



BEN ALBRITTON
President of the Senate

**STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL**

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
SUITE 812
TALLAHASSEE, FLORIDA 32399-1400
850-488-9330

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV



DANIEL PEREZ
*Speaker of the House of
Representatives*

July 20, 2026

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 20260026-GU - Application for rate increase by Florida City Gas

Dear Mr. Teitzman:

Please find enclosed for filing in the above referenced docket the Direct Testimony and Exhibits of Christopher C. Walters. This filing is being made via the Florida Public Service Commission's web-based electronic filing portal.

If you have any questions or concerns, please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely,

Walt Trierweiler
Public Counsel

/s/ Charles J. Rehwinkel
Charles J. Rehwinkel
Deputy Public Counsel
Florida Bar No.: 527599
rehwinkel.charles@leg.state.fl.us

CERTIFICATE OF SERVICE
DOCKET NO. 20260026-GU

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 20th day of July, 2026, to the following:

Major Thompson
Alisha Hixon
Florida Public Service Commission
Office of General Counsel
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
major.thompson@psc.state.fl.us
ahixon@psc.state.fl.us
discovery-gcl@psc.state.fl.us

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe Street, Suite 601
Tallahassee FL 32302
bkeating@gunster.com

Thomas A. Jernigan
Leslie R. Newton
Matthew R. Vondrasek
Ebony M. Payton
James B. Ely
Federal Executive Agencies
139 Barnes Drive, Suite 1
Tyndall Air Force Base, FL 32403
thomas.jernigan.3@us.af.mil
leslie.newton.1@us.af.mil
matthew.vondrasek.1@us.af.mil
ebony.payton.ctr@us.af.mil
james.ely@us.af.mil
ULFSC.Tyndall@us.af.mil

/s/ Charles J. Rehwinkel
Charles J. Rehwinkel
Deputy Public Counsel
rehwinkel.charles@leg.state.fl.us

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate increase by Florida
City Gas.

Docket No. 20260026-GU

Filed: July 20, 2026

DIRECT TESTIMONY

OF

CHRISTOPHER C. WALTERS

ON BEHALF

OF

THE CITIZENS OF THE STATE OF FLORIDA

Walt Trierweiler
Public Counsel

Charles J. Rehwinkel
Deputy Public Counsel

Austin Watrous
Associate Public Counsel

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Suite 812
Tallahassee, FL 32399-1400
(850) 488-9330

*Attorneys for the Citizens
of the State of Florida*

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DIRECT TESTIMONY

OF

CHRISTOPHER C. WALTERS

On Behalf of the Florida Office of Public Counsel

Before the

Florida Public Service Commission

DOCKET NO: 20260026-GU

I. INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS?

A. My name is Christopher C. Walters. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI").

Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.

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

As a Principal at BAI, I perform detailed technical analyses and research to support regulatory projects including expert testimony covering various regulatory issues. Since my career at BAI began in 2011, I have held the positions of Analyst, Associate Consultant, Consultant, Senior Consultant, and Associate. Throughout my tenure, I have been involved with several regulated projects for electric, natural gas, and water

1 and wastewater utilities, as well as competitive procurement of electric power and gas
2 supply. My regulatory project work includes estimating the cost of equity capital,
3 capital structure evaluations, assessing financial integrity, merger and acquisition
4 related issues, risk management related issues, depreciation rate studies, and other
5 revenue requirement issues.

6

7 **Q. PLEASE DESCRIBE BAI.**

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

10

11 BAI provides consulting services in the economic, technical, accounting, and financial
12 aspects of public utility rates and in the acquisition of utility and energy services
13 through Requests for Proposal and negotiations, in both regulated and unregulated
14 markets. Our clients include large industrial and institutional customers, some utilities
15 and, on occasion, state regulatory agencies. We also prepare special studies and
16 reports, forecasts, surveys, and siting studies, and present seminars on utility-related
17 issues.

18

19 In general, we are engaged in energy and regulatory consulting, economic analysis, and
20 contract negotiation.

21

22 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?**

23 A. Yes. I have sponsored testimony before state regulatory commissions, including:
24 Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Illinois, Iowa, Kansas,

1 Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri,
2 Montana, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, South
3 Carolina, Texas, Utah, and Wyoming. In addition, I have also sponsored testimony
4 before the City Council of New Orleans and an affidavit before the Federal Energy
5 Regulatory Commission (“FERC”).

6

7 **Q. HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR**
8 **QUALIFICATIONS AND EXPERIENCE?**

9 A. Yes. I have attached Exhibit CCW-1, which is a summary of my regulatory experience
10 and qualifications.

11

12 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

13 A. I was retained by the Florida Office of Public Counsel (“OPC”) to provide testimony
14 based on my independent assessment and opinion on a fair overall Rate of
15 Return (“ROR”) including a reasonable capital structure and Return on
16 Equity (“ROE”) for Florida City Gas (“FCG” or the “Company”).

17

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A. The purpose of my testimony is to address a fair overall ROR including a reasonable
20 capital structure and ROE. The fact that I do not address any other particular issues in
21 my testimony or am silent on any other aspect of FCG’s petition, Minimum Filing
22 Requirements (“MFR”), or testimony in this proceeding should not be interpreted as
23 agreement with FCG’s testimony. Also, my testimony does not preclude the OPC to
24 making further adjustments.

1 **II. SUMMARY**

2 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.**

3 A. My recommendations and conclusions are as follows:

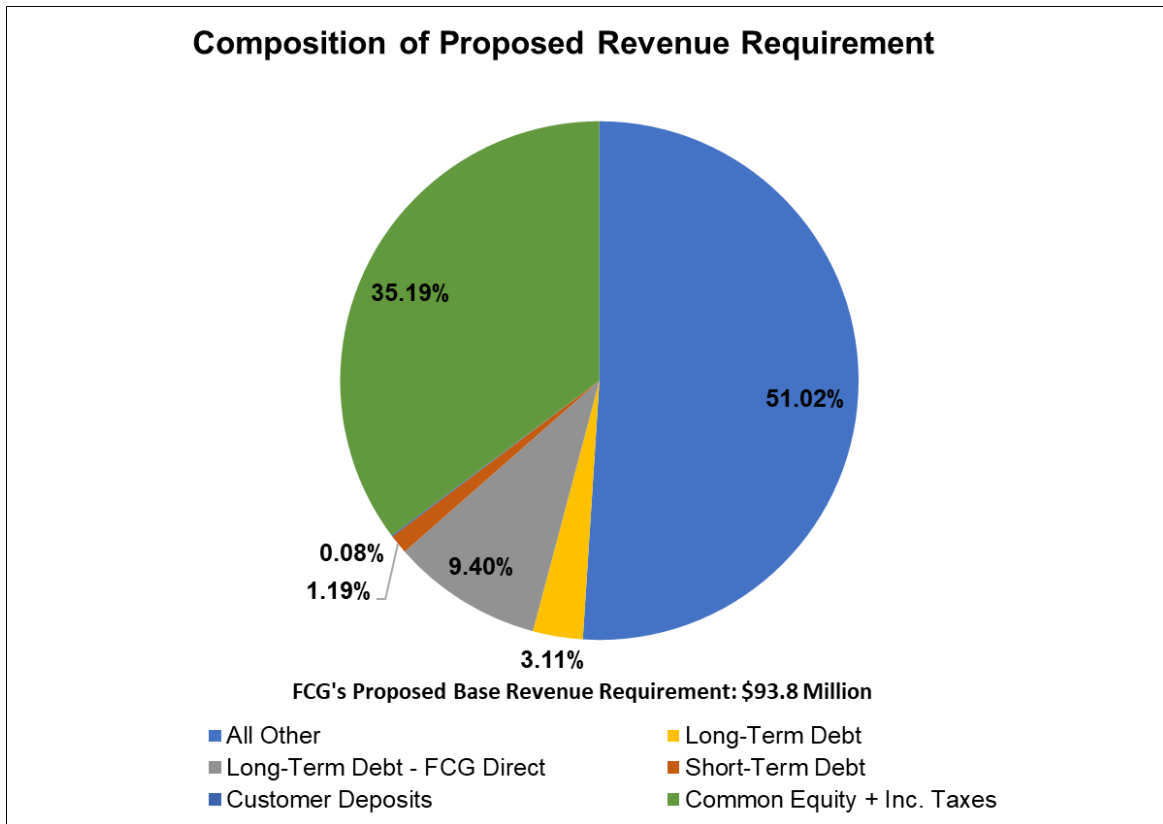
- 4 1. Reject FCG's requested ROE of 11.25% and instead recommend the Florida Public
5 Service Commission ("Commission") authorize an ROE of 9.45%, which is the
6 midpoint of the indicated range of 9.00% to 9.90% based on the results of several
7 financial models applied to a proxy group.
- 8 2. My recommendations, if adopted, would reduce FCG's claimed revenue deficiency
9 by approximately \$8.7 million annually.

10

11 **Q. IS THE OVERALL ROR A SIGNIFICANT COMPONENT OF FCG'S**
12 **REVENUE REQUIREMENTS?**

13 A. Yes, it is. As shown in Figure CCW-1, I have provided the relative percentage of
14 FCG's proposed revenue requirements attributable to the cost of debt, the ROE and
15 associated income taxes, as well as all other components of the Company's proposed
16 revenue requirement.

Figure CCW-1



1 As shown on this figure, the ROR makes up approximately 48.98% of FCG's requested
2 revenue requirement based on the Company's filing. The revenue requirement of the
3 requested ROE, including the associated income taxes required, is approximately
4 35.19% of the proposed total base rate revenue requirement.

5
6 The revenue requirement impact for every 10 basis points (0.10%) in the ROE is
7 approximately \$0.48 million. In other words, reducing FCG's requested ROE of
8 11.25% to my recommended 9.45% would save ratepayers approximately \$8.7 million
9 annually.

1 **Q. PLEASE DESCRIBE THE REMAINING SECTIONS OF YOUR TESTIMONY.**

2 A. In Section III of my testimony, I review and analyze the regulated utility industry's

3 access to capital, credit rating trends, and outlooks, as well as the overall trend in the

4 authorized ROE for utilities throughout the country. I conclude that the trend in

5 authorized ROEs for utilities has declined over the last several years and has remained

6 below 10.0% in more recent history. I also review the impact that the Federal Reserve

7 Board's ("the Fed") monetary policy actions have had on the cost of capital.

8

9 In Section IV of my testimony, I address FCG's proposed capital structure and cost of

10 debt, outline how a fair ROE should be established, provide an overview of the

11 market's perception of FCG's investment risk, and present the analyses I relied on to

12 estimate an appropriate ROE for FCG. Based on the results of several cost of equity

13 estimation methods performed on publicly traded utility companies, I estimate the

14 current fair market ROE to fall within the range of 9.00% to 9.90%. Based on my

15 assessment of FCG's overall risk profile and the results of the analytical methods, I

16 recommend an ROE of 9.45%, which is the mid-point of my overall estimated range.

17

18 In Section V of my testimony, I respond to the testimony and analysis of FCG's witness

19 Mr. David Haag. Mr. Haag calculates a range of reasonableness for ROE of 9.75%

20 to 12.01%, with a median of 10.36%. Rather than recommending the median of his

21 own study results, Mr. Haag recommends an ROE of 11.25%, which he selects as the

22 top of the middle third of his calculated range based on his assertion that FCG faces

23 business risks greater than those of the proxy group companies. His analyses, his

indicated range, and his overall recommendation are unreasonable and should be rejected.

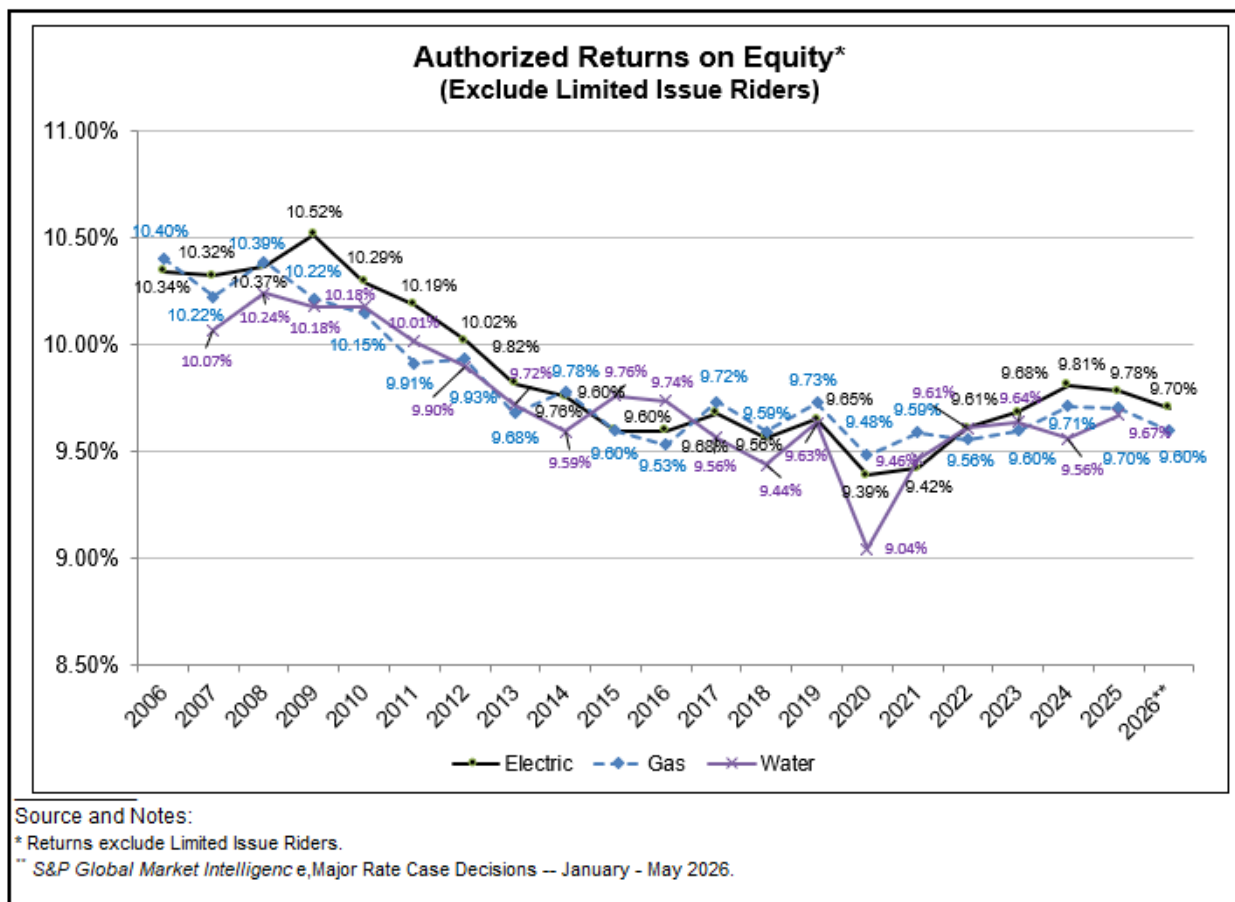
III. INDUSTRY TRENDS AND ECONOMIC ENVIRONMENT

III.A. Regulated Utility Industry Trends in Authorized ROEs and Access to Capital

Q. PLEASE DESCRIBE THE OBSERVABLE EVIDENCE ON TRENDS IN AUTHORIZED ROES FOR REGULATED UTILITIES.

A. Nationwide, average authorized ROEs for regulated utilities have generally declined since 2009, as illustrated in Figure CCW-2. They have been below 10.0% for more than a decade.

Figure CCW-2



1 **Q. PLEASE DESCRIBE THE RECENT DISTRIBUTION OF AUTHORIZED**
2 **ROES FOR REGULATED UTILITIES.**

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

Table CCW-1

<u>Distribution of Authorized ROEs</u>									
Line	Year	Natural Gas ¹				Water ²			
		Average	Median	Share of Decisions ≤ 9.5%	Share of Decisions ≤ 9.7%	Average	Median	Share of Decisions ≤ 9.5%	Share of Decisions ≤ 9.7%
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	2016	9.53%	9.50%	56.00%	72.00%	9.74%	9.75%	12.50%	12.50%
2	2017	9.73%	9.60%	39.13%	69.57%	9.56%	9.60%	44.44%	66.67%
3	2018	9.59%	9.60%	46.15%	66.67%	9.44%	9.40%	58.82%	88.24%
4	2019	9.73%	9.73%	19.35%	48.39%	9.63%	9.73%	16.67%	50.00%
5	2020	9.48%	9.46%	57.89%	73.68%	9.04%	9.45%	83.33%	100.00%
6	2021	9.59%	9.63%	41.30%	63.04%	9.46%	9.60%	20.00%	100.00%
7	2022	9.56%	9.60%	44.44%	72.22%	9.61%	9.65%	37.50%	62.50%
8	2023	9.60%	9.55%	46.15%	71.79%	9.64%	9.57%	40.00%	60.00%
9	2024	9.71%	9.75%	31.71%	48.78%	9.56%	9.60%	37.50%	87.50%
10	2025	9.70%	9.75%	21.74%	47.83%	9.64%	9.70%	20.00%	100.00%
11	2026	9.60%	9.68%	37.50%	50.00%				
Source and Notes:									
¹ S&P Global Market Intelligence, data through June 12, 2026.									
² S&P Global Market Intelligence, data through December 31, 2025.									
- Excludes limited issue rider cases.									

5 The distribution shows that the majority of authorized ROEs since 2016 have been
6 below 9.7%, with many below 9.5%.

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

3 A. In general, the utility industry's common equity ratio has not deviated much from the
4 range of 50.0% to 52.0%. As shown in Table CCW-2, I have provided the authorized
5 common equity ratios for utilities around the country, excluding the reported common
6 equity ratios for Arkansas, Florida, Indiana, and Michigan. For my overall market
7 analysis, I have excluded the reported authorized common equity ratios for these states
8 because these jurisdictions include sources of capital outside of investor-supplied
9 capital, such as accumulated deferred income taxes. As such, the reported common
10 equity ratios in these states would result in a downward bias in the reported permanent
11 common equity ratios authorized for ratemaking purposes within my trend analysis.

Table CCW-2

<u>Trends in State Authorized Common Equity Ratios</u> (Industry)							
<u>Line</u>	<u>Year</u> (1)	<u>Electric¹</u>		<u>Natural Gas¹</u>		<u>Water²</u>	
		<u>Average</u> (2)	<u>Median</u> (3)	<u>Average</u> (4)	<u>Median</u> (5)	<u>Average</u> (6)	<u>Median</u> (7)
1	2013	50.12%	51.03%	51.16%	50.43%	48.34%	48.66%
2	2014	50.28%	50.00%	51.90%	51.99%	49.69%	50.27%
3	2015	49.89%	50.47%	49.79%	50.33%	51.52%	51.68%
4	2016	49.70%	49.99%	51.85%	51.35%	50.65%	50.77%
5	2017	50.02%	49.85%	51.13%	51.76%	48.43%	46.09%
6	2018	50.60%	50.23%	51.56%	51.51%	52.41%	53.22%
7	2019	51.55%	51.37%	52.81%	52.42%	50.75%	50.35%
8	2020	50.93%	51.17%	52.30%	52.00%	49.75%	49.10%
9	2021	51.12%	52.00%	51.99%	52.00%	51.96%	52.73%
10	2022	51.64%	51.92%	51.77%	52.00%	51.53%	51.15%
11	2023	51.71%	52.29%	52.52%	52.01%	52.53%	53.40%
12	2024	51.18%	52.10%	52.33%	52.40%	52.02%	52.13%
13	2025	50.14%	51.20%	51.91%	51.94%	50.78%	52.26%
14	2026	50.65%	51.09%	53.75%	53.00%		
15	Min	49.70%	49.85%	49.79%	50.33%	48.34%	46.09%
16	Max	51.71%	52.29%	53.75%	53.00%	52.53%	53.40%
17	Average	50.68%	51.05%	51.91%	51.79%	50.80%	50.91%
18	Median	50.62%	51.13%	51.91%	51.99%	50.78%	51.15%
Source and Notes:							
¹ S&P Global Market Intelligence; data through June 12, 2026.							
² S&P Global Market Intelligence; data through December 31, 2025.							
- Excludes Arkansas, Florida, Indiana and Michigan							
because they include non-investor capital.							

1 **Q. HAVE UTILITIES BEEN ABLE TO ACCESS EXTERNAL CAPITAL TO**
2 **SUPPORT CAPITAL EXPENDITURE PROGRAMS?**

3 A. Yes. Utilities have enjoyed robust access to capital markets under favorable terms and
4 costs. This access to capital is in recognition of the returns that regulatory commissions
5 have found to be fair and reasonable. The Regulatory Research Associates' ("RRA")

January 5, 2026, Utility Capital Expenditures Report, RRA Financial Focus, made several relevant comments about utility investments generally:

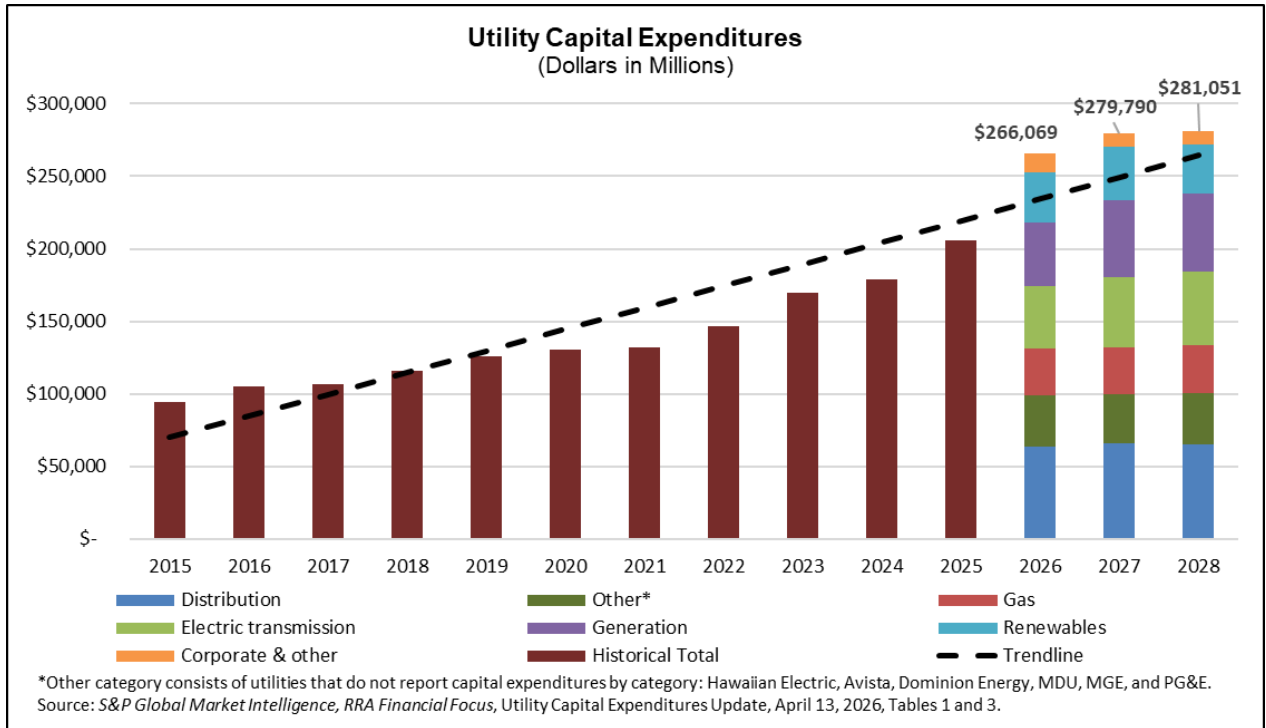
- Projected 2025 capital expenditure (“capex”) for 47 investor-owned energy utilities tracked by RRA stands at \$214.293 billion, consistent with the \$214.70 billion identified in RRA’s September 2025 outlook and up from the \$212 billion in RRA’s Spring 2025 outlook, as the companies continue to refine their capital allocation strategies in response to regulatory requirements, energy demand shifts and other factors.
- The updated 2025 forecast represents an approximate 23% increase from the \$173 billion spent in 2024, a 31% increase compared with the nearly \$164 billion spent in 2023 and a nearly 50% increase compared to the \$146 billion invested in 2022.
- For the 2025-29 period, aggregate energy utility spending is now forecast at \$1.174 trillion, up from \$1.055 trillion in the September 2025 outlook, fueled by increases in planned electric transmission, natural gas and renewable energy spending.
- Aggregate energy utility investments are now projected to reach \$246.212 billion in 2026, \$251.964 billion in 2027 and \$251.642 billion in 2028, a cumulative 10.8% increase over

1 the 2026-28 forecast spending levels in RRA’s September
2 capex forecast.

- 3 • Within the smaller investor-owned water utility sector, total
4 capex is projected to grow approximately 15% in 2025 to
5 \$6.2 billion, from \$5.4 billion in 2024. This continues the
6 trend of double-digit growth rates, with 11% posted in 2023
7 and 13% in 2022.
- 8 • The aggregate energy capex forecast for 2029 has increased
9 to \$210.686 billion from \$164.4 billion in the September
10 outlook, as utility companies continue to identify new
11 investment opportunities and solidify their project plans in
12 the years ahead.¹

¹ S&P Global Market Intelligence, RRA Financial Focus: “Energy utility capex forecast nears \$1.2 trillion in 2025-29” (Jan. 5, 2026).

Figure CCW-3



1 As demonstrated in Figure CCW-3 above, and in the comments made by RRA S&P
2 Global Market Intelligence (“MI”), capital investments for the utility industry continue
3 to stay at elevated levels. These capital expenditures are expected to fuel utilities’ profit
4 growth into the foreseeable future. This is clear evidence that these capital investments
5 are enhancing shareholder value and are attracting both equity and debt capital to the
6 utility industry in a manner that allows for funding these elevated capital investments.
7 While capital markets embrace these profit-driven capital investments, regulatory
8 commissions also must be careful to maintain reasonable prices and tariff terms and
9 conditions to protect consumers’ need for reliable utility service at reasonable rates. If
10 this is not done, utility rates will expand beyond the ability of consumers to pay,
11 resulting in revenue constraints for utilities, which will impact their financial integrity.

1 **Q. HAVE MARKET VALUATIONS OF REGULATED UTILITY EQUITY**
2 **SECURITIES SUPPORTED UTILITIES' ACCESS TO EQUITY CAPITAL?**

3 A. Yes. Market valuations of regulated utility equity securities have remained strong and
4 continue to support utilities' access to equity capital on favorable terms. As shown on
5 Exhibit CCW-2, the historical valuations of utilities followed by The *Value Line*
6 *Investment Survey* ("*Value Line*"), based on Price-to-Earnings ("P/E") ratios,
7 Price-to-Cash Flow ratios, and Market Price-to-Book Value ratios, indicate that utility
8 security valuations today are robust relative to recent years. These valuation multiples
9 are significant because they reflect the market's assessment of whether utilities are
10 earning returns sufficient to attract capital. A Market Price-to-Book Value ratio above
11 1.0x, for example, indicates that investors believe the utility's authorized returns are at
12 least adequate to meet or exceed their required ROR. These favorable valuations signal
13 that utilities can issue new equity at prices above book value, avoiding the dilution to
14 existing shareholders and upward rate pressure that would result from equity issuances
15 at or below book value.

16
17 In addition, dividend yields for the utility sector have generally declined relative to
18 historical levels, reflecting increased investor demand for utility equity securities. This
19 compression in dividend yields is consistent with a reduction in investors' required cost
20 of equity. When investors are willing to pay higher prices relative to earnings, cash
21 flow, and book value, and accept lower dividend yields, the market is signaling
22 confidence in the financial stability and regulatory environment supporting these
23 utilities.

1 **Q. WHAT DO CURRENT MARKET VALUATIONS IMPLY ABOUT THE COST**
2 **OF EQUITY FOR REGULATED UTILITIES?**

3 A. Current market valuations provide useful context for understanding the market's
4 assessment of the cost of equity for regulated utilities. When a utility's stock trades at
5 a Market Price-to-Book Value ratio well above 1.0x, as is the case for most utilities
6 today, it indicates that the market believes the utility's authorized ROE exceeds or is at
7 least consistent with investors' required return. If authorized returns were insufficient,
8 investors would not pay a premium to book value for utility shares. This relationship
9 between market valuations and authorized returns is an important market signal. It
10 confirms that the returns authorized by regulatory commissions have been sufficient to
11 attract equity capital on reasonable terms.

12
13 It is also important to note that the broader equity markets have performed strongly
14 over recent years. For full year 2025, the S&P 500 posted a total return of
15 approximately 17.9%, following total returns of approximately 25.0% in 2024 and
16 26.3% in 2023.² Despite this strong overall market performance, investors have
17 continued to allocate capital to the utility sector, which offers more modest but stable
18 returns. This willingness of investors to hold and acquire utility shares during a period
19 of strong alternative investment performance underscores the attractiveness of utility
20 returns under current authorized ROE levels.

21
22 **Q. HAVE REGULATED UTILITIES BEEN ABLE TO ISSUE EQUITY CAPITAL**
23 **TO SUPPORT THEIR CAPITAL INVESTMENT PROGRAMS?**

² S&P Dow Jones Indices, Market Attributes: U.S. Equities December 2025.

1 A. Yes. The utility industry has demonstrated robust access to equity capital markets,
2 which is direct evidence that authorized returns have been sufficient to attract equity
3 investment. According to S&P Global Ratings’ Industry Credit Outlook 2026,
4 common equity issuance by investor-owned utilities reached approximately \$16 billion
5 in 2025, which represented an increase of approximately 40% (or roughly 90% by some
6 measures) compared to 2024 levels. Hybrid security issuance also reached record
7 levels at approximately \$30 billion in 2025. S&P Global notes that this increased
8 equity and hybrid issuance reflects the industry’s need to fund robust cash flow deficits
9 of approximately \$100 billion annually in a credit-supportive manner.³

10

11 This equity issuance activity is significant for several reasons. First, utilities have been
12 able to access equity capital markets at prices above book value, meaning that new
13 equity issuances are accretive rather than dilutive to existing shareholders and
14 ratepayers. Second, the sustained investor appetite for utility equity, including through
15 At-the-Market offering programs and public equity offerings, confirms that the returns
16 authorized by regulatory commissions are meeting the capital attraction standard that
17 the U.S. Supreme Court (“Supreme Court”) established in *Hope Natural Gas Co.* and
18 *Bluefield Water Works. Bluefield Water Works & Improvement Co. v. Pub. Serv.*
19 *Comm’n of W. Va.*, 262 U.S. 679 (1923) and *Fed. Power Comm’n v. Hope Natural Gas*
20 *Co.*, 320 U.S. 591 (1944) (*Hope and Bluefield*). Third, the record levels of equity and
21 hybrid issuance coincide with a period of record capital spending, which S&P Global

³ S&P Global, Industry Credit Outlook 2026: North American Regulated Utilities, January 14, 2026.

1 estimates reached approximately \$250 billion in 2025, breaking the prior year's record
2 for the fourth consecutive year.⁴
3

4 **Q. WHAT CONCLUSION DO YOU DRAW FROM THIS OBSERVABLE**
5 **MARKET DATA IN FORMING YOUR RECOMMENDED ROE AND**
6 **OVERALL ROR?**

7 A. Generally, the observable market evidence on valuations, equity issuance activity, and
8 access to capital confirms that authorized ROEs have been sufficient to attract equity
9 capital on reasonable terms. These favorable conditions, combined with the credit
10 outlook and monetary policy environment discussed in the following sections of my
11 testimony, reinforce the conclusion that the Commission should ensure that utility rates
12 are increased no more than necessary to provide fair compensation and maintain
13 financial integrity while also achieving customer affordability.
14

15 III.B. Impact of Monetary Policy

16 **Q. ARE THE FEDERAL OPEN MARKET COMMITTEE'S ("FOMC") ACTIONS**
17 **KNOWN TO THE MARKET PARTICIPANTS, AND IS IT REASONABLE TO**
18 **BELIEVE THEY ARE REFLECTED IN THE MARKET'S VALUATION OF**
19 **BOTH DEBT AND EQUITY SECURITIES?**

20 A. Yes. The FOMC communicates its monetary policy objectives with a high degree of
21 transparency, including its dual mandate to achieve maximum employment and stable
22 inflation near 2%. To achieve these objectives, the FOMC adjusts its policy stance in
23 phases depending on economic conditions. For example, in response to the

⁴ *Id.*

1 pandemic-induced downturn, the FOMC adopted an accommodative stance by
2 lowering the federal funds rate to near zero and engaging in Quantitative Easing,
3 purchasing Treasury securities and agency mortgage-backed securities to support
4 market liquidity and economic growth.

5

6 Beginning in March 2022, the FOMC transitioned to a tightening phase, raising the
7 target federal funds rate. In June 2022, it began reducing its balance sheet (Quantitative
8 Tightening) by allowing maturing Treasury and agency mortgage-backed securities to
9 roll off its balance sheet without reinvestment. That phase of policy tightening
10 persisted into 2024.

11

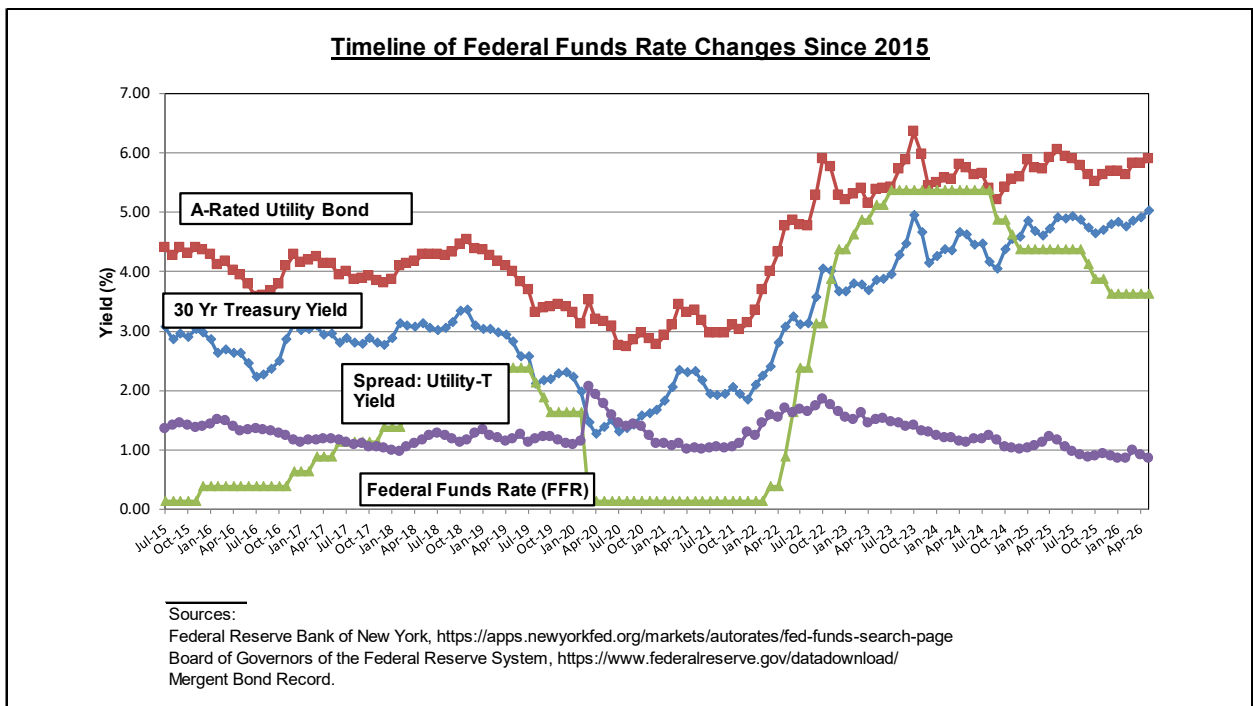
12 Since September 2024, the FOMC has lowered the federal funds rate multiple times,
13 signaling a shift toward a more accommodative or neutral stance in response to
14 evolving economic data. While balance sheet reduction continues, the pace has slowed
15 considerably, especially for Treasury securities, reflecting a more measured policy
16 approach.

17

18 In its December 2025 meeting, the Fed decided to reduce the federal funds rate to a
19 range of 3.50%-3.75%. The FOMC also stated that it will continue to closely monitor
20 economic activity before making any further adjustments aimed at achieving the target
21 2% inflation rate. The Fed noted that the reserve balance has declined and will initiate
22 short-term Treasury securities purchases to maintain sufficient reserves. In its

1 December 2025 press release, the Fed reiterated its strong commitment to returning
 2 inflation toward the 2% target.⁵
 3
 4 Market reactions to these actions are reflected in the valuation of debt and equity
 5 securities. A visualization of the market's response to the federal funds rate changes is
 6 shown in Figure CCW-4.

Figure CCW-4



7 As shown in Figure CCW-4 above, the federal funds rate has risen more rapidly than
 8 Utility and Treasury bond yields. Meanwhile, the yield spread between Utility bonds
 9 and Treasury bonds has narrowed and is currently below its long-term average. This
 10 narrower spread suggests that investors perceive lower relative risk in Utility bonds
 11 compared to Treasuries, requiring less additional yield to hold them. This trend
 12 typically reflects greater confidence in the financial stability and creditworthiness of

⁵ Federal Reserve Press Release, Federal Reserve Issues FOMC Statement, December 10, 2025.

1 utilities, driven by factors such as stable and consistent earnings, favorable regulatory
2 environments, or improved credit fundamentals.

3

4 **Q. HAS THE FOMC MADE RECENT COMMENTS CONCERNING**
5 **MONETARY POLICY AND THE POTENTIAL IMPACT ON INTEREST**
6 **RATES?**

7 A. Yes. On December 10, 2025, the FOMC released the following statement:

8 Available indicators suggest that economic activity has been
9 expanding at a moderate pace. Job gains have slowed this year,
10 and the unemployment rate has edged up through September.
11 More recent indicators are consistent with these developments.
12 Inflation has moved up since earlier in the year and remains
13 somewhat elevated.

14 The Committee seeks to achieve maximum employment and
15 inflation at the rate of 2 percent over the longer run. Uncertainty
16 about the economic outlook remains elevated. The Committee
17 is attentive to the risks to both sides of its dual mandate and
18 judges that downside risks to employment rose in recent months.

19 In support of its goals and in light of the shift in the balance of
20 risks, the Committee decided to lower the target range for the
21 federal funds rate by 1/4 percentage point to 3-1/2 to
22 3-3/4 percent. In considering the extent and timing of additional
23 adjustments to the target range for the federal funds rate, the
24 Committee will carefully assess incoming data, the evolving
25 outlook, and the balance of risks. The Committee is strongly
26 committed to supporting maximum employment and returning
27 inflation to its 2 percent objective.

28 In assessing the appropriate stance of monetary policy, the
29 Committee will continue to monitor the implications of
30 incoming information for the economic outlook. The
31 Committee would be prepared to adjust the stance of monetary
32 policy as appropriate if risks emerge that could impede the
33 attainment of the Committee's goals. The Committee's
34 assessments will take into account a wide range of information,
35 including readings on labor market conditions, inflation
36 pressures and inflation expectations, and financial and
37 international developments.

