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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC. FOR (1) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR GAS UTILITY SERVICE, (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, (3) APPROVAL OF DECOUPLING THROUGH A NEW SALES RECONCILIATION COMPONENT RIDER, AND (4) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF AND OTHER REQUESTS.

CAUSE NO. 46011

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 6 – TESTIMONY OF OUCC WITNESS LEJA D. COURTER

May 15, 2024

Respectfully submitted,

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OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC. CAUSE NO. 46011 TESTIMONY OF OUCC WITNESS LEJA D. COURTER

I. <u>INTRODUCTION</u>

1 **O**: Please state your name and business address. 2 A: My name is Leja D. Courter. My business address is 115 West Washington Street, Suite 3 1500 South, Indianapolis, IN 46204. 4 **Q**: By whom are you employed and in what capacity? 5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a 6 Chief Technical Advisor. For a summary of my educational and professional 7 experience, as well as my preparation for presenting testimony in this case, please see 8 Appendix LDC-1 attached to my testimony. Appendix LDC-1 also includes the 9 Discounted Cash Flow ("DCF") Model and Capital Asset Pricing Model ("CAPM") 10 mechanics. 11 What is the purpose of your testimony? **Q**: 12 A: The purpose of my testimony is to support the OUCC's recommended 9.0% cost of 13 equity ("COE") for Ohio Valley Gas Corporation and Ohio Valley Gas, Inc. ("OVG" 14 or "Joint Petitioners"). I will also explain why OVG's recommended 11.0% COE is 15 unreasonable. 16 **Q**: What are your recommendations in this Cause? 17 A: Based on the results of the DCF model, CAPM, and macroeconomic analyses, I 18 conclude a 9.0% COE is a reasonable and appropriate COE for OVG. However, I also 19 recommend OVG's COE be reduced further if the Indiana Utility Regulatory 20 Commission ("Commission" or "IURC") requires OVG's customers to pay \$325,000

1		of Joint Petitioners' proposed rate case expense associated with internal labor costs. I
2		also recommend OVG's COE be further reduced if the Commission approves OVG's
3		proposed Sales Reconciliation Component ("SRC") Rider. To further support the
4		reasonableness of my proposed COE, I address OVG's COE methodologies.
5	Q:	Please summarize your COE testimony.
6	A:	My testimony begins by briefly describing OVG's and the OUCC's proposed COEs. I
7		then review relevant macroeconomic trends and more completely describe my DCF
8		and CAPM analyses and results. Next, I review OVG's COE methods and explain why
9		OVG's COE results should be rejected. Finally, I summarize my testimony and provide
10		my COE recommendation.
11		I use both DCF and CAPM analyses to estimate OVG's COE. My DCF and
12		CAPM analyses indicate a cost of equity range of 8.1% to 10.0%. I am
13		recommending a COE of 9.0%. A 9.0% COE results in a weighted cost of capital
14		of 7.78%. (Public's Exhibit No. 1, Attachment ZDL-1, Schedule 8, page 1.)
15	Q:	What is the OUCC's position on OVG's proposed rate case expense?
16	A:	For the reasons stated in Mr. Kohlmann's testimony, the OUCC opposes OVG
17		recovering \$325,000 for internal labor costs included in the total rate case expense from
18		its customers in this Cause.
19 20	Q:	Would the recovery of \$325,000 of the total rate case expense from OVG's customers have an impact on COE?
21	A:	If the Commission approves OVG's request to recover \$325,000 for internal labor of
22		the total rate case expense from OVG's customers, the Commission should also
23		recognize this results in a double recovery of OVG's internal labor costs, and therefore,
24		correspondingly, reduce the COE.

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1	Q:	What is the OUCC's position regarding OVG's proposed SRC Rider?
2	A:	OUCC witness, Dr. David Dismukes, testifies why the OUCC is opposing OVG's SRC
3		Rider. However, if the Commission approves OVG's SRC Rider, the Commission
4		should also recognize this reduces OVG's risk and, therefore, correspondingly, reduce
5		the COE.
6	Q:	Are you sponsoring any attachments in this proceeding?
7	A:	Yes. I am sponsoring the following attachments.
8 9 10 11 12 13 14	0.	 Attachment LDC-1: Value Line summary sheets. Attachment LDC-2: DCF Analysis – Proxy group. Attachment LDC-3: CAPM Analysis – Proxy group. Attachment LDC-4: Kroll Recommended Market Risk Premium. Attachment LDC-5: Federal Reserve Press Release, March 20, 2024. Attachment LDC-6: Equity Risk Premium. Attachment LDC-7: Yahoo Finance and Zacks Growth Estimates
15 16	Q:	be construed to mean you agree with OVG's proposal?
17	A:	No. Not addressing a specific issue, item, or adjustment OVG proposes does not
18		indicate my agreement or approval. Rather, the scope of my testimony is limited to the
19		specific items addressed herein.
		II. OVG'S PROPOSED COST OF EQUITY
20	Q:	What is OVG's current authorized cost of equity?

- 21 A: OVG's current authorized rate of return is 10.0% and is the result of a settlement
- 22 agreement the Commission approved in Cause No. 44891. *In re Ohio Valley Gas*
- 23 Corp. and Ohio Valley Gas, Inc., Cause No. 44891, Order p. 7 (Ind. Util. Regul.
- 24 Comm'n Oct. 17, 2017.)

- 1 Q: What is OVG's proposed COE?
- A: OVG proposes an 11.0% COE. (Joint Petitioners' Exhibit No. 7, page 7, lines 1112.)

4 Q: Why does your proposed COE differ from OVG's proposed COE?

A: My proposed 9.0% COE is less than OVG's estimated cost of equity due to OVG's
inappropriate use of an excessive market return because of using an inflated growth
rate for the CAPM and Empirical CAPM ("ECAPM") results. Data on bond yields,
dividend yields, and inflation do not support an 11.0% projected rate of return.
Also, some of the earnings per share ("EPS") growth rates OVG used in its case-inchief have been lowered, as noted later in my testimony. These factors produce
unreasonably high results which, for the reasons I discuss, should be disregarded.

12 The growth of capital trackers, operating and maintenance trackers, and the 13 ability to readily amend plans and further increase capital costs, have significantly 14 reduced regulatory lag and expanded paths to recovery of capital investment - and 15 all have reduced utility risk in Indiana. Indiana's Transmission, Distribution, and 16 Storage System Improvement Charge ("TDSIC") statute, Ind. Code § 8-1-39-1, *et* 17 *seq.*, encourages and incentivizes utilities to spend money for capital investments.

18The use of a forecasted test year in this Cause, and the trackers approved19for OVG reduce the uncertainty of the earnings that OVG's investors can expect.20In re Indiana-American Water Company, Cause No. 45870, Order, p. 43 (Ind. Util.21Reg. Comm'n, February 14, 2024). Also, OVG's proposed 11.0% rate of return22would exceed any COE awarded to an Indiana investor-owned gas, electric, water,23or wastewater utility in more than a decade.

1 **Q**: What have you done to determine the OUCC's recommended 9.0% COE is 2 reasonable? 3 I reviewed OVG's proposed capital structure and overall cost of capital. (Joint A: 4 Petitioners' Exhibit No. 8, Schedule 8, Exhibit REVREO10.) I accepted OVG's 5 proposed capital structure with 83.18% equity, 4.99% long-term debt, 1.22% customer deposits, 10.61% deferred income taxes, 0.00% preferred equity, and 0.00% post-1970 6 7 ITC. (Id.) 8 To estimate OVG's COE, I applied the DCF model and the CAPM to the same 9 proxy group OVG used. My CAPM and DCF analyses indicate an 8.1% to 10.0% 10 COE range. I am recommending a COE of 9.00%. Combined with OVG's 11 capitalization percentages, the overall weighted cost of capital for OVG is 7.78% 12 as indicated on Public's Exhibit No. 1, Attachment ZDL-1, Schedule 8, page 1. 13 In my DCF analysis I used Value Line's forecasted growth rates in EPS for 14 the proxy group. (Attachment LDC-1, pages 1-5.) I also used analysts' projected 15 EPS from Yahoo Finance, Zacks and MarketWatch. (Attachment LDC-2, page 2.) In my CAPM analysis I reviewed 5, 10, 20, and 30-year Treasury bond 16 17 rates. (Attachment LDC-3, page 2.) I reviewed the Value Line betas for the 18 companies in the proxy group. (Attachment LDC-1, pages 1-5.) Also, I reviewed 19 betas from Bloomberg, S&P Capital IQ Pro ("S&P"), Yahoo Finance, Zacks, the 20 New York Stock Exchange ("NYSE") and MarketWatch. I also reviewed Kroll's 21 and KPMG market risk premiums. (Attachment LDC-4; 22 https://kpmg.com/nl/en/home/topics/equity-market-risk-premium.html.)

III. MACROECONOMIC TRENDS

1	Q:	Do macroeconomic factors influence the COE?
2	A:	Yes. The most noteworthy factors are interest rates, economic growth, and inflation.
3	Q:	How do inflation and interest rates influence COE estimates?
4	A:	Anticipated inflation influences interest rates. Interest rates influence the COE. Interest
5		rates are elevated but have remained stable for several months.
6	Q:	Please explain the increase in interest rates over the past two years.
7	A:	The Federal Reserve increased interest rates over the past two years because of an
8		improving economy and higher inflation. Real gross domestic product ("GDP")
9		increased at a 3.4% annual rate in the fourth quarter of 2023. (Bureau of Economic
10		Analysis, March 28, 2024.) (https://www.bea.gov/news/2024/gross-domestic-product-
11		fourth-quarter-and-year-2023-third-estimate-gdp-industry-and) The increase in real
12		GDP reflects increases in spending by consumers, federal, state, and local governments,
13		as well as exports and residential and nonresidential fixed investments. (Id.)
14	Q:	What has the Federal Reserve said about the current economic situation?
15	A:	Recent indicators suggest economic activity has been expanding at a solid pace. Job
16		gains have remained strong, and the unemployment rate has remained low. Inflation
17		has eased over the past year but remains elevated. (Attachment LDC-5, page 1; Federal
18		Reserve Press Release, March 20, 2024.)
19	Q;	Has the Federal Reserve attempted to control inflation?
20	A:	Yes. The Federal Reserve increased the discount rate multiple times in 2022 and 2023
21		but has not increased the discount rate for several months. The Federal Reserve's

1		actions on the discount rate only impacts short-term rates. Long-term rates are more a
2		function of expected economic growth and expected inflation.
3	Q:	Are U.S. Treasury bond yields an influencing factor on the COE?
4	A:	Yes. Bond yields are important factors influencing COE. Yields on U.S. Treasury
5		Bonds are commonly used to establish the risk-free rate of return in the CAPM and
6		other risk premium analyses. Changes in bond yields and interest rates affect investor
7		expectations. The 13-week average on long-term 30-year Treasury bond yields is
8		4.36%. (Attachment LDC-3, page 2.)
9	0:	What conclusions have you reached regarding the macroeconomic factors that
10	<u>ر</u> ،	influence COE?
10 11	A:	influence COE? Although interest rates continued to increase in 2023, those increases have stopped and
10 11 12	A:	influence COE? Although interest rates continued to increase in 2023, those increases have stopped and are stabilized. On March 20, the Federal Open Market Committee stated: "The
10 11 12 13	A:	influence COE? Although interest rates continued to increase in 2023, those increases have stopped and are stabilized. On March 20, the Federal Open Market Committee stated: "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent
10 11 12 13 14	A:	influence COE? Although interest rates continued to increase in 2023, those increases have stopped and are stabilized. On March 20, the Federal Open Market Committee stated: "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment
 10 11 12 13 14 15 	A:	influence COE? Although interest rates continued to increase in 2023, those increases have stopped and are stabilized. On March 20, the Federal Open Market Committee stated: "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance In support of its goals, the
 10 11 12 13 14 15 16 	A:	influence COE? Although interest rates continued to increase in 2023, those increases have stopped and are stabilized. On March 20, the Federal Open Market Committee stated: "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance In support of its goals, the Committee decided to maintain the target range of the federal funds rate at 5-1/4 to 5-
 10 11 12 13 14 15 16 17 	A:	influence COE? Although interest rates continued to increase in 2023, those increases have stopped and are stabilized. On March 20, the Federal Open Market Committee stated: "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance In support of its goals, the Committee decided to maintain the target range of the federal funds rate at 5-1/4 to 5- 1/2 percent." (Attachment LDC-5, page 1.) The Committee is strongly committed to

IV.

PROXY GROUP USED FOR THE OUCC'S COST OF EQUITY ANALYSES

- 19 Q: Can you apply the DCF model and CAPM directly to OVG?
- A: No. OVG's stock is not publicly traded. As a result, much of the data available for
 publicly traded companies is not available for OVG. This fact makes it impractical to
 apply the DCF and CAPM directly to OVG. Therefore, I calculated OVG's COE based
 on a proxy group of publicly traded utility companies.

1Q:Please describe how you derived the proxy group for your DCF and CAPM2analyses.

A: My proxy group is comprised of the same five companies as OVG's proxy group. OVG
outlined seven selection criteria used for the proxy group. (Joint Petitioners' Exhibit
No. 7, page 26, line 13 to page 27, line 3.) These selection criteria produced five natural
gas utility companies: Atmos Energy Corp., NiSource Inc., Northwest Natural Gas Co.,
ONE Gas, Inc., and Spire, Inc. (*Id.*, page 27, line 11.)

8 Q: Please describe your approach to estimate OVG's COE.

9 A: I relied on the DCF model and CAPM analysis to estimate OVG's COE.

V. <u>DISCOUNTED CASH FLOW ANALYSIS</u>

10 Q: Please describe DCF Analysis.

11 A: DCF analysis helps investors determine the appropriate price to pay for particular 12 assets, such as utility stocks. According to the DCF model, the current stock price is 13 equal to the discounted value of all future dividends investors expect to receive from 14 investment in the firm. Therefore, stockholders' returns result from current as well as 15 future dividends. The model has been adapted for regulatory proceedings to determine 16 the cost of utility equity capital. The DCF model is a model which maintains the value (price) of any security or commodity is the discounted present value of all future cash 17 18 flows. This discount rate equals the cost of capital with utility stocks and dividends as 19 the relevant cash flows. A detailed description of the DCF mechanics is included in my 20 Appendix LDC-1.

Q: Is the DCF model consistent with valuation techniques investment firms employ? A: Yes. Virtually all investment firms use some form of the DCF model as a valuation technique.

1	Q:	What factors should be considered when applying the DCF methodology?
2	A:	Current economic conditions and other information available to investors must be
3		considered to accurately estimate investors' expectations. This information is used to
4		estimate the dividend yield and expected growth rate.
5	Q:	What dividends have you reviewed?
6	A:	I reviewed the current dividends for the proxy group companies. (Attachment LDC-1,
7		pages 1-5.)
8	Q:	Did you calculate dividend yields for the proxy group companies?
9	A:	Yes. I calculated the dividend yields for the proxy group companies using the most
10		recent dividends listed on Value Line and derived an annual dividend. (Id.) I derived
11		the annual dividend by taking the most recent quarterly dividend listed on Value Line
12		times 4. (Attachment LDC-2, page 1, column 1.)
13	Q:	Did you calculate average stock prices for the proxy group companies?
14	A:	Yes. I calculated the 13-week average stock prices for the proxy group companies. A
15		13-week average stock price reflects a period short enough to contain data that
16		reasonably reflects current market expectations. However, the period is not so short as
17		to be susceptible to market price fluctuations that may not reflect the stock's long-term
18		value. The 13-week stock prices were obtained from S&P. (Attachment LDC-2, page
19		1, column 2.) I then calculated a dividend yield.
20	Q:	How did you calculate the dividend yields?
21	A:	I divided the annual dividend in column 1 by the 13-week average stock prices in
22		column 2 to determine the dividend yields. These dividend yields are provided on
23		Attachment LDC-2, page 1, column 3. The average dividend yield for the proxy group
24		is 4.29%. (<i>Id</i> .)

1	Q:	What is the growth rate component of the DCF model?
2	A:	This component is investors' expectation of the long-term growth rate. Presumably,
3		prudent investors use projected growth rates for earnings per share to assess long-term
4		growth potential.
5 6	Q:	Please assess analysts' projected growth rate estimates for the proxy group companies.
7	A:	I reviewed analysts' projected growth rate estimates from Yahoo Finance, Zack's,
8		MarketWatch, and Value Line. These services solicit earnings growth rate projections
9		from securities analysts and publish the means and medians of these forecasts. The
10		analysts' projected growth rate estimates are summarized on Attachment LDC-2, page
11		2. The average of the analysts' projected growth rate estimates is 5.47%. (Id., line 6,
12		column 6.)
13 14	Q:	Did you calculate an adjusted (forward) dividend yield based on the analysts' projected growth rate estimates?
15	A:	Yes. I took the analysts' projected growth rate estimates to calculate an adjusted
16		(forward) dividend yield using the method discussed in Appendix LDC-1, page 3, lines
17		2-7. The average adjusted dividend yield for the proxy group is 4.51%. (Attachment
18		LDC-2, page 1, line 6, column 5.)
19	Q:	Did you calculate constant growth DCF for each of the proxy group companies?
20	A:	Yes. I added the adjusted (forward) dividend yield and the analysts' projected growth
21		rate estimates to derive a constant growth DCF for each of the proxy group companies.
22		(Attachment LDC-2, page 1, lines 1-5, column 6.)
23	Q:	Please summarize your analysis of the proxy group's constant growth DCF.
24	A:	Attachment LDC-2, page 1 summarizes the DCF growth rate indicators for the proxy
25		group. The average of the projected EPS growth rates is 5.47%. Combined with a

dividend yield of 4.51%, the constant growth DCF for the proxy group is 10.0%
 (rounded). (Attachment LDC-2, page 1, line 6, column 6.)

