

*Énergir, s.e.c*  
*Gazifère Inc.*  
*Intragaz, s.e.c.*

*Demande conjointe relative à la fixation de taux de rendement  
et de structures de capital, R-4156-2021*

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**VILLADSEN WRITTEN RESPONSE**

**Paragraph 61: Most recent credit agency reports on each of the companies in the Gas Sample, Water, Sample, and Canadian Sample.**

It is not clear to Dr. Villadsen which of the credit rating agencies that the Régie is referring to in its January 25, 2022 Decision. However, to be response, she is providing the latest credit rating reports from S&P Global Rating for the proxy companies. Dr. Villadsen does not have access to the reports from the other credit agency reports for each of the proxy companies.

As noted in Dr. Villadsen's Direct Testimony and Exhibit BV-5, Chesapeake Utilities, New Jersey Resources, NW Natural Holdings Co., Artesian Res. Corp., Global Water Resources Inc. are not currently rated by S&P Global Ratings. Therefore, Dr. Villadsen is unable to provide a credit rating report for these companies. However, Dr. Villadsen has included these companies in the proxy samples because, if they were rated by S&P, they would likely receive an investment grade rating and meet her sample selection criteria.

- New Jersey Resources: On page 63 of their 2020 Annual Report, New Jersey Resources reports that New Jersey Resources is not rated by any credit rating agency. However, New Jersey Natural Gas (the natural gas utility subsidiary) has a Corporate Rating of A- from Fitch Ratings. This rating is approximately equivalent to an A- rating from S&P Global Ratings.
- NW Natural Holdings Co: On page 62 of their 2020 Annual Report, Northwest Natural Holdings Co reports that they are not rated by S&P or Moody's. However, NW Natural (the natural gas utility subsidiary) has a Senior Unsecured (long-term debt) credit rating from Moody's of Baa1. This rating is approximately equivalent to a BBB+ rating from S&P Global Ratings.
- Chesapeake Utilities: Chesapeake Utilities does not have a credit rating from any of the major rating agencies, but would likely receive an investment grade rating if it were to be rated by S&P Credit Ratings. Confidential Exhibit BV-5 shows that Chesapeake Utilities book equity capital structure is 52% equity, which is higher than the average book equity capital structure of the gas utility proxy group (42%). In addition, according to S&P Capital IQ, Chesapeake Utilities key credit metrics (FFO to Debt and Net Debt to EBITDA)<sup>1</sup> are approximately average.<sup>2</sup> Lastly, the interest rates on Chesapeake Utility

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<sup>1</sup> FFO stands for Funds from operations. EBITDA is Earnings Before Interest Tax Depreciation and Amortization.

<sup>2</sup> S&P Capital IQ, accessed February 1, 2022.

long-term debt issuances range from 2.96% to 6.43%,<sup>3</sup> which is in-line with borrowing costs for investment grade natural gas utilities.<sup>4</sup>

**S&P  
Capital IQ**

1 Top 2 Above Average 3 Below Average 4 Bottom

**Chesapeake Utilities Corporation (NYSE:CPK) > Credit Health Panel > Financials**

LTM Period Ending:			Sep-30-2021	Dec-31-2020	Dec-31-2019	Dec-31-2018	Dec-31-2017
Weight	Metric	Score	Company	Company	Company	Company	Company
<b>Solvency</b>							
4.76	FFO Interest Coverage (x)	3	9.13	7.31	4.94	7.23	8.77
4.76	EBITDA/Interest Exp. (x)	3	9.49	8.37	7.21	8.88	10.65
4.76	FFO to Total Debt (x)	3	0.27	0.22	0.15	0.19	0.24
4.76	Net Debt/EBITDA (x)	2	3.53	3.88	4.6	4.3	3.39
4.76	Total Debt to Capital (%)	3	42.52	43.88	49.99	47.85	42.26
4.76	Total Debt/Total Liabilities (%)	2	56.95	57.42	60.96	52.96	49.3
4.76	Total Debt/Revenue (x)	2	1.32	1.45	1.55	1.27	1.02

\*LTM - Latest Twelve Months period. The Credit Health Panel uses the most recent reported financial statements where sufficient data is available for comparison and scoring purposes. For more Scores are calculated by converting all currencies to USD based on yesterday's spot rate. Currencies displayed on the page are converted at today's spot rate from yesterday's USD value.

- Artesian Res. Corp: Artesian does not have a credit rating from any of the major rating agencies, but would likely receive an investment grade rating if it were to be rated by S&P Credit Ratings. Confidential Exhibit BV-5 shows that Artesian's book equity capital structure is 50% equity, which is higher than the average book equity capital structure of the water utility proxy group (43%). In addition, according to S&P Capital IQ, Artesian's key credit metrics (FFO to Debt and Net Debt to EBITDA) are approximately average.<sup>5</sup> Lastly, the interest rates on Artesian's long-term debt issuances range from 4.42% to 5.69%,<sup>6</sup> which is in-line with borrowing costs for investment grade water and gas utilities.

