STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN SOUTH") FOR (1) AUTHORITY TO MODIFY ITS RATES AND CHARGES FOR GAS UTILITY SERVICE THROUGH A PHASE-IN OF RATES, (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, AND NEW AND REVISED RIDERS, (3) APPROVAL OF A NEW TAX SAVINGS CREDIT RIDER, (4) APPROVAL OF VECTREN SOUTH'S ENERGY EFFICIENCY PORTFOLIO OF PROGRAMS AND AUTHORITY TO EXTEND PETITIONER'S ENERGY EFFICIENCY RIDER ("EER"), INCLUDING THE DECOUPLING MECHANISM EFFECTUATED THROUGH THE EER, (5) APPROVAL OF REVISED DEPRECIATION RATES APPLICABLE TO GAS AND COMMON PLANT IN SERVICE, (6) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, AND (7) APPROVAL OF AN ALTERNATIVE REGULATORY PLAN PURSUANT TO WHICH VECTREN SOUTH WOULD CONTINUE ITS CUSTOMER BILL ASSISTANCE PROGRAMS.	)	FILED February 19, 2021 INDIANA UTILITY REGULATORY COMMISSION **CAUSE NO. 45447**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 5 – TESTIMONY OF OUCC WITNESS LEJA D. COURTER

With the current requirement that all staff work from home, signatures for affirmations are not available at this time.

February 19, 2021

Respectfully submitted,

Loraine Hitz-Bradley

____
Loraine Hitz-Bradley
Attorney No. 18006-29
Deputy Consumer Counselor

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
TESTIMONY OF OUCC WITNESS LEJA D. COURTER

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Leja D. Courter. My business address is 115 West Washington Street, Suite 1500 South, Indianapolis, IN 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as Director of the Natural Gas Division. For a summary of my educational and professional experience, as well as my preparation for presenting testimony in this case, please see Appendix LDC-1 attached to my testimony. Appendix LDC-1 also includes the Discounted Cash Flow ("DCF") Model and Capital Asset Pricing Model ("CAPM") mechanics.

Q: What are your recommendations in this Cause?

A: Based on the results of the DCF method, CAPM and macroeconomic analyses, I conclude a cost of equity of 9.2% would be a reasonable and appropriate return on equity ("ROE") for Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "Petitioner"). I recommend rate case expenses be equally shared between shareholders and Vectren South's customers. Finally, I recommend Vectren South provide more transparency in its residential customer bills.

II. VECTREN SOUTH'S PROPOSED COST OF EQUITY

Q: What is Vectren South's current authorized ROE?

A: Vectren South's current ROE is 10.15% as a result of a settlement agreement approved by the Indiana Utility Regulatory Commission's ("Commission") Order in Cause No. 43112. *In re Vectren South*, Cause No. 43112, Final Order pp. 29, 32 (Ind. Util. Regul. Comm'n Aug. 1, 2007).

Q: What is Vectren South's proposed ROE?

A: Vectren South's witness Ms. Ann E. Bulkley recommends a return on equity of 10.15%. (Petitioner's Exhibit No. 12, p. 11, line 16.)

Q: Do you agree with Ms. Bulkley's recommendation?

A: No.

Q: What level of ROE do you recommend?

A: I recommend a ROE of 9.2%.

Q: Why do you recommend a lower authorized ROE?

A: Neither my DCF nor my CAPM analyses yield a return as high as Vectren South's current 10.15%, or Ms. Bulkley's proposed 10.15% cost of equity. The current economic condition, both nationally and in the State of Indiana, is best described as recessionary. Data on bond yields, dividend yields, inflation and economic growth do not support projections of double-digit rates of return. Moreover, regulated public utilities tend to be less risky than the market as a whole.

The average authorized electric and gas returns approved in cases decided during 2020 were the lowest in S&P Global's Regulatory Research Associates' rate case database, which includes all major rate cases decided since 1980. (Attachment LDC-1, p. 1.) The average ROE for natural gas utilities for 2020 was 9.46%. (*Id*. at 5.) The highest ROE approved for any of the companies in Ms. Bulkley's Natural Gas group was 9.8% in a settled case for Atmos Energy Corp. in Texas on April 21, 2020. (*Id.*) However, in a litigated case in Kansas, Atmos Energy Corp. was granted a 9.1% ROE on February 24, 2020. Most recently, Southwest Gas Corp., another utility in the Natural Gas group, was granted a 9.1% ROE by the Arizona Public Utilities Commission on December 9, 2020 in a litigated case. (*Id*.)

Q: What have natural gas utility authorized ROEs averaged in the last decade?

A: The annual natural gas utility average authorized ROE has been below 10% every year since 2011. (Attachment LDC-2, p. 1.) Since the beginning of 2016, the average authorized ROE has been above 10% only once, in the third quarter of 2016. *(Id.*)

Q: Does Vectren South obtain capital financing under its own name or through its parent holding company, Vectren Utility Holdings, Inc. ("VUHI")?

A: Vectren South obtains its capital financing through VUHI.

Q: Will your recommendation allow Vectren South access to capital on reasonable terms?

A: Yes. VUHI owns all the common stock of Vectren South. VUHI is an Indiana corporation and a wholly-owned subsidiary of CenterPoint Energy, Inc. ("CenterPoint"). CenterPoint is a holding company whose stock is publicly traded and listed on the New York Stock Exchange.

Value Line grades CenterPoint's financial strength rating as B+. (Attachment LDC-3, p. 1.) Value Line's financial strength ratings range from A++ to C. Value Line's financial strength ratings consider balance sheet leverage, business risk, the level and direction of profits, cash flow, earned returns, cash, corporate size, and stock price. All those factors contribute to a company's relative position on the scale. The amount of cash on hand, net of debt, is also an important consideration. I also reviewed the Value Line financial strength ratings for the utilities in Ms. Bulkley's Natural Gas group. South Jersey Inds. and Spire have B++ financial strength ratings. Northwest Natural, ONE Gas, Inc. and Southwest Gas are rated at A-. Atmos Energy is rated at A+. Based on this information, my recommendation will allow Vectren South to access capital on reasonable terms.

Q: Why is a 9.2% ROE reasonable?

A: My DCF model indicates a ROE of 9.2% for the Natural Gas group, and 9.1% for the Alternative group. My CAPM analysis results indicated a ROE of 6.79% for the Natural Gas group, and 6.83% for the Alternative group.

Bond yields remain in an historically low range. My review of 5-year, 10-year, 20-year, and 30-year constant maturity Treasury bonds does not produce a CAPM risk-free rate above 1.57%. Therefore, I am using a 2.5% normalized risk-free rate based on calculations by Duff & Phelps (Attachment LDC-4, p. 1). Also, Duff & Phelps' current recommended Equity Risk Premium ("ERP") is 5.5%. (*Id*.) Together the risk-free rate and the ERP yield a market return of 8.0%.

Duff and Phelps' ERP and normalized risk-free rate apply across the U.S. equity markets and include companies with higher business risks than those of a regulated gas utility.

In my DCF analysis I use the same growth rate as Value Line's forecasted growth rate in dividends per share for the Natural Gas group. (Attachment LDC-5, p. 4.) My growth rate also is the same as the forecasted growth rate in dividends per share for the Alternative group. (Attachment LDC-6, p. 4.) I considered long-term growth rates in the U.S. economy to produce a reasonable growth rate for Vectren South. Economic and financial trends do not justify a higher ROE.

Q: Are there other reasons why a 9.2% ROE is reasonable?

A: Yes. The 9.2% ROE is more in line with ROEs authorized since 2011 for investor-owned companies around the nation. (Attachment LDC-2, p. 1.) Moody's noted the decline in ROEs in its April 17, 2020 Sector In-Depth report. (Attachment LDC-7, p. 1.) The report states:

> Lower 30-year Treasury yield to increase pressure on utilities' authorized return on equity. The decline in the yield on 30-year US Treasury bonds will heighten pressure on the return on equity (ROE) that utilities are authorized to collect in customer rates. *The 30-year yield averaged 2.89% in 2019 and finished the year at 2.39%*, which is well below the 3.11% average in 2018. *If the yield were to remain close to year end levels* and the average, roughly 670 basis point spread with utility ROEs over the past 10 years were to be maintained, *this would result in an average approved utility ROE of about 9% in 2020*, down from 9.65% during 2019.

(*Id*., emphasis added.)

We now know the 30-year yield did not remain close to the 2019 year-end level of 2.39%. The 30-year yield average over the last 12 months is 1.57%. (Attachment LDC-8, p. 2.) Using the 670-basis point spread mentioned in the

Moody's article above, along with the most recent 30-year yield average of 1.57%, results in a ROE of 8.27%. My 9.2% ROE is 93 basis points higher.

Q: To what extent does Vectren South's Compliance and System Improvement Adjustment ("CSIA") contribute to a reasonable reduction to Vectren South's ROE from its current level?

A: The CSIA includes a Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") component. Ind. Code ch. § 8-1-39 provides regulated Indiana gas utilities with 80% expedited recovery of eligible capital expenditures through a TDSIC. Vectren South's first 7-Year TDSIC Plan was approved by the Commission on August 27, 2014 in Cause No. 44429 as part of the CSIA. *In re Vectren South*, Cause No. 44429, Final Order p. 28 (Ind. Util. Regul. Comm'n Aug. 27, 2014.) Vectren South started receiving cost recovery through its first TDSIC in January 2015. *In re Vectren South*, Cause No. 44429 TDSIC 1, Final Order p. 10 (Ind. Util. Regul. Comm'n Jan. 14, 2015.)

The CSIA also includes a Compliance component. Ind. Code ch. § 8-1-8.4 provides regulated Indiana gas utilities with 80% expedited recovery of eligible federally mandated costs incurred in connection with a compliance project. Vectren South's Compliance component of the CSIA also was approved on August 27, 2014 in Cause No. 44429. *In re Vectren South*, Cause No. 44429, Final Order p. 28 (Ind. Util. Regul. Comm'n Aug. 27, 2014.) Vectren South started receiving cost recovery through its first CSIA in January 2015. *In re Vectren South*, Cause No. 44429 TDSIC 1, Final Order p. 10 (Ind. Util. Regul. Comm'n Jan. 14, 2015.)

TDSIC and Compliance trackers eliminate a significant amount of business risk for Vectren South because of Vectren South's ability to recover 80% of its approved TDSIC and Compliance costs through its semi-annual tracker filings.

Q: Ms. Bulkley states on page 74 of her testimony: "Therefore, to the extent that Vectren South were to continue the CSIA or other capital investment trackers, the financial risk for the Company would be comparable to the proxy group." Do you agree with her statement?

A: Yes. As Ms. Bulkley indicates, several companies in the proxy groups have capital investment tracker mechanisms. (Petitioner's Exhibit No. 12, p. 74, lines 15-18.) Those trackers would have been considered in the market data of the proxy group companies. When Vectren South's last rate case, Cause No. 43112, was approved, Vectren South did not have authority to recover TDSIC and Compliance costs, unlike today. Although the TDSIC and Compliance trackers reduce financial risk, I have not made a downward adjustment to my ROE calculation because the risk reduction to Vectren South is similar to companies in the proxy groups.

III. <u>THE PROXY GROUPS USED FOR DCF AND CAPM ANALYSES</u>

Q: Please describe your approach to establish a cost of equity estimate for Vectren South.

A: I relied primarily on the DCF model and CAPM to estimate Vectren South's cost of equity.

Q: Can you apply the DCF model and CAPM directly to Vectren South?

A: No. Vectren South is not publicly traded. As a result, much of the data that would be available for publicly traded companies is not available for Vectren South.

This fact makes it impractical to apply the DCF and CAPM directly to Vectren South. Therefore, I calculated Vectren South's cost of equity based on a proxy group of publicly traded companies.

Q: Please describe how you derived the proxy groups for your DCF and CAPM studies.

A: I started with Ms. Bulkley's Natural Gas Utility Proxy Group and removed one utility that should no longer qualify. For my Natural Gas Utility Proxy Group ("Natural Gas group") I used five of the six companies used by Ms. Bulkley. I also used 15 of the 16 combination electric and gas utility proxy group companies ("Alternative group") used by Ms. Bulkley. Ms. Bulkley's proxy groups were selected from Value Line. Ms. Bulkley's testimony describes the proxy group's selection criteria. (Pet. Exh. No. 12, p. 34, line 6 – p. 38, line 2.)

Q: What companies are in your Natural Gas group?

A: I used five companies also used by Ms. Bulkley. Those five companies are: Atmos Energy Corporation, ONE Gas, Inc., South Jersey Industries Inc., Southwest Gas Corporation, and Spire, Inc. (Attachment LDC-9, pp. 1-5.) I did not include Northwest Natural, which recently acquired water and other utility operations, and therefore does not meet the strict definition of a natural gas utility, or a combination electric and natural gas utility. (Attachment LDC-10, p. 1.)

Q: What companies are in your Alternative group?

A: I used the five companies from the Natural Gas group, and the same ten companies used by Ms. Bulkley. Those ten companies are: Ameren Corp., Avista Corp., CMS Energy Corp., Dominion Resources, Inc., DTE Energy, Northwestern

Corp., Sempra Energy, Southern Company, WEC Energy Group and Xcel Energy. (Attachment LDC-11, pp. 1-10.)

IV. DISCOUNTED CASH FLOW ANALYSIS

Q: Please describe DCF Analysis.

A: DCF analysis helps investors determine the appropriate price to pay for particular assets, such as utility stocks. The model has been adapted for regulatory proceedings to determine the cost of utility equity capital. The DCF model is a model which maintains that the value (price) of any security or commodity is the discounted present value of all future cash flows. This discount rate equals the cost of capital. With utility stocks, dividends are the relevant cash flows. A detailed description of the DCF mechanics is included in my Appendix LDC-1.

Q: What is the result of your dividend forward yield calculations for your Natural Gas group?

A: My calculation resulted in a 3.7% forward dividend yield for the Natural Gas Group. This calculation applies the "half year method" to the data from Value Line. Attachment LDC-5, p. 2 shows my calculation.

Q: What is the result of your forward dividend yield calculations for your Alternative group?

A: My calculation resulted in a 3.6% forward dividend yield for the Alternative group. This calculation also applies the "half year method" to the data from Value Line. My Attachment LDC-6 shows my calculation on page 2.

Q: What is your conclusion regarding the Dividend Yield of the DCF model?

A: I conclude a 3.7% dividend yield is reasonable for my Natural Gas group DCF calculations. I conclude 3.6% is a reasonable dividend yield for the Alternative group.

Q: Please describe the results of your growth calculations.

A: I conclude 5.5% is a reasonable growth rate for the Natural Gas group. (Attachment LDC-5, p. 3.) This rate results from analyzing Value Line's historical and projected earnings per share ("EPS"), dividends per share ("DPS"), and book value per share ("BPS") growth rates for the proxy group. My 5.5% projected growth rate equals the projected growth rates for the Natural Gas group companies of 5.5% for DPS. (*Id*. at 4.) My projected growth rate is significantly below the 8.1% average projected EPS for the Natural Gas group. (*Id*.) However, the 8.1% average projected EPS is high because of South Jersey Inds.' projected EPS of 12.5%. (*Id*.) South Jersey Inds. had either negative or minimal EPS during the last 5-year and 10-year periods. (*Id*.) My projected growth rate is above the nominal percentage annual growth rate of 5.16% from 1980 to 2020 as indicated on Attachment LDC-5, p. 5. Finally, the 5.5% growth rate is higher than the Congressional Budget Office Economic Outlook for 2020 to 2030, and higher than any individual annual percentage between 2009 and 2020 in the Federal Reserve of St. Louis Economic data. (Attachment LDC-12, p. 3. and Attachment LDC-5, p. 5.)

Q: What growth rate did you use for the Alternative group?

A: I also use the 5.5% growth rate in my Alternative group DCF analysis. (Attachment LDC-6, p. 3.) My 5.5% projected growth rate equals the projected growth rates for the Alternative group companies of 5.5% for DPS and BPS. (*Id*. at 4.) The Alternative group companies' projected growth rate for EPS is 6.4%. However, this percentage includes the 12.5% projected EPS for South Jersey Inds. This 6.4% amount also includes a projected EPS of 11.0% for Sempra Energy, which had a 2.0% EPS for the past ten years, and 4.0% EPS for the past five years.

Q: What have you concluded based on your DCF analysis?

A: My DCF calculations for the Natural Gas group result in a return on equity of 9.20%. This combines the 3.7% forward yield and the 5.5% growth rate. (Attachment LDC-5, p. 1.)

My DCF calculations for the Alternative group result in a cost of equity of 9.10%. This combines the 3.6% forward yield and the 5.5% growth rate. (Attachment LDC-6, p. 1.)

V. CAPITAL ASSET PRICING MODEL

Q: Please describe the CAPM.

A: The CAPM is another analysis frequently relied upon by this Commission to help determine a reasonable cost of utility equity capital. 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.

Q: Please describe the results of your CAPM analysis.

A: I used the Duff & Phelps normalized risk-free rate of 2.50%, which is 93 basis points above the average 30-year Treasury bond yield in 2020. (Attachment LDC-

4, p. 1.) I used the betas from *Value Line,* and balanced the weight given to the geometric mean and arithmetic mean approaches, consistent with prior Commission guidance. For the Natural Gas group, my CAPM estimate is 6.79%. (Attachment LDC-8, p. 1.) For the Alternative group, my CAPM estimate is 6.83%. (Attachment LDC-13, p. 1.)

VI. MS. BULKLEY'S OTHER MODELS

Q: Does Ms. Bulkley use any models you do not use?

A: Yes. In addition to her DCF and CAPM analyses, Ms. Bulkley uses an Empirical CAPM ("ECAPM'), Constant Growth DCF Analysis, a Bond Yield Plus Risk Premium Analysis and an Expected Earnings Analysis.

Q: Do you agree with Ms. Bulkley's ECAPM to estimate an appropriate ROE for Vectren South?

A: No. Ms. Bulkley's ECAPM produced an estimated cost of equity range of 12.23% to 12.87% for her Natural Gas group, and a range of 12.13% to 12.90% for her Alternative group. (Petitioner's Exhibit No. 12, p. 54, Figure 12.) The ECAPM is designed to address a theoretical downward bias in risk by increasing the risk factor, called "beta." This is accomplished by giving a 25% weight to the Market Risk Premium and a 75% weight to a traditional CAPM risk premium for the proxy group. ECAPM essentially limits the impact of the beta calculated for the proxy group.

Q: Has the Commission expressed an opinion on the use and results of an ECAPM approach?

A: Yes. The Commission has rejected the use of ECAPM in at least two previous Causes (Cause Nos. 40003 and 42359). In its Final Order in Cause No. 42359, the

Commission affirmed its previous finding the ECAPM is unreliable for ratemaking purposes:

> With respect to the ECAPM analysis performed by Dr. Morin we note that the Commission rejected this model in Cause No. 40003, and found that: "the Empirical CAPM is not sufficiently reliable for ratemaking purposes." Cause No. 40003 at 32. We went on to conclude that the ECAPM ". . . would adjust, in essence, future expectations with regard to investor perceptions of relative risks for further change which may occur years hence." The Commission concluded that ". . . we do not believe exercises in approximating future cost of capital are conducive to such precise estimation as the Empirical CAPM would suggest." Id. We find that nothing presented in this Cause has changed our prior determination that ECAPM is not sufficiently reliable for ratemaking purposes and hereby reject the model in this proceeding.

In re PSI Energy, Cause No. 42359, Final Order, p. 56 (Ind. Util. Regul. Comm'n May 18, 2004.)

Q: Do you agree with the other models Ms. Bulkley uses to estimate Vectren South's ROE?

A: No. Ms. Bulkley's other models produce results that are above the DCF and CAPM results, which the Commission routinely considers to determine an appropriate ROE. The other models' results also are above the ROEs approved by other state utility commissions in 2020. (Attachment LDC-2, p. 1.)

VII. <u>REGULATORY AND BUSINESS RISKS</u>

Q: Please discuss Ms. Bulkley's testimony of the various regulatory and business risks to consider when determining an appropriate ROE.

A: Ms. Bulkley considers small size risk, flotation costs, capital expenditures and regulatory risks. (Petitioner's Exhibit No. 12, p. 61, line 3 – p. 80, line 15.)

Q: Does Ms. Bulkley make an adjustment for small size risk?

A: No. She does not propose a specific adjustment for small size. (Petitioner's Exhibit No. 12, p. 67, lines 4-5.) I agree an adjustment for small size is not warranted. Vectren South has approximately 113,000 customers, but is a subsidiary of a large holding company, CenterPoint Energy, which had estimated net profits of $885 million in 2020. (Attachment LDC-3, p. 1.)

Q: Does Ms. Bulkley make an adjustment for flotation costs?

A: No. Ms. Bulkley calculates a flotation cost adjustment of 13 basis points. (Petitioner's Exhibit No. 12, p. 71, line 1.) However, she does not make an explicit flotation costs adjustment in any of her quantitative analyses. (*Id*., lines 17-18.)

Q: Does Ms. Bulkley make an adjustment related to capital expenditures?

A: No. Ms. Bulkley recognizes Vectren South's CSIA tracker, which recovers investments and expenses associated with complying with federal mandates, and TDSIC related investments and expenses, which are similar to other trackers of the proxy groups. (Petitioner's Exhibit No. 12, p. 74, lines 15-21.) Therefore, she assumes if Vectren South continues with the CSIA or other capital investment trackers, then Vectren South's financial risk is comparable to the proxy group. *(Id*., lines 18-20.)

Q: Does Ms. Bulkley make an adjustment related to regulatory risk?

A: No. Ms. Bulkley states: "many of the companies in the proxy group have cost recovery mechanisms that are similar to those implemented by Vectren South (through forecasted test years, year-end rate base, cost recovery trackers, and revenue stabilization mechanisms) in Indiana." (Petitioner's Exhibit No. 12, p. 80, lines 10-12.) She concludes the regulatory risks for Vectren South are comparable to the proxy group. (*Id.*, lines 14-15.)

VIII. MACROECONOMIC TRENDS

Q: Do macroeconomic factors and trends influence the cost of equity?

A: Yes. The most noteworthy of these factors are interest rates, economic growth, and inflation.

Q: Please discuss bond yields as an influencing factor on the cost of equity.

A: Bond yields are extremely important factors influencing cost of equity. Yields on U.S. Treasury Bonds are commonly used to establish the risk-free rate of return in CAPM and other risk premium analyses. Moreover, changes in bond yields and interest rates affect investor expectations. Long-term Treasury bond yields remain very low and dropped during 2020. (Attachment LDC-8, p. 2.) Lower yields are a long run phenomenon, and not simply a result of the current recession.

Q: Does economic growth influence cost of equity?

A: Yes. As previously mentioned, the Congressional Budget Office ("CBO") Update on the Economic Outlook for 2020 to 2030 forecast real GDP of -5.8% for 2020, 4.0% for 2021, 2.9% for 2022, 2.2% for 2023-2024, and 2.1% for 2025 to 2030. (Attachment LDC-12, p. 3.)

Q: In your analysis, have you considered current and projected inflation?

A: Yes. I examined historical and projected rates of inflation from both government and private sector sources, including the Bureau of Labor Statistics, the CBO, and Morningstar, Inc. Spikes or long-term increases in inflation can affect the prospective real return, but I found no support for the position that inflation will experience such increases in the near term. The CBO projects inflation for the GDP price index to range from lows of 0.7% in 2020 and 0.8% in 2021 to a high of 2.0% in 2030. (Attachment LDC-12, p. 3.)

Q: What conclusions have you reached regarding the macroeconomic trends that influence cost of equity?

A: Recent trends in interest rates, inflation, and economic growth do not suggest a return to an inflationary economy. There is no indication macroeconomic trends are fueling any significant increase in capital costs. Consequently, my recommended ROE of 9.2% is more in line with current economic conditions.

IX. RATE CASE EXPENSES

Q: How much is Vectren South seeking to recover from its customers in rate case expenses?

A: Vectren South wants its customers to pay $1,650,000 in rate case expenses. This amount includes $965,000 in legal fees, $175,000 for a cost-of-service study, $110,000 for a cost of equity study, $50,000 for a depreciation study, and another $350,000 for other consulting and miscellaneous expenses. (OUCC DR 8.1, Attachment LDC-14, pp. 1-2.)

Q: Do you agree this entire amount should be paid by Vectren South's customers?

A: No. Rate case expenses should be paid equally by Vectren South's shareholders and its customers. Vectren South shareholders benefit from rate cases as much as Vectren South's customers.

Q: What benefits do Vectren South's shareholders receive from rate cases?

A: Shareholders receive the benefit of an updated rate base, updated revenue requirements, and an updated cost of service. Shareholders also receive an updated and reasonable return on equity, which allows Vectren South to attract capital and provide dividends to its shareholders.

Q: Does the Indiana statute allow Vectren South to recover rate case expenses from its customers?

A: Yes. However, the Indiana statute does not prohibit the Commission from allowing rate case expenses to be shared between shareholders and utility customers. Ind. Code § 8-1-2-42.7 provides the Commission with jurisdiction over utility rate case proceedings. The language of the statute does not prohibit the Commission from requiring a utility's shareholders to pay an equitable portion of rate case expenses. Furthermore, Ind. Code § 8-1-2-4 states:

> The charge made by any public utility for any service rendered or to be rendered either directly or in connection therewith *shall be reasonable and just*, and every unjust or unreasonable charge for such service is prohibited and declared unlawful. (Emphasis added.)

Q: Are you aware of any cases where the Commission has specifically addressed the sharing of rate case expenses between a utility's shareholders and its customers?

A: Yes. In 1987, the Commission did not require the utility's shareholders to pay any rate case expenses. *In re Kokomo Gas and Fuel Co.*, Cause No. 38096, Final Order, p. 13 (Ind. Util. Regul. Comm'n July 29, 1987.) The Commission indicated the OUCC's proposal appeared to be peculiarly disadvantageous to the small public utilities in Indiana, which do not have in-house personnel and counsel to handle their rate cases. (*Id.*)

Also, the Commission did not require the utility's shareholders to pay any rate case expenses in a Community Natural Gas rate case, indicating rate case expense is a cost of doing business. *In re Community Nat. Gas Co. Inc.*, Cause No. 44768, Final Order, p. 22 (Ind. Util. Regul. Comm'n, Mar. 22, 2017.)

Q: Do you agree sharing rate case expenses between shareholders and customers could be disadvantageous to small public utilities?

A: I agree small public utilities probably do not have the financial ability to have in-house counsel or some other experts required for presenting a rate case. However, that fact does not mean rate case expenses should not be shared between shareholders and customers. Rate case expenses must be reasonable regardless of who is responsible for paying those costs of doing business.

Q: You mentioned the reasonableness of rate case expenses. Did Vectren South send requests for proposals ("RFP") to consultants for rate case expenses in this Cause?

A: No. Vectren South did not solicit RFPs for this rate case. (OUCC DR 8.19, Attachment LDC-15, p. 1.) Indiana utilities should have the incentive to keep rate case expenses as low as reasonably possible. One way to do so is to solicit RFPs and receive competitive bids for legal expenses, cost of equity, cost of service and depreciation experts. Another way to control rate case expenses is to perform some of the work in-house. This is especially true for Vectren utilities, which could have its legal work done within the CenterPoint Energy legal department. Finally, the best and most fair way to incentivize the utility to control rate case expenses is to allocate those expenses equally between shareholders and utility customers.

Q: Are you aware of any jurisdictions where the state commission has disallowed rate case expenses?

A: Yes. The Missouri Supreme Court on February 9, 2021 upheld a Missouri Public Service Commission ("MPSC") decision to disallow certain rate case expenses claimed by Spire Missouri, Inc. ("Spire"). (Attachment LDC-16, p. 2.) Spire is one of the utilities in the Natural Gas proxy group.

Q: What was the legal basis the MPSC used to disallow a portion of the rate case expenses?

A: The MPSC concluded that because it is required under section 393.130.13 to set rates that are "just and reasonable," it had the broad discretion to determine whether it was just and reasonable for Spire's shareholders to share the burden of rate case expenses with ratepayers. (Attachment LDC-16, p. 3.)

Q: Is there a similar legal standard in Indiana which the Commission must follow?

A: Yes. Ind. Code § 8-1-2-4 requires charges for utility service must be reasonable and just.

Q: Why did the MPSC disallow a portion of the rate case expenses?

A: The Missouri Supreme Court Opinion states:

> The PSC determined that approximately half the litigated issues in this case were driven by Spire and among these issues were the proposed use of various shareholder-favorable ratemaking tools, including a revenue stabilization mechanism, a rate of return on equity of 10.35 percent (which would have been the highest of any large utility in Missouri), tracking mechanisms to limit shareholder risk, and earnings-based incentive compensation. The PSC further determined Spire "padded" its revenue requirement by pursuing positions it did not expect to win.

(Attachment LDC-16, p. 4, emphasis in original.)

The Opinion also states: "…the PSC concluded that including all of these expenditures in setting Spire's future rates was not ***just*** because some of the expenses were not fair to ratepayers in that they only were incurred to benefit (if anyone) Spire's shareholders." (*Id*. at 12, emphasis in original.)

Q: Are there issues in this Cause similar to the Missouri case?

A: Yes. Vectren South is proposing the continuation of the Sales Reconciliation Component (decoupling mechanism); a rate of return of 10.15%, which would be higher than any ROE awarded to a natural gas utility in Indiana in over a decade; and earnings-based short-term and long-term incentive compensation. (Ind. Group DR 4.9 and DR 4.10, Attachment LDC-17, pp. 1-2.) Also, Vectren South just concluded a 7-year CSIA mechanism to track and recover capital costs from customers, and indications are Vectren South will file a new CSIA plan in 2022.

Q: Did the Missouri Supreme Court state that ratepayers benefit from rate cases?

A: Yes. The Opinion states:

> Generally, ratepayers benefit from rate cases because they have an interest in ensuring the financial well-being of the utilities that serve them. Therefore, ratepayers justly and reasonably can be expected to pay a utility's expenses in bringing such a case.

(Attachment LDC-16, p. 12.)

However, the Opinion also states:

> *But this does not mean there cannot be limits*. A utility cannot spend any amount it pleases secure in the knowledge or expectation that ratepayers will foot the bill, particularly when those expenses include items seeking to subordinate ratepayers' interests to those of the utility's investors.

(*Id*. at 12-13, emphasis added.)

The Missouri Supreme Court concluded the MPSC did not err in its decision to exclude a portion of those expenses in setting "just and reasonable" rates because they served only to benefit shareholders and minimize shareholder risk with no accompanying benefit (or potential benefit) to ratepayers. (*Id*. at 13, emphasis in original.)

Q: What is your recommendation regarding rate case expenses?

A: Based on the reasonable and just standard of the Indiana Code, and similar facts in this Cause to those presented in the Missouri case, I recommend rate case expenses be shared equally between Vectren South's shareholders and customers.

X. CUSTOMER BILL TRANSPARENCY

Q: How are Vectren South's residential customer bills itemized?

A: Currently, Vectren South's residential customer bills are itemized as follows: Distribution and Service Charges, Gas Cost Charge, and Sales Tax.

Q: Does this itemization provide sufficient transparency to residential customers?

A: No. A residential customer would not know from viewing a bill what is included in Distribution and Service Charges. The residential customer bill should be itemized to include the customer service charge, TDSIC charge, universal service fund charge, distribution charge, gas cost charge, and sales tax. If other charges are included in the customer's bill, then those should be itemized as well.

Q: Did you ask Vectren South whether it has the ability to break out all the components of a customer's bill, including customer service charge, volumetric charge, GCA charge, CSIA charge, EER charge, USF charge, etc.?

A: Yes. Vectren South responded: "Yes. The Banner system contains the detail that allows the bill to show all of the information required under 170 IAC 1-5-13(A) [sic]. The Company does not currently have the ability to show on the bill all of the details set forth in the question." (OUCC DR 17.3(a), Attachment LDC-18, p. 1.) The citation should be to 170 I.A.C. 5-1-13(A).

Q: Can Vectren South's customers request itemized bills?

A: Yes. According to Vectren South: "The detail of the bill components is within the billing system and available to customer service representatives should a customer call in to inquire for the breakdown." (OUCC DR 17.3(b), Attachment LDC-18, p. 1.)

Q: If Vectren South's customers can request itemized bills, then is it necessary for Vectren South to provide itemized bills to each residential customer?

A: Yes. The default (regular) customer bill should be an itemized bill, which is transparent and provides a thorough breakdown of the charges being paid. Customers should not have to contact Vectren South customer service personnel to receive a transparent, itemized bill.

Q: Is Vectren South going to provide an itemized customer bill as the default bill?

A: No. Vectren South responded: "…Banner is not a part of the system harmonization project as proposed within this proceeding. Before and after any changes to the billing system, the requirements of 170 IAC 1-5-13(A) [sic] will continue to be met by the Company." (OUCC DR 17.3(c), Attachment LDC-18, page 1.)

Q: Is Vectren South complying with the Commission's Administrative Code in the way Petitioner is submitting its bills to its customers?

A: Yes, in a literal sense Vectren South is complying with the current requirements of 170 I.A.C. 5-1-13(A). However, it appears from Vectren South's responses to OUCC DR 17.3 that Petitioner will not voluntarily provide itemized bills to its customers as the regularly provided bill unless ordered to do so by the Commission.

Q: What is your recommendation?

A: I recommend the Commission order Vectren South to provide its customers with itemized bills to indicate the customer service charge, TDSIC charge, universal service fund charge, distribution charge, gas cost charge, and sales tax. If other charges are included in the customer's bill, then those should be itemized as well. Alternatively, the Commission should order Vectren to include a bold face notation on the bill that customers may call Vectren South's customer service representatives if customers want an itemized breakdown of their bills.

XI. SUMMARY AND RECOMMENDATIONS

Q: Please summarize your testimony on DCF calculations for the proxy groups.

A: I calculated a 3.7% forward dividend yield for the Natural Gas group. I calculated a 3.6% forward dividend yield for the Alternative group. I also performed calculations and analysis with both the Natural Gas group and the Alternative group in which I concluded a DCF growth rate, *g*, of 5.5% is reasonable. These estimates were made using historical and projected growth rates from *Value Line,* and economic growth data from the Federal Reserve Bank of St. Louis. I considered both projected and historical data. Overall, my DCF calculations resulted in a 9.2% ROE for the Natural Gas group, and 9.1% for the Alternative group.

Q: Please summarize your testimony on CAPM calculations for the proxy groups.

A: Based on *Value Line* betas and using the same proxy groups, I calculated an average beta of 0.88 for the Natural Gas group, and 0.88 for the Alternative group. As the beta is less than 1.0, it also describes a relatively low-risk industry.

I used the Duff & Phelps normalized risk-free rate of 2.5%. I reviewed 5-year, 10-year, 20-year, and 30-year bond yield data for 2020 in arriving at this estimate. Giving equal weight to both the geometric mean and arithmetic mean approaches, I calculated a market risk premium of 4.90% for the two groups. This results in a CAPM cost of equity for the Natural Gas group of 6.79%, and 6.83% for the Alternative group.

Q: Please summarize your testimony on macroeconomic and capital market trends influencing cost of equity.

A: I examined macroeconomic variables that can influence the cost of equity capital. I examined interest rates. Interest rates on 5-year, 10-year, 20-year and 30-year bonds remain low by historical standards. Second, CBO forecasts real GDP growth over the next 10 years to range from -5.8% in 2020, 4.0% in 2021, decline in 2022 to 2.9%, and level at 2.1% from 2025 to 2030. Growth in this range is not likely to drive up interest rates.

Third, the United States is in a continuing period of low inflation. Inflation concerns are always a policy consideration for the Federal Reserve, but recent experience and projections by the CBO tend to indicate inflation is under control.

Q: Please summarize your recommendation for Vectren South's ROE.

A: I recommend the Commission authorize a 9.2% return on equity for Vectren South. This recommendation is at the high end of the range of my DCF and CAPM calculations for the Natural Gas and Alternative groups. Moderate economic growth, low rates of inflation and recent trends in utility rate cases all suggest the 9.2% level is reasonable. I have found no evidence that dramatic changes in economic trends are likely in the foreseeable future. Given these economic conditions, and my DCF and CAPM calculations, my 9.2% ROE recommendation is reasonable.

Q: Please summarize your recommendation regarding rate case expenses.

A: I recommend rate case expenses be shared equally between Vectren South's shareholders and its customers.

Q: Please summarize your recommendation regarding residential customer bill transparency.

A: I recommend Vectren South's residential customer bill be itemized to include the customer service charge, TDSIC charge, universal service fund charge, distribution charge, gas cost charge, and sales tax. If other charges are included in the customer's bill, then those should be itemized as well. Alternatively, the Commission should order Vectren to include a bold face notation on the bill that customers may call Vectren South's customer service representatives if customers want an itemized breakdown of their bills.

Q: Does this conclude your testimony?

A; Yes.

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

Q: Please describe your educational background and experience.

A: I graduated from Ball State University in Muncie, Indiana with Bachelor of Science degrees in Finance and Economics. I received my Juris Doctorate from the University of Dayton. In previous years, I have been engaged in the private practice of law, and I also served as an in-house counsel at Indiana Gas Company. I have been an attorney at the OUCC for over twenty years. I became Director of the OUCC's Natural Gas Division in October 2009.

Q: Have you previously testified before the Indiana Utility Regulatory Commission?

A: Yes.

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

A: I reviewed Vectren South's petition, testimony, corrections to testimony, exhibits, and supporting documentation submitted in this Cause. I reviewed Vectren South's responses to OUCC discovery requests. I participated in meetings with other OUCC staff members to identify and address the issues in this Cause.

DCF Model Mechanics

Q: Please describe the "Constant Growth" DCF Model.

A: The underlying principle of the "Constant Growth" DCF Model ("DCF Model") is the price of a firm's stock reflects the *expected* cash flows (i.e., dividends) associated with that stock, discounted at a rate equal to the cost of equity capital. This can be expressed mathematically with the following equation:

$$P_0 = D_1 / (K - g)$$

In this equation, the current price, P_0, can be calculated by dividing the expected annual dividend for the next year, D_1, by the term $K - g$, where K represents the cost of equity capital and g equals the expected, long-run annual growth rate in dividends per share ("DPS"). This model relies on the assumption that investors *expect* earnings per share ("EPS"), book value per share ("BPS"), and stock price per share to also grow at a constant long-run rate (g).

By rearranging the algebraic terms, it becomes possible to solve for the cost of equity capital. The resulting formula is the DCF model most familiar in utility regulation:

$$K = (D_1/P_0) + g$$

Here, the cost of equity capital, K, equals the "forward dividend yield," D_1/P_0, plus the expected growth rate in dividends per share, g. The DCF model, therefore, requires estimates of the forward dividend yield and the expected growth rate.

Q: Is the "Constant Growth" DCF Model considered a reliable method for estimating cost of equity for public utilities?

A: Yes. When combined with reasonable judgment, this model provides a realistic and reliable method of estimating a utility's cost of equity. It also formulates the cost of equity as "yield plus growth," which accurately defines the incentive for investors to purchase stocks.

The DCF model is also relatively simple in that it states cost of equity in terms of just two components, and only one of these involves any significant controversy. The calculation of dividend yield generally involves few disputes. Most of the controversy in DCF calculations focuses on the growth rate, g. This should not be surprising since the growth rate projects into the future, and disagreements will always arise regarding such projections. However, a reasonable estimate for *g* can be developed by evaluating variables such as dividends, earnings, and book value per share.

Q: What is the difference between current and forward dividend yields?

A: The current yield, D_0/P_0, equals the current annual dividend rate, D_0, divided by the current stock price, P_0. The current annual dividend rate, D_0, equals the most recent quarterly dividend multiplied by four -- it does not include any projection into the next year. Dividend yields published by *The Wall Street Journal* are current dividend yields, D_0/P_0.

The forward yield, D_1/P_0, adjusts the current yield D_0/P_0 to reflect likely dividend growth in the subsequent year. The forward yield replaces the current dividend rate, D_0, with a prospective dividend rate, D_1. D_1 is the rate expected during the following year, and the forward yield will then be calculated by dividing D_1 by the current price, P_0. This adjustment is frequently accomplished by increasing the current dividend yield for one-half of a year's growth in dividends. This method is often referred to as the "half-year method," and has been recognized as valid and reasonable by this Commission. I use this method in my DCF analysis to convert current dividend yields (D_0/P_0) into forward dividend yields (D_1/P_0).

CAPM Mechanics

Q: What is the CAPM formula?

A: In CAPM, the required return on a stock equals the sum of a risk-free rate of return (R_f) plus a risk premium [β*(R_m- R_f)], which is proportional to the level of market risk. Market risk cannot be eliminated through diversification.

The CAPM formula is:

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

where,

β = Beta, a measure of risk for the company,

K = Required return (i.e., cost of equity) on the stock of the company,

R_f = Risk-free rate of return,

R_m = Market equity return, and

$(R_m - R_f)$ = Market equity risk premium.

The "beta" is considered the measure of risk most relevant in CAPM. A stock with a beta below 1.0 is considered less volatile and less risky than the stock market. If beta exceeds 1.0, the stock is considered more volatile and riskier than the stock market as a whole. The stock market has a beta of 1.0. The stock market is usually represented by a large and highly diversified portfolio of stocks such as the Standard & Poor's 500.

Q: Were you able to perform a CAPM analysis for Vectren South?

A: No. Vectren South is not a publicly traded company. Consequently, the necessary data does not exist to perform a CAPM analysis directly for Vectren South. Therefore, I have primarily used Ms. Bulkley's Natural Gas and Alternative proxy groups to perform a CAPM analysis. However, I excluded Northwest Natural from the proxy groups because it has recently acquired water and other utility operations.

Q: How did you determine beta for purposes of your analysis?

A: I used betas from the *Value Line Investment Survey*. For this analysis I used the average of the *Value Line* adjusted betas for the proxy group. I calculated a beta of 0.88 for the

Natural Gas group in my CAPM analysis. (Attachment LDC-8, p. 3.) For the Alternative group, I calculated an average beta of 0.87. (Attachment LDC-13, p. 3.)

Q: What risk-free rate (R_f) did you use for your CAPM calculations?

A: I used 2.5% for my risk-free rate.

Q: Please describe how you determined the risk-free rate of 2.5%.

A: I used the Duff & Phelps normalized risk-free rate, as indicated on Attachment LDC-3. I reviewed bond yield performance for calendar year 2020 and could justify a risk-free rate no higher than 2.50% based on the average 30-year bond yields from January 2020 to beginning of October 2020. I also examined recent term trends in yields on 5-year, 10-year, 20-year, and 30-year Treasury Bonds from data available from the Federal Reserve (www.federalreserve.gov). The bond data for the first business day of each month is reflected on Attachment LDC-8, p. 2. The averages continue to decline. The highest average is 1.57% for the period through December 2020. Therefore, it is reasonable to adopt the 2.5% normalized risk-free rate recommend by Duff & Phelps.

I also examined the economic projections from the Congressional Budget Office ("CBO") in *An Update to the Economic Outlook,* updated in July 2020. The CBO projection for 10-year Treasuries in 2020 was 0.9%. The CBO projection for real gross domestic product ("GDP") was -5.8% for 2020, 4.0% for 2021, 2.9% for 2022, 2.2% for 2023-2024, and 2.1% for 2025-2030. (Attachment LDC-12, p. 3.)

The above research and analysis lead me to conclude 2.5% is a reasonable risk-free rate to use in my CAPM analysis, considering both recent experience and future projections.

Q: How did you estimate the Market Risk Premium (R_m - R_f)?

A: I calculated long term market risk premiums based on historical data from the *Stocks, Bonds, Bills and Inflation (SBBI), 2020 Yearbook*, by Duff & Phelps. The current SBBI database covers the period between 1926 and 2019.

There are two methods of calculating historical holding period returns: the geometric mean (or compound annual return) and the arithmetic mean, which is a simple average of one year holding period returns. The geometric mean return measures the average compound annual rate of return from an investment over a period of more than one year. The arithmetic mean measures the average of one year holding period returns. Unless the investment provides a constant return year after year, the arithmetic mean rate of return *always* exceeds the geometric mean rate of return. The arithmetic mean approach also produces higher estimates of the market risk premium and higher overall CAPM results.

The Commission has consistently expressed its preference for considering both the geometric mean and arithmetic mean approaches. For instance, in its final order in the Indiana-American Water rate case (Cause No. 42520), the Commission stated:

> In past rate cases this Commission has given weight to both the arithmetic and the geometric mean risk premiums. This position was reaffirmed in our 1996 Rate Order, when we stated "[t]he debate over the proper use of the arithmetic and geometric means is one we consider resolved. As we stated in Indianapolis Water Company, Cause No. 39713-39843 [*sic*], each method has its strengths and weaknesses, and neither is so clearly appropriate as to exclude consideration of the other." (*1996 Rate Order*, Cause No. 40103, p. 41.) Also, in the 2002 Rate Order, we stated ". . . that, while the debate over the proposed use of the arithmetic and geometric means continues, however, each method has its strengths and weaknesses, neither is so clearly appropriate as to exclude consideration of the other. (*2002 Rate Order*, Cause No. 42029, p. 32.) . . .

> . . . We will continue to give both the geometric and arithmetic mean risk premiums substantial weight. Neither the arithmetic nor geometric mean risk premiums should be excluded in favor of the other.

In re Indiana American Water, Cause No, 42520, Final Order at 59 (Ind. Util. Regul. Comm'n Nov. 18, 2004.)

Following this guidance, I calculated market risk premiums giving equal weight to both the geometric and arithmetic mean approaches. I used the resulting market risk premium of 4.90% in my CAPM calculations. (See Attachment LDC-8, p. 4 for the Natural Gas group, and Attachment LDC-13, p. 4 for the Alternative group.)

S&P Global
Market Intelligence

RRA REGULATORY FOCUS

Authorized energy returns hit all-time low in 2020 amid COVID-19 fallout

Wednesday, January 13, 2021 9:26 AM ET

By Lisa Fontanella
Market Intelligence

The onslaught of COVID-19 cases, mandated lockdowns and economic fallout of the virus had an unprecedented impact on the regulatory landscape in 2020, with moratoriums on utility service disconnections implemented at some point in each of the jurisdictions followed by Regulatory Research Associates, a group within S&P Global Market Intelligence.

In order to ease the economic hardship for ratepayers during these unprecedented times, some utilities voluntarily delayed the implementation of approved rate changes and in other instances rate cases were postponed or procedural schedules were extended. Despite the crisis, there was a significant amount of rate case activity, with numerous return on equity determinations in 2020.

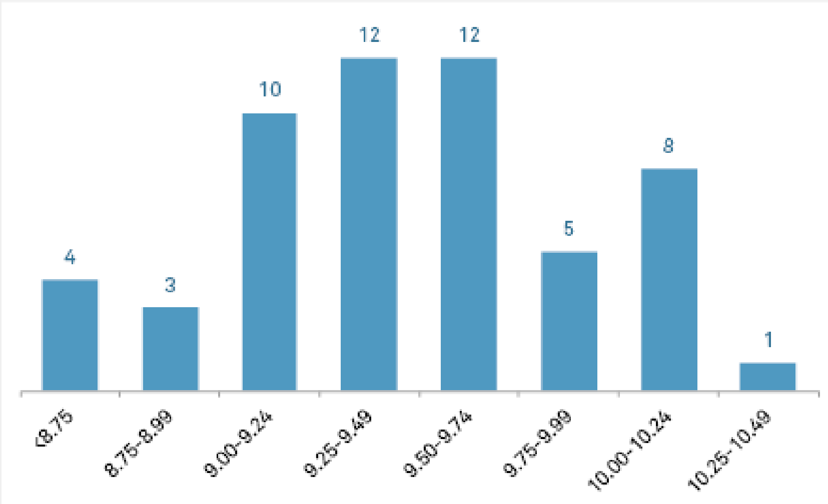
Preliminary calculations, as of Jan. 12, reveal a significant drop in authorized ROEs for both electric and gas utilities, according to RRA.