1 The Committee judges that reserve balances have declined to
2 ample levels and will initiate purchases of shorter-term Treasury
3 securities as needed to maintain an ample supply of reserves on
4 an ongoing basis.⁶

5 The December 10, 2025 FOMC statement indicates that economic activity has
6 continued to expand at a moderate pace, while job gains have slowed and the
7 unemployment rate has edged up. Inflation has increased since earlier in the year and
8 remains somewhat elevated. The Committee noted that uncertainty surrounding the
9 economic outlook remains elevated and that downside risks to employment have
10 increased.

11
12 In response to the shifting balance of risks, the Fed reduced the target range for the
13 federal funds rate by 0.25 percentage point to 3.50% to 3.75%. The FOMC reaffirmed
14 its commitment to maximum employment and returning inflation to its 2% objective,
15 and emphasized that future policy adjustments will depend on incoming data and the
16 balance of risks. The FOMC also indicated that it will initiate purchases of shorter-term
17 Treasury securities as needed to maintain an ample supply of reserves.

18
19 **Q. WHAT DO INDEPENDENT ECONOMISTS' OUTLOOKS FOR FUTURE**
20 **INTEREST RATES AND INFLATION LEVELS INDICATE?**

21 A. Independent economists, surveyed by *Blue Chip Financial Forecasts*, expect long-term
22 bond yields to remain relatively flat or have a marginal decrease over the near term,
23 while maintaining levels that are still relatively lower than long-term historical levels.
24 Inflation, as measured through the Gross Domestic Product ("GDP") price index, is

⁶ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a.htm> (Dec. 10, 2025).

1 expected to decrease over the near to intermediate term. The consensus projections for
2 the next several quarters are provided in Table CCW-3.

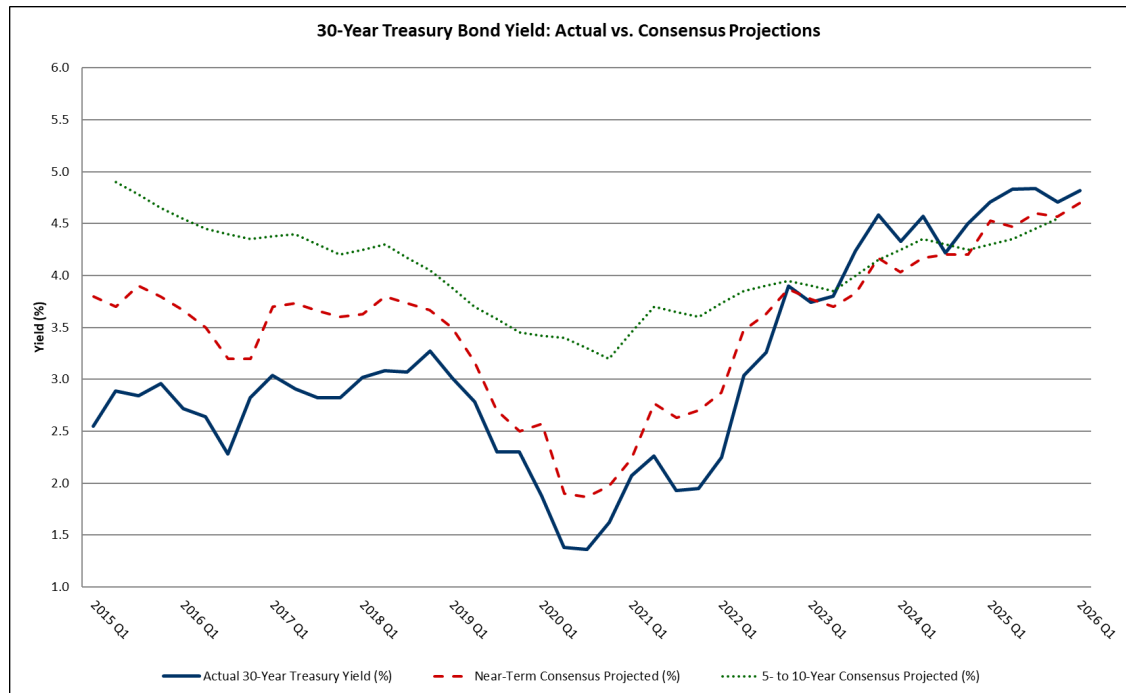
Table CCW-3

Blue Chip Financial Forecasts											
<u>Projected 30-Year Treasury Bond Yields and GDP Price Index</u>											
<u>Publication Date</u>	<u>1Q 2025</u>	<u>2Q 2025</u>	<u>3Q 2025</u>	<u>4Q 2025</u>	<u>1Q 2026</u>	<u>2Q 2026</u>	<u>3Q 2026</u>	<u>4Q 2026</u>	<u>1Q 2027</u>	<u>2Q 2027</u>	<u>3Q 2027</u>
<u>T-Bond, 30 yr.</u>											
May-25	4.7	4.6	4.5	4.5	4.4	4.4	4.4				
Jun-25	4.7	4.8	4.7	4.6	4.6	4.6	4.5				
Jul-25		4.8	4.8	4.7	4.7	4.7	4.6	4.6			
Aug-25		4.8	4.9	4.8	4.7	4.7	4.6	4.6			
Sep-25		4.8	4.9	4.7	4.7	4.7	4.6	4.6			
Oct-25			4.9	4.7	4.6	4.6	4.6	4.7	4.6		
Nov-25			4.8	4.6	4.6	4.6	4.6	4.6	4.5		
Dec-25			4.8	4.7	4.6	4.6	4.6	4.6	4.6		
Jan-26				4.7	4.7	4.7	4.7	4.7	4.7	4.6	
Feb-26				4.7	4.8	4.8	4.8	4.8	4.8	4.8	
Mar-26				4.7	4.8	4.8	4.8	4.8	4.7	4.7	
Apr-26					4.8	4.9	4.8	4.8	4.8	4.8	4.8
May-26					4.8	4.9	4.9	4.8	4.8	4.8	4.8
Jun-26					4.8	5.0	5.0	4.9	4.9	4.8	4.8
<u>GDP Price Index</u>											
May-25	3.7	3.4	3.2	2.9	2.6	2.3	2.3				
Jun-25	3.7	2.9	3.4	2.8	2.6	2.2	2.3				
Jul-25		2.9	3.3	2.9	2.6	2.2	2.2	2.2			
Aug-25		2.0	3.3	2.9	2.6	2.3	2.3	2.3			
Sep-25		2.0	3.1	3.0	2.6	2.3	2.3	2.3			
Oct-25			3.1	2.9	2.6	2.3	2.3	2.3	2.3		
Nov-25			3.1	2.9	2.6	2.4	2.3	2.3	2.3		
Dec-25			3.1	2.9	2.7	2.5	2.3	2.3	2.3		
Jan-26				2.9	2.7	2.5	2.3	2.4	2.3	2.2	
Feb-26				2.9	2.7	2.5	2.5	2.3	2.4	2.3	
Mar-26				3.6	2.7	2.5	2.4	2.4	2.4	2.3	
Apr-26					2.7	3.4	2.6	2.6	2.5	2.3	2.3
May-26					3.6	4.0	2.6	2.7	2.5	2.4	2.3
Jun-26					3.5	4.4	2.7	2.6	2.5	2.3	2.2
Source and Note:											
Blue Chip Financial Forecasts, May 2025 through June 2026.											
Actual Yields in Bold.											

3 **Q. WHAT IS THE OUTLOOK FOR LONG-TERM INTEREST RATES, AND**
4 **WHY DOES IT MATTER?**

5 A. The outlook for long-term interest rates in the intermediate to long-term is also
6 impacted by the current Fed actions and the expectation that eventually the Fed's
7 monetary actions will return to more normal levels. Long-term interest rate projections
8 are illustrated in Figure CCW-5.

Figure CCW-5



1 As shown in Figure CCW-5 above, the outlook for interest rates has moderated more
2 recently relative to 2020 and part of 2021. For example, when actual interest rates were
3 in the range of 1.4% to 2.1%, the near-term projections for 30-year Treasury yields
4 ranged from 1.9% to 2.8% in 2020-2021, while the projections for five to ten years out
5 were in the range of 2.8% to 3.9%. Most recently, actual interest rates were
6 approximately 4.5%, with near and intermediate projections in the range of 4.2% to
7 4.3%. While interest rates were expected to increase drastically from their actual levels
8 in the 2020-2021 period, those same projections are now flat to declining, which
9 indicates the cost of long-term capital might be near its peak.

1 III.C. Market Sentiments and Utility Industry Outlook

2 **Q. PLEASE DESCRIBE THE CREDIT RATING OUTLOOK FOR REGULATED**
3 **UTILITIES.**

4 A. S&P's *Industry Credit Outlook 2026* (dated January 14, 2026) comments that North
5 American regulated utilities' credit quality is stabilizing and potentially improving. For
6 the first time after the COVID-19 pandemic, the upgrades outpaced the downgrades
7 and the percentage of companies with a negative outlook declined. The report makes
8 the following points:

- 9 1. Electricity sales have increased due to data centers expansion.
- 10 2. Credit quality remains pressured due to natural disaster risks to infrastructure.
- 11 However, states are proactively enacting credit supportive laws that reduce
12 regulatory lag and mitigate wildfire risks.
- 13 3. S&P's outlook reflects large capital spending projections with consistent access to
14 capital markets and supportive regulatory treatment.
- 15 4. The expectation that utilities will manage credit metrics by funding capital
16 expenditure with balanced amounts of debt and equity. Utilities are issuing more
17 equity and hybrid securities to fund infrastructure investments in credit supportive
18 manner.
- 19 5. Managing regulatory risk is especially highlighted during the large capital spending
20 periods because utilities must prioritize rate affordability and the impacts on
21 customer bills through this period.

22

23 S&P notes that around 93% of the industry has stable to positive credit rating outlooks,
24 and the industry median credit rating remains in the BBB+ category. This outlook

1 reflects S&P's industry outlook based on rising capital spending, higher cash flow
2 deficits, and increased wildfire risks.⁷

3 S&P notes the key assumptions and risks around the baseline⁸ to include:

4 1. Wildfire mitigation efforts.

5 Wildfire risk mitigation, while clearly a credit positive, may not
6 fully address the threats associated with extreme weather events.

7 2. Data centers and sales growth.

8 Data center electricity demand will likely boost revenues at North
9 American investor-owned regulated utilities and provide modest
10 support for the industry's credit quality.

11 3. Managing the customer bill.

12 The average electric customer bill is about 2% of U.S. median
13 household income, which represents good value for customers
14 relative to other typical household bills. Preserving this value is
15 critical for the industry to maintain credit quality.

16
17 Managing customer bills is even more profound for Transmission
18 and Distribution Utilities. Energy and capacity costs are directly
19 passed through the customer bills. These costs have increased
20 which affects utility's ability to manage regulatory risk.⁹

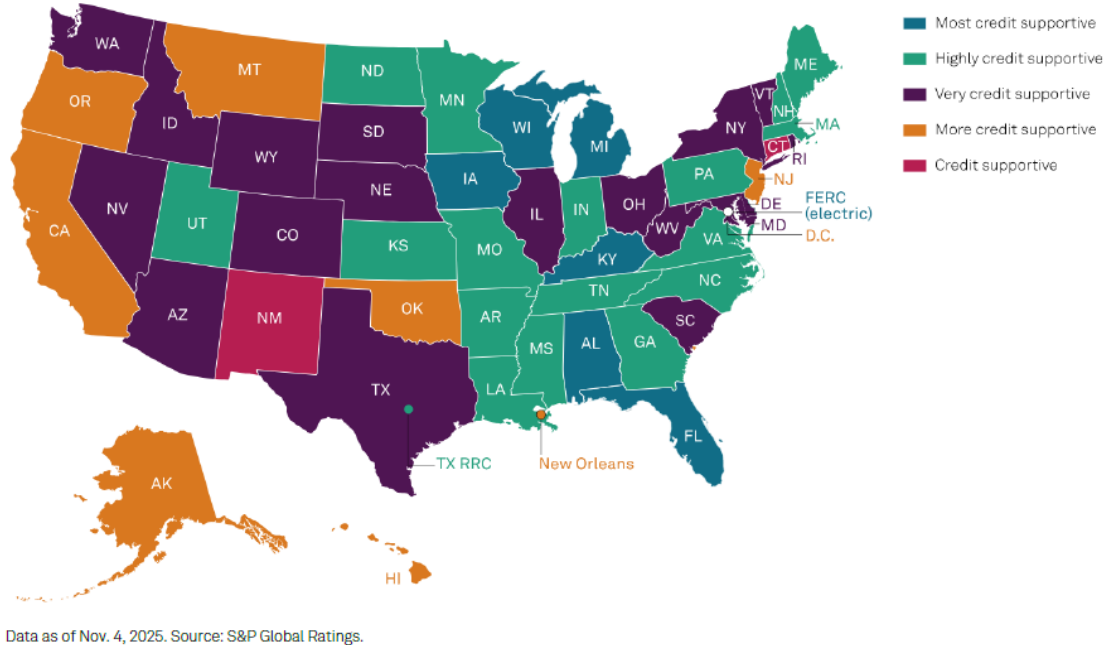
⁷ S&P Global, Ratings Industry Credit Outlook 2026: North American Regulated Utilities, January 14, 2026.

⁸ *Id.*

⁹ *Id.* at 14.

1 From a managing customer bill standpoint, the credit rating agency provides a clear
2 description of its assessment of regulatory treatment of utilities across the various
3 jurisdictions. S&P’s regulatory risk rating of U.S. jurisdictions is depicted below.

Figure CCW-6
Regulatory Assessment by State¹⁰



4 As outlined in Figure CCW-6 above, the Commission’s jurisdiction is noted as “Most
5 Credit Supportive.” The Commission’s rating reflects confidence from the investment
6 community that the Commission-approved regulatory mechanisms support utilities’
7 ability to fully recover their cost of service, under efficient and economic management.

8

9 **Q. THE S&P REPORT YOU CITE FOCUSES PRIMARILY ON ELECTRIC AND**
10 **COMBINATION UTILITIES. WHY IS THIS INDUSTRY OUTLOOK**
11 **RELEVANT TO GAS DISTRIBUTION UTILITIES SUCH AS FCG?**

¹⁰ *Id.* at 9.

1 A. S&P's Industry Credit Outlook for North American Regulated Utilities covers the entire
2 regulated utility industry, including gas distribution companies. S&P does not publish
3 a separate credit outlook for gas distribution utilities. Rather, S&P evaluates the
4 industry as a unified sector because electric, gas, and combination utilities share a
5 common investor base and compete for capital in the same debt and equity markets.

6
7 This is an important consideration for purposes of the cost of capital determination.
8 When S&P discusses the industry median credit rating, outlook distribution, or credit
9 metrics such as Funds From Operation ("FFO")-to-debt, those assessments directly
10 influence how the capital markets price the debt and equity of all regulated utilities,
11 including gas distribution companies like FCG. Investors evaluating a bond issuance
12 or equity investment in a gas distribution utility will benchmark that opportunity
13 against the broader regulated utility sector, and the credit trends S&P identifies apply
14 to the entire asset class.

15
16 That said, certain risk factors highlighted in S&P's report are more specifically oriented
17 toward electric utilities than gas distribution utilities. The discussions of wildfire risk,
18 data center demand growth, Transmission and Distribution ("T&D") capacity cost
19 pass-throughs, and rising energy costs are primarily electric utility issues. Gas
20 distribution utilities such as FCG do not face wildfire liability exposure, do not serve
21 data center load, and do not have the same capacity cost pass-through dynamics that
22 challenge T&D-only electric utilities. To the extent these are the principal risks
23 pressuring credit quality across the broader industry, the fact that gas distribution

1 utilities are largely insulated from them is a consideration that supports the financial
2 strength and lower relative risk of utilities such as FCG.

3

4 **Q. ARE THERE ANY ASPECTS OF S&P'S INDUSTRY OUTLOOK THAT ARE**
5 **PARTICULARLY RELEVANT TO FCG?**

6 A. Yes. Several of S&P's key themes are directly applicable to gas distribution utilities.

7 First, S&P's emphasis on credit-supportive funding of cash flow deficits applies to gas
8 utilities that are engaged in significant capital spending programs. S&P's expectation
9 that utilities will fund capital expenditure programs with balanced amounts of debt and
10 equity, including through hybrid security issuance, reflects the credit rating agency's
11 view that maintaining credit quality requires disciplined capital structure management.
12 Second, S&P's discussion of managing regulatory risk is applicable to gas utilities.
13 S&P notes that revenue requirements authorized in rate case orders have more than
14 doubled over the past decade. For gas distribution utilities with large capital needs,
15 this means the stakes of the rate case process have increased. S&P's assessment of
16 Florida as a "Most Credit Supportive" jurisdiction reflects confidence that the
17 Commission's regulatory framework supports utilities' ability to fully recover their cost
18 of service. This favorable regulatory assessment means FCG can maintain its financial
19 integrity and access to capital with a moderate capital structure and a reasonable ROE,
20 without the premium that might be warranted in a jurisdiction S&P considers less credit
21 supportive.

22

23 Finally, S&P notes that approximately 40% of the industry operates with minimal
24 financial cushion from downgrade thresholds is relevant to the extent FCG may argue

1 they need a higher equity ratio as a buffer. The fact that a substantial portion of the
2 industry operates with limited cushion and still maintains investment grade credit
3 ratings, demonstrates that a 50.0% equity ratio, combined with a reasonable ROE,
4 provides adequate credit support for a gas distribution utility operating in a jurisdiction
5 categorized as “Most Credit Supportive”.

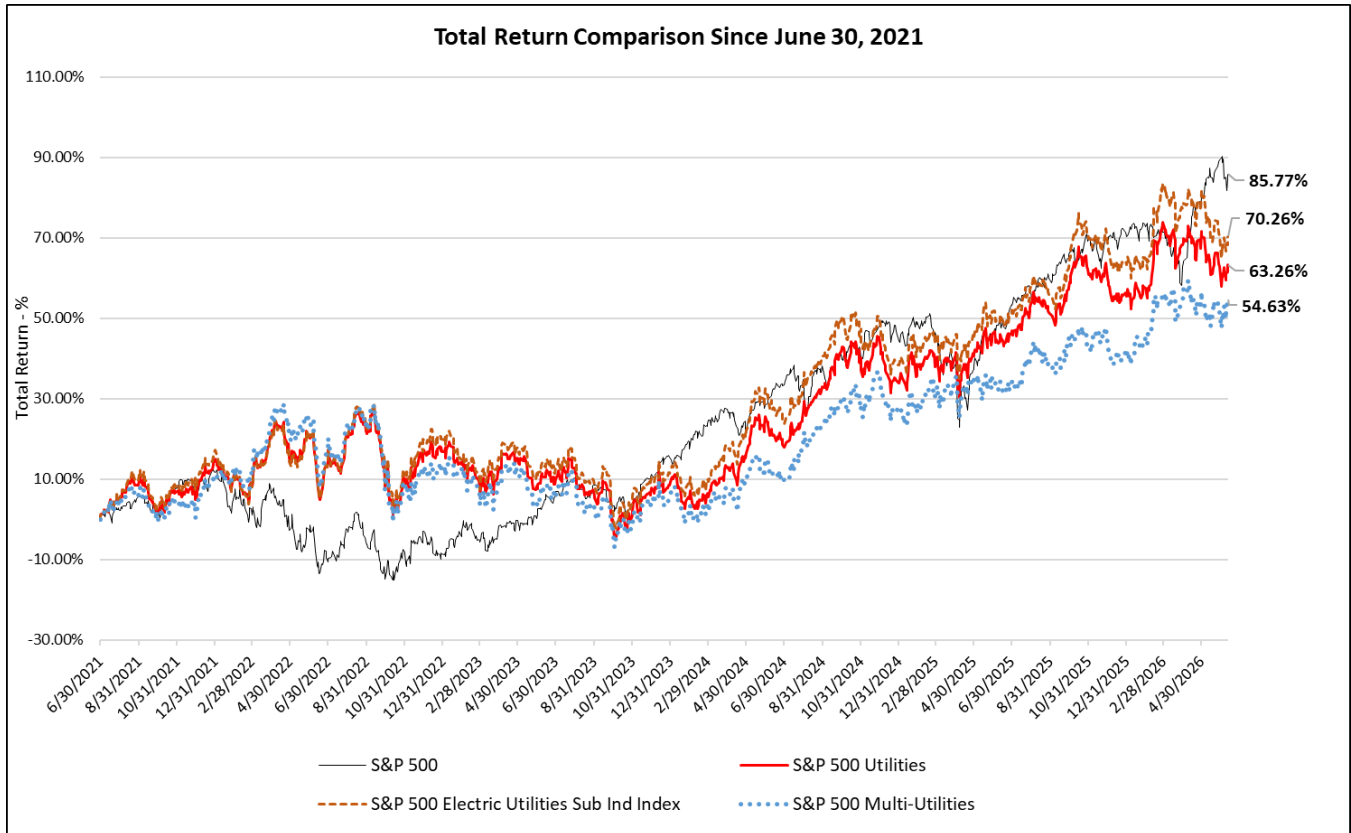
6

7 III.D. Additional Remarks

8 **Q. HOW HAS THE UTILITY SECTOR PERFORMED RELATIVE TO THE**
9 **BROADER EQUITY MARKET?**

10 A. Since the beginning of the second half of 2021 through June 12, 2026, the utility sector
11 has produced strong absolute returns while trailing the headline S&P 500. As shown
12 in Figure CCW-7 below, the S&P 500 produced a total return of 85.77% over this
13 period, compared to 70.26% for the S&P 500 Electric Utilities Sub Industry Index,
14 63.26% for the S&P 500 Utilities Index, and 54.63% for the S&P 500 Multi-Utilities
15 Index.

Figure CCW-7



1 However, interpreting the S&P 500's headline performance requires important context.

2 The S&P 500 is a market capitalization-weighted index, meaning companies with

3 larger market capitalizations have a disproportionate impact on the index's overall

4 performance. As noted in the S&P Dow Jones Indices' Market Attributes report for

5 December 2025, the group of large-capitalization technology stocks commonly known

6 as the Magnificent 7 contributed approximately 42% of the S&P 500's 2025 total

7 return. Without the Magnificent 7, the S&P 500's 2025 total return of 17.9% would

8 have been approximately 10.4%. Over the three-year period ending December 2025,

9 the Magnificent 7 contributed 55% of the S&P 500's total return.¹¹

¹¹ S&P Dow Jones Indices, Market Attributes: U.S. Equities December 2025.

1 This concentration effect is significant for two reasons relevant to this proceeding.
2 First, the utility sector's performance should not be unfavorably compared to an index
3 whose returns are heavily skewed by a small number of technology companies with
4 risk and return profiles fundamentally different from regulated utilities. Second, when
5 the Magnificent 7's outsized contribution is removed, the utility sector's performance
6 has been competitive with, and for electric utilities has exceeded, the returns of the
7 broader market. Indeed, as Figure CCW-7 shows, the utility indices led the S&P 500
8 for most of the measurement period, with the broader index pulling ahead only in the
9 final months. This comparison reinforces the conclusion that utilities have remained
10 attractive to investors at currently authorized ROE levels.

11
12 **Q. DOES THE CREDIT OUTLOOK FOR THE UTILITY INDUSTRY CONFIRM**
13 **THAT CURRENT MARKET CONDITIONS SUPPORT ACCESS TO**
14 **CAPITAL?**

15 A. Yes. Multiple credit rating agencies have confirmed that the utility industry's credit
16 quality is stabilizing or improving, which further supports the conclusion that utilities
17 enjoy strong access to capital. S&P Global notes in its Industry Credit Outlook 2026
18 that for the first time since the COVID-19 pandemic, upgrades outpaced downgrades
19 in 2025, and the percentage of companies with a negative outlook declined to
20 approximately 10%, compared to a recent historical average of approximately 20%.
21 S&P also reported that approximately 93% of the industry has stable to positive credit
22 rating outlooks, and the industry's median credit rating remains in the BBB+
23 category.¹²

¹² S&P Global, Industry Credit Outlook 2026: North American Regulated Utilities, January 14, 2026.

1 Similarly, Fitch Ratings (“Fitch”), in its North American Utilities and Power
2 Outlook 2026 (dated December 9, 2025), maintains a neutral sector outlook supported
3 by meaningful expected increases in electricity sales and a generally benign regulatory
4 environment. Fitch reported that as of October 31, 2025, approximately 87% of its
5 utility ratings carried Stable Rating Outlooks, and the number of upgrades in 2025
6 exceeded downgrades. Fitch’s median senior unsecured rating for operating
7 subsidiaries remained steady at A-minus and is expected to remain at that level through
8 year-end 2026.¹³

9

10 These credit rating assessments are particularly meaningful because they reflect the
11 rating agencies’ independent evaluation of whether the regulatory environment and
12 authorized returns are sufficient to support the utility industry’s substantial capital
13 investment requirements. The stabilization and improvement in credit metrics, despite
14 record levels of capital spending, is evidence that the current regulatory framework,
15 including authorized ROE levels, is supporting investor interests.

16

17 **Q. ARE THERE RATE AFFORDABILITY CONCERNS ASSOCIATED WITH**
18 **THE UTILITY INDUSTRY’S CURRENT LEVEL OF CAPITAL SPENDING**
19 **AND RATE CASE ACTIVITY?**

20 A. Yes. Rate affordability has emerged as one of the most significant issues concerning
21 the regulation of utilities. The record levels of capital spending discussed earlier in my
22 testimony, while largely necessary to maintain and modernize utility infrastructure, are
23 translating directly into higher rates for customers. This dynamic has drawn increasing

¹³ Fitch Ratings, North American Utilities and Power Outlook 2026, December 9, 2025.

1 attention from industry analysts, credit rating agencies, and regulators at both the state
2 and federal levels.

3

4 According to S&P Global MI, U.S. investor-owned energy utilities requested rate
5 increases totaling \$22.06 billion in 2025, which represents the highest annual total of
6 electric and gas rate increase requests since RRA began tracking rate case proceedings
7 in the early 1980s. This amount was 35% above the \$16.39 billion requested in 2024,
8 and 413% above the amount sought in 2020. Electric utilities accounted for
9 \$18.23 billion of the total, driven by significant capital expenditure plans for upgrading
10 T&D systems, installing new generation, and accommodating growing demand from
11 data centers and other large loads.¹⁴

12

13 RRA further observed that affordability has shifted “from a background concern to a
14 binding constraint on what utilities can earn and build,” noting that energy prices have
15 risen faster than inflation and that customer dissatisfaction is at historic highs. RRA
16 reported that regulatory commissions are increasingly adopting frameworks that
17 require utilities to balance investment with operational efficiency, and that states with
18 politically exposed commissions are tightening scrutiny on utility spending and the
19 resulting bill impacts. Notably, some utilities have begun proactively including
20 affordability analyses in their rate case filings to demonstrate that proposed rate
21 increases will not render service unaffordable for their customers.¹⁵

¹⁴ S&P Global Market Intelligence, RRA Regulatory Focus, “Record amount of utility rate requests in 2025 amid affordability concerns,” January 13, 2026.

¹⁵ *Id.*

1 The affordability concern is not limited to state-level proceedings. At the federal level,
2 the FERC has identified affordability as a priority topic for its Federal and State Current
3 Issues Collaborative, scheduling the subject of “the impact of growth on affordability”
4 as the overarching topic for its February 11, 2026 meeting. This attention from FERC
5 reflects the fact that rising transmission capital expenditures and higher authorized
6 ROEs at the federal level are also contributing to upward pressure on customer bills.
7 RRA reports that capital expenditures for the tracked energy utility group are expected
8 to grow to \$246.21 billion in 2026, representing a 14.9% increase over 2025 levels.¹⁶
9 The credit rating agencies have echoed these concerns. As discussed earlier, S&P
10 Global Ratings identifies managing the customer bill as a key credit risk, noting that
11 the average U.S. electric bill represents approximately 2% of household income and
12 that annual electric bill growth must be managed at or below inflation to sustain the
13 industry’s credit quality. S&P reports that from 2015 to 2024, residential electric bills
14 grew at a compound annual growth rate of 2.5%, compared to 2.8% for inflation, but
15 cautions that if higher costs persist or accelerate, it could result in higher risk for the
16 entire investor-owned utility industry. Similarly, Fitch stated in its 2026 outlook that
17 bill affordability will be front and center for the industry as utilities invest heavily to
18 meet the expected surge in demand from data centers, and identified potential resistance
19 to future rate increases as a key near-to-intermediate term risk.¹⁷
20
21 S&P Global MI also reported that average U.S. retail electricity prices reached
22 14.30 cents per kilowatt-hour in the third quarter of 2025, compared to 10.22 cents per

¹⁶ S&P Global Market Intelligence, RRA Regulatory Focus, “Focus on FERC: Grid capex, ROEs elevate concerns over rates and affordability,” January 29, 2026.

¹⁷ S&P Global, Industry Credit Outlook 2026: North American Regulated Utilities, January 14, 2026; Fitch Ratings, North American Utilities and Power Outlook 2026, December 9, 2025.

1 kilowatt-hour in early 2020, with the increase outpacing the rate of broader inflation
2 during that period. While S&P noted that these rising prices and growth tailwinds have
3 attracted new investors to the utility sector, including hedge funds, private equity, and
4 international investors, it also identified affordability concerns as a key risk to this
5 outlook that could limit regulatory support for rising utility investment plans and the
6 resulting higher rates that would be required to support this increased investment.¹⁸

7

8 **Q. WHY ARE AFFORDABILITY CONCERNS RELEVANT TO THE**
9 **COMMISSION'S DETERMINATION OF A FAIR AND REASONABLE ROR**
10 **IN THIS PROCEEDING?**

11 A. Rate affordability is directly relevant because the authorized ROE is one of the single
12 largest components of the cost of equity capital that is recovered from ratepayers, and
13 it is the component over which the Commission exercises direct control. Every basis
14 point of authorized ROE translates into higher rates for customers. In a period of record
15 capital spending and expanding rate base, the compounding effect of the authorized
16 ROE on customer bills is amplified. As S&P Global and Fitch both have observed, if
17 rates rise beyond customers' ability or willingness to pay, utilities face increased
18 regulatory risk, which in turn threatens the very financial integrity that the authorized
19 return is intended to protect. This creates a feedback loop: excessive authorized returns
20 lead to higher rates, higher rates generate affordability pressure and regulatory
21 pushback, and regulatory pushback introduces uncertainty that raises the perceived risk
22 of the utility, potentially increasing the cost of capital rather than reducing it.

¹⁸ S&P Global Market Intelligence, RRA Financial Focus, "Tailwinds for electric utilities in North America attract new investors," December 18, 2025.

1 The Commission has a responsibility to set rates no higher than necessary to allow FCG
2 to raise sufficient capital and maintain its credit. The evidence from the market, from
3 the credit rating agencies, and from the record level of rate requests across the country
4 all point in the same direction: affordability is a real and growing constraint that the
5 Commission should consider in setting the authorized ROE. Setting the return too high
6 would contribute to the affordability pressures that analysts and rating agencies have
7 identified as a material risk to the utility industry's long-term financial health and credit
8 quality.

9

10 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THE MARKET DATA AND**
11 **INDUSTRY ANALYSIS PRESENTED IN SECTION III OF YOUR**
12 **TESTIMONY?**

13 A. The market evidence presented throughout Section III of my testimony supports
14 several conclusions that are directly relevant to the Commission's determination of a
15 fair and reasonable ROE and overall ROR in this proceeding. First, strong market
16 valuations, with Market Price-to-Book Value ratios above 1.0x across the utility sector,
17 confirm that authorized ROEs have been sufficient to attract equity capital and that the
18 market's required cost of equity has been met. Second, the utility sector's ability to
19 issue equity and hybrid securities at record levels and at prices above book value
20 demonstrates that authorized returns are adequate to support the unprecedented level
21 of capital investment underway across the industry. Third, stabilizing credit quality
22 and improving outlook distributions from both S&P Global and Fitch confirm that the
23 regulatory compact is functioning effectively, with authorized returns supporting both
24 investor expectations and infrastructure investment. Fourth, the monetary policy

1 environment, with the FOMC having reduced the federal funds rate and independent
2 economists projecting stable to declining long-term interest rates, suggests that the cost
3 of capital is near its peak and may moderate going forward.

4

5 At the same time, this data reinforces the importance of ensuring that utility rates are
6 set no higher than necessary to provide fair compensation and maintain financial
7 integrity. The growing affordability pressures documented by S&P Global, Fitch, and
8 RRA further underscore this point: with record rate requests, rising electricity prices
9 that are outpacing inflation, and regulators at both the state and federal levels
10 increasingly focused on the impact of rates on customers, an ROE set too high risks
11 triggering the very regulatory and credit risks that both the utility and its customers
12 should seek to avoid. The Commission's role is to authorize a return that is sufficient
13 to maintain financial integrity, attract capital, and compensate investors for risk, while
14 also protecting customers from rates that exceed what is necessary to achieve those
15 objectives. The market data I have reviewed indicates that current authorized ROE
16 levels are accomplishing these goals, and the Commission should ensure that any
17 adjustments in this proceeding continue to balance these important and sometimes
18 competing interests.

19

20 **IV. RATE OF RETURN**

21 **Q. PLEASE GENERALLY DESCRIBE WHAT IS MEANT BY THE OVERALL**
22 **ROR AS IT RELATES TO RATEMAKING FOR REGULATED UTILITIES.**

1 A. The overall ROR in utility ratemaking represents the weighted average cost of capital
2 a utility is allowed to earn on its rate base. It combines the cost of debt and the
3 authorized ROE, weighted by the utility's capital structure.

4

5 IV.A. Cost of Equity

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

8 A. A utility's cost of common equity is the expected return that investors require on an
9 investment in the utility. Investors expect to earn their required return from receiving
10 dividends and through stock price appreciation. This rate is designed to ensure the
11 utility can attract investment, maintain financial stability, and provide reliable service
12 while balancing the interests of shareholders and consumers. Regulatory commissions
13 set the ROE based on market conditions and the utility's specific risk profile.

14

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

17 A. In general, determining a fair cost of common equity for a regulated utility has been
18 framed by two hallmark decisions of the Supreme Court: *Hope* and *Bluefield*. In these
19 decisions, the Supreme Court found that just compensation depends on many
20 circumstances and must be determined by fair and enlightened judgments based on
21 relevant facts. The Supreme Court also found that a utility is entitled to such rates as
22 would permit it to earn a return on a property devoted to the convenience of the public
23 that is generally consistent with the same returns available in other investments of
24 corresponding risk. The Supreme Court continued that the utility has “no constitutional

1 rights to profits” such as those “realized or anticipated in highly profitable enterprises
2 or speculative ventures,”¹⁹ and defined the ratepayer/investor balance as follows:

3 The return should be reasonably sufficient to assure confidence
4 in the financial soundness of the utility and should be adequate,
5 under efficient and economical management, to maintain and
6 support its credit and enable it to raise the money necessary for
7 the proper discharge of its public duties.²⁰

8 As such, a fair ROR is based on the expectation that the utility’s costs reflect efficient
9 and economical management, and the return will support its credit standing and access
10 to capital, but the return will not exceed this level. Utility rates that are consistent with
11 these standards will be just and reasonable, and compensation to the utility will be fair
12 and support financial integrity and credit-standing, under economic management of the
13 utility.

14

15 **Q. PLEASE DESCRIBE THE PROCESS YOU HAVE USED TO ESTIMATE FCG’**
16 **COST OF COMMON EQUITY.**

17 A. First, I assessed the market’s perspective of FCG’s risk. Then, I developed a proxy
18 group of publicly traded utility companies that have similar risks and characteristics to
19 FCG and compared potential differences in risks. I then performed several models
20 based on financial theory to estimate FCG’s cost of common equity. These models are:
21 (1) a constant growth Discounted Cash Flow (“DCF”) model using consensus analysts’
22 growth rate projections; (2) a constant growth DCF model using sustainable growth
23 rate estimates; (3) a multi-stage growth DCF model, (4) a Risk Premium model, and
24 (5) a Capital Asset Pricing Model (“CAPM”).

¹⁹ *Bluefield*, 262 U.S. at 692-693.

²⁰ *Id.* at 693. (Emphasis Added.)

1 **Q. WHY MUST THE COST OF EQUITY BE ESTIMATED RATHER THAN**
2 **DIRECTLY OBSERVED?**

3 A. The cost of equity cannot be directly observed because equity investors do not receive
4 fixed, contractual payments like debt holders do. Instead, they are compensated
5 through uncertain and variable returns in the form of dividends and capital appreciation.
6 These returns depend on a range of unpredictable factors, including company
7 performance, market conditions, and investor sentiment. As such, the cost of equity
8 represents an investor's required ROR, which must be estimated using financial models
9 rather than measured directly from observable market transactions.

10

11 **Q. WHY IS IT NECESSARY TO APPLY MULTIPLE METHODS TO ESTIMATE**
12 **THE COST OF EQUITY?**

13 A. Because the cost of equity is an estimate based on forward-looking expectations and
14 assumptions; no single model can definitively or universally capture the "true" cost.
15 Each model, such as the DCF models, the CAPM, and the Risk Premium approach, has
16 its own theoretical foundation, strengths, and limitations. These models rely on
17 different assumptions and input variables such as projected growth rates or Equity Risk
18 Premiums ("ERP") which can vary in reliability. Using multiple models provides a
19 more comprehensive and balanced view, helps identify outlier results, and increases
20 confidence that the final estimate reasonably reflects investor expectations under
21 current market conditions.

1 **Q. DOES THE USE OF MULTIPLE METHODS IMPROVE THE ACCURACY OF**
2 **THE ESTIMATE?**

3 A. Yes. Employing multiple methods helps to cross-check and validate the results,
4 mitigate the impact of any one model's limitations or potentially flawed assumptions,
5 and reduce reliance on any single uncertain input. By considering results from different
6 perspectives, a more informed and credible estimate can be made. This approach is
7 consistent with both sound financial practice and regulatory expectations for fair and
8 reasonable return determinations.

9
10 IV.B. Investment Risk Assessment of FCG

11 **Q. PLEASE DESCRIBE THE MARKET'S ASSESSMENT OF FCG'S**
12 **INVESTMENT RISK.**

13 A. The market's assessment of a company's investment risk is generally described by
14 credit rating analysts' reports. However, FCG is not an independently rated entity and,
15 therefore, does not have any reports detailing its overall risk from a ratings analysts. I
16 will note that FCG's parent company, Chesapeake Utilities Corporation ("CUC"), is
17 only rated by Fitch. Fitch has issued CUC a long-term issuer default rating of BBB+
18 and its senior unsecured notes rating of A-, with a stable outlook.²¹

19
20 Fitch views Florida's regulatory framework as among the most supportive in CUC's
21 footprint. Fitch specifically identified Florida's fixed-cost recovery mechanisms,
22 which permit recovery of fixed costs largely independent of sales volumes, full

²¹ Fitch Ratings, "Fitch Affirms Chesapeake Utilities Corporation's IDR at 'BBB+'; Outlook Stable," March 17, 2026.

1 recovery of natural gas costs through true-up mechanisms, and the use of
2 forward-looking test years in Florida base-rate proceedings. Each of these features
3 reduces the Company's business risk by insulating cash flows from volumetric and
4 cost-recovery risk. Fitch also cited robust customer growth in the Company's Florida
5 service territories, including residential customer growth of 3.6% at Florida Public
6 Utilities and 2.2% at FCG in 2025, with additional upside from data center demand.

