BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of	**)**	
Black Hills/Kansas Gas Utility	**)**	
Company, LLC, d/b/a Black Hills	**)**	**Docket No.**
Energy, for Approval of the Commission	**)**	**25-BKHG-298-RTS**
to Make Certain Changes in its Rates	**)**	
for Natural Gas Service	**)**	

DIRECT TESTIMONY

PREPARED BY

Adam H. Gatewood

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

May 9, 2025

Contents

Q. Would you please state your name and business address?

A. My name is Adam H. Gatewood. My business address is 1500 Southwest Arrowhead Road, Topeka, Kansas, 66604.

Q. Who is your employer, and what is your title?

A. I am a Senior Managing Financial Analyst in the Utilities Division of the Kansas Corporation Commission.

Q. What is your educational and professional background?

A. I graduated from Washburn University with a B.A. in Economics in 1987 and a Master of Business Administration in 1995. I have filed testimony on the cost of capital and related financial issues before the Commission in more than 170 proceedings involving liquids pipelines, water utility services, electric utilities, and natural gas distribution utilities. I have also filed testimony on cost of capital issues before the Federal Energy Regulatory Commission (FERC) in natural gas pipeline and electric transmission dockets.

Q. What issues are you testifying to in this Docket?

A. I am testifying to the rate of return (ROR) that includes capital structure and allowed return on equity (ROE) issues related to setting a revenue requirement for Black Hills Kansas Gas Utility Company, LLC (Black Hills or BKH-KS) in this docket. I will refer to the parent company, Black Hills Corporation by its stock ticker symbol, BKH.

Q. Are you sponsoring any adjustments?

A. My analysis includes an update to Section 7 of the Black Hills application from the September 30, 2024, test year to reflect costs and account balances on February 28,

2025.[1] My analysis and recommendations for Black Hills rely on the updated balances to be consistent with Staff's test-year updates.

Executive Summary

Q. Please summarize your findings.

A. I recommend the Commission set Black Hills' revenue requirement using an ROR of 6.94%, which contains an ROE of 9.70% and a cost of debt of 4.44%. If the Commission determines an ROE other than 9.70% is appropriate, then I recommend the Commission stay within the 9.30% to 9.90% range; the same range that Staff recommended for Kansas Gas Service in July of 2024.

Table: Staff's Proposed Rate of Return

Staff's Proposed Rate of Return for
Black Hills - Kansas
Based on Capital Structure of Black Hills Corp at February 28, 2025

	Weight	Cost	Weighted Cost
Long-term Debt	54.24%	4.61%	2.50%
Common Equity	45.76%	9.70%	4.44%
			6.94%

Source: DR KCC-132; Financials S&P MI, December 31, 2024

This compares to Black Hills' filed position of a 7.63% ROR, as shown in the following

[1] The Application for 25-BHCG-298-RTS is based on a test year of September 30, 2024, with Black Hills forecasting capital account data to September 30, 2025. With Black Hills response to KCC Staff Data Request 132, Staff updates capital Section 7 of the Application to reflect account balances and costs as of February 28, 2025. Staff witness Katie Figgs discusses Staff's rejection of the forecasts beyond the test year and instead, relying on updates to February 28, 2025, with an option to file an abbreviated rate case in the near future.

table. Black Hills September 30, 2024, test year ROR is 7.56%. The 7.63% ROR is based on a forecast of capital costs and ratios on September 30, 2025. Thomas D. Stevens sponsors Black Hills' capital structure and cost of debt.

Table: Black Hills Requested Rate of Return

Black Hills - Kansas
Rate of Return in Section 7 of Application
Pro-Forma Test Year Ended September 30,2025
25-BHCG-298-RTS

	Weight	Cost	Weighted Cost
Long-term Debt	49.56%	4.71%	2.33%
Common Equity	50.44%	10.25%	5.17%
			7.50%

Sources: Section 7, Direct Testimony of Thomas D. Stevens

Q. Please summarize the difference in positions on Black Hills' ROR between Staff and Black Hills?

A. Staff disagrees with Black Hills' proposed capital structure and ROE, as each of these inputs results in an ROR that is unjust and unreasonable. These two issues account for $2.81 million of Black Hills requested rate increase in this docket. Furthermore, these two inputs to the ROR are used to calculate the revenue requirement in Black Hills' annual Gas Safety Reliability Surcharge (GSRS) filings. They will affect customer increases each year.

Staff and Black Hills also disagree on the appropriate ROE. Black Hills' ROR contains

a 10.50% ROE. The primary issue is the forecasted earnings growth rate, which is a critical input to the financial models. Mr. McKenzie did not include data capturing long-run earnings growth expectations, causing him to overstate the ROE necessary for Black Hills. His choice of inputs causes his analysis to overstate Black Hills' cost of equity by 79 to 266 basis points in his cost of equity estimates. I present evidence that the financial models demand an estimate of long-term earnings growth. Correcting Black Hills' error brings the results of its financial models to levels comparable to those in my analysis. I discuss this issue beginning on page 85. Black Hills' reliance on short-term earnings growth forecasts is not unique; it is a cornerstone of every utility's cost of capital testimony. The Commission has dealt with this issue in many dockets.

Black Hills' filed position is based on a capital structure assigned to it by its parent company Black Hills Corporation (BKH), while Staff is relying on the actual capital structure of BKH. BKH assigned Black Hills significantly more equity capital than is representative of BKH's consolidated capital structure. Since equity has a higher cost rate than debt, in addition to an income tax gross-up that debt does not incur, an artificially high equity ratio increases Black Hills' revenue requirement without commensurate benefits to consumers. Staff's approach to this issue is consistent with testimony filed in past gas, electric, and telephone rate cases. The Commission has accepted Staff's position on this issue in several previous Dockets.

The additional revenue generated as a result of the inflated ROR is a return to shareholders of BKH over and above the 10.50% it requested; by Staff's calculations, effectively, by using an inflated equity ratio in the capital structure Black Hills is

requesting a return on equity of 11.20%. Staff's analysis proves that the publicized requested ROE of 10.50% sought by Black Hills does not meet the doctrine established by the Court's decisions in *Federal Power Comm'n v. Hope Natural Gas Co.*[2] *(Hope)* and *Bluefield Water Works & Improvement Co. v. Pub. Svc. Comm'n of West Virginia*[3] *(Bluefield)*, the windfall to BKH shareholders caused by the assigned equity ratio exacerbates that failure.

Table: Calculation of Windfall to Shareholders from the Assigned Equity Ratio

Effective Return on Equity for BKH Shareholders Based on Black Hills Requested 7.56% ROR
Black Hills Corporation Consolidated Capital Structure & Staff's Tax Gross Up Factor
Staff's Updated Test Year of February 28, 2025

		000's Balance	Weight	Cost	Weighted Cost	Weighted Cost With Tax Gross Up
Long-term Debt		4,250	54.24%	4.61%	2.50%	2.50%
Common Equity	$	3,585	45.76%	**11.20%**	5.12%	6.49%
	$	7,835	100.00%		7.63%	**8.99%**

Assumptions & Methodology:
1) 8.99% ROR based on Section 7 grossed up for income tax costs
2) Black Hills Corp consolidated capital structure and Section 7 cost of debt
3) 11.20% is the resulting ROE based on BHC's consolidated capitalization, BHC cost of debt, and revenue requirement based on filed ROR Section 7.

Q. How did you conclude that 9.70% is a reasonable return on equity for BKH?

A. My recommendation of 9.70% and the range of 9.30% to 9.90% are based on data from the current capital markets applied to accepted financial models and inputs to those models consistent with those used in past rate cases before this Commission. I

[2] *Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944).*
[3] *Bluefield Water Works & Improvement Co. v. Pub. Svc. Comm'n of West Virginia, 262 U.S. 679 (1923).*

summarize the results of my analysis in the following table. The results summarized in this table do not reflect the totality of my analysis.

Table: Summary of Staff's Allowed ROE Estimates

Summary of Staff's Allowed ROE Estimates
25-BHCG-298-RTS

Discounted Cash Flow Analyses	Mean	Low	High
Two-Stage Growth DCF Model:			
Based on the Average of Short-Term Growth Forecasts & Long-Term nGDP Forecasts	8.59%	8.27%	8.92%
Internal Rate of Return or Multi-Stage DCF Analysis:			
Using Short-Term Growth EPS Growth & Long-Term nGDP Forecast	8.14%	6.61%	9.18%
Capital Asset Pricing Models			
Based on Historical Return Data, gathered from 1928 - 2024, Reported at Damodaran On-Line			
Historic Geometeric Returns	9.76%	9.33%	10.41%
Based on Forecasted Return Data:			
J.P. Morgan Asset Management	6.75%	6.51%	7.12%
BlackRock	7.33%	7.04%	7.76%
Kroll, Inc. Forecasted Risk Premium	9.30%	8.90%	9.90%

An estimate of Return on Equity (ROE) is best understood as a range, not a precise point, and that range can only be approximated using financial models. However, for the purpose of calculating a revenue requirement, it is necessary to select a specific point within that estimated range. In making my recommendation, I did not rely solely on a formula or any single model. Instead, I adopted a holistic approach, considering the results of my Discounted Cash Flow (DCF) and Capital Asset Pricing Model

(CAPM) analyses, along with observations of current debt and equity capital market conditions. These models provide valuable insight into the returns required by equity investors, particularly in light of recent interest rate changes. My analysis also considered precedents set in recent gas local distribution company rate cases in Kansas, including Kansas Gas Service (Docket No. 18-KGSG-560-RTS), Atmos Energy (Docket No. 23-ATMG-359-RTS), Black Hills Energy (Docket No. 21-BHCG-480-RTS), and the most recent Kansas Gas Service case (Docket No. 24-KGSG-610-RTS) (24-610 Docket). Staff believe it is essential that their recommendations embody consistency across rate cases while accurately reflecting changes in global capital costs. Staff gathered data for its analysis in the 24-610 Docket with Kansas Gas nine months ago. Comparing that data to data collected between October 21, 2024, and March 14, 2025, this docket indicates that there has been little change in the capital markets data for the utility industry. If anything, there is evidence that the stock prices of the proxy group increased, resulting in a lower dividend yield for the same group of LDC proxy companies, which is indicative of a lower return required by investors.

Table: Comparison of Data Across Recent Gas LDC Rate Cases

Comparison Across Recent Gas LDC Cases
25-BHCG-298-RTS

Company:	Kansas Gas/ONE Gas, Inc.	Black Hills-Kansas/Black Hills Corp.
Docket:	24-KGSG-610-RTS	25-BHCG-298-RTS
Staff Filing Date	7/1/2024	
Pricing Data Gathered:	11/11/2023 5/9/2024	10/21/2024 3/14/2025
Observed Range During Pricing Period		
30-Year U.S. T-Bond Yield:	4.20% to 4.32%	4.34% to 4.84%
Baa Corporate Bond Yields:	5.48% to 6.62%	5.59% to 6.14%
Dividend Yield of Proxy Group:	4.40%	3.97%
Bond Rating:	A	Baa
Equity Ratio:	60.00%	45.50%
Beta Coefficient:	0.85	1.05
Median Allowed ROE Reported by RRA	9.65% at 06/2024	9.80% at 12/2024

In this table, I note key distinctions between the two parents of the Kansas LDCs. Black Hills Corporation has a lower equity ratio than OneGas, Inc.; that additional leverage is a factor in OneGas having a higher credit rating than Black Hills Corporation and higher than most LDCs in the country. The total return on Black Hills Corporation's common stock is also more volatile than the market returns of OneGas, Inc. and the other proxy group LDCs. To reflect these factors of similar capital market conditions and higher risk of Black Hills Corporation with its lower bond rating and higher equity market risk, I use the same range for the allowed return of 9.30% to 9.90% with a recommendation of 9.70%; slightly higher than the 9.60% allowed ROE Staff recommended for Kansas Gas.

Since the 2008 Global Financial Crisis (GFC), jurisdictional utilities that have had their

allowed ROEs set by this Commission resulted in an average risk premium over the reported yield of Baa-rated corporate bonds of about 455 basis points, thus providing shareholders a return on the equity capital that is considerably greater than the required return on long-term debt of similarly situated utilities.[4] Staff's recommendations in rate cases over the past decade were a premium over Baa corporate bond yields of 440 basis points.

Between 2010 and 2021, all measures of capital costs declined, yet the risk premiums implied by Staff's recommended returns on equity (ROEs) increased to levels that, in some instances, could have justified ROE allowances well below those actually proposed by Staff. Notably, the highest observed risk premiums occurred during periods when interest rates were at their lowest. Despite this, Staff's recommended ROEs remained among the lowest in the nation. Over time, both the recommendations from other commissions' staff and the ROEs authorized by regulatory commissions trended downward. The historically low outputs from financial models during this period were largely driven by unprecedentedly low risk-free rates and depressed bond yields, both of which resulted from zero-interest-rate policies (ZIRP) implemented in response to the Global Financial Crisis and, more aggressively, during the COVID-19 pandemic. These accommodative monetary policies were fully unwound by central banks in 2022, and the resulting shifts in interest rate regimes are now reflected in the securities prices of publicly traded utilities.

[4] Note that in the past Staff relied on yields on utility bonds reported by Value-Line Investment Survey. Value-Line no longer publishes that data. Staff has replaced and recalculated the resulting risk premiums using Moody's Corporate Bond Yields reported at FRED (Federal Reserve Economic Data).

The same trend in historically high premiums over risk-free investments was apparent nationally in commission-determined ROEs.[5] Research by Rode and Fischbeck concluded that risk premiums associated with allowed returns granted by commissions could not be justified by merely applying capital market data to the financial models that regulators traditionally relied on in rate cases. These researchers observed the reluctance of commissions and utilities to set or accept allowed returns below the 10% threshold even though capital costs were falling, and economic models justified breaching the 10% threshold. Staff witnessed the same behavior in Kansas after the GFC.

Table: History of Commission Determined Allowed ROEs

Commission Determined, Allowed ROEs -- Kansas Utilities
25-BKHG-298-RTS

Company	Docket	Order Date	Requested ROE	Ordered ROE	Baa/BBB Corp Bond Yield	Risk Premium
Atmos Energy Corp.	19-ATMG-525-RTS	2/24/2020	10.25%	9.10%	3.51%	5.59%
Kansas City Power &	15-KCPE-116-RTS	9/10/2015	10.30%	9.30%	5.44%	3.86%
Atmos Energy Corp.	14-ATMG-320-RTS	9/4/2014	10.53%	9.10%	4.70%	4.40%
Kansas City Power &	12-KCPE-764-RTS	12/13/2012	10.40%	9.50%	4.66%	4.84%
Kansas City Power &	10-KCPE-415-RTS	11/22/2010	10.75%	10.00%	5.94%	4.06%
Westar Energy Inc.	05-WSEE-981-RTS	12/28/2005	11.50%	10.00%	6.35%	3.65%
Westar Energy Inc.	01-WSRE-436-RTS	7/25/2001	12.75%	11.02%	7.78%	3.24%
Kansas Gas Service C	193,305-U	4/15/1996	12.00%	10.50%	8.19%	2.31%
					Average	3.99%

Sources: S&P Capital IQ, reports on Kansas rate cases

Moody's Seasoned Baa Corporate Bond Yield, Percent, Daily, Not Seasonally Adjusted; https://fred.stlouisfed.org

A risk premium recognizes the economic reality that the added risks associated with equity capital mean that stockholders demand a higher return than bondholders. When I prepared this analysis, a 9.70% ROE was a 386-basis point premium over the yield of Baa-rated corporate bonds and 407-basis point premium over the yield on Black Hills

[5] Regulated Equity Returns: a Puzzle; Energy Policy; David C. Rode and Paul S. Fischbeck; 133, 2019.

Corporation bond yields.[6] The following table provides the risk premiums from Staff's recommendations over the past decade.

Table: Risk Premiums of Recent Electric & Gas Dockets

Risk Premium of Recent Electric and Gas Dockets

Docket	Testimony Date	Company	Equity Ratio	Staff Recmmd	*BBB/Baa Corporate Bond Yld.	Resulting Rp
14-BHCG-502-RTS	9/12/2014	Black Hills-Ks Gas	50.34%	9.00%	4.89%	4.11%
15-KCPE-116-RTS	5/11/2015	Kansas City Power & Light	50.48%	9.25%	4.94%	4.31%
15-WSEE-115-RTS	7/9/2015	Westar Energy	53.12%	9.25%	5.20%	4.05%
16-KGSG-491-RTS	9/7/2016	Kansas Gas Service	55.00%	8.75%	4.19%	4.56%
16-ATMG-079-RTS	12/21/2016	Atmos Energy	56.12%	9.10%	4.81%	4.29%
18-KCPE-095-MER	1/29/2018	Kansas City Power & Light	*	9.30%	4.29%	5.01%
18-WSEE-328-RTS	6/11/2018	Westar Energy	51.24%	9.30%	4.85%	4.45%
18-KCPE-480-RTS	9/12/2018	Kansas City Power & Light	49.09%	9.30%	4.86%	4.44%
18-KGSG-560-RTS	10/29/2018	Kansas Gas Service	55.00%	9.15%	5.10%	4.05%
19-EPDE-223-RTS	5/13/2019	Empire District Electric Co	51.65%	9.30%	4.65%	4.65%
19-ATMG-525-RTS	10/31/2019	Atmos Energy	56.32%	9.10%	3.87%	5.23%
21-BHCG-418-RTS	9/10/2021	Black Hills Energy	42.96%	9.20%	3.23%	5.97%
23-ATMG-359-RTS	1/17/2023	Atmos Energy	59.16%	9.40%	5.44%	3.96%
23-EKCE-775-RTS	8/29/2023	Evergy, Inc.	48.50%	9.30%	5.96%	3.34%
24-KGSG-610-RTS	7/1/2024	Kansas Gas Service	60.21%	9.60%	6.03%	3.57%
		Average Risk Premium from Recent Gas & Electric Dockets				**4.40%**
					Median	**4.31%**

*Moody's Seasoned Baa Corporate Bond Yield [DBAA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org

Black Hills Description

Q. Describe Black Hills.

A. Black Hills is a wholly owned subsidiary of Black Hills Utility Holdings, Inc.; its ultimate parent company is Black Hills Corporation (BKH), which is a publicly traded company and supplies all the capital that is necessary for Black Hills. BKH begins its

[6] Based on trade data from March 10, 2025, through March 18, 2025, on Black Hills Corporation bonds 6.125%, due November 1, 2039. Over that period the average yield was 5.63%.

2024 SEC Form 10-K report with this broad description of its operations.[7]

> We operate our business in the United States, reporting our operating results through our Electric Utilities and Gas Utilities segments. Certain unallocated corporate expenses that support our operating segments are presented as Corporate and Other.
>
> Our Electric Utilities segment generates, transmits and distributes electricity to approximately 225,000 electric utility customers in Colorado, Montana, South Dakota, and Wyoming. Our Electric Utilities own 1,394 MW of generation and 9,196 miles of electric transmission and distribution lines.
>
> Our Gas Utilities segment serves approximately 1,128,000 natural gas utility customers in Arkansas, Colorado, Iowa, Kansas, Nebraska, and Wyoming. Our Gas Utilities own and operate 4,648 miles of intrastate gas transmission pipelines and 44,524 miles of gas distribution mains and service lines, seven natural gas storage sites, more than 50,000 horsepower of compression, and 516 miles of gathering lines.

Virtually all BKH's assets relate directly to its natural gas utility, electric utility, and its merchant electric generation businesses, enough so that BKH markets itself as a "integrated pure-play utility".[8] BKH is publicly traded, with institutions holding 85% of its outstanding common stock; the largest holders are BlackRock, Inc., at 16.07%, Vanguard Group, Inc., 12.02%, and State Street Global Advisors, Inc., 5.05%.[9] On February 12, 2025, BKH common stock traded at $60.25 per share, resulting in a market capitalization of $4.31 billion (stock price multiplied by the number of shares outstanding) and an enterprise value of $8.65 billion (market capitalization plus book value of debt). Value-Line Investment Survey ranks BKH as a "mid-cap," meaning its market capitalization is in the middle of the field relative to all other companies covered by Value-Line's research.[10] BKH is rated BBB+ by S&P Global Ratings and BBB+ by Moody's Investor Services, which is indicative of its moderate level of business and

[7] Black Hills Corporation SEC Form 10-K; 2024; p.12.
[8] Estimated Rate Base by State and Segment; BKH 2024 Fourth Quarter and Full Year Review; February 6, 2025; p.21. S&P Capital IQ Pro; BKH financial statistics, 4th Quarter, 2024.
[9] Black Hills Corp. ownership reported by S&P Capital IQ.
[10] Value-Line Investment Survey places Black Hills market capitalization at $4.0 billion and labels it a "mid-cap" as a means to rank its size relative to all other publicly traded stocks. Value-Line Investment Survey; Company Report on Black Hills, Corps; January 17, 2024.

financial risk. BKH bond ratings are within the realm of "investment grade" rating, indicating a very high likelihood of bondholders receiving timely interest and principal payments.

The following tables put Black Hills operations in context with the other utility operations of Black Hills Corporation. Black Hills operations are comprised of $298 million of rate base or 8.6% and 4.9% of BKH's natural gas utility and total utility rate base respectively.[11] The following table provided to investors by BKH management summarizes its rate base by jurisdiction.

Estimated Rate Base by State and Segment

	2019	2020	2021	2022	2023	2024
Colorado						$803
South Dakota (all jurisdictions)						$1,086
Wyoming						$702
Total Electric Utilities	**$1,747**	**$1,954**	**$2,077**	**$2,212**	**$2,398**	**$2,591**
Arkansas						$838
Colorado						$631
Iowa						$378
Kansas						$296
Nebraska						$831
Wyoming						$471
Total Gas Utilities	**$2,180**	**$2,464**	**$2,760**	**$3,049**	**$3,246**	**$3,445**
Total Utilities	**$3,927**	**$4,418**	**$4,837**	**$5,261**	**$5,644**	**$6,035**

Note: Estimated rate base at year-end calculated using state specific requirements and is representative of the entire value of rate base, including the value recovered through riders.

Black Hills Corporation. BKH | 2024 Fourth Quarter and Full Year Review | Feb. 6, 2025 | 33

Further, Black Hills comprises about 11% of BKH's retail natural gas customer base.[12]

[11] Estimated Rate Base by State and Segment; BKH 2024 Fourth Quarter and Full Year Review; February 6, 2025; p.33.
[12] Black Hills 10-K, 2024; p. 15.

Retail Customers by Business Unit	As of December 31, 2024	2023	2022
Arkansas Gas	189,240	186,216	183,270
Colorado Gas	215,190	211,155	208,060
Iowa Gas	164,134	163,281	162,801
Kansas Gas	120,225	119,407	118,599
Nebraska Gas	304,429	302,167	301,007
Wyoming Gas	135,137	134,167	133,378
Total Natural Gas Retail Customers at End of Year	1,128,355	1,116,393	1,107,115

As well as 11% of its gas distribution service lines.[13]

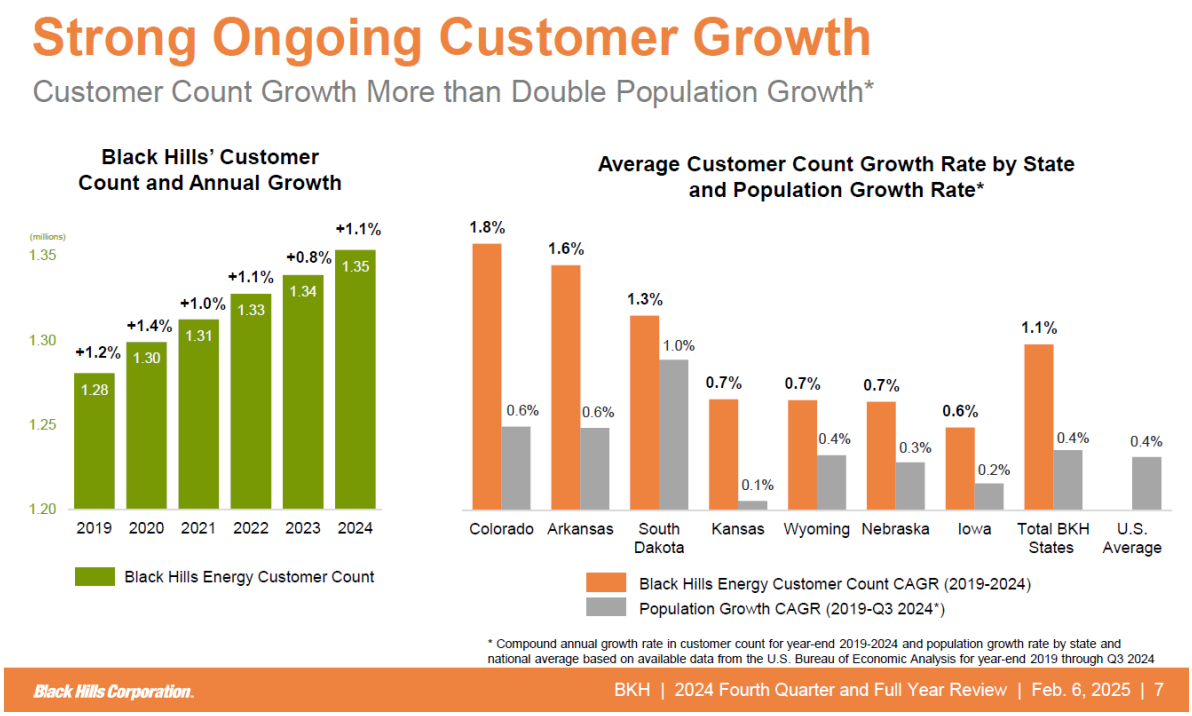
	Intrastate Gas Transmission Pipelines	Gas Distribution Mains	Gas Distribution Service Lines
	(in Line Miles)		
Arkansas Gas	875	5,317	1,411
Colorado Gas	682	7,290	2,245
Iowa Gas	173	2,938	3,729
Kansas Gas	339	3,096	1,510
Nebraska Gas	1,313	8,658	2,967
Wyoming Gas	1,266	3,618	1,745
Total	4,648	30,917	13,607

Q. Is the economy of Black Hills service territory healthy?

A. Yes, Black Hills service territory is healthy. It is also diverse, serving rural and urban areas across the state; its territory is not contiguous. The health Black Hills' service territory is a function of customer and economic growth as both are indictive of expanding needs for utility services and an ability for those consumers to pay for those services. The economic growth of Black Hills' rural and urban territories differs, in aggregate its territory exhibits customer growth and an expanding economy. The first table, taken from a BKH investor presentation, highlights the customer growth in Black Hills territory over the past five years as a significantly greater rate of growth than that

[13] Black Hills 10-K, 2024; p.16.

of the State of Kansas.



At a broader measure, of population growth, over that same period, 2019 through 2024, Kansas experienced a compound growth of 2%, slightly less than the U.S. of 2.5%. For that period annual changes in real GDP for the Kansas economy compare favorably too, and in three of the six years, surpasses the annual growth rate of the national economy.[14]

[14] www.bea.gov

Real Gross Domestic Product

	2019	2020	2021	2022	2023	2024
United States	2.6%	-2.2%	6.1%	2.5%	2.9%	2.8%
Kansas	-0.1%	-0.9%	2.8%	2.7%	3.6%	1.0%

Real GDP is in millions of chained 2017 dollars. (Percent change from preceding period) Last updated: March 28, 2025-- new statistics for 2024. Bureau of Economic Analysis

The unemployment rate for Kansas in December 2024 was 3.6%, compared to the U.S. rate of 4.1%. In summary, Black Hills service territory is experiencing solid economic growth and customer growth, within a regional economy likely to foster growth in rate base and per capita income. These are positives for utility investments over the long term.

Q. What regulatory mechanisms does Black Hills have in place?

A. The Commission has granted Black Hills use of a Gas System Reliability Surcharge (shown in the table as integrity additions), recovery of the cost of gas related to bad debts or unpaid bills, a cost of gas pass through mechanism, a property tax surcharge rider, and an annual weather normalization rider.[15] The regulatory mechanisms granted in Kansas to Black Hills compare favorably to those granted to the utility operations in other states. Arkansas is the most favorable of the six operations, having been granted revenue decoupling from volumetric sales variations due to weather or conservation.

[15] SEC Form 10-K; 2024; p. 18-19

The following table summarizes the mechanisms we have in place for each of our Gas Utilities:

Gas Utility Jurisdiction	Cost Recovery Mechanisms					
	EECR/DSM	Integrity Additions	Bad Debt	Weather Normal	Gas Cost [a]	Revenue Decoupling
Arkansas Gas	☑	☑		☑	☑	☑
Colorado Gas [b]	☑				☑	
RMNG [c]						
Iowa Gas	☑	☑			☑	
Kansas Gas		☑	☑	☑	☑	
Nebraska Gas		☑	☑		☑	
Wyoming Gas	☑	☑			☑	

(a)
All of our Gas Utilities, except where the Choice Gas Program is the only option, have GCAs that allow us to pass the prudently-incurred cost of gas and certain services through to the customer between rate reviews.

(b)
Colorado Gas's SSIR was approved by the CPUC for a three-year term, effective January 1, 2022 to December 31, 2024. The SSIR was not extended during the most recent rate review.

(c)
RMNG does not have retail customers and therefore, does not have typical cost recovery mechanisms.

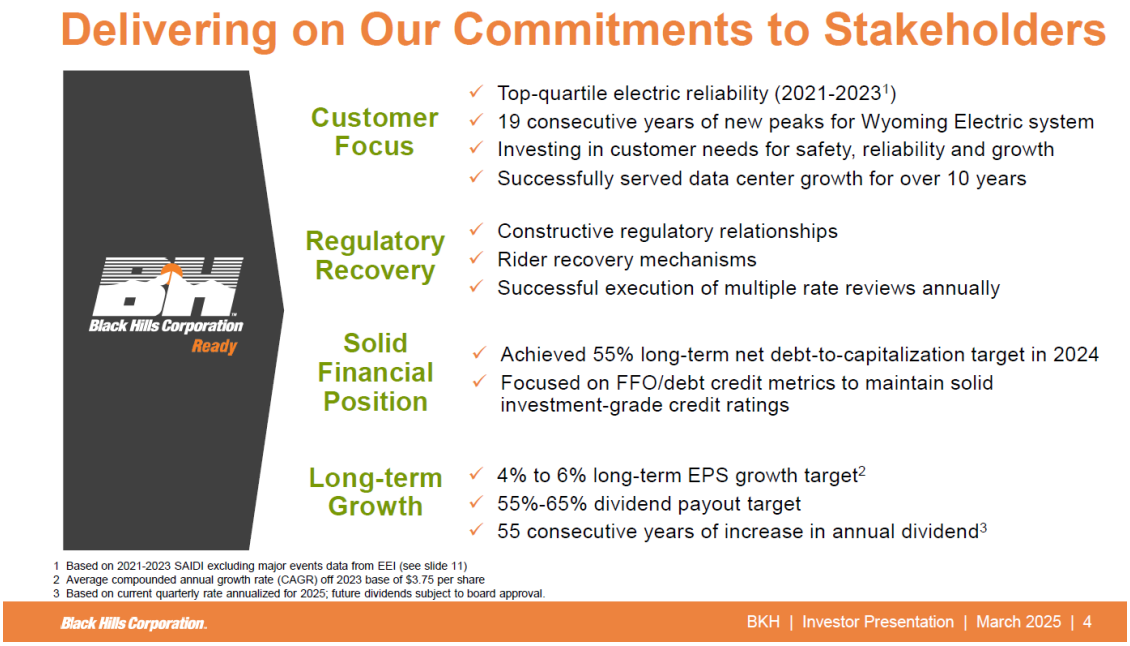
Q. How have BKH's earnings and dividends growth rates performed?

Over the past ten years BKH's earnings grew at an annual rate of 5.5% and dividends at 5.0%, while over the past five years earnings grew at 4.0% and dividends at 6.0%.[16]

Q. Does BKH expect these growth rates to continue in the future?

Yes, BKH has informed investors to expect growth of 4.0% to 6.0% in annual growth in earnings and dividends going forward. BKH management presented the following slide detailing this information.[17]

[16] Value-Line Investment Survey, Black Hills Corporation, January 17, 2025.
[17] Black Hills Corporation Presentation to Shareholders; March 2025. https://ir.blackhillscorp.com/static-files/7de41ead-e619-4d1f-bebd-c51c65bebb03



Macro-Economic Environment & Investor Expectations

Q. Is it necessary for the Commission to create a forecast of the broad economy to determine a reasonable return?

A. As I discussed in many rounds of rate case testimony, I advise the Commission that determining a fair and reasonable allowed return does not require it to make an independent forecast of the economy's future or even adopt a specific perspective on the economy's direction. The focus of setting a fair and reasonable allowed return is on the *investors'* required return, which is a product of the *investors'* expectations for the economy (not the Commissioners'). Investors' expectations for the economy are captured within the Commission's cost of capital decision, provided the Commission's decision is based on market-derived data such as current stock prices, interest rates, and other market data that conveys investors' outlook for the economy. Staff's recommendation is based on current market-derived data. It is not necessary, and

counterproductive, for regulators and the cost of capital witnesses to second-guess the capital markets. It is a well-accepted premise that our capital markets are efficient, where investors factor all available information into their decisions to buy and sell debt and equity securities. Furthermore, rational, profit-maximizing investors are forward-looking. Accordingly, investors incorporate their forecasts of the economy into their decisions in their best attempt to maximize returns.

Q. Do you believe the Commission benefits from some discussion of economic forecast when setting allowed returns?

A. Yes, particularly with the global events beginning five years ago with the Covid-19 pandemic followed by the Russian/Ukrainian war and this past six months with uncertainty surrounding traditional global trade patterns. The economic issues facing governments and their central banks relate to the fallout from these global events causing disruptions of long-established global supply chains and trade patterns; disruptions that reduced economic growth, spiked inflation rates, and increased economic uncertainty.

Equity and fixed-income investors watch the actions of the Federal Reserve Open Market Committee (FOMC) of the U.S. Federal Reserve Board (Fed) very closely, more so than any other published report on the U.S. economy. The opinions and expectations of the FOMC members and staff economists are published weeks after each meeting, and as of the recent meetings in December of 2024, January of 2025, and the latest in March of 2025, the Federal Reserve members' economic perspective

reflects cautious optimism amid ongoing inflationary pressures and a slowing, but resilient economy as summarized in their views on inflation, growth and unemployment.

- **Inflation**: The Fed remains focused on bringing inflation down to its 2% target.[18] While inflation has moderated from the highs of 2022, it continues to be above the 2% target, but members expect to reach the 2% target in 2027.[19] The FOMC recognizes the need for careful monitoring of price pressures, particularly as demand in the economy remains relatively strong. In previous meetings some members noted that the disinflationary process may have stalled temporarily, at all three meetings they highlighted the risk that it could take longer than previously anticipated to return to target levels.[20] At its March meeting, more members expressed increased uncertainty to their inflation forecasts and increased risks weighted to higher inflation.[21]
- **Economic Growth**: U.S. economic growth has slowed but remains positive and solid. The long-run forecast for 1.8% real growth remains in place. However, at its March meeting, more members expressed increased uncertainty to their growth forecasts and increased risks weighted to lower growth.[22]
- **Labor Market**: Participants noted the job market is solid though showing signs of cooling, with job growth slowing and the unemployment rate remaining low. At the March meeting, the forecasted unemployment rate remained at 4.2 over the long run, but with greater risk to higher unemployment rates than previous meetings.[23]
- **Monetary Policy Decision:** At its December meeting the Committee voted in favor of the rate cut to 4.25 to 4.50%.[24] At the January 2025 and March 2025 meetings members voted to maintain the federal funds rate at 4.25% to 4.50%.
- **Future Policy Considerations:** Given the uncertainty surrounding potential changes in trade and immigration policies under the incoming administration, the Committee emphasized a careful approach to future rate adjustments. In the

[18] Minutes of the Federal Open Market Committee, November 6, 2024; p.12
[19] Minutes of the Federal Open Market Committee, March 19, 2025; table 1.
[20] Minutes of the Federal Open Market Committee of its December 17-18, 2024, Meeting; Released January 8, 2025.
[21] Minutes of the Federal Open Market Committee, March 19, 2025; table 4.C.
[22] Minutes of the Federal Open Market Committee, March 19, 2025; table 4.A.
[23] Minutes of the Federal Open Market Committee, March 19, 2025; table 4.B.
[24] Minutes of the Federal Open Market Committee of its December 17-18, 2024, Meeting; Released January 8, 2025.

November and December meetings most participants indicated that the Committee was at or near the point at which it would be appropriate to slow the pace of policy easing.[25]

- **Long-run Targets:** In all four recent meetings the FOMC members' long-run targets are for a return of pre-pandemic inflation levels at 2.00% annually, real GDP at an annual growth of 1.80%, and unemployment at 4.20%.
- **Policy Risk:** The primary distinction between the FOMC projections materials published after the March 2025 meeting and that published from the three prior meetings is increased levels of risk to all projections.[26]

In the 2024 meetings, FOMC members acknowledge several risks, including global economic conditions, the possibility of a more pronounced slowdown in consumer spending, and geopolitical uncertainties that could disrupt markets. There is also concern about long-term inflation expectations becoming unanchored if price pressures do not ease.[27] The FOMC's perspective is one of caution—acknowledging that progress has been made in controlling inflation but recognizing that more work is needed to ensure it moves sustainably toward the 2% target without triggering a severe economic downturn. The FOMC members expressed cautious optimism about the economy while maintaining a measured approach to monetary easing, actions that reflect its dual mandate to achieve maximum employment *and* stable prices. In March 2025, FOMC members judged the risks of attaining their dual-mandate objective as increased since the last meeting in January 2025.[28] In prior meetings members assessed that risk as balanced.[29]

[25] Minutes of the Federal Open Market Committee of its December 17-18, 2024, Meeting; Released January 8, 2025.
[26] https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20250319.htm
[27] Minutes of the Federal Open Market Committee, November 6, 2024; p.12
[28] Federal Reserve issues FOMC statement, March 19, 2025.
[29] Minutes of the Federal Open Market Committee, November 6, 2024; pp.10, 12

Q. Does the risk of persistent inflation demand that the Commission provide BKH-KS with a premium or risk adder to compensate investors?

A. No, having recently experienced a brief, severe recession related to a global pandemic, supply chain disruptions caused by the worldwide pandemic and war in Europe, and several quarters of high inflation, as well as lingering levels of inflation well above the FOMC's 2.0% target, investors are aware of the risks a potential recession poses to corporate profits and the broad economy. We know that financial markets are efficient, so it is likely that persistent inflation, the FOMC's response with higher interest rates, and tighter monetary policy are the primary causes for the decline in utility stock prices last year. Investors constantly assess and reassess these risks and price securities; accordingly, those prices are inputs to the CAPM and DCF analyses. Thus, these risks and the changes they cause in utility stock prices are captured in my study of the proxy group, and no explicit adjustment is warranted. Relying on current data captures investors' required return for putting their capital at risk.

Staff's Cost of Equity Analysis

Q. Please summarize the results of your cost of equity analysis.

A. Staff recommends the Commission authorize a 9.70% allowed ROE with a range of 9.30% to 9.90%. The table below summarizes the cost of equity estimates from my study in this Docket. I relied on a discounted cash flow (DCF) model, a multi-stage form of the DCF model known as an internal rate of return (IRR) analysis, and the capital asset pricing model (CAPM). These are the models I typically use to estimate

a utility's required return on equity. The results in this table are based on capital markets data taken from the six months of October 21, 2024, through March 14, 2025.

Table: Summary of Staff's Allowed ROE Estimates

Summary of Staff's Allowed ROE Estimates
25-BHCG-298-RTS

Discounted Cash Flow Analyses	Mean	Low	High
Two-Stage Growth DCF Model:			
Based on the Average of Short-Term Growth Forecasts & Long-Term nGDP Forecasts	8.59%	8.27%	8.92%
Internal Rate of Return or Multi-Stage DCF Analysis:			
Using Short-Term Growth EPS Growth & Long-Term nGDP Forecast	8.14%	6.61%	9.18%
Capital Asset Pricing Models			
Based on Historical Return Data, gathered from 1928 - 2023, Reported at Damodaran On-Line			
Historic Arithmetic Returns	11.21%	10.66%	12.05%
Historic Geometeric Returns	9.76%	9.33%	10.41%
Based on Forecasted Return Data:			
J.P. Morgan Asset Management	6.75%	6.51%	7.12%
BlackRock	7.33%	7.04%	7.76%
Kroll, Inc. Forecasted Risk Premium	9.30%	8.90%	9.90%

Q. For a point of comparison, will you please summarize the return on equity decisions made by this Commission and other Commissions across the country?

A. The first table below contains the allowed return on equity decisions made by this Commission in litigated rate cases. As a point of reference to the prevailing capital markets at that time, I included the yield on the Baa bonds as of the month of the Commission's decision.