The average authorized electric and gas returns approved in cases decided during 2020 were the lowest in RRA's rate case database, which includes all major rate cases decided since 1980.

As per these calculations, the average ROE authorized for electric utilities fell to 9.44% for rate cases decided in 2020, from the 9.65% average for cases decided in 2019. Similarly, the average ROE authorized for gas utilities fell to 9.46% for cases decided during 2020, from the 9.71% observed in 2019.

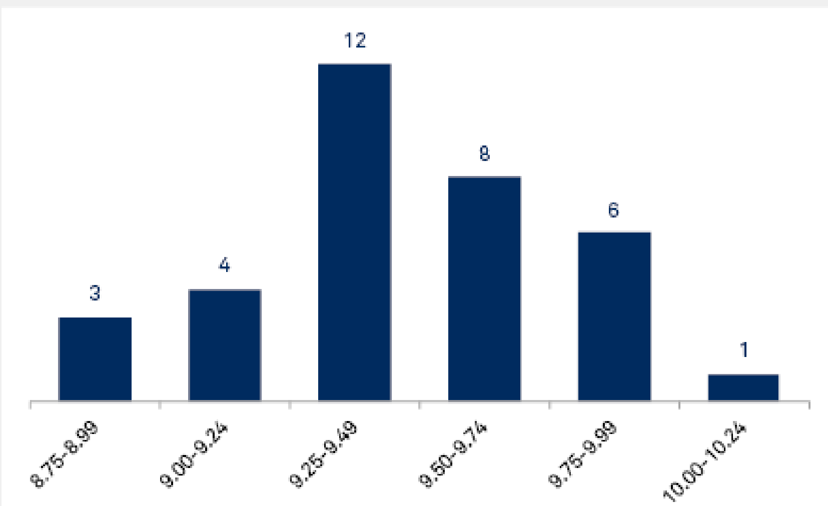
There were 55 electric ROE determinations reflected in the calculations for 2020 versus 47 in 2019. The accompanying chart and table show the distribution of the 55 new electric ROE determinations in 2020 awarded across 26 regulatory jurisdictions. These authorized equity returns ranged from 8.20% to 10.42%, with an average of 9.44% and a median of 9.45%.

Frequency of authorized electric ROEs, 2020
Number of observations



Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

Frequency of authorized gas ROEs, 2020
Number of observations



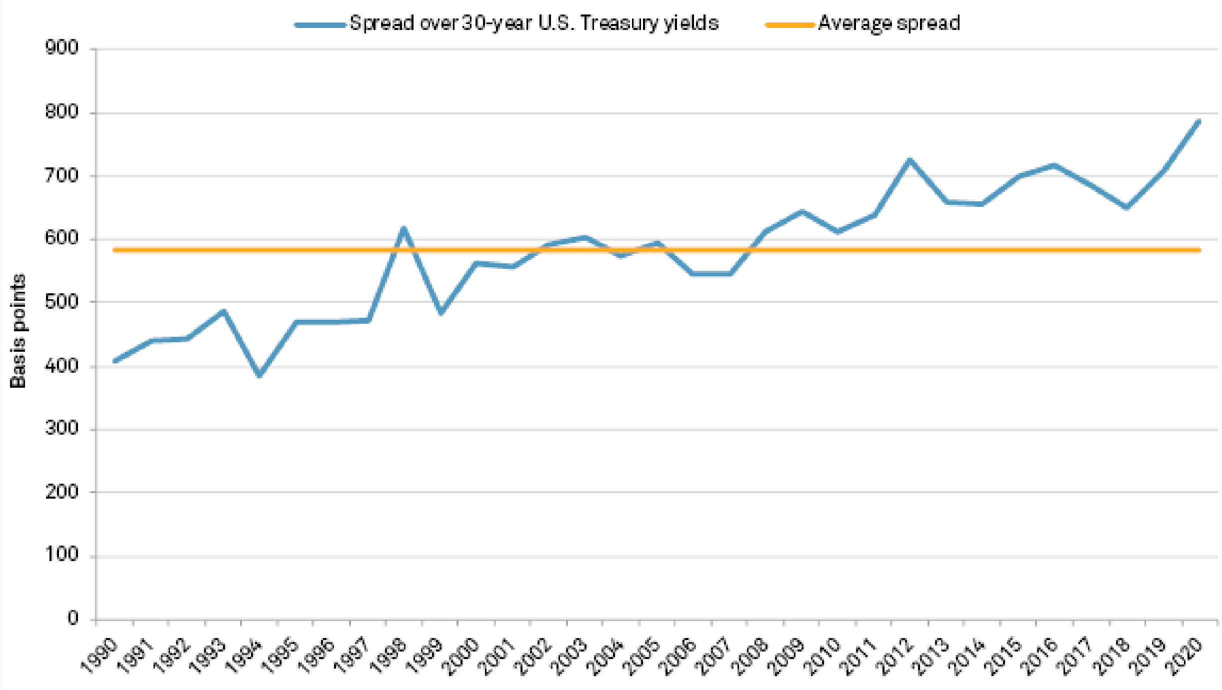
Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

This electric data includes several limited-issue rider cases. Excluding these cases from the data, the average authorized ROE was 9.39% in electric base rate cases decided in 2020, significantly below the 9.64% base-rate-case average for 2019.

RRA's calculations reveal that there were 34 gas rate case decisions that included an ROE determination during 2020 versus 32 in 2019. The accompanying chart and table show the distribution of the 34 ROE determinations in 2020 awarded across 19 regulatory jurisdictions. These authorized equity returns ranged from 8.80% to 10.00%, with an average of 9.46% and a median of 9.42%.

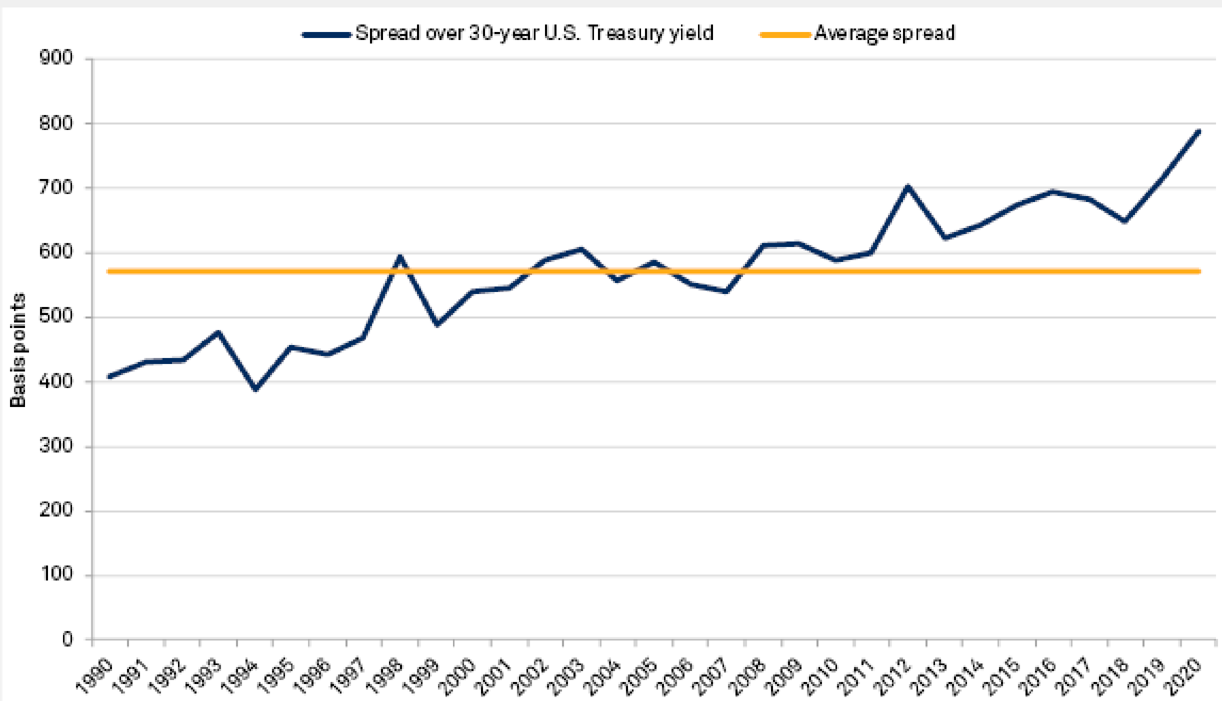
Interest rates, including long-term U.S. Treasury bond yields that are used to represent the risk-free rate in utility ratemaking, have remained historically low, exerting downward pressure on authorized ROEs over the past several years. The COVID-19 pandemic and the U.S. Federal Reserve's measures to alleviate the economic fallout contributed to the continuation of ultra-low yields in 2020. However, despite the historically low interest rates, the spread between authorized ROEs and U.S. Treasury yields widened last year, with the spread between the two averages at its highest ever.

Spread between US authorized electric ROEs and Treasury yields*



Data as of Jan. 12, 2021.
* Average of the daily Treasury yields.
Sources: Regulatory Research Associates, a group within S&P Global Market Intelligence; U.S. Department of Treasury

Spread between US authorized gas ROEs and Treasury yields*



Data as of Jan. 12, 2021.
* Average of the daily Treasury yields.
Sources: Regulatory Research Associates, a group within S&P Global Market Intelligence; U.S. Department of Treasury

A detailed report regarding major rate case decisions rendered in 2020 as well as historical ROE authorizations is expected to be issued later this month.

Authorized electric ROEs, 2020

ROE interval	Rate case completed date	Company name	State	Authorized return on equity (%)	Decision type	Case type
<8.75	02/19/20	Central Maine Power Co.	ME	8.25	Fully litigated	Distribution
	08/27/20	Green Mountain Power Corp.	VT	8.20	Fully litigated	Vertically integrated
	12/09/20	Ameren Illinois Co.	IL	8.38	Fully litigated	Distribution
	12/09/20	Commonwealth Edison Co.	IL	8.38	Fully litigated	Distribution
8.75-8.99	01/16/20	Consolidated Edison Co. of New York Inc	NY	8.80	Settled	Distribution
	11/19/20	New York State Electric & Gas Corp.	NY	8.80	Settled	Distribution
	11/19/20	Rochester Gas and Electric Corp.	NY	8.80	Settled	Distribution
9.00-9.24	02/03/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	02/03/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	03/20/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	04/13/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	06/30/20	Liberty Utilities (Granite State Electric) Corp.	NH	9.10	Settled	Distribution
	07/01/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	07/30/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	09/04/20	Virginia Electric and Power Co.	VA	9.20	Fully litigated	Limited-Issue rider
	11/24/20	Appalachian Power Co.	VA	9.20	Fully litigated	Vertically integrated
	12/22/20	Tucson Electric Power Co.	AZ	9.15	Fully litigated	Vertically integrated
9.25-9.49	02/11/20	Public Service Co. of Colorado	CO	9.30	Fully litigated	Vertically integrated
	02/14/20	CenterPoint Energy Houston Electric LLC	TX	9.40	Settled	Distribution
	02/27/20	AEP Texas Inc.	TX	9.40	Settled	Distribution
	03/25/20	Avista Corp.	WA	9.40	Settled	Vertically integrated
	04/27/20	Duke Energy Kentucky Inc	KY	9.25	Fully litigated	Vertically integrated
	05/20/20	Southwestern Public Service Co.	NM	9.45	Settled	Vertically integrated
	05/21/20	Appalachian Power Co.	VA	9.42	Fully litigated	Limited-Issue rider
	07/01/20	Empire District Electric Co.	MO	9.25	Settled	Vertically integrated
	07/08/20	Puget Sound Energy Inc	WA	9.40	Fully litigated	Vertically integrated
	08/27/20	Southwestern Public Service Co.	TX	9.45	Settled	Vertically integrated
	12/10/20	Nevada Power Co.	NV	9.40	Settled	Vertically integrated
	12/15/20	Public Service Co. of New Hampshire	NH	9.30	Settled	Distribution
9.50-9.74	01/22/20	Rockland Electric Co.	NJ	9.50	Settled	Distribution
	03/11/20	Indiana Michigan Power Co.	IN	9.70	Fully litigated	Vertically integrated
	04/17/20	Fitchburg Gas and Electric Light Co.	MA	9.70	Settled	Distribution
	06/29/20	Duke Energy Indiana LLC	IN	9.70	Fully litigated	Vertically integrated
	07/14/20	Delmarva Power & Light Co.	MD	9.60	Fully litigated	Distribution
	07/28/20	Hawaii Electric Light Co. Inc	HI	9.50	Settled	Vertically integrated
	10/22/20	Hawaiian Electric Co. Inc	HI	9.50	Settled	Vertically integrated
	10/28/20	Jersey Central Power & Light Co.	NJ	9.60	Settled	Distribution
	12/14/20	PacifiCorp	WA	9.50	Settled	Vertically integrated
	12/16/20	Baltimore Gas and Electric Co.	MD	9.50	Fully litigated	Distribution
	12/18/20	PacifiCorp	OR	9.50	Fully litigated	Vertically integrated
	12/30/20	PacifiCorp	UT	9.65	Fully litigated	Vertically integrated
9.75-9.99	01/23/20	Indiana Michigan Power Co.	MI	9.86	Settled	Vertically integrated
	02/24/20	Virginia Electric and Power Co.	NC	9.75	Settled	Vertically integrated
	05/08/20	DTE Electric Co.	MI	9.90	Fully litigated	Vertically integrated
	11/24/20	Madison Gas and Electric Co.	WI	9.80	Settled	Vertically integrated
	12/17/20	Consumers Energy Co.	MI	9.90	Fully litigated	Vertically integrated
	01/08/20	Interstate Power and Light Co.	IA	10.02	Settled	Vertically integrated
	02/03/20	Virginia Electric and Power Co.	VA	10.20	Fully litigated	Limited-Issue rider
	02/03/20	Virginia Electric and Power Co.	VA	10.20	Fully litigated	Limited-Issue rider

10.00-10.24	02/06/20	PacifiCorp	CA	10.00	Fully litigated	Vertically integrated
	02/18/20	Virginia Electric and Power Co.	VA	10.20	Fully litigated	Limited-Issue rider
	06/23/20	Virginia Electric and Power Co.	VA	10.20	Settled	Limited-Issue rider
	08/27/20	Liberty Utilities (CalPeco Electric) LLC	CA	10.00	Fully litigated	Vertically integrated
	12/23/20	Wisconsin Power and Light Co.	WI	10.00	Fully litigated	Vertically integrated
10.25-10.49	02/25/20	Appalachian Power Co.	VA	10.42	Fully litigated	Limited-Issue rider
Average ROE				**9.44**		
Average ROE (excluding Limited-Issue rider proceedings)				**9.39**		

Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

Authorized gas ROEs, 2020

ROE interval	Rate case completed date	Company name	State	Authorized return on equity (%)	Decision type	Case type
8.75-8.99	01/16/20	Consolidated Edison Co. of New York Inc.	NY	8.80	Settled	Distribution
	11/19/20	New York State Electric & Gas Corp.	NY	8.80	Settled	Distribution
	11/19/20	Rochester Gas and Electric Corp.	NY	8.80	Settled	Distribution
9.00-9.24	02/24/20	Atmos Energy Corp.	KS	9.10	Fully litigated	Distribution
	05/19/20	Black Hills Colorado Gas Inc.	CO	9.20	Fully litigated	Distribution
	10/12/20	Public Service Co. of Colorado	CO	9.20	Settled	Distribution
	12/09/20	Southwest Gas Corp.	AZ	9.10	Fully litigated	Distribution
9.25-9.49	01/15/20	MDU Resources Group Inc.	WY	9.35	Settled	Distribution
	01/24/20	Roanoke Gas Co.	VA	9.44	Fully litigated	Distribution
	02/03/20	Cascade Natural Gas Corp.	WA	9.40	Settled	Distribution
	03/25/20	Avista Corp.	WA	9.40	Settled	Distribution
	03/26/20	Northern Utilities Inc.	ME	9.48	Fully litigated	Distribution
	07/08/20	Puget Sound Energy Inc.	WA	9.40	Fully litigated	Distribution
	08/21/20	Questar Gas Co.	WY	9.35	Settled	Distribution
	09/25/20	Southwest Gas Corp.	NV	9.25	Fully litigated	Distribution
	09/25/20	Southwest Gas Corp.	NV	9.25	Fully litigated	Distribution
	10/16/20	Northwest Natural Gas Co.	OR	9.40	Settled	Distribution
	12/10/20	Avista Corp.	OR	9.40	Settled	Distribution
	12/16/20	New Mexico Gas Co. Inc.	NM	9.38	Settled	Distribution
9.50-9.74	02/25/20	Questar Gas Co.	UT	9.50	Fully litigated	Distribution
	02/28/20	Fitchburg Gas and Electric Light Co.	MA	9.70	Settled	Distribution
	06/16/20	CenterPoint Energy Resources Corp.	TX	9.65	Settled	Distribution
	08/04/20	Texas Gas Service Co. Inc.	TX	9.50	Settled	Distribution
	09/23/20	South Jersey Gas Co.	NJ	9.60	Settled	Distribution
	10/07/20	Eversource Gas Co. of Massachusetts	MA	9.70	Settled	Distribution
	11/07/20	Columbia Gas of Maryland, Incorporated	MD	9.60	Settled	Distribution
	12/16/20	Baltimore Gas and Electric Co.	MD	9.65	Fully litigated	Distribution
9.75-9.99	04/21/20	Atmos Energy Corp.	TX	9.80	Settled	Distribution
	08/20/20	DTE Gas Co.	MI	9.90	Settled	Distribution
	09/10/20	Consumers Energy Co.	MI	9.90	Settled	Distribution
	10/30/20	NSTAR Gas Co.	MA	9.90	Fully litigated	Distribution
	11/19/20	Peoples Gas System	FL	9.90	Settled	Distribution
	11/24/20	Madison Gas and Electric Co.	WI	9.80	Settled	Distribution
10.00-10.24	12/23/20	Wisconsin Power and Light Co.	WI	10.00	Fully litigated	Distribution
Average ROE				**9.46**		

Data as of Jan. 12, 2021, reflects gas ROEs authorized in 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

For a full listing of past and pending rate cases, rate case statistics and upcoming events, visit the S&P Global Market Intelligence Energy Research Home Page.

For a complete, searchable listing of RRA's in-depth research and analysis, please go to the S&P Global Market

Intelligence Energy Research Library.

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.

S&P Global
Market Intelligence

Table 1: ROEs authorized January 1990-June 2020

		Electric utilities			Gas utilities		
Year	Period	Average ROE (%)	Median ROE (%)	Number of observations	Average ROE (%)	Median ROE (%)	Number of observations
1990	Full year	12.70	12.77	38	12.68	12.75	33
1991	Full year	12.54	12.50	42	12.45	12.50	31
1992	Full year	12.09	12.00	45	12.02	12.00	28
1993	Full year	11.46	11.50	28	11.37	11.50	40
1994	Full year	11.21	11.13	28	11.24	11.27	24
1995	Full year	11.58	11.45	28	11.44	11.30	13
1996	Full year	11.40	11.25	18	11.12	11.25	17
1997	Full year	11.33	11.58	10	11.30	11.25	12
1998	Full year	11.77	12.00	10	11.51	11.40	10
1999	Full year	10.72	10.75	6	10.74	10.65	6
2000	Full year	11.58	11.50	9	11.34	11.16	13
2001	Full year	11.07	11.00	15	10.96	11.00	5
2002	Full year	11.21	11.28	14	11.17	11.00	19
2003	Full year	10.96	10.75	20	10.99	11.00	25
2004	Full year	10.81	10.70	21	10.63	10.50	22
2005	Full year	10.51	10.35	24	10.41	10.40	26
2006	Full year	10.32	10.23	26	10.40	10.50	15
2007	Full year	10.30	10.20	38	10.22	10.20	35
2008	Full year	10.41	10.30	37	10.39	10.45	32
2009	Full year	10.52	10.50	40	10.22	10.26	30
2010	Full year	10.37	10.30	61	10.15	10.10	39
2011	Full year	10.29	10.17	42	9.92	10.03	16
2012	Full year	10.17	10.08	58	9.94	10.00	35
2013	Full year	10.03	9.95	49	9.68	9.72	21
2014	Full year	9.91	9.78	38	9.78	9.78	26
2015	Full year	9.85	9.65	30	9.60	9.68	16
	1st quarter	10.29	10.50	9	9.48	9.50	6
	2nd quarter	9.60	9.60	7	9.42	9.52	6
	3rd quarter	9.76	9.80	8	9.47	9.50	4
	4th quarter	9.57	9.58	18	9.68	9.73	10
2016	**Full year**	**9.77**	**9.75**	**42**	**9.54**	**9.50**	**26**
	1st quarter	9.87	9.60	15	9.60	9.25	3
	2nd quarter	9.63	9.50	14	9.47	9.60	7
	3rd quarter	9.66	9.60	5	10.14	9.90	6
	4th quarter	9.74	9.60	19	9.68	9.55	8
2017	**Full year**	**9.74**	**9.60**	**53**	**9.72**	**9.60**	**24**
	1st quarter	9.75	9.90	13	9.68	9.80	6
	2nd quarter	9.54	9.50	13	9.43	9.50	7
	3rd quarter	9.67	9.70	11	9.69	9.60	13
	4th quarter	9.42	9.50	11	9.53	9.60	14
2018	**Full year**	**9.60**	**9.58**	**48**	**9.59**	**9.60**	**40**
	1st quarter	9.73	9.70	12	9.55	9.70	4
	2nd quarter	9.58	9.50	12	9.73	9.73	3
	3rd quarter	9.55	9.60	7	9.80	9.90	3
	4th quarter	9.70	9.68	16	9.73	9.70	22
2019	**Full year**	**9.65**	**9.60**	**47**	**9.71**	**9.70**	**32**
	1st quarter	9.58	9.50	19	9.35	9.40	9
	2nd quarter	9.47	9.44	8	9.55	9.65	3
2020	**1st half**	**9.55**	**9.45**	**27**	**9.40**	**9.42**	**12**

Data compiled July 20, 2020
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

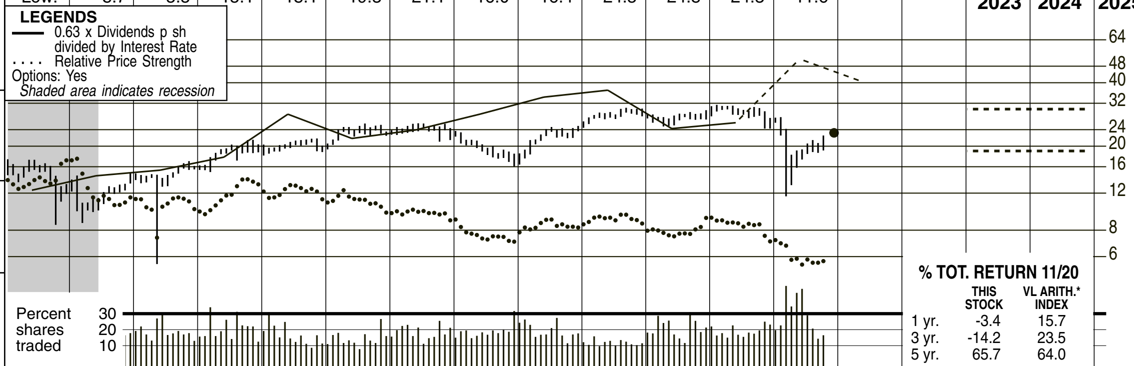
CENTERPOINT EN'RGY NYSE-CNP

RECENT PRICE 23.19 | P/E RATIO 17.7 (Trailing: 16.2 Median: 18.0) | RELATIVE P/E RATIO 0.85 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Raised 12/4/20
SAFETY 3 Lowered 12/18/15
TECHNICAL 3 Raised 12/11/20
BETA 1.15 (1.00 = Market)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High:	14.9	17.0	21.5	21.8	25.7	25.8	23.7	25.0	30.5	29.6	31.4	27.5
Low:	8.7	5.5	15.1	18.1	19.3	21.1	16.0	16.4	24.5	24.8	24.3	11.6

LEGENDS
— 0.63 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



Target Price Range 2023 | 2024 | 2025

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$13-$35	$24 (5%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+30%)	10%
Low	19	(-20%)	-1%

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	259	266	225
to Sell	305	293	293
Hld's(000)	421555	413899	467555

Percent shares traded 30 20 10

% TOT. RETURN 11/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-3.4	15.7
3 yr.	-14.2	23.5
5 yr.	65.7	64.0

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
27.63	31.33	29.71	29.82	32.71	21.14	20.69	19.83	17.43	18.90	21.51	17.18	17.48	22.30	21.13	24.49	*13.40*	*12.80*	Revenues per sh	*13.00*
2.56	2.72	3.47	3.39	3.42	2.94	3.14	3.43	3.89	3.54	3.85	3.40	3.68	4.03	3.24	4.12	*3.50*	*3.55*	"Cash Flow" per sh	*4.00*
.61	.67	1.33	1.17	1.30	1.01	1.07	1.27	1.35	1.24	1.42	1.08	1.00	1.57	.74	1.49	*1.25*	*1.45*	Earnings per sh A	*1.70*
.40	.40	.60	.68	.73	.76	.78	.79	.81	.83	.95	.99	1.03	1.35	1.12	.86	*.74*	*.64*	Div'd Decl'd per sh B ■	*.80*
1.72	2.23	3.21	3.45	2.95	2.96	3.55	3.06	2.84	3.00	3.20	3.68	3.28	3.31	3.29	4.99	*4.75*	*5.10*	Cap'l Spending per sh	*5.25*
3.59	4.18	4.96	5.61	5.89	6.74	7.53	9.91	10.06	10.09	10.60	8.05	8.03	10.88	12.53	13.10	*10.90*	*12.15*	Book Value per sh C	*15.25*
308.05	310.33	313.65	322.72	346.09	391.75	424.70	426.03	427.44	429.00	429.00	430.00	430.68	431.04	501.20	502.24	*545.00*	*590.00*	Common Shs Outst'g D	*640.00*
17.8	19.1	10.3	15.0	11.3	11.8	13.8	14.6	14.8	18.7	17.0	18.1	21.9	17.9	NMF	19.5	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.94	1.02	.56	.80	.68	.79	.88	.92	.94	1.05	.89	.91	1.15	.90	NMF	1.04	*Value Line*		Relative P/E Ratio	*.80*
3.7%	3.1%	4.4%	3.9%	5.0%	6.4%	5.3%	4.3%	4.0%	3.6%	3.9%	5.1%	4.7%	4.8%	4.1%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*3.4%*

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
8785.0	8450.0	7452.0	8106.0	9226.0	7386.0	7528.0	9614.0	10589	12301	*7300*	*7550*	Revenues ($mill)	*8300*
442.0	546.0	581.0	536.0	611.0	465.0	432.0	679.0	368.0	871.0	*885*	*1005*	Net Profit ($mill)	*1145*
37.3%	33.6%	33.4%	31.4%	31.0%	35.1%	37.0%	36.1%	28.4%	14.9%	*20.0%*	*20.0%*	Income Tax Rate	*20.0%*
2.7%	1.6%	2.6%	3.5%	4.1%	4.7%	3.5%	2.9%	5.4%	6.7%	*7.0%*	*6.0%*	AFUDC % to Net Profit	*5.0%*
73.8%	67.2%	66.0%	64.4%	63.8%	69.5%	68.5%	63.6%	51.9%	63.0%	*56.5%*	*55.5%*	Long-Term Debt Ratio	*54.0%*
26.2%	32.8%	34.0%	35.6%	36.2%	30.5%	31.5%	36.4%	37.5%	29.1%	*31.0%*	*35.5%*	Common Equity Ratio	*42.5%*
12199	12863	12658	12146	12557	11362	10992	12883	16740	22603	*19250*	*20075*	Total Capital ($mill)	*23100*
11732	12402	13597	9593.0	10502	11537	12307	13057	14044	20945	*22575*	*24575*	Net Plant ($mill)	*30800*
6.1%	6.4%	6.8%	6.3%	6.7%	6.1%	5.8%	6.8%	3.4%	5.1%	*6.0%*	*6.5%*	Return on Total Cap'l	*6.0%*
13.8%	12.9%	13.5%	12.4%	13.4%	13.4%	12.5%	14.5%	4.6%	10.4%	*10.5%*	*11.5%*	Return on Shr. Equity	*11.0%*
13.8%	12.9%	13.5%	12.4%	13.4%	13.4%	12.5%	14.5%	5.3%	11.5%	*12.0%*	*12.0%*	Return on Com Equity E	*11.0%*
3.8%	5.0%	5.5%	4.2%	4.5%	1.1%	NMF	4.7%	NMF	2.7%	*5.5%*	*7.0%*	Retained to Com Eq	*6.0%*
72%	62%	60%	66%	67%	92%	103%	68%	NMF	80%	*64%*	*51%*	All Div'ds to Net Prof	*49%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $13321 mill. **Due in 5 Yrs** $6329 mill.
LT Debt $11946 mill. **LT Interest** $579 mill.
Incl. $610 mill. securitized transition & system restoration bonds.
(LT interest earned: 2.7x)
Leases, Uncapitalized Annual rentals $6 mill.
Pension Assets-12/19 $2005 mill. **Oblig** $2453 mill.
Pfd Stock $2441 mill. **Pfd Div'd** $117 mill.
800,000 shs. 6.125%, cum., 977,500 shs. 7%, cum., 725,000 shs. all with liq. value of $1000.
Common Stock 544,821,120 shs. **as of 10/23/20**
MARKET CAP: $13 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+2.1	+2.0	+6.7
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	+1.7	+1.7	+7.9
Fixed Charge Cov. (%)	269	167	152

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-2.0%	3.5%	*-9.0%*
"Cash Flow"	1.5%	- -	*1.0%*
Earnings	1.0%	-1.0%	*5.0%*
Dividends	4.5%	5.0%	*-5.5%*
Book Value	7.0%	3.5%	*4.0%*

QUARTERLY REVENUES ($ mill.)

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2017	2735	2143	2098	2638	9614.0
2018	3155	2186	2212	3036	10589
2019	3531	2798	2742	3230	12301
2020	2167	1575	1622	*1936*	*7300*
2021	*2250*	*1600*	*1650*	*2050*	*7550*

EARNINGS PER SHARE A

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2017	.44	.31	.39	.43	1.57
2018	.38	d.17	.35	.18	.74
2019	.28	.33	.47	.41	1.49
2020	.56	.17	.29	*.22*	*1.25*
2021	*.50*	*.30*	*.40*	*.25*	*1.45*

QUARTERLY DIVIDENDS PAID B ■

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.2575	.2575	.2575	.2575	1.03
2017	.2675	.2675	.2675	.2675	1.07
2018	.2775	.2775	.2775	.2775	1.11
2019	.2875	.2875	.2875	.2875	1.15
2020	.29	.15	.15	.15	

BUSINESS: CenterPoint Energy, Inc. is a holding company for Houston Electric, which serves 2.5 million customers in Houston and environs, Indiana Electric, which serves 148,000 customers, and gas utilities with 4.6 million customers in Texas, Minnesota, Arkansas, Louisiana, Oklahoma, Indiana, and Ohio. Owns 53.7% of Enable Midstream Partners. Has nonutility operations that are in the process of being sold. Acquired Vectren 2/19. Electric revenue breakdown not available. Fuel costs: 46% of revenues. '19 depreciation rate: 4.3%. Has 14,300 employees. Chairman: Milton Carroll. President & CEO: David J. Lesar. Inc.: Texas. Address: 1111 Louisiana, P.O. Box 4567, Houston, TX 77210-4567. Tel.: 713-207-1111. Internet: www.centerpointenergy.com.

CenterPoint Energy's Business Review and Evaluation Committee (BREC) has concluded its work. The BREC recommended that the company increase its 2021-2025 capital budget by $3 billion, to $16 billion, including additional investments in renewable energy. This is expected to produce annual rate base growth of 10% and utility profit growth of 7%. As part of CenterPoint's plan to finance this increased spending, the company intends to sell one or two of its gas utilities—which one(s) have not yet been disclosed — and issue stock for its dividend reinvestment plan. Cost cutting is part of the plan, with a goal of reducing operating and maintenance expenses by 1%-2% annually. More information was scheduled to be revealed on December 7th, shortly after this report went to press. Investors have responded favorably; the stock price is up 17% since our September report. The quotation is still down 14% this year, however.

The BREC arose from what has been a tumultuous year for CenterPoint. A steep decline in the value of the company's 53.7% stake in Enable Midstream Partners has hurt the stock. CenterPoint is evaluating its options for its Enable interest. Houston Electric also received a harsh rate order in early 2020. The board of directors slashed the dividend 48%. There have been several management changes, including new chief executive and chief financial officers.

Earnings should be much improved in 2021. The effects of the coronavirus and weak economy have hurt the bottom line in 2020, and we figure the economy will be in better shape in next year. Note, though, that our figures are based on CenterPoint's current configuration.

The company reached a settlement of its gas rate case in Minnesota. CenterPoint filed for a hike of $62 million, based on a 10.15% return on equity and a 52.4% common-equity ratio. The settlement, if approved by the Minnesota commission, would provide for a $38.5 million increase.

We advise investors to look elsewhere. The stock's dividend yield does not stand out among utilities. Also, total return potential is unappealing for the 18-month and 3- to 5-year periods.

Paul E. Debbas, CFA *December 11, 2020*

(A) Diluted EPS. Excl. extraord. gains (losses): '04, ($2.72); '05, 9¢; '11, $1.89; '12, (38¢); '13, (52¢); '15, ($2.69); '17, $2.56; '20, $2.86; losses on disc. ops.: '04, 37¢; '05, 1¢; '20, 35¢. Next earnings report due late Feb. (B) Div'ds historically paid in early Mar., June, Sept. & Dec. 5 declarations in '17, 3 in '19. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '19: $15.14/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. (elec.) in '20: 9.4%; (gas): 9.45%-11.25%; earned on avg. com. eq., '19: 11.6%. Regulatory Climate: Avg.

Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	30
Earnings Predictability	45

DUFF & PHELPS

Table: Equity Risk Premium & Risk-free Rates

December 9, 2020

Duff & Phelps Recommended U.S. Equity Risk Premium (ERP) and Corresponding Risk-free Rates (R_f); January 2008–Present

For additional information, please visit https://www.duffandphelps.com/insights/publications/cost-of-capital

Date	Risk-free Rate (R_f)	R_f (%)	Duff & Phelps Recommended ERP (%)	What Changed
Current Guidance:				
December 9, 2020 – UNTIL FURTHER NOTICE	Normalized 20-year U.S. Treasury yield	2.50	5.50	ERP
June 30, 2020 – December 8, 2020	Normalized 20-year U.S. Treasury yield	2.50	6.00	*Rf*
March 25, 2020 – June 29, 2020	Normalized 20-year U.S. Treasury yield	3.00	6.00	*ERP*
December 19, 2019 – March 24, 2020	Normalized 20-year U.S. Treasury yield	3.00	5.00	*ERP*
September 30, 2019 – December 18, 2019	Normalized 20-year U.S. Treasury yield	3.00	5.50	R_f
December 31, 2018 – September 29, 2019	Normalized 20-year U.S. Treasury yield	3.50	5.50	*ERP*
September 5, 2017 – December 30, 2018	Normalized 20-year U.S. Treasury yield	3.50	5.00	*ERP*
November 15, 2016 – September 4, 2017	Normalized 20-year U.S. Treasury yield	3.50	5.50	R_f
January 31, 2016 – November 14, 2016	Normalized 20-year U.S. Treasury yield	4.00	5.50	ERP
December 31, 2015	Normalized 20-year U.S. Treasury yield	4.00	5.00	
December 31, 2014	Normalized 20-year U.S. Treasury yield	4.00	5.00	
December 31, 2013	Normalized 20-year U.S. Treasury yield	4.00	5.00	
February 28, 2013 – January 30, 2016	Normalized 20-year U.S. Treasury yield	4.00	5.00	ERP
December 31, 2012	Normalized 20-year U.S. Treasury yield	4.00	5.50	
January 15, 2012 – February 27, 2013	Normalized 20-year U.S. Treasury yield	4.00	5.50	ERP
December 31, 2011	Normalized 20-year U.S. Treasury yield	4.00	6.00	
September 30, 2011 – January 14, 2012	Normalized 20-year U.S. Treasury yield	4.00	6.00	ERP
July 1 2011 – September 29, 2011	Normalized 20-year U.S. Treasury yield	4.00	5.50	R_f
June 1, 2011 – June 30, 2011	Spot 20-year U.S. Treasury yield	Spot	5.50	R_f
May 1, 2011 – May 31, 2011	Normalized 20-year U.S. Treasury yield	4.00	5.50	R_f
December 31, 2010	Spot 20-year U.S. Treasury yield	Spot	5.50	
December 1, 2010 – April 30, 2011	Spot 20-year U.S. Treasury yield	Spot	5.50	R_f
June 1, 2010 – November 30, 2010	Normalized 20-year U.S. Treasury yield	4.00	5.50	R_f
December 31, 2009	Spot 20-year U.S. Treasury yield	Spot	5.50	
December 1, 2009 – May 31, 2010	Spot 20-year U.S. Treasury yield	Spot	5.50	ERP
June 1, 2009 – November 30, 2009	Spot 20-year U.S. Treasury yield	Spot	6.00	R_f
December 31, 2008	Normalized 20-year U.S. Treasury yield	4.50	6.00	
November 1, 2008 – May 31, 2009	Normalized 20-year U.S. Treasury yield	4.50	6.00	R_f
October 27, 2008 – October 31, 2008	Spot 20-year U.S. Treasury yield	Spot	6.00	ERP
January 1, 2008 – October 26, 2008	Spot 20-year U.S. Treasury yield	Spot	5.00	Initialized

"Normalized" in this context means that in months where the risk-free rate is deemed to be abnormally low, a proxy for a longer-term sustainable risk-free rate is used.

To learn more about cost of capital issues, and to ensure that you are using the most recent Duff & Phelps Recommended ERP, visit www.duffandphelps.com/insights/publications/cost-of-capital.
This and other related resources can also be found in the online Cost of Capital Navigator platform. To learn more about the Cost of Capital Navigator and other Duff & Phelps valuation and industry data products, visit www.DPCostofCapital.com.

Summary of
Discounted Cash Flow Analysis (DCF)

DCF formula: $K = (D_1/P_0) + g$

Gas Proxy Group:

Dividend Yield (D_1/P_0):	**3.7%**	**see pages 2 and 3**
Dividend Growth (g):	**5.5%**	**see pages 4 and 5**
DCF Cost of Equity *(K):*	**9.2%**	

Gas Utility Group Companies:	**Value Line Forward Yield D_1/P_0 (November 27, 2020)**
Atmos Energy Corp. (ATO)	2.5%
ONE Gas Inc. (OGS)	3.0%
South Jersey Inds. (SJI)	5.3%
Southwest Gas (SWX)	3.3%
Spire, Inc. (SR)	4.1%
Gas Utility Group Average	**3.6%**

Forward Dividend Yields:

Average Dividend Yield, adjusted for growth by (1 + 0.5g)

$D_1/P_0 = D_0/P_0 * (1 + 0.5g) = 3.6\% * [1 + 0.5(0.053)] =$ **3.7%**

Value Line Forward Yield (D_1/P_0) = **3.6%**

Use for forward yield (D_1/P_0):	**3.7%**

Summary of
Discounted Cash Flow Analysis (DCF)
Growth Estimates

Gas Utility Group:

From Standard Edition Value Line:

Average of Value Line forecasted growth rates	**6.7%**
Average of 5 year historical growth	**6.9%**
Average 10 year historical growth:	**5.9%**
Earnings Per Share (Value Line Forecasted)	**8.1%**
Earnings Per Share (Past 5 Years)	**8.3%**
Earnings Per Share (Past 10 Years)	**5.1%**
Dividends Per Share (Value Line Forecasted)	**5.5%**
Dividends Per Share (Past 5 Years)	**8.9%**
Dividends Per Share (Past 10 Years)	**6.1%**
Book Value Per Share (Value Line Forecasted)	**6.6%**
Book Value Per Share (Past 5 Years)	**6.1%**
Book Value Per Share (Past 10 years)	**6.5%**

Nominal GDP Growth
From Federal Reserve Bank of St. Louis

Average % Growth in Nominal GDP (1948 to 2020)	**6.3%**
Average % Growth in Nominal GDP (1980 to 2020)	**5.2%**

Projected Growth in Nominal GDP

Congressional Budget Office (2020 to 2030)	**3.4%**

Use DCF Growth Rate	**5.5%**

Value Line Growth Rates

STANDARD VALUE LINE COMPANIES -- Gas Utility Group

	Annual Growth - Past 10 Years			Annual Growth - Past 5 Years			Annual Growth - Value Line Projected			Average Growth Rates		
Company Name	Earnings Per Share	Dividends Per Share	Book Value Per Share	Earnings Per Share	Dividends Per Share	Book Value Per Share	Earnings Per Share	Dividends Per Share	Book Value Per Share	Past 10 Years	Past 5 Years	Value Line Projected
Atmos Energy Corp. (ATO)	7.5%	4.0%	6.5%	9.5%	6.5%	8.5%	7.0%	7.5%	7.5%	6.0%	8.2%	7.3%
ONE Gas, Inc. (OGS)	n/a*	n/a*	n/a*	9.5%	17.0%	2.5%	6.5%	7.5%	5.5%	n/a*	6.0%	6.5%
South Jersey Inds. (SJI)	1.5%	8.0%	6.5%	-2.5%	6.0%	6.0%	12.5%	3.5%	5.0%	5.3%	6.0%	7.0%
Southwest Gas (SWX)	8.0%	8.5%	6.0%	4.5%	9.5%	6.5%	9.0%	4.0%	6.5%	7.5%	6.8%	6.5%
Spire Inc. (SR)	3.5%	4.0%	7.0%	9.5%	5.5%	7.0%	5.5%	5.0%	8.5%	4.8%	7.3%	6.3%
Gas Utility Group Average	**5.1%**	**6.1%**	**6.5%**	**8.3%**	**8.9%**	**6.1%**	**8.1%**	**5.5%**	**6.6%**	**5.9%**	**6.9%**	**6.7%**

Source: *Value Line Investment Survey, November 27, 2020.*

* *Value Line did not list 10-Year data for ONE Gas, Inc.*
Negative percentages were not included in
the Group Average calculation.