VI. <u>CAPITAL ASSET PRICING MODEL</u>

3 Q:

Please describe the CAPM.

A: The CAPM is another analysis frequently relied upon by this Commission to help
determine a reasonable COE capital. The CAPM is a risk premium approach to gauging
a firm's COE capital (K). According to the CAPM risk premium approach, the COE
capital is the sum of the interest rate on a risk-free bond (Rf) and a risk premium (RP).
The CAPM's underlying assumption is the stock market compensates investors for risk
that cannot be eliminated by means of a diversified stock portfolio. A detailed
description of the CAPM mechanics is included in my Appendix LDC-1.

11 The yield on long-term U.S. Treasury securities is normally used as Rf. In the 12 CAPM, two types of risk are associated with a stock: firm-specific risk or unsystematic 13 risk and market or systematic risk, which is measured by a firm's beta (β). In other 14 words, beta measures an asset's price volatility compared to the stock market. Rm 15 represents the expected return on the stock market. According to the CAPM, the 16 expected return on a company's stock, which is also the equity cost rate (K), is equal 17 to:

18

 $K = Rf + \beta * (Rm - Rf)$

19 Q: Pleas

Please discuss Attachment LDC-3.

A: Attachment LDC-3 provides the summary of my CAPM analysis for the proxy group.
Page 1 shows the results, and the following pages contain the supporting data. My

- CAPM analysis uses variations of the CAPM components to provide different CAPM
 results to consider.
 Q: Please discuss the risk-free interest rate (Rf).
- 4 A: The yield on long-term U.S. Treasury bonds is normally used as the risk-free rate of
 5 interest in the CAPM.

6 Q: What risk-free interest rate are you using in your CAPM?

- 7 A: I am using a 4.36% risk-free interest rate. The yield on 30-year U.S. Treasury bonds
- 8 for the 13-week period indicated ranges from 4.20% to 4.54%. (Attachment LDC-3,
- 9 page 2, column 4.) The average during that period was 4.36%. (*Id.*, line 14.)

10 Q: Why did you use a 13-week average of the Treasury bond prices?

11 A: I used a 13-week period because an average bond price is less susceptible to price 12 variations than a price at a single point in time. A 13-week average bond price reflects 13 a period short enough to contain data that reasonably reflects current market 14 expectations. However, the period is not so short as to be susceptible to market price 15 fluctuations that may not reflect the bond's long-term value. Typically, U.S. Treasury 16 securities are used as a proxy for the risk-free rate because the full faith and credit of 17 the U.S. government backs them.

18 Q: What betas are you using in your CAPM?

A: I used the betas from *Value Line*, Bloomberg, Yahoo Finance, Zacks, MarketWatch,
S&P, and the New York Stock Exchange (NYSE) for the proxy group as indicated on
Attachment LDC-3, page 3. The average of the betas for the proxy group is 0.65. (*Id.*,
line 6, column 8.)

1	Q:	Why did you use betas from several sources?
2	A:	I used several betas from different professional financial services to provide a balanced
3		view of the proxy group companies' risk.
4	Q:	How did you access the beta information?
5	A:	The Value Line betas are on the Value Line summary sheets. (Attachment LDC-1, pages
6		1-5.) I added links to the websites for Yahoo Finance, Zacks, MarketWatch, S&P, and
7		NYSE betas. (Attachment LDC-3, page 3.) The OUCC does not have a subscription to
8		Bloomberg, so I used the Bloomberg beta information contained on Joint Petitioners'
9		Exhibit No. 7, Attachment AEB-5, CAPM and ECAPM. I prepared two CAPM
10		calculations using two different betas. (Attachment LDC-3, page 1.)
11	Q:	What betas did you use in your CAPM calculations?
12	A:	I used a 0.65 beta, which is the average beta for the seven financial services companies
13		listed on Attachment LDC-3, page 3. I also used a 0.81 beta. (Id.) The 0.81 beta is the
14		average of the Value Line and Bloomberg betas that OVG used in its CAPM and
15		ECAPM analyses. (Joint Petitioners' Exhibit No. 7, Attachment AEB-5.)
16	Q:	What is a market risk premium?
17	A:	A market risk premium is the difference between the expected return on a market
18		portfolio (Rm) and the risk-free rate (Rf). A market risk premium in the utility industry
19		can also be characterized as the difference between the authorized return on equity
20		("ROE") and the risk-free rate. The risk-free rate is characterized by investing in safe
21		fixed-income assets, such as long-term government bonds.
22	Q:	How did you calculate the market risk premium?
23	A:	I calculated the market risk premium by taking the 1989-2023 average of the authorized
24		natural gas returns. (Attachment LDC-6, page 1, line 42, column 1.) The average of the

1		authorized natural gas returns is 10.62%. (Id.) The average of the 30-year Treasury
2		bonds – representing the risk-free rate during this same period – is 4.88%. (Id., column
3		2.) The market risk premium is the average of the authorized natural gas returns of
4		10.62% minus the average of the risk-free rate of 4.88%. The average market risk
5		premium is 5.74%. (Id., column 3.) I also calculated an average market risk premium
6		for the 1986-2023 period, which is 5.66%. (Id., line 39.)
7	Q:	What market risk premium are you using in your CAPM?
8	A:	I am using the higher 5.74% market risk premium.
9	Q:	Is this market risk premium reasonable?
10	A:	Yes. The market risk premium is calculated using authorized returns for natural gas
11		companies in the United States as reported by S&P. This is information available to
12		natural gas utility stock investors. The 30-year Treasury bond information for the same
13		period is available for investors from the Federal Reserve website referenced on
14		Attachment LDC-3, page 2. Therefore, investors can review and compare the
15		authorized natural gas returns and the corresponding risk-free rates over the last 35+
16		years to assess the market risk premium associated with natural gas stocks.
17	Q:	Did you review other sources of market risk premium?
18	A:	Yes. I wanted to review the current market risk premium recommended by the financial
19		services companies, Kroll, and KPMG. Kroll recommends a 5.5% market risk
20		premium. (Attachment LDC-4, page 1.) KPMG recommends a 5.0% equity market risk
21		premium at the following link: <u>https://kpmg.com/nl/en/home/topics/equity-market-</u>
22		risk-premium.html. The CAPM result, using either Kroll's 5.5% market risk premium
23		or KPMG's 5.0% market risk premium, would be lower than the CAPM result using
24		my 5.74% market risk premium.

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1 Q: What cost of equity rate does your CAPM analysis indicate?

A: The results of my CAPM analysis for the proxy group range from 8.1% to 9.0%
(rounded) as summarized on Attachment LDC-3, page 1. The 8.1% result uses the
combined average beta of 0.65. The 9.0% result uses the average of OVG's Bloomberg
and Value Line betas.

VII. OUCC'S ESTIMATED COST OF EQUITY

6 Q: Please summarize the results of your COE analyses.

A: My analysis indicates a 10.0% DCF for the proxy group. My CAPM analysis indicates
a COE range of 8.1% to 9.0% for the proxy group. Based on all the above, I recommend
a 9.0% COE.

VIII. OVG'S COST OF EQUITY ANALYSIS

10	Q:	Please summarize OVG's COE analysis.
11	A:	OVG's estimated COE is 11.0%. OVG's analysis uses a DCF model, a CAPM, an
12		Empirical CAPM ("ECAPM"), and Bond Yield Plus Risk Premium ("BYRP"). (Joint
13		Petitioners' Exhibit No. 7, page 2, lines 19-23.) OVG's COE range is 10.25% to
14		11.25%. (Id., page 6, lines 27-28.) OVG's proposed COE is 11.00%. (Id., page 7, lines
15		11-12.)
16	Q:	Do you agree with all the models Petitioner uses to determine OVG's COE?
16 17	Q: A:	Do you agree with all the models Petitioner uses to determine OVG's COE? I agree with using the DCF and CAPM models, without OVG's proposed adjustments
16 17 18	Q: A:	Do you agree with all the models Petitioner uses to determine OVG's COE? I agree with using the DCF and CAPM models, without OVG's proposed adjustments to those models. For decades, the Commission has consistently and primarily used the
16 17 18 19	Q: A:	 Do you agree with all the models Petitioner uses to determine OVG's COE? I agree with using the DCF and CAPM models, without OVG's proposed adjustments to those models. For decades, the Commission has consistently and primarily used the DCF and CAPM models when setting utilities' COE. OVG also uses ECAPM and
16 17 18 19 20	Q: A:	 Do you agree with all the models Petitioner uses to determine OVG's COE? I agree with using the DCF and CAPM models, without OVG's proposed adjustments to those models. For decades, the Commission has consistently and primarily used the DCF and CAPM models when setting utilities' COE. OVG also uses ECAPM and Bond Yield Plus Risk Premium ("BYRP") models. The COE testimonies that utilities,

below, there are several issues with the inputs, applications, and results of OVG's COE
 models.

IX. OVG'S DCF ANALYSIS

- 3 Q: What are OVG's DCF estimates?
- A: OVG's DCF estimates, using 30-, 90-, and 180-day average stock prices ranged from
 10.48% to 10.84%. (Joint Petitioners' Exhibit No. 7, page 35, Figure 8; Attachment
 AEB-4.) First, I will discuss the changes to OVG's 30-day constant growth DCF, and
 then I will discuss the changes to OVG's 90- and 180-day constant growth DCF
 estimates.
- 9 Q: Do you agree with OVG's DCF estimates?
- A: No. I disagree with some of OVG's projected EPS growth rates contained on Joint
 Petitioners' Exhibit No. 7, Attachment AEB-4, columns 5-7. OVG's average projected
 EPS growth rate for the proxy group is 6.45% using the *Value Line*, Yahoo Finance,
 and Zacks estimates. (*Id.*, column 8.)

14 Q: Which of OVG's projected EPS growth rate estimates have changed?

A: The *Value Line* EPS growth rate estimates for ONE Gas and Spire have changed since
OVG's case-in-chief was filed. OVG lists the EPS growth rate for ONE Gas as 6.50%
and 8.00% for Spire. (Joint Petitioners' Exhibit No. 7, Attachment AEB-4, column 5.)
Those estimates are from the *Value Line* summary sheets dated November 24, 2023.
(Workpaper AEB-1, pages 4 and 5.) The updated growth rates on the February 23, 2024 *Value Line* summary sheets are 4.00% for ONE Gas and 4.50% for Spire. (Attachment
LDC-1, pages 4 and 5.)

1	Q:	Have other EPS growth estimates changed?
2	A:	Yes. Two of the Yahoo Finance EPS growth estimates have changed. OVG listed the
3		NiSource EPS growth rate as 8.30% and the Spire EPS growth rate as N/A. (Joint
4		Petitioners' Exhibit No. 7, Attachment AEB-4, column 6.) The updated Yahoo Finance
5		EPS growth rates are 7.30% for NiSource and 6.36% for Spire. (Attachment LDC-7,
6		pages 1-2.)
7	0:	Did any other EPS growth estimates change since OVG filed its case-in-chief?
8	A:	Yes. OVG lists the following EPS growth rates for Zack's: Atmos – 7.30%, NiSource
9		- 7.20%, Northwest Natural $-$ 3.70%, ONE Gas $-$ 5.00%, and Spire $-$ 5.60%. (Joint
10		Petitioners' Exhibit No. 7, AEB-4, column 7.) The only Zacks EPS growth estimate
11		that did not change is the 5.00% growth rate for ONE Gas. The updated EPS growth
12		rates from Zacks are: Atmos – 7.00%, NiSource – 6.00%, Northwest Natural – N/A,
13		and Spire – 5.00%. (Attachment LDC-7, pages 3-6.)
14 15	Q:	What did OVG calculate as the average EPS growth rate for <i>Value Line</i> , Yahoo Finance, and Zacks?
16	A:	OVG calculated the average as 6.45%. (Joint Petitioners' Exhibit No. 7, Attachment
17		AEB-4, column 8, line 13.)
18 19	Q:	Did you calculate the average EPS growth rate using the updated <i>Value Line</i> , Yahoo Finance, and Zacks EPS growth rates?
20	A:	Yes. The average EPS growth rate using the updated Value Line, Yahoo Finance, and
21		Zacks ESP growth rate is 5.95%. (Attachment LDC-2, page 2, line 7, column 3.)
22 23	Q:	How does using the updated average EPS growth rate of 5.95% affect OVG's constant growth DCF calculations?
24	A:	OVG calculated a 30-day average constant growth DCF of 10.84%. (Joint Petitioners'
25		Exhibit No. 7, Attachment AEB-4, column 10, line 13.) This percentage is based on an
26		average EPS growth rate of 6.45%. Therefore, OVG's 30-day average EPS growth rate

1		is overstated by 0.50% (6.45% - 5.95%). Instead of 10.84%, OVG's 30-day constant
2		growth DCF should be 10.34% (10.84% - 0.50%).
3 4	Q:	Are similar adjustments necessary for OVG's 90-day and 180-day constant growth DCF estimates?
5	A:	Yes. OVG used the same Value Line, Yahoo Finance, and Zacks EPS growth estimates
6		in OVG's 90-day and 180-day calculations. (Joint Petitioners' Exhibit No. 7,
7		Attachment AEB-4.) The same 0.50% reduction in the average EPS growth rate is
8		necessary. For the 90-day calculation, OVG's 90-day constant growth DCF changes
9		from 10.67% to 10.17% (10.67% - 0.50%). (Id., column 10, line 44.) For OVG's 180-
10		day calculation, OVG's 180-day constant growth changes from 10.48% to 9.98%
11		(10.48% - 0.50%). (<i>Id.</i> , column 10, line 75.)
12	Q:	How do these changes impact OVG's constant growth DCF calculations?
13	A:	OVG originally calculated an average constant growth DCF range of 10.84% to
14		10.48%. (Id., column 10, lines 13, 44, and 75.) Based on the updated EPS growth
15		estimates, the range of OVG's average constant DCF calculation is 10.34% to 9.98%.
16 17	Q:	Are there any other differences between the OUCC's and OVG's constant growth DCF calculations?
18	A:	Yes. One difference is that I also used the MarketWatch EPS growth rates in my DCF
19		analysis. MarketWatch is a readily available online source for investors to review when
20		analyzing stock purchases. The other difference is the timeframe of the stock prices
21		that were used. OVG used 30-, 90-, and 180-day stock prices. I used an average of the
22		13-week stock prices.
23	Q:	Please summarize your comments on OVG's DCF analysis.
24	A:	OVG's EPS growth estimates have been updated, and OVG's constant growth DCF
25		range is now 9.98% to 10.34%. I calculated a constant growth DCF of 10.00% based

on four professional financial investor services rather than the three OVG used. OVG's
 updated constant growth DCF results and the OUCC's constant growth DCF results are
 similar. The major difference between OVG and the OUCC is in the CAPM analysis.

X. OVG'S CAPM AND ECAPM ANALYSES

4 Q: Please describe OVG's CAPM analysis.

A: OVG developed its CAPM analysis using three sources for the estimate of the risk-free
rate. (Joint Petitioners' Exhibit No. 7, page 38, lines 8-12.) OVG used the beta
coefficients as reported by Bloomberg and *Value Line*. (*Id.*, lines 14-15; Attachment
AEB-6.) OVG's market risk premium was estimated as the difference between the
implied expected equity market return and the risk-free rate. (*Id.*, page 39, lines 7-8.)

10 Q: What risk-free rates did OVG use for its CAPM analysis?

11 A: OVG used three risk-free rates: 4.77%, 4.48%, and 4.10%. (*Id.*, page 38, lines 8-12.)

12 Q: Do you agree with these risk-free rates?

- 13 A: No. A more recent 28-day average yield on 30-year Treasury bonds is 4.39%.
- 14 (Attachment LDC-3, page 2, lines 1-5, column 4.) OVG's 4.48% risk-free rate is
 15 slightly higher than the 4.36% risk-free rate that I used. A risk-free rate between 4.10%
- 16 and 4.48% is reasonable in this Cause.
- 17 Q: What beta coefficients did OVG use?
- 18 A: OVG used the Bloomberg and *Value Line* beta coefficients. (Joint Petitioners' Exhibit
- 19 No. 7, Attachment AEB-5.) The average of the Bloomberg and Value Line beta
- 20 coefficients is 0.81. (Attachment LDC-3, page 3, line 7, column 1.)

1Q:Do you agree with OVG's use of only the Bloomberg and Value Line beta2coefficients?

3 No. Using only the Bloomberg and Value Line beta coefficients overstates the risk of A: 4 the proxy group companies. I used the Bloomberg and Value Line beta coefficients, but 5 I also used the beta coefficients from five additional financial services that utility stock investors have available. (Attachment LDC-3, page 3.) The combined average beta 6 7 from the seven financial services is 0.65. (Id., line 6, column 8.) The 0.65 beta does not 8 overstate the risk of the proxy group companies compared to the stock market. OVG's 9 average beta coefficient of 0.81 is too high, overstates the risk, and should not be 10 accepted by the Commission.

11 Q: How did OVG estimate the market risk premium?

A: OVG estimated the market risk premium as the difference between the implied
expected equity market return and the risk-free rate. (Joint Petitioners' Exhibit No. 7,
page 39, lines 7-8.) OVG's expected market return was calculated using OVG's
constant growth DCF model as applied to the companies in the S&P 500 index. (*Id.*,
lines 8-10; Attachment AEB-7.) OVG estimates the S&P 500 growth rate as 10.78%
and the market return as 12.56%. (Attachment AEB-7.)