Table: Commission Determined Allowed ROEs

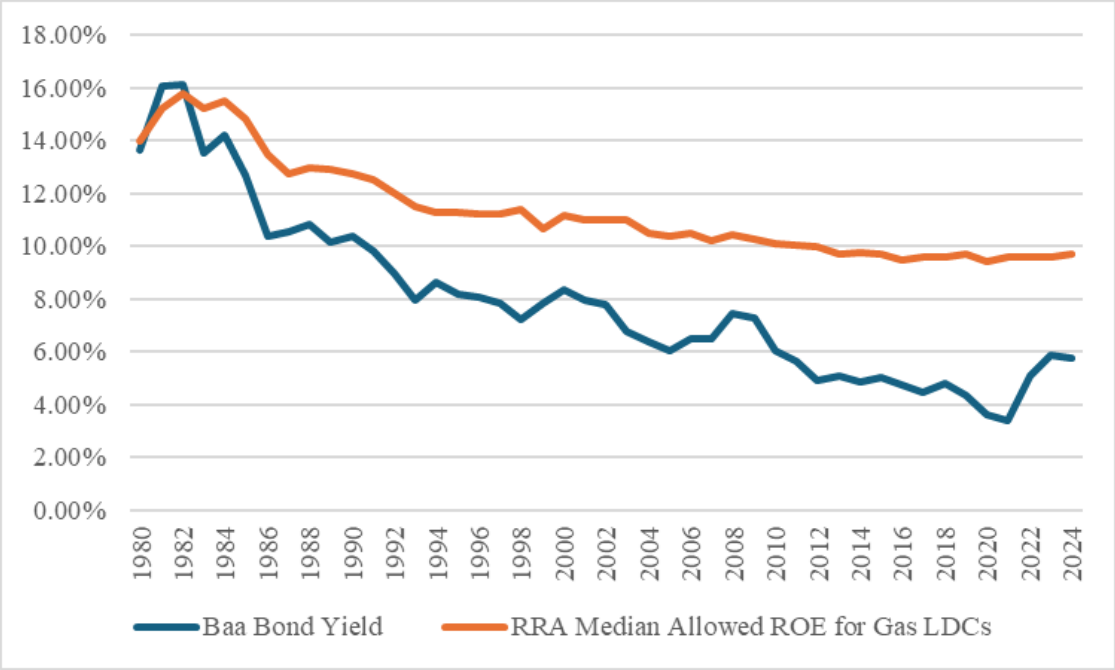
Commission Determined, Allowed ROEs -- Kansas Utilities
25-BKHG-298-RTS

Company	Docket	Order Date	Requested ROE	Ordered ROE	Baa/BBB Corp Bond Yield	Risk Premium
Atmos Energy Corp.	19-ATMG-525-RTS	2/24/2020	10.25%	9.10%	3.51%	5.59%
Kansas City Power & Light	15-KCPE-116-RTS	9/10/2015	10.30%	9.30%	5.44%	3.86%
Atmos Energy Corp.	14-ATMG-320-RTS	9/4/2014	10.53%	9.10%	4.70%	4.40%
Kansas City Power & Light	12-KCPE-764-RTS	12/13/2012	10.40%	9.50%	4.66%	4.84%
Kansas City Power & Light	10-KCPE-415-RTS	11/22/2010	10.75%	10.00%	5.94%	4.06%
Westar Energy Inc.	05-WSEE-981-RTS	12/28/2005	11.50%	10.00%	6.35%	3.65%
Westar Energy Inc.	01-WSRE-436-RTS	7/25/2001	12.75%	11.02%	7.78%	3.24%
Kansas Gas Service Co.	193,305-U	4/15/1996	12.00%	10.50%	8.19%	2.31%
					Average	3.99%

Sources: S&P Capital IQ, reports on Kansas rate cases
Moody's Seasoned Baa Corporate Bond Yield, Percent, Daily, Not Seasonally Adjusted; https://fred.stlouisfed.org

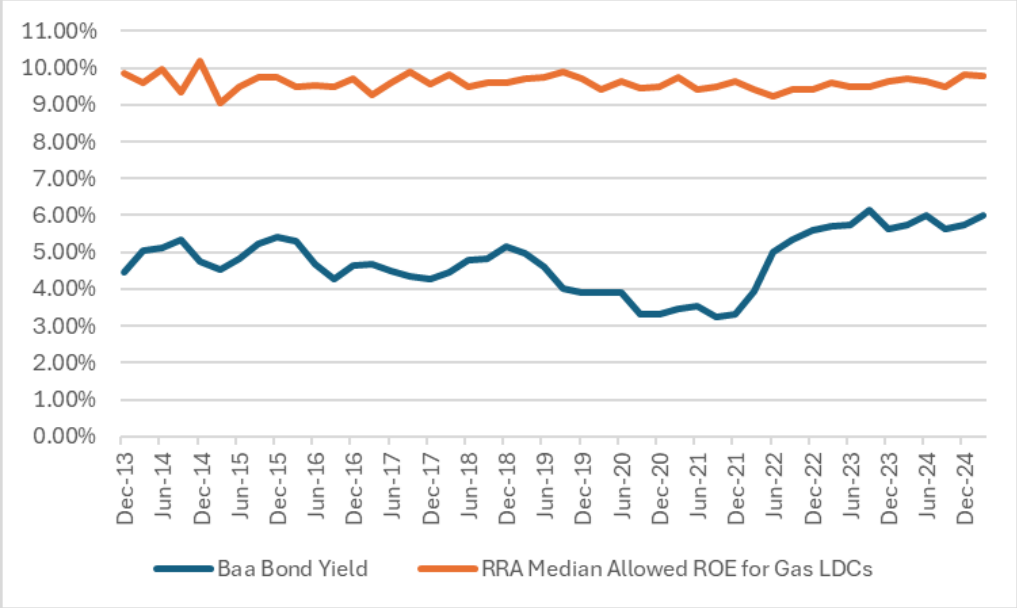
The following chart is broader in both the time and reporting scope. It indicates the median return on equity granted in fully litigated rate cases nationwide from 1980 through 2024. As a point of reference to the prevailing capital markets, I included the average yield to maturity of Baa corporate bonds reported by Moody's Analytics.

Graph: Annual Median Allowed Returns Granted to Gas LDCs & Bond Yields 1980-2024



The following chart highlights the last decade, from January 2014 through December 2024. In writing this testimony in March of 2025, rates on corporate debt are 6.00%. As a point of reference, the Black Hills 21-418 rate case was filed on May of 2021, with the order issued at the end of December of 2021; at those points, interest rates on corporate debt were 3.55% and 3.31%, respectively.[30]

[30] In this paragraph the benchmark interest rates I refer to are the yields on Baa rated corporate debt tracked by Moody's Investor Services; reported at https://fred.stlouisfed.org/series/BAA#



Q. How does Staff's recommendation compare to the returns available on other investments?

A. The following table shows Staff's recommendation of a 9.70% ROE, which allows investors a risk premium over less risky debt investments detailed in the table. These income-producing securities are alternatives to investments in utility stocks because, like utility stocks, bonds offer stable valuations and higher current income relative to the equity market. Risk premiums vary over time and across market conditions; thus, no absolute benchmark risk premium sets a reasonable return on equity at a given interest rate, nor has the Commission set a definitive spread over bond yields.

Table: Staff's Risk Premium Based on a 9.70% Allowed ROE

Staff's Risk Premium Over Fixed Income Yields
Based on a 9.70% Allowed ROE
25-BHCG-298-RTS

	30 Year (1) Treasury Bond	Corporate Bonds (2) Baa
Oct 2024	4.34%	5.60%
Nov 2024	4.53%	5.77%
Dec 2024	4.57%	5.79%
Jan 2025	4.84%	6.07%
Feb 2025	4.69%	5.92%
Mar 2025	4.57%	5.90%
	4.59%	**5.84%**
	KCC Staff's Recommended ROE	9.70%
	Average Yield on 30 Year Treasury Bond	4.59%
Equity Risk Premium Over the 30-Year Treasury Bond Yield		**5.11%**
	KCC Staff's Recommended ROE	9.70%
	Average Yield on "Baa" Rated Corporate Bonds	5.84%
Equity Risk Premium Over "Baa" Corporate Bond Yields		**3.86%**

1) Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 30-Year Constant Maturity, Quoted on an Investment Basis [WGS30YR], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/WGS30YR, March 18, 2025.

2) Moody's, Moody's Seasoned Baa Corporate Bond Yield [WBAA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/WBAA, March 18, 2025.

Standards for a Just & Reasonable Rate of Return

Q. What standards should commissions consider when authorizing a rate of return?

A. The standards for establishing a just and reasonable rate of return require that the allowed return reflect the risks inherent in an equity investment in the utility. To fall within the zone of reasonableness, the authorized return must adequately compensate investors for those risks while ensuring that consumers share in the benefits of

regulation. The allowed return on equity (ROE) is best understood as a forward-looking discount rate—one that is sufficient to attract the capital necessary to support ongoing utility operations and investment. The criteria for determining a fair and reasonable ROE have been shaped by judicial precedent arising from appeals of regulatory decisions. Financial analysts and policymakers look to these court decisions for guidance in estimating the appropriate cost of equity. While the courts do not prescribe specific methodologies or models for calculating a reasonable ROE, they do offer key principles and questions that regulators must consider in arriving at a balanced outcome for both investors and consumers.

In general, United States Supreme Court decisions state that returns granted to regulated public utilities should (1) be commensurate with returns on investments of similar risk, (2) be sufficient to assure the financial integrity of the utility under efficient economic management, and (3) change over time with changes in the money market and business conditions.[31] An important takeaway from these decisions is that the United States Supreme Court has afforded regulatory agencies significant latitude in establishing an appropriate ROR and ROE for a utility. The Kansas Supreme Court has recognized and followed this body of law.[32] This Commission has noted this fact in Orders issued in previous dockets.[33]

[31] *Smyth v. Ames*, 169 U.S. 466 (1898); *Wilcox v. Consolidated Gas Co*., 212 U.S. 19, 48-49 (1909); *Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n*, 262 U.S. 679, 692-93 (1923); *Federal Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944).

[32] *Kansas Gas & Elec. Co. v. State Corp. Comm'n*, 239 Kan. 483, 491, 720 P. 2d 1063, 1072 (1986).

[33] Order: 1) Addressing Prudence; 2) Approving Application, in Part; & 3) Ruling on Pending Requests, Docket No. 10-KCPE-415-RTS, November 22, 2010, 37-38.

Q. Will you please discuss how financial analysts apply the standards established by the Courts?

A. For an allowed ROE to meet the legal standards, the return should be as specific as possible to the utility in question. Financial analysts achieve this goal by analyzing the utility in question when it is possible to do so and a proxy group of similarly situated utilities.

There are court cases that, as a group, are viewed as the keystone to measuring the adequacy of a utility's allowed return. The earliest of these decisions go back to an era when it was not only the "rate of return" at issue but also the fundamental measurement of the investment in the utility enterprise, commonly referred to as rate base. This is less of an issue today as regulators, utility management, and investors readily accept historic depreciated value as the measure of investment to estimate the value of a utility's rate base (as opposed to reproduction cost or market value). The Court's decision in *Bluefield* addressed both rate base and ROR.[34] Treatises on rate of return for public utilities, such as The Cost of Capital – A Practitioner's Guide, agree that *Bluefield* lays out the four standards for a fair return:

1) *Comparable Earnings* – a utility is entitled to a return similar to that being earned by other enterprises with similar risks but not as high as those earned by highly profitable or speculative ventures;
2) *Financial Integrity* – a utility is entitled to a return level reasonably sufficient to assure financial soundness;

[34] *Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n*, 262 U.S. 679, 692-93 (1923).

3) *Capital Attraction* – a utility is entitled to a return sufficient to support its credit and raise capital; and

4) *Changing Level of Returns* – a fair return can change along with economic conditions and capital markets.[35]

As a financial analyst formulating rate of return recommendations for our state Commission, I take from *Bluefield* that the Court requires a rate Order that allows a utility an opportunity to earn a return consistent with the utility's risk profile and consistent with observations in the capital markets. The Court's decision in *Hope,*[36] like that in *Bluefield,* dealt with the valuation of the rate base and the rate of return on that rate base. For the rate of return, the Court in *Hope* affirmed the four standards in *Bluefield.*

Capital Structure & Cost of Debt

Q. What is the cost of debt in BKH-KS's ROR?

A. BKH-KS requested ROR contains a 4.71% cost of debt based on a pro-forma adjustment from the September 30, 2024, test year to the September 30, 2025, pro-

[35] The Cost of Capital – A Practitioner's Guide by David C. Parcell, Prepared for the Society of Utility and Regulatory Financial Analysts, 1997, pp. 3-13 to 3-14.

[36] *Federal Power Comm'n. v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944). "The rate-making process under the Act, i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and the consumer interests. Thus, we stated in the Natural Gas Pipeline Co. case that 'regulation does not insure that the business shall produce net revenues.' But such considerations aside, the investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view, it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard, the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. The conditions under which more or less might be allowed are not important here. Nor is it important to this case to determine the various permissible ways in which any rate base on which the return is computed might be arrived at. For we are of the view that the end result in this case cannot be condemned under the Act as unjust and unreasonable from the investor or company viewpoint."

forma period.[37] At the September 30, 2024, test year the cost of debt was 4.61%.[38] Mr. Stevens provides no analysis or data supporting the pro-forma adjustment from 4.61% to 4.71% of debt cost, only that long-term debt matures in January 2026 and that "Black Hills will update the status of this refinancing in rebuttal."[39] Mr. Stevens states that he believes some refinancing might occur in the latter half of 2025. Staff rejects the pro forma cost of debt because it is not known and measurable and is merely Mr. Steven's speculation. Staff's ROR incorporates a cost of debt of 4.61% that is consistent with the September 30, 2024, test year and update period of February 28, 2025.[40]

Q. What is the capital structure requested by BKH-KS to calculate its revenue requirement?

A. BKH-KS's requested capital structure is allocated or assigned by its parent company, Black Hills Corp.

[37] Stevens Direct p. 15; Section 7 at p. 2
[38] Section 7 at p. 2
[39] Stevens Direct p.17
[40] KCC Staff Data Requests updates Section 7 of the Application to February 28, 2025.

Table: BKH-KS Requested ROR, Capital Structure, and Cost of Debt

Black Hills - Kansas
Rate of Return in Section 7 of Application
Pro-Forma Test Year Ended September 30,2025
25-BHCG-298-RTS

	Weight	Cost	Weighted Cost
Long-term Debt	49.56%	4.71%	2.33%
Common Equity	50.44%	10.25%	5.17%
			7.50%

Sources: Section 7, Direct Testimony of Thomas D. Stevens

Witness Thomas D. Stevens, Vice President and Treasurer of Black Hills Service Co., is the primary witness for capital structure and cost of debt. To a lesser degree, Mr. McKenzie discusses capital structure. The capital structure requested by BKH-KS is forecasted to September 30, 2025. The test year for this rate case ended September 30, 2024. Throughout his Direct Testimony, Mr. Stevens discusses capital structure and how capital is assigned to BKH-KS by its parent company, Black Hills Corporation.

Q. Why is Staff rejecting BKH-KS's proposed capital structure?

A. For two reasons. First BKH-KS is proposing a capital structure that is allocated and does not reflect the capital structure of the parent company. Second, it is based on forecasts, not known and measurable data.

Q. Does BKH-KS's Kansas operations issue its own debt and equity to the public?

A. BKH-KS does not issue any debt or equity capital. BKH-KS is not a corporation

distinct from BKH; it is a limited liability company and a business unit BKH. BKH-KS obtains all its debt and equity capital from its parent. Investors cannot invest directly in BKH-KS; they can only invest by purchasing stock or bonds sold by BKH. The rate base serving Kansas consumers is funded by debt and equity from BKH. Mr. Stevens states BKH's financing philosophy for subsidiaries,

> "BHC (Black Hills Corporation) provides financing for all of its utility subsidiaries, including Black Hills (BKH-KS). BHC performs this role to take advantage of the benefits of economic scale when it accesses public markets on behalf of its utility subsidiaries. Black Hills ultimately receives funding via (1) assignment of debt through intercompany notes payable to BHC based on the weighted average cost of BHC's pool of senior unsecured debt; (2) wholly or partially retaining its own earnings; and (3) receiving equity infusions from BHC."[41]

Q. Is the capital structure sought by BHK-KS consistent with the capital structure policy espoused by this Commission?

A. No, it is inconsistent with the Commission's policy of applying the capital structure, which will result in the lowest overall cost of capital that is representative of utility operations.[42]

Q. How is it that BHK-KS's proposed capital structure will not result in the lowest overall cost of capital that is representative of its utility operations?

[41] Stevens Direct p. 4

[42] The Staff has advocated for and applied this policy in numerous dockets over the past two decades. The Commission has adopted and applied this policy in cases setting revenue requirements as well as ruling on mergers and acquisitions of jurisdictional utilities. See Order issued in 16-KCPE-593-ACQ (April 19, 2017) at pp. 41-42.

A. BKH has assigned BHK-KS a capital structure with a higher equity ratio than BKH has on its books. As discussed by Mr. Stevens, BKH provides BHK-KS with all its capital, key personnel, and services necessary for BHK-KS's operations. So, it is very much BKH that has operational control over the Kansas utility.

BHK-KS proposes a capital structure with 50.44% equity. BKH has an equity ratio of 45.40%.[43] A 45.40% equity ratio results in a lower revenue requirement. Equity investors demand a higher return than bondholders simply because their compensation is a residual after paying bondholders and other expenses. They also have lower priority in the event of liquidation. Furthermore, in calculating a revenue requirement, the equity capital return is grossed up for income taxes; that is, an income tax expense associated with the equity portion of the capital structure is collected from consumers. That gross up is significant, whereas there is no income tax cost associated with interest paid on debt capital.

Then following table taken from BKH's presentation to analysts highlights the dramatic decrease in its equity ratio stemming from its acquisition of gas properties in Arkansas.

[43] Capital Structure, BKH 2024 Fourth Quarter and Full Year Review; February 6, 2025; p. 26 also see Value-Line, Black Hills Corporation, January 17, 2025.

Capital Structure

($ in millions)

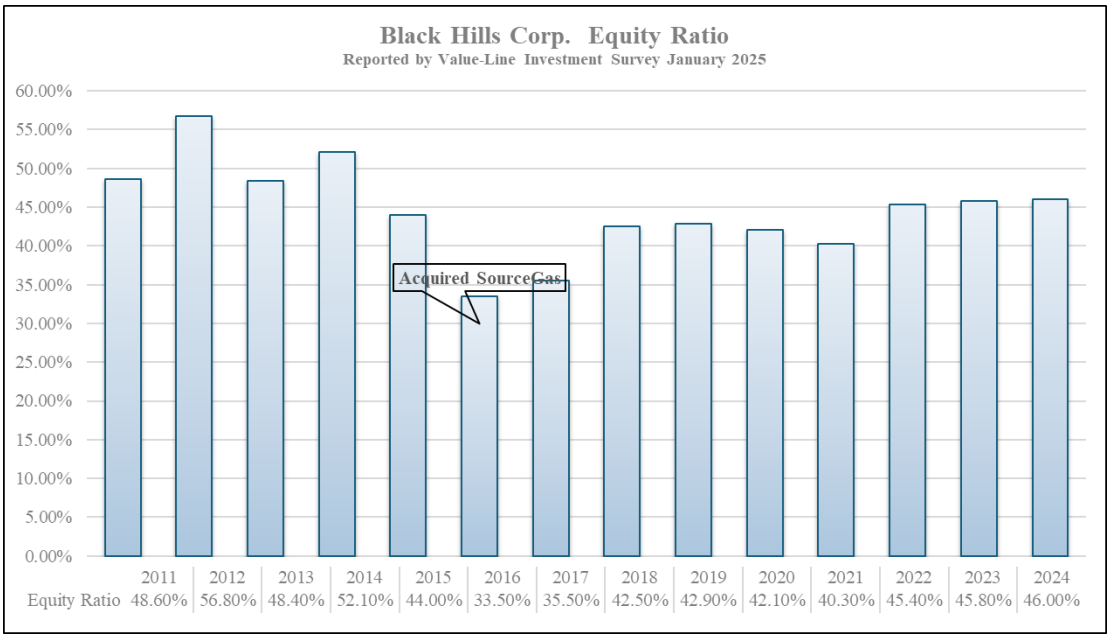
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Capitalization													
Short-term Debt	420	342	335	501	1,061	525	525	1,125	600	600	600	18	134
Long-term Debt	4,127	4,128	4,130	4,131	3,607	3,954	3,956	3,800	3,801	3,803	4,247	4,249	4,250
Total Debt	4,547	4,470	4,465	4,632	4,668	4,479	4,481	4,925	4,401	4,403	4,847	4,266	4,384
Equity*	2,787	2,872	2,885	2,887	2,995	3,098	3,110	3,167	3,215	3,334	3,357	3,447	3,501
Total Capitalization	7,334	7,342	7,350	7,519	7,663	7,577	7,591	8,092	7,617	7,737	8,204	7,713	7,886
Net Debt to Net Capitalization**													
Debt	4,547	4,470	4,465	4,632	4,668	4,479	4,481	4,925	4,401	4,403	4,847	4,266	4,384
Cash and Cash Equivalents	(9)	(16)	(10)	(12)	(21)	(39)	(153)	(594)	(87)	(123)	(625)	(13)	(16)
Net Debt	4,538	4,454	4,455	4,621	4,647	4,440	4,328	4,330	4,315	4,280	4,222	4,254	4,368
Net Capitalization	7,325	7,325	7,340	7,507	7,641	7,538	7,438	7,498	7,530	7,614	7,580	7,700	7,869
Debt to Capitalization	62.0%	60.9%	60.7%	61.6%	60.9%	59.1%	59.0%	60.9%	57.8%	56.9%	59.1%	55.3%	55.6%
Net Debt to Capitalization*	62.0%	60.8%	60.7%	61.5%	60.8%	58.9%	58.2%	57.8%	57.3%	56.2%	55.7%	55.2%	55.5%
Long-term Debt to Total Debt	90.8%	92.4%	92.5%	89.2%	77.3%	88.3%	88.3%	77.2%	86.4%	86.4%	87.6%	99.6%	96.9%

* Excludes noncontrolling interest
** Net debt is a non-GAAP measure which includes total debt net of cash and cash equivalents

Black Hills Corporation. BKH | 2024 Fourth Quarter and Full Year Review | Feb. 6, 2025 | 26

BKC's capital structure leverage increased dramatically with its February 2016 acquisition of Source Gas natural gas distribution properties in Arkansas. That acquisition caused BKH's equity ratio to shift from 52% in 2014 to 33.5% in 2016. The following chart details the history of BKH's consolidated capital structure from 2011 to 2024, noting the leverage taken on for the 2016 acquisition of Source Gas.

Graph: Black Hills Corp., Equity Ratio, 2011 - 2024



Q. Do parent companies have an incentive to assign utility business units a higher equity ratio than the parent?

A. A significant financial incentive accrues to stockholders if a business unit is assigned a higher equity ratio than what exists at the parent company. When the ROR is based on a higher equity ratio than exists at the parent, the parent can earn an equity return on debt capital. That equity return is also grossed up to recoup an income tax expense the parent company does not incur. This is because interest expense is tax deductible, whereas operating income (resulting from the margin necessary to produce an ROE) is not. The result is a higher return to the parent than if the utility business unit's revenue requirement was set using the parent's capital structure. This result is a windfall for shareholders because they receive a higher return on equity than was intended, and consumers pay for a windfall.

Staff's view of this issue is not unique; it is discussed in regulatory theory and application when determining a revenue requirement. Frequently, the topic is discussed using the term "double leverage," where equity is substituted for debt in the capital ratios used to compute a revenue requirement. Although this instance is not the textbook example of double leverage since BHK-KS does not issue its debt to the public, BKH's financial strategy accomplishes the same end; it substitutes equity in the revenue requirement capital structure for what is, in reality, debt capital.

Q. What is the effect of using an assigned capital structure with an equity ratio greater than the actual capital ratios of BKH?

A. It results in a return to shareholders being far greater than that stated in the Application, which is not supported by testimony.

Q. What is the return produced by BHK-KS's proposed ROR?

A. The following two tables calculate the effective ROE BKH shareholders would receive if the Commission adopted BHK-KS's proposed 10.50% ROE and 50.10% equity capital structure. The first table takes the ROR inputs from Section 7 of the Application to compute a weighted cost of capital or ROR of 7.58% and an 8.99% ROR once the cost of the equity component is grossed up to recover associated income tax expenses. The 8.96% pre-tax ROR is based on the capital structure BKH assigned to BHK-KS.

Black Hills/Kansas Gas Utility Co. LLC
Rate of Return in Section 7 of Application Grossed Up of Income Tax Costs
Forecasted Test Year Ended September 30, 2025

		000's Balance	Weight	Cost	Weighted Cost	Tax Gross Up
Long-term Debt	$	151,800,000	49.56%	4.61%	2.28%	2.28%
Common Equity	$	154,464,934	50.44%	10.50%	5.30%	6.70%
	$	306,264,934	100.00%		**7.58%**	**8.99%**

Source: 25-BHCG-298-RTS, Section 7 grossed up for income tax costs using Staff's 0.79 tax gross up factor applied to the cost of equity

The second table assumes that the revenue requirement is set using the 8.99% pre-tax ROR, recognizing the reality of BKH's consolidated capital structure. After the ROR funds the cost of debt, any residual is the return available to BKH shareholders, resulting in an ROE of 11.20%, well above the 10.50% allowed ROE requested.

Effective Return on Equity for BKH Shareholders Based on Black Hills Requested 7.56% ROR
Black Hills Corporation Consolidated Capital Structure & Staff's Tax Gross Up Factor
Staff's Updated Test Year of February 28, 2025

		000's Balance	Weight	Cost	Weighted Cost	Weighted Cost With Tax Gross Up
Long-term Debt		4,250	54.24%	4.61%	2.50%	2.50%
Common Equity	$	3,585	45.76%	**11.20%**	5.12%	6.49%
	$	7,835	100.00%		7.63%	**8.99%**

Assumptions & Methodology:
1) 8.99% ROR based on Section 7 grossed up for income tax costs
2) Black Hills Corp consolidated capital structure and Section 7 cost of debt
3) 11.20% is the resulting ROE based on BHC's consolidated capitalization, BHC cost of debt, and revenue requirement based on filed ROR Section 7.

Q. Did Staff recommend a similar capital structure in the last rate case?

A. Yes.

Q. Does Staff agree with Mr. Stevens's post-test-year adjustments forecasting BKH-KS's capital structure?

A. No, Staff will rely on updates to the September 30, 2024, test-year to February 28, 2025. Staff's updates to the test year reflect known and measurable changes, as opposed to forecasts relied on by BKH-KS. KCC Staff witness Katie Figgs discusses Staff's updates and well-established policies for updating test-year data consistently and uniformly across rate case filings.

Q. Please discuss the capital structure you rely on to calculate BKH-KS's ROR.

A. Staff's ROR incorporates the consolidated capital structure of BHK measured on February 28, 2025.

Table: Staff Proposed ROR, Capital Structure, and Cost of Debt Updated to February 28, 2025

Staff's Proposed Rate of Return for
Black Hills - Kansas
Based on Capital Structure of Black Hills Corp at February 28, 2025

	Weight	Cost	Weighted Cost
Long-term Debt	54.24%	4.61%	2.50%
Common Equity	45.76%	9.70%	4.44%
			6.94%

Source: DR KCC-132; Financials S&P MI, December 31, 2024

Proxy Group of Natural Gas Distribution Companies

Q. Why is it necessary to select a proxy group?

A. As discussed earlier, the legal standards underlying a reasonable allowed return require that it is commensurate with the company's risks. A proxy group that is facing similar risks as BKH-KS will provide vital information for establishing a range for a reasonable allowed return.

Q. How did you select a proxy group for your cost of equity analysis?

A. I began with the publicly traded natural gas distribution companies and combination gas and electric utilities followed by Value-Line Investment Survey, which consists of Atmos Energy (ATO), Chesapeake Utilities (CPK), New Jersey Resources (NJR), NiSource Inc. (NI), Northwest Natural (NWN), ONE Gas, Inc. (OGS), Southwest Gas (SWX), Spire Inc. (SR), and UGI Corp. (UGI). Black Hills Corporation (BKH) is the only publicly traded company followed by Value-Line as a combination gas and electric utility that exhibits significant investment and earnings in the natural gas distribution industry to be considered a potential proxy company.

I screened this group of ten companies to arrive at a proxy group (Staff's Proxy Group) similar in risk to BKH-KS and suitable for the analysis using financial models. The following reflects the criteria I applied:

- First, I removed any utility with a recent announcement of an acquisition, merger, or asset divestiture. This screen eliminates SWX, which has agreed to

divest certain nonutility assets to appease an activist shareholder. In April of 2024, SWX completed a spinoff and initial public offering of that business, and the common stock of that business now trades publicly. However, SWX still owns a significant amount of that stock.[44] I recommend excluding SWX from the proxy group because it has been less than one year since this transaction. CPK completed an acquisition of natural gas distribution assets in November of 2023. Since it has been a whole year since the acquisition, CPK is included in Staff's Proxy Group.

- Second, the companies had to exhibit stable dividends with no reductions during the past year. The remaining companies pass this screen.
- Third, the companies had to exhibit investment-grade bond ratings by the major rating agencies. The remaining companies pass this screen.
- Fourth, I reviewed each company's revenue, net income, and asset percentage derived from natural gas utility operations. I applied a threshold of 50% to begin the review, as that level seems to highlight a natural break among the companies in that industry. Using that threshold on the remaining companies eliminated UGI. I looked at the percentage of assets and net income associated with their natural gas business to confirm the screening results based on revenues. As apparent from the table below, asset and net income data are not reported for each company.
- Lastly, I verified that financial analysts forecast positive earnings and dividend

[44] Southwest Gas Holdings Inc. owns 80.96% of Centuri Holdings, Inc. after the April 2024 spinoff.

growth for each of the seven remaining companies.

The following table summarizes the screening process and indicates which companies are used in Mr. McKenzie's analysis.

Table: Staff's Proxy Group Selection Process

Staff Proxy Group Selection Process
25-BHCG-298-RTS

		1	2	3	4	5	6	7	8	9
Proxy Group				Stable	Stable	Ratings		Nat. gas ops. as a % of business		
BKH-KS	Staff			Data	Dividends	Moody's	S&P	Rev	Income	Assets
✓	✓	Atmos Energy	ATO	✓	✓	A1	A-	94%	*	*
	✓	Black Hills Energy, Corp	BKH	✓	✓	Baa2	BBB+	65%		51%
✓	✓	Chesapeake Utilities	CPK	✓	✓	n/a	n/a	56%	53%	69%
✓	✓	New Jersey Resources	NJR	✓	✓	A1	A+/Fitch	68%		71%
✓	✓	NiSource, Inc.	NI	✓	✓	Baa2	BBB+	67%		62%
✓	✓	Northwest Natural	NWN	✓	✓	A2/Baa1	A-	95%	99%	
✓	✓	ONE Gas, Inc.	OGS	✓	✓	A3	A-	95%		89%
✓	X	Southwest Gas	SWX		✓	Baa2	BBB-			
✓	✓	Spire Inc.	SR	✓	✓	Baa2	BBB+	92%	96%	80%
	X	UGI Corp.	UGI	✓	✓		BBB	24%	24%	40%
	✓	**Pass**								
	X	**Fail**								

1 & 2	Publicly traded natural gas distribution companies followed by Value-Line Investment Survey
3	One year of financial data with no announcements of a merger, significant acquisition, or asset divestiture
4	No dividend reductions in past year
5 & 6	Bond ratings by Moody's and S&P, "investment grade" proxy group is Moody's Baa1 or S&P BBB- and higher
7, 8 & 10	Natural gas distribution segment revenues, income and assets as a portion of total company operations in 2024
	Proxy groups selected by Staff and BKH-KS possess positive earnings growth rates for the next three to five years.

Sources: Value-Line Investment Survey and S&P Global Market Intelligence

Q. How does Staff's Proxy Group compare to the proxy group selected by Mr. McKenzie?

A. Staff and BKH-KS rely on nearly the same proxy group, except for BKH and SWX. Staff include BKH, a company Mr. McKenzie did not consider in his screening process. Mr. McKenzie included SWX, which I rejected for the reasons discussed above. Beyond those two companies, our proxy groups are the same: eight companies. The minor differences in our proxy groups are not the driver of the difference in our

recommendations, as the primary cause is the growth estimates we use in our respective analyses.

The following table summarizes four risk measures for Staff's Proxy Group members. Notable in this table is that BKH has a comparable degree of financial risk to the average and median of Staff's Proxy Group based on the equity ratio reported and projected by Value-Line. The bond rating and Value-Line Financial Strength Rating[45] incorporate capital structure and other broader measures of financial and business risks. These broader measures encompass financial and business risks and indicate that the BKH and Staff's proxy companies are comparable.

[45] Financial Strength Rating: Value-Line classifies 1,700 companies' Financial Strength ratings from A++ to C, in nine steps. The lowest grade is reserved for companies experiencing serious financial difficulty. Balance sheet leverage, business risk, the level of and direction of profits, cash flow, earned returns, cash, corporate size, and stock price, all contribute to a company's relative position on the scale. The amount of cash on hand, net of debt, is also an important consideration.

Table: Risk Profile Comparison of Staff's Proxy Group Members

Risk Profile Comparison of Proxy Group Members
25-BHCG-298-RTS

		Equity Ratio						
		Actual	Value-Line Forecasts			Bond Rating	Value-Line Financial	Beta
		2024	2025	2026	'28 - '30	Moody's/S&P	Strength	Coef.
Atmos Energy, Corp.	ATO	60.0%	60.0%	60.0%	60.0%	A1/A-	A	0.90
Black Hills Energy, Corp	BKH	46.0%	45.5%		44.5%	Baa2/BBB+	A	1.05
Chesapeake Utilities	CPK	53.5%	53.0%	53.0%	52.0%		A	0.85
New Jersey Resources	NJR	43.3%	43.5%	44.0%	45.0%	A1/A+	A	1.00
NiSource, Inc.	NI	46.0%	46.0%	45.0%	45.0%	Baa2/BBB+	A	0.95
Northwest Natural	NWN	47.5%	45.0%	45.0%	45.0%	A2/A-	A	0.90
ONE Gas, Inc.	OGS	54.0%	55.0%	55.0%	55.0%	A3/A-	B++	0.85
Spire, Inc.	SR	43.1%	43.0%	43.0%	45.0%	Baa2/BBB+	B++	0.90
Average		**49.2%**	**48.9%**	**49.3%**	**48.9%**	**A3 to Baa1/A-**	**A to B++**	**0.93**
Min		**43.1%**	**43.0%**	**43.0%**	**44.5%**	**Baa2/BBB+**	**B++**	**0.85**
Max		**60.0%**	**60.0%**	**60.0%**	**60.0%**	**A1/A+**	**A**	**1.05**
Median		**46.8%**	**45.8%**	**45.0%**	**45.0%**	**Baa1/BBB+**	**A**	**0.90**

Sources: Value-Line Investment Survey February 21, 2025; Black Hills January 17, 2025; and S&P Market Intelligence

The following table quantifies the relative positions of credit and financial strength ratings. Based on in-depth analyses of Moody's and S&P, the proxy group and BKH are firmly within the investment-grade credit risk spectrum.[46] Quantifying the ratings, as I have in the following table, indicates that BKH is close to Staff's Proxy Group's average and median and, therefore, likely similar in risk.[47]

[46] In financial analysis, the term investment-grade is more than an adjective; it is a term of art that conveys a low to moderate risk of the company defaulting on its debt repayment. Investment grade spans the highest rating of AAA down to BBB- by S&P and Aaa to Baa3 by Moodys. Below an investment-grade rating are ratings broadly referred to as "speculative". Certain investment vehicles, for example pensions and portfolios underlying insurance contracts, are limited to only holding bonds in the investment-grade spectrum. Losing an investment-grade rating can dramatically increase a utility's cost of borrowing and limit its access to new capital.

[47] Staff's Proxy Group rankings are based on the following scoring system. The scoring for bond ratings goes down to zero, but I only include the investment-grade values applicable to the proxy group.

Table: Risk Ranking of Staff Proxy Group

	Proxy Group Ranking					
	Moody's		S&P		Value-Line	
ATO	A1	16	A-	14	A	6
BKH	Baa2	12	BBB+	13	A	6
CPK					A	6
NJR	A1	16	A+	16	A	6
NI	Baa2	12	BBB+	13	A	6
NWN	A2	15	A-	14	A	6
OGS	A3	14	A-	14	B++	5
SR	Baa2	12	BBB+	13	B++	5
Average	**A3 to Baa1**	**13.86**	**A-**	**13.86**	**A to B++**	**5.75**
Min	**Baa2**	**12.00**	**BBB**	**13.00**	**B++**	**5.00**
Max	**A1**	**16.00**	**A+**	**16.00**	**A**	**6.00**
Median	**A3**	**14.00**	**A-**	**14.00**	**A**	**6.00**

Q. Where do Staff's proxy companies provide natural gas distribution services?

A. The following table indicates the jurisdictions where each of KCC Staff's proxy companies operate; thus, they are subject to the policies of those states' regulatory commissions.

*******Bond Rating******				Value Line Financial	
Moody		S&P		Strength Rating	
Aaa	20	AAA	20	A++	8
Aa1	19	AA+	19	A+	7
Aa2	18	AA	18	A	6
Aa3	17	AA-	17	B++	5
A1	16	A+	16	B+	4
A2	15	A	15	B	3
A3	14	A-	14	C++	2
Baa1	13	BBB+	13	C+	1
Baa2	12	BBB	12	C	0
Baa3	11	BBB-	11		

Table: Staff's Proxy Group - State Jurisdictions

Staff Proxy Group - State Jurisdictions
25-BHCG-298-RTS

Proxy Group		States of Operation
Atmos Energy, Corp.	ATO	CO, KS, KY, TN, VA, LA, MS & TX
Black Hills Energy, Corp	BKH	AR, CO, IA, KS, NE & WY
Chesapeake Utilities	CPK	DE, FL
New Jersey Resources	NJR	NJ
NiSource, Inc.	NI	OH, IN, PA, KY & MD
Northwest Natural	NWN	OR & WA
ONE Gas, Inc.	OGS	TX, OK & KS
Spire, Inc.	SR	AL, MO & MS

Source: S&P Capital IQ Pro (Regulatory Research Associates)

Each state commission is charged with setting policies that balance the interests of the LDC's investors and the consumers the LDC serves. Those policies, although details are unique from state to state, generally fall within a few broad categories reported by Regulatory Research Associates[48] (RRA): 1) recovery of commodity costs; 2) recovery of costs and reduced volumes related to conservation programs; 3) whether if or to the extent that the LDC's revenue requirement is decoupled from its sales volume; and 4) whether the LDC can begin recovery of capital investment outside of a general rate case. Utilities, investors, state commissions, and Mr. McKenzie rely on data published by RRA as it is a longstanding company that reports on the public utility industry and the actions of its regulatory bodies.

[48] Regulatory Research Associates is a public utility industry research service owned by Standard & Poors.

Q. How do Staff's Proxy Group members use of regulatory mechanisms compare to those used by BKH-KS in Kansas?

The following tables summarize the mechanisms in place for each utility in the states where they operate; BKH-KS's Kansas mechanisms are also in those tables. The regulatory mechanisms granted to BKH-KS compare favorably to those granted to LDCs in the proxy group.

Table: Summary of Regulatory Mechanisms of BKH-KS & Staff's Proxy Group

Summary of Regulatory Mechanisms of Black Hills-Kansas & Proxy Group
25-BHCG-298-RTS

				Decoupling		New capital	
		Gas Costs	Conserv. prog. exp.	Full	Partial	Delivery Infrastructure	Environmental compliance
Black Hills-KS	BKH	Yes	No	No	Yes	Yes	No
Proxy Group Count	29	26	15	2	18	22	3
		89.7%	51.7%	6.9%	62.1%	75.9%	10.3%

There are 29 observations related to Staff's Proxy Group members and the state commissions that regulate them; 90% of those, including BKH-KS, can pass through commodity costs, 62% operate with some form of partial decoupling, including BKH-KS, and 76%, including BKH-KS, can recover some level of their capital expenditures outside of a general rate case. BKH-KS lacks a mechanism that recovers expenses and reduces sales volumes of conservation programs, which 52% of observations have in place. In Staff's Proxy Group, there are only two observations of full decoupling, which completely separates the recovery of a revenue requirement from the volume of gas sold. BKH-KS and 62% of the observations have partial decoupling in place; that

commonly means that these LDCs are allowed some form of annual weather normalization adjustment. Partial decoupling is significant because weather is a primary cause of sales volumes deviating from the level used to set rates. Partial decoupling mitigates the sales variability due to weather, granted with a degree of lag.

Table: RRA Reported Regulatory Mechanisms & Adjustment Clauses

Use of adjustment clauses, as of June 2022

State/Company	Parent	Gas Costs	Conserv. prog. exp.	Decoupling: Full	Decoupling: Partial	New capital: Delivery Infrastructure	New capital: Environmental compliance
ALABAMA							
Spire Alabama Inc.	SR	✓ *	--	--	✓ *	--	--
Spire Gulf Inc.	SR	✓ *	--	--	✓ *	--	--
ARKANSAS							
Black Hills Energy Arkansas Inc.	BKH	✓	✓	✓ *	--	✓ *	--
COLORADO							
Black Hills Gas Distribution LLC	BKH	✓	✓	--	--	✓ *	--
DELAWARE							
Chesapeake Utilities Corp.	CPK	✓	--	--		✓ *	✓ *
FLORIDA							
Florida Public Utilities Co.	CPK	✓	✓	--	--	✓ *	✓
Florida City Gas (F/K/A Pivotal Utility Holdings Inc.)	CPK	✓	✓	--	--	✓ *	✓
INDIANA							
Northern Indiana Public Service Co.	NI	✓	✓	--	--	✓ *	--
IOWA							
Black Hills Iowa Gas Utility Co.	BKH	✓	✓	--	--	✓	--
KANSAS							
Atmos Energy Corp.	ATO	✓	-- *	--	✓ *	✓ *	--
Black Hills/Kansas Gas Utility Co.	BKH	✓	-- *	--	✓ *	✓ *	--
Kansas Gas Service Co.	OGS	✓	-- *	--	✓ *	✓ *	--
KENTUCKY							
Atmos Energy Corp.	ATO	✓	✓	--	✓ *	✓	--
LOUISIANA PSC							
Atmos Energy Corp.	ATO	✓	--	--	✓ *	--	--
MARYLAND							
Columbia Gas of Maryland Inc.	NI	✓	✓	--	✓ *	✓	--
MISSISSIPPI							
Atmos Energy Inc.	ATO	✓	--	--	✓ *	✓	--
MISSOURI							
Spire Missouri Inc.	SR	✓	--	--	✓ *	✓	--
NEBRASKA							
Black Hills Nebraska Gas LLC	BKH	✓	--	--	--	✓	--
NEW JERSEY							
New Jersey Natural Gas Co.	NJR	-- *	✓ *	✓ *	--	✓ *	✓ *
OHIO							
Columbia Gas of Ohio Inc.	NI	-- *	✓	-- *	--	✓ *	--
OKLAHOMA							
Oklahoma Natural Gas Co.	OGS	✓	✓ *	--	✓ *	--	--
OREGON							
Northwest Natural Gas Co.	NWN	✓	✓ *	--	✓ *	--	✓ *
PENNSYLVANIA							
Columbia Gas of Pennsylvania Inc.	NI	✓	--	--	✓ *	✓ *	--
TENNESSEE							
Atmos Energy Inc.	ATO	✓	--	--	✓ *	--	--
TEXAS RRC							
Atmos Energy Inc.	ATO	✓ *	--	--	✓ *	✓	--
Texas Gas Service Co.	OGS	✓ *	--	--	✓ *	✓	--
VIRGINIA							
Columbia Gas of Virginia Inc.	NI	✓	✓	--	✓ *	✓	--
WASHINGTON							
Northwest Natural Gas Co.	NWN	✓	✓	--	--	--	--
WYOMING							
Black Hills Wyoming Gas LLC	BKH	✓	✓	--	✓ *	✓	--
Key:							
* **See text for further information.**							

Data as of June 2022.
Sources: Regulatory Research Associates, a group within S&P Global Commodity Insights

Q. Do these mechanisms reduce the risks of investing in natural gas LDCs?

A. Yes. These regulatory mechanisms serve to even out cash flow from variables like weather/temperature and commodity costs outside the LDC's control and provide the LDC recovery of capital deployed, thus reducing regulatory lag. Commissions also recognize that regulatory mechanisms benefit all constituents by decreasing the frequency of general rate cases. As cash flows are less volatile and regulatory lags are shortened, we could expect that investors view that as beneficial.

Q. Can you establish that BKH-KS uses regulatory mechanisms comparable to those of Staff's Proxy Group?

A. I will repeat this table, as it indicates that BKH-KS has regulatory mechanisms like those used by most of Staff's Proxy Group.

Table: Summary of Regulatory Mechanisms of BKH-KS & Proxy Group

Summary of Regulatory Mechanisms of Black Hills-Kansas & Proxy Group
25-BHCG-298-RTS

				Decoupling		New capital	
		Gas Costs	Conserv. prog. exp.	Full	Partial	Delivery Infrastructure	Environmental compliance
Black Hills-KS	BKH	Yes	No	No	Yes	Yes	No
Proxy Group Count	29	26	15	2	18	22	3
		89.7%	51.7%	6.9%	62.1%	75.9%	10.3%

To provide another view of RRA's data, I assigned a value to each category in RRA's report to compare BKH-KS's use of regulatory mechanisms to that of Staff's Proxy Group. I assigned each category of the mechanisms one point, except for "full-decoupling," which I assigned two points to reflect the fact that full-decoupling protects the LDC's annual revenue from all variables that change sales volumes, not just

weather. Even this exercise of applying a value to these observations is somewhat subjective, but doing so allows us to rank and compare the use of these mechanisms among the 24 different jurisdictions to what we observe in place for BKH-KS.