7

8 Fitch reported that CUC's FFO leverage was 4.6x for fiscal year 2025 and projected
9 FFO leverage to average 4.5x over 2026 through 2028, comfortably below Fitch's
10 downgrade sensitivity of 4.8x. Fitch characterized CUC's five-year capital program of
11 \$1.5 billion to \$1.8 billion as manageable, supported by timely recovery of most
12 planned capital expenditures under existing constructive regulatory mechanisms.

13

14 Fitch's assessment demonstrates that the regulatory mechanisms already available to
15 FCG (fixed-cost recovery, gas cost true-ups, and forward-looking test years)
16 substantially reduce the Company's operating risk relative to utilities that lack such
17 protections. A company whose cash flows are insulated from volumetric risk and
18 regulatory lag to this degree requires a lower ROE, not a higher one, to compensate
19 investors for the risk they bear. Fitch's affirmation, its Stable outlook, and its projection
20 of stable credit metrics through 2028 all confirm that FCG's current authorized return
21 is fully adequate to support the Company's credit quality and capital program. Notably,
22 Fitch's rating case simply assumes a supportive rate case outcome in this proceeding;
23 the rating itself provides no evidence that the Company's requested revenue increase is
24 necessary to maintain its financial integrity.

1 IV.C. Development of Proxy Group

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

4 A. There are a few reasons why a proxy group is needed to estimate the cost of equity. As
5 an initial matter, to be consistent with the *Hope* and *Bluefield* standards, the allowed
6 return should be commensurate with returns on investments in other forms of
7 comparable risk. A proxy group of similarly situated companies of comparable risk is
8 needed to assess FCG's proposal under this standard.

9
10 Even if FCG were publicly traded, which would allow it to use its securities to estimate
11 its cost of equity, certain errors and biases still could make relying on a single estimate
12 undesirable and potentially less accurate. A proxy group of comparable risk companies
13 adds reliability to the estimates by mitigating the potential for bias that may be
14 introduced by measurement errors or model inputs.

15
16 **Q. PLEASE DESCRIBE HOW YOU IDENTIFIED A PROXY UTILITY GROUP**
17 **THAT COULD BE USED TO ESTIMATE FCG'S CURRENT MARKET COST**
18 **OF EQUITY.**

19 A. I started with the same six utility company proxy groups relied on by FCG's witness,
20 Mr. Haag. In addition to the six gas utility companies considered by Mr. Haag, I also
21 considered the inclusion of other regulated utilities including water utility companies
22 and a multi-utility holding company. I then reviewed each company to see if there
23 were any significant factors that would potentially impact the overall risk level. Such
24 factors would include significant merger and/or acquisition activity, credit ratings

1 upgrades/downgrades, or dividend cuts. I also reviewed to make sure they were
2 covered by an analyst in the *Value Line Investment Survey*. After my review, I
3 determined that four companies should be removed: Spire Inc. (“Spire”), Eversource
4 Energy, American Water Works Company, Inc., and Essential Utilities, Inc. I removed
5 Spire for its recently announced acquisition of Piedmont Natural Gas for \$2.48 billion.
6 I removed Eversource Energy because it is in the process of divesting its subsidiary
7 Aquarion Water Company. I removed American Water Works Company, Inc. and
8 Essential Utilities, Inc. because those two companies have entered into a definitive
9 merger agreement with each other on October 27, 2025.

10

11 After removal, my proxy group includes nine regulated utility companies. My proxy
12 group is presented in Exhibit CCW-3.

13

14 **Q. HOW DOES THE INVESTMENT RISK OF FCG COMPARE TO THAT OF**
15 **THE PROXY GROUP?**

16 A. As shown on my Exhibit CCW-3, the proxy group has average credit ratings of A- and
17 Baa1 from S&P and Moody’s, respectively.

18

19 As shown on my Exhibit CCW-3, the proxy group has an average common equity ratio
20 of 48.3% (including short-term debt) and 51.3% (excluding short-term debt) as
21 calculated by *S&P Global MI* and *Value Line*, respectively. FCG’s requested common
22 equity ratio of 50.14% is marginally higher than the proxy group’s equity ratio
23 of 48.3% (including short-term debt).

1 IV.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 expected
4 future cash flows discounted at the investor's required ROR or cost of capital. This
5 model is expressed mathematically as follows:

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

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**
22 **MODEL.**

23 A. As shown in Equation 2 above, the DCF model requires a current stock price, the
24 expected dividend, and the expected growth rate in dividends.
25

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

1 A. I relied on the average of the weekly high and low stock prices of the utilities in the
2 proxy group over a 13-week period ending on June 12, 2026. An average stock price
3 is less susceptible to market price variations than a price at a single point in time.
4 Therefore, an average stock price is less susceptible to aberrant market price
5 movements, which may not reflect the stock's long-term value.
6

7 **Q. WHAT DIVIDEND DID YOU USE IN YOUR CONSTANT GROWTH DCF**
8 **MODEL?**

9 A. I used each proxy company's most recently paid quarterly dividend as reported in
10 *Value Line*.²² This dividend was annualized (that is, multiplied by 4) and adjusted for
11 next year's growth to produce the D_1 factor for use in Equation 2 above. In other words,
12 I calculate D_1 by multiplying the annualized dividend (D_0) by $(1+G)$.
13

14 **Q. WHAT DIVIDEND GROWTH RATES HAVE YOU USED IN YOUR**
15 **CONSTANT GROWTH DCF MODEL?**

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

²² The *Value Line Investment Survey*, April 3 and May 22, 2026.

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

6 For my constant growth DCF analysis, I have relied on a consensus, or mean, of
7 professional securities analysts' earnings growth estimates as a proxy for investors'
8 dividend growth rate expectations. I used the average of analysts' growth rate estimates
9 from three sources: Zacks, S&P Capital IQ Market Intelligence, and Institutional
10 Brokers' Estimate System ("IBES") from LSEG Workspace. All such projections were
11 available on June 12, 2026, and all were reported online.²⁴

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

²³ See, e.g., David Gordon, Myron Gordon, and Lawrence Gould, Choice Among Methods of Estimating Share Yield, *The Journal of Portfolio Management* (Spring 1989).

²⁴ www.zacks.com; LSEG Workspace; <https://www.capitaliq.spglobal.com/>.

1 The growth rates I used in my DCF analysis are shown in Exhibit CCW-4. The average
2 growth rate for my proxy group is 8.11% and a median growth rate of 7.91%.

3 **Q. WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF**
4 **MODEL?**

5 A. As shown in Exhibit CCW-5, page 1, the average and median constant growth DCF
6 returns for my proxy group for the 13-week analysis are 11.24% and 10.56%,
7 respectively.

8
9 **Q. ARE THERE LIMITATIONS OF THE CONSTANT GROWTH DCF**
10 **ANALYSIS?**

11 A. Yes. The constant growth DCF analysis for my proxy group is based on a group
12 average long-term growth rate of 8.11%. The three-to-five-year growth rates are
13 approximately 103% higher than the long-term projected GDP growth rate of 3.99%,
14 described below. As I explain in detail below, a utility's growth rate cannot exceed the
15 growth rate of the economy in which it provides services in perpetuity, which is the
16 time period assumed by the DCF model.

17
18 **Q. HOW DID YOU IDENTIFY THE LONG-TERM PROJECTED GDP GROWTH**
19 **RATE?**

20 A. Although there may be short-term peaks, the long-term sustainable growth rate for a
21 utility stock cannot exceed the growth rate of the economy in which it sells its goods
22 and services. The long-term maximum sustainable growth rate for a utility investment
23 is limited by the projected long-term GDP growth rate, as that reflects the projected

1 long-term growth rate of the economy. The consensus projection for U.S. GDP, as
2 published by Blue Chip Financial Forecasts, is an annual growth rate of
3 approximately 3.99% over the next 10 years. In my opinion, this is a reasonable proxy
4 of long-term growth.

5

6 Later in this testimony, I discuss academic and investment practitioner support for
7 using the projected long-term GDP growth outlook as a maximum long-term growth
8 rate projection. Using the long-term GDP growth rate as a conservative projection for
9 the maximum growth rate is logical and is generally consistent with academic and
10 practitioner accepted practices.

11

12 IV.E. Sustainable Growth DCF

13 **Q. PLEASE DESCRIBE WHAT THE SUSTAINABLE GROWTH DCF METHOD**
14 **IS AND HOW YOU ESTIMATED A SUSTAINABLE GROWTH RATE FOR**
15 **YOUR SUSTAINABLE GROWTH DCF MODEL.**

16 A. The sustainable growth rate, also referred to as the internal growth rate, is determined
17 by the proportion of the utility's earnings that is retained and reinvested in its plant and
18 equipment. These reinvested earnings enhance the earnings base, also known as the
19 rate base. The earnings grow as the plant, funded by the reinvested earnings, is put into
20 operation, allowing the utility to receive its authorized return on the additional rate base
21 investment.

22

23 The internal growth approach is linked to the percentage of earnings retained within a
24 company, as opposed to being paid out as dividends. The earnings retention ratio is

1 calculated as one minus the dividend payout ratio. As the payout ratio decreases, the
2 retention ratio increases, leading to stronger growth as a company funds more
3 investments using retained earnings.

4
5 The payout ratios of the proxy group are shown in my Exhibit CCW-6. These
6 dividend-payout ratios and earnings-retention ratios then can be used to develop a
7 long-term growth rate driven by earnings retention.

8
9 The data used to estimate the long-term sustainable growth rate is based on FCG's
10 current market-to-book ratio and on *Value Line*'s three-to-five-year projections of
11 earnings, dividends, earned returns on book equity, and stock issuances.

12
13 As shown in Exhibit CCW-7, the average and median sustainable growth rates for the
14 proxy group using this internal growth rate model are 6.43% and 6.26%, respectively.

15
16 **Q. WHAT IS THE DCF ESTIMATE USING THESE SUSTAINABLE GROWTH**
17 **RATES?**

18 A. A DCF estimate based on these sustainable growth rates is developed in Exhibit CCW-
19 8. As shown there, and using the same formula in Equation 2 above, a sustainable
20 growth DCF analysis produces proxy group average and median DCF results for the
21 13-week period of 9.51% and 9.34%, respectively.

22
23 IV.F. Multi-Stage Growth DCF Model

24 **Q. HAVE YOU CONDUCTED ANY OTHER DCF STUDIES?**

1 A. Yes. As previously noted, the DCF model is intended to represent the present value of
2 an endless series of future cash flows. Nevertheless, the initial constant growth DCF
3 that I created is based on analyst growth-rate projections, providing a plausible
4 representation of rational investment expectations over the next three-to-five years.
5 The limitation of this constant growth DCF model is that it cannot reflect a reasonable
6 expectation of a shift in growth from a high or low short-term rate to a rate that aligns
7 more with long-term sustainable growth. To accommodate changing growth
8 expectations, I conducted a multi-stage DCF analysis that reflects growth rate change
9 over time.

10

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

12 A. The growth rate projections by analysts for the next three-to-five years are subject to
13 change as the outlook for utility earnings-growth evolves. Utility companies
14 experience fluctuations in their investment cycles. When these companies are
15 undertaking substantial investments, the growth of their rate base accelerates, leading
16 to an increase in earnings growth. However, once a major construction cycle reaches
17 completion or plateaus, the growth in the utility rate base slows down, and its earnings
18 growth rate declines from an abnormally high three-to-five-year rate to a lower,
19 sustainable growth rate.

20

21 As construction cycles become longer in duration, even with an aggressive construction
22 plan, the growth rate of the utility will naturally slow due to a decrease in rate base
23 growth as the utility has limited human and capital resources to expand its construction
24 activities. Therefore, the three-to-five-year growth rate projection should be viewed as

1 a long-term sustainable growth rate, but not without considering the current market
2 conditions, industry trends, and determining whether the three-to-five-year growth
3 outlook is feasible and sustainable.

4
5 **Q. PLEASE DESCRIBE YOUR MULTI-STAGE DCF MODEL.**

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

11
12 For the short-term growth period, I relied on the consensus of analysts' growth
13 projections described above in relationship to my constant growth DCF model. For the
14 transition period, the growth rates were reduced or increased by an equal factor
15 reflecting the difference between the analysts' growth rates and the long-term
16 sustainable growth rate. For the long-term growth period, I assumed each company's
17 growth would converge to the maximum sustainable long-term growth rate.

18
19 **Q. WHY IS THE GDP GROWTH PROJECTION A REASONABLE PROXY FOR**
20 **THE MAXIMUM SUSTAINABLE LONG-TERM GROWTH RATE?**

21 A. As discussed above, utilities cannot indefinitely sustain a growth rate that exceeds the
22 growth rate of the economy in which they sell services. A utility's earnings and
23 dividend growth are created by increased utility investment in its rate base. Examples
24 of what can drive such investment are: service area economic growth, system

1 reliability upgrades, or state and federal green energy initiatives. As such, nominal
2 GDP growth is a reasonable upper limit for utility sales growth, rate base growth, and
3 earnings growth in the long-run. Therefore, the U.S. GDP nominal growth rate is a
4 conservative proxy for the highest sustainable long-term growth rate of a utility.

5

6 **Q. IS THERE RESEARCH THAT SUPPORTS YOUR POSITION THAT, OVER**
7 **THE LONG-TERM, A COMPANY’S EARNINGS AND DIVIDENDS CANNOT**
8 **GROW AT A RATE GREATER THAN THE RATE OF GROWTH OF THE**
9 **U.S. GDP?**

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

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

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

21 **Estimating Growth Rates**

22 One of the advantages of a three-stage discounted cash flow
23 model is that it fits with life cycle theories in regards to company
24 growth. In these theories, companies are assumed to have a life
25 cycle with varying growth characteristics. Typically, the
26 potential for extraordinary growth in the near term eases over
27 time and eventually growth slows to a more stable level.

28 * * *

²⁵ *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 Another approach to estimating long-term growth rates is to
2 focus on estimating the overall economic growth rate. Again,
3 this is the approach used in the *Ibbotson Cost of Capital*
4 *Yearbook*. To obtain the economic growth rate, a forecast is
5 made of the growth rate's component parts. Expected growth
6 can be broken into two main parts: expected inflation and
7 expected real growth. By analyzing these components
8 separately, it is easier to see the factors that drive growth.²⁶
9

10 **Q. HOW DID YOU DETERMINE A LONG-TERM GROWTH RATE THAT**
11 **REFLECTS THE CURRENT CONSENSUS OF INDEPENDENT MARKET**
12 **PARTICIPANTS?**

13 A. I relied on the consensus of long-term GDP growth projections by independent
14 economists. Blue Chip Financial Forecasts publishes the consensus for GDP growth
15 projections twice a year. These projections reflect current outlooks for GDP and are
16 likely to be influential on investors' expectations of future growth outlooks. The
17 consensus of projected GDP growth is about 3.99% over the next 10 years.
18

19 **Q. DO YOU CONSIDER OTHER SOURCES OF PROJECTED LONG-TERM**
20 **GDP GROWTH?**

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

²⁶ Morningstar, Inc., Ibbotson SBBI 2013 Valuation Yearbook at 51 and 52.

Table CCW-4

<u>GDP Forecasts</u>				
<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	2.0%	2.3%	4.2%
EIA - Annual Energy Outlook ²	26 Yrs	1.8%	2.1%	3.9%
Congressional Budget Office ³	30 Yrs	1.6%	2.0%	3.7%
Moody's Analytics ⁴	30 Yrs	2.0%	2.1%	4.2%
Social Security Administration ⁵	75 Yrs	1.5%	2.4%	4.0%
Economist Intelligence Unit ⁶	31 Yrs	1.7%	2.3%	4.0%
Sources:				
¹ Blue Chip Financial Forecasts, December 1, 2025 at 14.				
² U.S. EnergyInformation Administration (EIA), Annual Energy Outlook 2025, April 15, 2025.				
³ Congressional Budget Office, Long-Term Budget Outlook, March 27, 2025.				
⁴ Moody's Analytics Forecast, last updated June 9, 2025.				
⁵ Social Security Administration, "2025 OASDI Trustees Report," Table VI.G6. June 18, 2025.				
⁶ S&P MI, Economist Intelligence Unit, downloaded on February 24, 2026.				

1 As shown in the table above, the real GDP and the inflation fall in the range of 1.5%
2 to 2.0% and 2.0% to 2.4%, respectively. This results in a nominal GDP in the range of
3 3.7% to 4.2%. Therefore, the nominal GDP growth projections made by these
4 independent sources support my use of 3.99% as a reasonable estimate of market
5 participants' expectations for long-term GDP growth.

6

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

9 A. I relied on the same 13-week average stock prices and the most recent quarterly
10 dividend payment data discussed above. For the first stage, I used the consensus of

1 analysts' growth rate projections discussed above in my constant growth DCF model.
2 The first stage covers the first five years, consistent with the time horizon of the
3 securities analysts' growth rate projections. The second stage, or transition stage,
4 begins in year 6 and extends through year 10. The second stage growth transitions the
5 growth rate from the first stage to the third stage using a straight linear trend. For the
6 third stage, or long-term sustainable growth stage, starting in year 11, I used a 3.99%
7 long-term sustainable growth rate based on the consensus of economists' long-term
8 projected nominal GDP growth rate.

9

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

11 A. As shown in Exhibit CCW-9, the average and median DCF ROEs for my proxy group
12 using the 13-week average stock price are 7.90% and 7.70%, respectively.

13

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

15 A. The DCF results are summarized in Table CCW-5. As described above, the results of
16 the constant growth DCF using analysts' growth rates assume an average long-term
17 growth rate of 8.11%, which is approximately 103% higher than the long-term
18 projected GDP growth rate of 3.99%. This is an unsustainable assumption and likely
19 leads to an overstatement in the cost of equity for a low risk regulated utility. As such,
20 it is my opinion that primary weight should be given to the sustainable growth and
21 multi-stage models of the DCF while minimal weight should be given to the constant
22 growth DCF model based on three-to-five-year analyst growth rates.

Table CCW-5

<u>Summary of DCF Results</u>		
<u>Description</u>	<u>Proxy Group</u>	
	<u>Mean</u>	<u>Median</u>
Constant Growth DCF Model (Analysts' Growth)	11.24%	10.56%
Constant Growth DCF Model (Sustainable Growth)	9.51%	9.34%
Multi-Stage DCF Model	7.90%	7.70%

IV.G. Risk Premium Model

Q. PLEASE DESCRIBE YOUR BOND YIELD PLUS RISK PREMIUM MODEL.

A. The bond yield plus Risk Premium model is based on the principle that equity investors require a higher return than bond investors because common equity carries greater risk. Bonds benefit from fixed contractual payments and priority in bankruptcy, while dividends on common stock are discretionary and equity returns are not guaranteed. To estimate the ERP, I rely on two approaches. First, I calculate the annual difference between regulatory commission-authorized ROEs for utility companies and the yield on U.S. Treasury bonds since 1986, which reflects the ERP over risk-free rates. Second, I calculate the annual difference between authorized ROEs and Moody's "A"-rated utility bond yields over the same period. I begin the analysis in 1986 because, as shown in Exhibit CCW-10, utility stocks have consistently traded above book value since that time. A market-to-book ratio above 1.0x indicates that authorized ROEs were sufficient to maintain or improve shareholder value and allowed utilities to issue additional equity without diluting existing investors.

1 **Q. WHAT DID YOUR ANALYSIS OF THE HISTORICAL ERP SHOW?**

2 A. Over the period studied, the ERP over U.S. Treasury bonds averaged 5.59%. Five-year
3 rolling averages ranged from 4.17% to 7.18%, while the ten-year rolling average Risk
4 Premium ranged from 4.28% to 6.93%, as shown in Exhibit CCW-11. The ERP over
5 “A”-rated utility bonds averaged 4.25% over the same period, with five-year rolling
6 averages ranging from 2.80% to 6.00% and ten-year rolling averages ranging from
7 3.09% to 5.76%, as shown in Exhibit CCW-12.

8

9 **Q. WHY IS THIS TIME PERIOD APPROPRIATE FOR ESTIMATING TODAY’S**
10 **RISK PREMIUM?**

11 A. The period from 1986 to the present is long enough to capture a variety of economic
12 conditions while smoothing out temporary market distortions. It represents a sustained
13 era during which utilities traded above book value, demonstrating that authorized ROEs
14 were sufficient to meet investor expectations and to allow utilities to raise equity capital
15 on reasonable terms.

16

17 **Q. WHAT OTHER MARKET EVIDENCE DID YOU CONSIDER?**

18 A. I also examined the yield spread between utility bonds and Treasury bonds since 1980,
19 as shown in Exhibit CCW-13. Historically, “A”-rated utility bonds have yielded 1.45%
20 more than Treasury bonds, while “Baa”-rated utility bonds have yielded 1.86% more.
21 Currently, the yield on “A”-rated utility bonds is 5.84% compared to 4.93% for
22 long-term Treasuries, a spread of 0.91%. The yield on “Baa”-rated utility bonds is
23 6.01%, a spread of 1.08%. Both current spreads are below their respective long-term

1 averages, which indicates that investors presently view utilities as less risky than in the
2 past.

3

4 **Q. HOW IS THE DECLINE IN UTILITY BOND SPREADS RELEVANT TO**
5 **SETTING A ROE?**

6 A. Narrower utility bond spreads mean that investors require less additional return for
7 assuming utility credit risk. Because the cost of equity should reflect prevailing market
8 conditions, a lower perceived level of credit risk supports a lower ERP and a lower
9 investor-required ROE. Maintaining an elevated ROE when market evidence shows
10 reduced risk would overcompensate utilities and unnecessarily increase rates for
11 consumers. Bond spreads are a real-time, market-based measure of investor risk
12 perceptions, and provide valuable input for setting a just and reasonable ROE.

13

14 **Q. WHAT ERP DO YOU RECOMMEND?**

15 A. The projected 30-year Treasury yield of 4.80% is consistent with the annual average
16 Treasury yields since 2023. Similarly, the recent average “A”-rated utility bond yield
17 of 5.84%, as shown on Exhibit CCW-14, is also relatively consistent with the yields
18 since 2023. Additionally, utility bond yield spreads have been below their long-term
19 average since 2023 and remain as such today. Intuitively, if bond yields are consistent
20 with those of the recent past, and the yield spreads continue to be below their long-term
21 average over that same time period, it makes sense then that the ERP would also be
22 consistent with the ERP over that same time. As such, I recommend an ERP of 5.25%
23 over Treasury bond yields and an ERP of 4.05% over “A”-rated utility bond yields.

1 **Q. WHAT ARE THE RESULTS OF YOUR RISK PREMIUM ANALYSES?**

2 A. Adding my recommended ERP of 5.25% over Treasury bonds to the projected 30-year
3 Treasury yield of 4.80% produces an ROE of 10.05%. Adding my recommended ERP
4 of 4.05% over “A”-rated utility bond yields to the recent three-month average
5 “A”-rated utility bond yield of 5.84% results in a 9.89% ROE.

6
7 **Q. HAVE YOU PERFORMED AN ADDITIONAL RISK PREMIUM ANALYSIS?**

8 A. Yes, I have. In addition to the Risk Premium analysis above, I have also performed a
9 Weighted Least Squares (“WLS”) regression analysis based on the same authorized
10 ROEs, long-term Treasury bond yields, and corresponding ERP since 1986. This
11 analysis is presented on my Exhibit CCW-15.

12
13 **Q. WHAT IS WLS REGRESSION, AND WHY DID YOU USE IT INSTEAD OF**
14 **ORDINARY LEAST SQUARES (“OLS”) REGRESSION?**

15 A. WLS regression is a variation of the traditional OLS regression method. Like OLS, it
16 is used to estimate the relationship between variables such as the ERP and interest rates,
17 but it improves on OLS by allowing certain observations to carry more influence than
18 others based on their relevance or reliability.

19
20 OLS regression treats all data points equally, assigning the same weight to each
21 observation regardless of when it occurred. This equal treatment can be problematic
22 when analyzing long historical datasets, particularly when the relationship between
23 variables like bond yields and ERP has evolved over time due to changing market
24 conditions or regulatory environments. For example, a ROE authorized by a state

1 commission in 1992 may have been based on vastly different economic, policy, and
2 risk considerations than one authorized in 2024.

3

4 WLS regression addresses this by assigning greater weight to more recent data, which
5 better reflects the current relationship between bond yields and the ERP. In this
6 analysis, I used an exponential weighting function that gradually reduces the influence
7 of older data while emphasizing more recent observations. This approach helps ensure
8 the regression model reflects contemporary market conditions more accurately, which
9 is especially important for estimating the current cost of equity.

10

11 By using WLS, the goal is to produce a relevant and timely estimate of the cost of
12 equity for ratemaking purposes. The estimate better reflects today's utility
13 environment rather than relying equally on data from decades ago that may no longer
14 be representative of the current regulatory environment and economic conditions.

15

16 **Q. HOW ARE THE DATA POINTS WEIGHTED IN YOUR WLS REGRESSION,**
17 **AND WHAT IS THE ROLE OF THE WEIGHTING PARAMETER**
18 **LAMBDA (λ)?**

19 A. In my WLS regression, each historical observation is assigned a weight based on how
20 recent it is. More recent data points are given more weight, while older data points are
21 gradually given less influence. This approach reflects the view that recent authorized
22 returns and interest rate conditions are more relevant for determining today's cost of
23 equity than decisions made decades ago. The weights are assigned using an

1 exponential decay function. Specifically, each observation's weight is calculated using
2 the formula:

3
$$\text{Weight} = \exp(-\lambda \times (T - t))$$

4 where T is the most recent period, t is the year of the observation, and λ
5 (lambda) is a decay factor that controls how quickly the influence of
6 older data declines.

7 In my analysis, I used a lambda (λ) of 0.20.

8

9 **Q. WHY DID YOU SELECT A LAMBDA VALUE OF 0.20?**

10 A. Lambda values generally range from 0.0 to 1.0. If lambda is set equal to 0.0, the
11 observations are weighted equally and similarly to OLS regression. If lambda is set
12 to 1.0, virtually all observations except for the most recent are assigned zero weight. A
13 lambda of 0.20 provides a reasonable balance. It places meaningful emphasis on the
14 most recent 5 to 10 years of data, when regulatory policy and investor expectations
15 have been shaped by modern factors like affordability concerns, decarbonization
16 mandates, and alternative ratemaking mechanisms, while still retaining some influence
17 from earlier periods. With this lambda value, observations from over 20 years ago are
18 not completely disregarded but are weighted substantially less than those from recent
19 years. As discussed further below, based on multiple formal model selection criteria,
20 the statistically optimal lambda for this dataset is higher than 0.20, meaning that my
21 chosen lambda is conservative in that it retains more historical data influence and
22 produces a higher cost of equity than the optimal lambda would. A smaller lambda
23 (e.g., 0.05) would allow outdated data to continue exerting significant influence,
24 potentially diluting the accuracy of the model in current conditions. A larger lambda
25 (e.g., 0.8) would disregard too much historical information, increasing volatility. The

1 0.20 value was chosen based on this tradeoff and where it demonstrated a strong
2 statistical fit to the data.

3

4 **Q. IS WLS REGRESSION ONLY APPROPRIATE WHEN CORRECTING FOR**
5 **HETEROSKEDASTICITY?**

6 A. No. While it is true that WLS is traditionally taught as a remedy for
7 heteroskedasticity,²⁷ its application is broader. For example, in a peer-reviewed article
8 published in the Journal of Financial Markets (2021), Wang and Wu demonstrate that
9 WLS with time-dependent weights significantly improves the forecasting of stock
10 returns compared to OLS. The purpose of their weighting scheme was not to correct
11 heteroskedasticity. It was to address structural breaks and evolving relationships over
12 time, giving more weight to more recent observations. This is directly relevant here
13 because the ERP and bond yield relationship has changed across economic cycles. In
14 other words, WLS provides a disciplined way to allow more recent data, which reflects
15 today's capital market environment, to carry more weight than very old observations,
16 rather than assuming that all data points from 30+ years ago are equally relevant.

17

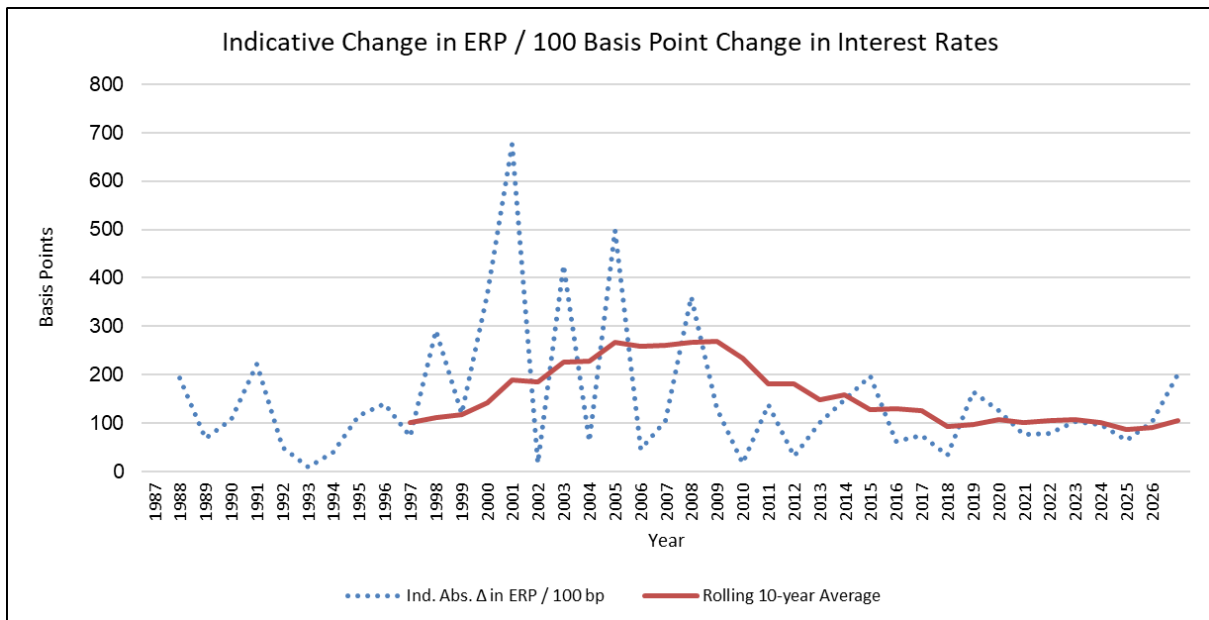
18 **Q. IS THERE EVIDENCE SHOWING THE RELATIONSHIP BETWEEN**
19 **INTEREST RATES AND THE ERP IS EVOLVING?**

20 A. Yes. Figure CCW-8 illustrates the annual indicated change in the ERP per
21 100-basis-point change in interest rates (dotted line), along with the rolling 10-year
22 average (solid line). The chart demonstrates that the relationship between interest rates

²⁷ Heteroskedasticity exists when the variance of the error terms in a regression is not constant across observations. This violates a core assumption of ordinary least squares and renders conventional OLS standard errors, and the significance tests based on them, unreliable.

1 and the ERP has not been stable over time. For example, the annual indicated change
2 averages 148 basis points, but with a very wide standard deviation of 142 basis points.
3 This volatility means that the sensitivity of ERP to interest rates has shifted
4 considerably across different periods.

Figure CCW-8



5 A standard OLS regression gives equal weight to every observation in the dataset,
6 which causes it to dilute or overlook structural changes in the relationship. By contrast,
7 my WLS regression gives more weight to more recent data, allowing the analysis to
8 adapt more quickly to evolving capital market conditions. This approach better reflects
9 the current dynamics between interest rates and ERP rather than relying on outdated
10 relationships that may no longer apply.

11

12 **Q. IS THERE STATISTICAL EVIDENCE THAT THE RELATIONSHIP**
13 **BETWEEN BOND YIELDS AND THE ERP HAS CHANGED OVER TIME,**
14 **MAKING OLDER OBSERVATIONS LESS INFORMATIVE ABOUT**
15 **TODAY'S RELATIONSHIP?**

1 A. Yes. I applied the Chow structural break test, a standard econometric procedure, to test
2 whether the regression coefficients describing the ERP/yield relationship are
3 statistically stable across the full 1986 through 2026 sample period. The Chow test
4 evaluates whether the slope and intercept of the regression differ significantly between
5 two sub-periods defined by a candidate break date. A statistically significant result
6 means that pooled OLS imposes a single relationship on data that is actually governed
7 by two structurally different regimes.

8

9 All six candidate break points (2005, 2008, 2010, 2012, 2015, and 2018) produce
10 statistically significant results at the 5% level and the 1% level. The results consistently
11 reject the null hypothesis that a single pooled regression accurately characterizes the
12 ERP/yield relationship across the full 41-year sample.

13

14 The economic content of the break is equally important. In the pre break period, the
15 estimated slope coefficient ranges from approximately -0.414 to -0.457, meaning that
16 a 100-basis-point increase in bond yields was historically associated with roughly a 41
17 to 46 basis point decline in the ERP. After the break, the slope steepens materially to
18 approximately -0.805 to -0.973, reflecting the post 2008 low rate environment, growing
19 regulatory emphasis on ratepayer affordability, and the structural shift toward lower
20 authorized ROEs that has characterized utility regulation since approximately 2010.

21

22 By contrast, the pooled OLS slope across the full 41-year dataset is only -0.474, a value
23 that does not accurately describe either sub period, pre- or post-break. It understates

1 the sensitivity in recent data and overstates the influence of older observations. This
2 misspecification is precisely what the WLS approach corrects.

3

4 **Q. IS A LAMBDA VALUE OF 0.20 THE STATISTICALLY OPTIMAL DECAY**
5 **PARAMETER, AND IF NOT, WHAT DOES THAT IMPLY ABOUT THE**
6 **RESULT IN Exhibit CCW-15?**

7 A. No, it is a conservative choice. Under multiple formal optimality criteria applied to the
8 dataset in Exhibit CCW-15, lambda values higher than 0.20 are preferred. This makes
9 a lambda of 0.20 a conservative choice because it decays the influence of older data
10 more slowly than the data's own structure indicates is optimal, and, therefore, produces
11 a cost of equity estimate that is higher than what a statistically optimal lambda would
12 yield.

13

14 I evaluated lambda selection using two families of criteria. First, information criteria,
15 specifically the Akaike Information Criterion (“AIC”), the corrected AIC, and the
16 Bayesian Information Criterion (“BIC”), which measure model fit relative to model
17 complexity on the weighted sample. Lower values indicate a better fitting, tighter
18 model. Second, weighted walk forward cross validation, which measures how
19 accurately the model predicts held out future observations weighted by recency. This
20 form of cross validation respects the temporal structure of the data and never uses future
21 observations to predict the past, a critical discipline for time series models. The
22 statistically optimal lambda values range from 0.500 (weighted walk-forward) to 1.00
23 (AIC and BIC). The estimated ROE at the statistically optimal lambda values is

1 approximately 9.63% to 9.65%, or 10-11 basis points lower than my analysis assuming
2 a lambda of 0.20.

3

4 **Q. WHAT WERE THE RESULTS OF YOUR WLS REGRESSION ANALYSIS,**
5 **AND WHAT DO THEY INDICATE ABOUT THE RELATIONSHIP**
6 **BETWEEN INTEREST RATES AND THE ERP?**

7 A. As described above, I performed a WLS regression analysis to estimate the relationship
8 between long-term U.S. Treasury bond yields and the ERP. In this analysis, the ERP
9 was defined as the difference between the annual average authorized ROE and the
10 corresponding annual average yield on long-term Treasury bonds. As described above,
11 I applied exponential weights with a decay factor (lambda) of 0.20 to emphasize more
12 recent years where regulatory and economic conditions are more consistent with
13 current conditions. This gives greater influence to more recent data points while still
14 retaining some information from earlier years.

15

16 The resulting regression model is:

17
$$\text{ERP} = 9.4113 + (-0.9315 \times \text{Bond Yield})$$

18 The model achieved a very strong statistical fit, with an R-squared of 0.9604, indicating
19 that approximately 96% of the variation in ERP is explained by changes in long-term
20 bond yields under the WLS framework. Using a projected long-term Treasury bond
21 yield of 4.80%, the WLS model produces a predicted ERP of:

22
$$\text{ERP} = 9.4113 + (-0.9315 \times 4.80\%) = 4.94\%$$

23 Adding this ERP to the assumed bond yield, yields an estimated cost of equity of:

24
$$\text{ROE} = 4.80\% + 4.94\% = 9.74\%$$

1 This result reflects a cost of equity estimate that is consistent with current capital
2 market conditions, while giving appropriate weight to the most relevant regulatory data.
3 This result reflects a cost of equity estimate that is consistent with current capital
4 market conditions, while giving appropriate weight to the most relevant regulatory data.
5 As noted above, the statistically optimal lambda values of 0.500 to 1.00 would produce
6 a cost of equity estimate of approximately 9.63% to 9.65% at the same yield
7 assumption, roughly 10-11 basis points below my result. The selection of lambda at
8 0.20 is, therefore, conservative, producing a higher cost of equity estimate than the
9 model selection criteria indicates is warranted.

10

11 The results of my Risk Premium analyses are summarized in Table CCW-6.

Table CCW-6

<u>Summary of Risk Premium Results</u>	
<u>Description</u>	<u>Results</u>
Projected Treasury Yield	10.05%
<u>A-Rated Utility Bonds</u>	
3-Month Average Yields	9.89%
6-Month Average Yields	9.90%
WLS Regression	9.74%

12 IV.H. Capital Asset Pricing Model

13 **Q. PLEASE DESCRIBE THE CAPM.**

14 A. The CAPM method of analysis is based upon the theory that the market-required ROR
15 for a security is equal to the risk-free rate, plus a Risk Premium associated with the

1 specific security. This relationship between risk and return can be expressed
2 mathematically as follows:

3
$$R_i = R_f + B_i \times (R_m - R_f) \text{ where:}$$

4 R_i = Required return for stock i

5 R_f = Risk-free rate

6 R_m = Expected return for the market portfolio

7 B_i = Beta - Measure of the risk for stock

8 The term “beta” in the equation represents the stock-specific risk that cannot be reduced
9 through diversification. In a well-diversified portfolio, specific risks related to
10 individual stocks can be reduced by balancing the portfolio with securities that offset
11 the impact of firm-specific factors, such as business cycle, competition, product mix,
12 and production limitations.

13

14 Non-diversifiable risks, on the other hand, are related to market conditions and are
15 referred to as systematic risks. These risks cannot be reduced through diversification
16 and are considered market risks. Conversely, non-systematic risks, also known as
17 business risks, can be reduced through diversification.

18

19 According to the CAPM, the market does not compensate investors for taking on risks
20 that can be diversified away. Thus, investors are only compensated for taking on
21 systematic, or non-diversifiable, risks. Beta measures these systematic risks.

22

23 **Q. PLEASE DESCRIBE THE INPUTS TO YOUR CAPM.**

24 A. The CAPM requires an estimate of the market risk-free rate, the stock’s beta, and the
25 Market Risk Premium (“MRP”). The MRP is the difference between the expected
26 market return and the risk-free rate.

1 **Q. WHAT DID YOU USE AS AN ESTIMATE OF THE MARKET RISK-FREE**
2 **RATE?**

3 A. As previously noted, *Blue Chip Financial Forecasts*' projected 30-year Treasury bond
4 yield is 4.80%.²⁸ The current 30-year Treasury bond yield is 4.93%, as shown in
5 Exhibit CCW-14 at page 1. I used *Blue Chip Financial Forecasts*' projected 30-year
6 Treasury bond yield of 4.80% for my CAPM analysis.

