Exhibit No.: 008NP
Issue: Significance of Strong Credit Ratings
Witness: Michael W. Cline
Type of Exhibit: Direct Testimony
Sponsoring Party: Great Plains Energy Incorporated and Kansas City Power & Light Company
Case No.: EM-2007-____
Date Testimony Prepared: April 2, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-____

DIRECT TESTIMONY

OF

MICHAEL W. CLINE

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
April 2007

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Certain Schedules Designated "(HC)" Contain "Highly Confidential" Information and are Being Provided Separately Under Seal. These Schedules Should be Treated Confidentially Pursuant to 4 CSR 240-2.135.

DIRECT TESTIMONY

OF

MICHAEL W. CLINE

Case No. EM-2007-____

Q: **Please state your name and business address.**

A: My name is Michael W. Cline. My business address is 1201 Walnut, Kansas City, Missouri 64106.

Q: **By whom and in what capacity are you employed?**

A: I am employed by Great Plains Energy Incorporated ("Great Plains Energy"), the parent company of Kansas City Power & Light Company ("KCPL"), as Treasurer and Chief Risk Officer.

Q: **What are your responsibilities?**

A: My responsibilities include financing and investing activities, cash management, bank relations, rating agency relations, enterprise risk management, and insurance.

Q: **Please describe your education, experience and employment history.**

A: I graduated from Bradley University in 1983 with a B.S. in Finance, summa cum laude. I earned an MBA from Illinois State University in 1988. From 1984-1991, I was employed by Caterpillar Inc. in Peoria, Illinois and held a number of finance and treasury positions. From 1992-1993, I was Manager, International Treasury at Sara Lee Corporation in Chicago, Illinois. From 1994-2000, I was employed by Sprint Corporation in Overland Park, Kansas, initially as Manager, Financial Risk Management and then as Director, Capital Markets. During most of 2001, I was Assistant Treasurer, Corporate Finance, at

Corning Incorporated in Corning, New York. I joined Great Plains Energy in October 2001 as Director, Corporate Finance. I was promoted to Assistant Treasurer in November 2002. During 2004, I was assigned to lead the company's Sarbanes-Oxley Act compliance effort on a full-time basis, though I retained the Assistant Treasurer title during that time. I was promoted to Treasurer in April 2005 and added the title of Chief Risk Officer in July 2005.

Q: **Have you previously testified in a proceeding at the Missouri Public Service Commission ("MPSC" or the "Commission") or before any other utility regulatory agency?**

A: Yes, I have previously testified before the MPSC and the Kansas Corporation Commission.

Q: **What is the purpose of your testimony?**

A: The purpose of my testimony is to support the use of an "Additional Amortizations to Maintain Financial Ratios" ("Additional Amortizations") mechanism for Aquila, Inc. ("Aquila") following its acquisition by Great Plains Energy (the "Merger") and its achievement of credit metrics that would support an investment-grade credit rating, similar to that utilized by the Commission in KCPL's 2006 rate case in Case No. ER-2006-0314. I will address the following points: (1) The significance of the Additional Amortizations mechanism for Great Plains Energy and KCPL; (2) The credit rating evaluations of Great Plains Energy's proposed acquisition of Aquila performed by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"); and (3) The benefits to Aquila's retail customers of Aquila achieving the financial metrics necessary to support an investment-grade credit rating. In this testimony I will refer to the company name "Aquila" both pre-Merger and post-Merger, realizing that a request for a name change is part of the Joint Application in this proceeding.

Significance of the Additional Amortizations for Great Plains Energy and KCPL

Q: Please review the purpose of the Additional Amortizations.

A: The Additional Amortizations mechanism focuses on three credit ratios deemed most important to S&P in determining a utility's credit quality. These three ratios are: (i) Total Debt to Total Capitalization; (ii) Funds from Operations ("FFO") Interest Coverage; and (iii) FFO as a Percentage of Average Total Debt. The fundamental purpose of the Additional Amortizations is to provide a means by which KCPL may achieve an amount of FFO sufficient to sustain levels of ratios (ii) and (iii), above, that are consistent with the low end of the top third of the range for BBB-rated utility companies with an equivalent Business Risk Profile to KCPL, per S&P's guidelines.

Q: Does S&P publish these guidelines?

A: Yes. S&P published the ratio guidelines in 2004. The guidelines are attached as Schedule MWC-1. S&P's methodology for calculating these ratios was updated in its October 2, 2006 report entitled "Utility Statistical Methodology," which is attached as Schedule MWC-2.

Q: How does the Additional Amortizations mechanism work?

A: The mechanism results in Additional Amortizations being added to KCPL's cost of service in a rate case when the projected cash flows resulting from KCPL's Missouri jurisdictional operations, as determined by the MPSC, fail to meet or exceed the Missouri jurisdictional portion of the low end of the top third of the BBB range shown in Schedule MWC-1 for the FFO Interest Coverage and FFO as a Percentage of Average Total Debt ratios. The amount of Additional Amortizations is the amount needed to achieve that threshold. Any Additional Amortizations granted to KCPL are subsequently treated as an offset to KCPL's rate base, which reduces rates when the Commission sets KCPL's rates in subsequent rate cases.

Q: **Please briefly review the significance of the Additional Amortizations mechanism and the maintenance of financial ratios for KCPL.**

A: KCPL is in the second year of the implementation of its Comprehensive Energy Plan (the "Plan"). Maintaining high credit quality at KCPL is vital to debt and equity investors, banks, rating agencies, and retail customers. KCPL and its parent, Great Plains Energy, will rely extensively on the debt and equity capital markets for new-money financing over the next several years to fund the Plan and KCPL's demonstration of credit strength and financial wherewithal will be critical to its ability to access capital in a timely manner and on attractive terms.

In addition to the funding requests of the Plan, KCPL will have a significant amount of debt subject to refinancing during the period of the Plan. KCPL has $257 million of tax-exempt debt that is either subject to remarketing during the Plan period or is in a weekly or monthly "auction" mode and essentially refinanced at those intervals. KCPL's ability to refinance its debt efficiently, effectively, and on favorable terms will be heavily dependent on bondholder and rating agency views of KCPL's creditworthiness.

Finally, the strong financial profile required for an investment-grade rating benefits retail customers by enabling KCPL to (i) attract the capital needed to make infrastructure investments; (ii) reduce its interest costs; (iii) meet its obligations in a timely fashion; (iv) attract and retain a high-quality workforce; and (v) invest in the communities it serves.

Q: **Did the Commission authorize Additional Amortizations in KCPL's 2006 rate case?**

A: Yes. The Report and Order in KCPL's 2006 rate case, Case No. ER-2006-0314, authorized Additional Amortizations in the amount of $21.7 million as part of a total rate increase of $50.6 million.

Credit Rating Impacts of the Merger on Great Plains Energy, KCPL and Aquila

Q: **Did Great Plains Energy discuss the credit rating impacts of the Merger with the credit rating agencies prior to announcing the Merger?**

A: Yes, extensively. In October 2006, Great Plains Energy engaged S&P to conduct an analysis of the Merger through S&P's Ratings Evaluation Service, based on transaction assumptions as they stood at that time. A copy of S&P's October 2006 analysis is attached as Exhibit MWC-3 (HC). In January 2007, as the Merger appeared increasingly more likely, Great Plains Energy engaged S&P to perform another assessment based on the then-current transaction assumptions, Great Plains Energy also engaged Moody's to conduct a similar analysis through its Ratings Assessment Service. Copies of S&P's and Moody's January 2007 analyses are attached as Exhibits MWC-4 (HC) and MWC-5 (HC), respectively.

Q: **Please summarize S&P's assessment of the long-term credit rating impacts of the Merger.**

A: S&P indicated that, upon announcement of the Merger, the long-term ratings of Great Plains Energy and KCPL would not change but that the ratings would be placed on

"Credit Watch – Negative."[1] This action would communicate S&P's intent to formally review Great Plains Energy's and KCPL's credit ratings during the period between the announcement of the Merger and closing and, in particular, to evaluate whether a number of important "regulatory considerations" surrounding the Merger were addressed in a manner consistent with initial assumptions. Satisfactory resolution of these matters would lead to S&P's action to, as outlined in their January 9, 2007 analysis, "remove GXP and KCP&L's ratings from CreditWatch, **reaffirm all ratings** ...(emphasis added)."

