

**STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

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**In the Matter of the Application of  
DTE ELECTRIC COMPANY for  
authority to increase its rates,  
amend its rate schedules and rules  
governing the distribution and  
supply of electric energy, and for  
miscellaneous accounting authority**

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**Case No. U-21534**

Direct Testimony and Exhibits of

**Christopher C. Walters**

On behalf of

**Association of Businesses Advocating Tariff Equity**

July 26, 2024



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BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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Direct Testimony of Christopher C. Walters

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Case No. U-21534

Direct Testimony of Christopher C. Walters

I. INTRODUCTION

1  
2 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A Christopher C. Walters. My business address is 16690 Swingley Ridge Road,  
4 Suite 140, Chesterfield, MO 63017.

5 **Q WHAT IS YOUR OCCUPATION?**

6 A I am a consultant in the field of public utility regulation and a Principal with the firm of  
7 Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

8 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

9 A This information is included in Appendix A to my testimony.

10 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

11 A I am appearing on behalf of the Association of Businesses Advocating Tariff  
12 Equity ("ABATE"). ABATE consists of large usage customers that purchase substantial  
13 amounts of electric power and/or delivery service from DTE Electric Company ("DTE")

1 or "Company"). They primarily take service under DTE Rate D8, Rate D11, Rider 3  
2 and/or Rider 10.

3 Q HAVE YOU PRESENTED TESTIMONY IN PRIOR ELECTRIC REGULATORY  
4 PROCEEDINGS BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION  
5 ("COMMISSION")?

6 A Yes, I have.

7 Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8 A My testimony addresses a fair return on equity ("ROE") that balances the interests of  
9 ratepayers and shareholders.

10 My silence with regard to any position taken by DTE in its application or direct  
11 testimony in this proceeding does not indicate my endorsement of that position.

12 **II. SUMMARY**

13 Q PLEASE BRIEFLY SUMMARIZE YOUR CONCLUSIONS AND  
14 RECOMMENDATIONS IN THIS PROCEEDING.

15 A In Section III of my testimony, I review and analyze the regulated utility industry's  
16 access to capital, credit rating trends, and outlooks, as well as the overall trend in the  
17 authorized ROE for utilities throughout the country. I conclude that the trend in  
18 authorized ROEs for utilities has declined over the last several years and has remained  
19 below 10.0% in more recent history. I also review the impact that the Federal Reserve's  
20 (the "Fed") monetary policy actions have had on the cost of capital.

21 In Section IV of my testimony, I outline how a fair ROE should be established,  
22 provide an overview of the market's perception of the Company's investment risk,

1 comment on the Company's proposed capital structure, and present the analyses I  
2 relied on to estimate an appropriate ROE for DTE. Based on the results of several cost  
3 of equity estimation methods performed on publicly traded utility companies, I estimate  
4 the current fair market ROE for the Company to fall within the range of 9.20% to  
5 10.00%. Based on my assessment of the Company's overall risk profile and the results  
6 of the analytical methods, I recommend DTE be awarded an ROE of 9.60%, which is  
7 the mid-point of my estimated range.

8 In Section V of my testimony, I respond to Company witness Dr. Villadsen's  
9 estimate of the current market cost of equity for DTE. Dr. Villadsen recommends the  
10 Company be authorized an ROE of 10.50%. I demonstrate that Dr. Villadsen's ROE  
11 recommendations are excessive and should be rejected.

12 Based on all of the foregoing, I request this Commission adopt the following  
13 recommendations:

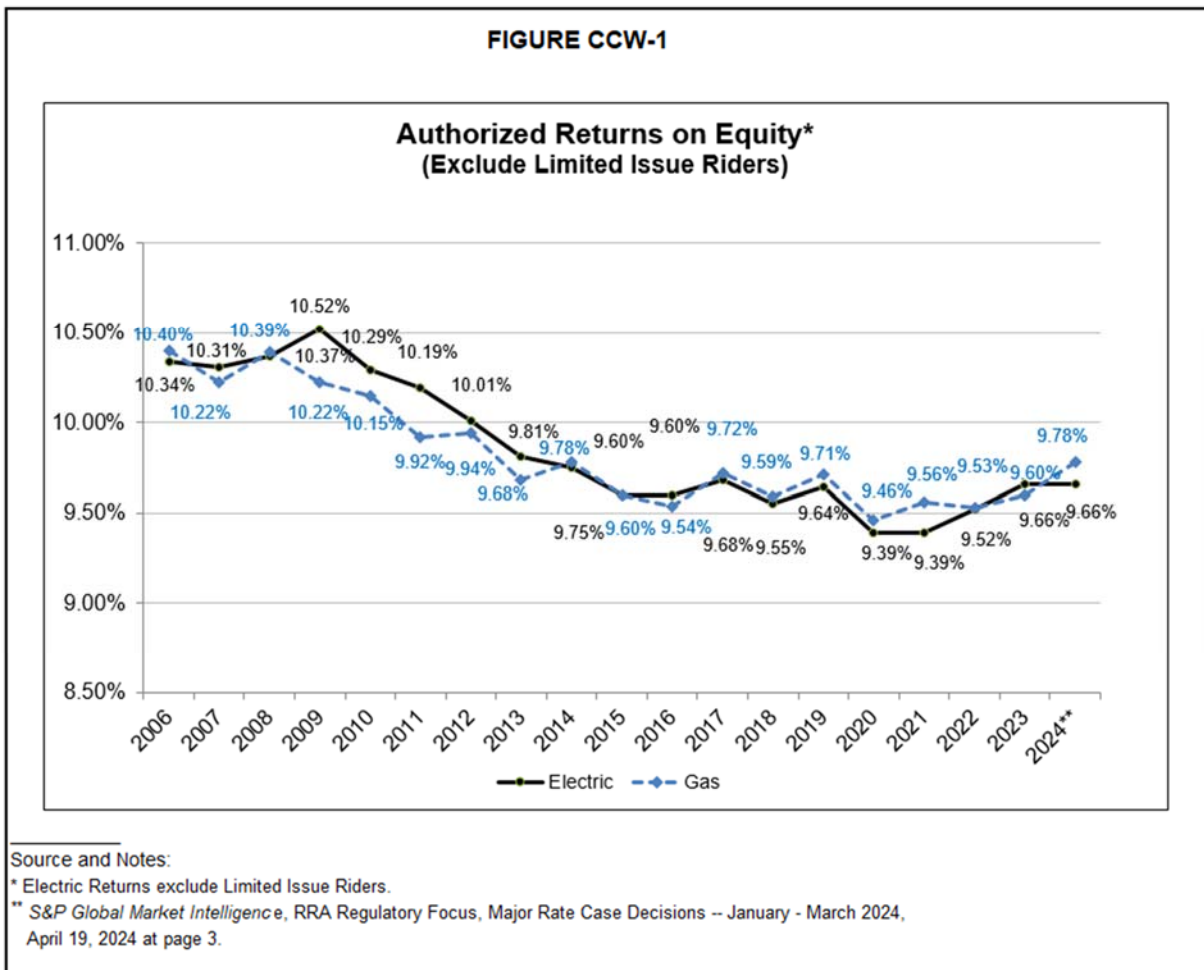
- 14 1. Reject DTE's proposed ROE of 10.50% and instead adopt my recommended ROE  
15 of 9.60%, which is based on my assessment of the current and expected capital  
16 market environment, the Company's overall risk profile, and the results of several  
17 analytical methods which I have analyzed, to determine a fair and reasonable ROE  
18 to be authorized for DTE.
- 19 2. My recommendations produce an overall ratemaking ROR of 5.57% and would  
20 reduce DTE's Michigan electric retail revenue requirements by approximately  
21 \$105.5 million.

### III. INDUSTRY TRENDS AND ECONOMIC ENVIRONMENT

#### A. Regulated Utility Industry Authorized ROEs, Access to Capital, and Credit Strength

PLEASE DESCRIBE THE OBSERVABLE EVIDENCE ON TRENDS IN  
AUTHORIZED ROEs FOR ELECTRIC AND GAS UTILITIES.

A Authorized ROEs for both electric and gas utilities have declined over the last 10 years,  
as illustrated in Figure CCW-1, and have been below 10.0% for about the last nine  
years.



Q PLEASE DESCRIBE THE DISTRIBUTION OF AUTHORIZED ROEs FOR ELECTRIC UTILITIES FOR THE LAST FEW YEARS.

A The distribution of authorized returns, annually, since 2016 is summarized in Table CCW-1.

| TABLE CCW-1                                                         |                       |                      |                                                      |                                                      |                                                       |
|---------------------------------------------------------------------|-----------------------|----------------------|------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------|
| <u>Distribution of Authorized ROEs</u><br>(All Electric Utilities)* |                       |                      |                                                      |                                                      |                                                       |
| <u>Year</u><br>(1)                                                  | <u>Average</u><br>(2) | <u>Median</u><br>(3) | <u>Share of</u><br><u>Decisions</u><br><u>≤ 9.5%</u> | <u>Share of</u><br><u>Decisions</u><br><u>≤ 9.7%</u> | <u>Share of</u><br><u>Decisions</u><br><u>≤ 10.0%</u> |
| 2016                                                                | 9.60%                 | 9.60%                | 41%                                                  | 53%                                                  | 94%                                                   |
| 2017 <sup>1</sup>                                                   | 9.67%                 | 9.60%                | 42%                                                  | 67%                                                  | 81%                                                   |
| 2018 <sup>2</sup>                                                   | 9.54%                 | 9.57%                | 47%                                                  | 63%                                                  | 100%                                                  |
| 2019                                                                | 9.64%                 | 9.65%                | 39%                                                  | 58%                                                  | 88%                                                   |
| 2020 <sup>3</sup>                                                   | 9.38%                 | 9.48%                | 64%                                                  | 79%                                                  | 100%                                                  |
| 2021                                                                | 9.39%                 | 9.49%                | 58%                                                  | 81%                                                  | 97%                                                   |
| 2022                                                                | 9.52%                 | 9.50%                | 53%                                                  | 63%                                                  | 84%                                                   |
| 2023                                                                | 9.66%                 | 9.60%                | 38%                                                  | 65%                                                  | 85%                                                   |
| 2024                                                                | 9.70%                 | 9.75%                | 15%                                                  | 46%                                                  | 100%                                                  |
| Average                                                             | 9.57%                 | 9.58%                | 44%                                                  | 64%                                                  | 92%                                                   |
| Median                                                              | 9.60%                 | 9.60%                | 42%                                                  | 63%                                                  | 94%                                                   |

Source and Notes:  
S&P Global Market Intelligence, data through June 21, 2024.  
<sup>1</sup>Includes authorized base ROE of 9.4% for Nevada Power Company, which excludes incentives associated with the Lenzie facility.  
<sup>2</sup>Includes authorized base ROE of 9.6% for Interstate Power & Light Co., which excludes allowed ROE for generating facilities subject to special ratemaking principles.  
<sup>3</sup>Includes authorized base ROE of 9.8% for Interstate Power & Light Co., which excludes allowed ROE for generating facilities subject to special ratemaking principles.  
\*Excludes Limited Issue Rider Cases.

The distribution shows that over the last few years, the majority of authorized ROEs since 2016 have been below 9.7%, with many of those being below 9.5%.

1    **Q     HOW HAS THE AUTHORIZED COMMON EQUITY RATIO FLUCTUATED OVER**  
2       **THE SAME TIME PERIOD FOR UTILITIES?**

3    **A     In general, the utility industry's common equity ratio has not really deviated too much**  
4       **from the range of 50.0% to 52.0%. As shown in Table CCW-2 below, I have provided**  
5       **the authorized common equity ratios for utilities around the country, excluding the**  
6       **reported common equity ratios for Arkansas, Florida, Indiana, and Michigan. For my**  
7       **overall market analysis, I have excluded the reported authorized common equity ratios**  
8       **for these states because these jurisdictions include sources of capital outside of**  
9       **investor-supplied capital such as accumulated deferred income taxes. As such, the**  
10      **reported common equity ratios in these states would result in a downward bias in the**  
11      **reported permanent common equity ratios authorized for ratemaking purposes within**  
12      **my trend analysis.**

| TABLE CCW-2                                                                                                   |                              |                      |
|---------------------------------------------------------------------------------------------------------------|------------------------------|----------------------|
| <u>Trends in State Authorized Common Equity Ratios</u><br>(Industry)                                          |                              |                      |
| <u>Year</u><br>(1)                                                                                            | <u>Electric</u> <sup>1</sup> |                      |
|                                                                                                               | <u>Average</u><br>(2)        | <u>Median</u><br>(3) |
| 2016                                                                                                          | 49.70%                       | 49.99%               |
| 2017                                                                                                          | 50.02%                       | 49.85%               |
| 2018                                                                                                          | 50.60%                       | 50.23%               |
| 2019                                                                                                          | 51.55%                       | 51.37%               |
| 2020                                                                                                          | 50.94%                       | 51.17%               |
| 2021                                                                                                          | 51.01%                       | 52.00%               |
| 2022                                                                                                          | 51.57%                       | 51.92%               |
| 2023                                                                                                          | 51.59%                       | 52.27%               |
| 2024                                                                                                          | 50.65%                       | 51.90%               |
| Average                                                                                                       | 50.85%                       | 51.19%               |
| Median                                                                                                        | 50.94%                       | 51.37%               |
| <hr/> Source and Notes:                                                                                       |                              |                      |
| <sup>1</sup> S&P Global Market Intelligence, data through June 21, 2024.                                      |                              |                      |
| <sup>2</sup> Excludes Arkansas, Florida, Indiana, and Michigan,<br>because they include non-investor capital. |                              |                      |

1 Q HAVE REGULATED UTILITY COMPANIES BEEN ABLE TO MAINTAIN  
2 RELATIVELY STRONG CREDIT RATINGS DURING PERIODS OF DECLINING  
3 AUTHORIZED ROEs?

4 A Yes. As shown below in Table CCW-3, the credit ratings of the industry have improved  
5 since 2009. In 2009, approximately 53% of the industry was rated BBB+ or higher.  
6 Currently, 88% of the industry has a rating of BBB+ or higher.

| TABLE CCW-3                          |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| S&P Ratings by Category              |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| <u>Electric Utility Subsidiaries</u> |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| (Year End)                           |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| <u>Description</u>                   | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
| A or higher                          | 12%         | 12%         | 12%         | 11%         | 13%         | 13%         | 13%         | 10%         | 10%         | 8%          | 14%         | 14%         | 10%         | 10%         | 12%         | 13%         |
| A-                                   | 18%         | 20%         | 19%         | 22%         | 26%         | 26%         | 34%         | 43%         | 52%         | 54%         | 54%         | 53%         | 37%         | 37%         | 37%         | 33%         |
| BBB+                                 | 23%         | 24%         | 28%         | 28%         | 25%         | 28%         | 24%         | 32%         | 21%         | 22%         | 18%         | 19%         | 35%         | 36%         | 36%         | 42%         |
| BBB                                  | 36%         | 26%         | 24%         | 22%         | 26%         | 23%         | 18%         | 4%          | 7%          | 13%         | 12%         | 3%          | 16%         | 16%         | 15%         | 12%         |
| BBB-                                 | 9%          | 16%         | 15%         | 17%         | 11%         | 11%         | 11%         | 11%         | 11%         | 2%          | 1%          | 1%          | 0%          | 0%          | 0%          | 0%          |
| Below BBB-                           | 2%          | 2%          | 2%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 10%         | 1%          | 1%          | 1%          | 1%          |
| Total                                | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        |

Source: S&P CAPITAL IQ and Market Intelligence, downloaded 6/21/2024.  
Note: Subsidiary ratings used.

**Q HAVE UTILITIES BEEN ABLE TO ACCESS EXTERNAL CAPITAL TO SUPPORT CAPITAL EXPENDITURE PROGRAMS?**

**A** Yes. In Regulatory Research Associates' ("RRA") April 2, 2024 Utility Capital Expenditures report, *RRA Financial Focus*, a division of S&P Global Market Intelligence, made several relevant comments about utility investments generally:

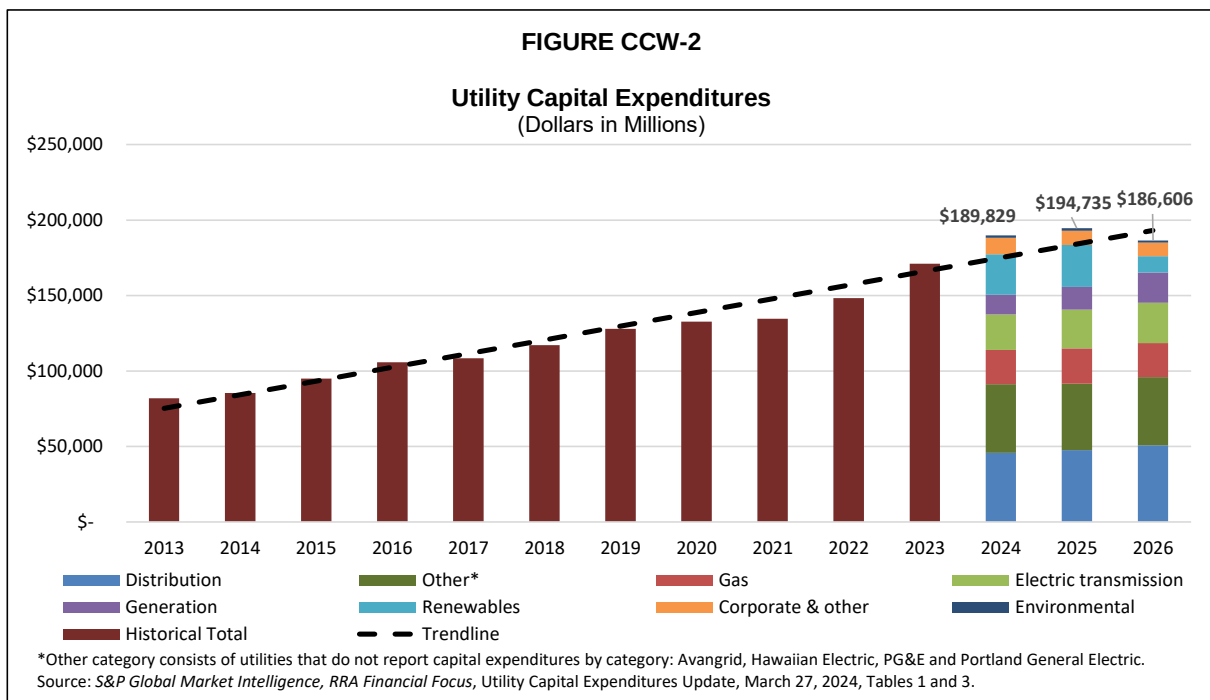
- Multiple drivers are expected to elevate utility capital expenditures over the next several years. Pent-up demand to replace aging equipment continues to propel considerable utility investments in infrastructure, while artificial intelligence increases the power demands of datacenters daily.
- Projected 2024 capital expenditure for the 45 energy utilities included in the RRA representative sample of publicly traded, US-based utilities is \$184 billion — an upswell of nearly 11% from the group's \$166 billion of actual spending in 2023. The increase is largely driven by federal legislation enacted in 2021 and 2022 supporting infrastructure investment.

\* \* \*

- Aggregated energy utility capex estimates for both 2024 and 2025 indicate successively higher spending levels, reaching \$184 billion and \$191 billion, respectively. Spending expectations for 2024 and beyond are likely to increase as the companies' plans for future projects continue to solidify around the new federal legislation supporting infrastructure investment.
- Utilities have multiple opportunities to finance and support energy investments through mechanisms available within the Inflation Reduction Act and the Infrastructure Investment and Jobs Act of 2021.

These pieces of legislation provide billions of dollars for power infrastructure investments, financial incentives for nuclear power plants and funding for battery storage technology, among other provisions.<sup>1</sup>

As shown in Figure CCW-2 below, capital expenditures for the regulated electric and natural gas delivery utilities have increased considerably over the period 2023 into 2024, and the forecasted capital expenditures remain elevated through the end of 2025. The outlooks for electric and natural gas industries reasonably align with capital expenditure outlooks for water utilities as noted by RRA above.



As demonstrated in Figure CCW-2 above, and in the comments made by RRA S&P Global Market Intelligence, capital investments for the utility industry continue to stay at elevated levels, and these capital expenditures are expected to fuel utilities' profit growth into the foreseeable future. This is clear evidence that the capital investments are enhancing shareholder value and are attracting both equity and debt capital to the utility industry in a manner that allows for funding these elevated capital

<sup>1</sup>S&P Global Market Intelligence, RRA Financial Focus: "Utility capex primed for profusion in 2024 and beyond," April 2, 2024.

1 investments. While capital markets embrace these profit-driven capital investments,  
2 regulatory commissions also must be careful to maintain reasonable prices and tariff  
3 terms and conditions to protect customers' need for reliable utility service at reasonable  
4 rates. If this is not done, utility rates will expand beyond the ability of customers to pay,  
5 resulting in revenue constraints for utilities, which will impact their financial integrity.

6 **Q WHAT IS THE SIGNIFICANCE OF THESE FINDINGS?**

7 A This is clear evidence that the capital investments are enhancing shareholder value,  
8 and are attracting both equity and debt capital to the utility industry in a manner that  
9 allows for these elevated capital investments.

10 **Q IS THERE EVIDENCE OF ROBUST VALUATIONS OF REGULATED UTILITY**  
11 **EQUITY SECURITIES?**

12 A Yes. Robust valuations are an indication that utilities can sell securities at high prices,  
13 which is a strong signal that they can access equity capital under reasonable terms and  
14 conditions, and at relatively low cost. As shown on Exhibit AB-4, the historical valuation  
15 of utilities followed by *The Value Line Investment Survey* ("Value Line"), based on a  
16 price-to-earnings ("P/E") ratio, price-to-cash flow ("P/CF") ratio, and market price-to-  
17 book value ("M/B") ratio, indicates utility security valuations today are very strong and  
18 robust relative to the last several years. These strong valuations of utility stocks  
19 indicate that utilities have access to equity capital under reasonable terms and at lower  
20 costs.

1    **Q     WHAT CONCLUSION DO YOU DRAW FROM THIS OBSERVABLE MARKET DATA**  
2           **IN FORMING YOUR RECOMMENDED ROE AND OVERALL RATE OF RETURN?**

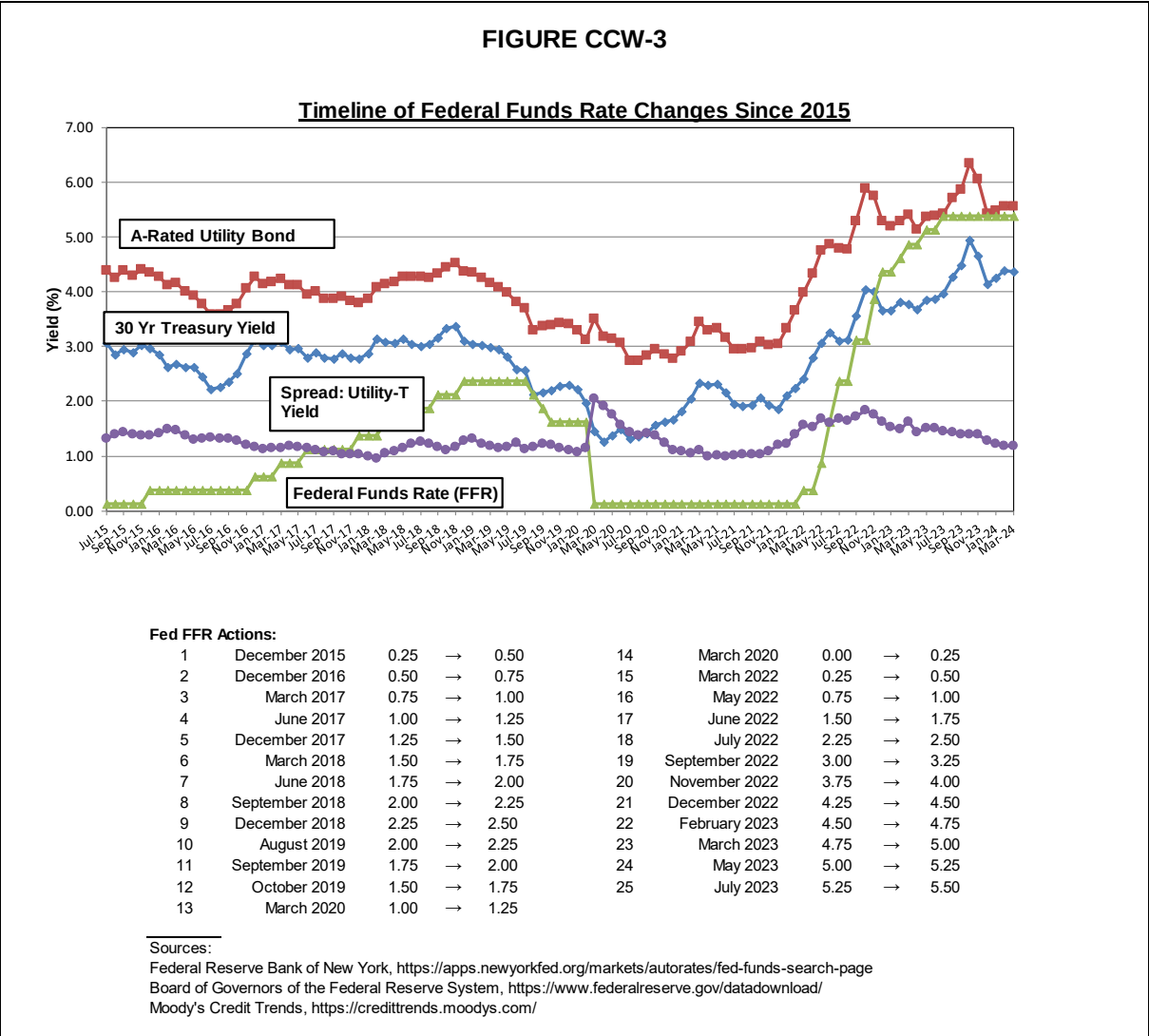
3    A     Generally, authorized ROEs, credit standing, and access to capital have been quite  
4           robust for utilities over the last several years, even throughout the duration of the global  
5           pandemic. It is critical that this Commission ensure that utility rates are increased no  
6           more than necessary to provide fair compensation and maintain financial integrity.

7    **B.     Impact of Monetary Policy**

8    **Q     ARE THE FEDERAL OPEN MARKET COMMITTEE’S (“FOMC”) ACTIONS KNOWN**  
9           **TO THE MARKET PARTICIPANTS, AND IS IT REASONABLE TO BELIEVE THEY**  
10          **ARE REFLECTED IN THE MARKET’S VALUATION OF BOTH DEBT AND EQUITY**  
11          **SECURITIES?**

12   A     Yes to both questions. The Fed has been transparent about its efforts to support the  
13          economy to achieve maximum employment, and to manage long-term inflation to  
14          around a 2% level. The Fed has implemented procedures to support the economy’s  
15          efforts to achieve these policy objectives. Specifically, the Fed had previously lowered  
16          the Federal Overnight Rate for securities and had engaged in a Quantitative Easing  
17          program where the Fed was buying, on a monthly basis, Treasury and  
18          mortgage-backed securities in order to moderate the demand in the marketplaces and  
19          support the economy. Currently, the Fed is reducing its holdings of Treasury securities  
20          and agency debt and agency mortgage-backed securities. Such monetary policy  
21          actions include raising the target federal funds rate and allowing maturing bonds to roll  
22          off its balance sheet.

23                 A visualization of the market’s reaction to the Fed’s actions on the federal funds  
24          rate is shown below in Figure CCW-3.



1 As shown in Figure CCW-3 above, the rise in the Federal Funds Rate has far  
2 outpaced the rise in Utility and Treasury yields while the spread of Utility bonds over  
3 Treasury bond yields have stabilized recently.

4 **Q HAS THE FED MADE RECENT COMMENTS CONCERNING MONETARY POLICY**  
5 **AND THE POTENTIAL IMPACT ON INTEREST RATES?**

6 **A** Yes. In its recent press release, the FOMC stated the following:

7 Recent indicators suggest that economic activity has continued to  
8 expand at a solid pace. Job gains have remained strong, and the  
9 unemployment rate has remained low. Inflation has eased over the past

1 year but remains elevated. In recent months, there has been a lack of  
2 further progress toward the Committee's 2 percent inflation objective.

3 The Committee seeks to achieve maximum employment and inflation at  
4 the rate of 2 percent over the longer run. The Committee judges that the  
5 risks to achieving its employment and inflation goals have moved toward  
6 better balance over the past year. The economic outlook is uncertain,  
7 and the Committee remains highly attentive to inflation risks.

8 In support of its goals, the Committee decided to maintain the target  
9 range for the federal funds rate at 5-1/4 to 5-1/2 percent. In considering  
10 any adjustments to the target range for the federal funds rate, the  
11 Committee will carefully assess incoming data, the evolving outlook, and  
12 the balance of risks. The Committee does not expect it will be  
13 appropriate to reduce the target range until it has gained greater  
14 confidence that inflation is moving sustainably toward 2 percent. In  
15 addition, the Committee will continue reducing its holdings of Treasury  
16 securities and agency debt and agency mortgage-backed securities.  
17 Beginning in June, the Committee will slow the pace of decline of its  
18 securities holdings by reducing the monthly redemption cap on Treasury  
19 securities from \$60 billion to \$25 billion. The Committee will maintain the  
20 monthly redemption cap on agency debt and agency mortgage-backed  
21 securities at \$35 billion and will reinvest any principal payments in  
22 excess of this cap into Treasury securities. The Committee is strongly  
23 committed to returning inflation to its 2 percent objective.

24 In assessing the appropriate stance of monetary policy, the Committee  
25 will continue to monitor the implications of incoming information for the  
26 economic outlook. The Committee would be prepared to adjust the  
27 stance of monetary policy as appropriate if risks emerge that could  
28 impede the attainment of the Committee's goals. The Committee's  
29 assessments will take into account a wide range of information,  
30 including readings on labor market conditions, inflation pressures and  
31 inflation expectations, and financial and international developments.<sup>2</sup>

32 The above quotes suggest the FOMC has had some success in taming inflation  
33 over the last year, though not as much in recent months. It further reiterated its  
34 commitment to stabilizing consumer prices and promoting maximum employment  
35 through its monetary policy tools.

---

<sup>2</sup>Found here:  
<https://www.federalreserve.gov/newsevents/pressreleases/monetary20240501a.htm>, May 1, 2024.

