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ELECTRONIC FILING

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

> Docket 20250029-GU, Petition for Rate Increase by Peoples Gas System, Inc. Re:

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. in the above-referenced docket is the Rebuttal Testimony of Dylan D'Ascendis and Exhibit No. DD-2.

Thank you for your assistance with this matter.

(Document 3 of 7)

Sincerely,

Virginia Ponder

cc: Major Thompson, OGC Jacob Imig, OGC

Walt Trierweiler, Public Counsel

Jon Moyle, FIPUG

VLP/dh Attachments

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250029-GU

PETITION FOR RATE INCREASE BY PEOPLES GAS SYSTEM, INC.

REBUTTAL TESTIMONY AND EXHIBIT

OF

DYLAN D'ASCENDIS

ON BEHALF OF PEOPLES GAS SYSTEM, INC.

DOCKET NO. 20250029-GU WITNESS: D'ASCENDIS

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DOCKET NO. 20250029-GU WITNESS: D'ASCENDIS

1		BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2		REBUTTAL TESTIMONY
3		OF
4		DYLAN D'ASCENDIS
5		ON BEHALF OF PEOPLES GAS SYSTEM, INC.
6		
7	I.	INTRODUCTION
8	Q.	Please state your name, address, occupation, and employer.
9		
10	A.	My name is Dylan D'Ascendis. My business address is 1820
11		Chapel Avenue W., Suite 300, Cherry Hill, New Jersey 08003.
12		I am employed by ScottMadden, Inc. as a Partner.
13		
14	Q.	Are you the same Dylan D'Ascendis who filed direct testimony
15		in this proceeding?
16		
17	A.	Yes, I am.
18		
19	II.	PURPOSE, SUMMARY AND OVERVIEW
20	Q.	What is the purpose of your rebuttal testimony?
21		
22	A.	The purpose of my rebuttal testimony is two-fold. First, due
23		to the passage of time since the analysis in my direct
24		testimony, I have updated my return on equity ("ROE") analyses
25		to reflect more recent market data. Second, I respond to the

	ı		
1		direct testimony of	witness David J. Garrett, on behalf of
2		the Florida Office	of Public Counsel ("OPC"), concerning
3		Peoples Gas System,	<pre>Inc.'s ("Peoples" or the "company") ROE</pre>
4		on its Florida rate	base.
5			
6	Q.	Have you prepared	an exhibit supporting your rebuttal
7		testimony?	
8			
9	A.	Yes. I have prepar	ed Exhibit No. DD-2, comprising Document
10		Nos. 1 through 21, w	which have been prepared by me or under my
11		direction.	
12		Document No. 1	Updated Cost of Common Equity Results
13		Document No. 2	Financial Profile of the Utility Proxy
14			Group
15		Document No. 3	Application of the Discounted Cash Flow
16			Model
17		Document No. 4	Application of the Risk Premium Model
18		Document No. 5	Application of the Capital Asset Pricing
19			Model
20		Document No. 6	Basis of Selection for the Non-Price
21			Regulated Companies Comparable in Total
22			Risk to the Utility Proxy Group
23		Document No. 7	Application of Cost of Common Equity
24			Models to the Non-Price Regulated Proxy
25			Group

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1	Document No. 8	Derivation of the Indicated Size Premium
2		for Peoples Relative to the Utility Proxy
3		Group
4	Document No. 9	Derivation of the Flotation Cost
5		Adjustment to the Cost of Common Equity
6	Document No. 10	Gross Domestic Product ("GDP") by
7		Industry, 1947 - 2024
8	Document No. 11	Growth Rate Regressions
9	Document No. 12	Garrett Corrected Discounted Cash Flow
10		Model
11	Document No. 13	Evaluation of Implied Risk Premium
12		Approach
13	Document No. 14	Evaluation of Forecast Bias of Mr.
14		Garrett's Historical Market Risk
15		Premiums
16	Document No. 15	Garrett Corrected CAPM
17	Document No. 16	Size and Volatility of Returns
18	Document No. 17	Evaluation of Size (Market
19		Capitalization) and Volatility of
20		Returns (Annualized Returns)
21	Document No. 18	Evaluation of Size (Market
22		Capitalization) and Volatility of
23		Returns (Safety Ranking)
24	Document No. 19	Flotation Cost Illustration
25	Document No. 20	Frequency Distribution of Observed

	1	
1		Market Risk Premiums ("MRP"), 1926 - 2024
2		Document No. 21 Referenced Endnotes for the Rebuttal
3		Testimony of Dylan D'Ascendis
4		
5	Q.	How is the remainder of your rebuttal testimony organized?
6		
7	A.	The remainder of my rebuttal testimony is organized as
8		follows:
9		• <u>Section III</u> - Provides my updated analyses;
10		• <u>Section IV</u> - Contains my response to OPC witness Garrett;
11		and
12		• <u>Section V</u> - Summarizes my recommendations and conclusions.
13		
14	Q.	Please summarize the key issues addressed in your rebuttal
15		testimony.
16		
17	A.	First, I discuss my updated analyses for the company using
18		market data as of June 30, 2025.
19		
20		Next, I respond to Mr. Garrett's testimony concerning the
21		appropriate ROE for Peoples. As discussed in Section IV, Mr.
22		Garrett's shortcomings in his analyses include:
23		1. His misinterpretation of the relationship between
24		various returns referenced in an ROE analysis.
25		2. His misapplication of the Discounted Cash Flow ("DCF")

model.

- 3. His misapplication of the Capital Asset Pricing Model ("CAPM"); and
- 4. His failure to consider flotation costs and other company-specific risk factors in his ROE recommendation.

Finally, my rebuttal testimony also addresses Mr. Garrett's unfounded critiques of my direct testimony.

Q. Please summarize your recommendations and conclusions.

A. My updated analytical results indicate the reasonable range of ROEs applicable to Peoples is between 10.66 percent and 11.16 percent. The indicated range of ROEs applicable to the Utility Proxy Group excluding the Predictive Risk Premium Model ("PRPM") from the calculation of the market risk premium is 10.66 percent to 11.14 percent. In view of current markets and the results of my ROE models, the 9.00 percent ROE proffered by Mr. Garrett is woefully inadequate. However, making reasonable adjustments to Mr. Garrett's DCF and CAPM analyses produces results that are consistent with my recommended range.

III. UPDATED ANALYSES

Q. Have you updated your analyses to reflect current market

conditions? 1 2 Yes, I have. As noted above, given the passage of time since 3 Α. my direct testimony analyses (data as of January 15, 2025), 4 I have updated my analyses using data as of June 30, 2025. 5 6 7 Have you applied any of your ROE models differently in your Q. updated analyses? 9 Α. No, I have not. 10 11 What are the results of your updated analyses? 12 Q. 13 14 Α. Using market data available as of June 30, 2025, my updated analytical results are summarized in Document No. 1 of Exhibit 15 As presented on page 2 of Document No. 1, the 16 17 updated indicated range of common equity cost rates for the company is between 10.66 percent and 11.16 percent, 18 between 10.66 percent and 11.14 percent, excluding the PRPM. 19 20 Did you consider the indicated ROE from your Non-Price 21 Q. Proxy Group in the determination 22 Regulated your recommended ROE in this proceeding? 23 24 No, I did not. As stated on page 6 of my direct testimony, 25 Α.

"I did not consider the analytical results applied to my Non-Price Regulated Proxy Group in the determination of my recommended range." Because I did not rely on the results of the Non-Price Regulated Proxy Group in my recommendation, and in an effort to limit the scope of this rebuttal testimony, I will not respond to any critiques of my Non-Price Regulated Proxy Group even though I maintain the applicability of the results of the model to the cost of common equity for utilities.

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IV. RESPONSE TO OPC WITNESS GARRETT

Q. Please provide a brief summary of Mr. Garrett's analyses and recommendations regarding Peoples' ROE.

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Mr. Garrett believes an ROE of 9.00 percent is reasonable if Α. the Commission approves his recommended imputed debt ratio of 51.00 percent for Peoples; otherwise, he suggests the company's cost of equity is only 8.60 percent the approves Peoples' Commission proposed debt ratio of approximately 45.00 percent. Mr. Garrett estimates the ROE using the DCF model and CAPM. His DCF model results are estimated using two sources of growth rates: (1) his view of sustainable growth, which produces an average result of 7.40 percent; and (2) projected dividend per share ("DPS") growth rates from Value Line Investment Services ("Value Line"),

which produce an average result of 7.80 percent. In addition, Mr. Garrett performs a CAPM analysis, which produces results of 9.00 percent if the Commission approves Mr. Garrett's proposed capital structure and 8.60 percent after applying the Hamada adjustment.²

Q. In what key areas are Mr. Garrett's analyses and recommendations incorrect or unsupported?

A. There are several areas in which Mr. Garrett's analyses and conclusions are incorrect or unsupported, including: (1) his misinterpretation of the relationship between the cost of equity, the investor-required ROE, and the awarded ROE for regulated utilities; (2) his misapplication of the DCF model; (3) his misapplication of the CAPM; and (4) his failure to consider flotation costs and company-specific risk factors in his recommended ROE. Those points are discussed in turn below.

- A. RELATIONSHIP BETWEEN THE COST OF EQUITY, THE INVESTORREQUIRED ROE, AND THE AWARDED ROE
- Q. Please summarize Mr. Garrett's views on the relationship between the cost of equity, the investor-required ROE, and the awarded ROE for regulated utilities.

A. Mr. Garrett initially correctly points out that the required return from the investor's perspective is synonymous with the cost of capital from the utility's perspective but then states that he believes the above specified returns are different, yet related concepts. Mr. Garrett's views regarding the relationship between allowed and investor-required ROEs for utilities change throughout the course of his testimony.

For example, on page 8 of his testimony, Mr. Garrett discusses the equivalency of the cost of equity and the awarded ROE, stating:

The Hope Court makes it clear that the awarded return should be based on the actual cost of capital. Moreover, the awarded return must also be fair, just, and reasonable under the circumstances of each case. Under the rate base rate of return model, a utility should be allowed to recover all its reasonable expenses, its capital investments through depreciation, and a return on its capital investments sufficient to satisfy the required return of its investors. The "required return" from the investors' perspective is synonymous with the "cost of capital" from the utility's perspective. Scholars agree that the allowed rate of return should be based on the actual cost of capital:

Since by definition the cost of capital of a regulated firm represents precisely the expected return that investors could anticipate from other investments while bearing no more or less risk, and since investors will not provide capital unless the investment is expected to yield its opportunity cost of capital, the correspondence of the definition of the cost of capital with the court's definition of legally required earnings appears clear.^{4,5}

Then, on page 9 of his testimony, Mr. Garrett contradicts his above testimony by stating that awarded ROEs and cost of equity (i.e., investor-required returns) are very different concepts because of the regulatory process that may be influenced by factors other than objective market drivers.

Mr. Garrett continues to change his position regarding the equivalency, or non-equivalency, of the allowed and required ROE, sometimes in consecutive sentences. For example, on page 9 of his testimony, Mr. Garrett states that "The two concepts [allowed and required ROEs] are related in that the Legal and technical standards encompassing this issue require that the awarded return reflect the true cost of capital. On the other hand, the two concepts are different in that the

legal standards do not mandate that awarded returns exactly
match the cost of capital."7

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Q. What is your reaction to Mr. Garrett's views on the relationship between allowed and required ROEs for utility companies?

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Α. Mr. Garrett is unnecessarily complicating а simple relationship. For regulated utilities, the ROE equals the investor-required ROE, which equals the allowed ROE, reflected in the Hope and Bluefield Supreme Court decisions cited in both my direct testimony8 and Mr. Garrett's testimonv.9 This relationship holds because utility regulation by regulatory commissions acts as a substitute for competition.

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Q. Is the concept of utility regulation as a substitute for market competition widely accepted as a fact and reflected as such in academic literature?

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A. Yes, it is. The *Cost of Capital Manual*, which is the training manual for the Society of Utility and Financial Analysts, of which Mr. Garrett and I are members, states:

In a sense, the "visible hand of public regulation was (created) to replace the invisible hand of Adam

Smith in order to protect consumers against exorbitant charges, restriction of output, deterioration of service, and unfair discrimination."[footnote omitted]

* * *

As indicated above, regulation of public utilities reflects a belief that the competitive mechanism alone cannot be relied upon to protect the public interest. Essentially, it is theorized that a truly competitive market involving utilities cannot survive and, thereby, will fail to promote the general economic welfare. But this does not mean regulation should alter the that norm οf competitive behavior for utilities. contrary, the primary objective of regulation is to produce market results (i.e., price and quantity supplied) in the utility sectors of the economy closely approximating those conditions which would be obtained if utility rates and services were determined competitively. 10

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Additionally, in *Principles of Public Utility Rates*, Dr. Bonbright states:

Lest the reader of this chapter gain the impression that it is intended to deny the relevance of any

tests of reasonable rates derived from the theory or the behavior of competitive prices, let me state my conviction that no such conclusion would be warranted. On the contrary, a study of price behavior both under assumed conditions of pure competition and under actual conditions of mixed competition is essential to the development of sound principles of utility rate control. Not only that: any good program of public utility rate making must go a certain distance in accepting competitive-price principles as guides to monopoly pricing. For rate regulation must necessarily try to accomplish the major objectives that unregulated competition is designed to accomplish; and the similarity of purpose calls for a considerable degree of similarity of price behavior.

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Regulation, then, as I conceive it, is indeed a substitute for competition; and it is even a partly imitative substitute. But so is a Diesel locomotive a partly imitative substitute for a steam locomotive, and so is a telephone message a partly imitative substitute for a telegraph message. What I am trying to emphasize by these crude analogies is that the very nature of a

monopolistic public utility is such as to preclude an attempt to make the emulation of competition very close. The fact, for example, that theories of pure competition leave no room for rate discrimination, while suggesting a reason for viewing the practice with skepticism, does not prove that discrimination should be outlawed. And a similar statement would apply alike to the use of an original-cost or a fair value rate base, neither of which is defensible under the theory or practice of competitive pricing. 11

Finally, Dr. Charles F. Phillips states in The Regulation of Public Utilities:

Public utilities are no longer, if they ever were, isolated from the rest of the economy. It is possible that the expanding utility sector has been taking too large a share of the nation's resources, especially of investment. [footnote omitted] At a minimum, regulation must be viewed in the context of the entire economy — and evaluated in a similar context. Public utilities have always operated within the framework of a competitive system. They must obtain capital, labor and materials in competition with unregulated industries. Adequate

profits are not guaranteed to them. Regulation then, should provide incentives to adopt new methods, improve quality, increase efficiency, cut costs, develop new markets and expand output in line with customer demand. In short, regulation is a substitute for competition and should attempt to put the utility sector under the same restraints competition places on the industrial sector. 12

In view of the legal standard cited by me and Mr. Garrett, and treatises on regulation likening regulation of utilities and the competitive market, it is plain to see that allowed returns and investor-required returns are also equal.

Q. Do you have any concerns with Mr. Garrett's 8.60 percent ROE estimate if the company's proposed capital structure is approved?

A. Yes, I do. As discussed in my direct testimony, 13 credit ratings reflect a company's combined business risk and financial risk (with the exception of size). Since the company's credit rating is equivalent to the Utility Proxy Group's average credit rating, any adjustment to the ROE based on financial risk (i.e. equity ratio) would serve as a double count.

Further, Mr. Garrett derives his 8.60 percent ROE estimate using the Hamada model, which can be used to adjust the cost of equity based on changes in the debt ratio, assuming Peoples' proposed debt ratio of approximately 45.00 percent. 14 To estimate the change in the cost of equity based on the change in the debt ratio, Mr. Garrett had to assume a debt ratio to estimate the unlevered Beta coefficient ("beta"). Mr. Garrett's assumption that 51.00 percent is an appropriate debt ratio for the proxy group is unfounded.

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Q. Why do you disagree with Mr. Garrett's assumed 51.00 percent debt ratio?

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Α. While I agree that it is reasonable to review the capital structures of the proxy companies, the range of common equity ratios depicts the range of typical or proper equity ratios maintained by comparable risk companies. As shown in Mr. Garrett's Exhibit DJG-13 and in Exhibit No. DD-2, Document No. 2, pages 2 and 3, the company's proposed debt ratio is within the range of the proxy companies. Because Peoples' requested capital structure is consistent with the proxy Mr. Garrett's Hamada adjustment, companies, adjustment to the ROE to reflect Peoples' proposed capital structure, is unnecessary and should be ignored.

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- B. MISAPPLICATION OF THE DISCOUNTED CASH FLOW MODEL
- 2 Q. Please briefly describe Mr. Garrett's constant growth DCF analyses and results.

A. Mr. Garrett applied "sustainable" growth rates to the constant growth DCF Model, which produced an ROE estimate of 7.40 percent. For the dividend yield component, Mr. Garrett relied on annualized dividend payments and 30-day average stock prices as of June 9, 2025. To estimate expected growth, Mr. Garrett looked to two measures: (1) nominal Gross Domestic Product ("GDP") and (2) real GDP. Of those two measures, he chose the highest estimate, 3.70 percent. In addition, Mr. Garrett calculated his DCF results based on projected DPS growth rates from Value Line, which produce an

Q. What are your general concerns with the sustainable growth rates on which Mr. Garrett's DCF analysis relies?

average DCF result of 7.80 percent. 19

A. First, Mr. Garrett assumed a single, perpetual growth rate of 3.70 percent for all his proxy companies.²⁰ By reference to the Congressional Budget Office's expected inflation rate of 2.10 percent, Mr. Garrett's method assumed his proxy companies all will grow at real rates of approximately 1.60 percent, in perpetuity.²¹ It is unlikely an investor would

be willing to assume the risks of equity ownership in exchange for expected growth only modestly greater than expected inflation. The risk simply is not worth the expected return. 22 In addition, as a practical matter, because they are generic in nature, his estimate fails to account for the risks and prospects faced by the proxy companies.

Q. What other concerns do you have with the 3.70 percent growth rate assumed for all companies in Mr. Garrett's DCF analysis?

A. Mr. Garrett's 3.70 percent growth rate is not based on any measure of company-specific growth, or growth in the utility industry in general. Rather, his proxy group serves the sole purpose of calculating the dividend yield. Under the DCF model's strict assumptions, however, expected growth and dividend yields are inextricably related. Mr. Garrett's assumption that one growth rate applies to all companies, even though dividend yields vary across those companies, has no basis in theory or practice.

Q. It is Mr. Garrett's opinion that growth in a DCF model is limited by the long-term growth in GDP.²³ Why is long-term growth in GDP not an upper limit for terminal growth as Mr. Garrett contends?

First, GDP is not a market measure - rather, it is a measure of the value of the total output of goods and services, excluding inflation, in an economy. While I understand that earnings per share ("EPS") growth is also not a market measure, it is well established in the financial literature that projected growth in EPS is the superior measure of dividend growth in a DCF model.²⁴ Furthermore, GDP is simply the sum of all private industry and government output in the United States, and its growth rate is simply an average of the value of those industries. To illustrate, Document No. 10 of my exhibit presents the compound annual growth rate of the industries that comprise GDP from 1947 to 2024. Of the 15 industries represented, seven industries (including utilities) grew faster than the overall GDP, industries grew slower than the overall GDP.²⁵ Given that utilities have grown faster than the overall GDP over the 1947-2024 time period, I disagree with Mr. Garrett's suggestion that "it is reasonable to consider nominal GDP as a limit of 'ceiling' for long-term earnings or dividend growth."26

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Q. Did you conduct another analysis that calculates the amount of time it would take an industry to overtake the entire economy?

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A. Yes. I examined the value added by industry from 1947 to 2024 in Document No. 10 of my exhibit and used the compound annual growth rates for the highest growth rate industry (i.e., Educational Services, Healthcare, and Social Assistance at 8.55 percent per year) to see when that industry would comprise the entire economy. In the year 2300, or 353 years from the 1947 starting point, the industry would comprise over 50 percent of GDP, and in the year 7963, or 6,016 years after the 1947 starting point, the industry would comprise 100 percent of GDP.²⁷ Not only have individual companies or industries consistently grown at rates beyond GDP growth, but they have done so without overtaking the entire economy. While Mr. Garrett's argument may be technically correct, it is unrealistic at best.

Q. Please respond to Mr. Garrett's comment regarding "steady-state" growth rates.

A. On page 26 of his testimony, Mr. Garrett states, "it is not necessary to use multi-stage DCF Models to analyze the cost of equity of regulated utility companies. This is because regulated utilities are already in their 'sustainable,' low growth stage." While I agree with Mr. Garrett's statement regarding regulated utilities being in the "mature" stage in the company/industry life cycle, I disagree with his

conclusion regarding the long-term growth rates of regulated utilities.

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As Mr. Garrett describes, the multi-stage DCF and its growth rates reflect the company/industry life cycle, which is typically described in three stages: (1) the growth stage, which is characterized by rapidly expanding sales, profits, and earnings. In the growth stage, dividend payout ratios are low in order to grow the firm; (2) the transition stage, which is characterized by slower growth in sales, profits, and earnings. In the transition stage, dividend payout ratios increase, as their need for exponential growth diminishes; (3) the maturity (steady-state) which and stage, is characterized by limited, slightly attractive investment opportunities, steady earnings growth, dividend payout ratios, and returns on equity.

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Since the utility industry is in the mature phase of the company life cycle, it is the company-specific projected EPS growth rate that is the appropriate measure of growth in a constant growth DCF model, not the projected GDP growth rate, as Mr. Garrett asserts.

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Q. Are there examples in basic finance texts that support your position?

A. Yes. For example, in <u>Investments</u>, life cycles and multi-stage growth models are discussed:

As useful as the constant-growth DDM (dividend discount model) formula is, you need to remember that it is based on a simplifying assumption, namely, that the dividend growth rate will be constant forever. In fact, firms typically pass through life cycles with very different dividend profiles in different phases. In early years, ample opportunities for profitable there are reinvestment in the company. Payout ratios are low, and growth is correspondingly rapid. In later years, the firm matures, production capacity is sufficient to meet market demand, competitors enter the market, and attractive opportunities reinvestment may become harder to find. mature phase, the firm may choose to increase the dividend payout ratio, rather than retain earnings. The dividend level increases, but thereafter it grows at a slower pace because the company has fewer growth opportunities.

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Table 18.2 illustrates this pattern. It gives Value Line's forecasts of return on assets, dividend payout ratio, and 3-year growth in

earnings per share for a sample of the firms in the computer software industry versus those of east coast electric utilities...

By in large, the software firms have attractive investment opportunities. The median return on assets of these firms is forecast to be 19.5 percent, and the firms have responded with high plowback ratios. Most of these firms pay no dividends at all. The high return on assets and high plowback result in rapid growth. The median growth rate of earnings per share in this group is projected at 17.6 percent.

In contrast, the electric utilities are more representative of mature firms. Their median return on assets is lower, 6.5 percent; dividend payout is higher, 68 percent; and median growth is lower, 4.6 percent.

To value companies with temporarily high growth, analysts use a multistage version of the dividend discount model. Dividends in the early high-growth period are forecast and their combined present

Then, once the firm is

value is calculated.

projected to settle down to a steady-growth phase, the constant-growth DDM is applied to value the remaining stream of dividends. 28 (Clarification and emphasis added)

The economics of the public utility business indicate that the industry is in the steady-state, or constant-growth stage of a multi-stage DCF, which would mean that the three- to five-year projected growth rates for each company would be the "steady-state" or terminal growth rate appropriate for the DCF model for utility companies, not the GDP growth rate, which is not a company-specific growth rate, nor is it an upward bound for growth, as discussed previously.

Q. Has the Commission previously stated a position with respect to Mr. Garrett's use of GDP-derived growth rates as inputs in the DCF Model?

A. Yes. In Peoples' previous rate case, Docket No. 20230023-GU, the Commission found Mr. Garrett's use of GDP growth rates inappropriate for reasons similar to those noted above, stating:

Witness Garrett's argument to use the GDP growth rate in his DCF model is not supported by persuasive evidence. We agree with witness D'Ascendis that the

growth rate should reflect a measure of the utilities' individual growth, and not a generic measure of the output of the entire economy.²⁹

Q. Do you agree with Mr. Garrett's use of projected DPS growth rates in his DCF model based on analyst growth rates?

A. No, I do not. First, as discussed in my direct testimony, 30 earnings growth enables dividend growth. Under the strict assumptions of the constant growth DCF model, earnings, dividends, book value, and stock prices all grow at the same, constant rate in perpetuity.

Simply, earnings are the fundamental driver of dividend growth. The ability to pay dividends depends fundamentally on expected earnings. Because dividend policy contemplates additional factors, including the disproportionately negative effect on prices resulting from dividend cuts, as opposed to dividend increases, in the short-run dividend growth may be disconnected from earnings growth. In the long run, however, dividends cannot be increased without earnings growth.

Furthermore, earnings expectations have a more significant, but not sole, influence on market prices than dividend expectations. Thus, the use of earnings growth rates in a

DCF analysis provides a better match between investors' market appreciation expectations implicit in market prices and the growth rate component of the DCF. Consequently, earnings expectations have a significant influence on market prices, which affect market price appreciation, and hence, the "growth" experienced by investors. This should be evident by listening to financial news reports on radio, TV, or reading newspapers. In fact, Morin states:

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Because of the dominance of institutional investors their influence on individual investors, and analysts' forecasts of long-run growth rates provide a sound basis for estimating required Financial analysts exert returns. а influence on the expectations of many investors who do not possess the resources to make their own forecasts, that is, they are a cause of growth. The accuracy of these forecasts in the sense of whether they turn out to be correct is not at issue long as they reflect widely held here, as expectations. As long as the forecasts are typical and/or influential in that they are consistent with current stock price levels, they are relevant. The use of analysts' forecasts in the DCF model sometimes denounced on the grounds that it difficult to forecast earnings and dividends for

only one year, let alone for longer time periods. This objection is unfounded, however, because it is present investor expectations that are being priced; it is the consensus forecast that is embedded in price and therefore in required return, and not the future as it will turn out to be.

* * *

Published studies in the academic literature demonstrate that growth forecasts made by security analysts represent an appropriate source of DCF growth rates, are reasonable indicators of investor expectations and are more accurate than forecasts based on historical growth. These studies show that investors rely on analysts' forecasts to a greater extent than on historic data.³¹

In addition, studies performed by Cragg and Malkiel demonstrate that analysts' forecasts are superior to historical growth rate extrapolations. They state:

Efficient market hypotheses suggest that valuation should reflect the information available to investors. Insofar as analysts' forecasts are more precise than other types we should therefore expect their differences from other measures to be reflected in the market. It is therefore

noteworthy that our regression results do support the hypothesis that analysts' forecasts are needed even when calculated growth rates are available. As we noted when we described the data, security analysts do not use simple mechanical methods to obtain their evaluations of companies. The growthrate figures we obtained were distilled from careful examination of all aspects of companies' records, evaluation of contingencies to which they might be subject, and whatever information about their prospects the analysts could glean from the companies themselves of from other sources. It is therefore notable that the results of their efforts are found to be so much more relevant to the valuation than the various simpler and more "objective" alternatives that we tried.32

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In addition, Vander Weide and Carleton conclude:

. . . our studies affirm the superiority of analysts' forecasts over simple historical growth extrapolations in the stock price formation process. Indirectly, this finding lends support to the use of valuation models whose input includes expected growth rates.³³

Burton G. Malkiel, the Chemical Bank Chairman's Professor of Economics at Princeton University and author of the widely read national bestseller book on investing entitled, <u>A Random Walk Down Wall Street</u> (2011), also expressed support for projected EPS growth rates in testimony before the Public Service Commission of South Carolina in November 2002. Malkiel affirmed his belief in the superiority of analysts' earnings forecasts when he testified:

With all the publicity given to tainted analysts' forecasts and investigations instituted by the New York Attorney General, the National Association of Securities Dealers, and the Securities & Exchange Commission, I believe the upward bias that existed in the late 1990s has indeed diminished. In summary, I believe that current analysts' forecasts are more reliable than they were during the late 1990s. Therefore, analysts' forecasts remain the proper tool to use in performing a Gordon Model DCF analysis.³⁴

Q. In reviewing the financial literature, did you discover any publications that supported the use of projected DPS growth rates for use in a DCF model?

A. No, I did not.

Q. Did Mr. Garrett provide any evidence from the academic literature supporting his use of DPS growth rates?

A. No, he did not.

Q. Likewise, are you aware of any sources of data that provide projected DPS growth rates to investors?

A. Value Line is the only source of which I am aware that publishes projected DPS growth rates. If investors indeed valued projected DPS growth rates, there would be a market for that data. As they are not relied on by investors to determine their required returns on investments, there is no such market. Conversely, projected EPS growth rates are widely available to investors through many sources.

Q. Have you performed any analyses to determine which measures of growth are statistically related to the proxy companies' stock valuation levels?

A. Yes, I have. My analysis is based on the methodological approach used by Carleton and Vander Weide, who compared the predictive capability of historical growth estimates and analysts' forecasts on the valuation levels of 65 utility companies. I structured the analysis to understand whether

projected earnings or dividend growth rates best explain utility stock valuations. In particular, my analysis examined the statistical relationship between the price-to-earnings ("P/E") ratios of water, electric, and gas utilities as classified by Value Line, and the projected EPS and DPS growth rates as reported by Value Line. To determine which, if any, of those growth rates are statistically related to utility stock valuations, I performed two regression analyses in which the projected growth rates were explanatory variables and the trailing P/E ratio was the dependent variable. The results of those analyses are presented in Document No. 11 of my exhibit.

Q. What did those analyses reveal?

A. As shown in Document No. 11 of my exhibit, the only growth rate that was statistically significant and positively related to the trailing P/E ratio was the projected EPS growth rate.

Q. What is your conclusion as to the appropriate growth rate for use in the DCF Model?

A. Given the above, I recommend the Commission rely solely on projected EPS growth rates when determining the indicated ROE

for the company using the DCF model.

Q. Did you make any corrections to Mr. Garrett's DCF model?

A. Yes, I did. I corrected the growth rate in his DCF model to be based on projected EPS growth rates from Value Line, which is the same source Mr. Garrett relies on for his projected DPS growth rates. As shown in Document No. 12 of my exhibit, had Mr. Garrett correctly applied projected EPS growth rates in his DCF model, the average result would be 10.51 percent. Mr. Garrett's corrected DCF analysis produces a more reasonable estimate of the company's ROE and falls within my updated recommended range (prior to adjustments).

C. MISAPPLICATION OF THE CAPITAL ASSET PRICING MODEL

Q. Please summarize Mr. Garrett's CAPM analysis and results.

A. Mr. Garrett's CAPM estimate relied on a risk-free rate of 4.89 percent, 36 an MRP of 5.10 percent, 37 and betas as reported by Value Line. 38 Those assumptions combined to produce an average CAPM estimate of 9.00 percent. 39

Q. Do you agree with Mr. Garrett's CAPM analysis?

25 | A. No, I do not. I disagree with Mr. Garrett's sole reliance on

historical Treasury yields to estimate the risk-free rate and the various methods he used to estimate the MRP.

