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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2024-0189

DIRECT TESTIMONY

OF

ANN E. BULKLEY

ON BEHALF OF

EVERGY MISSOURI WEST, INC.

Kansas City, Missouri

February 2024

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**DIRECT TESTIMONY
OF
ANN E. BULKLEY**

Case No. ER-2024-0189

1 **I. INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is Ann E. Bulkley. I am a Principal at The Brattle Group (“Brattle”). My business
4 address is One Beacon Street, Suite 2600, Boston, Massachusetts 02108.

5 **Q: On whose behalf are you submitting this Prepared Direct Testimony?**

6 A: I am submitting this testimony before the Missouri Public Service Commission
7 (“Commission”) on behalf of Evergy Missouri West, Inc. d/b/a Evergy Missouri West
8 (“Evergy West” or the “Company”), a wholly-owned subsidiary of Evergy, Inc.
9 (“Evergy”).

10 **Q: Please describe your education and experience.**

11 A: I hold a Bachelor’s degree in Economics and Finance from Simmons College and a
12 Master’s degree in Economics from Boston University, with over 25 years of experience
13 consulting to the energy industry. I have advised numerous energy and utility clients on a
14 wide range of financial and economic issues with primary concentrations in valuation and
15 utility rate matters. Many of these assignments have included the determination of the cost
16 of capital for valuation and ratemaking purposes. My resume and a summary of testimony
17 that I have filed in other proceedings are included as Attachment A.

1 **Q: What is the purpose of your direct testimony?**

2 A: The purpose of my direct testimony is to present evidence and provide a recommendation
3 regarding the appropriate return on equity (“ROE”) and overall rate of return to be used for
4 ratemaking purposes. I also provide an assessment of the reasonableness of the proposed
5 capital structure to be used for ratemaking purposes that is discussed in the testimony of
6 Company witness Kirkland B. Andrews, Executive Vice President and Chief Financial
7 Officer of Evergy.

8 **Q: Are you sponsoring any exhibits or schedules in support of your direct testimony?**

9 A: Yes. My analyses and recommendations are supported by the data presented in Schedule
10 AEB-1 through Schedule AEB-13, which were prepared by me or under my direction.

11 **Q: Please provide a brief overview of the analyses that lead to your ROE**
12 **recommendation.**

13 A: In developing my recommendation regarding the Company’s proposed ROE in this
14 proceeding, I have estimated the cost of equity by applying traditional estimation
15 methodologies to a proxy group of comparable utilities. These models are the constant
16 growth form of the Discounted Cash Flow (“DCF”) model, the Capital Asset Pricing Model
17 (“CAPM”), the Empirical Capital Asset Pricing Model (“ECAPM”), and a Bond Yield
18 Risk Premium (“BYRP” or “Risk Premium”) analysis. My recommendation also takes
19 into consideration the Company’s relative business and regulatory risk as compared with
20 the proxy group, and the Company’s proposed capital structure as compared with the
21 capital structures of the operating utilities of the proxy group companies. While I do not
22 make specific adjustments to my ROE recommendation for these factors, I did consider

1 them in the aggregate when determining where my recommended ROE falls within the
2 range of the analytical results.

3 **Q: How is the remainder of your testimony organized?**

4 A: The remainder of my direct testimony is organized as follows:

- 5 • Section II provides a summary of my analyses and conclusions.
- 6 • Section III reviews the regulatory guidelines pertinent to the development of the
7 cost of capital.
- 8 • Section IV discusses current and prospective capital market conditions and the
9 effect of those conditions on the Company's cost of equity.
- 10 • Section V explains my selection of a proxy group.
- 11 • Section VI describes my analyses and the basis for my recommendation regarding
12 the appropriate ROE for the Company.
- 13 • Section VII provides a discussion of specific regulatory, business, and financial
14 risks that have a direct bearing on the ROE to be authorized for the Company in
15 this proceeding.
- 16 • Section VIII provides an assessment of the reasonableness of the Company's
17 proposed capital structure and long-term cost of debt.
- 18 • Section IX presents my conclusions and recommendations.

19
20 **II. SUMMARY OF ANALYSES AND CONCLUSIONS**

21 **Q: Please summarize the key factors considered in your analyses and upon which you**
22 **base your recommended ROE.**

23 A: In developing my recommended ROE for Evergy West, I considered the following:

- 24 • The United States ("U.S.") Supreme Court's *Hope* and *Bluefield* decisions,¹ which
25 established the standards for determining a fair and reasonable authorized ROE for
26 public utilities, including consistency of the authorized return with other businesses
27 having similar risk, adequacy of the return to ensure access to capital and support

¹ Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944) ("Hope"); Bluefield Waterworks & Improvement Co., v. Public Service Commission of West Virginia, 262 U.S. 679 (1923) ("Bluefield").

1 credit quality, and the necessity for the end result to lead to just and reasonable
2 rates.

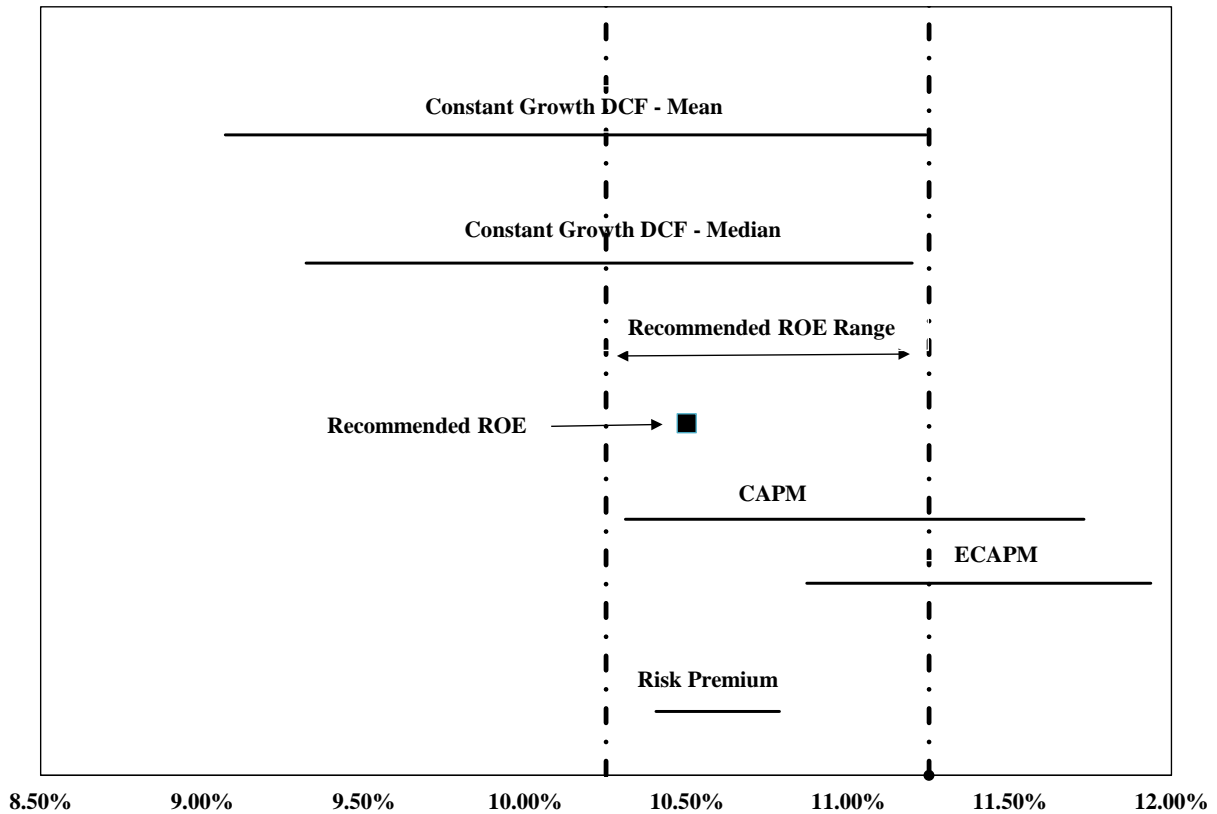
- 3 • The effect of current and prospective capital market conditions on the cost of equity
4 estimation models and on investors' return requirements.
- 5 • The results of several analytical approaches that provide estimates of the
6 Company's cost of equity. Because the Company's authorized ROE should be a
7 forward-looking estimate over the period during which the rates will be in effect,
8 these analyses rely on forward-looking inputs and assumptions (*e.g.*, projected
9 analyst growth rates in the DCF model; forecasted risk-free rate and market risk
10 premium in the CAPM analysis).
- 11 • Although the companies in my proxy group are generally comparable to Evergy
12 West, each company is unique, and no two companies have the exact same business
13 and financial risk profiles. Accordingly, I considered the Company's regulatory,
14 business, and financial risks relative to the proxy group of comparable companies
15 in determining where the Company's ROE should fall within the reasonable range
16 of analytical results to appropriately account for any residual differences in risk.

17 **Q: What are the results of the models that you have used to estimate the cost of equity**
18 **for Evergy West?**

19 **A:** Figure 1 summarizes the range of results of my cost of equity analyses.

1

Figure 1: Summary of the Range of Analytical Results



2

3

4

5

As shown, the range of results across all methodologies is wide. While it is common to consider multiple models to estimate the cost of equity, it is particularly important when the range of results varies considerably across methodologies.

6

7

8

Q: Are prospective capital market conditions expected to affect the results of the cost of equity analyses for the Company during the period in which the rates established in this proceeding will be in effect?

9

10

A: Yes. Capital market conditions are expected to affect the results of the cost of equity estimation models. Specifically:

- 1 • Long-term interest rates have increased substantially over the past two years and
2 are expected to remain relatively high at least over the next year in response to
3 inflation.
- 4 • Since (i) utility dividend yields are less attractive than the risk-free rates of
5 government bonds; (ii) interest rates are expected to remain near current levels over
6 the next year, and (iii) utility stock prices are inversely related to changes in interest
7 rates; utility share prices may remain depressed.
- 8 • Rating agencies have responded to the risks of the utility sector, citing factors
9 including elevated capital expenditures, interest rates, and inflation that create
10 pressures for customer affordability and prompt rate recovery, and have noted the
11 importance of regulatory support in their current outlooks. In fact, Evergy West
12 was downgraded by Standard & Poor’s (“S&P”) from A- to BBB+ on November
13 29, 2023 due to similar factors of increased interest expenses and capital spending,
14 and lower cost recovery.²
- 15 • Similarly, equity analysts have noted the increased risk for the utility sector as a
16 result of elevated interest rates and expect the sector to underperform in 2024.
- 17 • Consequently, it is important to consider that if utility share prices decline, the
18 results of the DCF model, which relies on current utility share prices, would
19 understate the cost of equity during the period that the Company’s rates will be in
20 effect.

21 It is appropriate to consider all of these factors when estimating a reasonable range
22 of the investor-required cost of equity and the recommended ROE for the Company.

23 **Q: What is your recommended ROE for the Company in this proceeding?**

24 A: Considering the analytical results of the cost of equity models, current and prospective
25 capital market conditions, and the Company’s regulatory, business, and financial risk
26 relative to the proxy group, I conclude that an ROE in the range of 10.25 percent to 11.25
27 percent is reasonable, and within that range, an ROE of 10.50 percent is reasonable.

² S&P Global Ratings, “Evergy Inc. And Subsidiaries Downgraded By One Notch On Weakening Financials; Outlook Revised To Stable,” November 29, 2023.

1 **Q: Is Evergy West's requested capital structure is reasonable?**

2 A: Yes. The Company's proposed capital structure of 52.04 percent equity and 47.96 percent
3 long-term debt is within the range of the actual capital structures of the utility operating
4 subsidiaries of the proxy group companies, and the Company's proposed equity ratio is
5 below the average of the proxy group. Further, the Company's proposed equity ratio is
6 reasonable considering credit rating agencies' continued concern with the negative effect
7 on the cash flows and credit metrics associated with increasing interest rates, inflation and
8 capital expenditures.

9 **Q: Is the Company's requested long-term cost of debt rate reasonable?**

10 A: Yes. Evergy West's embedded cost of long-term cost of 4.38 percent is consistent with
11 the market cost of debt at the time of issuance and is thus reasonable.

12

13 **III. REGULATORY GUIDELINES**

14 **Q: Please describe the principles that guide the establishment of the cost of capital for a**
15 **regulated.**

16 A: The U.S. Supreme Court's precedent-setting *Hope* and *Bluefield* cases established the
17 standards for determining the fairness or reasonableness of a utility's authorized ROE.
18 Among the standards established by the Court in those cases are: (1) consistency with other
19 businesses having similar or comparable risks; (2) adequacy of the return to support credit

1 quality and access to capital; and (3) the principle that the specific means of arriving at a
2 fair return are not important, as long as the end result leads to just and reasonable rates.³

3 **Q: Has the Commission provided similar guidance in establishing the appropriate return**
4 **on common equity?**

5 A: Yes. The Commission follows the precedents of the *Hope* and *Bluefield* cases and
6 acknowledges that utility investors are entitled to a fair and reasonable return. For
7 example, this position was set forth by the Commission as follows:

8 The standard for rates is “just and reasonable,” a standard founded on
9 constitutional provisions, as the United States Supreme Court has
10 explained. But the Commission must also consider the customers.
11 Balancing the interests of investor and consumer is not reducible to a single
12 formula, and making pragmatic adjustments is part of the Commission’s
13 duty. Thus, the law requires a just and reasonable end, but does not specify
14 a means. The Commission is charged with approving rate schedules that
15 are as “just and reasonable” to consumers as they are to the utility.⁴

16 Based on these standards, the authorized ROE should provide the Company with a
17 fair and reasonable return and should provide access to capital on reasonable terms in a
18 variety of market conditions.

19 **Q: Why is it important for a utility to be allowed the opportunity to earn an return that**
20 **is adequate to attract capital at reasonable terms?**

21 A: An ROE that is adequate to attract capital at reasonable terms enables the Company to
22 continue to provide safe, reliable service while maintaining its financial integrity. That
23 return should be commensurate with returns expected elsewhere in the market for

³ *Bluefield*, 262 U.S. at 692-93; *Hope*, 320 U.S. at 603.

⁴ In re Kansas City Power & Light Co., No. ER-2012-0174, Report and Order at 11 (Jan. 9, 2013).

1 investments of equivalent risk. If it is not, debt and equity investors will seek alternative
2 investment opportunities for which the expected return reflects the perceived risks, thereby
3 inhibiting the Company's ability to attract capital at reasonable cost.

4 **Q: Is a utility's ability to attract capital also affected by the ROEs that are authorized**
5 **for other utilities?**

6 A: Yes. Utilities compete directly for capital with other investments of similar risk, which
7 include other electric, natural gas, and water utilities. Therefore, the ROE authorized for a
8 utility sends an important signal to investors regarding whether there is regulatory support
9 for financial integrity, dividends, growth, and fair compensation for business and financial
10 risk. The cost of capital represents an opportunity cost to investors. If higher returns are
11 available elsewhere for other investments of comparable risk over the same time-period,
12 investors have an incentive to direct their capital to those alternative investments. Thus,
13 an authorized ROE that is not commensurate with authorized ROEs for other vertically-
14 integrated electric utilities can inhibit Evergy West's ability to attract capital for investment
15 in Missouri to transition away from fossil-fueled to renewable generation.

16 **Q: What is the standard for setting the ROE in a jurisdiction?**

17 A: The stand-alone ratemaking principle is the foundation of jurisdictional ratemaking. This
18 principle requires that the rates that are charged in any operating jurisdiction be for the
19 costs incurred in that jurisdiction. The stand-alone ratemaking principle ensures that
20 customers in each jurisdiction only pay for the costs of the service provided in that
21 jurisdiction, which is not influenced by the business operations in other operating
22 companies. In order to maintain this principle, the cost of equity analysis is performed for

1 an individual operating company as a stand-alone entity. As such, I have evaluated the
2 investor-required return for the Company's utility operations in Missouri.

3 **Q: Does the fact that the Company is owned by Evergy, a publicly traded company, affect**
4 **your analysis?**

5 A: No. In this proceeding, consistent with stand-alone ratemaking principles, it is appropriate
6 to establish the cost of equity for Evergy West, not its publicly-traded parent, Evergy. More
7 importantly, however, it is appropriate to establish a cost of equity and capital structure
8 that provide Evergy West the ability to attract capital on reasonable terms on a stand-alone
9 basis and within Evergy.

10 **Q: Is the regulatory framework and the authorized ROE and equity ratio important to**
11 **the financial community?**

12 A: Yes. The regulatory framework is one of the most important factors in investors'
13 assessments of risk. Specifically, the authorized ROE and equity ratio for regulated utilities
14 is very important for determining the degree of regulatory support for supporting a utility's
15 creditworthiness and financial stability in the jurisdiction. To the extent that authorized
16 returns in a jurisdiction are lower than the returns that have been authorized more broadly,
17 such decisions are considered by both debt and equity investors in the overall risk
18 assessment of the regulatory jurisdiction in which the company operates.

19 **Q: Does the ability to earn the return affect a company's overall risk profile?**

20 A: Yes. The ability to earn the return affects the coverage ratios that are reviewed by the credit
21 rating agencies, which can affect a company's overall credit rating.

1 **Q: Has Evergy West consistently earned its authorized ROE?**

2 A: No. As discussed in the direct testimony of Company Witness Darrin R. Ives, as a result
3 of historical ratemaking treatment and disallowances that have occurred in prior rate
4 decisions, Evergy West has significantly under-earned its authorized ROE. As shown in
5 Witness Ives's testimony, while the 2022 rate determination resulted in an authorized ROE
6 of 9.50 percent, the actual earned return was less than 6.00 percent. However, the 30-day
7 average yield on the Moody's Baa-rated utility bonds as of November 30, 2023 was 6.44
8 percent, meaning that the actual earned return does not result in *any* equity risk premium.

9 **Q: Are you aware of any utilities that have experienced a credit rating downgrade and/or**
10 **a negative market response related to the financial effects of a rate decision?**

11 A: Yes. There are numerous examples in which utilities have experienced a negative market
12 response related to the financial effects of a rate decision, including credit rating
13 downgrades and material stock price declines. For example, ALLETE, Inc.,⁵ CenterPoint
14 Energy Houston Electric,⁶ and Pinnacle West Capital Corporation ("PNW")⁷ each
15 received credit rating downgrades following rate case decisions in the past few years for
16 reasons that included below average authorized ROEs. The most recent example is the
17 decision by the Illinois Commerce Commission ("ICC") in mid-December 2023 that
18 rejected the multiyear grid plan proposals of Ameren Illinois Co. ("Ameren IL") and

⁵ Moody's Investors Service, "Credit Opinion: ALLETE, Inc. Update following downgrade," April 3, 2019, at 3.

⁶ FitchRatings, "Fitch Downgrades CenterPoint Energy Houston Electric to BBB+; Affirms CNP; Outlooks Negative," February 19, 2020.

⁷ S&P Capital IQ Pro; FitchRatings, "Fitch Downgrades Pinnacle West Capital & Arizona Public Service to 'BBB+'; Outlooks Remain Negative," October 12, 2021; and Moody's Investors Service, "Rating Actions: Moody's downgrades Pinnacle West to Baa1 and Arizona Public Service to A3; outlook negative," November 17, 2021.

1 Commonwealth Edison Co. (“ComEd”) and authorized lower-than-expected ROEs for
2 both of these electric transmission and distribution utilities. Specifically, the ICC
3 authorized an ROE for Ameren IL of 8.72 percent and 8.905 percent for ComEd, which
4 was a significant reduction from the Administrative Law Judge’s recommendations of 9.24
5 percent and 9.28 percent, respectively.⁸

6 **Q: How did the market respond to the ICC’s decisions for these utilities?**

7 A: While the S&P 500 was increasing, the share prices of the parent companies of both
8 Ameren IL and ComEd (*i.e.*, Ameren Corp. and Exelon Corp., respectively) each dropped
9 more than 7 percent on December 14, 2023 after the ICC’s decision, and declined again by
10 more than 4.4 percent and 6.4 percent the following day, respectively.⁹ As of the close on
11 January 5, 2023, Ameren and Exelon’s stock prices were, respectively, 8.9 percent and
12 11.4 percent below where their stock prices closed on December 13, 2023, or the day
13 immediately prior to the ICC’s decisions.¹⁰

14 In addition, the reactions of equity analysts were universally negative, and
15 questioned whether the parents of both Ameren IL and ComEd (*i.e.*, Ameren Corp. and
16 Exelon Corp., respectively) will shift their capital spending out of the jurisdiction as a result
17 of the uncertainty associated with the multiyear rate plan and low authorized ROEs. For
18 example:

⁸ Allison Good, “Ameren, Exelon shares fall after Illinois regulators reject grid plans,” *Platts*, December 15, 2023. Unlike Missouri West, neither Ameren IL or ComEd own electric generation, and credit rating agencies have concluded that, all else equal, vertically-integrated utilities that own generation are more risky than electric transmission and distribution-only utilities.

⁹ Yahoo! Finance.

¹⁰ Ameren Corp.’s stock price closed at \$81.32 on December 13, 2023 and \$74.05 on January 5, 2023. Exelon Corp.’s stock price closed at \$41.00 on December 13, 2023 and \$36.31 on January 5, 2023.

- 1 • Barclays characterized the ICC’s ROE authorizations as “draconian” and “one of
2 the lowest awarded in recent memory, especially in an elevated interest rate and
3 cost of capital environment.”¹¹ Barclays also stated it found it hard to believe
4 utilities “can deploy capital under the same magnitude on the updated grid plans to
5 be filed, especially under the current proposed ROE framework.”
- 6 • In its assessment of the impact on Exelon, the parent of ComEd, UBS stated that
7 “[t]he actions taken by the ICC today call into question, in our view, the regulatory
8 backdrop in which EXC operates.”¹²
- 9 • Wells Fargo stated that it was not mincing words, and that the ICC’s orders were
10 “onerous” and that:
11 We now view IL as one of the worst regulatory jurisdictions in the
12 U.S. (nipping at CT’s heels). We think the totality of the recent
13 orders suggest that the regulatory balancing act between customers
14 and investors is currently heavily skewed toward customers. As a
15 result, we wonder if AEE & EXC will allocate capital away from
16 IL. Keep in mind, IL represents ~25% of both AEE’s & EXC’s total
17 rate base.”¹³
- 18 • In its evaluation of Ameren IL, BofA Securities characterized the ICC’s decision
19 as “punitive” and stated that it was a surprise based on numerous conversations
20 with investors that believed the ICC may authorize an ROE above the ALJ’s
21 recommendation, not substantially lower, and that the downside surprise was one
22 of the biggest in recent memory for their regulated utility coverage.¹⁴ While BofA
23 Securities acknowledged that Ameren IL represents less than 20 percent of Ameren
24 Corp.’s consolidated rate base, it will nonetheless need offsets or capital
25 expenditures elsewhere in order to hit its earnings growth rate targets.¹⁵
- 26 • After the decisions, Guggenheim questioned, “Is Illinois Becoming the Next
27 Connecticut?” Guggenheim noted that investors questioned whether Illinois was
28 “slowly becoming a CT-esque jurisdiction,” and that equity and debt holders are
29 going to be wary of Illinois as a jurisdiction going forward and that the ICC is
30 “simply sending a negative message to investors.”¹⁶

¹¹ Barclays, “AEE/EXC: Coal Stocking-Stuffer in Illinois,” December 14, 2023.

¹² UBS, First Read Exelon Corp., “Negative Rate Case Outcome – Rating and PT Under Review,” December 14, 2023.

¹³ Wells Fargo, “The ICC Delivers a Lump of Coal for AEE & EXC,” December 14, 2023.

¹⁴ BofA Securities, Ameren Corporation, “Illinois delivers downside surprise,” December 15, 2023.

¹⁵ *Id.*

¹⁶ Guggenheim, “IL: Is Illinois Becoming the Next Connecticut? To Be Determined, but Taking a Neutral Stance on the State,” December 15, 2023.

1 Also, after the ICC’s decisions, Regulatory Research Associates (“RRA”) lowered
2 its rating of the Illinois regulatory jurisdiction from Average/2 to Average/3 due to the
3 “concerning pattern of restrictive” rate actions in the state.

4 **Q: What are your conclusions regarding regulatory guidelines?**

5 A: The ratemaking process is premised on the principle that in order for investors and
6 companies to commit the capital needed to provide safe and reliable utility services, a
7 utility must have a reasonable opportunity to recover the return of, and the market-required
8 return on, its invested capital. Accordingly, the Commission’s order in this proceeding
9 should establish rates that provide the Company with a reasonable opportunity to earn an
10 ROE that is: (1) adequate to attract capital at reasonable terms; (2) sufficient to ensure its
11 financial integrity; and (3) commensurate with returns on investments in enterprises with
12 similar risk. It is important for the ROE authorized in this proceeding to take into
13 consideration current and projected capital market conditions, as well as investors’
14 expectations and requirements for both risks and returns. Because utility operations are
15 capital-intensive, regulatory decisions should enable the utility to attract capital at
16 reasonable terms under a variety of economic and financial market conditions. Providing
17 the opportunity to earn a market-based cost of capital supports the financial integrity of the
18 Company, which is in the best interest of both customers and shareholders.

19

1 **IV. CAPITAL MARKET CONDITIONS**

2 **Q: Why is it important to analyze capital market conditions?**

3 A: The models used to estimate the cost of equity rely on market data and thus the results of
4 those models can be affected by prevailing market conditions at the time the analysis is
5 performed. While the ROE established in a rate proceeding is intended to be forward-
6 looking, the analyst uses current and projected market data, including stock prices,
7 dividends, growth rates, and interest rates in the cost of equity estimation models to
8 estimate the investor-required return for the subject company.

9 Analysts and regulatory commissions recognize that current market conditions
10 affect the results of the cost of equity estimation models. As a result, it is important to
11 consider the effect of the market conditions on these models when determining an
12 appropriate range for the ROE, and the ROE to be used for ratemaking purposes for a future
13 period. If investors do not expect current market conditions to be sustained in the future,
14 it is possible that the cost of equity estimation models will not provide an accurate estimate
15 of investors' required return during that rate period. Therefore, it is very important to
16 consider projected market data to estimate the return for that forward-looking period.

17 **Q: What factors are affecting the cost of equity for regulated utilities in the current and**
18 **prospective capital markets?**

19 A: The cost of equity for regulated utility companies is affected by several factors in the
20 current and prospective capital markets, including: (1) changes in monetary policy; (2)
21 relatively high inflation; and (3) increased interest rates that are expected to remain

1 relatively high over the next few years. These factors affect the assumptions used in the
2 cost of equity estimation models.

3 **A. Inflationary Expectations in Current and Projected Capital Market**
4 **Conditions**

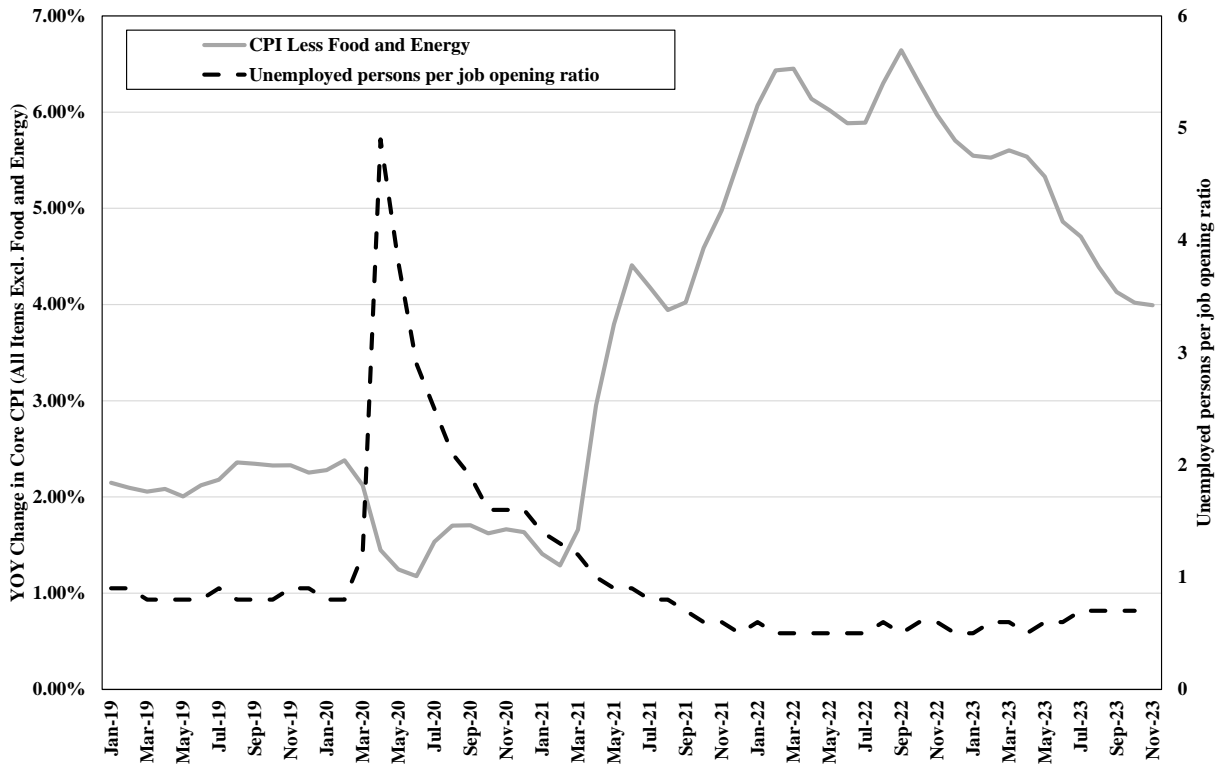
5 **Q: What has the level of inflation been over the past few years?**

6 A: As shown in Figure 2, core inflation increased steadily beginning in early 2021, rising from
7 1.41 percent in January 2021 to a high of 6.64 percent in September 2022. This was the
8 largest 12-month increase since 1982.¹⁷ While core inflation has declined in response to
9 the Federal Reserve’s monetary policy since September 2022, it continues to remain above
10 the Federal Reserve’s target level of 2.0 percent.

11 In addition, as shown in Figure 2, I also considered the ratio of unemployed persons
12 per job opening, which is currently 0.7 and has been consistently below 1.0 since 2021,
13 despite the Federal Reserve’s accelerated policy normalization. This metric indicates
14 sustained strength in the labor market. Given the Federal Reserve’s dual mandate of
15 maximum employment and price stability, the continued increased levels of core inflation
16 coupled with the strength in the labor market has resulted in the Federal Reserve’s
17 sustained focus on the priority of reducing inflation.

¹⁷ Figure 2 presents the year-over-year (“YOY”) change in core inflation, as measured by the Consumer Price Index (“CPI”) excluding food and energy prices as published by the Bureau of Labor Statistics. I considered core inflation because it is the preferred inflation indicator of the Federal Reserve for determining the direction of monetary policy. Core inflation is preferred by the Federal Reserve because it removes the effect of food and energy prices, which can be highly volatile and unpredictable.

1 **Figure 2: Core Inflation and Unemployed Persons-to-Job Openings, January 2019 to**
 2 **November 2023¹⁸**



3
 4 **Q: What are the expectations for inflation over the near-term?**

5 **A:** The Federal Reserve has indicated that it expects inflation will remain elevated above its
 6 target level until 2026 and that the extent to which it maintains the restrictive monetary
 7 policy will depend on market indicators going forward. For example, Federal Reserve
 8 Chair Powell at the Federal Open Market Committee (“FOMC”) meeting on December 13,
 9 2023 observed that while inflation is off of its recent highs, it remains too high and noted
 10 that further policy firming is possible based on the data:

11 Today, we decided to leave our policy interest rate unchanged and to
 12 continue to reduce our securities holdings. Given how far we have come,
 13 along with the uncertainties and risks that we face, the Committee is

¹⁸ Bureau of Labor Statistics.

1 proceeding carefully. We will make decisions about the extent of any
2 additional policy firming and how long policy will remain restrictive based
3 on the totality of the incoming data, the evolving outlook, and the balance
4 of risks.¹⁹

5 Chair Powell reiterated that the FOMC was committed to bringing inflation down
6 to the 2 percent target level, and that while the easing of inflation has been good news, it
7 is currently projected to take until 2026 to reach the Federal Reserve’s target of 2.0 percent:

8 Inflation has eased over the past year but remains above our longer-run goal
9 of 2 percent. Based on the Consumer Price Index and other data, we
10 estimate that total PCE [*Personal Consumer Expenditures*] prices rose 2.6
11 percent over the 12 months ending in November; and that, excluding the
12 volatile food and energy categories, core PCE prices rose 3.1 percent. The
13 lower inflation readings over the past several months are welcome, but we
14 will need to see further evidence to build confidence that inflation is moving
15 down sustainably toward our goal. Longer-term inflation expectations
16 appear to remain well anchored, as reflected in a broad range of surveys of
17 households, businesses, and forecasters, as well as measures from financial
18 markets. As is evident from the SEP [*Summary of Economic Projections*],
19 we anticipate that the process of getting inflation all the way to 2 percent
20 will take some time. The median projection in the SEP is 2.8 percent this
21 year, falls to 2.4 percent next year, and reaches 2 percent in 2026.²⁰

22 Chair Powell noted that the FOMC members project a gradual decline in the federal
23 funds rates over time, although remain cautious and leave open the possibility of further
24 monetary policy tightening as required:

25 While we believe that our policy rate is likely at or near its peak for this
26 tightening cycle, the economy has surprised forecasters in many ways since
27 the pandemic, and ongoing progress toward our 2 percent inflation objective
28 is not assured. We are prepared to tighten policy further if appropriate. We
29 are committed to achieving a stance of monetary policy that is sufficiently
30 restrictive to bring inflation sustainably down to 2 percent over time, and to
31 keeping policy restrictive until we are confident that inflation is on a path
32 to that objective.