1    **Q     WHAT DO INDEPENDENT ECONOMISTS' OUTLOOKS FOR FUTURE INTEREST**  
2       **RATES INDICATE?**

3    A     Independent economists, surveyed by *Blue Chip Financial Forecasts*, expect current  
4       capital costs to increase at mixed rates over the near term, while maintaining levels  
5       that are still low by historical standards. For example, independent projections show  
6       that the consensus is the federal funds rate will increase at a rate much faster than that  
7       of long-term interest rates as measured by the 30-year Treasury bond. Inflation, as  
8       measured through the Gross Domestic Product ("GDP") price index, is expected to cool  
9       off in the near to intermediate term.

10           The consensus projections for the next several quarters are provided in Table  
11       CCW-4 below.

TABLE CCW-4

Blue Chip Financial Forecasts  
Projected Federal Funds Rate, 30-Year Treasury Bond Yields, and GDP Price Index

| Publication Date          | 4Q<br>2022 | 1Q<br>2023 | 2Q<br>2023 | 3Q<br>2023 | 4Q<br>2023 | 1Q<br>2024 | 2Q<br>2024 | 3Q<br>2024 | 4Q<br>2024 | 1Q<br>2025 | 2Q<br>2025 | 3Q<br>2025 |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <u>Federal Funds Rate</u> |            |            |            |            |            |            |            |            |            |            |            |            |
| Feb-23                    | 3.7        | 4.7        | 5.0        | 4.9        | 4.7        | 4.3        | 4.0        |            |            |            |            |            |
| Mar-23                    | <b>3.7</b> | 4.7        | 5.1        | 5.1        | 5.0        | 4.7        | 4.2        |            |            |            |            |            |
| Apr-23                    |            | 4.5        | 5.0        | 5.1        | 4.9        | 4.6        | 4.2        | 3.8        |            |            |            |            |
| May-23                    |            | 4.5        | 5.0        | 5.1        | 5.0        | 4.7        | 4.2        | 3.8        |            |            |            |            |
| Jun-23                    |            | <b>4.5</b> | 5.0        | 5.1        | 5.0        | 4.6        | 4.2        | 3.9        |            |            |            |            |
| Jul-23                    |            |            | 5.0        | 5.3        | 5.2        | 5.0        | 4.6        | 4.3        | 3.9        |            |            |            |
| Aug-23                    |            |            | 5.0        | 5.4        | 5.4        | 5.2        | 4.9        | 4.4        | 4.0        |            |            |            |
| Sep-23                    |            |            | <b>5.0</b> | 5.3        | 5.4        | 5.3        | 5.0        | 4.6        | 4.2        |            |            |            |
| Oct-23                    |            |            |            | 5.3        | 5.4        | 5.4        | 5.1        | 4.7        | 4.3        | 4.0        |            |            |
| Nov-23                    |            |            |            | 5.3        | 5.4        | 5.4        | 5.2        | 4.9        | 4.5        | 4.1        |            |            |
| Dec-23                    |            |            |            | <b>5.3</b> | 5.4        | 5.4        | 5.2        | 4.9        | 4.6        | 4.2        |            |            |
| Jan-24                    |            |            |            |            | 5.3        | 5.3        | 5.1        | 4.8        | 4.4        | 4.1        | 3.8        |            |
| Feb-24                    |            |            |            |            | 5.3        | 5.3        | 5.1        | 4.7        | 4.4        | 4.1        | 3.8        |            |
| Mar-24                    |            |            |            |            | <b>5.3</b> | 5.4        | 5.2        | 4.9        | 4.5        | 4.2        | 3.8        |            |
| Apr-24                    |            |            |            |            |            | 5.3        | 5.2        | 5.0        | 4.6        | 4.2        | 3.9        | 3.7        |
| May-24                    |            |            |            |            |            | 5.3        | 5.4        | 5.2        | 4.9        | 4.6        | 4.3        | 4.0        |
| Jun-24                    |            |            |            |            |            | <b>5.3</b> | 5.4        | 5.2        | 5.0        | 4.7        | 4.4        | 4.1        |
| <u>T-Bond, 30 yr.</u>     |            |            |            |            |            |            |            |            |            |            |            |            |
| Feb-23                    | 3.9        | 3.8        | 3.9        | 3.9        | 3.8        | 3.8        | 3.7        |            |            |            |            |            |
| Mar-23                    | <b>3.9</b> | 3.9        | 4.0        | 3.9        | 3.9        | 3.8        | 3.8        |            |            |            |            |            |
| Apr-23                    |            | 3.8        | 3.9        | 3.8        | 3.8        | 3.8        | 3.8        | 3.7        |            |            |            |            |
| May-23                    |            | 3.7        | 3.8        | 3.8        | 3.8        | 3.8        | 3.7        | 3.7        |            |            |            |            |
| Jun-23                    |            | <b>3.7</b> | 3.8        | 3.8        | 3.8        | 3.8        | 3.8        | 3.7        |            |            |            |            |
| Jul-23                    |            |            | 3.8        | 3.9        | 3.9        | 3.9        | 3.8        | 3.8        | 3.8        |            |            |            |
| Aug-23                    |            |            | 3.8        | 4.0        | 3.9        | 4.0        | 3.9        | 3.9        | 3.8        |            |            |            |
| Sep-23                    |            |            | <b>3.8</b> | 4.1        | 4.2        | 4.1        | 4.0        | 4.0        | 3.9        |            |            |            |
| Oct-23                    |            |            |            | 4.2        | 4.4        | 4.3        | 4.2        | 4.2        | 4.1        | 4.0        |            |            |
| Nov-23                    |            |            |            | 4.2        | 4.8        | 4.7        | 4.5        | 4.5        | 4.3        | 4.2        |            |            |
| Dec-23                    |            |            |            | <b>4.2</b> | 4.8        | 4.7        | 4.5        | 4.5        | 4.4        | 4.3        |            |            |
| Jan-24                    |            |            |            |            | 4.6        | 4.3        | 4.3        | 4.2        | 4.1        | 4.0        | 4.0        |            |
| Feb-24                    |            |            |            |            | 4.6        | 4.3        | 4.2        | 4.2        | 4.1        | 4.0        | 4.0        |            |
| Mar-24                    |            |            |            |            | <b>4.6</b> | 4.4        | 4.3        | 4.2        | 4.2        | 4.1        | 4.1        |            |
| Apr-24                    |            |            |            |            |            | 4.3        | 4.3        | 4.2        | 4.2        | 4.1        | 4.1        | 4.0        |
| May-24                    |            |            |            |            |            | 4.3        | 4.6        | 4.5        | 4.4        | 4.3        | 4.2        | 4.2        |
| Jun-24                    |            |            |            |            |            | <b>4.3</b> | 4.6        | 4.5        | 4.5        | 4.4        | 4.3        | 4.3        |
| <u>GDP Price Index</u>    |            |            |            |            |            |            |            |            |            |            |            |            |
| Feb-23                    | 3.5        | 3.3        | 3.0        | 2.7        | 2.6        | 2.4        | 2.3        |            |            |            |            |            |
| Mar-23                    | <b>3.9</b> | 3.2        | 2.8        | 2.6        | 2.5        | 2.5        | 2.3        |            |            |            |            |            |
| Apr-23                    |            | 3.2        | 3.2        | 2.9        | 2.7        | 2.5        | 2.3        | 2.2        |            |            |            |            |
| May-23                    |            | 4.0        | 3.2        | 2.9        | 2.7        | 2.5        | 2.3        | 2.2        |            |            |            |            |
| Jun-23                    |            | <b>4.2</b> | 3.3        | 2.8        | 2.7        | 2.5        | 2.5        | 2.2        |            |            |            |            |
| Jul-23                    |            |            | 3.3        | 2.9        | 2.8        | 2.5        | 2.4        | 2.2        | 2.2        |            |            |            |
| Aug-23                    |            |            | 2.2        | 2.7        | 2.6        | 2.5        | 2.3        | 2.3        | 2.3        |            |            |            |
| Sep-23                    |            |            | <b>2.0</b> | 2.7        | 2.6        | 2.4        | 2.3        | 2.2        | 2.2        |            |            |            |
| Oct-23                    |            |            |            | 2.7        | 2.7        | 2.4        | 2.2        | 2.2        | 2.2        | 2.2        |            |            |
| Nov-23                    |            |            |            | 3.5        | 2.7        | 2.4        | 2.3        | 2.2        | 2.2        | 2.3        |            |            |
| Dec-23                    |            |            |            | <b>3.6</b> | 2.7        | 2.4        | 2.3        | 2.2        | 2.2        | 2.2        |            |            |
| Jan-24                    |            |            |            |            | 2.7        | 2.3        | 2.3        | 2.3        | 2.2        | 2.2        | 2.1        |            |
| Feb-24                    |            |            |            |            | 1.5        | 2.2        | 2.2        | 2.3        | 2.2        | 2.2        | 2.1        |            |
| Mar-24                    |            |            |            |            | <b>1.6</b> | 2.2        | 2.3        | 2.2        | 2.2        | 2.1        | 2.1        |            |
| Apr-24                    |            |            |            |            |            | 2.2        | 2.4        | 2.3        | 2.2        | 2.2        | 2.1        | 2.2        |
| May-24                    |            |            |            |            |            | 3.1        | 2.7        | 2.4        | 2.3        | 2.3        | 2.2        | 2.2        |
| Jun-24                    |            |            |            |            |            | <b>3.0</b> | 2.8        | 2.5        | 2.3        | 2.3        | 2.3        | 2.2        |

Source and Note:  
Blue Chip Financial Forecasts, Jan 2022 through June 2024.  
Actual Yields in Bold.

Further, the outlook for long-term interest rates in the intermediate to long term is also impacted by the current Fed actions and the expectation that eventually the Fed's monetary actions will return to more-normal levels. Long-term interest rate projections are illustrated in Table CCW-5 below.

| <b>TABLE CCW-5</b>                                                                                                                  |                      |                                        |                                           |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------|-------------------------------------------|
| <b><u>30-Year Treasury Bond Yield Actual Vs. Projection</u></b>                                                                     |                      |                                        |                                           |
| <b><u>Description</u></b>                                                                                                           | <b><u>Actual</u></b> | <b><u>Near-Term<br/>Projected*</u></b> | <b><u>5- to 10-Year<br/>Projected</u></b> |
| <b><u>2020</u></b>                                                                                                                  |                      |                                        |                                           |
| Q1                                                                                                                                  | 1.88%                | 2.57%                                  |                                           |
| Q2                                                                                                                                  | 1.38%                | 1.90%                                  | 3.0% - 3.8%                               |
| Q3                                                                                                                                  | 1.36%                | 1.87%                                  |                                           |
| Q4                                                                                                                                  | 1.62%                | 1.97%                                  | 2.8% - 3.6%                               |
| <b><u>2021</u></b>                                                                                                                  |                      |                                        |                                           |
| Q1                                                                                                                                  | 2.07%                | 2.23%                                  |                                           |
| Q2                                                                                                                                  | 2.26%                | 2.77%                                  | 3.5% - 3.9%                               |
| Q3                                                                                                                                  | 1.93%                | 2.63%                                  |                                           |
| Q4                                                                                                                                  | 1.95%                | 2.70%                                  | 3.4% - 3.8%                               |
| <b><u>2022</u></b>                                                                                                                  |                      |                                        |                                           |
| Q1                                                                                                                                  | 2.25%                | 2.87%                                  |                                           |
| Q2                                                                                                                                  | 3.04%                | 3.47%                                  | 3.8% - 3.9%                               |
| Q3                                                                                                                                  | 3.26%                | 3.63%                                  |                                           |
| Q4                                                                                                                                  | 3.90%                | 3.87%                                  | 3.9% - 4.0%                               |
| <b><u>2023</u></b>                                                                                                                  |                      |                                        |                                           |
| Q1                                                                                                                                  | 3.74%                | 3.77%                                  |                                           |
| Q2                                                                                                                                  | 3.80%                | 3.70%                                  | 3.8% - 3.9%                               |
| Q3                                                                                                                                  | 4.24%                | 3.83%                                  |                                           |
| Q4                                                                                                                                  | 4.58%                | 4.17%                                  | 4.1% - 4.2%                               |
| <b><u>2024</u></b>                                                                                                                  |                      |                                        |                                           |
| Q1                                                                                                                                  | 4.33%                | 4.03%                                  |                                           |
| Source and Note:<br><i>Blue Chip Financial Forecasts, January 2019 through March 2024.</i><br>*Average of all 3 reports in Quarter. |                      |                                        |                                           |

As outlined in Table CCW-5 above, the outlook for increases in interest rates has jumped more recently relative to 2020 and part of 2021, but is still relatively modest

1 compared to time periods prior to the beginning of the worldwide pandemic. Indeed,  
2 relatively low capital market costs are expected to prevail at least in the near-term and  
3 out over the next five to ten years. While there is potential for some upward movement  
4 in the cost of capital, that upward movement is uncertain. In fact, as shown on Figure  
5 CCW-3 above, increases in the federal funds rate do not necessarily translate into  
6 increases in longer-term yields.

### 7 **C. Market Sentiments and Utility Industry Outlook**

8 **Q PLEASE DESCRIBE THE CREDIT RATING OUTLOOK FOR REGULATED**  
9 **UTILITIES.**

10 **A** All credit rating agencies see rate affordability as an important consideration in  
11 assessing utility credit, including Standard & Poor's ("S&P") and Moody's Investors  
12 Service ("Moody's") as discussed below.

13 In 2024, S&P updated its industry outlook to "Negative," stating the following:

#### 14 **Key Takeaways**

15 - We are updating our 2024 outlook on the investor-owned North  
16 American regulated utility industry to negative.

17 - Given the relatively high percentage of companies with negative  
18 outlooks, we expect that 2024 will likely be the fifth consecutive year that  
19 downgrades outpace upgrades.

20 - The industry faces rising physical risks and high cash flow deficits that  
21 may not be sufficiently funded in a credit-supportive manner.

22 - Still, we expect that the utility industry will maintain a median  
23 investment-grade rating of 'BBB+'.

24 - We also expect that a smaller percentage of companies rated 'BBB' or  
25 lower are more likely to implement measures to maintain or even  
26 improve credit quality.<sup>3</sup>

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<sup>3</sup>S&P *Global Ratings*: "Rising Risks: Outlook For North American Investor-Owned Regulated Utilities Weakens," February 14, 2024 at 1.

Specifically, in S&P's utility report, it notes that the credit quality of the industry has changed to BBB+ from an A- rating over the last few years. It notes the recently increased interest rates, which are expected to stabilize and ease the pressure on utilities financial performance. S&P also comments on the narrowing spread between utilities authorized returns and the 10-year Treasury yield, which hinders the financial performance of the industry. The credit rating agency expects continued robust capital spending for utilities, projecting over \$200 billion investment in 2025. S&P believes that the risks around the industry outlook include regulatory risks in responding to capital spending and the practice of many companies operating with minimal financial cushion from their downgrade thresholds.<sup>4</sup>

**Q HAVE CREDIT AGENCIES NOTED CONCERN ABOUT RATE AFFORDABILITY AS A CREDIT RISK TO UTILITIES?**

A Yes. Credit rating agencies have been emphasizing rate affordability, maintaining adequate financial coverages of debt obligations, and supporting utilities' overall investment grade bond ratings.

In a recent industry report, Moody's explained that the regulated electric and gas utilities' outlook remains "Negative" largely due to increased pricing pressures on customers. Moody's stated that it changed its outlook from "Positive" to "Negative" due to the following:

We have revised our outlook on the US regulated utilities sector to negative from stable. We changed the outlook because of increasingly challenging business and financial conditions stemming from higher natural gas prices, inflation and rising interest rates. These developments raise residential customer affordability issues, increasing

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<sup>4</sup>*Id.*

1 the level of uncertainty with regard to the timely recovery of costs for fuel  
2 and purchased power, as well as for rate cases more broadly.<sup>5</sup>

3 Also, in a report published in January of 2024, S&P specifically mentioned  
4 commodity price volatility, in combination with significant increases in capital  
5 investments, driving utility rate increases which may strain affordability concerns.<sup>6</sup>

6 Finally, Fitch opined that the regulated electric and gas utilities' outlook is  
7 deteriorating due to elevated capex that put pressure on credit metrics. Fitch also notes  
8 the bill affordability concerns for ratepayers, and regulators' ability to balance the rate  
9 requests with increasing customer bills.

10 Specifically, Fitch states:

11 Fitch Ratings' deteriorating outlook for the North American Utilities,  
12 Power & Gas sector reflects continuing macroeconomic headwinds and  
13 elevated capex that are putting pressure on credit metrics in the  
14 high-cost funding environment. Bill affordability concerns for ratepayers  
15 continue to persist despite the pull back in natural gas prices and  
16 inflationary pressures. Fitch expects utility capex to grow by double  
17 digits in 2024, underpinned by investments needed to make the electric  
18 infrastructure more resilient against extreme weather events and to  
19 accommodate renewable generation, including distributed sources.  
20 Rate case outcomes are key to watch as regulators balance more rate  
21 requests with increases in customer bills. Authorized ROEs could prove  
22 to be sticky despite an increase in cost of capital. Higher weather-  
23 normalized retail electricity sales, driven by datacenter growth and  
24 onshoring of manufacturing activities, and tax transferability provisions  
25 of the Inflation Reduction Act could somewhat offset headwinds to  
26 utilities. Ongoing management actions to sell assets and issue equity,  
27 in some cases, is supportive of parent companies' ratings. Within Fitch's  
28 coverage, 90% of ratings hold Stable Rating Outlooks. We expect  
29 limited rating movement in 2024. The number of upgrades in 2023 so  
30 far exceeds the number of downgrades, and is driven by positive rating  
31 actions on several parent holding companies and their regulated  
32 subsidiaries.<sup>7</sup>

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<sup>5</sup>Moody's *Investors Service Outlook*: "Regulated Electric and Gas Utilities – US 2023 outlook negative due to higher natural gas prices, inflation and rising interest rates," November 10, 2022 at 1. (emphasis added).

<sup>6</sup>S&P *Global Ratings*: "Industry Credit Outlook 2024: North America Regulated Utilities," January 9, 2024, at 8.

<sup>7</sup>FitchRatings. "North American Utilities, Power & Gas Outlook 2024," December 6, 2023 at 1. (emphasis added)

As outlined by Moody's, S&P and Fitch above, credit analysts are focusing on rate affordability as an important factor needed to support strong credit standing. Customers must be able to afford to pay their utility bills in order for utilities to maintain their financial integrity and strong investment grade credit standing. For this reason, this Commission should carefully assess the reasonableness of cost of service in this proceeding, including an appropriate overall rate of return necessitated by a reasonably cost-effective balanced ratemaking capital structure, and a return on equity that represents fair compensation but also maintains competitive, just and reasonable rates.

**D. Additional Remarks**

**Q IN LIGHT OF HIGHER LEVELS OF INFLATION, EXPECTATIONS OF HIGHER INTEREST RATES, AND GEOPOLITICAL EVENTS AROUND THE WORLD, HOW HAS THE MARKET PERCEIVED UTILITIES AS INVESTMENT OPTIONS?**

**A** In 2023, the utility sector underperformed the S&P 500 and has continued to do so in 2024. This is presented below in Figure CCW-4. However, it should be noted that the performance of the S&P 500 has largely been driven by a handful of "mega cap" companies. Because the S&P 500 is a market capitalization weighted index (meaning the higher the market capitalization a company has, the more influence it has on the index's performance). For example, in the S&P Dow Jones Indices report "U.S. Equity Market Attributes April 2024," it is noted that:

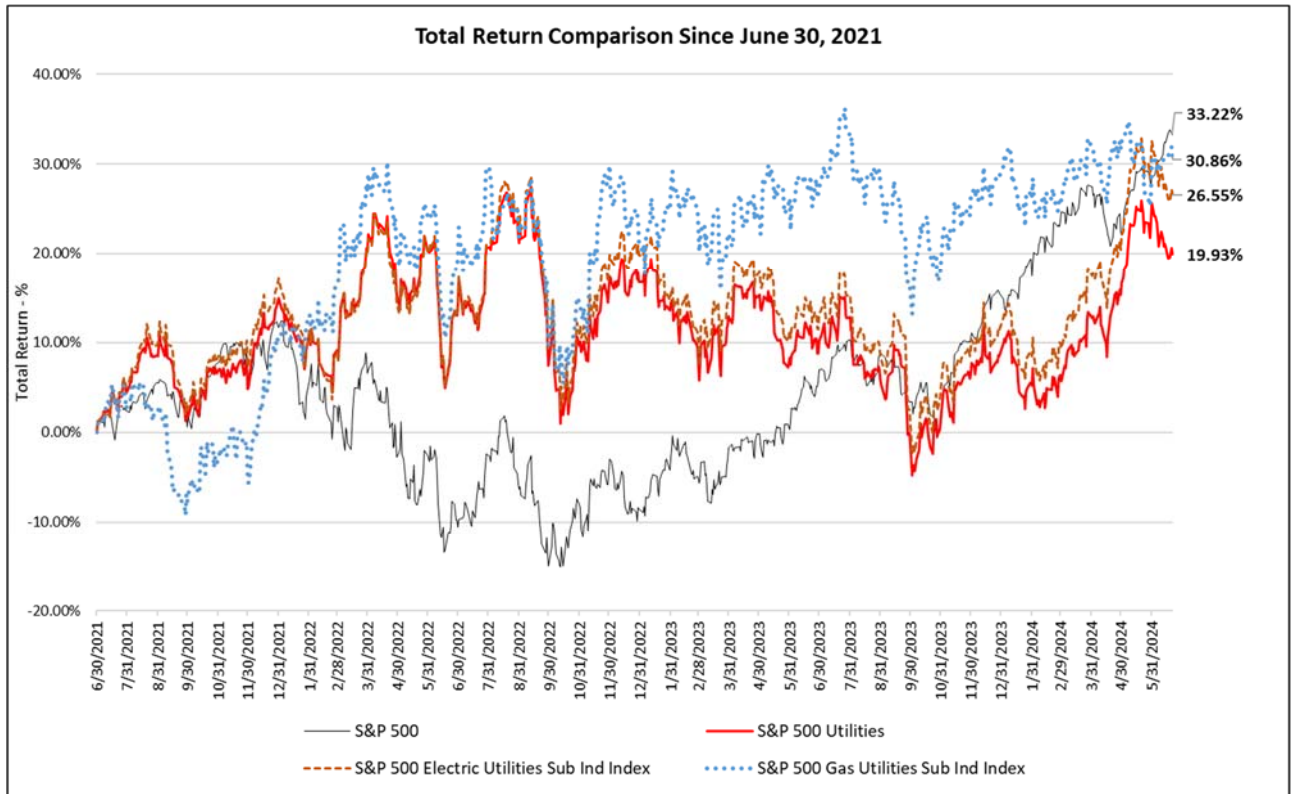
Year-to-date, the S&P 500 remained up 5.57% (with 10 of the 11 sectors up; Real Estate was down 9.86%), as breadth declined but remained positive (302 up and 199 down, compared to last March's 369 and 134 YTD, respectively). The Magnificent 7 as a group still dominated, accounting for 51% of the index return (which included Apple's 11.5% YTD decline and Tesla's 26.2% YTD decline), as NVIDIA (up 74.5% YTD) represented 41% of the S&P 500's YTD gain.<sup>8</sup>

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<sup>8</sup><https://www.spglobal.com/spdji/en/documents/commentary/market-attributes-us-equities-202404.pdf>

Notwithstanding its recent underperformance relative to the S&P 500, the industry has been able to deliver generally positive and relatively stable returns during a period of elevated inflation, rising interest rates, and uncertainty because of geopolitical events around the world.

Figure CCW-4



#### IV. RETURN ON EQUITY

PLEASE DESCRIBE WHAT IS MEANT BY A "UTILITY'S COST OF COMMON EQUITY."

A utility's cost of common equity is the expected return that investors require on an investment in the utility. Investors expect to earn their required return from receiving dividends and through stock price appreciation.

1 Q PLEASE DESCRIBE THE FRAMEWORK FOR DETERMINING A REGULATED  
2 UTILITY'S COST OF COMMON EQUITY.

3 A In general, determining a fair cost of common equity for a regulated utility has been  
4 framed by two hallmark decisions of the U.S. Supreme Court: Bluefield Water Works  
5 & Improvement Co. v. Pub. Serv. Comm'n of W. Va., 262 U.S. 679 (1923) and Fed.  
6 Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944). In these decisions, the  
7 Supreme Court found that just compensation depends on many circumstances and  
8 must be determined by fair and enlightened judgments based on relevant facts. The  
9 Court also found that a utility is entitled to such rates as would permit it to earn a return  
10 on a property devoted to the convenience of the public that is generally consistent with  
11 the same returns available in other investments of corresponding risk. The Court  
12 continued that the utility has "no constitutional rights to profits" such as those "realized  
13 or anticipated in highly profitable enterprises or speculative ventures,"<sup>9</sup> and defined the  
14 ratepayer/investor balance as follows:

15 The return should be reasonably sufficient to assure confidence in the  
16 financial soundness of the utility and should be adequate, under efficient  
17 and economical management, to maintain and support its credit and  
18 enable it to raise the money necessary for the proper discharge of its  
19 public duties.<sup>10</sup>

20 As such, a fair rate of return is based on the expectation that the utility costs  
21 reflect efficient and economical management, and the return will support its credit  
22 standing and access to capital, but the return will not be in excess of this level. Utility  
23 rates that are consistent with these standards will be just and reasonable, and  
24 compensation to the utility will be fair and support financial integrity and credit-standing,  
25 under economic management of the utility.

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<sup>9</sup>*Bluefield*, 262 U.S. at 692-93.

<sup>10</sup>*Id.* at 693 (emphasis added).

**Q PLEASE DESCRIBE THE PROCESS YOU HAVE USED TO ESTIMATE DTE'S COST OF COMMON EQUITY.**

**A** First, I assessed the market's assessment of DTE's risk. Then, I developed a proxy group of publicly-traded utility companies that have similar risks and characteristics to DTE and compared potential differences in risks. I then performed several models based on financial theory to estimate DTE's cost of common equity. These models are: (1) a constant growth Discounted Cash Flow ("DCF") model using consensus analysts' growth rate projections; (2) a constant growth DCF model using sustainable growth rate estimates; (3) a multi-stage growth DCF model; (4) a Risk Premium model; and (5) a Capital Asset Pricing Model ("CAPM").

**A DTE's Investment Risk**

**Q PLEASE DESCRIBE THE MARKET'S ASSESSMENT OF DTE'S INVESTMENT RISK.**

**A** The market's assessment of a company's investment risk is generally described by credit rating analysts' reports. The current credit ratings for DTE are A- and A2, from S&P and Moody's respectively.<sup>11</sup> The Company currently has a "stable" outlook from S&P and a "stable" outlook from Moody's. In its August 2023 report covering DTE, S&P stated as follows:

Our stable outlook on DTEE reflects our base-case assumption that the company will generate sufficient cash flow to maintain financial measures that support an adjusted FFO-to-debt ratio of 19%-20% through 2024. The stable outlook also reflects our expectation that parent DTE Energy Co. (DTE) will focus growth on its lower-risk, regulated utility strategy. We expect the utility businesses will account for about 90% of the consolidated company. We expect DTE's financial measures will generally remain in line with expectations, including FFO to debt of about 14%-16%.

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<sup>11</sup>S&P Capital IQ, accessed on June 21, 2024.

**Business Risk**

Our assessment of DTEE's stand-alone business risk profile reflects the very low risk of the regulated utility business, operations under a credit-supportive regulatory environment in Michigan, effective management of regulatory risk, and large customer base of 2.3 million customers in Michigan. DTEE benefits from a constructive and supportive regulatory framework in Michigan that supports forward-looking rate cases and various riders that enhance cash flow predictability. In addition, the predominance of residential and commercial customers restricts susceptibility to economic cyclicity and provides more stable operating cash flow. These business strengths are partially offset by its lack of geographic and regulatory diversity with operations focus in southeastern Michigan.

**Financial Risk**

We assess DTEE's financial measures using our medial volatility table. This reflects the company's regulated electric utility operation and its effective management of regulatory risk in Michigan. Under our base-case scenario, we expect the company's financial measures to remain in the significant range of financial risk profile. Specifically, we expect FFO to debt of about 19%-20% through 2024. Our base-case scenario assumes effective management of regulatory risk through use of the existing constructive regulatory mechanisms in Michigan, capital spending averaging about \$3.6 billion annually, dividends averaging about \$875 million annually, and continued negative discretionary cash flow primarily driven by robust capital spending. We also expect DTEE will continue to fund its investments in a manner that preserves credit quality.<sup>12</sup>

As noted above, S&P views DTE Electric's credit profile positively, noting its status as a lower-risk, rate-regulated, vertically integrated utility with a supportive regulatory environment in Michigan. The Company effectively manages regulatory risks and benefits from a stable customer base, primarily residential. The recently approved integrated resource plan is seen as credit-supportive, aiding DTE Electric's transition away from coal-fired generation. S&P expects DTE Electric to maintain a stable financial outlook with sufficient cash flow and an adjusted FFO-to-debt ratio of 19%-20% through 2024.

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<sup>12</sup>S&P Global Ratings, RatingsDirect, DTE Electric Co., August 18, 2023.

**B. DTE's Proposed Capital Structure**

**Q WHAT IS DTE'S PROPOSED CAPITAL STRUCTURE?**

A DTE's proposed capital structure is summarized in Table CCW-6 below:

| Table CCW-6                                |               |
|--------------------------------------------|---------------|
| <u>Investor-Supplied Capital Structure</u> |               |
| <u>Description</u>                         | <u>Weight</u> |
| Debt                                       | 50.00%        |
| Common Equity                              | <u>50.00%</u> |
| Total                                      | 100.00%       |

**Q DO YOU HAVE ANY COMMENTS ON DTE'S PROPOSED CAPITAL STRUCTURE?**

A Yes. As I will discuss later, DTE's proposed equity ratio of 53.5% significantly exceeds the equity ratio for the proxy group used to estimate the cost of equity for DTE. As shown on Exhibit AB-5, the proxy group has an average common equity ratio of 40.9% (including short-term debt) and 44.5% (excluding short-term debt).

**Q ARE YOU AWARE OF OTHER REGULATORY COMMISSIONS RECOGNIZING THE NEED TO ALIGN THE COST OF EQUITY WITH THE CAPITAL STRUCTURE?**

A Yes. In a recent Order, the Arkansas Public Service Commission imputed the capital structure of Southwestern Electric Power Company ("SWEPCO") to be more in-line with the comparable companies used to estimate the cost of equity.<sup>13</sup> The adjustment was to recognize that there must be *congruence* between the cost of equity and the capital structure. Specifically, the Order states as follows:

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<sup>13</sup>APSC Docket No. 21-170-U, Doc. No. 323, May 23, 2022, Order No. 14.

