Announcement of Periodic Review - Moodys Ratings Announces 31 Jan 2025

MOODY'S
RATINGS

Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of East Ohio Gas Company (The), Questar Gas Company and Public Service Co. of North Carolina, Inc.

31 Jan 2025

Toronto, January 31, 2025 -- Moody's Ratings (Moody's) has completed a per review of the ratings of East Ohio Gas Company (The), Questar Gas Compan Public Service Co. of North Carolina, Inc. and other ratings that are associate these issuers.

The review was conducted through a rating committee held on 27 January 20 which we reassessed the appropriateness of the ratings in the context of the r principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indicat whether or not a credit rating action is likely in the near future. Please see the page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Public Service Co. of North Carolina, Inc.'s (PSNC) Baa1 senior unsecured ra stable outlook remain unchanged. PSNC's rating is supported by its low-risk operations as a local gas distribution company (LDC) in a generally supportive regulatory environment. PSNC's rating is constrained by increasing capital investments that will require additional debt issuances, but we expect the com will continue to generate a cash flow from operations before working capital (C WC) to debt ratio in the 15-18% range. PSNC was acquired by Enbridge Inc (Baa2 stable) in September 2024. We expect ENB to support PSNC, if and wh necessary, and that PSNC will benefit from ENB's size, scale and access to c However, PSNC's rating continues to reflect its own, stand-alone credit profile

The East Ohio Gas Company's (EOG) ratings, including its A2 senior unsecur rating and stable outlook, remain unchanged. EOG's ratings reflect its low bus risk profile as a natural gas LDC with mostly residential customers in Ohio; a legislative and regulatory framework that historically provided very strong cost recovery provisions for both operating and capital expenditures; and a CFO pr debt ratio expected to average at least 19%. The company's credit quality is constrained by its high capital expenditures to replace cast iron, bare steel an at-risk pipe. EOG was acquired by ENB in March 2024. We also expect ENB t support EOG and that EOG will benefit from ENB's size, scale and access to c However, EOG's credit ratings continue to reflect its own, stand-alone credit p

Questar Gas Company's (Questar) ratings, including its Baa1 senior unsecure and stable outlook, remain unchanged. Questar Gas' ratings reflects its rate re monopoly operations as a natural gas LDC as well as its generally stable cash generation supported by several cost recovery mechanisms. Questar Gas' fina profile was negatively impacted by its last rate case in 2023 which resulted in decrease in the company's allowed equity capitalization to 51% from 55%, neg affecting financial metrics. However, did not view the rate order to be a sign of regulatory contentiousness going forward. We expect that Questar Gas' ratio c pre-WC to debt will be sustained in the range of 14-17%. Questar was acquire ENB in May 2024. Similarly, we expect ENB will support Questar and that Que benefit from ENB's size, scale and access to capital. However, Questar's cred ratings continue to reflect its own, stand-alone credit profile.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate m changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Regulated Electric and Ga Utilities published in August 2024. Please see the Rating Methodologies page https://ratings.moodys.com for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non-EU rated, non-UK rated, non-EU endorsed and non-UK endorsed ratings may be referenced herein to the extent necessary, if they are the same organization list.

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

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DBRS

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PRESS RELEASE JUNE 28, 2024

Morningstar DBRS Upgrades Issuer Rating on Enbridge Inc. to A (low) With a Stable Trend; Removes Under Review With Developing Implications Status of the Credit Ratings

ENERGY

DBRS Limited (Morningstar DBRS) upgraded Enbridge Inc.'s (ENB or the Company) Issuer Rating and Senior Unsecured Notes rating both to A (low), Preferred Shares rating to Pfd-2 (low), and Commercial Paper rating to R-1 (low). Morningstar DBRS also confirmed the credit rating of the existing Subordinated Notes (Existing Subordinated Notes) at BBB (low) and assigned a final credit rating of BBB to its Fixed-to-Fixed Rate Subordinated Notes due March 15, 2055, and Fixed-to-Fixed Rate Subordinated Notes due June 27, 2054 (together, the New Subordinated Notes). All trends are Stable. Morningstar DBRS also upgraded Enbridge Energy Partners, L.P.'s (EEP) Senior Unsecured Notes rating to A (low) with a Stable trend based on ENB's guarantee; EEP in turn guarantees ENB's Senior Unsecured Notes. ENB also guarantees the Senior Unsecured Notes of Spectra Energy Partners, L.P., which in turn guarantees ENB's Senior Unsecured Notes. At the same time, Morningstar DBRS has removed the Under Review With Developing Implications (UR-Dev.) status of the credit ratings of ENB and EEP.

KEY CREDIT RATING CONSIDERATIONS
The credit ratings were placed UR-Dev. in September 2023 following the announcement that ENB had entered into definitive agreements (the Acquisition) with Dominion Energy, Inc. to acquire (1) East Ohio Gas Company (EOG); (2) Questar Gas Company (Questar Gas) and its related Wexpro companies (Wexpro, and collectively with Questar Gas, Questar); and (3) Public Service Company of North Carolina, Incorporated (PSNC; collectively, the Local Distribution Companies (LDCs)) for a total purchase price of USD 14.0 billion ($19 billion¿translated at USD/CAD 1.35), including the assumption of approximately USD 4.6 billion in debt. At the time, Morningstar DBRS had noted that the Acquisition should have a positive impact on ENB's business risk profile, and should the financing plan result in minimal to no impact on the Company's key credit metrics as of March 31, 2023 (please see Morningstar DBRS' rating report on the Company dated June 28, 2023, for further details), Morningstar DBRS may consider a positive credit rating action.

ENB has made material progress on closing the Acquisition and the associated financing plan. The acquisition of EOG and Questar, which together account for the largest contribution to earnings from the Acquisition, closed in March 2024 and June 2024, respectively, with no material changes in terms and conditions from when the Acquisition was announced. ENB expects the acquisition of PSNC to close in Q3 2024. ENB's financing plan is also now largely complete with the purchase price of $12.8 billion funded with equity and asset sales totaling approximately $6.2 billion and the issuance of Subordinated Notes for approximately $3.7 billion. Morningstar DBRS expects the balance to be raised from a mix of the recent issuance of the New Subordinated Notes, at-the-market equity issuance program, and/or asset sales.

Morningstar DBRS believes that the collective business risk profile of the utility assets is stronger than the weighted average of ENB's current investment portfolio. Each LDC is state-regulated and operates under a cost-of-service framework with no exposure to natural gas price risk or volume risk. All three LDCs are allowed timely operating costs and capital expenditure recovery, subject to only modest regulatory lags. Combined, the LDCs provide natural gas distribution services to nearly 3.0 million customers with the strongest base of customers at EOG and Questar, which serve approximately 1.2 million customers each. EOG (rate base $6.0 billion in 2022) is a single-state LDC operating an extensive gas distribution system with more than 40 interconnections across nine interstate gas pipelines. EOG is anticipated to have the potential for a substantial rate base increase driven by modernization efforts. Questar (rate base $3.9 billion in 2022) largely operates in Utah and has a one-of-a-kind agreement with Wexpro that provides up to 65% of Questar's annual gas supply on a cost-of-service arrangement. PSNC (rate base $2.6 billion in 2022) is a single-state LDC in North Carolina. Both Questar and PSNC are experiencing growth primarily driven by population expansion within their respective service territories.

Morningstar DBRS views the planned acquisition of the regulated gas utility businesses as providing a more stable source of cash flow generation with lower risk compared with ENB's existing business risk profile. The Acquisition is expected to double the contribution of ENB's regulated gas distribution businesses to approximately 23% of total adjusted EBITDA (Morningstar DBRS estimate for 2025) from 13% currently. ENB will benefit from greater geographic and regulatory diversification with higher regulatory returns on equity and thicker deemed equity. Finally, ENB will stand to potentially gain from synergies, as the Acquisition would form the largest natural gas distribution utility in North America, by volume, with a rate base exceeding $27 billion serving approximately 7 million customers in Canada and the U.S.

Given the material proceeds from equity and asset sales used in financing the Acquisition, Morningstar DBRS expects the Company's financial risk profile to remain supportive of the credit ratings. Morningstar DBRS expects the Company will maintain its cash flow-to-debt ratio between 14% and 15% from 2025 onwards, which is likely to be the first full year after close of the Acquisition.

The Existing Subordinated Notes and the New Subordinated Notes rank equally in right of payment until the occurrence of certain bankruptcy and related events at which time the Existing Subordinated Notes would automatically convert into preferred shares. The Existing Subordinated Notes would then rank below the New Subordinated Notes. According to Morningstar DBRS' Hierarchy Principle, as outlined in the Morningstar DBRS "Credit Ratings Global Policy," the Existing Subordinated Notes, being subordinate to the New Subordinated Notes in the event of insolvency of the Company, should be rated one notch lower than the New Subordinated Notes (i.e., BBB (low)), hence the confirmation at BBB (low) of the Existing Subordinated Notes, despite the upgrade to the Issuer Rating

CREDIT RATING DRIVERS
A positive credit rating action is unlikely in medium term unless there is a successful resolution of the Line 5 dispute and the Company maintains its consolidated cash flow-to-debt ratio of higher than 17.5%. While unlikely in the medium term, a negative credit rating action could occur if the Company's consolidated cash flow-to-debt ratio stays consistently less than 12.5%

EARNINGS OUTLOOK
Morningstar expects EBITDA in 2024 and 2025 to grow at around 8% primarily because of the Acquisition and commercially secured projects that are expected to come into service over the next two years.

FINANCIAL OUTLOOK
Morningstar DBRS expects cash flow from operations to also trend higher as a result of higher earnings. While overall debt levels are expected to increase as the Company funds a part of its secured capital program from debt, Morningstar DBRS expects the Company to stay within its target Debt/EBITDA range of 4.5 times (x) to 5.0x.

CREDIT RATING RATIONALE
ENB's credit ratings are supported by (1) a high level of geographic and product-mix diversification and large scale; (2) low-risk operations that provide stable income and cash flow; and (3) strong natural gas transmission, distribution, and storage businesses, which have been enhanced materially by the Acquisition. The credit ratings are constrained by (1) pipeline competition, volume, and operational risks; (2) structural subordination at ENB; and (3) rising environmental, regulatory, and political risks

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (January 23, 2024) at https://dbrs.morningstar.com/research/427030.

BUSINESS RISK ASSESSMENT (BRA) AND FINANCIAL RISK ASSESSMENT (FRA)

(A) Weighting of BRA Factors

In the analysis of ENB, the BRA factors listed in the Pipeline and Midstream Energy Industry were considered in the order of importance contemplated in the methodology.

In the analysis of ENB, the BRA factors listed in the Utility and Independent Power Producer Industries were considered in the order of importance contemplated in the methodology.

(B) Weighting of FRA Factors

In the analysis of ENB, the following FRA factors listed in the Pipeline and Midstream Energy Industry are considered more important: cash flow-to-debt ratio and EBIT interest coverage.

In the analysis of ENB, the FRA factors listed in the Utility and Independent Power Producer Industries were considered in the order of importance contemplated in the methodology.

(C) Weighting of the BRA and the FRA

In the analysis of ENB, the BRA listed in the Pipeline and Midstream Energy Industry carries greater weight than the FRA.

In the analysis of ENB, the BRA listed in the Utility and Independent Power Producer Industries carries greater weight than the FRA.

Notes:

All figures are in Canadian dollars unless otherwise noted.

Morningstar DBRS applied the following principal methodologies:

-- Global Methodology for Rating Companies in the Pipeline and Midstream Energy Industry (April 15, 2024),
https://dbrs.morningstar.com/research/431181
-- Global Methodology for Rating Companies in the Regulated Utility and Independent Power Producer Industries (27 June 2024),
https://dbrs.morningstar.com/research/435127

Morningstar DBRS credit ratings may use one or more sections of the Morningstar DBRS Global Corporate Criteria (April 15, 2024; https://dbrs.morningstar.com/research/431186), which covers, for example, topics such as holding companies and parent/subsidiary relationships, guarantees, recovery, and common adjustments to financial ratios.

The following criteria has also been applied:

-- Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (January 23, 2024), https://dbrs.morningstar.com/research/427030

Morningstar DBRS Global Corporate Criteria (15 April 2024)
https://dbrs.morningstar.com/research/431186

The credit rating methodologies used in the analysis of this transaction can be found at: https://dbrs.morningstar.com/about/methodologies.

A description of how Morningstar DBRS analyzes corporate finance transactions and how the methodologies are collectively applied can be found at: https://dbrs.morningstar.com/research/431153.

The related regulatory disclosures pursuant to the National Instrument 25-101 Designated Rating Organizations are hereby incorporated by reference and can be found by clicking on the link under Related Documents or by contacting us at info-DBRS@morningstar.com.

The credit ratings were initiated at the request of the rated entity.

The rated entity or its related entities did participate in the credit rating process for these credit rating actions.

Morningstar DBRS had access to the accounts, management, and other relevant internal documents of the rated entity or its related entities in connection with these credit rating actions.

These are solicited ratings.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS trends and credit ratings are under regular surveillance.

Information regarding Morningstar DBRS credit ratings, including definitions, policies, and methodologies, is available on https://dbrs.morningstar.com or contact us at info-DBRS@morningstar.com.

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Ratings

Enbridge Energy Partners, L.P.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
28-Jun-24	Senior Unsecured Notes	Upgraded	A (low)	Stb	CA

Enbridge Inc.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
28-Jun-24	Issuer Rating	Upgraded	A (low)	Stb	CA
28-Jun-24	Senior Unsecured Notes	Upgraded	A (low)	Stb	CA
28-Jun-24	Commercial Paper	Upgraded	R-1 (low)	Stb	CA

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
28-Jun-24	Subordinated Notes	Confirmed	BBB (low)	Stb	CA
28-Jun-24	Subordinated Notes - Non Convertible	New Rating	BBB	Stb	CA
28-Jun-24	Preferred Shares	Upgraded	Pfd-2 (low)	Stb	CA

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Fitch Affirms Questar Gas Company's Ratings; Outlook Stable - 19 Jul 2024

FitchRatings

19 JUL 2024

Fitch Affirms Questar Gas Company's Ratings; Outlook Stable

Fitch Ratings - Toronto - 19 Jul 2024: Fitch Ratings has affirmed Questar Gas Company's (QGC) Long-Term Issuer Default Rating (IDR) at 'A-' and its senior unsecured rating at 'A'. The Rating Outlook is Stable.

The rating and Stable Outlook reflect QGC's low-business risk model, operating as a local gas distribution company (LDC) serving around 1.2 million customers in Utah, Wyoming, and Idaho. QGC benefits from various regulatory rider mechanisms such as weather normalization, revenue decoupling, infrastructure replacement, and purchased gas adjustments. These mechanisms help mitigate regulatory lag and stabilize credit metrics. Additionally, QGC benefits from the expected continuation of strong underlying economic growth in the region it serves.

Fitch has also withdrawn the Short-Term 'F1' IDR and CP rating for QGC as this program is no longer in place and QGC is no longer expected to issue its own short-term debt. Going forward, the company will utilize an inter-company demand loan through its parent, Enbridge Inc. (ENB; BBB+/Stable).

Key Rating Drivers

Acquisition by Enbridge Inc.: In September 2023, ENB announced a definitive agreement to buy QGC from Dominion Energy, Inc. (DEI; BBB+/Stable). The acquisition was completed in June 2024 after obtaining all required regulatory approvals. The deal also included the purchase of Wexpro, an exploration and production company that supplies gas to Questar at cost.

Regulators did not impose any detrimental conditions during approval and several ring-fencing measures were reaffirmed, including restrictions on debt issuance for transaction cost recovery, commitment to operating the utility as a standalone entity and the requirement for an independent director. The acquisition does not have a direct rating impact on QGC as both the current parent and previous parent have the same IDR.

Low-Risk Business Profile: QGC, operating as a natural gas utility in Utah, Wyoming, and Idaho, represents a low-risk business profile, in Fitch's view. Most of QGC's customers are in Utah, which is experiencing significant growth. QGC recorded a five-year customer growth rate of 2.6%, which is expected to continue in line with the economic growth of its service territories.

Base Rate Filing Outcome: QGC filed a base rate case requesting an increase of $2.1 million in March 2023. The request was based on a ROE of 10.3%. This proposed increase was driven by investments made to upgrade infrastructure. In December 2023, the Wyoming Commission approved a base rate increase of $1.6 million with a ROE of 9.65% -- an increase from the prior authorized ROE of 9.35%. Fitch considers the rate case decision to be constructive. These new rates became effective in January 2024. Wyoming represents 3% of QGC's total rate base.

