

**BEFORE THE
COUNCIL OF THE CITY OF NEW ORLEANS**

**REVISED APPLICATION OF ENTERGY)
NEW ORLEANS, LLC FOR A CHANGE)
IN ELECTRIC AND GAS RATES) DOCKET NO. UD-18-07
PURSUANT TO COUNCIL RESOLUTIONS)
R-15-194 AND R-17-504 AND)
FOR RELATED RELIEF)**

**SURREBUTTAL TESTIMONY
AND EXHIBITS
OF
RICHARD A. BAUDINO**

**ON BEHALF OF THE
CRESCENT CITY POWER USERS' GROUP**

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

APRIL 2019

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SURREBUTTAL TESTIMONY OF RICHARD A. BAUDINO

1 **Q. Please state your name and business address.**

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

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

6 A. I am a consultant with Kennedy and Associates.

7 **Q. Did you provide Direct Testimony in this proceeding?**

8 A. Yes. I submitted Direct Testimony on behalf of the Crescent City Power Users’ Group
9 (“CCPUG”).

10 **Q. What is the purpose of your Surrebuttal Testimony?**

11 A. The purpose of my testimony is to respond to the Rebuttal Testimony filed by Mr.
12 Robert Hevert, witness for Entergy New Orleans, LLC (“ENO” or “Company”). In
13 so doing, I will also address recent conditions in the financial markets and their effect,
14 if any, on my recommended 9.35% investor required return on equity (“ROE”) for
15 ENO in this proceeding. I will also present an update to my ROE analyses that I

1 presented in my Direct Testimony. Finally, I will respond to the Rebuttal Testimony
2 of ENO witness Joshua Thomas with respect to the Reliability Incentive Mechanism
3 ("RIM") and the Distribution Grid Modernization ("DGM") Rider and the Gas
4 Infrastructure Replacement Program ("GIRP").

5 **Response to Hevert Rebuttal**

6 **Q. Did Mr. Hevert provide an update to his ROE analyses that he presented in his**
7 **Revised Direct Testimony?**

8 A. Yes. Mr. Hevert presented updates to his Constant Growth Discounted Cash Flow
9 ("DCF"), Multi-Stage DCF, Capital Asset Pricing Model ("CAPM"), Expected
10 Earnings, and Bond Yield Plus Risk Premium analyses. He summarized these results
11 in in Table 11, page 154 of his Rebuttal Testimony.

12 **Q. Please summarize Mr. Hevert's updated ROE analyses.**

13 A. Surrebuttal Table 1 summarizes Mr. Hevert's updated results below. For ease of
14 presentation, I have only included the mean results of Mr. Hevert's DCF studies and
15 did not include high and low ROE estimates.

Surrebuttal Table 1	
Hevert Updated ROE Results	
Constant Growth DCF:	
Mean DCF Results	9.24% - 9.39%
Multi-stage DCF - Gordon Method:	
Mean DCF Results	8.87% - 9.02%
Multi-Stage DCF - Terminal P/E Ratio	
Mean DCF Results	8.96% - 9.36%
CAPM:	
Bloomberg Beta Results	8.25% - 10.00%
Value Line Beta Results	9.29% - 11.34%
Expected Earnings	10.34% - 10.52%
Bond Yield Risk Premium	9.93% - 10.17%

1
2 In my Direct Testimony, I noted that Mr. Hevert seemed to rely mostly on the CAPM
3 results for his recommendation while completely disregarding the DCF results. Mr.
4 Hevert's updated ROE analyses are consistent with his approach in his Revised Direct
5 Testimony. Mr. Hevert maintained his recommended ROE range for ENO of 10.25%
6 - 11.25% and his recommended ROE of 10.75%. My conclusions regarding Mr.
7 Hevert's ROE recommendations are:

- 8
- Mr. Hevert excluded the entirety of his DCF mean results.
 - 9
 - Mr. Hevert's ROE range excludes the Bloomberg CAPM Beta results and the
10 lower bound of his Value Line Beta results.
 - 11
 - Mr. Hevert's ROE range excludes the Bond Yield Risk Premium results.
 - 12
 - Although Mr. Hevert's Expected Earnings numbers are within his
13 recommended ROE range, all are below his recommended ROE of 10.75%.

14 The lower bound of Mr. Hevert's ROE range is roughly consistent with his Mean High
15 Constant Growth DCF results, which 10.23% - 10.38%. The upper bound of Mr.

1 Hevert's ROE range is consistent with the high end of his CAPM results using the
2 Value Line beta and the Value Line derived market risk premium, which was 11.34%.
3 Clearly, Mr. Hevert relied on a very small number of his ROE results and focused
4 almost exclusively on the CAPM results which produce the highest returns. In doing
5 so, Mr. Hevert contradicted his own assertion in his Rebuttal Testimony concerning
6 the "importance of considering multiple analytical methods, given the complexity of
7 determining investor-required ROE..."¹

8 **Q. Mr. Hevert's Table 11 also presents "Expected Earnings" of 10.34% - 10.52%.
9 Should the Council of the City of New Orleans ("Council") give this additional
10 approach any weight in this proceeding?**

11 A. No. These are Value Line's projected earned returns for the Revised Proxy Group 3
12 – 5 years from now. They do not represent required returns today as measured in the
13 financial markets. I continue to recommend the Council use the current market
14 evidence presented in my DCF results for its authorized ROE for ENO in this
15 proceeding. As I will show next, the Expected Earnings ROEs significantly exceed
16 allowed ROE presented by Mr. Hevert in his Rebuttal Testimony.