Q: Was extension of the Additional Amortizations mechanism to Aquila one of the "regulatory considerations" S&P highlighted?

A: Yes. One of the key regulatory assumptions S&P listed included the following: *"GXP or KCP&L seek and obtain access to 'accelerated amortization' for ASTEROID."* It should be noted here that the "accelerated amortization" to which S&P refers is equivalent to Additional Amortizations; also in referring to "ASTEROID", S&P was using Great Plains Energy's project name for Aquila.

Q: Did S&P give a clear indication of what action they would take if the "regulatory considerations" they highlighted were not adequately addressed?

A: Yes. They indicated the following in their January 9, 2007 analysis:

"If GXP chooses to proceed with the transaction as contemplated without addressing the various regulatory considerations listed......S&P would likely lower its ratings on GXP and KCP&L."

[1] S&P also indicated that KCPL's short-term rating would be lowered from A-2 to A-3 upon transaction announcement. This is S&P's standard methodology in instances where the ratings for companies with BBB senior unsecured ratings are placed on Credit Watch – Negative.

Q: How would you expect S&P to treat the ratings of Aquila?

A: Consistent with S&P's methodology with respect to KCPL, Aquila's ratings will be based on those of Great Plains Energy. Since Aquila will be a wholly-owned subsidiary of Great Plains Energy, debt at the Aquila level will be structurally senior to debt at the parent company. S&P typically therefore assigns a rating for the subsidiary that is one notch higher than the parent rating. As a result, if Great Plains Energy's ratings were maintained at the current senior unsecured rating of BBB-, we would expect Aquila's senior unsecured rating to be BBB. If Great Plains Energy were downgraded, Aquila's rating would likely be established one notch above the lower parent rating. The rating agency's announcement of Aquila's improved credit rating will likely not occur immediately upon the closing of the Merger. I anticipate that some time would pass while S&P assesses the effects of the Merger.

Q. Please summarize S&P's view of Additional Amortizations as the mechanism relates to an investment-grade rating for Great Plains Energy, KCPL, and Aquila following the closing of the Merger.

A: The availability of the Additional Amortizations mechanism to Aquila following the Merger is a critical regulatory assumption that S&P made in determining not to immediately change the current investment-grade ratings at Great Plains Energy and KCPL. Action by the Commission to confirm this will be a key contributing factor to maintaining existing ratings for Great Plains Energy and KCPL at S&P post-Merger closing. Conversely, not having Additional Amortizations available to Aquila would likely compromise Great Plains Energy's and KCPL's ability to maintain current ratings post-closing.

Q: Please summarize Moody's assessment of the long-term credit rating impacts of the Merger.

A: Moody's indicated that, upon announcement of the Merger, the long-term ratings of Great Plains Energy and KCPL, as well as the Stable Outlook assigned to each, would not change.[2] Unlike S&P, Moody's did not place the ratings under formal review, but states the following in its January 12, 2007 analysis: *"Please note that the ratings determined herein are point in time assessments and based upon a set of assumptions presented by the company with regard to the structure of the proposed transaction. Additional facts and industry-specific circumstances **including potentially different regulatory outcomes** could change the overall assessment of the ratings."* (emphasis added).

Q: Was extension of the Additional Amortizations mechanism to Aquila one of the "regulatory outcomes" on which Moody's was focused?

A: Yes. One of the key regulatory assumptions Moody's listed included the following: "…..**implement regulatory amortization to maintain targeted financial metrics**." (emphasis added).

Q: Did Moody's address in their analysis how the ratings of Aquila would be impacted by the Merger?

A: Yes. Moody's indicated that Aquila debt assumed / guaranteed by Great Plains Energy would be rated equivalent to Great Plains Energy's ratings, *i.e.*, currently Baa2 senior

[2] The January 12, 2007 Moody's analysis attached as Schedule MWC-5 (HC) reflects a 1-notch downgrade in KCPL's rating; however, that was under the assumption that Aquila would be a subsidiary of, or merged into, KCPL. When the status of Aquila as a subsidiary of Great Plains Energy was confirmed, Moody's verbally clarified that KCPL's ratings would remain unchanged.

unsecured.[3] Similar to my comments above concerning S&P, I anticipate that Moody's upgrade of Aquila's credit rating to investment grade would not occur immediately, but rather after Moody's assesses the effects of the Merger.

Q: Please summarize Moody's view of Additional Amortizations as the mechanism relates to an investment-grade rating for Great Plains Energy, KCPL, and Aquila following the closing of the Merger.

A: Like S&P, Moody's viewed the availability of the Additional Amortizations mechanism to Aquila following the Merger as a critical regulatory assumption in determining not to immediately change the current investment-grade ratings at Great Plains Energy and KCPL. Action by the Commission to confirm this will be a key contributing factor to maintaining existing ratings for Great Plains Energy and KCPL at Moody's post-Merger closing. Though Moody's did not address it directly in their analysis, they would likely view not having Additional Amortizations available to Aquila similarly to S&P, *i.e.*, this would likely compromise Great Plains Energy's and KCPL's ability to maintain current ratings post-closing.

Q: When Great Plains Energy publicly announced the Merger on February 7, 2007, were the ratings actions announced by S&P and Moody's consistent with their preliminary assessments?

A: Yes. The actions taken by S&P and Moody's upon announcement of the Merger were fully consistent with what they had conveyed in their respective assessments.

[3] As mentioned in footnote 2, this discussion in the January 12, 2007 analysis was framed around KCPL as guarantor; however, Moody's subsequently confirmed the same methodology would apply with Great Plains Energy as guarantor.

Benefits of Investment-Grade Credit Ratings

Q: What are the benefits of KCPL maintaining its current ratings and Aquila achieving an investment-grade rating after the Merger?

A: As discussed earlier in my testimony, KCPL benefits from its strong credit quality in a number of ways that generally reduce its cost of capital. Aquila would benefit from the achievement of an investment-grade rating primarily through significant savings in interest costs, both on existing Aquila debt, which Great Plains Energy expects to refinance and on much lower interest costs, and on new debt issued to fund future capital expenditures. Estimated synergies related to interest savings are discussed in greater detail in the testimony of Terry Bassham and Robert Zabors.

In addition to significantly reduced interest costs, the strong financial profile that goes hand-in-hand with an investment-grade rating will provide similar benefits to Aquila as those enumerated earlier for KCPL in terms of Aquila's ability to do the following: (i) readily attract the capital needed to make infrastructure investments; (ii) meet its obligations in a timely fashion; (iii) attract and retain a high-quality workforce; and (iv) invest in the communities it serves.

Q: Does this conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Requester Relief	)))))	**Case No. EM-2007-____**

AFFIDAVIT OF MICHAEL W. CLINE

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Michael W. Cline, being first duly sworn on his oath, states:

1. My name is Michael W. Cline. I work in Kansas City, Missouri, and I am employed by Great Plains Energy Incorporated as Treasurer and Chief Risk Officer.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Great Plains Energy Incorporated and Kansas City Power & Light Company consisting of ten (10) pages and Schedules MWC-1 through MWC-5, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Michael W Cline
Michael W. Cline

Subscribed and sworn before me this 2nd day of April 2007.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

RESEARCH

New Business Profile Scores Assigned for U.S. Utility and Power Companies; Financial Guidelines Revised

Publication date: 02-Jun-2004
Credit Analyst: Ronald M Barone, New York (1) 212-438-7662; Richard W Cortright, Jr. , New York (1) 212-438-7665; Suzanne G Smith, New York (1) 212-438-2106; John W Whitlock, New York (1) 212-438-7678; Andrew Watt, New York (1) 212-438-7868; Arthur F Simonson, New York (1) 212-438-2094

Standard & Poor's Ratings Services has assigned new business profile scores to U.S. utility and power companies to better reflect the relative business risk among companies in the sector. Standard & Poor's also has revised its published risk-adjusted financial guidelines. The new business scores and financial guidelines do not represent a change to Standard & Poor's ratings criteria or methodology, and no ratings changes are anticipated from the new business profile scores or revised financial guidelines.