Growth in Nominal Gross Domestic Product, 1948 to 2020

Year	% Change in Nominal GDP
1948	7.90%
1949	-3.40%
1950	18.30%
1951	11.50%
1952	7.10%
1953	1.50%
1954	3.60%
1955	9.40%
1956	5.40%
1957	3.20%
1958	5.50%
1959	5.90%
1960	2.40%
1961	7.60%
1962	5.50%
1963	6.80%
1964	6.70%
1965	10.70%
1966	8.00%
1967	5.80%
1968	9.90%
1969	7.30%
1970	4.90%
1971	9.50%
1972	11.60%
1973	11.10%
1974	8.40%
1975	10.20%
1976	9.80%
1977	11.90%
1978	14.60%
1979	10.00%

Year	% Change in Nominal GDP
1980	9.90%
1981	9.90%
1982	3.80%
1983	11.40%
1984	9.30%
1985	7.40%
1986	4.90%
1987	7.60%
1988	7.80%
1989	6.50%
1990	4.60%
1991	4.30%
1992	6.70%
1993	5.00%
1994	6.30%
1995	4.30%
1996	6.30%
1997	6.10%
1998	6.10%
1999	6.50%
2000	5.50%
2001	2.20%
2002	3.80%
2003	6.50%
2004	6.30%
2005	6.50%
2006	5.10%
2007	4.40%
2008	-0.90%
2009	0.20%
2010	4.60%
2011	3.70%
2012	3.30%
2013	4.30%
2014	4.10%
2015	3.00%
2016	3.50%
2017	4.10%
2018	4.90%
2019	4.00%
2020*	-2.40%
Avg. % Change 1948 to 2020	6.30%
Avg. % Change 1980 to 2020	5.16%

Source: Federal Reserve Economic Data, https://fred.stlouisfed.org, Federal Reserve Bank of St. Louis, Economic Research Division

* Federal Reserve - Federal Open Market Committee: December 16, 2020
https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20201216.htm

Forecasted Annual Percentage Growth in Nominal GDP
Congressional Budget Office, July 2020

Calendar Year	% Nominal GDP Growth
2020	-5.1%
2021	4.8%
2022	4.6%
2023	4.2%
2024	4.2%
2025	4.2%
2026	4.2%
2027	4.2%
2028	4.2%
2029	4.2%
2030	4.2%
Average Growth	3.4%

Source: *Congressional Budget Office, An Update to the Economic Outlook: 2020 to 2030: Update July 2020*

Summary of
Discounted Cash Flow Analysis (DCF)

DCF formula: $K = (D_1/P_0) + g$

Alternative Group:

Dividend Yield (D_1/P_0):	**3.6%**	**see pages 2 and 3**
Dividend Growth (g):	**5.5%**	**see pages 4 and 5**
DCF Cost of Equity *(K)*:	$\boxed{\textbf{9.1\%}}$	

Value Line Dividend Yield Data	Value Line Forward Yield D1/P0
Alternative Proxy Group Companies	
Ameren Corporation (AEE)	2.7%
Atmos Energy Corp. (ATO)	2.5%
Avista Corporation (AVA)	4.2%
CMS Energy Corp. (CMS)	2.8%
Dominion Resources, Inc. (D)	3.1%
DTE Energy (DTE)	3.4%
NorthWestern Corp. (NWE)	4.4%
ONE Gas, Inc. (OGS)	3.0%
Sempra Energy (SRE)	3.8%
Southern Company (SO)	4.4%
South Jersey Industries (SJI)	5.3%
Southwest Gas Corp. (SWX)	3.3%
Spire, Inc. (SR)	4.1%
WEC Energy Group (WEC)	2.8%
Xcel Energy (XEL)	2.8%
Alternative Proxy Group Average	**3.5%**

<u>Forward Dividend Yields:</u>

Average Dividend Yield, adjusted for growth by (1 + 0.5g)

$D_1/P_0 = D_0/P_0 * (1 + 0.5g) = 3.5\% * [1 + 0.5(0.053)] =$ **<u>3.6%</u>**

Value Line Forward Yield (D_1/P_0) = **<u>3.5%</u>**

Use for forward yield (D_1/P_0):	**3.6%**

Summary of
Discounted Cash Flow Analysis (DCF)
Growth Estimates

Alternative Group:

From Standard Edition Value Line:

Average of Value Line forecasted growth rates	**5.7%**
Average of 5 year historical growth	**6.3%**
Average 10 year historical growth:	**5.9%**
Earnings Per Share (Value Line Forecasted)	**6.4%**
Earnings Per Share (Past 5 Years)	**6.5%**
Earnings Per Share (Past 10 Years)	**5.2%**
Dividends Per Share (Value Line Forecasted)	**5.5%**
Dividends Per Share (Past 5 Years)	**7.2%**
Dividends Per Share (Past 10 Years)	**7.1%**
Book Value Per Share (Value Line Forecasted)	**5.5%**
Book Value Per Share (Past 5 Years)	**5.8%**
Book Value Per Share (Past 10 years)	**5.1%**

Nominal GDP Growth

From Federal Reserve Bank of St. Louis

Average % Growth in Nominal GDP (1948 to 2020)	**6.3%**
Average % Growth in Nominal GDP (1980 to 2020)	**5.2%**

Projected Growth in Nominal GDP

Congressional Budget Office (2020 to 2030)	**3.4%**

Use DCF Growth Rate	**5.5%**

Value Line Growth Rates

Alternative Group

	Annual Growth - Past 10 Years			Annual Growth - Past 5 Years			Annual Growth - Value Line Projected			Average Growth Rates		
Company Name	Earnings Per Share	Dividends Per Share	Book Value Per Share	Earnings Per Share	Dividends Per Share	Book Value Per Share	Earnings Per Share	Dividends Per Share	Book Value Per Share	Past 10 Years	Past 5 Years	Value Line Projected
Ameren Corp. (AEE)	1.0%	-2.0%	-0.5%	6.5%	3.0%	2.5%	6.0%	5.0%	6.0%	1.0%	4.0%	4.3%
Atmos Energy Corp. (ATO)	7.5%	4.0%	6.5%	9.5%	6.5%	8.5%	7.0%	7.5%	7.5%	6.0%	8.2%	7.3%
Avista Corp. (AVA)	6.5%	8.0%	4.0%	7.0%	4.0%	4.5%	1.0%	4.0%	2.5%	6.2%	5.2%	2.5%
CMS Energy Corp. (CMS)	9.5%	15.0%	4.5%	7.0%	7.0%	5.5%	7.5%	7.0%	7.5%	9.7%	6.5%	7.3%
Dominion Resources, Inc. (D)	1.5%	7.5%	6.0%	na	8.0%	9.5%	6.0%	-2.0%	3.5%	5.0%	8.8%	4.8%
DTE Energy (DTE)	8.0%	5.5%	4.5%	7.5%	7.0%	5.0%	6.0%	6.5%	5.5%	6.0%	6.5%	6.0%
Northwestern Corp. (NEW)	7.0%	5.5%	6.0%	6.0%	7.5%	7.0%	2.5%	4.0%	3.0%	6.2%	6.8%	3.2%
ONE Gas, Inc. (OGS)	na	na	na	9.5%	17.0%	2.5%	6.5%	7.5%	5.5%	na	6.0%	6.5%
Sempra Energy (SRE)	2.0%	10.0%	5.0%	4.0%	7.5%	4.5%	11.0%	7.5%	8.5%	5.7%	5.3%	9.0%
Southern Company (SO)	3.0%	3.5%	3.5%	3.0%	3.5%	3.0%	3.0%	3.0%	3.5%	3.3%	3.2%	3.2%
South Jersey Industries (SJI)	1.5%	8.0%	6.5%	-2.5%	6.0%	6.0%	12.5%	3.5%	5.0%	5.3%	6.0%	7.0%
Southwest Gas Corp. (SWX)	8.0%	8.5%	6.0%	4.5%	9.5%	6.5%	9.0%	4.0%	6.5%	7.5%	6.8%	6.5%
Spire, Inc. (SR)	3.5%	4.0%	7.0%	9.5%	5.5%	7.0%	5.5%	5.0%	8.5%	4.8%	7.3%	6.3%
WEC Energy Group (WEC)	8.5%	14.5%	8.0%	6.0%	9.5%	10.5%	6.0%	6.5%	3.5%	10.3%	8.7%	5.3%
Xcel Energy (XEL)	5.5%	5.0%	4.5%	5.0%	6.5%	4.5%	6.0%	6.0%	5.5%	5.0%	5.3%	5.8%
Alternative Proxy Group Average	**5.2%**	**7.1%**	**5.1%**	**6.5%**	**7.2%**	**5.8%**	**6.4%**	**5.5%**	**5.5%**	**5.9%**	**6.3%**	**5.7%**

Source: Value Line
See Attachment LDC-9, pp. 1-5 and Attachment LDC-11, pp. 1-10.
Note: Negative percentages are not included in the calculations.
Also, Value Line did not list growth rates for ONE Gas for the last 10 years.

Growth in Nominal Gross Domestic Product, 1948 to 2020

Year	% Change in Nominal GDP	Year	% Change in Nominal GDP
1948	7.90%	1980	9.90%
1949	-3.40%	1981	9.90%
1950	18.30%	1982	3.80%
1951	11.50%	1983	11.40%
1952	7.10%	1984	9.30%
1953	1.50%	1985	7.40%
1954	3.60%	1986	4.90%
1955	9.40%	1987	7.60%
1956	5.40%	1988	7.80%
1957	3.20%	1989	6.50%
1958	5.50%	1990	4.60%
1959	5.90%	1991	4.30%
1960	2.40%	1992	6.70%
1961	7.60%	1993	5.00%
1962	5.50%	1994	6.30%
1963	6.80%	1995	4.30%
1964	6.70%	1996	6.30%
1965	10.70%	1997	6.10%
1966	8.00%	1998	6.10%
1967	5.80%	1999	6.50%
1968	9.90%	2000	5.50%
1969	7.30%	2001	2.20%
1970	4.90%	2002	3.80%
1971	9.50%	2003	6.50%
1972	11.60%	2004	6.30%
1973	11.10%	2005	6.50%
1974	8.40%	2006	5.10%
1975	10.20%	2007	4.40%
1976	9.80%	2008	-0.90%
1977	11.90%	2009	0.20%
1978	14.60%	2010	4.60%
1979	10.00%	2011	3.70%
		2012	3.30%
		2013	4.30%
		2014	4.10%
		2015	3.00%
		2016	3.50%
		2017	4.10%
		2018	4.90%
		2019	4.00%
		2020*	-2.40%
		Avg. % Change 1948 to 2020	6.30%
		Avg. % Change 1980 to 2020	5.16%

Source: Federal Reserve Economic Data, https://fred.stlouisfed.org, Federal Reserve Bank of St. Louis, Economic Research Division

https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20201216.htm

* Federal Reserve - Federal Open Market Committee: December 16, 2020

Forecasted Annual Percentage Growth in Nominal GDP
Congressional Budget Office, July 2020

Calendar Year	% Nominal GDP Growth
2020	-5.1%
2021	4.8%
2022	4.6%
2023	4.2%
2024	4.2%
2025	4.2%
2026	4.2%
2027	4.2%
2028	4.2%
2029	4.2%
2030	4.2%
Average Growth	3.4%

Source: *Congressional Budget Office, Budget and Economic Outlook 2020-2030, Update July 2020*

MOODY'S
INVESTORS SERVICE

SECTOR IN-DEPTH
17 April 2020

Rate this Research

TABLE OF CONTENTS

Analyst Contacts

Gavin MacFarlane +1.416.214.3864
VP-Sr Credit Officer
gavin.macfarlane@moodys.com

Jillian Cardona +1.212.553.4351
Associate Analyst
jillian.cardona@moodys.com

Laura Schumacher +1.212.553.3853
VP-Sr Credit Officer
laura.schumacher@moodys.com

Ryan Wobbrock +1.212.553.7104
VP-Sr Credit Officer
ryan.wobbrock@moodys.com

Philip Cope +44.20.7772.5229
AVP-Analyst
philip.cope@moodys.com

Robert Petrosino CFA +1.212.553.1946
VP-Senior Analyst
robert.petrosino@moodys.com

Michael G. Haggarty +1.212.553.7172
Associate Managing Director
michael.haggarty@moodys.com

Jim Hempstead +1.212.553.4318
MD-Utilities
james.hempstead@moodys.com

Regulated Electric and Gas Utilities – US

Continued decline in ROEs to heighten pressure on financial metrics

» **Lower 30-year Treasury yield to increase pressure on utilities' authorized return on equity.** The decline in the yield on 30-year US Treasury bonds will heighten pressure on the return on equity (ROE) that utilities are authorized to collect in customer rates. The 30-year yield averaged 2.89% in 2019 and finished the year at 2.39%, which is well below the 3.11% average in 2018. If the yield were to remain close to year end levels and the average, roughly 670 basis point spread with utility ROEs over the past 10 years were to be maintained, this would result in an average approved utility ROE of about 9% in 2020, down from 9.65% during 2019.

» **Coronavirus-related drop in 30-year T-bill likely to stay the hand of regulators for now.** Regulators will be hesitant to reduce authorized returns given the current market uncertainty and while rate cases are being delayed. This may lead to the widest spread between the authorized ROE and the 30-year T-bill in at least the past two decades.

» **Modest increases in equity capital support credit strength.** Increasing equity in the capital structure results in higher net income and lower debt in the capital structure, both of which benefit credit quality. In addition, the equity component of the capital structure generally experiences less variability when measured as a percentage change compared to ROE. Thus, the increase in average equity thickness to 50.6% in 2019 from about 49.3% during the previous two years is credit positive for utilities.

» **Credit metrics are more sensitive to changes in ROE and equity capital after US tax reform.** Changes in ROE and equity capital affect financial metrics because utilities generate a significant portion of their cash flow from net income. While US tax reform has not had a direct impact on utility net income, it has reduced the overall level of cash flow by reducing deferred taxes and increasing net income and depreciation as percentages of utility cash flow. As a result, utility credit metrics are more sensitive to changes in authorized ROE and the level of equity capital than they were before tax reform.

» **Outcomes will continue to vary among regulatory jurisdictions.** A variety of factors can influence the outcome of discussions among utilities, regulators and intervenors about authorized returns and equity capital. Utilities use many arguments to bolster their case for increasing shareholder returns that may offset the pressure created by declining Treasury yields. Common issues that are typically raised include the impact of tax reform, large capital programs, access to capital, fair return standards, pressure on utility bills and increasing sector risks.

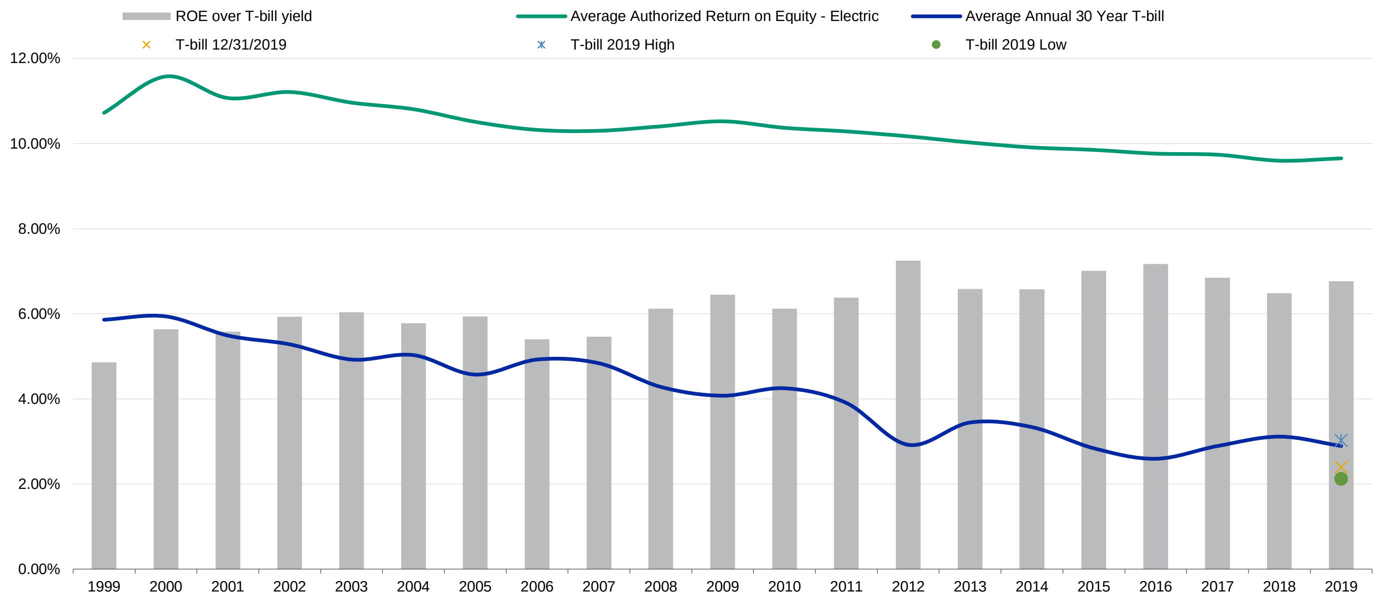
Attachment LDC-7
Cause No. 45447
Page 2 of 9

Declining 30-year Treasury yield to increase pressure on authorized returns on equity

The renewed decline in the 30-year US Treasury yield during 2019 suggests that there will be heightened pressure on the ROE that utilities are authorized to collect in customer rates. During the past two decades, the average authorized ROE of US regulated utilities has fallen in the wake of the long-term decline in the 30-year T-bill. Utility ROEs have been "sticky" – that is, they have declined more slowly than the 30-year T-bill. As a result, the spread between the two has gradually expanded during this period.

The 30-year yield averaged 2.89% in 2019, down from 3.11% in 2018. However, as of 31 December 2019, the yield was 2.39% and the low for the year was 2.12%. If the yield were to remain close to year-end levels and the average 670 basis point spread with ROEs over the past 10 years were to be maintained, this would result in an average approved ROE of about 9% in 2020, down from the 9.65% in 2019. However, the stickiness of utility ROEs illustrated by higher average spreads historically suggests that the average ROE may not fall to 9% so quickly even if T-bills were to remain at year-end levels.

Exhibit 1
Spread between US utility ROEs and 30-year Treasury yield has widened over time
Average authorized return on equity for US electric utility operating companies and 30-year US Treasury yield



Sources: Moody's Analytics and S&P Global Market Intelligence

Over time, ROE declines are likely to continue to be more modest than declines in the 30-year Treasury yield. The equity component of the capital structure has increased modestly over the past 15 years, which may offset some of the pressure created by a lower ROE. These movements are important to credit quality because both ROE and the level of equity capital are key factors in utility net income, which makes up slightly less than half of utility cash flow.

Changes to ROE's can take some time to occur. In November, the Federal Energy Regulatory Commission (FERC) lowered the base ROE for Midcontinent Independent System Operator (MISO) transmission owners, which include vertically integrated utilities such as ALLETE Inc. (Baa1 stable), Ameren Corporation (Baa1 stable), Cleco Power LLC (A3 stable), MidAmerican Energy Company (A1 stable) and Otter Tail Power Company (A3 stable). The decision to lower the base ROE to 9.88% with a cap of 12.24%, including ROE incentive adders, was the culmination of a series of inquiries and rulings emanating from a complaint filed in 2013. In that complaint, a group of transmission customers alleged that MISO transmission owners were earning a base ROE that was unjust and unreasonable under section 206 of the Federal Power Act (see "Regulated electric utilities – US: FERC order reducing MISO base ROE is credit negative for transmission owners"). After many parties filed requests for rehearing, FERC published an order on 21 January 2020 granting these requests.

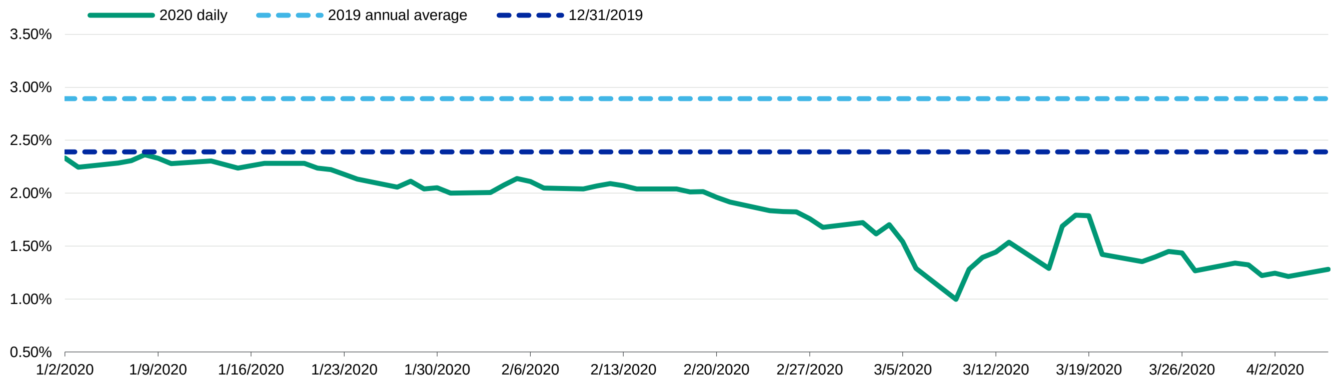
Coronavirus-related drop in 30-year T-bill likely to stay the hand of regulators for now

As a result of the economic fallout from the coronavirus outbreak, the rate on the 30-year T-bill has declined significantly, as shown in Exhibit 2. Assuming utilities continue to earn the average 670 bps spread over the 30-year T-bill, this would suggest that there will be a great deal of pressure on authorized returns. However, we think regulators will be hesitant to significantly reduce allowed returns given the uncertain market environment and the likely delays in adjudicating rate cases because of social distancing mandates and other issues associated with the coronavirus (see "Regulated Electric, Gas and Water Utilities – US: Coronavirus outbreak delays rate cases, but regulatory support remains intact"). This may lead to the widest spread between the authorized ROE and the 30-year T-bill in at least the past two decades. Utilities with a formula driven approach to setting ROEs may be hurt far more quickly as their ROE's are adjusted automatically. We expect some of these utilities to appeal to regulators to either suspend or alter this formula based approach, at least temporarily.

Exhibit 2

The 30-year T-bill has declined sharply amid coronavirus-related recessionary pressures

Yield on 30-year US Treasury bonds since the beginning of 2020



Source: Moody's Analytics

In contrast to the gradual, long-term decline in the 30-year T-bill illustrated in Exhibit 1, the year-to-date decline in the yield has been more abrupt, influenced by the plunge in economic activity at the end of the first quarter. We expect US GDP to undergo a sharp 4.5% contraction in the first half of the year, before finishing full-year 2020 down 2.0% and recovering in 2021 with 2.3% growth (see "Global Macro Outlook 2020-21 [March 25, 2020 Update]: The coronavirus will cause unprecedented shock to the global economy"). Given the continued uncertainty over efforts to contain the coronavirus outbreak, there is significant downside risk to our macroeconomic forecast. But if there were to be a material snapback in growth, we would expect interest rates to follow suit.

Modest increases in equity capital support credit strength

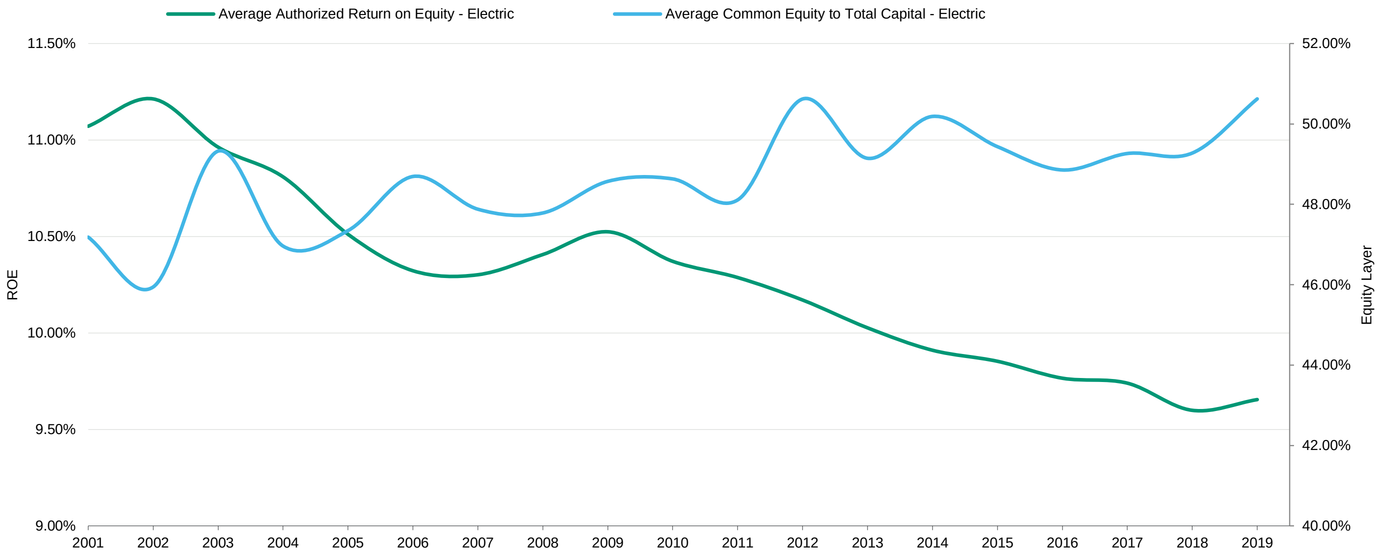
Increasing equity results in higher net income and lower debt in the capital structure, both of which benefit credit quality. In addition, the equity component of the capital structure generally experiences less variability from year to year when measured as a percentage change compared to ROE. Thus, the increase in the average equity thickness to 50.6% in 2019 from about 49.3% during the previous two years is credit positive for utilities.

However, some jurisdictions are moving in a different direction. On 14 November, the Public Utility Commission of Texas (PUCT) issued a preliminary decision in CenterPoint Energy Houston Electric LLC's (CEHE, Baa1 stable) rate case, setting the utility's ROE at 9.25% and its equity ratio at 40%. Both were lower than the 9.42% ROE and 45% equity ratio recommended in September by administrative law judges at the Texas State Office of Administrative Hearings. Following the PUCT's preliminary decision, which also increases regulatory uncertainty for other regulated utilities in the state, we placed CEHE's ratings on review for downgrade and revised our outlook on AEP Texas Inc. (Baa1 negative) to negative from stable. On 21 January 2020 a CEHE filing indicated that a settlement had been reached that would set the ROE at 9.4% and the equity capital layer at 42.5%. The PUCT issued an order on 7 March 2020 based on the stipulation of settlement and incorporating the 9.4% ROE and 42.5% equity layer. CEHE's rating was lowered to Baa1 from A3, partly as are result of the lower ROE incorporated in the stipulation.

Exhibit 3

Equity capital is increasing as ROEs decline

US electric utilities' average authorized return on equity versus average common equity to total capital ratio



Source: S&P Global Market Intelligence

Credit metrics are more sensitive to changes in ROE and equity capital after US tax reform

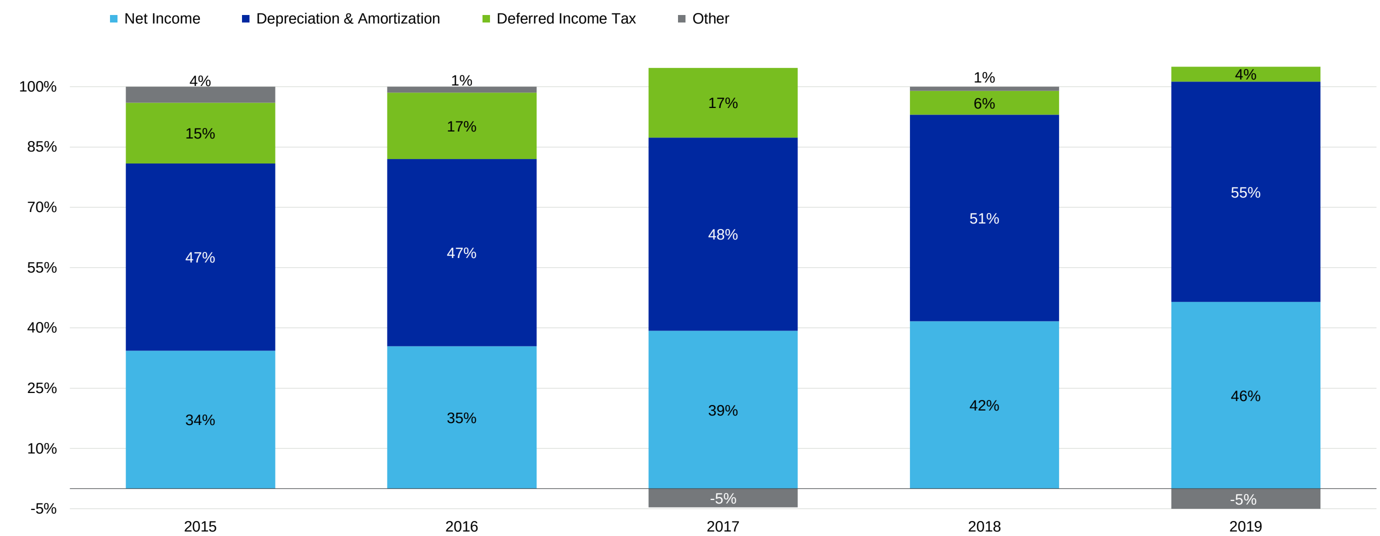
Changes in ROE and equity capital will affect financial metrics because utilities generate a significant portion of their cash flow from net income. As a simple proxy, net income is often a function of rate base times the level of equity capital multiplied by the authorized ROE. Rate base, which is the level of historical investment that utilities have made but have not yet recovered in rates, is roughly equal to net property plant and equipment with some adjustments. Investments included in rate base must be approved by the utility regulator.

While US tax reform has not had a direct impact on utility net income, it has reduced the overall level of cash flow by reducing deferred taxes. This has increased net income and depreciation as percentages of utility cash flow, as shown in Exhibit 4. As a result, utility credit metrics are now more sensitive to changes in authorized ROE and the level of equity capital than they were before tax reform.

Exhibit 4

US tax reform has changed the composition of utility cash flow

Components of utility cash flow for 109 rated vertically integrated and T&D operating companies



All numbers include Moody's standard adjustments.
Source: Moody's Investors Service

Key credit metrics are more sensitive to changes in the capital structure than they are to the authorized ROE. While ROE affects net income, changes in the capital structure affect both net income and the level of debt that cash flow has to service so, from a credit perspective, changes to the capital structure are more important to credit quality than ROE. This is clearly illustrated in Exhibit 5, which shows a simple model for estimating the impact of changes in these variables on the ratio of cash flow from operations (CFO) to debt, a key financial metric we use in analyzing a utility's financial strength. The exhibit assumes that all revenue and costs are pass-through items and assumes no impact from other potential variables, such as volume risk or taxes.

Under our base case of 50% equity capital, a 10% authorized ROE and a 4% depreciation rate, CFO/debt would be 18%. Under the alternative scenarios shown below, CFO/debt would decline to 17% if we were to assume a 9% ROE, all else being equal, and the ratio would fall to 15.5% if we were to assume 45% equity capital, all else being equal to our base case. The exhibit also shows that a one percentage point decline in ROE (to 9% from 10%) and a 1.9 percentage point reduction in equity capital (to 48.1% from 50%), all else being equal to our base case, would both result in CFO/debt of 17%.

Exhibit 5

Changes in ROE and equity capital both affect key financial metrics

Four scenarios illustrating how authorized return on equity and equity thickness affect CFO/debt ratio

	Base case (unchanged)	ROE reduced to 9%	Equity reduced to 45%	Equity reduced to 48.1%
Rate base	$100	$100	$100	$100
Allowed ROE	10.0%	**9.0%**	10.0%	10.0%
Equity thickness	50.0%	50.0%	**45.0%**	**48.1%**
Depreciation (years)	25	25	25	25
Depreciation rate (%)	4.0%	4.0%	4.0%	4.0%
Net income	$5.0	$4.5	$4.5	$4.8
Depreciation	$4.0	$4.0	$4.0	$4.0
CFO	$9.0	$8.5	$8.5	$8.8
CFO/debt	18.0%	17.0%	15.5%	17.0%

Source: Moody's Investors Service

Outcomes will continue to vary among regulatory jurisdictions

A variety of factors can influence the outcome of discussions among utilities, regulators and intervenors about authorized returns and equity capital. Outcomes may vary considerably among jurisdictions, with the credit implications for utilities ranging from modest to significant.

Utilities use many arguments to bolster their case for increasing shareholder returns. Common issues that are typically raised include the impact of tax reform, large capital programs, access to capital, fair return standards, higher returns at other utilities within the same corporate group, pressure on utility bills and increasing sector risks.

If capital programs have strong support for regulatory recovery, they may not ultimately pressure utility balance sheets and financial metrics, but they do still increase external capital needs. While we do not believe that utilities will experience difficulties in raising capital as required, as this is a fundamental strength of the sector, the cost of capital may vary considerably as recent market volatility has demonstrated.

Fair return standards that reference capital attraction, comparable returns and access to capital do not ensure that companies will have higher allowed returns because they are not prescriptive in terms of required return levels. Some Canadian jurisdictions, which often have similar fair return concepts, may have significantly different outcomes when it comes to shareholder returns.

It is easier to increase net income (i.e., shareholder returns) if utility bills are low or otherwise declining. It may be significantly more difficult to increase ROE or equity capital in an environment where rates are politically sensitive or are otherwise under significant upward pressure.

Attachment LDC-7
Cause No. 45447
Page 7 of 9

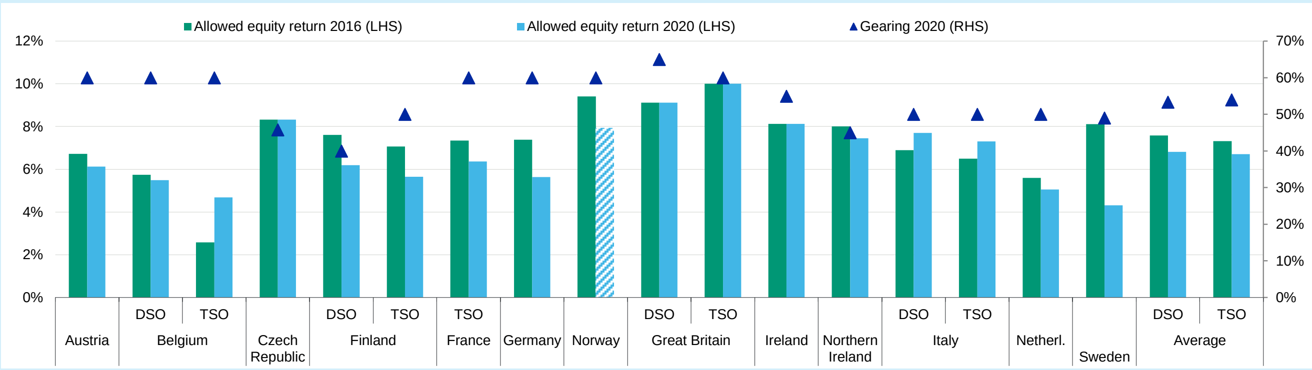
ROE and equity capital are lower in Europe

Allowed returns and equity thickness are generally lower for European electricity distribution and transmission networks. The average gearing or debt to rate base is about 54%, while the average ROE is about 6.8%. As shown in Exhibit 6, allowed equity returns have been relatively stable over the 2016-2020 period, with some notable downward exceptions. But the downward trend is more pronounced when we look at European electricity transmission operators over the period 2016-2023, as shown in Exhibit 7. For more information, see "Regulated electric and gas networks — EMEA: 2020 outlook stable, underpinned by transparent and predictable regulation."

Exhibit 6

Allowed equity returns relatively stable for electricity network operators in recent years; only Finnish, German, Norwegian and Swedish operators have seen material cuts since 2016

All figures nominal post-tax



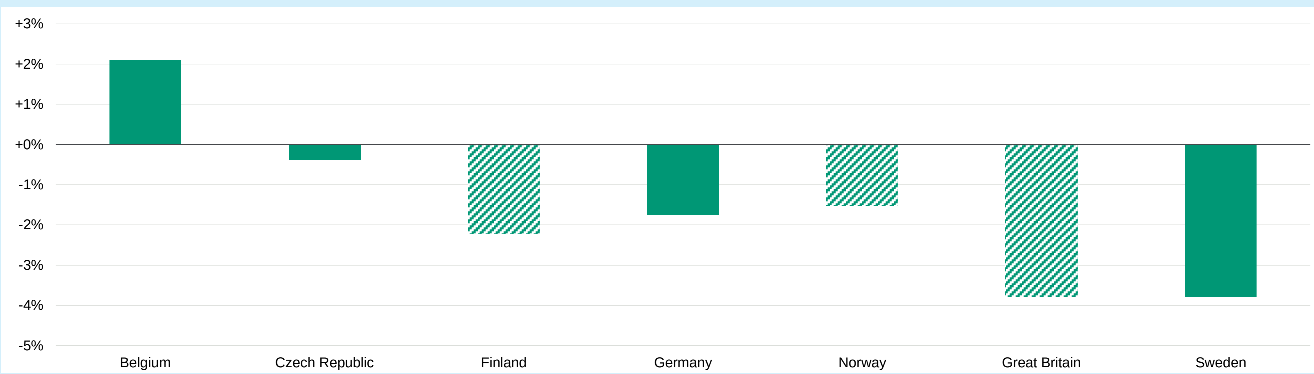
(1) Excludes measures that increase overall allowed return, for example: the 80 basis points higher equity return for new investments in Austria in the current regulatory period; 'aiming up' in Ireland; and 'F factor' in Italy; (2) Belgium Distribution System Operators (DSOs) refers to those in the Flanders region; (3) Where allowed equity returns have been set in real terms, these values have been converted to nominal terms using long-run inflation targets (that is 3% GB, NI; 2% Ireland and Italy) if not been specified by the regulator (Netherlands and Sweden specified); (4) Great Britain TSO figures for National Grid Electricity Transmission plc (A3 stable).

Source: Moody's Investors Service on regulatory data

Exhibit 7

Allowed equity returns for most electricity transmission operators will be materially lower in 2023 than they were in 2016

Change in allowed equity returns between 2016 and 2023, in nominal, post-tax terms. Shaded bar = projection based on draft determination/published methodology; solid bar = confirmed (final determination)



(1) Where allowed equity returns have been set in real terms, these values have been converted to nominal terms using a long-run inflation target (3% for RPI and 2% for CPIH in Great Britain, applicable for 2016 and 2023 respectively) if not specified by the regulator (Sweden specifies).

(2) Prevailing methodology applies to Finland, Great Britain and Norway.

Source: Moody's Investors Service on regulatory data

Moody's related publications

Sector Comments

- Regulated Electric and Gas Utilities – US: Coronavirus recession will impact utility pension underfunding to varying degrees, April 2020
- Infrastructure & Project Finance – Asia-Pacific: Heat map: Exposure to coronavirus disruption is low for 68% of issuers, April 2020
- Regulated Electric, Gas and Water Utilities – US: Coronavirus outbreak delays rate cases, but regulatory support remains intact, April 2020
- Regulated Electric and Gas Utilities – US: Dividends a major source of cash if coronavirus downturn is prolonged, April 2020
- Regulated Electric and Gas Utilities – US: Utilities strengthen liquidity amid capital markets volatility, April 2020
- Regulated Electric and Gas Utilities – US: FAQ on credit implications of the coronavirus outbreak, March 2020
- Regulated Electric, Gas and Water Utilities - US: Utilities demonstrate credit resilience in the face of coronavirus disruptions, March 2020
- Credit Conditions – Global: Coronavirus and oil price shocks: managing ratings in turbulent times, March 2020

Sector In-Depth

- Regulated electric and gas utilities – US: Grid hardening, regulatory support key to credit quality as climate hazards worsen, March 2020
- Regulated electric utilities – US: Intensifying climate hazards to heighten focus on infrastructure investments, January 2020
- Regulated electric and gas utilities – US: Recent regulatory, legislative developments have been largely credit positive, September 2019
- Regulated electric and gas utilities - North America: Free cash flow and capital allocation: external capital needs to decline in 2019, August 2019
- Regulated Electric & Gas Utilities - US: Capital expenditures will remain high, thanks to regulatory recovery mechanisms that provide timely recovery, December 2018
- Regulated Electric and Gas Utilities - US: Renewable generation transition unlikely to create significant stranded asset risk, November 2018
- US Regulated Utilities: Lower Authorized Equity Returns Will Not Hurt Near-Term Credit Profiles, March 2015

Industry Outlook

- Global Macro Outlook 2020-21 (March 25, 2020 Update): The coronavirus will cause unprecedented shock to the global economy, March 2020
- Regulated electric and gas utilities – US: 2020 outlook moves to stable on supportive regulation, weaker but steady credit metrics, November 2019

Attachment LDC-7
Cause No. 45447
Page 9 of 9

REPORT NUMBER 1199356

MOODY'S
INVESTORS SERVICE

CAPM Cost of Equity Summary -- Natural Gas Group

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

Risk Free Rate (R_f)	2.50%
Beta (β)	0.88
Risk Premium *(Geometric Approach - Long Term Bonds)*	4.10%
Risk Premium *(Arithmetic Approach - Long Term Bonds)*	5.70%
Risk Premium *(Long Term Bonds)*	4.90%
Required Return (K) *(Long Term Bonds)*	6.79%

Yields on U.S. Treasury Securities
Recent Months

Month	5 Year Treasury Bonds	10 Year Treasury Bonds	20 Year Treasury Bonds	30 Year Treasury Bonds
January 2020	1.67%	1.88%	2.19%	2.33%
February 2020	1.35%	1.54%	1.84%	2.01%
March 2020	0.88%	1.10%	1.46%	1.66%
April 2020	0.37%	0.62%	1.04%	1.27%
May 2020	0.36%	0.64%	1.04%	1.27%
June 2020	0.31%	0.66%	1.22%	1.46%
July 2020	0.31%	0.69%	1.20%	1.43%
August 2020	0.22%	0.56%	1.01%	1.23%
September 2020	0.26%	0.68%	1.20%	1.43%
October 2020	0.27%	0.68%	1.23%	1.45%
November 2020	0.38%	0.87%	1.41%	1.63%
December 2020	0.42%	0.92%	1.46%	1.66%
Average Last 3 months	**0.36%**	**0.82%**	**1.25%**	**1.58%**
Average Last 6 months	**0.31%**	**0.73%**	**1.25%**	**1.47%**
Average Last 12 months	**0.57%**	**0.90%**	**1.36%**	**1.57%**

Source: *www.treasury.gov*

Duff and Phelps Normalized Risk Free Rate =	**2.50%**

Risk Free Rate (R_f) Range and Estimate

	Yield Calculations
Range	**1.57% to 2.50%**
Risk Free Rate (R_f)	**2.50%**

Beta for Gas Utility Group

Company Name	**Value Line Forward Betas (November 27, 2020)**
Atmos Energy Corp. (ATO)	0.80
Northwest Natural Gas Co. (NWN)	0.80
ONE Gas, Inc.	0.80
South Jersey Industries (SJI)	1.05
Southwest Gas (SWX)	0.95
Spire, Inc. (SR)	0.85
Gas Utility Group Average	**0.88**

Market Risk Premiums

Total Returns, 1926-2019

	Stocks	Long-term Bonds
Geometric Mean	10.20%	6.10%
Arithmetic Mean	12.10%	6.40%

Market Risk Premiums (R_m - R_f)

		Long-term Bonds
Geometric Mean		4.10%
Arithmetic Mean		5.70%
Average Market Risk Premium		**4.90%**

Source: *Duff & Phelps, SBBI Classic Ibbotson Yearbook, 2020, pp. 2-6.*
The 2021 Yearbook containing the 2020 figures will not be available until March 2021.

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE	101.28	P/E RATIO	20.4 (Trailing: 21.5) (Median: 18.0)	RELATIVE P/E RATIO	0.97	DIV'D YLD	2.5%	VALUE LINE

TIMELINESS 1 Raised 11/27/20
SAFETY 1 Raised 6/6/14
TECHNICAL 4 Lowered 11/27/20
BETA .80 (1.00 = Market)

18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$77-$171 $124 (20%)

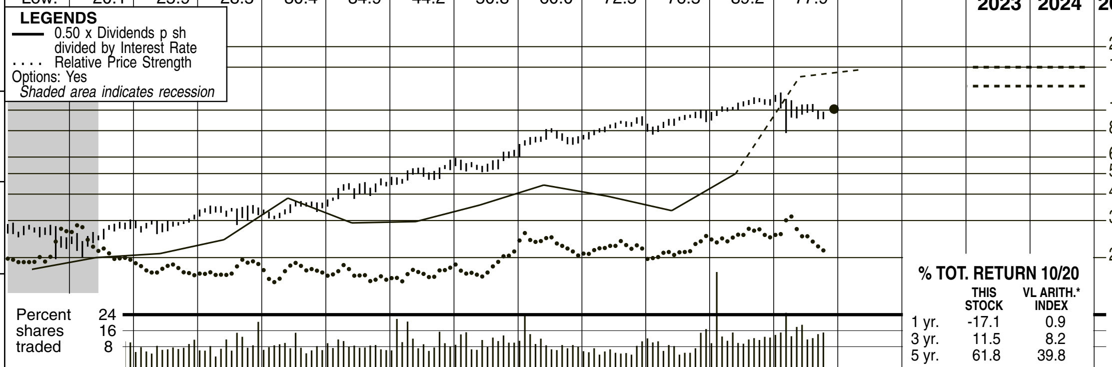
2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	160	(+60%)	*14%*
Low	130	(+30%)	*9%*

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	272	268	233
to Sell	215	251	262
Hld's(000)	102747	103070	108597

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High:	30.3	32.0	35.6	37.3	47.4	58.2	64.8	82.0	93.6	100.8	115.2	121.1
Low:	20.1	25.9	28.5	30.4	34.9	44.2	50.8	60.0	72.5	76.5	89.2	77.9



% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-17.1	0.9
3 yr.	11.5	8.2
5 yr.	61.8	39.8

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
46.50	61.75	75.27	66.03	79.52	53.69	53.12	48.15	38.10	42.88	49.22	40.82	32.23	26.01	28.00	24.32	*22.75*	*22.80*	Revenues per sh A	*37.95*
2.91	3.90	4.26	4.14	4.19	4.29	4.64	4.72	4.76	5.14	5.42	5.81	6.19	6.62	7.24	7.57	*8.15*	*8.55*	"Cash Flow" per sh	*9.80*
1.58	1.72	2.00	1.94	2.00	1.97	2.16	2.26	2.10	2.50	2.96	3.09	3.38	3.60	4.00	4.35	4.72	*5.00*	Earnings per sh AB	*6.00*
1.22	1.24	1.26	1.28	1.30	1.32	1.34	1.36	1.38	1.40	1.48	1.56	1.68	1.80	1.94	2.10	2.30	*2.50*	Div'ds Decl'd per sh C■	*3.15*
3.03	4.14	5.20	4.39	5.20	5.51	6.02	6.90	8.12	9.32	8.32	9.61	10.46	10.72	13.19	14.19	*15.60*	*16.15*	Cap'l Spending per sh	*15.50*
18.05	19.90	20.16	22.01	22.60	23.52	24.16	24.98	26.14	28.47	30.74	31.48	33.32	36.74	42.87	48.18	*54.80*	*58.10*	Book Value per sh	*66.20*
62.80	80.54	81.74	89.33	90.81	92.55	90.16	90.30	90.24	90.64	100.39	101.48	103.93	106.10	111.27	119.34	*124.00*	*130.00*	Common Shs Outst'g D	*145.00*
15.9	16.1	13.5	15.9	13.6	12.5	13.2	14.4	15.9	15.9	16.1	17.5	20.8	22.0	21.7	23.2	22.3		Avg Ann'l P/E Ratio	*24.0*
.84	.86	.73	.84	.82	.83	.84	.90	1.01	.89	.85	.88	1.09	1.11	1.17	1.27	1.11		Relative P/E Ratio	*1.35*
4.9%	4.5%	4.7%	4.2%	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%		Avg Ann'l Div'd Yield	*2.2%*

CAPITAL STRUCTURE as of 6/30/20
Total Debt $4531.5 mill. **Due in 5 Yrs** $565.0 mill.
LT Debt $4531.3 mill. **LT Interest** $275.0 mill.
(LT interest earned: 7.3x; total interest coverage: 7.3x)
Leases, Uncapitalized Annual rentals $21.0 mill.

Pfd Stock None

Pension Assets-9/19 $530.1 mill. **Oblig.** $577.3 mill.
Common Stock 123,354,982 shs. **as of 7/31/20**

MARKET CAP: $12.5 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
4789.7	4347.6	3438.5	3886.3	4940.9	4142.1	3349.9	2759.7	3115.5	2901.8	2821.1	*2965*	Revenues ($mill) A	*5500*
201.2	199.3	192.2	230.7	289.8	315.1	350.1	382.7	444.3	511.4	580.5	*645*	Net Profit ($mill)	*870*
38.5%	36.4%	33.8%	38.2%	39.2%	38.3%	36.4%	36.6%	27.0%	21.4%	19.5%	*20.5%*	Income Tax Rate	*24.0%*
4.2%	4.6%	5.6%	5.9%	5.9%	7.6%	10.5%	13.9%	14.3%	17.6%	20.6%	*21.8%*	Net Profit Margin	*15.8%*
45.4%	49.4%	45.3%	48.8%	44.3%	43.5%	38.7%	44.0%	34.3%	38.0%	*40.0%*	*40.0%*	Long-Term Debt Ratio	*40.0%*
54.6%	50.6%	54.7%	51.2%	55.7%	56.5%	61.3%	56.0%	65.7%	62.0%	*60.0%*	*60.0%*	Common Equity Ratio	*60.0%*
3987.9	4461.5	4315.5	5036.1	5542.2	5650.2	5651.8	6965.7	7263.6	9279.7	*11325*	*12600*	Total Capital ($mill)	*16000*
4793.1	5147.9	5475.6	6030.7	6725.9	7430.6	8280.5	9259.2	10371	11788	*13355*	*14590*	Net Plant ($mill)	*18700*
6.9%	6.1%	6.1%	5.9%	6.4%	6.6%	7.2%	6.4%	6.9%	6.1%	*6.5%*	*6.5%*	Return on Total Cap'l	*6.5%*
9.2%	8.8%	8.1%	8.9%	9.4%	9.9%	10.1%	9.8%	9.3%	8.9%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.0%*
9.2%	8.8%	8.1%	8.9%	9.4%	9.9%	10.1%	9.8%	9.3%	8.9%	*8.5%*	*8.5%*	Return on Com Equity	*9.0%*
3.5%	3.3%	2.8%	4.0%	4.7%	4.9%	5.1%	4.9%	4.8%	4.6%	*4.5%*	*4.0%*	Retained to Com Eq	*4.5%*
62%	62%	65%	56%	50%	51%	50%	50%	48%	48%	*49%*	*50%*	All Div'ds to Net Prof	*52%*

CURRENT POSITION ($MILL.)	2018	2019	6/30/20
Cash Assets	13.8	24.5	208.1
Other	465.1	433.5	394.1
Current Assets	478.9	458.0	602.2
Accts Payable	217.3	265.0	200.1
Debt Due	1150.8	464.9	.2
Other	547.0	479.5	502.4
Current Liab.	1915.1	1209.4	702.7
Fix. Chg. Cov.	926%	990%	980%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-9.0%	-9.5%	*6.5%*
"Cash Flow"	5.5%	7.0%	*5.5%*
Earnings	7.5%	9.5%	*7.0%*
Dividends	4.0%	6.5%	*7.5%*
Book Value	6.5%	8.5%	*7.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2017	780.2	988.2	526.5	464.8	2759.7
2018	889.2	1219.4	562.2	444.7	3115.5
2019	877.8	1094.6	485.7	443.7	2901.8
2020	875.6	977.6	493.0	474.9	2821.1
2021	*890*	*1050*	*540*	*485*	*2965*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2017	1.08	1.52	.67	.34	3.60
2018	1.40	1.57	.64	.41	4.00
2019	1.38	1.82	.68	.49	4.35
2020	1.47	1.95	.79	.53	4.72
2021	*1.54*	*2.06*	*.83*	*.57*	*5.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.42	.42	.42	.45	1.71
2017	.45	.45	.45	.485	1.84
2018	.485	.485	.485	.525	1.98
2019	.525	.525	.525	.575	2.15
2020	.575	.575	.575	.625	

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three million customers through six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Gas sales breakdown for fiscal 2019: 66%, residential; 27%, commercial; 5%, industrial; and 2% other. The company sold Atmos Energy Marketing, 1/17. Officers and directors own approximately 1.4% of common stock (12/19 Proxy). President and Chief Executive Officer: Kevin Akers. Incorporated: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

We expect another decent profit advance for Atmos Energy Corporation in fiscal 2021. (The year started on October 1st.) The natural gas distribution unit, which generates the lion's share of total revenues, might well enjoy higher consumption levels, assuming that temperatures across the service areas are generally favorable. Furthermore, there ought to be a respectable showing from the pipeline and storage division. If there are no significant coronavirus-related setbacks, consolidated share net stands to increase around 6%, to $5.00, compared to last year's figure of $4.72. Regarding fiscal 2022, we believe the company's bottom line can rise at a similar percentage rate, to $5.30 a share, as operating margins expand further.

