Liberty Utilities Co.

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB	Stable	Affirmed Oct. 23, 2019
Short-Term IDR	F2	—	Affirmed Oct. 23, 2019
Senior Unsecured Debt at Liberty Utilities Finance GP1[a]	BBB+	—	Affirmed Oct. 23, 2019
CP	F2	—	Affirmed Oct. 23, 2019

[a]Guaranteed by Liberty Utilities Co.

Click here for full list of ratings

Financial Summary

(USD Mil.)	Dec 2015	Dec 2016	Dec 2017	Dec 2018
Gross Revenue	615	623	1,293	1,400
Operating EBITDAR	148	193	485	524
Cash Flow from Operations	140	154	275	398
Capital Intensity (Capex/Revenue) (%)	18.3	32.4	30.8	25.8
Total Adjusted Debt with Equity Credit	698	1,671	2,407	2,405
FFO Fixed-Charge Coverage (x)	3.9	4.2	3.5	5.5
FFO-Adjusted Leverage (x)	4.3	8.5	5.2	4.8
Total Adjusted Debt/Operating EBITDAR (x)	4.7	8.6	5.0	4.6

Source: Fitch Ratings, Fitch Solutions.

The Long-Term Issuer Default Rating (IDR) of Liberty Utilities Co. (LUCo) primarily reflects the company's low-risk, regulated integrated electric, natural gas and water distribution operations. LUCo accounts for 75%–80% of parent Algonquin Power & Utilities Corp.'s (APUC; BBB/Stable) consolidated EBITDA.

Key Rating Drivers

Diversified Portfolio of Utilities: LUCo benefits from its diversified portfolio of regulated utility operations, consisting of 39 regulated utility systems across 13 states. The assets are further diversified among electric, at 62% of operating profit, natural gas at 25% of operating profit, and water at 13% of operating profit. This asset diversification mitigates the company's exposure to any regional or state-specific shocks that could affect cash flows.

LUCo was built from several acquisitions, most significantly of The Empire District Electric Company on Jan. 1, 2017. Empire District accounted for roughly 55% of LUCo's 2018 EBITDA. Fitch expects LUCo to remain acquisitive, primarily looking for smaller utility systems that could benefit from operational efficiencies. LUCo has a strong record of improving performance at utilities it acquires.

Improving Regulatory Environment: LUCo's overall regulatory environment is considered balanced and has improved in recent years. In Missouri, LUCo's largest state of operations, legislation was signed June 1, 2018, that allowed for revenue decoupling at all electric utilities, effective Jan. 1, 2019. Following the conclusion of Empire District's next rate case, approximately two-thirds of LUCo's utility revenue would be fully decoupled, providing for more stability and predictability to earnings and cash flows.

The Missouri law allows electric utilities to opt out of revenue decoupling if they prefer to defer for future recovery 85% of all new depreciation expense, with the resulting regulatory asset balances subject to carrying charges at the utility's weighted average cost of capital and amortized over 20 years once included in rates.

LUCo has effectively managed its operations to earn an aggregate realized ROE in excess of its average authorized ROE of 9.6%. The company has maximized its returns by keeping O&M expenses low, optimizing capital deployment and using cost-recovery riders to help limit its average regulatory lag to six months. LUCo's efficient utility operations also enable it to have lower customer rates than many peers. Fitch believes LUCo's balanced and improving regulatory environment supports its solid business risk profile.

Strong Organic Growth Opportunities: LUCo benefits from organic growth via pipe replacement, reliability improvements and the Granite Bridge natural gas lateral project. The largest of LUCo's projects is its $1.4 billion "greening the fleet" initiative, which primarily involves retiring some of Empire District's coal-fired generation facilities and replacing the lost capacity with 600MW of wind power facilities in Missouri and Kansas. A regulatory decision is pending regarding the recovery method of these future costs through rates. Timely recovery of costs associated with the 600MW wind power investment would be important for LUCo to maintain a supportive financial profile during the large project.