Q. How did Mr. Garrett derive his MRP estimate?

A. Mr. Garrett estimated his MRP by reviewing: (1) a survey of expected returns from IESE Business School (5.50 percent); (2) an expected return reported by Kroll (5.50 percent); (3) an implied MRP from Damodaran (4.30 percent); and (4) an "Implied Equity Risk Premium" calculation (5.00 percent). 40 Based on those results, Mr. Garrett concluded that 5.10 percent, the average of his range, is appropriate.

Q. Do any of the surveys cited by Mr. Garrett provide support for your approach to estimating the current MRP?

A. Yes. As discussed in my direct testimony, 41 I calculated examte MRPs in a similar manner to a study by Pablo Fernandez, et al (cited by Mr. Garrett), using the market capitalization-weighted constant growth DCF calculation on the individual companies in the S&P 500 Index.42

Q. Is there academic literature that supports the conclusion that MRPs using surveys are not widely used by practitioners?

A. Yes. Damodaran, who was cited by Mr. Garrett throughout his testimony, states the following about the applicability of survey MRPs:

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While survey premiums have become more accessible, very few practitioners seem to be inclined to use the numbers from these surveys in computations and there are several reasons for this reluctance:

- 1. Survey risk premiums are responsive to recent stock prices movements, with survey numbers generally increasing after bullish periods and decreasing after market decline. Thus, the peaks in the SIA survey premium of individual investors occurred in the bull market of 1999, and the more moderate premiums of 2003 and 2004 occurred after the market collapse in 2000 and 2001.
- 2. Survey premiums are sensitive not only to whom the question is directed at but how the question is asked. For instance, individual investors seem to have higher (and more volatile) expected returns on equity than institutional investors and the survey numbers depending upon the framing of the vary question. [footnote omitted] Kaustia, Lehtoranta and (2011)Puttonen surveyed 1,465 Finnish

investment advisors and note that not only are male advisors more likely to provide an estimate but that their estimated premiums are roughly 2 percent lower than those obtained from female advisors, after controlling for experience, education and other factors. [footnote omitted]

3. Studies that have looked at the efficacy of survey premiums indicate that if they have any predictive power, it is in the wrong direction. Fisher and Statman (2000) document the negative relationship between investor sentiment (individual and institutional) and stock returns. [footnote omitted] In other words, investors becoming more optimistic (and demanding a larger premium) is more likely to be a precursor to poor (rather than good) market returns.

As technology aids the process, the number and sophistication of surveys of both individual and institutional investors will also increase. However, it is also likely that these survey premiums will be more reflective of the recent past rather than good forecasts of the future.⁴³

Q. What is your position on the 5.50 percent MRP quoted by Kroll?

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Α. A forecast is only as good as its inputs, and if assumptions within those forecasts are, by their nature, unpredictable (e.g., productivity growth forecasts), they are of little value. In addition, the determination of the MRP as calculated by Kroll is not transparent, especially in view of the historical data presented in 2023 SBBI® Yearbook, Stocks, Bonds, Bills, and Inflation ("SBBI-2023"), or the composition of its supply side method, which are already well known by investors. Because of the transparency of the historical data and how to gather and use the components of the supply side model, both the historical MRP (using the long-term arithmetic mean return on large company stocks less long-term arithmetic income the returns on long-term Government bonds) and the supply side model are superior measures of the MRP, when comparing to Kroll's simplistic and opaque MRP forecast.

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Q. Why is the Kroll MRP more opaque than other measures of the MRP?

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A. The MRP is calculated by subtracting a risk-free rate from the investor-required return on the market. Typically, the return on the market uses observable market measures (e.g.

historical average returns, Ibbotson and Chen Supply Side Model ("Ibbotson-Chen")), but the Kroll MRP does not define how they calculate their expected return on the market. Similarly, the risk-free rate is typically also based on market measures (e.g., historical interest rates, forecasted interest rates), but Kroll does not explain how they derive their 3.5 percent normalized risk-free rate. As shown in Exhibit DJG-7, 30-year Treasury bond yields have been close to 5.00 percent, which further calls Kroll's estimates into question. Because Kroll does not reveal how the 5.5 percent MRP is estimated, we do not know if it is indeed based on market measures.

Q. Do you have any concerns with the historical data presented by Kroll?

A. No, I do not. In fact, I rely on historical market returns and risk-free rate data from Kroll in my estimation of the MRP. As noted above, my primary concern is with the lack of transparency of Kroll's reported MRP estimate and, as discussed in more detail below, the relative usefulness of the estimate as compared to more common historical measures.

Q. Please now describe the method by which Mr. Garrett calculated his fourth estimate, the implied MRP.

A. As Mr. Garrett points out, his method developed the Internal Rate of Return that sets equal the current value of the market index to the projected value of cash flows associated with owning the market index. 44 Mr. Garrett observes that Damodaran "promotes the implied ERP method." 45 Although there are some differences, Mr. Garrett's approach is similar to the model Damodaran provides on his website. 46

- Mr. Garrett's method, which is a two-stage form of the DCF model, calculates the present value of cash flows over the five-year initial period, together with the terminal price (based on the Gordon Model⁴⁷), to be received in the last (i.e., fifth) year. The model's principal inputs include the following assumptions:
- Over the coming five years, the S&P 500 Index (the "Index")
 will appreciate at a rate equal to the compound growth rate
 in "Operating Earnings" from 2014 through 2024;
- Cash flows associated with owning the Index will be equal to the historical average earnings, dividends, and buyback yields, applied to the projected Index value each year; and
- Beginning in the terminal year, the Index will appreciate, in perpetuity, at a rate equal to the 30-day average yield on 30-year Treasury securities, as of June 9, 2025.⁴⁸

As discussed below, reasonable changes to those assumptions have a considerable effect on Mr. Garrett's calculated expected market return.

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Q. Do you have any observations regarding Mr. Garrett's assumed first-stage growth rate?

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Α. Yes. Mr. Garrett's 6.96 percent growth rate relates to growth in operating earnings and does reflect not capital appreciation, growth in dividends, or buy-backs. 49 addition, if Mr. Garrett's position is that historical growth rates are meant to reflect expected future growth, they should reflect year-to-year variation (i.e., uncertainty). That is best accomplished using the arithmetic mean. I therefore calculated the average growth (i.e., arithmetic mean) for the four metrics included in Mr. Garrett's exhibit as shown in Document No. 13 of my exhibit. The average growth rate, 9.04 percent, produced an estimated market return of 10.34 percent, 50 which is still well below historical experience.

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Q. Why did the market return increase by only 46 basis points (from 9.89 percent to 10.34 percent) when the first-stage growth rate increased by 208 basis points (from 6.96 percent to 9.04 percent)?

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A. Because Mr. Garrett's model assumed the first stage lasts for five years and the terminal stage is perpetual, the results are sensitive to changes in the assumed terminal growth rate. To put that effect in perspective, the terminal value, which is directly related to the terminal growth rate, represents approximately 78.97 percent of the "Intrinsic Value" in Mr. Garrett's analysis.⁵¹

9 Q. How did Mr. Garrett develop his assumed terminal growth rate?

A. The terminal growth rate represents investors' expectations of the rate at which the broad stock market will grow, in perpetuity, beginning in the terminal year. Mr. Garrett assumed terminal growth is best measured by the average yield on 30-year Treasury securities over the 30 days ended June 9, 2025. That is, Mr. Garrett assumed the average 30-year Treasury yield between April 28, 2025 and June 9, 2025 is the best measure of expected earnings growth beginning five years from now and extending indefinitely into the future.

Q. Do you agree with Mr. Garrett's assumption?

A. No, I do not. I recognize Mr. Garrett followed the approach described in Damodaran's method, which Damodaran refers to as a "default" assumption. 52 In terms of historical experience,

over the long-term, the broad economy has grown at a longterm compound average growth rate of approximately 6.11 percent.⁵³ Considered from another perspective, the longterm rate of capital appreciation on Large Company stocks has been 8.27 percent. 54 Mr. Garrett has not explained why growth beginning five years in the future, and extending than one-half perpetuity, will be less of long-term historical growth. 55 From a somewhat different perspective, assuming long-term inflation will be approximately 2.00 percent⁵⁶ implies perpetual real growth will be approximately 2.83 percent.⁵⁷ Nowhere in his testimony has Mr. Garrett explained the fundamental, systemic changes that would so dramatically reduce long-term economic growth, or why they are best measured by the long-term Treasury yield over 30 days between April 28, 2025 and June 9, 2025.

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Further, research by the Federal Reserve Bank of San Francisco calls into question the relationship between interest rates and macroeconomic growth. As the authors noted, "[o]ver the past three decades, it appears that private forecasters have incorporated essentially no link between potential growth and the natural rate of interest: The two data series have a zero correlation."58

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Q. Please briefly summarize your response to Mr. Garrett's

Implied Equity Risk Premium calculation.

A. Mr. Garrett's calculation is based on a series of questionable assumptions, to which a small set of very reasonable adjustments produces a market return estimate more consistent with (yet still below) historical experience. Although the revised results still produce ROE estimates far below any reasonable measure, they do point out the sensitive nature of Mr. Garrett's analyses and the tenuous nature of the conclusions he draws from them.

Q. Did you conduct a study to determine the forecast accuracy of the Kroll recommended market return and the Damodaran implied market return relative to the SBBI-2023 historical market return and Ibbotson-Chen study?

A. Yes, I did. I have calculated the forecast bias⁵⁹ of the long-term historical average return, the Ibbotson-Chen study, and the implied market returns from Kroll and Damodaran to determine the most accurate measure of the following years' market return.⁶⁰ For example, the long-term average market return from 1926-2008 was used to determine the forecasted return for 2009. As shown in Document No. 14 of my exhibit, while all measures of the projected market return underforecast the observed market return on average (i.e.,

forecast bias values less than 100 percent), the long-term arithmetic mean return is the most accurate predictor of the next year's return as compared to the other measures. This result is consistent with Campbell, who states that when returns are serially uncorrelated, the arithmetic average represents the best forecast of future returns in any randomly selected future year. Given this analysis, the Commission should reject Mr. Garrett's MRPs used in his CAPM analysis.

Q. Have you made any corrections to Mr. Garrett's CAPM analysis?

A. Yes, I have. As described above, the historical average MRP is a more appropriate predictor of the forward-looking MRP than Mr. Garrett's various approaches. As shown in Document No. 15 of my exhibit, I have updated Mr. Garrett's CAPM analysis using the historical long-term arithmetic mean MRP of 7.31 percent (as calculated in note 1 of Document No. 5 of my exhibit, page 2). That correction produces an average CAPM result of 10.79 percent, which is within my recommended range.

Q. Does Mr. Garrett employ an Empirical CAPM ("ECAPM") in his CAPM analysis?

A. No, he does not. Mr. Garrett fails to consider the ECAPM,

despite the fact that numerous tests of the CAPM have confirmed that the empirical security market line ("SML") described by the traditional CAPM is not as steeply sloped as the predicted SML. Because of the empirical findings presented in my direct testimony⁶², Mr. Garrett should have considered the ECAPM in his CAPM analysis.

Q. Does Mr. Garrett raise any specific concerns with the specifications of the ECAPM?

A. Mr. Garrett seems to believe that using adjusted betas in a CAPM analysis addresses the empirical issues with the CAPM. By increasing the expected returns for low beta stocks and decreasing the expected returns for high beta stocks, he concludes there is no need to use the ECAPM. To the contrary, using adjusted betas in a CAPM analysis is not equivalent to using the ECAPM, nor is it a duplicative adjustment.

Betas are adjusted because of their general regression tendency to converge toward 1.0 over time, i.e., over successive calculations of beta. As also noted above, numerous studies have determined that the SML described by the CAPM formula at any given moment in time is not as steeply sloped as the predicted SML. Morin states:

...some critics of the ECAPM argue that the use of

Value Line adjusted betas in the traditional CAPM amounts to using an ECAPM. This is incorrect. The use of adjusted betas in a CAPM analysis is not equivalent to the ECAPM. Betas are adjusted because of the regression tendency of betas to converge toward 1.0 over time.

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The use of an adjusted beta by Value Line is correcting for a different problem than the ECAPM. The adjusted beta captures the fact that betas regress toward one over time. The ECAPM corrects for the fact that the CAPM under-predicts observed returns when beta is less than one and over-predicts observed returns when beta is greater than one.

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Another way of looking at it is that the Empirical CAPM and the use of adjusted betas comprise two separate features of asset pricing. Assuming arguendo a company's beta is estimated accurately, the CAPM will still understate the return for lowbeta stocks. Furthermore, if a company's beta is understated, the Empirical CAPM will also understate the return for low-beta stocks. Both adjustments are necessary. 63

Moreover, the slope of the SML should not be confused with beta. As Brigham and Gapenski state:

The slope of the SML reflects the degree of risk aversion in the economy - the greater the average investor's aversion to risk, then (1) the steeper is the slope of the line, (2) the greater is the risk premium for any risky asset, and (3) the higher is the required rate of return on risky assets.

Students sometimes confuse beta with the slope of the SML. This is a mistake. As we saw earlier in connection with Figure 6-8, and as is developed further in Appendix 6A, beta does represent the slope of a line, but not the Security Market Line. This confusion arises partly because the SML equation is generally written, in this book and throughout the finance literature, as ki = RF + bi(kM - RF), and in this form bi looks like the slope coefficient and (kM - RF) the variable. It would perhaps be less confusing if the second term were written (kM - RF)bi, but this is not generally done. 64

As noted in Appendix 6A of Brigham and Gapenski's textbook, beta, which accounts for regression bias, is not a return

adjustment but rather is based on the slope of a different line.

A 1980 study by Litzenberger, et al. found the CAPM underestimates the ROE for companies, such as public utilities, with betas less than 1.00. In that study, the authors applied adjusted betas and still found the CAPM to underestimate the ROE for low-beta companies. Similarly, The Brattle Group's ("Brattle") Risk and Return for Regulated Industries supports the use of adjusted betas in the ECAPM:

Note that the ECAPM and the Blume adjustment are attempting to correct for different empirical phenomena and therefore both may be applicable. It is not inconsistent to use both, as illustrated by the fact that the Litzenberger et.al (1980) study relied on Blume adjusted betas and estimated an alpha of 2 percent points in a short-term version of the ECAPM. This issue sometimes arises in regulatory proceedings. 65

Hence, using adjusted betas does not address the previously discussed empirical issues with the CAPM. In view of the foregoing, my use of adjusted betas in both the traditional and empirical applications of the CAPM is neither incorrect nor inconsistent with the financial literature, nor is it a

duplicative adjustment.

Q. Does Mr. Garrett raise any other concerns with the ECAPM?

A. Yes. Although not a specific criticism of the applicability of the ECAPM, Mr. Garrett states that he believes Value Line betas for utilities are already overstated because they rely on the Blume adjustment, and as such, he appears to imply that the ECAPM would further overstate the ROE. In addition, he believes the Vasicek beta adjustment is more appropriate.

Q. What is your response to Mr. Garrett's concern?

A. Mr. Garrett's concern is unfounded and inconsistent with his own analysis. Although Mr. Garrett states in Appendix B to his testimony that he believes the Vasicek beta adjustment is more appropriate than the commonly used Blume adjustment, he relies on betas from Value Line in his CAPM, which utilizes the Blume adjustment. The high end of his analytical range, which is equal to his recommended ROE, is set by his CAPM results. Mr. Garrett has given significant weight to his CAPM analysis in determining his recommended ROE, while on the other hand, he questions the validity of one of the inputs to that analysis in his criticism of the ECAPM. As such, Mr. Garrett's argument should be given no weight because: (1) it

has no bearing on the applicability of the ECAPM; (2) the Blume adjustment is common among data sources that calculate beta, including those on which we both rely; and (3) is inconsistent with his own analysis.

D. ADJUSTMENTS TO THE COST OF COMMON EQUITY

Q. Did Mr. Garrett address the issue of a size premium in his testimony?

A. Yes. Mr. Garrett lists several reasons for his decision not to include a size premium in his recommendation, including:

(1) numerous studies show that "the performance of large-cap stocks was basically equal to that of small cap stocks," 66 and (2) that the "discovery of the size effect phenomenon likely caused its own demise." 67

Q. Is Mr. Garrett's review of the size premium correct?

A. No, it is not. First, as discussed on pages 7 through 10 of my direct testimony, when determining an appropriate ROE, the relevant issue is where investors see the subject company in relation to other similarly situated utility companies. To the extent investors view a company as being exposed to higher risk, the required return will increase, and vice versa. Peoples' smaller size relative to the Utility Proxy Group

companies indicates greater relative business risk for the company because, all else being equal, size has a material bearing on risk.

Further, Mr. Garrett notes that after 1983, U.S. small-cap stocks underperformed large-cap stocks. The issue with Mr. Garrett's position is that the size premium measures the increased risk associated with a company's smaller size; Mr. Garrett is only focused on returns. As I discussed in my direct testimony, smaller companies face increased business risk as they are less equipped to cope with significant events that affect sales, revenues, and earnings, as the loss of a few larger customers will have a greater effect on a smaller company than a larger company. 69

This is further evident when we consider that increasing capital costs (i.e., risk) for one set of securities will put downward pressure on those securities as investors transition to securities with lower risk. Under this premise, the underperformance is directly tied to the increase in risk. As such, Mr. Garrett's premise that smaller companies' underperformance indicates a reduction of risk is in fact the opposite - underperformance indicates an increasing level of risk.

Q. Mr. Garrett points to a passage published in 2015 by Ibbotson⁷⁰ that states that the size premium no longer exists. What is your response?

A. Despite their findings, Kroll (which now owns Ibbotson) continues to publish data on their findings on the presence of a size premium in the market and has provided additional measures of size and relative risk premiums. In addition to market capitalization, Kroll includes book common equity, market value of invested capital, five-year average net income, five-year average earnings before interest, taxes, depreciation, and amortization, total assets, total sales, and total employees as valid measures of size from which relative size premiums are derived. If Kroll found that the size premium ceased to exist, it would not publish that it did.

Q. Do you agree with Mr. Garrett that the size effect no longer exists?

A. No, I do not. While the historical returns of large companies may have outperformed small utilities over the last several years, risk is measured by volatility, not returns. A study by Clifford Ang detailed the returns and volatility of returns of companies by size, showing that while larger companies

outperformed smaller companies, smaller companies exhibited more risk. Reviewing data from the same source as the Ang study, I replicated the study through May 2025. Document No. 16 of my exhibit, presents the largest monthly gain and loss for each value-weighted decile for the period 1981 through May 2025. As shown in Document No. 16 of my exhibit, small capitalization stocks exhibit more volatility (i.e., risk) in their returns than larger capitalization stocks.

Further, <u>SBBI-2023</u> shows that the total return of large-cap stocks over the 1926-2022 period has a standard deviation of 19.8 percent, compared to 31.2 percent for small-cap stocks, echoing the findings of Document No. 16 of my exhibit.⁷² The higher level of risk indicates a higher level of required return.

Q. Have you performed studies for utility companies that link size and risk?

A. Yes, I have performed two studies which link size and risk for utilities. The first study included the universe of electric, gas, and water companies included in *Value Line* Standard Edition. From each of the utilities' *Value Line* Ratings & Reports, I calculated the annualized volatility (a measure of risk) and current market capitalization (a measure

of size) for each company. After ranking the companies by size (largest to smallest) and risk (least risky to most risky), I made a scatter plot of the data, as shown on Document No. 17 of my exhibit.

As shown in Document No. 17 of my exhibit, as company size decreases (increasing size rank), the annualized volatility increases, linking size and risk for utilities, which is significant at 95 percent confidence level.

The second study used the same universe of companies, but instead of using annualized volatility, I used the *Value Line* Safety Ranking, which is another measure of total risk. 73 After ranking the companies by size and Safety Ranking, I made a scatterplot of those data, as shown in Document No. 18 of my exhibit.

Similar to the first study, as company size decreases, Safety Ranking degrades, indicating a link between size and risk for utilities. This study is also significant at the 95 percent confidence level.

Q. Did Mr. Garrett address the issue of flotation costs in his testimony?

A. Yes. Mr. Garrett reasons that flotation costs for stock issuances are not out-of-pocket costs, which investors already have considered when deciding to invest in a company's shares at a given market price. 74 On that basis, he argues against considering the effect of flotation costs in setting the company's ROE.

Q. What is your response to Mr. Garrett regarding the need to recover flotation costs?

A. First, Mr. Garrett's observation that underwriter fees are not "out-of-pocket" expenses⁷⁵ is a distinction without a meaningful difference. Whether paid directly or indirectly through an underwriting discount, the cost results in net proceeds that are less than the gross proceeds. As shown in Document No. 9 of my exhibit, because those costs were incurred, the net proceeds were less than the gross proceeds. Whether the issuer wrote a check or received the proceeds at a discount does not matter. What does matter is that issuance costs are a permanent reduction to common equity, and absent a recovery of those costs, the issuing company will not be able to earn its required return.

Lastly, as shown in the illustrative examples provided in Document No. 19 of my exhibit, 76 because of flotation costs,

an authorized return of 10.85 percent would be required to realize an ROE of 10.75 percent (i.e., a 10-basis point flotation cost adjustment). If flotation costs are not recovered, the growth rate falls and the ROE decreases to 10.65 percent (i.e., below the required return).⁷⁷

Q. Is the fact that investors are aware of equity issuance costs when they decide to purchase $stock^{78}$ relevant to the determination of the appropriate compensation for those costs?

A. No, it is not. Although Mr. Garrett suggests current prices account for flotation costs, he has not provided any explanation as to how market prices compensate shareholders for flotation costs or any analyses to support his position. In that important respect, common stock is closely analogous to long-term debt, both in the sense that its purpose is to provide funding for long-term investments that are part of rate base, and that it remains a part of the utility's operations over the long run. Equity flotation costs and debt issuance expenses both are necessary and legitimate costs enabling the investment in assets needed to provide safe and reliable utility service; both should be recovered.

- RESPONSE TO MR. GARRETT'S CRITIQUES OF COMPANY TESTIMONY Ε.
- Q. Does Mr. Garrett have any critiques of your analyses presented in your direct testimony? 3

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Α. Yes, he does. Mr. Garrett's critiques of my direct testimony are: (1) my requested ROE is in excess of the investorrequired return on the market; (2) my growth rates used in the DCF model exceed GDP growth; (3) my MRP is unreasonable because it is not in line with his MRP estimates; (4) my use of the ECAPM; (5) my use of a non-regulated proxy group; (6) my inclusion of a small size premium is unnecessary; and (7) my application of flotation costs.

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I have already addressed critiques 1, 2, 4, 6 and 7 previously and will not address them here. I will discuss Mr. Garrett's remaining arguments in turn.

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Mr. Garrett states that your MRP is unreasonable given his Q. measures of MRP as presented in his CAPM analysis. 79 Please respond.

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I have discussed the inapplicability of Mr. Garrett's MRP Α. estimates for cost of capital purposes previously in this rebuttal testimony and will not repeat that discussion here. Since Mr. Garrett's MRP measures are not valid MRPs, they

cannot be comparable to my MRP estimates. Even though Mr. Garrett has presented no reliable evidence upon which to gauge the reasonableness of the MRP estimate, my estimates of 8.41 8.91 percent my direct and rebuttal percent and in testimonies, respectively (including the PRPM), consistent with actual realized MRPs. As shown in Document No. 20 of my exhibit, my estimates fall within the 49^{th} percentile of historical MRPs, respectively. The MRPs excluding the PRPM similarly fall in the 49th percentile.

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Given all of the above, my calculation of the MRPs in my CAPM and ECAPM analyses is reasonable in view of historical returns and other expected measures of the MRP and is supported by financial literature. Thus, Mr. Garrett's concern should be dismissed.

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V. SUMMARY

Q. Please summarize your rebuttal testimony.

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A. Based on the analyses discussed throughout my rebuttal testimony, the reasonable range of ROE estimates for Peoples is from 10.66 percent to 11.16 percent, including the PRPM and 10.66 percent to 11.14 percent excluding the PRPM. None of the arguments made by Mr. Garrett should persuade the Commission to approve an ROE below those ranges.

1	Q.	Does	this	conclude	your	rebuttal	testimony?
2							
3	A.	Yes,	it do	es.			
4							
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DOCKET NO. 20250029-GU WITNESS: D'ASCENDIS

REBUTTAL EXHIBIT

OF

DYLAN D'ASCENDIS

ON BEHALF OF PEOPLES GAS SYSTEM, INC.

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DOCUMENT NO. 1

PAGE 1 OF 1

Peoples Gas System **Brief Summary of Common Equity Cost Rate**

FILED: 07/28/2025

		Proxy Group of Eight Natural Gas	Proxy Group of Eight Natural Gas Companies
Line No.	Principal Methods	Companies	(exc. PRPM)
1.	Discounted Cash Flow Model (DCF) (1)	10.39%	10.39%
2.	Risk Premium Model (RPM) (2)	10.77%	10.82%
3.	Capital Asset Pricing Model (CAPM) (3)	10.89%	10.87%
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	10.97%	10.96%
5.	Indicated Common Equity Cost Rate before Adjustment for Unique Risk	10.39% - 10.89%	10.39% - 10.87%
6.	Size Adjustment (5)	0.20%	0.20%
7.	Credit Risk Adjustment (6)	0.00%	0.00%
8.	Flotation Cost Adjustment (7)	0.07%	0.07%
9.	Indicated Common Equity Cost Rate after Adjustment	10.66% - 11.16%	10.66% - 11.14%

- Notes: (1) From page 1 of Document No. 1.
 - (2) From page 1 of Document No. 4.
 - (3) From page 1 of Document No. 5.
 - (4) From page 1 of Document No. 7.
 - (5) Size adjustment to reflect the Company's smaller size compared to the Utility Proxy Group's as detailed in Mr. D'Ascendis' Direct Testimony.
 - (6) The company does not have a credit rating from Moody's. However, it's A-rating from Fitch Ratings is consistent with an A3 rating from Moody's. No credit risk adjustment is necessary as the bond rating of the company (A- from Fitch Ratings) is identical to the average credit rating of the utility proxy group (A3).
 - (7) From page 1 of Document No. 9.

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DOCUMENT NO. 2

PAGE 1 OF 3

Proxy Group of Eight Natural Gas Companies CAPITALIZATION AND FINANCIAL STATISTICS (1) 2020 - 2024. Inclusive

FILED: 07/28/2025

	2024		<u>2023</u> (M	IILL	2022 JONS OF DOL	LAR	<u>2021</u> S)		2020			
Capitalization Statistics			(-,					
Amount of Capital Employed												
Total Permanent Capital	\$9,170.577		\$8,342.185		\$7,637.912		\$6,680.015		\$5,975.223			
Short-Term Debt	\$475.576	_	\$685.596		\$745.435		\$577.929		\$285.218	_		
Total Capital Employed	\$9,646.153	=	\$9,027.781		\$8,383.347		\$7,257.944		\$6,260.441	•		
Indicated Average Capital Cost Rates (2)												
Total Debt	4.40	%	4.01	%	3.12	%	2.88	%	3.35	%		
Preferred Stock	4.75	%	5.22	%	4.84	%	5.33	%	6.19	%		
											5 YEAI	<u>R</u>
Capital Structure Ratios											AVERA 0	<u>GE</u>
Based on Total Permanent Capital:												
Long-Term Debt	51.17	%	51.86	%	50.99	%	50.41	%	49.24	%	50.73	%
Preferred Stock	0.42		0.75		1.61		1.73		1.34		1.17	
Common Equity	48.41		47.39		47.40		47.86		49.42		48.10	
Total	100.00	%	100.00	%	100.00	%	100.00	%	100.00	%	100.00	%
·		-				•						
Based on Total Capital:												
Total Debt, Including Short-Term Debt	54.55	%	54.75	%	56.00	%	55.53	%	52.87	%	54.74	%
Preferred Stock	0.37		0.66		1.44		1.63		1.24		1.07	
Common Equity	45.08		44.59		42.56		42.84		45.89		44.19	
Total	100.00	%	100.00	%	100.00	%	100.00	%	100.00	%	100.00	%
Financial Statistics												
Financial Ratios - Market Based												
Earnings / Price Ratio	5.33	%	5.28	%	4.17	%	5.06	%	3.95	%	4.76	%
Market / Average Book Ratio	159.44	, ,	163.70	, ,	192.50	, ,	186.11	, ,	192.40	, ,	178.83	,,
Dividend Yield	3.60		3.56		3.10		3.22		2.99		3.30	
Dividend Payout Ratio	67.28		67.84		56.13		58.54		72.76		64.51	
21viaciia i ayout natio	07.20		07.01		50,15		50.51		, 2 0		01.01	
Rate of Return on Average Book Common E	8.51	%	8.60	%	8.45	%	9.73	%	7.64	%	8.59	%
Total Debt / EBITDA (3)	5.03	x	5.26	x	5.33	x	5.40	x	5.50	x	5.30	x
Funds from Operations / Total Debt (4)	17.35	%	25.75	%	11.70	%	10.07	%	15.22	%	16.02	%
Total Debt / Total Capital	54.55	%	54.75	%	56.00	%	55.53	%	52.87	%	54.74	%

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt relative to EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).
- (4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: Company Annual Forms 10-K

EXHIBIT NO. DD-2

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Capital Structure Based upon Total Permanent Capital for the DOCUMENT NO. 2

Proxy Group of Eight Natural Gas Companies

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<u> 2020 - 2024. Inclusive</u>

						<u>5 YEAR</u>
	<u>2024</u>	2023	2022	2021	2020	AVERAGE
Atmos Energy Corporation						
Long-Term Debt	39.04 %	37.62 %	45.81 %	39.35 %	40.02 %	40.37 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	60.96	62.38	54.19	60.65	59.98	59.63
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Chesapeake Utilities Corporation						
Long-Term Debt	48.08 %	49.17 %	41.87 %	42.31 %	42.82 %	44.85 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	51.92	50.83	58.13	57.69	57.18	55.15
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
New Jersey Resources Corporation						
Long-Term Debt	58.24 %	59.16 %	58.49 %	57.81 %	55.35 %	57.81 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	41.76	40.84	41.51	42.19	44.65	42.19
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
NiSource Inc.						
Long-Term Debt	60.60 %	57.26 %	55.77 %	57.09 %	61.64 %	58.47 %
Preferred Stock	0.00	2.51	9.03	9.55	5.87	5.39
Common Equity	39.40	40.23	35.20	33.36	32.49	36.14
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
•						
Northwest Natural Holding Company						
Long-Term Debt	55.25 %	55.11 %	53.21 %	52.12 %	51.81 %	53.50 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	44.75	44.89	46.79	47.88	48.19	46.50
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
ONE Gas. Inc.						
Long-Term Debt	40.71 %	44.05 %	42.10 %	41.74 %	41.76 %	42.07 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	59.29	55.95	57.90	58.26	58.24	57.93
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
•						
Southwest Gas Holdings, Inc.						
Long-Term Debt	55.54 %	58.43 %	59.25 %	59.90 %	50.90 %	56.80 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	44.46	41.57	40.75	40.10	49.10	43.20
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Spire Inc.						
Long-Term Debt	51.88 %	54.01 %	51.42 %	52.98 %	49.62 %	51.98 %
Preferred Stock	3.35	3.52	3.84	4.28	4.83	3.96
Common Equity	44.77	42.47	44.74	42.74	45.55	44.06
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Eight Natural Gas Companies						
Long-Term Debt	51.17 %	51.86 %	50.99 %	50.41 %	49.24 %	50.73 %
Preferred Stock	0.42	0.75	1.61	1.73	1.34	1.17
Common Equity	48.41	47.39	47.40	47.86	49.42	48.10
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information Annual Forms 10-K

EXHIBIT NO. DD-2 WITNESS: D'ASCENDIS

DOCUMENT NO. 2

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FILED: 07/28/2025

<u>Peoples Gas System</u> Operating Subsidiary Company Capital Structures of the <u>Proxy Group of Eight Natural Gas Companies</u>

			2024	
	Parent			_
	Company	Common		Total
Company Name	Ticker	Equity	<u>Total Debt</u>	Capital
Atmos Energy Corporation	ATO	59.93%	40.07%	100.00%
Chesapeake Utilities Corporation	CPK	48.19%	51.81%	100.00%
New Jersey Natural Gas Company	NJR	53.37%	46.63%	100.00%
Northern Indiana Public Service Company	NI	58.24%	41.76%	100.00%
Northwest Natural Gas Company	NWN	45.61%	54.39%	100.00%
ONE Gas, Inc.	OGS	48.13%	51.87%	100.00%
Southwest Gas Corporation	SWX	48.28%	51.72%	100.00%
Spire Alabama Inc.	SR	53.66%	46.34%	100.00%
Spire Missouri Inc.	SR	46.05%	53.95%	100.00%
	Average	51.27%	48.73%	
	Maximum	59.93%	54.39%	
	Minimum	45.61%	40.07%	

Source: S&P Global Market Intelligence. Company Financial Statements.