Prospects out to mid-decade are solid, in our opinion. Atmos ranks as one of the country's largest natural gas-only distributors, boasting more than three million customers across several states, including Texas, Louisiana, and Mississippi. Moreover, we think the pipeline and storage unit has healthy overall growth opportunities, given that it operates in one of the most-active drilling regions in the world. Finally, corporate finances are in strong shape. In the company's present configuration, annual earnings increases may be between 5% and 7% during the 2023-2025 horizon.

The quarterly common stock dividend was raised 8.7%, to $0.625 a share. What's more, our 3- to 5-year projections show that additional steady hikes in the distribution may occur. The payout ratio over that span should be in the vicinity of 50%, which seems manageable. However, the dividend yield is not spectacular relative to the average of *Value Line's* Natural Gas Utility Industry group.

These shares ought to draw the attention of various types of investors. The Timeliness rank resides at 1 (Highest). Also, capital gains potential in the 18-month period is appealing. Appreciation possibilities out to mid-decade are decent, as well. Consider, too, the stock's defensive characteristics, indicated by the 1 (Highest) rank for Safety, good Price Stability score (i.e., 95 out of 100), and lower-than-market Beta coefficient.

Frederick L. Harris, III November 27, 2020

(A) Fiscal year ends Sept. 30th. **(B)** Diluted shrs. Excl. nonrec. gains (loss): '10, 5¢; '11, (1¢); '18, $1.43; 3Q '20, 17¢. Excludes discontinued operations: '11, 10¢; '12, 27¢; '13, 14¢; '17, 13¢. Next egs. rpt. due early Feb.
(C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail.
(D) In millions.
(E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	95
Earnings Predictability	100

ONE GAS, INC. NYSE-OGS

RECENT PRICE 77.68 | P/E RATIO 21.2 (Trailing: 21.9 Median: NMF) | RELATIVE P/E RATIO 1.01 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 4 Lowered 11/27/20
SAFETY 2 New 6/2/17
TECHNICAL 4 Lowered 11/27/20
BETA .80 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$59-$131	$95 (20%)

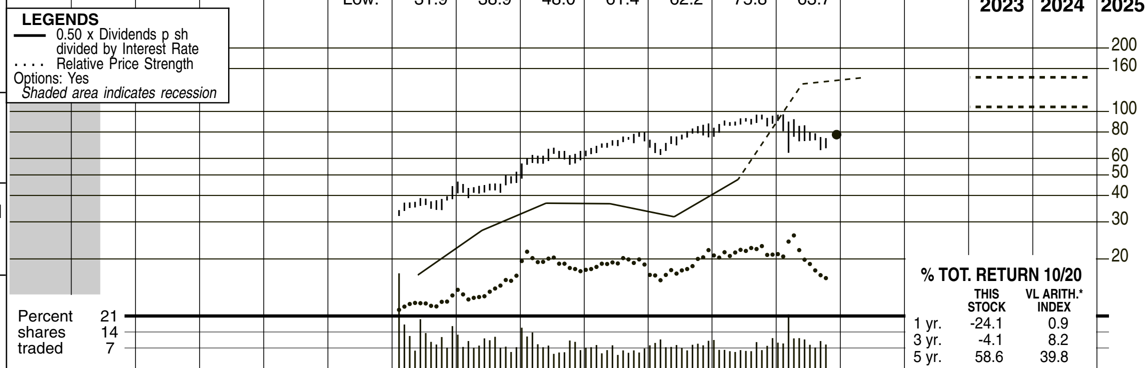
2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	145	(+85%)	*19%*
Low	105	(+35%)	*10%*

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	153	124	142
to Sell	132	157	137
Hld's(000)	41714	41769	42060

High:	44.3	51.8	67.4	79.5	87.8	96.7	97.0
Low:	31.9	38.9	48.0	61.4	62.2	75.8	63.7



% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-24.1	0.9
3 yr.	-4.1	8.2
5 yr.	58.6	39.8

The shares of ONE Gas, Inc. began trading "regular-way" on the New York Stock Exchange on February 3, 2014. That happened as a result of the separation of ONEOK's natural gas distribution operation. Regarding the details of the spinoff, on January 31, 2014, ONEOK distributed one share of OGS common stock for every four shares of ONEOK common stock held by ONEOK shareholders of record as of the close of business on January 21. It should be mentioned that ONEOK did not retain any ownership interest in the new company.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
- -	- -	- -	- -	34.92	29.62	27.30	29.43	31.08	31.32	*28.30*	*30.20*	Revenues per sh	*40.00*
- -	- -	- -	- -	4.52	4.82	5.43	5.96	6.32	6.96	*7.15*	*7.50*	"Cash Flow" per sh	*9.65*
- -	- -	- -	- -	2.07	2.24	2.65	3.02	3.25	3.51	*3.56*	*3.70*	Earnings per sh A	*4.75*
- -	- -	- -	- -	.84	1.20	1.40	1.68	1.84	2.00	*2.16*	*2.32*	Div'ds Decl'd per sh B■	*2.80*
- -	- -	- -	- -	5.70	5.63	5.91	6.81	7.50	7.91	*8.80*	*8.95*	Cap'l Spending per sh	*9.35*
- -	- -	- -	- -	34.45	35.24	36.12	37.47	38.86	40.35	*42.70*	*45.80*	Book Value per sh	*54.10*
- -	- -	- -	- -	52.08	52.26	52.28	52.31	52.57	52.77	*53.00*	*53.50*	Common Shs Outst'g C	*55.00*
- -	- -	- -	- -	17.8	19.8	22.7	23.5	23.1	25.3	*Bold figures are*		Avg Ann'l P/E Ratio	*26.5*
- -	- -	- -	- -	.94	1.00	1.19	1.18	1.25	1.37	*Value Line*		Relative P/E Ratio	*1.45*
- -	- -	- -	- -	2.3%	2.7%	2.3%	2.4%	2.5%	2.3%	*estimates*		Avg Ann'l Div'd Yield	*2.2%*
- -	- -	- -	- -	1818.9	1547.7	1427.2	1539.6	1633.7	1652.7	*1500*	*1615*	Revenues ($mill)	*2200*
- -	- -	- -	- -	109.8	119.0	140.1	159.9	172.2	186.7	*190*	*200*	Net Profit ($mill)	*260*
- -	- -	- -	- -	38.4%	38.0%	37.8%	36.4%	23.7%	18.7%	*18.0%*	*18.5%*	Income Tax Rate	*22.0%*
- -	- -	- -	- -	6.0%	7.7%	9.8%	10.4%	10.5%	11.3%	*12.7%*	*12.4%*	Net Profit Margin	*11.8%*
- -	- -	- -	- -	40.1%	39.5%	38.7%	37.8%	38.6%	37.7%	*42.0%*	*40.0%*	Long-Term Debt Ratio	*38.0%*
- -	- -	- -	- -	59.9%	60.5%	61.3%	62.2%	61.4%	62.3%	*58.0%*	*60.0%*	Common Equity Ratio	*62.0%*
- -	- -	- -	- -	2995.3	3042.9	3080.7	3153.5	3328.1	3415.5	*3900*	*4085*	Total Capital ($mill)	*4800*
- -	- -	- -	- -	3293.7	3511.9	3731.6	4007.6	4283.7	4565.2	*4830*	*5060*	Net Plant ($mill)	*5750*
- -	- -	- -	- -	4.4%	4.7%	5.2%	5.8%	5.9%	6.4%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
- -	- -	- -	- -	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	*8.5%*	*8.0%*	Return on Shr. Equity	*8.5%*
- -	- -	- -	- -	6.1%	6.5%	7.4%	8.2%	8.4%	8.8%	*8.5%*	*8.0%*	Return on Com Equity	*8.5%*
- -	- -	- -	- -	3.7%	3.1%	3.5%	3.7%	3.7%	3.8%	*3.5%*	*3.0%*	Retained to Com Eq	*3.5%*
- -	- -	- -	- -	40%	53%	52%	55%	56%	56%	*60%*	*62%*	All Div'ds to Net Prof	*59%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $1890.2 mill. **Due in 5 Yrs** $1150.0 mill.
LT Debt $1582.2 mill. **LT Interest** $85.0 mill.
(LT interest earned: 4.7x; total interest coverage: 4.7x)
Leases, Uncapitalized Annual rentals $7.6 mill.
Pfd Stock None
Pension Assets-12/19 $908.0 mill. **Oblig.** $1001.4 mill.
Common Stock 53,096,893 shs. as of 10/26/20
MARKET CAP: $4.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2018	2019	9/30/20
Cash Assets	21.3	17.9	6.2
Other	522.0	488.3	363.5
Current Assets	543.3	506.2	369.7
Accts Payable	174.5	120.5	65.3
Debt Due	299.5	516.5	308.0
Other	224.9	235.7	202.4
Current Liab.	698.9	872.7	575.7
Fix. Chg. Cov.	677%	567%	563%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	- -	-2.5%	*4.5%*
"Cash Flow"	- -	7.0%	*7.0%*
Earnings	- -	9.5%	*6.5%*
Dividends	- -	17.0%	*7.5%*
Book Value	- -	2.5%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	550.4	279.7	247.1	462.4	1539.6
2018	638.5	292.5	238.3	464.4	1633.7
2019	661.0	290.6	248.6	452.5	1652.7
2020	528.2	273.3	244.6	*453.9*	*1500*
2021	*590*	*310*	*255*	*460*	*1615*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.34	.39	.36	.93	3.02
2018	1.72	.39	.31	.83	3.25
2019	1.76	.46	.33	.96	3.51
2020	1.72	.48	.39	*.97*	*3.56*
2021	*1.80*	*.50*	*.41*	*.99*	*3.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.35	.35	.35	.35	1.40
2017	.42	.42	.42	.42	1.68
2018	.46	.46	.46	.46	1.84
2019	.50	.50	.50	.50	2.00
2020	.54	.54	.54	.54	

BUSINESS: ONE Gas, Inc. provides natural gas distribution services to more than two million customers. There are three divisions: Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service. The company purchased 174 Bcf of natural gas supply in 2019, compared to 180 Bcf in 2018. Total volumes delivered by customer (fiscal 2019): transportation, 56.6%; residential, 32.5%; commercial & industrial, 10.3%; other, .6%. ONE Gas has around 3,600 employees. BlackRock owns 12.1% of common stock; The Vanguard Group, 10.1%; T. Rowe Price Associates, 7.0%; officers and directors, 1.9% (4/20 Proxy). CEO: Pierce H. Norton II. Incorporated: Oklahoma. Address: 15 East Fifth Street, Tulsa, Oklahoma 74103. Tel.: 918-947-7000. Internet: www.onegas.com.

It's shaping up to be an underwhelming year for ONE Gas, Inc. Indeed, through the first nine months, share net of $2.59 was just a few cents higher than 2019's $2.55 tally. This stemmed, to some extent, from lower gas sales, net of weather normalization, primarily in Kansas and Oklahoma because of warmer temperatures. Also, there were diminished fees associated with collection activities and late payments mainly related to moratoriums on disconnects for nonpayment in response to COVID-19. (Notably, expenses incurred due to the pandemic are eligible for future recovery under regulatory orders the company received in each of its jurisdictions.) Meanwhile, the company benefited from new rates (including in Kansas and Texas) plus a rise in residential sales (supported by net customer growth). Still, it seems that the bottom line will increase only modestly, to $3.56 a share, for the full year, versus the 2019 figure of $3.51. But concerning 2021, the bottom line stands to increase a stronger 4%, to $3.70 a share, if operating margins expand further.

We are constructive about the energy firm's business prospects over the 2023-2025 horizon. It presently ranks as the leading natural gas distributor (as measured by customer count) in both Oklahoma and Kansas, and holds the number-three position in Texas. Moreover, these markets appear to have decent growth possibilities and are located in one of the most active drilling regions in the United States. Also, with a solid balance sheet, ONE Gas ought to be able to meet its working capital requirements, capital expenditures, and other commitments for a while.

The equity has faced some pressure during the past six months. We think that price movement can be traced, to a certain degree, to the company's not-so-exciting results of late. Consider, also, these shares' 4 (Below Average) rank for Timeliness. But capital appreciation potential in the 18-month period and out to mid-decade is solid. Dividend growth prospects are promising, as well, though the yield does not stand out relative to the group average of *Value Line's* Natural Gas Utility Industry.

Frederick L. Harris, III November 27, 2020

(A) Diluted EPS. Excludes nonrecurring gain: 2017, $0.06. Next earnings report due early Feb. Quarterly EPS for 2018 don't add up due to rounding.
(B) Dividends historically paid in early March, June, Sept., and Dec. ■ Dividend reinvestment plan. Direct stock purchase plan.
(C) In millions.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	100

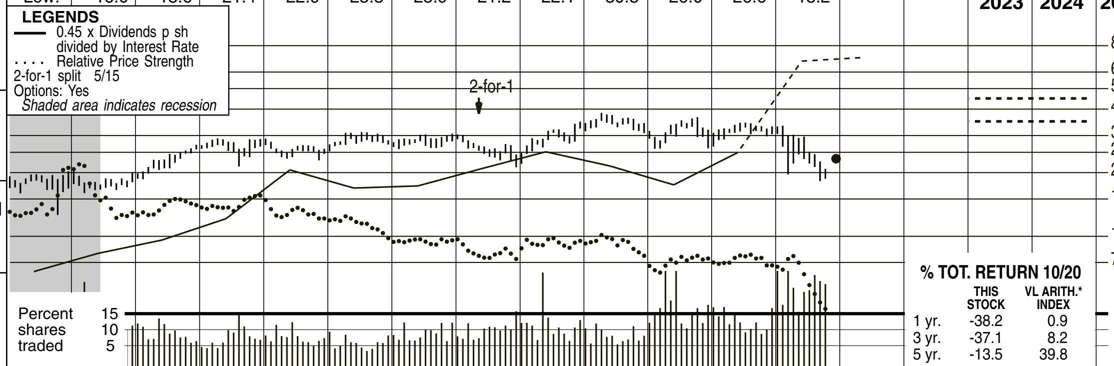
SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE **23.26** | P/E RATIO **13.4** (Trailing: 15.1 / Median: 19.0) | RELATIVE P/E RATIO **0.64** | DIV'D YLD **5.3%** | VALUE LINE

TIMELINESS 3 Lowered 7/20/18
SAFETY 3 Lowered 11/27/20
TECHNICAL 3 Raised 4/24/20
BETA 1.05 (1.00 = Market)

High:	20.4	27.1	29.0	29.0	31.1	30.6	30.4	34.8	38.4	36.7	34.5	33.4
Low:	16.0	18.6	21.4	22.9	25.3	25.9	21.2	22.1	30.8	26.0	26.6	18.2

Target Price Range
2023 | 2024 | 2025



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$18-$50	$34 (45%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+95%)	22%
Low	35	(+50%)	15%

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	124	108	88
to Sell	95	125	110
Hld's(000)	79196	78322	83521

% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-38.2	0.9
3 yr.	-37.1	8.2
5 yr.	-13.5	39.8

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
14.75	15.89	15.88	16.15	16.18	14.19	15.48	13.71	11.16	11.18	12.98	13.52	13.04	15.63	19.20	17.63	*15.60*	*16.25*	Revenues per sh	*19.55*
1.22	1.25	1.75	1.60	1.74	1.86	2.10	2.23	2.34	2.48	2.67	2.42	2.67	2.79	2.91	2.56	*2.70*	*2.90*	"Cash Flow" per sh	*3.85*
.79	.86	1.23	1.05	1.14	1.19	1.35	1.45	1.52	1.52	1.57	1.44	1.34	1.23	1.38	1.12	*1.65*	*1.80*	Earnings per sh A	*2.50*
.41	.43	.46	.51	.56	.61	.68	.75	.83	.90	.96	1.02	1.06	1.10	1.13	1.16	*1.20*	*1.25*	Div'ds Decl'd per sh B ■	*1.40*
1.34	1.60	1.26	.94	1.04	1.83	2.79	3.20	4.01	4.84	5.01	4.87	3.50	3.43	3.99	5.46	*4.95*	*5.85*	Cap'l Spending per sh	*7.25*
6.20	6.75	7.55	8.12	8.67	9.12	9.54	10.33	11.63	12.64	13.65	14.62	16.22	14.99	14.82	15.41	*16.60*	*17.25*	Book Value per sh C	*20.45*
55.52	57.96	58.65	59.22	59.46	59.59	59.75	60.43	63.31	65.43	68.33	70.97	79.48	79.55	85.51	92.39	*101.00*	*103.00*	Common Shs Outst'g D	*110.00*
14.1	16.6	11.9	17.2	15.9	15.0	16.8	18.4	16.9	18.9	18.0	17.9	21.7	27.9	22.6	28.3	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.74	.88	.64	.91	.96	1.00	1.07	1.15	1.08	1.06	.95	.90	1.14	1.40	1.22	1.53	*Value Line*		Relative P/E Ratio	*.90*
3.7%	3.0%	3.2%	2.8%	3.1%	3.4%	3.0%	2.8%	3.2%	3.1%	3.4%	3.9%	3.6%	3.2%	3.6%	3.7%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
925.1	828.6	706.3	731.4	887.0	959.6	1036.5	1243.1	1641.3	1628.6	*1575*	*1675*	Revenues ($mill)	*2150*
81.0	87.0	93.3	97.1	104.0	99.0	102.8	98.1	116.2	103.0	*165*	*180*	Net Profit ($mill)	*275*
15.2%	22.4%	10.8%	- -	- -	5.9%	42.0%	- -	- -	22.0%	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
8.8%	10.5%	13.2%	13.3%	11.7%	10.3%	9.9%	7.9%	7.1%	6.3%	*10.5%*	*10.7%*	Net Profit Margin	*12.8%*
37.4%	40.5%	45.0%	45.1%	48.0%	49.2%	38.5%	48.5%	62.4%	59.2%	*61.0%*	*61.0%*	Long-Term Debt Ratio	*59.0%*
62.6%	59.5%	55.0%	54.9%	52.0%	50.8%	61.5%	51.5%	37.6%	40.8%	*39.0%*	*39.0%*	Common Equity Ratio	*41.0%*
910.1	1048.3	1337.6	1507.4	1791.9	2043.9	2097.2	2315.4	3373.9	3493.9	*4275*	*4575*	Total Capital ($mill)	*5500*
1193.3	1352.4	1578.0	1859.1	2134.1	2448.1	2623.8	2700.2	3653.5	4073.5	*4350*	*4700*	Net Plant ($mill)	*5600*
9.5%	8.9%	7.4%	6.8%	6.4%	5.4%	5.4%	5.1%	4.4%	4.0%	*5.0%*	*5.0%*	Return on Total Cap'l	*6.0%*
14.2%	13.9%	12.7%	11.7%	11.2%	9.5%	8.0%	8.2%	9.2%	7.2%	*10.0%*	*10.0%*	Return on Shr. Equity	*12.0%*
14.2%	13.9%	12.7%	11.7%	11.2%	9.5%	8.0%	8.2%	9.2%	7.2%	*10.0%*	*10.0%*	Return on Com Equity	*12.0%*
7.1%	6.7%	5.8%	4.8%	4.3%	2.8%	1.6%	.9%	1.7%	NMF	*2.5%*	*3.0%*	Retained to Com Eq	*5.5%*
50%	52%	55%	59%	61%	71%	80%	89%	82%	104%	*73%*	*72%*	All Div'ds to Net Prof	*56%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $3271.4 mill. **Due in 5 Yrs** $1045 mill.
LT Debt $2531.6 mill. **LT Interest** $100 mill.

Leases, Uncapitalized Annual rentals $1.2 mill.
Pension Assets-12/19 $312.5 mill. **Oblig.** $439.4 mill.
Pfd Stock None

Common Stock 100,590,307 shs. as of 11/1/20

MARKET CAP: $2.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2018	2019	9/30/20
Cash Assets	30.0	6.4	10.1
Other	633.2	646.1	344.7
Current Assets	663.2	652.5	354.8
Accts Payable	410.5	232.2	162.8
Debt Due	1004.4	1316.6	739.8
Other	165.9	183.1	201.1
Current Liab.	1580.8	1731.9	1103.7
Fix. Chg. Cov.	112%	176%	216%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	- -	6.0%	*2.0%*
"Cash Flow"	5.0%	3.5%	*6.0%*
Earnings	1.5%	-2.5%	*12.5%*
Dividends	8.0%	6.0%	*3.5%*
Book Value	6.5%	6.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	425.8	244.4	227.1	345.8	1243.1
2018	521.9	227.3	302.5	589.6	1641.3
2019	637.3	266.9	261.2	463.2	1628.6
2020	534.1	260.0	261.5	*519.4*	*1575*
2021	*575*	*285*	*285*	*530*	*1675*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.72	.06	d.05	.50	1.23
2018	1.19	.07	d.27	.39	1.38
2019	1.09	d.13	d.30	.46	1.12
2020	1.15	d.01	d.06	*.57*	*1.65*
2021	*1.20*	*.02*	*d.05*	*.63*	*1.80*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	- -	.264	.264	.536	1.06
2017	- -	.273	.273	.553	1.10
2018	- -	.280	.280	.567	1.13
2019	- -	.287	.287	.582	1.16
2020	- -	.295	.295	.295	

BUSINESS: South Jersey Industries, Inc. is a holding company. The company distributes natural gas in New Jersey and Maryland. South Jersey Gas rev. mix '19: residential, 47%; commercial, 23%; cogen. and electric gen., 12%; industrial, 18%. Acq. Elizabethtown Gas and Elkton Gas, 7/18. Nonutil. operations include South Jersey Energy, South Jersey Resources Group, South Jersey Exploration, Marina Energy, South Jersey Energy Service Plus, and SJI Midstream. Has about 1,100 employees. Off./dir. own less than 1% of common; BlackRock, 15.5%; The Vanguard Group, 11.4% (3/20 proxy). Pres. & CEO: Michael J. Renna. Chairman: Joseph M. Rigby. Inc.: NJ. Addr.: 1 South Jersey Plaza, Folsom, NJ 08037. Tel.: 609-561-9000. Internet: www.sjindustries.com.

Shares of South Jersey Industries have perked up in price over the past three months. The company reported much-improved bottom-line results for the third quarter. The top line was roughly flat compared with the prior-year level. However, operating expenses decreased, and the share deficit narrowed considerably, to $0.06. (Losses are common here for the September period.) Looking forward, favorable earnings comparisons probably continued for the fourth quarter, aided by a decrease in costs. All told, we anticipate that earnings per share of $1.65 at South Jersey for full-year 2020 will compare favorably with the prior-year tally.

We envision solid results for the coming years. The company's utility businesses ought to further benefit from growth in the customer base. Infrastructure investments will allow South Jersey to modernize its system and meet increasing demand for natural gas within its service territories. Infrastructure replacement programs allow the company to earn an authorized return on approved investments. Regulatory initiatives should also bear fruit. Elsewhere, we look for better results on the nonutility side. Performance at the Energy Group business ought to be driven by fuel management and a reshaped wholesale portfolio. The Energy Services operation will probably further benefit from solar investment in support of the New Jersey Master Plan, along with legacy energy production activities. The Midstream business will continue to invest in long-term contracted energy infrastructure projects, such as the PennEast Pipeline.

This stock does not stand out for year-ahead relative price performance. That said, utility investors with a long time horizon might find something to like here. We anticipate greater revenues and significant growth in earnings per share for the company over the pull to mid-decade. The payout should also increase at a steady pace. From the recent quotation, these shares offer attractive long-term total return potential. This is aided by a relatively generous dividend yield. On top of that, South Jersey Industries earns favorable marks for Price Stability and Earnings Predictability.

Michael Napoli, CFA *November 27, 2020*

(A) Based on economic egs. from 2007. GAAP EPS: '08, $1.29; '09, $0.97; '10, $1.11; '11, $1.49; '12, $1.49; '13, $1.28; '14, $1.46; '15, $1.52; '16, $1.56; '17, ($0.04); '18, $0.21; '19, $0.84. Excl. nonrecur. gain (loss): '09, ($0.22); '10, ($0.24); '11, $0.04; '12, ($0.03); '13, ($0.24); '14, ($0.11); '15, $0.08; '16, $0.22; '17, ($1.27); '18, ($1.17); '19, ($0.28). Next egs. rpt. due late February. (B) Div'ds paid early April, July, Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. reg. assets. In 2019: $665.9 mill., $7.21 per shr. (D) In mill., adj. for split.

Company's Financial Strength	B++
Stock's Price Stability	70
Price Growth Persistence	15
Earnings Predictability	65

SOUTHWEST GAS NYSE-SWX

RECENT PRICE 70.44 | P/E RATIO 16.2 (Trailing: 17.7 Median: 18.0) | RELATIVE P/E RATIO 0.77 | DIV'D YLD 3.3% | VALUE LINE

TIMELINESS 2 Raised 11/27/20
SAFETY 3 Lowered 1/4/91
TECHNICAL 4 Lowered 11/27/20
BETA .95 (1.00 = Market)

High:	29.5	37.3	43.2	46.1	56.0	64.2	63.7	79.6	86.9	86.0	92.9	81.6
Low:	17.1	26.3	32.1	39.0	42.0	47.2	50.5	53.5	72.3	62.5	73.3	45.7

18-Month Target Price Range

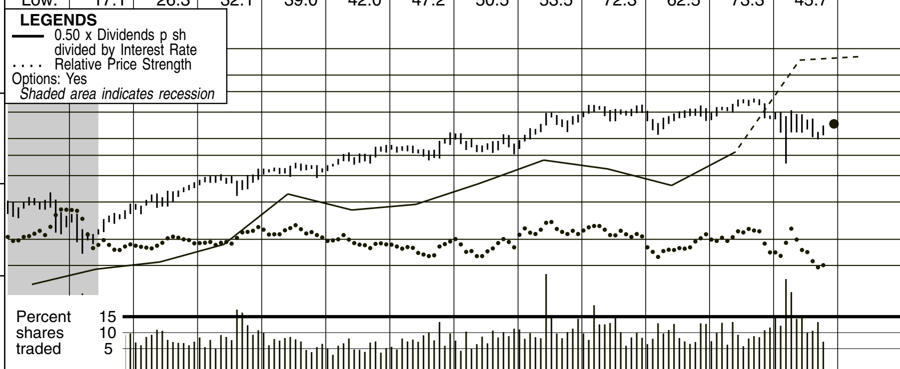
Low-High	Midpoint (% to Mid)
$48-$116	$82 (15%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	120	(+70%)	*17%*
Low	80	(+15%)	*7%*

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	155	118	130
to Sell	136	155	123
Hld's(000)	47563	47511	48082



Target Price Range
2023 | 2024 | 2025

% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-22.9	0.9
3 yr.	-13.9	8.2
5 yr.	21.4	39.8

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
40.14	43.59	48.47	50.28	48.53	42.00	40.18	41.07	41.77	42.08	45.61	52.00	51.82	53.00	54.31	56.72	***57.65***	***59.30***	Revenues per sh	***65.40***
5.57	5.20	5.97	6.21	5.76	6.16	6.46	6.81	7.73	8.24	8.47	8.62	9.29	8.83	8.14	9.40	***9.90***	***10.50***	"Cash Flow" per sh	***13.45***
1.66	1.25	1.98	1.95	1.39	1.94	2.27	2.43	2.86	3.11	3.01	2.92	3.18	3.62	3.68	3.94	***4.00***	***4.45***	Earnings per sh A	***6.25***
.82	.82	.82	.86	.90	.95	1.00	1.06	1.18	1.32	1.46	1.62	1.80	1.98	2.08	2.18	***2.26***	***2.35***	Div'ds Decl'd per sh B■†	***2.65***
8.23	7.49	8.27	7.96	6.79	4.81	4.73	8.29	8.57	7.86	8.53	10.30	11.15	12.97	14.44	17.06	***14.05***	***16.95***	Cap'l Spending per sh	***23.10***
19.18	19.10	21.58	22.98	23.49	24.44	25.62	26.66	28.35	30.47	31.95	33.61	35.03	37.74	42.47	45.56	***47.80***	***50.85***	Book Value per sh	***61.55***
36.79	39.33	41.77	42.81	44.19	45.09	45.56	45.96	46.15	46.36	46.52	47.38	47.48	48.09	53.03	55.01	***57.00***	***59.00***	Common Shs Outst'g C	***65.00***
14.3	20.6	15.9	17.3	20.3	12.2	14.0	15.7	15.0	15.8	17.9	19.4	21.6	22.2	20.6	21.3	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	***16.0***
.76	1.10	.86	.92	1.22	.81	.89	.98	.95	.89	.94	.98	1.13	1.12	1.11	1.15	*estimates*		Relative P/E Ratio	***.90***
3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%	2.8%	2.8%	2.7%	2.7%	2.9%	2.6%	2.5%	2.7%	2.6%			Avg Ann'l Div'd Yield	***2.7%***

CAPITAL STRUCTURE as of 9/30/20
Total Debt $2784.6 mill. **Due in 5 Yrs** $898.8 mill.
LT Debt $2685.7 mill. **LT Interest** $100.0 mill.
(Total interest coverage: 3.6x) (50% of Cap'l)
Leases, Uncapitalized Annual rentals $13.0 mill.
Pension Assets-12/19 $1027.8 mill. **Oblig.** $1405.7 mill.
Pfd Stock None

Common Stock 56,464,880 shs. as of 10/30/20

MARKET CAP: $4.0 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
1830.4	1887.2	1927.8	1950.8	2121.7	2463.6	2460.5	2548.8	2880.0	3119.9	***3285***	***3500***	Revenues ($mill)	***4250***
103.9	112.3	133.3	145.3	141.1	138.3	152.0	173.8	182.3	213.9	***225***	***260***	Net Profit ($mill)	***395***
34.7%	36.2%	36.2%	35.0%	35.7%	36.4%	33.9%	32.8%	25.3%	20.5%	***21.0%***	***21.0%***	Income Tax Rate	***21.0%***
5.7%	6.0%	6.9%	7.4%	6.7%	5.6%	6.2%	6.8%	6.3%	6.9%	***6.8%***	***7.4%***	Net Profit Margin	***9.3%***
49.1%	43.2%	49.2%	49.4%	52.4%	49.3%	48.2%	49.8%	48.3%	47.9%	***50.0%***	***50.0%***	Long-Term Debt Ratio	***44.5%***
50.9%	56.8%	50.8%	50.6%	47.6%	50.7%	51.8%	50.2%	51.7%	52.1%	***50.0%***	***50.0%***	Common Equity Ratio	***55.5%***
2291.7	2155.9	2576.9	2793.7	3123.9	3143.5	3213.5	3613.3	4359.3	4806.4	***5475***	***6000***	Total Capital ($mill)	***7200***
3072.4	3218.9	3343.8	3486.1	3658.4	3891.1	4132.0	4523.7	5093.2	5685.2	***6200***	***6700***	Net Plant ($mill)	***8000***
6.1%	6.4%	6.4%	6.3%	5.7%	5.5%	5.8%	5.8%	5.2%	5.4%	***5.0%***	***5.0%***	Return on Total Cap'l	***6.5%***
8.9%	9.2%	10.2%	10.3%	9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	***8.5%***	***8.5%***	Return on Shr. Equity	***10.0%***
8.9%	9.2%	10.2%	10.3%	9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	***8.5%***	***8.5%***	Return on Com Equity	***10.0%***
5.1%	5.3%	6.1%	6.1%	5.0%	4.0%	4.1%	4.5%	3.6%	3.9%	***3.5%***	***4.0%***	Retained to Com Eq	***5.5%***
43%	43%	40%	41%	47%	54%	55%	53%	55%	54%	***57%***	***53%***	All Div'ds to Net Prof	***44%***

CURRENT POSITION ($MILL.)	2018	2019	9/30/20
Cash Assets	85.4	49.5	23.9
Other	754.4	810.4	708.9
Current Assets	839.8	859.9	732.8
Accts Payable	249.0	238.9	175.5
Debt Due	185.1	374.5	98.9
Other	504.5	466.5	564.8
Current Liab.	938.6	1079.9	839.2
Fix. Chg. Cov.	370%	340%	259%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	1.5%	5.0%	*3.0%*
"Cash Flow"	4.0%	1.5%	*7.5%*
Earnings	8.0%	4.5%	*9.0%*
Dividends	8.5%	9.5%	*4.0%*
Book Value	6.0%	6.5%	*6.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	654.7	560.5	593.2	740.4	2548.8
2018	754.3	670.9	668.1	786.7	2880.0
2019	833.6	713.0	725.2	848.1	3119.9
2020	836.3	757.2	791.2	***900.3***	***3285***
2021	***875***	***825***	***850***	***950***	***3500***

Cal-endar	EARNINGS PER SHARE A D Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.45	.37	.21	1.58	3.62
2018	1.63	.44	.25	1.36	3.68
2019	1.77	.41	.10	1.67	3.94
2020	1.31	.68	.32	***1.69***	***4.00***
2021	***1.70***	***.65***	***.32***	***1.78***	***4.45***

Cal-endar	QUARTERLY DIVIDENDS PAID B■† Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.405	.450	.450	.450	1.76
2017	.450	.495	.495	.495	1.94
2018	.495	.520	.520	.520	2.06
2019	.520	.545	.545	.545	2.16
2020	.545	.570	.570		

BUSINESS: Southwest Gas Holdings, Inc. is the parent holding company of Southwest Gas and Centuri Group. Southwest Gas is a regulated gas distributor serving about 2.1 million customers in parts of Arizona, Nevada, and California. Centuri provides construction services. 2019 margin mix: residential and small commercial, 84%; large commercial and industrial, 3%; transportation, 13%. Total throughput: 2.3 billion therms. Has 8,944 employees. Off. & dir. own .8% of common stock; BlackRock, Inc., 13.5%; The Vanguard Group, Inc., 10.3%; T.Rowe Price Assoc., Inc., 6.8% (3/20 Proxy). Chairman: Michael J. Melarkey. Pres. & CEO: John P. Hester. Inc.: DE. Address: 8360 S. Durango Drive, P.O. Box 98510 Las Vegas, Nevada 89193. Tel.: 702-876-7237. Web: www.swgas.com.

Southwest Gas reported strong results for the third quarter. The top line advanced roughly 9%, on a year-to-year basis. Although operating expenses also increased, earnings per share of $0.32 improved markedly from the prior-year tally. The utility infrastructure services business posted net income of $34.9 million for the period, compared with the prior-year figure of $25.8 million. This business benefited from growing core customer demands, as it provided emergency restoration services to its electric customers following regional storms. The natural gas utility business reported a narrower loss of $16 million for the quarter, compared with the year-ago level of $20 million. Losses are not uncommon for this business in the September period. Looking forward, Southwest Gas will likely report solid bottom-line results for the fourth quarter, though we don't expect much in the way of growth given the impressive figure generated in the year-ago period.

Long-term prospects appear to be relatively favorable here. Southwest's utility business will probably further benefit from growth in the customer base. This operation continues to make significant infrastructure installation progress in support of its service territory expansions in both northern and southern Nevada. Rate relief will probably also provide support. Elsewhere, the company's infrastructure services business ought to perform quite well in the years ahead. This business should be able to capitalize on the ongoing need for utilities to replace aging infrastructure. It has a robust client base, many with multiyear pipeline replacement programs.

This stock is ranked to outperform the broader market averages for the coming six to 12 months. We anticipate healthy growth in revenues and earnings per share for the company for the pull to mid-decade. From the recent quotation, this equity offers decent long-term total return potential. Dividend growth should continue to be steady in the coming years, assuming earnings come through as projected. Southwest Gas earns attractive marks for Financial Strength, Price Stability, Growth Persistence, and Earnings Predictability.

Michael Napoli, CFA *November 27, 2020*

(A) Diluted earnings. Excl. nonrec. gains (losses): '05, (11¢); '06, 7¢. Next egs. report due late February. **(B)** Dividends historically paid early March, June, September, and December. ■† Div'd reinvestment and stock purchase plan avail. **(C)** In millions.
(D) Totals may not sum due to rounding.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	65
Earnings Predictability	95

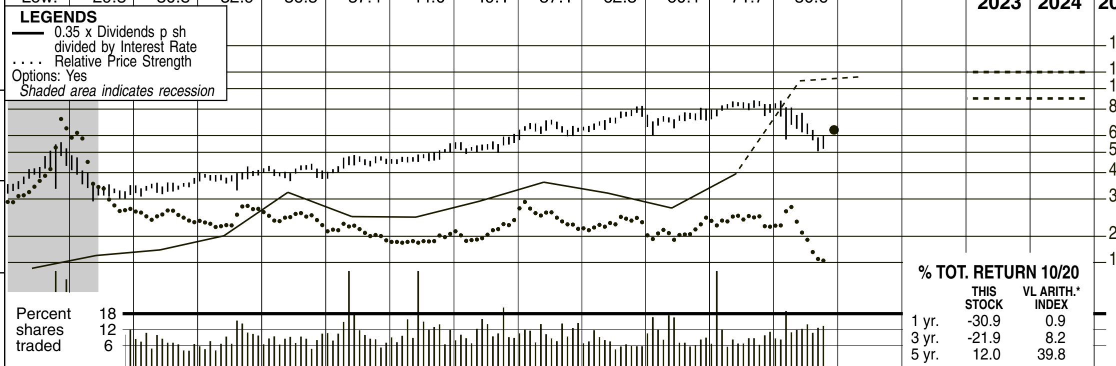
SPIRE INC. NYSE-SR

RECENT PRICE 63.76 | P/E RATIO 17.6 (Trailing: NMF / Median: 18.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 4.1% | VALUE LINE

TIMELINESS 4 Lowered 11/27/20
SAFETY 2 Raised 6/20/03
TECHNICAL 5 Lowered 11/27/20
BETA .85 (1.00 = Market)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High:	48.3	37.8	42.8	44.0	48.5	55.2	61.0	71.2	82.9	81.1	88.0	88.0
Low:	29.3	30.8	32.9	36.5	37.4	44.0	49.1	57.1	62.3	60.1	71.7	50.6

LEGENDS
— 0.35 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



Target Price Range 2023 | 2024 | 2025

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$44-$106	$75 (20%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	120	(+90%)	20%
Low	90	(+40%)	12%

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	127	120	127
to Sell	114	116	130
Hld's(000)	42195	42039	40679

Percent shares traded 18 / 12 / 6

% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-30.9	0.9
3 yr.	-21.9	8.2
5 yr.	12.0	39.8

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
59.59	75.43	93.51	93.40	100.44	85.49	77.83	71.48	49.90	31.10	37.68	45.59	33.68	36.07	38.78	38.30	*35.70*	*36.75*	Revenues per sh A	*58.20*
2.79	2.98	3.81	3.87	4.22	4.56	4.11	4.62	4.58	3.12	3.87	6.15	6.16	6.54	7.55	7.12	*5.50*	*7.25*	"Cash Flow" per sh	*9.75*
1.82	1.90	2.37	2.31	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	*3.30*	Earnings per sh A B	*5.15*
1.35	1.37	1.40	1.45	1.49	1.53	1.57	1.61	1.66	1.70	1.76	1.84	1.96	2.10	2.25	2.37	2.49	*2.60*	Div'ds Decl'd per sh C■	*3.00*
2.45	2.84	2.97	2.72	2.57	2.36	2.56	3.02	4.83	4.00	3.96	6.68	6.42	9.08	9.86	16.15	*12.30*	*11.25*	Cap'l Spending per sh	*10.35*
16.96	17.31	18.85	19.79	22.12	23.32	24.02	25.56	26.67	32.00	34.93	36.30	38.73	41.26	44.51	45.14	*48.50*	*53.50*	Book Value per sh D	*72.00*
20.98	21.17	21.36	21.65	21.99	22.17	22.29	22.43	22.55	32.70	43.18	43.36	45.65	48.26	50.67	50.97	*52.00*	*52.50*	Common Shs Outst'g E	*55.00*
15.7	16.2	13.6	14.2	14.3	13.4	13.7	13.0	14.5	21.3	19.8	16.5	19.6	19.8	16.7	22.8	NMF		Avg Ann'l P/E Ratio	*20.5*
.83	.86	.73	.75	.86	.89	.87	.82	.92	1.20	1.04	.83	1.03	1.00	.90	1.24	NMF		Relative P/E Ratio	*1.15*
4.7%	4.4%	4.3%	4.4%	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%		Avg Ann'l Div'd Yield	*2.9%*

CAPITAL STRUCTURE as of 6/30/20
Total Debt $2961.3 mill. **Due in 5 Yrs** $725.0 mill.
LT Debt $2478.3 mill. **LT Interest** $120.0 mill.
(Total interest coverage: 3.1x)

Leases, Uncapitalized Annual rentals $8.2 mill.
Pension Assets-9/19 $521.8 mill. **Oblig.** $751.4 mill.
Pfd Stock $242.0 mill. **Pfd Div'd** $3.4 mill.
Common Stock 51,482,424 shs. as of 7/31/20

MARKET CAP: $3.3 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
1735.0	1603.3	1125.5	1017.0	1627.2	1976.4	1537.3	1740.7	1965.0	1952.4	1855.4	*1930*	Revenues ($mill) A	*3200*
54.0	63.8	62.6	52.8	84.6	136.9	144.2	161.6	214.2	184.6	88.6	*175*	Net Profit ($mill)	*285*
33.4%	31.4%	29.6%	25.0%	27.6%	31.2%	32.5%	32.4%	32.4%	15.7%	12.3%	*16.0%*	Income Tax Rate	*23.5%*
3.1%	4.0%	5.6%	5.2%	5.2%	6.9%	9.4%	9.3%	10.9%	9.5%	4.8%	*9.1%*	Net Profit Margin	*8.9%*
40.5%	38.9%	36.1%	46.6%	55.1%	53.0%	50.9%	50.0%	45.7%	45.0%	*49.0%*	*48.0%*	Long-Term Debt Ratio	*45.0%*
59.5%	61.1%	63.9%	53.4%	44.9%	47.0%	49.1%	50.0%	54.3%	55.0%	*51.0%*	*52.0%*	Common Equity Ratio	*55.0%*
899.9	937.7	941.0	1959.0	3359.4	3345.1	3601.9	3986.3	4155.5	4625.6	*4945*	*5400*	Total Capital ($mill)	*7200*
884.1	928.7	1019.3	1776.6	2759.7	2941.2	3300.9	3665.2	3970.5	4352.0	*4680*	*5070*	Net Plant ($mill)	*6500*
7.4%	8.1%	7.9%	3.3%	3.1%	5.1%	4.9%	5.0%	6.3%	5.1%	*3.5%*	*4.5%*	Return on Total Cap'l	*5.5%*
10.1%	11.1%	10.4%	5.0%	5.6%	8.7%	8.2%	8.1%	9.5%	7.3%	*3.5%*	*6.0%*	Return on Shr. Equity	*7.0%*
10.1%	11.1%	10.4%	5.0%	5.6%	8.7%	8.2%	8.1%	9.5%	7.9%	*3.5%*	*6.0%*	Return on Com Equity	*7.0%*
3.6%	4.9%	4.3%	1.0%	1.5%	3.7%	3.3%	3.3%	4.7%	2.7%	*NMF*	*1.5%*	Retained to Com Eq	*3.0%*
64%	56%	59%	81%	73%	58%	59%	60%	51%	66%	*NMF*	*79%*	All Div'ds to Net Prof	*60%*

CURRENT POSITION ($MILL.)	2018	2019	6/30/20
Cash Assets	4.4	5.8	7.4
Other	655.2	608.7	551.9
Current Assets	659.6	614.5	559.3
Accts Payable	290.1	301.5	200.8
Debt Due	729.1	783.2	483.0
Other	302.5	384.1	424.0
Current Liab.	1321.7	1468.8	1107.8
Fix. Chg. Cov.	284%	272%	275%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-8.5%	-1.0%	*7.5%*
"Cash Flow"	5.5%	13.0%	*5.5%*
Earnings	3.5%	9.5%	*5.5%*
Dividends	4.0%	5.5%	*5.0%*
Book Value	7.0%	7.0%	*8.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2017	495.1	663.4	323.5	258.7	1740.7
2018	561.8	813.4	350.6	239.2	1965.0
2019	602.0	803.5	321.3	225.6	1952.4
2020	566.9	715.5	321.1	251.9	1855.4
2021	*580*	*760*	*340*	*250*	*1930*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2017	.99	2.36	.45	d.28	3.43
2018	2.39	2.03	.52	d.51	4.33
2019	1.32	3.04	d.09	d.74	3.52
2020	1.24	2.54	d1.87	d.45	1.44
2021	*1.27*	*2.61*	*.20*	*d.78*	*3.30*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.49	.49	.49	.49	1.96
2017	.525	.525	.525	.525	2.10
2018	.5625	.5625	.5625	.5625	2.25
2019	.5925	.5925	.5925	.5925	2.37
2020	.6225	.6225	.6225	.6225	

BUSINESS: Spire Inc., formerly known as the Laclede Group, Inc., is a holding company for natural gas utilities, which distributes natural gas across Missouri, including the cities of St. Louis and Kansas City, Alabama, and Mississippi. Has roughly 1.7 million customers. Acquired Missouri Gas 9/13, Alabama Gas Co 9/14. Utility therms sold and transported in fiscal 2019: 3.4 bill. Revenue mix for regulated operations: residential, 68%; commercial and industrial, 23%; transportation, 6%; other, 3%. Has about 3,536 employees. Officers and directors own 2.9% of common shares; BlackRock, 15.0% (1/20 proxy). Chairman: Edward Glotzbach; CEO: Suzanne Sitherwood. Inc.: Missouri. Address: 700 Market Street, St. Louis, Missouri 63101. Tel.: 314-342-0500. Internet: www.spireenergy.com.