Supportive Regulatory Framework: QGC operates under the regulatory oversight of the Utah and Wyoming Public Service Commissions, regulators Fitch considers to be supportive of QGC's credit quality. The utility operates within a cost-of-service framework, seeking general base rate adjustments to recover operating expenses when necessary.

QGC is not exposed to commodity price risk, as the purchase price of natural gas is passed through to customers via a purchased gas adjustment clause reviewed semi-annually. The company also benefits from several rider mechanisms, including weather normalization, revenue decoupling and infrastructure replacement, which help reduce regulatory lag and stabilize credit metrics. ROE granted in Utah is generally consistent with industry averages across the U.S.

Wexpro Agreements: QGC sources a significant portion of its natural gas supply from its affiliate, Wexpro, under Wyoming and Utah regulatory agreements. Wexpro produces and sells gas at a regulated cost of service for QGC's customers, resulting in lower costs and more stable customer bills.

Stable Credit Metrics: Rate increases received in 2022 and 2023 have been adequate, and various riders help stabilize cash flow. As of TTM March 31, 2024, QGC's FFO leverage was 4.9x, which is slightly higher than expected due to changes in working capital. Fitch expects FFO leverage will improve to a range of 4.2x-4.5x over the forecast period. Fitch anticipates QGC to continue to see elevated levels of capex for growth, reliability, and infrastructure upgrades.

Parent-Subsidiary Rating Linkage: There is parent subsidiary relationship between ENB and QGC. Fitch determines ENB's standalone credit profile (SCP) based on consolidated metrics. Fitch considers QGC to have a stronger SCP than ENB. As such, Fitch has followed the stronger subsidiary path. Emphasis is placed on QGC's status as a regulated entity.

Legal ring fencing is considered porous given the general protections afforded by economic regulation. Access and control are evaluated as porous. While QGC will rely on ENB for its short-term borrowing needs and ENB is the sole source of equity for QGC, QGC still issues its own long-term debt externally. Due to the aforementioned linkage considerations, Fitch will limit the difference between the IDRs of ENB and QGC to two notches.

Derivation Summary

QGC's business risk profile compares favorably to other LDC peers such as Southwest Gas Corporation (SWG; BBB+/Stable), DTE Gas Company (DTEG; BBB+/Stable), and Public Service Company of North Carolina (PSNC; A-/Stable). These companies operate in supportive regulatory environments which allow for supportive cost recovery mechanisms, including revenue decoupling, purchased gas cost adjustments, and the timely recovery of capex. As of TTM March 31, 2024, QGC's FFO leverage was 4.9x but Fitch expects this metric to improve to a range of 4.2x-4.5x over the forecast period.

DTEG's and SWG's Fitch forecasted FFO leverage is around 4.8x, while Fitch forecasts PSNC's FFO leverage to average around 4.5x over the same period. QGC, SWG, and PSNC benefit from above-average customer growth. In terms of customer base, QGC's 1.2 million customers are comparable to DTEG's 1.3 million but smaller than SWG's 2.2 million. PSNC is the smallest among these peers with 0.6 million customers. Fitch rates QGC one notch higher than DTEG and SWG due to lower leverage expectations.

Key Assumptions

--Customer growth of 2.0%-2.6%;

--QGC's annual capital spending to average $300 million over the forecasted period of 2024-2027,

--Dividend payout necessary to maintain the existing capital structure;

--Capital structure commensurate with regulatory structure.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--FFO leverage below 3.5x on a sustainable basis.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--An increase in FFO leverage above 4.5x on a sustainable basis;

--Unfavorable regulatory developments;

--Downgrade of two notches or more at ENB under Fitch's parent and subsidiary linkage criteria.

Liquidity and Debt Structure

Adequate Liquidity: QGC was a participant in DEI's $6.0 billion revolving credit agreement, which had a sublimit set at a maximum of $1.0 billion. Following the acquisition, this credit facility was replaced with an ENB-provided inter-company lending arrangement demand loan similar to DEI.

QGC has only $40 million in long-term debt maturing in 2024, with the next debt maturity of $110 million due in 2027. Fitch views these long-term debt maturities as manageable.

Issuer Profile

Questar Gas Company is a regulated utility that supplies natural gas to regions in Utah, southwestern Wyoming, and a small portion of south-eastern Idaho. The company is a fully-owned U.S. subsidiary of Enbridge Inc.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Questar Gas Company	LT IDR	A-	Affirmed		A-

ENTITY/DEBT	RATING			RECOVERY	PRIOR
	ST IDR	WD	Withdrawn		F1
• senior unsecured	ST	WD	Withdrawn		F1
• senior unsecured	LT	A	Affirmed		A

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Corporate Rating Criteria (pub.03 Nov 2023) (including rating assumption sensitivity)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub.13 Oct 2023) (including rating assumption sensitivity)

Parent and Subsidiary Linkage Rating Criteria (pub.16 Jun 2023)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.21 Jun 2024)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Questar Gas Company	EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch’s website.

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Fitch Enbridge Inc. - 01 Aug 2024

FitchRatings

Enbridge Inc.

Enbridge Inc.'s (ENB) ratings are based on the company's very large size and the diversity, stability and visibility of its cash flows. The ratings are supported by Fitch Ratings' assessment of constructive regulation and supply/demand fundamentals underlying the vast majority of ENB's businesses. Leverage is appropriate for the rating, and Fitch expects the company's U.S. gas utility acquisitions to slightly increase leverage in the near-term but still remain appropriate for the rating over the forecast period up to 2026.

Key Rating Drivers

Leverage Remains Appropriate: Fitch expects slightly elevated leverage for ENB in the near-term, relative to the company's recent history and Fitch's pre-acquisition expectations. Fitch considers ENB leverage to remain appropriate for the rating. The addition of three low-risk fully regulated U.S. utilities improves ENB's business risk profile, in Fitch's opinion.

Fitch expects ENB leverage to be around 5.2x-5.3x in 2025-2026, supported by Fitch's belief that ENB will manage to its previously stated goal of achieving leverage in a target range of 4.5x to 5.0x (ENB calculation). Fitch notes the substantial equity issued to prefund the U.S. utility acquisitions and over CAD3 billion of asset sales closed, along with hybrid debt issuances, in support of ENB's maintenance of appropriate credit metrics.

Balance and Diversification: The company expects the transmission, distribution and storage of natural gas to make up nearly half of ENB EBITDA after the U.S. gas utility transactions close. The company diversified its regulatory exposure, adding three regulators Fitch considers to be constructive.

Already being the largest exporter of Canadian crude oil by a wide margin, and owning the largest natural gas local distribution company (LDC) in Canada, ENB has added significant utility franchises in Ohio and Utah, with North Carolina expected by the end of the year. At that time, ENB will serve roughly seven million utility customers in Canada and the U.S. Across the portfolio, ENB family assets represent a diverse set of essential energy infrastructure, supporting the company's strong business profile.

Industry Tailwinds: Enbridge's businesses are benefitting from different secular trends that we expect will support its operations. ENB's liquids (i.e. crude oil) system is the largest connection between a globally competitive oil producing region, with very low relative decline rates, and the most complex and efficient refining region in the world. We expect the Western Canadian oil sands to increase production through at least the end of the decade. ENB also has operations tied to the export of both crude oil and natural gas (via liquefaction).

Energy security and reliability remain very high priorities for most nations around the globe, and North America is well positioned to supply the growing need for a consistent, dependable energy source. ENB has gas LDCs in Ontario and Utah, where immigration and economic growth have and are expected to continue to support healthy customer and usage growth. ENB also continues to participate in the expansion of renewable power generation in North America and Europe, where demand remains on a solid upward trajectory.

Ratings

Long-Term IDR	BBB+
Short-Term IDR	F2
Senior Unsecured Debt - Long-Term Rating	BBB+
Senior Unsecured Debt - Short-Term Rating	F2
Outlook	
Long-Term Foreign-Currency IDR	Stable

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 47

Applicable Criteria

Sector Navigators – Addendum to the Corporate Rating Criteria (June 2024)

Corporate Rating Criteria (November 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Related Research

North American Midstream Energy Dashboard: Second-Quarter 2024 (July 2024)

North American Midstream: 1Q24 Earnings Wrap-Up (June 2024)

North American Midstream Energy Outlook 2024 (December 2023)

Global Corporates Macro and Sector Forecasts

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Constructive Regulation: ENB is one of the most stable and largest tariff-regulated pipeline companies in Fitch's midstream coverage. Approximately 98% of expected cash flows will be from either regulatory rate orders or long-term take-or-pay contracts. As such, regulation, both in terms of the quality of regulation relevant to the company's three core businesses (liquids pipelines, gas transmission and utilities), as well as the strength of relationship ENB has formed with the relevant regulatory bodies, plays a major role in Fitch's assessment of ENB's credit profile.

ENB's ratings are based on highly supportive supervision by, predominantly, the Canadian Energy Regulator (CER) and the U.S. Federal Energy Regulatory Commission (FERC), but now also the Public Utilities Commission of Ohio (PUCO) and Utah's Public Service Commission (PSC). A significant factor underlying ENB's rating is the CER's long-term track record of furnishing regulatory support to the Canadian pipeline industry. The CER's approval of ENB's new Mainline tolling framework is another such example.

Financial Summary

(CAD Mil.)	2021	2022	2023	2024F	2025F	2026F
EBITDA after associates and minorities	13,854	15,244	15,774	16,392	18,024	18,970
EBITDA leverage (x)	5.4	5.2	4.9	5.7	5.3	5.3
EBITDA net leverage (x)	5.4	5.1	4.6	5.5	5.3	5.2
EBITDA interest coverage (x)	5.7	5.2	4.7	4.6	4.1	4.1
Capex	-8,093	-4,821	-4,876	—	—	—

F = Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

ENB is the largest midstream issuer in Fitch's sector coverage, as measured by both enterprise value and annual EBITDA. For a large portion of its businesses, ENB has exposure to what Fitch views as supportive regulators, under the CER in Canada and the FERC, as well as the PUCO and PSC of Utah, in the U.S. This exposure, both in current operations and for most growth projects, is similar to peers TC Energy Corporation (TRP; BBB+/Stable) and Kinder Morgan, Inc. (KMI; BBB/Stable). All three have strong track records of managing regulatory relationships, navigating complex permitting processes and executing multi-year, multi-billion-dollar construction projects.

All three also face a heightened exposure to changes in levels of regulatory support, as it relates to new growth projects (in preconstruction and construction phases) and risks associated with the impacts energy transition may have on the industry.

ENB and its subsidiaries operate low relative risk businesses with highly visible cash flows coming almost entirely from either a regulated cost-of-service framework (or related) or long-term, take-or-pay contracts. ENB is similar to TRP and KMI, as to the long-distance pipeline portion of their respective businesses; however, KMI possesses higher business risk in its non-long-distance-pipeline activities (for example, KMI's CO2 division).

ENB has three large local gas distribution utilities, which are considered very low risk businesses, and is adding one more similar such franchise. TRP is a joint venture partner in an entity that operates one of the largest nuclear power plants in the world, which represents part of its power and energy solutions segment. Additionally, TRP has meaningful operated assets outside of the U.S. and Canada (Mexico).

Partly due to business risk, ENB is rated higher than KMI. When combining business risk and Fitch's ranking of each company's respective long-term histories of financial policies, a one-notch rating separation is justified. Included in this notching is an offsetting factor, which is KMI having enacted a more conservative dividend policy than ENB since 2015.

ENB's leverage was about 4.9x in 2023, and TRP and ENB both have similar leverage goals. Fitch expects leverage for ENB to be approximately 5.2x to 5.3x in 2025-2026, while 2026 leverage for TRP is expected to be approximately 5.2x.

FitchRatings

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Operational Scale	Business Characteristics	Market Position	Cash Flow Characteristics	Profitability	Financial Structure	Financial Flexibility
Enbridge Inc.	BBB+/Stable	a	a	a-	bbb+	a-	bbb+	a	bbb	bbb+
Kinder Morgan, Inc.	BBB/Stable	a	bbb	bbb+	bbb	bbb	bbb	bbb	bbb-	bbb+
TC Energy Corporation	BBB+/Stable	a	a	a	bbb+	a	bbb+	a	bbb	bbb+
Williams Companies, Inc. (The)	BBB/Stable	a	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb+

Source: Fitch Ratings. Relative Importance of Factor: Higher, Moderate, Lower

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Operational Scale	Business Characteristics	Market Position	Cash Flow Characteristics	Profitability	Financial Structure	Financial Flexibility
Enbridge Inc.	BBB+/Stable	+2	+2	+1	0	+1	0	+2	-1	0
Kinder Morgan, Inc.	BBB/Stable	+3	0	+1	0	0	0	0	-1	+1
TC Energy Corporation	BBB+/Stable	+2	+2	+2	0	+2	0	+2	-1	0
Williams Companies, Inc. (The)	BBB/Stable	+3	0	0	0	0	0	0	0	+1

Source: Fitch Ratings. Factor Score Relative to IDR: Worse positioned than IDR, Within one notch of IDR, Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- EBITDA leverage expected to be below 4.5x on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- EBITDA leverage expected to be above 5.5x for a sustained period;
- Acquisitions or large growth projects that are not funded in a balanced manner and/or materially increase the business risk of the consolidated entity;
- Adverse regulatory outcomes.

Liquidity and Debt Structure

Adequate Liquidity: ENB had CAD3.3 billion available out of approximately CAD9.0 billion committed under its revolving credit facilities as of March 31, 2024, in addition to an unrestricted cash balance of just over CAD1.2 billion on its balance sheet. The ENB family had approximately CAD11.7 billion combined available out of CAD22.1 billion on various committed revolving credit facilities as of March 31, 2024. As part of the financing for the announced gas utilities transactions, ENB issued CAD4.6 billion of equity in September 2023, improving its near-term liquidity position further.

In addition to these committed facilities, ENB has CAD1.2 billion in uncommitted demand credit facilities, of which CAD766 million was unutilized as of the end of 1Q24. Some of the credit facilities in the family are due to mature within the next 24 months; however, these facilities are generally extendable on lenient terms. The combined liquidity is adequate to cover near-term debt maturities.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

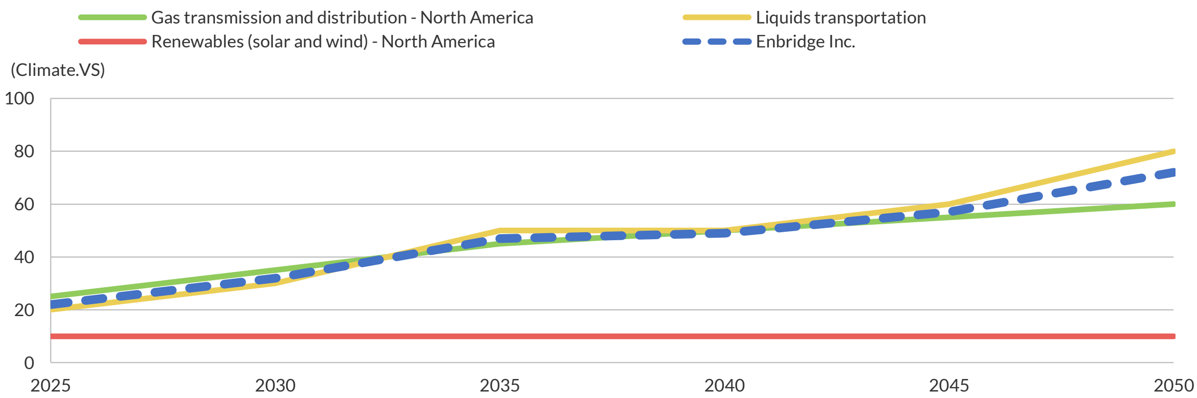
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

Fitch's 2023 revenue-weighted Climate.VS for ENB for 2035 is 47, which is consistent with the signals of other midstream companies in the U.S. Key transition risks arise from potential reductions in demand, driven by policies designed to reduce the use of oil, natural gas and refined products in the global economy and, in the shorter term, from policies designed to limit the greenhouse gas emissions from the production of oil and gas and use of refined products. These risks do not have a material influence on the rating, given the long-term time frame of the energy transition, the uncertainty regarding the future changes and policies and the way companies react to the changes.

ENB has large franchises in the transportation of crude oil, the transmission and distribution of natural gas and the production of electricity from renewable sources. The transportation of crude oil has a higher Climate.VS than natural gas due to its higher CO_2 emissions and the demand profile for natural gas as a bridge fuel. Renewable power generation has a lower Climate.VS than both crude oil transportation and natural gas transmission and distribution. The company currently has the largest hydrogen blending pilot project operating in Canada and is engaged with partners producing renewable natural gas, while pursuing multiple renewable power generation development opportunities in North America and Europe.

