

CERTIFICATE OF SERVICE
Docket No. 20220069-GU

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail this 26th day of August, 2022 to the following:

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

IN RE: PETITION FOR RATE
INCREASE BY FLORIDA CITY GAS

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DOCKET NO. 20220069-GU

Direct Testimony and Exhibits of

Christopher C. Walters

On behalf of

Federal Executive Agencies

August 26, 2022



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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IN RE: PETITION FOR RATE)
INCREASE BY FLORIDA CITY GAS) DOCKET NO. 20220069-GU
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Direct Testimony of Christopher C. Walters**

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Appendix A: Qualifications of Christopher C. Walters

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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Direct Testimony of Christopher C. Walters

I. INTRODUCTION

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Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Christopher C. Walters. My business address is 16690 Swingley Ridge Road,
Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and an Associate with the firm
of Brubaker & Associates, Inc. (“BAI”), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the Federal Executive Agencies (“FEA”). FEA purchases
substantial amounts of natural gas delivery from Florida City Gas (“FCG” or
“Company”).

1 In Section V of my testimony, I respond to the Company's witness Ms. Nelson's
2 estimate of the current market cost of equity for FCG. Ms. Nelson recommends the
3 Company be authorized a ROE of 10.75% at the Company's proposed common equity
4 ratio of 59.6%.

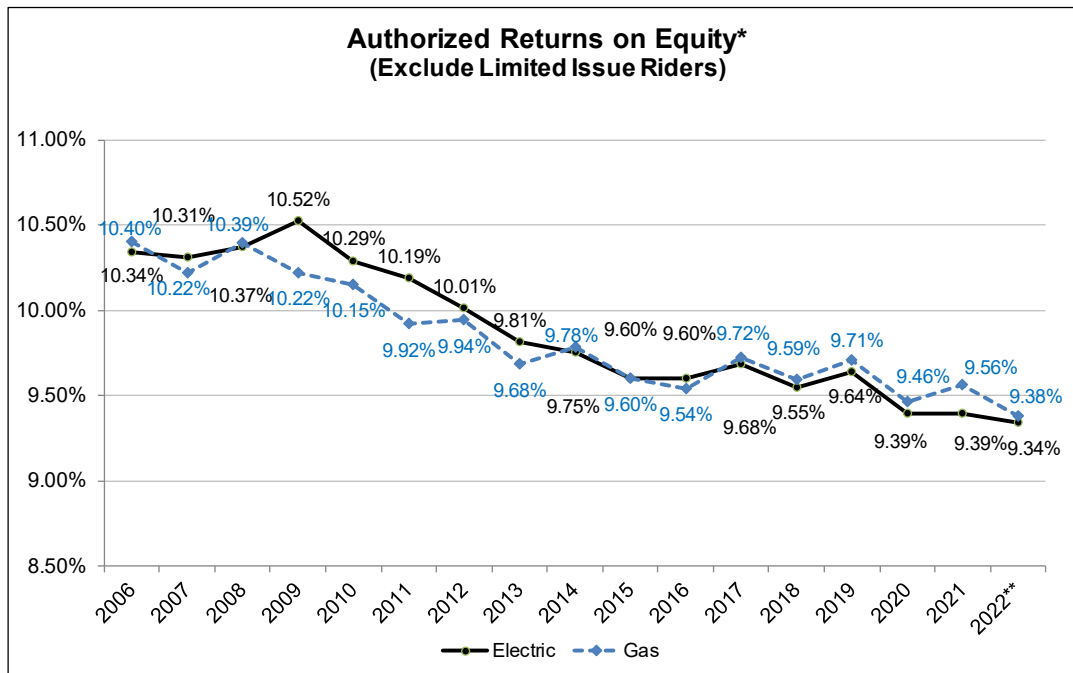
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6 **III. ACCESS TO CAPITAL AND ECONOMIC ENVIRONMENT**

7 A. *Regulated Utility Industry Authorized*
8 *ROEs, Access to Capital, and Credit Strength*

9 **Q PLEASE DESCRIBE THE OBSERVABLE EVIDENCE ON TRENDS IN**
10 **AUTHORIZED ROEs FOR ELECTRIC AND GAS UTILITIES, UTILITIES' CREDIT**
11 **STANDING, AND UTILITIES' ACCESS TO CAPITAL TO FUND INFRASTRUCTURE**
12 **INVESTMENT.**

13 A Authorized ROEs for both electric and gas utilities have declined over the last 10 years,
14 as illustrated in Figure CCW-1, and have been below 10.0% for about the last nine
15 years.

FIGURE CCW-1



Source and Notes:

¹ S&P Global Market Intelligence, RRA Regulatory Focus, Major Rate Case Decisions -- January - March 2022, May 2, 2022 at page 5.

* Electric Returns exclude Limited Issue Riders.

* RRA excludes the 2017 Alaska ENSTAR decision from its calculations.

**Data represents January - March.

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Q PLEASE DESCRIBE THE DISTRIBUTION OF AUTHORIZED ROEs FOR THE LAST FEW YEARS.

A The distribution of authorized returns, annually, since 2016 is summarized in Table CCW-1.

TABLE CCW-1

Distribution of Authorized ROEs
(Natural Gas Utilities)

<u>Line</u>	<u>Year</u> (1)	<u>Natural Gas¹</u>			
		<u>Average</u> (2)	<u>Median</u> (3)	<u>Share of Decisions</u> <u>≤ 9.5%</u>	<u>Share of Decisions</u> <u>≤ 9.7%</u>
1	2016	9.52%	9.50%	52%	74%
2	2017	9.71%	9.60%	43%	74%
3	2018	9.73%	9.80%	53%	72%
4	2019	9.70%	10.23%	23%	57%
5	2020	9.42%	9.40%	68%	87%
6	2021	9.53%	9.52%	50%	74%
7	2022	9.33%	9.25%	78%	100%

Source and Notes:
¹ S&P Global Market Intelligence, downloaded 7/21/2022.
 - Excludes limited issue rider cases.
 Data through 7/8/2022.

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The distribution shows that over the last few years, the majority of authorized ROEs since 2016 have been below 9.7%, with many of those being below 9.5%.

Q HOW HAS THE AUTHORIZED COMMON EQUITY RATIO FLUCTUATED OVER THE SAME TIME PERIOD FOR UTILITIES?

A In general, the utility industry’s common equity ratio has not really deviated too much from the range of 50.0% to 52.0%. As shown in Table CCW-2, I have provided the authorized common equity ratios for utilities around the country, excluding the reported common equity ratios for Arkansas, Florida, Michigan, and Indiana. For my overall market analysis, I have excluded the reported authorized common equity ratios for

1 these states because these jurisdictions include sources of capital outside of
 2 investor-supplied capital such as accumulated deferred income taxes. As such, the
 3 reported common equity ratios in these states would result in a downward bias in the
 4 reported permanent common equity ratios authorized for ratemaking purposes within
 5 my trend analysis.

TABLE CCW-2			
<u>Trends in State Authorized Common Equity Ratios</u>			
(Natural Gas Utilities)			
<u>Line</u>	<u>Year</u>	Natural Gas¹	
		<u>Average</u>	<u>Median</u>
	(1)	(2)	(3)
1	2010	49.25%	49.90%
2	2011	52.49%	52.45%
3	2012	51.13%	51.47%
4	2013	51.16%	50.43%
5	2014	51.90%	51.99%
6	2015	49.79%	50.33%
7	2016	51.85%	51.35%
8	2017	51.13%	51.76%
9	2018	52.58%	53.08%
10	2019	52.72%	52.22%
11	2020	52.34%	52.00%
12	2021	51.63%	52.00%
13	2022	50.21%	50.00%
14	Average	51.40%	51.46%
15	Median	51.63%	51.76%

Source and Notes:
¹ S&P Global Market Intelligence; data through 7/8/22.
 - Excludes Arkansas, Florida, Indiana, and Michigan, because they include non-investor capital.

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1 Q HAVE REGULATED UTILITY COMPANIES BEEN ABLE TO MAINTAIN
2 RELATIVELY STRONG CREDIT RATINGS DURING PERIODS OF DECLINING
3 AUTHORIZED ROEs?

4 A Yes. As shown below in Table CCW-3, the credit rating of the industry has improved
5 since 2009. In 2009, approximately 88% of the industry was rated BBB or higher.
6 Currently, 100% of the industry has a rating of BBB or higher.

TABLE CCW-3
S&P Ratings by Category
Natural Gas Utility Subsidiaries
(Year End)

<u>Description</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
A or higher	50%	50%	50%	50%	38%	33%	33%	44%	56%	33%	38%	38%	13%	13%
A-	0%	0%	0%	0%	38%	33%	33%	22%	11%	11%	38%	38%	38%	38%
BBB+	25%	25%	38%	38%	13%	22%	33%	33%	33%	44%	13%	13%	25%	25%
BBB	13%	13%	0%	0%	0%	0%	0%	0%	0%	11%	13%	13%	25%	25%
BBB-	13%	13%	13%	13%	13%	11%	0%	0%	0%	0%	0%	0%	0%	0%
Below BBB-	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: S&P CAPITAL IQ and Market Intelligence, downloaded 7/8/22.
Note: Subsidiary ratings used.

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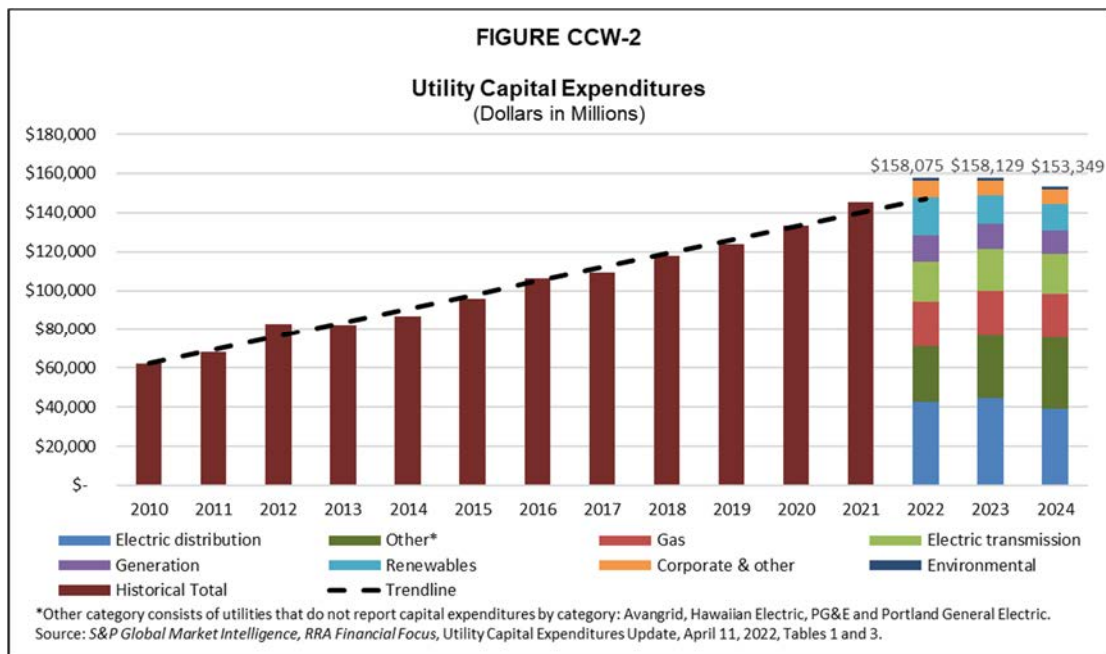
11 Q HAVE UTILITIES BEEN ABLE TO ACCESS EXTERNAL CAPITAL TO SUPPORT
12 CAPITAL EXPENDITURE PROGRAMS?

13 A Yes. In its April 11, 2022 Utility Capital Expenditures Update report, *RRA Financial*
14 *Focus*, a division of S&P Global Market Intelligence, made several relevant comments
15 about utility investments generally:

- Projected 2022 capital expenditures for the 47 energy utilities included in the Regulatory Research Associates representative sample of the publicly traded U.S.-based utility universe currently exceeds \$154.2 billion, well above the \$131.8 billion of actual investment spent in 2021 by the same companies. Much of the increased outlays are driven by federal support for infrastructure investment that was approved by Congress and signed into law late in 2021.

- Investment across these 47 energy utilities may rise 15% or more by the close of 2022.
- 2021 energy utility capital expenditures marked a record high, about 1.3% above the \$130.1 billion invested in 2020. Investment in 2021 might have been even higher without the multiple supply chain issues associated with the ongoing coronavirus pandemic.
- 2022 aggregated capex indicates approximately \$154.2 billion earmarked for energy infrastructure investments. The aggregated forecast for 2023 capex points to over \$154.0 billion of spending. While the 2024 estimate of \$149.3 billion of investment appears to signal the potential for a slight decline in capital expenditures compared with 2022 and 2023, it is anticipated that annual investments will ultimately be successively higher in each following year, considering that companies' plans for future projects will continue to gel around new federal legislation that supports infrastructure investment. It is notable that in nine out of the last 10 years, annual investments exceeded the prior year.¹

As shown in Figure CCW-2 below, capital expenditures for electric and natural gas utilities have increased considerably over the period 2010 through 2021, and the forecasted capital expenditures remain elevated through 2022 and 2023, albeit falling somewhat in 2024.



¹S&P Global Market Intelligence, RRA Financial Focus: "Utility Capital Expenditures Update," April 11, 2022, at 5 (footnotes omitted).

1
2 As outlined in Figure CCW-2 above, and in the comments made by *RRA S&P*
3 *Global Market Intelligence*, capital investments for the utility industry continue to stay
4 at elevated levels, and these capital expenditures are expected to fuel utilities' profit
5 growth into the foreseeable future. This is clear evidence that the capital investments
6 are enhancing shareholder value, and are attracting both equity and debt capital to the
7 utility industry in a manner that allows for these elevated capital investments. While
8 capital markets embrace these profit-driven capital investments, regulatory
9 commissions also must be careful to maintain reasonable prices and tariff terms and
10 conditions to protect customers' need for reliable utility service but at competitive and
11 affordable tariff prices.

12
13 **Q IS THERE EVIDENCE OF ROBUST VALUATIONS OF REGULATED UTILITY**
14 **EQUITY SECURITIES?**

15 A Yes. Robust valuations are an indication that utilities can sell securities at high prices,
16 which is a strong indication that they can access equity capital under reasonable terms
17 and conditions, and at relatively low cost. As shown on Exhibit CCW-1, the historical
18 valuation of utilities followed by *The Value Line Investment Survey* ("Value Line"),
19 based on a price-to-earnings ("P/E") ratio, price-to-cash flow ("P/CF") ratio, and market
20 price-to-book value ("M/B") ratio, indicates utility security valuations today are very
21 strong and robust relative to the last several years. These strong valuations of utility
22 stocks indicate that utilities have access to equity capital under reasonable terms and
23 at lower costs.

1 **Q HOW IS THIS OBSERVABLE MARKET DATA USED IN FORMING YOUR**
2 **RECOMMENDED ROE AND OVERALL RATE OF RETURN?**

3 A Generally, authorized ROEs, credit standing, and access to capital have been quite
4 robust for utilities over the last several years, even throughout the duration of the global
5 pandemic. It is critical that the Florida Public Service Commission (“Commission”)
6 ensure that utility rates are increased no more than necessary to provide fair
7 compensation and maintain financial integrity.

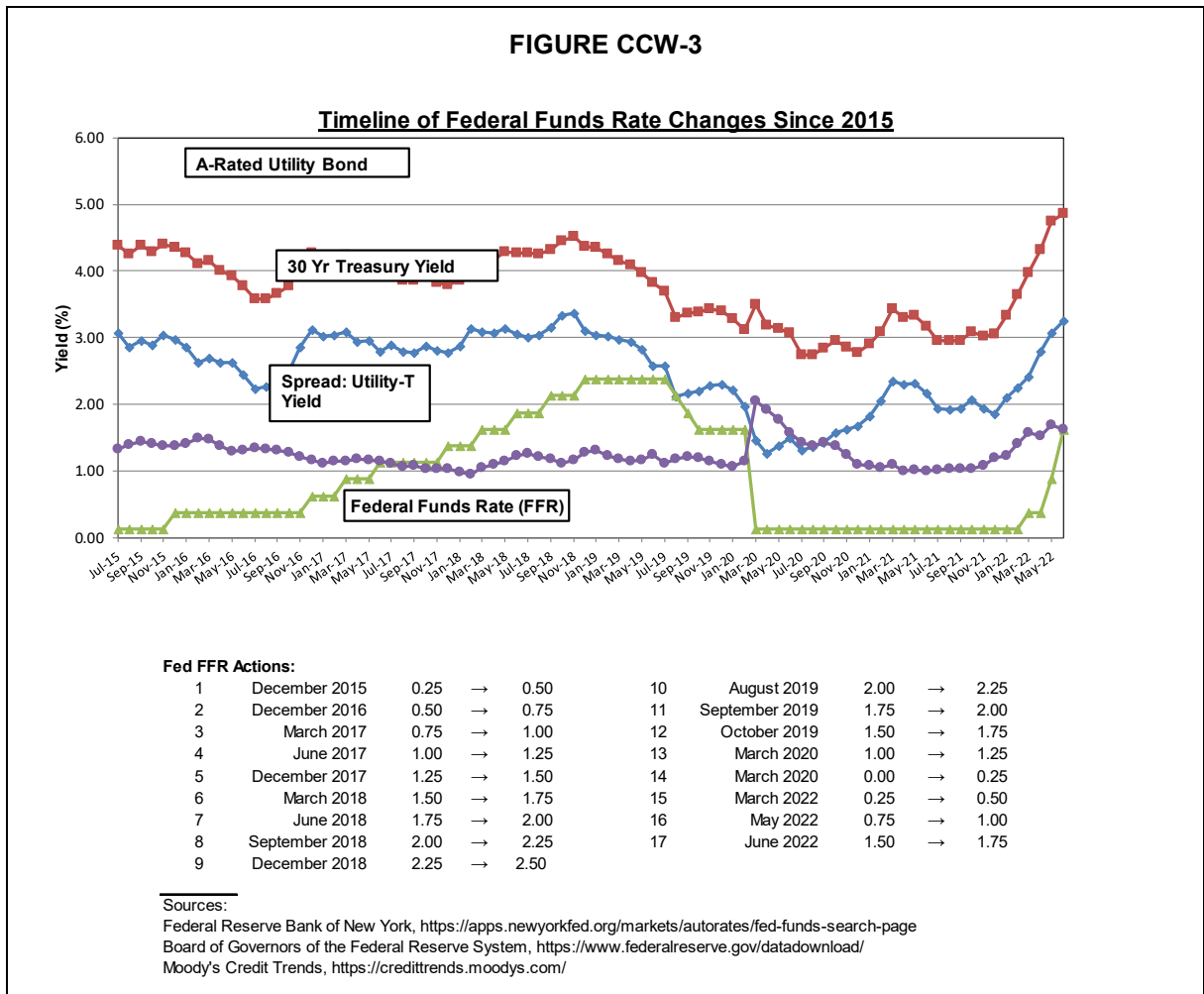
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9 *B. Fed Monetary Policy*

10 **Q ARE THE FEDERAL OPEN MARKET COMMITTEE’S ACTIONS KNOWN TO THE**
11 **MARKET PARTICIPANTS, AND IS IT REASONABLE TO BELIEVE THEY ARE**
12 **REFLECTED IN THE MARKET’S VALUATION OF BOTH DEBT AND EQUITY**
13 **SECURITIES?**

14 A Yes. The Fed has been quite public about its efforts to support the economy to achieve
15 maximum employment, and to manage long-term inflation to around a 2% level. The
16 Fed has implemented procedures to support the economy’s efforts to achieve these
17 policy objectives. Specifically, the Fed has recently lowered the Federal Overnight
18 Rate for securities, and has engaged once again in a Quantitative Easing program
19 where the Fed is buying, on a monthly basis, Treasury and mortgage-backed securities
20 in order to moderate the demand in the marketplaces and support the economy.
21 Currently, the Federal Reserve is unwinding its Quantitative Easing program and taking
22 actions towards monetary policy normalization. Such monetary policy actions include
23 raising the target federal funds rate and allowing maturing bonds to roll off its balance
24 sheet. All of these actions are known by market participants because the Fed is quite
25 transparent in its monetary policies.

1 An assessment of the market's reaction to the Fed's actions on the Federal
2 Funds Rate is shown below in Figure CCW-3.



3
4 As shown in Figure CCW-3 above, bond yields have increased over the last
5 several months, bringing them in-line with yields during the various points in time during
6 the 2015-2018 period.

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1 **Q HAS THE FED MADE RECENT COMMENTS CONCERNING MONETARY POLICY**
2 **AND THE POTENTIAL IMPACT ON INTEREST RATES?**

3 A Yes. In its March Statement, the Federal Open Market Committee (“FOMC”) increased
4 the target range for the federal funds rate by 0.25%. The FOMC stated as follows in
5 the March Statement:

6 The Committee seeks to achieve maximum employment and inflation
7 at the rate of 2 percent over the longer run. With appropriate firming in
8 the stance of monetary policy, the Committee expects inflation to return
9 to its 2 percent objective and the labor market to remain strong. In
10 support of these goals, the Committee decided to raise the target range
11 for the federal funds rate to 1/4 to 1/2 percent and anticipates that
12 ongoing increases in the target range will be appropriate. In addition,
13 the Committee expects to begin reducing its holdings of Treasury
14 securities and agency debt and agency mortgage-backed securities at
15 a coming meeting.²

16 In a recent speech from Fed Chair Powell, he stated the following:

17 We raised our policy interest rate for the first time since the start of the
18 pandemic and said that we anticipate that ongoing rate increases will
19 be appropriate to reach our objectives. We also said that we expect to
20 begin reducing the size of our balance sheet at a coming meeting. In
21 my press conference, I noted that action could come as soon as our
22 next meeting in May, though that is not a decision that we have made.
23 These actions, along with the adjustments we have made since last fall,
24 represent a substantial firming in the stance of policy with the intention
25 of restoring price stability.³

26 In the same speech, Fed Chair Powell also stated that:

27 As the magnitude and persistence of the increase in inflation became
28 increasingly clear over the second half of last year, and as the job
29 market recovery accelerated beyond expectations, the FOMC pivoted
30 to progressively less accommodative monetary policy. In June, the
31 median FOMC participant projected that the federal funds rate would
32 remain at its effective lower bound through the end of 2022, and as the
33 news came in, the projected policy paths shifted higher (figure 5). The
34 median projection that accompanied last week's 25 basis point rate
35 increase shows the federal funds rate at 1.9 percent by the end of this
36 year and rising above its estimated longer-run normal value in 2023.
37 The latest FOMC statement also indicates that the Committee expects

²*Federal Reserve issues FOMC statement, March 16, 2022,*
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20220316a.htm>.

³*Restoring Price Stability, March 21, 2022, Chair Pro Tempore Jerome H. Powell,*
<https://www.federalreserve.gov/newsevents/speech/powell20220321a.htm>.

1 to begin reducing the size of our balance sheet at a coming meeting. I
2 believe that these policy actions and those to come will help bring
3 inflation down near 2 percent over the next 3 years.⁴

4

5 **Q HAS THE FOMC MADE ANY ADDITIONAL MONETARY POLICY MOVES?**

6 A Yes. In its May Statement, the FOMC increased the target federal funds rate an
7 additional 50 basis points. Similarly, in its June statement, the FOMC increased the
8 target rate an additional 75 basis points. The FOMC stated the following:

9 The Committee seeks to achieve maximum employment and inflation at
10 the rate of 2 percent over the longer run. In support of these goals, the
11 Committee decided to raise the target range for the federal funds rate to
12 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the
13 target range will be appropriate. In addition, the Committee will continue
14 reducing its holdings of Treasury securities and agency debt and agency
15 mortgage-backed securities, as described in the Plans for Reducing the
16 Size of the Federal Reserve's Balance Sheet that were issued in May.
17 The Committee is strongly committed to returning inflation to its 2
18 percent objective.⁵

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22 **Q WHAT DO INDEPENDENT ECONOMISTS' OUTLOOKS FOR FUTURE INTEREST
23 RATES INDICATE?**

24 A Independent economists expect current capital costs to increase at mixed rates over
25 the near term, while maintaining levels that are still low by historical standards. For
26 example, independent projections show that the consensus is the federal funds rate
27 will increase at a rate much faster than that of long-term interest rates as measured by
28 the 30-year Treasury bond. Inflation, as measured through the GDP price index, is
29 expected to cool off in the near to intermediate term.

30 The consensus projections for the next several quarters are provided in Table
31 CCW-4 below.

⁴*Id.*

⁵ *Federal Reserve issues FOMC statement, June 15, 2022,*
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20220615a.htm>.

TABLE CCW-4

Blue Chip Financial Forecasts
Projected Federal Funds Rate, 30-Year Treasury Bond Yields, and GDP Price Index

<u>Publication Date</u>	<u>3Q</u> <u>2021</u>	<u>4Q</u> <u>2021</u>	<u>1Q</u> <u>2022</u>	<u>2Q</u> <u>2022</u>	<u>3Q</u> <u>2022</u>	<u>4Q</u> <u>2022</u>	<u>1Q</u> <u>2023</u>	<u>2Q</u> <u>2023</u>	<u>3Q</u> <u>2023</u>	<u>4Q</u> <u>2023</u>
<u>Federal Funds Rate</u>										
Oct-21	0.1	0.1	0.1	0.1	0.1	0.2	0.3			
Nov-21	0.1	0.1	0.1	0.1	0.1	0.3	0.4			
Dec-21	0.1	0.1	0.1	0.1	0.3	0.4	0.6			
Jan-22		0.1	0.1	0.3	0.5	0.7	0.9	1.1		
Feb-22		0.1	0.2	0.5	0.8	1.0	1.3	1.5		
Mar-22		0.1	0.2	0.6	1.0	1.3	1.6	1.8		
Apr-22			0.1	0.8	1.4	1.8	2.2	2.4	2.6	
May-22			0.1	1.0	1.7	2.2	2.6	2.9	3.0	
Jun-22			0.1	1.0	1.9	2.4	2.8	3.0	3.1	
Jul-22				0.7	2.4	3.1	3.5	3.5	3.5	3.4
<u>T-Bond, 30 yr.</u>										
Oct-21	1.9	2.2	2.3	2.4	2.5	2.6	2.7			
Nov-21	1.9	2.2	2.3	2.4	2.5	2.6	2.7			
Dec-21	1.9	2.1	2.2	2.3	2.5	2.6	2.7			
Jan-22		2.0	2.1	2.2	2.4	2.5	2.7	2.8		
Feb-22		2.0	2.2	2.3	2.5	2.6	2.7	2.8		
Mar-22		2.0	2.2	2.5	2.6	2.7	2.9	3.0		
Apr-22			2.3	2.6	2.8	3.0	3.2	3.3	3.3	
May-22			2.3	2.9	3.1	3.2	3.4	3.5	3.5	
Jun-22			2.3	3.0	3.3	3.4	3.5	3.6	3.6	
Jul-22				3.0	3.5	3.6	3.7	3.8	3.8	3.8
<u>GDP Price Index</u>										
Oct-21	4.2	2.9	2.5	2.5	2.5	2.5	2.4			
Nov-21	5.7	3.4	2.7	2.6	2.5	2.4	2.3			
Dec-21	5.9	4.6	3.4	2.8	2.7	2.5	2.5			
Jan-22		4.6	3.7	3.1	2.8	2.6	2.5	2.5		
Feb-22		6.9	4.3	3.4	3.0	2.8	2.6	2.5		
Mar-22		7.1	4.8	3.8	3.1	2.8	2.6	2.5		
Apr-22			4.8	5.1	3.7	3.0	2.8	2.6	2.6	
May-22			8.0	5.6	4.0	3.4	3.0	2.8	2.6	
Jun-22			8.1	5.9	4.6	3.5	3.1	2.8	2.7	
Jul-22				5.9	5.2	3.9	3.4	2.8	2.7	2.6

Source and Note:
Blue Chip Financial Forecasts, January 2021 through July 2022.
Actual Yields in Bold.

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Further, the outlook for long-term interest rates in the intermediate to longer term is also impacted by the current Fed actions and the expectation that eventually the Fed's monetary actions will return to more normal levels. Long-term interest rate projections are illustrated in Table CCW-5 below.

TABLE CCW-5			
<u>30-Year Treasury Bond Yield Actual Vs. Projection</u>			
<u>Description</u>	<u>Actual</u>	<u>2-Year Projected*</u>	<u>5- to 10-Year Projected</u>
<u>2016</u>			
Q1	2.72%	3.67%	
Q2	2.64%	3.50%	4.3% - 4.6%
Q3	2.28%	3.20%	
Q4	2.82%	3.20%	4.2% - 4.5%
<u>2017</u>			
Q1	3.04%	3.70%	
Q2	2.91%	3.73%	4.3% - 4.5%
Q3	2.82%	3.66%	
Q4	2.82%	3.60%	4.1% - 4.3%
<u>2018</u>			
Q1	3.02%	3.63%	
Q2	3.09%	3.80%	4.2% - 4.4%
Q3	3.07%	3.73%	
Q4	3.27%	3.67%	3.9% - 4.2%
<u>2019</u>			
Q1	3.01%	3.50%	
Q2	2.78%	3.17%	3.6% - 3.8%
Q3	2.30%	2.70%	
Q4	2.30%	2.50%	3.2% - 3.7%
<u>2020</u>			
Q1	1.88%	2.57%	
Q2	1.38%	1.90%	3.0% - 3.8%
Q3	1.36%	1.87%	
Q4	1.62%	1.97%	2.8% - 3.6%
<u>2021</u>			
Q1	2.07%	2.23%	
Q2	2.26%	2.77%	3.5% - 3.9%
Q3	1.93%	2.63%	
Q4	1.95%	2.70%	3.4% - 3.8%
<u>2022</u>			
Q1	2.25%	2.87%	
Source and Note:			
<i>Blue Chip Financial Forecasts, January 2016 through April 2022.</i>			
*Average of all 3 reports in Quarter.			

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As outlined in Table CCW-5 above, the outlook for increases in interest rates has jumped more recently relative to 2020 and part of 2021, but is still relatively modest compared to time periods prior to the beginning of the worldwide pandemic. Indeed,

1 relatively low capital market costs are expected to prevail at least in the near-term and
2 out over the next five to ten years. While there is potential for some upward movement
3 in the cost of capital, that upward movement is uncertain. In fact, as shown on Figure
4 CCW-3 above, increases in the Federal Funds Rate do not necessarily translate into
5 increases in longer term yields.

6
7 **Q PLEASE COMMENT ON RUSSIA’S INVASION OF UKRAINE AND ITS IMPACT ON**
8 **THE MARKET.**

9 A In late February 2022, Russia invaded Ukraine. The response from the United States
10 and several other countries around the world has included several rounds of economic
11 sanctions on Russia. There is no denying the fact that the ongoing conflict in Ukraine
12 and the economic sanctions levied on Russia have sparked a fair amount of volatility
13 and uncertainty in capital markets around the world.

14 While the actual impact to the markets and global economy as a result of the
15 current conflict remains to be seen, we can look at research on the markets during
16 previous wars and armed combat situations to get an idea of what can be expected.

17 For example, a monograph published by the CFA Institute Research
18 Foundation concluded as follows:

19 Both wars and terrorist attacks tend to have only a transitory impact on
20 financial markets, but clear exceptions test that tendency. The
21 macroeconomic impact of wars tends to be significantly bigger in small
22 economies and developing countries that cannot digest the negative
23 effects of war as easily as large, open economies—such as that of the
24 United States—can.⁶

⁶Klement CFA, Joachim, CFA Institute Research Foundation, 2021, “Geo-Economics: The interplay of geopolitics, economics, and investments” at 46 (emphasis added).

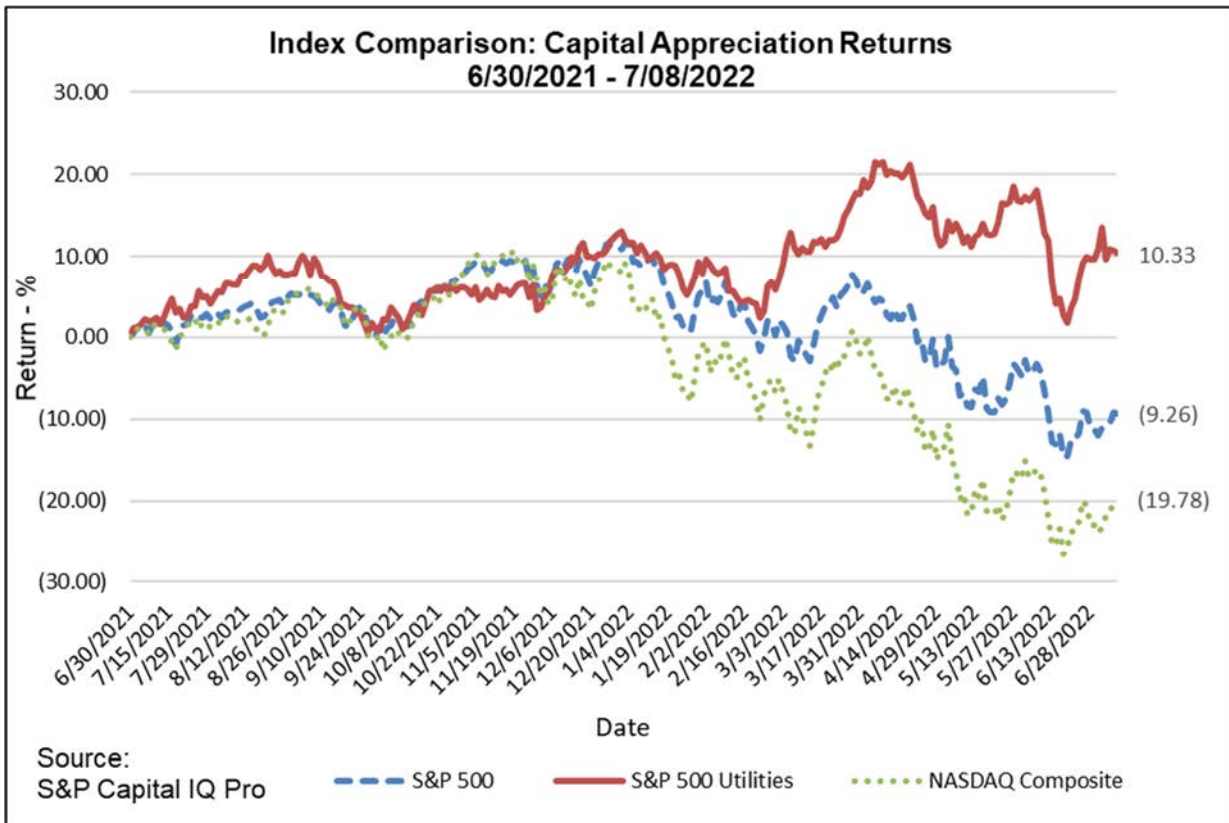
1 While it is undeniable that a level of uncertainty exists as a result of the conflict
2 in Ukraine, historical evidence indicates that the impact on financial markets is
3 generally transitory.
4

5 **Q IN LIGHT OF HIGHER LEVELS OF INFLATION, EXPECTATIONS OF HIGHER**
6 **INTEREST RATES, AND THE WAR IN UKRAINE, HOW HAS THE MARKET**
7 **PERCEIVED UTILITIES AS INVESTMENT OPTIONS?**

8 **A** Since the end of the second quarter 2021, utilities in general, as measured by the S&P
9 500 Utilities index, have significantly outperformed the market as measured by the S&P
10 500, as well as the Nasdaq Composite. This is presented below in Figure CCW-4. This
11 is indicative that utility valuations remain robust, even during a period of elevated
12 inflation, rising interest rates, and uncertainty as a result of geopolitical events around
13 the world.
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FIGURE CCW-4



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Q PLEASE DESCRIBE WHAT IS MEANT BY A “UTILITY’S COST OF COMMON EQUITY.”

8

9

A A utility’s cost of common equity is the expected return that investors require on an investment in the utility. Investors expect to earn their required return from receiving dividends and through stock price appreciation.

10

11

12

13

Q PLEASE DESCRIBE THE FRAMEWORK FOR DETERMINING A REGULATED UTILITY’S COST OF COMMON EQUITY.

14

15

A In general, determining a fair cost of common equity for a regulated utility has been framed by two hallmark decisions of the U.S. Supreme Court: Bluefield Water Works

16

1 & Improvement Co. v. Pub. Serv. Comm'n of W. Va., 262 U.S. 679 (1923) and Fed.
2 Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944). In these decisions, the
3 Supreme Court found that just compensation depends on many circumstances and
4 must be determined by fair and enlightened judgments based on relevant facts. The
5 Court also found that a utility is entitled to such rates as would permit it to earn a return
6 on a property devoted to the convenience of the public that is generally consistent with
7 the same returns available in other investments of corresponding risk. The Court
8 continued that the utility has “no constitutional rights to profits” such as those “realized
9 or anticipated in highly profitable enterprises or speculative ventures,”⁷ and defined the
10 ratepayer/investor balance as follows:

11 The return should be reasonably sufficient to assure confidence in the
12 financial soundness of the utility and should be adequate, under efficient
13 and economical management, to maintain and support its credit and
14 enable it to raise the money necessary for the proper discharge of its
15 public duties.⁸

16 As such, a fair rate of return is based on the expectation that the utility costs
17 reflect efficient and economical management, and the return will support its credit
18 standing and access to capital, but the return will not be in excess of this level. From
19 these standards, rates to customers will be just and reasonable, and compensation to
20 the utility will be fair and support financial integrity and credit standing, under economic
21 management of the utility.
22

23
24 **Q PLEASE DESCRIBE THE METHODS YOU HAVE USED TO ESTIMATE FCG'S**
25 **COST OF COMMON EQUITY.**

26 A I have used several models based on financial theory to estimate FCG's cost of
27 common equity. These models are: (1) a constant growth Discounted Cash Flow

⁷*Bluefield*, 262 U.S. at 692-93.

