

## PRO FORMA CREDIT METRIC ANALYSIS OF PARTIES' POSITIONS

<u>Company Position:</u>	<u>Pro Forma Estimates</u>	<u>Benchmarks for Rating Assignment (Medial Volatility)</u>			<u>Standard &amp; Poor's Indicated Rating based on Strong Business Risk</u>
		<u>Modest</u>	<u>Intermediate</u>	<u>Significant</u>	
FFO/Debt - w/taxes	35.17%	35% - 50%	23% - 35%	13% - 23%	A+/A
FFO/Debt - no taxes	41.88%				
Debt/EBITDA	2.06 x	1.75 - 2.5x	2.5 - 3.5x	3.5 - 4.5x	A+/A
FFO/Interest - w/taxes	6.33 x	7.5 - 10.5x	5 - 7.5x	3 - 5x	A-/BBB+
FFO/Interest - no taxes	7.35 x				
<u>Staff Position:</u>					
FFO/Debt - w/taxes	21.05%	35% - 50%	23% - 35%	13% - 23%	BBB
FFO/Debt - no taxes	21.40%				
Debt/EBITDA	3.57 x	1.75 - 2.5x	2.5 - 3.5x	3.5 - 4.5x	BBB
FFO/Interest - w/taxes	4.19 x	7.5 - 10.5x	5 - 7.5x	3 - 5x	BBB
FFO/Interest - no taxes	4.24 x				
<u>OPC Position:</u>					
FFO/Debt - w/taxes	18.40%	35% - 50%	23% - 35%	13% - 23%	BBB
FFO/Debt - no taxes	18.72%				
Debt/EBITDA	4.01 x	1.75 - 2.5x	2.5 - 3.5x	3.5 - 4.5x	BBB
FFO/Interest - w/taxes	3.95 x	7.5 - 10.5x	5 - 7.5x	3 - 5x	BBB
FFO/Interest - no taxes	4.00 x				

Sources: Brent Thies Schedules BT1 and BT2, Staff June 2023 Accounting Schedules, Murray Direct and Marke Rebuttal  
S&P Global Ratings Corporating Ratings Methodology - 11/19/2013.

**Definitions:**

EBITDA - earnings before interest, taxes, depreciation and amortization  
FFO - funds from operations (EBITDA less interest and taxes)

**Confluence Rivers Utility Operating Company Income Statements**  
**Pro Forma Financial Metrics Based on Parties' Revenue Requirement Recommendations**

Line Nos.	Confluence's Recommendation Pro Forma	Staff's Recommendation Pro Forma	Office of Public Counsel's Recommendation Pro Forma
1	Pro Forma Revenues \$8,165,188	Pro Forma Revenues \$6,454,584	Pro Forma Revenues \$5,310,708
2	Pro Forma Expenses 5,734,976	Pro Forma Expenses 5,006,916	Pro Forma Expenses 3,912,490
3	EBIT (Net Operating Income) \$2,430,212	EBIT (Net Operating Income) \$1,447,668	EBIT (Net Operating Income) \$1,398,218
4	Add back Depr & Amort 995,872	Add back: Depr & Amort 1,016,248	Add back: Depr & Amort 1,016,248
5	EBITDA \$3,426,084	EBITDA \$2,463,916	EBITDA \$2,414,466
6	Debt (35% Capital Structure) \$7,066,725	Debt (50% of Capital Structure) \$8,798,853	Debt (55% of Capital Structure) \$9,678,738
7	Equity (65% of Capital Structure) \$13,123,919	Equity (50% of Capital Structure) \$8,798,853	Equity (45% of Capital Structure) \$7,918,968
8	Debt/EBITDA 2.06 x	Debt/EBITDA 3.57 x	Debt/EBITDA 4.01 x
9	Implied Interest \$466,404	Implied Interest \$580,724	Implied Interest \$602,985
10	Depreciation & Amortization \$995,872	Depreciation & Amortization \$1,016,248	Depreciation & Amortization \$1,016,248
11	Income Taxes \$474,223	Income Taxes \$31,051	Income Taxes \$31,051
12	Implied FFO (Line 5 - Line 9 - Line 11) \$2,485,457	Implied FFO \$1,852,141	Implied FFO \$1,780,430
13	Implied FFO/Debt 35.17%	Implied FFO/Debt 21.05%	Implied FFO/Debt 18.40%
14	(FFO+Interest)/Interest 6.33 x	(FFO+Interest)/Interest 4.19 x	(FFO+Interest)/Interest 3.95 x
15	FFO/Debt (No Cash Taxes) 41.88%	FFO/Debt (No Cash Taxes) 21.40%	FFO/Debt (No Cash Taxes) 18.72%
16	(FFO+Interest)/Interest - No Cash Taxes 7.35 x	(FFO+Interest)/Interest - No Cash Taxes 4.24 x	(FFO+Interest)/Interest - No Cash Taxes 4.00 x
17	Net Income \$1,489,585	Net Income \$835,893	Net Income \$764,182
18	ROE 11.35%	ROE 9.50%	ROE 9.65%

Source: Brent Thies Direct Testimony, Schedules BT1 and BT2

Source: Staff's June 2023 Accounting Schedules

Source: Murray Direct Testimony and Marke Rebuttal Testimony