Climate.VS Evolution
As of Dec 31, 2023



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(CAD Mil.)	2024F	2025F	2026F
Available liquidity			
Beginning cash balance	5,901	-6,435	-18,047
Rating case FCF after acquisitions and divestitures	-21,852	-5,207	-3,917
Debt issued since last balance sheet	16,000	—	—
Total available liquidity (A)	**49**	**-11,642**	**-21,964**
Liquidity uses			
Debt maturities	-6,484	-6,405	-5,630
Total liquidity uses (B)	**-6,484**	**-6,405**	**-5,630**
Liquidity calculation			
Ending cash balance (A+B)	-6,435	-18,047	-27,594
Revolver availability	10,400	10,400	10,400
Ending liquidity	**3,965**	**-7,647**	**-17,194**
Liquidity score (x)	-0.9	-0.2	-2.1

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, Enbridge Inc.

Scheduled debt maturities

(CAD Mil.)	December 31, 2023
2024	6,484
2025	6,405
2026	5,630
2027	3,377
2028	5,307
Thereafter	60,591
Total	**87,794**

Source: Fitch Ratings, Fitch Solutions, Enbridge Inc.

Key Assumptions

- Oil and natural gas production consistent with the Fitch price deck;
- 2024 and 2025 Mainline volumes see very small volume reductions, as a competing pipeline ramps up to contracted capacity;
- Continued steady implementation of the regulatory rulings and customer contracts underlying the large majority of ENB's revenue streams;
- Execution of more than CAD25 billion capex plan for projects with scheduled in-service dates between 2024 and 2028, including the closed and announced U.S. gas utilities transactions;
- The remaining announced gas utility transaction closes by the end of 2024;
- Canadian dollar to U.S. dollar rate of approximately $1.32 in 2024;
- Continuation of ENB's foreign-exchange hedging policy;
- Immaterial share repurchases over the forecast period, common share dividends grow in line with management guidance;
- Interest rates consistent with the Fitch Global Economic Outlook.

Summary of Financial Adjustments

As per Fitch's cross-sector "Corporate Hybrids Treatment and Notching Criteria," the agency treats the relevant securities for ENB as 50% debt and 50% equity. Referenced leverage metrics are adjusted as follows: consolidated balances and flows are used; junior subordinated notes and preferred shares are given 50% debt credit and 50% equity credit; distributions from investees, accounted under the equity method of accounting, are included in EBITDA; and equity earnings from these entities are excluded.

Financial Data

(CAD Mil.)	2021	2022	2023	2024F	2025F	2026F
Summary income statement						
Gross revenue	46,898	53,445	42,886	45,888	50,495	52,535
Revenue growth (%)	20.0	14.0	-19.8	7.0	10.0	4.0
EBITDA before income from associates	11,962	12,913	12,988	14,042	15,654	16,570
EBITDA margin (%)	25.5	24.2	30.3	30.6	31.0	31.5
EBITDA after associates and minorities	13,854	15,244	15,774	16,392	18,024	18,970
EBIT	8,110	8,596	8,375	9,247	10,665	11,430
EBIT margin (%)	17.3	16.1	19.5	20.2	21.1	21.8
Gross interest expense	-2,870	-3,298	-3,958	-3,536	-4,421	-4,589
Pretax income including associate income/loss	7,763	5,046	7,879	5,812	6,345	6,942
Summary balance sheet						
Readily available cash and equivalents	286	861	5,901	3,049	642	501
Debt	75,357	79,008	77,826	93,015	95,815	99,590
Net debt	75,071	78,147	71,925	89,966	95,173	99,089
Summary cash flow statement						
EBITDA	11,962	12,913	12,988	14,042	15,654	16,570
Cash interest paid	-2,427	-2,920	-3,380	-3,536	-4,421	-4,589
Cash tax	-489	-495	-578	-700	-700	-700
Dividends received less dividends paid to minorities (inflow/outflow)	1,892	2,331	2,786	2,350	2,370	2,400
Other items before FFO	230	421	2,827	-400	-440	-400
FFO	10,801	11,912	14,291	11,756	12,463	13,281
FFO margin (%)	23.0	22.3	33.3	25.6	24.7	25.3
Change in working capital	-1,616	-12	346	-111	42	-9
CFO (Fitch-defined)	9,185	11,900	14,637	11,645	12,505	13,271
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-8,093	-4,821	-4,876	—	—	—
Capital intensity (capex/revenue) (%)	17.3	9.0	11.4	—	—	—
Common dividends	-6,766	-6,968	-7,276	—	—	—
FCF	-5,674	111	2,485	—	—	—
FCF margin (%)	-12.1	0.2	5.8	—	—	—
Net acquisitions and divestitures	-2,522	-828	-954	—	—	—
Other investing and financing cash flow items	-119	462	-1,654	—	—	—
Net debt proceeds	9,122	2,497	876	16,000	2,800	3,775
Net equity proceeds	-410	-1,151	4,325	3,000	—	—
Total change in cash	397	1,091	5,078	-2,852	-2,407	-142
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-17,381	-12,617	-13,106	-33,497	-17,712	-17,188
FCF after acquisitions and divestitures	-8,196	-717	1,531	-21,852	-5,207	-3,917
FCF margin after net acquisitions (%)	-17.5	-1.3	3.6	-47.6	-10.3	-7.5
Gross Leverage ratios (x)						
EBITDA leverage	5.4	5.2	4.9	5.7	5.3	5.3
CFO-capex/debt	1.4	9.0	12.5	2.8	3.3	4.8
Net Leverage ratios (x)						
EBITDA net leverage	5.4	5.1	4.6	5.5	5.3	5.2
CFO-capex/net debt	1.5	9.1	13.6	2.9	3.4	4.9
Coverage ratios (x)						
EBITDA interest coverage	5.7	5.2	4.7	4.6	4.1	4.1

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

FitchRatings

Ratings Navigator

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
■ Higher Importance	⇩ Negative
■ Average Importance	⇳ Evolving
■ Lower Importance	□ Stable

FitchRatings

FitchRatings

Enbridge Inc.

Corporates Ratings Navigator
Midstream

Operating Environment

a+	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
a	Financial Access	a	Strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

aa-	Management Strategy	a	Coherent strategy and good track record in implementation.
a+	Governance Structure	aa	No record of governance failing. Experienced board exercising effective check and balance to management. No ownership concentration.
a	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
a-	Financial Transparency	a	High quality and timely financial reporting.
bbb+			

Operational Scale

a+	Scale - EBITDA	a	>$2 billion or quasi monopoly position.
a	Geographic/Asset Diversity	bbb	Moderate to high geographic and asset diversity.
a-	Size and Support	a	Significant advantages of scale.
bbb+			
bbb			

Business Characteristics

a	Commodity Exposure	a	90% fixed; 10% commodity.
a-	Business Mix	a	Natural gas, crude oil, and refined product pipelines.
bbb+	Environmental Exposure	bbb	Moderate exposure to environmental regulations and/or material but manageable remediation costs relative to projected cash flows.
bbb			
bbb-			

Market Position

a+	Asset Quality	a	Assets highest quality among peers.
a	Industry Position/Competitive Advantage	a	Low cost and/or high demand competitive advantage.
a-			
bbb+			
bbb			

Cash Flow Characteristics

a	Rate Structure and Revenue Profile	a	Strong contractual protection. Regulated rates or high component of take-or-pay contracts.
a-	Contracted Revenue and Macro Exposure	bbb	Limited exposure to macro events/conditions. Recontracting risk moderate, capex contractually supported.
bbb+	Counterparty	a	Highly diversified, low concentration risk and reliable, predominately investment grade customers. Weighted average credit quality of counterparties is in line with 'a' rating.
bbb			
bbb-			

Profitability

aa-	Volatility of Profitability	a	Higher stability and predictability of profits than industry average.
a+			
a			
a-			
bbb+			

Financial Structure

a-	EBITDA Leverage	bb	5.5x
bbb+	EBITDA Net Leverage	bb	5.2x
bbb			
bbb-			
bb+			

Financial Flexibility

a	Financial Discipline	bbb	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity	bbb	No need for external funding beyond committed facilities in the next 12 months even under a severe stress scenario. Well-spread maturities. Diversified funding.
bbb+	EBITDA Interest Coverage	bbb	4.5x
bbb	Distribution Coverage		n.a.
bbb-			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Enbridge Inc. has 10 ESG potential rating drivers

- Emissions from operations
- Energy use in operations
- Ecological impact of operating incidents and spills
- Assets exposed to flooding and extreme weather events
- Pipelines traversing indigenous lands or other politically sensitive regions
- Social resistance to major projects or operations that leads to delay and cost increases

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	10	issues	3
not a rating driver	2	issues	2
	2	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Enbridge Inc.

Corporates Ratings Navigator
Midstream

Credit-Relevant ESG Derivation

Enbridge Inc. has 10 ESG potential rating drivers

- Enbridge Inc. has exposure to emissions regulatory risk but this has very low impact on the rating.
- Enbridge Inc. has exposure to energy productivity risk but this has very low impact on the rating.
- Enbridge Inc. has exposure to waste & impact management risk but this has very low impact on the rating.
- Enbridge Inc. has exposure to extreme weather events but this has very low impact on the rating.
- Enbridge Inc. has exposure to land rights/conflicts risk but this has very low impact on the rating.
- Enbridge Inc. has exposure to social resistance but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	10	issues	3
not a rating driver	2	issues	2
	2	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	3	Emissions from operations	Business Characteristics; Profitability; Financial Structure; Financial Flexibility	5
Energy Management	3	Energy use in operations	Scale of Operations; Business Characteristics; Profitability	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Ecological impact of operating incidents and spills	Business Characteristics; Profitability; Financial Structure; Financial Flexibility	2
Exposure to Environmental Impacts	3	Assets exposed to flooding and extreme weather events	Business Characteristics; Profitability; Financial Structure; Financial Flexibility	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Pipelines traversing indigenous lands or other politically sensitive regions	Business Characteristics; Profitability; Financial Structure; Financial Flexibility	5
Customer Welfare - Fair Messaging, Privacy & Data Security	1	n.a.	n.a.	4
Labor Relations & Practices	2	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Business Characteristics; Profitability; Financial Structure; Financial Flexibility	2
Exposure to Social Impacts	3	Social resistance to major projects or operations that leads to delays and cost increases	Business Characteristics; Profitability; Financial Structure; Financial Flexibility	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

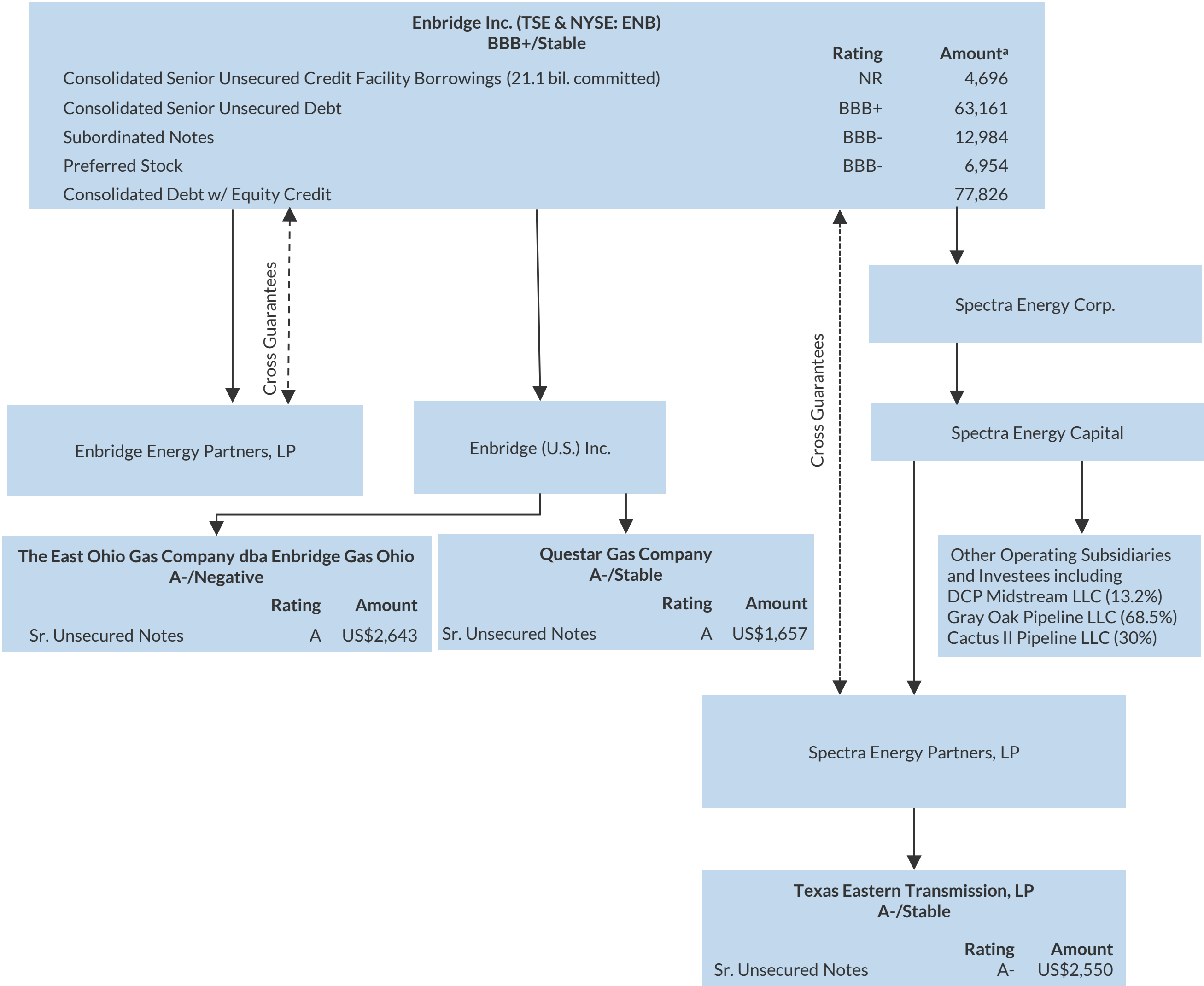
How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational and Debt Structure - Enbridge Inc.
(As of Dec 31, 2023; CAD Mil. Unless otherwise noted)



[a] Outstanding amounts are on a consolidated basis.
Source: Fitch Ratings, Fitch Solutions, Enbridge Inc. NR - Not Publicly Rated.