¹⁹ Federal Reserve, Transcript of Chair Powell’s Press Conference, December 13, 2023, at 1.

²⁰ *Id.*, at 2-3; clarification added.

1 In our SEP, FOMC participants wrote down their individual assessments of
2 an appropriate path for the federal funds rate based on what each participant
3 judges to be the most likely scenario going forward. While participants do
4 not view it as likely to be appropriate to raise interest rates further, neither
5 do they want to take the possibility off the table. If the economy evolves as
6 projected, the median participant projects that the appropriate level of the
7 federal funds rate will be 4.6 percent at the end of 2024, 3.6 percent at the
8 end of 2025, and 2.9 percent at the end of 2026, still above the median
9 longer-term rate. These projections are not a Committee decision or plan; if
10 the economy does not evolve as projected, the path for policy will adjust as
11 appropriate to foster our maximum employment and price stability goals.²¹

12 **B. The Use of Monetary Policy to Address Inflation**

13 **Q: What policy actions has the Federal Reserve enacted to respond to increased**
14 **inflation?**

15 A: The dramatic increase in inflation has prompted the Federal Reserve to pursue an
16 aggressive normalization of monetary policy, removing the accommodative policy
17 programs used to mitigate the economic effects of COVID-19. Beginning in March 2022
18 and through May 3, 2023, the Federal Reserve increased the target federal funds rate
19 through a series of increases from a range of 0.00 – 0.50 percent to a range of 5.00 percent
20 to 5.25 percent.²² Further, as noted above, while the Federal Reserve acknowledges that
21 inflation has declined from its peak, it still is well above the Federal Reserve’s target of 2
22 percent. Therefore, the Federal Reserve anticipates the continued need to maintain the
23 federal funds rate at a restrictive level in order to achieve its goal of 2 percent inflation over
24 the long-run.

²¹ *Id.*, at 3-4; clarification added.

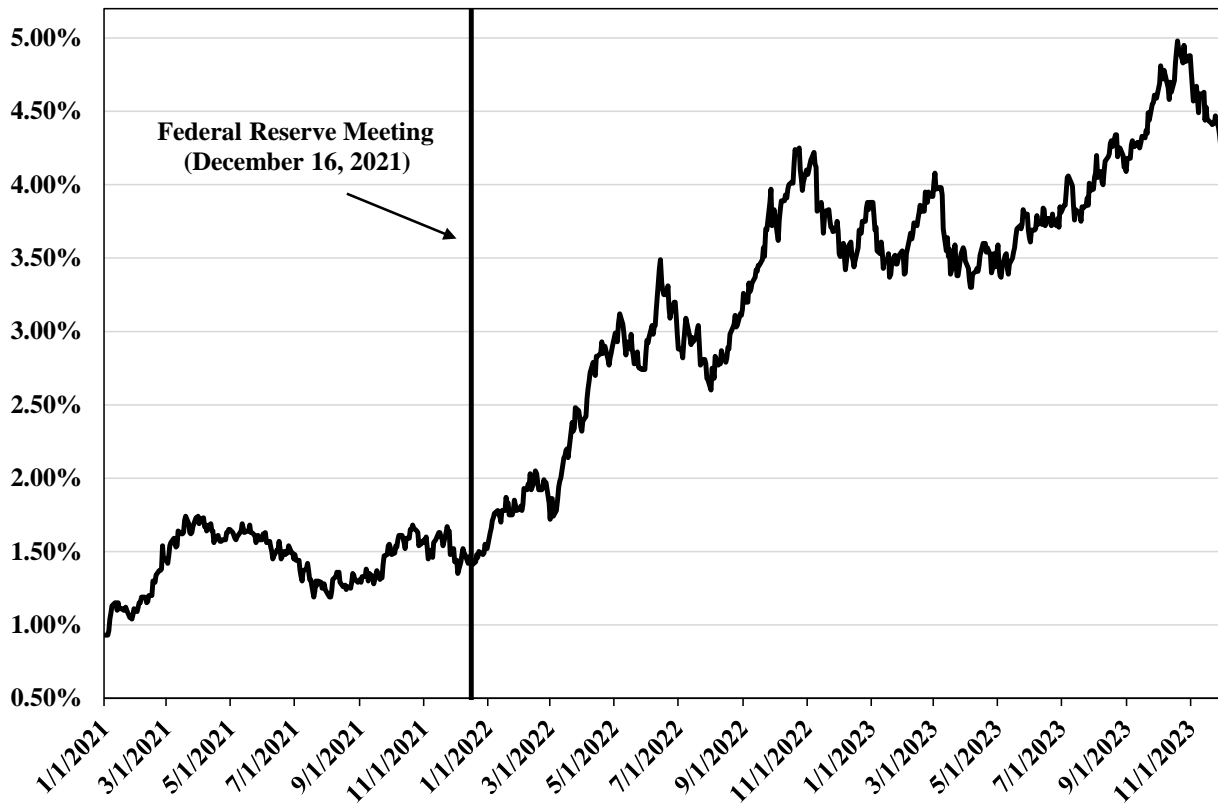
²² <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>.

1 **C. The Effect of Inflation and Monetary Policy on Interest Rates and the**
2 **Investor-Required Return**

3 **Q: Have yields on long-term government bonds increased in response to inflation and**
4 **the Federal Reserve’s normalization of monetary policy?**

5 A: Yes. As the Federal Reserve has substantially increased the federal funds rate and
6 decreased its holdings of Treasury bonds and mortgage-backed securities in response to
7 increased levels of inflation, longer-term interest rates have also increased. As shown in
8 Figure 3, since the Federal Reserve’s December 2021 meeting, the yield on 10-year
9 Treasury bonds has tripled, increasing from 1.47 percent on December 15, 2021 to 4.37
10 percent at the end of November 2023.

11 **Figure 3: 10-Year Treasury Bond Yield, January 2021– November 2023²³**



12 ²³ S&P Capital IQ Pro.

1 **Q: How have interest rates and inflation changed since the Company’s last rate case?**

2 A: As shown in Figure 4, both short-term and long-term interest rates have increased
3 substantially since the Commission approved four separate partial settlement agreements
4 resolving various issues in the Company’s last rate proceeding in September 2022.²⁴
5 Specifically, long-term interest rates have increased 140 basis points over this period,
6 which is indicative of an increase in the cost of equity relative to when the settlement
7 concerning the Company’s cost of capital was approved.²⁵ As discussed, as a result of the
8 Federal Reserve’s monetary policy of substantially increasing short-term interest rates,
9 core inflation has declined since the Commission’s decision on the settlements in the last
10 rate proceeding, although inflation remains above the Federal Reserve’s long-term target
11 value of 2.0 percent.

12 **Figure 4: Change in Market Conditions Since the Company’s Last Rate Case**²⁶

Docket	Date	Federal Funds Rate	30-Day Avg of 30-Year Treasury Bond Yield	Core Inflation Rate
ER-2022-0130	9/22/2022	3.08%	3.35%	6.64%
Current	11/30/2023	5.33%	4.76%	3.99%

13

²⁴ In re Evergy Metro, Inc. and Evergy Mo. West, Inc., Nos. ER-2022-0129 and -0130, Order Approving Four Partial Stipulations and Agreements (Sept. 22, 2022) (“2022 Settlements Order”).

²⁵ S&P Capital IQ Pro.

²⁶ Note, only a pre-tax rate of return for ratemaking was specified in the settlement approved in the Commission’s 2022 Settlements Order, meaning the ROE and capital structure were not specified..

1 **Q: What have equity analysts said about long-term government bond yields going**
2 **forward?**

3 A: Leading equity analysts have noted that they expect the yields on long-term government
4 bonds to remain elevated. For example, in the most recent Big Money poll released by
5 *Barron's* in October 2023, which surveys money managers regarding the outlook for the
6 next twelve months, two-thirds of the money managers surveyed expect the yield on the
7 10-year Treasury bond to be at least 4.50 percent in October 2024.²⁷ Similarly, according
8 to the *Blue Chip Financial Forecasts* report, the consensus estimate of the average yields
9 on the 10-year and 30-year Treasury bonds are approximately 4.00 percent and 4.30
10 percent, respectively, through the first quarter of 2025.²⁸ Therefore, investors expect
11 interest rates to remain elevated for at least the next 15 months. As a result, it is reasonable
12 to expect that if government bond yields remain elevated, the cost of equity will remain
13 materially higher than at the time of the Company's last rate proceeding.

14 **D. Expected Performance of Utility Stocks and the Investor-Required Return**
15 **on Utility Investments**

16 **Q: Are utility share prices correlated to changes in yields on long-term government**
17 **bonds?**

18 A: Yes. Interest rates and utility share prices are inversely correlated which means, for
19 example, that an increase in interest rates will result in a decline in the share prices of
20 utilities. For example, Goldman Sachs and Deutsche Bank examined the sensitivity of
21 share prices of different industries to changes in interest rates over the past five years. Both

²⁷ Nicholas Jasinski, "Big Money Pros Are Split on the Outlook for Stocks. But They Are Fans of Bonds," October 27, 2023.

²⁸ *Blue Chip Financial Forecasts*, Vol. 42, No. 12, December 1, 2023, at 2.

1 Goldman Sachs and Deutsche Bank found that utilities had one of the strongest negative
2 relationships with bond yields (*i.e.*, increases in bond yields resulted in the decline of utility
3 share prices).²⁹

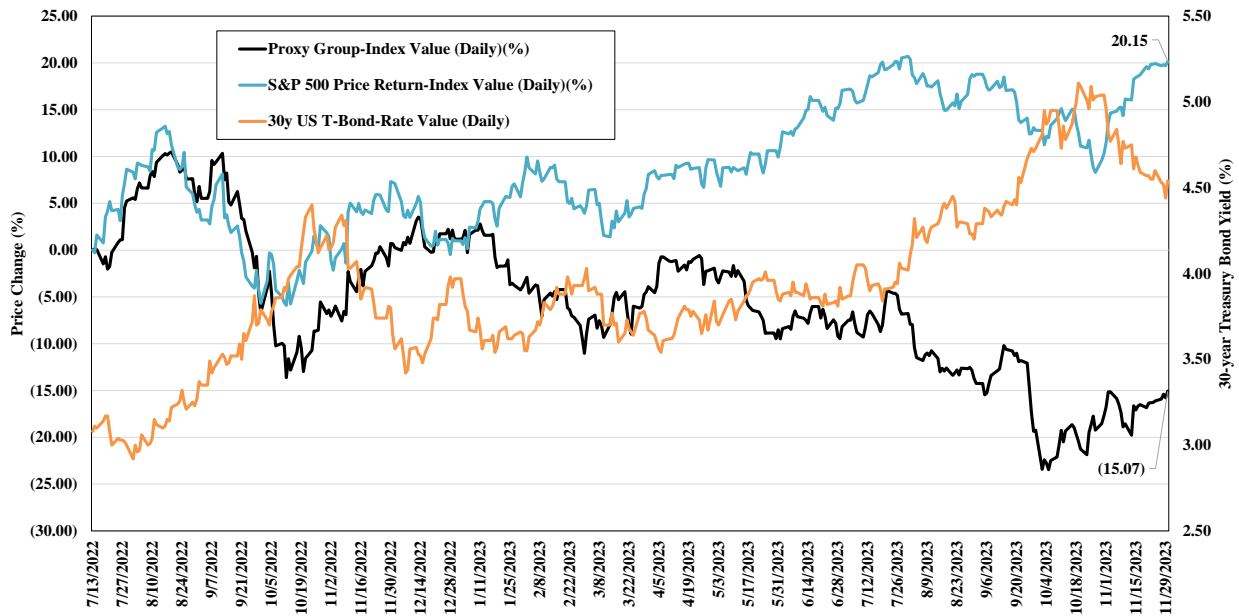
4 **Q: In the Company’s last rate proceeding, you discussed equity analysts’ expected**
5 **underperformance of the utility sector. Did that occur?**

6 A: Yes. Since the filing of my rebuttal testimony in mid-July 2022 in the Company’s last rate
7 proceeding, utility stocks have significantly underperformed the broader market, as
8 Treasury bond yields have increased to levels greater than the dividend yields of utility
9 stocks. For example, as shown in Figure 5, since July 13, 2022, the yield on the 30-year
10 Treasury bond has increased by approximately 145 basis points, while the share prices for
11 the vertically-integrated electric utilities included in my proxy group (discussed in the
12 following section) have *declined* by more than 15.0 percent and the S&P 500 Index has
13 *increased* by more than 20.0 percent. In fact, on October 2, 2023, the utilities sector
14 dropped by 4.7 percent, its single highest one-day percentage decline since April 2020.³⁰
15 The stock price under-performance for the utility sector indicates that the cost of equity has
16 increased since the Company’s last rate proceeding.

²⁹ Justina Lee, “Wall Street Is Rethinking the Treasury Threat to Big Tech Stocks,” Bloomberg.com, March 11, 2021.

³⁰ Caroline Valetkevich, “S&P 500 ends near flat; utilities drop, focus on rate outlook,” Reuters, October 2, 2023.

1 **Figure 5: Relative Performance of the Proxy Group and the S&P 500 Index, Mid-July**
 2 **2022 through November 2023³¹**



3

4 **Q: How do equity analysts expect the utilities sector to perform in 2024?**

5 **A:** Equity analysts have recently projected the continued underperformance of the utility
 6 sector, and have not changed their views on the sector. For example, Fidelity Investments
 7 classifies the utility sector as underweight,³² and Bank of America recently noted that they
 8 are “not so constructive on [u]tilities” given that the dividend yields for utilities are below
 9 both the yields available on long- and short-term treasury bonds.³³ Moreover, the
 10 professional investors surveyed by *Barron’s* in its most recent Big Money poll selected the
 11 utility sector as one of the four equity sectors that they liked the least over the next twelve

³¹ S&P Capital IQ Pro.

³² Fidelity Investments, “Fourth Quarter 2023 Investment Research Update,” October 19, 2023.

³³ Julien Dumoulin-Smith, *et. al.*, “US Electric Utilities & IPPs: As the leaves fall, preparing for Autumn utility outlook. Macro still has potholes,” BofA Securities, September 6, 2023.

1 months, indicating they are projecting that utilities will underperform the broader market
2 in 2024.³⁴

3 **Q: Why do equity analysts expect the utilities sector to underperform over the near**
4 **term?**

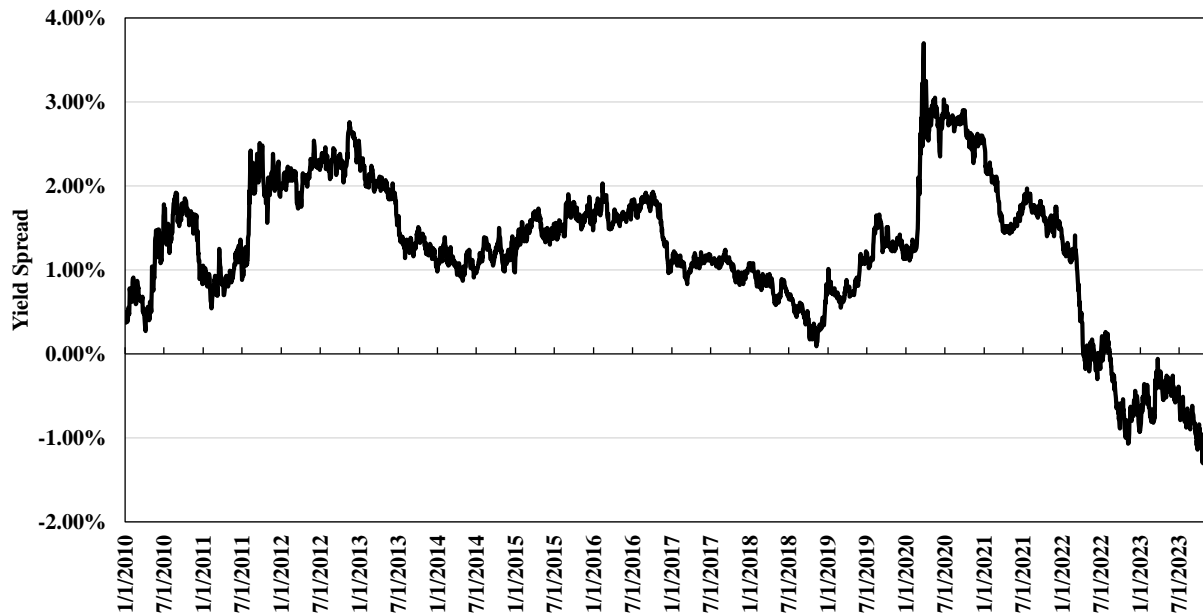
5 A: Equity analysts expect the utility sector to continue to underperform given that utility
6 dividend yields remain lower than the yields on long-term government bonds. To illustrate
7 this point, I examined the difference between the dividend yields of utility stocks and the
8 yields on long-term government bonds from January 2010 through November 2023 (“yield
9 spread”). I selected the dividend yield on the S&P Utilities Index as the measure of the
10 dividend yields for the utility sector and the yield on the 10-year Treasury bond as the
11 estimate of the yield on long-term government bonds.

12 As shown in Figure 6, the recent significant increase in long-term government
13 bonds yields has resulted in the yield on long-term government bonds exceeding the
14 dividend yields of utilities. Specifically, the yield spread as of November 30, 2023 was
15 negative 0.87 percent, meaning that the yield on the 10-year Treasury bond exceeds the
16 dividend yield for the S&P Utilities Index. However, the long-term average yield spread
17 from 2010 to 2023 is 1.23 percent. Therefore, the current yield spread is well below the
18 long-term average. Because the yield spread is currently well below the long-term
19 average, and the expectation is that interest rates will remain relatively high through at least
20 the next year, it is reasonable to conclude that the utility sector may continue to
21 underperform in 2024. This is because investors that purchased utility stocks as an

³⁴ Nicholas Jasinski, “Big Money Pros Are Split on the Outlook for Stocks. But They Are Fans of Bonds,” *Barron’s*, October 27, 2023.

1 alternative to the lower yields on long-term government bonds would otherwise be inclined
2 to rotate into government bonds given that the yields on long-term government bonds
3 remain elevated and higher than utility dividend yields, thus resulting in a decrease in the
4 share prices of utilities.

5 **Figure 6: Spread between the S&P Utilities Index Dividend Yield and the 10-year**
6 **Treasury Bond Yield, January 2010 – November 2023³⁵**



7
8 **E. Conclusion**

9 **Q: What are your conclusions regarding the effect of current market conditions on the**
10 **cost of equity for the Company?**

11 **A:** Due to their impact on the cost of equity, it is important that current and projected market
12 conditions be considered in setting the forward-looking ROE in this proceeding. The
13 combination of persistently high inflation and the Federal Reserve's changes in monetary
14 policy that have increased interest rates indicate that the cost of equity has increased since

³⁵ S&P Capital IQ Pro and Bloomberg Professional.

1 the Company's last rate proceeding given that (i) there is a strong historical inverse
2 correlation between interest rates (*i.e.*, yields on long-term government bonds) and the
3 share prices of utility stocks (*i.e.*, as interest rates increase, utility share prices decline, and
4 thus utility dividend yields increase); and (ii) the yields on long-term government bonds
5 currently exceed the dividend yields of utilities, when historically long-term government
6 bond yields have been lower than the dividend yields of utilities. Because the cost of equity
7 has increased since the Company's last rate proceeding, cost of equity estimates based in
8 whole or in part on historical or current market conditions, as opposed to projected market
9 conditions, may understate the cost of equity during the future period that the Company's
10 rates will be in effect. Therefore, these current and expected market conditions support the
11 Commission's consideration of the higher end of the range of cost of equity results
12 produced by the DCF models, and warrant consideration of forward-looking cost of equity
13 estimation models such as the CAPM and ECAPM that better reflect expected market
14 conditions.

15 16 **V. PROXY GROUP SELECTION**

17 **Q: Please provide a brief profile of Evergy West.**

18 A: Evergy West is a wholly-owned subsidiary of Evergy, and provides regulated retail electric
19 service to approximately 340,300 customers in Missouri.³⁶ As of December 31, 2022, the
20 Company's net utility electric plant was approximately \$4.5 billion.³⁷ In addition, the

³⁶ Evergy Missouri West, Inc., 2022 Annual Report to the Missouri Public Service Commission, at 3c.

³⁷ *Id.*

1 Company had total electric revenues from sales to ultimate customers of \$861 million in
2 2022.³⁸ Evergy West is currently rated BBB+/Stable by S&P and Baa2/Stable by
3 Moody's.³⁹ As noted previously, Evergy West was downgraded by S&P from A- to BBB+
4 on November 29, 2023.

5 **Q: Why have you used a group of proxy companies to estimate the cost of equity for**
6 **Evergy West?**

7 A: In this proceeding, the cost of equity is being estimated for an electric utility company that
8 is not itself publicly traded. Because the cost of equity is a market-based concept and
9 because Evergy West's operations do not make up the entirety of a publicly-traded entity,
10 it is necessary to establish a group of companies that is both publicly traded and comparable
11 to the Company in certain fundamental business and financial respects to serve as its
12 "proxy" for purposes of estimating the cost of equity.

13 Even if Evergy West was a publicly-traded entity, it is possible that transitory
14 events could bias its market value over a given period. A significant benefit of using a
15 proxy group is that it mitigates the effects of anomalous events that may be associated with
16 any one company. The proxy companies used in my analyses all possess a set of operating
17 and financial risk characteristics that are substantially comparable to Evergy West, and,
18 therefore, provide a reasonable basis to estimate the appropriate cost of equity for the
19 Company.

³⁸ *Id.*

³⁹ S&P Capital IQ Pro; Moody's Investors Service, accessed November 30, 2023.

1 **Q: How did you select the companies included in your proxy group?**

2 A: I began with the group of 36 companies that *Value Line* classifies as Electric Utilities and
3 applied the following screening criteria to select companies that:

- 4 • pay consistent quarterly cash dividends, because companies that do not pay a
5 dividend cannot be analyzed using the constant growth DCF model;
- 6 • have investment grade long-term issuer ratings from S&P and/or Moody's;
- 7 • are covered by at least two utility industry analysts;
- 8 • have positive long-term earnings growth forecasts from at least two utility industry
9 equity analysts;
- 10 • own regulated generation assets that are included in rate base;
- 11 • derive more than 40 percent of its megawatt-hour sales from its owned generation
12 facilities.
- 13 • derive more than 60 percent of their total operating income from regulated electric
14 operations; and
- 15 • were not parties to a merger or transformative transaction during the analytical
16 periods relied on.

17 **Q: Did you include Evergy in your analysis?**

18 A: No. In order to avoid the circular logic that otherwise would occur, it is my practice to
19 exclude the subject company, or its parent holding company, from the proxy group.

20 **Q: What is the composition of your proxy group?**

21 A: The screening criteria just discussed results in a proxy group consisting of the companies
22 shown in Figure 7 (as well as in Schedule AEB-2).

1

Figure 7: Proxy Group

<u>Company</u>	<u>Ticker</u>
ALLETE, Inc.	ALE
Alliant Energy Corporation	LNT
Ameren Corporation	AEE
American Electric Power Company, Inc.	AEP
Avista Corporation	AVA
CMS Energy Corporation	CMS
Duke Energy Corporation	DUK
Entergy Corporation	ETR
IDACORP, Inc.	IDA
NextEra Energy, Inc.	NEE
NorthWestern Corporation	NWE
OGE Energy Corporation	OGE
Pinnacle West Capital Corporation	PNW
Portland General Electric Company	POR
Southern Company	SO
Xcel Energy Inc.	XEL

2

3

4

VI. COST OF EQUITY ESTIMATION

5 **Q: Please briefly discuss the ROE in the context of the regulated rate of return.**

6 A: The rate of return for a regulated utility is the weighted average cost of capital, in which
7 the costs of the individual sources of capital are weighted by their respective proportion
8 (*i.e.*, book values) in the utility's capital structure. The ROE is the cost rate applied to the
9 equity capital in calculating the rate of return. While the costs of debt and preferred stock
10 can be directly observed, the cost of equity is market-based and, therefore, must be
11 estimated based on observable market data.

1 **Q: How is the required cost of equity determined?**

2 A: The required cost of equity is estimated by using analytical techniques that rely on market-
3 based data to quantify investor expectations regarding equity returns, adjusted for certain
4 incremental costs and risks. Informed judgment is then applied to determine where the
5 company's cost of equity falls within the range of results produced by multiple analytical
6 techniques. The key consideration in determining the cost of equity is to ensure that the
7 methodologies employed reasonably reflect investors' views of the financial markets in
8 general, as well as the subject company (in the context of the proxy group), in particular.

9 **Q: What methods have you used to estimate Evergy West's cost of equity?**

10 A: I consider the results of the constant growth DCF model, the CAPM, the ECAPM, and a
11 BYRP approach. A reasonable cost of equity estimate appropriately considers alternative
12 methodologies and the reasonableness of their individual and collective results.

13 **Q: Why is it important to use more than one analytical approach?**

14 A: Because the cost of equity is not directly observable, it must be estimated based on both
15 quantitative and qualitative information. When faced with the task of estimating the cost
16 of equity, analysts and investors are inclined to gather and evaluate as much relevant data
17 as reasonably can be analyzed. Several models have been developed to estimate the cost
18 of equity, and I use multiple approaches to estimate the cost of equity. As a practical
19 matter, however, all of the models available for estimating the cost of equity are subject to
20 limiting assumptions or other methodological constraints. Consequently, many well-
21 regarded finance texts recommend using multiple approaches when estimating the cost of

1 equity. For example, Copeland, Koller, and Murrin⁴⁰ suggest using the CAPM and
2 Arbitrage Pricing Theory model, while Brigham and Gapenski⁴¹ recommend the CAPM,
3 DCF, and BYRP approaches.

4 Further, the recent changes in market conditions discussed previously highlight the
5 benefit of using multiple models since each model relies on different assumptions, certain
6 of which better reflect current and projected market conditions at different times. For
7 example, the CAPM, ECAPM, and BYRP analyses rely directly on interest rates as an
8 assumption in the models and therefore may more directly reflect the market conditions
9 expected when the Company's rates are in effect. Accordingly, it is important to use
10 multiple analytical approaches to ensure that the cost of equity results reflect market
11 conditions that are expected during the period that the Company's rates will be in effect.

12 **Q: Has the Commission recognized that it is important to consider the results of multiple**
13 **cost of equity estimation models?**

14 **A:** Yes. For example, in 2018 the Commission stated:

15 In order to set a fair rate of return for Spire, the Commission must determine
16 the weighted cost of each component of the utility's capital structure. One
17 component at issue in this case is the estimated cost of common equity, or
18 the return on equity. Based on the competent and substantial evidence in
19 the record, on its analysis of the expert testimony offered by the parties, and
20 on its balancing of the interests of the company's ratepayers and
21 shareholders, as fully explained in its findings of fact and conclusions of
22 law, the Commission finds that 9.8 percent is a fair and reasonable return
23 on equity for Spire Missouri. That rate is nearly the midpoint of all the
24 experts' recommendations and is consistent with the national average, the
25 growing economy, and the anticipated increasing interest rates. The
26 Commission finds that this rate of return will allow Spire Missouri to

⁴⁰ Tom Copeland, Tim Koller and Jack Murrin, *Valuation: Measuring and Managing the Value of Companies*, New York, McKinsey & Company, Inc., 3rd Ed., 2000, at 214.

⁴¹ Eugene Brigham and Louis Gapenski, *Financial Management: Theory and Practice*, Orlando, Dryden Press, 1994, at 341.

1 compete in the capital market for the funds needed to maintain its financial
2 health.⁴²

3 Thus, the Commission recognized the importance of considering: (1) the results of
4 each model presented in the rate case, which included the DCF, CAPM and Risk Premium
5 analyses; (2) capital market conditions since changes in market conditions can affect the
6 model results and; (3) the returns awarded to comparable utilities in other jurisdictions
7 across the United States.

8 **A. Constant Growth DCF Model**

9 **Q: Please describe the DCF approach.**

10 A: The DCF approach is based on the theory that a stock's current price represents the present
11 value of all expected future cash flows. In its most general form, the DCF model is
12 expressed as follows:

13
$$P_0 = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \dots + \frac{D_\infty}{(1+k)^\infty} \quad [1]$$

14 Where P_0 represents the current stock price, $D_1 \dots D_\infty$ are all expected future
15 dividends, and k is the discount rate, or required ROE. Equation [1] is a standard present
16 value calculation that can be simplified and rearranged into the following form:

17
$$k = \frac{D_0(1+g)}{P_0} + g \quad [2]$$

18 Equation [2] is often referred to as the constant growth DCF model in which the
19 first term is the expected dividend yield and the second term is the expected long-term
20 growth rate.

⁴² In re Laclede Gas Co., No. GR-2017-0215, Report and Order at 35 (March 7, 2018).

1 **Q: What assumptions are required for the constant growth DCF model?**

2 A: The constant growth DCF model requires the following four assumptions: (1) a constant
3 growth rate for earnings and dividends; (2) a stable dividend payout ratio; (3) a constant
4 price-to-earnings ratio; and (4) a discount rate greater than the expected growth rate. To
5 the extent that any of these assumptions are violated, considered judgment and/or specific
6 adjustments should be applied to the results.

7 **Q: What market data do you use to calculate the dividend yield in your constant growth**
8 **DCF model?**

9 A: The dividend yield in my constant growth DCF model is based on the proxy group
10 companies' current annual dividend and average closing stock prices over the 30-, 90-, and
11 180-trading days ended November 30, 2023.

12 **Q: Why do you use 30-, 90-, and 180-day averaging periods?**

13 A: In my constant growth DCF model, I use an average of recent trading days to calculate the
14 term P_0 in the DCF model to ensure that the cost of equity is not skewed by anomalous
15 events that may affect stock prices on any given trading day. The averaging period should
16 also be reasonably representative of expected capital market conditions over the long term.

17 **Q: Do you make any adjustments to the dividend yield to account for periodic growth in**
18 **dividends?**

19 A: Yes. Because utility companies tend to increase their quarterly dividends at different times
20 throughout the year, it is reasonable to assume that dividend increases will be evenly
21 distributed over calendar quarters. Given that assumption, it is reasonable to apply one-
22 half of the expected annual dividend growth rate for purposes of calculating the expected

1 dividend yield component of the DCF model. This adjustment ensures that the expected
2 first-year dividend yield is, on average, representative of the coming twelve-month period,
3 and does not overstate the aggregated dividends to be paid during that time.

4 **Q: Why is it important to select appropriate measures of long-term growth in applying**
5 **the DCF model?**

6 A: In its constant growth form, the DCF model (*i.e.*, Equation [2]) assumes a single long-term
7 growth rate in perpetuity. In order to reduce the long-term growth rate to a single measure,
8 one must assume that the dividend payout ratio remains constant and that earnings per share
9 (“EPS”), dividends per share, and book value per share all grow at the same constant rate.
10 However, over the long run, dividend growth can only be sustained by earnings growth,
11 meaning earnings are the fundamental driver of a company’s ability to pay dividends.
12 therefore, projected EPS growth is the appropriate measure of a company’s long-term
13 growth. In contrast, changes in a company’s dividend payments are based on management
14 decisions related to cash management and other factors. For example, a company may
15 decide to retain earnings rather than pay out a portion of those earnings to shareholders
16 through dividends. Therefore, dividend growth rates are less likely than earnings growth
17 rates to accurately reflect investor perceptions of a company’s growth prospects.
18 Accordingly, I have incorporated a number of sources of long-term EPS growth rates into
19 the constant growth DCF model.

1 **Q: What sources of long-term EPS growth rates do you use?**

2 A: My constant growth DCF model incorporates three sources of long-term projected EPS
3 growth rates: (1) *Zacks Investment Research* (“Zacks”); (2) Yahoo! Finance; and (3) *Value*
4 *Line*.

5 **Q: How do you calculate the range of results for the constant growth DCF models?**

6 A: I calculate the low-end result for the constant growth DCF model using the minimum
7 growth rate of the three sources (*i.e.*, the lowest of the *Zacks*, Yahoo! Finance, and *Value*
8 *Line* projected EPS growth rates) for each of the proxy group companies. I use a similar
9 approach to calculate a high-end result, using the maximum growth rate of the three sources
10 for each proxy group company. Lastly, I also calculate results using the average EPS
11 growth rate from all three sources for each proxy group company.

12 **Q: What are the results of your DCF analyses?**

13 A: Figure 8 (see also Schedule AEB-3) summarizes the results of my DCF analyses. While I
14 also summarize the DCF results using the minimum growth rates, given the market
15 response to the recent ICC decisions for Ameren IL and ComEd as discussed previously,
16 it is evident that the market would not consider these DCF results reflective of the investor-
17 required return, and thus I do not give these DCF results any material weight at this time.

1

Figure 8: Summary of DCF Results

	Minimum Growth Rate	Average Growth Rate	Maximum Growth Rate
Mean Results:			
30-Day Avg. Stock Price	9.16%	10.32%	11.33%
90-Day Avg. Stock Price	9.12%	10.28%	11.29%
180-Day Avg. Stock Price	8.93%	10.09%	11.10%
Average	9.07%	10.23%	11.24%
Median Results:			
30-Day Avg. Stock Price	9.48%	10.09%	11.29%
90-Day Avg. Stock Price	9.34%	10.13%	11.26%
180-Day Avg. Stock Price	9.15%	10.04%	11.05%
Average	9.32%	10.09%	11.20%

2

3 **Q: Have regulatory commissions acknowledged that the DCF model might understate**
4 **the cost of equity given the current capital market conditions of high inflation and**
5 **increasing interest rates?**

6 A: Yes. For example, in its May 2022 decision in establishing the cost of equity for Aqua
7 Pennsylvania, Inc., the Pennsylvania Public Utility Commission (“PPUC”) specifically
8 concluded that the current capital market conditions of high inflation and increasing
9 interest rates has resulted in the DCF model understating the utility cost of equity, and that
10 weight should be placed on risk premium models, such as the CAPM, in the determination
11 of the ROE.