Northern Indiana Public Service Company is from FERC financial Report Form Form No. 1.

EXHIBIT NO. DD-2

WITNESS: D'ASCENDIS

DOCUMENT NO. 3

PAGE 1 OF 9

FILED: 07/28/2025

<u>Peoples Gas System</u> Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for the Proxy Group of Eight Natural Gas Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Eight Natural Gas Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Zack's Five Year Projected Growth Rate in EPS	S&P Capital IQ Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
Atmos Energy Corporation Chesapeake Utilities Corporation New Jersey Resources Corporation NiSource Inc. Northwest Natural Holding Company ONE Gas, Inc. Southwest Gas Holdings, Inc. Spire Inc.	2.24 % 2.18 3.85 2.86 4.73 3.57 3.44 4.20	7.00 % 8.00 5.00 9.50 6.50 4.50 10.00 4.50	7.20 % NA NA 7.90 NA 5.60 9.90 6.50	7.28 % 8.33 7.90 7.96 5.75 5.84 10.38 8.08	7.16 % 8.16 6.45 8.45 6.13 5.31 10.09 6.36	2.32 % 2.27 3.97 2.98 4.87 3.66 3.61 4.33	9.48 % 10.43 10.42 11.43 11.00 8.97 13.70 (6) 10.69
						Average	10.35 %
						Median	10.43 %
					Average of Mean ar	nd Median	10.39 %

NA= Not Available

Notes:

- (1) Indicated dividend at 06/30/2025 divided by the average closing price of the last 60 trading days ending 06/30/2025 for each company.
- (2) From pages 2 through 9 of this Document.
- (3) Average of columns 2 through 4 excluding negative growth rates.
- (4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 5) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for Atmos Energy Corporation, $2.24\% \times (1+(1/2\times7.16\%)) = 2.32\%$.
- (5) Column 5 + Column 6.
- (6) Results were excluded from the final average and median as they were more than two standard deviations from the proxy group's mean.

Source of Information:

Value Line Investment Survey www.zacks.com Downloaded on 06/30/2025 S&P Capital IQ

EXHIBIT NO. DD-2

WITNESS: D'ASCENDIS

DOCUMENT NO. 3

PAGE 2 OF 9

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															. •	.,_	٠, -	0_0	,
ATMOS ENE	RGY	CO	RP.	NYSE-	ATO R	ECENT 1	55.2	3 P/E RATI	o 20.	9 (Traili Medi	ng: 21.6) an: 20.0)	RELATIVI P/E RATI	[₹] 1.1	7 DIV'D	2.3	3%	/ALUI	_	1
TIMELINESS 3 Raised 1/1	7/25	High:	58.2 44.2	64.8 50.8	82.0	93.6	100.8	115.2	121.1	105.3	123.0	125.3	152.6	167.5				t Price	
SAFETY 1 Raised 6/6		Low:	NDS		60.0	72.5	76.5	89.2	77.9	84.6	97.7	101.0	110.5	136.2			2028	2029	203
TECHNICAL 3 Raised 5/9		— 35	.50 x Divid	dends p sh e Strength															-320
BETA .75 (1.00 = Market)	123	Options: \	Yes	ates recess	ion														200
18-Month Target Price I	Range																		16
Low-High Midpoint (% to	-							.11.0	II.		140141	Tripling	ا المالية	1111				1	120
\$136-\$194 \$165 (5%)	 ,					البردين	1 ₁₁ 111111111	11	1 111111111	11111111111	11. 11. 11.								100 80
2028-30 PROJECTIO	NS.				HILL HILL	111111													60
Anı	n'i Total Return	, lululu	111/11/11/11	Harriet L.															
High 185 (+20%)	7% 2%	1 1111																	 4 0
Low 150 (-5%)								,,···.								% ТОТ	RETURN	15/12/25	
Institutional Decision: 2Q2024 3Q2024	S 4Q2024	D	. 04 5		•							··	******				THIS V STOCK	'L ARITH." INDEX	_18
to Buy 342 357	421	Percent shares	16 -	II I			. 1	til aan	u II.uu		111.1.1.	J. J.	. I			1 yr. 3 yr.	35.8 49.4	6.0 19.2	F
to Sell 311 315 Hld's(000) 144146 162641	294 171243	traded	8			lithing	Hillard									5 yr.	82.9	95.9	
2009 2010 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VAL	UE LINE P	UB. LLC	28-3
53.69 53.12 48.15	38.10	42.88	49.22	40.82	32.23	26.01	28.00	24.32	22.41	25.73	29.82	28.79	26.83		28.15		es per sh		34.
4.29 4.64 4.72 1.97 2.16 2.26	4.76 2.10	5.14	5.42 2.96	5.81 3.09	6.19 3.38	6.62 3.60	7.24 4.00	7.57	8.03 4.72	8.64 5.12	9.30 5.60	10.04 6.10	11.03		12.45 7.70		low" per s per sh		14.: 9.
1.32 1.34 1.36	1.38	2.50 1.40	1.48	1.56	1.68	1.80	1.94	4.35 2.10	2.30	2.50	2.72	2.96	3.22	1			s per sir ·)ecl'd per		4.
5.51 6.02 6.90	8.12	9.32	8.32	9.61	10.46	10.72	13.19	14.19	15.38	14.87	17.35	18.90	18.92		22.75		ending p		21.
23.52 24.16 24.98	26.14	28.47	30.74	31.48	33.32	36.74	42.87	48.18	53.95	59.71	66.85	73.20	78.31	84.25	86.25		lue per si		97.
92.55 90.16 90.30	90.24	90.64	100.39	101.48	103.93	106.10	111.27	119.34	125.88	132.42	140.90	148.49	155.26	162.00	167.00	Commo	n Shs Out	tst'g ^D	185.
12.5 13.2 14.4	15.9	15.9	16.1	17.5	20.8	22.0	21.7	23.2	22.3	18.8	19.3	18.7	17.3		ures are Line		ı'l P/E Rat		18
.83 .84 .90	1.01	.89	.85	.88	1.09	1.11	1.17	1.24	1.15	1.02	1.12	1.08	.90		nates		P/E Ratio		1.
5.3% 4.7% 4.2%	4.1%	3.5%	3.1%	2.9%	2.4%	2.3%	2.2%	2.1%	2.2%	2.6%	2.5%	2.6%	2.7%				ı'l Div'd Y	_	2.7
CAPITAL STRUCTURE as Total Debt \$8506.4 mill. De) ∩ mill	4142.1	3349.9	2759.7 382.7	3115.5 444.3	2901.8	2821.1 580.5	3407.5 665.6	4201.7	4275.4 885.9	4165.2 1042.9			Revenue Net Prof	es (\$mill)	A	63
LT Debt \$8486.3 mill. LT	'Interest	\$190.0		315.1	350.1 36.4%	36.6%	27.0%	511.4 21.4%	19.5%	18.8%	774.4 9.1%	11.4%	15.6%	19.0%	-	Income			17 25.0
(LT interest earned: 7.5x; to	otal intere	est		7.6%	10.5%	13.9%	14.3%	17.6%	20.6%	19.5%	18.4%	20.7%	25.0%			Net Prof			27.5
coverage: 7.5x) Leases, Uncapitalized An	nual renta	als \$43.2	2 mill.	43.5%	38.7%	44.0%	34.3%	38.0%	40.0%	38.4%	37.9%	37.9%	39.3%				rm Debt F	Ratio	40.0
				56.5%	61.3%	56.0%	65.7%	62.0%	60.0%	61.6%	62.1%	62.1%	60.7%	_			n Equity F		60.0
Pfd Stock None				5650.2	5651.8	6965.7	7263.6	9279.7	11323	12837	15180	17509	20018				pital (\$mi	II)	300
Pension Assets-9/24 \$595	5.2 mill.			7430.6 6.6%	8280.5 7.2%	9259.2 6.4%	10371 6.9%	11788 6.1%	13355 5.5%	15064 5.5%	17240 5.4%	19607 5.5%	22204 5.7%			Net Plan	าง (\$MIII) on Total C	on'i	320 7.0
Ol Common Stock 158,836,8	blig. \$470 864 che	0.9 mill.		9.9%	10.1%	9.8%	9.3%	8.9%	8.5%	8.4%	8.2%	8.1%	8.6%	8.5%			on Shr. Eq		9.5
as of 5/2/25	704 aria.			9.9%	10.1%	9.8%	9.3%	8.9%	8.5%	8.4%	8.2%	8.1%	8.6%	8.5%			on Com E		9.5
MADICET CAD. 604 7 Lilli	/l	- C\		4.9%	5.1%	4.9%	4.8%	4.6%	4.4%	4.3%	4.2%	4.2%	4.5%	4.5%	4.5%		to Com		5.0
MARKET CAP: \$24.7 billion CURRENT POSITION 2			3/31/25	51%	50%	50%	48%	48%	49%	49%	49%	49%	47%	48%	48%	All Div'o	ls to Net F	Prof	48
(\$MILL.)							gy Corpo							ndustrial;					
		307.3 325.0	543.5 1047.8				natural g .tural gas							ng, 1/17. stock (12					
	35.8 11	132.3	1591.3				on, Mid-T							kers. Inc					
	36.1 4 53.4	145.4 9.9	445.2 20.1				n, and K							300, 5430					0. Tel
Other 76	<u>33.1</u> _ 7	750.6	733.2	-			cal 2024:				-	<u> </u>		-9227. Int					
		205.9 9 1 4%	1198.5 935%				is ha							inaged					
ANNUAL RATES Past		t Est'd					ngs po al 202							ceedin : in a					
of change (per sh) 10 Yrs.	5 Yrs	to'	28-'30				to \$							ore, tl					
Revenues -4.0% 'Cash Flow" 7.0%			3.0% 3.5%	\$4.93	3 figu	re tha	t was	regist	ered	for the	e fis-	itiati	ves in	n pros	ress	at th	e con	clusio	n o
Earnings 9.5%	6 9.0)% :	7.0% 7.0%	cal 2	024 p	eriod.	One s	suppo	rting	factor	was	Marc	h sec	eking	\$224.	.7 mi	llion	of an	nua
Dividends 7.5% Book Value 10.0%	6 9.0 6 11 .5	5%	5.0%				unit							incom					
Fiscal DUARTERLY REVE			Full				ts and growt							s that git rec			my w	ш гес	:eiv
Year Ends Dec.31 Mar.31			Fiscal Year				Mid-7							ngs se			in sto	re o	it t
2022 1012.8 1649.8	816.4	722.7	4201.7				ine a). Atm					
		587.7	4275.4	was	helpe	ed, [°] an	nong (other	thing	s, by	$_{ m the}$	tion's	bi _g	ggest	natı	ıral	gas-o	nly	dis
		658.0 <i>673.5</i>	4165.2 4540				Infras							with o					
		700	4700				May							sever					
Fiscal EARNINGS PER			Full				grity 1 024. B							, and the p					
Year Ends Dec.31 Mar.31			Fiscal Year				, to so							promis					
2022 1.86 2.37	.92	.51	5.60			bt ex								s. sinc					

87

1.91 2.08

625

.68

.74

.805

87

2023 2024

2025

2026

Cal-endar

2021

2022 2023

2024

2025

2.48

2.85

3.14

625

.68

.74

.805

QUARTERLY DIVIDENDS PAID C.

Mar.31 Jun.30 Sep.30 Dec.31

94

1.08

1.22

625

.805

.68

.80

.86

1.00

.68

.805

.87

6.10 6.83

7.30 7.70

Year

2.56

2.78

3.29

(A) Fiscal year ends Sept. 30th. (B) Diluted (17, 13c. Next earnings report due early Aug. (E) In millions. shrs. Excl. nonrec. gains (loss): '10, 5c; '11, (C) Dividends historically paid in early March, (E) Clts may not add due to change in shrs or operations: '11, 10c; '12, 27c; '13, 14c; Direct stock purchase plan avail.

Company's Financial Strength Stock's Price Stability Price Growth Persistence 100 **Earnings Predictability**

portunities, since it operates in one of the most-active drilling regions in the world. The solid balance sheet is another positive.

The equity's long-term total return prospects look rather uninspiring. The

dividend yield does not impress versus the

average of Value Line's Natural Gas Utili-

ty Industry. Also, 3- to 5-year capital ap-

preciation potential lacks appeal, given

recent stock-price strength.

Frederick L. Harris, III

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May 23, 2025

sults were hurt, to some degree, by a rise in bad-debt expense, depreciation, and property taxes. Nonetheless, it appears that, for the full year, the bottom line will end up around \$7.30 per share. That would indicate a 7% advance from fiscal 2024's \$6.83 tally. Concerning the following fiscal year, per-share profits stand to grow another 5% or so, to \$7.70, as operating margins widen further

ing margins widen further.

There has been activity on the rate-

filing front. During the first six months,

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CHESAF	PEAKE L	JTIL.	NYSE	-CPK		ECENT 1	22.9	1 P/E	o 21.	6 (Traili	ng: 23.3) an: 23.0)	RELATIV P/E RATI		1 DIV'D	2.3	_	ALU Line	_	
TIMELINESS 3	Raised 3/21/25	High: Low:	52.7 37.5	61.1 44.4	70.0 52.3	86.4 63.0	93.4 66.4	98.6 77.6	111.4 69.5	146.1 99.6	146.3 105.8	132.9 83.8	134.2 98.3	136.7 115.1				Price 2029	Rang ⊧203
	New 6/5/15	LEGEN 40	NDS .00 x Divid	lends p sh					=								2020	2025	32
		3-for-2 sp	elative Price lit 9/14	e Strength															
BETA .75 (1.00 = 1 18-Month Targe		Options: \ Shaded	res area indica	ates recess	ion														20 16
.ow-High Midp	-									որուրդու	^{եսլլլո} լլլ	ا أوليس	1111111111	<u> </u>					12 10
95-\$148 \$122	(0%)					 	إرائش	hamalı	'կրով										80
2028-30 PRO	JECTIONS Ann'i Total		a ol	որդույրդ	' + '' 	1111													60
	Gain Return 30%) <i>9%</i>	البراليان	,,111114 1 1	11111															+41
ow 120 nstitutional D∈	(Nil) 2%	ļ'''			·									•		% TOT.	RETURN		
2Q2024	3Q2024 4Q2024	Percent		••••	ol ()									-		1 yr.	THIS V STOCK 12.3	L ARITH.* INDEX 6.0	1
Buy 121 Sell 117 Id's(000) 18673	139 151 116 127 23010 23287	shares traded	10 - 5			handata	111111111	1111		Haland				Ш		3 yr. 5 yr.	2.8 60.6	19.2 95.9	F
	2011 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		UE LINE P		28-3
19.07 29.93	29.13 27.26	30.73	34.19	30.07	30.60	37.79	43.81	29.24	27.96	32.28	38.37	30.16	34.38	37.90	42.50		es per sh	nh	65
2.15 3.50 1.43 1.82	3.69 3.95 1.91 1.99	4.35 2.26	4.73 2.47	5.05 2.68	5.16 2.86	5.42 2.68	6.47 3.45	6.50 3.72	7.37 4.21	8.28 4.73	8.87 4.97	6.87 4.73	8.05 5.26	9.40 5.70	10.20 6.10		low" per: spersh /		14
.83 .87	.91 .96	1.01	1.07	1.12	1.19	1.26	1.39	1.55	1.69	1.84	2.03	2.25	2.46	2.65	2.82		ecl'd per ending p		1
1.89 3.18 14.89 15.84	3.28 5.00 16.78 17.82	6.72 19.28	6.66 20.59	9.47 23.45	10.42 27.36	10.73 29.75	16.47 31.65	11.26 34.23	9.48 39.92	10.59 43.85	7.23 46.94	8.48 56.04	15.52 60.71	15.00 64.05	15.25 69.00		lue per sl		1: 7:
14.09 14.29	14.35 14.40 14.2 14.8	14.46	14.59 17.7	15.27 19.1	16.30	16.34 27.8	16.38 22.9	16.40 24.7	17.46 21.6	17.66	17.74	22.24	22.90	24.00	24.00		n Shs Out		20
14.2 12.2 .95 .78	14.2 14.8 .89 .94	15.6 .88	.93	.96	21.8 1.14	1.40	1.24	1.32	1.11	25.6 1.38	25.8 1.49	24.3 1.36	21.5 1.13	Bold fig Value	Line		i'l P/E Rat P/E Ratio		1
4.1% 3.9%	3.4% 3.3%	2.9%	2.4%	2.2%	1.9%	1.7%	1.8%	1.7%	1.9%	1.5%	1.6%	2.0%	2.2%	estin	ates	Avg Anr	'l Div'd Y	ield	2.
	TURE as of 3/31 9.9 mill. Due in 5 Y		0 mill.	459.2 40.2	498.9 44.7	617.6 43.8	717.5 56.6	479.6 61.1	488.2 70.6	570.0 83.5	680.7 88.4	670.6 87.2	787.2 118.6	910 135		Revenue Net Prof			1
Debt \$1260.0 i	mill. LT Interes	t \$68.0 m		39.5%	38.8%	39.5%	27.1%	25.6%	25.0%	25.9%	27.4%	24.4%	26.7%	26.5%	27.0%	Income '	Tax Rate		29
verage: 3.4x)	,	(47% 0	f Cap'l)	8.8% 29.4%	9.0%	7.1% 28.9%	7.9% 37.9%	12.7% 43.9%	14.5% 42.2%	14.6% 41.5%	13.0% 41.0%	13.0% 48.8%	15.1% 47.6%	14.8% 47.0%		Net Prof	it Margin rm Debt F	Patio	12 48
d Stock None	alized Annual ren	itais \$2.6 i	mili.	70.6%	76.5%	71.1%	62.1%	56.1%	57.8%	58.5%	59.0%	51.2%	52.4%	53.0%	53.0%	Commo	n Equity F	Ratio	52
ension Assets-	.12/24 \$49.1 mill. Oblig. \$47	7.0 mill.		507.5 855.0	583.0 986.7	683.7 1126.0	834.5 1384.0	1001.7 1463.8	1205.6 1601.2	1324.0 1744.9	1411.2 1810.5	2433.2 2456.4	2651.9 2735.9	2900 3000		Total Ca Net Plar	pital (\$mi	II)	3
ommon Stock 2 of 5/2/25	23,327,358 shs.			8.9%	8.6%	7.3%	7.8%	7.2%	6.8%	7.1%	7.1%	4.3%	5.8%	6.0%			n Total C	ap'i	7.
	2.9 billion (Mid C	Can)		11.2% 11.2%	10.0% 10.0%	9.0%	10.9% 10.9%	10.9% 10.9%	10.1% 10.1%	10.8% 10.8%	10.6% 10.6%	7.0% 7.0%	8.5% 8.5%	9.0% 9.0%			on Shr. Eq on Com E		10 10
	· ·			6.8%	6.1%	4.9%	6.7%	6.5%	6.2%	6.7%	6.4%	3.8%	4.6%	4.5%			to Com		6
JRRENT POSIT (\$MILL.)			3/31/25	40%	39%	45%	39%	40%	38%	38%	40%	46%	46%	47%			s to Net F		. 4
ash Assets ther urrent Assets cots Payable ebt Due ther urrent Liab.	185.7 77.5 198.4 110.5	7.9 196.4 204.3 78.3 222.0 119.1 419.4	198.9 199.6 76.6 240.9 116.2 433.7	units. T aware, transmi The U	units. The Regulated Energy segment distributes natural gas in Delaware, Maryland, and Florida; distributes electricity in Florida; and transmits natural gas on the Delmarva Peninsula and in Florida; atok; BlackRock, 16. 16. The Unregulated Energy operation wholesales and distributes propane; markets natural gas; and provides other unregulated ener-19901. Tel.: (302) 734-									Regulat 3.1%. Off 4, 16.1% 5.: DE.	ed Energ icers and (3/25 Pr Address:	y, 74.19 d director oxy). Ch 500 Er	rsown 1. airman a nergy La	ulated f 5% of conditions and CEO ne, Dov	Ener omn : Je
c. Chg. Cov.		393%	400%														peake		
INUAL RATES change (per sh)	10 Yrs. 5 Yr		28-'30			on th arning											in th for the		
evenues ash Flow" urnings		5% 10	1.5% 0.0% 8.0%	most	. 7%, e. the	to \$2.	.21, ce	ompar	ed to	the {	\$2.07	perio	d betv	veen 2	2024 a	and 20	028. A e achie	ll tole	d,
vidends ok Value	8.5% 10.0 11.0% 11.0	0% 7	7.0% 5.0%	porti	ng fa	ctor	was l	nigher	cust	omer	con-	believe these objectives are achievable, as suming that corporate finances remain in healthy condition, of course.							
al- QUART	ERLY REVENUES (\$ mill.)	Full			resuli inly a												divid	de
dar Mar.31	Jun.30 Sep.30	Dec.31	Year	Ohio	serv	rice a	reas.	Anoth	er pl	us w	as a	was	raise	d by	7%, t	о \$0.	685 p	er sl	ıa
23 218.1	139.5 131.1 135.6 131.5	187.2 185.4	680.7 670.6	ices.	Oth	emand er po	ositive	s inc	cluded	l inte	ernal	comp	any's	solid	capit	al po	sition	. Fur	th
	166.3 160.1 187 183	215.1 241.3	787.2 910			n the													
26 330	215 210	265	1020	lated	linfr	astruc	ture j	progra	ıms. S	So, at	this	tribu	tion	will j	probab	oly ta	ake p	lace.	Τ
	RNINGS PER SHARI Jun.30 Sep.30		Full Year			it app p in tl													
2.08	.88 .54	1.47	4.97	That	wou	ld she	ow a	rough	ıly 89	% adv	ance	mana	ageabl	e.					
2.04 24 2.07	.90 .53 .82 .78	1.26 1.60	4.73 5.26			4's \$5 any's b													
25 2.21 26 2.30	.88 .84 .99 .93	1.77 1.88	5.70 6.10	simil	ar pe	ercenta	age ra	ite, to	\$6.1	0 asl	hare,	excit	ing w	hen r	neasu	red a	gains	t tho	se
	ERLY DIVIDENDS P.		Full		ming nargii	addit ns.	ional	expar	nsion	of op	erat-						equitio , capi		
dar Mar.31	Jun.30 Sep.30	Dec.31	Year	This	yea	r's c						poter	ntial o	out to	202	8-203	0 doe	s not	i
021 .44 022 .48	.44 .48 .48 .535	.48 .535	1.84 2.03			ed to \$375													
.535	.535 .59	.59	2.25	fund	s are	being	deplo	ved t	o the	Regui	lated	Mear	rwhile	, thes	e sha	res ai			
024 .59 025 .64	.59 .64 .64 .685	.64	2.46			vision as dis											Man	23, 2	205
Diluted shrs. F	Excludes nonrecu	rring gain	s: don't	add up t					able.			2,000	1				l Strengt		202
.6¢; '17, 87¢; '	'22, 8¢. Excludes 9, 24¢; '20, 5¢.	s disconti	n- (B) [Dividends , July, ar	historica	ally paid ir	n early Ja	ınuary, 🛮 i		lions, adj	usted for	split.		Sto	ck's Pric e Growt	e Stabili	ty		9
report due e	early Aug. Quart	ers for '2	24 men	t plan. D	irect sto	ck purch	ase plan	avail-				varranties		Ear	nings Pr				10

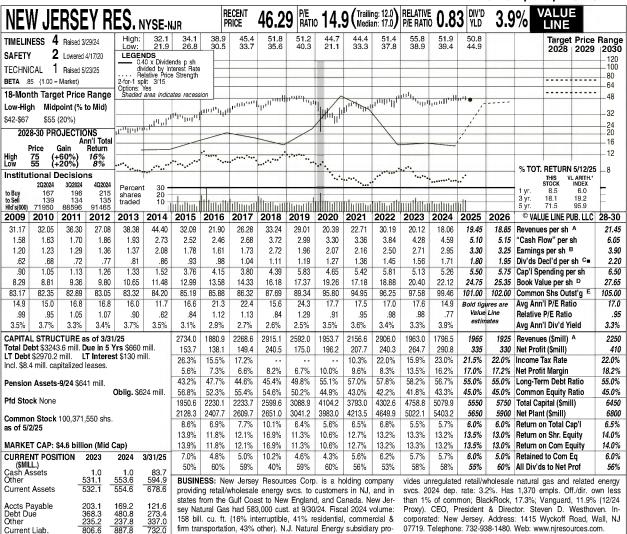
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firm transportation, 43% other). N.J. Natural Energy subsidiary pro-Resources New Jersey

07719. Telephone: 732-938-1480. Web: www.njresources.com.

to '28-'30 2.5% 5.0% 5.0% 6.5% 5.0% Earnings 7.0% 7.0% 7.0% 5.0% Dividends Book Value Fiscal QUARTERLY REVENUES (\$ mill.) A Dec.31 Mar.31 Jun.30 Sep.30 675.9 9123 552.3 2906.0 765.5 644.0 264.1 331.3 1963.0 723.6 467.2 657.9 395.8 488.4 913.0 280 283.6 1965 480 750 350 345 1925 Full Fisca Year EARNINGS PER SHARE AB Dec.31 Mar.31 Jun.30 Sep.30 .69 1.36 d.04

331%

Past

10 Yrs

480%

5 Yrs. -5.0%

Past Est'd '22-'24

1000%

Fix. Chg. Cov.

of change (per sh)
Revenues
"Cash Flow"

ANNUAL RATES

2022 2023 2024 2025 2026 Fiscal Year Ends 2022 2023 1.14 1.16 .10 .31 2.71 d.09 2024 74 1.41 89 2 95 1.78 1.28 Nil 2025 3.30 1.65 .10 .40 QUARTERLY DIVIDENDS PAID C = Calendar Mar.31 Jun.30 Sep.30 Dec.31 Year 2021 .3325 .3325 .3325 .3625 1.36 2022 .3625 .3625 .3625 .3625 1.45 .39 2023 2024 .42 .42 .42 .45 2025 .45 .45

strong financial and operational results in the second quarter of fiscal 2025. (Year ends September 30th.) Favorable winter conditions and effective execution across its business portfolio led to a significant outperformance of both our topand bottom-line estimates. Revenues advanced 40%, to \$913 million, while earnings per share jumped 26% to \$1.78. Principally, the utility's operations benefited from new rates following a recent base rate case settlement. Too, a gain realized on the sale of the company's residential solar portfolio at Clean Energy Ventures added to the earnings outperformance. Although the macroeconomic environment reflected some volatility during the period, and the company had to contend with policy uncertainty in energy markets, we view this result as a strong business-asusual performance, reflecting NJR's solid fundamental market approach

We've raised our fiscal 2025 full-year targets, reflecting a strong first half. With the remaining two fiscal quarters consisting of the gas utility's low season, we have a measure of confidence in our full year top- and bottom-line targets of \$1.965 billion and \$3.30, respectively. The latter is near the high end of management's guidance range. We expect fiscal 2026 results will be

mostly flat. Thanks to a weather tailwind in fiscal 2025, the comparison may be challenging and we expect a soft reset, with both revenues and earnings coming in a bit lower, overall. Operationally, this would reflect the steady advance of NJR's core business verticals.

Long-term growth prospects defined by several key factors. NJR maintains a solid financial position, with manageable leverage and a strong regional economy as its foundation. Much of the growth we envision is a result of capital spending already planned for the next two years, with infrastructure modernization, energy efficiency and renewable initiatives all representing avenues for expansion.

The stock offers a solid long-term return profile, bolstered by regulated businesses that add a measure of growth potential, compared to pure-play utilities. Earl B. Humes May 23, 2025

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtty. revenues and egs. may not sum to total due to rounding and change in shares outstanding. Next earnings

report due early August.
(C) Dividends historically paid in early Jan., April, July, and October. Dividend reinvest-ment plan available.

(D) Includes regulatory assets in 2024: \$612.6 million, \$6.16/share. (E) In millions, adjusted for 3/15 split.

