Exhibit No. _____ (KLE-4)
Dockets UE-111048/UG-111049
Witness: Kenneth L. Elgin

BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND ENERGY, INC., Respondent.	DOCKET UE-111048 DOCKET UG-111049 *(Consolidated)*

EXHIBIT TO
TESTIMONY OF

Kenneth L. Elgin

STAFF OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Standard & Poors Industry Report Card
Dated September 30, 2011

December 7, 2011

STANDARD
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September 30, 2011

Industry Report Card:
U.S. Regulated Electric Utilities Continue On Stable Trajectory

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Industry Report Card:

U.S. Regulated Electric Utilities Continue On Stable Trajectory

Heading into the fourth quarter of 2011, as the still-bumpy U.S. economic recovery slows, about 78% of U.S. regulated electric companies had a stable outlook. And, the predominance of ratings is in the 'BBB' category, firmly investment grade. Standard & Poor's Ratings Services predominately bases its stable outlook for the electric utility industry on expectations for responsive regulatory attention to cost recovery for needed capital investments and continued appetite by investors for utility debt and equity offerings. Moreover, the essential service that electric utilities provide and the rate-regulated nature of the business allow them to recover their costs regardless of economic conditions.

Economic Outlook

Standard & Poor's base case economic outlook for the remainder of 2011 and 2012 and for the investor-owned regulated electric utility industry is stable, based on the following fundamentals:

- Generally constructive regulatory decisions,
- Receptive capital markets,
- Continued economic weakness in U.S., and
- Modest growth in electricity consumption.

Regulated electric utilities weathered the challenging economic environment of the past few years with little lasting effect on the collective financial risk profile of the industry. The essential service that these companies provide and the rate-regulated nature of the business allow them to generate reasonably stable cash flows and to recover the bulk of their costs from customers, despite economic conditions. However, in times of exceptional economic hardship, regulators may be very reluctant to approve significantly higher electric base rates for consumers. As a result, we've seen many state commissions approve innovative ratemaking techniques and alternatives to traditional base rate case applications and large rate increases, which help utilities sustain cash flow, earnings power, and, ultimately, credit quality. And, given the weak economy, the application of these various rate mechanisms can be crucial in maintaining creditworthiness for the utility while evading material rate hikes or rate shock to the customer. Hence, we believe that our ratings and outlooks, which we assess based on our view of industry- and company-specific factors, are unlikely to change even if economic conditions worsen in the near term, as we describe in our downside scenario. However, if the remainder of 2011 and 2012 produce accelerating economic growth, as shown in our high-growth case, there could be some very modest improvement in creditworthiness, although probably not enough to revise ratings. Stronger employment levels would help reduce uncollectible accounts, increases in housing starts--and the increased number of households--would increase electricity consumption, and regulatory risk could lessen as concerns about the plight of ratepayers abate and rising equity capital costs boost rate increases.

Effects on ratings

A vast majority of U.S. investor-owned electric utility companies that we rate have stable outlooks on their ratings. Ratings activity was quiet in the third quarter, with just one rating action. This reflects an economic outlook that, despite a sluggish U.S. economy, is stable in our base case. The rating trend, as measured by outlooks and

CreditWatch listings, is slightly positive, with about 13% of electric utilities having positive outlooks or positive CreditWatch listings. Nevertheless, the trend is still largely biased toward stability, with nearly 78% of all U.S. investor-owned electric utility companies carrying a stable outlook at the end of the third quarter of 2011--relatively unchanged from the previous quarter. Therefore, we expect the number of prospective rating changes to remain moderate in the near to intermediate term.

We envision virtually no alteration in U.S. regulated electric utilities business risk and financial risk profiles during periods of economic change. As a result, our credit outlooks and ratings should remain predominantly unchanged even if economic conditions worsen in the near term, as described in our pessimistic scenario (see table 1). However, if the economy grows faster than we are expecting, as shown in our optimistic case, regulatory risk could lessen as concerns about rate hikes diminish and rising equity capital costs boost rate increases.

The universe of U.S. electric utilities is relatively highly rated, certainly compared with the average 'B' category for U.S. industrial companies. This is a function of the large percentage of firms with excellent or strong business risk profiles, which, however, is generally balanced with aggressive financial risk profiles. Therefore, some 68% of the industry carries a 'BBB' category corporate credit rating ('BBB+', 'BBB', and 'BBB-'), nearly 28% 'A-' and above, and just 4% speculative investment grade ('BB+' and below).

In terms of rating activity, it was a very quiet third quarter in the electric utility group, with just one rating action. We affirmed the ratings on Green Mountain Power Corp. (GMP; BBB/Stable/-) and assigned a stable outlook. GMP is owned by Northern New England Energy Corp., a wholly owned subsidiary of Gaz Metro Inc. (A-/Stable/--). We removed the ratings from CreditWatch where we placed them on June 23, 2011 with developing implications following Gaz Metro's announcement to acquire unrated Central Vermont Public Service Corp (CVPS). The affirmation and stable outlook reflect GMP's current credit profile and our expectation that its credit metrics after the CVPS acquisition will support a 'BBB' rating. The consolidation of GMP and CVPS would result in an excellent business risk profile with a focus on electric transmission and renewable generation and cash flow measures consistent with an aggressive financial risk profile. Gaz Metro intends to fund the proposed $500 million acquisition with roughly 50% equity and 50% debt. We expect Gaz Metro to issue the incremental debt. Shareholders, the Federal Energy Regulatory Commission, the Securities and Exchange Commission, and the Vermont Public Service Board must approve the transaction, which is expected to close before next summer.

At Standard & Poor's, we publish monthly our economists' scenario of where we think the U.S. economy could be heading. Beyond projecting GDP and inflation, we also include outlooks for other major economic categories. We call this forecast our "baseline scenario," and we use it in all areas of our credit analyses. However, we realize that financial market participants also want to know how we think the economy could worsen--or improve--from our baseline scenario. Any point-in-time forecast of the economy will be wrong; it is simply a question of how far wrong. As a result, we now project two additional scenarios, one upside and one downside. These scenarios are set approximately at one standard deviation from the base line (roughly the 20th and 80th percentiles of the distribution of possible outcomes). The downside case is used to estimate the credit impact of an economic outlook weaker than the expected case.

Although recent economic data continue to indicate a slow, uneven recovery, the risks have increased. Turmoil in the Middle East and the impact of the Japan quake continue to cloud the picture, and the dysfunction in the U.S. government makes things worse. We estimate the odds of any double-dip recession to be 40%, above our 35% prediction in August. The question now is what shape the recovery will take. Our baseline forecast assumes a

sluggish recovery from the June 2009 recession trough. But the risk of slipping into another recession, or a W-shaped recovery, remains real. In our high-growth scenario, the revived consumer spending fuels the recovery, leading to a more typical V-shaped expansion. However, the Japanese experience of the 1990s suggests that we should not ignore the risk of a fourth scenario, an L-shaped recession, where the economy could stagnate for years. (See "U.S. Risks To The Forecast: The Recovery Is A-Changin'," published Sept. 26, 2011.

Table 1

Alternative Forecasts - September 2011

	2009	2010	2011e	2012e	2013e	2014e
Baseline						
(% change)						
Real GDP	(3.5)	3.0	1.6	1.9	2.2	3.5
Consumer spending	(1.9)	2.0	2.2	2.0	1.7	2.1
Equipment investment	(16.0)	14.6	9.6	7.8	6.2	8.4
Real nonresidential construction	(21.2)	(15.8)	3.2	(3.3)	2.2	11.5
Residential construction	(22.5)	(4.6)	(2.7)	4.3	18.5	27.0
Federal government purchases	6.0	4.5	(2.3)	(2.9)	(3.6)	(2.8)
State and local purchases	(0.9)	(1.8)	(2.7)	(2.8)	(0.8)	0.2
Total exports	(9.4)	11.3	6.9	6.7	8.7	8.6
Total imports	(13.6)	12.5	5.1	2.8	4.2	5.5
CPI	(0.3)	1.7	3.2	1.7	1.8	2.0
Core CPI	1.7	1.0	1.7	1.7	1.7	2.1
Nonfarm unit labor costs	(0.7)	(2.0)	2.2	2.2	2.1	1.6
Nonfarm productivity	2.3	4.1	0.7	0.7	0.9	1.7
Exchange rate with major trading partners	4.3	(3.0)	(7.3)	(0.5)	4.3	1.1
State and local receipts	0.5	5.7	1.5	2.0	3.4	5.7
State and local outlays (excluding gross investment)	0.7	2.9	3.2	0.9	2.7	5.2
(Level)						
Unemployment rate (%)	9.3	9.6	9.1	9.1	8.8	8.1
Payroll employment (mil.)	130.8	129.8	131.1	132.5	134.1	136.5
Federal funds rate (%)	0.2	0.2	0.1	0.0	0.1	1.3
10-year Treasury note yield (%)	3.3	3.2	2.8	2.6	2.9	3.6
'AAA' bond yield (%)	5.3	4.9	4.7	4.4	4.6	5.1
30-year fixed mortgage rate (%)	5.0	4.7	4.5	4.2	4.4	5.0
Three-month Treasury bill rate (%)	0.2	0.1	0.1	0.0	0.1	1.3
S&P 500 Common Stock Index	947	1,139	1,329	1,384	1,331	1,392
S&P 500 operating earnings ($/share)	56.9	83.8	96.8	103.1	106.1	116.6
Current account balance (bil. $)	(377)	(471)	(461)	(406)	(394)	(417)
Oil price (West texas Intermediate; $/barrel))	61.69	79.41	94.39	98.47	106.35	111.18
Household saving rate (%)	5.2	5.3	4.9	4.6	3.8	4.6
Housing starts (mil.)	0.55	0.58	0.60	0.7	0.9	1.3
Unit sales--light vehicles (mil.)	10.4	11.6	12.6	13.6	14.9	15.8
Unified federal budget surplus (fiscal year; bil. $)	(1,416)	(1,294)	(1,268)	(1,051)	(797)	(671)

Table 1

Alternative Forecasts - September 2011 (cont.)						
Deep recession						
Real GDP	(3.5)	3.0	1.2	(0.4)	1.4	2.7
Consumer spending	(1.9)	2.0	1.9	0.4	0.8	0.9
Equipment investment	(16.0)	14.6	8.3	0.3	5.7	8.0
Real nonresidential construction	(21.2)	(15.8)	3.2	(7.2)	(2.0)	12.9
Residential construction	(22.5)	(4.6)	(3.4)	(9.8)	8.0	20.9
Federal government purchases	6.0	4.5	(2.3)	(2.9)	(3.7)	(3.1)
State and local purchases	(0.9)	(1.8)	(2.8)	(3.7)	(1.9)	(0.1)
Total exports	(9.4)	11.3	6.4	1.9	7.3	9.4
Total imports	(13.6)	12.5	4.5	(2.5)	2.3	3.0
CPI	(0.3)	1.6	3.0	0.8	1.9	2.7
Core CPI	1.7	1.0	1.6	1.4	1.4	2.1
Nonfarm unit labor costs	(0.7)	(2.0)	2.5	3.2	1.4	1.1
Nonfarm productivity	2.3	4.1	0.5	(0.4)	1.1	1.4
Exchange rate with major trade partners	4.3	(3.0)	(6.3)	4.2	(1.7)	(1.9)
State and local receipts	0.5	5.7	1.2	(0.0)	2.7	5.8
State and local outlays (excluding gross investment)	0.7	2.9	3.2	(0.0)	1.5	4.7
(Level)						
Unemployment rate (%)	9.3	9.6	9.2	10.0	10.1	9.6
Payroll employment (Mil.)	130.8	129.8	130.8	130.3	130.7	132.5
Federal funds rate (%)	0.2	0.2	0.1	0.1	0.1	0.3
10-year Treasury note yield (%)	3.3	3.2	2.7	1.6	2.2	3.2
'AAA' bond yield (%)	5.3	4.9	4.8	4.1	4.5	5.1
30-year fixed mortgage rate (%)	5.0	4.7	4.4	3.5	4.0	4.8
Three-month Treasury bill rate (%)	0.2	0.1	0.1	0.1	0.1	0.4
S&P 500 Common Stock Index	947	1,139	1,205	974	1,071	1,161
S&P 500 operating earnings ($/share)	57	84	94	82	83	93
Current account balance (bil. $)	(377)	(471)	(448)	(283)	(314)	(367)
Oil price (West Texas Intermediate; $/barrel)	62	79	91	80	96	118
Household saving rate (%)	5.2	5.3	5.2	5.1	3.8	4.3
Housing starts (mil.)	0.55	0.58	0.60	0.5	0.6	0.9
Unit sales--light vehicles (mil.)	10.4	11.6	12.1	11.7	13.4	14.3
Unified federal budget surplus (fiscal year; bil. $)	(1,416)	(1,294)	(1,275)	(1,097)	(860)	(766)
Optimistic						
Real GDP	(3.5)	3.0	1.8	3.3	3.3	3.9
Consumer spending	(1.9)	2.0	2.3	2.7	2.7	3.2
Equipment investment	(16.0)	14.6	11.1	13.1	10.5	9.7
Real nonresidential construction	(21.2)	(15.8)	4.3	1.8	5.4	9.6
Residential construction	(22.5)	(4.6)	(0.8)	19.5	18.2	21.2
Federal government purchases	6.0	4.5	(2.3)	(2.9)	(3.6)	(2.8)
State and local purchases	(0.9)	(1.8)	(2.7)	(2.4)	0.1	0.8

Table 1

Alternative Forecasts - September 2011 (cont.)						
Total exports	(9.4)	11.3	7.1	9.4	10.3	8.6
Total imports	(13.6)	12.5	5.6	6.3	6.7	6.5
CPI	(0.3)	1.6	3.3	2.1	1.7	1.5
Core CPI	1.7	1.0	1.7	2.1	1.9	1.8
Nonfarm unit labor costs	(0.7)	(2.0)	2.1	2.0	1.8	1.2
Nonfarm productivity	2.3	4.1	0.8	1.2	1.3	1.9
Exchange rate with major trade partners	4.3	(3.0)	(7.8)	(1.9)	4.5	4.0
State and local receipts	0.5	5.7	1.6	2.9	4.0	6.0
State and local outlays (excluding gross investment)	0.7	2.9	3.3	1.3	3.5	5.7
(Level)						
Unemployment rate (%)	9.3	9.6	8.9	8.3	7.6	6.7
Payroll employment (mil.)	130.8	129.8	131.2	133.8	136.3	139.3
Federal funds rate (%)	0.2	0.2	0.1	0.8	2.0	3.4
10-year Treasury note yield (%)	3.3	3.2	3.0	4.2	4.5	4.5
'AAA' bond yield (%)	5.3	4.9	4.8	5.4	5.7	5.5
30-year fixed mortgage rate (%)	5.0	4.7	4.5	5.4	6.0	5.9
Three-month Treasury bill rate (%)	0.2	0.1	0.1	0.8	1.8	3.3
S&P 500 Common Stock Index	947	1139	1338	1437	1516	1600.3
S&P 500 operating earnings ($/share)	56.86	83.77	99.65	118.72	126.57	132.83
Current account balance (bil. $)	(377)	(471)	(481)	(512)	(512)	(508)
Oil price (West Texas Intermediate; $/barrel)	61.69	79.41	97.11	105.79	109.62	109.30
Household saving rate (%)	5.2	5.3	4.9	4.5	3.9	4.6
Housing starts (mil.)	0.55	0.58	0.63	0.9	1.2	1.5
Unit sales--light vehicles (mil.)	10.4	11.6	12.7	14.7	16.2	16.9
Unified federal budget surplus (fiscal year; bil. $)	(1,416)	(1,275)	(1,266)	(1,011)	(738)	(612)

e--Estimate.

Industry Ratings Outlook

Solid industry fundamentals support stable outlook

The U.S. electric utility sector performed well through September 2011, with ongoing favorable access to capital markets compared with most corporate issuers. Reliance on external financing for electric utilities declined in the past 12 months, with the amount of medium- to long-term debt issued during the first nine months of this year decreasing to about $20 billion from about $25 billion issued during the nine months of 2010. We can attribute this to the significant amount of refinancing completed in the prior 12 months, companies taking advantage of low interest rates with the prefinancing of debt well in advance of maturities and extension of maturities, the winding down of certain construction and environmental compliance programs, and the paring down and deferral of discretionary and growth-related construction project, in response to weak economic conditions.

We have seen that investor appetite for electric first mortgage bonds remains healthy, with deals continuing to be oversubscribed. Credit fundamentals indicate that most, if not all, electric utilities should continue to have consistent and ample access to funding sources and credit. Issuance of common stock to partially fund construction spending is

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also possible for some firms, and would help to support capital structure balance. Liquidity is an industry strength and has been improving. Banking syndicates are expressing willingness to negotiate credit facilities, now with lengthening terms, of up to five years and with favorable terms.

To maintain their current creditworthiness in this soft economy, electric utilities will need to have established, and be able to maintain, a firm credit foundation. This will require a strong, collaborative and effective working relationship among management, regulators and, increasingly, legislators and governors, in the planning and execution of strategies. Therefore, for the remainder of 2011 and into 2012, the political and regulatory landscape at the state level and especially the federal level will continue to exert the most influence on electric utility credit ratings. Cost increases, construction projects, and environmental compliance initiatives and other public policy directives, together with lackluster electric load growth, will necessitate continued reliance on rate relief by electric utilities. Modest economic growth, better consumer and business confidence, and an improving job market should result in more credit-supportive regulatory outcomes. Our pessimistic case, which projects economic contraction, weaker employment rates, and dropping consumer sentiment, would threaten regulatory support by state regulatory commissions. Insufficient responses by utilities to counteract any deterioration in regulatory risk may have a drag on the industry, especially if utilities come under cost scrutiny by regulators, which is virtually inevitable, and could lead us to a negative stance on overall U.S. electric utility credit quality.