12 To help control rising inflation, the Federal Open Market Committee has
13 signaled that it is ending its policies designed to maintain low interest rates.
14 Aqua Exc. at 9. Because the DCF model does not directly account for
15 interest rates, consequently, it is slow to respond to interest rate changes.
16 However, I&E’s *[the PPUC’s Bureau of Investigation and Enforcement]*
17 CAPM model uses forecasted yields on ten-year Treasury bonds, and
18 accordingly, its methodology captures forward looking changes in interest
19 rates.

1 Therefore, our methodology for determining Aqua’s ROE shall utilize both
2 I&E’s DCF and CAPM methodologies. As noted above, the Commission
3 recognizes the importance of informed judgment and information provided
4 by other ROE models. In the 2012 PPL Order, the Commission considered
5 PPL’s CAPM and RP methods, tempered by informed judgment, instead of
6 DCF-only results. We conclude that methodologies other than the DCF can
7 be used as a check upon the reasonableness of the DCF derived ROE
8 calculation. Historically, we have relied primarily upon the DCF
9 methodology in arriving at ROE determinations and have utilized the results
10 of the CAPM as a check upon the reasonableness of the DCF derived equity
11 return. As such, where evidence based on other methods suggests that the
12 DCF-only results may understate the utility’s ROE, we will consider those
13 other methods, to some degree, in determining the appropriate range of
14 reasonableness for our equity return determination. In light of the above, we
15 shall determine an appropriate ROE for Aqua using informed judgement
16 based on I&E’s DCF and CAPM methodologies.⁴³

17 Similarly, the Massachusetts Department of Public Utilities in a recent rate case for
18 NSTAR Electric Company concluded that given the recent increase in interest rates there
19 was “greater certainty” that the results of the DCF model were understating the cost of
20 equity for the utility.⁴⁴

21 **B. CAPM and ECAPM Analysis**

22 **Q: Please briefly describe the CAPM.**

23 A: The CAPM is a risk premium approach that estimates the cost of equity for a given security
24 as a function of a risk-free return plus a risk premium to compensate investors for the non-
25 diversifiable or “systematic” risk of that security.⁴⁵ This second component is the product
26 of the market risk premium and the beta coefficient, which measures the relative riskiness
27 of the security being evaluated.

⁴³ In re Aqua Pennsylvania Inc., Nos. R-2021-3027385 and R-2021-3027386, Opinion and Order at 154-155 (Pa. PUC, May 12, 2022); clarification added.

⁴⁴ In re NSTAR Electric Co., D.P.U. 22-22, Order at 385-386 (Mass. D.P.U., November 30, 2022).

⁴⁵ Systematic risk is the risk inherent in the entire market or market segment, which cannot be diversified away using a portfolio of assets. Unsystematic risk is the risk of a specific company that can, theoretically, be mitigated through portfolio diversification.

1 The CAPM is defined by four components, each of which must theoretically be a
2 forward-looking estimate:

$$3 \qquad K_e = r_f + \beta(r_m - r_f) \quad [3]$$

4 Where:

5 K_e = the required market ROE;

6 β = the beta coefficient of an individual security;

7 r_f = the risk-free rate of return; and

8 r_m = the required return on the market as a whole.

9 In this specification, the term $(r_m - r_f)$ represents the market risk premium.
10 According to the theory underlying the CAPM, because unsystematic risk can be
11 diversified away, investors should only be concerned with systematic or non-diversifiable
12 risk. Systematic risk is measured by beta, which is a measure of the volatility of a security
13 as compared to the overall market. Beta is defined as:

$$\beta = \frac{\text{Covariance}(r_e, r_m)}{\text{Variance}(r_m)} \quad [4]$$

14 *Variance* (r_m) represents the variance of the market return, which is a measure of
15 the uncertainty of the general market. *Covariance* (r_e, r_m) represents the covariance
16 between the return on a specific security and the general market, which reflects the extent
17 to which the return on that security will respond to a given change in the general market
18 return. Thus, beta represents the risk of the security relative to the general market.

19 **Q: What risk-free rate do you use in your CAPM analysis?**

20 **A:** I rely on three sources for my estimate of the risk-free rate: (1) the current 30-day average
21 yield on 30-year Treasury bonds;⁴⁶ (2) the average projected 30-year Treasury bond yield

⁴⁶ Bloomberg, as of November 30, 2023.

1 for the first quarter of 2024 through the first quarter of 2025;⁴⁷ and (3) the average projected
2 30-year Treasury bond yield for 2025 through 2029.⁴⁸

3 **Q: What beta coefficients do you use in your CAPM analysis?**

4 A: As shown on Schedule AEB-4, I use the beta coefficients for the proxy group companies
5 as reported by *Bloomberg Professional* (“*Bloomberg*”) and *Value Line*. The beta
6 coefficients reported by *Bloomberg* are calculated using ten years of weekly returns relative
7 to the S&P 500 Index. The beta coefficients reported by *Value Line* are calculated based
8 on five years of weekly returns relative to the New York Stock Exchange Composite Index.
9 Additionally, as shown in Attachments AEB-5 and AEB-6, I also consider an additional
10 CAPM analysis that relies on the long-term average beta coefficient reported by *Value Line*
11 for the companies in my proxy group from 2013 through 2022.

12 **Q: How do you estimate the market risk premium in the CAPM?**

13 A: I estimate the market risk premium as the difference between the implied expected equity
14 market return and the risk-free rate. As shown on Schedule AEB-6, the expected return on
15 the S&P 500 Index is calculated using the constant growth DCF model discussed
16 previously as applied to the companies in the S&P 500 Index. Based on an estimated
17 market capitalization-weighted dividend yield of 1.69 percent and a weighted long-term
18 growth rate of 10.78 percent, the estimated required market return for the S&P 500 Index
19 as of November 30, 2023 is 12.56 percent.

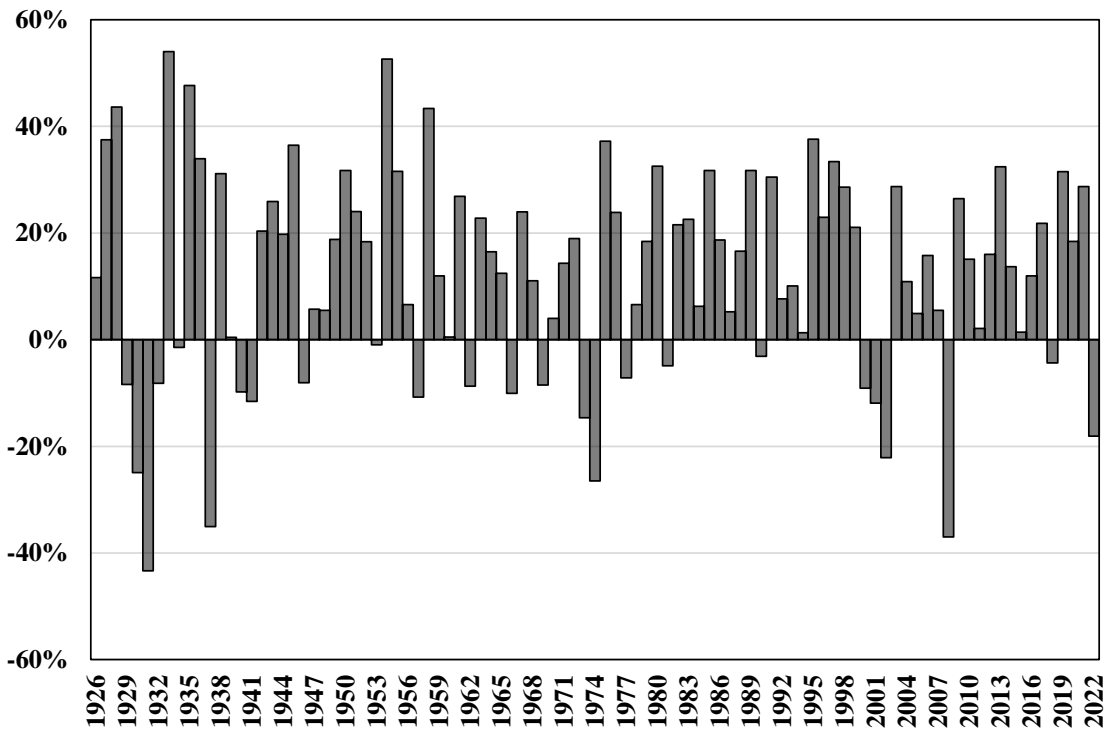
⁴⁷ *Blue Chip Financial Forecasts*, Vol. 42, No. 12, December 1, 2023, at 2.

⁴⁸ *Blue Chip Financial Forecasts*, Vol. 42, No. 6, June 1, 2023, at 14.

1 **Q: How does the current expected market return you have calculated compare to**
2 **observed historical market returns?**

3 A: As shown in Figure 9, given the range of annual equity returns that have been observed
4 over the past century, a current expected return of 12.56 percent is not unreasonable. In 50
5 out of the past 97 years (or roughly 52 percent of observations), the realized equity return
6 was at least 12.56 percent or greater.

7 **Figure 9: Realized U.S. equity market returns (1926-2022)**⁴⁹



8
9 **Q: Do you also consider another form of the CAPM in your analysis?**

10 A: Yes. I have also considered the results of an ECAPM in estimating the cost of equity for
11 the Company.⁵⁰ The ECAPM calculates the product of the adjusted beta coefficient and

⁴⁹ Depicts total annual returns on large company stocks, as reported in the 2022 *Kroll S&P 500 Yearbook*.

⁵⁰ See, e.g., Roger A. Morin, *New Regulatory Finance*. Public Utilities Reports, Inc., 2006, at 189.

1 the market risk premium and applies a weight of 75.00 percent to that result. The model
2 then applies a 25.00 percent weight to the market risk premium without any effect from the
3 beta coefficient. The results of the two calculations are summed, along with the risk-free
4 rate, to produce the ECAPM result, as noted in Equation [5] below:

$$5 \quad k_e = r_f + 0.75\beta(r_m - r_f) + 0.25(r_m - r_f) \quad [5]$$

6 Where:

7 k_e = the required market ROE;

8 β = the adjusted beta coefficient of an individual security;

9 r_f = the risk-free rate of return; and

10 r_m = the required return on the market as a whole.

11 The ECAPM addresses the tendency of the “traditional” CAPM to underestimate
12 the cost of equity for companies with low beta coefficients such as regulated utilities. In
13 that regard, the ECAPM is not redundant to the use of adjusted betas in the traditional
14 CAPM, but rather it recognizes the results of academic research indicating that the risk-
15 return relationship is different (in essence, flatter) than estimated by the CAPM, meaning
16 that the CAPM underestimates the “alpha,” or the constant return term.⁵¹

17 Consistent with my CAPM, my application of the ECAPM uses the same three
18 yields on the 30-year Treasury bonds as the risk-free rate, forward-looking market risk
19 premium estimates, and beta coefficients.

20 **Q: What are the results of your CAPM and ECAPM analyses?**

21 A: The results of my CAPM and ECAPM analyses are summarized in Figure 10, as well as
22 presented in Schedule AEB-4.

⁵¹ *Id.* at 191.

1

Figure 10: Summary of CAPM and ECAPM Results

	30-Year Treasury Bond Yield		
	Current 30-Day Avg	Near-Term Projected	Longer-Term Projected
CAPM:			
Current <i>Value Line</i> Beta	11.73%	11.70%	11.66%
Current Bloomberg Beta	10.96%	10.90%	10.82%
Long-term Avg. <i>Value Line</i> Beta	10.49%	10.41%	10.31%
ECAPM:			
Current <i>Value Line</i> Beta	11.94%	11.91%	11.88%
Current Bloomberg Beta	11.36%	11.31%	11.25%
Long-term Avg. <i>Value Line</i> Beta	11.01%	10.95%	10.87%

2

3

C. BYRP Analysis

4

Q: Please describe the BYRP analysis.

5

A: In general terms, this approach is based on the fundamental principle that equity investors bear the residual risk associated with equity ownership and therefore require a premium over the return they would have earned as bondholders. In other words, because returns to equity holders have greater risk than returns to bondholders, equity holders require a higher return for that incremental risk. Thus, risk premium approaches estimate the cost of equity as the sum of the equity risk premium and the yield on a particular class of bonds. In my analysis, I use actual authorized returns for electric utilities as the historical measure of the cost of equity to determine the risk premium.

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Q: What is the fundamental relationship between the equity risk premium and interest rates?

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15

A: It is important to recognize both academic literature and market evidence indicating that the equity risk premium (as used in this approach) is inversely related to the level of interest

16

1 rates (*i.e.*, as interest rates increase, the equity risk premium decreases, and vice versa).
2 Consequently, it is important to develop an analysis that: (1) reflects the inverse
3 relationship between interest rates and the equity risk premium; and (2) relies on recent
4 and expected market conditions. The analysis presented in Schedule AEB-7 establishes
5 that relationship using a regression of the risk premium as a function of Treasury bond
6 yields. When the authorized ROEs serve as the measure of required equity returns and the
7 long-term Treasury bond yield is defined as the relevant measure of interest rates, the risk
8 premium is the difference between those two points.⁵²

9 **Q: Is the BYRP analysis relevant to investors?**

10 **A:** Yes. Investors are aware of authorized ROEs in other jurisdictions and they consider those
11 awards as a benchmark for a reasonable level of equity returns for utilities of comparable
12 risk operating in other jurisdictions. As discussed previously, utilities have experienced
13 credit rating downgrades and been subject to a negative market reaction related to the
14 financial effects of a rate case decision that included a below average authorized ROE.
15 Because my BYRP analysis is based on authorized ROEs for utility companies relative to
16 corresponding Treasury yields, it provides relevant information to assess the return
17 expectations of investors in the current interest rate environment.

⁵² See *e.g.*, S. Keith Berry, "Interest Rate Risk and Utility Risk Premia during 1982-93," *Managerial and Decision Economics*, Vol. 19, No. 2, March, 1998 (the author used a similar methodology, including using authorized ROEs as the relevant data source, and came to similar conclusions regarding the inverse relationship between risk premia and interest rates). See also Robert S. Harris, "Using Analysts' Growth Forecasts to Estimate Shareholder Required Rates of Return," *Financial Management*, Spring 1986, at 66.

1 **Q: What does your BYRP analysis reveal?**

2 A: As shown in Figure 11, from 1980 through November 2023, there was a strong negative
3 relationship between risk premia and interest rates. To estimate that relationship, I have
4 conducted a regression analysis using the following equation:

$$5 \qquad \qquad \qquad RP = a + b(T) \qquad [6]$$

6 Where:

7 RP = Risk Premium (difference between authorized ROEs and the yield on
8 30-year Treasury bonds)

9 a = intercept term

10 b = slope term

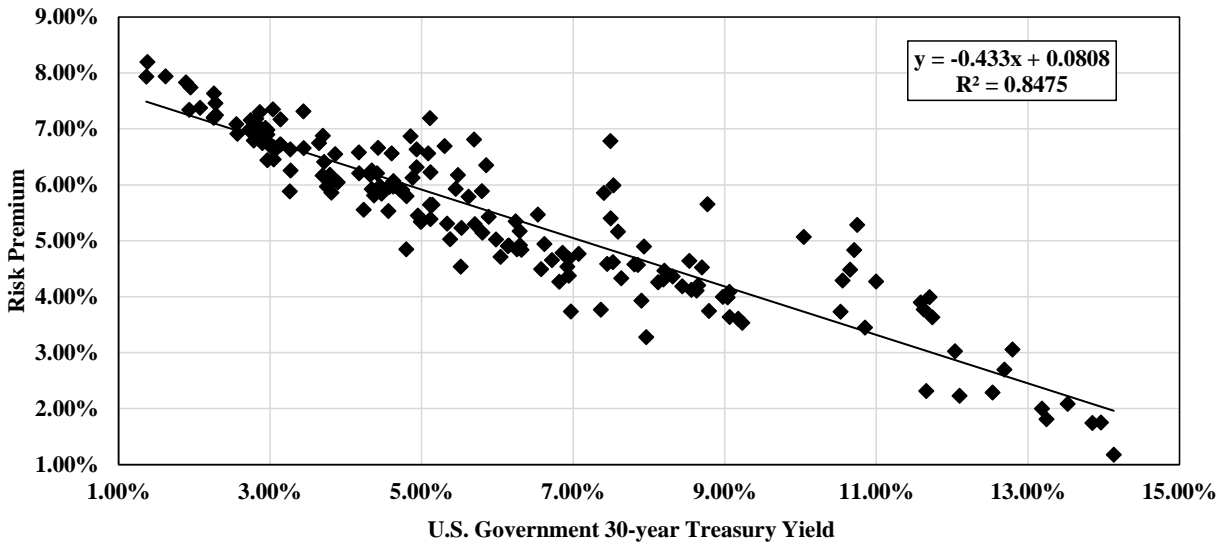
11 T = 30-year Treasury bond yield

12 Data regarding authorized ROEs were derived from all of the vertically-integrated
13 electric utility rate cases over this period as reported by Regulatory Research Associates
14 (“RRA”).⁵³ The equation’s coefficients are statistically significant at the 99.00 percent
15 level.

⁵³ The data was screened to eliminate limited issue rider cases, transmission cases, electric distribution-only (*i.e.*, no generation) cases, and cases that were silent with respect to the authorized ROE.

1

Figure 11: Risk Premium Regression Analysis



2

3 **Q: What are the results of your BYRP analysis?**

4 **A:** Figure 12 presents the results of my BYRP analysis, which are also presented in more detail
5 in Schedule AEB-7.

6 **Figure 12: Summary of BYRP Results**

	30-Year Treasury Bond Yield		
	Current 30-Day Avg	Near-Term Projected	Longer-Term Projected
Bond Yield Risk Premium	10.79%	10.62%	10.40%

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1 **VII. BUSINESS AND REGULATORY RISKS**

2 **Q: Do the results of the cost of equity analyses alone provide an appropriate estimate of**
3 **the cost of equity for Evergy West?**

4 A: No. The model results provide only a range of the appropriate estimate of Evergy West's
5 cost of equity. Several additional factors must be considered when determining where the
6 Company's cost of equity falls within the range of analytical results. These risk factors,
7 discussed below, should be considered with respect to their overall effect on the
8 Company's risk profile relative to the proxy group.

9 **A. Capital Expenditures**

10 **Q: Please summarize the Company's capital expenditure requirements.**

11 A: The Company's current projection of capital expenditures for 2024 through 2027 totals
12 approximately \$1.45 billion, which represents approximately 43 percent of the Company's
13 approximate \$3.37 billion in net utility plant as of December 31, 2022.⁵⁴

14 **Q: How do the Company's capital expenditure requirements compare to those of the**
15 **proxy group companies?**

16 A: As shown on Schedule AEB-8, I have calculated the ratio of expected capital expenditures
17 to net utility plant for Evergy West and each of the companies in the proxy group by
18 dividing each company's projected capital expenditures for the period from 2024 through
19 2027 by its total net utility plant as of December 31, 2022. As shown, Evergy West's ratio
20 of capital expenditures as a percentage of net utility plant is slightly higher than the median
21 for the proxy group companies.

⁵⁴ Data provided by the Company.

1 **Q: How is the Company’s risk profile affected by its substantial capital expenditure**
2 **requirements?**

3 A: As with any utility faced with substantial capital expenditure requirements, the Company’s
4 risk profile may be adversely affected in two significant and related ways: (1) the
5 heightened level of investment increases the risk of under-recovery or delayed recovery of
6 the invested capital; and (2) an inadequate return would put downward pressure on key
7 credit metrics.

8 **Q: Do credit rating agencies recognize the risks associated with elevated levels of capital**
9 **expenditures?**

10 A: Yes. From a credit perspective, the additional pressure on cash flows associated with high
11 levels of capital expenditures exerts corresponding pressure on credit metrics and,
12 therefore, credit ratings. To that point, S&P explains the importance of regulatory support
13 for a significant amount of capital projects:

14 When applicable, a jurisdiction’s willingness to support large capital
15 projects with cash during construction is an important aspect of our analysis.
16 This is especially true when the project represents a major addition to
17 rate base and entails long lead times and technological risks that make it
18 susceptible to construction delays. Broad support for all capital spending is
19 the most credit-sustaining. Support for only specific types of capital
20 spending, such as specific environmental projects or system integrity plans,
21 is less so, but still favorable for creditors. Allowance of a cash return on
22 construction work-in-progress or similar ratemaking methods historically
23 were extraordinary measures for use in unusual circumstances, but when
24 construction costs are rising, cash flow support could be crucial to maintain
25 credit quality through the spending program. Even more favorable are those
26 jurisdictions that present an opportunity for a higher return on capital
27 projects as an incentive to investors.⁵⁵

⁵⁵ S&P Global Ratings, “Assessing U.S. Investor-Owned Utility Regulatory Environments,” August 10, 2016, at 7.

1 **Q: Does the Company have cost recovery mechanisms in place to recover the costs**
2 **associated with its capital expenditures plan between rate cases?**

3 A: Yes. Evergy West has implemented Plant-In-Service Accounting (“PISA”), which was
4 established in 2018 through Senate Bill 564 and amended by Senate Bill 745 in 2022. PISA
5 provides for the deferral of 85 percent of the depreciation and return on capital investment
6 between rate cases. Specifically, Section 393.1400.2(1) provides that utilities who elect to
7 use PISA shall:

8 [D]efer to a regulatory asset eighty-five percent of all depreciation expense
9 and return associated with all qualifying electric plant recorded to plant-in-
10 service on the utility’s books... In each general rate proceeding concluded
11 after the effective date of this section, the balance of the regulatory asset as
12 of the rate base cutoff date shall be included in the electrical corporation’s
13 rate base without any offset, reduction, or adjustment based upon
14 consideration of any other factor...⁵⁷

15 Thus, the PISA permits the Company to defer and recover 85 percent of the
16 depreciation expense and earn a return at the applicable weighted average cost of capital
17 (“WACC”) on investments in certain property, plant, and equipment placed in service and
18 not included in base rates. The regulatory asset for accumulated PISA deferrals also earns
19 a return at the applicable WACC, with all approved PISA deferrals added to rate base
20 prospectively and recovered over a period of 20 years following a regulatory rate review.

21 **Q: Is PISA limited in any respects?**

22 A: Yes. The amended statute governing PISA has an expiration date on the deferrals of
23 December 31, 2028, after which time regulatory approval for continuance through
24 December 31, 2033 is required, and even if extended, the mechanism is set to permanently

⁵⁷ Mo. Rev. Stat. § 393.1400.2(1).

1 expire at the end of 2033. Also, there is a cap on the impact to rates and the revenue
2 requirement that limits the recovery through the PISA. After December 31, 2023, there is
3 a cap on the revenue requirement impact of the PISA deferrals, whereby the revenue
4 requirement impact cap grows at a rate of 2.50 percent annually between rate reviews (*e.g.*,
5 if there are two years between rate reviews the PISA deferrals are capped at 5 percent).

6 **Q: Does the Company have any other cost recovery mechanisms?**

7 A: Yes. The Company also has a Renewable Energy Standard rate adjustment mechanism
8 (“RESRAM”). The RESRAM enables the Company to recover between rate cases the
9 costs relating to compliance with Missouri’s renewable energy standard, including
10 investments in wind generation and other renewables.⁵⁸ Costs recovered through the
11 RESRAM are subject to prudence review.⁵⁹

12 **Q: Have credit rating agencies commented on PISA and the Company’s ability to**
13 **recover its capital expenditures?**

14 A: Yes. Moody’s has noted that strengths of the Company include its generally credit
15 supportive regulatory framework in Missouri, including the adoption of PISA that reduces
16 regulatory lag; however, also has noted that the ongoing elevated capital spending program
17 and cost recovery being limited by a cap also poses a credit challenge.⁶⁰

⁵⁸ 20 CSR 4240-20.100(1)(P).

⁵⁹ Evergy West Tariff, Renewable Energy Standard Adjustment Mechanism – Rider RESRAM, Second Revised Sheet No. 137.2.

⁶⁰ Moody’s Investors Service. Credit Opinion, Evergy Missouri West, Inc., December 21, 2023, at 2.

1 **Q: Does the implementation of PISA and RESRAM reduce Evergy West's cost of equity?**

2 A: No. It is important to recognize that the estimation of the cost of equity includes a
3 comparative analysis of the risks and returns of the subject company and the proxy group
4 of publicly traded utilities that are relied on in the cost of equity estimation models,
5 including their utility operating subsidiaries. Therefore, the threshold question is not
6 whether PISA reduces the risk of Evergy Missouri West, but rather is Evergy Missouri
7 West's risk reduced below that of the proxy group. As shown in Schedule AEB-9, the
8 majority of the operating utilities of the proxy group companies (*i.e.*, approximately 66
9 percent) also have some form of a capital cost recovery mechanism. Thus, Evergy West is
10 similar to the proxy group with respect to the recovery of capital investments, and the use
11 of PISA does not reduce the Company's regulatory risk relative to its peers. Rather, the
12 implementation of PISA means the Company's risk profile is more consistent with the
13 operating utilities of the proxy group companies. As noted, however, it is important to
14 recognize that while the PISA has provided for certain cost recovery, it remains subject to
15 an annual cap and thus could limit the recovery of capital on a forward-looking basis.

16 **Q: Is regulatory lag eliminated by the PISA and RESRAM mechanisms?**

17 A: No. While PISA and RESRAM help mitigate regulatory lag, as noted previously, PISA is
18 not applied to all of the depreciation and return for certain qualified investment. Although
19 PISA provides for the deferral of the depreciation and return on 85 percent of the eligible
20 investment, the utility's net income is negatively impacted between rate cases because the
21 equity portion of that return cannot be included in the utility's reported earnings. Moreover,
22 the return associated with the remaining 15 percent of investment not included in the PISA
23 recovery mechanism is foregone until rates are reset in the next rate proceeding.

1 **Q: What are your conclusions regarding the effect of the Company's capital spending**
2 **requirements on its risk profile and cost of capital?**

3 A: The Company's capital expenditure requirements as a percentage of net utility plant are
4 significant relative to the proxy group and will continue over the next few years. While
5 Evergy West has PISA and the RESRAM to recover certain qualifying capital costs, these
6 mechanisms do not provide for timely recovery of all of the Company's capital
7 expenditures between rate cases. As a result, the Company has moderately greater risk of
8 timely cost recovery and earnings potential relative to the proxy group companies.

9 **B. Regulatory Risk**

10 **Q: How does the regulatory environment affect investors' risk assessments?**

11 A: The ratemaking process is premised on the principle that, for investors and companies to
12 commit the capital needed to provide safe and reliable utility service, the subject utility
13 must have the opportunity to recover the return of, and the market-required return on,
14 invested capital. Regulatory commissions recognize that because utility operations are
15 capital intensive, their decisions should enable the utility to attract capital at reasonable
16 terms, and that doing so balances the long-term interests of investors and customers.
17 Utilities must finance their operations and thus require the opportunity to earn a reasonable
18 return on their invested capital to maintain their financial profiles. The Company is no
19 exception. Therefore, the regulatory environment is one of the most important factors
20 considered in both debt and equity investors' risk assessments.

21 From the perspective of debt investors, the authorized return should enable the
22 utility to generate the cash flow needed to meet its near-term financial obligations, make
23 the capital investments needed to maintain and expand its systems, and maintain the

1 necessary levels of liquidity to fund unexpected events. This financial liquidity must be
2 derived not only from internally generated funds, but also by efficient access to capital
3 markets. Moreover, because fixed income investors have many investment alternatives,
4 even within a given market sector, a utility's financial profile must be adequate on a relative
5 basis to ensure its ability to attract capital under a variety of economic and financial market
6 conditions.

7 Equity investors require that the authorized return be adequate to provide a risk-
8 comparable return on the equity portion of the utility's capital investments. Because equity
9 investors are the residual claimants on the utility's cash flows (*i.e.*, the equity return is
10 subordinate to interest payments), they are particularly concerned with the strength of
11 regulatory support and its effect on future cash flows.

12 **Q: Do credit rating agencies consider regulatory risk in establishing a company's credit**
13 **rating?**

14 A: Yes. Both S&P and Moody's consider the overall regulatory framework in establishing
15 credit ratings. Moody's establishes credit ratings based on four key factors: (1) regulatory
16 framework; (2) the ability to recover costs and earn returns; (3) diversification; and (4)
17 financial strength, liquidity and key financial metrics. Of these criteria, regulatory
18 framework and the ability to recover costs and earn returns are each given a broad rating
19 factor of 25.00 percent. Therefore, Moody's assigns regulatory risk a 50.00 percent
20 weighting in the overall assessment of business and financial risk for regulated utilities.⁶¹

⁶¹ Moody's Investors Service, Rating Methodology: Regulated Electric and Gas Utilities, June 23, 2017, at 4.

1 S&P also identifies the regulatory framework as an important factor in credit ratings
2 for regulated utilities, stating: “One significant aspect of regulatory risk that influences
3 credit quality is the regulatory environment in the jurisdictions in which a utility
4 operates.”⁶² S&P identifies four specific factors that it uses to assess the credit implications
5 of the regulatory jurisdictions of investor-owned regulated utilities: (1) regulatory stability;
6 (2) tariff-setting procedures and design; (3) financial stability; and (4) regulatory
7 independence and insulation.⁶³

8 **Q: How does the regulatory environment in which a utility operates affect its access to
9 and cost of capital?**

10 **A:** The regulatory environment can significantly affect both the access to and cost of capital
11 in several ways. First, the proportion and cost of debt capital available to utility companies
12 are influenced by the rating agencies’ assessment of the regulatory environment. As noted
13 by Moody’s, for utilities, which are rate regulated, “the regulatory environment and how
14 the utility adapts to that environment are the most important credit considerations.”⁶⁴
15 Moody’s further highlighted the relevance of a stable and predictable regulatory
16 environment to a utility’s credit quality, noting: “[b]roadly speaking, the Regulatory
17 Framework is the foundation for how all the decisions that affect utilities are made
18 (including the setting of rates), as well as the predictability and consistency of decision-
19 making provided by that foundation.”⁶⁵

⁶² Standard & Poor’s Global Ratings, Ratings Direct, “U.S. and Canadian Regulatory Jurisdictions Support Utilities’ Credit Quality – But Some More So Than Others,” June 25, 2018, at 2.

⁶³ *Id.*, at 1.

⁶⁴ Moody’s Investors Service, “Rating Methodology: Regulated Electric and Gas Utilities,” June 23, 2017, at 6.

⁶⁵ *Id.*

1 **Q: Have you conducted any analysis of the regulatory framework in Missouri relative to**
2 **the jurisdictions in which the companies in your proxy group operate?**

3 A: Yes. I have evaluated the regulatory framework in Missouri considering five factors that
4 are important in terms of providing a regulated utility a reasonable opportunity to earn its
5 authorized ROE: (1) the test year convention (*i.e.*, forecast vs. historical) for ratemaking;
6 (2) the use of rate design or other mechanisms that mitigate volumetric risk and stabilize
7 revenue; (3) the ability to recover capital costs between rate cases; (4) the ability to recover
8 fuel and purchased power costs; and (5) the ability to recover changes in property tax
9 expenses between rate cases. Each of these are described below:

10 Test Year Convention: Evergy West uses a historical test year with limited “known
11 and measurable” changes through a true-up period. As shown in Schedule AEB-9,
12 approximately 47 percent of the utility operating subsidiaries of the proxy group
13 companies use a partially for fully forecast test year, while the remainder use a
14 historical test year. Forecast test years result in more prompt recovery of incurred
15 costs and thus mitigates the regulatory lag associated with historical test years. As
16 Lowry, Hovde, Getachew, and Makos (2010) explain:

17 This report provides an in depth discussion of the test year issue. It
18 includes the results of empirical research which explores why the
19 unit costs of electric IOUs are rising and shows that utilities
20 operating under forward test years realize higher returns on capital
21 and have credit ratings that are materially better than those of
22 utilities operating under historical test years. The research suggests
23 that shifting to a future test year is a prime strategy for rebuilding
24 utility credit ratings as insurance against an uncertain future.⁶⁶

⁶⁶ Mark Newton Lowry, David Hovde, Lullit Getachew, and Matt Makos. “Forward Test Years for US Electric Utilities,” Prepared for the Edison Electric Institute, August 2010 at 1.

1 Non-Volumetric Rate Design/Revenue Stabilization: Evergy West has partial
2 protection against volumetric risk in Missouri through a Demand Side Investment
3 Mechanism (“DSIM”) Rider; however, this charge only allows the Company to
4 recover the costs associated with the effect of energy efficiency on sales and does
5 not address other volumetric risk. As shown on Schedule AEB-9, approximately
6 59 percent of the utility operating subsidiaries of the proxy group companies have
7 some form of revenue stabilization through either decoupling, formula-based rates,
8 and/or straight-fixed variable rate design that allow them to break the link between
9 customer usage and revenues.

10 Capital Cost Recovery: Evergy West has capital tracking mechanisms (*i.e.*, PISA
11 and the RESRAM for RES compliance assets) to recover capital investment costs
12 between rate cases, although, as discussed previously, Evergy West’s PISA capital
13 cost recovery is subject to a 2.5 percent annual rate increase cap. As shown in
14 Schedule AEB-9, approximately 66 percent of the operating companies held by the
15 proxy group have some form of capital cost recovery mechanism.

16 Fuel Cost Recovery: Evergy West has a fuel adjustment clause (“FAC”) that allows
17 the Company to defer and recover 95 percent of the difference between the actual
18 net energy costs and net base energy costs in rates without the need for a time-
19 consuming and costly rate proceeding.⁶⁷ As shown in Schedule AEB-9,
20 approximately 93 percent of the operating companies in the proxy group recover
21 the full cost of fuel and purchased power costs from customers through a fuel cost

⁶⁷ Evergy West Tariff, Fuel Adjustment Clause – Rider FAC, Original Sheet No. 127.24 through 127.33 (p230). 50.10.