Company's Financial Strength Stock's Price Stability Price Growth Persistence 40 Earnings Predictability

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| NISOURCE INC.

 | NYSE- | ·NI |
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P | ECENT
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an: 21.0) | RELATIVE
P/E RATIO | | 3 DIV'D
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--|--|--|
| IMELINESS 4 Lowered 5/2/25

 | High:
Low: | 44.9
32.1 | 49.2
16.0
 | 26.9
19.0 | 27.8
21.7 | 28.1
22.4 | 30.7
24.7 | 30.5
19.6
 | 27.8
21.1 | 32.6
23.8 | 29.0
22.9 | 38.6
24.8 | 41.4
35.5
 | | | | Price |
 |
| AFETY 2 Raised 2/23/24

 | LEGEN | |
 | 13.0 | 21.7 | 22.4 | 24.7 |
 | 21.1 | 20.0 | 22.5 | 24.0 | 55.5
 | | | 2028 | 2029 | 203
 |
| ECHNICAL 1 Raised 5/16/25

 | div | rided by In | iterest Rate
e Strength
 | | | | |
 | | | | |
 | | | | | +80
 |
| ETA .85 (1.00 = Market)

 | Options: \ | res | | |
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 | | | | |
 | | | | | -60
-50
 |
| 8-Month Target Price Range

 | | area indici | E
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 | | | | | 40
 |
| ow-High Midpoint (% to Mid)
28-\$45 \$37 (-5%)

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 | ابهامنان | 111111111111111111 | ուրուդր | Jain! |
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25
 |
| 2028-30 PROJECTIONS

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 |
| Ann'l Total
Price Gain Return

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 | | | | |
 | | | | | 15
 |
| iah 55 (+45%) <i>12%</i>

 | | | | |
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 | | | | | 10
7.5
 |
| ow 40 `(+5%) <i>5%</i>
nstitutional Decisions

 | | |
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 | | % TOT. | RETURN
THIS V | 5/12/25
L ARITH.* |
 |
| 2Q2024 3Q2024 4Q2024

 | Percent | | | |
 | | | | |
 | - ***** * | | | |
 | | 1 yr. | STOCK
37.8 | INDEX
6.0 | _
 |
| o Buy 328 334 383
o Sell 249 286 288
lld's(000) 439719 484273 493671

 | shares
traded | 20 -
10 ₁₁ | ntritt Ht
 | | | | |
 | | | | | #
 | | 3 yr.
5 yr. | 43.6
100.1 | 19.2
95.9 | F
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| Ild's(000) 439719 484273 493671
2009 2010 2011 2012

 | 2013 | 2014 | 2015
 | 2016 | 2017 | 2018 | 2019 | 2020
 | 2021 | 2022 | 2023 | 2024 | 2025
 | 2026 | | UE LINE P | | 28-30
 |
| 24.02 22.99 21.33 16.31

 | 18.04 | 20.47 | 14.58
 | 13.90 | 14.46 | 13.74 | 13.63 | 11.95
 | 12.09 | 14.20 | 12.31 | 11.61 | 13.15
 | 13.50 | Revenue | es per sh | | 15.0
 |
| 2.96 3.19 2.98 3.13

 | 3.41 | 3.60 | 2.27
 | 2.71 | 2.07 | 2.86 | 3.17 | 3.15
 | 3.26 | 3.56 | 3.63 | 3.97 | 4.10
 | 4.15 | | low" per s | | 5.3
 |
| .84 1.06 1.05 1.37
.92 .92 .92 .94

 | 1.57 | 1.67
1.02 | .63
.83
 | 1.00 | .39 | 1.30 | 1.31 | 1.32
 | 1.37 | 1.47 | 1.60 | 1.75
1.06 | 1.90
1.12
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1.20 | | spersh /
cl'dpers | | 2.5
1.4
 |
| 2.81 2.88 3.99 4.83

 | 5.99 | 6.42 | 4.26
 | 4.57 | 5.03 | 4.88 | 4.72 | 4.49
 | 4.53 | 5.35 | 5.91 | 5.56 | 5.50
 | 6.00 | Cap'l Sp | ending pe | er sh | 7.0
 |
| 17.54 17.63 17.71 17.90
276.79 279.30 282.18 310.28

 | 18.77
313.68 | 19.54
316.04 | 12.04
319.11
 | 12.60
323.16 | 12.82
337.02 | 13.08
372.36 | 13.36
382.14 | 12.44
391.76
 | 13.33
405.30 | 14.63
412.14 | 17.40
447.38 | 22.71
469.82 | 23.30
480.00
 | 23.25
500.00 | | lue per sh
n Shs Out | | 25.1
525.1
 |
| 14.3 15.3 19.4 17.9

 | 18.9 | 22.7 | 37.3
 | 23.2 | NMF | 19.3 | 21.3 | 18.7
 | 18.0 | 19.6 | 16.8 | 17.5 |
 | ures are | | 'I P/E Rat | - | 19.
 |
| .95 .97 1.22 1.14

 | 1.06 | 1.19 | 1.88
 | 1.22 | NMF | 1.04 | 1.13 | .96
 | .97 | 1.13 | .93 | .97 |
 | Line | Relative | P/E Ratio |) | 1.0
 |
| 7.6% 5.7% 4.5% 3.8%

 | 3.3% | 2.7% | 3.5%
 | 2.8% | 2.8% | 3.1% | 2.9% | 3.4%
 | 3.6% | 3.3% | 3.7% | 3.5% |
 | | | 'I Div'd Yi | ield | 3.0
 |
| CAPITAL STRUCTURE as of 3/31
otal Debt \$14885 mill. Due in 5 Y

 | | mill. | 4651.8
198.6
 | 4492.5
328.1 | 4874.6
128.6 | 5114.5
478.3 | 5208.9
549.8 | 4681.7
562.6
 | 4899.6
626.3 | 5850.6
648.2 | 5505.4
716.3 | 5455.1
798.6 | 6300
915
 | | Revenue
Net Prof | | | 821
134
 |
| T Debt \$12833 mill. LT Interes

 | t \$550 mi | ill. | 41.6%
 | 35.7% | 71.0% | 19.7% | 17.0% | 18.3%
 | 15.7% | 16.5% | 17.8% | 17.9% | 19.0%
 | | Income | | - | 19.0
 |
| Interest cov. earned: 5.5x) (54

 | % of Cap' | 1) |
 | | | | |
 | | | 3.0% | 3.3% | 3.0%
 | _ | | % to Net F | | 3.0
 |
| eases, Uncapitalized Annual ren
Pension Assets-12/23 \$1.3 bill. Ol

 | | | 60.7%
39.3%
 | 59.8%
40.2% | 63.5%
36.5% | 55.3%
37.9% | 56.8%
36.9% | 61.6%
32.5%
 | 56.9%
33.5% | 55.7%
35.3% | 57.2%
40.3% | 54.0%
46.0% | 54.0%
46.0%
 | | | rm Debt R
1 Equity R | | 55.0
45.0
 |
| ension Assets-12/23 \$1.0 bill. Of

 | blig. or.o | DIII. | 9792.0
 | 10129 | 11832 | 12856 | 13843 | 14972
 | 16131 | 17099 | 19325 | 24294 | 24300
 | | | pital (\$mil | | 300
 |
|

 | | | 12112
 | 13068 | 14360 | 15543 | 16912 | 16620
 | 17882 | 19843 | 22275 | 27044 | 27045
 | | Net Plan | | <i>'</i> | 353.
 |
| Common Stock 470,702,914 shs.

 | | | 4.0%
5.2%
 | 5.0%
8.1% | 2.6% | 5.1%
8.3% | 5.3%
9.2% | 5.0%
9.8%
 | 4.9%
9.0% | 3.8%
8.6% | 3.4%
7.1% | 3.5%
7.5% | 4.0%
8.0%
 | 4.0%
8.5% | | n Total C
n Shr. Eq | | 4.5
10.0
 |
| s of 4/30/25

 | | | 5.2%
 | 8.1% | 3.0% | 9.6% | 9.7% | 10.4%
 | 10.6% | 10.7% | 7.1% | 7.5% | 8.0%
 | 8.5% | | n Com Ed | | 10.0
 |
| MARKET CAP: \$18.0 billion (Larg

 | | | NMF
 | 3.0% | NMF | 4.0% | 3.8% | 3.8%
 | 4.2% | 3.6% | 2.8% | 3.0% | 3.5%
 | 3.5% | Retained | l to Com I | Ėq | 4.5
 |
| CURRENT POSITION 2023

 | 2024 | 3/31/25 | NMF
 | 63% | NMF | 60% | 64% | 67%
 | 64% | 64% | 63% | 61% | 59%
 | 60% | All Div'd | s to Net P | rof | 57
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| Cash Assets 2245.4

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ner rren	nt Liab.			314.8 649.0	263.3 514.0			n. Owns										t: www.n			iiu,
	ng. Cov.		240%	410%	665%			st Na										be m			
	AL RATE le (per sh)	S Past 10 Yrs.		st Est'd	'21-'23 '28-'30									and late							
veň	ues Flow"	1.5	3.	5%	4.5% 5.0%	by t	he res	sõlutio	on of	regula	atory	lag ir	n the	in 20	25, gr	owth	will p	orobab	ly be	limit	eċ
rnin idei	gs	1.0	% 25.		6.5% .5%	last	Orego	on ga	s util	lity ra	ate ca	ise, w	vhich	just o	ver 3	% in	2026.	The c	ompa	ny ha	ıs
	/alue	2.0		5%	4.0%	adva	nced	a rer	narka	ble 3	5% to	\$2.2	28 in	seeki	ng a	reven	ue inc	rease	of $\$6$	30 mi	lli
al-			VENUES (Sep.30		Full									or 5.							
lar 22	350.3	195.0	116.8	375.3	Year 1037.4									tione cycle.							
23	462.4	237.9	141.5	355.7	1197.5	few	years.	, whil	e sea	sonal	stren	gth in	igas	force	ment	across	sthe	main	gas ı	ıtility	7 8
	433.5 494.3	211.7 230	136.9 150	370.9 380.7	1153.0 1255	tome	and b	oosteo wth a	d the	resul	t. Or ilities	ganıc adde	cus-	grows	ıng n dam	umbe	er of to m	subs Iultinl	idiari e sm	es, v aller	vh r
24	535	250	165	410	1360	to re	oughly	7.2.2%	, whi	le the	e total	coun	ıt in-	adjus	tment	s. Al	so, al	thoug	h the	com	p
24 25			ER SHARI Sep.30		Full Year									is lik							
24 25 26 al-	Mar.31	.05	d.56	1.36	2.54									ready							
24 25 26 al- dar 22	1.80		d.65 d.71	1.21 1.41	2.59									proje expe							
24 25 26 al- dar 22 23	1.80 2.01	.03 d 07		1.27	3.00	expa cals	over	the	пеw g past	geogra few v	ршes years.	inclu	iding	pany	s grov	e mu vth ov	rative ver the	ະຣິເບີຊ e 3- to	as ur 5-vea	rs.	CC
24 25 26 al- lar 22 23 24 25	1.80 2.01 1.69 2.28	d.07 . 05	d.60		3.10	wate	r and	wast	ewate	r, to h	ielp d	iversit	fy its	Nort	\mathbf{hwes}	t's m	ulti-fa	acete	d app	oroac	h
24 25 26 al- dar 22 23 24 25 26	1.80 2.01 1.69 2.28 2.35	d.07 . 05 . 05	d.60 d.65	1.35 AID B =		opera								rein with							
24 25 26 al- dar 22 23 24 25 26 al-	1.80 2.01 1.69 2.28 2.35	d.07 . 05 . 05 TERLY DIV	d.60	AID B =	Full Year			, 1				earı	nings	from	the						
24 25 26 al- dar 22 23 24 25 26 al- dar 225 26	1.80 2.01 1.69 2.28 2.35 QUAR Mar.31	d.07 . <i>05</i> . <i>05</i> TERLY DIV Jun.30	d.60 d.65 /IDENDS PA Sep.30 .48	AID ^B ■ Dec.31 .483	Year 1.92	2025 unde	rpin														
224 225 226 221 222 223 224 225 226 226 221 221	1.80 2.01 1.69 2.28 2.35 QUAR Mar.31 .48	d.07 .05 .05 TERLY DIV Jun.30 .48 .483	d.60 d.65 /IDENDS PA Sep.30 .48 .483	AID B = Dec.31 .483 .485	1.92 1.93	2025 unde recov	rpin æry	we h	ave	envisi						sider	ation,	with	regul	atory	<i>e</i>
224 225 226 221 222 223 224 225 226 221 221 222 223 224	1.80 2.01 1.69 2.28 2.35 QUAR Mar.31	d.07 . <i>05</i> . <i>05</i> TERLY DIV Jun.30	d.60 d.65 /IDENDS PA Sep.30 .48	AID ^B ■ Dec.31 .483	Year 1.92	2025 unde recov man	rpin æry ageme	we h ent ex	ave cpects	envisi that	expa	nsion	into	opera	itional	nsider l com	ation,	with	regul	atory	<i>e</i>
124 125 126 126 127 122 123 124 125 126 127 121 122 123 124 122 123 124 125 126	1.80 2.01 1.69 2.28 2.35 QUAR Mar.31 .48 .483 .485	d.07 .05 .05 TERLY DIV Jun.30 .48 .483 .485	d.60 d.65 /IDENDS PA Sep.30 .48 .483 .485	AID B = Dec.31 .483 .485 .488	1.92 1.93 1.94	2025 unde recov mans wate	erpin zery ageme r and	we h ent ex	ave spects SiEn	envisi that ergy	expa acqui	nsion sition	into	opera	itional	nsider l com nds.	ation,	with	regul tentia	atory	r e ere
024 125 126 127 122 123 124 125 121 122 123 124 125 125 125 125 125 125 125 125 125 125	1.80 2.01 1.69 2.28 2.35 QUAR Mar.31 .48 .483 .485 .488	d.07 .05 .05 TERLY DIV Jun.30 .48 .483 .485 .488 .49	d.60 d.65 /IDENDS P. Sep.30 .48 .483 .485 .488	AID B = Dec.31 .483 .485 .488 .49	1.92 1.93 1.94 1.95	2025 underecov mana wate add	erpin very ageme r and rough	we hent exel the ly \$0.5	ave spects SiEn 25 - \$6	envisi that ergy 0.30 p bruary,	expa acqui er sha (D) Inclu	nsion sition ire. des intan	into will	opera	itiona. eadwi <i>B. Hu</i>	nsider l com nds. <i>mes</i>	ation, plexit	with ies po	regul stentia <i>Ma</i> y Strengt	atory ally c	7 e ere 20.
24 25 26 al- dar 22 23 24 25 26 al- dar 21 22 23 24 25 25 Dilut 1 rring sum	1.80 2.01 1.69 2.28 2.35 QUAR Mar.31 .48 .485 .488 .49	d.07 .05 .05 .05 TERLY DIV Jun.30 .48 .483 .485 .488 .49 ngs per s '08, (\$0.0 ounding.	d.60 d.65 /IDENDS Pr Sep.30 .48 .483 .485 .488	AID B = Dec.31 .483 .485 .488 .49 cludes no \$0.06; M	1.92 1.93 1.94 1.95	2025 unde recov mans wate add : Dividends , August, vidend rei	erpin very ageme r and rough historica and Nov investme	we hent ext the ly \$0.5 ally paid in rember.	ave spects SiEn 25 - \$0 n mid-Fel	envisi that ergy 0.30 p bruary,	expa acqui er sha	nsion sition ire. des intan	into will	opera ing h <i>Earl</i>	itiona. eadwi <i>B. Hu</i>	nsider l com nds. mes n, Cor Sto Pric	ation, plexit npany's ck's Pric	with ies po Financia e Stabilit h Persist	reguletentia May Strengt	atory ally c	re
24 25 26 21- 22 23 24 25 26 21- 22 23 24 25 26 27 27 28 29 29 20 20 20 20 20 20 20 20 20 20 20 20 20	1.80 2.01 1.69 2.28 2.35 QUAR Mar.31 .48 .483 .485 .489 .49 ted earning titems: due to r adupt Aug	d.07 .05 .05 .05 TERLY DIV Jun.30 .48 .483 .485 .488 .49 ngs per s '08, (\$0.0 ounding.	d.60 d.65 /IDENDS P/ Sep.30 .48 .483 .485 .488 share. Exc	AID B = Dec.31 .483 .485 .488 .49 cludes no \$0.06; Maings reposit	1.92 1.93 1.94 1.95 on- ay May ort Di (C)	2025 underecov man: wate add: Dividends , August, vidend rein millions	rpin very ageme r and rough historica and Nov investme	we hent executives the ly \$0.5 ally paid in rember. In plan a	ave spects SiEn 25 - \$0 n mid-Fel vailable.	envisi that tergy 0.30 p	expa acqui er sha (D) Indu \$4.60/sha	nsion sition are. des intan are.	into will gibles. In	opera ing h Earl	tiona eadwi <i>B. Hu</i> 84 millio	nsider l com nds. mes n, Cor Sto Pric	ation, plexit npany's ck's Pric	with ies po Financia e Stabilit	reguletentia May Strengt	atory ally c	r

EXHIBIT NO. DD-2

WITNESS: D'ASCENDIS

DOCUMENT NO. 3

PAGE 7 OF 9

ONE GAS, INC. N	YSE-ogs		RI	ECENT RICE	74.60	P/E RATIO	۰ 17 .:	3 (Traili Medi	ng: 18.0) an: 21.0)	RELATIVI P/E RATI		7 DIV'D YLD	3.6	% VALUE LINE	
TIMELINESS 3 Raised 5/23/25	High: 44.3 Low: 31.9		67.4 48.0	79.5 61.4	87.8 62.2	96.7 75.8	97.0 63.7	81.9 62.5	92.3 68.9	84.3 55.5	78.9 57.7	82.3 66.4		Target Pr 2028 20	
SAFETY 2 New 6/2/17	LEGENDS 35.00 x Divis						_							2028 20	
	Options: Yes	ce Strength													200
BETA .80 (1.00 = Market)	Shaded area indic	:ates recess	ion												
8-Month Target Price Range ow-High Midpoint (% to Mid)						_{terre} ach	1	-111	11 ¹¹ 11111111111111111111111111111111	11,111,11					100
50-\$89 \$70 (-5%)			111111111111111111111111111111111111111	1111111111	11111111111		- Tanalii	րլ ^{որո} րի	. 111	1	րութ	lini a			-60
2028-30 PROJECTIONS		اللبسيالا													50 40
Ann'i Total Price Gain Return	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1-													30
ligh 110 (+45%) <i>13%</i> Low 80 (+5%) <i>5%</i>				.,,,,,,,,,		····.	-								
nstitutional Decisions			,											% TOT. RETURN 5/1	ITH.*
2Q2024 3Q2024 4Q2024 o Buy 143 152 174	Percent 21 = shares 14						1			1 1		: 1		1 yr. 20.8 6	.0
Sell 160 146 124 Id's(000) 53086 62020 63204	traded 7		Himit											3 yr2.7 19 5 yr. 13.2 95	
The shares of ONE Gas, Inc		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB.	
ng "regular-way" on the Nev Exchange on February 3, 201		29.62 4.82	27.30 5.43	29.43 5.96	31.08 6.32	31.32 6.96	28.78 7.36	33.72 7.71	46.58 8.13	41.95 9.04	34.80 8.68	37.65 9.45	38.80 9.85	Revenues per sh "Cash Flow" per sh	55. 11.
ened as a result of the s			2.65	3.02	3.25	3.51	3.68	3.85	4.08	4.14	3.91	4.30		Earnings per sh A	5.
NEOK's natural gas distributi			1.40	1.68	1.84	2.00	2.16	2.32	2.48	2.60	2.64	2.68	2.72		
Regarding the details of the sp ary 31, 2014, ONEOK dis		5.63 35.24	5.91 36.12	6.81 37.47	7.50 38.86	7.91 40.35	8.87 42.01	9.23 43.81	11.01 46.69	11.79 48.91	11.74 51.85	11.65 53.75	11.60 55.50	Cap'l Spending per s Book Value per sh	h 11. 56.
hare of OGS common stock			52.28	52.31	52.57	52.77	53.17	53.63	55.35	56.55	59.88	61.50		Common Shs Outst'g	
hares of ONEOK common s			22.7	23.5	23.1	25.3	21.7	18.9	19.9	18.0	17.0	Bold tig		Avg Ann'l P/E Ratio	18
NEOK shareholders of reco lose of business on January			1.19	1.18 2.4%	1.25 2.5%	1.35 2.3%	1.11	1.02 3.2%	1.15 3.1%	1.01 3.5%	.90 4.0%	Value estin		Relative P/E Ratio Avg Ann'l Div'd Yield	1. 3.1
e mentioned that ONEOK of	did not retain		1427.2	1539.6	1633.7	1652.7	1530.3	1808.6	2578.0	2372.0	2083.6	2315	2445	Revenues (\$mill)	38
ny ownership interest in the ne	ew company.	119.0	140.1	159.9	172.2	186.7	196.4	206.4	221.7	231.2	222.9	260			3
APITAL STRUCTURE as of 3/31/2 otal Debt \$3212.1 mill. Due in 5 Yr		38.0%	37.8%	36.4%	23.7%	18.7%	17.5%	16.3%	17.3%	14.9%	14.0%	17.5%	17.5%		20.0
T Debt \$2370.4 mill. LT Interest	t \$145.0 mill.	7.7%	9.8%	10.4% 37.8%	10.5% 38.6%	11.3% 37.7%	12.8% 41.5%	11.4% 61.1%	8.6% 50.7%	9.7%	10.7% 43.5%	11.2% 43.0%	11.5% 43.0%	Net Profit Margin Long-Term Debt Ratio	9.6
.T interest earned: 2.8x; total intere overage: 2.8x)	est	60.5%	61.3%	62.2%	61.4%	62.3%	58.5%	38.9%	49.3%	56.2%	56.5%	57.0%		Common Equity Ratio	
eases, Uncapitalized Annual renta	als \$5.9 mill.	3042.9	3080.7	3153.5	3328.1	3415.5	3815.7	6032.9	5246.2	4926.3	5489.8	5800		Total Capital (\$mill)	72
rfd Stock None rension Assets-12/24 \$904.9 mill.		3511.9 4.7%	3731.6 5.2%	4007.6 5.8%	4283.7 5.9%	4565.2 6.4%	4867.1 6.0%	5190.8 3.9%	5628.8 5.0%	6135.2 5.9%	6645.9 5.4%	7050 6.0%	7400 6.0%		85 6.5
Oblig. \$882	2.1 mill.	6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	8.8%	8.6%	8.4%	7.2%	8.0%	8.0%	Return on Shr. Equity	
common Stock 59,930,528 shs. s of 4/28/25		6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	8.8%	8.6%	8.4%	7.2%	8.0%	8.0%		
MARKET CAP: \$4.5 billion (Mid Ca CURRENT POSITION 2023	ap) 2024 3/31/25	3.1% 53%	3.5% 52%	3.7% 55%	3.7% 56%	3.8% 56%	3.7% 58%	3.5% 60%	3.4% 60%	3.2% 62%	2.4% 67%	3.0% 63%	3.0% 61%	Retained to Com Eq All Div'ds to Net Prof	4.0 55
(\$MILL) cash Assets 18.8 bither 746.4 8 current Assets 765.2 9 ccts Payable 278.1 2	58.0 19.3 371.9 736.9 329.9 756.2 261.3 175.9 343.6 841.7	ices to Oklaho ice. Th	more tha ma Natur e compar	an two m ral Gas, I ny purcha	nc. provid illion cust Kansas G used 149 2023. Tota	omers. T as Servio Bcf of na	There are ce, and T atural gas	three di exas Ga supply i	visions: s Serv- n 2024,	ployees Group, directors	. BlackRo 11.6%; <i>A</i> s, 1.2%	ock owns American (4/25 F	14.5% Century Proxy). C	ONE Gas has around of common stock; The Investment, 8.0%; CEO: Robert S. Mc.	e Vangua officers ar Annally. I
Other $\frac{310.2}{1477.2}$ $\frac{2}{14}$	253.4 158.3 1277.4 325% 335%	(fiscal :	2024): tra E Gas	ensportati got c	on, 60.7% off to a	; resider an au	ntial, 28.0 ıspici	6%; commons	nercial tart	homa 7	4103. Tel a man	.: 918-94 .ageab	i7-7000. ole 43°	Internet: www.onegas % of total cap	.com. ital an
NNUAL RATES Past Past f change (per sh) 10 Yrs. 5 Yrs.	t Est'd '22-'24 to '28-'30				uarte to \$									gs of \$841.7 a big hurdle.	
Revenues 1.5% 6.0	0% 5.0%	prior	r-year	tally	of \$	1.75.	That	stem	med	comp	any s	hould	conti	nue to handle	
arnings 7.0% 4.5	5% 4.5%				enefits ting									fficulty. . expenditur	es in
Dividends 12.0% 7.0 Book Value 3.5% 5.0		resid	dential	l sales	s, which	ch rei	flected	l net	cus-	clud	ing a	sset	remo	oval costs, a	re ex
Cal- QUARTERLY REVENUES (\$		tome Texa			in bo									g hly \$750 n rately below tl	
ndar Mar.31 Jun.30 Sep.30					crease									ion.) The maj	
	818 2 12578 0				ents, p	rovid	ed sor	newha	at of	the b	udget	is de	evoted	d to system in	ntegrit
971.5 428.9 359.4 1023 1032.1 398.1 335.8	818.2 2578.0 606.0 2372.0					good								ement projec at the energ	
1022 971.5 428.9 359.4 1023 1032.1 398.1 335.8 1024 758.3 354.1 340.4	606.0 2372.0 630.8 2083.6	an	offset	to			limbe	d afi	trin-						
022 971.5 428.9 359.4 023 1032.1 398.1 335.8 024 758.3 354.1 340.4 025 935.2 375 350	606.0 2372.0	an empl utab	offset loyee-1 le, to	to relate a cer	d cos tain de	ts c egree,	, to pl	anne	d in-	proje		tal sp		ng to be \$4.0	billio
0022 971.5 428.9 359.4 0023 1032.1 398.1 335.8 0024 758.3 354.1 340.4 025 935.2 375 350 0026 925 415 380 Cal- EARNINGS PER SHARE	606.0 2372.0 630.8 2083.6 654.8 2315 725 2445	an empl utab vesti	offset loyee-1 le, to ments	to related a cert in	d cos tain de the co	ts c egree, ompai	, to pl ny's v	anneo vorkfo	d in- orce.	proje betwe	een 20	tal sp 025 a	nd 20	029, with arou	์ billio ınd th
002 971.5 428.9 359.4 003 1032.1 398.1 335.8 004 758.3 354.1 340.4 0025 935.2 375 350 006 925 415 380 Cal- ndar EARNINGS PER SHARE Mar.31 Jun.30 Sep.30	606.0 2372.0 630.8 2083.6 654.8 2315 725 2445 A Full Dec.31 Year	an empl utab vestr Still	offset loyee-1 le, to ments , it so	to related a cert in eems	d costain de the co that	ts c egree, ompai full-ye	, to pl ny's v ear p	anneo vorkfo rofits	d in- orce. will	project betwee same	een 20 perc	tal sp 025 a centag	nd 20 ge of		billio ind thated t
0022 971.5 428.9 359.4 0023 1032.1 398.1 335.8 0024 758.3 354.1 340.4 0025 935.2 375 350 0026 925 415 380 Caldar Mar.31 Jun.30 Sep.30 022 1.83 .59 .44 0023 1.84 .58 .45	606.0 2372.0 630.8 2083.6 654.8 2315 725 2445 A Full Pear.31 4.08 1.27 4.14	an empl utab vesti Still grow \$3.9	offset loyee-1 de, to ments , it so 7 10%, 1 tota	to related a cert in eems to \$4 ll. Tur	d costain de the co that : 1.30 a	ts c egree, ompar full-ye share to 20	, to pl ny's v ear pr e, vers 26, tl	anned vorkfor rofits sus 20 ne bot	d in- orce. will 024's ctom	projective same where seem	een 20 perce e the achie	tal sp 025 a centag y are evable	nd 20 ge of at p assu	929, with arou funds alloca present. Thes ming, of cours	billio und thated t e goal se, tha
0022 971.5 428.9 359.4 0023 1032.1 398.1 335.8 0024 758.3 354.1 340.4 0025 935.2 375 350 0026 925 415 380 Caldard Mar.31 Jun.30 Sep.30 002 1.83 .59 .44 023 1.84 .58 .45 0024 1.75 .48 .34	606.0 2372.0 630.8 2083.6 654.8 2315 725 2445 A Full Dec.31 Year 1.23 4.08 1.27 4.14 1.34 3.91	an empl utab vestr Still, grow \$3.9 line	offset loyee-1 le, to ments , it so 7 10%, 1 tota might	to related a cert in to eems to \$4 cl. Tur rise a	d costain de the co that : 4.30 a ming at a sle	ts c egree ompai full-ye share to 20 ower	, to pl ny's v ear pr e, vers 26, th (thoug	anned vorkforofits sus 20 ne bot gh stil	d in- orce. will 024's ctom ll re-	projective same where seem the b	een 20 perce e the achie alance	tal sp 025 a centag y are evable e shee	nd 20 ge of at p assu et rem	929, with arou funds alloca present. Thes ming, of cours ains in solid s	billio and th ated t e goal se, tha shape.
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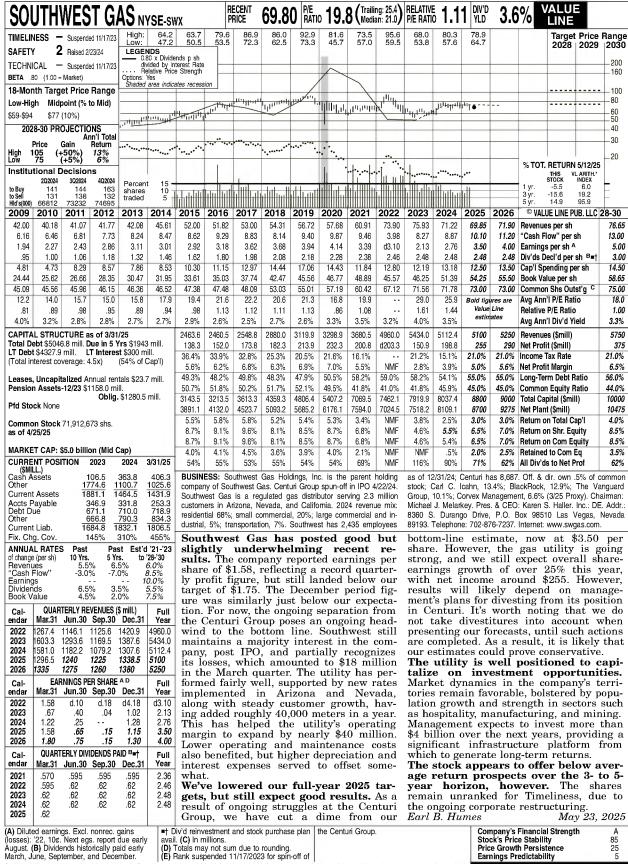