⁸*Id.* at 693 (emphasis added).

1 (“DCF”) model using consensus analysts’ growth rate projections; (2) a constant growth
2 DCF using sustainable growth rate estimates; (3) a multi-stage growth DCF model;
3 (4) a Risk Premium model; and (5) a Capital Asset Pricing Model (“CAPM”).
4

5 *A. FCG’s Investment Risk*

6 **Q PLEASE DESCRIBE THE MARKET’S ASSESSMENT OF FCG’S INVESTMENT**
7 **RISK.**

8 A The market’s assessment of FCG’s investment risk is described by credit rating
9 analysts’ reports. However, FCG is not an independently rated entity and therefore
10 does not have any reports detailing its overall risk from a ratings analysts. For this
11 reason, I will review the overall risk of its parent, Florida Power and Light (“FPL”), for
12 comparative purposes. FPL’s current credit ratings from S&P and Moody’s are A and
13 A1, respectively.⁹ FPL currently has a “Stable” outlook from both ratings agencies.

14 Specifically, in its most recent report covering FPL, S&P states:

15 **Business Risk: Excellent**

16 Supporting FPL's business risk profile are: its largely residential
17 customer base, which accounts for about 58% of its operating revenue;
18 its effective management of regulatory risk; and its above-average
19 economic and customer growth, demonstrated by Florida outperforming
20 the national GDP growth rate in the past seven consecutive years and,
21 consequently, strong energy demand. At the same time, Florida's
22 economy continues to recover from the impacts of the ongoing COVID-
23 19 pandemic, demonstrated by improvements in the unemployment rate
24 and consumer confidence.

25 The FPSC regulates FPL. We view the regulatory environment in Florida
26 as constructive and supportive of credit quality. FPL benefits from
27 forecast test years, above-average authorized returns on equity (ROEs),
28 multiyear rate settlements, and various regulatory mechanisms that
29 enable the company to reduce its regulatory lag and reduce cash flow
30 volatility. Further supporting our assessment of the company's business
31 risk profile is the company's ability to consistently recover storm-related
32 costs, financially protecting the company from hurricanes that are

⁹S&P Capital IQ.

1 common in its service territory and significantly reducing a key risk for
2 the company. As such, our assessment of FPL's business risk is at the
3 higher half of the range compared with peers.

4 The company is further enhancing its renewable energy footprint. It
5 continues to execute on its 30-by-30 plan and we expect solar
6 generation will account for about 20% of FPL's generating portfolio when
7 this program is complete. In July 2021, FPL announced that all
8 SolarTogether program megawatts (MW) were subscribed. This comes
9 just over one year after FPSC approved this community solar program.
10 The SolarTogether program is currently supported by 20 new solar
11 projects across the state and recently additional solar projects were
12 approved in connection with the program's second phase. We expect,
13 along with a green hydrogen project under development, ongoing solar
14 plus battery storage development efforts to begin service later this year,
15 and the exit from its remain coal generation, the company will continue
16 to reduce its GHG emissions and environmental risks more quickly than
17 peers.

18
19 **Financial Risk: Intermediate**

20 We assess FPL's stand-alone financial measures using our medial
21 volatility financial benchmarks to reflect its lower-risk regulated electric
22 utility operations and its effective management of regulatory risk. Our
23 base case scenario assumes that the company will maintain its
24 regulatory capital structure, reflecting an equity ratio of about 60%, a
25 robust capital spending program, and timely recovery of costs through
26 the use of constructive regulatory mechanisms. Overall, we expect the
27 company's stand-alone FFO to debt to reflect 30%-33%, over the next
28 three years, which is consistent with the middle of the range for the
29 company's financial risk profile category.¹⁰

30
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33 *B. FCG's Proposed Capital Structure*

34 **Q WHAT IS FCG'S PROPOSED CAPITAL STRUCTURE?**

35 **A** FCG's proposed capital structure is sponsored by Company witness Mr. Mark
36 Campbell¹¹ and is summarized in Table CCW-6 below:

37
38
39

¹⁰S&P RatingsDirect®: Full Analysis: Florida Power & Light Co., January 25, 2022.

¹¹Exhibit G-3, page 2.

<u>Description</u>	<u>Weight</u>
Long-Term Debt	35.72%
Short-Term Debt	4.68%
Common Equity	<u>59.60%</u>
Total	100.00%

1
2

3 **Q DO YOU HAVE ANY COMMENTS ON FCG'S ASSUMED CAPITAL STRUCTURE**
4 **FOR THE PROJECT?**

5 A Yes. As I will discuss later, FCG's proposed equity ratio significantly exceeds the equity
6 ratio for the proxy group used to estimate the cost of equity for FCG. As shown on in
7 Exhibit CCW-2, the proxy group has an average common equity ratio of 38.6%
8 (including short-term debt) and 44.6% (excluding short-term debt). Notably, the proxy
9 group I use is identical to that of FCG witness Ms. Nelson.

10

11 **Q ARE YOU AWARE OF OTHER REGULATORY COMMISSIONS RECOGNIZING THE**
12 **NEED TO ALIGN THE COST OF EQUITY WITH THE CAPITAL STRUCTURE?**

13 A Yes. In a recent Order, the Arkansas Public Service Commission imputed the capital
14 structure of Southwestern Electric Power Company ("SWEPCO") to be more in-line
15 with the comparable companies used to estimate the cost of equity.¹² The adjustment
16 was to recognize that there must be *congruence* between the cost of equity and the
17 capital structure. Specifically, the Order States as follows:

18 Consistent with our ruling in Order No. 10 of Docket No. 06-101-U, the
19 Commission holds that there should be congruence between the

¹²APSC Docket No. 21-170-U, Doc. No. 323, May 23, 2022, Order No. 14.

1 estimated cost of equity and the [debt-to-equity "DTE"] ratio, whereby
2 a lower DTE ratio decreases financial risk and decreases the cost of
3 equity. The evidence of record supports imputing the average capital
4 structure of companies with comparable risk to SWEPCO for the
5 purposes of determining SWEPCO's overall cost of capital.¹³

6 As I described above, the proxy group has an average common equity ratio of
7 38.6% (including short-term debt) and 44.6% (excluding short-term debt) as calculated
8 by S&P Global Market Intelligence and Value Line, respectively. The Company's
9 assumed equity ratio of 59.60% (including short-term debt) 62.53% (excluding short-
10 term debt) is nearly eight percentage points higher than that of the proxy group's
11 comparable equity ratio. Clearly, FCG's requested equity ratio exceeds the equity
12 ratios of the proxy group used to assess the Company's cost of equity. I recommend
13 that the Commission authorize a common equity ratio of no higher than 50.0%.

14
15 *C. Development of Proxy Group*

16 **Q PLEASE BRIEFLY DESCRIBE WHY A PROXY GROUP IS NEEDED IN**
17 **ESTIMATING THE COST OF EQUITY.**

18 **A** There are a few reasons why a proxy group is needed to estimate the cost of equity.
19 As an initial matter, to be consistent with the *Hope* and *Bluefield* standards, as
20 described above, the allowed return should be commensurate with returns on
21 investments in other firms of comparable risk. A proxy group of similarly situated
22 companies of comparable risk is needed to meet this criteria.

23 Even if FCG were a publicly traded company whose securities could be used to
24 estimate its cost of equity, there exists the potential for certain errors and biases making
25 the reliance on a single estimate undesirable and potentially less accurate. A proxy

¹³*Id.* at 25.

1 group of comparable risk companies adds reliability to the estimates by mitigating the
2 potential for bias that may be introduced by measurement errors of model inputs.

3

4 **Q PLEASE DESCRIBE HOW YOU IDENTIFIED A PROXY UTILITY GROUP THAT**
5 **COULD BE USED TO ESTIMATE FCG'S CURRENT MARKET COST OF EQUITY.**

6 A I relied on the same proxy group developed by FCG witness Ms. Nelson.

7

8 **Q HOW DOES THE INVESTMENT RISK OF FCG COMPARE TO THAT OF THE**
9 **PROXY GROUP?**

10 A As shown on my Exhibit CCW-2, the proxy group has average credit ratings of A- and
11 A3 from S&P and Moody's, respectively. The proxy group's average rating of A- from
12 S&P is one notch lower than FPL's A rating from S&P. The proxy group's average rating
13 of A3 from Moody's is two notches lower than FPL's rating of A1.

14 As shown on the same exhibit, the proxy group has an average common equity
15 ratio of 38.6% (including short-term debt) and 44.6% (excluding short-term debt) as
16 calculated by S&P Global Market Intelligence and Value Line, respectively. FCG's
17 requested common equity ratio of 59.60% (including short-term debt) or 62.53%
18 (excluding short-term debt) significantly exceeds the proxy group's equity ratios as
19 described above.

20 Given the stark differences in common equity ratios between the Company and
21 the proxy group, my ROE recommendation will be consistent with my recommended
22 common equity ratio.

23

24

25

1 *D. DCF Model*

2 **Q PLEASE DESCRIBE THE DCF MODEL.**

3 A The DCF model posits that a stock price equals the sum of the present value of
4 expected future cash flows discounted at the investor's required rate of return or cost
5 of capital. This model is expressed mathematically as follows:

6
$$P_0 = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} \dots \frac{D_\infty}{(1+K)^\infty} \quad (\text{Equation 1})$$

7

8 P_0 = Current stock price
9 D = Dividends in periods 1 - ∞
10 K = Investor's required return

11 This model can be rearranged in order to estimate the discount rate or investor-required
12 return, known as "K." If it is reasonable to assume that earnings and dividends will
13 grow at a constant rate, then Equation 1 can be rearranged as follows:

14
$$K = D_1/P_0 + G \quad (\text{Equation 2})$$

15 K = Investor's required return
16 D_1 = Dividend in first year
17 P_0 = Current stock price
18 G = Expected constant dividend growth rate

19 Equation 2 is referred to as the annual "constant growth" DCF model.

20

21 **Q PLEASE DESCRIBE THE INPUTS TO YOUR CONSTANT GROWTH DCF MODEL.**

22 A As shown in Equation 2 above, the DCF model requires a current stock price, the
23 expected dividend, and the expected growth rate in dividends.

24

25 **Q WHAT STOCK PRICE HAVE YOU RELIED ON IN YOUR CONSTANT GROWTH**
26 **DCF MODEL?**

27 A I relied on the average of the weekly high and low stock prices of the utilities in the
28 proxy group over a 13-week period ending on July 8, 2022. An average stock price is

1 less susceptible to market price variations than a price at a single point in time.
2 Therefore, an average stock price is less susceptible to aberrant market price
3 movements, which may not reflect the stock's long-term value.
4

5 **Q WHAT DIVIDEND DID YOU USE IN YOUR CONSTANT GROWTH DCF MODEL?**

6 A I used the most recently paid quarterly dividend as reported in *Value Line*.¹⁴ This
7 dividend was annualized (multiplied by 4) and adjusted for next year's growth to
8 produce the D_1 factor for use in Equation 2 above. In other words, I calculate D_1 by
9 multiplying the annualized dividend (D_0) by $(1+G)$.
10

11 **Q WHAT DIVIDEND GROWTH RATES HAVE YOU USED IN YOUR CONSTANT
12 GROWTH DCF MODEL?**

13 A There are several methods that can be used to estimate the expected growth in
14 dividends. However, regardless of the method, for purposes of determining the
15 market-required return on common equity, one must attempt to estimate investors'
16 expectations about what the dividend, or earnings growth rate will be and not what an
17 individual investor or analyst may use to make individual investment decisions.

18 As predictors of future returns, securities analysts' growth estimates have been
19 shown to be more accurate than growth rates derived from historical data.¹⁵ That is,
20 assuming the market generally makes rational investment decisions, analysts' growth
21 projections are more likely to influence investors' decisions, which are captured in
22 observable stock prices, than growth rates derived only from historical data.
23

¹⁴The Value Line Investment Survey.

¹⁵See, e.g., David Gordon, Myron Gordon, and Lawrence Gould, Choice Among Methods of Estimating Share Yield, *The Journal of Portfolio Management*, Spring 1989.

1 For my constant growth DCF analysis, I have relied on a consensus, or mean,
2 of professional securities analysts' earnings growth estimates as a proxy for investors'
3 dividend growth rate expectations. I used the average of analysts' growth rate
4 estimates from three sources: Zacks, MI, and Yahoo! Finance. All such projections
5 were available on July 8, 2022, and all were reported online.

6 Each growth rate projection is based on a survey of independent securities
7 analysts. There is no clear evidence whether a particular analyst is most influential on
8 general market investors. Therefore, a single analyst's projection does not predict
9 investor outlooks as reliably as does a consensus of market analysts' projections. The
10 consensus of estimates is a simple arithmetic average, or mean, of surveyed analysts'
11 earnings growth forecasts. A simple average of the growth forecasts gives equal
12 weight to all surveyed analysts' projections. Therefore, a simple average, or arithmetic
13 mean, of analysts' forecasts is a good proxy for investor expectations.

14 The growth rates I used in my DCF analysis are shown in Exhibit CCW-3. The
15 average growth rate for my proxy group is 5.95% and a median growth rate of 5.81%.

16
17 **Q WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF MODEL?**

18 A As shown in Exhibit CCW-4, page 1, the average and median constant growth DCF
19 returns for my proxy group for the 13-week analysis are 9.31% and 9.14%, respectively.

20
21 **Q DO YOU HAVE ANY COMMENTS ON THE RESULTS OF YOUR CONSTANT
22 GROWTH DCF ANALYSIS?**

23 A Yes. The constant growth DCF analysis for my proxy group is based on a group
24 average long-term growth rate of 5.95%. The three- to five-year growth rates are nearly

1 40% higher than the projected long-term projected Gross Domestic Product (“GDP”)
2 growth rate of 4.35%, described below. This is not a sustainable level of growth.

3
4 **Q HOW DID YOU IDENTIFY THE LONG-TERM PROJECTED GDP GROWTH RATE?**

5 A Although there may be short-term peaks, the long-term sustainable growth rate for a
6 utility stock cannot exceed the growth rate of the economy in which it sells its goods
7 and services. The long-term maximum sustainable growth rate for a utility investment
8 is, accordingly, best proxied by the projected long-term GDP growth rate as that reflects
9 the projected long-term growth rate of the economy as a whole. *Blue Chip Economic*
10 *Indicators* projects that over the next 5 and 10 years, the U.S. nominal GDP will grow
11 at an annual rate of approximately 4.35%.¹⁶ As such, the average nominal growth rate
12 over the next 10 years is around 4.35%, which I believe is a reasonable proxy of
13 long-term growth.

14 Later in this testimony, I discuss academic and investment practitioner support
15 for using the projected long-term GDP growth outlook as a maximum long-term growth
16 rate projection. Using the long-term GDP growth rate as a conservative projection for
17 the maximum growth rate is logical, and is generally consistent with academic and
18 economic practitioner accepted practices.

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¹⁶Blue Chip Financial Forecasts, June 1, 2022 at page 14.

1 *E. Sustainable Growth DCF*

2 **Q PLEASE DESCRIBE WHAT THE SUSTAINABLE GROWTH DCF METHOD IS AND**
3 **HOW YOU ESTIMATED A SUSTAINABLE GROWTH RATE FOR YOUR**
4 **SUSTAINABLE GROWTH DCF MODEL.**

5 A A sustainable growth rate, also known as the internal growth rate, is based on the
6 percentage of the utility's earnings that is retained and reinvested in utility plant and
7 equipment. These reinvested earnings increase the earnings base (rate base).
8 Earnings grow when plant funded by reinvested earnings is put into service, and the
9 utility is allowed to earn its authorized return on such additional rate base investment.

10 The internal growth methodology is tied to the percentage of earnings retained
11 in the Company and not paid out as dividends. The earnings retention ratio is 1 minus
12 the dividend payout ratio. As the payout ratio declines, the earnings retention ratio
13 increases. An increased earnings retention ratio will fuel stronger growth because the
14 business funds more investments with retained earnings.

15 The payout ratios of the proxy group are shown in my Exhibit CCW-5. These
16 dividend payout ratios and earnings retention ratios then can be used to develop a
17 long-term growth rate driven by earnings retention.

18 The data used to estimate the long-term sustainable growth rate is based on
19 the Company's current market-to-book ratio and on *Value Line's* three- to five-year
20 projections of earnings, dividends, earned returns on book equity, and stock issuances.

21 As shown in Exhibit CCW-6, the average and median sustainable growth rates
22 for the proxy group using this internal growth rate model are 5.67% and 5.53%,
23 respectively.

24

25

1 **Q WHAT IS THE DCF ESTIMATE USING THESE SUSTAINABLE GROWTH RATES?**

2 A A DCF estimate based on these sustainable growth rates is developed in Exhibit CCW-
3 7. As shown there, and using the same formula in Equation 2 above, a sustainable
4 growth DCF analysis produces proxy group average and median DCF results for the
5 13-week period of 9.02% and 9.20%, respectively.

6

7 *F. Multi-Stage Growth DCF Model*

8 **Q HAVE YOU CONDUCTED ANY OTHER DCF STUDIES?**

9 A Yes. As previously indicated, the DCF is designed to reflect a present value of an
10 infinite string of future cash flow. That said, however, my first constant growth DCF is
11 based on the analyst growth rate projections, so it is a reasonable reflection of rational
12 investment expectations over the next three to five years. The limitation on this
13 constant growth DCF model is that it cannot reflect a rational expectation that a period
14 of high or low short-term growth can be followed by a change in growth to a rate that is
15 more reflective of long-term sustainable growth. In order to account for the outlook of
16 changing growth expectations, I performed a multi-stage DCF analysis.

17

18 **Q WHY DO YOU BELIEVE GROWTH RATES CAN CHANGE OVER TIME?**

19 A Analyst-projected growth rates over the next three to five years will change as utility
20 earnings growth outlooks change. Utility companies go through cycles in making
21 investments in their systems. When utility companies are making large investments,
22 their rate base grows rapidly, which in turn accelerates earnings growth. Once a major
23 construction cycle is completed or levels off, growth in the utility rate base slows and
24 its earnings growth slows from an abnormally high three- to five-year rate to a lower,
25 sustainable growth rate.

1 As major construction cycles extend over longer periods of time, even with an
2 accelerated construction program, the growth rate of the utility will slow simply because
3 rate base growth will slow, and the utility has limited human and capital resources
4 available to expand its construction program. Therefore, the three- to five-year growth
5 rate projection should be used as a long-term sustainable growth rate, but not without
6 making a reasonable informed judgment to determine whether it considers the current
7 market environment, the industry, and whether the three- to five-year growth outlook is
8 sustainable.

9
10 **Q PLEASE DESCRIBE YOUR MULTI-STAGE DCF MODEL.**

11 A The multi-stage DCF model reflects the possibility of non-constant growth for a
12 company over time. The multi-stage DCF model reflects three growth periods: (1) a
13 short-term growth period consisting of the first five years; (2) a transition period,
14 consisting of the next five years (6 through 10); and (3) a long-term growth period
15 starting in year 11 and extending into perpetuity.

16 For the short-term growth period, I relied on the consensus of analysts' growth
17 projections described above in relationship to my constant growth DCF model. For the
18 transition period, the growth rates were reduced or increased by an equal factor
19 reflecting the difference between the analysts' growth rates and the long-term
20 sustainable growth rate. For the long-term growth period, I assumed each company's
21 growth would converge to the maximum sustainable long-term growth rate.

1 **Q WHY IS THE GDP GROWTH PROJECTION A REASONABLE PROXY FOR THE**
2 **MAXIMUM SUSTAINABLE LONG-TERM GROWTH RATE?**

3 A Utilities cannot indefinitely sustain a growth rate that exceeds the growth rate of the
4 economy in which they sell services. Utilities' earnings and dividend growth is created
5 by increased utility investment in its rate base. Examples of what can drive such
6 investment are service area economic growth, system reliability upgrades, or state and
7 federal green energy initiatives.

8 The U.S. Department of Energy, Energy Information Administration ("EIA") has
9 observed that utility sales growth tracks U.S. GDP growth, albeit at a lower level, as
10 shown in Exhibit CCW-8. Utility sales growth has lagged behind GDP growth for more
11 than a decade. As a result, nominal GDP growth is a reasonable upper limit for utility
12 sales growth, rate base growth, and earnings growth in the long-run. Therefore, the
13 U.S. GDP nominal growth rate is a conservative proxy for the highest sustainable
14 long-term growth rate of a utility.

15

16 **Q IS THERE RESEARCH THAT SUPPORTS YOUR POSITION THAT, OVER THE**
17 **LONG TERM, A COMPANY'S EARNINGS AND DIVIDENDS CANNOT GROW AT A**
18 **RATE GREATER THAN THE GROWTH OF THE U.S. GDP?**

19 A Yes. This concept is supported in published analyst literature and academic work.
20 Specifically, in a textbook titled "Fundamentals of Financial Management," published
21 by Eugene Brigham and Joel F. Houston, the authors state as follows:

22 The constant growth model is most appropriate for mature companies
23 with a stable history of growth and stable future expectations. Expected
24 growth rates vary somewhat among companies, but dividends for
25 mature firms are often expected to grow in the future at about the same
26 rate as nominal gross domestic product (real GDP plus inflation).¹⁷
27

¹⁷*Fundamentals of Financial Management*, Eugene F. Brigham and Joel F. Houston, Eleventh Edition 2007, Thomson South-Western, a Division of Thomson Corporation at 298 (emphasis added).

1 The use of the economic growth rate is also supported by investment practitioners as
2 outlined as follows:

3 **Estimating Growth Rates**

4
5 One of the advantages of a three-stage discounted cash flow model is
6 that it fits with life cycle theories in regards to company growth. In these
7 theories, companies are assumed to have a life cycle with varying
8 growth characteristics. Typically, the potential for extraordinary growth
9 in the near term eases over time and eventually growth slows to a more
10 stable level.

11 * * *

12
13
14 Another approach to estimating long-term growth rates is to focus on
15 estimating the overall economic growth rate. Again, this is the approach
16 used in the *Ibbotson Cost of Capital Yearbook*. To obtain the economic
17 growth rate, a forecast is made of the growth rate's component parts.
18 Expected growth can be broken into two main parts: expected inflation
19 and expected real growth. By analyzing these components separately,
20 it is easier to see the factors that drive growth.¹⁸

21
22
23 **Q HOW DID YOU DETERMINE A LONG-TERM GROWTH RATE THAT REFLECTS**
24 **THE CURRENT CONSENSUS OF INDEPENDENT MARKET PARTICIPANTS?**

25 **A** I relied on the consensus of long-term GDP growth projections as projected by
26 independent economists. *Blue Chip Financial Forecasts* publishes the consensus for
27 GDP growth projections twice a year. These projections reflect current outlooks for
28 GDP and are likely to be influential on investors' expectations of future growth outlooks.
29 The consensus of projected GDP growth is about 4.35% over the next 10 years.¹⁹

30
31
32
33

¹⁸Morningstar, Inc., Ibbotson SBBI 2013 Valuation Yearbook at 51 and 52.

¹⁹Blue Chip Financial Forecasts, June 1, 2022 at page 14.

1 Q DO YOU CONSIDER OTHER SOURCES OF PROJECTED LONG-TERM GDP
2 GROWTH?

3 A Yes, and these alternative sources corroborate the consensus analysts' projections I
4 relied on. Several projections are shown in Table CCW-7 below.

TABLE CCW-7

GDP Forecasts

<u>Source</u>	<u>Projected Period</u>	<u>Real GDP</u>	<u>Inflation</u>	<u>Nominal GDP</u>
Blue Chip Financial Forecasts ¹	5-10 Yrs	2.1%	2.3%	4.3%
EIA - Annual Energy Outlook ²	29 Yrs	2.2%	2.3%	4.5%
Congressional Budget Office ³	30 Yrs	1.7%	2.0%	3.7%
Moody's Analytics ⁴	31 Yrs	2.1%	2.1%	4.2%
Social Security Administration ⁵	74 Yrs			4.1%
Economist Intelligence Unit ⁶	29 Yrs	1.7%	2.2%	3.9%

Sources:

¹Blue Chip Financial Forecasts, June 1, 2022 at 14.
²U.S. Energy Information Administration (EIA), Annual Energy Outlook 2022, March 3, 2022.
³Congressional Budget Office, Long-Term Budget Outlook, March 2021.
⁴Moody's Analytics Forecast, downloaded June 29, 2022.
⁵Social Security Administration, "2021 OASDI Trustees Report," Table VI.G4, August 31, 2021.
⁶S&P MI, Economist Intelligence Unit, downloaded on March 9, 2022.

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As shown in the table above, the real GDP and the inflation fall in the range of 1.70% to 2.20% and 2.0% to 2.3%, respectively. This results in a nominal GDP in the range of 3.7% to 4.5%. Therefore, the nominal GDP growth projections made by these independent sources support my use of 4.35% as a reasonable estimate of market participants' expectations for long-term GDP growth. The real GDP and nominal GDP growth projections made by these independent sources support my use of 4.35% as a reasonable estimate of market participants' expectations for long-term GDP growth.

1 **Q WHAT STOCK PRICE, DIVIDEND, AND GROWTH RATES DID YOU USE IN YOUR**
2 **MULTI-STAGE DCF ANALYSIS?**

3 A I relied on the same 13-week average stock prices and the most recent quarterly
4 dividend payment data discussed above. For the first stage, I used the consensus of
5 analysts' growth rate projections discussed above in my constant growth DCF model.
6 The first stage covers the first five years, consistent with the time horizon of the
7 securities analysts' growth rate projections. The second stage, or transition stage,
8 begins in year 6 and extends through year 10. The second stage growth transitions
9 the growth rate from the first stage to the third stage using a straight linear trend. For
10 the third stage, or long-term sustainable growth stage, starting in year 11, I used a
11 4.35% long-term sustainable growth rate based on the consensus of economists'
12 long-term projected nominal GDP growth rate.

13

14 **Q WHAT ARE THE RESULTS OF YOUR MULTI-STAGE DCF MODEL?**

15 A As shown in Exhibit CCW-9, the average and median DCF ROEs for my proxy group
16 using the 13-week average stock price are 7.99% and 8.19%, respectively.

17

18 **Q PLEASE SUMMARIZE THE RESULTS FROM YOUR DCF ANALYSES.**

19 A The DCF results are summarized in Table CCW-8 below. It is my opinion a reasonable
20 ROE based on the DCF results summarized in Table CCW-8 is 9.0%.

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<u>Description</u>	<u>Proxy Group</u>	
	<u>Average</u>	<u>Median</u>
Constant Growth DCF Model (Analysts' Growth)	9.31%	9.14%
Constant Growth DCF Model (Sustainable Growth)	9.02%	9.20%
Multi-Stage DCF Model	7.99%	8.19%

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G. Risk Premium Model

Q PLEASE DESCRIBE YOUR BOND YIELD PLUS RISK PREMIUM MODEL.

A This model is based on the principle that investors require a higher return to assume greater risk. Common equity investments have greater risk than bonds because bonds have more security of payment in bankruptcy proceedings than common equity and the coupon payments on bonds represent contractual obligations. In contrast, companies are not required to pay dividends or guarantee returns on common equity investments. Therefore, common equity securities are considered to be riskier than bond securities.

This risk premium model is based on two estimates of an equity risk premium. First, I quantify the difference between regulatory commission-authorized returns on common equity and contemporary U.S. Treasury bonds. The difference between the authorized return on common equity and the Treasury bond yield is the risk premium. I estimated the risk premium on an annual basis for each year since January 1986. The authorized ROEs were based on regulatory commission-authorized returns for

1 utility companies. Authorized returns are typically based on expert witnesses'
2 estimates of the investor-required return at the time of the proceeding.

3 The second equity risk premium estimate is based on the difference between
4 regulatory commission-authorized returns on common equity and contemporary
5 "A" rated utility bond yields by Moody's. I selected the period 1986 through 2021
6 because public utility stocks consistently traded at a premium to book value during that
7 period. This is illustrated in Exhibit CCW-10, which shows the market-to-book ratio
8 since 1986 for the utility industry was consistently above a multiple of 1.0x. Over this
9 period, an analyst can infer that authorized ROEs were sufficient to support market
10 prices that at least exceeded book value. This is an indication that commission-
11 authorized returns on common equity supported a utility's ability to issue additional
12 common stock without diluting existing shares. It further demonstrates that utilities
13 were able to access equity markets without a detrimental impact on current
14 shareholders.

15 Based on this analysis, as shown in Exhibit CCW-11, the average indicated
16 equity risk premium over U.S. Treasury bond yields has been 5.66%. Since the risk
17 premium can vary depending upon market conditions and changing investor risk
18 perceptions, I believe using an estimated range of risk premiums provides the best
19 method to measure the current return on common equity for a risk premium
20 methodology.

21 I assessed the five-year and ten-year rolling average risk premiums over the
22 study period to gauge the variability over time of risk premiums. These rolling average
23 risk premiums mitigate the impact of anomalous market conditions and skewed risk
24 premiums over an entire business cycle. As shown on my Exhibit CCW-11, the

1 five-year rolling average risk premium over Treasury bonds ranged from 4.17% to
2 7.23%, while the ten-year rolling average risk premium ranged from 4.30% to 6.93%.

3 As shown on my Exhibit CCW-12, the average indicated equity risk premium
4 over contemporary "A" rated Moody's utility bond yields was 4.30%. The five-year and
5 ten-year rolling average risk premiums ranged from 2.80% to 5.97% and 3.11% to
6 5.75%, respectively.

7
8 **Q DO YOU BELIEVE THAT THE TIME PERIOD USED TO DERIVE THESE EQUITY**
9 **RISK PREMIUM ESTIMATES IS APPROPRIATE TO FORM ACCURATE**
10 **CONCLUSIONS ABOUT CONTEMPORARY MARKET CONDITIONS?**

11 **A** Yes. Contemporary market conditions can change dramatically during the period that
12 rates determined in this proceeding will be in effect. A relatively long period of time
13 where stock valuations reflect premiums to book value indicates that the authorized
14 ROEs and the corresponding equity risk premiums were supportive of investors' return
15 expectations and provided utilities access to the equity markets under reasonable
16 terms and conditions. Further, this time period is long enough to smooth abnormal
17 market movement that might distort equity risk premiums. While market conditions and
18 risk premiums do vary over time, this historical time period is a reasonable period to
19 estimate contemporary risk premiums.

20 Alternatively, some have recommended that use of "actual achieved investment
21 return data" in a risk premium study should be based on long historical time periods.
22 The studies find that achieved returns over short time periods may not reflect investors'
23 expected returns due to unexpected and abnormal stock price performance.
24 Short-term, abnormal actual returns would be smoothed over time and the achieved
25 actual investment returns over long time periods would approximate investors'

1 expected returns. Therefore, it is reasonable to assume that averages of annual
2 achieved returns over long time periods will generally converge on the investors'
3 expected returns.
4

5 **Q PLEASE EXPLAIN OTHER MARKET EVIDENCE YOU RELIED ON IN**
6 **DETERMINING AN APPROPRIATE EQUITY RISK PREMIUM.**

7 A The equity risk premium should reflect the market's perception of risk in the utility
8 industry today. I have gauged investor perceptions in utility risk today in Exhibit CCW-
9 13, where I show the yield spread between utility bonds and Treasury bonds over the
10 last 43 years. As shown in this schedule, the average utility bond yield spreads over
11 Treasury bonds for "A" and "Baa" rated utility bonds for this historical period are 1.48%
12 and 1.91%, respectively.

13 A current 13-week average "A" rated utility bond yield of 4.74% when compared
14 to the current Treasury bond yield of 3.11%, as shown in Exhibit CCW-14, page 1,
15 implies a yield spread of 1.63%. This current utility bond yield spread is slightly higher
16 than the 43-year average spread for "A" rated utility bonds of 1.48%. The 13-week
17 average yield on "Baa" rated utility bonds is 5.09%. This indicates a current spread for
18 the "Baa" rated utility bond yield of 1.98%, which is also slightly higher than the 43-year
19 average of 1.91%. This supports an above average risk premium.
20

21 **Q WHAT IS YOUR RECOMMENDED RETURN FOR THE COMPANY BASED ON**
22 **YOUR RISK PREMIUM STUDY?**

23 A Considering the current economic environment, current levels of interest rates as well
24 as interest rate projections, a move toward a more normalized equity risk premium is
25 warranted.

1 A risk premium between the 50th and 75th percentile (i.e. the third quartile) of
2 the rolling-5-year average risk premiums would be appropriate in the current market.
3 The third quartile would be for the observations that are equal to or above the 50th
4 percentile observation, and equal to or below the 75th percentile. This produces an
5 equity risk premium in the range of 5.68% to 6.44%. I believe a risk premium in the
6 range of 5.68% to 6.44% is appropriate given the current economic environment and
7 interest rate projection of 3.80%. Adding these risk premiums to the projected Treasury
8 yield of 3.80% produces an ROE in the range of 9.48% to 10.24%.

9 Applying a similar methodology as described above, the third quartile produces
10 an equity risk premium in the range of 4.24% to 5.33%. The A-rated utility bond yield
11 has averaged 4.74% over the 13-week period ending July 8, 2022 while the Baa-rated
12 utility bond yield has averaged 5.09% over the same period. Adding these risk
13 premiums to the 13-week A-rated utility bond yield of 4.74% produces an estimated
14 cost of equity in the range of 9.27% to 10.07%. Adding these risk premiums to the 13-
15 week Baa-rated utility bond yield of 5.09% produces an estimated cost of equity in the
16 range of 9.62% to 10.42%.

17 The results of my risk premium analyses are summarized in Table CCW-9.
18 Based on these results, I conclude that a reasonable ROE based on my risk premium
19 analyses is 9.8%.

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<u>Description</u>	<u>ROE Estimate</u>
Projected Treasury Yield	9.48% - 10.24%
A-Rated Utility Bond	9.27% - 10.07%
Baa-Rated Utility Bond	9.62% - 10.42%

1

2

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4 *H. Capital Asset Pricing Model ("CAPM")*

5 **Q PLEASE DESCRIBE THE CAPM.**

6 A The CAPM method of analysis is based upon the theory that the market-required rate
7 of return for a security is equal to the risk-free rate, plus a risk premium associated with
8 the specific security. This relationship between risk and return can be expressed
9 mathematically as follows:

10 $R_i = R_f + B_i \times (R_m - R_f)$ where:

11 R_i = Required return for stock i

12 R_f = Risk-free rate

13 R_m = Expected return for the market portfolio

14 B_i = Beta - Measure of the risk for stock

15 The stock-specific risk term in the above equation is beta. Beta represents the
16 investment risk that cannot be diversified away when the security is held in a diversified
17 portfolio. When stocks are held in a diversified portfolio, stock-specific risks can be
18 eliminated by balancing the portfolio with securities that react in the opposite direction
19 to firm-specific risk factors (e.g., business cycle, competition, product mix, and
20 production limitations).

1 The risks that cannot be eliminated when held in a diversified portfolio are
2 non-diversifiable risks. Non-diversifiable risks are related to the market in general and
3 referred to as systematic risks. Risks that can be eliminated by diversification are
4 non-systematic risks. In a broad sense, systematic risks are market risks and
5 non-systematic risks are business risks. The CAPM theory suggests the market will
6 not compensate investors for assuming risks that can be diversified away. Therefore,
7 the only risk investors will be compensated for are systematic, or non-diversifiable,
8 risks. The beta is a measure of the systematic, or non-diversifiable risks.

9
10 **Q PLEASE DESCRIBE THE INPUTS TO YOUR CAPM.**

11 A The CAPM requires an estimate of the market risk-free rate, the company's beta, and
12 the market risk premium.

13
14 **Q WHAT DID YOU USE AS AN ESTIMATE OF THE MARKET RISK-FREE RATE?**

15 A As previously noted, *Blue Chip Financial Forecasts'* projected 30-year Treasury bond
16 yield is 3.80%.²⁰ The current 30-year Treasury bond yield is 3.11%, as shown in Exhibit
17 CCW-14 at page 1. I used *Blue Chip Financial Forecasts'* projected 30-year Treasury
18 bond yield of 3.80% for my CAPM analysis.

19
20 **Q WHY DID YOU USE LONG-TERM TREASURY BOND YIELDS AS AN ESTIMATE**
21 **OF THE RISK-FREE RATE?**

22 A Treasury securities are backed by the full faith and credit of the United States
23 government, so long-term Treasury bonds are considered to have negligible credit risk.
24 Also, long-term Treasury bonds have an investment horizon similar to that of common

²⁰Blue Chip Financial Forecast, July 1, 2022.

1 stock. As a result, investor-anticipated long-run inflation expectations are reflected in
2 both common stock required returns and long-term bond yields. Therefore, the nominal
3 risk-free rate (or expected inflation rate and real risk-free rate) included in a long-term
4 bond yield is a reasonable estimate of the nominal risk-free rate included in common
5 stock returns.

6 Treasury bond yields, however, do include risk premiums related to future
7 inflation and liquidity. In this regard, a Treasury bond yield is not entirely risk-free. Risk
8 premiums related to unanticipated inflation and interest rates reflect systematic market
9 risks. Consequently, for a company with a beta less than 1.0, using the Treasury bond
10 yield as a proxy for the risk-free rate in the CAPM analysis can produce an overstated
11 estimate of the CAPM return.

12
13 **Q WHAT BETA DID YOU USE IN YOUR ANALYSIS?**

14 **A** As shown in Exhibit CCW-15, the current proxy group average and median *Value Line*
15 beta estimates are 0.83 and 0.80, respectively. In my experience, these beta estimates
16 are abnormally high and are unlikely to be sustained over the long-term. As such, I
17 have also reviewed the historical average of the proxy group's *Value Line* betas. The
18 historical average *Value Line* beta since 2014 is 0.74 and has ranged from 0.58 to 0.87.
19 Prior to the recent pandemic, the high end of this range was 0.78.