New Business Profile Scores and Revised Financial Guidelines

Standard & Poor's has always monitored changes in the industry and altered its business risk assessments accordingly. This is the first time since the 10-point business profile scale for U.S. investor-owned utilities was implemented that a comprehensive assessment of the benefits and the application of the methodology has been made. The principal purpose was to determine if the methodology continues to provide meaningful differentiation of business risk. The review indicated that while business profile scoring continues to provide analytical benefits, the complete range of the 10-point scale was not being utilized to the fullest extent.

Standard & Poor's has also revised the key financial guidelines that it uses as an integral part of evaluating the credit quality of U.S. utility and power companies. These guidelines were last updated in June 1999. The financial guidelines for three principal ratios (funds from operations (FFO) interest coverage, FFO to total debt, and total debt to total capital) have been broadened so as to be more flexible. Pretax interest coverage as a key credit ratio was eliminated.

Finally, Standard & Poor's has segmented the utility and power industry into sub-sectors based on the dominant corporate strategy that a company is pursuing. Standard & Poor's has published a new U.S. utility and power company ranking list that reflects these sub-sectors.

There are numerous benefits to the reassessment. Fuller utilization of the entire 10-point scale provides a superior relative ranking of qualitative business risk. A simultaneous revision of the financial guidelines supports the goal of not causing rating changes from the recalibration of the business profiles. Classification of companies by sub-sectors will ensure greater comparability and consistency in ratings. The use of industry segmentation will also allow more in-depth statistical analysis of ratings distributions and rating changes.

The reassessment does not represent a change to Standard & Poor's criteria or methodology for determining ratings for utility and power companies. Each business profile score should be considered as the assignment of a new score; these scores do not represent improvement or deterioration in our assessment of an individual company's business risk relative to the previously assigned score. The financial guidelines continue to be risk-adjusted based on historical utility and industrial medians. Segmentation into industry sub-sectors does not imply that specific company characteristics will not weigh heavily into the assignment of a company's business profile score.

Results

Previously, 83% of U.S. utility and power business profile scores fell between '3' and '6', which clearly

Schedule MWC-1

does not reflect the risk differentiation that exists in the utility and power industry today. Since the 10-point scale was introduced, the industry has transformed into a much less homogenous industry, where the divergence of business risk--particularly regarding management, strategy, and degree of competitive market exposure--has created a much wider spectrum of risk profiles. Yet over the same period, business profile scores actually converged more tightly around a median score of '4'. The new business profile scores, as of the date of this publication, are shown in Chart 1. The overall median business profile score is now '5'.

Chart 1

Chart 1

Distribution of Business Profile Scores

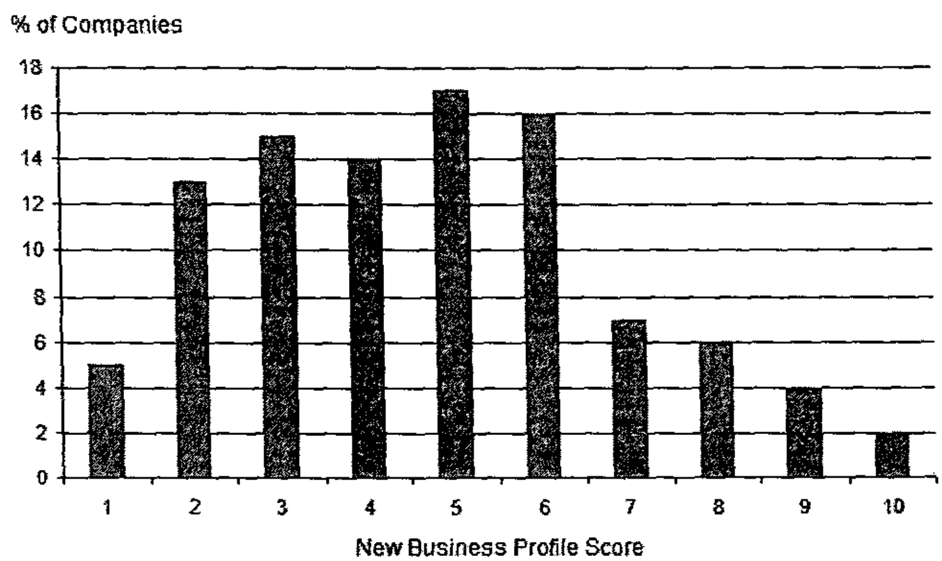


Table 1 contains the revised financial guidelines. It is important to emphasize that these metrics are only guidelines associated with expectations for various rating levels. Although credit ratio analysis is an important part of the ratings process, these three statistics are by no means the only critical financial measures that Standard & Poor's uses in its analytical process. We also analyze a wide array of financial ratios that do not have published guidelines for each rating category.

Table 1

Revised Financial Guidelines

Funds from operations/interest coverage (x)

Business Profile	AA		A		BBB		BB	
1	3	2.5	2.5	1.5	1.5	1		
2	4	3	3	2	2	1		
3	4.5	3.5	3.5	2.5	2.5	1.5	1.5	1
4	5	4.2	4.2	3.5	3.5	2.5	2.5	1.5
5	5.5	4.5	4.5	3.8	3.8	2.8	2.8	1.8
6	6	5.2	5.2	4.2	4.2	3	3	2
7	8	6.5	6.5	4.5	4.5	3.2	3.2	2.2

Table 1

Revised Financial Guidelines (cont.)

8	10	7.5	7.5	5.5	5.5	3.5	3.5	2.5
9			10	7	7	4	4	2.8
10			11	8	8	5	5	3

Funds from operation/total debt (%)

Business Profile	AA		A		BBB		BB	
1	20	15	15	10	10	5		
2	25	20	20	12	12	8		
3	30	25	25	15	15	10	10	5
4	35	28	28	20	20	12	12	8
5	40	30	30	22	22	15	15	10
6	45	35	35	28	28	18	18	12
7	55	45	45	30	30	20	20	15
8	70	55	55	40	40	25	25	15
9			65	45	45	30	30	20
10			70	55	55	40	40	25

Total debt/total capital (%)

Business Profile	AA		A		BBB		BB	
1	48	55	55	60	60	70		
2	45	52	52	58	58	68		
3	42	50	50	55	55	65	65	70
4	38	45	45	52	52	62	62	68
5	35	42	42	50	50	60	60	65
6	32	40	40	48	48	58	58	62
7	30	38	38	45	45	55	55	60
8	25	35	35	42	42	52	52	58
9			32	40	40	50	50	55
10			25	35	35	48	48	52

Again, ratings analysis is not driven solely by these financial ratios, nor has it ever been. In fact, the new financial guidelines that Standard & Poor's is incorporating for the specified rating categories reinforce the analytical framework whereby other factors can outweigh the achievement of otherwise acceptable financial ratios. These factors include:

- Effectiveness of liability and liquidity management;
- Analysis of internal funding sources;
- Return on invested capital;
- The record of execution of stated business strategies;
- Accuracy of projected performance versus actual results, as well as the trend;
- Assessment of management's financial policies and attitude toward credit; and
- Corporate governance practices.

Charts 2 through 6 show business profile scores broken out by industry sub-sector. The five industry sub-sectors are:

- Transmission and distribution--Water, gas, and electric;
- Transmission only--Electric, gas, and other;
- Integrated electric, gas, and combination utilities;

- Diversified energy and diversified nonenergy; and
- Energy merchant/power developer/trading and marketing companies.

