**COMMONWEALTH OF KENTUCKY**
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

| | | |
|---|---|---|
| **ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) APPROVALS OF TARIFFS AND RIDERS; (3) APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS; AND (4) ALL OTHER REQUIRED APPROVALS AND RELIEF** | ) | **CASE NO. 2025-00257** |

# DIRECT TESTIMONY

# AND EXHIBITS OF

# RICHARD A. BAUDINO

**ON BEHALF OF THE**
**OFFICE OF THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY**
**AND KENTUCKY INDUSTRIAL UTILITY CUSTOMERS**

**J. KENNEDY AND ASSOCIATES, INC.**
**ROSWELL, GEORGIA**

**NOVEMBER 17, 2025**

**COMMONWEALTH OF KENTUCKY**
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# DIRECT TESTIMONY OF RICHARD A. BAUDINO

## I. INTRODUCTION AND QUALIFICATIONS

**Q. State your name, occupation, and business address.**

A. My name is Richard A. Baudino. My business address is J. Kennedy and Associates, Inc. (Kennedy and Associates), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

**Q. What is your occupation and by whom are you employed?**

A. I am a consultant with Kennedy and Associates.

**Q. Describe your educational and professional background.**

A. I received my Master of Arts degree with a major in Economics and a minor in Statistics from New Mexico State University in 1982. I also received my Bachelor of Arts Degree with majors in Economics and English from New Mexico State in 1979.

I began my professional career with the New Mexico Public Service Commission Staff in October 1982 and was employed there as a Utility Economist. During my employment with the Staff, my responsibilities included the analysis of a broad range of issues in the ratemaking field. Areas in which I testified included cost of service, rate of return, rate design, revenue requirements, analysis of sale/leasebacks of generating plants, utility finance issues, and generating plant phase-ins.

In October 1989, I joined the utility consulting firm of Kennedy and Associates as a Senior Consultant where my duties and responsibilities covered substantially the same areas as those during my tenure with the New Mexico Public Service Commission Staff. I became Manager in July 1992 and was named Director of Consulting in January 1995. Currently, I am a consultant with Kennedy and Associates.

Exhibit RAB-1 summarizes my expert testimony experience.

**Q. On whose behalf are you testifying?**

A. I am submitting Direct Testimony on behalf of the Office of the Attorney General of the Commonwealth of Kentucky (OAG) and the Kentucky Industrial Utility Customers (KIUC).

**Q. What is the purpose of your Direct Testimony?**

A. The purpose of my Direct Testimony is to address the investor required return on equity (ROE) for the regulated electric operations of Kentucky Power Company (KPC or Company). I will also address the Company's requested capital structure and costs of long-term debt.

**Q. Please summarize your conclusions and recommendations.**

A. I recommend that the Kentucky Public Service Commission (KPSC or Commission) authorize a ROE for KPC's retail electric operations of 9.50%. My recommended ROE for electric operations is based on: (1) the results of a discounted cash flow (DCF) analysis applied to a proxy group of 17 regulated electric utilities and (2) Capital Asset Pricing Model (CAPM) analyses using historical and forecasted market risk premiums as well as publicly available estimates of market risk premiums from other publicly available sources. My recommendation fully reflects current economic and financial market conditions at the time I prepared my testimony, which I will describe in more detail in Section II. A 9.50% ROE provides a fair return on low-risk regulated electric utility investments for KPC. Section III presents my ROE analyses.

Regarding the Company's ratemaking capital structure, I recommend that the Commission accept the Company's filed capital structures. I also recommend that KPC's cost of long-term debt be accepted.

In Section IV, I will respond to the testimony and ROE recommendation of Company witness Mr. Adrien McKenzie. Mr. McKenzie conducted ROE analyses that employed the DCF method, the CAPM, the Empirical CAPM (ECAPM), the Utility Risk Premium, and Expected Earnings. Mr. McKenzie concluded that a reasonable ROE range for the Company is 10.0% - 11.0% with a midpoint of 10.5%. He also noted that the Company's requested ROE of 10.0% in this case understates the investor required ROE for KPC but represents a reasonable compromise between impacts on customers and the need to provide the Company

a reasonable return that adequately compensates investors. I will demonstrate in Section IV that Mr. McKenzie's approach systematically overstates the investor required ROE for KPC and that the 10.0% does not represent a reasonable compromise between impacts on customers and an adequate ROE for shareholders.

## II. ROE GUIDELINES AND REVIEW OF ECONOMIC CONDITIONS

**Q. What are the main guidelines to which you adhere in estimating the cost of equity?**

A. Generally speaking, the estimated cost of equity should be comparable to the returns of other firms with similar risk structures and should be sufficient for the firm to attract capital. These are the basic standards set out by the United States Supreme Court in *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), and *Bluefield W.W. & Improv. Co. v. Public Service Comm'n*, 262 U.S. 679 (1922).

From an economist's perspective, the notion of "opportunity cost" plays a vital role in estimating the ROE for KPC. One measures the opportunity cost of an investment equal to what one would have obtained in the next best alternative. For example, suppose that an investor decides to purchase the stock of a publicly traded regulated electric utility. That investor will make the decision based on the expectation of dividend payments and perhaps some appreciation in the stock's value over time; however, that investor's opportunity cost is measured by what she or he could have invested in as the next best alternative. That alternative could

have been another utility stock, a utility bond, a mutual fund, a money market fund, or any number of alternative investment vehicles.

The key determinant in deciding whether to invest, however, is based on comparative levels of risk. Our hypothetical investor would not invest in a regulated electric utility stock if it offered a return lower than other investments of similar risk. The opportunity cost simply would not justify such an investment. Thus, the task for the rate of return analyst is to estimate a return on equity that is equivalent to that being offered by other risk-comparable firms.

**Q. Please provide the Commission an overview of important economic factors that affect your estimate of the allowed ROE for KPC.**

A. Certain key factors in the economy are important influences on the current investor required ROE. These factors include the current level of interest rates, current levels of inflation, the effects of unemployment and economic growth, and stock market volatility.

**Q. Does the level of interest rates affect the allowed ROE for regulated utilities?**

A. Generally, yes. The common stock of regulated utilities tends to be interest rate sensitive. This means that the cost of equity for regulated utilities tends to rise and fall with changes in interest rates. For example, as interest rates rise, the cost of equity will also rise, and vice versa when interest rates fall. This relationship is due in large part to the capital-intensive nature of regulated industries, including electric and gas utility companies, that rely heavily on both debt and equity to finance their regulated investments.

**Q. Before you continue, please provide a brief explanation of how the Federal Reserve Board (Fed) uses interest rates to affect conditions in the financial markets.**

A. Generally, the Fed uses monetary policy to implement certain economic goals. The Fed explained its monetary policy as follows:

> Monetary policy in the United States comprises the Federal Reserve's actions and communications to promote maximum employment, stable prices, and moderate long-term interest rates--the economic goals the Congress has instructed the Federal Reserve to pursue.[1]

One of the Fed's primary tools for conducting monetary policy is setting the federal funds rate. The federal funds rate is the interest rate set by the Fed that banks and credit unions charge each other for overnight loans of reserve balances. Traditionally, the federal funds rate directly influences short-term interest rates, such as the Treasury bill rate and interest rates on savings and checking accounts. The federal funds rate has a more indirect effect on long-term interest rates, such as the 30-Year Treasury Bond and private and corporate long-term debt. Long-term interest rates are set more by market forces that influence the supply and demand of loanable funds.

**Q. Describe the trend in interest rates over the last 10 years.**

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[1] Monetary Policy, FED. RESERVE BD., (Feb. 19, 2025), **https://www.federalreserve.gov/monetarypolicy.htm.**

A. Until recently, the overall trend in interest rates in the U.S. and the world economy had been lower and this continued into 2020-2021 as governments and central banks, including the Fed, instituted programs in response to the economic shocks brought about by the COVID-19 pandemic. The trend of lower interest rates was precipitated by the 2007 financial crisis and severe recession that followed in December 2007. In response to this economic crisis, the Fed undertook a series of steps to stabilize the economy, ease credit conditions, and lower unemployment and interest rates. These steps are commonly known as Quantitative Easing (QE) and were implemented in three distinct stages: QE1, QE2, and QE3. The Fed's stated purpose of QE was "to support the liquidity of financial institutions and foster improved conditions in financial markets."[2]

In 2022, however, the Fed began an aggressive policy of raising short-term interest rates in response to concerns about persistently high inflation in the economy, which began to be a significant problem in 2021. After the Fed reduced the federal funds rate to nearly 0% through 2021, it was increased several times in 2022 and 2023, rising to a target range of 5.25% - 5.50%.

As inflation began to ease in 2023 and 2024, the Fed cut the federal funds rate by 50 basis points, or 0.50% on September 18, 2024, to a range of 4.75% to 5.00%, noting progress on reducing inflation toward its goal of 2.0%.[3] The Fed further lowered the federal funds rate on November 7, 2024, December 18, 2024,

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[2] *Credit and Liquidity Programs and the Balance Sheet,* Monetary Policy, FED. RESERVE BD., (May 10, 2021), **https://www.federalreserve.gov/monetarypolicy/bst_crisisresponse.htm.**

[3] https://www.federalreserve.gov/monetarypolicy/files/monetary20240918a1.pdf.

September 17, 2025 and again on October 29, 2025 to its current level of 3.75% - 4.00%. In its most recent press release issued on October 29, 2025, the Fed stated, in part, the following:

> Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up but remained low through August; more recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated.
>
> The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment rose in recent months.
>
> In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.[4]

Figure 1 below presents a graph that tracks the 30-Year Treasury Bond yield and the Mergent average utility bond yield. The graph covers the period from January 2015 through October 2025.

[4] *Federal Reserve issues FOMC statement,* Press Release, FED. RESERVE BD., (October 29, 2025), https://www.federalreserve.gov/newsevents/pressreleases/monetary20251029a.htm

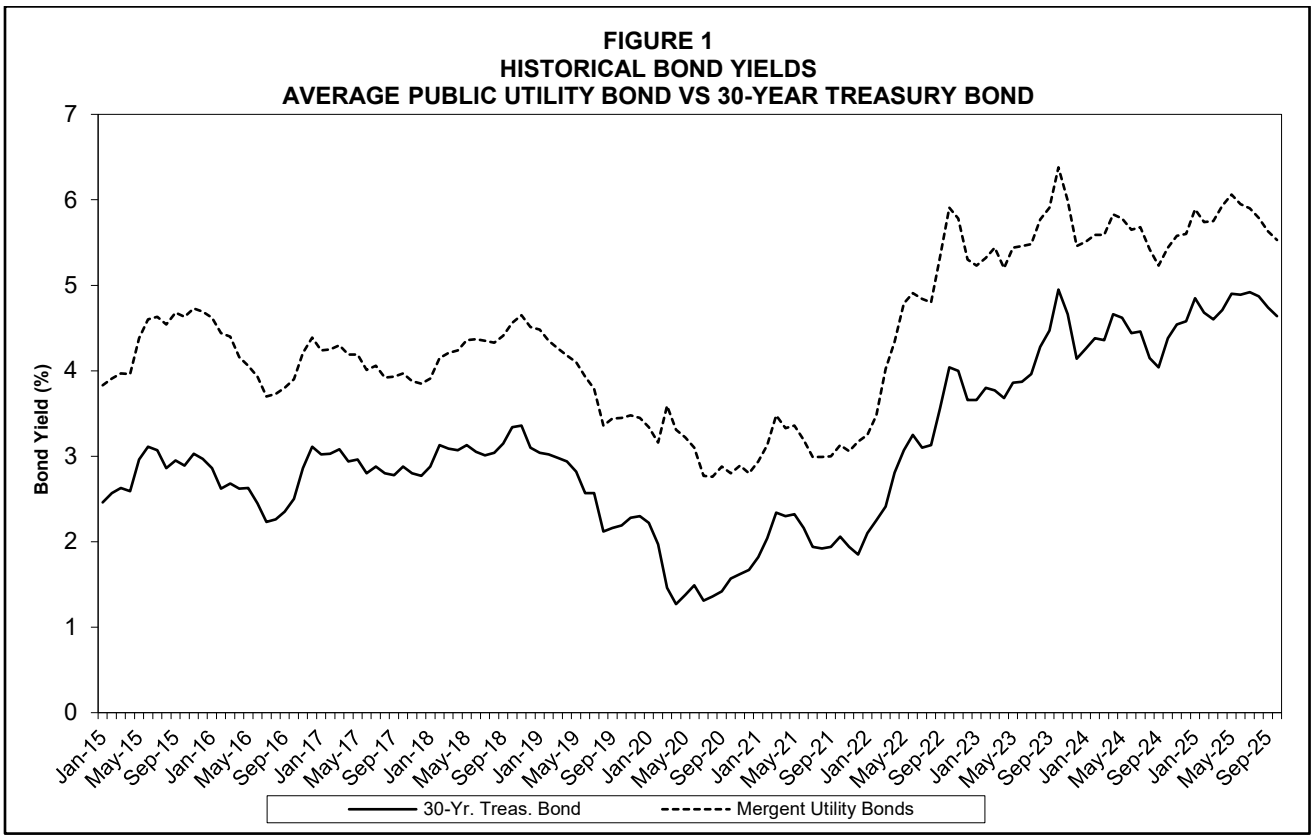


Figure 1 graphically shows the steady increase in long-term bond yields since 2022. The 30-year Treasury Bond yield rose from 2.10% in January 2022 to 4.64% in October 2025. The Mergent average public utility bond yield also increased during that same period from 3.25% to 5.53%.

**Q. What has been the recent experience with inflation?**

A. Figure 2 presents monthly annualized inflation data from January 2021 through September 2025, the most recent monthly data that was available to me.[5]

[5] Unemployment data was downloaded from the U.S. Bureau of Labor Statistics.

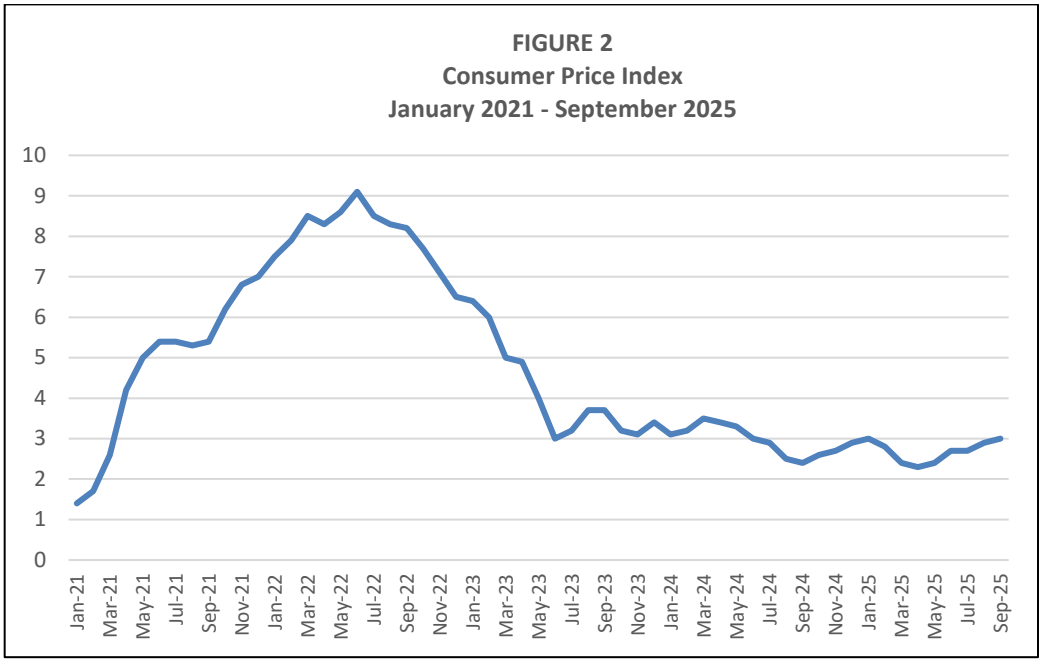


Figure 2 shows that inflation greatly accelerated in 2021, peaked in June 2022 at 9.1%, then declined substantially through the rest of the study period. The inflation rate for September 2025 was 3.0%.

**Q. What are the expectations for inflation, interest rates, and other economic indicators going forward?**

A. The Federal Reserve Bank of Philadelphia publishes the *Survey of Professional Forecasters* ("Survey"), in which a panel of 36 forecasters provide projections for a number of economic variables, including growth in Gross Domestic Product (GDP), inflation, and unemployment, as well as short-term and long-term interest rates. The most recent edition of the Survey dated August 15, 2025, provided the following forecasts:

- Consumer Price Index (CPI) inflation is expected to average 2.90% for 2025, 2.50% 2026 and 2.31% over the next 10 years.