Spire Inc. stands to stage a big earnings rebound in fiscal 2021. (The year started on October 1st.) This is based partially on our assumption that COVID-19 has a less severe effect on the company. Notably, in last year's third quarter, it recorded a total pre-tax impairment charge of $148.6 million, equivalent to $2.29 a share after tax, attributed primarily to the writedown of the value of storage assets and, to a lesser degree, two commercial compressed natural gas fueling stations. (Spire states, however, that it is pursuing potential regulatory mechanisms to help offset the damage from the health crisis.) So, at this juncture, it appears that share net will jump more than twofold, to $3.30, compared to the fiscal 2020 figure of $1.44. If operating margins widen further, profits may advance another 7%, to $3.55 a share, the following year.

Capital expenditures for last year were around $638 million. (That marked a significant decrease from the fiscal 2019 figure of $823 million, reflecting the completion of the Spire STL Pipeline.) Funds were allocated to such areas as infrastructure upgrades at the utilities and new business development initiatives. For fiscal 2021, spending is currently expected to be around $590 million. Management looks for total expenditures over the 2021-2025 period to be some $3.0 billion, which seems reasonable.

***Value Line* continues to be upbeat, in general, about the energy firm's operating performance out to mid-decade.** The gas utilities boast 1.7 million customers in Mississippi, Alabama, and Missouri, providing a measure of regional diversity. Furthermore, the other operations, particularly pipelines, hold promising potential. Additional expansionary projects and technological enhancements in customer service and elsewhere ought to help, too. Finally, Spire's decent finances make acquisitions possible. The usual risks include unfortunate events like leaks and pipeline ruptures.

The stock, though untimely, has some appealing qualities. Consider the dividend yield and payout growth prospects. Capital gains potential in both the 18-month period and out to 2023-2025 is solid, too.

Frederick L. Harris, III November 27, 2020

(A) Fiscal year ends Sept. 30th. (B) Based on diluted shares outstanding. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late Jan. (C) Dividends paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred charges. In '19: $1,171.6 mill., $22.99/sh. (E) In millions. (F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	50

N.W. NATURAL NYSE-NWN

RECENT PRICE **49.69** | P/E RATIO **21.2** (Trailing: 24.1 / Median: 23.0) | RELATIVE P/E RATIO **1.01** | DIV'D YLD **3.9%** | **VALUE LINE**

TIMELINESS 3 Lowered 5/22/20
SAFETY 1 Raised 3/18/05
TECHNICAL 3 Raised 4/3/20
BETA .80 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$39-$98	$69 (40%)

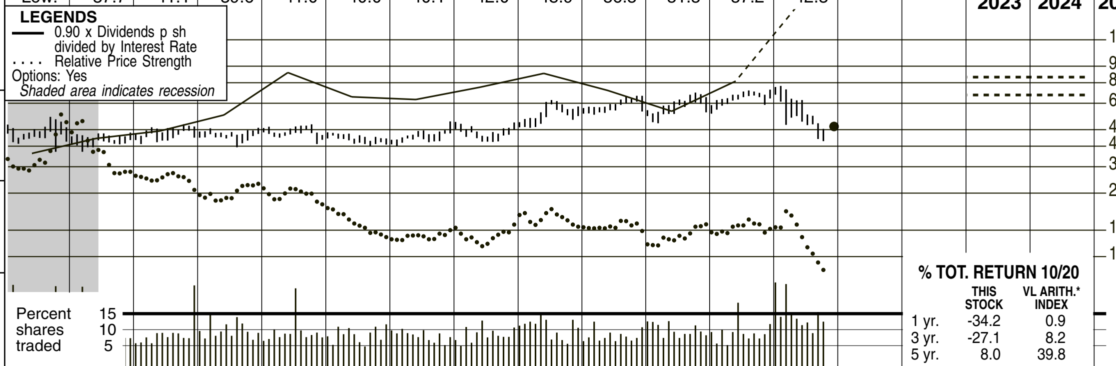
2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+70%)	*17%*
Low	70	(+40%)	*12%*

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	120	88	73
to Sell	95	133	103
Hld's(000)	23102	22679	21936

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High:	46.5	50.9	49.0	50.8	46.6	52.6	52.3	66.2	69.5	71.8	74.1	77.3
Low:	37.7	41.1	39.6	41.0	40.0	40.1	42.0	48.9	56.5	51.5	57.2	42.3



Target Price Range 2023 | 2024 | 2025

% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-34.2	0.9
3 yr.	-27.1	8.2
5 yr.	8.0	39.8

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
25.69	33.01	37.20	39.13	39.16	38.17	30.56	31.72	27.14	28.02	27.64	26.39	23.61	26.52	24.45	24.49	*24.70*	*26.45*	Revenues per sh	*29.40*
3.92	4.34	4.76	5.41	5.31	5.20	5.18	5.00	4.94	5.04	5.05	4.91	4.93	1.04	5.28	5.15	*4.70*	*5.15*	"Cash Flow" per sh	*6.15*
1.86	2.11	2.35	2.76	2.57	2.83	2.73	2.39	2.22	2.24	2.16	1.96	2.12	d1.94	2.33	2.19	*2.25*	*2.50*	Earnings per sh A	*3.20*
1.30	1.32	1.39	1.44	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*	Div'ds Decl'd per sh B■	*1.97*
5.52	3.48	3.56	4.48	3.92	5.09	9.35	3.76	4.91	5.13	4.40	4.37	4.87	7.43	7.43	7.95	*7.80*	*6.15*	Cap'l Spending per sh	*6.25*
20.64	21.28	22.01	22.52	23.71	24.88	26.08	26.70	27.23	27.77	28.12	28.47	29.71	25.85	26.41	28.42	*29.70*	*31.85*	Book Value per sh D	*38.40*
27.55	27.58	27.24	26.41	26.50	26.53	26.58	26.76	26.92	27.08	27.28	27.43	28.63	28.74	28.88	30.47	*31.00*	*31.00*	Common Shs Outst'g C	*32.00*
16.7	17.0	15.9	16.7	18.1	15.2	17.0	19.0	21.1	19.4	20.7	23.7	26.9	- -	26.6	30.9	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*24.0*
.88	.91	.86	.89	1.09	1.01	1.08	1.19	1.34	1.09	1.09	1.19	1.41	- -	1.44	1.68	*estimates*		Relative P/E Ratio	*1.35*
4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.6%	3.9%	3.8%	4.2%	4.1%	4.0%	3.3%	3.0%	3.0%	2.8%			Avg Ann'l Div'd Yield	*2.6%*

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
812.1	848.8	730.6	758.5	754.0	723.8	676.0	762.2	706.1	746.4	*765*	*820*	Revenues ($mill)	*940*
72.7	63.9	59.9	60.5	58.7	53.7	58.9	d55.6	67.3	65.3	*75.0*	*85.0*	Net Profit ($mill)	*95.0*
40.5%	40.4%	42.4%	40.8%	41.5%	40.0%	40.9%	- -	26.4%	16.2%	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
8.9%	7.5%	8.2%	8.0%	7.8%	7.4%	8.7%	NMF	9.5%	8.8%	*9.1%*	*9.5%*	Net Profit Margin	*10.9%*
46.1%	47.3%	48.5%	47.6%	44.8%	42.5%	44.4%	47.9%	48.1%	48.2%	*47.5%*	*47.0%*	Long-Term Debt Ratio	*47.5%*
53.9%	52.7%	51.5%	52.4%	55.2%	57.5%	55.6%	52.1%	51.9%	51.8%	*52.5%*	*53.0%*	Common Equity Ratio	*52.5%*
1284.8	1356.2	1424.7	1433.6	1389.0	1357.7	1529.8	1426.0	1468.9	1672.0	*1755*	*1855*	Total Capital ($mill)	*1825*
1854.2	1893.9	1973.6	2062.9	2121.6	2182.7	2260.9	2255.0	2421.4	2438.9	*2535*	*2640*	Net Plant ($mill)	*3065*
7.0%	6.2%	5.7%	5.8%	5.8%	5.5%	5.1%	NMF	5.8%	5.2%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.5%*
10.5%	8.9%	8.2%	8.1%	7.6%	6.9%	6.9%	NMF	8.8%	7.5%	*7.5%*	*8.0%*	Return on Shr. Equity	*8.5%*
10.5%	8.9%	8.2%	8.1%	7.6%	6.9%	6.9%	NMF	8.8%	7.5%	*7.5%*	*8.0%*	Return on Com Equity	*8.5%*
4.0%	2.4%	1.6%	1.5%	1.1%	.6%	.9%	NMF	2.1%	1.4%	*1.0%*	*2.0%*	Retained to Com Eq	*3.0%*
61%	73%	80%	81%	85%	92%	87%	NMF	76%	82%	*85%*	*77%*	All Div'ds to Net Prof	*61%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $1178.4 mill. **Due in 5 Yrs** $910.0 mill.
LT Debt $860.2 mill. **LT Interest** $40.0 mill.

(Total interest coverage: 3.1x)

Pension Assets-12/19 $313.1 mill. **Oblig.** $515.7 mill.

Pfd Stock None

Common Stock 30,568,578 shares as of 10/29/20

MARKET CAP $1.5 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2018	2019	9/30/20
Cash Assets	12.6	9.6	35.9
Other	283.3	284.1	206.9
Current Assets	295.9	293.7	242.8
Accts Payable	115.9	113.4	83.8
Debt Due	247.6	224.2	318.2
Other	145.6	144.6	149.3
Current Liab.	509.1	482.2	551.3
Fix. Chg. Cov.	357%	336%	312%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-4.0%	-2.0%	*2.5%*
"Cash Flow"	-3.0%	-5.5%	*8.0%*
Earnings	-11.0%	-17.0%	*24.5%*
Dividends	2.0%	.5%	*.5%*
Book Value	1.5%	-.5%	*6.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	297.3	136.3	88.2	240.4	762.2
2018	264.7	124.6	91.2	226.7	706.1
2019	285.4	123.4	90.3	247.3	746.4
2020	285.2	135.0	93.3	*251.5*	*765*
2021	*305*	*145*	*110*	*260*	*820*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.40	.10	d.30	d3.14	d1.94
2018	1.46	d.01	d.39	1.27	2.33
2019	1.50	.07	d.61	1.26	2.19
2020	1.58	d.17	d.61	*1.45*	*2.25*
2021	*1.60*	*d.10*	*d.50*	*1.50*	*2.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.4675	.4675	.4675	.47	1.87
2017	.47	.47	.47	.4725	1.88
2018	.4725	.4725	.4725	.475	1.89
2019	.475	.475	.475	.4775	1.90
2020	.4775	.4775	.4775	.48	

BUSINESS: Northwest Natural Holding Co. distributes natural gas to 1000 communities, 750,000 customers, in Oregon (89% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 3.7 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 37%; commercial, 22%; industrial, gas transportation, 41%. Employs 1,167. BlackRock Inc. owns 15.5% of shares; Off./Dir. own less than 1% (4/20 proxy). CEO: David H. Anderson. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural Holding recorded flat results in the third quarter. Revenues increased slightly to $93.3 million, aided by greater throughput and a larger customer base. Around 13,800 new customers were added in the natural gas space over the past year, while the company benefited from recently acquired operations in water and other utilities. Despite a decline in interest expense (reflecting the rollover of debt at lower rates), higher operating costs (including maintenance and depreciation expenses) were a drag. These factors netted out to a loss of $0.61 per share. Northwest should have decent results in the fourth quarter as cooler weather helps the top line expand. Moreover, recent rates cases should help, as the Oregon Public Utility Commission allowed for an additional $45 million in charges. We expect costs will remain steady, allowing earnings to reach $1.45 per share.

The company ought to see some bottom-line improvements in the years ahead. Revenues will likely advance as more people move into the Portland area. Additionally, Northwest has purchased several water utilities over the past few years, including some in Texas and Washington, and will likely continue to do so. These ought to help the top line expand in the coming years. Meantime, the company will probably benefit from the additional distribution of natural gas in the Portland area. Economies of scale will start to emerge with these new operations, helping profits expand. All told, we think earnings will reach $2.50 per share in 2021 and $3.20 per share by 2023-2025.

Management has raised the quarterly dividend by 1%, to $0.48. This increase continues the streak of 65 annual dividend hikes, which remains among the longest in the *Survey* and the payout remains adequately covered by earnings. Looking forward, it should grow at a moderate pace.

Shares of Northwest Natural Holding are ranked Average (3). This stock holds above average 3- to 5-year appreciation potential, based on a substantial earnings improvement. Additionally, the dividend yield is above average, while it holds our Highest (1) Safety rank. Overall, we think that this issue should appeal to most long-term investors.

John E. Seibert III *November 27, 2020*

(A) Diluted earnings per share. Excludes nonrecurring items: '06, ($0.06); '08, ($0.03); '09, $0.06; May not sum due to rounding. Next earnings report due in early February.
(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.
(D) Includes intangibles. In 2019: $343.2 million, $11.26/share.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	40
Earnings Predictability	5

AMEREN NYSE-AEE

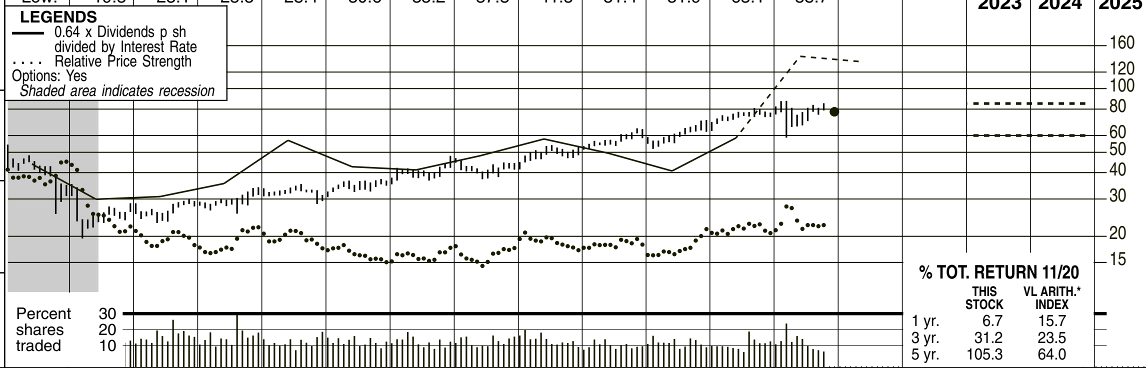
RECENT PRICE	77.78	P/E RATIO	22.7 (Trailing: 22.7; Median: 17.0)	RELATIVE P/E RATIO	1.09	DIV'D YLD	2.7%	VALUE LINE

TIMELINESS 2 Lowered 11/20/20
SAFETY 2 Raised 6/20/14
TECHNICAL 2 Raised 12/11/20
BETA .85 (1.00 = Market)

High:	35.3	29.9	34.1	35.3	37.3	48.1	46.8	54.1	64.9	70.9	80.9	87.7
Low:	19.5	23.1	25.5	28.4	30.6	35.2	37.3	41.5	51.4	51.9	63.1	58.7

Target Price Range 2023 | 2024 | 2025

LEGENDS
— 0.64 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
\$63-\$127	\$95 (20%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+10%)	5%
Low	60	(-25%)	-3%

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	266	242	220
to Sell	265	273	301
Hld's(000)	186367	187833	196379

Percent shares traded 30 / 20 / 10

% TOT. RETURN 11/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.7	15.7
3 yr.	31.2	23.5
5 yr.	105.3	64.0

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
26.43	33.12	33.30	36.23	36.92	29.87	31.77	31.04	28.14	24.06	24.95	25.13	25.04	25.46	25.73	24.00	*22.65*	*23.65*	Revenues per sh	*25.50*
5.57	6.10	6.02	6.76	6.44	6.06	6.33	5.87	5.87	5.25	5.77	6.08	6.59	6.80	7.64	7.83	*8.15*	*8.80*	"Cash Flow" per sh	*10.50*
2.82	3.13	2.66	2.98	2.88	2.78	2.77	2.47	2.41	2.10	2.40	2.38	2.68	2.77	3.32	3.35	*3.45*	*3.70*	Earnings per sh A	*4.50*
2.54	2.54	2.54	2.54	2.54	1.54	1.54	1.56	1.60	1.60	1.61	1.66	1.72	1.78	1.85	1.92	*2.00*	*2.09*	Div'd Decl'd per sh B ■	*2.45*
4.13	4.63	4.99	6.96	9.75	7.51	4.66	4.50	5.49	5.87	7.66	8.12	8.78	9.05	9.56	9.92	*15.85*	*11.65*	Cap'l Spending per sh	*11.00*
29.71	31.09	31.86	32.41	32.80	33.08	32.15	32.64	27.27	26.97	27.67	28.63	29.27	29.61	31.21	32.73	*35.70*	*37.75*	Book Value per sh C	*44.50*
195.20	204.70	206.60	208.30	212.30	237.40	240.40	242.60	242.63	242.63	242.63	242.63	242.63	242.63	244.50	246.20	*254.00*	*258.00*	Common Shs Outst'g D	*270.00*
16.3	16.7	19.4	17.4	14.2	9.3	9.7	11.9	13.4	16.5	16.7	17.5	18.3	20.6	18.3	22.1	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.86	.89	1.05	.92	.85	.62	.62	.75	.85	.93	.88	.88	.96	1.04	.99	1.18	*Value Line*		Relative P/E Ratio	*.90*
5.5%	4.9%	4.9%	4.9%	6.2%	6.0%	5.8%	5.3%	5.0%	4.6%	4.0%	4.0%	3.5%	3.1%	3.0%	2.6%	*estimates*		Avg Ann'l Div'd Yield	*3.4%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt \$10801 mill. **Due in 5 Yrs** \$2317 mill.
LT Debt \$10172 mill. **LT Interest** \$456 mill.
(LT interest earned: 3.3x)
Leases, Uncapitalized Annual rentals \$8 mill.
Pension Assets-12/19 \$4564 mill. **Oblig** \$4967 mill.
Pfd Stock \$142 mill. **Pfd Div'd** \$6 mill.
807,595 sh. \$3.50 to \$5.50 cum. (no par), \$100 stated val., redeem. \$102.176-\$110/sh.; 616,323 sh. 4.00% to 6.625%, \$100 par, redeem. \$100-\$104/sh.
Common Stock 247,206,978 shs. **as of 10/30/20**
MARKET CAP: \$19 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
7638.0	7531.0	6828.0	5838.0	6053.0	6098.0	6076.0	6177.0	6291.0	5910.0	*5750*	*6100*	Revenues (\$mill)	*6900*
669.0	602.0	589.0	518.0	593.0	585.0	659.0	683.0	821.0	834.0	*870*	*965*	Net Profit (\$mill)	*1220*
36.8%	37.3%	36.9%	37.5%	38.9%	38.3%	36.7%	38.2%	22.4%	17.9%	*15.5%*	*12.5%*	Income Tax Rate	*12.5%*
7.8%	5.6%	6.1%	7.1%	5.7%	5.1%	4.1%	5.6%	6.9%	5.8%	*6.0%*	*5.0%*	AFUDC % to Net Profit	*4.0%*
48.2%	45.3%	49.5%	45.2%	47.2%	49.3%	47.7%	49.2%	50.3%	52.1%	*54.5%*	*53.0%*	Long-Term Debt Ratio	*51.0%*
50.9%	53.7%	49.4%	53.7%	51.7%	49.7%	51.3%	49.8%	48.8%	47.1%	*44.5%*	*46.5%*	Common Equity Ratio	*48.5%*
15185	14738	13384	12190	12975	13968	13840	14420	15632	17116	*20325*	*20975*	Total Capital (\$mill)	*24800*
17853	18127	16096	16205	17424	18799	20113	21466	22810	24376	*27200*	*28900*	Net Plant (\$mill)	*33300*
6.0%	5.6%	6.0%	5.6%	5.8%	5.3%	6.0%	6.0%	6.4%	6.0%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
8.5%	7.5%	8.7%	7.7%	8.7%	8.3%	9.1%	9.3%	10.6%	10.2%	*9.5%*	*10.0%*	Return on Shr. Equity	*10.0%*
8.6%	7.5%	8.8%	7.8%	8.7%	8.3%	9.2%	9.4%	10.7%	10.3%	*9.5%*	*10.0%*	Return on Com Equity E	*10.0%*
3.8%	2.8%	3.0%	1.9%	2.9%	2.5%	3.3%	3.4%	4.8%	4.4%	*4.0%*	*4.0%*	Retained to Com Eq	*4.5%*
56%	63%	66%	76%	67%	70%	64%	64%	56%	57%	*58%*	*56%*	All Div'ds to Net Prof	*54%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-3.4	+5.6	-3.5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA
Fixed Charge Cov. (%)	350	313	307

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-3.0%	-.5%	*.5%*
"Cash Flow"	1.5%	5.5%	*6.0%*
Earnings	1.0%	6.5%	*6.0%*
Dividends	-2.0%	3.0%	*5.0%*
Book Value	-.5%	2.5%	*6.0%*

Cal-endar	QUARTERLY REVENUES (\$ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1514	1538	1723	1402	6177.0
2018	1585	1563	1724	1419	6291.0
2019	1556	1379	1659	1316	5910.0
2020	1440	1398	1628	*1284*	*5750*
2021	*1600*	*1450*	*1700*	*1350*	*6100*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.42	.79	1.18	.39	2.77
2018	.62	.97	1.45	.28	3.32
2019	.78	.72	1.47	.38	3.35
2020	.59	.98	1.47	*.41*	*3.45*
2021	*.65*	*.90*	*1.70*	*.45*	*3.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.425	.425	.425	.44	1.72
2017	.44	.44	.44	.4575	1.78
2018	.4575	.4575	.4575	.475	1.85
2019	.475	.475	.475	.495	1.92
2020	.495	.495	.495	.515	

BUSINESS: Ameren Corporation is a holding company formed through the merger of Union Electric and CIPSCO. Has 1.2 million electric and 127,000 gas customers in Missouri; 1.2 million electric and 813,000 gas customers in Illinois. Discontinued nonregulated power-generation operation in '13. Electric revenue breakdown: residential, 43%; commercial, 32%; industrial, 8%; other, 17%. Generating sources: coal, 63%; nuclear, 23%; hydro & other, 6%; purchased, 8%. Fuel costs: 24% of revenues. '19 reported deprec. rates: 3%-4%. Has 9,300 employees. Chairman, President & CEO: Warner L. Baxter. Inc.: Missouri. Address: One Ameren Plaza, 1901 Chouteau Ave., P.O. Box 66149, St. Louis, Missouri 63166-6149. Tel.: 314-621-3222. Internet: www.ameren.com.

We trimmed our 2020 earnings estimate for Ameren by \$0.05 a share, to \$3.45. Third-quarter profits were slightly below our expectation. Even so, earnings should still wind up above the 2019 tally, despite the negative effects of the recession on kilowatt-hour sales in Missouri, and coronavirus-related expenses. (Ameren Illinois operates under a regulatory mechanism that decouples revenues and volume.) Among the positive factors are an electric rate hike that took effect in Missouri on April 1st and investments in the electric transmission business. Our revised estimate is within Ameren's targeted range of \$3.40-\$3.55 a share, which was adjusted from \$3.40-\$3.60 when third-period results were reported in November.

A rate case is pending in Illinois. Ameren is seeking a gas increase of \$97 million (including \$46 million that would otherwise be recovered through riders on customers' bills), based on a 10.5% return on equity and a common-equity ratio of 54.1%. The staff of the Illinois Commerce Commission recommended a \$69 million increase, based on a 9.32% ROE and a 50.4% common-equity ratio, and other intervenors proposed a hike that was slightly less favorable than the staff recommendation. An order is due by January, with new tariffs taking effect in February. This, along with a better economy, should produce higher profits in 2021.

Ameren is building a wind project. The company will add 700 megawatts of capacity at a cost of \$1.2 billion. Most of this will be completed by yearend, but a portion of the spending (\$200 million) will slip into the first quarter of 2021.

The board of directors raised the dividend in the fourth quarter. The increase was two cents a share (4.0%) quarterly, the same as last year. Ameren's goal for the payout ratio is 55%-70%, and this figure remains near the lower end.

This timely stock has been one of the top performers among utilities in 2020. The price has risen slightly in what has been a bad year for most electric utility issues, as investors like Ameren's stability. The dividend yield is a percentage point below the utility mean. Total return potential has appeal for the 18-month span, but is low for the 2023-2025 period.

Paul E. Debbas, CFA *December 11, 2020*

(A) Dil. EPS. Excl. nonrec. gain (losses): '05, (11¢); '10, (\$2.19); '11, (32¢); '12, (\$6.42); '17, (63¢); gain (loss) from disc. ops.: '13, (92¢); '15, 21¢. '17 EPS don't sum due to rounding. Next egs. report due mid-Feb. (B) Div'ds pd. late Mar., June, Sept., & Dec. ■ Div'd reinv. plan avail. (C) Incl. intang. In '19: \$5.70/sh. (D) In mill. (E) Rate base: Orig. cost depr. Rate all'd on com. eq. in MO in '20: elec., none; in '11: gas, none; in IL in '14: elec., 8.7%, in '18: gas, 9.87%; earned on avg. com. eq., '19: 10.5%. Reg. Climate: MO, Avg.; IL, Below Avg.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	80
Earnings Predictability	90

AVISTA CORP. NYSE-AVA

RECENT PRICE 39.97 | P/E RATIO 19.3 (Trailing: 22.2 Median: 17.0) | RELATIVE P/E RATIO 0.89 | DIV'D YLD 4.2% | VALUE LINE

TIMELINESS 4 Lowered 11/6/20
SAFETY 2 Raised 5/7/10
TECHNICAL 5 Lowered 1/15/21
BETA .95 (1.00 = Market)

High:	22.4	22.8	26.5	28.0	29.3	37.4	38.3	45.2	52.8	52.9	49.5	53.0
Low:	12.7	18.5	21.1	22.8	24.1	27.7	29.8	34.3	37.8	41.9	39.8	32.1

Target Price Range 2023 | 2024 | 2025

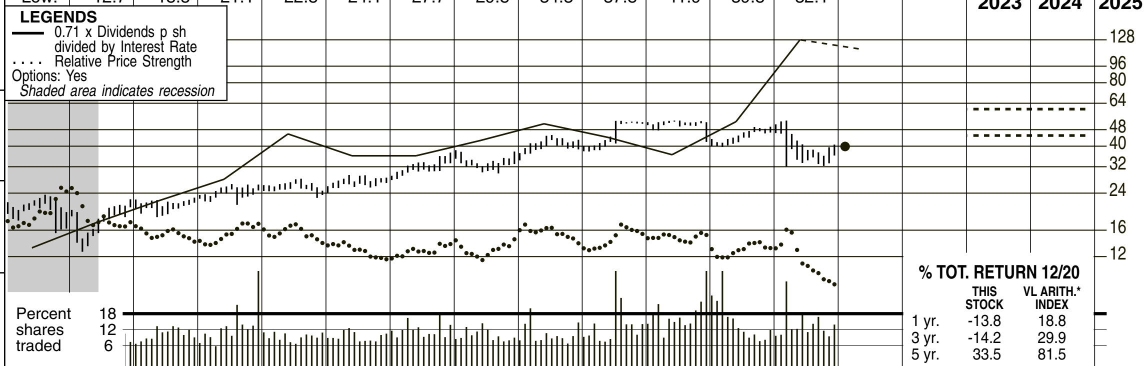
18-Month Target Price Range
Low-High: $26-$66 | Midpoint (% to Mid): $46 (15%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+50%)	14%
Low	45	(+15%)	7%

Institutional Decisions

	1Q2020	2Q2020	3Q2020
to Buy	122	109	105
to Sell	128	130	119
Hld's(000)	53448	51645	57100



% TOT. RETURN 12/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-13.8	18.8
3 yr.	-14.2	29.9
5 yr.	33.5	81.5

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
23.76	27.98	28.68	26.80	30.77	27.58	27.29	27.73	25.86	26.94	23.66	23.83	22.47	22.08	21.27	20.03	*18.85*	*19.30*	Revenues per sh	*20.50*
2.35	2.72	4.27	2.93	3.98	4.45	3.62	3.78	3.70	4.36	4.36	4.92	5.30	4.87	5.01	6.06	*5.10*	*5.40*	"Cash Flow" per sh	*6.25*
.73	.92	1.47	.72	1.36	1.58	1.65	1.72	1.32	1.85	1.84	1.89	2.15	1.95	2.07	2.97	*1.85*	*2.10*	Earnings per sh A	*2.50*
.52	.55	.57	.60	.69	.81	1.00	1.10	1.16	1.22	1.27	1.32	1.37	1.43	1.49	1.55	1.62	*1.68*	Div'd Decl'd per sh B ■	*1.90*
2.47	3.23	3.14	4.04	4.09	3.86	3.64	4.20	4.61	5.05	5.47	6.46	6.34	6.30	6.46	6.59	*6.15*	*6.05*	Cap'l Spending per sh	*6.00*
15.54	15.87	17.46	17.27	18.30	19.17	19.71	20.30	21.06	21.61	23.84	24.53	25.69	26.41	26.99	28.87	*29.35*	*29.95*	Book Value per sh C	*32.25*
48.47	48.59	52.51	52.91	54.49	54.84	57.12	58.42	59.81	60.08	62.24	62.31	64.19	65.49	65.69	67.18	*69.00*	*70.00*	Common Shs Outst'g D	*73.00*
24.4	19.4	15.4	30.9	15.0	11.4	12.7	14.1	19.3	14.6	17.3	17.6	18.8	23.4	24.5	15.0	*21.7*		Avg Ann'l P/E Ratio	*20.5*
1.29	1.03	.83	1.64	.90	.76	.81	.88	1.23	.82	.91	.89	.99	1.18	1.32	.80	*1.10*		Relative P/E Ratio	*1.15*
2.9%	3.0%	2.5%	2.7%	3.4%	4.5%	4.8%	4.5%	4.6%	4.5%	4.0%	4.0%	3.4%	3.1%	2.9%	3.5%	4.0%		Avg Ann'l Div'd Yield	*3.7%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $2262.8 mill. **Due in 5 Yrs** $480.5 mill.
LT Debt $2060.8 mill. **LT Interest** $92.3 mill.
Incl. $51.5 mill. debt to affiliated trusts; $54.5 mill. capitalized leases.
(LT interest earned: 2.4x)
Leases, Uncapitalized Annual rentals $4.4 mill.
Pension Assets-12/19 $642.1 mill. **Oblig** $742.4 mill.
Pfd Stock None

Common Stock 68,735,948 shs.
as of 10/30/20
MARKET CAP: $2.7 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
1558.7	1619.8	1547.0	1618.5	1472.6	1484.8	1442.5	1445.9	1396.9	1345.6	*1300*	*1350*	Revenues ($mill)	*1500*
92.4	100.2	78.2	111.1	114.2	118.1	137.2	126.1	136.4	197.0	*125*	*145*	Net Profit ($mill)	*185*
35.0%	35.4%	34.4%	36.0%	37.6%	36.3%	36.3%	36.5%	16.0%	13.8%	*8.0%*	*14.0%*	Income Tax Rate	*14.0%*
4.0%	5.2%	8.3%	8.8%	11.1%	10.1%	8.1%	7.9%	7.7%	5.5%	*9.0%*	*8.0%*	AFUDC % to Net Profit	*6.0%*
51.6%	51.4%	50.8%	51.4%	51.0%	50.0%	51.2%	47.2%	50.5%	49.4%	*50.5%*	*49.5%*	Long-Term Debt Ratio	*50.5%*
48.4%	48.6%	49.2%	48.6%	49.0%	50.0%	48.8%	52.8%	49.5%	50.6%	*49.5%*	*50.5%*	Common Equity Ratio	*49.5%*
2325.3	2439.9	2561.2	2669.7	3027.3	3060.3	3379.0	3273.2	3580.3	3834.6	*4085*	*4135*	Total Capital ($mill)	*4750*
2714.2	2860.8	3023.7	3202.4	3620.0	3898.6	4147.5	4398.8	4648.9	4797.0	*4995*	*5185*	Net Plant ($mill)	*5700*
5.4%	5.5%	4.3%	5.4%	4.9%	5.1%	5.3%	5.0%	4.8%	6.2%	*4.0%*	*4.5%*	Return on Total Cap'l	*5.0%*
8.2%	8.5%	6.2%	8.6%	7.7%	7.7%	8.3%	7.3%	7.7%	10.2%	*6.0%*	*7.0%*	Return on Shr. Equity	*8.0%*
8.2%	8.5%	6.2%	8.6%	7.7%	7.7%	8.3%	7.3%	7.7%	10.2%	*6.0%*	*7.0%*	Return on Com Equity E	*8.0%*
3.3%	3.1%	.8%	2.9%	2.4%	2.3%	3.0%	1.9%	2.2%	4.9%	*.5%*	*1.5%*	Retained to Com Eq	*2.0%*
60%	64%	88%	66%	69%	70%	64%	73%	72%	52%	*88%*	*79%*	All Div'ds to Net Prof	*75%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+4.7	-3.7	+.2
Avg. Indust. Use (MWH)	1367	1344	1296
Avg. Indust. Revs. per KWH (¢)	6.11	6.20	6.26
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw) F	1681	1716	1656
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.2	+1.4	+1.3
Fixed Charge Cov. (%)	296	259	202

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-3.0%	-3.5%	*-.5%*
"Cash Flow"	3.5%	5.0%	*2.5%*
Earnings	6.5%	7.0%	*1.0%*
Dividends	8.0%	4.0%	*4.0%*
Book Value	4.0%	4.5%	*2.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	436.5	314.5	297.1	397.8	1445.9
2018	409.4	319.3	296.0	372.2	1396.9
2019	396.5	300.8	283.8	364.5	1345.6
2020	390.2	278.6	272.6	*358.6*	*1300*
2021	*400*	*300*	*280*	*370*	*1350*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.96	.34	.07	.58	1.95
2018	.83	.39	.15	.70	2.07
2019	1.76	.38	.08	.76	2.97
2020	.72	.26	.07	*.80*	*1.85*
2021	*.80*	*.40*	*.10*	*.80*	*2.10*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.3575	.3575	.3575	.3575	1.43
2018	.3725	.3725	.3725	.3725	1.49
2019	.3875	.3875	.388	.3875	1.55
2020	.405	.405	.405	.405	1.62
2021					

BUSINESS: Avista Corporation (formerly The Washington Water Power Company) supplies electricity & gas in eastern Washington & northern Idaho. Supplies electricity to part of Alaska & gas to part of Oregon. Customers: 410,000 electric, 361,000 gas. Acq'd Alaska Electric Light and Power 7/14. Sold Ecova energy-management sub. 6/14. Electric rev. breakdown: residential, 39%; commercial, 33%; industrial, 11%; wholesale, 8%; other, 9%. Generating sources: gas & coal, 34%; hydro, 30%; purch., 36%. Fuel costs: 33% of revs. '19 reported depr. rate (Avista Utilities): 3.3%. Has 1,900 employees. Chairman: Scott L. Morris. Pres. & CEO: Dennis Vermillion. Inc.: WA. Address: 1411 E. Mission Ave., Spokane, WA 99202-2600. Tel.: 509-489-0500. Internet: www.avistacorp.com.

Avista filed a general rate case in Washington. The utility is seeking electric and gas rate increases of $44.2 million (8.3%) and $12.8 million (7.9%), respectively, based on a return on equity of 9.9% and a common-equity ratio of 50%. Avista is proposing to offset the effects of the base rate hike on customers by accelerating the pass-through of tax benefits, but any tariff increase would boost the company's earning power. An order is expected in time for new rates to take effect on October 1st. The utility plans to file for electric and gas hikes in Idaho in the current quarter, and an application in Alaska is under consideration. An order in Idaho is due seven months after the filing. Avista needs rate relief because its utilities, as a group, are underearning their allowed ROE considerably. Regulatory lag has been a problem in recent years.

The utility received a gas rate hike in Oregon. The commission approved a settlement calling for an increase of $4.4 million (6.3%), based on an ROE of 9.4% and a common-equity ratio of 50%. New tariffs took effect on January 15th. Another application is possible this year.

We expect higher earnings in 2021. Our 2020 estimate is at the midpoint of management's targeted range of $1.75-$1.95 a share, which was affected by an unfavorable regulatory order in the March quarter, some coronavirus-related costs, and losses from the company's nonutility activities. A $1.01-a-share merger-breakup fee that was paid to Avista in the first quarter of 2019 made the year-to-year comparison difficult. Avista should benefit from rate relief and a better economy. The company hasn't yet provided earnings guidance for 2021, but will do so when it reports earnings in February.

We think the board of directors will raise the dividend in February. This is the usual timing of a boost. We estimate an increase of $0.06 a share (3.7%). This is slightly below the hike of a year ago because the payout ratio is high. Avista's goal is a payout ratio of 65%-75% by 2023.

This equity is untimely, but has a dividend yield that is slightly above the utility average. Total return potential is above average for the next 18 months and the 2023-2025 period.

Paul E. Debbas, CFA *January 22, 2021*

(A) Diluted EPS. Excl. nonrec. gain (loss): '14, 9¢; '17, (16¢); gains on disc. ops.: '14, $1.17; '15, 8¢. '19 EPS don't sum due to rounding. Next earnings report due early Feb. (B) Div'ds paid in mid-Mar., June, Sept. & Dec. ■ Div'd reinvestment plan avail. (C) Incl. deferred chgs. In '19: $10.77/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate all'd on com. eq. in WA in '20: 9.4%; in ID in '17: 9.5%; in OR in '21: 9.4%; earned on avg. com. eq., '19: 10.6%. Regulatory Climate: WA, Below Average; ID, Above Average. (F) Winter peak in '17.

Company's Financial Strength	B++
Stock's Price Stability	70
Price Growth Persistence	60
Earnings Predictability	60

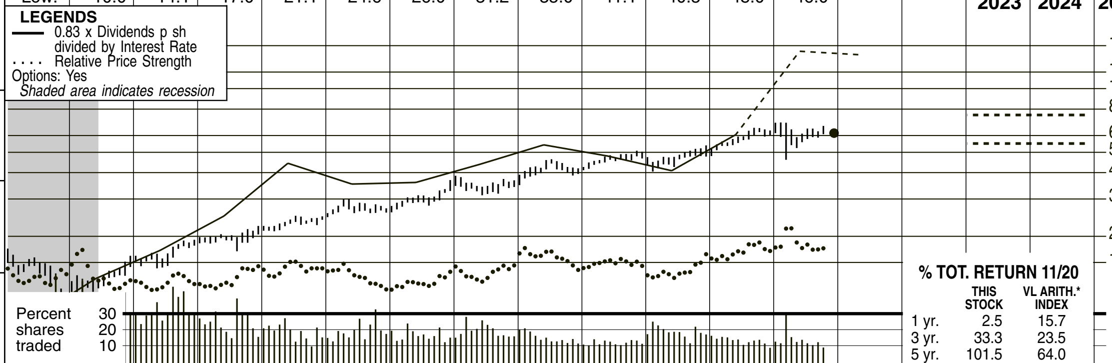
CMS ENERGY CORP. NYSE-CMS

RECENT PRICE 61.54 | P/E RATIO 22.2 (Trailing: 23.0 Median: 18.0) | RELATIVE P/E RATIO 1.06 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 2 Raised 11/13/20
SAFETY 2 Raised 3/21/14
TECHNICAL 2 Raised 12/4/20
BETA .80 (1.00 = Market)

High:	16.1	19.3	22.4	25.0	30.0	36.9	38.7	46.3	50.8	53.8	65.3	69.2
Low:	10.0	14.1	17.0	21.1	24.6	26.0	31.2	35.0	41.1	40.5	48.0	46.0

Target Price Range
2023 | 2024 | 2025



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$51-$105	$78 (25%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+20%)	8%
Low	55	(-10%)	1%

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	295	252	238
to Sell	247	301	291
Hld's(000)	264207	265297	267271

% TOT. RETURN 11/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	2.5	15.7
3 yr.	33.3	23.5
5 yr.	101.5	64.0

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
28.06	28.52	30.57	28.95	30.13	27.23	25.77	25.59	23.90	24.68	26.09	23.29	22.92	23.37	24.25	24.11	*22.80*	*23.45*	Revenues per sh	*25.25*
2.87	3.43	3.22	3.08	3.88	3.47	3.70	3.65	3.82	4.06	4.22	4.59	4.88	5.29	5.61	5.89	*6.30*	*6.65*	"Cash Flow" per sh	*8.00*
.74	1.10	.64	.64	1.23	.93	1.33	1.45	1.53	1.66	1.74	1.89	1.98	2.17	2.32	2.39	*2.65*	*2.85*	Earnings per sh A	*3.50*
- -	- -	- -	.20	.36	.50	.66	.84	.96	1.02	1.08	1.16	1.24	1.33	1.43	1.53	*1.63*	*1.74*	Div'd Decl'd per sh B ■	*2.15*
2.69	2.69	3.01	5.61	3.50	3.59	3.29	3.47	4.65	4.98	5.73	5.64	5.99	5.91	7.32	7.41	*8.20*	*9.85*	Cap'l Spending per sh	*8.75*
10.63	10.53	10.03	9.46	10.88	11.42	11.19	11.92	12.09	12.98	13.34	14.21	15.23	15.77	16.78	17.68	*19.40*	*20.85*	Book Value per sh C	*25.75*
195.00	220.50	222.78	225.15	226.41	227.89	249.60	254.10	264.10	266.10	275.20	277.16	279.21	281.65	283.37	283.86	*287.00*	*290.00*	Common Shs Outst'g D	*300.00*
12.4	12.6	22.2	26.8	10.9	13.6	12.5	13.6	15.1	16.3	17.3	18.3	20.9	21.3	20.3	24.3	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
.66	.67	1.20	1.42	.66	.91	.80	.85	.96	.92	.91	.92	1.10	1.07	1.10	1.30	*Value Line*		Relative P/E Ratio	*1.00*
- -	- -	- -	1.2%	2.7%	4.0%	4.0%	4.3%	4.2%	3.8%	3.6%	3.4%	3.0%	2.9%	3.0%	2.6%	*estimates*		Avg Ann'l Div'd Yield	*3.4%*

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
6432.0	6503.0	6312.0	6566.0	7179.0	6456.0	6399.0	6583.0	6873.0	6845.0	*6550*	*6800*	Revenues ($mill)	*7550*
356.0	384.0	413.0	454.0	479.0	525.0	553.0	610.0	659.0	682.0	*765*	*830*	Net Profit ($mill)	*1070*
38.1%	36.8%	39.4%	39.9%	34.3%	34.0%	33.1%	31.2%	14.9%	17.7%	*16.0%*	*16.0%*	Income Tax Rate	*16.0%*
2.2%	2.6%	2.9%	2.0%	2.3%	2.7%	3.1%	1.1%	1.4%	2.1%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*1.0%*
70.1%	66.9%	67.9%	67.5%	68.7%	68.3%	67.1%	67.3%	69.0%	70.4%	*69.5%*	*69.0%*	Long-Term Debt Ratio	*67.0%*
29.5%	32.6%	31.6%	32.2%	31.0%	31.4%	32.6%	32.4%	30.7%	29.4%	*30.0%*	*31.0%*	Common Equity Ratio	*32.5%*
9473.0	9279.0	10101	10730	11846	12534	13040	13692	15476	17082	*18400*	*19575*	Total Capital ($mill)	*23700*
10069	10633	11551	12246	13412	14705	15715	16761	18126	18926	*20225*	*21975*	Net Plant ($mill)	*26000*
5.8%	6.3%	5.9%	6.0%	5.7%	5.7%	5.8%	5.9%	5.6%	5.3%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
12.5%	12.5%	12.8%	13.0%	12.9%	13.2%	12.9%	13.6%	13.8%	13.5%	*13.5%*	*13.5%*	Return on Shr. Equity	*14.0%*
12.5%	12.6%	12.9%	13.1%	13.0%	13.3%	13.0%	13.7%	13.8%	13.6%	*13.5%*	*13.5%*	Return on Com Equity E	*14.0%*
6.9%	5.6%	5.0%	5.2%	5.0%	5.2%	4.8%	5.2%	5.3%	4.9%	*5.5%*	*5.5%*	Retained to Com Eq	*5.5%*
46%	55%	61%	60%	62%	61%	63%	62%	62%	64%	*61%*	*61%*	All Div'ds to Net Prof	*60%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $15135 mill. **Due in 5 Yrs** $4549 mill.
LT Debt $13336 mill. **LT Interest** $573 mill.
Incl. $61 mill. capitalized leases.
(LT interest earned: 2.9x)
Leases, Uncapitalized Annual rentals $11 mill.
Pension Assets-12/19 $2546 mill.
Oblig $2973 mill.
Pfd Stock $37 mill. **Pfd Div'd** $2 mill.
Incl. 373,148 shs. $4.50 $100 par, cum., callable at $110.00.
Common Stock 286,334,466 shs.
as of 10/8/20
MARKET CAP: $18 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-1.4	+2.2	-3,7
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	8.26	7.63	7.94
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	7634	8084	8039
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.2	+.3	+.9
Fixed Charge Cov. (%)	301	250	235

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-2.0%	-1.0%	*1.0%*
"Cash Flow"	5.0%	7.0%	*5.5%*
Earnings	9.5%	7.0%	*7.5%*
Dividends	15.0%	7.0%	*7.0%*
Book Value	4.5%	5.5%	*7.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1829	1449	1527	1778	6583.0
2018	1953	1492	1599	1829	6873.0
2019	2059	1445	1546	1795	6845.0
2020	1864	1443	1575	*1668*	*6550*
2021	*1950*	*1550*	*1600*	*1700*	*6800*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.71	.33	.61	.52	2.17
2018	.86	.49	.59	.38	2.32
2019	.75	.33	.73	.58	2.39
2020	.85	.48	.76	*.56*	*2.65*
2021	*.90*	*.55*	*.80*	*.60*	*2.85*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec. 31	Full Year
2016	.31	.31	.31	.31	1.24
2017	.3325	.3325	.3325	.3325	1.33
2018	.3575	.3575	.3575	.3575	1.43
2019	.3825	.3825	.3825	.3825	1.53
2020	.4075	.4075	.4075	.4075	

BUSINESS: CMS Energy Corporation is a holding company for Consumers Energy, which supplies electricity and gas to lower Michigan (excluding Detroit). Has 1.8 million electric, 1.8 million gas customers. Has 1,234 megawatts of nonregulated generating capacity. Owns EnerBank. Sold Palisades nuclear plant in '07. Electric revenue breakdown: residential, 45%; commercial, 34%; industrial, 15%; other, 6%. Generating sources: coal, 27%; gas, 18%; other, 3%; purchased, 52%. Fuel costs: 41% of revenues. '19 reported deprec. rates: 3.9% electric, 2.9% gas, 10.0% other. Has 8,100 full-time employees. Chairman: John G. Russell. President & CEO: Garrick Rochow. Inc.: MI. Address: One Energy Plaza, Jackson, MI 49201. Tel.: 517-788-0550. Internet: www.cmsenergy.com.