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA after associates and minorities (CAD Mil.)	EBITDA leverage (x)	EBITDA net leverage (x)	EBITDA interest coverage (x)	Capex (CAD Mil.)
Enbridge Inc.	BBB+						
	BBB+	2023	15,774	4.9	4.6	4.7	-4,876
	BBB+	2022	15,244	5.2	5.1	5.2	-4,821
	BBB+	2021	13,854	5.4	5.4	5.7	-8,093
	BBB+	2020	13,049	5.1	5.1	5.1	-5,620
TC Energy Corporation	BBB+						
	BBB+	2023	10,770	5.5	5.2	3.7	-8,149
	A-	2022	11,290	4.8	4.8	4.3	-6,727
	A-	2021	9,329	5.4	5.3	4.1	-5,924
	A-	2020	9,296	5.1	4.9	4.2	-8,135
Kinder Morgan, Inc.	BBB						
	BBB	2023	9,531	4.4	4.4	3.9	-3,064
	BBB	2022	9,491	4.5	4.4	4.8	-2,205
	BBB	2021	10,074	4.1	3.9	5.2	-1,624
	BBB	2020	8,610	5.0	4.8	4.0	-2,195
Williams Companies, Inc. (The)	BBB						
	BBB	2023	8,388	4.2	3.9	5.5	-3,328
	BBB	2022	8,360	3.8	3.7	5.5	-3,106
	BBB	2021	6,817	4.4	4.1	4.7	-1,581
	BBB	2020	6,087	4.8	4.7	4.1	-1,639

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(CAD Mil. as of December 31, 2023)	Notes and formulas	Standardised values	Hybrid equity credit adjustment	Fair value and other debt adjustments	Preferred dividends, associates and minorities cash adjustments	Other adjustments	Adjusted values
Income statement summary							
Revenue		43,649	—	—	—	-763	42,886
EBITDA	(a)	13,264	—	—	—	-276	12,988
Depreciation and amortization		-4,613	—	—	—	—	-4,613
EBIT		8,651	—	—	—	-276	8,375
Balance sheet summary							
Debt	(b)	77,698	-68	60	—	135	77,826
Of which other off-balance-sheet debt		—	—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—	—
Lease-adjusted debt		77,698	-68	60	—	135	77,826
Readily available cash and equivalents	(c)	5,901	—	—	—	—	5,901
Not readily available cash and equivalents		84	—	—	—	—	84
Cash flow summary							
EBITDA	(a)	13,264	—	—	—	-276	12,988
Dividends received from associates less dividends paid to minorities	(d)	1,635	—	—	—	1,151	2,786
Interest paid	(e)	-3,380	—	—	—	—	-3,380
Interest received	(f)	—	—	—	—	—	—
Preferred dividends paid	(g)	-352	—	—	—	—	-352
Cash tax paid		-578	—	—	—	—	-578
Other items before FFO		2,551	—	—	—	276	2,827
FFO	(h)	13,140	—	—	1,151	—	14,291
Change in working capital		346	—	—	—	—	346
CFO	(i)	13,486	—	—	1,151	—	14,637
Non-operating/nonrecurring cash flow		—	—	—	—	—	—
Capex	(j)	-4,876	—	—	—	—	-4,876
Common dividends paid		-7,276	—	—	—	—	-7,276
FCF		1,334	—	—	1,151	—	2,485
Gross leverage (x)							
EBITDA leverage	b/(a+d)	5.2	—	—	—	—	4.9
(CFO-capex)/debt (%)	(i+j)/b	11.1	—	—	—	—	12.5
Net leverage (x)							
EBITDA net leverage	(b-c)/(a+d)	4.8	—	—	—	—	4.6
(CFO-capex)/net debt (%)	(i+j)/(b-c)	12.0	—	—	—	—	13.6
Coverage (x)							
EBITDA interest coverage	(a+d)/(-e)	4.4	—	—	—	—	4.7

CFO – Cash flow from operations
Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.
Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.
Debt includes other off-balance-sheet debt.
Debt in the standardised values column excludes lease liabilities of CAD1,033 million.
Source: Fitch Ratings, Fitch Solutions, Enbridge Inc.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

Moodys Questar Gas Credit Opinion 3-4-24

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
19 August 2019

Update

Rate this Research

RATINGS

Questar Gas Company

Domicile	Salt Lake City, Utah, United States
Long Term Rating	A3
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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EMEA	44-20-7772-5454

Questar Gas Company

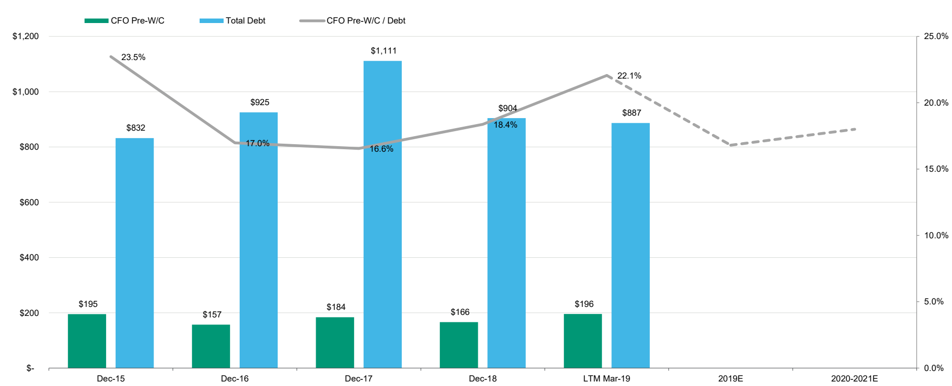
Update following downgrade to A3

Summary

Questar Gas Company's credit profile reflects 1) low-risk operations as a local gas distribution company (LDC), 2) supportive regulators in Utah and Wyoming, 3) stable cash flow production through its suite of cost recovery mechanisms and 4) recent conservative financial policies; albeit these are expected to be temporary.

The Questar Gas credit profile is constrained by weak financial metrics versus peers and a highly levered parent company (i.e., Dominion Energy Inc. (Dominion, Baa2 stable)) with over $350 million of parent-level interest expense and $2.5 billion in corporate dividends, annually.

Exhibit 1
Historical and Projected CFO Pre-WC, Total Debt and CFO Pre-WC to Debt
($MM)



Source: Moody's Financial Metrics and Moody's projection estimates

Credit strengths

» Stable and predictable cash flow derived from an estimated $1.8 million of rate base

» Cooperative relationships with regulators in Utah and Wyoming

» Ring-fencing like provisions helps offset some risk of its highly levered parent

Credit challenges

» Base rate freeze through 2020 and tax reform impacts will weaken financial metrics

» Elevated capital spend over the next three years

» Highly levered parent that carries higher credit risk

Rating outlook

The stable outlook for Questar Gas reflects the company's low business risk and stable cash flow production. The stable outlook also incorporates our view that the current rate case in Utah will yield a higher rate base and net income (helping the company to generate cash flow to debt metrics between 17-19% for the next two to three years) and that short-term debt and upstream dividends will be increasing.

Factors that could lead to an upgrade

» Cash flow to debt metrics above 20% on a sustainable basis, while maintaining the same degree of regulatory support that it currently has

» A material improvement in cost recovery provisions

Factors that could lead to a downgrade

» Cash flow to debt metrics below 16%, on a sustained basis

» If regulatory support or the ability to recover costs were to decline

Key indicators

Exhibit 2

Questar Gas Company [1]

	Dec-15	Dec-16	Dec-17	Dec-18	LTM Mar-19
CFO Pre-W/C + Interest / Interest	7.4x	6.1x	6.2x	5.2x	6.1x
CFO Pre-W/C / Debt	23.5%	17.0%	16.6%	18.4%	22.1%
CFO Pre-W/C – Dividends / Debt	17.8%	13.7%	16.6%	18.4%	22.1%
Debt / Capitalization	44.0%	45.0%	52.7%	41.3%	39.4%

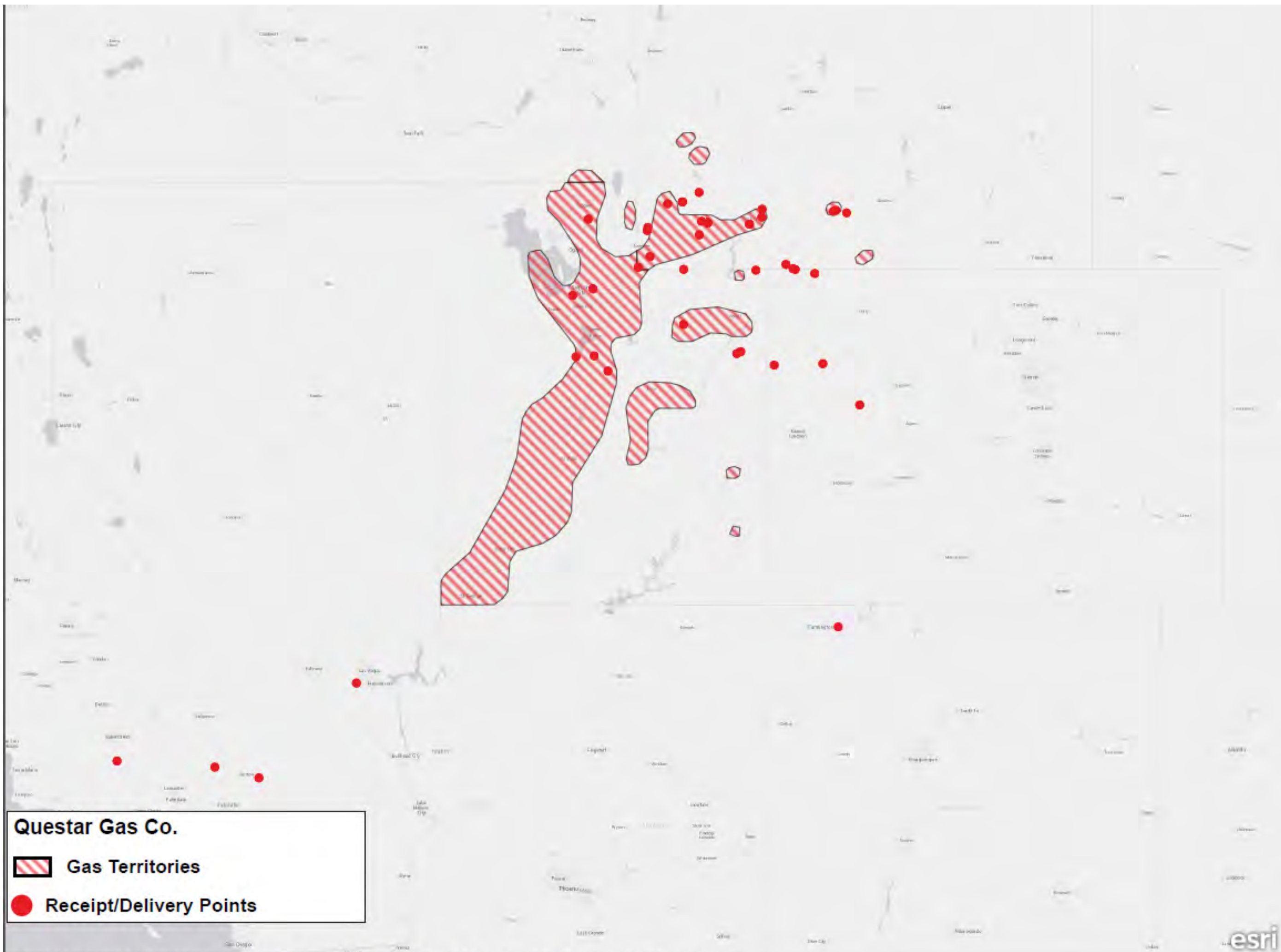
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics

Profile

Questar Gas is a local gas distribution company that serves over 1.1 million customers primarily in Utah but also in Wyoming and Idaho. Questar Gas is primarily regulated by the Public Service Commission of Utah (PSCU) and the Wyoming Public Service Commission (WPSC) with a rate base expected to be about $1.8 billion in 2019.

Exhibit 3

Questar's service territory spans the length of Utah and supports customer growth of about 2% per year



Source: SPGMI

Questar Gas' ultimate parent company is Dominion Energy Inc. (Dominion, Baa2 stable), one of the nation's largest producers and transporters of energy, headquartered in Richmond, VA.

Detailed credit considerations

Supportive regulatory environments with key cost recovery features

Questar Gas' credit profile is underpinned by its low-risk gas distribution operations in very supportive regulatory environments. The PSCU and PSCW provide Questar Gas with cost recovery provisions that allow the company to recover prudently incurred costs on a timely basis.

Some of the key regulatory provisions include the company's revenue decoupling mechanism and weather normalization adjustment, which help to provide revenue and cash flow certainty despite fluctuations in customer use patterns. Importantly, the decoupling mechanism also helps Questar Gas to recover its fixed charges, even in a declining demand environment, which mitigates volume risk.

Another supportive mechanism is a pilot infrastructure rider, which allows the company to recover up to about $70 million of annual capital spending on certain infrastructure replacement projects between general rate cases. This helps to accelerate a degree of capex recovery (e.g., $70 million is roughly 30% of the $218 million capex that Questar spent in 2018) thus supporting company cash flow and limiting the use of debt financing.

In July, Questar Gas filed for its first general rate increase since 2014 with the PSCU. The filing requests just over a $19 million annual revenue increase, based on a $1.8 billion rate base with a 10.5% allowed ROE on an equity layer of 55%. The filing also requests a continuation of the infrastructure rider and that the recovery cap be raised to $80 million per year. The latter would be credit positive, since it would maintain an important element of predictable cost recovery.

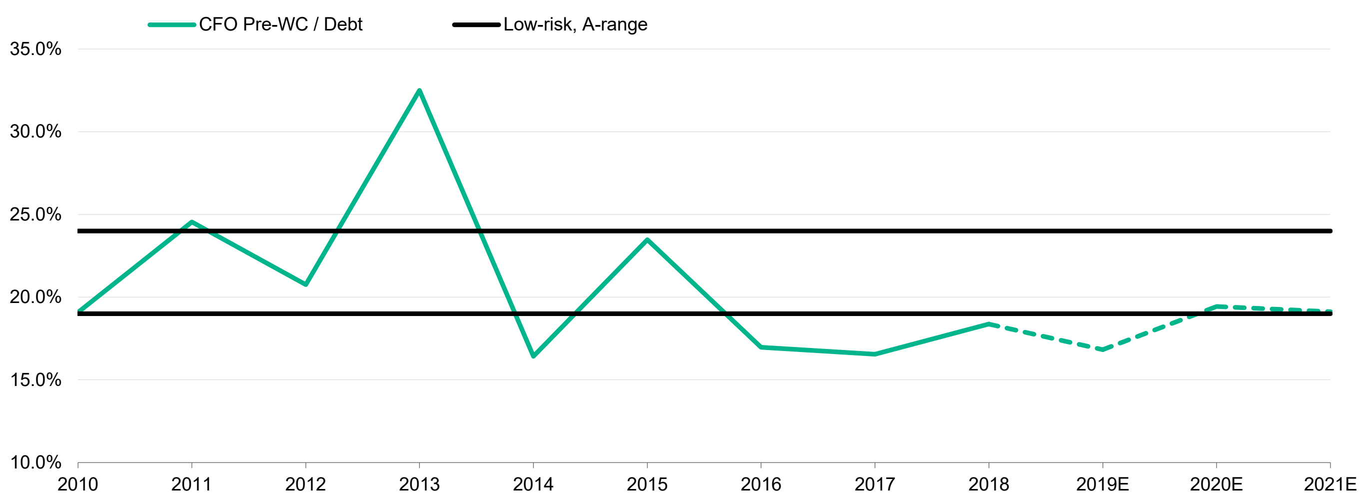
Despite current rate case, financial metrics expected to remain lower than historical levels

We assume that the Utah rate case will boost Questar Gas' rate base, net income and cash flow, since the company has not received a base rate increase since 2014. However, we also think it likely that the ultimate order will authorize an allowed ROE and equity layer that is less than the company's request of a 10.5% allowed ROE and 55% equity layer, since these levels are high for what the commission has allowed for rate making purposes.

In all, we do not envision this rate case providing enough financial uplift to bring cash flow to debt metrics back to the low-20% range that the company exhibited before tax reform and its acquisition by Dominion that precipitated a rate freeze. For example, even when applying the full company request of a $1.8 billion rate base, 55% equity layer and 10.5% allowed ROE, Moody's sees annual cash flow from operations persisting at around $200 million and cash flow to debt ratios remaining between 17-19% over the next three years. These levels are at, or below, the low end of the range expected for low-risk utilities with a CFO pre-WC to debt metric in the A-range.

Exhibit 4

Questar Gas' CFO pre-WC to debt is expected to average around 18% through 2021



Source: Moody's Investors Service

Recent financial policies have helped the balance sheet, but we view them as temporary measures

In recent years, Questar Gas' parent, Dominion, has taken steps to bolster the balance sheet by infusing $200 million of equity into the utility, paying-down short-term debt, withholding dividends over the last two years and by seeking regulatory approval of a higher level of equity capitalization (i.e., 55% from around 52%).

While supportive, Moody's sees these steps as temporary since short-term debt balances will grow for seasonal gas purchases and upstream dividends will likely be reinstated to help support over $550 million of parent-level interest expense and over $2.5 billion in corporate dividends. The maintenance of Questar Gas' 55% equity layer – which is high compared to what the PSCU has typically allowed - will also come under scrutiny in the company's current rate case.

Parent contagion risk reduced by utility ring-fencing type provisions and de-risking events in 2018

The ring-fencing like provisions put in place by the PSCU and PSCW help to support Questar Gas' standalone credit profile and provide some downside protections from its highly levered parent. For example, by instituting measures focused on minimum equity levels, rating levels, intercompany lending restrictions, liquidity facility requirements and a "Special Bankruptcy Director" for Questar Gas, we see added regulatory focus on maintaining Questar Gas' individual credit quality. Some of these features also govern the degree to which Dominion can increase Questar Gas' leverage ratios - a credit positive.

Moreover, Dominion made significant progress toward lowering its business and financial risk in 2018. Some of the key features include the reduction of holding company debt by around $8.0 billion ($5.0 billion on a consolidated basis) by way of selling two merchant power generation plants and its 50% interest in the Blue Racer (Ba1 stable) midstream gas business with higher risk operations. Furthermore, the acquisition of SCANA Corp. (Ba1 positive) added over $800 million of rate regulated utility cash flow to the consolidated operations and provides more geographic and regulatory diversity going forward.