1 recovery mechanism without a sharing band, while only 7 percent of the companies
2 are subject to a fuel cost recovery mechanism in which the utility has the risk of
3 over/under recovery of fuel costs similar to Evergy West.

4 Property Tax Cost Recovery: Evergy West has a property tax rider, and as
5 discussed in the Company's testimony in its last rate proceeding, there are at least
6 11 jurisdictions that also have approved property tax trackers similar to the
7 mechanism that approved for the Company, and three other jurisdictions that have
8 broader cost recovery mechanisms that include the recovery of property tax
9 expenses.

10 **Q: What have the credit rating agencies concluded regarding the Missouri regulatory**
11 **environment?**

12 A: S&P has recently lowered the issuer credit rating for Evergy and its subsidiaries one notch
13 as a result of weakening financials. Specifically, S&P reduced both Evergy's and the
14 Company's credit rating one notch from A- to BBB+, citing high capital expenditures,
15 regulatory lag, inflation, and higher interest rates:

16 Although we expect the company will continue to implement its cost-
17 management strategy, we expect high capital expenditure (approximately
18 \$2.0 billion-\$2.5 billion annually), regulatory lag, inflation, and higher
19 interest rates to pressure consolidated financial measures through at least
20 2026.

21

22 We expect capital spending at Evergy and its subsidiaries to remain higher
23 as the utilities continue to execute on their energy transition plans by closing
24 coal-fired generation and replacing it with new generations including
25 renewables.

26

27 We continue to assess Evergy's business risk profile as excellent. While
28 Evergy and its subsidiaries operate mostly as fully regulated utilities, higher

1 reliance on coal weakens our business risk profile assessment. Currently,
2 coal constitutes about 38% of Evergy's total capacity.

3

4 The stable outlook on Evergy and its subsidiaries including Evergy
5 Missouri West, Evergy Kansas Central, and Evergy Kansas South reflects
6 our expectation that financial measures, specifically FFO to debt, will
7 remain consistently above our downgrade threshold, albeit with a minimal
8 financial cushion.⁶⁸

9 **Q: Have you conducted any additional analyses to evaluate the regulatory environment**
10 **in Missouri as compared to the jurisdictions in which the companies in the proxy**
11 **group operate?**

12 A: Yes, I have conducted two additional analyses to compare the regulatory framework of
13 Missouri to the jurisdictions in which the companies in the proxy group operate.
14 Specifically, I considered two different rankings: (1) the Regulatory Research Associates
15 (“RRA”) ranking of regulatory jurisdictions; and (2) S&P’s ranking of the credit
16 supportiveness of regulatory jurisdictions.

17 **Q: Please explain how RRA evaluates the regulatory environment in each jurisdiction.**

18 A: RRA evaluates the regulatory environment from an investor perspective, considering the
19 relative regulatory risk associated with ownership of securities issued by the companies
20 that are regulated in each jurisdiction. RRA considers several factors that affect the
21 regulatory process including gubernatorial, legislative and court activity, rate case
22 decisions and other regulatory decisions, and information obtained through contact with
23 commissioners, staff, company and government outreach.

⁶⁸ S&P Global Ratings, Ratings Direct, “Evergy Inc. and Subsidiaries Downgraded by One Notch on Weakening Financials; Outlook Revised to Stable,” November 29, 2023, at 2.

1 **Q: How do you use the RRA ratings to compare the regulatory jurisdictions of the proxy**
2 **group companies with the Company’s regulatory jurisdiction?**

3 A: RRA assigns a ranking for each regulatory jurisdiction as “Above Average”, “Average” or
4 “Below Average”, and then within each of those categories, a numeric ranking from 1 to
5 3. Thus, there are a total of nine RRA rankings, with the rankings for each jurisdiction
6 ranging from “Above Average/1”, which is considered the most supportive, to “Below
7 Average/3,” which is the least supportive. I have applied a numeric ranking system to the
8 RRA rankings with “Above Average/1” assigned the highest ranking (*i.e.*, a “1”) and
9 “Below Average/3” assigned the lowest ranking (*i.e.*, a “9”). As shown on Schedule AEB-
10 10, the Missouri jurisdictional ranking is “Average / 3” (*i.e.*, a “6”), which is below the
11 proxy group average ranking of between “Average/1” and “Average/2” (*i.e.*, a “4.63”).

12 **Q: How do you conduct your analysis of the S&P credit supportiveness ranking?**

13 A: For credit supportiveness, S&P classifies each regulatory jurisdiction into five categories
14 that range from “Most Credit Supportive” down to “Credit Supportive.” My analysis of
15 the credit supportiveness of the regulatory jurisdictions in which the proxy companies
16 operate as compared to the Company’s regulatory jurisdiction is similar to the analysis of
17 the RRA overall regulatory ranking discussed above. Specifically, I have assigned a
18 numerical ranking to each category, from Most Credit Supportive (*i.e.*, a “1”) to Credit
19 Supportive (*i.e.*, a “5”). As shown on Schedule AEB-11, similar to the RRA regulatory
20 rankings discussed above, the Missouri jurisdictional classification of “Very Credit
21 Supportive” (*i.e.*, a “3”) is below the proxy group average ranking, which is classified
22 between “Highly Credit Supportive” and “Very Credit Supportive” (*i.e.*, a “2.53”).

1 **Q: Is it important that the Commission consider how the ROE to be authorized for the**
2 **Company in this proceeding compares to other comparable utilities?**

3 A: Yes. As discussed previously, Evergy West must compete for discretionary capital within
4 the Evergy corporate structure, which must in turn compete for capital with other utilities
5 and businesses. Investors consider the business and financial risks for a company like
6 Evergy West relative to other comparable investments. Therefore, the Commission should
7 consider how the authorized ROE for the Company in this proceeding compares to the
8 ROEs authorized for other vertically-integrated utilities, as well as consider the specific
9 business and regulatory risks of the Company relative to the proxy group, so that the
10 Company's future access to capital is not negatively impacted. To the extent that the
11 returns in a jurisdiction are lower than the returns that have been authorized more broadly,
12 credit rating agencies will consider this in the overall risk assessment of the regulatory
13 jurisdiction in which the company operates. As noted, there are various examples of
14 utilities that have experienced a credit rating downgrade and/or a negative market response
15 related to the financial effects of a rate decision.

16 **Q: What are your conclusions regarding the regulatory risks related to the Missouri**
17 **regulatory environment?**

18 A: Both Moody's and S&P have identified the supportiveness of the regulatory environment
19 as an important consideration in developing their overall credit ratings for regulated
20 utilities. Based on my analysis, the Company's regulatory risk and the ability to timely
21 recover its prudently incurred costs is generally consistent with the operating utilities of
22 the proxy group, albeit moderately higher given the lack of full fuel cost recovery, and the

1 limitations on capital cost recovery associated with PISA. In addition, both the RRA and
2 S&P rankings for Missouri indicate a greater risk than the average for the proxy group.

3 **C. Generation Ownership**

4 **Q: How does the business risk of vertically-integrated electric utilities, which own**
5 **generation, compare to the business risk of other regulated electric transmission and**
6 **distribution utilities?**

7 A: According to Moody's, generation ownership causes vertically-integrated electric utilities
8 to have higher business risk than either electric transmission and distribution companies,
9 or natural gas distribution or transportation companies.⁶⁹ As a result of this higher business
10 risk, vertically-integrated electric utilities typically require a higher ROE or percentage of
11 equity in the capital structure than electric transmission, electric distribution, or natural gas
12 utilities.

13 **Q: Are there other risk factors specific to vertically-integrated electric utilities that the**
14 **credit rating agencies consider when determining the credit rating of a company that**
15 **owns generation?**

16 A: Yes. As previously discussed, Moody's establishes credit ratings based on four key factors:
17 (1) regulatory framework; (2) the ability to recover costs and earn returns; (3)
18 diversification; and (4) financial strength, liquidity and key financial metrics.
19 Diversification, which Moody's assigns a 10.00 percent weighting in the overall
20 assessment of a company's business risk, considers the fuel source diversity of a utility
21 with generation:

⁶⁹ Moody's Investors Service, "Rating Methodology: Regulated Electric and Gas Utilities," June 23, 2017, at 21-22.

1 For utilities with electric generation, fuel source diversity can mitigate the
2 impact (to the utility and to its rate-payers) of changes in commodity prices,
3 hydrology and water flow, and environmental or other regulations affecting
4 plant operations and economics. We have observed that utilities' regulatory
5 environments are most likely to become unfavorable during periods of rapid
6 rate increases (which are more important than absolute rate levels) and that
7 fuel diversity leads to more stable rates over time.

8 For that reason, fuel diversity can be important even if fuel and purchased
9 power expenses are an automatic pass-through to the utility's ratepayers.
10 Changes in environmental, safety and other regulations have caused
11 vulnerabilities for certain technologies and fuel sources during the past five
12 years. These vulnerabilities have varied widely in different countries and
13 have changed over time.⁷⁰

14 **Q: Is Evergy's generation portfolio currently in a state of transition?**

15 A: Yes. As described in its 2023 Integrated Resource Plan ("IRP") Update, Evergy is taking
16 actions to retire the fossil generation that it owns and invest in new renewable generation.⁷¹
17 Specifically, Evergy expects to retire approximately 1,916 MW of coal fueled generation⁷²
18 and add approximately 3,200 MW of renewable solar and wind generation over the next
19 ten years.⁷³ Further, Evergy projects that it will retire nearly all remaining coal generation
20 by 2040 with the goal to achieve net-zero carbon emissions by 2045, assuming necessary
21 technology, regulatory, and policy enablers are in place.⁷⁴

22 **Q: How does Evergy's owned generation portfolio compare the generation owned by the**
23 **companies in the proxy group?**

24 A: As shown in Figure 13, Evergy currently owns a significant amount of coal- and gas-fired
25 generation that will need to be transitioned in the next two decades. Specifically, Evergy

⁷⁰ *Id.*, at 16.

⁷¹ Evergy, "2023 Integrated Resource Plan Update," June 15, 2023.

⁷² *Id.*

⁷³ Evergy, "Evergy 2021 Integrated Resource Plan Overview," April 29, 2021, at 4.

⁷⁴ *Id.*, at 4-5.

1 has more coal-fired generation and overall fossil generation (in MW) than the median of
 2 the proxy group, and the proportion of its owned generation that is fossil fueled is the
 3 highest of the proxy group. As noted previously, S&P has noted that the higher reliance
 4 on coal weakens its business risk assessment.⁷⁵

5 **Figure 13: Regulated Owned Generation – Evergy and Proxy Group**⁷⁶

Company	Total Owned Generation (MW)	Total Owned Fossil Generation (MW)	Fossil Generation as % of Total
Duke Energy Corporation	51,895	39,011	75%
NextEra Energy, Inc.	37,206	28,747	77%
Southern Company	32,790	25,292	77%
Entergy Corporation	25,148	20,838	83%
American Electric Power Co.	23,999	19,158	80%
Xcel Energy Inc.	22,261	15,373	69%
Evergy, Inc.	11,812	9,827	83%
Ameren Corporation	11,176	8,154	73%
OGE Energy Corporation	7,212	6,731	93%
Alliant Energy Corporation	7,821	5,708	73%
CMS Energy Corporation	7,097	5,186	73%
Pinnacle West Capital Corporation	6,496	4,950	76%
Portland General Electric Company	3,511	2,258	64%
IDACORP, Inc.	3,478	1,604	46%
ALLETE, Inc.	1,688	947	56%
Avista Corporation	2,140	937	44%
NorthWestern Corporation	1,327	741	56%

7 **Q: How does Evergy’s generation transition plan and accompanying investment**
 8 **requirements affect its business risk?**

9 **A:** Missouri’s 2021 Securitization Financing Law, Sections 393.1700-.1715, allows electric
 10 utilities to securitize their investment in coal generation facilities that has yet to be

⁷⁵ S&P Global Ratings. Ratings Direct, “Evergy Inc. and Subsidiaries Downgraded by One Notch on Weakening Financials; Outlook Revised to Stable,” November 29, 2023, at 2.

⁷⁶ S&P CapIQ Pro.

1 recovered from customers after the generation facility has been retired, as well as in
2 renewable generating facilities that qualify as “replacement resources,” which will help
3 accelerate the transition in Missouri from coal generation to renewable generation.⁷⁷
4 However, Evergy generates a significant percentage of its electricity using fossil
5 generation, including approximately 5,800 MW of coal-fired generation. The proportion
6 and magnitude of the Company’s owned generation portfolio that will be required to
7 transition is relatively higher than the proxy group, meaning the Company’s proposed
8 generation transition and accompanying investment plans moderately increase the overall
9 risk profile of the Company relative to the proxy group and highlight that it is important
10 that the ROE and equity ratio established for the Company in this proceeding be sufficient
11 to attract capital at reasonable terms.

13 **VIII. CAPITAL STRUCTURE, COST OF DEBT, RATE OF RETURN**

14 **A. Capital Structure**

15 **Q: Is the capital structure of the Company an important consideration in the**
16 **determination of the appropriate ROE?**

17 **A:** Yes. The equity ratio is a primary indicator of financial risk for a regulated utility. All
18 else equal, a higher debt ratio increases the risk to investors. For debt holders, higher debt
19 ratios result in a greater portion of the available cash flow being required to meet debt
20 service, thereby increasing the risk associated with the payments on debt. The result of
21 increased risk is a higher interest rate. The incremental risk of a higher debt ratio is more

⁷⁷ Mo. Rev. Stat. §§ 393.1700, 393.1705 and 393.1715.

1 significant for common equity shareholders, whose claim on the cash flow of the Company
2 is secondary to debt holders. Therefore, the greater the debt service requirement, the less
3 cash flow is available for common equity holders.

4 **Q: What is the Company's proposed capital structure?**

5 A: The Company proposes to establish a projected capital structure of 52.04 percent common
6 equity and 47.96 percent long-term debt.

7 **Q: Did you conduct any analysis to determine if the requested equity ratio was**
8 **reasonable?**

9 A: Yes. I compared the Company's proposed capital structure relative to the actual capital
10 structures of the utility operating subsidiaries of the companies in the proxy group. The
11 cost of equity is estimated based on the return that is derived from companies in the proxy
12 group that are deemed to be comparable in risk to the Company; however, those companies
13 must be publicly-traded in order to apply the cost of equity models. The operating utility
14 subsidiaries of the proxy group companies are most risk-comparable to the Company, and
15 thus it is reasonable to look to the average capital structure of the operating utilities of the
16 proxy group to benchmark the equity ratios for the Company. Specifically, I have
17 calculated the average proportion of common equity, long-term debt, preferred equity and
18 short-term debt for the most recent three years for each of the utility operating subsidiaries
19 of the proxy group companies. As shown in Schedule AEB-12, the equity ratios for the
20 utility operating subsidiaries of the proxy group range from 45.73 percent to 60.71 percent,
21 with an average of 52.41 percent. Evergy West's proposed equity ratio of 52.04 percent is
22 well within the range of equity ratios of the proxy group, and slightly below the average.

1 **Q: Are there other factors to be considered in setting the Company’s capital structure?**

2 A: Yes, there are other factors that should be considered in setting the Company’s capital
3 structure, namely the challenges that the credit rating agencies have highlighted as placing
4 pressure on the credit metrics for utilities.

5 For example, while Moody’s recently revised its outlook for the utility sector from
6 “negative” to “stable”, Moody’s continues to note that high interest rates and increased
7 capital spending will place pressure on credit metrics. Thus, Moody’s highlights
8 constructive regulatory outcomes that promote timely cost recovery as a key factor in
9 supporting utility credit quality.⁷⁸

10 Likewise, while S&P also recently revised its outlook for the industry from negative
11 to stable, S&P continues to see significant risks over the near-term for the industry as a
12 result of inflation and increased levels of capital spending. Specifically, S&P noted:

13 Despite the improvement in economic data, we expect inflation, rising
14 interest rates, higher capital spending, and the strategic decision by many
15 companies to operate with only minimal financial cushion from their
16 downgrade thresholds to continue to pressure the industry's credit quality.
17 Throughout 2022 and so far in 2023, the Federal Reserve has consistently
18 raised interest rates to reduce the pace of inflation. While these actions
19 appear to have had a positive effect on slowing inflation, there's still been a
20 modest weakening in the industry's financial measures because of inflation
21 and rising interest rates. An environment of continuously rising costs tends
22 to weaken the industry's financial measures because of the timing difference
23 between when the higher costs are incurred and when they are ultimately
24 recovered from ratepayers.⁷⁹

25 S&P has also recently concluded:

26 The confluence of higher operating costs due to rising inflation, higher
27 interest rates, storm restoration costs, increasing capital spending, and the

⁷⁸ Moody’s Investors Service, Outlook, “Outlook turns stable on low prices and credit-supportive regulation,” September 7, 2023.

⁷⁹ S&P Global Ratings, “The Outlook for North American Regulated Utilities Turns Stable,” May 18, 2023, at 8.

1 recovery of previously deferred higher commodity costs, has resulted in
2 growing rate case filings and increased rate rider recovery requests from
3 state regulators. We expect to closely monitor the industry's ability to not
4 just recover these rising costs but to do so in such a manner that minimizes
5 the regulatory lag. However, given the impact of these higher costs to the
6 customer bill, the industry's ability to effectively manage regulatory risk
7 could become increasingly challenging, possibly pressuring its credit
8 quality.⁸⁰

9 Fitch Ratings (“Fitch”) has stated that it is maintaining a “deteriorating outlook” on
10 the U.S. utility sector in 2024 based on elevated capital spending and continuing higher
11 interest rates that place pressure on credit metrics. Fitch noted that bill affordability will
12 remain a major issue for the industry that could affect future regulatory outcomes, and that
13 while it expects authorized ROEs to start trending up with the increase in interest rates,
14 albeit with a lag, given the uncertain macroeconomic environment and bill pressure on
15 customers, the lag could be longer than in previous cycles.⁸¹

16 The credit ratings agencies’ continued concerns over the negative effects of
17 inflation and increased capital expenditures underscore the importance of maintaining
18 adequate cash flow metrics for the industry as a whole, and for Evergy West in particular.

19 **Q: Have the rating agencies specifically identified any concerns with the coverage ratios**
20 **for Evergy?**

21 A: Yes. On November 29, 2023 S&P downgraded Evergy Inc. and its subsidiaries by one
22 notch. S&P noted that the downgrade “reflects weaker financials and an expectation of
23 ongoing weaker financial measures through 2026. The recent rate case outcomes for the

⁸⁰ S&P Global Ratings, “Regulatory Friction Is Constraining Cost Recovery For North American Investor-Owned Utilities,” November 6, 2023, at 8.

⁸¹ Fitch Ratings, “North American Utilities, Power & Gas Outlook,” S&P Market Intelligence, November 13, 2023.

1 two Kansas utilities were settled below our base case, driving the weaker-than-expected
2 financial metrics.”⁸²

3 **Q: Will the capital structure and ROE authorized in this proceeding affect the**
4 **Company’s access to capital at reasonable rates?**

5 A: Yes. The level of earnings authorized by the Commission directly affects the Company’s
6 ability to fund its operations with internally-generated funds. Both bond investors and
7 rating agencies expect a significant portion of ongoing capital investments to be financed
8 with internally-generated funds. In addition, it is important to recognize that because a
9 utility’s investment horizon is very long, investors require the assurance of a sufficiently
10 high return to satisfy the long-term financing requirements of the assets placed into service.
11 Those assurances, which often are measured by the relationship between internally-
12 generated cash flows and debt (or interest expense), depend quite heavily on the capital
13 structure. As a consequence, both the ROE and capital structure are very important to debt
14 and equity investors, particularly given the capital market conditions discussed previously
15 and the credit rating agencies’ recently stated concerns about the Company’s financial
16 metrics.

17 **B. Cost of Long-term Debt**

18 **Q: What is Evergy West’s proposed cost of long-term debt?**

19 A: The Company is proposing a weighted-average cost of long-term debt of 4.3826 percent.

⁸² S&P Global Ratings, Research Updates, Evergy Inc. And Subsidiaries Downgraded By One Notch On Weakening Financials; Outlook Revised To Stable, November 29, 2023 at 1.

1 **Q: Have you evaluated the Company's proposed cost of long-term debt?**

2 A: Yes, I have evaluated the embedded cost of the Company's long-term debt at the time of
3 each issuance as compared to the cost of long-term debt in the market at that time as
4 reflected by the yield on the Moody's A-rated and Baa- utility bond indices. As shown in
5 Schedule AEB-13, when comparing the actual utility bond yields to the Company's actual
6 coupon rates at the time of issuance, this analysis demonstrates that the Company's
7 embedded cost of long-term debt is reasonable.

8 **C. Overall Rate of Return**

9 **Q: Based on the Company's proposed capital structure, long-term debt cost and your**
10 **recommended ROE, what is the overall rate of return?**

11 A: As shown in Figure 14, the overall rate of return is 7.57 percent.

12 **Figure 14: Overall Rate of Return**

	Capital Structure	Cost Rate	Total
Long-Term Debt	47.96%	4.38%	2.10%
Equity	52.04%	10.50%	5.46%
Wgtd. Avg. Cost of Capital			7.57%

13

14

15 **IX. CONCLUSIONS AND RECOMMENDATIONS**

16 **Q: What is your conclusion regarding a fair ROE for Evergy West?**

17 A: Based on the various quantitative analyses summarized in Figure 15, a reasonable range
18 for the Company's ROE is from 10.25 percent to 11.25 percent. Considering the qualitative

1 analyses presented in my direct testimony, and the Company's specific risk factors, an
 2 ROE of 10.50 percent within that range is reasonable.

3 **Figure 15: Summary of Analytical Results**

	<i>Constant Growth DCF</i>		
	Minimum	Average	Maximum
	Growth Rate	Growth Rate	Growth Rate
Mean Results:			
30-Day Avg. Stock Price	9.16%	10.32%	11.33%
90-Day Avg. Stock Price	9.12%	10.28%	11.29%
180-Day Avg. Stock Price	8.93%	10.09%	11.10%
Average	9.07%	10.23%	11.24%
Median Results:			
30-Day Avg. Stock Price	9.48%	10.09%	11.29%
90-Day Avg. Stock Price	9.34%	10.13%	11.26%
180-Day Avg. Stock Price	9.15%	10.04%	11.05%
Average	9.32%	10.09%	11.20%
<i>CAPM / ECAPM / Bond Yield Risk Premium</i>			
	30-Year Treasury Bond Yield		
	Current	Near-Term	Longer-Term
	30-Day Avg	Projected	Projected
CAPM:			
Current <i>Value Line</i> Beta	11.73%	11.70%	11.66%
Current Bloomberg Beta	10.96%	10.90%	10.82%
Long-term Avg. <i>Value Line</i> Beta	10.49%	10.41%	10.31%
ECAPM:			
Current <i>Value Line</i> Beta	11.94%	11.91%	11.88%
Current Bloomberg Beta	11.36%	11.31%	11.25%
Long-term Avg. <i>Value Line</i> Beta	11.01%	10.95%	10.87%
Bond Yield Risk Premium	10.79%	10.62%	10.40%

1 **Q: What is your conclusion with respect to Evergy West's proposed capital structure?**

2 A: Evergy West's requested capital structure consisting of 52.04 percent common equity and
3 47.96 percent long-term debt is consistent with the actual capital structures of the operating
4 utilities of the proxy group companies. Further, taking into consideration the impact of
5 current and projected market conditions on the cash flows of utilities as raised by the credit
6 rating agencies, I conclude that the Company's proposal is reasonable and should be
7 adopted for ratemaking purposes.

8 **Q: Does this conclude your direct testimony?**

9 A: Yes, it does.

PROXY GROUP SCREENING DATA AND RESULTS

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	
Company	Ticker	Dividends	S&P Credit Rating Between BBB- and AAA	Covered by More Than 1 Analyst	Positive Growth Rates from at least two sources (Value Line, Yahoo! First Call, and Zacks)	Generation Assets Included in Rate Base	% Company-Owned Generation >40%	% Regulated Electric Operating Income > 60% of Total Oper. Income	Announced Merger
ALLETE, Inc.	ALE	Yes	BBB	Yes	Yes	Yes	43.27%	100.00%	No
Alliant Energy Corporation	LNT	Yes	A-	Yes	Yes	Yes	72.75%	87.90%	No
Ameren Corporation	AEE	Yes	BBB+	Yes	Yes	Yes	75.34%	84.57%	No
American Electric Power Company, Inc.	AEP	Yes	A-	Yes	Yes	Yes	51.62%	97.34%	No
Avista Corporation	AVA	Yes	BBB	Yes	Yes	Yes	59.47%	73.85%	No
CMS Energy Corporation	CMS	Yes	BBB+	Yes	Yes	Yes	42.50%	65.48%	No
Duke Energy Corporation	DUK	Yes	BBB+	Yes	Yes	Yes	81.53%	91.02%	No
Entergy Corporation	ETR	Yes	BBB+	Yes	Yes	Yes	71.43%	98.21%	No
IDACORP, Inc.	IDA	Yes	BBB	Yes	Yes	Yes	65.35%	99.91%	No
NextEra Energy, Inc.	NEE	Yes	A-	Yes	Yes	Yes	96.40%	92.16%	No
NorthWestern Corporation	NWE	Yes	BBB	Yes	Yes	Yes	55.82%	84.28%	No
OGE Energy Corporation	OGE	Yes	BBB+	Yes	Yes	Yes	50.65%	100.00%	No
Pinnacle West Capital Corporation	PNW	Yes	BBB+	Yes	Yes	Yes	76.09%	100.00%	No
Portland General Electric Company	POR	Yes	BBB+	Yes	Yes	Yes	54.88%	100.00%	No
Southern Company	SO	Yes	BBB+	Yes	Yes	Yes	76.85%	75.31%	No
Xcel Energy Inc.	XEL	Yes	A-	Yes	Yes	Yes	57.97%	86.47%	No

Notes:

- [1] Bloomberg Professional
- [2] Bloomberg Professional
- [3] Yahoo! Finance and Zacks
- [4] Yahoo! Finance, Value Line Investment Survey, and Zacks
- [5] S&P Capital IQ Pro
- [6] S&P Capital IQ Pro
- [7] Form 10-Ks for 2022, 2021 & 2020
- [8] SNL Financial News Releases

30-DAY CONSTANT GROWTH DCF

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Company	Ticker	Annualized Dividend	Stock Price	Dividend Yield	Expected Dividend Yield	Value Line Earnings Growth	Yahoo! Finance Earnings Growth	Zacks Earnings Growth	Average Growth Rate	Low ROE	Mean ROE	High ROE
ALLETE, Inc.	ALE	\$2.71	\$54.18	5.00%	5.19%	6.00%	8.10%	8.10%	7.40%	11.15%	12.59%	13.30%
Alliant Energy Corporation	LNT	\$1.81	\$49.32	3.67%	3.79%	6.50%	6.65%	6.30%	6.48%	10.09%	10.27%	10.44%
Ameren Corporation	AEE	\$2.52	\$76.88	3.28%	3.38%	6.50%	6.20%	6.60%	6.43%	9.58%	9.82%	9.99%
American Electric Power Company, Inc.	AEP	\$3.52	\$76.65	4.59%	4.71%	6.50%	3.70%	4.80%	5.00%	8.38%	9.71%	11.24%
Avista Corporation	AVA	\$1.84	\$33.32	5.52%	5.69%	6.00%	5.90%	5.90%	5.93%	11.59%	11.62%	11.69%
CMS Energy Corporation	CMS	\$1.95	\$55.46	3.52%	3.64%	6.50%	7.70%	7.50%	7.23%	10.13%	10.88%	11.35%
Duke Energy Corporation	DUK	\$4.10	\$88.52	4.63%	4.77%	5.00%	6.55%	6.10%	5.88%	9.75%	10.65%	11.33%
Entergy Corporation	ETR	\$4.52	\$96.53	4.68%	4.82%	0.50%	11.00%	6.40%	5.97%	5.19%	10.79%	15.94%
IDACORP, Inc.	IDA	\$3.32	\$96.12	3.45%	3.52%	4.00%	3.70%	4.10%	3.93%	7.22%	7.46%	7.62%
NextEra Energy, Inc.	NEE	\$1.87	\$56.48	3.31%	3.45%	9.50%	8.15%	8.20%	8.62%	11.60%	12.07%	12.97%
NorthWestern Corporation	NWE	\$2.56	\$49.46	5.18%	5.29%	3.50%	4.08%	5.20%	4.26%	8.77%	9.55%	10.51%
OGE Energy Corporation	OGE	\$1.67	\$34.43	4.86%	4.98%	6.50%	negative	3.70%	5.10%	8.65%	10.08%	11.52%
Pinnacle West Capital Corporation	PNW	\$3.52	\$72.98	4.82%	4.94%	2.50%	5.90%	5.90%	4.77%	7.38%	9.70%	10.87%
Portland General Electric Company	POR	\$1.90	\$40.73	4.66%	4.79%	5.00%	4.60%	6.00%	5.20%	9.37%	9.99%	10.80%
Southern Company	SO	\$2.80	\$68.05	4.11%	4.24%	6.50%	7.10%	4.00%	5.87%	8.20%	10.10%	11.36%
Xcel Energy Inc.	XEL	\$2.08	\$59.77	3.48%	3.59%	6.00%	6.80%	6.10%	6.30%	9.58%	9.89%	10.40%
Mean				4.30%	4.42%	5.44%	6.41%	5.93%	5.90%	9.16%	10.32%	11.33%
Median				4.61%	4.74%	6.00%	6.55%	6.05%	5.91%	9.48%	10.09%	11.29%

Notes:

[1] Bloomberg Professional

[2] Bloomberg Professional, equals 30-day average as of November 30, 2023

[3] Equals [1] / [2]

[4] Equals [3] x (1 + 0.50 x [8])

[5] Value Line

[6] Yahoo! Finance

[7] Zacks

[8] Equals Average ([5], [6], [7])

[9] Equals [3] x (1 + 0.50 x Minimum ([5], [6], [7]) + Minimum ([5], [6], [7])

[10] Equals [4] + [8]

[11] Equals [3] x (1 + 0.50 x Maximum ([5], [6], [7]) + Maximum ([5], [6], [7])

90-DAY CONSTANT GROWTH DCF

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Company		Annualized Dividend	Stock Price	Dividend Yield	Expected Dividend Yield	Value Line Earnings Growth	Yahoo! Finance Earnings Growth	Zacks Earnings Growth	Average Growth Rate	Low ROE	Mean ROE	High ROE
ALLETE, Inc.	ALE	\$2.71	\$54.27	4.99%	5.18%	6.00%	8.10%	8.10%	7.40%	11.14%	12.58%	13.30%
Alliant Energy Corporation	LNT	\$1.81	\$49.86	3.63%	3.75%	6.50%	6.65%	6.30%	6.48%	10.04%	10.23%	10.40%
Ameren Corporation	AEE	\$2.52	\$78.29	3.22%	3.32%	6.50%	6.20%	6.60%	6.43%	9.52%	9.76%	9.92%
American Electric Power Company, Inc.	AEP	\$3.52	\$77.17	4.56%	4.68%	6.50%	3.70%	4.80%	5.00%	8.35%	9.68%	11.21%
Avista Corporation	AVA	\$1.84	\$33.50	5.49%	5.66%	6.00%	5.90%	5.90%	5.93%	11.55%	11.59%	11.66%
CMS Energy Corporation	CMS	\$1.95	\$55.55	3.51%	3.64%	6.50%	7.70%	7.50%	7.23%	10.12%	10.87%	11.35%
Duke Energy Corporation	DUK	\$4.10	\$89.10	4.60%	4.74%	5.00%	6.55%	6.10%	5.88%	9.72%	10.62%	11.30%
Entergy Corporation	ETR	\$4.52	\$95.22	4.75%	4.89%	0.50%	11.00%	6.40%	5.97%	5.26%	10.86%	16.01%
IDACORP, Inc.	IDA	\$3.32	\$95.86	3.46%	3.53%	4.00%	3.70%	4.10%	3.93%	7.23%	7.46%	7.63%
NextEra Energy, Inc.	NEE	\$1.87	\$61.29	3.05%	3.18%	9.50%	8.15%	8.20%	8.62%	11.33%	11.80%	12.70%
NorthWestern Corporation	NWE	\$2.56	\$50.42	5.08%	5.19%	3.50%	4.08%	5.20%	4.26%	8.67%	9.45%	10.41%
OGE Energy Corporation	OGE	\$1.67	\$34.14	4.90%	5.03%	6.50%	negative	3.70%	5.10%	8.69%	10.13%	11.56%
Pinnacle West Capital Corporation	PNW	\$3.52	\$75.15	4.68%	4.80%	2.50%	5.90%	5.90%	4.77%	7.24%	9.56%	10.72%
Portland General Electric Company	POR	\$1.90	\$42.56	4.46%	4.58%	5.00%	4.60%	6.00%	5.20%	9.17%	9.78%	10.60%
Southern Company	SO	\$2.80	\$67.52	4.15%	4.27%	6.50%	7.10%	4.00%	5.87%	8.23%	10.14%	11.39%
Xcel Energy Inc.	XEL	\$2.08	\$58.79	3.54%	3.65%	6.00%	6.80%	6.10%	6.30%	9.64%	9.95%	10.46%
Mean				4.26%	4.38%	5.44%	6.41%	5.93%	5.90%	9.12%	10.28%	11.29%
Median				4.51%	4.63%	6.00%	6.55%	6.05%	5.91%	9.34%	10.13%	11.26%

Notes:

[1] Bloomberg Professional

[2] Bloomberg Professional, equals 30-day average as of November 30, 2023

[3] Equals [1] / [2]