Chart 2

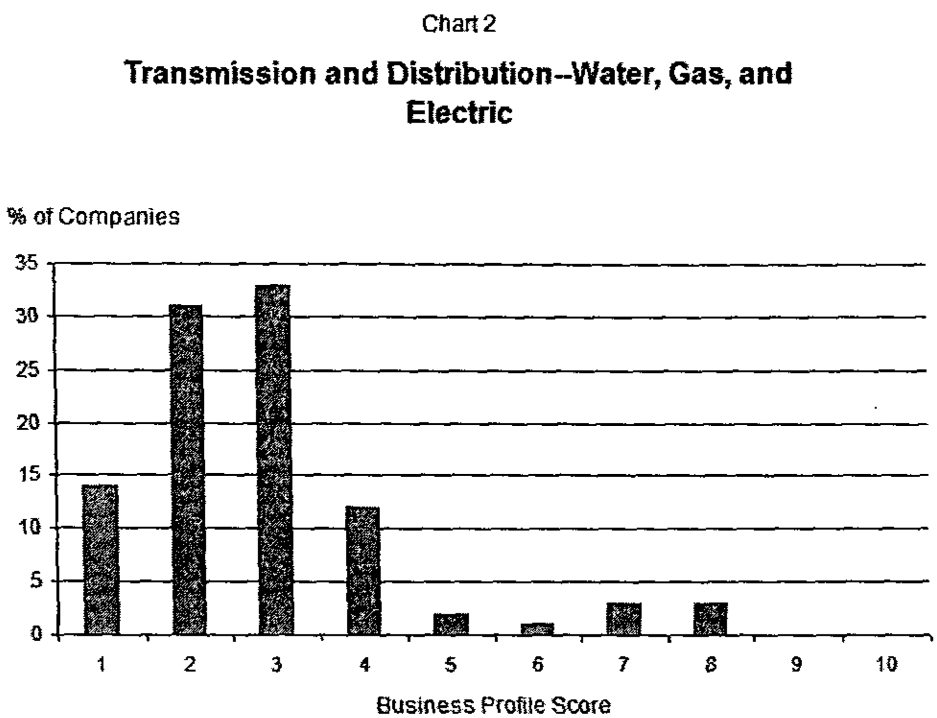


Chart 3

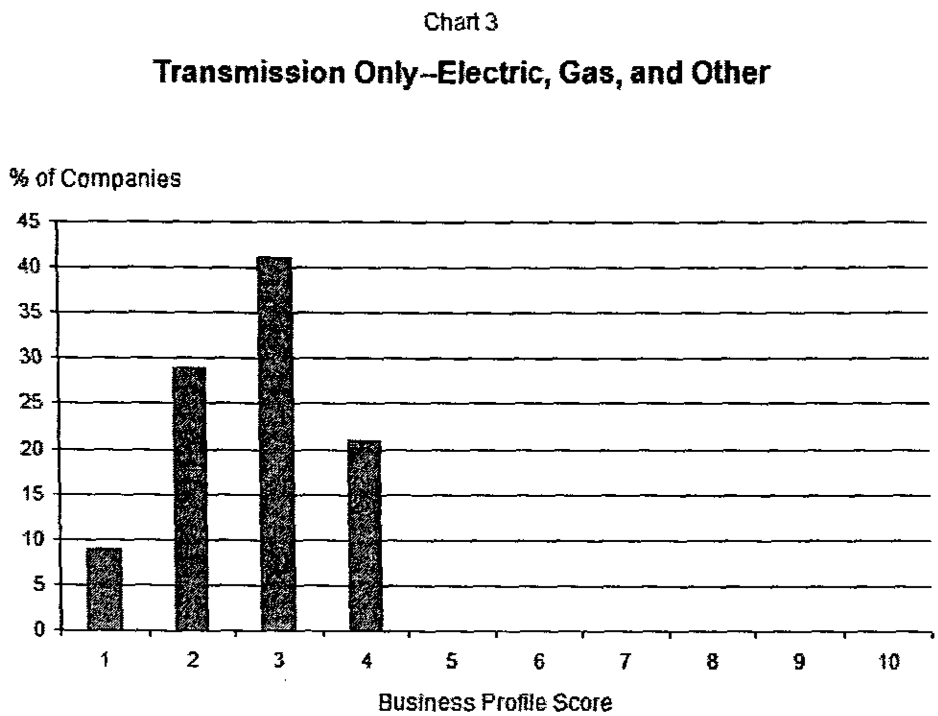


Chart 4

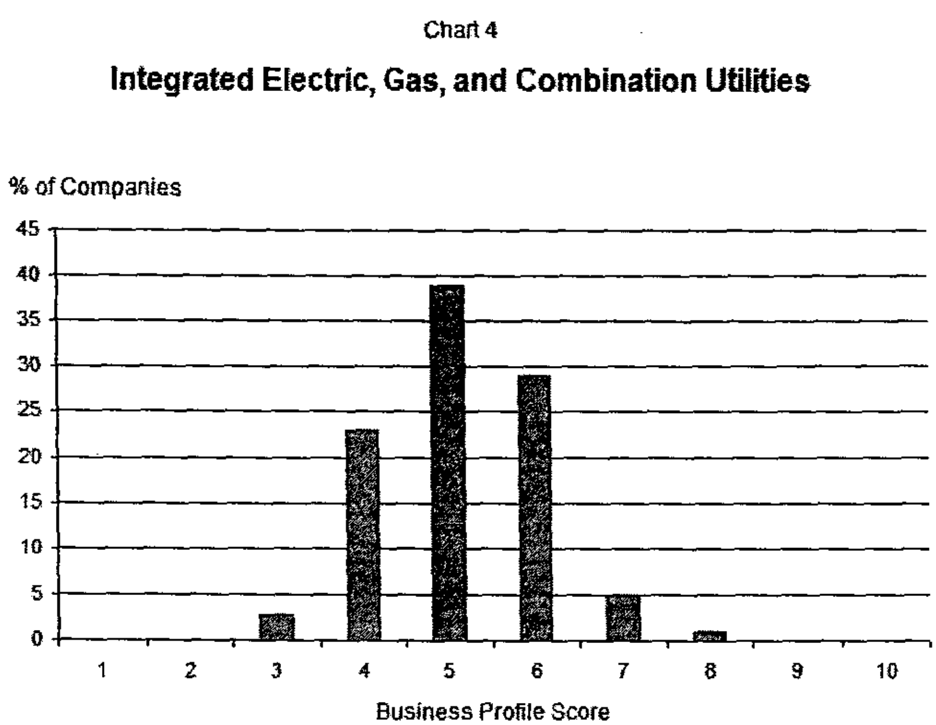


Chart 5

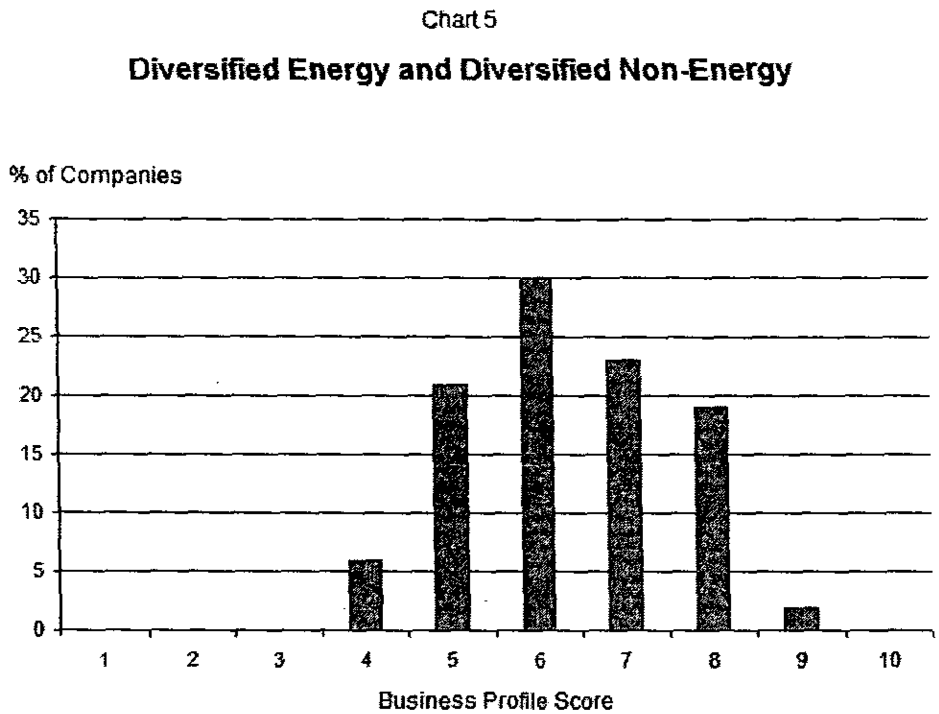
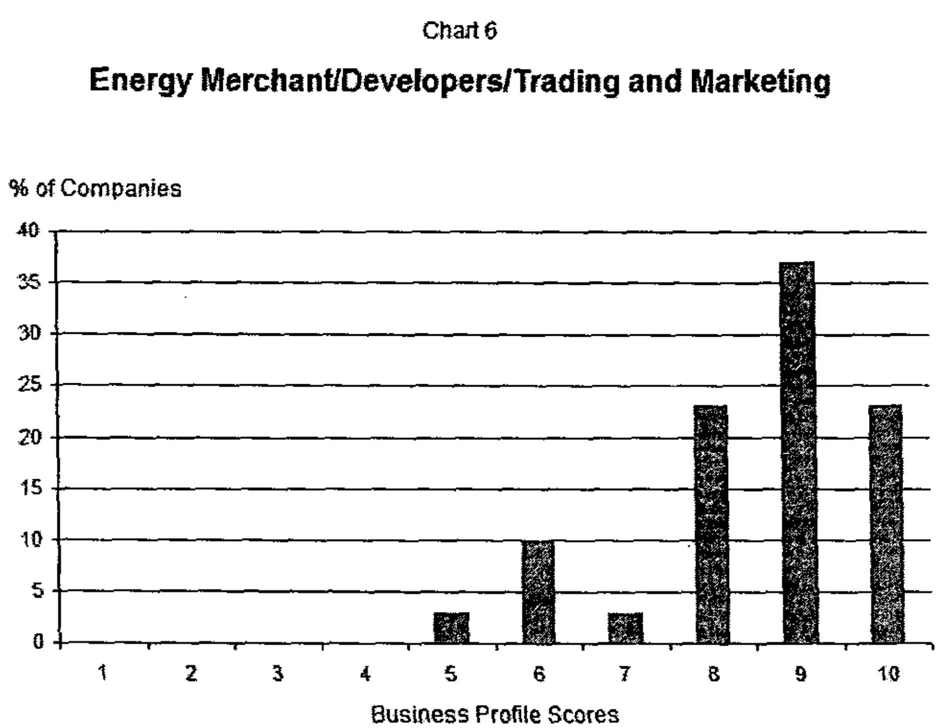


Chart 6



The average business profile scores for transmission and distribution companies and transmission-only companies are lower on the scale than the previous averages, while the average business profile scores for integrated utilities, diversified energy, and energy merchants and developers are higher.

The Appendix provides the company list of business profile scores segmented by industry sub-sector and ranked in order of credit rating, outlook, business profile score, and relative strength.

Business Profile Score Methodology

Standard & Poor's methodology of determining corporate utility business risk is anchored in the assessment of certain specific characteristics that define the sector. We assign business profile scores to each of the rated companies in the utility and power sector on a 10-point scale, where '1' represents the lowest risk and '10' the highest risk. Business profile scores are assigned to all rated utility and power companies, whether they are holding companies, subsidiaries or stand-alone corporations. For operating subsidiaries and stand-alone companies, the score is a bottom-up assessment. Scores for families of companies are a composite of the operating subsidiaries' scores. The actual credit rating of a company is analyzed, in part, by comparing the business profile score with the risk-adjusted financial guidelines.

For most companies, business profile scores are assessed using five categories; specifically, regulation, markets, operations, competitiveness, and management. The emphasis placed on each category may be influenced by the dominant strategy of the company or other factors. For example, for a regulated transmission and distribution company, regulation may account for 30% to 40% of the business profile score because regulation can be the single-most important credit driver for this type of company. Conversely, competition, which may not exist for a transmission and distribution company, would provide a much lower proportion (e.g., 5% to 15%) of the business profile score.

For certain types of companies, such as power generators, power developers, oil and gas exploration and production companies, or nonenergy-related holdings, where these five components may not be appropriate, Standard & Poor's will use other, more appropriate methodologies. Some of these companies are assigned business profile scores that are useful only for relative ranking purposes.