- 10-Year Treasury Bond yield is forecasted to be 4.4% for 2025 and 4.1% for 2026.
- An unemployment rate of 4.2% is forecasted for 2025 and 4.5% for 2026.
- Real growth in GDP of 1.7% is forecasted in 2025 and 1.6% for 2026.[6]

The Fed's economic projections as of September 17, 2025, showed the following median forecasts:

- Personal Consumption Expenditures (PCE) inflation rate of 3.0% for 2025, 2.6% for 2026, and longer run inflation at 2.0%;
- Unemployment rate of 4.5% for 2025 and 4.4% for 2026, with a longer run unemployment rate of 4.2%; and
- Growth in real GDP of 1.6% for 2025, 1.8% for 2026, with a longer run growth rate of 1.8%.[7]

**Q. Please explain the market volatility index and its performance since the beginning of 2024.**

A. A widely used measure of market volatility is the Chicago Board Options Exchange (CBOE) Volatility Index (VIX), also called the "fear index" or "fear gauge." Basically, the VIX measures the market's expectations for volatility over the next 30-day period. The higher the VIX, the greater the expectation of volatility and

[6] *Survey of Professional Forecasters*, August 15, 2025; https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q3-2025

[7] Summary of Economic Projections, FED. RESERVE BD., (September 17, 2025), https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250917.pdf

market risk. Figure 3 presents the VIX from January 1, 2024 through October 31, 2025.[8]

**FIGURE 3**
**January 2024 - October 2025 VIX**

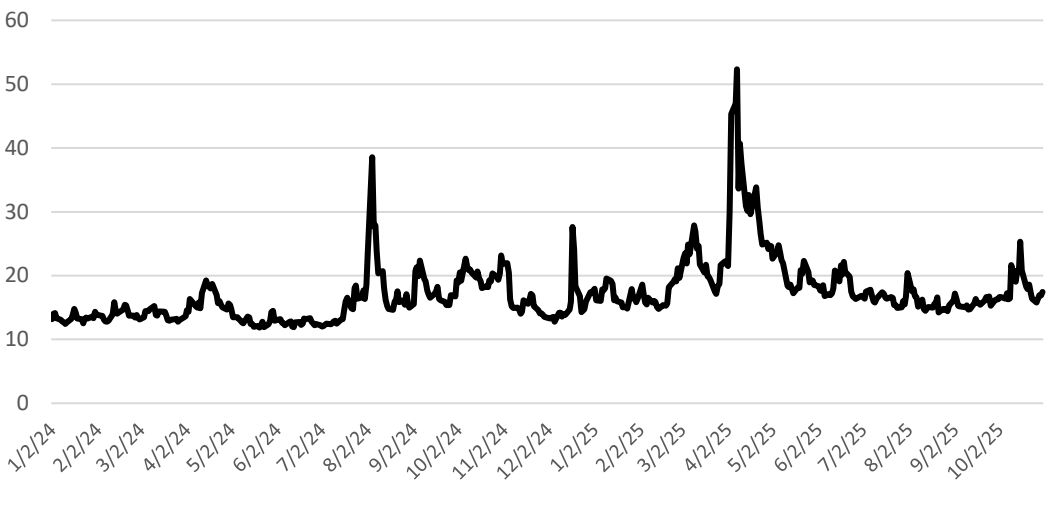


Figure 3 shows a sharp increase in the VIX on August 5, 2024. Then in March 2025, the VIX turned sharply higher with very high expected volatility in April after President Trump announced a wide-ranging tariff plan. The VIX reached a high of 52.33 on April 8 but fell to 24.7 by April 30, 2025. The VIX has generally trended lower since then, with a value of 17.44 on October 31, 2025. The average VIX value so far for 2025 is 19.19 compared to the 2024 average of 15.55. This indicates increased expected market volatility so far in 2025.

**Q. Did you review recent commission-allowed ROEs as part of your review of current financial and economic conditions?**

[8] Historical Data for CBOE VIX Index and Other Volatility Indices, CBOE, https://www.cboe.com/tradable_products/vix/vix_historical_data/.

A. Yes. Regulatory Research Associates (RRA) is a group within S&P Global Commodity Insights that compiles and publishes commission-allowed ROEs from across the country. For 2024 and the first six months of 2025 RRA reported the following average allowed ROEs:[9]

- For 2024, the average allowed ROE for vertically integrated electric utilities was 9.84%.
- For the first six months of 2025, the average allowed ROE for vertically integrated utilities was 9.74%.

I also downloaded updated allowed ROE information from RRA from January through October 2025. The average allowed ROE for vertically integrated electric utilities (both settled and litigated cases) was 9.71%.

**Q. You provided the Commission with analyses showing higher long-term interest rates and increased market volatility so far in 2025. How have utility stocks fared so far in 2025?**

A. Despite increased market volatility, utility stocks have done well so far in 2025. Figure 4 below tracks the percentage changes in the S&P 500 Index and the S&P 500 Utilities Index from January 2, 2025, through October 31, 2025.[10]

[9] *Major energy rate case decisions in the US, January – June 2025,* Regulatory Research Associates, a group within S&P Global Commodity Insights.

[10] Data for Figure 4 downloaded from S&P Capital IQ Pro.

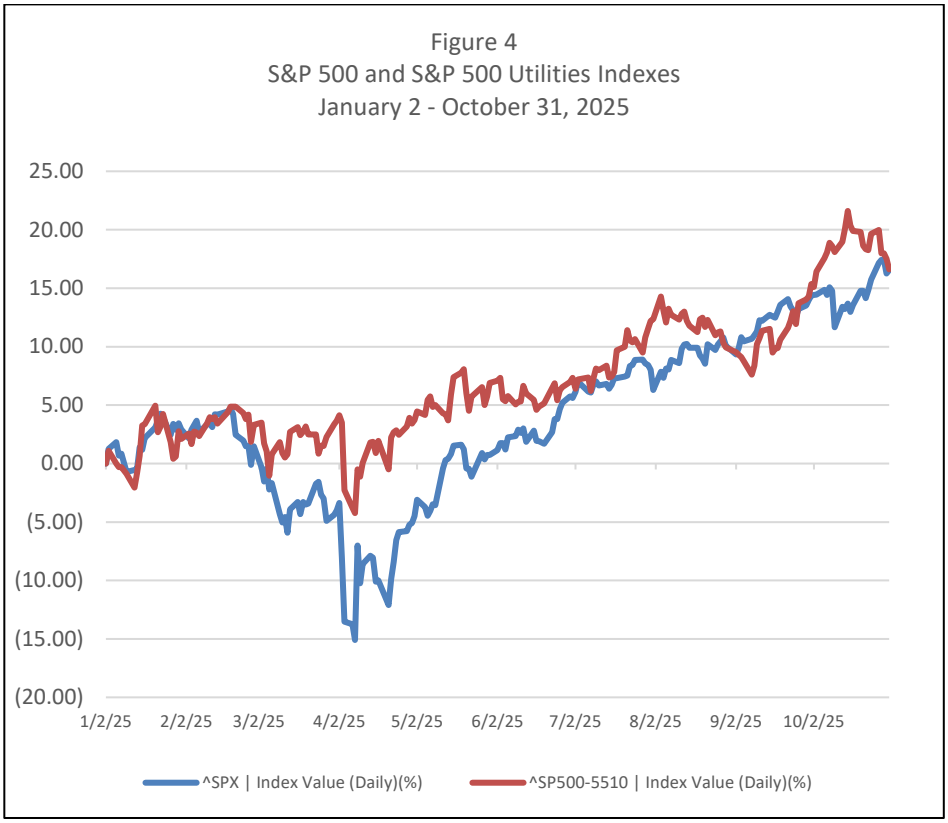


Figure 4 shows the percentage change in the S&P 500 and S&P 500 Utilities Indexes. Figure 4 illustrates the large drop in both indexes in April after President Trump announced his "Liberation Day" tariff proposals. However, both indexes recovered quickly and for the year through October 31, the S&P 500 is up 16.56% and the S&P 500 Utilities Index is up 16.60%. Despite a challenging and uncertain economic environment, utility stocks in general have done well so far in 2025.

## III. DETERMINATION OF FAIR RATE OF RETURN

**Q. Please describe the methods you employed in estimating a fair rate of return for the regulated electric operations of KPC.**

A. I employed two methods of estimating the ROE for KPC: the Discounted Cash Flow (DCF) model and the Capital Asset Pricing Model (CAPM). I applied these ROE estimation techniques to a proxy group of seventeen electric utility companies that was developed by Mr. McKenzie and then modified as I will explain later. My DCF analyses are based on the standard constant growth form of the model that employs four different growth rate forecasts from the Value Line Investment Survey, S&P Capital IQ, and Zacks. I also employed Capital Asset Pricing Model (CAPM) analyses using both historical and forward-looking data as well as sources that provide additional recommendations for the market risk premium portion of the CAPM. The results from the DCF and CAPM support the reasonableness of my ROE recommendation of 9.50% to the Commission.

**DCF Model**

**Q. Please describe the basic DCF approach**.

A. The basic DCF approach is rooted in valuation theory. It is based on the premise that the value of a financial asset is determined by its ability to generate future net cash flows. In the case of a common stock, those future cash flows generally take the form of dividends and appreciation in stock price. The value of the stock to investors is the discounted present value of future cash flows. The general equation is:

$$\boldsymbol{V = \frac{R}{(1+r)} + \frac{R}{(1+r)^2} + \frac{R}{(1+r)^3} + \cdots \frac{R}{(1+r)^n}}$$

*Where:* *V = asset value*
*R = yearly cash flows*
*r = discount rate*

This is no different from determining the value of any asset from an economic point of view; however, the commonly employed DCF model makes certain simplifying assumptions. One is that the stream of income from the equity share is assumed to be perpetual; that is, there is no salvage or residual value at the end of some maturity date (as is the case with a bond). Another important assumption is that financial markets are reasonably efficient; that is, they correctly evaluate the cash flows relative to the appropriate discount rate, thus rendering the stock price efficient relative to other alternatives. Finally, the model I typically employ also assumes a constant growth rate in dividends. The fundamental relationship employed in the DCF method is described by the formula**:**

$$\boldsymbol{k = {}^{D_1}/_{P_0} + g}$$

*Where:* $D_1$ = *the next period dividend*
$P_0$ = *current stock price*
$g$ = *expected growth rate*
$k$ = *investor-required return*

Using this formula, it is apparent that "k" must reflect the investors' expected return. Use of the DCF method to determine an investor-required return is complicated by the need to express investors' expectations relative to dividends, earnings, and book value over an infinite time horizon. Financial theory suggests that stockholders purchase common stock on the assumption that there will be some change in the rate of dividend payments over time. We assume that the rate of growth in dividends is constant over the assumed time horizon, but the model could easily handle varying growth rates if we knew what they were. Finally, the relevant time frame is prospective rather than retrospective.

**Q. Please describe your approach for selecting proxy group of companies.**

A. I began with the proxy group of vertically integrated electric utilities that Company witness Mr. McKenzie used for his analysis. Mr. McKenzie described the criteria he used to select companies for his proxy group on page 21 of his Direct Testimony. These screening criteria resulted in a 20-member proxy group shown in his Exhibit AMM-3 that is generally reasonable to use for estimating the ROE for KPC, but with three exceptions.

In this case I chose to exclude Edison International from the Electric Utility Proxy Group. Edison International's stock price was adversely affected by the risk associated with the wildfires that occurred in its service territory in January. As of January 2, 2025, Edison's stock price was $80.01 per share. The price dropped precipitously in January to $54 on January 31. At this point, the market is still substantially discounting Edison's stock price because of the uncertainty of the company's role in the wildfires. This significant event and its ongoing impact on Edison's stock price provide a sound basis for excluding it from the proxy group at this time. I also excluded NorthWestern Energy Group and Black Hills Corporation from the proxy group due to a recently announced merger between these companies.

The 17-member proxy group I used for my ROE analyses is:

1. Alliant Energy Corp.
2. American Electric Power Company, Inc.
3. Avista Corp.
4. CenterPoint Energy
5. CMS Energy Corp.
6. Dominion Energy
7. DTE Energy Co.

8. Duke Energy Corp.
9. Entergy Corp.
10. Evergy Inc.
11. Eversource Energy
12. FirstEnergy Corp.
13. IDACORP, Inc.
14. Otter Tail Corp.
15 Pinnacle West Capital
16 Public Service Enterprise Group
17. Sempra Energy

**Q. What was your first step in determining the DCF return on equity for the proxy group?**

A. I first determined the current dividend yield, $D_0/P_0$, from the basic equation. My general practice is to use six months as the most reasonable period over which to estimate the dividend yield. The six-month period I used covered the months from May through October, 2025. I averaged daily stock prices from S&P Capital IQ for 1-month, 2-month, 3-month, and 6-month periods. The current dividend for each company was taken from each company's most recent Value Line report.

The resulting average 6-month dividend yield for the proxy group is 3.49%. These calculations are presented in Exhibit RAB-2.

**Q. Having established the average dividend yield for your proxy group, how did you determine the investors' expected growth rate?**

A. The investors' expected growth rate, in theory, correctly forecasts the constant rate of growth in dividends. The dividend growth rate is a function of earnings growth and the payout ratio, neither of which is known precisely for the future. We refer to a perpetual growth rate since the DCF model has no arbitrary cut-off point. We must estimate the investors' expected growth rate because there is no way to know

with absolute certainty what investors expect the growth rate to be in the short term, much less in perpetuity.

For my analysis in this proceeding, I used three major sources of analysts' forecasts for growth: Value Line, S&P Capital IQ, and Zacks.

**Q. Please briefly describe Value Line, S&P Capital IQ, and Zacks.**

A. Value Line is a widely used and respected source of investor information that covers approximately 1,700 companies in its Standard Edition and several thousand in its Plus Edition. It is updated quarterly and represents a comprehensive source of information for investors. It provides both historical and forecasted information on a number of important data elements. Value Line neither participates in financial markets as a broker nor works for the utility industry in any capacity of which I am aware.

Zacks gathers opinions from a variety of analysts on earnings growth forecasts for numerous firms including regulated electric utilities. The estimates of the analysts responding are combined to produce consensus average estimates of earnings growth. I obtained Zacks' earnings growth forecasts from its web site. Like Zacks, S&P Capital IQ also compiles and reports consensus analysts' forecasts of earnings growth.

**Q. Why did you rely on analysts' forecasts in your analysis?**

A. ROE analysis is a forward-looking process. Five-year or ten-year historical growth rates may not accurately represent investor expectations for future dividend and earnings growth. Analysts' forecasts for earnings and dividend growth provide better proxies for the expected growth component in the DCF model than historical

growth rates. Analysts' forecasts are also widely available to investors and one can reasonably assume that they influence investor expectations.

In this case, however, I am concerned that the consensus analysts' forecasts from S&P Capital IQ and Zacks will overstate the long-run constant growth rate for the proxy group. I will discuss this in greater detail in the Conclusions and Recommendations portion of this section of my testimony.

**Q. Please explain how you used analysts' dividend and earnings growth forecasts in your constant growth DCF analysis.**

A. Columns (1) through (4) of Exhibits RAB-3 shows the forecasted dividend and earnings growth rates from Value Line and the earnings growth forecasts from S&P Capital IQ and Zacks for the companies in the proxy group. It is important to include dividend growth forecasts in the DCF model since the model calls for forecasted cash flows and Value Line is the only source of which I am aware that forecasts dividend growth.

**Q. Using this information, how did you determine the DCF ROE for the proxy group?**

A. To estimate the expected dividend yield ($D_1$), the current dividend yield must be moved forward in time to account for dividend increases over the next twelve months. I estimated the expected dividend yield by multiplying the current dividend yield by one plus one-half the expected growth rate.

Exhibits RAB-3 presents my standard method of calculating dividend yields, growth rates, and ROE for the proxy groups. The DCF ROE section of this exhibit shows the application of each of four growth rates to the current dividend

yield to calculate the expected dividend yield. I then added the expected growth rates to the expected dividend yield. My DCF ROE was calculated using two different methods. Method 1 uses the average growth rates for the proxy group and Method 2 utilizes the median growth rates.

**Q. What are the results of your constant growth DCF model for the proxy groups?**

A. The Method 1 results range from 8.39% to 11.10%, with the average of these results being 9.84%. For Method 2 (median growth rates), the ROE results range from 9.08% to 10.95%, with the average of these results being 9.96%.[11]

**Capital Asset Pricing Model**

**Q. Briefly summarize the CAPM approach.**

A. The theory underlying the CAPM approach is that investors, through diversified portfolios, may combine assets to minimize the total risk of the portfolio. Diversification allows investors to diversify away all risks specific to a particular company and be left only with market risk that affects all companies. Thus, the CAPM theory identifies two types of risks for a security: company-specific risk and market risk. Company-specific risk includes such events as strikes, management errors, marketing failures, lawsuits, and other events that are unique to a particular firm. Market risk includes inflation, business cycles, war, variations in interest rates, and changes in consumer confidence. Market risk tends to affect all stocks

[11] Refer to Exhibit RAB-3 for the detailed calculations.

and cannot be diversified away. The idea behind the CAPM is that diversified investors are rewarded with returns based on market risk.

Within the CAPM framework, the expected return on a security is equal to the risk-free rate of return plus a risk premium that is proportional to the security's market, or non-diversifiable risk. Beta is the factor that reflects the inherent market risk of a security and measures the volatility of a particular security relative to the overall market for securities. For example, a stock with a beta of 1.0 indicates that if the market rises by 15%, that stock will also rise by 15%. This stock moves in tandem with movements in the overall market. Stocks with a beta of 0.5 will only rise or fall 50% as much as the overall market. With an increase in the market of 15%, this stock will only rise 7.5%. Stocks with betas greater than 1.0 will rise and fall more than the overall market. Thus, beta is the measure of the relative risk of individual securities vis-à-vis the market.

