MOODY'S
INVESTORS SERVICE

Credit Opinion: EDP - Energias do Brasil S.A.

Global Credit Research - 26 Feb 2016

Sao Paulo, Brazil

Ratings

Category	Moody's Rating
Outlook	Negative
Corporate Family Rating -Dom Curr	Ba3
Senior Unsecured -Dom Curr	Ba3
NSR Corporate Family Rating	A2.br
NSR Senior Unsecured	A2.br
Parent: EDP - Energias de Portugal, S.A.	
Outlook	Stable
Issuer Rating	Baa3
Bkd Sr Unsec MTN -Dom Curr	(P)Baa3
Jr Subordinate -Dom Curr	Ba2
Commercial Paper -Dom Curr	P-3
Espirito Santo Centrais Eletricas - ESCELSA	
Outlook	Negative
Issuer Rating -Dom Curr	Ba2
NSR LT Issuer Rating	Aa2.br
Empresa de Energia Sao Manoel S.A.	
Outlook	Negative
Bkd Senior Unsecured -Dom Curr	Ba3
NSR BACKED Senior Unsecured	A2.br

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Key Indicators

[1]**EDP - Energias do Brasil S.A.**

	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
CFO pre-WC + Interest / Interest	**2.6x**	**4.0x**	**4.7x**	**4.0x**	**5.6x**
CFO pre-WC / Debt	**25.4%**	**32.8%**	**30.1%**	**32.7%**	**34.6%**
CFO pre-WC - Dividends / Debt	**12.9%**	**18.3%**	**16.1%**	**21.0%**	**25.3%**
Debt / Capitalization	**32.5%**	**37.2%**	**36.0%**	**37.5%**	**36.4%**

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Hydrological Risk

-Weaker liquidity mainly at the level of the holding company

- Relatively high capital expenditures

- Consolidation of the highly leveraged thermo power project Pecém I

- Good historical access to the local capital and banking markets

Corporate Profile

Headquartered in São Paulo, Brazil, EDP - Energias do Brasil S.A. (EDB) is a holding company controlled by EDP - Energias de Portugal (EDP, Baa3; stable outlook) with activities in generation, distribution and commercialization of electricity. In 2014, EDB`s power distribution business represented 55% of the consolidated EBITDA, the power generation business represented 39% and the commercialization of energy represented the remaining 6%.

The two distribution subsidiaries, Bandeirante Energia (Bandeirante) and Espírito Santo Centrais Elétricas (Escelsa), distributed in aggregate 26,443 GWh in 2014 (approximately 5.3% of the electricity consumed in the Brazilian electricity integrated system). The generation business consisted of 2,381MW of installed capacity at year-end 2014 which accounted for approximately 1.8% of the country's electricity installed capacity. EDB reported consolidated net revenues of BRL 8,604 million (USD 3,656 million), which does not include BRL 294 million of construction revenues (USD 125 million) and a net profit of BRL 744 million (USD 316 million) in 2014.

Recent Developments

On February 25, 2016, Moody's downgraded Corporate family ratings (CFR) to Ba3/A2.br from Ba2/Aa3.br on the global scale and on the National scale rating, respectively. At the same time, the ratings on the BRL750 million senior unsecured non-convertible callable debentures were downgraded to Ba3/A2.br from Ba2/Aa3.br on the global scale and on the National scale rating, respectively. Outlook of all ratings remained negative.

Downgraded the issuer ratings of Bandeirante Energia S/A, ESCELSA and Energest S/A to Ba2/Aa2.br from Baa3/Aa1.br, under review for downgrade. Outlook changed to negative. Downgraded Bandeirante Energia S/A BRL 390 million subordinated debentures to Ba3/A2.br from Ba1/Aa2.br, under review for downgrade. Outlook changed to negative. Downgraded Energest S/A BRL 120 million senior debentures to Ba2/Aa2.br from Baa3/Aa1.br, with negative outlook. Downgraded Energia Sao Manoel S/A backed senior unsecured debentures to Ba3/A2.br from Ba2/Aa3.br, outlook remained negative. Downgraded Lajeado Energia S/A's issuer and BRL 450 million senior unsecured debentures ratings to Ba2 from Ba1 on the global scale and affirmed at Aa2.br on the National scale rating, outlook remained negative.