Adequate Financial Metrics: LUCo's financial profile is supported by stable and predictable earnings from regulated utility operations. Fitch forecasts LUCo's FFO-adjusted leverage to average 4.6x–5.0x and adjusted debt/EBITDAR 4.6x–5.0x through 2022. These metrics are adequate for LUCo's 'BBB' Long-Term IDR.

Parent/Subsidiary Linkage: Fitch uses a bottom-up approach in determining the ratings for APUC and LUCo. The linkage follows a weak parent/strong subsidiary approach. Fitch considers LUCo to be stronger than APUC due to its low-risk regulated operations and APUC's exposure to the nonregulated power generation operation of subsidiary Algonquin Power Co. (APCo; BBB/Stable).

Linkage between the Long-Term IDRs of LUCo and APUC is moderate. The moderate linkage is supported by separate financing through LUCo's financing affiliate company, Liberty Utilities Finance GP1, along with LUCo's strategic importance to APUC, accounting for 75%–80% of APUC's consolidated EBITDA. Fitch would not rate APUC's Long-Term IDR higher than that of LUCo; however, LUCo's Long-Term IDR could be up to one notch higher than APUC's Long-Term IDR.

Rating Derivation Relative to Peers

Rating Derivation Versus Peers

Peer Comparison	LUCo benefits from significant geographic and regulatory diversification. LUCo consists of 39 natural gas, electric and water utility systems in 13 states. This portfolio compares favorably with larger single-state utilities from a diversification perspective, although its larger peers may benefit more from efficiencies of scale. More than half of LUCo's EBITDA is exposed to Missouri, which historically has had a somewhat challenging regulatory environment. However, regulation in Missouri has improved recently, with full revenue decoupling now allowed for both electric and natural gas utilities. Fellow Missouri integrated electric utility Union Electric Co. (BBB+/Stable) has a similar business risk profile to LUCo's Empire District utility operations. However, LUCo's financial metrics are relatively weaker than those of Union Electric. Fitch forecasts LUCo's FFO-adjusted leverage to average 4.6x–5.0x through 2022, compared with approximately 4.0x for Union Electric.
Parent/Subsidiary Linkage	Parent/subsidiary linkage is applicable. Fitch uses a bottom-up approach in determining the ratings for APUC and LUCo. The linkage follows a weak parent/strong subsidiary approach. Fitch considers LUCo to be stronger than APUC due to its low-risk regulated operations and APUC's exposure to the nonregulated power generation operations at APCo. Linkage between the Long-Term IDRs of LUCo and APUC is moderate. The moderate linkage is supported by separate financing through LUCo's financing affiliate company, Liberty Utilities Finance GP1, along with LUCo's strategic importance to APUC, accounting for 75%–80% of APUC's consolidated EBITDA. Fitch would not rate APUC's Long-Term IDR higher than that of LUCo; however, LUCo's Long-Term IDR could be up to one notch higher than APUC's Long-Term IDR.
Country Ceiling	No Country Ceiling constraint was in effect for these ratings.
Operating Environment	No operating environment influence was in effect for these ratings.
Other Factors	Not applicable.

Source: Fitch Ratings.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Regulation	Market and Franchise	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
Cleco Power LLC	BBB/Sta	a+	a	bbb	bbb-	bbb-	bbb+	bbb	bbb	bbb+
Liberty Utilities Co.	BBB/Sta	aa	bbb+	bbb	bbb+	bbb	bbb+	bbb	bbb-	bbb+
Northern Indiana Public Service Company	BBB/Sta	aa	a	a-	bbb+	bbb	bbb+	bbb	bbb-	bbb+
NorthWestern Corporation	BBB+/Neg	aa	a	bbb	bbb	bbb	a	bbb	bbb	a
Public Service Company of Oklahoma	BBB+/Sta	aa	a-	bbb+	a-	bbb+	bbb+	bbb	bbb+	bbb+
Southwestern Electric Power Co.	BBB/Sta	aa	a-	bbb	bbb+	bbb	bbb+	bbb	bbb-	bbb
Southwestern Public Service Company	BBB/Sta	aa	a-	bbb-	bbb+	bbb	bbb	bbb	bbb+	bbb+
Union Electric Co.	BBB+/Sta	aa	a	bbb+	bbb+	bbb	bbb	bbb	a-	a

Source: Fitch Ratings. Importance: Higher / Moderate / Lower

Rating Sensitivities

Developments That May, Individually or Collectively, Lead to a Positive Rating Action

- FFO-adjusted leverage expected to be less than 4.5x on a sustained basis.