Based on the foregoing discussion, the equation for determining the return for a security in the CAPM framework is:

$$K = Rf + \beta(MRP)$$

*Where:* $K$ = *Required Return on equity*
$Rf$ = *Risk-free rate*
$MRP$ = *Market risk premium*
$\beta$ = *Beta*

This equation tells us about the risk/return relationship posited by the CAPM. Investors are risk averse and will only accept higher risk if they expect to receive higher returns. These returns can be determined in relation to a stock's beta

and the market risk premium (MRP). The general level of risk aversion in the economy determines the MRP. If the risk-free rate of return is 3.0% and the required return on the total market is 10%, then the market risk premium is 7%. Any stock's risk premium can be determined by multiplying its beta by the MRP. Its total return may then be estimated by adding the risk-free rate to that risk premium. Stocks with betas greater than 1.0 are considered riskier than the overall market and will have higher required returns. Conversely, stocks with betas less than 1.0 will have required returns lower than the market as a whole.

**Q. In general, are there concerns regarding the use of the CAPM in estimating the ROE?**

A. Yes. There is some controversy surrounding the use of the CAPM and its accuracy regarding expected returns. There is substantial evidence that beta is not the primary factor for determining the risk of a security. For example, Value Line's "Safety Rank" is a measure of total risk, not its calculated beta coefficient. Dr. Burton Malkiel, author of *A Random Walk Down Wall Street*, noted the following in his best-selling book on investing:

> Second, as Professor Richard Roll of UCLA has argued, we must keep in mind that it is very difficult (indeed probably impossible) to measure beta with any degree of precision. The S&P 500 Index is not "the market." The total stock market contains many thousands of additional stocks in the United States and thousands more in foreign countries. Moreover, the total market includes bonds, real estate, commodities, and assets of all sorts, including one of the most important assets any of us has - the human capital built up by education, work, and life experience. Depending on exactly how you measure "the market" you can obtain very different beta values.[12]

[12] Burton G. Malkiel, A Random Walk Down Wall Street, 219 (2023 ed.)

Shannon Pratt and Roger Grabowski, authors of *Cost of Capital*, also stated the following with respect to the CAPM:

> Even though the capital asset pricing model (CAPM) is the most widely used method of estimating the cost of equity capital, the accuracy and predictive power of beta as the sole measure of risk have increasingly come under attack. As a result, alternative measures of risk have been proposed and tested. That is, despite its wide adoption, academics and practitioners alike have questioned the usefulness of CAPM in accurately estimating the cost of equity capital and the use of beta as a reliable measure of risk.[13]

As a practical matter, there is substantial judgment involved in estimating the required market return and MRP. In theory, the CAPM requires an estimate of the return on the total market for investments, including stocks, bonds, real estate, etc. It is nearly impossible for the analyst to estimate such a broad-based return. Often in utility cases, a market return is estimated using the S&P 500. However, as Dr. Malkiel pointed out, this is a limited source of information with respect to estimating the investor's required return for all investments. In practice, the total market return and MRP estimates face limitations to estimation and, ultimately, their usefulness in quantifying the investor required CAPM ROE.

In the final analysis, a considerable amount of judgment must be employed in determining the market return and expected risk premium elements of the CAPM equation. The analyst's application of judgment can significantly influence the results obtained from the CAPM. My experience with the CAPM indicates that it is prudent to use a wide variety of data in estimating investor-required returns. Of

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[13] Shannon Pratt & Roger Grabowski, Cost of Capital 269 (5th ed 2014).

course, the range of results may also be wide, indicating the challenge in obtaining a reliable estimate from the CAPM.

**Q. How did you estimate the market return and MRP of the CAPM?**

A. I used three approaches to estimate the MRP portion of the CAPM equation. First, I will present an approach that uses the expected return on the market and is forward-looking. Second, I will present an approach that employs three historical MRPs based on actual stock and bond returns. Third, I will present four published sources that estimate the current investor required MRP.

**Q. Please describe your forward-looking approach to estimating the MRP.**

A. The first source I used was the Value Line *Summary and Index* dated October 31, 2025. The Value Line *Summary and Index* provides data with which one may calculate a DCF estimate on the companies that Value Line follows. Value Line presents a median estimated dividend yield for all dividend paying stocks (2.10%) and the median estimated 3–5-year price appreciation potential of all stocks in the Value Line universe (40%). The estimated 3-5-year appreciation estimate translates into an annualized appreciation number, or growth rate, of 8.78%. I present Value Line's projected annual returns on page 1 of Exhibit RAB-4. The DCF ROE result for the market is 10.88%.

**Q. Do you have any concerns related to this forward-looking MRP estimate?**

A. Yes. The expected growth rate of 8.78% is overstated as a long-term constant growth rate for the market. This is because it is far higher than the expected nominal growth rate for the Gross Domestic Product of the U.S., which is around 4.0%. I will discuss this concern in greater detail in Section IV where I respond to

Mr. McKenzie's forward-looking market risk premium. A long-term earnings growth rate of 8.78% cannot be sustained over the long run and, therefore, it may overstate the investor-required return on the market and the CAPM ROE result.

**Q. Please continue with your MRP analysis.**

A. The second source I considered came from Kroll, which compiled a study of historical returns on the stock market in its *Cost of Capital Navigator: U.S. Cost of Capital Module* and is part of its Cost of Capital Navigator subscription service. Kroll provides services to clients in 140 countries covering valuation, compliance and regulation, corporate finance and restructuring, and other areas. Kroll now provides the Cost of Capital Navigator service that was formerly provided by Duff and Phelps.

Some analysts employ historical data to estimate the MRP of stocks over the risk-free rate. The assumption is that a risk premium calculated over a long period of time is reflective of investor expectations going forward. Exhibit RAB-4, page 2, presents the calculation of the market returns and MRPs using the historical data from Kroll.

**Q. Please explain how these historical MRPs are calculated.**

A. Exhibit RAB-4, page 2, shows the historical arithmetic average MRP over the historical period from 1926 – 2024. The historical MRP is calculated by subtracting the average annual return for the 20-year Treasury Bond from historical average stock returns, resulting in an historical MRP of 7.31%.

**Q. Did you include additional measures of historical risk premiums in this case?**

A. Yes. Kroll reported the results of a study by Dr. Roger Ibbotson and Dr. Peng Chen indicating that the historical risk premium of stock returns over long-term government bond returns has been significantly influenced upward by substantial growth in the price/earnings (P/E) ratio.[14] Kroll noted that this growth in the P/E ratio for stocks was subtracted from the historical risk premium to arrive at an adjusted "supply side" historical MRP. The most recent "supply side" historical MRP is 6.26%, which I have also included in Exhibit RAB-4, page 2.

**Q. Is there additional evidence that the growth in the P/E ratio should be removed from the historical risk premium?**

A. Yes. William Goetzman and Roger Ibbotson wrote the following regarding the supply-side approach to estimating the equity risk premium:

> There are several ways in which one might estimate an expected risk premium used for forecasting. One way is to extrapolate historical risk premiums, as did Ibbotson and Sinquefield. Another is to use investor demand models based upon investor risk aversion, as did Mehra and Precott. A third way is to look at the type of returns that the corporate sector supplies. Diermeir, Ibbotson, and Siegel (1984) and later Ibbotson and Chen (2003) used this supply approach. They extrapolated the cash flows and earnings growth generated by companies themselves. These forecasts tend to give somewhat lower historical risk premiums, primarily because part of the total return of the stock market has come from price-to-earnings ratio expansion. This expansion is not predicated to continue on indefinitely and is removed from the expected risk premium.[15]

**Q. Are there other concerns regarding the use of historical MRPs for estimating the investor required ROE?**

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[14] *Kroll Cost of Capital Navigator: U.S. Cost of Capital Module,* Basic Building Blocks of the Cost of Equity Capital – Risk-free Rate and Equity Risk Premium (Abridged), pp. 4 – 6.

[15] William N. Goetzmann & Roger G. Ibbotson, Handbook of the Equity Risk Premium 522-523 (Rajnish Mehra ed., Elsevier B.V., 2008).

A. Yes. A historical MRP calculated over a long period of time may not reflect current investor expectations and requirements. For example, Pratt and Grabowski presented a detailed discussion of the sources of potential upward bias and overstatement of the long-term historical risk premium.[16] One potential source of bias they analyzed was the historical period of 1942 – 1951, which included government-imposed stability in interest rates for government bonds during the Second World War. Pratt and Grabowski named this period "WWII Interest Rate Bias" and estimated that it resulted in an overstatement of the long-run historical risk premium of 117 basis points, or 1.17%. Pratt and Grabowski also considered the supply-side MRP, which I considered and presented earlier.

Kroll analyzed and calculated the so-called World War II Interest Rate Bias and subtracted it from the supply-side ERP of 6.26%, resulting in an adjusted historical ERP of 5.31%. I also present this historical ERP on page 2 of Exhibit RAB-4.

In addition to the foregoing discussions, Dr. Aswath Damodaran of the Stern Business School observed the following regarding the use of historical MRPs:

> Given how widely the historical risk premium approach is used, it is surprising that the flaws in the approach have not drawn more attention. Consider first the underlying assumption that investors' risk premiums have not changed over time and that the average risk investment (in the market portfolio) has remained stable over the period examined. We would be hard pressed to find anyone who would be willing to sustain this argument with fervor. The obvious fix for this problem, which is to use a more recent time period, runs directly into a second problem, which is the large noise associated with historical risk premium estimates. While these standard errors

[16] Pratt and Grabowski, Cost of Capital, 119 (Wiley, 5th ed.)

may be tolerable for very long time periods, they clearly are unacceptably high when shorter periods are used.[17]

Although the simple, unadjusted long-run historical risk premium is widely used and available to investors, it is flawed and likely to overstate the investor expected risk premium for forecasting purposes. It should be viewed with caution and supplemented with other sources as I have done here.

**Q. Did you consider any other sources for estimating the MRP?**

A. Yes, I also considered four other sources for estimating the MRP.

First, Kroll provides a recommendation for the MRP for the United States. Its recommended MRP as of September 3, 2025 is 5.00%.[18]

Second, KMPG Corporate Finance and Evaluations produces an estimate of the MRP based on its market valuation analyses. The markets included in KMPG's analyses are the S&P 500, Financial Times Stock Exchange (FTSE), and STOXX 600. As of June 30, 2025 KMPG recommended an MRP of 5.25%.[19]

Third, Dr. Aswath Damodaran provides monthly estimates of the MRP using what he calls an implied risk premium approach. Dr. Damodaran is a professor of finance at the Stern School of Business at New York University and is a researcher on the topic of MRPs, among other things. On October 1, 2025, Dr.

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[17] *Equity Risk Premiums (ERP): Determinants, Estimation, and Implications – The 2022 Edition, Updated: March 23, 2022*, Aswath Damodaran, Stern School of Business.

[18] https://www.kroll.com/en/insights/publications/cost-of-capital/recommended-us-equity-risk-premium-and-corresponding-risk-free-rates.

[19] https://indialogue.io/clients/reports/public/5d9da61986db2894649a7ef2/5d9da63386db2894649a7ef5

Damodaran estimated an MRP in the range of 3.59% - 5.81%, with an average of 4.18%.[20]

Fourth, Pablo Fernandez, Diego Garcia, and Lucia Acin prepared and published a study entitled *Survey: Market Risk Premium and Risk-Free Rate used for 54 countries in 2025.*[21] This is a comprehensive survey of finance and economics professors, analysts, and managers of companies regarding their expectations for the market risk premium and risk-free rate for purposes of calculating the required return on equity in various countries. This survey has been published yearly since 2008. The authors received 1,079 survey responses for the MRP and risk-free rate for the United States. The average and median MRP for 2025 was 5.50%.

These MRPs are presented on page 3 of Exhibit RAB-4.

**Q. How did you determine the risk-free rate?**

A. I considered a six-month average of the 30-year Treasury Bond yield from May through October 2025. These yields are shown in Exhibit RAB-4, page 1. The six-month average 30-Year Treasury Bond yield is 4.83%. This six-month period tracks the six-month period I used for stock prices in my DCF analyses.

**Q. Please summarize your calculated MRP estimates with the forward-looking data from Value Line, the historical MRPs, and the four other sources you described.**

A. The MRPs from Exhibit RAB-4, pages 1 through 3 are as follows:

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[20] Aswath Damodaran, Damodaran Online (last visited October 31, 2025), https://pages.stern.nyu.edu/~adamodar/New_Home_Page/home.htm

[21] Fernandez, Garcia, and Acin, *Survey: Market Risk Premium and Risk-Free Rate used for 54 countries in 2025*, IESE Business School, May 20, 2025. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5260463

- Value Line forward-looking risk premium 6.05%
- Historical risk premium 5.31% - 7.31%
- Kroll 5.00%
- KMPG 5.25%
- IESE Survey 5.50%
- Average Damodaran MRP 4.18%

**Q. How did you determine the value for beta?**

A. I used two sources in this case. I obtained the betas for the companies in the proxy group from the most recent Value Line reports at the time I prepared my Direct Testimony and analyses. The average of the Value Line betas for the proxy group is 0.77.[22]

The second source is from S&P Capital IQ. S&P publishes 5-year betas for each company in the proxy group. I added this additional source for a more robust estimate of the CAPM. The S&P betas, however, are known as "raw betas," meaning that they are not adjusted for beta's tendency to rise toward the market beta of 1.0 over time. Value Line adjusts its betas for this tendency and an adjusted beta is thought to be superior to the "raw" unadjusted beta for forecasting purposes. In order to adjust the raw S&P Capital IQ betas, I employed a commonly used formula called "the Blume Adjustment" or "the Bloomberg Adjustment." The formula is as follows:

*Adjusted beta = (Raw beta * 0.67) + .33*

[22] Refer to Exhibit RAB-4, page 1.

This formula results in upward adjustments to beta values less than 1.0, which is the case for all the electric utility companies in the proxy group. The adjusted S&P Capital IQ beta for the companies in the proxy group is 0.68.[23]

Finally, I used the average of the adjusted S&P Capital IQ and Value Line betas for purposes of estimating the CAPM ROE for the proxy group, which is 0.73.

**Q. Please summarize the CAPM results.**

**A.** For the proxy group, the CAPM ROE estimates are as follows:

| | | |
|---|---|---|
| 1. | Forward-looking MRP | 9.21% |
| 2. | Arithmetic Historical MRP | 10.13% |
| 3. | Supply-side Historical MRP | 9.37% |
| 4. | Supply-side Less WWII Bias | 8.68% |
| 5. | IESE Survey MRP | 8.81% |
| 6. | KMPG MRP | 8.63% |
| 7. | Kroll MRP | 8.45% |
| 8. | Damodaran Average MRP | 7.86% |

**Conclusions and Recommendations**

**Q. Please summarize the cost of equity results for your DCF and CAPM analyses as they apply to the proxy group.**

A. Table 1 summarizes my ROE results using the DCF and CAPM approaches.

[23] Refer to Exhibit RAB-4, page 1.

**TABLE 1**
**SUMMARY OF ROE ESTIMATES**
**PROXY GROUP**

| | |
|---|---|
| DCF Methodology | |
| Method 1 | |
| - High | 11.10% |
| - Low | 8.39% |
| - Average | 9.84% |
| Method 2 | |
| - High | 10.95% |
| - Low | 9.08% |
| - Average | 9.96% |
| | |
| CAPM Methodology | |
| | |
| Forward-looking Market Return: | 9.21% |
| | |
| Historical Risk Premium: | |
| - Arithmetic Mean | 10.13% |
| - Supply side MRP | 9.37% |
| - Supply side Less WWII Bias | 8.68% |
| | |
| IESE MRP Survey | 8.81% |
| KMPG MRP | 8.63% |
| Kroll MRP | 8.45% |
| Damodaran MRP | 7.86% |
| | |
| Average CAPM Results | 8.89% |
| Average CAPM Excluding High and Low | 8.86% |
| CAPM Midpoint | 8.99% |
| CAPM Midpoint Excluding High and Low | 8.91% |

**Q. What is your recommended ROE for the electric utility operations of KPC?**

A. Based on my DCF and CAPM results, I recommend a ROE range of 8.90% - 10.0%. The lower end of the range is based on the average and midpoint CAPM results. The high end of the range is based on the DCF results, Method 2, rounded upward. My recommended ROE for KPC is 9.50%, which is near the approximate midpoint of this range.

**Q. Earlier in your testimony you expressed concerns regarding the increase in the consensus analysts' earnings growth forecasts for your DCF model. Please explain your concern in this regard.**

A. In this case, the average of consensus analysts' earnings growth rates from S&P Capital IQ and Zacks is 6.96% to 7.48% as shown in my Exhibit RAB-3. Median growth rates range from 7.10% to 7.33%. These earnings growth forecasts are significantly higher than the long-term growth rate of the overall economy as measured by growth in the GDP, as well as historical earnings and dividend growth for the companies in the proxy groups. For mature, steady-state industries such as electric utilities, it is highly unlikely that earnings growth significantly above GDP growth can be maintained indefinitely as the constant growth DCF model assumes. In other words, electric utilities cannot outgrow the GDP in perpetuity. Using these consensus forecasts alone would overstate the DCF ROE in this case.

