

Cemig Geracao e Transmissao S.A.'s Proposed Senior Unsecured Notes Rated 'B'

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SAO PAULO (S&P Global Ratings) April 27, 2017--S&P Global Ratings assigned today its 'B' debt rating to Brazil-based power company Cemig Geracao e Transmissao S.A.'s (Cemig GT; global scale: B/Stable/--; national scale: brBB+/Stable/--) proposed seven-year senior unsecured notes.

The rating on the notes reflects the 'B' global scale corporate credit rating on parent, Companhia Energetica de Minas Gerais - CEMIG, because the latter will unconditionally and irrevocably guarantee them. We view Cemig GT as a core operating subsidiary of the group, which is one of the country's largest integrated power companies, with a diversified portfolio of assets in the electricity generation, transmission, and distribution segments.

The issue-level rating is the same as Cemig GT's corporate credit rating, given that its priority liabilities relative to the company's senior unsecured debt are not significant. The company will use the proceeds to refinance its short-term debt and to repay a portion of the R\$2.24 billion secured debentures issued at the end of 2016.

We view Cemig as a government-related entity (GRE). The state of Minas Gerais (B-/Negative/--) controls 51% of the group, and we view likelihood of extraordinary support as moderately high. This stems from our opinion that Cemig plays an important role given that it provides essential services to the state's population. Cemig operates under the federal-level regulator's Agência Nacional de Energia Elétrica (ANEEL) supervision, which we believe helps to mitigate interference from Minas Gerais. In addition, the financial covenants

under Cemig's debentures issuance due 2021 limit dividends to the minimum amount, as defined in the group's bylaws, and prohibit any amendment of the latter. Also, Cemig's highly leveraged credit metrics and less than adequate liquidity reduce its capacity to upstream financial resources.

RELATED CRITERIA

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

RATINGS LIST

Cemig Geracao e Transmissao S.A.	
Global scale	B/Stable/--
National scale	brBB+/Stable/--

Rating Assigned

Cemig Geracao e Transmissao S.A.	
Senior unsecured notes	B

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