17 **Q. On page 5 of his Rebuttal Testimony, Mr. Hevert presented Chart 1, which shows
18 a comparison of commission-allowed returns and his calculation of DCF results
19 for the Revised Proxy Group. Please comment on this analysis.**

20 A. On page 5 of his Rebuttal Testimony, Mr. Hevert criticized the DCF as being
21 inconsistent with decisions reached by regulatory commissions over the last several
22 years. Mr. Hevert attempted to make this point using data he presented in Chart 1.

¹ Hevert Rebuttal Testimony, at p. 8, ll. 22-24.

1 However, the data in Chart 1 clearly show that the DCF results are much closer to
2 authorized ROEs than Mr. Hevert's recommended 10.75% ROE. In fact, Mr. Hevert's
3 10.75% ROE is, quite literally, off the chart given that the top ROE on his Chart 1 is
4 10.50%.² The most recent authorized ROE shown on Mr. Hevert's Chart 1 is slightly
5 above 9.50%, which is much closer to my recommended 9.35% ROE than Mr.
6 Hevert's 10.75% ROE.

7
8 To provide a clearer picture of recent authorized ROEs for the Council, I reviewed the
9 data presented by Mr. Hevert in his Rebuttal Exhibit RBH-19. Surrebuttal Table 2
10 below presents the authorized ROEs presented by Mr. Hevert in this exhibit for 2018
11 - 2019 as well as the average authorized ROE for the six-month period from September
12 2018 through February 2019.

² Although the top of Mr. Hevert's Chart 1 is 10.50%, the highest authorized ROE shown on Chart 1 is approximately 10.20%. Chart 1 shows Mr. Hevert's selected, authorized ROEs from the first quarter of 2014 through the third quarter of 2018.

Surrebuttal Table 2		
2018 - 2019 Allowed ROEs		
Rebuttal Exhibit (RBH-19)		
Date	Return on Equity (%)	
1/18/18	9.70%	
1/31/18	9.30%	
2/2/18	9.98%	
2/23/18	9.90%	
3/12/18	9.25%	
3/15/18	9.00%	
3/29/18	10.00%	
4/12/18	9.90%	
4/13/18	9.73%	
4/18/18	9.25%	
4/18/18	10.00%	
4/26/18	9.50%	
5/30/18	9.95%	
5/31/18	9.50%	
6/14/18	8.80%	
6/22/18	9.50%	
6/22/18	9.90%	
6/28/18	9.35%	
6/29/18	9.50%	
8/8/18	9.53%	
8/21/18	9.70%	
8/24/18	9.28%	
9/5/18	9.10%	
9/14/18	10.00%	
9/20/18	9.80%	
9/26/18	9.77%	
9/26/18	10.00%	
9/27/18	9.30%	
10/4/18	9.85%	
10/29/18	9.60%	
10/31/18	9.99%	
11/1/18	8.69%	
12/4/18	8.69%	
12/13/18	9.30%	
12/14/18	9.50%	
12/19/18	9.84%	
12/20/18	9.65%	
12/21/18	9.30%	
1/9/19	10.00%	
2/27/19	9.75%	
Average	9.57%	
Avg. From Last 6 Months	9.56%	
Highest ROE Award	10.00%	
Lowest ROE award	8.69%	

1 This table shows quite clearly how far out of the mainstream Mr. Hevert's 10.75%
2 ROE recommendation is. According to the data presented by Mr. Hevert, the highest
3 ROE award in 2018 - 2019 was 10%, while the lowest was 8.69%. Mr. Hevert's
4 recommended 10.75% significantly exceeds the upper end of the range (10%) of
5 allowed returns in 2018 - 2019.

6 **Q. In your opinion, is Mr. Hevert's rejection of the mean DCF results responsible**
7 **for his excessively high 10.75% ROE recommendation?**

8 A. Yes, most definitely. Surrebuttal Table 1 shows that Mr. Hevert's mean DCF results
9 are far more consistent with recent allowed returns than Mr. Hevert's recommended
10 ROE.

11 **Q. What is your conclusion with respect to Mr. Hevert's updated ROE analyses?**

12 A. My conclusion is that Mr. Hevert's updated analyses do not support his excessive ROE
13 recommendation of 10.75%. His mean DCF analyses (resulting in a range of ROEs
14 from 8.87% to 9.39%) and his Bloomberg CAPM analysis analyses (resulting in a
15 range of ROEs from 8.25% to 10.00%) support a much lower investor required ROE
16 and are more consistent with my recommended ROE of 9.35%. Even Mr. Hevert's
17 Risk Premium results, which are based on his analysis of Commission-allowed returns
18 and that range from 9.93% - 10.17%, do not remotely support a 10.75% ROE for ENO
19 or for any other regulated utility company.

20
21 I continue to strongly recommend that the Council reject Mr. Hevert's ROE
22 recommendation of 10.75%.