This table summarizes the scores for each publicly traded company of Staff's Proxy Group compared to BKH-KS's score of three points. New Jersey Resources (NJR) is an outlier in this exercise, scoring five points, compared to the average of just over three points, because it benefits from full-decoupling and the other three regulatory mechanisms. Removing NJR from the calculation brings the average down to 3.05, near the BKH-KS score of 3.00.

Table: Ranking Staff's Proxy Group's Use of Regulatory Mechanisms

Summary Scoring for Proxy Group Reg. Mechanisms

	Points	Obsv.	Avg.
Atmos Energy (ATO)	17	6	2.83
Black Hills Energy (BKH)	20	6	3.33
Chesapeake Utilities (CPK)	11	3	3.67
New Jersey Resources (NJR)	5	1	5.00
NiSource (NI)	16	5	3.20
N.W. Natural Gas (NWN)	6	2	3.00
OneGas, Inc. (OGS)	9	3	3.00
Spire (SR)	7	3	2.33
Group Avg.			3.30
Black Hills-Kansas	3	1	3.00

The following table is the Staff's work product developed from the RRA data. It shows

the state-by-state score for each LDC in Staff's Proxy Group.

Use of adjustment clauses, as of June 2022

POINT VALUE		1	1	2	1	1	1		
				Decoupling		New capital			
State/Company	Ultimate parent ticker	Gas Costs	Conserv. prog. exp.	Full	Partial	Delivery Infrastructure	Enviromental compliance	Parent	Points
ALABAMA									
Spire Alabama Inc.	SR	✓	--	--	✓	--	--	SR	2
Spire Gulf Inc.	SR	✓	--	--	✓	--	--	SR	2
ARKANSAS									
Black Hills Energy Arkansas Inc.	BKH	✓	✓	✓	--	✓	--	BKH	5
COLORADO									
Black Hills Gas Distribution LLC	BKH	✓	✓	--	--	✓	--	BKH	3
DELAWARE									
Chesapeake Utilities Corp.	CPK	✓	--	--	--	✓	✓	CPK	3
FLORIDA									
Florida Public Utilities Co.	CPK	✓	✓	--	--	✓	✓	CPK	4
Florida City Gas (F/K/A Pivotal Utility Holdings Inc.)	CPK	✓	✓	--	--	✓	✓	CPK	4
INDIANA									
Northern Indiana Public Service Co.	NI	✓	✓	--	--	✓	--	NI	3
IOWA									
Black Hills Iowa Gas Utility Co.	BKH	✓	✓	--	--	✓	--	BKH	3
KANSAS									
Atmos Energy Corp.	ATO	✓	--	--	✓	✓	--	ATO	3
Black Hills/Kansas Gas Utility Co.	BKH	✓	--	--	✓	✓	--	BKH	3
Kansas Gas Service Co.	OGS	✓	--	--	✓	✓	--	OGS	3
KENTUCKY									
Atmos Energy Corp.	ATO	✓	✓	--	✓	✓	--	ATO	4
LOUISIANA PSC									
Atmos Energy Corp.	ATO	✓	--	--	✓	--	--	ATO	2
MARYLAND									
Columbia Gas of Maryland Inc.	NI	✓	✓	--	✓	✓	--	NI	4
MISSISSIPPI									4
Atmos Energy Inc.	ATO	✓	--	--	✓	✓	--	ATO	3
MISSOURI									
Spire Missouri Inc.	SR	✓	--	--	✓	✓	--	SR	3
NEBRASKA									
Black Hills Nebraska Gas LLC	BKH	✓	--	--	--	✓	--	BKH	2
NEW JERSEY									
New Jersey Natural Gas Co.	NJR	--	✓	✓	--	✓	✓	NJR	5
OHIO									
Columbia Gas of Ohio Inc.	NI	--	✓	--	--	✓	--	NI	2
OKLAHOMA									
Oklahoma Natural Gas Co.	OGS	✓	✓	--	✓	--	--	OGS	3
OREGON									
Northwest Natural Gas Co.	NWN	✓	✓	--	✓	--	✓	NWN	4
PENNSYLVANIA									
Columbia Gas of Pennsylvania Inc.	NI	✓	--	--	✓	✓	--	NI	3
TENNESSEE									
Atmos Energy Inc.	ATO	✓	--	--	✓	--	--	ATO	2
TEXAS RRC									
Atmos Energy Inc.	ATO	✓	--	--	✓	✓	--	ATO	3
Texas Gas Service Co.	OGS	✓	--	--	✓	✓	--	OGS	3
VIRGINIA									
Columbia Gas of Virginia Inc.	NI	✓	✓	--	✓	✓	--	NI	4
WASHINGTON									
Northwest Natural Gas Co.	NWN	✓	✓	--	--	--	--	NWN	2
WYOMING									
Black Hills Wyoming Gas LLC	BKH	✓	✓	--	✓	✓	--	BKH	4

Key:

* **See text for further information.**

Data as of June 2022.
Sources: Regulatory Research Associates, a group within S&P Global Commodity Insights

Based on RRA's reporting, BKH-KS's operations are afforded regulatory mechanisms like those available to Staff's Proxy Group members.

Q. Does BKH inform investors of the regulatory mechanisms available to it in the states that it serves?

A. A table in BKH's annual report to shareholders highlights the regulatory mechanisms it has in place in each jurisdiction; BKH-KS compares favorably to the other states.[49] These regulatory mechanisms reduce regulatory lag and provide BKH-KS with stable cash flow compared to operating without them. Kansas has also provided BKH-KS with rate design policies that enable it to recover 62% of its fixed costs via its monthly fixed charge to customers.[50] The regulatory mechanisms granted to BKH-KS in Kansas are relevant to its risk. The Commission should consider BKH-KS's use of these regulatory mechanisms when determining BKH-KS's allowed return.

The following table summarizes the mechanisms we have in place for each of our Gas Utilities:

Gas Utility Jurisdiction	Cost Recovery Mechanisms					
	EECR/DSM	Integrity Additions	Bad Debt	Weather Normal	Gas Cost [(a)]	Revenue Decoupling
Arkansas Gas	☑	☑		☑	☑	☑
Colorado Gas [(b)]	☑				☑	
RMNG [(c)]						
Iowa Gas	☑	☑			☑	
Kansas Gas		☑	☑	☑	☑	
Nebraska Gas		☑	☑		☑	
Wyoming Gas	☑	☑			☑	

(a)
All of our Gas Utilities, except where the Choice Gas Program is the only option, have GCAs that allow us to pass the prudently-incurred cost of gas and certain services through to the customer between rate reviews.

(b)
Colorado Gas's SSIR was approved by the CPUC for a three-year term, effective January 1, 2022 to December 31, 2024. The SSIR was not extended during the most recent rate review.

(c)
RMNG does not have retail customers and therefore, does not have typical cost recovery mechanisms.

[49] Black Hills Corporation, 2024 SEC Form 10-K; p. 19.
[50] Black Hills Corporation, 2023 AGA Financial Forum; May 2023; p. 37.

Staff's Return on Equity Analysis

Q. How did you perform the cost of equity analysis?

A. I used CAPM and DCF models applied to the proxy group. This methodology is identical to those I applied in rate cases before the Commission over the past decade.

Q. Does the DCF model meet the legal standards discussed earlier in your testimony?

A. Yes. A cost of equity estimate derived from the DCF model can meet the legal standards discussed above if it incorporates current information from the capital markets via current stock prices and accurate data investors use to establish their discount rate. This market-based information ensures that cost of equity estimates evaluate investors' required rate of return (ROR) or discount rate that reflects the current economic environment.

The DCF model is a valuation tool investors use to value investment vehicles such as real estate, bonds, equity securities, and investments involving regular, periodic cash flows. The notion of discounting a future receipt of cash back to the present to place a price or value on an investment goes back centuries.[51] The premise of the DCF model in the valuation of common stock is that investors determine the value of a company's common stock by discounting its future dividend payments back to the present at the investors' required ROR. An investor's required ROR is risk-sensitive and sensitive to the returns available on investments of comparable risk throughout the global capital

[51] The formal presentation of the DCF model as we use it today dates to the 1930's in Irving Fisher's book: The Theory of Interest and John Burr Williams' 1938 text: The Theory of Investment Value. These two authors expressed the DCF model in modern economic terms.

markets. In other words, as the risk of the investment increases, so will the investors' required ROR. A higher required ROR decreases the present value of the stream of dividends that equates to the stock price. So, all other variables being equal, investors price the riskier of two common stocks lower because the dividends are discounted back to the present at a higher rate.

The form of the DCF model that regulatory agencies are accustomed to seeing is often referred to as the Gordon Growth Model, which is a model that values the security at the present value of a stream of cash flows (dividends) growing at a constant rate into perpetuity. The basic form of this DCF equation is:

$$P_0 = \frac{D_0(1+g)}{(Ke-g)}$$

Where:

P_0 = the value of the common stock or asset
D_0 = the current dividend of the stock or annual cash flow from the asset
g = the annual growth rate of the dividend or cash flow forever
Ke = cost of equity or required ROR for the stockholders

or

Stock Price = Annual Dividend / (Req'd ROR – Dividend Growth Rate)

This is the form of the equation commonly found in finance, investments, and asset valuation texts. Such texts are inclusive of both theory and practical application of the DCF model in utility regulatory settings.

Regulatory agencies responsible for setting rates and revenue requirements want to know the investors' required ROR, or Ke, in the equation. So, we solve the equation for that variable. The equation below shows the algebraic isolation of the investors'

required ROR. By isolating investors' required ROR in the equation, we can estimate it by knowing the stock's dividend yield and the annual dividend growth rate expected by investors. That form of the equation is:

$$Ke = \frac{D_0(1+g)}{P_0} + g$$

This equation is frequently written as:

Req'd ROR = (Dividend/Current Stock Price) + Dividend Growth Rate

or

Req'd ROR = Dividend Yield + Dividend Growth Rate

Through a handful of inputs, the DCF model distills down to an equation that encapsulates a complex intellectual process performed by investors to arrive at a discount rate and valuation of the security. As with any equation that attempts to model behavior, it involves many assumptions.[52] Those assumptions are:

- Ke corresponds only to the specific stream of future dividends rather than earnings, and that constitutes the source of value;
- The discount rate (Ke) must exceed the growth rate (g);
- The constant growth rate will continue for an indefinite future;
- Investors require the same discount rate (Ke) each year; and
- There is no external financing.

Q. Why is it reasonable to accept these assumptions?

A. The DCF model attempts to emulate investors' behavior; distilling human behavior into a handful of inputs demands simplifying assumptions. The question becomes whether the assumptions are so contrary to investors' behavior in the real world that the model

[52] The Cost of Capital—A Practitioner's Guide; David Parcell; Prepared for the Society of Utility and Regulatory Financial Analysts; 1997 ed; p.8-5.

output becomes meaningless or illogical. I do not believe the assumptions of the DCF model are contrary to investor behavior. Furthermore, I do not know of any regulatory agency that has dismissed the DCF model for being contrary to human behavior. Moreover, there are methods to evaluate whether an output falls outside of the realm of reasonableness. For example, the output can be compared with the returns available on other investments, such as long-term corporate bonds, a routine screen in such analyses.

Discounted Cash Flow Model

Q. How did you calculate the dividend yield (y) component of the DCF model?

A. The dividend yield (y) is the easier of the two components to measure as it is easily observable in daily stock price reports. It is calculated by dividing the stock's annual dividend payment by its market price per share.

Q. What is the source of the dividend information?

A. Historic and current dividend information is available from subscription and public services. The DCF model requires a forward-looking dividend payment. The current year's dividend payment is often increased by the forecasted growth rate for the next year. Instead of forecasting, I obtained the 2026 forecasted dividend per share information from the Value-Line Investment Survey. The Value-Line reports for each company in Staff's Proxy Group are attached as Schedule AHG-1 along with forecasted earnings growth rate data from Zack's Investment Research and Standard & Poors. I obtained the stock prices for the dividend yields from NASDQ.COM. I used stock

price observations from October 21, 2024, through March 14, 2025, for this analysis. The stock prices for each proxy company appear on Schedule AHG-2. The following table shows the range of dividend yields observed for Staff's Proxy Group during that time period.

Table: Dividend Yields of Staff's Proxy Group

Six Month Dividend Yields
25-BKHG-298-RTS
October 21, 2024 through March 14, 2025

		1	2	3	4	5
		DPS	Stock Prices		Dividend Yield	
		2026	Min	Max	Min	Max
Atmos Energy, Corp.	ATO	$ 3.68	$ 136.05	$ 154.55	2.38%	2.70%
Black Hills Energy, Corp	BKH	$ 2.81	$ 55.00	$ 65.59	4.28%	5.11%
Chesapeake Utilities	CPK	$ 2.80	$ 115.12	$ 134.20	2.09%	2.43%
New Jersey Resources	NJR	$ 1.95	$ 44.78	$ 51.95	3.75%	4.35%
NiSource, Inc.	NI	$ 1.20	$ 34.23	$ 41.45	2.90%	3.51%
Northwest Natural	NWN	$ 1.97	$ 38.03	$ 44.25	4.45%	5.18%
ONE Gas, Inc.	OGS	$ 2.72	$ 66.38	$ 78.89	3.45%	4.10%
Spire, Inc.	SR	$ 3.26	$ 61.87	$ 78.80	4.14%	5.27%
				Average	**2.09%**	**5.27%**
					3.76%	

1) 2026 Dividends per Share Forecasted by Value-Line Investment Survey (Feb 17, 2025)
Black Hills (Jan17, 2025) 2025 dividend escalated by 4.0% growth rate
2) Minimum 3 month price observed from October 21, 2024 throuhg March 14, 2025
3) Maximum 3 month price observed from October 21, 2024 throuhg March 14, 2026
4) Minimum dividend yield available from time period
5) Maximum dividend yield available from time period

The dividend yields in this table are the minimum and maximum yields observed during the pricing period based on the dividends that investors could expect to receive in 2026.

Forecasted Growth Rates for the DCF Model

Q. What is the importance of the second component, the growth rate (g), in the DCF

equation?

A. The "g" represents the anticipated annual growth rate in cash flows that investors expect to receive through dividends from the stock. This is a challenging and contentious issue in a DCF analysis for two reasons. First, it is a critical element in the DCF model or any form of a discounted cash flow analysis because the growth rate has a one-for-one effect on the required return produced by the model. All other factors being equal, a higher growth rate results in a higher return on equity for the utility. Second, it is subjective due to uncertainty about future earnings, dividends, and the economy. As I discussed earlier in my testimony, the core disagreement with Mr. McKenzie's DCF model and CAPM analysis relates to the data he relies on to estimate growth that results in an unrealistically high estimate of long-run growth. The growth rates are the primary point of contention in determining the allowed ROE in rate cases before this Commission.

Q. How did you estimate the growth rate in the DCF model?

A. I relied on both short-term and long-term growth forecasts commonly used by investors to value common stocks. In the Discounted Cash Flow (DCF) model, the appropriate growth estimate is the long-term growth rate expected by the market and incorporated into investor analyses to determine stock prices. Earnings per share (EPS) growth forecasts are widely accepted as a reasonable proxy for dividend growth in DCF applications. Investment analysts typically publish annual EPS growth estimates covering a three- to five-year horizon. While the Value Line Investment Survey also

provides dividend growth rate projections—uniquely among major publications to my knowledge—I am not aware of any analysts or firms that publish company-specific earnings or dividend growth estimates extending beyond that three- to five-year range.

My analysis draws on multiple sources for earnings growth estimates, including short-term projections from the Value Line Investment Survey, FactSet (as reported through S&P Capital IQ), and consensus analyst forecasts published by Zacks Investment Research.

Q. How do investors estimate the dividend growth rate beyond the three to five-year horizon of the short-term growth forecasts?

A. For the long-term perspective of potential growth, investors rely on forecasts of the broad economy as measured by annual changes forecasted for the nation's GDP. There are sources for long-term growth estimates of this country's GDP that extend out more than 20 years. Academic texts and investment professionals use GDP forecasts to inform them of the potential long-term growth of corporate dividend payments.

GDP refers to the market value of all final goods and services produced within a country in each period. Nominal GDP (nGDP) measures goods and services that *include* the effects of price changes—better known as inflation. Inflation must be included in our forecast because the DCF analysis is interested in the nominally required return. Investors' expectations of inflation are contained in their required return. The "headline" GDP reported in the media is *real* GDP, which is nGDP *minus* the inflation experienced over the period.

Q. Is it a widely accepted practice in securities valuation to use nGDP growth estimates in the DCF model?

A. Yes, in the federal regulatory arena, like the responsibilities of the KCC, FERC uses nGDP to estimate the cost of equity. FERC has revised the weighting of the nGDP growth occasionally. The important aspect of FERC's decision to include nGDP growth estimates is that such a view of long-term growth in valuing common stocks is consistent with investor behavior. FERC reached this conclusion via stakeholder comments, including state commissions, customers, investment bankers, and interstate pipeline companies.[53] Testimony from these parties made it clear that long-term estimates of nGDP are a component of valuation analyses conducted by investment professionals and therefore, estimates of nGDP should be the estimate of long-term growth in the DCF models used to estimate required returns for interstate pipeline companies.[54] In June 2014, FERC concluded that the same methodology should be used in setting the required returns for electric transmission companies.[55]

Q. Is there academic support for this issue?

A. Academic research has shown that nGDP growth forecasts are an essential input to valuation studies. In two of his books devoted to asset valuation, Dr. Aswath Damodaran discusses the nature of a stable growth rate for DCF models.[56] He argues

[53] Transcript from Technical Conference held on January 23, 2008, FERC Docket PL07-2-000.
[54] Policy Statement, FERC Docket PL07-2-000 (April 17, 2008); FERC Opinion No. 486, FERC Docket RP04-274 (Oct. 19, 2006).
[55] Opinion No. 531, June 19, 2014, 147 FERC 61,234, para 36.
[56] Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2nd Edition and Damodaran on Valuation: Security Analysis for Investment and Corporate Finance, 2nd Edition.

for viewing nominal economic growth as the absolute maximum when using a stable-growth model, such as the DCF model we are using:

> The stable growth rate cannot exceed the growth rate of the economy in which a firm operates, but it can be lower. There is nothing that prevents us from assuming that mature firms will become a smaller part of the economy and it may, in fact, be the more reasonable assumption to make. Note that the growth rate of an economy reflects the contributions of both young, higher growth firms and mature, stable growth firms. If the former grow at a rate much higher than the growth rate of the economy, the latter have to grow at a rate that is lower. [57]

> The growth rate of a company cannot be greater than that of the economy but it can be less. Firms can become smaller over time relative to the economy. Thus, even though the cap on the growth rate may be the nominal growth rate of the economy, analysts may use growth rates much lower than this value for individual companies.[58]

Professor Damodaran cites the nGDP growth projection as a *ceiling* for long-term growth in most valuation studies. Certainly, some companies and industries will exceed the average for some time, but even for those, rapid growth cannot continue forever.

Q. Does the view that nGDP growth is a ceiling on long-term earnings growth exist outside of academia?

A. Yes, valuation analysts carefully consider the long-run growth rates used to value assets because using an incorrect growth estimate will lead to incorrectly valuing an asset.

[57] Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, 2nd Edition, Aswath Damodaran, p. 148.

[58] Damodaran on Valuation: Security Analysis for Investment and Corporate Finance, 2nd Edition, Aswath Damodaran, p.159.

Institutions directly involved in asset valuation and asset management that apply valuation models to analyze potential acquisition and merger transactions recognize that estimates of firm-specific growth are a driver to the value of an asset; overstating growth would cause a model to overestimate the value of the asset which would result in an economic loss to the investor. These experts also warn of a ceiling to earnings growth rates as being no more than that of broad economic growth:

> Growth rate: Few companies can be expected to grow faster than the economy for long periods. The best estimate is probably the expected long-term rate of consumption growth for the industry's products, plus inflation.[59]

The following quote from J.P. Morgan Asset Management (JPMAM) addresses the macro or economy-wide measures of profits. JPMAM's analysis is consistent with the firm-specific view expressed by asset valuation experts. JPMAM warns that analysts must be aware of the forecasted growth rates applied in valuation models and how those growth forecasts comport with broad measures of forecasted economic growth:

> One common mistake is to assume that earnings and dividends received by investors can grow in line with—or even in excess of—overall economic growth (GDP) in perpetuity. Granted, it is almost a truism that aggregate earnings must grow at the same pace as the overall economy in the very long run; otherwise, profits would eventually outstrip the size of the entire economy or dwindle to an insignificant share of it. But not all of this earnings growth accrues to existing shareholders. On the contrary, a large portion of economic growth comes from the birth of new enterprises. Some commentators suggest (for example, Bernstein and Arnott, 2003; Cornell, 2010) that new enterprises account for more than half of GDP growth in the U.S., while

[59] Valuation: Measuring and Managing the Value of Companies, Tim Koller, Mark Goedhart, and David Wessels, McKinsey & Co; 4th ed. P. 275.

> in some rapidly developing economies new enterprises may account for the lion's share of overall economic growth.[60]

Both Peter L. Bernstein and Robert Arnott, referenced in the quote, have published in peer-reviewed academic journals and books on investment strategy and built their careers in asset management and investment strategy. Their research suggests that relying on nGDP as the long-term growth estimate could be *overly* optimistic. Research by William J. Bernstein and Robert Arnott warns practitioners that a portion of nGDP growth is created by new enterprises and that portion of nGDP growth does not contribute to the earnings growth of existing enterprises. Thus, for existing companies, long-term earnings grow at a rate lower than nGDP. Additional research specific to dividend growth expectations, Robert Arnott and Peter L. Bernstein, in their look at more than one hundred years of financial market returns and growth, found, "The history of dividend growth shows no evidence that dividends can ever grow materially faster than per capita GDP. Indeed, they almost always grow more slowly."[61] Historical data indicates that per capita nGDP grew at an annual rate of 5.17% whereas, nGDP grew at an annual rate of 6.35%.[62]

Professional investment managers apply the same principles. JPMAM describes how

[60] Long-term Capital Market Return Assumptions: 2015 Estimates and Thinking Behind the Numbers, J.P. Morgan Asset Management, p. 25, https://am.jpmorgan.com/us/institutional/ltcmra

[61] Earnings Growth: The Two Percent Dilution, William J. Bernstein and Robert D. Arnott, Financial Analysts Journal, September/October 2003, pp 47-55.
What Risk Premium Is "Normal"?, Robert D. Arnott and Peter L. Bernstein; Financial Analysts Journal, March/April 2002, p.72.

[62] FRED Economic Data; Gross Domestic Product 1947 ($259.745 Billion) through 2024 ($29,719.647 Billion) results in a compound annual growth rate of 6.35%;
Gross Domestic Product per Capita 1947 ($1,790) through 2024 ($87,113) results in a compound annual growth rate of 5.17%

they arrive at their equity market assumptions:[63]

> Our framework begins with underlying economic activity—real GDP growth plus inflation—which we believe ultimately drives earnings growth in the long run.

Thus, it becomes clear that the linkage between expected economic growth and the growth potential of corporate earnings and dividends is more than just an academic principle in finance; professional money managers accept the relationship between GDP growth and corporate earnings growth when forming their long-run forecasts.

Q. Do you believe this evidence justifies incorporating long-run nGDP growth forecasts into the cost of equity analyses of utility companies?

A. Yes, it requires that we do so because we must ascertain the discount rate investors apply to the future cash flows from an investment in the proxy group of natural gas companies. It is not a discount rate spanning merely three to five years, as Mr. McKenzie has built into his analyses; the time horizon of the DCF model is perpetuity, far beyond the three to five-year horizon of analysts' earnings growth forecasts. The Commission should emulate investors' analytical practices as closely as possible to determine investors' discount rates or required returns. As noted above, investment professionals include a long-run growth forecast for the broad economy when applying the DCF, and that measure of macroeconomic growth serves as the upper bounds of a

[63] "Long-Term Capital Market Assumptions: 2014 Assumptions and the Thinking Behind the Numbers"; J.P. Morgan Asset Management, p. 50; http://www.jpmorganinstitutional.com/pages/jpmorgan/am/ia/research_and_publications/long-term_capital_market

firm-specific analysis. Therefore, the Commission should consider the same information when estimating a utility's required return.

Q. How did you estimate long-run nGDP growth?

A. I relied on several widely available sources: the long-run nGDP forecasts of the Energy Information Agency (EIA), the Congressional Budget Office (CBO), and the Social Security Administration (SSA). The average of these forecasts composes the long-run growth estimate in the DCF analysis.

Table: Long-Term Forecasts of nominal GDP Growth

Nominal GDP Estimates

Energy Information Agency (EIA) 2023 - 2050	4.29%
Congressional Budget Office Long-term Outlook 2024 - 2054	3.89%
Soc Sec Admin (SSA) OADSI Trustees Report 2024 - 2100	4.07%
Average of Forecasts	4.08%
Historical Compound Growth Rate 1929-2024	6.11%

Sources:
EIA Annual Energy Outlook 2023
An Update to the Economic Outlook: 2024-2054; CBO, July 2024
OADSI Trustees Report Office of the Chief Actuary, Table V.B1-V.B2 (2024)
BEA; Table 1.15 Gross Domestic Product

DCF Results

A. Please discuss the results of your DCF analysis.

Q. The results of my DCF analysis appear in the following table. I have set out the

foundations for the DCF analysis in the previous pages, and in this section, I will discuss the specific information that I relied on for the DCF model and interpret the results.

Table: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis
25-BKHG-298-RTS

		1 Dividend Yields Min	2 Max	3 Growth Rate	4 DCF Estimated Required Return	5
Atmos Energy, Corp.	ATO	2.38%	2.70%	5.47%	7.85%	8.17%
Black Hills Energy, Corp	BKH	4.28%	5.11%	4.36%	8.64%	9.47%
Chesapeake Utilities	CPK	2.09%	2.43%	5.48%	7.57%	7.91%
New Jersey Resources	NJR	3.75%	4.35%	4.69%	8.44%	9.04%
NiSource, Inc.	NI	2.90%	3.51%	5.83%	8.73%	9.34%
Northwest Natural	NWN	4.45%	5.18%	4.29%	8.74%	9.47%
ONE Gas, Inc.	OGS	3.45%	4.10%	3.80%	7.24%	7.89%
Spire, Inc.	SR	4.14%	5.27%	4.77%	8.91%	10.04%
			Average of each column		**8.27%**	**8.92%**
			Average of all observations		**8.59%**	

1) 2026 Dividend divided by maximum price observed between October 21, 2024 and March 14, 2025
2) 2026 Dividend divided by minimum price observed October 21, 2024 and March 14, 2025
3) Forecasted growth
4) Low-end estimate = col 1 + col 3
5) High-end estimate = col 2 + col 3

Pricing data was gathered from NASDAQ.com for each of the proxy companies from the period October 21, 2024, through March 14, 2025. The low dividend yields are computed using the projected 2026 annual dividend rate divided by the average of the weekly high prices. The high dividend yields are computed using the same projected dividend rate divided by the average of the weekly low prices.

Q. How did you arrive at a growth rate for each proxy company?

A. The growth rate is the average of the short-term growth rates[64] and the long-run forecast of nGDP of 4.08%. The following table summarizes all the observed growth forecasts, both historical and forecasted.

Table: Historical and Forecasted Growth Rates of Staff's Proxy Group

Growth Rate Summary
25-BKHG-298-RTS

		1	2	3	4	5	6	7	8	9	10	11
		Value-Line Historic Data				Forecasted Growth Rates						DCF
		Earnings Growth		Dividend Growth		Value Line		Zack's	FactSet	Short-run	Long-ter	Growth
		10 Year	5 Year	10 Year	5 Year	EPS	DPS	EPS	EPS	Average	nGDP	Rate
Atmos Energy, Corp.	ATO	9.50%	9.00%	7.50%	9.00%	6.00%	7.00%	7.10%	7.30%	6.85%	4.08%	5.47%
Black Hills Energy, Corp	BKH	5.50%	4.00%	5.00%	6.00%	4.00%	4.00%	5.26%	5.33%	4.65%	4.08%	4.36%
Chesapeake Utilities	CPK	9.00%	8.00%	10.00%	10.00%	5.00%	7.50%		8.15%	6.88%	4.08%	5.48%
New Jersey Resources	NJR	5.50%	5.00%	7.00%	7.00%	5.00%	5.00%		5.90%	5.30%	4.08%	4.69%
NiSource, Inc.	NI	1.00%	10.50%	0.00%	6.00%	9.50%	4.50%	8.19%	8.13%	7.58%	4.08%	5.83%
Northwest Natural	NWN	1.00%	25.00%	1.00%	0.50%	6.50%	0.50%		6.50%	4.50%	4.08%	4.29%
ONE Gas, Inc.	OGS		6.00%		8.50%	4.00%	2.50%	4.66%	2.89%	3.51%	4.08%	3.80%
Spire, Inc.	SR	5.50%	1.00%	5.50%	5.00%	4.50%	4.00%	5.82%	7.54%	5.47%	4.08%	4.77%
	Min	1.00%	1.00%	0.00%	0.50%	4.00%	0.50%	4.66%	2.89%	3.51%		3.80%
	Max	9.50%	25.00%	10.00%	10.00%	9.50%	7.50%	8.19%	8.15%	7.58%		5.83%
	Mean	**5.29%**	**8.56%**	**5.14%**	**6.50%**	**5.56%**	**4.38%**	**6.21%**	**6.47%**	**5.59%**		**4.84%**
	Median	5.50%	7.00%	5.50%	6.50%	5.00%	4.25%	5.82%	6.90%	5.38%		4.73%

Columns: 1) - 6) Historic 5 & 10 Year & Forecasted 2027- 2029 growth rates as reported by Value-Line in February 23, 2024 and April 14, 2024
Historic data is not used in DCF calculations it is for comparative purposes only.
7) 5-year forecasted annual earnings per share growth rate. Consensus forecasts gatherd by reported at Zack's Investment Research
8) Long-term (3-5 year) forecasted annual earnings per share growth rate. Consensus forecasts gathered by FactSet and reported at S&P Global Market Intelligence on May 9, 2024
9) Average of 3 to 5-year forecasted annual growth rates (columns 5 through 9).
10) Long-term forecasted nominal GDP growth rate
11) Average of short-term and long-term growth rates.

Q. How is the long run nGDP forecast applied in your DCF analysis?

A. In my DCF analysis, I give equal weight to short-run and long-run growth forecasts; the weighting is debatable. Whatever weighting an analyst applies between the short-term and long-term growth forecasts, the analysis needs to include the growth potential

[64] For each proxy company, I gathered three short-run, three to five-year growth forecasts for earnings and dividend from Value-Line Investment Survey; as well as analysts' earnings growth projections reported by Zack's Investment Research and Factset services. Zacks and FactSet aggregate analysts' forecasts and publishes the mean and median of estimates.

of each time horizon.

Internal Rate of Return (IRR) Analysis

Q. Please discuss the internal rate of return (IRR) analysis you performed.

A. An IRR analysis of an investment is a form of a DCF analysis, with a more complex equation than the Gordon Growth Model we applied in the earlier section. In the IRR analysis, we can apply the five-year growth forecasts to only the next five years of dividends, with the remaining years growing at the long run nGDP forecasted growth rate of 4.08%. In the age of spreadsheets, a multi-stage DCF or the IRR equation is not harder to manage than the single-stage dividend yield plus growth DCF model. The IRR model allows us to apply the growth forecasts to their respective forecast periods; the IRR model provides valuable information to policymakers because it recognizes the respective time spans of both the short-run (three to five-year earnings growth) and long-run (nGDP growth rate) forecasts. The full output of the IRR calculations appears in Schedule AHG-3; the following table summarizes the results.

Table: Internal Rate of Return Summary

Internal Rate of Return (IRR)
25-BHCG-298-RTS

Atmos Energy, Corp.		6.94%
Black Hills Energy, Corp		9.06%
New Jersey Resources		8.46%
NiSource, Inc.		7.78%
Northwest Natural		9.18%
ONE Gas, Inc.		7.89%
Spire, Inc.		9.17%
	Mean	8.14%
	Min	6.61%
	Max	9.18%

In the IRR model, short-term growth forecasts are given much less weight than in the previous DCF analysis; five years of a several hundred-year time horizon or five percent, as opposed to a weighting of 50 percent that I applied in the two-stage DCF model. As a result of the greater weighting of the long-term growth estimate, the average for the proxy group in the IRR analysis is 45 basis points lower than the simplified two-stage DCF results. As you recall, Mr. McKenzie's analysis gives absolutely no weight to long-term growth, or he simply assumes a much higher long-term growth rate than expected by forecasters.

Capital Asset Pricing Model (CAPM) Analysis

Q. Why do you incorporate a capital asset pricing model (CAPM) analysis in your analysis?

A. The CAPM, like the DCF equation, is one of the cornerstone financial and valuation models. For example, acquisition analyses performed by investment bankers involving Kansas utilities routinely incorporated a CAPM analysis as a critical component of the valuation process. The CAPM is an important tool of finance because it explains the positive relationship between risk and the return required by investors.[65] It is appealing to regulators because it meets the legal standards I discussed above, as it can be structured to incorporate current data from the financial markets and the unique risks of the utility in question to provide an estimate of the return required by investors to take on risk above that of the risk-free return on long-term U.S. government bonds.

Ke = Rf + Beta (Rm - Rf) or
Ke = Rf + Beta (Rp)

Where:

Ke =	required return on equity
Rf =	return on a risk-free security
Rm =	an expected return from the market, such as the S&P 500 Index
Rp =	risk premium available to investors through buying common stocks instead of risk-free securities, calculated as Rm - Rf
Beta =	volatility of the security's or portfolio's return relative to the volatility of the market's return with the market beta equal to 1.0

Return on a Risk-Free Security (Rf)

The Rf estimate is the interest rate investors believe is a riskless return. Although it is a simple concept, investors do not universally agree upon the answer. It is accepted that a debt instrument issued by the U.S. Government is risk-free, so it is a question of what time horizon an investor should look at as a risk-free vehicle. An investment in U.S. Treasury Bonds is risk-free if the investor holds it until maturity, in which case

[65] The theoretical support for the CAPM is the work done by Harry Markowitz ("Portfolio Selection," Journal of Finance, March, 1952). W.F. Sharpe added the concept of a risk-free rate of return to the Markowitz model ("A Simplified Model of Portfolio Analysis," Management Science, January, 1963).

the investor is certain to collect the interest payments regardless of changes in the bond's price. My CAPM analyses look at the yields and returns of long-term U.S. Treasury Bonds as representative of risk-free investment returns.

Beta

The beta coefficient measures the volatility of the return earned by the utility's stock or that of the proxy group relative to the volatility of the returns earned by the broader equity market. The broad equity market is the S&P 500 Index or a similar broad equities index. This measure provides a look at the risk and volatility of a stock relative to other investments. A stock with a beta of 1.00 has exhibited returns equally as volatile as the broad market, while a stock with a beta of 0.50 has exhibited returns half as volatile as the market.

Rm

Rm is the expected return on the stock market as measured by a broad market index such as the S&P 500. It represents the total return consisting of the index's price change plus dividends earned for the year. An estimate for the market return can be developed using historical or forecasted data; Staff's CAPM analyses look at both.

Rp

Rp is the risk premium, which is the difference between investors' expected return from the stock market and their expected return from the risk-free investment. The risk premium is written as Rm-Rf. The market return and the risk-free return should be taken from the same period to accurately measure the additional return investors require

to take on the risk of common stocks over the risk-free investment over that forecasted or historic period. Investors calculate the risk premium from the expected return on the market (Rm) and the risk-free rate of return (Rf).

Q. Does the CAPM meet the *Hope-Bluefield* legal standards discussed earlier in your testimony?

A. Yes, a cost of equity estimate derived from the CAPM meets those legal standards if the model incorporates current information from the capital markets that investors rely on to evaluate investment options. This market-based information ensures the cost of equity estimates evaluate investors' required rate of return or discount rate that reflects the current economic environment. The CAPM analysis includes the expected returns in the broad equity market, the return available on risk-free investment vehicles, and the beta coefficient.

Q. Please discuss your CAPM analysis.

A. I employed two approaches in my CAPM analysis, both of which are commonly used in cost of capital studies across regulatory and asset valuation contexts. These approaches offer distinct perspectives on capital markets and are utilized by analysts to inform investment decisions.

The first approach relies entirely on historical measures of returns from the stock and bond markets to estimate the cost of equity. The second approach incorporates forward-looking estimates—specifically, forecasted returns for broad equity market indices and

government fixed-income securities, as published by institutional investment services.

The contrast between these approaches underscores the difference between returns achieved in the past and those expected by institutional investors going forward. Based on historical data, the estimated cost of equity ranges from 9.76% to 11.21%, while the forward-looking estimates fall within a lower range of 6.75% to 9.30%.

Both forms of my CAPM analysis incorporate the high, low, and average beta coefficients observed in the proxy group. Value-Line reports that the proxy group of natural gas utilities has an average beta coefficient of 0.93, ranging from 0.85 to 1.05. Black Hills Corp. has a beta of 1.05.

Table: Staff's Proxy Group Beta Coefficients

Staff Proxy Group
Beta Coefficients
25-BHCG-298-RTS

Atmos Energy, Corp.	ATO	0.90
Black Hills Energy, Corp	BKH	1.05
Chesapeake Utilities	CPK	0.85
New Jersey Resources	NJR	1.00
NiSource, Inc.	NI	0.95
Northwest Natural	NWN	0.90
ONE Gas, Inc.	OGS	0.85
Spire, Inc.	SR	0.90
	Mean	**0.93**
	Minimum	**0.85**
	Maximum	**1.05**

Source:Value-Line Feb 21, 2025

Notably, the beta coefficients of gas and electric companies have increased over the

past six years. Staff's analysis and recommendation capture the increase in the relative risk of utility stocks. Staff filed cost of capital testimony in Docket 19-ATMG-525-RTS with data gathered in late 2019, before the COVID-19 pandemic and recession; at that time, beta coefficients were lower than we see today. The turbulence in the stock market that occurred in the early months of the pandemic resulted in significantly higher beta coefficients for the natural gas distribution companies. In addition to the market volatility of 2020, in 2023, utility stock prices fell as interest rates increased, and that fall also contributed to the higher beta coefficients. It is important to rely on the current beta coefficients as that reflects the market volatility that investors recently experienced and thus likely will continue to weigh on investors' decision-making.

Q. Please describe your forecasted CAPM analyses.

A. For the forecasted CAPM analyses, I obtained forecasts of long-run returns for common equity and U.S. Treasury Bonds from three distinct sources: J.P. Morgan Asset Management (JPMAM); BlackRock Investments (BlackRock); and Kroll Corporation (Kroll) (formerly, Duff & Phelps). BlackRock and JPMAM have more than $11 trillion of assets under management with individual and institutional clients worldwide. Other asset managers, like Vanguard Group, which has over $8 trillion in assets under management, have similar expectations for long-term returns; future returns are expected to be lower than historical averages. Thus, it is reasonable to assume their published forecasts influence investors' expectations beyond just their own client base, which has a large base of influence. JPMAM and BlackRock each annually publish their views of long-run (more than 15 years) returns available of numerous asset

classes. Their respective forecasts are similar, though not identical; they provide a range for long-run returns on asset classes by the largest asset management companies. As a third input of projected returns, I looked at Kroll, which is a global provider of advisory and asset valuation services to the financial industry and corporations.

Table: Summary of Market Returns Used in Staff's CAPM Studies

Summary of Market Returns
Used in CAPM Studies
25-BCHG-298-RTS

Forecasted Market Return 2025	
J.P. Morgan (Oct 2024)	6.87%
Black Rock (Jan 2025)	7.00%
Kroll, Inc. (June 2024) 5.00% ERP + 4.25% Riskfree	9.25%
Historic Market Returns 1928-2024	
Arithmetic Returns	11.79%
Geometric Returns	9.94%

Reported by Damadoran Online
https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html

Q. How is JPMAM data applied to the CAPM analysis?

A. For this CAPM analysis, we are interested in JPMAM's forecasted returns on U.S. common stock and U.S. Treasury Bonds to establish the expected return for the market. JPMAM publishes 10 to 15-year forecasts of expected returns on dozens of investment asset classes in its annual publication, the Long Term Capital Market Return

Assumptions (LTCMRA).[66] JPMAM forecasts an annual return on common stocks of 6.87%.[67] Following the calculations and inputs through the CAPM equation in line 2 of the following table, the forecasted return on a risk-free investment, 10-year U.S. Treasury Bonds, is subtracted from the expected return on common stocks, resulting in a risk premium of 3.07%. This risk premium is the added return necessary to induce investors to take on the added risk associated with common stocks over the risk-free investment in a U.S. Treasury Bond. The beta coefficient is applied to the risk premium to find how much of a risk premium is necessary for investors to take on the risks of investing in utility stocks instead of the risk-free U.S. Treasury Bond.

[66] J.P. Morgan Asset Management, Long-term Capital Market Return Assumptions, 2025 Edition, J.P. Morgan Asset Management (published October of 2024) www.jpmorganinstitutional.com/pages/jpmorgan/am/ia/research_and_publications/long-term_capital_market

[67] The 6.87% expected market return is the average of J.P. Morgan's expected returns on small, mid, and large sized stocks.

JPMAM Forcasted Returns 2025 Geometric	
Small Capitalization Stocks	6.70%
Mid Capitalization Stocks	7.00%
Large Capitalization Stocks	6.90%
Average	**6.87%**
Intermediate Treasuries Return	3.80%
10y T-bond Yield Assumption	3.90%
LTCMA 2025; p10. Cycle-neutral average yield on 10year	

Table: CAPM Incorporating J.P. Morgan Asset Management Forecasts

Capital Asset Pricing Model -- Forecasted Risk Premium
Using Forecasted Market Returns & Treasury Bond Yields
25-BCHG-298-RTS

			Beta Coefficients		
			Low	High	Avg.
1)	Forecasted Returns on Common Stocks		6.87%	6.87%	6.87%
2)	Forecasted Total Return on 10-Year T-Bond	-	3.80%	3.80%	3.80%
3)	Equity Risk Premium		3.07%	3.07%	3.07%
4)	Beta Coefficient	X	0.85	1.05	0.93
5)	Beta Adjusted Risk Premium		2.61%	3.22%	2.85%
6)	Forecasted Yield on 10-Year T-Bonds	+	3.90%	3.90%	3.90%
7)	For Cost of Equity		6.51%	7.12%	6.75%

1)	Forecasted 10 to 15-year annual geometric return on stocks J.P. Morgan Asset Management, 2025 Edition.
2)	Forecasted 10 to 15-year annual geometric return on intermediate term U.S. Government bonds by J.P. Morgan Asset Management 2025 Edition.
3)	Resulting risk premium (1-2).
4)	Range of beta coefficient range of regulated gas and electric utilities as well as telecom services companies
5)	Row 3 x Row 4 = asset specific risk premium.
6)	Forecasted yield on 10-Year U.S. Treasury bonds forecasted by J.P. Morgan Asset Management, 2025 Edition (page 10).
7)	Forecasted cost of equity capital row 5 + row 6.