CMS Energy's utility subsidiary received a gas rate increase. The Michigan Public Service Commission (MPSC) approved a settlement granting Consumers Energy a rate hike of $144 million, based on a 9.9% return on equity and a 52% common-equity ratio. New tariffs took effect on October 1st. The settlement included a stay-out provision under which the utility will not file its next gas application before December 1, 2021. To compensate for this delay, the company will be able to amortize into income tax liabilities (estimated at $84.5 million) from October of 2020 through September of 2021.

Consumers Energy is awaiting an order on its electric rate case. The utility is seeking an increase of $230 million, based on a 10.5% ROE. The MPSC's staff proposed a $149 million hike, based on a 9.75% ROE. Consumers Energy expects to put forth its next general rate case in the first quarter of 2021. Frequent filings are necessary because the company has a large system that has a lot of old equipment that must be replaced.

The utility asked the MPSC to approve the issuance of securitized bonds. This would allow Consumers Energy to recover the undepreciated ownership of its Karn coal-fired plant, which the utility plans to close by 2023. The company estimates it would issue $703 million.

We raised our 2020 and 2021 share-earnings estimates by $0.05 and $0.10, respectively. Our revised estimates are within CMS Energy's targeted ranges of $2.64-$2.68 and $2.82-$2.86, respectively. The effects of strong residential kilowatt-hour sales have largely offset weakness in commercial and industrial volume. Management has controlled costs effectively, too. The profit growth we expect in 2021, helped by rate relief, is near the top end of CMS Energy's goal of 6%-8% annually.

A dividend increase is likely in the first quarter of 2021. We estimate a hike of $0.11 a share (6.7%) annually. The company's goal is 6%-8% yearly growth.

This timely stock's dividend yield is below the utility average. The stock price has fallen 2% this year, far less than most utility issues. Total return potential is appealing for the 18-month span but low for the 2023-2025 period.

Paul E. Debbas, CFA *December 11, 2020*

(A) Diluted EPS. Excl. nonrec. gains (losses): '05, ($1.61); '06, ($1.08); '07, ($1.26); '09, (7¢); '10, 3¢; '11, 12¢; '12, (14¢); '17, (53¢); gains (losses) on discont. ops.: '05, 7¢; '06, 3¢; '07, (40¢); '09, 8¢; '10, (8¢); '11, 1¢; '12, 3¢. Next earnings report due early Feb. (B) Div'ds historically paid late Feb., May, Aug., & Nov. ■ Div'd reinvestment plan avail. (C) Incl. intang. In '19: $8.77/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '18: 10% elec.; in '19: 9.9% gas; earned on avg. com. eq., '19: 13.9%. Regul. Clim.: Above Avg.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	85

DOMINION ENERGY NYSE-D

RECENT PRICE **81.66** | P/E RATIO **24.7** (Trailing: 20.2; Median: 21.0) | RELATIVE P/E RATIO **1.29** | DIV'D YLD **3.1%** | VALUE LINE

TIMELINESS 3 Lowered 11/13/20
SAFETY 2 Raised 9/11/98
TECHNICAL 3 Lowered 11/13/20
BETA .80 (1.00 = Market)

High:	39.8	45.1	53.6	55.6	68.0	80.9	79.9	79.0	85.3	81.7	83.9	90.9
Low:	27.1	36.1	42.1	48.9	51.9	63.1	64.5	66.3	70.9	61.5	67.4	57.8

Target Price Range 2023 | 2024 | 2025

18-Month Target Price Range

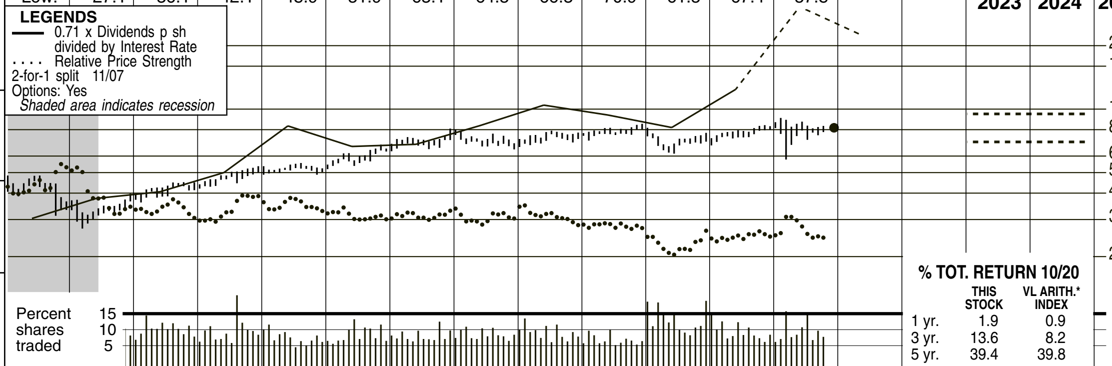
Low-High	Midpoint (% to Mid)
\$60-\$127	\$94 (15%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	95	(+15%)	7%
Low	70	(-15%)	Nil

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	739	626	643
to Sell	545	691	626
Hld's(000)	565133	560954	562803



% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	1.9	0.9
3 yr.	13.6	8.2
5 yr.	39.4	39.8

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
20.54	25.96	23.61	27.17	27.93	25.24	26.17	25.24	22.73	22.56	21.25	19.59	18.70	19.53	19.63	19.78	*18.20*	*17.20*	Revenues per sh	*18.00*
4.18	3.70	4.91	5.08	5.07	4.82	5.11	5.04	5.24	5.47	5.71	5.98	6.33	6.90	6.48	5.73	*6.85*	*7.35*	"Cash Flow" per sh	*8.25*
2.13	1.50	2.40	2.13	3.04	2.64	2.89	2.76	2.75	3.09	3.05	3.20	3.44	3.53	3.25	2.19	*3.10*	*3.70*	Earnings per sh A	*4.25*
1.30	1.34	1.38	1.46	1.58	1.75	1.83	1.97	2.11	2.25	2.40	2.59	2.80	3.04	3.34	3.67	*3.45*	*2.52*	Div'd Decl'd per sh B ■	*3.00*
3.88	4.83	5.81	6.89	6.09	6.40	5.89	6.41	7.20	7.06	9.13	9.35	9.69	8.54	6.25	5.94	*9.20*	*8.55*	Cap'l Spending per sh	*8.00*
16.79	14.96	18.50	16.31	17.28	18.66	20.66	20.09	18.34	20.02	19.74	21.24	23.26	26.59	29.53	35.33	*30.30*	*31.75*	Book Value per sh C	*37.75*
680.40	695.00	698.00	576.80	583.20	599.40	580.80	569.70	576.10	581.50	585.30	596.30	627.80	644.60	680.90	838.00	*815.00*	*819.00*	Common Shs Outst'g D	*862.00*
15.1	24.9	16.0	20.6	13.8	12.7	14.3	17.3	18.9	19.2	23.0	22.1	21.3	22.2	21.8	NMF	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
.80	1.33	.86	1.09	.83	.85	.91	1.09	1.20	1.08	1.21	1.11	1.12	1.12	1.18	NMF	*Value Line*		Relative P/E Ratio	*1.05*
4.0%	3.6%	3.6%	3.3%	3.8%	5.2%	4.4%	4.1%	4.1%	3.8%	3.4%	3.7%	3.8%	3.9%	4.7%	4.8%	*estimates*		Avg Ann'l Div'd Yield	*3.7%*
						15197	14379	13093	13120	12436	11683	11737	12586	13366	16572	*14850*	*14100*	Revenues (\$mill)	*15600*
						1724.0	1603.0	1594.0	1806.0	1793.0	1899.0	2123.0	2244.0	2130.0	1838.0	*2655*	*3115*	Net Profit (\$mill)	*3760*
						38.6%	34.6%	36.2%	33.0%	28.1%	32.0%	22.8%	27.2%	17.7%	21.8%	*21.0%*	*21.0%*	Income Tax Rate	*21.0%*
						5.9%	5.3%	5.7%	3.7%	4.5%	5.3%	7.5%	10.5%	6.3%	4.8%	*3.0%*	*3.0%*	AFUDC % to Net Profit	*2.0%*
						56.3%	59.8%	60.9%	61.9%	65.4%	65.1%	67.4%	64.4%	60.8%	51.4%	*53.5%*	*54.0%*	Long-Term Debt Ratio	*52.0%*
						42.8%	39.3%	38.2%	37.3%	34.6%	34.9%	32.6%	35.6%	39.2%	45.0%	*42.5%*	*42.5%*	Common Equity Ratio	*47.0%*
						28012	29097	27676	31229	33360	36280	44836	48090	51251	65818	*58175*	*61425*	Total Capital (\$mill)	*69100*
						26713	29670	30773	32628	36270	41554	49964	53758	54560	69082	*69975*	*74025*	Net Plant (\$mill)	*85300*
						7.7%	7.0%	7.5%	7.3%	6.6%	6.5%	6.0%	5.9%	5.5%	4.0%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
						14.1%	13.7%	14.7%	15.2%	15.5%	15.0%	14.5%	13.1%	10.6%	5.7%	*9.5%*	*10.5%*	Return on Shr. Equity	*11.0%*
						14.2%	13.9%	14.9%	15.4%	15.4%	15.0%	14.5%	13.1%	10.6%	6.2%	*10.5%*	*11.5%*	Return on Com Equity E	*11.5%*
						5.3%	4.0%	3.5%	4.2%	3.3%	2.9%	2.7%	1.8%	NMF	NMF	*NMF*	*4.0%*	Retained to Com Eq	*3.5%*
						63%	71%	77%	73%	79%	81%	81%	86%	103%	NMF	*NMF*	*70%*	All Div'ds to Net Prof	*70%*

CAPITAL STRUCTURE as of 6/30/20
Total Debt \$39724 mill. **Due in 5 Yrs** \$14892 mill.
LT Debt \$34615 mill. **LT Interest** \$1450 mill.
(LT interest earned: 2.8x)
Leases, Uncapitalized Annual rentals \$72 mill.

Pension Assets-12/19 \$9631 mill. **Oblig** \$10446 mill.
Pfd Stock \$2387 mill. **Pfd Divd** \$65 mill.
2 mill. shs. 1.75%, cum., convert. in 2022. 800,000 shs. 4.65%, cum., redeemable not before 12/15/24.
Common Stock 840,135,854 shs.
as of 7/17/20
MARKET CAP: \$69 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	NA	NA	NA
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA
Fixed Charge Cov. (%)	287	219	166

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-3.0%	-2.5%	-1.5%
"Cash Flow"	2.5%	3.0%	4.5%
Earnings	1.5%	- -	6.0%
Dividends	7.5%	8.0%	-2.0%
Book Value	6.0%	9.5%	3.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	3384	2813	3179	3210	12586
2018	3466	3088	3451	3361	13366
2019	3858	3970	4269	4475	16572
2020	4496	3585	*3369*	*3400*	*14850*
2021	*3600*	*3500*	*3500*	*3500*	*14100*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.01	.62	1.03	.87	3.53
2018	.77	.82	1.22	.44	3.25
2019	d.37	.13	1.23	1.22	2.19
2020	.35	1.25	*.70*	*.80*	*3.10*
2021	*.95*	*.85*	*.95*	*.95*	*3.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.70	.70	.70	.70	2.80
2017	.755	.755	.755	.77	3.04
2018	.835	.835	.835	.835	3.34
2019	.9175	.9175	.9175	.9175	3.67
2020	.94	.94	.94	.63	

BUSINESS: Dominion Energy, Inc. (formerly Dominion Resources) is a holding company for Virginia Power, North Carolina Power, & South Carolina E&G, which serve 3.4 mill. customers in VA, SC, & NC. Serves 3.4 mill. gas customers in OH, WV, UT, SC, & NC. Other ops. incl. independent power production. Acq'd Questar 9/16; SCANA 1/19. Elec. rev. breakdown: residential, 46%; commercial, 32%; industrial, 7%; other, 15%. Generating sources: gas, 41%; nuclear, 29%; coal, 8%; other, 5%; purchased, 17%. Fuel costs: 28% of revs. '19 reported deprec. rates: 2.4%-4.6%. Has 19,100 empls. Chairman, President & CEO: Thomas F. Farrell II. Inc.: VA. Address: 120 Tredegar St., P.O. Box 26532, Richmond, VA 23261-6532. Tel.: 804-819-2000. Internet: www.dominionenergy.com.

Dominion Energy has completed the sale of the majority of its midstream natural gas activities. Berkshire Hathaway paid \$2.7 billion and assumed \$5.3 billion of debt for Dominion Energy's assets, except for the pipeline assets that came with the purchase of Questar Energy in 2016. These have experienced a delay in regulatory approval, so Dominion Energy struck a separate deal with Berkshire Hathaway that would see the latter company pay \$1.3 billion and assume \$430 million of debt. This is expected to close in 2021. Dominion Energy was expected to report third-quarter results shortly after our report went to press, and was planning to report its midstream gas business as discontinued operations.

The company is using much of the cash to repurchase common stock. Dominion Energy expects to buy back at least \$3 billion by early 2021. As of September 30th, it had repurchased more than \$500 million and executed an accelerated buyback program that will conclude in early December.

The board of directors reduced the common dividend. Dominion Energy, when announcing its intention to exit most of its midstream gas operations, had signaled that the disbursement would be slashed, effective with the payment in December. The quarterly payout was lowered from \$0.94 a share to \$0.63, a reduction of 33%.

Our 2020 earnings estimate is below the company's targeted range of \$3.37-\$3.60 a share. Management is now guiding analyst toward the upper end of this range. However, we include certain items that Dominion Energy excludes from its guidance. We did exclude an aftertax charge of \$2.2 billion that the company took against June-quarter results due to the write-off of a proposed gas pipeline, which suffered from extensive delays and cost overruns stemming from litigation. We think earnings should be much improved in 2021, which ought to be a more-normal year for Dominion Energy.

We do not recommend this stock. Following the dividend reduction, the yield is below average for a utility. Total return potential doesn't stand out, either for the 18-month or 3- to 5-year period.

Paul E. Debbas, CFA *November 13, 2020*

(A) Dil. egs. Excl. nonrec. gains (losses): '07, \$1.67; '08, 12¢; '09, (47¢); '10, \$2.18; '11, (7¢); '12, (\$1.70); '14, (76¢); '17, \$1.19; '18, 43¢; '19, (58¢); '20, (\$3.16); losses from disc. ops.: '06, 26¢; '10, 26¢; '12, 4¢; '13, 16¢. '19 EPS don't sum due to chng. in shs. Next egs. report due early Feb. (B) Div'ds paid mid-Mar., June, Sept., & Dec. ■ Div'd reinv. plan avail. (C) Incl. intang. In '19: \$20.79/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost, adj. Rate all'd on com. eq. in '11: 10.9%; earned on avg. com. eq., '19: 6.7%. Regulatory Climate: Avg.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	45

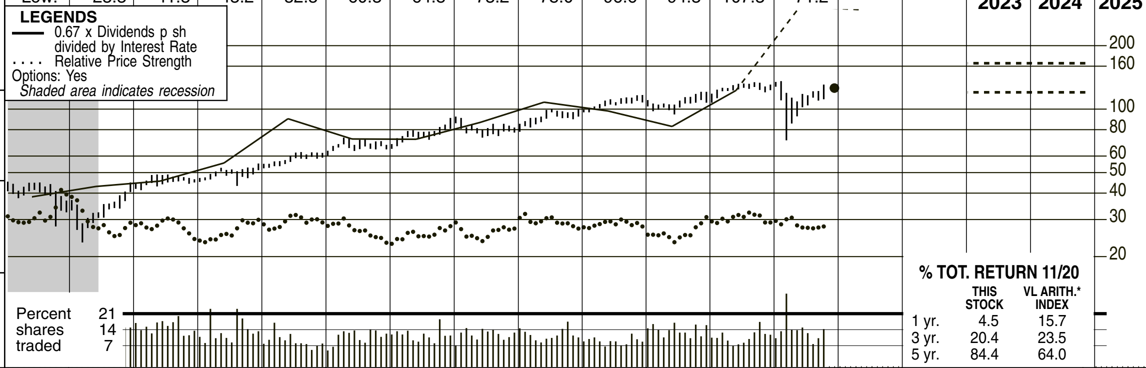
DTE ENERGY CO. NYSE-DTE

RECENT PRICE 125.81 | P/E RATIO 17.6 (Trailing: 17.8 Median: 17.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 2 Raised 11/6/20
SAFETY 2 Raised 12/21/12
TECHNICAL 3 Raised 11/27/20
BETA .95 (1.00 = Market)

High:	45.0	49.1	55.3	62.6	73.3	90.8	92.3	100.4	116.7	121.0	134.4	135.7
Low:	23.3	41.3	43.2	52.5	60.3	64.8	73.2	78.0	96.6	94.3	107.3	71.2

LEGENDS
— 0.67 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



Target Price Range
2023 | 2024 | 2025

18-Month Target Price Range
Low-High: $87-$201
Midpoint (% to Mid): $144 (15%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	165	(+30%)	*10%*
Low	120	(-5%)	*3%*

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	355	279	261
to Sell	245	345	318
Hld's(000)	140654	140354	141501

Percent shares traded: 21, 14, 7

% TOT. RETURN 11/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.5	15.7
3 yr.	20.4	23.5
5 yr.	84.4	64.0

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
40.84	50.74	50.93	54.28	57.23	48.45	50.51	52.57	51.01	54.56	69.50	57.60	59.24	70.28	78.12	65.91	***62.20***	***64.95***	Revenues per sh	***70.25***
6.81	8.14	8.19	8.48	8.26	9.38	9.78	9.57	9.77	10.13	11.85	9.44	10.60	11.77	12.58	12.97	***14.40***	***15.15***	"Cash Flow" per sh	***17.75***
2.55	3.27	2.45	2.66	2.73	3.24	3.74	3.67	3.88	3.76	5.10	4.44	4.83	5.73	6.17	6.31	***6.80***	***7.15***	Earnings per sh A	***8.50***
2.06	2.06	2.08	2.12	2.12	2.12	2.18	2.32	2.42	2.59	2.69	2.84	3.06	3.36	3.59	3.85	***4.12***	***4.41***	Div'd Decl'd per sh B ■	***5.20***
5.19	5.99	7.92	7.96	8.42	6.26	6.49	8.77	10.56	10.59	11.58	11.26	11.40	12.54	14.91	15.59	***19.95***	***18.55***	Cap'l Spending per sh	***13.50***
31.85	32.44	33.02	35.86	36.77	37.96	39.67	41.41	42.78	44.73	47.05	48.88	50.22	53.03	56.27	60.73	***63.65***	***66.70***	Book Value per sh C	***79.00***
174.21	177.81	177.14	163.23	163.02	165.40	169.43	169.25	172.35	177.09	176.99	179.47	179.43	179.39	181.93	192.21	***193.00***	***194.00***	Common Shs Outst'g D	***205.00***
16.0	13.8	17.4	18.3	14.8	10.4	12.3	13.5	14.9	17.9	14.9	18.1	19.0	18.6	17.4	19.9	*Bold figures are*		Avg Ann'l P/E Ratio	***16.5***
.85	.73	.94	.97	.89	.69	.78	.85	.95	1.01	.78	.91	1.00	.94	.94	1.06	*Value Line*		Relative P/E Ratio	***.90***
5.0%	4.6%	4.9%	4.4%	5.2%	6.3%	4.8%	4.7%	4.2%	3.8%	3.5%	3.5%	3.3%	3.2%	3.3%	3.1%	*estimates*		Avg Ann'l Div'd Yield	***3.7%***

CAPITAL STRUCTURE as of 9/30/20
Total Debt $19674 mill. **Due in 5 Yrs** $8261 mill.
LT Debt $18219 mill. **LT Interest** $694 mill.

(LT interest earned: 3.1x)

Leases, Uncapitalized Annual rentals $38 mill.

Pension Assets-12/19 $4993 mill. **Oblig** $5810 mill.

Pfd Stock None
Common Stock 193,559,593 shs.

MARKET CAP: $24 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
8557.0	8897.0	8791.0	9661.0	12301	10337	10630	12607	14212	12669	***12000***	***12600***	Revenues ($mill)	***14000***
630.0	624.0	666.0	661.0	905.0	796.0	868.0	1029.0	1120.0	1169.0	***1310***	***1380***	Net Profit ($mill)	***1755***
32.7%	35.9%	29.8%	27.5%	28.5%	25.6%	24.5%	21.8%	8.1%	11.5%	***10.0%***	***10.0%***	Income Tax Rate	***8.0%***
1.6%	1.6%	3.0%	3.5%	4.1%	4.3%	3.6%	3.5%	3.8%	3.3%	***3.0%***	***3.0%***	AFUDC % to Net Profit	***2.0%***
51.3%	50.6%	48.8%	47.7%	50.0%	50.2%	55.6%	56.2%	54.2%	57.7%	***60.5%***	***61.0%***	Long-Term Debt Ratio	***58.5%***
48.7%	49.4%	51.2%	52.3%	50.0%	49.8%	44.4%	43.8%	45.8%	42.3%	***39.5%***	***39.0%***	Common Equity Ratio	***41.5%***
13811	14196	14387	15135	16670	17607	20280	21697	22371	27607	***31250***	***33000***	Total Capital ($mill)	***39800***
12992	13746	14684	15800	16820	18034	19730	20721	21650	25317	***28300***	***30325***	Net Plant ($mill)	***33600***
6.3%	5.9%	6.1%	5.7%	6.6%	5.7%	5.3%	5.9%	6.1%	5.3%	***5.5%***	***5.5%***	Return on Total Cap'l	***5.5%***
9.4%	8.9%	9.0%	8.3%	10.9%	9.1%	9.6%	10.8%	10.9%	10.0%	***10.5%***	***10.5%***	Return on Shr. Equity	***11.0%***
9.4%	8.9%	9.0%	8.3%	10.9%	9.1%	9.6%	10.8%	10.9%	10.0%	***10.5%***	***10.5%***	Return on Com Equity E	***11.0%***
4.0%	3.4%	3.5%	2.7%	5.2%	3.4%	3.7%	4.6%	4.9%	4.1%	***4.0%***	***4.0%***	Retained to Com Eq	***4.0%***
57%	62%	61%	67%	52%	63%	61%	58%	55%	59%	***61%***	***62%***	All Div'ds to Net Prof	***61%***

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-3.1	+3.5	-3.9
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NMF	NMF	NMF
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA
Fixed Charge Cov. (%)	300	278	260

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	3.0%	4.0%	*-.5%*
"Cash Flow"	3.5%	3.5%	*6.0%*
Earnings	8.0%	7.5%	*6.0%*
Dividends	5.5%	7.0%	*6.5%*
Book Value	4.5%	5.0%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	3236	2855	3245	3271	12607
2018	3753	3159	3550	3750	14212
2019	3514	2888	3119	3148	12669
2020	3022	2583	3284	***3111***	***12000***
2021	***3300***	***2700***	***3350***	***3250***	***12600***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	2.23	.99	1.51	1.00	5.73
2018	2.00	1.29	1.84	1.05	6.17
2019	2.19	.99	1.73	1.40	6.31
2020	1.76	1.44	2.46	***1.14***	***6.80***
2021	***2.00***	***1.55***	***2.20***	***1.40***	***7.15***

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.825	.825	.825	.825	3.30
2018	.8825	.8825	.8825	.8825	3.53
2019	.945	.945	.945	.945	3.78
2020	1.0125	1.0125	1.0125	1.0125	
2021	1.085				

BUSINESS: DTE Energy Company is a holding company for DTE Electric (formerly Detroit Edison), which supplies electricity in Detroit and a 7,600-square-mile area in southeastern Michigan, and DTE Gas (formerly Michigan Consolidated Gas). Customers: 2.2 mill. electric, 1.3 mill. gas. Has various nonutility operations. Electric revenue breakdown: residential, 46%; commercial, 34%; industrial, 13%; other, 7%. Generating sources: coal, 67%; nuclear, 17%; gas, 1%; purchased, 15%. Fuel costs: 54% of revenues. '19 reported deprec. rates: 4.0% electric, 2.7% gas. Has 10,700 employees. Chairman: Gerard M. Anderson. President & CEO: Jerry Norcia. Inc.: MI. Address: One Energy Plaza, Detroit, MI 48226-1279. Tel.: 313-235-4000. Internet: www.dteenergy.com.

DTE Energy plans to spin off its midstream gas business into a separate company. Once management has come up with the details (including the ratio of how many new-company shares stockholders would receive for each DTE Energy share), the board of directors would have to approve the plan. This would be tax free for DTE Energy stockholders. After the spinoff, DTE Energy would derive a greater proportion of its income from its regulated electric and gas operations (90%, versus 70% today). DTE Energy would retain its Energy Trading division and its Power & Industrial Projects segment, which provides projects such as cogeneration to industrial customers. After the spinoff, DTE expects to raise the dividend 8%-10% from 2021 to 2022, versus 6% otherwise. The company expects the corporate separation will be completed in mid-2021. Based on the midpoints of DTE Energy's original 2020 guidance and its 2021 early outlook, the company states that its theoretical share net without midstream gas would be $5.13 in 2020 and $5.51 in 2021.

We raised our 2020 earnings estimate by $0.10 a share, to $6.80. DTE Electric benefited from favorable weather patterns in the third quarter. However, the company will use this income to give customers a $30 million revenue refund, which will result in a negative year-to-year earnings comparison in the fourth quarter. Even so, profits should wind up much higher for the full year. DTE Electric and DTE Gas received rate hikes. Cost cutting and better-than-expected residential kilowatt-hour sales have offset the effects of the recession on commercial and industrial volume. The nonutility businesses have performed well, too. A full year of rate relief should produce higher profits in 2021.

The board of directors raised the dividend, effective with the January payment. The annual increase was $0.29 a share (7.2%). DTE Energy stockholders would also receive dividends of the new midstream gas company after the spinoff.

This timely stock has a dividend yield that is average for a utility. The equity does not stand out for long-term total return potential, but this is based on DTE Energy's current configuration. The spinoff might well enhance shareholder value.

Paul E. Debbas, CFA *December 11, 2020*

(A) Diluted EPS. Excl. nonrec. gains (losses): '05, (2¢); '07, $1.96; '08, 50¢; '11, 51¢; '15, (39¢); '17, 59¢; gains (losses) on disc. ops.: '04, (6¢); '05, (20¢); '06, (2¢); '07, $1.20; '08, 13¢; '12, (33¢). '17-'18 EPS don't sum due to rounding. Next earnings report due early Feb. (B) Div'ds pd. mid-Jan., Apr., July & Oct. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '19: $47.33/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate all'd on com. eq. in '20: 9.9% elec.; in '20: 9.9% gas; earned on avg. com. eq., '19: 10.8%. Regulat. Climate: Above Avg.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	75
Earnings Predictability	85

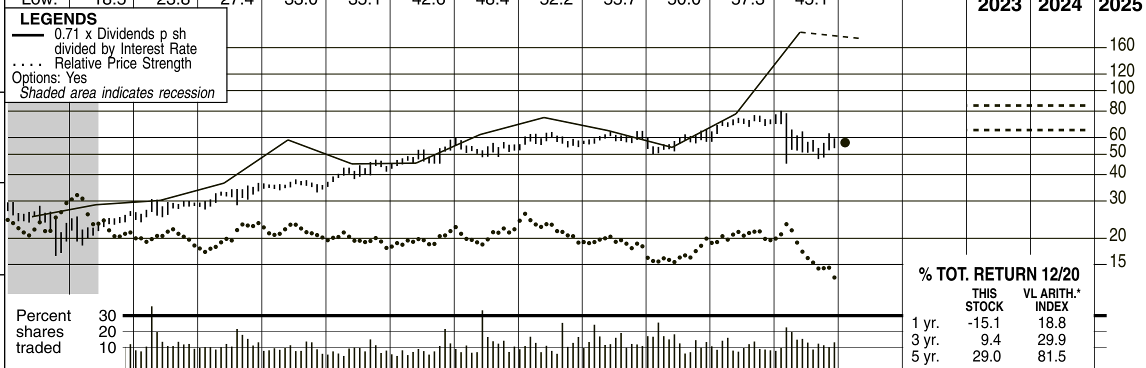
NORTHWESTERN NDQ-NWE

RECENT PRICE 56.72 | P/E RATIO 16.8 (Trailing: 17.8 / Median: 17.0) | RELATIVE P/E RATIO 0.77 | DIV'D YLD 4.4% | VALUE LINE

TIMELINESS 3 Raised 11/6/20
SAFETY 2 Raised 7/27/18
TECHNICAL 4 Lowered 1/15/21
BETA .95 (1.00 = Market)

High:	26.8	30.6	36.6	38.0	47.2	58.7	59.7	63.8	64.5	65.7	76.7	80.5
Low:	18.5	23.8	27.4	33.0	35.1	42.6	48.4	52.2	55.7	50.0	57.3	45.1

Target Price Range 2023 | 2024 | 2025



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
\$41-\$101	\$71 (25%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+50%)	14%
Low	65	(+15%)	8%

Institutional Decisions

	1Q2020	2Q2020	3Q2020
to Buy	127	143	134
to Sell	144	137	126
Hld's(000)	48390	48127	47772

% TOT. RETURN 12/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-15.1	18.8
3 yr.	9.4	29.9
5 yr.	29.0	81.5

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
29.18	32.57	31.49	30.79	35.09	31.72	30.66	30.80	28.76	29.80	25.68	25.21	26.01	26.45	23.81	24.93	*24.00*	*24.55*	Revenues per sh	*27.25*
3.20	4.00	3.62	3.70	4.40	4.62	4.76	5.42	5.18	5.45	5.39	5.92	6.74	6.76	6.96	7.07	*6.80*	*7.25*	"Cash Flow" per sh	*8.50*
d14.32	1.71	1.31	1.44	1.77	2.02	2.14	2.53	2.26	2.46	2.99	2.90	3.39	3.34	3.40	3.53	*3.15*	*3.50*	Earnings per sh A	*4.00*
--	1.00	1.24	1.28	1.32	1.34	1.36	1.44	1.48	1.52	1.60	1.92	2.00	2.10	2.20	2.30	2.40	*2.48*	Div'd Decl'd per sh B ■ †	*2.75*
2.25	2.26	2.81	3.00	3.47	5.26	6.30	5.20	5.89	5.95	5.76	5.89	5.96	5.60	5.64	6.26	*7.90*	*8.75*	Cap'l Spending per sh	*7.50*
19.92	20.60	20.65	21.12	21.25	21.86	22.64	23.68	25.09	26.60	31.50	33.22	34.68	36.44	38.60	40.42	*41.10*	*42.40*	Book Value per sh C	*45.75*
35.60	35.79	35.97	38.97	35.93	36.00	36.23	36.28	37.22	38.75	46.91	48.17	48.33	49.37	50.32	50.45	*50.60*	*51.50*	Common Shs Outst'g D	*53.00*
--	17.1	26.0	21.7	13.9	11.5	12.9	12.6	15.7	16.9	16.2	18.4	17.2	17.8	16.8	19.9	*18.9*		Avg Ann'l P/E Ratio	*18.5*
--	.91	1.40	1.15	.84	.77	.82	.79	1.00	.95	.85	.93	.90	.90	.91	1.06	*.95*		Relative P/E Ratio	*1.05*
--	3.4%	3.6%	4.1%	5.4%	5.7%	4.9%	4.5%	4.2%	3.7%	3.3%	3.6%	3.4%	3.5%	3.9%	3.3%	4.0%		Avg Ann'l Div'd Yield	*3.7%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt \$2307.0 mill. **Due in 5 Yrs** \$548.1 mill.
LT Debt \$2204.4 mill. **LT Interest** \$80.5 mill.
Incl. \$15.5 mill. capitalized leases.
(LT interest earned: 2.8x)

Pension Assets-12/19 \$609.0 mill. **Oblig** \$735.6 mill.

Pfd Stock None

Common Stock 50,581,973 shs. as of 10/16/20

MARKET CAP: \$2.9 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
1110.7	1117.3	1070.3	1154.5	1204.9	1214.3	1257.2	1305.7	1198.1	1257.9	*1215*	*1265*	Revenues (\$mill)	*1450*
77.4	92.6	83.7	94.0	120.7	138.4	164.2	162.7	171.1	179.3	*160*	*180*	Net Profit (\$mill)	*220*
25.0%	9.8%	9.6%	13.2%	--	13.7%	--	7.6%	7.6%	1.6%	*NMF*	*Nil*	Income Tax Rate	*10.0%*
14.2%	3.3%	9.4%	8.7%	8.9%	9.8%	4.3%	5.2%	3.4%	4.6%	*6.0%*	*6.0%*	AFUDC % to Net Profit	*4.0%*
57.2%	52.2%	53.8%	53.5%	53.4%	53.1%	52.0%	50.2%	52.2%	52.5%	*49.0%*	*51.5%*	Long-Term Debt Ratio	*48.0%*
42.8%	47.8%	46.2%	46.5%	46.6%	46.9%	48.0%	49.8%	47.8%	47.5%	*51.0%*	*48.5%*	Common Equity Ratio	*52.0%*
1916.4	1797.1	2020.7	2215.7	3168.0	3408.6	3493.9	3614.5	4064.6	4289.8	*4090*	*4490*	Total Capital (\$mill)	*4675*
2118.0	2213.3	2435.6	2690.1	3758.0	4059.5	4214.9	4358.3	4521.3	4700.9	*4915*	*5175*	Net Plant (\$mill)	*5800*
5.9%	7.0%	5.5%	5.5%	4.8%	5.2%	5.9%	5.6%	5.2%	5.2%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.5%*
9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	9.8%	9.0%	8.8%	8.8%	*8.0%*	*8.5%*	Return on Shr. Equity	*9.0%*
9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	9.8%	9.0%	8.8%	8.8%	*8.0%*	*8.5%*	Return on Com Equity E	*9.0%*
3.5%	4.7%	3.2%	3.5%	3.8%	3.0%	4.1%	3.4%	3.2%	3.1%	*2.0%*	*2.5%*	Retained to Com Eq	*3.0%*
63%	56%	65%	61%	54%	65%	58%	62%	64%	64%	*75%*	*70%*	All Div'ds to Net Prof	*66%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+3.8	+2.9	+4.6
Avg. Indust. Use (MWH)	30987	34573	37808
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	2133	2173	2237
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.3	+1.2	+1.2
Fixed Charge Cov. (%)	275	275	284

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-2.5%	-2.0%	*1.5%*
"Cash Flow"	5.0%	5.5%	*3.5%*
Earnings	7.0%	6.0%	*2.5%*
Dividends	5.5%	7.5%	*4.0%*
Book Value	6.0%	7.0%	*3.0%*

Cal-endar	QUARTERLY REVENUES (\$ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	367.3	283.9	309.9	344.6	1305.7
2018	341.5	261.8	279.9	314.9	1198.1
2019	384.2	270.7	274.8	328.2	1257.9
2020	335.3	269.4	280.6	*329.7*	*1215*
2021	*355*	*285*	*290*	*335*	*1265*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.17	.44	.75	.98	3.34
2018	1.18	.61	.56	1.06	3.40
2019	1.44	.49	.42	1.18	3.53
2020	1.00	.43	.58	*1.14*	*3.15*
2021	*1.15*	*.50*	*.65*	*1.20*	*3.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.525	.525	.525	.525	2.10
2018	.55	.55	.55	.55	2.20
2019	.575	.575	.575	.575	2.30
2020	.60	.60	.60	.60	2.40
2021					

BUSINESS: NorthWestern Corporation (doing business as NorthWestern Energy) supplies electricity & gas in the Upper Midwest and Northwest, serving 443,000 electric customers in Montana and South Dakota and 292,000 gas customers in Montana (85% of gross margin), South Dakota (14%), and Nebraska (1%). Electric revenue breakdown: residential, 39%; commercial, 47%; industrial, 4%; other, 10%. Generating sources: hydro, 34%; coal, 28%; wind, 5%; other, 3%; purchased, 30%. Fuel costs: 25% of revenues. '19 reported deprec. rate: 2.8%. Has 1,500 employees. Chairman: Stephen P. Adik. President & CEO: Robert C. Rowe. Inc.: Delaware. Address: 3010 West 69th Street, Sioux Falls, South Dakota 57108. Tel.: 605-978-2900. Internet: www.northwesternenergy.com.

NorthWestern's earnings almost certainly declined in 2020. Mild weather and unusual costs hurt the first-quarter comparison. Over the remainder of the year, the utility was affected by the slump in commercial and industrial kilowatt-hour sales resulting from the weak economy (partly offset by higher residential volume) and some coronavirus-related costs. NorthWestern stated that it planned to book a pretax charge of \$9.5 million against fourth-quarter results because the Montana commission disallowed some purchased-power costs. We are *including* this in our earnings presentation even though the company is excluding it from its targeted range of \$3.30-\$3.45 a share.

We expect earnings in 2021 to approach the 2019 tally. We figure NorthWestern will have a more-typical showing in the March quarter, lower coronavirus-related effects for the full-year, and no charge for the disallowance in the December period. Our profit estimate of \$3.50 a share is at the midpoint of the company's preliminary guidance of \$3.40-\$3.60.

NorthWestern is adding generating capacity. The company is building a 60-megawatt gas-fired plant in South Dakota that is scheduled to be on line in late 2021 at a cost of \$80 million. The utility plans to add another 30-40 mw of capacity in 2023 at an expected cost of \$60 million. NorthWestern canceled plans to purchase a stake in a coal-fired plant because obtaining regulatory approval appeared unlikely. The utility has a request for proposals pending in Montana, and expects to announce the winning bidder(s) in the current quarter.

We think the board of directors will raise the dividend in the current quarter. We estimate the annual disbursement will be hiked by \$0.08 a share (3.3%). This would be a slightly smaller increase than in recent years. Based on our estimates for earnings and dividends this year, the payout ratio would be at the upper end of NorthWestern's goal of 60%-70%.

The dividend yield of NorthWestern stock is somewhat above the utility average. Total return potential is attractive for the year ahead and respectable for the 3- to 5-year period.

Paul E. Debbas, CFA *January 22, 2021*

(A) Diluted EPS. Excl. gain (loss) on disc. ops.: '05, (6¢); '06, 1¢; nonrec. gains: '12, 39¢ net; '15, 27¢; '18, 52¢; '19, 45¢. '18 EPS don't sum due to rounding. Next earnings report due mid-Feb. (B) Div'ds historically paid in late Mar., June, Sept. & Dec. ■ Div'd reinvestment plan avail. (C) Incl. def'd charges. In '19: \$16.68/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in MT in '19 (elec.): 9.65%; in '17 (gas): 9.55%; in SD in '15: none spec.; in NE in '07: 10.4%; earned on avg. com. eq., '19: 9.0%. Reg. Climate: Below Avg.

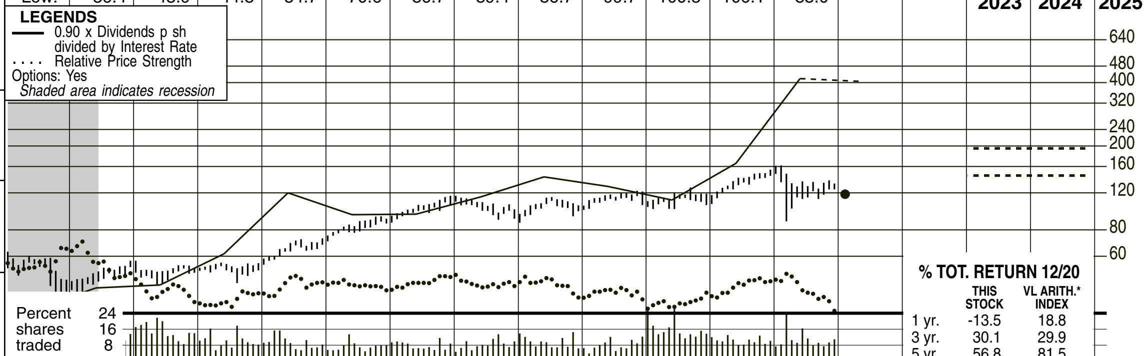
Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	85

SEMPRA ENERGY NYSE-SRE

RECENT PRICE 118.41 | P/E RATIO 16.9 (Trailing: 18.4; Median: 20.0) | RELATIVE P/E RATIO 0.78 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 3 Lowered 12/25/20
SAFETY 2 Raised 7/29/16
TECHNICAL 2 Raised 1/22/21
BETA 1.00 (1.00 = Market)

High:	57.2	57.2	56.0	72.9	93.0	116.3	116.2	114.7	123.0	127.2	154.5	161.9
Low:	36.4	43.9	44.8	54.7	70.6	86.7	89.4	86.7	99.7	100.5	106.1	88.0



Target Price Range
2023 | 2024 | 2025

18-Month Target Price Range
Low-High: $104-$239 | Midpoint (% to Mid): $172 (45%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	195	(+65%)	16%
Low	145	(+20%)	9%

Institutional Decisions

	1Q2020	2Q2020	3Q2020
to Buy	331	379	354
to Sell	425	328	345
Hld's(000)	245315	246941	242632

% TOT. RETURN 12/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-13.5	18.8
3 yr.	30.1	29.9
5 yr.	56.8	81.5

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
40.18	45.64	44.89	43.79	44.21	32.88	37.44	41.83	39.80	43.18	44.80	41.20	40.71	44.59	42.69	37.12	38.80	37.30	Revenues per sh	44.50
6.58	5.96	6.74	6.93	7.40	7.94	7.76	8.58	8.92	8.87	9.41	10.32	9.50	10.57	11.07	11.14	12.55	13.25	"Cash Flow" per sh	16.75
3.93	3.52	4.23	4.26	4.43	4.78	4.02	4.47	4.35	4.22	4.63	5.23	4.24	4.63	5.48	5.97	6.80	7.90	Earnings per sh A	10.00
1.00	1.16	1.20	1.24	1.37	1.56	1.56	1.92	2.40	2.52	2.64	2.80	3.02	3.29	3.58	3.87	4.18	4.50	Div'd Decl'd per sh B ■	5.60
4.62	5.46	7.28	7.70	8.47	7.76	8.58	11.85	12.20	10.52	12.68	12.71	16.85	15.71	13.82	12.71	18.70	16.50	Cap'l Spending per sh	13.00
20.78	23.95	28.66	31.87	32.75	36.54	37.54	41.00	42.42	45.03	45.98	47.56	51.77	50.41	54.35	60.58	72.35	77.10	Book Value per sh C	89.00
234.18	257.19	262.01	261.21	243.32	246.51	240.45	239.93	242.37	244.46	246.33	248.30	250.15	251.36	273.77	291.71	290.00	315.00	Common Shs Outst'g D	330.00
8.6	11.8	11.5	14.0	11.8	10.1	12.6	11.8	14.9	19.7	21.9	19.7	24.4	24.3	20.4	22.5	19.0		Avg Ann'l P/E Ratio	17.5
.45	.63	.62	.74	.71	.67	.80	.74	.95	1.11	1.15	.99	1.28	1.22	1.10	1.20	.95		Relative P/E Ratio	.95
2.9%	2.8%	2.5%	2.1%	2.6%	3.2%	3.1%	3.6%	3.7%	3.0%	2.6%	2.7%	2.9%	2.9%	3.2%	2.9%	3.2%		Avg Ann'l Div'd Yield	3.3%

CAPITAL STRUCTURE as of 9/30/20
Total Debt $25432 mill. **Due in 5 Yrs** $7753 mill.
LT Debt $21770 mill. **LT Interest** $838 mill.
Incl. $1275 mill. capitalized leases.
(LT interest earned: 3.3x)
Leases, Uncapitalized Annual rentals $75 mill.
Pension Assets-12/19 $2662 mill. **Oblig** $3768 mill.
Pfd Stock $3167 mill. **Pfd Div'd** $186 mill.
17.25 mill. shs. 6% mand. conv. pfd.; 5.75 mill. shs. 6.75% mand. conv. pfd.; 811,073 shs. 6% cum., $25 par.; 900,000 shs. 4.875% cum.
Common Stock 288,470,244 shs. **as of 11/2/20**
MARKET CAP: $34 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
9003.0	10036	9647.0	10557	11035	10231	10183	11207	11687	10829	11250	11750	Revenues ($mill)	14000
1008.0	1088.0	1079.0	1060.0	1162.0	1314.0	1065.0	1169.0	1607.0	1825.0	2270	2600	Net Profit ($mill)	3365
26.5%	25.3%	18.2%	26.5%	19.7%	19.2%	14.4%	24.5%	20.1%	17.9%	10.0%	10.0%	Income Tax Rate	10.0%
11.3%	15.2%	17.2%	11.2%	14.4%	15.3%	22.2%	21.9%	12.6%	10.0%	8.0%	7.0%	AFUDC % to Net Profit	6.0%
49.4%	50.4%	52.8%	50.5%	51.7%	52.6%	52.7%	56.4%	55.7%	51.0%	48.0%	48.5%	Long-Term Debt Ratio	49.5%
49.6%	49.2%	46.7%	49.4%	48.2%	47.3%	47.3%	43.5%	38.4%	43.4%	45.5%	49.5%	Common Equity Ratio	49.0%
18186	20015	22002	22281	23513	24963	27400	29135	38769	40734	46350	48825	Total Capital ($mill)	57200
19876	23572	25191	25460	25902	28039	32931	36503	36796	36452	40200	43625	Net Plant ($mill)	49900
6.8%	6.7%	6.1%	6.0%	6.1%	6.4%	5.0%	5.1%	5.1%	5.5%	6.0%	6.5%	Return on Total Cap'l	7.0%
10.9%	10.9%	10.4%	9.6%	10.2%	11.1%	8.2%	9.2%	9.4%	9.1%	9.0%	9.5%	Return on Shr. Equity	11.0%
11.1%	11.0%	10.4%	9.6%	10.3%	11.1%	8.2%	9.2%	10.0%	9.5%	9.5%	10.0%	Return on Com Equity E	11.0%
7.0%	6.5%	5.1%	4.1%	5.0%	5.8%	2.9%	3.3%	4.1%	3.9%	3.5%	4.5%	Retained to Com Eq	5.0%
37%	41%	52%	58%	52%	48%	65%	65%	62%	62%	65%	58%	All Div'ds to Net Prof	57%

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-.2	-3.2	-4.3
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+.8	+.9	+.8
Fixed Charge Cov. (%)	264	186	181

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	.5%	-.5%	1.0%
"Cash Flow"	4.0%	4.0%	7.5%
Earnings	2.0%	4.0%	11.0%
Dividends	10.0%	7.5%	7.5%
Book Value	5.0%	4.5%	8.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	3031	2533	2679	2964	11207
2018	2962	2564	2940	3221	11687
2019	2898	2230	2758	2943	10829
2020	3029	2526	2644	3051	11250
2021	3200	2550	2800	3200	11750

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.75	1.20	.22	1.46	4.63
2018	1.43	1.27	1.23	1.55	5.48
2019	1.78	.85	2.00	1.34	5.97
2020	2.30	1.58	1.21	1.71	6.80
2021	2.30	1.80	1.85	1.95	7.90

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.755	.8225	.8225	.8225	3.22
2018	.8225	.895	.895	.895	3.51
2019	.895	.9675	.9675	.9675	3.80
2020	.9675	1.045	1.045	1.045	4.10
2021	1.045				

BUSINESS: Sempra Energy is a holding co. for San Diego Gas & Electric Company, which sells electricity & gas mainly in San Diego County, & Southern California Gas Company, which distributes gas to most of Southern California. Owns 80% of Oncor (acq'd 3/18), which distributes electricity in Texas. Customers: 5.2 million electric, 6.9 million gas. Electric revenue breakdown not available. Purchases most of its power; the rest is gas. Has nonutility subsidiaries, incl. IEnova (67% owned) in Mexico. Sold commodities business in '10. Power costs: 25% of revenues. '19 reported deprec. rates: 2.5%-6.6%. Has 14,000 employees. Chairman, President & CEO: Jeffrey W. Martin. Inc.: CA. Address: 488 8th Ave., San Diego, CA 92101. Tel.: 619-696-2000. Internet: www.sempra.com.