Notwithstanding regulatory hurdles, the pace of mergers and acquisitions continued to accelerate with several transactions pending various approvals. These combinations include the proposed transactions involving Exelon Corp. (BBB/Stable/A-2) and Constellation Energy Group Inc. (BBB-/Watch Pos/A-3); Northeast Utilities (BBB+/Watch Pos/--) and NSTAR (A+/Watch Neg/A-1); Duke Energy Corp. (A-/Stable/A-2) and Progress Energy Inc. (BBB+/Watch Pos/A-2); Gaz Metro Ltd. Partnership (A-/Stable/--) and Central Vermont Public Service Co. (not rated); and The AES Corp. (BB-/Stable/--) and DPL Inc. (A-/Watch Neg/A-2). Prospectively, we believe there will be more mergers and acquisitions, with larger deals, and that ultimately a smaller group of large utilities will dominate the electric utility industry. The recent flurry of mergers appears to be driven by creditworthiness rather than an exclusive focus on shareholder value, lower synergies and cost-saving assumptions, and more modest acquisition premiums. While utility mergers and acquisitions have not always been beneficial for bondholders, the new merger model will produce larger, financially healthier and lower risk regional utilities that are better able to manage regulatory risk, undertake large construction programs, and expand with minimal additional risk. While we continue to judge the credit implications of a merger transaction in the context of ongoing business strategies and financing plans, from our perspective, a more efficient industry, with more concentration on relatively low-risk regulated operations could lead to improving creditworthiness for the sector.

Chart 1

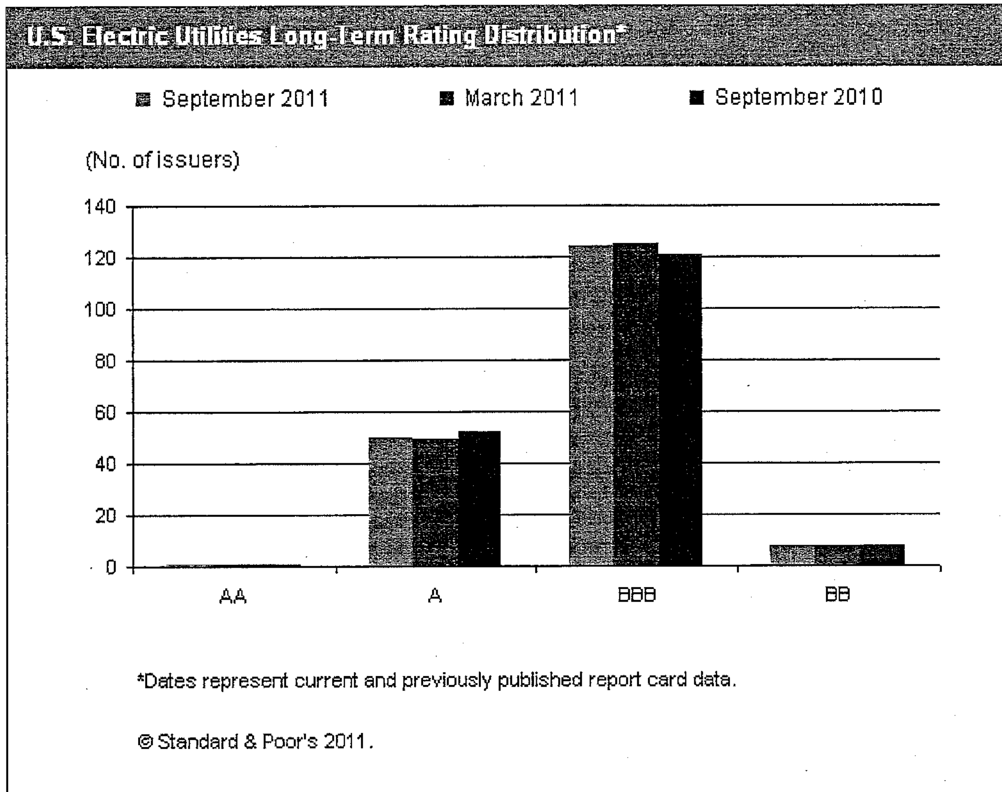
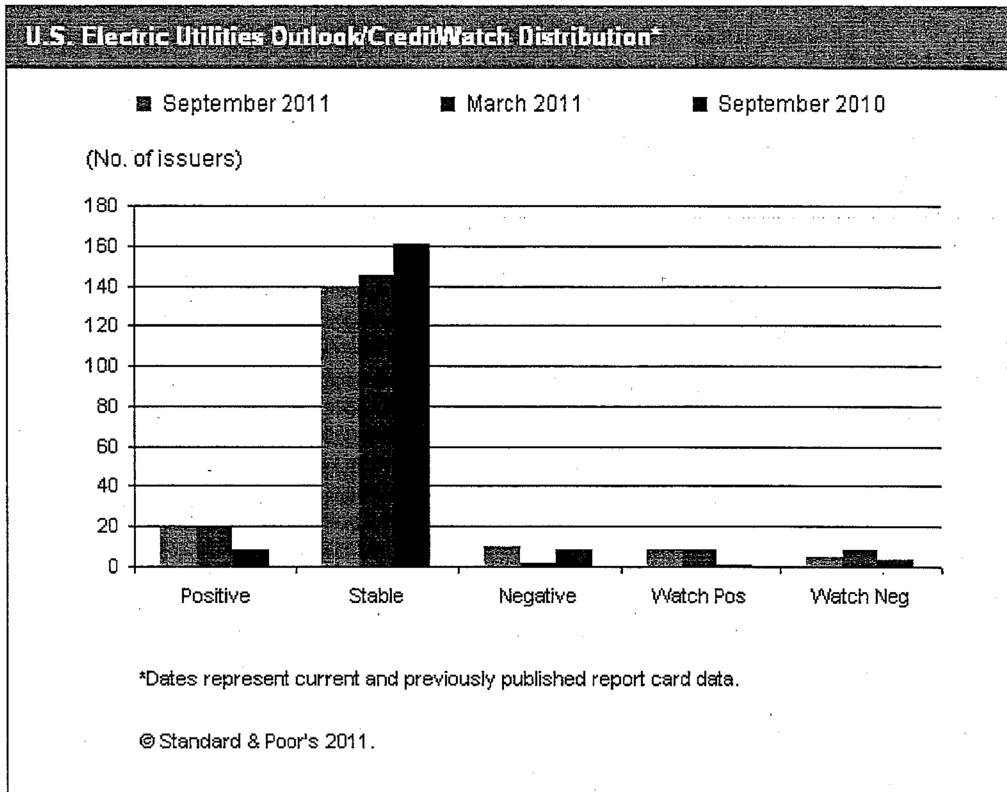


Chart 2



Issuer Review

Table 2

Company/Rating*/Comments	Analyst
ALLETE Inc. (BBB+/Stable/A-2) ALLETE's high concentration of large cyclical industrial customers is a driver of the company's credit quality. The company has shown its ability to adapt to dramatic shifts in industrial customers' electricity demand without derailing its financial protection measures. Demand nominations by these industrial customers for August through December 2011 were slightly higher than the previous period, indicating the customers operating at near full capacity for the period. The company recently received regulatory approval to recover costs through a renewable resource rider for its Bison 2 wind project. Higher demand nominations from industrial customers and recovery of expenses and investments should strengthen operating cash flows. We expect financial performance to strengthen from June 30, 2011, with funds from operations (FFO) to debt of 22.8%, debt to EBITDA of 4.5x, and debt to capital of 51.9%.	Matthew O'Neill
Alliant Energy Corp. (BBB+/Positive/A-2) With a recent rate case decision in Minnesota, operating cash flows should improve with recovery of incremental operating expenses and rate base additions. A pending fuel case in Wisconsin should further bolster operating cash flow once finalized. The transmission rate surcharge in Iowa provides for timely recovery of transmission charges. The utilities' capital spending is for generation, consisting mostly of wind generation, and pollution-control equipment, including $300 million for WPL's portion at the Columbia coal plant. For the 12 months ended June 30, 2011, FFO to total debt, debt to EBITDA, and debt to total capital were 28%, 3.6x, and 54%, respectively.	Gerrit Jepsen, CFA
Interstate Power & Light Co. (BBB+/Positive/A-2) Interstate received approval to increase Minnesota base rates by $8 million and recover up to $2 million through a renewable rate rider, bolstering operating cash flow. Along with approving recovery of transmission costs, the Iowa regulator authorized the utility to seek a	Gerrit Jepsen, CFA

transmission rate surcharge that would allow it to timely recover transmission costs. The utility plans to spend $360 million through 2013 on environmental equipment and, in 2012, it may seek pre-approval for a new gas-fired generating unit in Iowa. See Alliant Energy Corp. for consolidated financial measures.

Wisconsin Power & Light Co. (A-/Stable/A-2)
We rate Wisconsin Power & Light higher than parent Alliant Energy due to regulatory insulation related to regulatory restrictions and requirements. This includes the Wisconsin Public Service Commission's authority to limit the utility's common stock dividend payments to its parent on an annual basis if the utility's average common equity ratio drops below roughly 50%. Nonetheless, the utilities' stand-alone credit profile must reflect, at a minimum, the assigned corporate credit rating. The utility has a fuel-only proceeding under review with a decision expected by year-end 2011. Construction of emissions-control equipment at the Columbia coal plant has been authorized and is expected to cost $300 million. For the 12 months ended June 30, 2011, FFO to total debt was about 32%, debt to EBITDA was around 3x, and debt to capital was roughly 48%, all in line with the rating.
Gerrit Jepsen, CFA

Ameren Corp. (BBB-/Stable/A-3)
The company's financial measures continue to be in line with our expectations and adequate for the current rating. For the 12 months ending June 30, 2011, FFO/debt rose to 24.7% from 21.8% at year-end 2010, debt/EBITDA remained steady at 3.8x, and debt to total capital improved to 51.9% from 53.1% at year-end 2010. While electric sales have decreased mostly due to less favorable weather, the cash flow measures have improved, benefitting from increased bonus depreciation. The ratings remain pressured by the company's merchant generation business, which continues to experience lower realized power prices and generation levels.
Gabe Grosberg

Ameren Illinois Co. (BBB-/Stable/--)
The governor's veto of SB 1652, although not unexpected, is a setback for the company's multiprong strategy for managing its regulatory risk. The company anticipated that through this legislation it would be able to develop a recovery structure that would allow it to invest incremental capital spending over the intermediate-term. In its current rate case filing, the company's revised electric and gas request is about $89 million and the staff's recommendation is about $16 million. Much of the difference relates to return on equity and the commission's order is expected in early 2012. For consolidated financial information, see Ameren Corp.
Gabe Grosberg

Ameren Missouri (BBB-/Stable/A-3)
The company continues to manage its regulatory risk and to reduce its regulatory lag by filing timely rate cases. In July 2011, the company received a $173 million electric rate order or more than 80% of its revised request. We expect the company to continue to file frequent rate cases because of the large mandated environmental capital spending. For consolidated financial information, see Ameren Corp.
Gabe Grosberg

American Electric Power Co. Inc. (BBB/Stable/A-2)
There are multiple issues that we are closely monitoring. The Ohio utilities filed a nonunanimous settlement that, if adopted, would change AEP's strategy in Ohio to a competitive generation model. Construction of the Turk coal unit continues, while litigation of the approved water and air permits remain pending even though a settlement was reached with an intervenor, reducing the number of legal challenges to the new plant. The company announced 5,909 MW of coal generation retirements and 10,500 MW of environmental retrofits. For the 12 months ended June 30, 2011, adjusted FFO to total debt was 17.6% and debt to EBITDA was 4.4x. Both are improvements from year-end 2010. Debt to total capital remained largely unchanged at about 60%. Net cash flow to capital spending was robust at 113%, producing positive free operating cash flow.
Gerrit Jepsen, CFA

AEP Texas Central Co. (BBB/Stable/--)
AEP Texas Central is a wires-only transmission and distribution utility serving southern Texas that receives periodic rate true-ups related to securitization bonds. Related to stranded-cost recovery, the Texas Supreme Court ruled on several issues that have been remanded to the Texas utility commission. Ultimately the utility may receive a higher level of revenue based on these court rulings. See American Electric Power Co. Inc. for consolidated financial ratios.
Gerrit Jepsen, CFA

AEP Texas North Co. (BBB/Stable/--)
AEP Texas North is a wires-only transmission and distribution utility that transmit and distributes electricity to consumers. See American Electric Power Co. Inc. for consolidated financial ratios.
Gerrit Jepsen, CFA

Appalachian Power Co. (BBB/Stable/--)
Appalachian Power has numerous regulatory proceedings pending in West Virginia and Virginia. In West Virginia, a recent $51 million revenue increase and an incremental energy cost recovery increase should strengthen operating cash flows. The West Virginia commission also authorized the utility to purchase the Dresden combined-cycle unit being built by an affiliate. In Virginia, the utility filed for a net $75 million distribution and generation revenue increase along with increased cost recovery through various rate riders for environmental compliance projects, renewable energy expenses, and new generating facilities, including those related to the Dresden facility. We will monitor these proceedings. See American Electric Power Co. Inc. for consolidated financial ratios.
Gerrit Jepsen, CFA

Columbus Southern Power Co. (BBB/Stable/--)
We are closely monitoring the pending stipulation filed with the Ohio commission that, if adopted, would resolve multiple proceedings,
Gerrit Jepsen,

including the merger of CSP into affiliate Ohio Power. Importantly, parent American Electric Power's Ohio strategy would be materially modified with most Ohio generation beginning to operate fully under a competitive model as of mid-2015. A distribution rate case remains open as well. See American Electric Power Co. Inc. for consolidated financial ratios.	CFA
Indiana Michigan Power Co. (BBB/Stable/--) In Indiana, the utility purchased certain energy delivery assets of the City of Fort Wayne for $39 million that Indiana Michigan already operates. In Michigan, the utility requested a $25 million revenue increase, which it will implement, subject to refund, in January 2012. See American Electric Power Co. Inc. for consolidated financial ratios.	Gerrit Jepsen, CFA
Kentucky Power Co. (BBB/Stable/--) The utility has indicated that it intends to retire Big Sandy coal units 1 and 2 by 2015 and build a 640 MW natural gas plant by 2016. Kentucky Power will need to submit a filing with the regulatory commission. See American Electric Power Co. Inc. for consolidated financial ratios.	Gerrit Jepsen, CFA
Ohio Power Co. (BBB/Stable/--) We will be closely monitoring the pending stipulation filed with the Ohio commission that, if adopted, would resolve multiple proceedings, including Columbus Southern Power being merged into Ohio Power. Importantly, parent American Electric Power's Ohio strategy would be materially modified with the majority of Ohio generation starting to operate under a competitive model as of mid-2015. A distribution rate case remains open as well. See American Electric Power Co. Inc. for consolidated financial ratios.	Gerrit Jepsen, CFA
Public Service Co. of Oklahoma (BBB/Stable/--) The State of Oklahoma filed an implementation plan with the Environmental Protection Agency (EPA), which it rejected. The EPA subsequently proposed its own plan that, if implemented, could lead to a scrubber being installed at the utility's Northeastern plant. See American Electric Power Co. Inc. for consolidated financial ratios.	Gerrit Jepsen, CFA
Southwestern Electric Power Co. (BBB/Stable/--) Construction on the Turk coal unit continues, with expected completion in 2012. Litigation is ongoing regarding various approved permits, but the company has reached a settlement with several parties that could reduce opposition to the unit. Along with its announced closure of the 528 MW Welsh unit 2 in 2014, the company plans on spending up to $1.2 billion on environmental retrofits. See American Electric Power Co. Inc. for consolidated financial ratios.	Gerrit Jepsen, CFA
American Transmission Co. (A+/Stable/A-1) The company's steady financial measures continue to remain in line with our rating expectations. For the 12 months ending June 30, 2011, FFO/debt slightly decreased to 20.2% from 20.6% at year-end 2010, debt/EBITDA also slightly weakened to 4.0x from 3.9x at year end 2010. We generally expect that financial measures will continue to remain stable due to the Federal Energy Regulatory Commission's constructive regulations that include forward-looking rates, annual true-ups, cash return on construction work in progress, and a 12.2% authorized return on equity. Weighing on the company's rating is our final assessment of the structure, strategy, and financing of ATC's announced electric transmission joint venture with Duke Energy Corp.	Gabe Grosberg
Avista Corp. (BBB/Stable/A-2) FFO improved as a result of weather-related load increases and lower fuel costs and higher rates. Hydro generation in the Northwest is trending above average in 2011, decreasing power costs while back-to-back general rate cases over the past few years have supported improved financial results and have mitigated rate lag despite the economic environment and lower authorized equity returns. Avista's adjusted FFO to total debt rose to 21% for the 12-months ending June 30, 2011, and adjusted debt to equity decreased to 52%. Debt leverage has decreased from 54% at the end of 2010 due to higher earnings, the issuance of stock, and a slight decrease in debt.	Tony Bettinelli
Baltimore Gas & Electric Co. (BBB+/Stable/A-2) BGE's financial measures continue to trend upward. For the 12 months ending June 30, 2011, FFO/debt rose to 30.3% from 26% at year-end 2010, debt/EBITDA improved to 3.2x from 3.4x at year end 2010, and debt to total capital also improved to 43.8% from 44.2% at year-end 2010. The financial measures were partially enhanced by the company's December 2010 $42 million electric and gas rate case increases. We base the company's rating on its stand-alone credit quality and we rate the company two notches higher than its parent, Constellation Energy Group, due to the insulation measures that the company implemented. BGE's stable outlook reflects the high likelihood that we will affirm the company's credit ratings following the completion of the Exelon-Constellation merger, which is expected to close in early 2012.	Gabe Grosberg
Black Hills Corp. (BBB-/Stable/--) Ongoing rate recovery of expenses and investments through multiple cases strengthens operating cash flow and provides for a return of and on capital spending. The construction of new generation for the Colorado electric utility is on schedule and slightly under budget and expected to be completed in first-quarter 2012. We expect the plants to be prudently funded. Unregulated operations, including oil and gas exploration and energy marketing, continue to depress overall credit quality. Financial measures as of June 30, 2011 remain in line for the rating, with FFO to total debt of roughly 14% and debt to EBITDA of 5x, and debt to total capital of 60%, respectively.	Matthew O'Neill
Black Hills Power Inc. (BBB-/Stable/--)	