Sources:
J.P. Morgan Asset Management, Long-term Capital Market Return Assumptions, 2025 Edition, J.P. Morgan Asset Management

The expected risk-free yield of 3.90% forecasted by JPMAM is added to the beta-specific risk premium to arrive at the cost of equity for the given beta coefficients of 0.85 and 1.05.

As the next table shows, a CAPM analysis that incorporates BlackRock's long-term return projections is modestly higher than those published by JPMAM.

Table: CAPM Incorporating BlackRock Investments Forecasts

Capital Asset Pricing Model -- Forecasted Risk Premium
Forecasted Market Returns & Treasury Bond Yields
by BlackRock Investments
25-BCHG-298-RTS

		Beta Coefficients		
		Low	High	Avg.
1) Forecasted Returns on Common Stocks		7.00%	7.00%	7.00%
2) Forecasted Total Return on 10+ Year U.S. T-Bonds	-	3.42%	3.42%	3.42%
3) Equity Risk Premium		3.58%	3.58%	3.58%
4) Beta Coefficients of Proxy Group	x	0.85	1.05	0.93
5) Beta Adjusted Risk Premium		3.04%	3.76%	3.33%
6) Forecasted Yield on 10-Year T-Bonds	+	4.00%	4.00%	4.00%
7) Cost of Equity		7.04%	7.76%	7.33%

1) Forecasted 20-year annual geometeric returns on U.S. common stocks; January 2025
2) Forecasted 20-year annual geometeric return on intermediate term Treasury bonds
3) Resulting risk premium (1-2)
4) Beta coefficient range observed in Telecommunications Services companies
5) Proxy Group risks premium
6) Survey of Prof. Forecasters; Median; February 14, 2025; p. 7
7) Forecasted cost of equity capital row 5 + row 6.

Sources:
https://www.blackrockblog.com/blackrock-capital-markets-assumptions/
https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/

Q. What is the third data source used in the forward-looking CAPM analyses?

A. I relied on data published by Kroll, a global financial services company. Specific to cost of capital estimation, Kroll provides forward-looking estimates of an equity risk premium (ERP) and a risk-free return. As in the previous CAPM equations, the ERP plus the risk-free return equates to the expected return on common stocks. Kroll develops its own forecast of the risk-free return; what it considers to be normalized across an economic cycle. The beta coefficient of the particular asset (in this case,

Staff's Proxy Group) is applied to the ERP, and the product is added to the risk-free rate of return. As capital markets change, Kroll adjusts its ERP and risk-free return estimates. Currently, Kroll recommends a risk-free rate of 3.50% as a long-term view of risk-free investment returns with the caveat to use the spot yield on 20-year U.S. Treasury Bonds if it is greater than 3.50%; at this time, it is 4.65% so that is used in my analysis.

Table: CAPM Incorporating Kroll, Inc.'s Forecasts

Capital Asset Pricing Model -- Kroll Forecasted Risk Premium
Using Forecasted Market Returns & Treasury Bond Yields
25-BCHG-298-RTS

		Beta Coefficients		
		Low	High	Avg.
1) Kroll U.S. ERP		5.00%	5.00%	5.00%
2) Beta Coefficient	x	0.85	1.05	0.93
3) Proxy Group Risk Premium		4.25%	5.25%	4.65%
4) Kroll U.S. Risk-Free Rate of Return*	+	4.65%	4.65%	4.65%
5) Proxy Group Cost of Equity		8.90%	9.90%	9.30%

1) Kroll U.S. Equity Risk Premium as of June 5, 2024
2) Beta coefficient range of proxy group reported by Value-Line.
3) Resulting risk premium for proxy group (1-2).
4) Kroll U.S. Risk-Free Rate of Return 20 Year Treasury Bond March 14, 2025
5) Forecasted Cost of Equity Range for Proxy Group

Kroll recommends a risk-free rate of the higher of 3.50% OR spot market yield on 20-Year U.S. Treasury Bond. At March 14, 2025; spot yield was 4.65%

Sources:
https://www.kroll.com/-/media/kroll-images/pdfs/kroll-increases-us-risk-free-rate.pdf
https://www.federalreserve.gov/releases/h15/

What is very apparent is that the models from all three of these sources project that

future returns on equity capital will be lower than the long-run historic returns discussed in the next section. JPMAM and BlackRock's views of lower future returns relative to historic returns are universally accepted across the investment banking and asset management industry.

Q. Does the historic CAPM corroborate the findings of your forecasted CAPM analyses?

A. Only to a degree because the CAPM results using historical data from 1928 through 2024 are greater than those found with the three scenarios using forecasted return. There are two historical perspectives of returns: arithmetic averages and geometric averages. Arithmetic average returns are the mean or average of the annual returns with each observation a part of the calculation, which is common when people refer to an average. The geometric average is the compound return earned over a span of time in question, in this instance, 1928 through 2024. The geometric average captures the real-world effects of volatility in annual returns. The arithmetic or simple average does not embody any volatility of annual returns, a situation that is far from reality and for that reason, I do not believe it provides useful information for our purpose in this analysis. Ignoring that volatility gives the illusion that investors earned an annual return 150 basis points greater than they did over that time period. For this reason, I do not consider the arithmetic average in my recommendation.

Table: CAPM Incorporating Historical Data, 1928 - 2024

Capital Asset Pricing Model -- Historic Risk Premium
Based on Historic Geometric Risk Premiums
from 1928 to 2024
25-BCHG-298-RTS

		Beta Coefficients Low	High	Avg.
1) Total Returns on Common Stocks		9.94%	9.94%	9.94%
2) Total Return on Government Bonds	-	4.57%	4.57%	4.57%
3) Resulting Risk Premium		5.37%	5.37%	5.37%
4) Beta Coefficient	x	0.85	1.05	0.93
5) Risk Premium		4.56%	5.64%	4.99%
6) Historic Yield on Government Bonds	+	4.77%	4.77%	4.77%
7) Forecasted Cost of Equity Based on Historic Returns		9.33%	10.41%	9.76%

1) Historic returns on common stocks 1928-2024
2) Historic returns on intermediate-term government bonds 1928-2024
3) Resulting risk premium (1-2)
4) Beta coefficient range observed in Telecommunications Services companies
5) Row 3 x Row 4 = Asset Specific Risk Premium
6) Historic year-end yield on intermediate-term government bonds 1928-2024
7) Forecasted cost of equity capital, row 5 + row 6

Sources: Damodaran Online
http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html

If we rely on purely historic data, regardless of whether it is based on arithmetic or geometric returns, we are assuming that certain trends, particularly economic growth, observed in the past 90 years will continue at the historical level. It is well established that the U.S. economy is projected to grow slower than that experienced in the past. The projected growth rate is 4.08% over the next 30 years compared to the historic

growth rate of 6.11%.[68] Beyond the change in economic growth, there is evidence that these frequently-quoted historic returns do not present a complete picture in part due to the beginning period that is often used in the calculation.[69] The simple step of beginning the measurement period in the 1920s raises questions about whether the time period is representative of all of modern-era securities trading. Regardless of whether the 1920s is an appropriate point for measuring historical returns, historical returns are widely reported and frequently referred to in discussions of capital markets and potential returns. Some well-regarded financial publications focus solely on this era of historical data and how to apply it in cost of capital studies. Thus, measurements from this period influence expectations despite warnings surrounding historic economic growth rates and market returns. I agree that historical data is cited and studied, but it has significant limitations, and policymakers should give it only light consideration in their final decision.

Rebuttal to Black Hills' proposed 10.50% Return on Equity

Q. What is the ROE proposed by Black Hills?

Historical Compound Annual Growth Rate	Nominal GDP (Billion $'s)		
1929	$	104.60	
2024	$	29,183.80	**6.11%**

Source: Bureau of Economic Analysis
Table 1.15 Gross Domestic Product
www.bea.gov

[68]

[69] McQuarrie, Edward F, "The Myth of 1926: How Much Do We Know Long-Term Returns on U.S. Stocks?" The Journal of Investing; Winter 2009, p. 96.

A. Black Hills proposes a revenue requirement based on a 10.50% ROE supported by Mr. McKenzie. His range is 10.00% to 11.00%.[70] Mr. McKenzie estimates his range using DCF, CAPM, empirical CAPM, utility risk premium, and expected earnings analyses. Based on statements in Mr. McKenzie's testimony, he set the end points relying on the average and midpoint results of his financial models as a guide.[71] The 10.50% recommendation is the average of his two end points.

Q. Please summarize your disagreements with Black Hills' cost of equity analysis and recommendations.

A. I disagree with the forecasted earnings growth rates relied upon by Mr. McKenzie in his analysis. Specifically, he applies three- to five-year earnings growth estimates as proxies for long-term growth forecasts, extending their use far beyond the period for which such projections are reasonably reliable. This methodological choice materially affects the outcomes of four of the five financial models he presents, including the Discounted Cash Flow (DCF) model, the Capital Asset Pricing Model (CAPM), and the Empirical CAPM (ECAPM).

By using short-term earnings growth estimates as surrogates for long-term expectations, Mr. McKenzie overstates investors' required rates of return not only for natural gas utilities but also for the broader market indices. His overstatement of earnings growth results in inflated cost of equity estimates that are inconsistent with

[70] Direct Testimony of Adrien M. McKenzie, 25-BHCG-398-RTS; Exhibit AMM-2.
[71] Direct Testimony of Adrien M. McKenzie, 25-BHCG-398-RTS; p. 55 lines 3-19.

market realities. Consequently, his analysis fails to align with key principles set forth in the *Hope* and *Bluefield* decisions, which require that allowed returns be commensurate with those of investments bearing similar risk. I address the relevant standards from *Hope* and *Bluefield* in greater detail earlier in my analysis. Additionally, I have specific methodological disagreements with Mr. McKenzie's application of each financial model included in his analysis.

Q. Can you estimate the effect of Mr. McKenzie's errors?

A. These errors result in a material overstatement of Black Hills' cost of equity. The following table reflects adjustments to Mr. McKenzie's analysis, including a correction to his overly optimistic earnings growth assumptions and the removal of an inappropriately applied small-company risk premium. Together, these corrections reduce his estimates by 84 basis points. Once adjusted, the range of his results aligns closely with Staff's recommended return on equity.

Table: Corrections to Exhibit AMM-2 to Include Long-Term Growth Expectations

Cost of Equity Summary in Exhibit AMM-2
Correcting for Long-Term Growth
& Elmimating Small Company Premium

		Corrections			
	Exhibit AMM-2 Average	1 Reduction of Growth Rate	2 Small Cap Premium	3 Total	4 Ke Results Average
DCF					
Value Line	10.50%	-0.78%		-0.78%	9.72%
IBES	10.50%	-0.78%		-0.78%	9.72%
Zacks	9.70%	-0.78%		-0.78%	8.92%
CAPM	11.60%	-3.11%	-0.84%	-3.95%	7.66%
Empirical CAPM	11.80%	-3.11%	-0.84%	-3.95%	7.85%

Corrections:
1) Reduction in Mr. McKenzie's average growth rate with inclusion of long-term forecasted nGDP growth of 4.09% in the DCF and CAPM analyses
2) Removing small company risk premium from CAPM analyses
3) Sum of correction in columns 1 and 2
4) Corrected required return estimate

Q. Why is his sole reliance on analysts' three-to-five-year earnings growth rate forecasts improper?

A. The problem is that these short-term growth rates are substantially higher than investors expect to continue in the long run, beyond that three to five year horizon. Investors incorporate long-run growth forecasts in their valuation analyses while Mr. McKenzie's analyses assume those three-to-five-year earnings growth rates continue

in perpetuity. Using these short-term growth rates as a surrogate for long-term growth as Mr. McKenzie has done in his analyses results in his eCAPM, CAPM, and DCF models overstating each model's cost of equity estimate for his proxy group. There is a strong link between economic growth of the broad economy and long-term returns on equity investments, thus, it is reasonable to assume investors incorporate long-run economic growth assumptions in their investment decisions.[72] Failing to incorporate data sources that embody long-run growth forecasts, which point toward economic growth that is slower than analysts' three to five year earnings growth estimates, cause Mr. McKenzie to overstate the ROE necessary for Black Hills.

I only object to his use of short-run earnings growth forecasts because Mr. McKenzie does not include any long-run perspective of earnings growth with those short-run forecasts. These short-term growth forecasts are the only growth estimates that Mr. McKenzie incorporates in his analysis. My analysis incorporates short-run earnings growth forecasts from the same sources but also incorporates the reality that in the long-run a firm's earnings growth is constrained by the growth rate of the broad economy.

Q. What is your estimate of the effect of Mr. McKenzie's sole reliance on three to five year forecasted earnings growth rates overstates the ROE?

A. Mr. McKinzie's DCF analyses results incorporate an average growth rate of 6.31%. Incorporating Staff's long-run estimate of nominal GDP (nGDP) growth of 4.08%

[72] Linking GDP Growth and Equity Returns, Monthly Insights from the Office of the Chairman, Goldman Sachs Asset Management, Jim O'Neill; May 2011.

weighted equally with Mr. McKinzie's 6.31% short-run growth rate results in a growth estimate of 5.20%; 111 basis points lower.

Shown in his Exhibits AMM-6 & 7, Mr. McKenzie's CAPM analyses are based on an *even higher earnings growth estimate of 10.30%* in perpetuity. In his CAPM analysis, Mr. McKenzie develops forecasted returns for the broad equity market of the S&P 500 Index. Giving equal weight to projected nGDP growth reduced that growth rate from 10.3% to 7.19%; 311 basis points.

A. Is there evidence that GDP growth is an important consideration for investors?

Q. Yes, investment professionals widely support the concept that broad economic growth as measured by the (nGDP) is a ceiling for long-term earnings growth as I discussed earlier in my analysis. There is also the fact that if corporate profits, which are a part of national income, grow at a rate that is so much greater than that of the aggregate economy then corporate profits become an ever-larger portion of GDP, a phenomenon which has not occurred. The history of corporate profits as the percentage of GDP shown in the following graph reveals there is not a discernable trend that supports Mr. McKenzie's position earnings grow at twice the rate of the entire economy and become an ever-larger part of GDP.

Q. Are there other issues in Mr. McKenzie's CAPM and eCAPM analyses that cause him to overestimate Black Hills' cost of equity?

A. Yes, Staff disagrees with the application of small company or market capitalization risk premium adders that Mr. McKenzie applies to his CAPM and eCAPM analyses that, on average, increase his cost of equity estimates by 84 basis points. He applies a market capitalization-based risk/return adjustment to each member of his proxy group, increasing the estimated required return by 84 basis points.

Q. What is Mr. McKenzie's rationale for applying a market capitalization risk premium?

A. Mr. McKenzie applies this adjustment alleging that historical data has shown that small companies (as measured by market capitalization) have earned higher returns than that predicted by the CAPM. Mr. McKenzie's 84 basis point upward adjustment relies solely on the historic data reported by Kroll. There is evidence that that professionals and institutional money managers do not expect a small company risk premium to occur in the future, and they doubt if it ever did in the past.

Q. Please discuss why Staff has consistently opposed "small company premiums" applied to the ROE granted to public utilities?

A. Staff has consistently opposed this type of adjustment because there is evidence that any such premium measured in historic market data is due to inaccurate data. Second, if the premium did exist in the past, there is considerable doubt whether it can persist in the future.

Empirical research by Tyler Shumway and Vincent A. Warther concluded that no such size-premium has ever existed; rather, the data used to calculate the premium does not accurately measure the returns of small-cap stocks.[73] These researchers determined the historic data understates the negative impact of delisting a stock. Stocks are delisted from exchanges when they merge or are acquired by other companies. When delisting occurs under those circumstances, the annual return for the newly merged or acquired company continues to be calculated and continues to be tracked as part of the market indexes. These positive events do not create a problem for measuring returns, as the entity continues to exist with pricing data reported going forward from the delisting date, just under a different name. Stocks are delisted when their share price falls below a minimum set by the exchange where they trade or if they enter bankruptcy. When these negative events occur, those companies' stocks cease to trade on exchanges and there ceases to be pricing data that captures the full extent of the price decline that continues after delisting from the exchange. Eventually, the company may disappear,

[73] The Delisting Bias in CRSP's Nasdaq Data and Its Implications for the Size Effect, Tyler Shumway and Vincent A. Warther, The Journal of Finance, vol. LIV, No. 6, December 1999, pp. 2361-2378.

which causes a 100% loss for its investors, which is not captured in the historical data. Research found that historical-returns data have not done an adequate job of accurately tracking or estimating the loss investors incur with these negative events.

These negative events occur almost exclusively with small companies; thus the delisting bias has inflated the historic returns of small companies. The failure to accurately track or estimate negative events has created an *appearance* that small companies experience higher returns than the shareholders' actual returns. So, it is not that smaller companies have consistently earned a higher return than larger companies; the problem has been with the data used to compute the historic returns experienced by small companies.

Even if analysts like Mr. McKenzie want to trust that a premium existed in the historical data, there is question whether investors can accurately apply it prospectively because it is volatile. The author and professor of finance at New York University Aswath Damodaran does not apply or advocate a small capitalization premium in valuation studies because there is little research to support it. In professor Damodaran's view, the research finds that a small-cap premium can be detected in historic data from 1928 through 2014; that premium is best described as: 1) fragile as it barely meets the threshold of statistical significance; and 2) volatile over history seeming to have dissipated after 1981.[74]

[74] The Small Cap Premium; Where is the Beef?; Musings on the Markets: My not-so-profound thoughts about valuation, corporate finance and the news of the day!; Saturday, April 11 2015. http://aswathdamodaran.blogspot.com/

Q. What is the extent of the "small company risk premium" proposed by Mr. McKenzie?

A. Mr. McKenzie argues for a very sizable 84 basis point premium added to its ROE calculations from his CAPM and eCAPM analyses. Removing the 84 basis point premium lowers his highest ROE estimates, those produced by his CAPM and eCAPM, substantially. Of course, correcting for this error in his CAPM and eCAPM does not address the underlying error contained in his growth rate estimates.

Rebuttal to Applicant's Utility Risk Premium Analysis

Q. Do you agree with Mr. McKenzie's Utility Risk Premium analysis?

A. I disagree with using this type of analysis in setting allowed returns because it has weaknesses that cast doubt on the applicability of the results to any specific utility. Although the data provides an interesting view of regulatory and economic history, I recommend the Commission disregard it in setting the allowed return because for several reasons: *first*, the primary data is not derived in the competitive capital markets by decision makers that have capital at risk; *second*, there is no control for risk specific to each rate case decision; *third*, it is not a comprehensive measure of ROEs used to set revenue requirements because many outcomes are not reported, and *fourth*, the information was gathered over a unique time period of precipitously falling interest rates that is unlikely to be repeated. To the best of my knowledge, the Commission has never relied on this approach for setting an allowed return.

Q. Please describe Mr. McKenzie's Utility Risk Premium study.

A. Mr. McKenzie builds his Utility Risk Premium off quarterly data of allowed returns granted to gas distribution utilities by regulatory commissions from 1980 through 2024 and the yield on single-A rated public utility bonds. Please note, BKH does not possess an "A" credit rating. He obtains the quarterly data on allowed returns from S&P Market Intelligence, commonly referred to by its historic name, Regulatory Research Associates (RRA). This data is used to derive a risk premium that regulators have granted to natural gas utilities over the prevailing yields on "A" rated utilities at the time of the rate case decision.

Q. As to your first objection to Mr. McKenzie's Utility Risk Premium method, why do you contend it is not based on data derived from the competitive financial markets?

A. The primary data in the study is the allowed return adopted by public utility commissions in rate cases from 1980 through 2024. This data is the result of commissions' decisions weighing not only the cost of equity analyses filed in the dockets, but also all of the other elements and nuances of the rate case that is before them, elements that may or may not exist in this docket; for example the presence or absence of tracking mechanisms.

Q. Why is it important that measurements are "market based"?

A. Competitive financial markets are highly efficient in that the reported prices reflect the actions of a willing buyer and a willing seller of a security acting on the available information. The allowed ROEs granted by utility commissions do not embody the

decisions of countless market participants, rather utility commissioners who are not taking an economic position in the securities but instead making a public policy ruling. Those commissioners are not taking a financial risk through a purchase or sale of stock when they set a return.

Q. Why do you state that the reported returns granted by various commissions does not provide a complete picture of history?

A. Because not all allowed returns on equity used to calculate a revenue requirement are reported; at times there are agreements that remain silent on that issue even though a new revenue requirement is established. It is impossible to know if those missing data points skew the results. The amount of missing data points is noteworthy. Nationally, from 1980 through 2025, there were 1,728 gas distribution rate cases; 391 or 22.6% of those did not report an allowed ROE. In Kansas for that same period there were 35 natural gas distribution rate cases; 19 or 54% of those had no allowed ROE stated.[75] Thus, there is a significant number of cases setting natural gas distribution revenue requirements during this time period where there was no reported return on equity information.

Q. Why do you contend that there is no control for risk in the data?

A. Mr. McKenzie gathers the allowed returns on equity data on all natural gas dockets without screening for the risk of the underlying gas utilities. There is no way to know

[75] Results of SPMI/RRA database of rate case history for natural gas distribution companies from 1980 through available 2025 decisions removing all observations for "limited-issue riders".

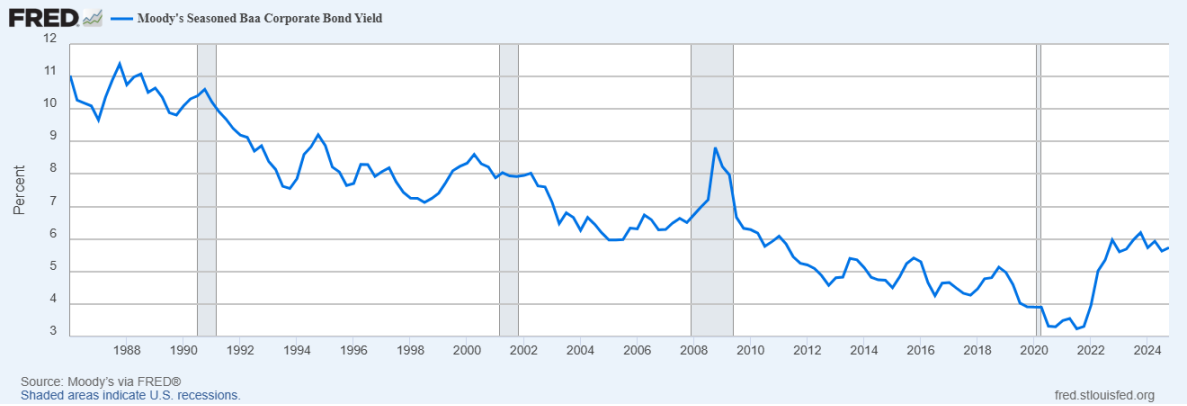
how the risk of the utilities involved in those cases compare to that of BKH-KS including their use regulatory mechanisms compared to those BKH-KS has in place. We cannot know for sure because we do not know how the risk of the gas utilities in those historic rate cases compares to BKH-KS's risk. The Commission needs to be cautious in using a risk premium study like Mr. McKenzie has proposed because it does not comport with the framework set out in the *Hope* and *Bluefield* decisions, as there is no comparison of the risk of the natural gas utilities in that historic data to the risk of BKH-KS today.

Q. Have regulatory policies evolved since 1980 and altered the industry's risk profile?

A. Yes, I believe it has changed over this 44-year period, and Mr. McKenzie's risk premium analysis does not recognize these changes in the industry. Merely using an interest rate relationship to allowed returns does not account for changes in risk. For instance, rate design and trackers/riders/pass-through mechanisms have evolved over the past three decades; these mechanisms lower the risk of utilities by shifting risk to the consumer and reducing regulatory lag. The percentage of the revenue requirement recovered through the customer charges in Kansas has also increased over these decades resulting in a less volatile stream of revenues to the utility. Mr. McKenzie does not address these changes in risk in his "risk premium" study.

Finally, the Commission should also consider that the data was gathered from a unique period (1980 to 2025), a period when capital costs declined substantially and in a

consistent manner with only a few brief upticks during those decades. This measurement period begins with the early 1980s, an era of the highest capital costs in more than a century.



The following chart offers a long-term view of interest rates through the yield on the Moody's Baa Corporate Bonds; the trend in interest rates on this instrument is indicative of the general trend in capital costs over the past century.

Objections to Mr. McKenzie's "Comparable Earnings Test"

Q. Mr. McKenzie presents a "comparable earnings test" to estimate BKH-KS's required return. Is this a reasonable method to arrive at an estimate?

A. The comparable earnings analysis is not a reasonable method of estimating investors' required return because it does not meet the Hope & Bluefield standards. The inputs to this type of analysis are not from financial markets or investors' transactions in markets (such as the purchase of a stock or bond at an exchange at a market determined price). Rather, this data is purely accounting or book return information based on historic levels of equity in the enterprise and the amount of earnings calculated from specific accounting rules which do not reflect the actions of investors in the capital markets as they react to changes in the economy and potential returns from alternative investments.

For this calculation Mr. McKenzie is relying on data from Value-Line Investment Survey's projected return on the book value of the utilities' equity capital. Mr. McKenzie believes this return on book value is analogous to a utility commission granting an allowed return on book value of a utility's rate base. This is incorrect because investors have no options to invest in a utility at the book value of its equity; all the proxy companies and BKH trade at market determined prices well above their book value. Mr. McKenzie's proxy group trades at 1.69 times their book value. To the best of my knowledge, the Commission has never relied on this approach for setting an allowed return. I recommend that the Commission not place any weight on Mr. McKenzie's Comparable Earnings analysis because it is inconsistent with the tenets of the *Hope* and *Bluefield* decisions.

Objections to Mr. McKenzie's Non-Utility Benchmark

Q. Does Mr. McKenzie's Non-Utility Benchmark provide support for his recommended 10.50% allowed return on equity for BKH-KS?

A. Yes, but only because it has the same errors as his analysis of the proxy group. Mr. McKenzie's Non-Utility Benchmark Analysis applies the same data error to both analyses; sole reliance on three-to-five-year earnings growth rate projections as surrogates for long-term earnings growth. As a result of applying the same flawed inputs to both the proxy group and the non-utility group, he obtains comparable results. Because of the flaw in ignoring long-term growth in the broad economy, neither study accurately depicts the market cost of equity capital. A simple reality test of his estimated return is to compare Mr. McKenzie's estimate to those of professional money managers who manage billions of dollars; Mr. McKenzie's estimate is much higher than that of professionals. It is important to remind the Commission that Mr. McKenzie performs this analysis on unregulated, non-utility companies and to the best of my knowledge the Commission has not relied on this type of analysis to set an allowed ROE for a Kansas utility.

Q. Does that conclude your testimony?

A. Yes.

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 142.28 | P/E RATIO 19.8 (Trailing: 20.3 Median: 20.0) | RELATIVE P/E RATIO 1.08 | DIV'D YLD 2.5% | VALUE LINE

TIMELINESS 3 Raised 1/17/25
SAFETY 1 Raised 6/6/14
TECHNICAL 3 Lowered 1/24/25
BETA .90 (1.00 = Market)

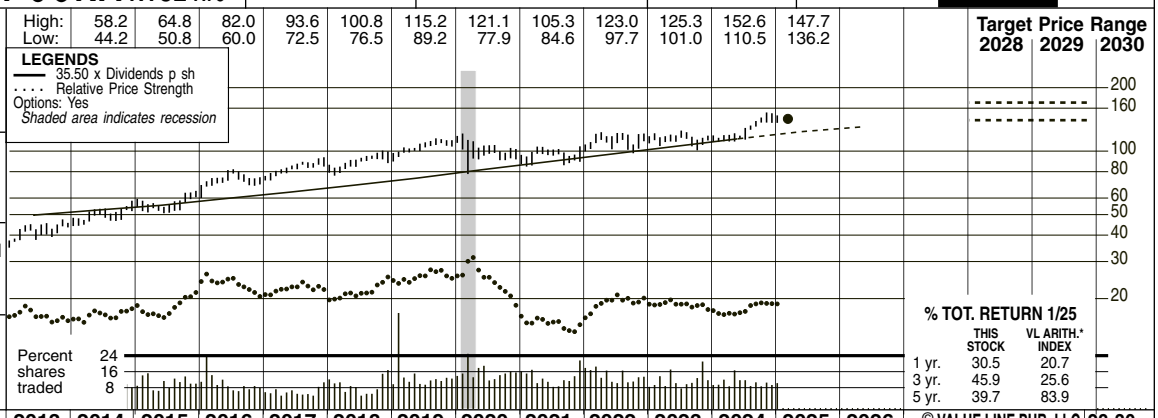
18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$124-$185 $155 (10%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	170	(+20%)	7%
Low	140	(Nil)	3%

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	367	342	357
to Sell	292	311	315
Hld's(000)	137412	144146	162641



2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
53.69	53.12	48.15	38.10	42.88	49.22	40.82	32.23	26.01	28.00	24.32	22.41	25.73	29.82	28.79	26.83	*26.30*	*26.20*	Revenues per sh [A]	*32.45*
4.29	4.64	4.72	4.76	5.14	5.42	5.81	6.19	6.62	7.24	7.57	8.03	8.64	9.30	10.04	11.03	*11.55*	*12.25*	"Cash Flow" per sh	*13.90*
1.97	2.16	2.26	2.10	2.50	2.96	3.09	3.38	3.60	4.00	4.35	4.72	5.12	5.60	6.10	6.83	*7.20*	*7.60*	Earnings per sh [AB]	*8.65*
1.32	1.34	1.36	1.38	1.40	1.48	1.56	1.68	1.80	1.94	2.10	2.30	2.50	2.72	2.96	3.22	*3.48*	*3.68*	Div'ds Decl'd per sh [C■]	*4.45*
5.51	6.02	6.90	8.12	9.32	8.32	9.61	10.46	10.72	13.19	14.19	15.38	14.87	17.35	18.90	18.92	*22.70*	*22.60*	Cap'l Spending per sh	*21.60*
23.52	24.16	24.98	26.14	28.47	30.74	31.48	33.32	36.74	42.87	48.18	53.95	59.71	66.85	73.20	78.31	*83.50*	*85.70*	Book Value per sh	*97.30*
92.55	90.16	90.30	90.24	90.64	100.39	101.48	103.93	106.10	111.27	119.34	125.88	132.42	140.90	148.49	155.26	*163.00*	*168.00*	Common Shs Outst'g [D]	*185.00*
12.5	13.2	14.4	15.9	15.9	16.1	17.5	20.8	22.0	21.7	23.2	22.3	18.8	19.3	18.7	17.3	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*18.0*
.83	.84	.90	1.01	.89	.85	.88	1.09	1.11	1.17	1.24	1.15	1.02	1.12	1.08	.90			Relative P/E Ratio	*1.00*
5.3%	4.7%	4.2%	4.1%	3.5%	3.1%	2.9%	2.4%	2.3%	2.2%	2.1%	2.2%	2.6%	2.5%	2.6%	2.7%			Avg Ann'l Div'd Yield	*2.9%*
4142.1	3349.9	2759.7	3115.5	2901.8	2821.1	3407.5	4201.7	4275.4	4165.2	*4290*	*4400*	Revenues ($mill) [A]	*6000*
315.1	350.1	382.7	444.3	511.4	580.5	665.6	774.4	885.9	1042.9	*1150*	*1255*	Net Profit ($mill)	*1575*
38.3%	36.4%	36.6%	27.0%	21.4%	19.5%	18.8%	9.1%	11.4%	15.6%	*18.5%*	*19.0%*	Income Tax Rate	*25.0%*
7.6%	10.5%	13.9%	14.3%	17.6%	20.6%	19.5%	18.4%	20.7%	25.0%	*26.8%*	*28.5%*	Net Profit Margin	*26.3%*
43.5%	38.7%	44.0%	34.3%	38.0%	40.0%	38.4%	37.9%	37.9%	39.3%	*40.0%*	*40.0%*	Long-Term Debt Ratio	*40.0%*
56.5%	61.3%	56.0%	65.7%	62.0%	60.0%	61.6%	62.1%	62.1%	60.7%	*60.0%*	*60.0%*	Common Equity Ratio	*60.0%*
5650.2	5651.8	6965.7	7263.6	9279.7	11323	12837	15180	17509	20018	*22750*	*24000*	Total Capital ($mill)	*30000*
7430.6	8280.5	9259.2	10371	11788	13355	15064	17240	19607	22204	*24600*	*26000*	Net Plant ($mill)	*32000*
6.6%	7.2%	6.4%	6.9%	6.1%	5.5%	5.5%	5.4%	5.5%	5.7%	*6.5%*	*6.5%*	Return on Total Cap'l	*6.5%*
9.9%	10.1%	9.8%	9.3%	8.9%	8.5%	8.4%	8.2%	8.1%	8.6%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.0%*
9.9%	10.1%	9.8%	9.3%	8.9%	8.5%	8.4%	8.2%	8.1%	8.6%	*8.5%*	*8.5%*	Return on Com Equity	*9.0%*
4.9%	5.1%	4.9%	4.8%	4.6%	4.4%	4.3%	4.2%	4.2%	4.5%	*4.5%*	*4.5%*	Retained to Com Eq	*4.0%*
51%	50%	50%	48%	48%	49%	49%	49%	49%	47%	*49%*	*49%*	All Div'ds to Net Prof	*52%*

CAPITAL STRUCTURE as of 12/31/24
Total Debt $8510.1 mill. **Due in 5 Yrs** $1170.0 mill.
LT Debt $8490.2 mill. **LT Interest** $190.0 mill.
(LT interest earned: 7.5x; total interest coverage: 7.5x)
Leases, Uncapitalized Annual rentals $43.2 mill.

Pfd Stock None

Pension Assets-9/24 $595.2 mill.
Oblig. $470.9 mill.
Common Stock 158,728,197 shs.
as of 1/31/25

MARKET CAP: $22.6 billion (Large Cap)

CURRENT POSITION ($MILL.)	2023	2024	12/31/24
Cash Assets	15.4	307.3	584.5
Other	870.4	825.0	1243.6
Current Assets	885.8	1132.3	1828.1
Accts Payable	336.1	445.4	453.0
Debt Due	253.4	9.9	19.9
Other	763.1	750.6	701.9
Current Liab.	1352.6	1205.9	1174.8
Fix. Chg. Cov.	1059%	914%	930%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '22-'24 to '28-'30
Revenues	-4.0%	2.0%	*2.0%*
"Cash Flow"	7.0%	7.0%	*5.5%*
Earnings	9.5%	9.0%	*6.0%*
Dividends	7.5%	9.0%	*7.0%*
Book Value	10.0%	11.5%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) [A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2022	1012.8	1649.8	816.4	722.7	4201.7
2023	1484.0	1541.0	662.7	587.7	4275.4
2024	1158.5	1647.2	701.5	658.0	4165.2
2025	1176.0	*1700*	*740*	*674*	*4290*
2026	*1210*	*1730*	*760*	*700*	*4400*

Fiscal Year Ends	EARNINGS PER SHARE [A B E] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2022	1.86	2.37	.92	.51	5.60
2023	1.91	2.48	.94	.80	6.10
2024	2.08	2.85	1.08	.86	6.83
2025	2.23	*2.92*	*1.15*	*.90*	*7.20*
2026	*2.34*	*3.01*	*1.25*	*1.00*	*7.60*

Cal-endar	QUARTERLY DIVIDENDS PAID [C■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.625	.625	.625	.68	2.56
2022	.68	.68	.68	.74	2.78
2023	.74	.74	.74	.805	3.03
2024	.805	.805	.805	.87	3.29
2025	.87				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over 3.3 million customers through six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Gas sales breakdown for fiscal 2024: 68.8%, residential; 27.1%, commercial; 2.7%, industrial; and 1.4% other. The company sold Atmos Energy Marketing, 1/17. Officers and directors own approximately .5% of common stock (12/24 Proxy). President and Chief Executive Officer: Kevin Akers. Incorporated: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy Corporation got off to a decent start in fiscal 2025. (The year concludes on September 30th.) Indeed, for the first quarter, the bottom line advanced 7.2%, to $2.23 per share, which matched our target, compared to fiscal 2024's tally of $2.08. One contributor was the distribution segment, supported partly by rate adjustments and benefits of residential customer growth (both occurring primarily in the Mid-Tex Division). Furthermore, the pipeline and storage unit was aided, among other factors, by the Gas Reliability Infrastructure Program filing approved in May 2024 and the System Safety and Integrity Rider filing approved in November 2024. But the company's results were weighed down, to a certain extent, by increases in bad-debt expense, depreciation, and property taxes, as well as higher interest expense. Nevertheless, we believe that full-year profits will finish in the vicinity of $7.20 a share (unchanged from the estimate in our last report three months ago). That would mark a 5% increase from fiscal 2024's $6.83 figure. Regarding the next fiscal year, earnings per share may grow at a similar percentage rate, to $7.60, assuming additional expansion of operating margins.

The Financial Strength rating is solid, at A. When the December period ended, cash and equivalents were $584.5 million. Moreover, long-term borrowings seemed reasonable (40% of total capital) and short-term debt was only $19.9 million. Too, $6.3 billion in common stock and/or debt securities remained available for issuance (out of $8.0 billion) under a shelf registration statement expiring in December, 2027. Finally, the company had four undrawn revolving credit facilities aggregating $3.1 billion plus a $1.5 billion commercial paper program.

These top-quality shares offer unspectacular long-term total return potential. The dividend yield does not stand out when measured against the average of *Value Line's* Natural Gas Utility group. Also, capital gains potential for the pull to 2028-2030 is nothing to write home about. That's because the stock is already trading within our Target Price Range. Meanwhile, the Timeliness rank resides at just 3 (Average).

Frederick L. Harris, III February 21, 2025

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

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	100

BLACK HILLS CORP. NYSE-BKH

RECENT PRICE **56.42** | P/E RATIO **14.1** (Trailing: 15.2 Median: 18.0) | RELATIVE P/E RATIO **0.78** | DIV'D YLD **4.8%** | **VALUE LINE**

TIMELINESS 4 Lowered 11/22/24
SAFETY 2 Raised 10/18/24
TECHNICAL 1 Raised 1/3/25
BETA 1.05 (1.00 = Market)

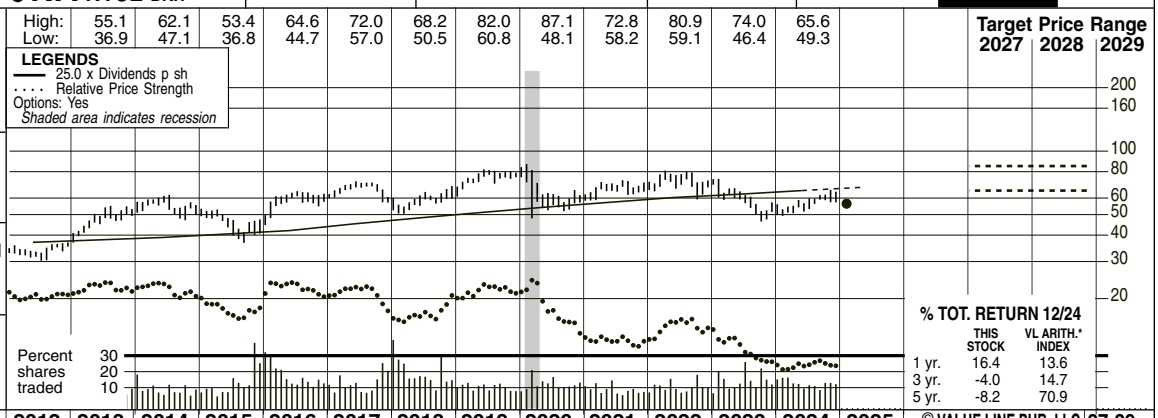
18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$39-$70 $55 (-10%)

2027-29 PROJECTIONS

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

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	222	196	206
to Sell	144	160	155
Hld's(000)	59259	59237	71247



2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VALUE LINE PUB. LLC	27-29
26.03	32.58	33.29	28.96	26.55	28.67	31.20	25.48	29.47	31.38	29.24	28.22	27.02	30.11	38.60	34.18	***31.75***	***33.55***	Revenues per sh	***37.65***
2.95	5.41	4.88	4.01	5.59	5.93	6.25	5.67	6.28	7.15	6.61	7.02	7.41	7.41	7.85	7.76	***7.80***	***8.25***	"Cash Flow" per sh	***9.55***
.18	2.32	1.66	1.01	1.97	2.61	2.89	2.83	2.63	3.38	3.47	3.53	3.73	3.74	3.97	3.91	***3.90***	***4.10***	Earnings per sh [A]	***4.80***
1.40	1.42	1.44	1.46	1.48	1.52	1.56	1.62	1.68	1.81	1.93	2.05	2.17	2.29	2.41	2.50	2.60	***2.70***	Div'd Decl'd per sh [B] ■	***3.00***
8.51	8.90	12.04	10.03	7.90	7.97	8.92	8.90	8.89	6.09	7.62	13.31	12.22	10.47	9.14	8.15	***11.00***	***11.00***	Cap'l Spending per sh	***11.00***
27.19	27.84	28.02	27.53	27.88	29.39	30.80	28.63	30.25	31.92	36.36	38.42	40.79	43.05	45.31	47.15	***48.75***	***50.35***	Book Value per sh [C]	***56.00***
38.64	38.97	39.27	43.92	44.21	44.50	44.67	51.19	53.38	53.54	60.00	61.48	62.79	64.74	66.10	68.20	***71.70***	***73.00***	Common Shs Outst'g [D]	***77.00***
NMF	9.9	18.1	31.1	17.1	18.2	19.0	16.1	22.3	19.5	16.8	21.2	17.0	17.7	18.1	15.2	***14.5***		Avg Ann'l P/E Ratio	***15.5***
NMF	.66	1.15	1.95	1.09	1.02	1.00	.81	1.17	.98	.91	1.13	.87	.96	1.05	.85	***.80***		Relative P/E Ratio	***.85***
4.2%	6.2%	4.8%	4.6%	4.4%	3.2%	2.8%	3.5%	2.9%	2.7%	3.3%	2.7%	3.4%	3.5%	3.4%	4.2%	4.6%		Avg Ann'l Div'd Yield	***4.0%***
1393.6	1304.6	1573.0	1680.3	1754.3	1734.9	1696.9	1949.1	2551.8	2331.3	***2275***	***2450***	Revenues ($mill)	***2900***
128.8	128.3	140.3	186.5	192.5	214.5	232.9	236.7	258.4	262.2	***275***	***295***	Net Profit ($mill)	***365***
33.7%	35.8%	25.1%	28.7%	19.2%	13.0%	12.2%	2.8%	8.5%	8.5%	***8.5%***	***8.5%***	Income Tax Rate	***8.5%***
2.4%	2.7%	5.3%	2.7%	1.4%	3.3%	2.5%	2.0%	2.4%	2.4%	***2.5%***	***2.5%***	AFUDC % to Net Profit	***2.5%***
47.9%	56.0%	66.5%	64.5%	57.5%	57.1%	57.9%	59.7%	54.6%	54.2%	***54.0%***	***54.5%***	Long-Term Debt Ratio	***55.5%***
52.1%	44.0%	33.5%	35.5%	42.5%	42.9%	42.1%	40.3%	45.4%	45.8%	***46.0%***	***45.5%***	Common Equity Ratio	***44.5%***
2643.6	3332.7	4825.8	4818.4	5132.4	5502.2	6089.5	6914.0	6602.3	7016.5	***7600***	***8080***	Total Capital ($mill)	***9675***
3239.4	3259.1	4469.0	4541.4	4854.9	5503.2	6019.7	6449.2	6797.9	7119.3	***7650***	***8150***	Net Plant ($mill)	***9775***
6.1%	4.9%	4.0%	5.2%	5.0%	4.9%	5.0%	4.5%	5.1%	4.9%	***4.5%***	***5.0%***	Return on Total Cap'l	***5.0%***
9.4%	8.8%	8.7%	10.9%	8.8%	9.1%	9.1%	8.5%	8.6%	8.2%	***8.0%***	***8.0%***	Return on Shr. Equity	***8.5%***
9.4%	8.8%	8.7%	10.9%	8.8%	9.1%	9.1%	8.5%	8.6%	8.2%	***8.0%***	***8.0%***	Return on Com Equity [E]	***8.5%***
4.3%	3.8%	3.3%	5.3%	3.9%	3.8%	3.8%	3.3%	3.4%	2.9%	***2.5%***	***3.0%***	Retained to Com Eq	***3.0%***
54%	57%	62%	52%	55%	58%	58%	61%	61%	64%	***67%***	***66%***	All Div'ds to Net Prof	***62%***

CAPITAL STRUCTURE as of 9/30/24
Total Debt $4266.3 mill. **Due in 5 Yrs** $1660.0 mill.
LT Debt $4248.8 mill. **LT Interest** $195.0 mill.
(Total Interest Coverage: 2.5x)
Leases, Uncapitalized Annual rentals $2.2 mill.