On February 24, 2016, Moody's downgraded Brazil's issuer and bond ratings to Ba2 from Baa3, with a negative outlook.

On May 15, 2015, EDB became the sole shareholder of PECEM I by acquiring the remaining 50% equity interest of this thermo power project for BRL 300 million.

In May 2015, EDB borrowed from Banco do Brasil BRL 300 million with a final tenor of 4 years and amortization of principal in years three and four. The loan proceeds were used to acquire the 50% equity interest in PECEM I.

On March 30, 2015, EDB issued a one-year BRL 750 million promissory to be taken out by long-term debentures in the local market. According to management, EDB has a firm commitment for this issuance from three local banks.

On March 6, 2015, Moody's placed the Ba1/Aa2.br issuer ratings of EDB and Escelsa under review for possible downgrade; downgraded the ratings of the 18-month BRL 532 million debentures issued by Empresa de Energia Sao Manoel S.A. on July 15, 2014 to Ba1/Aa2.br from Baa3/Aa1.br and placed those ratings under review for possible downgrade ;affirmed the Baa3/Aa1.br issuer ratings on Energest S.A. and the Baa3/Aa1.br ratings on BRL 120 million debentures scheduled to mature on April 24, 2017, and changed the outlook for all ratings to negative from stable; and affirmed the Baa3/Aa1.br issuer ratings of Bandeirante Energia S/A and the Ba1/Aa2.br ratings on BRL 390 million in subordinated debentures scheduled to mature in July 2016 and changed the outlook for all ratings to negative from stable.

On February 27, 2015, the regulator ANEEL granted extraordinary tariff increases of 33.27% and 32.18% for Escelsa and Bandeirante, respectively, which were applied on March 2, 2015.

On February 13, 2015 -- Moody's upgraded to Baa3/Prime-3 from Ba1/Not Prime the senior unsecured debt and issuer ratings of EDP - Energias de Portugal, S.A. (EDP, the group), Hidroelectrica del Cantabrico S.A. and the senior unsecured debt ratings of EDP Finance B.V. The outlook on all ratings was stable.

On December 25, 2014, EDP Renováveis Brasil S.A. (not rated), in which EDB holds 45% of its capital, entered into an agreement with CWEI Participações Ltda (not rated), a subsidiary of China Three Gorges (A1, stable), to sell an equity shareholding of 49% in both the operational and under development wind farms in Brazil.

On December 9, 2014, EDB announced that it had signed an agreement with Eneva SA (not rated) to acquire the 50% participation held by the latter in the capital of Porto do Pecém Geração de Energia SA (Pecém I). Pecém I is a coal fueled thermal power plant with an installed capacity of 720MW jointly controlled by EDB and Eneva. The agreed acquisition price was BRL 300 million to be paid on the conclusion of the acquisition, which is still pending the formal approval of creditors and regulators.

On June 27, 2014, the parent holding company EDB announced that it had received from CWEI Brasil (unrated), controlled by China Three Gorges (A1 stable), BRL 420.6 million related to the sale of its 50% participation in two major power projects as described in our issuer comment published on December 12, 2013.

On February 13, 2014, EDB announced it had divested 50% of its 66.7% stake in the São Manoel power plant project to CWEI Brasil, a subsidiary of China Three Gorges Corporation (A1 stable).

SUMMARY RATING RATIONALE

EDB's issuer ratings reflects EDB's weakened liquidity, as well as Moody's expectation that EDB's consolidated credit metrics will continue to deteriorate owing to losses associated with the current exposure to the spot market of its hydro generation subsidiaries and higher levels of indebtedness at the holding company level. The purchase of the remaining 50% equity interest and subsequent consolidation of the 720MW thermo-power plant PECEM I that took place in May will further weaken EDB's consolidated credit metrics and could require further direct financial support from EDB. EDB's ratings are one notch lower than the implicit Ba2/Aa2.br ratings on a consolidated basis, to reflect the structural subordination of debt at the holding company level to that of the operating companies, as well as a likely further increase in debt in the near term as a result of current investments and lower dividends received from its subsidiaries.

The implicit Ba2/Aa2.br ratings on a consolidated basis are constrained by Brazil's Ba2 sovereign rating.