Black Hills Power received regulatory approval to recover higher operating expenses and capital spending, including a completed coal unit. The utility received regulatory approval for an environmental rider to recover costs for its share of the Wyodak plant which will provide annual revenue of roughly $3 million. For consolidated financial ratios, see Black Hills Corp. — Matthew O'Neill

California Indpt Sys Operator Corp. (A/Stable/--)
A mild summer has put the Cal ISO slightly below its 2011 budget, but because the grid operator can readily adjust rates for volume shortfalls, financial performance remains stable. We are monitoring FERC's recently launched investigation into the bidding practices of some generator participants in the Cal ISO whose bidding strategies are alleged to be artificially inflating market clearing prices. The FERC has approved the Cal ISO's temporary changes in its tariff to stop aberrant bidding, and the FERC's ability to penalize generators remains a credible threat to maintaining Cal ISO market integrity. Separately, a small Nevada electric cooperative and the Los Angeles Dept. of Water and Power recently announced plans to participate in various Cal ISO markets, which could expand volumes and the Cal ISO's transmission footprint. The Cal ISO is expected to convene a joint task force to determine the cause of cascading black-outs in Southern California on Sept. 8, 2011. — Anne Selting

CenterPoint Energy Inc. (BBB/Positive/A-2)
Centerpoint's financial performance remains robust, in large part reflecting management's efforts to re-balance the capital structure. Capital spending should begin to be directed mostly toward the regulated operations over the next few years, especially since the Shell and Encana gas-gathering projects are completed. The March 2011 Supreme Court decision allowing the company to recover about $1.88 billion in stranded costs, including interest, is favorable. For the 12 months ended June 30, 2011, consolidated financial performance supported current ratings, with adjusted FFO to debt of 19.9% and debt leverage declining to 68.5%. — Dimitri Nikas

CenterPoint Energy Houston Electric LLC (BBB/Positive/--)
In March 2011, the Texas Supreme Court rendered a favorable decision in CEHE's pending stranded- cost recovery effort, by allowing the company to recover $1.88 billion (including interest) of previously disallowed stranded costs. CEHE's latest rate case decision is largely neutral for its credit quality in terms of additional operating income, although the capital structure will now reflect a 45% equity layer, up from 40%. We expect CEHE to continue to benefit from the economic recovery, including a modest but steady increase in new customers, thereby lending support to the consolidated credit profile. See CenterPoint Energy Inc. for consolidated financials. — Dimitri Nikas

CenterPoint Energy Resources Corp. (BBB/Positive/A-2).
One of the two gas-gathering projects for Shell and Encana has completed construction, totaling capacity of 900 million cubic feet (mmcf) per day, while the second project is nearing completion, with a capacity of 600 mmcf per day. The projects benefit from volume and acreage commitments. The remaining businesses continue to operate well, with the gas distribution companies now earning closer to the allowed returns on equity due to rate case increases and improved rate design. In addition, the gas distribution operations are benefiting from modest increases in the number of customers. See CenterPoint Energy Inc. for consolidated financials. — Dimitri Nikas

Central Hudson Gas & Electric Corp. (A/Stable/--)
Parent company CH Energy Group (not rated) recently sold its Shirley Wind Farm facility to Duke Energy, which is consistent with the company's revised strategy to divest its unregulated renewable portfolio. Central Hudson is currently operating under a three-year rate settlement through 2013 that should support its credit profile, with adjusted FFO to total debt that exceeds 19% and adjusted total debt to total capital that remains below 54%. Financial measures as of June 30, 2011 remain in line with the rating, with FFO to total debt of 25%, debt to EBITDA of 3.7x and debt to total capital of 55%. — Matthew O'Neill

Central Maine Power Co. (BBB+/Stable/--)
We base Central Maine Power's ratings on stand-alone credit characteristics because of remoteness to its ultimate parent, Iberdrola S.A. The Iberdrola rating can cap ratings. Solid electric transmission and distribution operations in the center of the state's economic activity form the basis for the credit profile. Regulatory risk is minimal, with numerous pass-through rate clauses for most major costs and steady, if low, returns. The company is pursuing large transmission investments to meet reliability demands. Credit quality can be maintained if adequate financial and regulatory support is obtained before and during construction, otherwise the financial profile would be stressed. Recent financial performance has improved due to the current recovery of the transmission investments, with FFO to debt at 36% and debt leverage at 41%. — Matthew O'Neill

New York State Electric & Gas Corp. (BBB+/Stable/--)
Ratings are stand-alone due to the remoteness of ultimate parent Iberdrola S.A. The Iberdrola rating can cap ratings. The company's electric transmission and distribution and natural gas transportation, storage, and distribution in a rural and suburban upstate region produce a steady, if unspectacular, base for the credit profile. Pass-through rate mechanisms for most major costs support ratings, but a base rate freeze agreed to as part of the Iberdrola purchase has led to deteriorating financials as the economy weakened. The recent approval of a base rate case settlement by New York regulators indicates that regulatory risk has abated. Recent financial performance has been in line with expectations, with FFO to debt at 23% and debt leverage at 54%, and higher rates and service territory economic conditions should allow that to continue or improve. — Matthew O'Neill

Rochester Gas & Electric Corp. (BBB/Stable/--)
Ratings are stand-alone because of the remoteness of ultimate parent Iberdrola SA. The Iberdrola rating can put a cap on ratings. The — Matthew

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company's electric transmission and distribution activities and some limited electric generation operations in an urban and suburban upstate region produce a steady base for the credit profile. Pass-through rate mechanisms for most major costs support ratings, but a base rate freeze, as part of the Iberdrola purchase, and a weak service territory economy have led to deteriorating financials. The recent approval of a settlement of a base rate case by New York regulators indicates that regulatory risk has abated. Recent financial performance has been in line with expectations, with FFO to debt at 26% and debt leverage at 51.5%, and higher rates and service territory economic conditions should allow that to continue or improve.	O'Neill
Cleco Corp. (BBB/Stable/--) Cleco's credit profile continues to benefit from a number of transactions during 2010 and early 2011 that have contributed to a moderation in business risk, including the completion and inclusion in rate base of Madison Unit 3, the sale of Acadia Unit 1 to Cleco Power, and the sale of Acadia Unit 2 to Entergy, and finally the restructuring of the tolling agreement on Evangeline with the off-taker. The expansion of the rate base should provide incrementally more cushion at the current rating. For the 12 months ended June 30, 2011, consolidated financial performance was just adequate for the ratings, with adjusted FFO to debt of 15.7% and debt leverage of 51%.	Dimitri Nikas
Cleco Power LLC (BBB/Stable/--) Cleco is currently operating under a four-year agreement through which the company is refunding the financing costs collected during the construction of Madison Unit 3. In addition, the company is recovering the investment in Acadia Unit 1. Both of these resources reduce the reliance on purchased power and have contributed to a meaningful increase in rate base. Sales were largely unchanged from the prior year, although cash flow generation benefited due to the new rates and declining financing cost refunds. See Cleco Corp. for consolidated financials.	Dimitri Nikas
CMS Energy Corp. (BBB-/Stable/A-3) The company's financial measures continue to be in line with our expectations and adequate for the current rating. For the 12 months ending June 30, 2011, FFO/debt rose to 12.5% from 12% at year-end 2010, debt/EBITDA remained steady at 5.5x, and debt to total capital improved to 76.5% from 77.3% at year-end 2010. While Michigan's current unemployment rate of 10.9% is still above the national average of 9.1%, it has nevertheless improved considerably from the 14.6% high in 2009. The company's peak load in July 2011 exceeded its peak electric load in 2006, also signifying economic improvement. Over the intermediate term, we expect that the company's financial measures will continue to gradually improve as the rate case increases continue to take hold, partially offset by rising capital spending.	Gabe Grosberg
Consumers Energy Co. (BBB-/Stable/--) The company continues to effectively manage its regulatory risk and reduce its regulatory lag through the filing of rate cases. This includes the company's second-quarter $31 million gas rate case order, and its recent electric and gas rate case filings of more than $240 million. For consolidated financial information, see CMS Energy.	Gabe Grosberg
Commonwealth Edison Co. (BBB/Stable/A-2) The governor's veto of SB 1652, although not unexpected, is a setback for the company's multiprong strategy for managing its regulatory risk. The company anticipated that through this legislation it would be able to develop a recovery structure that would allow it to invest an additional $2.6 billion over 10 years. The company's financial measures continue to be more than adequate for its credit rating. For the 12 months ending June 30, 2011, FFO/debt was 19.5% and debt/EBITDA was 5.0x. ComEd's credit rating is limited to the lower of its stand-alone credit quality or parent, Exelon Corp. Recently, the company received a $156 million rate order or just 39% of its original request, which was materially affected by the recent Illinois Appellate Court's ruling that accumulated depreciation should reduce post-test-year plant additions, and by eliminating the smart meter rider.	Gabe Grosberg
PECO Energy Co. (BBB/Stable/A-2) The company's financial measures continue to be more than adequate for its credit rating. For the 12 months ending June 30, 2011, FFO/debt was 35% and debt/EBITDA was 2.3x. PECO's credit rating is limited to the lower of its stand-alone credit quality or parent, Exelon Corp. PECO has been able to demonstrate its effective management of regulatory risk by managing the company's transition to competitive rates and receiving constructive rate orders such as the late 2010 electric and gas rate case orders that increased revenues by a combined $245 million.	Gabe Grosberg
Consolidated Edison Inc. (A-/Stable/A-2) Con Edison's credit profile benefits from base rate increases at all of Consolidated Edison Co. of New York's businesses during 2010 and which incorporated multiyear settlements that ensure revenue stability through the use of revenue decoupling. Nevertheless, CECONY still need to effectively control costs to earn close to the allowed returns on equity and sustain or improve cash flow generation. Despite modest investment in retail supply, the company will target virtually all capital spending for 2011-2013 for the regulated operations. Financial performance benefits from the recent base rate increases across all subsidiaries as well as lower cash taxes providing for adjusted FFO to debt of 25.9% and debt leverage of 54.2%.	Dimitri Nikas
Consolidated Edison Co. of New York Inc. (A-/Stable/A-2) Weather-adjusted electric sales volumes declined modestly by about 1% compared to 2010, while gas volumes increased by about 2%,	Dimitri Nikas

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reflecting the robust local economy. The existence of the revenue decoupling mechanism in place mitigates the impact of volume deliveries to net revenues. Importantly, the company's credit profile continues to benefit from the 2010 electric base rate increase and the implementation of a three-year rate plan that incorporates increases in 2011 and 2012 as well of about $420 million. The gas and steam operations also implemented base rate increases, as part of their respective three-year settlements further supporting the overall credit profile. See Consolidated Edison Inc. for consolidated financials.

Orange and Rockland Utilities Inc. (A-/Stable/A-2)

Orange & Rockland implemented a $26.6 million base rate increase in June 2011 in response to its recent rate case filing. The rate increase is for one year and is based on a 9.2% return on equity and provides for the continuation of the existing revenue decoupling mechanism that affords revenue stability, but places the burden on the company to effectively manage costs to earn the allowed return on equity. In July 2011, the company filed a new base rate increase for $17.7 million effective July 2012 along with a three-year proposal with annual rate increases of $17.6 million. See Consolidated Edison Inc. for consolidated financials.

Dimitri Nikas

Dominion Resources Inc. (A-/Stable/A-2)

Fewer unregulated activities and reregulation in Virginia have significantly and durably improved business risk. Aggressive capital plans and low market prices on the unhedged merchant portion of the business will hold back improvement in financial measures, dampening potential ratings or outlook improvements, but we expect steady financial performance as improved regulated earnings and cash flow make up for lower unregulated margins. The August earthquake on the East Coast was centered in VEPCO's service territory, near the North Anna nuclear plant, but the plant did not sustain any material damage from the 5.8 Richter quake. Recent financial performance has been in line with expectations, with FFO to debt at 12% and debt to EBITDA at 3.9x.

Todd A Shipman, CFA

Virginia Electric & Power Co. (A-/Stable/A-2)

We base the ratings at VEPCO on the consolidated credit profile of parent Dominion Resources. VEPCO is a major part of the Dominion credit profile. Stable base rates and numerous tariff mechanisms for recovering significant expenses and capital spending provide a solid foundation for the ratings. Earned returns and cash flow have been solid since reregulation. The regulator rejected a proposal to defer the 2011 rate review in Virginia, which is proceeding as planned. Cost recovery for the many large utility construction projects is handled outside of base rates. See the Dominion Resources comment for the financial basis for the ratings.

Todd A Shipman, CFA

DPL Inc. (A-/Watch Neg/--)

DPL is on CreditWatch negative, reflecting its merger agreement with AES (BB-/Stable/--). The proposed $3.5 billion acquisition is being funded with $1.25 billion of DPL debt; the balance from AES was raised in the second quarter. DPL's ratings will be lowered several notches due to the large amount of acquisition debt. We believe that the combination AES, which has a significantly weaker business and financial risk profile, demonstrates a lack of commitment to credit quality by DPL's management. Retail competition has risen, but an affiliate is supplying about 85% of the switch load. DPL's financial metrics are currently healthy, with FFO to debt above 30% and debt to capital about 53%. However, the acquisition debt will result in an aggressive capital structure and significantly weaken other financial metrics.

Barbara A. Eiseman

Dayton Power & Light Co. (A-/Watch Neg/--)

DP&L is on CreditWatch negative, reflecting parent DPL's merger agreement with AES Corp. We base the ratings on DP&L on the consolidated credit profile of parent DPL Inc. DP&L's business profile mirrors that of DPL, but its financial condition is stronger than that of DPL owing to a lower debt burden. In this regard, total debt to capital at DP&L is about 41%. Yet, servicing DPL's debt depends almost entirely on the dividend stream that DP&L provides to DPL. And, because there are no regulatory or other barriers in Ohio that meaningfully restrict DPL's access to DP&L's cash flow, our analysis focuses on the consolidated credit profile of DPL. Hence, we will also lower DP&L's ratings several notches due to the large amount of acquisition debt. For further details see DPL Inc.

Barbara A. Eiseman

DTE Energy Co. (BBB+/Stable/A-2)

The company's financial measures have remained in line with our expectations and are adequate for the current rating. For the 12 months ending June 30, 2011, FFO/debt rose to 24% from 23.3% at year-end 2010, debt/EBITDA was slightly worse at 3.7x from 3.6x at year end 2010, and debt to total capital improved to 56.1% from 56.5% at year-end 2010. Despite the company's improved financial measures over the past two years, the ratings continue to be affected by the company's strong business risk profile that reflects substantial nonutility assets, including energy trading.

Gabe Grosberg

Detroit Edison Co. (BBB+/Stable/A-2)

The company continues to effectively manage its regulatory risk and reduce its regulatory lag through the filing of rate case increases. This includes the company's current rate case request of $253 million and its second-quarter interim rate increase of $107 million. The commission's order is expected by the fourth quarter of 2011. We expect consolidated discretionary cash flow to be negative over the intermediate period, reflecting the more than 50% increase in capital spending in 2011. Much of the capital increase reflects environmental and renewable projects at the regulated utility. For consolidated financial information, see DTE Energy Co.

Gabe Grosberg

Michigan Consolidated Gas Co. (BBB+/Stable/A-2)

The company's sales for the first six months of 2011 were 11% higher over 2010, reflecting favorable weather and a gradual improving economy. The Michigan current unemployment rate of 10.9%, although above the national average of 9.1%, has nevertheless

Gabe Grosberg

decreased considerably from its 14.6% high in 2009. For consolidated financial information, see DTE Energy Co.