As support for this, in *Fundamentals of Financial Management,* Brigham and Houston note the following:

> Second, the constant growth model as expressed in Equation 9.2 is not appropriate unless a company's growth rate is expected to remain constant in the future. This condition almost never holds for new start-up firms, but it does exist for many mature companies. Indeed, mature firms such as Keller, Allied, and GE are generally expected to grow at about the same rate as nominal gross domestic product (i.e., real gross domestic product [GDP] plus inflation).[24]

Pratt and Grabowski also cautioned as follows:

> It is theoretically impossible for the sustainable perpetual growth rate for a company to significantly exceed the growth rate in the economy. Any rate over a 6% to 7% perpetual growth rate should be questioned carefully.[25]

[24] Eugene F. Brigham and Joel F. Houston, Fundamentals of Financial Management, 333-334, Eleventh Edition (2022, 2020 Cengage Learning, Inc.)

[25] Shannon Pratt and Roger Grabowski, Cost of Capital 461 (Wiley, 5th ed.)

Regarding forecasts of GDP, Federal Reserve projections of September 17, 2025 called for longer-run real GDP growth of 1.8% and PCE inflation of 2.0%. This translates into forecasted nominal GDP growth of 3.80% per year. The Congressional Budget Office also projects growth in real GDP through 2035 of 1.80% and CPI inflation of 2.0%.[26] If we assume forecasted long-run nominal GDP growth of around 4.0%, then forecasted perpetual earnings growth rates between 6.96% - 7.48% for the electric utility industry simply cannot be sustained over time.

Given current consensus earnings growth forecasts, forecasted dividend growth must also be considered in the DCF ROE analyses. The lower dividend growth forecasts from Value Line help to offset the higher consensus analysts' forecasts for the proxy group.

**Q. How do the S&P Capital IQ and Zacks growth rates compare to historical earnings and dividend growth for the proxy group?**

A. Table 2 below presents Value Line's 5-year and 10-year historical earnings and dividend growth for the companies in the proxy group.

[26] https://www.cbo.gov/system/files/2025-03/61187-Long-Term-Outlook-2025.pdf.

**TABLE 2**
**Proxy Group Historical Earnings and Dividend Growth**

| | Earnings Growth | | Dividend Growth | |
|---|---|---|---|---|
| | 5-Year | 10-Year | 5-Year | 10-Year |
| Alliant Energy Corporation | 4.5% | 5.5% | 6.0% | 6.5% |
| American Electric Power Company | 4.0% | 5.0% | 5.0% | 5.0% |
| Avista Corp. | -1.0% | 3.0% | 4.0% | 4.0% |
| CenterPoint Energy | 3.5% | 1.0% | -7.0% | -1.0% |
| CMS Energy Corp. | 6.0% | 6.5% | 6.5% | 6.5% |
| Dominion Energy | -5.5% | NA | -4.5% | 1.5% |
| DTE Energy Co. | 2.5% | 4.0% | 5.5% | 5.5% |
| Duke Energy Corp. | 3.5% | 3.5% | 2.5% | 3.0% |
| Entergy Corp. | 4.0% | 2.5% | 4.0% | 2.5% |
| Evergy Inc. | NA | NA | NA | NA |
| Eversource Energy | 6.0% | 6.5% | 6.0% | 6.5% |
| FirstEnergy Corp. | -0.5% | NA | 0.5% | -1.0% |
| IDACORP, Inc. | 3.5% | 4.0% | 6.0% | 7.5% |
| Otter Tail Corp. | 14.5% | 18.0% | 4.0% | 2.5% |
| Pinnacle West Capital | NA | 2.5% | 4.0% | 4.0% |
| Pub Sv Enterprise Grp. | 3.0% | 3.0% | 5.0% | 4.5% |
| Sempra Energy | 11.5% | 7.5% | 6.0% | 6.5% |
| Average Excl. Negatives, N/A, and Nil | 5.5% | 5.2% | 4.6% | 4.7% |
| Median Excl. Negatives, N/A, and Nil | 4.0% | 4.0% | 5.0% | 4.8% |

Source: Value Line Investment Survey

Historical earnings growth ranges from 4.0% to 5.5%. Historical dividend growth ranges from 4.6% to is 5.0%. Historical growth rates are all significantly lower than the average consensus earnings growth forecasts in this case. Further, the average and median Value Line dividend growth forecasts range from 4.82% to 5.50% and are much closer to the historical growth rates.

**Q. Did you review KPC's requested capital structure?**

A. Yes. KPC witness Messner described the development of KPC's requested capital structure in his Direct Testimony and presented it in his Figure FDM-4, page 7. The Company's requested capital structure consists of 46.13% common equity and 53.87% long-term debt.

I recommend that the Commission adopt KPC's requested capital structure.

**Q. Did you review KPC's requested cost of long-term debt?**

A. Yes. Mr. Messner described the development of KPC's requested cost of long-term debt in his Direct Testimony. Based on my review, I recommend the Commission adopt the Company's requested cost of long-term debt of 5.49%.

**Q. What is the current treatment for the ROE that is applied to KPC's Decommissioning Rider (Tariff D.R.) and Environmental Surcharge rider (Tariff D.R.)?**

A. Pursuant to past Commission Orders, these riders are calculated with a 10 basis point reduction to KPC's Commission-approved ROE. This approach continues to be appropriate and applicable for these KPC riders and is consistent with Commission precedent. For example, the Commission recently authorized a 10 basis point reduction to its allowed ROE for Duke Energy Kentucky's Environmental Surcharge Mechanism (ESM) in Case No. 2024-00354. The Commission's Order in that case lowered the ROE for the ESM from 9.80% to 9.70%.[27]

Consistent with past Commission practice and precedent, I recommend that the Commission apply a 10 basis point reduction to my recommended ROE of 9.50%, making the Tariff D.R. and Tariff E.S. ROE equal to 9.40%.

## IV. RESPONSE TO KENTUCKY POWER TESTIMONY

**Q. Have you reviewed the Direct Testimony of Mr. McKenzie?**

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[27] Commission Order in Case No. 2024-00354, page 51, dated October 2, 2025.

A. Yes.

**Q. Please summarize the results of Mr. McKenzie's ROE analyses.**

A. Mr. McKenzie summarized his ROE results on his Exhibit AMM-2. He used five methods to estimate the ROE for KPC: the DCF model, the CAPM, the Empirical CAPM ("ECPAM"), the Utility Risk Premium method, and the Expected Earnings method. His average DCF results ranged from 9.1% to 10.8%. His CAPM results ranged from 10.5% to 11.0%. His ECAPM results ranged from 10.9% to 11.4%. His Utility Risk Premium model yielded 10.7%. Finally, his Expected Earnings method produced an 11.1% ROE.

Exhibit AMM-2 also presents Mr. McKenzie's recommended range of 10.0% - 11.0%. This midpoint of this range is 10.5%, which is Mr. McKenzie's ROE recommendation for KPC. KPC's requested ROE in this case of 10.0% is at the low end of Mr. McKenzie's range.

**Q. Please summarize your conclusions with respect to his testimony and return on equity recommendation.**

A. Mr. McKenzie's recommended ROE range is overstated. I will present my critique of his approaches in the following subsections of my testimony.

**DCF Model**

**Q. Briefly summarize Mr. McKenzie's approach to the DCF model.**

A. Mr. McKenzie used several sources of growth rate forecasts, which included IBES, Zacks, and Value Line as well as an estimate of sustainable growth. I agree to some

extent with Mr. McKenzie's use of analysts' forecasts for growth, although I did not use the sustainable growth calculation.

In his Exhibit AMM-5, page 3 Mr. McKenzie adjusted his DCF ROE results by excluding certain company ROE results that in his view were either too low or too high. The excluded low ROE results ranged from 5.9% to 7.5%. The excluded high ROE results ranged from 16.1% to 20.4%. After making these exclusions, his resulting average DCF range was 9.1% to 10.8% and his midpoint DCF range was 9.9% to 11.4%.

**Q. Please comment on Mr. McKenzie's approach to formulating his DCF recommendation to the Commission.**

A. Mr. McKenzie conducted a biased approach in formulating his DCF recommendations. He applied a test for excluding ROE results that, in his view, were too low but also included ROE results that are still very high. Mr. McKenzie excluded ROE estimates above 13.1%, but did not provide any analysis or justification as to why that high end estimate was used. To his credit, Mr. McKenzie did exclude excessive ROE values that I mentioned earlier.

Based on my review of commission-allowed ROEs, one could plausibly argue that ROEs over 11.0% are too high as well. The average commission-allowed ROE for vertically integrated utilities was 9.84% in 2024 and 9.71% for the first nine months of 2025. These recent ROEs are far below 11.0%. My review of commission-allowed ROEs contained in Mr. McKenzie's Exhibit AMM-9 revealed the following:

- 2003 was the last year that allowed ROEs were near 11.0% (10.96%). The average utility bond yield in that year was 6.61%. The current October 2025 average utility bond yield of 5.53% is 108 basis points, or 1.08%, lower.
- The last average commission-allowed return near 12% was in 1992 (12.09%).. In 1992, the average utility bond yield was 8.57%. Compared to the October 2025 utility bond yield of 5.53%, the 1992 yield is 304 basis points, or 3.05% higher than the current yield.

Altogether, Mr. McKenzie excluded eleven ROE results, eight being too low and three being too high. Thirteen ROE results were included that were 11.0% or above.

Rather than simply excluding individual low-end DCF results and keeping implausibly high results, I recommend that the median be used as an alternative measure of central tendency. The median is not affected by extremely high or low ROE results but instead represents the middle value of the data set. If there are concerns about results that are either too high or too low, the median may be used as an additional reference for the investor required ROE. This is the approach I took in my DCF analyses, which uses the proxy group average and median growth rates.

**Q. Did Mr. McKenzie consider forecasted dividend growth from Value Line?**

A. No, he did not. I demonstrated in Section III of my testimony that current consensus analysts' forecasts from S&P Capital IQ and Zacks are unsustainable in the long run. At this time, it is of critical importance to consider and include lower and more

reasonable dividend growth forecasts from Value Line to at least partially offset the excessive earnings growth forecasts from S&P Capital IQ and Zacks. Omitting the Value Line dividend growth forecast and solely relying on earnings growth forecasts will lead to overstated DCF ROE results.

**CAPM and ECAPM**

**Q. Beginning on page 51 of his Direct Testimony, Mr. McKenzie described the Empirical CAPM ("ECAPM") analysis he employed as an alternative to the traditional CAPM. Is this a reasonable method to use to estimate the investor required ROE for KPC?**

A. No. The ECAPM is designed to account for the possibility that the CAPM understates the return on equity for companies with betas less than 1.0. Mr. McKenzie explained the basis for this idea on pages 51 through 53 of his Direct Testimony and how he applied the adjustment to his CAPM data based on the formula included in *New Regulatory Finance* by Dr. Roger Morin.

The argument that an adjustment factor is needed to "correct" the CAPM results for companies with betas less than 1.0 is further evidence of the lack of accuracy inherent in the CAPM itself and with beta in particular, as I pointed out earlier in my Direct Testimony. The ECAPM adjustment also suggests that published betas by such sources as Value Line are incorrect and that investors should not rely on them in formulating their estimates using the CAPM. In fact, Mr. McKenzie testified on page 49, lines 11 through 12 of his Direct Testimony that in his experience Value Line is "the most widely referenced source for beta in

regulatory proceedings." Finally, although Mr. McKenzie cited the source of the ECAPM formula he used, he provided no evidence that investors favor this version of the ECAPM over the standard CAPM.

**Q. Please continue your evaluation of the results of Mr. McKenzie's CAPM and ECAPM analysis.**

A. I disagree with Mr. McKenzie's general formulation of the CAPM and ECAPM and in particular with his estimate of the expected market return. He estimated the market return portion of the CAPM and ECAPM by estimating the current market return for dividend paying stocks in the S&P 500. The market return portion of the CAPM should represent the most comprehensive estimate of the total return for all investment alternatives, not just a small subset of publicly traded stocks that pay dividends. In practice, of course, finding such an estimate is difficult and is one of the thornier problems in estimating an accurate ROE when using the CAPM.

**Q. Did Mr. McKenzie overstate the expected market return component of the CAPM and ECAPM.**

A. In my opinion, he did. A major problem with Mr. McKenzie's CAPM analysis is the sole reliance on a forward-looking market return for the dividend paying firms from the S&P 500. The projected market return of 12.0% is overstated due to reliance on an average projected growth rate of 10.3% that is unsustainable in the long run.

This projected growth rate is unsustainably high in that it vastly exceeds both the historical capital appreciation for the S&P 500 as well as historical and projected GDP growth rates. Kroll's historical analysis shows that the arithmetic

average capital appreciation for the S&P 500 was 7.9% for the historical period 1926 to 2022.[28] Geometric, or compound growth was 6.1%. This historical experience stands in stark contrast to Mr. McKenzie's average forecasted growth rate of 10.3%.

Mr. McKenzie's unsustainable earnings growth forecast is not supportable when one further considers both historical and forecasted GDP growth for the U.S. Based on data from the Bureau of Economic Analysis, U.S. Department of Commerce, I calculated that the compound yearly growth rate for U.S. GDP from 1929 - 2024 was 6.1%. It is noteworthy that this growth rate matched the historical compound growth rate for capital appreciation for the S&P 500 of 6.1%.

Regarding forecasts of GDP, projections that I referenced in Section II of my testimony show even lower forecasted GDP growth than the historical average I calculated. For example, the Fed projections called for longer-run real GDP growth of 1.8% and PCE inflation of 2.0%. This translates into forecasted nominal GDP of 3.80%. The Congressional Budget Office also projects growth in real GDP through 2035 of 1.80% and CPI inflation of 2.0%. If we assume forecasted long run nominal GDP growth of around 4.0%, then the S&P 500 constant growth rate of 10.3% simply cannot be sustained over the long run. Using this growth rate will inevitably lead to an overstatement in the long-run expected market return, the associated MRP, and the CAPM ROE result.

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[28] *Summary Statistics of Annual Total Returns, Income Returns, and Capital Appreciation Returns of Basic U.S. Asset Classes*, 1926 - 2022, Cost of Capital Navigator: U.S. Cost of Capital Module.

I cited sources in the Conclusions and Recommendations portion of Section III that caution against using growth rates in the constant growth DCF model that exceed long-run growth in the economy. Further, in *Cost of Capital*, Pratt and Grabowski noted the following with respect to growth rates that significantly exceed growth in GDP:

> The growth rate assumed in calculating the terminal value is a compound growth rate *in perpetuity*, which is a very long time. At a growth rate of 20% compounded annually, the company's revenues would soon exceed the gross domestic product (GDP) of the United States and eventually that of the world. Long-term growth rates exceeding the real growth in GDP plus inflation are generally not sustainable. Most analysts use more conservative growth rates in calculating the terminal value. Generally, the long-term growth rate only applies to the existing enterprise or core business net cash flows, consistent with the net cash flow projections in the discounted cash flow method . . . . [29]

Since the constant growth DCF requires a sustainable long-run growth rate, Mr. McKenzie's projected market return and MRP estimate are overstated and should be rejected.

**Q. Did Mr. McKenzie consider the MRPs from sources that you presented in your testimony?**

A. No. As I cited earlier in my Direct Testimony, Kroll and KMPG currently recommend an MRP of 5.00%−5.25%, the average of the Damodaran MRPs is 4.18%, and the historical MRPs range from 5.31% to 7.31%. The U.S. MRP was 5.5% from the IESE Business School Survey for 2025. In comparison, Mr. McKenzie only used a single flawed source for his MRP of 7.2%. The weight of

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[29] Shannon Pratt and Roger Grabowski, Cost of Capital 1195 (Wiley, 5th ed.)

the evidence I examined shows that Mr. McKenzie's MRP is near the high end of the range of MRP estimates I presented in my CAPM analyses.

Finally, I note that in the authoritative corporate finance textbook by Brealey, Myers, Allen and Edmans, the authors stated: "We have no official position on the issue, but we believe that a range of 5 to 8 percent is reasonable for the risk premium in the United States."[30] Mr. McKenzie's recommended MRP is near the top of this range.

**Q. Beginning on page 49 of his Direct Testimony, Mr. McKenzie explained that he incorporated a size adjustment to his CAPM and ECAPM results. This increased his average CAPM and ECAPM results by 50 basis points, or 0.50%. Is this size adjustment appropriate?**

A. No. The data that Mr. McKenzie relied upon to make this adjustment came from the Kroll 2024 Decile Size Study Data Exhibits in the Cost of Capital Navigator. The groups of companies from which he took this significant upward adjustment to his CAPM and ECAPM results contain many unregulated companies. Further, all of the size adjustments used by Mr. McKenzie came from decile groups that had average betas ranging from 0.92 to 1.18[31]. These betas are significantly greater than my proxy group average beta of 0.73, indicating that the decile groups that Mr. McKenzie used to make his size adjustments are riskier, at least as measured by beta. There is no evidence I am aware of to suggest that the size premium used by

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[30] Richard A. Brealey, Stewart C. Myers, Franklin Allen and Alex Edmans, *Principles of Corporate Finance*, page 189; McGraw-Hill/Irwin, 14th Edition, 2023.