1 **Q. Should the Council base its allowed ROE in this proceeding on the decisions of**
2 **other regulatory commissions?**

3 A. Although allowed returns in other jurisdictions may provide general background and
4 context for the Council's deliberations in this case, I recommend that the Council base
5 its ROE determination on the information presented in this proceeding. The overview
6 I provided of other regulatory commission decisions clearly demonstrates that Mr.
7 Hevert's ROE recommendation is exceptionally out of line with current allowed
8 ROEs, is inconsistent with market evidence presented in the DCF model, and is grossly
9 overstated with respect to the vast majority of his CAPM results.

10 **Q. On page 132 of his Rebuttal Testimony, Mr. Hevert disagrees with your use of**
11 **projected dividend growth from Value Line in your DCF analyses. Please**
12 **respond to Mr. Hevert's position on this aspect of your analysis.**

13 A. I agree that the bulk of academic literature supports using earnings growth rates in the
14 DCF model, and I gave earnings growth a 75% weighting and dividend growth a 25%
15 weighting in my DCF analysis. This means that forecasted earnings growth was the
16 main factor I considered for investor expected growth. However, since the Value Line
17 Investment Survey presents forecasted dividend growth in its reports on regulated
18 utility companies and, since dividends are a major source of income for investors in
19 utility stocks, it is reasonable to include Value Line's dividend growth forecast in my
20 DCF analysis.

21 **Q. On page 135 of his Rebuttal Testimony, Mr. Hevert testified that "interest rates**
22 **are expected to increase" and that it was "unreasonable" to place significant**
23 **weight on the Constant Growth DCF model's results when the assumptions**
24 **underlying that model are allegedly inconsistent with market expectations.**
25 **Please address Mr. Hevert's testimony on this point.**

1 A. As I testified in my Direct Testimony, page 10, the current low interest rate
2 environment still favors the stocks of regulated utility companies. The DCF model
3 correctly reflects investor preferences through the use of current stock prices to
4 estimate investors' required rate of return based on current market conditions.
5 Furthermore, Mr. Hevert's concerns regarding increasing interest rates is, in my view,
6 misplaced at this time. Since I filed my Direct Testimony in this proceeding, there has
7 been a significant shift in the approach of the Federal Reserve to its policy of
8 increasing the federal funds rate. The increases that the Fed had planned in 2019 have
9 been put on hold due to economic conditions in the United States as well as the rest of
10 the world. In its March 20, 2019 press release the federal reserve state the following:

11 "Consistent with its statutory mandate, the Committee seeks to foster maximum
12 employment and price stability. In support of these goals, the Committee decided to
13 maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent. The
14 Committee continues to view sustained expansion of economic activity, strong labor
15 market conditions, and inflation near the Committee's symmetric 2 percent objective
16 as the most likely outcomes. In light of global economic and financial developments
17 and muted inflation pressures, the Committee will be patient as it determines what
18 future adjustments to the target range for the federal funds rate may be appropriate to
19 support these outcomes."
20

21 Chairman Powell reiterated the Fed's approach in a Wall Street Journal article on
22 March 8, 2019 in which he stated:

23 'With nothing in the outlook demanding an immediate policy
24 response,' the central bank has 'adopted a patient, wait-and-see
25 approach to considering any alteration in the stance of policy,' Mr.
26 Powell said in remarks to the Stanford Institute of Economic Policy
27 Research in Stanford, California.³
28

³ *Fed Chief Says No Need to Change Interest Rates at Present*, Wall Street Journal, March 8, 2019.

1 From an April 11, 2019 article in the *Wall Street Journal*, most economists expect no
2 further increases in the federal funds rate this year.

3 "The Federal Reserve will keep interest rates unchanged at least through the end of
4 2021, according to the majority of economists surveyed by The Wall Street Journal
5 this month.

6
7 In March, the economists predicted the central bank would raise rates once this year,
8 but Fed officials' statements and projections since then appear to have changed the
9 economists' outlook.

10
11 "The Fed's rate hiking cycle is over," said Scott Anderson, an economist at Bank of
12 the West. "Next move will be a rate cut."

13
14 Just 1% of respondents predicted a rate cut this year, but about a third saw one or more
15 reductions by the end of 2021.

16
17 The global economic slowdown earlier this year coupled with fears about escalating
18 trade tensions tempered expectations of further rate increases.

19
20 Fed officials, in speeches and statements, have said they would take a patient approach
21 toward monetary policy, suggesting they are in no hurry to raise rates again.

22
23 Fed Chairman Jerome Powell, in remarks to reporters following the central bank's
24 meeting March 19-20, seemed to rule out a rate increase anytime soon.⁴

25
26 With low inflation, slowing growth in the United States, China, and Europe, and
27 tightening financial conditions, I conclude that the case for increasing the federal funds
28 rate in 2019 has weakened considerably.

29 **Q. What has happened to long-term utility bond and Treasury bond yields since you**
30 **filed your Direct Testimony?**

31 A. Long-term bond yields have declined since I filed my Direct Testimony in this case.
32 At the end of March 2019, the yield on the 30-year Treasury Bond stood at 2.98%,
33 down from 3.10% in December 2018. The Mergent average public utility bond yield

⁴ *Economists See Fed On Hold at Least Through 2021*, Wall Street Journal, April 11, 2019.

1 declined from 4.51% in December 2018 to 4.26% in March 2019. The decline in long-
2 term bond yields does not support Mr. Hevert's concerns regarding increasing interest
3 rates and declining price/earnings ratios for utility stocks at this time.