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SPIRE INC. NYSE-S	SR				ECENT RICE	72.1	9 P/E RATI	17.	4 (Traili Medi	ng: 17.8 an: 18.0)	P/E RATIVE		7 DIV'D	4.4	·%	/ALUI LINE		
IMELINESS 3 Raised 5/23/25	High: Low:	55.2 44.0	61.0 49.1	71.2 57.1	82.9 62.3	81.1 60.1	88.0 71.7	88.0 50.6	77.9 59.3	79.2 61.5	75.8 53.8	73.6 56.4	79.8 65.1				Price 2029	Rang ∣203
AFETY 2 Raised 6/20/03	LEGE	NDS	lends p sh					_								2020	2029	
ECHNICAL 1 Raised 5/16/25	Options:	elative Price Yes	e Strength															—16 —12
ETA .80 (1.00 = Market)	Shaded	area indica	ates recess	ion														 10
8-Month Target Price Range ow-High Midpoint (% to Mid)				րոյինու	arda _{lari}	իրուսու		' '	111111111111111111111111111111111111111	,, ^[]]]]	1411 ₁₁₁	 	T'T -					80 60
55-\$90 \$73 (0%)		111111111111	11,,,,,11,111					///			1111	12141						50 40
2028-30 PROJECTIONS																		30
Ann'l Total Price Gain Return				•														20
ligh 105 (+45%) <i>13%</i> ow 8 0 (+10%) <i>7%</i>			****			• •		٠.,			****				0/ TOT	DETUDN	EHOIDE	_18
nstitutional Decisions											*•				/6 TO 1.	THIS V STOCK	L ARITH.*	
2Q2024 3Q2024 4Q2024 Buy 160 159 181	Percent shares	12 ¬		or b. Li	1.	Juli		Julata	البابيانا	اران الل	.1.11111	1111111111	ш		1 yr. 3 yr.	22.2 10.3	6.0 19.2	F
o Sell 108 130 133 Ild's(000) 49797 57334 58958	traded	6													5 yr.	28.8	95.9	
2009 2010 2011 2012 85.49 77.83 71.48 49.90	2013 31.10	2014 37.68	2015 45.59	2016 33.68	2017 36.07	2018 38.78	2019 38.30	2020 35.96	2021 43.24	2022 41.88	2023 50.12	2024 44.94	2025 40.60	2026 41.15		UE LINE P es per sh		28-3 47
4.56 4.11 4.62 4.58	3.12	3.87	6.15	6.16	6.54	7.55	7.12	5.25	9.09	8.44	8.60	8.92	9.10	9.45		low" per:		10.
2.92 2.43 2.86 2.79	2.02	2.35	3.16	3.24	3.43	4.33	3.52	1.44	4.96	3.95	3.85	4.19	4.05	4.25		s per sh		5
1.53 1.57 1.61 1.66 2.36 2.56 3.02 4.83	1.70 4.00	1.76 3.96	1.84 6.68	1.96 6.42	2.10 9.08	2.25 9.86	2.37 16.15	2.49 12.37	2.60 12.09	2.74 10.52	2.88 12.45	3.02 14.93	3.14 14.00	14.40		ecl'd per ending p		12
23.32 24.02 25.56 26.67	32.00	34.93	36.30	38.73	41.26	44.51	45.14	44.19	46.74	49.08	50.29	51.83	55.50	55.80	Book Va	lue per sl	η D	57
22.17 22.29 22.43 22.55 13.4 13.7 13.0 14.5	32.70 21.3	43.18 19.8	43.36 16.5	45.65 19.6	48.26 19.8	50.67 16.7	50.97 22.8	51.60 51.1	51.70 13.6	52.50 17.5	53.20 17.3	57.70 14.6	60.00 Bold figi	62.00		n Shs Out 'I P/E Rat		72 1
.89 .87 .82 .92	1.20	1.04	.83	1.03	1.00	.90	1.21	2.62	.73	1.01	1.00	.76	Value	Line		P/E Ratio		,
3.9% 4.7% 4.3% 4.1%	4.0%	3.8%	3.5%	3.1%	3.1%	3.1%	3.0%	3.4%	3.8%	4.0%	4.3%	4.9%	estin	ates	Avg Ann	'l Div'd Y	ield	4.
APITAL STRUCTURE as of 3/31 otal Debt \$4756.0 mill. Due in 5 \		0 mill	1976.4	1537.3	1740.7	1965.0	1952.4	1855.4	2235.5	2198.5	2666.3	2593.0	2435			es (\$mill)	A	3
Debt \$3348.5 mill. LT Interes			136.9 31.2%	144.2 32.5%	161.6 32.4%	214.2	184.6 15.7%	88.6 12.3%	271.7	220.8	217.5 15.1%	250.9 19.0%	245 19.5%		Net Prof Income			23.
otal interest coverage: 2.5x)			6.9%	9.4%	9.3%	10.9%	9.5%	4.8%	12.2%	10.0%	8.2%	9.7%	10.1%	10.4%	Net Prof	it Margin		11.
eases, Uncapitalized Annual ren	tale ¢0 g	mill	53.0% 47.0%	50.9% 49.1%	50.0% 50.0%	45.7% 54.3%	45.0% 49.7%	49.0% 46.1%	52.5% 43.2%	51.2% 44.6%	54.9% 41.3%	53.4% 43.1%	51.0% 45.0%			rm Debt F 1 Equity F		51. 45.
ension Assets-9/24 \$704.5 mill.			3345.1	3601.9	3986.3	4155.5	4625.6	4946.0	5597.3	5777.0	6471.3	6937.1	7400			pital (\$mi		9.
	blig. \$887 iv'd \$14.8		2941.2	3300.9	3665.2	3970.5	4352.0	4680.1	5055.7	5370.4	5778.9	6243.3	6725		Net Plan		<u>.</u>	8
ommon Stock 59,016,874 shs. s of 4/25/25			5.1% 8.7%	4.9% 8.2%	5.0% 8.1%	6.3% 9.5%	5.1% 7.3%	2.9% 3.5%	5.8% 10.2%	4.9% 7.8%	4.8% 7.5%	5.1% 7.8%	5.0% 7.5%			on Total C on Shr. Eq		5 9.
			8.7%	8.2%	8.1%	9.5%	7.9%	3.2%	10.6%	8.0%	7.6%	7.9%	7.5%			n Com E		9.
ARKET CAP: \$4.3 billion (Mid C			3.7%	3.3%	3.3%	4.7%	2.7%	NMF	5.1%	2.5% 71%	1.9%	2.3% 72%	1.5%			I to Com I		2.
· · · · · · · · · · · · · · · · · · ·	2024	3/31/25	58%	50%	60%	51%									All Div'd			7.
URRENT POSITION 2023		3/31/25 15.2	58% BUSIN	59% FSS: Sn	60% ire Inc. f	51% ormerly k	66%	NMF the Lack	54% ede Grou		76%		83% resident		All Div'd			7.
URRENT POSITION 2023 (\$MILL.) ash Assets 5.6 ther 1071.3	4.5 766.8	15.2 892.6	BUSIN is a hol	ESS: Sp ding con	ire Inc., for the second in th	ormerly k natural g	⊥ known as gas utilitie	the Lack s, which	ede Grou distribute	p, Inc., s natu-	lated op transpor	erations: tation, 5°	resident %; other,	ial, 66%; 5%. Off	commer icers an	cial and d director	industrial	l, 24 2.3%
URRENT POSITION (\$MILL.) 2023 (\$MILL.) 5.6 ash Assets 1071.3 ther 1076.9	4.5 766.8 771.3	15.2 892.6 907.8	BUSIN is a hol ral gas	ESS: Sp ding con across M	ire Inc., f npany for Missouri,	ormerly k natural g including	known as gas utilitie the cities	the Lack s, which of St. Lo	l ede Grou distribute buis and	p, Inc., s natu- Kansas	lated op transpor commor	erations: tation, 5° shares;	resident %; other, BlackR	ial, 66%; 5%. Off ock, 11.9	commer icers and 1%; The	cial and d director Vanguar	industrial rs own 2 d Group	l, 24 2.3%
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EXHIBIT NO. DD-2 WITNESS: D'ASCENDIS

DOCUMENT NO. 4

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Peoples Gas System Indicated Common Equity Cost Rate Through Use of a Risk Premium Model Using an Adjusted Total Market Approach

<u>Line No.</u>		Proxy Group of Eight Natural Gas Companies	Proxy Group of Eight Natural Gas Companies (excl. PRPM)
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.23 %	5.23 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A2 Rated Public		
	Utility Bonds (2)	0.48	0.48
3.	Adjusted Prospective Yield on A2 Rated Public Utility Bonds	5.71 %	5.71 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group (3)	0.06	0.06
5.	Adjusted Bond Yield	5.77 %	5.77 %
6.	Equity Risk Premium (4)	5.00	5.05
7.	Risk Premium Derived Common Equity Cost Rate	%	

Notes: (1) Consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 7 and 8 of this Document).

- (2) The average yield spread of A2 rated public utility bonds over Aaa rated corporate bonds of 0.48% from page 2 of this Document.
- (3) Adjustment to reflect the A3 Moody's LT issuer rating of the Utility Proxy Group as shown on page 4 of this Document. The 0.06% upward adjustment is derived by taking 1/3 of the spread between A2 and Baa2 Public Utility Bonds (1/3*0.19% = 0.06%) as derived from page 2 of this Document.
- (4) From page 5 of this Document.

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<u>Peoples Gas System</u> Interest Rates and Bond Spreads for

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Moody's Corporate and Public Utility Bonds

Selected Bond Yields

[1] [2] [3]

	Aaa Rated	A2 Rated Public	Baa2 Rated Public				
	Corporate Bond	Utility Bond	Utility Bond				
Jun-2025	5.46 %	5.93 %	6.12 %				
May-2025	5.54	6.05	6.23				
Apr-2025	5.45	5.91	6.11				
Average	5.48 %	5.96 %	6.15 %				

Selected Bond Spreads

A2 Rated Public Utility Bonds Over Aaa Rated Corporate Bonds:

0.48 % (1)

Baa2 Rated Public Utility Bonds Over A2 Rated Public Utility Bonds:

0.19 % (2)

Notes:

- (1) Column [2] Column [1].
- (2) Column [3] Column [2].

Source of Information:

Bloomberg Professional Services

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FILED: 07/28/2025

<u>Peoples Gas System</u> Comparison of Long-Term Issuer Ratings for the <u>Proxy Group of Eight Natural Gas Companies</u>

	Long-Term	ody's ssuer Rating 2025	Standard & Poor's Long-Term Issuer Rating June 2025			
Proxy Group of Eight Natural Gas Companies	Long-Term Issuer Rating (1)	Numerical Weighting (2)	Long-Term Issuer Rating (1)	Numerical Weighting (2)		
Atmos Energy Corporation	A2	6.0	A-	7.0		
Chesapeake Utilities Corporation	NR		NR			
New Jersey Resources Corporation	A1	5.0	NR			
NiSource Inc.	Baa1	8.0	BBB+	8.0		
Northwest Natural Holding Company	Baa1	8.0	A+	5.0		
ONE Gas, Inc.	A3	7.0	A-	7.0		
Southwest Gas Holdings, Inc.	Baa1	8.0	BBB	9.0		
Spire Inc.	A1/A2	5.5	BBB+	8.0		
Average	A3	6.8	Α-	7.3		

Notes:

- (1) Ratings are that of the average of each proxy company's utility operating subsidiaries.
- (2) From page 4 of this Document.

Source Information: Moody's Investors Service

Standard & Poor's Global Utilities Rating Service

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Numerical Assignment for Moody's and Standard & Poor's Bond

	Ratings	
	Numerical	Standard &
Moody's Bond	Bond	Poor's Bond
Rating	Weighting	Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	Α
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-
B1	14	B+
B2	15	В
В3	16	B-

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DOCUMENT NO. 4 PAGE 5 OF 10

FILED: 07/28/2025

Peoples Gas System Judgment of Equity Risk Premium for the Proxy Group of Eight Natural Gas Companies

Line No.		Proxy Group of Eight Natural Gas Companies	Proxy Group of Eight Natural Gas Companies (excl. PRPM)
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.39 %	5.39 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A2 rated bonds (2)	4.86	5.02
3.	Predicted Equity Risk Premium Based on Regression Analysis of 849 Fully-Litigated Natural Gas Cases (3)	4.74	4.74
4.	Average equity risk premium	5.00 %	5.05 %

Notes: (1) From page 6 of this Document.

- (2) From page 9 of this Document.
- (3) From page 10 of this Document.

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DOCUMENT NO. 4 PAGE 6 OF 10

FILED: 07/28/2025

Peoples Gas System Derivation of Equity Risk Premium Based on the Total Market Approach Using the Beta for the Proxy Group of Eight Natural Gas Companies

Line No.	Equity Risk Premium Measure	Proxy Group of Eight <u>Natural Gas Companies</u>	Proxy Group of Eight Natural Gas Companies (excl. PRPM)
1.	Kroll Equity Risk Premium (1)	6.10 %	6.10 %
2.	Regression on Kroll Risk Premium Data (2)	6.97	6.97
3.	Kroll Equity Risk Premium based on PRPM (3)	8.08	NA
4.	Equity Risk Premium Based on Value Line Summary and Index (4)	8.66	8.66
5.	Equity Risk Premium Based on Bloomberg, Value Line, and S&P Global Market Intelligence S&P 500 Companies (5)	10.43_	10.43
6.	Conclusion of Equity Risk Premium	8.05 %	8.04 %
7.	Adjusted Beta (6)	0.67	0.67
8.	Forecasted Equity Risk Premium	5.39 %	5.39 %

Notes:

- (1) Based on the arithmetic mean historical monthly returns on large company common stocks from Kroll 2023 SBBI® Yearbook and Bloomberg Professional Services minus the arithmetic mean monthly yield of Moody's average Aaa and Aa2 corporate bonds from 1928-2024.
- (2) This equity risk premium is based on a regression of the monthly equity risk premiums of large company common stocks relative to Moody's average Aaa and Aa2 rated corporate bond yields from 1928-2024 referenced in Note 1 above. Using the equation generated from the regression, an expected equity risk premium is calculated using the average consensus forecast of Aaa corporate bonds of 5.23% (from page 1 of this Document).
- (3) The Predictive Risk Premium Model (PRPM) is discussed in the accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM is derived by applying the PRPM to the monthly risk premiums between Ibbotson large company common stock monthly returns and average Aaa and Aa corporate monthly bond yields, from January 1928 through June 2025.
- (4) The equity risk premium based on the Value Line Summary and Index is derived by subtracting the average consensus forecast of Aaa corporate bonds of 5.23% (from page 1 of this Document) from the projected 3-5 year total annual market return of 13.89% (described fully in note 1 on page 2 of Document No. 5 of this Document).
- (5) Using data from Bloomberg Professional Services, Value Line, and S&P Global Market Intelligence for the S&P 500, an expected total return of 15.66% was derived based upon expected dividend yields as a proxy for income returns and long-term earnings growth estimates as a proxy for capital appreciation. Subtracting the average consensus forecast of Aaa corporate bonds of 5.23% results in an expected equity risk premium of 10.43%.
- 6) Average of mean and median beta from page 2 of Document No. 5.

Sources of Information:

Kroll 2023 SBBI® Yearbook
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, June 2, 2025 and July 1, 2025
S&P Capital IQ
Bloomberg Professional Services

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DOCUMENT NO. 4 PAGE 7 OF 10

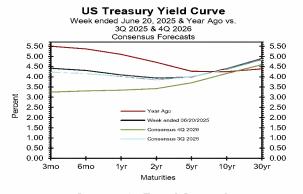
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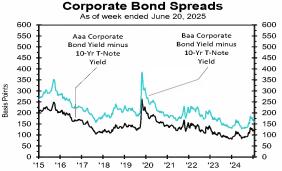
2 ■ BLUE CHIP FINANCIAL FORECASTS ■ JULY 1, 2025

Consensus Forecasts of U.S. Interest Rates and Key Assumptions

	History								Cons	ensus l	Forecas	sts-Qua	rterly	Avg.
	Av	erage For	Week End	ding	Ave	erage For	Month	Latest Qtr	3Q	4Q	1Q	2Q	3Q	4Q
Interest Rates	<u>Jun 20</u>	<u>Jun 13</u>	<u>Jun 6</u>	May 30	<u>May</u>	<u>Apr</u>	<u>Mar</u>	2Q 2025*	<u>2025</u>	<u>2025</u>	<u>2026</u>	<u>2026</u>	<u>2026</u>	<u>2026</u>
Federal Funds Rate	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.33	4.3	4.1	3.8	3.6	3.4	3.3
Prime Rate	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.4	7.2	6.9	6.7	6.6	6.4
SOFR	4.30	4.28	4.31	4.32	4.30	4.35	4.33	4.32	4.3	4.1	3.8	3.6	3.4	3.2
Commercial Paper, 1-mo.	4.33	4.33	4.32	4.32	4.32	4.34	4.32	4.33	4.3	4.0	3.8	3.6	3.4	3.3
Treasury bill, 3-mo.	4.42	4.45	4.44	4.36	4.36	4.32	4.34	4.37	4.2	4.0	3.7	3.5	3.4	3.3
Treasury bill, 6-mo.	4.31	4.31	4.30	4.36	4.30	4.20	4.27	4.27	4.2	3.9	3.7	3.6	3.4	3.3
Treasury bill, 1 yr.	4.09	4.10	4.10	4.14	4.09	3.95	4.06	4.04	4.0	3.8	3.6	3.5	3.4	3.3
Treasury note, 2 yr.	3.94	3.96	3.95	3.92	3.92	3.78	3.97	3.87	3.9	3.7	3.5	3.5	3.4	3.4
Treasury note, 5 yr.	3.99	4.04	4.02	4.01	4.02	3.91	4.04	3.97	4.0	3.9	3.8	3.8	3.7	3.7
Treasury note, 10 yr.	4.40	4.43	4.44	4.44	4.42	4.28	4.28	4.37	4.4	4.3	4.2	4.2	4.2	4.2
Treasury note, 30 yr.	4.90	4.91	4.94	4.94	4.90	4.71	4.60	4.84	4.8	4.7	4.7	4.7	4.6	4.6
Corporate Aaa bond	5.59	5.60	5.64	5.66	5.66	5.56	5.38	5.61	5.5	5.4	5.3	5.2	5.1	5.1
Corporate Baa bond	6.01	6.02	6.08	6.12	6.14	6.06	5.81	6.08	6.3	6.2	6.1	6.0	5.9	5.9
State & Local bonds	4.43	4.46	4.49	4.47	4.47	4.50	4.22	4.47	4.6	4.5	4.4	4.3	4.3	4.3
Home mortgage rate	6.81	6.84	6.85	6.89	6.82	6.73	6.65	6.79	6.8	6.6	6.5	6.4	6.3	6.3
				History	/				Co	nsensı	is Fore	casts-Q	Quart ei	rly
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Key Assumptions	2023	2023	2024	2024	2024	2024	2025	2025**	2025	2025	2026	2026	2026	2026
Fed's AFE \$ Index	115.0	116.6	115.5	117.3	114.9	117.9	119.8	113.2	112.6	112.3	112.1	112.0	111.9	111.8
Real GDP	4.4	3.2	1.6	3.0	3.1	2.4	-0.5	1.3	0.7	0.9	1.6	1.9	1.9	2.1
GDP Price Index	3.2	1.5	3.0	2.5	1.9	2.3	3.8	2.9	3.3	2.9	2.6	2.2	2.2	2.2
Consumer Price Index	3.5	2.8	3.7	2.8	1.4	3.0	3.8	2.7	3.7	3.2	2.8	2.5	2.4	2.4
PCE Price Index	2.7	1.7	3.4	2.5	1.5	2.4	3.7	2.7	3.5	3.0	2.7	2.4	2.2	2.2

Forecasts for interest rates and the Federal Reserve's Advanced Foreign Economies Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index, CPI and PCE Price Index are seasonally adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data: Treasury rates from the Federal Reserve Board's H.15; AAA-AA and A-BBB corporate bond yields from Bank of America-Merrill Lynch and are 15+ years, yield to maturity; State and local bond yields from Bank of America-Merrill Lynch, A-rated, yield to maturity; Mortgage rates from Freddie Mac, 30-year, fixed; SOFR from the New York Fed. *Interest rate data for 2Q 2025 based on historical data through the week ended June 20. **Data for 2Q 2025 for the Fed's AFE \$ Index based on data through the week ended June 20. Figures for 2Q 2025 Real GDP, GDP Chained Price Index, Consumer Price Index, and PCE Price Index are consensus forecasts from the June 2025 survey.





US 3-Mo T-Bills & 10-Yr T-Note Yield

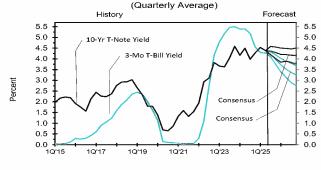




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14 ■ BLUE CHIP FINANCIAL FORECASTS ■ JUNE 2, 2025

Long-Range Survey:

The table below contains results of our semi-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are estimates for the years 2026 through 2031 and averages for the five-year periods 2027-2031 and 2032-2036. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

				Average Fo	or The Year			Five-Year	Averages
		2026	2027	2028	2029	2030	2031	2027-2031	2032-2036
1. Federal Funds Rate	CONSENSUS	3.4	3.2	3.2	3.2	3.1	3.1	3.2	3.1
	Top 10 Average	3.7	3.5	3.4	3.4	3.4	3.4	3.4	3.4
	Bottom 10 Average	3.1	3.0	2.9	2.9	2.8	2.9	2.9	2.8
2. Prime Rate	CONSENSUS	6.5	6.4	6.3	6.3	6.2	6.2	6.3	6.2
	Top 10 Average	6.7	6.6	6.5	6.6	6.5	6.5	6.5	6.5
	Bottom 10 Average	6.2	6.2	6.0	6.0	5.9	5.9	6.0	5.9
3. SOFR	CONSENSUS	3.4	3.3	3.2	3.1	3.1	3.1	3.2	3.1
	Top 10 Average	3.6	3.4	3.3	3.3	3.3	3.3	3.3	3.3
	Bottom 10 Average	3.2	3.2	3.0	2.9	2.9	2.9	3.0	2.8
4. Commercial Paper, 1-Mo	CONSENSUS	3.4	3.3	3.2	3.1	3.1	3.1	3.2	3.1
	Top 10 Average	3.5	3.4	3.3	3.2	3.2	3.2	3.3	3.3
5 Transport Dill Viold 2 Ma	Bottom 10 Average	3.3	3.3	3.1	3.0	3.0	3.0	3.1	2.9
5. Treasury Bill Yield, 3-Mo	CONSENSUS	3.3	3.2 3.4	3.2	3.1	3.1 3.3	3.1 3.3	3.1 3.4	3.1 3.3
	Top 10 Average Bottom 10 Average	3.6 3.1	2.9	3.4 2.9	3.4 2.8	2.8	2.8	2.9	2.8
6. Treasury Bill Yield, 6-Mo	CONSENSUS	3.3	3.2	3.2	3.1	3.1	3.1	3.2	3.1
o. Heastry Bin Ticks, 6 1416	Top 10 Average	3.6	3.4	3.4	3.3	3.3	3.3	3.3	3.3
	Bottom 10 Average	3.1	3.0	3.0	2.9	2.9	2.9	3.0	2.8
7. Treasury Bill Yield, 1-Yr	CONSENSUS	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.2
,,	Top 10 Average	3.6	3.5	3.4	3.4	3.4	3.4	3.4	3.4
	Bottom 10 Average	3.1	3.1	3.1	3.1	3.0	3.0	3.1	3.0
8. Treasury Note Yield, 2-Yr	CONSENSUS	3.4	3.4	3.5	3.4	3.4	3.4	3.4	3.4
	Top 10 Average	3.7	3.6	3.7	3.6	3.6	3.6	3.6	3.6
	Bottom 10 Average	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.1
9. Treasury Note Yield, 5-Yr	CONSENSUS	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
	Top 10 Average	3.9	3.9	3.9	3.9	3.9	3.9	3.9	4.0
	Bottom 10 Average	3.4	3.5	3.5	3.5	3.4	3.4	3.5	3.4
10. Treasury Note Yield, 10-Yr	CONSENSUS	4.0	4.1	4.0	4.0	4.0	4.0	4.0	4.0
	Top 10 Average	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
	Bottom 10 Average	3.8	3.9	3.8	3.8	3.8	3.8	3.8	3.8
11. Treasury Bond Yield, 30-Yr		4.5	4.4	4.4	4.3	4.3	4.3	4.4	4.3
	Top 10 Average	4.7	4.7	4.6	4.6	4.6	4.6	4.6	4.7
12 Comparete A so Dond World	Bottom 10 Average	4.2	4.3	4.1	4.1	4.1	4.1	4.1	4.1
12. Corporate Aaa Bond Yield	CONSENSUS Top 10 Average	5.2 5.4	5.2 5.5	5.2 5.4	5.1 5.4	5.1 5.4	5.1 5.4	5.1 5.4	5.1 5.4
	Bottom 10 Average	5.0	5.0	4.9	4.9	4.9	4.9	3. 4 4.9	4.9
13. Corporate Baa Bond Yield	CONSENSUS	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
15. Corporate Baa Bond Tield	Top 10 Average	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
	Bottom 10 Average	5.8	5.9	5.8	5.8	5.8	5.7	5.8	5.8
14. State & Local Bonds Yield	CONSENSUS	4.3	4.3	4.3	4.2	4.2	4.2	4.3	4.1
	Top 10 Average	4.5	4.5	4.5	4.4	4.4	4.4	4.4	4.4
	Bottom 10 Average	4.1	4.2	4.1	4.1	4.1	4.1	4.1	3.8
Home Mortgage Rate	CONSENSUS	6.2	6.2	6.1	6.0	6.0	6.0	6.1	5.9
	Top 10 Average	6.4	6.4	6.4	6.3	6.3	6.3	6.3	6.3
	Bottom 10 Average	5.9	6.0	5.8	5.8	5.8	5.7	5.8	5.6
A. Fed's AFE Nominal \$ Index	CONSENSUS	113.3	112.7	112.7	112.2	111.7	111.3	112.1	110.8
	Top 10 Average	114.2	113.3	113.4	112.9	112.5	112.2	112.8	112.4
	Bottom 10 Average	112.2	111.9	112.0	111.3	110.7	110.3	111.3	109.1
				- Year-Over-Ye	_				Averages
P. P. ACDP		2026	2027	2028	2029	2030	2031	2027-2031	2032-2036
B. Real GDP	CONSENSUS	1.5	1.9	2.0	2.0	1.9	2.0	2.0	1.9
	Top 10 Average	1.9	2.1	2.2 1.8	2.2	2.2	2.2	2.2	2.1 1.8
C. GDP Chained Price Index	Bottom 10 Average CONSENSUS	1.1 2.4	1.8 2.2	1.8 2.1	1.8 2.1	1.7 2.1	1.7 2.1	1.8 2.1	2.1
C. GDI Chamed Thee muex	Top 10 Average	2.4	2.2	2.1	2.1	2.1	2.1	2.1	2.1
	Bottom 10 Average	2.0	2.0	2.2	2.2	2.2	2.0	2.2	2.0
D. Consumer Price Index	CONSENSUS	2.5	2.0	2.0	2.0	2.1	2.2	2.2	2.0
	Top 10 Average	2.9	2.4	2.3	2.3	2.3	2.3	2.3	2.3
	Bottom 10 Average	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.1
E. PCE Price Index	CONSENSUS	2.4	2.0	2.0	1.9	1.9	1.9	1.9	1.9
	Top 10 Average	2.8	2.3	2.2	2.1	2.1	2.1	2.2	2.1
	Bottom 10 Average	2.1	1.8	1.8	1.8	1.7	1.8	1.8	1.8

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Projected Market Appreciation of the S&P Utility Index
Derivation of Mean Equity Risk Premium Based Studies
Using Holding Period Returns and
Projected Market Appreciation of the S&P Utility Index

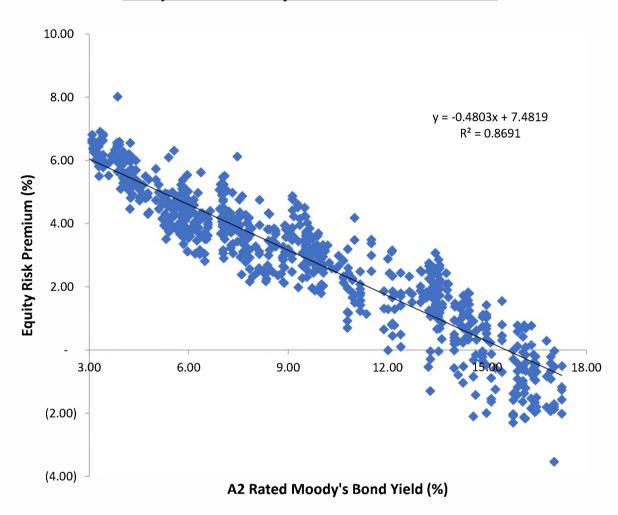
Line No.		Implied Equity Risk Premium	Implied Equity Risk Premium (excl. PRPM)
1.	Historical Equity Risk Premium (1)	4.16 %	4.16 %
2.	Regression of Historical Equity Risk Premium (2)	4.82	4.82
3.	Forecasted Equity Risk Premium Based on PRPM (3)	4.39	NA
4.	Forecasted Equity Risk Premium based on Projected Total Return on the S&P Utilities Index (Bloomberg, Value Line, and S&P Capital IQ Data) (4)		
	value Line, and S&P Capital IQ Data) (4)	6.09	6.09
5.	Average Equity Risk Premium (5)	4.86 %	5.02 %

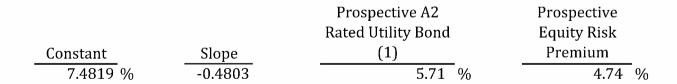
- Notes: (1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2024. Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.
 - (2) This equity risk premium is based on a regression of the monthly equity risk premiums of the S&P Utility Index relative to Moody's A2 rated public utility bond yields from 1928 2024 referenced in note 1 above. Using the equation generated from the regression, an expected equity risk premium is calculated using the prospective A2 rated public utility bond yield of 5.71% (from line 3, page 1 of this Document).
 - (3) The Predictive Risk Premium Model (PRPM) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A2 rated public utility bonds from January 1928 through June 2025.
 - (4) Using data from Bloomberg, Value Line, and S&P Capital IQ for the S&P Utilities Index, an expected return of 11.80% was derived based on expected dividend yields as a proxy for income returns and long-term growth estimates as a proxy for market appreciation. Subtracting the expected A2 rated public utility bond yield of 5.71%, calculated on line 3 of page 1 of this Document results in an equity risk premium of 6.09% (11.80% 5.71% = 6.09%).
 - (5) Average of lines 1 through 4.