7
8 **Q. WHAT BETA DID YOU USE IN YOUR ANALYSIS?**

9 A. To ensure a more accurate and representative estimate of systematic risk, I have
10 considered multiple approaches to beta estimation. This includes current published
11 betas from *Value Line*, a long-term average of *Value Line* betas, three-year betas
12 adjusted using *Value Line*'s methodology, and Vasicek-adjusted betas from S&P
13 Capital IQ's Beta Generator Model.

14
15 As shown in Exhibit CCW-16, the current proxy group average and median *Value Line*
16 beta estimates are 0.77 and 0.75, respectively. The long-term average beta since 2014
17 is 0.76 and has ranged from 0.63 to 0.86. The three-year betas adjusted using *Value*
18 *Line*'s methodology average 0.57 and have a median of 0.56.

19
20 The S&P Vasicek-adjusted betas, calculated using five years of weekly data ending
21 June 12, 2026, average 0.38 and have a median of 0.36 for the proxy group. These
22 betas use the S&P 500 as the benchmark market index, aligning with my use of the
23 S&P 500 to estimate the expected market return. In contrast, *Value Line*'s betas use

²⁸ *Blue Chip Financial Forecast*, June 1, 2026.

1 the NYSE Composite Index and apply a constant 67%/35% adjustment to the raw beta
2 and market average, respectively. Because *Value Line*'s method does not account for
3 the reliability of the underlying data, its betas can be overstated, particularly for
4 low-volatility sectors like utilities. As S&P explains:

5 The Vasicek Method is a superior alternative to the Bloomberg
6 Beta adjustment. The Bloomberg adjustment is not appropriate
7 for a vast number of situations, as it assigns constant weighting
8 regardless of the standard error in the raw beta estimation
9 (Bloomberg Beta = $1/3 \times \text{market beta} + 2/3 \times \text{Raw Beta}$). Given
10 the statistical fact that a larger sample size yields a smaller error,
11 the Vasicek method more appropriately adjusts the raw beta via
12 weights determined by the variance of the individual security
13 versus the variance of a larger sample of comparable companies.
14 The weights are designed to bring the raw beta closer to
15 whichever beta estimation has the smallest error. This is a
16 feature the Bloomberg beta cannot replicate.²⁹

17 Notably, while S&P makes reference to the Bloomberg method of applying 2/3 and
18 1/3 weights to the raw beta and market beta, respectively, the comparison still applies
19 to *Value Line*'s methodology of applying 67% and 35% weights. Both methods are
20 forms of the Blume adjustment.³⁰ While the weights are slightly different between the
21 Bloomberg and *Value Line* methods, they are similar and apply a constant weight
22 without any regard to accuracy. As such, S&P's criticisms apply to both Bloomberg
23 betas and *Value Line* betas.

²⁹ S&P Market Intelligence, Beta Generator Model.

³⁰ The Blume adjustment is a tool used to refine a beta measurement in finance. In general, beta attempts to explain how much a particular investment's price moves compared to the overall market. But beta is often based on historical data, which may not be an accurate method for predicting the future. The Blume adjustment tries to address this by considering that, in the long-run, most investments tend to become more similar in their riskiness to the overall market (represented by a beta of 1).

1 **Q. WHY ARE THE VASICEK-ADJUSTED BETAS FROM S&P**
2 **SIGNIFICANTLY LOWER THAN THE VALUE LINE BETAS IN YOUR**
3 **ANALYSIS?**

4 A. The difference in beta estimates arises primarily from how each method addresses
5 estimation error. The Vasicek method adjusts raw betas toward an industry-specific
6 mean based on statistical accuracy, placing more weight on estimates with lower
7 variance. For utilities, which typically exhibit low volatility and weaker correlation
8 with the broader market, this often results in downward adjustments toward a beta
9 range of approximately 0.4 to 0.6. *Value Line*’s approach, on the other hand, adjusts
10 toward the broader market mean of 1.0 regardless of the accuracy of the raw beta.
11 Consequently, the Vasicek method potentially better reflects the defensive
12 characteristics of utility stocks and provides a measure of systematic risk that is more
13 reflective of actual risk.

14

15 **Q. HOW DID YOU DERIVE YOUR MRP ESTIMATES?**

16 A. My MRP estimates are derived using two general approaches: a Risk Premium
17 approach and a DCF approach. I also consider the normalized MRP of 5.00% with the
18 normalized risk-free rate of 4.97% as recommended by Kroll, formerly known as
19 Duff & Phelps.³¹ Based on this methodology and utilizing a “normalized” risk-free
20 rate of 4.97%, Kroll concludes that the current expected, or forward-looking, MRP is
21 5.00%, implying an expected return on the market of 9.97%.³²

³¹ Kroll, and its predecessor Duff & Phelps, is a provider of economic, financial, and valuation data that is often relied on by finance professionals and cited in ROR testimony.

³² Kroll, *Kroll Recommended U.S. Equity Risk Premium and Corresponding Risk-Free Rates to be Used in Computing Cost of Capital: January 2008 – Present* (April 15, 2025). The current 20-year yield of 4.97% exceeds the “normalized” yield of 3.5%. In accordance with Kroll’s prescribed method, the greater of the two shall be used under the normalized Kroll methodology, *i.e.*, 4.97%.

1 **Q. PLEASE DESCRIBE YOUR MRP ESTIMATE DERIVED USING THE RISK**
2 **PREMIUM METHODOLOGY.**

3 A. The forward-looking Risk Premium based estimate was derived by estimating the
4 expected return on the market (as represented by the S&P 500) and subtracting the
5 risk-free rate from this estimate. I estimated the expected return on the S&P 500 by
6 adding an expected inflation rate to the long-term historical arithmetic average real
7 return on the market. The real return on the market represents the achieved return
8 above the rate of inflation.

9
10 Professor Aswath Damodaran of the New York University Stern School of Business
11 publishes various estimates of the MRP on his academic website.³³ Dr. Damodaran
12 calculates the arithmetic average real-market return over the period 1928 to 2025 to
13 be 8.61%.³⁴ A current consensus for projected inflation is 2.20%.³⁵ Using these
14 estimates, the expected market return is 11.00%.³⁶ The MRP then is the difference
15 between the 11.00% expected market return and the projected risk-free rate of 4.80%,
16 or 6.20%.

17
18 **Q. PLEASE DESCRIBE YOUR MRP ESTIMATES DERIVED USING THE DCF**
19 **METHODOLOGY.**

³³ Professor Aswath Damodaran is a highly respected finance academic and educator best known for his expertise in corporate finance, valuation, investment management, and applied finance. He is a long-standing faculty member at the Stern School of Business at New York University ("NYU"), where he holds the Kerschner Family Chair in Finance Education.

³⁴ Professor Damodaran, NYU Stern School of Business, <https://pages.stern.nyu.edu/~adamodar/>.

³⁵ Blue Chip Financial Forecast, June 1, 2026.

³⁶ $[(1 + 8.61\%) * (1 + 2.20\%) - 1] * 100$.

1 A. I employed two versions of the constant growth DCF model to develop estimates of
2 the MRP. I first employed the FERC method of estimating the expected return on the
3 market that was established in its Opinion No. 569-A. FERC's method for estimating
4 the expected return on the market is to perform a constant growth DCF analysis on each
5 of the dividend-paying companies of the S&P 500 index. The growth rate component
6 is based on the average of the growth projections excluding companies with growth
7 rates that were negative or greater than 20%.³⁷ The weighted average growth rate for
8 the remaining companies is 12.00%. After reflecting the FERC prescribed method of
9 adjusting the dividend yield by $(1 + 0.5g)$, the weighted average expected dividend
10 yield is 1.91%. Thus, the DCF-derived expected return on the market is the sum of
11 those two components, or 13.91%. The MRP then is the expected market return of
12 13.91%, less the projected risk-free rate of 4.80%, or approximately 9.10%.

13
14 My second DCF-based MRP estimate was derived by performing the same DCF
15 analysis described above, except I used all companies in the S&P 500 index rather than
16 just the dividend-paying companies. The weighted average growth rate for these
17 companies is 11.90%. After reflecting the FERC-prescribed method of adjusting the
18 dividend yield by $(1 + 0.5g)$, the weighted average expected dividend yield is 1.70%.
19 Thus, the DCF-derived expected return on the market is the sum of those two
20 components, or 13.60%. The MRP then is the expected market return of 13.60% less
21 the projected risk-free rate of 4.80%, or approximately 8.80%.

³⁷ Opinion No. 569-A, at 210.

1 The average expected market return based on the DCF model is 13.76% and the
2 average MRP based on the two DCF estimates is 8.95%.

3

4 **Q. DO YOU HAVE ANY COMMENTS ABOUT YOUR MRP ESTIMATES?**

5 A. Yes, I do. The MRP of 8.95% derived using the FERC methodology of calculating the
6 expected market return falls outside the reasonable range of empirical MRPs. Notably,
7 the expected market return relies on average growth rates of 12.00% and 11.90%.
8 These growth rates are unsustainable and excessive. I will take that into account in
9 determining a reasonable ROE for the Company.

10

11 **Q. HOW DO YOUR EXPECTED MARKET RETURNS COMPARE TO**
12 **CURRENT EXPECTATIONS OF FINANCIAL INSTITUTIONS?**

13 A. As shown in Table CCW-7 below, my average expected market return of 11.58%³⁸
14 exceeds long-term market expectations of several financial institutions.

³⁸ 11.58% = (9.97% + 13.76% + 11.00%) / 3.

Table CCW-7

<u>Long-Term Expected Return on the Market</u>		
<u>Source</u>	<u>Term</u>	<u>Expected Return Large Cap Equities</u>
BlackRock Capital Management ¹	20 Years	5.20%
JP Morgan Chase ²	10 - 15 Years	6.70%
Vanguard ³	10 Years	4.0% - 5.0%
Research Affiliates ⁴	10 Years	3.13%
Invesco ⁵	10 Years	3.4% - 4.7%
Goldman Sachs ⁶	10 Years	6.50%
Fidelity ⁷	20 Years	5.80%
Schwab ⁸	10 Years	5.90%
Sources:		
¹ BlackRock Investment Institute, Capital market assumptions, November 13, 2025.		
² JP Morgan Chase, Long-Term Capital Market Assumptions, 2026 Report.		
³ Vanguard economic and market outlook for 2026: AI exuberance: Economic upside, stock market downside.		
⁴ Research Affiliates, Asset Allocation Interactive. Retrieved 2/3/2025.		
⁵ Invesco, Global Asset Allocation 2026 Outlook, November 9, 2025.		
⁶ Goldman Sachs, Global Strategy Paper No. 75, Building Long-Term Returns: Our 10-Year Forecasts, November 12, 2025.		
⁷ Fidelity, Capital market assumptions, updated August 28, 2025.		
⁸ Schwab's 2026 Long-Term Capital Market Expectations, January 2, 2026.		

1 When compared to the expected market returns of financial institutions above, my
2 average expected market return of 11.58% is greater than all of them. For these
3 reasons, my expected market returns, and the associated MRPs, should be considered
4 reasonable, if not high-end estimates.

5

6 **Q. HOW DO YOUR ESTIMATED MRPS COMPARE TO THAT ESTIMATED BY**
7 **KROLL?**

1 A. On its Cost of Capital Navigator portal, Kroll’s MRP falls somewhere in the range of
2 5.00% to 7.31%. My MRP estimates are in the range of 5.00% to 8.95%.

3

4 **Q. HOW DOES KROLL MEASURE A MRP?**

5 A. Kroll’s range is based on several methodologies. First, Kroll estimated a MRP of
6 7.31% based on the difference between the total market return on common stocks
7 (S&P 500) less the income return on 20-year Treasury bond investments over the
8 1926-2024 period.³⁹

9

10 Second, Kroll used the Ibbotson & Chen supply-side model which produced a MRP
11 estimate of 6.26%.⁴⁰ Kroll explains that the historical MRP based on the S&P 500 was
12 influenced by an abnormal expansion of P/E ratios relative to earnings and dividend
13 growth. To control for the volatility of extraordinary events and their impacts on
14 P/E ratios, Kroll takes into consideration the three-year average P/E ratio as the current
15 P/E ratio. Therefore, Kroll adjusted this MRP estimate to normalize the growth in the
16 P/E ratio to be more in line with the growth in dividends and earnings.

17

18 Finally, Kroll developed its own recommended ERP, or MRP, by employing an
19 analysis that takes into consideration a wide range of economic information, multiple
20 Risk Premium estimation methodologies, and the current state of the economy by
21 observing measures such as the level of stock indices and corporate spreads as
22 indicators of perceived risk. Based on this methodology, and utilizing a “normalized”

³⁹ Kroll Cost of Capital Navigator.

⁴⁰ *Id.*

1 risk-free rate of 4.97%, Kroll concludes that the current expected, or forward-looking,
2 MRP is 5.00%, implying an expected return on the market of 9.97%.⁴¹
3

4 **Q. WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?**

5 A. As shown in Exhibit CCW-17, I have provided the results of twelve different
6 applications of the CAPM. The first three results presented are based on the proxy
7 group's current average *Value Line* beta of 0.77. The results of the CAPM based on
8 these inputs range from 8.83% to 11.71%.

9
10 The next set of three results presented are based on the proxy group's historical *Value*
11 *Line* beta of 0.76. The results of the CAPM based on these inputs range from 8.74%
12 to 11.56%. The third set of results presented are based on the proxy group's current
13 *S&P Global MI* beta of 0.38. The results of the CAPM based on these inputs range
14 from 6.84% to 8.16%. The final set of results presented are based on the proxy group's
15 three-year beta estimate of 0.57. The results of the CAPM based on these inputs range
16 from 7.81% to 9.89%. My CAPM results are summarized in Table CCW-8.

⁴¹ Kroll, *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).

Table CCW-8

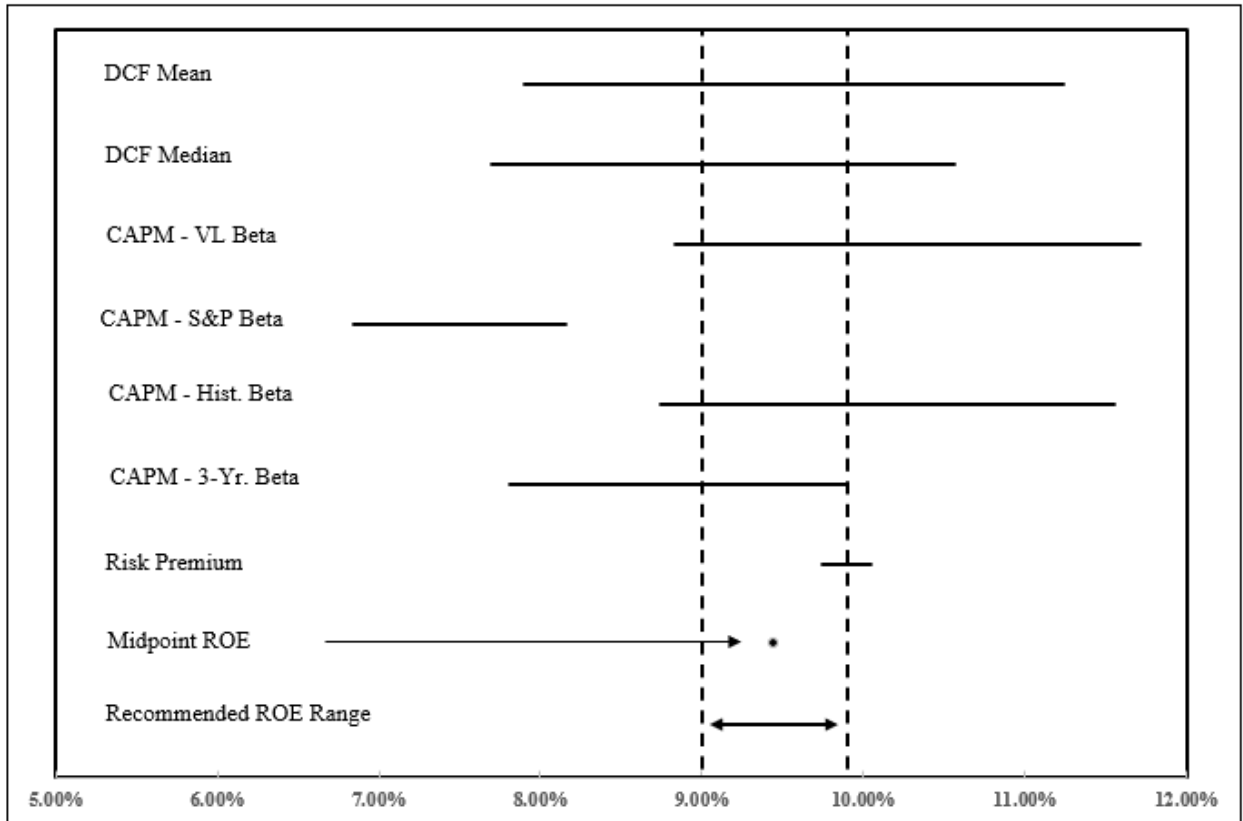
<u>CAPM Results Summary</u>				
<u>Description</u>	<u>Current VL Beta</u>	<u>Historical VL Beta</u>	<u>Current S&P Beta</u>	<u>3-Year Beta</u>
Kroll Method	8.83%	8.74%	6.84%	7.81%
RP Method	9.59%	9.48%	7.13%	8.33%
FERC DCF Method	<u>11.71%</u>	<u>11.56%</u>	<u>8.16%</u>	<u>9.89%</u>
Average	10.04%	9.93%	7.38%	8.68%

1 IV.I. Return on Equity Summary

2 **Q. BASED ON THE RESULTS OF YOUR ANALYSIS DESCRIBED ABOVE,**
3 **WHAT ROE DO YOU RECOMMEND FOR FCG?**

4 A. The results of my analyses are summarized in Figure CCW-9. In this figure, I present
5 the various measures of central tendency (*i.e.*, the mean and median results) for each
6 of my analytical models.

Figure CCW-9



1 Based on my analyses of the various methodologies described above, I estimate FCG's
2 current market ROE to be in the indicated range of 9.00% to 9.90%. As described
3 above, the results of the constant growth DCF using analysts' growth rates assume an
4 average long-term growth rate of 8.11%, which is approximately 103% higher than the
5 long term projected GDP growth rate of 3.99%. This is an unsustainable assumption.
6 It likely leads to an overstatement in the cost of equity for a low risk regulated utility.
7 As such, considerable weight should be given to the sustainable growth and multi-stage
8 models of the DCF. Based on my assessment of FCG's overall risk profile, the results
9 of these analytical methods, and taking into consideration FCG's existing ROE, I
10 recommend that the Commission authorize FCG a ROE of 9.45%, which is the
11 midpoint of the indicated range of 9.00% to 9.90%. The midpoint estimate of 9.45%
12 is reasonable given FCG's relative risk profile discussed above.

1 **Q. DO YOU BELIEVE THE COMMISSION SHOULD ACCORD THE**
2 **MULTI-STAGE DCF MODEL MORE WEIGHT THAN THE**
3 **CONSTANT-GROWTH DCF MODEL IN THIS PROCEEDING?**

4 A. Yes. The constant-growth DCF model assumes that the dividend growth rate used to
5 estimate the cost of equity will persist in perpetuity. That assumption is only valid if
6 the growth rate input is itself sustainable over the long run. In this case, the average
7 analyst growth rate for the proxy group is 8.11%, which exceeds the consensus nominal
8 GDP growth rate of 3.99% by a factor of more than two. No individual company, and
9 certainly no portfolio of regulated utilities, can sustain earnings growth at more than
10 double the rate of the overall economy indefinitely. A growth rate of 8.11% implies
11 that these utilities would eventually consume an ever-increasing share of GDP, which
12 is an economic impossibility.

13

14 **Q. WHY DOES THIS MATTER FOR THE RELIABILITY OF THE**
15 **CONSTANT-GROWTH DCF ESTIMATE?**

16 A. The Gordon Growth Model, which is the theoretical foundation of the
17 constant-growth DCF, is derived under the assumption that dividends grow at a
18 constant rate forever. When that assumed growth rate exceeds the sustainable long-run
19 growth rate of the economy, the model does not simply produce a small upward bias;
20 it systematically overstates the cost of equity by embedding an unsustainable growth
21 trajectory into the present value calculation. The multi-stage DCF model addresses this
22 problem directly by allowing near-term analyst growth rates to prevail over an initial
23 horizon and then transitioning to a sustainable long-run growth rate in the terminal

1 stage. This structure better reflects the reality that elevated near-term growth
2 expectations will not persist indefinitely.

3

4 **Q. IS THERE RECENT COMMISSION PRECEDENT SUPPORTING THIS**
5 **VIEW?**

6 A. Yes. In its recent order in Ameren Illinois Company's ("Ameren Illinois") gas rate
7 case, Illinois Commerce Commission ("ICC") Docket No. 25-0084, the ICC directly
8 addressed this issue. In that proceeding, Ameren Illinois relied exclusively on a
9 constant-growth DCF model with an average growth rate of 6.09%. The ICC found
10 that this growth rate exceeded the long-term economic growth rate of 3.86% and was
11 unlikely to be sustainable indefinitely. The ICC agreed with the ICC Staff that Ameren
12 Illinois' exclusive reliance on the constant-growth DCF resulted in an overstated cost
13 of equity estimate, and that ICC Staff's application of a non-constant growth DCF
14 model alongside the constant-growth DCF appropriately mitigated the effects of
15 unsustainable near-term growth rates.⁴²

16

17 **Q. HOW DOES THE GROWTH RATE IN THIS PROCEEDING COMPARE TO**
18 **THE GROWTH RATE AT ISSUE IN AMEREN ILLINOIS?**

19 A. The growth rate disparity in this proceeding is substantially more pronounced. In
20 Ameren Illinois, Ameren Illinois' average growth rate of 6.09% exceeded the long-term
21 GDP growth rate by approximately 58%. Here, the average growth rate of 8.11%
22 exceeds the long-run nominal GDP growth rate of 3.99% by approximately 103%. If

⁴² Final Order, In re Ameren Illinois Co. d/b/a Ameren Illinois, Proposed General Increase in Rates and Revisions to Other Terms and Conditions of Service, Ill. Commerce Comm'n Docket No. 25-0084, at 248 (Nov. 19, 2025).

1 the ICC found a 58% differential sufficient to warrant reliance on a multi-stage DCF
2 model in Ameren Illinois, the case for doing so here is considerably stronger, given that
3 the growth rate differential is nearly twice as large.

4

5 **Q. DOES THIS MEAN THAT NEAR-TERM ANALYST GROWTH RATES**
6 **SHOULD BE DISREGARDED ENTIRELY?**

7 A. No. Near-term analyst growth rates reflect valuable market information about
8 investors' expectations over the next three to five years. The multi-stage DCF model
9 does not discard that information. Rather, it incorporates near-term analyst growth
10 rates in the initial stage and then transitions to a sustainable long-run growth rate in the
11 terminal stage. This approach captures the information content of analyst forecasts
12 while avoiding the mathematical consequence of assuming those elevated growth rates
13 persist forever. The constant-growth DCF model, by contrast, forces the analyst to
14 make an all-or-nothing choice: either use a growth rate that reflects near-term
15 expectations but overstates the long-run trajectory, or substitute a lower growth rate
16 that may understate near-term expectations. The multi-stage model avoids this
17 dilemma entirely.

18

19 IV.J. Capital Structure

20 **Q. WHAT IS FCG'S PROPOSED CAPITAL STRUCTURE?**

21 A. FCG's proposed capital structures are summarized in Table CCW-9 below:

Table CCW-9

<u>FCG' Proposed Capital Structure</u>	
<u>Description</u>	<u>Weight</u>
Long-Term Debt	44.31%
Short-Term Debt	5.55%
Common Equity	<u>50.14%</u>
Total	100.00%

1 **Q. WHAT IS THE RELATIONSHIP BETWEEN THE EQUITY RATIO AND THE**
2 **AUTHORIZED ROE?**

3 A. The equity ratio and the authorized ROE are interrelated components of the overall cost
4 of capital, and they must be evaluated together. Common equity is considerably more
5 expensive than debt. When a utility's ratemaking capital structure contains a higher
6 proportion of equity, the utility bears less financial risk because its fixed debt service
7 obligations are proportionately smaller. This reduced financial risk should logically be
8 reflected in a lower authorized ROE.

9
10 Conversely, when a commission authorizes a higher ROE, the revenue requirement
11 impact of that higher ROE is amplified by a higher equity ratio. This is because the
12 equity component of the weighted average cost of capital is the product of the equity
13 ratio and the ROE. Increasing both the equity ratio and the ROE simultaneously
14 compounds the cost to ratepayers and magnifies the revenue requirement impact well
15 beyond what a change to either component alone would produce.

1 The proxy group used to estimate FCG’s cost of equity has an average equity ratio of
2 approximately 48.3% (including short-term debt). When the cost of equity is estimated
3 using companies with lower equity ratios, that cost estimate inherently reflects the
4 higher financial risk associated with those lower equity ratios. Applying that cost of
5 equity estimate to a company with a 50.14% equity ratio, and, therefore, lower financial
6 risk, would potentially overcompensate the utility.

7

8 To avoid this circular overcompensation, either the equity ratio could be brought in line
9 with the proxy group, or the ROE could be adjusted downward to reflect the reduced
10 financial risk associated with the higher equity ratio. The ICC recognized this principle
11 in the Ameren Illinois Final Order, in which ICC Staff testified that with a reduction in
12 the common equity ratio to 50.0%, no additional adjustment to the cost of common
13 equity was necessary to align Ameren Illinois’ financial risk with its proxy group.

14

15 **Q. ARE YOU AWARE OF OTHER REGULATORY COMMISSIONS**
16 **RECOGNIZING THE NEED TO ALIGN THE COST OF EQUITY WITH THE**
17 **CAPITAL STRUCTURE?**

18 A. Yes. In a recent Order, the Arkansas Public Service Commission (“APSC”) imputed
19 the capital structure of Southwestern Electric Power Company (“SWEPCO”) to be
20 more in-line with the comparable companies used to estimate the cost of equity.⁴³ The
21 adjustment was to recognize that there must be *congruence* between the cost of equity
22 and the capital structure. Specifically, the Order states as follows:

23 Consistent with our ruling in Order No. 10 of Docket
24 No. 06-101-U, the Commission holds that there should be

⁴³ APSC Docket No. 21-170-U, Doc. No. 323, May 23, 2022, Order No. 14.

1 congruence between the estimated cost of equity and the
2 [debt-to-equity “DTE”)] ratio, whereby a lower DTE ratio
3 decreases financial risk and decreases the cost of equity. The
4 evidence of record supports imputing the average capital
5 structure of companies with comparable risk to SWEPCO for the
6 purposes of determining SWEPCO’s overall cost of capital.⁴⁴

7
8 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO FCG’S CAPITAL**
9 **STRUCTURE?**

10 A. Not at this time. After consideration of the proxy group’s typical equity ratio, as well
11 as what is being awarded to other regulated gas utilities throughout the country, it is
12 my opinion that the Company’s proposed financial capital structure, including 50.14%
13 common equity, is not unreasonable. However, as discussed by other OPC witnesses,
14 there are concerns with the Company’s ratemaking capital structure. I have not
15 analyzed whether it is reasonable for the Commission to accept that FCG’s projected
16 capital structure will be achieved in light of its recent history at this time.

17
18 **V. RESPONSE TO MR. HAAG**

19 **V.A. Summary of Rebuttal to Mr. Haag**

20 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF FCG WITNESS**
21 **MR. DAVID J. HAAG?**

22 A. Yes. I have reviewed the Direct Testimony of Mr. Haag, filed on behalf of FCG on
23 April 20, 2026, along with his supporting Exhibits DH-001 through DH-004.
24 Mr. Haag presents FCG's requested ROE and supports the Company's proposed use of
25 the capital structure and cost of debt of its parent, CUC.⁴⁵

⁴⁴ *Id.* at 25.

⁴⁵ Direct Testimony of David J. Haag, Docket No. 20260026-GU (filed Apr. 20, 2026) ("Haag Direct") at 5-8, 47-49.

1 **Q. PLEASE SUMMARIZE MR. HAAG'S RECOMMENDATIONS.**

2 A. Mr. Haag recommends an ROE of 11.25% for FCG. He develops this recommendation
3 by applying two financial models, the DCF model and the CAPM, to a proxy group of
4 six publicly traded natural gas utilities, using two alternative sources of earnings
5 growth projections, IBES and Value Line. Averaging the results of these analyses, he
6 derives a zone of reasonableness of 9.75% to 12.01% with a median of 10.36%. He
7 then divides that zone into thirds and, based on his conclusion that FCG faces overall
8 business risks greater than those of the proxy group companies, he recommends the top
9 of the middle third of the range, which is 11.25%.⁴⁶

10

11 It is important to recognize that Mr. Haag does not recommend the median of his own
12 study results. His recommended 11.25% ROE is 89 basis points above his calculated
13 median of 10.36%, based entirely on his qualitative assessment of FCG's relative risk.⁴⁷

14 With respect to capital structure, Mr. Haag recommends that FCG use the capital
15 structure of its parent, CUC, for ratemaking purposes because FCG does not issue its
16 own debt or equity and because he finds CUC's equity ratio to be within the range of
17 the proxy group. He also concludes that no parent debt adjustment is required because
18 FCG has no third-party debt.⁴⁸ Finally, he endorses the use of CUC's actual cost of
19 debt associated with its acquisition of FCG, as presented by witness Russell.⁴⁹

20

21 Mr. Haag also states that if the Company's proposed depreciation rates (including the
22 Reserve Surplus Amortization Mechanism), capital structure, or other major cost of

⁴⁶ Haag Direct at 8, 47-48.

⁴⁷ Haag Direct at 47-48.

⁴⁸ Haag Direct at 5-6, 8, 44-46.

⁴⁹ Haag Direct at 46.

1 service components are not approved as filed, FCG's risks may increase, which he
2 asserts may necessitate an additional upward ROE adjustment.⁵⁰

3

4 **Q. PLEASE SUMMARIZE THE RESULTS OF MR. HAAG'S ROE ANALYSES.**

5 A. The table below summarizes the results of Mr. Haag's DCF and CAPM analyses as
6 presented in his testimony and Exhibit No. DH-003.⁵¹

Summary of Witness Haag's ROE Results

Model / Growth Rate Source	Low	Median	High
DCF (IBES growth rates)	9.03%	9.16%	13.59%
DCF (Value Line growth rates)	7.72%	9.23%	10.37%
CAPM (IBES growth rates)	11.79%	12.20%	12.78%
CAPM (Value Line growth rates)	10.44%	10.85%	11.30%
DCF (average of IBES and Value Line)	8.38%	9.19%	11.98%
CAPM (average of IBES and Value Line)	11.11%	11.52%	12.04%
Overall Average (DCF and CAPM)	9.75%	10.36%	12.01%

7 From the overall average results, Mr. Haag establishes a zone of reasonableness of
8 9.75% to 12.01%.⁵² He divides this zone into a lower third (9.75% to 10.50%), a
9 middle third (10.50% to 11.25%), and an upper third (11.25% to 12.01%), and selects
10 the top of the middle third, 11.25%, as his recommendation.⁵³

11

12 V.B. Mr. Haag's Proxy Group

13 **Q. PLEASE DESCRIBE THE PROXY GROUP MR. HAAG USED IN HIS**
14 **ANALYSES.**

⁵⁰ Haag Direct at 48-49.

⁵¹ Haag Direct at 28, 34, 47; Exhibit No. DH-003.

⁵² Haag Direct at 47.

⁵³ Haag Direct at 48.

1 A. Mr. Haag began with the eleven companies classified by Value Line as "Natural Gas
2 Utilities" as of December 2025.⁵⁴ He then applied five screening criteria: (1) an
3 investment grade credit rating; (2) payment of regular dividends with no dividend cut
4 or reduction in the latest six month period; (3) a positive five year earnings growth
5 estimate from IBES and/or Value Line; (4) no material merger or acquisition activity
6 in the last six month period; and (5) at least 60% of net income derived from natural
7 gas utility operations. He also excluded FCG's parent, CUC.⁵⁵
8
9 Applying these screens, Mr. Haag eliminated four companies that lacked credit ratings:
10 New Jersey Resources, RGC Resources, Star Group, and UGI. Although both
11 Northwest Natural Holding Company and Spire announced acquisitions during the
12 six-month screening period (Northwest Natural's \$60 million acquisition of Hughes
13 Gas Resources and Spire's \$2.48 billion agreement to acquire the Tennessee business
14 of Piedmont Natural Gas), Mr. Haag retained both companies after concluding that the
15 announcements did not have a material impact on their stock prices.⁵⁶
16
17 His final proxy group consists of six companies: Atmos Energy Corp. ("Atmos"),
18 NiSource Inc. ("NiSource"), Northwest Natural Holding Co., ONE Gas Inc., Spire, and
19 Southwest Gas Holdings, Inc. ("Southwest Gas").⁵⁷

⁵⁴ Haag Direct at 12, Table 1.

⁵⁵ Haag Direct at 13.

⁵⁶ Haag Direct at 14-20. The Northwest Natural acquisition of Hughes Gas Resources is discussed at 17-19, and the Spire acquisition of the Piedmont Natural Gas Tennessee business is discussed at 18-20.

⁵⁷ Haag Direct at 22-23.

1 **Q. DO YOU HAVE ANY CONCERNS WITH MR. HAAG'S PROXY GROUP?**

2 A. As an initial matter, Mr. Haag should have excluded Spire from his proxy group. The
3 announced acquisition of Piedmont Natural Gas from Duke Energy for \$2.48 billion
4 represents approximately 53.05% of Spire's market capitalization. This transaction
5 will fundamentally alter Spire's business and growth prospects. An ROE study
6 including Spire at this time should not be considered reliable.

7

8 V.C. Mr. Haag's DCF Analysis

9 **Q. PLEASE DESCRIBE MR. HAAG'S DCF ANALYSIS.**

10 A. Mr. Haag employs a two-step, constant growth DCF model of the form
11 $k = D/P(1 + 0.5g) + g$, in which the dividend yield (D/P) is adjusted by one half of the
12 short term growth rate to account for quarterly dividend payments.⁵⁸ The "two step"
13 feature refers to his growth rate, which is a weighted average of short term analyst
14 growth projections and a long term growth rate based on projected growth of the overall
15 U.S. economy.⁵⁹

16

17 For the dividend yield, Mr. Haag averaged the high and low stock prices for each of
18 the six months ended November 2025, divided the indicated annual dividend for each
19 month by that month's average price, and averaged the resulting six-monthly yields.
20 He applied the $(1 + 0.5g)$ quarterly payment adjustment using only the short-term
21 Value Line growth rates.⁶⁰

⁵⁸ Haag Direct at 23-24, 26-27.

⁵⁹ Haag Direct at 24.

⁶⁰ Haag Direct at 26-27.

1 For short-term growth, Mr. Haag ran the model twice, once using the five-year IBES
2 growth forecasts and once using the five-year Value Line growth forecasts. Only three
3 of the six proxy companies (Atmos, NiSource, and Southwest Gas) had IBES growth
4 rates available, and five of the six had Value Line growth rates available (Southwest
5 Gas did not).⁶¹

6

7 For long term growth, Mr. Haag used a 3.91% projected growth rate for U.S. GDP,
8 calculated as the average of forecasts from three sources.⁶² He weighted the short-term
9 growth rates two thirds and the long-term GDP growth rate one third, reasoning that
10 utility rates are periodically reviewed and reset by regulators rather than remaining in
11 effect in perpetuity.⁶³

12

13 Mr. Haag applied a low end and high end outlier test that screens for results more than
14 two standard deviations from the sample mean, and no proxy company results were
15 excluded.⁶⁴ I note that footnote 14 of his testimony describes this test as capturing
16 approximately 95% of all data within one standard deviation of the mean; under a
17 normal distribution, the 95% figure corresponds to two standard deviations, as his later
18 footnote 19 correctly states.⁶⁵

⁶¹ Haag Direct at 16-17, Tables 3 and 4; Haag Direct at 25-26.

⁶² Haag Direct at 24-25. The three sources and their forecasts are the Energy Information Administration Annual Energy Outlook (3.89%), the S&P Global Connect Long-Term Macro Forecast (3.91%), and the Social Security Administration (3.94%).

⁶³ Haag Direct at 26.

⁶⁴ Haag Direct at 28.

⁶⁵ Haag Direct at 28, n. 14; compare Haag Direct at 34, n. 19.

1 His DCF results are as follows: using IBES growth rates, a range of 9.03% to 13.59%
2 with a median of 9.16%; and using Value Line growth rates, a range of 7.72% to
3 10.37% with a median of 9.23%.⁶⁶

4
5 **Q. WHAT CONCERNS DO YOU HAVE WITH MR. HAAG'S DCF ANALYSIS?**

6 A. I have several concerns with Mr. Haag's DCF analysis. First, in Mr. Haag's DCF
7 analysis using IBES growth rates, only three of his six companies had growth rate
8 estimates available. It is difficult to draw any meaningful conclusion regarding the cost
9 of equity for FCG from a sample of only three proxy company results. A
10 three-company sample is highly sensitive to any single anomalous input, as the
11 Southwest Gas result discussed below demonstrates.

12
13 Second, the blended growth rates in his IBES DCF are implausibly high relative to his
14 own long term growth benchmark. Applying Mr. Haag's two-thirds/one-third
15 weighting to the IBES growth rates produces blended growth rates of 6.77% for Atmos,
16 6.37% for NiSource, and 10.17% for Southwest Gas, which average 7.77%.⁶⁷ That
17 average is nearly two times, or roughly 100%, higher than the 3.91% long term GDP
18 growth rate Mr. Haag himself adopts as the sustainable growth rate of the overall
19 economy. A constant growth DCF model assumes the growth rate continues
20 indefinitely, and no company, let alone a mature regulated gas distribution utility, can
21 be expected to grow at nearly twice the rate of the economy in perpetuity. His

⁶⁶ Haag Direct at 28; Exhibit No. DH-003.

⁶⁷ Calculated from Haag Direct at 17, Table 4, and at 24-26, applying Mr. Haag's two-thirds/one-third weighting of short-term and long-term growth rates: Atmos ($(2/3 \times 8.2\%) + (1/3 \times 3.91\%) = 6.77\%$), NiSource (6.37%), and Southwest Gas (10.17%). The average of the three blended growth rates is 7.77%.

1 weighting scheme, which places only one third of the weight on the sustainable
2 long-term rate, does little to discipline these excessive short-term projections.

3

4 Third, his two standard deviation outlier test provides no meaningful screen for his
5 IBES DCF results. Mr. Haag testifies that he tested his DCF results for outliers by
6 examining whether any result was more than two standard deviations from the mean,
7 and he excluded nothing. But this test is incapable of excluding anything from a
8 three-company sample. The three IBES DCF results of 9.03%, 9.16%, and 13.59%
9 have a mean of 10.59%, and the 13.59% Southwest Gas result lies only
10 approximately 1.4 standard deviations above that mean.⁶⁸ Indeed, it is a mathematical
11 property of small samples that no observation among three data points can ever lie more
12 than approximately 1.4 standard deviations from the mean.⁶⁹ Mr. Haag's outlier screen
13 is, therefore, an empty exercise as applied to his IBES DCF analysis. As a result, the
14 13.59% result, which is more than four percentage points above his IBES DCF median
15 of 9.16% and is driven by Southwest Gas's 13.3% IBES growth rate, passes untouched
16 through his screen, becomes the high end of his IBES DCF range, and ultimately sets
17 the 12.01% top of his overall zone of reasonableness.