[31] Kroll, *CRSP Deciles Size Study Data*, Cost of Capital Navigator.

Mr. McKenzie applies to regulated utility companies, which on average are quite different from the group of companies included in the Kroll research on size premiums. I recommend that the Commission reject Mr. McKenzie's size premium in the CAPM and ECAPM ROE.

**Q. Has the Commission rejected size adjustments in the past?**

A. Yes. Recently, in its Order in Case No. 2024-00354 the Commission stated that "it continues to reject the use of … flotation cost adjustments, financial risk adjustments and size adjustments in the ROE analyses."[32]

**Q. On page 51, lines 3 through 7 of his Direct Testimony Mr. McKenzie distinguished his CAPM size adjustment from a "general size risk premium" applied to KPC based on its relative size. Please comment on this distinction.**

A. I agree that Mr. McKenzie did not make an explicit size adjustment to his recommended ROE for KPC based on its size relative to the proxy group. Nevertheless, my critique of size adjustments still stands. His CAPM size adjustment is still based on the relative size of the companies in the proxy group which in turn raises his CAPM and ECAPM ROEs for KPC and, thus, should be rejected by the Commission.

**Utility Risk Premium**

**Q. Please summarize Mr. McKenzie's utility risk premium approach.**

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[32] Case No. 2024-00354, October 2, 2025, Duke Energy Kentucky, Inc., page 51.

A. Mr. McKenzie developed an historical risk premium using Commission-allowed returns for regulated utility companies from 1974 through 2024. He also used regression analysis to estimate the value of the inverse relationship between utility bond yields and risk premiums during that period. The results of this analysis are summarized on page 1 of Exhibit AMM-9. Mr. McKenzie added the adjusted risk premium of 4.68% to the average Baa utility bond yield of 6.06% to obtain the utility risk premium ROE of 10.74%.

**Q. Please respond to Mr. McKenzie's risk premium analysis.**

A. Generally, the bond yield plus risk premium approach is imprecise and can only provide very general guidance on the current authorized ROE for a regulated electric utility. Risk premiums can change substantially over time and with varying risk perceptions of investors. As such, this approach is a "blunt instrument", if you will, for estimating the ROE in regulated proceedings. In my view, a properly formulated DCF model using current stock prices and growth forecasts is far more reliable and accurate than the bond yield plus risk premium approach, which relies on an historical risk premium analysis over a certain period of time.

This analysis also assumes that investor required ROEs are deterministically based on average commission-allowed ROEs and the risk premium relationship posited by Mr. McKenzie's regression analysis. Mr. McKenzie presented no evidence that investors in public utility stocks adopt this mechanistic approach to their expected returns.

Finally, I tested Mr. McKenzie's analysis to see how his risk premium equation matched up with actual historical ROE results. For 2024, the average

commission-allowed ROE was 9.78% according to the data Mr. McKenzie presented on AMM-9, page 2. The average utility bond yield for 2024 was 5.57%. Using Mr. McKenzie's formula shown on Exhibit AMM-9, page 1, the predicted risk premium ROE is shown on Table 3.

**Table 3**
**2024 Predicted Risk Premium ROE**

| | | |
|---|---|---|
| 1 | Avg. Yield over Study Period | 7.74% |
| 2 | Average 2024 Utility Bond Yield | 5.57% |
| 3 | Change in Bond Yield (Line 2 minus Line 1) | -2.17% |
| 4 | Risk Premium/Interest Rate Relationship | -0.4212 |
| 5 | Adjustment to Average Risk Premium (Line 4 times Line 3) | 0.91% |
| 6 | Average Risk Premium over Study Period | 3.90% |
| 7 | Adjusted Risk Premium (Line 6 plus Line 5) | 4.81% |
| 8 | Average 2024 Utility Bond Yield | 5.57% |
| 9 | Adjusted Equity Risk Premium | 4.81% |
| 10 | Predicted Risk Premium ROE (Line 8 plus Line 9) | 10.38% |

Mr. McKenzie's predicted 2024 ROE is 10.38% compared to the actual 2024 average ROE of 9.78%, an excess ROE of 60 basis points, or 0.60%. Obviously, applying Mr. McKenzie's formula could result in highly inaccurate and inflated ROEs.

## Expected Earnings Approach

**Q. Beginning on page 56 of his Direct Testimony, Mr. McKenzie presented an expected earnings approach based on expected returns on equity using Value Line's rates of return on common equity for the companies in the proxy group over its forecast horizon. Is this a reasonable method for estimating the current required return on equity in this proceeding?**

A. No. Forecasted returns from Value Line will not be as reliable or as accurate as a properly specified DCF analysis using current stock prices. Through current stock prices, investors reveal their return requirements through what they are willing to pay in the marketplace for the stocks of regulated electric utilities. Using Value Line's projected returns for a time period several years into the future is highly speculative and I recommend that the Commission give this approach no weight.

In addition, Mr. McKenzie overstated the forecasted returns from Value Line by making an adjustment to the average shares outstanding over the forecast period. It should be kept in mind that Value Line's three-year forecasted period already represents an average of shares and ROEs over the period, rendering Mr. McKenzie's share adjustment both unnecessary and incorrect. Further, it is highly unlikely that an investor using Value Line's data would make the adjustment to each utility's forecasted common shares outstanding that Mr. McKenzie proposed in order to calculate a projected ROE. Subtracting out Mr. McKenzie's adjustment results in an average forecasted ROE of 10.8%. However, this number is still grossly in excess of the more reasonable and market based DCF results I presented earlier in my Direct Testimony. It also significantly exceeds the results from my CAPM analyses as well as average commission-allowed ROEs so far in 2025.

**Flotation Costs**

**Q. Beginning on page 59 of his Direct Testimony, Mr. McKenzie presented arguments in favor of a flotation cost adjustment, although he did not explicitly add flotation costs to his ROE recommendation. Should the**

**Commission consider including a flotation cost adjustment to KPC's allowed ROE in this proceeding?**

A. No. A flotation cost adjustment attempts to recognize and collect the costs of issuing common stock. Such costs typically include legal, accounting, and printing costs as well as well as broker fees and discounts.

In my opinion, it is likely that flotation costs are already accounted for in current stock prices and that adding an adjustment for flotation costs amounts to double counting. A DCF model using current stock prices should already account for investor expectations regarding the collection of flotation costs. Multiplying the dividend yield by a 4% flotation cost adjustment, for example, essentially assumes that the current stock price is wrong and that it must be adjusted downward to increase the dividend yield and the resulting cost of equity. This is an appropriate assumption regarding investor expectations. Current stock prices most likely already account for flotation costs, to the extent that such costs are even accounted for by investors.

Finally, as I stated earlier the Commission has rejected flotation cost adjustments in the past. Mr. McKenzie presented no new information in his Direct Testimony that would change this practice.

**Non-Utility Benchmark**

**Q. Beginning of page 63 of his Direct Testimony, Mr. McKenzie presented the results of a low-risk non-utility DCF model. Is it appropriate to use a group of unregulated companies to estimate a fair return on equity for KPC?**

A. No. Mr. McKenzie's use of unregulated non-utility companies to estimate a fair rate of return for KPC is completely inappropriate and should be rejected by the Commission.

Utilities have protected markets, e.g. service territories, and may increase the prices they charge in the face of falling demand or loss of customers. This is contrary to competitive, unregulated companies who often lower their prices when demand for their products decline. Obviously, the non-utility companies face risks that a lower risk electric company like KPC does not face. As a consequence, non-utility companies will likely have higher required returns from their shareholders. The average DCF results for Mr. McKenzie's non-utility group range from 10.1% - 10.5%. The midpoint results range from 11.4% - 11.7%. The midpoint results and the top end of the average ROE results are higher than my proxy group DCF results and higher than my average and midpoint CAPM results as well.

In addition, Mr. McKenzie also applied filters to screen out ROE results that he considered to be too low or too high. Indeed, Mr. McKenzie eliminated 35 ROE results from his non-utility benchmark ROE analysis. Including all of his ROE results increases the group average ROE range to 10.8% to 11.8%.

Although Mr. McKenzie stated that he did not directly consider the non-utility group DCF results in arriving at his recommended ROE range, he stated that it was "a relevant consideration in evaluating a fair return for the Company's electric utility operations."[33] I disagree. The relevant consideration should be the

[33] McKenzie Direct Testimony, page 63, lines 9 – 13.

DCF and CAPM results for the proxy group that I employed in my analysis.

**Q. Does this complete your Direct Testimony?**

A. Yes.

**COMMONWEALTH OF KENTUCKY**
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

| | | |
|---|---|---|
| **ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) APPROVALS OF TARIFFS AND RIDERS; (3) APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS; AND (4) ALL OTHER REQUIRED APPROVALS AND RELIEF** | ) | **CASE NO. 2025-00257** |

# EXHIBITS

# OF

# RICHARD A. BAUDINO

**ON BEHALF OF THE**
**OFFICE OF THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY AND KENTUCKY INDUSTRIAL UTILITY CUSTOMERS**

**J. KENNEDY AND ASSOCIATES, INC.**
**ROSWELL, GEORGIA**

**NOVEMBER 17, 2025**

# RESUME OF RICHARD A. BAUDINO

## EDUCATION

**New Mexico State University, M.A.**
Major in Economics
Minor in Statistics

**New Mexico State University, B.A.**
Economics
English

Forty-two years of experience in utility ratemaking and the application of principles of economics to the regulation of electric, gas, and water utilities. Broad based experience in revenue requirement analysis, cost of capital, rate of return, cost and revenue allocation, and rate design.

## REGULATORY TESTIMONY

Preparation and presentation of expert testimony in the areas of:

Cost of Capital for Electric, Gas and Water Companies
Electric, Gas, and Water Utility Cost Allocation and Rate Design
Revenue Requirements
Gas and Electric industry restructuring and competition
Fuel cost auditing
Ratemaking Treatment of Generating Plant Sale/Leasebacks

# RESUME OF RICHARD A. BAUDINO

## EXPERIENCE

**1989 to Present:** **Kennedy and Associates: Director of Consulting, Consultant** - Responsible for consulting assignments in revenue requirements, rate design, cost of capital, economic analysis of generation alternatives, electric and gas industry restructuring/competition and water utility issues.

**1982 to 1989:** **New Mexico Public Service Commission Staff: Utility Economist** - Responsible for preparation of analysis and expert testimony in the areas of rate of return, cost allocation, rate design, finance, phase-in of electric generating plants, and sale/leaseback transactions.

## CLIENTS SERVED

### Regulatory Commissions

Louisiana Public Service Commission
Georgia Public Service Commission
New Mexico Public Service Commission

### Other Clients and Client Groups

Ad Hoc Committee for a Competitive Electric Supply System
Air Products and Chemicals, Inc.
Arkansas Electric Energy Consumers
Arkansas Gas Consumers
AK Steel
Armco Steel Company, L.P.
Aqua Large Users Group
Assn. of Business Advocating Tariff Equity
Atmos Cities Steering Committee
Canadian Federation of Independent Businesses
CF&I Steel, L.P.
Cities of Midland, McAllen, and Colorado City
Cities Served by Texas-New Mexico Power Co.
Cities Served by AEP Texas
City of New York
Climax Molybdenum Company
Connecticut Industrial Energy Consumers
Crescent City Power Users Group
Cripple Creek & Victor Gold Mining Co.
Dearborn Industrial Generation, LLC
General Electric Company
Holcim (U.S.) Inc.
IBM Corporation
Industrial Energy Consumers
Kentucky Industrial Utility Consumers
Kentucky Office of the Attorney General
Lexington-Fayette Urban County Government
Large Electric Consumers Organization
Newport Steel
North Carolina Attorney General's Office
Northwest Arkansas Gas Consumers
Maryland Energy Group
Occidental Chemical
Peoples Industrial Intervenors
PSI Industrial Group
Large Power Intervenors (Minnesota)
Tyson Foods
West Virginia Energy Users Group
The Commercial Group
Wisconsin Industrial Energy Group
South Florida Hospital and Health Care Assn.
PP&L Industrial Customer Alliance
Philadelphia Area Industrial Energy Users Gp.
Philadelphia Large Users Group
West Penn Power Intervenors
Duquesne Industrial Intervenors
Met-Ed Industrial Users Gp.
Penelec Industrial Customer Alliance
Penn Power Users Group
Columbia Industrial Intervenors
U.S. Steel & Univ. of Pittsburg Medical Ctr.
Multiple Intervenors
Maine Office of Public Advocate
Missouri Office of Public Counsel
University of Massachusetts - Amherst
WCF Hospital Utility Alliance
West Travis County Public Utility Agency
Steering Committee of Cities Served by Oncor
Steering Committee of Cities Served by CoServ Gas, Ltd.
Utah Office of Consumer Services
Healthcare Council of the National Capital Area
Vermont Department of Public Service
South Carolina Office of Regulatory Staff
Texas Industrial Energy Consumers

**Expert Testimony Appearances**
**of**
**Richard A. Baudino**
**As of November 2025**

| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 10/83 | 1803, 1817 | NM | New Mexico Public Service Commission | Southwestern Electric Coop. | Rate design. |
| 11/84 | 1833 | NM | New Mexico Public Service Commission Palo Verde | El Paso Electric Co. | Service contract approval, rate design, performance standards for nuclear generating system |
| 1983 | 1835 | NM | New Mexico Public Service Commission | Public Service Co. of NM | Rate design. |
| 1984 | 1848 | NM | New Mexico Public Service Commission | Sangre de Cristo Water Co. | Rate design. |
| 02/85 | 1906 | NM | New Mexico Public Service Commission | Southwestern Public Service Co. | Rate of return. |
| 09/85 | 1907 | NM | New Mexico Public Service Commission | Jornada Water Co. | Rate of return. |
| 11/85 | 1957 | NM | New Mexico Public Service Commission | Southwestern Public Service Co. | Rate of return. |
| 04/86 | 2009 | NM | New Mexico Public Service Commission | El Paso Electric Co. | Phase-in plan, treatment of sale/leaseback expense. |
| 06/86 | 2032 | NM | New Mexico Public Service Commission | El Paso Electric Co. | Sale/leaseback approval. |
| 09/86 | 2033 | NM | New Mexico Public Service Commission | El Paso Electric Co. | Order to show cause, PVNGS audit. |
| 02/87 | 2074 | NM | New Mexico Public Service Commission | El Paso Electric Co. | Diversification. |
| 05/87 | 2089 | NM | New Mexico Public Service Commission | El Paso Electric Co. | Fuel factor adjustment. |
| 08/87 | 2092 | NM | New Mexico Public Service Commission | El Paso Electric Co. | Rate design. |
| 10/87 | 2146 | NM | New Mexico Public Service Commission | Public Service Co. of New Mexico | Financial effects of restructuring, reorganization. |
| 07/88 | 2162 | NM | New Mexico Public Service Commission | El Paso Electric Co. | Revenue requirements, rate design, rate of return. |

**Expert Testimony Appearances**
**of**
**Richard A. Baudino**
**As of November 2025**

| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 01/89 | 2194 | NM | New Mexico Public Service Commission | Plains Electric G&T Cooperative | Economic development. |
| 1/89 | 2253 | NM | New Mexico Public Service Commission | Plains Electric G&T Cooperative | Financing. |
| 08/89 | 2259 | NM | New Mexico Public Service Commission | Homestead Water Co. | Rate of return, rate design. |
| 10/89 | 2262 | NM | New Mexico Public Service Commission | Public Service Co. of New Mexico | Rate of return. |
| 09/89 | 2269 | NM | New Mexico Public Service Commission | Ruidoso Natural Gas Co. | Rate of return, expense from affiliated interest. |
| 12/89 | 89-208-TF | AR | Arkansas Electric Energy Consumers | Arkansas Power & Light Co. | Rider M-33. |
| 01/90 | U-17282 | LA | Louisiana Public Service Commission | Gulf States Utilities | Cost of equity. |
| 09/90 | 90-158 | KY | Kentucky Industrial Utility Consumers | Louisville Gas & Electric Co. | Cost of equity. |
| 09/90 | 90-004-U | AR | Northwest Arkansas Gas Consumers | Arkansas Western Gas Co. | Cost of equity, transportation rate. |
| 12/90 | U-17282 Phase IV | LA | Louisiana Public Service Commission | Gulf States Utilities | Cost of equity. |
| 04/91 | 91-037-U | AR | Northwest Arkansas Gas Consumers | Arkansas Western Gas Co. | Transportation rates. |
| 12/91 | 91-410-EL-AIR | OH | Air Products & Chemicals, Inc., Armco Steel Co., General Electric Co., Industrial Energy Consumers | Cincinnati Gas & Electric Co. | Cost of equity. |
| 05/92 | 910890-EI | FL | Occidental Chemical Corp. | Florida Power Corp. | Cost of equity, rate of return. |
| 09/92 | 92-032-U | AR | Arkansas Gas Consumers | Arkansas Louisiana Gas Co. | Cost of equity, rate of return, cost-of-service. |
| 09/92 | 39314 | ID | Industrial Consumers for Fair Utility Rates | Indiana Michigan Power Co. | Cost of equity, rate of return. |