Sempra has announced a transaction that would revamp its corporate structure. Sempra owns 70% of IEnova, a Mexican energy infrastructure company. Through a tender offer to IEnova shareholders, the company would issue stock (an estimated 13.6 million shares, valued at $1.6 billion) for the 30% it doesn't own. Then Sempra would combine this business with its own infrastructure operations to create Sempra Infrastructure Partners, focused on liquefied natural gas, pipelines, and renewables. Then, the company would sell a minority stake in Sempra Infrastructure Partners. Projects in operation include the Cameron LNG facility (see below), and several more projects are under development, including an LNG terminal in Mexico in which the company would take a $500 million equity stake. Sempra expects to complete the transaction in the current quarter. This should benefit the company's earning power, but we will not reflect the deal in our figures until it is completed.

Earnings will probably rise sharply in 2021. Note that our 2020 estimate is below Sempra's targeted range of $7.20-$7.80 a share because the company excludes some expenses we include and includes earnings (other than the gains on the sales) of its discontinued operations in South America. Sempra's utilities in California are benefiting from rate relief, and its utility in Texas is growing fast and has increased its capital budget. This is Cameron's first full year of operation, and this is expected to provide $400 million-$450 million of net profit. Our 2021 earnings estimate is within Sempra's targeted range of $7.50-$8.10 a share.

We expect the board of directors to raise the dividend, effective with the April payment. We estimate a boost of $0.32 a share (7.7%) in the annual payout.

San Diego Gas & Electric is trying to extend its franchise agreement with the city of San Diego. The agreement was extended for five months, but the possibility of losing the agreement is a source of uncertainty.

Sempra stock has an average dividend yield for a utility. The equity offers attractive total return potential for the 18-month and 3- to 5-year periods.

Paul E. Debbas, CFA *January 22, 2021*

(A) Diluted EPS. Excl. nonrec. gains (losses): '09, (26¢); '10, ($1.05); '11, $1.15; '12, (98¢); '13, (30¢); '15, 14¢; '16, $1.23; '17, (17¢); '18, ($2.06); '19, 16¢; gain (losses) from disc. ops.: '06, $1.21; '07, (10¢); '19, 95¢; '20, $6.32. Next earnings report due late Feb. (B) Div'ds paid mid-Jan., Apr., July, Oct. ■ Div'd reinvestment plan avail. (C) Incl. intang. In '19: $13.37/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate all'd on com. eq.: SDG&E in '20: 10.2%; SoCalGas in '20: 10.05%; earned on avg. com. eq., '19: 10.4%. Regulatory Climate: Average.

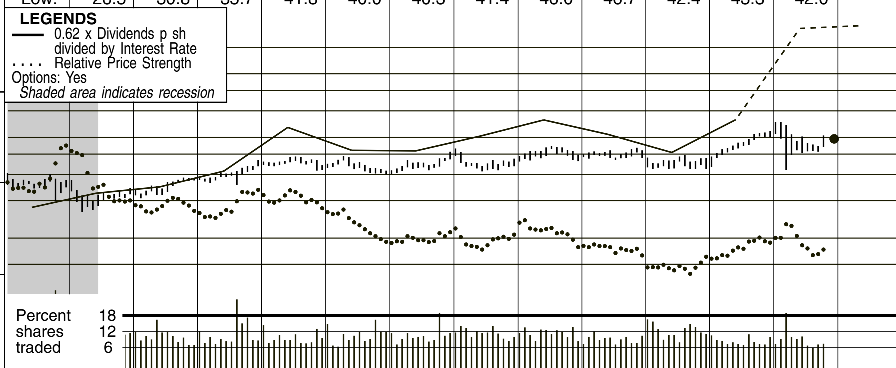
Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	75
Earnings Predictability	75

SOUTHERN COMPANY NYSE-SO

RECENT PRICE 59.01 | P/E RATIO 18.5 (Trailing: 19.3 Median: 16.0) | RELATIVE P/E RATIO 0.97 | DIV'D YLD 4.4% | VALUE LINE

TIMELINESS 3 Raised 3/2/18
SAFETY 2 Lowered 2/21/14
TECHNICAL 5 Lowered 11/13/20
BETA .90 (1.00 = Market)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High:	37.6	38.6	46.7	48.6	48.7	51.3	53.2	54.6	53.5	49.4	64.3	71.1
Low:	26.5	30.8	35.7	41.8	40.0	40.3	41.4	46.0	46.7	42.4	43.3	42.0



Target Price Range
2023 | 2024 | 2025
160
120
100
80
60
50
40
30
20
15

18-Month Target Price Range
Low-High: $42-$96 | Midpoint (% to Mid): $69 (15%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+25%)	10%
Low	55	(-5%)	3%

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	661	565	641
to Sell	564	730	586
Hld's(000)	633480	626906	610231

% TOT. RETURN 10/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-5.2	0.9
3 yr.	25.6	8.2
5 yr.	59.4	39.8

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
16.05	18.28	19.24	20.12	22.04	19.21	20.70	20.41	19.06	19.26	20.34	19.18	20.09	22.86	22.73	20.34	*19.15*	*19.90*	Revenues per sh	*22.50*
3.65	4.03	4.01	4.22	4.43	4.43	4.51	4.91	5.18	5.27	5.28	5.47	5.69	6.64	6.41	6.33	*6.90*	*7.15*	"Cash Flow" per sh	*8.00*
2.06	2.13	2.10	2.28	2.25	2.32	2.36	2.55	2.67	2.70	2.77	2.84	2.83	3.21	3.00	3.17	*3.15*	*3.25*	Earnings per sh A	*3.75*
1.42	1.48	1.54	1.60	1.66	1.73	1.80	1.87	1.94	2.01	2.08	2.15	2.22	2.30	2.38	2.46	*2.54*	*2.62*	Div'd Decl'd per sh B ■	*2.86*
2.85	3.20	4.01	4.65	5.10	5.70	4.85	5.23	5.54	6.16	6.58	6.22	7.38	7.37	7.74	7.17	*8.70*	*7.50*	Cap'l Spending per sh	*6.75*
13.86	14.42	15.24	16.23	17.08	18.15	19.21	20.32	21.09	21.43	21.98	22.59	25.00	23.98	23.92	26.11	*26.55*	*27.25*	Book Value per sh C	*30.75*
741.50	741.45	746.27	763.10	777.19	819.65	843.34	865.13	867.77	887.09	907.78	911.72	990.39	1007.6	1033.8	1053.3	*1056.0*	*1056.0*	Common Shs Outst'g D	*1085.0*
14.7	15.9	16.2	16.0	16.1	13.5	14.9	15.8	17.0	16.2	16.0	15.8	17.8	15.5	15.1	17.6	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.78	.85	.87	.85	.97	.90	.95	.99	1.08	.91	.84	.80	.93	.78	.82	.94	*Value Line*		Relative P/E Ratio	*.95*
4.7%	4.4%	4.5%	4.4%	4.6%	5.5%	5.1%	4.6%	4.3%	4.6%	4.7%	4.8%	4.4%	4.6%	5.3%	4.4%	*estimates*		Avg Ann'l Div'd Yield	*4.5%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $50130 mill. **Due in 5 Yrs** $11282 mill.
LT Debt $45581 mill. **LT Interest** $1706 mill.
(LT interest earned: 3.2x)
Leases, Uncapitalized Annual rentals $289 mill.
Pension Assets-12/19 $14057 mill. **Oblig** $14788 mill.
Pfd Stock $291 mill. **Pfd Div'd** $15 mill.
Incl. 10 mill. shs. 5.83% cum. pfd. ($25 stated value); 475,115 shs. 4.2%-5.44% cum. pfd. ($100 par).

Common Stock 1,056,241,993 shs.
MARKET CAP: $62 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
17456	17657	16537	17087	18467	17489	19896	23031	23495	21419	*20200*	*21000*	Revenues ($mill)	*24300*
2040.0	2268.0	2415.0	2439.0	2567.0	2647.0	2757.0	3269.0	3096.0	3354.0	*3355*	*3470*	Net Profit ($mill)	*4180*
33.5%	35.0%	35.6%	34.8%	33.8%	33.4%	28.5%	25.2%	21.3%	15.9%	*16.0%*	*16.0%*	Income Tax Rate	*16.0%*
13.7%	10.2%	9.4%	11.6%	13.9%	13.2%	11.9%	7.6%	6.8%	6.0%	*7.0%*	*6.0%*	AFUDC % to Net Profit	*5.0%*
51.2%	50.0%	49.9%	51.5%	49.5%	52.8%	61.5%	64.5%	62.0%	60.1%	*62.0%*	*62.5%*	Long-Term Debt Ratio	*61.0%*
45.7%	47.1%	47.3%	45.8%	47.3%	44.0%	35.7%	35.0%	37.6%	39.5%	*37.5%*	*37.0%*	Common Equity Ratio	*38.5%*
35438	37307	38653	41483	42142	46788	69359	68953	65750	69594	*74525*	*77550*	Total Capital ($mill)	*86000*
42002	45010	48390	51208	54868	61114	78446	79872	80797	83080	*88325*	*92125*	Net Plant ($mill)	*101300*
7.0%	7.2%	7.3%	6.8%	7.1%	6.6%	4.9%	5.9%	5.9%	6.0%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
11.8%	12.2%	12.5%	12.1%	12.1%	12.0%	10.3%	13.3%	12.4%	12.1%	*12.0%*	*12.0%*	Return on Shr. Equity	*12.5%*
12.2%	12.5%	12.8%	12.5%	12.5%	12.6%	11.0%	13.4%	12.5%	12.1%	*12.0%*	*12.0%*	Return on Com Equity E	*12.5%*
3.0%	3.4%	3.6%	3.2%	3.2%	3.1%	2.5%	3.9%	2.6%	2.8%	*2.5%*	*2.5%*	Retained to Com Eq	*3.0%*
77%	73%	73%	75%	75%	76%	78%	72%	79%	77%	*80%*	*80%*	All Div'ds to Net Prof	*75%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-2.6	+3.6	-8.5
Avg. Indust. Use (MWH)	3016	3048	2947
Avg. Indust. Revs. per KWH (¢)	6.18	6.04	6.03
Capacity at Yearend (Mw)	46936	45824	41940
Peak Load, Summer (Mw) F	34874	36429	34209
Annual Load Factor (%)	61.4	61.2	60.3
% Change Customers (yr-end)	+1.0	+1.0	-8.9
Fixed Charge Cov. (%)	318	280	281

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	.5%	2.5%	*.5%*
"Cash Flow"	4.0%	4.5%	*3.5%*
Earnings	3.0%	3.0%	*3.0%*
Dividends	3.5%	3.5%	*3.0%*
Book Value	3.5%	3.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES (mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	5771	5430	6201	5629	23031
2018	6372	5627	6159	5337	23495
2019	5412	5098	5995	4914	21419
2020	5018	4620	5620	*4942*	*20200*
2021	*5200*	*4800*	*5800*	*5200*	*21000*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.73	.73	1.08	.67	3.21
2018	.99	.71	1.13	.17	3.00
2019	.75	.85	1.25	.32	3.17
2020	.81	.75	1.18	*.41*	*3.15*
2021	*.85*	*.75*	*1.25*	*.40*	*3.25*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.5425	.56	.56	.56	2.22
2017	.56	.58	.58	.58	2.30
2018	.58	.60	.60	.60	2.38
2019	.60	.62	.62	.62	2.46
2020	.62	.64	.64		

BUSINESS: The Southern Company, through its subs., supplies electricity to 4.3 mill. customers in GA, AL, and MS. Also has a competitive generation business. Acq'd AGL Resources (renamed Southern Company Gas, 4.3 mill. customers in GA, NJ, IL, VA, & TN) 7/16. Sold Gulf Power 1/19. Electric rev. breakdown: residential, 37%; commercial, 30%; industrial, 19%; other, 14%. Retail revs. by state: GA, 56%; AL, 38%; MS, 6%. Generating sources: gas, 47%; coal, 20%; nuclear, 15%; other, 9%; purchased, 9%. Fuel costs: 34% of revs. '19 reported depr. rates (util.): 2.6%-3.7%. Has 27,900 empls. Chairman, Pres. and CEO: Thomas A. Fanning. Inc.: DE. Address: 30 Ivan Allen Jr. Blvd., N.W., Atlanta, GA 30308. Tel.: 404-506-0747. Internet: www.southerncompany.com.

The nuclear units that Southern Company's Georgia Power subsidiary is building might well be completed ahead of schedule. The utility is adding two units at the site of the Vogtle station. The project has had significant delays and cost overruns, and the company has written off some capital costs that are not recoverable in rates. There was some coronavirus-related disruption to construction earlier this year. The regulatory-approved schedule is for Unit 3 and Unit 4 to come on line in November of 2021 and November of 2022, respectively. It now appears as if there is a realistic chance of Unit 3 being completed in the third quarter of 2021, with Unit 4 completed in June of 2022. The expected capital cost of Georgia Power's 45.7% share of the project, $8.5 billion, is unchanged from the previous quarter, with $1.6 billion remaining as of September 30th. The utility is incurring an additional $3.0 billion of financing costs, with $500 million remaining.

We think earnings in 2020 will approximate the 2019 tally. Southern Company has cut costs effectively to offset the effect of the recession on kilowatt-hour sales, which management estimates will reduce revenues by $300 million this year. Unfavorable weather patterns, compared with a year earlier, hurt the year-to-year comparison by $0.21 a share in the first nine months. On the positive side, some of the company's utilities have received rate relief.

We estimate a modest profit increase in 2021. The economy should be in better shape. Georgia Power's rates will be raised $181 million in the second phase of a three-year rate plan. Atlanta Gas Light and Virginia Natural Gas have rate cases pending, and expect to get orders at the start of 2021 and in the second quarter next year (retroactive to November 1st), respectively. Atlanta Gas Light requested $37.6 million and Virginia Natural Gas filed for $49.6 million.

The dividend yield of Southern Company stock is above average for a utility. However, despite the improved prospects for the nuclear construction project, this is not without risk. Moreover, total return potential does not stand out for the 18-month or 3- to 5-year period.

Paul E. Debbas, CFA *November 13, 2020*

(A) Diluted EPS. Excl. nonrec. gain (losses): '09, (25¢); '13, (83¢); '14, (59¢); '15, (25¢); '16, (28¢); '17, ($2.37); '18, (78¢); '19, $1.30; '20, (17¢). Next earnings report due late Feb. (B) Div'ds paid in early Mar., June, Sept., and Dec. ■ Div'd reinvest. plan avail. (C) Incl. def'd charges. In '19: $17.64/sh. (D) In mill. (E) Rate base: AL, MS, fair value; FL, GA, orig. cost. Allowed return on common equity (blended): 12.5%; earned on avg. com. eq., '19: 13.0%. Regulatory Climate: GA, AL Above Average; MS, FL Average. (F) Winter peak in '18.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	35
Earnings Predictability	90

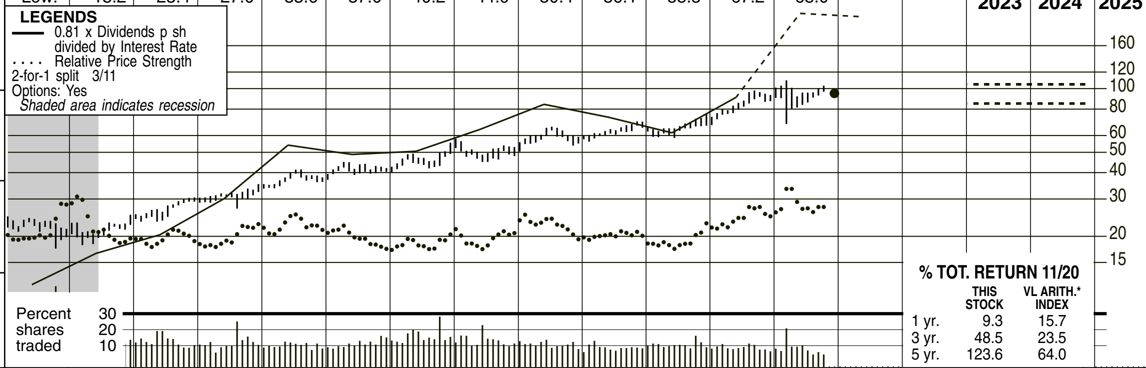
WEC ENERGY GROUP NYSE-WEC

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
94.95	24.6 (Trailing: 25.0) (Median: 18.0)	1.18	2.8%	

TIMELINESS 2 Raised 11/13/20
SAFETY 1 Raised 3/23/12
TECHNICAL 2 Raised 12/11/20
BETA .80 (1.00 = Market)

High:	25.3	30.5	35.4	41.5	45.0	55.4	58.0	66.1	70.1	75.5	98.2	109.5
Low:	18.2	23.4	27.0	33.6	37.0	40.2	44.9	50.4	56.1	58.5	67.2	68.0

Target Price Range 2023 | 2024 | 2025



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$74-$162	$118 (25%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	105	(+10%)	6%
Low	85	(-10%)	1%

Institutional Decisions

	4Q2019	1Q2020	2Q2020
to Buy	403	383	334
to Sell	361	426	453
Hld's(000)	246035	234743	231336

% TOT. RETURN 11/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.3	15.7
3 yr.	48.5	23.5
5 yr.	123.6	64.0

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
14.66	16.31	17.08	18.12	18.95	17.65	17.98	19.46	18.54	20.00	22.16	18.77	23.68	24.24	24.34	23.85	*22.85*	*23.80*	Revenues per sh	*27.00*
2.58	2.89	2.90	2.98	2.95	3.11	3.30	3.68	4.01	4.33	4.47	3.87	5.39	5.69	6.04	6.53	*6.85*	*7.35*	"Cash Flow" per sh	*9.00*
.93	1.28	1.32	1.42	1.52	1.60	1.92	2.18	2.35	2.51	2.59	2.34	2.96	3.14	3.34	3.58	*3.75*	*3.95*	Earnings per sh A	*4.75*
.42	.44	.46	.50	.54	.68	.80	1.04	1.20	1.45	1.56	1.74	1.98	2.08	2.21	2.36	*2.53*	*2.70*	Div'd Decl'd per sh B ■	*3.20*
2.85	3.40	4.17	5.28	4.86	3.50	3.41	3.60	3.09	3.04	3.26	4.01	4.51	6.21	6.71	7.17	*9.50*	*9.90*	Cap'l Spending per sh	*9.25*
10.65	11.46	12.35	13.25	14.27	15.26	16.26	17.20	18.05	18.73	19.60	27.42	28.29	29.98	31.02	32.06	*33.15*	*34.25*	Book Value per sh C	*38.00*
233.97	233.96	233.94	233.89	233.84	233.82	233.77	230.49	229.04	225.96	225.52	315.68	315.62	315.57	315.52	315.43	*315.43*	*315.43*	Common Shs Outst'g D	*315.43*
17.5	14.5	16.0	16.5	14.8	13.3	14.0	14.2	15.8	16.5	17.7	21.3	19.9	20.0	19.6	23.5	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
.92	.77	.86	.88	.89	.89	.89	.89	1.01	.93	.93	1.07	1.04	1.01	1.06	1.26	*Value Line*		Relative P/E Ratio	*1.10*
2.6%	2.4%	2.2%	2.1%	2.4%	3.2%	3.0%	3.3%	3.2%	3.5%	3.4%	3.5%	3.4%	3.3%	3.4%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*3.4%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $13020 mill. **Due in 5 Yrs** $5069.2 mill.
LT Debt $11653 mill. **LT Interest** $517.7 mill.
Incl. $12.1 mill. capitalized leases.
(LT interest earned: 3.8x)
Leases, Uncapitalized Annual rentals $6.8 mill.
Pension Assets-12/19 $3007.0 mill.
Oblig $3123.7 mill.
Pfd Stock $30.4 mill. **Pfd Div'd** $1.2 mill.
260,000 shs. 3.60%, $100 par, callable. $101; 44,498 shs. 6%, $100 par.
Common Stock 315,434,531 shs.

MARKET CAP: $30 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
4202.5	4486.4	4246.4	4519.0	4997.1	5926.1	7472.3	7648.5	7679.5	7523.1	*7200*	*7500*	Revenues ($mill)	*8500*
455.6	514.0	547.5	578.6	589.5	640.3	940.2	998.2	1060.5	1134.2	*1190*	*1260*	Net Profit ($mill)	*1500*
35.4%	33.9%	35.9%	36.9%	38.0%	40.4%	37.6%	37.2%	13.8%	9.9%	*16.5%*	*16.5%*	Income Tax Rate	*16.5%*
18.6%	16.8%	9.4%	4.5%	1.3%	4.5%	3.8%	1.6%	2.1%	1.8%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*2.0%*
50.6%	53.6%	51.7%	50.6%	48.5%	51.2%	50.5%	48.0%	50.4%	52.5%	*52.5%*	*54.5%*	Long-Term Debt Ratio	*53.0%*
49.0%	46.0%	48.0%	49.1%	51.2%	48.6%	49.3%	51.9%	49.4%	47.4%	*47.5%*	*45.5%*	Common Equity Ratio	*46.5%*
7764.5	8608.0	8619.3	8626.6	8636.5	17809	18118	18238	19813	21355	*22075*	*23775*	Total Capital ($mill)	*25700*
9601.5	10160	10572	10907	11258	19190	19916	21347	22001	23620	*25650*	*27700*	Net Plant ($mill)	*33200*
7.5%	7.5%	7.9%	8.1%	8.1%	4.5%	6.3%	6.6%	6.5%	6.5%	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
11.9%	12.9%	13.1%	13.6%	13.2%	7.4%	10.5%	10.5%	10.8%	11.2%	*11.5%*	*11.5%*	Return on Shr. Equity	*12.5%*
12.0%	12.9%	13.2%	13.6%	13.3%	7.4%	10.5%	10.5%	10.8%	11.2%	*11.5%*	*11.5%*	Return on Com Equity E	*12.5%*
7.0%	6.8%	6.5%	5.9%	5.3%	2.1%	3.5%	3.6%	3.7%	3.8%	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
41%	47%	51%	57%	60%	71%	67%	66%	66%	66%	*67%*	*68%*	All Div'ds to Net Prof	*67%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-3.0	+2.5	-2.5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Lg. C&I Revs. per KWH (¢)	7.13	7.05	7.25
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.7	+.7	+.6
Fixed Charge Cov. (%)	422	323	300

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	3.0%	3.5%	*2.0%*
"Cash Flow"	7.5%	7.5%	*6.5%*
Earnings	8.5%	6.0%	*6.0%*
Dividends	14.5%	9.5%	*6.5%*
Book Value	8.0%	10.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	2304	1631	1657	2055	7648.5
2018	2286	1672	1643	2076	7679.5
2019	2377	1590	1608	1947	7523.1
2020	2109	1549	1651	*1891*	*7200*
2021	*2250*	*1600*	*1700*	*1950*	*7500*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.12	.63	.68	.71	3.14
2018	1.23	.73	.74	.65	3.34
2019	1.33	.74	.74	.77	3.58
2020	1.43	.76	.84	*.72*	*3.75*
2021	*1.50*	*.80*	*.85*	*.80*	*3.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.495	.495	.495	.495	1.98
2017	.52	.52	.52	.52	2.08
2018	.5525	.5525	.5525	.5525	2.21
2019	.59	.59	.59	.59	2.36
2020	.6325	.6325	.6325	.6325	

BUSINESS: WEC Energy Group, Inc. (formerly Wisconsin Energy) is a holding company for utilities that provide electric, gas & steam service in WI & gas service in IL, MN, & MI. Customers: 1.6 mill. elec., 2.9 mill. gas. Acq'd Integrys Energy 6/15. Sold Point Beach nuclear plant in '07. Electric revenue breakdown: residential, 35%; small commercial & industrial, 32%; large commercial & industrial, 21%; other, 12%. Generating sources: coal, 36%; gas, 29%; renewables, 4%; purchased, 31%. Fuel costs: 36% of revenues. '19 reported deprec. rates: 2.3%-3.2%. Has 7,500 employees. Chairman: Gale E. Klappa. President & CEO: Kevin Fletcher. Inc.: WI. Address: 231 W. Michigan St., P.O. Box 1331, Milwaukee, WI 53201. Tel.: 414-221-2345. Internet: www.wecenergygroup.com.

WEC Energy Group is about to wrap up another solid year. The company has realized consistent earnings growth in recent years (with 2015 being an exception due to the effects of an acquisition), and this almost certainly happened again in 2020, despite the recession. Management has cut costs to offset the effects of declines in kilowatt-hour sales, and the company has received authorization to defer for future recovery most of its coronavirus-related expenses. Peoples Gas in Chicago benefits from a regulatory mechanism that enables it to recover the $280 million-$300 million it spends annually to replace gas mains. Increased investment in nonutility wind projects (see below) are also contributing to profit growth. Our 2020 earnings estimate is at the midpoint of WEC Energy's guidance of $3.74-$3.76 a share. A continuation of these factors and a better economy should produce profit growth in 2021 in line with with the company's annual target of 5%-7%.

A dividend announcement probably came shortly after our report went to press. This has been WEC's practice in recent years. We estimate an increase of $0.17 a share (6.7%) annually. The company's goals for the dividend are a growth rate of 5%-7% and a payout ratio of 65%-70%. The announcement isn't official until the declaration from the board of directors.

A nonutility subsidiary is expanding its investment in wind energy. Three projects will be for 428 megawatts of capacity at a cost of $618 million. Three others (705 mw at a cost of $1 billion) are under construction. WEC Energy expects to spend $2.2 billion on this business from 2021 through 2025. This should provide higher returns on investment than the regulated utilities earn.

North Shore Gas filed a rate case. The utility asked the Illinois regulators for a $7.6 million (8.5%) hike, based on a 10% return on equity and a 52.5% common-equity ratio. New tariffs are expected to take effect in September.

This top-quality stock is timely, but has a high valuation. The price has risen 3% in what has been a bad year for most utility issues. The dividend yield is well below average for a utility, and 3- to 5-year total return potential is low.

Paul E. Debbas, CFA *December 11, 2020*

(A) Diluted EPS. Excl. gains on discont. ops.: '04, 77¢; '11, 6¢; nonrecurring gain: '17, 65¢. '18 EPS don't sum due to rounding. Next earnings report due early Feb. (B) Div'ds paid in early Mar., June, Sept. & Dec. ■ Div'd reinv. plan avail. (C) Incl. intang. In '19: $20.80/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rates all'd on com. eq. in WI in '15: 10.0%-10.3%; in IL in '15: 9.05%; in MN in '19: 9.7%; in MI in '16: 9.9%; earned on avg. com. eq., '19: 11.4%. Regulatory Climate: WI, Above Avg.; IL, Below Avg.; MN & MI, Avg.

Company's Financial Strength	A+
Stock's Price Stability	85
Price Growth Persistence	70
Earnings Predictability	95

Attachment LDC-11
Cause No. 45447
Page 10 of 10

XCEL ENERGY NDQ-XEL

RECENT PRICE **64.40** | P/E RATIO **22.2** (Trailing: 23.0, Median: 16.0) | RELATIVE P/E RATIO **1.02** | DIV'D YLD **2.8%** | VALUE LINE

TIMELINESS 1 Raised 12/4/20
SAFETY 1 Raised 5/1/15
TECHNICAL 2 Lowered 1/15/21
BETA .80 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$51-$106	$79 (20%)

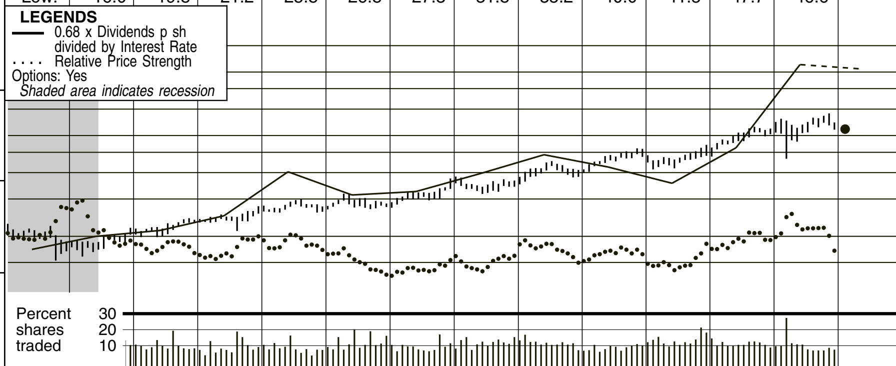
2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+10%)	*5%*
Low	55	(-15%)	*Nil*

Institutional Decisions

	1Q2020	2Q2020	3Q2020
to Buy	365	343	356
to Sell	378	366	362
Hld's(000)	407479	412864	407854

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High:	21.9	24.4	27.8	29.9	31.8	37.6	38.3	45.4	52.2	54.1	66.1	76.4
Low:	16.0	19.8	21.2	25.8	26.8	27.3	31.8	35.2	40.0	41.5	47.7	46.6



% TOT. RETURN 12/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.8	18.8
3 yr.	51.1	29.9
5 yr.	115.7	81.5

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
20.84	23.86	24.16	23.40	24.69	21.08	21.38	21.90	20.76	21.92	23.11	21.72	21.90	22.46	22.44	21.98	*21.15*	*22.15*	Revenues per sh	*24.25*
3.27	3.28	3.61	3.45	3.50	3.48	3.51	3.79	4.00	4.10	4.28	4.56	5.04	5.47	5.92	6.25	*6.60*	*7.20*	"Cash Flow" per sh	*9.00*
1.27	1.20	1.35	1.35	1.46	1.49	1.56	1.72	1.85	1.91	2.03	2.10	2.21	2.30	2.47	2.64	*2.80*	*2.95*	Earnings per sh A	*3.50*
.81	.85	.88	.91	.94	.97	1.00	1.03	1.07	1.11	1.20	1.28	1.36	1.44	1.52	1.62	1.72	*1.82*	Div'd Decl'd per sh B ■	*2.15*
3.19	3.25	4.00	4.89	4.66	3.91	4.60	4.53	5.27	6.82	6.33	7.26	6.42	6.54	7.70	8.05	*6.70*	*7.70*	Cap'l Spending per sh	*8.25*
12.99	13.37	14.28	14.70	15.35	15.92	16.76	17.44	18.19	19.21	20.20	20.89	21.73	22.56	23.78	25.24	*27.25*	*28.55*	Book Value per sh C	*33.25*
400.46	403.39	407.30	428.78	453.79	457.51	482.33	486.49	487.96	497.97	505.73	507.54	507.22	507.76	514.04	524.54	*539.00*	*542.00*	Common Shs Outst'g D	*555.00*
13.6	15.4	14.8	16.7	13.7	12.7	14.1	14.2	14.8	15.0	15.4	16.5	18.5	20.2	18.9	22.3	*23.8*		Avg Ann'l P/E Ratio	*18.0*
.72	.82	.80	.89	.82	.85	.90	.89	.94	.84	.81	.83	.97	1.02	1.02	1.19	*1.20*		Relative P/E Ratio	*1.00*
4.7%	4.6%	4.4%	4.0%	4.7%	5.1%	4.5%	4.2%	3.9%	3.9%	3.8%	3.7%	3.3%	3.1%	3.3%	2.7%	2.6%		Avg Ann'l Div'd Yield	*3.4%*

CAPITAL STRUCTURE as of 9/30/20
Total Debt $20861 mill. **Due in 5 Yrs** $3725 mill.
LT Debt $19960 mill. **LT Interest** $800 mill.
Incl. $77 mill. capitalized leases.
(LT interest earned: 2.8x)

Leases, Uncapitalized Annual rentals $262 mill.
Pension Assets-12/19 $3184 mill. **Oblig** $3701 mill.

Pfd Stock None

Common Stock 525,457,773 shs. **as of 10/19/20**
MARKET CAP: $34 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
10311	10655	10128	10915	11686	11024	11107	11404	11537	11529	*11400*	*12000*	Revenues ($mill)	*13500*
727.0	841.4	905.2	948.2	1021.3	1063.6	1123.4	1171.0	1261.0	1372.0	*1480*	*1600*	Net Profit ($mill)	*1960*
37.5%	35.8%	33.2%	33.8%	33.9%	35.8%	34.1%	30.7%	12.6%	8.5%	*Nil*	*NMF*	Income Tax Rate	*NMF*
11.7%	9.4%	10.8%	13.4%	12.5%	7.7%	7.8%	9.4%	12.4%	8.3%	*11.0%*	*7.0%*	AFUDC % to Net Profit	*7.0%*
53.1%	51.1%	53.3%	53.3%	53.0%	54.1%	56.3%	55.9%	56.4%	56.8%	*57.0%*	*56.0%*	Long-Term Debt Ratio	*55.5%*
46.3%	48.9%	46.7%	46.7%	47.0%	45.9%	43.7%	44.1%	43.6%	43.2%	*43.0%*	*44.0%*	Common Equity Ratio	*44.5%*
17452	17331	19018	20477	21714	23092	25216	25975	28025	30646	*34350*	*35325*	Total Capital ($mill)	*41500*
20663	22353	23809	26122	28757	31206	32842	34329	36944	39483	*41000*	*42875*	Net Plant ($mill)	*48400*
5.7%	6.5%	6.1%	6.0%	6.0%	5.8%	5.7%	5.8%	5.7%	5.6%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
8.9%	9.9%	10.2%	9.9%	10.0%	10.0%	10.2%	10.2%	10.3%	10.4%	*10.0%*	*10.5%*	Return on Shr. Equity	*10.5%*
8.9%	9.9%	10.2%	9.9%	10.0%	10.0%	10.2%	10.2%	10.3%	10.4%	*10.0%*	*10.5%*	Return on Com Equity E	*10.5%*
3.6%	4.3%	4.7%	4.5%	4.5%	4.3%	4.0%	3.9%	4.3%	4.4%	*4.0%*	*4.0%*	Retained to Com Eq	*4.0%*
59%	56%	54%	54%	55%	57%	61%	62%	58%	58%	*62%*	*61%*	All Div'ds to Net Prof	*61%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-.7	+3.2	-1.2
Large C & I Use (MWH)	22642	23004	NA
Large C & I Revs. per KWH (¢)	6.36	5.91	5.96
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	19591	20293	20146
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.9	+1.1	+1.0
Fixed Charge Cov. (%)	330	281	272

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-.5%	.5%	*1.5%*
"Cash Flow"	5.5%	7.5%	*7.5%*
Earnings	5.5%	5.0%	*6.0%*
Dividends	5.0%	6.5%	*6.0%*
Book Value	4.5%	4.5%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	2946	2645	3017	2796	11404
2018	2951	2658	3048	2880	11537
2019	3141	2577	3013	2798	11529
2020	2811	2586	3182	*2821*	*11400*
2021	*3100*	*2700*	*3150*	*3050*	*12000*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.47	.45	.97	.42	2.30
2018	.57	.52	.96	.42	2.47
2019	.61	.46	1.01	.56	2.64
2020	.56	.54	1.14	*.56*	*2.80*
2021	*.65*	*.55*	*1.15*	*.60*	*2.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.34	.36	.36	.36	1.42
2018	.36	.38	.38	.38	1.50
2019	.38	.405	.405	.405	1.60
2020	.405	.43	.43	.43	1.70
2021					

BUSINESS: Xcel Energy Inc. is the parent of Northern States Power, which supplies electricity to Minnesota, Wisconsin, North Dakota, South Dakota & Michigan & gas to Minnesota, Wisconsin, North Dakota & Michigan; P.S. of Colorado, which supplies electricity & gas to Colorado; & Southwestern Public Service, which supplies electricity to Texas & New Mexico. Customers: 3.7 mill. elec., 2.1 mill. gas. Elec. rev. breakdown: res'l, 31%; sm. comm'l & ind'l, 36%; lg. comm'l & ind'l, 18%; other, 15%. Generating sources not avail. Fuel costs: 39% of revs. '19 reported depr. rate: 3.3%. Has 11,300 empls. Chairman & CEO: Ben Fowke. President & COO: Bob Frenzel. Inc.: MN. Address: 414 Nicollet Mall, Minneapolis, MN 55401. Tel.: 612-330-5500. Internet: www.xcelenergy.com.

Xcel Energy's Northern States Power facility will not have a general rate case in Minnesota in 2021. NSP had filed a request for a multiyear rate hike over three years, but included an alternative proposal for a continuation of mechanisms that benefited the utility's earning power in 2020 by adjusting revenues for fluctuations in sales, earning a return on certain capital expenditures, and recouping higher property taxes. The commission adopted the alternative proposal, just as it did a year earlier. NSP did file a traditional rate case in North Dakota. The utility asked for a hike of $22 million (10.8%), based on a return on equity of 10.2% and a common-equity ratio of 52.5%. An interim increase of $16 million this month, and a final order is expected in the third quarter.

The Minnesota commission approved a proposal to repower some wind projects. This will add 650 megawatts of capacity at a cost of $750 million. NSP plans to ask the regulators to approve the addition of 460 mw of solar capacity at a projected cost of $650 million. The spending will occur from 2021 through 2024.

A rate filing is pending in New Mexico and upcoming in Texas. Southwestern Public Service filed for an $88 million increase in New Mexico, based on a 10.35% ROE and a 54.7% common-equity ratio. We were expecting an application in Texas as this report went to press. The utility wants to place a wind project in the rate base. Orders on the cases are expected later in 2021, but won't likely have much effect on Xcel's earning power until next year.

Earnings probably rose strongly in 2020, and we expect another solid increase this year. Xcel's utilities are benefiting from rate relief. Effective cost control is helping, too. We have raised our 2020 and 2021 share-earnings estimates $0.05 each year. These are within the company's guidance of $2.75-$2.81 and $2.90-$3.00 for 2020 and 2021, respectively.

This timely and high-quality equity has a low dividend yield for a utility. This is about a percentage point below the industry mean. Total return potential is attractive for the 18-month span, but low for the 2023-2025 period.

Paul E. Debbas, CFA *January 22, 2021*

(A) Diluted EPS. Excl. nonrecurring gain (losses): '10, 5¢; '15, (16¢); '17, (5¢); gains (losses) on discontinued ops.: '04, (30¢); '05, 3¢; '06, 1¢; '09, (1¢); '10, 1¢. '17 EPS don't sum due to rounding. Next earnings report due late Jan. (B) Div'ds historically paid mid-Jan., Apr., July, and Oct. ■ Div'd reinvestment plan available. (C) Incl. intangibles. In '19: $5.60/sh. (D) In mill. (E) Rate base: Varies. Rate allowed on com. eq. (blended): 9.6%; earned on avg. com. eq., '19: 10.8%. Regulatory Climate: Average.

Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	100

Congressional Budget Office

JULY 2020

An Update to the Economic Outlook: 2020 to 2030

This report presents the baseline economic forecast that the Congressional Budget Office is using as the basis for updating its budget projections for 2020 to 2030. The agency currently plans to release those budget projections later this summer.

This economic forecast provides CBO's first complete set of economic projections through 2030 since January and incorporates information available as of June 26.[1] The baseline forecast is being published now, rather than later with the budget projections, to provide the Congress with CBO's current assessment of the economic outlook in a rapidly evolving environment. This economic forecast updates the interim forecast that CBO published in May, which focused on 2020 and 2021.[2] It is similar to the May forecast for those two years, except that the projection of growth in the second half of 2020 has been revised downward.

The 2020 coronavirus pandemic has brought about widespread economic disruption. To mitigate the contagion, governments, businesses, and households in the United States and around the world have taken measures to limit in-person interactions. Collectively referred to as social distancing, those measures include reducing social activities and travel, curtailing the activity of schools and business, and working from home. In the first quarter of 2020, the pandemic and associated social distancing ended the longest economic expansion and triggered the deepest downturn in output and employment since World War II.

CBO projects that if current laws governing federal taxes and spending generally remain in place, the economy will grow rapidly during the third quarter of this year.

- Real (inflation-adjusted) gross domestic product (GDP) is expected to grow at a 12.4 percent annual rate in the second half of 2020 and to recover to its prepandemic level by the middle of 2022.

- The unemployment rate is projected to peak at over 14 percent in the third quarter of this year and then to fall quickly as output increases in the second half of 2020 and throughout 2021.

Following that initial rapid recovery, the economy continues to expand in CBO's projections, but it does so at a more moderate rate that is similar to the pace of expansion over the past decade:

- By 2028, real GDP reaches its long-run level relative to potential GDP (the maximum sustainable output of the economy) and grows at the same rate as potential GDP thereafter.

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2020 to 2030* (January 2020), www.cbo.gov/publication/56020.

2. See Congressional Budget Office, *Interim Economic Projections for 2020 and 2021* (May 2020), www.cbo.gov/publication/56351.

Notes: Unless this report indicates otherwise, all years referred to are calendar years. Numbers in the text and tables may not add up to totals because of rounding. Supplemental data are posted on the Congressional Budget Office's website (www.cbo.gov/publication/56442). On July 22, CBO will post additional supplemental material that discusses details of this forecast, including the components of the projected growth of gross domestic product (GDP), key inputs in CBO's projections of potential GDP, and comparisons with previous projections and with those of other forecasters. Later this summer, the agency will produce a report examining the effects that federal policies adopted in response to the pandemic and recession are expected to have on economic outcomes.

- The unemployment rate remains above its prepandemic level through the end of the projection period.

- Interest rates on federal borrowing throughout the decade remain well below the average rates in recent decades (see Table 1).

CBO's projections reflect an average of possible outcomes. For example, the pace projected for the initial rapid recovery could continue until GDP returned to its potential, or the economy could grow much more slowly. The projections are subject to an unusually high degree of uncertainty, which stems from many sources, including incomplete knowledge about how the pandemic will unfold, how effective monetary and fiscal policy will be, and how global financial markets will respond to the substantial increases in public deficits and debt.

The Economic Outlook for 2020 to 2024

One major driver of CBO's forecast of the economy for the next several years is the agency's projections about how the pandemic and social distancing will unfold. CBO projects that the degree of social distancing will decline by about two-thirds from its April 2020 peak during the second half of this year, leading to an increase in social activities and commerce. That projection is in the middle of the distribution of possible outcomes, in CBO's assessment. It allows for regional and seasonal variation, and it accounts for the possibility of multiple waves of increased transmission of the virus and retightening of social distancing measures, as well as other steps people might take to protect their health while engaging in economic activity.

Another major factor underlying the economic forecast is the agency's projections of the economic effects of the four laws enacted in March and April to address the public health emergency and to directly assist affected households, businesses, and state and local governments. Those laws—which together are projected to increase the federal deficit by $2.2 trillion in fiscal year 2020 and by $0.6 trillion in 2021—will, in CBO's assessment, partially mitigate the deterioration in economic conditions and help spur the recovery.

From the third quarter of 2020 through the third quarter of 2021, the degree of social distancing is projected to gradually diminish to zero (even though social distancing may increase at times in some areas), and the effects of fiscal and monetary policy actions are expected to take hold. Real GDP and employment are projected to rebound quickly in response. In CBO's projections, strong GDP growth continues through 2024 but at a slower pace (see Figure 1). Meanwhile, the unemployment rate decreases from a peak of over 14 percent in the third quarter of 2020 to 5.9 percent by the end of 2024.

Low-income families have borne the brunt of the economic crisis, partly because the hardest-hit industries employ low-wage workers. African American, Hispanic, and female workers have been hit particularly hard, in part because they make up a disproportionate share of the workforce in certain industries with jobs that involve elevated risks of exposure to the coronavirus. Although the labor market is expected to improve, in CBO's projections, the unemployment rate remains higher through 2030 than it was before the pandemic.

Inflation, as measured by the growth rate of the price index for personal consumption expenditures (PCE), is projected to be 0.4 percent in 2020 and to nearly reach 2.0 percent—the Federal Reserve's long-run objective for inflation—by 2024. CBO expects the Federal Reserve to keep its target for the federal funds rate (the interest rate that financial institutions charge each other for overnight loans of their monetary reserves) at 0.1 percent throughout that period. In CBO's projections, the interest rate on 10-year Treasury notes gradually rises from an average of 0.9 percent in 2020 to 1.6 percent by 2024.

The Economic Outlook for 2025 to 2030

The economy continues to expand during the second half of the decade in CBO's projections. Output grows at an average annual rate of 2.1 percent over the 2025–2030 period—faster than the 1.8 percent average annual growth of potential output. The unemployment rate continues to drift downward, reaching 4.4 percent by the end of 2030. Inflation is stable during the 2025–2030 period. For example, PCE price inflation averages 1.9 percent, close to the Federal Reserve's long-term objective of 2 percent. Interest rates are higher in the second half of the projection period than in the first: From 2025 to 2030, the federal funds rate averages 1.1 percent; the rate on 3-month Treasury bills, 1.0 percent; and the rate on 10-year Treasury notes, 2.6 percent. Labor income as a share of GDP averages 58.1 percent, which is low compared with its historical average and reflects trends that were under way before the pandemic.

Table 1.

CBO's Economic Projections for Calendar Years 2020 to 2030

Percent

	Actual, 2019	2020	2021	2022	Annual Average 2023–2024	Annual Average 2025–2030
			Change From Fourth Quarter to Fourth Quarter			
Gross Domestic Product						
Real[a]	2.3	-5.9	4.8	2.2	2.2	2.1
Nominal	4.0	-5.7	6.2	4.1	4.2	4.2
Inflation						
PCE price index	1.4	0.4	1.3	1.7	1.9	1.9
Core PCE price index[b]	1.6	0.6	1.3	1.7	1.8	1.9
Consumer price index[c]	2.0	0.4	1.6	2.0	2.2	2.2
Core consumer price index[b]	2.3	1.0	1.5	1.9	2.2	2.2
GDP price index	1.6	0.2	1.3	1.8	2.0	2.0
Employment Cost Index[d]	3.0	1.7	2.6	2.3	2.6	3.0
			Fourth-Quarter Level			
Unemployment Rate	3.5	10.5	7.6	6.9	5.9[e]	4.4[f]
			Change From Year to Year			
Gross Domestic Product						
Real[a]	2.3	-5.8	4.0	2.9	2.2	2.1
Nominal	4.1	-5.1	4.8	4.6	4.2	4.2
Inflation						
PCE price index	1.4	0.8	1.0	1.6	1.9	1.9
Core PCE price index[b]	1.6	1.0	0.9	1.5	1.8	1.9
Consumer price index[c]	1.8	0.9	1.2	1.9	2.2	2.2
Core consumer price index[b]	2.2	1.5	1.2	1.7	2.1	2.2
GDP price index	1.8	0.7	0.8	1.7	2.0	2.0
Employment Cost Index[d]	3.0	2.4	2.1	2.4	2.5	3.0
			Annual Average			
Unemployment Rate	3.7	10.6	8.4	7.1	6.3	4.8
Payroll Employment (Monthly change, in thousands)[g]	174	-1,094	490	177	158	107
Interest Rates						
3-month Treasury bills	2.1	0.4	0.2	0.2	0.2	1.0
10-year Treasury notes	2.1	0.9	0.9	1.1	1.5	2.6
Tax Bases (Percentage of GDP)						
Wages and salaries	43.4	44.3	43.8	43.7	43.7	43.7
Domestic corporate profits[h]	7.2	7.5	7.4	7.7	8.0	8.2

Sources: Congressional Budget Office; Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve.