[4] Equals [3] x (1 + 0.50 x [8])

[5] Value Line

[6] Yahoo! Finance

[7] Zacks

[8] Equals Average ([5], [6], [7])

[9] Equals [3] x (1 + 0.50 x Minimum ([5], [6], [7]) + Minimum ([5], [6], [7]))

[10] Equals [4] + [8]

[11] Equals [3] x (1 + 0.50 x Maximum ([5], [6], [7]) + Maximum ([5], [6], [7]))

180-DAY CONSTANT GROWTH DCF

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Company		Annualized Dividend	Stock Price	Dividend Yield	Expected Dividend Yield	Value Line Earnings Growth	Yahoo! Finance Earnings Growth	Zacks Earnings Growth	Average Growth Rate	Low ROE	Mean ROE	High ROE
ALLETE, Inc.	ALE	\$2.71	\$56.88	4.76%	4.94%	6.00%	8.10%	8.10%	7.40%	10.91%	12.34%	13.06%
Alliant Energy Corporation	LNT	\$1.81	\$51.12	3.54%	3.66%	6.50%	6.65%	6.30%	6.48%	9.95%	10.14%	10.31%
Ameren Corporation	AEE	\$2.52	\$81.27	3.10%	3.20%	6.50%	6.20%	6.60%	6.43%	9.40%	9.63%	9.80%
American Electric Power Company, Inc.	AEP	\$3.52	\$81.52	4.32%	4.43%	6.50%	3.70%	4.80%	5.00%	8.10%	9.43%	10.96%
Avista Corporation	AVA	\$1.84	\$36.89	4.99%	5.14%	6.00%	5.90%	5.90%	5.93%	11.04%	11.07%	11.14%
CMS Energy Corporation	CMS	\$1.95	\$57.38	3.40%	3.52%	6.50%	7.70%	7.50%	7.23%	10.01%	10.75%	11.23%
Duke Energy Corporation	DUK	\$4.10	\$90.33	4.54%	4.67%	5.00%	6.55%	6.10%	5.88%	9.65%	10.56%	11.24%
Energy Corporation	ETR	\$4.52	\$97.81	4.62%	4.76%	0.50%	11.00%	6.40%	5.97%	5.13%	10.73%	15.88%
IDACORP, Inc.	IDA	\$3.32	\$100.25	3.31%	3.38%	4.00%	3.70%	4.10%	3.93%	7.07%	7.31%	7.48%
NextEra Energy, Inc.	NEE	\$1.87	\$67.60	2.77%	2.89%	9.50%	8.15%	8.20%	8.62%	11.03%	11.50%	12.40%
NorthWestern Corporation	NWE	\$2.56	\$53.59	4.78%	4.88%	3.50%	4.08%	5.20%	4.26%	8.36%	9.14%	10.10%
OGE Energy Corporation	OGE	\$1.67	\$34.93	4.79%	4.91%	6.50%	negative	3.70%	5.10%	8.58%	10.01%	11.44%
Pinnacle West Capital Corporation	PNW	\$3.52	\$76.59	4.60%	4.71%	2.50%	5.90%	5.90%	4.77%	7.15%	9.47%	10.63%
Portland General Electric Company	POR	\$1.90	\$45.25	4.20%	4.31%	5.00%	4.60%	6.00%	5.20%	8.90%	9.51%	10.32%
Southern Company	SO	\$2.80	\$68.47	4.09%	4.21%	6.50%	7.10%	4.00%	5.87%	8.17%	10.08%	11.33%
Xcel Energy Inc.	XEL	\$2.08	\$61.98	3.36%	3.46%	6.00%	6.80%	6.10%	6.30%	9.46%	9.76%	10.27%
Mean				4.07%	4.19%	5.44%	6.41%	5.93%	5.90%	8.93%	10.09%	11.10%
Median				4.26%	4.37%	6.00%	6.55%	6.05%	5.91%	9.15%	10.04%	11.05%

Notes:

- [1] Bloomberg Professional
- [2] Bloomberg Professional, equals 30-day average as of November 30, 2023
- [3] Equals [1] / [2]
- [4] Equals [3] x (1 + 0.50 x [8])
- [5] Value Line
- [6] Yahoo! Finance
- [7] Zacks
- [8] Equals Average ([5], [6], [7])
- [9] Equals [3] x (1 + 0.50 x Minimum ([5], [6], [7]) + Minimum ([5], [6], [7]))
- [10] Equals [4] + [8]
- [11] Equals [3] x (1 + 0.50 x Maximum ([5], [6], [7]) + Maximum ([5], [6], [7]))

CAPITAL ASSET PRICING MODEL -- CURRENT RISK-FREE RATE & VL BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

		[1]	[2]	[3]	[4]	[5]	[6]
Company	Ticker	Current 30-day average of 30-year U.S. Treasury bond yield	Beta (β)	Market Return (Rm)	Market Risk Premium (Rm - Rf)	ROE (K)	ECAPM ROE (K)
ALLETE, Inc.	ALE	4.77%	0.90	12.56%	7.78%	11.78%	11.97%
Alliant Energy Corporation	LNT	4.77%	0.85	12.56%	7.78%	11.39%	11.68%
Ameren Corporation	AEE	4.77%	0.85	12.56%	7.78%	11.39%	11.68%
American Electric Power Company, Inc.	AEP	4.77%	0.80	12.56%	7.78%	11.00%	11.39%
Avista Corporation	AVA	4.77%	0.90	12.56%	7.78%	11.78%	11.97%
CMS Energy Corporation	CMS	4.77%	0.80	12.56%	7.78%	11.00%	11.39%
Duke Energy Corporation	DUK	4.77%	0.85	12.56%	7.78%	11.39%	11.68%
Entergy Corporation	ETR	4.77%	0.95	12.56%	7.78%	12.17%	12.26%
IDACORP, Inc.	IDA	4.77%	0.85	12.56%	7.78%	11.39%	11.68%
NextEra Energy, Inc.	NEE	4.77%	0.95	12.56%	7.78%	12.17%	12.26%
NorthWestern Corporation	NWE	4.77%	0.95	12.56%	7.78%	12.17%	12.26%
OGE Energy Corporation	OGE	4.77%	1.05	12.56%	7.78%	12.95%	12.85%
Pinnacle West Capital Corporation	PNW	4.77%	0.95	12.56%	7.78%	12.17%	12.26%
Portland General Electric Company	POR	4.77%	0.90	12.56%	7.78%	11.78%	11.97%
Southern Company	SO	4.77%	0.90	12.56%	7.78%	11.78%	11.97%
Xcel Energy Inc.	XEL	4.77%	0.85	12.56%	7.78%	11.39%	11.68%
Mean						11.73%	11.94%

Notes:

[1] Bloomberg Professional, as of November 30, 2023

[2] Value Line

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- NEAR-TERM PROJECTED RISK-FREE RATE & VL BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

		[1]	[2]	[3]	[4]	[5]	[6]
		Near-term projected 30- year U.S. Treasury bond yield	Beta (β)	Market Return (Rm)	Market Risk Premium (Rm - Rf)	ROE (K)	ECAPM ROE (K)
Company	Ticker	(Q1 2024 - Q1 2025)					
ALLETE, Inc.	ALE	4.48%	0.90	12.56%	8.08%	11.75%	11.95%
Alliant Energy Corporation	LNT	4.48%	0.85	12.56%	8.08%	11.34%	11.65%
Ameren Corporation	AEE	4.48%	0.85	12.56%	8.08%	11.34%	11.65%
American Electric Power Company, Inc.	AEP	4.48%	0.80	12.56%	8.08%	10.94%	11.34%
Avista Corporation	AVA	4.48%	0.90	12.56%	8.08%	11.75%	11.95%
CMS Energy Corporation	CMS	4.48%	0.80	12.56%	8.08%	10.94%	11.34%
Duke Energy Corporation	DUK	4.48%	0.85	12.56%	8.08%	11.34%	11.65%
Entergy Corporation	ETR	4.48%	0.95	12.56%	8.08%	12.15%	12.25%
IDACORP, Inc.	IDA	4.48%	0.85	12.56%	8.08%	11.34%	11.65%
NextEra Energy, Inc.	NEE	4.48%	0.95	12.56%	8.08%	12.15%	12.25%
NorthWestern Corporation	NWE	4.48%	0.95	12.56%	8.08%	12.15%	12.25%
OGE Energy Corporation	OGE	4.48%	1.05	12.56%	8.08%	12.96%	12.86%
Pinnacle West Capital Corporation	PNW	4.48%	0.95	12.56%	8.08%	12.15%	12.25%
Portland General Electric Company	POR	4.48%	0.90	12.56%	8.08%	11.75%	11.95%
Southern Company	SO	4.48%	0.90	12.56%	8.08%	11.75%	11.95%
Xcel Energy Inc.	XEL	4.48%	0.85	12.56%	8.08%	11.34%	11.65%
Mean						11.70%	11.91%

Notes:

[1] Blue Chip Financial Forecasts, Vol. 42, No. 12, December 1, 2023, at 2

[2] Value Line

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- LONG-TERM PROJECTED RISK-FREE RATE & VL BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

		[1]	[2]	[3]	[4]	[5]	[6]
					Market		
					Risk		
Company	Ticker	Projected 30-year U.S. Treasury bond yield (2025 - 2029)	Beta (β)	Market Return (Rm)	Premium (Rm - Rf)	ROE (K)	ECAPM ROE (K)
ALLETE, Inc.	ALE	4.10%	0.90	12.56%	8.46%	11.71%	11.92%
Alliant Energy Corporation	LNT	4.10%	0.85	12.56%	8.46%	11.29%	11.60%
Ameren Corporation	AEE	4.10%	0.85	12.56%	8.46%	11.29%	11.60%
American Electric Power Company, Inc.	AEP	4.10%	0.80	12.56%	8.46%	10.86%	11.29%
Avista Corporation	AVA	4.10%	0.90	12.56%	8.46%	11.71%	11.92%
CMS Energy Corporation	CMS	4.10%	0.80	12.56%	8.46%	10.86%	11.29%
Duke Energy Corporation	DUK	4.10%	0.85	12.56%	8.46%	11.29%	11.60%
Entergy Corporation	ETR	4.10%	0.95	12.56%	8.46%	12.13%	12.24%
IDACORP, Inc.	IDA	4.10%	0.85	12.56%	8.46%	11.29%	11.60%
NextEra Energy, Inc.	NEE	4.10%	0.95	12.56%	8.46%	12.13%	12.24%
NorthWestern Corporation	NWE	4.10%	0.95	12.56%	8.46%	12.13%	12.24%
OGE Energy Corporation	OGE	4.10%	1.05	12.56%	8.46%	12.98%	12.87%
Pinnacle West Capital Corporation	PNW	4.10%	0.95	12.56%	8.46%	12.13%	12.24%
Portland General Electric Company	POR	4.10%	0.90	12.56%	8.46%	11.71%	11.92%
Southern Company	SO	4.10%	0.90	12.56%	8.46%	11.71%	11.92%
Xcel Energy Inc.	XEL	4.10%	0.85	12.56%	8.46%	11.29%	11.60%
Mean						11.66%	11.88%

Notes:

[1] Blue Chip Financial Forecasts, Vol. 42, No. 6, June 1, 2023, at 14

[2] Value Line

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- CURRENT RISK-FREE RATE & BLOOMBERG BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

		[1]	[2]	[3]	[4]	[5]	[6]
					Market		
					Return	Risk	
					(Rm)	Premium	
						(Rm - Rf)	ROE (K)
Company	Ticker	Current 30-day average of 30-year U.S. Treasury bond yield	Beta (β)				ECAPM ROE (K)
ALLETE, Inc.	ALE	4.77%	0.83	12.56%	7.78%	11.20%	11.54%
Alliant Energy Corporation	LNT	4.77%	0.79	12.56%	7.78%	10.92%	11.33%
Ameren Corporation	AEE	4.77%	0.75	12.56%	7.78%	10.61%	11.10%
American Electric Power Company, Inc.	AEP	4.77%	0.76	12.56%	7.78%	10.65%	11.13%
Avista Corporation	AVA	4.77%	0.76	12.56%	7.78%	10.70%	11.16%
CMS Energy Corporation	CMS	4.77%	0.75	12.56%	7.78%	10.58%	11.08%
Duke Energy Corporation	DUK	4.77%	0.72	12.56%	7.78%	10.34%	10.89%
Entergy Corporation	ETR	4.77%	0.86	12.56%	7.78%	11.46%	11.73%
IDACORP, Inc.	IDA	4.77%	0.80	12.56%	7.78%	10.99%	11.38%
NextEra Energy, Inc.	NEE	4.77%	0.81	12.56%	7.78%	11.10%	11.46%
NorthWestern Corporation	NWE	4.77%	0.87	12.56%	7.78%	11.52%	11.78%
OGE Energy Corporation	OGE	4.77%	0.92	12.56%	7.78%	11.90%	12.06%
Pinnacle West Capital Corporation	PNW	4.77%	0.82	12.56%	7.78%	11.14%	11.50%
Portland General Electric Company	POR	4.77%	0.79	12.56%	7.78%	10.92%	11.33%
Southern Company	SO	4.77%	0.77	12.56%	7.78%	10.80%	11.24%
Xcel Energy Inc.	XEL	4.77%	0.74	12.56%	7.78%	10.51%	11.02%
Mean						10.96%	11.36%

Notes:

[1] Bloomberg Professional, as of November 30, 2023

[2] Bloomberg Professional, based on 10-year weekly returns

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- NEAR-TERM PROJECTED RISK-FREE RATE & BLOOMBERG BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

		[1]	[2]	[3]	[4]	[5]	[6]
		Near-term projected 30- year U.S. Treasury bond yield	Beta (β)	Market Return (Rm)	Market Risk Premium (Rm - Rf)	ROE (K)	ECAPM ROE (K)
Company	Ticker	(Q1 2024 - Q1 2025)					
ALLETE, Inc.	ALE	4.48%	0.83	12.56%	8.08%	11.15%	11.50%
Alliant Energy Corporation	LNT	4.48%	0.79	12.56%	8.08%	10.85%	11.28%
Ameren Corporation	AEE	4.48%	0.75	12.56%	8.08%	10.53%	11.04%
American Electric Power Company, Inc.	AEP	4.48%	0.76	12.56%	8.08%	10.58%	11.07%
Avista Corporation	AVA	4.48%	0.76	12.56%	8.08%	10.63%	11.11%
CMS Energy Corporation	CMS	4.48%	0.75	12.56%	8.08%	10.51%	11.02%
Duke Energy Corporation	DUK	4.48%	0.72	12.56%	8.08%	10.26%	10.83%
Entergy Corporation	ETR	4.48%	0.86	12.56%	8.08%	11.42%	11.70%
IDACORP, Inc.	IDA	4.48%	0.80	12.56%	8.08%	10.93%	11.34%
NextEra Energy, Inc.	NEE	4.48%	0.81	12.56%	8.08%	11.05%	11.42%
NorthWestern Corporation	NWE	4.48%	0.87	12.56%	8.08%	11.48%	11.75%
OGE Energy Corporation	OGE	4.48%	0.92	12.56%	8.08%	11.87%	12.04%
Pinnacle West Capital Corporation	PNW	4.48%	0.82	12.56%	8.08%	11.09%	11.46%
Portland General Electric Company	POR	4.48%	0.79	12.56%	8.08%	10.86%	11.28%
Southern Company	SO	4.48%	0.77	12.56%	8.08%	10.74%	11.19%
Xcel Energy Inc.	XEL	4.48%	0.74	12.56%	8.08%	10.43%	10.96%
Mean						10.90%	11.31%

Notes:

[1] Blue Chip Financial Forecasts, Vol. 42, No. 12, December 1, 2023, at 2

[2] Bloomberg Professional, based on 10-year weekly returns

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- LONG-TERM PROJECTED RISK-FREE RATE & BLOOMBERG BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

	[1]	[2]	[3]	[4]	[5]	[6]	
				Market			
				Risk			
Company	Ticker	Projected 30-year U.S. Treasury bond yield (2025 - 2029)	Beta (β)	Market Return (Rm)	Premium (Rm - Rf)	ROE (K)	ECAPM ROE (K)
ALLETE, Inc.	ALE	4.10%	0.83	12.56%	8.46%	11.08%	11.45%
Alliant Energy Corporation	LNT	4.10%	0.79	12.56%	8.46%	10.77%	11.22%
Ameren Corporation	AEE	4.10%	0.75	12.56%	8.46%	10.44%	10.97%
American Electric Power Company, Inc.	AEP	4.10%	0.76	12.56%	8.46%	10.49%	11.01%
Avista Corporation	AVA	4.10%	0.76	12.56%	8.46%	10.54%	11.04%
CMS Energy Corporation	CMS	4.10%	0.75	12.56%	8.46%	10.41%	10.95%
Duke Energy Corporation	DUK	4.10%	0.72	12.56%	8.46%	10.15%	10.75%
Entergy Corporation	ETR	4.10%	0.86	12.56%	8.46%	11.36%	11.66%
IDACORP, Inc.	IDA	4.10%	0.80	12.56%	8.46%	10.85%	11.28%
NextEra Energy, Inc.	NEE	4.10%	0.81	12.56%	8.46%	10.97%	11.37%
NorthWestern Corporation	NWE	4.10%	0.87	12.56%	8.46%	11.43%	11.71%
OGE Energy Corporation	OGE	4.10%	0.92	12.56%	8.46%	11.84%	12.02%
Pinnacle West Capital Corporation	PNW	4.10%	0.82	12.56%	8.46%	11.02%	11.41%
Portland General Electric Company	POR	4.10%	0.79	12.56%	8.46%	10.78%	11.22%
Southern Company	SO	4.10%	0.77	12.56%	8.46%	10.65%	11.13%
Xcel Energy Inc.	XEL	4.10%	0.74	12.56%	8.46%	10.33%	10.89%
Mean						10.82%	11.25%

Notes:

[1] Blue Chip Financial Forecasts, Vol. 42, No. 6, June 1, 2023, at 14

[2] Bloomberg Professional, based on 10-year weekly returns

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- CURRENT RISK-FREE RATE & VALUE LINE LT AVERAGE BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

		[1]	[2]	[3]	[4]	[5]	[6]
				Market	Market		
				Return	Risk		
				(Rm)	Premium		
					(Rm - Rf)	ROE (K)	ECAPM
Company	Ticker	Current 30-day average of 30-year U.S. Treasury bond yield	Beta (β)				
ALLETE, Inc.	ALE	4.77%	0.79	12.56%	7.78%	10.88%	11.30%
Alliant Energy Corporation	LNT	4.77%	0.75	12.56%	7.78%	10.61%	11.10%
Ameren Corporation	AEE	4.77%	0.73	12.56%	7.78%	10.42%	10.95%
American Electric Power Company, Inc.	AEP	4.77%	0.68	12.56%	7.78%	10.03%	10.66%
Avista Corporation	AVA	4.77%	0.79	12.56%	7.78%	10.88%	11.30%
CMS Energy Corporation	CMS	4.77%	0.69	12.56%	7.78%	10.14%	10.75%
Duke Energy Corporation	DUK	4.77%	0.67	12.56%	7.78%	9.95%	10.60%
Entergy Corporation	ETR	4.77%	0.75	12.56%	7.78%	10.57%	11.07%
IDACORP, Inc.	IDA	4.77%	0.73	12.56%	7.78%	10.46%	10.98%
NextEra Energy, Inc.	NEE	4.77%	0.73	12.56%	7.78%	10.46%	10.98%
NorthWestern Corporation	NWE	4.77%	0.75	12.56%	7.78%	10.57%	11.07%
OGE Energy Corporation	OGE	4.77%	0.93	12.56%	7.78%	12.01%	12.15%
Pinnacle West Capital Corporation	PNW	4.77%	0.74	12.56%	7.78%	10.49%	11.01%
Portland General Electric Company	POR	4.77%	0.75	12.56%	7.78%	10.61%	11.10%
Southern Company	SO	4.77%	0.66	12.56%	7.78%	9.87%	10.54%
Xcel Energy Inc.	XEL	4.77%	0.66	12.56%	7.78%	9.87%	10.54%
Mean						10.49%	11.01%

Notes:

[1] Bloomberg Professional, as of November 30, 2023

[2] Schedule AEB-5

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- NEAR-TERM PROJECTED RISK-FREE RATE & VALUE LINE LT AVERAGE BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

Company	Ticker	[1]	[2]	[3]	[4]	[5]	[6]
		Near-term projected 30-year U.S. Treasury bond yield (Q1 2024 - Q1 2025)	Beta (β)	Market Return (Rm)	Market Risk Premium (Rm - Rf)	ROE (K)	ECAPM ROE (K)
ALLETE, Inc.	ALE	4.48%	78.50%	12.56%	8.08%	10.82%	11.25%
Alliant Energy Corporation	LNT	4.48%	75.00%	12.56%	8.08%	10.54%	11.04%
Ameren Corporation	AEE	4.48%	72.50%	12.56%	8.08%	10.34%	10.89%
American Electric Power Company, Inc.	AEP	4.48%	67.50%	12.56%	8.08%	9.93%	10.59%
Avista Corporation	AVA	4.48%	78.50%	12.56%	8.08%	10.82%	11.25%
CMS Energy Corporation	CMS	4.48%	69.00%	12.56%	8.08%	10.05%	10.68%
Duke Energy Corporation	DUK	4.48%	66.50%	12.56%	8.08%	9.85%	10.53%
Entergy Corporation	ETR	4.48%	74.50%	12.56%	8.08%	10.50%	11.01%
IDACORP, Inc.	IDA	4.48%	73.00%	12.56%	8.08%	10.38%	10.92%
NextEra Energy, Inc.	NEE	4.48%	73.00%	12.56%	8.08%	10.38%	10.92%
NorthWestern Corporation	NWE	4.48%	74.50%	12.56%	8.08%	10.50%	11.01%
OGE Energy Corporation	OGE	4.48%	93.00%	12.56%	8.08%	11.99%	12.13%
Pinnacle West Capital Corporation	PNW	4.48%	73.50%	12.56%	8.08%	10.42%	10.95%
Portland General Electric Company	POR	4.48%	75.00%	12.56%	8.08%	10.54%	11.04%
Southern Company	SO	4.48%	65.50%	12.56%	8.08%	9.77%	10.47%
Xcel Energy Inc.	XEL	4.48%	65.50%	12.56%	8.08%	9.77%	10.47%
Mean						10.41%	10.95%

Notes:

[1] Blue Chip Financial Forecasts, Vol. 42, No. 12, December 1, 2023, at 2

[2] Schedule AEB-5

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

CAPITAL ASSET PRICING MODEL -- LONG-TERM PROJECTED RISK-FREE RATE & VALUE LINE LT BETA

$$K = R_f + \beta (R_m - R_f)$$

$$K = R_f + 0.25 \times (R_m - R_f) + 0.75 \times \beta \times (R_m - R_f)$$

		[1]	[2]	[3]	[4]	[5]	[6]
					Market		
					Risk		
Company	Ticker	Projected 30-year U.S. Treasury bond yield (2025 - 2029)	Beta (β)	Market Return (Rm)	Premium (Rm - Rf)	ROE (K)	ECAPM ROE (K)
ALLETE, Inc.	ALE	4.10%	0.79	12.56%	8.46%	10.74%	11.19%
Alliant Energy Corporation	LNT	4.10%	0.75	12.56%	8.46%	10.44%	10.97%
Ameren Corporation	AEE	4.10%	0.73	12.56%	8.46%	10.23%	10.81%
American Electric Power Company, Inc.	AEP	4.10%	0.68	12.56%	8.46%	9.81%	10.49%
Avista Corporation	AVA	4.10%	0.79	12.56%	8.46%	10.74%	11.19%
CMS Energy Corporation	CMS	4.10%	0.69	12.56%	8.46%	9.93%	10.59%
Duke Energy Corporation	DUK	4.10%	0.67	12.56%	8.46%	9.72%	10.43%
Entergy Corporation	ETR	4.10%	0.75	12.56%	8.46%	10.40%	10.94%
IDACORP, Inc.	IDA	4.10%	0.73	12.56%	8.46%	10.27%	10.84%
NextEra Energy, Inc.	NEE	4.10%	0.73	12.56%	8.46%	10.27%	10.84%
NorthWestern Corporation	NWE	4.10%	0.75	12.56%	8.46%	10.40%	10.94%
OGE Energy Corporation	OGE	4.10%	0.93	12.56%	8.46%	11.96%	12.11%
Pinnacle West Capital Corporation	PNW	4.10%	0.74	12.56%	8.46%	10.32%	10.88%
Portland General Electric Company	POR	4.10%	0.75	12.56%	8.46%	10.44%	10.97%
Southern Company	SO	4.10%	0.66	12.56%	8.46%	9.64%	10.37%
Xcel Energy Inc.	XEL	4.10%	0.66	12.56%	8.46%	9.64%	10.37%
Mean						10.31%	10.87%

Notes:

[1] Blue Chip Financial Forecasts, Vol. 42, No. 6, June 1, 2023, at 14

[2] Schedule AEB-5

[3] Schedule AEB-6

[4] Equals [3] - [1]

[5] Equals [1] + [2] x [4]

[6] Equals [1] + 0.25 x ([4]) + 0.75 x ([2] x [4])

HISTORICAL BETA - 2013 - 2022

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Company	Ticker	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	Average
ALLETE, Inc.	ALE	0.75	0.80	0.80	0.75	0.80	0.65	0.65	0.85	0.90	0.90	0.79
Alliant Energy Corporation	LNT	0.75	0.80	0.80	0.70	0.70	0.60	0.60	0.85	0.85	0.85	0.75
Ameren Corporation	AEE	0.80	0.75	0.75	0.65	0.70	0.55	0.55	0.85	0.80	0.85	0.73
American Electric Power Company, Inc.	AEP	0.70	0.70	0.70	0.65	0.65	0.55	0.55	0.75	0.75	0.75	0.68
Avista Corporation	AVA	0.75	0.80	0.80	0.70	0.75	0.65	0.60	0.95	0.95	0.90	0.79
CMS Energy Corporation	CMS	0.70	0.70	0.75	0.65	0.65	0.55	0.50	0.80	0.80	0.80	0.69
Duke Energy Corporation	DUK	0.65	0.60	0.65	0.60	0.60	0.50	0.50	0.85	0.85	0.85	0.67
Entergy Corporation	ETR	0.70	0.70	0.70	0.65	0.65	0.60	0.60	0.95	0.95	0.95	0.75
IDACORP, Inc.	IDA	0.75	0.80	0.80	0.75	0.70	0.55	0.55	0.80	0.80	0.80	0.73
NextEra Energy, Inc.	NEE	0.70	0.70	0.75	0.65	0.65	0.55	0.55	0.90	0.90	0.95	0.73
NorthWestern Corporation	NWE	0.70	0.70	0.70	0.70	0.70	0.55	0.60	0.95	0.95	0.90	0.75
OGE Energy Corporation	OGE	0.85	0.90	0.95	0.90	0.95	0.85	0.75	1.10	1.05	1.00	0.93
Pinnacle West Capital Corporation	PNW	0.75	0.70	0.75	0.70	0.70	0.55	0.50	0.90	0.90	0.90	0.74
Portland General Electric Company	POR	0.75	0.80	0.80	0.70	0.70	0.60	0.55	0.85	0.90	0.85	0.75
Southern Company	SO	0.55	0.55	0.60	0.55	0.55	0.50	0.50	0.90	0.95	0.90	0.66
Xcel Energy Inc.	XEL	0.65	0.65	0.65	0.60	0.60	0.50	0.50	0.80	0.80	0.80	0.66
Mean		0.72	0.73	0.75	0.68	0.69	0.58	0.57	0.88	0.88	0.87	0.73

Notes:

[1] Value Line, dated December 26, 2013.

[2] Value Line, dated December 31, 2014.

[3] Value Line, dated December 30, 2015.

[4] Value Line, dated December 29, 2016.

[5] Value Line, dated December 28, 2017.

[6] Value Line, dated December 27, 2018.

[7] Value Line, dated December 26, 2019.

[8] Value Line, dated December 30, 2020.

[9] Value Line, dated December 29, 2021.

[10] Value Line, dated December 30, 2022.

[11] Average ([1] - [10])

MARKET RISK PREMIUM DERIVED FROM ANALYSTS' LONG-TERM GROWTH ESTIMATES

[1] Estimated Weighted Average Dividend Yield	1.69%
[2] Estimated Weighted Average Long-Term Growth Rate	10.78%
[3] S&P 500 Estimated Required Market Return	12.56%

STANDARD AND POOR'S 500 INDEX

Name	Ticker	[4] Shares Outst'g	[5] Price	[6] Market Capitalization	[7] Weight in Index	[8] Estimated Dividend Yield	[9] Cap-Weighted Dividend Yield	[10] Bloomberg Long-Term Growth Est.	[11] Cap-Weighted Long-Term Growth Est.
LyondellBasell Industries NV	LYB	324.36	95.10	30,846.83	0.11%	5.26%	0.01%	8.00%	0.01%
American Express Co	AXP	728.75	170.77	124,447.95	0.42%	1.41%	0.01%	14.01%	0.06%
Verizon Communications Inc	VZ	4,204.10	38.33	161,143.23		6.94%			
Broadcom Inc	AVGO	469.43	925.73	434,561.73	1.48%	1.99%	0.03%	13.89%	0.21%
Boeing Co/The	BA	604.98	231.63	140,130.82				183.61%	
Caterpillar Inc	CAT	509.09	250.72	127,637.79	0.43%	2.07%	0.01%	20.00%	0.09%
JPMorgan Chase & Co	JPM	2,891.01	156.08	451,228.53	1.54%	2.69%	0.04%	1.00%	0.02%
Chevron Corp	CVX	1,887.75	143.60	271,080.76	0.92%	4.21%	0.04%	7.27%	0.07%
Coca-Cola Co/The	KO	4,323.41	58.44	252,660.31	0.86%	3.15%	0.03%	6.51%	0.06%
AbbVie Inc	ABBV	1,765.54	142.39	251,394.81	0.86%	4.35%	0.04%	0.19%	0.00%
Walt Disney Co/The	DIS	1,830.32	92.69	169,651.99	0.58%	0.65%	0.00%	18.88%	0.11%
FleetCor Technologies Inc	FLT	72.20	240.50	17,365.06	0.06%			12.92%	0.01%
Extra Space Storage Inc	EXR	211.28	130.17	27,502.06	0.09%	4.98%	0.00%	1.10%	0.00%
Exxon Mobil Corp	XOM	4,006.13	102.74	411,590.10		3.70%		45.59%	
Phillips 66	PSX	439.96	128.89	56,705.93	0.19%	3.26%	0.01%	15.21%	0.03%
General Electric Co	GE	1,088.39	121.80	132,565.41		0.26%		22.50%	
HP Inc	HPQ	988.27	29.34	28,995.81	0.10%	3.76%	0.00%	3.00%	0.00%
Home Depot Inc/The	HD	995.26	313.49	312,004.68	1.06%	2.67%	0.03%	1.69%	0.02%
Monolithic Power Systems Inc	MPWR	47.91	548.72	26,290.27	0.09%	0.73%	0.00%	8.00%	0.01%
International Business Machines Corp	IBM	913.12	158.56	144,784.15	0.49%	4.19%	0.02%	2.77%	0.01%
Johnson & Johnson	JNJ	2,407.28	154.66	372,309.77	1.27%	3.08%	0.04%	3.86%	0.05%
Lululemon Athletica Inc	LULU	121.43	446.80	54,252.69	0.18%			16.00%	0.03%
McDonald's Corp	MCD	725.34	281.84	204,430.39	0.70%	2.37%	0.02%	9.34%	0.07%
Merck & Co Inc	MRK	2,534.02	102.48	259,686.68	0.88%	3.01%	0.03%	9.08%	0.08%
3M Co	MMM	552.32	99.07	54,718.05	0.19%	6.06%	0.01%	4.00%	0.01%
American Water Works Co Inc	AWK	194.71	131.84	25,669.91	0.09%	2.15%	0.00%	8.00%	0.01%
Bank of America Corp	BAC	7,913.73	30.49	241,289.69		3.15%		-5.00%	
Pfizer Inc	PFE	5,646.41	30.47	172,046.20		5.38%		50.40%	
Procter & Gamble Co/The	PG	2,356.89	153.52	361,829.14	1.23%	2.45%	0.03%	7.51%	0.09%
AT&T Inc	T	7,150.02	16.57	118,475.83	0.40%	6.70%	0.03%	3.36%	0.01%
Travelers Cos Inc/The	TRV	228.40	180.62	41,253.43	0.14%	2.21%	0.00%	15.33%	0.02%
RTX Corp	RTX	1,437.90	81.48	117,160.17	0.40%	2.90%	0.01%	8.61%	0.03%
Analog Devices Inc	ADI	496.26	182.52	90,577.69	0.31%	1.88%	0.01%	4.50%	0.01%
Walmart Inc	WMT	2,692.23	155.69	419,153.91	1.43%	1.46%	0.02%	3.00%	0.04%
Cisco Systems Inc	CSCO	4,063.48	48.38	196,590.97	0.67%	3.22%	0.02%	10.00%	0.07%
Intel Corp	INTC	4,216.00	44.70	188,455.20		1.12%		-1.82%	
General Motors Co	GM	1,369.48	31.60	43,275.60		1.14%		-4.65%	
Microsoft Corp	MSFT	7,432.26	378.91	2,816,158.39	9.59%	0.79%	0.08%	15.72%	1.51%
Dollar General Corp	DG	219.48	131.12	28,777.69		1.80%		-2.50%	
Cigna Group/The	CI	292.62	262.88	76,923.95	0.26%	1.87%	0.00%	9.80%	0.03%
Kinder Morgan Inc	KMI	2,222.77	17.57	39,054.14	0.13%	6.43%	0.01%	2.00%	0.00%
Citigroup Inc	C	1,913.88	46.10	88,229.96		4.60%		-9.70%	
American International Group Inc	AIG	702.04	65.81	46,201.25	0.16%	2.19%	0.00%	10.00%	0.02%
Altria Group Inc	MO	1,768.65	42.04	74,353.92	0.25%	9.32%	0.02%	4.50%	0.01%
HCA Healthcare Inc	HCA	267.66	250.48	67,043.73	0.23%	0.96%	0.00%	7.56%	0.02%
International Paper Co	IP	346.02	36.94	12,781.87		5.01%		-2.00%	
Hewlett Packard Enterprise Co	HPE	1,283.00	16.91	21,695.53	0.07%	3.08%	0.00%	3.03%	0.00%
Abbott Laboratories	ABT	1,736.06	104.29	181,053.59	0.62%	1.96%	0.01%	3.27%	0.02%
Aflac Inc	AFL	584.38	82.71	48,334.07	0.16%	2.42%	0.00%	8.04%	0.01%
Air Products and Chemicals Inc	APD	222.21	270.55	60,118.37	0.20%	2.59%	0.01%	12.55%	0.03%
Royal Caribbean Cruises Ltd	RCL	256.24	107.46	27,535.01					
Hess Corp	HES	307.15	140.56	43,173.29	0.15%	1.25%	0.00%	13.00%	0.02%
Archer-Daniels-Midland Co	ADM	533.38	73.73	39,326.18		2.44%		-7.07%	
Automatic Data Processing Inc	ADP	411.31	229.92	94,567.25	0.32%	2.44%	0.01%	16.00%	0.05%
Verisk Analytics Inc	VRSK	144.99	241.43	35,004.21	0.12%	0.56%	0.00%	12.15%	0.01%
AutoZone Inc	AZO	17.63	2,609.93	46,023.51	0.16%			13.72%	0.02%
Linde PLC	LIN	484.89	412.50	200,014.80	0.68%	1.24%	0.01%	14.00%	0.10%
Avery Dennison Corp	AVY	80.53	194.50	15,663.28	0.05%	1.67%	0.00%	7.00%	0.00%
Enphase Energy Inc	ENPH	136.55	101.02	13,794.38				28.59%	
MSCI Inc	MSCI	79.09	520.85	41,194.55	0.14%	1.06%	0.00%	14.48%	0.02%
Ball Corp	BALL	315.30	55.29	17,432.99	0.06%	1.45%	0.00%	10.30%	0.01%
Axon Enterprise Inc	AXON	74.93	229.87	17,225.08					
Ceridian HCM Holding Inc	CDAY	156.13	68.90	10,757.15					
Carrier Global Corp	CARR	839.05	51.96	43,596.88	0.15%	1.42%	0.00%	10.80%	0.02%
Bank of New York Mellon Corp/The	BK	769.07	48.32	37,161.61	0.13%	3.48%	0.00%	10.00%	0.01%
Otis Worldwide Corp	OTIS	409.26	85.79	35,110.33	0.12%	1.59%	0.00%	9.00%	0.01%
Baxter International Inc	BAX	507.32	36.08	18,304.25		3.22%		-1.17%	
Becton Dickinson & Co	BDX	290.41	236.18	68,587.85		1.61%		-2.02%	
Berkshire Hathaway Inc	BRK/B	1,308.41	360.00	471,029.04					
Best Buy Co Inc	BBY	217.64	70.94	15,439.24	0.05%	5.19%	0.00%	2.93%	0.00%
Boston Scientific Corp	BSX	1,464.98	55.89	81,877.90	0.28%			12.10%	0.03%
Bristol-Myers Squibb Co	BMY	2,034.76	49.38	100,476.35	0.34%	4.62%	0.02%	9.92%	0.03%
Brown-Forman Corp	BF/B	310.14	58.74	18,217.39	0.06%	1.48%	0.00%	6.42%	0.00%
Coterra Energy Inc	CTRA	752.19	26.25	19,745.04		3.05%		55.04%	
Campbell Soup Co	CPB	297.62	40.18	11,958.45	0.04%	3.68%	0.00%	2.81%	0.00%
Hilton Worldwide Holdings Inc	HLT	256.44	167.52	42,958.83	0.15%	0.36%	0.00%	17.09%	0.03%
Carnival Corp	CCL	1,119.45	15.06	16,858.84					
Qorvo Inc	QRVO	97.35	96.50	9,393.89	0.03%			10.04%	0.00%
UDR Inc	UDR	328.93	33.40	10,986.20	0.04%	5.03%	0.00%	6.08%	0.00%