Pension Assets-12/23 $308.6 mill.
Oblig. $348.1 mill.

Pfd Stock None

Common Stock 71,573,235 shs.
as of 11/4/24

MARKET CAP: $4.0 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2021	2022	2023
% Change Retail Sales (KWH)	+1.5	+3.4	+1.5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Yearend (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	1078	1107	1101
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.0	+1.0	+.9
Fixed Charge Cov. (%)	259	281	254

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '21-'23 to '27-'29
Revenues	2.0%	2.5%	*2.0%*
"Cash Flow"	4.0%	3.0%	*3.5%*
Earnings	5.5%	4.0%	*4.0%*
Dividends	5.0%	6.0%	*4.0%*
Book Value	5.0%	6.5%	*3.5%*

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	633.4	372.6	380.6	562.5	1949.1
2022	823.6	474.2	462.6	791.4	2551.8
2023	921.2	411.3	407.1	591.7	2331.3
2024	726.4	402.6	401.6	***744.4***	***2275***
2025	***800***	***430***	***440***	***780***	***2450***

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	1.54	.40	.70	1.11	3.74
2022	1.82	.52	.54	1.11	3.97
2023	1.73	.35	.67	1.17	3.91
2024	1.87	.33	.35	***1.35***	***3.90***
2025	***1.89***	***.42***	***.44***	***1.35***	***4.10***

QUARTERLY DIVIDENDS PAID [B] ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.565	.565	.565	.595	2.29
2022	.595	.595	.595	.625	2.41
2023	.625	.625	.625	.625	2.50
2024	.65	.65	.65	.65	2.60
2025					

BUSINESS: Black Hills Corporation is a holding company for Black Hills Energy, which serves 222,340 electric customers in CO, SD, WY and MT, and 1.12 million gas customers in NE, IA, KS, CO, WY, and AR. Has coal mining sub. Acq'd utility ops. from Aquila 7/08; SourceGas 2/16. Discontinued gas marketing in '11; gas & oil E&P in '17. Electric rev. breakdown: residential, 34%; commercial, 39%; industrial, 24%; other, 3%. Generating sources: coal, 35%; gas, 26%; wind, 9%; purchased, 30%. Fuel costs: 38% of revs. '23 deprec. rate: 2.9%-3.5%. Has 2,874 employees. Chairman: Steven R. Mills. President & CEO: Linden R. Evans. Inc.: SD. Address: 7001 Mount Rushmore Rd., P.O. Box 1400, Rapid City, SD 57709-1400. Telephone: 605-721-1700. Internet: www.blackhillscorp.com.

We cut our share-earnings estimates by a nickel for both this year and Black Hills' final 2024 tally. That doesn't seem like much, but investors have been a bit gun-shy regarding this equity of late, as sell-offs following earnings disappointments have been severe. For a lengthy stretch, seemingly ending at mid-2022, Black Hills tended to trade around a market multiple, as indicated by a relative price-to-earnings (P/E) ratio at or near 1.00. That's a premium level for a utility holding company doing business in service areas that are just average in terms of population and economic growth, as well as regulatory climate. What Black Hills lacked in that regard, it made up for in operational consistency and dividend growth. Notably, the company is a "dividend king" within the utility sector, given its track record of 54-consecutive years of annual hikes to the disbursement. While the payout continues to grow, operating performance has been spotty and earnings growth has decelerated. BKH isn't benefiting as much from the green energy push as many peers are, while the increase in interest rates, labor and material costs have seemingly hit it harder than others.

We're expecting annual earnings to be back on a growth trajectory in 2025. Black Hills had a down year in 2023. And, 2024 wasn't great either, though it should be noted that last year's results were up against a difficult comparison, as 2023's bottom line was helped by $0.16 per share of nonoperational items such as land sales. Weather was also a factor, as more-temperate temperatures across Black Hills' service area in 2024 resulted in diminished heating and cooling demand. This year's potential profit gains are up against some relatively easy comparisons. A better rate relief-cycle should also be a positive factor, as a number of settlements that concluded last year ought to have ongoing benefits falling to this year

These shares are ranked to underperform the broader market averages in the year ahead. Income-oriented investors may be drawn to this issue, however. BKH's yield is 110 basis points above the peer median, and the annual dividend has increased every year since 1970. We expect that trend to continue.

Anthony J. Glennon *January 17, 2025*

(A) Diluted EPS. Excl. nonrec. gains/(losses): '15, ($3.54); '16, ($1.26); '17, 14¢; '18, $1.31; '19, (25¢); '20, (8¢); discont. ops.: '08, $4.12; '09, 7¢; '11, 23¢; '12, (16¢); '17, (31¢); '18, (12¢). Qtly. EPS may not sum to full year due to rounding. Next egs. report due early Feb. **(B)** Div'ds paid in early March, June, Sept., and Dec. ■ Div'd reinv. plan avail. **(C)** Incl. deferred chgs. and intagibles in '23: $23.64/sh. **(D)** In mill. **(E)** Rate base: Net orig. cost. Rate allowed on com. eq. in SD in '15: none specified; in CO in '17: 9.37%. Regulatory Climate: Average.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	30
Earnings Predictability	100

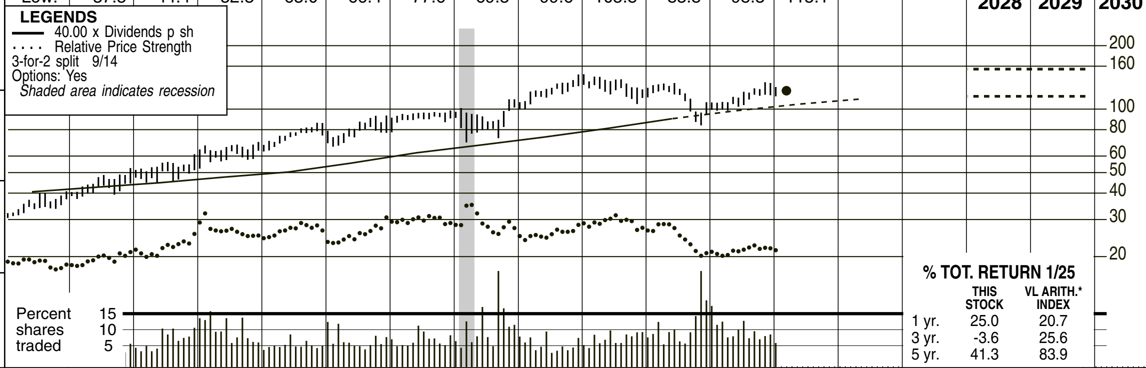
CHESAPEAKE UTIL. NYSE-CPK

RECENT PRICE 122.32 | P/E RATIO 23.3 (Trailing: 24.8 Median: 23.0) | RELATIVE P/E RATIO 1.27 | DIV'D YLD 2.2% | VALUE LINE

TIMELINESS 4 Lowered 12/27/24
SAFETY 2 New 6/5/15
TECHNICAL 2 Lowered 1/31/25
BETA .85 (1.00 = Market)

High:	52.7	61.1	70.0	86.4	93.4	98.6	111.4	146.1	146.3	132.9	134.2	127.4
Low:	37.5	44.4	52.3	63.0	66.4	77.6	69.5	99.6	105.8	83.8	98.3	115.1

LEGENDS
— 40.00 x Dividends p sh
.... Relative Price Strength
3-for-2 split 9/14
Options: Yes
Shaded area indicates recession



Target Price Range 2028 | 2029 | 2030

18-Month Target Price Range
Low-High Midpoint (% to Mid)
$101-$158 $130 (5%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	155	(+25%)	8%
Low	115	(-5%)	1%

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	131	121	139
to Sell	124	117	116
Hld's(000)	18800	18673	23010

Percent shares traded 15 10 5

% TOT. RETURN 1/25

	THIS STOCK	VL ARITH.* INDEX
1 yr.	25.0	20.7
3 yr.	-3.6	25.6
5 yr.	41.3	83.9

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
19.07	29.93	29.13	27.26	30.73	34.19	30.07	30.60	37.79	43.81	29.24	27.96	32.28	38.37	30.16	33.25	36.75	39.35	Revenues per sh	64.00
2.15	3.50	3.69	3.95	4.35	4.73	5.05	5.16	5.42	6.47	6.50	7.37	8.28	8.87	6.87	8.00	8.35	8.70	"Cash Flow" per sh	10.80
1.43	1.82	1.91	1.99	2.26	2.47	2.68	2.86	2.68	3.45	3.72	4.21	4.73	4.97	4.73	5.05	5.30	5.55	Earnings per sh A	6.80
.83	.87	.91	.96	1.01	1.07	1.12	1.19	1.26	1.39	1.55	1.69	1.84	2.03	2.25	2.46	2.64	2.80	Div'ds Decl'd per sh B■	3.35
1.89	3.18	3.28	5.00	6.72	6.66	9.47	10.42	10.73	16.47	11.26	9.48	10.59	7.23	8.48	13.05	13.90	14.50	Cap'l Spending per sh	15.80
14.89	15.84	16.78	17.82	19.28	20.59	23.45	27.36	29.75	31.65	34.23	39.92	43.85	46.94	56.04	59.90	62.20	63.70	Book Value per sh	72.80
14.09	14.29	14.35	14.40	14.46	14.59	15.27	16.30	16.34	16.38	16.40	17.46	17.66	17.74	22.24	23.00	23.00	23.50	Common Shs Outst'g C	25.00
14.2	12.2	14.2	14.8	15.6	17.7	19.1	21.8	27.8	22.9	24.7	21.6	25.6	25.8	24.3	22.4	Bold figures are		Avg Ann'l P/E Ratio	20.0
.95	.78	.89	.94	.88	.93	.96	1.14	1.40	1.24	1.32	1.11	1.38	1.49	1.36	1.24	Value Line		Relative P/E Ratio	1.10
4.1%	3.9%	3.4%	3.3%	2.9%	2.4%	2.2%	1.9%	1.7%	1.8%	1.7%	1.9%	1.5%	1.6%	2.0%	2.2%	estimates		Avg Ann'l Div'd Yield	2.5%

CAPITAL STRUCTURE as of 9/30/24
Total Debt $1406.3 mill. **Due in 5 Yrs** $625.0 mill.
LT Debt $1173.0 mill. **LT Interest** $60.0 mill.
(LT interest earned: 4.1x; total interest coverage: 4.1x) (47% of Cap'l)
Leases, Uncapitalized Annual rentals $2.8 mill.
Pfd Stock None
Pension Assets-12/23 $49.4 mill. **Oblig.** $51.3 mill.
Common Stock 22,780,819 shs. **as of 11/4/24**

MARKET CAP: $2.8 billion (Mid Cap)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		28-30
459.2	498.9	617.6	717.5	479.6	488.2	570.0	680.7	670.6	765	845	925	Revenues ($mill)	1600
40.2	44.7	43.8	56.6	61.1	70.6	83.5	88.4	87.2	115	120	130	Net Profit ($mill)	170
39.5%	38.8%	39.5%	27.1%	25.6%	25.0%	25.9%	27.4%	24.4%	27.0%	27.5%	28.0%	Income Tax Rate	29.0%
8.8%	9.0%	7.1%	7.9%	12.7%	14.5%	14.6%	13.0%	13.0%	15.0%	14.2%	14.1%	Net Profit Margin	10.6%
29.4%	23.5%	28.9%	37.9%	43.9%	42.2%	41.5%	41.0%	48.8%	46.5%	47.0%	47.0%	Long-Term Debt Ratio	48.0%
70.6%	76.5%	71.1%	62.1%	56.1%	57.8%	58.5%	59.0%	51.2%	53.5%	53.0%	53.0%	Common Equity Ratio	52.0%
507.5	583.0	683.7	834.5	1001.7	1205.6	1324.0	1411.2	2433.2	2575	2700	2825	Total Capital ($mill)	3500
855.0	986.7	1126.0	1384.0	1463.8	1601.2	1744.9	1810.5	2456.4	2750	2975	3200	Net Plant ($mill)	3875
8.9%	8.6%	7.3%	7.8%	7.2%	6.8%	7.1%	7.1%	4.3%	6.0%	6.0%	6.0%	Return on Total Cap'l	6.5%
11.2%	10.0%	9.0%	10.9%	10.9%	10.1%	10.8%	10.6%	7.0%	8.5%	8.5%	8.5%	Return on Shr. Equity	9.5%
11.2%	10.0%	9.0%	10.9%	10.9%	10.1%	10.8%	10.6%	7.0%	8.5%	8.5%	8.5%	Return on Com Equity	9.5%
6.8%	6.1%	4.9%	6.7%	6.5%	6.2%	6.7%	6.4%	3.8%	4.0%	4.0%	4.5%	Retained to Com Eq	4.5%
40%	39%	45%	39%	40%	38%	38%	40%	46%	49%	51%	51%	All Div'ds to Net Prof	50%

CURRENT POSITION ($MILL.)	2022	2023	9/30/24
Cash Assets	6.2	4.9	1.6
Other	187.8	180.8	164.9
Current Assets	194.0	185.7	166.5
Accts Payable	61.5	77.5	70.1
Debt Due	223.6	198.4	233.3
Other	83.9	110.5	131.4
Current Liab.	369.0	386.4	434.8
Fix. Chg. Cov.	692%	514%	615%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '21-'23 to '28-'30
Revenues	1.5%	-2.0%	9.5%
"Cash Flow"	7.0%	7.0%	4.5%
Earnings	9.0%	10.0%	5.0%
Dividends	8.0%	10.0%	7.5%
Book Value	10.5%	10.5%	6.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	222.9	139.5	131.1	187.2	680.7
2023	218.1	135.6	131.5	185.4	670.6
2024	245.7	166.3	160.1	192.9	765
2025	265	185	180	215	845
2026	285	205	200	235	925

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	2.08	.88	.54	1.47	4.97
2023	2.04	.90	.53	1.26	4.73
2024	2.07	.82	.78	1.38	5.05
2025	2.16	.87	.83	1.44	5.30
2026	2.23	.93	.89	1.50	5.55

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.44	.44	.48	.48	1.84
2022	.48	.48	.535	.535	2.03
2023	.535	.535	.59	.59	2.25
2024	.59	.59	.64	.64	2.46
2025	.64				

BUSINESS: Chesapeake Utilities Corporation consists of two main units. The Regulated Energy segment distributes natural gas in Delaware, Maryland, and Florida; distributes electricity in Florida; and transmits natural gas on the Delmarva Peninsula and in Florida. The Unregulated Energy operation wholesales and distributes propane; markets natural gas; and provides other unregulated energy services, including midstream services in Ohio. Revenue breakdown for 2023: Regulated Energy, 70.6%; Unregulated Energy, 33.3%; Other, d3.9%. Officers and directors own 1.7% of common stock; BlackRock, 16.1% (3/24 Proxy). Chairman and CEO: Jeffry Householder. Inc.: DE. Address: 500 Energy Lane, Dover, DE 19901. Tel.: (302) 734-6799. Internet: www.chpk.com.

It appears that Chesapeake Utilities Corporation's bottom line took a turn for the better in 2024. (Please be aware that fourth-quarter figures were not available when this report went to press.) Through the first nine months, earnings per share advanced 5.8%, to $3.67, relative to the $3.47 tally that was registered for the same period the prior year. This stemmed primarily from the company's impressive September-interim performance, as profits surged 47.2%, to $0.78 per share, versus the 2023 total of $0.53. That was attributed, to a large degree, to the November, 2023 acquisition of Florida City Gas (FCG) from NextEra Energy for nearly $923 million. Other supporting factors included pipeline expansion projects and growth in the natural gas distribution businesses. So, we believe that the bottom line finished in the neighborhood of $5.05 a share for the whole year. This would indicate a nearly 7% rebound from 2023's $4.73 amount.

Concerning both 2025 and 2026, per-share earnings stand to increase around 5%, to $5.30 and $5.55, respectively. These improvements ought to be brought about by such contributors as expansion of the customer base and incremental benefits from FCG.

The Financial Strength rating is solid, at A. When the third quarter ended, cash and equivalents were $1.6 million. Also, long-term debt looked manageable (47% of total capital) and short-term borrowings did not seem to be a major stumbling block. What's more, $232.2 million was available (out of $450.0 million) under a revolving credit facility. All told, Chesapeake should continue to handle its various obligations, which include working capital requirements, capital spending plans, and dividend payments with minimal difficulty.

These shares offer unexciting total return potential out to 2028-2030. The dividend yield is unspectacular when stacked against those of other Natural Gas Utility equities covered by *Value Line*. Furthermore, at the recent quotation, long-term capital appreciation possibilities are modest. Meanwhile, the stock is expected to lag the year-ahead market (Timeliness rank 4: Below Average).

Frederick L. Harris, III February 21, 2025

(A) Diluted shrs. Excludes nonrecurring gains: '15, 6¢; '17, 87¢; '22, 8¢. Excludes discontinued operations: '19, 24¢; '20, 5¢. Next earnings report due early May.
(B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan. Direct stock purchase plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	75
Earnings Predictability	100

NISOURCE INC. NYSE-NI

RECENT PRICE **38.11** | P/E RATIO **21.3** (Trailing: 21.3 Median: 21.0) | RELATIVE P/E RATIO **1.16** | DIV'D YLD **2.9%** | **VALUE LINE**

TIMELINESS 4 Lowered 9/6/24
SAFETY 2 Raised 2/23/24
TECHNICAL 2 Lowered 2/21/25
BETA .95 (1.00 = Market)

18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$26-$44 $35 (-10%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+45%)	*12%*
Low	40	(+5%)	*5%*

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	331	328	334
to Sell	236	249	286
Hld's(000)	425705	439719	484273

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
High:	44.9	49.2	26.9	27.8	28.1	30.7	30.5	27.8	32.6	29.0	38.6	38.8						
Low:	32.1	16.0	19.0	21.7	22.4	24.7	19.6	21.1	23.8	22.9	24.8	35.5						

Target Price Range 2028 | 2029 | 2030

% TOT. RETURN 1/25

	THIS STOCK	VL ARITH.* INDEX
1 yr.	51.3	20.7
3 yr.	44.3	25.6
5 yr.	52.8	83.9

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
	24.02	22.99	21.33	16.31	18.04	20.47	14.58	13.90	14.46	13.74	13.63	11.95	12.09	14.20	12.31	*12.45*	*13.00*	*13.50*	Revenues per sh	*15.60*
	2.96	3.19	2.98	3.13	3.41	3.60	2.27	2.71	2.07	2.86	3.17	3.15	3.26	3.56	3.63	*3.90*	*4.00*	*4.15*	"Cash Flow" per sh	*5.30*
	.84	1.06	1.05	1.37	1.57	1.67	.63	1.00	.39	1.30	1.31	1.32	1.37	1.47	1.60	*1.75*	*1.85*	*2.00*	Earnings per sh [A]	*2.55*
	.92	.92	.92	.94	.98	1.02	.83	.64	.70	.78	.80	.84	.88	.94	1.00	1.06	*1.12*	*1.20*	Div'd Decl'd per sh [B] ■	*1.44*
	2.81	2.88	3.99	4.83	5.99	6.42	4.26	4.57	5.03	4.88	4.72	4.49	4.53	5.35	5.91	*5.25*	*5.50*	*6.00*	Cap'l Spending per sh	*7.00*
	17.54	17.63	17.71	17.90	18.77	19.54	12.04	12.60	12.82	13.08	13.36	12.44	13.33	14.63	17.40	*22.35*	*23.20*	*23.50*	Book Value per sh [C]	*25.70*
	276.79	279.30	282.18	310.28	313.68	316.04	319.11	323.16	337.02	372.36	382.14	391.76	405.30	412.14	447.38	*470.00*	*485.00*	*500.00*	Common Shs Outst'g [D]	*525.00*
	14.3	15.3	19.4	17.9	18.9	22.7	37.3	23.2	64.4	19.3	21.3	18.7	18.0	19.6	16.8	*17.5*	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*19.0*
	.95	.97	1.22	1.14	1.06	1.19	1.88	1.22	3.24	1.04	1.13	.96	.97	1.13	.93	*.97*			Relative P/E Ratio	*1.05*
	7.6%	5.7%	4.5%	3.8%	3.3%	2.7%	3.5%	2.8%	2.8%	3.1%	2.9%	3.4%	3.6%	3.3%	3.7%	3.5%			Avg Ann'l Div'd Yield	*3.0%*
	4651.8	4492.5	4874.6	5114.5	5208.9	4681.7	4899.6	5850.6	5505.4	*5850*	*6300*	*6750*	Revenues ($mill)	*8200*
	198.6	328.1	128.6	478.3	549.8	562.6	626.3	703.3	759.1	*825*	*895*	*1000*	Net Profit ($mill)	*1340*
	41.6%	35.7%	71.0%	19.7%	17.0%	18.3%	15.7%	16.5%	17.8%	*19.0%*	*19.0%*	*19.0%*	Income Tax Rate	*19.0%*
	--	--	--	--	--	--	--	--	2.3%	*3.0%*	*2.5%*	*2.5%*	AFUDC % to Net Profit	*2.5%*
	60.7%	59.8%	63.5%	55.3%	56.8%	61.6%	56.9%	55.7%	57.2%	*54.0%*	*54.0%*	*55.0%*	Long-Term Debt Ratio	*55.0%*
	39.3%	40.2%	36.5%	37.9%	36.9%	32.5%	33.5%	35.3%	40.3%	*46.0%*	*46.0%*	*45.0%*	Common Equity Ratio	*45.0%*
	9792.0	10129	11832	12856	13843	14972	16131	17099	19325	*22800*	*24450*	*26100*	Total Capital ($mill)	*30000*
	12112	13068	14360	15543	16912	16620	17882	19843	22275	*25750*	*27350*	*29300*	Net Plant ($mill)	*36250*
	4.0%	5.0%	2.6%	5.1%	5.3%	5.0%	4.9%	5.1%	5.0%	*3.5%*	*3.5%*	*4.0%*	Return on Total Cap'l	*4.5%*
	5.2%	8.1%	3.0%	8.3%	9.2%	9.8%	9.0%	9.3%	9.2%	*8.0%*	*8.0%*	*8.5%*	Return on Shr. Equity	*10.0%*
	5.2%	8.1%	3.0%	9.6%	9.7%	10.4%	10.6%	10.8%	9.2%	*8.0%*	*8.0%*	*8.5%*	Return on Com Equity	*10.0%*
	NMF	3.0%	NMF	4.0%	3.8%	3.8%	4.2%	4.4%	3.9%	*3.0%*	*3.0%*	*3.5%*	Retained to Com Eq	*4.5%*
	NMF	63%	NMF	60%	64%	67%	64%	62%	60%	*61%*	*61%*	*60%*	All Div'ds to Net Prof	*57%*

CAPITAL STRUCTURE as of 9/30/24
Total Debt $13614.5 mill. **Due in 5 Yrs** $4536 mill.
LT Debt $12086.3 mill. **LT Interest** $505 mill.
(Interest cov. earned: 5.5x) (54% of Cap'l)

Leases, Uncapitalized Annual rentals $9.6 mill.
Pension Assets-12/23 $1.4 bill. **Oblig.** $1.4 bill.

Common Stock 466,778,943 shs.
as of 10/22/24

MARKET CAP: $17.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2022	2023	9/30/24
Cash Assets	40.8	2245.4	126.2
Other	2543.5	2254.0	1489.8
Current Assets	2584.3	4499.4	1616.0
Accts Payable	899.5	749.4	614.6
Debt Due	1791.9	3072.4	1528.2
Other	1969.1	1443.3	1342.7
Current Liab.	4660.5	5265.1	3485.5
Fix. Chg. Cov.	255%	225%	445%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '21-'23 to '27-'29
Revenues	-3.5%	-1.5%	*5.5%*
"Cash Flow"	1.0%	6.5%	*5.5%*
Earnings	1.0%	10.5%	*9.5%*
Dividends	--	6.0%	*4.5%*
Book Value	-2.0%	3.5%	*5.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	1873	1183	1089	1704	5850.6
2023	1966	1090	1027	1422	5505.4
2024	1706	1085	1076	*1983*	*5850*
2025	*1840*	*1170*	*1160*	*2130*	*6300*
2026	*1970*	*1255*	*1245*	*2280*	*6750*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	.75	.12	.10	.50	1.47
2023	.77	.11	.19	.53	1.60
2024	.85	.21	.20	*.49*	*1.75*
2025	*.85*	*.25*	*.20*	*.55*	*1.85*
2026	*.85*	*.30*	*.20*	*.65*	*2.00*

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.22	.22	.22	.22	.88
2022	.235	.235	.235	.235	.94
2023	.25	.25	.25	.25	1.00
2024	.265	.265	.265	.265	1.06
2025	.28				

BUSINESS: NiSource Inc. is a holding company for Northern Indiana Public Service Company (NIPSCO), which supplies electricity and gas to the northern third of Indiana. Customers: 488,833 electric in Indiana, 3,200,000 gas in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, Maryland, through its Columbia subsidiaries. Revenue breakdown, 2023: electrical, 32%; gas, 67%; other, less than 1%. Generating capacity, coal, 69.4%; purchased & other, 30.6%. 2023 reported depreciation rates: 3.5% electric, 2.4% gas. Has 7,364 employees. Chairman: Richard L. Thompson. President & Chief Executive Officer: Lloyd Yates. Incorporated: Indiana. Address: 801 East 86th Avenue, Merrillville, Indiana 46410. Telephone: 877-647-5990. Internet: www.nisource.com.

NiSource likely posted good results in 2024. (Note: the company was scheduled to report its fourth-quarter numbers as we went to press with this Issue.) Earnings per share probably advanced upwards of 9% in the year. This follows a cycle of heavy capital investments over the past few years, that the company is now earning returns on. NiSource is positioned across the mid-Atlantic and mid-West regions of the United States, and much of its operating areas have experienced strong growth, particularly from new data centers and industrial hubs. The utility may have invested as much as $2.5 billion in 2024 on projects including infrastructure hardening and clean energy programs. In addition to some regulatory success with rate cases, the utility is also enjoying wider fuel margins, bolstering profits, although higher depreciation and interest expenses have offset this to a degree. The company's good performance and strong positioning have led to a roughly 50% increase in its stock price over the past year, as investors see the utility as an increasingly attractive safe haven for funds.

The year ahead may see growth slow slightly. We've raised our 2025 earnings target by $0.05 per share, to $1.85, owing to good fundamental conditions and ongoing net-plant expansion. However, an uptick in volatility from new economic policies could bring about some near-term headwinds as businesses readjust to the emerging regulatory environment. We expect the utility will remain fairly aggressive through the current capital investment cycle while growing its rate base.

Over the long run we expect fairly steady growth. Rate-base growth is likely to follow a high-single-digit trajectory, in line with other associated metrics, including net plant and earnings per share. The company's transition away from coal and investment in clean energy and infrastructure hardening should provide a substantial growth ramp to late decade.

The shares have much of the gains we foresee already baked into the price. The stock offers below-average 3- to 5-year appreciation potential. We think there are more appealing selections out there, though the issue may interest conservative accounts.

Earl B. Humes *February 21, 2025*

(A) Dil. EPS. Excl. gains (losses) on disc. ops.: '08, ($1.14); '15, (30¢); '18, ($1.48). Next egs. report due early May. Qtl'y egs. may not sum to total due to rounding.
(B) Div'ds historically paid in mid-Feb., May, Aug., Nov. ■ Div'd reinv. avail.
(C) Incl. intang in '23: $1485.9 million, $3.33/sh.
(D) In mill.
(E) Spun off Columbia Pipeline Group (7/15)

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	70

NEW JERSEY RES. NYSE-NJR

RECENT PRICE **45.81** | P/E RATIO **14.8** (Trailing: 13.8 Median: 17.0) | RELATIVE P/E RATIO **0.80** | DIV'D YLD **3.9%** | **VALUE LINE**

TIMELINESS 4 Raised 3/29/24
SAFETY 2 Lowered 4/17/20
TECHNICAL 2 Raised 1/3/25
BETA 1.00 (1.00 = Market)

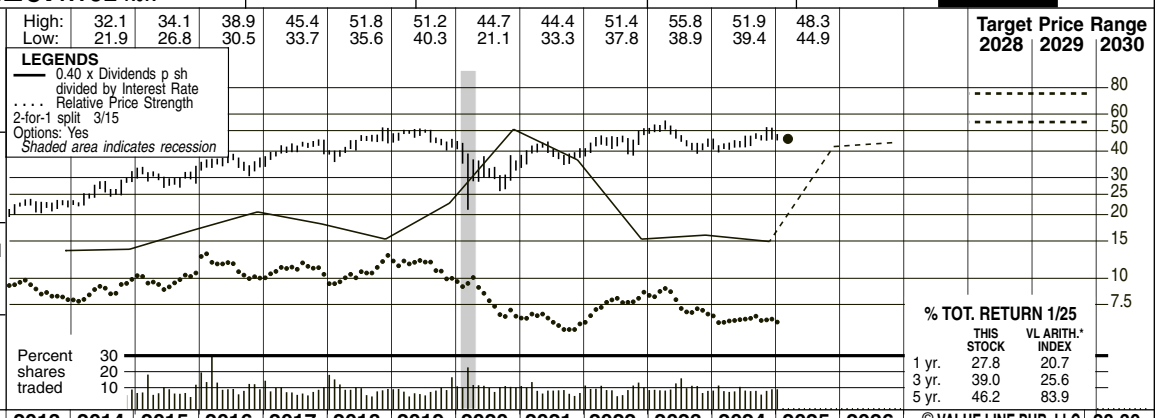
18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$39-$63 $51 (10%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+65%)	*16%*
Low	55	(+20%)	*8%*

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	167	167	196
to Sell	140	139	134
Hld's(000)	70181	71950	88596



2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
31.17	32.05	36.30	27.08	38.38	44.40	32.09	21.90	26.28	33.24	29.01	20.39	22.71	30.19	20.12	18.06	*18.30*	*18.80*	Revenues per sh A	*21.45*
1.58	1.63	1.70	1.86	1.93	2.73	2.52	2.46	2.68	3.72	2.99	3.30	3.36	3.84	4.28	4.59	*4.90*	*5.10*	"Cash Flow" per sh	*6.05*
1.20	1.23	1.29	1.36	1.37	2.08	1.78	1.61	1.73	2.72	1.96	2.07	2.16	2.50	2.71	2.95	*3.10*	*3.20*	Earnings per sh B	*3.90*
.62	.68	.72	.77	.81	.86	.93	.98	1.04	1.11	1.19	1.27	1.36	1.45	1.56	1.71	*1.80*	*1.95*	Div'ds Decl'd per sh C■	*2.20*
.90	1.05	1.13	1.26	1.33	1.52	3.76	4.15	3.80	4.39	5.83	4.65	5.42	5.81	5.13	5.26	*5.50*	*5.75*	Cap'l Spending per sh	*6.50*
8.29	8.81	9.36	9.80	10.65	11.48	12.99	13.58	14.33	16.18	17.37	19.26	17.18	18.88	20.40	22.12	*23.05*	*23.80*	Book Value per sh D	*27.00*
83.17	82.35	82.89	83.05	83.32	84.20	85.19	85.88	86.32	87.69	89.34	95.80	94.95	96.25	97.58	99.46	*101.00*	*102.50*	Common Shs Outst'g E	*105.00*
14.9	15.0	16.8	16.8	16.0	11.7	16.6	21.3	22.4	15.6	24.3	17.7	17.5	17.0	17.6	14.9	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*17.0*
.99	.95	1.05	1.07	.90	.62	.84	1.12	1.13	.84	1.29	.91	.95	.98	.98	.77			Relative P/E Ratio	*.95*
3.5%	3.7%	3.3%	3.4%	3.7%	3.5%	3.1%	2.9%	2.7%	2.6%	2.5%	3.5%	3.6%	3.4%	3.3%	3.9%			Avg Ann'l Div'd Yield	*3.4%*
2734.0	1880.9	2268.6	2915.1	2592.0	1953.7	2156.6	2906.0	1963.0	1796.5	*1850*	*1925*	Revenues ($mill) A	*2250*
153.7	138.1	149.4	240.5	175.0	196.2	207.7	240.3	264.7	290.8	*315*	*330*	Net Profit ($mill)	*410*
26.3%	15.5%	17.2%	--	--	--	10.3%	22.0%	15.9%	23.0%	*21.5%*	*22.0%*	Income Tax Rate	*22.0%*
5.6%	7.3%	6.6%	8.2%	6.7%	10.0%	9.6%	8.3%	13.5%	16.2%	*16.9%*	*17.0%*	Net Profit Margin	*18.2%*
43.2%	47.7%	44.6%	45.4%	49.8%	55.1%	57.0%	57.8%	58.2%	56.7%	*56.5%*	*56.0%*	Long-Term Debt Ratio	*55.0%*
56.8%	52.3%	55.4%	54.6%	50.2%	44.9%	43.0%	42.2%	41.8%	43.3%	*43.5%*	*44.0%*	Common Equity Ratio	*45.0%*
1950.6	2230.1	2233.7	2599.6	3088.9	4104.2	3793.0	4302.6	4758.8	5079.9	*5350*	*5550*	Total Capital ($mill)	*6300*
2128.3	2407.7	2609.7	2651.0	3041.2	3983.0	4213.5	4649.9	5022.1	5403.2	*5750*	*6000*	Net Plant ($mill)	*6800*
8.6%	6.9%	7.7%	10.1%	6.4%	5.6%	6.5%	6.8%	5.5%	5.7%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
13.9%	11.8%	12.1%	16.9%	11.3%	10.6%	12.7%	13.2%	13.3%	13.2%	*13.5%*	*13.5%*	Return on Shr. Equity	*14.5%*
13.9%	11.8%	12.1%	16.9%	11.3%	10.6%	12.7%	13.2%	13.3%	13.2%	*13.5%*	*13.5%*	Return on Com Equity	*14.5%*
7.0%	4.8%	5.0%	10.2%	4.6%	4.3%	5.6%	6.2%	5.7%	5.7%	*5.5%*	*5.0%*	Retained to Com Eq	*6.5%*
50%	60%	59%	40%	59%	60%	56%	53%	58%	58%	*58%*	*61%*	All Div'ds to Net Prof	*56%*

CAPITAL STRUCTURE as of 12/31/24
Total Debt $3418.1 mill. **Due in 5 Yrs** $660 mill.
LT Debt $2989.5 mill. **LT Interest** $130 mill.
Incl. $8.4 mill. capitalized leases.

Pension Assets-9/24 $641 mill.
Oblig. $624 mill.

Pfd Stock None

Common Stock 100,289,422 shs.
as of 1/31/25

MARKET CAP: $4.6 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2023	2024	12/31/24
Cash Assets	1.0	1.0	1.9
Other	531.1	553.6	728.8
Current Assets	532.1	554.6	730.7
Accts Payable	203.1	169.2	112.5
Debt Due	368.3	480.8	428.6
Other	235.2	237.8	277.6
Current Liab.	806.6	887.8	818.7
Fix. Chg. Cov.	331%	480%	695%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '22-'24 to '28-'30
Revenues	-4.5%	-5.0%	*2.5%*
"Cash Flow"	7.0%	6.5%	*5.0%*
Earnings	5.5%	5.0%	*5.0%*
Dividends	7.0%	7.0%	*5.0%*
Book Value	7.0%	5.0%	*4.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2022	675.9	912.3	552.3	765.5	2906.0
2023	723.6	644.0	264.1	331.3	1963.0
2024	467.2	657.9	275.6	395.8	1796.5
2025	488.4	*675*	*285*	*401.6*	*1850*
2026	*510*	*700*	*295*	*420*	*1925*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2022	.69	1.36	d.04	.49	2.50
2023	1.14	1.16	.10	.31	2.71
2024	.74	1.41	d.09	.89	2.95
2025	1.28	*1.50*	*.Nil*	*.32*	*3.10*
2026	*1.00*	*1.70*	*.10*	*.40*	*3.20*

Calendar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.3325	.3325	.3325	.3625	1.36
2022	.3625	.3625	.3625	.3625	1.45
2023	.39	.39	.39	.39	1.56
2024	.42	.42	.42	.45	1.71
2025	.45				

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in NJ, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had 583,000 cust. at 9/30/24. Fiscal 2024 volume: 158 bill. cu. ft. (16% interruptible, 41% residential, commercial & firm transportation, 43% other). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2024 dep. rate: 3.2%. Has 1,370 empls. Off./dir. own less than 1% of common; BlackRock, 17.3%; Vanguard, 11.9% (12/24 Proxy). CEO, President & Director: Steven D. Westhoven. Incorporated: New Jersey. Address: 1415 Wyckoff Road, Wall, NJ 07719. Telephone: 732-938-1480. Web: www.njresources.com.

New Jersey Resources finished fiscal 2024 in good shape. (Year ended September 30th.) The company closed out the year with a better-than-expected bottom-line result in the fiscal fourth quarter. Full year earnings per share advanced a solid 9%, to $2.95. September's significant year-over-year increase came from wider fuel margins and lower operations and maintenance expense, offset somewhat by an uptick in depreciation. The company invested more than $500 million over the year, with over 40% of capital expenditures providing immediate returns. Operations at Clean Energy Ventures accelerated throughout the year, with its residential solar portfolio selling out, generating $135 million that will be reinvested, and over 70 megawatts of solar projects either completed or under construction (of 1 gigawatt in the pipeline). The Storage and Transportation business also showed strengths, highlighted by a recent rate case filed for the recovery of investments in the Adelphia Gateway project. The company did well setting up good growth opportunities.

The first quarter of fiscal 2025 was also a standout. The bottom line advanced to $1.28 from $0.74 in the year before. A $157 million annual revenue increase from the natural gas utility rate case settlement, effective November 21st, was a contributing factor. Favorable winter conditions also contributed to the strong operating performance.

We have raised out earnings targets. Notably, we've lifted our fiscal 2025 bottom-line estimate by $0.20, to $3.10 per share. This is in line with management's predictions. We have also initiated targets for 2026 and upped our 3- to 5-year calls. The company is set to invest roughly $1.5 billion over the next two years, targeting infrastructure improvements, clean energy expansion, and storage and transportation efficiency. We also look for the Adelphia rate case to conclude in the current year.

The stock may appeal to conservative long-term accounts. NJR's earnings growth, rooted in a strong regional energy economy, is a solid foundation for returns. Too, the company's steady dividend growth trajectory adds to its overall value. The issue is untimely, however.

Earl B. Humes *February 21, 2025*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly. revenues and egs. may not sum to total due to rounding and change in shares outstanding. Next earnings report due early May.
(C) Dividends historically paid in early Jan., April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2024: $612.6 million, $6.16/share.
(E) In millions, adjusted for 3/15 split.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	40
Earnings Predictability	65

N.W. NATURAL NYSE-NWN

RECENT PRICE 40.00 | P/E RATIO 14.1 (Trailing: 18.9 Median: 24.0) | RELATIVE P/E RATIO 0.77 | DIV'D YLD 4.9% | VALUE LINE

TIMELINESS 4 Lowered 11/29/24
SAFETY 2 Raised 2/23/24
TECHNICAL 2 Raised 1/3/25
BETA .90 (1.00 = Market)

18-Month Target Price Range
Low-High Midpoint (% to Mid)
$27-$47 $37 (-10%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+100%)	22%
Low	60	(+50%)	14%

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	131	132	119
to Sell	105	104	118
Hld's(000)	28777	29331	37328

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
High:	52.6	52.3	66.2	69.5	71.8	74.1	77.3	56.8	57.6	52.4	44.3	41.5						
Low:	40.1	42.0	48.9	56.5	51.5	57.2	42.3	41.7	42.4	35.7	34.8	38.0						

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

Target Price Range 2028 2029 2030
128 96 80 64 48 40 32 24 16 12

% TOT. RETURN 1/25

	THIS STOCK	VL ARITH.* INDEX
1 yr.	19.1	20.7
3 yr.	1.1	25.6
5 yr.	-29.6	83.9

Percent shares traded 15 10 5

38.17	30.56	31.72	27.14	28.02	27.64	26.39	23.61	26.52	24.45	24.49	25.29	27.64	29.20	31.82	*28.05*	*29.20*	*30.20*	Revenues per sh
5.20	5.18	5.00	4.94	5.04	5.05	4.91	4.93	1.04	5.28	5.15	5.69	6.17	5.71	5.83	*5.45*	*6.50*	*6.65*	"Cash Flow" per sh
2.83	2.73	2.39	2.22	2.24	2.16	1.96	2.12	d1.94	2.33	2.19	2.30	2.56	2.54	2.59	*2.30*	*3.00*	*3.10*	Earnings per sh A
1.60	1.68	1.75	1.79	1.83	1.85	1.86	1.87	1.88	1.89	1.90	1.91	1.92	1.93	1.94	1.95	*1.96*	*1.97*	Div'ds Decl'd per sh B■
5.09	9.35	3.76	4.91	5.13	4.40	4.37	4.87	7.43	7.43	7.95	9.18	9.49	9.53	8.70	*9.75*	*9.50*	*10.00*	Cap'l Spending per sh
24.88	26.08	26.70	27.23	27.77	28.12	28.47	29.71	25.85	26.41	28.42	29.05	30.04	33.09	34.12	*36.50*	*37.60*	*40.30*	Book Value per sh D
26.53	26.58	26.76	26.92	27.08	27.28	27.43	28.63	28.74	28.88	30.47	30.59	31.13	35.53	37.63	*41.00*	*43.00*	*45.00*	Common Shs Outst'g C
15.2	17.0	19.0	21.1	19.4	20.7	23.7	26.9	- -	26.6	30.9	25.0	19.5	19.6	16.6	*16.8*	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio
1.01	1.08	1.19	1.34	1.09	1.09	1.19	1.41	- -	1.44	1.65	1.28	1.05	1.13	.92	*.93*			Relative P/E Ratio
3.7%	3.6%	3.9%	3.8%	4.2%	4.1%	4.0%	3.3%	3.0%	3.0%	2.8%	3.3%	3.8%	3.9%	4.5%	5.1%			Avg Ann'l Div'd Yield
723.8	676.0	762.2	706.1	746.4	773.7	860.4	1037.4	1197.5	*1150*	*1255*	*1360*	Revenues ($mill)						
53.7	58.9	d55.6	67.3	65.3	70.3	78.7	86.3	93.9	*95.0*	*130*	*140*	Net Profit ($mill)						
40.0%	40.9%	- -	26.4%	16.2%	23.1%	25.8%	25.2%	25.6%	*25.0%*	*25.0%*	*25.0%*	Income Tax Rate						
7.4%	8.7%	NMF	9.5%	8.8%	9.1%	9.1%	8.3%	7.8%	*8.2%*	*10.3%*	*10.3%*	Net Profit Margin						
42.5%	44.4%	47.9%	48.1%	48.2%	49.2%	52.8%	51.5%	52.6%	*52.5%*	*55.0%*	*55.0%*	Long-Term Debt Ratio						
57.5%	55.6%	52.1%	51.9%	51.8%	50.8%	47.2%	48.5%	47.4%	*47.5%*	*45.0%*	*45.0%*	Common Equity Ratio						
1357.7	1529.8	1426.0	1468.9	1672.0	1748.8	1979.7	2421.6	2709.3	*3150*	*3600*	*4030*	Total Capital ($mill)						
2182.7	2260.9	2255.0	2421.4	2438.9	2654.8	2871.4	3114.4	3358.1	*3750*	*4150*	*4535*	Net Plant ($mill)						
5.5%	5.1%	NMF	5.8%	5.2%	5.2%	5.1%	4.7%	4.9%	*3.0%*	*3.5%*	*3.5%*	Return on Total Cap'l						
6.9%	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	7.3%	7.3%	*6.5%*	*8.0%*	*7.5%*	Return on Shr. Equity						
6.9%	6.9%	NMF	8.8%	7.5%	7.9%	8.4%	7.3%	7.3%	*6.5%*	*8.0%*	*7.5%*	Return on Com Equity						
.6%	.9%	NMF	2.1%	1.4%	1.7%	2.4%	2.0%	2.1%	*1.0%*	*2.5%*	*2.5%*	Retained to Com Eq						
92%	87%	NMF	76%	82%	79%	71%	73%	72%	*85%*	*65%*	*64%*	All Div'ds to Net Prof						

© VALUE LINE PUB. LLC 28-30

CAPITAL STRUCTURE as of 9/30/24
Total Debt $1736 mill. **Due in 5 Yrs** $1395 mill.
LT Debt $1555 mill. **LT Interest** $80 mill.