4 **Q. How does the Value Line Investment Survey view the regulated utility industry**
5 **currently?**

6 A. The March 15, 2019 Issue of the Value Line Investment Survey covering the Electric
7 Utility (Central) Industry stated the following:

8 "Most electric utility equities have fared well so far this year. As of late 2018, investors
9 were concerned about the possibility of as many as three interest-rate hikes from the
10 Federal Reserve in 2019. It now appears more likely that there will be just one
11 increase—or none at all—this year. This makes utility issues, and their above-average
12 dividend yields, more attractive for investors. As a result, the price of most of the
13 stocks we cover in the Electric Utility Industry has risen since the start of the new year.
14 In some cases, the advance has been more than 10%. Evergy is one of the exceptions,
15 having fallen after Wall Street reacted unfavorably to disclosures made with the
16 company's fourth-quarter earnings release and conference call in February."

17 **Q. Should the Council heed Mr. Hevert's warnings about rising interest rates and**
18 **falling utility price/earnings ratios?**

19 A. No. As stated in my Direct Testimony, it would not be advisable for the Council to
20 base its ROE determination on higher forecasted interest rates that may or may not
21 occur. Indeed, interest rates are somewhat lower now than they were when I filed by
22 Direct Testimony due to recent Fed actions regarding short-term interest rates. Given
23 recent Fed actions and the movement in long-term interest rates, the DCF model
24 continues to provide a reasonable basis for the Council's ROE decision in this case.

25 **Q. On page 140 of his Rebuttal Testimony, Mr. Hevert took issue with your use of**
26 **projected growth in book value in your Market Risk Premium analysis. Please**
27 **explain why it is reasonable to include projected book value growth.**

28 A. On page 37 of his Revised Direct Testimony, Mr. Hevert noted that one of the
29 assumptions of the DCF model is that earnings, book value, and dividends all grow at

1 the same rate in perpetuity. I also accept this commonly known assumption. In
 2 estimating the growth rate for "the market return", however, many companies do not
 3 pay dividends and so it is unlikely that dividend growth would be a major growth
 4 factor for such companies. Therefore, I included both earnings and book value growth
 5 in my growth estimate for the market on the assumption that these growth rates would
 6 converge over time and be consistent with the aforementioned assumption of the DCF
 7 model.

8 Return on Equity Estimate Update

9 **Q. Did you update your ROE analyses?**

10 A. Yes. Surrebuttal Table 3 below summarizes my updated analyses.

Surrebuttal Table 3
Summary of Updated ROE Results

Baudino DCF Methodology:	
Average Growth Rates	
- High	9.07%
- Low	8.76%
- Average	8.90%
Median Growth Rates:	
- High	9.30%
- Low	8.39%
- Average	8.78%
CAPM:	
- 5-Year Treasury Bond	8.16%
- 30-Year Treasury Bond	8.35%
- Historical Returns	6.22% - 7.35%

13

1 Please refer to Surrebuttal Exhibits ___(RAB-1) through ___(RAB-4) for the detailed
2 results.

3
4 The updated results are slightly lower than the results I presented in my Direct
5 Testimony. I believe this reflects the market's expectation of stable short and long-
6 term interest rates, a much different expectation than the one that existed when I
7 prepared my Direct Testimony. Given these results, it would not be unreasonable to
8 reduce my recommended 9.35% ROE for ENO. However, given the Company's split
9 credit rating from S&P and Moody's, with Moody's being below investment grade, I
10 will leave my recommendation at 9.35% at this time.

11 **Q. Did Mr. Hevert modify his proxy group in his Rebuttal Testimony?**

12 A. Yes. According to footnote 358 on page 153 of Mr. Hevert's Rebuttal Testimony, he
13 excluded IDACORP from the proxy group because of a statement in the July 27, 2018
14 issue of Value Line regarding that company's stock price at that time reflected takeover
15 speculation. Mr. Hevert also added a new company, Evergy, Inc. because enough time
16 had passed between the merger of Great Plains Energy and Westar.

17 **Q. Do you agree with these two changes to the proxy group?**

18 A. No. First, the January 29, 2019 Value Line report on IDACORP contained no
19 statements about the company's stock price being influenced by takeover speculation
20 and, in fact, IDACORP has not been acquired as of the writing of my Surrebuttal
21 Testimony. Therefore, IDACORP should remain in the proxy group. Second, there
22 is no need to add a new company, Evergy, Inc. that has recently been formed by a
23 merger. If anything, Evergy should not be included based on the statement from Value

1 Line I quoted earlier in my testimony regarding the fall of that company's stock price
2 due to unfavorable reaction to its earnings disclosure and conference call. I
3 recommend the Council continue to use the original proxy group contained in my
4 Direct and Surrebuttal Testimonies.

5 **ENO's Proposed RIM Plan, DGM, AND GIRP**

6 **Q. Did you review Mr. Thomas' response to your testimony regarding the**
7 **Company's proposed RIM Plan?**

8 A. Yes. On page 20 of his Rebuttal Testimony, Mr. Thomas stated that it is the
9 Company's position that there should be both reward and penalties for any mechanism
10 that ties reliability performance to a financial outcome. I strongly disagree with this
11 position for the reasons I stated in my Direct Testimony. Given ENO's poor reliability
12 over the last few years, the Council should not consider any financial rewards
13 whatsoever. I continue to recommend my proposal for improving ENO's
14 accountability for reliability performance as presented in my Direct Testimony
15 beginning on page 52.