18

19 Fourth, his Value Line DCF relies on the estimates of a single analyst. Unlike IBES
20 growth rates, which reflect a consensus of multiple analysts' forecasts, the Value Line

⁶⁸ Haag Direct at 28. The three IBES DCF results of 9.03%, 9.16%, and 13.59% have a mean of 10.59% and a standard deviation of 2.12% (population basis) or 2.60% (sample basis). The 13.59% result, therefore, lies approximately 1.4 (or 1.2) standard deviations above the mean.

⁶⁹ For a sample of n observations, no observation can lie more than the square root of $(n-1)$ standard deviations from the mean on a population basis, or $(n-1)$ divided by the square root of n standard deviations on a sample basis. For $n = 3$, these bounds are approximately 1.41 and 1.15, respectively.

1 growth rate for each company is the projection of a single analyst.⁷⁰ Reliance on a
2 single analyst's estimate subjects the analysis to the bias and error of that individual
3 forecaster, without the moderating benefit of a consensus. Yet because of the limited
4 IBES growth rates available for his proxy group, Value Line growth rates are the sole
5 short term growth input for three of the six companies in his DCF analysis and are the
6 only growth rates used in his quarterly dividend adjustment.

7

8 V.D. Mr. Haag's CAPM Analysis

9 **Q. PLEASE DESCRIBE MR. HAAG'S CAPM ANALYSIS.**

10 A. The CAPM estimates the cost of equity as the risk free rate plus the product of beta and
11 the MRP.⁷¹ Mr. Haag adds a size premium to this standard formulation, so his model
12 is $k = R_f + B \times (R_m - R_f) + s$, where "s" is a size adjustment intended to account for his
13 view that the betas of small companies undercompensate for their risk.⁷²

14

15 For the risk-free rate (R_f), Mr. Haag used the average yield on 30-year U.S. Treasury
16 bonds over the six-month period ended November 2025, which is 4.79%.⁷³ For beta,
17 he used Value Line adjusted betas as of November 2025, which are 0.80 for every
18 proxy company except NiSource, which has a beta of 0.90.⁷⁴

19

20 For the expected market return (R_m), Mr. Haag used a forward-looking, one step DCF
21 analysis of all dividend paying companies in the S&P 500, excluding companies with

⁷⁰ Haag Direct at 16-17, Tables 3 and 4, and at 25-26.

⁷¹ Haag Direct at 28-29, 31.

⁷² Haag Direct at 31.

⁷³ Haag Direct at 29, 31-32.

⁷⁴ Haag Direct at 32.

1 growth rates that are negative or in excess of 20%. This produced an expected market
2 return of 13.13% using IBES growth rates and 11.44% using Value Line growth rates.⁷⁵
3 Subtracting the 4.79% risk free rate yields MRPs of 8.33% (IBES) and 6.65% (Value
4 Line).⁷⁶

5

6 Mr. Haag then added a size premium to each proxy company's unadjusted CAPM
7 result, sourced from the December 2024 Kroll Cost of Capital Navigator.⁷⁷ He applied
8 the same two standard deviation outlier test used in his DCF analysis and again
9 excluded no results.⁷⁸

10

11 His CAPM results are as follows: using IBES growth rates, a range of 11.79% to
12 12.78% with a median of 12.20%; and using Value Line growth rates, a range of
13 10.44% to 11.30% with a median of 10.85%.⁷⁹

14

15 **Q. WHAT ISSUES DO YOU HAVE WITH MR. HAAG'S CAPM ANALYSIS?**

16 A. I have two primary concerns with his CAPM analysis. First, his reliance on a single
17 estimate of the MRP is predicated on a perpetual growth rate of 9.87%, which is
18 excessive. As a result, he should have considered multiple estimates of the MRP as I
19 have done with my own, described at length above.

⁷⁵ Haag Direct at 29, 32-33.

⁷⁶ Haag Direct at 33.

⁷⁷ Haag Direct at 34 (citing the December 2024 Kroll Cost of Capital Navigator size premia).

⁷⁸ Haag Direct at 34.

⁷⁹ Haag Direct at 34; Exhibit No. DH-003.

1 Second, Mr. Haag's inclusion of the size premium to his CAPM results has been
2 empirically shown to not be applicable to utility companies, biasing the ROE upward.
3 As such, it is improper and should be rejected.

4
5 **Q. WHAT ISSUES DO YOU HAVE WITH MR. HAAG'S DCF-DERIVED MRP**
6 **ESTIMATE?**

7 A. Mr. Haag's DCF-derived MRP is based on a market return of 11.44%, which consists
8 of a weighted average growth rate component of 9.87% and weighted expected
9 dividend yield of approximately 1.57%.⁸⁰ As discussed above with respect to my own
10 DCF model, the DCF model requires a long-term sustainable growth rate. Mr. Haag's
11 sustainable market growth rate of 12.18% is far too high to be a rational outlook for
12 sustainable long-term market growth. This growth rate is nearly three times the growth
13 rate of the U.S. GDP long-term growth outlook of 4.09%.

14
15 In fact, in the Chartered Financial Analyst ("CFA") curriculum textbooks, the CFA
16 Institute notes as follows with regard to earnings growth rates for the companies within
17 the composite indices (i.e., S&P 500):

18 Earnings growth for the overall national economy can differ
19 from the growth of earnings per share in a country's equity
20 market composites. This is due to the presence of new
21 businesses that are not yet included in the equity indices and are
22 typically growing at a faster rate than the mature companies that
23 make up the composites. **Thus, the earnings growth rate of**
24 **companies making up the composites should be lower than**
25 **the earnings growth rate for the overall economy.**⁸¹

⁸⁰ Exhibit No. DH-003.

⁸¹ CFA 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 Considering the optimistic long-term growth rates used to develop Mr. Haag's DCF
2 market return, he should have supplemented his analysis with multiple approaches to
3 estimating the market return, as I have done.

4

5 **Q. PLEASE DESCRIBE YOUR CONCERNS WITH MR. HAAG'S SIZE**
6 **PREMIUM ADJUSTMENT TO HIS PROXY GROUP'S CAPM RESULTS.**

7 A. My principal concern is Mr. Haag's addition of a size premium adjustment to every
8 proxy company's CAPM result. This adjustment inflates his CAPM results, it is
9 contradicted by empirical research specific to the utility industry, and it compensates
10 for the same alleged risk twice when combined with his above median ROE
11 recommendation.⁸²

12

13 First, empirical research specific to the utility industry finds no size effect. The size
14 premium literature Mr. Haag relies upon is derived from studies of the broad equity
15 market, which is dominated by industrial, non-regulated firms. Whether the size effect
16 exists in the public utility industry is an empirical question, and it has been tested
17 directly. In a study published in the Journal of the Midwest Finance Association,
18 Professor Annie Wong examined a sample of 152 electric and gas utilities over a
19 20 year period, matched against 304 non-regulated industrial firms of similar size,
20 precisely to determine whether the size effect documented for industrial stocks is also
21 present in utility stocks.⁸³ Wong found that the size effect appeared in the industrial

⁸² Haag Direct at 31, 34.

⁸³ Annie Wong, "Utility Stocks and the Size Effect: An Empirical Analysis," Journal of the Midwest Finance Association (1993) ("Wong") at 95-96. Wong's utility sample contained 152 electric and gas companies listed on CRSP over the 1968 to 1987 test period, matched against an industrial sample of 304 non-regulated firms of similar equity size.

1 sample in some test periods, but for the utility sample the size variable was significant
2 in only one of four test periods using weekly returns, and no size effect was found at
3 all using monthly or daily returns. Wong concluded that although the size phenomenon
4 has been strongly documented for industrial firms, "there is no need to adjust for the
5 firm size in utility rate regulations."⁸⁴

6

7 Second, the economic rationale for a utility size premium fails. Wong's study also
8 found that utility stocks do not share the risk characteristics of industrial stocks: given
9 the same firm size, utility stocks are consistently less risky than industrial stocks, and
10 while industrial betas tend to decrease as firm size increases, utility betas exhibit no
11 relationship to firm size at all.⁸⁵ Wong attributed these findings to the fact that all
12 public utilities operate in an environment of regional monopolistic power and regulated
13 financial structure, so that their business and financial risks are very similar regardless
14 of their size.⁸⁶ This directly undercuts the foundational premise of Mr. Haag's size
15 adjustment and, indeed, of his broader small size risk argument: a small regulated gas
16 distribution utility with an exclusive service territory, cost of service ratemaking, and
17 regulatory cost recovery mechanisms simply does not bear the risks of a small
18 unregulated industrial firm.

19

20 Third, his size adjustment double counts risk when combined with his ROE
21 recommendation. Mr. Haag adds a size premium inside his CAPM model, raising
22 every proxy company's CAPM result and, thereby, elevating the entire zone of

⁸⁴ Wong at 98.

⁸⁵ Wong at 97-98 and 100 (Table 2). Wong reports that none of the utility portfolio betas exceeded 0.71 and that, unlike industrial stocks, the betas of the utility portfolios are not related to the market values of equity.

⁸⁶ Wong at 98.

1 reasonableness. He then separately recommends an ROE at the top of the middle third
2 of that already elevated zone, above his calculated median, based primarily on the very
3 same claim that FCG's small size makes it riskier than the proxy group.⁸⁷
4 Compensating twice for a single alleged risk factor, once inside the model and again in
5 the selection of the point estimate, is unreasonable on its face, and it is doubly so where
6 the underlying utility specific evidence indicates the risk factor does not exist for
7 regulated utilities in the first place. I note that I take issue with Mr. Haag's
8 consideration of company-specific risks later in this testimony.

9

10 V.E. Mr. Haag's Consideration of Additional Risk Factors

11 **Q. DID MR. HAAG ADDRESS COMPANY SPECIFIC RISKS, AND WHAT**
12 **POSITIONS DID HE TAKE?**

13 A. Yes. Section VIII of Mr. Haag's testimony argues that FCG faces overall business risks
14 that are, on balance, greater than those faced by the proxy group companies, and this
15 conclusion is the sole basis for his recommendation of an above median ROE.⁸⁸ His
16 risk arguments fall into four categories.

17

18 First, small size. Mr. Haag argues that FCG is much smaller than every member of the
19 proxy group and that investment risk increases as company size diminishes. He
20 contends that the ROE must be set for FCG as a standalone entity rather than for its
21 parent, noting that corporate ownership can change over time while the ROE set in this
22 proceeding will not.⁸⁹ He presents total assets as of December 31, 2024, showing FCG

⁸⁷ Haag Direct at 34, 47-48. Section VIII of the Haag Direct (at 35-44) presents FCG's small size as the leading risk justifying his above median recommendation.

⁸⁸ Haag Direct at 35-44.

⁸⁹ Haag Direct at 35-38.

1 at \$979 million and CUC at \$3,577 million, compared to proxy group companies
2 ranging from \$4,756 million (Northwest Natural) to \$31,788 million (NiSource).⁹⁰ He
3 also cites FERC Opinion No. 569 for the proposition that sufficient academic literature
4 indicates many investors rely on size premia.⁹¹

5
6 Second, financial risks. Mr. Haag argues that a small standalone utility like FCG might
7 not be able to attract long term debt or equity capital at costs comparable to those
8 available to CUC or the larger proxy companies, so the parent capital structure applied
9 to FCG is not necessarily reflective of what FCG could achieve on its own.⁹² He also
10 points to inflation, presenting annual inflation rates for 2021 through 2025 that average
11 4.5%, and argues that inflation at or near 3.0% going forward would add to FCG's risk
12 of under recovering its actual cost of service absent further rate adjustments.⁹³

13
14
15 Third, competitive risks. Mr. Haag cites competition from electric utilities and
16 renewable generation, bypass options for some customers, and conservation. He
17 references Energy Information Administration data showing that Florida natural gas
18 deliveries declined from 2021 to 2023 by 3.4% for residential customers and 4.8% for
19 industrial customers.⁹⁴

⁹⁰ Haag Direct at 40.

⁹¹ Haag Direct at 41 (citing Opinion No. 569, 169 FERC para. 61, 129).

⁹² Haag Direct at 36-37, 41-42.

⁹³ Haag Direct at 42-43. The table in Mr. Haag's testimony presents annual inflation rates for the twelve-month periods ended December 2021 through December 2025, although the accompanying text references the period since 2001.

⁹⁴ Haag Direct at 39-40.

1 Fourth, operational risks. Mr. Haag argues that interstate pipeline capacity into Florida
2 is insufficient to meet current and projected demand in FCG's service territory. He
3 cites constraints on Florida Gas Transmission's East Leg, which he states was
4 constrained on 68% of days between June 1 and October 31, 2023, along with
5 anticipated demand growth in the Brevard and Miami-Dade areas and Florida's above
6 average population growth.⁹⁵

7
8 **Q. WHAT IS YOUR FUNDAMENTAL DISAGREEMENT WITH MR. HAAG'S**
9 **RELIANCE ON THESE ALLEGED COMPANY SPECIFIC RISKS?**

10 A. Mr. Haag's approach contradicts the fundamental tenet of the very model on which he
11 relies. The CAPM, which Mr. Haag employs and describes in his testimony,⁹⁶ rests on
12 the principle that investors are compensated only for systematic risk, that is, risk that
13 moves with the market as a whole and cannot be avoided. Investors are not
14 compensated for firm specific risks. Firm specific risks are diversifiable: an investor
15 holding a broad portfolio eliminates them, because events unique to one company are
16 offset by events unique to others. Because diversification is available to investors at
17 little or no cost, the market does not pay investors a premium for bearing risks they can
18 costlessly eliminate. The only risk that is priced in the market, and, therefore, the only
19 risk that belongs in the cost of equity, is systematic risk, which the CAPM measures
20 through beta.⁹⁷

⁹⁵ Haag Direct at 43-44.

⁹⁶ Haag Direct at 28-31.

⁹⁷ See Roger A. Morin, *New Regulatory Finance* (Public Utilities Reports, Inc. 2006), the same treatise Mr. Haag cites at Haag Direct at 29, n. 15 and 31, n. 17. Under the CAPM, beta is the sole measure of priced risk, and beta reflects only the covariance of a security's returns with the market; risks unique to an individual firm do not enter the model because they are eliminated in a diversified portfolio.

1 Mr. Haag's own testimony recognizes that beta is the measure of an asset's risk relative
2 to the market.⁹⁸ Yet his Section VIII is a catalog of precisely the kinds of firm specific
3 risks that diversified investors do not price: FCG's particular size, FCG's particular
4 pipeline supply constraints, FCG's particular competitive circumstances in southern
5 Florida. To the extent any of these factors have a systematic component, that
6 component is already captured in the market determined betas, stock prices, and
7 dividend yields of the proxy group companies. Layering a company specific adder on
8 top of market derived model results double counts risk and departs from the market
9 evidence Mr. Haag purports to rely upon. Notably, several of his risk factors, such as
10 inflation and interest rate sensitivity, are economy-wide conditions that bear on every
11 company in the proxy group in equal or greater measure, and, therefore, provide no
12 basis for a premium relative to the proxy group.

13
14 **Q. IS THERE EVIDENCE THAT THE INVESTORS WHO ACTUALLY SET THE**
15 **PRICE OF FCG'S PARENT COMPANY'S STOCK ARE DIVERSIFIED?**

16 A. Yes. More than 91% of the common stock of CUC, FCG's parent, is held by
17 institutional investors.⁹⁹ Institutional investors are informed, sophisticated investors:
18 they employ professional analysts, they have access to extensive company and industry
19 information, and, as a matter of both professional practice and fiduciary obligation,
20 they hold broadly diversified portfolios. For these investors, any risk unique to FCG
21 or to CUC is diversified away within their portfolios. The return they require from
22 CUC's stock, which is the return revealed in the market data underlying any properly

⁹⁸ Haag Direct at 30-31.

⁹⁹ S&P Capital IQ, accessed on July 13, 2026.

1 conducted cost of equity study, compensates them for systematic risk only. The
2 premise of Mr. Haag's Section VIII, that investors demand additional return for FCG's
3 individual circumstances, is inconsistent with the composition and behavior of the
4 investors who actually own the stock.

5

6 **Q. MR. HAAG PRESENTS FCG'S SMALL SIZE AS ITS LEADING RISK. DOES**
7 **THE EMPIRICAL EVIDENCE SUPPORT A SIZE PREMIUM FOR A**
8 **REGULATED UTILITY?**

9 A. No. As discussed in my review of Mr. Haag's CAPM analysis, the size effect has been
10 tested directly in the public utility industry, and it is not there. Professor Annie Wong
11 examined 152 electric and gas utilities over a 20-year period, matched against
12 non-regulated industrial firms of similar size.¹⁰⁰ She found that while the size effect
13 appeared for industrial firms in some test periods, for the utility sample the size variable
14 was significant in only one of four test periods using weekly returns, and no size effect
15 was found using monthly or daily returns. She concluded that "there is no need to
16 adjust for the firm size in utility rate regulations."¹⁰¹

17

18 Wong's findings also explain why utility betas, unlike industrial betas, exhibit no
19 relationship to firm size.¹⁰² All public utilities operate with regional monopolistic
20 power and regulated financial structures, so their business and financial risks are very

¹⁰⁰ Annie Wong, "Utility Stocks and the Size Effect: An Empirical Analysis," Journal of the Midwest Finance Association (1993) ("Wong") at 95-96. Wong's utility sample contained 152 electric and gas companies listed on CRSP over the 1968 to 1987 test period, matched against an industrial sample of 304 non-regulated firms of similar equity size.

¹⁰¹ Wong at 98.

¹⁰² Wong at 97-98 and 100 (Table 2). Wong reports that none of the utility portfolio betas exceeded 0.71 and that, unlike industrial stocks, the betas of the utility portfolios are not related to the market values of equity.

1 similar regardless of size.¹⁰³ A small gas distribution utility with an exclusive service
2 territory, cost of service ratemaking, and regulatory cost recovery mechanisms does not
3 bear the risks of a small unregulated firm. Mr. Haag's size argument imports an
4 industrial market phenomenon into a regulated utility setting where the evidence shows
5 it does not apply.

6

7 Moreover, the entire small standalone framing is counterfactual. FCG is not a
8 standalone company. It is a wholly owned subsidiary of CUC, it raises no capital of its
9 own, and all of its capital is provided by its parent, as Mr. Haag himself testifies in
10 support of using CUC's capital structure.¹⁰⁴ Investors cannot buy FCG; they buy CUC.
11 The hypothetical friendless, small, standalone FCG that Mr. Haag asks the Commission
12 to compensate does not exist.

13

14 **Q. ARE THERE OTHER REASONS MR. HAAG'S STANDALONE RISK**
15 **FRAMING IS UNREASONABLE?**

16 A. Yes. FCG pays service company fees to its corporate parent.¹⁰⁵ Those fees compensate
17 the parent for the very amenities that come with membership in a larger, publicly traded
18 corporate family: access to external capital raised at the parent level, treasury and
19 financing functions, credit support, and shared corporate services. In other words,
20 FCG's customers already pay, through the cost of service, for the benefits of CUC's

¹⁰³ Wong at 98.

¹⁰⁴ Haag Direct at 5-6, 44-46.

¹⁰⁵ For example, see MFR Schedule C-32 at 1. FCG paid approximately \$21.8 million in the historic base year ending December 31, 2025.

1 size, diversification, and capital markets access. Mr. Haag acknowledges that FCG
2 benefits from the application of CUC's capital structure.¹⁰⁶

3

4 It is internally inconsistent for the Company to charge ratepayers for the benefits of its
5 parent while simultaneously demanding an ROE premium premised on the fiction that
6 FCG is a small, isolated entity that might struggle to attract capital. The inconsistency
7 runs through Mr. Haag's own testimony: he sponsors the use of CUC's consolidated
8 capital structure and CUC's actual cost of debt, treating FCG as financially integrated
9 with its parent for those purposes,¹⁰⁷ but pivots to a standalone framing only when it
10 supports a higher ROE. He cannot have it both ways. If FCG's capital costs are CUC's
11 capital costs, as the Company proposes, then FCG's access to capital is secure, paid for,
12 and priced at the parent level, and his speculation about whether lenders or investors
13 would finance a standalone FCG is irrelevant to the rates being set in this proceeding.¹⁰⁸

14

15 **Q. WHAT DO YOU CONCLUDE REGARDING MR. HAAG'S COMPANY**
16 **SPECIFIC RISK ARGUMENTS?**

17 A. Mr. Haag's 89 basis point upward adjustment above his own median should be rejected.
18 The risks he identifies are firm specific risks that, under the fundamental tenet of the
19 CAPM he himself employs, are not compensated in the market because the informed,
20 diversified institutional investors who own more than 91% of CUC's stock eliminate
21 them through diversification. His leading argument, small size, is contradicted by
22 empirical evidence specific to the utility industry. And his standalone risk framing is

¹⁰⁶ Haag Direct at 41 (acknowledging that FCG "clearly benefits" from the application of CUC's capital structure).

¹⁰⁷ Haag Direct at 5-6, 8, 44-46. Mr. Haag sponsors the use of CUC's consolidated capital structure and CUC's actual cost of debt for FCG's ratemaking.

¹⁰⁸ Haag Direct at 36-37, 41-42.

1 inconsistent with FCG's actual circumstances as a wholly owned subsidiary that already
2 compensates its parent, at ratepayer expense, for the capital access and corporate
3 amenities of a larger publicly traded enterprise.
4

5 **Q. WHAT POSITIONS DID MR. HAAG TAKE ON CAPITAL STRUCTURE AND**
6 **COST OF DEBT?**

7 A. Mr. Haag supports the use of CUC's capital structure for FCG's ratemaking because
8 FCG does not raise its own capital, does not issue its own debt, and does not have a
9 standalone credit rating, and because the Commission has previously approved the use
10 of a parent company's capital structure in similar circumstances, including in FCG's
11 last rate case, Docket No. 20220069-GU.¹⁰⁹ He notes that the equity ratios of the proxy
12 group companies range from 36.15% to 60.12% as of December 31, 2025, and
13 concludes that CUC's equity ratio is well within this zone of reasonableness.¹¹⁰ He
14 further concludes that no parent debt adjustment is required because FCG has no third
15 party debt, and he endorses witness Russell's use of the actual cost of debt incurred by
16 CUC to purchase FCG as consistent with cost causation principles.¹¹¹
17

18 **Q. DOES THIS COMPLETE YOUR PREFILED TESTIMONY?**

19 A. Yes, at this time. However, the compressed procedural schedule in this proceeding for
20 filing Intervenor testimony has limited the time to complete OPC's investigation into
21 the issues and effects of those issues on the Company's petition. Consequently, it is

¹⁰⁹ Haag Direct at 44-46. The prior rate case is Docket No. 20220069-GU, and the Commission precedent is cited at Haag Direct at 46, n. 27.

¹¹⁰ Haag Direct at 45-46; Exhibit No. DH-004.

¹¹¹ Haag Direct at 44-46.

- 1 my understanding that OPC reserves the right to file supplemental testimony to fully
- 2 address these issues and effects of those issues, if necessary.

Qualifications of Christopher C. Walters

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

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

4

5 **Q. PLEASE STATE YOUR OCCUPATION.**

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

8

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

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

14 As a Principal at BAI, I perform detailed technical analyses and research to support
15 regulatory projects including expert testimony covering various regulatory issues.

16 Since my career at BAI began in 2011, I have held the positions of Analyst, Associate
17 Consultant, Consultant, Senior Consultant, and Associate. Throughout my tenure, I
18 have been involved with several regulated projects for electric, natural gas and water
19 and wastewater utilities, as well as competitive procurement of electric power and gas
20 supply. My regulatory project work includes estimating the cost of equity capital,
21 capital structure evaluations, assessing financial integrity, merger and acquisition

1 related issues, risk management related issues, depreciation rate studies, and other
2 revenue requirement issues.

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

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

11 In general, we are engaged in energy and regulatory consulting, economic analysis and
12 contract negotiation.

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, Colorado, Delaware, Florida, Georgia, Illinois, Iowa, Kansas,
17 Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri,
18 Montana, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, South
19 Carolina, Texas, Utah, and Wyoming. In addition, I have also sponsored testimony
20 before the City Council of New Orleans and an affidavit before the FERC.

1 **Q. PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**
2 **ORGANIZATIONS TO WHICH YOU BELONG.**

3 A. I earned the Chartered Financial Analyst (“CFA”) designation from the CFA Institute.
4 The CFA charter was awarded after successfully completing three examinations which
5 covered the subject areas of financial accounting and reporting analysis, corporate
6 finance, economics, fixed income and equity valuation, derivatives, alternative
7 investments, risk management, and professional and ethical conduct. I am a member
8 of the CFA Institute and the CFA Society of St. Louis.

Docket No. 20260026-GU
Electric and Natural Gas Utilities Valuation Metrics
Exhibit CCW-2, Page 1 of 16

Florida City Gas

Electric Utilities
(Valuation Metrics)

Line	Company	Price to Earnings (P/E) Ratio ¹													
		25-Year								3-Year Averages					
		Average	2026 ²	2025	2024	2023	2022	2021	2020	2017-2019	2014-2016	2011-2013	2008-2010	2005-2007	2002-2004
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	ALLETE	18.17	N/A	N/A	17.30	16.80	18.10	20.60	18.30	23.30	16.97	16.40	15.33	16.42	25.21
2	Alliant Energy	17.41	21.40	21.40	19.00	16.40	21.40	21.20	21.20	20.30	19.00	14.77	13.27	14.84	15.54
3	Ameren Corp.	17.17	20.80	20.80	19.50	15.50	21.50	21.40	22.20	20.33	17.50	13.93	11.07	17.83	15.19
4	American Electric Power	15.74	20.70	20.70	17.40	15.90	21.10	17.10	19.60	19.57	15.63	13.40	12.17	14.30	11.92
5	Avangrid, Inc.	23.69	N/A	N/A	N/A	16.30	19.60	23.20	23.60	25.50	27.00	N/A	N/A	N/A	N/A
6	Avista Corp.	17.99	15.30	15.30	16.20	14.60	20.00	20.20	21.20	20.97	17.90	16.00	13.03	21.91	19.18
7	Black Hills	17.40	16.90	16.90	13.90	14.20	18.10	17.70	17.00	19.17	19.13	22.13	14.00	16.01	15.20
8	CenterPoint Energy	17.54	22.50	22.50	22.10	20.40	18.70	26.10	15.90	24.80	19.00	16.03	12.30	14.77	9.83
9	CMS Energy Corp.	18.45	19.10	19.10	19.30	18.60	22.90	23.60	23.30	21.97	18.83	15.00	12.33	20.53	12.39
10	Consol. Edison	16.40	17.80	17.80	19.70	17.70	20.30	17.20	19.00	18.87	16.77	15.07	12.70	14.80	15.26
11	Dominion Resources	18.16	17.40	17.40	15.80	18.30	18.70	19.50	22.60	19.30	22.13	18.47	13.60	20.49	14.12
12	DTE Energy	16.99	19.00	19.00	18.90	16.90	22.40	30.00	16.30	18.63	17.33	15.43	12.50	16.51	13.67
13	Duke Energy	17.46	19.00	19.00	19.00	16.50	19.60	18.90	17.10	18.20	19.13	16.23	14.43	16.10	N/A
14	Edison Int'l	16.29	11.20	11.20	9.70	14.30	40.60	29.70	34.90	16.95	15.23	11.40	10.80	13.58	17.45
15	El Paso Electric	17.68	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24.32	17.79	14.32	11.14	19.63	21.10
16	Entergy Corp.	15.72	25.50	25.50	24.40	20.60	21.10	15.00	15.30	15.10	12.10	11.17	13.40	16.62	13.46
17	Eversource Energy	17.76	14.80	14.80	12.40	13.10	20.90	22.20	23.70	20.10	18.23	17.40	13.03	21.84	16.73
18	Evergy, Inc.	19.21	19.80	19.80	16.20	14.80	19.90	16.20	21.70	22.25	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	14.66	16.30	16.30	17.50	15.40	19.90	16.60	12.40	13.80	13.70	14.60	13.50	16.70	11.74
20	FirstEnergy Corp.	15.50	18.30	18.30	16.80	14.40	17.00	14.10	15.70	14.03	12.83	18.87	13.43	15.30	16.52
21	Fortis Inc.	19.50	21.70	21.70	19.50	17.00	21.10	21.20	20.60	17.70	21.30	19.63	17.37	19.39	N/A
22	Great Plains Energy	15.52	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17.94	15.28	16.23	16.20	11.97
23	Hawaiian Elec.	17.24	15.90	15.90	11.20	6.00	18.50	18.20	21.50	20.30	16.63	16.37	20.53	19.30	15.47
24	Hydro One Limited ³	19.95	25.80	25.80	25.20	20.50	19.60	18.70	9.20	19.25	18.10	N/A	N/A	N/A	N/A
25	IDACORP, Inc.	17.71	23.00	23.00	19.60	18.10	21.00	20.80	19.90	21.13	16.67	12.43	11.97	16.66	20.29
26	MGE Energy	20.21	19.30	19.30	24.70	21.10	24.70	25.50	26.40	27.63	20.80	16.67	14.77	17.76	17.16
27	NextEra Energy, Inc.	19.12	23.70	23.70	17.90	19.80	27.80	31.30	28.90	24.40	18.30	14.17	12.90	16.81	15.05
28	NorthWestern Corp	17.20	20.40	20.40	16.00	13.70	17.30	17.40	18.60	18.17	17.27	15.07	12.77	21.58	N/A
29	OGE Energy	15.89	19.80	19.80	19.20	17.00	17.20	14.30	16.20	17.93	17.90	15.77	12.17	14.14	13.36
30	Otter Tail Corp.	19.88	15.50	15.50	12.30	14.30	9.50	12.30	18.30	22.60	19.07	30.10	30.65	17.25	17.04
31	Pinnacle West Capital	16.32	20.00	20.00	18.70	15.80	17.10	14.10	16.70	18.83	16.87	14.73	14.13	15.94	14.73
32	TXNM Energy	18.80	24.70	24.70	17.80	14.20	17.40	19.90	19.60	20.67	19.93	15.20	16.05	22.85	14.94
33	Portland General	16.55	16.50	16.50	13.70	14.30	18.20	17.70	16.60	20.23	17.37	14.43	14.23	17.63	N/A
34	PPL Corp.	16.70	20.30	20.30	19.70	16.20	20.00	54.10	13.90	14.07	13.60	11.40	18.40	15.51	11.39
35	Public Serv. Enterprise	15.05	18.40	18.40	20.20	18.80	18.50	16.80	15.70	16.97	14.00	12.23	11.33	17.02	11.61
36	SCANA Corp.	13.96	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.46	15.05	14.30	12.41	14.94	12.93
37	Sempra Energy	15.80	20.10	20.10	13.00	15.00	16.80	15.40	17.50	22.40	22.00	15.47	11.50	12.43	8.60
38	Southern Co.	16.83	20.80	20.80	21.10	18.60	19.60	18.40	17.90	16.07	16.53	16.33	14.83	16.04	14.72
39	Vectren Corp.	17.05	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23.54	19.03	17.17	14.93	16.45	15.51
40	WEC Energy Group	17.78	20.30	20.30	20.30	16.50	21.90	22.30	24.90	21.03	19.63	15.50	14.03	15.64	13.47
41	Westar Energy	15.58	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23.40	18.47	14.08	14.96	13.69	14.08
42	Xcel Energy Inc.	18.03	19.80	19.80	18.10	15.30	22.20	22.50	23.90	20.47	16.80	14.67	13.50	15.62	22.02
43	Average	17.25	19.48	19.48	17.87	16.29	20.28	20.85	19.66	19.97	17.79	15.68	14.15	16.95	15.11
44	Median	16.32	19.80	19.80	18.40	16.30	19.90	19.50	19.00	20.23	17.90	15.20	13.43	16.45	14.94

Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

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

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² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

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Electric and Natural Gas Utilities Valuation Metrics
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Florida City Gas

Electric Utilities
(Valuation Metrics)

		Market Price to Cash Flow (MP/CF) Ratio ¹													
Line	Company	25-Year								3-Year Averages					
		Average	2026 ²	2025	2024	2023	2022	2021	2020	2017-2019	2014-2016	2011-2013	2008-2010	2005-2007	2002-2004
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	ALLETE	9.12	N/A	N/A	8.03	6.69	7.56	8.61	8.14	10.83	8.19	8.41	8.61	10.97	11.46
2	Alliant Energy	8.45	10.35	9.78	9.74	9.43	10.43	10.31	10.66	11.22	9.31	7.41	6.77	7.01	5.16
3	Ameren Corp.	7.54	9.16	8.64	7.76	8.05	9.54	9.03	9.63	8.59	7.09	5.70	4.94	8.28	7.65
4	American Electric Power	6.97	9.84	8.80	7.70	7.68	8.67	7.57	8.41	8.72	7.22	5.99	5.32	6.15	5.13
5	Avangrid, Inc.	9.53	N/A	N/A	N/A	7.12	8.69	11.19	9.39	9.83	9.93	N/A	N/A	N/A	N/A
6	Avista Corp.	6.90	6.53	6.49	6.34	6.73	9.39	8.03	7.80	8.94	7.23	6.50	4.99	6.49	6.28
7	Black Hills	7.97	9.13	8.46	7.58	7.76	8.92	8.84	8.56	9.56	8.73	7.30	7.22	7.37	6.50
8	CenterPoint Energy	5.94	9.32	9.00	7.75	7.75	8.01	7.95	5.94	7.48	5.99	5.70	4.35	4.60	2.83
9	CMS Energy Corp.	6.77	8.05	9.08	8.53	8.28	9.43	9.27	9.87	9.00	7.72	6.04	3.85	4.67	3.04
10	Consol. Edison	8.25	8.26	8.38	8.34	8.26	8.70	7.26	8.35	9.28	8.42	8.08	7.00	8.52	8.28
11	Dominion Resources	9.78	9.15	8.69	9.08	9.24	9.35	11.15	14.59	11.92	11.90	10.08	7.79	8.85	7.24
12	DTE Energy	6.91	8.27	8.01	7.72	7.27	7.96	10.62	7.85	9.09	7.86	5.92	4.39	5.49	5.61
13	Duke Energy	7.57	7.23	7.25	7.47	7.17	7.75	7.89	8.06	7.82	8.21	8.07	6.37	7.16	N/A
14	Edison Int'l	5.89	4.46	4.30	6.04	5.67	6.83	7.14	7.57	9.25	6.12	4.76	4.56	6.16	4.21
15	El Paso Electric	5.93	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.99	6.75	5.71	4.41	6.45	4.31
16	Entergy Corp.	6.17	10.47	9.67	7.85	4.62	7.15	5.61	5.78	5.21	4.11	4.06	6.10	8.38	6.51
17	Eversource Energy	7.48	6.33	5.74	6.51	10.39	9.39	11.41	12.53	10.33	10.13	8.12	4.57	5.25	3.13
18	Evergy, Inc.	7.41	7.53	7.54	6.57	6.74	8.66	7.41	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	6.13	7.14	6.79	6.06	6.41	7.69	5.08	4.44	4.93	4.86	5.34	6.91	8.82	5.66
20	FirstEnergy Corp.	7.04	8.63	8.05	7.47	7.90	8.93	6.60	9.23	8.23	5.98	6.97	5.66	7.15	5.72
21	Fortis Inc.	8.81	9.46	15.14	8.09	8.34	9.10	9.57	9.50	8.56	9.00	8.13	7.25	8.54	N/A
22	Great Plains Energy	6.89	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.62	7.25	5.85	5.75	7.17	5.86
23	Hawaiian Elec.	7.46	5.29	4.13	2.16	5.70	7.95	8.23	8.69	8.95	8.11	7.98	7.95	8.24	6.92
24	Hydro One Limited3	11.97	14.36	12.73	15.81	14.82	14.51	13.75	7.31	11.10	8.51	N/A	N/A	N/A	N/A
25	IDACORP, Inc.	9.29	12.30	11.61	10.78	11.04	12.42	11.84	11.38	12.01	9.64	7.16	6.31	7.83	7.31
26	MGE Energy	11.78	11.12	12.69	13.62	12.31	13.63	N/A	14.90	15.98	13.20	10.48	8.62	10.08	9.78
27	NextEra Energy, Inc.	9.44	11.73	10.63	11.24	10.89	15.17	20.40	15.48	11.57	8.38	7.05	6.26	7.42	6.15
28	NorthWestern Corp	7.89	8.27	7.94	7.33	8.01	8.65	8.83	8.88	8.98	8.88	6.78	5.47	8.39	8.13
29	OGE Energy	8.00	8.74	8.67	8.14	7.78	8.36	7.64	8.38	10.16	9.64	8.25	6.14	7.37	5.91
30	Otter Tail Corp.	9.24	9.81	8.41	8.91	8.02	7.70	8.61	9.99	11.70	9.29	9.02	9.24	8.79	8.49
31	Pinnacle West Capital	6.28	7.43	6.78	6.11	6.47	5.19	6.19	7.49	8.04	7.28	6.33	4.56	5.57	5.30
32	TXNM Energy	7.11	11.87	8.07	6.06	6.87	6.95	7.81	7.87	7.63	7.36	5.74	5.40	8.60	6.03
33	Portland General	6.01	6.48	5.73	5.90	6.56	6.65	6.48	6.72	7.22	6.45	5.33	4.52	5.54	N/A
34	PPL Corp.	8.33	9.79	15.87	9.95	7.83	8.82	13.74	7.46	8.37	8.14	6.14	8.48	8.02	5.73
35	Public Serv. Enterprise	8.38	10.92	11.86	11.78	9.68	10.53	11.32	8.22	8.96	7.24	6.28	6.90	8.95	6.73
36	SCANA Corp.	7.09	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.26	8.48	7.21	6.26	6.53	6.60
37	Sempra Energy	8.59	9.85	9.13	9.76	8.93	9.75	13.23	10.40	10.93	10.55	7.59	6.56	7.60	4.67
38	Southern Co.	8.49	10.44	9.79	9.59	8.64	9.63	8.72	8.34	7.78	8.49	8.42	7.68	8.50	8.13
39	Vectren Corp.	7.08	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.32	8.00	6.14	5.91	6.99	7.28
40	WEC Energy Group	9.37	10.70	10.73	9.53	10.12	11.81	11.99	13.67	11.58	11.37	9.08	7.53	7.17	5.15
41	Westar Energy	6.91	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.87	9.28	6.87	5.97	6.56	4.57
42	Xcel Energy Inc.	7.17	8.44	8.53	7.13	7.96	8.62	9.19	10.07	8.61	7.68	6.78	5.80	5.89	5.01
43	Average	7.81	9.05	8.95	8.29	8.19	9.15	9.40	9.21	9.55	8.24	6.99	6.22	7.37	6.18
44	Median	7.80	9.15	8.64	7.80	7.90	8.70	8.78	8.48	9.00	8.19	6.87	6.14	7.37	5.97

Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

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² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Note:

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

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Electric and Natural Gas Utilities Valuation Metrics
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Florida City Gas

Electric Utilities
(Valuation Metrics)