Duke Energy Corp. (A-/Stable/A-2) The company expected an Ohio rate plan to provide stability to revenues and cash flows and support credit quality, but has proven to be the opposite as competition in the state has sharpened. The Ohio utility will be exposed to greater market risk in the future, but the company is seeking a new plan to better manage that risk. The 600 MW Edwardsport integrated gasification combined-cycle unit in Indiana has gone well over the original budget, but we expect the company to recover most of the higher costs. The regulatory review of the project has been delayed due to political fallout tied to Duke's attempted hiring of an Indiana Utility Regulatory Commission's administrative law judge. Recent financial performance has been in line with expectations, with FFO to debt at 23% and debt to EBITDA at 4x. The service territory's economic conditions should allow that to continue.	Todd A Shipman, CFA
Duke Energy Carolinas LLC (A-/Stable/A-2) We base the company's ratings on the consolidated credit profile of its parent, Duke Energy. Base rates increased in 2010, and a new filing for a large rate increase is pending. Most of the riders expired in 2011, boosting cash flow. Large generation projects, one coal and two natural gas plants, are on time and within budget and will come on line in 2011 and 2012. See the Duke Energy comment for the financial basis for the rating.	Todd A Shipman, CFA
Duke Energy Indiana Inc. (A-/Stable/A-2) We base the company's ratings on the consolidated credit profile of its parent, Duke Energy. The 600 MW Edwardsport integrated gasification combined-cycle unit in Indiana has gone well over the original budget, but we expect the company to recover most of the higher costs. The regulatory review of the project has been delayed due to political fallout tied to Duke's attempted hiring of an Indiana Utility Regulatory Commission's administrative law judge. See the Duke Energy comment on the financial basis for the ratings.	Todd A Shipman, CFA
Duke Energy Kentucky Inc. (A-/Stable/--) The Kentucky commission approved the Duke/Progress merger in August. We base the company's ratings on the credit profile of its parent, Duke Energy. Recent financial performance has been in line with expectations, with FFO to debt at 23% and debt to EBITDA at 4x. The service territory's economic conditions should allow that to continue.	Todd A Shipman, CFA
Duke Energy Ohio Inc. (A-/Stable/A-2) We base the company's ratings on the credit profile of its parent, Duke Energy. The company expected an Ohio rate plan to provide stable revenues and cash flows and support credit quality, but the opposite has proven true as competition in the state has sharpened. The Ohio utility will be exposed to greater market risk in the future, but the company is seeking a new plan to better manage that risk. Recent consolidated financial performance has been in line with expectations, with FFO to debt at 23% and debt to EBITDA at 4x. The service territory's economic conditions should allow that to continue.	Todd A Shipman, CFA
Duquesne Light Holdings Inc. (BBB-/Stable/--) We expect Duquesne's cash flow metrics to improve due to increased revenues based on subsidiary Duquesne Light's recently approved $46 million distribution rate increase along with an $11 million transmission rate increase. The company's new provider-of-last-resort plan, to be effective Jan. 1, 2011 through May 31, 2013, should also help to improve cash flow due to slightly higher rates. Customer switching has increased slightly due to the higher rates, but is in line with our projections. Existing financial obligations, including debt service, could improve with better cost recovery and a stronger balance sheet. Financial performance continues to be in line with our expectations.	Matthew O'Neill
Duquesne Light Co. (BBB-/Stable/--) Duquesne Light's recently approved distribution and transmission rate increases ($46 million and $11 million, respectively) should help improve the company's cash flow metrics. The company's new provider-of-last-resort plan, to be effective Jan. 1, 2011 through May 31, 2013, should also help improve cash flow due to slightly higher rates. Customer switching has increased slightly due to the higher rates, but is in line with our projections. See Duquesne Light Holdings Inc. for consolidated financials.	Matthew O'Neill
Edison International (BBB-/Stable/--) Edison's results continue to reflect a disparate tale. For Southern California Edison (SCE), rate-base expansion and bonus depreciation have fueled steady growth. Utility financial performance continues to support the consolidated ratings. But for merchant generator Edison Mission Energy (EME), operating cash flows through the first half of 2011 were negative, due to the roll-off of hedges and continued weak power prices. EME's future is clouded by large environmental retrofit obligations that may not be financeable under current low power prices. SCE's heavy capital investment (expected to be as high as $4.4 billion in 2011) and expected regulatory recovery of these investments should continue to drive consolidated cash flows and earnings. Ratings also assume that Edison will continue to refrain from supporting Edison Mission Energy.	Anne Selting
Southern California Edison Co. (BBB+/Stable/A-2) The company's steady earnings growth reflects a rate base expansion of about 10% per year. The company expects large projects to total up to $4.4 billion in 2011, with equally high spending thereafter. An estimated 51% of the 2012 to 2014 projects needs approval as part of the utility's general rate case before the California commission and is the dominant near-term driver of cash flows and	Anne Selting

profitability through 2014. Based on a $6.3 billion rate base, the request is a 7.6% increase over projected 2011 average electric rates. The state's aggressive energy policies require sizable utility investment, and we expect constructive ratemaking to continue for the company. Escalating retail electric prices remain a key credit consideration due to state policy initiatives and the company's infrastructure investment. See Edison International for consolidated financials.

El Paso Electric Co. (BBB/Stable/--)
Higher earnings have prompted the City of El Paso to discuss pushing a new rate case. Given weather impacts and continued investment, it is unclear what impact a new case would have on rates. El Paso Electric continues to benefit from higher retail loads in Texas, driven by growth at Fort Bliss as well as unemployment rates below national averages. Continued growth--1.4% customer growth in the first half of 2011--has facilitated the need for investments in generation. The second phase of Newman Unit 5 was completed in April and Rio Grande Unit 9 received construction approval. Adjusted FFO to total debt was 20% for the 12 months ending Jun. 30, 2011 and debt leverage has remained unchanged in 2011. Financial performance has been consistent with our expectations for the current rating level.

Tony Bettinelli

Empire District Electric Co. (BBB-/Stable/A-3)
In May, we revised our outlook to stable from positive due to expected financial stress from a tornado in Joplin, Mo. Due to legal limitations tied to retained earnings, Empire suspended its 32-cent dividend for two quarters (conserving $26 million), after which it expects to reestablish it at 25 cents. Empire estimates tornado restoration costs at up to $30 million, of which $18 million was incurred through June. The tornado's impact after adjusting for weather was a 3% drop in sales and a $2.2 million decline in revenue for the second quarter. With realization of recently granted rate relief in Missouri and Arkansas, coupled with expectations for higher rates in Oklahoma and Kansas and credit supportive actions by management, Empire's financial condition should remain suitable for current ratings, with FFO to debt above 20% and debt to capital at 57%.

Barbara A. Eiseman

Entergy Corp. (BBB/Negative/--)
Entergy is continuing to encounter challenges in the relicensing of its Vermont Yankee and Indian Point nuclear plants. In July 2011, a Vermont court denied Entergy's request for a preliminary injunction and a trial is scheduled for September 2011. In New York, the company is seeking to renew the Indian Point nuclear plant's Units 2 and 3 discharge permits. In response to the ongoing softness in wholesale power prices, Entergy has been hedging increasing amounts of capacity and energy, especially from the merchant nuclear plants, which now total 96% in 2011, 87% in 2012, and 74% in 2013, ensuring some cash flow stability. For the 12 months ended June 30, 2011, consolidated financial performance remaineds adequate for current ratings, with adjusted FFO to debt of 26% and debt leverage of 61.2%.

Dimitri Nikas

Entergy Arkansas Inc. (BBB/Negative/--)
The company continues to operate under a $63.7 million base rate increase implemented in mid-2010 as part of its settlement agreement to earn closer to the allowed return on equity of 10.2%. To meet expected load growth, the company has agreed to purchase the Hot Spring 620 MW combined-cycle unit from KGen Power Corp., subject to regulatory approval, at a total cost of $277 million and an expected close of mid-2012. At the same time, Entergy Arkansas filed with the Arkansas commission to join the Midwest Independent System Operator once the current system agreement terminates in December 2013. The company's retail sales declined by 1%, in part due to unfavorable weather, but reflecting modest improvement in the local economy, in the commercial and industrial classes. See Entergy Corp. for consolidated financials.

Dimitri Nikas

Entergy Gulf States Louisiana LLC (BBB/Negative/--)
The company's latest formula rate plan filing indicated that the company earned a return on equity of 11.11%, which is within the allowed range and requires no change in base rates. Rates will decline by about $22.8 million due to lower capacity costs. The company's retail sales increased by 2% due to favorable weather, and reflecting some modest improvement in the local economy. See Entergy Corp. for consolidated financials.

Dimitri Nikas

Entergy Louisiana LLC (BBB/Negative/--)
In March 2011, the company acquired the Acadia Unit 2 combined-cycle plant for $300 million, after receiving all necessary regulatory approvals. Base rates did not increase as part of its May 2011 formula rate plan filing for the 2010 test year, reflecting a 11.07% return on equity. However, the company requested a $43.1 million net rate increase to recover the Acadia investment. In June 2011, the Louisiana commission approved the cancellation of the Little Gypsy 3 repowering project and the recovery of $200 million of investment. ELL is planning to recover the costs through a securitization. In addition, it is pursuing the certification of a 550 MW combined-cycle unit at an estimated cost of $721 million and an expected commercial operation date of summer 2015. ELL's retail sales grew 3% compared to 2010. See Entergy Corp. for consolidated financials.

Dimitri Nikas

Entergy Mississippi Inc. (BBB/Negative/--)
To meet projected load growth, EMI has agreed to purchase the Hinds Energy Facility, a 450 MW combined -cycle unit from KGen Power Corp. at a total cost of $246 million. Regulatory approvals are pending. The company expects the transaction to close by mid-2012. EMI is operating under a formula rate plan that allows the company to reset the bandwidth to reflect performance ratings, and modifies it to be in line with that of other utilities in the state. It also changed the 2% of revenue change to a 4% of revenue change to get to the allowed return, although any change over 2% will still require a hearing. The changes support the company's credit

Dimitri Nikas

profile by providing a more transparent framework and timelier implementation of new rates, if necessary. Total retail sales were flat in 2011 compared with 2010. See Entergy Corp. for consolidated financials.

Entergy New Orleans Inc. (BBB/Negative/--)
The company's latest formula rate plan filing for the 2010 test year reflected a reduction of $6.5 million for electric customers and $1.1 million for gas customers. However, it also requested approval to increase rates to fund its storm reserve to $75 million by 2017. The company's credit profile continues to recover and benefit from lower debt levels, as well as the three-year rate plan the state regulator approved in 2009 that reset base rates and provides for midpoint returns on equity of 11.1% for electric and 10.75% for gas operations. Retail sales for 2011 increased by 3% compared with 2010, reflecting the economic recovery, some impact from favorable weather, and, importantly, the return of customers to the service territory, especially residential customers. See Entergy Corp. for consolidated financials.

Dimitri Nikas

Entergy Texas Inc. (BBB/Negative/--)
Entergy Texas continues to be challenged on the regulatory front, finally reaching a settlement agreement in December 2010 that approved the $75.6 million interim rate increase implemented in two stages during 2010. The company still has not received approval to use a purchased power capacity rider. At the same time, the company had an above-average customer growth rate of 1.5% for the year, with the increase driven by residential and small commercial customers, which when combined with favorable weather, increased retail sales by 5%. The combination of the base rate increase and increased sales helped support the overall credit profile, which still remains somewhat weak for the rating. See Entergy Corp. for consolidated financials.

Dimitri Nikas

System Energy Resources Inc. (BBB/Negative/--)
The company continues work on two major projects, the relicensing of the Grand Gulf nuclear plant (for which the Nuclear Regulatory Commission accepted the renewal application in December 2010) and a 178 MW uprate that the company expects to cost $575 million (including necessary transmission upgrades) and for which the Mississippi commission issued the necessary certificate of public convenience and necessity in late 2009. The uprate should be completed by 2012 while the NRC expects to complete the license review by the end of 2011. At the same time, the company is in the early stages of exploring the potential for a new nuclear power plant, either at the existing Grand Gulf or River Bend sites. See Entergy Corp. for consolidated financials.

Dimitri Nikas

FirstEnergy Corp. (BBB-/Stable/--)
The company's strategic moves have elevated business risk by exposing its generation assets to greater market volatility. Current economic and electricity market conditions are producing power prices that are hindering the company's ability to markedly improve its financial profile, but steady progress on that front is the company's stated goal and could eventually produce a better credit profile. The recent completion of the merger with Allegheny Energy has solidified credit quality. Recent financial performance has been in line with expectations, with FFO to debt at around 16% and debt leverage at 4.7x debt-to-EBITDA, and the region's economic conditions should allow that to continue.

Gabe Grosberg

Allegheny Energy Inc. (BBB-/Stable/--)
Allegheny Energy merged with FirstEnergy Corp. in February 2011. See FirstEnergy comment for further information.

Gabe Grosberg

Cleveland Electric Illuminating Co. (BBB-/Stable/--)
We base the ratings on the consolidated credit profile of parent FirstEnergy, which is largely driven by unregulated electric generation and retail marketing activities. CEI is operating under an Electric Security Plan in Ohio that goes through 2014. The plan provides for stable base rates with a separate rider for recovering new capital spending, recovery of transmission expansion charges, and a competitive bidding process for generation service for customers that do not switch. The overall regulatory structure in Ohio gives CEI a reasonable opportunity to earn a solid regulated return on its transmission and distribution operations. See FirstEnergy comment for the financial basis for ratings.

Gabe Grosberg

Jersey Central Power & Light Co. (BBB-/Stable/--)
We base the ratings on the consolidated credit profile of parent FirstEnergy, which is largely driven by unregulated electric generation and retail marketing activities. In New Jersey, base rates have been stable and earned returns below average, even for a transmission and distribution utility. Rates decreased 5% in 2011 related to lower nonutility generator costs. See the FirstEnergy comment for the financial basis for the ratings.

Gabe Grosberg

Metropolitan Edison Co. (BBB-/Stable/--)
We base the ratings on the consolidated credit profile of parent FirstEnergy, which is largely driven by unregulated electric generation and retail marketing activities. Base rates have been stable since 2007 and earned returns are below average, but improving. The transition to competition in Pennsylvania has been relatively smooth, with market-based generation pricing initiated in 2011. See the FirstEnergy comment on the financial basis for the ratings.

Gabe Grosberg

Monongahela Power Co. (BBB-/Stable/--)
Parent Allegheny Energy completed its merger with FirstEnergy. As a vertically integrated electric utility subject to full regulation, Monongahela is unique among its utility affiliates. Operating cash flow should strengthen following a two-step increase in revenue for

Gabe Grosberg

Monongahela and affiliate Potomac Edison. See FirstEnergy for pro forma consolidated financial ratios.

Ohio Edison Co. (BBB-/Stable/A-3)
We base the ratings on the consolidated credit profile of parent FirstEnergy, which is largely driven by unregulated electric generation and retail marketing activities. Ohio Ed is operating under an Electric Security Plan in Ohio that goes through 2014. The plan provides for stable base rates with a separate rider for recovering new capital spending, recovery of transmission expansion charges, and a competitive bidding process for generation service for customers that do not switch. The overall regulatory structure in Ohio gives Ohio Ed a reasonable opportunity to earn a solid regulated return on its transmission and distribution operations. See FirstEnergy comment on financial basis for ratings. — Gabe Grosberg

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Pennsylvania Electric Co. (BBB-/Stable/--)
We base the ratings on the consolidated credit profile of parent FirstEnergy, which is largely driven by unregulated electric generation and retail marketing activities. Base rates have been stable since 2007 and earned returns below average, but improving. The transition to competition in Pennsylvania has been relatively smooth, with market-based generation pricing initiated in 2011. See the FirstEnergy comment for the financial basis for the ratings. — Gabe Grosberg

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Pennsylvania Power Co. (BBB-/Stable/--)
We base the ratings on the consolidated credit profile of parent FirstEnergy. The profile largely reflects unregulated electric generation and retail marketing activities. Base rates have been stable since 2008. The transition to competition in Pennsylvania has been relatively smooth, with market-based generation pricing initiated early in the process and is now well established. See the FirstEnergy comment on the financial basis for the ratings. — Gabe Grosberg

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Potomac Edison Co. (BBB-/Stable/--)
We base the ratings on the consolidated credit profile of parent FirstEnergy, which is largely driven by unregulated electric generation and retail marketing activities. The regulatory situation in Maryland has stabilized, with retained customers under provider of last resort responsibilities receiving market-based power since 2009. Higher rates in West Virginia have bolstered cash flow. See the FirstEnergy comment for the financial basis for the ratings. — Gabe Grosberg

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Toledo Edison Co. (BBB-/Stable/--)
We base the ratings on the consolidated credit profile of parent FirstEnergy, which is largely driven by unregulated electric generation and retail marketing activities. Toledo is operating under an Electric Security Plan in Ohio that goes through 2014. The plan provides for stable base rates with a separate rider for recovering new capital spending, recovery of transmission expansion charges, and a competitive bidding process for generation service for customers that do not switch. The overall regulatory structure in Ohio gives Toledo a reasonable opportunity to earn a solid regulated return on its transmission and distribution operations. See FirstEnergy comment for the financial basis for ratings. — Gabe Grosberg

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Trans-Allegheny Interstate Line Co. (BBB-/Stable/--)
We base the ratingas on those of its ultimate parent, FirstEnergy. Trans-Allegheny finished most of its portion of the interstate transmission line ahead of the projected in-service date of June 1, 2011. With credit-supportive FERC regulation like a 12.7% authorized return on equity, the transmission line should now generate material cash flow. The company's other transmission construction projects, with a cost of roughly $400 million, continue to add to the FERC-regulated rate base. See FirstEnergy for pro forma consolidated financial ratios. — Gabe Grosberg

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West Penn Power Co. (BBB-/Stable/--)
Parent Allegheny Energy completed its merger with FirstEnergy. West Penn Power transitioned to market-based generation rates in 2011. Provider-of-last-resort (POLR) customer rates changed minimally up for residential customers and down for small, nonresidential POLR customers. See FirstEnergy for pro forma consolidated financial ratios. — Gabe Grosberg

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Great Plains Energy Inc. (BBB/Stable/--)
The company's financial measures have slipped since year-end 2010 to the lower end of the aggressive category. For the 12 months ending June 30, 2011, FFO/debt decreased to 12.3% from 16.5% at year-end 2010, debt/EBITDA weakened to 5.2x from 4.7x at year-end 2010, and debt to total capital also weakened to 57.4% from 56.3% at year-end 2010. The results reflect less favorable weather, an extended refueling outage, and lower sales. In the second quarter of 2011, the company received more than $100 million in revenue increases. We expect that financial measures will improve as these increases take hold. — Gerrit Jepsen, CFA

Kansas City Power & Light Co. (BBB/Stable/A-2)
In the second quarter of 2011, revenues increased $35 million for recovery of the utility's new coal unit, Iatan 2. We expect that the consolidated financial measures to gradually improve as revenue increases take hold. Recently, the commission found the La Cygne emission-control project to be prudent, but did not allow the company to recover costs through an environmental rider. On a consolidated basis, the company expects that it will spend about $1 billion to meet new environmental regulations. For consolidated financial information, see Great Plains Energy Inc. — Gerrit Jepsen, CFA

