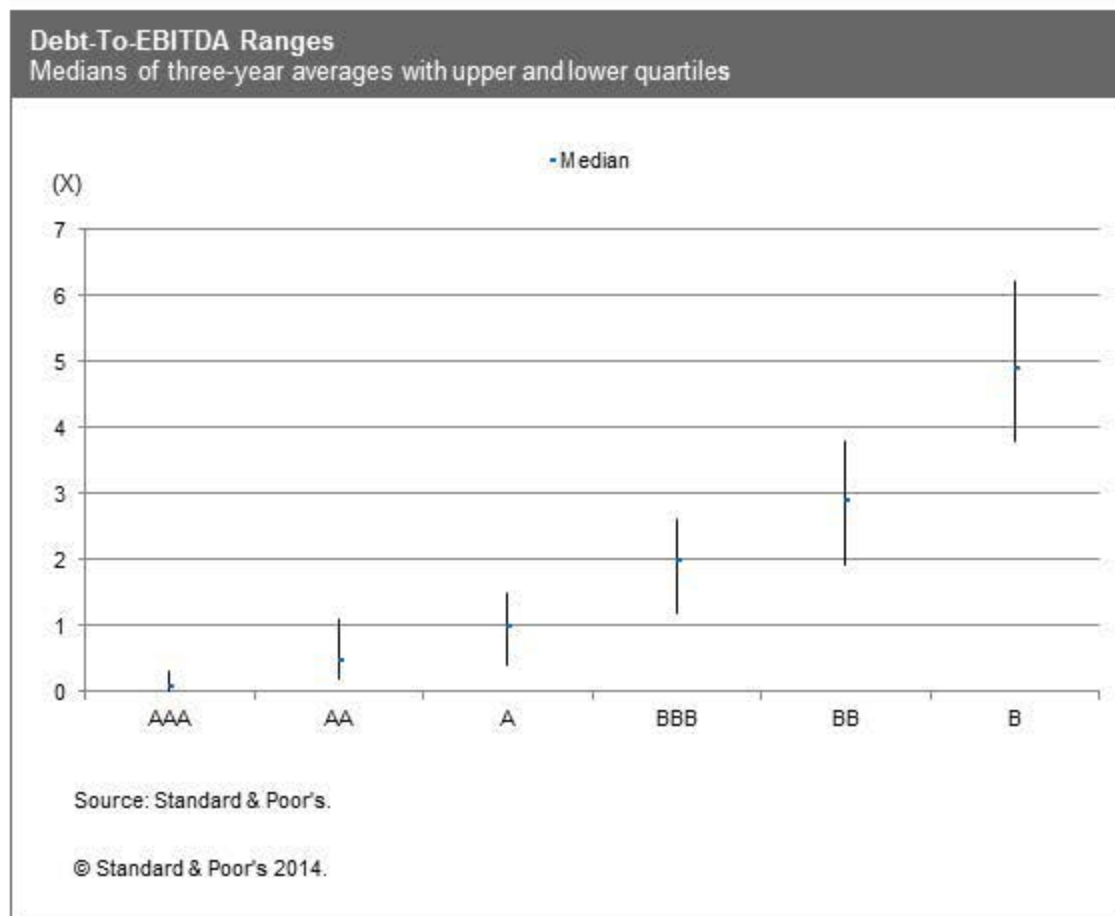
Differences Between Industrial And Utility Results

The differences in ratio medians between industrial and utility issuers throughout the spectrum of long-term debt ratings are generally quite pronounced. Aside from comprising a smaller universe of companies, the utility results reflect the significant differences in business risk analysis for those firms. For example, comparing operating measures is not particularly revealing because of the stringent, but far from uniform, regulatory environment across the 50 states. We see few differences in EBITDA margin or in return on capital for the different rating categories. In addition, these firms' voracious need for fixed-capital improvements and long-established practice of using dividends to return value to shareholders combine to drive free operating cash flow to debt and discretionary cash flow to debt to negative values across almost the entire rating spectrum. The remaining ratios are more reliable indicators of credit risk, although they are weaker than those for industrial companies, given utilities' exceptionally stable operating profiles.

Limitations

Because our ratings are forward-looking and not just a reflection of previous results, a company's historical financial ratios may not reflect its current rating, or even its current financial risk assessment. Companies that have had strong results to date but face uncertain futures may be rated below what their historical ratios suggest. On the other hand, a firm with poor recent financial history can offset this by correcting its problems or making a change in the risk of its business lines. In many cases, recent major acquisitions or recapitalizations will cause ratios such as debt leverage and funds from operations to total debt to deviate from historical norms. The affected measures may improve as a company reduces debt or takes other actions. These considerations are evident when one considers the breadth of ratios associated with a rating category (see chart 5).