1 Consistent with our ruling in Order No. 10 of Docket No. 06-101-U, the  
2 Commission holds that there should be congruence between the  
3 estimated cost of equity and the [debt-to-equity "DTE")] ratio, whereby  
4 a lower DTE ratio decreases financial risk and decreases the cost of  
5 equity. The evidence of record supports imputing the average capital  
6 structure of companies with comparable risk to SWEPCO for the  
7 purposes of determining SWEPCO's overall cost of capital.<sup>14</sup>

8 As I described above, the proxy group has an average common equity ratio of  
9 40.9% (including short-term debt) and 44.5% (excluding short-term debt) as calculated  
10 by S&P Global Market Intelligence and *Value Line*, respectively. The Company's  
11 proposed equity ratio of 50.00% (excluding short-term debt) exceeds that of the proxy  
12 group's comparable equity ratio of 44.5%.

13 **C. Development of Proxy Group**

14 **Q PLEASE BRIEFLY DESCRIBE WHY A PROXY GROUP IS NEEDED IN**  
15 **ESTIMATING THE COST OF EQUITY.**

16 **A** There are a few reasons why a proxy group is needed to estimate the cost of equity.  
17 As an initial matter, to be consistent with the *Hope* and *Bluefield* standards, as  
18 described above, the allowed return should be commensurate with returns on  
19 investments in other firms of comparable risk. A proxy group of similarly situated  
20 companies of comparable risk is needed to assess the Company's proposal under this  
21 standard.

22 Even if DTE were a publicly-traded company whose securities could be used to  
23 estimate its cost of equity, there exists the potential for certain errors and biases which  
24 would make the reliance on a single estimate undesirable and potentially less accurate.  
25 A proxy group of comparable risk companies adds reliability to the estimates by

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<sup>14</sup>*Id.* at 25.

mitigating the potential for bias that may be introduced by measurement errors of model inputs.

**Q PLEASE DESCRIBE HOW YOU IDENTIFIED A PROXY UTILITY GROUP THAT COULD BE USED TO ESTIMATE DTE'S CURRENT MARKET COST OF EQUITY.**

**A** I relied on the same proxy group developed by DTE's witness, Dr. Villadsen.

**Q HOW DOES THE INVESTMENT RISK OF DTE COMPARE TO THAT OF THE PROXY GROUP?**

**A** As shown on my Exhibit AB-5, the proxy group has average credit ratings of BBB+ and Baa2 from S&P and Moody's, respectively. The proxy group's average rating of BBB+ from S&P is one notch lower than DTE's rating of A- from S&P. The proxy group's average rating of Baa2 from Moody's is three notches lower than DTE's rating of A2.

As shown on the same exhibit, the proxy group has an average common equity ratio of 40.9% (including short-term debt) and 44.5% (excluding short-term debt) as calculated by S&P Global Market Intelligence and *Value Line*, respectively. DTE's requested common equity ratio of 50.00% (including short-term debt) significantly exceeds the proxy group's equity ratio as described above.

Based on the one and three-notch difference in credit ratings, as well as the difference in equity ratios, the Company's cost of equity capital is most likely to be below the midpoint of the cost of equity range indicated for by the proxy group results.

**D. DCF Model**

**Q PLEASE DESCRIBE THE DCF MODEL.**

A The DCF model posits that a stock price equals the sum of the present value of expected future cash flows discounted at the investor's required rate of return or cost of capital. This model is expressed mathematically as follows:

$$P_0 = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} + \dots + \frac{D_\infty}{(1+K)^\infty} \quad (\text{Equation 1})$$

$P_0$  = Current stock price

$D$  = Dividends in periods 1 -  $\infty$

$K$  = Investor's required return

This model can be rearranged in order to estimate the discount rate or investor-required return, known as " $K$ ." If it is reasonable to assume that earnings and dividends will grow at a constant rate, then Equation 1 can be rearranged as follows:

$$K = D_1/P_0 + G \quad (\text{Equation 2})$$

$K$  = Investor's required return

$D_1$  = Dividend in first year

$P_0$  = Current stock price

$G$  = Expected constant dividend growth rate

Equation 2 is referred to as the annual "constant growth" DCF model.

**Q PLEASE DESCRIBE THE INPUTS TO YOUR CONSTANT GROWTH DCF MODEL.**

A As shown in Equation 2 above, the DCF model requires a current stock price, the expected dividend, and the expected growth rate in dividends.

**Q WHAT STOCK PRICE HAVE YOU RELIED ON IN YOUR CONSTANT GROWTH DCF MODEL?**

A I relied on the average of the weekly high and low stock prices of the utilities in the proxy group over a 13-week period ending on June 21, 2024. An average stock price

is less susceptible to market price variations than a price at a single point in time. Therefore, an average stock price is less susceptible to aberrant market price movements, which may not reflect the stock's long-term value.

**Q WHAT DIVIDEND DID YOU USE IN YOUR CONSTANT GROWTH DCF MODEL?**

A I used each proxy company's most recently paid quarterly dividend as reported in *Value Line*.<sup>15</sup> This dividend was annualized (multiplied by 4) and adjusted for next year's growth to produce the  $D_1$  factor for use in Equation 2 above. In other words, I calculate  $D_1$  by multiplying the annualized dividend ( $D_0$ ) by  $(1+G)$ .

**Q WHAT DIVIDEND GROWTH RATES HAVE YOU USED IN YOUR CONSTANT GROWTH DCF MODEL?**

A There are several methods that can be used to estimate the expected growth in dividends. However, regardless of the method, for purposes of determining the market-required return on common equity, one must attempt to estimate investors' expectations about what the dividend, or earnings growth rate, will be, and not what an individual investor or analyst may use to make individual investment decisions.

As predictors of future returns, securities analysts' growth estimates have been shown to be more accurate than growth rates derived from historical data.<sup>16</sup> That is, assuming the market generally makes rational investment decisions, analysts' growth projections are more likely to influence investors' decisions, which are captured in observable stock prices, than growth rates derived only from historical data.

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<sup>15</sup>*The Value Line Investment Survey.*

<sup>16</sup>See, e.g., David Gordon, Myron Gordon, and Lawrence Gould, Choice Among Methods of Estimating Share Yield, *The Journal of Portfolio Management*, Spring 1989.

1 For my constant growth DCF analysis, I have relied on a consensus, or mean,  
2 of professional securities analysts' earnings growth estimates as a proxy for investors'  
3 dividend growth rate expectations. I used the average of analysts' growth rate  
4 estimates from three sources: Zacks, S&P Capital IQ Market Intelligence ("MI"), and  
5 Yahoo! Finance. All such projections were available on June 21, 2024, and all were  
6 reported online.<sup>17</sup>

7 Each growth rate projection is based on a survey of independent securities  
8 analysts. There is no clear evidence whether a particular analyst is most influential on  
9 general market investors. Therefore, a single analyst's projection does not predict  
10 investor outlooks as reliably as does a consensus of market analysts' projections. The  
11 consensus of estimates is a simple arithmetic average, or mean, of surveyed analysts'  
12 earnings growth forecasts. A simple average of the growth forecasts gives equal  
13 weight to all surveyed analysts' projections. Therefore, a simple average, or arithmetic  
14 mean, of analysts' forecasts is a good proxy for investor expectations.

15 The growth rates I used in my DCF analysis are shown in Exhibit AB-6. The  
16 average growth rate for my proxy group is 6.29% and a median growth rate of 6.29%.

17 **Q WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF MODEL?**

18 **A** As shown in Exhibit AB-7, page 1, the average and median constant growth DCF  
19 returns for my proxy group for the 13-week analysis are 10.43% and 10.51%,  
20 respectively.

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<sup>17</sup>[www.zacks.com](https://www.zacks.com); <https://finance.yahoo.com>; and <https://www.capitaliq.spglobal.com/>.

**Q ARE THERE LIMITATIONS OF THE CONSTANT GROWTH DCF ANALYSIS?**

A Yes. The constant growth DCF analysis for my proxy group is based on a group average long-term growth rate of 6.29%. The three- to five-year growth rates are approximately 50% higher than the long-term projected GDP growth rate of 4.24%, described below. As I explain in detail below, a utility's growth rate cannot exceed the growth rate of the economy in which it provides services in perpetuity, which is the time period assumed by the DCF model.

**Q HOW DID YOU IDENTIFY THE LONG-TERM PROJECTED GDP GROWTH RATE?**

A Although there may be short-term peaks, the long-term sustainable growth rate for a utility stock cannot exceed the growth rate of the economy in which it sells its goods and services. The long-term maximum sustainable growth rate for a utility investment is limited by the projected long-term GDP growth rate, as that reflects the projected long-term growth rate of the economy as a whole. *Blue Chip Financial Forecasts* projects that over the next 5 and 10 years, the U.S. nominal GDP will grow at an annual rate of approximately 4.24%.<sup>18</sup> As such, the average nominal growth rate over the next 10 years is around 4.24%, which I believe is a reasonable proxy of long-term growth.

Later in this testimony, I discuss academic and investment-practitioner support for using the projected long-term GDP growth outlook as a maximum long-term growth rate projection. Using the long-term GDP growth rate as a conservative projection for the maximum growth rate is logical, and is generally consistent with academic and economic-practitioner accepted practices.

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<sup>18</sup>Blue Chip Financial Forecast, May 31, 2024 at page 14.

**E. Sustainable Growth DCF**

**Q PLEASE DESCRIBE WHAT THE SUSTAINABLE GROWTH DCF METHOD IS AND HOW YOU ESTIMATED A SUSTAINABLE GROWTH RATE FOR YOUR SUSTAINABLE GROWTH DCF MODEL.**

**A** The sustainable growth rate, also referred to as the internal growth rate, is determined by the proportion of the utility's earnings that is retained and reinvested in its plant and equipment. These reinvested earnings enhance the earnings base, also known as the rate base. The earnings grow as the plant, funded by the reinvested earnings, is put into operation, allowing the utility to receive its authorized return on the additional rate base investment.

The internal growth approach is linked to the percentage of earnings retained within the company, as opposed to being paid out as dividends. The earnings retention ratio is calculated as 1 minus the dividend payout ratio. As the payout ratio decreases, the retention ratio increases, leading to stronger growth as the company funds more investments using retained earnings.

The payout ratios of the proxy group are shown in my Exhibit AB-8. These dividend-payout ratios and earnings-retention ratios then can be used to develop a long-term growth rate driven by earnings retention.

The data used to estimate the long-term sustainable growth rate is based on the Company's current market-to-book ratio and on *Value Line's* three- to five-year projections of earnings, dividends, earned returns on book equity, and stock issuances.

As shown in Exhibit AB-9, the average and median sustainable growth rates for the proxy group using this internal growth rate model are 5.02% and 4.95%, respectively.

**Q WHAT IS THE DCF ESTIMATE USING THESE SUSTAINABLE GROWTH RATES?**

A A DCF estimate based on these sustainable growth rates is developed in Exhibit AB-10. As shown there, and using the same formula in Equation 2 above, a sustainable growth DCF analysis produces proxy group average and median DCF results for the 13-week period of 9.10% and 9.03%, respectively.

**F. Multi-Stage Growth DCF Model**

**Q HAVE YOU CONDUCTED ANY OTHER DCF STUDIES?**

A Yes. As previously noted, the DCF model is intended to represent the present value of an endless series of future cash flows. Nevertheless, the initial constant growth DCF that I created is based on analyst growth-rate projections, providing a plausible representation of rational investment expectations over the next three-to-five years. The limitation of this constant growth DCF model is that it cannot reflect a reasonable expectation of a shift in growth from a high or low short-term rate to a rate that aligns more with long-term sustainable growth. To accommodate changing growth expectations, I conducted a multi-stage DCF analysis that reflects growth rate change over time.

**Q WHY DO YOU BELIEVE GROWTH RATES CAN CHANGE OVER TIME?**

A The growth rate projections by analysts for the next three-to-five years are subject to change as the outlook for utility earnings-growth evolves. Utility companies experience fluctuations in their investment cycles. When these companies are undertaking substantial investments, the growth of their rate base accelerates, leading to an increase in earnings growth. However, once a major construction cycle reaches completion or plateaus, the growth in the utility rate base slows down, and its earnings

1 growth rate declines from an abnormally high three-to-five-year rate, to a lower,  
2 sustainable growth rate.

3 As construction cycles become longer in duration, even with an aggressive  
4 construction plan, the growth rate of the utility will naturally slow due to a decrease in  
5 rate base growth, as the utility has limited human and capital resources to expand its  
6 construction activities. Therefore, the three-to-five-year growth rate projection should  
7 be viewed as a long-term sustainable growth rate, but not without considering the  
8 current market conditions, industry trends, and determining whether the three-to-five-  
9 year growth outlook is feasible and sustainable.

10 **Q PLEASE DESCRIBE YOUR MULTI-STAGE DCF MODEL.**

11 A The multi-stage DCF model reflects the possibility of non-constant growth for a  
12 company over time. The multi-stage DCF model reflects three growth periods: (1) a  
13 short-term growth period consisting of the first five years; (2) a transition period,  
14 consisting of the next five years (6 through 10); and (3) a long-term growth period  
15 starting in year 11 and extending into perpetuity.

16 For the short-term growth period, I relied on the consensus of analysts' growth  
17 projections described above in relationship to my constant growth DCF model. For the  
18 transition period, the growth rates were reduced or increased by an equal factor  
19 reflecting the difference between the analysts' growth rates and the long-term  
20 sustainable growth rate. For the long-term growth period, I assumed each company's  
21 growth would converge to the maximum sustainable long-term growth rate.

**Q WHY IS THE GDP GROWTH PROJECTION A REASONABLE PROXY FOR THE  
MAXIMUM SUSTAINABLE LONG-TERM GROWTH RATE?**

A Utilities cannot indefinitely sustain a growth rate that exceeds the growth rate of the economy in which they sell services. A utilities' earnings and dividend growth is created by increased utility investment in its rate base. Examples of what can drive such investment are: service area economic growth, system reliability upgrades, or state and federal green energy initiatives. As such, nominal GDP growth is a reasonable upper limit for utility sales growth, rate base growth, and earnings growth in the long-run. Therefore, the U.S. GDP nominal growth rate is a conservative proxy for the highest sustainable long-term growth rate of a utility.

**Q IS THERE RESEARCH THAT SUPPORTS YOUR POSITION THAT, OVER THE  
LONG TERM, A COMPANY'S EARNINGS AND DIVIDENDS CANNOT GROW AT A  
RATE GREATER THAN THE RATE OF GROWTH OF THE U.S. GDP?**

A Yes. This concept is supported in published analyst literature and academic work. Specifically, in a textbook titled "Fundamentals of Financial Management," published by Eugene Brigham and Joel F. Houston, the authors state as follows:

The constant growth model is most appropriate for mature companies with a stable history of growth and stable future expectations. Expected growth rates vary somewhat among companies, but dividends for mature firms are often expected to grow in the future at about the same rate as nominal gross domestic product (real GDP plus inflation).<sup>19</sup>

The use of the economic growth rate is also supported by investment practitioners as outlined as follows:

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<sup>19</sup>*Fundamentals of Financial Management*, Eugene F. Brigham and Joel F. Houston, Eleventh Edition 2007, Thomson South-Western, a Division of Thomson Corporation at 298 (emphasis added).

**Estimating Growth Rates**

One of the advantages of a three-stage discounted cash flow model is that it fits with life cycle theories in regards to company growth. In these theories, companies are assumed to have a life cycle with varying growth characteristics. Typically, the potential for extraordinary growth in the near term eases over time and eventually growth slows to a more stable level.

\* \* \*

Another approach to estimating long-term growth rates is to focus on estimating the overall economic growth rate. Again, this is the approach used in the *Ibbotson Cost of Capital Yearbook*. To obtain the economic growth rate, a forecast is made of the growth rate's component parts. Expected growth can be broken into two main parts: expected inflation and expected real growth. By analyzing these components separately, it is easier to see the factors that drive growth.<sup>20</sup>

**Q HOW DID YOU DETERMINE A LONG-TERM GROWTH RATE THAT REFLECTS THE CURRENT CONSENSUS OF INDEPENDENT MARKET PARTICIPANTS?**

A I relied on the consensus of long-term GDP growth projections as projected by independent economists. *Blue Chip Financial Forecasts* publishes the consensus for GDP growth projections twice a year. These projections reflect current outlooks for GDP and are likely to be influential on investors' expectations of future growth outlooks. The consensus of projected GDP growth is about 4.24% over the next 10 years.<sup>21</sup>

**Q DO YOU CONSIDER OTHER SOURCES OF PROJECTED LONG-TERM GDP GROWTH?**

A Yes, and these alternative sources corroborate the consensus analysts' projections I relied on. Several projections are shown in Table CCW-7 below.

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<sup>20</sup>Morningstar, Inc., Ibbotson SBBI 2013 Valuation Yearbook at 51 and 52.

<sup>21</sup>Blue Chip Financial Forecast, May 31, 2024 at page 14.

**TABLE CCW-7**

**GDP Forecasts**

| <u>Source</u>                               | <u>Projected Period</u> | <u>Real GDP</u> | <u>Inflation</u> | <u>Nominal GDP</u> |
|---------------------------------------------|-------------------------|-----------------|------------------|--------------------|
| Blue Chip Economic Indicators <sup>1</sup>  | 5-10 Yrs                | 2.1%            | 2.2%             | 4.2%               |
| EIA - Annual Energy Outlook <sup>2</sup>    | 27 Yrs                  | 1.9%            | 2.3%             | 4.3%               |
| Congressional Budget Office <sup>3</sup>    | 30 Yrs                  | 1.7%            | 2.0%             | 3.8%               |
| Moody's Analytics <sup>4</sup>              | 31 Yrs                  | 1.9%            | 2.1%             | 4.1%               |
| Social Security Administration <sup>5</sup> | 76 Yrs                  | 1.6%            | 2.4%             | 4.0%               |
| Economist Intelligence Unit <sup>6</sup>    | 31 Yrs                  | 1.7%            | 2.2%             | 4.0%               |

Sources:

<sup>1</sup>Blue Chip Financial Forecasts, May 31, 2024 at 14.

<sup>2</sup>U.S. Energy Information Administration (EIA),  
Annual Energy Outlook 2023, September, 2022.

<sup>3</sup>Congressional Budget Office, Long-Term Budget Outlook, March 28, 2024.

<sup>4</sup>Moody's Analytics Forecast, last updated March 11, 2024.

<sup>5</sup>Social Security Administration, "2024 OASDI Trustees Report,"  
Table VI.G6. May 6, 2024.

<sup>6</sup>S&P MI, Economist Intelligence Unit, downloaded on April 26, 2024.

As shown in the table above, the real GDP and the inflation fall in the range of 1.6% to 2.1% and 2.0% to 2.4%, respectively. This results in a nominal GDP in the range of 3.8% to 4.3%. Therefore, the nominal GDP growth projections made by these independent sources support my use of 4.24% as a reasonable estimate of market participants' expectations for long-term GDP growth. The real GDP and nominal GDP growth projections made by these independent sources support my use of 4.24% as a reasonable estimate of market participants' expectations for long-term GDP growth.

1    **Q     WHAT STOCK PRICE, DIVIDEND, AND GROWTH RATES DID YOU USE IN YOUR**  
2    **MULTI-STAGE DCF ANALYSIS?**

3    A     I relied on the same 13-week average stock prices and the most recent quarterly  
4           dividend payment data discussed above. For the first stage, I used the consensus of  
5           analysts' growth rate projections discussed above in my constant growth DCF model.  
6           The first stage covers the first five years, consistent with the time horizon of the  
7           securities analysts' growth rate projections. The second stage, or transition stage,  
8           begins in year 6 and extends through year 10. The second stage growth transitions  
9           the growth rate from the first stage to the third stage using a straight linear trend. For  
10          the third stage, or long-term sustainable growth stage, starting in year 11, I used a  
11          4.24% long-term sustainable growth rate based on the consensus of economists'  
12          long-term projected nominal GDP growth rate.

13   **Q     WHAT ARE THE RESULTS OF YOUR MULTI-STAGE DCF MODEL?**

14   A     As shown in Exhibit AB-11, the average and median DCF ROEs for my proxy group  
15          using the 13-week average stock price are 8.83% and 8.90%, respectively.

16   **Q     PLEASE SUMMARIZE THE RESULTS FROM YOUR DCF ANALYSES.**

17   A     The DCF results are summarized in Table CCW-8 below. As described above, the  
18          results of the constant growth DCF using analysts' growth rates assume an average  
19          long-term growth rate of 6.29%, which is approximately 50% higher than the long-term  
20          projected GDP growth rate of 4.24%. This is an unsustainable assumption, and likely  
21          leads to an overstatement in the cost of equity for a low-risk regulated utility. As such,  
22          it is my opinion that more weight should be given to the sustainable growth and multi-  
23          stage models of the DCF.

| Table CCW-8                                    |                    |               |
|------------------------------------------------|--------------------|---------------|
| <u>Summary of DCF Results</u>                  |                    |               |
| <u>Description</u>                             | <u>Proxy Group</u> |               |
|                                                | <u>Mean</u>        | <u>Median</u> |
| Constant Growth DCF Model (Analysts' Growth)   | 10.43%             | 10.51%        |
| Constant Growth DCF Model (Sustainable Growth) | 9.10%              | 9.03%         |
| Multi-Stage DCF Model                          | 8.83%              | 8.90%         |

**G. Risk Premium Model**

**Q PLEASE DESCRIBE YOUR BOND YIELD PLUS RISK PREMIUM MODEL.**

A This model is based on the principle that investors require a higher return to assume greater risk. Common equity investments have greater risk than bonds because bonds have more security of payment in bankruptcy proceedings than common equity and the coupon payments on bonds represent contractual obligations. In contrast, companies are not required to pay dividends or guarantee returns on common equity investments. Therefore, common equity securities are considered to be riskier than bond securities.

This risk premium model is based on two estimates of an equity risk premium. First, I quantify the difference between regulatory commission-authorized returns on common equity and contemporary U.S. Treasury bonds. The difference between the authorized return on common equity and the Treasury bond yield is the risk premium. I estimated the risk premium on an annual basis for each year since January 1986. The authorized ROEs were based on regulatory commission-authorized returns for

1 utility companies. Authorized returns are typically based on expert witnesses'  
2 estimates of the investor-required return at the time of the proceeding.

3 The second equity risk premium estimate is based on the difference between  
4 regulatory commission-authorized returns on common equity and contemporary  
5 "A" rated utility bond yields by Moody's. I selected the period 1986 through 2023  
6 because public utility stocks consistently traded at a premium to book value during that  
7 period. This is illustrated in Exhibit AB-12, which shows the market-to-book ratio since  
8 1986 for the utility industry was consistently above a multiple of 1.0x. Over this period,  
9 an analyst can infer that authorized ROEs were sufficient to support market prices that  
10 at least exceeded book value. This is an indication that commission-authorized returns  
11 on common equity supported a utility's ability to issue additional common stock without  
12 diluting existing shares. It further demonstrates that utilities were able to access equity  
13 markets without a detrimental impact on current shareholders.

14 Based on this analysis, as shown in Exhibit AB-13, the average indicated equity  
15 risk premium over U.S. Treasury bond yields has been 5.70%. Since the risk premium  
16 can vary depending upon market conditions and changing investor risk perceptions, I  
17 believe using an estimated range of risk premiums provides the best method to  
18 measure the current return on common equity for a risk premium methodology.

19 I assessed the five-year and ten-year rolling average risk premiums over the  
20 study period to gauge the variability over time of risk premiums. These rolling average  
21 risk premiums mitigate the impact of anomalous market conditions and skewed risk  
22 premiums over an entire business cycle. As shown on my Exhibit AB-13, the five-year  
23 rolling average risk premium over Treasury bonds ranged from 4.25% to 7.09%, while  
24 the ten-year rolling average risk premium ranged from 4.38% to 6.91%.

As shown on my Exhibit AB-14, the average indicated equity risk premium over contemporary "A" rated Moody's utility bond yields was 4.34%. The five-year and ten-year rolling average risk premiums ranged from 2.88% to 5.90% and 3.20% to 5.73%, respectively.

**Q WHY ARE THE TIME PERIODS USED TO DERIVE THESE EQUITY RISK PREMIUM ESTIMATES APPROPRIATE TO FORM ACCURATE CONCLUSIONS ABOUT CONTEMPORARY MARKET CONDITIONS?**

**A** Contemporary market conditions can change dramatically during the period that rates determined in this proceeding will be in effect. A relatively long period of time where stock valuations reflect premiums to book value indicates that the authorized ROEs and the corresponding equity risk premiums were supportive of investors' return expectations and provided utilities access to the equity markets under reasonable terms and conditions. Further, this time period is long enough to smooth abnormal market movement that might distort equity risk premiums. While market conditions and risk premiums do vary over time, this historical time period is a reasonable period to estimate contemporary risk premiums.

**Q PLEASE EXPLAIN OTHER MARKET EVIDENCE YOU RELIED ON IN DETERMINING AN APPROPRIATE EQUITY RISK PREMIUM.**

**A** The equity risk premium should reflect the market's perception of risk in the utility industry today. I have gauged investor perceptions in utility risk today in Exhibit AB-15, where I show the yield-spread between utility bonds and Treasury bonds since 1980. As shown in this schedule, the average utility bond yield-spreads over Treasury

bonds for “A” and “Baa” rated utility bonds for this historical period are 1.48% and 1.90%, respectively.

A current 13-week average “A” rated utility bond yield of 5.71% when compared to the current Treasury bond yield of 4.57%, as shown in Exhibit AB-16, page 1, implies a yield-spread of 1.14%. This current utility bond yield-spread is lower than the long-term average-spread for “A” rated utility bonds of 1.48%. The 13-week average yield on “Baa” rated utility bonds is 5.93%. This indicates a current spread for the “Baa” rated utility bond yield of 1.36%, which is lower than the long-term average of 1.90%.

**Q WHAT ARE THE RESULTS BASED ON YOUR RISK PREMIUM ANALYSES?**

A I give primary consideration to the Risk Premium results using Treasury bonds and A-rated utility bonds. My recommendation also takes the results of adding the Baa-rated utility bond yield to the equity risk premium over A-rated utility bonds into consideration.

Considering the current and projected economic environment, current yield spreads and equity risk premiums, as well as current levels of interest rates and interest rate projections, a more normalized equity risk premium is warranted. As such, I believe an average equity risk premium over Treasury yields of 5.70% is appropriate. Adding this risk premium to the projected Treasury yield of 4.30% produces an ROE of 10.00%.

Applying a similar methodology as described above, the average of the rolling five-year average risk premiums over A-rated utility bonds is 4.34%. The A-rated utility bond yield has averaged 5.71% over the 13-week period ending June 21, 2024 while the Baa-rated utility bond yield has averaged 5.93% over the same period. Adding this risk premium to the 13-week A-rated utility bond yield of 5.71% produces an estimated

cost of equity of 10.05%. Adding this risk premium to the 13-week Baa-rated utility bond yield of 5.93% produces an estimated cost of equity of 10.27%.

The A-rated utility bond yield has averaged 5.61% over the 26-week period ending June 21, 2024 while the Baa-rated utility bond yield has averaged 5.84% over the same period. Adding the equity risk premium of 4.34% to the 26-week A-rated utility bond yield of 5.61% produces an estimated cost of equity of 9.95%. Adding the equity risk premium of 4.34% to the 26-week Baa-rated utility bond yield of 5.84% produces an estimated cost of equity of 10.18%.

The results of my risk premium analyses are summarized in Table CCW-9.

| Table CCW-9                            |        |
|----------------------------------------|--------|
| <u>Summary of Risk Premium Results</u> |        |
| <u>Description</u>                     |        |
| Projected Treasury Yield               | 10.00% |
| <u>13-Week Yields</u>                  |        |
| A-Rated Utility Bond                   | 10.05% |
| Baa-Rated Utility Bond                 | 10.27% |
| <u>26-Week Yields</u>                  |        |
| A-Rated Utility Bond                   | 9.95%  |
| Baa-Rated Utility Bond                 | 10.18% |

**H. Capital Asset Pricing Model ("CAPM")**

**Q PLEASE DESCRIBE THE CAPM.**

**A** The CAPM method of analysis is based upon the theory that the market-required rate of return for a security is equal to the risk-free rate, plus a risk premium associated with

the specific security. This relationship between risk and return can be expressed mathematically as follows:

$$R_i = R_f + B_i \times (R_m - R_f) \text{ where:}$$

$R_i$  = Required return for stock i

$R_f$  = Risk-free rate

$R_m$  = Expected return for the market portfolio

$B_i$  = Beta - Measure of the risk for stock

The term "beta" in the equation represents the stock-specific risk that cannot be reduced through diversification. In a well-diversified portfolio, specific risks related to individual stocks can be reduced by balancing the portfolio with securities that offset the impact of firm-specific factors, such as business cycle, competition, product mix, and production limitations.

Non-diversifiable risks, on the other hand, are related to market conditions and are referred to as systematic risks. These risks cannot be reduced through diversification and are considered market risks. Conversely, non-systematic risks, also known as business risks, can be reduced through diversification.

According to the CAPM, the market does not compensate investors for taking on risks that can be diversified away. Thus, investors are only compensated for taking on systematic, or non-diversifiable, risks. Beta is a measure of these systematic risks.

**Q PLEASE DESCRIBE THE INPUTS TO YOUR CAPM.**

**A** The CAPM requires an estimate of the market risk-free rate, the company's beta, and the market risk premium.

**Q WHAT DID YOU USE AS AN ESTIMATE OF THE MARKET RISK-FREE RATE?**

A As previously noted, *Blue Chip Financial Forecasts*' projected 30-year Treasury bond yield is 4.30%.<sup>22</sup> The current 30-year Treasury bond yield is 4.57%, as shown in Exhibit AB-16 at page 1. I used *Blue Chip Financial Forecasts*' projected 30-year Treasury bond yield of 4.30% for my CAPM analysis.

**Q WHY DID YOU USE LONG-TERM TREASURY BOND YIELDS AS AN ESTIMATE OF THE RISK-FREE RATE?**

A Treasury securities are backed by the full faith and credit of the United States government, so long-term Treasury bonds are considered to have negligible credit risk. Also, long-term Treasury bonds have an investment horizon similar to that of common stock. As a result, investor-anticipated long-run inflation expectations are reflected in both common stock required returns and long-term bond yields. Therefore, the nominal risk-free rate (or expected inflation rate and real risk-free rate) included in a long-term bond yield is a reasonable estimate of the nominal risk-free rate included in common stock returns.

Treasury bond yields, however, do include risk premiums related to future inflation and liquidity. In this regard, a Treasury bond yield is not entirely risk-free. Risk premiums related to unanticipated inflation and interest rates reflect systematic market risks. Consequently, for a company with a beta less than 1.0, using the Treasury bond yield as a proxy for the risk-free rate in the CAPM analysis can produce an overstated estimate of the CAPM return.