As noted above, the business profile score for a parent or holding company is a composite of the business profile scores of its individual subsidiary companies. Again, Standard & Poor's does not apply rigid guidelines for determining the proportion or weighting that each subsidiary represents in the overall business profile score. Instead, it is determined based on a number of factors. Standard & Poor's will analyze each subsidiary's contribution to FFO, forecast capital expenditures, liquidity requirements, and other parameters, including the extent to which one subsidiary has higher growth. The weighting is determined case-by-case.

Appendix: U.S. Utility and Power Company Ranking List

U.S. Utility and Power Company Ranking List

Company	Corporate Credit Rating	Business Profile
1. Regulated Transmission and Distribution - Electric, Gas, and Water		
Baton Rouge Water Works Co. (The)	AA/Stable/--	1
Nicor Gas Co.	AA/Stable/A-1+	2
Nicor Inc.	AA/Stable/A-1+	3
Washington Gas Light Co.	AA-/Stable/A-1+	2
WGL Holdings Inc.	AA-/Stable/A-1+	3
New Jersey Natural Gas Co.	A+/Stable/A-1	1
Aqua Pennsylvania	A+/Stable/--	2
KeySpan Energy Delivery Long Island	A+/Negative/--	1
KeySpan Energy Delivery New York	A+/Negative/--	1
Elizabethtown Water Co.	A+/Negative/--	2

U.S. Utility and Power Company Ranking List (cont.)		
California Water Service Co.	A+/Negative/--	3
Questar Gas Co.	A+/Negative/--	3
Southern California Gas Co.	A/Stable/A-1	1
Boston Edison Co.	A/Stable/A-1	1
Commonwealth Electric Co.	A/Stable/--	1
Cambridge Electric Light Co.	A/Stable/--	1
NSTAR	A/Stable/A-1	1
Massachusetts Electric Co.	A/Stable/A-1	1
Narragansett Electric Co.	A/Stable/A-1	1
Northwest Natural Gas Co.	A/Stable/A-1	1
Connecticut Water Service Inc.	A/Stable/ --	2
Connecticut Water Co. (The)	A/Stable/	2
Aquarion Co.	A/Stable/--	2
Aquarion Water Co. of Connecticut	A/Stable/--	2
NSTAR Gas Co.	A/Stable/--	2
Piedmont Natural Gas Co. Inc.	A/Stable/A-1	2
National Grid USA	A/Stable/A-1	2
Consolidated Edison Co. of New York Inc.	A/Stable/A-1	2
Orange and Rockland Utilities Inc.	A/Stable/A-1	2
Rockland Electric Co.	A/Stable/--	2
Consolidated Edison Inc.	A/Stable/A-1	2
Laclede Gas Co.	A/Stable/A-1	3
Laclede Group Inc.	A/Stable/--	3
Atlantic City Sewerage Co.	A/Stable/--	3
Niagara Mohawk Power Corp.	A/Stable/--	3
Central Hudson Gas & Electric Co.	A/Stable/--	3
American Water Capital Corp.	A/Negative/	2
Boston Gas Co.	A/Negative/--	2
Colonial Gas Co.	A/Negative/--	2
Middlesex Water Co.	A/Negative/--	3
York Water Co. (The)	A-/Stable/--	2
Alabama Gas Corp.	A-/Stable/--	2
Atlanta Gas Light Co.	A-/Stable/--	2
Public Service Co. of North Carolina Inc.	A-/Stable/A-2	2
Wisconsin Gas Co.	A-/Stable/A-2	2
North Shore Gas Co.	A-/Stable/A-2	2
Peoples Gas Light & Coke Co.	A-/Stable/A-2	2
ONEOK Inc.	A-/Stable/A-2	6
Indiana Gas Co. Inc.	A-/Negative/--	1
Southern California Water Co.	A-/Negative/--	3
American States Water Co.	A-/Negative/--	3
United Water New Jersey	A-/Negative/--	4
United Waterworks	A-/Negative/--	4
PPL Electric Utilities Corp.	A-/Negative/--	4