Developments That May, Individually or Collectively, Lead to a Negative Rating Action

- FFO-adjusted leverage expected to exceed 5.7x on a sustained basis;
- Adverse regulatory decisions that result in less-timely cost recovery or significantly weaker financial metrics;
- A two-notch downgrade of APUC's Long-Term IDR would result in a downgrade of LUCo's Long-Term IDR.

Liquidity and Debt Maturities

Adequate Liquidity: Fitch considers the liquidity for APUC, LUCo and APCo to be adequate.

APUC has a $500 million senior unsecured revolving credit facility (RCF) that matures July 12, 2024.

LUCo primarily meets its short-term liquidity needs through the issuance of CP under its $500 million CP program, which is backed by an equal-sized senior unsecured RCF. CP borrowings would reduce availability under the RCF, which matures Feb. 23, 2023. LUCo had $26.8 million in borrowings and $7.8 million in LCs issued as of June 30, 2019, leaving $465.4 million of unused availability under its RCF.

APCo's liquidity is primarily supported by a $500 million senior unsecured RCF that matures Oct. 6, 2023. APCo had $51.4 million in borrowings and $4.7 million in LCs issued as of June 30, 2019, leaving $443.9 million of availability under its RCF. APCo also has a $200 million LC facility that matures Jan. 31, 2021. The LC facility had $83.1 million in LCs issued as of June 30, 2019.

APUC's subsidiaries require modest amounts of cash on hand to fund their operations; APUC had $65.3 million of unrestricted cash and cash equivalents as of June 30, 2019, of which $4.3 million was at LUCo and $45.4 million was at APCo.

Long-term debt maturities over the next five years are manageable. LUCo has $441.5 million of long-term debt due in 2020, $195 million in 2022 and $95 million in 2023; these maturities include debt at Liberty Utilities Finance GP1 and Liberty Utilities (America) Co. that are guaranteed by LUCo. APCo has $2.0 million due in 2020, $116.6 million in 2021, $155.0 million in 2022 and $2.5 million in 2023. APUC does not have any long-term parent-level debt maturing within the next five years.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Governance (ESG) credit relevance is a score of '3' – 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.