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<sup>22</sup>Blue Chip Financial Forecast May 31, 2024.

**Q WHAT BETA DID YOU USE IN YOUR ANALYSIS?**

A As shown in Exhibit AB-17, the current proxy group average and median *Value Line* beta estimates are 0.94 and 0.95, respectively. In my experience, these beta estimates are abnormally high and are unlikely to be sustained over the long-term. As such, I have also reviewed the historical average of the proxy group's *Value Line* betas. The historical average *Value Line* beta since 2014 is 0.78 and has ranged from 0.57 to 0.91. Prior to the recent pandemic, the high end of this range was 0.75.

In addition to *Value Line*, I have also included adjusted beta estimates as provided by Market Intelligence's Beta Generator Model. This model relied on a five-year period on a weekly basis ending June 21, 2024. The average and median Market Intelligence betas are 0.86 and 0.86, respectively. Market Intelligence betas, as calculated using its Beta Generator Model, are adjusted using the Vasicek method and calculated using the S&P 500 as the proxy for the investable market. This is in stark contrast with the *Value Line* beta estimates that are adjusted using a constant weighting of 67%/35% to the raw beta/market beta and use the New York Stock Exchange ("NYSE") as the proxy for the investable market. Because I rely on the S&P 500 to estimate the expected return on the investable market, it makes sense to rely on beta estimates that are calculated using the S&P 500 as the benchmark for the market. Further, as S&P explains:

The Vasicek Method is a superior alternative to the Bloomberg Beta adjustment. The Bloomberg adjustment is not appropriate for a vast number of situations, as it assigns constant weighting regardless of the standard error in the raw beta estimation (Bloomberg Beta =  $1/3 \times \text{market beta} + 2/3 \times \text{Raw Beta}$ ). Given the statistical fact that a larger sample size yields a smaller error, the Vasicek method more appropriately adjusts the raw beta via weights determined by the variance of the individual security versus the variance of a larger sample of comparable companies. The weights are designed to bring the raw beta closer to

1                   whichever beta estimation has the smallest error. This is a feature the  
2                   Bloomberg beta cannot replicate.<sup>23</sup>

3                   Notably, while S&P makes reference to the Bloomberg method of applying 2/3  
4                   and 1/3 weights to the raw beta and market beta, respectively, the comparison still  
5                   applies to *Value Line*'s methodology of applying 67% and 35% weights. Both methods  
6                   are forms of the Blume adjustment.<sup>24</sup> While the weights are slightly different between  
7                   the Bloomberg and *Value Line* methods, they are similar and apply a constant weight  
8                   without any regard to accuracy. As such, the criticisms of the betas offered by S&P  
9                   apply to both Bloomberg betas and *Value Line* betas.

10   **Q     HOW DID YOU DERIVE YOUR MARKET RISK PREMIUM ESTIMATES?**

11   A     My market risk premium estimates are derived using two general approaches: a risk  
12           premium approach and a DCF approach. I also consider the normalized market risk  
13           premium of 5.00% with the normalized risk-free rate of 4.67% as recommended by  
14           Kroll, formerly known as Duff & Phelps.<sup>25</sup> Based on this methodology and utilizing a  
15           “normalized” risk-free rate of 4.67%, Kroll concludes that the current expected, or  
16           forward-looking, market risk premium is 5.00%, implying an expected return on the  
17           market of 9.67%.<sup>26</sup>

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<sup>23</sup>S&P Market Intelligence, Beta Generator Model.

<sup>24</sup>The Blume adjustment is a tool used to refine a beta measurement in finance. In general, Beta attempts to explain how much a particular investment's price moves compared to the overall market. But beta is often based on historical data, which may not be an accurate method for predicting the future. The Blume adjustment tries to address this by considering the idea that, in the long run, most investments tend to become more similar in their riskiness to the overall market (represented by a beta of 1).

<sup>25</sup>Kroll, and its predecessor Duff & Phelps, is a provider of economic, financial, and valuation data that is often relied on by finance professionals and cited in ROR testimony.

<sup>26</sup>Kroll, *Kroll Increases U.S. Normalized Risk-Free Rate from 3.0% to 3.5%, but Spot 20-Year U.S. Treasury Yield Preferred When Higher*, June 16, 2022. The current 20-year yield of 4.67% exceeds the “normalized” yield of 3.5%. In accordance with Kroll's prescribed method, the greater of the two shall be used under the normalized Kroll methodology, i.e., 4.67%.

1    **Q     PLEASE DESCRIBE YOUR MARKET RISK PREMIUM ESTIMATE DERIVED USING**  
2    **THE RISK PREMIUM METHODOLOGY.**

3    A     The forward-looking risk premium-based estimate was derived by estimating the  
4           expected return on the market (as represented by the S&P 500) and subtracting the  
5           risk-free rate from this estimate. I estimated the expected return on the S&P 500 by  
6           adding an expected inflation rate to the long-term historical arithmetic average real  
7           return on the market. The real return on the market represents the achieved return  
8           above the rate of inflation.

9                    The Kroll *S&B* Yearbook is no longer being published. As such, estimates of  
10           the historical, arithmetic-average, real-market return over the period 1926 to 2023 were  
11           calculated using data from Morningstar Direct. The arithmetic-average real return on  
12           the market since 1926 is 9.02%.<sup>27</sup> A current consensus for projected inflation, as  
13           measured by the Consumer Price Index ("CPI"), is 2.40%.<sup>28</sup> Using these estimates,  
14           the expected market return is 11.64%.<sup>29</sup> The market risk premium then is the difference  
15           between the 11.64% expected market return and the projected risk-free rate of 4.30%,  
16           or 7.34%.

17   **Q     PLEASE DESCRIBE YOUR MARKET RISK PREMIUM ESTIMATES DERIVED**  
18   **USING THE DCF METHODOLOGY.**

19   A     I employed two versions of the constant growth DCF model to develop estimates of the  
20           market risk premium. I first employed the Federal Energy Regulatory Commission's  
21           ("FERC") method of estimating the expected return on the market that was established  
22           in its Opinion No. 569-A. FERC's method for estimating the expected return on the

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<sup>27</sup>Morningstar Direct.

<sup>28</sup>Blue Chip Financial Forecast May 31, 2024.

<sup>29</sup> $[(1 + 9.02\%) * (1 + 2.40\%) - 1] * 100$ .

1 market is to perform a constant growth DCF analysis on each of the dividend-paying  
2 companies of the S&P 500 index. The growth rate component is based on the average  
3 of the growth projections excluding companies with growth rates that were negative or  
4 greater than 20%.<sup>30</sup> The weighted average growth rate for the remaining companies is  
5 10.90%. After reflecting the FERC prescribed method of adjusting the dividend yield  
6 by  $(1 + 0.5g)$ , the weighted average expected dividend yield is 1.79%. Thus, the  
7 DCF-derived expected return on the market is the sum of those two components, or  
8 12.69%. The market risk premium then is the expected market return of 12.69%, less  
9 the projected risk-free rate of 4.30%, or 8.40%.

10 My second DCF-based market risk premium estimate was derived by  
11 performing the same DCF analysis described above, except I used all companies in  
12 the S&P 500 index rather than just the dividend-paying companies. The weighted  
13 average growth rate for these companies is 11.10%. After reflecting the  
14 FERC-prescribed method of adjusting the dividend yield by  $(1 + 0.5g)$ , the weighted  
15 average expected dividend yield is 1.69%. Thus, the DCF-derived expected return on  
16 the market is the sum of those two components, or 12.79%. The market risk premium  
17 then is the expected market return of 12.79% less the projected risk-free rate of 4.30%,  
18 or 8.50%.

19 The average expected market return based on the DCF model is 12.74% and  
20 the average market risk premium based on the two DCF estimates is 8.45%.

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<sup>30</sup>Opinion No. 569-A, at 210.

Q HOW DO YOUR EXPECTED MARKET RETURNS COMPARE TO CURRENT EXPECTATIONS OF FINANCIAL INSTITUTIONS?

A As shown in Table CCW-10, my average expected market return of 11.35%<sup>31</sup> exceeds long-term market expectations of several financial institutions.

TABLE CCW-10

**Long-Term Expected Return on the Market**

| <b><u>Source</u></b>                      | <b><u>Term</u></b> | <b><u>Expected Return<br/>Large Cap<br/>Equities</u></b> |
|-------------------------------------------|--------------------|----------------------------------------------------------|
| BlackRock Capital Management <sup>1</sup> | 30 Years           | 7.00%                                                    |
| JP Morgan Chase <sup>2</sup>              | 10 - 15 Years      | 7.00%                                                    |
| Vanguard <sup>3</sup>                     | 10 Years           | 4.2% - 6.2%                                              |
| Research Affiliates <sup>4</sup>          | 10 Years           | 4.00%                                                    |

Sources:

<sup>1</sup>BlackRock Investment Institute, November 2023 report.

<sup>2</sup>JP Morgan Chase, Long-Term Capital Market Assumptions, 2024 Report.

<sup>3</sup>Vanguard economic and market outlook for 2024: A Return to Sound Money.

<sup>4</sup>Research Affiliates, Asset Allocation Interactive. Retrieved 1/05/2024.

When compared to the expected market returns of financial institutions above, my average expected market return of 11.35% is greater than all of them. For these reasons, my expected market returns, and the associated market risk premiums, should be considered reasonable, if not high-end estimates.

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<sup>31</sup>11.35% = (9.67% + 12.74% + 11.64%) / 3.

1    **Q     HOW DO YOUR ESTIMATED MARKET RISK PREMIUMS COMPARE TO THAT**  
2    **ESTIMATED BY KROLL?**

3    A     The Kroll analysis indicates a market risk premium falls somewhere in the range of  
4     5.00% to 7.17% utilizing data through 2023. My market risk premium estimates are in  
5     the range of 5.00% to 8.45%.

6    **Q     HOW DOES KROLL MEASURE A MARKET RISK PREMIUM?**

7    A     Kroll's range is based on several methodologies. First, Kroll estimated a market risk  
8     premium of 7.17% based on the difference between the total market return on common  
9     stocks (S&P 500) less the income return on 20-year Treasury bond investments over  
10    the 1926-2023 period.<sup>32</sup>

11            Second, Kroll used the Ibbotson & Chen supply-side model which produced a  
12    market risk premium estimate of 6.22%.<sup>33</sup> Kroll explains that the historical market risk  
13    premium based on the S&P 500 was influenced by an abnormal expansion of P/E ratios  
14    relative to earnings and dividend growth. In order to control for the volatility of  
15    extraordinary events and their impacts on P/E ratios, Kroll takes into consideration the  
16    three-year average P/E ratio as the current P/E ratio. Therefore, Kroll adjusted this  
17    market risk premium estimate to normalize the growth in the P/E ratio to be more in line  
18    with the growth in dividends and earnings.

19            Finally, Kroll developed its own recommended equity, or market risk premium,  
20    by employing an analysis that takes into consideration a wide range of economic  
21    information, multiple risk premium estimation methodologies, and the current state of  
22    the economy by observing measures such as the level of stock indices and corporate

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<sup>32</sup>Kroll, *Cost of Capital Navigator*.

<sup>33</sup>*Id.*

spreads as indicators of perceived risk. Based on this methodology, and utilizing a “normalized” risk-free rate of 4.67%, Kroll concludes that the current expected, or forward-looking, market risk premium is 5.00%, implying an expected return on the market of 9.67%.<sup>34</sup>

**Q DO YOU HAVE ANY COMMENTS ON THE EXPECTED MARKET RETURNS AND MARKET RISK PREMIUMS DESCRIBED ABOVE?**

**A** Yes. As described above, the average expected market return based on the DCF model is 12.74% and the average market risk premium is 8.45%. The expected market return of 12.74% is based on a constant perpetual growth rate of 11.10%. This is simply unsustainable for the same reasons described in greater detail above.

It simply is not reasonable to believe individual companies can sustain growth rate of 11.10% into perpetuity. In fact, in the CFA curriculum textbooks, the CFA Institute notes as follows with regard to earnings growth rates for companies within the composite indices (i.e., S&P 500):

Earnings growth for the overall national economy can differ from the growth of earnings per share in a country's equity market composites. This is due to the presence of new businesses that are not yet included in the equity indices and are typically growing at a faster rate than the mature companies that make up the composites. **Thus, the earnings growth rate of companies making up the composites should be lower than the earnings growth rate for the overall economy.**<sup>35</sup>

In addition, a market risk premium in excess of 8.0% is significantly outside the range supported by empirical evidence. For example, Dr. Morin notes in his book,

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<sup>34</sup>*Id.*

<sup>35</sup>CFA Program Curriculum, 2014 Level II Vol. 1, “Ethical and Professional Standards, Quantitative Methods, and Economics”, Paul Kutasovic, Reading 15 – Economic Growth and the Investment Decision, page 609, footnote 5 (emphasis added).

1        *Modern Regulatory Finance*, that several studies of the market risk premium have  
2        concluded that a market risk premium in the range of 5.0% to 8.0% is a reasonable  
3        estimate for the United States.<sup>36</sup> The Duarte and Rosa study he cites concludes that  
4        the historical mean is “quite difficult to improve upon when considering out-of-sample  
5        performance measures.”<sup>37</sup> Dr. Morin also notes that a survey of professional practices  
6        showed that 71% of textbooks/tradebooks used a historical average as the market risk  
7        premium, and 60% of financial advisors used a market risk premium in the range of  
8        7.0% to 7.4% (similar to a long-term arithmetic average market risk premium).<sup>38</sup>

9        **Q        WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?**

10      A        As shown in Exhibit AB-18, I have provided the results of nine different applications of  
11      the CAPM. The first three results presented are based on the proxy group’s current  
12      average *Value Line* beta of 0.94. The results of the CAPM based on these inputs range  
13      from 9.38% to 12.27%.

14              The next set of three results presented are based on the proxy group’s historical  
15      *Value Line* beta of 0.78. The results of the CAPM based on these inputs range from  
16      8.58% to 10.91%.

17              The last set of three results presented are based on the proxy group’s current  
18      S&P Global Market Intelligence beta of 0.86. The results of the CAPM based on these  
19      inputs range from 8.99% to 11.60%. My CAPM results are summarized in Table CCW-  
20      11.

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<sup>36</sup>Dr. Morin references studies by Duarte & Rosa; Professors Ross, Westerfield, and Jordan; Mahera; and Brealey, Myers, and Allen. See *Modern Regulatory Finance*, Dr. Roger A. Morin, at pages 190-192. Dr. Morin notes in his textbook that there is a “slight preference” for the upper end of the range (i.e., 8%) during tumultuous times in capital markets with examples being the 2008-2009 credit crisis and the 2020 pandemic.

<sup>37</sup>See *Modern Regulatory Finance*, Dr. Roger A. Morin, at page 191, citing the Duarte and Rosa study.

<sup>38</sup>See *Modern Regulatory Finance*, Dr. Roger Morin, at page 190, footnote 35.

Because current beta estimates are based on the most recent five years of historical stock returns and volatility, they are being heavily impacted by the market fallout in early 2020 as the global pandemic set in and the market reacted, with this S&P 500 falling more than 40%. For this reason, it is not reasonable to assume current beta estimates, particularly Blume-adjusted betas such as those published by *Value Line*, are reflective of investor expectations at this time which can lead to an overstatement in the estimated cost of equity. As such, I am giving less consideration to the results of my CAPM analyses that rely on current *Value Line* betas. Finally, for the reasons detailed above, I believe it is also reasonable to give less consideration to the CAPM results that rely on market risk premium estimates of 8.45%.

**Table CCW-11**

**CAPM Results Summary**

| <b><u>Description</u></b> | <b><u>Current<br/>VL<br/>Beta</u></b> | <b><u>Historical<br/>VL<br/>Beta</u></b> | <b><u>Current<br/>S&amp;P<br/>Beta</u></b> |
|---------------------------|---------------------------------------|------------------------------------------|--------------------------------------------|
| Kroll Normalized Method   | 9.38%                                 | 8.58%                                    | 8.99%                                      |
| Risk Premium Method       | 11.19%                                | 10.01%                                   | 10.61%                                     |
| FERC DCF Method           | 12.27%                                | 10.91%                                   | 11.60%                                     |

**Q     YOU MENTION THAT THE CURRENT 5-YEAR BETA ESTIMATES MIGHT NOT BE REFLECTIVE OF INVESTOR EXPECTATIONS, AND POTENTIALLY OVERSTATE THE COST OF EQUITY. DO YOU HAVE EVIDENCE TO SUPPORT THAT HYPOTHESIS?**

**A     Yes. As mentioned above, all beta estimates calculated over a 5-year historical price period will include the unprecedented volatility and market prices caused by the onset**

1 of the Covid-19 pandemic in early 2020. It is unreasonable to assume that those prices  
2 and resulting volatility resemble investor expectations going forward. Prior to the  
3 market fallout from the pandemic, utility beta estimates were at several year lows.  
4 Subsequent to the period of peak volatility from the pandemic, utility betas have actually  
5 declined back toward their normalized levels. This is demonstrated in Table CCW-12  
6 below. In this table, I present the raw unadjusted beta estimates for the 5-year and 3-  
7 year period ending June 21, 2024. I then apply Blume adjustment using the same  
8 weighting applied by *Value Line*.<sup>39</sup>

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<sup>39</sup>The Value Line method to calculate adjusted betas is as follows:  $B_{adjusted} = 0.35 + 0.67 \times B_{raw}$

| <b><u>Beta Comparison</u></b>                                                                                        |                                |                             |                                |                             |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| <b>Proxy Group</b>                                                                                                   | <b>5-Year Beta<sup>1</sup></b> |                             | <b>3-Year Beta<sup>2</sup></b> |                             |
|                                                                                                                      | <b>Unadjusted</b>              | <b>Adjusted<sup>3</sup></b> | <b>Unadjusted</b>              | <b>Adjusted<sup>3</sup></b> |
| Alliant Energy Corporation                                                                                           | 0.81                           | 0.89                        | 0.56                           | 0.72                        |
| American Electric Power Company, Inc.                                                                                | 0.77                           | 0.86                        | 0.49                           | 0.68                        |
| Ameren Corporation                                                                                                   | 0.76                           | 0.86                        | 0.54                           | 0.71                        |
| Avista Corporation                                                                                                   | 0.75                           | 0.85                        | 0.45                           | 0.65                        |
| Black Hills Corporation                                                                                              | 1.04                           | 1.04                        | 0.63                           | 0.77                        |
| CMS Energy Corporation                                                                                               | 0.76                           | 0.86                        | 0.49                           | 0.68                        |
| CenterPoint Energy, Inc.                                                                                             | 1.17                           | 1.13                        | 0.61                           | 0.76                        |
| Duke Energy Corporation                                                                                              | 0.73                           | 0.84                        | 0.42                           | 0.63                        |
| Edison International                                                                                                 | 0.94                           | 0.98                        | 0.69                           | 0.81                        |
| Entergy Corporation                                                                                                  | 0.96                           | 0.99                        | 0.54                           | 0.71                        |
| Eversource Energy, Inc.                                                                                              | 0.84                           | 0.91                        | 0.53                           | 0.70                        |
| Exelon Corporation                                                                                                   | 0.95                           | 0.99                        | 0.59                           | 0.75                        |
| IDACORP, Inc.                                                                                                        | 0.80                           | 0.88                        | 0.44                           | 0.65                        |
| MGE Energy, Inc.                                                                                                     | 0.56                           | 0.73                        | 0.50                           | 0.69                        |
| NextEra Energy, Inc.                                                                                                 | 0.86                           | 0.93                        | 0.74                           | 0.85                        |
| NorthWestern Energy Group, Inc.                                                                                      | 0.99                           | 1.02                        | 0.47                           | 0.66                        |
| OGE Energy Corp.                                                                                                     | 1.03                           | 1.04                        | 0.60                           | 0.75                        |
| Otter Tail Corporation                                                                                               | 0.96                           | 0.99                        | 0.82                           | 0.90                        |
| Pinnacle West Capital Corporation                                                                                    | 0.90                           | 0.95                        | 0.49                           | 0.68                        |
| Public Service Enterprise Group Incorporated                                                                         | 0.93                           | 0.97                        | 0.62                           | 0.77                        |
| Sempra                                                                                                               | 0.90                           | 0.95                        | 0.62                           | 0.76                        |
| The Southern Company                                                                                                 | 0.84                           | 0.92                        | 0.45                           | 0.65                        |
| WEC Energy Group, Inc.                                                                                               | 0.73                           | 0.84                        | 0.45                           | 0.65                        |
| Xcel Energy Inc.                                                                                                     | 0.74                           | 0.85                        | 0.44                           | 0.65                        |
| Average                                                                                                              | 0.86                           | 0.93                        | 0.55                           | 0.72                        |
| Median                                                                                                               | 0.85                           | 0.92                        | 0.53                           | 0.71                        |
| Source:                                                                                                              |                                |                             |                                |                             |
| <sup>1</sup> S&P Global Market Intelligence, betas for the period 6/21/2019 - 6/21/2024.                             |                                |                             |                                |                             |
| <sup>2</sup> S&P Global Market Intelligence, betas for the period 6/21/2021 - 6/21/2024.                             |                                |                             |                                |                             |
| <sup>3</sup> Adjusted using Value Line's Blume adjustment methodology: $0.35 + (0.67 \times \text{Unadjusted Beta})$ |                                |                             |                                |                             |

1                    These data clearly demonstrate that systematic market risk has subsided for  
2                    regulated utilities after controlling for the impacts of the global pandemic and are largely  
3                    in line with the long-term beta estimates discussed above with average and median  
4                    beta estimates of 0.72 and 0.71, respectively.

1    **Q    WHAT WOULD THE RESULTS OF YOUR CAPM BE UNDER A 3-YEAR BETA?**

2    **A    Assuming the same risk-free rates and market risk premiums described above, my**  
3    **CAPM results would be in the range of 8.60% to 10.37%, with an average of 9.51%.**  
4    **These results are summarized in Table CCW-13 below.**

| <b>Table CCW-13</b>                             |                                            |
|-------------------------------------------------|--------------------------------------------|
| <b><u>CAPM Analysis Using a 3-Year Beta</u></b> |                                            |
| <b><u>Description</u></b>                       | <b><u>3-Year Beta<br/>CAPM Results</u></b> |
| Kroll Normalized Method                         | 8.60%                                      |
| Risk Premium Method                             | 9.54%                                      |
| FERC DCF Method                                 | <u>10.37%</u>                              |
| Average                                         | 9.51%                                      |

5    **Q    HAVE YOU CONSIDERED THESE DATA IN YOUR OVERALL**  
6    **RECOMMENDATION?**

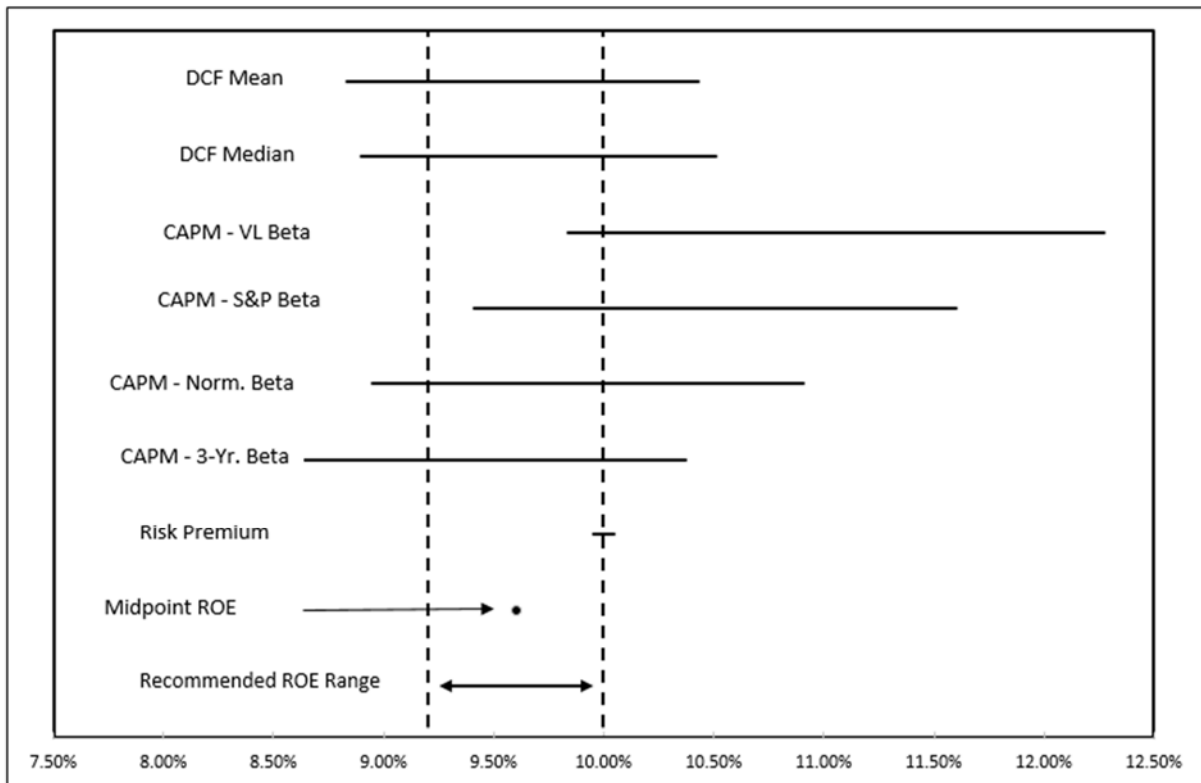
7    **A    Yes, I have.**

8    **I. Return on Equity Summary**

9    **Q    BASED ON THE RESULTS OF YOUR RETURN ON COMMON EQUITY ANALYSES**  
10    **DESCRIBED ABOVE, WHAT RETURN ON COMMON EQUITY DO YOU**  
11    **RECOMMEND FOR THE COMPANY?**

12    **A    The results of my analyses are summarized in Figure CCW-5. In this figure, I present**  
13    **the various measures of central tendency for each of my analytical models.**

FIGURE CCW-5



1           Based on my analyses of the various methodologies described above, I  
2           estimate the Company's current market cost of equity to be in the reasonable range of  
3           9.20% to 10.00%. My recommended range takes into consideration the unsustainable  
4           growth rates assumed in the constant growth DCF model, the irrational assumption that  
5           Value Line's current beta estimates are reflective of current investor expectations, and  
6           the unsustainable growth rates assumed in the DCF-derived expected market return  
7           for the CAPM. Based on my assessment of DTE's overall risk profile and the results  
8           of these analytical methods, I would recommend that this Commission authorize DTE  
9           an ROE of 9.60%, which is the midpoint of my recommended range.

**V. RESPONSE TO DR. BENTE VILLADSEN**

**A. Summary of Rebuttal**

**Q WHAT RETURN ON COMMON EQUITY IS DTE PROPOSING FOR THIS PROCEEDING?**

A Dr. Villadsen recommends a ROE based on her market-based model results for her Electric Sample that fall in the range of 10.25% to 11.00%. She concludes that DTE's requested return of 10.50% is conservative "especially so given DTEE's risk profile, which indicates the company has higher business risk than the comparable companies."<sup>40</sup>

**Q PLEASE DESCRIBE DR. VILLADSEN'S METHODOLOGY SUPPORTING HER ROE RECOMMENDATION.**

A Dr. Villadsen arrived at her estimate using several models that she applied to a sample group of electric and natural gas companies including a traditional CAPM and an empirical CAPM ("ECAPM"), a simple DCF, and a multi-stage growth DCF.<sup>41</sup> Additionally, Dr. Villadsen performed a risk premium model.

**Q IS DR. VILLADSEN'S ESTIMATED ROE FOR DTE REASONABLE?**

A No. Dr. Villadsen's recommended ROE of 10.50% for DTE is excessive and unreasonable for a low-risk regulated utility company. Further, Dr. Villadsen asserts that DTE's risk is higher than average relative to her electric sample.<sup>42</sup> The unreasonableness of Dr. Villadsen's recommendation is evident from a detailed

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<sup>40</sup>Dr. Villadsen Direct at 41.

<sup>41</sup>*Id.*, at 13-14.

<sup>42</sup>*Id.*

assessment of the rate of return models supporting her recommendation in this proceeding.

**Q PLEASE SUMMARIZE DR. VILLADSEN'S ROE STUDY RESULTS.**

A Dr. Villadsen's ROE study results for her electric sample are summarized in Table CCW-14 below.<sup>43</sup>

As shown in Table CCW-14 above, the model ROE results of Dr. Villadsen's studies applied to her electric sample indicate that the required ROE is in the range of 8.7% to 11.1%. She then increases her market ROE estimate by adjusting her results upward in the range of 0.4% to 1.1% using an overall cost of capital ("OCC") methodology. Dr. Villadsen describes the OCC methodology at pages 12-14 of Appendix B to her testimony. The OCC method employed by Dr. Villadsen is identical to the After-Tax Weighted Average Cost of Capital ("ATWACC") methodology previously rejected by this Commission in previous DTE cases.<sup>44</sup> This ATWACC adjustment increases her recommended range up to 10.25% to 11.0%. Dr. Villadsen asserts this ATWACC adjustment is necessary to properly recognize the difference of DTE's financial risk when applying a market ROE to its book value common equity.

**Q DO DR. VILLADSEN'S ROE MODEL RESULTS SUPPORT THE COMPANY'S REQUESTED ROE OF 10.50%, OR EVEN THE ROE RANGE SHE RECOMMENDS?**

A No. As described below, Dr. Villadsen's own studies, with reasonable adjustments, would support a ROE of 9.60%.

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<sup>43</sup>See generally, Dr. Villadsen's Exhibit A-14, Schedules D5.6 through D5.17.