U.S. Utility and Power Company Ranking List (cont.)		
Commonwealth Edison Co.	A-/Negative/A-2	4
PECO Energy Co.	A-/Negative/A-2	4
Central Illinois Public Service Co.	A-/CW-Neg/--	3
Western Massachusetts Electric Co.	BBB+/Stable/--	1
Cascade Natural Gas Corp.	BBB+/Stable/--	2
South Jersey Gas Co.	BBB+/Stable/--	2
Baltimore Gas & Electric Co.	BBB+/Stable/A-2	3
Connecticut Natural Gas Corp.	BBB+/Negative/--	3
Southern Connecticut Gas Co.	BBB+/Negative/--	3
Central Maine Power Co.	BBB+/Negative/--	3
Atlantic City Electric Co.	BBB+/Negative/A-2	3
Potomac Electric Power Co.	BBB+/Negative/A-2	3
Delmarva Power & Light Co.	BBB+/Negative/A-2	3
Yankee Gas Services Co.	BBB+/Negative/--	3
Connecticut Light & Power Co.	BBB+/Negative/--	3
UGI Utilities Inc.	BBB+/Negative/--	4
Bay State Gas Co.	BBB/Stable/--	2
AEP Texas Central Co.	BBB/Stable/--	2
AEP Texas North Co.	BBB/Stable/--	2
Southwest Gas Corp.	BBB-/Stable/--	3
Columbus Southern Power Co.	BBB/Stable/--	3
Ohio Power Co.	BBB/Stable/--	3
Public Service Electric & Gas Co.	BBB/Stable/A-2	3
Oncor Electric Delivery Co.	BBB/Negative/--	2
Southern Union Co.	BBB/Negative/--	3
Centerpoint Energy Houston Electric LLC	BBB/Negative/--	3
CenterPoint Energy Resources Corp.	BBB/Negative/--	3
Duquesne Light Co.	BBB/Negative/	4
Duquesne Light Holdings Inc.	BBB/Negative/ --	5
TXU Gas Co.	BBB/CW-Dev/--	3
Jersey Central Power & Light Co.	BBB-/Stable/--	4
Metropolitan Edison Co.	BBB-/Stable/--	4
Pennsylvania Electric Co.	BBB-/Stable/--	4
Texas-New Mexico Power Co.	BB+/Stable/--	4
AmeriGas Partners L.P.	BB+/Stable/--	7
NUI Utilities Inc.	BB/CW-Dev/--	4
Suburban Propane Partners L.P.	BB-/Stable/--	8
Star Gas Partners L.P.	BB-/Stable/--	8
SEMCO Energy Inc.	BB-/Negative/--	5
Ferrellgas Partners L.P.	BB-/Negative/--	8
Potomac Edison Co.	B/Stable/--	3
West Penn Power Co.	B/Stable/--	3
Illinova Corp.	B/Negative/--	7
NorthWestern Corp.	D/NM/--	7

U.S. Utility and Power Company Ranking List (cont.)

2. Transmission Only - Electric, Gas, and Other

Questar Pipeline Co.	A+/Negative/--	3
Mid-West Independent Transmission System Operator Inc.	A/Stable/--	1
American Transmission Co.	A/Stable/A-1	1
New England Power Co.	A/Stable/A-1	1
Colonial Pipeline Co.	A/Stable/A-1	3
Dixie Pipeline Co.	--/--/A-1	3
Plantation Pipeline Co.	--/--/A-1	3
Explorer Pipeline Co.	A/Stable/A-1	4
Northern Natural Gas Co.	A-/Positive/--	2
Buckeye Partners L.P.	A-/Stable/--	4
Kern River Gas Transmission Co.	A-/Negative/--	3
Northern Border Pipeline Co.	A-/CW-Neg/--	2
Texas Gas Transmission LLC	BBB+/Stable/--	3
Iroquois Gas Transmission System L.P.	BBB+/Stable/--	3
Florida Gas Transmission Co.	BBB/Stable/--	2
International Transmission Co.	BBB/Stable	2
ITC Holding Corp.	BBB/Stable	2
Texas Eastern Transmission L.P.	BBB/Stable/--	3
PanEnergy Corp.	BBB/Stable/--	3
TE Products Pipeline Co. L.P.	BBB/Stable/--	4
TEPPCO Partners L.P.	BBB/Stable/--	4
Panhandle Eastern Pipeline LLC	BBB/Negative/--	3
Noark Pipeline Finance LLC	BBB/Negative/--	4
Southern Star Central Gas Pipeline Inc.	BB/Stable/--	3
Transwestern Pipeline Co.	BB/CW-Dev/--	4
Transcontinental Gas Pipe Line Corp.	B+/Negative/--	2
Northwest Pipeline Corp.	B+/Negative/--	2
Colorado Interstate Gas Co.	B-/Negative/--	2
Southern Natural Gas Co.	B-/Negative/--	2
ANR Pipeline Co.	B-/Negative/--	3
Tennessee Gas Pipeline Co.	B-/Negative/--	3
El Paso Tennessee Pipeline Co.	B-/Negative/--	3
El Paso Natural Gas Co.	B-/Negative/--	4
Gas Transmission Northwest Corp.	CC/CW-Pos/--	2
3. Integrated Electric, Gas, and Combination Utilities		
Wisconsin Public Service Corp.	AA-/Stable/A-1+	4
Madison Gas & Electric Co.	AA/Negative/A-1+	4
Southern Co.	A/Stable/A-1	4
Georgia Power Co.	A/Stable/A-1	4
Alabama Power Co.	A/Stable/A-1	4
Mississippi Power Co.	A/Stable/A-1	4
Gulf Power Co.	A/Stable/--	4

U.S. Utility and Power Company Ranking List (cont.)		
Savannah Electric & Power Co.	A/Stable/--	4
San Diego Gas & Electric Co.	A/Stable/A-1	5
MidAmerican Energy Co.	A/Stable/A-1	5
Questar Corp.	--/--/A-1	6
Equitable Resources Inc.	A/Stable/A-1	6
Florida Power & Light Co.	A/Negative/A-1	4
South Carolina Electric & Gas Co.	A-/Stable/A-2	4
SCANA Corp.	A-/Stable/--	4
Wisconsin Electric Power Co.	A-/Stable/A-2	4
AGL Resources Inc.	A-/Stable/A-2	4
Virginia Electric & Power Co. (Dominion Virginia)	A-/Stable/A-2	5
Idaho Power Co.	A-/Stable/A-2	5
IDACORP Inc.	A-/Stable/A-2	5
Energen Corp.	A-/Stable/--	6
Vectren Utility Holdings Inc.	A-/Negative/A-2	3
Wisconsin Power & Light Co.	A-/Negative/A-2	4
Atmos Energy Corp.	A-/Negative/A-2	4
Southern Indiana Gas & Electric Co.	A-/Negative/--	5
Montana-Dakota Utilities Co.	A-/Negative/--	5
PacifiCorp	A-/Negative/A-2	5
Northern Border Partners L.P.	A-/CW-Neg/--	4
Central Illinois Light Co.	A-/CW-Neg/--	5
CILCORP	A-/CW-Neg/--	5
Union Electric Co.	A-/CW-Neg/A-2	5
Ameren Corp.	A-/CW-Neg/A-2	5
Cincinnati Gas & Electric Co.	BBB+/Stable/A2-	4
Oklahoma Gas & Electric Co.	BBB+/Stable/A-2	4
Northern States Power Wisconsin	BBB+/Stable /A-2	5
Kentucky Utilities Co.	BBB+/Stable/A-2	5
Louisville Gas & Electric Co.	BBB+/Stable/A-2	5
Allete Inc.	BBB+/Stable/A-2	5
Wisconsin Energy Corp.	BBB+/Stable/A-2	5
PSI Energy Inc.	BBB+/Stable/A-2	5
Union Light Heat & Power Co.	BBB+/Stable/--	5
Hawaiian Electric Co. Inc.	BBB+/Stable/A-2	6
Enogex Inc.	BBB+/Stable/--	6
National Fuel Gas Co.	BBB+/Stable/A-2	7
Energy East Corp.	BBB+/Negative/--A2	3
RGS Energy Group Inc.	BBB+/Negative/--	4
Rochester Gas & Electric Corp.	BBB+/Negative/--	4
Michigan Consolidated Gas Co.	BBB+/Negative/A-2	4
Interstate Power & Light Co.	BBB+/Negative/A-2	5
Public Service Co. of New Hampshire	BBB+/Negative/--	5
Kaneb Pipe Line Operating Partnership L.P.	BBB+/Negative/--	5

