



Recommended Credit Review Process

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Quantitative Metrics

- Leverage & Capital Structure
- Fixed Charge Coverage & Funding
- Liquidity
- Profitability



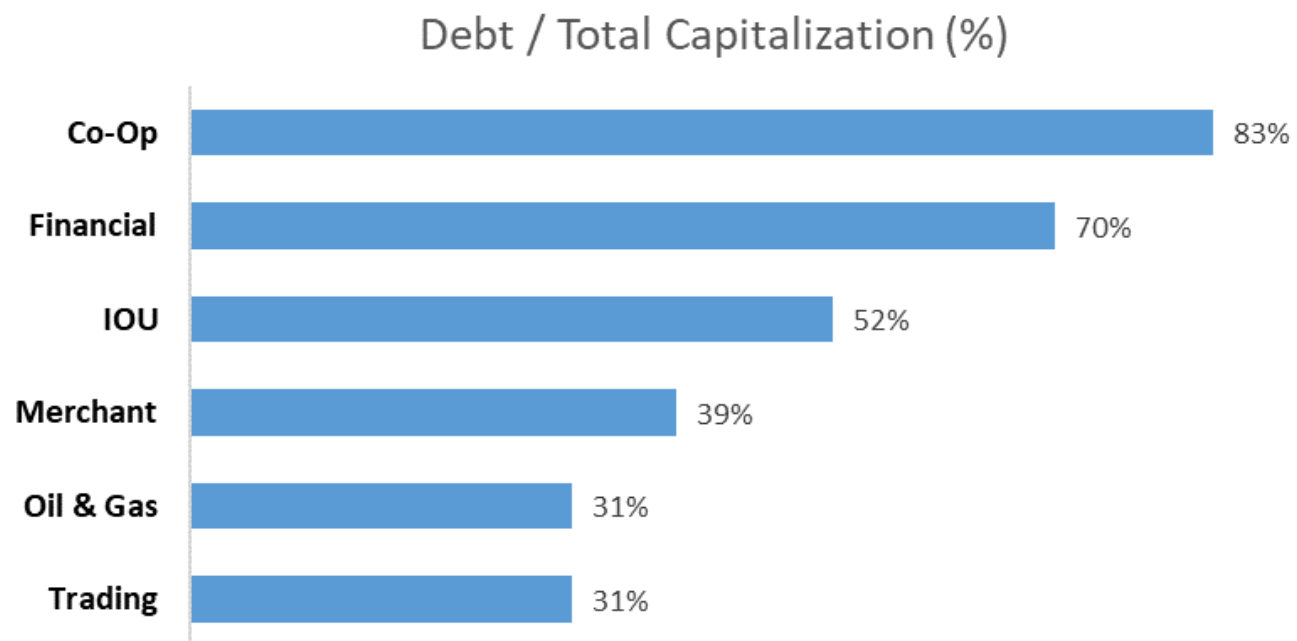
Qualitative Adjustments

- Industry Level
- Organization Level
- Parent Sponsor Level



Final Credit
Score

Different Industry Sectors Require Different Metrics and Scoring Rules

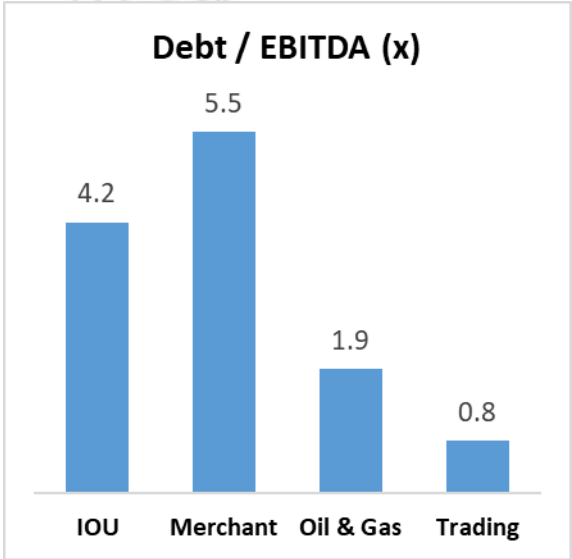


Quantitative Metrics

Table 1. Quantitative Metrics by Sector: Leverage and Capital Structure	Investor-Owned Utilities	Municipal Utilities	Co-Operative Utilities	Power Transmission	Merchant Power	Project Developers	Exploration & Production	Financial Institutions	Commodity Trading	Private Equity
Debt / Total Capitalization (%)										
FFO / Debt (%)										
Debt / EBITDA (x)										
Debt / Property, Plant & Equipment (%)										
Retained Earnings / Total Assets (%)										
Debt / Avg Daily Production or Kwh (\$)										
Tangible Net Worth (\$)										
Core Capital / Total Assets (%)										
Risk-Based Capital / RWA (%)										
Tier 1 Capital / RWA (%)										
