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VIA EMAIL

August 31, 2012

BRITISH COLUMBIA UTILITIES COMMISSION
GENERIC COST OF CAPITAL PROCEEDING EXHIBIT A2-15

To: All Registered Parties
(*BCUC-GCOC*)

Re: British Columbia Utilities Commission
Project No. 3698660/G-20-12
Generic Cost of Capital Proceeding

Commission staff submits the following document for the record in this proceeding:

Summaries of Reports and Notes from Recent Credit Rating Agencies
and Investment Banks on FEI's Risk and Credit Metrics

Yours truly,

Erica Hamilton

/dg
Attachment

Exhibit A2-15

Summaries of Reports and Notes from Recent Credit Rating Agencies and Investment Banks on FEI's Risks and Credit Metrics

Title of Report	Description of FEI - Highlights
Moody's Global Credit Research – July 21, 2011 Exhibit B1-9-1, Appendix A-2	A3 senior unsecured rating and stable outlook reflect its low-risk LDC business model and supportive regulatory environment. The weakness of FEI's financial metrics relative to similarly rated U.S. peers is largely a function of the relatively lower deemed equity and allowed ROE. FEI's weak financial profile is balanced by its relatively low business risk as a gas LDC and by the supportiveness of the business and regulatory environments in Canada generally and in British Columbia specifically. In general we consider gas LDCs to be at the low end of the risk spectrum within the universe of regulated utilities. We believe that regulated utilities, which are permitted the opportunity to recover their costs and earn an allowed return, have lower business risk than unregulated companies that do not benefit from cost of service regulation. We consider regulated gas LDCs like FEI to be among the lowest risk corporate entities. We consider Canada to have more supportive regulatory and business environments than other jurisdictions globally. FEI benefits from the existence of a number of BCUC-approved deferral, or true up, mechanisms. These mechanisms limit FEI's exposure to forecast error with respect to commodity price and volume, pension funding costs, insurance costs and short-term interest rates. The certificate of public convenience and necessity process required prior to undertaking any capital project in excess of $5 million reduces the risk that FEI would be denied the opportunity to recover the cost of its capital investments. These qualitative factors balance FEI's weak financial profile. A sustained weakening of FEI's Cash Flow Interest Coverage below 2.3x and CFO pre-WC/Debt below 8% combined with a less

	supportive and predictable regulatory framework would likely result in a downgrade of FEI's rating. This would occur if gas were to lose its competitive advantage over electricity in British Columbia due to Provincial policies favouring non-carbon emitting sources or other factors.
DBRS Report: FEI, February 29, 2012 Exhibit B1-9-1, Appendix A2	The Company does not have exposure to gas price risk since costs are generally passed through to the customers. FEI has a number of deferral accounts that are used to ameliorate unanticipated changes in certain forecast items, include Commodity Cost Reconciliation Account, Midstream Cost Reconciliation Account, and Revenue Stabilization Adjustment Mechanism. The BCUC is initiative the general cost of capital proceeding in 2012 which could have a negative impact on FEI's earnings; however, DBRS does not expect the outcome of this regulatory review to have a material impact on the Company's earnings.
RBC Capital Markets research report on Fortis Inc., February 10, 2012 Exhibit BA-9-2 Appendix A	Overall, Canadian regulated utilities were largely in line with estimates: FortisBC Inc. – Sector Perform FortisBC Energy Inc – Sector Perform FortisBC Energy (Vancouver Island) Inc. – Outperform The discount on Fortis' HoldCo bonds versus its regulated OpCos provides good value. The healthy spread pick up of ~50 bps (long duration bonds) to compensate for the structural subordination provides an attractive entry point, in our view, especially when considering the diversified and stable source of cash flows generated by its regulated utility subsidiaries.
Scotia Capital Fixed Income Research Report, July 31, 2011 Exhibit B1-9-2 Appendix A	FEI has been seeking to offer a variety of innovative alternative energy services. We view this as a natural response to the prevailing sentiment to improve societal energy efficiency, and reduce so-called "greenhouse gas" emissions; and we view this as apt response to B.C. 's provincial government's Energy Plan of 2007 and the Clean Energy Act of 2010. Natural gas distribution business has exhibited better credit ratios. With very modest new issuance requirements for the next few years, we think FEI bonds will remain steady performers, compared to the non-utility sector, and even compared to most of its utility sector peers. We see the FEI bonds as fairly valued compared to most gas

	distribution peers, and better value than, for instance, Gaz Metro, given what in our view is better credit quality and better ratings stability.
BMO Capital Markets report on FEI, December 16, 2011 Exhibit B1-9-1, Appendix A	FEI's spreads are reasonably valued among its gas utility peers, trading at 98 bps in the 5-year (back of Enbridge Gas by 7 bps), 128 bps in the 10-year (back of Enbridge Gas by 10 bps) and 152 bps in the 30-year (back of Enbridge Gas by 2 bps). We believe FEI exhibits below-average trading liquidity in the Canadian bond market. During 2012, we believe the company has sufficient cash flows from operating activities to service interest on debt, pay dividends and finance capex.