Low carbon transition risk

Questar Gas has low carbon transition risk within the utility sector because it is a gas LDC and natural gas commodity purchase costs are fully passed through to customers with an effective cost recovery mechanism. Moreover, the company's decoupling mechanism helps to insulate its financial profile from the potential negative impacts of lower sales volume, should usage decline.

Liquidity analysis

Questar Gas' internal liquidity consists of cash flow from operations of around $200 million, versus capital expenditures above $230 million. We expect that Questar Gas will maintain a lower dividend payout through 2019, in-line with the past 12 months, but will still require external liquidity sources to maintain an adequate liquidity profile.

Questar Gas has direct access to Dominion's $6.0 billion master credit facility, by way of a $250 million sub-limit. On 30 June 2019, Questar Gas had no commercial paper (CP) outstanding. The sub-limit can be increased or decreased multiple times per year and if Questar Gas has liquidity needs in excess of its sub-limit, its needs can be satisfied through short-term intercompany borrowings from Dominion.

The master credit facility is a joint facility that also names affiliates Virginia Electric and Power Company (A2 stable) and Dominion Energy Gas Holdings, LLC (A3 stable) as co-borrowers. The facility matures in March 2023. The joint facility contains no material adverse change clause for borrowings but do contain a maximum 67.5% debt to capitalization covenant (Questar Gas' specific covenant is 65%), and all four borrowers have reported that they remain comfortably in compliance with this covenant restriction.

We also note that while it is common practice for Dominion and its subsidiaries to limit CP issuances to amounts available under the revolver backstop, the program documentation has no overt language that restricts CP issuance in this manner. We expect Dominion to continue its practice of maintaining 100% backup, at all times, for funded commercial paper in the form of cash balances and its $6.0 billion of committed bank credit facility. Should there be a deviation of this practice, the liquidity and long-term credit quality of Questar Gas would be negatively affected.

The next debt maturities at Questar Gas include $40 million of notes due in December 2024 and $110 million on December 2027.

Exhibit 5

Dominion's credit facility profile as of 30 June 2019 [1]

Company	Current Sub-Limit	CP Outstanding	Letters of Credit	Total Use as % of Sub-Limit	Sub-Limit Available
Total	**$ 6,000**	**$ 2,526**	**$ 91**	**44%**	**$ 3,383**
DEI	$ 3,000	$ 976	$ 85	35%	$ 1,939
VEPCO	$ 1,500	$ 1,300	$ 6	87%	$ 194
DEGH	$ 750	$ 250	$ -	33%	$ 500
Questar Gas	$ 250	$ -	$ -	0%	$ 250
DESC	$ 500	$ -	$ -	0%	$ 500

Dominion represents Dominion Energy Inc.'s parent and unregulated operations
Source: Company reports

Rating methodology and scorecard factors

Exhibit 6

Rating Factors
Questar Gas Company

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 3/31/2019		Moody's 12-18 Month Forward View As of Date Published [3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	A	A	A	A
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.0x	Aa	5.5x - 6x	A
b) CFO pre-WC / Debt (3 Year Avg)	20.0%	A	17% - 19%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	19.3%	A	17% - 19%	A
d) Debt / Capitalization (3 Year Avg)	42.6%	A	41% - 45%	A
Rating:				
Scorecard Indicated Outcome Before Notching Adjustment		A2		A3
HoldCo Structural Subordination Notching	0	0	0	0
a) Scorecard Indicated Outcome from Grid		A2		A3
b) Actual Rating Assigned		A3		A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/30/2019(L)
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics

Appendix

Exhibit 7

Cash Flow and Credit Metrics [1]

CF Metrics	Dec-15	Dec-16	Dec-17	Dec-18	LTM Mar-19
As Adjusted					
FFO	179	157	184	166	196
+/- Other	16	-	-	-	-
CFO Pre-WC	195	157	184	166	196
+/- ΔWC	(63)	44	(43)	47	(116)
CFO	132	201	141	213	80
- Div	47	30	-	-	-
- Capex	217	240	215	218	195
FCF	(132)	(69)	(74)	(5)	(115)
(CFO Pre-W/C) / Debt	23.5%	17.0%	16.6%	18.4%	22.1%
(CFO Pre-W/C - Dividends) / Debt	17.8%	13.7%	16.6%	18.4%	22.1%
FFO / Debt	21.5%	17.0%	16.6%	18.4%	22.1%
RCF / Debt	15.9%	13.7%	16.6%	18.4%	22.1%
Revenue	918	921	947	918	904
Cost of Good Sold	553	528	550	534	512
Interest Expense	30	31	35	40	39
Net Income	60	65	70	52	58
Total Assets	2,193	2,507	2,698	2,816	2,823
Total Liabilities	1,571	1,853	1,977	1,808	1,751
Total Equity	621	654	721	1,007	1,072

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

Exhibit 8

Peer Comparison Table [1]

	Questar Gas Company A3 Stable			DTE Gas Company A3 Stable			Southwest Gas Corporation A3 Stable			Public Service Co. of North Carolina, Inc. A3 Negative			UGI Utilities, Inc. A2 Stable		
(in US millions)	FYE Dec-17	FYE Dec-18	LTM Mar-19	FYE Dec-17	FYE Dec-18	LTM Mar-19	FYE Dec-17	FYE Dec-18	LTM Jun-19	FYE Dec-17	FYE Dec-18	LTM Mar-19	FYE Sep-17	FYE Sep-18	LTM Mar-19
Revenue	947	918	904	1,368	1,415	1,510	1,302	1,358	1,367	470	500	526	888	1,092	1,038
CFO Pre-W/C	184	166	196	310	337	333	433	428	423	157	113	146	298	344	333
Total Debt	1,111	904	887	1,784	1,826	1,786	2,121	2,369	2,397	747	853	755	1,095	1,138	1,199
CFO Pre-W/C / Debt	16.6%	18.4%	22.1%	17.4%	18.5%	18.7%	20.4%	18.1%	17.6%	21.0%	13.3%	19.4%	27.2%	30.2%	27.8%
CFO Pre-W/C – Dividends / Debt	16.6%	18.4%	22.1%	11.5%	12.3%	12.2%	16.6%	14.4%	13.9%	16.2%	8.1%	13.5%	22.0%	25.8%	25.3%
Debt / Capitalization	52.7%	41.3%	39.4%	46.4%	43.9%	42.7%	50.9%	51.2%	49.4%	43.3%	44.9%	40.8%	40.3%	43.3%	42.4%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months.
Source: Moody's Financial Metrics

Ratings

Exhibit 9

Category	Moody's Rating
QUESTAR GAS COMPANY	
Outlook	Stable
Senior Unsecured	A3
Commercial Paper	P-2
ULT PARENT: DOMINION ENERGY, INC.	
Outlook	Stable
Senior Unsecured	Baa2
Jr Subordinate	Baa3
Commercial Paper	P-2

Source: Moody's Investors Service

REPORT NUMBER 1189930

CLIENT SERVICES

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

Moodys Questar Gas Rating Action 3-4-24

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's changes outlooks on 25 US regulated utilities prim impacted by tax reform

Global Credit Research - 19 Jan 2018

New York, January 19, 2018 -- Moody's Investors Service, ("Moody's") changed the rating outlooks to negative from stable for 24 regulated utilities and utility holding companies; and to stable from positive fo utility holding company in the United States. The short- and long-term ratings for all 25 companies we affirmed.

RATINGS RATIONALE

"Today's action primarily applies to companies that already had limited cushion in their rating for deteriorat in financial performance, will be incrementally impacted by changes in the tax law and where we now expect key credit metrics to be lower for longer," said Jim Hempstead, a Managing Director at Moody's. "Utilities will work closely with state regulators to try to mitigate the negative impact of tax reform and in some cases the may seek to refine their corporate financial policies. Where successful, their rating outlooks could revert to stable."

Tax reform is credit negative for US regulated utilities because the lower 21% statutory tax rate reduces cas collected from customers, while the loss of bonus depreciation reduces tax deferrals, all else being equal. Moody's calculates that the recent changes in tax laws will dilute a utility's ratio of cash flow before chan working capital to debt by approximately 150 - 250 basis points on average, depending to some degree on size of the company's capital expenditure programs. From a leverage perspective, Moody's estimates that de to total capitalization ratios will increase, based on the lower value of deferred tax liabilities.

The change in outlook to negative from stable for the 24 companies affected in this rating action primarily reflects the incremental cash flow shortfall caused by tax reform on projected financial metrics that were already weak, or were expected to become weak, given the existing rating for those companies. The negat outlook also considers the uncertainty over the timing of any regulatory actions or other changes to corporate finance polices made to offset the financial impact.

The change in outlook to stable from positive for American Electric Power Company, Inc. (AEP, Baa1 stable reflects Moody's calculations that the projected ratio of cash flow before changes in working capital to debt, incorporating the effects of tax reform, will remain in the mid-teens range. At this level, Moody's believes AEP Baa1 rating is appropriate.

The vast majority of US regulated utilities, however, continue to maintain stable rating outlooks. We do not expect the cash flow reduction associated with tax reform to materially impact their credit profiles because sufficient cushion exists within projected financial metrics for their current ratings. Nonetheless, further ac could occur on a company specific basis.

Over the next 12 to 18 months, Moody's will continue to monitor the financial impact of tax reform on each company, including its regulatory approach to rate treatment and any changes to corporate financial strategies. This will include balance sheet changes due to reclassification of excess deferred tax liabilities as a regulatory liability and the magnitude of any amounts to be refunded to customers. If the financial impact of ta reform is more severe than Moody's initial estimates or the companies fail to materially mitigate any weaknesses in their financial profiles, the ratings could be downgraded.

That said, Moody's expects that most utilities will attempt to manage any negative financial implications of reform through regulatory channels. Corporate financial policies could also change. The actions taken by utilities will be incorporated into the credit analysis on a prospective basis. As a result, it is conceivable th some companies will sufficiently defend their credit profiles. For these companies, it is possible for the outl to return to stable.

Potential regulatory offsets to tax-related cash leakage could include: accelerated cost recovery of certain regulatory assets or future investment; changes to the equity layer or allowed ROEs, rate increases, and other actions. Changes to corporate financial policies could include changes to capitalization, the financing of future investments, dividend growth, or others. Some of these corporate measures could have a more immediate boost to projected metrics than certain regulatory provisions, which may take time to approve and implement.

Outlook Actions:

..Issuer: American Electric Power Company, Inc.

....Outlook, Changed To Stable From Positive

..Issuer: Avista Corp.

....Outlook, Changed To Negative From Stable

..Issuer: Avista Corp. Capital II

....Outlook, Changed To Negative From Stable

..Issuer: Duke Energy Corporation

....Outlook, Changed To Negative From Stable

..Issuer: Entergy Corporation

....Outlook, Changed To Negative From Stable

..Issuer: New Jersey Natural Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: Northwest Natural Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: ONE Gas, Inc

....Outlook, Changed To Negative From Stable

..Issuer: Piedmont Natural Gas Company, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Public Service Company of Oklahoma

....Outlook, Changed To Negative From Stable

..Issuer: Questar Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: South Jersey Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: Alabama Power Capital Trust V

....Outlook, Changed To Negative From Stable

..Issuer: Alabama Power Company

....Outlook, Changed To Negative From Stable

..Issuer: Southern Company (The)

....Outlook, Changed To Negative From Stable

..Issuer: Southern Elect Generating Co

....Outlook, Changed To Negative From Stable

..Issuer: Southwestern Public Service Company

....Outlook, Changed To Negative From Stable

..Issuer: Wisconsin Gas LLC

....Outlook, Changed To Negative From Stable

..Issuer: American Water Capital Corp.

....Outlook, Changed To Negative From Stable

Issuer: American Water Works Company, Inc.

....Outlook, Changed To Negative From Stable

Outlook Actions:

..Issuer: Consolidated Edison Company of New York, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Consolidated Edison, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Orange and Rockland Utilities, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Brooklyn Union Gas Company, The

....Outlook, Changed To Negative From Stable

..Issuer: KeySpan Gas East Corporation

....Outlook, Changed To Negative From Stable

Affirmations:

..Issuer: American Electric Power Company, Inc.

.... Commercial Paper, Affirmed P-2

....Senior Unsecured Shelf, Affirmed (P)Baa1

....Junior Subordinated Shelf, Affirmed (P)Baa2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1

..Issuer: Avista Corp.

.... Issuer Rating, Affirmed Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

....Underlying Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Secured Medium-Term Note Program, Affirmed (P)A2

....Senior Secured Regular Bond/Debenture, Affirmed A2

....Senior Unsecured Medium-Term Note Program, Affirmed (P)Baa1

..Issuer: Avista Corp. Capital II

....Pref. Stock Preferred Stock, Affirmed Baa2

..Issuer: Duke Energy Corporation

.... Issuer Rating, Affirmed Baa1

....Junior Subordinated Regular Bond/Debenture, Affirmed Baa2

....Senior Unsecured Shelf, Affirmed (P)Baa1

....Senior Unsecured Bank Credit Facility, Affirmed Baa1

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1

..Issuer: Entergy Corporation

.... Issuer Rating, Affirmed Baa2

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

....Senior Unsecured Shelf, Affirmed (P)Baa2

..Issuer: New Jersey Natural Gas Company

.... Commercial Paper, Affirmed P-1

..Issuer: Northwest Natural Gas Company

.... Commercial Paper, Affirmed P-2

....Senior Secured Medium-Term Note Program, Affirmed (P)A1

....Senior Unsecured Medium-Term Note Program, Affirmed (P)A3

....Senior Secured Shelf, Affirmed (P)A1

....Senior Unsecured Shelf, Affirmed (P)A3

....Preferred Shelf, Affirmed (P)Baa2

....Senior Secured First Mortgage Bonds, Affirmed A1

....Senior Secured Regular Bond/Debenture, Affirmed A1

..Issuer: ONE Gas, Inc

....Senior Unsecured Commercial Paper, Affirmed P-1

....Senior Unsecured Regular Bond/Debenture, Affirmed A2

..Issuer: Piedmont Natural Gas Company, Inc.

....Senior Unsecured Commercial Paper, Affirmed P-1

....Senior Unsecured Regular Bond/Debenture, Affirmed A2

..Issuer: Public Service Company of Oklahoma

.... Issuer Rating, Affirmed A3

....Senior Unsecured Regular Bond/Debenture, Affirmed A3

..Issuer: Questar Gas Company

....Senior Unsecured Commercial Paper, Affirmed P-1

....Senior Unsecured Medium-Term Note Program, Affirmed (P)A2

....Senior Unsecured Regular Bond/Debenture, Affirmed A2

..Issuer: Alabama Power Capital Trust V

....Pref. Stock Preferred Stock, Affirmed A2

..Issuer: Alabama Power Company

.... Commercial Paper, Affirmed P-1

.... Issuer Rating, Affirmed A1

....Senior Unsecured Shelf, Affirmed (P)A1

....Preferred Shelf, Affirmed (P)A3

....Preference Shelf, Affirmed (P)A3

....Pref. Stock Preferred Stock, Affirmed A3

....Senior Unsecured Bank Credit Facility, Affirmed A1

....Senior Unsecured Commercial Paper, Affirmed P-1

....Senior Unsecured Regular Bond/Debenture, Affirmed A1

..Issuer: Columbia (Town of) AL, Industrial Dev. Board

....Senior Unsecured Revenue Bonds, Affirmed A1

....Senior Unsecured Revenue Bonds, Affirmed VMIG 1

..Issuer: Eutaw (City of) AL, Industrial Dev. Board

....Senior Unsecured Revenue Bonds, Affirmed A1

....Senior Unsecured Revenue Bonds, Affirmed VMIG 1

..Issuer: Mobile (City of) AL, I.D.B.

....Senior Unsecured Revenue Bonds, Affirmed A1

....Senior Unsecured Revenue Bonds, Affirmed VMIG 1

..Issuer: Walker County Econ & Ind Dev Authority

....Senior Unsecured Revenue Bonds, Affirmed A1

....Senior Unsecured Revenue Bonds, Affirmed VMIG 1

..Issuer: West Jefferson (Town of) AL, Ind. Devel. Bd.

....Senior Unsecured Revenue Bonds, Affirmed A1

....Senior Unsecured Revenue Bonds, Affirmed VMIG 1

..Issuer: Wilsonville (Town of) AL, I.D.B.