		Market Price to Book Value (MP/BV) Ratio ¹												
Line	Company	22-Year								3-Year Averages				
		Average	2026 ²	2025	2024	2023	2022	2021	2020	2017-2019	2014-2016	2011-2013	2008-2010	2005-2007
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	ALLETE	1.53	N/A	N/A	1.19	1.19	1.24	1.43	1.39	1.83	1.44	1.40	1.33	2.07
2	Alliant Energy	1.86	2.35	2.21	2.03	1.92	2.25	2.26	2.30	2.29	1.96	1.58	1.23	1.51
3	Ameren Corp.	1.66	2.20	2.00	1.90	2.00	2.15	2.13	2.21	2.04	1.53	1.12	0.95	1.64
4	American Electric Power	1.70	2.27	2.05	1.78	1.73	1.99	1.87	2.09	1.97	1.64	1.31	1.27	1.66
5	Avangrid, Inc.	0.90	N/A	N/A	N/A	0.71	0.89	1.01	0.97	0.99	0.78	N/A	N/A	N/A
6	Avista Corp.	1.30	1.19	1.18	1.11	1.19	1.33	1.42	1.37	1.72	1.42	1.22	1.04	1.24
7	Black Hills	1.47	1.38	1.27	1.15	1.28	1.54	1.52	1.55	1.87	1.77	1.32	1.04	1.56
8	CenterPoint Energy	2.24	2.21	2.08	1.78	1.86	1.99	1.74	1.90	2.33	2.48	2.05	2.07	2.98
9	CMS Energy Corp.	2.21	2.38	2.41	2.38	2.33	2.71	2.69	3.24	3.01	2.47	1.88	1.27	1.52
10	Consol. Edison	1.43	1.53	1.51	1.53	1.48	1.55	1.34	1.44	1.57	1.45	1.41	1.15	1.49
11	Dominion Resources	2.44	1.88	1.74	1.71	1.68	2.34	2.37	2.72	2.51	3.35	2.73	2.08	2.42
12	DTE Energy	1.72	2.29	2.20	2.10	1.97	2.41	2.82	1.80	1.99	1.70	1.35	1.05	1.35
13	Duke Energy	1.36	1.84	1.80	1.67	1.49	1.63	1.58	1.47	1.40	1.31	1.14	0.99	1.15
14	Edison Int'l	1.69	1.41	1.45	2.10	1.86	2.08	1.67	1.62	1.98	1.78	1.45	1.22	1.93
15	El Paso Electric	1.56	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.91	1.56	1.57	1.16	1.72
16	Entergy Corp.	1.81	2.73	2.32	1.81	1.45	1.81	1.75	1.93	1.84	1.47	1.29	1.91	2.18
17	Eversource Energy	1.55	1.58	1.48	1.48	1.71	1.86	2.00	2.11	1.80	1.55	1.39	1.25	1.29
18	Evergy, Inc.	1.46	1.52	1.57	1.31	1.33	1.52	1.50	N/A	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	2.00	1.59	1.52	1.39	1.52	1.88	1.37	1.20	1.31	1.21	1.53	3.01	4.09
20	FirstEnergy Corp.	2.05	2.12	1.98	1.86	2.08	2.37	2.33	2.81	3.20	1.56	1.35	1.81	1.93
21	Fortis Inc.	1.48	1.68	1.51	1.37	1.43	1.56	1.48	1.47	1.35	1.31	1.55	1.45	1.79
22	Great Plains Energy	1.21	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.33	1.13	0.97	0.93	1.77
23	Hawaiian Elec.	1.62	1.44	1.16	1.50	1.24	1.94	1.81	1.82	1.85	1.61	1.57	1.40	1.78
24	Hydro One Limited3	1.72	2.55	2.32	2.12	1.89	1.83	1.64	1.44	1.41	1.34	N/A	N/A	N/A
25	IDACORP, Inc.	1.56	1.95	1.86	1.68	1.75	1.91	1.88	1.84	2.00	1.58	1.23	1.05	1.28
26	MGE Energy	2.18	2.15	2.44	2.54	2.35	2.47	N/A	2.54	2.78	2.26	1.91	1.60	1.89
27	NextEra Energy, Inc.	2.46	3.09	2.85	2.87	2.89	4.07	4.27	3.58	2.47	2.18	1.74	1.75	2.02
28	NorthWestern Corp	1.41	1.41	1.27	1.11	1.18	1.25	1.43	1.45	1.62	1.61	1.44	1.15	1.52
29	OGE Energy	1.82	1.87	1.80	1.67	1.62	1.74	1.67	1.86	1.88	1.92	2.03	1.53	1.90
30	Otter Tail Corp.	1.93	1.81	1.78	2.18	2.55	2.30	2.33	2.04	2.48	1.86	1.63	1.36	1.81
31	Pinnacle West Capital	1.43	1.61	1.53	1.42	1.42	1.31	1.45	1.63	1.85	1.56	1.37	1.03	1.25
32	TXNM Energy	1.40	1.82	1.58	1.49	1.75	1.81	1.86	1.87	1.98	1.36	0.96	0.64	1.30
33	Portland General	1.36	1.34	1.27	1.28	1.37	1.58	1.55	1.57	1.70	1.45	1.17	0.97	1.34
34	PPL Corp.	1.95	1.75	1.75	1.59	1.43	1.44	1.52	1.63	2.02	2.11	1.53	2.30	2.66
35	Public Serv. Enterprise	1.99	2.31	2.43	2.35	1.92	2.32	2.11	1.70	1.82	1.61	1.50	2.01	2.63
36	SCANA Corp.	1.51	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.65	1.56	1.44	1.32	1.66
37	Sempra Energy	1.78	1.80	1.63	1.74	1.65	1.84	1.64	1.84	2.17	2.12	1.55	1.42	1.77
38	Southern Co.	2.21	2.90	2.82	2.68	2.34	2.53	2.39	2.20	2.03	2.01	2.06	1.89	2.27
39	Vectren Corp.	1.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.75	2.16	1.64	1.46	1.77
40	WEC Energy Group	2.11	2.45	2.51	2.27	2.35	2.57	2.61	2.84	2.27	2.08	2.02	1.54	1.70
41	Westar Energy	1.37	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.94	1.63	1.27	1.04	1.35
42	Xcel Energy Inc.	1.75	1.91	1.92	1.77	2.00	2.22	2.27	2.46	2.12	1.70	1.47	1.27	1.44
43	Average	1.75	1.95	1.86	1.78	1.73	1.95	1.91	1.94	1.98	1.72	1.52	1.41	1.81
44	Median	1.72	1.87	1.80	1.73	1.71	1.88	1.74	1.84	1.94	1.61	1.45	1.27	1.72

Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

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

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² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Notes:

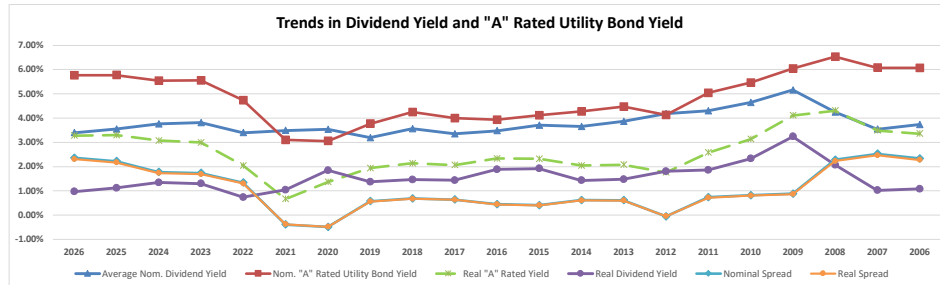
³ Based on the average of the high and low price and the projected Book Value per share.

Docket No. 20260026-GU
Electric and Natural Gas Utilities Valuation Metrics
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Florida City Gas

**Electric Utilities
(Valuation Metrics)**

Line	Company	Dividend Yield ¹											3-Year Averages		
		21-Year													
		Average	2026 ^{2a}	(2025)	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)		
1	ALLETE	4.05%	N/A	N/A	4.63%	4.67%	4.47%	3.88%	3.29%	3.50%	4.10%	5.13%	3.71%		
2	Alliant Energy	3.56%	3.08%	3.22%	3.46%	3.57%	3.04%	2.97%	2.99%	3.29%	3.78%	4.87%	3.52%		
3	Ameren Corp.	3.96%	2.81%	2.94%	3.29%	3.13%	2.74%	2.74%	2.74%	3.53%	4.53%	5.67%	5.34%		
4	American Electric Power	3.91%	3.16%	3.48%	3.96%	4.02%	3.41%	3.61%	3.33%	3.58%	4.21%	5.12%	3.89%		
5	Avergrid, Inc.	3.89%	N/A	N/A	N/A	4.87%	3.94%	3.53%	3.57%	4.03%	N/A	N/A	N/A		
6	Avista Corp.	4.04%	5.15%	5.03%	5.29%	4.85%	4.26%	3.94%	3.48%	3.50%	4.35%	4.60%	2.86%		
7	Black Hills	3.80%	3.92%	4.19%	4.53%	4.15%	3.44%	3.50%	3.16%	3.05%	3.47%	5.20%	3.80%		
8	CenterPoint Energy	3.92%	2.32%	2.48%	2.77%	2.71%	2.46%	2.77%	3.82%	4.85%	3.85%	5.31%	4.42%		
9	CMS Energy Corp.	3.19%	3.09%	3.09%	3.23%	3.37%	2.92%	2.92%	2.77%	3.07%	3.84%	4.07%	1.93%		
10	Consol. Edison	4.16%	3.33%	3.36%	3.43%	3.57%	3.51%	4.10%	3.66%	3.71%	4.23%	5.20%	5.18%		
11	Dominion Resources	4.15%	4.29%	4.81%	5.06%	5.18%	3.66%	3.38%	4.60%	3.78%	3.76%	4.58%	3.56%		
12	DTE Energy	3.90%	3.35%	3.41%	3.55%	3.67%	3.17%	3.06%	3.33%	3.34%	3.86%	5.24%	4.82%		
13	Duke Energy	4.46%	3.45%	3.59%	3.92%	4.28%	3.98%	4.02%	4.35%	4.25%	4.46%	5.72%	4.80%		
14	Edison Int'l	3.59%	5.33%	5.22%	4.17%	4.47%	4.45%	4.39%	3.95%	2.84%	2.82%	3.66%	2.49%		
15	El Paso Electric	2.74%	N/A	N/A	N/A	N/A	N/A	N/A	2.55%	2.79%	2.98%	2.11%	N/A		
16	Entergy Corp.	3.88%	2.48%	2.81%	3.62%	4.36%	3.70%	3.84%	3.83%	4.54%	4.81%	4.34%	2.71%		
17	Eversource Energy	3.46%	4.44%	4.72%	4.72%	3.89%	3.09%	2.85%	2.92%	3.23%	3.47%	3.67%	3.04%		
18	Eergy, Inc.	3.95%	3.55%	3.88%	4.58%	4.42%	3.66%	3.59%	N/A	N/A	N/A	N/A	N/A		
19	Exelon Corp.	3.76%	3.59%	3.74%	4.08%	3.67%	2.89%	3.17%	3.40%	3.71%	4.70%	4.72%	2.70%		
20	FirstEnergy Corp.	4.28%	3.85%	4.15%	4.23%	4.24%	3.71%	4.39%	4.28%	4.39%	4.47%	5.36%	3.24%		
21	Fortis Inc.	3.72%	3.44%	3.77%	4.16%	4.09%	3.82%	3.77%	3.78%	3.75%	3.79%	3.86%	3.19%		
22	Great Plains Energy	4.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.66%	3.84%	4.55%	6.02%		
23	Hawaiian Elec.	4.40%	N/A	N/A	N/A	4.09%	3.59%	3.44%	3.32%	3.90%	4.73%	5.81%	4.92%		
24	Hydro One Limited	2.77%	2.46%	2.68%	2.11%	2.34%	2.50%	2.53%	3.22%	2.99%	N/A	N/A	N/A		
25	IDACORP, Inc.	3.13%	2.70%	2.87%	3.24%	3.18%	2.86%	2.89%	2.67%	2.80%	3.20%	3.66%	3.63%		
26	MGE Energy	2.89%	2.54%	2.13%	2.06%	2.25%	2.15%	N/A	2.07%	2.32%	2.98%	3.99%	4.21%		
27	NextEra Energy, Inc.	2.90%	2.83%	3.04%	2.94%	2.80%	2.11%	1.90%	2.40%	2.90%	3.32%	3.93%	N/A		
28	NorthWestern Corp	4.18%	3.95%	4.41%	5.01%	4.78%	4.51%	4.00%	3.72%	3.52%	3.71%	5.06%	4.37%		
29	OGE Energy	3.85%	3.70%	3.90%	4.39%	4.63%	4.30%	4.81%	4.06%	3.66%	2.68%	3.90%	4.10%		
30	Otter Tail Corp.	3.65%	2.68%	2.65%	2.15%	2.33%	2.44%	2.81%	3.04%	3.77%	4.49%	5.54%	3.67%		
31	Pinnacle West Capital	4.45%	3.86%	4.08%	4.42%	4.51%	4.90%	4.44%	3.60%	3.50%	4.46%	5.67%	5.19%		
32	TXNM Energy	3.16%	2.88%	3.11%	3.70%	3.27%	3.04%	2.09%	2.68%	2.71%	2.91%	4.01%	3.81%		
33	Portland General	3.80%	4.32%	4.59%	4.45%	4.20%	3.63%	3.62%	3.19%	3.08%	3.71%	4.98%	3.39%		
34	PPL Corp.	4.29%	3.06%	3.14%	3.40%	3.53%	3.23%	5.83%	5.56%	4.35%	4.78%	4.91%	3.06%		
35	Public Serv. Enterprise	3.66%	3.25%	3.04%	3.16%	3.83%	3.37%	3.37%	3.44%	3.78%	4.28%	4.28%	3.15%		
36	SCANA Corp.	4.37%	N/A	N/A	N/A	N/A	N/A	N/A	3.74%	4.15%	5.13%	4.48%	N/A		
37	Sempra Energy	3.01%	2.87%	3.27%	3.08%	3.27%	2.99%	3.39%	3.11%	2.85%	3.12%	3.32%	2.39%		
38	Southern Co.	4.40%	3.29%	3.24%	3.57%	4.13%	3.82%	4.17%	4.68%	4.61%	4.53%	5.10%	4.49%		
39	Vectren Corp.	4.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.23%	4.20%	5.48%	4.61%		
40	WEC Energy Group	3.12%	3.41%	3.40%	3.75%	3.57%	3.08%	3.00%	2.96%	3.38%	3.38%	3.16%	2.24%		
41	Weslar Energy	4.37%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.21%	4.24%	5.48%	4.55%		
42	Xcel Energy Inc.	3.62%	3.02%	3.13%	3.64%	3.28%	2.90%	2.81%	2.86%	3.37%	3.86%	4.63%	4.39%		
43	Average	3.79%	3.40%	3.55%	3.76%	3.82%	3.40%	3.49%	3.42%	3.51%	3.90%	4.64%	3.83%		
44	Median	3.65%	3.31%	3.38%	3.70%	3.89%	3.41%	3.47%	3.33%	3.50%	3.86%	4.87%	3.80%		
45	20-Yr Treasury Yields ³	3.46%	4.85%	4.78%	4.50%	4.25%	3.30%	1.98%	2.26%	2.47%	2.91%	3.92%	4.75%		
46	20-Yr TIPS ³	1.24%	2.39%	2.33%	2.06%	1.73%	0.64%	-0.43%	0.41%	0.73%	0.61%	1.71%	2.28%		
47	Implied Inflation ³	2.19%	2.40%	2.40%	2.39%	2.48%	2.64%	2.42%	1.84%	1.73%	2.29%	2.17%	2.42%		
48	Real Dividend Yield ^d	1.56%	0.97%	1.12%	1.34%	1.30%	0.74%	1.04%	1.55%	1.75%	1.57%	2.42%	1.38%		
A-Rated Utility															
49	Nominal "A" Rated Yield ^d	4.84%	5.76%	5.77%	5.54%	5.55%	4.74%	3.10%	3.69%	4.01%	4.29%	5.51%	6.22%		
50	Real "A" Rated Yield	2.59%	3.28%	3.30%	3.08%	2.99%	2.05%	0.67%	1.82%	2.24%	1.96%	3.27%	3.72%		
Baa-Rated Utility															
51	Nominal "Baa" Rated Yield	5.30%	5.94%	5.97%	5.76%	5.85%	5.05%	3.36%	4.10%	4.69%	4.87%	6.20%	6.63%		
52	Real "Baa" Rated Yield	3.04%	3.45%	3.49%	3.29%	3.29%	2.35%	0.91%	2.22%	2.91%	2.52%	3.94%	4.11%		
Spreads (A-Rated Utility Bond - Stock)															
53	Nominal Spread ^d	1.05%	2.36%	2.22%	1.78%	1.73%	1.34%	-0.38%	0.27%	0.50%	0.40%	0.87%	2.39%		
54	Real Spread ^d	1.03%	2.31%	2.17%	1.73%	1.69%	1.31%	-0.38%	0.27%	0.49%	0.39%	0.85%	2.33%		
Spreads (Baa-Rated Utility Bond - Stock)															
55	Nominal Spread ^d	1.52%	2.54%	2.42%	2.00%	2.03%	1.65%	-0.13%	0.68%	1.18%	0.97%	1.55%	2.80%		
56	Real Spread ^d	1.48%	2.48%	2.37%	1.95%	1.98%	1.61%	-0.13%	0.67%	1.16%	0.95%	1.52%	2.73%		
Spreads (Treasury Bond - Stock)															
57	Nominal ^f	-0.33%	1.45%	1.23%	0.74%	0.44%	-0.10%	-1.51%	-1.16%	-1.04%	-0.99%	-0.72%	0.92%		
58	Real ^g	-0.32%	1.42%	1.21%	0.72%	0.43%	-0.10%	-1.47%	-1.14%	-1.02%	-0.96%	-0.71%	0.90%		



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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

³ The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

⁴ St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

⁵ Mergent Bond Record, through May 31, 2026.

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 46)

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Electric and Natural Gas Utilities Valuation Metrics
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Florida City Gas

Electric Utilities
(Valuation Metrics)

Dividend per Share¹

Line	Company	21-Year							3-Year Averages				
		Average	2026 ²	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	ALLETE	2.09	N/A	N/A	2.82	2.71	2.60	2.52	2.35	2.08	1.90	1.77	1.60
2	Alliant Energy	1.25	2.15	2.03	1.92	1.81	1.71	1.61	1.43	1.18	0.95	0.80	0.64
3	Ameren Corp.	2.08	3.00	2.84	2.68	2.52	2.36	2.20	1.92	1.72	1.60	1.55	2.54
4	American Electric Power	2.45	3.98	3.74	3.57	3.37	3.17	3.00	2.69	2.27	1.95	1.73	1.57
5	Avangrid, Inc.	1.75	N/A	N/A	N/A	1.76	1.76	1.76	1.75	1.73	N/A	N/A	N/A
6	Avista Corp.	1.35	2.10	1.96	1.90	1.84	1.76	1.69	1.55	1.37	1.22	0.97	0.62
7	Black Hills	1.88	2.81	2.70	2.60	2.50	2.41	2.29	2.05	1.70	1.52	1.44	1.36
8	CenterPoint Energy	0.86	0.95	0.88	0.81	0.77	0.72	0.66	0.96	1.12	0.86	0.78	0.67
9	CMS Energy Corp.	1.30	2.30	2.17	2.06	1.95	1.84	1.74	1.53	1.24	1.02	0.67	0.28
10	Consol. Edison	2.77	3.55	3.40	3.32	3.24	3.16	3.10	2.96	2.68	2.47	2.38	2.32
11	Dominion Resources	2.45	2.67	2.67	2.67	2.67	2.67	2.52	3.49	2.81	2.25	1.85	1.47
12	DTE Energy	3.15	4.71	4.44	4.15	3.88	3.54	3.88	3.85	3.09	2.57	2.21	2.11
13	Duke Energy	3.46	4.30	4.22	4.14	4.06	3.98	3.90	3.74	3.36	3.09	2.90	2.64
14	Edison Int'l	2.07	3.56	3.36	3.17	2.99	2.84	2.69	2.49	1.98	1.39	1.27	1.17
15	El Paso Electric	1.11	N/A	N/A	N/A	N/A	N/A	N/A	1.42	1.24	1.04	0.66	N/A
16	Entergy Corp.	1.80	2.60	2.44	2.30	2.17	2.05	1.93	1.83	1.71	1.66	1.59	1.29
17	Eversource Energy	1.82	3.15	3.01	2.86	2.70	2.55	2.41	2.14	1.78	1.45	1.03	0.78
18	Evergy, Inc.	2.51	2.78	2.70	2.60	2.48	2.33	2.18	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	1.61	1.68	1.60	1.52	1.44	1.35	1.53	1.45	1.27	1.60	2.10	1.84
20	FirstEnergy Corp.	1.78	1.86	1.78	1.70	1.60	1.56	1.56	1.64	1.44	1.76	2.20	2.03
21	Fortis Inc.	1.61	2.59	2.49	2.39	2.29	2.17	2.08	1.86	1.54	1.25	1.11	0.83
22	Great Plains Energy	1.11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.05	0.89	0.83	1.66
23	Hawaiian Elec.	1.25	N/A	N/A	N/A	1.08	1.40	1.36	1.28	1.24	1.24	1.24	1.24
24	Hydro One Limited	0.86	1.38	1.31	0.90	0.86	0.86	0.75	0.74	0.69	N/A	N/A	N/A
25	IDACORP, Inc.	2.16	3.65	3.48	3.35	3.20	3.04	2.88	2.56	2.08	1.57	1.20	1.20
26	MGE Energy	1.28	1.98	1.85	1.76	1.67	1.59	N/A	1.38	1.21	1.07	0.99	0.94
27	NextEra Energy, Inc.	1.10	2.49	2.27	2.06	1.87	1.70	1.54	1.25	0.87	0.66	0.51	0.41
28	NorthWestern Corp	1.95	2.68	2.64	2.60	2.56	2.52	2.48	2.30	2.01	1.53	1.38	1.28
29	OGE Energy	1.18	1.70	1.69	1.68	1.66	1.64	1.63	1.49	1.16	0.87	0.74	0.68
30	Otter Tail Corp.	1.42	2.31	2.10	1.87	1.75	1.65	1.56	1.41	1.25	1.20	1.19	1.17
31	Pinnacle West Capital	2.75	3.67	3.61	3.55	3.49	3.42	3.36	3.05	2.57	2.41	2.10	2.08
32	TXNM Energy	0.99	1.69	1.63	1.57	1.49	1.41	0.98	1.17	0.89	0.67	0.50	0.79
33	Portland General	1.38	2.20	2.08	1.98	1.88	1.79	1.70	1.51	1.26	1.10	1.03	0.86
34	PPL Corp.	1.36	1.14	1.09	1.03	0.95	0.88	1.66	1.65	1.53	1.47	1.39	1.22
35	Public Serv. Enterprise	1.75	2.68	2.52	2.40	2.28	2.16	2.04	1.88	1.64	1.45	1.36	1.20
36	SCANA Corp.	2.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.31	2.04	1.91	1.76
37	Sempra Energy	2.68	2.63	2.58	2.48	2.38	4.58	4.40	3.88	3.04	2.52	1.68	1.27
38	Southern Co.	2.25	3.04	2.94	2.86	2.78	2.70	2.62	2.46	2.23	2.01	1.80	1.60
39	Vectren Corp.	1.42	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.62	1.43	1.37	1.27
40	WEC Energy Group	1.93	3.81	3.57	3.34	3.12	2.91	2.71	2.37	1.93	1.40	0.84	0.50
41	Westar Energy	1.30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.52	1.36	1.24	1.07
42	Xcel Energy Inc.	1.46	2.37	2.28	2.19	2.08	1.95	1.83	1.62	1.36	1.13	1.00	0.91
43	Average	1.82	2.65	2.53	2.42	2.27	2.24	2.19	2.03	1.73	1.53	1.37	1.29
44	Industry Average Growth	4.01%	4.75%	4.48%	6.91%	1.35%	2.21%	2.43%	5.38%	5.18%	3.52%	1.68%	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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

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Electric and Natural Gas Utilities Valuation Metrics
Exhibit CCW-2, Page 6 of 16

Florida City Gas

Electric Utilities
(Valuation Metrics)

		Earnings per Share ¹											
Line	Company	21-Year							3-Year Averages				
		Average	2026 ²	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	ALLETE	3.01	N/A	N/A	3.10	4.30	3.38	3.23	3.35	3.22	2.70	2.24	2.89
2	Alliant Energy	2.00	3.45	3.14	2.69	2.78	2.73	2.63	2.33	1.78	1.64	1.23	1.22
3	Ameren Corp.	3.27	5.35	5.03	4.59	4.37	4.14	3.84	3.39	2.61	2.30	2.67	2.84
4	American Electric Power	4.00	6.35	5.96	5.61	5.24	5.09	4.96	4.13	3.81	3.17	2.90	2.90
5	Avangrid, Inc.	1.88	N/A	N/A	N/A	2.09	2.32	1.97	2.02	1.50	N/A	N/A	N/A
6	Avista Corp.	1.92	2.65	2.55	2.29	2.24	2.12	2.10	2.31	2.00	1.67	1.65	1.18
7	Black Hills	2.91	4.30	4.10	3.91	3.91	3.97	3.74	3.58	2.95	2.49	1.66	1.69
8	CenterPoint Energy	1.30	1.90	1.60	1.58	1.37	1.59	0.94	1.17	1.22	1.34	1.12	1.27
9	CMS Energy Corp.	2.08	3.90	3.53	3.33	3.01	2.84	2.58	2.45	2.01	1.64	1.24	0.84
10	Consol. Edison	4.17	6.10	5.68	5.38	5.04	4.55	4.74	4.19	4.03	3.80	3.39	3.26
11	Dominion Resources	2.92	3.60	3.42	2.77	1.99	4.11	3.19	2.42	3.39	2.96	2.76	2.52
12	DTE Energy	4.95	7.65	7.36	6.77	6.76	5.52	4.10	6.52	5.00	4.25	3.55	2.61
13	Duke Energy	4.41	6.70	6.31	5.90	5.56	5.27	4.93	4.37	4.01	3.94	3.85	3.12
14	Edison Int'l	3.60	6.10	6.53	4.91	4.76	1.60	2.00	1.48	4.20	4.22	3.27	3.43
15	El Paso Electric	2.02	N/A	N/A	N/A	N/A	N/A	N/A	2.07	2.28	2.24	2.02	1.54
16	Entergy Corp.	3.24	4.40	3.91	2.45	5.55	2.69	3.44	3.18	2.98	2.79	3.42	2.86
17	Eversource Energy	2.98	4.65	4.76	4.57	4.34	4.09	3.54	3.42	2.94	2.32	2.08	1.42
18	Evergy, Inc.	3.69	4.25	3.83	3.80	3.17	3.26	3.83	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	2.81	2.85	2.76	2.45	2.38	2.26	1.74	2.56	2.37	2.11	3.97	3.88
20	FirstEnergy Corp.	2.58	2.70	2.54	2.63	2.56	2.41	2.69	1.67	2.28	1.98	2.82	4.14
21	Fortis Inc.	2.24	3.60	3.53	3.28	3.10	2.78	2.61	2.60	2.22	1.55	1.62	1.39
22	Great Plains Energy	1.33	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.97	1.51	1.27	1.54
23	Hawaiian Elec.	1.98	1.00	0.86	10.42	1.81	2.20	2.25	1.88	1.81	1.64	1.19	1.17
24	Hydro One Limited	1.64	2.25	2.23	1.92	1.81	1.75	1.61	1.47	1.23	N/A	N/A	N/A
25	IDACORP, Inc.	4.04	6.40	5.90	5.50	5.14	5.11	4.85	4.60	4.01	3.62	2.98	2.13
26	MGE Energy	2.35	3.95	3.72	3.33	3.25	3.07	N/A	2.51	2.15	2.11	1.63	1.49
27	NextEra Energy, Inc.	1.86	4.00	3.71	3.43	3.17	2.90	1.81	1.90	1.53	1.25	1.13	0.88
28	NorthWestern Corp	2.81	3.75	3.40	3.27	3.22	3.29	3.60	3.33	3.21	2.57	2.23	1.51
29	OGE Energy	1.88	2.45	2.32	2.19	2.07	2.25	2.36	2.15	1.77	1.90	1.52	1.26
30	Otter Tail Corp.	2.81	5.65	6.55	7.17	7.00	6.78	4.23	2.19	1.67	1.32	0.51	1.52
31	Pinnacle West Capital	3.96	4.95	5.05	5.24	4.41	4.26	5.47	4.73	4.10	3.58	2.78	2.75
32	TXNM Energy	1.70	2.20	2.33	2.74	2.82	2.69	2.27	2.03	1.74	1.39	0.84	0.86
33	Portland General	2.19	3.40	3.05	3.14	2.38	2.74	2.72	2.16	2.16	1.94	1.64	1.62
34	PPL Corp.	2.10	1.95	1.81	1.68	1.60	1.41	0.53	2.33	2.42	2.46	2.03	2.46
35	Public Serv. Enterprise	3.11	4.35	4.05	3.68	3.48	3.47	2.55	3.42	2.98	2.63	3.09	2.45
36	SCANA Corp.	3.30	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.06	3.44	2.93	2.76
37	Sempra Energy	4.94	5.05	4.69	4.65	4.61	9.21	4.01	6.01	4.70	4.40	4.42	4.31
38	Southern Co.	3.04	4.55	4.30	4.06	3.64	3.61	3.42	3.14	2.96	2.71	2.41	2.21
39	Vectren Corp.	1.94	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.51	1.87	1.72	1.63
40	WEC Energy Group	3.12	5.60	5.27	4.89	4.63	4.46	4.11	3.57	2.81	2.48	1.90	1.42
41	Westar Energy	1.96	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.26	2.26	1.62	1.68
42	Xcel Energy Inc.	2.39	4.10	3.80	3.50	3.35	3.17	2.96	2.63	2.20	1.93	1.59	1.39
43	Average	2.84	4.17	3.99	3.97	3.59	3.49	3.10	2.95	2.68	2.47	2.23	2.10
44	Industry Average Growth	3.79%	4.67%	0.52%	10.44%	2.96%	12.60%	1.28%	3.44%	2.66%	3.36%	3.58%	2.13%

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Florida City Gas

Electric Utilities (Valuation Metrics)

Line	Company	Cash Flow / Capital Spending ¹								3 - 5 yr ²
		2020 (1)	2021 (2)	2022 (3)	2023 (4)	2024 (5)	2025 (6)	2026 (7)	2027 ² (8)	Projection (9)
1	ALLETE	0.74x	0.80x	2.26x	1.42x	2.21x	1.36x	N/A	N/A	N/A
2	Alliant Energy	0.82x	0.97x	0.94x	0.95x	0.97x	1.04x	0.84x	0.88x	1.12x
3	Ameren Corp.	0.51x	0.59x	0.72x	0.74x	0.84x	0.88x	0.91x	0.95x	1.03x
4	American Electric Power	0.74x	0.69x	0.73x	0.72x	0.82x	0.87x	0.91x	0.96x	1.14x
5	Avista Corp.	0.85x	0.87x	0.83x	0.78x	0.84x	0.95x	0.89x	0.87x	0.71x
6	Black Hills	0.72x	0.76x	0.85x	0.82x	0.68x	0.67x	0.70x	0.70x	0.71x
7	CenterPoint Energy	0.88x	0.62x	0.62x	0.57x	0.55x	0.52x	0.42x	0.43x	0.60x
8	CMS Energy Corp.	0.82x	0.77x	0.78x	0.92x	0.80x	0.67x	0.71x	0.60x	0.56x
9	Consol. Edison	0.82x	0.89x	0.83x	0.72x	0.84x	0.88x	0.73x	0.75x	0.71x
10	Dominion Resources	1.00x	0.89x	0.74x	0.63x	0.51x	0.53x	0.47x	0.50x	0.56x
11	DTE Energy	0.67x	0.70x	0.75x	0.82x	0.87x	0.90x	0.54x	0.55x	0.58x
12	Duke Energy	0.86x	0.93x	0.81x	0.79x	0.77x	0.92x	0.85x	0.81x	0.69x
13	Edison Int'l	0.67x	0.74x	0.67x	0.75x	0.82x	0.85x	0.81x	0.83x	0.86x
14	El Paso Electric	1.00x	0.83x	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	Entergy Corp.	0.81x	1.05x	0.98x	0.85x	0.81x	0.73x	0.56x	0.57x	0.61x
16	Eversource Energy	0.95x	0.74x	0.72x	0.86x	0.76x	0.74x	0.86x	0.86x	0.93x
17	Evergy, Inc.	1.06x	0.96x	0.94x	0.86x	0.86x	0.92x	0.62x	0.64x	0.63x
18	Exelon Corp.	1.30x	1.32x	0.96x	0.99x	0.80x	0.83x	0.67x	0.68x	0.81x
19	FirstEnergy Corp.	0.96x	0.91x	0.86x	0.80x	0.82x	0.64x	0.59x	0.54x	0.56x
20	Fortis Inc.	0.60x	0.74x	0.75x	0.82x	0.85x	0.89x	0.96x	0.99x	1.14x
21	Hawaiian Elec.	1.10x	1.42x	1.30x	1.51x	1.20x	1.29x	0.93x	0.85x	0.94x
22	Hydro One Electric	1.21x	0.67x	0.72x	0.63x	0.60x	0.63x	0.69x	0.74x	0.87x
23	IDACORP, Inc.	1.25x	1.16x	0.83x	0.63x	0.56x	0.56x	0.43x	0.49x	0.56x
24	MGE Energy	0.73x	0.87x	N/A	1.26x	1.10x	0.82x	0.66x	0.57x	0.52x
25	NextEra Energy, Inc.	0.58x	0.69x	0.54x	0.59x	0.59x	0.60x	0.64x	0.63x	0.74x
26	NorthWestern Corp	0.98x	0.82x	0.66x	0.75x	0.87x	0.86x	0.86x	0.87x	0.95x
27	OGE Energy	1.43x	1.13x	0.99x	0.97x	0.99x	1.06x	0.78x	0.75x	0.94x
28	Otter Tail Corp.	0.45x	1.42x	1.45x	1.08x	1.46x	1.47x	0.79x	0.88x	1.29x
29	Pinnacle West Capital	0.98x	0.85x	0.78x	0.95x	0.74x	0.77x	0.62x	0.67x	0.81x
30	TXNM Energy	0.59x	0.51x	0.63x	0.63x	0.53x	0.52x	0.43x	0.45x	0.50x
31	Portland General	0.75x	0.97x	1.01x	0.58x	0.62x	0.71x	0.59x	0.63x	0.92x
32	PPL Corp.	1.06x	1.12x	1.35x	0.98x	0.97x	1.00x	1.01x	1.03x	1.13x
33	Public Serv. Enterprise	1.00x	1.05x	0.82x	0.87x	0.90x	0.90x	0.90x	0.84x	0.84x
34	Sempra Energy	0.92x	0.78x	0.92x	0.96x	0.63x	0.59x	0.48x	0.51x	0.64x
35	Southern Co.	1.01x	0.93x	0.97x	0.97x	0.90x	0.97x	1.02x	1.05x	1.20x
36	WEC Energy Group	0.70x	0.75x	0.87x	0.92x	1.01x	1.09x	0.62x	0.50x	0.64x
37	Xcel Energy Inc.	0.99x	0.86x	0.80x	0.92x	0.65x	0.61x	0.44x	0.44x	0.94x
38	Average	0.88x	0.89x	0.90x	0.86x	0.85x	0.84x	0.71x		0.81x
39	Median	0.86x	0.86x	0.83x	0.84x	0.82x	0.86x	0.70x		0.81x

Source:

¹ Data for the years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

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											
		21-Year							3-Year Averages				
		Average	2026 ^{2/a}	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	ALLETE	5.88%	N/A	N/A	5.51%	5.56%	5.52%	5.56%	5.47%	5.40%	5.83%	6.44%	6.73%
2	Alliant Energy	6.49%	7.24%	7.11%	7.04%	6.84%	6.84%	6.73%	6.75%	6.99%	6.43%	6.10%	5.25%
3	Ameren Corp.	6.04%	6.19%	5.86%	6.26%	6.26%	5.88%	5.84%	5.82%	5.88%	5.87%	4.74%	7.85%
4	American Electric Power	6.46%	7.16%	7.14%	7.05%	6.95%	6.80%	6.74%	6.75%	6.25%	5.94%	6.03%	6.28%
5	Avangrid, Inc.	3.15%	N/A	N/A	N/A	3.46%	3.51%	3.57%	3.57%	2.36%	N/A	N/A	N/A
6	Avista Corp.	5.20%	6.13%	5.95%	5.87%	5.78%	5.65%	5.61%	5.47%	5.38%	5.49%	4.91%	3.49%
7	Black Hills	5.33%	5.40%	5.33%	5.19%	5.30%	5.32%	5.32%	5.32%	5.63%	5.18%	5.18%	5.35%
8	CenterPoint Energy	8.71%	5.12%	5.15%	4.95%	5.03%	4.90%	4.82%	7.96%	12.50%	8.41%	9.87%	12.21%
9	CMS Energy Corp.	6.82%	7.36%	7.45%	7.69%	7.84%	7.89%	7.87%	8.58%	8.25%	7.96%	5.78%	1.81%
10	Consol. Edison	5.85%	5.09%	5.08%	5.24%	5.29%	5.42%	5.48%	5.50%	5.70%	5.91%	6.30%	7.04%
11	Dominion Resources	9.90%	8.07%	8.35%	8.66%	8.69%	8.54%	8.00%	11.14%	11.88%	11.63%	9.35%	8.52%
12	DTE Energy	6.44%	7.67%	7.50%	7.43%	7.25%	7.64%	8.64%	6.38%	6.08%	5.72%	5.56%	5.99%
13	Duke Energy	5.62%	6.32%	6.45%	6.54%	6.37%	6.47%	6.34%	6.18%	5.73%	5.32%	5.73%	3.52%
14	Edison Int'l	5.98%	7.53%	7.57%	8.76%	8.30%	9.24%	7.36%	7.09%	5.53%	4.48%	4.06%	4.46%
15	El Paso Electric	2.94%	N/A	N/A	N/A	N/A	N/A	N/A	5.04%	4.64%	4.57%	1.16%	0.00%
16	Entergy Corp.	6.69%	6.79%	6.52%	6.55%	6.32%	6.68%	6.72%	7.21%	7.31%	6.17%	6.65%	6.27%
17	Eversource Energy	5.36%	7.02%	6.98%	6.97%	6.66%	5.74%	5.69%	5.57%	5.27%	4.77%	4.76%	4.14%
18	Evergy, Inc.	5.66%	5.38%	6.08%	5.99%	5.90%	5.57%	5.41%	5.32%	N/A	N/A	N/A	N/A
19	Exelon Corp.	6.83%	5.72%	5.68%	5.67%	5.59%	5.42%	4.36%	4.45%	4.39%	6.19%	10.30%	11.70%
20	FirstEnergy Corp.	8.69%	8.18%	8.22%	7.87%	8.81%	8.78%	10.26%	12.46%	10.48%	5.79%	7.54%	7.20%
21	Fortis Inc.	5.47%	5.78%	5.69%	5.72%	5.84%	5.95%	5.59%	5.17%	4.99%	5.54%	5.74%	5.31%
22	Great Plains Energy	5.31%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.42%	3.95%	3.92%	8.94%
23	Hawaiian Elec.	7.09%	N/A	N/A	N/A	5.07%	6.96%	6.22%	6.18%	6.62%	7.33%	7.88%	8.47%
24	Hydro One Limited	2.67%	6.29%	6.21%	4.47%	4.42%	4.57%	4.13%	4.57%	4.07%	0.00%	0.00%	0.00%
25	IDACORP, Inc.	4.79%	5.25%	5.35%	5.43%	5.57%	5.48%	5.45%	5.23%	4.86%	4.23%	3.87%	4.49%
26	MGE Energy	5.99%	5.46%	5.18%	5.22%	5.30%	5.32%	N/A	5.47%	5.74%	6.02%	6.55%	7.29%
27	NextEra Energy, Inc.	6.97%	8.74%	8.66%	8.46%	8.08%	8.61%	8.13%	6.78%	6.51%	6.40%	5.98%	6.24%
28	NorthWestern Corp	5.79%	5.58%	5.62%	5.58%	5.63%	5.65%	5.73%	5.74%	5.77%	5.56%	6.07%	6.09%
29	OGE Energy	6.89%	6.94%	7.00%	7.35%	7.49%	7.47%	8.04%	7.65%	6.53%	5.70%	6.28%	7.32%
30	Otter Tail Corp.	6.70%	4.85%	4.73%	4.69%	5.95%	5.61%	6.54%	7.18%	7.43%	8.06%	6.88%	6.59%
31	Pinnacle West Capital	6.21%	6.22%	6.19%	6.26%	6.41%	6.40%	6.43%	6.31%	5.96%	6.37%	6.21%	6.00%
32	TXNM Energy	4.20%	5.24%	4.90%	5.50%	5.72%	5.52%	3.88%	5.31%	4.23%	3.17%	2.68%	3.74%
33	Portland General	5.02%	5.79%	5.81%	5.71%	5.73%	5.75%	5.61%	5.26%	4.79%	4.66%	4.87%	4.12%
34	PPL Corp.	8.06%	5.38%	5.50%	5.40%	5.03%	4.66%	8.89%	9.81%	10.27%	7.57%	8.40%	8.78%
35	Public Serv. Enterprise	7.04%	7.50%	7.39%	7.42%	7.34%	7.82%	7.12%	6.26%	6.20%	6.36%	7.20%	8.36%
36	SCANA Corp.	6.44%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.04%	6.15%	6.61%	6.98%
37	Sempra Energy	5.32%	5.16%	5.33%	5.32%	5.41%	5.49%	5.56%	6.31%	6.08%	5.67%	4.37%	4.09%
38	Southern Co.	9.54%	9.53%	9.14%	9.58%	9.65%	9.67%	9.96%	9.65%	9.34%	9.36%	9.38%	9.88%
39	Vectren Corp.	7.71%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.61%	7.54%	7.78%	7.90%
40	WEC Energy Group	6.71%	8.36%	8.53%	8.54%	8.38%	7.92%	7.83%	7.37%	6.76%	7.44%	5.13%	3.76%
41	Westar Energy	5.71%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.68%	5.69%	5.82%	5.65%
42	Xcel Energy Inc.	6.17%	5.77%	6.02%	6.44%	6.55%	6.43%	6.38%	6.38%	6.26%	5.87%	5.99%	6.16%
43	Average	6.27%	6.48%	6.46%	6.47%	6.37%	6.41%	6.44%	6.54%	6.39%	6.01%	5.95%	6.10%
44	Median	6.14%	6.20%	6.14%	6.26%	5.95%	5.88%	6.28%	6.22%	5.96%	5.87%	6.01%	6.20%