16 **Q. On pages 38 and 39 of his Rebuttal Testimony Mr. Thomas took issue with your**
17 **position on the rejection of proposed Riders GIRP and DGM. Please respond to**
18 **Mr. Thomas' testimony on this point.**

19 A. Mr. Thomas simply restated the proposed review process for Riders GIRP and DGM
20 and failed to address the basis for my arguments against these riders on page 57 of my
21 Direct Testimony. My position continues to be that it is unnecessary and inequitable
22 to provide recovery of additional costs through the GIRP and the DGM when the
23 Company can recover them through the Formula Rate Plans ("FRP") using an historic
24 12-month period. Likewise, contemporaneous cost recovery tips the scales in favor of

1 Entergy shareholders and against ENO's ratepayers. I maintain my position in my
2 Direct Testimony regarding why the Council should reject the GIRP and the DGM.

3 **Q. Does this complete your Surrebuttal Testimony?**

4 **A. Yes.**

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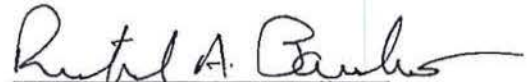
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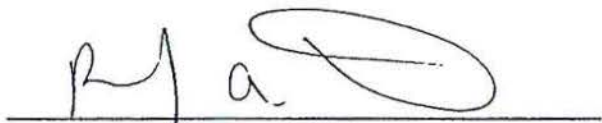
STATE OF GEORGIA)

COUNTY OF FULTON)

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


Richard A. Baudino

Sworn to and subscribed before me on this
26th day of April 2019.


Notary Public



ENTERGY NEW ORLEANS
AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD

		Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
ALLETE	High Price (\$)	78.600	81.590	82.820	77.040	82.950	84.260
	Low Price (\$)	73.490	72.750	72.420	72.500	74.550	80.400
	Avg. Price (\$)	76.045	77.170	77.620	74.770	78.750	82.330
	Dividend (\$)	0.560	0.560	0.560	0.560	0.588	0.588
	Mo. Avg. Div.	2.95%	2.90%	2.89%	3.00%	2.98%	2.85%
	6 mos. Avg.	2.93%					
Alliant Energy	High Price (\$)	44.700	46.050	46.580	44.550	45.990	47.910
	Low Price (\$)	42.010	42.220	40.680	40.750	43.120	45.370
	Avg. Price (\$)	43.355	44.135	43.630	42.650	44.555	46.640
	Dividend (\$)	0.335	0.335	0.335	0.355	0.355	0.355
	Mo. Avg. Div.	3.09%	3.04%	3.07%	3.33%	3.19%	3.04%
	6 mos. Avg.	3.13%					
Ameren Corp.	High Price (\$)	67.230	70.680	70.950	69.620	72.360	74.910
	Low Price (\$)	62.700	62.320	62.510	63.130	67.900	70.410
	Avg. Price (\$)	64.965	66.500	66.730	66.375	70.130	72.660
	Dividend (\$)	0.458	0.458	0.475	0.475	0.475	0.475
	Mo. Avg. Div.	2.82%	2.75%	2.85%	2.86%	2.71%	2.61%
	6 mos. Avg.	2.77%					
American Electric Power	High Price (\$)	76.050	78.470	81.050	79.610	81.760	86.100
	Low Price (\$)	69.310	72.070	72.530	72.260	78.150	80.620
	Avg. Price (\$)	72.680	75.270	76.790	75.935	79.955	83.360
	Dividend (\$)	0.620	0.670	0.670	0.620	0.670	0.670
	Mo. Avg. Div.	3.41%	3.56%	3.49%	3.27%	3.35%	3.21%
	6 mos. Avg.	3.38%					
Avangrid, Inc.	High Price (\$)	49.550	51.110	53.470	50.220	51.350	50.680
	Low Price (\$)	45.810	46.920	48.040	47.450	47.775	48.030
	Avg. Price (\$)	47.680	49.015	50.755	48.835	49.563	49.355
	Dividend (\$)	0.440	0.440	0.440	0.440	0.440	0.440
	Mo. Avg. Div.	3.69%	3.59%	3.47%	3.60%	3.55%	3.57%
	6 mos. Avg.	3.58%					
Black Hills Corp.	High Price (\$)	63.090	66.240	68.230	67.970	71.580	74.770
	Low Price (\$)	57.070	59.330	59.490	60.820	65.960	70.750
	Avg. Price (\$)	60.080	62.785	63.860	64.395	68.770	72.760
	Dividend (\$)	0.475	0.505	0.505	0.475	0.505	0.505
	Mo. Avg. Div.	3.16%	3.22%	3.16%	2.95%	2.94%	2.78%
	6 mos. Avg.	3.03%					