(Total interest coverage: 5.0x)

Pension Assets-12/23 $283.0 mill.
Oblig. $425.5 mill.

Pfd Stock None

Common Stock 40,132,048 shares
as of 10/31/24

MARKET CAP $1.6 billion (Small Cap)

CURRENT POSITION ($MILL.)	2022	2023	9/30/24
Cash Assets	29.3	32.9	35.0
Other	714.9	568.5	373.9
Current Assets	744.2	601.4	408.9
Accts Payable	180.7	145.4	96.3
Debt Due	348.9	240.7	180.6
Other	369.1	310.8	290.5
Current Liab.	898.7	696.9	567.4
Fix. Chg. Cov.	320%	240%	350%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '21-'23 to '28-'30
Revenues	- -	3.5%	*4.5%*
"Cash Flow"	1.5%	9.5%	*5.0%*
Earnings	1.0%	25.0%	*6.5%*
Dividends	1.0%	.5%	*.5%*
Book Value	2.0%	3.5%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	350.3	195.0	116.8	375.3	1037.4
2023	462.4	237.9	141.5	355.7	1197.5
2024	433.5	211.7	136.9	*367.9*	*1150*
2025	*475*	*230*	*150*	*400*	*1255*
2026	*515*	*250*	*165*	*430*	*1360*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	1.80	.05	d.56	1.36	2.54
2023	2.01	.03	d.65	1.21	2.59
2024	1.69	d.07	d.71	*1.39*	*2.30*
2025	*2.10*	*.05*	*d.60*	*1.45*	*3.00*
2026	*2.15*	*.05*	*d.65*	*1.55*	*3.10*

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.48	.48	.48	.483	1.92
2022	.483	.483	.483	.485	1.93
2023	.485	.485	.485	.488	1.94
2024	.488	.488	.488	.49	1.95
2025	.49				

BUSINESS: Northwest Natural Holding Co. distributes natural gas to 1,000 communities, 795,000 customers, in Oregon (88% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 3.7 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 38%; commercial, 23%; industrial, gas transportation, 39%. Employs 1,380. BlackRock Inc. owns 17.6% of shares; Vanguard, 12.4%; Off./Dir., .84% (4/24 proxy). CEO: David H. Anderson. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural probably had a weak performance in 2024. (Note: The company was scheduled to release its full-year results as we went to press with this Issue.) Fourth-quarter earnings probably compared favorably versus years past, driven by the resolution of an Oregon gas utility rate case in October. The company's revenue requirement increased $93 million as a result. Unfortunately, regulators did not approve recovery for $14 million of investments in line extensions, which were previously allowed, and will result in a noncash disallowance charge in the quarter. A new rate case was filed for about half as much, expected to take effect in late 2025. Customer expansion and various auxilliary water and waste-water business additions completed this year probably contributed to some growth. However, earnings for the full year likely decreased to around $2.30 per share, after having plataued at roughly $2.55 for the past three years. This is in large part due to regulatory lag that was partially resolved in the recent rate case, as well as specific non-recurring other income and taxes.

We expect earnings to rebound in the year ahead. The bottom line should find support from a mix of factors. The company has diversified market exposure to various geographies across natural gas, water, and renewables, which improves its ability to capitalize on several growth opportunities. Furthermore, its positioning in strong geographies adds to this expansion potential with single-family housing permits in the Portland area up 13% and relatively low unemployment lending strong underlying economic trends. We think the company could achieve earnings of $3.00 per share in 2025.

Long-term growth will likely be in the high-single digits. The company has room for further expansion through system buildouts, maintenance and innovation associated with an increasing focus on climate resiliency, which should help to drive investment out to late decade.

The stock offers solid recovery potential out three to five years, and boasts a high dividend yield. However, recent weakness makes this a below-average pick for year-ahead performance (Timeliness 4).

Earl B. Humes *February 21, 2025*

(A) Diluted earnings per share. Excludes nonrecurring items: '08, ($0.03); '09, $0.06; May not sum due to rounding. Next earnings report due in early May.

(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.

(D) Includes intangibles. In 2023: $163 million, $4.33/share.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	20
Earnings Predictability	20

ONE GAS, INC. NYSE-OGS

RECENT PRICE 70.20 | P/E RATIO 16.9 (Trailing: 18.3 Median: 21.0) | RELATIVE P/E RATIO 0.92 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 4 Lowered 11/22/24
SAFETY 2 New 6/2/17
TECHNICAL 3 Lowered 2/21/25
BETA .85 (1.00 = Market)

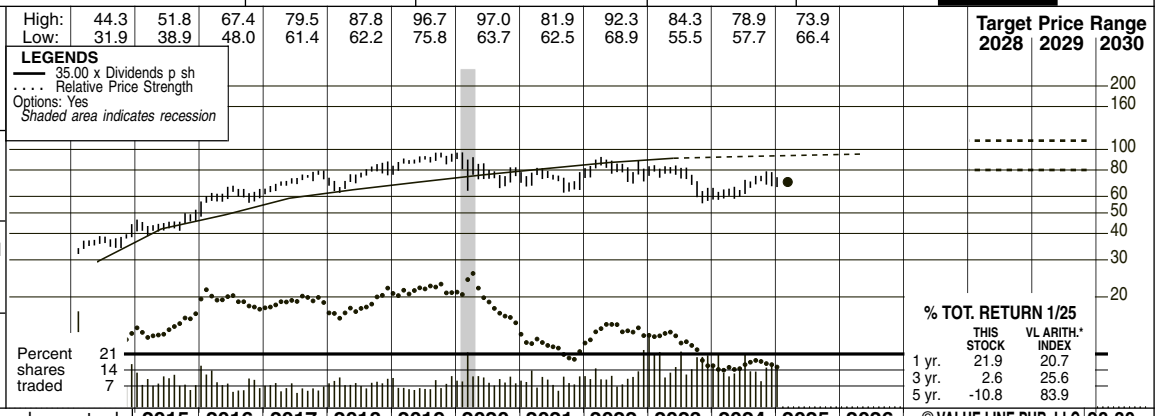
18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$44-$83 $64 (-10%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+55%)	*15%*
Low	80	(+15%)	*7%*

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	170	143	152
to Sell	147	160	146
Hld's(000)	51905	53086	62020



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

CAPITAL STRUCTURE as of 9/30/24
Total Debt $3365.3 mill. **Due in 5 Yrs** $890.0 mill.
LT Debt $2384.9 mill. **LT Interest** $120.0 mill.
(LT interest earned: 3.4x; total interest coverage: 3.4x)
Leases, Uncapitalized Annual rentals $6.7 mill.
Pfd Stock None
Pension Assets-12/23 $977.0 mill.
Oblig. $962.1 mill.
Common Stock 56,655,256 shs.
as of 10/28/24
MARKET CAP: $4.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2022	2023	9/30/24
Cash Assets	9.7	18.8	18.8
Other	1207.9	746.4	671.7
Current Assets	1217.6	765.2	690.5
Accts Payable	360.5	278.1	146.8
Debt Due	572.7	888.9	980.4
Other	256.2	310.2	260.4
Current Liab.	1189.4	1477.2	1387.6
Fix. Chg. Cov.	540%	390%	405%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '21-'23 to '28-'30
Revenues	- -	7.0%	*7.5%*
"Cash Flow"	- -	7.0%	*9.5%*
Earnings	- -	6.0%	*4.0%*
Dividends	- -	8.5%	*2.5%*
Book Value	- -	4.5%	*6.0%*

Calendar	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
	29.62	27.30	29.43	31.08	31.32	28.78	33.72	46.58	41.95	*36.65*	*38.95*	*41.25*	Revenues per sh	*67.55*
	4.82	5.43	5.96	6.32	6.96	7.36	7.71	8.13	9.04	*9.75*	*11.00*	*12.15*	"Cash Flow" per sh	*15.55*
	2.24	2.65	3.02	3.25	3.51	3.68	3.85	4.08	4.14	*3.85*	*4.25*	*4.50*	Earnings per sh A	*5.25*
	1.20	1.40	1.68	1.84	2.00	2.16	2.32	2.48	2.60	2.64	*2.68*	*2.72*	Div'ds Decl'd per sh B■	*2.90*
	5.63	5.91	6.81	7.50	7.91	8.87	9.23	11.01	11.79	*12.10*	*12.30*	*12.45*	Cap'l Spending per sh	*12.75*
	35.24	36.12	37.47	38.86	40.35	42.01	43.81	46.69	48.91	*51.75*	*55.95*	*59.25*	Book Value per sh	*69.45*
	52.26	52.28	52.31	52.57	52.77	53.17	53.63	55.35	56.55	*56.50*	*56.50*	*56.50*	Common Shs Outst'g C	*57.00*
	19.8	22.7	23.5	23.1	25.3	21.7	18.9	19.9	18.0	*17.3*	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
	1.00	1.19	1.18	1.25	1.35	1.11	1.02	1.15	1.01	*.96*	*Value Line*		Relative P/E Ratio	*1.00*
	2.7%	2.3%	2.4%	2.5%	2.3%	2.7%	3.2%	3.1%	3.5%	4.0%	*estimates*		Avg Ann'l Div'd Yield	*3.1%*
	1547.7	1427.2	1539.6	1633.7	1652.7	1530.3	1808.6	2578.0	2372.0	*2070*	*2200*	*2330*	Revenues ($mill)	*3850*
	119.0	140.1	159.9	172.2	186.7	196.4	206.4	221.7	231.2	*220*	*240*	*255*	Net Profit ($mill)	*300*
	38.0%	37.8%	36.4%	23.7%	18.7%	17.5%	16.3%	17.3%	14.9%	*16.5%*	*17.0%*	*17.5%*	Income Tax Rate	*20.0%*
	7.7%	9.8%	10.4%	10.5%	11.3%	12.8%	11.4%	8.6%	9.7%	*10.6%*	*10.9%*	*10.9%*	Net Profit Margin	*7.8%*
	39.5%	38.7%	37.8%	38.6%	37.7%	41.5%	61.1%	50.7%	43.8%	*46.0%*	*45.0%*	*45.0%*	Long-Term Debt Ratio	*45.0%*
	60.5%	61.3%	62.2%	61.4%	62.3%	58.5%	38.9%	49.3%	56.2%	*54.0%*	*55.0%*	*55.0%*	Common Equity Ratio	*55.0%*
	3042.9	3080.7	3153.5	3328.1	3415.5	3815.7	6032.9	5246.2	4926.3	*5415*	*5750*	*6085*	Total Capital ($mill)	*7200*
	3511.9	3731.6	4007.6	4283.7	4565.2	4867.1	5190.8	5628.8	6135.2	*6650*	*7025*	*7400*	Net Plant ($mill)	*8500*
	4.7%	5.2%	5.8%	5.9%	6.4%	6.0%	3.9%	5.0%	5.9%	*5.5%*	*5.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
	6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	8.8%	8.6%	8.4%	*7.5%*	*7.5%*	*7.5%*	Return on Shr. Equity	*7.5%*
	6.5%	7.4%	8.2%	8.4%	8.8%	8.8%	8.8%	8.6%	8.4%	*7.5%*	*7.5%*	*7.5%*	Return on Com Equity	*7.5%*
	3.1%	3.5%	3.7%	3.7%	3.8%	3.7%	3.5%	3.4%	3.2%	*2.5%*	*3.0%*	*3.0%*	Retained to Com Eq	*3.5%*
	53%	52%	55%	56%	56%	58%	60%	60%	62%	*68%*	*63%*	*60%*	All Div'ds to Net Prof	*55%*

BUSINESS: ONE Gas, Inc. provides natural gas distribution services to more than two million customers. There are three divisions: Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service. The company purchased 160 Bcf of natural gas supply in 2023, compared to 165 Bcf in 2022. Total volumes delivered by customer (fiscal 2023): transportation, 59.3%; residential, 29.7%; commercial & industrial, 10.6%; other, .4%. ONE Gas has around 3,900 employees. BlackRock owns 14.5% of common stock; The Vanguard Group, 11.6%; American Century Investment, 7.5%; officers and directors, 1.5% (4/24 Proxy). CEO: Robert S. McAnnally. Incorporated: Oklahoma. Address: 15 East Fifth Street, Tulsa, Oklahoma 74103. Tel.: 918-947-7000. Internet: www.onegas.com.

Earnings for ONE Gas likely took a turn for the worse in 2024. (Please be aware that fourth-quarter results were not released to the public when this report went to press.) Recall that during the first nine months, the bottom line retreated 10.5%, to $2.57 per share, relative to the $2.87 tally that was posted for the same period in 2023. This stemmed partially from higher employee-related costs, given planned investments in the company's workforce and ongoing in-sourcing efforts. Depreciation & amortization expense climbed, too, reflecting additional capital investments. Furthermore, sales volumes decreased and interest charges rose. So, it appears that earnings per share finished in the vicinity of $3.85 for the full year. That would mark a 7% decline from 2023's $4.14 total.

We believe that a recovery is possible in 2025, however. New rates should be one contributing factor. Benefits arising from additional expansion of the customer base ought to lift results, as well. Operating expenses (including those already mentioned) stand to continue to mount, but that is to be expected as the company grows. Consequently, profits might advance around 10%, to $4.25 a share. Regarding 2026, we look for the bottom line to increase another 6% or so, to $4.50 per share, assuming that business conditions cooperate.

The quarterly dividend was raised by one cent, to $0.67 a share. ONE Gas states that it intends to keep the average annual dividend growth rate between 1% and 2% through fiscal 2029. We think that significantly slower increase, compared to previous years, is partially because of climbing operating costs. In any case, the payout ratio out to the beginning of the next decade should be reasonable, in the neighborhood of 55%.

What about OGS shares? The dividend yield is decent when measured against those of other stocks in *Value Line's* Natural Gas Utility category. But, at the recent quotation, capital appreciation potential over the 3- to 5-year horizon is nothing to write home about. Meanwhile, the equity is pegged to trail the market for the next six to 12 months (Timeliness rank 4: Below Average).

Frederick L. Harris, III February 21, 2025

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	971.5	428.9	359.4	818.2	2578.0
2023	1032.1	398.1	335.8	606.0	2372.0
2024	758.3	354.1	340.4	*617.2*	*2070*
2025	*800*	*375*	*350*	*675*	*2200*
2026	*825*	*400*	*380*	*725*	*2330*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2022	1.83	.59	.44	1.23	4.08
2023	1.84	.58	.45	1.27	4.14
2024	1.75	.48	.34	*1.28*	*3.85*
2025	*1.85*	*.58*	*.44*	*1.38*	*4.25*
2026	*1.94*	*.63*	*.48*	*1.45*	*4.50*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.58	.58	.58	.58	2.32
2022	.62	.62	.62	.62	2.48
2023	.65	.65	.65	.65	2.60
2024	.66	.66	.66	.66	2.64
2025	.67				

(A) Diluted EPS. Excludes nonrecurring gain: 2017, $0.06. Next earnings report due early May. Quarterly EPS figures for 2022 don't equal total due to rounding.
(B) Dividends historically paid in early March, June, Sept., and Dec. ■ Dividend reinvestment plan. Direct stock purchase plan.
(C) In millions.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	40
Earnings Predictability	100

SPIRE INC. NYSE-SR

RECENT PRICE **71.88** | P/E RATIO **18.2** (Trailing: 17.4 Median: 18.0) | RELATIVE P/E RATIO **0.99** | DIV'D YLD **4.4%** | **VALUE LINE**

TIMELINESS 3 Raised 2/14/25
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Lowered 1/24/25
BETA .90 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$53-$83	$68 (-5%)

2028-30 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	105	(+45%)	*13%*
Low	80	(+10%)	*7%*

Institutional Decisions

	1Q2024	2Q2024	3Q2024
to Buy	135	160	159
to Sell	134	108	130
Hld's(000)	48507	49797	57334

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
High:	55.2	61.0	71.2	82.9	81.1	88.0	88.0	77.9	79.2	75.8	73.6	73.5						
Low:	44.0	49.1	57.1	62.3	60.1	71.7	50.6	59.3	61.5	53.8	56.4	65.1						

LEGENDS
25.00 x Dividends p sh
Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range 2028 | 2029 | 2030

% TOT. RETURN 1/25

	THIS STOCK	VL ARITH.* INDEX
1 yr.	40.1	20.7
3 yr.	31.3	25.6
5 yr.	10.8	83.9

Percent shares traded

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	© VALUE LINE PUB. LLC	28-30
	85.49	77.83	71.48	49.90	31.10	37.68	45.59	33.68	36.07	38.78	38.30	35.96	43.24	41.88	50.12	44.94	*41.75*	*41.95*	Revenues per sh [A]	*47.90*
	4.56	4.11	4.62	4.58	3.12	3.87	6.15	6.16	6.54	7.55	7.12	5.25	9.09	8.44	8.60	8.92	*8.90*	*9.35*	"Cash Flow" per sh	*10.85*
	2.92	2.43	2.86	2.79	2.02	2.35	3.16	3.24	3.43	4.33	3.52	1.44	4.96	3.95	3.85	4.19	*3.95*	*4.15*	Earnings per sh [A B]	*5.25*
	1.53	1.57	1.61	1.66	1.70	1.76	1.84	1.96	2.10	2.25	2.37	2.49	2.60	2.74	2.88	3.02	*3.14*	*3.26*	Div'ds Decl'd per sh [C■]	*3.70*
	2.36	2.56	3.02	4.83	4.00	3.96	6.68	6.42	9.08	9.86	16.15	12.37	12.09	10.52	12.45	14.93	*13.15*	*13.25*	Cap'l Spending per sh	*12.75*
	23.32	24.02	25.56	26.67	32.00	34.93	36.30	38.73	41.26	44.51	45.14	44.19	46.74	49.08	50.29	51.83	*53.05*	*54.55*	Book Value per sh [D]	*57.80*
	22.17	22.29	22.43	22.55	32.70	43.18	43.36	45.65	48.26	50.67	50.97	51.60	51.70	52.50	53.20	57.70	*60.00*	*62.00*	Common Shs Outst'g [E]	*72.00*
	13.4	13.7	13.0	14.5	21.3	19.8	16.5	19.6	19.8	16.7	22.8	51.1	13.6	17.5	17.3	14.6	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*17.5*
	.89	.87	.82	.92	1.20	1.04	.83	1.03	1.00	.90	1.21	2.62	.73	1.01	1.00	.76			Relative P/E Ratio	*.95*
	3.9%	4.7%	4.3%	4.1%	4.0%	3.8%	3.5%	3.1%	3.1%	3.1%	3.0%	3.4%	3.8%	4.0%	4.3%	4.9%			Avg Ann'l Div'd Yield	*4.0%*
	1976.4	1537.3	1740.7	1965.0	1952.4	1855.4	2235.5	2198.5	2666.3	2593.0	*2505*	*2600*	Revenues ($mill) [A]	*3450*
	136.9	144.2	161.6	214.2	184.6	88.6	271.7	220.8	217.5	250.9	*235*	*255*	Net Profit ($mill)	*380*
	31.2%	32.5%	32.4%	--	15.7%	12.3%	20.1%	21.1%	15.1%	19.0%	*19.0%*	*19.5%*	Income Tax Rate	*23.5%*
	6.9%	9.4%	9.3%	10.9%	9.5%	4.8%	12.2%	10.0%	8.2%	9.7%	*9.4%*	*9.8%*	Net Profit Margin	*11.0%*
	53.0%	50.9%	50.0%	45.7%	45.0%	49.0%	52.5%	51.2%	54.9%	53.4%	*53.0%*	*53.0%*	Long-Term Debt Ratio	*51.0%*
	47.0%	49.1%	50.0%	54.3%	49.7%	46.1%	43.2%	44.6%	41.3%	43.1%	*43.0%*	*43.0%*	Common Equity Ratio	*45.0%*
	3345.1	3601.9	3986.3	4155.5	4625.6	4946.0	5597.3	5777.0	6471.3	6937.1	*7400*	*7865*	Total Capital ($mill)	*9250*
	2941.2	3300.9	3665.2	3970.5	4352.0	4680.1	5055.7	5370.4	5778.9	6243.3	*6550*	*6860*	Net Plant ($mill)	*8000*
	5.1%	4.9%	5.0%	6.3%	5.1%	2.9%	5.8%	4.9%	4.8%	5.1%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.5%*
	8.7%	8.2%	8.1%	9.5%	7.3%	3.5%	10.2%	7.8%	7.5%	7.8%	*7.5%*	*7.5%*	Return on Shr. Equity	*9.0%*
	8.7%	8.2%	8.1%	9.5%	7.9%	3.2%	10.6%	8.0%	7.6%	7.9%	*7.5%*	*7.5%*	Return on Com Equity	*9.0%*
	3.7%	3.3%	3.3%	4.7%	2.7%	NMF	5.1%	2.5%	1.9%	2.3%	*1.0%*	*1.0%*	Retained to Com Eq	*2.5%*
	58%	59%	60%	51%	66%	NMF	54%	71%	76%	72%	*86%*	*85%*	All Div'ds to Net Prof	*74%*

CAPITAL STRUCTURE as of 12/31/24
Total Debt $4898.2 mill. **Due in 5 Yrs** $1766.0 mill.
LT Debt $3697.7 mill. **LT Interest** $185.0 mill.
(Total interest coverage: 2.5x)

Leases, Uncapitalized Annual rentals $9.8 mill.
Pension Assets-9/24 $704.5 mill.
Oblig. $887.3 mill.
Pfd Stock $242.0 mill. **Pfd Div'd** $14.8 mill.
Common Stock 58,345,839 shs.
as of 1/31/25

MARKET CAP: $4.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2023	2024	12/31/24
Cash Assets	5.6	4.5	11.5
Other	1071.3	766.8	976.5
Current Assets	1076.9	771.3	988.0
Accts Payable	253.1	237.2	292.3
Debt Due	1112.1	989.0	1200.5
Other	390.2	477.7	498.4
Current Liab.	1755.4	1703.9	1991.2
Fix. Chg. Cov.	294%	305%	310%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '22-'24 to '28-'30
Revenues	1.5%	4.0%	*1.0%*
"Cash Flow"	8.5%	4.0%	*4.0%*
Earnings	5.5%	1.0%	*4.5%*
Dividends	5.5%	5.0%	*4.0%*
Book Value	5.0%	3.0%	*2.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)[A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2022	555.4	880.9	448.0	314.2	2198.5
2023	814.0	1123.4	418.5	310.4	2666.3
2024	756.6	1128.5	414.1	293.8	2593.0
2025	669.1	*1120.9*	*415*	*300*	*2505*
2026	*715*	*1135*	*430*	*320*	*2600*

Fiscal Year Ends	EARNINGS PER SHARE [A B F] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2022	1.01	3.27	d.10	d.20	3.95
2023	1.66	3.33	d.48	d.66	3.85
2024	1.52	3.58	d.28	d.51	4.19
2025	1.34	*3.40*	*d.30*	*d.49*	*3.95*
2026	*1.43*	*3.47*	*d.27*	*d.48*	*4.15*

Cal-endar	QUARTERLY DIVIDENDS PAID [C ■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	.65	.65	.65	.65	2.60
2022	.685	.685	.685	.685	2.74
2023	.72	.72	.72	.72	2.88
2024	.755	.755	.755	.755	3.02
2025	.785				

BUSINESS: Spire Inc., formerly known as the Laclede Group, Inc., is a holding company for natural gas utilities, which distributes natural gas across Missouri, including the cities of St. Louis and Kansas City, Alabama, and Mississippi. Has roughly 1.7 million customers. Acquired Missouri Gas 9/13, Alabama Gas Co 9/14. Utility therms sold and transported in fiscal 2024: 3.1 bill. Revenue mix for regulated operations: residential, 66%; commercial and industrial, 24%; transportation, 5%; other, 5%. Officers and directors own 2.3% of common shares; BlackRock, 11.9%; The Vanguard Group, 9.6% (12/24 proxy). Chairman: Edward Glotzbach; CEO: Steve Lindsey. Inc.: Missouri. Address: 700 Market Street, St. Louis, Missouri 63101. Tel.: 314-342-0500. Internet: www.spireenergy.com.

Spire got off to a rather uninspiring start in fiscal 2025 (ends September 30th). First-quarter earnings per share slipped 11.8%, to $1.34, versus the prior year's $1.52 result. That stemmed partially from diminished profits in the Gas Marketing division, given less favorable market conditions coupled with increased transportation and storage fees. There was a greater number of diluted shares outstanding, too. But the Gas Utility unit and Midstream segment had better showings during the period. Still, for the full year, we think the company's bottom line will retreat about 6%, to $3.95 per share, relative to fiscal 2024's $4.19 figure. Concerning fiscal 2026, however, earnings stand to recover around 5%, to $4.15 a share. That is based, to a certain degree, on our assumption that the business climate brightens. Improvements in operating efficiencies should lend further support.

Capital expenditures for this year are anticipated to be $790 million. (That's 8.3% lower than the fiscal 2024 level of $861.3 million.) The bulk of the funds are being deployed to infrastructure upgrades, the installation of advanced meters, plus new business development initiatives at the utilities. Management adds that it expects total capital spending from fiscal 2025 through fiscal 2034 to be $7.4 billion. If the balance sheet remains in sound condition, we believe that Spire will have minimal difficulty accomplishing these objectives.

The quarterly common stock dividend was raised about 4%, to $0.785 per share. That was made possible, no doubt, by the company's solid capital position. What's more, we anticipate additional steady hikes in the distribution out to 2028-2030. The payout ratio over that span should be manageable, in the neighborhood of 74%. It is worth mentioning that the dividend yield looks attractive when compared to the average of all Natural Gas Utility equities within the *Value Line* universe.

Besides the generous income component, there's not much else here, right now. At the recent quotation, 3- to 5-year capital appreciation possibilities are limited. Meanwhile, SR shares are ranked just 3 (Average) for Timeliness.

Frederick L. Harris, III February 21, 2025

(A) Fiscal year ends Sept. 30th.
(B) Based on diluted shares outstanding. Next earnings report due late April.
(C) Dividends paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes deferred charges. In '24: $1,171.6 mill., $20.31/sh.
(E) In millions.
(F) Quarterly earnings may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	25
Earnings Predictability	50

A number of stocks across *Value Line's* Natural Gas Utility Industry have been fairly rangebound since our last report in November. But that is not surprising, since historical price movements of this typically defensive sector tend to be on the steady side. It should also be mentioned that the main appeal here is these equities' reliable, healthy amounts of dividend income. Still, at recent quotations, long-term capital appreciation possibilities for many in our group are not exciting, resulting in unspectacular total return potential.

INDUSTRY TIMELINESS: 87 (of 93)

Natural Gas Pricing

Natural gas quotations have exhibited strength in recent months. It appears that colder than usual winter weather has been a driving force behind this movement. Although that scenario augurs well for the financial performance of companies that produce this commodity, regulated utility units are at a disadvantage. That's partially because increased gas pricing tends to lead to higher bills for customers, made worse by the fact that prices for other living expenses, including groceries and child-related costs, remain at troublesome levels. Consequently, there may be an increase in bad-debt expense for companies in our category in the coming months. It's worth noting that, from a historical perspective, current natural gas prices are still nowhere near the heights that were reached in the early 2000s.

Interest Rate Conditions

Last September, the Federal Reserve brought down interest rates (the first decrease since 2020), which had been at their highest level in more than two decades after a series of aggressive hikes during 2022 and 2023 to combat surging inflation. Rates were reduced in both November and December, as well. Those moves were attributed partially to indications that inflation was progressing toward the central bank's 2% target. Around mid-February, Fed Chair Jerome Powell indicated that further monetary actions would be placed on hold for now, in part, because of "the economy remaining strong." (Of course, we will have to wait and see what effect President Donald Trump's policies will have on the central bank's decisions this year.) So, this raises the question, "How does a falling interest rate environment affect the participants in the Natural Gas Utility Industry?" One way is by lowering borrowing costs, an especially important factor because these companies tend to maintain considerable levels of debt. Moreover, diminished interest rates might make bonds less appealing to conservative, yield-focused investors, the very ones who are typically drawn to utility equities.

Generous Payouts

The big draw of utility equities is their dividends, which tend to be adequately covered by corporate earnings. (It is important to state that the Financial Strength ratings for most of the nine companies in our category are an A, and the remainder is a solid B++.) At the time of this industry review, the average yield for the group was approximately 3.6%, compared to the *Value Line* median of 2.1%. Standouts include *UGI Corp.*, *New Jersey Resources*, *Northwest Natural Holding Co.*, and *Spire Inc.*

Prospects Out To 2028-2030

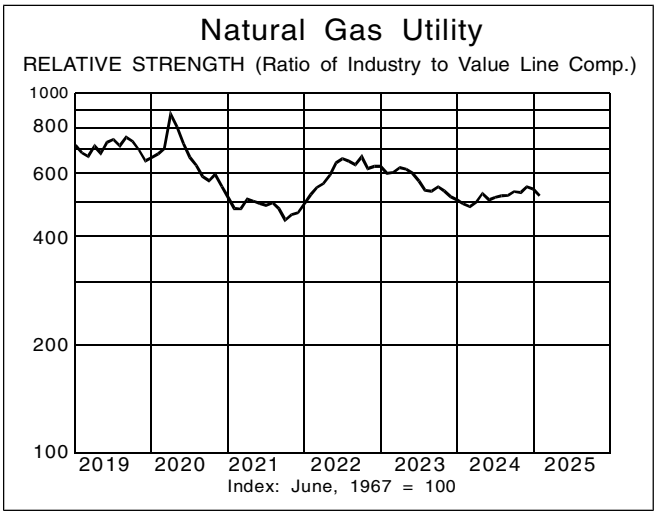
We are optimistic, in general, about the industry's long-term operating performance. Natural gas ought to continue to be an abundant resource in the United States, supported partly by new technologies, so a shortage does not seem probable in the years ahead. (Presently, it's estimated that roughly half of all domestic households use that energy source.) Too, there are limited alternatives for the services the companies in this sector offer. Furthermore, it's a challenge for new entrants in the market, given such factors as the size of existing competitors and the substantial initial capital outlays that are required. Finally, the nation's population, now numbering more than 335 million, ought to stay on a steady, upward trajectory, which augurs well for future demand for utility services.

However, there are risks to bear in mind. Companies are subject to the regulatory authorities. That being the case, there are no guarantees that petitions for rate hikes will be accepted or that certain favorable provisions (such as temperature-adjusted rate mechanisms) will continue indefinitely. To further complicate matters, an economic slowdown might prompt customers to conserve natural gas and push up bad-debt expense. Lastly, operational difficulties created by leaks and other unfortunate events may result in huge financial losses if not sufficiently covered by insurance.

Conclusion

No equities in our Natural Gas Utility Industry stand out for Timeliness, at this juncture. Also, there are only a handful of enticing choices for capital gains potential over the 2028-2030 span. Nevertheless, they should be of interest to income-focused investors with a conservative orientation, given that these good-yielding stocks boast high marks for Price Stability, and the majority are ranked 1 (Highest) or 2 (Above Average) for Safety. As always, we advise subscribers to carefully examine the following reports before committing funds.

Frederick L. Harris, III

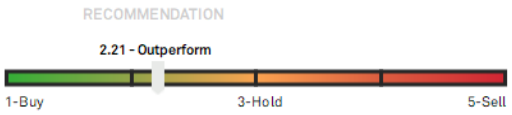


S&P Capital IQ PRO

Atmos Energy Corporation | Estimate Highlights (Sentiment Analysis)

NYSE:ATO (MI KEY: 4057157; SPCIQ KEY: 252684)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:ATO



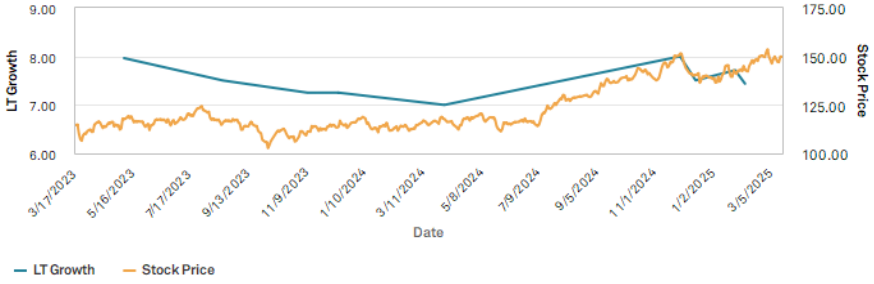
	Target Price ($)	LT Growth (%)	Price Volatility	Industry Rec
Mean	151.91	7.44	1.00 (Low)	2.33 (Outperform)
Median	150.94	7.30		
High	165.00	8.00		
Low	137.00	7.01		
Standard Deviation	8.85	0.41		
Number of Analysts[1]	12/12	3/3		

MARKET SUMMARY ($)

Last Delayed	Open	Previous Close	Day High/Low	52 Week High/Low	Potential Upside[2]
151.54	146.99	149.89	152.44/149.80	154.55/110.97	1.35%

Share and per share items are in actual magnitude.

[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside: The percentage difference between the Consensus Target Price and the Close Price.

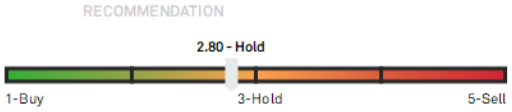


S&P Capital IQ PRO

Black Hills Corporation | Estimate Highlights (Sentiment Analysis)

NYSE:BKH (MI KEY: 4010420; SPCIQ KEY: 255902)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:BKH

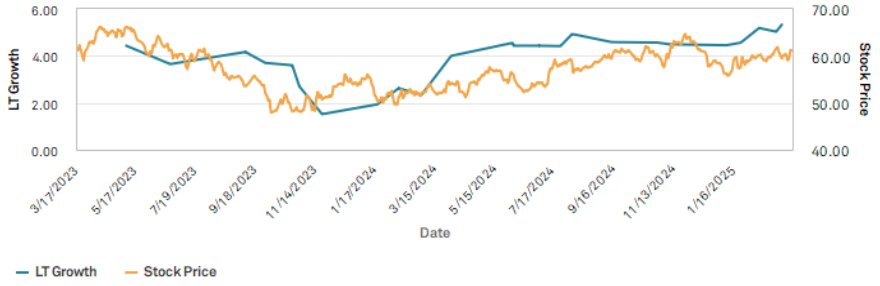


	Target Price ($)	LT Growth (%)	Price Volatility
Mean	65.00	5.33	3.00 (Average)
Median	65.00	5.33	
High	76.00	5.40	
Low	59.00	5.26	
Standard Deviation	6.23	0.07	
Number of Analysts[1]	5/5	2/2	

MARKET SUMMARY ($)

Last Delayed	Open	Previous Close	Day High/Low	52 Week High/Low	Potential Upside[2]
61.35	59.52	61.18	61.92/61.16	65.59/50.73	6.24%

Share and per share items are in actual magnitude.
[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside: The percentage difference between the Consensus Target Price and the Close Price.

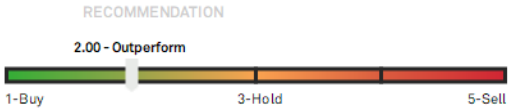


S&P Capital IQ PRO

Chesapeake Utilities Corporation | Estimate Highlights (Sentiment Analysis)

NYSE:CPK (MI KEY: 4057113; SPCIQ KEY: 260346)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:CPK

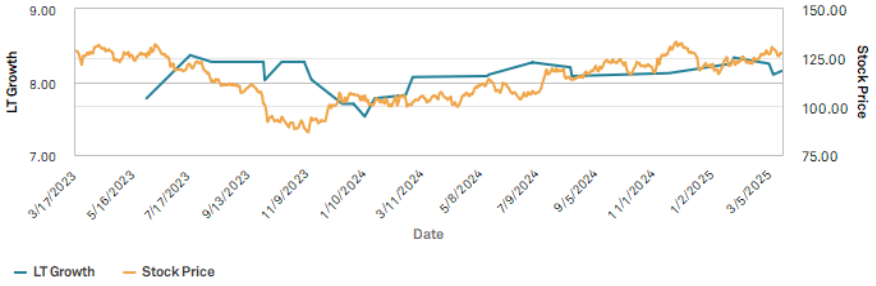


	Target Price ($)	LT Growth (%)	Price Volatility	Industry Rec
Mean	134.00	8.15	3.00 (Average)	1.00 (Buy)
Median	138.00	8.15		
High	148.00	8.30		
Low	120.00	8.00		
Standard Deviation	9.91	0.15		
Number of Analysts[1]	7/7	2/2		

MARKET SUMMARY ($)

Last Delayed	Open	Previous Close	Day High/Low	52 Week High/Low	Potential Upside[2]
127.50	126.06	127.29	128.71/126.51	134.20/98.32	5.27%

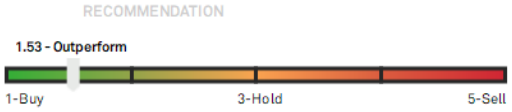
Share and per share items are in actual magnitude.
[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside: The percentage difference between the Consensus Target Price and the Close Price.



S&P Capital IQ PRO

NiSource Inc. | Estimate Highlights (Sentiment Analysis)
NYSE:NI (MI KEY: 4057051; SPCIQ KEY: 292092)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:NI



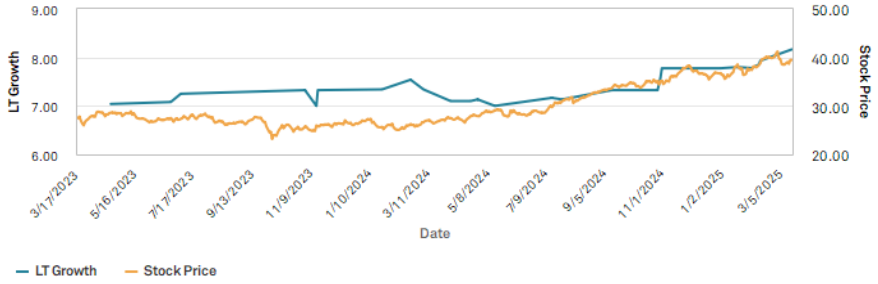
	Target Price ($)	LT Growth (%)	Price Volatility	Industry Rec
Mean	41.13	8.16	1.00 (Low)	1.67 (Outperform)
Median	42.00	8.13		
High	48.15	8.50		
Low	35.00	7.90		
Standard Deviation	3.23	0.23		
Number of Analysts[1]	15/15	4/4		

MARKET SUMMARY ($)

Last Delayed	Open	Previous Close	Day High/Low	52 Week High/Low	Potential Upside[2]
39.53	38.73	39.48	39.98/39.44	41.45/26.26	4.19%

Share and per share items are in actual magnitude.

[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside: The percentage difference between the Consensus Target Price and the Close Price.

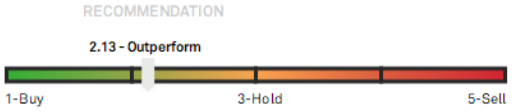


S&P Capital IQ PRO

New Jersey Resources Corporation | Estimate Highlights (Sentiment Analysis)

NYSE:NJR (MI KEY: 4057128; SPCIQ KEY: 291335)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:NJR

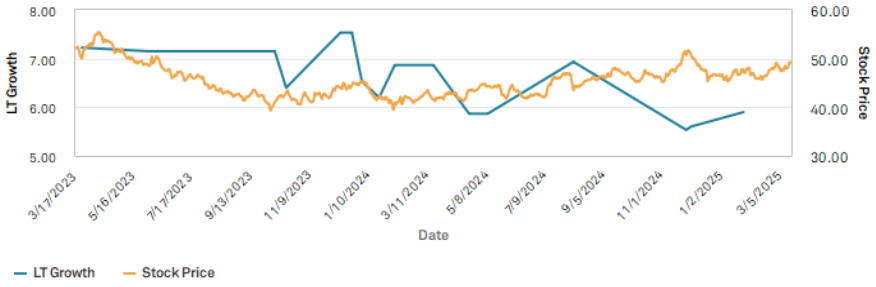


	Target Price ($)	*LT Growth (%)*	*Price Volatility*
Mean	53.57	5.90	1.00 (Low)
Median	52.00	5.90	
High	60.00	7.80	
Low	48.00	4.00	
Standard Deviation	4.40	1.90	
Number of Analysts[1]	7/7	2/2	

MARKET SUMMARY ($)

Last Delayed	*Open*	*Previous Close*	*Day High/Low*	*52 Week High/Low*	*Potential Upside[2]*
49.27	48.08	49.21	49.61/48.79	51.95/40.62	8.86%

Share and per share items are in actual magnitude.
[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside: The percentage difference between the Consensus Target Price and the Close Price.