18 Q: Do you agree with OVG's growth rate of 10.78%?

A: No. The S&P 500 contains hundreds of companies with business and financial risk characteristics that are not similar to the business and financial risks of the natural gas proxy group companies. Furthermore, some of the "long-term" growth estimates on the S&P 500 bear no similarity to the growth estimates of the natural gas proxy group.
(Joint Petitioners' Exhibit No. 7, Attachment AEB-7, column 10.) For example, the growth estimates indicated on Attachment AEB-7, column 10. The Boeing Co. –

1		183.61%; Exxon Mobil – 45.59%; Pfizer – 50.40%; Caesars Entertainment – 110.92%;
2		Amazon- 86.99%; NVIDIA – 50.82%; Take-Two Software – 58.00%; Warner Bros. –
3		91.04%; Wynn Resorts - 153.24%; and Discover Financial Services - 56.16%. The
4		market growth estimates of these companies bear no similarity to the growth rates of
5		the natural gas proxy group and are so large that they skew the market risk premium
6		for the S&P 500 index.
7	Q:	Did OVG calculate an estimated market return using the 10.78% growth rate?
8	A:	Yes. OVG uses a dividend yield of 1.69% and adds the estimated growth rate of 10.78%
9		to derive an estimated market return of 12.56%. (Joint Petitioners' Exhibit No. 7,
10		Attachment AEB-7.)
11	Q:	Do you agree with OVG's estimated market return of 12.56%?
12	A:	No. As discussed above, the estimated growth rate of 10.78% is unreasonable;
13		therefore, the estimated market return of 12.56% is also unreasonable.
14 15	Q:	Does OVG use the estimated market return of 12.56% in the CAPM and ECAPM?
16	A:	Yes. OVG uses the estimated market return, various risk-free rates, and either a
17		Bloomberg or Value Line beta to derive several CAPM and ECAPM results. (Id.,
18		Attachment AEB-5.)
19	Q:	Do you agree with OVG's CAPM and ECAPM results?
20	A:	No. OVG's CAPM and ECAPM results are overstated because of the inflated growth
21		rate and incorrect betas. OVG's inflated growth rate of 10.78% results in market risk
22		premiums between 7.78% and 8.46%. (Id.) This inflated estimated growth rate of
23		10.78% overstates by almost 450 basis points the updated Value Line projected growth
24		rate of 6.30% for the proxy group indicated on Attachment LDC-2, page 2, line 6,
25		column 5. OVG's inflated projected growth rate on Joint Petitioners' Exhibit No. 7,

1		Attachment AEB-5, also results in market risk premiums between 7.78% and 8.46%,
2		which are between 228 and 296 basis points higher than the Kroll market risk premium
3		of 5.5%. (Attachment LDC-4, page 1.)
4	Q:	What is your recommendation regarding OVG's CAPM and ECAPM results?
5	A:	For the reasons discussed above, I recommend the Commission reject OVG's CAPM
6		and ECAPM results because the results are overstated and unreasonable.
7	Q:	Did OVG discuss small size risk?
8	A:	Yes. OVG discusses small size risk from page 49, line 18 to page 54, line 15 on Joint
9		Petitioners' Exhibit No. 7. Ultimately, OVG states it is not proposing a specific
10		adjustment for small size risk. (Id., page 54, line 10.)
11	Q:	Has the Commission addressed the issue of size premium adjustments?
12	A:	Yes. The Commission has found an application of Ibbotson's small company
13		adjustment can ignore the fact that the risk of regulated utilities is not as great as small
14		companies:
15 16 17 18 19 20 21		We are familiar with the Ibbotson-derived 400 basis point small company risk premium used by Mr. Beatty. The rationale behind this approach is that, all other things being equal, the smaller the company, the greater the risk. However, to blindly apply this risk premium to Petitioner is to ignore the fact that Petitioner is a regulated utility. The risks from small size for a regulated water utility are not as great as those small companies facing competition in the open market.
22		In re South Haven Sewer, Cause No. 40398, Order, pp. 30-31 (Ind. Util. Regul.
23		Comm'n May 28, 1997.)
24		In the Indiana American Water Company rate case Order in Cause No. 43680,
25		the Commission similarly recognized that regulated utilities have different risks than
26		other small companies:

1 2 3 4		The Commission rejects Petitioner's equity size premium adjustment because it cannot be directly applied to regulated water utilities. Regulated water utilities do not experience the same risks as other small companies.
5		In re Indiana-American Water, Cause No. 43680, Order, p. 47 (Ind. Util. Regul.
6		Comm'n Apr. 30, 2010.)
7		The Commission should apply the same rationale by rejecting equity size
8		adjustments for the natural gas companies it regulates.
		XI. OVG'S BOND YIELD PLUS RISK PREMIUM ANALYSIS
9	Q:	Please describe OVG's Bond Yield Plus Risk Premium ("BYRP") method.
10	A:	OVG uses actual authorized returns for natural gas utilities as the historical measure of
11		the cost of equity to determine the risk premium. (Joint Petitioners' Exhibit No. 7, page
12		42, lines 9-10.) OVG calculates an average risk premium of 5.29% based on the
13		difference between authorized returns and 30-year Treasury yields on a quarterly basis
14		from1980 through 2023. (Joint Petitioners' Exhibit No. 7, Attachment AEB-8, column
15		3, line 178.) OVG next applies a regression formula to produce equity risk premiums
16		of 5.86%, 5.98%, and 6.15%. (Id., lines 49-52.) OVG then calculates ROE estimates of
17		10.63%, 10.46%, and 10.25%. (Id.)
18	Q:	Do you agree with OVG's BYRP analysis?
19	A:	No. There is no inverse relationship between equity risk premiums and interest rates.
20		Risk premiums are tied more specifically to the market's perception of the investment
21		risk of debt and equity securities and not simply to changes in interest rates. OVG bases
22		its adjustment to the equity risk premium on changes in nominal interest rates. This
23		faulty approach does not produce reliable risk premium estimates.

XII. <u>SRC RIDER AND RATE CASE EXPENSES.</u>

1	Q:	You previously mentioned OVG's COE should be reduced. Please explain.
2	A:	OVG proposes a Rate Decoupling Mechanism ("RDM") through an SRC Rider. As
3		OUCC witness Dr. Dismukes articulates in his testimony, OVG's SRC will provide
4		real benefits to OVG and its shareholders by de-risking OVG's revenue recovery while
5		providing no corresponding benefits for OVG's customers. (Public's Exhibit No. 2,
6		page 2, lines 21-23.) Dr. Dismukes explains throughout his testimony how OVG's SRC
7		Rider proposal is one-sided in favor of OVG and its shareholders. Therefore, if the
8		Commission approves OVG's SRC Rider proposal, and thus, reduces OVG's risk of
9		revenue recovery, I recommend the Commission reduce OVG's COE to account for
10		the reduction in risk.
11	Q:	Was there another reason why OVG's COE should be reduced?
12	A:	Yes. OUCC witness Jason Kohlmann testifies that OVG has included \$325,000 of
13		internal labor costs as part of its proposed rate case expenses. (Public's Exhibit No. 4,
14		page 16, line 15 – 17.) OVG's internal labor costs are already recovered through the
15		rates its customers paid. Therefore, it is inappropriate for OVG to request double
16		recovery of these costs. (Id., page 16, line 20 - page 17, line 6.) Consequently, if the
17		Commission approves OVG's internal labor costs as part of OVG's rate case expenses
18		in this Cause, then I recommend OVG's COE be reduced to account for this double
19		recovery of internal labor costs.

XIII. <u>SUMMARY AND RECOMMENDATIONS</u>

1	Q:	Please summarize your testimony on the DCF calculations for the proxy group.
2	A:	I calculated a 4.51% forward dividend yield for the proxy group. (Attachment LDC-2,
3		page 1.) I also performed calculations and analyses from which I concluded a 5.47%
4		DCF growth rate, g, is reasonable. (Id., page 2.) These estimates were made using
5		projected growth rates from Value Line, Zacks, Yahoo Finance, and MarketWatch, and
6		economic growth data from the CBO. (Id.) My DCF calculation results in a DCF COE
7		10.0% for the proxy group. (<i>Id.</i> , page 1.)
8	0:	Please summarize your testimony on the CAPM calculations for the proxy group.
9	Δ.	Based on betas from seven financial services companies and using the same proxy
,	11.	Based on betas nom seven manetal services companies, and using the same proxy
10		group as OVG, I calculated a 0.65 average beta for the proxy group. (Attachment LDC-
11		3, page 3.) As the beta is less than 1.0, it also describes a relatively low-risk industry. I
12		calculated a 4.36% risk-free rate based on a 13-week average of 30-Year Treasury
13		Bonds. (Id., page 2.) I used a 5.74% equity risk premium. (Attachment LDC-6, page
14		1.) This results in an 8.1% CAPM. (Id., page 1.) I also calculated a CAPM using a
15		4.36% risk-free rate, an equity risk premium of 5.74%, and a 0.81 beta, which is the
16		average between the Bloomberg and Value Line betas. This results in a 9.0% CAPM
17		COE for the proxy group. (Id.) Therefore, my CAPM results range from 8.1% to 9.0%.
18 19	Q:	Please summarize your testimony on macroeconomic factors influencing cost of equity.
20	A:	As discussed above, the most important macroeconomic factors influencing cost of
21		equity are inflation, economic growth, and interest rates. Short-term inflation declined
22		in 2023, and inflation is forecasted to steadily decline through 2033. GDP increased at

1		a 3.4% annual rate in the fourth quarter of 2023. Interest rates have stabilized and are
2		not expected to increase in 2024.
3	Q:	Please summarize your recommendation for OVG's COE.
4	A:	I recommend the Commission authorize a 9.00% COE for OVG. I also recommend
5		OVG's COE be reduced if the Commission grants OVG's proposed SRC Rider and/or
6		requires OVG's customers pay OVG's \$325,000 of internal labor included in the
7		proposed rate case expense.
8	Q:	Does this conclude your testimony?
9	A:	Yes.

APPENDIX LDC-1 TO TESTIMONY OF OUCC WITNESS LEJA D. COURTER

1 Q: Please describe your educational background and experience.

- 2 A: I graduated from Ball State University in Muncie, Indiana, with Bachelor of Science 3 degrees in Finance and Economics. I received my Juris Doctorate from the University 4 of Dayton. In previous years, I have been engaged in the private practice of law, and I 5 also served as an in-house counsel at Indiana Gas Company. I have been an attorney at 6 the OUCC for over twenty years. I was the Director of the OUCC's Natural Gas 7 Division for twelve years and became a Chief Technical Advisor in December 2021. I 8 am a Certified Rate of Return Analyst ("CRRA"). 9 **Q**: Have you previously testified before the Indiana Utility Regulatory Commission 10 ("Commission")?
- 11 A: Yes.

12 Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed OVG's petition, testimony, exhibits, and supporting documentation
 submitted in this Cause. I prepared and reviewed discovery requests and reviewed
 OVG's responses. I also reviewed numerous financial reports, articles that discuss
 market returns, and the Order in OVG's last base rate case, Cause No. 44891.
 Additionally, I reviewed Commission Orders concerning cost of equity issues.

I. <u>DISCOUNTED CASH FLOW ("DCF") ANALYSIS</u>

18 A. Introduction to DCF Model

19 **Q:** Please describe the DCF model.

20 A: The DCF model is typically used by investors to determine the appropriate price to pay

21 for a security. This model assumes the price of a security should be determined by its

1		expected cash flows discounted by the company's cost of equity. On a one-year
2		horizon, the price of a stock (P_0) is equal to the anticipated dividends paid during the
3		year (D ₁), plus the anticipated price of the stock at the end of the year (P ₁) divided by
4		one plus the company's cost of equity (k). In turn, this year's year-end price (P_1) is
5		determined by next year's anticipated dividends (D2) and next year's anticipated year-
6		end price (P_2) divided by one plus the company's cost of equity (k).
7		Because investors may plan to hold securities for extended periods, the DCF
8		equation can be restated for an infinite or unknown number of periods as follows:
9		$P_0 = D_1/(k-g)$
10		[Where the price of a security (P_0) equals the anticipated dividends paid over the current
11		period (D_1) divided by the company's cost of equity (k) minus the expected growth rate
12		of dividends (g)].
13		The company's cost of equity must be greater than its expected dividend growth
14		rate for this model to be valid. By rearranging the model, the familiar DCF formula
15		used in regulatory proceedings can be obtained.
16		$\mathbf{k} = (\mathbf{D}_1 / \mathbf{P}_0) + \mathbf{g}$
17		[Where the cost of equity (k) equals the forward dividend yield (D1/P0) plus the
18		expected growth rate in dividends per share (g). To estimate the cost of equity (k), the
19		forward yield $(D1/P_0)$ and the expected growth rate in dividends (g) must be estimated.]
20	B.	Dividend yield
21	Q:	How did you calculate the forward yields (D1/P0) in your analysis?
22	A:	To calculate a forward yield (D_1/P_0) , the current yield (D_0/P_0) must be calculated first.
23		A company's current yield equals its current annual dividends (D ₀) divided by its

1		current stock price (P_0) .
2	Q:	How do you convert current yields (D ₀ /P ₀) into forward yields (D ₁ /P ₀)?
3	A:	I use the following equation to convert a current yield to a forward yield:
4		$D_1/P_0 = (D_0/P_0) * (1 + .5g)$
5		For example, if Company N had a current dividend yield of 4.0% and an expected
6		growth rate of 2%, I would multiply the 4% current dividend yield by 1 plus 2% or 1.01
7		(1% is one-half of the 2% expected growth rate). This results in a forward dividend
8		yield of 4.04%, or an increase of 4 basis points over the current dividend yield.
9	Q:	What dividend yields do you use in your DCF analyses?
10	A:	Attachment LDC-2, page 1, line 6, column 3, contains the average dividend yield for
11		my proxy group.
12	C.	Dividend growth rate
13 14	Q:	How did you estimate the long run dividend growth component (g) of the DCF model?
13 14 15	Q: A:	How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the
13 14 15 16	Q: A:	How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS
13 14 15 16 17	Q: A:	How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS growth rates.
13 14 15 16 17 18 19	Q: A: Q:	 How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS growth rates. What is your estimated long run dividend growth component (g) of the DCF model?
13 14 15 16 17 18 19 20	Q: A: Q: A:	 How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS growth rates. What is your estimated long run dividend growth component (g) of the DCF model? My estimated growth rate for the proxy group is 5.47%. (Attachment LDC-2, page 1,
13 14 15 16 17 18 19 20 21	Q: A: Q: A:	 How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS growth rates. What is your estimated long run dividend growth component (g) of the DCF model? My estimated growth rate for the proxy group is 5.47%. (Attachment LDC-2, page 1, line 6, column 4.)
13 14 15 16 17 18 19 20 21 22	Q: A: Q: A: D.	 How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS growth rates. What is your estimated long run dividend growth component (g) of the DCF model? My estimated growth rate for the proxy group is 5.47%. (Attachment LDC-2, page 1, line 6, column 4.) DCF Model conclusions
13 14 15 16 17 18 19 20 21 22 23	Q: A: Q: A: D. Q:	 How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS growth rates. What is your estimated long run dividend growth component (g) of the DCF model? My estimated growth rate for the proxy group is 5.47%. (Attachment LDC-2, page 1, line 6, column 4.) DCF Model conclusions What do you conclude from your DCF study?
13 14 15 16 17 18 19 20 21 22 23 24	Q: A: Q: A: D. Q: A:	 How did you estimate the long run dividend growth component (g) of the DCF model? The DCF model assumes investors expect earnings per share (EPS) to grow at the constant long run growth rate (g). I use forecasted growth rates to calculate the EPS growth rates. What is your estimated long run dividend growth component (g) of the DCF model? My estimated growth rate for the proxy group is 5.47%. (Attachment LDC-2, page 1, line 6, column 4.) DCF Model conclusions What do you conclude from your DCF study? The result of my DCF analysis for the proxy group is 10.0%. (Attachment LDC-2, page 1)

It is based on a review of growth rates, and it is most consistent with prior
 Commission decisions on how to estimate a growth rate in a DCF analysis.

II. CAPITAL ASSET PRICING MODEL (CAPM) ANALYSIS

3 Q: Please describe your CAPM analysis.

A: The Capital Asset Pricing Model, or CAPM, is a form of risk premium analysis used
to estimate the cost of capital. The CAPM is based on the premise that investors require
a higher return for assuming additional risk. Total risk is divisible into two categories:
systematic risk and unsystematic risk. Systematic risk is risk that affects the entire
market, including inflation, monetary policy, fiscal policy, or politics. Unsystematic
risk is risk unique to the company and may include strikes, management errors, merger
activity, or individual financing policy.

11 Investors can eliminate unsystematic risk through diversification. Because 12 returns on individual securities of a portfolio do not usually move in the same direction 13 at the same time, the total risk of a portfolio is less than the risk of the individual 14 securities that make up the portfolio. The market does not compensate investors for 15 assuming unsystematic risk because investors can eliminate unsystematic risk through 16 diversification. Conversely, systematic risk, also referred to as market risk, cannot be 17 eliminated through diversification. However, because investments will move with 18 different relationships to the market, investors can form a portfolio to assume the 19 amount of market risk they wish. An investor's required return depends on the 20 market risk the investor assumes.