STANDARD AND POOR'S 500 INDEX

		[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Name	Ticker	Shares Outst'g	Price	Market Capitalization	Weight in Index	Estimated Dividend Yield	Cap-Weighted Dividend Yield	Bloomberg Long-Term Growth Est.	Cap-Weighted Long-Term Growth Est.
Clorox Co/The	CLX	124.06	143.35	17,783.86	0.06%	3.35%	0.00%	11.53%	0.01%
Paycom Software Inc	PAYC	60.23	181.66	10,941.02	0.04%	0.83%	0.00%	15.19%	0.01%
CMS Energy Corp	CMS	291.76	56.76	16,560.52	0.06%	3.44%	0.00%	7.75%	0.00%
Colgate-Palmolive Co	CL	823.37	78.77	64,857.01	0.22%	2.44%	0.01%	7.21%	0.02%
EPAM Systems Inc	EPAM	57.70	258.19	14,897.56	0.05%			4.87%	0.00%
Comerica Inc	CMA	131.87	45.22	5,963.30	0.02%	6.28%	0.00%	10.63%	0.00%
Conagra Brands Inc	CAG	477.97	28.29	13,521.71	0.05%	4.95%	0.00%	0.84%	0.00%
Airbnb Inc	ABNB	434.75	126.34	54,925.68	0.19%			18.20%	0.03%
Consolidated Edison Inc	ED	344.92	90.11	31,081.10	0.11%	3.60%	0.00%	4.88%	0.01%
Corning Inc	GLW	853.18	28.49	24,306.96	0.08%	3.93%	0.00%	1.57%	0.00%
Cummins Inc	CMI	141.75	224.16	31,773.56	0.11%	3.00%	0.00%	9.15%	0.01%
Caesars Entertainment Inc	CZR	215.71	44.72	9,646.60				110.92%	
Danaher Corp	DHR	738.93	223.31	165,009.79		0.48%		-7.03%	
Target Corp	TGT	461.66	133.81	61,774.99	0.21%	3.29%	0.01%	0.15%	0.00%
Deere & Co	DE	288.00	364.41	104,950.44	0.36%	1.48%	0.01%	3.96%	0.01%
Dominion Energy Inc	D	836.77	45.34	37,939.29		5.89%		-0.72%	
Dover Corp	DOV	139.89	141.16	19,746.87	0.07%	1.45%	0.00%	10.00%	0.01%
Alliant Energy Corp	LNT	252.72	50.57	12,780.00	0.04%	3.58%	0.00%	6.26%	0.00%
Steel Dynamics Inc	STLD	161.82	119.13	19,277.14		1.43%		-13.17%	
Duke Energy Corp	DUK	771.00	92.28	71,147.88	0.24%	4.44%	0.01%	6.06%	0.01%
Regency Centers Corp	REG	184.58	62.78	11,587.68	0.04%	4.27%	0.00%	4.64%	0.00%
Eaton Corp PLC	ETN	399.30	227.69	90,916.62	0.31%	1.51%	0.00%	15.00%	0.05%
Ecolab Inc	ECL	285.14	191.73	54,669.89	0.19%	1.11%	0.00%	16.00%	0.03%
Revvity Inc	RVTY	123.41	88.90	10,970.88		0.31%		-26.69%	
Emerson Electric Co	EMR	570.10	88.90	50,681.89	0.17%	2.36%	0.00%	12.01%	0.02%
EOG Resources Inc	EOG	583.15	123.07	71,768.27	0.24%	2.96%	0.01%	17.83%	0.04%
Aon PLC	AON	200.22	328.49	65,768.95	0.22%	0.75%	0.00%	11.58%	0.03%
Entergy Corp	ETR	211.46	101.41	21,443.75	0.07%	4.46%	0.00%	6.22%	0.00%
Equifax Inc	EFX	123.22	217.71	26,825.57	0.09%	0.72%	0.00%	12.33%	0.01%
EQT Corp	EQT	411.33	39.96	16,436.83		1.58%		20.04%	
IQVIA Holdings Inc	IQV	182.50	214.10	39,073.25				-13.67%	
Gartner Inc	IT	77.95	434.84	33,895.34	0.12%			7.35%	0.01%
FedEx Corp	FDX	251.42	258.83	65,075.04	0.22%	1.95%	0.00%	14.50%	0.03%
FMC Corp	FMC	124.76	53.66	6,694.57		4.32%		-4.00%	
Brown & Brown Inc	BRO	284.60	74.74	21,270.85	0.07%	0.70%	0.00%	11.00%	0.01%
Ford Motor Co	F	3,932.10	10.26	40,343.37		5.85%		-2.52%	
NextEra Energy Inc	NEE	2,023.71	58.51	118,407.51	0.40%	3.20%	0.01%	8.10%	0.03%
Franklin Resources Inc	BEN	494.58	24.80	12,265.68		4.84%		-9.00%	
Garmin Ltd	GRMN	191.33	122.24	23,388.30	0.08%	2.39%	0.00%	5.60%	0.00%
Freeport-McMoRan Inc	FCX	1,433.98	37.32	53,516.02		1.61%		-15.66%	
Dexcom Inc	DXCM	386.37	115.52	44,633.92				30.59%	
General Dynamics Corp	GD	272.90	246.97	67,397.37	0.23%	2.14%	0.00%	10.40%	0.02%
General Mills Inc	GIS	581.28	63.66	37,004.22	0.13%	3.71%	0.00%	8.00%	0.01%
Genuine Parts Co	GPC	140.20	132.78	18,615.36	0.06%	2.86%	0.00%	9.49%	0.01%
Atmos Energy Corp	ATO	148.50	113.81	16,900.33	0.06%	2.83%	0.00%	7.25%	0.00%
WW Grainger Inc	GWV	49.63	786.19	39,021.75		0.95%			
Halliburton Co	HAL	895.05	37.03	33,143.78		1.73%		24.14%	
L3Harris Technologies Inc	LHX	189.54	190.81	36,166.13	0.12%	2.39%	0.00%	3.50%	0.00%
Healthpeak Properties Inc	PEAK	547.07	17.32	9,475.32	0.03%	6.93%	0.00%	1.24%	0.00%
Insulet Corp	PODD	69.83	189.09	13,203.78				41.08%	
Catalent Inc	CTLT	180.27	38.85	7,003.57	0.02%			9.24%	0.00%
Fortive Corp	FTV	351.43	68.98	24,241.92	0.08%	0.46%	0.00%	8.68%	0.01%
Hershey Co/The	HSY	149.89	187.92	28,166.39	0.10%	2.54%	0.00%	9.00%	0.01%
Synchrony Financial	SYF	413.80	32.36	13,390.70		3.09%			
Hormel Foods Corp	HRL	546.48	30.59	16,716.85	0.06%	3.69%	0.00%	1.08%	0.00%
Arthur J Gallagher & Co	AIG	215.90	249.00	53,759.10	0.18%	0.88%	0.00%	14.11%	0.03%
Mondelez International Inc	MDLZ	1,360.90	71.06	96,705.27	0.33%	2.39%	0.01%	9.17%	0.03%
CenterPoint Energy Inc	CNP	629.43	28.27	17,794.04	0.06%	2.83%	0.00%	8.02%	0.00%
Humana Inc	HUM	123.11	484.86	59,691.60	0.20%	0.73%	0.00%	12.32%	0.03%
Willis Towers Watson PLC	WTW	103.26	246.30	25,432.94	0.09%	1.36%	0.00%	11.19%	0.01%
Illinois Tool Works Inc	ITW	300.89	242.21	72,877.60	0.25%	2.31%	0.01%	3.91%	0.01%
CDW Corp/DE	CDW	133.96	210.88	28,249.48	0.10%	1.18%	0.00%	13.10%	0.01%
Trane Technologies PLC	TT	227.56	225.41	51,293.62	0.17%	1.33%	0.00%	13.29%	0.02%
Interpublic Group of Cos Inc/The	IPG	383.00	30.74	11,773.54	0.04%	4.03%	0.00%	5.71%	0.00%
International Flavors & Fragrances Inc	IFF	255.28	75.38	19,242.93	0.07%	4.30%	0.00%	5.50%	0.00%
Generac Holdings Inc	GNRC	61.43	117.07	7,191.84	0.02%			5.00%	0.00%
NXP Semiconductors NV	NXPI	257.76	204.08	52,604.27		1.99%		34.00%	
Kellanova	K	342.52	52.54	17,996.00	0.06%	4.26%	0.00%	1.69%	0.00%
Broadridge Financial Solutions Inc	BR	117.65	193.82	22,802.34		1.65%			
Kimberly-Clark Corp	KMB	337.94	123.73	41,813.44	0.14%		0.01%	9.64%	0.01%
Kimco Realty Corp	KIM	619.89	19.32	11,976.31	0.04%	4.97%	0.00%	4.35%	0.00%
Oracle Corp	ORCL	2,739.38	116.21	318,342.88	1.08%	1.38%	0.01%	14.45%	0.16%
Kroger Co/The	KR	719.32	44.27	31,844.12	0.11%	2.62%	0.00%	4.21%	0.00%
Lennar Corp	LEN	250.15	127.92	31,999.44	0.11%	1.17%	0.00%	1.00%	0.00%
Eli Lilly & Co	LLY	949.31	591.04	561,078.41		0.76%		21.47%	
Bath & Body Works Inc	BBWI	227.38	32.62	7,417.17	0.03%	2.45%	0.00%	6.51%	0.00%
Charter Communications Inc	CHTR	147.92	400.13	59,187.23	0.20%			12.31%	0.02%
Loews Corp	L	223.25	70.29	15,692.31		0.36%			
Lowe's Cos Inc	LOW	575.11	198.83	114,349.72		2.21%		20.20%	
Hubbell Inc	HUBB	53.62	300.00	16,086.60		1.63%			
IDEX Corp	IEX	75.63	201.68	15,252.25	0.05%	1.27%	0.00%	11.00%	0.01%
Marsh & McLennan Cos Inc	MMC	493.07	199.42	98,328.42	0.33%	1.42%	0.00%	11.53%	0.04%
Masco Corp	MAS	224.50	60.55	13,593.54	0.05%	1.88%	0.00%	4.36%	0.00%
S&P Global Inc	SPGI	316.80	415.83	131,734.94	0.45%	0.87%	0.00%	13.66%	0.06%
Medtronic PLC	MDT	1,329.65	79.27	105,401.67	0.36%	3.48%	0.01%	4.33%	0.02%
Viatis Inc	VTRS	1,199.67	9.18	11,012.98		5.23%		-2.58%	
CVS Health Corp	CVS	1,286.90	67.95	87,444.65	0.30%	3.56%	0.01%	6.99%	0.02%
DuPont de Nemours Inc	DD	430.04	71.54	30,765.20	0.10%	2.01%	0.00%	11.43%	0.01%
Micron Technology Inc	MU	1,098.03	76.12	83,582.35		0.60%		-11.00%	
Motorola Solutions Inc	MSI	165.97	322.87	53,586.09	0.18%	1.21%	0.00%	10.82%	0.02%
Cboe Global Markets Inc	CBOE	105.56	182.19	19,231.25	0.07%	1.21%	0.00%	10.21%	0.01%

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Name	Ticker	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
		Shares Outst'g	Price	Market Capitalization	Weight in Index	Estimated Dividend Yield	Cap-Weighted Dividend Yield	Bloomberg Long-Term Growth Est.	Cap-Weighted Long-Term Growth Est.
Laboratory Corp of America Holdings	LH	84.90	216.91	18,415.66		1.33%		-32.45%	
Newmont Corp	NEM	1,152.49	40.19	46,318.65	0.16%	3.98%	0.01%	11.58%	0.02%
NIKE Inc	NKE	1,224.01	109.90	134,519.03	0.46%	1.35%	0.01%	16.07%	0.07%
NiSource Inc	NI	413.42	25.64	10,599.96	0.04%	3.90%	0.00%	7.65%	0.00%
Norfolk Southern Corp	NSC	226.14	218.16	49,333.83	0.17%	2.48%	0.00%	0.73%	0.00%
Principal Financial Group Inc	PFG	238.41	73.83	17,601.96	0.06%	3.63%	0.00%	8.98%	0.01%
Eversource Energy	ES	349.09	59.41	20,739.20	0.07%	4.54%	0.00%	5.21%	0.00%
Northrop Grumman Corp	NOC	150.79	475.16	71,650.80	0.24%	1.57%	0.00%	2.53%	0.01%
Wells Fargo & Co	WFC	3,631.64	44.59	161,934.83	0.55%	3.14%	0.02%	13.41%	0.07%
Nucor Corp	NUE	245.84	169.97	41,785.25		1.20%		-10.84%	
Occidental Petroleum Corp	OXY	880.37	59.15	52,073.94		1.22%			
Omnicom Group Inc	OMC	197.93	80.63	15,959.42	0.05%	3.47%	0.00%	4.72%	0.00%
ONEOK Inc	OKE	582.55	68.85	40,108.64	0.14%	5.55%	0.01%	6.93%	0.01%
Raymond James Financial Inc	RJF	208.61	105.15	21,935.03		1.71%			
PG&E Corp	PCG	2,133.51	17.17	36,632.33	0.12%	0.23%	0.00%	6.26%	0.01%
Parker-Hannifin Corp	PH	128.48	433.18	55,653.23	0.19%	1.37%	0.00%	15.28%	0.03%
Rollins Inc	ROL	484.04	40.74	19,719.71	0.07%	1.47%	0.00%	14.86%	0.01%
PPL Corp	PPL	737.09	26.12	19,252.76	0.07%	3.68%	0.00%	4.20%	0.00%
ConocoPhillips	COP	1,187.41	115.57	137,228.74	0.47%	5.00%	0.00%	6.00%	0.03%
PulteGroup Inc	PHM	215.60	88.42	19,062.91	0.06%	0.90%	0.00%	2.04%	0.00%
Pinnacle West Capital Corp	PNW	113.31	74.94	8,491.60	0.03%	4.70%	0.00%	5.95%	0.00%
PNC Financial Services Group Inc/The	PNC	398.34	133.96	53,361.76	0.18%	4.63%	0.01%	12.87%	0.02%
PPG Industries Inc	PPG	235.80	141.99	33,481.24	0.11%	1.83%	0.00%	12.91%	0.01%
Progressive Corp/The	PGR	585.04	164.03	95,964.28		0.24%		39.34%	
Verato Corp	VLTO	246.31	77.25	19,027.29					
Public Service Enterprise Group Inc	PEG	499.11	62.43	31,159.50	0.11%	3.65%	0.00%	5.47%	0.01%
Robert Half Inc	RHI	105.90	81.98	8,681.27	0.03%	2.34%	0.00%	1.26%	0.00%
Cooper Cos Inc/The	COO	49.52	336.92	16,685.63	0.06%	0.02%	0.00%	7.54%	0.00%
Edison International	EIX	383.57	66.99	25,695.22	0.09%	4.40%	0.00%	4.80%	0.00%
Schlumberger NV	SLB	1,423.42	52.04	74,074.83		1.92%		33.41%	
Charles Schwab Corp/The	SCHW	1,771.68	61.32	108,639.54	0.37%	1.63%	0.01%	3.60%	0.01%
Sherwin-Williams Co/The	SHW	255.97	278.80	71,363.32	0.24%	0.87%	0.00%	10.90%	0.03%
West Pharmaceutical Services Inc	WST	73.99	350.76	25,952.73	0.09%	0.23%	0.00%	5.80%	0.01%
J M Smucker Co/The	SJM	106.13	109.73	11,645.97	0.04%	3.86%	0.00%	5.95%	0.00%
Snap-on Inc	SNA	52.78	274.69	14,498.14	0.05%	2.71%	0.00%	4.85%	0.00%
AMETEK Inc	AME	230.80	155.23	35,826.93	0.12%	0.64%	0.00%	6.36%	0.01%
Southern Co/The	SO	1,091.52	70.98	77,475.73	0.26%	3.94%	0.01%	5.05%	0.01%
Truist Financial Corp	TFC	1,333.67	32.14	42,864.09	0.15%	6.47%	0.01%	16.00%	0.02%
Southwest Airlines Co	LUV	596.12	25.57	15,242.66	0.05%	2.82%	0.00%	10.15%	0.01%
W R Berkley Corp	WRB	257.87	72.55	18,708.61	0.06%	0.61%	0.00%	13.00%	0.01%
Stanley Black & Decker Inc	SWK	153.31	90.90	13,935.97	0.05%	3.56%	0.00%	9.00%	0.00%
Public Storage	PSA	175.83	258.76	45,497.51	0.15%	4.64%	0.01%	3.77%	0.01%
Arista Networks Inc	ANET	311.10	219.71	68,351.78	0.23%			19.72%	0.05%
Sysco Corp	SYT	504.37	72.17	36,400.53	0.12%	2.77%	0.00%	13.00%	0.02%
Corteva Inc	CTVA	704.88	45.20	31,860.58	0.11%	1.42%	0.00%	16.17%	0.02%
Texas Instruments Inc	TXN	908.20	152.71	138,691.83	0.47%	3.41%	0.02%	10.00%	0.05%
Textron Inc	TXT	196.01	76.66	15,025.74	0.05%	0.10%	0.00%	11.73%	0.01%
Thermo Fisher Scientific Inc	TMO	386.37	495.76	191,547.78		0.28%		-5.00%	
TX Cos Inc/The	TXJ	1,139.68	88.11	100,416.94	0.34%	1.51%	0.01%	6.38%	0.02%
Globe Life Inc	GL	94.12	123.13	11,588.87		0.73%			
Johnson Controls International plc	JCI	680.32	52.80	35,920.90	0.12%	2.80%	0.00%	13.36%	0.02%
Ulta Beauty Inc	ULTA	48.56	425.99	20,686.93	0.07%			6.41%	0.00%
Union Pacific Corp	UNP	609.60	225.27	137,323.92	0.47%	2.31%	0.01%	11.00%	0.05%
Keysight Technologies Inc	KEYS	174.60	135.89	23,726.39	0.08%			1.81%	0.00%
UnitedHealth Group Inc	UNH	924.93	551.09	509,716.92	1.74%	1.36%	0.02%	13.40%	0.23%
Blackstone Inc	BX	710.55	112.37	79,843.94	0.27%	2.85%	0.01%	7.63%	0.02%
Marathon Oil Corp	MRO	585.25	25.43	14,882.83	0.05%	1.73%	0.00%	8.00%	0.00%
Bio-Rad Laboratories Inc	BIO	24.06	304.92	7,336.07	0.02%			4.00%	0.00%
Ventas Inc	VTR	402.38	45.84	18,445.15	0.06%	3.93%	0.00%	8.02%	0.01%
VF Corp	VFC	388.88	16.73	6,506.01	0.02%	2.15%	0.00%	3.10%	0.00%
Vulcan Materials Co	VMC	132.87	213.56	28,376.36		0.81%		23.22%	
Weyerhaeuser Co	WY	730.00	31.35	22,885.53		2.42%			
Whirlpool Corp	WHR	54.85	108.90	5,973.49		6.43%		-2.33%	
Williams Cos Inc/The	WMB	1,216.50	36.79	44,755.00	0.15%	4.87%	0.01%	3.50%	0.01%
Constellation Energy Corp	CEG	319.38	121.04	38,658.00		0.93%		26.33%	
WEC Energy Group Inc	WEC	315.44	83.62	26,376.67	0.09%	3.73%	0.00%	6.41%	0.01%
Adobe Inc	ADBE	455.30	611.01	278,192.85	0.95%			17.33%	0.16%
AES Corp/The	AES	669.63	17.21	11,524.32	0.04%	3.86%	0.00%	10.12%	0.00%
Expeditors International of Washington Inc	EXPD	145.39	120.34	17,496.11		1.15%		-16.00%	
Amgen Inc	AMGN	535.18	269.64	144,305.40	0.49%	3.16%	0.02%	4.88%	0.02%
Apple Inc	AAPL	15,552.75	189.95	2,954,245.24	10.06%	0.51%	0.05%	13.00%	1.31%
Autodesk Inc	ADSK	213.76	218.43	46,692.47	0.16%			12.48%	0.02%
Cintas Corp	CTAS	101.85	553.25	56,350.73	0.19%	0.98%	0.00%	11.84%	0.02%
Comcast Corp	CMCSA	4,015.64	41.89	168,214.95	0.57%	2.77%	0.02%	9.26%	0.05%
Molson Coors Beverage Co	TAP	200.96	61.54	12,366.77	0.04%	2.66%	0.00%	12.99%	0.01%
KLA Corp	KLAC	135.93	544.62	74,031.29	0.25%	1.06%	0.00%	9.93%	0.03%
Marriott International Inc/MD	MAR	293.69	202.70	59,531.17	0.20%	1.03%	0.00%	17.38%	0.04%
Fiserv Inc	FI	600.19	130.61	78,390.29	0.27%			14.08%	0.04%
McCormick & Co Inc/MD	MKC	251.29	64.83	16,291.20	0.06%	2.59%	0.00%	7.01%	0.00%
PACCAR Inc	PCAR	523.08	91.82	48,028.84	0.16%	1.18%	0.00%	12.00%	0.02%
Costco Wholesale Corp	COST	442.74	592.74	262,430.30	0.89%	0.69%	0.01%	13.00%	0.12%
Stryker Corp	SYK	379.90	296.33	112,574.29	0.38%	1.01%	0.00%	7.62%	0.03%
Tyson Foods Inc	TSN	285.23	46.84	13,360.22		4.18%		46.71%	
Lamb Weston Holdings Inc	LW	144.93	100.03	14,497.05	0.05%	1.12%	0.00%	13.32%	0.01%
Applied Materials Inc	AMAT	836.53	149.78	125,296.06	0.43%	0.85%	0.00%	5.50%	0.02%
American Airlines Group Inc	AAL	653.54	12.43	8,123.51				54.64%	
Cardinal Health Inc	CAH	246.47	107.08	26,391.79	0.09%	1.87%	0.00%	13.32%	0.01%
Cincinnati Financial Corp	CINF	156.91	102.79	16,128.57	0.05%	2.92%	0.00%	18.21%	0.01%
Paramount Global	PARA	610.70	14.37	8,775.82		1.39%		-20.36%	
DR Horton Inc	DHI	333.18	127.67	42,537.60	0.14%	0.94%	0.00%	1.70%	0.00%
Electronic Arts Inc	EA	268.97	138.01	37,120.00	0.13%	0.55%	0.00%	10.32%	0.01%

STANDARD AND POOR'S 500 INDEX

		[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Name	Ticker	Shares Outst'g	Price	Market Capitalization	Weight in Index	Estimated Dividend Yield	Cap-Weighted Dividend Yield	Bloomberg Long-Term Growth Est.	Cap-Weighted Long-Term Growth Est.
Fair Isaac Corp	FICO	24.71	1,087.60	26,878.95				22.00%	
Fastenal Co	FAST	571.41	59.97	34,267.64		2.33%			
M&T Bank Corp	MTB	165.96	128.17	21,271.09	0.07%	4.06%	0.00%	11.59%	0.01%
Xcel Energy Inc	XEL	551.82	60.84	33,572.49	0.11%	3.42%	0.00%	6.12%	0.01%
Fifth Third Bancorp	FITB	681.02	28.95	19,715.44		4.84%		25.00%	
Gilead Sciences Inc	GILD	1,246.04	76.60	95,446.82	0.33%	3.92%	0.01%	2.10%	0.01%
Hasbro Inc	HAS	138.76	46.41	6,440.04		6.03%		-3.49%	
Huntington Bancshares Inc/OH	HBAN	1,448.08	11.26	16,305.32		5.51%		-7.69%	
Welltower Inc	WELL	556.09	89.10	49,547.98	0.17%	2.74%	0.00%	10.96%	0.02%
Biogen Inc	BIIB	144.90	234.08	33,917.72	0.12%			0.87%	0.00%
Northern Trust Corp	NTRS	207.04	79.25	16,407.60	0.06%	3.79%	0.00%	5.93%	0.00%
Packaging Corp of America	PKG	89.62	168.01	15,057.73	0.05%	2.98%	0.00%	5.00%	0.00%
Pfizer Inc	PAYX	361.23	121.97	44,059.47	0.15%	2.92%	0.00%	7.00%	0.01%
QUALCOMM Inc	QCOM	1,113.00	129.05	143,632.65	0.49%	2.48%	0.01%	11.61%	0.06%
Ross Stores Inc	ROST	338.63	130.38	44,150.84	0.15%	1.03%	0.00%	10.00%	0.02%
IDEXX Laboratories Inc	IDXX	83.05	465.82	38,687.28	0.13%			17.98%	0.02%
Starbucks Corp	SBUX	1,136.70	99.30	112,874.31	0.38%	2.30%	0.01%	17.41%	0.07%
KeyCorp	KEY	936.26	12.39	11,600.26	0.04%	6.62%	0.00%	7.08%	0.00%
Fox Corp	FOXA	247.23	29.54	7,303.09	0.02%	1.76%	0.00%	6.24%	0.00%
Fox Corp	FOX	235.58	27.66	6,516.17	0.02%	1.88%	0.00%	6.24%	0.00%
State Street Corp	STT	308.58	72.82	22,471.09	0.08%	3.79%	0.00%	6.92%	0.01%
Norwegian Cruise Line Holdings Ltd	NCLH	425.43	15.27	6,496.24					
US Bancorp	USB	1,557.01	38.12	59,353.30	0.20%	5.04%	0.01%	7.50%	0.02%
A O Smith Corp	AOS	122.83	75.36	9,256.32		1.70%			
Gen Digital Inc	GEN	640.72	22.08	14,146.99	0.05%	2.26%	0.00%	12.98%	0.01%
T Rowe Price Group Inc	TROW	223.47	100.13	22,376.05		4.87%		-4.09%	
Waste Management Inc	WM	402.78	170.99	68,870.50	0.23%	1.64%	0.00%	10.05%	0.02%
Constellation Brands Inc	STZ	183.66	240.49	44,169.11	0.15%	1.48%	0.00%	9.75%	0.01%
DENTSPLY SIRONA Inc	XRAY	211.86	31.75	6,726.56	0.02%	1.76%	0.00%	7.93%	0.00%
Zions Bancorp NA	ZION	148.15	35.63	5,278.55		4.60%		-9.73%	
Alaska Air Group Inc	ALK	128.05	37.81	4,841.68	0.02%			3.56%	0.00%
Invesco Ltd	IVZ	449.55	14.27	6,415.14		5.61%		-0.68%	
Intuit Inc	INTU	279.94	571.46	159,972.23	0.54%	0.63%	0.00%	18.96%	0.10%
Morgan Stanley	MS	1,641.31	79.34	130,221.69	0.44%	4.29%	0.02%	3.64%	0.02%
Microchip Technology Inc	MCHP	541.05	83.44	45,144.79		2.10%		-1.00%	
Chubb Ltd	CB	407.99	229.43	93,605.15	0.32%	1.50%	0.00%	15.50%	0.05%
Hologic Inc	HOLX	240.00	71.30	17,112.21				-8.76%	
Citizens Financial Group Inc	CFG	466.22	27.27	12,713.90		6.16%		-10.63%	
O'Reilly Automotive Inc	ORLY	59.16	982.38	58,119.57	0.20%			11.39%	0.02%
Allstate Corp/The	ALL	261.69	137.87	36,078.79		2.58%		50.02%	
Equity Residential	EQR	379.72	56.84	21,583.51	0.07%	4.66%	0.00%	4.75%	0.00%
BorgWarner Inc	BWA	235.06	33.69	7,919.00	0.03%	1.31%	0.00%	4.33%	0.00%
Keurig Dr Pepper Inc	KDP	1,398.34	31.57	44,145.47	0.15%	2.72%	0.00%	6.85%	0.01%
Host Hotels & Resorts Inc	HST	705.40	17.47	12,323.34		4.12%			
Incyte Corp	INCY	224.11	54.34	12,178.08				36.36%	
Simon Property Group Inc	SPG	326.25	124.89	40,744.99	0.14%	6.09%	0.01%	1.71%	0.00%
Eastman Chemical Co	EMN	118.56	83.83	9,939.22	0.03%	3.77%	0.00%	4.75%	0.00%
AvalonBay Communities Inc	AVB	142.02	172.94	24,560.07	0.08%	3.82%	0.00%	6.27%	0.01%
Prudential Financial Inc	PRU	361.00	97.78	35,298.58	0.12%	5.11%	0.01%	10.47%	0.01%
United Parcel Service Inc	UPS	723.26	151.61	109,652.99	0.37%	4.27%	0.02%	1.64%	0.01%
Walgreens Boots Alliance Inc	WBA	863.92	19.94	17,226.47	0.06%	9.63%	0.01%	0.25%	0.00%
STERIS PLC	STE	98.80	200.94	19,852.87		1.04%			
McKesson Corp	MCK	133.06	470.56	62,613.65	0.21%	0.53%	0.00%	10.04%	0.02%
Lockheed Martin Corp	LMT	248.10	447.77	111,091.29	0.38%	2.81%	0.01%	7.04%	0.03%
Cencora Inc	COR	199.43	203.37	40,558.69	0.14%	1.00%	0.00%	9.04%	0.01%
Capital One Financial Corp	COF	380.85	111.66	42,525.38		2.15%		-6.30%	
Waters Corp	WAT	59.13	280.61	16,591.63	0.06%			4.44%	0.00%
Nordson Corp	NDSN	57.01	235.34	13,417.67		1.16%			
Dollar Tree Inc	DLTR	217.87	123.59	26,926.80	0.09%			7.77%	0.01%
Darden Restaurants Inc	DRI	120.32	156.47	18,825.69	0.06%	3.35%	0.00%	10.45%	0.01%
Evergy Inc	EVRG	229.58	51.04	11,717.92	0.04%	5.04%	0.00%	4.82%	0.00%
Match Group Inc	MTCH	271.81	32.38	8,801.27				43.48%	
Domino's Pizza Inc	DPZ	34.88	392.89	13,704.40	0.05%	1.23%	0.00%	13.97%	0.01%
NVR Inc	NVR	3.18	6,155.39	19,567.98				-4.57%	
NetApp Inc	NTAP	206.03	91.39	18,829.17	0.06%	2.19%	0.00%	7.40%	0.00%
Old Dominion Freight Line Inc	ODFL	109.11	389.06	42,451.89	0.14%	0.41%	0.00%	5.83%	0.01%
DaVita Inc	DVA	91.30	101.46	9,263.30				21.67%	
Hartford Financial Services Group Inc/The	HIG	300.77	78.16	23,508.18	0.08%	2.41%	0.00%	7.00%	0.01%
Iron Mountain Inc	IRM	291.99	64.15	18,731.16	0.06%	4.05%	0.00%	4.00%	0.00%
Estee Lauder Cos Inc/The	EL	232.31	127.69	29,663.03	0.10%	2.07%	0.00%	13.86%	0.01%
Cadence Design Systems Inc	CDNS	272.06	273.27	74,346.38	0.25%			18.56%	0.05%
Tyler Technologies Inc	TYL	42.12	408.84	17,221.98					
Universal Health Services Inc	UHS	61.01	137.48	8,387.24	0.03%	0.58%	0.00%	9.41%	0.00%
Skyworks Solutions Inc	SWKS	159.96	96.93	15,504.44		2.81%		-7.11%	
Quest Diagnostics Inc	DGX	112.44	137.23	15,429.46		2.07%		-1.27%	
Rockwell Automation Inc	ROK	114.67	275.44	31,585.53	0.11%	1.82%	0.00%	12.16%	0.01%
Kraft Heinz Co/The	KHC	1,226.54	35.11	43,063.78	0.15%	4.56%	0.01%	4.03%	0.01%
American Tower Corp	AMT	466.17	208.78	97,325.93	0.33%	3.10%	0.01%	10.93%	0.04%
Regeneron Pharmaceuticals Inc	REGN	107.13	823.81	88,253.94	0.30%			4.00%	0.01%
Amazon.com Inc	AMZN	10,334.03	146.09	1,509,698.59				86.99%	
Jack Henry & Associates Inc	JKHY	72.83	158.69	11,557.08	0.04%	1.31%	0.00%	7.06%	0.00%
Ralph Lauren Corp	RL	39.75	129.38	5,143.11	0.02%	2.32%	0.00%	10.38%	0.00%
Boston Properties Inc	BXP	156.94	56.93	8,934.54	0.03%	6.89%	0.00%	2.82%	0.00%
Amphenol Corp	APH	598.31	90.99	54,440.23	0.19%	0.97%	0.00%	4.04%	0.01%
Howmet Aerospace Inc	HWM	411.74	52.60	21,657.73		0.38%		20.41%	
Pioneer Natural Resources Co	PXD	233.31	231.64	54,043.70		5.53%		-3.00%	
Valero Energy Corp	VLO	340.45	125.36	42,679.19		3.25%		35.66%	
Synopsys Inc	SNPS	152.05	543.23	82,599.75	0.28%			16.68%	0.05%
Etsy Inc	ETSY	119.75	75.81	9,077.94	0.03%			2.74%	0.00%
CH Robinson Worldwide Inc	CHRW	116.65	82.05	9,571.21	0.03%	2.97%	0.00%	5.00%	0.00%
Accenture PLC	ACN	664.79	333.14	221,467.14	0.75%	1.55%	0.01%	10.00%	0.08%