U.S. Utility and Power Company Ranking List (cont.)		
Consolidated Natural Gas Co.	BBB+/Negative/A-2	6
Detroit Edison Co.	BBB+/Negative/A-2	6
Questar Market Resources Inc.	BBB+/Negative/--	8
Portland General Electric Co.	BBB+/CW-Neg./A-2	5
Columbia Energy Group	BBB/Stable/--	3
NiSource Inc.	BBB/Stable/--	4
Xcel Energy Inc.	BBB/Stable/A-2	5
Public Service Co. of Colorado	BBB/Stable /A-2	5
Northern States Power Co.	BBB/Stable /A-2	5
Southwestern Public Service Co.	BBB/Stable /A-2	5
Appalachian Power Co.	BBB/Stable/--	5
Kentucky Power Co.	BBB/Stable/--	5
Public Service Co. of Oklahoma	BBB/Stable/--	5
Southwestern Electric Power Co.	BBB/Stable/--	5
Northern Indiana Public Service Co.	BBB/Stable/--	5
Entergy Arkansas Inc.	BBB/Stable/--	5
Entergy Louisiana Inc.	BBB/Stable/--	5
Progress Energy Florida	BBB/Stable/--	5
Progress Energy Carolinas Inc.	BBB/Stable/A-2	5
Kansas City Power & Light Co.	BBB/Stable/A-2	6
PNM Resources Inc.	BBB/Stable/--	6
Southern California Edison Co.	BBB/Stable/A-2	6
Empire District Electric Co.	BBB/Stable/A-2	6
Entergy Mississippi Inc.	BBB/Stable/--	6
Entergy New Orleans Inc.	BBB/Stable/--	6
Duke Energy Field Services LLC	BBB/Stable/A-2	6
Arizona Public Service Co.	BBB/Negative/A-2	5
TXU U.S. Holdings Co.	BBB/Negative/--	5
Pinnacle West Capital Corp.	BBB/Negative/A-2	6
Cleco Power LLC	BBB/Negative/A-3	6
Puget Sound Energy Inc.	BBB-/Positive/A-3	5
Puget Energy Inc.	BBB-/Positive/--	5
Green Mountain Power Corp.	BBB-/Stable/--	5
Public Service Co. of New Mexico	BBB-/Stable/A-2	6
Pacific Gas & Electric Co.	BBB-/Stable/--	6
Cleveland Electric Illuminating Co.	BBB-/Stable/--	6
Ohio Edison Co.	BBB-/Stable/--	6
Toledo Edison Co.	BBB-/Stable/--	6
Pennsylvania Power Co.	BBB-/Stable/--	6
El Paso Electric Co.	BBB-/Stable/--	6
Central Vermont Public Service Corp.	BBB-/Stable/--	6
Entergy Gulf States Inc.	BBB-/Stable/--	6
System Energy Resources Inc.	BBB-/Stable/--	7
Tampa Electric Co.	BBB-/Negative/A-3	4

U.S. Utility and Power Company Ranking List (cont.)		
Black Hills Power Inc.	BBB-/Negative/--	6
Westar Energy Inc.	BB+/Positive/--	5
Kansas Gas & Electric Co.	BB+/Positive/--	6
Indianapolis Power & Light Co.	BB+/Stable/--	4
IPALCO Enterprises Inc.	BB+/Stable/--	4
Enterprise Products Operating L.P.	BB+/Stable/--	6
Enterprise Products Partners L.P.	BB+/Stable/--	6
GulfTerra Energy Partners L.P.	BB+/CW-Neg/--	6
Consumers Energy Co.	BB/Negative/--	6
Tucson Electric Power Co.	BB/CW-Neg/--	6
Dayton Power & Light Co.	BB-/CW-Neg/--	7
Monongahela Power Co.	B/Stable/--	5
Nevada Power Co.	B+/Negative/--	7
Sierra Pacific Power Co.	B+/Negative/--	7
Sierra Pacific Resources	B+/Negative/--	7
4. Diversified Energy and Diversified Non-Energy		
WPS Resources Corp.	A/Stable/A-1	5
KeySpan Corp.	A/Negative/A-1	4
FPL Group Inc.	A/Negative/--	6
Peoples Energy Corp.	A-/Stable/A-2	5
Vectren Corp.	A-/Negative/--	4
PacifiCorp Holdings Inc.	A-/Negative/--	5
Exelon Corp.	A-/Negative/A-2	7
MDU Resources Group Inc.	A-/Negative/A-2	7
Centennial Energy Holdings Inc.	A-/Negative/A-2	8
Otter Tail Corp.	A-/Negative/--	8
Kinder Morgan Energy Partners L.P.	BBB+/Stable/A-2	4
Northeast Utilities	BBB+/Stable/--	5
OGE Energy Corp.	BBB+/Stable/A-2	6
LG&E Energy Corp.	BBB+/Stable/--	6
Cinergy Corp.	BBB+/Stable/A-2	6
Constellation Energy Group Inc.	BBB+/Stable/A-2	7
Sempra Energy	BBB+/Stable/A-2	7
Pepco Holdings Inc.	BBB+/Negative/A-2	5
Conectiv	BBB+/Negative/--	5
Alliant Energy Corp.	BBB+/Negative/A-2	6
DTE Energy Co.	BBB+/Negative/A-2	6
Dominion Resources Inc.	BBB+/Negative/A-2	7
Kinder Morgan Inc.	BBB/Stable/A-2	5
American Electric Power Co. Inc.	BBB/Stable/A-2	6
Entergy Corp.	BBB/Stable/--	6
Hawaiian Electric Industries Inc.	BBB/Stable/A-2	6
Progress Energy Inc.	BBB/Stable/A-2	6

U.S. Utility and Power Company Ranking List (cont.)		
PPL Corp.	BBB/Stable/--	7
Public Service Enterprise Group Inc.	BBB/Stable/A-2	7
Great Plains Energy Inc.	BBB/Stable/--	7
Duke Energy Corp.	BBB/Stable/A-2	7
Duke Capital Corp.	BBB/Stable/A-2	8
TXU Corp.	BBB/Negative/--	5
Centerpoint Energy Inc.	BBB/Negative/--	5
Cleco Corp.	BBB/Negative/A-3	6
Potomac Capital Investment Corp.	BBB/Negative/--	8
MidAmerican Energy Holdings Co.	BBB-/Positive/--	5
FirstEnergy Corp.	BBB-/Stable/--	6
TECO Energy Inc.	BBB-/Negative/A-3	5
Black Hills Corp.	BBB-/Negative/--	8
Avista Corp.	BB+/Stable/--	6
Edison International	BB+/Stable/--	6
TNP Enterprises	BB+/Stable/--	6
New York Water Service Corp.	BB/Stable	7
CMS Energy Corp.	BB/Negative/--	7
DPL Inc.	BB- /CW-Neg/--	8
Williams Companies Inc. (The)	B+/Negative/--	8
Allegheny Energy Inc.	B/Stable/--	7
Dynegy Inc.	B/Negative/--	8
Dynegy Holdings Inc.	B/Negative/--	9
El Paso CGP Corp.	B-/Negative/--	6
Aquila Inc.	B-/Negative/--	8
El Paso Corp.	B-/Negative/--	8
5. Energy Merchants/Power Developers/Trading and Marketing		
Entergy-Koch L.P.	A/Stable/--	9
KeySpan Generation LLC	A/Negative/--	5
FPL Group Capital	A/Negative/A-1	8
Exelon Generation Co.	A-/Negative/A-2	8
AmerenEnergy Generating Co.	A-/CW-Neg/--	8
Southern Power Co.	BBB+/Stable/--	6
LG&E Capital Corp.	BBB+/Stable/A-2	9
Alliant Energy Resources Inc.	BBB+/Negative/--	9
American Ref-Fuel Co. LLC	BBB/Stable/--	6
PSEG Power LLC	BBB/Stable/--	8
PPL Energy Supply LLC	BBB/Stable/--	8
TXU Energy Co. LLC	BBB/Negative/--	7
Duke Energy Trading and Marketing LLC	BBB-/Negative/--	10
Northeast Generation Company	BB+/Negative/--	9
Cogentrix Energy	BB-/Stable/--	6
PSEG Energy Holdings Inc.	BB-/Stable/--	9