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

^a Based on the projected 2025 Dividend Declared per share and Book Value per share, published in The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Florida City Gas

Electric Utilities (Valuation Metrics)

Line	Company	Dividends to Earnings Ratio ¹											
		21-Year							3-Year Averages				
		Average	2026 ^{2b}	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	ALLETE	0.69	N/A	N/A	N/A	N/A	0.77	0.78	0.70	0.65	0.70	0.80	0.56
2	Alliant Energy	0.62	0.62	0.65	0.71	0.65	0.63	0.61	0.61	0.67	0.58	0.66	0.53
3	Ameren Corp.	0.65	0.56	0.56	0.58	0.58	0.57	0.57	0.57	0.66	0.70	0.58	0.90
4	American Electric Power	0.61	0.63	0.63	0.64	0.64	0.62	0.60	0.65	0.60	0.62	0.60	0.54
5	Avangrid, Inc.	0.88	N/A	N/A	N/A	0.84	0.76	0.89	0.87	0.95	N/A	N/A	N/A
6	Avista Corp.	0.70	0.79	0.77	0.83	0.82	0.83	0.80	0.70	0.69	0.74	0.59	0.57
7	Black Hills	1.00	0.65	0.66	0.66	0.64	0.61	0.61	0.57	0.58	0.62	0.98	2.96
8	CenterPoint Energy	0.69	0.50	0.55	0.51	0.56	0.45	0.70	0.93	0.94	0.65	0.70	0.53
9	CMS Energy Corp.	0.58	0.59	0.61	0.62	0.65	0.65	0.67	0.62	0.62	0.62	0.54	0.30
10	Consol. Edison	0.67	0.58	0.60	0.62	0.64	0.69	0.65	0.71	0.67	0.65	0.70	0.71
11	Dominion Resources	0.88	0.74	0.78	0.96	1.34	0.65	0.79	1.53	0.83	0.76	0.67	0.59
12	DTE Energy	0.66	0.62	0.60	0.61	0.57	0.64	0.95	0.59	0.62	0.61	0.62	0.81
13	Duke Energy	0.78	0.64	0.67	0.70	0.73	0.76	0.79	0.86	0.84	0.79	0.76	0.80
14	Edison Int'l	0.49	0.58	0.51	0.65	0.63	1.78	1.35	0.06	0.47	0.33	0.39	0.34
15	El Paso Electric	0.50	N/A	N/A	N/A	N/A	N/A	N/A	0.68	0.54	0.46	0.27	N/A
16	Entergy Corp.	0.57	0.59	0.62	0.94	0.39	0.76	0.56	0.58	0.58	0.60	0.47	0.45
17	Eversource Energy	0.61	0.68	0.63	0.63	0.62	0.62	0.68	0.63	0.61	0.63	0.49	0.61
18	Evergy, Inc.	0.68	0.65	0.70	0.68	0.78	0.71	0.57	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	0.60	0.59	0.58	0.62	0.61	0.60	0.88	0.58	0.55	0.77	0.53	0.47
20	FirstEnergy Corp.	0.77	0.69	0.70	0.65	0.63	0.65	0.58	1.01	0.64	1.09	0.84	0.49
21	Fortis Inc.	0.71	0.72	0.71	0.73	0.74	0.78	0.80	0.71	0.71	0.81	0.68	0.60
22	Great Plains Energy	- 0.82	N/A	N/A	N/A	N/A	N/A	N/A	N/A	- 5.65	0.59	0.67	1.12
23	Hawaiian Elec.	0.82	N/A	N/A	N/A	0.60	0.64	0.60	0.68	0.71	0.75	1.08	1.07
24	Hydro One Limited	0.87	0.61	0.59	0.47	0.48	0.49	0.47	1.87	0.57	N/A	N/A	N/A
25	IDACORP, Inc.	0.53	0.57	0.59	0.61	0.62	0.59	0.59	0.56	0.52	0.43	0.41	0.57
26	MGE Energy	0.56	0.50	0.50	0.53	0.51	0.52	N/A	0.55	0.56	0.51	0.61	0.63
27	NextEra Energy, Inc.	0.57	0.62	0.61	0.60	0.59	0.59	0.85	0.66	0.57	0.53	0.45	0.47
28	NorthWestern Corp	0.70	0.71	0.78	0.80	0.80	0.77	0.69	0.69	0.63	0.60	0.62	0.86
29	OGE Energy	0.62	0.69	0.73	0.77	0.80	0.73	0.69	0.70	0.66	0.45	0.49	0.54
30	Otter Tail Corp.	0.89	0.41	0.32	0.26	0.25	0.24	0.37	0.64	0.75	0.93	2.48	0.81
31	Pinnacle West Capital	0.71	0.74	0.71	0.68	0.79	0.80	0.61	0.64	0.63	0.67	0.77	0.78
32	TXNM Energy	0.83	0.77	0.70	0.57	0.53	0.52	0.43	0.58	0.51	0.48	0.63	2.40
33	Portland General	0.63	0.65	0.68	0.63	0.79	0.65	0.63	0.72	0.58	0.57	0.65	0.56
34	PPL Corp.	0.75	0.58	0.60	0.61	0.59	0.62	3.13	0.72	0.64	0.60	0.77	0.50
35	Public Serv. Enterprise	0.56	0.62	0.62	0.65	0.66	0.62	0.80	0.56	0.55	0.55	0.44	0.50
36	SCANA Corp.	0.61	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.57	0.59	0.65	0.64
37	Sempra Energy	0.54	0.52	0.55	0.53	0.52	0.50	1.10	0.65	0.65	0.57	0.38	0.29
38	Southern Co.	0.74	0.67	0.68	0.70	0.76	0.75	0.77	0.78	0.75	0.74	0.75	0.72
39	Vectren Corp.	0.75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.65	0.77	0.80	0.78
40	WEC Energy Group	0.58	0.68	0.68	0.68	0.67	0.65	0.66	0.66	0.69	0.56	0.44	0.35
41	Westar Energy	0.68	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.67	0.60	0.78	0.66
42	Xcel Energy Inc.	0.62	0.58	0.60	0.63	0.62	0.62	0.62	0.62	0.62	0.58	0.63	0.66
43	Average	0.66	0.63	0.63	0.65	0.66	0.67	0.77	0.72	0.49	0.64	0.68	0.73
44	Median	0.63	0.62	0.63	0.63	0.63	0.64	0.68	0.66	0.63	0.61	0.63	0.59

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Note:

^b Based on the projected 2025 Dividends Declared per share and Earnings per share, published in The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Florida City Gas

Electric Utilities (Valuation Metrics)

Line	Company	Cash Flow to Capital Spending Ratio ¹											
		21-Year							3-Year Averages				
		Average	2026 ^{2c}	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	ALLETE	0.94	N/A	N/A	1.30	1.76	2.12	0.55	0.80	1.37	0.54	0.60	0.78
2	Alliant Energy	0.79	0.84	0.67	0.65	0.74	0.91	0.95	N/A	0.65	0.83	0.65	0.96
3	Ameren Corp.	0.87	0.91	0.88	0.83	0.78	0.71	0.62	0.74	0.75	0.91	1.16	0.95
4	American Electric Power	0.86	0.91	0.87	0.84	0.79	0.81	0.81	0.75	0.79	0.95	1.15	0.74
5	Avangrid, Inc.	0.71	N/A	N/A	N/A	0.66	0.79	0.56	0.68	0.77	N/A	N/A	N/A
6	Avista Corp.	0.88	0.89	0.71	0.85	0.88	0.73	0.88	0.86	0.79	0.82	1.02	1.02
7	Black Hills	0.68	0.70	0.70	0.68	0.95	0.86	0.61	0.67	0.84	0.72	0.47	0.55
8	CenterPoint Energy	0.91	0.42	0.53	0.54	0.53	0.52	0.73	0.85	1.09	1.25	1.00	1.07
9	CMS Energy Corp.	0.84	0.71	0.62	0.74	0.85	0.82	0.78	0.78	0.84	0.79	1.05	0.91
10	Consol. Edison	0.83	0.73	0.92	0.84	0.84	0.88	0.83	0.84	0.72	0.92	0.88	0.75
11	Dominion Resources	0.72	0.47	0.44	0.41	0.46	0.86	0.73	0.91	0.70	0.71	0.80	0.81
12	DTE Energy	0.94	0.54	0.76	0.87	0.85	0.86	0.74	0.80	0.90	0.97	1.37	1.03
13	Duke Energy	0.89	0.85	0.90	0.89	0.81	0.87	0.85	0.82	0.88	1.05	0.81	0.93
14	Edison Int'l	0.76	0.81	0.88	0.85	0.83	0.62	0.55	0.52	0.88	0.79	0.67	0.91
15	El Paso Electric	0.87	N/A	N/A	N/A	N/A	N/A	0.83	0.86	0.86	0.77	0.90	0.96
16	Entergy Corp.	0.91	0.56	0.53	0.72	1.03	0.62	0.74	0.76	0.97	1.03	1.14	1.07
17	Eversource Energy	0.84	0.86	1.00	0.76	0.54	0.89	0.80	0.80	0.86	0.96	0.94	0.70
18	Evergy, Inc.	0.84	0.62	0.76	0.93	0.90	0.78	1.03	N/A	N/A	N/A	N/A	N/A
19	Exelon Corp.	1.13	0.67	0.76	0.81	0.82	0.84	1.09	1.12	0.88	0.99	1.50	1.77
20	FirstEnergy Corp.	0.96	0.59	0.65	0.77	0.82	0.98	0.83	0.80	0.96	0.77	1.20	1.42
21	Fortis Inc.	0.71	0.96	0.37	0.88	0.93	0.89	0.65	0.68	0.72	0.70	0.66	0.62
22	Great Plains Energy	0.79	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.95	0.85	0.80	0.56
23	Hawaiian Elec.	1.21	0.93	1.31	2.99	1.14	1.56	1.27	1.07	1.05	0.98	1.19	1.09
24	Hydro One Limited	0.87	0.69	0.78	0.60	0.63	0.72	1.21	0.96	0.97	N/A	N/A	N/A
25	IDACORP, Inc.	1.00	0.43	0.42	0.51	0.75	1.00	1.33	1.40	1.21	1.26	0.87	0.79
26	MGE Energy	1.04	0.66	0.73	0.97	0.98	1.12	0.82	0.82	1.41	1.10	1.42	0.75
27	NextEra Energy, Inc.	0.60	0.64	0.59	0.52	0.50	0.55	0.58	0.60	0.62	0.61	0.63	0.64
28	NorthWestern Corp	0.98	0.86	0.88	0.79	0.72	0.75	0.84	1.07	1.11	0.91	0.89	1.26
29	OGE Energy	0.92	0.78	0.98	1.02	1.03	0.87	1.24	1.27	1.00	0.84	0.61	0.74
30	Otter Tail Corp.	1.02	0.79	1.37	1.83	1.98	2.13	0.48	0.92	0.89	0.74	0.94	0.82
31	Pinnacle West Capital	0.90	0.62	0.60	0.70	0.73	0.89	0.91	1.00	0.83	0.93	0.98	1.04
32	TXNM Energy	0.67	0.43	0.56	0.51	0.55	0.63	0.72	0.77	0.66	0.77	0.76	0.58
33	Portland General	0.80	0.59	0.77	0.65	0.51	0.86	0.78	0.93	0.92	0.78	0.83	0.76
34	PPL Corp.	0.97	1.01	1.02	0.90	1.06	1.05	0.90	0.94	0.84	0.78	1.08	1.18
35	Public Serv. Enterprise	1.08	0.90	1.07	0.95	0.92	1.05	1.13	0.97	0.68	0.98	1.31	1.64
36	SCANA Corp.	0.86	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.78	0.84	0.83	0.98
37	Sempra Energy	0.76	0.48	0.53	0.59	0.61	0.92	0.77	0.81	0.68	0.77	0.88	0.90
38	Southern Co.	0.90	1.02	0.81	0.94	0.88	0.97	0.99	0.90	0.85	0.86	0.88	0.93
39	Vectren Corp.	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.88	1.06	1.11	0.93
40	WEC Energy Group	0.96	0.62	0.72	1.01	0.95	1.09	0.97	0.93	1.03	1.36	0.96	0.62
41	Westar Energy	0.72	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.80	0.70	0.76	0.61
42	Xcel Energy Inc.	0.73	0.44	0.49	0.66	0.75	0.93	0.66	0.74	0.75	0.68	0.83	0.79
43	Average	0.88	0.71	0.76	0.87	0.85	0.93	0.84	0.86	0.88	0.88	0.94	0.91
44	Median	0.83	0.70	0.76	0.82	0.82	0.87	0.81	0.83	0.86	0.84	0.89	0.91

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Notes:

^c Based on the projected Cash Flow per share and Capital Spending per share published in The Value Line Investment Survey, April 17, May 8, and June 5, 2026.

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

Line	Company	Price to Earnings (P/E) Ratio ¹											
		21-Year							3-Year Averages				
		Average	2026 ²	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Atmos Energy	17.92	21.00	21.00	20.90	16.80	19.30	18.80	22.40	20.10	15.97	13.37	14.34
2	Chesapeake Utilities	19.44	18.90	18.90	21.60	21.60	25.80	25.60	23.07	23.07	16.03	13.53	16.25
3	New Jersey Resources	16.87	15.40	15.40	14.90	14.90	17.00	17.50	19.20	20.10	14.83	15.57	16.68
4	NiSource Inc.	22.06	22.90	22.90	20.10	16.90	19.60	18.00	19.77	41.63	19.83	16.33	16.69
5	Northwest Nat. Gas	19.87	16.50	16.50	13.70	15.40	19.60	19.50	27.50	25.30	20.40	17.07	16.88
6	ONE Gas Inc.	20.05	17.30	17.30	17.30	16.00	19.90	18.90	23.37	22.00	17.80	N/A	N/A
7	Southwest Gas	18.26	21.00	21.00	19.80	23.00	NMF	14.30	19.57	21.07	16.23	13.97	17.85
8	Spire Inc.	18.46	20.20	20.20	17.40	14.50	17.50	13.60	30.20	18.63	18.53	13.37	14.03
9	UGI Corp.	14.64	10.90	10.90	10.20	8.40	14.10	13.90	18.33	19.27	15.87	12.07	14.12
10	Average	18.47	18.23	18.23	17.32	16.39	19.10	17.79	22.60	23.46	17.28	14.41	15.85
11	Median	17.80	18.90	18.90	17.40	16.00	19.45	18.00	22.40	21.07	16.23	13.75	16.46

Line	Company	Market Price to Cash Flow (MP/CF) Ratio ¹											
		21-Year							3-Year Averages				
		Average	2026 ²	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(23)	(24)	(25)	(26)	(27)
12	Atmos Energy	9.85	13.80	13.23	11.93	11.27	11.87	10.99	12.83	10.88	7.85	6.26	6.76
13	Chesapeake Utilities	11.02	11.18	13.13	14.44	15.77	14.21	14.20	12.91	12.00	8.28	7.73	8.62
14	New Jersey Resources	11.58	9.39	9.03	9.95	11.22	11.55	11.56	12.84	13.37	10.84	11.79	11.31
15	NiSource Inc.	8.02	10.09	9.18	7.98	7.13	8.13	7.89	8.52	10.35	9.03	5.32	6.14
16	Northwest Nat. Gas	11.40	7.76	5.73	6.96	7.56	8.76	8.57	11.66	26.92	8.98	8.76	8.37
17	ONE Gas Inc.	9.79	8.61	8.02	7.87	7.73	9.91	9.32	11.82	10.73	8.16	N/A	N/A
18	Southwest Gas	7.46	9.65	8.96	7.77	7.35	19.83	6.87	8.43	7.69	5.95	4.78	5.20
19	Spire Inc.	9.41	9.37	8.25	7.29	7.53	8.34	7.55	11.63	9.73	11.53	8.26	8.62
20	UGI Corp.	7.55	6.52	5.67	4.67	5.84	7.20	9.56	9.78	9.19	6.78	6.42	7.50
21	Average	9.48	9.60	9.02	8.76	9.04	11.09	9.61	11.16	12.32	8.60	7.42	7.82
22	Median	8.84	9.39	8.96	7.87	7.56	9.91	9.32	11.66	10.73	8.28	7.07	7.94

Line	Company	Market Price to Book Value (MP/BV) Ratio ¹											
		21-Year							3-Year Averages				
		Average	2026 ²	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(23)	(24)	(25)	(26)	(27)
23	Atmos Energy	1.62	1.99	1.89	1.68	1.55	1.65	1.59	2.03	2.00	1.41	1.18	1.31
24	Chesapeake Utilities	2.03	1.72	1.91	1.91	1.93	2.69	2.77	2.49	2.32	1.87	1.46	1.78
25	New Jersey Resources	2.23	2.02	1.98	2.06	2.32	2.35	2.26	2.43	2.50	2.17	2.19	2.03
26	NiSource Inc.	1.59	2.07	2.04	1.40	1.14	2.15	1.86	1.99	1.92	1.63	0.92	1.10
27	Northwest Nat. Gas	1.74	1.40	1.23	1.15	1.29	1.51	1.45	2.23	1.99	1.62	1.73	1.90
28	ONE Gas Inc.	1.60	1.47	1.37	1.32	1.43	1.73	1.57	2.01	1.61	1.07	N/A	N/A
29	Southwest Gas	1.52	1.48	1.35	1.34	1.28	1.62	1.32	1.70	1.93	1.60	1.21	1.38
30	Spire Inc.	1.53	1.59	1.46	1.25	1.29	1.43	1.47	1.69	1.57	1.40	1.51	1.69
31	UGI Corp.	1.90	1.55	1.53	1.30	1.59	1.39	1.64	2.36	2.44	1.70	1.65	2.13
32	Average	1.75	1.70	1.64	1.49	1.53	1.83	1.77	2.10	2.03	1.61	1.48	1.66
33	Median	1.65	1.59	1.53	1.34	1.43	1.65	1.59	2.03	1.99	1.62	1.49	1.73

Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, May 22, 2026.

Notes:

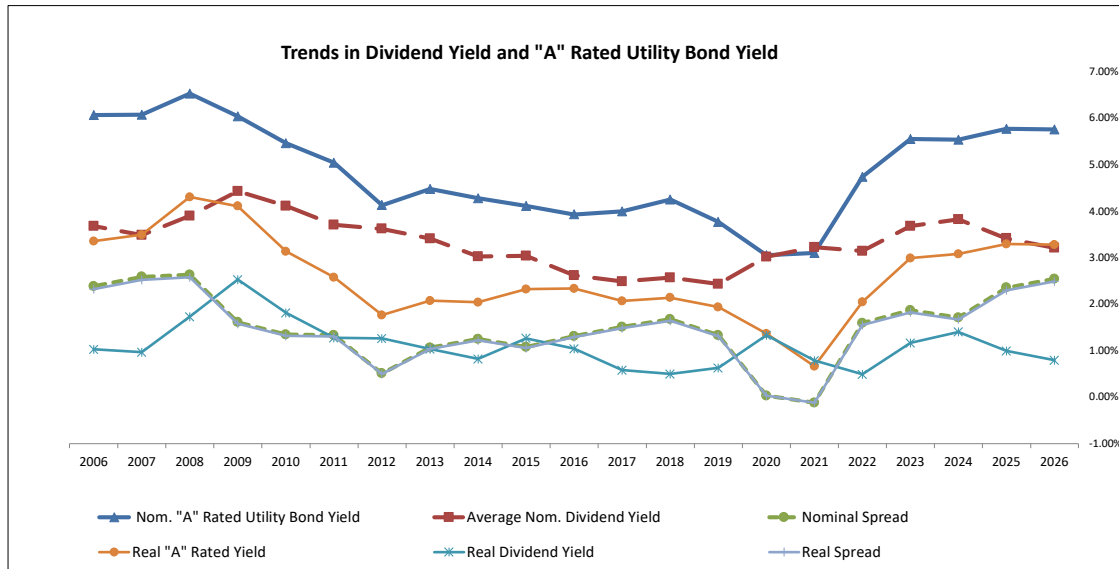
^a Based on the average of the high and low price for year and the projected Cash Flow per share, published in The Value Line Investment Survey.

^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)

		Dividend Yield ¹											
Line	Company	21-Year							3-Year Averages				
		Average (1)	2026 ^{2/a} (2)	2025 (3)	2024 (4)	2023 (5)	2022 (6)	2021 (7)	2018-2020 (8)	2015-2017 (9)	2012-2014 (10)	2009-2011 (11)	2006-2008 (12)
1	Atmos Energy	3.20%	2.25%	2.20%	2.45%	2.62%	2.46%	2.63%	2.17%	2.51%	3.59%	4.74%	4.53%
2	Chesapeake Utilities	2.57%	2.20%	2.07%	2.12%	2.08%	1.61%	1.50%	1.77%	1.93%	2.85%	3.79%	3.83%
3	New Jersey Resources	3.30%	3.71%	3.82%	3.75%	3.29%	3.25%	3.50%	2.86%	2.90%	3.53%	3.49%	3.19%
4	NiSource Inc.	3.80%	2.67%	2.79%	3.34%	3.85%	3.33%	3.60%	3.12%	3.03%	3.28%	5.94%	4.73%
5	Northwest Nat. Gas	3.73%	3.87%	4.47%	4.93%	4.40%	3.86%	3.90%	3.06%	3.43%	4.06%	3.73%	3.37%
6	ONE Gas Inc.	2.91%	3.28%	3.56%	3.87%	3.72%	3.08%	3.21%	2.47%	2.47%	2.28%	N/A	N/A
7	Southwest Gas	3.04%	2.95%	3.35%	3.60%	4.07%	3.20%	3.65%	2.87%	2.65%	2.72%	3.32%	2.78%
8	Spire Inc.	3.87%	3.75%	4.02%	4.65%	4.44%	3.89%	3.79%	3.15%	3.24%	3.95%	4.31%	4.24%
9	UGI Corp.	3.26%	4.25%	4.45%	5.75%	4.64%	3.61%	3.25%	2.60%	2.29%	3.10%	3.34%	2.83%
10	Average	3.34%	3.21%	3.42%	3.83%	3.68%	3.14%	3.23%	2.67%	2.72%	3.26%	4.08%	3.69%
11	Median	3.42%	3.28%	3.56%	3.75%	3.85%	3.25%	3.50%	2.86%	2.65%	3.28%	3.76%	3.60%
12	20-Yr Treasury Yields ³	3.46%	4.85%	4.78%	4.50%	4.25%	3.30%	1.98%	2.26%	2.47%	2.91%	3.92%	4.75%
13	20-Yr TIPS ³	1.24%	2.39%	2.33%	2.06%	1.73%	0.64%	-0.43%	0.41%	0.73%	0.61%	1.71%	2.28%
14	Implied Inflation ^b	2.19%	2.40%	2.40%	2.39%	2.48%	2.64%	2.42%	1.84%	1.73%	2.29%	2.17%	2.42%
15	Real Dividend Yield ^c	1.12%	0.79%	1.00%	1.40%	1.17%	0.49%	0.79%	0.82%	0.97%	0.95%	1.87%	1.24%
Utility													
16	Nominal "A" Rated Yield ^d	4.84%	5.76%	5.77%	5.54%	5.55%	4.74%	3.10%	3.69%	4.01%	4.29%	5.51%	6.22%
17	Real "A" Rated Yield	2.59%	3.28%	3.30%	3.08%	2.99%	2.05%	0.67%	1.82%	2.24%	1.96%	3.27%	3.72%
Spreads (Utility Bond - Stock)													
18	Nominal ^e	1.51%	2.55%	2.35%	1.71%	1.87%	1.60%	-0.12%	1.02%	1.30%	1.03%	1.43%	2.54%
19	Real ^f	1.47%	2.49%	2.30%	1.67%	1.82%	1.56%	-0.12%	1.00%	1.28%	1.01%	1.40%	2.48%
Spreads (Treasury Bond - Stock)													
20	Nominal ^g	0.12%	1.63%	1.36%	0.67%	0.57%	0.16%	-1.25%	-0.42%	-0.24%	-0.35%	-0.16%	1.07%
21	Real ^g	0.12%	1.60%	1.33%	0.66%	0.56%	0.15%	-1.22%	-0.41%	-0.24%	-0.34%	-0.16%	1.04%



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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, May 22, 2026.

³ St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

⁴ Mergent Bond Record, through May 31, 2026.

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											
		21-Year							3-Year Averages				
		<u>Average</u>	<u>2026</u> ²	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2018-2020</u>	<u>2015-2017</u>	<u>2012-2014</u>	<u>2009-2011</u>	<u>2006-2008</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Atmos Energy	2.02	4.00	3.48	3.22	2.96	2.72	2.50	2.11	1.68	1.42	1.34	1.28
2	Chesapeake Utilities	1.44	2.84	2.65	2.46	2.25	2.03	1.84	1.54	1.19	1.01	0.87	0.79
3	New Jersey Resources	1.06	1.90	1.80	1.71	1.56	1.45	1.36	1.19	0.98	0.81	0.67	0.51
4	NiSource Inc.	0.92	1.20	1.12	1.06	1.00	0.94	0.88	0.81	0.72	0.98	0.92	0.92
5	Northwest Nat. Gas	1.80	1.97	1.96	1.95	1.94	1.93	1.92	1.90	1.87	1.82	1.68	1.45
6	ONE Gas Inc.	2.04	2.72	2.68	2.64	2.60	2.48	2.32	2.00	1.43	0.84	N/A	N/A
7	Southwest Gas	1.73	2.55	2.48	2.48	2.48	2.48	2.38	2.18	1.80	1.32	1.00	0.86
8	Spire Inc.	2.14	3.30	3.14	3.02	2.88	2.74	2.60	2.37	1.97	1.71	1.57	1.45
9	UGI Corp.	0.98	1.55	1.50	1.50	1.47	1.41	1.35	1.16	0.93	0.75	0.60	0.48
10	Average	1.53	2.45	2.31	2.23	2.13	2.02	1.91	1.70	1.40	1.18	1.08	0.97
11	Industry Average Growth	4.93%	5.86%	3.84%	4.70%	5.28%	6.01%	5.54%	6.64%	6.41%	3.16%	4.06%	3.28%

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, May 22, 2026.

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

Line	Company	Earnings per Share ¹											
		21-Year							3-Year Averages				
		<u>Average</u>	<u>2026</u> ²	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2018-2020</u>	<u>2015-2017</u>	<u>2012-2014</u>	<u>2009-2011</u>	<u>2006-2008</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Atmos Energy	3.93	8.45	7.46	6.83	6.10	5.60	5.12	4.36	3.36	2.52	2.13	1.98
2	Chesapeake Utilities	3.22	6.65	6.01	5.26	4.73	4.97	4.70	3.79	2.74	2.24	1.72	1.28
3	New Jersey Resources	1.94	3.55	3.33	2.95	2.70	2.50	2.16	2.25	1.71	1.60	1.24	1.02
4	NiSource Inc.	1.30	2.05	1.95	1.75	1.60	1.47	1.35	1.31	0.67	1.54	0.98	1.21
5	Northwest Nat. Gas	2.24	3.05	2.77	2.33	2.59	2.54	2.50	2.27	0.71	2.21	2.65	2.56
6	ONE Gas Inc.	3.52	4.90	4.48	3.91	4.14	4.08	3.85	3.48	2.64	2.07	N/A	N/A
7	Southwest Gas	2.96	4.25	3.60	2.76	2.13	3.10	3.80	3.92	3.24	2.99	2.21	1.77
8	Spire Inc.	3.20	4.00	4.44	4.19	3.85	3.95	4.96	3.10	3.28	2.39	2.74	2.44
9	UGI Corp.	2.14	2.90	3.32	3.06	2.84	2.90	2.96	2.56	2.12	1.56	1.51	1.20
10	Average	2.64	4.42	4.15	3.67	3.41	3.46	3.49	3.00	2.27	2.12	1.90	1.68
11	Industry Average Growth	5.70%	6.53%	13.08%	7.69%	-1.38%	-0.92%	18.27%	14.40%	-2.65%	5.77%	3.58%	3.74%

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, May 22, 2026.

Florida City Gas

Natural Gas Utilities (Valuation Metrics)

Line	Company	Cash Flow / Capital Spending ¹									3 - 5 yr ²
		2019 (1)	2020 (2)	2021 (3)	2022 (4)	2023 (5)	2024 (6)	2025 (7)	2026 (8)	2027 ² (9)	Projection (10)
1	Atmos Energy	0.53x	0.53x	0.53x	0.54x	0.54x	0.55x	0.52x	0.53x	0.57x	0.81x
2	Chesapeake Utilities	0.66x	0.64x	0.82x	1.23x	0.84x	0.61x	0.63x	0.58x	0.64x	0.74x
3	New Jersey Resources	1.41x	0.65x	0.72x	0.59x	0.68x	1.03x	0.93x	0.74x	0.76x	0.88x
4	NiSource Inc.	0.66x	0.65x	0.69x	0.55x	0.43x	0.54x	0.75x	0.77x	0.84x	1.04x
5	Northwest Nat. Gas	0.77x	0.75x	0.61x	0.60x	0.68x	0.63x	0.68x	0.59x	0.63x	0.72x
6	ONE Gas Inc.	0.78x	0.88x	0.86x	0.74x	0.83x	0.81x	0.81x	0.85x	0.89x	1.05x
7	Southwest Gas	0.62x	0.53x	0.61x	0.31x	0.84x	0.76x	0.81x	0.86x	0.94x	1.19x
8	Spire Inc.	0.65x	0.65x	0.70x	0.80x	0.71x	0.64x	0.65x	0.73x	0.87x	1.04x
9	UGI Corp.	1.33x	1.54x	1.66x	1.42x	1.33x	1.24x	1.56x	1.49x	1.64x	1.99x
10	Average	0.82x	0.76x	0.80x	0.75x	0.76x	0.76x	0.81x	0.79x	0.86x	1.05x
11	Median	0.66x	0.65x	0.70x	0.60x	0.71x	0.64x	0.75x	0.74x	0.84x	1.04x

Sources:

¹ The Value Line Investment Survey, various report dates.

² The Value Line Investment Survey, May 22, 2026.

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											
		21-Year							3-Year Averages				
		Average	2026 ^{2a}	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Atmos Energy	4.90%	4.47%	4.15%	4.11%	4.04%	4.07%	4.19%	4.38%	4.97%	5.00%	5.53%	5.94%
2	Chesapeake Utilities	4.98%	3.78%	3.96%	4.05%	4.01%	4.32%	4.15%	4.38%	4.45%	5.27%	5.50%	6.77%
3	New Jersey Resources	7.28%	7.51%	7.56%	7.73%	7.65%	7.63%	7.92%	6.77%	7.21%	7.64%	7.63%	6.45%
4	NiSource Inc.	5.56%	5.54%	5.67%	4.67%	4.40%	7.15%	6.69%	6.20%	5.81%	5.23%	5.22%	5.11%
5	Northwest Nat. Gas	6.36%	5.43%	5.52%	5.66%	5.69%	5.83%	5.66%	6.81%	6.70%	6.58%	6.48%	6.37%
6	ONE Gas Inc.	4.56%	4.81%	4.88%	5.09%	5.32%	5.31%	5.04%	4.94%	3.92%	2.44%	N/A	N/A
7	Southwest Gas	4.52%	4.38%	4.52%	4.83%	5.20%	5.17%	4.80%	4.85%	5.07%	4.35%	3.92%	3.79%
8	Spire Inc.	5.86%	5.95%	5.89%	5.83%	5.73%	5.58%	5.56%	5.31%	5.07%	5.52%	6.46%	7.16%
9	UGI Corp.	5.83%	6.57%	6.82%	7.46%	7.35%	5.02%	5.34%	5.92%	5.55%	5.19%	5.51%	6.03%
10	Average	5.59%	5.38%	5.44%	5.49%	5.49%	5.57%	5.48%	5.51%	5.42%	5.25%	5.78%	5.95%
11	Median	5.34%	5.43%	5.52%	5.09%	5.32%	5.31%	5.34%	5.31%	5.07%	5.23%	5.52%	6.20%

Line	Company	Dividends to Earnings Ratio ¹											
		21-Year							3-Year Averages				
		Average	2026 ^{2b}	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
12	Atmos Energy	0.55	0.47	0.47	0.47	0.49	0.49	0.49	0.49	0.50	0.57	0.63	0.65
13	Chesapeake Utilities	0.47	0.43	0.44	0.47	0.48	0.41	0.39	0.41	0.43	0.45	0.51	0.62
14	New Jersey Resources	0.55	0.54	0.54	0.58	0.58	0.58	0.63	0.54	0.58	0.52	0.54	0.53
15	NiSource Inc.	0.79	0.59	0.57	0.61	0.63	0.64	0.65	0.62	1.25	0.64	0.95	0.77
16	Northwest Nat. Gas	0.66	0.65	0.71	0.84	0.75	0.76	0.77	0.84	0.29	0.83	0.64	0.57
17	ONE Gas Inc.	0.57	0.56	0.60	0.68	0.63	0.61	0.60	0.57	0.54	0.41	N/A	N/A
18	Southwest Gas	0.59	0.60	0.69	0.90	1.16	0.80	0.63	0.56	0.56	0.44	0.46	0.50
19	Spire Inc.	0.69	0.83	0.71	0.72	0.75	0.69	0.52	0.97	0.60	0.73	0.58	0.59
20	UGI Corp.	0.45	0.53	0.45	0.49	0.52	0.49	0.46	0.46	0.44	0.49	0.40	0.40
21	Average	0.59	0.58	0.58	0.64	0.66	0.61	0.57	0.61	0.58	0.57	0.59	0.58
22	Median	0.58	0.56	0.57	0.61	0.63	0.61	0.60	0.56	0.54	0.52	0.56	0.58

Line	Company	Cash Flow to Capital Spending Ratio ¹											
		21-Year							3-Year Averages				
		Average	2026 ^{2c}	2025	2024	2023	2022	2021	2018-2020	2015-2017	2012-2014	2009-2011	2006-2008
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
23	Atmos Energy	0.63	0.53	0.54	0.58	0.53	0.54	0.58	0.53	0.60	0.60	0.74	0.86
24	Chesapeake Utilities	0.73	0.58	0.52	0.52	0.81	1.23	0.81	0.60	0.51	0.72	1.12	0.70
25	New Jersey Resources	1.14	0.74	0.75	0.87	0.82	0.59	0.62	0.69	0.66	1.58	1.60	1.97
26	NiSource Inc.	0.74	0.77	0.75	0.71	0.61	0.55	0.68	0.62	0.51	0.59	0.97	1.14
27	Northwest Nat. Gas	0.86	0.59	0.68	0.65	0.67	0.60	0.68	0.69	0.76	1.05	0.97	1.30
28	ONE Gas Inc.	0.83	0.85	0.83	0.74	0.77	0.74	0.86	0.85	0.88	0.79	N/A	N/A
29	Southwest Gas	0.81	0.86	0.74	0.67	0.68	0.31	0.86	0.59	0.78	0.98	1.16	0.78
30	Spire Inc.	0.98	0.73	0.61	0.60	0.69	0.80	0.75	0.54	0.87	0.90	1.69	1.45
31	UGI Corp.	1.46	1.49	1.54	1.52	1.18	1.42	1.32	1.48	1.37	1.46	1.39	1.68
32	Average	0.92	0.79	0.77	0.76	0.75	0.75	0.80	0.73	0.77	0.96	1.20	1.23
33	Median	0.83	0.74	0.74	0.67	0.69	0.60	0.75	0.62	0.76	0.90	1.14	1.22

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 years 2020 - 2025 was retrieved from Value Line Investment Surveys.

² The Value Line Investment Survey, May 22, 2026.