20 In addition to *Value Line*, I have also included adjusted beta estimates as
21 provided by Market Intelligence's Beta Generator model. This model relied on a 5-year
22 period on a weekly basis ending July 8, 2022. The average and median Market
23 Intelligence beta is 0.58 and 0.59, respectively. Market Intelligence betas as calculated
24 using its beta generator model are adjusted using the Vasicek method and calculated
25 using the S&P 500 as the proxy for the investable market. This is in stark contrast with

1 the *Value Line* beta estimates that are adjusted using a constant weighting of 67%/35%
2 to the raw beta/market beta and use the New York Stock Exchange as the proxy for
3 the investable market. Because I rely on the S&P 500 to estimate the expected return
4 on the investable market, it makes sense to rely on beta estimates that are calculated
5 using the S&P 500 as the benchmark for the market. Further, as S&P explains:

6 The Vasicek Method is a superior alternative to the Bloomberg Beta
7 adjustment. The Bloomberg adjustment is not appropriate for a vast
8 number of situations, as it assigns constant weighting regardless of the
9 standard error in the raw beta estimation (Bloomberg Beta = $1/3 \times \text{market beta} + 2/3 \times \text{Raw Beta}$). Given the statistical fact that a larger sample
10 size yields a smaller error, the Vasicek method more appropriately
11 adjusts the raw beta via weights determined by the variance of the
12 individual security versus the variance of a larger sample of comparable
13 companies. The weights are designed to bring the raw beta closer to
14 whichever beta estimation has the smallest error. This is a feature the
15 Bloomberg beta cannot replicate.²¹
16
17
18

19 **Q HOW DID YOU DERIVE YOUR MARKET RISK PREMIUM ESTIMATES?**

20 A My market risk premium estimates are derived using two general approaches: a risk
21 premium approach and a DCF approach. I also consider the normalized market risk
22 premium of 5.50% with the normalized risk-free rate of 3.50% as published by Kroll,
23 formerly known as Duff & Phelps.

25 **Q PLEASE DESCRIBE YOUR MARKET RISK PREMIUM ESTIMATE DERIVED USING**
26 **THE RISK PREMIUM METHODOLOGY.**

27 A The forward-looking risk premium-based estimate was derived by estimating the
28 expected return on the market (as represented by the S&P 500) and subtracting the

²¹S&P Market Intelligence, Beta Generator Model. Notably, while S&P makes reference to the Bloomberg method of applying 2/3 and 1/3 weights to the raw beta and market beta, respectively, the comparison still applies to *Value Line's* methodology of applying 67% and 35% weights. Both methods are forms of the Blume adjustment. While the weights are slightly different between the Bloomberg and *Value Line* methods, they are similar and apply a constant weight without any regard to accuracy. As such, the criticisms of the betas offered by S&P apply to both Bloomberg betas and *Value Line* betas.

1 risk-free rate from this estimate. I estimated the expected return on the S&P 500 by
2 adding an expected inflation rate to the long-term historical arithmetic average real
3 return on the market. The real return on the market represents the achieved return
4 above the rate of inflation.

5 The Kroll *2022 SBBI Yearbook* estimates the historical arithmetic average real
6 market return over the period 1926 to 2021 to be 9.20%.²² A current consensus for
7 projected inflation, as measured by the Consumer Price Index (“CPI”), is 2.50%.²³
8 Using these estimates, the expected market return is 11.93%.²⁴ The market risk
9 premium then is the difference between the 11.93% expected market return and the
10 projected risk-free rate of 3.80%, or 8.13%.

11
12 **Q PLEASE DESCRIBE YOUR MARKET RISK PREMIUM ESTIMATES DERIVED**
13 **USING THE DCF METHODOLOGY.**

14 A I employed two versions of the constant growth DCF model to develop estimates of the
15 market risk premium. I first employed the Federal Energy Regulatory Commission’s
16 (“FERC”) method of estimating the expected return on the market that was established
17 in its Opinion No. 569-A. FERC’s method for estimating the expected return on the
18 market is to perform a constant growth DCF analysis on each of the dividend paying
19 companies of the S&P 500 index. The growth rate component is based on the average
20 of the growth projections excluding companies with growth rates that were negative or
21 greater than 20%.²⁵ The weighted average growth rate for the remaining companies is
22 10.40%. After reflecting the FERC prescribed method of adjusting the dividend yield
23 by $(1 + 0.5g)$, the weighted average expected dividend yield is 1.89%. Thus, the

²²Kroll, 2022 SBBI Yearbook at 146.

²³Blue Chip Financial Forecast, July 1, 2022.

²⁴ $[(1 + 9.20\%) * (1 + 2.50\%) - 1] * 100$.

²⁵Opinion No. 569-A, at p. 210.

1 DCF-derived expected return on the market is the sum of those two components, or
2 12.29%. The market risk premium then is the expected market return of 12.29% less
3 the projected risk-free rate of 3.80%, or 8.50%.

4 My second DCF-based market risk premium estimate was derived by
5 performing the same DCF analysis described above, except I used all companies in
6 the S&P 500 index rather than just the dividend paying companies. The weighted
7 average growth rate for these companies is 11.00%. After reflecting the FERC
8 prescribed method of adjusting the dividend yield by $(1 + 0.5g)$, the weighted average
9 expected dividend yield is 1.48%. Thus, the DCF-derived expected return on the
10 market is the sum of those two components, or 12.48%. The market risk premium then
11 is the expected market return of 12.48% less the projected risk-free rate of 3.80%, or
12 8.70%.

13 The average expected market return based on the DCF model is 12.39% and
14 the average market risk premium based on the two DCF estimates is 8.60%.

15
16 **Q HOW DO YOUR EXPECTED MARKET RETURNS COMPARE TO CURRENT**
17 **EXPECTATIONS OF FINANCIAL INSTITUTIONS?**

18 **A** As shown in Table CCW-10, my average expected market return of 11.11%²⁶ exceeds
19 long-term market expectations of several financial institutions.

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²⁶11.11% = $(9.00\% + 12.39\% + 11.93\%) / 3$.

TABLE CCW-10

Long-Term Expected Return on the Market

<u>Source</u>	<u>Term</u>	<u>Expected Return Large Cap Equities</u>
BlackRock Capital Management ¹	30 Years	7.40%
JP Morgan Chase ²	10 - 15 Years	4.10%
Vanguard ³	10 Years	2.3% - 4.3%
Research Affiliates ⁴	10 Years	1.9% - 5.2%

Sources:

¹BlackRock Investment Institute, February 2022 report.

²JP Morgan Chase, Long-Term Capital Market Assumptions, 2022 Report.

³Vanguard economic and market outlook for 2022: Striking a better balance.

⁴Research Affiliates, Asset Allocation Interactive.

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2
3 When compared to the expected market returns of financial institutions above,
4 my average expected market return of 11.11% is more than two times higher than all
5 but one projection. For these reasons, my expected market returns, and the associated
6 market risk premiums, should be considered reasonable, if not high-end estimates.

7
8 **Q HOW DO YOUR ESTIMATED MARKET RISK PREMIUMS COMPARE TO THAT**
9 **ESTIMATED BY KROLL?**

10 **A** The Kroll analysis indicates a market risk premium falls somewhere in the range of
11 5.50% to 7.46%. My market risk premium estimates are in the range of 5.50% to
12 8.60%.

13

1 **Q HOW DOES KROLL MEASURE A MARKET RISK PREMIUM?**

2 A Kroll’s range is based on several methodologies. First, Kroll estimated a market risk
3 premium of 7.46% based on the difference between the total market return on common
4 stocks (S&P 500) less the income return on 20-year Treasury bond investments over
5 the 1926-2021 period.²⁷

6 Second, Kroll used the Ibbotson & Chen supply-side model which produced a
7 market risk premium estimate of 6.22%.²⁸ Kroll explains that the historical market risk
8 premium based on the S&P 500 was influenced by an abnormal expansion of P/E ratios
9 relative to earnings and dividend growth. In order to control for the volatility of
10 extraordinary events and their impacts on P/E ratios, Kroll takes into consideration the
11 three-year average P/E ratio as the current P/E ratio. Therefore, Kroll adjusted this
12 market risk premium estimate to normalize the growth in the P/E ratio to be more in line
13 with the growth in dividends and earnings.

14 Finally, Kroll develops its own recommended equity, or market risk premium, by
15 employing an analysis that takes into consideration a wide range of economic
16 information, multiple risk premium estimation methodologies, and the current state of
17 the economy by observing measures such as the level of stock indices and corporate
18 spreads as indicators of perceived risk. Based on this methodology, and utilizing a
19 “normalized” risk-free rate of 3.50%, Kroll concludes that the current expected, or
20 forward-looking, market risk premium is 5.50%, implying an expected return on the
21 market of 9.00%.²⁹

22

²⁷Kroll, 2022 SBBI Yearbook at 199.

²⁸*Id.* at 207.

²⁹Kroll, *Kroll Increases U.S. Normalized Risk-Free Rate from 3.0% to 3.5%, but Spot 20-Year U.S. Treasury Yield Preferred When Higher*, June 16, 2022.

1 It should be noted that Kroll's market risk premiums are measured over a
2 20-year Treasury bond. Because I am relying on a projected 30-year Treasury bond
3 yield, the results of my CAPM analysis should be considered conservative estimates
4 for the cost of equity.

5
6 **Q WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?**

7 **A** As shown in Exhibit CCW-16, I have provided the results of nine different applications
8 of the CAPM. The first three results presented are based on the proxy group's current
9 average *Value Line* beta of 0.83. The results of the CAPM based on these inputs range
10 from 8.08% to 10.97%.

11 The next set of three results presented are based on the proxy group's historical
12 *Value Line* beta of 0.74. The results of the CAPM based on these inputs range from
13 7.56% to 10.15%.

14 The last set of three results presented are based on the proxy group's current
15 S&P Global Market Intelligence beta of 0.58. The results of the CAPM based on these
16 inputs range from 6.71% to 8.82%. My CAPM results are summarized in Table CCW-
17 11.

<u>Description</u>	<u>Current VL Beta</u>	<u>Historical VL Beta</u>	<u>Current MI Beta</u>
D&P Normalized Method	8.08%	7.56%	6.71%
Risk Premium Method	10.55%	9.78%	8.53%
FERC DCF	10.97%	10.15%	8.82%

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2

3 **Q WHAT IS YOUR RECOMMENDED RETURN FOR THE COMPANY BASED ON**
4 **YOUR CAPM?**

5 A The average of my CAPM results is approximately 9.02%, while the median is 8.82%.
6 Based on the results summarized above, I recommend a CAPM return estimate of
7 9.4%.

8

9 *I. Return on Equity Summary*

10 **Q BASED ON THE RESULTS OF YOUR RETURN ON COMMON EQUITY ANALYSES**
11 **DESCRIBED ABOVE, WHAT RETURN ON COMMON EQUITY DO YOU**
12 **RECOMMEND FOR THE COMPANY?**

13 A The results of my analyses are summarized in Table CCW-12.

14

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1 Finally, she concludes that the Company's requested capital structure including
2 59.60% common equity and 40.40% long-term debt is consistent with the investor-
3 supplied capital portions for her proxy companies.³¹
4

5 **Q ARE MS. NELSON'S ROE ESTIMATES REASONABLE?**

6 A No. Ms. Nelson's estimated ROE is overstated and should be rejected. Ms. Nelson's
7 analyses produce excessive results for various reasons, including the following:

- 8 1. Her constant growth DCF results are based on unsustainably high growth
9 rates;
- 10 2. Her application of the quarterly DCF overstates a fair ROE;
- 11 3. Her CAPM is based on inflated market risk premiums;
- 12 4. Her Empirical CAPM ("ECAPM") is based on a flawed methodology;
- 13 5. Her consideration of additional business risks is inappropriate; and
- 14 6. Her conclusion that the Company's requested capital structure is
15 reasonable is inappropriate.

16
17 **Q PLEASE COMPARE YOUR RECOMMENDED ROE WITH MS. NELSON'S ROE**
18 **ESTIMATES.**

19 A Ms. Nelson's ROE estimates are summarized in Table 8 below. In the "Adjusted"
20 Column 2, I show the results with prudent and sound adjustments to correct the flaws
21 referenced above. With such adjustments to Ms. Nelson's proxy group's DCF, CAPM,
22 ECAPM and Risk Premium return estimates, Ms. Nelson's studies show that my 9.40%
23 recommended ROE for FCG is more reasonable and consistent with the current capital
24 market environment.
25

³¹ *Id.*

TABLE CCW-13		
<u>Nelson's Adjusted Return on Equity Estimates</u>		
Description	Mean¹ (1)	Adjusted (2)
<u>Constant Growth DCF (Mean ROE)</u>		
30-Day Average	9.54%	8.77%
90-Day Average	9.76%	8.88%
180-Day Average	9.85%	8.93%
<u>Quarterly Growth DCF (Mean ROE)</u>		
30-Day Average	9.68%	8.77%
90-Day Average	9.91%	8.88%
180-Day Average	10.00%	8.93%
<u>CAPM</u>		
Current 30-Yr Treasury (2.37%)	10.12% / 12.80%	9.17% / 9.80%
Projected 30-Yr Treasury (3.32%)	10.33% / 12.94%	9.38% / 9.94%
<u>ECAPM</u>		
Current 30-Yr Treasury (2.37%)	10.67% / 13.26%	Reject
Projected 30-Yr Treasury (3.32%)	10.83% / 13.37%	Reject
<u>Risk Premium</u>		
Current 30-Yr Treasury (2.37%)	9.73%	9.73%
Projected 30-Yr Treasury (3.32%)	9.80%	9.80%
Recommended ROE	10.75%	9.40%
Sources: ¹ Nelson Direct Testimony at 7 and Exhibit JEN-2 through JEN-6.		

1 As shown in Table CCW-13 above, corrections and improvements to the
2 accuracy of Ms. Nelson's ROE estimates support an ROE for FCG of no higher than
3 9.40% in the current market.

4 While my adjustments are presented in Adjusted Column 2 of Table CCW-13
5 above, a description of the bases for my adjustments to Ms. Nelson's ROE estimates
6 is presented below.

1 A. *Nelson's Constant Growth DCF Models*

2 **Q PLEASE DESCRIBE MS. NELSON'S CONSTANT GROWTH DCF RETURN**
3 **ESTIMATES.**

4 A Ms. Nelson's constant growth DCF returns are developed on her Exhibit JEN-2. Ms.
5 Nelson's constant growth DCF models are based on consensus growth rates published
6 by *Yahoo! Finance* and *Zacks* and individual growth rate projections made by *Value*
7 *Line*.

8 She relied on dividend yield calculations based on average stock prices over
9 three different time periods: 30-day, 90-day, and 180-day ending March 31, 2022 – all
10 reflecting a half year of dividend growth adjustments.

11

12 **Q DO YOU HAVE ANY ISSUES WITH MS. NELSON'S CONSTANT GROWTH DCF**
13 **RESULTS?**

14 A Yes. As discussed in regard to my own DCF study, the current consensus analysts'
15 growth rates are higher than the long-term sustainable growth rate of 4.35%. Ms.
16 Nelson's constant growth DCF model is based on an average proxy group growth rate
17 of 6.07%, which is significantly above the long-term growth rate for the U.S. economy.
18 As such, her constant growth DCF results potentially overstate the cost of equity for
19 FCG.

20

21 **Q DO YOU HAVE ANY CONCERNS WITH MS. NELSON'S QUARTERLY DCF**
22 **RETURN ESTIMATES?**

23 A Yes. Ms. Nelson included quarterly compounding in her DCF return estimates to
24 replicate reinvestment of quarterly dividends over a year, but that can overstate a fair
25 ROE for setting rates. This occurs because the return available to investors from

1 reinvesting dividends is not a cost to the utility. Therefore, it should not be reflected as
2 a cost of capital in setting utility rates. By including the quarterly compounding
3 adjustment in the authorized returns used to set rates, investors are provided an
4 opportunity to earn that quarterly compounding return twice: first, by setting rates to
5 increase the allowed ROE to include a dividend reinvestment return despite the
6 absence of actual reinvestment of the dividend in the utility; and second, investors are
7 able to earn the reinvestment dividend return again when they receive dividends from
8 the utilities and actually reinvest in alternative investments.

9 As such, including the quarterly compounding return in the DCF return
10 estimates overstates a fair ROE for setting rates because it overstates the utility's cost
11 of capital. Removing the quarterly compounding from Ms. Nelson's DCF return
12 estimates causes that model to yield the same results as her constant growth DCF
13 model, which again should be considered as a high-end DCF return for FCG.

14
15 **Q IS THERE A WAY TO CORRECT MS. NELSON'S CONSTANT GROWTH DCF**
16 **RESULTS TO REFLECT A REASONABLE GROWTH RATE EXPECTATION?**

17 **A** Yes. In Column 2 in Table CCW-13 above, I present the midpoint of DCF results from
18 Ms. Nelson's constant growth DCF analysis along with the results of my multi-stage
19 DCF model to reflect a reasonable long-term sustainable growth rate as discussed in
20 regard to my own studies. After giving consideration to the results of a multi-stage DCF
21 analysis, Ms. Nelson's DCF mean adjusted results generally support an ROE no higher
22 than of 9.0%.

23

24

25

1 *B. Nelson's CAPM Studies*

2 **Q PLEASE DESCRIBE MS. NELSON'S CAPM ANALYSIS.**

3 A Ms. Nelson's CAPM analyses consider current and projected Treasury bond yields, 10-
4 year and 5-year beta estimates from Bloomberg and Value Line, respectively, and
5 market risk premiums based on the long-term historical market return and projected
6 market returns. Her mean traditional CAPM results fall in the range of 10.12% to
7 12.94%. Her mean empirical CAPM results fall in the range of 10.67% to 13.37%.

8

9 **Q PLEASE DESCRIBE MS. NELSON'S MARKET RISK PREMIUMS.**

10 A Ms. Nelson derived her ex-ante market risk premiums by developing a DCF analysis
11 for the market (S&P 500) less her current and projected risk-free rates of 2.37% and
12 3.32%. Her DCF-derived expected market return is 14.64%. As such, her market risk
13 premium estimates are 12.27%, and 11.32% based on the DCF market return of
14 14.64% from Bloomberg less the current and projected 30-year Treasury bond yields
15 of 2.37%, and 3.32%, respectively.³²

16 Ms. Nelson also develops an ex-post market risk premium based on the
17 historical market return of 12.33% less her current and projected risk-free rates. This
18 produces market risk premiums of 9.96% and 9.01%.³³

19

20 **Q WHAT ISSUES DO YOU HAVE WITH MS. NELSON'S DCF-DERIVED MARKET**
21 **RISK PREMIUM ESTIMATES?**

22 A Ms. Nelson's DCF-derived market risk premium is based on a market return of
23 approximately 14.64%.³⁴ Her expected market return of 14.64% is based on a market-

³² Exhibit JEN-5.

³³ *Id.*

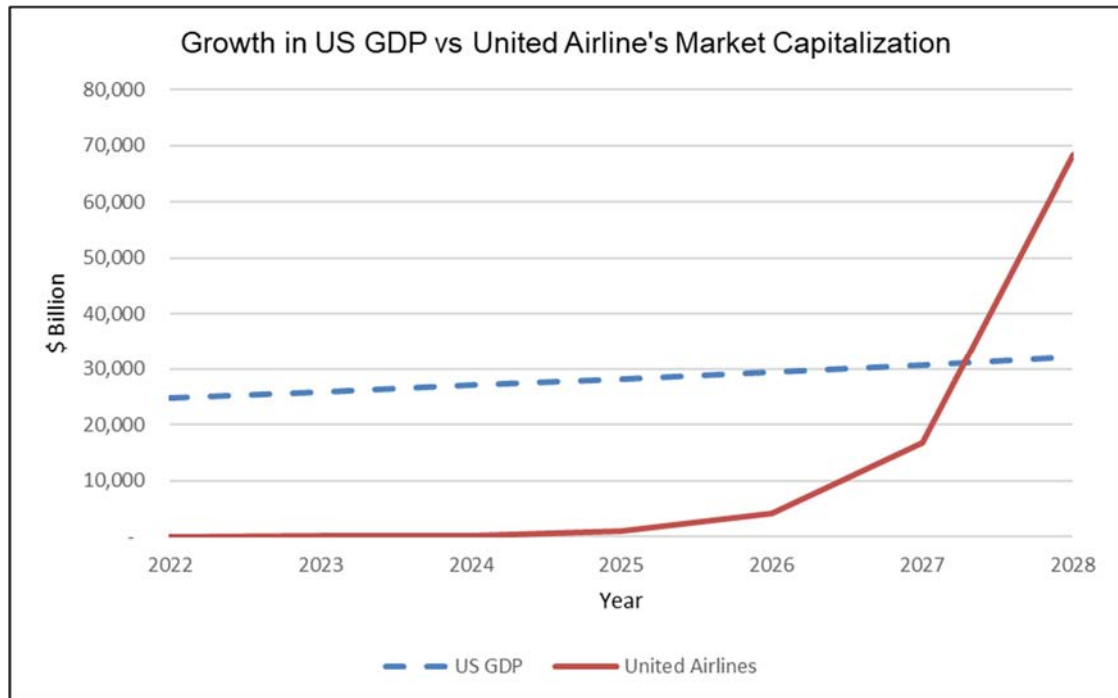
³⁴ Exhibit JEN-4, page 1.

1 weighted average dividend yield of 1.45% and a market-weighted average growth rate
2 of 13.19%. As discussed above with respect to my own DCF model, the DCF model
3 requires a long-term sustainable growth rate. In fact, as shown on her Exhibit JEN-4,
4 Ms. Nelson's DCF-based expected return on the market includes individual growth
5 rates as high as 307.15% (United Airlines Holdings Inc.). Including United Airlines, Ms.
6 Nelson's DCF for the market includes 70 growth rates that exceed 20%, of which four
7 are greater than 135%.

8 To put a growth rate of 307.15% into perspective, it would take a little more than
9 five years for United Airline's reported market capitalization of approximately
10 \$15.0 billion to exceed the most recently reported GDP of the United States of
11 \$24.85 trillion. In that same year, United Airline's market capitalization would outgrow
12 the U.S. economy, assuming the economy grew at 4.35% year over year. Explained
13 another way, assuming the long-term growth rate of 4.35%, U.S. GDP would reach a
14 nominal level of \$32.1 trillion in 2028. Assuming a growth rate of 307.15% for United
15 Airlines as Ms. Nelson has done, its market capitalization will reach \$68.3 trillion by the
16 end of the second quarter in 2028, exceeding the U.S. GDP by \$36.2 trillion at that
17 time. I present this graphically below in Figure CCW-5. This is simply an impossible
18 outcome, rendering Ms. Nelson's assumptions unreasonable and economically and
19 financially unfeasible.

20
21
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24
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FIGURE CCW-5



From another perspective, 305 of the growth rates relied on by Ms. Nelson are 8.7% or higher, which is 2 times the projected growth of the U.S. economy. As pointed out in my example above, it simply is not reasonable to believe individual companies, and as a result the overall market, can sustain growth rates as high as Ms. Nelson has assumed. In fact, in the CFA curriculum textbooks, the CFA Institute notes as follows with regard to earnings growth rates for the companies within the composite indices (i.e., S&P 500):

Earnings growth for the overall national economy can differ from the growth of earnings per share in a country's equity market composites. This is due to the presence of new businesses that are not yet included in the equity indices and are typically growing at a faster rate than the mature companies that make up the composites. **Thus, the earnings growth rate of companies making up the composites should be lower than the earnings growth rate for the overall economy.**³⁵

³⁵CFA Program Curriculum, 2014 Level II Vol.1, "Ethical and Professional Standards, Quantitative Methods, and Economics", Paul Kutasovic, Reading 15 – Economic Growth and the Investment Decision, p. 609, footnote 5 (emphasis added).

1 As a result of these unreasonably high long-term market growth rate estimates,
2 Ms. Nelson's market DCF returns used within her CAPM analysis are inflated and not
3 reliable. Consequently, Ms. Nelson's market risk premiums should be given minimal
4 weight in estimating FCG's CAPM-based ROE.

5
6 **Q CAN MS. NELSON'S CAPM ANALYSIS BE REVISED TO REFLECT A MORE**
7 **REASONABLE EXPECTED MARKET RETURN AND RESULTING MARKET RISK**
8 **PREMIUM?**

9 A Yes. As described above, based on several methodologies my average expected
10 market return is 11.11%. Revising her CAPM analyses with my more recent average
11 expected market return of 11.11% produces mean CAPM results of 9.17% to 9.38%
12 based on her 10-year Bloomberg betas, and 9.80% 9.94% using her *Value Line* betas.

13
14 C. *Nelson's ECAPM Studies*

15 **Q PLEASE DESCRIBE MS. NELSON'S ECAPM ANALYSIS.**

16 A Ms. Nelson relies on empirical tests of the traditional CAPM model to modify it in such
17 a way to attempt to *correct* the original CAPM for some deficiencies inherent in the
18 original model. Empirical tests show that the expected return line, or security market
19 line, predicted by the CAPM is not as steep as the model would have us believe. In
20 other words, the traditional CAPM understates the expected return for securities with
21 betas less than 1, and overstates the expected return for securities with betas greater
22 than 1. In order to correct for this empirical finding, Ms. Nelson modifies the traditional
23 CAPM model as follows:

1 $R_i = R_f + 0.75 \times B_i \times (R_m - R_f) + 0.25 \times B_m \times (R_m - R_f)$ where:

2 R_i = Required return for stock i
3 R_f = Risk-free rate
4 R_m = Expected return for the market portfolio
5 B_m = Beta of the market
6 B_i = Beta - Measure of the risk for stock

7

8 **Q WHAT ISSUES DO YOU TAKE WITH MS. NELSON'S ECAPM ANALYSIS?**

9 A The biggest issue I have with Ms. Nelson's ECAPM analysis is her use of an adjusted
10 beta as published by *Value Line*. The impact of Ms. Nelson's ECAPM adjustments
11 increases her adjusted beta estimate of 0.85 to 0.90.³⁶ The weighting adjustments
12 applied in the ECAPM are mathematically the same as adjusting beta since the inputs
13 are all multiplicative as shown in the formula above.

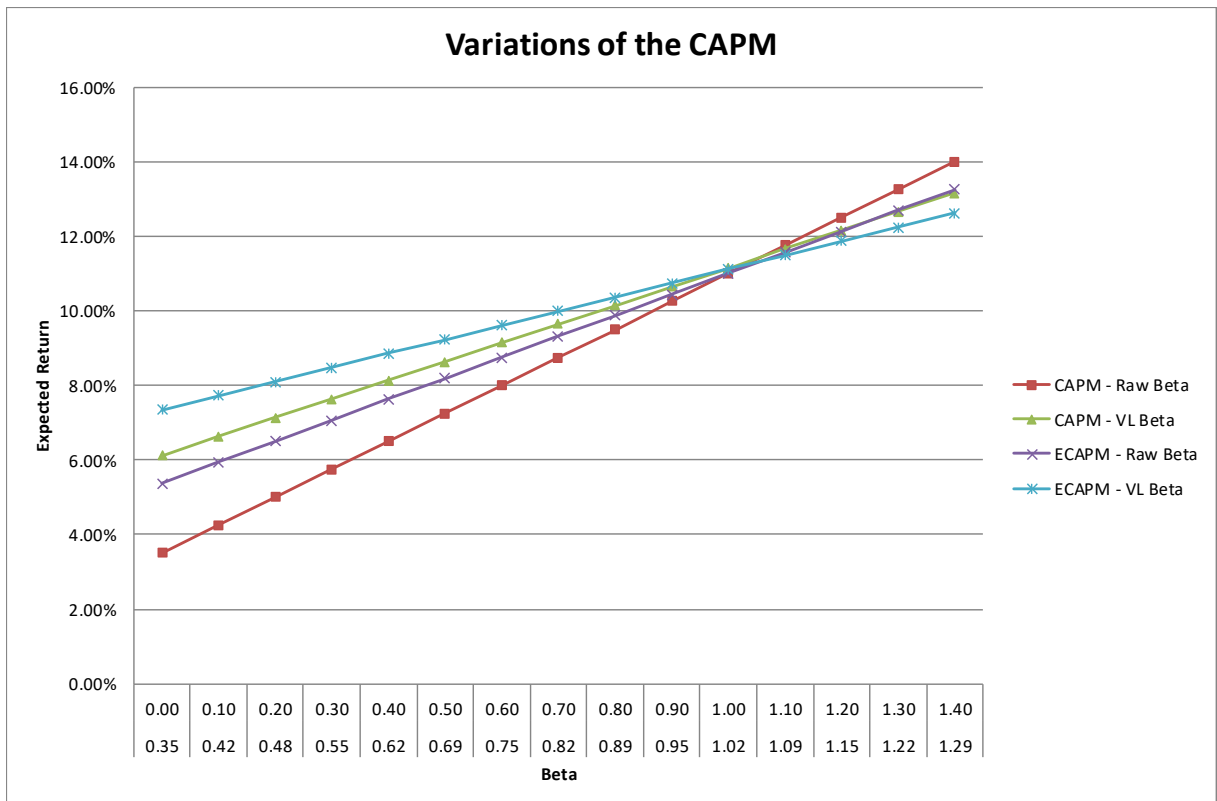
14 Further, Ms. Nelson's reliance on an adjusted *Value Line* beta in her ECAPM
15 study is inconsistent with the academic research that I am aware of supporting the
16 development of the ECAPM.³⁷ The end result of using adjusted betas in the ECAPM
17 is essentially an expected return line that has been flattened by two adjustments. In
18 other words, the vertical intercept has been raised twice and the security market line
19 has been flattened twice: once through the adjustments *Value Line* made to the raw
20 beta, and again by weighting the risk-adjusted market risk premium as Ms. Nelson has
21 done. In addition to the many adjustments employed by Ms. Nelson, she further
22 increases the intercept and flattens the security market line by using projected
23 long-term Treasury yields that are at odds with current market expectations and
24 inconsistent with the Federal Reserve's projections and monetary policy.

³⁶ $75\% \times 0.85 + 25\% \times 1 = 0.89$.

³⁷ See Black, Fischer, "Beta and Return," *The Journal of Portfolio Management*, Fall 1993, 8-18; and Black, Fischer, Michael C. Jensen and Myron Scholes, "The Capital Asset Pricing Model: Some Empirical Tests," 1972.

1 The ECAPM with adjusted betas has the effect of increasing CAPM return
 2 estimates for companies with betas less than 1, and decreasing the CAPM return
 3 estimates for companies with betas greater than 1. I have modeled the expected return
 4 line resulting from the application of the various forms of the CAPM/ECAPM below in
 5 Figure CCW-6.

6 **FIGURE CCW-6**
 7



8
 9 Along the horizontal axis in Figure 6 above, I have provided the raw unadjusted
 10 beta (top row) and the corresponding adjusted *Value Line* beta (bottom row). As shown
 11 in Figure 6 above, the CAPM using a *Value Line* beta compared to the CAPM using an
 12 unadjusted beta shows that the *Value Line* beta raises the intercept point and flattens
 13 the slope of the security market line. As shown in the figure above, the two variations
 14 with the most similar slope are the CAPM with the *Value Line* beta, and the ECAPM
 15 with a raw beta. This evidence shows that the ECAPM adjustment has a very similar

1 impact on the expected return line as a *Value Line* beta. Another observation that can
2 be made from the figure above is the magnifying effect that the ECAPM using a *Value*
3 *Line* beta has on raising the vertical intercept and flattening the slope relative to all
4 other variations. There is simply no legitimate basis to use an adjusted beta within an
5 ECAPM because it unjustifiably alters the security market line and materially inflates a
6 CAPM return for a company with a beta less than 1.

7
8 **Q IN YOUR EXPERIENCE, IS MS. NELSON'S PROPOSED USE OF AN ADJUSTED**
9 **BETA IN AN ECAPM STUDY WIDELY ACCEPTED IN THE REGULATORY ARENA?**

10 A No. In my experience, regulatory commissions generally disregard the use of the
11 ECAPM, particularly when an adjusted beta is used in the model. For example,

12 The Commission cannot recall a proceeding in which it relied upon the
13 ECAPM in establishing the cost of common equity for a utility. In the
14 instant proceeding, the record supports a finding that use of adjusted
15 betas in the ECAPM is inappropriate. As Staff witness Ms. Freetly
16 explained, by using adjusted betas she already effectively transformed
17 her Traditional CAPM into an ECAPM. Therefore, including an
18 additional beta adjustment in the ECAPM model would result in inflated
19 estimates of the samples' cost of common equity.³⁸
20

21 *D. Nelson's Bond Yield Plus ("BYP") Risk Premium*

22 **Q PLEASE DESCRIBE MS. NELSON'S BYP RISK PREMIUM METHODOLOGY.**

23 A As shown on her Exhibit JEN-6, Ms. Nelson constructs a risk premium ROE estimate
24 based on the premise that equity risk premiums are inversely related to interest rates.
25 She estimates the equity risk premium over the period January 1980 through March
26 2022. She then applies a regression formula to the current, projected 30-year Treasury
27 bond yields of 2.37% and 3.32%, respectively, to produce equity risk premiums of

³⁸Illinois-American Water Company, ICC Order Docket No. 11-0767, 109 (July 31, 2012).

1 7.35% and 6.48%, respectively. She calculates a risk premium ROE estimate of 9.73%
2 to 9.80%.³⁹

3

4 **Q DO YOU HAVE ANY INITIAL COMMENTS REGARDING HER RISK PREMIUM**
5 **RESULTS?**

6 A Yes. While Ms. Nelson does not provide a recommended range of reasonableness
7 based on the results of her analyses, she does offer 10.75% as her recommended
8 ROE. Ms. Nelson's risk premium analysis produces results in the range of 9.73% to
9 9.80%. Given her recommended ROE of 10.75% is between 95 and 102 basis points
10 higher than the result of her risk premium, she does not seem to give much weight to
11 the risk premium results based on her current and near-term interest rate levels.

12

13 **Q DO YOU HAVE ANY COMMENTS ON MS. NELSON'S BYPRP ANALYSIS?**

14 A I generally disagree with the application of a regression analysis to estimate the cost
15 of equity in the risk premium model. However, Ms. Nelson's results are generally
16 consistent with mine at this time. While I disagree with her methodology, the results
17 are consistent with my risk premium method, therefore, I do not take issue with them
18 at this time.

19

20 *E. Ms. Nelson's Consideration of Additional Risks*

21 **Q DID MS. NELSON CONSIDER ADDITIONAL BUSINESS RISKS TO JUSTIFY HER**
22 **ROE?**

23 A It appears so. Ms. Nelson believes that FCG is exposed to additional risks that should
24 be accounted for: (1) FCG's regulatory environment and its capital expenditure plan;

³⁹ Exhibit JEN-6.

1 and (2) FCG's small size relative to the proxy group companies.⁴⁰ Ms. Nelson believes
2 that these additional risks should be considered in determining FCG's ROE. I disagree.

3
4 **Q PLEASE EXPLAIN.**

5 A The major business risks identified by Ms. Nelson are already considered in the
6 assigning of a credit rating by the various credit rating agencies.

7 The average S&P credit rating for my proxy group of A-, as shown on my Exhibit
8 CCW-2, is one notch lower than FCG's parent FPL's rating of A. The relative risks
9 discussed by Ms. Nelson are already incorporated in the credit ratings of the proxy
10 group companies. Indeed, S&P and other credit rating agencies go to great lengths
11 and detail in assessing a utility's business risk and financial risk in order to evaluate
12 total investment risk. The use of my proxy group fully captures the investment risk of
13 FCG.

14 In addition, financial theory generally, and the CAPM specifically, is predicated
15 on the idea that investors should only be compensated for taking on market risk,
16 i.e., beta, whereas specific business risk can and will be diversified away. Ms. Nelson's
17 attempt to compensate investors for specific business risks is contrary to financial
18 theory, and violates the underpinnings of the CAPM, a model which Ms. Nelson relies
19 on heavily to support her recommendation. For these reasons, Ms. Nelson's concerns
20 and additional factors should be disregarded.

21 I cannot see how, based on any evidence presented in this case through the
22 Company's testimony or my own, it can be determined the Company is of higher risk
23 than the proxy group. To the contrary, Ms. Nelson and I have both presented evidence
24 to support the assertion that FCG is of similar, if not lower, risk relative to the proxy

⁴⁰ Nelson Direct Testimony at 43-44.

1 group. Therefore, any conclusion drawn by the Company's witnesses suggesting that
2 FCG is of higher risk relative to the proxy group used to estimate its cost of equity
3 capital should be explicitly rejected.
4

5 *F. Size Adjustment*

6 **Q PLEASE DESCRIBE MS. NELSON'S SIZE ADJUSTMENT.**

7 A Ms. Nelson establishes a hypothetical market capitalization of \$548.53 million for FCG
8 based on the Company's proposed rate base and equity ratio of 59.60%, multiplied by
9 her proxy group's average market-to-book ratio of 1.88. She observes that FCG's
10 hypothetical market capitalization is in the 9th decile of ranges identified by Duff &
11 Phelps' Cost of Capital Navigator, which equates to a size premium of 2.10%. Similarly,
12 on Exhibit JEN-7 of her direct testimony she notes that the capitalization of the
13 companies included in her proxy group falls in the 5th decile, which warrants a size
14 adjustment of 89 basis points. She calculates the difference in size premiums between
15 the proxy group and FCG's hypothetical market capitalization is 121 basis points.⁴¹

16 Ms. Nelson does not propose a specific size adjustment but she considers it in
17 determining the appropriate return for FCG.⁴²
18

19 **Q DO YOU FIND MS. NELSON'S SIZE ADJUSTMENT REASONABLE?**

20 A No. There are several problems with this size adjustment. Ms. Nelson applied a size
21 adjustment without even considering the a corporate structure which supports FCG.
22 FCG is a wholly-owned subsidiary of FPL, which is a wholly-owned subsidiary of
23 NextEra Energy. NextEra Energy has a market capitalization of approximately \$174.7

⁴¹ Nelson Direct Testimony at 48.