<sup>44</sup>See U-18014 Order at page 66, and U-18255 Order at page 32. Throughout my response to Dr. Villadsen's testimony, I will use OCC and ATWACC interchangeably.

| TABLE CCW-14                                     |                      |                          |                            |
|--------------------------------------------------|----------------------|--------------------------|----------------------------|
| <u>Summary of Dr. Villadsen's Sample Results</u> |                      |                          |                            |
| <u>Model</u>                                     | <u>Model Results</u> | <u>ATWACC Adjustment</u> | <u>Recommended Results</u> |
| <u>DCF (Electric Sample)</u>                     |                      |                          |                            |
| Simple DCF                                       | 10.50%               | 0.70%                    | 11.20%                     |
| Multi-Stage                                      | 8.90%                | 0.50%                    | 9.40%                      |
| Average DCF                                      |                      |                          |                            |
| <u>CAPM (Electric Sample)</u>                    |                      |                          |                            |
| Traditional CAPM                                 | 10.3% - 11.1%        | 0.60%                    | 10.9% - 11.7%              |
| ECAPM (1.5%)                                     | 10.3% - 11.1%        | 0.90%                    | 11.0% - 11.9%              |
| Traditional CAPM (Hamada)                        |                      |                          | 10.9% - 11.7%              |
| ECAPM (1.5%) (Hamada)                            |                      |                          | 10.8% - 11.7%              |
| Risk Premium (Electric)                          |                      |                          | 10.50%                     |
| Range of Electric Results                        | 8.9% - 11.1%         |                          | 9.4% - 11.7%               |
| Recommended Range                                |                      |                          | 10.25% - 11.0%             |
| Recommended ROE                                  |                      |                          | 10.50%                     |

1 Q PLEASE DESCRIBE THE ISSUES YOU HAVE WITH DR. VILLADSEN'S  
2 ANALYSES.

3 A The issues and concerns I have with Dr. Villadsen's analyses in support of the  
4 Company's requested ROE include the following:

- 5 1. Her ATWACC adjustment is unnecessary and has previously been rejected by this  
6 Commission.
- 7 2. More weight should be given to her multi-stage DCF results given the proxy group's  
8 growth rate significantly exceeds the projected growth of the US economy.
- 9 3. For her CAPM analysis, she includes both an ATWACC adjustment, and  
10 alternatively a leveraged beta adjustment to the CAPM results.

- 1 4. Her Value Line betas are based on five years of historical stock prices and are  
2 significantly being impacted by the spike in volatility as a result of the pandemic and  
3 its impact on the market in early 2020. She failed to consider a more normalized  
4 estimate of beta.
- 5 5. She also relies on an ECAPM analysis and includes adjustments for her ATWACC  
6 and leveraged beta methods. In addition to my concerns for these two adjustments,  
7 Dr. Villadsen's ECAPM analysis is miscalculated because she uses adjusted betas  
8 within an ECAPM format. This is inappropriate because an adjusted beta  
9 accomplishes the same thing as an ECAPM analysis. Both levelize the security  
10 market line in measuring a fair ROE based on a given level of systematic risk or  
11 beta risk. Her ECAPM analysis double counts the increase in the CAPM return  
12 estimates for companies with betas less than 1, which reflects her proxy group and  
13 DTE in this case.
- 14 6. Dr. Villadsen's assertion that DTE is of higher risk than her sample companies is  
15 incomplete, inaccurate, and should be ignored.

16 **B. ATWACC**

17 **Q PLEASE DESCRIBE DR. VILLADSEN'S PROPOSED ATWACC ROE**  
18 **ADJUSTMENT.**

19 **A** Dr. Villadsen calculates an ATWACC for each of her sample DCF and CAPM results  
20 by using each sample company's market value capital structure and assumes cost  
21 rates for the cost of debt and preferred stock based on each company's credit rating.  
22 She also assumes DTE's composite tax rate of 25.7% is applicable to all companies in  
23 her sample. Once she calculates the OCC or ATWACC, she then backs into the ROE  
24 required to produce the same rate of return using DTE's book value capital structure  
25 and embedded cost of debt.

26 These ATWACC adjustments to her ROE estimates are discussed in her  
27 Appendix B and developed in the workpapers accompanying her schedules for the  
28 CAPM and DCF return estimates.

**Q DO YOU BELIEVE THAT THE ATWACC METHODOLOGY IS REASONABLE  
POLICY FOR SETTING AN APPROVED ROE IN THE UNITED STATES?**

**A** An obvious concern is that DTE Electric's common stock is not publicly traded and does not have a market value capital structure. The ATWACC methodology is poor regulatory policy and should be rejected for several reasons:

1. It does not produce clear and transparent objectives for management to use that will accomplish the objective of minimizing its overall rate of return while preserving its financial integrity. It ignores a utility's need for capital discipline, treating it as it would an unregulated utility affiliate. Therefore, a regulatory commission cannot oversee the reasonableness and prudence of management decisions in managing its capital structure. Under the ATWACC theory, management's decisions to manage its capital structure can be skewed by changes in market value which change the market value capitalization mix. Management simply has no control over the market value capital structure, but it does have control over the book value capital structure. As such, setting the rate of return and measuring risk based on book value capital structure creates a more transparent and clear path for regulatory oversight of management's effort to maintain a balanced and reasonable capital structure.
2. The ATWACC introduces significant additional instability and unreliability into the utility's cost of service and tariff rates. Book value capital structure weights permit the utility to hedge or lock-in a large portion of capital market costs in arriving at the rate of return used to set rates. This rate of return cost hedge stabilizes the utility's cost of service, which in turn helps stabilize utility rates. A stable method of setting rates also allows investors to more accurately assess the future earnings and cash flow outlooks for the utility, which will reduce the business risk of the utility. The ATWACC, on the other hand, will produce an overall rate of return which will change based on both changes to market value capital structure weights and also based on changes to market capital costs. Hence, a major component of the cost structure of the utility (i.e., the overall rate of return) will vary based on market forces from rate case to rate case. This rate of return variability will introduce significant instability in the utility's cost of service (via rate of return changes) and hence instability in tariff rates. Introducing additional instability and unreliability in the utility's cost structure and rates will not benefit either investors or ratepayers.
3. The ATWACC artificially increases rates to produce an excessive ROE opportunity for utility investors, as if the utility were an unregulated affiliate. Inflating a utility's rates to provide this excessive earnings opportunity is unjust and unreasonable to ratepayers and should be rejected.

1     **Q     IS THE ATWACC METHODOLOGY PROPOSED BY DR. VILLADSEN COMMONLY**  
2     **ACCEPTED IN ELECTRIC RATE-SETTING PROCEEDINGS IN THE UNITED**  
3     **STATES, OR MICHIGAN?**

4     **A     No.** Importantly, this Commission has rejected the application of the ATWACC  
5     methodology in U-18014, stating:

6                     “[...] the Commission does agree with the PFD that little or no weight  
7                     should be given to the utility’s ATWACC calculations.”<sup>45</sup>

8     The Commission reaffirmed its rejection of the ATWACC methodology in Case No.  
9     U-18255.<sup>46</sup>

10                    In a recent Nicor Gas rate case (Docket No. 21-0098), the Illinois Commerce  
11     Commission explicitly rejected the application of any leverage ROE adjustments,  
12     stating the following in regard to Dr. Villadsen’s leverage adjustments:

13                    Additionally, the Company’s leverage adjustments improperly inflated the  
14     Company’s ROE recommendation, especially for the water companies.  
15     Further, the leverage adjustments are based on the flawed argument that  
16     a market-derived ROE does not produce a fair rate of return when applied  
17     to a book value rate base. In the Commission’s view, an ROE derived from  
18     market-based models should be applied to the book value common equity  
19     ratio of the Illinois utility because the book value capital structure reflects  
20     the amount of capital a utility actually uses to finance the acquisition of  
21     assets for providing utility service, which are included in rate base. In  
22     contrast, market value typically includes appreciated value, which is not  
23     used in establishing the overall or weighted average cost of capital in  
24     ratemaking proceedings for Illinois utilities. The Commission has used this  
25     approach to establish utility rates for decades and the results have  
26     consistently provided Illinois utilities with adequate access to capital at  
27     reasonable costs. In contrast, allowing upward adjustments to the allowed  
28     ROE to reflect leverage adjustments would result in a never-ending upward  
29     movement in the allowed rate of return, which would not properly balance  
30     the interests of customers and the utility.

31                                                             \* \* \*

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<sup>45</sup>Michigan Public Service Commission, Case No. U-18014, Final Order, page 66, January 31, 2017.

<sup>46</sup>Michigan Public Service Commission, Case No. U-18255, Final Order, page 32, April 18, 2018.

1 The Commission concludes that the Company's ROE recommendations  
2 should not be adopted primarily because the Company's DCF and CAPM  
3 estimates include leverage adjustments, which the Commission has  
4 routinely rejected.<sup>47</sup>

5 Therefore, the ATWACC methodology is a flawed approach that is not  
6 supported by regulatory commissions and should be rejected.

7 **C. Dr. Villadsen's DCF Analysis**

8 **Q PLEASE DESCRIBE DR. VILLADSEN'S DCF ANALYSIS.**

9 A Dr. Villadsen develops two versions of the DCF model, a quarterly constant growth  
10 DCF and a multi-stage DCF. After she removes what she has deemed to be low-end  
11 outliers, her constant growth DCF model for her electric group is based on an average  
12 growth rate of 6.24% and produces an average of 10.5% for the electric sample.<sup>48</sup> Her  
13 multi-stage DCF method is similar to mine and assumes a terminal growth rate of 4.0%  
14 based on the projected growth of the US economy. After she removes what she has  
15 deemed to be low-end outliers, her multi-stage DCF result is 8.9% for her electric  
16 sample.<sup>49</sup>

17 **Q WHAT CONCERNS DO YOU HAVE WITH DR. VILLADSEN'S DCF ANALYSIS?**

18 A In addition to the inclusion of her financial leverage adjustments, I am concerned with  
19 her arbitrary exclusions of low-end outliers without removing high-end outliers. While I  
20 agree that the Otter Tail results should be removed, as it has a negative growth rate,  
21 she should not have excluded Entergy from her simple DCF results, nor should she

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<sup>47</sup>Illinois Commerce Commission, Docket No. 21-0098, *Northern Illinois Gas Company d/b/a Nicor Gas Company*, Final Order at 93-94, November 18, 2021.

<sup>48</sup>Exhibit A-14, Schedules D5.6 and D5.7. From her simple DCF, she excludes the DCF results of Entergy Corp. and Otter Tail Corp.

<sup>49</sup>In addition to Entergy and Otter Tail, Dr. Villadsen also excludes the result for MGE Energy from her multi-stage analysis.

1 have excluded MGE Energy from her multi-stage DCF in addition to Entergy's results.  
2 It is hard to grasp how Dr. Villadsen can reasonably exclude positive results from  
3 Entergy or MGE Energy for being too low when she includes results as high as 16.7%  
4 for OGE Energy.<sup>50</sup>

5 I also have concern that her recommendation places too much weight on the  
6 results of her constant growth DCF analysis and not nearly enough weight on her multi-  
7 stage DCF results. As I explain above, her electric sample's average growth rate  
8 projection is 6.24%, and is assumed in perpetuity in her constant growth model. This  
9 growth rate exceeds her projected growth rate of 4.24% of the US economy by 47%.  
10 A more reasonable estimate for the DCF analysis would be the median of her  
11 unadjusted results, excluding Otter Tail, of 8.7% (multi-stage DCF) and 10.15%  
12 (constant growth DCF), or 9.4%.

13 **D. Dr. Villadsen's CAPM Analysis**

14 **Q PLEASE DESCRIBE DR. VILLADSEN'S CAPM ANALYSIS.**

15 **A** Dr. Villadsen develops two versions of the CAPM model, a traditional CAPM and an  
16 ECAPM. In her analyses, Dr. Villadsen relied upon two different scenarios. In the first  
17 scenario, she used a projected risk-free rate of 4.30% with a market risk premium of  
18 7.17%. In this scenario, Dr. Villadsen's risk-free rate is based on the projected 10-year  
19 Treasury yield of 3.80%, plus an adjustment for term to maturity of 0.50%, for a  
20 projected 20-year risk-free rate of 4.30%. In the second scenario, she used the same  
21 forecasted yield of 4.30% and a market risk premium of 6.37%. Applying these inputs

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<sup>50</sup>Exhibit A-14, Schedules D5.6 and D5.7.

1 with her *Value Line* betas, she produces her bare-bones CAPM estimates of 11.1%  
2 and 10.3% for her electric sample.<sup>51</sup>

3 To these bare bones or “base” CAPM returns, Dr. Villadsen proposes either one  
4 of two ROE adjustments. First, she proposes to add to her base CAPM return estimate  
5 an ATWACC ROE adjustment of approximately 60 basis points. This produces an  
6 ATWACC-adjusted CAPM return for her electric sample in the range of 10.9% to  
7 11.7%.<sup>52</sup> For the reasons outlined above, this ATWACC adjustment should be rejected.

8 Alternatively, Dr. Villadsen proposes a financial risk adjustment to reflect a  
9 leveraged beta adjustment. This leveraged beta adjustment adds approximately 60  
10 basis points to the base CAPM return estimates.<sup>53</sup> This leverage adjustment to the  
11 base CAPM return estimate produces an excessive and unreasonable ROE for DTE.

12 **Q WHAT CONCERNS DO YOU HAVE WITH DR. VILLADSEN'S CAPM ANALYSIS?**

13 **A** In addition to her various leverage adjustments, my concerns are that her Value Line  
14 betas are still being impacted by the market fallout caused by the pandemic in early  
15 2020 and are not reflective of current investor expectations. As described above with  
16 regard to my own CAPM analysis, I have demonstrated that betas, after removing the  
17 impact of the pandemic, are much lower than betas based on five years of historical  
18 prices and volatility. Based on these data presented in Table CCW-12, it cannot be  
19 reasonably argued that the market risk of utility stocks, as measured by beta, has  
20 gradually increased over the last several years.

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<sup>51</sup>Exhibit A-14, Schedule D5.10.

<sup>52</sup>Villadsen Schedule D5.12

<sup>53</sup>Villadsen Schedule D5.15

1    **Q     WHAT CONCERNS DO YOU HAVE WITH DR. VILLADSEN'S VALUE LINE BETA**  
2    **ESTIMATES?**

3    A     As I explain above in regard to my own CAPM analysis, these beta estimates are  
4           abnormally high and are unlikely to be sustained over the long-term. As such, I believe  
5           it to be reasonable to consider the historical average of the proxy group's *Value Line*  
6           betas. The historical average *Value Line* beta since 2014 is 0.78 and has ranged from  
7           0.57 to 0.91.<sup>54</sup> Prior to the recent pandemic, the high end of this range was 0.75.  
8           Further, after removing the effects of the global pandemic from beta, the most recent  
9           3-year beta estimates are 0.72 on average for the proxy group.

10   **Q     WHAT CONCERNS DO YOU HAVE WITH DR. VILLADSEN'S PROJECTED**  
11   **TREASURY YIELD OF 4.30%?**

12   A     As I describe above, Dr. Villadsen's projected risk free rate of 4.30% is based on a  
13           projected 10-year Treasury yield of 3.80% plus a 0.50% spread to account for the  
14           differences between the 20-year yield over the 10-year yield. More recent projections  
15           for the 10-year Treasury yield are 4.0% while the most recent projection for the 30-year  
16           yield is 4.3%. In other words, Dr. Villadsen assumes that the 20-year yield will be equal  
17           to the 30-year yield. Such an assumption is unreasonable and should be rejected. A  
18           more reasonable estimate of the projected 20-year Treasury yield would be somewhere  
19           between the projected yields for the 10-year Treasury (4.0%) and the 30-year Treasury  
20           (4.3%). The midpoint of these projections is 4.15%.

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<sup>54</sup> Exhibit AB-17.

1 Q WHAT WOULD DR. VILLADSEN'S CAPM RESULTS BE AFTER ACCOUNTING  
2 FOR THESE CHANGES?

3 A As explained in detail above, the market risk of utility stocks has declined subsequent  
4 to the market fallout as a result of the global pandemic. As such, betas based on five  
5 years of prices and volatility overstate the cost of equity in a CAPM analysis. A more  
6 reasonable estimate of beta based on prices and volatility after the peak impact of the  
7 pandemic must be considered. As explained above, the average beta for the proxy  
8 group based on Value Line's methodology using three years of prices and volatility is  
9 0.72.<sup>55</sup> Simply incorporating this beta in her analysis reduces her CAPM results to  
10 9.46% under the scenario with her 7.17% market risk premium, or 8.89% under the  
11 scenario with her 6.37% market risk premium.<sup>56</sup>

12 Q PLEASE EXPLAIN DR. VILLADSEN'S LEVERAGED BETA ADJUSTMENT.

13 A As an alternative to her ATWACC adjustment to her CAPM results, Dr. Villadsen  
14 measures an additional ROE adjustment based on leveraged adjustments to the beta  
15 component of the CAPM study. In producing this adjustment, she applies the Hamada  
16 method to de-lever and re-lever the beta component in both the CAPM and the ECAPM  
17 with and without the effect of income taxes.<sup>57</sup>

18 Applying the Hamada formula increases the electric sample *Value Line* beta  
19 from 0.88 to 1.04 (without and with taxes) for the electric sample.<sup>58</sup> The Hamada model  
20 produces CAPM results in the range of 10.9% to 11.7% and ECAPM results in the  
21 range of 10.8% to 11.7% for the electric sample.<sup>59</sup>

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<sup>55</sup>Table CCW-13.

<sup>56</sup> $0.72 \times 7.17\% + 4.30\% = 9.46\%$ ;  $0.72 \times 6.37\% + 4.30\% = 8.89\%$

<sup>57</sup>Villadsen Direct at Appendix B; Exhibit A-14, Schedule D5.14.

<sup>58</sup>Exhibit A-14, Schedule D5.15.

<sup>59</sup>*Id.*

1    **Q     IS DR. VILLADSEN'S APPLICATION OF THE LEVERAGED BETA ADJUSTMENT**  
2       **REASONABLE?**

3    A     No. As described above, Dr. Villadsen's financial leverage adjustments are generally  
4       not accepted in establishing a fair ROE in regulated rate-setting proceedings such as  
5       this one.

6    **Q     DO YOU HAVE ANY CONCERNS WITH DR. VILLADSEN'S ECAPM RETURN**  
7       **ESTIMATES?**

8    A     Yes. I also have concerns with Dr. Villadsen's reliance on her ECAPM return estimates.  
9       Specifically, Dr. Villadsen included an adjusted beta within her ECAPM studies.<sup>60</sup> This  
10       adjustment is inconsistent with the academic research supporting the development of  
11       an ECAPM methodology.<sup>61</sup> Bottom line, using adjusted betas within an ECAPM study  
12       double counts the purpose of the ECAPM study – that is, to flatten the security market  
13       line and increase a CAPM return estimate for companies with betas less than 1, and  
14       decrease the CAPM return estimate for betas greater than 1.

15           Dr. Villadsen discusses the objective of the ECAPM at pages 32-33 of her  
16       testimony. As shown in Dr. Villadsen's Figure 8, the ECAPM will raise the intercept  
17       point of the security market line and flatten the slope. Again, this has the effect of  
18       increasing CAPM return estimates for companies with betas less than 1, and  
19       decreasing the CAPM return estimates for companies with betas greater than 1.  
20       Importantly, however, the use of an adjusted beta such as those published by *Value*  
21       *Line*, produces comparable adjustments to the security market line and CAPM return

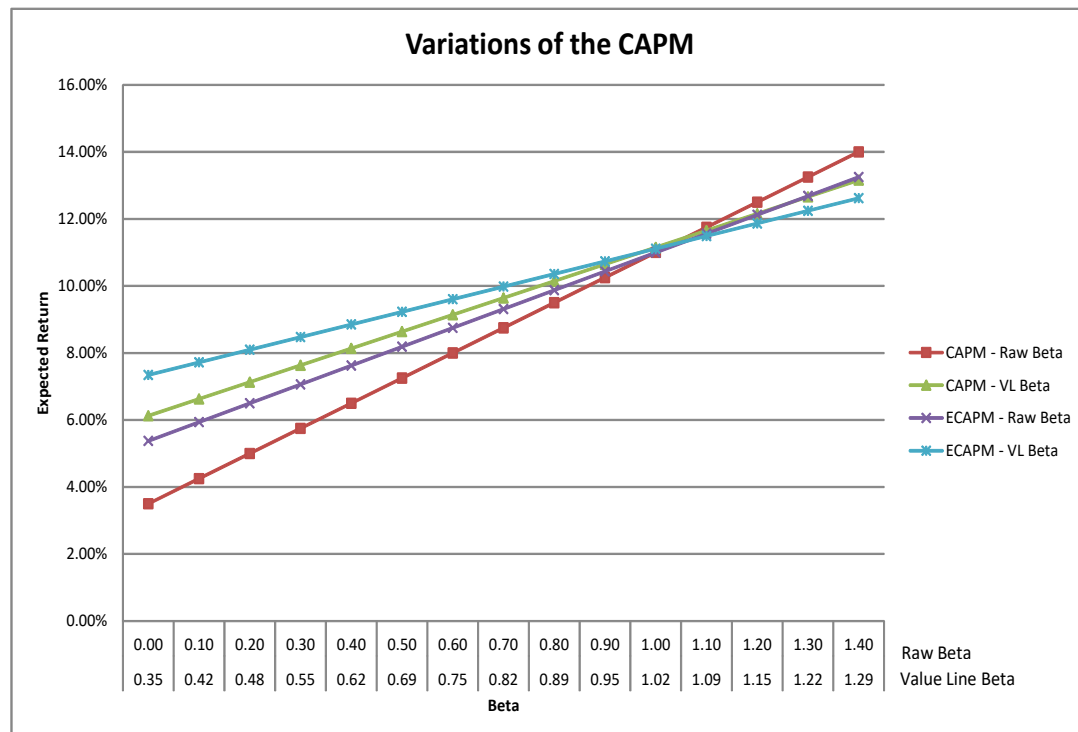
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<sup>60</sup>Villadsen Schedule D5.10.

<sup>61</sup>See Black, Fischer, "Beta and Return," *The Journal of Portfolio Management*, Fall 1993, 8-18; and Black, Fischer, Michael C. Jensen and Myron Scholes, "The Capital Asset Pricing Model: Some Empirical Tests," 1972.

estimate. In effect, using an adjusted beta within an ECAPM study has the effect of a double adjustment to the slope and intercept of the security market line. This is illustrated in my Figure CCW-6 below.

FIGURE CCW-6



Assumptions:  
Market Risk Premium is 7.50%  
Risk-Free Rate is 3.50%

As shown in Figure CCW-6 above, the CAPM using a *Value Line* beta, versus a CAPM using a raw beta shows that the *Value Line* beta raises the intercept slope and flattens the security market line. Further, the ECAPM using a raw beta, and an ECAPM using a *Value Line* beta, have a magnified effect of increasing the intercept slope and further flattening the security market line.

There is simply no legitimate basis to use an adjusted beta within an ECAPM because they are designed to produce the same effect on the CAPM return estimate.

**E. Dr. Villadsen's Risk Premium Analysis**

**Q PLEASE DESCRIBE DR. VILLADSEN'S RISK PREMIUM ANALYSES.**

A Dr. Villadsen's risk premium analyses are predicated on an inverse relationship between authorized ROEs for vertically integrated electric utilities and long-term Treasury yields during the period 1990 through 2023 using a regression analysis.<sup>62</sup> In her analysis, she uses the resulting regression formula to predict a risk premium based on the same forecasted long-term Treasury yield of 4.05% she used in her CAPM analyses and electric utility ROE decisions. This regression formula and her forecasted Treasury yield of 4.05% produced an estimated risk premium of approximately 6.3%, which resulted in a ROE of 10.4%.<sup>63</sup>

**Q DO YOU HAVE ANY OBSERVATIONS REGARDING DR. VILLADSEN'S RISK PREMIUM ANALYSIS THAT YOU WOULD LIKE TO POINT OUT?**

A I believe her projected risk-free rate and projected risk premium are both too high. As I describe above, Dr. Villadsen's projected risk-free rate of 4.30% is based on a projected 10-year Treasury yield of 3.80% plus a 0.50% spread to account for the differences between the 20-year yield over the 10-year yield. More recent projections for the 10-year Treasury yield are 4.0%, while the most recent projection for the 30-year yield is 4.3%. As explained above, a more reasonable assumption is for the 20-year yield to be the midpoint between the project 10-year and 30-year yields, or 4.15%. In addition, as discussed above, the authorized ROE equity risk premium has been average or below recently. Assuming an equity risk premium significantly above average as Dr. Villadsen has done is irrational. Assuming an average equity risk

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<sup>62</sup>Exhibit A-14, Schedule D5.16.

<sup>63</sup>*Id.*

premium and more recent estimates of Treasury bond yields produces a cost of equity estimate of 10.0%.

**F. Conclusion that DTE is of Higher Risk**

**Q DID DR. VILLADSEN OFFER AN ASSESSMENT OF DTE'S RISK RELATIVE TO HER ELECTRIC SAMPLE?**

A Yes. Beginning on page 41 of her testimony, Dr. Villadsen offers a few examples of why she believes DTE is of higher business risk relative to her sample companies. Dr. Villadsen's examples including the lack of a decoupling mechanism, DTE's ownership of the Fermi 2 Nuclear Generating Plant, DTE's heavy reliance on coal-based generation, and the Company's capital expenditure program.

**Q DO YOU BELIEVE DR. VILLADSEN ACCURATELY ASSESSED THE RISK OF DTE RELATIVE TO THE SAMPLE?**

A No. In short, Dr. Villadsen has cherry-picked risks potentially faced by DTE without considering other unique risks faced by the proxy group companies. Dr. Villadsen's concerns about these particular risks should be ignored. Dr. Villadsen overlooks the fact that DTE's S&P rating of A- is higher than that of the proxy group even though she presents the data in her Figure 7. Importantly, the proxy group's rating from Moody's is 3 notches lower than DTE Electric's rating from Moody's, while the proxy group's BBB+ rating from S&P is one notch lower than that of DTE Electric's. Based on these objective data alone, Dr. Villadsen cannot legitimately argue that DTE Electric is of higher risk.

First, to the extent ratings agencies deemed these particular risks detrimental to DTE, ratings agencies would have taken them into consideration and they would be

1 reflected in DTE's credit ratings. As I discussed above in detail, and show on my Exhibit  
2 AB-5, DTE's ratings from both S&P and Moody's are higher than those of the proxy  
3 group. S&P and other credit rating agencies go through great detail in assessing a  
4 utility's business risk and financial risk in order to evaluate their assessment of its total  
5 investment risk. If anything, DTE's total risk is less than that of the proxy group, not  
6 more. Dr. Villadsen's argument that DTE is of higher risk is misleading and should be  
7 ignored.

8 Second, as I described above concerning the CAPM, investors are not  
9 compensated for taking on company-specific risks, as those risks can be eliminated  
10 through portfolio diversification. Institutional investors are the largest holders of utility  
11 stocks in general. Examples of institutional investors include, but are not limited to,  
12 pension funds, endowments, and mutual funds. Even if one were to accept Dr.  
13 Villadsen's misleading assertion that DTE is of higher risk, to suggest these investors  
14 are not well-diversified and somehow need to be compensated for taking on  
15 company-specific risks would be in error and violate the CAPM.

16 Based on the above, Dr. Villadsen's conclusion that DTE is of higher risk relative  
17 to her sample companies is unfounded and should be rejected.

18 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 **A** Yes, it does.

**Qualifications of Christopher C. Walters**

1   **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2   A     Christopher C. Walters. My business address is 16690 Swingley Ridge Road,  
3         Suite 140, Chesterfield, MO 63017.

4   **Q     PLEASE STATE YOUR OCCUPATION.**

5   A     I am a consultant in the field of public utility regulation and a Principal with the firm of  
6         Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7   **Q     PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**  
8         **EMPLOYMENT EXPERIENCE.**

9   A     I received a Bachelor of Science Degree in Business Economics and Finance from  
10         Southern Illinois University Edwardsville. I have also received a Master of Business  
11         Administration Degree from Lindenwood University.

12             As a Principal at BAI, I perform detailed technical analyses and research to  
13         support regulatory projects including expert testimony covering various regulatory  
14         issues. Since my career at BAI began in 2011, I have held the positions of Analyst,  
15         Associate Consultant, Consultant, Senior Consultant, and Associate. Throughout my  
16         tenure, I have been involved with several regulated projects for electric, natural gas  
17         and water and wastewater utilities, as well as competitive procurement of electric power  
18         and gas supply. My regulatory project work includes estimating the cost of equity  
19         capital, capital structure evaluations, assessing financial integrity, merger and  
20         acquisition related issues, risk management related issues, depreciation rate studies,  
21         and other revenue requirement issues.

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 700 regulatory proceedings in 40 states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

**Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

A Yes. I have sponsored testimony before state regulatory commissions including: Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Texas, Utah, and Wyoming. In addition, I have also sponsored testimony before the City Council of New Orleans and an affidavit before the FERC.

**Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR ORGANIZATIONS TO WHICH YOU BELONG.**

A I earned the Chartered Financial Analyst ("CFA") designation from the CFA Institute. The CFA charter was awarded after successfully completing three examinations which

1 covered the subject areas of financial accounting and reporting analysis, corporate  
2 finance, economics, fixed income and equity valuation, derivatives, alternative  
3 investments, risk management, and professional and ethical conduct. I am a member  
4 of the CFA Institute and the CFA Society of St. Louis.