KCP&L Greater Missouri Operations Co. (BBB/Stable/--)

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In May 2011, the company received over $65 million in revenue increases following the Iatan 2 unit going into service. We expect that the consolidated financial measures will gradually improve as these revenue increases take hold. Despite the material long-term maturities due in the next year, the company's liquidity is adequate partly because of the availability under existing credit facilities. For consolidated financial information, see Great Plains Energy Inc. — Gerrit Jepsen, CFA

Green Mountain Power Corp. (BBB/Stable/--)
Parent company Gaz Metro Inc. plans to acquire Central Vermont Public Service Co. and merge it with Green Mountain Power. The company has agreed on a 23-year contract with NextEra Energy to buy power from the Seabrook Nuclear Plant. The company signed a new agreement with Hydro-Quebec to purchase hydroelectric power for 26 years starting in November 2012. The agreement includes a price smoothing mechanism that should help to mitigate large price increases. These contracts signify the significant steps the company has taken to diversify its power supply and to secure alternative power supplies due to the potential close of Vermont Yankee in 2012. The company's financial measures have improved, with adjusted FFO interest coverage of about 4x and adjusted FFO to total debt near 17%. — Matthew O'Neill

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Hawaiian Electric Industries Inc. (BBB-/Stable/A-3)
Roughly 60% of HEI's 2010 earnings came from utility Hawaiian Electric Co. (HECO), with the rest coming from American Savings Bank, an island thrift. On a trailing 12-month basis ending June 30, 2011, results are in line with 2010 and are sufficient to support the parent's rating. Consolidated FFO was 18.9%, with FFO/interest coverage of 4.5x and debt to capitalization of 57.3%. We expect the consolidated performance to continue to move sideways due to utility regulatory lag, higher operations and maintenance costs relative to those authorized in utility rates, and a tourist-dependent economy that is recovering but could again stall if the U.S. economic outlook continues to dim. Our outlook also reflects the expectation for a flat but stable earnings outlook for the bank, which continues to work off loan losses and impairments related to real estate. — Anne Selting

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Hawaiian Electric Co. Inc. (BBB-/Stable/A-3)
The utility remains challenged by a weak but improving economy and regulatory lag. Decoupling approved for Oahu and pending for subsidiary utilities Maui Electric and Hawaiian Electric Light may improve cash flow certainty over the next two to three years. But in the near term, mild weather, a slow economic recovery, and weak regulatory support continue to result in the utilities significantly under-earning on their authorized returns. The Hawaii regulator's July interim award reduced the company's operations and maintenance expense requested to be approved in electric rates significantly below the company's request. We expect that any improvement in the utility's profile, if any, will be gradual. At the same time, the current financial and business profile continues to comfortably support the current ratings. — Anne Selting

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IDACORP Inc. (BBB/Stable/A-2)
Subsidiary Idaho Power filed for rate increases of 9.9% in Idaho and 14.7% in Oregon, in June and July, respectively. We anticipate a decline in capital spending after the company completes the Langley Gulch plant in 2012. Mild spring and summer weather combined with increased precipitation resulted in lower sales and cash flows. Hydro generation was strong, but did not materially affect financial results. As of June 30, 2011, credit metrics weakened slightly as the company had lower sales and reduced collections under regulatory power cost mechanisms. Consolidated adjusted FFO to total debt was 14%, down from 15% at year-end 2010. The company's consolidated adjusted debt to total capitalization decreased slightly to 56% as of June 30, 2011. Adjusted debt leverage remains aggressive. — Tony Bettinelli

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Idaho Power Co. (BBB/Stable/A-2)
The company was able to lower PURPA contract limits to increase its discretion and planning of renewable resources. Along with continued elevated investment levels, Idaho Power filed for rate increases of 9.9% in Idaho and 14.7% in Oregon, in June and July, respectively. We anticipate a decline in capital spending after the company completes the Langley Gulch plant in 2012. Mild spring and summer weather combined with increased precipitation resulted in lower sales and cash flows. Hydro generation was strong, but did not materially affect financial results. See IDACORP Inc. for comments on consolidated financials. — Tony Bettinelli

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Integrys Energy Group Inc. (BBB+/Positive/A-2)
The company's financial measures for the 12 months ending June 30, 2011 exceeded our expectations in part because of increased deferred taxes. For the 12 months ending June 30, 2011, FFO/debt rose to 28.9% from 25.2% at year-end 2010. The company wants to reduce its regulatory lag and currently has five rate cases pending, requesting rate increases of more than $200 million. The company's ratings are under pressure from its nonutility businesses. The company's recent decisions to increase its nonutility solar project investments through its partnership with Duke Energy and to expand into the compressed natural gas fueling business could pressure the company's business risk if the nonutility businesses exceed 10% of consolidated FFO. — Gabe Grosberg

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North Shore Gas Co. (BBB+/Positive/--)
The company has a pending rate case in which it is requesting an $8.7 million rate increase. The regulatory staff has recommended a $300,000 rate decrease and the commission's order is expected by the beginning of 2012. For consolidated financial information, see Integrys Energy Group Inc. — Gabe Grosberg

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Peoples Energy Corp. (BBB+/Positive/--)

The company has a pending rate case whereby it is requesting to increase rates by $134 million. The staff has recommended a $47 million increase and the commission's orders are expected by the beginning of 2012. The company's 2011 capital spending will nearly double over 2010, reflecting the increased spending on the accelerated main replacement program. For consolidated financial information, see Integrys Energy Group Inc.	Gabe Grosberg
The Peoples Gas Light & Coke Co. (BBB+/Positive/A-2) The company has a pending rate case in which it is requesting to increase rates by $125 million. The staff has recommended a $48 million increase and the commission's order is expected by the beginning of 2012. The company continues to move forward with its accelerated main replacement program, where it plans to spend $2.5 billion over the next 10 years. For consolidated financial information, see Integrys Energy Group Inc.	Gabe Grosberg
Wisconsin Public Service Corp. (A-/Stable/A-2) We base the company's rating on its stand-alone credit quality and we rate the company one notch higher than its parent, Integrys Energy Group Inc., reflecting the regulatory insulation provided to Wisconsin utilities. The company's financial measures for the 12 months ending June 30, 2011 are at the higher end of the significant financial risk category. For the 12 months ending June 30, 2011, FFO/debt rose to 30.8% from 25.8% at year-end 2010, debt/EBITDA improved to 3.1x from 3.8x at year-end 2010, and debt to total capital also improved to 52.8% from 53.9% at year-end 2010. In a limited reopener, the company proposed electric rate increase of almost $65 million, partially reflecting the impact of the new environmental regulations.	Gabe Grosberg
IPALCO Enterprises Inc. (BBB-/Stable/--) As expected, financial measures weakened to the lower end of the highly leveraged category due to the persistent weak economy and increased capital spending. For the 12 months ending June 30, 2011, FFO/debt decreased to 10.2% from 12.1% at year-end 2010 and debt/EBITDA weakened to 5.0x from 4.3x at year-end 2010. We base the company's rating on its stand-alone credit quality and we rate the company three notches higher than its parent, AES Corp. due to the insulation measures that the company implemented.	Matthew O'Neill
Indianapolis Power & Light Co. (BBB-/Stable/--) Historically, the company has effectively managed its regulatory risk (including last filing for a rate case in 1994) by carefully managing its operating and maintenance costs and capital budgets and using regulatory mechanisms such as a fuel-adjustment charge and an environmental recovery adjustment clause. However, we recognize the possibility that the regulatory risk for all companies that the Indiana commission oversees, including IP&L, could increase. This stems from the heightened scrutiny of Duke Indiana's Edwardsport coal plant, whose projected completion costs have risen sharply, and the possibility that the added scrutiny could extend to all companies under the commission's regulation. For consolidated financial information, see IPALCO Enterprises Inc.	Matthew O'Neill
ITC Holdings Corp. (BBB/Positive/--) The company's financial measures continue to stay in line with our expectations. For the 12 months ended June 30, 2011, FFO/debt was 15.6%, down from 16.6% at year-end 2010, but debt to EBITDA improved to 5.3x from 5.5x at year-end 2010. Despite the sluggish economy, the company continues to exponentially grow and recently increased its 2011 capital spending midpoint to $623 million from $600 million. The company's major capital projects remain on target and we expect some weaker financial measures due to the high level of capital spending.	Gabe Grosberg
ITC Great Plains LLC (BBB/Positive/--) The company's credit quality relies on the FERC's constructive regulation. This includes being able to recover costs on a forward-looking basis, an allowed return on equity of 12.16%, and an actual capital structure targeted at 60% equity. The company's three major projects (Hugo to Valliant, KETA, and the V-Plan), which the company expects to collectively cost $540 million, continue to remain on track. For consolidated financial information, see ITC Holding Corp.	Gabe Grosberg
ITC Midwest LLC (BBB/Positive/--) The company's credit quality relies on the FERC's constructive regulation. This includes the company's ability to recover its costs on a forward-looking basis, an allowed return on equity of 12.38%, and an actual capital structure targeted at 60% equity. The company recently revised its 2011 capital spending to about $260 million, or about $15% higher than in 2010. For consolidated financial information, see ITC Holding Corp.	Gabe Grosberg
International Transmission Co. (BBB/Positive/--) The company's credit quality relies on the FERC's constructive regulation. This includes the company's ability to recover its costs on a forward-looking basis, an allowed return on equity of 13.88%, and an actual capital structure targeted at 60% equity. The $510 million Michigan Thumb Loop project remains on track and the company expects to start construction in 2012. For consolidated financial information, see ITC Holding Corp.	Gabe Grosberg
Michigan Electric Transmission Co. (BBB/Positive/--) The company's credit quality relies on the FERC's constructive regulation. This includes the company's ability to recover its costs on a forward-looking basis, an allowed return on equity of 13.38%, and an actual capital structure targeted at 60% equity. For the first half of 2011, the company had about $65 million of capital spending and expects to spend about $160 million for the entire year, or about a	Gabe Grosberg

17% increase over 2010. For consolidated financial information, see ITC Holding Corp.

Madison Gas & Electric Co. (AA-/Stable/A-1+)
With the early 2011 commercial operation of the 8.33%-owned coal-fired Elm Road Unit 2 generating facility, Madison Gas & Electric's (MG&E) capital program now focuses on completing environmental and transmission upgrades and infrastructure additions to the gas system. On May 4, 2011, MG&E filed with the Wisconsin regulators for a $17.9 million (4.9%) electric and $2.5 million (1.2%) gas rate increase. An order is expected by the end of 2011 for rates to become effective Jan. 1, 2012. Adjusted FFO to total debt is about 29% and total debt to capital hovers around 48%. With full realization of higher rates granted in early 2011, coupled with additional future rate relief and credit-supportive actions by management, the company's financial condition should remain suitable for the current lofty ratings.

Barbara A. Eiseman

MidAmerican Energy Holdings Co. (BBB+/Stable/--)
Consolidated financial performance is on track to meet the forecast, with operating income up 5% relative to first-half 2010 and largely driven by CE Electric, the U.K. wires company and PacifiCorp, MEHC's largest U.S. utility holding. But any meaningful improvement in MEHC's financial profile continues to be hampered by commodity-exposed businesses, which include electric and gas utility MidAmerican Energy Co. and interstate pipelines Northern Natural Gas and Kern River Gas Corp. that continue to post flat-to-lower earnings growth due to weak power prices and lower interruptible pipeline sales. Adjusted FFO was 16.6% on a trailing 12-month basis ending June 30, with FFO/interest coverage of 3.7x, and debt to capitalization was 61%. Stronger credit metrics will become increasingly critical as 2014 approaches, when MEHC's contingent equity agreement with Berkshire Hathaway expires.

Anne Selting

MidAmerican Energy Co. (A-/Stable/A-2)
Falling power prices and lower volumes continue to squeeze MEC's wholesale power margins through first-half 2011 but a warm summer that boosted retail electric sales offset much of this downward pressure. As a result, we expect MEC to achieve financial results in line with historic numbers. About 40% of MEC's total regulated sales are wholesale and it is adding to this long position by building 593 MW of new wind projects which will be included in MEC's rate base in its next rate case, but under settlement its retail electric rates cannot be increased before 2014. Until then, the project's returns will be driven by commodity power prices. Given the benefits of accelerated depreciation and production tax credits, we expect these assets will produce modest cash flow, even if power markets remain soft.

Anne Selting

PacifiCorp (A-/Stable/A-2)
PacifiCorp's first-half 2011 financial performance reflects the continuing benefits of deferred tax benefits and income tax receivables that are boosting cash flows. Beneath this benefit, operating income is flat relative to last year, but a rate case settlement in Utah effective in September will increase rates in the company's largest market by nearly 7% and should provide incremental income and cash flows in the fourth quarter and beyond. Also, the approval of a fuel and purchased power adjuster for the state provides incremental downside protection over its four-year trial phase that begins this year. Retail electric sales have increased 3%, but the benefits are muted as wholesale sales volumes and prices have continued to contract leaving year-over-year total sales flat. See MidAmerican Energy Holdings Co. for consolidated financials.

Anne Selting

Midwest Independent Transmission System Operator Inc. (A+/Stable/--)
Entergy's decision to join the MISO stabilizes its membership and the company's business risk profile. The financial measures remain in line with our expectations. For the 12 months ending June 30, 2011, FFO/debt was 37.3%, compared with 21.4% at year-end 2010. The improvement mostly relates to a one-time exit fee payment. Over the intermediate, we expect that FFO/debt will approximate 25%, reflecting the gradual pay-down of long-term debt.

Gabe Grosberg

National Grid USA (A-/Stable/A-2)
We base the ratings on National Grid USA on the consolidated credit profile of its parent, U.K.-based National Grid PLC (NG), and they reflect strong, predictable cash flows generated by the group's low operating risk electricity and gas operations, reasonably supportive regulation, a consistently applied strategic and financial policy, and a proven track record of managing large acquisitions. To raise subpar earned returns and become more efficient, NG began restructuring in early 2011. It involves a regional focus and a cut in operating costs of $200 million by March 31, 2012; achieved mainly through a 7% reduction of the U.S workforce. Meanwhile, the company has received criticism for its response to Tropical Storm Irene on Long Island, which may influence the Long Island Power Authority's decision to renew contracts that expire in 2013. For further details see National Grid PLC.

Barbara A. Eiseman

Boston Gas Co. (A-/Stable/--)
We base the ratings on Boston Gas on the consolidated credit profile of ultimate parent, U.K.-based National Grid PLC (NG). The company is a unit of KeySpan Corp., which merged with NG in 2007. In late 2010, the Massachusetts Commission approved the legal consolidation of Boston Gas and affiliate, Essex Gas, as well as Cape Cod and Lowell divisions of Colonial Gas. The commission also provided for decoupling and authorized a $41.5 million (3.9%) rate hike based upon a 9.75% return on equity for Boston Gas and Essex Gas. In May 2011, the companies made their first filing for a $10.4 million increase related to recovery of capital costs related to infrastructure replacement. Since the amount is below the ordered cap of 1% of prior-year total revenue, the entire amount is eligible for recovery. For further details see National Grid USA.