STANDARD AND POOR'S 500 INDEX

Name	Ticker	[4] Shares Outst'g	[5] Price	[6] Market Capitalization	[7] Weight in Index	[8] Estimated Dividend Yield	[9] Cap-Weighted Dividend Yield	[10] Bloomberg Long-Term Growth Est.	[11] Cap-Weighted Long-Term Growth Est.
TransDigm Group Inc	TDG	55.31	962.87	53,260.19	0.18%			15.56%	0.03%
Yum! Brands Inc	YUM	280.31	125.55	35,192.67	0.12%	1.93%	0.00%	11.93%	0.01%
Prologis Inc	PLD	923.86	114.93	106,179.46	0.36%	3.03%	0.01%	8.00%	0.03%
FirstEnergy Corp	FE	573.82	36.94	21,196.73		4.44%		-0.33%	
VeriSign Inc	VRSN	102.10	212.20	21,665.62	0.07%			11.50%	0.01%
Quanta Services Inc	PWR	145.29	188.31	27,358.62	0.09%	0.17%	0.00%	8.00%	0.01%
Henry Schein Inc	HSIC	130.59	66.73	8,713.94	0.03%			3.44%	0.00%
Ameren Corp	AEE	262.48	77.59	20,365.44	0.07%	3.25%	0.00%	7.11%	0.00%
ANSYS Inc	ANSS	86.87	293.36	25,485.06	0.09%			10.77%	0.01%
FactSet Research Systems Inc	FDS	37.99	453.46	17,226.04	0.06%	0.86%	0.00%	10.45%	0.01%
NVIDIA Corp	NVDA	2,470.00	467.70	1,155,219.00		0.03%		50.82%	
Sealed Air Corp	SEE	144.44	33.38	4,821.27	0.02%	2.40%	0.00%	0.01%	0.00%
Cognizant Technology Solutions Corp	CTSH	501.41	70.38	35,289.45	0.12%	1.65%	0.00%	12.00%	0.01%
Intuitive Surgical Inc	ISRG	352.07	310.84	109,438.06	0.37%			11.57%	0.04%
Take-Two Interactive Software Inc	TTWO	170.07	158.20	26,904.76				58.00%	
Republic Services Inc	RSG	314.64	161.84	50,920.85	0.17%	1.32%	0.00%	9.97%	0.02%
eBay Inc	EBAY	519.00	41.01	21,284.19	0.07%	2.44%	0.00%	0.32%	0.00%
Goldman Sachs Group Inc/The	GS	326.11	341.54	111,380.29	0.38%	3.22%	0.01%	7.71%	0.03%
SBA Communications Corp	SBAC	107.89	246.96	26,643.77	0.09%	1.38%	0.00%	8.00%	0.01%
Sempra	SRE	629.33	72.87	45,859.13	0.16%	3.27%	0.01%	5.49%	0.01%
Moody's Corp	MCO	183.00	364.96	66,787.68	0.23%	0.84%	0.00%	14.08%	0.03%
ON Semiconductor Corp	ON	430.70	71.33	30,721.69	0.10%			3.72%	0.00%
Booking Holdings Inc	BKNG	34.89	3,125.70	109,055.67	0.37%			15.00%	0.06%
F5 Inc	FFIV	59.71	171.19	10,221.24	0.03%			5.45%	0.00%
Akamai Technologies Inc	AKAM	150.83	115.53	17,425.62					
Charles River Laboratories International Inc	CRL	51.30	197.08	10,109.61	0.03%			9.00%	0.00%
MarketAxess Holdings Inc	MKTX	37.91	240.12	9,101.75		1.20%			
Devon Energy Corp	DVN	640.70	44.97	28,812.28		6.85%		51.35%	
Bio-Techne Corp	TECH	158.15	62.90	9,947.64	0.03%	0.51%	0.00%	4.50%	0.00%
Alphabet Inc	GOOGL	5,918.00	132.53	784,312.54	2.67%			16.65%	0.44%
Teleflex Inc	TFX	46.99	225.69	10,605.85	0.04%	0.60%	0.00%	7.00%	0.00%
Netflix Inc	NFLX	437.68	473.97	207,447.19				30.96%	
Allegion plc	ALLE	87.79	106.09	9,313.43	0.03%	1.70%	0.00%	5.93%	0.00%
Agilent Technologies Inc	A	292.12	127.80	37,333.32	0.13%	0.74%	0.00%	8.00%	0.01%
Warner Bros Discovery Inc	WBD	2,438.57	10.45	25,483.01				91.04%	
Elevance Health Inc	ELV	234.96	479.49	112,660.49	0.38%	1.23%	0.00%	10.85%	0.04%
Trimble Inc	TRMB	248.77	46.40	11,542.84					
CME Group Inc	CME	359.99	218.36	78,607.42	0.27%	2.02%	0.01%	11.10%	0.03%
Juniper Networks Inc	JNPR	318.87	28.45	9,071.79	0.03%	3.09%	0.00%	7.96%	0.00%
BlackRock Inc	BLK	148.76	751.23	111,754.48	0.38%	2.66%	0.01%	6.72%	0.03%
DTE Energy Co	DTE	206.11	104.11	21,458.01	0.07%	3.66%	0.00%	7.00%	0.01%
Nasdaq Inc	NDAQ	576.97	55.84	32,217.73	0.11%	1.58%	0.00%	2.68%	0.00%
Celanese Corp	CE	108.86	138.66	15,093.83	0.05%	2.02%	0.00%	2.27%	0.00%
Philip Morris International Inc	PM	1,552.41	93.36	144,932.62	0.49%	5.57%	0.03%	9.19%	0.05%
Salesforce Inc	CRM	968.00	251.90	243,839.20				21.67%	
Ingersoll Rand Inc	IR	404.80	71.43	28,914.65	0.10%	0.11%	0.00%	14.00%	0.01%
Huntington Ingalls Industries Inc	HII	39.72	237.02	9,415.15		2.19%		40.00%	
Roper Technologies Inc	ROP	106.82	538.25	57,496.94		0.56%		-1.00%	
MetLife Inc	MET	740.19	63.63	47,098.29	0.16%	3.27%	0.01%	9.17%	0.01%
Tapestry Inc	TPR	229.19	31.67	7,258.32	0.02%	4.42%	0.00%	11.00%	0.00%
CSX Corp	CSX	1,976.13	32.30	63,829.03	0.22%	1.36%	0.00%	6.39%	0.01%
Edwards Lifesciences Corp	EW	606.50	67.71	41,066.12	0.14%			9.23%	0.01%
Ameriprise Financial Inc	AMP	101.20	353.51	35,773.80	0.12%	1.53%	0.00%	15.82%	0.02%
Zebra Technologies Corp	ZBRA	51.36	236.98	12,171.29					
Zimmer Biomet Holdings Inc	ZBH	208.98	116.31	24,306.58	0.08%	0.83%	0.00%	7.12%	0.01%
CBRE Group Inc	CBRE	304.79	78.96	24,066.46					
Camden Property Trust	CPT	106.77	90.26	9,637.15	0.03%	4.43%	0.00%	6.17%	0.00%
Mastercard Inc	MA	930.44	413.83	385,043.16	1.31%	0.55%	0.01%	17.35%	0.23%
CarMax Inc	KMX	158.67	63.94	10,145.23	0.03%			16.34%	0.01%
Intercontinental Exchange Inc	ICE	572.36	113.84	65,157.92	0.22%	1.48%	0.00%	8.66%	0.02%
Fidelity National Information Services Inc	FIS	592.48	58.64	34,743.26	0.12%	3.55%	0.00%	5.51%	0.01%
Chipotle Mexican Grill Inc	CMG	27.45	2,202.25	60,440.75				25.41%	
Wynn Resorts Ltd	WYNN	112.95	84.42	9,534.90		1.18%		153.24%	
Live Nation Entertainment Inc	LYV	230.33	84.22	19,397.97					
Assurant Inc	AIZ	52.59	168.02	8,836.34	0.03%	1.71%	0.00%	14.60%	0.00%
NRG Energy Inc	NRG	225.76	47.84	10,800.55		3.16%			
Regions Financial Corp	RF	930.07	16.68	15,513.48	0.05%	5.76%	0.00%	0.99%	0.00%
Monster Beverage Corp	MNST	1,040.44	55.15	57,380.32				21.32%	
Mosaic Co/The	MOS	326.84	35.89	11,730.11	0.04%	2.23%	0.00%	7.00%	0.00%
Baker Hughes Co	BKR	1,006.23	33.75	33,960.40	0.12%	2.37%	0.00%	16.00%	0.02%
Expedia Group Inc	EXPE	133.33	136.18	18,156.20	0.06%			17.50%	0.01%
CF Industries Holdings Inc	CF	191.06	75.15	14,357.93		2.13%		46.00%	
Leidos Holdings Inc	LDOS	137.51	107.32	14,757.14	0.05%	1.42%	0.00%	8.12%	0.00%
APA Corp	APA	306.72	36.00	11,041.88	0.04%	2.78%	0.00%	0.72%	0.00%
Alphabet Inc	GOOG	5,725.00	133.92	766,692.00	2.61%			16.65%	0.43%
First Solar Inc	FSLR	106.84	157.78	16,857.85				43.22%	
TE Connectivity Ltd	TEL	310.78	131.00	40,712.05		1.80%			
Discover Financial Services	DFS	250.06	93.00	23,255.39		3.01%		56.16%	
Visa Inc	V	1,580.68	256.68	405,728.94	1.38%	0.81%	0.01%	14.32%	0.20%
Mid-America Apartment Communities Inc	MAA	116.69	124.48	14,525.32	0.05%	4.50%	0.00%	1.77%	0.00%
Xylem Inc/NY	XYL	241.08	105.13	25,344.53		1.26%			
Marathon Petroleum Corp	MPC	379.70	149.19	56,647.00		2.21%			
Advanced Micro Devices Inc	AMD	1,615.50	121.16	195,733.86				30.65%	
Tractor Supply Co	TSCO	108.11	203.01	21,948.22	0.07%	2.03%	0.00%	3.81%	0.00%
ResMed Inc	RMD	147.09	157.73	23,200.82		1.22%			
Mettler-Toledo International Inc	MTD	21.68	1,091.93	23,677.41	0.08%			5.01%	0.00%
Jacobs Solutions Inc	J	126.02	127.18	16,027.73	0.05%	0.82%	0.00%	12.31%	0.01%
Copart Inc	CPRT	960.23	50.22	48,222.80					
VICI Properties Inc	VICI	1,034.53	29.89	30,922.16	0.11%	5.55%	0.01%	7.09%	0.01%
Fortinet Inc	FTNT	767.91	52.56	40,361.35	0.14%			15.03%	0.02%
Albemarle Corp	ALB	117.35	121.27	14,231.40	0.05%	1.32%	0.00%	18.79%	0.01%

STANDARD AND POOR'S 500 INDEX

		[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Name	Ticker	Shares Outst'g	Price	Market Capitalization	Weight in Index	Estimated Dividend Yield	Cap-Weighted Dividend Yield	Bloomberg Long-Term Growth Est.	Cap-Weighted Long-Term Growth Est.
Moderna Inc	MRNA	381.28	77.70	29,625.77				-29.33%	
Essex Property Trust Inc	ESS	64.18	213.46	13,700.50	0.05%	4.33%	0.00%	5.71%	0.00%
CoStar Group Inc	CSGP	408.36	83.04	33,910.46	0.12%			20.00%	0.02%
Realty Income Corp	O	723.92	53.96	39,062.94	0.13%	5.69%	0.01%	0.68%	0.00%
Westrock Co	WRK	256.47	41.17	10,558.83	0.04%		0.00%	4.20%	0.00%
Westinghouse Air Brake Technologies Corp	WAB	179.16	116.56	20,882.77	0.07%	0.58%	0.00%	12.86%	0.01%
Pool Corp	POOL	38.68	347.32	13,433.99		1.27%		-5.49%	
Western Digital Corp	WDC	324.24	48.31	15,664.18				-11.96%	
PepsiCo Inc	PEP	1,374.86	168.29	231,375.86	0.79%	3.01%	0.02%	8.70%	0.07%
Diamondback Energy Inc	FANG	178.99	154.41	27,637.07		8.73%		21.94%	
Palo Alto Networks Inc	PANW	315.30	295.09	93,041.88				30.00%	
ServiceNow Inc	NOW	205.00	685.74	140,576.70					
Church & Dwight Co Inc	CHD	246.38	96.63	23,807.89	0.08%	1.13%	0.00%	5.95%	0.00%
Federal Realty Investment Trust	FRT	81.62	95.59	7,801.86	0.03%	4.56%	0.00%	5.77%	0.00%
MGM Resorts International	MGM	341.58	39.44	13,472.03					
American Electric Power Co Inc	AEP	515.18	79.55	40,982.25	0.14%	4.42%	0.01%	4.83%	0.01%
SolarEdge Technologies Inc	SEDG	56.81	79.38	4,509.66				27.00%	
Invitation Homes Inc	INVH	611.96	33.36	20,414.92	0.07%	3.12%	0.00%	3.15%	0.00%
PTC Inc	PTC	119.25	157.36	18,764.39	0.06%			19.31%	0.01%
JB Hunt Transport Services Inc	JBHT	103.14	185.27	19,109.30		0.91%		27.00%	
Lam Research Corp	LRCX	131.79	715.92	94,352.53	0.32%	1.12%	0.00%	5.44%	0.02%
Mohawk Industries Inc	MHK	63.68	88.31	5,623.76				-3.08%	
Pentair PLC	PNR	165.30	64.54	10,668.40	0.04%	1.36%	0.00%	6.22%	0.00%
GE HealthCare Technologies Inc	GEHC	455.24	68.46	31,165.94	0.11%	0.18%	0.00%	12.70%	0.01%
Vertex Pharmaceuticals Inc	VRTX	257.68	354.81	91,428.51	0.31%			13.38%	0.04%
Amcor PLC	AMCR	1,445.34	9.48	13,701.85	0.05%	5.27%	0.00%	1.33%	0.00%
Meta Platforms Inc	META	2,219.61	327.15	726,144.43				24.05%	
T-Mobile US Inc	TMUS	1,156.48	150.45	173,991.66		1.73%		38.46%	
United Rentals Inc	URI	67.78	476.02	32,265.11	0.11%	1.24%	0.00%	17.87%	0.02%
Honeywell International Inc	HON	659.25	195.92	129,160.46	0.44%	2.20%	0.01%	7.69%	0.03%
Alexandria Real Estate Equities Inc	ARE	173.78	109.40	19,010.99	0.06%	4.53%	0.00%	5.28%	0.00%
Delta Air Lines Inc	DAL	643.46	36.93	23,763.09		1.08%		30.85%	
Seagate Technology Holdings PLC	STX	209.18	79.10	16,546.45	0.06%	3.54%	0.00%	6.11%	0.00%
United Airlines Holdings Inc	UAL	328.02	39.40	12,923.87				46.54%	
News Corp	NWS	191.39	23.04	4,409.51		0.87%			
Centene Corp	CNC	534.20	73.68	39,359.93	0.13%			8.43%	0.01%
Martin Marietta Materials Inc	MLM	61.81	464.59	28,714.91		0.64%		21.60%	
Teradyne Inc	TER	152.88	92.23	14,100.03	0.05%	0.48%	0.00%	7.82%	0.00%
PayPal Holdings Inc	PYPL	1,078.14	57.61	62,111.65	0.21%			6.26%	0.01%
Tesla Inc	TSLA	3,178.92	240.08	763,195.35	2.60%			11.00%	0.29%
Arch Capital Group Ltd	ACGL	373.17	83.69	31,230.76	0.11%			10.00%	0.01%
Dow Inc	DOW	701.40	51.75	36,297.29		5.41%		-4.72%	
Everest Group Ltd	EG	43.39	410.55	17,813.76		1.71%		37.66%	
Teledyne Technologies Inc	TDY	47.19	402.96	19,013.67	0.06%			8.03%	0.01%
News Corp	NWSA	380.67	22.04	8,389.97		0.91%			
Exelon Corp	EXC	994.30	38.51	38,290.45	0.13%	3.74%	0.00%	4.00%	0.01%
Global Payments Inc	GPN	260.39	116.44	30,319.70	0.10%	0.86%	0.00%	13.33%	0.01%
Crown Castle Inc	CCI	433.69	117.28	50,863.05	0.17%	5.34%	0.01%	7.00%	0.01%
Aptiv PLC	APTIV	282.86	82.84	23,432.29	0.08%			11.44%	0.01%
Align Technology Inc	ALGN	76.59	213.80	16,374.73					
Illumina Inc	ILMN	158.80	101.95	16,189.66				-51.00%	
Kenvue Inc	KVUE	1,915.00	20.44	39,142.50		3.91%			
Targa Resources Corp	TRGP	222.98	90.45	20,168.18	0.07%	2.21%	0.00%	15.00%	0.01%
Bunge Global SA	BG	161.43	109.87	17,736.20		2.41%		-5.00%	
LKQ Corp	LKQ	267.60	44.53	11,916.14		2.69%			
Zoetis Inc	ZTS	459.11	176.67	81,111.67	0.28%	0.85%	0.00%	10.91%	0.03%
Digital Realty Trust Inc	DLR	302.85	138.78	42,028.97	0.14%	3.52%	0.01%	6.80%	0.01%
Equinix Inc	EQIX	93.88	815.01	76,515.58	0.26%	2.09%	0.01%	16.67%	0.04%
Las Vegas Sands Corp	LVS	764.49	46.12	35,258.32		1.73%			
Molina Healthcare Inc	MOH	58.30	365.56	21,312.15	0.07%			11.24%	0.01%

Notes:

[1] Equals sum of Col. [9]

[2] Equals sum of Col. [11]

[3] Equals $(11 \times (1 + (0.5 \times [2]))) + [2]$

[4] Source: Bloomberg Professional as of October 31, 2023

[5] Source: Bloomberg Professional as of October 31, 2023

[6] Equals [4] x [5]

[7] Equals weight in S&P 500 based on market capitalization [6] if Growth Rate >0% and ≤20%

[8] Source: Bloomberg Professional, as of October 31, 2023

[9] Equals [7] x [8]

[10] Source: Value Line, as of October 31, 2023

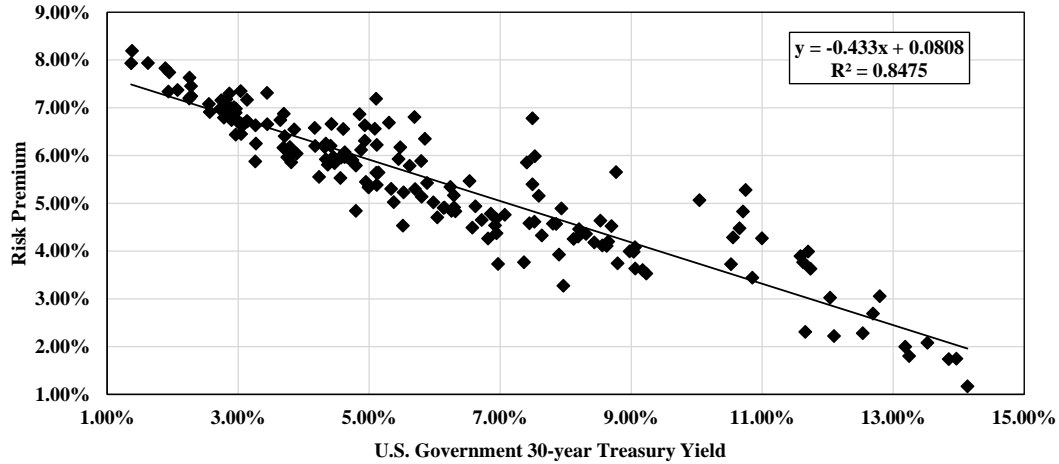
[11] Equals [7] x [10]

BOND YIELD PLUS RISK PREMIUM

Quarter	[1]	[2]	[3]
	Average Authorized VI Electric ROE	U.S. Govt. 30-year Treasury	Risk Premium
1980.1	13.97%	11.66%	2.31%
1980.2	14.25%	10.52%	3.73%
1980.3	14.30%	10.85%	3.45%
1980.4	14.32%	12.10%	2.23%
1981.1	14.82%	12.53%	2.28%
1981.2	15.05%	13.24%	1.81%
1981.3	15.31%	14.13%	1.17%
1981.4	15.59%	13.85%	1.74%
1982.1	15.71%	13.96%	1.75%
1982.2	15.60%	13.52%	2.08%
1982.3	15.85%	12.79%	3.06%
1982.4	16.03%	10.75%	5.28%
1983.1	15.54%	10.71%	4.83%
1983.2	15.13%	10.65%	4.48%
1983.3	15.39%	11.62%	3.77%
1983.4	15.37%	11.74%	3.63%
1984.1	15.06%	12.04%	3.02%
1984.2	15.18%	13.18%	2.00%
1984.3	15.38%	12.69%	2.69%
1984.4	15.69%	11.70%	3.99%
1985.1	15.48%	11.58%	3.90%
1985.2	15.27%	11.00%	4.27%
1985.3	14.84%	10.55%	4.29%
1985.4	15.11%	10.04%	5.07%
1986.1	14.42%	8.77%	5.65%
1986.2	14.27%	7.49%	6.78%
1986.3	13.26%	7.40%	5.86%
1986.4	13.52%	7.53%	5.99%
1987.1	12.90%	7.49%	5.40%
1987.2	13.17%	8.53%	4.64%
1987.3	13.14%	9.06%	4.08%
1987.4	12.76%	9.23%	3.53%
1988.1	12.74%	8.63%	4.11%
1988.2	12.70%	9.06%	3.63%
1988.3	12.78%	9.18%	3.60%
1988.4	12.97%	8.97%	4.00%
1989.1	13.02%	9.04%	3.99%
1989.2	13.22%	8.70%	4.52%
1989.3	12.38%	8.12%	4.26%
1989.4	12.83%	7.93%	4.90%
1990.1	12.62%	8.44%	4.19%
1990.2	12.85%	8.65%	4.20%
1990.3	12.54%	8.79%	3.75%
1990.4	12.68%	8.56%	4.12%
1991.1	12.66%	8.20%	4.46%
1991.2	12.67%	8.31%	4.36%
1991.3	12.49%	8.19%	4.30%
1991.4	12.42%	7.85%	4.57%
1992.1	12.38%	7.81%	4.58%
1992.2	11.83%	7.90%	3.93%
1992.3	12.03%	7.45%	4.59%
1992.4	12.14%	7.52%	4.62%
1993.1	11.84%	7.07%	4.76%
1993.2	11.64%	6.86%	4.78%
1993.3	11.15%	6.32%	4.84%
1993.4	11.04%	6.14%	4.91%
1994.1	11.07%	6.58%	4.49%
1994.2	11.13%	7.36%	3.77%
1994.3	12.75%	7.59%	5.16%
1994.4	11.24%	7.96%	3.28%
1995.1	11.96%	7.63%	4.33%

1995.2	11.32%	6.94%	4.37%
1995.3	11.37%	6.72%	4.65%
1995.4	11.58%	6.24%	5.35%
1996.1	11.46%	6.29%	5.17%
1996.2	11.46%	6.92%	4.54%
1996.3	10.70%	6.97%	3.73%
1996.4	11.56%	6.62%	4.94%
1997.1	11.08%	6.82%	4.26%
1997.2	11.62%	6.94%	4.68%
1997.3	12.00%	6.53%	5.47%
1997.4	11.06%	6.15%	4.91%
1998.1	11.31%	5.88%	5.43%
1998.2	12.20%	5.85%	6.35%
1998.3	11.65%	5.48%	6.17%
1998.4	12.30%	5.11%	7.19%
1999.1	10.40%	5.37%	5.03%
1999.2	10.94%	5.80%	5.14%
1999.3	10.75%	6.04%	4.71%
1999.4	11.10%	6.26%	4.84%
2000.1	11.21%	6.30%	4.92%
2000.2	11.00%	5.98%	5.02%
2000.3	11.68%	5.79%	5.89%
2000.4	12.50%	5.69%	6.81%
2001.1	11.38%	5.45%	5.93%
2001.2	11.00%	5.70%	5.30%
2001.3	10.76%	5.53%	5.23%
2001.4	11.99%	5.30%	6.69%
2002.1	10.05%	5.52%	4.53%
2002.2	11.41%	5.62%	5.79%
2002.3	11.65%	5.09%	6.56%
2002.4	11.57%	4.93%	6.63%
2003.1	11.72%	4.85%	6.87%
2003.2	11.16%	4.60%	6.56%
2003.3	10.50%	5.11%	5.39%
2003.4	11.34%	5.11%	6.23%
2004.1	11.00%	4.88%	6.12%
2004.2	10.64%	5.34%	5.30%
2004.3	10.75%	5.11%	5.64%
2004.4	11.24%	4.93%	6.31%
2005.1	10.63%	4.71%	5.92%
2005.2	10.31%	4.47%	5.84%
2005.3	11.08%	4.42%	6.66%
2005.4	10.63%	4.65%	5.98%
2006.1	10.70%	4.63%	6.07%
2006.2	10.79%	5.14%	5.64%
2006.3	10.35%	5.00%	5.35%
2006.4	10.65%	4.74%	5.91%
2007.1	10.59%	4.80%	5.79%
2007.2	10.33%	4.99%	5.34%
2007.3	10.40%	4.95%	5.45%
2007.4	10.65%	4.61%	6.04%
2008.1	10.62%	4.41%	6.21%
2008.2	10.54%	4.57%	5.96%
2008.3	10.43%	4.45%	5.98%
2008.4	10.39%	3.64%	6.74%
2009.1	10.75%	3.44%	7.31%
2009.2	10.75%	4.17%	6.58%
2009.3	10.50%	4.32%	6.18%
2009.4	10.59%	4.34%	6.25%
2010.1	10.59%	4.62%	5.97%
2010.2	10.18%	4.37%	5.81%
2010.3	10.40%	3.86%	6.55%
2010.4	10.38%	4.17%	6.20%
2011.1	10.09%	4.56%	5.53%
2011.2	10.26%	4.34%	5.92%
2011.3	10.57%	3.70%	6.88%
2011.4	10.39%	3.04%	7.35%

2012.1	10.30%	3.14%	7.17%
2012.2	9.95%	2.94%	7.01%
2012.3	9.90%	2.74%	7.16%
2012.4	10.16%	2.86%	7.30%
2013.1	9.85%	3.13%	6.72%
2013.2	9.86%	3.14%	6.72%
2013.3	10.12%	3.71%	6.41%
2013.4	9.97%	3.79%	6.18%
2014.1	9.86%	3.69%	6.16%
2014.2	10.10%	3.44%	6.66%
2014.3	9.90%	3.27%	6.63%
2014.4	9.94%	2.96%	6.98%
2015.1	9.64%	2.55%	7.08%
2015.2	9.83%	2.88%	6.94%
2015.3	9.40%	2.96%	6.44%
2015.4	9.86%	2.96%	6.90%
2016.1	9.70%	2.72%	6.98%
2016.2	9.48%	2.57%	6.91%
2016.3	9.74%	2.28%	7.46%
2016.4	9.83%	2.83%	7.00%
2017.1	9.72%	3.05%	6.67%
2017.2	9.64%	2.90%	6.75%
2017.3	10.00%	2.82%	7.18%
2017.4	9.91%	2.82%	7.09%
2018.1	9.69%	3.02%	6.66%
2018.2	9.75%	3.09%	6.66%
2018.3	9.69%	3.06%	6.63%
2018.4	9.52%	3.27%	6.25%
2019.1	9.72%	3.01%	6.70%
2019.2	9.58%	2.78%	6.79%
2019.3	9.53%	2.29%	7.25%
2019.4	9.89%	2.26%	7.63%
2020.1	9.72%	1.89%	7.83%
2020.2	9.58%	1.38%	8.19%
2020.3	9.30%	1.37%	7.93%
2020.4	9.56%	1.62%	7.94%
2021.1	9.45%	2.07%	7.38%
2021.2	9.47%	2.26%	7.21%
2021.3	9.27%	1.93%	7.34%
2021.4	9.69%	1.95%	7.74%
2022.1	9.45%	2.25%	7.20%
2022.2	9.50%	3.05%	6.45%
2022.3	9.14%	3.26%	5.88%
2022.4	9.94%	3.89%	6.04%
2023.1	9.72%	3.75%	5.97%
2023.2	9.67%	3.81%	5.86%
2023.3	9.79%	4.23%	5.55%
2023.4	9.64%	4.80%	4.85%
AVERAGE	11.53%	6.09%	5.44%
MEDIAN	11.05%	5.35%	5.65%



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9205958
R Square	0.8474967
Adjusted R Square	0.8466202
Standard Error	0.0056565
Observations	176

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.03094	0.03094	966.95886	0.00000
Residual	174	0.00557	0.00003		
Total	175	0.03651			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.0808	0.00	85.17	0.0000	0.0789	0.0827	0.0789	0.0827
U.S. Govt. 30-year Treasury	(0.4330)	0.01	(31.10)	0.0000	(0.4605)	(0.4056)	(0.4605)	(0.4056)

	[7]	[8]	[9]
	U.S. Govt. 30-year Treasury	Risk Premium	ROE
Current 30-day average of 30-year U.S. Treasury bond yield [4]	4.77%	6.01%	10.79%
Blue Chip Near-Term Projected Forecast (Q1 2024 - Q1 2025) [5]	4.48%	6.14%	10.62%
Blue Chip Long-Term Projected Forecast (2025-2029) [6]	4.10%	6.30%	10.40%
AVERAGE			10.60%

Notes:

- [1] Regulatory Research Associates, rate cases through November 30, 2023
- [2] S&P Capital IQ Pro, quarterly bond yields are the average of each trading day in the quarter
- [3] Equals Column [1] – Column [2]
- [4] S&P Capital IQ Pro, 30-day average as of November 30, 2023
- [5] Blue Chip Financial Forecasts, Vol. 42, No. 12, December 1, 2023, at 2
- [6] Blue Chip Financial Forecasts, Vol. 42, No. 12, December 1, 2023, at 14
- [7] See notes [4], [5] & [6]
- [8] Equals $0.080798 + (-0.433037 \times \text{Column [7]})$
- [9] Equals Column [7] + Column [8]