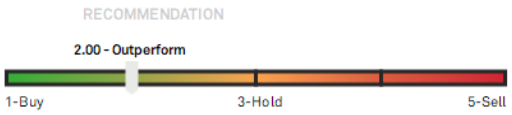


S&P Capital IQ PRO

Northwest Natural Holding Company | Estimate Highlights (Sentiment Analysis)

NYSE:NWN (MI KEY: 4057132; SPCIQ KEY: 292047)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:NWN



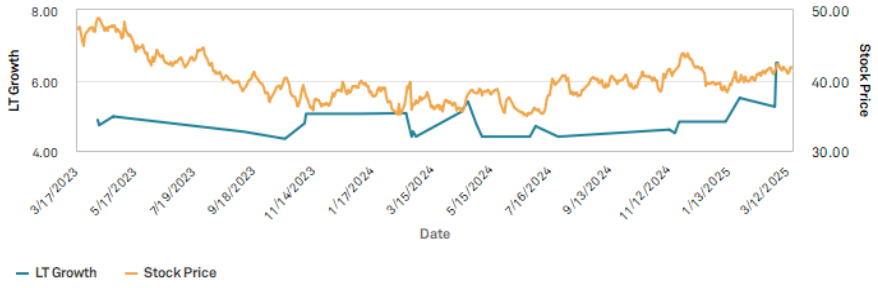
	Target Price ($)	LT Growth (%)	Price Volatility
Mean	46.80	6.50	3.00 (Average)
Median	45.00	6.50	
High	56.00	6.50	
Low	42.00	6.50	
Standard Deviation	4.79	0.00	
Number of Analysts[1]	5/5	1/1	

MARKET SUMMARY ($)

Last Delayed	Open	Previous Close	Day High/Low	52 Week High/Low	Potential Upside[2]
42.03	41.19	41.83	42.37/41.79	44.25/34.82	11.88%

Share and per share items are in actual magnitude.

[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside: The percentage difference between the Consensus Target Price and the Close Price.

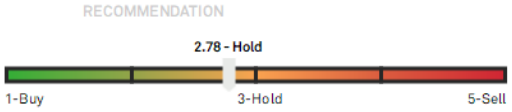


S&P Capital IQ PRO

ONE Gas, Inc. | Estimate Highlights (Sentiment Analysis)

NYSE:OGS (MI KEY: 4427129; SPCIQ KEY: 243685856)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:OGS

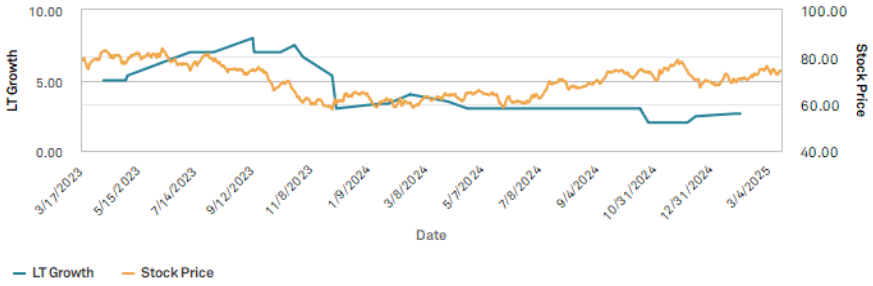


	Target Price ($)	LT Growth (%)	Price Volatility	Industry Rec
Mean	73.83	2.63	3.00 (Average)	3.00 (Hold)
Median	75.50	2.89		
High	82.00	3.00		
Low	66.00	2.00		
Standard Deviation	4.86	0.45		
Number of Analysts[1]	9/9	3/3		

MARKET SUMMARY ($)

Last Delayed	Open	Previous Close	Day High/Low	52 Week High/Low	Potential Upside[2]
74.89	72.54	74.08	75.24/73.96	78.89/58.31	(0.33)%

Share and per share items are in actual magnitude.
[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside: The percentage difference between the Consensus Target Price and the Close Price.

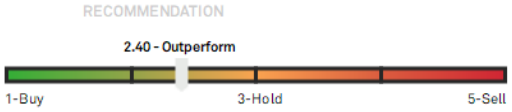


S&P Capital IQ PRO

Spire Inc. | Estimate Highlights (Sentiment Analysis)

NYSE:SR (MI KEY: 4002506; SPCIQ KEY: 284847)

Magnitude Millions (6)
Consolidation Consolidated
Decimals Default
Accounting Standard U.S. GAAP
Ticker NYSE:SR



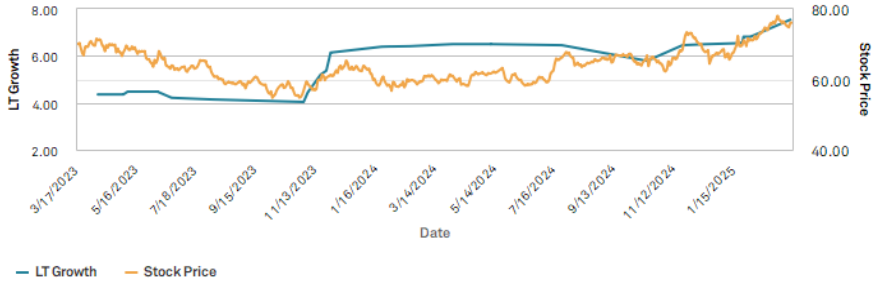
	Target Price ($)	LT Growth (%)	Price Volatility	Industry Rec
Mean	74.50	7.54	3.00 (Average)	3.00 (Hold)
Median	75.00	7.54		
High	83.00	8.08		
Low	67.00	7.00		
Standard Deviation	4.48	0.54		
Number of Analysts[1]	10/10	2/2		

MARKET SUMMARY ($)

Last Delayed	Open	Previous Close	Day High/Low	52 Week High/Low	Potential Upside[2]
76.50	74.92	76.11	76.86/75.80	78.80/57.27	(2.12)%

Share and per share items are in actual magnitude.

[1] Number of Analysts represents the total number of analysts forecasting for a specified data item and period end. Suppressed estimates are not included in the calculation of estimates.
[2] Potential Upside:



ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

Atmos Energy (ATO)

(Delayed Data from NYSE)

$151.48 USD

+1.59 (1.06%)

Updated Mar 17, 2025 04:00 PM ET

After-Market: **$151.56** +0.08 (0.05%) 6:06 PM ET

Add To Portfolio

Zacks Rank:

2 **2-Buy**

Style Scores:

F Value | F Growth | F Momentum | F VGM

Industry Rank:

Top 23% (58 out of 247)

Industry: Utility - Gas Distribution

View All Zacks #1 Ranked Stocks

Preview Our New Quote Page

Quote Overview

Enter Symbol

Stock Activity

Open	149.94
Day Low	149.80
Day High	152.44
52 Wk Low	110.97
52 Wk High	154.55
20 Day Avg Vol	873,270
Market Cap	23.79 B
Dividend	3.48 (2.32%)
Beta	0.67

Key Earnings Data

Earnings ESP	3.77%
Most Accurate Est	3.03
Current Qtr Est	2.92
Current Yr Est	7.18
Exp Earnings Date	5/14/25
Prior Year EPS	6.83
Exp EPS Growth (3-5yr)	7.10%
Forward PE	20.88
PEG Ratio	2.94

Utilities » Utility - Gas Distribution

Research Reports for ATO

Analyst Snapshot

All Zacks' Analyst Reports »

News for ATO

Zacks News | Earnings | Other News

UGI vs. ATO: Which Stock Should Value Investors Buy Now?
03/17/25-10:40AM EST Zacks

Buy 5 Low-Beta High-Yielding Stocks Amid Sagging Consumer Sentiment
03/17/25-7:06AM EST Zacks

ATO: What are Zacks experts saying now?
Zacks Private Portfolio Services

Top Research Reports for Bank of America, Accenture & ServiceNow
03/12/25-4:31PM EST Zacks

Are Utilities Stocks Lagging Ameren (AEE) This Year?
03/10/25-8:40AM EST Zacks

Reasons to Add American Water Works to Your Portfolio Right Now
03/07/25-11:49AM EST Zacks

More Zacks News for ATO»

Premium Research for ATO

Zacks Rank	▲ Buy 2
Zacks Industry Rank	Top 23% (58 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
F Value | F Growth | F Momentum | F VGM	
Earnings ESP	3.77%
Research Reports for ATO	Analyst | Snapshot

(▲ ▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

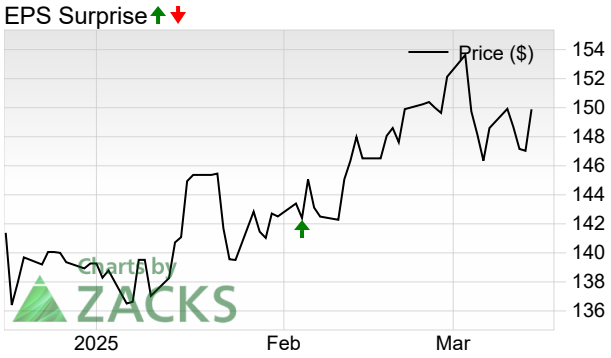
Premium Research: Industry Analysis

Top Peers	Symbol	Zacks Rank
Atmos Energy	ATO	
Centrica	CPYYY	
Chesapeake Utilities	CPK	
NewJersey Resources	NJR	
Southwest Gas	SWX	
UGI	UGI	
Brookfield Infrastructure	BIPC	

See all Utility - Gas Distribution Peers »

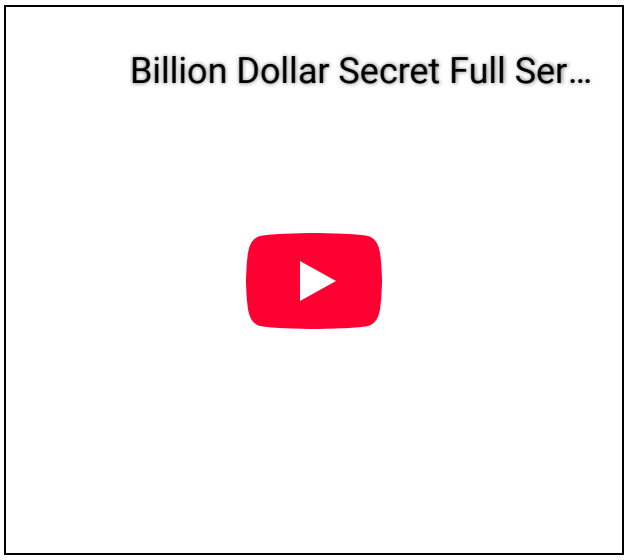
Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year



Interactive Chart | Fundamental Chart

Billion Dollar Secret



The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

Founded in 1906, Atmos Energy Corporation, along with its subsidiaries, is engaged in regulated natural gas distribution and storage business. The company serves nearly 3.3 million customers in more than 1,400 communities in eight states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. The company operates more than 80,000 miles of transmission and distribution lines. Atmos Energy's pipelines are connected to 37 different pipelines across eight states, thereby providing supplier diversity.

Since 2011, Atmos Energy's operating strategy has been focused on modernizing its transmission and distribution network as well as reducing regulatory lag. ...

Read Full Company Summary for ATO here

Quick Links

Zacks Research is Reported On:

ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

Black Hills (BKH)

(Delayed Data from NYSE)

$61.35 USD

+0.17 (0.28%)

Updated Mar 17, 2025 04:00 PM ET

After-Market: **$61.11** -0.24 (-0.39%) 6:10 PM ET

Add To Portfolio

Zacks Rank:

3 **3-Hold**

Style Scores:

C Value | C Growth | B Momentum | C VGM

Industry Rank:

Top 21% (53 out of 247)

Industry: Utility - Electric Power

View All Zacks #1 Ranked Stocks

Preview Our

Quote Overview

Enter Symbol

Stock Activity

Open	61.16
Day Low	61.16
Day High	61.92
52 Wk Low	50.73
52 Wk High	65.59
20 Day Avg Vol	494,384
Market Cap	4.38 B
Dividend	2.70 (4.42%)
Beta	0.68

Key Earnings Data

Earnings ESP	0.00%
Most Accurate Est	1.81
Current Qtr Est	1.81
Current Yr Est	4.12
Exp Earnings Date	5/14/25
Prior Year EPS	3.91
Exp EPS Growth (3-5yr)	5.26%
Forward PE	14.85
PEG Ratio	2.82

Utilities » Utility - Electric Power

Research Report for BKH

Snapshot

All Zacks' Analyst Reports »

News for BKH

Zacks News | Earnings | Other News

Black Hills Activates Initial Phase of Wyoming Grid Expansion Project
01/16/25-6:28AM EST Zacks

BKH: What are Zacks experts saying now?
Zacks Private Portfolio Services

More Zacks News for BKH»

Premium Research for BKH

Zacks Rank	▲ Hold 3
Zacks Industry Rank	Top 21% (53 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
C Value | C Growth | B Momentum | C VGM	
Earnings ESP	0.00%
Research Report for BKH	Snapshot

(▲ ▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

Premium Research: Industry Analysis

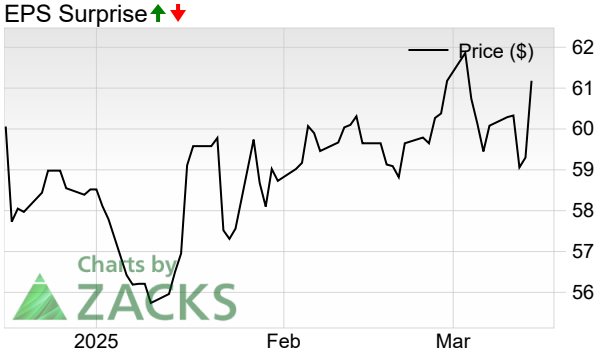
Top Peers	Symbol	Zacks Rank
Black Hills	BKH	
Ameren	AEE	
CMS Energy	CMS	
CenterPoint Energy	CNP	
E.ON	EONGY	
Entergy	ETR	
Exelon	EXC	

See all Utility - Electric Power Peers »

Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year

EPS Surprise



Interactive Chart | Fundamental Chart

Billion Dollar Secret

The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

Black Hills Corporation is an energy company that generates wholesale electricity and produces natural gas, crude oil and coal. They serve natural gas and electric utility customers in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming.

Full Company Report for BKH »

Quick Links

Zacks Research is Reported On:

At the center of everything we do is a strong commitment to independent research and sharing its profitable discoveries with investors. This dedication to giving investors a trading advantage led to the creation of our proven Zacks Rank stock-rating system. Since 1988 it has more than doubled the S&P 500 with an average gain of +23.94% per year. These returns cover a period from January 1, 1988 through February 3, 2025. Zacks Rank stock-rating system returns are computed monthly based on the beginning of the month and end of the month Zacks Rank stock prices plus any dividends received during that particular month. A simple, equally-weighted average return of all Zacks Rank stocks is calculated to determine the monthly return. The monthly returns are then compounded to arrive at the annual return. Only Zacks Rank stocks included in Zacks hypothetical portfolios at the beginning of each month are included in the return calculations. Zacks Ranks stocks can, and often do, change throughout the month. Certain Zacks Rank stocks for which no month-end price was available, pricing information was not collected, or for certain other reasons have been excluded from these return calculations. Zacks may license the Zacks Mutual Fund rating provided herein to third parties, including but not limited to the issuer.

Visit **Performance Disclosure** for information about the performance numbers displayed above.

Visit **www.zacksdata.com** to get our data and content for your mobile app or website.

Real time prices by BATS. Delayed quotes by Sungard.

NYSE and AMEX data is at least 20 minutes delayed. NASDAQ data is at least 15 minutes delayed.

ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

Chesapeake Utilities (CPK)

(Delayed Data from NYSE)

$127.69 USD

+0.40 (0.31%)

Updated Mar 17, 2025 04:00 PM ET

After-Market: **$127.72** +0.03 (0.02%) 6:10 PM ET

Add To Portfolio

Zacks Rank:

2 **2-Buy**

Style Scores:

D Value | F Growth | B Momentum | F VGM

Industry Rank:

Top 23% (58 out of 247)

Industry: Utility - Gas Distribution

View All Zacks #1 Ranked Stocks

Preview Our New Quote Page

Quote Overview

Enter Symbol

Stock Activity

Open	126.51
Day Low	126.51
Day High	128.71
52 Wk Low	98.32
52 Wk High	134.20
20 Day Avg Vol	91,626
Market Cap	2.93 B
Dividend	2.56 (2.01%)
Beta	0.60

Key Earnings Data

Earnings ESP	0.00%
Most Accurate Est	2.33
Current Qtr Est	2.33
Current Yr Est	6.27
Exp Earnings Date	5/14/25
Prior Year EPS	5.39
Exp EPS Growth (3-5yr)	NA
Forward PE	20.32
PEG Ratio	NA

Utilities » Utility - Gas Distribution

Research Report for CPK

Snapshot

All Zacks' Analyst Reports »

News for CPK

Zacks News | Earnings | Other News

Reasons to Add Southwest Gas Stock to Your Portfolio Right Now
03/17/25-9:44AM EST Zacks

Reasons to Add New Jersey Resources Stock to Your Portfolio Now
03/07/25-6:30AM EST Zacks

CPK: What are Zacks experts saying now?
Zacks Private Portfolio Services

Here's Why You Should Add UGI Stock to Your Portfolio Right Now
03/06/25-8:10AM EST Zacks

Why Chesapeake Utilities (CPK) is a Top Dividend Stock for Your Portfolio
03/05/25-10:45AM EST Zacks

Has Chesapeake Utilities (CPK) Outpaced Other Utilities Stocks This Year?
03/04/25-8:40AM EST Zacks

More Zacks News for CPK»

Premium Research for CPK

Zacks Rank	▲ Buy 2
Zacks Industry Rank	Top 23% (58 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
D **Value** | F **Growth** | B **Momentum** | F **VGM**	
Earnings ESP	0.00%
Research Report for CPK	Snapshot

(▲ ▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

Premium Research: Industry Analysis

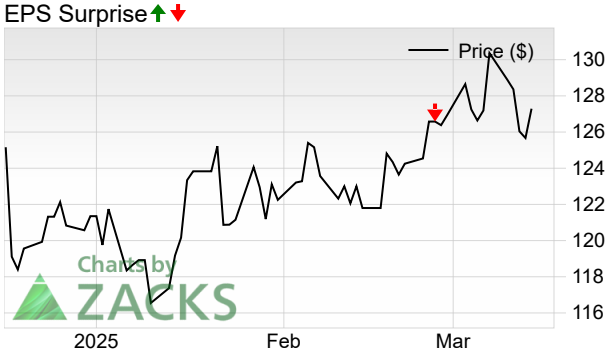
Top Peers	Symbol	Zacks Rank
Chesapeake Utilities	CPK	
Atmos Energy	ATO	
Centrica	CPYYY	
NewJersey Resources	NJR	
Southwest Gas	SWX	
UGI	UGI	
Brookfield Infrastructure	BIPC	

See all Utility - Gas Distribution Peers »

Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year

EPS Surprise



Interactive Chart | Fundamental Chart

Billion Dollar Secret

The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

Chesapeake Utilities Corporation is a utility company engaged in natural gas distribution and transmission, propane distribution and marketing, advanced information services and other related businesses.Chesapeake's three natural gas distribution divisions serve residential, commercial and industrial customers in southern Delaware, Maryland's Eastern Shore and Florida. The Company's natural gas transmission subsidiary operates an interstate pipeline system that transports gas from various points in Pennsylvania to Delaware and Maryland distribution divisions.

Full Company Report for CPK »

Quick Links

Zacks Research is Reported On:

ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

NewJersey Resources (NJR)

(Delayed Data from NYSE)

$49.24 USD

+0.03 (0.06%)

Updated Mar 17, 2025 04:00 PM ET

After-Market: **$49.26** +0.02 (0.04%) 6:10 PM ET

Add To Portfolio

Zacks Rank:

2 **2-Buy**

Style Scores:

D Value | D Growth | D Momentum | F VGM

Industry Rank:

Top 23% (58 out of 247)

Industry: Utility - Gas Distribution

View All Zacks #1 Ranked Stocks

Quote Overview

Enter Symbol

Stock Activity

Open	49.14
Day Low	48.79
Day High	49.61
52 Wk Low	40.62
52 Wk High	51.95
20 Day Avg Vol	584,001
Market Cap	4.94 B
Dividend	1.80 (3.66%)
Beta	0.57

Key Earnings Data

Earnings ESP	0.00%
Most Accurate Est	1.49
Current Qtr Est	1.49
Current Yr Est	3.15
Exp Earnings Date	5/6/25
Prior Year EPS	2.93
Exp EPS Growth (3-5yr)	NA
Forward PE	15.65
PEG Ratio	NA

Utilities » Utility - Gas Distribution

Research Report for NJR

Snapshot

All Zacks' Analyst Reports »

News for NJR

Zacks News | Earnings | Other News

Reasons to Add Southwest Gas Stock to Your Portfolio Right Now
03/17/25-9:44AM EST Zacks

Reasons to Add New Jersey Resources Stock to Your Portfolio Now
03/07/25-6:30AM EST Zacks

NJR: What are Zacks experts saying now?
Zacks Private Portfolio Services

Is NewJersey Resources (NJR) Outperforming Other Utilities Stocks This Year?
03/06/25-8:40AM EST Zacks

Here's Why You Should Add UGI Stock to Your Portfolio Right Now
03/06/25-8:10AM EST Zacks

Rate Cut Delay Fears Grip Markets Amid Rise in Inflation: 4 Safe Bets
02/18/25-8:14AM EST Zacks

More Zacks News for NJR»

Premium Research for NJR

Zacks Rank	**Buy** 2
Zacks Industry Rank	Top 23% (58 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
D **Value** | D **Growth** | D **Momentum** | F **VGM**	
Earnings ESP	0.00%
Research Report for NJR	Snapshot

(▲ ▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

Premium Research: Industry Analysis

Top Peers	Symbol	Zacks Rank
NewJersey Resources	NJR	
Atmos Energy	ATO	
Centrica	CPYYY	
Chesapeake Utilities	CPK	
Southwest Gas	SWX	
UGI	UGI	
Brookfield Infrastructure	BIPC	

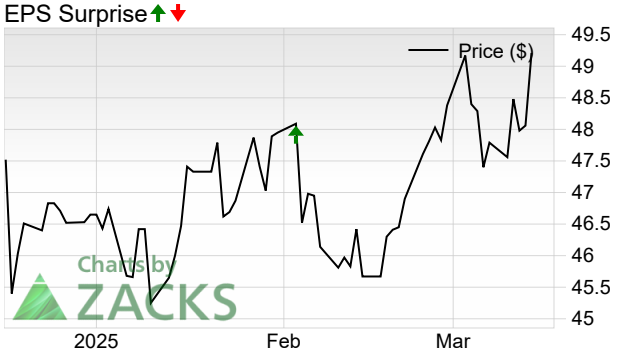
See all Utility - Gas Distribution Peers »

Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year

NJR Wed Mar 12 2025 $48.06

EPS Surprise



Interactive Chart | Fundamental Chart

Billion Dollar Secret

The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

New Jersey Resources Corporation is an energy services holding company that, through its subsidiaries, provides safe and reliable natural gas and clean energy services, including transportation, distribution, asset management and home services. NJR is composed of five primary businesses: New Jersey Natural Gas, NJR's principal subsidiary, operates and maintains the natural gas transportation and distribution infrastructure to serve the customers. NJR Clean Energy Ventures invests in, owns and operates solar and onshore wind projects. NJR Energy Services manages a diversified portfolio of natural gas transportation and storage assets and provides physical natural gas services and customized energy solutions. NJR Midstream serves customers from local distributors and producers to electric generators and wholesale marketers. NJR Home Services provides service contracts as well as heating, central air conditioning, water heaters, standby generators, solar and other indoor and outdoor comfort products.

Full Company Report for NJR »

Quick Links

Zacks Research is Reported On:

At the center of everything we do is a strong commitment to independent research and sharing its profitable discoveries with investors. This dedication to giving investors a trading advantage led to the creation of our proven Zacks Rank stock-rating system. Since 1988 it has more than doubled the S&P 500 with an average gain of +23.94% per year. These returns cover a period from January 1, 1988 through February 3, 2025. Zacks Rank stock-rating system returns are computed monthly based on the beginning of the month and end of the month Zacks Rank stock prices plus any dividends received during that particular month. A simple, equally-weighted average return of all Zacks Rank stocks is calculated to determine the monthly return. The monthly returns are then compounded to arrive at the annual return. Only Zacks Rank stocks included in Zacks hypothetical portfolios at the beginning of each month are included in the return calculations. Zacks Ranks stocks can, and often do, change throughout the month. Certain Zacks Rank stocks for which no month-end price was available, pricing information was not collected, or for certain other reasons have been excluded from these return calculations. Zacks may license the Zacks Mutual Fund rating provided herein to third parties, including but not limited to the issuer.

ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

NiSource (NI)

(Delayed Data from NYSE)

$39.36 USD

-0.12 (-0.30%)

Updated Mar 17, 2025 04:00 PM ET

After-Market: **$39.36** 0.00 (0.00%) 6:12 PM ET

Add To Portfolio

Zacks Rank:

2 **2-Buy**

Style Scores:

D Value | D Growth | F Momentum | F VGM

Industry Rank:

Top 21% (53 out of 247)

Industry: Utility - Electric Power

View All Zacks #1 Ranked Stocks

Preview Our New Quote Page

Quote Overview

Enter Symbol

Stock Activity

Open	39.52
Day Low	39.24
Day High	39.98
52 Wk Low	26.26
52 Wk High	41.45
20 Day Avg Vol	4,949,390
Market Cap	18.55 B
Dividend	1.12 (2.84%)
Beta	0.50

Key Earnings Data

Earnings ESP	0.00%
Most Accurate Est	0.86
Current Qtr Est	0.86
Current Yr Est	1.91
Exp Earnings Date	5/14/25
Prior Year EPS	1.75
Exp EPS Growth (3-5yr)	8.19%
Forward PE	20.70
PEG Ratio	2.53

Utilities » Utility - Electric Power

Research Reports for NI

Analyst Snapshot

All Zacks' Analyst Reports »

News for NI

Zacks News | Earnings | Other News

Buy 5 Low-Beta High-Yielding Stocks Amid Sagging Consumer Sentiment
03/17/25-7:06AM EST Zacks

NiSource (NI) Down 2.4% Since Last Earnings Report: Can It Rebound?
03/14/25-10:30AM EST Zacks

NI: What are Zacks experts saying now?
Zacks Private Portfolio Services

Here's Why You Must Add CMS Energy Stock to Your Portfolio Now
03/13/25-9:24AM EST Zacks

Here's Why You Must Add CenterPoint Stock to Your Portfolio Now
03/12/25-7:43AM EST Zacks

Here's Why You Should Add Exelon Stock to Your Portfolio Now
03/11/25-7:36AM EST Zacks

More Zacks News for NI»

Premium Research for NI

Zacks Rank	▲ Buy 2
Zacks Industry Rank	Top 21% (53 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
D Value | D Growth | F Momentum | F VGM	
Earnings ESP	0.00%
Research Reports for NI	Analyst | Snapshot

(▲ ▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

Premium Research: Industry Analysis

Top Peers	Symbol	Zacks Rank
NiSource	NI	
Ameren	AEE	
CMS Energy	CMS	
CenterPoint Energy	CNP	
E.ON	EONGY	
Entergy	ETR	
Exelon	EXC	

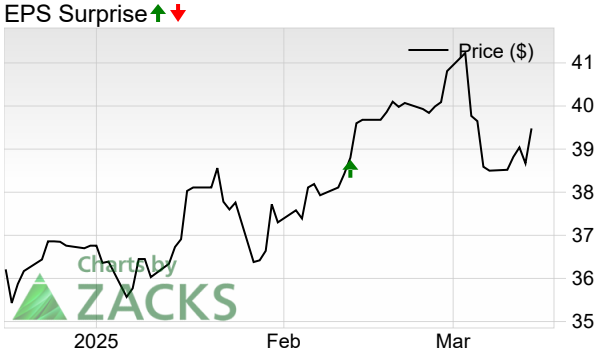
See all Utility - Electric Power Peers »

Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year

NI Sun Mar 16 2025 $39.48

EPS Surprise



Interactive Chart | Fundamental Chart

Billion Dollar Secret

The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

NiSource Inc., a Merrillville, IN-based energy holding company, was founded in 1912. The company, together with its subsidiaries, provides natural gas, electricity and other products and services in the United States. Its operating subsidiaries deliver energy to nearly 4 million customers in six states — Ohio, Pennsylvania, Virginia, Kentucky, Maryland and Indiana.

NiSource has one of the nation’s largest natural gas distribution networks as measured by number of customers. NiSource’s principal subsidiary is NiSource Gas Distribution Group, Inc., which is a natural gas distribution holding company. The company generates the majority of its operating income from ...

Read Full Company Summary for NI here

Quick Links

Zacks Research is Reported On:

ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

Northwest Natural (NWN)

(Delayed Data from NYSE)

$41.91 USD

+0.08 (0.19%)

Updated Mar 17, 2025 04:00 PM ET

After-Market: **$41.90** -0.01 (-0.02%) 6:12 PM ET

Add To Portfolio

Zacks Rank:

4 **4-Sell**

Style Scores:

C Value | D Growth | F Momentum | D VGM

Industry Rank:

Top 23% (58 out of 247)

Industry: Utility - Gas Distribution

View All Zacks #1 Ranked Stocks

Preview Our New Quote Page

Quote Overview

Enter Symbol

Stock Activity

Open	41.79
Day Low	41.77
Day High	42.37
52 Wk Low	34.82
52 Wk High	44.25
20 Day Avg Vol	232,996
Market Cap	1.68 B
Dividend	1.96 (4.69%)
Beta	0.59

Key Earnings Data

Earnings ESP	-6.22%
Most Accurate Est	1.96
Current Qtr Est	2.09
Current Yr Est	2.83
Exp Earnings Date	5/5/25
Prior Year EPS	2.33
Exp EPS Growth (3-5yr)	NA
Forward PE	14.81
PEG Ratio	NA

Utilities » Utility - Gas Distribution

Research Report for NWN

Snapshot

All Zacks' Analyst Reports »

News for NWN

Zacks News | Earnings | Other News

Northwest Natural (NWN) Q4 Earnings and Revenues Miss Estimates
02/28/25-6:10AM EST Zacks

Edison International (EIX) Q4 Earnings Lag Estimates
02/27/25-4:25PM EST Zacks

NWN: What are Zacks experts saying now?
Zacks Private Portfolio Services

Southwest Gas (SWX) Surpasses Q4 Earnings Estimates
02/26/25-8:25AM EST Zacks

Should Value Investors Buy Northwest Natural (NWN) Stock?
11/15/24-8:40AM EST Zacks

Northwest Natural (NWN) Reports Q3 Loss, Misses Revenue Estimates
11/12/24-6:10AM EST Zacks

More Zacks News for NWN»

Premium Research for NWN

Zacks Rank	▼ Sell 4
Zacks Industry Rank	Top 23% (58 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
C Value | D Growth | F Momentum | D VGM	
Earnings ESP	-6.22%
Research Report for NWN	Snapshot

(▲ ▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

Premium Research: Industry Analysis

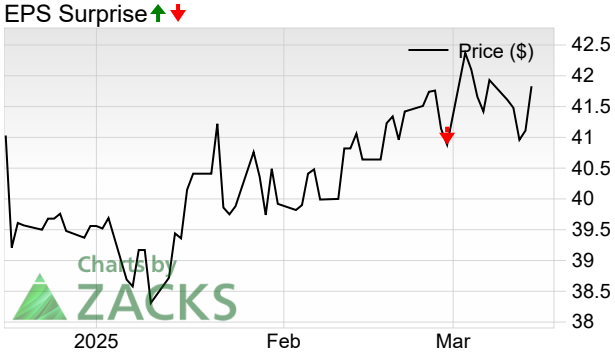
Top Peers	Symbol	Zacks Rank
Northwest Natural	NWN	
Atmos Energy	ATO	
Centrica	CPYYY	
Chesapeake Utilities	CPK	
NewJersey Resources	NJR	
Southwest Gas	SWX	
UGI	UGI	

See all Utility - Gas Distribution Peers »

Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year

EPS Surprise



Interactive Chart | Fundamental Chart

Billion Dollar Secret

The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

Northwest Natural Holding Company builds and maintains natural gas distribution systems, as well as invests in natural gas pipeline projects through its subsidiaries. It serves residential, commercial and industrial customers primarily in the United States, Canada and Service Territory. Northwest Natural Holding Company, formerly known as NW Natural Gas Company, is headquartered in Portland, Oregon.

Full Company Report for NWN »

Quick Links

Zacks Research is Reported On:

At the center of everything we do is a strong commitment to independent research and sharing its profitable discoveries with investors. This dedication to giving investors a trading advantage led to the creation of our proven Zacks Rank stock-rating system. Since 1988 it has more than doubled the S&P 500 with an average gain of +23.94% per year. These returns cover a period from January 1, 1988 through February 3, 2025. Zacks Rank stock-rating system returns are computed monthly based on the beginning of the month and end of the month Zacks Rank stock prices plus any dividends received during that particular month. A simple, equally-weighted average return of all Zacks Rank stocks is calculated to determine the monthly return. The monthly returns are then compounded to arrive at the annual return. Only Zacks Rank stocks included in Zacks hypothetical portfolios at the beginning of each month are included in the return calculations. Zacks Ranks stocks can, and often do, change throughout the month. Certain Zacks Rank stocks for which no month-end price was available, pricing information was not collected, or for certain other reasons have been excluded from these return calculations. Zacks may license the Zacks Mutual Fund rating provided herein to third parties, including but not limited to the issuer.

Visit **Performance Disclosure** for information about the performance numbers displayed above.

Visit **www.zacksdata.com** to get our data and content for your mobile app or website.

Real time prices by BATS. Delayed quotes by Sungard.

NYSE and AMEX data is at least 20 minutes delayed. NASDAQ data is at least 15 minutes delayed.

ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

ONE Gas (OGS)

(Delayed Data from NYSE)

$74.54 USD

+0.46 (0.62%)

Updated Mar 17, 2025 03:57 PM ET

After-Market: **$74.53** -0.01 (-0.01%) 6:12 PM ET

Add To Portfolio

Zacks Rank:

4 **4-Sell**

Style Scores:

D Value | F Growth | A Momentum | F VGM

Industry Rank:

Top 23% (58 out of 247)

Industry: Utility - Gas Distribution

View All Zacks #1 Ranked Stocks

Preview Our New Quote Page

Quote Overview

Enter Symbol

Stock Activity

Open	74.18
Day Low	73.96
Day High	75.24
52 Wk Low	58.31
52 Wk High	78.89
20 Day Avg Vol	484,103
Market Cap	4.44 B
Dividend	2.68 (3.62%)
Beta	0.66

Key Earnings Data

Earnings ESP	0.00%
Most Accurate Est	1.84
Current Qtr Est	1.84
Current Yr Est	4.26
Exp Earnings Date	5/5/25
Prior Year EPS	3.91
Exp EPS Growth (3-5yr)	4.66%
Forward PE	17.39
PEG Ratio	3.73

Utilities » Utility - Gas Distribution

Research Reports for OGS

Analyst Snapshot

All Zacks' Analyst Reports »

News for OGS

Zacks News | Earnings | Other News

Southwest Gas Q4 Earnings Surpass Estimates, Revenues Fall Y/Y
02/26/25-9:46AM EST Zacks

Sempra Energy is Set to Report Q4 Earnings: What's in the Cards?
02/24/25-10:17AM EST Zacks

OGS: What are Zacks experts saying now?
Zacks Private Portfolio Services

ONE Gas Q4 Earnings Higher Than Estimates, Revenues Rise Y/Y
02/20/25-8:23AM EST Zacks

ONE Gas (OGS) Q4 Earnings: How Key Metrics Compare to Wall Street Estimates
02/19/25-5:00PM EST Zacks

ONE Gas (OGS) Q4 Earnings Beat Estimates
02/19/25-4:25PM EST Zacks

More Zacks News for OGS»

Premium Research for OGS

Zacks Rank	Sell 4
Zacks Industry Rank	Top 23% (58 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
D Value | F Growth | A Momentum | F VGM	
Earnings ESP	0.00%
Research Reports for OGS	Analyst | Snapshot

(▲▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

Premium Research: Industry Analysis

Top Peers	Symbol	Zacks Rank
ONE Gas	OGS	
Atmos Energy	ATO	
Centrica	CPYYY	
Chesapeake Utilities	CPK	
NewJersey Resources	NJR	
Southwest Gas	SWX	
UGI	UGI	

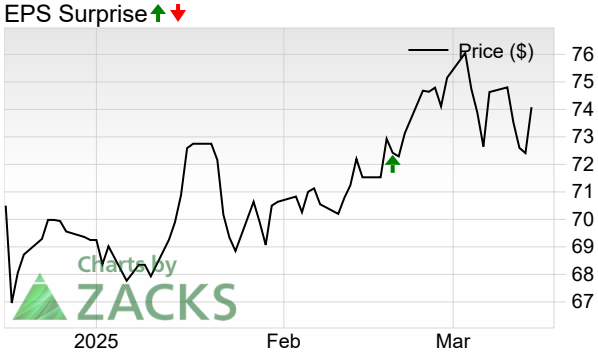
See all Utility - Gas Distribution Peers »

Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year

OGS Mon Mar 17 2025 $74.08

EPS Surprise



Interactive Chart | Fundamental Chart

Billion Dollar Secret

The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

Headquartered in Tulsa, OK, ONE Gas, Inc. is a 100% regulated natural gas distribution utility. The company provides natural gas distribution services to more than 2.3 million customers in Oklahoma, Kansas and Texas. The company has been registering an increase in average customer count in these three states since 2014. As of Dec. 31, 2024, it operated 45,300 miles of natural gas distribution and transmission pipelines.

ONE Gas is the successor to the company founded in 1906 as Oklahoma Natural Gas Company, which became ONEOK, Inc. in 1980. On Jan 31, 2014, ONE Gas officially separated from ONEOK.

The company operates through three divisions, namely ...

Read Full Company Summary for OGS here

Quick Links

Zacks Research is Reported On:

ZACKS
Our Research. Your Success.

Quote & News

Quote Overview

Spire (SR)

(Delayed Data from NYSE)

$76.27 USD

+0.16 (0.21%)

Updated Mar 17, 2025 04:00 PM ET

After-Market: **$76.26** -0.01 (-0.01%) 6:12 PM ET

Add To Portfolio

Zacks Rank:

3 **3-Hold**

Style Scores:

C Value | F Growth | D Momentum | D VGM

Industry Rank:

Top 23% (58 out of 247)

Industry: Utility - Gas Distribution

View All Zacks #1 Ranked Stocks

Preview Our New Quote Page

Quote Overview

Enter Symbol

Stock Activity

Open	75.80
Day Low	75.80
Day High	76.96
52 Wk Low	57.27
52 Wk High	78.80
20 Day Avg Vol	424,837
Market Cap	4.44 B
Dividend	3.14 (4.13%)
Beta	0.53

Key Earnings Data

Earnings ESP	-0.91%
Most Accurate Est	3.65
Current Qtr Est	3.69
Current Yr Est	4.50
Exp Earnings Date	5/7/25
Prior Year EPS	4.13
Exp EPS Growth (3-5yr)	5.82%
Forward PE	16.92
PEG Ratio	2.91

Utilities » Utility - Gas Distribution

Research Reports for SR

Analyst Snapshot

All Zacks' Analyst Reports »

News for SR

Zacks News | Earnings | Other News

Why Is Spire (SR) Up 5.1% Since Last Earnings Report?
03/07/25-10:31AM EST Zacks

Southwest Gas Q4 Earnings Surpass Estimates, Revenues Fall Y/Y
02/26/25-9:46AM EST Zacks

SR: What are Zacks experts saying now?
Zacks Private Portfolio Services

Should WisdomTree U.S. SmallCap Dividend ETF (DES) Be on Your Investing Radar?
02/24/25-5:20AM EST Zacks

ONE Gas Q4 Earnings Higher Than Estimates, Revenues Rise Y/Y
02/20/25-8:23AM EST Zacks

Is WisdomTree U.S. SmallCap Dividend ETF (DES) a Strong ETF Right Now?
02/10/25-5:20AM EST Zacks

More Zacks News for SR»

Premium Research for SR

Zacks Rank	Hold 3
Zacks Industry Rank	Top 23% (58 out of 247)
Zacks Sector Rank	Top 25% (4 out of 16)
Style Scores	
C Value | F Growth | D Momentum | D VGM	
Earnings ESP	-0.91%
Research Reports for SR	Analyst | Snapshot

(▲ ▼ = Change in last 30 days)

View All Zacks Rank #1 Strong Buys

More Premium Research »

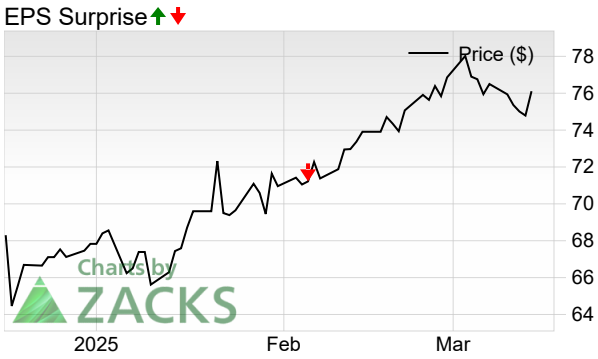
Premium Research: Industry Analysis

Top Peers	Symbol	Zacks Rank
Spire	SR	
Atmos Energy	ATO	
Centrica	CPYYY	
Chesapeake Utilities	CPK	
NewJersey Resources	NJR	
Southwest Gas	SWX	
UGI	UGI	

See all Utility - Gas Distribution Peers »

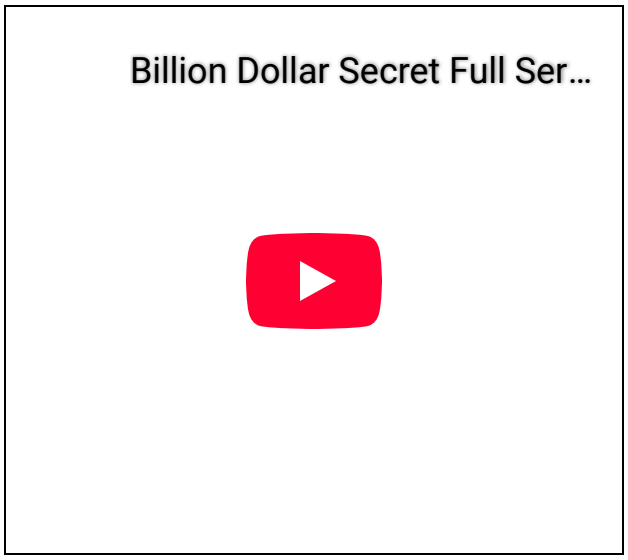
Price and EPS Surprise Chart

1 Month | 3 Months | 6 Months | YTD | 1 Year



Interactive Chart | Fundamental Chart

Billion Dollar Secret



The Zacks Rank has been called the Billion Dollar Secret. **Click here to watch the full series. »**

Video Transcript

Company Summary

Spire Inc. is a natural gas company efficiently serving more than 1.7 million customers in the United States. It was founded in 2000 and is headquartered in St. Louis, MO. The company continues to expand business organically via making systematic investments to expand infrastructure and advance through innovation. More than 90% of its profits come from regulated operations, which provide a clear idea about future earnings. The company operates more than 60,000 miles of pipelines. Its natural gas-related businesses include Spire Marketing, Spire STL Pipeline and Spire Storage. The company operates via segments, namely Gas Utility, Gas Marketing and Midstream.

Gas Utility: ...