1	Q:	How is systematic (market)	risk measured?
2	A:	Beta is the measurement o	f an investment's relationship to the market. More
3		specifically, beta measures a	n asset's price volatility compared to the stock market.
4		The market has a beta of on	e. The market refers to the returns on all assets. It is
5		difficult to measure the return	m on all assets. Therefore, analysts typically rely on a
6		market index, such as the St	andard & Poor's 500 Index, as a proxy for the market.
7		Assets more volatile than the	market will have a beta greater than one and are, thus,
8		considered riskier than the m	arket. Assets that are less volatile will have a beta less
9		than one and are considered	less risky than the market.
10		The CAPM formula can be sta	ated as follows:
11		$K = Rfc + \beta$	(Rm-Rf)
12		where,	
13		К	Cost of Equity
14		Rfc	Current Risk-Free Rate of Return
15		β	Beta
16		Rm-Rf	Expected Market Equity Risk Premium
17		Rm	Market Equity Return
18		Rf	Risk Free Rate of Return
19		The return on an asset (K) e	quals the risk-free rate of return (Rfc) plus its beta (β)
20		multiplied by the market eq	uity risk premium (Rm - Rf). The market equity risk
21		premium equals the market	equity return minus the risk-free rate of return.

1 Q: Is the CAPM controversial?

A: The CAPM is typically more controversial and less reliable than the DCF model.
Different applications of CAPM may result in vastly different cost of equity
estimates. For example, the source of beta can influence the results of a CAPM
analysis. If a market risk premium of 5.0% is used, a difference in beta of only
0.10 changes the results of a CAPM analysis by 50 basis points.

7 The method used to estimate the market risk premium can also be particularly 8 controversial. A historical risk premium can be calculated, but a decision must be made 9 between using a geometric mean or an arithmetic mean calculation. This decision is 10 important because the use of the arithmetic mean can produce results that are over 140 11 basis points higher than the geometric mean. The geometric mean calculation is 12 preferable over the arithmetic mean calculation because the geometric mean calculation 13 more accurately measures the change in wealth over multiple periods. Selecting the 14 appropriate period to calculate a historical risk premium is not only controversial, it 15 also dramatically affects the results. When relying on a historical risk premium, the 16 longest historical period for which accurate historical data exists should be used to 17 estimate a risk premium.

18 Q: When calculating a market risk premium, do you use total returns or income 19 returns?

A: I use total returns. Investors who buy long-term bonds (both risk-free and utility
bonds) do not earn just income returns, but total returns. Therefore, a determination
of the risk premium should be based on total returns for both equity and debt
investments when estimating a risk premium. In Indiana American Water
Company's Cause No. 42520, the Commission agreed with the testimony of

1		Intervenor witness Michael Gorman that total returns and not income returns
2		should be used to estimate an historical risk premium. The Order states:
3 4 5 6 7 8 9 10 11 12 13		Another area of disagreement in the CAPM analysis is whether the model should use total returns or income returns. We find Mr. Gorman's analysis in this area to be most persuasive. The income return on Treasury bonds is simply the average of Treasury bond <u>yield</u> quotes over the historical period, and this yield quote does not measure the actual return investors earn by making investments in Treasury bonds. Investors simply cannot invest only in Treasury bond income returns. Rather, investors must take the risk of variations in bond prices before they invest in treasury bonds. Therefore the actual return experienced by investors in Treasury securities is measured by total return, not simply the income return. <i>In re Indiana-American Water Company, Inc.</i> , Cause No. 42520, Order p. 59 (Ind. Util. Regul Comm'n Nov. 18, 2004.)
14		Regul. Comm n Nov. 18, 2004.)
15	B.	Risk-free rate of return
16	Q:	Is the risk-free rate of return also controversial?
16 17	Q: A:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree
16 17 18	Q: A:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of
16 17 18 19	Q: A:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on
 16 17 18 19 20 	Q: A:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on United State Treasury securities as a proxy for the risk-free rate.
 16 17 18 19 20 21 	Q: A: Q;	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on United State Treasury securities as a proxy for the risk-free rate. How did you estimate the risk-free rate?
 16 17 18 19 20 21 22 	Q: A: Q; A:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on United State Treasury securities as a proxy for the risk-free rate. How did you estimate the risk-free rate? I reviewed 30-year Treasury bonds and used a 13-week period to derive an average 30-
 16 17 18 19 20 21 22 23 	Q: A: Q; A:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on United State Treasury securities as a proxy for the risk-free rate. How did you estimate the risk-free rate? I reviewed 30-year Treasury bonds and used a 13-week period to derive an average 30- year Treasury rate.
 16 17 18 19 20 21 22 23 24 	Q: A: Q; A: C.	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on United State Treasury securities as a proxy for the risk-free rate. How did you estimate the risk-free rate? I reviewed 30-year Treasury bonds and used a 13-week period to derive an average 30- year Treasury rate. Beta.
 16 17 18 19 20 21 22 23 24 25 	Q: A: Q; A: C. Q:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on United State Treasury securities as a proxy for the risk-free rate. How did you estimate the risk-free rate? I reviewed 30-year Treasury bonds and used a 13-week period to derive an average 30- year Treasury rate. Beta. What source did you review to estimate beta?
 16 17 18 19 20 21 22 23 24 25 26 	Q: A: Q; A: C. Q: A:	Is the risk-free rate of return also controversial? Yes. Aside from the market risk premium controversy, financial analysts do not agree on the determination of the risk-free rate. Theoretically, the risk-free rate is the rate of return on a completely risk-free asset. In practice, analysts typically use yields on United State Treasury securities as a proxy for the risk-free rate. How did you estimate the risk-free rate? I reviewed 30-year Treasury bonds and used a 13-week period to derive an average 30- year Treasury rate. Beta. What source did you review to estimate beta? I relied on betas from seven financial services companies, which resulted in an average

1 D. <u>Conclusions on CAPM analysis</u>

2 Q: Please review the results of your CAPM analysis.

- 3 A: The cost of equity based on my CAPM analysis for the proxy group ranges from 8.1%
- 4 to 9.0%. I used a risk-free rate of 4.36%, a beta of 0.65, and an equity risk premium of
- 5 5.74%. (Attachment LDC-3, page 1.)

Cause No. 46011 of 5

ATMOS ENERG	YCO	RP.	NYSE-/	ATO P	ECENT 1 Rice	14.00	P/E Ratio	17.	4 (Traili Media	ng: 18.6 an: 20.0)	RELATIVE P/E RATI	1.0 [.]	1 DIV'D YLD	2.9	% V	ALUI	Pa	ige 1
TIMELINESS 4 Lowered 2/16/24	High: Low:	47.4 34.9	58.2 44.2	64.8 50.8	82.0 60.0	93.6 72.5	100.8 76.5	115.2 89.2	121.1 77.9	105.3 84.6	123.0 97.7	125.3 101.0	118.9 110.6		-	Target	Price	Range
SAFETY 1 Raised 6/6/14		NDS 6.50 x Divid	lends p sh													2021	2020	2029
TECHNICAL Z Raised 2/9/24 BETA 85 (1 00 = Market)	Options:	elative Price Yes area indica	e Strength ates recess	ion														160
18-Month Target Price Range								, and the second se	Ч _{Ш.ш} ,		ليلالوس	مرم ال ^{ال} للال	·• · · · ·					100
Low-High Midpoint (% to Mid)									+	 11								-80
\$98-\$153 \$126 (10%)				10.00														+50
2027-29 PROJECTIONS Ann'i Total Price Gain Beturn	սուր	9 ¹																30
High 150 (+30%) 10% Low 125 (+10%) 6%					•••••••			••••	• ••••									_20
Institutional Decisions		•••*•	••••••••	*****					-	······					% TO T		N 1/24	
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Hid's(000) 131736 136508 137279	traded	8											2024	2025	5 yr.	31.0	63.1	
79.52 53.69 53.12 48.15	38.10	42.88	49.22	40.82	32.23	26.01	28.00	2019	2020	2021	29.82	2023	2024	2025	Revenue	s per sh	A D. LLC	37.15
4.19 4.29 4.64 4.72	4.76	5.14	5.42	5.81	6.19	6.62	7.24	7.57	8.03	8.64	9.30	10.04	10.75	11.55	"Cash Fl	ow" per s	sh	13.65
2.00 1.97 2.16 2.26 1.30 1.32 1.34 1.36	1.38	2.50	2.96 1.48	3.09 1.56	1.68	3.60 1.80	4.00 1.94	4.35 2.10	4.72 2.30	2.50	2.72	2.96	6.55 3.22	7.00 3.46	Div'ds D	ecl'd per	sh C∎	8.35 4.25
5.20 5.51 6.02 6.90	8.12	9.32	8.32	9.61 31.48	10.46	10.72	13.19	14.19 48.18	15.38	14.87	17.35	18.90 73.20	18.70 74.90	19.00 78.25	Cap'l Sp Book Va	ending pe	er sh	20.00
90.81 92.55 90.16 90.30	90.24	90.64	100.39	101.48	103.93	106.10	111.27	119.34	125.88	132.42	140.90	148.49	155.00	158.00	Commor	n Shs Out	sťg ^D	175.00
13.6 12.5 13.2 14.4 82 83 84 90	15.9	15.9	16.1 .85	17.5	20.8	22.0	21.7 1.17	23.2	22.3 1.15	18.8	19.3	18.7 1.08	Bold figu Value	ıres are Line	Avg Ann Relative	'I P/E Rat P/E Ratio	io	16.5 .90
4.8% 5.3% 4.7% 4.2%	4.1%	3.5%	3.1%	2.9%	2.4%	2.3%	2.2%	2.1%	2.2%	2.6%	2.5%	2.6%	estim	ates	Avg Ann	'l Div'd Y	ield	3.1%
CAPITAL STRUCTURE as of 12/3 Total Debt \$7540.8 mill. Due in 5	1/23 (rs \$915.	0 mill.	4940.9	4142.1	3349.9	2759.7	3115.5	2901.8	2821.1	3407.5	4201.7	4275.4 885 0	4145	4400	Revenue	s (\$mill) t (\$mill)	A	6500 1475
LT Debt \$7529.3 mill. LT Interes	t \$135.0	mill.	39.2%	38.3%	36.4%	36.6%	27.0%	21.4%	19.5%	18.8%	9.1%	11.4%	15.0%	16.0%	Income 1	fax Rate		25.0%
coverage: 8.3x)		0 mill	5.9%	7.6%	10.5%	13.9%	14.3%	17.6%	20.6%	19.5%	18.4%	20.7%	24.1%	25.0% 40.0%	Net Profi	t Margin	latio	22.7%
neases, oncapitalized Annual fen	ildis 941.	5 11111.	55.7%	56.5%	61.3%	56.0%	65.7%	62.0%	60.0%	61.6%	62.1%	62.1%	60.0%	60.0%	Common	Equity F	latio	60.0%
Ptd Stock None			5542.2 6725.9	5650.2 7430.6	5651.8 8280.5	6965.7 9259.2	7263.6 10371	9279.7 11788	11323 13355	12837 15064	15180	17509 19607	19350 20700	20600 21800	Total Ca Net Plan	pital (\$mi t (\$mill)	II)	24350 25500
Pension Assets-9/23 \$502.4 mill. Oblig. \$43	31.6 mill.		6.4%	6.6%	7.2%	6.4%	6.9%	6.1%	5.5%	5.5%	5.4%	5.5%	6.5%	6.5%	Return o	n Total C	ap'l	7.5%
Common Stock 150,839,709 shs. as of 2/2/24			9.4% 9.4%	9.9% 9.9%	10.1% 10.1%	9.8% 9.8%	9.3% 9.3%	8.9% 8.9%	8.5% 8.5%	8.4% 8.4%	8.2%	8.1% 8.1%	8.5% 8.5%	9.0% 9.0%	Return o Return o	n Shr. Eq n Com Ec	quity	10.0% 10.0%
MARKET CAP: \$17.2 billion (Lare	ae Cap)		4.7%	4.9%	5.1%	4.9%	4.8%	4.6%	4.4%	4.3%	4.2%	4.2%	4.5%	4.5%	Retained	to Com	Eq	5.0%
CURRENT POSITION 2022	2023 1	2/31/23	50% BUSIN	51% ESS: Atr	50% nos Ener		48%	48% engaged	49%	49%	49%	49%	ou‰	50% and 1.7%	other T	he comp	anv sold	50% Atmos
Cash Assets 51.6 Other 2996 1	15.4 870 4	278.3 1401 4	distribu	tion and	sale of r	natural gas	to ove	r three m	illion cus	stomers	Energy	Marketing	g, 1/17.	Officers	and direct	tors own	approx	imately
Current Assets 3047.7	885.8	1679.7	sion, W	lest Tex	as Divisio	on, Mid-Te	x Divisi	ion, Miss	issippi D	ivision,	Officer:	Kevin Ak	ers. Inco	prporated	: Texas.	Address	Three	Lincoln
Debt Due 2386.4 Other 720.2	253.4 763.1	11.5 742.3	sales b	io-Kansa ireakdow	n for fisc	n, and Ker cal 2023: 6	100000/1 6.5%,	residentia	s Divisioi al; 28.0%	n. Gas 5, com-	phone: 9	972-934-9	9227. Inte	ernet: ww	eway, Da w.atmose	energy.co	as 75240 om.). Tele-
Current Liab. 3602.6 1	352.6	1170.5	Atm	os Ei	iergy	starte	d fi	scal 2	024 v	with	\$3.1	billior	ı in ç	commo	on sto	ck an	ld/or	debt
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of change (per sh) 10 Yrs. 5 Yr Revenues -4.0%	s. to	27-29 5.0%	quar 9% 1	ter ea	arning • than	s per s	share 191	e of \$ tallv	2.08	were d in	tion Final	stater	nent	expiri	ng in bad	Mar	ch, 2	026. awn
Earnings 9.5% 9.	0% 0% 5%	0.5% 7.0% 7.5%	fisca	1 2023	3. Tha	t was i	nade	e possi	ble pa	artly	revol	ving	redit	facilit	ies ag	ggrega	ting	\$2.5
Book Value 9.5% 12.	0%	4.0%	by po bad-	debt	e rate- expen	se hel	itcon ped,	nes. D too.	ımınıs It sh	ould	paper	n plu r progi	ıs a ram.	\$1.5	b11110	on co	omme	rcial
Fiscal QUARTERLY REVENUES (\$ Year Dec.31 Mar.31 Jun.30	mill.) A Sep.30	Full Fiscal Year	also	be me	ention	ed that	the	curren	nt-qua	isla-	Pros	pects	out t	to the	e end Energ	of th	e deo	ade
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2022 1012.8 1649.8 816.4 2023 1484.0 1541.0 662.7	722.7 587.7	4201.7 4275.4	Texa and	s. Bu high	t incre er ir	eased d nterest	epre exp	ciatio ense	n expe prov	ense ided	distri	butors mers	s, wit across	h mor s seve	e tha ral st	n thre ates,	e mi inclu	llion ding
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Fiscal EARNINGS PER SHARE	ABE Son 20	Full Fiscal	adva	nce r	oughl	y 7%,	to \$	6.55 j	per sh	nare,	stora	ge seg	ment	has j	promis	sing o	veral	l ex-
2021 1.71 2.30 .78	.37	Year 5.12	comp Rega	oared rding	to f	iscal 2 year	2023 [;] share	's \$6. e net	10 to stand	otal. Is to	pansi one o	on op of the	portu most	nities -activ	, since e dril	e it op ling r	perate region	es in Is in
2022 1.86 2.37 .92 2023 1.91 2.48 .94	.51 .80	5.60 6.10	adva	nce a	it a s	imilar	perc	entag	e rate	e, to	the v	vorld.	The	solid	balan	ce sh	eet is	an-
2024 2.08 2.53 1.06 2025 2.21 2.65 1.17	.88	6.55	φ1.00 erati	, ass ng ma	argins	, auditi	unai	wider	ung o	r op-	Wha [*]	t abo	ut th	e sto	ck? (apita	l app	reci-
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endar Mar.31 Jun.30 Sep.30	Dec.31	Year	Whe	n the	Dece	ember	perio	d en	ded,	cash	yield	is lov	wer t	hant	he av	erage	of	alue
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(A) Fiscal year ends Sept. 30th.	(B) Dilut	ed '17,	13¢. Nex	t earning	s report o	due early N	lay.	(D) In mil	lions.	<u> </u>	11000	en L	Cor	npany's	Financia	I Strengt	, <u>2</u> 0, h	A+
shrs. Excl. nonrec. gains (loss): '1 (1¢); '18, \$1.43; '20, 17¢. Exclude:	10, 5¢; '1 s discont	11, (C) I in- June	Dividends e, Sept., a	historic nd Dec.	ally paid Div. rei	in early M nvestment	arch, plan.	(E) Qtrs outstandi	may not ng.	add due	e to chan	ge in shr	s Sto Pric	ck's Pric e Growt	e Stabilit h Persist	y ence		95 60
ued operations: '11, 10¢; '12, 27¢	; '13, 14	1¢; Dire	ct stock p	urchase	plan avai	il.							Ear	nings Pr	edictabil	ity		100

 shrs. Excl. nonrec. gains (loss): '10, 5¢; '11, (C) Dividends historically paid in early March, (E) Qtrs may not add due to change in shrs (1¢; '18, \$1.43; '20, 17¢. Excludes discontin-ued operations: '11, 10¢; '12, 27¢; '13, 14¢; Direct stock purchase plan avail.
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Cause No. 46011