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>	<u>Moody's</u>	<u>MI¹</u>	<u>Value Line²</u>
		(1)	(2)	(3)	(4)
1	Atmos Energy Corporation	A-	A2	59.3%	60.2%
2	NiSource Inc.	BBB+	Baa2	33.9%	37.9%
3	Northwest Natural Holding Company	A-	N/A	35.5%	38.6%
4	ONE Gas, Inc.	A-	A3	50.4%	59.3%
5	Southwest Gas Holdings, Inc.	BBB+	Baa2	53.0%	53.6%
6	American States Water Company	A	N/A	52.9%	57.0%
7	California Water Service Group	A+	N/A	51.3%	53.5%
8	Middlesex Water Company	A	N/A	54.4%	56.4%
9	H2O America	A-	N/A	44.0%	45.2%
10	Average	A-	Baa1	48.3%	51.3%
11	Median			51.3%	53.6%
12	FCG^{3,4}	N/A	N/A		50.14%

Sources:

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

¹ S&P Global Market Intelligence, Downloaded on June 12, 2026.

² *The Value Line Investment Survey*, April 3 and May 22, 2026.

³ S&P Capital IQ.

⁴ MFR Schedule G-3

Florida City Gas

Consensus Analysts' Growth Rates

<u>Line</u>	<u>Company</u>	<u>Zacks</u> ¹ (1)	<u>S&P</u> ² (2)	<u>I/B/E/S</u> ³ (3)	<u>Average of Growth Rates</u> (4)
1	Atmos Energy Corporation	6.82%	8.02%	8.90%	7.91%
2	NiSource Inc.	6.11%	9.74%	8.75%	8.20%
3	Northwest Natural Holding Company	N/A	6.53%	6.50%	6.51%
4	ONE Gas, Inc.	6.23%	6.21%	N/A	6.22%
5	Southwest Gas Holdings, Inc.	9.89%	12.99%	14.80%	12.56%
6	American States Water Company	6.93%	6.93%	N/A	6.93%
7	California Water Service Group	10.62%	10.62%	N/A	10.62%
8	Middlesex Water Company	N/A	8.10%	8.10%	8.10%
9	H2O America	3.31%	6.88%	7.70%	5.96%
10	Average	7.13%	8.45%	9.13%	8.11%
11	Median	6.82%	8.02%	8.43%	7.91%

Sources:

¹ Zacks, <http://www.zacks.com/>, downloaded on June 12, 2026.

² S&P Global Market Intelligence, <https://platform.mi.spglobal.com>, downloaded on June 12, 2026.

³ LSEG Workspace, <https://www.lseg.com/en/data-analytics/products/workspace>, downloaded on June 12, 2026.

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	\$181.32	7.91%	\$4.00	2.38%	10.30%
2	NiSource Inc.	\$47.02	8.20%	\$1.20	2.76%	10.96%
3	Northwest Natural Holding Company	\$51.84	6.51%	\$1.97	4.05%	10.56%
4	ONE Gas, Inc.	\$84.82	6.22%	\$2.72	3.41%	9.63%
5	Southwest Gas Holdings, Inc.	\$89.13	12.56%	\$2.58	3.26%	15.82%
6	American States Water Company	\$76.77	6.93%	\$2.02	2.81%	9.74%
7	California Water Service Group	\$44.76	10.62%	\$1.34	3.31%	13.93%
8	Middlesex Water Company	\$52.41	8.10%	\$1.44	2.97%	11.07%
9	H2O America	\$57.84	5.96%	\$1.76	3.22%	9.19%
10	Average	\$76.21	8.11%	\$2.11	3.13%	11.24%
11	Median	\$57.84	7.91%	\$1.97	3.22%	10.56%

Sources:

¹ S&P Global Market Intelligence, Downloaded on June 12, 2026.

² Exhibit CCW-4

³ *The Value Line Investment Survey*, April 3 and May 22, 2026.

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>2025</u>	<u>Projected</u>	<u>2025</u>	<u>Projected</u>	<u>2025</u>	<u>Projected</u>
		(1)	(2)	(3)	(4)	(5)	(6)
1	Atmos Energy Corporation	\$3.48	\$5.05	\$7.46	\$11.00	46.65%	45.91%
2	NiSource Inc.	\$1.12	\$1.52	\$1.95	\$3.00	57.44%	50.67%
3	Northwest Natural Holding Company	\$1.96	\$2.00	\$2.77	\$3.60	70.76%	55.56%
4	ONE Gas, Inc.	\$2.68	\$2.95	\$4.48	\$6.30	59.82%	46.83%
5	Southwest Gas Holdings, Inc.	\$2.48	\$2.84	\$3.60	\$6.50	68.89%	43.69%
6	American States Water Company	\$1.94	\$2.85	\$3.37	\$4.55	57.57%	62.64%
7	California Water Service Group	\$1.20	\$1.55	\$2.15	\$3.10	55.81%	50.00%
8	Middlesex Water Company	\$1.38	\$1.65	\$2.36	\$3.45	58.47%	47.83%
9	H2O America	\$1.68	\$1.95	\$2.99	\$3.85	56.19%	50.65%
10	Average	\$1.99	\$2.48	\$3.46	\$5.04	59.07%	50.42%

Source:

The Value Line Investment Survey, April 3 and May 22, 2026.

Florida City Gas

Sustainable Growth Rate

		3 to 5 Year Projections										Sustainable
Line	Company	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	\$5.05	\$11.00	\$111.00	5.75%	9.91%	1.03	10.19%	45.91%	54.09%	5.51%	10.57%
2	NiSource Inc.	\$1.52	\$3.00	\$34.20	11.61%	8.77%	1.05	9.25%	50.67%	49.33%	4.56%	7.15%
3	Northwest Natural Holding Company	\$2.00	\$3.60	\$39.40	2.11%	9.14%	1.01	9.23%	55.56%	44.44%	4.10%	5.84%
4	ONE Gas, Inc.	\$2.95	\$6.30	\$59.20	1.53%	10.64%	1.01	10.72%	46.83%	53.17%	5.70%	7.69%
5	Southwest Gas Holdings, Inc.	\$2.84	\$6.50	\$68.65	4.59%	9.47%	1.02	9.68%	43.69%	56.31%	5.45%	6.26%
6	American States Water Company	\$2.85	\$4.55	\$33.75	4.75%	13.48%	1.02	13.79%	62.64%	37.36%	5.15%	6.03%
7	California Water Service Group	\$1.55	\$3.10	\$40.35	7.31%	7.68%	1.04	7.95%	50.00%	50.00%	3.98%	4.05%
8	Middlesex Water Company	\$1.65	\$3.45	\$29.45	2.00%	11.71%	1.01	11.83%	47.83%	52.17%	6.17%	6.41%
9	H2O America	\$1.95	\$3.85	\$50.00	3.23%	7.70%	1.02	7.82%	50.65%	49.35%	3.86%	3.86%
10	Average	\$2.48	\$5.04	\$51.78	4.77%	9.83%	1.02	10.05%	50.42%	49.58%	4.94%	6.43%
11	Median											6.26%

Sources and Notes:

Cols. (1), (2) and (3): *The Value Line Investment Survey*, April 3 and May 22, 2026.

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

		13-Week	2025	Market	Common Shares					
		Average	Book Value	to Book	Outstanding (in Millions) ²					
Line	Company	Stock Price ¹	Per Share ²	Ratio	2025	3-5 Years	Growth	S Factor ³	V Factor ⁴	S * V
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Atmos Energy Corporation	\$181.32	\$83.92	2.16	161.57	200.00	4.36%	9.42%	53.72%	5.06%
2	NiSource Inc.	\$47.02	\$19.75	2.38	478.43	525.00	1.88%	4.46%	57.99%	2.59%
3	Northwest Natural Holding Company	\$51.84	\$35.49	1.46	41.56	50.00	3.77%	5.50%	31.54%	1.74%
4	ONE Gas, Inc.	\$84.82	\$54.87	1.55	62.69	75.00	3.65%	5.64%	35.31%	1.99%
5	Southwest Gas Holdings, Inc.	\$89.13	\$54.84	1.63	72.23	77.00	1.29%	2.09%	38.47%	0.80%
6	American States Water Company	\$76.77	\$26.76	2.87	39.08	40.00	0.47%	1.34%	65.14%	0.87%
7	California Water Service Group	\$44.76	\$28.35	1.58	59.64	60.00	0.12%	0.19%	36.67%	0.07%
8	Middlesex Water Company	\$52.41	\$26.67	1.97	18.52	18.75	0.25%	0.49%	49.11%	0.24%
9	H2O America	\$57.84	\$42.66	1.36	36.12	35.00	- 0.63%	- 0.85%	26.24%	- 0.22%
10	Average	\$76.21	\$41.48	1.88	107.76	120.08	1.68%	3.14%	43.80%	1.46%

Sources and Notes:

¹ S&P Global Market Intelligence, Downloaded on June 12, 2026.

² *The Value Line Investment Survey*, April 3 and May 22, 2026.

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	\$181.32	10.57%	\$4.00	2.44%	13.01%
2	NiSource Inc.	\$47.02	7.15%	\$1.20	2.73%	9.89%
3	Northwest Natural Holding Company	\$51.84	5.84%	\$1.97	4.03%	9.86%
4	ONE Gas, Inc.	\$84.82	7.69%	\$2.72	3.45%	11.15%
5	Southwest Gas Holdings, Inc.	\$89.13	6.26%	\$2.58	3.08%	9.33%
6	American States Water Company	\$76.77	6.03%	\$2.02	2.78%	8.81%
7	California Water Service Group	\$44.76	4.05%	\$1.34	3.11%	7.16%
8	Middlesex Water Company	\$52.41	6.41%	\$1.44	2.92%	9.34%
9	H2O America	\$57.84	3.86%	\$1.76	3.16%	7.02%
10	Average	\$76.21	6.43%	\$2.11	3.08%	9.51%
11	Median					9.34%

Sources:

¹ S&P Global Market Intelligence, Downloaded on June 12, 2026.

² Exhibit CCW-7, page 1.

³ *The Value Line Investment Survey*, April 3 and May 22, 2026.

Florida City Gas

Multi-Stage Growth DCF Model

<u>Line</u>	<u>Company</u>	<u>13-Week AVG</u>	<u>Annualized</u>	<u>First Stage</u>	<u>Second Stage Growth</u>					<u>Third Stage</u>	<u>Multi-Stage</u>
		<u>Stock Price¹</u>	<u>Dividend²</u>	<u>Growth³</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Growth⁴</u>	<u>Growth DCF</u>
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Atmos Energy Corporation	\$181.32	\$4.00	7.91%	7.26%	6.61%	5.95%	5.30%	4.64%	3.99%	6.94%
2	NiSource Inc.	\$47.02	\$1.20	8.20%	7.50%	6.80%	6.09%	5.39%	4.69%	3.99%	7.46%
3	Northwest Natural Holding Company	\$51.84	\$1.97	6.51%	6.09%	5.67%	5.25%	4.83%	4.41%	3.99%	8.62%
4	ONE Gas, Inc.	\$84.82	\$2.72	6.22%	5.85%	5.48%	5.10%	4.73%	4.36%	3.99%	7.83%
5	Southwest Gas Holdings, Inc.	\$89.13	\$2.58	12.56%	11.13%	9.70%	8.28%	6.85%	5.42%	3.99%	9.06%
6	American States Water Company	\$76.77	\$2.02	6.93%	6.44%	5.95%	5.46%	4.97%	4.48%	3.99%	7.28%
7	California Water Service Group	\$44.76	\$1.34	10.62%	9.51%	8.41%	7.30%	6.20%	5.09%	3.99%	8.67%
8	Middlesex Water Company	\$52.41	\$1.44	8.10%	7.42%	6.73%	6.05%	5.36%	4.68%	3.99%	7.70%
9	H2O America	\$57.84	\$1.76	5.96%	5.63%	5.31%	4.98%	4.65%	4.32%	3.99%	7.58%
10	Average	\$76.21	\$2.11	8.11%	7.43%	6.74%	6.05%	5.36%	4.68%	3.99%	7.90%
11	Median										7.70%

Sources:

¹ S&P Global Market Intelligence, Downloaded on June 12, 2026.

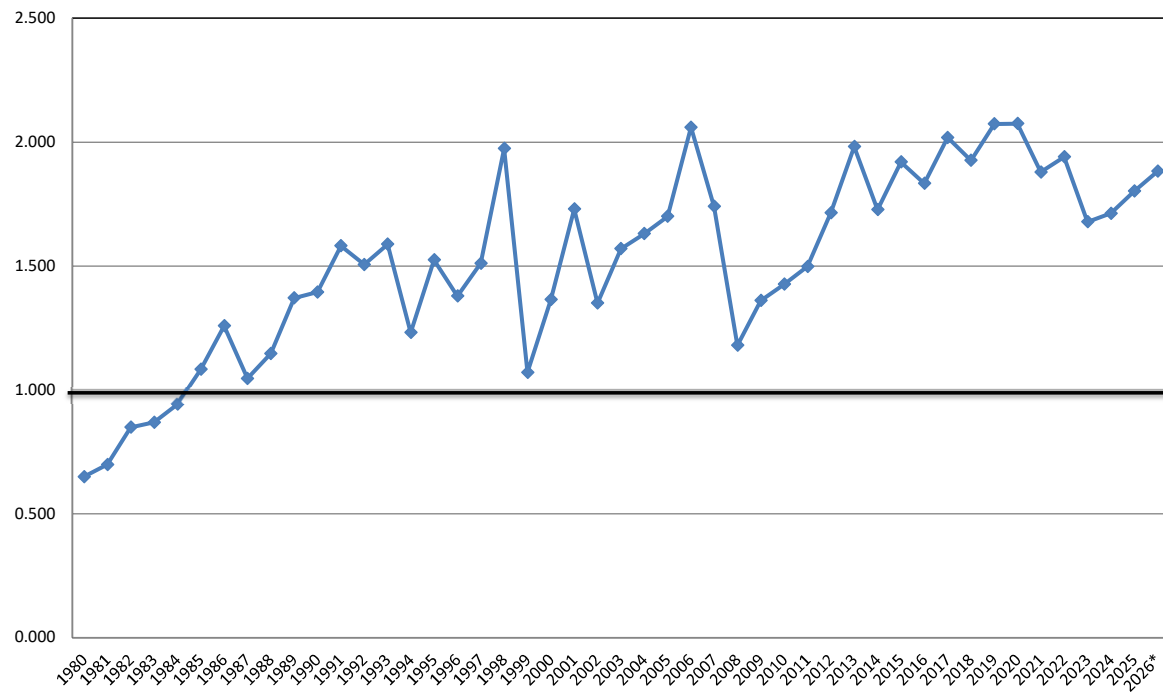
² *The Value Line Investment Survey*, April 3 and May 22, 2026.

³ Exhibit CCW-4

⁴ *Blue Chip Financial Forecasts*, June 1, 2026, 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 - 2023: Value Line Investment Survey, multiple dates.

* Value Line Investment Survey Reports, April 17, May 8, May 22, and June 5, 2026.

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	12.72%	8.58%	4.14%		
3	1988	12.84%	8.96%	3.88%		
4	1989	12.87%	8.45%	4.43%		
5	1990	12.68%	8.61%	4.07%	4.44%	
6	1991	12.45%	8.14%	4.31%	4.17%	
7	1992	12.02%	7.67%	4.35%	4.21%	
8	1993	11.37%	6.60%	4.77%	4.39%	
9	1994	11.24%	7.37%	3.87%	4.28%	
10	1995	11.44%	6.88%	4.55%	4.37%	4.40%
11	1996	11.12%	6.70%	4.42%	4.39%	4.28%
12	1997	11.30%	6.61%	4.69%	4.46%	4.33%
13	1998	11.51%	5.58%	5.93%	4.69%	4.54%
14	1999	10.74%	5.87%	4.88%	4.89%	4.58%
15	2000	11.34%	5.94%	5.39%	5.06%	4.72%
16	2001	10.96%	5.49%	5.47%	5.27%	4.83%
17	2002	11.17%	5.43%	5.74%	5.48%	4.97%
18	2003	10.99%	4.96%	6.03%	5.50%	5.10%
19	2004	10.63%	5.05%	5.59%	5.64%	5.27%
20	2005	10.41%	4.65%	5.77%	5.72%	5.39%
21	2006	10.40%	4.87%	5.53%	5.73%	5.50%
22	2007	10.22%	4.83%	5.39%	5.66%	5.57%
23	2008	10.39%	4.28%	6.11%	5.68%	5.59%
24	2009	10.22%	4.07%	6.15%	5.79%	5.72%
25	2010	10.15%	4.25%	5.90%	5.81%	5.77%
26	2011	9.91%	3.91%	6.00%	5.91%	5.82%
27	2012	9.93%	2.92%	7.01%	6.23%	5.95%
28	2013	9.68%	3.45%	6.23%	6.26%	5.97%
29	2014	9.78%	3.34%	6.44%	6.32%	6.05%
30	2015	9.60%	2.84%	6.76%	6.49%	6.15%
31	2016	9.53%	2.60%	6.93%	6.67%	6.29%
32	2017	9.73%	2.90%	6.84%	6.64%	6.44%
33	2018	9.59%	3.11%	6.48%	6.69%	6.47%
34	2019	9.73%	2.58%	7.14%	6.83%	6.57%
35	2020	9.48%	1.56%	7.92%	7.06%	6.78%
36	2021	9.59%	2.05%	7.54%	7.18%	6.93%
37	2022	9.56%	3.12%	6.44%	7.10%	6.87%
38	2023	9.60%	4.09%	5.50%	6.91%	6.80%
39	2024	9.71%	4.41%	5.31%	6.54%	6.69%
40	2025	9.70%	4.78%	4.93%	5.94%	6.50%
41	2026 ³	9.60%	4.88%	4.72%	5.38%	6.28%
42	Average	10.72%	5.13%	5.59%	5.67%	5.72%
43	Minimum				4.17%	4.28%
44	Maximum				7.18%	6.93%

Sources:

¹ S&P Global Market Intelligence, data through May 31, 2026.

-Authorized Returns exclude limited issue rider cases.

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 - May, 2026.

Florida City Gas

Equity Risk Premium - Utility Bond

<u>Line</u>	<u>Year</u>	<u>Authorized Gas Returns¹</u> (1)	<u>Average "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	12.72%	10.10%	2.62%		
3	1988	12.84%	10.49%	2.35%		
4	1989	12.87%	9.77%	3.10%		
5	1990	12.68%	9.86%	2.82%	2.96%	
6	1991	12.45%	9.36%	3.09%	2.80%	
7	1992	12.02%	8.69%	3.33%	2.94%	
8	1993	11.37%	7.59%	3.78%	3.22%	
9	1994	11.24%	8.31%	2.93%	3.19%	
10	1995	11.44%	7.89%	3.55%	3.33%	3.15%
11	1996	11.12%	7.75%	3.37%	3.39%	3.09%
12	1997	11.30%	7.60%	3.70%	3.46%	3.20%
13	1998	11.51%	7.04%	4.47%	3.60%	3.41%
14	1999	10.74%	7.62%	3.12%	3.64%	3.42%
15	2000	11.34%	8.24%	3.09%	3.55%	3.44%
16	2001	10.96%	7.76%	3.20%	3.52%	3.45%
17	2002	11.17%	7.37%	3.79%	3.54%	3.50%
18	2003	10.99%	6.58%	4.41%	3.52%	3.56%
19	2004	10.63%	6.16%	4.47%	3.79%	3.72%
20	2005	10.41%	5.65%	4.77%	4.13%	3.84%
21	2006	10.40%	6.07%	4.34%	4.35%	3.94%
22	2007	10.22%	6.07%	4.15%	4.43%	3.98%
23	2008	10.39%	6.53%	3.86%	4.32%	3.92%
24	2009	10.22%	6.04%	4.18%	4.26%	4.03%
25	2010	10.15%	5.46%	4.68%	4.24%	4.18%
26	2011	9.91%	5.04%	4.87%	4.35%	4.35%
27	2012	9.93%	4.13%	5.80%	4.68%	4.55%
28	2013	9.68%	4.48%	5.20%	4.95%	4.63%
29	2014	9.78%	4.28%	5.50%	5.21%	4.74%
30	2015	9.60%	4.12%	5.48%	5.37%	4.81%
31	2016	9.53%	3.93%	5.60%	5.52%	4.93%
32	2017	9.73%	4.00%	5.73%	5.50%	5.09%
33	2018	9.59%	4.25%	5.34%	5.53%	5.24%
34	2019	9.73%	3.77%	5.96%	5.62%	5.42%
35	2020	9.48%	3.02%	6.47%	5.82%	5.60%
36	2021	9.59%	3.11%	6.48%	6.00%	5.76%
37	2022	9.56%	4.72%	4.83%	5.82%	5.66%
38	2023	9.60%	5.54%	4.06%	5.56%	5.55%
39	2024	9.71%	5.54%	4.17%	5.20%	5.41%
40	2025	9.70%	5.77%	3.93%	4.69%	5.26%
41	2026 ³	9.60%	5.76%	3.84%	4.17%	5.08%
42	Average	10.72%	6.46%	4.25%	4.33%	4.37%
43	Minimum				2.80%	3.09%
44	Maximum				6.00%	5.76%

Sources:

¹ S&P Global Market Intelligence, data through May 31, 2026.

-Authorized Returns exclude limited issue rider cases.

² The utility bond yields for the period 1980-2005 were obtained from the St. Louis Federal Reserve: Economic Reser

The utility bond yields from 2006-2025 were obtained from the Mergent Bond Record.

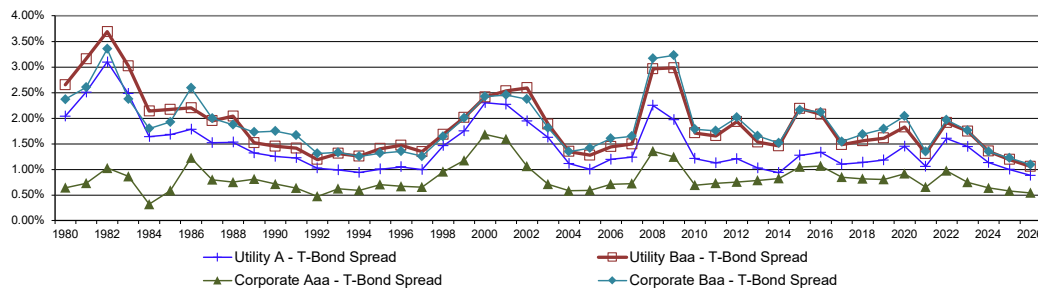
³ Data represents January - May, 2026.

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%	5.58%	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%	5.46%	5.96%	1.21%	1.71%	4.94%	6.04%	0.69%	1.79%	-0.08%	0.52%
32	2011	3.91%	5.04%	5.57%	1.13%	1.66%	4.64%	5.66%	0.73%	1.75%	-0.10%	0.40%
33	2012	2.92%	4.13%	4.86%	1.21%	1.93%	3.67%	4.94%	0.75%	2.01%	-0.08%	0.46%
34	2013	3.45%	4.48%	4.98%	1.03%	1.54%	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%	4.85%	0.82%	1.51%	-0.05%	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%	4.68%	1.34%	2.08%	3.67%	4.72%	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%	1.19%	1.61%	3.39%	4.38%	0.81%	1.79%	-0.18%	0.38%
41	2020	1.56%	3.02%	3.39%	1.45%	1.83%	2.48%	3.60%	0.91%	2.04%	-0.21%	0.54%
42	2021	2.05%	3.11%	3.36%	1.06%	1.31%	2.71%	3.40%	0.66%	1.35%	-0.04%	0.40%
43	2022	3.12%	4.72%	5.03%	1.61%	1.91%	4.09%	5.08%	0.97%	1.97%	-0.05%	0.64%
44	2023	4.09%	5.54%	5.84%	1.45%	1.75%	4.84%	5.85%	0.75%	1.76%	-0.01%	0.70%
45	2024	4.41%	5.54%	5.76%	1.14%	1.36%	5.04%	5.75%	0.64%	1.35%	0.01%	0.50%
46	2025	4.78%	5.77%	5.97%	1.00%	1.19%	5.35%	6.00%	0.58%	1.22%	-0.03%	0.42%
47	2026 ⁴	4.88%	5.76%	5.94%	0.88%	1.06%	5.42%	5.97%	0.54%	1.09%	-0.04%	0.34%
48	Average	6.00%	7.45%	7.87%	1.45%	1.86%	6.82%	7.87%	0.82%	1.87%	0.00%	0.63%

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 2001-2026 were obtained from the Mergent Bond Record.
- ³ The corporate yields for the period 1980-2005 were obtained from the St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>. The corporate yields from 2006-2026 were obtained from the Mergent Bond Record.
- ⁴ Data represents January - May, 2026.

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3 and 6 Month 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	May-26	5.03%	5.88%	6.06%
2	April-26	4.91%	5.81%	5.99%
3	March-26	4.85%	5.82%	5.99%
4	February-26	4.76%	5.61%	5.78%
5	January-26	4.84%	5.68%	5.86%
6	December-25	4.80%	5.68%	5.88%
7	3-Month Average	4.93%	5.84%	6.01%
8	Spread To Treasury		0.91%	1.08%
9	6-Month Average	4.87%	5.75%	5.93%
10	Spread To Treasury		0.88%	1.06%

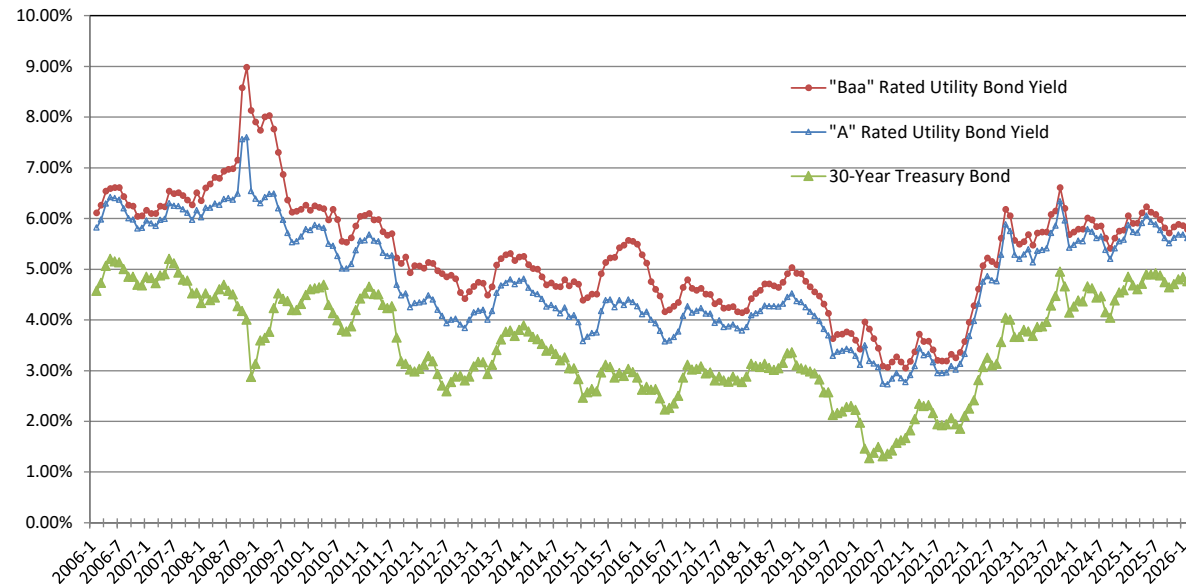
Sources:

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

² Mergent Bond Record.

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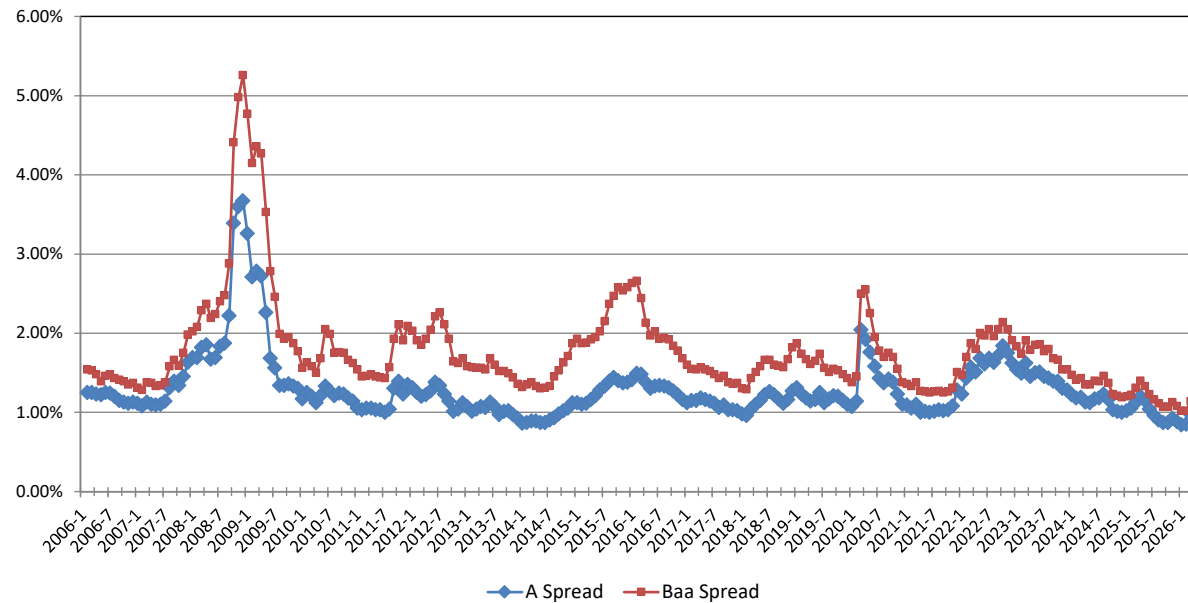
Trends in Bond Yields



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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Weighted Least Squares Regression Analysis

<u>Year</u>	<u>Auth Gas ROE</u>	<u>Bond Yield</u>	<u>ERP</u>	<u>Weighting ($\lambda=0.2$)</u>	<u>W X</u>	<u>W Y</u>	<u>W XY</u>	<u>W X^2</u>	<u>Fitted ERP</u>
1986	13.46	7.80	5.66	0.00034	0.00262	0.00190	0.01481	0.02040	2.14728
1987	12.72	8.58	4.14	0.00041	0.00352	0.00170	0.01457	0.03016	1.41917
1988	12.84	8.96	3.88	0.00050	0.00448	0.00194	0.01741	0.04017	1.06598
1989	12.87	8.45	4.43	0.00061	0.00516	0.00270	0.02285	0.04364	1.54104
1990	12.68	8.61	4.07	0.00075	0.00643	0.00304	0.02618	0.05532	1.39278
1991	12.45	8.14	4.31	0.00091	0.00742	0.00393	0.03199	0.06036	1.83291
1992	12.02	7.67	4.35	0.00111	0.00854	0.00485	0.03715	0.06547	2.26993
1993	11.37	6.60	4.77	0.00136	0.00898	0.00649	0.04281	0.05923	3.26507
1994	11.24	7.37	3.87	0.00166	0.01225	0.00644	0.04744	0.09025	2.54627
1995	11.44	6.88	4.55	0.00203	0.01397	0.00924	0.06358	0.09618	2.99882
1996	11.12	6.70	4.42	0.00248	0.01661	0.01095	0.07337	0.11130	3.16959
1997	11.30	6.61	4.69	0.00303	0.02000	0.01421	0.09388	0.13211	3.25808
1998	11.51	5.58	5.93	0.00370	0.02063	0.02193	0.12234	0.11507	4.21519
1999	10.74	5.87	4.88	0.00452	0.02649	0.02202	0.12918	0.15541	3.94739
2000	11.34	5.94	5.39	0.00552	0.03278	0.02976	0.17684	0.19481	3.87597
2001	10.96	5.49	5.47	0.00674	0.03701	0.03683	0.20234	0.20333	4.29436
2002	11.17	5.43	5.74	0.00823	0.04469	0.04721	0.25637	0.24265	4.35336
2003	10.99	4.96	6.03	0.01005	0.04983	0.06061	0.30047	0.24704	4.79349
2004	10.63	5.05	5.59	0.01228	0.06196	0.06858	0.34611	0.31269	4.71043
2005	10.41	4.65	5.77	0.01500	0.06967	0.08650	0.40187	0.32366	5.08380
2006	10.40	4.87	5.53	0.01832	0.08926	0.10130	0.49366	0.43499	4.87189
2007	10.22	4.83	5.39	0.02237	0.10814	0.12056	0.58282	0.52279	4.90837
2008	10.39	4.28	6.11	0.02732	0.11692	0.16698	0.71453	0.50033	5.42535
2009	10.22	4.07	6.15	0.03337	0.13580	0.20513	0.83470	0.55260	5.62096
2010	10.15	4.25	5.90	0.04076	0.17327	0.24033	1.02159	0.73656	5.45174
2011	9.91	3.91	6.00	0.04979	0.19471	0.29878	1.16848	0.76147	5.76844
2012	9.93	2.92	7.01	0.06081	0.17762	0.42630	1.24515	0.51879	6.69062
2013	9.68	3.45	6.23	0.07427	0.25612	0.46267	1.59545	0.88319	6.19926
2014	9.78	3.34	6.44	0.09072	0.30300	0.58443	1.95201	1.01201	6.30017
2015	9.60	2.84	6.76	0.11080	0.31477	0.74859	2.12662	0.89422	6.76514
2016	9.53	2.60	6.93	0.13534	0.35153	0.93848	2.43771	0.91311	6.99180
2017	9.73	2.90	6.84	0.16530	0.47854	1.13011	3.27166	1.38537	6.71468
2018	9.59	3.11	6.48	0.20190	0.62840	1.30799	4.07112	1.95590	6.51208
2019	9.73	2.58	7.14	0.24660	0.63684	1.76176	4.54974	1.64463	7.00577
2020	9.48	1.56	7.92	0.30119	0.47036	2.38583	3.72587	0.73455	7.95666
2021	9.59	2.05	7.54	0.36788	0.75507	2.77225	5.69005	1.54979	7.49946
2022	9.56	3.12	6.44	0.44933	1.39966	2.89393	9.01459	4.35994	6.50975
2023	9.60	4.09	5.50	0.54881	2.24555	3.02050	12.35890	9.18806	5.60000
2024	9.71	4.41	5.31	0.67032	2.95332	3.55614	15.66777	13.01183	5.30736
2025	9.70	4.78	4.93	0.81873	3.90944	4.03385	19.26164	18.66757	4.96348
2026	9.60	4.88	4.72	1.00000	4.87800	4.71950	23.02172	23.79488	4.86754

	<u>Yield</u>	<u>ERP</u>	<u>COE</u>
Slope (β_1):	-0.9315	4.80	4.94
Intercept (β_0):	9.4113		9.74

Weighted Mean of ERP 5.8596

SST (Total) 5.8150
SSE (Residual) 0.2304
SSR (Regression) 5.5846

R-squared 0.9604

DF (Regression) 1.0000
DF (Residual) 39.0000

MSR (SSR/DF1) 5.5846
MSE (SSE/DF2) 0.0059

F-statistic 945.4303

Florida City Gas

Beta

<u>Line</u>	<u>Company</u>	<u>Beta</u> ¹	Historical <u>Beta</u> ²	S&P Global Market Intelligence <u>Beta</u> ³	3-Year VL Methodology <u>Beta</u> ⁴
1	Atmos Energy Corporation	0.75	0.76	0.39	0.53
2	NiSource Inc.	0.85	0.79	0.44	0.64
3	Northwest Natural Holding Company	0.75	0.74	0.34	0.59
4	ONE Gas, Inc.	0.75	0.76	0.35	0.57
5	Southwest Gas Holdings, Inc.	0.80	0.83	0.41	0.69
6	American States Water Company	0.75	0.70	0.36	0.51
7	California Water Service Group	0.75	0.73	0.38	0.53
8	Middlesex Water Company	0.80	0.73	0.36	0.50
9	H2O America	0.75	0.76	0.35	0.56
10	Average	0.77	0.76	0.38	0.57
11	Median	0.75	0.76	0.36	0.56

Source:

¹ *The Value Line Investment Survey*, April 3 and May 22, 2026.

² Value Line Software Analyzer.

³ S&P Global Market Intelligence, betas for the period 6/12/2021 - 6/12/2026.

⁴ S&P Global Market Intelligence, betas for the period 6/12/2023 - 6/12/2026.

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CAPM Return

<u>Line</u>	<u>Description</u>	<u>Kroll Normalized MRP (1)</u>	<u>Risk Premium Derived MRP (2)</u>	<u>Average FERC S&P 500 DCF Derived MRP (3)</u>
<u>Current Beta</u>				
1	Risk-Free Rate ^{1,2}	4.97%	4.80%	4.80%
2	Market Risk Premium ^{1,3}	5.00%	6.20%	8.95%
3	Beta ⁷	0.77	0.77	0.77
4	CAPM	8.83%	9.59%	11.71%
<u>Historical Beta</u>				
5	Risk-Free Rate ^{1,2}	4.97%	4.80%	4.80%
6	Market Risk Premium ^{1,3}	5.00%	6.20%	8.95%
7	Beta ⁷	0.76	0.76	0.76
8	CAPM	8.74%	9.48%	11.56%
<u>Current S&P Global Market Intelligence Beta</u>				
9	Risk-Free Rate ^{1,2}	4.97%	4.80%	4.80%
10	Market Risk Premium ^{1,3}	5.00%	6.20%	8.95%
11	Beta ⁷	0.38	0.38	0.38
12	CAPM	6.84%	7.13%	8.16%
<u>3-Year S&P Global Market Intelligence Beta Adjusted Using VL Methodology</u>				
13	Risk-Free Rate ^{1,2}	4.97%	4.80%	4.80%
14	Market Risk Premium ^{1,3}	5.00%	6.20%	8.95%
15	Beta ⁴	0.57	0.57	0.57
16	CAPM	7.81%	8.33%	9.89%

Sources:

¹ Damodaran Online, data from 1928 through 2025.

² *Blue Chip Financial Forecast, June 1, 2026.*

³ Exhibit CCW-17, page 2

⁴ Exhibit CCW-16.

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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	8.61% ¹
2	Projected Consumer Price Index	<u>2.20%</u> ²
3	Expected Market Return	11.00%
4	Risk-Free Rate	<u>4.80%</u> ²
5	Market Risk Premium	6.20%
<u>FERC S&P 500 (Dividend Companies) 1-Step DCF Based Method:</u>		
6	S&P 500 Growth	12.00% ³
7	Index Dividend Yield	1.80% ³
8	Adjusted Yield	<u>1.91%</u>
9	Expected Market Return	13.91%
10	Risk-Free Rate	<u>4.80%</u> ²
11	Market Risk Premium	9.10%
<u>FERC S&P 500 (All Companies) 1-Step DCF Based Method:</u>		
12	Short-Term S&P 500 Growth	11.90% ⁴
13	Index Dividend Yield	1.60% ⁴
14	Adjusted Yield	<u>1.70%</u>
15	Expected Market Return	13.60%
16	Risk-Free Rate	<u>4.80%</u> ²
17	Market Risk Premium	8.80%
18	Average DCF Based MRP	8.95%

Sources & Note:

¹ Damodaran Online, data from 1928 through 2025.

² *Blue Chip Financial Forecast*, June 1, 2026.

³ S&P 500 1-Step DCF through June 12, 2026 for Dividend Paying Companies.

⁴ S&P 500 1-Step DCF through June 12, 2026 for all Companies.