Q **IS IT REASONABLE FOR MR. HEVERT TO BELIEVE THAT THE DIVIDEND PAYOUT RATIO WILL INCREASE OVER THE PERIOD 2014-2024 AS HE REFLECTED IN HIS MULTI-STAGE DCF MODEL?**

A No. Based on the information used by Mr. Hevert, this assumption is not supported. His long-term payout ratio is based on ~~*Value Line*'s three- to five-year projected~~Bloomberg's historical dividend payout ratio of the electric utility industry. ~~However, his payout ratio for year 2018[7] is also based on *Value Line*'s three- to five-year projections for the payout ratios of the companies included in his proxy group.~~ There is simply no legitimate basis for Mr. Hevert to assume that ~~*Value Line*'s three- to five-year projections for the proxy group should be superseded by *Value Line*'s three- to five-year payout projections~~his proxy group payout ratio will converge on the historical payout ratio for the utility industry.

Simply observing the variation in payout ratios on his Schedule RBH-2, page 2, shows significant differences in the payout ratios of the proxy group companies, which equate to differences in the short-term growth rates. Mr. Hevert's changing payout ratio assumptions simply are not reasonable based on the similar projections made by *Value Line* for the industry and the individual companies included in the proxy group, and his long-term payout ratio has not been shown to be compatible with his long-term sustainable growth rate.

Because *Value Line*'s three- to five-year payout ratio projections for the industry are in line with historical averages, and generally consistent with the industry average, there is no legitimate basis for Mr. Hevert to have assumed a change in the payout ratio as he did in 2018 through 2024. Making this adjustment in his model simply inflates the growth rate for dividends relative to earnings growth during the period 2018-2024, and increases his DCF return estimate.

~~[7]Attachment RBH-RR-3.~~