Chart 5



Key Ratios By Company And Sector

Each industry subsector in each region has its own article containing three tables:

- Rating History--The ratings on companies as of Dec. 31 of each of the past five years;
- CreditStats--As many as five years of ratios on each rated company, when available; and
- Industry Table--A weighted average of the latest three years' ratios, if available, for every rated company in the

subsector, and a median for that subsector if at least three companies' averages are shown in the table. The company ratings in this table are as of July 2, 2014, unless otherwise noted.

These tables cover the U.S., Canada, EMEA, and Latin America. Tables for companies in Asia-Pacific will be published at a later date, as some of these companies have later reporting periods. (For a complete list of individual subsector tables, search on RatingsDirect using "CreditStats" as the key word. You may also search using a specific subsector, with or without the region, i.e., "CreditStats: Commodity Chemicals" to see all the regions with rated companies in this subsector, or "CreditStats: Commodity Chemicals--U.S." to see only the U.S. tables. EMEA tables are titled "...--Europe, Middle East, Africa.")

The contributions of the following individuals are gratefully acknowledged, as they ensured both the accuracy and timeliness of the data in this study:

- Namita Prabhan
- Bhushan Parekh

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**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request No.: DPS-271
Requested By: Patrick Piscitelli
Information Requested of: Sharon A. Gaines
Date of Request: September 15, 2015
Response Due Date: September 25, 2015
Subject: Corporate Structure

Ring-fencing is defined as legally separating assets, or liabilities, in a subsidiary to protect them from creditors. Ring fencing measures are intended to insulate assets in a subsidiary from the risks of the holding company and other subsidiaries in a holding company. Provide a description of all the ring-fencing mechanisms in place financially separating St. Lawrence Gas Company from its parent and other affiliates.

St. Lawrence Gas Company, Inc. is a separate legal entity, 100% owned by Enbridge Gas Distribution, Inc. ("EGD"), who is ultimately owned by Enbridge, Inc. ("EI"). The Company does not believe that any claim against Enbridge, Inc. or any other affiliate, including EGD, could jeopardize the Company's ownership and operation of the assets it needs to provide service to customers. Although EI also owns various other entities, neither EI, nor any affiliate has pledged any physical assets of St. Lawrence Gas. See the response to DPS-4 and the file named '4 a) Org Chart EI.pdf'. Therefore, even if there were a default of one affiliate of St. Lawrence Gas, a creditor of that affiliate would have no legal claim against St. Lawrence Gas.

The Company has its own Board of Directors and separate financial accounting, billing system, and is audited separately from its parent.

For the years between 1974 and 1995 the Company was regulated on its parent's capital structure. Since Case 94-G-0686, with rates effective October 1, 1995, the Company has been regulated on a stand-alone capital structure. See the Testimony of Sharon A. Gaines, starting on Page 23 of 51, Line 8.

On September 29, 2000 the Company set up a Grid Note with Enbridge (U.S.). The interest rate is based on the short-term debt rate charged by the Company's bank each month. This was done so that there is no difference in the interest rate paid on short-term debt for our ratepayers regardless of the source of the borrowed funds. See the response to DPS-184 and the file 'DPS 184 - Enbridge (US) Inc. grid note.pdf' for a copy of the Enbridge (U.S.) Grid Note dated September 29, 2000.

There is an Intercorporate Services Agreement with various Service Agreements in place for specific services provided by EGD. See the response to DPS-40 for the EGD Intercorporate Services Agreement and the various Service Agreements.

Name and Position of Respondent: Sharon A. Gaines

Date of Response: October 2, 2015

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request No.: DPS-272
Requested By: Patrick Piscitelli
Information Requested of: Sharon A. Gaines
Date of Request: September 15, 2015
Response Due Date: September 25, 2015
Subject: Debt Rates

Page 26 lines 5 – 6 of your pre-filed testimony states that an assumption was made that new rates for the \$7 million note outstanding with Key Bank would go into effect in August 2015.

1. Have new rates gone into effect?

No they have not.

2. If so, provide the terms of the new note.

3. If not, when will new rates go into effect? Provide the expected terms of the new rates.

It is expected the new Financing agreement with Key Bank will be approved by St. Lawrence Gas' Board of Directors at their November meeting. At the latest, it is expected the new rates will be in place by January 1, 2016.

Name and Position of Respondent: Thomas A. Hannan

Date of Response: September 24, 2015