....Senior Unsecured Revenue Bonds, Affirmed A1

....Senior Unsecured Revenue Bonds, Affirmed VMIG 1

....Underlying Senior Unsecured Revenue Bonds, Affirmed A1

..Issuer: South Jersey Gas Company

.... Issuer Rating, Affirmed A2

....Senior Secured First Mortgage Bonds, Affirmed Aa3

....Senior Secured Medium-Term Note Program, Affirmed (P)Aa3

....Senior Secured Regular Bond/Debenture, Affirmed Aa3

....Senior Unsecured Commercial Paper, Affirmed P-1

..Issuer: New Jersey Economic Development Authority

....Senior Secured Revenue Bonds, Affirmed Aa3

....Underlying Senior Secured Revenue Bonds, Affirmed Aa3

....Senior Secured Revenue Bonds, Affirmed Aa2

....Underlying Senior Secured Revenue Bonds, Affirmed Aa2

..Issuer: Southern Company (The)

.... Commercial Paper, Affirmed P-2

....Junior Subordinated Regular Bond/Debenture, Affirmed Baa3

....Senior Unsecured Shelf, Affirmed (P)Baa2

....Junior Subordinated Shelf, Affirmed (P)Baa3

....Senior Unsecured Bank Credit Facility, Affirmed Baa2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

..Issuer: Southern Elect Generating Co

.... Issuer Rating, Affirmed A2

....Senior Unsecured Regular Bond/Debenture, Affirmed A1

..Issuer: Southwestern Public Service Company

.... Issuer Rating, Affirmed Baa1

....Senior Secured Shelf, Affirmed (P)A2

....Senior Unsecured Shelf, Affirmed (P)Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Unsecured Bank Credit Facility, Affirmed Baa1

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1

..Issuer: Wisconsin Gas LLC

.... Commercial Paper, Affirmed P-1

....Senior Unsecured Regular Bond/Debenture, Affirmed A2

..Issuer: American Water Capital Corp.

.... Issuer Rating, Affirmed A3

....Senior Unsecured Shelf, Affirmed (P)A3

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed A3

..Issuer: American Water Works Company, Inc.

.... Issuer Rating, Affirmed A3

..Issuer: Berks County Industrial Development Auth., PA

....Senior Unsecured Revenue Bonds, Affirmed A3

..Issuer: California Pollution Control Financing Auth.

....Senior Unsecured Revenue Bonds, Affirmed A3

..Issuer: Illinois Development Finance Authority

....Senior Unsecured Revenue Bonds, Affirmed A3

..Issuer: Illinois Finance Authority

....Senior Unsecured Revenue Bonds, Affirmed A3

..Issuer: Indiana Finance Authority

....Senior Unsecured Revenue Bonds, Affirmed A3

..Issuer: MARICOPA COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY,

....Senior Unsecured Revenue Bonds, Affirmed A3

..Issuer: Northampton County I.D.A., PA

....Senior Unsecured Revenue Bonds, Affirmed A3

..Issuer: Owen (County of) KY

....Senior Unsecured Revenue Bonds, Affirmed A3

.Issuer: Consolidated Edison Company of New York, Inc.

.... Issuer Rating, Affirmed A2

....Senior Unsecured Shelf, Affirmed (P)A2

....Subordinate Shelf, Affirmed (P)A3

....Preferred Shelf, Affirmed (P)Baa1

....Senior Unsecured Commercial Paper, Affirmed P-1

....Senior Unsecured Regular Bond/Debenture, Affirmed A2

....Underlying Senior Unsecured Regular Bond/Debenture, Affirmed A2

..Issuer: New York State Energy Research & Dev. Auth.

....Senior Unsecured Revenue Bonds, Affirmed A2

....Underlying Senior Unsecured Revenue Bonds, Affirmed A2

..Issuer: New York State Research & Development Auth.

....Senior Unsecured Revenue Bonds, Affirmed A2

....Underlying Senior Unsecured Revenue Bonds, Affirmed A2

..Issuer: Consolidated Edison, Inc.

.... Issuer Rating, Affirmed A3

....Senior Unsecured Shelf, Affirmed (P)A3

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed A3

..Issuer: Orange and Rockland Utilities, Inc.

.... Issuer Rating, Affirmed A3

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed A3

..Issuer: Brooklyn Union Gas Company, The

....LT Issuer Rating, Affirmed A2

....Senior Unsecured Regular Bond/Debenture, Affirmed A2

..Issuer: New York State Energy Research & Dev. Auth.

....Backed LT IRB/PC Insured, Affirmed A2

...Underlying LT IRB/PC, Affirmed A2

Issuer: KeySpan Gas East Corporation

....LT Issuer Rating, Affirmed A2

....Senior Unsecured Regular Bond/Debenture, Affirmed A2

The principal methodology used in rating Public Service Company of Oklahoma, Southwestern Public Servic Company, Southern Company (The), Alabama Power Company, Alabama Power Capital Trust V, South Elect Generating Co, South Jersey Gas Company, Wisconsin Gas LLC, American Electric Power Company Inc., Duke Energy Corporation, Piedmont Natural Gas Company, Inc., Avista Corp., Avista Corp. Capital II, ONE Gas, Inc, New Jersey Natural Gas Company, Northwest Natural Gas Company, Questar Gas Compar Entergy Corporation, Consolidated Edison, Inc., Consolidated Edison Company of New York, Inc., Brooklyn Union Gas Company, The, KeySpan Gas East Corporation, and Orange and Rockland Utilities, Inc. was Regulated Electric and Gas Utilities published in June 2017. The principal methodology used in rating American Water Works Company, Inc. and American Water Capital Corp. was Regulated Water Utilities published in December 2015. Please see the Rating Methodologies page on www.moodys.com for a copy these methodologies.

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MOODY'S INVESTORS SERVICE

CREDIT OPINION
2 April 2024

Update

Send Your Feedback

RATINGS

Enbridge Inc.

Domicile	Calgary, Alberta, Canada
Long Term Rating	Baa2
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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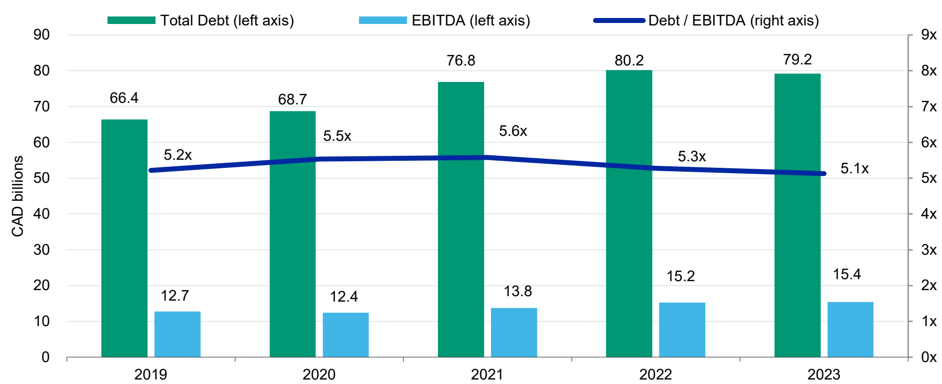
Enbridge Inc.

Update following downgrade to Baa2

Summary

Enbridge's (ENB) credit profile reflects the company's large size, scale and diverse, low risk asset base. The company's portfolio of assets will continue to generate stable cash flow based on a combination of rate regulation, a favorable contractual profile and a strong competitive position. ENB's business risk position compares favorably to industry peers and is supported by its ownership of an extensive crude oil and gas network, including a growing gas distribution segment that is unique in the midstream sector. Offsetting these strengths is a weak financial profile and a multiyear capital program that is likely to grow. At FYE 2023, the company's distribution coverage (using depreciation) was 0.91x and we expect this financial metric to remain in the 0.9x-1x range for the next several years. Similarly, proportionately consolidated debt to EBITDA was 5.3x at FYE 2023 and we believe it will be around 5.5x for the next few years. A combination of LDC acquisitions, high capex and dividends will significantly outstrip cash flow from operations and cash on hand in 2024. We expect the company to issue significant debt, in addition to a mix of equity and hybrids, and to consider further asset sales.

Exhibit 1
Historical Total Debt, EBITDA and Total Debt to EBITDA



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated.
Source: Moody's Financial Metrics™

Credit strengths

» Large size, scale and diversification benefits

» Low risk asset base

» Predictable cash flow benefits from regulatory support and a strong contractual profile

Credit challenges

» Weak financial profile

» Incremental financial pressure from LDC acquisitions

» Large capital program

Rating outlook

The stable outlook reflects the large size, scale and low risk asset base of Enbridge and our expectation that the company's proportionately consolidated debt to EBITDA will be about 5.5x and distribution coverage, using depreciation, will be between 0.9x and 1x for the next several years. We have also assumed that the company will complete the pending utility acquisitions and execute its capital program largely on time and budget.

Factors that could lead to upgrade

» ENB's rating could be upgraded if we forecast the company to sustain both proportionately consolidated debt to EBITDA below 5.5x and distribution coverage, using depreciation, above 1x.

Factors that could lead to downgrade

» Proportionately consolidated debt to EBITDA at or above 6x or distribution coverage, using depreciation, below our expectations

» A material deterioration in the company's business risk profile

» An increase in structural subordination

Key indicators

Exhibit 2

Enbridge Inc.

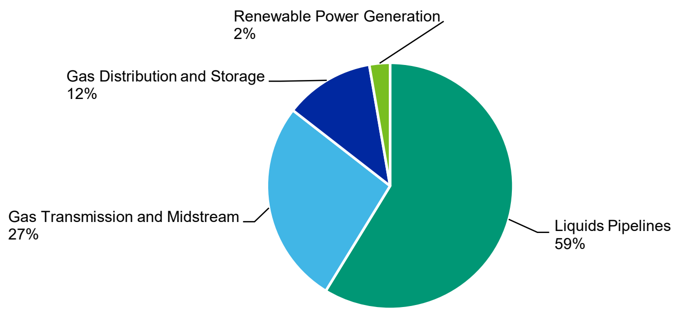
(in CAD billions)	2019	2020	2021	2022	2023
Net Property Plant and Equipment	94.1	95.1	100.5	105.1	105.3
EBITDA	12.7	12.4	13.8	15.2	15.4
EBITDA / Interest Expense	4.2x	4.1x	4.8x	4.8x	4.3x
Debt / EBITDA	5.2x	5.5x	5.6x	5.3x	5.1x
(FFO - Maintenance CAPEX) / Distributions	1.3x	1.2x	1.3x	1.4x	1.4x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated.
Source: Moody's Financial Metrics™

Profile

ENB is a North American energy delivery company. The company has about 17,809 miles of liquids pipelines and about 200,000 miles of natural gas and natural gas liquids pipelines. ENB has five operating segments: Liquids Pipelines (59% of year end December 2023 adjusted EBITDA before eliminations), Gas Transmission and Midstream (27%), Gas Distribution and Storage (12%), Renewable Power Generation (3%) and Energy Services which made a small negative contribution to EBITDA on an annual basis.

Exhibit 3
2023 EBITDA by segment



Excluding impairment of long-lived assets.
Source: Company filings

Detailed credit considerations

Large size, scale and diversification benefits

ENB benefits from substantial financial resources with EBITDA of about CAD15.4 billion during year ended December 2023 and net PP&E of about CAD105 billion as of 31 December 2023. Economies of scale from its large asset base of around CAD145 billion (excluding about CAD35 billion of goodwill and intangible assets) and strong market access are all credit positive. The company's credit quality benefits from extensive diversification and the performance of some of its assets have low levels of correlation.

Weak financial metrics to be incrementally pressured by this year's LDC acquisitions

ENB's weak financial profile is likely to continue for the next few years with proportionately consolidated debt to EBITDA of around 5.5x and distribution coverage in the 0.9x -1x range. In FY 2023 proportionately consolidated debt to EBITDA was 5.3x, an improvement from 5.6x in FY 2022, and we expect debt to EBITDA to again be above 5.5x in 2024, with partial year contributions from the utility acquisitions. For a reconciliation of consolidated to proportionately consolidated debt to EBITDA at FYE 2023, please see exhibit 10. The company also has limited financial flexibility that is highlighted by weak distribution coverage metrics (using depreciation) of 0.91x.

The LDC utility acquisitions have an enterprise value of about CAD19 billion, which includes an acquisition price of CAD12.8 billion and CAD6.2 billion of assumed debt. On 7 March 2024, the company closed the first of three acquisitions, The East Ohio Gas Company (A2 stable), for USD6.6 billion including assumed debt. The company accounts for about 40% of the annualized EBITDA of the utilities ENB is acquiring. In addition to the LDC acquisitions, the company may spend CAD8-9 billion annually on capex and smaller acquisitions, a material increase from previous forecasts. Management expects that growth in EBITDA will provide debt capacity for most of this capital spending.

To finance the acquisitions, capital program and dividends of about CAD8 billion per year, we expect Enbridge to use several levers in addition to cash flow from operations and cash on hand. We expect the company to issue a significant amount of debt to finance its free cash shortfall in 2024. The company may issue further equity, most likely in the form of an at the market program and additional hybrid securities. The company closed the CAD3.1 billion sale of its interests in Alliance pipeline and Aux Sable on 1 April 2024 and it may pursue further asset sales. At the time the LDC acquisitions were announced, the company issued CAD4.6 billion of equity and shortly thereafter issued around $3 billion of hybrid securities which we treat as 50/50 debt/equity. A significant portion of these funds remain on the balance sheet with CAD5.9 billion of cash on hand at FYE 2023.

Management has articulated financial policies that included maintenance capital of around CAD900 million in 2023, well below the CAD4.7 billion of depreciation that the company accrued over the last twelve months. Most the company's businesses are low risk and are generally underpinned by a regulated return on and of capital. With lower levels of investment (maintenance capex) into existing businesses over time, EBITDA generated by its current assets will be negatively impacted. Using depreciation, instead of the company's maintenance capex figure, illustrates the pressure on the company's distribution coverage as this metric declines to 0.9x from 1.4x. Distributions are inclusive of common and preferred share dividends and distributions to minority interests. By this and other measures of financial flexibility, the company is in a weaker position compared to peers.

Exhibit 4
Distribution coverage

(in CAD billions)	2019	2020	2021	2022	2023
FFO	9.4	9.6	10.6	11.4	12.2
Maintenance CAPEX	1.1	0.9	0.7	0.8	0.9
Depreciation expense	3.5	3.8	3.9	4.4	4.7
Distributions	6.6	7.3	7.4	7.6	8.3
(FFO - Maintenance CAPEX) / Distributions	1.26x	1.20x	1.33x	1.39x	1.37x
(FFO - Depreciation) / Distributions	0.90x	0.80x	0.90x	0.92x	0.91x
Maintenance CAPEX / Depreciation	31.2%	24.2%	17.5%	18.6%	19.5%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated.
Source: Moody's Financial Metrics™

The credit profiles of Spectra Energy Partners, LP and Enbridge Energy Partners, LP reflect the strength of the cross-guarantee that exists between each of them and ENB that causes the senior unsecured notes at these entities to have similar credit quality. Enbridge Energy Limited Partnership also benefits from a guarantee from ENB that drives its credit profile. The credit profile of Enbridge (U.S.) Inc. reflects the liquidity support provided by ENB, which guarantees the commercial paper program.

Low business risk asset base and predictable cash flow

ENB's low business risk asset base continues to be a key strength and an important credit driver. The vast majority of ENB's earnings and cash flow comes from businesses that benefit from either rate regulation, long term contracts that often have credit positive take or pay provisions, a strong competitive position or a combination of these factors. In aggregate, we expect that around 98% of the company's EBITDA will be generated by cost of service or take or pay contracts providing predictable long term earnings. The vast majority of the company's counterparties are investment grade, supporting the predictability of cash flow.

The lowest risk business is the regulated utility gas distribution business, a unique, very low risk asset among the company's midstream peers that will grow from about 12% of EBITDA to about 25% with the pending acquisitions and capital investments in the segment. Subsidiary Enbridge Gas Inc (unrated) received a rate setting decision from its regulator in late December 2023. While the decision increased its equity thickness to 38% from 36%, it would also lead some customers, including residential customers, to pay for direct connections up front, instead of having the utility pay for the connection and amortize the costs over 40 years. The company has appealed the decision and the Provincial government has proposed legislation that could lead to regulatory changes, reversing this part of the decision. We expect the company to generate stable cash flow, but the final outcome of this issue has implications for the company's growth rate.

The gas pipeline business has strong fundamentals and has a low business risk profile. The natural gas pipelines business is underpinned by take or pay contracts and the challenges associated with building new interstate gas pipelines reinforces the segments competitive position by limiting bypass risk for most of its pipelines. This contributes to very high rates of re-contracting at attractive rates and tenors. We expect the segment will continue to grow based on the size of its capital program. The relatively small midstream segment has some stable underlying contracts, although there are also some riskier elements within this segment. Midstream continues to decline in size as a result of recent corporate actions, including the sale of Aux Sable.