⁴² *Id.*

1 billion, or nearly 5x the high-end of the 2nd decile. Similarly, FPL's reported equity in its
2 10-K for year-end 2021 was \$33.6 billion. In other words, FPL's book value equity, not
3 adjusted for the proxy group's market-to-book ratio of 1.88x, is at the high-end of the
4 2nd decile. After adjusting FPL's equity balance by the proxy group's market-to-book
5 ratio of 1.88x, FPL's hypothetical market capitalization is \$63.2 billion, easily placing it
6 in the top decile. An ROE adder is not justified in the way performed by Ms. Nelson,
7 because she has not accurately measured the corporate structure which owns FCG.
8 Importantly, as discussed above, the size-specific risk is already incorporated in the
9 Company's credit rating and should be rejected.

10
11 *G. Capital Market Conditions*

12 **Q DID MS. NELSON ALSO OFFER AN ASSESSMENT OF CURRENT MARKET**
13 **CONDITIONS IN SUPPORT OF HER RECOMMENDED ROE RANGE?**

14 **A** Yes. Ms. Nelson observes the market volatility levels as measured by the Chicago
15 Board of Exchange ("CBOE"), Volatility Index ("VIX") and the VVIX index which
16 measures the expected volatility of the VIX.⁴³ Specifically, Ms. Nelson also states that
17 the VIX has increased relative to historical standards and it is expected to remain
18 elevated.⁴⁴

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⁴³ *Id.* at 59-61

⁴⁴ *Id.* 62-63

1 **Q IS THE VIX INDEX ADEQUATE TO SUPPORT THE NOTION THAT THE MARKET**
2 **PERCEPTION OF THE INVESTMENT RISK OF FCG OR UTILITIES GENERALLY IS**
3 **INCREASING?**

4 A No. First, the VIX is a broader-based market index of stock price volatility, and not that
5 of subgroups within the market generally, and certainly not applicable to the utility
6 subsector. The VIX index may indicate greater risk in the overall market but that does
7 not indicate a similar change in investment risk for lower-risk regulated utility
8 companies. Second, the VIX is a measure of 30-day expected volatility, which is a
9 relatively short-term estimate and it does not represent the volatility level effective
10 during the period rates determined in this regulatory proceeding.

11

12 **Q DO YOU BELIEVE THAT MS. NELSON’S USE OF THESE MARKET SENTIMENTS**
13 **SUPPORTS HER FINDINGS THAT FCG’S MARKET COST OF EQUITY IS**
14 **CURRENTLY 10.75%?**

15 A No. In many instances, Ms. Nelson’s analysis simply ignores market sentiments
16 favorable toward utility companies and instead lumps utility investments in with general
17 corporate investments. A fair analysis of utility securities shows the market generally
18 regards utility securities as low-risk investment instruments and supports the finding
19 that utilities’ cost of capital is very low in today’s marketplace.

20

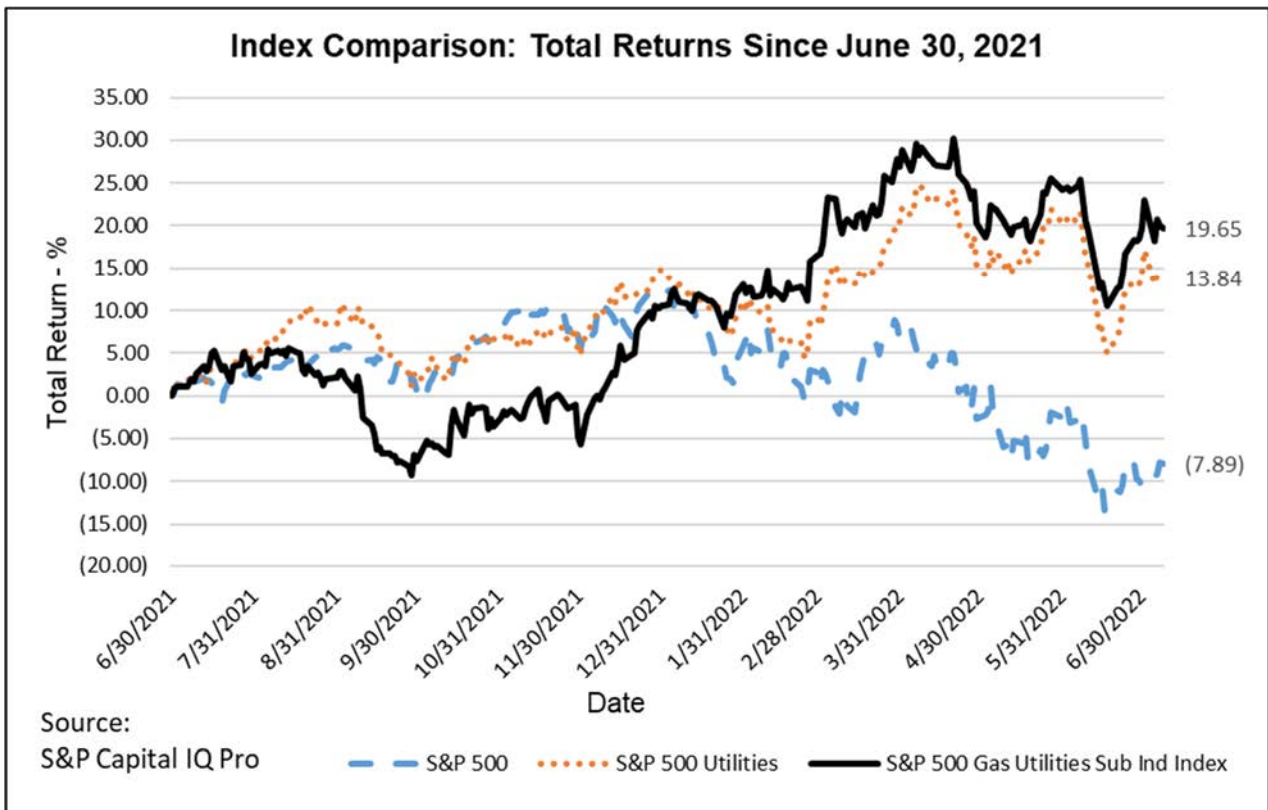
21 **Q WHAT IS THE MARKET SENTIMENT FOR UTILITY INVESTMENTS?**

22 A As shown in Figure CCW-4 above, since June 30, 2021 utility equities have significantly
23 outperformed the broader market, despite rising inflation, rising interest rates, and
24 geopolitical events around the world.

25

1 Further, measuring the total returns of the indices Ms. Nelson relied on in her
2 Figure 19, it is clear that gas utilities are outperforming utilities in general. The
3 outperformance is even more drastic when compared to the broader market. This is
4 illustrated in Figure CCW-7 below. As shown on this graph, the S&P 500 Gas Utilities
5 index has outperformed the S&P 500 by 27.54 percentage points.

6 **FIGURE CCW-7**



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8
9 *H. FCG's Proposed Capital Structure*

10 **Q DID MS. NELSON ALSO OFFER AN ASSESSMENT ON THE REASONABLENESS**
11 **OF FCG'S PROPOSED CAPITAL STRUCTURE?**

12 **A** Yes. At page 78, Ms. Nelson concludes that "a financial capital structure including
13 59.60 percent common equity and 40.40 percent long-term debt is consistent with the
14 proportions of investor-supplied capital that fund the proxy companies' regulated

1 natural gas operations.”⁴⁵ She then recommends, “the capital structure is reasonable
2 and should be approved.”⁴⁶

3
4 **Q DO YOU AGREE WITH MS. NELSON’S ASSESSMENT?**

5 A No. As an initial matter, her conclusion mischaracterizes the Company’s proposed
6 capital structure. The Company’s proposed equity ratio when considering common
7 equity and long-term debt as Ms. Nelson describes here, is 62.53% (excluding short-
8 term debt). The 59.60% common equity ratio is based on total debt.

9 In addition, in a recent CenterPoint Energy gas rate case (Docket G-008/GR
10 15-424), the Minnesota Public Utilities Commission authorized a stated capital
11 structure of 50.0% common equity, compared to CenterPoint’s requested 53.43%
12 common equity ratio. In its Order dated June 3, 2016, adopting a 50.0% common
13 equity ratio, the Minnesota Public Utilities Commission stated that:

14 The Company argued that simply being within the range of the equity
15 ratios in the proxy groups was adequate evidence of reasonableness,
16 but the Commission does not agree. Proxy-group averages have much
17 higher probative value than proxy-group ranges; the purpose of a proxy
18 group is to provide a representative average or composite to stand in for
19 the company being studied.⁴⁷

20 As I explain in detail above, the proxy group’s average equity ratio 38.6%
21 (including short-term debt) and 44.6% (excluding short-term debt) is significantly lower
22 than that being requested by the Company. Ms. Nelson’s consideration of the range of
23 operating company equity ratios to inform her conclusion that FCG’s requested equity
24 ratio of 59.60%/62.53% is inappropriate and should be rejected.

25

⁴⁵ *Id.* at 77.

⁴⁶ *Id.* at 78.

⁴⁷ *In the Matter of the Application of CenterPoint Energy Resources Corp. for Authority to Increase Natural Gas Rates in Minnesota*, Docket G-008/GR 15-424, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 35 (June 3, 2016). Footnotes omitted.

1 **Q** **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 **A** Yes, it does.

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1

Qualifications of Christopher C. Walters

2 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A Christopher C. Walters. My business address is 16690 Swingley Ridge Road,
4 Suite 140, Chesterfield, MO 63017.

5

6 **Q PLEASE STATE YOUR OCCUPATION.**

7 A I am an Associate with the firm of Brubaker & Associates, Inc. ("BAI"), energy,
8 economic and regulatory consultants in the field of public utility regulation.

9

10 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**
11 **EMPLOYMENT EXPERIENCE.**

12 A I received a Bachelor of Science Degree in Business Economics and Finance from
13 Southern Illinois University Edwardsville. I have also received a Master of Business
14 Administration Degree from Lindenwood University.

15 As an Associate at BAI, I perform detailed technical analyses and research to
16 support regulatory projects including expert testimony covering various regulatory
17 issues. Since my career at BAI began in 2011, I have held the positions of Analyst,
18 Associate Consultant, Consultant, Senior Consultant, and Associate. Throughout my
19 tenure, I have been involved with several regulated projects for electric, natural gas
20 and water and wastewater utilities, as well as competitive procurement of electric power
21 and gas supply. My regulatory project work includes estimating the cost of equity
22 capital, capital structure evaluations, assessing financial integrity, merger and
23 acquisition related issues, risk management related issues, depreciation rate studies,
24 and other revenue requirement issues.

1 BAI was formed in April 1995. BAI and its predecessor firm have participated
2 in more than 700 regulatory proceedings in 40 states and Canada.

3 BAI provides consulting services in the economic, technical, accounting, and
4 financial aspects of public utility rates and in the acquisition of utility and energy
5 services through RFPs and negotiations, in both regulated and unregulated markets.
6 Our clients include large industrial and institutional customers, some utilities and, on
7 occasion, state regulatory agencies. We also prepare special studies and reports,
8 forecasts, surveys and siting studies, and present seminars on utility-related issues.

9 In general, we are engaged in energy and regulatory consulting, economic
10 analysis and contract negotiation. In addition to our main office in St. Louis, the firm
11 also has branch offices in Corpus Christi, Texas; Detroit, Michigan; Louisville, Kentucky
12 and Phoenix, Arizona.

13

14 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

15 A Yes. I have sponsored testimony before state regulatory commissions including:
16 Arizona, Arkansas, Delaware, Florida, Illinois, Iowa, Kansas, Kentucky, Louisiana,
17 Maryland, Michigan, Minnesota, Missouri, Nevada, New Mexico, Ohio, Oklahoma,
18 Utah, and Wyoming. In addition, I have also sponsored testimony before the City
19 Council of New Orleans and an affidavit before the FERC.

20

21 **Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**
22 **ORGANIZATIONS TO WHICH YOU BELONG.**

23 A I earned the Chartered Financial Analyst ("CFA") designation from the CFA Institute.
24 The CFA charter was awarded after successfully completing three examinations which
25 covered the subject areas of financial accounting and reporting analysis, corporate

1 finance, economics, fixed income and equity valuation, derivatives, alternative
2 investments, risk management, and professional and ethical conduct. I am a member
3 of the CFA Institute and the CFA Society of St. Louis.

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**


_____))
IN RE: PETITION FOR RATE))
INCREASE BY FLORIDA CITY GAS)) **DOCKET NO. 20220069-GU**
_____))

STATE OF MISSOURI)
) **SS**
COUNTY OF ST. LOUIS)

Affidavit of Christopher C. Walters

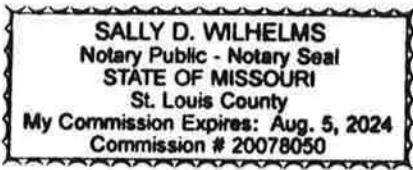
Christopher C. Walters, being first duly sworn, on his oath states:


1. My name is Christopher C. Walters. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes are my direct testimony and exhibits which were prepared in written form for introduction into evidence in the Florida Public Service Commission Docket No. 20220069-GU.
3. I hereby swear and affirm that the testimony and exhibits are true and correct and that they show the matters and things that they purport to show.



Christopher C. Walters

Subscribed and sworn to before me this 26th day of August, 2022.





Notary Public

Florida City Gas

Electric Utilities (Valuation Metrics)

		Price to Earnings (P/E) Ratio ¹																					
Line	Company	21-Year		2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)	2005 (19)	2004 (20)	2003 (21)	2002 (22)
		Average (1)	2022 ² (2)																				
1	ALLETE	18.08	16.70	16.70	18.28	24.75	22.17	23.05	18.63	15.06	17.23	18.59	15.88	14.66	15.98	16.08	13.95	14.78	16.55	17.91	25.21	N/A	N/A
2	Alliant Energy	16.81	22.80	21.90	21.23	21.16	19.14	20.60	22.30	18.07	16.60	15.28	14.50	14.45	12.47	13.86	13.43	15.08	16.82	12.59	14.00	12.69	19.93
3	Ameren Corp.	16.54	23.50	21.10	22.23	22.09	18.29	20.60	18.29	17.55	16.71	16.52	13.35	11.93	9.66	9.26	14.21	17.45	19.39	16.72	16.28	13.51	15.78
4	American Electric Power	14.92	19.90	17.90	19.57	21.41	18.04	19.33	15.16	15.77	15.88	14.49	13.77	11.92	13.42	10.03	13.06	16.27	12.91	13.70	12.42	10.66	12.68
5	Avangrid, Inc.	25.91	19.10	19.10	25.34	22.15	26.05	27.27	20.49	40.94	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	18.52	22.30	22.30	21.18	14.98	24.54	23.37	18.80	17.60	17.28	14.64	19.30	14.08	12.74	11.42	14.97	30.88	15.39	19.45	24.43	13.84	19.27
7	Black Hills	17.90	20.00	20.00	17.00	21.18	16.82	19.48	22.29	16.14	19.03	18.24	17.13	31.13	18.10	9.93	N/A	15.02	15.77	17.27	17.13	15.95	12.52
8	CenterPoint Energy	16.63	23.20	26.60	15.92	19.45	36.99	17.91	21.91	18.10	16.96	18.75	14.85	14.58	13.78	11.81	11.27	15.00	10.27	19.06	17.84	6.05	5.59
9	CMS Energy Corp.	18.08	24.60	23.70	23.32	24.28	20.31	21.32	20.94	18.29	17.30	16.32	15.07	13.62	12.46	13.56	10.87	26.84	22.18	12.60	12.39	N/A	N/A
10	Consol. Edison	16.09	20.00	20.00	20.08	21.10	17.10	19.77	18.80	15.59	15.90	14.72	15.39	15.08	13.30	12.55	12.29	13.78	15.49	15.13	18.21	14.30	13.28
11	Dominion Resources	20.49	20.00	20.00	43.94	35.21	21.80	22.17	21.33	22.14	22.97	19.25	18.91	17.27	14.35	12.74	13.78	20.63	15.98	24.89	15.07	15.24	12.05
12	DTE Energy	15.90	24.00	19.60	16.30	19.88	17.41	18.59	18.97	18.11	14.91	17.92	14.89	13.51	12.27	10.41	14.81	18.27	17.43	13.80	16.04	13.69	11.28
13	Duke Energy	17.72	20.90	20.90	22.40	17.71	19.41	19.93	21.25	18.22	17.91	17.45	17.46	13.76	12.69	13.32	17.28	16.13	N/A	N/A	N/A	N/A	N/A
14	Edison Int'l	15.26	15.60	15.60	34.93	16.66	N/A	17.23	17.92	14.77	13.05	12.70	9.71	11.81	10.32	9.72	12.36	16.03	12.99	11.74	37.59	6.97	7.78
15	El Paso Electric	17.68	N/A	N/A	N/A	N/A	26.85	21.78	18.66	18.33	16.38	15.88	14.47	12.60	10.72	10.79	11.89	15.26	16.92	26.72	22.03	18.26	22.99
16	Entergy Corp.	13.81	18.90	15.40	15.26	16.50	13.81	15.01	10.92	12.53	12.89	13.21	11.22	9.06	11.57	11.98	16.56	19.30	14.28	16.28	15.09	13.77	11.53
17	Eversource Energy	18.38	21.30	21.30	24.33	22.11	18.73	19.47	18.69	18.11	17.92	16.94	19.86	15.35	13.42	11.96	13.66	18.75	27.07	19.76	20.77	13.35	16.07
18	Evergy, Inc.	21.02	20.20	17.90	21.71	21.76	22.71	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	15.11	20.70	20.70	15.39	15.75	20.09	13.41	18.68	12.58	16.02	13.43	19.08	11.30	10.97	11.49	17.97	18.22	16.53	15.37	12.99	11.77	10.46
20	FirstEnergy Corp.	18.25	17.90	17.90	20.24	23.78	26.47	11.41	15.91	17.02	39.79	13.06	21.10	22.39	11.75	13.02	15.64	15.59	14.23	16.07	14.13	22.47	12.95
21	Fortis Inc.	19.29	23.20	21.30	20.63	19.22	17.08	16.81	21.60	18.00	24.29	19.97	20.12	18.79	18.22	16.36	17.48	21.14	17.68	N/A	N/A	N/A	N/A
22	Great Plains Energy	15.52	N/A	N/A	N/A	N/A	N/A	NMF	17.98	19.37	16.47	14.19	15.53	16.11	12.10	16.03	20.55	16.35	18.30	13.96	12.59	12.23	11.09
23	Hawaiian Elec.	18.51	20.70	20.70	21.48	21.27	18.95	20.69	13.56	20.40	15.88	16.21	15.81	17.09	18.59	19.79	23.16	21.57	20.33	18.27	19.18	13.76	13.47
24	IDACORP, Inc.	17.05	23.50	23.50	19.88	22.31	20.50	20.60	19.06	16.22	14.67	13.45	12.41	11.54	11.83	10.20	13.93	18.19	15.07	16.70	15.49	26.51	18.88
25	NextEra Energy, Inc.	18.46	32.50	32.50	31.75	26.79	24.80	21.65	20.71	16.89	17.25	16.57	14.43	11.54	10.83	13.42	14.48	18.90	13.65	17.88	13.65	17.88	13.60
26	NorthWestern Corp	17.22	18.70	18.70	19.49	19.89	16.77	17.85	17.19	18.36	16.24	16.86	15.72	12.62	12.90	11.54	13.87	21.74	25.95	17.09	N/A	N/A	N/A
27	OGE Energy	15.26	16.30	15.20	16.25	19.00	16.53	18.32	17.68	17.69	18.27	17.69	15.16	14.37	13.31	10.83	12.41	13.75	13.68	14.95	14.13	11.84	14.12
28	Otter Tail Corp.	23.34	12.30	13.80	18.31	23.51	22.25	22.06	20.19	18.20	18.84	21.12	21.75	47.48	55.10	31.16	30.06	19.02	17.35	15.40	17.34	17.77	16.01
29	Pinnacle West Capital	16.12	19.90	19.90	16.71	19.37	17.82	19.28	18.74	16.04	15.89	15.27	14.35	14.60	12.57	13.74	16.07	14.93	13.69	19.24	15.80	13.96	14.43
30	PNM Resources	18.55	20.20	20.20	20.79	21.08	23.39	20.43	19.83	16.85	18.68	16.13	14.97	14.53	14.05	18.09	N/A	35.65	15.57	17.38	15.02	14.73	15.08
31	Portland General	17.52	19.60	19.60	26.57	22.31	18.42	20.03	19.06	17.71	15.32	16.88	13.98	12.37	12.00	14.40	16.30	11.94	23.35	N/A	N/A	N/A	N/A
32	PPL Corp.	14.44	21.60	21.60	13.94	13.29	11.33	17.65	12.83	13.92	14.08	12.84	10.88	10.52	11.93	25.69	17.64	17.26	14.10	15.12	12.51	10.59	11.06
33	Public Serv. Enterprise	14.67	31.30	31.30	14.91	15.10	18.71	16.31	15.35	12.41	12.61	13.50	12.79	10.40	10.37	10.04	13.65	16.54	17.81	16.74	14.26	10.58	10.00
34	SCANA Corp.	13.96	N/A	N/A	N/A	N/A	N/A	14.46	16.80	14.67	13.68	14.43	14.80	13.67	12.93	11.63	12.67	14.96	15.42	14.44	13.57	13.05	12.17
35	Sempra Energy	15.84	20.10	20.10	19.62	22.50	20.40	24.33	24.37	19.73	21.87	19.68	14.89	11.77	12.60	10.09	11.80	14.01	11.50	11.79	8.65	8.96	8.19
36	Southern Co.	16.10	20.60	20.60	17.91	17.58	15.06	15.48	17.76	15.85	16.04	16.19	16.97	15.85	14.90	13.52	16.13	15.95	16.19	15.92	14.68	14.83	14.63
37	Vectren Corp.	17.05	N/A	N/A	N/A	N/A	N/A	23.54	19.18	17.92	19.98	20.66	15.02	15.83	15.10	12.89	16.79	15.33	18.92	15.11	17.57	14.80	14.16
38	WEC Energy Group	17.21	24.20	21.30	24.89	23.49	19.57	20.01	19.95	21.33	17.71	16.50	15.76	14.25	14.01	13.35	14.77	16.47	15.97	14.46	17.51	12.43	10.46
39	Westar Energy	15.58	N/A	N/A	N/A	N/A	N/A	23.40	21.59	18.45	15.36	14.04	13.43	14.78	12.96	14.95	16.96	14.10	12.18	14.79	17.44	10.78	14.02
40	Xcel Energy Inc.	17.86	23.90	23.90	23.88	22.34	18.93	20.20	18.48	16.54	15.44	15.04	14.82	14.24	14.13	12.66	13.69	16.65	14.80	15.36	13.65	11.62	40.80
41	Average	17.29	21.15	20.65	21.30	20.88	20.21	19.60	18.77	17.73	17.45	16.17	15.51	15.28	14.22	13.53	15.29	17.83	16.53	16.39	16.61	13.71	14.26
42	Median	16.20	20.60	20.20	20.24	21.18	19.14	19.97	18.80	17.69	16.54	16.20	14.99	14.25	12.82	12.70	14.34	16.41	15.97	15.92	15.29	13.60	13.38

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, March 12, April 23, and May 14, 2021.

Data for the year 2021 was retrieved from Value Line Investment Surveys, March 11, April 22, and May 13, 2022.

² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Florida City Gas

Electric Utilities (Valuation Metrics)

Market Price to Cash Flow (MP/CF) Ratio ¹

Line	Company	20-Year																					
		Average (1)	2022 ^{2a} (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)	2005 (19)	2004 (20)	2003 (21)	2002 (22)
1	ALLETE	9.40	7.96	8.61	8.14	11.38	10.16	10.95	8.26	7.49	8.80	9.15	8.18	7.91	8.04	8.51	9.29	10.30	11.06	11.54	11.46	N/A	N/A
2	Alliant Energy	8.08	10.93	10.31	10.66	10.74	9.71	13.21	10.67	8.86	8.40	7.52	7.50	7.21	6.59	6.23	7.49	7.92	8.00	5.09	5.52	4.76	5.20
3	Ameren Corp.	7.27	9.53	9.03	9.63	9.45	7.95	8.38	7.44	6.87	6.95	6.61	5.48	5.02	4.23	4.25	6.35	7.69	8.57	8.57	8.24	6.74	7.96
4	American Electric Power	6.58	8.22	7.57	8.41	9.34	8.03	8.81	7.57	7.09	7.00	6.57	5.93	5.46	5.54	4.71	5.71	6.84	5.54	6.07	5.50	4.69	5.19
5	Avangrid, Inc.	9.99	9.20	11.19	9.39	9.11	10.24	10.14	8.56	11.30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	6.86	8.45	8.03	7.80	7.34	10.14	9.35	7.63	6.76	7.30	6.21	6.88	6.40	5.80	4.06	5.12	7.58	5.30	6.58	7.58	5.36	5.90
7	Black Hills	7.87	9.16	8.84	8.56	10.65	8.83	9.20	9.33	8.06	8.81	8.03	6.04	7.85	6.16	4.25	11.26	7.62	6.92	7.57	6.69	6.89	5.92
8	CenterPoint Energy	5.34	8.08	7.95	5.94	7.03	8.45	6.97	5.96	5.75	6.25	6.56	5.15	5.39	4.70	4.05	4.29	5.17	3.94	4.70	4.26	2.08	2.16
9	CMS Energy Corp.	6.27	9.64	9.27	9.87	9.85	8.40	8.75	8.50	7.53	7.13	6.68	6.03	5.41	4.48	3.64	3.45	5.57	4.40	4.04	3.20	2.88	NMF
10	Consol. Edison	8.22	8.62	7.26	8.35	9.46	8.73	9.64	9.39	7.96	7.89	7.77	8.31	8.15	7.39	6.72	6.89	8.31	8.65	8.59	9.31	7.90	7.64
11	Dominion Resources	9.95	10.83	11.15	14.59	13.47	10.94	11.35	11.59	11.84	12.27	10.88	9.92	9.45	8.12	6.98	8.27	8.65	7.81	10.09	7.88	7.51	6.53
12	DTE Energy	6.68	10.04	10.62	7.85	9.67	8.54	9.05	8.64	8.52	6.42	6.65	5.91	5.18	4.69	3.59	4.90	5.73	5.21	5.54	6.00	5.62	5.20
13	Duke Energy	7.63	8.15	7.89	8.06	7.40	7.65	8.40	8.57	7.95	8.12	8.11	9.53	6.56	6.01	5.96	7.13	7.16	N/A	N/A	N/A	N/A	N/A
14	Edison Int'l	5.99	5.99	7.14	7.57	7.25	13.46	7.05	6.77	5.92	5.68	5.46	4.59	4.22	4.11	3.95	5.63	7.01	5.87	5.61	6.84	2.82	2.96
15	El Paso Electric	5.93	N/A	N/A	N/A	N/A	9.43	8.54	7.46	6.47	6.33	6.19	5.78	5.16	4.31	3.98	4.95	6.44	6.25	6.67	4.65	3.90	4.39
16	Emergy Corp.	5.72	6.47	5.61	5.78	6.05	4.92	4.66	4.01	4.11	4.21	4.03	4.23	3.90	4.66	5.68	7.96	9.21	7.16	8.76	7.12	6.84	5.57
17	Eversource Energy	7.43	10.69	11.41	12.53	11.47	9.16	10.36	10.14	10.12	10.14	8.08	9.30	6.99	4.97	4.61	4.12	6.18	6.02	3.55	3.78	2.85	2.75
18	Evergy, Inc.	7.41	8.34	7.41	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	5.95	7.50	5.08	4.44	5.29	5.05	4.45	4.80	4.70	5.09	4.61	5.54	5.86	5.10	5.98	9.65	9.89	8.62	7.97	6.29	5.71	4.97
20	FirstEnergy Corp.	6.75	8.85	6.60	9.23	11.09	8.84	4.76	5.12	5.38	7.43	6.15	7.42	7.33	4.49	4.91	7.58	7.89	7.53	6.04	5.15	6.90	5.10
21	Fortis Inc.	8.43	9.91	9.57	9.50	9.46	7.97	8.23	10.46	7.29	9.25	7.93	8.09	8.38	7.40	6.76	7.58	9.18	7.89	N/A	N/A	N/A	N/A
22	Great Plains Energy	6.89	N/A	N/A	N/A	N/A	N/A	14.62	8.63	6.66	6.45	5.73	6.09	5.74	4.49	5.06	7.71	7.13	7.68	6.70	6.52	5.92	5.14
23	Hawaiian Elec.	8.07	8.72	8.23	8.69	9.30	8.34	9.21	7.44	9.25	7.64	8.15	8.05	7.73	7.81	6.95	9.10	7.95	8.47	8.29	8.44	6.12	6.20
24	IDACORP, Inc.	8.70	12.46	11.84	11.38	12.75	11.72	11.56	10.95	9.37	8.59	7.78	7.05	6.64	6.52	5.31	7.10	8.23	7.73	7.55	7.15	7.27	7.53
25	NextEra Energy, Inc.	8.82	18.42	20.40	15.48	12.33	10.77	11.61	9.24	7.93	7.98	7.60	7.58	5.98	5.33	6.09	7.34	9.02	6.51	6.71	6.71	5.97	5.77
26	NorthWestern Corp	7.85	8.89	8.83	8.88	9.93	8.19	8.82	8.65	8.99	9.01	7.61	6.85	5.89	5.79	5.05	5.57	8.45	9.39	7.31	8.13	N/A	N/A
27	OGE Energy	7.92	8.20	7.64	8.38	10.58	9.36	10.52	9.03	9.25	10.65	9.93	7.35	7.48	6.61	5.37	6.43	7.58	7.50	7.04	6.73	5.62	5.39
28	Otter Tail Corp.	9.41	8.46	8.61	9.99	12.42	11.58	11.09	9.38	9.04	9.45	9.58	8.43	9.04	8.07	8.01	11.65	9.53	8.66	8.18	9.01	8.13	8.33
29	Pinnacle West Capital	6.25	6.63	6.19	7.49	8.30	7.09	8.73	7.89	6.91	7.03	6.85	6.34	5.80	5.65	3.84	4.19	4.76	4.48	7.48	5.88	4.80	5.21
30	PNM Resources	6.90	7.16	7.81	7.87	7.92	7.57	7.40	7.64	6.95	7.48	6.47	5.80	4.94	4.58	4.53	7.10	10.67	7.50	7.62	6.84	5.55	5.72
31	Portland General	5.93	6.84	6.48	6.72	7.65	6.56	7.45	7.12	6.73	5.49	6.06	5.08	4.86	4.13	4.63	4.81	5.34	5.74	N/A	N/A	N/A	N/A
32	PPL Corp.	7.79	9.62	13.74	7.46	7.99	7.02	10.11	8.37	8.73	7.32	6.59	5.87	5.98	7.46	8.82	9.17	8.90	7.58	7.57	6.49	5.41	5.30
33	Public Serv. Enterprise	7.73	13.26	11.32	8.22	8.72	9.48	8.67	8.56	6.66	6.48	6.40	6.40	6.03	6.04	6.20	8.46	9.83	8.41	8.59	7.17	6.79	6.24
34	SCANA Corp.	7.09	N/A	N/A	N/A	N/A	N/A	8.26	9.59	8.33	7.50	7.49	7.40	6.75	6.52	5.88	6.38	7.15	7.03	5.40	6.86	6.59	6.36
35	Sempra Energy	8.37	10.19	13.23	10.40	12.05	10.10	10.65	10.88	9.99	10.77	9.37	7.26	6.13	6.53	6.07	7.07	8.61	7.22	6.96	5.16	4.85	4.00
36	Southern Co.	8.20	9.52	8.72	8.34	8.80	7.05	7.49	8.83	8.23	8.42	8.30	8.75	8.22	7.79	7.08	8.18	8.62	8.47	8.41	8.28	8.28	7.83
37	Vectren Corp.	7.08	N/A	N/A	N/A	N/A	N/A	10.32	8.60	7.82	7.57	6.82	5.79	5.81	5.88	5.24	6.90	6.53	7.37	7.06	7.63	7.27	6.92
38	WEC Energy Group	9.07	12.14	11.99	13.67	12.88	10.82	11.04	10.95	12.90	10.27	9.58	9.24	8.43	8.15	6.87	7.57	7.84	7.27	6.40	6.27	4.91	4.27
39	Westar Energy	6.91	N/A	N/A	N/A	N/A	N/A	10.87	10.86	9.05	7.93	7.23	6.71	6.67	5.51	5.32	7.09	6.88	5.81	7.00	6.54	4.24	2.94
40	Xcel Energy Inc.	6.93	8.99	9.19	10.07	9.44	7.90	8.50	8.10	7.62	7.31	7.00	6.85	6.47	6.28	5.43	5.71	6.51	5.54	5.62	5.31	4.27	5.46
41	Average	7.55	9.32	9.28	9.10	9.60	8.86	9.21	8.50	7.96	7.81	7.31	6.91	6.49	5.94	5.54	6.98	7.73	7.11	7.05	6.70	5.62	5.50
42	Median	7.37	8.89	8.72	8.48	9.46	8.73	9.05	8.57	7.93	7.54	7.12	6.85	6.27	5.80	5.35	7.09	7.76	7.37	7.04	6.71	5.62	5.43

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, March 12, April 23, and May 14, 2021.

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² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Note:

^a Based on the average of the high and low price and the projected Cash Flow per share.