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Peoples Gas System
Prediction of Equity Risk Premiums Relative to
Moody's A2 Rated Utility Bond Yields - Electric Utilities





Notes:

(1) From line 3 of page 1 of this Document.

Source of Information: Regulatory Research Associates.

Peoples Gas System Indicated Common Equity Cost Rate Through Use of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

Proxy Group of Eight Natural Gas Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Eight Natural Gas Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
Atmos Energy Corporation Chesapeake Utilities Corporation	0.75 0.75	0.52 0.49	0.64 0.62	8.91 % 8.91	4.60 % 4.60	10.31 % 10.13	11.11 % 10.97	10.71 % 10.55
New Jersey Resources Corporation	0.85	0.48	0.67	8.91	4.60	10.57	11.31	10.94
NiSource Inc.	0.85	0.59	0.72	8.91	4.60	11.02	11.64	11.33
Northwest Natural Holding Company	0.80	0.53	0.66	8.91	4.60	10.48	11.24	10.86
ONE Gas, Inc.	0.80	0.51	0.65	8.91	4.60	10.39	11.17	10.78
Southwest Gas Holdings, Inc.	0.80	0.64	0.72	8.91	4.60	11.02	11.64	11.33
Spire Inc.	0.80	0.52	0.66	8.91	4.60	10.48	11.24	10.86
Mean			0.67			10.55 %	11.29 %	10.92 %
Median			0.66			10.48 %	11.24 %	10.86 %
Average of Mean and Median			0.67			10.52 %	11.27 %	10.89 %
		Res	ults Excluding	PRPM MRP				
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Eight Natural Gas Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
Atmos Energy Corporation	0.75	0.52	0.64	8.89 %	4.60 %	10.29 %	11.09 %	10.69 %
Chesapeake Utilities Corporation	0.75	0.49	0.62	8.89	4.60	10.11	10.95	10.53
New Jersey Resources Corporation	0.85	0.48	0.67	8.89	4.60	10.55	11.29	10.92
NiSource Inc.	0.85	0.59	0.72	8.89	4.60	11.00	11.62	11.31
Northwest Natural Holding Company	0.80	0.53	0.66	8.89	4.60	10.46	11.22	10.84
ONE Gas, Inc.	0.80	0.51	0.65	8.89	4.60	10.38	11.15	10.76
Southwest Gas Holdings, Inc.	0.80	0.64	0.72	8.89	4.60	11.00	11.62	11.31
Spire Inc.	0.80	0.52	0.66	8.89	4.60	10.46	11.22	10.84
Mean			0.67			10.53 %	%	10.90 %
Median			0.66			10.46 %	11.22 %	10.84 %
Average of Mean and Median			0.67			10.50 %	11.25%	10.87%

Notes on page 2 of this Document.

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Peoples Gas System Notes to Accompany the Application of the CAPM and ECAPM

Notes:

(1) The market risk premium (MRP) is derived by using five different measures from four sources: Kroll, Value Line, Bloomberg, and S&P Capital IQ as illustrated below:

Measure 1: Kroll Arithmetic Mean MRP (1926-2024)

Arithmetic Mean Monthly Returns for Large Stocks 1926-2024:	12.29	%
Arithmetic Mean Income Returns on Long-Term Government Bonds:	4.99	
MRP based on Kroll Historical Data:	7.31	%
		-
Measure 2: Application of a Regression Analysis to Kroll Historical Data		
(1926-2024)	7.88	_%
		_
Measure 3: Application of the PRPM to Kroll Historical Data		
(January 1928 through June 2025)	9.03	_%
Measure 4: Value Line Projected MRP (Thirteen weeks ending July 4, 2025)		
Total projected return on the market 3-5 years hence*:	13.89	%
Risk-Free Rate (see note 2):	4.60	_
MRP based on Value Line Summary & Index:	9.29	_%
*Forcasted 3-5 year capital appreciation plus expected dividend yield		_
Measure 5: Bloomberg, Value Line, and S&P Capital IQ Projected Return on		
the Market based on the S&P 500		
Total return on the Market based on the S&P 500:	15.66	%
Risk-Free Rate (see note 2):	4.60	_
MRP based on Bloomberg, Value Line, and S&P Capital IQ data	11.06	%
Average of all MDD Manageres	0.01	04
Average of all MRP Measures:	8.91	= 70
Average MRP Excluding the PRPM MRP:	8.89	%
		, ,

(2) For reasons explained in the Direct Testimony, the appropriate risk-free rate for cost of capital purposes is the average forecast of 30 year Treasury Bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts. (See pages 7 and 8 of this Document. The projection of the risk-free rate is illustrated below:

Third Quarter 2025	4.80 %	
Fourth Quarter 2025	4.70	
First Quarter 2026	4.70	
Second Quarter 2026	4.70	
Third Quarter 2026	4.60	
Fourth Quarter 2026	4.60	
2027-2031	4.40	
2032-2036	4.30	
	4.60 %	

(3) Average of Column 6 and Column 7.

Sources of Information:
Value Line Summary and Index
Blue Chip Financial Forecasts, June 2, 2025 and July 1, 2025
Kroll 2023 SBBI® Yearbook
S&P Capital IQ
Bloomberg Professional Services

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Peoples Gas System

Basis of Selection of the Group of Non-Price Regulated Companies Comparable in Total Risk to the Proxy Group of Eight Natural Gas Companies

The criteria for selection of the proxy group of non-price regulated companies comparable in total risk to the proxy group of eight natural gas companies was that the non-price regulated companies be domestic and reported in Value Line Investment Survey (Standard Edition).

The proxy group of non-price regulated companies was selected based on the unadjusted beta range of 0.45 - 0.79 and residual standard error of the regression range of 2.6575 - 3.1695 of the proxy group of eight natural gas companies.

These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus three standard deviations captures 95.50% of the distribution of unadjusted betas and residual standard errors of the regression.

The standard deviation of the Utility Proxy Group's residual standard error of the regression is 0.1280. The standard deviation of the standard error of the regression is calculated as follows:

Standard Deviation of the Std. Err. of the Regr. = $\frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

Thus, 0.128 = 2.9135 = 2.9135 $\sqrt{518} = 2.9135$ 22.7596

Source of Information: Value Line Proprietary Database, June 2025.

<u>Value Line Investment Survey</u> (Standard Edition).

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<u>Domestic Non-Price Regulated Companies</u>

[1]

<u>Peoples Gas System</u>
Basis of Selection of Comparable Risk

[2] [3] [4]

Proxy Group of Eight Natural Gas Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
Atmos Energy Corporation	0.75	0.59	2.4122	0.0683
Chesapeake Utilities Corporation	0.70	0.54	3.1342	0.0888
New Jersey Resources Corporation	0.80	0.67	2.9138	0.0825
NiSource Inc.	0.85	0.70	2.4888	0.0705
Northwest Natural Holding Company	0.75	0.60	3.0651	0.0868
ONE Gas, Inc.	0.75	0.60	3.1352	0.0888
Southwest Gas Holdings, Inc.	0.80	0.62	3.3016	0.0935
Spire Inc.	0.75	0.61	2.8570	0.0809
Average	0.77	0.62	2.9135	0.0825
Beta Range (+/- 2 std. Devs. of Beta)	0.45	0.79		
2 std. Devs. of Beta	0.17			
Residual Std. Err. Range (+/- 2 std.				
Devs. of the Residual Std. Err.)	2.6575	3.1695		
Std. dev. of the Res. Std. Err.	0.1280			
2 std. devs. of the Res. Std. Err.	0.2560			

Source of Information: Value Line Proprietary Database, June 2025.

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Peoples Gas System Proxy Group of Non-Price Regulated Companies Comparable in Total Risk to the

Proxy Group of Eight Natural Gas Companies

[1]

[2]

[4]

Proxy Group of Twenty-Eight Non-Price Regulated Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
AbbVie Inc.	0.70	0.48	2.9984	0.0849
Amgen	0.70	0.52	2.9231	0.0828
AutoZone Inc.	0.75	0.61	2.9796	0.0844
Becton, Dickinson	0.75	0.55	2.9156	0.0826
Bristol-Myers Squibb	0.70	0.53	3.0636	0.0868
Casella Waste Sys.	0.85	0.74	2.8152	0.0797
Cencora	0.65	0.47	2.7020	0.0765
Chemed Corp.	0.70	0.50	2.9028	0.0822
Constellation Brands	0.80	0.63	2.9286	0.0829
Costco Wholesale	0.80	0.66	2.7408	0.0776
Gilead Sciences	0.75	0.56	2.9551	0.0837
Henry (Jack) & Assoc	0.80	0.68	2.9558	0.0837
Int'l Business Mach.	0.80	0.67	2.9091	0.0824
L3Harris Technologie	0.80	0.69	3.0374	0.0860
Labcorp Holdings	0.75	0.62	2.9139	0.0825
McCormick & Co.	0.70	0.50	3.0004	0.0850
McKesson Corp.	0.70	0.51	2.8601	0.0810
Monster Beverage	0.75	0.55	2.7035	0.0766
NewMarket Corp.	0.80	0.62	2.9198	0.0827
O'Reilly Automotive	0.80	0.62	2.7740	0.0786
Philip Morris Int'l	0.80	0.64	2.8039	0.0794
Prestige Consumer	0.75	0.62	3.0893	0.0875
Progressive Corp.	0.80	0.63	3.0075	0.0852
RLI Corp.	0.85	0.77	2.8552	0.0809
VeriSign Inc.	0.90	0.78	2.8545	0.0808
Walmart Inc.	0.75	0.56	2.7251	0.0772
Wendy's Company	0.85	0.72	2.9914	0.0847
Werner Enterprises	0.85	0.76	3.0727	0.0870
Average	0.77	0.61	2.9071	0.0823
Proxy Group of Eight Natural Gas Companies	0.77	0.62	2.9135	0.0825

Source of Information:

Value Line Proprietary Database, June 2025.

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Peoples Gas System

Summary of Cost of Equity Models Applied to Proxy Group of Non-Price Regulated Companies Comparable in Total Risk to the Proxy Group of Eight Natural Gas Companies

Principal Methods	Proxy Group of Twenty-Eight Non- Price Regulated Companies	Proxy Group of Twenty- Eight Non-Price Regulated Companies (excl. PRPM)
Discounted Cash Flow Model (DCF) (1)	10.76 %	10.76 %
Risk Premium Model (RPM) (2)	11.31	11.31
Capital Asset Pricing Model (CAPM)	10.94 (3)	10.92_(4)
Mear	n	
Mediar	10.94 %	10.92 %
Average of Mean and Mediar	n <u>10.97</u> %	10.96 %

Notes:

- (1) From page 2 of this Document.
- (2) From page 3 of this Document.
- (3) From page 6 of this Document.
- (4) From page 7 of this Document.

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Peoples Gas System DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the Proxy Group of Eight Natural Gas Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Twenty-Eight Non-Price Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Zack's Five Year Projected Growth Rate in EPS	S&P Capital IQ Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS (1)	Adjusted Dividend Yield	Indicated Common Equity Cost Rate (2)
AbbVie Inc.	3.54 %	7.00 %	12.30 %	12.94 %	10.75 %	3.73 %	14.48 %
Amgen	3.37	5.50	5.30	5.26	5.35	3.46	8.81
AutoZone Inc.	-	7.50	11.40	10.85	9.92	-	NA
Becton, Dickinson	2.29	7.50	9.30	10.33	9.04	2.39	11.43
Bristol-Myers Squibb	5.09	30.00	5.00	NMF	17.50	5.54	23.04 (3)
Casella Waste Sys.	-	6.50	25.80	(3.06)	16.15	-	NA
Cencora	0.76	6.50	12.80	12.66	10.65	0.80	11.45
Chemed Corp.	0.35	8.00	10.30	9.78	9.36	0.37	9.73
Constellation Brands	2.28	6.50	1.40	1.28	3.06	2.31	5.37
Costco Wholesale	0.52	10.00	9.40	9.11	9.50	0.54	10.04
Gilead Sciences	2.97	16.00	19.50	24.79	20.10	3.27	23.37 (3)
Henry (Jack) & Assoc	1.31	5.50	10.10	10.10	8.57	1.37	9.94
Int'l Business Mach.	2.61	3.00	4.30	6.90	4.73	2.67	7.40
L3Harris Technologie	2.08	14.50	12.00	11.99	12.83	2.21	15.04
Labcorp Holdings	1.18	6.00	9.80	9.55	8.45	1.23	9.68
McCormick & Co.	2.41	6.00	6.60	6.17	6.26	2.49	8.75
McKesson Corp.	0.40	10.00	13.50	10.84	11.45	0.42	11.87
Monster Beverage	-	12.00	15.20	13.77	13.66	-	NA
NewMarket Corp.	1.77	5.50	NA	NA	5.50	1.82	7.32
O'Reilly Automotive	-	10.50	12.60	11.91	11.67	-	NA
Philip Morris Int'l	3.14	5.00	9.30	11.38	8.56	3.27	11.83
Prestige Consumer	-	6.50	7.00	7.67	7.06	-	NA
Progressive Corp.	0.15	16.50	9.80	13.62	13.31	0.16	13.47
RLI Corp.	0.86	13.50	NA	NA	13.50	0.92	14.42
VeriSign Inc.	1.13	10.50	NA	NA	10.50	1.19	11.69
Walmart Inc.	0.98	10.00	7.90	7.9 2	8.61	1.02	9.63
Wendy's Company	4.62	11.00	6.90	6.93	8.28	4.81	13.09
Werner Enterprises	2.06	NA	NMF	NMF	NA	NA	NA
	NA = Not Avai					Mean	10.77_%
	NMF = NOT Me	aningful Figure				Median	<u>10.74</u> %
N.				A	verage of Mean and	Median	10.76 %

Notes:

- (1) Average of columns 2 through 4 excluding negative growth rates and extreme positive values.
- (2) The application of the DCF model to the domestic, non-price regulated comparable risk companies is identical to the application of the DCF to the Utility Proxy Group. The dividend yield is derived by using the 60 day average price and the spot indicated dividend as of 6/30/2025. The dividend yield is then adjusted by 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.zacks.com, and S&P Capital IQ (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.
- (3) Results were excluded from the final average and median as they were more than two standard deviations from the proxy group's mean.

 $Source\ of\ Information:$

Value Line Investment Survey. www.zacks.com, Downloaded on 06/30/2025 S&P Capital IQ

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Peoples Gas System Indicated Common Equity Cost Rate Through Use of a Risk Premium Model Using an Adjusted Total Market Approach

<u>Line No.</u>		Proxy Group of Twenty-Eight Non- Price Regulated Companies	Proxy Group of Twenty- Eight Non-Price Regulated Companies (excl. PRPM)
1.	Prospective Yield on Baa2 Rated Corporate Bonds (1)	6.05 %	6.05
2.	Adjustment to Reflect Bond rating Difference of Non-Price Regulated Companies (2)	(0.21)	(0.21)
3.	Adjusted Bond Yield	5.84	5.84
4.	Equity Risk Premium (3)	5.47	5.47
5.	Risk Premium Derived Common Equity Cost Rate		11.31

Notes: (1) Average forecast of Baa corporate bonds based upon the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated June 2, 2025 and July 1, 2025 (see pages 7 and 8 of this Document. The estimates are detailed below.

Third Quarter 2025	6.30	%
Fourth Quarter 2025	6.20	
First Quarter 2026	6.10	
Second Quarter 2026	6.00	
Third Quarter 2026	5.90	
Fourth Quarter 2026	5.90	
2027-2031	6.00	
2032-2036	6.00	
Average	6.05	_ %

(2) The average yield spread of Baa2 rated corporate bonds over A2 corporate bonds for the three months ending June 2025. To reflect the A3 average rating of the Non-Price Regulated Proxy Group, the yield on the Baa corporate bond must be adjusted by 2/3 of the spread between A2 and Baa2 corporate bond yields as shown below:

	A2 Corp. Bond	Baa2 Corp.		
	Yield	Bond Yield	Spread	_
Jun-25	5.86 %	6.15 %	0.29	%
May-25	5.97	6.29	0.32	
Apr-25	5.85	6.18	0.33	
	Averaş	ge yield spread	0.31	-
		2/3 of spread	0.21	

(3) From page 5 of this Document.

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Peoples Gas System Comparison of Long-Term Issuer Ratings for the Proxy Group of Twenty-Eight Non-Price Regulated Companies

	Moody's		Standard & Poor's		
	Long-Term I	ssuer Rating	Long-Term	Issuer Rating	
	June 2	2025	June 2025		
	june !		Long-Term		
Proxy Group of Twenty-Eight Non-	Long-Term	Numerical	Issuer	Numerical	
Price Regulated Companies	Issuer Rating	Weighting (1)	Rating	Weighting (1)	
AbbVie Inc.	A3	7.0	A-	7.0	
Amgen	Baa1	8.0	BBB+	8.0	
AutoZone Inc.	Baa1	8.0	BBB	9.0	
Becton, Dickinson	Baa2	9.0	BBB	9.0	
Bristol-Myers Squibb	A2	6.0	A	6.0	
Casella Waste Sys.	NA		BB	12.0	
Cencora	Baa2	9.0	BBB+	8.0	
Chemed Corp.	WR		NR		
Constellation Brands	Baa2	9.0	BBB	9.0	
Costco Wholesale	Aa3	4.0	AA	3.0	
Gilead Sciences	A3	7.0	A-	7.0	
Henry (Jack) & Assoc	NA		NA		
Int'l Business Mach.	A3	7.0	A-	7.0	
L3Harris Technologie	Baa2	9.0	BBB	9.0	
Labcorp Holdings	NA		BBB	9.0	
McCormick & Co.	Baa2	9.0	BBB	9.0	
McKesson Corp.	A3	7.0	BBB+	8.0	
Monster Beverage	NA		NA		
NewMarket Corp.	Baa2	9.0	BBB+	8.0	
O'Reilly Automotive	Baa1	8.0	BBB	9.0	
Philip Morris Int'l	A2	6.0	A-	7.0	
Prestige Consumer	NA		BB	12.0	
Progressive Corp.	A2	6.0	Α	6.0	
RLI Corp.	WR		BBB	9.0	
VeriSign Inc.	Baa3	10.0	BBB	9.0	
Walmart Inc.	Aa2	3.0	AA	3.0	
Wendy's Company	NA		B+	14.0	
Werner Enterprises	NA		NA		
Natural Gas CEM Proxy Group	A3	7.4	BBB+	8.2	

Average Notes:

(1) From page 4 of Document No. 4

Source of Information:

Bloomberg Professional Services.

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Peoples Gas System

Derivation of Equity Risk Premium Based on the Total Market Approach Using the Beta for

Non-Price Regulated Companies of Comparable risk to the <u>Proxy Group of Eight Natural Gas Companies</u>

Line No.	Equity Risk Premium Measure	Proxy Group of Twenty-Eight Non- Price Regulated Companies	Proxy Group of Twenty- Eight Non-Price Regulated Companies (excl. PRPM)
1.	Kroll Equity Risk Premium (1)	6.10 %	6.10 %
2.	Regression on Kroll Risk Premium Data (2)	6.97	6.97
3.	Kroll Equity Risk Premium based on PRPM (3)	8.08	NA
4.	Equity Risk Premium Based on Value Line Summary and Index (4)	8.66	8.66
5.	Equity Risk Premium Based on Bloomberg, Value Line, and S&P Global Market Intelligence S&P 500 Companies (5)	10.43_	10.43
6.	Conclusion of Equity Risk Premium	8.05 %	8.04 %
7.	Adjusted Beta (6)	0.68	0.68
8.	Forecasted Equity Risk Premium	<u>5.47</u> %	5.47 %

Notes:

- (1) From note 1 of page 6 of Document No. 4.
- (2) From note 2 of page 6 of Document No. 4.
- (3) From note 3 of page 6 of Document No. 4.
- (4) From note 4 of page 6 of Document No. 4.
- (5) From note 5 of page 6 of Document No. 4.
- (6) Average of mean and median beta from pages 6 and 7 of this Document.

Sources of Information:

Stocks, Bonds, Bills, and Inflation - 2023 SBBI Yearbook, Kroll.

Value Line Summary and Index.

Blue Chip Financial Forecasts, June 2, 2025 and July 1, 2025.

Bloomberg Professional Services.

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Peoples Gas System

Traditional CAPM and ECAPM Results for the Proxy Groups of Non-Price-Regulated Companies Comparable in Total Risk to the <u>Proxy Group of Eight Natural Gas Companies</u>

Proxy Group of Twenty-Eight Non-Price Regulated Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Twenty-Eight Non- Price Regulated Companies	Value Line Adjusted Beta	Bloomberg Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
AbbVie Inc.	0.70	0.55	0.62	8.91 %	4.60 %	10.13 %	10.97 %	10.55 %
Amgen	0.70	0.56	0.63	8.91	4.60	10.22	11.04	10.63
AutoZone Inc.	0.75	0.56	0.66	8.91	4.60	10.48	11.24	10.86
Becton, Dickinson	0.75	0.56	0.65	8.91	4.60	10.39	11.17	10.78
Bristol-Myers Squibb	0.70	0.45	0.57	8.91	4.60	9.68	10.64	10.16
Casella Waste Sys.	0.85	0.63	0.74	8.91	4.60	11.20	11.78	11.49
Cencora	0.70	0.43	0.57	8.91	4.60	9.68	10.64	10.16
Chemed Corp.	0.70	0.47	0.58	8.91	4.60	9.77	10.71	10.24
Constellation Brands	0.80	0.61	0.71	8.91	4.60	10.93	11.58	11.25
Costco Wholesale	0.75	0.77	0.76	8.91	4.60	11.37	11.91	11.64
Gilead Sciences	0.75	0.58	0.67	8.91	4.60	10.57	11.31	10.94
Henry (Jack) & Assoc	0.80	0.53	0.67	8.91	4.60	10.57	11.31	10.94
Int'l Business Mach.	0.85	0.74	0.79	8.91	4.60	11.64	1 2. 11	11.88
L3Harris Technologie	0.85	0.73	0.79	8.91	4.60	11.64	12.11	11.88
Labcorp Holdings	0.75	0.60	0.67	8.91	4.60	10.57	11.31	10.94
McCormick & Co.	0.65	0.50	0.58	8.91	4.60	9.77	10.71	10.24
McKesson Corp.	0.75	0.51	0.63	8.91	4.60	10.22	11.04	10.63
Monster Beverage	0.75	0.58	0.66	8.91	4.60	10.48	11.24	10.86
NewMarket Corp.	0.75	0.68	0.71	8.91	4.60	10.93	11.58	11.25
O'Reilly Automotive	0.75	0.50	0.63	8.91	4.60	10.22	11.04	10.63
Philip Morris Int'l	0.80	0.42	0.61	8.91	4.60	10.04	10.91	10.47
Prestige Consumer	0.80	0.58	0.69	8.91	4.60	10.75	11.44	11.10
Progressive Corp.	0.75	0.59	0.67	8.91	4.60	10.57	11.31	10.94
RLI Corp.	0.85	0.50	0.67	8.91	4.60	10.57	11.31	10.94
VeriSign Inc.	0.80	0.64	0.72	8.91	4.60	11.02	11.64	11.33
Walmart Inc.	0.70	0.77	0.74	8.91	4.60	11.20	11.78	11.49
Wendy's Company	0.85	0.50	0.68	8.91	4.60	10.66	11.37	11.02
Werner Enterprises	0.80	0.85	0.83	8.91	4.60	12.00	12.38	12.19 (4)
		Mean	0.68			10.62 %	11.34 %	10.93 %
		Median	0.67			10.57 %	11.31 %	10.94 %
	Average of Mea	n and Median	0.68			10.60 %	11.33 %	10.94 %

Notes:

- (1) From note 1 of page 2 of Document No. 5.
- (2) From note 2 of page 2 of Document No. 5.
- (3) Average of CAPM and ECAPM cost rates.
- (4) Results were excluded from the final average and median as they were more than two standard deviations from the proxy group's mean.

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Peoples Gas System

Traditional CAPM and ECAPM Results (excl. PRPM MRP) for the Proxy Groups of Non-Price-Regulated Companies Comparable in Total Risk to the <u>Proxy Group of Eight Natural Gas Companies</u>

Proxy Group of Twenty-Eight Non-Price Regulated Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Twenty-Eight Non- Price Regulated Companies	Value Line Adjusted Beta	Bloomberg Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
AbbVie Inc.	0.70	0.55	0.62	8.89 %	4.60 %	10.11 %	10.95 %	10.53 %
Amgen	0.70	0.56	0.63	8.89	4.60	10.20	11.02	10.61
AutoZone Inc.	0.75	0.56	0.66	8.89	4.60	10.46	11.22	10.84
Becton, Dickinson	0.75	0.56	0.65	8.89	4.60	10.38	11.15	10.76
Bristol-Myers Squibb	0.70	0.45	0.57	8.89	4.60	9.66	10.62	10.14
Casella Waste Sys.	0.85	0.63	0.74	8.89	4.60	11.18	11.75	11.46
Cencora	0.70	0.43	0.57	8.89	4.60	9.66	10.62	10.14
Chemed Corp.	0.70	0.47	0.58	8.89	4.60	9.75	10.69	10.22
Constellation Brands	0.80	0.61	0.71	8.89	4.60	10.91	11.55	11.23
Costco Wholesale	0.75	0.77	0.76	8.89	4.60	11.35	11.89	11.62
Gilead Sciences	0.75	0.58	0.67	8.89	4.60	10.55	11.29	10.92
Henry (Jack) & Assoc	0,80	0.53	0.67	8,89	4.60	10.55	11.29	10,92
Int'l Business Mach.	0.85	0.74	0.79	8.89	4.60	11.6 2	12.09	11.85
L3Harris Technologie	0.85	0.73	0.79	8.89	4.60	11.62	12.09	11.85
Labcorp Holdings	0.75	0.60	0.67	8.89	4.60	10.55	11.29	10.92
McCormick & Co.	0.65	0.50	0.58	8.89	4.60	9.75	10.69	10.22
McKesson Corp.	0.75	0.51	0.63	8.89	4.60	10.20	11.02	10.61
Monster Beverage	0.75	0.58	0.66	8.89	4.60	10.46	11.22	10.84
NewMarket Corp.	0.75	0.68	0.71	8.89	4.60	10.91	11.55	11.23
O'Reilly Automotive	0.75	0.50	0.63	8.89	4.60	10.20	11.02	10.61
Philip Morris Int'l	0.80	0.42	0.61	8.89	4.60	10.02	10.89	10.45
Prestige Consumer	0.80	0.58	0.69	8.89	4.60	10.73	11.42	11.08
Progressive Corp.	0.75	0.59	0.67	8.89	4.60	10.55	11.29	10.92
RLI Corp.	0.85	0.50	0.67	8.89	4.60	10.55	11.29	10.92
VeriSign Inc.	0.80	0.64	0.72	8.89	4.60	11.00	11.62	11.31
Walmart Inc.	0.70	0.77	0.74	8.89	4.60	11.18	11.75	11.46
Wendy's Company	0.85	0.50	0.68	8.89	4.60	10.64	11.35	11.00
Werner Enterprises	0.80	0.85	0.83	8.89	4.60	11.97	12.35	12.16 (4)
		Mean	0.68			10.60 %	11.32 %	10.91 %
		Median	0.67			10.55 %	11.29 %	10.92 %
	Average of Mea	n and Median	0.68			10.58 %	11.31 %	10.92 %

Notes:

- (1) From note 1 of page 2 of Document No. 5.
- (2) From note 2 of page 2 of Document No. 5.
- (3) Average of CAPM and ECAPM cost rates.
- (4) Results were excluded from the final average and median as they were more than two standard deviations from the proxy group's mean.

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Peoples Gas System Derivation of Investment Risk Adjustment Based upon Kroll Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

[1]	[2]	[3]	[4]

Line No.		Market Capitaliza 2025 (millions)	•	Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	Applicable Size Premium (3)	Spread from Applicable Size Premium (4)
1.	Peoples Gas System	\$ 2,730.002		6	1.00%	
2.	Proxy Group of Eight Natural Gas Companies	\$ 8,193.226	3.0 x	4	0.50%	0.50%
			[A]	[B]	[C]	[D]
			Decile	Market Capitalization of Smallest Company (millions)	Market Capitalization of Largest Company (millions)	Size Premium (Return in Excess of CAPM)*
		Largest	1	\$ 47,156.530 20,191.220	\$ 3,522,211.140	-0.01%
			2 3	9,937,940	46,949.060 20,178.360	0.33% 0.49%
			4	6,196.710	9,937.350	0.50%
			5	3,948.050	6,181.270	0.74%
			6	2,481.780	3,946.150	1.00%
			7	1,422.890	2,464.500	1.19%
			8	731.190	1,417.450	0.88%
			9	304.620	729.920	1.73%
		Smallest	10	1.110	304.480	4.47%

Notes:

- (1) From page 2 of this Document.
- (2) Gleaned from Columns [B] and [C] on the bottom of this page. The appropriate decile (Column [A]) corresponds to the market capitalization of the proxy group, which is found in Column [1].

*From 2025 Kroll Cost of Capital Navigator

- (3) Corresponding risk premium to the decile is provided in Column [D] on the bottom of this page.
- (4) Line No. 1 Column [3] Line No. 2 Column [3]. For example, the 0.50% in Column [4], Line No. 2 is derived as follows 0.50% = 1.00% 0.50%.

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20250029-GU . DD-2

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<u>Peoples Gas System</u> Market Capitalization of Peoples Gas System and the <u>Proxy Group of Eight Natural Gas Companies</u>

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Exchange	Common Stock Shares Outstanding at Fiscal Year End 2024 (millions)	Book Value per Share at Fiscal Year End 2024 (1)	Total Common Equity at Fiscal Year End 2024 (millions)	Closing Stock Market Price on June 30, 2025	Market-to- Book Ratio on June 30, 2025 (2)	Market Capitalization on June 30, 2025 (3) (millions)
Peoples Gas System		NA	NA	1,615.386 (4) <u>NA</u>		
Based upon Proxy Group of Eight Natural Gas Companies Proxy Group of Eight Natural Gas						169.0 (5)	\$ 2,730.002 (6)
Companies Atmos Energy Corporation Chesapeake Utilities Corporation New Jersey Resources Corporation NiSource Inc. Northwest Natural Holding Company	NYSE NYSE NYSE NYSE NYSE	155.259 22.899 99.461 469.822 40.222	\$ 78.306 60.710 22.124 18.484 34.443	\$ 12,157.67 1,390.20 2,200.44 8,684.20 1,385.37	\$ 154.110 120.220 44.820 40.340 39.720	196.80 % 198.00 202.60 218.20 115.30	\$ 23,926.941 2,752.918 4,457.862 18,952.639 1,597.630
ONE Gas, Inc. Southwest Gas Holdings, Inc. Spire Inc.	NYSE NYSE NYSE	59.877 71.783 57.750	51.849 48.817 55.978	3,104.55 3,504.19 3,232.70	71.860 74.390 72.990	138.60 152.40 130.40	4,302.751 5,339.919 4,215.148
Average		122.134	\$ 46.339	\$ 4,457.415	\$ 77.306	<u>169.0</u> %	\$ 8,193.226

NA= Not Available

Notes: (1) Column 3 / Column 1.