For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Key Assumptions

Fitch's Key Assumptions Within Its Rating Case for the Issuer

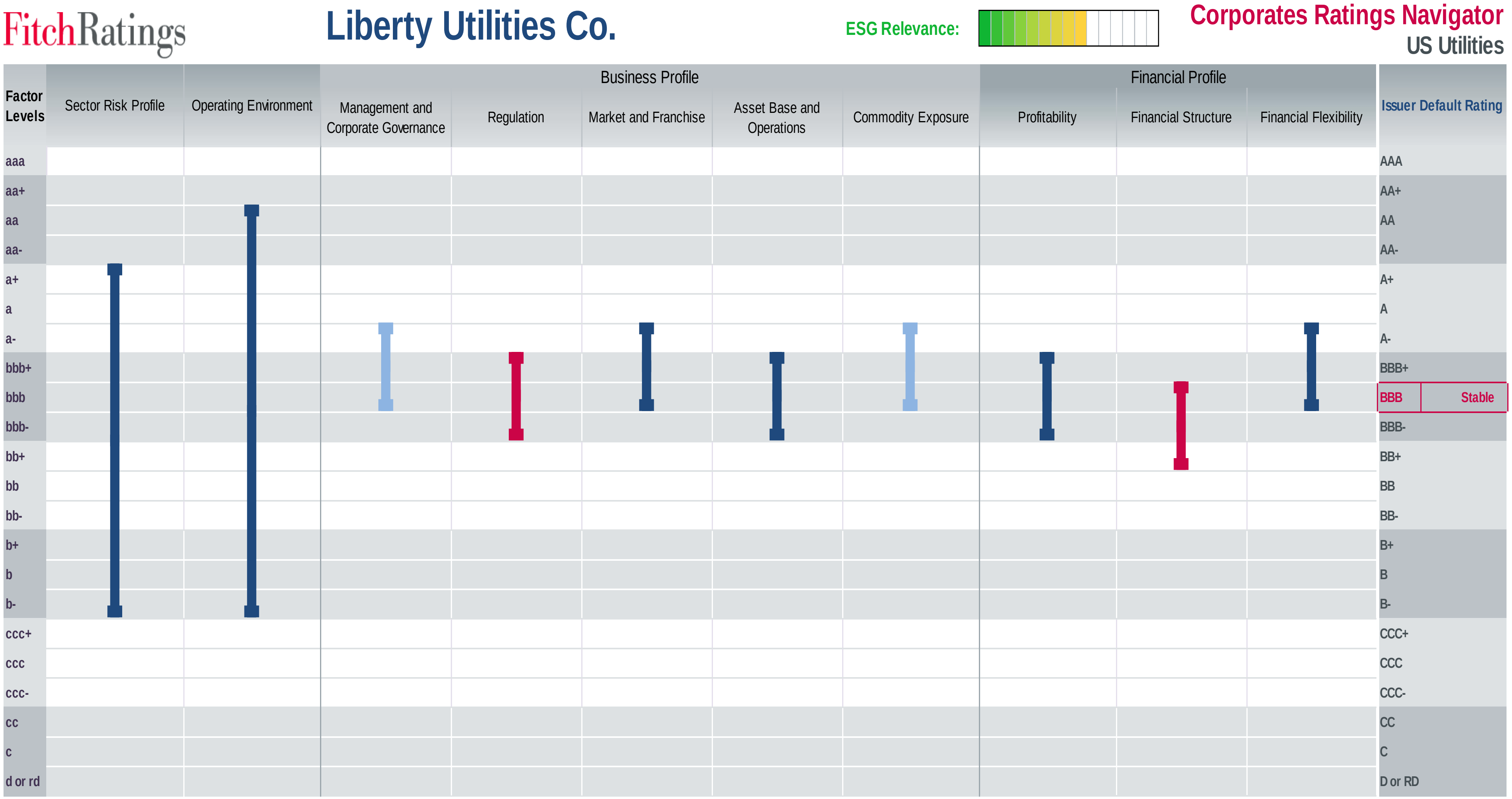
- LUCo's capex totals $5.3 billion over 2019–2023, $1.1 billion of which is for 600MW of wind power investments in 2020 and 2021;
- Timely recovery of costs associated with LUCo's 600MW wind power investment in Missouri and Kansas;
- Revenue decoupling is implemented for LUCo's Missouri electric utility operations;
- Normal weather.