**Expert Testimony Appearances**
**of**
**Richard A. Baudino**
**As of November 2025**

| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 09/92 | 92-009-U | AR | Tyson Foods | General Waterworks | Cost allocation, rate design. |
| 01/93 | 92-346 | KY | Newport Steel Co. | Union Light, Heat & Power Co. | Cost allocation. |
| 01/93 | 39498 | IN | PSI Industrial Group | PSI Energy | Refund allocation. |
| 01/93 | U-10105 | MI | Association of Businesses Advocating Tariff Equality (ABATE) | Michigan Consolidated Gas Co. | Return on equity. |
| 04/93 | 92-1464-EL-AIR | OH | Air Products and Chemicals, Inc., Armco Steel Co., Industrial Energy Consumers | Cincinnati Gas & Electric Co. | Return on equity. |
| 09/93 | 93-189-U | AR | Arkansas Gas Consumers | Arkansas Louisiana Gas Co. | Transportation service terms and conditions. |
| 09/93 | 93-081-U | AR | Arkansas Gas Consumers | Arkansas Louisiana Gas Co. | Cost-of-service, transportation rates, rate supplements; return on equity; revenue requirements. |
| 12/93 | U-17735 | LA | Louisiana Public Service Commission Staff | Cajun Electric Power Cooperative | Historical reviews; evaluation of economic studies. |
| 03/94 | 10320 | KY | Kentucky Industrial Utility Customers | Louisville Gas & Electric Co. | Trimble County CWIP revenue refund. |
| 4/94 | E-015/ GR-94-001 | MN | Large Power Intervenors | Minnesota Power Co. | Evaluation of the cost of equity, capital structure, and rate of return. |
| 5/94 | R-00942993 | PA | PG&W Industrial Intervenors | Pennsylvania Gas & Water Co. | Analysis of recovery of transition costs. |
| 5/94 | R-00943001 | PA | Columbia Industrial Intervenors | Columbia Gas of Pennsylvania charge proposals. | Evaluation of cost allocation, rate design, rate plan, and carrying |
| 7/94 | R-00942986 | PA | Armco, Inc., West Penn Power Industrial Intervenors | West Penn Power Co. | Return on equity and rate of return. |
| 7/94 | 94-0035-E-42T | WV | West Virginia Energy Users' Group | Monongahela Power Co. | Return on equity and rate of return. |

**Expert Testimony Appearances**
**of**
**Richard A. Baudino**
**As of November 2025**

| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 8/94 | 8652 | MD | Westvaco Corp. Co. | Potomac Edison | Return on equity and rate of return. |
| 9/94 | 930357-C | AR | West Central Arkansas Gas Consumers | Arkansas Oklahoma Gas Corp. | Evaluation of transportation service. |
| 9/94 | U-19904 | LA | Louisiana Public Service Commission | Gulf States Utilities | Return on equity. |
| 9/94 | 8629 | MD | Maryland Industrial Group | Baltimore Gas & Electric Co. | Transition costs. |
| 11/94 | 94-175-U | AR | Arkansas Gas Consumers | Arkla, Inc. | Cost-of-service, rate design, rate of return. |
| 3/95 | RP94-343-000 | FERC | Arkansas Gas Consumers | NorAm Gas Transmission | Rate of return. |
| 4/95 | R-00943271 | PA | PP&L Industrial Customer Alliance | Pennsylvania Power & Light Co. | Return on equity. |
| 6/95 | U-10755 | MI | Association of Businesses Advocating Tariff Equity | Consumers Power Co. | Revenue requirements. |
| 7/95 | 8697 | MD | Maryland Industrial Group | Baltimore Gas & Electric Co. | Cost allocation and rate design. |
| 8/95 | 95-254-TF U-2811 | AR | Tyson Foods, Inc. | Southwest Arkansas Electric Cooperative | Refund allocation. |
| 10/95 | ER95-1042 -000 | FERC | Louisiana Public Service Commission | Systems Energy Resources, Inc. | Return on Equity. |
| 11/95 | I-940032 | PA | Industrial Energy Consumers of Pennsylvania | State-wide - all utilities | Investigation into Electric Power Competition. |
| 5/96 | 96-030-U | AR | Northwest Arkansas Gas Consumers | Arkansas Western Gas Co. | Revenue requirements, rate of return and cost of service. |
| 7/96 | 8725 | MD | Maryland Industrial Group | Baltimore Gas & Electric Co.,Potomac Electric Power Co. and Constellation Energy Corp. | Return on Equity. |
| 7/96 | U-21496 | LA | Louisiana Public Service Commission | Central Louisiana Electric Co. | Return on equity, rate of return. |
| 9/96 | U-22092 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Return on equity. |

**Expert Testimony Appearances**
**of**
**Richard A. Baudino**
**As of November 2025**

| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 1/97 | RP96-199-000 | FERC | The Industrial Gas Users Conference | Mississippi River Transmission Corp. | Revenue requirements, rate of return and cost of service. |
| 3/97 | 96-420-U | AR | West Central Arkansas Gas Corp. | Arkansas Oklahoma Gas Corp. | Revenue requirements, rate of return, cost of service and rate design. |
| 7/97 | U-11220 | MI | Association of Business Advocating Tariff Equity | Michigan Gas Co. and Southeastern Michigan Gas Co. | Transportation Balancing Provisions. |
| 7/97 | R-00973944 | PA | Pennsylvania American Water Large Users Group | Pennsylvania-American Water Co. | Rate of return, cost of service, revenue requirements. |
| 3/98 | 8390-U | GA | Georgia Natural Gas Group and the Georgia Textile Manufacturers Assoc. | Atlanta Gas Light | Rate of return, restructuring issues, unbundling, rate design issues. |
| 7/98 | R-00984280 | PA | PG Energy, Inc. Intervenors | PGE Industrial | Cost allocation. |
| 8/98 | U-17735 | LA | Louisiana Public Service Commission | Cajun Electric Power Cooperative | Revenue requirements. |
| 10/98 | 97-596 | ME | Maine Office of the Public Advocate | Bangor Hydro-Electric Co. | Return on equity, rate of return. |
| 10/98 | U-23327 | LA | Louisiana Public Service Commission | SWEPCO, CSW and AEP | Analysis of proposed merger. |
| 12/98 | 98-577 | ME | Maine Office of the Public Advocate | Maine Public Service Co. | Return on equity, rate of return. |
| 12/98 | U-23358 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Return on equity, rate of return. |
| 3/99 | 98-426 | KY | Kentucky Industrial Utility Customers, Inc. | Louisville Gas and Electric Co | Return on equity. |
| 3/99 | 99-082 | KY | Kentucky Industrial Utility Customers, Inc. | Kentucky Utilities Co. | Return on equity. |
| 4/99 | R-984554 | PA | T. W. Phillips Users Group | T. W. Phillips Gas and Oil Co. | Allocation of purchased gas costs. |
| 6/99 | R-0099462 | PA | Columbia Industrial Intervenors | Columbia Gas of Pennsylvania | Balancing charges. |
| 10/99 | U-24182 | LA | Louisiana Public Service Commission | Entergy Gulf States,Inc. | Cost of debt. |

**Expert Testimony Appearances**
**of**
**Richard A. Baudino**
**As of November 2025**

| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 10/99 | R-00994782 | PA | Peoples Industrial Intervenors | Peoples Natural Gas Co. | Restructuring issues. |
| 10/99 | R-00994781 | PA | Columbia Industrial Intervenors | Columbia Gas of Pennsylvania | Restructuring, balancing charges, rate flexing, alternate fuel. |
| 01/00 | R-00994786 | PA | UGI Industrial Intervenors | UGI Utilities, Inc. | Universal service costs, balancing, penalty charges, capacity Assignment. |
| 01/00 | 8829 | MD | Maryland Industrial Gr. | Baltimore Gas & Electric Co. | Revenue requirements, cost allocation, rate design. |
| 02/00 | R-00994788 | PA | Penn Fuel Transportation | PFG Gas, Inc., and | Tariff charges, balancing provisions. |
| 05/00 | U-17735 | LA | Louisiana Public Service Comm. | Louisiana Electric Cooperative | Rate restructuring. |
| 07/00 | 2000-080 | KY | Kentucky Industrial Utility Consumers | Louisville Gas and Electric Co. | Cost allocation. |
| 07/00 | U-21453 U-20925 (SC), U-22092 (SC) (Subdocket E) | LA | Louisiana Public Service Commission | Southwestern Electric Power Co. | Stranded cost analysis. |
| 09/00 | R-00005654 | PA | Philadelphia Industrial And Commercial Gas Users Group. | Philadelphia Gas Works | Interim relief analysis. |
| 10/00 | U-21453 U-20925 (SC), U-22092 (SC) (Subdocket B) | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Restructuring, Business Separation Plan. |
| 11/00 | R-00005277 (Rebuttal) | PA | Penn Fuel Transportation Customers | PFG Gas, Inc. and North Penn Gas Co. | Cost allocation issues. |
| 12/00 | U-24993 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Return on equity. |
| 03/01 | U-22092 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Stranded cost analysis. |
| 04/01 | U-21453 U-20925 (SC), U-22092 (SC) (Subdocket B) (Addressing Contested Issues) | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Restructuring issues. |

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| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 04/01 | R-00006042 | PA | Philadelphia Industrial and Commercial Gas Users Group | Philadelphia Gas Works | Revenue requirements, cost allocation and tariff issues. |
| 11/01 | U-25687 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Return on equity. |
| 03/02 | 14311-U | GA | Georgia Public Service Commission | Atlanta Gas Light | Capital structure. |
| 08/02 | 2002-00145 | KY | Kentucky Industrial Utility Customers | Columbia Gas of Kentucky | Revenue requirements. |
| 09/02 | M-00021612 | PA | Philadelphia Industrial And Commercial Gas Users Group | Philadelphia Gas Works | Transportation rates, terms, and conditions. |
| 01/03 | 2002-00169 | KY | Kentucky Industrial Utility Customers | Kentucky Power | Return on equity. |
| 02/03 | 02S-594E | CO | Cripple Creek & Victor Gold Mining Company | Aquila Networks – WPC | Return on equity. |
| 04/03 | U-26527 | LA | Louisiana Public Service Commission | Entergy Gulf States, Inc. | Return on equity. |
| 10/03 | CV020495AB | GA | The Landings Assn., Inc. | Utilities Inc. of GA | Revenue requirement & overcharge refund |
| 03/04 | 2003-00433 | KY | Kentucky Industrial Utility Customers | Louisville Gas & Electric | Return on equity, Cost allocation & rate design |
| 03/04 | 2003-00434 | KY | Kentucky Industrial Utility Customers | Kentucky Utilities | Return on equity |
| 4/04 | 04S-035E | CO | Cripple Creek & Victor Gold Mining Company, Goodrich Corp., Holcim (U.S.) Inc., and The Trane Co. | Aquila Networks – WPC | Return on equity. |
| 9/04 | U-23327, Subdocket B | LA | Louisiana Public Service Commission | Southwestern Electric Power Company | Fuel cost review |
| 10/04 | U-23327 Subdocket A | LA | Louisiana Public Service Commission | Southwestern Electric Power Company | Return on Equity |
| 06/05 | 050045-EI | FL | South Florida Hospital and Health Care Assoc. | Florida Power & Light Co. | Return on equity |
| 08/05 | 9036 | MD | Maryland Industrial Group | Baltimore Gas & Electric Co. | Revenue requirement, cost allocation, rate design, Tariff issues. |
| 01/06 | 2005-0034 | KY | Kentucky Industrial Utility Customers, Inc. | Kentucky Power Co. | Return on equity. |

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|---|---|---|---|---|---|
| 03/06 | 05-1278-E-PC-PW-42T | WV | West Virginia Energy Users Group | Appalachian Power Company | Return on equity. |
| 04/06 | U-25116 Commission | LA | Louisiana Public Service | Entergy Louisiana, LLC | Transmission Issues |
| 07/06 | U-23327 Commission | LA | Louisiana Public Service | Southwestern Electric Power Company | Return on equity, Service quality |
| 08/06 | ER-2006-0314 | MO | Missouri Office of the Public Counsel | Kansas City Power & Light Co. | Return on equity, Weighted cost of capital |
| 08/06 | 06S-234EG | CO | CF&I Steel, L.P. & Climax Molybdenum | Public Service Company of Colorado | Return on equity, Weighted cost of capital |
| 01/07 | 06-0960-E-42T | WV | West Virginia Energy Users Group | Monongahela Power & Potomac Edison | Return on Equity |
| 01/07 | 43112 | AK | AK Steel, Inc. | Vectren South, Inc. | Cost allocation, rate design |
| 05/07 | 2006-661 | ME | Maine Office of the Public Advocate | Bangor Hydro-Electric | Return on equity, weighted cost of capital. |
| 09/07 | 07-07-01 | CT | Connecticut Industrial Energy Consumers | Connecticut Light & Power | Return on equity, weighted cost of capital |
| 10/07 | 05-UR-103 | WI | Wisconsin Industrial Energy Group, Inc. | Wisconsin Electric Power Co. | Return on equity |
| 11/07 | 29797 | LA | Louisiana Public Service Commission | Cleco Power :LLC & Southwestern Electric Power | Lignite Pricing, support of settlement |
| 01/08 | 07-551-EL-AIR | OH | Ohio Energy Group | Ohio Edison, Cleveland Electric, Toledo Edison | Return on equity |
| 03/08 | 07-0585, 07-0585, 07-0587, 07-0588, 07-0589, 07-0590, (consol.) | IL | The Commercial Group | Ameren | Cost allocation, rate design |
| 04/08 | 07-0566 | IL | The Commercial Group | Commonwealth Edison | Cost allocation, rate design |
| 06/08 | R-2008-2011621 | PA | Columbia Industrial Intervenors | Columbia Gas of PA | Cost and revenue allocation, Tariff issues |

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|---|---|---|---|---|---|
| 07/08 | R-2008-2028394 | PA | Philadelphia Area Industrial Energy Users Group | PECO Energy | Cost and revenue allocation, Tariff issues |
| 07/08 | R-2008-2039634 | PA | PPL Gas Large Users Group | PPL Gas | Retainage, LUFG Pct. |
| 08/08 | 6680-UR-116 | WI | Wisconsin Industrial Energy Group | Wisconsin P&L | Cost of Equity |
| 08/08 | 6690-UR-119 | WI | Wisconsin Industrial Energy Group | Wisconsin PS | Cost of Equity |
| 09/08 | ER-2008-0318 | MO | The Commercial Group | AmerenUE | Cost and revenue allocation |
| 10/08 | R-2008-2029325 | PA | U.S. Steel & Univ. of Pittsburgh Med. Ctr. | Equitable Gas Co. | Cost and revenue allocation |
| 10/08 | 08-G-0609 | NY | Multiple Intervenors | Niagara Mohawk Power | Cost and Revenue allocation |
| 12/08 | 27800-U | GA | Georgia Public Service Commission | Georgia Power Company | CWIP/AFUDC issues, Review financial projections |
| 03/09 | ER08-1056 | FERC | Louisiana Public Service Commission | Entergy Services, Inc. | Capital Structure |
| 04/09 | E002/GR-08-1065 | MN | The Commercial Group | Northern States Power | Cost and revenue allocation and rate design |
| 05/09 | 08-0532 | IL | The Commercial Group | Commonwealth Edison | Cost and revenue allocation |
| 07/09 | 080677-EI | FL | South Florida Hospital and Health Care Association | Florida Power & Light | Cost of equity, capital structure, Cost of short-term debt |
| 07/09 | U-30975 | LA | Louisiana Public Service Commission | Cleco LLC, Southwestern Public Service Co. | Lignite mine purchase |
| 10/09 | 4220-UR-116 | WI | Wisconsin Industrial Energy Group | Northern States Power | Class cost of service, rate design |
| 10/09 | M-2009-2123945 | PA | PP&L Industrial Customer Alliance | PPL Electric Utilities | Smart Meter Plan cost allocation |
| 10/09 | M-2009-2123944 | PA | Philadelphia Area Industrial Energy Users Group | PECO Energy Company | Smart Meter Plan cost allocation |
| 10/09 | M-2009-2123951 | PA | West Penn Power Industrial Intervenors | West Penn Power | Smart Meter Plan cost allocation |
| 11/09 | M-2009-2123948 | PA | Duquesne Industrial Intervenors | Duquesne Light Company | Smart Meter Plan cost allocation |