ENTERGY NEW ORLEANS
AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD

		Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
CMS Energy Corp.	High Price (\$)	51.910	52.250	53.820	52.360	54.480	56.300
	Low Price (\$)	48.130	47.920	47.630	47.970	51.130	53.610
	Avg. Price (\$)	50.020	50.085	50.725	50.165	52.805	54.955
	Dividend (\$)	0.358	0.358	0.358	0.383	0.383	0.383
	Mo. Avg. Div.	2.86%	2.86%	2.82%	3.05%	2.90%	2.78%
	6 mos. Avg.	2.88%					
DTE Energy Co.	High Price (\$)	118.220	121.000	120.760	118.320	123.840	126.070
	Low Price (\$)	107.390	110.410	107.220	107.330	112.860	121.710
	Avg. Price (\$)	112.805	115.705	113.990	112.825	118.350	123.890
	Dividend (\$)	0.883	0.883	0.945	0.945	0.945	0.945
	Mo. Avg. Div.	3.13%	3.05%	3.32%	3.35%	3.19%	3.05%
	6 mos. Avg.	3.18%					
Duke Energy Corp.	High Price (\$)	85.080	89.230	91.350	88.480	90.740	91.670
	Low Price (\$)	78.520	80.890	82.770	82.460	86.480	88.660
	Avg. Price (\$)	81.800	85.060	87.060	85.470	88.610	90.165
	Dividend (\$)	0.928	0.928	0.928	0.928	0.928	0.928
	Mo. Avg. Div.	4.54%	4.36%	4.26%	4.34%	4.19%	4.11%
	6 mos. Avg.	4.30%					
El Paso Electric Co.	High Price (\$)	60.220	59.270	57.330	52.620	55.690	59.710
	Low Price (\$)	55.950	54.450	48.380	47.990	51.310	55.010
	Avg. Price (\$)	58.085	56.860	52.855	50.305	53.500	57.360
	Dividend (\$)	0.360	0.360	0.360	0.360	0.360	0.360
	Mo. Avg. Div.	2.48%	2.53%	2.72%	2.86%	2.69%	2.51%
	6 mos. Avg.	2.63%					
Hawaiian Electric Ind.	High Price (\$)	37.690	38.380	39.350	37.230	38.690	41.100
	Low Price (\$)	34.880	36.580	35.150	35.060	36.610	38.050
	Avg. Price (\$)	36.285	37.480	37.250	36.145	37.650	39.575
	Dividend (\$)	0.310	0.310	0.310	0.310	0.320	0.320
	Mo. Avg. Div.	3.42%	3.31%	3.33%	3.43%	3.40%	3.23%
	6 mos. Avg.	3.35%					
IDACORP	High Price (\$)	101.890	101.410	102.440	97.690	100.190	102.010
	Low Price (\$)	92.940	93.060	89.910	89.310	95.030	97.460
	Avg. Price (\$)	97.415	97.235	96.175	93.500	97.610	99.735
	Dividend (\$)	0.590	0.630	0.630	0.630	0.630	0.630
	Mo. Avg. Div.	2.42%	2.59%	2.62%	2.70%	2.58%	2.53%
	6 mos. Avg.	2.57%					

ENTERGY NEW ORLEANS
AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD

		Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
NextEra Energy, Inc.	High Price (\$)	176.830	183.650	184.200	180.880	189.390	195.550
	Low Price (\$)	166.190	166.750	164.780	168.660	176.130	186.570
	Avg. Price (\$)	171.510	175.200	174.490	174.770	182.760	191.060
	Dividend (\$)	1.110	1.110	1.110	1.110	1.250	1.250
	Mo. Avg. Div.	2.59%	2.53%	2.54%	2.54%	2.74%	2.62%
	6 mos. Avg.	2.59%					
Northwestern Corp.	High Price (\$)	62.190	64.760	65.740	64.110	68.830	71.770
	Low Price (\$)	56.230	58.330	57.280	57.330	62.320	68.010
	Avg. Price (\$)	59.210	61.545	61.510	60.720	65.575	69.890
	Dividend (\$)	0.550	0.550	0.550	0.550	0.550	0.575
	Mo. Avg. Div.	3.72%	3.57%	3.58%	3.62%	3.35%	3.29%
	6 mos. Avg.	3.52%					
OGE Energy Corp.	High Price (\$)	38.130	39.970	41.800	41.190	42.870	43.760
	Low Price (\$)	35.910	35.550	37.670	38.040	40.170	41.820
	Avg. Price (\$)	37.020	37.760	39.735	39.615	41.520	42.790
	Dividend (\$)	0.365	0.365	0.365	0.365	0.365	0.365
	Mo. Avg. Div.	3.94%	3.87%	3.67%	3.69%	3.52%	3.41%
	6 mos. Avg.	3.68%					
Otter Tail Corp.	High Price (\$)	48.740	49.140	51.880	49.330	50.610	51.700
	Low Price (\$)	44.820	44.220	46.260	45.940	47.630	48.200
	Avg. Price (\$)	46.780	46.680	49.070	47.635	49.120	49.950
	Dividend (\$)	0.335	0.335	0.335	0.335	0.350	0.350
	Mo. Avg. Div.	2.86%	2.87%	2.73%	2.81%	2.85%	2.80%
	6 mos. Avg.	2.82%					
Pinnacle West Capital	High Price (\$)	86.710	90.060	92.640	88.420	94.020	97.270
	Low Price (\$)	78.110	81.510	83.140	81.630	86.550	91.900
	Avg. Price (\$)	82.410	85.785	87.890	85.025	90.285	94.585
	Dividend (\$)	0.738	0.738	0.738	0.738	0.738	0.738
	Mo. Avg. Div.	3.58%	3.44%	3.36%	3.47%	3.27%	3.12%
	6 mos. Avg.	3.37%					
PNM Resources	High Price (\$)	40.590	43.290	45.350	43.200	44.710	47.920
	Low Price (\$)	37.900	37.670	39.520	39.710	41.140	43.430
	Avg. Price (\$)	39.245	40.480	42.435	41.455	42.925	45.675
	Dividend (\$)	0.265	0.265	0.265	0.290	0.290	0.290
	Mo. Avg. Div.	2.70%	2.62%	2.50%	2.80%	2.70%	2.54%
	6 mos. Avg.	2.64%					