502345

DTE Electric Company

Electric Utilities  
(Valuation Metrics)

|      |                         | Price to Earnings (P/E) Ratio <sup>1</sup> |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
|------|-------------------------|--------------------------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Line | Company                 | 23-Year                                    |                          | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) | 2005<br>(21) | 2004<br>(22) | 2003<br>(23) | 2002<br>(24) |
|      |                         | Average<br>(1)                             | 2024 <sup>2</sup><br>(2) |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| 1    | ALLETE                  | 18.15                                      | 16.80                    | 16.80       | 18.10       | 20.60       | 18.30       | 24.70       | 22.20       | 23.00       | 18.60        | 15.10        | 17.20        | 18.60        | 15.90        | 14.70        | 16.00        | 16.10        | 13.90        | 14.80        | 16.55        | 17.91        | 25.21        | N/A          | N/A          |
| 2    | Alliant Energy          | 16.95                                      | 16.40                    | 16.40       | 21.40       | 21.20       | 21.20       | 21.20       | 19.10       | 20.60       | 22.30        | 18.10        | 16.60        | 15.30        | 14.50        | 14.50        | 12.50        | 13.90        | 13.40        | 15.10        | 16.82        | 12.59        | 14.00        | 12.69        | 19.93        |
| 3    | Ameren Corp.            | 16.68                                      | 15.50                    | 15.50       | 21.50       | 21.40       | 22.20       | 22.10       | 18.30       | 20.60       | 18.30        | 17.50        | 16.70        | 16.50        | 13.40        | 11.90        | 9.70         | 9.30         | 14.20        | 17.40        | 19.39        | 16.72        | 16.28        | 13.51        | 15.78        |
| 4    | American Electric Power | 15.24                                      | 15.90                    | 15.90       | 21.10       | 17.10       | 19.60       | 21.40       | 18.00       | 19.30       | 15.20        | 15.80        | 15.90        | 14.50        | 13.80        | 11.90        | 13.40        | 10.00        | 13.10        | 16.30        | 12.91        | 13.70        | 12.42        | 10.66        | 12.68        |
| 5    | Avangrid, Inc.          | 22.95                                      | 16.30                    | 16.30       | 19.60       | 23.20       | 23.60       | 23.10       | 26.10       | 27.30       | 20.50        | 33.50        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 6    | Avista Corp.            | 18.16                                      | 14.60                    | 14.60       | 20.00       | 20.20       | 21.20       | 15.00       | 24.50       | 23.40       | 18.80        | 17.60        | 17.30        | 14.60        | 19.30        | 14.10        | 12.70        | 11.40        | 15.00        | 30.90        | 15.39        | 19.45        | 24.43        | 13.84        | 19.27        |
| 7    | Black Hills             | 17.46                                      | 14.20                    | 14.20       | 18.10       | 17.70       | 17.00       | 21.20       | 16.80       | 19.50       | 22.30        | 16.10        | 19.00        | 18.20        | 17.10        | 31.10        | 18.10        | 9.90         | NMF          | 15.00        | 15.77        | 17.27        | 17.13        | 15.95        | 12.52        |
| 8    | CenterPoint Energy      | 17.03                                      | 20.40                    | 20.40       | 18.70       | 26.10       | 15.90       | 19.50       | 37.00       | 17.90       | 21.90        | 18.10        | 17.00        | 18.70        | 14.80        | 14.60        | 13.80        | 11.80        | 11.30        | 15.00        | 10.27        | 19.06        | 17.84        | 6.05         | 5.59         |
| 9    | CMS Energy Corp.        | 18.35                                      | 18.60                    | 18.60       | 22.90       | 23.60       | 23.30       | 24.30       | 20.30       | 21.30       | 20.90        | 18.30        | 17.30        | 16.30        | 15.10        | 13.60        | 12.50        | 13.60        | 10.90        | 26.80        | 22.18        | 12.60        | 12.39        | N/A          | N/A          |
| 10   | Consol. Edison          | 16.19                                      | 17.70                    | 17.70       | 20.30       | 17.20       | 19.00       | 19.70       | 17.10       | 19.80       | 18.80        | 15.60        | 15.90        | 14.70        | 15.40        | 15.10        | 13.30        | 12.50        | 12.30        | 13.80        | 15.49        | 15.13        | 18.21        | 14.30        | 13.28        |
| 11   | Dominion Resources      | 18.34                                      | 18.30                    | 18.30       | 18.70       | 19.50       | 22.60       | 18.20       | 17.50       | 22.20       | 21.30        | 22.10        | 23.00        | 19.20        | 18.90        | 17.30        | 14.30        | 12.70        | 13.80        | 20.60        | 15.98        | 24.89        | 15.07        | 15.24        | 12.05        |
| 12   | DTE Energy              | 16.73                                      | 16.90                    | 16.90       | 22.40       | 30.00       | 16.30       | 19.90       | 17.40       | 18.60       | 19.00        | 18.10        | 14.90        | 17.90        | 14.90        | 13.50        | 12.30        | 10.40        | 14.80        | 18.30        | 17.43        | 13.80        | 16.04        | 13.69        | 11.28        |
| 13   | Duke Energy             | 17.15                                      | 16.50                    | 16.50       | 19.60       | 18.90       | 17.10       | 17.70       | 17.00       | 19.90       | 21.30        | 18.20        | 17.90        | 17.40        | 17.50        | 13.80        | 12.70        | 13.30        | 17.30        | 16.10        | N/A          | N/A          | N/A          | N/A          | N/A          |
| 14   | Edison Int'l            | 16.96                                      | 14.30                    | 14.30       | 40.60       | 29.70       | 34.90       | 16.70       | N/A         | 17.20       | 17.90        | 14.80        | 13.00        | 12.70        | 9.70         | 11.80        | 10.30        | 9.70         | 12.40        | 16.00        | 12.99        | 11.74        | 37.59        | 6.97         | 7.78         |
| 15   | El Paso Electric        | 17.68                                      | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | 26.85       | 21.78       | 18.66        | 18.33        | 16.38        | 15.88        | 14.47        | 12.60        | 10.72        | 10.79        | 11.89        | 15.26        | 16.92        | 26.72        | 22.03        | 18.26        | 22.99        |
| 16   | Entergy Corp.           | 14.70                                      | 20.60                    | 20.60       | 21.10       | 15.00       | 15.30       | 16.50       | 13.80       | 15.00       | 10.90        | 12.50        | 12.90        | 13.20        | 11.20        | 9.10         | 11.60        | 12.00        | 16.60        | 19.30        | 14.28        | 16.28        | 15.09        | 13.77        | 11.53        |
| 17   | Eversource Energy       | 18.04                                      | 13.10                    | 13.10       | 20.90       | 22.20       | 23.70       | 22.10       | 18.70       | 19.50       | 18.70        | 18.10        | 17.90        | 16.90        | 19.90        | 15.40        | 13.40        | 12.00        | 13.70        | 18.70        | 27.07        | 19.76        | 20.77        | 13.35        | 16.07        |
| 18   | Evergy, Inc.            | 18.84                                      | 14.80                    | 14.80       | 19.90       | 16.20       | 21.70       | 21.80       | 22.70       | N/A         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 19   | Exelon Corp.            | 14.43                                      | 15.40                    | 15.40       | 19.90       | 16.60       | 12.40       | 14.70       | 13.30       | 13.40       | 12.50        | 12.60        | 16.00        | 13.40        | 19.10        | 11.30        | 11.00        | 11.50        | 18.00        | 18.20        | 16.53        | 15.37        | 12.99        | 11.77        | 10.46        |
| 20   | FirstEnergy Corp.       | 15.15                                      | 14.40                    | 14.40       | 17.00       | 14.10       | 15.70       | 17.10       | 13.60       | 11.40       | 12.70        | 12.60        | 13.20        | 13.10        | 21.10        | 22.40        | 11.70        | 13.00        | 15.60        | 15.60        | 14.23        | 16.07        | 14.13        | 22.47        | 12.95        |
| 21   | Fortis Inc.             | 19.14                                      | 17.00                    | 17.00       | 21.10       | 21.20       | 20.60       | 19.20       | 17.10       | 16.80       | 21.60        | 18.00        | 24.30        | 20.00        | 20.10        | 18.80        | 18.20        | 16.40        | 17.50        | 21.10        | 17.68        | N/A          | N/A          | N/A          | N/A          |
| 22   | Great Plains Energy     | 15.52                                      | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | NMF         | 17.98        | 19.37        | 16.47        | 14.19        | 15.53        | 16.11        | 12.10        | 16.03        | 20.55        | 16.35        | 18.30        | 13.96        | 12.59        | 12.23        | 11.09        |
| 23   | Hawaiian Elec.          | 17.12                                      | 6.00                     | 6.00        | 18.50       | 18.20       | 21.50       | 21.30       | 18.90       | 20.70       | 13.60        | 20.40        | 15.90        | 16.20        | 15.80        | 17.10        | 18.60        | 19.80        | 23.20        | 21.6         | 20.33        | 18.27        | 19.18        | 13.76        | 13.47        |
| 24   | IDACORP, Inc.           | 17.19                                      | 18.10                    | 18.10       | 21.00       | 20.80       | 19.90       | 22.30       | 20.50       | 20.60       | 19.10        | 16.20        | 14.70        | 13.40        | 12.40        | 11.50        | 11.80        | 10.20        | 13.90        | 18.20        | 15.07        | 16.70        | 15.49        | 26.51        | 18.88        |
| 25   | MGE Energy              | 20.14                                      | 21.10                    | 21.10       | 24.70       | 25.50       | 26.40       | 28.40       | 25.10       | 29.40       | 24.90        | 20.30        | 17.20        | 17.00        | 17.20        | 15.80        | 15.00        | 15.10        | 14.20        | 15.00        | 15.88        | 22.40        | 17.98        | 17.55        | 15.96        |
| 26   | NextEra Energy, Inc.    | 18.80                                      | 19.80                    | 19.80       | 27.80       | 31.30       | 28.90       | 26.80       | 24.80       | 21.60       | 20.70        | 16.90        | 17.30        | 16.60        | 14.40        | 11.50        | 10.80        | 13.40        | 14.50        | 18.90        | 13.65        | 17.88        | 13.65        | 17.88        | 13.60        |
| 27   | NorthWestern Corp       | 16.76                                      | 13.70                    | 13.70       | 17.30       | 17.40       | 18.60       | 19.90       | 16.80       | 17.80       | 17.20        | 18.40        | 16.20        | 16.90        | 15.70        | 12.60        | 12.90        | 11.50        | 13.90        | 21.70        | 25.95        | 17.09        | N/A          | N/A          | N/A          |
| 28   | OGE Energy              | 15.46                                      | 17.00                    | 17.00       | 17.20       | 14.30       | 16.20       | 19.00       | 16.50       | 18.30       | 17.70        | 17.70        | 18.30        | 17.70        | 15.20        | 14.40        | 13.30        | 10.80        | 12.40        | 13.80        | 13.68        | 14.95        | 14.13        | 11.84        | 14.12        |
| 29   | Otter Tail Corp.        | 20.37                                      | 14.30                    | 14.30       | 9.50        | 12.30       | 18.30       | 23.50       | 22.20       | 22.10       | 20.20        | 18.20        | 18.80        | 21.10        | 21.70        | 47.50        | NMF          | 31.20        | 30.10        | 19.00        | 17.35        | 15.40        | 17.34        | 17.77        | 16.01        |
| 30   | Pinnacle West Capital   | 15.88                                      | 15.80                    | 15.80       | 17.10       | 14.10       | 16.70       | 19.40       | 17.80       | 19.30       | 18.70        | 16.00        | 15.90        | 15.30        | 14.30        | 14.60        | 12.60        | 13.70        | 16.10        | 14.90        | 13.69        | 19.24        | 15.80        | 13.96        | 14.43        |
| 31   | PNM Resources           | 18.10                                      | 14.20                    | 14.20       | 17.40       | 19.90       | 19.60       | 22.20       | 19.40       | 20.40       | 22.40        | 18.70        | 18.70        | 16.10        | 15.00        | 14.50        | 14.00        | 18.10        | N/A          | 35.60        | 15.57        | 17.38        | 15.02        | 14.73        | 15.08        |
| 32   | Portland General        | 16.59                                      | 14.30                    | 14.30       | 18.20       | 17.70       | 16.60       | 22.30       | 18.40       | 20.00       | 19.10        | 17.70        | 15.30        | 16.90        | 14.00        | 12.40        | 12.00        | 14.40        | 16.30        | 11.90        | 23.35        | N/A          | N/A          | N/A          | N/A          |
| 33   | PPL Corp.               | 16.24                                      | 16.20                    | 16.20       | 20.00       | 54.10       | 13.90       | 13.30       | 11.30       | 17.60       | 12.80        | 13.90        | 14.10        | 12.80        | 10.90        | 10.50        | 11.90        | 25.70        | 17.60        | 17.30        | 14.10        | 15.12        | 12.51        | 10.59        | 11.06        |
| 34   | Public Serv. Enterprise | 14.70                                      | 18.80                    | 18.80       | 18.50       | 16.80       | 15.70       | 18.00       | 16.60       | 16.30       | 15.30        | 14.10        | 12.60        | 13.50        | 12.80        | 10.40        | 10.40        | 10.00        | 13.60        | 16.50        | 17.81        | 16.74        | 14.26        | 10.58        | 10.00        |
| 35   | SCANA Corp.             | 13.96                                      | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 14.46       | 16.80        | 14.67        | 13.68        | 14.43        | 14.80        | 13.67        | 12.93        | 11.63        | 12.67        | 14.96        | 15.42        | 14.44        | 13.57        | 13.05        | 12.17        |
| 36   | Sempra Energy           | 15.52                                      | 15.00                    | 15.00       | 16.80       | 15.40       | 17.50       | 22.50       | 20.40       | 24.30       | 24.40        | 19.70        | 21.90        | 19.70        | 14.90        | 11.80        | 12.60        | 10.10        | 11.80        | 14.00        | 11.50        | 11.79        | 8.65         | 8.96         | 8.19         |
| 37   | Southern Co.            | 16.38                                      | 18.60                    | 18.60       | 19.60       | 18.40       | 17.90       | 17.60       | 15.10       | 15.50       | 17.80        | 15.80        | 16.00        | 16.20        | 17.00        | 15.80        | 14.90        | 13.50        | 16.10        | 16.00        | 16.19        | 15.92        | 14.68        | 14.83        | 14.63        |
| 38   | Vectren Corp.           | 17.05                                      | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 23.54       | 19.18        | 17.92        | 19.98        | 20.66        | 15.02        | 15.83        | 15.10        | 12.89        | 16.79        | 15.33        | 18.92        | 15.11        | 17.57        | 14.80        | 14.16        |
| 39   | WEC Energy Group        | 17.39                                      | 16.50                    | 16.50       | 21.90       | 22.30       | 24.90       | 23.50       | 19.60       | 20.00       | 19.90        | 21.30        | 17.70        | 16.50        | 15.80        | 14.20        | 14.00        | 13.30        | 14.80        | 16.50        | 15.97        | 14.46        | 17.51        | 12.43        | 10.46        |
| 40   | Westar Energy           | 15.58                                      | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 23.40       | 21.59        | 18.45        | 15.36        | 14.04        | 13.43        | 14.78        | 12.96        | 14.95        | 16.96        | 14.10        | 12.18        | 14.79        | 17.44        | 10.78        | 14.02        |
| 41   | Xcel Energy Inc.        | 17.76                                      | 15.30                    | 15.30       | 22.20       | 22.50       | 23.90       | 22.30       | 18.90       | 20.20       | 18.50        | 16.50        | 15.40        | 15.00        | 14.80        | 14.20        | 14.10        | 12.70        | 13.70        | 16.70        | 14.80        | 15.36        | 13.65        | 11.62        | 40.80        |
| 42   | Average                 | 17.00                                      | 16.18                    | 16.18       | 20.29       | 20.91       | 19.95       | 20.51       | 19.43       | 19.85       | 18.75        | 17.58        | 16.77        | 16.19        | 15.56        | 15.30        | 13.16        | 13.57        | 15.27        | 17.66        | 16.51        | 16.56        | 16.65        | 13.83        | 14.31        |
| 43   | Median                  | 16.25                                      | 16.25                    | 16.25       | 19.90       | 19.70       | 19.30       | 21.20       | 18.55       | 20.00       | 18.80        | 17.81        | 16.47        | 16.20        | 15.02        | 14.20        | 12.80        | 12.70        | 14.20        | 16.32        | 15.92        | 15.99        | 15.49        | 13.69        | 13.47        |

Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

## DTE Electric Company

### Electric Utilities (Valuation Metrics)

|      |                         | Market Price to Cash Flow (MP/CF) Ratio <sup>1</sup> |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
|------|-------------------------|------------------------------------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Line | Company                 | 23-Year                                              |                          | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) | 2005<br>(21) | 2004<br>(22) | 2003<br>(23) | 2002<br>(24) |
|      |                         | Average<br>(1)                                       | 2024 <sup>2</sup><br>(2) |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| 1    | ALLETE                  | 9.09                                                 | 7.34                     | 6.69        | 7.56        | 8.61        | 8.14        | 11.38       | 10.16       | 10.95       | 8.26         | 7.49         | 8.80         | 9.15         | 8.18         | 7.91         | 8.04         | 8.51         | 9.29         | 10.30        | 11.06        | 11.54        | 11.46        | N/A          | N/A          |
| 2    | Alliant Energy          | 8.27                                                 | 8.78                     | 9.43        | 10.43       | 10.31       | 10.66       | 10.74       | 9.71        | 13.21       | 10.67        | 8.86         | 8.40         | 7.52         | 7.50         | 7.21         | 6.59         | 6.23         | 7.49         | 7.92         | 8.00         | 5.09         | 5.52         | 4.76         | 5.20         |
| 3    | Ameren Corp.            | 7.38                                                 | 6.78                     | 8.05        | 9.54        | 9.03        | 9.63        | 9.45        | 7.95        | 8.38        | 7.44         | 6.87         | 6.95         | 6.61         | 5.48         | 5.02         | 4.23         | 4.25         | 6.35         | 7.69         | 8.57         | 8.57         | 8.24         | 6.74         | 7.96         |
| 4    | American Electric Power | 6.75                                                 | 7.24                     | 7.68        | 8.67        | 7.57        | 8.41        | 9.34        | 8.03        | 8.81        | 7.57         | 7.09         | 7.00         | 6.57         | 5.93         | 5.46         | 5.54         | 4.71         | 5.71         | 6.84         | 5.54         | 6.07         | 5.50         | 4.69         | 5.19         |
| 5    | Avangrid, Inc.          | 9.21                                                 | 6.32                     | 7.12        | 8.69        | 11.19       | 9.39        | 9.11        | 10.24       | 10.14       | 8.56         | 11.30        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 6    | Avista Corp.            | 6.92                                                 | 5.85                     | 6.73        | 9.39        | 8.03        | 7.80        | 7.34        | 10.14       | 9.35        | 7.63         | 6.76         | 7.30         | 6.21         | 6.88         | 6.40         | 5.80         | 4.06         | 5.12         | 7.58         | 5.30         | 6.58         | 7.58         | 5.36         | 5.90         |
| 7    | Black Hills             | 7.86                                                 | 6.63                     | 7.76        | 8.92        | 8.84        | 8.56        | 10.65       | 8.83        | 9.20        | 9.33         | 8.06         | 8.81         | 8.03         | 6.04         | 7.85         | 6.16         | 4.25         | 11.26        | 7.62         | 6.92         | 7.57         | 6.69         | 6.89         | 5.92         |
| 8    | CenterPoint Energy      | 5.65                                                 | 7.54                     | 7.75        | 8.01        | 7.95        | 5.94        | 7.03        | 8.45        | 6.97        | 5.96         | 5.75         | 6.25         | 6.56         | 5.15         | 5.39         | 4.70         | 4.05         | 4.29         | 5.17         | 3.94         | 4.70         | 4.26         | 2.08         | 2.16         |
| 9    | CMS Energy Corp.        | 6.56                                                 | 7.47                     | 8.28        | 9.43        | 9.27        | 9.87        | 9.85        | 8.40        | 8.75        | 8.50         | 7.53         | 7.13         | 6.68         | 6.03         | 5.41         | 4.48         | 3.64         | 3.45         | 5.57         | 4.40         | 4.04         | 3.20         | 2.88         | NMF          |
| 10   | Consol. Edison          | 8.21                                                 | 7.47                     | 8.26        | 8.70        | 7.26        | 8.35        | 9.46        | 8.73        | 9.64        | 9.39         | 7.96         | 7.89         | 7.77         | 8.31         | 8.15         | 7.39         | 6.72         | 6.89         | 8.31         | 8.65         | 8.59         | 9.31         | 7.90         | 7.64         |
| 11   | Dominion Resources      | 9.78                                                 | 7.30                     | 9.24        | 9.35        | 11.15       | 14.59       | 13.47       | 10.94       | 11.35       | 11.59        | 11.84        | 12.27        | 10.88        | 9.92         | 9.45         | 8.12         | 6.98         | 8.27         | 8.65         | 7.81         | 10.09        | 7.68         | 7.51         | 6.53         |
| 12   | DTE Energy              | 6.78                                                 | 7.22                     | 7.27        | 7.96        | 10.62       | 7.85        | 9.67        | 8.54        | 9.05        | 8.64         | 8.52         | 6.42         | 6.65         | 5.91         | 5.18         | 4.69         | 3.59         | 4.90         | 5.73         | 5.21         | 5.54         | 6.00         | 5.62         | 5.20         |
| 13   | Duke Energy             | 7.58                                                 | 7.01                     | 7.17        | 7.75        | 7.89        | 8.06        | 7.40        | 7.65        | 8.40        | 8.57         | 7.95         | 8.12         | 8.11         | 9.53         | 6.56         | 6.01         | 5.96         | 7.13         | 7.16         | N/A          | N/A          | N/A          | N/A          | N/A          |
| 14   | Edison Int'l            | 5.99                                                 | 5.31                     | 5.67        | 6.83        | 7.14        | 7.57        | 7.25        | 13.46       | 7.05        | 6.77         | 5.92         | 5.88         | 5.46         | 4.59         | 4.22         | 4.11         | 3.95         | 5.63         | 7.01         | 5.87         | 5.61         | 6.84         | 2.82         | 2.96         |
| 15   | El Paso Electric        | 5.93                                                 | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | 9.43        | 8.54        | 7.46         | 6.47         | 6.33         | 6.19         | 5.78         | 5.16         | 4.31         | 3.98         | 4.95         | 6.44         | 6.25         | 6.67         | 4.65         | 3.90         | 4.39         |
| 16   | Entergy Corp.           | 5.76                                                 | 6.17                     | 4.62        | 7.15        | 5.61        | 5.78        | 6.05        | 4.92        | 4.66        | 4.01         | 4.11         | 4.21         | 4.03         | 4.23         | 3.90         | 4.66         | 5.68         | 7.96         | 9.21         | 7.16         | 8.76         | 7.12         | 6.84         | 5.57         |
| 17   | Eversource Energy       | 7.59                                                 | 6.21                     | 10.39       | 9.39        | 11.41       | 12.53       | 11.47       | 9.16        | 10.36       | 10.14        | 10.12        | 10.14        | 8.08         | 9.30         | 6.99         | 4.97         | 4.61         | 4.12         | 6.18         | 6.02         | 3.55         | 3.78         | 2.85         | 2.75         |
| 18   | Evergy, Inc.            | 7.34                                                 | 6.56                     | 6.74        | 8.66        | 7.41        | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 19   | Exelon Corp.            | 6.04                                                 | 5.70                     | 6.41        | 7.69        | 5.08        | 4.44        | 5.29        | 5.05        | 4.45        | 4.80         | 4.70         | 5.09         | 4.61         | 5.54         | 5.86         | 5.10         | 5.98         | 9.65         | 9.89         | 8.62         | 7.97         | 6.29         | 5.71         | 4.97         |
| 20   | FirstEnergy Corp.       | 6.93                                                 | 7.51                     | 7.90        | 8.93        | 6.60        | 9.23        | 11.09       | 8.84        | 4.76        | 5.12         | 5.38         | 7.43         | 6.15         | 7.42         | 7.33         | 4.49         | 4.91         | 7.58         | 7.89         | 7.53         | 6.04         | 5.15         | 6.90         | 5.10         |
| 21   | Fortis Inc.             | 8.43                                                 | 7.69                     | 8.34        | 9.10        | 9.57        | 9.50        | 9.46        | 7.97        | 8.23        | 10.46        | 7.29         | 9.25         | 7.93         | 8.09         | 8.38         | 7.40         | 6.76         | 7.58         | 9.18         | 7.89         | N/A          | N/A          | N/A          | N/A          |
| 22   | Great Plains Energy     | 6.89                                                 | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 14.62       | 8.63         | 6.66         | 6.45         | 5.73         | 6.09         | 5.74         | 4.49         | 5.06         | 7.71         | 7.13         | 7.68         | 6.70         | 6.52         | 5.92         | 5.14         |
| 23   | Hawaiian Elec.          | 7.73                                                 | 2.78                     | 5.70        | 7.95        | 8.23        | 8.69        | 9.30        | 8.34        | 9.21        | 7.44         | 9.25         | 7.64         | 8.15         | 8.05         | 7.73         | 7.81         | 6.95         | 9.10         | 7.95         | 8.47         | 8.29         | 8.44         | 6.12         | 6.20         |
| 24   | IDACORP, Inc.           | 9.01                                                 | 9.80                     | 11.04       | 12.42       | 11.84       | 11.38       | 12.75       | 11.72       | 11.56       | 10.95        | 9.37         | 8.59         | 7.78         | 7.05         | 6.64         | 6.52         | 5.31         | 7.10         | 8.23         | 7.73         | 7.55         | 7.15         | 7.27         | 7.53         |
| 25   | MGE Energy              | 11.64                                                | 10.70                    | 12.31       | 13.63       | N/A         | 14.90       | 15.58       | 15.04       | 17.33       | 15.66        | 12.53        | 11.42        | 11.20        | 10.77        | 9.48         | 9.05         | 8.40         | 8.42         | 9.23         | 9.30         | 11.73        | 11.04        | 10.20        | 8.09         |
| 26   | NextEra Energy, Inc.    | 9.21                                                 | 9.44                     | 10.89       | 15.17       | 20.40       | 15.48       | 12.33       | 10.77       | 11.61       | 9.24         | 7.93         | 7.98         | 7.60         | 7.58         | 5.98         | 5.33         | 6.09         | 7.34         | 9.02         | 6.51         | 6.71         | 6.71         | 5.97         | 5.77         |
| 27   | NorthWestern Corp       | 7.85                                                 | 6.90                     | 8.01        | 8.65        | 8.83        | 8.88        | 9.93        | 8.19        | 8.82        | 8.65         | 8.99         | 9.01         | 7.61         | 6.85         | 5.89         | 5.79         | 5.05         | 5.57         | 8.45         | 9.39         | 7.31         | 8.13         | N/A          | N/A          |
| 28   | OGE Energy              | 7.91                                                 | 7.38                     | 7.78        | 8.36        | 7.64        | 8.38        | 10.58       | 9.36        | 10.52       | 9.03         | 9.25         | 10.65        | 9.93         | 7.35         | 7.48         | 6.61         | 5.37         | 6.43         | 7.58         | 7.50         | 7.04         | 6.73         | 5.62         | 5.39         |
| 29   | Otter Tail Corp.        | 9.31                                                 | 10.26                    | 8.02        | 7.70        | 8.61        | 9.99        | 12.42       | 11.58       | 11.09       | 9.38         | 9.04         | 9.45         | 9.58         | 8.43         | 9.04         | 8.07         | 8.01         | 11.65        | 9.53         | 8.66         | 8.18         | 9.01         | 8.13         | 8.33         |
| 30   | Pinnacle West Capital   | 6.18                                                 | 5.62                     | 6.47        | 5.19        | 6.19        | 7.49        | 8.30        | 7.09        | 8.73        | 7.89         | 6.91         | 7.03         | 6.85         | 6.34         | 5.80         | 5.65         | 3.84         | 4.19         | 4.76         | 4.48         | 7.48         | 5.88         | 4.80         | 5.21         |
| 31   | PNM Resources           | 6.84                                                 | 5.46                     | 6.87        | 6.95        | 7.81        | 7.87        | 7.92        | 7.57        | 7.40        | 7.64         | 6.95         | 7.48         | 6.47         | 5.80         | 4.94         | 4.58         | 4.53         | 7.10         | 10.67        | 7.50         | 7.62         | 6.84         | 5.55         | 5.72         |
| 32   | Portland General        | 5.96                                                 | 5.24                     | 6.56        | 6.65        | 6.48        | 6.72        | 7.65        | 6.56        | 7.45        | 7.12         | 6.73         | 5.49         | 6.06         | 5.08         | 4.86         | 4.13         | 4.63         | 4.81         | 5.34         | 5.74         | N/A          | N/A          | N/A          | N/A          |
| 33   | PPL Corp.               | 7.83                                                 | 7.51                     | 7.83        | 8.82        | 13.74       | 7.46        | 7.99        | 7.02        | 10.11       | 8.37         | 8.73         | 7.32         | 6.59         | 5.87         | 5.98         | 7.46         | 8.82         | 9.17         | 8.90         | 7.58         | 7.57         | 6.49         | 5.41         | 5.30         |
| 34   | Public Serv. Enterprise | 8.02                                                 | 9.67                     | 9.68        | 10.53       | 11.32       | 8.22        | 8.72        | 9.48        | 8.67        | 8.56         | 6.66         | 6.48         | 6.40         | 6.40         | 6.03         | 6.04         | 6.20         | 8.46         | 9.83         | 8.41         | 8.59         | 7.17         | 6.79         | 6.24         |
| 35   | SCANA Corp.             | 7.09                                                 | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 8.26        | 9.59         | 8.33         | 7.50         | 7.49         | 7.40         | 6.75         | 6.52         | 5.88         | 6.38         | 7.15         | 7.03         | 5.40         | 6.86         | 6.59         | 6.36         |
| 36   | Sempra Energy           | 8.47                                                 | 8.71                     | 8.93        | 9.75        | 13.23       | 10.40       | 12.05       | 10.10       | 10.65       | 10.88        | 9.99         | 10.77        | 9.37         | 7.26         | 6.13         | 6.53         | 6.07         | 7.07         | 8.61         | 7.22         | 6.96         | 5.16         | 4.85         | 4.00         |
| 37   | Southern Co.            | 8.31                                                 | 8.79                     | 8.64        | 9.63        | 8.72        | 8.34        | 8.80        | 7.05        | 7.49        | 8.83         | 8.23         | 8.42         | 8.30         | 8.75         | 8.22         | 7.79         | 7.08         | 8.18         | 8.62         | 8.47         | 8.41         | 8.28         | 8.28         | 7.83         |
| 38   | Vectren Corp.           | 7.08                                                 | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 10.32       | 8.60         | 7.82         | 7.57         | 6.82         | 5.79         | 5.81         | 5.58         | 5.24         | 6.90         | 6.53         | 7.37         | 7.06         | 7.63         | 7.27         | 6.92         |
| 39   | WEC Energy Group        | 9.21                                                 | 8.66                     | 10.12       | 11.81       | 11.99       | 13.67       | 12.88       | 10.82       | 11.04       | 10.95        | 12.90        | 10.27        | 9.58         | 9.24         | 8.43         | 8.15         | 6.87         | 7.57         | 7.84         | 7.27         | 6.40         | 6.27         | 4.91         | 4.27         |
| 40   | Westar Energy           | 6.91                                                 | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 10.87       | 10.86        | 9.05         | 7.93         | 7.23         | 6.71         | 6.67         | 5.51         | 5.32         | 7.09         | 6.88         | 5.81         | 7.00         | 6.54         | 4.24         | 2.94         |
| 41   | Xcel Energy Inc.        | 7.03                                                 | 6.45                     | 7.96        | 8.62        | 9.19        | 10.07       | 9.44        | 7.90        | 8.50        | 8.10         | 7.62         | 7.31         | 7.00         | 6.85         | 6.47         | 6.28         | 5.43         | 5.71         | 6.51         | 5.54         | 5.62         | 5.31         | 4.27         | 5.46         |
| 42   | Average                 | 7.63                                                 | 7.26                     | 8.01        | 9.00        | 9.28        | 9.26        | 9.78        | 9.03        | 9.41        | 8.68         | 8.07         | 7.90         | 7.41         | 7.01         | 6.56         | 6.02         | 5.61         | 7.01         | 7.77         | 7.17         | 7.18         | 6.82         | 5.75         | 5.58         |
| 43   | Median                  | 7.44                                                 | 7.27                     | 7.87        | 8.69        | 8.72        | 8.56        | 9.46        | 8.78        | 9.13        | 8.58         | 7.94         | 7.57         | 7.23         | 6.85         | 6.40         | 5.80         | 5.37         | 7.10         | 7.84         | 7.44         | 7.05         | 6.72         | 5.66         | 5.46         |

#### Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

#### Note:

<sup>a</sup> Based on the average of the high and low price and the projected Cash Flow per share.