Barbara A. Eiseman

Colonial Gas Co. (A-/Stable/--)

We base the ratings on Colonial Gas on the consolidated credit profile of U.K.-based parent National Grid PLC (NG). The company is a unit of KeySpan Corp., which is a subsidiary of National Grid USA. Colonial is a gas distribution firm in Boston and Cape Cod. Colonial has filed for a reconsideration of a rate order, which if approved would raise rates by an additional $5.5 million. In May 2011, Colonial filed for recovery of capital costs related to infrastructure replacement. Since the amount is below the ordered cap of 1% of prior-year revenue, the entire amount is eligible for recovery. For further details see National Grid USA.	Barbara A. Eiseman
KeySpan Corp. (A-/Stable/A-2) We base the ratings on KeySpan Corp. on the consolidated credit profile of parent, U.K.-based National Grid PLC (NG). KeySpan is a subsidiary of National Grid USA, a subsidiary of NG. KeySpan distributes natural gas in New York City, Long Island, and Massachusetts. NG signed an agreement to sell KeySpan's New Hampshire business since its rate plan represents less than 2% of U.S. rate base and does not enable it to earn acceptable returns. The company expects the sale to close in the second half of 2011. KeySpan owns and operates generating units on Long Island and under contracts provides power, electric distribution and transmission services for customers of the Long Island Power Authority. Meanwhile, the company has received criticism for its response to Tropical Storm Irene on Long Island, which may influence the authority's decision to renew contracts that expire in 2013.	Barbara A. Eiseman
KeySpan Energy Delivery Long Island (A/Stable/--) KeySpan Energy Delivery Long Island (KEDLI) provides natural gas service on Long Island and parts of New York and operates under a five-year rate plan through 2012. In years two through five, rates will go up by $10 million. Yet, the company will defer the increase and use it to offset future hikes in environmental costs. The plan is based on a 9.6% return on equity. KEDLI will share earnings above 10.6% with customers. The company's corporate credit rating is one notch higher than that of parent National Grid PLC, reflecting regulatory insulation and a stronger financial profile. Although KEDLI issued $500 million of debt in early 2011, its financial condition still supports credit uplift. In that regard, FFO to debt is 26% and debt to capital is 30%.	Barbara A. Eiseman
KeySpan Energy Delivery New York (A/Stable/--) KeySpan Energy Delivery New York (KEDNY) operates under a five-year rate plan through 2012. Base delivery rates were increased $5 million annually in years one through five. Yet, the company will defer the increases and use them to offset future hikes in environmental costs. The plan is based on a 9.6% return on equity. The company will share earnings above 10.6% with customers. KEDNY can reconcile its actual pension and other post-retirement benefit expense to the amount allowed in rates. For the year ended March 31, 2011, KEDNY recorded excess earnings of $34 million. It can not submit a new rate plan until 2012. The corporate credit rating on KEDNY is one notch higher than that of the consolidated group's, reflecting regulatory insulation and its healthier financial profile. In that regard, FFO to debt exceeds a strong 40% and debt to capital is below 30%.	Barbara A. Eiseman
KeySpan Generation LLC (A-/Stable/--) We base the ratings on KeySpan Generation, a subsidiary of KeySpan Corp., on the consolidated credit profile of ultimate parent, U.K.-based ' (NG). KeySpan is a subsidiary of U.S.-based National Grid USA. KeySpan Generation owns and operates 53 generation units throughout Long Island, N.Y. The company benefits from Long Island's geography, which constrains transmission into the service territory and enhances the company's competitive position. Its business risk profile is satisfactory, supported by contractual agreements with the Long Island Power Authority through May 28, 2013. The company has received criticism for its response to Tropical Storm Irene on Long Island, which may influence the authority's decision to renew contracts that expire in 2013. If the authority does not renew the contracts, the company will be exposed to considerable risk.	Barbara A. Eiseman
Massachusetts Electric Co. (A-/Stable/A-2) We base the ratings on Massachusetts Electric on the consolidated credit profile of its ultimate parent, U.K.-based National Grid PLC (NG). Massachusetts Electric is a wholly owned subsidiary of U.S.-based utility holding company National Grid USA, a wholly owned subsidiary of NG. Massachusetts Electric is a retail distribution company that provides electric service in Massachusetts. Massachusetts Electric has an excellent business risk profile, reflecting low operating risk of electric distribution operations, a relatively healthy service area, and a regulatory climate in Massachusetts that we view as credit supportive. For further details see National Grid USA.	Barbara A. Eiseman
Narragansett Electric Co. (A-/Stable/A-2) We base the ratings on Narragansett Electric on the consolidated credit profile of ultimate parent, U.K.-based National Grid PLC (NG). Narragansett Electric is a wholly owned subsidiary of U.S.-based utility holding company, National Grid USA, a wholly owned subsidiary of NG. Narragansett Electric is a retail distribution company providing electric and gas service in Rhode Island. In March 2011, the Rhode Island commission approved a $3.3 million electric distribution rate increase and a $1.8 million gas rate hike. And, on July 26, 2011, the commission approved the company's request for revenue decoupling. For further details see National Grid USA.	Barbara A. Eiseman
National Grid Holdings Inc. (A-/Stable/--) We base the rating on National Grid Holdings (NGHI) on the consolidated credit profile of parent, U.K.-based National Grid PLC (NG). NGHI is a Delaware corporation that was created on May 16, 2001. It is the intermediate holding company of National Grid USA and acts as a funding company on behalf of NG for certain subsidiaries' borrowings. To increase subpar earned returns in the U.S. and become more efficient, NG announced a restructuring program in early 2011. The plan involves a regional focus and a reduction in operating costs of about $200 million by March 31, 2012, achieved mainly through a 7% reduction in the U.S workforce. For further	Barbara A. Eiseman

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details, see National Grid USA.

New England Power Co. (A-/Stable/A-2)

We base the ratings on New England Power on the consolidated credit profile of ultimate parent, U.K.-based National Grid PLC (NG). New England Power is a wholly owned subsidiary of U.S.-based utility holding company, National Grid USA, a wholly owned subsidiary of NG. National Grid USA is also a subsidiary of intermediate holding company National Grid Holdings. New England Power's business is transmitting wholesale electricity to other utilities. Certain sister companies account for about 80% of the company's local transmission service. New England Power also owns minority interests in three companies that own nuclear facilities that are retired and conducting decommissioning operations. New England Power is subject to FERC regulation, which we view favorably. For further details, see National Grid USA.

Barbara A. Eiseman

Niagara Mohawk Power Corp. (A-/Stable/A-2)

We base the ratings on Niagara Mohawk (NiMo) on the credit profile of parent, U.K.-based National Grid PLC (NG). NiMo is subsidiary of National Grid USA. NiMo provides electric and gas service in New York state. In early 2011, the New York commission approved a $112.7 million rate hike, or 31% of the amount sought. The order was based on a 9.1% return on equity, but if NiMo does not file a case before 2012, it can earn up to 9.3%. NiMo subsequently filed tariffs to reflect a 9.3% return on equity. Of the increase, $50 million is temporary, subject to a commission audit. Since we base our ratings on NiMo on the credit profile of NG, in our opinion, the order will not noticeably affect the consolidated entity's creditworthiness. For further details see National Grid USA.

Barbara A. Eiseman

NextEra Energy Inc. (A-/Stable/--)

The downturn in the Florida economy and regulatory trends at regulated unit Florida Power & Light have slightly eroded credit quality. Florida Power & Light is a significant contributor to NextEra's earnings and cash flow. Ratings also reflect continued growth in the unregulated merchant generation and marketing and trading business. Financial metrics and disciplined financial and risk management provide support for the ratings, but moves to invest in an overseas generation project and natural gas exploration and production could be indications of growing risk appetite in the nonutility side of the business. Recent financial performance has been in line with expectations, with FFO to debt at 21.5% and debt leverage at 3.4x debt-to-EBITDA, and economic conditions should allow that to continue.

Todd A Shipman, CFA

Florida Power & Light Co. (A-/Stable/A-2)

We base the ratings on the consolidated credit profile of parent NextEra Energy. The downturn in Florida's economy and regulatory trends at Florida Power & Light have slightly eroded credit quality, which is a significant contributor to NextEra's earnings and cash flow. A 2010 settlement stanched the regulatory risk erosion, but a return to the status quo ante will depend on renewed economic growth and a less intense political atmosphere. See the NextEra comment for the financial basis for the ratings.

Todd A Shipman, CFA

Northeast Utilities (BBB+/Watch Pos/--)

The ratings on Northeast Utilities and its subsidiaries remain on CreditWatch positive pending the proposed merger with NSTAR. Massachusetts revised the merger approval standard to one of net benefit and we will be analyzing the effect of the final merger-approval terms the companies agree to once finalized. NU now expects that the Northern Pass Transmission will be in service by the end of 2016. The consolidated financial profile should benefit from the new transmission projects, as well as rate cases, offset by expectations of mostly flat sales growth. As of June 30, 2011, the company's consolidated financial performance had meaningfully improved, benefiting from base rate increases across all subsidiaries, increasing transmission revenues, and from deferred income taxes leading to adjusted FFO to debt of 20.8% and debt leverage of 59%, which remains aggressive.

Dimitri Nikas

Connecticut Light & Power Co. (BBB+/Watch Pos/--)

Favorable weather, higher retail sales of about 1% and the implementation of new rates that went into effect in January 2011 have benefited CL&P's financial performance. CL&P earned a return on equity of 9.8% for the 12 months ended June 30, 2011, although that should moderate to about 9%, reflecting normal weather and the current rate structure. Hurricane Irene's impact was substantial and the company restored power to more than 900,000 customers over eight days.While the company has a storm reserve, it is likely to defer recovery of a portion of these costs. See Northeast Utilities for consolidated financials.

Dimitri Nikas

Public Service Co. of New Hampshire (BBB+/Watch Pos/--)

Construction of the Merrimack Clean Air project remains on schedule. The total cost estimate is $430 million, including allowance for funds used during construction, with $347 million spent though June 2011 resulting in 85% completion of the project. The expected in-service date is mid-2012 and operational testing will occur in the second half of 2011. PSNH's financial performance has benefited in 2011 from the mid-2010 permanent base rate increase as well as a 1.2% increase in retail sales. See Northeast Utilities for consolidated financials.

Dimitri Nikas

Western Massachusetts Electric Co. (BBB+/Watch Pos/--)

The Massachusetts Dept. of Public Utilities rendered its final decision on WMECo's rate case, approving a $16.8 million base rate increase for WMECo that reflects a 9.6% return on equity while denying the capital reliability cost recovery rider and the inflation-adjustment rider. The base rate increase, combined with improved sales, the implementation of a revenue decoupling mechanism, and declining uncollectible accounts should allow WMECo's return on equity in 2011 to exceed 2010's 4.6% earned return

Dimitri Nikas

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on equity in 2010, although the company will be challenged to earn its full allowed return on equity of 9.6%. See Northeast Utilities for consolidated financials.

Yankee Gas Services Co. (BBB+/Watch Pos/--) In response to Yankee Gas's request for a base rate increase of $32.8 million in early 2011, the regulator authorized a rate reduction of $500,000 effective July 2011 followed by a base rate increase of $6.7 million in July 2012, reflecting a return on equity of 8.83%. The company has requested reconsideration of certain issues in the rate case decision. Gas sales increased by 6.8% on a weather-normal basis in 2011, benefiting from load growth in the service territory while uncollectibles continued to moderate, supporting its credit profile. See Northeast Utilities for consolidated financials.	Dimitri Nikas
NorthWestern Corp. (BBB/Stable/A-2) The company continues to pursue the MSTI renewable energy export transmission project, which faces several challenges, and continues seeking renewable resources by filing for pre-approval of a new 40 MW project in Montana. Credit metrics improved in 2011 due to tax benefits, decreased pension contributions, and reduced debt. Adjusted FFO to total debt was 21% for the 12 months ending June 30, 2011. Debt leverage decreased to 57% from 59% at year-end 2010 and remains higher than some comparably rated electric utilities. We expect planned capital spending, which is trending down, to remain below cash flow levels, resulting in minimal financing needs. During the second quarter, the company increased and extended its revolving credit facility's maturity.	Tony Bettinelli
NSTAR (A+/Watch Neg/A-1) The ratings on NSTAR and its subsidiaries remain on CreditWatch negative pending the proposed merger with Northeast Utilities. Massachusetts revised the merger approval standard to one of net benefit and we will be analyzing the effect of the final merger-approval terms the companies agree upon. NSTAR now expects that the Northern Pass Transmission will be in service by the end of 2016. The consolidated financial profile has benefitted from higher transmission revenues. Recent financial performance has been in line with expectations, with FFO to debt of 23%, debt to EBITDA of 3.5x, and debt to total capital of 60%.	Barbara A. Eiseman
NSTAR Electric Co. (A+/Watch Neg/A-1) The company continues to make progress on its lower Southeastern Massachusetts Project that will expand and upgrade existing transmission infrastructure, and on building a new 31-mile, 345 kilovolt transmission line that will cross the Cape Cod Canal. The company has completed the necessary filings and expects regulatory approvals in third-quarter 2011. NSTAR Electric anticipates completing the project in late 2012 at an approximate cost of $110 million. See NSTAR for consolidated financials.	Barbara A. Eiseman
NSTAR Gas Co. (A+/Watch Neg/--) NSTAR Gas's sales increased 11.8% due to cooler spring weather and some customer conversion to gas from oil. The company expects 2011 capital spending to be in line with its 2010 capital spending of $60 million. See NSTAR for consolidated financials.	Barbara A. Eiseman
NV Energy Inc. (BB+/Stable/--) Mild weather and a lack of material customer growth reduced sales and revenues in 2011. Nevada's unemployment rate remains high, but there are signs of an improving gaming sector in southern Nevada, while mining remains strong in the North. Nevada Power filed a rate case in June for $182 million, fully offset by reductions in fuel and purchased power costs. Consolidated credit metrics remain weaker that sector averages. For the 12 months ending June 30, 2011, adjusted FFO to total debt was 12% while debt leverage was 65%. We expect ratios to remain weak before Nevada Power's general rate case is concluded and the Harry Allen plant is fully collected in rates in 2012. External financing requirements will be minimal due to reduced capital spending and low growth.	Tony Bettinelli
Nevada Power Co. (BB+/Stable/--) Mild weather and a lack of material customer growth reduced sales in 2011. Nevada's unemployment rate remains high, but there are signs of improvement in the gaming sector in Southern Nevada. Nevada Power filed a rate case in June for $182 million, fully offset by reductions in fuel and purchased power costs. It will be an important indicator of regulatory support given the prolonged economic weakening in Nevada and the new commission. See NV Energy Inc. for comments on consolidated financials.	Tony Bettinelli
Sierra Pacific Power Co. (BB+/Stable/--) Construction is underway on the One Nevada 500 kilovolt transmission project which will someday connect NV Energy's two utility companies. Mild weather and a lack of material customer growth reduced sales and revenues in 2011. Nevada's unemployment rate remains high but mining remains strong in Northern Nevada. The sale of the California electric assets lessened cash needed for capital projects in 2011. See NV Energy Inc. for comments on consolidated financials.	Tony Bettinelli
OGE Energy Corp. (BBB+/Stable/A-2) Second-quarter results were strong owing to hot summer weather and favorable commodity prices. In 2010, OGE entered into a joint venture with ArcLight, selling 9.9% of Enogex for $183 million. ArcLight contributed $80 million in early 2011, bringing its stake to 13.3%. By the end of 2011, its ownership in Enogex is expected to be 17% and it can continue to increase its stake. OGE is expanding its infrastructure, focusing on wind generation and transmission. The projects will result in higher outlays, which we expect OGE to fund conservatively. The Oklahoma economy is stronger than other parts of the U.S.; customer growth continued at near 1%, electric sales rose nearly 6%, and the state unemployment rate is about 5.3%. Adjusted FFO to debt and debt to capital hover around 21% and	Barbara A. Eiseman

55%, respectively, and are suitable for current ratings.

Oklahoma Gas & Electric Co. (BBB+/Stable/A-2)
We base the ratings on Oklahoma Gas & Electric (OG&E) on the consolidated credit profile of OGE Energy. OG&E contributes about 70% to OGE's operating income. Second-quarter earnings increased largely due to hot summer weather. OG&E is involved in an extensive capital expansion program focusing on transmission and distribution, renewables and a Smart Grid program. Conservative financing, constructive rate treatment, and credit supportive actions by management will be essential to support financial metrics at levels suitable for current ratings. Pending before the Oklahoma commission is a request for a $73.3 million rate hike; an order is expected by the end of 2011. And, in June 2011, the Arkansas regulators approved a settlement agreement for an $8.8 million rate increase. See OGE Energy for more details.
Barbara A. Eiseman

Ohio Valley Electric Corp. (BBB-/Stable/--)
The company extended its intercompany power agreement through 2040 and an independent technical review of the generation assets concluded that it is capable of producing energy at its planned production levels at least through 2040. The financial measures remain adequate for the investment-grade rating. For the 12 months ending June 30, 2011, the debt service coverage ratio was about 1.5x.
Gerrit Jepsen, CFA

Oncor Electric Delivery Co. LLC (BBB+/Stable/--)
In May 2011, Oncor reached a settlement in its pending rate case for a two-step $137 million base rate increase while still maintaining its existing allowed return on equity and capital structure. The service territory has continued to demonstrate modest improvement, with customers increasing by about 1% during 2010. We expect that capital spending will remain high over the next three years in large part to fund the CREZ transmission projects. Liquidity remains adequate and debt maturities are moderate over the next few years. For the 12 months ended June 30, 2011, consolidated financial performance supported current ratings, with adjusted FFO to debt of 15% and debt leverage of 65.9%. Despite the increase in capital spending in the next two years, Oncor expects to preserve the regulatory approved capital structure of 60% debt and 40% equity, in part by reducing distributions.
Dimitri Nikas

Otter Tail Corp. (BBB-/Stable/--)
On Sept. 9, 2011, CEO John Erickson resigned. Edward McIntyre was named interim CEO. The company recently began a strategic portfolio realignment to improve its business risk by selling some of its unregulated portfolio. The board is searching for a replacement to more effectively carry out this strategy. Consolidated cash flow measures have declined substantially due to the wind energy businesses' poor performance. As of June 30, 2011 FFO to total debt was 21.9% and debt to capital was 49.9%. These financial measures provide little cushion for the ratings, as they are slightly better than our projections of FFO to debt of more than 20% and debt to cap of about 52%. Improving the unregulated operations is critical to maintaining current ratings.
Matthew O'Neill

Otter Tail Power Co. (BBB-/Stable/--)
Otter Tail Power is still on schedule to begin building a 70-mile, 230-kilovolt transmission line across northern Minnesota as part of the CapX 2020 initiative designed to strengthen the reliability of the region's grid and interconnect wind resources. Otter Tail Power plans to spend roughly $130 million on the project as part of its capital spending plan. The company received route approval in November 2010 and the line should be completed by 2012. See Otter Tail Corp. for consolidated financials.
Matthew O'Neill

PEPCO Holdings Inc. (BBB+/Stable/A-2)
Driving the credit quality of Pepco Holdings, which owns three regulated transmission and distribution utilities, is capital spending in conjunction with cost recovery. New Jersey recently allowed the company to recover above-market power contract costs that were hurting operating cash flow. The company's largest capital project, the Mid-Atlantic Power Pathway, has been delayed until 2019. The PJM Interconnection indicated that the projected need for the Pathway has been delayed. We continue to closely monitor for leveraged lease tax implications that, if any arise, we expect the company to resolve in a credit-supportive manner. For the 12 months ended June 30, 2011, financial measures have strengthened, with FFO to total debt of 16%, debt to EBITDA of 5.0x, and debt to capital at 55%, respectively.
Matthew O'Neill

Atlantic City Electric Co. (BBB+/Stable/A-2)
We base the rating on Atlantic City Electric on that of parent Pepco Holdings. New Jersey recently approved the company's recovery of above-market power contract costs. This should help bolster the utility's operating cash flow, which was being negatively affected. See PEPCO Holdings Inc. for consolidated financial ratios.
Matthew O'Neill

Delmarva Power & Light Co. (BBB+/Stable/A-2)
We base the rating on Delmarva Power & Light on that of parent Pepco Holdings. The utility recently received approval to recover higher operating and capital expenses in Delaware. In Maryland, the utility recently received a $12 million electric revenue increase effective July 2011. See PEPCO Holdings Inc. for consolidated financial ratios.
Matthew O'Neill

Potomac Electric Power Co. (BBB+/Stable/A-2)
We base the rating on Potomac Electric Power on that of parent Pepco Holdings. For the utility, Maryland authorized an $8 million revenue increase in 2010 that followed an approximate $20 million increase from the District of Columbia. See PEPCO Holdings Inc. for consolidated financial ratios.
Matthew O'Neill

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PG&E Corp. (BBB+/Negative/--)

The near-term credit profile continues to be dominated by the San Bruno gas transmission pipeline explosion that occurred in September 2010. A federal probe into the causes of the blast laid most of the blame for the accident on the company. Challenges facing the company include the potential for regulator fines, the need to revamp its culture to focus on safety, and expected transition brought on by the recent arrival of a new CEO. The company's financial performance continues to be adequate to support the ratings, due in part to deferred tax benefits to cash flow, and a modest increase in equity issuance. Trailing 12-month results as of June 30 are: adjusted FFO of 23%, with FFO/interest coverage of 5.2x and debt to capitalization of 58.7%. Continued San Bruno costs are expected to drag on financial performance through 2012, and fines could exacerbate this.