**S&P  
Capital IQ**

1 Top 2 Above Average 3 Below Average 4 Bottom

**Artesian Resources Corporation (NasdaqGS:ARTN.A) > Credit Health Panel > Financials**

List: Public Industry Peers							
LTM Period Ending:			Sep-30-2021	Dec-31-2020	Dec-31-2019	Dec-31-2018	Dec-31-2017
Weight	Metric	Score	Company	Company	Company	Company	Company
<b>Solvency</b>							
4.76	FFO Interest Coverage (x)	3	3.29	2.67	2.69	4.66	5.79
4.76	EBITDA/Interest Exp. (x)	3	5.24	5.15	5.13	5.48	5.9
4.76	FFO to Total Debt (x)	3	0.14	0.12	0.12	0.22	0.31
4.76	Net Debt/EBITDA (x)	2	4.33	4.37	4.26	3.9	3.18
4.76	Total Debt to Capital (%)	3	41.51	41.49	39.56	36.63	34.3
4.76	Total Debt/Total Liabilities (%)	4	39.24	40.46	38.45	35.49	33.58
4.76	Total Debt/Revenue (x)	2	1.93	1.95	1.84	1.66	1.42

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- Global Water Resources Inc.: Global Water does not have a credit rating from any of the major rating agencies, but would likely receive an investment grade rating if it were to

<sup>3</sup> Chesapeake Utilities 2020 10-K, page 81.

<sup>4</sup> As of June 2021, the five-year average yield on 20-year and 10-year BBB-rated U.S. utility bonds were 4.05% and 3.29%, respectively. Confidential Exhibit BV-7.

<sup>5</sup> S&P Capital IQ, accessed February 1, 2022.

<sup>6</sup> Artesian Resource Corporation 2020 10-K, page 47.

be rated by S&P Credit Ratings. Confidential Exhibit BV-5 shows that Global Water’s book equity capital structure is 21% equity, which is below the average book equity capital structure of the water utility proxy group (43%). However, according to S&P Capital IQ, Global Water’s key credit metrics (FFO to Debt and Debt to EBITDA) are approximately average.<sup>7</sup> Lastly, the interest rates on Global Water’s long-term debt issuances range from 4.38% to 4.58%,<sup>8</sup> which is in-line with borrowing costs for investment grade water and gas utilities.

**S&P  
Capital IQ**

1 Top 2 Above Average 3 Below Average 4 Bottom

### Global Water Resources, Inc. (NasdaqGM:GWRS) > Credit Health Panel > Financials

LTM Period Ending:			Sep-30-2021	Dec-31-2020	Dec-31-2019	Dec-31-2018	Dec-31-2017
Weight	Metric	Score	Company	Company	Company	Company	Company
<b>Solvency</b>							
4.76	FFO Interest Coverage (x)	3	3.42	2.71	2.15	2.15	2.18
4.76	EBITDA/Interest Exp. (x)	3	3.06	3.04	2.84	3.19	2.78
4.76	FFO to Total Debt (x)	3	0.16	0.13	0.1	0.1	0.1
4.76	Net Debt/EBITDA (x)	2	5.79	5.91	7.0	6.08	7.66
4.76	Total Debt to Capital (%)	4	76.46	76.19	79.5	78.05	86.42
4.76	Total Debt/Total Liabilities (%)	3	43.45	45.65	47.54	48.83	51.13
4.76	Total Debt/Revenue (x)	2	2.78	2.97	3.24	3.23	3.66

\*LTM - Latest Twelve Months period. The Credit Health Panel uses the most recent reported financial statements where sufficient data is available for comparison and scoring purposes. For more Scores are calculated by converting all currencies to USD based on yesterday’s spot rate. Currencies displayed on the page are converted at today’s spot rate from yesterday’s USD value.

## Confidential Attachments

### Gas Sample

- Atmos Energy Corp. – S&P Global Ratings, October 29, 2020
- NiSource Inc. – S&P Global Ratings, February 22, 2021
- ONE Gas Inc. – S&P Global Ratings, April 8, 2020
  - ONE Gas Inc. Research Update – S&P Global Ratings, February 23, 2021<sup>9</sup>
- South Jersey Industries Inc. – S&P Global Ratings, November 6, 2020
- Southwest Gas Corp – S&P Global Ratings, September 29, 2020
  - Southwest Gas Corp. – S&P Global Ratings, September 21, 2021<sup>10</sup>
- Spire Inc. – S&P Global Ratings, September 20, 2021

<sup>7</sup> S&P Capital IQ, accessed February 1, 2022.

<sup>8</sup> Global Water Resources 2020 10-K, page 79.

<sup>9</sup> ONE Gas Inc. was downgraded to BBB+ on February 23, 2021. Dr. Villadsen is unable to locate a recent credit rating report from S&P Global Ratings that reflects its BBB+ rating. However, the attached Research Update discusses the rationale for the rating change.

<sup>10</sup> Southwest Gas Corp was downgraded to BBB- on August 27, 2021 after submission of Dr. Villadsen’s direct testimony.

## Water Sample

- American States Water Co. – S&P Global Ratings, June 9, 2020
- American Water Works Co. Inc. – S&P Global Ratings, December 11, 2020
- California Water Service Co. – S&P Global Ratings, May 4, 2021
- Essential Utilities Inc. – S&P Global Ratings, January 29, 2021
- Middlesex Water Co. – S&P Global Ratings, April 6, 2020
- SJW Water – S&P Global Ratings, November 23, 2021

## Canadian Sample

- Algonquin Power Utilities Corp. – S&P Global Ratings, December 10, 2020
- AltaGas Ltd. – S&P Global Ratings, January 20, 2022
- Canadian Utilities Ltd. – S&P Global Ratings, September 14, 2021
- Emera Inc. – S&P Global Ratings, April 29, 2021
- Enbridge Inc. – S&P Global Ratings, December 22, 2020
- Fortis Inc. – S&P Global Ratings, March 13, 2019
- Hydro One – S&P Global Ratings, November 5, 2020
- TC Energy Corp. – S&P Global Ratings, November 15, 2021