NIS	OUF	CE	INC.	NYSE	·NI		R P	ecent Rice	25.6	3 P/E RATI	o 15.	4 (Traili Media	ng: 16.3) an: 21.0)	RELATIVI P/E RATI	0.8	9 DIV'D YLD	4.0	%	ALUI	E Pa	age 2
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32.36	24.02	22.99	21.33	16.31	18.04	20.47	14.58	13.90	14.46	13.74	13.63	11.95	12.09	14.23	14.45	14.60	15.05	Revenue	es per sh		16.10
3.32	2.96	3.19	2.98	3.13	3.41	3.60	2.2/	2./1	2.07	2.86	3.1/	3.15	3.26	3.4/	3.60	3.80	4.80	"Cash F	low" per : s per sh A	sh v	4.25 2 10
.92	.92	.92	.92	.94	.98	1.07	.83	.64	.70	.78	.80	.84	.88	.94	1.00	1.06	1.12	Div'ds D	ecl'd per	sh ^B ∎	1.20
3.54	2.81	2.88	3.99	4.83	5.99	6.42	4.26	4.57	5.03	4.88	4.72	4.49	4.53	6.32	7.95	7.00	6.50	Cap'l Sp	ending p	er sh	6.75
17.24 74.26	17.54	17.63	282.18	310.28	18.// 313.68	19.54 316.04	319.11	323.16	337.02	13.08	13.36	12.44 391.76	404.30	411.10	19.45 415.00	20.00 425.00	20.50 435.00	BOOK Va	iue per sl n Shs Out	n ⊂ tst'a D	18.75
12.1	14.3	15.3	19.4	17.9	18.9	22.7	37.3	23.2	NMF	19.3	21.3	18.7	18.0	19.6	16.8	Bold fig	ures are	Avg Ann	'I P/E Rat	tio	19.0
.73	.95	.97	1.22	1.14	1.06	1.19	1.88	1.22	NMF	1.04	1.13	.96	.99	11.8	.97	Value	Line	Relative	P/E Ratio)	1.05
5.7%	7.6%	5.7%	4.5%	3.8%	3.3%	2.7%	3.5%	2.8%	2.8%	3.1%	2.9%	3.4%	3.6%	3.3%	3.7%			Avg Ann	'I Div'd Y	ield	3.0%
otal De	ebt \$132	58.0 mill.	Due in 5	/23 Yrs \$23	55 mill.	64/0.6 530.7	4651.8	4492.5 328 1	48/4.6	5114.5 478.3	5208.9	4681.7	4899.6	648.2	6000	6200 725	6550 805	Net Prof	es (\$mill) it (\$mill)		7250 945
C Debt	\$11011.	3 mill. L	T Interes	st \$368 m	ill.	36.9%	41.6%	35.7%	71.0%	19.7%	17.0%	18.3%	15.7%	17.2%	19.0%	19.0%	19.0%	Income	Tax Rate		19.0%
lieresi	cov. ear	neu: 5.8)	() (59	% or Cap	1)								2.0%	2.3%	2.5%	2.5%	2.5%	AFUDC	% to Net I	Profit	2.5%
eases,	Uncapit	alized A	nnual ren	tals \$8.0	mill. bill	56.9% 43.1%	60.7%	59.8% 40.2%	63.5%	55.3%	56.8%	61.6%	33.5%	31.6%	57.5% 35.0%	57.5% 35.0%	57.5% 35.0%	Long-Te	rm Debt F n Fauity F	Ratio Ratio	55.0% 37.5%
5113101	ASSELS	- 1 Ζ/ Ζ Ζ ψ	1.4 Dill. V	σης. φτ. η	Dill.	14331	9792.0	10129	11832	12856	13843	14972	16131	17099	19000	20000	21000	Total Ca	pital (\$mi	II)	22500
fd Sto	ck \$1547	' mill.	Pfd Div	' d \$55.1	mill.	16017	12112	13068	14360	15543	16912	16620	17882	19843	22500	24500	25750	Net Plan	t (\$mill)		28000
		440 445	444			5.3%	4.0%	5.0% 8.1%	2.6%	5.1% 8.3%	5.3%	5.0%	4.9%	3.8%	3.5%	3.5%	4.0%	Return o	n Total C	ap'l	4.0%
ommo s of 10	n Stock /24/23	413,415,	,441 SNS.			8.6%	5.2%	8.1%	3.0%	9.6%	9.7%	10.4%	10.6%	12.0%	10.0%	10.5%	11.0%	Return o	n Com E	quity	9.5 <i>%</i> 11.0%
	T CAP:	610.6 bill	lion (Larg	ge Cap)	. /	3.4%	NMF	3.0%	NMF	4.0%	3.8%	3.8%	4.2%	4.0%	3.5%	4.0%	4.5%	Retained	to Com	Eq	5.0%
URRE (\$MIL	L.)	TION	2021	2022	9/30/23	61%		63%		60%	64%	6/%	64%	64%	63%	62%	60%	All Div'd	s to Net H	Prof	57%
ccts P ebt Di ther ebt Di ther	Assets ayable ue Liab.	18 19 6 14 27	05.2 035.6 020.8 097.8 018.1 130.3 1 146.2 4 146.2 4	40.8 543.5 584.3 899.5 791.9 969.1 660.5	56.0 1759.4 1815.4 648.2 2246.7 1500.5 4395.4	ana Pu and ga tric in I tucky, V nue bro	blic Services s to the ndiana, 3 Virginia, eakdown	vice Com northern 3,200,000 Maryland , 2022: e	pany (NI third of I gas in I through electrical,	PSCO), ndiana. (ndiana, (its Colu 31%; ga	which su Customer Dhio, Per mbia sub s, 69%;	pplies ele s: 479,18 nnsylvani sidiaries. other, les	ectricity 5 elec- a, Ken- Reve- ss than	7,304 e Chief E dress: 8 phone: 8	ported c mployee xecutive 301 East 377-647-	lepreciati s. Chairr Officer: t 86th A 5990. Inte	on rates nan: Ric Lloyd Y venue, I ernet: wv	: 3.1% e hard L. ates. Inc Verrillville w.nisour	electric, 2 Thompso orporateo , Indiana ce.com.	2.3% ga on. Presi d: Indiar a 46410	ident & na. Ad- 0. Tele-
ix. Ch	g. Cov.	2	50%	255%	260%	NiSe	ource	's sto	ock of	fers	good	valu	e to	tion	progr	ams;	NIPS	SCO i	is pla	nnin	g to
NNUA change	L RATES	5 Past 10 Yrs	Pa: 5 Yr	st Est'd	'20-'22 27-'29	risk	-aver	se ind		inve	stors.	The	nat-	phase	e out	its c	oal-fii	red po	ower	plant	s by
evenu Cash P	ies Flow"	-5.0	% -3. % 6	5%	5.5%	shar	es m	loved	sidev	ways	in t	he t	hree	produ	iction	as re	cently	as 20)18.	or p	ower
arning	IS do	1.5	% 1 <u>5</u> .	0%	9.5%	mon	ths si	nce ou	ir Nov	vembe	r revi	ew, as	the	The	sign	ificar	t in	vestm	ent	requ	ired
ook V	alue	5 -3.0	% 3. % .	5%	4.5% 5.0%	proa	aer U rd hi	.s. eq ghs	uity r Utilit	narke jes ŀ	ts pus nave	ned o under	n to per-	to ro	each kev	its s drive	ustai er of	nabil grow	ity go th. (oais Canita	will in-
Cal-	QUAR	TERLY RE	VENUES (\$ mill.)	Full	form	ed as	bond	yield	s and	grow	th see	ctors	vestn	nents	amou	inting	to s	\$16 b	illion	are
Idar	Mar.31	Jun.30	Sep.30	Dec.31	Year	have	drav	vn inv	vestors	s' atte	ntion.	Furt	her,	plant	ned o	ver t	he no	ext fi	ve ye	ears,	con-
)22	1873.3	1183.2	1089.5	1704.6	5850.6	both	1 of	which	i we	think	are	likel	y to	of 8%	b to 10)% pe	r yeai	, and	a 6%	to 89	6 an-
023	1966.0	1090.0	1027.4	1916.6 1925	6000	decre	ease),	have	press	ured	growt	n, hụr	ting	nual	incre	ase ii	ı earı	nings	per s	hare.	Ex-
025	2115	1190	1215	2030	6550	this have	stock'	s perf	ormar	nce. Ye nellin	et, the	se sha z-adiu	ares sted	ecution key s	on on treng	regul th	atory	appro	vais h	nas be	en a
Cal-	EA	RNINGS P	ER SHAR	EA	Full	valu	ation	in co	mpari	son to	o othe	ers in	the	All t	old, v	ve ex	pect :	grow	th to	conti	inue
ndar	Mar.31	Jun.30	Sep.30	Dec.31	Year	secto	or. Co	nsider	ring th	ne ong	going	transi	tion	at a	mod	erate	pace	e thro	bugh	the	next
021	.77	.13	.10	.39 .50	1.37	sust:	ainabl	abie e ene	energ rgv ir	y an ifrasti	u DU	uiuing e. we	see	ende	1 2025	in g	year ood fo	ອ. ເກ rm. ຄາ	e uun nd eau	nings	s per
023	.77	.11	.19	.53	1.60	a lot	t of p	otent	ial up	side	to buy	y-and-	hold	share	prol	bably	grew	roug	hly 9	9%. ľ	Note:
024	.85 .90	.15 .20	.13 .15	.57 .60	1.70	strat	egies.	Т.	no '~	NO 2 200	+		ior	The	compa	iny w	as scl	hedule	ed to	repor	t its
Cal-	QUART	ERLY DIV	IDENDS P	AID ^B =	Full	ofa	non-	contr	ollins	g stal	te in	NIPS	CO.	this	ar res [ssue.	We t	as we hink e	earnin	gs are	e like	ly to
ndar	Mar.31	Jun.30	Sep.30	Dec.31	Year	a N	iSour	ce si	ubsidi	iary,	point	s to	the	incre	ase by	y aboi	ıt 7%	per y	ear oi	n ave	rage,
2020	.21 22	.21 22	.21 22	.21 22	.84 88	valu	e he	e re. E	3lacks 10 00	tone's	infra	struc	ture and	while Thic	divid	lends	may g	grow b	y 5%	annu	ally.
2022	.235	.235	.235	.235	.00	gas s	subsid	liary f	or \$2.	16 bil	lion ir	i Janu	iary.	note	h, to	$\frac{2}{2}$ (a)	bove	avera	age).	Likev	wise,
2023	.25 265	.25	.25	.25	1.00	The	cash	will a	id the	comp	any's	ambit	ious	the r	isk-ad	justeo	l upsi	de is a	attrac	tive.	,
.024	.203					clear	n ene	rgy ti	ansiti	on ar	nd de	carbor	niza-	Earl	в. Ни	mes		Fe	oruar	y 23,	2024
) Dil. E 8, (\$1.1	PS. Excl 4); '15. (. gains (l 30¢); '18	osses) or , (\$1.48).	Next ea	s.: (B) I s. Aua.	∪iv′ds his ., Nov. ∎∣	torically Div'd rein	oaid in m iv. avail.	id-Feb., N	nay,	(ש) In mil (E) Spun	i. off Colur	nbia Pipe	eline Grou	ıp (7/15)	Cor Sto	npany's ck's Pric	rınancia e Stabili	i Strengi ty	tn	B++ 95
port du	e early N	lay. Qtl'y	egs. má	y not sun	ו (C) ו́ו ג36	ncl. intan	g in '22:	\$1485.9	million,						,	Pric	e Growt	h Persis	tence itv		20

to total due to rounding. © 2024 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

Cause No. 46011

N.W	. NA	TUR	AL	IYSE-N	IWN		R	ecent Rice	36.6	2 P/E RATIO	o 13 .	B (Traili Media	ng: 13.3) an: 24.0)	RELATIVE P/E RATIO	0.8	DIV'D Yld	5.3	%	ALUI	E Pa	age 3
TIMELIN	iess 3	Raised 12	2/8/23	High: Low:	46.6 40.0	52.6 40.1	52.3 42.0	66.2 48.9	69.5 56.5	71.8 51.5	74.1 57.2	77.3 42.3	56.8 41.7	57.6 42.4	52.4 35.7	40.3 34.9			Targe	t Price	Range
SAFETY	2	Raised 2/	23/24		NDS 60 x Divide	ends p sh													2021	2020	128
IECHNI BETA .8	CAL J 5 (1.00 =	Raised 2/ Market)	23/24	Options: "	vided by in elative Pric Yes	e Strength							\sim								- 96
18-Mon	th Targ	et Price	Range	Shaded	area indica	ates recess	ion	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			In the second	4		/	<						
Low-Hig	h Midp	ooint (% t	o Mid)		····,		1.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	متنسستكللك					լ ^{լուս} եր	ուրը _ո րեր	ս _{րդուլերու}						48
\$33-\$59	\$46	(25%)									_				·III·	•					32
202	7-29 PR(OJECTIO Ar	NS m'i Total	**	••							•									-24
F High	Price (80 (+1	Gain 20%)	Return 24%		****	··· ^{···}	•••••	· ••• •••	·····	••• [•] •• [•] •	···· ^{•••} ··	•••									16
Low Institut	50 `(+ tional D	·35%) Jecision	12%											1				% то	T. RETUR	N 1/24	- 12
	102023	2Q2023	3Q2023	Percent	t 15 -										••••• •••-•			1 vr	STOCK	INDEX	F
to Buy to Sell Hid's(000)	102	122	115 110 27474	shares traded	10 - 5 +													3 yr.	-10.6	20.4 63.1	F
2008	20729	20920	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VAL	JE LINE P	UB. LLC	27-29
39.16	38.17	30.56	31.72	27.14	28.02	27.64	26.39	23.61	26.52	24.45	24.49	25.29	27.64	29.20	31.10	30.25	30.75	Revenue	s per sh		31.25
5.31 2.57	5.20 2.83	5.18 2.73	5.00 2.39	4.94	5.04 2.24	5.05 2.16	4.91	4.93	1.04 d1.94	5.28 2.33	5.15 2.19	5.69 2.30	6.17	5./1 2.54	5.85 2.65	6.15 2.75	6.85 3.00	"Cash F Earning	low" per : s per sh ⁴	sh	7.55 3.25
1.52	1.60	1.68	1.75	1.79	1.83	1.85	1.86	1.87	1.88	1.89	1.90	1.91	1.92	1.93	1.94	1.95	1.96	Div'ds D	ecl'd per	sh ^B ∎	1.98
3.92	5.09 24.88	9.35	3.76	4.91	5.13	4.40	4.37	4.87	7.43	7.43	7.95	9.18	9.49	9.53	9.00 21.70	9.25 20.70	9.50 40.55	Cap'l Sp	ending p	ersh	10.00
26.50	26.53	26.58	26.76	26.92	27.08	27.28	27.43	28.63	28.74	28.88	30.42	30.59	31.13	35.53	37.00	38.00	39.00	Commoi	1 Shs Out	tsťg ^C	42.00
18.1	15.2	17.0	19.0	21.1	19.4	20.7	23.7	26.9		26.6	30.9	25.0	19.5	19.6	16.3	Bold fig	ires are	Avg Ann	'I P/E Rat	io	20.0
1.09	1.01 3.7%	1.08 3.6%	1.19 3.9%	1.34	1.09	1.09 4.1%	1.19	1.41 3.3%	3.0%	1.44 3.0%	1.65	1.28	1.06	1.13	.94 4.5%	estin	ates	Relative Avg Ann	P/E Ratio 'I Div'd Y) ield	1.10 3.3%
CAPITA	L STRUC	CTURE a	s of 9/30	/23		754.0	723.8	676.0	762.2	706.1	746.4	773.7	860.4	1037.4	1150	1150	1200	Revenue	s (\$mill)		1250
Total De	ebt \$1686	6.3 mill. D	ue in 5 \	/rs \$713	mill.	58.7	53.7	58.9	d55.6	67.3	65.3	70.3	78.7	86.3	98	105	115	Net Prof	it (\$mill)		135
	φ1424.0	·····. L	i interes	α φ/5 min		41.5%	40.0%	40.9%		26.4% 9.5%	16.2%	23.1%	25.8%	25.2%	25.0% 8.5%	25.0% 0 1%	25.0% 9.8%	Income	Tax Rate		25.0% 10.9%
Total in	terest co	verage: 1	.9x)			44.8%	42.5%	44.4%	47.9%	48.1%	48.2%	49.2%	52.8%	51.5%	54.0%	52.5%	52.5%	Long-Te	rm Debt F	Ratio	50.0%
Pensior	Assets	- 12/22 \$3	00.0 mill) 4 mill	55.2%	57.5%	55.6%	52.1%	51.9%	51.8%	50.8%	47.2%	48.5%	46.0%	47.5%	27.5%	Common	n Equity F	Ratio	50.0%
fd Sto	ck None		0	olig. 5413	5.4 mii.	1389.0	1357.7	1529.8	1426.0	1468.9 2421 4	16/2.0 2438.9	1/48.8	2871.4	2421.6	2550 3250	2625 3400	2750 3550	Total Ca Net Plan	pital (\$mi t (\$mill)	II)	3250 3750
Commo	n Stock	36.778.2	71 share	s		5.8%	5.5%	5.1%	NMF	5.8%	5.2%	5.2%	5.1%	3.6%	4.0%	4.0%	4.5%	Return o	n Total C	ap'l	4.0%
is of 10	/26/23			-		7.6%	6.9%	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	7.3%	7.5%	7.0%	7.5%	Return o	n Shr. Eq	uity	8.5%
ARKE	T CAP \$	1.3 billio	n (Small	Cap)		1.1%	0.9%	0.9%	NMF	8.8% 2.1%	1.4%	1.7%	2.4%	2.1%	2.0%	2.0%	7.5%	Retained	to Com E	quity Ea	8.5% 3.5%
	NT POSI	TION	2021	2022	9/30/23	85%	92%	87%	NMF	76%	82%	79%	71%	79%	73%	70%	65%	All Div'd	s to Net F	Prof	60%
Cash A	ssets	4	18.6 18.7	29.3 714 9	156.6	BUSIN	ESS: No	rthwest N	Natural H	olding Co	b. distribu	ites natu	ral gas	Pipeline	system.	Owns	local un		d storag	e. Rev.	break-
Current	Assets	4	37.3	744.2	507.4	to 1,00) and in s	southwes	t Washin	gton state	e. Princip	al cities	served:	portatior	esideniia 1, 41%.	Employs	1,258.	BlackRo	ck Inc. o	owns 17	7.3% of
Accts P Debt Di	ayable Je	1	33.5 89.8	180.7 348.9	99.3 261.7	Portlan	d and E	ugene, C	R; Vanc	ouver, W	A. Servio	ce area	opula-	shares;	Vanguar	d, 12.2%	; Off./Dir.	., .95% (4	1/23 prox	y). CEC	: David
Other Current	Liab.	2	01.5 24.8	369.1 898.7	229.1	an and	i U.S. p	roducers	; has tra	ansportati	on rights	s on No	rthwest	OR 972	09. Tel.:	503-226-	4211. Int	ernet: wv	w.nwnat	ural.com	n.
ix. Ch	g. Cov.	3	35%	320%	275%	Nor	thwes	st Na	tural	stoc	k off	ers g	good	look	is_int	fluenc	ed by	milo	l El	Nino	year
ANNUA of change	L RATES (per sh)	5 Past 10 Yrs.	Pa: 5 Yr	st Est'd ′s. to'	'20-'22 27-'29	valu The	e fo	or in	come	-seek	ing n fror	accou	ints.	regio	nal v	veathe	er, an	ld SO1	me ir	iflatio	nary
Revenu Cash F	ës Iow"	-2.5° 1.0°	% % 2.	1 5% 5	4.5% 5.0%	\$77	a sha	re in a	as few	as fo	ur ye	ars, a	s the	earni	ngs li	ikely	rose	a dec	ent 4	%, th	anks
Earning	lS ds	-1.0	% 2.	5% (6.5% 5%	appe	al of	a st	eady	incom	ne str	eam	from	large	ly to a	a stro	ng fir aro ta	st qua	arter.	We e	xpect
Book Va	alue	1.0	% .	5%	4.0%	by t	he gr	rowth	poter	ntial o	of oth	er se	ctors	in 20	24, ar	nd 9%	in 20	25.	ince a	110011	C 7/0
Cal-	QUAR Mar 31	TERLY RE	VENUES (Sen 30	\$ mill.) Dec 31	Full	and	dimir	nished	l by l	nigher	inter	rest r	ates.	Resi	lient	ec	onom	ic	tren	ds	and
2021	315.9	148.9	101.5	294.1	860.4	lieve	is	an a	s the	tive	combi	natioi	n of	our	earni	ngs g	rowt	h out	look.	The	com-
2022	350.3	195.0	116.8	375.3	1037.4	stabi	ility a	nd va	lue. [The st	ock's	5.3%	divi-	pany	s serv	vice a	rea ra	anks _. a	among	g the	mid-
2023	402.4 445	237.9 220	141.5 130	355 355	1150	aena medi	i yiei	a, we s a si	ell at trong	incen	tne v tive v	<i>aiue</i> vhich	Dro-	grow	t the j	pack 1 ends.	n eco whicl	nomic	and tribut	popul es to	ation our
2025	465	230	135	370	1200	vides	s a so	lid fou	indati	on for	futur	e tota	al re-	expec	tatior	ns for	stab	ility.	The	comp	any's
Cal- endar	EA Mar.31	UNINGS P	ER SHARI Sep.30	Dec.31	Full Year	turn offer	pote	ntial. nilar	Whil	e gov	vernm	ent b with	loss	susta	inabil for	ity st	rateg: /th	ies ar Invest	e the	maii a in	n im- this
2021	1.94	d.02	d.67	1.31	2.56	risk,	the i	dea tl	hat in	terest	rates	may	well	doma	in, i	ncludi	ing i	ts ex	pandi	ng v	vater
2022	1.80 2.01	.05 .03	d.56 d.65	1.36 1.26	2.54 2.65	come	e dow	n in t	he ne	ar fut	ure a	dds to	the ther	busin	ess,	and	cont	inual	infr rato c	astru	cture
2024	2.00	.05	d.65	1.35	2.75	more	e, the	curre	nt pri	ce-to-e	earnin	gs rat	tio of	tion a	and ea	arning	s incr	eases	ahea	ase e d.	леси-
2025	2.10	.05 יייים ע וסשי	d.60	1.45	3.00	12.5	is no	tably	low f	or the	e stocl	x, and	l the	Risk	s are	wor	th no	ting.	Two	key	areas
Cal- endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	the i	ssue's tch_tc	Safet	ty ran 20ve A	k was	s recei e).	ntly r	aised	of con	ncern gas i	are ti	ne pos	ssible struct	banni	ing of	nat-
2020	.4775	.4775	.4775	.48	1.91	The	_ com	ipany	like	ely_e	nded	2023	3 in	urbai	i trei	nd), a	ind t	he in	creasi	ng t	hreat
2021	.48 483	.48 483	.48 483	.483 485	1.92 1 03	good	t sha	ape.	Note:	The	com	pany	was	from	wild	fires	in th	ne reg	gion.	Also,	the
2023	.485	.485	.485	.488	1.94	shor	tly aft	er we	went	to pr	ess wi	ar re	is Is-	quite	ы ца low.	uung	ə rr	eurcia	Juity	ran	A 18
202/ I	.488					sue.	Ŏur	conse	rvativ	e fou	rth-qu	arter	out-	Êarl	B. Hu	mes		Fel	hruar	23	2024
2024											-		040					100	nuurj	, 20, 1	
A) Dilute	ed earnin	gs per sl	hare. Exe	cludes no	n- (B) I av Mav	L Dividends	historica	ally paid in rember	n mid-Fel	bruary,	(D) Inclue	les intan	gibles. In	2022: \$1	49 millio	n, Cor	npany's ck's Pric	Financia e Stabili	I Strengt	th	A 85