- (2) Column 4 / Column 2.
- (3) Column 1 * Column 4.
- (4) Requested rate base multiplied by the requested common equity ratio.
 - The market-to-book ratio of Peoples Gas System on June 30, 2025 is assumed to be equal to the market-to-book ratio of Proxy Group of Eight Natural Gas Companies on June 30, 2025 as appropriate.
- (6) Column [3] multiplied by Column [5].

Source of Information: 2024 Annual Forms 10-K Bloomberg Professional

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Peoples Gas System Derivation of the Flotation Cost Adjustment to the Cost of Common Equity

Equity Issuances

		[1]	[2]	[3]	[4]		[5]	[6]	[7]	[8]	[9]	[10]
Date	Issuing Company	Shares Issued (1)	Market Price per Share (1)	Average Offering Price per Share (1)	Underwriting Discount (1)	O: Exp	Fotal fering ense per are (1)	Net Proceeds per Share (2)	Total Flotation Costs (3)	Gross Equity Issue before Costs (4)	Net Proceeds (5)	Flotation Cost Percentage (6)
At-The-Market 2024 At-The-Market 2023 At-The-Market 2021 At-The-Market 2021 At-The-Market 2020 At-The-Market 2019 12/18/2017 12/8/2016	Emera Incorporated	5,117,273 8,287,037 4,072,469 4,987,123 4,544,025 1,768,120 14,614,000 7,624,500	NA NA NA NA NA 47.980 44.260	51.520 48.270 61.310 57.630 56.040 56.560 47.900 45.250	NA NA NA NA NA 1.916 1.810	\$ \$ \$ \$ \$ \$	0.586 0.362 0.491 0.602 0.880 0.735 0.031 0.059	\$ 51.00 \$ 47.91 \$ 60.90 \$ 56.95 \$ 55.24 \$ 55.82 \$ 45.95 \$ 43.38	\$ 3,000,000 \$ 3,000,000 \$ 2,000,000 \$ 3,000,000 \$ 4,000,000 \$ 1,300,000 \$ 29,619,544 \$ 6,702,090	\$ 264,000,000 \$ 400,000,000 \$ 250,000,000 \$ 287,000,000 \$ 255,000,000 \$ 100,000,000 \$ 701,179,720 \$ 337,460,370	\$ 261,000,000 \$ 397,000,000 \$ 248,000,000 \$ 284,000,000 \$ 251,000,000 \$ 98,700,000 \$ 671,560,176 \$ 330,758,280	1.14% 0.75% 0.80% 1.05% 1.57% 1.30% 4.22% 1.99%
	Total Public Issuances								\$ 52,621,634	\$ 2,594,640,090	\$ 2,542,018,456	2.03%
	F4.43	[12]		t Adjustment	[45]		[17]					
	[11]	[12]	[13]	[14]	[15]		[16]					
	Average Dividend Yield (7)	Average Projected EPS Growth Rate (7)	Adjusted Dividend Yield (8)	Average DCF Cost Rate Unadjusted for Flotation (9)	DCF Cost Rate Adjusted for Flotation (10)	Adj	otation Cost ustment (11)					
Proxy Group of Eight Natural Gas Companies	3.38	% <u>7.26</u> 9	% <u>3.51</u> 9	% <u>10.77</u> 9	%10.85_9	%	0.07	6				

Notes: (1) From Company prospectuses, annual filings, or Company provided.

- (2) Column [3] Column [4] Column [5].
- (3) (Column [2] Column [6]) x Column [1].
- (4) Column [1] x Column [2].
- (5) Column [1] x Column [6].
- (6) Column [7] / Column [8].
- (7) From page 1 of Document No. 3.
- (8) Column [11] \times (1 + 0.5 \times Column [12]).
- (9) Column [12] + Column [13].
- (11) Column [15] Column [14].

(10) (Column [13] / (1 - Column [10])) + Column [12].

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$\frac{Peoples~Gas~System}{Gross~Domestic~Product~by~Industry} \\ \frac{from~1947-2024}{from~1947-2024}$

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Industry	1947	2024	CAGR
Agriculture, forestry, fishing, and hunting	19.9	248.4	3.33%
Mining	5.8	393.7	5.63%
Utilities	3.5	437.3	6.47%
Construction	8.9	1,312.3	6.70%
Manufacturing	63.4	2,913.1	5.10%
Wholesale trade	15.6	1,706.8	6.29%
Retail trade	23.2	1,841.7	5.85%
Transportation and warehousing	14.1	969.2	5.65%
Information	7.7	1,569.5	7.15%
Finance, insurance, real estate, rental, and leasing	25.8	6,190.0	7.38%
Professional and business services	8.2	3,847.4	8.32%
Educational services, health care, and social assistance	4.6	2,542.0	8.55%
Arts, entertainment, recreation, accommodation, and food services	8.0	1,293.2	6.83%
Other services, except government	7.5	626.7	5.92%
Government	33.5	3,293.7	6.14%
Total Gross domestic product	249.7	29,185.0	6.38%

Source: Bureau of Economic Analysis

·	Gross				Gross	
	Domestic	1947-2024	Beginning		Domestic	% of
Industry	Product	CAGR	Year	Ending Year	Product In	Total
Agriculture, forestry, fishing, and hunting	2 48.4	3.33%	1	276	2.E+06	
Mining	393.7	5.63%	1	276	1.E+09	
Utilities	437.3	6.47%	1	276	1.E+10	
Construction	1,312.3	6.70%	1	276	8.E+10	
Manufacturing	2,913.1	5.10%	1	276	3.E+09	
Wholesale trade	1,706.8	6.29%	1	276	3.E+10	
Retail trade	1,841.7	5.85%	1	276	1.E+10	
Transportation and warehousing	969.2	5.65%	1	276	4.E+09	
Information	1,569.5	7.15%	1	276	3.E+11	
Finance, insurance, real estate, rental, and leasing	6,190.0	7.38%	1	276	2.E+12	
Professional and business services	3,847.4	8.32%	1	276	1.E+13	
Educational services, health care, and social assistance	2,542.0	8.55%	1	276	2.E+13	50.02%
Arts, entertainment, recreation, accommodation, and food services	1,293.2	6.83%	1	276	1.E+11	
Other services, except government	626.7	5.92%	1	276	5.E+09	
Government	3,293.7	6.14%	1	276	5.E+10	
Total Gross domestic product	29,185.0	•		•	3.E+13	

	Gross				Gross	
	Dom es tic	1947-2024	Beginning		Dom es tic	% of
Industry	Product	CAGR	Year	Ending Year	Product In	Total
Agriculture, forestry, fishing, and hunting	248.4	3.33%	1	5,939	9.E+86	
Mining	393.7	5.63%	1	5,939	8.E+143	
Utilities	437.3	6.47%	1	5,939	2.E+164	
Construction	1,312.3	6.70%	1	5,939	2.E+170	
Manufacturing	2,913.1	5.10%	1	5,939	5.E+131	
Wholesale trade	1,706.8	6.29%	1	5,939	3.E+160	
Retail trade	1,841.7	5.85%	1	5,939	6.E+149	
Transportation and warehousing	969.2	5.65%	1	5,939	5.E+144	
Information	1,569.5	7.15%	1	5,939	2.E+181	
Finance, insurance, real estate, rental, and leasing	6,190.0	7.38%	1	5,939	2.E+187	
Professional and business services	3,847.4	8.32%	1	5,939	4.E+209	
Educational services, health care, and social assistance	2,542.0	8.55%	1	5,939	8.E+214	100.00%
Arts, entertainment, recreation, accommodation, and food services	1,293.2	6.83%	1	5,939	3.E+173	
Other services, except government	626.7	5.92%	1	5,939	1.E+151	
Government	3,293.7	6.14%	1	5,939	2.E+157	
Total Gross domestic product	29,185.0				8.E+214	

Source: Bureau of Economic Analysis

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<u>Peoples Gas System</u> <u>Growth Rate Regressions</u>

				Proj.
			Proj. Earnings	Dividend
Company	Ticker	Trailing P/E Ratio	Growth Rate	Growth Rate
ALLETE, Inc.	ALE	20.4	6.00%	3.50%
Alliant Energy Corporation	LNT	21.3	6.00%	6.00%
Ameren Corporation	AEE	20.6	6.50%	6.50%
American Electric Power Company, Inc.	AEP	17.5	6.50%	5.50%
American States Water Company	AWR	24.6	7.00%	8.00%
American Water Works Company	AWK	26.2	4.50%	8.50%
Artesian Resources Corporation	ARTNA	16.5	NA	NA
Atmos Energy Corporation	ATO	21.6	7.00%	7.00%
Avista Corporation	AVA	17.4	5.50%	4.00%
Black Hills Corporation	ВКН	14.5	3.50%	3.50%
California Water Service Group	CWT	19.8	9.50%	5.50%
CenterPoint Energy, Inc.	CNP	25.2	6.50%	6.00%
Chesapeake Utilities	CPK	23.3	8.00%	7.00%
CMS Energy Corporation	CMS	20.7	5.50%	4.00%
Consolidated Edison, Inc.	ED	20.7	6.00%	4.50%
Consolidated Water Company	CWCO	30,0	NA	NA
Dominion Energy Inc.	D	19.5	6.00%	0.00%
DTE Energy Company	DTE	18.4	4.50%	3.00%
Duke Energy Corporation	DUK	20.5	6.00%	3.50%
Edison International	EIX	10.9	6.50%	6.00%
Entergy Corporation	ETR	26.8	3.00%	5.50%
Essential Utilities	WTRG	17.0	6.00%	6.50%
Evergy, Inc.	EVRG	17.3	7.50%	7.00%
Eversource Energy	ES	12.9	5.50%	5.50%
Exelon Corporation	EXC	19.0	NMF	NMF
FirstEnergy Corp.	FE	15.5	4.50%	4.50%
Global Water Resources	GWRS	46.8	15.00%	NA
H2O America	НТО	18.0	6.00%	4.00%
Hawaiian Electric Industries, Inc.	HE	NMF	NMF	NMF
IDACORP, Inc.	IDA	20.8	6.00%	5.50%
MGE Energy, Inc.	MGEE	25.4	7.00%	6.50%
Middlesex Water Company	MSEX	23.9	7.50%	4.50%
New Jersey Resources	NJR	12.0	5.00%	5.00%
NextEra Energy, Inc.	NEE	18.9	8.50%	9.50%
NiSource Inc.	NI	20.4	9.50%	4.50%
Northwest Natural Gas Holding	NWN	14.7	6.50%	0.50%
NorthWestern Corporation	NWE	16.7	4.50%	1.50%
OGE Energy Corp.	OGE	18.4	6.50%	3.00%
One Gas, Inc.	OGS	18.0	4.50%	2.00%
Otter Tail Corporation	OTTR	10.8	4.50%	7.00%
PG&E Corporation	PCG	11.8	9.50%	NMF
Pinnacle West Capital Corporation	PNW	17.2	5.00%	1.50%
Portland General Electric Company	POR	13.2	6.50%	5.50%
PPL Corporation	PPL	21.7	7.50%	-0.50%
Public Service Enterprise Group Incorporated	PEG	22.0	7.00%	6.00%
RGC Resources	RGCO	16.6	NA	NA
Sempra Energy	SRE	13.8	5.50%	5.50%
Southern Company	SO	22.4	6.50%	3.50%
Southwest Gas Holdings	SWX	25.4	10.00%	5.50%
Spire Inc.	SR	17.8	4.50%	4.00%
TXNM Energy	TXNM	18.2	4.50%	5.00%
UGI Corporation	UGI	9.9	6.50%	3.50%
Unitil Corp.	UTL	18.7	0.30% NA	3.30% NA
WEC Energy Group, Inc.	WEC	20.6	6.00%	7.00%
Xcel Energy Inc.	XEL	19.2	7.00%	6.50%
York Water Company	YORW	23.9	7.00% NA	0.30% NA
Tota water dompany	LOICAA	43.7	1117	1412

Source: Value Line as of June 30, 2025

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Peoples Gas System **Growth Rate Regressions**

SUMMARY OUTPUT

Regression Stat	istics
Multiple R	0.53521709
R Square	0.28645733
Adjusted R Square	0.27127557
Standard Error	4.96457231
Observations	49

ANOVA

	af	SS	MS	F	Significance F
Regression	1	465.0520227	465.0520227	18.86852085	7.4224E-05
Residual	47	1158.407977	24.64697824		
_Total	48	1623.46			

	Coejficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	9.24218235	2.443651669	3.782119385	0.000438887	4.32618928	14.1581754
Proj. Earnings Growth Rate	158.261706	36.43400508	4.343791068	7.42241E-05	84.9659418	231.55747

SUMMARY OUTPUT

Reg	gression Statistics
Multiple R	0.20222231
R Square	0.04089386
Adjusted R Square	0.01958039
Standard Error	4.14625342
Observations	47

ANOVA

	af	SS	MS	F	Significance F
Regression	1	32.98493846	32.98493846	1.918686378	0.17283012
Residual	45	773.6137849	17.19141744		
Total	46	806.5987234			

	Coejficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	17.0537135	1.515628271	11.25191042	1.13779E-14	14.0010815	20.1063456
Proj. Dividend Growth Rate	39.7694348	28.71094075	1.385166552	0.172830119	-18.0573682	97.5962379

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Peoples Gas System Witness Garrett Corrected DCF Results

Annuali	zed Div	vidend

Company	Ticker	(1)	Stock Price (1)	Dividend Yield
Atmos Energy Corp	ATO	3.48	156.36	2.23%
New Jersey Resources Corp	NJR	1.80	46.32	3.89%
NiSource Inc	NI	1.12	39.15	2.86%
Northwest Natural Holding Company	NWN	1.96	41.57	4.71%
ONE Gas Inc	OGS	2.68	75.45	3.55%
Southwest Gas Holdings Inc	SWX	2.48	71.51	3.47%
Spire Inc.	SR	3.14	74.62	4.21%

EPS Growth Rate

Company	Ticker	Dividend Yield	(2)	DCF Result
Atmos Energy Corp	ATO	2.2%	7.0%	9.38%
New Jersey Resources Corp	NJR	3.9%	5.0%	9.08%
NiSource Inc	NI	2.9%	9.5%	12.63%
Northwest Natural Holding Company	NWN	4.7%	6.5%	11.52%
ONE Gas Inc	OGS	3.6%	4.5%	8.21%
Southwest Gas Holdings Inc	SWX	3.5%	10.0%	13.81%
Spire Inc.	SR	4.2%	4.5%	8.90%

Average 10.51%

Notes

(1) Exhibit DJG-4

(2) Source: Value Line as of June 9, 2025

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Peoples Gas System Mr. Garrett's Implied ERP Calculation

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Market	Operating			Earnings	Dividend	Buyback	Gross Casl
Year	Value	Earnings	Dividends	Buybacks	Yield	Yield	Yield	Yield
2014	18,245	1,004	350	553	5.50%	1.92%	3.03%	4.95%
2015	17,900	885	382	572	4.95%	2.14%	3.20%	5.33%
2016	19,268	920	397	536	4.77%	2.06%	2.78%	4.85%
2017	22,821	1,066	420	519	4.67%	1.84%	2.28%	4.12%
2018	21,027	1,282	456	806	6.10%	2.17%	3.84%	6.01%
2019	26,760	1,305	485	729	4.88%	1.81%	2.72%	4.54%
2020	31,659	1,019	480	520	3.22%	1.52%	1.64%	3.16%
2021	40,356	1,739	511	882	4.31%	1.27%	2.18%	3.45%
2022	32,133	1,656	565	923	5.15%	1.76%	2.87%	4.63%
2023	36,870	1,790	588	795	4.85%	1.60%	2.16%	3.75%
2024	49,805	1,968	630	943	3.95%	1.26%	1.89%	3.16%
Cash Yield Growth Rate Risk-free Rate Current Index Value	4.36% 6.96% 4.89% 5,817	[9] [10] [11] [12]						
	[13]	[14]	[15]	[16]	[17]			
Year	1	2	3	4	5			
Expected Dividends Expected Terminal Value	271	290	310	332	355 7446			
Present Value	247	240	234	228	4869			
ntrinsic Index Value	5817	[18]						
% Terminal Value	79.89%							
Required Return on Market	9.89%	[19]						
mplied Equity Risk Premium	5.0%	[20]						

^[1-4] S&P Quarterly Press Releases, data found at https://us.spindices.com/indices/equity/sp-500 (additional info tab) (all dollar figures are in \$ billions)

^[1] Market value of S&P 500

 $^{[5]=[2]\,/\,[1]}$

^{[6] = [3] / [1]}

^{[7] = [4] / [1]}

^{[8] = [6] + [7]}

^{[9] =} Average of [8]

^{[10] =} Compund annual growth rate of [2] = (end value / beginning value) $^{\lambda^{1/10}}$ -1

^[11] Risk-free rate from DJG risk-free rate exhibit

^{[12] 30-}day average of closing index prices from DJG stock price exhibit

^[13-16] Expected dividends = $[9]*[12]*(1+[10])^n$; Present value = expected dividend / $(1+[11]+[19])^n$

^[17] Expected terminal value = expected dividend * (1+[11]) / [19]; Present value = (expected dividend + expected terminal value) / (1+[11]+[19])ⁿ

^{[18] =} Sum([13-17]) present values.

^{[19] = [20] + [11]}

^[20] Internal rate of return calculation setting [18] equal to [12] and solving for the discount rate

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Peoples Gas System Mr. Garrett's Corrected Implied ERP Calculation

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Market	Operating			Earnings	Dividend	Buyback	Gross Cash
Year	Value	Earnings	Dividends	Buybacks	Yield	Yield	Yield	Yield
2014	18,245	1,004	350	553	5.50%	1.92%	3.03%	4.95%
2015	17,900	885	382	572	4.95%	2.14%	3.20%	5.33%
2016	19,268	920	397	536	4.77%	2.06%	2.78%	4.85%
2017	22,821	1,066	420	519	4.67%	1.84%	2.28%	4.12%
2018	21,027	1,282	456	806	6.10%	2.17%	3.84%	6.01%
2019	26,760	1,305	485	729	4.88%	1.81%	2.72%	4.54%
2020	31,659	1,019	480	520	3.22%	1.52%	1.64%	3.16%
2021	40,356	1,739	511	882	4.31%	1.27%	2.18%	3.45%
2022	32,133	1,656	565	923	5.15%	1.76%	2.87%	4.63%
2023	36,870	1,790	588	795	4.85%	1.60%	2.16%	3.75%
2024	49,805	1,968	630	943	3.95%	1.26%	1.89%	3.16%

		ARITHMETI	C AVERAGE		
	Market	Operating			
Year	Value	Earnings	Dividends	Buybacks	
2014					
2015	-1.89%	-11.83%	9.10%	3.41%	
2016	7.65%	3.89%	3.90%	-6.25%	
2017	18.44%	15.89%	5.68%	-3.17%	
2018	-7.86%	20.23%	8.70%	55.26%	
2019	27.26%	1.79%	6.39%	-9.63%	
2020	18.31%	-21.89%	-1.05%	-28.69%	
2021	27.47%	70.61%	6.42%	69.66%	
2022	-20.38%	-4.78%	10.43%	4.65%	
2023	14.74%	8.11%	4.19%	-13.82%	
2024	35.08%	9.93%	7.04%	18.54%	
	11.88%	9.20%	6.08%	9.00%	
Cash Yield	4.36%	[9]			
Growth Rate	9.04%	[10]			
Risk-free Rate	4.89%	[10]			
Current Index Value	5,817	[12]			
	[13]	[14]	[15]	[16]	[17]
Year	1	2	3	4	5
Expected Dividends Expected Terminal Value	276	301	329	358	391 7515
Present Value	250	248	245	242	4833
Intrinsic Index Value % Terminal Value	5817 78.97%	[18]			
Required Return on Market	10.34%	[19]			
Implied Equity Risk Premium	5.5%	[20]			

^{[1-4]~}S&P~Quarterly~Press~Releases,~data~found~at~https://us.spindices.com/indices/equity/sp-500~(additional~info~tab)~(all~dollar~figures~are~in~\$~billions)

^[1] Market value of S&P 500

^{[5] = [2] / [1]}

^{[6] = [3] / [1]} [7] = [4] / [1] [8] = [6] + [7]

^{[9] =} Average of [8]

^{[10] =} Average of arithmetic mean of Market Value, Operating Earnings, Dividends and Buybacks

^[11] Risk-free rate from DJG risk-free rate exhibit

^{[12] 30-}day average of closing index prices from DJG stock price exhibit

^[13-16] Expected dividends = $[9]*[12]*(1+[10])^n$; Present value = expected dividend / $(1+[11]+[19])^n$

^[17] Expected terminal value = expected dividend * (1+[11]) / [19]; Present value = (expected dividend + expected terminal value) / (1+[11]+[19])ⁿ

^{[18] =} Sum([13-17]) present values.

^{[19] = [20] + [11]}

^[20] Internal rate of return calculation setting [18] equal to [12] and solving for the discount rate

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Peoples Gas System Comparison of Market Return Measures PAGE 1 OF 1

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[1] [2] [3] [4] [5]

	Actual Market	LT average Market		Ibbotson Chen	Damodaran
	Return (1)	Return (2)	Kroll (3)	Supply-Side (4)	(5)
2009	26.46%	11.67%	10.50%	11.65%	8.64%
2010	15.06%	11.85%	10.08%	11.12%	8.20%
2011	2.11%	11.88%	9.63%	10.54%	8.49%
2012	2 16.00%	11.77%	10.00%	11.34%	7.89%
2013	32.39%	11.82%	9.50%	11.49%	7.54%
2014	13.69%	12.05%	9.00%	11.43%	8.00%
2015	1.38%	12.07%	9.00%	11.41%	7.95%
2016	11.96%	11.95%	9.00%	11.46%	8.39%
2017	21.83%	11.95%	9.00%	11.28%	8.14%
2018	-4.38%	12.06%	8.50%	11.19%	7.49%
2019	31.49%	11.88%	9.00%	11.23%	8.64%
2020	18.40%	12.09%	8.00%	11.31%	7.12%
2021	28.71%	12.16%	8.00%	11.32%	5.65%
2022	2 -18.11%	12.33%	8.00%	11.11%	5.75%
2023	3 26.61%	12.02%	9.00%	11.31%	9.82%
Sum	223.60%	179.55%	136.21%	169.20%	117.71%
Forecast Bias	(6)	80.30%	60.92%	75.67%	52.64%

Notes:

- (1) Source: Kroll, 2023 SBBI, Appendix A-1, A-7; Cost of Capital Navigator
- (2) Rolling historic long-term average of data in Column 1 since 1926
- (3) Source: Kroll Recommended ERP + Corresponding Risk-Free Rate
- (4) Source: SBBI 2023
- (5) Damodaran Predicted Market Return
- (6) Sum of forecasts divided by sum of actual observations

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WITNESS: D'ASCENDIS DOCUMENT NO. 15

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Peoples Gas System
Witness Garrett Corrected CAPM Results

Commonwe	Ti alvan	30-Year	Data (2)	Market Risk	CARM Result
Company	Ticker	Treasury (1)	Beta (2)	Premium (3)	CAPM Result
Atmos Energy Corp	ATO	4.89%	0.75	7.31%	10.37%
New Jersey Resources Corp	NJR	4.89%	0.85	7.31%	11.10%
NiSource Inc	NI	4.89%	0.85	7.31%	11.10%
Northwest Natural Holding Company	NWN	4.89%	0.80	7.31%	10.73%
ONE Gas Inc	OGS	4.89%	0.80	7.31%	10.73%
Southwest Gas Holdings Inc	SWX	4.89%	0.80	7.31%	10.73%
Spire Inc.	SR	4.89%	0.80	7.31%	10.73%
Average		-	-	-	10.79%

Notes:

⁽¹⁾ Exhibit DJG-7

⁽²⁾ Exhibit DJG-8

⁽³⁾ Document No. 5, page 2, note 1

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Size and Volatility of Returns

Decile:	1	2	3	4	5	6	7	8	9	10
Largest	29.4%	25.3%	21.2%	20.0%	19.8%	16.9%	17.2%	14.5%	14.1%	13.4%
Largest	-28.8%	-30.2%	-28.8%	-29.7%	-27.8%	-26.3%	-26.0%	-23.9%	-22.5%	-19.8%

Note: Deciles in ascending order with one (1) representing the

smallest stocks by market capitalization. Source:

 $\underline{\text{http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_lib}}$

rary.html.

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Evaluation of Size (Market Capitalization) and Volatility of Returns (Annualized Returns)

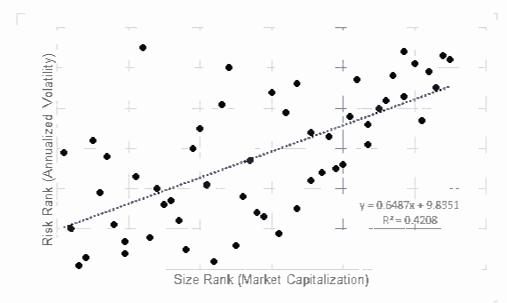


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Evaluation of Size (Market Capitalization) and Volatility of Returns (Safety Ranking)

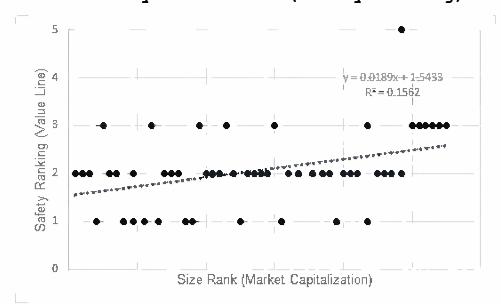


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Peoples Gas System
Hypothetical Example: Flotation Cost Recovery

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Return on Equity 10.75%
Flotation Costs 2.75%
Market Value \$ 25.00
Dividend Yield 3.50%
Growth Rate 7.25%
Adjusted ROE 10.85%

Flotation Cost Recovery: No DCF Estimate 10.65%

	Co	ommon	Re	etained]	Book	M	larket	Market/ Book	Еа	rnings	Div	<i>r</i> idends	Payout
	:	Stock	Ea	rnings	1	/alue		Price	Value	Pe	r Share	Pe	r Share	Ratio
1	\$	24.31			\$	24.31	\$	25.00	1.0283	\$	2.61	\$	0.88	33.48%
2	\$	24.31	\$	1.74	\$	26.05	\$	26.79	1.0283	\$	2.80	\$	0.94	33.48%
3	\$	24.31	\$	3.60	\$	27.91	\$	28.70	1.0283	\$	3.00	\$	1.00	33.48%
4	\$	24.31	\$	5.60	\$	29.91	\$	30.76	1.0283	\$	3.22	\$	1.08	33.48%
5	\$	24.31	\$	7.74	\$	32.05	\$	32.96	1.0283	\$	3.45	\$	1.15	33.48%
6	\$	24.31	\$	10.03	\$	34.34	\$	35.31	1.0283	\$	3.69	\$	1.24	33.48%
7	\$	24.31	\$	12.48	\$	36.80	\$	37.84	1.0283	\$	3.96	\$	1.32	33.48%
8	\$	24.31	\$	15.12	\$	39.43	\$	40.54	1.0283	\$	4.24	\$	1.42	33.48%
9	\$	24.31	\$	17.94	\$	42.25	\$	43.44	1.0283	\$	4.54	\$	1.52	33.48%
10	\$	24.31	\$	20.96	\$	45.27	\$	46.55	1.0283	\$	4.87	\$	1.63	33.48%
	Gro	wth Rat	е			7.15%		7.15%			7.15%		7.15%	

Return on Equity 10.75% Flotation Costs 2.75% Market Value \$ 25.00 Dividend Yield 3.50% **Growth Rate** 7.25% Adjusted ROE 10.85% Flotation Cost Recovery: Yes **DCF Estimate** 10.75%

									Market/					
	Co	mmon	Re	etained]	Book	M	larket	Book	Еa	rnings	Div	/idends	Payout
	;	Stock	Ea	rnings	1	Value		Price	Value	Pe	r Share	Pe	r Share	Ratio
1	\$	24.31			\$	24.31	\$	25.00	1.0283	\$	2.64	\$	0.88	33.17%
2	\$	24.31	\$	1.76	\$	26.08	\$	26.81	1.0283	\$	2.83	\$	0.94	33.17%
3	\$	24.31	\$	3.65	\$	27.97	\$	28.76	1.0283	\$	3.03	\$	1.01	33.17%
4	\$	24.31	\$	5.68	\$	29.99	\$	30.84	1.0283	\$	3.25	\$	1.08	33.17%
5	\$	24.31	\$	7.86	\$	32.17	\$	33.08	1.0283	\$	3.49	\$	1.16	33.17%
6	\$	24.31	\$	10.19	\$	34.50	\$	35.48	1.0283	\$	3.74	\$	1.24	33.17%
7	\$	24.31	\$	12.69	\$	37.00	\$	38.05	1.0283	\$	4.01	\$	1.33	33.17%
8	\$	24.31	\$	15.37	\$	39.68	\$	40.81	1.0283	\$	4.31	\$	1.43	33.17%
9	\$	24.31	\$	18.25	\$	42.56	\$	43.76	1.0283	\$	4.62	\$	1.53	33.17%
10	\$	24.31	\$	21.33	\$	45.65	\$	46.94	1.0283	\$	4.95	\$	1.64	33.17%
	Gro	wth Rat	e			7.25%		7.25%			7.25%		7.25%	

EXHIBIT NO. DD-2 WITNESS: D'ASCENDIS

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Frequency Distribution of Observed Market Risk
Premiums, 1926 - 2024