2024-2027 CAPITAL EXPENDITURES AS A PERCENT OF 2022 NET PLANT
(\$ Millions)

		[1]	[2]	[3]	[4]	[5]	[6]
		2022	2024	2025	2026	2027	2024-2028 Cap. Ex. / 2022 Net Plant
ALLETE, Inc.	ALE						
Capital Spending per Share			\$5.95	\$6.60	\$7.25	\$7.25	
Common Shares Outstanding			59.00	60.00	61.00	61.00	
Capital Expenditures			\$351.1	\$396.0	\$442.3	\$442.3	32.60%
Net Plant		\$5,004.0					
Alliant Energy Corporation	LNT						
Capital Spending per Share			\$5.80	\$5.60	\$5.40	\$5.40	
Common Shares Outstanding			256.00	256.50	257.00	257.00	
Capital Expenditures			\$1,484.8	\$1,436.4	\$1,387.8	\$1,387.8	35.06%
Net Plant		\$16,247.0					
Ameren Corporation	AEE						
Capital Spending per Share			\$12.55	\$12.78	\$13.00	\$13.00	
Common Shares Outstanding			269.00	277.00	285.00	285.00	
Capital Expenditures			\$3,376.0	\$3,538.7	\$3,705.0	\$3,705.0	45.82%
Net Plant		\$31,262.0					
American Electric Power Company, Inc.	AEP						
Capital Spending per Share			\$14.15	\$14.08	\$14.00	\$14.00	
Common Shares Outstanding			530.00	540.00	550.00	550.00	
Capital Expenditures			\$7,499.5	\$7,600.5	\$7,700.0	\$7,700.0	42.79%
Net Plant		\$71,283.0					
Avista Corporation	AVA						
Capital Spending per Share			\$6.35	\$6.55	\$6.75	\$6.75	
Common Shares Outstanding			78.50	81.75	85.00	85.00	
Capital Expenditures			\$498.5	\$535.5	\$573.8	\$573.8	40.07%
Net Plant		\$5,444.7					
CMS Energy Corporation	CMS						
Capital Spending per Share			\$9.50	\$9.63	\$9.75	\$9.75	
Common Shares Outstanding			295.00	297.50	300.00	300.00	
Capital Expenditures			\$2,802.5	\$2,863.4	\$2,925.0	\$2,925.0	50.70%
Net Plant		\$22,713.0					
Duke Energy Corporation	DUK						
Capital Spending per Share			\$17.60	\$17.18	\$16.75	\$16.75	
Common Shares Outstanding			770.00	770.00	770.00	770.00	
Capital Expenditures			\$13,552.0	\$13,224.8	\$12,897.5	\$12,897.5	47.04%
Net Plant		\$111,748.0					
Entergy Corporation	ETR						
Capital Spending per Share			\$19.00	\$19.38	\$19.75	\$19.75	
Common Shares Outstanding			\$218.00	224.00	230.00	230.00	
Capital Expenditures			\$4,142.0	\$4,340.0	\$4,542.5	\$4,542.5	41.36%
Net Plant		\$42,477.0					
IDACORP, Inc	IDA						
Capital Spending per Share			\$16.00	\$13.50	\$11.00	\$11.00	
Common Shares Outstanding			51.50	52.25	53.00	53.00	
Capital Expenditures			\$824.0	\$705.4	\$583.0	\$583.0	52.10%
Net Plant		\$5,173.0					
NextEra Energy, Inc.	NEE						
Capital Spending per Share			\$9.50	\$9.63	\$9.75	\$9.75	
Common Shares Outstanding			\$2,025.00	2,037.50	2,050.00	2,050.00	
Capital Expenditures			\$19,237.5	\$19,610.9	\$19,987.5	\$19,987.5	70.97%
Net Plant		\$111,059.0					
NorthWestern Corporation	NWE						
Capital Spending per Share			\$7.75	\$7.38	\$7.00	\$7.00	
Common Shares Outstanding			62.00	62.00	62.00	62.00	
Capital Expenditures			\$480.5	\$457.3	\$434.0	\$434.0	31.92%
Net Plant		\$5,657.5					
OGE Energy Corporation	OGE						
Capital Spending per Share			\$4.75	\$4.75	\$4.75	\$4.75	
Common Shares Outstanding			200.20	200.20	200.20	200.20	

2024-2027 CAPITAL EXPENDITURES AS A PERCENT OF 2022 NET PLANT
(\$ Millions)

		[1]	[2]	[3]	[4]	[5]	[6]
		2022	2024	2025	2026	2027	2024-2028 Cap. Ex. / 2022 Net Plant
Capital Expenditures			\$951.0	\$951.0	\$951.0	\$951.0	36.07%
Net Plant		\$10,546.8					
Pinnacle West Capital Corporation	PNW						
Capital Spending per Share			\$15.00	\$15.00	\$15.00	\$15.00	
Common Shares Outstanding			\$118.00	119.00	120.00	120.00	
Capital Expenditures			\$1,770.0	\$1,785.0	\$1,800.0	\$1,800.0	42.45%
Net Plant		\$16,854.0					
Portland General Electric Company	POR						
Capital Spending per Share			\$10.75	\$10.88	\$11.00	\$11.00	
Common Shares Outstanding			102.00	102.00	102.00	102.00	
Capital Expenditures			\$1,096.5	\$1,109.3	\$1,122.0	\$1,122.0	52.57%
Net Plant		\$8,465.0					
Southern Company	SO						
Capital Spending per Share			\$7.85	\$7.68	\$7.50	\$7.50	
Common Shares Outstanding			1,070.00	1,070.00	1,070.00	1,070.00	
Capital Expenditures			\$8,399.5	\$8,212.3	\$8,025.0	\$8,025.0	34.54%
Net Plant		\$94,570.0					
Xcel Energy Inc.	XEL						
Capital Spending per Share			\$9.25	\$9.38	\$9.50	\$9.50	
Common Shares Outstanding			553.00	556.50	560.00	560.00	
Capital Expenditures			\$5,115.3	\$5,217.2	\$5,320.0	\$5,320.0	43.46%
Net Plant		\$48,253.0					
Evergy Missouri West	EVRG						
Capital Expenditures [7]			\$292.0	\$320.0	\$429.0	\$406.0	42.98%
Net Electric Plant in Service [8]		\$3,366.44					

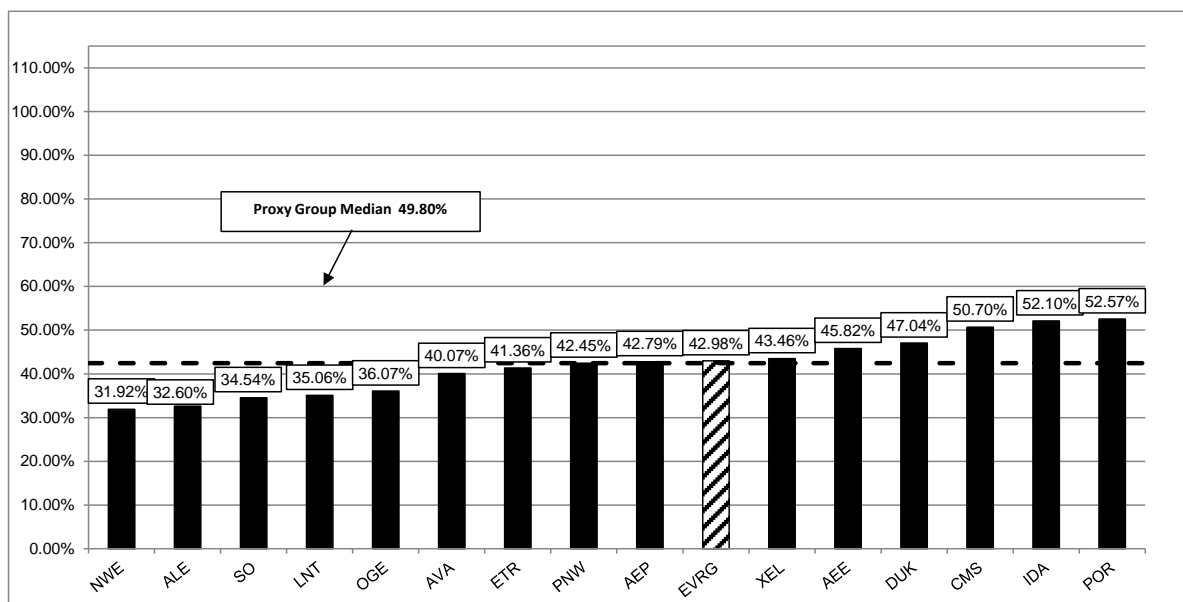
Notes:

[1] - [5] Value Line November 10, October 20, 2023, September 8, 2023.

[6] Equals (Column [2] + [3] + [4] + [5] + [6]) / Column [1]

[7] - [8] Data provided by Evergy Missouri West.

2024-2027 CAPITAL EXPENDITURES AS A PERCENT OF 2022 NET PLANT



Projected CAPEX / 2022 Net Plant

Company	2024-2027
1 NorthWestern Corporation	NWE 31.92%
2 ALLETE, Inc.	ALE 32.60%
3 Southern Company	SO 34.54%
4 Alliant Energy Corporation	LNT 35.06%
5 OGE Energy Corporation	OGE 36.07%
6 Avista Corporation	AVA 40.07%
7 Entergy Corporation	ETR 41.36%
8 Pinnacle West Capital Corporation	PNW 42.45%
9 American Electric Power Company, Inc.	AEP 42.79%
10 Evergy Missouri West	EVRG 42.98%
11 Xcel Energy Inc.	XEL 43.46%
12 Ameren Corporation	AEE 45.82%
13 Duke Energy Corporation	DUK 47.04%
14 CMS Energy Corporation	CMS 50.70%
15 IDACORP, Inc	IDA 52.10%
16 Portland General Electric Company	POR 52.57%
Proxy Group Median	42.45%
Evergy Missouri West/Proxy Group	1.01

Notes:

Schedule AEB-8, page 1, col. [7]

COMPARATIVE REGULATORY COST RECOVERY RISK ASSESSMENT

Proxy Group Company	Operating Subsidiary	Jurisdiction	Service	Test Year	[1] [2] [3] [4] [5]				[6] [7] [8] [9] [10]					[11]
					Decoupling / Revenu Stabilization				Capital Cost Recovery					
					Revenue Decoupling	Formula-Based Rates	Straight Fixed-Variable Rate Design	Total	Traditional Generation	Renewables/ Non-Traditional Generation	Delivery Infrastructure	Environmental Compliance	Total	
ALLETE, Inc.	ALLETE (Minnesota Power)	Minnesota	Electric	Fully Forecast	No	No	No	No	No	No	Yes	No	No	Yes
Alliant Energy Corporation	Interstate Power & Light Co.	Iowa	Electric	Historical	No	No	No	No	No	No	Yes	No	Yes	Yes
	Interstate Power & Light Co.	Iowa	Gas	Historical	No	No	No	No	No	No	No	No	No	Yes
Ameren Corporation	Wisconsin Power & Light Co.	Wisconsin	Electric	Fully Forecast	No	No	No	No	No	No	No	No	No	Yes
	Wisconsin Power & Light Co.	Wisconsin	Gas	Fully Forecast	No	No	No	No	No	No	No	No	No	Yes
	Ameren Illinois Co.	Illinois	Electric	Historical	Partial	Yes	No	Yes	No	Yes	Yes	Yes	Yes	n/a
	Ameren Illinois Co.	Illinois	Gas	Fully Forecast	Partial	No	No	Yes	No	No	Yes	Yes	Yes	Yes
	Union Electric Co.	Missouri	Electric	Historical	Partial	No	No	Yes	No	Yes	Yes	No	Yes	Yes
	Union Electric Co.	Missouri	Gas	Historical	Partial	No	No	Yes	No	No	Yes	No	Yes	Yes
American Electric Power Company, Inc.	Southwestern Electric Power Co.	Arkansas	Electric	Historical	Partial	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes
	Indiana Michigan Power Co.	Indiana	Electric	Fully Forecast	Full	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes
	Kentucky Power Co.	Kentucky	Electric	Fully Forecast	Partial	No	No	Yes	No	No	Yes	No	Yes	Yes
	Southwestern Electric Power Co.	Louisiana	Electric	Historical	Partial	Yes	No	Yes	No	No	No	No	No	Yes
	Indiana Michigan Power Co.	Michigan	Electric	Fully Forecast	Partial	No	No	Yes	No	Yes	No	No	Yes	Yes
	Ohio Power Co.	Ohio	Electric	Partially Forecast	Partial	No	No	Yes	No	Yes	Yes	No	Yes	Yes
	Public Service Co. of Oklahoma	Oklahoma	Electric	Historical	Partial	No	No	Yes	No	Yes	Yes	No	Yes	Yes
	Kingsport Power Co.	Tennessee	Electric	Fully Forecast	No	No	No	No	No	No	No	No	No	Yes
	AEP Texas Inc.	Texas	Electric	Historical	No	No	No	No	No	No	Yes	No	Yes	n/a
	Southwestern Electric Power Co.	Texas	Electric	Historical	No	No	No	No	No	No	Yes	No	Yes	Yes
	Appalachian Power Co.	Virginia	Electric	Historical	No	No	No	No	Yes	No	No	Yes	Yes	Yes
	Appalachian Power Co./Wheeling Power Co.	West Virginia	Electric	Historical	No	No	No	No	No	No	No	Yes	Yes	Yes
	Alaska Electric Light & Power Co.	Alaska	Electric	Historical	No	No	No	No	No	No	No	No	No	Yes
	Avista Corporation	Avista Corp.	Idaho	Electric	Historical	Full	No	No	Yes	No	No	No	No	No
Avista Corp.		Idaho	Gas	Historical	Full	No	No	Yes	No	No	No	No	Yes	Yes
Avista Corp.		Oregon	Gas	Fully Forecast	Partial	No	No	Yes	No	No	No	No	No	Yes
Avista Corp.		Washington	Electric	Historical	Full	No	No	Yes	No	No	No	No	No	Yes w/ sharing
CMS Energy Corporation	Avista Corp.	Washington	Gas	Historical	Full	No	No	Yes	No	No	No	No	No	Yes w/ sharing
	Consumers Energy Co.	Michigan	Electric	Fully Forecast	No	No	No	No	No	Yes	No	No	Yes	Yes
Duke Energy Corporation	Consumers Energy Co.	Michigan	Gas	Fully Forecast	Partial	No	No	Yes	No	No	No	No	Yes	Yes
	Duke Energy Florida LLC	Florida	Electric	Fully Forecast	No	No	No	No	Yes	Yes	No	Yes	Yes	Yes
	Duke Energy Indiana LLC	Indiana	Electric	Historical	Partial	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes
	Duke Energy Kentucky Inc.	Kentucky	Electric	Fully Forecast	Partial	No	No	Yes	No	No	No	Yes	Yes	Yes
	Duke Energy Kentucky Inc.	Kentucky	Gas	Fully Forecast	Partial	No	No	Yes	No	No	Yes	No	Yes	Yes
	Duke Energy Carolinas/Duke Energy Progress	North Carolina	Electric	Historical	No	No	No	No	No	Yes	No	Yes	Yes	Yes
	Piedmont Natural Gas Co. Inc.	North Carolina	Gas	Historical	Full	No	No	Yes	No	No	Yes	No	Yes	Yes
	Duke Energy Ohio Inc.	Ohio	Electric	Partially Forecast	Partial	No	No	Yes	No	Yes	Yes	No	Yes	Yes
	Duke Energy Ohio Inc.	Ohio	Gas	Partially Forecast	No	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes
	Duke Energy Carolinas/Duke Energy Progress	South Carolina	Electric	Historical	No	No	No	Yes	No	Yes	No	Yes	Yes	Yes
Entergy Corporation	Piedmont Natural Gas Co. Inc.	South Carolina	Gas	Historical	Partial	No	No	Yes	No	No	No	No	No	Yes
	Piedmont Natural Gas Co. Inc.	Tennessee	Gas	Fully Forecast	Partial	No	No	Yes	No	No	Yes	No	Yes	Yes
	Entergy Arkansas LLC	Arkansas	Electric	Fully Forecast	Partial	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes
	Entergy New Orleans LLC	Louisiana-NOCC	Electric	Partially Forecast	No	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes
	Entergy New Orleans LLC	Louisiana-NOCC	Gas	Partially Forecast	No	Yes	No	Yes	No	No	No	No	No	Yes
	Entergy Louisiana LLC	Louisiana	Electric	Historical	Partial	Yes	No	Yes	No	No	No	Yes	Yes	Yes
	Entergy Louisiana LLC	Louisiana	Gas	Historical	No	Yes	No	Yes	No	No	Yes	No	Yes	Yes
	Entergy Mississippi LLC	Mississippi	Electric	Fully Forecast	Partial	Yes	No	Yes	No	No	No	No	No	Yes
	Entergy Texas Inc.	Texas	Electric	Historical	No	No	No	No	Yes	No	Yes	No	Yes	Yes
	IDACORP, Inc.	Idaho Power Co.	Idaho	Electric	Partially Forecast	Full	No	No	Yes	No	No	No	No	No
NextEra Energy, Inc.	Idaho Power Co.	Oregon	Electric	Partially Forecast	No	No	No	No	No	No	No	No	No	Yes
	Florida Power & Light Co.	Florida	Electric	Fully Forecast	No	No	No	No	Yes	Yes	No	Yes	Yes	Yes
NorthWestern Corporation	Pivotal Utility Holdings Inc.	Florida	Gas	Fully Forecast	No	No	No	No	No	No	Yes	Yes	Yes	Yes
	Lone Star Transmission LLC	Texas	Electric	Historical	No	No	No	No	No	No	Yes	No	Yes	n/a
	NorthWestern Corporation	Montana	Electric	Historical	No	No	No	No	No	No	No	No	No	Yes w/ sharing
	NorthWestern Corporation	Montana	Gas	Historical	No	No	No	No	No	No	No	No	No	Yes
OGE Energy Corporation	NorthWestern Corporation	Nebraska	Gas	Historical	No	No	No	No	No	No	No	No	No	Yes
	NorthWestern Corporation	South Dakota	Electric	Historical	No	No	No	No	No	No	No	No	No	Yes
	NorthWestern Corporation	South Dakota	Gas	Historical	No	No	No	No	No	No	No	No	No	Yes
	Oklahoma Gas & Electric Co.	Arkansas	Electric	Historical	Partial	No	Yes	Yes	No	No	Yes	No	Yes	Yes
	Oklahoma Gas & Electric Co.	Oklahoma	Electric	Historical	Partial	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes
	Pinnacle West Capital Corporation	Arizona Public Service Co.	Arizona	Electric	Historical	Partial	No	No	Yes	No	Yes	No	Yes	Yes

COMPARATIVE REGULATORY COST RECOVERY RISK ASSESSMENT

Proxy Group Company	Operating Subsidiary	Jurisdiction	Service	Test Year	[1] [2] [3] [4] [5] Decoupling / Revenue Stabilization				[6] [7] [8] [9] [10] [11] Capital Cost Recovery					Fuel Adjustment Clause		
					Revenue Decoupling	Formula-Based Rates	Straight Fixed-Variable Rate Design	Total	Traditional Generation	Renewables/ Non-Traditional Generation	Delivery Infrastructure	Environmental Compliance	Total			
Portland General Electric Company	Portland General Electric Co.	Oregon	Electric	Fully Forecast	No	No	No	No	Yes	Yes	No	Yes	Yes	Yes		
Southern Company	Alabama Power Co.	Alabama	Electric	Historical	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes		
	Atlanta Gas Light Co.	Georgia	Electric	Fully Forecast	No	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes		
Xcel Energy Inc.	Georgia Power Co.	Georgia	Gas	Fully Forecast	No	Yes	Yes	Yes	Yes	No	No	Yes	Yes	n/a		
	Northern Illinois Gas Co.	Illinois	Gas	Fully Forecast	Partial	No	No	Yes	No	No	Yes	Yes	Yes	Yes		
	Mississippi Power Co.	Mississippi	Electric	Fully Forecast	Partial	Yes	No	Yes	No	No	No	Yes	Yes	Yes		
	Chattanooga Gas Co.	Tennessee	Gas	Historical	Partial	Yes	No	Yes	No	No	No	No	No	Yes		
	Virginia Natural Gas Inc.	Virginia	Gas	Historical	Partial	No	No	Yes	No	No	Yes	No	Yes	Yes		
	Public Service Co. of Colorado	Colorado	Electric	Historical	Partial	No	No	Yes	No	Yes	No	No	Yes	Yes		
	Public Service Co. of Colorado	Colorado	Gas	Historical	Partial	No	No	Yes	No	No	Yes	No	Yes	Yes		
	Northern States Power Co.-Minnesota	Minnesota	Electric	Fully Forecast	Partial	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes		
	Northern States Power Co.-Minnesota	Minnesota	Gas	Fully Forecast	No	No	No	No	No	No	Yes	No	Yes	Yes		
	Southwestern Public Service Co.	New Mexico	Electric	Historical	No	No	No	No	No	Yes	No	No	Yes	Yes		
Northern States Power Co.-Minnesota	North Dakota	Electric	Fully Forecast	No	No	No	No	No	Yes	Yes	No	Yes	Yes			
Northern States Power Co.-Minnesota	North Dakota	Gas	Fully Forecast	No	No	Yes	Yes	No	No	No	No	No	Yes			
Northern States Power Co.-Minnesota	South Dakota	Electric	Historical	Partial	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes			
Southwestern Public Service Co.	Texas	Electric	Historical	No	No	No	No	No	No	No	No	No	Yes			
Northern States Power Co.-Wisconsin	Wisconsin	Electric	Fully Forecast	No	No	No	No	No	No	No	No	No	Yes			
Northern States Power Co.-Wisconsin	Wisconsin	Gas	Fully Forecast	No	No	No	No	No	No	No	No	No	Yes			
Proxy Group Average			Fully Forecast	30				Yes	47				Yes	52	Yes	69
			Partially Forecast	7				No	32				No	27	Yes w/ sharing	5
			Historical	42												
			% with Forecast: Test Year	46.8%				% with Form of Revenue Stabilization	59.5%				% with Form of Capital Cost Recovery	65.8%	% with Full FCA Cost Recovery	93.2%
Evergy Missouri Inc. [12]			Historical		Partial	No	No	Yes		No	Yes	Yes	No	Yes		Yes w/ sharing

Notes:
 [1] Regulatory Research Associates, effective as of July 31, 2023
 [2] S&P Global Market Intelligence, Regulatory Focus: Adjustment Clauses, dated July 18, 2022. Operating subsidiaries not covered in this report were excluded from this exhibit.
 [3] Company Form 10-K, Company Tariffs, S&P Capital IQ Pro
 [4] S&P Global Market Intelligence, Regulatory Focus: Adjustment Clauses, dated July 18, 2022.
 [5] Equals IF AND([2]=No, [3]=No, [4]=No), No, Yes)
 [6] S&P Global Market Intelligence, Regulatory Focus: Adjustment Clauses, dated July 18, 2022.
 [7] S&P Global Market Intelligence, Regulatory Focus: Adjustment Clauses, dated July 18, 2022.
 [8] S&P Global Market Intelligence, Regulatory Focus: Adjustment Clauses, dated July 18, 2022.
 [9] S&P Global Market Intelligence, Regulatory Focus: Adjustment Clauses, dated July 18, 2022.
 [10] Equals IF AND([6]=No, [7]=No, [8]=No, [9]=No), No, Yes)
 [11] S&P Global Market Intelligence, Regulatory Focus: Adjustment Clauses, dated July 18, 2022.
 [12] Company provided data.

**COMPARISON OF EVERGY MISSOURI WEST AND PROXY GROUP COMPANIES
RRA JURISDICTIONAL RANKINGS**

		[1]	[2]
		RRA	
		Rank	Numeric Rank
ALLETE, Inc.	Minnesota	Average/2	5
Alliant Energy Corporation	Iowa	Above Average/3	3
	Wisconsin	Above Average/3	3
Ameren Corporation	Illinois	Average/2	5
	Missouri	Average/3	6
American Electric Power Company, Inc.	Arkansas	Average/1	4
	Indiana	Average/1	4
	Kentucky	Average/2	5
	Louisiana — PSC	Average/2	5
	Michigan	Above Average/3	3
	Ohio	Average/2	5
	Oklahoma	Average/3	6
	Tennessee	Above Average/3	3
	Texas — PUC	Average/3	6
	Virginia	Average/2	5
	West Virginia	Below Average/1	7
Avista Corporation	Alaska	Below Average/1	7
	Idaho	Average/2	5
	Oregon	Average/2	5
	Washington	Average/3	6
CMS Energy Corporation	Michigan	Above Average/3	3
Duke Energy	Florida	Above Average/2	2
	Indiana	Average/1	4
	Kentucky	Average/2	5
	North Carolina	Above Average/3	3
	Ohio	Average/2	5
	South Carolina	Average/3	6
	Tennessee	Above Average/3	3
Entergy	Arkansas	Average/1	4
	Louisiana — NOCC	Average/3	6
	Louisiana — PSC	Average/2	5
	Mississippi	Above Average/3	3
	Texas — PUC	Average/3	6
IDACORP, Inc.	Idaho	Average/2	5
	Oregon	Average/2	5

**COMPARISON OF EVERGY MISSOURI WEST AND PROXY GROUP COMPANIES
RRA JURISDICTIONAL RANKINGS**

		[1]	[2]
		RRA	
		Rank	Numeric Rank
NextEra Energy, Inc.	Florida	Above Average/2	2
	Texas — PUC	Average/3	6
NorthWestern Corporation	Montana	Below Average/1	7
	Nebraska	Average/1	4
	South Dakota	Average/2	5
OGE Energy Corporation	Arkansas	Average/1	4
	Oklahoma	Average/3	6
Pinnacle West Capital Corporation	Arizona	Below Average/3	9
Portland General Electric Company	Oregon	Average/2	5
Southern Company	Alabama	Above Average/1	1
	Georgia	Above Average/2	2
	Illinois	Average/2	5
	Mississippi	Above Average/3	3
	Tennessee	Above Average/3	3
	Virginia	Average/2	5
Xcel Energy Inc.	Colorado	Average/1	4
	Minnesota	Average/2	5
	North Dakota	Average/1	4
	New Mexico	Below Average/1	7
	South Dakota	Average/2	5
	Texas — PUC	Average/3	6
	Wisconsin	Above Average/3	3
Proxy Group Average		Average / 1 - Average / 2	4.63
Evergy Missouri West	Missouri	Average/3	6

Notes

[1] State Regulatory Evaluations, Regulatory Research Associates, as of December 4, 2023

[2] AA/1= 1, AA/2= 2, AA/3= 3, A/1= 4, A/2= 5, A/3=6, BA/1= 7, BA/2= 8, BA/3= 9

COMPARISON OF S&P JURISDICTIONAL RANKINGS

		[1]	[2]
		S&P	
		Rank	Numeric Rank
ALLETE, Inc.	Minnesota	Highly credit supportive	2
Alliant Energy Corporation	Iowa	Most credit supportive	1
	Wisconsin	Most credit supportive	1
Ameren Corporation	Illinois	Very credit supportive	3
	Missouri	Very credit supportive	3
American Electric Power Company, Inc.	Arkansas	Highly credit supportive	2
	Indiana	Highly credit supportive	2
	Kentucky	Most credit supportive	1
	Louisiana	Highly credit supportive	2
	Michigan	Most credit supportive	1
	Ohio	Very credit supportive	3
	Oklahoma	Very credit supportive	3
	Tennessee	Highly credit supportive	2
	Texas	Very credit supportive	3
	Virginia	Highly credit supportive	2
	West Virginia	Very credit supportive	3
Avista Corporation	Alaska	More credit supportive	4
	Idaho	Very credit supportive	3
	Oregon	More credit supportive	4
	Washington	Very credit supportive	3
CMS Energy Corporation	Michigan	Most credit supportive	1
Duke Energy	Florida	Most credit supportive	1
	Indiana	Highly credit supportive	2
	Kentucky	Most credit supportive	1
	North Carolina	Highly credit supportive	2
	Ohio	Very credit supportive	3
	South Carolina	More credit supportive	4
	Tennessee	Highly credit supportive	2
Entergy	Arkansas	Highly credit supportive	2
	Louisiana-NOCC	More credit supportive	4
	Louisiana	Highly credit supportive	2
	Mississippi	Very credit supportive	3
	Texas	Very credit supportive	3
IDACORP, Inc.	Idaho	Very credit supportive	3
	Oregon	More credit supportive	4

COMPARISON OF S&P JURISDICTIONAL RANKINGS

		[1]	[2]
		S&P	
		Rank	Numeric Rank
NextEra Energy, Inc.	Florida	Most credit supportive	1
	Texas	Very credit supportive	3
NorthWestern Corporation	Montana	More credit supportive	4
	Nebraska	Very credit supportive	3
	South Dakota	Very credit supportive	3
OGE Energy Corporation	Arkansas	Highly credit supportive	2
	Oklahoma	Very credit supportive	3
Pinnacle West Capital Corporation	Arizona	More credit supportive	4
Portland General Electric Company	Oregon	More credit supportive	4
Southern Company	Alabama	Most credit supportive	1
	Georgia	Highly credit supportive	2
	Illinois	Very credit supportive	3
	Mississippi	Very credit supportive	3
	Tennessee	Highly credit supportive	2
	Virginia	Highly credit supportive	2
Xcel Energy Inc.	Colorado	Very credit supportive	3
	Minnesota	Highly credit supportive	2
	North Dakota	Highly credit supportive	2
	New Mexico	Credit supportive	5
	South Dakota	Very credit supportive	3
	Texas	Very credit supportive	3
	Wisconsin	Most credit supportive	1
Proxy Group Average		Very credit supportive / Highly credit supportive	2.53
Evergy Missouri West	Missouri	Very credit supportive	3

Notes

[1] North American Utility Regulatory Jurisdictions, S&P Global Ratings, November 10, 2023

[2] Most= 1, Highly= 2, Very= 3, More= 4, Credit Supportive= 5

Capital Structure Analysis

Proxy Group Company	Ticker	Most Recent 8 Quarters			Total Capitalization
		Common Equity Ratio	Long-Term Debt Ratio	Preferred Equity Ratio	
ALLETE, Inc.	ALE	59.40%	40.60%	0.00%	100.00%
Alliant Energy Corporation	LNT	52.14%	47.86%	0.00%	100.00%
Ameren Corporation	AEE	53.23%	46.21%	0.56%	100.00%
American Electric Power Company, Inc.	AEP	48.49%	51.51%	0.00%	100.00%
Avista Corporation	AVA	49.67%	50.33%	0.00%	100.00%
CMS Energy Corporation	CMS	51.34%	48.47%	0.19%	100.00%
Duke Energy Corporation	DUK	52.69%	47.31%	0.00%	100.00%
Entergy Corporation	ETR	47.75%	52.15%	0.10%	100.00%
IDACORP, Inc.	IDA	52.95%	47.05%	0.00%	100.00%
NextEra Energy, Inc.	NEE	60.71%	39.29%	0.00%	100.00%
NorthWestern Corporation	NWE	49.69%	50.31%	0.00%	100.00%
OGE Energy Corporation	OGE	54.00%	46.00%	0.00%	100.00%
Pinnacle West Capital Corporation	PNW	50.88%	49.12%	0.00%	100.00%
Portland General Electric Company	POR	45.73%	54.27%	0.00%	100.00%
Southern Company	SO	55.55%	44.26%	0.19%	100.00%
Xcel Energy Inc.	XEL	54.41%	45.59%	0.00%	100.00%
	Average	52.41%	47.52%	0.06%	
	Median	52.41%	47.59%	0.00%	
	Maximum	60.71%	54.27%	0.56%	
	Minimum	45.73%	39.29%	0.00%	

Notes:

[1] Ratios are weighted by actual common capital, preferred capital, and long-term debt of the operating subsidiaries.

[2] Electric operating subsidiaries with data listed as N/A from S&P Capital IQ Pro have been excluded from the analysis.

Cost of Long-Term Debt Analysis

Description	[1] Principal Amount of Issue	[1] Date of Settlement	[1] Date of Maturity	[1] Yield to Maturity	[2] Moody's A-Rated Utility Bond Yield	[2] Moody's Baa-Rated Utility Bond Yield
2013 Sr. Notes Series A 3.49% Due 2025	\$36,000,000	08/16/2013	08/15/2025	3.73%	4.83%	5.39%
2013 Sr. Notes Series B 4.06% Due 2033	\$60,000,000	08/16/2013	08/15/2033	4.13%	4.83%	5.39%
2013 Sr. Notes Series C 4.74% Due 2043	\$150,000,000	08/16/2013	08/15/2043	4.79%	4.83%	5.39%
2021 Sr. Notes Series A 2.86% Due 2031	\$350,000,000	04/20/2021	04/20/2031	2.93%	3.27%	3.53%
2021 Sr. Notes Series B 3.01% Due 2033	\$75,000,000	04/20/2021	04/20/2033	3.07%	3.27%	3.53%
2021 Sr. Notes Series C 3.21% Due 2036	\$75,000,000	04/20/2021	04/20/2036	3.26%	3.27%	3.53%
2022 FMB 3.75% Due 2032	\$250,000,000	03/17/2022	03/15/2032	3.88%	4.05%	4.35%
2022 FMB 5.15% Due 2027	\$300,000,000	12/05/2022	12/15/2027	5.38%	5.29%	5.59%

Notes:

[1] Company-provided data

[2] Bloomberg Professional

[3] Utility bond yields for this future issuance estimated based on projected 30-year Treasury bond yield as of the projected date of settlement for the issuance and 90-day historical average spread between 30-year Treasury bond yield and the applicable utility bond yield.