Liquids pipelines tend to have very strong competitive positions that drive predictable cash flow. ENB reached a negotiated settlement with its shippers for tolls on its mainline system that is consistent with is low risk profile. New tolls began on 1 July 2023, before the settlement received regulatory approval in March 2024, and is effective through December 2028. The mainline system accounted for more than half of liquids system EBITDA in 2023 and the new agreement will cover about 70% of its volumes, with the remainder covered on a full path basis to markets downstream of the mainline. The new international joint toll establishes tolls for oil deliveries from Hardisty, Alberta to Chicago, Illinois. Key features include an ROE collar of 11-14.5% on a deemed 50% equity layer and annual toll escalation for operation, administration, and power costs tied to U.S. CPI-U and weighted average power prices with the first increase in mid-2024 and annual increases thereafter.

The mainline will remain a common carrier with month to month nominations, although it continues to have limited volume risk. Only one major pipeline project is under construction that will modestly reduce volumes for a few years. We do not anticipate any new oil pipelines out of the western Canadian sedimentary basin. Other liquids system assets tend to be smaller and benefit from strong business fundamentals that support their low business risk profile.

The company does face challenges to some of its existing operations, although we do not anticipate any material impact either because the probability of an interruption in service is small, or the financial impact would be limited, or both. For example, on Line 5, which transports crude oil under the straits of Mackinac and faces various headwinds indigenous challenges, however we think there is a very low probability of an interruption in service.

The renewables business has marginally higher risk because its long term contracts expose the company to production volume risk with minimal commodity price exposure. The highest risk segment of the business is energy services, which normally has a minor impact on the company's financial performance, although it has been more volatile since the onset of COVID-19 and reported a loss of CAD37 million in 2023, an improvement from a loss of about CAD400 million in 2022.

Multiyear capital program likely to grow

ENB's secured capital program of CAD25 billion over the 2024-2028 period, of which CAD2 billion has already been spent, is likely to grow. Management has indicated that it expects to have CAD8-9 billion of total investment capacity per year and, to the extent that the company does not have sufficient organic opportunities, it may target small M&A opportunities. This represents a significant increase from last year when the capital program was about CAD6 billion per year, with the acquisitions making a material contribution to this step-up. Of the current slate of projects, management expects to bring into service around CAD4 billion in 2024 and 2025 (2025 excludes acquired utility capex in service) with the remainder in future years. We expect that the capital program will be focused on low risk projects and not lead to a fundamental change in the business risk profile of the company.

The table below highlights the company's capital projects over the forecast period. Notable are the relatively small number and size of investments into the company's liquids business which will lead to the liquids business to very gradually become a smaller part of the company.

Exhibit 5
ENB's near-term capital projects as of 6 March 2024

	Expected in-service date	Capital (in billions)
LIQUIDS PIPELINES		
Ingleside Phase VI & VII (Storage)	2024	USD 0.2
Enbridge Houston Oil Terminal	2025	USD 0.2
GAS TRANSMISSION		
Modernization Program	2024-2027	USD 2.7
Venice Extension	2024	USD 0.5
Appalachia to Market Phase II	2025	USD 0.1
Longview RNG	2025	USD 0.1
Rio Bravo Pipeline	2026	USD 1.2
T-North Expansion (Aspen Point)	2026	CAD 1.2
Woodfibre LNG	2027	USD 1.5
Sparta	2028	USD 0.2
T-South Expansion (Sunrise)	2028	CAD 4.0
GAS DISTRIBUTION AND STORAGE		
CAD Utility Growth Capital	2024-2026	CAD 2.0
Transmission/Storage Assets	2024-2026	CAD 0.8
New Connections/Expansions	2024-2026	CAD 0.7
RNG Projects	2023-2025	CAD 0.1
U.S. Utility Growth Capital	2025-2027	USD 3.7
RENEWABLES		
Fox Squirrel Solar - Phase II	2024	USD 0.3
Fécamp Offshore	2024	CAD 0.7
Provence Grand Large	2024	CAD 0.1
Calvados Offshore	2025	CAD 0.9

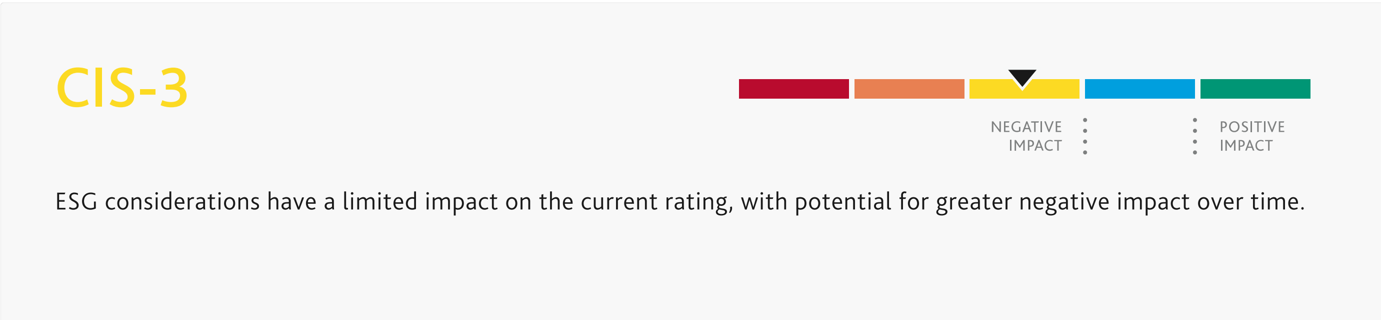
Source: Company filings

We believe the company has relatively low exposure to high risk projects that on their own have the potential to materially impact the company. The company's capital program now consists primarily of many smaller projects that on average have much less execution risk. The company's largest project is the T-South Expansion, a CAD4 billion project that is in part underpinned by the Woodfibre LNG project. ENB has not been immune to a powerful sector trend of increasing execution risks, particularly for high profile projects, driven partly by a higher focus on environmental, social and governance issues that is affecting the sector. Aside from some high profile projects in the past, the company has generally had a strong track record of executing its capital program on time and budget. However, challenges in the sector in this regard are unlikely to abate.

ESG considerations

Enbridge Inc.'s ESG credit impact score is CIS-3

Exhibit 6
ESG credit impact score



Source: Moody's Ratings

Enbridge's ESG Credit Impact Score is **CIS-3**. There is limited current credit impact but there is a potential for carbon transition, and demographic & societal trend risk factors to cause greater potential for future negative credit impact over time. This is partially offset by our view that governance risk is low.

Exhibit 7
ESG issuer profile scores

Source: Moody's Ratings

Environmental

E-4. Enbridge has exposure to environmental risks mainly related to carbon transition risk and waste & pollution risk that are a challenge for the sector. The major drivers are the carbon transition exposure as economies pivot away from crude oil, and from spills of liquid hydrocarbons and emissions from pipelines. The company has undertaken initiatives to reduce its own emissions and invest in the carbon transition.

Social

S-4. Enbridge has exposure to social risks mainly related to responsible production and demographic & societal trends. The major drivers are the opposition from local communities and indigenous populations, and from increasing regulatory hurdles and public opposition to the construction of new midstream projects. The risks manifest themselves primary on the company's largest projects including the Line 3 replacement projects which the company initially expected to bring into service in 2017 and was completed in 2021.

Governance

G-2. Governance risks are low. The company has established a credible management track record and has adopted reasonably transparent financial policies. We have also noted significant steps to simplify the organizational structure compared to past challenges.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

ENB has an adequate liquidity profile driven by its large consolidated committed credit facilities of CAD21.7 billion (CAD16.5 billion available as of Dec. 31, 2023) and cash flow sufficient to cover its uses for the next 12 months. However, ENB has to continuously rely on its ability to renew its expiring 364 day facilities, which have one-year term out options at the company's sole discretion, and make up a sizeable portion of its credit facilities. ENB's other key credit facilities include a CAD7.6 billion five-year revolving term facility expiring in 2028 and a separate CAD2.8 billion three-year revolving term facility expiring in 2026. The company continues to have strong access to the capital markets.

ENB's sources of capital over the next 12 months include CAD16.5 billion of available committed revolving credit facilities net of CAD4.7 billion of commercial paper issuances and facility draws and CAD528 million of uncommitted demand letter of credit facilities draws as of 31 December 2023. The company also had cash on hand of about CAD5.9 billion at 31 December 2023. We expect that cash flow from operations (CAD12 billion in 2023), in addition to the sources mentioned above, will be sufficient to cover uses that comprise the acquisition price for the three LDC's of around CAD12.8 billion, estimated capital expenditures of around CAD8-9 billion, debt maturities of around CAD5 billion and dividends of around CAD9 billion in the next 12 months inclusive of small M&A. We expect ENB to issue debt on an ongoing basis during the year.

The credit agreements have financial covenants including one setting the maximum debt to total consolidated capitalization (as defined in the credit agreement) at 75%. As of 31 Decwmber 2023, ENB was in compliance with all of its covenants and we expect it to remain in compliance.

Rating methodology and scorecard factors

The principal methodology used for this rating is the Midstream Energy rating methodology. The scorecard indicated outcome for our 12-18 month forward view is A3, two notches above the actual rating assigned.

Exhibit 8

Methodology scorecard factors

Enbridge Inc.

Energy, Oil & Gas - Midstream [MLP] Industry Scorecard	Current FY Dec-23		Moody's 12-18 month forward view	
Factor 1 : Scale (25%)	**Measure**	**Score**	**Measure**	**Score**
a) PP&E, Net ($ millions)	79,865.0	Aaa	92000 - 98000	Aaa
b) EBITDA ($ millions)	11,443.7	Aaa	12500 - 14400	Aaa
Factor 2 : Business Profile (25%)				
a) Estimated Price and Volume Risk Exposure	A	A	A	A
Factor 3 : Leverage and Coverage (40%)				
a) EBITDA / Interest Expense	4.3x	Ba	4x - 4.5x	Ba
b) Debt / EBITDA	5.1x	Ba	5.2x - 5.5x	Ba
c) (FFO - Maintenance CAPEX) / Distributions	1.4x	Baa	1.3x - 1.5x	Baa
Factor 4 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		A3		A3
b) Actual Rating Assigned		Baa2		Baa2

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 9

Peer comparison

Enbridge Inc.

	Enbridge Inc. Baa2 Stable			Kinder Morgan, Inc. Baa2 Stable			TC Energy Corporation Baa3 Stable		
(in USD millions)	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-21	FY Dec-22	FY Dec-23
Revenue	37,475	41,173	31,871	16,610	19,200	15,334	10,680	11,516	11,809
EBITDA	10,992	11,693	11,444	7,949	7,389	7,740	7,812	7,691	8,610
Total Debt	60,838	59,218	60,038	33,160	32,411	32,741	40,205	40,646	45,325
(FFO - Maint. CAPEX) / Dist.	1.3x	1.4x	1.4x	2.1x	2.1x	1.7x	1.5x	1.5x	1.5x
Debt / Capitalisation	50.7%	50.4%	48.9%	50.3%	49.7%	49.7%	54.8%	54.8%	54.0%
FFO / Debt	13.8%	14.2%	15.5%	18.0%	16.8%	16.4%	14.6%	13.3%	12.1%
Debt / EBITDA	5.6x	5.3x	5.1x	4.2x	4.4x	4.2x	5.2x	5.5x	5.1x
EBITDA / Interest Expense	4.8x	4.8x	4.3x	5.1x	4.7x	4.2x	4.4x	4.2x	3.6x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Exhibit 10
Enbridge Inc. — Proportionately consolidated debt to EBITDA

Proportionately consolidated Debt/EBITDA breakdown	2023
Consolidated adjusted debt	79,166
Proportionate debt from equity accounted subsidiaries	8,007
Proportionate debt attributable to non-controlling interests	(168)
Total proportionately consolidated debt	87,004
Consolidated adjusted EBITDA	15,441
Proportionate EBITDA from equity accounted subsidiaries	3,058
Equity income	(1,816)
Proportionate EBITDA attributable to non-controlling interests	(355)
Total proportionately consolidated EBITDA	16,328
Proportionately consolidated Debt/EBITDA	**5.3x**

Source: Company filings and Moody's Financial Metrics™

Exhibit 11
Moody's-adjusted debt reconciliation
Enbridge Inc.

(in CAD millions)	2019	2020	2021	2022	2023
As reported debt	**64,963.0**	**66,897.0**	**75,640.0**	**80,980.0**	**81,199.0**
Pensions	780.0	994.0	436.0	250.0	300.0
Operating Leases	877.0	814.0	750.0	764.0	750.0
Hybrid Securities [1]	598.5	(2.0)	21.0	(1,757.0)	(3,083.0)
Non-Standard Adjustments	(844.0)	-	-	-	-
Moody's – adjusted debt	**66,374.5**	**68,703.0**	**76,847.0**	**80,237.0**	**79,166.0**

[1] 2023 hybrid securities debt adjustment consists of the following: CAD6,818 million ENB Preferred shares reported as equity — basket M; CAD12,984 million ENB junior sub notes reported as debt – Basket M
All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 12
Moody's – adjusted EBITDA reconciliation
Enbridge Inc.

(in CAD millions)	2019	2020	2021	2022	2023
As reported EBITDA	**13,589.0**	**10,692.0**	**14,236.0**	**12,038.0**	**16,304.0**
Pensions	(101.0)	(147.0)	(142.0)	(223.0)	(121.0)
Operating Leases	113.0	107.0	95.0	118.0	131.0
Unusual [1]	(887.0)	1,773.0	(411.0)	3,274.0	(873.0)
Moody's – adjusted EBITDA	**12,714.0**	**12,425.0**	**13,778.0**	**15,207.0**	**15,441.0**

[1] 2023 Unusual adjustment numbers include an adjustments for the following unusual items: unrealized gains/losses from foreign exchange contracts, impairment of long-lived assets
All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated.
Source: Moody's Financial Metrics™

Exhibit 13

Selected historic moody's consolidated adjusted financial data

Enbridge Inc.

(in CAD millions)	2019	2020	2021	2022	2023
INCOME STATEMENT					
Revenue	49,709.0	38,554.0	46,973.0	53,547.0	43,004.0
EBITDA	12,714.0	12,425.0	13,778.0	15,207.0	15,441.0
EBIT	9,243.7	8,637.2	9,859.9	10,804.1	10,730.8
Interest Expense	3,044.8	3,018.5	2,881.3	3,164.3	3,598.4
BALANCE SHEET					
Cash & Cash Equivalents	648.0	452.0	286.0	861.0	5,901.0
Total Debt	66,374.5	68,703.0	76,847.0	80,237.0	79,166.0
TOTAL LIABILITIES	96,794.5	98,871.5	108,019.7	117,964.0	115,780.0
CASH FLOW					
Capital Expenditures (CAPEX)	5,445.3	5,503.8	7,944.1	4,906.9	4,973.3
Cash from Investing Activities	(4,411.3)	(5,060.8)	(10,508.1)	(5,355.9)	(6,140.3)
Dividends	6,611.7	7,258.9	7,440.9	7,630.4	8,252.4
Retained Cash Flow (RCF)	2,800.3	2,331.8	3,169.1	3,762.9	3,996.3
RCF / Debt	4.2%	3.4%	4.1%	4.7%	5.0%
Free Cash Flow (FCF)	(2,904.0)	(3,079.0)	(6,241.0)	(1,156.0)	1,334.00
FCF / Debt	-4.4%	-4.5%	-8.1%	-1.4%	1.7%
PROFITABILITY					
% Change in Sales (YoY)	6.2%	-22.4%	21.8%	14.0%	-19.7%
EBIT Margin %	18.6%	22.4%	21.0%	20.2%	25.0%
EBITA Margin %	19.2%	23.2%	21.7%	21.1%	26.2%
EBITDA Margin %	25.6%	32.2%	29.3%	28.4%	35.9%
INTEREST COVERAGE					
EBIT / Interest Expense	3.0x	2.9x	3.4x	3.4x	3.0x
EBITDA / Interest Expense	4.2x	4.1x	4.8x	4.8x	4.3x
(EBITDA - CAPEX) / Interest Expense	2.4x	2.3x	2.0x	3.3x	2.9x
LEVERAGE					
Debt / EBITDA	5.2x	5.5x	5.6x	5.3x	5.1x
Net Debt/EBITDA	5.2x	5.5x	5.6x	5.2x	4.7x
Debt / (EBITDA - CAPEX)	9.1x	9.9x	13.2x	7.8x	7.6x
Avg.Assets / Avg.Equity	2.4x	2.5x	2.7x	2.8x	2.9x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are fiscal year-end unless indicated.
Source: Moody's Financial Metrics™

Ratings

Exhibit 14

Category	Moody's Rating
ENBRIDGE INC.	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured -Fgn Curr	Baa2
Senior Unsecured -Dom Curr	Baa2
Subordinate	Ba1
Pref. Stock -Fgn Curr	Ba1
Pref. Stock -Dom Curr	Ba1
ENBRIDGE (U.S.) INC.	
Outlook	No Outlook
Bkd Commercial Paper	P-2
SPECTRA ENERGY PARTNERS, LP	
Outlook	Stable
Senior Unsecured	Baa2
ENBRIDGE ENERGY PARTNERS, L.P.	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
EAST OHIO GAS COMPANY (THE)	
Outlook	Stable
Issuer Rating	A2
Senior Unsecured	A2
TEXAS EASTERN TRANSMISSION L.P.	
Outlook	Stable
Senior Unsecured	Baa1
ENBRIDGE ENERGY LIMITED PARTNERSHIP	
Outlook	Stable
Senior Unsecured	Baa2

Source: Moody's Ratings

REPORT NUMBER 1400631

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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INVESTORS SERVICE

Ratings Direct - Research Update Enbridge Gas Ohio Enbridge Gas Utah Outlooks Revised To Stable Ratings Affirmed 58697194 - Jan-30-2025

S&P Global
Ratings

RatingsDirect®

Research Update:

Enbridge Gas Ohio, Enbridge Gas Utah Outlooks Revised To Stable; Ratings Affirmed

July 8, 2024

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Rating Action Overview

- Recently, S&P Global Ratings revised the rating outlook on Enbridge Inc. (Enbridge) to stable from negative and affirmed the ratings on the company following its acquisition of Questar Gas Co. (doing business as [dba] Enbridge Gas Utah) and the East Ohio Gas Co. (dba Enbridge Gas Ohio). We expect that Enbridge's pending acquisition of Public Service Co. of North Carolina (PSCNC) will be completed by year end.
- As such, we revised the outlooks on Enbridge Gas Ohio, and Enbridge Gas Utah to stable from negative. We also affirmed our ratings on the companies, including the 'BBB+' issuer credit rating.
- The stable outlooks on Enbridge Gas Ohio and Enbridge Gas Utah are consistent with the stable outlook on parent Enbridge.

