

Table 4. Average COE Comparison between Water, Natural Gas, and Electric

	<u>Water</u>	<u>Natural Gas/Electric</u>
Constant Growth DCF		
30-Day Average	9.65%	10.07%
90-Day Average	9.52%	10.14%
180-Day Average	9.42%	10.14%
Constant Growth Average	9.53%	10.12%

As seen in Table 4, average DCF COE estimates for natural gas and electric utilities are consistently higher than average DCF COE estimates for water utilities.

Q. How did you select the water proxy group for Staff's ROR analysis?

A. Staff used a proxy group consisting of U.S. utilities that the Value Line Investment Survey ("Value Line") classifies as water utilities.¹²¹ Staff screened thirty-eight (38) companies for the 15 following criteria:

- Stock publicly traded;
- Have more than five years of financial data available;
- At least investment grade credit rating from major U.S. credit rating agencies;
- Long-term growth rates from at least two sources;
- Positive dividend payout since 2019;
- At least 60% of regulated income from water & wastewater utility operations; and,
- At least 60% of assets from water & wastewater utility operations.

¹²¹ The Value Line Investment Survey:
https://research.valueline.com/secure/research#list=industry_Water+Utility&sec=list.