U.S. Utility and Power Company Ranking List (cont.)		
AES Corp.	B+/Stable/--	9
NRG Energy Inc.	B+/Stable	9
Allegheny Energy Supply Co. LLC	B/Stable/--	8
Reliant Resources Inc.	B/Negative/--	8
Calpine Corp	B/Negative/--	9
Edison Mission Energy	B/Negative/--	9
Orion Power Holdings Inc	B/Negative/--	9
Reliant Energy Mid-Atlantic Power Holdings LLC	B/Negative/--	9
Mirant Americas Generation Inc.	D/--/--	10
Mirant Americas Energy Marketing L.P.	D/--/--	10
Mirant Corp.	D/--/--	10
NEGT Energy Trading Holdings Corp	D/--/--	10
PG&E National Energy Group	D/--/--	10
USGen New England Inc.	D/--/--	10

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RESEARCH

CreditStats:

Utility Statistical Methodology

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Individual utility company key ratios are presented in the CreditStats by industry subsector. Within the subsectors are company financial statistics for the past five years, where available. Tables listing companies' three-year averages, also by subsector, are provided, with a subsector median. In all tables, unless otherwise noted, the key ratios reflect many of the adjustments that Standard & Poor's Ratings Services' analysts make when performing their quantitative analyses of historical data.

Nonrecurring gains or losses have been eliminated from earnings. This includes gains on asset sales; significant transitory income items; unusual losses; losses on asset sales; and charges due to write-downs, plant closings, restructurings, and early retirement programs. These adjustments affect chiefly interest coverage ratios, return on equity, and operating margins.

Unusual cash flow items similar to the nonrecurring gains or losses have also been reversed, unless the noncash nature of the charge was already factored into the reported cash flow figures. These changes affect funds flow ratios.

The ratings are as of Sept. 7, 2006, unless indicated otherwise. Because ratings are forward-looking and not just a reflection of past results, a company's historical ratios may not reflect its current rating: Companies that have strong results to date but face uncertain futures may be rated below what their historical ratios suggest; alternatively, a firm's poor recent financial history can be offset by a correction of its problems or a change in its business risk profile. In a few cases, acquisitions caused a few ratios to deviate from the levels typical for a firm's rating category.

The ratings may be changed at any time based on new information or changed circumstances. Thus, the accuracy of the ratings information beyond Sept. 7, 2006, should not be assumed.

Table 1

Key U.S. Utility Financial Ratios, Long-Term Debt

Three-year (2003 to 2005) averages

	AA	A	BBB	BB	B	CCC
Oper. income/sales(%)	21.0	23.4	25.7	22.7	12.2	5.6
Free oper. cash flow/sales (%)	4.3	(0.5)	3.0	7.0	(2.7)	1.0
Return on capital (%)	11.0	9.8	8.6	7.9	6.2	3.7
EBIT interest coverage (x)	4.5	3.3	2.8	1.8	0.7	0.6
EBITDA interest coverage (x)	6.4	4.7	4.3	2.7	1.3	1.6
EBITDA/total assets (%)	11.1	9.6	9.8	9.2	5.7	8.1
FFO/total debt (%)	26.5	19.3	20.1	13.5	5.7	9.4
Free oper. cash flow/total debt (%)	10.0	(0.6)	3.0	4.3	(4.6)	2.8
Disc. cash flow/total debt (%)	1.6	(6.6)	(1.7)	(0.4)	(4.8)	(7.5)

Schedule MWC-2

Table 1

Key U.S. Utility Financial Ratios, Long-Term Debt (cont.)						
Total debt/EBITDA (x)	3.0	3.8	3.8	5.2	7.6	6.8
Total debt/capital (%)	54.9	56.8	57.0	67.8	66.5	74.0

Table 2

Key U.S. Utility Financial Ratios, Short-Term Debt

Three-year (2003 to 2005) averages

	A-1+	A-1	A-2	A-3	B-1	B-2	B-3
Oper. income/sales(%)	16.5	23.3	25.5	18.5	21.0	20.7	7.5
Free oper. cash flow/sales (%)	(3.8)	(0.3)	2.0	3.9	(0.6)	1.4	(2.7)
Return on capital (%)	9.5	10.5	8.2	8.8	6.8	4.4	2.7
EBIT interest coverage (x)	4.4	4.5	3.0	2.9	1.5	0.8	0.6
EBITDA interest coverage (x)	6.6	6.1	4.7	4.3	1.9	1.2	1.3
EBITDA/total assets (%)	9.5	10.2	9.8	9.0	6.9	5.7	5.5
FFO/total debt (%)	23.6	25.5	19.9	17.4	13.5	6.1	8.3
Free oper. cash flow/total debt (%)	(6.0)	(0.6)	2.3	4.5	(0.4)	0.9	(4.6)
Disc. cash flow/total debt (%)	(13.5)	(6.7)	(3.7)	(0.7)	(0.5)	0.7	(4.6)
Total debt/EBITDA (x)	3.6	3.2	3.8	4.4	6.8	7.8	8.2
Total debt/capital (%)	59.1	56.6	55.6	60.5	75.6	66.5	58.5

Utility Financial Ratio Definitions

EBIT Interest Coverage (x)

Numerator: Revenue (less the interest portions of nonrecourse debt and securitized debt, where applicable) less the cost of goods sold, maintenance expenses, SG&A, taxes other than income, other operating expenses, and D&A, plus interest income, equity income, other nonoperating income (expenses), and the interest computed for the off-balance-sheet debt items. This total amount excludes all nonrecurring items.

Denominator: Gross interest expense (interest expense plus capitalized interest and the debt portion of AFUDC [less the interest portions of nonrecourse debt and securitized debt, where applicable]) plus the dividends paid on hybrid preferred securities and the interest computed for the off-balance-sheet debt items.

FFO Interest Coverage (x)

Numerator: Funds from operations (less the amortized portion of securitized debt and contributions to nuclear decommissioning trust funds, where applicable) plus cash interest paid (less the interest portions of nonrecourse debt and securitized debt, where applicable), capitalized interest and the debt portion of AFUDC, the dividends paid on hybrid preferred securities, and the interest computed for the off-balance-sheet debt items.

Denominator: Gross interest expense (interest expense plus capitalized interest and the debt portion of AFUDC [less the interest portions of nonrecourse debt and securitized debt, where applicable]) plus the dividends paid on hybrid preferred securities and the interest computed for the off-balance-sheet debt items.

Return On Common Equity (%)

Numerator: Net income from continuing operations less preferred dividends (exclusive of subsidiary preferred dividends), the equity portion of AFUDC, and capitalized interest and the debt portion of AFUDC.

Denominator: The two-year average of common equity.

Net Cash Flow/Capital Expenditures (%)

Numerator: Funds from operations (less the amortized portion of securitized debt and contributions to nuclear decommissioning trust funds, where applicable) less preferred dividends (exclusive of subsidiary preferred dividends) and common dividends.

Denominator: Capital expenditures (net of the equity portion of AFUDC and capitalized interest and the debt portion of AFUDC).

FFO/Adjusted Total Debt (%)

Numerator: Funds from operations (less the amortized portion of securitized debt and contributions to nuclear decommissioning trust funds, where applicable) plus the depreciation adjustment for operating leases.

Denominator: Total debt (includes hybrid preferred securities and off-balance-sheet debt; excludes securitized debt and nonrecourse debt).

Total Debt/Capital (%)

Numerator: Total debt (includes hybrid preferred securities and off-balance-sheet debt; excludes securitized debt and nonrecourse debt).

Denominator: Total debt (includes hybrid preferred securities and off-balance-sheet debt; excludes securitized debt and nonrecourse debt) plus minority interest, preferred stock, and common equity.

Common Dividend Payout (%)

Numerator: Common dividends.

Denominator: Net income from continuing operations less preferred dividends.

SCHEDULES MWC-3 through MWC-5

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