Equity / Investments (%)										
Debt / Investments (%)										

primary metric	secondary metric
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FFO=Funds From Operations RWA=Risk-Weighted Assets

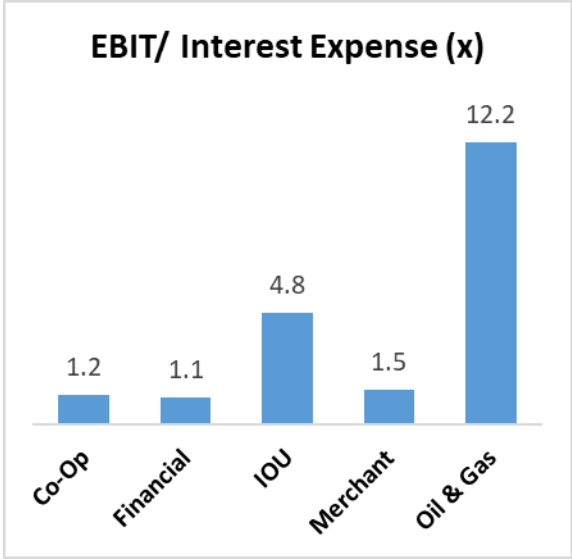


Quantitative Metrics

Table 2. Quantitative Metrics by Sector: Fixed Charge Coverage and Funding	Investor-Owned Utilities	Municipal Utilities	Co-Operative Utilities	Power Transmission	Merchant Power	Project Developers	Exploration & Production	Financial Institutions	Commodity Trading	Private Equity
EBIT / Interest Expense (x)										
EBITDA / Interest Expense (x)										
EBITDA / [Interest Exp + CPLTD] (x)										
[FFO + Interest Exp] / Interest Exp (x)										
Loans / Total Deposits (%)										
NPL / Gross Loans (%)										
NPL / [Net Worth + LLR] (%)										
Market Funding / Tangible Bank Assets (%)										

primary metric	secondary metric
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CPLTD=Current Portion of Long-Term Debt EBIT=Earnings Bef. Interest & Taxes EBITDA=Earnings Bef. Interest, Taxes, Deprec. & Amortiz. LLR=Loan Loss Reserves NPL=Non-Performing Loans