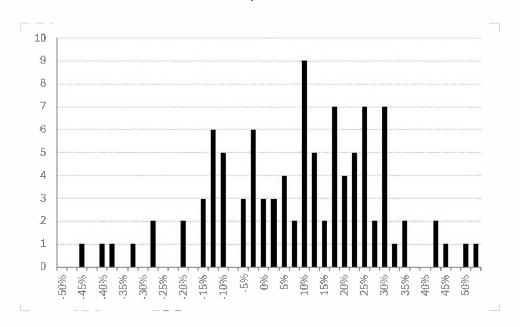


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Year jan-Dec* 1926 11.62% 1927 37.49% 1928 43.61% 1929 8.42% 1931 413.34% 1932 8.19% 1933 53.99% 1933 1.44% 1935 47.67% 1936 33.92% 1937 -35.03% 1938 31.12% 1939 -0.41% 1941 -1.55% 1941 -9.78% 1941 19.75% 1943 25.90% 1944 8.07% 1945 30.73% 1946 40.77% 1947 5.71% 1948 5.50% 1950 31.71% 1951 24.02% 1952 18.37% 1953 30.99% 1954 52.63% 1955 31.71% 1958 43.6% 1959 31.71% 1951	Jan-Dec* 3.7.3% 3.11% 3.2.1% 3.3.2% 3.3.2% 3.3.3% 3.3.3% 3.3.3% 3.3.3% 3.1.2% 3.1.2% 2.1.4% 2.2.1% 2.1.4% 2	an.Dec* 789% 31.08% 40.29% 40.29% 40.29% 41.89% 40.29% 41.667% 41.667% 41.667% 42.61%
1927 37,19% 1928 43,61% 1929 8,42% 1931 -13,34% 1931 -13,34% 1932 4,19% 1933 53,99% 1934 -1,147% 1936 33,52% 1938 31,12% 1940 -9,78% 1941 -11,59% 1942 20,34% 1941 -11,59% 1942 20,34% 1943 5,99% 1944 19,75% 1945 5,26% 1946 8,07% 1947 8,27% 1948 5,50% 1949 18,79% 1949 18,79% 1949 18,79% 1950 31,71% 1951 21,02% 1953 0,99% 1953 0,99% 1955 31,56% 1955 31,56% 1957 10,76% 1958 43,26% 1959 19,6% 1960 0,47% 1961 26,89% 1964 10,68% 1966 10,66% 1966 10,06% 1968 10,06% 1968 10,06% 1970 38,66% 1970 38,66% 1970 38,66% 1970 38,66% 1970 38,66% 1971 14,30%	3.11% 3.12% 3.17% 3.32% 3.32% 3.32% 3.32% 3.12% 3.12% 3.12% 3.12% 2.14%	31,08% 40,1189% 1189% 128,22% 146,67% 11,188% 50,87% 31,15% 37,69% 2,819% -12,01% 11,353% 17,88% 12,316% 12,316% 12,316% 11,353% 17,388% 11,116% 11,11
1928	3.22% 3.17% 3.32% 3.32% 3.33% 3.18% 3.18% 2.81% 2.77% 2.64% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14%	40,29% -11.89% -28.22% -46.67% -11.88% -11.88% -1.62% -1.6
1930 -2.1.90% 1931 -1.3.31% 1932 -8.1.90% 1933 -1.1.41% 1934 -1.1.41% 1935 -3.5.93% 1936 -3.5.93% 1937 -3.5.0.33% 1938 -3.1.25% 1939 -0.1.15% 1940 -9.785% 1941 -11.55% 1942 -2.3.31% 1943 -2.5.90% 1944 -3.785% 1945 -3.6.1.41% 1946 -8.0.73% 1947 -5.71% 1948 -5.00% 1949 -8.75% 1951 -2.1.0.23% 1951 -2.1.0.23% 1953 -0.99% 1955 -3.1.71% 1955 -3.1.71% 1955 -3.1.56% 1955 -3.1.56% 1956 -3.5.66% 1957 -1.0.78% 1958 -3.3.66% 1959 -3.3.66% 1960 -3.5.66% 1961 -3.6.89% 1962 -3.73% 1963 -3.2.80% 1966 -1.0.66% 1968 -1.0.66% 1970 -3.86% 1971 -1.4.30% 1971 -1.4.30% 1971 -1.4.30%	3.17% 3.32% 3.32% 3.32% 3.32% 3.32% 3.59% 3.12% 3.18% 2.91% 2.27% 2.66% 2.24% 2.24% 2.23% 2.14% 2.16% 2.14% 2.16% 2.14% 2.16% 2.23% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.25% 2.25% 2.25% 2.25% 2.25% 2.28%	-11.89% -28.22% -16.67% -11.88% 50.87% -1.62% -1.15% -37.69% 28.18% -2.81% -12.01% -13.53% 17.28% 23.16% 17.28% 23.16% 17.28% -10.11% -3.58%
1931	3.33% 3.59% 3.12% 3.18% 2.81% 2.27% 2.64% 2.64% 2.10% 2.23% 2.11% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.15% 2.19% 2.23% 3.10% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19% 2.19%	-16.67% -11.88% -50.87% -1.65% -1.65% -37.69% -28.1% -12.01% -13.53% -17.88% -23.16% -17.88% -17.99% -10.11% -15.89% -10.11% -10.11% -10.11% -10.11% -10.11%
1932	3.69% 3.12% 3.18% 2.81% 2.81% 2.61% 2.64% 2.40% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.15% 2.13% 2.19% 2.19% 2.19%	-11.88% 50.87% 44.86% 31.15% -37.69% -28.18% -2.81% -12.01% -13.53% 17.88% 23.46% 23.46% 24.10% -10.11% 35.89% 35.89% 31.10%
1933 53.99% 1933 53.99% 1935 47.67% 1935 47.67% 1936 33.92% 1937 -35.03% 1938 31.12% 1939 -4.11% 1940 -5.78% 1941 20.34% 1942 20.34% 1944 19.75% 1944 19.75% 1945 36.14% 1946 8.07% 1947 5.71% 1948 55.00% 1949 18.79% 1950 31.71% 1950 31.71% 1950 31.71% 1950 31.71% 1950 31.71% 1951 10.02% 10.02	3.12% 3.18% 2.81% 2.77% 2.66% 2.64% 2.410% 2.23% 1.94% 2.24% 2.24% 2.24% 2.24% 2.24% 2.25% 2.25% 2.12%	50.87% -1.62% -1.62% -1.86% -31.15% -37.69% -2.81% -12.01% -12.01% -13.53% -17.88% -23.16% -10.11% -3.58% -3.10%
1934	3.18% 2.81% 2.77% 2.61% 2.61% 2.40% 2.11% 2.11% 2.14% 2.14% 2.14% 2.14% 2.14% 2.14% 2.15% 2.13% 2.10% 2.12% 2.15% 2.12%	-4.62% 44.86% 31.15% -37.69% 28.48% -2.81% -12.01% -13.53% 17.88% 23.46% 17.29% 34.10% -10.11% 35.8% 3.10%
1936 33.92% 1937 35.03% 1938 31.12% 1938 31.12% 1940 -9.78% 1940 -9.78% 1941 1.155% 1942 20.34% 1943 25.90% 1944 19.75% 1945 36.44% 1948 55.05% 1948 55.05% 1949 18.79% 1951 21.02% 1955 31.71% 1951 21.02% 1955 31.71% 1955 31.71% 1957 10.78% 1958 40.99% 1959 41.46% 1959 42.86% 1959 42.86% 1959 42.86% 1959 42.86% 1959 42.86% 1959 11.96% 1960 10.66% 1966 10.06% 1968 11.06% 1968 11.06% 1969 18.05% 1969 1968 11.06% 1969 1969 1969 1970 38.66%	281% 2.77% 2.66% 2.64% 2.64% 2.41% 2.23% 2.14% 2.14% 2.14% 2.21% 2.21% 2.23% 2.23% 2.23% 2.23% 2.23%	31.15% -37.69% 28.48% -2.81% -12.01% -13.53% 17.88% 23.46% 17.29% 34.10% -10.11% 3.58% 3.10%
1937 35.03% 1938 31.12% 1939 -0.41% 1941 -11.59% 1942 20.34% 1943 25.99% 1944 19.75% 1945 36.44% 1946 8.07% 1946 8.07% 1947 57.11% 1948 55.09% 1949 18.79% 1950 31.71% 1951 12.102% 1952 18.37% 1953 31.56% 1953 31.56% 1955 43.26% 1955 43.26% 1956 43.26% 1957 10.78% 1959 11.96% 1960 26.87% 1961 26.88% 1962 8.73% 1963 22.80% 1964 16.48% 1966 10.06% 1968 10.06% 1969 1968 1969 1969 1969 1969 1969 1969 1970 386% 1970 386% 1971 14.30%	2.66% 2.61% 2.10% 2.23% 1.91% 2.16% 2.141% 2.145% 2.231% 2.01% 2.13% 2.10% 2.25% 2.12% 2.28%	-37.69% 28.48% -2.81% -12.01% -13.53% 17.88% 23.46% 17.29% 34.10% -10.11% 3.58% 3.10%
1938 31.12% 1938 31.12% 1940 9.78% 1941 1.15% 1942 20.34% 1943 25.99% 1943 25.99% 1944 19.75% 1945 36.14% 1946 8.77% 1947 5.71% 1948 5.50% 1949 18.79% 1951 21.02% 1953 40.99% 1953 40.99% 1953 40.99% 1955 31.75% 1955 31.56% 1957 10.78% 1958 43.26% 1959 43.26% 1959 11.96% 1960 22.80% 1961 16.89% 1963 22.80% 1966 10.06% 1968 11.05% 1968 11.06% 1969 1969 1969 1969 1969 1969 1969 1969 1969 1969 1970 38.66% 1971 14.30%	261% 240% 223% 1.91% 246% 244% 2.14% 2.14% 2.23% 2.01% 2.13% 2.10% 2.25% 2.25% 2.28%	28.48% -2.81% -12.01% -13.53% 17.88% 23.46% 17.29% 34.10% -10.11% 3.58% 3.10%
1939 -0.41% 1940 -9.78% 1941 -11.59% 1941 -2.03.4% 1942 2.03.4% 1943 2.5.90% 1944 19.75% 1945 36.14% 1947 5.71% 1948 5.50% 1949 18.79% 1950 31.71% 1950 31.71% 1951 2.102% 1952 18.37% 1952 18.37% 1954 52.62% 1955 3.1.56% 1957 10.78% 1958 43.26% 1959 11.96% 1960 0.47% 1961 26.89% 1963 22.80% 1964 16.48% 1965 12.45% 1966 10.06% 1968 11.06% 1970 386% 1970 386% 1971 14.30%	2.40% 2.23% 1.94% 2.46% 2.41% 2.24% 2.01% 2.13% 2.10% 2.25% 2.12% 2.28%	-2.81% -12.01% -13.53% 17.88% 23.46% 17.29% 34.10% -10.11% 3.58% 3.10%
1940 -9.78%	2.23% 1.91% 2.46% 2.44% 2.24% 2.23% 2.01% 2.13% 2.10% 2.25% 2.12% 2.38%	-12.01% -13.53% 17.88% 23.46% 17.29% 34.10% -10.11% 3.58% 3.10%
1941	1.94% 2.46% 2.44% 2.44% 2.34% 2.01% 2.13% 2.40% 2.25% 2.12% 2.38%	-13.53% 17.88% 23.46% 17.29% 34.10% -10.11% 3.58% 3.10%
1943	2.44% 2.46% 2.34% 2.04% 2.13% 2.40% 2.25% 2.12% 2.38%	23.46% 17.29% 34.10% -10.11% 3.58% 3.10%
1941 19.75% 1946 36.17% 1946 8.07% 1948 5.50% 1949 18.79% 1950 31.77% 1951 21.02% 1953 0.99% 1955 31.56% 1955 31.56% 1957 10.76% 1958 43.26% 1959 43.26% 1959 43.26% 1960 2.78% 1961 26.89% 1962 2.78% 1964 10.68% 1965 12.15% 1966 10.06% 1968 10.06% 1969 10.06% 1969 10.06% 1969 10.06% 1969 10.06% 1969 10.06% 1969 10.06% 1970 38.66% 1971 14.30%	2.46% 2.34% 2.04% 2.13% 2.40% 2.25% 2.12% 2.38%	17.29% 34.10% -10.11% 3.58% 3.10%
1945 36.41% 1946 40.776 1947 5.71% 1948 5.50% 1949 18.77% 1950 31.71% 1951 12.02% 1952 18.37% 1952 18.37% 1954 52.62% 1954 52.62% 1955 31.56% 1956 6.56% 1957 -10.78% 1958 43.26% 1959 10.96% 1959 12.68% 1959 12.68% 1959 12.68% 1959 12.68% 1959 12.68% 1959 12.68% 1959 12.88% 1959 12.88% 1960 22.80% 1961 26.89% 1963 22.80% 1964 16.48% 1965 12.45% 1965 12.45% 1966 10.06% 1967 23.98% 1968 11.06% 1969 8.50% 1970 3.86%	2.34% 2.04% 2.13% 2.40% 2.25% 2.12% 2.38%	34.10% -10.11% 3.58% 3.10%
1916	2.04% 2.13% 2.40% 2.25% 2.12% 2.38%	-10,11% 3.58% 3.10%
1947 5.71% 1948 5.50% 1949 18.79% 1950 31.71% 1951 24.02% 1952 18.37% 1952 5.62% 1953 4.0.99% 1954 52.62% 1955 31.55% 1956 6.56% 1957 10.78% 1958 43.36% 1959 11.96% 1959 12.82% 1959 13.96% 1959 13.96% 1959 13.96% 1959 13.96% 1959 13.96% 1960 24.73% 1961 26.89% 1963 22.80% 1964 16.48% 1965 12.45% 1965 12.45% 1966 10.06% 1967 23.98% 1968 11.06% 1969 8.50% 1969 9.50%	2.13% 2.40% 2.25% 2.12% 2.38%	3.58% 3.10%
19-18 5.50% 19-18 18.79% 1950 31.71% 1951 21.02% 1952 18.27% 1953 43.27% 1953 43.26% 1955 31.56% 1957 -10.78% 1959 43.26% 1959 43.26% 1959 19.66 20.73% 1961 26.89% 1960 20.73% 1963 22.80% 1964 21.28% 1965 23.28% 1965 19.66% 19.70% 38.66% 19.70% 38.66% 19.70% 38.66% 19.70% 19.70% 19.66% 19.70% 19.70% 19.66% 19.70%	2.25% 2.12% 2.38%	3.10%
1950 31.71% 1951 24.02% 1952 18.37% 1953 30.99% 1954 52.62% 1955 31.56% 1957 10.78% 1958 43.26% 1959 11.96% 1960 04.7% 1961 26.89% 1963 22.80% 1963 22.80% 1964 16.48% 1965 12.45% 1965 12.45% 1966 10.06% 1968 11.06% 1969 8.50% 1970 38.66% 1970 38.66% 1971 14.30%	2.12%	16 5 404
1951	2.38%	16.54%
1952 18.37% 1953 1.99% 1954 52.62% 1955 31.56% 1956 5.56% 1957 10.78% 1958 43.26% 1959 11.96% 1960 0.47% 1961 26.89% 1963 22.80% 1963 22.80% 1964 16.48% 1965 12.45% 1965 12.45% 1966 10.06% 1970 3.86% 1970 3.86% 1971 14.30%		29.59%
1953	2.66%	21.64%
1954 \$2.62%	2.84%	15.71% -3.83%
1955 31.56% 1955 31.56% 1957 -10.78% 1958 43.26% 1959 11.96% 1959 11.96% 1961 26.89% 1962 47.73% 1964 16.48% 1964 16.48% 1965 12.45% 1966 -10.06% 1968 11.06% 1969 48.00% 1970 38.66% 1970 38.66% 1971 14.30%	2.84%	-3.83% 49.83%
1956 6.56% 1957 10.78% 1958 43.26% 1959 43.26% 1960 0.47% 1961 26.89% 1963 22.80% 1965 12.45% 1965 12.45% 1966 10.06% 1967 23.98% 1968 11.06% 1969 4.50% 1970 38.66% 1971 14.30%	2.75%	28.81%
1958 43.36% 1959 11.96% 1960 0.47% 1961 26.89% 1962 49.73% 1963 22.80% 1965 12.45% 1965 12.45% 1967 23.98% 1968 11.06% 1969 48.00% 1970 38.66%	2.99%	3.57%
1959 11.96% 1960 0.47% 1961 26.89% 1962 27.30% 1963 22.80% 1964 16.48% 1965 12.45% 1966 -10.06% 1968 11.06% 1969 -8.00% 1970 3.86%	3.44%	-14.22%
1960	3.27%	40.09%
1961 26.89% 1962 21.80% 1962 22.80% 1963 22.80% 1964 16.48% 1965 12.45% 1966 10.05% 1967 23.98% 1968 11.06% 1970 28.65% 1971 14.30%	4.01% 4.26%	7.95% -3.79%
1962 8.73% 1963 22.80% 1964 16.48% 1965 12.45% 1966 10.06% 1967 23.98% 1968 11.06% 1969 8.50% 1970 3.86% 1971 14.30%	3.83%	23.06%
1963 22.80% 1964 16.48% 1965 12.45% 1966 10.06% 1967 23.88% 1968 11.06% 1970 28.65% 1970 38.65%	4.00%	-12.73%
1965 12.45% 1966 -1.0.06% 1967 23.98% 1968 11.06% 1969 -8.00% 1970 3.86% 1971 14.30%	3.89%	18.91%
1966 -10,06% 1967 :23,98% 1968 11,06% 1969 -8,50% 1970 3,86% 1971 14,30%	4.15%	12.33%
1967 23.98% 1968 11.06% 1969 -8.50% 1970 3.86% 1971 14.30%	4.19%	8.26%
1968 11.06% 1969 -8.50% 1970 3.86% 1971 14.30%	4.49%	-14.55%
1969 -8.50% 1970 3.86% 1971 14.30%	4.59% 5.50%	19.39% 5.56%
1970 3.86% 1971 14.30%	5.95%	-14.45%
1971 14.30%	6.74%	-2.88%
1972 19 00%	6.32%	7.98%
	5.87%	13.13%
1973 -14.69% 1974 -26.47%	6.51% 7.27%	-21.20% -33.74%
1974 -26.47%	7.99%	29.24%
1976 23.93%	7.89%	16.04%
1977 -7.16%	7.14%	-14.30%
1978 6.57%	7.90%	-1.33%
1979 18.61%	8.86%	9.75%
1980 32.50% 1981 -4.92%	9.97%	-16.47%
1981 -4,92%	13.50%	8.05%
1983 22.56%	10.38%	12.18%
1984 6.27%	11.74%	-5.47%
1985 31.73%	11.25%	20.48%
1986 18.67%	8.98%	9.69%
1987 5.25% 1988 16.61%	7.92% 8.97%	-2.67%
1988 16.61% 1989 31.69%	8.81%	7.64% 22.88%
1990 -3.10%	8.19%	-11.29%
1991 30.47%	8.22%	22.25%
1992 7.62%	7.26%	0.36%
1993 10.08% 1994 1.32%	7.17% 6.59%	2.91% -5.27%
1994 1.32% 1995 37.58%	6.59% 7.60%	-5.27% 29.98%
1996 22.96%	6.18%	16.78%
1997 33.36%	6.64%	26.72%
1998 28.58%	5.83%	22.75%
1999 21.04%	5.57%	15.47%
2000 -9.10% 2001 -11.89%	6.50% 5.53%	-15.60% -17.42%
2001 -11.89% 2002 -22.10%	5.59%	-17.42% -27.69%
2003 28.68%	4.80%	23.88%
2004 10.88%	5.02%	5.86%
2005 4.91%	4.69%	0.22%
2006 15.79% 2007 5.49%	4.68%	11.11%
2007 5.49% 2008 -37.00%	4.86% 4.45%	0.63% -41.45%
2009 26.46%	3.47%	22.99%
2010 15.06%	4.25%	10.81%
2011 2.11%	3.82%	-1.71%
2012 16.00%	2.47%	13.53%
2013 32.39% 2014 13.69%	2.90% 3.41%	29.49% 10.28%
2014 13.69%	2.47%	-1.09%
2016 11.96%	2.30%	9.66%
2017 21.83%	2.67%	19.16%
2018 -4.38%	2.82%	-7.20%
2019 31.49%	2.55%	28.94%
2020 18.40% 2021 28.71%	1.53%	16.87%
2021 28.71% 2022 -18.11%	1.7.5%	26.98%
2023 26.61%		
2024 25.62%	2.61%	-20.72% 22.44%
Average 12.30%	2.61% 4.17% 4.34%	-20.72%
Std. Dev. 19.67%	2.61% 4.17%	-20.72% 22.44%

Bin		
	Frequency	Cumulative %
-50.00%	0	0.0%
-47.50%	0	0.0%
-45.00%	1	1.0%
-42.50%	0	1.0%
-40.00%	1	2.0%
-37.50%	1	3.0%
-35.00%	0	3.0%
-32.50%	1	4.0%
-30.00%	0	4.0%
-27.50%	2	6.1%
-25.00%	0	6.1%
-22.50%	0	6.1%
-20.00%	2	8.1%
-17.50%	0	8.1%
-15.00%	3	11.1%
-12.50%	6	17.2%
-10,00%	5	22.2%
-7.50%	0	22.2%
-5,00%	3	25.3%
-2.50%	6	31.3%
0.00%	3	34.3%
2.50%	3	37.4%
5.00%	4	41,4%
7.50%	2	43,4%
10.00%	9	52.5%
12.50%	5	57.6%
15.00%	2	59.6%
17.50%	7	66.7%
20.00%	4	70.7%
22.50%	5	75.8%
25.00%	7	82.8%
27.50%	2	84.8%
30.00%	7	91.9%
32.50%	i	92,9%
35.00%	2	94.9%
37.50%	ñ	94.9%
40.00%	0	94.9%
42.50%	2	97.0%
45.00%	1	98.0%
47.50%	0	98.0%
50.00%	1	98.0%
51.00%	1	
31.00%	1	100.0%
Count:	99	
Count:	99	

e MRP from Direct	Rank
8.41%	49.10%
8.40%	49.10%
MRP from Rebuttal	Rank
8.91%	49.40%
	8.40%

Source: Kroll, 2023 SBBI, Appendix A-1, A-7; Cost of Capital Navigator

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Referenced Endnotes

for the

Rebuttal Testimony

of

Dylan D'Ascendis

Garrett Direct Testimony, at 66. 45.00 percent includes short-term and long-term debt.

Garrett Direct Testimony, at 6-9.

A. Lawrence Kolbe, George A. Read, Jr, George Hall, The Cost of Capital: Estimating the Rate of Return for Public Utilities, The MIT Press, 1984, at 21.

- 5 Garrett Direct Testimony, at 8.
- 6 Garrett Direct Testimony, at 9.
- Garrett Direct Testimony, at 9. Clarification and emphasis added.
- ⁸ D'Ascendis Direct Testimony, at 7-10.
- Garrett Direct Testimony, at 8-9.
- David C. Parcell, *Cost of Capital Manual*, Society of Utility and Regulatory Financial Analysts, 2010 Edition, at 3-4.
- James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press, 1961, at 106-107.
- Charles F. Phillips, *The Regulation of Public Utilities*, Public Utility Reports, Inc., 1993, at 173.
- D'Ascendis Direct Testimony, at 16.
- Garrett Direct Testimony, at 64-66.
- Garrett Direct Testimony, at 30.
- Exhibits DJG-3 and DJG-4.
- Exhibit DJG-5.
- Garrett Direct Testimony, at 29.

Exhibits DJG-12.

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- Exhibit DJG-6.
- Exhibit DJG-6.
- Exhibit DJG-5; 2.10 percent equals nominal GDP of 3.70 percent minus real GDP of 1.60 percent.
- In the risk/return space, debt securities, with a higher yield and considerably less risk of capital loss (if held to maturity) may be the preferred alternative.
- Garrett Direct Testimony, at 28-29.
- See, for example, Harris, Using Analysts' Growth Forecasts to Estimate Shareholder Required Rate of Return, Financial Management, Spring 1986; Christofi, Christofi, Lori and Moliver, Evaluating Common Stocks Using Value Line's Projected Cash Flows and Implied Growth Rate, Journal of Investing, Spring 1999; Harris and Marston, Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts, Financial Management, Summer 1992; and Vander Weide and Carleton, Investor Growth Expectations: Analysts vs. History, The Journal of Portfolio Management, Spring 1988.
- Source: Bureau of Economic Analysis.
- Garrett Direct Testimony, at 29.
- To put the amount of time that will take these two milestones to happen in perspective, approximately 300 years ago, in the year 1719, France and Spain were at war in New France (now Louisiana), and approximately 3,476 years ago, in the year 1457 BC, the first recorded battle in military history, the Battle of Megiddo, was waged between the Egyptians, led by Pharaoh Thutmose III against Kadesh, Canaanite, Mitanni, and Amurru forces. See also Zager and Evans, In the Year 2525, on 2525 (Exordium & Terminus) (RCA 1968).
- Bodie, Kane, and Marcus, <u>Investments</u>, 7th Edition, McGraw-Hill Irwin, 2008, at 616-617.
- In re: Petition for rate increase by Peoples Gas System, Inc., Docket No. 20230023-GU, Order Granting in Part and Denying in Part Peoples Gas System, Inc.'s Petition for a Rate Increase, at 62 (December 27, 2023).
- D'Ascendis Direct Testimony, at 31.
- Roger A. Morin, <u>Modern Regulatory Finance</u>, PUR Books, 2021, at 371-373. ("Morin").
- John G. Cragg and Burton G. Malkiel, <u>Expectations and the Structure of</u>
 Share Prices (University of Chicago Press, 1982) Chapter 4.

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- James H. Vander Weide and Willard T. Carleton, *Investor Growth Expectations: Analysts vs. History* (The Journal of Portfolio Management, Spring 1988) 78-82.
- Malkiel rebuttal testimony, South Carolina Electric and Gas Co., pp. 16-17, Docket No. 2002-223-E) (italics added for emphasis).
- James H. Vander Weide and Willard T. Carleton, *Investor Growth Expectations: Analysts vs. History* (The Journal of Portfolio Management, Spring 1988) 78-82.
- Exhibit DJG-7.
- Exhibit DJG-10.
- Exhibit DJG-8. On page 35 of his direct testimony, Mr. Garrett states to have relied upon an average of both *Value Line* and Bloomberg betas, while his Exhibit DJG-8 indicates only betas from *Value Line* were utilized in his CAPM.
- Exhibit DJG-11.
- 40 Garrett Direct Testimony, Figure 6, at 41; and Exhibit DJG-10.
- D'Ascendis Direct Testimony, at 51.
- See, Pablo Fernandez, Diego Garcia de la Garza, and Lucia Fernandez Acin, Survey: Market Risk Premium and Risk-Free Rate used for 54 countries in 2025, IESE Business School, May 20, 2025, at 9. Specifically, the study states: [t]he [implied equity premium] is the implicit [required equity premium] used in the valuation of a stock (or market index) that matches the current market price. The most widely used model to calculate the [implied equity premium] is the dividend discount model: the current price per share (P_0) is the present value of expected dividends discounted at the required rate of return (K_0). If d_1 is the dividend per share expected to be received in year 1, and g the expected long-term growth rate in dividends per share,

 $P_0 = d_1$ / (Ke - g), which implies: [implied equity premium] = $d_1/P_0 + g - R_f$

- Aswath Damodaran, Stern School of Business, Equity Risk Premiums (ERP):

 Determinants, Estimation and Implications The 2025 Edition, Updated
 March 25, 2025, at 30-31.
- Garrett Direct Testimony, at 38-41.
- Garrett Direct Testimony, at 40.
- See, http://pages.stern.nyu.edu/~adamodar.
- Exhibit DJG-9.

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Exhibit DJG-9. The model also assumes that all payments are received at year-end, rather than during the year. That assumption also tends to under-state the implied MRP.

- Exhibit DJG-9.
- Document No. 13, page 2.
- Document No. 13. Please note that regardless of the assumed first and terminal-stage growth rates, the terminal stage consistently represents approximately 79.00 percent of the Intrinsic Value.
- 52 See, http://pages.stern.nyu.edu/~adamodar.
- Source: Bureau of Economic Analysis for the years 1929 to 2024. See also, https://www.bea.gov/data/gdp/gross-domestic-product.
- SBBI-2023, 137; Bloomberg Professional.
- As measured by the long-term rate of capital appreciation.
- For example, in line with the Federal Reserve's target average rate of inflation.
- 2.83 percent = [(1.0489/1.020)-1]. Please note that the long-term historical average rate of inflation, measured by the difference between real and nominal GDP growth, has been approximately 2.93 percent, which would also imply perpetual real growth of 1.91 percent. Similarly, the projected difference in nominal GDP and real GDP from the Congressional Budget Office as reported in Exhibit DJG-5 has been approximately 2.10 percent, which implies perpetual real growth of 2.73 percent.
- FRBSF Economic Letter, Does Slower Growth Imply Lower Interest Rates?, November 10, 2014, at 3.
- Forecast bias can be described as a tendency to either over-forecast or under-forecast a given variable.
- 2008 was selected as the starting year as it is the first year Kroll published its recommended MRP and risk-free rate.
- John Y. Campbell, "Forecasting US Equity Returns in the $21^{\rm st}$ Century," Social Security Administration, July 2001.
- D'Ascendis Direct Testimony, at 46-49.
- 63 Morin, at 223-224.
- Eugene F. Brigham and Louis C. Gapenski, <u>Financial Management: Theory</u> and Practice, The Dryden Press, 1985, at 201-204.

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Bente Villadsen, et. al, <u>Risk and Return for Regulated Industries</u> (2017) at 95, endnote 147 of Chapter 4.

- 66 Garrett Direct Testimony, at 52-54.
- Garrett Direct Testimony, at 53.
- Garrett Direct Testimony, at 53.
- D'Ascendis Direct Testimony, at 63.
- Garrett Direct Testimony, at 54.
- Clifford S. Ang, "The Absence of a Size Effect Relevant to the cost of Equity", Business Valuation Review, Volume 37, No. 3, 2018.
- SBBI-2023, at 137. Note: Utility companies are included in this data set.
- Value Line also ranks stocks for Safety by analyzing the total risk of a stock compared to the approximately 1,700 stocks in the Value Line universe. Each of the stocks tracked in the Value Line Investment Survey is ranked in relationship to each other, from 1 (the highest rank) to 5 (the lowest rank). Safety is a quality rank, not a performance rank, and stocks ranked 1 and 2 are most suitable for conservative investors; those ranked 4 and 5 will be more volatile. Volatility means prices can move dramatically and often unpredictably, either down or up. The major influences on a stock's Safety rank are the company's financial strength, as measured by balance sheet and financial ratios, and the stability of its price over the past five years.
- Garrett Direct Testimony, at 50.
- Garrett Direct Testimony, at 50.
- This example is based on an analysis performed by Dr. Roger Morin. See, Roger A. Morin, Modern Regulatory Finance, Public Utility Reports, Inc., 2021, at 337-340.
- Document No. 19 is provided for illustrative purposes only. Please note that I have not relied on the results of the analysis in determining my recommended ROE or range.
- Garrett Direct Testimony, at 50-51.
- Garrett Direct Testimony, at 45.