not sum due to rounding. Next earnings report due in early May. © 2024 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

Earnings Predictability 15 To subscribe call 1-800-VALUELINE

Cause No. 46011 of 5

ONE GAS, INC. N	IYSE-0	GS		R	ecent Rice	62.45	P/E Ratio	15.	2 (Trailin Media	ng: 15.2) an: NMF)	RELATIVI P/E Rati	0.8	B DIV'D YLD	4.2	%	ALUI LINE	Pa	ge 4
TIMELINESS 3 Raised 12/8/23		High: Low:	44.3 31.9	51.8 38.9	67.4 48.0	79.5 61.4	87.8 62.2	96.7 75.8	97.0 63.7	81.9 62.5	92.3 68.9	84.3 55.5	65.8 58.0		2	Target	Price	Range
SAFETY 2 New 6/2/17	LEGEN 39	NDS 0.00 x Divid	lends p sh													2027	2020	2029
TECHNICAL 4 Lowered 2/9/24	Options:	elative Pric Yes	e Strength	ion														160
18-Month Target Price Range																		100
Low-High Midpoint (% to Mid)								1	Hinnin II.	 	n ⁿⁿⁿ h	""""						-80
\$52-\$101 \$77 (25%)													<u>م</u>					$+\frac{60}{50}$
2027-29 PROJECTIONS Ann'l Total				Hun.														$\frac{40}{30}$
Price Gain Return High 105 (+70%) <i>17%</i>					•			· · · · · · · · · · · ·										20
Institutional Decisions			I .	•		•••••••	•••••								% TO		N 1/24	
1Q2023 2Q2023 3Q2023 to Buy 157 158 148	Percent	t 21 -								******					1 yr.	STOCK -22.8	INDEX 3.7	
to Sell 133 133 153 Hid's(000) 51917 53044 51074	traded	7 -													3 yr. 5 yr.	-7.4 -13.9	20.4 63.1	-
The shares of ONE Gas, In	c. bega	n trad-	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VALI	JE LINE PI	JB. LLC	27-29
Exchange on February 3, 20	14. Tha	at hap-	34.92 4.52	29.62 4.82	5.43	29.43 5.96	6.32	31.32 6.96	7.36	7.71	46.58	46.50 9.10	47.55 9.85	49.55 10.90	"Cash Fl	is per sn Iow" per s	sh	13.95
pened as a result of the	separat	tion of	2.07	2.24	2.65	3.02	3.25	3.51	3.68	3.85	4.08	4.15	4.05	4.20	Earnings	s per sh 4	A B	5.00
Regarding the details of the s	pinoff, c	on Jan-	.84	5.63	5.91	6.81	7.50	2.00	8.87	9.23	2.48	11.75	2.64	2.68	Cap'l Sp	ect a per ending pe	sn ⊡∎ ersh	2.85
uary 31, 2014, ONEOK di	istribute	d one	34.45	35.24	36.12	37.47	38.86	40.35	42.01	43.81	46.69	47.05	49.55	54.50	Book Va	lue per sh	1	60.20
shares of ONEOK common	stock h	eld by	52.08 17.8	52.26 19.8	52.28 22.7	23.5	52.57 23.1	52.77 25.3	21.7	53.63	55.35	55.50 17.9	55.50 Bold fig	55.50 ures are	Commor Avg Ann	1 Shs Out 'I P/E Rat	st'g C	57.00
ONEOK shareholders of rec	ord as	of the	.94	1.00	1.19	1.18	1.25	1.35	1.11	1.02	1.16	1.00	Value	Line ates	Relative	P/E Ratio		1.00
be mentioned that ONEOK	did not	retain	2.3%	2.7%	2.3%	2.4%	2.5%	2.3%	2.7%	3.2%	3.1%	3.5%	2640	2750	Avg Ann	'I DIV'd Yi	eld	3.2%
any ownership interest in the r	new com	npany.	1010.9	119.0	1427.2	159.9	172.2	186.7	196.4	206.4	221.7	2300	2040	2730	Net Prof	it (\$mill)		285
CAPITAL STRUCTURE as of 9/30 Total Debt \$2990.0 mill. Due in 5 Y	/23 /rs \$1250).0 mill.	38.4%	38.0%	37.8%	36.4%	23.7%	18.7%	17.5%	16.3%	17.3%	15.5% 8.0%	15.5% 8.5%	16.0% 8.5%	Income T	Tax Rate		20.0%
LT Debt \$1862.6 mill. LT Interes	t \$115.0	mill.	40.1%	39.5%	38.7%	37.8%	38.6%	37.7%	41.5%	61.1%	50.7%	42.0%	45.0%	45.0%	Long-Tei	rm Debt F	atio	51.0%
coverage: 4.5x)			59.9%	60.5%	61.3%	62.2%	61.4%	62.3%	58.5%	38.9%	49.3%	58.0%	55.0%	55.0%	Common	Equity F	atio	49.0%
Leases, Uncapitalized Annual ren Pfd Stock None	tals \$6.5	mill.	2995.3 3293.7	3042.9 3511.9	3080.7	4007.6	4283.7	3415.5 4565.2	4867.1	5190.8	5628.8	4500 6050	5000 6425	6800	Net Plan	t (\$mill)	1)	8000
Pension Assets-12/22 \$950.8 mill. Oblig. \$95	53.0 mill		4.4%	4.7%	5.2%	5.8%	5.9%	6.4%	6.0%	3.9%	5.0%	6.5%	6.0%	5.5%	Return o	n Total C	ap'l	5.5%
Common Stock 55,454,050 shs.			6.1% 6.1%	6.5% 6.5%	7.4%	8.2% 8.2%	8.4% 8.4%	8.8% 8.8%	8.8%	8.8%	8.6%	9.0% 9.0%	8.0% 8.0%	8.0% 8.0%	Return o	n Snr. Eq n Com Ec	quity	8.5% 8.5%
MARKET CAP: \$3.5 billion (Mid C	Cap)		3.7%	3.1%	3.5%	3.7%	3.7%	3.8%	3.7%	3.5%	3.4%	3.5%	3.0%	3.0%	Retained	to Com I	q	3.5%
CURRENT POSITION 2021	2022	9/30/23		53% FSS: ON	JZ %	Do providu	of oc	o% oc ral nas n	listributio	00%	& indus	trial 10.8	00%	03% r 7% (NE Gas	has are		57%
Cash Assets 8.9 Other 2215.7 1	9.7 207.9	9.2 555.2	ices to	more that	an two m	illion custo	mers. T	here are	three div	visions:	ployees	BlackRo	ock owns	12.6%	of commo	on stock;	The Va	nguard
Current Assets 2224.6 1 Accts Payable 258.6	217.6 360.5	564.4 168.6	ice. The	ma Natu e compai	ny purcha	kansas Ga ased 165 B	s Servic	tural gas	exas Gas supply in	s Serv- n 2022,	tors, 1.5	11.5%; S 5% (4/23	roxy).	et Corpo CEO: Ro	bert S. N	I.5%; offi AcAnnally	cers and . Incorp	orated:
Debt Due 494.0 Other 227.9	572.7 256.2	1127.4 275.7	compai (fiscal 2	red to 16	4 Bcf in 2 ansportati	2021. Tota	volume	es delive	red by cu	istomer nercial	Oklahor Telepho	na. Addre	ess: 15 E	East Fifth	Street,	Fulsa, Ok legas cor	lahoma n	74103.
Current Liab. 980.5 1	189.4 540%	1571.7 550%	ONE	Gas	s, Inc	e. prok	ably	7 had	lal	ack-	So, t	he bot	tom 1	ine m	av on	ly fin	ish in	the
ANNUAL RATES Past Pas	st Est'd	20-'22	lust	er pe	rforr	nance	in	2023.	(Fou	rth-	vicin	ity of	\$4.05	per s	håre,	mode	stly b	elow
of change (per sh) 10 Yrs. 5 Yr. Revenues 6.	s. to 5% 10	0.0%	this	report	t went	t to pre	ess.)]	Recall	that	dur-	2025	, a n	early	4% a	advan	ce, to	\$4.2	20 a
Earnings 6.0	0% 9 0% 4	9.0% 4.0%	ing t	he fii	rst nii	ne mon	ths,	profit	s of \$	2.87	share	e, app	ears j	possib	le bas	ed to	some	ex-
Book Value 8.0	0% 3 0% 4	3.0% 4.5%	the	previ	lous	year's	\$2.8	36 ta	lly.	This	clima	te is g	genera	ally fa	vorab	le.	busi	11088
Cal- QUARTERLY REVENUES (\$ mill.)	Full	stem	med, % in	to a	certa	in d	legree	, from	n a	The	quar	terly	divio onny	dend	was	recei	ntly are
2021 625.3 315.6 273.9	593.8	1808.6	pens	es,	which	n par	ticula	arly	refle	cted	The o	compa	ny sa	ys tha	t it pl	ans to	keep	the
2022 971.5 428.9 359.4	818.2	2578.0	grea	ter de ations	epreci & m	ation &	ƙ an ance	nortiza costs	ation Also	and in-	avera	ige ar n 1% :	nnual and 2	divid % thr	end g	rowth fiscal	rate 2028	be- We
2023 1032.1 390.1 335.0 2024 1040 415 360	825	2640	teres	t exp	ense	rose sł	arpl	y. Th	e nun	ber	belie	ve tha	t sub	stanti	allys	lower	incre	ase,
2025 1060 430 410	850 A	2750	of di what	luted	shar her. to	es outs 10. But	stand the	ing v	vas so panv's	ome- re-	versu ting	ıs prıo expen	r yea: ses sl	rs, 1s] 10uld	partly contir	becau nue to	ise op clim	era- b as
endar Mar.31 Jun.30 Sep.30	Dec.31	Year	sults	wer	e hel	ped pa	rtly	by n	ew ra	ates.	ONE	Gas	expan	ds. In	any	event	, the	pay-
2021 1.79 .56 .38 2022 1.83 59 44	1.12	3.85	drop	eover, ped. 1	the Never	theless	re 1n . it s	come	tax that	rate full-	out	ratio t to k	out t De ma	o the anage:	able.	of th	ie de e 559	cade % to
2022 1.80 .55 .44	1.28	4.15	year	earr	nings	per s	hare	wer	e aro	und	60%	range.		41	• .	. 1.1		
2024 1.82 .57 .43 2025 1.87 .60 .48	1.23 1.25	4.05 4.20	թ4.18 \$4.08	5. Tha 3 figu	ii woi re.	na pe	quite	ciose	10 20	777 S	these	e are e shai	• son res. C	apital	ings l gains	s pote	se at ntial	over
Cal- QUARTERLY DIVIDENDS P	AID ^B	Full	We	antic	ipate	anot	her	unde	erwhe	elm-	the 1	18-moi	nth s	pan is	s sign	ifican	t. Up	side
endar Mar.31 Jun.30 Sep.30	Dec.31	Year	stan	ds to	enjoy	the b	enefit	ts of	new r	rates	possi are	worth	s aur while,	too.	The	⊿1-202 solid	⊿∋ pe divio	lend
2021 .58 .58 .58	.58	2.32	and	custor	ner gi	rowth,	they	ought	to be	e off-	yield	is and	other	plus.	Consi	der, a	lso, t	he 2
2022 .62 .62 .62 2023 .65 .65 .65	.62 .65	2.48 2.60	emp	oyee-	relate	d and	coi	ntract	or co	osts,	Price	Stabi	lity n	nark o	f 90 o	ut of 1	100.	ngn
2024 .66			depr	eciati	on ex	pense,	and	inter	est co	sts).	Frede	erick I	. Har	ris, Il	I Fe	bruar	y 23,	2024
(A) Diluted EPS. Excludes nonrect 2017, \$0.06. Next earnings report	urring gai due ea	ın: (B) rly June	Dividends e, Sept., a	historicand Dec.	ally paid Divide	in early M nd reinvest	arch, ment						Cor Sto	npany's ck's Pric	⊢inancia e Stabili	I Strengt	h	B++ 90
May. Quarterly EPS figures for 2 equal total due to rounding	2022 doi	n't plan	. Direct s n millions	lock purc	nase pla	n.							Pric	e Growt	h Persist edictabil	itv		50 100

equal total due to rounding. (C) In millions. © 2024 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. The FUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