Rating Action Rationale

The outlook revision to stable from negative and the ratings affirmation for Enbridge Gas Ohio and Enbridge Gas Utah reflects the stable rating outlook on parent Enbridge. We recently revised the outlook on parent Enbridge to stable reflecting its funding of these acquisitions in a credit-supportive manner that will maintain its consolidated credit metrics within our expectations for the current rating. We also assess Enbridge Gas Ohio and Enbridge Gas Utah as core subsidiaries of parent Enbridge. Our assessment reflects our view that Enbridge is highly unlikely to sell these utilities and the utilities operate in the same line of business that is integral to Enbridge's overall strategy. Furthermore, we expect that Enbridge is committed to the long-term support of these utilities in good times and even under stressful conditions. In addition, the utilities are closely linked to Enbridge's name, brand, reputation, and risk management.

We assess Enbridge Gas Ohio's stand-alone credit profile (SACP) as 'a-'. Our assessment incorporates our view of the utility's excellent business profile and significant financial risk profile. Our business risk profile assessment reflects our view of the company as a lower-risk regulated natural gas distribution business, its above-average size (approximately 1.2 million customers), and its generally effective regulatory risk management. Enbridge Gas Ohio has historically managed regulatory risk through the use of credit-supportive cost recovery mechanisms such as straight-fixed-variable rate design, a bad-debt recovery rider, and infrastructure riders to support timely recovery of its costs.

We assess the company's financial risk profile using our medial volatility financial benchmark table, reflecting the company's lower-risk regulated utility operations and effective regulatory risk management. Our base case assumes average capital spending of $490 million-$540 million annually, consistent dividends to the parent, negative discretionary cash flow, and a constructive rate case order in the company's pending rate case. As such, we expect that Enbridge Gas Ohio's stand-alone funds from operation (FFO) to debt will reflect 19%-22% through 2026, consistent with the significant financial risk profile category.

We assess Enbridge Gas Utah as having an 'a-' SACP. Our assessment incorporates our view of the utility's excellent business profile and significant financial risk profile. Our business risk profile assessment reflects our view of the company's lower risk regulated natural gas distribution business, above-average size (1.2 million customers), and generally effective regulatory risk management. Enbridge Gas Utah is the only non-municipal gas distribution utility in Utah, where about 95% of its customers are located, and the company has historically effectively managed regulatory risk through the use of multiple cost recovery mechanisms including a fuel cost pass-through, decoupling, and an infrastructure cost-tracker to support timely recovery of its costs.

We assess the company's financial risk profile using our medial volatility financial benchmark table reflecting the company's lower risk regulated utility operations and effective regulatory risk management. Our bases case assumes average capital spending of about $280 million annually, consistent dividends to the parent, negative discretionary cash flow, and continued use of its various regulatory mechanisms and riders that support its cash flow generation profile. As such, we expect Enbridge Gas Utah's stand-alone FFO to debt ratio of 14.5%-15.5% through 2026, consistent with the significant financial risk profile category.

Outlook– Enbridge Gas Ohio, Enbridge Gas Utah

The stable outlooks on Enbridge Gas Ohio and Enbridge Gas Utah reflect the stable outlook on parent Enbridge. Under our base case, we expect that Enbridge Gas Ohio's stand-alone FFO to debt will reflect 19%-22% and Enbridge Gas Utah's stand-alone FFO to debt will reflect 14.5%-15.5%.

Downside scenario

We could lower our ratings on Enbridge Gas Ohio and Enbridge Gas Utah over the next 12-24 months if we lowered our ratings on parent Enbridge.

Upside scenario

We could raise our ratings on Enbridge Gas Ohio and Enbridge Gas Utah over the next 12-24 months if we upgraded parent Enbridge.

Company Description

Enbridge Gas Ohio distributes natural gas to about 1.2 million residential and commercial customers in Ohio, encompassing the Cleveland, Akron, and Canton metropolitan areas. It also operates over 22,000 miles of pipeline and underground storage facility, with 60 billion cubic feet of working gas capacity.

Enbridge Gas Utah (which does business as Enbridge Gas Utah, Enbridge Gas Wyoming, and Enbridge Gas Idaho in the respective states its service areas are located in) distributes natural gas to residential and commercial customers in Utah, southwestern Wyoming, and southeastern Idaho and serves approximately 1.2 million sales and transportation customers.

Liquidity– Enbridge Gas Ohio

We assess Enbridge Gas Ohio's liquidity as adequate because we believe its sources will likely exceed uses by more than 1.1x over the next 12 months. We anticipate net sources will remain positive even if EBITDA declines 10%. We used slightly lower thresholds to assess liquidity because the predictable regulatory framework provides manageable cash flow stability, even in economic stress. We expect the company can absorb high-impact, low-probability events, which indicates a limited need for refinancing under such conditions. Furthermore, our assessment reflects generally prudent risk management, parental support from the Enbridge group, and a satisfactory standing in the credit markets. Overall, we believe the company can withstand adverse market circumstances over the next 12 months, with sufficient liquidity to meet its obligations. Long-term debt maturities of $500 million are due in 2025, and we expect the company to proactively address them well in advance of their due dates. Following are the principal sources and uses of liquidity as of Dec. 31, 2023:

Sources of liquidity:

- Cash and liquid investments of $4.2 million,
- Cash FFO of $608 million, and
- Group support from parent Enbridge of $100 million.

Uses of liquidity:

- Working capital outflows of $195 million,
- Capital spending of about $375 million, and
- Dividends of about $70 million.

Liquidity– Enbridge Gas Utah

We assess Enbridge Gas Utah's liquidity as adequate, with sources covering liquidity uses by 1.1x over the coming 12 months, and believe that its sources will cover uses even if forecast consolidated EBITDA declines 10%. We believe the predictable regulatory framework provides manageable cash flow stability even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity. We expect the company can absorb high-impact, low-probability events, indicative of a limited need for refinancing under such conditions. Furthermore, our assessment reflects generally prudent risk management, parental support from the Enbridge group, and a satisfactory standing in the credit markets. Overall, we believe that the company should withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations.

Sources of liquidity:

- Cash and liquid investments: $18.6 million,
- Cash FFO of $255 million,
- Working capital inflows of $12.7 million, and
- Group support from parent Enbridge of $100 million.

Uses of liquidity:

- Debt maturities of $40 million,
- Capital spending of $250 million, and
- Dividends of $40 million.

Issue Ratings - Subordination Risk Analysis

Capital structure

Enbridge Gas Ohio's capital structure consists of about $2.3 billion in senior unsecured debt. In addition, Enbridge Gas Utah's capital structure consists of about $1.2 billion in senior unsecured debt.

Analytical conclusions

We rate both Enbridge Gas Ohio and Enbridge Gas Utah's senior unsecured debt the same as the issuer credit rating because it is unsecured debt issued by a qualifying investment-grade regulated utility.

Ratings Score Snapshot– Enbridge Gas Ohio

Issuer credit rating: BBB+/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Group credit profile:(bbb+)

Entity status within group: Core (-1 notch from SACP)

Ratings Score Snapshot– Enbridge Gas Utah

Issuer credit rating: BBB+/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Neutral (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: a-

Group credit profile:(bbb+)

Entity status within group: Core (-1 notch from SACP)

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Dominion Energy Ohio		
Questar Gas Co.		
Issuer Credit Rating	BBB+/Stable/--	BBB+/Negative/--
Issue Level Ratings Affirmed		
Dominion Energy Ohio		
Questar Gas Co.		
Senior Unsecured	BBB+	BBB+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Ratings Direct - Research Update Enbridge Inc Outlook Revised To Stable From Negative On Close Of Acquisitions Financing Ratings Affirmed 58526657 Jan-31-2025

S&P Global Ratings

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Research Update:

Enbridge Inc. Outlook Revised To Stable From Negative On Close Of Acquisitions, Financing; Ratings Affirmed

June 18, 2024

Rating Action Overview

- On June 3, 2024, Enbridge Inc. (Enbridge) announced that it had completed the acquisition of Questar Gas Co. Together with the previously announced closing of the East Ohio Gas Co. (EOG) transaction, this represents approximately 80% of the annualized EBTIDA of the three acquisitions from Dominion Energy Inc.
- Enbridge also recently announced the initiation of an at-the-market stock purchase program for approximately C$3 billion, which provides the company with an avenue for the final element for the financing of the three utilities.
- Given the majority of the announced acquisitions have closed and the high visibility on the remainder of the financing plan, S&P Global Ratings revised the outlook to stable from negative and affirmed its ratings on Enbridge, including the 'BBB+' issuer credit rating.
- The stable outlook reflects our view that execution risk with respect to the acquisitions has been mitigated with credit metrics that are within our expectations. We forecast debt to EBITDA will be about 5.1x in 2024, falling to 4.7x in 2025.

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Rating Action Rationale

Uncertainly regarding the acquisition of the utilities is largely addressed. Given the regulated nature of the acquisitions, the regulatory approval process is a normal part of completing the transactions. Both EOG and Questar Gas Co. have received regulatory approval and have been closed. Therefore, the only transaction remaining is Public Service Co. of North Carolina. Enbridge continues the regulatory approval process and to date nothing has emerged that suggests the transaction won't close by the end of the year. The EOG and Questar Gas Co. transactions represent approximately 80% of the incremental EBITDA to be generated by the three new entities. Moreover, with the regulatory approval for Public Service Co. of North Carolina well advanced, we believe that execution risk has largely been mitigated.

Funding of the acquisitions has been completed with credit metrics within expectations. Since announcing the acquisitions, Enbridge has financed approximately C$10 billion of the C$12.8 billion (US$9.4 billion) purchase price. These financings include the issuance of common shares and hybrid notes in Canada and the U.S., which receive 50% equity treatment. In addition, on April 1, 2024, Enbridge closed the sale of its interest in Alliance Pipeline and Aux Sable.

Enbridge said the remaining approximately C$3 billion in acquisition funding requirements will be met through equity in the form of further asset sales, share or hybrid issuance. Last month, the company initiated an at-the-market (ATM) common share issuance program for approximately C$3 billion, which we believe offers a path to complete the financing of the acquisitions as forecast.

Based on our current forecast, our adjusted leverage is 5.1x in 2024, 4.7x in 2025, and 4.6x in 2026. Although metrics in 2024 will be slightly elevated, this is a consequence of the midyear closings of the transactions, which only provide partial EBITDA but full consolidation of debt attributed to the acquisitions.

Outlook

The stable outlook reflects the strength of the company's business model and the successful completion of two of the announced acquisitions, with the third expected before yearend. In addition, the outlook reflects our expectation that Enbridge's debt to EBITDA (S&P Global Ratings-adjusted) will be about 4.7x in 2025 and 2026.

Downside scenario

We could take a negative rating action on Enbridge if debt to EBITDA is at or above 5.0x. This could occur if the company adopts a more aggressive financial policy including capital expenditures or acquisitions that have disproportionate amounts of debt funding.

Upside scenario

Although unlikely in the near term, we could raise our rating if the company consistently had adjusted debt to EBITDA of about 4.0x while it maintained current cash flow stability.

Company Description

Enbridge is one of the largest diversified energy companies in the world and the largest in North America. The company has more than 17,000 miles of liquids pipelines and about 76,500 miles of natural gas pipeline infrastructure in Canada and the U.S. Upon the completion of the U.S. gas utilities acquisitions, the company's EBITDA will be composed of liquids pipelines (50%), gas transmission (25%), gas distribution (22%), and renewable power (3%).

Our Base-Case Scenario

We forecast debt to EBITDA of 5.1x in 2024, 4.7x in 2025, and 4.6x in 2026.

Assumptions

- Public Service Co. of North Carolina closes in 2024
- Forecast capital expenditure of about $9 billion annually in 2024, 2025, and 2026
- Remainder of financing plan completed with equity in the form of further asset sales, share or hybrid issuance

Group Influence

Enbridge is the ultimate parent, and we consider its subsidiaries--Enbridge Gas Inc., Enbridge Pipelines Inc., Westcoast Energy Inc., Spectra Energy Partners L.P., and Enbridge Energy Partners L.P.--to be core subsidiaries. In addition, we consider the new acquisitions--Questar Gas Co. and EOG--to be core subsidiaries. Moreover, we anticipate that when the acquisition of Public Service Co. of North Carolina closes, it will also be considered a core subsidiary.

Ratings Score Snapshot

Issuer Credit Rating	**BBB+/Stable/A-2**
Business risk:	Excellent
Country risk	Very low
Industry risk	Intermediate
Competitive position	Excellent
Financial risk:	Aggressive
Cash flow/leverage	Aggressive
Anchor	bbb
Modifiers:	
Diversification/Portfolio effect	Neutral
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Positive
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile:	bbb+
Group credit profile	bbb+

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024

- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Enbridge Inc.		
Spectra Energy Capital LLC		
Issuer Credit Rating	BBB+/Stable/A-2	BBB+/Negative/A-2
Enbridge Energy L.P.		
Enbridge Energy Partners L.P.		
Spectra Energy Partners L.P.		
Enbridge Pipelines Inc.		
Westcoast Energy Inc.		
Texas Eastern Transmission L.P.		
Spectra Energy Corp.		
Issuer Credit Rating	BBB+/Stable/--	BBB+/Negative/--
Issue-Level Ratings Affirmed		
Enbridge Inc.		
Senior Unsecured	BBB+	
Subordinated	BBB-	
Preferred Stock		
Global Scale Rating	BBB-	
Canada National Scale	P-2(Low)	
Commercial Paper		

Canada National Scale	A-1(LOW)
Enbridge (U.S.) Inc.	
Commercial Paper	A-2
Enbridge Energy L.P.	
Senior Unsecured	BBB+
Enbridge Energy Partners L.P.	
Senior Unsecured	BBB+
Enbridge Pipelines Inc.	
Senior Unsecured	BBB+
Commercial Paper	
Canada National Scale	A-1(LOW)
Spectra Energy Capital LLC	
Senior Unsecured	BBB
Commercial Paper	A-2
Spectra Energy Partners L.P.	
Senior Unsecured	BBB+
Texas Eastern Transmission L.P.	
Senior Unsecured	BBB+
Westcoast Energy Inc.	
Senior Unsecured	BBB+
Preferred Stock	
Global Scale Rating	BBB-
Canada National Scale	P-2(Low)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.