

# Financial – Credit Metrics Calculations

## FFO Calculation

Net Income  
 Adjustments for non-cash items:  
 Depreciation & Amortization (nuclear fuel, regulatory assets, customer intangibles)  
 Investment Impairment, including equity method investments  
 Pension and OPEB Mark-to-Market Adjustment  
 Deferred Taxes and ITC  
 Deferred Purchased Power and Other Costs  
 Asset Removal Costs Charged to Income  
 Other

= Funds from Operations (FFO)

## FFO Interest Coverage

$$= \frac{\text{FFO} + \text{Adjusted Interest}}{\text{Adjusted Interest}}$$

Adjusted Interest:  
 + Interest Expense (before AFUDC)  
 + Interest portion of leases  
 – Securitization bond interest expense

= Adjusted Interest

## Debt / Capitalization Ratio

<i>Rating Agency View</i>	<i>Covenant View</i>
<b>Debt:</b> Long-term debt + Short-term borrowings + Operating lease debt equivalent* + Post-retirement benefit obligations** + Other debt – Securitization debt = Adjusted Debt	<b>Debt:</b> Long-term debt + Short-term borrowings – Securitization debt + Guarantees of Indebtedness + Reimbursement Obligations = Adjusted Debt
<b>Capitalization:</b> + Adjusted debt + Total equity = Adjusted Capitalization	<b>Capitalization:</b> + Adjusted Debt + Total Equity – Accumulated OCI + Non-cash charges*** = Adjusted Capitalization

## FFO-to-Debt Ratio

$$= \frac{\text{FFO}}{\text{Adjusted Debt}}$$

Adjusted debt:  
 + Short-term borrowings  
 + Long-term debt  
 + Operating lease debt equivalent\*  
 + Post-retirement benefit obligations\*\*  
 + Other debt  
 – Securitization debt

= Adjusted Debt

\* Net Present Value of future lease payments using discount rate of 7%

\*\* After-tax unfunded Pension/OPEB obligation

\*\*\* Includes historical and forward-looking non-cash charges