## DTE Electric Company

### Electric Utilities (Valuation Metrics)

|      |                         | Market Price to Book Value (MP/BV) Ratio <sup>1</sup> |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |              |
|------|-------------------------|-------------------------------------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Line | Company                 | 20-Year                                               |                          | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) | 2005<br>(21) |
|      |                         | Average<br>(1)                                        | 2024 <sup>2</sup><br>(2) |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |              |
| 1    | ALLETE                  | 1.53                                                  | 1.19                     | 1.19        | 1.24        | 1.43        | 1.39        | 1.91        | 1.79        | 1.78        | 1.53         | 1.37         | 1.42         | 1.51         | 1.34         | 1.35         | 1.28         | 1.15         | 1.55         | 1.89         | 2.09         | 2.22         |
| 2    | Alliant Energy          | 1.81                                                  | 1.79                     | 1.92        | 2.25        | 2.26        | 2.30        | 2.32        | 2.16        | 2.38        | 2.17         | 1.86         | 1.86         | 1.70         | 1.57         | 1.46         | 1.31         | 1.04         | 1.33         | 1.67         | 1.52         | 1.33         |
| 3    | Ameren Corp.            | 1.60                                                  | 1.67                     | 2.00        | 2.15        | 2.13        | 2.21        | 2.26        | 1.95        | 1.93        | 1.67         | 1.46         | 1.45         | 1.29         | 1.18         | 0.90         | 0.83         | 0.78         | 1.25         | 1.60         | 1.62         | 1.68         |
| 4    | American Electric Power | 1.64                                                  | 1.53                     | 1.73        | 1.99        | 1.87        | 2.09        | 2.20        | 1.82        | 1.88        | 1.81         | 1.55         | 1.54         | 1.40         | 1.31         | 1.23         | 1.23         | 1.08         | 1.48         | 1.85         | 1.56         | 1.57         |
| 5    | Avangrid, Inc.          | 0.88                                                  | 0.65                     | 0.71        | 0.89        | 1.01        | 0.97        | 1.02        | 1.02        | 0.93        | 0.83         | 0.72         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 6    | Avista Corp.            | 1.31                                                  | 1.04                     | 1.19        | 1.33        | 1.42        | 1.37        | 1.54        | 1.88        | 1.73        | 1.57         | 1.36         | 1.33         | 1.25         | 1.21         | 1.19         | 1.07         | 0.94         | 1.11         | 1.29         | 1.30         | 1.13         |
| 7    | Black Hills             | 1.48                                                  | 1.08                     | 1.28        | 1.54        | 1.52        | 1.55        | 1.95        | 1.61        | 2.06        | 1.94         | 1.59         | 1.79         | 1.62         | 1.21         | 1.14         | 1.07         | 0.83         | 1.22         | 1.57         | 1.47         | 1.63         |
| 8    | CenterPoint Energy      | 2.25                                                  | 1.75                     | 1.86        | 1.99        | 1.74        | 1.90        | 2.21        | 2.18        | 2.59        | 2.73         | 2.43         | 2.27         | 2.30         | 1.99         | 1.87         | 1.96         | 1.77         | 2.49         | 3.13         | 2.75         | 3.06         |
| 9    | CMS Energy Corp.        | 2.18                                                  | 2.27                     | 2.33        | 2.71        | 2.69        | 3.24        | 3.28        | 2.81        | 2.93        | 2.72         | 2.43         | 2.26         | 2.09         | 1.91         | 1.66         | 1.48         | 1.10         | 1.23         | 1.82         | 1.42         | 1.32         |
| 10   | Consol. Edison          | 1.42                                                  | 1.42                     | 1.48        | 1.55        | 1.34        | 1.44        | 1.59        | 1.49        | 1.63        | 1.58         | 1.42         | 1.34         | 1.38         | 1.47         | 1.38         | 1.22         | 1.08         | 1.17         | 1.47         | 1.47         | 1.52         |
| 11   | Dominion Resources      | 2.49                                                  | 1.53                     | 1.68        | 2.34        | 2.37        | 2.72        | 2.18        | 2.40        | 2.94        | 3.15         | 3.34         | 3.55         | 2.97         | 2.84         | 2.37         | 2.01         | 1.80         | 2.42         | 2.69         | 2.07         | 2.50         |
| 12   | DTE Energy              | 1.66                                                  | 1.96                     | 1.97        | 2.41        | 2.82        | 1.80        | 2.07        | 1.91        | 2.01        | 1.82         | 1.65         | 1.62         | 1.51         | 1.35         | 1.20         | 1.16         | 0.89         | 1.10         | 1.35         | 1.29         | 1.39         |
| 13   | Duke Energy             | 1.29                                                  | 1.43                     | 1.49        | 1.63        | 1.58        | 1.47        | 1.47        | 1.33        | 1.41        | 1.35         | 1.29         | 1.28         | 1.19         | 1.12         | 1.11         | 1.00         | 0.91         | 1.06         | 1.15         | N/A          | N/A          |
| 14   | Edison Int'l            | 1.71                                                  | 1.80                     | 1.86        | 2.08        | 1.67        | 1.62        | 1.80        | 1.97        | 2.17        | 1.92         | 1.76         | 1.68         | 1.57         | 1.53         | 1.24         | 1.07         | 1.04         | 1.56         | 2.05         | 1.80         | 1.93         |
| 15   | El Paso Electric        | 1.56                                                  | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | 1.94        | 1.87        | 1.68         | 1.48         | 1.52         | 1.49         | 1.59         | 1.64         | 1.17         | 0.98         | 1.33         | 1.69         | 1.71         | 1.76         |
| 16   | Entergy Corp.           | 1.72                                                  | 1.49                     | 1.45        | 1.81        | 1.75        | 1.93        | 2.03        | 1.74        | 1.76        | 1.67         | 1.40         | 1.33         | 1.21         | 1.31         | 1.35         | 1.62         | 1.66         | 2.44         | 2.65         | 1.89         | 2.01         |
| 17   | Eversource Energy       | 1.54                                                  | 1.38                     | 1.71        | 1.86        | 2.00        | 2.11        | 1.99        | 1.68        | 1.73        | 1.64         | 1.53         | 1.47         | 1.38         | 1.28         | 1.50         | 1.31         | 1.12         | 1.31         | 1.60         | 1.22         | 1.05         |
| 18   | Evergy, Inc.            | 1.39                                                  | 1.18                     | 1.33        | 1.52        | 1.50        | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 19   | Exelon Corp.            | 2.04                                                  | 1.35                     | 1.52        | 1.88        | 1.37        | 1.20        | 1.43        | 1.31        | 1.20        | 1.20         | 1.14         | 1.28         | 1.17         | 1.46         | 1.95         | 2.07         | 2.57         | 4.39         | 4.79         | 3.89         | 3.60         |
| 20   | FirstEnergy Corp.       | 2.05                                                  | 1.96                     | 2.08        | 2.37        | 2.33        | 2.81        | 3.39        | 2.67        | 3.53        | 2.37         | 1.16         | 1.15         | 1.28         | 1.44         | 1.33         | 1.36         | 1.54         | 2.52         | 2.23         | 1.92         | 1.64         |
| 21   | Fortis Inc.             | 1.46                                                  | 1.30                     | 1.43        | 1.56        | 1.48        | 1.47        | 1.41        | 1.24        | 1.41        | 1.26         | 1.33         | 1.35         | 1.45         | 1.59         | 1.59         | 1.56         | 1.33         | 1.48         | 1.63         | 1.96         | N/A          |
| 22   | Great Plains Energy     | 1.21                                                  | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 1.33        | 1.17         | 1.12         | 1.11         | 1.02         | 0.96         | 0.93         | 0.87         | 0.80         | 1.11         | 1.66         | 1.77         | 1.86         |
| 23   | Hawaiian Elec.          | 1.60                                                  | 0.58                     | 1.24        | 1.94        | 1.81        | 1.82        | 2.02        | 1.76        | 1.76        | 1.63         | 1.71         | 1.49         | 1.54         | 1.62         | 1.54         | 1.44         | 1.16         | 1.61         | 1.57         | 2.01         | 1.78         |
| 24   | IDACORP, Inc.           | 1.52                                                  | 1.57                     | 1.75        | 1.91        | 1.88        | 1.84        | 2.10        | 1.96        | 1.94        | 1.76         | 1.54         | 1.45         | 1.33         | 1.19         | 1.17         | 1.13         | 0.92         | 1.09         | 1.26         | 1.37         | 1.22         |
| 25   | MGE Energy              | 2.15                                                  | 2.17                     | 2.35        | 2.47        | N/A         | 2.54        | 2.88        | 2.59        | 2.88        | 2.60         | 2.10         | 2.10         | 2.06         | 1.92         | 1.75         | 1.65         | 1.54         | 1.62         | 1.75         | 1.83         | 2.09         |
| 26   | NextEra Energy, Inc.    | 2.39                                                  | 2.48                     | 2.89        | 4.07        | 4.27        | 3.58        | 2.75        | 2.32        | 2.35        | 2.30         | 2.09         | 2.15         | 1.93         | 1.74         | 1.55         | 1.49         | 1.70         | 2.06         | 2.34         | 1.80         | 1.93         |
| 27   | NorthWestern Corp       | 1.42                                                  | 1.06                     | 1.18        | 1.25        | 1.43        | 1.45        | 1.74        | 1.48        | 1.64        | 1.68         | 1.60         | 1.54         | 1.56         | 1.42         | 1.35         | 1.22         | 1.07         | 1.15         | 1.48         | 1.65         | 1.42         |
| 28   | OGE Energy              | 1.81                                                  | 1.50                     | 1.62        | 1.74        | 1.67        | 1.86        | 2.06        | 1.75        | 1.82        | 1.73         | 1.79         | 2.22         | 2.24         | 1.94         | 1.90         | 1.70         | 1.37         | 1.52         | 1.98         | 1.91         | 1.80         |
| 29   | Otter Tail Corp.        | 1.98                                                  | 2.88                     | 2.55        | 2.30        | 2.33        | 2.04        | 2.62        | 2.49        | 2.33        | 1.90         | 1.78         | 1.90         | 1.96         | 1.58         | 1.35         | 1.19         | 1.18         | 1.71         | 1.93         | 1.76         | 1.74         |
| 30   | Pinnacle West Capital   | 1.41                                                  | 1.17                     | 1.42        | 1.31        | 1.45        | 1.63        | 1.91        | 1.74        | 1.91        | 1.72         | 1.52         | 1.44         | 1.47         | 1.39         | 1.25         | 1.14         | 0.95         | 1.00         | 1.26         | 1.26         | 1.25         |
| 31   | PNM Resources           | 1.37                                                  | 1.36                     | 1.75        | 1.81        | 1.86        | 1.87        | 2.28        | 1.83        | 1.84        | 1.56         | 1.33         | 1.21         | 1.09         | 0.98         | 0.80         | 0.69         | 0.56         | 0.66         | 1.23         | 1.21         | 1.45         |
| 32   | Portland General        | 1.36                                                  | 1.23                     | 1.37        | 1.58        | 1.55        | 1.57        | 1.84        | 1.56        | 1.69        | 1.56         | 1.42         | 1.37         | 1.28         | 1.14         | 1.09         | 0.94         | 0.92         | 1.05         | 1.32         | 1.36         | N/A          |
| 33   | PPL Corp.               | 1.96                                                  | 1.34                     | 1.43        | 1.44        | 1.52        | 1.63        | 1.86        | 1.81        | 2.40        | 2.46         | 2.24         | 1.64         | 1.55         | 1.58         | 1.47         | 1.61         | 2.10         | 3.19         | 3.05         | 2.43         | 2.50         |
| 34   | Public Serv. Enterprise | 1.93                                                  | 1.94                     | 1.92        | 2.32        | 2.11        | 1.70        | 1.97        | 1.81        | 1.68        | 1.67         | 1.58         | 1.57         | 1.44         | 1.46         | 1.59         | 1.67         | 1.78         | 2.58         | 2.99         | 2.46         | 2.45         |
| 35   | SCANA Corp.             | 1.51                                                  | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 1.65        | 1.74         | 1.47         | 1.48         | 1.48         | 1.48         | 1.36         | 1.33         | 1.20         | 1.45         | 1.62         | 1.64         | 1.72         |
| 36   | Sempra Energy           | 1.78                                                  | 1.55                     | 1.65        | 1.84        | 1.64        | 1.84        | 2.22        | 2.06        | 2.24        | 2.00         | 2.17         | 2.20         | 1.84         | 1.53         | 1.28         | 1.35         | 1.32         | 1.60         | 1.87         | 1.70         | 1.73         |
| 37   | Southern Co.            | 2.13                                                  | 2.35                     | 2.34        | 2.53        | 2.39        | 2.20        | 2.13        | 1.89        | 2.07        | 2.01         | 1.99         | 2.02         | 2.04         | 2.15         | 1.99         | 1.83         | 1.73         | 2.12         | 2.24         | 2.23         | 2.35         |
| 38   | Vectren Corp.           | 1.83                                                  | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2.75        | 2.29         | 2.11         | 2.08         | 1.82         | 1.57         | 1.53         | 1.41         | 1.34         | 1.64         | 1.74         | 1.77         | 1.82         |
| 39   | WEC Energy Group        | 2.07                                                  | 2.14                     | 2.35        | 2.57        | 2.61        | 2.84        | 2.62        | 2.11        | 2.10        | 2.09         | 1.82         | 2.34         | 2.21         | 2.05         | 1.81         | 1.65         | 1.40         | 1.57         | 1.77         | 1.71         | 1.62         |
| 40   | Westar Energy           | 1.37                                                  | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 1.94        | 1.95         | 1.49         | 1.44         | 1.33         | 1.26         | 1.20         | 1.10         | 0.93         | 1.10         | 1.36         | 1.30         | 1.41         |
| 41   | Xcel Energy Inc.        | 1.73                                                  | 1.67                     | 2.00        | 2.22        | 2.27        | 2.46        | 2.34        | 1.97        | 2.06        | 1.88         | 1.66         | 1.55         | 1.50         | 1.51         | 1.41         | 1.32         | 1.19         | 1.30         | 1.53         | 1.40         | 1.38         |
| 42   | Average                 | 1.73                                                  | 1.58                     | 1.72        | 1.96        | 1.92        | 1.96        | 2.10        | 1.89        | 2.01        | 1.86         | 1.67         | 1.69         | 1.60         | 1.52         | 1.43         | 1.35         | 1.25         | 1.63         | 1.90         | 1.78         | 1.80         |
| 43   | Median                  | 1.69                                                  | 1.52                     | 1.69        | 1.89        | 1.75        | 1.84        | 2.06        | 1.86        | 1.92        | 1.75         | 1.57         | 1.54         | 1.50         | 1.47         | 1.36         | 1.31         | 1.15         | 1.48         | 1.69         | 1.71         | 1.73         |

Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

Notes:

DTE Electric Company

Electric Utilities  
(Valuation Metrics)

| Line                                     | Company                              | Dividend Yield <sup>1</sup> |       |       |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|------------------------------------------|--------------------------------------|-----------------------------|-------|-------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                          |                                      | 10-Year                     |       |       |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|                                          |                                      | Average<br>(1)              | (2)   | (3)   | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 1                                        | ALLETE                               | 4.05%                       | 4.63% | 4.67% | 4.47%       | 3.88%       | 4.03%       | 2.85%       | 2.99%       | 2.97%       | 3.56%        | 3.97%        | 3.92%        | 3.89%        | 4.49%        | 4.58%        | 5.03%        | 5.79%        | 4.37%        | 3.60%        | 3.16%        |
| 2                                        | Alliant Energy                       | 3.62%                       | 3.87% | 3.57% | 3.04%       | 2.97%       | 2.90%       | 2.88%       | 3.20%       | 3.07%       | 3.21%        | 3.60%        | 3.53%        | 3.74%        | 4.07%        | 4.28%        | 4.61%        | 5.73%        | 4.10%        | 3.19%        | 3.32%        |
| 3                                        | Ameren Corp.                         | 4.09%                       | 3.75% | 3.13% | 2.74%       | 2.74%       | 2.57%       | 2.59%       | 3.04%       | 3.12%       | 3.50%        | 3.96%        | 4.02%        | 4.61%        | 4.97%        | 5.28%        | 5.76%        | 5.98%        | 6.21%        | 4.88%        | 4.93%        |
| 4                                        | American Electric Power              | 3.98%                       | 4.27% | 4.02% | 3.41%       | 3.61%       | 3.28%       | 3.10%       | 3.60%       | 3.42%       | 3.54%        | 3.80%        | 3.83%        | 4.23%        | 4.58%        | 4.96%        | 4.90%        | 5.50%        | 4.20%        | 3.40%        | 4.06%        |
| 5                                        | Avangrid, Inc.                       | 4.04%                       | 5.25% | 4.87% | 3.94%       | 3.53%       | 3.69%       | 3.52%       | 3.49%       | 3.79%       | 4.26%        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 6                                        | Avista Corp.                         | 3.95%                       | 5.61% | 4.85% | 4.26%       | 3.94%       | 4.03%       | 3.48%       | 2.93%       | 3.14%       | 3.39%        | 3.97%        | 3.99%        | 4.51%        | 4.55%        | 4.54%        | 4.76%        | 4.49%        | 3.39%        | 2.68%        | 2.52%        |
| 7                                        | Black Hills                          | 3.79%                       | 4.93% | 4.15% | 3.44%       | 3.50%       | 3.42%       | 2.74%       | 3.31%       | 2.75%       | 2.87%        | 3.55%        | 2.84%        | 3.19%        | 4.39%        | 4.64%        | 4.79%        | 6.17%        | 4.21%        | 3.40%        | 3.79%        |
| 8                                        | CenterPoint Energy                   | 4.08%                       | 2.90% | 2.71% | 2.46%       | 2.77%       | 4.38%       | 2.98%       | 4.09%       | 4.79%       | 4.70%        | 5.06%        | 3.94%        | 3.57%        | 4.04%        | 4.27%        | 5.29%        | 6.37%        | 4.98%        | 3.87%        | 4.39%        |
| 9                                        | CMS Energy Corp.                     | 3.21%                       | 3.50% | 3.37% | 2.92%       | 2.92%       | 2.65%       | 2.64%       | 3.03%       | 2.88%       | 2.99%        | 3.36%        | 3.59%        | 3.76%        | 4.16%        | 4.25%        | 3.98%        | 3.97%        | 2.69%        | 1.16%        | N/A          |
| 10                                       | Consolid. Edison                     | 4.25%                       | 3.67% | 3.57% | 3.51%       | 4.10%       | 3.87%       | 3.44%       | 3.68%       | 3.40%       | 3.62%        | 4.12%        | 4.38%        | 4.25%        | 4.07%        | 4.46%        | 5.16%        | 5.99%        | 5.67%        | 4.84%        | 5.04%        |
| 11                                       | Dominion Resources                   | 4.14%                       | 5.63% | 5.18% | 3.66%       | 3.38%       | 4.31%       | 4.76%       | 4.72%       | 3.88%       | 3.82%        | 3.66%        | 3.43%        | 3.78%        | 4.06%        | 4.13%        | 4.41%        | 5.20%        | 3.77%        | 3.32%        | 3.60%        |
| 12                                       | DTE Energy                           | 3.97%                       | 3.72% | 3.67% | 3.17%       | 3.06%       | 3.37%       | 3.34%       | 3.15%       | 3.34%       | 3.53%        | 3.54%        | 3.84%        | 4.19%        | 4.68%        | 4.75%        | 6.29%        | 5.24%        | 4.36%        | 4.86%        |              |
| 13                                       | Duke Energy                          | 4.59%                       | 4.36% | 4.28% | 3.98%       | 4.02%       | 4.35%       | 4.17%       | 4.54%       | 4.15%       | 4.26%        | 4.34%        | 4.26%        | 4.45%        | 4.68%        | 5.21%        | 5.71%        | 6.25%        | 5.16%        | 4.44%        | N/A          |
| 14                                       | Edison Int'l                         | 3.43%                       | 4.60% | 4.47% | 4.45%       | 4.39%       | 4.29%       | 3.73%       | 3.84%       | 2.87%       | 2.81%        | 2.83%        | 2.62%        | 2.85%        | 2.97%        | 3.37%        | 3.66%        | 3.95%        | 2.69%        | 2.21%        | 2.58%        |
| 15                                       | El Paso Electric                     | 2.74%                       | N/A   | N/A   | N/A         | N/A         | N/A         | N/A         | 2.55%       | 2.49%       | 2.75%        | 3.13%        | 2.97%        | 2.99%        | 2.97%        | 2.11%        | N/A          | N/A          | N/A          | N/A          | N/A          |
| 16                                       | Entergy Corp.                        | 4.05%                       | 4.33% | 4.36% | 3.70%       | 3.84%       | 3.55%       | 3.52%       | 4.41%       | 4.49%       | 4.55%        | 4.59%        | 4.47%        | 5.07%        | 4.91%        | 4.85%        | 4.20%        | 3.97%        | 2.92%        | 2.39%        | 2.82%        |
| 17                                       | Eversource Energy                    | 3.35%                       | 4.90% | 3.89% | 3.09%       | 2.85%       | 2.63%       | 2.81%       | 3.32%       | 3.14%       | 3.22%        | 3.44%        | 3.40%        | 3.48%        | 3.52%        | 3.23%        | 3.64%        | 4.16%        | 3.25%        | 2.60%        | 3.27%        |
| 18                                       | Eversource, Inc.                     | 4.17%                       | 5.00% | 4.42% | 3.66%       | 3.59%       | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 19                                       | Exelon Corp.                         | 3.77%                       | 4.29% | 3.67% | 2.89%       | 3.17%       | 3.82%       | 3.06%       | 3.32%       | 3.51%       | 3.75%        | 3.88%        | 3.69%        | 4.69%        | 5.73%        | 4.96%        | 4.95%        | 4.26%        | 2.78%        | 2.48%        | 2.83%        |
| 20                                       | FirstEnergy Corp.                    | 4.32%                       | 4.58% | 4.24% | 3.71%       | 4.39%       | 4.17%       | 3.50%       | 5.17%       | 4.62%       | 4.31%        | 4.23%        | 4.26%        | 4.90%        | 5.23%        | 5.76%        | 5.09%        | 3.21%        | 3.12%        | 3.40%        |              |
| 21                                       | Fortis Inc.                          | 3.75%                       | 4.42% | 4.09% | 3.82%       | 3.77%       | 3.66%       | 3.60%       | 4.07%       | 3.69%       | 3.80%        | 3.76%        | 3.88%        | 3.84%        | 3.64%        | 3.58%        | 3.80%        | 4.21%        | 3.76%        | 3.01%        | 2.79%        |
| 22                                       | Great Plains Energy                  | 4.52%                       | N/A   | N/A   | N/A         | N/A         | N/A         | N/A         | N/A         | 3.58%       | 3.64%        | 3.76%        | 3.62%        | 3.84%        | 4.08%        | 4.15%        | 4.49%        | 5.03%        | 6.96%        | 5.49%        | 5.60%        |
| 23                                       | Hawaiian Elec.                       | 4.40%                       | N/A   | N/A   | N/A         | N/A         | N/A         | N/A         | 3.02%       | 3.54%       | 3.65%        | 3.69%        | 4.05%        | 4.76%        | 4.72%        | 4.70%        | 5.19%        | 6.89%        | 5.00%        | 5.18%        | 4.59%        |
| 24                                       | IDACORP, Inc.                        | 3.18%                       | 3.59% | 3.18% | 2.86%       | 2.89%       | 2.92%       | 2.49%       | 2.61%       | 2.58%       | 2.77%        | 3.06%        | 3.12%        | 3.21%        | 3.28%        | 3.10%        | 3.44%        | 4.46%        | 3.95%        | 3.55%        | 3.39%        |
| 25                                       | MGE Energy                           | 2.97%                       | 2.40% | 2.25% | 2.15%       | N/A         | 2.10%       | 1.94%       | 2.16%       | 1.95%       | 2.23%        | 2.78%        | 2.78%        | 2.91%        | 3.25%        | 3.63%        | 3.98%        | 4.36%        | 4.24%        | 4.14%        | 4.25%        |
| 26                                       | NextEra Energy, Inc.                 | 2.93%                       | 3.38% | 2.80% | 2.11%       | 1.90%       | 2.10%       | 2.41%       | 2.68%       | 2.79%       | 2.91%        | 3.01%        | 3.02%        | 3.30%        | 3.65%        | 3.96%        | 3.99%        | N/A          | N/A          | N/A          | N/A          |
| 27                                       | NorthWestern Corp.                   | 4.20%                       | 5.31% | 4.78% | 4.51%       | 4.00%       | 4.02%       | 3.28%       | 3.86%       | 3.52%       | 3.43%        | 3.61%        | 4.30%        | 4.17%        | 4.93%        | 5.75%        | 5.38%        | 4.99%        | 3.65%        |              |              |
| 28                                       | OGE Energy                           | 3.89%                       | 4.87% | 4.63% | 4.30%       | 4.81%       | 4.68%       | 3.54%       | 3.98%       | 3.61%       | 3.87%        | 3.51%        | 3.23%        | 2.48%        | 2.94%        | 3.06%        | 3.68%        | 4.96%        | 4.52%        | 3.77%        | 3.99%        |
| 29                                       | Otter Tail Corp.                     | 3.75%                       | 2.08% | 2.33% | 2.44%       | 2.81%       | 3.45%       | 2.74%       | 2.92%       | 3.12%       | 3.87%        | 4.33%        | 4.14%        | 4.11%        | 5.21%        | 5.57%        | 5.68%        | 5.38%        | 3.63%        | 3.46%        | 3.92%        |
| 30                                       | Pinnacle West Capital                | 4.54%                       | 5.06% | 4.51% | 4.90%       | 4.44%       | 3.97%       | 3.29%       | 3.55%       | 3.16%       | 3.46%        | 3.88%        | 4.09%        | 3.98%        | 5.32%        | 4.81%        | 5.43%        | 6.76%        | 6.17%        | 4.75%        | 4.67%        |
| 31                                       | PNM Resources                        | 3.21%                       | 4.23% | 3.27% | 3.04%       | 3.09%       | 2.80%       | 2.45%       | 2.79%       | 2.53%       | 2.69%        | 2.90%        | 2.79%        | 2.99%        | 2.96%        | 3.19%        | 4.09%        | 4.76%        | 4.85%        | 3.36%        | 3.21%        |
| 32                                       | Portland General                     | 3.75%                       | 4.72% | 4.20% | 3.63%       | 3.62%       | 3.47%       | 2.85%       | 3.27%       | 2.92%       | 3.06%        | 3.27%        | 3.34%        | 3.67%        | 4.11%        | 4.37%        | 5.20%        | 5.36%        | 4.28%        | 3.34%        | 2.54%        |
| 33                                       | PPL Corp.                            | 4.44%                       | 3.86% | 3.53% | 3.23%       | 5.83%       | 5.84%       | 5.24%       | 5.61%       | 4.24%       | 4.55%        | 4.45%        | 4.58%        | 4.81%        | 5.07%        | 5.10%        | 5.12%        | 4.51%        | 3.10%        | 2.69%        | 3.41%        |
| 34                                       | Public Serv. Enterprise              | 3.75%                       | 3.82% | 3.83% | 3.37%       | 3.37%       | 3.64%       | 3.19%       | 3.49%       | 3.74%       | 3.78%        | 3.81%        | 3.92%        | 4.35%        | 4.55%        | 4.24%        | 4.30%        | 4.30%        | 3.26%        | 2.73%        | 3.47%        |
| 35                                       | SCANA Corp.                          | 4.57%                       | N/A   | N/A   | N/A         | N/A         | N/A         | N/A         | N/A         | 4.03%       | 3.29%        | 3.90%        | 4.05%        | 4.15%        | 4.25%        | 4.78%        | 4.93%        | 5.67%        | 4.92%        | 4.29%        | 4.21%        |
| 36                                       | Sempra Energy                        | 3.02%                       | 3.41% | 3.27% | 2.99%       | 3.39%       | 3.24%       | 2.88%       | 3.20%       | 2.92%       | 2.92%        | 2.71%        | 2.61%        | 3.03%        | 3.71%        | 3.65%        | 3.08%        | 3.23%        | 2.62%        | 2.08%        | 2.47%        |
| 37                                       | Southern Co.                         | 4.55%                       | 4.07% | 4.13% | 3.82%       | 4.17%       | 4.36%       | 4.41%       | 5.27%       | 4.63%       | 4.42%        | 4.78%        | 4.69%        | 4.61%        | 4.29%        | 4.63%        | 5.13%        | 5.52%        | 4.58%        | 4.39%        | 4.52%        |
| 38                                       | Vectren Corp.                        | 4.38%                       | N/A   | N/A   | N/A         | N/A         | N/A         | N/A         | N/A         | 2.79%       | 3.31%        | 3.60%        | 3.62%        | 4.15%        | 4.82%        | 5.06%        | 5.53%        | 5.85%        | 4.79%        | 4.53%        | 4.52%        |
| 39                                       | WEC Energy Group                     | 3.11%                       | 4.12% | 3.57% | 3.08%       | 3.00%       | 2.68%       | 2.81%       | 3.38%       | 3.13%       | 3.35%        | 3.49%        | 3.40%        | 3.49%        | 3.24%        | 3.35%        | 2.97%        | 3.16%        | 2.41%        | 2.14%        | 2.18%        |
| 40                                       | Weslar Energy                        | 4.37%                       | N/A   | N/A   | N/A         | N/A         | N/A         | N/A         | N/A         | 3.00%       | 2.90%        | 3.73%        | 3.88%        | 4.27%        | 4.57%        | 4.84%        | 5.32%        | 6.27%        | 5.22%        | 4.16%        | 4.28%        |
| 41                                       | Xcel Energy Inc.                     | 3.70%                       | 3.95% | 3.28% | 2.90%       | 2.81%       | 2.58%       | 2.75%       | 3.25%       | 3.10%       | 3.33%        | 3.69%        | 3.83%        | 3.86%        | 3.90%        | 4.20%        | 4.54%        | 5.14%        | 4.70%        | 4.05%        | 4.40%        |
| 42                                       | Average                              | 3.85%                       | 4.20% | 3.86% | 3.42%       | 3.52%       | 3.56%       | 3.19%       | 3.56%       | 3.36%       | 3.49%        | 3.72%        | 3.66%        | 3.86%        | 4.18%        | 4.39%        | 4.64%        | 5.16%        | 4.25%        | 3.54%        | 3.73%        |
| 43                                       | Median                               | 3.69%                       | 4.26% | 3.95% | 3.43%       | 3.50%       | 3.57%       | 3.06%       | 3.36%       | 3.16%       | 3.35%        | 3.45%        | 3.73%        | 3.69%        | 3.84%        | 4.17%        | 4.46%        | 4.78%        | 5.20%        | 4.24%        | 3.46%        |
| 44                                       | 20-Yr Treasury Yields <sup>2</sup>   | 3.32%                       | 4.56% | 4.25% | 3.30%       | 1.98%       | 1.35%       | 2.40%       | 3.02%       | 2.65%       | 2.23%        | 2.55%        | 3.07%        | 3.12%        | 2.54%        | 3.62%        | 4.03%        | 4.11%        | 4.36%        | 4.91%        | 4.99%        |
| 45                                       | 20-Yr TIPS <sup>3</sup>              | 1.12%                       | 2.09% | 1.73% | 0.64%       | -0.43%      | -0.30%      | 0.60%       | 0.94%       | 0.75%       | 0.66%        | 0.78%        | 0.87%        | 0.75%        | 0.21%        | 1.19%        | 1.73%        | 2.21%        | 2.19%        | 2.36%        | 2.31%        |
| 46                                       | Implied Inflation <sup>3</sup>       | 2.17%                       | 2.43% | 2.48% | 2.64%       | 2.42%       | 1.66%       | 1.79%       | 2.06%       | 1.89%       | 1.56%        | 1.75%        | 2.19%        | 2.35%        | 2.33%        | 2.40%        | 2.26%        | 1.85%        | 2.13%        | 2.49%        | 2.62%        |
| 47                                       | Real Dividend Yield <sup>c</sup>     | 1.64%                       | 1.73% | 1.34% | 0.77%       | 1.07%       | 1.86%       | 1.37%       | 1.47%       | 1.44%       | 1.91%        | 1.94%        | 1.43%        | 1.48%        | 1.81%        | 1.86%        | 2.33%        | 3.24%        | 2.07%        | 1.02%        | 1.08%        |
| A-Rated Utility                          |                                      |                             |       |       |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| 48                                       | Nominal "A" Rated Yield <sup>d</sup> | 4.75%                       | 5.63% | 5.55% | 4.74%       | 3.10%       | 3.05%       | 3.77%       | 4.25%       | 4.00%       | 3.93%        | 4.12%        | 4.28%        | 4.48%        | 4.13%        | 5.04%        | 5.46%        | 6.04%        | 6.53%        | 6.07%        | 6.07%        |
| 49                                       | Real "A" Rated Yield                 | 2.52%                       | 3.13% | 2.99% | 2.05%       | 0.67%       | 1.37%       | 1.94%       | 2.14%       | 2.07%       | 2.34%        | 2.33%        | 2.04%        | 2.08%        | 1.76%        | 2.58%        | 3.13%        | 4.11%        | 4.31%        | 3.49%        | 3.36%        |
| Baa-Rated Utility                        |                                      |                             |       |       |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| 50                                       | Nominal "Baa" Rated Yield            | 5.24%                       | 5.86% | 5.85% | 5.05%       | 3.36%       | 3.44%       | 4.19%       | 4.67%       | 4.38%       | 4.67%        | 5.03%        | 4.80%        | 4.98%        | 4.83%        | 5.57%        | 5.96%        | 7.06%        | 7.25%        | 6.33%        | 6.32%        |
| 51                                       | Real "Baa" Rated Yield               | 3.00%                       | 3.35% | 3.29% | 2.35%       | 0.91%       | 1.74%       | 2.36%       | 2.55%       | 2.44%       | 3.07%        | 3.22%        | 2.55%        | 2.57%        | 2.44%        | 3.09%        | 3.62%        | 5.11%        | 5.01%        | 3.74%        | 3.60%        |
| Spreads (A-Rated Utility Bond - Stock)   |                                      |                             |       |       |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| 52                                       | Nominal Spread <sup>e</sup>          | 0.90%                       | 1.43% | 1.69% | 1.32%       | -0.41%      | -0.50%      | 0.58%       | 0.69%       | 0.64%       | 0.44%        | 0.40%        | 0.62%        | 0.61%        | -0.05%       | 0.74%        | 0.82%        | 0.88%        | 2.28%        | 2.53%        | 2.34%        |
| 53                                       | Real Spread <sup>f</sup>             | 0.88%                       | 1.39% | 1.65% | 1.28%       | -0.40%      | -0.49%      | 0.57%       | 0.68%       | 0.62%       | 0.43%        | 0.39%        | 0.61%        | 0.60%        | -0.05%       | 0.72%        | 0.80%        | 0.87%        | 2.23%        | 2.47%        | 2.28%        |
| Spreads (Baa-Rated Utility Bond - Stock) |                                      |                             |       |       |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| 54                                       | Nominal Spread <sup>g</sup>          | 1.39%                       | 1.66% | 1.99% | 1.63%       | -0.16%      | -0.12%      | 1.00%       | 1.11%       | 1.01%       | 1.18%        | 1.31%        | 1.14%        | 1.12%        | 0.65%        | 1.26%        | 1.32%        | 1.90%        | 3.00%        | 2.79%        | 2.58%        |
| 55                                       | Real Spread <sup>h</sup>             | 1.36%                       | 1.62% | 1.94% | 1.58%       | -0.16%      | -0.12%      | 0.98%       | 1.09%       | 1.00%       | 1.16%        | 1.29%        | 1.12%        |              |              |              |              |              |              |              |              |