ENTERGY NEW ORLEANS
AVERAGE PRICE, DIVIDEND AND DIVIDEND YIELD

		Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Portland General Electric	High Price (\$)	47.530	49.210	50.400	48.490	50.450	52.600
	Low Price (\$)	43.940	44.400	43.730	44.030	47.050	49.650
	Avg. Price (\$)	45.735	46.805	47.065	46.260	48.750	51.125
	Dividend (\$)	0.363	0.363	0.363	0.363	0.363	0.363
	Mo. Avg. Div.	3.17%	3.10%	3.08%	3.13%	2.97%	2.84%
	6 mos. Avg.	3.05%					
Southern Company	High Price (\$)	46.330	47.690	47.980	48.680	50.540	52.650
	Low Price (\$)	42.510	44.330	42.500	43.260	47.810	49.350
	Avg. Price (\$)	44.420	46.010	45.240	45.970	49.175	51.000
	Dividend (\$)	0.600	0.600	0.600	0.600	0.600	0.600
	Mo. Avg. Div.	5.40%	5.22%	5.31%	5.22%	4.88%	4.71%
	6 mos. Avg.	5.12%					
WEC Energy Group	High Price (\$)	72.090	72.630	75.480	73.510	76.670	80.050
	Low Price (\$)	66.160	66.460	66.750	67.210	71.720	75.320
	Avg. Price (\$)	69.125	69.545	71.115	70.360	74.195	77.685
	Dividend (\$)	0.553	0.553	0.553	0.553	0.590	0.590
	Mo. Avg. Div.	3.20%	3.18%	3.11%	3.14%	3.18%	3.04%
	6 mos. Avg.	3.14%					
Xcel Energy	High Price (\$)	50.530	52.490	54.110	52.580	55.360	57.510
	Low Price (\$)	46.520	47.440	48.160	47.700	51.530	54.290
	Avg. Price (\$)	48.525	49.965	51.135	50.140	53.445	55.900
	Dividend (\$)	0.380	0.380	0.380	0.380	0.380	0.405
	Mo. Avg. Div.	3.13%	3.04%	2.97%	3.03%	2.84%	2.90%
	6 mos. Avg.	2.81%					
Monthly Avg. Dividend Yield		3.28%	3.24%	3.22%	3.28%	3.18%	3.07%
6-month Avg. Dividend Yield		3.20%					

Source: Yahoo! Finance

**ENO PROXY GROUP
DCF Growth Rate Analysis**

<u>Company</u>	(1) Value Line <u>DPS</u>	(2) Value Line <u>EPS</u>	(3) <u>Zacks</u>	(4) Yahoo! <u>Finance</u>
ALLETE, Inc.	5.00%	5.00%	7.20%	6.00%
Alliant Energy Corporation	6.00%	6.50%	5.96%	7.25%
Ameren Corp.	6.00%	6.50%	6.79%	7.70%
American Electric Power Co.	6.00%	4.00%	5.73%	5.57%
Avangrid, Inc.	5.50%	12.00%	7.68%	9.20%
Black Hills Corporation	6.00%	6.50%	4.77%	3.63%
CMS Energy Corporation	7.00%	7.00%	6.35%	6.89%
DTE Energy Company	6.00%	5.00%	6.00%	4.16%
Duke Energy	4.00%	5.50%	5.01%	4.50%
El Paso Electric Co.	7.00%	3.00%	4.08%	5.10%
Hawaiian Electric	2.00%	3.50%	6.21%	7.80%
IDACORP, Inc.	6.50%	4.50%	3.88%	2.60%
NextEra Energy, Inc.	10.50%	9.00%	7.74%	7.46%
Northwestern Corporation	4.50%	2.50%	2.45%	2.74%
OGE Energy Corp.	7.50%	6.50%	4.80%	-2.80%
Otter Tail Corporation	4.00%	5.00%	7.00%	9.00%
Pinnacle West Capital Corp.	6.00%	6.00%	5.01%	4.56%
PNM Resources, Inc.	7.00%	7.50%	4.79%	4.10%
Portland General Electric Company	6.00%	4.00%	4.13%	4.90%
Southern Company	3.00%	3.50%	4.50%	2.16%
WEC Energy Group	6.00%	6.00%	4.39%	4.59%
Xcel Energy Inc.	<u>5.50%</u>	<u>5.50%</u>	<u>5.93%</u>	<u>6.60%</u>
Averages excluding negatives	5.77%	5.66%	5.47%	5.55%
Median Values excluding negatives	6.00%	5.50%	5.37%	5.10%

Sources: Value Line Investment Survey, January 25, February 15, and March 15, 2019
Yahoo! Finance growth rates retrieved March 26, 2019
Zacks growth rates retrieved March 26, 2019