DETAILED RATING CONSIDERATIONS

CHALLENGING HYDROLOGICAL ENVIRONMENT TO CONTINUE IN THE MEDIUM HORIZON

We expect that the current challenging drought environment EDB has been facing will continue in 2015 and potentially in 2016, which will largely depend on the regularization of the water levels of the Brazilian hydro-power reservoirs especially in the northeastern and southeastern regions of the country. Considering that the current levels of the hydro water reservoirs in both regions remain at very low levels and that the dry season already started this May, we anticipate that the hydro generation companies will continue to post severe losses associated with their exposure to the spot market. Our base scenario is that the GSF (Generation Scaling Factor), which basically indicates the level of exposure of hydro generation companies to the spot market, will average 0.85 in 2015 compared to 0.91 in 2014. We forecast that EDB's hydro generation companies will again post additional losses in 2015 as most of them are fully contracted.

Our preliminary estimates are that these losses could reach as much as BRL 350 million, which reflects acquisition costs on the spot market of around BRL 450 million reduced by an estimated BRL 100 million gain with current hedging positions. This amount is in line with what we estimate EDB reported last year as losses derived from their exposure to the spot market. It is worth mentioning that these estimated losses will remain in line with the previous year despite higher exposure, i.e., GSF of 0.85 vs. 0.91, because the spot ceiling price has been capped at BRL 388.48 per megawatt hour from the BRL 822.84 cap last year.

We project that EDB's annual consolidated cash flow as measured by CFO Pre - WC will average around BRL 1.0 billion for 2015 through 2017 compared to BRL890 million generated in 2014. In spite of the improvement in cash flow generation due to expected lower losses on the spot market of the generation business EDB is expected to post weaker credit metrics as measured by the CFO Pre-WC to Debt ratio of around 14.1% and interest coverage of 2.3x for 2015 through 2017 compared to the 25.4% and 2.6x metrics achieved in 2014, respectively.

The forecasted deterioration in these metrics will largely stem from the consolidation of Pecém I as of May 15 which will contribute virtually no FFO in 2015 and 2016 but will add around BRL 200 million in annual financial expenses along with additional net debt of around BRL 2.0 billion to EDB's consolidated debt. In 2016, EDB's consolidated cash flow is also expected to be impaired by lower cash flow from its distribution subsidiary Bandeirante, as a result of expected lower tariffs from the application of the Fourth Tariff Review in October 2015.

We conservatively estimate that starting in 2017 EDB will post stronger cash flow metrics provided the losses associated with the exposure of its generation business to the spot market are considerably reduced to a more manageable level and that Pecém I's operational issues have been fully resolved. We will keep monitoring EDB's financial and operating performance over the medium-term horizon to evaluate its cash flow generation and liquidity positions, as well as its ability to turnaround and stabilize Pecém I while also successfully completing its other major power projects as scheduled. Management's ability to secure long-term debt in a timely and adequate manner to fund its major capital expenditures and to lengthen its debt profile will be an important key rating driver going forward. Also important will be the group's ability to balance capital expenditures and the distribution of dividends with any materially lower-than-expected levels of cash generation.

DETERIORATING CREDIT METRICS AND LIQUIDITY

In 2013, EDB posted a relatively satisfactory performance boosted by the better than anticipated performance of its two distribution subsidiaries Bandeirante and Escelsa as evidenced by the consolidated CFO Pre-WC over debt ratio of 31.8% in 2013 up from 27.1% in 2012 and an interest coverage ratio of 4.5X in 2013, slightly down from 4.9x in 2012.

In spite of having continued to distribute relatively high dividends of BRL 549 million in 2013 and BRL 528 million in 2012, EDB's solid CFO Pre-WC helped the company to keep a robust RCF over debt ratio of 18.5% in 2013 up from 14.1% in 2012. A major event that contributed to the company's improving credit metrics in 2013 was the company's sale of its 50% share in two major hydro power projects at the very end of 2013 which allowed the company to no longer consolidate its participation in these projects. The non-consolidation of these two power projects resulted in the non-recognition of around BRL 1.2 billion in net debt as of December 31, 2013, with limited impact in cash flow metrics as both projects were still in a pre-operational phase.