Anne Selting

Pacific Gas & Electric Co. (BBB+/Negative/A-2)

Credit quality continues to be clouded by federal and state probes of the San Bruno pipeline explosion, but rate case outcomes in unrelated proceedings remain constructive. The California Public Utilities Commission is developing new regulations for all state gas transmission operators, but has also opened a docket to consider whether PG&E violated any laws in its pipeline operations. Fines could be levied in 2012 if lapses are found. The direct costs this year of San Bruno are estimated to be $413 million, which shareholders will absorb. This level of spending could continue in 2012, excluding any fines. Recovery of related costs in rates for next year is in question. Organizational changes continue, and include a new CEO at the parent, which may help to restore the company's reputation, which has continued to deteriorate. See PG&E Corp. for consolidated financials.

Anne Selting

Pinnacle West Capital Corp. (BBB/Positive/A-2)

The loss of a 500 kilovolt transmission line serving portions of Southern California was triggered at a substation operated by Arizona Public Service. However, we do not believe that the results of ongoing investigations will reduce credit quality. APS expects its rate case request to be decided in 2012. The company has requested a 6.6% increase related to nonfuel costs, but the net request is 3.3% due to reduced power costs. Pinnacle West's cash flow credit metrics for the 12 months ended June 30, 2011 improved considerably, with adjusted FFO to debt of 26%, driven by tax benefits and improved earnings. Debt leverage of 55% remained nearly unchanged since year-end 2010. This is trending above our expectations, but includes some temporary factors such as higher sales due to weather.

Tony Bettinelli

Arizona Public Service Co. (BBB/Positive/A-2)

The loss of a 500 kilovolt transmission line serving portions of Southern California was triggered at a substation operated by APS. However, we do not believe that the results of ongoing investigations will threaten credit quality. We expect a decision in APS's rate case request in 2012. The company requested a 6.6% increase related to nonfuel costs, but the net request is 3.3% due to reduced power costs. The pending purchase of Southern California Edison Co.'s 48% interest in Four Corners units 4 and 5 will allow APS to retire older, less-efficient coal units. Performance improved at the company due to tax benefits and improved earnings. Refer to Pinnacle West for comments on consolidated financials.

Tony Bettinelli

PNM Resources Inc. (BB/Positive/--)

On Sept. 26, 2011, we raised the ratings by one notch to reflect lower consolidated business risk after the holding company announced an exit from competitive businesses. In late July, new rates were approved in the company's long pending general rate case in New Mexico. The $72 million increase represented a significant reduction to filed amounts and a reduction to the stipulation, but the elimination of a phase-in delay and reduced stay-out period offset the impact. Two commission seats will be in play in this jurisdiction next year. Adjusted FFO coverage of debt was 18% for the 12 months ended June 30, 2011 and may rise as new rates at Public Service New Mexico and Texas-New Mexico Power are reflected. Debt leverage of 56% has remained nearly unchanged since the end of 2010.

Tony Bettinelli

Public Service Co. of New Mexico (BB/Positive/--)

On Sept. 26, 2011, we raised the ratings by one notch to reflect lower consolidated business risk after the holding company announced an exit from competitive businesses. The utility continues to experience weather-adjusted load growth and unemployment remains below national levels. In late July, new rates were approved in its long-pending general rate case in New Mexico. The $72 million increase represented a significant reduction to filed amounts and a reduction to the stipulation, but the elimination of a phase in delay and reduced stay-out period offset the impact. The company will be required to participate in a cap-and-trade program beginning in 2013 if the rules are not overturned in New Mexico. See PNM Resources Inc. for comments on consolidated financials.

Tony Bettinelli

Texas-New Mexico Power Co. (BB/Positive/--)

On Sept. 26, 2011, we raised the ratings by one notch to reflect lower consolidated business risk after the holding company announced an exit from competitive businesses. This smaller, low-risk transmission and distribution subsidiary of PNM Resources has performed well in 2011. Results have improved over 2010 and the company has been able to earn authorized returns. A general rate increase of $10 million in Texas began in February and the approval of its automated meter case ($113 million over 13 years) in July should further improve cash flows by year-end 2011. See PNM Resources for comments on consolidated financials.

Tony Bettinelli

Portland General Electric Co. (BBB/Stable/A-2)

The company made progress on regulatory and legal matters, including a resolution with the Oregon Public Utility Commission on Senate Bill 408 that impacts taxes and the settlement of a lawsuit with the Sierra Club related to the Boardman coal plant, which is scheduled to close in 2020. Customer growth and employment trends remain positive. For the 12 months ended June 30, 2011, adjusted FFO to total debt increased to 21% driven by higher rates and deferred taxes. However, adjusted debt leverage remains high at 57%,

Tony Bettinelli

but should taper off as decreasing capital spending has reduced financing needs with the completion of Phase III of the Biglow Canyon wind farm.

PPL Corp. (BBB/Stable/--)
With acquisitions completed, PPL's attention is on pending proceedings in Kentucky and Pennsylvania and the U.K. integration. With most operating cash flow coming from regulated operations, timely recovery of operating and capital expenses through regulatory filings will be critical. The Kentucky utilities are seeking approval for a $2.5 billion environmental-compliance plan along with associated operating expenses and requesting rider recovery of those funds. A decision is expected by the end of 2011. The recently acquired two U.K. distribution networks continue to be integrated into existing operations there. The Susquehanna-Roseland transmission project is advancing. On a consolidated basis, for the 12 months ended June 30, 2011, FFO to total debt was 16.5%, debt to EBITDA was around 5x, and debt to total capital was 58%. Net cash flow to capital spending was about 100%.

Gerrit Jepsen, CFA

Kentucky Utilities Co. (BBB/Stable/A-2)
Kentucky Utilities has numerous environmental initiatives, including plans to retire--along with affiliate Louisville Gas & Electric--a combined 800 MW of coal generation in 2016. The company is recovering costs of a scrubber being built at the Brown plant through the environmental rider and the company expects to recover depreciation once the scrubber is operating. The utilities are seeking approval for a $2.5 billion environmental-compliance plan along with associated operating expenses and seeking rider recovery of these costs. A decision is expected by the end of 2011. In the utility's pending $9 million rate filing in Virginia, the commission staff recommended a $6 million increase. The commission should decide by the end of 2011. An increase should help the company recover capital and operating expenses. See PPL Corp. for consolidated financial measures.

Gerrit Jepsen, CFA

LG&E and KU Energy LLC (BBB/Stable/--)
Intermediate holding company LG&E and KU Energy's parent is PPL Corp, so its rating directly relates to that of PPL. The intermediate holding company owns utilities Louisville Gas & Electric and Kentucky Utilities. See PPL Corp. for more details and consolidated financial measures.

Gerrit Jepsen, CFA

Louisville Gas & Electric Co. (BBB/Stable/A-2)
Louisville Gas & Electric has numerous environment-related proceedings, including plans to retire, along with affiliate Kentucky Utilities, a combined 800 MW of coal generation in 2016. The company is recovering costs of a scrubber being built at the Brown plant through the environmental rider and it expects to recover depreciation once the scrubber is operating. LG&E and Kentucky Utilities are seeking approval to implement a $2.5 billion environmental compliance plan along with associated operating expenses and are seeking rider recovery of these expenditures. See PPL Corp. for consolidated financial measures.

Gerrit Jepsen, CFA

PPL Electric Utilities Corp. (BBB/Stable/A-2)
The utility's rating was recently equalized with that of the parent, PPL Corp., following the acquisition of two U.K. distribution networks, which made regulated operations the largest part of the consolidated entity. We also consolidated the business and financial risk profiles of PPL Corp. These changes affected PPL Electric Utilities. Recently, the utility amended its mortgage indenture, resulting in greater overcollateralization for first mortgage bondholders; we raised ratings on first mortgage bonds one notch. See PPL Corp. for consolidated financial ratios.

Gerrit Jepsen, CFA

Progress Energy Inc. (BBB+/Watch Pos/A-2)
The ratings on Progress Energy remain on CreditWatch positive pending its merger with Duke Energy. In North Carolina, Progress has completed the first of three new combined -cycle units and is on track to retire older and unscrubbed coal-fired units totaling about 1,500 MW of capacity. Capital spending over the next few years will continue to be biased toward the North Carolina operations in part to complete these units. In Florida, the company is addressing the delamination of the containment building of the Crystal River Unit 3 nuclear plant. Importantly, Progress has already addressed most of its 2011 debt maturities with a refinancing earlier in the year. For 2011, consolidated financial performance remains adequate for current ratings, with adjusted FFO to debt of 16.5% and debt leverage of 59.6%.

Dimitri Nikas

Carolina Power & Light Co. d/b/a Progress Energy Carolinas Inc. (BBB+/Watch Pos/A-2)
PEC has completed the first of the three proposed combined-cycle units, the 600 megawatt (MW) Richmond facility, as part of its fleet modernization program. The company expects the remaining two units, the 950 MW Lee unit and the 620 MW Sutton unit, are expected to complete construction in January and December 2013, respectively. In addition, PEC is retiring about 1,500 MW of unscrubbed coal capacity. The combination of unfavorable weather, reduced demand, and only modest customer growth contributed to a 4% decline in retail sales in 2011. We expect capital spending will remain high, with about $1.3 billion in 2011 and $1.1 billion in 2012, necessitating timely recovery of investment once the new plants are complete. See Progress Energy Inc. for consolidated financials.

Dimitri Nikas

Florida Power Corp. d/b/a Progress Energy Florida Inc. (BBB+/Watch Pos/A-2)
The continued soft local economy and unfavorable weather have contributed to a 6.1% reduction in retail sales. The company is currently operating under a three-year base rate freeze, while still using various riders to recover expenses and approved capital spending. The company's primary challenge over the next few years will be to return the Crystal River 3 nuclear unit to service while

Dimitri Nikas

recovering all related costs in a timely manner. In March 2011, the company discovered further delamination in the containment building and proposed to repair the unit instead of retiring it, a process that could take until 2014 to complete at an estimated cost of $900 million to $1.3 billion. The company appears to have adequate insurance coverage for the capital costs, but may need to recover some of the replacement power costs from customers. See Progress Energy Inc. for consolidated financials.

Public Service Electric & Gas Co. (BBB/Positive/A-2)
The utility has continued to maintain its strong financial measures. For the 12 months ending June 30, 2011, FFO/debt was 23.4% compared with 23.3% at year-end 2010. The cash flow measures continue to benefit form the company's 2010 $100 million electric and gas rate case increase. Recently, the company announced that it will increase the utility's 2011-2013 capital spending by 15%, representing more than 75% of the consolidated company's total capital expenditures. We expect that the high capital spending for the utility will weaken its stand-alone financial measures over the intermediate term.

Gabe Grosberg

Puget Energy Inc. (BB+/Stable/--)
Consolidated debt leverage remained unchanged in the first six-months of 2011 at 60% due to the timing of debt issuances. Capital spending has outpaced FFO by nearly 2 to 1 for the 12 months ended Jun. 30, 2011. This leveraging was largely expected as the subsidiary continues a challenging construction cycle but is near the limits necessary to maintain stability at the current rating level. Consolidated adjusted FFO to total debt improved slightly to 12% for the 12 months ended June 30, 2011, due to higher income, deferred taxes, and increased fuel collections through Puget Sound's PCA mechanism. The company continues to proactively refinancing term loans that come due in 2014 and has meaningfully reduced refinancing risk.

Tony Bettinelli

Puget Sound Energy Inc. (BBB/Stable/A-2)
Puget expects its 343 MW Lower Snake River Wind Project to connect with the grid by next spring. The company filed for an 8% electric rate increase and a 3% gas rate increase with the Washington Utilities and Transportation Commission on June 13, 2011. Capital spending remains very high and may continue to pressure credit metrics due to rate lag and a high level of debt funding. Puget Sound's adjusted debt leverage decreased to 53% at June 30, 2011, as compared with 57% at the end of 2010 due to due to higher cash flows and reduced debt financing. Adjusted FFO to debt improved to 19.5% at the utility for the 12 months ended June 30, 2011.

Tony Bettinelli

SCANA Corp. (BBB+/Stable/A-2)
SCANA's credit profile benefits from base rate increases at the regulated utility operations, the ongoing collection of financing costs during construction of the two new nuclear units, and a modest rebound in the local economies. The company should be receiving the combined operating license for the new nuclear plants in late 2011 or early 2012, causing capital spending to rise considerably and making the ability to continue collecting financing costs in base rates very important. The project remains on schedule as of June 30, 2011. SCANA entered into an equity forward transaction of $300 million in 2010, which was partly used due to the benefit of the incremental cash from bonus depreciation in 2011. For the 12 months ended June 30, 2011, financial performance was adequate for the current ratings, with adjusted FFO to debt of 14.5% and debt leverage of 59.2%.

Dimitri Nikas

Public Service Co. of North Carolina Inc. (BBB+/Stable/A-2)
The company continues to benefit from a constructive regulatory environment in North Carolina that allows for a reasonable return on equity, and incorporates a customer usage tracker that allows it to adjust rates to earn close to its allowed return on equity. The local economy appears to be rebounding, with a modest but consistent increase in retail customers, albeit with reduced usage during 2011 due to unfavorable weather. See SCANA Corp. for consolidated financials.

Dimitri Nikas

South Carolina Electric & Gas Co. (BBB+/Stable/A-2)
Construction on the new nuclear plant is proceeding on schedule. In August 2011, SCE&G received the Nuclear Regulatory Commission's final safety evaluation report for the new units, with the company likely receiving its combined operating license in late 2011 or early 2012. Once that license is received, capital spending should rise, which will make the current ability to recover financing costs in rates even more important. Overall, the local economy is rebounding somewhat, with electric sales essentially flat compared towith 2010 despite unfavorable weather in the first quarter 2011. See SCANA Corp. for consolidated financials.

Dimitri Nikas

Southern Co. (A/Stable/A-1)
Southern is moving forward with two major construction projects, the new nuclear units at Vogtle and the integrated gasification combined-cycle plant in Mississippi. At the same time, Southern is completing construction on a number of new combined-cycle units and environmental projects to better position its plants as environmental regulations evolve. Given the large projected capital spending program of about $5 billion annually for the next three years, which may increase due to the final EPA rules for EGU-MACT, Southern's conservative financial policies continue to support the consolidated credit profile. For the 12 months ended June 30, 2011, consolidated financial performance supported current ratings, with adjusted FFO to debt of 22.3% and debt leverage of 55.4%.

Dimitri Nikas

Alabama Power Co. (A/Stable/A-1)
Alabama Power continues to benefit from a regulatory framework that incorporates riders that are forward-looking, ensuring the company recovers approved investment on a timely basis. Total retail sales increased on a weather -adjusted basis in the first six months of 2011, reflecting the underlying improving fundamentals of the local economy, which should provide for ongoing benefits for the next few years. Revenues will increase by about $30 million in 2011 and $150 million in 2012 from the elimination of a tax-related

Dimitri Nikas

adjustment. Consequently, Alabama Power agreed not to seek an increase in rate base during 2012. See Southern Co. for consolidated financials.