Financial Data

(USD Mil.)	Historical			
	Dec 2015	Dec 2016	Dec 2017	Dec 2018
Summary Income Statement				
Gross Revenue	615	623	1,293	1,400
Revenue Growth (%)	-5.7	1.2	107.6	8.3
Operating EBITDA (Before Income from Associates)	146	192	484	523
Operating EBITDA Margin (%)	23.8	30.9	37.4	37.3
Operating EBITDAR	148	193	485	524
Operating EBITDAR Margin (%)	24.1	31.1	37.5	37.4
Operating EBIT	89	121	320	330
Operating EBIT Margin (%)	14.5	19.5	24.7	23.5
Gross Interest Expense	-40	-45	-132	-89
Pretax Income (Including Associate Income/Loss)	67	84	190	241
Summary Balance Sheet				
Readily Available Cash and Equivalents	23	48	6	6
Total Debt with Equity Credit	523	1,266	2,003	1,997
Total Adjusted Debt with Equity Credit	698	1,671	2,407	2,405
Net Debt	500	1,218	1,997	1,991
Summary Cash Flow Statement				
Operating EBITDA	146	192	484	523
Cash Interest Paid	-40	-45	-132	-89
Cash Tax	0	0	-2	-1
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0
Other Items Before FFO	15	4	-23	-24
Funds Flow from Operations	122	151	327	409
FFO Margin (%)	19.8	24.2	25.3	29.2
Change in Working Capital	18	3	-52	-11
Cash Flow from Operations (Fitch-Defined)	140	154	275	398
Total Non-Operating/Nonrecurring Cash Flow	0	0	0	0
Capex	-113	-202	-398	-362
Capital Intensity (Capex/Revenue) (%)	18.3	32.4	30.8	25.8
Common Dividends	-148	-25	-62	-69
FCF	-121	-73	-185	-33
Net Acquisitions and Divestitures	1	-236	-1,421	3
Other Investing and Financing Cash Flow Items	-1	-1,491	1,561	0
Net Debt Proceeds	-31	640	-132	-2
Net Equity Proceeds	174	1,184	135	32
Total Change in Cash	23	25	-42	0
Calculations for Forecast Publication				
Capex, Dividends, Acquisitions and Other Items Before FCF	-259	-463	-1,881	-427
FCF After Acquisitions and Divestitures	-119	-309	-1,606	-29
FCF Margin (After Net Acquisitions) (%)	-19.4	-49.7	-124.3	-2.1
Coverage Ratios				
FFO Interest Coverage (x)	4.0	4.3	3.5	5.6
FFO Fixed-Charge Coverage (x)	3.9	4.2	3.5	5.5
Operating EBITDAR/Interest Paid + Rents (x)	3.5	4.2	3.6	5.8
Operating EBITDA/Interest Paid (x)	3.7	4.3	3.7	5.9
Leverage Ratios				
Total Adjusted Debt/Operating EBITDAR (x)	4.7	8.6	5.0	4.6
Total Adjusted Net Debt/Operating EBITDAR (x)	4.5	8.4	5.0	4.6
Total Debt with Equity Credit/Operating EBITDA (x)	3.6	6.6	4.1	3.8
FFO-Adjusted Leverage (x)	4.3	8.5	5.2	4.8
FFO-Adjusted Net Leverage (x)	4.1	8.2	5.2	4.8

Source: Fitch Ratings, Fitch Solutions.

Ratings Navigator



FitchRatings

Liberty Utilities Co.

Corporates Ratings Navigator
US Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries w here economic value is created and w here assets are located.
aa	Financial Access	aa	Very 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 w ith 'aa'.
b-			
ccc+			

Management and Corporate Governance

a	Management Strategy	a	Coherent strategy and good track record in implementation.
a-	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of pow er even w ith ow nership concentration.
bbb+	Group Structure	bbb	Some group complexity leading to somew hat less transparent accounting statements. No significant related-party transactions.
bbb	Financial Transparency	bbb	Good quality reporting w ithout significant failing. Consistent w ith the average of listed companies in major exchanges.
bbb-			

Regulation

a-	Degree of Transparency and Predictability	bbb	Generally transparent and predictable regulation w ith limited political interference.
bbb+	Timeliness of Cost Recovery	bbb	Moderate lag to recover capital and operating costs.
bbb	Trend in Authorized ROEs	bbb	Average authorized ROE.
bbb-	Mechanisms Available to Stabilize Cash Flows	bbb	Revenues partially insulated from variability in consumption.
bb+	Mechanisms Supportive of Creditworthiness	bbb	Effective regulatory ring-fencing or minimum creditw orthiness requirements.

Market and Franchise

a	Market Structure	a	Well-established market structure w ith complete transparency in price-setting mechanisms.
a-	Consumption Growth Trend	bbb	Customer and usage grow th in line w ith industry averages.
bbb+	Customer Mix	bbb	Less diversified customer base.
bbb	Geographic Location	a	Favorable location or high geographic diversity.
bbb-	Supply Demand Dynamics	bbb	Moderately favorable outlook for prices/rates.