In 2014, EDB posted a weaker performance as a result of the combination of materially higher energy acquisition costs of its generation business from the exposure to the spot market along with the higher indebtedness levels of its distribution businesses to finance increased working capital needs due to the increase in energy costs. As a matter of fact, the distribution utilities Bandeirante and Escelsa posted a significant drop in their operating margins as per IFRS in the last twelve months ended September 30, 2014, which did not recognize the existence of regulated assets.

The combination of losses from the exposure to the spot market along with the non-recognition of regulated assets in the electricity tariffs resulted in a material decrease in the company's credit metrics as measured by CFO - Pre WC over debt ratio of 25.4% reported in 2014 down from 32.8% in 2013. This ratio was partly offset by a decrease in the payment of dividends, which allowed EDB to post a relatively healthy RCF over debt ratio of 12.9% in 2014 although below the 18.3% ratio reported in 2013.

As per the determination of the Brazilian securities exchange commission (CVM), all distribution utilities have been recognizing the existence of regulated assets and liabilities in their financial statements since December 2014. As a result, all Brazilian distribution utilities reported an extraordinary performance in the fourth quarter of 2014 because most of them reported a sizeable outstanding balance of regulated assets. Consequently, those existing regulated asset balances were fully recognized in the last quarter boosting the operating profits of EDB's distribution utilities. We deem the change in this accounting procedure as very positive in that it will allow a better and more accurate interpretation of the cash flow performance of a given distribution utility. This new accounting approach is in line with US GAAP's accounting practices which will permit a more reliable comparison between Brazilian and American electric utilities.

TURNAROUND OF PECÉM I PROJECT HAS BEEN A MAJOR CHALLENGE

EDB currently holds 100%of the capital of Pecém I, which consists of two coal-fired 360 MW turbines. The thermoelectric power plant, which was scheduled to come on stream in January 2012, has been delayed because of a series of unexpected events which caused the interruption of the construction works. As a result, the company's shareholders were forced to obtain formal approval from the regulator to extend the project's start date. The regulator agreed that the two turbines could start operating up to July 23, 2012; however, further technical events prevented the company from meeting the extended deadline. The first turbine only came on stream in December 2012; the second one started operating on May 10, 2013.

The Pecém I thermoelectric power plant has been a major challenge to EDB because of the technical risks associated with the completion of this sizeable project and achieving an improvement in the plant's operations by increasing the level of availability of the two turbines. Because of the occurrence of some technical shutdowns since it started operating, the company has not achieved the 90% minimum availability index as envisaged in its concession contract. As a result, the company has been forced to acquire energy in the spot market to honor its Purchase Power Agreements (PPA) since the second half of 2012.

Pecém I has been improving its operational performance as evidenced by the availability index of 82% registered in the first half of 2014 up from the 62% availability index recorded in 2013 as per management information. As a result of this operational improvement the amount of energy the company needed to acquire in the spot market to honor its PPAs has decreased to a more manageable level, which has allowed the company to post positive EBITDA for the last four consecutive quarters. According to management the availability index was 76% in 2014 and 96% in the first quarter of 2015.

In the first half of 2014, Pecém I recorded EBITDA of BRL 81.3 million up from the negative EBITDA of BRL 207.3 million registered in the same period of 2013. Consequently, Pecém I posted a very poor performance in 2013 with a negative EBITDA of BRL 106 million and a net loss of BRL 282.3 million. In order to fund its negative cash generation and capital expenditures, the company's shareholders had to step in to support the project by injecting BRL 197 million in equity capital and extending inter-company loans of BRL 269 million in 2013. Previously, in 2012, both shareholders together had capitalized Pecém I by BRL 703 million and extended inter-company loans of BRL 267 million in proportion to their participation in Pecém Energia's capital, i.e. 50% in EDB's case, to cover the shortfalls in cash flow.

EDB's management is confident that Pecém I will improve its operational performance and achieve the 90% availability index of its two turbines over the short-to-medium horizon but has not committed to any specific target date. The achievement of the 90% availability index is paramount for the company's financial turnaround as it would dramatically increase its cash flow and profitability and allow EDB to avoid providing additional financial support as they have done the past three years.

We do not rule out that EDB will be forced to inject additional capital or extend further inter-company loans to Pecém I in the short-term given the expectation that the company's cash flow will remain weak in 2015 as a result of increased costs with the acquisition of energy estimated at around 50MW in the spot market to honor its purchase power agreements.