**ENO PROXY GROUP
DCF RETURN ON EQUITY**

	(1) Value Line <u>Dividend Gr.</u>	(2) Value Line <u>Earnings Gr.</u>	(3) Zack's <u>Earning Gr.</u>	(4) Yahoo! <u>Earning Gr.</u>	(5) Average of <u>All Gr. Rates</u>
Method 1:					
Dividend Yield	3.20%	3.20%	3.20%	3.20%	3.20%
Average Growth Rate	5.77%	5.66%	5.47%	5.55%	5.61%
Expected Div. Yield	<u>3.30%</u>	<u>3.29%</u>	<u>3.29%</u>	<u>3.29%</u>	<u>3.29%</u>
DCF Return on Equity	9.07%	8.95%	8.76%	8.84%	8.90%
Method 2:					
Dividend Yield	3.20%	3.20%	3.20%	3.20%	3.20%
Median Growth Rate	6.00%	5.50%	5.37%	5.10%	5.49%
Expected Div. Yield	<u>3.30%</u>	<u>3.29%</u>	<u>3.29%</u>	<u>3.29%</u>	<u>3.29%</u>
DCF Return on Equity	9.30%	8.79%	8.66%	8.39%	8.78%

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

30-Year Treasury Bond, Value Line Beta

<u>Line No.</u>		<u>Value Line</u>
1	Market Required Return Estimate	11.92%
2	Risk-free Rate of Return, 30-Year Treasury Bond	
3	Average of Last Six Months	3.14%
4	Risk Premium	
5	(Line 1 minus Line 3)	8.78%
6	Comparison Group Beta	0.59
7	Comparison Group Beta * Risk Premium	
8	(Line 5 * Line 6)	5.21%
9	CAPM Return on Equity	
10	(Line 3 plus Line 8)	8.35%

5-Year Treasury Bond, Value Line Beta

1	Market Required Return Estimate	11.92%
2	Risk-free Rate of Return, 5-Year Treasury Bond	
3	Average of Last Six Months	2.67%
4	Risk Premium	
5	(Line 1 minus Line 3)	9.25%
6	Comparison Group Beta	0.59
7	Comparison Group Beta * Risk Premium	
8	(Line 5 * Line 6)	5.49%
9	CAPM Return on Equity	
10	(Line 3 plus Line 8)	8.16%

ENO PROXY GROUP
Capital Asset Pricing Model Analysis

Supporting Data for CAPM Analyses

30 Year Treasury Bond Data

	<u>Avg. Yield</u>
October-18	3.34%
November-18	3.36%
December-18	3.10%
January-19	3.04%
February-19	3.02%
March-19	<u>2.98%</u>
6 month average	3.14%

Source: www.federalreserve.gov/datadownload/

5 Year Treasury Bond Data

	<u>Avg. Yield</u>
October-18	3.00%
November-18	2.95%
December-18	2.68%
January-19	2.54%
February-19	2.49%
March-19	<u>2.37%</u>
6 month average	2.67%

Value Line Market Return Data:

Forecasted Data:

Value Line Median Growth Rates:

Earnings	11.50%
Book Value	<u>8.00%</u>
Average	9.75%
Average Dividend Yield	<u>1.04%</u>
Estimated Market Return	10.84%

Value Line Projected 3-5 Yr.

Median Annual Total Return 13.00%

Average of Projected Mkt.

Returns 11.92%

Source: Value Line Investment Survey
for Windows retrieved March 26, 2019

Comparison Group Betas:

ALLETE, Inc.	0.65
Alliant Energy Corporation	0.65
Ameren Corp.	0.60
American Electric Power Co.	0.55
Avangrid, Inc.	0.40
Black Hills Corporation	0.75
CMS Energy Corporation	0.55
DTE Energy Company	0.55
Duke Energy	0.50
El Paso Electric Co.	0.65
Hawaiian Electric	0.60
IDACORP, Inc.	0.55
NextEra Energy	0.60
Northwestern Corp.	0.55
OGE Energy Corp.	0.85
Otter Tail Corp.	0.70
Pinnacle West Capital Corp.	0.55
PNM Resources	0.65
Portland General Electric Company	0.60
Southern Company	0.50
WEC Energy Group	0.55
Xcel Energy Inc.	<u>0.50</u>

Average 0.59

Value
Line

ENO PROXY GROUP
Capital Asset Pricing Model Analysis
Historic Market Premium

	<u>Geometric Mean</u>	<u>Arithmetic Mean</u>	<u>Adjusted Arithmetic Mean</u>
Long-Term Annual Return on Stocks	10.20%	12.10%	
Long-Term Annual Income Return on Long-Term Treas. Bonds	<u>5.00%</u>	<u>5.00%</u>	
Historical Market Risk Premium	5.20%	7.10%	6.04%
Comparison Group Beta, Value Line	<u>0.59</u>	<u>0.59</u>	<u>0.59</u>
Beta * Market Premium	3.08%	4.21%	3.58%
Current 30-Year Treasury Bond Yield	<u>3.14%</u>	<u>3.14%</u>	<u>3.14%</u>
CAPM Cost of Equity, Value Line Beta	<u>6.22%</u>	<u>7.35%</u>	<u>6.72%</u>

Source: 2018 SBBi Yearbook, Stocks, Bonds, Bills, and Inflation, Duff and Phelps; pp. 6-17, 10-31