Asset Base and Operations

a-	Diversity of Assets	bbb	Good quality and/or reasonable scale diversified assets.
bbb+	Operations Reliability and Cost Competitiveness	bbb	Reliability and cost of operations at par w ith industry averages.
bbb	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bbb-	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bb+			

Commodity Exposure

a	Ability to Pass Through Changes in Fuel	a	Complete pass-through of commodity costs.
a-	Underlying Supply Mix	bbb	Low variable costs and moderate flexibility of supply.
bbb+	Hedging Strategy	a	Highly captive supply and customer base.
bbb			
bbb-			

Profitability

a-	Free Cash Flow	bbb	Structurally neutral to negative FCF across the investment cycle.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profits in line w ith utility peers.
bbb			
bbb-			
bb+			

Financial Structure

bbb+	Lease Adjusted FFO Gross Leverage	bbb	5.0x
bbb	Total Adjusted Debt/Operating EBITDAR	bb	4.75x
bbb-			
bb+			
bb			

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy w ith only modest deviations allow ed.
a-	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb+	FFO Fixed Charge Cover	a	5.0x
bbb			
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

Liberty Utilities Co. has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

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

Navigator Version: RN 2.3.6.0

FitchRatings

Liberty Utilities Co.

Corporates Ratings Navigator
US Utilities

Credit-Relevant ESG Derivation

Liberty Utilities Co. has 12 ESG potential rating drivers

- Liberty Utilities Co. has exposure to emissions regulatory risk but this has very low impact on the rating.
- Liberty Utilities Co. has exposure to energy productivity risk but this has very low impact on the rating.
- Liberty Utilities Co. has exposure to waste & impact management risk but this has very low impact on the rating.
- Liberty Utilities Co. has exposure to extreme weather events but this has very low impact on the rating.
- Liberty Utilities Co. has exposure to access/affordability risk but this has very low impact on the rating.
- Liberty Utilities Co. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability	5
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability	4
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
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 scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