EVOLVING BRAZILIAN REGULATORY ENVIRONMENT

The Brazilian regulatory framework has been a constraining factor in the rating assessment of the Brazilian electric utilities given its history of being unpredictable having undergone substantial changes over the past several years. The electricity regulatory model implemented in 2004 has mitigated many of the uncertainties brought about by constant changes in the Brazilian regulatory framework over the past two decades. This model has provided a relatively more supportive and predictable environment for being, in many aspects, more transparent and technically-driven, thus increasing the predictability of returns on invested capital. Nonetheless, we believe that the significant improvements that the Brazilian regulatory framework had accomplished since the new model was implemented in 2004 have been offset, to a certain extent, by the manner in which the federal government managed the process of accelerating the renewal of the concessions expiring between 2015 and 2017 in 2013.

The publication of the federal government's provisional measure #579 in September 2012, which became law #12,783 in January 2013, has caused concern within the electricity industry because the government's proposal to renew the generation and transmission concessions expiring between 2015 and 2017 was materially more costly versus the expectations of most market participants, including concessionaries and investors.

Regardless of the legal aspects involving the implementation of this new legislation which has generated a series of lengthy legal suits and potential appeals in the Brazilian courts, the manner in which the government managed the whole process since the initial announcement and subsequent discussion and communication ended up creating uncertainties about the quality and the level of supportiveness of the Brazilian electricity regulatory environment. As a result, we foresee a lower assurance of timely recovery of costs and investments in Brazil since the publication of the federal law #12,783.

For Moody's, the regulatory framework (Factor 1) and the ability to recover costs and earn returns (Factor 2) are major drivers in the rating assessment of a given issuer pursuant to our updated methodology "Regulated Electric and Gas Utilities published in December 2013. The current low Ba rating assigned to these two factors largely reflects the increased levels of uncertainty relative to the continued development of the Brazilian regulatory framework and the timeliness of recovering costs and earning an adequate return recognizing that there have been inconsistencies in the way the framework has been applied as evidenced by some of the operational procedures contained in the federal law #12,783.

LEVEL OF SUPPORT OF EDP PORTUGAL

The ratings assigned for the EDB group also factor in the ownership by its ultimate parent company, EDP Portugal (Baa3; stable outlook). While EDP does not guarantee EDB's debt, the Portuguese parent expects that its subsidiaries will remain financially self-sustainable, as stated in its published policies. We believe that the Brazilian operations of EDP continue to play an important role in the group's growth strategy. According to information published in EDP Portugal's 2014 financial statements the Brazilian operation represents around 16% of the group's consolidated EBITDA.

We believe that ownership by EDP does not support a one notch of uplift of the rating on the global scale. EDB's current Ba2 issuer rating has been largely based on EDB's characteristics on a consolidated basis supported by adequate credit metrics for the rating category, and the relatively stable cash flows emanating from the regulated distribution utilities and the long-term supply contracts underpinning the generation business along with continued conservative financial management.

In addition, we believe that the Brazilian subsidiaries, mainly the distribution companies, are to a large extent insulated from any potential credit deterioration of their ultimate parent company. This results from regulatory oversight and existing financial covenants embedded in most of the debt contracts which prevents those subsidiaries from increasing their leverage over a certain agreed limit.

We further believe that EDP Portugal will continue to support the activities of EDB by preserving the current adequate capital structure of its Brazilian subsidiary; however, we will continue to monitor the evolvement of the creditworthiness of EDP Portugal and the potential impact that any unexpected rating deterioration could have on the financial strength of EDB; however, the recent upgrade of EDP Portugal's issuer rating indicates that Moody's views a more benign scenario for the company's performance in the short-to-medium horizon.

Structural Considerations

EDB's issuer rating is one notch lower than the operating subsidiaries' issuer ratings to reflect the structural subordination of debt at the holding company level to that of the operating companies where debt levels are expected to increase in the near term as a result of current investment plans. Lenders to operating subsidiaries generally have claims on cash flow that are superior to those of the holding company creditors, which can also restrict the financial flexibility of the holding company.