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SPI	rf I	NC.		ep.			R	ecent Rice	59.3		o 14 .	5 (Traili Media	ng: 16.0) an: 19.0)	RELATIV P/E RATI	6 0.8		5.2	% V			age 5
TIMELIN	IESS 3	B Raised 2	/16/24	High:	48.5	55.2 44.0	61.0 49.1	71.2	82.9 62.3	81.1	88.0 71.7	88.0	77.9	79.2	75.8	64.6 56.4		1.	Target	t Price	Range
SAFETY	2	Raised 6	/20/03	LEGEI 26	NDS 8.50 x Divid	dends p sh		57.1	02.0	00.1		00.0	00.0	01.5	00.0	50.4			2027	2028	2029
TECHNI	CAL 4	Lowered	9/29/23	Options:	elative Pric Yes	e Strength	ion														160
18-Mon	th Tarc	et Price	Range	Shaded	area indica	ales recess						ч.,									
Low-Hig	h Mid	point (%	to Mid)			 	1	արեր	1111 ¹¹¹¹¹	hining		- 146-1 0		^{n mun} nn	т ₁₁ , ₁₁ ,	lo					-60
\$50-\$88	\$69	(15%)			── ┃ ┨╹┱╻┡╹																40
202	7-29 PR		DNS nn'l Total	•••••								•									- 30
High 1	, vrice 000 (∙	Gain +70%)	18%		••••••••••••••••••••••••••••••••••••••	********************	•••••	••••	•••••	• • • • • • • • • • • • • • • • • • •											20
Institut	tional l	+25%) Decisio	ns	-	1						1		••••••	•••	•••••			% то т	T. RETUR	RN 1/24	- 15
to Buy	102023 128	202023 142	3Q2023 131	Percen	t 18 -					 .								1 yr.	sтоск -17.7	INDEX 3.7	-
to SelÍ Hld's(000)	132 45090	138 46098	144 48374	traded	6					Hillinit								3 yr. 5 yr.	4.9 -13.5	20.4 63.1	-
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VALU	JE LINE P	UB. LLC	27-29
4.22	85.49 4.56	4.11	4.62	49.90	31.10	37.68 3.87	45.59 6.15	33.68 6.16	36.07 6.54	38.78	38.30	35.96	43.24 9.09	41.88 8.44	8.60	48.90	50.25 9.65	"Cash Fl	s per sn ow" per :	sh	57.25 11.00
2.64	2.92	2.43	2.86	2.79	2.02	2.35	3.16	3.24	3.43	4.33	3.52	1.44	4.96	3.95	3.85	4.10	4.50	Earnings	per sh	AB	5.50
1.49 2.57	1.53 2.36	1.57 2.56	1.61	1.66	1.70	1.76 3.96	1.84 6.68	1.96 6.42	2.10 9.08	2.25 9.86	2.37	2.49	2.60	2.74	2.88	3.02 13.80	3.16 14.15	DIV'ds D Cap'l Sp	eci d per endina n	sn ⊂∎ ersh	3.60 14.50
22.12	23.32	24.02	25.56	26.67	32.00	34.93	36.30	38.73	41.26	44.51	45.14	44.19	46.74	49.08	50.29	55.45	59.20	Book Val	ue per si	h D	66.05
21.99	22.17	22.29	22.43	22.55	32.70	43.18	43.36	45.65 19.6	48.26	50.67 16.7	50.97 22.8	51.60	51.70 13.6	52.50	53.20	55.50 Bold fire	56.50 vres are	Common Ava Ann	I Shs Out	tst′g ⋿ tio	62.00 16.0
.86	.89	.87	.82	.92	1.20	1.04	.83	1.03	1.00	.90	1.21	2.62	.73	1.01	1.00	Value	Line	Relative	P/E Ratio	>	.90
3.9%	3.9%	4.7%	4.3%	4.1%	4.0%	3.8%	3.5%	3.1%	3.1%	3.1%	3.0%	3.4%	3.8%	4.0%	4.3%	0745	0010	Avg Ann	'l Div'd Y	ield	4.1%
Total De	bt \$475	2.3 mill.	as of 12/3 Due in 5	Yrs\$2310	.0 mill.	84.6	19/6.4	1537.3 144.2	1/40./	1965.0 214.2	1952.4	88.6	2235.5	2198.5	2006.3	2/15	2840	Net Profi	s (\$mill) t (\$mill)	^	3550 340
LT Debt (Total in	\$3247.8 terest co	3 mill. L	T Interes	st \$140.0	mill.	27.6%	31.2%	32.5%	32.4%		15.7%	12.3%	20.1%	21.1%	15.1%	18.0%	19.0%	Income T	ax Rate		24.0%
(,			5.2% 55.1%	6.9% 53.0%	9.4% 50.9%	9.3% 50.0%	10.9% 45.7%	9.5% 45.0%	4.8%	12.2%	10.0%	8.2% 54.9%	8.5% 52.0%	9.0% 52.0%	Net Profi	t Margin m Debt F	Ratio	9.6% 51.0%
Leases,	Uncapi	italized A	Innual rer	ntals \$9.8	mill.	44.9%	47.0%	49.1%	50.0%	54.3%	49.7%	46.1%	43.2%	44.6%	41.3%	44.0%	44.0%	Common	Equity F	Ratio	45.0%
Pension	Assets	5-9/23 \$63	30.3 mill. O	blig. \$832	2.5 mill.	3359.4	3345.1 2941 2	3601.9	3986.3	4155.5	4625.6	4946.0	5597.3	5777.0	6471.3	7000 6150	7600	Total Cap Net Plant	oital (\$mi t (\$mill)	II)	9100 7675
Pfd Stoo Commo	ck \$242 n Stock	.0 mill. 54.983.3	Pfd D 397 shs.	iv'd \$14.8	8 mill.	3.1%	5.1%	4.9%	5.0%	6.3%	5.1%	2.9%	5.8%	4.9%	4.8%	5.0%	5.0%	Return o	n Total C	ap'l	5.5%
as of 1/2	29/24					5.6%	8.7%	8.2%	8.1%	9.5%	7.3%	3.5%	10.2%	7.8%	7.5%	7.5%	7.5%	Return o	n Shr. Eq	luity auity	8.5% ° 5%
MARKE	T CAP:	\$3.3 billi	on (Mid (Cap)		1.5%	3.7%	3.3%	3.3%	9.5%	2.7%	NMF	5.1%	2.5%	1.9%	1.5%	2.0%	Retained	to Com	Eq	2.5%
	NT POS .L.)	ITION	2022	2023 1	2/31/23	73%	58%	59%	60%	51%	66%	NMF	54%	71%	76%	79%	76%	All Div'ds	s to Net F	Prof	70%
Cash A: Other	sséts	15	6.5 585.5 1	5.6 071.3	4.8 1215.1	BUSIN is a hol	ESS: Sp ding con	ire Inc., for	ormerly k natural c	nown as as utilitie	the Lack	ede Grou distribute	ip, Inc., s natu-	lated op transpo	perations: rtation 5	resident	ial, 67%; 3% Of	commerce ficers and	cial and director	industria	l, 25%; 2.9% of
Current	Assets	15	592.0 1	076.9	1219.9	ral gas	across N	/issouri, i	including	the cities	s of St. Lo	ouis and	Kansas	commo	n shares	; Americ	an Cen	tury Con	npanies,	15.4%	(12/23
Accts P	ayable Je	(19	617.4 318 7 1	253.1	293.8 1504 5	Acquire	auama, d Misso	uri Gas 9	issippi. H 9/13, Alat	as rough Dama Ga	s Co 9/1	4. Utility	therms	proxy). Missour	i. Addres	n: ⊨owai ss: 700 N	a Giotzt Narket S	treet, St.	Louis, N	e Linase Missouri	y. inc.: 63101.
Other	Liab	2	417.5 353.6 1	390.2	412.2	sold an	d transp	orted in f	iscal 202	3: 3.2 bi	II. Reven	ue mix fo	or regu-	Tel.: 31	4-342-05	00. Interr	et: www	.spireener	gy.com.	2002	, 1
Fix. Cho	g. Cov.	3	393%	294%	310%	ber	e beg 30th)	gan fi) on a	iscal a sou	zuz4 r not	(ends te. Fi	s Sep rst-au	tem- arter	1rom \$7.2	nscal billio	2024 n. As	thro sumi	ugh fi ng tha	scal 2 at th	∠∪33 e ba	to be lance
ANNUA of change	L RATE (per sh)	S Past 10 Yrs.	Pa . 5 Yi	st Est'd rs. to'	l '21-'23 '27-'29	earn	ings í	per sh	are s	lipped	8.4%	, to \$	1.52,	sheet	t stay	s in	heal	thy c	onditi	ion,	Spire
Revenu "Cash F	es low"	-1.0 8.0	% 4. % 5.	.5% 0%	4.0% 4.0%	versi partl	us ias ly to	the fa	s ə1.0 act th	at, fo	ai. in or bot	h the	Gas	these	e objec	tives.	ittle 1	rouble	e acco	mpm	sung
Earning Dividen	s ds	5.0 5.0	1% 3. 1% 5.	0% 5%	4.5% 4.5%	Marl	, eting	and	Midst	ream	divisi	ions, t	fiscal	Busi	ness	pros	pects	out	to 2	2027-	2029
Book Va	alue	5.5	i% 3.	.5%	5.5%	were	not	repea	ted. E	But or	n the	plus	side,	milli	on cus	stome	rs in 1	gas ut Missis	sippi,	Alab	ama,
Year	QUAR Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year	the (Gas U	Itility	unit	had a	bette	r perf	form-	and	Misso	uri. '	Foo, t	he ot	her c	operat	tions,
2021	512.6	1104.9	327.8	290.2	2235.5	rates	, sup s. We	do an	iticipa	te un	specta	acular	con-	tiona	l exp	y pipe	nary	proje	cts a	and	tech-
2022 2023	555.4 814.0	880.9 1123.4	448.0 418.5	314.2 310.4	2198.5 2666.3	solid	ated	result	s for	the	secon	d qua	arter.	nolog	rical e	enhan	cemer	nts in	custo	omer Spir	serv-
2024	756.6 790	1170 1235	453.4 465	335 350	2715 2840	botto	m-lin	e com	pariso	ons du	y rat	the se	econd	well.	Fina	illy, a	icquis	itions	are	plau	sible,
Fiscal	EAR	NINGS PE	R SHARE	ABF	Full	half,	full-	year % to	share	net	stand	s to	grow	giver	the	adequ	ate f	inance	s. To	that	end,
Ends	Dec.31	Mar.31	Jun.30	Sep.30	Year	2023	figur	re of \$	\$3.85.	Rega	rding	next	year,	of th	e Mo	Hy Ju Jas ar	nd On	nega p	ipelin	ie sys	stems
2021 2022	1.65 1.01	3.55 3.27	.03 d.10	d.26 d.20	4.96 3.95	profi	ts sta	and to	adv	ance	aroun	d 10%	%, to	(both	serv	ing cu	stom	ers in	Miss	ouri)	from
2023	1.66	3.33	d.48	d.66	3.85	pand	l furth	nare, ier.	as 0	perati	ng m	argins	s ex-	\$177	.6 mil	lion.	astru(lure	rust	, me	. 10r
2024	1.52 1.50	3.34 3.35	d.11	d.40 d.24	4.10	Cap	ital	exper	nditu	res f	or tl	his f	iscal \$765	Wha	t abo	ut the	e sto	ck? It	s divi	dend	yield
Cal-	QUAR	TERLY DIV	IDENDS P		Full	year milli	ion. (That's	15.59	% high	e aro her th	an th	e fis-	in Va	ilue L	ine's	Natur	al Ga	s Util	lity I	ndus-
2020	Mar.31	Jun.30	5ep.30	Dec.31	2 49	cal 2	023 1	evel of	f \$662	.5 mil	llion.)	Fund	s are	try. I	Moreo	ver, c	apital	gains	s pote	ential	over
2021	.65	.65	.65	.65	2.60	ture	g aepl upgr	ades	at tł	n area	as as ilities	and	new	tne looks	dece	ntn sj ent. N	pan a Ieanw	ma ou zhile,	the '	Z027. Timel	iness
2022 2023	.685 .72	.685 .72	.685 .72	.685 .72	2.74 2.88	busii	ness	levelo	pmen	t initi	atives	. Mai	nage-	rank	sits a	t 3 (A	verag	e).		. 69	0004
2024	.755	-	20th /P	-		ment	t adds	s that	It IO	OKS 10	r tota	i sper	aing	Frede	erick I	L. Har	ris, I	LI Fet	oruary	y 23, 2	2024
liluted sh	i year ei iares ou	tstanding	. Exclude	s gain fro	om deno	d reinvest	, April, Ji ment pla	n availab	le. (D) In	cl.	to roundi	ng or cha	inge in sl	hares out	standing.	Sto	ck's Pric	e Stabilit	y Surengi	ul	90

discontinued operations '08, 94c. Next earn-ings report due late April. (C) Dividends paid in \$22.02/sh.



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Attachment LDC-2 Cause No. 46011 Page 1 of 3

Constant Growth DCF

	1	2	3	4	5	6		
		13-Week		Analysts'		Constant	Price- 52	Price - 52
	Annual	Average Stock		Growth	Adjusted	Growth	Week High	Week Low
Gas Group Companies:	Dividend *	Price **	Yield	Estimates ***	Yield	DCF	***	***
1 Atmos Energy Corp. (ATO)	\$3.22	\$114.74	2.81%	7.26%	3.01%	10.27%	\$125.28	\$101.00
2 NiSource Inc. (NI)	\$1.06	\$26.34	4.02%	6.19%	4.27%	10.46%	\$28.95	\$22.86
3 Northwest Natural Gas Co. (NWN)	\$1.95	\$37.23	5.24%	4.09%	5.45%	9.54%	\$49.09	\$34.95
4 ONE Gas Inc. (OGS)	\$2.64	\$61.38	4.30%	4.65%	4.50%	9.15%	\$83.89	\$55.50
5 Spire, Inc.(SR)	\$3.02	\$59.66	5.06%	5.18%	5.32%	10.50%	\$72.07	\$53.77
6 Average	\$2.38	\$59.87	4.29%	5.47%	4.51%	9.99%		

Sources:

* Value Line Investment Survey - February 23, 2024.
** S&P Capital IQ Pro, April 8, 2024, Attachment LDC-2, page 3.
*** Attachment LDC-2, page 2.

Attachment LDC-2 Cause No. 46011 Page 2 of 3

DCF Equity Growth Rates Analysts Projected EPS Growth Rate Estimates

	1	2	3	4	5	6
	Company	Yahoo Fin.	Zacks	MarketWatch	Value Line	Average
1	Atmos Energy Corp. (ATO)	7.50%	7.00%	7.53%	7.00%	7.26%
2	NiSource Inc. (NI)	7.30%	6.00%	1.97%	9.50%	6.19%
3	Northwest Natural (NWN)	2.80%	N/A	2.96%	6.50%	4.09%
4	ONE Gas Inc. (OGS)	5.00%	5.00%	4.60%	4.00%	4.65%
5	Spire Inc. (SR)	6.36%	5.00%	4.87%	4.50%	5.18%
6	Average	5.79%	5.75%	4.39%	6.30%	5.47%

7 Average Value Line, Yahoo Finance and Zacks: 5.95%

Sources: April 8, 2024. See links below.