Read Full Company Summary for SR here

Quick Links

Zacks Research is Reported On:

Atmos Energy ATO			**Black Hills Corp BKH**			**Chesapeake Utilties CPK**			**NiSource, Inc. NI**		
6 Month			**6 Month**			**6 Month**			**6 Month**		
Range	$ 154.55	$ 136.05	**Range**	$ 65.59	$ 55.00	**Range**	$ 134.20	$ 115.12	**Range**	$ 41.45	$ 34.23
Mean	$ 145.01	$ 142.62	**Mean**	$ 60.56	$ 59.46	**Mean**	$ 125.54	$ 122.93	**Mean**	$ 37.59	$ 36.95
Median	$ 144.07	$ 141.67	**Median**	$ 60.50	$ 59.30	**Median**	$ 125.07	$ 122.28	**Median**	$ 37.32	$ 36.60
3 Month			**3 Month**			**3 Month**			**3 Month**		
Range	$ 154.55	$ 136.05	**Range**	$ 61.99	$ 55.00	**Range**	$ 131.46	$ 115.12	**Range**	$ 41.45	$ 35.36
Mean	$ 145.10	$ 142.51	**Mean**	$ 59.47	$ 58.34	**Mean**	$ 124.28	$ 121.59	**Mean**	$ 38.32	$ 37.61
Median	$ 144.41	$ 141.55	**Median**	$ 59.69	$ 58.42	**Median**	$ 123.95	$ 121.52	**Median**	$ 38.24	$ 37.57

Date	High (USD)	Low (USD)	Date	High (USD)	Low (USD)	Date	High (USD)	Low (USD)	Date	High (USD)	Low (USD)
3/14/2025	150.33	146.66	3/14/2025	61.32	59.3	3/14/2025	127.82	124.91	3/14/2025	39.52	38.66
3/13/2025	148.53	146.21	3/13/2025	59.9	59.01	3/13/2025	126.78	125.02	3/13/2025	39.19	38.44
3/12/2025	148.25	146.25	3/12/2025	60.48	58.9	3/12/2025	129.18	125.43	3/12/2025	39.32	38.81
3/11/2025	150.31	148.11	3/11/2025	61.02	60.03	3/11/2025	130.45	127.89	3/11/2025	39.18	38.45
3/10/2025	152.99	147.91	3/10/2025	61.15	60.09	3/10/2025	131.46	128.36	3/10/2025	38.76	38.03
3/7/2025	149.4	146.09	3/7/2025	60.47	59.35	3/7/2025	130.48	127.68	3/7/2025	38.94	38.07
3/6/2025	148.04	145.16	3/6/2025	59.98	59.06	3/6/2025	127.91	124.36	3/6/2025	39.63	38.45
3/5/2025	149.68	147.69	3/5/2025	61.02	59.67	3/5/2025	128.02	124.84	3/5/2025	40.04	39.34
3/4/2025	154.55	149.31	3/4/2025	61.99	60.63	3/4/2025	129.75	127.16	3/4/2025	41.45	39.7
3/3/2025	154.04	151.7	3/3/2025	61.96	60.9	3/3/2025	129.24	126.36	3/3/2025	41.3	40.75
2/28/2025	152.35	150.33	2/28/2025	61.35	60.49	2/28/2025	128.38	124.81	2/28/2025	40.88	40.04
2/27/2025	150.85	148.69	2/27/2025	60.61	59.21	2/27/2025	127.28	117.52	2/27/2025	40.41	39.94
2/26/2025	150.63	149	2/26/2025	60.61	59.39	2/26/2025	127.43	125.75	2/26/2025	40.28	39.7
2/25/2025	151.03	149	2/25/2025	60.1	59.59	2/25/2025	127.41	124.96	2/25/2025	40.14	39.6
2/24/2025	151.37	148.93	2/24/2025	60.5	59.42	2/24/2025	125.96	123.65	2/24/2025	40.29	39.83
2/21/2025	150.26	147.53	2/21/2025	59.98	58.96	2/21/2025	124.9	123.62	2/21/2025	40.23	39.69
2/20/2025	148.51	146.25	2/20/2025	59.02	58.54	2/20/2025	124.74	122.34	2/20/2025	40.1	39.66
2/19/2025	149.25	147.35	2/19/2025	59.61	58.89	2/19/2025	125.08	123.74	2/19/2025	40.15	39.67
2/18/2025	148.65	145.61	2/18/2025	59.57	58.49	2/18/2025	125.07	121.64	2/18/2025	39.94	39.44
2/14/2025	148.84	146.46	2/14/2025	60.75	59.49	2/14/2025	123.52	121.59	2/14/2025	39.99	39.54
2/13/2025	148.21	145.92	2/13/2025	60.45	59.81	2/13/2025	123.2	121.63	2/13/2025	39.89	38.85
2/12/2025	146.39	143.08	2/12/2025	60.13	59.07	2/12/2025	122.54	120.98	2/12/2025	38.99	37.57
2/11/2025	145.14	141.52	2/11/2025	60.08	59.17	2/11/2025	123.34	121.94	2/11/2025	38.46	37.76
2/10/2025	143.17	140.85	2/10/2025	60.03	58.8	2/10/2025	123.8	121.92	2/10/2025	38.21	37.56
2/7/2025	143.83	142.01	2/7/2025	60.59	59.39	2/7/2025	125.63	123.15	2/7/2025	38.5	37.87
2/6/2025	145.13	142.36	2/6/2025	60.69	58.32	2/6/2025	127.43	124.41	2/6/2025	38.26	37.88
2/5/2025	146.43	142.94	2/5/2025	60.09	59.27	2/5/2025	125.87	122.95	2/5/2025	38.27	37.66
2/4/2025	143.15	141.57	2/4/2025	59.32	58.05	2/4/2025	123.96	121.13	2/4/2025	37.61	36.96
2/3/2025	143.78	140.69	2/3/2025	59.1	57.93	2/3/2025	123.24	119.94	2/3/2025	37.73	36.55
1/31/2025	143.03	141.34	1/31/2025	59.06	58.4	1/31/2025	123.94	121.44	1/31/2025	37.75	37.28
1/30/2025	143.21	141.67	1/30/2025	59.25	58.43	1/30/2025	124.9	122.28	1/30/2025	37.77	36.98
1/29/2025	142.44	140.66	1/29/2025	58.92	57.83	1/29/2025	123.39	120.58	1/29/2025	36.95	36.45
1/28/2025	142.62	140.56	1/28/2025	59.88	58.31	1/28/2025	123.83	122.2	1/28/2025	36.92	35.92
1/27/2025	142.91	138.9	1/27/2025	59.75	57.96	1/27/2025	124.26	120.75	1/27/2025	38	35.99
1/24/2025	140.07	138.77	1/24/2025	57.65	56.99	1/24/2025	121.19	119.8	1/24/2025	37.91	37.39
1/23/2025	142.99	139.03	1/23/2025	57.64	57.06	1/23/2025	120.9	119.1	1/23/2025	37.85	37.49
1/22/2025	145.51	141.51	1/22/2025	59.63	57.4	1/22/2025	124.41	119.83	1/22/2025	38.59	37.71
1/21/2025	147.7	145.35	1/21/2025	60.65	59.57	1/21/2025	127.38	124.05	1/21/2025	38.83	38.4
1/17/2025	145.98	144.49	1/17/2025	59.78	59.05	1/17/2025	124.51	122.7	1/17/2025	38.3	37.84
1/16/2025	144.99	140.98	1/16/2025	59.22	57	1/16/2025	123.41	120.32	1/16/2025	38.12	36.77
1/15/2025	142.72	140.42	1/15/2025	57.67	56.72	1/15/2025	121.4	119.4	1/15/2025	37.33	36.75
1/14/2025	141.25	138.62	1/14/2025	56.61	55.97	1/14/2025	119.22	117.37	1/14/2025	36.95	36.28
1/13/2025	138.52	136.64	1/13/2025	56.14	55.68	1/13/2025	117.37	116.03	1/13/2025	36.45	35.84
1/10/2025	138.94	136.77	1/10/2025	56	55	1/10/2025	117.5	115.12	1/10/2025	36.55	36
1/8/2025	139.71	136.57	1/8/2025	56.25	55.23	1/8/2025	119.03	117.15	1/8/2025	36.46	35.59
1/7/2025	137.99	136.38	1/7/2025	56.88	55.8	1/7/2025	119.59	117.61	1/7/2025	35.94	35.61
1/6/2025	138.85	136.16	1/6/2025	57.94	56.34	1/6/2025	121.12	117.86	1/6/2025	36.44	35.51
1/3/2025	139.36	137.78	1/3/2025	58.27	57.36	1/3/2025	121.74	119.43	1/3/2025	36.69	36.18
1/2/2025	140.48	137.36	1/2/2025	58.95	57.95	1/2/2025	122.39	118.77	1/2/2025	37.13	36.27
12/31/2024	139.89	138.52	12/31/2024	58.99	58.13	12/31/2024	122	119.98	12/31/2024	36.98	36.56
12/30/2024	139.48	137.66	12/30/2024	58.67	57.73	12/30/2024	121.21	119.3	12/30/2024	36.79	36.34
12/27/2024	140.54	138.7	12/27/2024	59.39	58.37	12/27/2024	122.22	119.91	12/27/2024	36.95	36.5
12/26/2024	140.28	138.91	12/26/2024	59.14	58.2	12/26/2024	122.68	119.62	12/26/2024	36.89	36.6
12/24/2024	140.12	138.94	12/24/2024	59.06	58.14	12/24/2024	121.32	120.13	12/24/2024	36.86	36.31
12/23/2024	139.68	137.67	12/23/2024	58.48	57.31	12/23/2024	120	118.09	12/23/2024	36.48	35.83
12/20/2024	140.45	137.61	12/20/2024	58.61	57.2	12/20/2024	120.97	116.37	12/20/2024	36.36	35.71
12/19/2024	139.67	136.05	12/19/2024	58.92	57.76	12/19/2024	120.56	118.35	12/19/2024	36.25	35.36
12/18/2024	**143.17**	**136.31**	**12/18/2024**	**60.24**	**57.67**	**12/18/2024**	**125.79**	**118.9**	**12/18/2024**	**36.52**	**35.42**
12/17/2024	141.43	138.31	12/17/2024	60.97	59.75	12/17/2024	126.82	124.36	12/17/2024	36.49	35.97
12/16/2024	141.68	140.27	12/16/2024	61.37	60.76	12/16/2024	127.94	125.35	12/16/2024	36.81	36.33
12/13/2024	141.24	139.79	12/13/2024	61.24	60.66	12/13/2024	128.27	125.86	12/13/2024	36.81	36.42
12/12/2024	141.21	139.83	12/12/2024	61.38	60.85	12/12/2024	128.36	126.42	12/12/2024	37.06	36.43
12/11/2024	141.65	139.67	12/11/2024	61.58	60.98	12/11/2024	128.49	126.77	12/11/2024	36.86	36.44
12/10/2024	141.93	139.17	12/10/2024	61.68	60.28	12/10/2024	128.95	125	12/10/2024	36.77	36.12
12/9/2024	142.28	140.74	12/9/2024	62.29	61.26	12/9/2024	131.11	127.47	12/9/2024	37.11	36.52
12/6/2024	144.07	141.56	12/6/2024	62.88	61.66	12/6/2024	130	128.8	12/6/2024	37.38	36.98
12/5/2024	145.09	143	12/5/2024	63.2	62.67	12/5/2024	130.62	129.18	12/5/2024	37.5	37.2
12/4/2024	145.78	143.49	12/4/2024	63.24	62.55	12/4/2024	130.82	128.05	12/4/2024	37.31	36.93
12/3/2024	149.68	145.91	12/3/2024	63.65	62.86	12/3/2024	133.22	129.87	12/3/2024	37.64	37.01
12/2/2024	151.22	148.42	12/2/2024	64.24	62.52	12/2/2024	132.88	129.86	12/2/2024	38.21	37.34
11/29/2024	151.76	150.79	11/29/2024	64.46	64.04	11/29/2024	133.07	131.32	11/29/2024	38.31	37.9
11/27/2024	152.65	151.03	11/27/2024	64.23	63.67	11/27/2024	132.88	131.17	11/27/2024	38.56	38.2
11/26/2024	150.73	149.58	11/26/2024	64.64	63.57	11/26/2024	133.41	129.91	11/26/2024	38.28	37.86
11/25/2024	151.17	149.47	11/25/2024	65.59	64.61	11/25/2024	134.2	131.47	11/25/2024	38.23	37.7
11/22/2024	151.24	149.95	11/22/2024	64.76	63.65	11/22/2024	133	130.16	11/22/2024	38.07	37.62
11/21/2024	150.38	147.22	11/21/2024	63.48	62.42	11/21/2024	130.72	129.1	11/21/2024	37.94	37.22
11/20/2024	147.36	146.08	11/20/2024	62.73	62	11/20/2024	130.39	127.7	11/20/2024	37.32	36.91
11/19/2024	146.86	145.09	11/19/2024	62.79	61.86	11/19/2024	130.93	126.97	11/19/2024	37.17	36.56
11/18/2024	147.78	145.07	11/18/2024	63.27	61.85	11/18/2024	129.54	127.3	11/18/2024	36.82	36.33
11/15/2024	146.09	143.76	11/15/2024	63.54	62.69	11/15/2024	128.24	125.28	11/15/2024	36.74	36.02
11/14/2024	146.83	144.18	11/14/2024	63.6	62.61	11/14/2024	128.81	125.96	11/14/2024	36.47	35.93
11/13/2024	147.74	146.37	11/13/2024	63.18	62.2	11/13/2024	128.3	125.94	11/13/2024	36.41	35.9
11/12/2024	148.39	146.08	11/12/2024	63.01	61.62	11/12/2024	128.54	125.74	11/12/2024	36.3	35.95
11/11/2024	146.92	144.48	11/11/2024	62.48	60.72	11/11/2024	127.4	124.44	11/11/2024	36.4	35.88
11/8/2024	145.27	141.8	11/8/2024	60.98	59.5	11/8/2024	128.14	123.85	11/8/2024	36.17	35.09
11/7/2024	144.51	138.98	11/7/2024	60.65	58.4	11/7/2024	124.85	121	11/7/2024	35.4	34.82
11/6/2024	139.94	136.65	11/6/2024	60.66	58.78	11/6/2024	126.36	122.28	11/6/2024	35.5	35.07
11/5/2024	137.98	136.67	11/5/2024	58.9	57.2	11/5/2024	119.99	116.94	11/5/2024	35.25	34.51
11/4/2024	138.94	137.17	11/4/2024	58.11	57.35	11/4/2024	118.52	117.04	11/4/2024	35.04	34.23
11/1/2024	139.27	137.91	11/1/2024	59.65	57.84	11/1/2024	120.44	117.11	11/1/2024	35.45	34.43
10/31/2024	140.75	138.57	10/31/2024	59.91	59.15	10/31/2024	121.36	119.38	10/31/2024	35.45	34.84
10/30/2024	141.55	139.22	10/30/2024	60.65	59.51	10/30/2024	122.22	120.6	10/30/2024	35.44	34.73
10/29/2024	141.13	140.05	10/29/2024	60.37	59.59	10/29/2024	121.28	119.9	10/29/2024	34.98	34.38
10/28/2024	142	140.89	10/28/2024	60.6	59.71	10/28/2024	122.22	120.89	10/28/2024	35.2	34.79
10/25/2024	143.2	140.54	10/25/2024	60.81	59.84	10/25/2024	121.67	120.25	10/25/2024	35.47	34.77
10/24/2024	143.79	142.26	10/24/2024	61.24	60.14	10/24/2024	121.75	119.65	10/24/2024	35.48	35.19
10/23/2024	143.32	141.67	10/23/2024	61.37	60.59	10/23/2024	121.41	120.02	10/23/2024	35.32	34.72
10/22/2024	142.2	140.77	10/22/2024	60.93	59.98	10/22/2024	120.9	119.6	10/22/2024	34.89	34.57
10/21/2024	143.76	141.71	10/21/2024	61.93	60.52	10/21/2024	122.53	119.51	10/21/2024	35.19	34.85

New Jersey Resources NJR			Northwest Natural NWN			ONE Gas, Inc OGS			Spire, Inc. SR			Average of Group	
6 Month			**6 Month**			**6 Month**			**6 Month**			**6 Month**	
Range	$ 51.95	$ 44.78	**Range**	$ 44.25	$ 38.03	**Range**	$ 78.89	$ 66.38	**Range**	$ 78.80	$ 61.87	**Range**	$ 70.40
Mean	$ 47.85	$ 46.96	**Mean**	$ 41.20	$ 40.43	**Mean**	$ 73.06	$ 71.55	**Mean**	$ 70.48	$ 69.09	**Mean**	$ 74.46
Median	$ 47.71	$ 46.68	**Median**	$ 41.18	$ 40.32	**Median**	$ 73.23	$ 71.46	**Median**	$ 69.95	$ 68.70	**Median**	$ 74.19
3 Month			**3 Month**			**3 Month**			**3 Month**			**3 Month**	
Range	$ 49.43	$ 44.90	**Range**	$ 42.88	$ 38.03	**Range**	$ 76.48	$ 66.38	**Range**	$ 78.80	$ 64.44	**Range**	$ 70.40
Mean	$ 47.40	$ 46.47	**Mean**	$ 40.75	$ 40.00	**Mean**	$ 71.87	$ 70.33	**Mean**	$ 71.97	$ 70.50	**Mean**	$ 74.16
Median	$ 47.22	$ 46.33	**Median**	$ 40.65	$ 39.93	**Median**	$ 71.36	$ 69.88	**Median**	$ 71.78	$ 70.02	**Median**	$ 73.89

Date	High (USD)	Low (USD)	Date	High (USD)	Low (USD)	Date	High (USD)	Low (USD)	Date	High (USD)	Low (USD)		
3/14/2025	49.31	47.97	3/14/2025	41.96	40.99	3/14/2025	74.2	72.22	3/14/2025	76.19	74.72	3/14/2025	$ 76.63
3/13/2025	48.59	47.58	3/13/2025	41.51	40.79	3/13/2025	73.47	71.96	3/13/2025	75.94	73.94	3/13/2025	$ 76.05
3/12/2025	48.51	47.47	3/12/2025	41.46	40.62	3/12/2025	73.1	71.74	3/12/2025	75.8	73.91	3/12/2025	$ 76.20
3/11/2025	48.81	47.16	3/11/2025	42.04	41.1	3/11/2025	74.94	73.34	3/11/2025	76.25	74.68	3/11/2025	$ 77.11
3/10/2025	48.53	47.2	3/10/2025	42.39	41.39	3/10/2025	76.46	74.29	3/10/2025	77.43	75.29	3/10/2025	$ 77.61
3/7/2025	48.18	47.25	3/7/2025	42.37	41.17	3/7/2025	74.87	72.84	3/7/2025	77.21	76.05	3/7/2025	$ 76.90
3/6/2025	48.21	47.01	3/6/2025	41.77	41.12	3/6/2025	73.47	71.95	3/6/2025	76.37	74.7	3/6/2025	$ 76.07
3/5/2025	48.76	48.05	3/5/2025	42.33	41.56	3/5/2025	74.62	73.46	3/5/2025	77.15	76.27	3/5/2025	$ 77.03
3/4/2025	49.43	48.24	3/4/2025	42.88	41.9	3/4/2025	76.44	74.27	3/4/2025	78.8	76.88	3/4/2025	$ 78.34
3/3/2025	49.24	48.24	3/3/2025	42.61	40.88	3/3/2025	76.48	74.82	3/3/2025	78.33	76.43	3/3/2025	$ 78.33
2/28/2025	48.47	47.89	2/28/2025	40.89	40.32	2/28/2025	75.25	74.1	2/28/2025	76.96	76.1	2/28/2025	$ 77.41
2/27/2025	48.07	47.16	2/27/2025	41.51	40.53	2/27/2025	74.57	72.82	2/27/2025	76.3	74.6	2/27/2025	$ 76.25
2/26/2025	48.12	47.4	2/26/2025	42.01	41.47	2/26/2025	75.03	74.06	2/26/2025	76.8	75.79	2/26/2025	$ 77.09
2/25/2025	48.22	47.62	2/25/2025	42.01	41.66	2/25/2025	75.64	74.27	2/25/2025	76.41	75.05	2/25/2025	$ 77.04
2/24/2025	47.91	46.88	2/24/2025	42.03	41.4	2/24/2025	75.22	73.13	2/24/2025	76.26	75.09	2/24/2025	$ 76.74
2/21/2025	47.12	46.6	2/21/2025	41.65	41.2	2/21/2025	73.7	71.86	2/21/2025	75.7	74.03	2/21/2025	$ 76.06
2/20/2025	46.71	46	2/20/2025	41.27	40.8	2/20/2025	73.02	68.58	2/20/2025	74.47	73.12	2/20/2025	$ 75.20
2/19/2025	46.58	46.07	2/19/2025	41.51	40.99	2/19/2025	73.46	72.23	2/19/2025	74.7	73.93	2/19/2025	$ 75.83
2/18/2025	46.43	45.53	2/18/2025	41.4	40.7	2/18/2025	73.23	71.11	2/18/2025	74.81	73.23	2/18/2025	$ 75.30
2/14/2025	46.83	45.66	2/14/2025	41.36	40.63	2/14/2025	72.72	71.38	2/14/2025	74.5	73.26	2/14/2025	$ 75.41
2/13/2025	46.52	45.7	2/13/2025	41.1	40.82	2/13/2025	72.34	71.02	2/13/2025	73.56	72.63	2/13/2025	$ 75.10
2/12/2025	45.93	45.2	2/12/2025	40.94	40.25	2/12/2025	71.42	69.42	2/12/2025	73.15	71.92	2/12/2025	$ 74.19
2/11/2025	46.12	45.54	2/11/2025	40.87	39.94	2/11/2025	70.88	69.72	2/11/2025	72.97	71.6	2/11/2025	$ 74.07
2/10/2025	46.23	45.64	2/10/2025	40.19	39.69	2/10/2025	71.04	69.97	2/10/2025	72.1	71.18	2/10/2025	$ 73.77
2/7/2025	46.95	46.07	2/7/2025	40.54	39.92	2/7/2025	71.49	70.4	2/7/2025	72.28	71.27	2/7/2025	$ 74.37
2/6/2025	47.3	46.7	2/6/2025	40.61	40.3	2/6/2025	71.39	70.7	2/6/2025	73.49	71.99	2/6/2025	$ 74.81
2/5/2025	47.77	46.82	2/5/2025	40.47	39.85	2/5/2025	71.39	70.66	2/5/2025	71.87	68.48	2/5/2025	$ 74.42
2/4/2025	47.71	46.33	2/4/2025	40.02	39.2	2/4/2025	70.73	69.74	2/4/2025	71.52	70.16	2/4/2025	$ 73.57
2/3/2025	48.3	47.03	2/3/2025	40.11	39.2	2/3/2025	71.08	69.37	2/3/2025	71.57	69.82	2/3/2025	$ 73.47
1/31/2025	48.14	45.36	1/31/2025	40.26	39.76	1/31/2025	71.19	69.98	1/31/2025	71.35	70.35	1/31/2025	$ 73.66
1/30/2025	48	47.28	1/30/2025	40.64	40.05	1/30/2025	70.5	69.55	1/30/2025	71.99	69.9	1/30/2025	$ 73.90
1/29/2025	47.63	46.82	1/29/2025	40.65	39.61	1/29/2025	70.21	68.58	1/29/2025	71.3	68.96	1/29/2025	$ 73.19
1/28/2025	48.18	47.18	1/28/2025	41.06	40.25	1/28/2025	70.75	69.29	1/28/2025	71.11	70.03	1/28/2025	$ 73.63
1/27/2025	48.04	46.68	1/27/2025	41.16	40.35	1/27/2025	70.7	68.19	1/27/2025	71.27	69.76	1/27/2025	$ 73.42
1/24/2025	46.97	46.31	1/24/2025	40	39.35	1/24/2025	69.24	68.35	1/24/2025	69.67	68.68	1/24/2025	$ 72.40
1/23/2025	46.77	46.18	1/23/2025	39.97	39.45	1/23/2025	70.51	69.2	1/23/2025	69.95	68.94	1/23/2025	$ 72.69
1/22/2025	47.43	46.52	1/22/2025	41.04	39.75	1/22/2025	72	69.79	1/22/2025	71.68	69.35	1/22/2025	$ 73.88
1/21/2025	48.27	47.64	1/21/2025	41.55	40.75	1/21/2025	73.85	71.93	1/21/2025	72.78	70.01	1/21/2025	$ 75.54
1/17/2025	47.73	47.06	1/17/2025	40.5	40.02	1/17/2025	73.41	72.27	1/17/2025	69.85	68.8	1/17/2025	$ 74.52
1/16/2025	47.43	46.32	1/16/2025	40.16	39.38	1/16/2025	72.85	70.83	1/16/2025	68.77	67.34	1/16/2025	$ 73.37
1/15/2025	47.08	46.05	1/15/2025	40.11	39.03	1/15/2025	71.33	70.22	1/15/2025	68.43	67.16	1/15/2025	$ 72.61
1/14/2025	46.09	45.51	1/14/2025	39.47	38.88	1/14/2025	69.91	69.15	1/14/2025	67.46	66.33	1/14/2025	$ 71.57
1/13/2025	45.71	44.9	1/13/2025	38.81	38.17	1/13/2025	69.28	67.68	1/13/2025	66.36	65.49	1/13/2025	$ 70.57
1/10/2025	45.98	44.97	1/10/2025	38.95	38.03	1/10/2025	68.07	66.38	1/10/2025	67.04	65.15	1/10/2025	$ 70.40
1/8/2025	46.45	45.27	1/8/2025	39.24	38.33	1/8/2025	68.38	67.11	1/8/2025	67.39	65.78	1/8/2025	$ 70.87
1/7/2025	46.11	45.4	1/7/2025	39.04	38.27	1/7/2025	68.76	67.56	1/7/2025	66.96	65.9	1/7/2025	$ 70.86
1/6/2025	46.73	45.58	1/6/2025	39.71	38.57	1/6/2025	68.99	67.52	1/6/2025	68.1	66.13	1/6/2025	$ 71.35
1/3/2025	46.85	46.21	1/3/2025	39.75	39.12	1/3/2025	69.21	67.81	1/3/2025	69	68.03	1/3/2025	$ 72.05
1/2/2025	47.14	46.05	1/2/2025	39.98	39.22	1/2/2025	69.82	67.75	1/2/2025	68.5	67.7	1/2/2025	$ 72.22
12/31/2024	46.97	46.36	12/31/2024	40	39.26	12/31/2024	69.98	68.66	12/31/2024	68.02	66.98	12/31/2024	$ 72.33
12/30/2024	46.77	46.08	12/30/2024	39.55	39.18	12/30/2024	69.68	68.84	12/30/2024	67.73	66.53	12/30/2024	$ 71.97
12/27/2024	46.75	46.23	12/27/2024	39.83	39.26	12/27/2024	70.18	69.37	12/27/2024	67.5	66.67	12/27/2024	$ 72.40
12/26/2024	46.82	46.38	12/26/2024	39.8	39.31	12/26/2024	70.09	69.25	12/26/2024	67.66	66.61	12/26/2024	$ 72.39
12/24/2024	46.84	46.27	12/24/2024	39.78	39.32	12/24/2024	69.98	68.92	12/24/2024	67.11	66.27	12/24/2024	$ 72.21
12/23/2024	46.46	45.85	12/23/2024	39.6	39.05	12/23/2024	69.3	67.86	12/23/2024	66.68	65.75	12/23/2024	$ 71.51
12/20/2024	46.7	45.79	12/20/2024	40.1	39.25	12/20/2024	69.25	67.5	12/20/2024	67.01	65.21	12/20/2024	$ 71.51
12/19/2024	46.48	45.45	12/19/2024	39.86	39.25	12/19/2024	68.57	67.11	12/19/2024	65.99	64.54	12/19/2024	$ 71.26
12/18/2024	**47.63**	**45.38**	**12/18/2024**	**41.22**	**39.12**	**12/18/2024**	**71.03**	**66.92**	**12/18/2024**	**68.79**	**64.44**	12/18/2024	$ 72.41
12/17/2024	47.92	47.18	12/17/2024	41.43	40.88	12/17/2024	71.11	70.04	12/17/2024	68.55	67.31	12/17/2024	$ 73.66
12/16/2024	48.03	47.47	12/16/2024	41.83	41.28	12/16/2024	71.17	69.92	12/16/2024	68.13	67.11	12/16/2024	$ 74.09
12/13/2024	47.84	47.39	12/13/2024	41.82	41	12/13/2024	70.64	69.85	12/13/2024	67.87	67.11	12/13/2024	$ 73.99
12/12/2024	48.64	47.82	12/12/2024	42.36	41.55	12/12/2024	71.58	69.92	12/12/2024	69.43	68.01	12/12/2024	$ 74.43
12/11/2024	48.4	47.86	12/11/2024	42.18	41.77	12/11/2024	72.02	71.12	12/11/2024	69.57	68.7	12/11/2024	$ 74.63
12/10/2024	49.01	47.88	12/10/2024	42.35	41.51	12/10/2024	72.46	71.46	12/10/2024	70.72	68.8	12/10/2024	$ 74.63
12/9/2024	49.18	48.36	12/9/2024	42.49	41.68	12/9/2024	74.05	72.26	12/9/2024	71.37	69.66	12/9/2024	$ 75.49
12/6/2024	49.91	49.01	12/6/2024	42.53	41.6	12/6/2024	73.88	72	12/6/2024	71.04	70.08	12/6/2024	$ 75.84
12/5/2024	50.36	49.75	12/5/2024	42.9	42.24	12/5/2024	75.14	72.32	12/5/2024	72.48	70.61	12/5/2024	$ 76.52
12/4/2024	50.22	49.7	12/4/2024	43.09	42.67	12/4/2024	75.97	74.61	12/4/2024	72.2	71.41	12/4/2024	$ 76.75
12/3/2024	51.6	50.11	12/3/2024	43.57	42.92	12/3/2024	77.46	75.86	12/3/2024	73.2	71.67	12/3/2024	$ 77.89
12/2/2024	51.75	50.7	12/2/2024	43.74	42.71	12/2/2024	78.17	76.48	12/2/2024	73.61	72.14	12/2/2024	$ 78.37
11/29/2024	51.79	51.43	11/29/2024	44	43.53	11/29/2024	78.27	77.56	11/29/2024	73.63	73	11/29/2024	$ 79.05
11/27/2024	51.95	49.87	11/27/2024	44.11	43.24	11/27/2024	78.4	77.25	11/27/2024	73.64	72.78	11/27/2024	$ 78.98
11/26/2024	51.42	49.19	11/26/2024	43.63	42.92	11/26/2024	78.38	76.93	11/26/2024	73.24	72.12	11/26/2024	$ 78.49
11/25/2024	51.8	51.09	11/25/2024	44.25	43.6	11/25/2024	78.89	77.86	11/25/2024	73.52	72.6	11/25/2024	$ 79.13
11/22/2024	51.16	49.93	11/22/2024	43.98	43.07	11/22/2024	78.21	77.38	11/22/2024	72.71	70.75	11/22/2024	$ 78.48
11/21/2024	49.98	48.91	11/21/2024	43.3	42.08	11/21/2024	76.97	76.08	11/21/2024	70.73	68.44	11/21/2024	$ 77.19
11/20/2024	48.85	48.26	11/20/2024	42.17	41.44	11/20/2024	76.48	75.33	11/20/2024	68.44	67	11/20/2024	$ 76.15
11/19/2024	48.76	47.84	11/19/2024	41.84	41.03	11/19/2024	76.49	75	11/19/2024	68.01	67.02	11/19/2024	$ 75.89
11/18/2024	48.68	47.88	11/18/2024	41.87	41.03	11/18/2024	76.78	75.15	11/18/2024	68.35	66.28	11/18/2024	$ 75.87
11/15/2024	48.11	47.27	11/15/2024	41.3	40.55	11/15/2024	75.53	74.39	11/15/2024	67.27	66.13	11/15/2024	$ 75.18
11/14/2024	47.98	47.18	11/14/2024	41.67	40.38	11/14/2024	75.4	74.09	11/14/2024	66.35	65.67	11/14/2024	$ 75.19
11/13/2024	48.37	47.69	11/13/2024	42.16	41.24	11/13/2024	76.16	74.9	11/13/2024	66.89	65.63	11/13/2024	$ 75.57
11/12/2024	48.38	47.61	11/12/2024	42.56	41.28	11/12/2024	76.34	74.95	11/12/2024	67.28	66.07	11/12/2024	$ 75.63
11/11/2024	47.73	46.92	11/11/2024	41.9	41	11/11/2024	75.3	73.84	11/11/2024	66.19	64.45	11/11/2024	$ 74.75
11/8/2024	47.17	46.46	11/8/2024	41.23	40.32	11/8/2024	74.45	70.16	11/8/2024	65.12	63.67	11/8/2024	$ 73.71
11/7/2024	47.24	46.28	11/7/2024	41.18	40.32	11/7/2024	74.25	71.95	11/7/2024	65.57	63.89	11/7/2024	$ 73.08
11/6/2024	47.65	46.64	11/6/2024	41.34	40.01	11/6/2024	75.37	72.86	11/6/2024	65.57	63.78	11/6/2024	$ 73.03
11/5/2024	45.8	44.78	11/5/2024	39.13	38.24	11/5/2024	70.69	68.17	11/5/2024	62.82	61.92	11/5/2024	$ 70.56
11/4/2024	45.56	44.83	11/4/2024	38.71	38.03	11/4/2024	70.94	69.93	11/4/2024	62.99	61.87	11/4/2024	$ 70.58
11/1/2024	46.06	45.15	11/1/2024	39.17	38.3	11/1/2024	71.81	69.81	11/1/2024	64.02	62.31	11/1/2024	$ 71.17
10/31/2024	46.54	45.84	10/31/2024	39.89	38.88	10/31/2024	72.77	71.23	10/31/2024	65.06	63.81	10/31/2024	$ 72.09
10/30/2024	46.73	46.21	10/30/2024	40.5	39.95	10/30/2024	73.79	72.1	10/30/2024	65.02	64.37	10/30/2024	$ 72.66
10/29/2024	46.25	45.76	10/29/2024	40.33	39.64	10/29/2024	73.33	72.45	10/29/2024	64.95	64.26	10/29/2024	$ 72.42
10/28/2024	46.65	46	10/28/2024	40.53	40.08	10/28/2024	74.08	73.34	10/28/2024	65.77	65.14	10/28/2024	$ 72.99
10/25/2024	46.7	45.94	10/25/2024	40.57	39.83	10/25/2024	74.3	72.99	10/25/2024	65.99	64.78	10/25/2024	$ 72.98
10/24/2024	46.99	46.24	10/24/2024	41.03	40.03	10/24/2024	74.36	73.35	10/24/2024	66.16	65.36	10/24/2024	$ 73.31
10/23/2024	46.96	46.44	10/23/2024	40.71	40.22	10/23/2024	73.83	73.13	10/23/2024	66.41	65.62	10/23/2024	$ 73.23
10/22/2024	46.86	46.26	10/22/2024	40.9	40.39	10/22/2024	73.91	73.33	10/22/2024	66.79	65.59	10/22/2024	$ 72.99
10/21/2024	47.17	46.36	10/21/2024	40.88	39.95	10/21/2024	74.9	73.23	10/21/2024	66.4	64.57	10/21/2024	$ 73.34

Internal Rate of Return Analysis Summary
25-BHCG-298-RTS

1	2	3	4	5	6	7	8	9	10	11	12	13	14
						Short-Term Growth EPS Growth				**Long-Term Growth Years 5 Through 250**			
	IRR	Average Price	ST Growth Estimate	LT Growth Estimate	2026 Dividends	2025 Year 0	2026 Year1	2027 Year2	2028 Year3	2029 Year4	2030 Year5	2031 Year6	Sum of 2031 through 2274 Year 7 through Year 250
Atmos Energy, Corp.	6.94%	$ 145.30	6.85%	4.08%	$3.68	($141.62)	$3.68	$3.93	$4.20	$4.49	$4.80	$4.99	$ 2,200,961.20
Black Hills Energy, Corp	9.06%	$ 60.30	4.65%	4.08%	$2.81	($57.49)	$2.81	$2.94	$3.08	$3.22	$3.37	$3.50	$1,545,179.71
New Jersey Resources	8.46%	$ 48.37	5.30%	4.08%	$1.95	($46.42)	$1.95	$2.05	$2.16	$2.28	$2.40	$2.50	$1,100,055.40
NiSource, Inc.	7.78%	$ 37.84	7.58%	4.08%	$1.20	($36.64)	$1.20	$1.29	$1.39	$1.49	$1.61	$1.67	$737,520.11
Northwest Natural	9.18%	$ 41.14	4.50%	4.08%	$1.97	($39.17)	$1.97	$2.06	$2.15	$2.25	$2.35	$2.45	$1,077,948.10
ONE Gas, Inc.	7.89%	$ 72.64	3.51%	4.08%	$2.72	($69.92)	$2.72	$2.82	$2.91	$3.02	$3.12	$3.25	$1,432,869.23
Spire, Inc.	9.17%	$ 70.34	5.47%	4.08%	$3.26	($67.08)	$3.26	$3.44	$3.63	$3.82	$4.03	$4.20	$1,850,621.02
Mean	8.14%												
Min	6.61%												
Max	9.18%												

Column 1) Proxy group
2) Internal rate of return calcuation which is the discount rate that equates the stock price paid to the stream of future dividends recieved
3) Mid-point of observed weekly high and low stock prices from October 21, 2024 through March 14, 2025
4) Average of short-term growth rates used in first 5 years
5) Long-term nGDP growth rate used beginning in year 6
6) 2026 dividends reported by Value-Line
7) Year 0 Cashflow; stock price less 2026 dividend
8 through 12) Annual cashflow growing at short-term growth rate
13 through 250) Annual cashflow growing at long-term growth rate

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Adam Gatewood, being duly sworn upon his oath deposes and states that he is a Senior Managing Financial Analyst for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Direct Testimony*, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.

Adam Gatewood
Senior Managing Financial Analyst
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 30 day of April, 2025.

Notary Public

My Appointment Expires: 4/28/29

NOTARY PUBLIC - State of Kansas
ANN M. MURPHY
My Appt. Expires 4/28/29

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony was served via electronic service this 9th day of May, 2025, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067-0017
jflaherty@andersonbyrd.com

JEFF AUSTIN
AUSTIN LAW P.A.
7111 W. 151st ST.
SUITE 315
OVERLAND PARK, KS 66223
jeff@austinlawpa.com

NICK SMITH, MANAGER - REGULATORY & FINANCE
BLACK HILLS/KANSAS GAS UTILITY COMPANY LLC
D/B/A Black Hills Energy
601 NORTH IOWA STREET
LAWRENCE, KS 66044
nick.smith@blackhillscorp.com

JEFFREY DANGEAU, ASSOCIATE GENERAL COUNSEL
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
D/B/A BLACK HILLS ENERGY
655 EAST MILLSAP DRIVE, STE. 104
PO BOX 13288
FAYETTEVILLE, AR 72703-1002
jeff.dangeau@blackhillscorp.com

ROB DANIEL, DIRECTOR OF REGULATORY
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
D/B/A BLACK HILLS ENERGY
2287 COLLEGE ROAD
COUNCIL BLUFFS, IA 51503
rob.daniel@blackhillscorp.com

DOUGLAS LAW, ASSOCIATE GENERAL COUNSEL
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
D/B/A BLACK HILLS ENERGY
2287 COLLEGE ROAD
COUNCIL BLUFFS, IA 51503
douglas.law@blackhillscorp.com

JOSEPH R. ASTRAB, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
joseph.astrab@ks.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
todd.love@ks.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
shonda.rabb@ks.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
della.smith@ks.gov

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

ALEX GOLDBERG, ATTORNEY
EVERSHEDS SUTHERLAND (US) LLP
1196 S MONROE STREET
DENVER, CO 80210
alexgoldberg@eversheds-sutherland.com

MOLLY E MORGAN, ATTORNEY
FOULSTON SIEFKIN LLP
1551 N. Waterfront Parkway
Suite 100
Wichita, KS 67206
mmorgan@foulston.com

JAMES P ZAKOURA, ATTORNEY
FOULSTON SIEFKIN LLP
7500 COLLEGE BOULEVARD, STE 1400
OVERLAND PARK, KS 66201-4041
jzakoura@foulston.com

DAVID N DITTEMORE
FREEDOM PIPELINE, LLC
609 REGENT PARK DRIVE
MT. JULIET, TN 37122-6391
d.dittemore28@gmail.com

MONTGOMERY ESCUE, CONSULTANT
FREEDOM PIPELINE, LLC
3054 KINGFISHER POINT
CHULUOTA, FL 32766
montgomery@escue.com

KIRK HEGER
FREEDOM PIPELINE, LLC
1901 UNIVERSITY DRIVE
LAWRENCE, KS 66044
kirkheger@gmail.com

AARON BAILEY, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
aaron.bailey@ks.gov

PATRICK HURLEY, CHIEF LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
patrick.hurley@ks.gov

PAUL MAHLBERG, GENERAL MANAGER
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
mahlberg@kmea.com

TERRI J PEMBERTON, GENERAL COUNSEL
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
pemberton@kmea.com

DARREN PRINCE, MANAGER, REGULATORY & RATES
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
prince@kmea.com

DIXIE RIEDEL, DIRECTOR OF NATURAL GAS, KMGA
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
riedel@kmea.com

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

GLENDA CAFER, MORRIS LAING LAW FIRM
MORRIS LAING EVANS BROCK & KENNEDY CHTD
800 SW JACKSON STE 1310
TOPEKA, KS 66612-1216
gcafer@morrislaing.com

LUKE A. SOBBA, ATTORNEY
MORRIS LAING EVANS BROCK & KENNEDY CHTD
800 SW JACKSON STE 1310
TOPEKA, KS 66612-1216
lsobba@morrislaing.com

WILL B. WOHLFORD, ATTORNEY
MORRIS LAING EVANS BROCK & KENNEDY CHTD
300 N MEAD STE 200
WICHITA, KS 67202-2745
wwohlford@morrislaing.com

PHOENIX Z. ANSHUTZ, ATTORNEY
PENNER LOWE LAW GROUP, LLC
245 N WACO STREET, STE 125
WICHITA, KS 67202
panshutz@pennerlowe.com

FRANK A. CARO, JR., ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
fcaro@polsinelli.com

JARED R. JEVONS, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
jjevons@polsinelli.com

RICHARD L. HANSON
RICHARD L. HANSON
16171 ROAD I
LIBERAL, KS 67901
rlhanson@wbsnet.org

LAURA PFLUMM CEREZO, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD CORPORATION
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
laura.cerezo@seabordcorp.com

LAURA PFLUMM CEREZO, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD FOODS LLC
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
laura.cerezo@seabordcorp.com

JENNIFER CHARNO NELSON, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD CORPORATION
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
jennifer.nelson@seaboardfoods.com

JENNIFER CHARNO NELSON, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD FOODS LLC
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
jennifer.nelson@seaboardfoods.com

STACY WILLIAMS, SVP, GENERAL COUNSEL
SYMMETRY ENERGY, LLC
1111 Louisiana St.
Houston, TX 77002
stacy.williams@symmetryenergy.com

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

DON KRATTENMAKER, VICE PRESIDENT
WOODRIVER ENERGY, LLC
633 17th STREET, STE. 1410
DENVER, CO 80202
don.krattenmaker@woodriverenergy.com

Ann Murphy

Ann Murphy