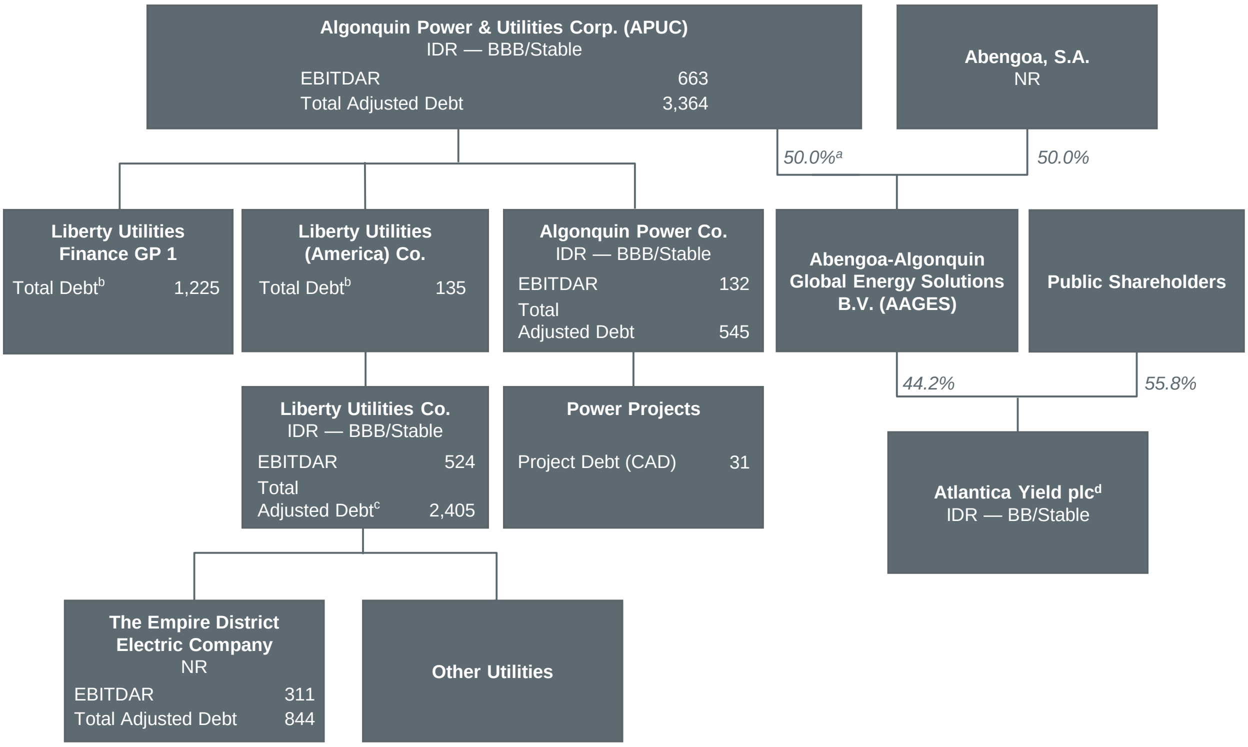
CREDIT-RELEVANT ESG SCALE

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 Structure — Liberty Utilities Co.
(USD Mil., as of Dec. 31, 2018)



[a]APUC owns 100% of AAGES's economic interest and voting rights in Atlantica Yield through its ownership of AAGES's preferred shares. [b]Debt guaranteed by Liberty Utilities Co. [c]Includes debt guarantees at Liberty Utilities Finance GP 1 and Liberty Utilities (America) Co. [d]Ownership percentages as of Oct. 28, 2019. IDR – Issuer Default Rating. NR – Not rated.
Source: Fitch Ratings, Fitch Solutions, Liberty Utilities Co.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USD Mil.)	Funds Flow from Operations (USD Mil.)	FFO Fixed-Charge Coverage (x)	FFO-Adjusted Leverage (x)	Total Adjusted Debt/Operating EBITDAR (x)
Liberty Utilities Co.	BBB						
	BBB	2018	1,400	409	5.5	4.8	4.6
	NR	2017	1,293	327	3.5	5.2	5.0
	NR	2016	623	151	4.2	8.5	8.6
Union Electric Company	BBB+						
	BBB+	2018	3,589	1,281	7.2	2.7	2.8
	BBB+	2017	3,539	1,015	5.8	3.2	2.9
	BBB+	2016	3,523	1,172	5.9	2.9	2.9
Public Service Company of Oklahoma	BBB+						
	BBB	2018	1,547	292	5.3	4.1	4.7
	BBB	2017	1,427	244	4.7	4.8	4.8
	BBB	2016	1,250	202	4.4	5.4	4.2
Cleco Power LLC	BBB						
	BBB	2018	1,221	282	4.5	4.0	3.3
	NR	2017	1,164	281	4.7	3.9	3.3
	NR	2016	1,139	194	3.3	4.6	3.0
Southwestern Electric Power Co.	BBB						
	BBB	2018	1,822	413	4.0	5.2	5.4
	BBB	2017	1,780	447	4.4	4.7	4.8
	BBB–	2016	1,748	466	4.5	4.7	5.4
Southwestern Public Service Company	BBB						
	BBB	2018	1,933	423	5.8	4.4	4.3
	BBB	2017	1,918	435	5.6	3.6	3.8
	BBB	2016	1,851	429	5.5	3.3	3.7

NR – Not rated.
Source: Fitch Ratings, Fitch Solutions.