Florida City Gas

Electric Utilities (Valuation Metrics)

Market Price to Book Value (MP/BV) Ratio ¹

Line	Company	17-Year																		
		Average (1)	2022 ^{2b} (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)	2005 (19)
1	ALLETE	1.59	1.33	1.43	1.39	1.91	1.79	1.78	1.53	1.37	1.42	1.51	1.34	1.35	1.28	1.15	1.55	1.89	2.09	2.22
2	Alliant Energy	1.78	2.40	2.26	2.30	2.32	2.16	2.38	2.17	1.86	1.86	1.70	1.57	1.46	1.31	1.04	1.33	1.67	1.52	1.33
3	Ameren Corp.	1.54	2.25	2.13	2.21	2.26	1.95	1.93	1.67	1.46	1.45	1.29	1.18	0.90	0.83	0.78	1.25	1.60	1.62	1.68
4	American Electric Power	1.62	2.00	1.87	2.09	2.20	1.82	1.88	1.81	1.55	1.54	1.40	1.31	1.23	1.23	1.08	1.48	1.85	1.56	1.57
5	Avangrid, Inc.	0.93	0.93	1.01	0.97	1.02	1.02	0.93	0.83	0.72	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	1.33	1.44	1.42	1.37	1.54	1.88	1.73	1.57	1.36	1.33	1.25	1.21	1.19	1.07	0.94	1.11	1.29	1.30	1.13
7	Black Hills	1.52	1.59	1.52	1.55	1.95	1.61	2.06	1.94	1.59	1.79	1.62	1.21	1.14	1.07	0.83	1.22	1.57	1.47	1.63
8	CenterPoint Energy	2.32	2.00	1.74	1.90	2.21	2.18	2.59	2.73	2.43	2.27	2.30	1.99	1.87	1.96	1.77	2.49	3.13	2.75	3.06
9	CMS Energy Corp.	2.14	2.91	2.69	3.24	3.28	2.81	2.93	2.72	2.43	2.26	2.09	1.91	1.66	1.48	1.10	1.23	1.82	1.42	1.32
10	Consol. Edison	1.41	1.52	1.34	1.44	1.59	1.49	1.63	1.58	1.42	1.34	1.38	1.47	1.38	1.22	1.08	1.17	1.47	1.47	1.52
11	Dominion Resources	2.61	2.40	2.37	2.72	2.18	2.40	2.94	3.15	3.34	3.55	2.97	2.84	2.37	2.01	1.80	2.42	2.69	2.07	2.50
12	DTE Energy	1.58	2.51	2.82	1.80	2.07	1.91	2.01	1.82	1.65	1.62	1.51	1.35	1.20	1.16	0.89	1.10	1.35	1.29	1.39
13	Duke Energy	1.25	1.69	1.58	1.47	1.47	1.33	1.41	1.35	1.29	1.28	1.19	1.12	1.11	1.00	0.91	1.06	1.15	N/A	N/A
14	Edison Int'l	1.67	1.71	1.67	1.62	1.80	1.97	2.17	1.92	1.76	1.68	1.57	1.53	1.24	1.07	1.04	1.56	2.05	1.80	1.93
15	El Paso Electric	1.56	N/A	N/A	N/A	N/A	1.94	1.87	1.68	1.48	1.52	1.49	1.59	1.64	1.17	0.98	1.33	1.69	1.71	1.76
16	Entergy Corp.	1.75	1.88	1.75	1.93	2.03	1.74	1.76	1.67	1.40	1.33	1.21	1.31	1.35	1.62	1.66	2.44	2.65	1.89	2.01
17	Eversource Energy	1.52	1.95	2.00	2.11	1.99	1.68	1.73	1.64	1.53	1.47	1.38	1.28	1.50	1.31	1.12	1.31	1.60	1.22	1.05
18	Evergy, Inc.	1.50	1.60	1.50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	2.12	2.06	1.37	1.20	1.43	1.31	1.20	1.20	1.14	1.28	1.17	1.46	1.95	2.07	2.57	4.39	4.79	3.89	3.60
20	FirstEnergy Corp.	2.04	2.71	2.33	2.81	3.39	2.67	3.53	2.37	1.16	1.15	1.28	1.44	1.33	1.36	1.54	2.52	2.23	1.92	1.64
21	Fortis Inc.	1.47	1.57	1.48	1.47	1.41	1.24	1.41	1.26	1.33	1.35	1.45	1.59	1.59	1.56	1.33	1.48	1.63	1.96	N/A
22	Great Plains Energy	1.21	N/A	N/A	N/A	N/A	N/A	1.33	1.17	1.12	1.11	1.02	0.96	0.93	0.87	0.80	1.11	1.66	1.77	1.86
23	Hawaiian Elec.	1.66	1.84	1.81	1.82	2.02	1.76	1.76	1.63	1.71	1.49	1.54	1.62	1.54	1.44	1.16	1.61	1.57	2.01	1.78
24	IDACORP, Inc.	1.48	1.99	1.88	1.84	2.10	1.96	1.94	1.76	1.54	1.45	1.33	1.19	1.17	1.13	0.92	1.09	1.26	1.37	1.22
25	NextEra Energy, Inc.	2.26	4.11	4.27	3.58	2.75	2.32	2.35	2.30	2.09	2.15	1.93	1.74	1.55	1.49	1.70	2.06	2.34	1.80	1.93
26	NorthWestern Corp	1.46	1.33	1.43	1.45	1.74	1.48	1.64	1.68	1.60	1.54	1.56	1.42	1.35	1.22	1.07	1.15	1.48	1.65	1.42
27	OGE Energy	1.84	1.75	1.67	1.86	2.06	1.75	1.82	1.73	1.79	2.22	2.24	1.94	1.90	1.70	1.37	1.52	1.98	1.91	1.80
28	Otter Tail Corp.	1.87	2.35	2.33	2.04	2.62	2.49	2.33	1.90	1.78	1.90	1.96	1.58	1.35	1.19	1.18	1.71	1.93	1.76	1.74
29	Pinnacle West Capital	1.43	1.39	1.45	1.63	1.91	1.74	1.91	1.72	1.52	1.44	1.47	1.39	1.25	1.14	0.95	1.00	1.26	1.26	1.25
30	PNM Resources	1.32	1.72	1.86	1.87	2.28	1.83	1.84	1.56	1.33	1.21	1.09	0.98	0.80	0.69	0.56	0.66	1.23	1.21	1.45
31	Portland General	1.35	1.68	1.55	1.57	1.84	1.56	1.69	1.56	1.42	1.37	1.28	1.14	1.09	0.94	0.92	1.05	1.32	1.36	N/A
32	PPL Corp.	2.06	1.45	1.52	1.63	1.86	1.81	2.40	2.46	2.24	1.64	1.55	1.58	1.47	1.61	2.10	3.19	3.05	2.43	2.50
33	Public Serv. Enterprise	1.91	2.43	2.11	1.70	1.97	1.81	1.68	1.67	1.58	1.57	1.44	1.46	1.59	1.67	1.78	2.58	2.99	2.46	2.45
34	SCANA Corp.	1.51	N/A	N/A	N/A	N/A	N/A	1.65	1.74	1.47	1.48	1.48	1.48	1.36	1.33	1.20	1.45	1.62	1.64	1.72
35	Sempra Energy	1.80	1.81	1.64	1.84	2.22	2.06	2.24	2.00	2.17	2.20	1.84	1.53	1.28	1.35	1.32	1.60	1.87	1.70	1.73
36	Southern Co.	2.08	2.57	2.39	2.20	2.13	1.89	2.07	2.01	1.99	2.02	2.04	2.15	1.99	1.83	1.73	2.12	2.24	2.23	2.35
37	Vectren Corp.	1.83	N/A	N/A	N/A	N/A	N/A	2.75	2.29	2.11	2.08	1.82	1.57	1.53	1.41	1.34	1.64	1.74	1.77	1.82
38	WEC Energy Group	2.02	2.72	2.61	2.84	2.62	2.11	2.10	2.09	1.82	2.34	2.21	2.05	1.81	1.65	1.40	1.57	1.77	1.71	1.62
39	Westar Energy	1.37	N/A	N/A	N/A	N/A	N/A	1.94	1.95	1.49	1.44	1.33	1.26	1.20	1.10	0.93	1.10	1.36	1.30	1.41
40	Xcel Energy Inc.	1.69	2.31	2.27	2.46	2.34	1.97	2.06	1.88	1.66	1.55	1.50	1.51	1.41	1.32	1.19	1.30	1.53	1.40	1.38
41	Average	1.71	2.00	1.92	1.94	2.07	1.87	1.98	1.84	1.66	1.68	1.59	1.51	1.42	1.34	1.24	1.63	1.90	1.77	1.79
42	Median	1.68	1.88	1.75	1.84	2.04	1.83	1.91	1.74	1.55	1.53	1.49	1.47	1.35	1.31	1.14	1.46	1.68	1.71	1.72

Sources:

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² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

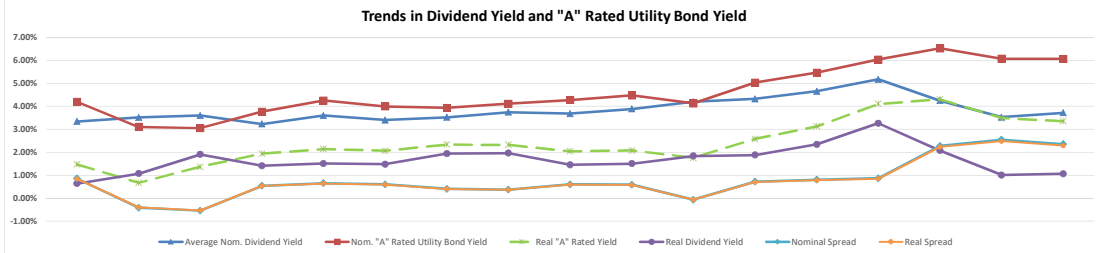
Notes:

^b Based on the average of the high and low price and the projected Book Value per share.

Florida City Gas

Electric Utilities
(Valuation Metrics)

Line	Company	Dividend Yield ¹																	
		17-Year Average (1)	2022 ^{2a} (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)
1	ALLETE	3.94%	4.11%	3.88%	4.03%	2.85%	2.99%	2.97%	3.56%	3.97%	3.92%	3.89%	4.49%	4.58%	5.03%	5.79%	4.37%	3.60%	3.16%
2	Alliant Energy	3.65%	2.85%	2.97%	2.90%	2.80%	3.20%	3.07%	3.21%	3.60%	3.53%	3.74%	4.07%	4.28%	4.61%	5.73%	4.10%	3.13%	3.24%
3	Ameren Corp.	4.26%	2.61%	2.74%	2.57%	2.69%	3.04%	3.12%	3.50%	3.96%	4.02%	4.61%	4.97%	5.28%	5.76%	5.98%	6.21%	4.88%	4.93%
4	American Electric Power	4.00%	3.35%	3.61%	3.28%	3.10%	3.60%	3.42%	3.54%	3.80%	3.83%	4.23%	4.58%	4.96%	4.90%	5.50%	4.20%	3.40%	4.06%
5	Avangrid, Inc.	3.71%	3.79%	3.53%	3.69%	3.52%	3.49%	3.79%	4.26%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	3.77%	3.97%	3.94%	4.03%	3.48%	2.93%	3.14%	3.39%	3.97%	3.99%	4.51%	4.55%	4.54%	4.76%	4.46%	3.39%	2.68%	2.52%
7	Black Hills	3.72%	3.35%	3.50%	3.42%	2.74%	3.31%	2.75%	2.87%	3.55%	2.84%	3.19%	4.39%	4.64%	4.79%	6.17%	4.21%	3.40%	3.79%
8	CenterPoint Energy	4.34%	2.41%	2.77%	4.38%	2.98%	4.09%	4.79%	4.70%	5.06%	3.94%	3.57%	4.04%	4.27%	5.29%	6.37%	4.98%	3.87%	4.39%
9	CMS Energy Corp.	3.20%	2.73%	2.92%	2.65%	2.64%	3.03%	2.89%	3.36%	3.59%	3.76%	4.16%	4.28%	3.98%	3.97%	2.69%	1.16%	N/A	N/A
10	Consolid. Edison	4.38%	3.52%	4.10%	3.87%	3.44%	3.68%	3.40%	3.62%	4.12%	4.38%	4.25%	4.07%	4.46%	5.16%	5.99%	5.67%	4.84%	5.04%
11	Dominion Resources	4.01%	3.24%	3.38%	4.31%	4.76%	4.72%	3.88%	3.82%	3.66%	3.43%	3.78%	4.06%	4.13%	4.41%	5.20%	3.77%	3.32%	3.60%
12	DTE Energy	4.05%	2.83%	3.06%	3.57%	3.07%	3.34%	3.15%	3.34%	3.53%	3.54%	3.84%	4.19%	4.68%	4.75%	6.29%	5.24%	4.36%	4.86%
13	Duke Energy	4.67%	3.76%	4.02%	4.35%	4.17%	4.54%	4.15%	4.26%	4.34%	4.26%	4.45%	4.68%	5.21%	5.71%	6.25%	5.16%	4.44%	N/A
14	Edison Int'l	3.23%	4.37%	4.39%	4.29%	3.73%	3.84%	2.87%	2.81%	2.83%	2.62%	2.85%	2.97%	3.37%	3.66%	3.95%	2.69%	2.21%	2.58%
15	El Paso Electric	2.74%	N/A	N/A	N/A	N/A	2.55%	2.49%	2.76%	3.13%	2.97%	2.99%	2.97%	2.11%	N/A	N/A	N/A	N/A	N/A
16	Entergy Corp.	4.04%	3.60%	3.84%	3.55%	3.52%	4.41%	4.49%	4.55%	4.59%	4.47%	5.07%	4.91%	4.85%	4.20%	3.97%	2.92%	2.39%	2.82%
17	Eversource Energy	3.24%	2.94%	2.85%	2.63%	2.81%	3.32%	3.14%	3.22%	3.34%	3.40%	3.48%	3.52%	3.23%	3.64%	4.16%	3.23%	2.60%	3.27%
18	Energy, Inc.	3.59%	3.51%	3.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	3.81%	2.75%	3.17%	3.82%	3.06%	3.32%	3.51%	3.75%	3.88%	3.69%	4.69%	5.73%	4.96%	4.98%	4.26%	2.78%	2.48%	2.83%
20	FirstEnergy Corp.	4.35%	3.56%	4.39%	4.17%	3.50%	5.17%	4.62%	4.31%	4.23%	4.26%	4.90%	5.23%	5.76%	5.09%	3.21%	3.12%	3.40%	3.00%
21	Fortis Inc.	3.68%	3.63%	3.77%	3.66%	3.60%	4.07%	3.69%	3.80%	3.76%	3.88%	3.84%	3.64%	3.58%	3.80%	4.21%	3.76%	3.01%	2.79%
22	Great Plains Energy	4.52%	N/A	N/A	N/A	N/A	N/A	3.58%	3.64%	3.76%	3.62%	3.84%	4.08%	4.15%	4.49%	5.03%	3.98%	5.49%	5.60%
23	Hawaiian Elec.	4.47%	3.38%	3.44%	3.40%	3.02%	3.54%	3.65%	3.99%	4.05%	4.76%	4.72%	4.70%	5.04%	5.51%	6.89%	5.00%	5.18%	4.59%
24	IDACORP, Inc.	3.17%	2.80%	2.89%	2.92%	2.49%	2.61%	2.58%	2.77%	3.06%	3.12%	3.21%	3.28%	3.10%	3.44%	4.46%	3.95%	3.55%	3.39%
25	NextEra Energy, Inc.	2.97%	2.10%	1.90%	2.10%	2.41%	2.68%	2.79%	2.91%	3.01%	3.02%	3.30%	3.65%	3.96%	3.90%	N/A	N/A	N/A	N/A
26	NorthWestern Corp	4.07%	4.26%	4.00%	4.02%	3.28%	3.86%	3.52%	3.43%	3.61%	3.30%	3.66%	4.17%	4.51%	4.93%	5.78%	5.38%	4.09%	3.65%
27	OGE Energy	3.71%	4.28%	4.81%	4.88%	3.54%	3.98%	3.61%	3.87%	3.51%	2.63%	2.46%	2.94%	3.68%	4.98%	4.52%	3.77%	3.99%	3.99%
28	Oter Tail Corp.	4.02%	2.55%	2.81%	3.45%	2.74%	2.92%	3.12%	3.87%	4.33%	4.14%	4.11%	5.21%	5.77%	5.68%	5.38%	3.63%	3.46%	3.92%
29	Pinnacle West Capital	4.46%	4.69%	4.44%	3.97%	3.29%	3.55%	3.16%	3.46%	3.88%	4.09%	3.98%	5.32%	4.81%	5.43%	6.76%	6.17%	4.75%	4.67%
30	PNM Resources	3.15%	3.81%	2.09%	2.80%	2.45%	2.79%	2.53%	2.69%	2.90%	2.79%	2.99%	2.96%	3.19%	4.09%	4.76%	4.89%	3.36%	3.21%
31	Portland General	3.67%	3.42%	3.62%	3.47%	2.85%	3.27%	3.92%	3.09%	3.27%	3.34%	3.67%	4.11%	4.37%	5.20%	5.36%	4.23%	3.34%	2.54%
32	PPL Corp.	4.61%	2.87%	5.83%	5.84%	5.24%	5.61%	4.24%	4.25%	4.55%	4.45%	4.81%	5.07%	5.10%	5.12%	4.51%	3.10%	2.69%	3.41%
33	Public Serv. Enterprise	3.76%	3.16%	3.37%	3.64%	3.19%	3.49%	3.74%	3.78%	3.81%	3.92%	4.35%	4.55%	4.24%	4.30%	4.36%	2.73%	2.73%	3.47%
34	SCANA Corp.	4.37%	N/A	N/A	N/A	N/A	N/A	4.03%	3.29%	3.90%	4.05%	4.15%	4.25%	4.78%	4.93%	5.67%	4.92%	4.29%	4.21%
35	Sampa Energy	2.98%	3.05%	3.39%	3.24%	2.88%	3.20%	2.92%	2.92%	2.71%	2.61%	3.03%	3.71%	3.65%	3.08%	3.23%	2.62%	2.08%	2.47%
36	Southern Co.	4.65%	3.88%	4.17%	4.36%	4.41%	5.27%	4.63%	4.42%	4.78%	4.69%	4.61%	4.29%	4.63%	5.13%	5.52%	4.58%	4.39%	4.52%
37	Vectren Corp.	4.38%	N/A	N/A	N/A	N/A	N/A	2.79%	3.31%	3.60%	3.62%	4.15%	4.82%	5.06%	5.53%	5.85%	4.79%	4.53%	4.52%
38	WEC Energy Group	3.02%	2.98%	3.00%	2.68%	2.81%	3.38%	3.31%	3.35%	3.49%	3.40%	3.49%	3.24%	3.35%	2.97%	3.16%	2.41%	2.14%	2.18%
39	Westar Energy	4.37%	N/A	N/A	N/A	N/A	N/A	3.00%	2.90%	3.73%	3.88%	4.27%	4.57%	4.84%	5.32%	6.27%	5.22%	4.16%	4.28%
40	Xcel Energy Inc.	3.76%	2.80%	2.81%	2.58%	2.75%	3.25%	3.10%	3.35%	3.69%	3.53%	3.86%	3.90%	4.20%	4.54%	5.14%	4.70%	4.05%	4.40%
41	Average	3.85%	3.34%	3.52%	3.60%	3.23%	3.60%	3.40%	3.52%	3.74%	3.68%	3.89%	4.20%	4.32%	4.66%	5.18%	4.25%	3.53%	3.72%
42	Median	3.62%	3.35%	3.50%	3.61%	3.06%	3.38%	3.16%	3.46%	3.75%	3.76%	3.85%	4.18%	4.48%	4.79%	5.28%	4.34%	3.63%	3.62%
43	20-Yr Treasury Yields ³	3.16%	2.78%	1.98%	1.35%	2.40%	3.02%	2.65%	2.23%	2.55%	3.07%	3.12%	2.54%	3.62%	4.03%	4.11%	4.36%	4.91%	4.99%
44	20-Yr TIPS ³	0.99%	0.09%	-0.43%	-0.30%	0.60%	0.94%	0.75%	0.66%	0.78%	0.87%	0.75%	0.21%	1.19%	1.73%	2.21%	2.19%	2.36%	2.31%
45	Implied Inflation ⁴	2.14%	2.69%	2.42%	1.66%	1.79%	2.06%	1.89%	1.56%	1.75%	2.19%	2.35%	2.33%	2.40%	2.26%	1.85%	2.13%	2.49%	2.62%
46	Real Dividend Yield ⁵	1.67%	0.64%	1.07%	1.90%	1.41%	1.51%	1.48%	1.94%	1.96%	1.46%	1.50%	1.83%	1.88%	2.35%	3.26%	2.07%	1.01%	1.06%
A-Rated Utility																			
47	Nominal "A" Rated Yield ⁶	4.62%	4.20%	3.10%	3.05%	3.77%	4.25%	4.00%	3.93%	4.12%	4.28%	4.48%	4.13%	5.04%	5.46%	6.04%	6.53%	6.07%	6.07%
48	Real "A" Rated Yield	2.42%	1.47%	0.67%	1.37%	1.94%	2.14%	2.07%	2.34%	2.33%	2.04%	2.08%	1.76%	2.58%	3.13%	4.11%	4.13%	3.49%	3.36%
Baa-Rated Utility																			
49	Nominal "Baa" Rated Yield	5.14%	4.50%	3.36%	3.44%	4.19%	4.67%	4.38%	4.67%	5.03%	4.89%	4.98%	4.83%	5.57%	5.96%	7.06%	7.25%	6.33%	6.32%
50	Real "Baa" Rated Yield	2.93%	1.77%	0.91%	1.74%	2.36%	2.55%	2.44%	3.07%	3.22%	2.55%	2.57%	2.44%	3.09%	3.62%	5.11%	5.01%	3.74%	3.60%
Spreads (A-Rated Utility Bond - Stock)																			
51	Nominal Spread ⁷	0.77%	0.86%	-0.41%	-0.55%	0.54%	0.65%	0.60%	0.41%	0.37%	0.60%	0.59%	-0.07%	0.72%	0.80%	0.86%	2.28%	2.55%	2.35%
52	Real Spread ⁸	0.76%	0.84%	-0.40%	-0.54%	0.53%	0.64%	0.59%	0.40%	0.36%	0.59%	0.58%	-0.07%	0.70%	0.79%	0.85%	2.23%	2.49%	2.29%
Spreads (Baa-Rated Utility Bond - Stock)																			
53	Nominal Spread ⁹	1.29%	1.16%	-0.16%	-0.16%	0.97%	1.07%	0.98%	1.15%	1.28%	1.12%	1.10%	0.62%	1.24%	1.30%	1.88%	3.00%	2.80%	2.60%
54	Real Spread ¹⁰	1.26%	1.13%	-0.16%	-0.16%	0.95%	1.05%	0.96%	1.13%	1.26%	1.10%	1.07%	0.61%	1.22%	1.28%	1.84%	2.93%	2.74%	2.53%
Spreads (Treasury Bond - Stock)																			
55	Nominal ¹¹	-0.69%	-0.56%	-1.54%	-2.24%	-0.83%	-0.58%	-0.75%	-1.30%	-1.20%	-0.60%	-0.77%	-1.66%	-0.70%	-0.63%	-1.07%	0.11%	1.38%	1.28%
56	Real ¹²	-0.67%	-0.54%	-1.50%	-2.21%	-0.81%	-0.73%	-1.28%	-1.18%	-0.59%	-0.75%	-1.62%	-0.68%	-0.62%	-1.05%	0.11%	1.35%	1.24%	



Sources:
¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
² Data for the year 2020 was retrieved from Value Line Investment Surveys, March 12, April 23, and May 14, 2021.
³ Data for the year 2021 was retrieved from Value Line Investment Surveys, March 11, April 22, and May 13, 2022.
⁴ The Value Line Investment Survey, April 22, May 13, and June 10, 2022.
⁵ St. Louis Federal Reserve, Economic Research, <http://research.stlouisfed.org>.
⁶ www.moody's.com, Bond Yields and Key Indicators, through July 8, 2022.
Notes:
^a Based on the average of the high and low price and the projected Dividends Declared per share, published in the Value Line Investment Survey.
^b Line 47 = (1 + Line 45) / (1 + Line 46) - 1.
^c Line 48 = (1 + Line 43) / (1 + Line 47) - 1.
^d The spread being measured here is the nominal A-rated utility bond yield over the average nominal utility dividend yield; (Line 49 - Line 43).
^e The spread being measured here is the real A-rated utility bond yield over the average real utility dividend yield; (Line 50 - Line 48).
^f The spread being measured here is the nominal 20-Year Treasury yield over the average nominal utility dividend yield; (Line 45 - Line 43).
^g The spread being measured here is the real 20-Year TIPS yield over the average real utility dividend yield; (Line 48 - Line 45).

Florida City Gas

Electric Utilities (Valuation Metrics)

Line	Company	Dividend per Share ¹																	
		17-Year																	
		Average (1)	2022 ² (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)
1	ALLETE	1.98	2.60	2.52	2.47	2.35	2.24	2.14	2.08	2.02	1.96	1.90	1.84	1.78	1.76	1.76	1.72	1.64	1.45
2	Alliant Energy	1.04	1.71	1.61	1.52	1.42	1.34	1.26	1.18	1.10	1.02	0.94	0.90	0.85	0.79	0.75	0.70	0.64	0.58
3	Ameren Corp.	1.89	2.36	2.20	2.00	1.92	1.85	1.78	1.72	1.66	1.61	1.60	1.60	1.56	1.54	1.54	2.54	2.54	2.54
4	American Electric Power	2.10	3.17	3.00	2.84	2.71	2.53	2.39	2.27	2.15	2.03	1.95	1.88	1.85	1.71	1.64	1.64	1.58	1.50
5	Avangrid, Inc.	1.75	1.76	1.76	1.76	1.76	1.74	1.73	1.73	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	1.18	1.76	1.69	1.62	1.55	1.49	1.43	1.37	1.32	1.27	1.22	1.16	1.10	1.00	0.81	0.69	0.60	0.57
7	Black Hills	1.66	2.41	2.29	2.17	2.05	1.93	1.81	1.68	1.62	1.56	1.52	1.48	1.46	1.44	1.42	1.40	1.37	1.32
8	CenterPoint Energy	0.87	0.71	0.66	0.90	0.86	1.12	1.35	1.03	0.99	0.95	0.83	0.81	0.79	0.78	0.76	0.73	0.68	0.60
9	CMS Energy Corp.	1.05	1.84	1.74	1.63	1.53	1.43	1.33	1.24	1.16	1.08	1.02	0.96	0.84	0.66	0.50	0.36	0.20	N/A
10	Consol. Edison	2.60	3.16	3.10	3.06	2.96	2.86	2.76	2.68	2.60	2.52	2.46	2.42	2.40	2.38	2.36	2.34	2.32	2.30
11	Dominion Resources	2.38	2.67	2.52	3.45	3.67	3.34	3.04	2.80	2.59	2.40	2.25	2.11	1.97	1.83	1.75	1.58	1.46	1.38
12	DTE Energy	2.83	3.60	3.88	4.12	3.85	3.59	3.36	3.06	2.84	2.69	2.59	2.42	2.32	2.18	2.12	2.12	2.12	2.08
13	Duke Energy	3.23	3.98	3.90	3.82	3.75	3.64	3.49	3.36	3.24	3.15	3.09	3.03	2.97	2.91	2.82	2.70	2.58	N/A
14	Edison Int'l	1.72	2.84	2.69	2.58	2.48	2.43	2.23	1.98	1.73	1.48	1.37	1.31	1.29	1.27	1.25	1.23	1.18	1.10
15	El Paso Electric	1.11	N/A	N/A	N/A	N/A	1.42	1.32	1.23	1.17	1.11	1.05	0.97	0.66	N/A	N/A	N/A	N/A	N/A
16	Entergy Corp.	3.27	4.09	3.86	3.74	3.66	3.58	3.50	3.42	3.34	3.32	3.32	3.32	3.32	3.24	3.00	3.00	2.58	2.16
17	Eversource Energy	1.50	2.55	2.41	2.27	2.14	2.02	1.90	1.78	1.67	1.57	1.47	1.32	1.10	1.03	0.95	0.83	0.78	0.73
18	Evergy, Inc.	2.18	2.33	2.18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	1.64	1.35	1.53	1.53	1.45	1.38	1.31	1.26	1.24	1.24	1.46	2.10	2.10	2.10	2.10	2.05	1.82	1.64
20	FirstEnergy Corp.	1.80	1.56	1.56	1.56	1.53	1.82	1.44	1.44	1.44	1.44	1.65	2.20	2.20	2.20	2.20	2.20	2.05	1.85
21	Fortis Inc.	1.37	2.21	2.08	1.97	1.86	1.75	1.65	1.55	1.43	1.30	1.25	1.21	1.17	1.12	1.04	1.00	0.82	0.67
22	Great Plains Energy	1.11	N/A	N/A	N/A	N/A	N/A	1.10	1.06	1.00	0.94	0.88	0.86	0.84	0.83	0.83	1.66	1.66	1.66
23	Hawaiian Elec.	1.26	1.40	1.36	1.32	1.28	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24
24	IDACORP, Inc.	1.79	3.05	2.88	2.72	2.56	2.40	2.24	2.08	1.92	1.76	1.57	1.37	1.20	1.20	1.20	1.20	1.20	1.20
25	NextEra Energy, Inc.	0.79	1.70	1.54	1.40	1.25	1.11	0.98	0.87	0.77	0.73	0.66	0.60	0.55	0.50	0.47	0.45	0.41	0.38
26	NorthWestern Corp	1.75	2.52	2.48	2.40	2.30	2.20	2.10	2.00	1.92	1.60	1.52	1.48	1.44	1.36	1.34	1.32	1.28	1.24
27	OGE Energy	1.03	1.66	1.63	1.58	1.51	1.40	1.27	1.16	1.05	0.95	0.85	0.80	0.76	0.73	0.71	0.70	0.68	0.67
28	Otter Tail Corp.	1.26	1.65	1.56	1.48	1.40	1.34	1.28	1.25	1.23	1.21	1.19	1.19	1.19	1.19	1.19	1.19	1.17	1.15
29	Pinnacle West Capital	2.50	3.44	3.36	3.23	3.04	2.87	2.70	2.56	2.44	2.33	2.23	2.67	2.10	2.10	2.10	2.10	2.10	2.03
30	PNM Resources	0.82	1.76	0.98	1.25	1.18	1.09	0.99	0.88	0.80	0.76	0.68	0.58	0.50	0.50	0.50	0.61	0.91	0.86
31	Portland General	1.19	1.80	1.70	1.59	1.52	1.43	1.34	1.26	1.18	1.12	1.10	1.08	1.06	1.04	1.01	0.97	0.93	0.68
32	PPL Corp.	1.47	0.80	1.66	1.66	1.65	1.64	1.58	1.52	1.50	1.49	1.47	1.44	1.40	1.40	1.38	1.34	1.22	1.10
33	Public Serv. Enterprise	1.54	2.16	2.04	1.96	1.88	1.80	1.72	1.64	1.56	1.48	1.44	1.42	1.37	1.37	1.33	1.29	1.17	1.14
34	SCANA Corp.	2.00	N/A	N/A	N/A	N/A	N/A	2.45	2.30	2.18	2.10	2.03	1.98	1.94	1.90	1.88	1.84	1.76	1.68
35	Sempra Energy	2.60	4.58	4.40	4.18	3.87	3.58	3.29	3.02	2.80	2.64	2.52	2.40	1.92	1.56	1.56	1.37	1.24	1.20
36	Southern Co.	2.06	2.70	2.62	2.54	2.46	2.38	2.30	2.22	2.15	2.08	2.01	1.94	1.87	1.80	1.73	1.66	1.60	1.54
37	Vectren Corp.	1.42	N/A	N/A	N/A	N/A	N/A	1.71	1.62	1.54	1.46	1.43	1.41	1.39	1.37	1.35	1.31	1.27	1.23
38	WEC Energy Group	1.49	2.91	2.71	2.53	2.36	2.21	2.08	1.98	1.74	1.56	1.45	1.20	1.04	0.80	0.68	0.54	0.50	0.46
39	Westar Energy	1.30	N/A	N/A	N/A	N/A	N/A	1.60	1.52	1.44	1.40	1.36	1.32	1.28	1.24	1.20	1.16	1.08	0.98
40	Xcel Energy Inc.	1.24	1.95	1.83	1.72	1.62	1.52	1.44	1.36	1.28	1.20	1.11	1.07	1.03	1.00	0.97	0.94	0.91	0.88
41	Average	1.74	2.36	2.28	2.25	2.16	2.05	1.91	1.80	1.71	1.62	1.57	1.55	1.47	1.43	1.39	1.40	1.33	1.25
42	Industry Average Growth	4.08%	3.52%	1.43%	4.36%	5.33%	7.06%	6.02%	5.44%	5.37%	3.48%	0.97%	5.83%	2.45%	3.16%	-0.52%	4.95%	6.51%	

Sources:

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² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Florida City Gas

Electric Utilities (Valuation Metrics)

Line	Company	Earnings per Share ¹																	
		17-Year																	
		Average (1)	2022 ² (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)
1	ALLETE	2.90	3.70	3.23	3.35	3.33	3.38	3.13	3.14	3.38	2.90	2.63	2.58	2.65	2.19	1.89	2.82	3.08	2.77
2	Alliant Energy	1.70	2.80	2.63	2.47	2.33	2.19	1.99	1.65	1.69	1.74	1.65	1.53	1.38	1.38	0.95	1.27	1.35	1.03
3	Ameren Corp.	2.83	4.10	3.84	3.50	3.35	3.32	2.77	2.68	2.38	2.40	2.10	2.41	2.47	2.77	2.78	2.88	2.98	2.66
4	American Electric Power	3.48	5.20	4.96	4.42	4.08	3.90	3.62	4.23	3.59	3.34	3.18	2.98	3.13	2.60	2.97	2.99	2.86	2.86
5	Avangrid, Inc.	1.79	2.30	1.97	1.88	2.26	1.92	1.67	1.98	0.86	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	1.78	2.00	2.10	1.90	2.97	2.07	1.95	2.15	1.89	1.84	1.85	1.32	1.72	1.65	1.58	1.36	0.72	1.47
7	Black Hills	2.55	4.05	3.74	3.73	3.53	3.47	3.38	2.63	2.83	2.89	2.61	1.97	1.01	1.66	2.32	0.18	2.68	2.21
8	CenterPoint Energy	1.20	1.40	0.94	1.29	1.49	0.74	1.57	1.00	1.08	1.42	1.24	1.35	1.27	1.07	1.01	1.30	1.17	1.33
9	CMS Energy Corp.	1.70	2.90	2.58	2.64	2.39	2.32	2.17	1.98	1.89	1.74	1.66	1.53	1.45	1.33	0.93	1.23	0.64	0.64
10	Consol. Edison	3.80	4.60	4.74	3.94	4.08	4.55	4.10	3.94	4.05	3.62	3.93	3.86	3.57	3.47	3.14	3.36	3.48	2.95
11	Dominion Resources	2.84	4.05	3.19	1.82	2.19	3.25	3.53	3.44	3.20	3.05	3.09	2.75	2.76	2.89	2.64	3.04	2.13	2.40
12	DTE Energy	4.37	5.60	4.10	7.08	6.31	6.17	5.73	4.83	4.44	5.10	3.76	3.88	3.67	3.74	3.24	2.73	2.66	2.45
13	Duke Energy	3.93	5.20	4.93	3.92	5.07	4.13	4.22	3.71	4.10	4.13	3.98	3.71	4.14	4.02	3.39	3.03	3.60	2.73
14	Edison Int'l	3.24	4.15	2.00	1.72	3.98	-1.26	4.51	3.94	4.15	4.33	3.78	4.55	3.23	3.35	3.24	3.68	3.32	3.28
15	El Paso Electric	2.02	N/A	N/A	N/A	N/A	2.07	2.42	2.39	2.03	2.27	2.20	2.26	2.48	2.07	1.50	1.73	1.63	1.27
16	Entergy Corp.	6.14	6.40	6.87	6.90	6.30	5.88	5.19	6.88	5.81	5.77	4.96	6.02	7.55	6.66	6.30	6.20	5.60	5.36
17	Eversource Energy	2.51	4.05	3.54	3.55	3.45	3.25	3.11	2.96	2.76	2.58	2.49	1.89	2.22	2.10	1.91	1.86	1.59	0.82
18	Energy, Inc.	3.83	3.50	3.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	2.90	2.25	1.74	2.60	3.01	2.07	2.78	1.80	2.54	2.10	2.31	1.92	3.75	3.87	4.29	4.10	4.03	3.50
20	FirstEnergy Corp.	2.59	2.40	2.69	1.85	1.84	1.33	2.73	2.10	2.00	0.85	2.97	2.13	1.88	3.25	3.32	4.38	4.22	3.82
21	Fortis Inc.	1.92	2.75	2.61	2.60	2.68	2.52	2.66	1.89	2.11	1.38	1.63	1.65	1.74	1.62	1.51	1.52	1.29	1.36
22	Great Plains Energy	1.33	N/A	N/A	N/A	N/A	N/A	-0.06	1.61	1.37	1.57	1.62	1.35	1.25	1.53	1.03	1.16	1.85	1.62
23	Hawaiian Elec.	1.58	2.10	2.25	1.81	1.99	1.85	1.64	2.29	1.50	1.64	1.62	1.67	1.44	1.21	0.91	1.07	1.11	1.33
24	IDACORP, Inc.	3.55	5.05	4.85	4.69	4.61	4.49	4.21	3.94	3.87	3.85	3.64	3.37	3.36	2.95	2.64	2.18	1.86	2.35
25	NextEra Energy, Inc.	1.37	2.15	1.81	2.10	1.94	1.67	1.63	1.45	1.52	1.40	1.21	1.14	1.21	1.19	0.99	1.02	0.82	0.81
26	NorthWestern Corp	2.63	3.30	3.60	3.06	3.53	3.40	3.34	3.39	2.90	2.99	2.46	2.26	2.53	2.14	2.02	1.77	1.44	1.31
27	OGE Energy	1.76	2.55	2.36	2.08	2.24	2.12	1.92	1.69	1.69	1.98	1.94	1.79	1.73	1.50	1.33	1.25	1.32	1.23
28	Otter Tail Corp.	1.62	5.30	4.23	2.34	2.17	2.06	1.86	1.60	1.56	1.55	1.37	1.05	0.45	0.38	0.71	1.09	1.78	1.69
29	Pinnacle West Capital	3.70	3.95	5.47	4.87	4.77	4.54	4.43	3.95	3.92	3.58	3.66	3.50	2.99	3.08	2.26	2.12	2.96	3.17
30	PNM Resources	1.43	2.55	2.27	2.15	2.28	1.66	1.92	1.65	1.64	1.45	1.41	1.31	1.08	0.87	0.58	0.11	0.76	1.72
31	Portland General	1.96	2.90	2.72	1.72	2.39	2.37	2.29	2.16	2.04	2.18	1.77	1.87	1.95	1.66	1.31	1.39	2.33	1.14
32	PPL Corp.	2.23	1.30	0.53	2.04	2.37	2.58	2.11	2.79	2.37	2.38	2.38	2.61	2.61	2.29	1.19	2.45	2.63	2.29
33	Public Serv. Enterprise	2.89	2.20	2.55	3.61	3.90	2.76	2.82	2.83	3.30	2.99	2.45	2.44	3.11	3.07	3.08	2.90	2.59	1.85
34	SCANA Corp.	3.30	N/A	N/A	N/A	N/A	N/A	4.20	4.16	3.81	3.79	3.39	3.15	2.97	2.98	2.85	2.95	2.74	2.59
35	Sempra Energy	4.72	8.35	4.01	6.58	5.97	5.48	4.63	4.24	5.23	4.63	4.22	4.35	4.47	4.02	4.78	4.43	4.26	4.23
36	Southern Co.	2.73	3.55	3.42	3.25	3.17	3.00	3.21	2.83	2.84	2.77	2.70	2.67	2.55	2.36	2.32	2.25	2.28	2.10
37	Vectren Corp.	1.94	N/A	N/A	N/A	N/A	N/A	2.60	2.55	2.39	2.02	1.66	1.94	1.73	1.64	1.79	1.63	1.83	1.44
38	WEC Energy Group	2.54	4.40	4.11	3.79	3.58	3.34	3.14	2.96	2.34	2.59	2.51	2.35	2.18	1.92	1.60	1.52	1.42	1.32
39	Westar Energy	1.96	N/A	N/A	N/A	N/A	N/A	2.27	2.43	2.09	2.35	2.27	2.15	1.79	1.80	1.28	1.31	1.84	1.88
40	Xcel Energy Inc.	2.01	3.15	2.96	2.79	2.64	2.47	2.30	2.21	2.10	2.03	1.91	1.85	1.72	1.56	1.49	1.46	1.35	1.35
41	Average	2.70	3.61	3.24	3.18	3.30	2.89	2.92	2.82	2.70	2.66	2.53	2.45	2.45	2.36	2.19	2.20	2.27	2.11
42	Industry Average Growth	3.50%	11.32%	1.94%	-3.70%	14.28%	-0.95%	3.31%	4.55%	1.35%	5.18%	3.33%	-0.08%	3.73%	8.14%	-0.77%	-2.88%	7.31%	

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, March 12, April 23, and May 14, 2021.

Data for the year 2021 was retrieved from Value Line Investment Surveys, March 11, April 22, and May 13, 2022.

² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Florida City Gas

Electric Utilities (Valuation Metrics)

Line	Company	Cash Flow / Capital Spending					3 - 5 yr ⁴
		2019 ¹ (1)	2020 ¹ (2)	2021 ² (3)	2022 ³ (4)	2023 ⁴ (5)	Projection (5)
1	ALLETE	0.63x	0.74x	0.80x	2.26x	1.42x	1.34x
2	Alliant Energy	0.73x	0.82x	0.97x	0.94x	0.97x	1.08x
3	Ameren Corp.	0.79x	0.51x	0.59x	0.72x	0.80x	0.90x
4	American Electric Power	0.75x	0.74x	0.69x	0.73x	0.84x	1.00x
5	Avangrid, Inc.	0.70x	0.56x	0.62x	0.61x	0.57x	0.61x
6	Avista Corp.	0.89x	0.85x	0.87x	0.83x	0.95x	1.13x
7	Black Hills	0.51x	0.72x	0.76x	0.85x	0.93x	1.03x
8	CenterPoint Energy	0.83x	0.88x	0.62x	0.62x	0.52x	0.62x
9	CMS Energy Corp.	0.79x	0.82x	0.77x	0.78x	0.75x	0.90x
10	Consol. Edison	0.79x	0.82x	0.89x	0.83x	0.73x	0.84x
11	Dominion Resources	0.81x	1.00x	0.89x	0.74x	0.66x	1.09x
12	DTE Energy	0.83x	0.67x	0.70x	0.75x	0.83x	0.92x
13	Duke Energy	0.78x	0.86x	0.93x	0.81x	0.83x	0.96x
14	Edison Int'l	0.69x	0.67x	0.74x	0.67x	0.76x	0.78x
15	El Paso Electric	0.96x	1.00x	0.83x	N/A	N/A	N/A
16	Entergy Corp.	0.79x	0.81x	1.05x	0.98x	0.94x	1.04x
17	Eversource Energy	0.78x	0.95x	0.74x	0.72x	0.80x	1.03x
18	Evergy, Inc.	1.34x	1.06x	0.96x	0.94x	0.91x	1.05x
19	Exelon Corp.	1.18x	1.30x	1.32x	0.96x	0.99x	1.07x
20	FirstEnergy Corp.	0.74x	0.96x	0.91x	0.86x	0.90x	1.04x
21	Fortis Inc.	0.68x	0.60x	0.74x	0.75x	0.82x	0.91x
22	Hawaiian Elec.	1.12x	1.10x	1.42x	1.30x	1.18x	1.38x
23	IDACORP, Inc.	1.25x	1.25x	1.16x	0.83x	0.61x	1.03x
24	NextEra Energy, Inc.	0.67x	0.58x	0.69x	0.54x	0.63x	0.65x
25	NorthWestern Corp	1.07x	0.98x	0.82x	0.66x	0.74x	1.23x
26	OGE Energy	1.26x	1.43x	1.13x	0.99x	1.06x	1.32x
27	Otter Tail Corp.	0.80x	0.45x	1.42x	1.45x	1.09x	1.08x
28	Pinnacle West Capital	0.98x	0.98x	0.85x	0.78x	0.83x	0.97x
29	PNM Resources	0.72x	0.59x	0.51x	0.63x	0.63x	0.89x
30	Portland General	0.99x	0.75x	0.97x	1.01x	1.08x	1.27x
31	PPL Corp.	0.92x	1.06x	1.12x	1.35x	1.61x	2.00x
32	Public Serv. Enterprise	1.07x	1.00x	1.05x	0.82x	0.88x	1.07x
33	Sempra Energy	0.66x	0.92x	0.78x	0.92x	1.17x	1.42x
34	Southern Co.	0.88x	1.01x	0.93x	0.97x	0.97x	1.23x
35	WEC Energy Group	0.91x	0.70x	0.75x	0.87x	0.92x	1.11x
36	Xcel Energy Inc.	0.69x	0.99x	0.86x	0.80x	0.92x	1.11x
37	Average	0.86x	0.86x	0.88x	0.89x	0.89x	1.06x
38	Median	0.80x	0.86x	0.86x	0.83x	0.88x	1.04x

Source:

¹ The Value Line Investment Survey, January 24, February 14, and March 13, 2020.

² The Value Line Investment Survey, March 12, April 23, and May 14, 2021.

³ The Value Line Investment Survey, March 11, April 22, and May 13, 2022.

⁴ The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Notes:

Based on the projected Cash Flow per share and Capital Spending per share.

Florida City Gas

Electric Utilities
(Valuation Metrics)

Line	Company	Percent Dividends to Book Value ¹																		
		17-Year Average (1)	2022 ^{2a} (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)	
1	ALLETE	5.95%	5.48%	5.56%	5.61%	5.44%	5.35%	5.29%	5.45%	5.45%	5.59%	5.86%	6.04%	6.18%	6.46%	6.67%	6.78%	6.80%	6.62%	
2	Alliant Energy	6.33%	6.83%	6.73%	6.68%	6.68%	6.90%	7.32%	6.96%	6.70%	6.56%	6.36%	6.37%	6.26%	6.06%	5.98%	5.48%	5.23%	5.04%	
3	Ameren Corp.	6.02%	5.87%	5.84%	5.67%	5.87%	5.92%	6.01%	5.86%	5.78%	5.82%	5.93%	5.87%	4.76%	4.79%	4.66%	7.74%	7.84%	7.97%	
4	American Electric Power	6.28%	6.70%	6.74%	6.86%	6.82%	6.56%	6.43%	6.42%	5.90%	5.91%	5.91%	5.99%	6.10%	6.04%	5.97%	6.23%	6.28%	6.32%	
5	Avangrid, Inc.	3.05%	3.53%	3.57%	3.58%	3.57%	3.57%	3.54%	3.53%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
6	Avista Corp.	4.99%	5.72%	5.61%	5.53%	5.37%	5.52%	5.41%	5.33%	5.38%	5.33%	5.65%	5.51%	5.42%	5.07%	4.23%	3.77%	3.44%	3.26%	
7	Black Hills	5.33%	5.31%	5.32%	5.32%	5.34%	5.31%	5.67%	5.55%	5.66%	5.06%	5.17%	5.31%	5.30%	5.14%	5.10%	5.15%	5.34%	5.58%	
8	CenterPoint Energy	9.85%	4.81%	4.82%	8.35%	6.59%	8.94%	12.39%	12.82%	12.30%	8.96%	8.23%	8.05%	7.97%	10.36%	11.28%	12.40%	12.12%	12.09%	
9	CMS Energy Corp.	6.56%	7.93%	7.87%	8.57%	8.66%	8.52%	8.43%	8.14%	8.16%	8.10%	7.86%	7.94%	7.05%	5.90%	4.38%	3.31%	2.11%	0.00%	
10	Consol. Edison	6.05%	5.37%	5.48%	5.56%	5.46%	5.49%	5.55%	5.72%	5.84%	5.87%	5.88%	5.97%	6.15%	6.27%	6.47%	6.60%	7.12%	7.40%	
11	Dominion Resources	10.35%	7.77%	8.00%	11.72%	10.39%	11.31%	11.41%	12.04%	12.20%	12.16%	11.24%	11.50%	9.81%	8.86%	9.38%	9.14%	8.95%	7.46%	
12	DTE Energy	6.11%	7.11%	8.64%	6.43%	6.34%	6.38%	6.34%	6.09%	5.81%	5.72%	5.79%	5.66%	5.60%	5.49%	5.59%	5.76%	5.91%	6.28%	
13	Duke Energy	5.36%	6.35%	6.34%	6.39%	6.12%	6.04%	5.85%	5.73%	5.61%	5.45%	5.28%	5.22%	5.81%	5.72%	5.66%	5.45%	5.12%	0.00%	
14	Edison Int'l	5.26%	7.47%	7.36%	6.96%	6.73%	7.56%	6.23%	5.39%	4.97%	4.41%	4.48%	4.54%	4.16%	3.90%	4.12%	4.19%	4.53%	4.65%	
15	El Paso Electric	2.94%	N/A	N/A	5.13%	N/A	4.94%	4.67%	4.62%	4.63%	4.53%	4.46%	4.72%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
16	Entergy Corp.	6.72%	6.78%	6.72%	6.85%	7.13%	7.65%	7.90%	7.58%	6.44%	5.95%	6.15%	6.42%	6.53%	6.82%	6.59%	7.13%	6.34%	5.34%	
17	Eversource Energy	4.95%	5.76%	5.69%	5.54%	5.59%	5.57%	5.43%	5.27%	5.12%	4.99%	4.82%	4.49%	4.86%	4.75%	4.66%	4.26%	4.16%	4.00%	
18	Evergy, Inc.	5.37%	5.63%	5.41%	5.32%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
19	Exelon Corp.	7.21%	5.65%	4.36%	4.62%	4.38%	4.34%	4.23%	4.51%	4.42%	4.72%	5.49%	8.38%	9.66%	10.26%	10.96%	12.21%	11.87%	11.02%	
20	FirstEnergy Corp.	8.79%	9.68%	10.26%	11.70%	11.86%	13.82%	16.34%	10.21%	4.91%	4.88%	5.44%	7.03%	6.93%	7.85%	7.84%	8.10%	8.96%	8.54%	
21	Fortis Inc.	5.36%	5.70%	5.59%	5.39%	5.08%	5.03%	5.19%	4.80%	5.00%	5.22%	5.58%	5.81%	5.70%	5.91%	5.60%	5.55%	4.90%	5.47%	
22	Great Plains Energy	5.31%	N/A	N/A	N/A	N/A	N/A	4.78%	4.27%	4.21%	4.02%	3.91%	3.93%	3.84%	3.90%	4.03%	7.76%	9.13%	9.94%	
23	Hawaiian Elec.	7.23%	6.21%	6.22%	6.17%	6.12%	6.24%	6.43%	6.51%	6.91%	7.10%	7.27%	7.62%	7.77%	7.91%	7.96%	8.08%	8.11%	9.22%	
24	IDACORP, Inc.	4.59%	5.56%	5.45%	5.36%	5.24%	5.11%	5.02%	4.87%	4.70%	4.53%	4.26%	3.91%	3.62%	3.87%	4.11%	4.32%	4.48%	4.66%	
25	NextEra Energy, Inc.	6.49%	8.63%	8.13%	7.51%	6.61%	6.22%	6.55%	6.69%	6.29%	6.49%	6.36%	6.34%	6.12%	5.82%	5.99%	6.30%	6.22%	6.21%	
26	NorthWestern Corp	5.84%	5.66%	5.73%	5.84%	5.69%	5.70%	5.76%	5.77%	5.78%	5.08%	5.71%	5.90%	6.08%	6.01%	6.13%	6.21%	6.06%	6.00%	
27	OGE Energy	6.78%	7.48%	8.04%	8.71%	7.28%	6.96%	6.59%	6.70%	6.30%	5.84%	5.56%	5.70%	5.81%	6.24%	6.79%	6.89%	7.47%	7.61%	
28	Otter Tail Corp.	7.19%	5.99%	6.54%	7.05%	7.19%	7.29%	7.27%	7.34%	7.70%	7.86%	8.07%	8.25%	7.52%	6.77%	6.33%	6.22%	6.67%	6.90%	
29	Pinnacle West Capital	6.18%	6.52%	6.43%	6.47%	6.29%	6.16%	6.03%	5.93%	5.91%	5.89%	5.84%	7.38%	6.00%	6.20%	6.42%	6.15%	5.98%	5.87%	
30	PNM Resources	3.83%	6.54%	3.88%	5.23%	5.59%	5.12%	4.67%	4.18%	3.85%	3.37%	3.26%	2.89%	2.55%	2.84%	2.65%	3.20%	4.13%	3.89%	
31	Portland General	4.79%	5.74%	5.61%	5.45%	5.24%	5.09%	4.94%	4.78%	4.64%	4.56%	4.70%	4.70%	4.78%	4.90%	4.93%	4.48%	4.42%	3.45%	
32	PPL Corp.	8.96%	4.17%	8.89%	9.55%	9.74%	10.13%	10.18%	10.44%	10.19%	7.28%	7.43%	8.00%	7.48%	8.24%	9.47%	9.89%	8.20%	8.27%	
33	Public Serv. Enterprise	6.89%	7.67%	7.12%	6.18%	6.28%	6.31%	6.27%	6.31%	6.03%	6.14%	6.28%	6.66%	6.75%	7.20%	7.66%	8.40%	8.15%	8.54%	
34	SCANA Corp.	6.44%	N/A	N/A	N/A	N/A	N/A	6.67%	5.74%	5.72%	6.01%	6.14%	6.29%	6.48%	6.54%	6.80%	7.12%	6.94%	6.89%	
35	Sempra Energy	5.32%	5.53%	5.56%	5.96%	6.39%	6.59%	6.53%	5.83%	5.89%	5.74%	5.60%	5.66%	4.68%	4.16%	4.27%	4.18%	3.89%	4.19%	
36	Southern Co.	9.55%	9.98%	9.96%	9.59%	9.42%	9.95%	9.59%	9.59%	9.59%	9.48%	9.39%	9.22%	9.22%	9.38%	9.55%	9.74%	9.83%	10.07%	
37	Vectren Corp.	7.71%	N/A	N/A	N/A	N/A	N/A	7.67%	7.60%	7.57%	7.51%	7.55%	7.57%	7.74%	7.78%	7.84%	7.85%	7.86%	7.97%	
38	WEC Energy Group	6.20%	8.11%	7.83%	7.62%	7.36%	7.12%	6.94%	7.00%	6.35%	7.96%	7.71%	6.65%	6.05%	4.92%	4.42%	3.78%	3.77%	3.72%	
39	Westar Energy	5.71%	N/A	N/A	N/A	N/A	N/A	5.82%	5.66%	5.57%	5.60%	5.70%	5.77%	5.81%	5.84%	5.83%	5.75%	5.64%	5.56%	
40	Xcel Energy Inc.	6.15%	6.47%	6.38%	6.34%	6.42%	6.39%	6.38%	6.26%	6.13%	5.94%	5.88%	5.91%	5.97%	6.09%	6.13%	6.19%	6.16%		
41	Average	6.34%	6.45%	6.50%	6.69%	6.60%	6.72%	6.76%	6.48%	6.14%	6.10%	6.11%	6.29%	6.10%	6.06%	6.12%	6.36%	6.27%	6.06%	
42	Median	6.19%	6.21%	6.34%	6.26%	6.32%	6.24%	6.27%	5.86%	5.81%	5.83%	5.82%	5.98%	6.06%	5.99%	5.99%	6.21%	6.21%	6.19%	

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, March 12, April 23, and May 14, 2021.

Data for the year 2021 was retrieved from Value Line Investment Surveys, March 11, April 22, and May 13, 2022.

² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

^a Based on the projected 2022 Dividend Declared per share and Book Value per share, published in The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Florida City Gas

Electric Utilities
(Valuation Metrics)

Line	Company	Dividends to Earnings Ratio ¹																	
		17-Year		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
		Average	2022 ^{2a}																
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)		
1	ALLETE	0.69	0.70	0.78	0.74	0.71	0.66	0.68	0.66	0.60	0.68	0.72	0.71	0.67	0.80	0.93	0.61	0.53	0.52
2	Alliant Energy	0.61	0.61	0.61	0.62	0.61	0.61	0.63	0.72	0.65	0.59	0.57	0.59	0.62	0.57	0.79	0.55	0.47	0.56
3	Ameren Corp.	0.67	0.58	0.57	0.57	0.57	0.56	0.64	0.64	0.70	0.67	0.76	0.66	0.63	0.56	0.55	0.88	0.85	0.95
4	American Electric Power	0.60	0.61	0.60	0.64	0.66	0.65	0.66	0.54	0.60	0.61	0.61	0.63	0.59	0.66	0.55	0.55	0.55	0.52
5	Avangrid, Inc.	0.90	0.77	0.89	0.94	0.78	0.91	1.03	0.87	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	0.67	0.88	0.80	0.85	0.52	0.72	0.73	0.64	0.70	0.69	0.66	0.88	0.64	0.61	0.51	0.51	0.83	0.39
7	Black Hills	1.11	0.60	0.61	0.58	0.58	0.56	0.54	0.64	0.57	0.54	0.58	0.75	1.45	0.87	0.61	7.78	0.51	0.60
8	CenterPoint Energy	0.75	0.51	0.70	0.70	0.58	1.51	0.86	1.03	0.92	0.67	0.67	0.60	0.62	0.73	0.75	0.56	0.58	0.45
9	CMS Energy Corp.	0.57	0.63	0.67	0.62	0.64	0.62	0.61	0.63	0.61	0.62	0.61	0.63	0.58	0.50	0.54	0.29	0.31	N/A
10	Consol. Edison	0.69	0.69	0.65	0.78	0.73	0.63	0.67	0.68	0.64	0.70	0.63	0.63	0.67	0.69	0.75	0.70	0.67	0.78
11	Dominion Resources	0.87	0.66	0.79	1.90	1.68	1.03	0.86	0.81	0.81	0.79	0.73	0.77	0.71	0.63	0.66	0.52	0.69	0.58
12	DTE Energy	0.67	0.64	0.95	0.58	0.61	0.58	0.59	0.63	0.64	0.53	0.69	0.62	0.63	0.58	0.65	0.78	0.80	0.85
13	Duke Energy	0.81	0.77	0.79	0.97	0.74	0.88	0.83	0.91	0.79	0.76	0.78	0.82	0.72	0.72	0.83	0.89	0.72	N/A
14	Edison Int'l	0.38	0.68	1.35	1.50	0.62	- 1.93	0.50	0.50	0.42	0.34	0.36	0.29	0.40	0.38	0.38	0.33	0.35	0.34
15	El Paso Electric	0.50	N/A	N/A	N/A	N/A	0.68	0.54	0.51	0.57	0.49	0.48	0.43	0.27	N/A	N/A	N/A	N/A	N/A
16	Entergy Corp.	0.54	0.64	0.56	0.54	0.58	0.61	0.67	0.50	0.57	0.58	0.67	0.55	0.44	0.49	0.48	0.46	0.40	0.40
17	Eversource Energy	0.60	0.63	0.68	0.64	0.62	0.62	0.61	0.60	0.61	0.61	0.59	0.70	0.50	0.49	0.50	0.44	0.49	0.88
18	Evergy, Inc.	0.57	0.67	0.57	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	0.60	0.60	0.88	0.59	0.48	0.67	0.47	0.70	0.49	0.59	0.63	1.09	0.56	0.54	0.49	0.50	0.45	0.47
20	FirstEnergy Corp.	0.80	0.65	0.58	0.84	0.83	1.37	0.53	0.69	0.72	1.69	0.56	1.03	1.17	0.68	0.66	0.50	0.49	0.48
21	Fortis Inc.	0.71	0.80	0.80	0.76	0.69	0.69	0.62	0.82	0.68	0.94	0.77	0.73	0.67	0.69	0.66	0.64	0.49	0.49
22	Great Plains Energy	- 0.82	N/A	N/A	N/A	N/A	N/A	-18.33	0.66	0.73	0.60	0.54	0.63	0.67	0.54	0.81	1.43	0.90	1.02
23	Hawaiian Elec.	0.84	0.67	0.60	0.73	0.64	0.67	0.76	0.54	0.83	0.76	0.77	0.74	0.86	1.02	1.36	1.16	1.12	0.93
24	IDACORP, Inc.	0.50	0.60	0.59	0.58	0.56	0.53	0.53	0.53	0.50	0.46	0.43	0.41	0.36	0.41	0.45	0.55	0.65	0.51
25	NextEra Energy, Inc.	0.56	0.79	0.85	0.67	0.64	0.66	0.60	0.60	0.51	0.52	0.55	0.53	0.45	0.42	0.47	0.44	0.50	0.47
26	NorthWestern Corp	0.68	0.76	0.69	0.78	0.65	0.65	0.63	0.59	0.66	0.54	0.62	0.65	0.57	0.64	0.66	0.75	0.89	0.95
27	OGE Energy	0.58	0.65	0.69	0.76	0.67	0.66	0.66	0.68	0.62	0.48	0.44	0.45	0.44	0.49	0.54	0.56	0.52	0.55
28	Otter Tail Corp.	1.08	0.31	0.37	0.63	0.65	0.65	0.69	0.78	0.79	0.78	0.87	1.13	2.64	3.13	1.68	1.09	0.66	0.68
29	Pinnacle West Capital	0.69	0.87	0.61	0.66	0.64	0.63	0.61	0.65	0.62	0.65	0.61	0.76	0.70	0.68	0.93	0.99	0.71	0.64
30	PNM Resources	0.89	0.69	0.43	0.58	0.52	0.65	0.52	0.53	0.49	0.52	0.48	0.44	0.46	0.57	0.86	5.50	1.20	0.50
31	Portland General	0.62	0.62	0.63	0.92	0.64	0.60	0.59	0.58	0.58	0.51	0.62	0.57	0.54	0.62	0.77	0.70	0.40	0.59
32	PPL Corp.	0.80	0.62	3.13	0.81	0.70	0.64	0.75	0.54	0.63	0.63	0.62	0.55	0.54	0.61	1.16	0.55	0.46	0.48
33	Public Serv. Enterprise	0.54	0.98	0.80	0.54	0.48	0.65	0.61	0.58	0.47	0.49	0.59	0.58	0.44	0.45	0.43	0.44	0.45	0.62
34	SCANA Corp.	0.61	N/A	N/A	N/A	N/A	N/A	0.58	0.55	0.57	0.55	0.60	0.63	0.65	0.64	0.66	0.62	0.64	0.65
35	Sempra Energy	0.55	0.55	1.10	0.64	0.65	0.65	0.71	0.71	0.54	0.57	0.60	0.55	0.43	0.39	0.33	0.31	0.29	0.28
36	Southern Co.	0.75	0.76	0.77	0.78	0.78	0.79	0.72	0.79	0.76	0.75	0.73	0.73	0.76	0.75	0.74	0.70	0.73	0.78
37	Vectren Corp.	0.75	N/A	N/A	N/A	N/A	N/A	0.66	0.64	0.64	0.72	0.86	0.72	0.80	0.84	0.75	0.80	0.69	0.85
38	WEC Energy Group	0.55	0.66	0.66	0.67	0.66	0.66	0.66	0.67	0.74	0.60	0.58	0.51	0.48	0.42	0.42	0.36	0.35	0.35
39	Westar Energy	0.68	N/A	N/A	N/A	N/A	N/A	0.70	0.63	0.69	0.60	0.60	0.61	0.72	0.69	0.94	0.89	0.59	0.52
40	Xcel Energy Inc.	0.62	0.62	0.62	0.62	0.61	0.62	0.63	0.62	0.61	0.59	0.58	0.58	0.60	0.64	0.65	0.64	0.67	0.65
41	Average	0.66	0.67	0.78	0.76	0.67	0.64	0.17	0.66	0.64	0.64	0.62	0.66	0.67	0.68	0.70	0.97	0.62	0.61
42	Median	0.63	0.65	0.68	0.67	0.64	0.65	0.63	0.64	0.63	0.60	0.61	0.63	0.62	0.62	0.66	0.61	0.59	0.56

Sources:

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² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Note:

^a Based on the projected 2022 Dividends Declared per share and Earnings per share, published in The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Florida City Gas

Electric Utilities
(Valuation Metrics)

Line	Company	Cash Flow to Capital Spending Ratio ¹																	
		17-Year Average (1)	2022 ^{2a} (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)
1	ALLETE	0.80	2.15	0.55	0.55	0.63	1.22	1.61	1.32	1.16	0.45	0.67	0.49	0.77	0.63	0.39	0.46	0.65	1.23
2	Alliant Energy	0.80	0.93	0.95	N/A	N/A	N/A	0.49	N/A	0.81	0.91	1.01	0.57	0.91	0.67	0.39	0.57	1.04	1.27
3	Ameren Corp.	0.88	0.74	0.62	0.62	0.79	0.80	0.75	0.75	0.75	0.75	0.89	1.07	1.31	1.36	0.81	0.66	0.97	1.21
4	American Electric Power	0.87	0.75	0.81	0.81	0.75	0.68	0.67	0.85	0.85	0.87	0.91	1.07	1.19	1.24	1.02	0.70	0.77	0.75
5	Avangrid, Inc.	0.70	0.61	0.56	0.56	0.62	0.85	0.57	0.86	0.89	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Avista Corp.	0.90	0.83	0.88	0.88	0.92	0.78	0.77	0.84	0.76	0.80	0.86	0.80	0.90	0.99	1.15	0.97	0.73	1.36
7	Black Hills	0.65	0.85	0.61	0.61	0.53	0.87	1.17	0.71	0.64	0.70	0.74	0.71	0.40	0.41	0.61	0.35	0.76	0.55
8	CenterPoint Energy	1.03	0.60	0.73	0.73	0.83	0.98	1.22	1.12	0.92	1.20	1.18	1.37	1.12	0.88	0.99	1.16	0.98	1.08
9	CMS Energy Corp.	0.87	0.78	0.78	0.78	0.79	0.77	0.89	0.81	0.81	0.74	0.82	0.82	1.05	1.13	0.97	1.11	0.55	1.07
10	Consol. Edison	0.82	0.83	0.83	0.83	0.87	0.82	0.76	0.65	0.76	0.88	0.86	1.01	0.98	0.90	0.75	0.70	0.81	0.74
11	Dominion Resources	0.78	0.74	0.73	0.73	0.96	1.04	0.81	0.65	0.64	0.63	0.77	0.73	0.79	0.87	0.75	0.83	0.74	0.85
12	DTE Energy	1.00	0.70	0.74	0.74	0.83	0.84	0.94	0.93	0.84	1.02	0.96	0.93	1.09	1.51	1.50	0.98	1.07	1.03
13	Duke Energy	0.89	0.81	0.85	0.85	0.80	0.81	0.87	0.82	0.96	1.20	1.09	0.87	0.89	0.78	0.77	0.71	1.09	0.97
14	Edison Int'l	0.74	0.67	0.55	0.55	0.68	0.34	0.94	0.91	0.80	0.83	0.80	0.76	0.61	0.60	0.79	0.93	0.88	0.93
15	El Paso Electric	0.87	N/A	0.83	N/A	N/A	N/A	0.96	1.04	0.85	0.67	0.69	0.79	0.85	1.03	0.98	0.68	0.78	0.84
16	Entergy Corp.	0.98	0.97	0.74	0.74	0.79	0.73	0.76	1.08	1.05	1.19	1.03	0.88	1.15	1.24	1.02	0.93	1.14	1.13
17	Eversource Energy	0.85	0.72	0.80	0.80	0.75	0.83	0.79	0.87	0.91	0.90	1.13	0.86	0.80	1.05	0.96	0.77	0.68	0.67
18	Evergy, Inc.	1.03	0.92	1.03	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	1.24	0.96	1.09	1.09	1.20	1.05	1.06	0.76	0.82	0.93	1.07	0.98	1.19	1.66	1.66	1.61	1.84	1.86
20	FirstEnergy Corp.	1.02	0.86	0.83	0.83	0.90	0.76	1.03	0.94	0.93	0.54	0.91	0.85	1.05	1.32	1.22	0.95	1.56	1.75
21	Fortis Inc.	0.68	0.75	0.65	0.65	0.68	0.72	0.76	0.76	0.65	0.60	0.77	0.72	0.66	0.68	0.63	0.66	0.57	0.63
22	Great Plains Energy	0.79	N/A	N/A	N/A	N/A	N/A	0.78	1.17	0.90	0.79	0.91	0.86	1.03	0.86	0.50	0.35	0.69	0.64
23	Hawaiian Elec.	1.09	1.30	1.27	1.27	1.08	0.85	0.81	1.37	0.98	1.03	0.92	0.99	1.30	1.50	0.79	0.87	1.15	1.23
24	IDACORP, Inc.	1.12	0.83	1.33	1.33	1.46	1.42	1.33	1.16	1.15	1.21	1.34	1.24	0.86	0.78	0.96	0.82	0.64	0.89
25	NextEra Energy, Inc.	0.62	0.54	0.58	0.58	0.67	0.56	0.53	0.63	0.71	0.77	0.68	0.39	0.58	0.69	0.60	0.63	0.56	0.73
26	NorthWestern Corp	1.04	0.66	0.84	0.84	1.13	1.23	1.21	1.13	1.01	0.93	0.92	0.88	1.04	0.76	0.88	1.27	1.23	1.29
27	OGE Energy	0.91	1.00	1.24	1.24	1.27	1.30	0.81	1.00	1.18	1.19	0.69	0.63	0.51	0.69	0.61	0.60	0.79	0.84
28	Otter Tail Corp.	0.84	1.76	0.48	0.48	0.80	1.49	1.10	0.84	0.74	0.70	0.67	0.85	1.16	1.09	0.56	0.37	0.65	1.44
29	Pinnacle West Capital	0.95	0.78	0.91	0.91	1.03	1.06	0.76	0.81	0.92	0.97	0.87	0.96	0.91	0.97	1.06	0.86	0.99	1.28
30	PNM Resources	0.71	0.63	0.72	0.72	0.78	0.82	0.84	0.57	0.57	0.63	0.80	0.87	0.77	0.82	0.70	0.44	0.43	0.89
31	Portland General	0.84	1.01	0.78	0.78	1.03	1.00	1.07	0.88	0.80	0.47	0.59	1.28	1.25	0.81	0.44	0.77	0.72	0.78
32	PPL Corp.	0.96	1.35	0.90	0.90	0.98	0.93	0.82	1.00	0.72	0.75	0.69	0.91	1.07	1.11	1.07	1.25	1.13	1.18
33	Public Serv. Enterprise	1.12	0.82	1.13	1.13	1.08	0.70	0.64	0.61	0.80	1.04	0.93	0.96	1.30	1.23	1.41	1.34	1.64	1.94
34	SCANA Corp.	0.86	N/A	N/A	N/A	N/A	N/A	0.86	0.66	0.83	0.90	0.83	0.77	0.88	0.86	0.76	0.76	0.92	1.26
35	Sempra Energy	0.81	0.92	0.77	0.77	0.88	0.80	0.67	0.56	0.81	0.74	0.84	0.73	0.72	0.90	1.02	0.87	0.90	0.93
36	Southern Co.	0.89	0.97	0.99	0.99	0.88	0.83	0.90	0.77	0.88	0.80	0.86	0.93	0.94	0.93	0.78	0.87	0.91	1.00
37	Vectren Corp.	1.00	N/A	N/A	N/A	N/A	N/A	0.82	0.87	0.95	0.98	1.05	1.13	1.20	1.31	0.83	0.82	0.98	1.00
38	WEC Energy Group	0.98	0.86	0.97	0.97	0.91	0.90	0.92	1.20	0.97	1.37	1.42	1.30	1.02	0.97	0.89	0.61	0.56	0.69
39	Westar Energy	0.72	N/A	N/A	N/A	N/A	N/A	0.91	0.63	0.86	0.70	0.72	0.67	0.71	0.88	0.68	0.36	0.48	1.00
40	Xcel Energy Inc.	0.75	0.80	0.66	0.66	0.78	0.77	0.84	0.79	0.63	0.68	0.60	0.76	0.83	0.76	0.89	0.75	0.71	0.90
41	Average	0.89	0.90	0.83	0.82	0.88	0.89	0.89	0.87	0.85	0.86	0.88	0.88	0.95	0.97	0.86	0.80	0.89	1.06
42	Median	0.83	0.83	0.81	0.78	0.83	0.84	0.84	0.84	0.83	0.82	0.86	0.87	0.96	0.90	0.80	0.77	0.82	1.00

Sources:

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Data for the year 2020 was retrieved from Value Line Investment Surveys, March 12, April 23, and May 14, 2021.

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² The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Notes:

⁶ Based on the projected Cash Flow per share and Capital Spending per share published in The Value Line Investment Survey, April 22, May 13, and June 10, 2022.

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

		Price to Earnings (P/E) Ratio ¹																	
Line	Company	17-Year															2007	2006	
		Average	2022 ²	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009			2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1	Atmos Energy	17.37	20.00	19.30	22.30	23.22	21.75	22.04	20.80	17.50	16.09	15.87	15.93	14.36	13.21	12.54	13.59	15.87	13.52
2	Chesapeake Utilities	18.86	25.50	26.30	21.57	24.74	22.94	27.84	21.77	19.15	17.70	15.62	14.81	14.16	12.21	14.20	14.15	16.72	17.85
3	New Jersey Resources	17.29	19.10	17.50	17.70	24.33	15.64	22.38	21.25	16.61	11.73	15.98	16.83	16.76	14.98	14.93	12.27	21.61	16.13
4	NiSource Inc.	19.86	21.00	19.50	18.67	21.32	19.34	NMF	23.18	37.34	22.74	18.89	17.87	19.36	15.33	14.34	12.07	18.82	19.16
5	Northwest Nat. Gas	20.91	19.90	17.60	24.96	30.85	26.63	NMF	26.92	23.69	20.69	19.38	21.08	19.02	16.97	15.17	18.08	16.74	15.85
6	ONE Gas Inc.	21.56	21.20	18.60	21.71	25.27	23.06	23.47	22.74	19.79	17.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	South Jersey Inds.	18.55	19.10	14.30	14.89	28.28	22.64	27.92	21.71	17.95	18.03	18.90	16.94	18.48	16.81	14.96	15.90	17.18	11.86
8	Southwest Gas	17.57	21.60	15.30	16.80	21.30	20.61	22.21	21.64	19.35	17.86	15.76	15.00	15.69	13.97	12.20	20.27	17.26	15.94
9	Spire Inc.	18.96	17.60	19.00	51.12	22.79	16.74	19.82	19.61	16.49	19.80	21.25	14.46	13.05	13.74	13.39	14.31	14.19	13.60
10	UGI Corp.	15.75	12.70	12.90	13.80	23.40	17.77	20.84	19.33	17.71	15.81	15.44	16.38	15.03	10.86	10.30	13.30	15.14	13.97
11	WGL Holdings Inc.	16.71	N/A	N/A	N/A	N/A	N/A	25.40	20.05	16.99	15.15	18.25	15.27	16.97	15.11	12.58	13.66	15.60	15.46
12	Average	18.45	19.77	18.03	22.35	24.55	20.71	23.55	21.73	20.23	17.58	17.53	16.46	16.29	14.32	13.46	14.76	16.91	15.33
13	Median	17.83	19.95	18.10	20.12	23.87	21.18	22.38	21.64	17.95	17.83	17.11	16.15	16.22	14.48	13.80	13.91	16.73	15.66

		Market Price to Cash Flow (MP/CF) Ratio ¹																	
Line	Company	17-Year															2007	2006	
		Average	2022 ²	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009			2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
14	Atmos Energy	9.04	12.31	10.99	13.11	13.35	12.02	11.99	11.36	9.30	8.79	7.72	7.02	6.87	6.15	5.76	6.48	7.44	6.36
15	Chesapeake Utilities	10.17	14.07	14.20	12.31	14.17	12.24	13.78	12.06	10.16	9.25	8.12	7.46	7.35	6.36	9.48	7.88	8.58	9.40
16	New Jersey Resources	12.00	11.68	11.56	11.10	15.98	11.44	14.45	13.94	11.71	8.95	11.29	12.29	12.71	11.32	11.34	9.15	13.76	11.01
17	NiSource Inc.	7.87	9.22	7.89	7.83	8.81	8.91	12.11	8.56	10.38	10.56	8.71	7.81	6.81	5.09	4.06	4.87	6.69	6.87
18	Northwest Nat. Gas	12.66	8.34	8.57	10.10	13.13	11.75	59.72	11.57	9.46	8.84	8.61	9.48	9.08	8.94	8.26	8.75	8.54	7.83
19	ONE Gas Inc.	10.64	10.04	9.32	10.85	12.75	11.85	11.89	11.10	9.19	8.16	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20	South Jersey Inds.	10.57	10.07	9.26	7.54	12.38	10.72	12.33	10.88	10.70	10.57	11.57	10.95	11.98	10.78	9.57	10.38	11.23	8.32
21	Southwest Gas	6.44	7.01	6.87	7.05	8.92	9.32	9.10	7.41	6.56	6.35	5.94	5.55	5.60	4.91	3.84	4.89	5.42	5.28
22	Spire Inc.	9.80	8.40	7.55	14.01	11.27	9.60	10.39	10.32	8.47	12.03	13.76	8.80	8.08	8.12	8.58	8.95	8.46	8.46
23	UGI Corp.	8.04	7.70	9.56	7.39	12.95	9.01	10.09	9.02	8.47	7.49	6.55	6.30	7.51	6.02	5.74	7.11	7.92	7.48
24	WGL Holdings Inc.	9.17	N/A	N/A	N/A	N/A	N/A	12.92	11.36	9.59	8.46	9.83	9.03	9.52	8.34	7.17	7.68	8.39	7.81
25	Average	9.61	9.88	9.58	10.13	12.37	10.69	16.25	10.69	9.45	9.04	9.21	8.47	8.55	7.60	7.38	7.62	8.64	7.88
26	Median	8.84	9.63	9.29	10.47	12.85	11.08	12.11	11.10	9.46	8.84	8.66	8.31	7.80	7.24	7.71	7.78	8.42	7.82

		Market Price to Book Value (MP/BV) Ratio ¹																	
Line	Company	17-Year															2007	2006	
		Average	2022 ²	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009			2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
27	Atmos Energy	1.58	1.73	1.59	1.95	2.10	2.03	2.16	2.11	1.72	1.55	1.39	1.28	1.30	1.18	1.05	1.20	1.40	1.34
28	Chesapeake Utilities	2.03	2.83	2.77	2.27	2.69	2.50	2.51	2.28	2.19	2.12	1.83	1.66	1.61	1.40	1.37	1.64	1.84	1.85
29	New Jersey Resources	2.26	2.28	2.26	1.90	2.75	2.63	2.70	2.52	2.28	2.13	2.05	2.33	2.31	2.09	2.16	1.92	2.17	2.01
30	NiSource Inc.	1.53	2.14	1.86	1.95	2.09	1.92	1.96	1.84	1.95	1.94	1.58	1.37	1.15	0.92	0.69	0.94	1.16	1.19
31	Northwest Nat. Gas	1.87	1.77	1.45	1.98	2.38	2.35	2.41	1.92	1.63	1.59	1.56	1.72	1.70	1.78	1.73	1.96	2.05	1.69
32	ONE Gas Inc.	1.69	1.39	1.57	1.90	2.20	1.93	1.89	1.67	1.26	1.07	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	South Jersey Inds.	2.05	1.40	1.54	1.52	2.06	2.11	2.29	1.79	1.77	2.07	2.27	2.21	2.59	2.38	1.95	2.08	2.21	1.93
34	Southwest Gas	1.55	1.46	1.32	1.49	1.84	1.79	2.13	1.96	1.68	1.68	1.61	1.51	1.43	1.24	0.97	1.20	1.46	1.46
35	Spire Inc.	1.57	1.36	1.47	1.67	1.78	1.63	1.65	1.64	1.44	1.33	1.34	1.51	1.46	1.39	1.68	1.71	1.66	1.71
36	UGI Corp.	2.03	1.44	1.64	1.87	2.92	2.30	2.62	2.41	2.29	1.97	1.69	1.45	1.75	1.55	1.66	2.01	2.16	2.21
37	WGL Holdings Inc.	1.81	N/A	N/A	N/A	N/A	N/A	2.69	2.45	2.15	1.69	1.71	1.66	1.63	1.50	1.45	1.59	1.64	1.59
38	Average	1.82	1.78	1.75	1.85	2.28	2.12	2.27	2.05	1.85	1.74	1.70	1.67	1.69	1.54	1.47	1.62	1.78	1.70
39	Median	1.69	1.60	1.58	1.90	2.15	2.07	2.29	1.96	1.77	1.69	1.65	1.58	1.62	1.45	1.56	1.67	1.75	1.70

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, Feb 26, 2021.