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|---|---|---|---|---|---|
| 11/09 | M-2009-2123950 | PA | Met-Ed Industrial Users Group Penelec Industrial Customer Alliance, Penn Power Users Group | Metropolitan Edison, Pennsylvania Electric Co., Pennsylvania Power Co. | Smart Meter Plan cost allocation |
| 03/10 | 09-1352-E-42T | WV | West Virginia Energy Users Group | Monongahela Power | Return on equity, rate of return Potomac Edison |
| 03/10 | E015/GR-09-1151 | MN | Large Power Intervenors | Minnesota Power | Return on equity, rate of return |
| 04/10 | 2009-00459 | KY | Kentucky Industrial Utility Consumers | Kentucky Power | Return on equity |
| 04/10 | 2009-00548 2009-00549 | KY | Kentucky Industrial Utility Consumers | Louisville Gas and Electric, Kentucky Utilities | Return on equity. |
| 05/10 | 10-0261-E-GI | WV | West Virginia Energy Users Group | Appalachian Power Co./ Wheeling Power Co. | EE/DR Cost Recovery, Allocation, & Rate Design |
| 05/10 | R-2009-2149262 | PA | Columbia Industrial Intervenors | Columbia Gas of PA | Class cost of service & cost allocation |
| 06/10 | 2010-00036 | KY | Lexington-Fayette Urban County Government | Kentucky American Water Company | Return on equity, rate of return, revenue requirements |
| 06/10 | R-2010-2161694 | PA | PP&L Industrial Customer Alliance | PPL Electric Utilities | Rate design, cost allocation |
| 07/10 | R-2010-2161575 | PA | Philadelphia Area Industrial Energy Users Group | PECO Energy Co. | Return on equity |
| 07/10 | R-2010-2161592 | PA | Philadelphia Area Industrial Energy Users Group | PECO Energy Co. | Cost and revenue allocation |
| 07/10 | 9230 | MD | Maryland Energy Group | Baltimore Gas and Electric | Electric and gas cost and revenue allocation; return on equity |
| 09/10 | 10-70 | MA | University of Massachusetts-Amherst | Western Massachusetts Electric Co. | Cost allocation and rate design |
| 10/10 | R-2010-2179522 | PA | Duquesne Industrial Intervenors | Duquesne Light Company | Cost and revenue allocation, rate design |
| 11/10 | P-2010-2158084 | PA | West Penn Power Industrial Intervenors | West Penn Power Co. | Transmission rate design |
| 11/10 | 10-0699-E-42T | WV | West Virginia Energy Users Group | Appalachian Power Co. & Wheeling Power Co. | Return on equity, rate of Return |
| 11/10 | 10-0467 | IL | The Commercial Group | Commonwealth Edison | Cost and revenue allocation and rate design |

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| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 04/11 | R-2010-2214415 | PA | Central Pen Gas Large Users Group | UGI Central Penn Gas, Inc. | Tariff issues, revenue allocation |
| 07/11 | R-2011-2239263 | PA | Philadelphia Area Energy Users Group | PECO Energy | Retainage rate |
| 08/11 | R-2011-2232243 | PA | AK Steel | Pennsylvania-American Water Company | Rate Design |
| 08/11 | 11AL-151G | CO | Climax Molybdenum | PS of Colorado | Cost allocation |
| 09/11 | 11-G-0280 | NY | Multiple Intervenors | Corning Natural Gas Co. | Cost and revenue allocation |
| 10/11 | 4220-UR-117 | WI | Wisconsin Industrial Energy Group | Northern States Power | Cost and revenue allocation, rate design |
| 02/12 | 11AL-947E | CO | Climax Molybdenum, CF&I Steel | Public Service Company of Colorado | Return on equity, weighted cost of capital |
| 07/12 | 120015-EI | FL | South Florida Hospitals and Health Care Association | Florida Power and Light Co, | Return on equity, weighted cost of capital |
| 07/12 | 12-0613-E-PC | WV | West Virginia Energy Users Group | American Electric Power/APCo | Special rate proposal for Century Aluminum |
| 07/12 | R-2012-2290597 | PA | PP&L Industrial Customer Alliance | PPL Electric Utilities Corp. | Cost allocation |
| 09/12 | 05-UR-106 | WI | Wisconsin Industrial Energy Group | Wisconsin Electric Power Co. | Class cost of service, cost and revenue allocation, rate design |
| 09/12 | 2012-00221<br>2012-00222 | KY | Kentucky Industrial Utility Consumers | Louisville Gas and Electric, Kentucky Utilities | Return on equity. |
| 10/12 | 9299 | MD | Maryland Energy Group | Baltimore Gas & Electric | Cost and revenue allocation, rate design<br>Cost of equity, weighted cost of capital |
| 10/12 | 4220-UR-118 | WI | Wisconsin Industrial Energy Group | Northern States Power Company | Class cost of service, cost and revenue allocation, rate design |
| 10/12 | 473-13-0199 | TX | Steering Committee of Cities Served by Oncor | Cross Texas Transmission, LLC | Return on equity, capital structure |
| 01/13 | R-2012-2321748 et al. | PA | Columbia Industrial Intervenors | Columbia Gas of Pennsylvania | Cost and revenue allocation |
| 02/13 | 12AL-1052E | CO | Cripple Creek & Victor Gold Mining, Holcim (US) Inc. | Black Hills/Colorado Electric Utility Company | Cost and revenue allocations |
| 06/13 | 8009 | VT | IBM Corporation | Vermont Gas Systems | Cost and revenue allocation, rate design |
| 07/13 | 130040-EI | FL | WCF Hospital Utility Alliance | Tampa Electric Co. | Return on equity, rate of return |

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|---|---|---|---|---|---|
| 08/13 | 9326 | MD | Maryland Energy Group | Baltimore Gas and Electric | Cost and revenue allocation, rate design, special rider |
| 08/13 | P-2012-2325034 | PA | PP&L Industrial Customer Alliance | PPL Electric Utilities, Corp. | Distribution System Improvement Charge |
| 09/13 | 4220-UR-119 | WI | Wisconsin Industrial Energy Group | Northern States Power Co. | Class cost of service, cost and revenue allocation, rate design |
| 11/13 | 13-1325-E-PC | WV | West Virginia Energy Users Group | American Electric Power/APCo | Special rate proposal, Felman Production |
| 06/14 | R-2014-2406274 | PA | Columbia Industrial Intervenors | Columbia Gas of Pennsylvania | Cost and revenue allocation, rate design |
| 08/14 | 05-UR-107 | WI | Wisconsin Industrial Energy Group | Wisconsin Electric Power Co. | Cost and revenue allocation, rate design |
| 10/14 | ER13-1508 et al. | FERC | Louisiana Public Service Comm. | Entergy Services, Inc. | Return on equity |
| 11/14 | 14AL-0660E | CO | Climax Molybdenum Co. and CFI Steel, LP | Public Service Co. of Colorado | Return on equity, weighted cost of capital |
| 11/14 | R-2014-2428742 | PA | AK Steel | West Penn Power Company | Cost and revenue allocation |
| 12/14 | 42866 | TX | West Travis Co. Public Utility Agency | Travis County Municipal Utility District No. 12 | Response to complain of monopoly power |
| 3/15 | 2014-00371 2014-00372 | KY | Kentucky Industrial Utility Customers | Louisville Gas & Electric, Kentucky Utilities | Return on equity, cost of debt, weighted cost of capital |
| 3/15 | 2014-00396 | KY | Kentucky Industrial Utility Customers | Kentucky Power Co. | Return on equity, weighted cost of capital |
| 6/15 | 15-0003-G-42T | WV | West Virginia Energy Users Gp. | Mountaineer Gas Co. | Cost and revenue allocation, Infrastructure Replacement Program |
| 9/15 | 15-0676-W-42T | WV | West Virginia Energy Users Gp. | West Virginia-American Water Company | Appropriate test year, Historical vs. Future |
| 9/15 | 15-1256-G-390P | WV | West Virginia Energy Users Gp. | Mountaineer Gas Co. | Rate design for Infrastructure Replacement and Expansion Program |
| 10/15 | 4220-UR-121 | WI | Wisconsin Industrial Energy Gp. | Northern States Power Co. | Class cost of service, cost and revenue allocation, rate design |
| 12/15 | 15-1600-G-390P | WV | West Virginia Energy Users Gp. | Dominion Hope | Rate design and allocation for Pipeline Replacement & Expansion Prog. |

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| 12/15 | 45188 | TX | Steering Committee of Cities Served by Oncor | Oncor Electric Delivery Co. | Ring-fence protections for cost of capital |
| 2/16 | 9406 | MD | Maryland Energy Group | Baltimore Gas & Electric | Cost and revenue allocation, rate design, proposed Rider 5 |
| 3/16 | 39971 | GA | GA Public Service Comm. Staff | Southern Company / AGL Resources | Credit quality and service quality issues |
| 04/16 | 2015-00343 | KY | Kentucky Office of the Attorney General | Atmos Energy | Cost of equity, cost of short-term debt, capital structure |
| 05/16 | 16-G-0058<br>16-G-0059 | NY | City of New York | Brooklyn Union Gas Co., KeySpan Gas East Corp. | Cost and revenue allocation, rate design, service quality issues |
| 06/16 | 16-0073-E-C | WV | Constellium Rolled Products Ravenswood, LLC | Appalachian Power Co. | Complaint; security deposit |
| 07/16 | 9418 | MD | Healthcare Council of the National Capital Area | Potomac Electric Power Co. | Cost of equity, cost of service, Cost and revenue allocation |
| 07/16 | 160021-EI | FL | South Florida Hospital and Health Care Association | Florida Power and Light Co. | Return on equity, cost of debt, capital structure |
| 07/16 | 16-057-01 | UT | Utah Office of Consumer Svcs. | Dominion Resources, Questar Gas Co. | Credit quality and service quality issues |
| 08/16 | 8710 | VT | Vermont Dept. of Public Service | Vermont Gas Systems | Return on equity, cost of debt, cost of capital |
| 08/16 | R-2016-2537359 | PA | AK Steel Corp. | West Penn Power Co. | Cost and revenue allocation |
| 09/16 | 2016-00162 | KY | Kentucky Office of the Attorney General | Columbia Gas of Ky. | Return on equity, cost of short-term debt |
| 09/16 | 16-0550-W-P | WV | West Va. Energy Users Gp. | West Va. American Water Co. | Infrastructure Replacement Program Surcharge |
| 01/17 | 46238 | TX | Steering Committee of Cities Served by Oncor | Oncor Electric Delivery Co. | Ring fencing and other conditions for acquisition, service quality and reliability |
| 02/17 | 45414 | TX | Cities of Midland, McAllen, and Colorado City | Sharyland Utilities, LP and Sharyland Dist. and Transmission Services, LLC | Return on equity |
| 02/17 | 2016-00370<br>2016-00371 | KY | Kentucky Industrial Utility Customers | Louisville Gas & Electric, Kentucky Utilities | Return on equity, cost of debt, weighted cost of capital |
| 03/17 | 10580 | TX | Atmos Cities Steering Committee | Atmos Pipeline Texas | Return on equity, capital structure, weighted cost of capital |

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|---|---|---|---|---|---|
| 03/17 | R-3867-2013 | Quebec, Canada | Canadian Federation of Independent Businesses | Gaz Metro | Marginal Cost of Service Study |
| 05/17 | R-2017-2586783 | PA | Philadelphia Industrial and Commercial Gas Users Gp. | Philadelphia Gas Works | Cost and revenue allocation, rate design, Interruptible tariffs |
| 08/17 | R-2017-2595853 | PA | AK Steel | Pennsylvania American Water Co. | Cost and revenue allocation, rate design |
| 8/17 | 17-3112-INV | VT | Vt. Dept. of Pubic Service | Green Mountain Power | Return on equity, cost of debt, weighted cost of capital |
| 9/17 | 4220-UR-123 | WI | Wisconsin Industrial Energy Group | Northern States Power | Cost and revenue allocation, rate design |
| 10/17 | 2017-00179 | KY | Kentucky Industrial Utility Customers, Inc. | Kentucky Power Co. | Return on equity, cost of short-term debt |
| 12/17 | 2017-00321 | KY | Office of the Attorney General | Duke Energy Kentucky, Inc. | Return on equity |
| 1/18 | 2017-00349 | KY | Office of the Attorney General | Atmos Energy | Return on equity, cost of debt, weighted cost of capital |
| 5/18 | Fiscal Years 2019-2021 Rates | PA | Philadelphia Large Users Group | Philadelphia Water Department | Cost and revenue allocation |
| 8/18 | 18-0974-TF | VT | Vt. Dept. of Public Service | Green Mountain Power | Return on equity, cost of debt, weighted cost of capital |
| 8/18 | 48401 | TX | Cities Served by Texas-New Mexico Power Company | Texas-New Mexico Power Co. | Return on equity, capital structure |
| 8/18 | 18-05-16 | CT | Connecticut Industrial Energy Consumers | Connecticut Natural Gas Co. | Cost and revenue allocation |
| 9/18 | 9484 | MD | Maryland Energy Group | Baltimore Gas & Electric | Cost and revenue allocation, rate design |
| 9/18 | 2017-370-E | SC | South Carolina Office of Regulatory Staff | South Carolina Electric & Gas, Dominion Resources, SCANA | Return on equity, service quality standards, credit quality conditions |
| 10/18 | 18-1115-G-390P | WV | West Va. Energy Users Group | Mountaineer Gas Company | Customer protections for Infrastructure Replacement and Expansion Program |
| 12/18 | R-2018-3003558, R-2018-3003561 | PA | Aqua Large Users Group | Aqua Pennsylvania, Inc. | Cost and revenue allocation |
| 02/19 | UD-18-07 | CCNO | Crescent City Power Users' Gp. | Entergy New Orleans, LLC | Return on equity, Reliability Incentive Mechanism, other proposed riders |
| 03/19 | 2018-00358 | KY | Office of the Attorney General | Kentucky American Water Co. | Return on equity, Qualified Infrastructure Program rider |

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| 05/19 | 19-E-0065<br>19-G-0066 | NY | City of New York | Consolidated Edison Co. | Cost and revenue allocation, rate design, tariff issues, fast-charging station incentives |
| 05/2019 | 19-0513-TF | VT | Vt. Dept. of Public Service | Vermont Gas Systems | Return on equity, capital structure |
| 06/2019 | 5-TG-100 | WI | Wisconsin Industrial Energy Group | WEPCO, Wisconsin Gas, Wisconsin PS | Transportation and balancing issues |
| 07/2019 | 49494 | TX | Cities Served by AEP Texas | AEP Texas, Inc. | Return on equity, capital structure |
| 08/2019 | 19-G-0309<br>19-G-0310 | NY | City of New York | Brooklyn Union Gas Co..,<br>KeySpan Gas East Corp. | Cost and revenue allocation, rate design, tariff issues and modifications |
| 08/2019 | 19-0316-G-42T | WV | West Virginia Energy Users Gp. | Mountaineer Gas Company | Cost and revenue allocation |
| 8/2019 | 5-UR-109 | WI | Wisconsin Industrial Energy Gp. | Wisconsin Electric Power Co.,<br>Wisconsin Gas, LLC | Cost Allocation,<br>Class cost of service study |
| 8/2019 | 6690-UR-126 | WI | Wisconsin Industrial Energy Gp. | Wisconsin Public Service Corp. | Cost Allocation,<br>Class cost of service study |
| 9/2019 | 9610 | MD | Maryland Energy Group | Baltimore Gas and Electric Co. | Cost and revenue allocation, rate design |
| 12/2019 | 2019-00271 | KY | Office of the Attorney General | Duke Energy Kentucky, Inc. | Return on equity |
| 2/2020 | 49831 | TX | Texas Industrial Energy Consumers | Southwestern Public Service Co. | Return on equity,<br>capital structure, rate of return |
| 2/2020 | E-7. Sub 1214 | NC | NC Attorney General's Office | Duke Energy Carolinas | Return on equity, capital structure,<br>rate of return, economic conditions |
| 2/2020 | E-2. Sub 1219 | NC | NC Attorney General's Office | Duke Energy Progress | Return on equity, capital structure,<br>rate of return, economic conditions |
| 5/2020 | R-2019-<br>3015162 | PA | Industrial Energy Consumers of Pennsylvania | UGI Utilities, Inc. | Return on equity, cost of debt,<br>revenue allocation, rate design |
| 6/2020 | 20-G-0101 | NY | Multiple Intervenors | Corning Natural Gas Corp. | Cost and revenue allocation |
| 9/2020 | R-2020-<br>2019369 | PA | AK Steel | Pennsylvania-American Water Company | Cost and revenue allocation,<br>rate design |
| 9/2020 | 20-035-04 | UT | The Kroger Co. | Rocky Mountain Power | Cost and revenue allocation, rate design |
| 10/2020 | 2020-00174 | KY | Ky. Office of the Attorney General, Ky. Industrial Utility Customers | Kentucky Power Co. | Return on equity |
| 3/2021 | 2020-00349 | KY | Ky. Office of the Attorney General, Ky. Industrial Utility Customers | Kentucky Utilities Co. | Return on equity |