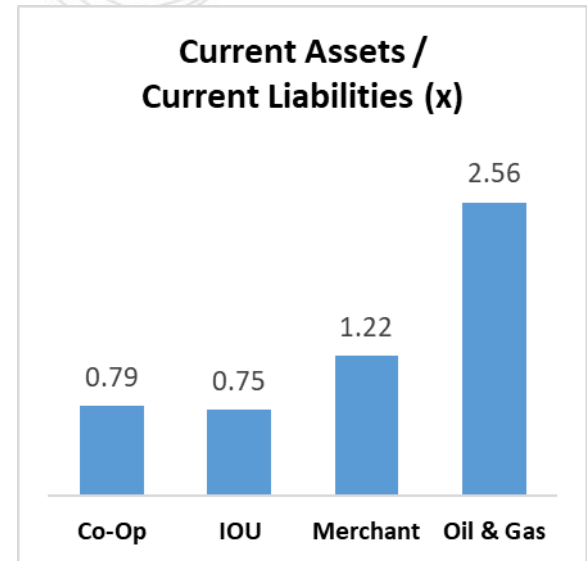


Quantitative Metrics

Table 3. Quantitative Metrics by Sector: Liquidity	Investor-Owned Utilities	Municipal Utilities	Co-Operative Utilities	Power Transmission	Merchant Power	Project Developers	Exploration & Production	Financial Institutions	Commodity Trading	Private Equity
	CFFO / Total Debt (x)									
Current Assets / Current Liabilities (x)										
Liquid Assets / Tangible Bank Assets (%)										
Sources / Uses of Funds (x)										
Weighted Avg Maturity of Debt (yrs)										
Floating Rate Debt / Total Debt (%)										

primary metric	secondary metric
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CFFO=Cash Flow From Operations



Quantitative Metrics

Table 4.
Quantitative Metrics by Sector:
Profitability

	Investor-Owned Utilities	Municipal Utilities	Co-Operative Utilities	Power Transmission	Merchant Power	Project Developers	Exploration & Production	Financial Institutions	Commodity Trading	Private Equity
Return on Assets (%)										
Return on Equity (%)										
Profit Volatility (%)										
Return on Revenue (%)										
Net Income / Tangible Assets (%)										
Net Profit (\$)										
Net Income / Dividends (x)										

primary metric	secondary metric
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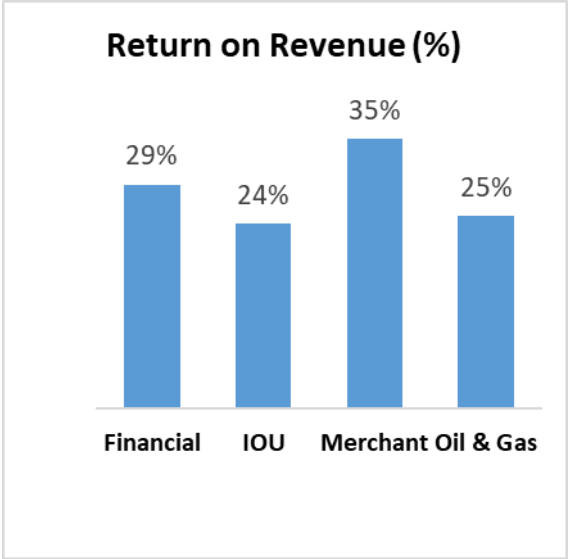


Table 5. Qualitative Factors: Industry Level ⁽¹⁾	Investor-Owned Utilities	Municipal Utilities	Co-Operative Utilities	Power Transmission	Merchant Power	Project Developers	Exploration & Production	Financial Institutions	Commodity Trading	Private Equity
Risk of New Entrants	Low	Low	Low	Low	Med	High	Med	High	High	High
Internal Competition & Risks to Growth	Low ⁽²⁾	Low ⁽²⁾	Low ⁽²⁾	Low	High	High	Med	Med	High	Med
Substitution Risk	Low	Low	Low	Low	Low	Med	Low	Low	High	3
Regulatory Posture: Threat, Neutral, or Supportive	S ⁽²⁾	S ⁽²⁾	N	S	N	N	N	N	N	N

⁽¹⁾ Source of risk scores: S&P Global Ratings "Key Credit Factors" or industry analyst opinions.

⁽²⁾ Varies based on state or local economic or regulatory conditions.

Organization Level

Barriers to Entry
Competition & Growth Risk
Substitution Risk
Regulatory Relations
Operating Efficiency
Scale & Diversification
Management
Governance

Parent / Sponsor Level

Ability to Support
Willingness to Support
Contractual Arrangements
Financial Flexibility

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Final Credit
Score