Liquidity

We view the current liquidity standing of the parent holding company EDB and some of its subsidiaries as being inadequate when compared with the liquidity characteristics of other Brazilian issuers in the same rating category. EDB's weaker liquidity position has primarily resulted from the delay in the start-up of operations of the Pecém I project along with the occurrence of some technical shutdowns since it started operating in December 2012, which forced EDB to inject additional capital and extend inter-company loans to this subsidiary over the past two years.

EDB's high level of dividend distributions along with its relatively ambitious capital expenditure program forced the company to tap the local banking market in 2013; EDB borrowed a three-year amortizing BRL 500 million with a one-year grace period from local banks which increased the company's total debt to BRL1 billion while maintaining a cash position of BRL 244 million as of December 31, 2013. In February, 2014, EDB raised an additional BRL 300 million loan to mature in August 2015 to pay off part of an existing debenture of BRL 450 million and roll over the remaining portion to August 2015.

EDB's liquidity standing will be challenging in 2015 in light of the forecasted maturity of short-term debt of BRL596 million, the commitment to inject capital in some of its power projects that could reach as much as BRL 350 million, and forecasted payment of dividends of around BRL 180 million while at the same time we expect that EDB's subsidiaries will be forced to reduce their payment of dividends to the holding company in face of their lower expected cash flows in 2015.

In order to improve its liquidity standing, EDB will need to raise long term debt that could exceed BRL 1 billion which will also depend on how much EDB can raise from the divestiture of EDP Renováveis Brasil along with potential additional dividends through a capital split at the level of one of its subsidiaries as management has indicated it will possibly undertake.

Corporate Governance

EDB has corporate governance practices that are above the average of Latin American issuers. EDB is a publicly listed company with shares traded on the Novo Mercado of Bovespa. While its shares are only traded on the Sao Paulo stock exchange, the company undertook several steps beyond what is legally required to adapt the US Sarbanes-Oxley Act as part of its commitment of practicing superior standards of corporate governance.

EDB's Board of Directors is made up of eight members, of which four are considered independent. The board relies on four support committees: Audit, Sustainability, Corporate Governance and Related Parties, and Compensation. The Audit. Sustainability and Corporate Governance and Related Parties Committees are permanent in nature and are comprised of three members where at least one is independent. There is also a Fiscal Council composed of three members and three alternates elected for a maximum term of one year; however, it is non-permanent and is convened only when requested by shareholders.

Rating Outlook

The negative outlook reflects uncertainties about the continuation of a low GSF would have on the cash flow of EDB's distribution and generation subsidiaries along with management's ability to timely secure long term debt and improve its current liquidity standing. We could consider stabilizing the company's outlook if the outlook of Brazil's Ba2 sovereign rating is stabilized.

What Could Change the Rating - Up

In light of the current rating action and the negative outlook, an upgrade of the rating is unlikely in the near term.

What Could Change the Rating - Down

Further deterioration in the respective sovereign credit quality could exert downward pressure on the rating. There would be pressure for a downgrade if EDB fails to secure timely and adequate funding to refinance its short-term debt and to further support capital injections into its current power projects. Higher losses than Moody's expects associated with the current exposure to the spot market of EDB's generation business and weaker liquidity at the level of its distribution utilities could also trigger a downgrade. In addition, a downgrade could be triggered by a fall in the consolidated retained cash flow (RCF) to debt ratio below 6% and a decline in interest coverage below 2.0x for a prolonged period.

Rating Factors

EDP - Energias do Brasil S.A.

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current FY 12/31/2014		[3]Moody's 12-18 Month Forward ViewAs of 6/3/2015	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	Ba	Ba	Ba	Ba
b) Consistency and Predictability of Regulation	Ba	Ba	Ba	Ba
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Ba	Ba	Ba	Ba
b) Sufficiency of Rates and Returns	Ba	Ba	Ba	Ba
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	2.6x	Ba	2.3x	Ba
b) CFO pre-WC / Debt (3 Year Avg)	25.4%	A	14.1%	Baa
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	12.9%	Baa	7.6%	Ba
d) Debt / Capitalization (3 Year Avg)	32.5%	Aa	45.4%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa3		Ba1
HoldCo Structural Subordination Notching		-1	-1	-1
a) Indicated Rating from Grid		Baa3		Ba2
b) Actual Rating Assigned		Ba3		Ba3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 12/34/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.