Data for the year 2021 was retrieved from Value Line Investment Surveys, February 25, 2022

² The Value Line Investment Survey, May 13, 2022

Notes:

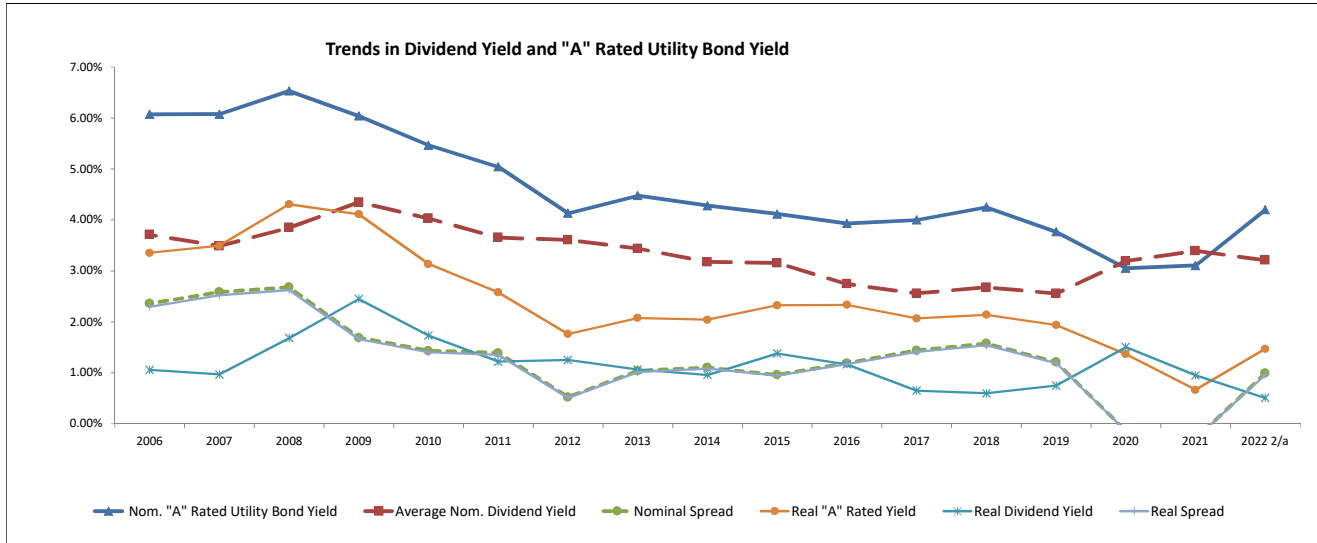
^a Based on the average of the high and low price for year and the projected Cash Flow per share, published in The Value Line Investment Survey.

^b Based on the average of the high and low price for the year and the projected Book Value per share, published in The Value Line Investment Survey.

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

Line	Company	Dividend Yield ¹																	
		17-Year																	
		Average (1)	2022 ^{2a} (2)	2021 (3)	2020 (4)	2019 (5)	2018 (6)	2017 (7)	2016 (8)	2015 (9)	2014 (10)	2013 (11)	2012 (12)	2011 (13)	2010 (14)	2009 (15)	2008 (16)	2007 (17)	2006 (18)
1	Atmos Energy	3.45%	2.44%	2.63%	2.19%	2.08%	2.23%	2.27%	2.39%	2.88%	3.11%	3.53%	4.13%	4.19%	4.70%	5.34%	4.78%	4.16%	4.66%
2	Chesapeake Utilities	2.75%	1.52%	1.50%	1.86%	1.68%	1.76%	1.69%	1.91%	2.18%	2.44%	2.87%	3.25%	3.36%	3.91%	4.09%	4.10%	3.62%	3.76%
3	New Jersey Resources	3.21%	3.40%	3.50%	3.47%	2.50%	2.61%	2.69%	2.86%	3.14%	3.50%	3.71%	3.38%	3.33%	3.69%	3.46%	3.35%	3.02%	3.19%
4	NiSource Inc.	3.99%	3.19%	3.60%	3.41%	2.86%	3.10%	2.79%	2.76%	3.53%	2.69%	3.30%	3.84%	4.53%	5.66%	7.64%	5.69%	4.29%	4.21%
5	Northwest Nat. Gas	3.56%	3.73%	3.90%	3.33%	2.81%	3.05%	3.02%	3.28%	4.01%	4.14%	4.22%	3.83%	3.85%	3.63%	3.73%	3.27%	3.12%	3.73%
6	ONE Gas Inc.	2.54%	2.99%	3.21%	2.70%	2.25%	2.46%	2.37%	2.32%	2.71%	2.28%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	South Jersey Inds.	3.48%	4.28%	4.88%	4.76%	3.66%	3.62%	3.20%	3.64%	3.95%	3.40%	3.14%	3.22%	2.81%	3.00%	3.43%	3.08%	2.81%	3.15%
8	Southwest Gas	2.92%	3.20%	3.65%	3.28%	2.60%	2.74%	2.46%	2.62%	2.87%	2.72%	2.69%	2.75%	2.78%	3.15%	4.01%	3.19%	2.56%	2.60%
9	Spire Inc.	3.78%	3.88%	3.79%	3.38%	2.95%	3.10%	3.09%	3.08%	3.53%	3.78%	3.96%	4.11%	4.31%	4.70%	3.91%	3.94%	4.43%	4.34%
10	UGI Corp.	2.86%	3.45%	3.25%	3.56%	2.16%	2.09%	2.01%	2.35%	2.50%	2.61%	3.01%	3.68%	3.30%	3.48%	3.23%	2.85%	2.69%	2.96%
11	WGL Holdings Inc.	3.91%	N/A	N/A	N/A	N/A	N/A	2.56%	2.94%	3.41%	4.24%	3.94%	3.89%	4.06%	4.37%	4.62%	4.22%	4.19%	4.48%
12	Average	3.34%	3.21%	3.39%	3.19%	2.56%	2.68%	2.56%	2.74%	3.16%	3.17%	3.44%	3.61%	3.65%	4.03%	4.35%	3.85%	3.49%	3.71%
13	Median	3.37%	3.30%	3.55%	3.35%	2.55%	2.68%	2.56%	2.76%	3.14%	3.11%	3.42%	3.75%	3.60%	3.80%	3.96%	3.65%	3.37%	3.75%
14	20-Yr Treasury Yields ³	3.16%	2.78%	1.98%	1.35%	2.40%	3.02%	2.65%	2.23%	2.55%	3.07%	3.12%	2.54%	3.62%	4.03%	4.11%	4.36%	4.91%	4.99%
15	20-Yr TIPS ³	0.99%	0.09%	-0.43%	-0.30%	0.60%	0.94%	0.75%	0.66%	0.78%	0.87%	0.75%	0.21%	1.19%	1.73%	2.21%	2.19%	2.36%	2.31%
16	Implied Inflation ^b	2.14%	2.69%	2.42%	1.66%	1.79%	2.06%	1.89%	1.56%	1.75%	2.19%	2.35%	2.33%	2.40%	2.26%	1.85%	2.13%	2.49%	2.62%
17	Real Dividend Yield^d	1.17%	0.51%	0.95%	1.51%	0.75%	0.60%	0.65%	1.17%	1.38%	0.96%	1.06%	1.25%	1.22%	1.73%	2.45%	1.68%	0.97%	1.06%
Utility																			
18	Nominal "A" Rated Yield^d	4.62%	4.20%	3.10%	3.05%	3.77%	4.25%	4.00%	3.93%	4.12%	4.28%	4.48%	4.13%	5.04%	5.46%	6.04%	6.53%	6.07%	6.07%
19	Real "A" Rated Yield	2.42%	1.47%	0.67%	1.37%	1.94%	2.14%	2.07%	2.34%	2.33%	2.04%	2.08%	1.76%	2.58%	3.13%	4.11%	4.31%	3.49%	3.36%
Spreads (Utility Bond - Stock)																			
20	Nominal^f	1.28%	0.99%	-0.29%	-0.14%	1.21%	1.57%	1.44%	1.19%	0.96%	1.11%	1.04%	0.52%	1.39%	1.43%	1.69%	2.68%	2.59%	2.36%
21	Real^g	1.25%	0.97%	-0.28%	-0.14%	1.19%	1.54%	1.41%	1.17%	0.94%	1.08%	1.01%	0.51%	1.36%	1.40%	1.66%	2.62%	2.52%	2.30%
Spreads (Treasury Bond - Stock)																			
22	Nominal^f	-0.18%	-0.43%	-1.41%	-1.84%	-0.15%	0.34%	0.09%	-0.52%	-0.61%	-0.10%	-0.32%	-1.06%	-0.03%	0.00%	-0.24%	0.51%	1.42%	1.28%
23	Real^g	-0.18%	-0.41%	-1.38%	-1.81%	-0.15%	0.34%	0.09%	-0.51%	-0.60%	-0.10%	-0.31%	-1.04%	-0.03%	0.00%	-0.23%	0.50%	1.39%	1.25%



Sources:

- ¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.
- Data for the year 2020 was retrieved from Value Line Investment Surveys, Feb 26, 2021.
- Data for the year 2021 was retrieved from Value Line Investment Surveys, February 25, 2022
- ² The Value Line Investment Survey, May 13, 2022
- ³ St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.
- ⁴ www.moodys.com, Bond Yields and Key Indicators, through July 8, 2022.

Notes:

- ^a Based on the average of the high and low price for the year and the projected Dividends Declared per share published in the Value Line Investment Survey.
- ^b Line 16 = (1 + Line 14) / (1 + Line 15) - 1.
- ^c Line 17 = (1 + Line 12) / (1 + Line 16) - 1.
- ^d The spread being measured here is the nominal A-rated utility bond yield over the average nominal utility dividend yield; (Line 18 - Line 12).
- ^e The spread being measured here is the real A-rated utility bond yield over the average real utility dividend yield; (Line 19 - Line 17)
- ^f The spread being measured here is the nominal 20-Year Treasury yield over the average nominal utility dividend yield; (Line 14 - Line 12).
- ^g The spread being measured here is the real 20-Year TIPS yield over the average real utility dividend yield; (Line 15 - Line 17)

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

Line	Company	Dividend per Share ¹																			
		17-Year																	2018	2017	
		Average	2022 ²	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	CAGR	CAGR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)		
1	Atmos Energy	1.52	2.72	2.30	1.48	1.40	1.94	1.80	1.68	1.56	1.48	1.40	1.38	1.36	1.34	1.32	1.30	1.28	1.26	2.89%	3.30%
2	Chesapeake Utilities	1.05	2.03	1.69	1.07	1.01	1.39	1.26	1.19	1.12	1.07	1.01	0.96	0.91	0.87	0.83	0.81	0.78	0.77	3.97%	4.58%
3	New Jersey Resources	0.81	1.45	1.27	0.86	0.81	1.11	1.04	0.98	0.93	0.86	0.81	0.77	0.72	0.68	0.62	0.56	0.51	0.48	5.70%	7.28%
4	NiSource Inc.	0.89	0.94	0.84	1.02	0.98	0.78	0.70	0.64	0.83	1.02	0.98	0.94	0.92	0.92	0.92	0.92	0.92	0.92	-1.08%	-2.45%
5	Northwest Nat. Gas	1.75	1.93	1.91	1.85	1.83	1.89	1.88	1.87	1.86	1.85	1.83	1.79	1.75	1.68	1.60	1.52	1.44	1.39	2.05%	2.78%
6	ONE Gas Inc.	1.42	2.48	2.16	0.84	N/A	1.84	1.68	1.40	1.20	0.84	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.58%	25.99%
7	South Jersey Inds.	0.85	1.25	1.19	0.96	0.90	1.13	1.10	1.06	1.02	0.96	0.90	0.83	0.75	0.68	0.61	0.56	0.51	0.46	6.11%	8.25%
8	Southwest Gas	1.38	2.48	2.26	1.46	1.32	2.08	1.98	1.80	1.62	1.46	1.32	1.18	1.06	1.00	0.95	0.90	0.86	0.82	6.33%	8.34%
9	Spire Inc.	1.77	2.74	2.49	1.76	1.70	2.25	2.10	1.96	1.84	1.76	1.70	1.66	1.61	1.57	1.53	1.49	1.45	1.40	3.18%	3.75%
10	UGI Corp.	0.76	1.38	1.32	0.79	0.74	1.02	0.96	0.93	0.89	0.79	0.74	0.71	0.68	0.60	0.52	0.50	0.48	0.46	5.47%	7.02%
11	WGL Holdings Inc.	1.63	N/A	N/A	1.72	1.66	N/A	2.02	1.93	1.83	1.72	1.66	1.59	1.55	1.50	1.47	1.41	1.37	1.35	N/A	3.77%
12	Average	1.28	1.94	1.74	1.25	1.24	1.54	1.50	1.40	1.34	1.25	1.24	1.18	1.13	1.08	1.04	1.00	0.96	0.93	4.62%	6.60%
13	Industry Average Growth	5.23%	11.30%	38.90%	1.58%	-19.95%	2.76%	6.99%	5.03%	6.50%	1.58%	4.67%	4.35%	4.34%	4.47%	4.20%	3.83%	3.13%			

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, Feb 26, 2021.

Data for the year 2021 was retrieved from Value Line Investment Surveys, February 25, 2022

² The Value Line Investment Survey, May 13, 2022

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

Line	Company	Earnings per Share ¹																	
		17-Year		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
		Average	2022 ²																
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)		
1	Atmos Energy	3.01	5.50	5.12	4.72	4.35	4.00	3.60	3.38	3.09	2.96	2.50	2.10	2.26	2.16	1.97	2.00	1.94	2.00
2	Chesapeake Utilities	2.50	5.00	4.70	4.21	3.72	3.45	2.68	2.86	2.68	2.47	2.26	1.99	1.91	1.82	1.43	1.39	1.29	1.15
3	New Jersey Resources	1.60	2.30	2.16	2.07	1.96	2.72	1.73	1.61	1.78	2.08	1.37	1.36	1.29	1.23	1.20	1.35	0.78	0.93
4	NiSource Inc.	1.16	1.45	1.35	1.32	1.31	1.30	0.39	1.00	0.63	1.67	1.57	1.37	1.05	1.06	0.84	1.34	1.14	1.14
5	Northwest Nat. Gas	2.11	2.55	2.50	2.30	2.19	2.33	-1.94	2.12	1.96	2.16	2.24	2.22	2.39	2.73	2.83	2.57	2.76	2.35
6	ONE Gas Inc.	3.03	4.05	3.85	3.68	3.51	3.25	3.02	2.65	2.24	2.07	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	South Jersey Inds.	1.36	1.75	1.65	1.68	1.12	1.38	1.23	1.34	1.44	1.57	1.52	1.52	1.45	1.35	1.19	1.14	1.05	1.23
8	Southwest Gas	2.89	4.25	3.80	4.14	3.94	3.68	3.62	3.18	2.92	3.01	3.11	2.86	2.43	2.27	1.94	1.39	1.95	1.98
9	Spire Inc.	2.92	3.90	4.96	1.44	3.52	4.33	3.43	3.24	3.16	2.35	2.02	2.79	2.86	2.43	2.92	2.64	2.31	2.37
10	UGI Corp.	1.86	2.90	2.96	2.67	2.28	2.74	2.29	2.05	2.01	1.92	1.59	1.17	1.37	1.59	1.57	1.33	1.18	1.10
11	WGL Holdings Inc.	2.56	N/A	N/A	N/A	N/A	N/A	3.11	3.27	3.16	2.68	2.31	2.68	2.25	2.27	2.53	2.44	2.09	1.94
12	Average	2.30	3.37	3.31	2.82	2.79	2.92	2.11	2.43	2.28	2.27	2.05	2.01	1.93	1.89	1.84	1.76	1.65	1.62
13	Industry Average Growth	5.17%	1.82%	17.07%	1.18%	-4.39%	38.59%	-13.26%	6.50%	0.54%	10.67%	2.13%	4.13%	1.87%	2.61%	4.79%	6.67%	1.82%	

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, Feb 26, 2021.

Data for the year 2021 was retrieved from Value Line Investment Surveys, February 25, 2022

² The Value Line Investment Survey, May 13, 2022

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

<u>Line</u>	<u>Company</u>	<u>Cash Flow / Capital Spending</u>					<u>3 - 5 yr³</u>
		<u>2019¹</u> (1)	<u>2020¹</u> (2)	<u>2021²</u> (3)	<u>2022³</u> (4)	<u>2023⁴</u> (5)	<u>Projection</u> (5)
1	Atmos Energy	0.53x	0.53x	0.53x	0.52x	0.57x	0.66x
2	Chesapeake Utilities	0.66x	0.64x	0.82x	0.84x	0.89x	0.93x
3	New Jersey Resources	1.41x	0.65x	0.72x	0.68x	0.71x	0.77x
4	NiSource Inc.	0.66x	0.65x	0.69x	0.73x	0.79x	1.00x
5	Northwest Nat. Gas	0.77x	0.75x	0.61x	0.70x	0.75x	0.81x
6	ONE Gas Inc.	0.78x	0.88x	0.86x	0.89x	0.91x	1.07x
7	South Jersey Inds.	0.48x	0.47x	0.49x	0.51x	0.51x	0.53x
8	Southwest Gas	0.62x	0.53x	0.61x	0.80x	0.95x	0.79x
9	Spire Inc.	0.65x	0.65x	0.70x	0.71x	0.82x	0.95x
10	UGI Corp.	1.33x	1.54x	1.66x	1.55x	1.72x	1.96x
11	Average	0.79x	0.73x	0.77x	0.79x	0.86x	0.95x
12	Median	0.66x	0.65x	0.69x	0.72x	0.80x	0.87x

Sources:

¹ The Value Line Investment Survey, February 28, 2020.

² The Value Line Investment Survey, Feb 26, 2021.

³ The Value Line Investment Survey, February 25, 2022

⁴ The Value Line Investment Survey, May 13, 2022

Notes:

Based on the projected Cash Flow per share and Capital Spending per share.

Florida City Gas

Natural Gas Utilities
(Valuation Metrics)

Line	Company	Percent Dividends to Book Value ¹																	
		17-Year																	
		Average	2022 ^{2/a}	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)		
1	Amos Energy	5.10%	4.23%	4.19%	4.26%	4.36%	4.53%	4.90%	5.04%	4.96%	4.81%	4.92%	5.28%	5.44%	5.55%	5.61%	5.75%	5.82%	6.25%
2	Chesapeake Utilities	5.21%	4.31%	4.15%	4.23%	4.53%	4.39%	4.23%	4.35%	4.78%	5.18%	5.25%	5.39%	5.42%	5.49%	5.60%	6.71%	6.66%	6.95%
3	New Jersey Resources	7.19%	7.75%	7.92%	6.60%	6.85%	6.87%	7.26%	7.21%	7.16%	7.45%	7.60%	7.86%	7.69%	7.72%	7.48%	6.42%	6.54%	6.40%
4	NiSource Inc.	5.59%	6.81%	6.69%	6.64%	5.99%	5.96%	5.46%	5.08%	6.89%	5.22%	5.22%	5.25%	5.19%	5.22%	5.25%	5.34%	4.97%	5.02%
5	Northwest Nat. Gas	6.53%	6.60%	5.66%	6.57%	6.69%	7.16%	7.27%	6.30%	6.53%	6.58%	6.59%	6.57%	6.55%	6.44%	6.43%	6.41%	6.39%	6.32%
6	ONE Gas Inc.	4.26%	4.15%	5.04%	5.14%	4.96%	4.73%	4.48%	3.88%	3.41%	2.44%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
7	South Jersey Inds.	6.99%	6.00%	7.53%	7.21%	7.53%	7.63%	7.34%	6.53%	6.98%	7.04%	7.12%	7.09%	7.26%	7.13%	6.69%	6.40%	6.22%	6.09%
8	Southwest Gas	4.42%	4.68%	4.80%	4.87%	4.79%	4.90%	5.25%	5.14%	4.82%	4.57%	4.33%	4.16%	3.98%	3.90%	3.89%	3.83%	3.74%	3.80%
9	Spire Inc.	5.89%	5.28%	5.56%	5.63%	5.25%	5.06%	5.09%	5.06%	5.07%	5.04%	5.31%	6.22%	6.30%	6.53%	6.56%	6.74%	7.33%	7.43%
10	UGI Corp.	5.62%	4.97%	5.34%	6.65%	6.30%	4.82%	5.28%	5.65%	5.72%	5.14%	5.07%	5.35%	5.77%	5.41%	5.35%	5.72%	5.82%	6.54%
11	WGL Holdings Inc.	6.86%	N/A	N/A	N/A	N/A	N/A	6.88%	7.21%	7.33%	7.14%	6.73%	6.45%	6.60%	6.57%	6.72%	6.71%	6.88%	7.13%
12	Average	5.82%	5.48%	5.69%	5.78%	5.72%	5.60%	5.77%	5.59%	5.78%	5.51%	5.82%	5.96%	6.02%	6.00%	5.96%	6.00%	6.04%	6.19%
13	Median	5.72%	5.13%	5.45%	6.10%	5.62%	4.98%	5.28%	5.14%	5.72%	5.18%	5.28%	5.80%	6.03%	5.99%	6.02%	6.41%	6.30%	6.36%

Line	Company	Dividends to Earnings Ratio ¹																	
		17-Year																	
		Average	2022 ^{2/a}	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)		
14	Amos Energy	0.56	0.49	0.49	0.49	0.48	0.49	0.50	0.50	0.50	0.50	0.56	0.66	0.60	0.62	0.67	0.65	0.66	0.63
15	Chesapeake Utilities	0.48	0.41	0.39	0.40	0.42	0.40	0.47	0.42	0.42	0.43	0.45	0.48	0.48	0.48	0.58	0.58	0.61	0.67
16	New Jersey Resources	0.55	0.63	0.63	0.61	0.61	0.41	0.60	0.61	0.52	0.41	0.59	0.57	0.56	0.55	0.52	0.41	0.65	0.51
17	NiSource Inc.	0.83	0.65	0.65	0.64	0.61	0.60	1.79	0.64	1.32	0.61	0.62	0.69	0.88	0.87	1.10	0.69	0.81	0.81
18	Northwest Nat. Gas	0.64	0.76	0.77	0.83	0.87	0.81	0.97	0.88	0.95	0.86	0.82	0.81	0.73	0.62	0.57	0.59	0.52	0.59
19	ONE Gas Inc.	0.54	0.61	0.60	0.59	0.57	0.57	0.56	0.53	0.54	0.41	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20	South Jersey Inds.	0.65	0.71	0.74	0.71	1.04	0.82	0.89	0.79	0.71	0.61	0.59	0.54	0.52	0.50	0.51	0.49	0.48	0.37
21	Southwest Gas	0.51	0.58	0.63	0.55	0.55	0.57	0.55	0.57	0.55	0.49	0.42	0.41	0.44	0.44	0.49	0.65	0.44	0.41
22	Spire Inc.	0.68	0.70	0.52	1.73	0.67	0.52	0.61	0.60	0.58	0.75	0.84	0.59	0.56	0.65	0.52	0.56	0.63	0.59
23	UGI Corp.	0.44	0.48	0.46	0.49	0.50	0.37	0.42	0.45	0.44	0.41	0.46	0.60	0.50	0.38	0.33	0.38	0.41	0.41
24	WGL Holdings Inc.	0.64	N/A	N/A	N/A	N/A	N/A	0.65	0.59	0.58	0.64	0.72	0.59	0.69	0.66	0.58	0.58	0.65	0.69
25	Average	0.59	0.60	0.59	0.70	0.63	0.55	0.55	0.60	0.65	0.56	0.61	0.59	0.59	0.58	0.59	0.56	0.59	0.57
26	Median	0.59	0.62	0.61	0.60	0.59	0.54	0.56	0.59	0.55	0.50	0.59	0.56	0.58	0.54	0.58	0.58	0.62	0.59

Line	Company	Cash Flow to Capital Spending Ratio ¹																	
		17-Year																	
		Average	2022 ^{2/a}	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)		
27	Amos Energy	0.66	0.52	0.58	0.52	0.53	0.55	0.62	0.59	0.60	0.65	0.55	0.59	0.68	0.77	0.78	0.81	0.94	0.82
28	Chesapeake Utilities	0.73	0.84	0.81	0.78	0.62	0.39	0.50	0.50	0.53	0.71	0.65	0.79	1.12	1.10	1.14	0.83	0.82	0.45
29	New Jersey Resources	1.26	0.68	0.62	0.71	0.51	0.85	0.70	0.59	0.67	1.79	1.46	1.48	1.51	1.55	1.75	2.11	1.67	2.14
30	NiSource Inc.	0.76	0.72	0.68	0.66	0.61	0.58	0.41	0.59	0.53	0.56	0.57	0.65	0.75	1.11	1.06	0.94	1.11	1.37
31	Northwest Nat. Gas	0.94	0.72	0.68	0.66	0.69	0.71	1.14	1.01	1.12	1.15	0.98	1.01	1.33	0.55	1.02	1.35	1.21	1.34
32	ONE Gas Inc.	0.86	0.88	0.86	0.83	0.89	0.84	0.87	0.92	0.86	0.79	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	South Jersey Inds.	0.82	0.51	0.55	0.54	0.40	0.73	0.81	0.76	0.50	0.53	0.51	0.58	0.70	0.75	1.01	1.67	1.70	1.40
34	Southwest Gas	0.86	1.00	0.86	0.69	0.53	0.56	0.68	0.83	0.84	0.99	1.05	0.90	0.82	1.37	1.28	0.85	0.78	0.72
35	Spire Inc.	1.07	0.81	0.75	0.42	0.44	0.77	0.72	0.96	0.92	0.98	0.78	0.95	1.53	1.61	1.93	1.64	1.42	1.28
36	UGI Corp.	1.47	1.55	1.32	1.59	1.22	1.64	1.29	1.35	1.48	1.53	1.32	1.52	1.28	1.36	1.52	1.72	1.62	1.69
37	WGL Holdings Inc.	1.02	N/A	N/A	N/A	N/A	N/A	0.61	0.56	0.60	0.63	0.71	0.93	1.02	1.60	1.60	1.60	1.17	1.18
38	Average	0.95	0.82	0.77	0.74	0.64	0.76	0.67	0.79	0.79	0.94	0.86	0.94	1.07	1.18	1.31	1.35	1.24	1.24
39	Median	0.76	0.76	0.72	0.67	0.57	0.72	0.68	0.76	0.67	0.79	0.74	0.92	1.07	1.23	1.21	1.48	1.19	1.31

Sources:

¹ Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the year 2020 was retrieved from Value Line Investment Surveys, Feb 26, 2021.

Data for the year 2021 was retrieved from Value Line Investment Surveys, February 25, 2022

² The Value Line Investment Survey, May 13, 2022

Notes:

^a Based on the projected Dividends Declared per share and Book Value per share, published in The Value Line Investment Survey.

^b Based on the projected Dividends Declared per share and Earnings per share, published in The Value Line Investment Survey.

^c Based on the projected Cash Flow per share and Capital Spending per share, published in The Value Line Investment Survey.

Florida City Gas

Proxy Group

<u>Line</u>	<u>Company</u>	<u>Credit Ratings¹</u>		<u>Common Equity Ratios</u>	
		<u>S&P</u> (1)	<u>Moody's</u> (2)	<u>MI¹</u> (3)	<u>Value Line²</u> (4)
1	Atmos Energy Corporation	A-	A1	51.1%	61.6%
2	New Jersey Resources Corporation	NR	A1	37.2%	43.0%
3	NiSource Inc.	BBB+	Baa2	31.6%	33.5%
4	Northwest Natural Holding Company	A+	Baa1	38.2%	47.2%
5	ONE Gas, Inc.	BBB+	A3	35.8%	39.0%
6	Spire Inc.	A-	Baa2	37.8%	43.2%
7	Average	A-	A3	38.6%	44.6%
8	Median			37.5%	43.1%
9	Florida City Gas^{3,4}	A	A1		59.6%

Sources:

Note: If credit rating/common equity ratio unavailable for utility, subsidiary data used.

¹ S&P Global Market Intelligence, Downloaded on July 12, 2022.

² *The Value Line Investment Survey*, May 27, 2022.

³ Florida Power & Light credit ratings used. Nelson Direct, Page 16.

⁴ Nelson Direct, Page 6.

Florida City Gas

Consensus Analysts' Growth Rates

<u>Line</u>	<u>Company</u>	<u>Zacks</u>		<u>MI</u>		<u>Yahoo! Finance</u>		<u>Average of Growth Rates</u>
		<u>Estimated Growth %¹</u>	<u>Number of Estimates</u>	<u>Estimated Growth %²</u>	<u>Number of Estimates</u>	<u>Estimated Growth %³</u>	<u>Number of Estimates</u>	
		(1)	(2)	(3)	(4)	(5)	(6)	
1	Atmos Energy Corporation	7.28%	N/A	7.37%	2	8.61%	N/A	7.75%
2	New Jersey Resources Corporation	6.00%	N/A	6.85%	2	6.00%	N/A	6.28%
3	NiSource Inc.	7.19%	N/A	6.73%	4	7.18%	N/A	7.03%
4	Northwest Natural Holding Company	4.65%	N/A	4.70%	4	4.60%	N/A	4.65%
5	ONE Gas, Inc.	5.00%	N/A	6.00%	3	5.00%	N/A	5.33%
6	Spire Inc.	5.00%	N/A	4.65%	2	4.30%	N/A	4.65%
7	Average	5.85%	N/A	6.05%	3	5.95%	N/A	5.95%
8	Median							5.81%

Sources:

¹ Zacks, <http://www.zacks.com/>, downloaded on July 8, 2022.

² S&P Global Market Intelligence, <https://platform.mi.spglobal.com>, downloaded on July 8, 2022.

³ Yahoo! Finance, <http://www.finance.yahoo.com/>, downloaded on July 8, 2022.

Florida City Gas

Constant Growth DCF Model (Consensus Analysts' Growth Rates)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Analysts' Growth²</u> (2)	<u>Annualized Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Atmos Energy Corporation	\$113.77	7.75%	\$2.72	2.58%	10.33%
2	New Jersey Resources Corporation	\$44.78	6.28%	\$1.45	3.44%	9.73%
3	NiSource Inc.	\$30.01	7.03%	\$0.94	3.35%	10.39%
4	Northwest Natural Holding Company	\$51.79	4.65%	\$1.93	3.90%	8.55%
5	ONE Gas, Inc.	\$84.97	5.33%	\$2.48	3.07%	8.41%
6	Spire Inc.	\$75.17	4.65%	\$2.74	3.81%	8.46%
7	Average	\$66.74	5.95%	\$2.04	3.36%	9.31%
8	Median					9.14%

Sources:

¹ S&P Global Market Intelligence, Downloaded on July 11, 2022.

² Exhibit CCW-3.

³ *The Value Line Investment Survey*, May 27, 2022.

Florida City Gas

Payout Ratios

<u>Line</u>	<u>Company</u>	<u>Dividends Per Share</u>		<u>Earnings Per Share</u>		<u>Payout Ratio</u>	
		<u>2021</u> (1)	<u>Projected</u> (2)	<u>2021</u> (3)	<u>Projected</u> (4)	<u>2021</u> (5)	<u>Projected</u> (6)
1	Atmos Energy Corporation	\$2.50	\$3.50	\$5.12	\$7.30	48.83%	47.95%
2	New Jersey Resources Corporation	\$1.36	\$1.70	\$2.16	\$2.80	62.96%	60.71%
3	NiSource Inc.	\$0.88	\$1.08	\$1.37	\$2.30	64.23%	46.96%
4	Northwest Natural Holding Company	\$1.92	\$1.96	\$2.56	\$3.45	75.00%	56.81%
5	ONE Gas, Inc.	\$2.32	\$3.12	\$3.85	\$5.30	60.26%	58.87%
6	Spire Inc.	\$2.60	\$3.30	\$4.96	\$5.50	52.42%	60.00%
7	Average	\$1.93	\$2.44	\$3.34	\$4.44	60.62%	55.22%

Source:
The Value Line Investment Survey, May 27, 2022.

Florida City Gas

Sustainable Growth Rate

Line	Company	3 to 5 Year Projections										Sustainable
		Dividends	Earnings	Book Value	Book Value		Adjustment	Adjusted	Payout	Retention	Internal	Growth
		Per Share	Per Share	Per Share	Growth	ROE	Factor	ROE	Ratio	Rate	Growth Rate	Rate
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Atmos Energy Corporation	\$3.50	\$7.30	\$82.85	6.77%	8.81%	1.03	9.10%	47.95%	52.05%	4.74%	7.63%
2	New Jersey Resources Corporation	\$1.70	\$2.80	\$23.15	6.15%	12.10%	1.03	12.46%	60.71%	39.29%	4.89%	6.57%
3	NiSource Inc.	\$1.08	\$2.30	\$17.40	5.47%	13.22%	1.03	13.57%	46.96%	53.04%	7.20%	7.85%
4	Northwest Natural Holding Company	\$1.96	\$3.45	\$37.20	4.37%	9.27%	1.02	9.47%	56.81%	43.19%	4.09%	4.49%
5	ONE Gas, Inc.	\$3.12	\$5.30	\$71.60	10.32%	7.40%	1.05	7.77%	58.87%	41.13%	3.19%	3.32%
6	Spire Inc.	\$3.30	\$5.50	\$67.10	7.50%	8.20%	1.04	8.49%	60.00%	40.00%	3.40%	4.15%
7	Average	\$2.44	\$4.44	\$49.88	6.76%	9.83%	1.03	10.14%	55.22%	44.78%	4.59%	5.67%
8	Median											5.53%

Sources and Notes:

Cols. (1), (2) and (3): *The Value Line Investment Survey*, May 27, 2022.

Col. (4): [Col. (3) / Page 2 Col. (2)] ^ (1/number of years projected) - 1.

Col. (5): Col. (2) / Col. (3).

Col. (6): [2 * (1 + Col. (4))] / (2 + Col. (4)).

Col. (7): Col. (6) * Col. (5).

Col. (8): Col. (1) / Col. (2).

Col. (9): 1 - Col. (8).

Col. (10): Col. (9) * Col. (7).

Col. (11): Col. (10) + Page 2 Col. (9).

Florida City Gas

Sustainable Growth Rate

<u>Line</u>	<u>Company</u>	<u>13-Week</u>	<u>2021</u>	<u>Market</u>	<u>Common Shares</u>		<u>Growth</u>	<u>S Factor</u> ³	<u>V Factor</u> ⁴	<u>S * V</u>
		<u>Average</u>	<u>Book Value</u>	<u>to Book</u>	<u>Outstanding (in Millions)</u> ²					
		<u>Stock Price</u> ¹	<u>Per Share</u> ²	<u>Ratio</u>	<u>2021</u>	<u>3-5 Years</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(9)</u>
		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>				
1	Atmos Energy Corporation	\$113.77	\$59.71	1.91	132.42	155.00	3.20%	6.10%	47.51%	2.90%
2	New Jersey Resources Corporation	\$44.78	\$17.18	2.61	94.95	100.00	1.04%	2.72%	61.63%	1.67%
3	NiSource Inc.	\$30.01	\$13.33	2.25	404.30	415.00	0.52%	1.18%	55.58%	0.66%
4	Northwest Natural Holding Company	\$51.79	\$30.04	1.72	31.13	32.00	0.55%	0.95%	41.99%	0.40%
5	ONE Gas, Inc.	\$84.97	\$43.81	1.94	56.63	57.00	0.13%	0.25%	48.44%	0.12%
6	Spire Inc.	\$75.17	\$46.74	1.61	51.70	55.00	1.25%	2.00%	37.82%	0.76%
7	Average	\$66.74	\$35.14	2.01	128.52	135.67	1.12%	2.20%	48.83%	1.08%

Sources and Notes:

¹ S&P Global Market Intelligence, Downloaded on July 11, 2022.

² *The Value Line Investment Survey*, May 27, 2022.

³ Expected Growth in the Number of Shares, Column (3) * Column (6).

⁴ Expected Profit of Stock Investment, [1 - 1 / Column (3)].