GDP = gross domestic product; PCE = personal consumption expenditures.

a. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

b. Excludes prices for food and energy.

c. The consumer price index for all urban consumers.

d. The employment cost index for wages and salaries of workers in private industries.

e. Value for the fourth quarter of 2024.

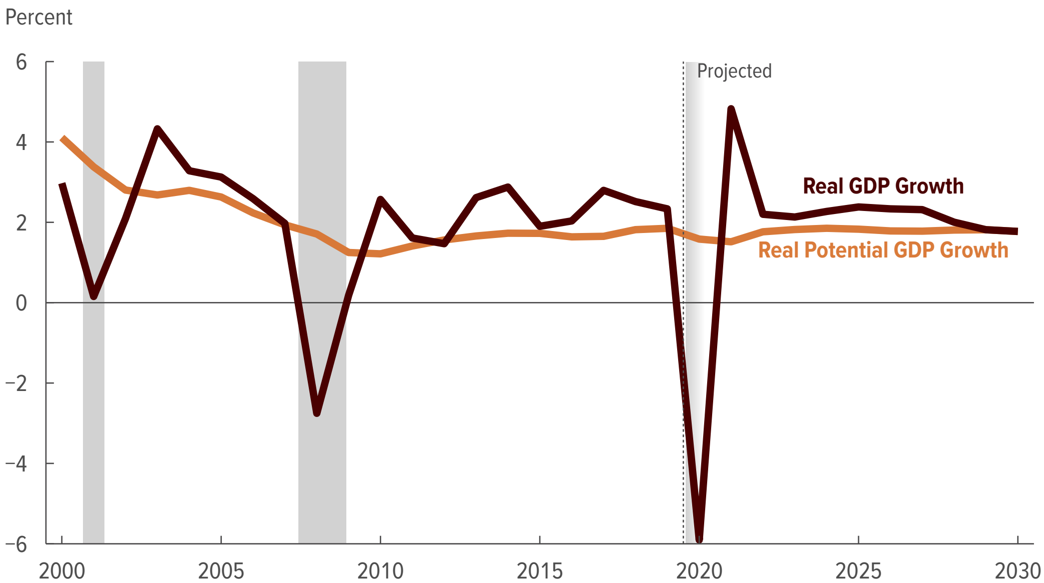
f. Value for the fourth quarter of 2030.

g. The average monthly change, calculated by dividing the change in payroll employment from the fourth quarter of one calendar year to the fourth quarter of the next by 12.

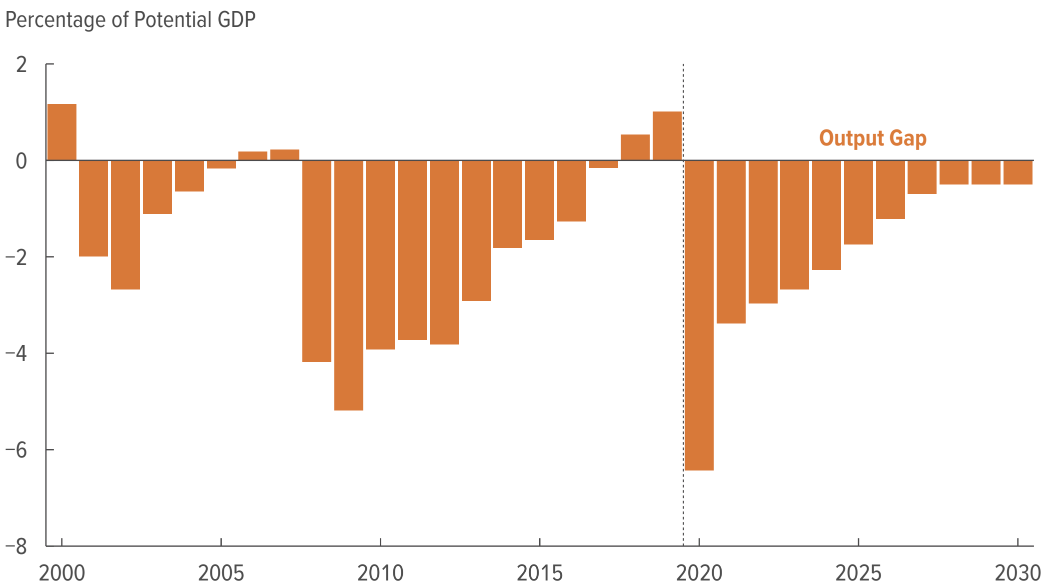
h. Adjusted to remove distortions in depreciation allowances caused by tax rules and to exclude the effects of changes in prices on the value of inventories.

Figure 1.

Growth of Real GDP and Real Potential GDP, and the Output Gap



In the second quarter of 2020, the coronavirus pandemic and associated social distancing triggered a sharp contraction in output, ending the longest economic expansion since World War II. In CBO's projections, real GDP grows rapidly in the second half of 2020 and the first half of 2021. Strong GDP growth continues thereafter but at a slower pace.



Real GDP recovers rapidly over the next several quarters in CBO's projections, rising from more than 6 percent below its potential at the end of 2020 to less than 4 percent below its potential at the end of 2021. The growth of real GDP then slows, and output remains far below its potential for several more years.

Sources: Congressional Budget Office; Bureau of Economic Analysis.

Real values are nominal values that have been adjusted to remove the effects of changes in prices. Potential GDP is CBO's estimate of the maximum sustainable output of the economy. Growth of real GDP and of real potential GDP is measured from the fourth quarter of one calendar year to the fourth quarter of the next.

The output gap is the difference between GDP and potential GDP, expressed as a percentage of potential GDP. A positive value indicates that GDP exceeds potential GDP; a negative value indicates that GDP falls short of potential GDP. Values for the output gap are for the fourth quarter of each year.

The shaded vertical bars indicate periods of recession, which extend from the peak of a business cycle to its trough. The National Bureau of Economic Research (NBER) has determined that an expansion ended and a recession began in February 2020. Although the NBER has not yet identified the end of that recession, CBO estimates that it ended in the second quarter of 2020.

GDP = gross domestic product.

Uncertainties in the Economic Outlook

Like the interim projections that CBO published in May, the agency's latest economic projections are surrounded by an unusually high degree of uncertainty. Some of that uncertainty results from the nature of the pandemic and the behavioral and policy responses intended to contain its spread. The severity and duration of the pandemic are subject to significant uncertainty. In particular, several important epidemiological characteristics of the coronavirus remain unclear: Much still needs to be learned about its transmissibility and lethality and about the immunity conferred on people who have recovered from it. Moreover, the severity and duration of the pandemic will be affected by how various mitigation measures reduce the spread of the virus and by when vaccines and additional treatments become available—outcomes that remain highly uncertain. Further uncertainty surrounds the effects of the pandemic and social distancing on economic activity and on the pace of economic recovery.

In addition, it is not clear how individuals, businesses, and state and local governments will respond to recent fiscal and monetary policy actions taken by the federal government. International conditions may also change in unanticipated ways as the pandemic works its way through the rest of the world. A further contributor to the overall uncertainty is that the speed and intensity of the recent downturn have greatly increased the difficulty of recording and compiling reliable economic data; CBO's projections are based on data that may later be substantially revised.

The agency's longer-run projections reflect the additional uncertainty of the underlying trends of key variables, such as the size of the potential labor force, the average number of labor hours per worker, capital investment, and productivity. Another source of uncertainty is the global economy's longer-term response to the substantial increases in public deficits and debt that are occurring as governments spend significant amounts to attempt to mitigate the impact of the pandemic and the economic downturn.

Comparisons With Previous Forecasts

Overall, CBO's projections for 2020 and 2021 are similar to those it published in May, except that economic growth in the second half of 2020 is now projected to be slower. The economic outlook for 2020 to 2030 has deteriorated significantly since the agency last published its full baseline economic projections in January. For instance, the annual unemployment rate averages 6.1 percent over those 11 years in the current projections, whereas it averaged 4.2 percent in the January projections. Similarly, the annual level of real GDP in those years is now projected to be 3.4 percent lower, on average, than it was projected to be in January. Forthcoming supplemental materials will provide more detailed comparisons of the current projections with the agency's previous projections and with those of other forecasters.

This document is one of a series of reports on the state of the economy that the Congressional Budget Office issues each year. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations.

CBO consulted with members of its Panel of Economic Advisers during the development of this report. Although CBO's outside advisers provided considerable assistance, they are not responsible for the contents of this report.

Robert Shackleton wrote the report. Leigh Angres, Sebastien Gay, Theresa Gullo, Deborah Kilroe, John McClelland, Ryan Mutter, Matthew Schmit, Chad Shirley, and Emily Stern provided helpful comments. The economic forecast and related estimates were prepared by Aaron Betz, William Carrington, Yiqun Gloria Chen, Erin Deal, Daniel Fried, Edward Gamber, Ronald Gecan, Mark Lasky, Junghoon Lee, Michael McGrane, Jaeger Nelson, Sarah Robinson, Jeffrey Schafer, John Seliski, Robert Shackleton, and Christopher Williams. Many other analysts at CBO contributed information about the pandemic and the effects of actions taken in response to it. Erin Deal and Sarah Robinson fact-checked the report. The writing of the report and the preparation of the forecast were supervised by Jeffrey Werling, John Kitchen, Robert Arnold, and Devrim Demirel.

Mark Doms, Jeffrey Kling, and Robert Sunshine reviewed the report. Bo Peery was the editor, and Casey Labrack was the graphics editor. An electronic version is available on CBO's website (www.cbo.gov/publication/56442).

CBO continually seeks feedback to make its work as useful as possible. Please send any comments to communications@cbo.gov.

Phillip L. Swagel
Director

CAPM Cost of Equity Summary -- Alternative Group

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

Risk Free Rate (R_f)	2.50%
Beta (β)	0.88
Risk Premium *(Geometric Approach - Long Term Bonds)*	4.10%
Risk Premium *(Arithmetic Approach - Long Term Bonds)*	5.70%
Risk Premium *(Long Term Bonds)*	4.90%
Required Return (K) *(Long Term Bonds)*	6.83%

Yields on U.S. Treasury Securities
Recent Months

Month	5 Year Treasury Bonds	10 Year Treasury Bonds	20 Year Treasury Bonds	30 Year Treasury Bonds
January 2020	1.67%	1.88%	2.19%	2.33%
February 2020	1.35%	1.54%	1.84%	2.01%
March 2020	0.88%	1.10%	1.46%	1.66%
April 2020	0.37%	0.62%	1.04%	1.27%
May 2020	0.36%	0.64%	1.04%	1.27%
June 2020	0.31%	0.66%	1.22%	1.46%
July 2020	0.31%	0.69%	1.20%	1.43%
August 2020	0.22%	0.56%	1.01%	1.23%
September 2020	0.26%	0.68%	1.20%	1.43%
October 2020	0.27%	0.68%	1.23%	1.45%
November 2020	0.38%	0.87%	1.41%	1.63%
December 2020	0.42%	0.92%	1.46%	1.66%
Average Last 3 months	**0.36%**	**0.82%**	**1.37%**	**1.58%**
Average Last 6 months	**0.31%**	**0.73%**	**1.25%**	**1.47%**
Average Last 12 months	**0.57%**	**0.90%**	**1.36%**	**1.57%**

Source: *www.federalreserve.gov.*

Duff and Phelps Normalized Risk Free Rate =	**2.50%**

Risk Free Rate (R_f) Range and Estimate

	Yield Calculations
Range	**1.57% to 2.50%**
Risk Free Rate (R_f)	**2.50%**

Beta for Alternative Group

Company Name	Value Line Forward Betas (August 28, 2020)
Ameren (AEE)	0.85
Atmos Energy Corp. (ATO)	0.80
Avista Corp. (AVA)	0.95
CMS Energy Corp. (CMS)	0.80
Dominion Energy (D)	0.80
DTE Energy (DTE)	0.95
Northwestern Corp. (NEW)	0.95
ONE Gas, Inc. (OGS)	0.80
Sempra Energy (SRE)	1.00
Southern Company (SO)	0.90
South Jersey Inds. (SJI)	1.05
Southwest Gas (SWX)	0.95
Spire Inc. (SR)	0.85
WEC Energy Group (WEC)	0.80
Xcel Energy (XEL)	0.80
Alternative Group Average	**0.88**

Market Risk Premiums

Total Returns, 1926-2019

	Stocks	Long-term Bonds
Geometric Mean	10.20%	6.10%
Arithmetic Mean	12.10%	6.40%

Market Risk Premiums (R_m - R_f)

		Long-term Bonds
Geometric Mean		4.10%
Arithmetic Mean		5.70%
Average Market Risk Premium		**4.90%**

Source: *Duff & Phelps, SBBI Classic Ibbotson Yearbook, 2020, pp. 2-6.*
The 2021 Yearbook containing the 2020 figures will not be available until March 2021.

Q 8.16: Referencing Petitioner's Exhibit No. 18, WPC-3.12:

a. Please provide a breakdown of expenses that account for rate case expense by consultant and type (legal, depreciation, etc.) (For example, Barnes & Thornburg LLP – legal - $x…, etc.)
b. Please indicate which consultants have a fixed price contract and indicate the amount of the fixed price contract.
c. Please indicate which consultants are charging an hourly rate and indicate the hourly rates for each consultant.
d. Referencing line 3, please provide a further breakdown of Publish Legal Notice/Miscellaneous expense, with an explanation as to how this amount was calculated.

Response:

a. Please see the attached file titled "45447_OUCC 8.16a_Vectren South Rate Case Expense Estimate".
b. There are no fixed price contracts, however, please refer to Vectren South's response to OUCC DR 08.17 for a copy of the alternative fee agreement.
c. Please refer to the Company's response to OUCC DR 08.17 for the consulting agreements that are based on hourly rates and the hourly rates for each consultant.
d. Line 3 represents a high level estimate for miscellaneous expenses, including but not limited to the legal notice and travel expenses. The final deferral and amortization are proposed to be adjusted to reflect actual costs incurred within the Phase 2 update.

VECTREN SOUTH
RATE CASE EXPENSE ESTIMATE

Consultant	Type	Rate Case Expense Estimate
Barnes & Thornburg	Legal	$ 965,000
Gannett Flemming	Depreciation Study	$ 50,000
Black & Veatch	Cost of Service Study	$ 175,000
Concentric	Cost of Equity Study	$ 110,000
VACO and Robert Heidorn	Other Consulting	$ 150,000
Moscellaneous / Legal Notice	Miscellanous Expenses	$ 200,000
		$ 1,650,000

Q 8.19: Please provide a copy of all Requests for Proposals that were solicited in relation to Petitioner preparing for and filing this rate case. (Please include all requests for accounting, legal, regulatory, cost of service and cost of equity services, along with any other requests that were sent out.)

Response:

Vectren South did not solicit Requests for Proposals for the purposes of this proceeding.

SUPREME COURT OF MISSOURI
en banc

Opinion issued February 9, 2021

SPIRE MISSOURI, INC., F/K/A LACLEDE GAS COMPANY,
Appellant,

v.

PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI,
Respondent,

and

OFFICE OF PUBLIC COUNSEL,
Intervenor.

No. SC97834

APPEAL FROM THE MISSOURI PUBLIC SERVICE COMMISSION

Spire Missouri, Inc. ("Spire), formerly known as Laclede Gas Co., is an investor-owned public utility regulated by the Public Service Commission ("PSC"). In April 2017, Spire filed tariffs to increase its general rates for gas services in its Spire Missouri East and Spire Missouri West territories.[1] The PSC suspended Spire's new

[1] Spire East was formerly known as Laclede Gas Company, and Spire West was formerly known as Missouri Gas Energy. For ease of use, only currently existing business entities and

tariffs until March 2018 and established a test year. The cases were consolidated, and several parties were granted intervention. The PSC issued its Amended Report and Order in March 2018. Among the PSC's conclusions, the Amended Report and Order disallowed a portion of Spire's rate case expenses, included some of the proceeds from the 2014 sale of a facility in setting Spire's new rates, and determined Spire East's prepaid pension asset was $131.4 million (or approximately $28.8 million less than Spire contended). Spire appeals. This Court has jurisdiction pursuant to article V, section 10 of the Missouri Constitution. The Amended Report and Order is affirmed in part and reversed in part, and the case is remanded for further proceedings consistent with this opinion.

Background

In April 2017, Spire filed tariffs with the PSC that would implement general rate increases in its Spire East and Spire West service areas. The tariffs would have increased annual gas revenue for Spire East by approximately $58.1 million. Because approximately $29.5 million of this already was being recovered through Spire's infrastructure system replacement surcharge ("ISRS"), the net increase in revenue for Spire East would be $28.5 million. The tariffs would have increased annual gas revenue for Spire West by approximately $50.4 million. Because approximately $13.4 million of this already was being recovered through Spire West's ISRS, the net increase in revenue for Spire West would be $37 million.

corresponding service areas are referenced herein, even though those entities had not yet been formed during a part of the time period at issue in this case.

The PSC suspended Spire's general rate increase tariffs until March 2018 and established a test year for the 12-month period ending December 31, 2016, to be updated for known and measurable changes through June 30, 2017. Several parties, including the Office of Public Counsel, were granted intervention,[2] and the cases were consolidated for hearing purposes. The PSC held local public hearings. The PSC then held evidentiary hearings and true-up hearings followed by briefing. Several issues were resolved by stipulations unopposed by any of the non-signatory parties, and the PSC approved those stipulations. The PSC then issued its consolidated Amended Report and Order on March 7, 2018, which became effective March 17, 2018.

Among the many issues before it, the PSC considered what portion of Spire's rate case expenses ought to be included in Spire's new base rates (and, therefore, paid for by Spire's customers rather than its investors). The PSC concluded that, because it is required under section 393.130.1[3] to set rates that are "just and reasonable," it had the broad discretion to determine whether it was just and reasonable for Spire's shareholders to share the burden of rate case expenses with ratepayers. As of September 30, 2017, Spire's total rate case expenses were $1,393,399. The PSC's staff of technical and subject matter experts ("Staff") recommended disallowing expenses relating to the

[2] These parties also included: Missouri Industrial Energy Consumers; Midwest Energy Consumers Group; Missouri Department of Economic Development – Division of Energy; Missouri School Board Association; the City of St. Joseph; National Housing Trust; Environmental Defense Fund; MoGas Pipeline, LLC; USW Local 11-6, which intervened only in the Spire East case; and Kansas City Power & Light Company and KCP&L Greater Missouri Operations, which intervened only in the Spire West case.

[3] All statutory references are to RSMo 2016.

procurement of a Cash Working Capital study by the consultant firm ScottMadden. The Office of Public Counsel recommended disallowing expenses related to Spire's expert witness Thomas Flaherty because of the high hourly rate charged. The PSC determined that approximately half the litigated issues in this case were driven by Spire and among these issues were the proposed use of various shareholder-favorable ratemaking tools, including a revenue stabilization mechanism, a rate of return on equity of 10.35 percent (which would have been the highest of any large utility in Missouri), tracking mechanisms to limit shareholder risk, and earnings-based incentive compensation. The PSC further determined Spire "padded" its revenue requirement by pursing positions it did not expect to win. Accordingly, the PSC determined Spire should recover the entire cost of customer notices, totaling $436,000, and Spire's depreciation study,[4] totaling $54,114, but only 50 percent of Spire's remaining rate case expenses. The PSC ordered these allowed rate case expenses normalized over four years.

The PSC also considered whether some of the proceeds of Spire's sale of one of its service centers should be used to offset Spire's purchase of a more expensive service center and, therefore, inure to the benefit of ratepayers. Spire East owned and operated three district service centers providing leak detection, leak repair, construction, maintenance, and marking services. One of the service centers was located near Forest Park in the city of St. Louis ("the Forest Park property"). In 2013, Spire acquired two properties adjacent to the Forest Park property for additional leverage in negotiations.

[4] Gas utilities are required to file a depreciation study every five years pursuant to 20 C.S.R. § 4240-3.160(1)(A).

Then, in 2014, as part of a restructuring of Spire following the acquisition of Spire West, Spire sold the Forest Park property (and the two adjacent properties) to the Cortex Innovation Community in St. Louis, which purchased the properties for construction of an IKEA retail store. The sale price for the Forest Park property included a gain of approximately $7.6 million, excluding the $1.8 million undepreciated book value of recent capital improvements to the facilities, and an allowance of $5.7 million for relocation expenses. Of the relocation expense allowance, Spire used $1.95 million to purchase furniture and fixtures for its new offices at 700 and 800 Market Street in the city of St. Louis and $200,000 to lease a temporary space during the move. The evidence did not show how much (if any) of the remaining relocation expenses were necessitated by the move from the Forest Park property to the new Manchester center. Spire contributed $1.5 million from the gain as a civic contribution to further downtown St. Louis rehabilitation.

In November 2016, Spire opened the newly constructed Manchester Avenue facility in the city of St. Louis as a partial replacement for the Forest Park property. The Manchester Avenue facility has a greater capital cost ($7.7 million base rate value), but it is more efficient to operate than the aging Forest Park facility. Pursuant to section 393.190, gas utilities must obtain authorization from the PSC to sell any part of its system that is necessary or useful in the performance of its duties to the public, but Spire did not obtain this authorization prior to selling its Forest Park property.

The PSC was required to decide whether to consider all, some, or none of the proceeds from the sale of the Forest Park property in setting Spire's new rates. Per Staff's recommendation, the PSC ordered nearly $3.6 million from the sale (the $5.7 million relocation costs, less documented relocation expenses and the cost of furniture and fixtures for the new offices) be used to offset the cost of the more expensive capital asset of the Manchester Avenue facility. The PSC ordered this amount amortized over five years.

Finally, the PSC considered the amount of Spire's pension contributions to include in base rates. Spire makes contributions to its pension plan pursuant to a collective bargaining agreement with its union employees. A prepaid pension asset is a regulatory asset representing the amount Spire has contributed to its pension plan but has not yet recovered from ratepayers. A pension liability is the opposite; it arises when Spire collects more from ratepayers than it has contributed to its pension plan. It is undisputed that Spire West has a pension liability of $28.4 million, but the amount of Spire East's pension asset (or liability) was in dispute. Staff and Spire agree that at least $131.4 million has accumulated in Spire East's pension asset since 1996, but they disagree as to what amount (if any) accumulated prior to that time. Spire argued the pension asset includes an additional $28.8 million, which accumulated between 1990 and 1996, during which time Spire East filed rate cases in 1990 (i.e., rates for 1990-1992), 1992 (i.e., rates for 1992-1994), and 1994 (i.e., rates for 1994-1996).

The disagreement between Staff and Spire centers on whether Spire East used the cash or accrual method of accounting to account for the pension asset in its 1990, 1992, and 1994 rate cases. FAS 87 and FAS 88 are Financial Accounting Standards articulating generally accepted accounting principles in accounting for the accrual of a pension asset. These are used routinely in reporting but less regularly in ratemaking. Staff argued Spire East did not begin to use both FAS 87 and FAS 88 to calculate its pension asset in rate cases until the 1996 rate case in that it used neither standard in the 1990 and 1992 cases and only FAS 87 (but not FAS 88) in the 1994 rate case. Spire concedes there is evidence suggesting its pension expense was calculated on a cash basis in the 1992 rate case but argues it had been using FAS 87 for financial reporting purposes since 1987 and, therefore, FAS 87 and FAS 88 would had to have been (and were) used in the 1990, 1992, and 1994 rate cases. With respect to the 1994 rate case, Spire contends the explicit references to FAS 87 necessarily included reference to FAS 88 because the two are inseparably intertwined and the former would not have been used without the latter. The amount in dispute from 1990 through 1994 is $19.8 million, and the amount in dispute between 1994 and 1996 is $9 million.

In its Amended Report and Order, the PSC rejected Spire's position and adopted, instead, the testimony of Staff witness Young. Among his lengthy and complex testimony, Young testified that – even though Spire has used FAS 87 for reporting since 1987 – neither Spire East's nor Staff's accounting schedules in the 1990, 1992, and 1994 rate cases itemized a pension asset using FAS 87 and FAS 88. This was supported by the record in the 1992 rate case, which seems clearly to rely upon the cash accounting approach. Staff contends only FAS 87, but not FAS 88, was used in the 1994 rate case. Because the PSC determined Spire East used the cash method in all three rate cases, it disallowed \$19.8 million in claimed pension assets for 1990 through 1994 and \$9 million in claimed pension assets for 1994 to 1996. As a result, the PSC determined Spire East's pension asset was \$131.4 million, to be amortized over eight years.

Discussion

I. General principles governing the PSC and judicial review

Before proceeding to the merits of this case and analyzing Spire's points on appeal, three principles fundamental to the law governing public utility regulation warrant emphasis.

A PSC decision is presumed valid and the burden is on the party challenging it to demonstrate the decision is unlawful or unreasonable. *Mo. Pub. Serv. Comm'n v. Union Elec. Co.*, 552 S.W.3d 532, 538-39 (Mo. banc 2018). *See also* § 386.510 (providing for judicial review of "the reasonableness or lawfulness of the original order" from the PSC). The decision is lawful where the PSC has statutory authority to render its decision. *Union Elec. Co.*, 552 S.W.3d at 539. It is reasonable if supported by substantial, competent evidence on the whole record, it is not arbitrary and capricious, and is not based on an abuse of discretion. *Id. See also* § 536.140.2 (providing for judicial review of agency decisions to determine whether the action of the agency: "(1) Is in violation of constitutional provisions; (2) Is in excess of the statutory authority or jurisdiction of the agency; (3) Is unsupported by competent and substantial evidence upon the whole record; (4) Is, for any other reason, unauthorized by law; (5) Is made upon unlawful procedure or without a fair trial; (6) Is arbitrary, capricious or unreasonable; (7) Involves an abuse of discretion").

This two-step analysis of lawfulness and reasonableness is required by, and instituted in furtherance of, article V, section 18 of the Missouri Constitution, which provides that judicial review of administrative decisions "shall include the determination whether the same are authorized by law, and in cases in which a hearing is required by law, whether the same are supported by competent and substantial evidence upon the whole record." Analyzing the constitutional standard that administrative decisions must be supported by competent and substantial evidence on the whole record, this Court explained that judicial review of administrative factfinding ***does not*** view the evidence and all reasonable inferences in the light most favorable to the award or decision. *Hampton v. Big Boy Steel Erection*, 121 S.W.3d 220, 223 (Mo. banc 2003). Instead:

> A court must examine the whole record to determine if it contains sufficient competent and substantial evidence to support the award, i.e., whether the award is contrary to the overwhelming weight of the evidence. Whether the award is supported by competent and substantial evidence is judged by examining the evidence in the context of the whole record. An award that is contrary to the overwhelming weight of the evidence is, in context, not supported by competent and substantial evidence.

Id. at 222-23 (citations and footnotes omitted). This approach gives weight to the administrative agency's role as the finder of fact without abdicating the requirement in article V, section 18 that the judiciary stand as an independent check against abuse by the executive branch when it undertakes a judicial or quasi-judicial function.

Second, a public utility is entitled to recover from ratepayers all its costs (plus a reasonable return on its investments) by way of rates that are "just and reasonable." *Office of Pub. Counsel v. Mo. Pub. Serv. Comm'n*, 409 S.W.3d 371, 376 (Mo. banc 2013). *Accord Mo. Pub. Serv. Comm'n*, 552 S.W.3d at 534 ("As a general matter, utilities ... recover their costs (plus a reasonable return on their investments) through the sale of [gas] at the rates set by the [PSC]."); § 393.150.2 ("At any hearing involving a rate sought to be increased, the burden of proof to show that the increased rate or proposed increased rate is ***just and reasonable*** shall be upon the gas corporation ....") (emphasis added). "Just and reasonable" rates, therefore, allow public utilities to recover expenses that are (1) fair to both investors and ratepayers and (2) prudently incurred. The PSC ordinarily applies a presumption of prudence in determining whether a utility reasonably incurred its expenses. *Office of Pub. Counsel*, 409 S.W.3d at 376. This presumption of prudence will "not survive a showing of inefficiency or improvidence that creates serious doubt as to the prudence of an expenditure." *Id.* (quotation omitted). "If such a showing is made, the presumption drops out and the applicant has the burden of dispelling these doubts and proving the questioned expenditure to have been prudent." *Id.*

Finally, the PSC is prohibited from engaging in retroactive ratemaking. This is one of the bedrock principles long governing the PSC's role in setting rates. As this Court has explained:

> The [PSC] has the authority to determine the rate [t]o be charged. In so determining it may consider past excess recovery insofar as this is relevant to its determination of what rate is necessary to provide a just and reasonable return in the future, and so avoid further excess recovery. It may not, however, redetermine rates already established and paid without depriving the utility (or the consumer if the rates were originally too low) of his property without due process .... The utilities take the risk that rates filed by them will be inadequate, or excessive, each time they seek rate approval. To permit them to collect additional amounts simply because they had additional past expenses not covered by either clause is retroactive rate making, i. e., the setting of rates which permit a utility to recover past

> losses or which require it to refund past excess profits collected under a rate that did not perfectly match expenses plus rate-of-return with the rate actually established. Past expenses are used as a basis for determining what rate is reasonable to be charged in the future in order to avoid further excess profits or future losses, but under the prospective language of the statutes, they cannot be used to set future rates to recover for past losses due to imperfect matching of rates with expenses.

State ex rel. Utility Consumers' Council of Mo., Inc. v. Pub. Serv. Comm'n, 585 S.W.2d 41, 58-59 (Mo. banc 1979) ("*UCCM*") (citations omitted), *superseded on other grounds by* § 386.266. In other words, the PSC must determine a rate that is just and reasonable using a utility's past expenses *only* as a way to estimate the utility's future costs (and fair return); not to allow a utility to recover past losses or to force it to refund ratepayers past excess profits.

II. Rate Case Expenses

Spire, in its first point, argues the PSC's decision to exclude a portion[5] of Spire's rate case expenses is contrary to law because the PSC did not find that any of those expenses were imprudent. In its second point, Spire argues this exclusion was unreasonable, arbitrary and capricious, unsupported by competent and substantial evidence, or an abuse of discretion. Both points are denied.

The PSC did not err by excluding a portion of Spire's rate case expenses when calculating Spire's new rates. The expenses Spire sought to recover included: (a) the procurement of a Cash Working Capital study by the consultant firm ScottMadden;

[5] Spire's metronomic insistence that the PSC denied "half" or "almost half" of its rate case expenses is both inaccurate and unavailing. Spire's total rate case expenses were nearly $1.4 million as of September 2017. The PSC allowed full recovery of the cost of customer notices ($436,000) and the depreciation study ($54,000). Accordingly, even after the PSC disallowed

(b) unreasonably high hourly fees paid to Spire's expert witness Thomas J. Flaherty; and (c) various shareholder-oriented (and unlikely to succeed) ratemaking strategies such as a revenue stabilization mechanism, a 10.35-percent rate of return on equity (the highest of any large utility in Missouri), tracking mechanisms to limit shareholder risk, and earnings-based incentive compensation. In terms of their reasonableness, these expenditures were entitled to a presumption of prudence, and the ***prudence*** of the expenditures was never called into question. Nonetheless, the PSC concluded that including all of these expenditures in setting Spire's future rates was not ***just*** because some of the expenses were not fair to ratepayers in that they only were incurred to benefit (if anyone) Spire's shareholders. *See Office of Pub. Counsel*, 409 S.W.3d at 376. Implicit in Spire's argument is an assertion that it is entitled to recover all prudent expenditures in its rates. This is not so. In setting rates, the PSC has broad discretion to include or exclude expenditures to arrive at rates it deems to be "just and reasonable," subject, of course, to judicial review that the PSC's conclusions are supported by competent and substantial evidence and not arbitrary, capricious, or an abuse of discretion.

Generally, ratepayers benefit from rate cases because they have an interest in ensuring the financial well-being of the utilities that serve them. Therefore, ratepayers justly and reasonably can be expected to pay a utility's expenses in bringing such a case. But this does not mean there cannot be limits. A utility cannot spend any amount it

approximately $452,000 of the remaining expenses, Spire recovered approximately $942,000 (or 68 percent) of its total rate case expenses.

pleases secure in the knowledge or expectation that ratepayers will foot the bill, particularly when those expenses include items seeking to subordinate ratepayers' interests to those of the utility's investors. Here, even assuming there was no basis in the evidence to reject the presumption of prudence with respect to one or more of Spire's rate case expenses, the PSC did not err in its decision to exclude a portion of those expenses in setting "just and reasonable" rates because they served only to benefit shareholders and minimize shareholder risk with no accompanying benefit (or potential benefit) to ratepayers. To be sure, the PSC's decision to exclude 50 percent of Spire's remaining rate case expenses (after allowing full recovery of the cost of notices and the depreciation study) was not the result of a decision to include or exclude expenses on an item-by-item basis. This is not to say, however, that the PSC's decision was unsupported by competent and substantial evidence on the whole record, and it was far from the sort of irrational or unconsidered approached properly characterized as arbitrary, capricious, or an abuse of discretion. *Cf. Cox v. Kan. City Chiefs Football Club, Inc.*, 473 S.W.3d 107, 114 (Mo. banc 2015) ("A ruling constitutes an abuse of discretion when it is clearly against the logic of the circumstances then before the court and is so unreasonable and arbitrary that it shocks the sense of justice and indicates a lack of careful, deliberate consideration.").

The PSC expressly identified those issues (and related expenses) Spire pursued that benefitted only its shareholders and not its ratepayers, and the PSC decided what proportion of the total case (and expenses) they represented.[6] Nothing in the PSC's

[6] Spire also argues the PSC's determination to disallow a portion of its rate case expenses is inconsistent with Spire's low average expenses in other cases and contends the PSC's

authorizing statutes or this Court's precedents requires the PSC to conduct an item-by-item analysis when the issue is the degree to which a utility's case expenses should be included in calculating "just and reasonable" rates rather rejecting a particular expense as imprudent. Accordingly, the PSC did not err in excluding a portion of Spire's rate case expenses, and Spire's Points I and II are denied.

III. Forest Park Property Sale

Spire next argues the PSC erred by ordering that nearly $3.6 million in relocation proceeds from the sale of the Forest Park property be used to reduce rates. In its second point, Spire claims this constitutes prohibited retroactive ratemaking and, alternatively, that it was arbitrary and capricious in that it was contrary to the traditional treatment of gains on the sale of utility property.[7] This point is denied.

The PSC did not engage in prohibited retroactive ratemaking. Retroactive ratemaking is setting rates for the future in order to redress imprecision in setting prior rates, i.e., to allow the utility to recover prior losses or force it to disgorge excessive profits. *UCCM*, 585 S.W.2d at 58. This does not mean, however, that the prohibition

disallowance amounts to a penalty for Spire exercising its right to prosecute a rate case as it sees fit. The first argument is unconvincing and largely irrelevant because Spire's expenses in other cases are not the issue in and formed no part of the PSC's decision now before the Court. Spire's claim that it is being penalized fares no better because nothing in the PSC's decision restricts what Spire can and cannot raise in a rate case. Instead, it merely addresses who (between the shareholder and the ratepayers) should be burdened with the cost of the decisions Spire makes in this regard.

[7] This point is multifarious in that it asserts the PSC's decision regarding relocation expenses was error for two separate and distinct reasons. *Bowers v. Bowers*, 543 S.W.3d 608, 615 n.9 (Mo. banc 2018). Multifarious points preserve nothing for appellate review because they fail to comply with Rule 84.04(d). *Id.* This Court, however, has discretion to review, *ex gratia*, multifarious points on the merits and elects to exercise that discretion here. *Id.*

against retroactive ratemaking bars all reference to events occurring outside the test year. *See State ex rel. GTE N., Inc. v. Mo. Pub. Serv. Comm'n*, 835 S.W.2d 356, 368 (Mo. App. 1992) (approving such reference when the "adjustment is (1) 'known and measurable,' (2) promotes the proper relationship of investment, revenues and expenses, and (3) is representative of the conditions anticipated during the time the rates will be in effect"). It is important that the trees do not obscure the forest. The use of the test year concept, the adjustments made to that year, and reference to events outside that year, are merely tools for the PSC to wield in pursuit of identifying rates that are "just and reasonable" as required by § 393.130.1.

For Spire East's future rates to be "just and reasonable," the PSC determined those rates needed to reflect the impact of the sale of the Forest Park property even though that sale occurred outside the test year. Specifically, the PSC determined (among other related matters) that: a) section 393.190.1 required Spire to obtain prior approval of this sale from the PSC but it failed to do so; b) the new service center was a more expensive capital asset than the Forest Park property; and c) the evidence did not establish how much (if any) of the nearly $3.6 million in unspecified relocation expenses were incurred in the move from the Forest Park property to the Manchester property. Spire's point relied on does not claim these findings (or others underlying the PSC's treatment of the Forest Park property sale) were not supported by competent and substantial evidence on the record as a whole, only that this treatment was retroactive ratemaking and inconsistent with the PSC's prior practice. Because there is no suggestion the PSC was setting Spire's new rates to account for profits or losses resulting from prior rates, Spire's claim that this was prohibited, retroactive ratemaking is denied.

The Court also rejects Spire's contention that the PSC's decision regarding the sale of the Forest Park property was arbitrary and capricious because it departed from approaches taken by the PSC in prior cases. "[A]n administrative agency is not bound by *stare decisis,* nor are PSC decisions binding precedent on this Court." *State ex rel. AG Processing, Inc. v. Pub. Serv. Comm'n of Mo.*, 120 S.W.3d 732, 736 (Mo. banc 2003). Therefore, even if the Court assumes (without deciding) that the PSC's approach was a departure from its prior practice, this alone does not render the PSC's approach so illogical or unreasonable as to justify a conclusion that it was arbitrary, capricious, or an abuse of discretion. *Cf. Cox*, 473 S.W.3d at 114 (An abuse of discretion occurs when decision is "clearly against the logic of the circumstances then before the court and is so unreasonable and arbitrary that it shocks the sense of justice and indicates a lack of careful, deliberate consideration."). Because the PSC's decision shows a reasoned, careful approach to what may well be a new or newly increasing problem, this Court rejects Spire's claim that it was arbitrary, capricious, or an abuse of discretion merely because it may have departed from prior decisions on similar issues.

IV. Spire East's Pension Asset

In its final point, Spire argues the PSC's decision to eliminate $28.8 million from Spire East's pension asset was arbitrary, capricious, or unsupported by competent and substantial evidence because it was inconsistent with Spire's evidence that the pension asset was calculated using FAS 87 and FAS 88 throughout Spire's 1990, 1992, and 1994 rate cases. This claim is rejected in part and granted in part.

Spire concedes the pension asset was determined on a cash basis in the 1992 rate case. Nevertheless, Spire points to testimony in the 1990 rate case by Staff witness Rackers that Spire contends supports the conclusion that the pension asset in that case was calculated pursuant to FAS 87 and FAS 88 accounting standards. And, because no departure from this approach was explicitly authorized in the 1992 rate case, Spire argues this could support a finding in its favor regarding that case as well. But this argument was in stark contrast to the testimony of Staff witness Young, who testified that neither Spire East nor Staff included an itemized pension asset based on FAS 87 and FAS 88 in their accounting schedules for Spire's rate cases between 1987 and 1994. Accordingly, there was competent and substantial evidence for the PSC to decide either way with respect to how the pension asset was calculated in the 1990 and 1992 cases. This Court will not substitute its judgment for that of the PSC as to how such a complex question should be resolved where the evidence was in such near equipoise. *See Hampton*, 121 S.W.3d at 222-23.

But the evidentiary scales were not so nearly balanced with respect to how Spire's pension liability was accounted for in the 1994 rate case. Spire showed (and Staff clearly recognized) that Spire East began to use FAS 87 beginning with the 1994 rate case. But, because Staff argues that there was no similar showing with respect to Spire East's use of FAS 88, Staff claimed the cash accounting must have been used to calculate the pension asset in the 1994 rate case and the $9 million accruing between 1994 and 1996 should be excluded. But Spire's evidence (which was uncontroverted) showed that FAS 87 and FAS 88 are inextricably linked, that the former would not have been used without the latter, and that reference to FAS 87 was simply shorthand for reference to both FAS 87 and FAS 88. Moreover, the record in the 1994 rate case suggests the dispute was not over whether FAS 88 would be used but rather how it would be used. In light of this, the Court holds the PSC's decision to extend the period in which it determined Spire East used cash accounting to value its pension asset from 1994 to 1996 was not supported by competent and substantial evidence on the record as a whole. Viewed in isolation, there was evidence to support the PSC's decision in this respect, but this Court's review does not use this approach. *Id.*[8] Instead, the PSC's decision must be supported by competent and substantial evidence on the whole record, including the evidence the PSC rejected. In this very close case, the Court is persuaded it was not. Accordingly, though the Court affirms the PSC's Amended Report and Order in all other respects, the Amended Report and Order is reversed to this extent and the matter remanded to the PSC to add the $9 million in pension assets that accrued between 1994 and 1996 to Spire East's $131.4 million prepaid pension asset. Because this increase in the amount of Spire East's

[8] After *Hampton*, this Court revisited the issue to emphasize that judicial review of an administrative agency finding is not at all like appellate review of a circuit court finding. *Seck v. Dep't of Transp.*, 434 S.W.3d 74, 78-79 (Mo. banc 2014). In reviewing a circuit court's finding, an appellate court considers only the evidence and reasonable inferences that support that finding and examines that evidence and those inferences only in the light most favorable to the finding the circuit court made. *Id.* at 78-79. In reviewing a factual finding made by an administrative agency, on the other hand, judicial review is governed by article V, section 18 of the Missouri Constitution and "must consider all of the evidence that was before the agency and all of the reasonable inferences … including the evidence and inferences that the agency rejected in making its findings." *Id.* at 79.

pension asset might bear on its amortization, the case is remanded for further proceedings consistent with this opinion.

CONCLUSION

For the reasons set forth above, the PSC's Amended Report and Order is affirmed in part and reversed in part, and the case is remanded for further proceedings consistent with this opinion.

____
Paul C. Wilson, Judge

All concur.

4-9. With respect to the tables at page 18 of Ms. Villatoro's testimony, please confirm that 75% of the short-term incentive goals and weightings for the 2019 plan year and 70% of the goals and weightings for the 2020 plan year were based on financial criteria. If not, please explain which factors Vectren South considers to be based on financial criteria.

Objection:

Vectren South objects to the request on the grounds and to the extent that it is vague and ambiguous insofar as the phrase "based on financial criteria" is not defined and provides no basis from which Vectren South can determine what information is sought. Vectren South further objects on the separate and independent grounds that the request seeks information that is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence; whether short-term incentive goals and weightings are "based on financial criteria" is not relevant to the determination of whether short-term incentive compensation is recoverable. Rather, the relevant standard is that it not be a pure profit sharing plan, but instead incorporate operational goals as well as financial performance goals. *See, e.g.*, Cause No. 45235 (IURC 3/11/2020), at p. 62. As noted in Ms. Villatoro's Direct Testimony at pp. 17-18, Vectren South's short-term incentive compensation satisfies this standard.

Subject to and without waiver of the foregoing objections, Vectren South responds as follows:

Response:

Only the income and the earnings per share goals are considered financial metrics. Although O&M is measured in dollars, it is viewed as an operational metric because it is critical for the Company to operate efficiently, effectively and safely to meet the expectations for the O&M goal. The O&M goal motivates employees to find operational efficiencies that benefit customers through reasonable rates, safe and reliable operations and enhanced customer service. Therefore, 55% and 45% of the short-term incentive goals are financial based metrics for 2019 and 2020, respectively.

4-10. With regard to the long-term incentive compensation described in Ms. Villatoro's testimony at pages 23-25, please confirm that the performance-based awards are based entirely on return and net income. If not, please explain any other criteria that are applicable.

Response:

Confirmed.

Q 17.3: Referencing customer bills sent to Vectren South Gas customers:

a. Does Vectren South currently have the ability to break out all components of a customer's bill, including customer service charge, volumetric charge, GCA charge, CSIA charge, EER charge, USF charge, etc.?
b. If the answer to part a. is yes, please explain if Vectren currently provides that information on customer's bills, or if a customer must request the breakdown.
c. Will Vectren South have the ability to break out all components of a customer's bill, including customer service charge, volumetric charge, GCA charge, CSIA charge, EER charge, USF charge, etc. once Vectren switches to the SAP software used by CenterPoint?
d. If the answer to part c. is yes, please explain if Vectren will provide that information on customer's bills, or if a customer will have to request the breakdown.

Response:

a. Yes. The Banner system contains the detail that allows the bill to show all of the information required under 170 IAC 1-5-13(A). The Company does not currently have the ability to show on the bill all of the details set forth in the question.

b. The detail of the bill components is within the billing system and available to customer service representatives should a customer call in to inquire for the breakdown.

c. As noted in responses to IG DR 2.5 and OUCC DR 13.11, Banner is not a part of the system harmonization project as proposed within this proceeding. Before and after any changes to the billing system, the requirements of 170 IAC 1-5-13(A) will continue to be met by the Company.

d. The Company will comply with the Commission rules.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC'S TESTIMONY OF LEJA D. COURTER*** has been served upon the following counsel of record in the captioned proceeding by electronic service on February 19, 2021.

Justin Hage (Atty. No. 33785-32)
Heather A. Watts (Atty. No. 35482-82)
Southern Indiana Gas and Electric
Company d/b/a Vectren Energy Delivery
of Indiana, Inc.
E-mail:
Justin.Hage@centerpointenergy.com
Heather.Watts@centerpointenergy.com

With Copy to:
Michelle D. Quinn
Angie M. Bell
Katie J. Tieken
Southern Indiana Gas and Electric
Company d/b/a Vectren Energy Delivery
of Indiana, Inc.
E-mail:
Michelle.Quinn@centerpointenergy.com
Angie.Bell@centerpointenergy.com
Katie.Tieken@centerpointenergy.com

Jonathan B. Turpin, Atty No. 32179-53
Locke Lord LLP
Email: Jonathan.Turpin@lockelord.com

Nicholas K. Kile (Atty. No. 15203-53)
Hillary J. Close (Atty. No. 25104-49)
Lauren M. Box, (Atty. No. 32521-49)
Barnes & Thornburg LLP
Email: nicholas.kile@btlaw.com
hillary.close@btlaw.com
lauren.box@btlaw.com

Todd A. Richardson, Atty No. 16620-49
Tabitha L. Balzer, Atty No. 29350-53
LEWIS & KAPPES, P.C.
Industrial Group
Email: TRichardson@Lewis-Kappes.com
TBalzer@Lewis-Kappes.com

Jennifer A. Washburn, Atty. No. 30462-49
Citizens Action Coalition
jwashburn@citact.org

Reagan Kurtz
rkurtz@citact.org

Loraine Hitz-Bradley

____
Loraine Hitz-Bradley
Attorney No. 18006-29
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Telephone
317/232-5923 – Facsimile