Georgia Power Co. (A/Stable/A-1) Georgia Power filed an updated integrated resource plan with the Georgia commission in anticipation of the final Environmental Protection Agency rules governing power plant emissions. The company plans to decertify two units and enter into power purchase agreements for about 1,500 MW effective 2015 to provide sufficient capacity until it brings its units under compliance with the new EPA rules. The current three-year settlement agreement provides for a base rate increase of $562 million in 2011, followed by smaller increases in 2012 and 2013 and a return on equity midpoint of 11.15%. Georgia Power received the final safety evaluation report from the Nuclear Regulatory Commission for the new nuclear units under construction, indicating that the company should receive its combined construction license for the plants in late 2011 or early 2012. See Southern Co. for consolidated financials.	Dimitri Nikas
Gulf Power Co. (A/Stable/A-1) Gulf Power's weather-adjusted sales increased across all classes for 2011, due to increased consumption, but importantly due to more customers, indicating the strength of the strong local economy. The company has budgeted about $200 million annually for each of the next three years for environmental compliance. Recovery of these costs, similar to fuel costs, will be through clauses that ensure timely recovery of the investment, once the regulatory commission approves them. In June 2011, Gulf Power filed with the Florida commission to increase base rates by $93.5 million based on an 11.7% return on equity. See Southern Co. for consolidated financials.	Dimitri Nikas
Mississippi Power Co. (A/Stable/A-1) Mississippi Power is building a new integrated gasification combined-cycle unit with 582 MW of capacity that should increase the rate base by $2.4 billion. The expected in-service date is May 2014. It is building the plant under a generally constructive regulatory framework that provides for recovery of financing costs in base rates, starting in 2012. In 2011, Mississippi Power's retail sales increased due to increasing customers and favorable weather. The expected in-service date is May 2014. See Southern Co. for consolidated financials.	Dimitri Nikas
TECO Energy Inc. (BBB+/Stable/--) TECO's focus on its core regulated business drives credit quality. Cash flow at the electric utility has improved, with higher base rates and more timely collection of fuel costs. Lesser amounts of legacy debt incurred for now-abandoned unregulated ventures continue to hamper financial measures and credit quality. The company eliminated regulatory uncertainty at the electric utility in Guatemala by selling its stake in October 2010, but TECO still owns generating assets in the country that slightly diminish the consolidated credit profile. Coal mining operations are susceptible to harsh and variable market conditions and increasing regulatory risk on safety matters. Recent financial performance has been in line with expectations, with FFO to debt at 22% and debt leverage at 3.7x debt-to-EBITDA, and the service territory's economic conditions should allow that to continue.	Todd A Shipman, CFA
Tampa Electric Co. (BBB+/Stable/A-2) We base the ratings on the consolidated credit profile of parent TECO Energy. Tampa Electric dominates the TECO credit profile. Cash flow has improved, with higher base rates and more timely collection of fuel costs. The company did not experience the regulatory turmoil in Florida, as its rate case preceded the rise in political pressure and a follow-on rate decrease was settled. We expect service territory economics to slowly improve. See the TECO Energy comment for the financial basis for the ratings.	Todd A Shipman, CFA
Tucson Electric Power Co. (BB+/Stable/B-2) Tucson Electric is feeling pressure and reduced income as it enters the third year of a four-year rate freeze amid a prolonged economic downturn. The subsidiary expects to file a new general rate case in mid-2012. In July, UNS Electric completed the purchase of the 90 MW Black Mountain gas plant, completing the transfer from nonregulated UED. Consolidated credit metrics at Unisource Energy have remained static over the past year. Adjusted consolidated FFO to debt holds steady at 15% for the 12 months ended June 30, 2011, while debt leverage remains very high at 70%. Credit metrics must remain at these levels to maintain ratings stability.	Tony Bettinelli
UIL Holdings Corp. (BBB/Stable/--) UIL's presence in Connecticut has increased significantly with the addition of the gas companies and the company will need to continue to effectively manage its regulatory relations to support the consolidated credit profile and provide for timely and full recovery of all spending and investments. The company completed construction of the Middletown gas-peaking plant in June 2011. Financial measures as of Dec. 31, 2010, declined due to the 2010 purchase of gas companies although they remain in line with expectations and solidly in the aggressive category with adjusted FFO to debt of 17% and adjusted debt to capital of 64%.	Matthew O'Neill
Connecticut Natural Gas Corp. (BBB/Stable/--) The company's relatively stable and mostly residential service territory contributed to cash flow stability, which should help maintain a stable credit profile through 2011, despite some softness in the local economy. While CNG's low-risk business strategy and balanced capital funding approach support the consolidated credit profile, effective management of regulatory relations that provide for full and timely recovery of all expenses and investments is also very important to help preserve current ratings. The Connecticut Public Utilities Regulatory Authority adopted the recent rate settlement, which was reached by Southern Connecticut Gas, CNG, and the OCC, resolving all pending issues related to SCG's and CNG's rate case appeals. See UIL Holdings Corp. for consolidated financials.	Matthew O'Neill

Southern Connecticut Gas Co. (BBB/Stable/--)
Despite a weak local economy, SCG's relatively stable and mostly residential service territory helped support the overall credit profile and should contribute to cash flow stability through 2011. While SCG's low-risk business strategy and balanced capital funding approach support the consolidated credit profile, effective management of regulatory relations that provide for full and timely recovery of all expenses and investments is also very important to help preserve current ratings. The Connecticut Public Utilities Regulatory Authority adopted the recent rate settlement which was reached by SCG, Connecticut Natural Gas, and the OCC, resolving all pending issues related to SCG's and CNG's rate case appeals. See UIL Holdings Corp. for consolidated financials.

Matthew O'Neill

The United Illuminating Co. (BBB/Stable/--)
United Illuminating's joint venture with NRG Energy in building the Middletown gas-peaking plant was completed in June 2011. Hurricane Irene's impact was substantial, and the company will likely defer recovery of a portion of these costs. The company also entered into an agreement with Connecticut Light & Power to invest roughly $69 million in the Connecticut portion of the New England East West Solution projects to improve regional energy reliability. The FERC recently granted UI a 125-basis point return on equity adder for its portion of the project, raising the overall return on equity to 12.89%. For consolidated financial information, see UIL Holdings Corp.

Matthew O'Neill

Westar Energy Inc. (BBB/Stable/--)
The company's financial measures have continued to remain adequate for its current ratings. For the 12 months ended June 30, 2011, FFO/debt was 17.4% compared with 19.2% at year-end 2010. We expect that the company's financial measures will further weaken over the intermediate term, reflecting higher transmission and environmental capital expenditures. In June 2011, the commission approved the Prairie Wind $225 million transmission line and the company expects to begin construction in 2012.

Gerrit Jepsen, CFA

Kansas Gas & Electric Co. (BBB/Stable/--)
The utility effectively reduced regulatory lag of cost recovery with a combination of rate cases and various rate mechanisms. It recently filed to increase rates $91 million to recover costs due to new regulations and higher operating costs. The Kansas commission may rule by May 2012. Recently, the commission found the La Cygne emission-control project prudent, but did not allow the company to use an environmental rider to recover costs. For consolidated financial information, see Westar Energy Inc.

Gerrit Jepsen, CFA

Wisconsin Energy Corp. (A-/Stable/A-2)
Wisconsin Energy continues to make progress on its construction program. Pending before the Wisconsin Public Service Commission (PSC) is an alternative approach to a traditional rate case to avoid raising rates in 2012 and keep the service area's slow economic recovery moving ahead. The utility has requested authorization to suspend amortization of $148 million of regulatory costs in 2012 and approval of $148 million of carrying costs and depreciation. The company has also asked for approval to reopen the rate case in 2012 for rates effective in 2013. If the PSC does not approve the alternative plan, the company will file a traditional rate case for 2012. A decision is expected shortly. With diminishing outlays after 2011, prospects for rate relief, and cost controls, adjusted FFO to total debt should continue to hover around 20% and total debt total capital at about 55%.

Barbara A. Eiseman

Wisconsin Electric Power Co. (A-/Stable/A-2)
Wisconsin Electric Power is rated on par with parent Wisconsin Energy. The utility has made substantial progress on its large environmental compliance and renewable portfolio construction programs. Retail electric sales to residential customers were flat and sales to large commercial and industrial customers rose slightly more than 1% in the first half of 2011. Pending before the Wisconsin Public Service Commission is an alternative approach to a traditional rate case to avoid raising rates in 2012 and keep the service area's slow economic recovery moving ahead. A commission decision is expected shortly. See Wisconsin Energy Co. for more details.

Barbara A. Eiseman

Wisconsin Gas LLC (A-/Stable/A-2)
Wisconsin Gas is rated on par with parent Wisconsin Energy Corp. The utility distributes natural gas throughout Wisconsin. Gas margins increased in the second quarter of 2011 when compared with the same period in 2010 owing to cooler winter weather that increased heating loads. The company's last general rate increase of $5.6 million (0.7%) became effective in early 2010 and was predicated on a 10.5% return on equity. See Wisconsin Energy for more details.

Barbara A. Eiseman

Xcel Energy Inc. (A-/Stable/A-2)
Xcel expects by 2017 to retire coal plants or repower them with natural gas, build a new gas-fired combined cycle unit, and install scrubbers on two facilities. Numerous revenue filings are pending that could increase revenues approximately $260 million, strengthening operating cash flow once finalized. Capital spending has declined following the completion of Comanche 3 and operating cash flow has improved through rate riders and base rates, resulting in stronger financial measures and higher net cash flow to capital spending at 75%. For the 12 months ended June 30, 2011, FFO to total debt was 19%, debt to EBITDA was 4.2x, and debt to capital remained at 58%.

Gerrit Jepsen, CFA

Northern States Power Co. (A-/Stable/A-2)
Northern States Power has proceedings in Minnesota, North Dakota, and South Dakota seeking revenue increases for recovery of incremental operating expenses and capital investment. Interim increases were implemented in Minnesota and North Dakota rate proceedings. Final decisions are expected by early 2012. Construction on transmission projects referred to as CapX2020 has begun

Gerrit Jepsen, CFA

jointly with multiple utilities in Minnesota. While the Monticello and two Prairie Island nuclear units already have license extensions, uprate requests remain pending for the three units. See Xcel Energy Inc. for consolidated financial ratios.

Northern States Power Wisconsin (A-/Stable/A-2) In conjunction with affiliate Northern States Power, the utility is participating in the CapX2020 transmission projects. NSP Wisconsin has a $29 million electric and an $8 million natural gas rate case pending in Wisconsin that, if regulators approve by the end of 2011, should strengthen operating cash flow starting in 2012. See Xcel Energy Inc. for consolidated financial ratios.	Gerrit Jepsen, CFA
Public Service Co. of Colorado (A-/Stable/A-2) The utility continues to change its generation fleet after its purchase of two Calpine gas units and the completion of the Comanche 3 coal unit. The company now plans to retire certain coal units and repower other sites with natural gas. If voter approval is received, the City of Boulder may try to acquire the company's distribution assets within the city. Revenues should rise following the commission's recent adoption of a settlement that will raise gas base revenues $13 million and allow cost recovery of pipeline reliability improvements through a rate rider. A $16 million wholesale electric case is pending with the commission that would strengthen operating cash flow. See Xcel Energy Inc for consolidated financial ratios.	Gerrit Jepsen, CFA
Southwestern Public Service Co. (A-/Stable/A-2) In a pending rate case in New Mexico, the utility reached a $14 million settlement that, if adopted, would improve recovery of operating expenses and capital investments in New Mexico. Regarding capital spending, the company would like to build a simple-cycle gas turbine at its Jones generation plant. See Xcel Energy Inc. for consolidated financial ratios.	Gerrit Jepsen, CFA

*Ratings are as of Sept. 29, 2011.

Recent Rating Activity

Table 3

Recent Rating/Outlook/CreditWatch Actions*

Company	To	From	Date
Arizona Public Service Co.	BBB/Positive/A-2	BBB-/Positive/A-3	June 24, 2011
CenterPoint Energy Houston Electric LLC	BBB/Positive/--	BBB/Stable/--	April 28, 2011
CenterPoint Energy Inc.	BBB/Positive/A-2	BBB/Stable/A-2	April 28, 2011
CenterPoint Energy Resources Corp.	BBB/Positive/A-2	BBB/Stable/A-2	April 28, 2011
Connecticut Light & Power Co.	BBB+/Watch Pos/--	BBB/Watch Pos/--	May 16, 2011
DPL Inc.	A-/Watch Neg/--	A-/Stable/--	April 20, 2011
Dayton Power & Light Co.	A-/Watch Neg/--	A-/Stable/--	April 20, 2011
Empire District Electric Co.	BBB-/Stable/A-3	BBB-/Positive/A-3	May 27, 2011
Entergy Arkansas Inc.	BBB/Negative/--	BBB/Stable/--	June 28, 2011
Entergy Corp.	BBB/Negative/--	BBB/Stable/--	June 28, 2011
Entergy Gulf States Louisiana LLC	BBB/Negative/--	BBB/Stable/--	June 28, 2011
Entergy Louisiana LLC	BBB/Negative/--	BBB/Stable/--	June 28, 2011
Entergy Mississippi Inc.	BBB/Negative/--	BBB/Stable/--	June 28, 2011
Entergy New Orleans Inc.	BBB/Negative/--	BBB/Stable/--	June 28, 2011
Entergy Texas Inc.	BBB/Negative/--	BBB/Stable/--	June 28, 2011
Green Mountain Power Corp.	BBB/Stable/--	BBB/Watch Dev/--	Aug. 26, 2011
Green Mountain Power Corp.	BBB/Watch Dev/--	BBB/Positive/--	June 23, 2011
Kentucky Utilities Co.	BBB/Stable/A-2	BBB/Watch Neg/A-3	April 15, 2011
LG&E and KU Energy LLC	BBB/Stable/--	BBB/Watch Neg/--	April 15, 2011
Louisville Gas & Electric Co.	BBB/Stable/A-2	BBB/Watch Neg/A-3	April 15, 2011
Northeast Utilities	BBB+/Watch Pos/--	BBB/Watch Pos/--	May 16, 2011
PNM Resources Inc.	BB/Positive/--	BB-/Stable/--	Sept. 26, 2011
PPL Corp.	BBB/Stable/--	BBB/Watch Neg/--	April 15, 2011
PPL Electric Utilities Corp.	BBB/Stable/A-2	BBB/Watch Neg/A-3	April 15, 2011

Table 3

Recent Rating/Outlook/CreditWatch Actions* (cont.)			
Pinnacle West Capital Corp.	BBB/Positive/A-2	BBB-/Positive/A-3	June 24, 2011
Public Service Co. of New Hampshire	BBB+/Watch Pos/--	BBB/Watch Pos/--	May 16, 2011
Public Service Co. of New Mexico	BB/Positive/--	BB-/Stable/--	Sept. 26, 2011
Public Service Electric & Gas Co.	BBB/Positive/A-2	BBB/Stable/A-2	April 11, 2011
System Energy Resources Inc.	BBB/Negative/--	BBB/Stable/--	June 28, 2011
TECO Energy Inc.	BBB+/Stable/--	BBB/Positive/--	May 27, 2011
Tampa Electric Co.	BBB+/Stable/A-2	BBB/Positive/A-2	May 27, 2011
Texas-New Mexico Power Co.	BB/Positive/--	BB-/Stable/--	Sept. 26, 2011
Western Massachusetts Electric Co.	BBB+/Watch Pos/--	BBB/Watch Pos/--	May 16, 2011
Wisconsin Electric Power Co.	A-/Stable/A-2	A-/Positive/A-2	June 27, 2011
Wisconsin Energy Corp.	A-/Stable/A-2	BBB+/Positive/A-2	June 27, 2011
Wisconsin Gas LLC	A-/Stable/A-2	A-/Positive/A-2	June 27, 2011
Yankee Gas Services Co.	BBB+/Watch Pos/--	BBB/Watch Pos/--	May 16, 2011

*Actions taken since the last report card published March 30, 2011.

Rating Trends

Chart 3

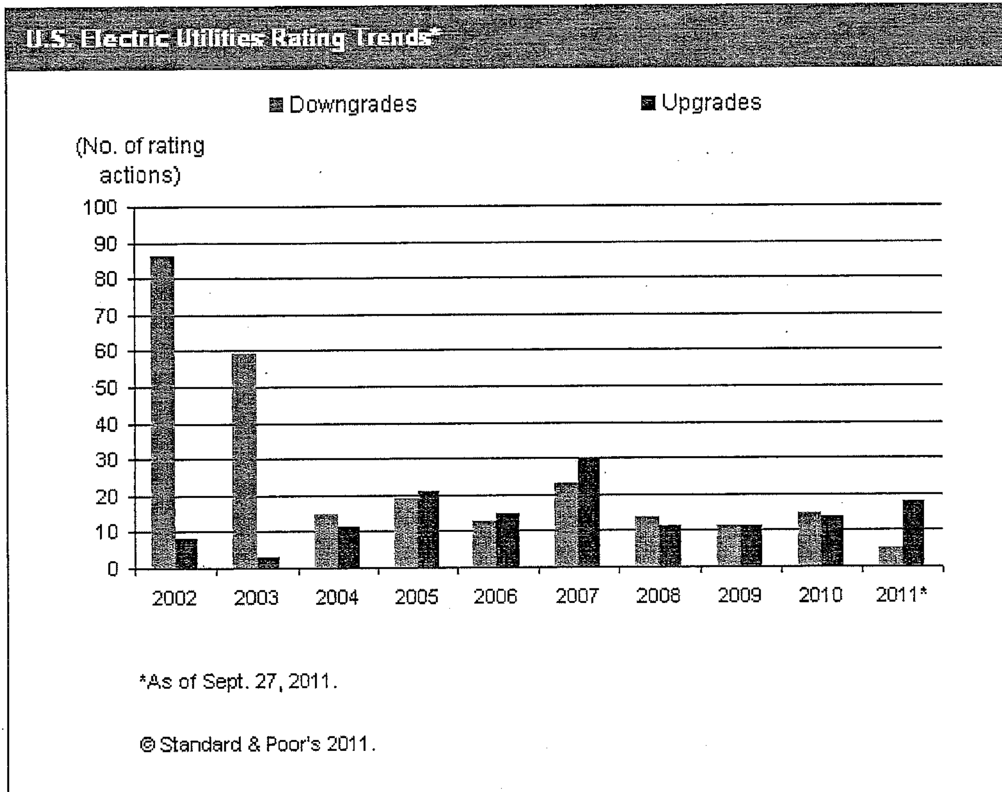

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Table 4

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Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008

Comments and ratings reflect available public data as of Sept. 29, 2011.

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Chart 1

U.S. Electric Utilities Long-Term Rating Distribution*

(No. of issuers)

	Sep-11	Mar-11	Sep-10
AA	1	1	1
A	50	49	52
BBB	124	125	121
BB	8	8	8

*Dates represent current and previously published report card data.

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