Florida City Gas

Constant Growth DCF Model (Sustainable Growth Rate)

<u>Line</u>	<u>Company</u>	<u>13-Week AVG Stock Price¹</u> (1)	<u>Sustainable Growth²</u> (2)	<u>Annualized Dividend³</u> (3)	<u>Adjusted Yield</u> (4)	<u>Constant Growth DCF</u> (5)
1	Atmos Energy Corporation	\$113.77	7.63%	\$2.72	2.57%	10.21%
2	New Jersey Resources Corporation	\$44.78	6.57%	\$1.45	3.45%	10.02%
3	NiSource Inc.	\$30.01	7.85%	\$0.94	3.38%	11.23%
4	Northwest Natural Holding Company	\$51.79	4.49%	\$1.93	3.90%	8.39%
5	ONE Gas, Inc.	\$84.97	3.32%	\$2.48	3.02%	6.33%
6	Spire Inc.	\$75.17	4.15%	\$2.74	3.80%	7.95%
7	Average	\$66.74	5.67%	\$2.04	3.35%	9.02%
8	Median					9.20%

Sources:

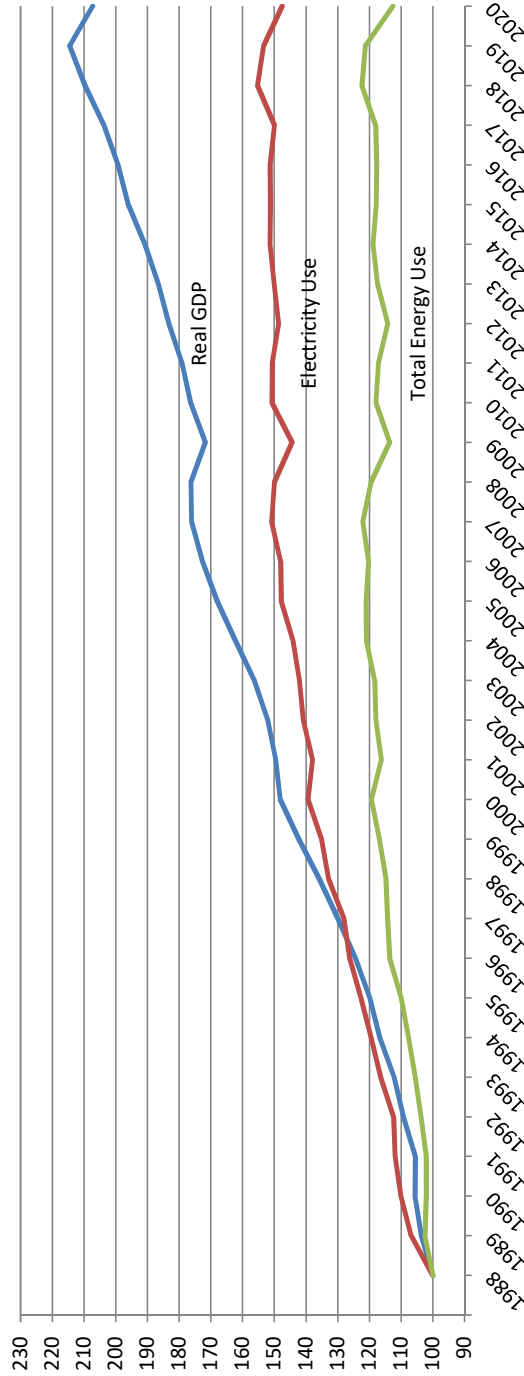
¹ S&P Global Market Intelligence, Downloaded on July 11, 2022.

² Exhibit CCW-6, page 1.

³ *The Value Line Investment Survey*, May 27, 2022.

Florida City Gas

Electricity Sales Are Linked to U.S. Economic Growth



Note: 1988 represents the base year. Graph depicts increases or decreases from the base year.

Sources:
U.S. Energy Information Administration
Federal Reserve Bank of St. Louis

Florida City Gas

Multi-Stage Growth DCF Model

Line	Company	13-Week AVG Stock Price ⁽¹⁾	Annualized Dividend ⁽²⁾	First Stage Growth ⁽³⁾	Second Stage Growth					Third Stage Growth ⁽⁹⁾	Multi-Stage Growth DCF (10)
					Year 6 (4)	Year 7 (5)	Year 8 (6)	Year 9 (7)	Year 10 (8)		
1	Atmos Energy Corporation	\$113.77	\$2.72	7.75%	7.19%	6.62%	6.05%	5.48%	4.91%	4.35%	7.45%
2	New Jersey Resources Corporation	\$44.78	\$1.45	6.28%	5.96%	5.64%	5.31%	4.99%	4.67%	4.35%	8.16%
3	NISource Inc.	\$30.01	\$0.94	7.03%	6.59%	6.14%	5.69%	5.24%	4.79%	4.35%	8.22%
4	Northwest Natural Holding Company	\$51.79	\$1.93	4.65%	4.60%	4.55%	4.50%	4.45%	4.40%	4.35%	8.31%
5	ONE Gas, Inc.	\$84.97	\$2.48	5.33%	5.17%	5.00%	4.84%	4.68%	4.51%	4.35%	7.59%
6	Spire Inc.	\$75.17	\$2.74	4.65%	4.60%	4.55%	4.50%	4.45%	4.40%	4.35%	8.22%
7	Average	\$66.74	\$2.04	5.95%	5.68%	5.42%	5.15%	4.88%	4.61%	4.35%	7.99%
8	Median										8.19%

Sources:

¹ S&P Global Market Intelligence, Downloaded on July 11, 2022.

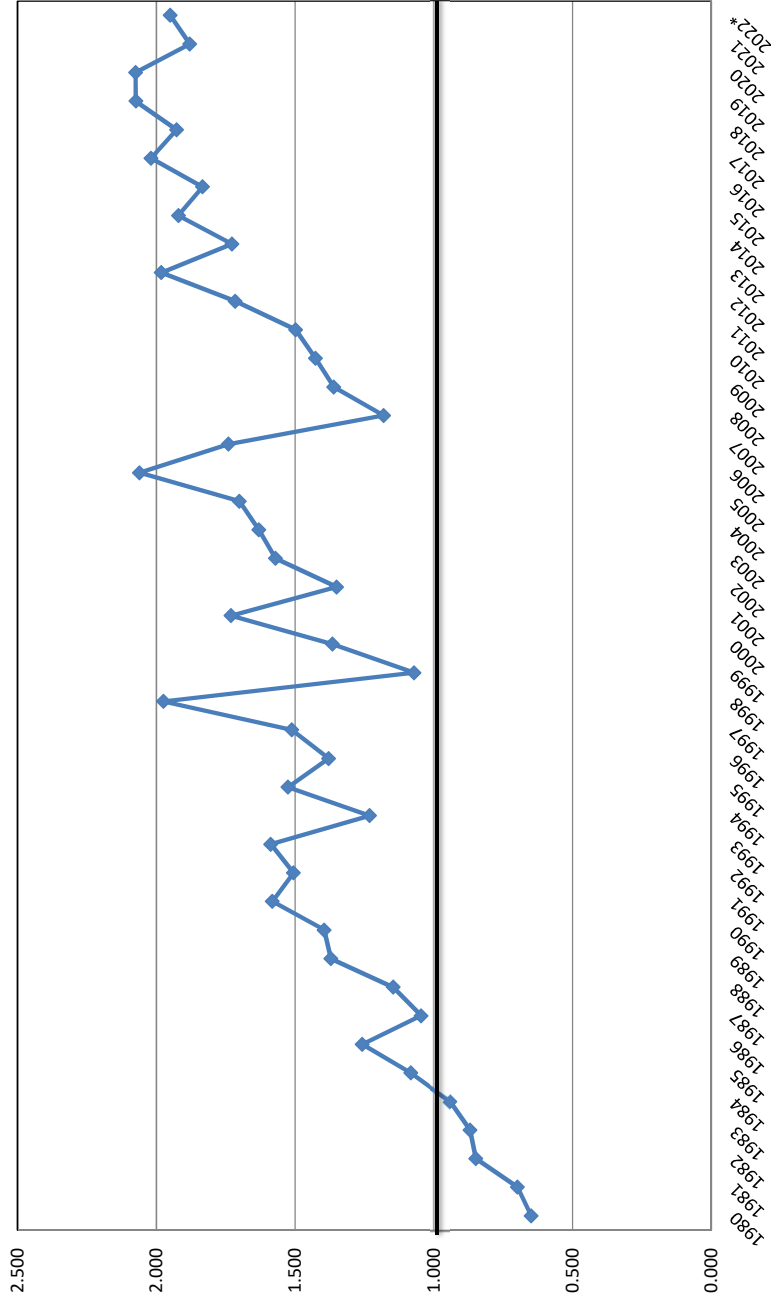
² The Value Line Investment Survey, May 27, 2022.

³ Exhibit CCW-3.

⁴ Blue Chip Financial Forecasts, June 1, 2022 at page 14.

Florida City Gas

Common Stock Market/Book Ratio



Source:

1980 - 2000: Mergent Public Utility Manual.

2001 - 2015: AUS Utility Reports, multiple dates.

2016 - 2021: Value Line Investment Survey, multiple dates.

* Value Line Investment Survey Reports, April 22, May 22, May 23, and June 10, 2022.

Florida City Gas

Equity Risk Premium - Treasury Bond

<u>Line</u>	<u>Year</u>	<u>Authorized Gas Returns¹</u> (1)	<u>30 yr. Treasury Bond Yield²</u> (2)	<u>Indicated Risk Premium</u> (3)	<u>Rolling 5 - Year Average</u> (4)	<u>Rolling 10 - Year Average</u> (5)
1	1986	13.46%	7.80%	5.66%		
2	1987	12.74%	8.58%	4.16%		
3	1988	12.85%	8.96%	3.89%		
4	1989	12.88%	8.45%	4.43%		
5	1990	12.67%	8.61%	4.06%	4.44%	
6	1991	12.46%	8.14%	4.32%	4.17%	
7	1992	12.01%	7.67%	4.34%	4.21%	
8	1993	11.35%	6.60%	4.75%	4.38%	
9	1994	11.35%	7.37%	3.98%	4.29%	
10	1995	11.43%	6.88%	4.55%	4.39%	4.42%
11	1996	11.19%	6.70%	4.49%	4.42%	4.30%
12	1997	11.29%	6.61%	4.68%	4.49%	4.35%
13	1998	11.51%	5.58%	5.93%	4.73%	4.55%
14	1999	10.66%	5.87%	4.79%	4.89%	4.59%
15	2000	11.39%	5.94%	5.45%	5.07%	4.73%
16	2001	10.95%	5.49%	5.46%	5.26%	4.84%
17	2002	11.03%	5.43%	5.60%	5.45%	4.97%
18	2003	10.99%	4.96%	6.03%	5.47%	5.10%
19	2004	10.59%	5.05%	5.54%	5.62%	5.25%
20	2005	10.46%	4.65%	5.81%	5.69%	5.38%
21	2006	10.40%	4.87%	5.53%	5.70%	5.48%
22	2007	10.22%	4.83%	5.39%	5.66%	5.55%
23	2008	10.39%	4.28%	6.11%	5.68%	5.57%
24	2009	10.22%	4.07%	6.15%	5.80%	5.71%
25	2010	10.15%	4.25%	5.90%	5.81%	5.75%
26	2011	9.92%	3.91%	6.01%	5.91%	5.81%
27	2012	9.94%	2.92%	7.02%	6.24%	5.95%
28	2013	9.68%	3.45%	6.23%	6.26%	5.97%
29	2014	9.78%	3.34%	6.44%	6.32%	6.06%
30	2015	9.60%	2.84%	6.76%	6.49%	6.15%
31	2016	9.54%	2.60%	6.94%	6.68%	6.29%
32	2017	9.72%	2.90%	6.83%	6.64%	6.44%
33	2018	9.59%	3.11%	6.48%	6.69%	6.48%
34	2019	9.71%	2.58%	7.13%	6.83%	6.57%
35	2020	9.46%	1.56%	7.90%	7.05%	6.77%
36	2021	9.56%	2.05%	7.51%	7.17%	6.92%
37	2022 ³	9.38%	2.25%	7.13%	7.23%	6.93%
38	Average	10.82%	5.17%	5.66%	5.61%	5.60%
39	Minimum				4.17%	4.30%
40	Maximum				7.23%	6.93%

Sources:

¹ Regulatory Research Associates, Inc., Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3.
S&P Global Market Intelligence, RRA Regulatory Focus, Major Rate Case Decisions, January - March 2022
May 2, 2022, p. 4.

² St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>.

The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

³ Data represents January - March, 2022.

Florida City Gas

Equity Risk Premium - Utility Bond

<u>Line</u>	<u>Year</u>	<u>Authorized Gas Returns¹</u> (1)	<u>"A" Rated Utility Bond Yield²</u> (2)	<u>Indicated Risk Premium</u> (3)	<u>Rolling 5 - Year Average</u> (4)	<u>Rolling 10 - Year Average</u> (5)
1	1986	13.46%	9.58%	3.88%		
2	1987	12.74%	10.10%	2.64%		
3	1988	12.85%	10.49%	2.36%		
4	1989	12.88%	9.77%	3.11%		
5	1990	12.67%	9.86%	2.81%	2.96%	
6	1991	12.46%	9.36%	3.10%	2.80%	
7	1992	12.01%	8.69%	3.32%	2.94%	
8	1993	11.35%	7.59%	3.76%	3.22%	
9	1994	11.35%	8.31%	3.04%	3.21%	
10	1995	11.43%	7.89%	3.54%	3.35%	3.16%
11	1996	11.19%	7.75%	3.44%	3.42%	3.11%
12	1997	11.29%	7.60%	3.69%	3.49%	3.22%
13	1998	11.51%	7.04%	4.47%	3.64%	3.43%
14	1999	10.66%	7.62%	3.04%	3.64%	3.42%
15	2000	11.39%	8.24%	3.15%	3.56%	3.45%
16	2001	10.95%	7.76%	3.19%	3.51%	3.46%
17	2002	11.03%	7.37%	3.66%	3.50%	3.50%
18	2003	10.99%	6.58%	4.41%	3.49%	3.56%
19	2004	10.59%	6.16%	4.43%	3.77%	3.70%
20	2005	10.46%	5.65%	4.81%	4.10%	3.83%
21	2006	10.40%	6.07%	4.33%	4.33%	3.92%
22	2007	10.22%	6.07%	4.15%	4.43%	3.96%
23	2008	10.39%	6.53%	3.86%	4.32%	3.90%
24	2009	10.22%	6.04%	4.18%	4.27%	4.02%
25	2010	10.15%	5.47%	4.68%	4.24%	4.17%
26	2011	9.92%	5.04%	4.88%	4.35%	4.34%
27	2012	9.94%	4.13%	5.81%	4.68%	4.55%
28	2013	9.68%	4.48%	5.20%	4.95%	4.63%
29	2014	9.78%	4.28%	5.50%	5.22%	4.74%
30	2015	9.60%	4.12%	5.48%	5.38%	4.81%
31	2016	9.54%	3.93%	5.61%	5.52%	4.94%
32	2017	9.72%	4.00%	5.72%	5.50%	5.09%
33	2018	9.59%	4.25%	5.34%	5.53%	5.24%
34	2019	9.71%	3.77%	5.94%	5.62%	5.42%
35	2020	9.46%	3.05%	6.41%	5.80%	5.59%
36	2021	9.56%	3.10%	6.46%	5.97%	5.75%
37	2022 ³	9.38%	3.65%	5.73%	5.97%	5.74%
38	Average	10.82%	6.52%	4.30%	4.26%	4.24%
39	Minimum				2.80%	3.11%
40	Maximum				5.97%	5.75%

Sources:

¹ *Regulatory Research Associates, Inc.*, Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3. S&P Global Market Intelligence, RRA Regulatory Focus, Major Rate Case Decisions, January - March 2022, May 2, 2022, p. 4.

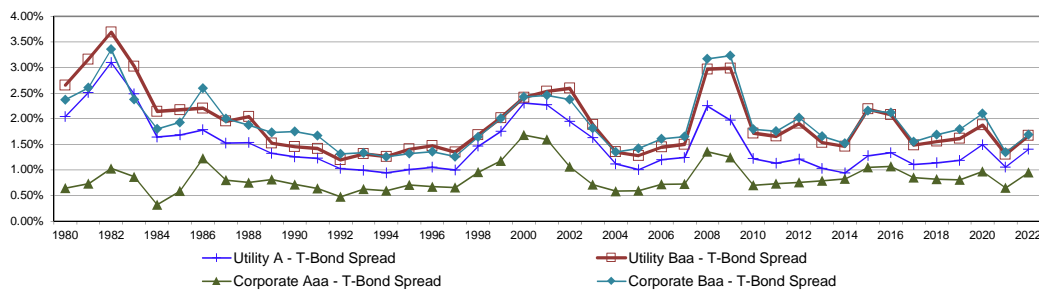
² St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>.

Florida City Gas

Bond Yield Spreads

Line	Year	T-Bond Yield ¹ (1)	Public Utility Bond				Corporate Bond				Utility to Corporate	
			A ² (2)	Baa ² (3)	A-T-Bond Spread (4)	Baa-T-Bond Spread (5)	Aaa ³ (6)	Baa ³ (7)	Aaa-T-Bond Spread (8)	Baa-T-Bond Spread (9)	Baa Spread (10)	A-Aaa Spread (11)
1	1980	11.30%	13.34%	13.95%	2.04%	2.65%	11.94%	13.67%	0.64%	2.37%	0.28%	1.40%
2	1981	13.44%	15.95%	16.60%	2.51%	3.16%	14.17%	16.04%	0.73%	2.60%	0.56%	1.78%
3	1982	12.76%	15.86%	16.45%	3.10%	3.69%	13.79%	16.11%	1.03%	3.35%	0.34%	2.07%
4	1983	11.18%	13.66%	14.20%	2.48%	3.02%	12.04%	13.55%	0.86%	2.38%	0.65%	1.62%
5	1984	12.39%	14.03%	14.53%	1.64%	2.14%	12.71%	14.19%	0.32%	1.80%	0.34%	1.32%
6	1985	10.79%	12.47%	12.96%	1.68%	2.17%	11.37%	12.72%	0.58%	1.93%	0.24%	1.10%
7	1986	7.80%	9.58%	10.00%	1.78%	2.20%	9.02%	10.39%	1.22%	2.59%	-0.39%	0.56%
8	1987	8.58%	10.10%	10.53%	1.52%	1.95%	9.38%	10.58%	0.80%	2.00%	-0.05%	0.72%
9	1988	8.96%	10.49%	11.00%	1.53%	2.04%	9.71%	10.83%	0.75%	1.87%	0.17%	0.78%
10	1989	8.45%	9.77%	9.97%	1.32%	1.52%	9.26%	10.18%	0.81%	1.73%	-0.21%	0.51%
11	1990	8.61%	9.86%	10.06%	1.25%	1.45%	9.32%	10.36%	0.71%	1.75%	-0.30%	0.54%
12	1991	8.14%	9.36%	9.55%	1.22%	1.41%	8.77%	9.80%	0.63%	1.67%	-0.25%	0.59%
13	1992	7.67%	8.69%	8.86%	1.02%	1.19%	8.14%	8.98%	0.47%	1.31%	-0.12%	0.55%
14	1993	6.60%	7.59%	7.91%	0.99%	1.31%	7.22%	7.93%	0.62%	1.33%	-0.02%	0.37%
15	1994	7.37%	8.31%	8.63%	0.94%	1.26%	7.96%	8.62%	0.59%	1.25%	0.01%	0.35%
16	1995	6.88%	7.89%	8.29%	1.01%	1.41%	7.59%	8.20%	0.71%	1.32%	0.09%	0.30%
17	1996	6.70%	7.75%	8.17%	1.05%	1.47%	7.37%	8.05%	0.67%	1.35%	0.12%	0.38%
18	1997	6.61%	7.60%	7.95%	0.99%	1.34%	7.26%	7.86%	0.66%	1.26%	0.09%	0.34%
19	1998	5.58%	7.04%	7.26%	1.46%	1.68%	6.53%	7.22%	0.95%	1.64%	0.04%	0.51%
20	1999	5.87%	7.62%	7.88%	1.75%	2.01%	7.04%	7.87%	1.18%	2.01%	0.01%	0.58%
21	2000	5.94%	8.24%	8.36%	2.30%	2.42%	7.62%	8.36%	1.68%	2.42%	-0.01%	0.62%
22	2001	5.49%	7.76%	8.03%	2.27%	2.54%	7.08%	7.95%	1.59%	2.45%	0.08%	0.68%
23	2002	5.43%	7.37%	8.02%	1.94%	2.59%	6.49%	7.80%	1.06%	2.37%	0.22%	0.88%
24	2003	4.96%	6.58%	6.84%	1.62%	1.89%	5.67%	6.77%	0.71%	1.81%	0.08%	0.91%
25	2004	5.05%	6.16%	6.40%	1.11%	1.35%	5.63%	6.39%	0.58%	1.35%	0.00%	0.53%
26	2005	4.65%	5.65%	5.93%	1.00%	1.28%	5.24%	6.06%	0.59%	1.42%	-0.14%	0.41%
27	2006	4.87%	6.07%	6.32%	1.20%	1.44%	5.59%	6.48%	0.71%	1.61%	-0.16%	0.48%
28	2007	4.83%	6.07%	6.33%	1.24%	1.50%	5.56%	6.48%	0.72%	1.65%	-0.15%	0.52%
29	2008	4.28%	6.53%	7.25%	2.25%	2.97%	5.63%	7.45%	1.35%	3.17%	-0.20%	0.90%
30	2009	4.07%	6.04%	7.06%	1.97%	2.99%	5.31%	7.30%	1.24%	3.23%	-0.24%	0.73%
31	2010	4.25%	5.47%	5.96%	1.22%	1.71%	4.95%	6.04%	0.70%	1.79%	-0.08%	0.52%
32	2011	3.91%	5.04%	5.57%	1.13%	1.66%	4.64%	5.67%	0.73%	1.76%	-0.10%	0.40%
33	2012	2.92%	4.13%	4.83%	1.21%	1.90%	3.67%	4.94%	0.75%	2.02%	-0.11%	0.46%
34	2013	3.45%	4.48%	4.98%	1.03%	1.53%	4.24%	5.10%	0.79%	1.65%	-0.12%	0.24%
35	2014	3.34%	4.28%	4.80%	0.94%	1.46%	4.16%	4.86%	0.82%	1.52%	-0.06%	0.12%
36	2015	2.84%	4.12%	5.03%	1.27%	2.19%	3.89%	5.00%	1.05%	2.16%	0.03%	0.23%
37	2016	2.60%	3.93%	4.67%	1.33%	2.08%	3.66%	4.71%	1.07%	2.12%	-0.04%	0.27%
38	2017	2.90%	4.00%	4.38%	1.10%	1.48%	3.74%	4.44%	0.85%	1.55%	-0.06%	0.26%
39	2018	3.11%	4.25%	4.67%	1.14%	1.56%	3.93%	4.80%	0.82%	1.69%	-0.13%	0.32%
40	2019	2.58%	3.77%	4.19%	1.18%	1.61%	3.39%	4.38%	0.81%	1.79%	-0.18%	0.38%
41	2020	1.56%	3.05%	3.44%	1.49%	1.87%	2.53%	3.66%	0.96%	2.10%	-0.22%	0.53%
42	2021	2.05%	3.10%	3.36%	1.05%	1.30%	2.70%	3.39%	0.65%	1.34%	-0.04%	0.40%
43	2022 ⁴	2.25%	3.65%	3.92%	1.40%	1.67%	3.20%	3.94%	0.95%	1.68%	-0.02%	0.45%
44	Average	6.12%	7.60%	8.02%	1.48%	1.91%	6.96%	8.03%	0.84%	1.91%	0.00%	0.64%

Yield Spreads
 Treasury Vs. Corporate & Treasury Vs. Utility



Sources:

- ¹ St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>.
- ² The utility yields for the period 1980-2000 were obtained from Mergent Public Utility Manual, Mergent Weekly News Reports, 2003. The utility yields for the period 2001-2009 were obtained from the Mergent Bond Record. The utility yields for the period 2010-2022 were obtained from <http://credittrends.moodys.com/>.
- ³ The corporate yields for the period 1980-2009 were obtained from the St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>. The corporate yields from 2010-2022 were obtained from <http://credittrends.moodys.com/>.
- ⁴ Data represents January - March, 2022

Florida City Gas

Treasury and Utility Bond Yields

<u>Line</u>	<u>Date</u>	<u>Treasury Bond Yield¹</u> (1)	<u>"A" Rated Utility Bond Yield²</u> (2)	<u>"Baa" Rated Utility Bond Yield²</u> (3)
1	07/08/22	3.27%	4.98%	5.34%
2	07/01/22	3.11%	4.85%	5.23%
3	06/24/22	3.26%	4.93%	5.30%
4	06/17/22	3.30%	4.97%	5.35%
5	06/10/22	3.20%	4.79%	5.14%
6	06/03/22	3.11%	4.66%	5.03%
7	05/27/22	2.97%	4.62%	4.97%
8	05/20/22	2.99%	4.74%	5.08%
9	05/13/22	3.10%	4.80%	5.12%
10	05/06/22	3.23%	4.87%	5.17%
11	04/29/22	2.96%	4.58%	4.88%
12	04/22/22	2.95%	4.49%	4.80%
13	04/14/22	2.92%	4.40%	4.71%
14	Average	3.11%	4.74%	5.09%
15	Spread To Treasury		1.63%	1.98%

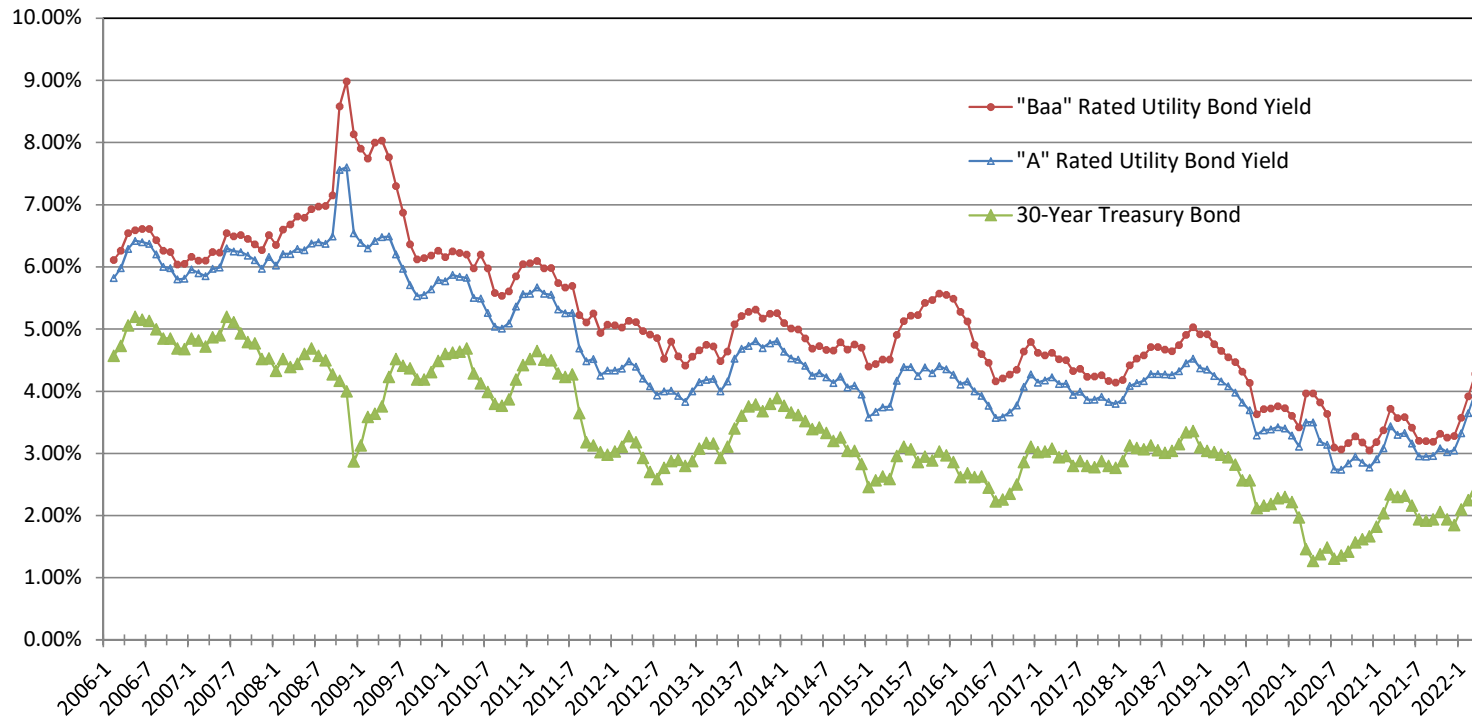
Sources:

¹ St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

² <http://credittrends.moody.com/>.

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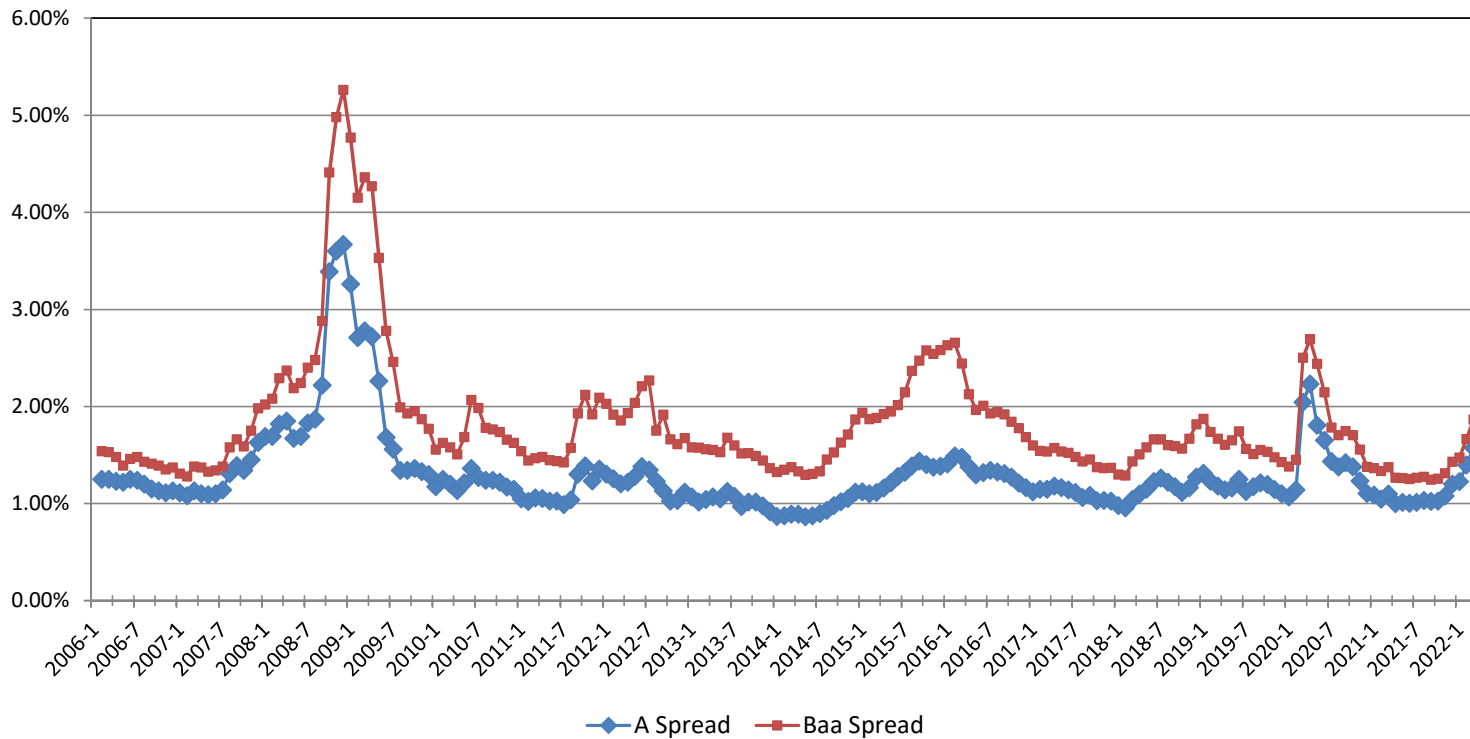
Trends in Bond Yields



Sources:
Mergent Bond Record.
www.moodys.com, Bond Yields and Key Indicators.
St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

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Yield Spread Between Utility Bonds and 30-Year Treasury Bonds



Sources:
Mergent Bond Record.
www.moodys.com, Bond Yields and Key Indicators.
St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

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Beta

<u>Line</u>	<u>Company</u>	<u>Beta</u> ¹	S&P Global Market Intelligence <u>Beta</u> ²
1	Atmos Energy Corporation	0.80	0.58
2	New Jersey Resources Corporation	0.95	0.61
3	NiSource Inc.	0.85	0.60
4	Northwest Natural Holding Company	0.80	0.53
5	ONE Gas, Inc.	0.80	0.60
6	Spire Inc.	0.80	0.59
7	Average	0.83	0.58
8	Median	0.80	0.59
9	Historical Beta ³	0.74	

Source:

¹ *The Value Line Investment Survey*,
May 27, 2022.

² S&P Global Market Intelligence, betas for the period 7/8/2017 - 7/8/2022.

³ Exhibit CCW-15, page 2.

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Historical Betas (Natural Gas Utilities)

Line	Company	Average	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	
1	Atmos Energy Corporation	0.74	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.55	0.60	0.60	0.65	0.60	0.60	0.60	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.80	0.80	
2	New Jersey Resources Corporation	0.82	0.95	1.00	1.00	1.00	1.00	0.95	0.95	0.90	0.90	0.65	0.70	0.70	0.70	0.70	0.70	0.80	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.80	0.80	0.80	0.80	0.80	
3	NiSource Inc.	0.72	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.55	0.55	0.55	0.55	0.55	0.50	0.55	0.60	0.60	0.60	NM/F	0.65	NM/F	NM/F	NM/F	NM/F	NM/F	NM/F	NM/F	NM/F	NM/F	0.85	0.85	0.85
4	Northwest Natural Holding Company	0.70	0.80	0.80	0.85	0.85	0.85	0.80	0.80	0.80	0.80	0.55	0.60	0.60	0.60	0.65	0.60	0.65	0.70	0.65	0.70	0.70	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70
5	ONE Gas, Inc.	0.72	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.70	0.70	0.70	0.70	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
6	Spire Inc.	0.73	0.80	0.85	0.85	0.85	0.85	0.85	1.00	0.80	0.80	0.60	0.65	0.65	0.65	0.65	0.65	0.65	0.70	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	
7	Average	0.74	0.83	0.85	0.86	0.86	0.86	0.84	0.87	0.83	0.83	0.58	0.63	0.63	0.63	0.63	0.62	0.63	0.70	0.68	0.70	0.72	0.70	0.71	0.71	0.73	0.73	0.74	0.74	0.78	0.78	0.78	0.77	0.76	

Source: Value Line Software Analyzer

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CAPM Return

<u>Line</u>	<u>Description</u>	Duff & Phelps Normalized ² <u>MRP</u> (1)	Risk Premium ³ Derived <u>MRP</u> (2)	Average FERC S&P 500 DCF ⁴ Derived <u>MRP</u> (3)
Current Beta				
1	Risk-Free Rate ^{1,2}	3.50%	3.80%	3.80%
2	Market Risk Premium	5.50%	8.10%	8.60%
3	Beta ⁵	0.83	0.83	0.83
4	CAPM	8.08%	10.55%	10.97%
Historical Beta				
5	Risk-Free Rate ^{1,2}	3.50%	3.80%	3.80%
6	Market Risk Premium	5.50%	8.10%	8.60%
7	Beta ⁵	0.74	0.74	0.74
8	CAPM	7.56%	9.78%	10.15%
Current S&P Global Market Intelligence Beta				
9	Risk-Free Rate ^{1,2}	3.50%	3.80%	3.80%
10	Market Risk Premium	5.50%	8.10%	8.60%
11	Beta ⁵	0.58	0.58	0.58
12	CAPM	6.71%	8.53%	8.82%

Sources:

¹ *Kroll Increases U.S. Normalized Risk-Free Rate from 3.0% to 3.5%, but Spot 20-Year U.S. Treasury Yield Preferred When Higher.* June 16, 2022.

The Current 13-Wk Average 20-Yr Treasury Yield is 3.32%, Kroll Risk-Free Rate used in study.

² *Blue Chip Financial Forecasts*, July 1, 2022 at 2.

³ *Kroll 2022 SBBI Yearbook*, page 207.

⁴ Exhibit CCW-16, page 2.

⁵ Exhibit CCW-15, page 1.

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Development of the Market Risk Premium

<u>Line</u>	<u>Description</u>	<u>MRP</u>
<u>Risk Premium Based Method:</u>		
1	Lg. Co. Stock Real Market Return	9.20% ¹
2	Projected Consumer Price Index	<u>2.50%</u> ²
3	Expected Market Return	11.93%
4	Risk-Free Rate	<u>3.80%</u> ²
5	Market Risk Premium	8.10%
<u>FERC S&P 500 (Dividend Companies) 1-Step DCF Based Method:</u>		
6	S&P 500 Growth	10.40% ³
7	Index Dividend Yield	1.80% ³
8	Adjusted Yield	<u>1.89%</u>
9	Expected Market Return	12.29%
10	Risk-Free Rate	<u>3.80%</u> ²
11	Market Risk Premium	8.50%
<u>FERC S&P 500 (All Companies) 1-Step DCF Based Method:</u>		
12	Short-Term S&P 500 Growth	11.00% ⁴
13	Index Dividend Yield	1.40% ⁴
14	Adjusted Yield	<u>1.48%</u>
15	Expected Market Return	12.48%
16	Risk-Free Rate	<u>3.80%</u> ²
17	Market Risk Premium	8.70%
18	Average DCF Based MRP	8.60%

Sources & Note:

¹ *Kroll 2022 SBI Yearbook*, page 146.

² *Blue Chip Financial Forecast*, July 1, 2022.

³ S&P 500 1-Step DCF through June, 2022 for Dividend Paying Companies.

⁴ S&P 500 1-Step DCF through June, 2022 for all Companies.