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| 3/2021 | 2020-00350 | KY | Ky. Office of the Attorney General, Ky. Industrial Utility Customers | Louisville Gas and Electric Co. | Return on equity |
| 3/2021 | 20-0746-G-42T | WV | West Va. Energy Users Group | Dominion Energy West Va. | Cost and revenue allocation, cost of equity |
| 4/2021 | 17-12-03RE11 | CT | Connecticut Industrial Energy Consumers | PURA Investigation Into Distribution System Planning | Economic development rates |
| 6/2021 | U-20940 | MI | Dearborn Industrial Generation, LLC | DTE Gas Company | Cost and revenue allocation, rate design |
| 7/2021 | 21-0043-G-PC | WV | West Va. Energy Users Group | Mountaineer Gas Co., UGI Corporation | Hold harmless conditions for utility acquisition |
| 07/2021 | U-35441 | LA | Louisiana Public Service Commission | Southwestern Electric Power Company | Return on equity, cost of capital, service quality |
| 08/2021 | 51802 | TX | Texas Industrial Energy Consumers | Southwestern Public Service Company | Return on equity |
| 09/21 | 2021-00190 | KY | Kentucky Office of the Attorney General | Duke Energy Kentucky, Inc. | Return on equity, cost of debt |
| 09/21 | 2021-00183 | KY | Kentucky Office of the Attorney General | Columbia Gas of Kentucky, Inc. | Return on equity, cost of debt, capital structure |
| 09/21 | 21-0369-W-42T | WV | West Va. Energy Users Group | West Virginia-American Water Company | Revenue stabilization mechanism |
| 09/21 | 2021-00185 | KY | Kentucky Office of the Attorney General | Delta Natural Gas Company, Inc. | Return on equity, cost of debt, capital structure |
| 09/21 | 2021-00214 | KY | Kentucky Office of the Attorney General | Atmos Energy Corporation | Return on equity, common equity ratio |
| 11/21 | R-2021-3027385, R-2021-3027386 | PA | Aqua Large Users Group | Aqua Pennsylvania, Inc. | Cost and revenue allocation, Rate design |
| 11/21 | 21-G-0394 | NY | Multiple Intervenors | Corning Natural Gas Corp. | Cost and revenue allocation |
| 06/22 | 21-G-0577 | NY | Multiple Intervenors | Liberty Utilities (St. Lawrence Gas) Corp. | Cost of revenue allocation, rate design |
| 07/22 | 2022-89-G | SC | South Carolina Office of Regulatory Staff | Piedmont Natural Gas Co. | Return on equity, capital structure cost of capital |
| 07/22 | R-2022-3031672, R-2022-3031673 | PA | Cleveland-Cliffs Steel | Pennsylvania American Water Company | Cost and revenue allocation, rate design |

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| 10/22 | 2022-00147 | KY | Kentucky Office of the Attorney General and the City of Clinton | Water Service Corporation of Kentucky | Cost of equity |
| 12/22 | 2022-254-E | SC | South Carolina Office of Regulatory Staff | Duke Energy Progress | Cost of equity |
| 12/22 | 22-08-08 | CT | Connecticut Industrial Energy Consumers | United Illuminating Co. | Cost and revenue allocation, rate design, economic development rates |
| 03/23 | 2022-00372 | KY | Kentucky Office of the Attorney General | Duke Energy Kentucky, Inc. | Cost of equity, capital structure, weighted cost of capital |
| 08/23 | 23-0280-G-42-T | WV | West Va. Energy Users Group | Mountaineer Gas Co. | Cost and revenue allocation, Rate design |
| 09/23 | 6680-UR-124 | WI | Wisconsin Industrial Energy Group | Wisconsin Power and Light Co. | Cost and revenue allocation, rate design |
| 09/23 | 6690-UR-127 | WI | Wisconsin Industrial Energy Group | Wisconsin Public Service Corp. | Revenue allocation, rate design |
| 09/23 | 5-UR-110 | WI | Wisconsin Industrial Energy Group | Wisconsin Electric Power Co. | Cost and revenue allocation, rate design |
| 09/23 | 2023-00191 | KY | Kentucky Office of the Attorney General | Kentucky-American Water Co. | Return on equity, capital structure, and weighted cost of capital |
| 10/23 | 2023-00159 | KY | Ky. Office of the Attorney General, Kentucky Industrial Utility Customers | Kentucky Power Co. | Return on equity |
| 11/23 | 23-0460-E-42T | WV | West Virginia Energy Users Group | Monongahela Power Co. and The Potomac Edison Company | Return on equity, cost of capital |
| 02/24 | R-2023-3043189<br>C-2023-3044289<br>C-2023-3044375 | PA | Cleveland-Cliffs Steel | Pennsylvania American Water Co. | Cost and revenue allocation, rate design, revenue decoupling rider |
| 03/24 | R-2023-3044549 | PA | Peoples Industrial Intervenors | Peoples Natural Gas Company | Cost and revenue allocation, rate design |
| 08/24 | 2024-00092 | KY | Kentucky Office of the Attorney General | Columbia Gas of Kentucky | Return on equity, Cost of capital |
| 09/2024 | R-2024-3047822<br>R-2024-3047824 | PA | Aqua Large Users Group | Aqua Pennsylvania, Inc. | Revenue allocation |
| 01/2025 | 2024-00276 | KY | Kentucky Office of the Attorney General | Atmos Energy Corp. | Return on equity, capital structure |
| 02/2025 | 2024-00346 | KY | Kentucky Office of the Attorney General | Delta Natural Gas Co. | Return on equity, capital structure |

**Expert Testimony Appearances**
**of**
**Richard A. Baudino**
**As of November 2025**

| Date | Case | Jurisdict. | Party | Utility | Subject |
|---|---|---|---|---|---|
| 03/25 | 2024-00354 | KY | Kentucky Office of the Attorney General | Duke Energy Kentucky, Inc. | Cost of equity, capital structure, cost of debt |
| 05/25 | Fiscal Years 2026-2027 | PA | Philadelphia Large Users Group | Philadelphia Water Department | Cost of service and revenue allocations, rate design |
| 6/25 | 57568 | TX | Freeport-McMoRan | El Paso Electric Co. | Return on equity, common equity ratio |
| 8/25 | 2025-00122 | KY | Kentucky Office of the Attorney General | Kentucky-American Water Co. | Cost of equity, capital structure, cost of capital |
| 8/25 | 2025-00113<br>2025-00114 | KY | Kentucky Office of the Attorney General, KIUC | Louisville Gas and Electric Co., Kentucky Utilities Co. | Cost of equity, capital structure, cost of debt |
| 9/25 | 2025-00125 | KY | Kentucky Office of the Attorney General | Duke Energy Kentucky, Inc. | Cost of equity, cost of debt, capital structure |
| 9/25 | 2025-154-E | SC | South Carolina Office of Regulatory Staff | Duke Energy Progress, LLC | Cost of equity, capital structure, cost of debt |
| 10/25 | 2025-172-E | SC | South Carolina Office of Regulatory Staff | Duke Energy Carolinas, LLC | Cost of equity, capital structure, cost of debt |
| 11/25 | 2025-00257 | KY | Kentucky Office of the Attorney General, KIUC | Kentucky Power Company, | Cost of equity, capital structure, cost of debt |

**PROXY GROUP**
**AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD**

| Company Name | Average Price | | | | Current Dividend | Dividend Yield | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1-month | 2-month | 3-month | 6-month | | 1-month | 2-month | 3-month | 6-month |
| Alliant Energy Corporation | 67.91 | 66.41 | 66.15 | 64.05 | 2.03 | 2.99% | 3.06% | 3.07% | 3.17% |
| American Electric Power Company | 117.19 | 113.07 | 112.98 | 108.75 | 3.72 | 3.17% | 3.29% | 3.29% | 3.42% |
| Avista Corp. | 37.98 | 37.31 | 37.28 | 37.76 | 1.96 | 5.16% | 5.25% | 5.26% | 5.19% |
| CenterPoint Energy | 39.34 | 38.77 | 38.62 | 37.83 | 0.88 | 2.24% | 2.27% | 2.28% | 2.33% |
| CMS Energy Corp. | 73.83 | 72.60 | 72.72 | 71.74 | 2.17 | 2.94% | 2.99% | 2.98% | 3.02% |
| Dominion Energy | 60.70 | 60.24 | 60.48 | 58.42 | 2.67 | 4.40% | 4.43% | 4.41% | 4.57% |
| DTE Energy Co. | 140.81 | 138.87 | 139.00 | 136.99 | 4.36 | 3.10% | 3.14% | 3.14% | 3.18% |
| Duke Energy Corp. | 126.12 | 124.02 | 124.00 | 120.79 | 4.26 | 3.38% | 3.43% | 3.44% | 3.53% |
| Entergy Corp. | 95.91 | 92.79 | 91.80 | 87.64 | 2.40 | 2.50% | 2.59% | 2.61% | 2.74% |
| Evergy Inc. | 77.59 | 75.13 | 74.22 | 71.05 | 2.67 | 3.44% | 3.55% | 3.60% | 3.76% |
| Eversource Energy | 72.88 | 69.56 | 68.19 | 66.18 | 3.01 | 4.13% | 4.33% | 4.41% | 4.55% |
| FirstEnergy Corp. | 46.59 | 45.26 | 44.70 | 42.95 | 1.78 | 3.82% | 3.93% | 3.98% | 4.14% |
| IDACORP, Inc. | 134.26 | 130.49 | 128.98 | 122.95 | 3.52 | 2.62% | 2.70% | 2.73% | 2.86% |
| Otter Tail Corp. | 77.88 | 80.40 | 80.93 | 79.46 | 2.10 | 2.70% | 2.61% | 2.59% | 2.64% |
| Pinnacle West Capital | 91.41 | 89.55 | 90.18 | 90.43 | 3.58 | 3.92% | 4.00% | 3.97% | 3.96% |
| Pub Sv Enterprise Grp. | 82.36 | 82.05 | 83.19 | 82.45 | 2.52 | 3.06% | 3.07% | 3.03% | 3.06% |
| Sempra Energy | 91.86 | 88.07 | 86.08 | 81.37 | 2.58 | 2.81% | 2.93% | 3.00% | 3.17% |
| | | | | | | 3.32% | 3.39% | 3.40% | 3.49% |

Sources: Current dividend reported by the Value Line Investment Survey reports for each company
Closing daily stock prices from S&P Capital IQ, May 1 through October 31, 2025

**PROXY GROUP**
**DCF Growth Rate Analysis**

| | Company | (1) Value Line DPS | (2) Value Line EPS | (3) S&P IQ EPS | (4) Zacks EPS |
|---|---|---|---|---|---|
| 1 | Alliant Energy Corporation | 6.00% | 6.00% | 7.04% | 6.60% |
| 2 | American Electric Power Company | 5.50% | 6.50% | 7.33% | 6.80% |
| 3 | Avista Corp. | 4.00% | 5.50% | 6.35% | 7.10% |
| 4 | CenterPoint Energy | 5.50% | 7.00% | 8.74% | 7.90% |
| 5 | CMS Energy Corp. | 7.50% | 8.50% | 7.35% | 7.30% |
| 6 | Dominion Energy | 0.00% | 6.00% | 6.97% | 8.10% |
| 7 | DTE Energy Co. | 3.00% | 4.50% | 7.42% | 6.50% |
| 8 | Duke Energy Corp. | 3.50% | 6.00% | 6.63% | 6.40% |
| 9 | Entergy Corp. | 5.50% | 3.00% | 11.12% | 10.20% |
| 10 | Evergy Inc. | 7.00% | 7.50% | 6.21% | 5.40% |
| 11 | Eversource Energy | 5.50% | 5.50% | 5.28% | 5.90% |
| 12 | FirstEnergy Corp. | 4.50% | 4.50% | 7.32% | 6.50% |
| 13 | IDACORP, Inc. | 4.50% | 5.00% | 8.20% | 8.00% |
| 14 | Otter Tail Corp. | 7.00% | 4.50% | 8.20% | 8.20% |
| 15 | Pinnacle West Capital | 1.50% | 5.00% | 7.04% | 2.10% |
| 16 | Pub Sv Enterprise Grp. | 6.00% | 7.00% | 7.57% | 8.10% |
| 17 | Sempra Energy | 5.50% | 5.00% | 8.32% | 7.20% |
| | Average | 4.82% | 5.71% | 7.48% | 6.96% |
| | Median | 5.50% | 5.50% | 7.33% | 7.10% |

**Sources:** **Value Line Investment Survey, September 5, October 17, and November 7, 2025**
**S&P Capital IQ and Zacks estimates accessed October 31, 2025**
**S&P IQ growth rate used in place of missing Zacks growth rate for Otter Tail Corp.**

**PROXY GROUP**
**DCF RETURN ON EQUITY**

| | (1) Value Line Dividend Gr. | (2) Value Line Earnings Gr. | (3) S&P IQ EPS | (4) Zacks EPS | (5) Average of All Gr. Rates |
|---|---|---|---|---|---|
| Method 1: | | | | | |
| Dividend Yield | 3.49% | 3.49% | 3.49% | 3.49% | 3.49% |
| Proxy Group Average Growth Rate | 4.82% | 5.71% | 7.48% | 6.96% | 6.24% |
| Expected Dividend Yield | 3.57% | 3.59% | 3.62% | 3.61% | 3.60% |
| ***DCF Return on Equity*** | ***8.39%*** | ***9.30%*** | ***11.10%*** | ***10.57%*** | ***9.84%*** |
| Method 2: | | | | | |
| Dividend Yield | 3.49% | 3.49% | 3.49% | 3.49% | 3.49% |
| Proxy Group Median Growth Rate | 5.50% | 5.50% | 7.33% | 7.10% | 6.36% |
| Expected Dividend Yield | 3.58% | 3.58% | 3.62% | 3.61% | 3.60% |
| ***DCF Return on Equity*** | ***9.08%*** | ***9.08%*** | ***10.95%*** | ***10.71%*** | ***9.96%*** |

**PROXY GROUP**
**Capital Asset Pricing Model Analysis**

**Value Line Forward-Looking MRP**

| Line No. | | Value Line |
|---|---|---|
| 1 | Market Required Return Estimate | 10.88% |
| 2 | Risk-free Rate of Return, 30-Year Treasury Bond | 4.83% |
| 3 | Risk Premium | |
| 4 | (Line 1 minus Line 2) | 6.05% |
| 5 | Proxy Group Beta | 0.73 |
| 6 | Proxy Group Beta * Risk Premium | |
| 7 | (Line 4 * Line 5) | 4.39% |
| 8 | CAPM Return on Equity | |
| 9 | (Line 2 plus Line 7) | 9.21% |

**Supporting Data for CAPM Analyses**

30 Year Treasury Bond Data

| | Avg. Yield |
|---|---|
| May-25 | 4.90% |
| Jun-25 | 4.89% |
| Jul-25 | 4.92% |
| Aug-25 | 4.87% |
| Sep-25 | 4.74% |
| Oct-25 | 4.64% |
| 6 month average | 4.83% |

Source: Federal Reserve data

Value Line Projected Return Data:

| | |
|---|---|
| Median Estimated Div. Yield | 2.10% |
| 3 - 5 Year Price Appreciation | 40.00% |
| Estimated Annualized Price Appreciation | 8.78% |
| Est. Annual Total Return | 10.88% |

Source: Value Line Summary and Index, October 31, 2025

| Proxy Group Betas: | Adjusted S&P IQ | Value Line |
|---|---|---|
| Alliant Energy Corporation | 0.69 | 0.75 |
| American Electric Power Company | 0.64 | 0.65 |
| Avista Corp. | 0.58 | 0.75 |
| CenterPoint Energy | 0.71 | 0.85 |
| CMS Energy Corp. | 0.60 | 0.70 |
| Dominion Energy | 0.74 | 0.80 |
| DTE Energy Co. | 0.61 | 0.80 |
| Duke Energy Corp. | 0.61 | 0.65 |
| Entergy Corp. | 0.74 | 0.75 |
| Evergy Inc. | 0.70 | 0.75 |
| Eversource Energy | 0.79 | 0.85 |
| FirstEnergy Corp. | 0.67 | 0.75 |
| IDACORP, Inc. | 0.70 | 0.65 |
| Otter Tail Corp. | 0.69 | 0.90 |
| Pinnacle West Capital | 0.64 | 0.75 |
| Pub Sv Enterprise Grp. | 0.69 | 0.85 |
| Sempra Energy | 0.77 | 0.90 |
| Average | 0.68 | 0.77 |
| Average of S&P IQ and Value Line | | 0.73 |

Sources: Value Line Investment Survey, S&P Capital IQ

**PROXY GROUP**
**Capital Asset Pricing Model Analysis**
**Historic Market Premium**

| | Arithmetic Mean | Supply Side MRP | Supply Side Less WWII Bias |
|---|---|---|---|
| Historical Market Risk Premium | 7.31% | 6.26% | 5.31% |
| Proxy Group Beta | 0.73 | 0.73 | 0.73 |
| Beta * Market Premium | 5.30% | 4.54% | 3.85% |
| Risk-free Rate of Return | 4.83% | 4.83% | 4.83% |
| **CAPM Cost of Equity, Value Line Beta** | **10.13%** | **9.37%** | **8.68%** |

Source: Kroll Cost of Capital Navigator, historical period 1926 - 2024

**PROXY GROUP**
**Capital Asset Pricing Model Analysis**
**Other Market Risk Premium Sources**

| | IESE Survey 2024 | KMPG | Kroll | Damodaran Average MRP |
|---|---|---|---|---|
| Market Risk Premium | 5.50% | 5.25% | 5.00% | 4.18% |
| Proxy Group Beta | 0.73 | 0.73 | 0.73 | 0.73 |
| Beta times MRP | 3.99% | 3.81% | 3.63% | 3.03% |
| Risk-free Rate of Return | 4.83% | 4.83% | 4.83% | 4.83% |
| CAPM Cost of Equity | **8.81%** | **8.63%** | **8.45%** | **7.86%** |

# AFFIDAVIT

STATE OF GEORGIA )

COUNTY OF FULTON )

RICHARD A. BAUDINO, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

Richard A. Baudino

Sworn to and subscribed before me on this
17th day of November 2025.

Notary Public

Jessica K Inman
NOTARY PUBLIC
Cherokee County, GEORGIA
My Commission Expires 07/31/2027