Reconciliation of Key Financial Metrics

(USD Mil., as reported)	31 Dec 2018
Income Statement Summary	
Operating EBITDA	523
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	0
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**523**
+ Operating Lease Expense Treated as Capitalised (h)	**2**
= Operating EBITDAR after Associates and Minorities (j)	**524**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**1,997**
+ Lease-Equivalent Debt	13
+ Other Off-Balance-Sheet Debt	395
= Total Adjusted Debt with Equity Credit (a)	**2,405**
Readily Available Cash [Fitch-Defined]	6
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash & Equivalents (o)	**6**
Total Adjusted Net Debt (b)	**2,399**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	0
+ Interest (Paid) (d)	**(89)**
= Net Finance Charge (e)	**(89)**
Funds From Operations [FFO] (c)	**409**
+ Change in Working Capital [Fitch-Defined]	(11)
= Cash Flow from Operations [CFO] (n)	**398**
Capital Expenditures (m)	**(362)**
Multiple applied to Capitalised Leases	**8.0**
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	**4.6**
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	**4.8**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	**3.8**
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	**4.6**
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	**4.8**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	**55.6**
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	**5.8**
Op. EBITDA / Interest Paid* [x] (k/(-d))	**5.9**
FFO Fixed Charge Cover [x] ((c+e+h-f)/(-d+h-f))	**5.5**
(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage [x] ((c+e-f)/(-d-f))	**5.6**
(FFO + Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)	

*EBITDA/R after Dividends to Associates and Minorities.

Source: Fitch Ratings, Fitch Solutions, Liberty Utilities Co.

Fitch Adjustment Reconciliation

(USD Mil.)	Reported Values 31 Dec 18	Sum of Fitch Adjustments	CORP - Lease Treatment	Other Adjustment	Adjusted Values
Income Statement Summary					
Revenue	1,400	0			1,400
Operating EBITDAR	523	2	2	(0)	524
Operating EBITDAR after Associates and Minorities	523	2	2	(0)	524
Operating Lease Expense	0	2	2		2
Operating EBITDA	523	0			523
Operating EBITDA after Associates and Minorities	523	0			523
Operating EBIT	330	0			330
Debt & Cash Summary					
Total Debt With Equity Credit	1,997	0			1,997
Total Adjusted Debt With Equity Credit	1,997	408	13	395	2,405
Lease-Equivalent Debt	0	13	13		13
Other Off-Balance Sheet Debt	0	395		395	395
Readily Available Cash & Equivalents	6	0			6
Not Readily Available Cash & Equivalents	0	0			0
Cash-Flow Summary					
Preferred Dividends (Paid)	0	0			0
Interest Received	0	0			0
Interest (Paid)	(91)	2		2	(89)
Funds From Operations [FFO]	409	0			409
Change in Working Capital [Fitch-Defined]	(11)	0			(11)
Cash Flow from Operations [CFO]	398	0			398
Non-Operating/Non-Recurring Cash Flow	0	0			0
Capital (Expenditures)	(362)	0			(362)
Common Dividends (Paid)	(69)	0			(69)
Free Cash Flow [FCF]	(33)	0			(33)
Gross Leverage					
Total Adjusted Debt / Op. EBITDAR* [x]	3.8				4.6
FFO Adjusted Leverage [x]	4.0				4.8
Total Debt With Equity Credit / Op. EBITDA* [x]	3.8				3.8
Net Leverage					
Total Adjusted Net Debt / Op. EBITDAR* [x]	3.8				4.6
FFO Adjusted Net Leverage [x]	4.0				4.8
Total Net Debt / (CFO - Capex) [x]	55.6				55.6
Coverage					
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	5.8				5.8
Op. EBITDA / Interest Paid* [x]	5.8				5.9
FFO Fixed Charge Coverage [x]	5.5				5.5
FFO Interest Coverage [x]	5.5				5.6

*EBITDA/R after Dividends to Associates and Minorities.
Source: Fitch Ratings, Fitch Solutions, Liberty Utilities Co.

Related Research and Applicable Criteria

Algonquin Power & Utilities Corp. (October 2019)
Fitch Affirms Ratings on APUC & Subs, Upgrades APCo's Short-Term IDR; Outlook Stable (October 2019)
Corporates Notching and Recovery Ratings Criteria (October 2019)
Parent and Subsidiary Rating Linkage (September 2019)
Fitch Rates Liberty Utilities Co.'s CP Program 'F2' (May 2019)
Short-Term Ratings Criteria (May 2019)
Corporate Rating Criteria (February 2019)

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