Yahoo Finance - https://www.finance.yahoo.com/quote/

Zacks - https://www.zacks.com/stock/quote/

MarketWatch - https://www.marketwatch.com/

S&P Capital IQ Pro - https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/estimateHighlights?ID=40223 *Value Line Investment Survey* - February 23, 2024. https://research.valueline.com/secure/

Attachment LDC-2 Cause No. 46011 Page 3 of 3

Date	Atmos	NiSource	Northwest	ONE Gas	Spire
4/5/2024	\$116.23	\$27.19	\$36.41	\$63.72	\$59.34
4/4/2024	\$116.13	\$27.17	\$36.75	\$64.07	\$59.90
4/3/2024	\$116.97	\$27.34	\$36.98	\$63.43	\$60.42
4/2/2024	\$117.77	\$27.50	\$36.81	\$63.90	\$61.04
4/2/2024	\$117.77 \$117.95	\$27.30	\$30.81	\$03.90	\$01.0 4 \$60.05
4/1/2024	\$117.83	\$27.40	\$37.12	\$03.02	\$00.95
3/28/2024	\$118.87	\$27.66	\$37.22	\$64.53	\$61.37
3/2//2024	\$118.26	\$27.46	\$36.67	\$63.46	\$60.57
3/26/2024	\$115.25	\$26.97	\$35.60	\$61.83	\$59.53
3/25/2024	\$116.10	\$27.15	\$36.35	\$62.50	\$59.86
3/22/2024	\$116.57	\$27.10	\$35.89	\$62.41	\$59.77
3/21/2024	\$116.83	\$27.10	\$36.49	\$62.97	\$59.66
3/20/2024	\$116.50	\$26.86	\$36.46	\$62.91	\$59.96
3/19/2024	\$115.78	\$26.84	\$36.07	\$62.23	\$59.26
3/18/2024	\$115.41	\$26.65	\$35.89	\$61.99	\$58.88
3/15/2024	\$114.55	\$26.50	\$36.35	\$61.42	\$59.59
3/14/2024	\$114.90	\$26.36	\$36.16	\$61.39	\$59.81
3/13/2024	\$116.23	\$26.65	\$36.96	\$62.24	\$60.41
2/12/2024	\$116.23 \$116.52	\$26.83	\$30.70 \$27.72	\$62.08	\$60.97
2/11/2024	\$110.32 \$117.00	\$20.02 \$27.09	\$37.73 \$29.20	\$62.14	φ00.9/ \$61.16
3/11/2024	\$117.00 \$117.00	\$27.08	\$38.3U	\$03.14 \$(2.12	\$01.10 \$CO.70
3/8/2024	\$115.82	\$27.01	\$37.70	\$63.13	\$60.70
3/7/2024	\$115.59	\$26.97	\$37.55	\$62.68	\$61.15
3/6/2024	\$115.20	\$26.87	\$37.38	\$61.91	\$60.74
3/5/2024	\$114.46	\$26.59	\$37.20	\$61.47	\$60.74
3/4/2024	\$114.68	\$26.61	\$37.68	\$60.63	\$60.91
3/1/2024	\$112.73	\$26.13	\$36.93	\$59.48	\$59.61
2/29/2024	\$112.91	\$26.06	\$36.74	\$59.60	\$59.32
2/28/2024	\$112.46	\$25.85	\$37.15	\$59.45	\$59.37
2/27/2024	\$112.53	\$26.02	\$36.57	\$59.00	\$59.07
2/26/2024	\$111.62	\$25.71	\$36.60	\$58.33	\$58.53
2/23/2024	\$112.76	\$26.12	\$35.85	\$59.34	\$59.14
2/23/2024	\$112.70 \$114.10	\$26.12	\$30.76	\$60.66	\$50.60
2/22/2024	\$114.19	\$20.04	\$39.70	\$00.00	\$59.00
2/21/2024	\$114.09	\$20.23	\$38.87	\$60.39	\$39.75
2/20/2024	\$113.69	\$26.02	\$39.16	\$60.55	\$59.81
2/16/2024	\$113.95	\$25.90	\$36.49	\$60.74	\$59.42
2/15/2024	\$114.27	\$25.97	\$36.06	\$61.38	\$60.03
2/14/2024	\$112.98	\$25.38	\$35.53	\$59.82	\$58.50
2/13/2024	\$111.75	\$25.28	\$35.14	\$59.16	\$57.74
2/12/2024	\$114.00	\$25.63	\$36.62	\$62.45	\$59.34
2/9/2024	\$113.11	\$25.25	\$35.13	\$60.85	\$58.35
2/8/2024	\$112.93	\$25.06	\$35.36	\$60.26	\$58.46
2/7/2024	\$111.93	\$25.09	\$35.62	\$58.76	\$57.86
2/6/2024	\$111.81	\$25.08	\$35.75	\$58.67	\$57.95
2/5/2024	\$111.78	\$25.25	\$35.84	\$58.86	\$58.03
2/2/2024	\$113.77	\$25.60	\$36.94	\$61.27	\$59.00
2/1/2024	\$115 79	\$26.35	\$37.03	\$61.90	\$59.27
1/31/2024	\$113.94	\$25.97	\$36.86	\$61.37	\$56.77
1/20/2024	\$11/ 51	\$25.77 \$26.12	\$27 70	\$61.77	\$58.02
1/20/2024	\$114.31 \$114.26	\$26.00	\$37.70	\$62.20	\$50.05
1/29/2024	\$114.20 \$112.70	\$20.09 \$25.92	\$30.78 \$20.72	Φ02.39 ΦC1-24	\$J0.33 \$50.15
1/26/2024	\$113.70	\$25.82	\$38./3	\$01.34	\$38.15
1/25/2024	\$113.92	\$25.56	\$38.99	\$61.23	\$38.83
1/24/2024	\$110.89	\$25.18	\$38.45	\$60.59	\$59.50
1/23/2024	\$112.70	\$25.68	\$39.00	\$61.15	\$60.81
1/22/2024	\$113.14	\$25.59	\$38.77	\$60.30	\$60.17
1/19/2024	\$113.08	\$25.60	\$38.00	\$59.18	\$58.79
1/18/2024	\$112.43	\$25.65	\$37.77	\$58.57	\$58.20
1/17/2024	\$112.74	\$25.94	\$37.71	\$58.86	\$58.41
1/16/2024	\$114.08	\$26.28	\$37.83	\$59.27	\$59.00
1/12/2024	\$115.79	\$26.74	\$38.43	\$60.80	\$60.09
1/11/2024	\$115.39	\$26.50	\$38.31	\$61.03	\$59.84
1/10/2024	\$118.04	\$27.34	\$39.19	\$62.50	\$61.41
1/9/2024	\$118.36	\$27.14	\$39.19	\$63.02	\$61.74
1/8/2024	\$112.25	\$27.14	\$30.62	\$64.52	\$63.06
1/5/2024	\$117.00	\$77 0A	\$20.29	\$62.02	\$62.00
1/3/2024	φ11/.70 ©11/-7	Φ27.04 Φ26.24	\$37.30 \$27.33	φυ3.73 Φζ1 30	φ02.70 Φ 5 0.66
Average	\$114./4	\$20.34	JJ/.25	301.38	\$37.00

13 Week Average Stock Prices

Source:

S&P Capital IQ Pro: April 8, 2024

Attachment LDC-3 Cause No. 46011 Page 1 of 3

CAPM Cost of Equity Summary -- Gas Group

CAPM Formula: $K = R_f + b(R_m - R_f)$

Risk Free Rate (R _f)	4.36%	Page 2
Beta (β) - Combined Average	0.65	Page 3
		C
Equity Risk Premium (Rm - Rf) *	5.74%	
Equity Cost Rate	8.09%	

* Source: Attachment LDC-6, page 1.

CAPM Cost of Equity Summary -- Gas Group CAPM Formula: $K = R_f + b(R_m - R_f)$

Risk Free Rate (R _f)	4.36%
Beta (β) - Combined Average (Value	
Line and Bloomberg)	0.81
Equity Risk Premium (Rm - Rf) *	5.74%
Equity Cost Rate	9.01%

Yields on U.S. Treasury Bonds

		1	2	3	4
Γ		5 Year	10 Year Treasury	20 Year Treasury	30 Year Treasury
	Date	Treasury Bonds	Bonds	Bonds	Bonds
1	4/5/2024	4.38%	4.39%	4.65%	4.54%
2	3/28/2024	4.21%	4.20%	4.45%	4.34%
3	3/22/2024	4.20%	4.22%	4.47%	4.39%
4	3/15/2024	4.33%	4.31%	4.55%	4.43%
5	3/8/2024	4.06%	4.09%	4.36%	4.26%
6	.3/01/2024	4.17%	4.19%	4.46%	4.33%
7	2/23/2024	4.28%	4.26%	4.51%	4.37%
8	2/16/2024	4.29%	4.30%	4.58%	4.45%
9	2/9/2024	4.14%	4.17%	4.48%	4.37%
10	2/2/2024	3.99%	4.03%	4.33%	4.22%
11	1/26/2024	4.04%	4.15%	4.49%	4.38%
12	1/19/2024	4.08%	4.15%	4.47%	4.36%
13	1/12/2024	3.84%	3.96%	4.32%	4.20%
14	Average	4.15%	4.19%	4.47%	4.36%

28 Day Average (3/8/24 to 4/5/24) 4.39%

Source: April 8, 2024: https://ycharts.com/indicators/5_year_treasury_rate; https://ycharts.com/indicators/10_year_treasury_rate; https://ycharts.com/indicators/20_year_treasury_rate; https://ycharts.com/indicators/30_year_treasury_rate

Attachment LDC-3 Cause No. 46011 Page 3 of 3

8

0.68

0.64

0.64

0.69

0.63

0.65

Betas for Proxy Group 3 4 1 2 5 6 7 Value Line* **Company Name** Bloomberg** Yahoo Finance MarketWatch S&P NYSE Zacks Combined Atmos Energy Corp. (ATO) 0.85 0.66 0.51 0.66 0.75 0.66 0.65 NiSource Inc. (NI) 0.90 0.81 0.49 0.49 0.75 0.52 0.49 Northwest Natural Gas Co. (NWN) 0.85 0.71 0.57 0.80 0.45 0.57 0.56 ONE Gas Inc. (OGS) 0.85 0.78 0.79 0.65 0.64 0.65 0.47

0.77

0.76

0.52

0.57

0.51

0.58

0.73

0.74

0.49

0.49

0.51

0.58

Average of *Value Line* and Bloomberg betas: 7 0.81

* See Attachment LDC-1, pp. 1-5.

** Petitioner's Exhibit No. 7, Attachment AEB-5, CAPM and ECAPM

Date: April 8, 2024

Spire, Inc. (SR)

Average

1

2

3

4

5

6

Yahoo Finance - https://www.finance.yahoo.com/quote/

Zacks - https://www.zacks.com/stock/quote/

MarketWatch - https://www.marketwatch.com/

S&P Capital IQ Pro - https://www.capitaliq.spglobal.com/web/client?auth=inherit#company/estimateHighlights?ID=4022309

0.85

0.86

NYSE: https://www.nyse.com/index

KRC

Kroll Cost of Capital Recommendations and Potential Upcoming Changes – February 8, 2024 Update

Executive Summary

Kroll regularly reviews fluctuations in global economic and financial market conditions that may warrant changes to our equity risk premium (ERP) and accompanying risk-free rate recommendations. The risk-free rate and ERP are key inputs used to calculate the cost of equity capital in the context of the Capital Asset Pricing Model (CAPM) and other models used to develop discount rates. We also update country risk data on a quarterly basis for 175+ countries using various models.

The Kroll Recommended U.S. ERP is being reaffirmed at 5.5% when developing USD-denominated discount rates, but it could be lowered in the near future. The Kroll Recommended Eurozone ERP is being reaffirmed in the range of 5.5% to 6.0%, but we believe that a 5.5% ERP (i.e., towards the lower end of the range) is more appropriate when developing EUR-denominated discount rates as of February 5, 2024, and thereafter, until further guidance is issued.

Cost of Capital Recommendations

United States

The **Kroll Recommended U.S. ERP remains at 5.5%**. This is matched with the higher of a U.S. normalized risk-free rate of 3.5% or the spot 20-year U.S. Treasury yield as of the valuation date.

Recently, as interest rate uncertainty began to subside and a scenario of soft landing became more plausible, investor confidence has risen. Interest rates have likely peaked, and investors are pricing significant policy rate cuts in 2024. The Federal Reserve (Fed) may ultimately be more conservative about the timing and speed of cuts than investors are anticipating. Nevertheless, in its December 2023 meeting the Fed projected a median reduction in its policy rate of 80 basis points, which boosted investor optimism.

Recently, the S&P 500 and the Dow Jones Industrial Average indices have both reached new record highs, which had not occurred in two years. While markets may still experience high volatility until interest rates settle, continued strength in consumer spending and the job market, coupled with an expected improvement in earnings growth, may lead equity markets in the U.S. to test new highs. This "risk-on" attitude means the equity risk premium is likely to come down, barring a major geopolitical event (e.g. escalation of Middle East conflict) or other unforeseen materially negative events.

Attachment LDC-4 Cause No. 46011 Page 2 of 2

Eurozone (From a German Investor Perspective)

The Kroll Recommended Eurozone ERP remains in the range of 5.5% to 6.0%, to be used in conjunction with the higher of a German normalized risk-free rate of 3.0% or the spot 15-year German government bond yield as of the valuation date.

However, recent inflation readings in the Eurozone have declined at a much faster pace than initially anticipated by economists and the European Central Bank (ECB). In light of these developments, rate cuts are also being contemplated by the ECB in 2024. Long-term inflation expectations have also declined significantly, in both Germany and the overall Eurozone. As a result, it is possible that the Kroll normalized risk-free rate for Germany will be lowered in the near future. In addition, although the Eurozone economy has not been as resilient as in the U.S., real GDP growth in 2023 likely ended in a much better place than originally projected at the beginning of the year. The job market continues to be relatively strong, and economic recovery is expected to continue, albeit at a slow pace in some of the countries within the region (e.g. Germany, Italy, etc.). Benchmark stock indices in some of the countries in the Eurozone have touched new records, like the CAC-40 in France and the DAX in Germany. The STOXX Europe 600 index has been approaching, but not yet reaching, the record high last observed in early 2022.

While the Kroll Recommended Eurozone ERP remains in the range of 5.5% to 6.0%, based on current economic and financial market conditions, we believe that a **5.5% ERP (i.e., towards the lower end of the range) is more appropriate when developing EUR-denominated discount rates as of February 5, 2024**, and thereafter, until further guidance is issued.

Incremental country risk adjustments for other Eurozone countries with a sovereign debt rating below AAA may be appropriate. Please note that this information does not supersede Germany's IDW (Institut der Wirtschaftsprüfer) guidance for projects that will be reviewed by German auditors or regulators.

We will continue to closely monitor the situation and publish new guidance when appropriate.

Please contact our support team with any questions: costofcapital.support@kroll.com

FEDERAL RESERVE press release

Page 1 of 4

For release at 2:00 p.m. EDT

March 20, 2024

Attachment LDC-5 Cause No. 46011

Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in its previously announced plans. The Committee is strongly committed to returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take

-2-

into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Thomas I. Barkin; Michael S. Barr; Raphael W. Bostic; Michelle W. Bowman; Lisa D. Cook; Mary C. Daly; Philip N. Jefferson; Adriana D. Kugler; Loretta J. Mester; and Christopher J. Waller.

-0-

Attachment

For media inquiries, please email media@frb.gov or call 202-452-2955.

For release at 2:00 p.m. EDT

March 20, 2024

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its <u>statement</u> on March 20, 2024:

- The Board of Governors of the Federal Reserve System voted unanimously to maintain the interest rate paid on reserve balances at 5.4 percent, effective March 21, 2024.
- As part of its policy decision, the Federal Open Market Committee voted to direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

"Effective March 21, 2024, the Federal Open Market Committee directs the Desk to:

- Undertake open market operations as necessary to maintain the federal funds rate in a target range of 5-1/4 to 5-1/2 percent.
- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 5.5 percent and with an aggregate operation limit of \$500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 5.3 percent and with a per-counterparty limit of \$160 billion per day.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in each calendar month that exceeds a cap of \$60 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest into agency mortgage-backed securities (MBS) the amount of principal payments from the Federal Reserve's holdings of agency debt and agency MBS received in each calendar month that exceeds a cap of \$35 billion per month.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons.
- Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions."
- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve the establishment of the primary credit rate at the existing level of 5.5 percent.

Attachment LDC-5 Cause No. 46011 Page 4 of 4

-2-

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

More information regarding open market operations and reinvestments may be found on the Federal Reserve Bank of New York's <u>website</u>.

Attachment LDC-6 Cause No. 46011 Page 1 of 1

Equity Risk Premium - 30-Year Treasury Bonds

			Authorized	30 yr.	Indicated
			Nat. Gas	Treasury	Risk
<u>Line</u>	Year		<u>Returns¹</u>	Bond Yield ²	<u>Premium</u>
			(1)	(2)	(3)
1	1986		13.93%	7.80%	6.13%
2	1987		12.99%	8.58%	4.41%
3	1988		12.79%	8.96%	3.83%
4	1989		12,97%	8.45%	4.52%
5	1990		12.70%	8.61%	4.09%
6	1991		12.55%	8.14%	4.41%
7	1992		12.09%	7.67%	4.42%
8	1993		11.41%	6.60%	4.81%
9	1994		11.24%	7.37%	3.87%
10	1995		11.44%	6.88%	4.56%
11	1996		11.12%	6.71%	4.41%
12	1997		11.30%	6.61%	4.69%
13	1998		11.51%	5.58%	5.93%
14	1999		10.74%	5.87%	4.87%
15	2000		11.34%	5.94%	5.40%
16	2001		10.96%	5.49%	5.47%
17	2002		11.17%	5.43%	5.74%
18	2003		10.99%	4.96%	6.03%
19	2004		10.63%	5.04%	5.59%
20	2005		10.41%	4.64%	5.77%
21	2006		10.40%	4.88%	5.52%
22	2007		10.22%	4.84%	5.38%
23	2008		10.39%	4.28%	6.11%
24	2009		10.22%	4.08%	6.14%
25	2010		10.15%	4.25%	5.90%
26	2011		9.91%	3.91%	6.00%
27	2012		9.93%	2.92%	7.01%
28	2013		9.68%	3.45%	6.23%
29	2014		9.78%	3.34%	6.44%
30	2015		9.60%	2.84%	6.76%
31	2016		9.53%	2.59%	6.94%
32	2017		9.73%	2.89%	6.84%
33	2018		9.59%	3.11%	6.48%
34	2019		9.73%	2.58%	7.15%
35	2020		9.47%	1.56%	7.91%
36	2021		9.56%	2.06%	7.50%
37	2022		9.53%	3.11%	6.42%
38	2023		9.60%	4.09%	5.51%
20	Avorage	1986-2023	10 000/	E 460/	E 669/
39	Average		10.02%	5.10%	0.00% 2 020/
40	Maximum				J.03%
- T I	maximum				1.91/0

42	Average	1989-2023	10.62%	4.88%	5.74%
43	Minimum				3.87%
44	Maximum				7.91%

Sources:

¹ S&P Capital IQ Pro, Rate Case History, Authorized Returns, 1986-2023, April 3-5, 2024

2011 - 2023 Authorized Returns exclude limited issue rider cases.

² St. Louis Federal Reserve: Economic Research, http://research.stlouisfed.org/.

The yields from 2002 to 2005 represent the 20-Year Treasury yields obtained from the Federal Reserve Bank.

The U.S. Treasury suspended issuance of the 30-year bond between 2/15/2202 and 2/9/2006.

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Next Year			8.20%	ł		21		13.10%	P: 1967 ISM Ma	e e
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AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

Leja D. Courter

Leja D. Courter Chief Technical Advisor Indiana Office of Utility Consumer Counselor Cause No. 46011 Ohio Valley Gas Corp., Inc.

05-15-2024

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following parties of

record in the captioned proceeding by electronic service on May 15, 2024.

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