## DTE Electric Company

Electric Utilities  
(Valuation Metrics)

|      |                         | Dividend per Share <sup>1</sup> |                   |       |       |       |       |       |       |       |       |       |       |       |       |       |       |        |       |       |      |
|------|-------------------------|---------------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|------|
| Line | Company                 | 19-Year                         |                   |       |       |       |       |       |       |       |       |       |       |       |       |       |       |        |       |       |      |
|      |                         | Average                         | 2024 <sup>2</sup> | 2023  | 2022  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  | 2011  | 2010  | 2009   | 2008  | 2007  | 2006 |
|      |                         | (1)                             | (2)               | (3)   | (4)   | (5)   | (6)   | (7)   | (8)   | (9)   | (10)  | (11)  | (12)  | (13)  | (14)  | (15)  | (16)  | (17)   | (18)  | (19)  | (20) |
| 1    | ALLETE                  | 2.09                            | 2.82              | 2.71  | 2.60  | 2.52  | 2.47  | 2.35  | 2.24  | 2.14  | 2.08  | 2.02  | 1.96  | 1.90  | 1.84  | 1.78  | 1.76  | 1.76   | 1.72  | 1.64  | 1.45 |
| 2    | Alliant Energy          | 1.16                            | 1.92              | 1.81  | 1.71  | 1.61  | 1.52  | 1.42  | 1.34  | 1.26  | 1.18  | 1.10  | 1.02  | 0.94  | 0.90  | 0.85  | 0.79  | 0.75   | 0.70  | 0.64  | 0.58 |
| 3    | Ameren Corp.            | 1.99                            | 2.68              | 2.52  | 2.36  | 2.20  | 2.00  | 1.92  | 1.85  | 1.78  | 1.72  | 1.66  | 1.61  | 1.60  | 1.60  | 1.56  | 1.54  | 1.54   | 2.54  | 2.54  | 2.54 |
| 4    | American Electric Power | 2.31                            | 3.60              | 3.37  | 3.17  | 3.00  | 2.84  | 2.71  | 2.53  | 2.39  | 2.27  | 2.15  | 2.03  | 1.95  | 1.88  | 1.85  | 1.71  | 1.64   | 1.64  | 1.58  | 1.50 |
| 5    | Avangrid, Inc.          | 1.75                            | 1.76              | 1.76  | 1.76  | 1.76  | 1.76  | 1.76  | 1.74  | 1.73  | 1.73  | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A    | N/A   | N/A   | N/A  |
| 6    | Avista Corp.            | 1.28                            | 1.92              | 1.84  | 1.76  | 1.69  | 1.62  | 1.55  | 1.49  | 1.43  | 1.37  | 1.32  | 1.27  | 1.22  | 1.16  | 1.10  | 1.00  | 0.81   | 0.69  | 0.60  | 0.57 |
| 7    | Black Hills             | 1.79                            | 2.60              | 2.50  | 2.41  | 2.29  | 2.17  | 2.05  | 1.93  | 1.81  | 1.68  | 1.62  | 1.56  | 1.52  | 1.48  | 1.46  | 1.44  | 1.42   | 1.40  | 1.37  | 1.32 |
| 8    | CenterPoint Energy      | 0.85                            | 0.83              | 0.77  | 0.72  | 0.66  | 0.90  | 0.86  | 1.12  | 1.35  | 1.03  | 0.99  | 0.95  | 0.83  | 0.81  | 0.79  | 0.78  | 0.76   | 0.73  | 0.68  | 0.60 |
| 9    | CMS Energy Corp.        | 1.20                            | 2.08              | 1.95  | 1.84  | 1.74  | 1.63  | 1.53  | 1.43  | 1.33  | 1.24  | 1.16  | 1.08  | 1.02  | 0.96  | 0.84  | 0.66  | 0.50   | 0.36  | 0.20  | N/A  |
| 10   | Consol. Edison          | 2.70                            | 3.32              | 3.24  | 3.16  | 3.10  | 3.06  | 2.96  | 2.86  | 2.76  | 2.68  | 2.60  | 2.52  | 2.46  | 2.42  | 2.40  | 2.38  | 2.36   | 2.34  | 2.32  | 2.30 |
| 11   | Dominion Resources      | 2.43                            | 2.67              | 2.67  | 2.67  | 2.52  | 3.45  | 3.67  | 3.34  | 3.04  | 2.80  | 2.59  | 2.40  | 2.25  | 2.11  | 1.97  | 1.83  | 1.75   | 1.58  | 1.46  | 1.38 |
| 12   | DTE Energy              | 2.99                            | 4.08              | 3.88  | 3.54  | 3.88  | 4.12  | 3.85  | 3.59  | 3.36  | 3.06  | 2.84  | 2.69  | 2.59  | 2.42  | 2.32  | 2.18  | 2.12   | 2.12  | 2.12  | 2.08 |
| 13   | Duke Energy             | 3.37                            | 4.14              | 4.06  | 3.98  | 3.90  | 3.82  | 3.75  | 3.64  | 3.49  | 3.36  | 3.24  | 3.15  | 3.09  | 3.03  | 2.97  | 2.91  | 2.82   | 2.70  | 2.58  | N/A  |
| 14   | Edison Int'l            | 1.92                            | 3.14              | 2.99  | 2.84  | 2.69  | 2.58  | 2.48  | 2.43  | 2.23  | 1.98  | 1.73  | 1.48  | 1.37  | 1.31  | 1.29  | 1.27  | 1.25   | 1.23  | 1.18  | 1.10 |
| 15   | El Paso Electric        | 1.11                            | N/A               | N/A   | N/A   | N/A   | N/A   | N/A   | 1.42  | 1.32  | 1.23  | 1.17  | 1.11  | 1.05  | 0.97  | 0.66  | N/A   | N/A    | N/A   | N/A   | N/A  |
| 16   | Entergy Corp.           | 3.44                            | 4.56              | 4.34  | 4.10  | 3.86  | 3.74  | 3.66  | 3.58  | 3.50  | 3.42  | 3.34  | 3.32  | 3.32  | 3.32  | 3.32  | 3.24  | 3.00   | 3.00  | 2.58  | 2.16 |
| 17   | Eversource Energy       | 1.69                            | 2.86              | 2.70  | 2.55  | 2.41  | 2.27  | 2.14  | 2.02  | 1.90  | 1.78  | 1.67  | 1.57  | 1.47  | 1.32  | 1.10  | 1.03  | 0.95   | 0.83  | 0.78  | 0.73 |
| 18   | Evergy, Inc.            | 2.40                            | 2.61              | 2.48  | 2.33  | 2.18  | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A    | N/A   | N/A   | N/A  |
| 19   | Exelon Corp.            | 1.61                            | 1.52              | 1.44  | 1.35  | 1.53  | 1.53  | 1.45  | 1.38  | 1.31  | 1.26  | 1.24  | 1.24  | 1.46  | 2.10  | 2.10  | 2.10  | 2.10   | 2.05  | 1.82  | 1.64 |
| 20   | FirstEnergy Corp.       | 1.77                            | 1.70              | 1.60  | 1.56  | 1.56  | 1.56  | 1.53  | 1.82  | 1.44  | 1.44  | 1.44  | 1.44  | 1.65  | 2.20  | 2.20  | 2.20  | 2.20   | 2.20  | 2.05  | 1.85 |
| 21   | Fortis Inc.             | 1.51                            | 2.38              | 2.29  | 2.17  | 2.08  | 1.97  | 1.86  | 1.75  | 1.65  | 1.55  | 1.43  | 1.30  | 1.25  | 1.21  | 1.17  | 1.12  | 1.04   | 1.00  | 0.82  | 0.67 |
| 22   | Great Plains Energy     | 1.11                            | N/A               | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | 1.10  | 1.06  | 1.00  | 0.94  | 0.88  | 0.86  | 0.84  | 0.83  | 0.83   | 1.66  | 1.66  | 1.66 |
| 23   | Hawaiian Elec.          | 1.25                            | N/A               | 1.08  | 1.40  | 1.36  | 1.32  | 1.28  | 1.24  | 1.24  | 1.24  | 1.24  | 1.24  | 1.24  | 1.24  | 1.24  | 1.24  | 1.24   | 1.24  | 1.24  | 1.24 |
| 24   | IDACORP, Inc.           | 2.01                            | 3.34              | 3.20  | 3.04  | 2.88  | 2.72  | 2.56  | 2.40  | 2.24  | 2.08  | 1.92  | 1.76  | 1.57  | 1.37  | 1.20  | 1.20  | 1.20   | 1.20  | 1.20  | 1.20 |
| 25   | MGE Energy              | 1.21                            | 1.73              | 1.67  | 1.59  | N/A   | 1.45  | 1.38  | 1.32  | 1.26  | 1.21  | 1.16  | 1.11  | 1.07  | 1.04  | 1.01  | 0.99  | 0.97   | 0.96  | 0.94  | 0.93 |
| 26   | NextEra Energy, Inc.    | 0.96                            | 2.06              | 1.87  | 1.70  | 1.54  | 1.40  | 1.25  | 1.11  | 0.98  | 0.87  | 0.77  | 0.73  | 0.66  | 0.60  | 0.55  | 0.50  | 0.47   | 0.45  | 0.41  | 0.38 |
| 27   | NorthWestern Corp       | 1.88                            | 2.60              | 2.56  | 2.52  | 2.48  | 2.40  | 2.30  | 2.20  | 2.10  | 2.00  | 1.92  | 1.60  | 1.52  | 1.48  | 1.44  | 1.36  | 1.34   | 1.32  | 1.28  | 1.24 |
| 28   | OGE Energy              | 1.13                            | 1.69              | 1.66  | 1.64  | 1.63  | 1.58  | 1.51  | 1.40  | 1.27  | 1.16  | 1.05  | 0.95  | 0.85  | 0.80  | 0.76  | 0.73  | 0.71   | 0.70  | 0.68  | 0.67 |
| 29   | Otter Tail Corp.        | 1.34                            | 1.87              | 1.75  | 1.65  | 1.56  | 1.48  | 1.40  | 1.34  | 1.28  | 1.25  | 1.23  | 1.21  | 1.19  | 1.19  | 1.19  | 1.19  | 1.19   | 1.19  | 1.17  | 1.15 |
| 30   | Pinnacle West Capital   | 2.65                            | 3.55              | 3.49  | 3.42  | 3.36  | 3.23  | 3.04  | 2.87  | 2.70  | 2.56  | 2.44  | 2.33  | 2.23  | 2.67  | 2.10  | 2.10  | 2.10   | 2.10  | 2.10  | 2.03 |
| 31   | PNM Resources           | 0.92                            | 1.57              | 1.49  | 1.41  | 0.98  | 1.25  | 1.18  | 1.09  | 0.99  | 0.88  | 0.80  | 0.76  | 0.68  | 0.58  | 0.50  | 0.50  | 0.50   | 0.61  | 0.91  | 0.86 |
| 32   | Portland General        | 1.30                            | 1.98              | 1.88  | 1.79  | 1.70  | 1.59  | 1.52  | 1.43  | 1.34  | 1.26  | 1.18  | 1.12  | 1.10  | 1.08  | 1.06  | 1.04  | 1.01   | 0.97  | 0.93  | 0.68 |
| 33   | PPL Corp.               | 1.38                            | 1.03              | 0.95  | 0.88  | 1.66  | 1.66  | 1.65  | 1.64  | 1.58  | 1.52  | 1.50  | 1.49  | 1.47  | 1.44  | 1.40  | 1.40  | 1.38   | 1.34  | 1.22  | 1.10 |
| 34   | Public Serv. Enterprise | 1.66                            | 2.40              | 2.28  | 2.16  | 2.04  | 1.96  | 1.88  | 1.80  | 1.72  | 1.64  | 1.56  | 1.48  | 1.44  | 1.42  | 1.37  | 1.37  | 1.33   | 1.29  | 1.17  | 1.14 |
| 35   | SCANA Corp.             | 2.00                            | N/A               | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | 2.45  | 2.30  | 2.18  | 2.10  | 2.03  | 1.98  | 1.94  | 1.90  | 1.88   | 1.84  | 1.76  | 1.68 |
| 36   | Sempra Energy           | 2.68                            | 2.48              | 2.38  | 4.58  | 4.40  | 4.18  | 3.87  | 3.58  | 3.29  | 3.02  | 2.80  | 2.64  | 2.52  | 2.40  | 1.92  | 1.56  | 1.56   | 1.37  | 1.24  | 1.20 |
| 37   | Southern Co.            | 2.17                            | 2.86              | 2.78  | 2.70  | 2.62  | 2.54  | 2.46  | 2.38  | 2.30  | 2.22  | 2.15  | 2.08  | 2.01  | 1.94  | 1.87  | 1.80  | 1.73   | 1.66  | 1.60  | 1.54 |
| 38   | Vectren Corp.           | 1.42                            | N/A               | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | 1.71  | 1.62  | 1.54  | 1.46  | 1.43  | 1.41  | 1.39  | 1.37  | 1.35   | 1.31  | 1.27  | 1.23 |
| 39   | WEC Energy Group        | 1.75                            | 3.34              | 3.12  | 2.91  | 2.71  | 2.53  | 2.36  | 2.21  | 2.08  | 1.98  | 1.74  | 1.56  | 1.45  | 1.20  | 1.04  | 0.80  | 0.68   | 0.54  | 0.50  | 0.46 |
| 40   | Westar Energy           | 1.30                            | N/A               | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | 1.60  | 1.52  | 1.44  | 1.40  | 1.36  | 1.32  | 1.28  | 1.24  | 1.20   | 1.16  | 1.08  | 0.98 |
| 41   | Xcel Energy Inc.        | 1.37                            | 2.19              | 2.08  | 1.95  | 1.83  | 1.72  | 1.62  | 1.52  | 1.44  | 1.36  | 1.28  | 1.20  | 1.11  | 1.07  | 1.03  | 1.00  | 0.97   | 0.94  | 0.91  | 0.88 |
| 42   | Average                 | 1.80                            | 2.51              | 2.37  | 2.33  | 2.28  | 2.23  | 2.14  | 2.03  | 1.90  | 1.79  | 1.70  | 1.61  | 1.56  | 1.54  | 1.46  | 1.42  | 1.38   | 1.39  | 1.32  | 1.24 |
| 43   | Industry Average Growth | 4.01%                           | 6.14%             | 1.48% | 2.08% | 2.47% | 4.36% | 5.29% | 6.91% | 5.99% | 5.44% | 5.35% | 3.49% | 1.01% | 5.77% | 2.46% | 3.13% | -0.48% | 4.89% | 6.45% |      |

Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

## DTE Electric Company

Electric Utilities  
(Valuation Metrics)

| Line | Company                 | Earnings per Share <sup>1</sup> |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|------|-------------------------|---------------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|      |                         | 19-Year<br>Average<br>(1)       | 2024 <sup>2</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 1    | ALLETE                  | 3.05                            | 3.75                     | 4.30        | 3.38        | 3.23        | 3.35        | 3.33        | 3.38        | 3.13        | 3.14         | 3.38         | 2.90         | 2.63         | 2.58         | 2.65         | 2.19         | 1.89         | 2.82         | 3.08         | 2.77         |
| 2    | Alliant Energy          | 1.88                            | 3.05                     | 2.78        | 2.73        | 2.63        | 2.47        | 2.33        | 2.19        | 1.99        | 1.65         | 1.69         | 1.74         | 1.65         | 1.53         | 1.38         | 1.38         | 0.95         | 1.27         | 1.35         | 1.03         |
| 3    | Ameren Corp.            | 3.07                            | 4.60                     | 4.37        | 4.14        | 3.84        | 3.50        | 3.35        | 3.32        | 2.77        | 2.68         | 2.38         | 2.40         | 2.10         | 2.41         | 2.47         | 2.77         | 2.78         | 2.88         | 2.98         | 2.66         |
| 4    | American Electric Power | 3.77                            | 5.60                     | 5.24        | 5.09        | 4.96        | 4.42        | 4.08        | 3.90        | 3.62        | 4.23         | 3.59         | 3.34         | 3.18         | 2.98         | 3.13         | 2.60         | 2.97         | 2.99         | 2.86         | 2.96         |
| 5    | Avangrid, Inc.          | 1.92                            | 2.25                     | 2.09        | 2.32        | 1.97        | 1.88        | 2.26        | 1.92        | 1.67        | 1.98         | 0.86         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 6    | Avista Corp.            | 1.86                            | 2.40                     | 2.24        | 2.12        | 2.10        | 1.90        | 2.97        | 2.07        | 1.95        | 2.15         | 1.89         | 1.84         | 1.85         | 1.32         | 1.72         | 1.65         | 1.58         | 1.36         | 0.72         | 1.47         |
| 7    | Black Hills             | 2.77                            | 3.90                     | 3.91        | 3.97        | 3.74        | 3.73        | 3.53        | 3.47        | 3.38        | 2.63         | 2.83         | 2.89         | 2.61         | 1.97         | 1.01         | 1.66         | 2.32         | 0.18         | 2.68         | 2.21         |
| 8    | CenterPoint Energy      | 1.25                            | 1.45                     | 1.37        | 1.59        | 0.94        | 1.29        | 1.49        | 0.74        | 1.57        | 1.00         | 1.08         | 1.42         | 1.24         | 1.35         | 1.27         | 1.07         | 1.01         | 1.30         | 1.17         | 1.33         |
| 9    | CMS Energy Corp.        | 1.91                            | 3.30                     | 3.01        | 2.84        | 2.58        | 2.64        | 2.39        | 2.32        | 2.17        | 1.98         | 1.89         | 1.74         | 1.66         | 1.53         | 1.45         | 1.33         | 0.93         | 1.23         | 0.64         | 0.64         |
| 10   | Consol. Edison          | 3.98                            | 5.30                     | 5.04        | 4.55        | 4.74        | 3.94        | 4.08        | 4.55        | 4.10        | 3.94         | 4.05         | 3.62         | 3.93         | 3.86         | 3.57         | 3.47         | 3.14         | 3.36         | 3.48         | 2.95         |
| 11   | Dominion Resources      | 2.86                            | 2.80                     | 1.99        | 4.11        | 3.19        | 1.82        | 2.19        | 3.25        | 3.53        | 3.44         | 3.20         | 3.05         | 3.09         | 2.75         | 2.76         | 2.89         | 2.64         | 3.04         | 2.13         | 2.40         |
| 12   | DTE Energy              | 4.68                            | 6.70                     | 6.76        | 5.52        | 4.10        | 7.08        | 6.31        | 6.17        | 5.73        | 4.83         | 4.44         | 5.10         | 3.76         | 3.88         | 3.67         | 3.74         | 3.24         | 2.73         | 2.66         | 2.45         |
| 13   | Duke Energy             | 4.19                            | 6.00                     | 5.56        | 5.27        | 4.93        | 3.92        | 5.07        | 4.13        | 4.22        | 3.71         | 4.10         | 4.13         | 3.98         | 3.71         | 4.14         | 4.02         | 3.39         | 3.03         | 3.60         | 2.73         |
| 14   | Edison Int'l            | 3.32                            | 4.95                     | 4.76        | 1.60        | 2.00        | 1.72        | 3.98        | -1.26       | 4.51        | 3.94         | 4.15         | 4.33         | 3.78         | 4.55         | 3.23         | 3.35         | 3.24         | 3.68         | 3.32         | 3.28         |
| 15   | El Paso Electric        | 2.02                            | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | 2.07        | 2.42        | 2.39         | 2.03         | 2.27         | 2.20         | 2.26         | 2.48         | 2.07         | 1.50         | 1.73         | 1.63         | 1.27         |
| 16   | Entergy Corp.           | 6.32                            | 5.30                     | 11.10       | 5.37        | 6.87        | 6.90        | 6.30        | 5.88        | 5.19        | 6.88         | 5.81         | 5.77         | 4.96         | 6.02         | 7.55         | 6.66         | 6.30         | 6.20         | 5.60         | 5.36         |
| 17   | Eversource Energy       | 2.80                            | 4.60                     | 4.34        | 4.09        | 3.54        | 3.55        | 3.45        | 3.25        | 3.11        | 2.96         | 2.76         | 2.58         | 2.49         | 1.89         | 2.22         | 2.10         | 1.91         | 1.86         | 1.59         | 0.82         |
| 18   | Eversource Energy       | 3.47                            | 3.60                     | 3.17        | 3.26        | 3.83        | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 19   | Exelon Corp.            | 2.82                            | 2.45                     | 2.38        | 2.26        | 1.74        | 2.60        | 3.01        | 2.07        | 2.78        | 1.80         | 2.54         | 2.10         | 2.31         | 1.92         | 3.75         | 3.87         | 4.29         | 4.10         | 4.03         | 3.50         |
| 20   | FirstEnergy Corp.       | 2.58                            | 2.70                     | 2.56        | 2.41        | 2.69        | 1.85        | 1.84        | 1.33        | 2.73        | 2.10         | 2.00         | 0.85         | 2.97         | 2.13         | 1.88         | 3.25         | 3.32         | 4.38         | 4.22         | 3.82         |
| 21   | Fortis Inc.             | 2.10                            | 3.20                     | 3.10        | 2.78        | 2.61        | 2.60        | 2.68        | 2.52        | 2.66        | 1.89         | 2.11         | 1.38         | 1.63         | 1.65         | 1.74         | 1.62         | 1.51         | 1.52         | 1.29         | 1.36         |
| 22   | Great Plains Energy     | 1.33                            | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | -0.06       | 1.61         | 1.37         | 1.57         | 1.62         | 1.35         | 1.25         | 1.53         | 1.03         | 1.16         | 1.85         | 1.62         |
| 23   | Hawaiian Elec.          | 1.64                            | 1.90                     | 1.81        | 2.20        | 2.25        | 1.81        | 1.99        | 1.85        | 1.64        | 2.29         | 1.50         | 1.64         | 1.62         | 1.67         | 1.44         | 1.21         | 0.91         | 1.07         | 1.11         | 1.33         |
| 24   | IDACORP, Inc.           | 3.82                            | 5.40                     | 5.14        | 5.11        | 4.85        | 4.69        | 4.61        | 4.49        | 4.21        | 3.94         | 3.87         | 3.85         | 3.64         | 3.37         | 3.36         | 2.95         | 2.64         | 2.18         | 1.86         | 2.35         |
| 25   | MGE Energy              | 2.21                            | 3.70                     | 3.25        | 3.07        | N/A         | 2.60        | 2.51        | 2.43        | 2.20        | 2.18         | 2.06         | 2.32         | 2.16         | 1.86         | 1.76         | 1.67         | 1.47         | 1.59         | 1.51         | 1.37         |
| 26   | NextEra Energy, Inc.    | 1.65                            | 3.40                     | 3.17        | 2.90        | 1.81        | 2.10        | 1.94        | 1.67        | 1.63        | 1.45         | 1.52         | 1.40         | 1.21         | 1.14         | 1.21         | 1.19         | 0.99         | 1.02         | 0.82         | 0.81         |
| 27   | NorthWestern Corp       | 2.74                            | 3.50                     | 3.22        | 3.29        | 3.60        | 3.06        | 3.53        | 3.40        | 3.34        | 3.39         | 2.90         | 2.99         | 2.46         | 2.26         | 2.53         | 2.14         | 2.02         | 1.77         | 1.44         | 1.31         |
| 28   | OGE Energy              | 1.82                            | 2.10                     | 2.07        | 2.25        | 2.36        | 2.08        | 2.24        | 2.12        | 1.92        | 1.69         | 1.69         | 1.98         | 1.94         | 1.79         | 1.73         | 1.50         | 1.33         | 1.25         | 1.32         | 1.23         |
| 29   | Otter Tail Corp.        | 2.42                            | 6.35                     | 7.00        | 6.78        | 4.23        | 2.34        | 2.17        | 2.06        | 1.86        | 1.60         | 1.56         | 1.55         | 1.37         | 1.05         | 0.45         | 0.38         | 0.71         | 1.09         | 1.79         | 1.69         |
| 30   | Pinnacle West Capital   | 3.82                            | 4.70                     | 4.41        | 4.26        | 5.47        | 4.87        | 4.77        | 4.54        | 4.43        | 3.95         | 3.92         | 3.58         | 3.66         | 3.50         | 2.99         | 3.08         | 2.26         | 2.12         | 2.96         | 3.17         |
| 31   | PNM Resources           | 1.64                            | 2.70                     | 2.82        | 2.69        | 2.27        | 2.15        | 2.28        | 1.66        | 1.92        | 1.65         | 1.64         | 1.45         | 1.41         | 1.31         | 1.08         | 0.87         | 0.58         | 0.11         | 0.76         | 1.72         |
| 32   | Portland General        | 2.08                            | 3.05                     | 2.38        | 2.74        | 2.72        | 1.72        | 2.39        | 2.37        | 2.29        | 2.16         | 2.04         | 2.18         | 1.77         | 1.87         | 1.95         | 1.66         | 1.31         | 1.39         | 2.33         | 1.14         |
| 33   | PPL Corp.               | 2.12                            | 1.70                     | 1.60        | 1.41        | 0.53        | 2.04        | 2.37        | 2.58        | 2.11        | 2.79         | 2.37         | 2.38         | 2.38         | 2.61         | 2.61         | 2.29         | 1.19         | 2.45         | 2.63         | 2.29         |
| 34   | Public Serv. Enterprise | 2.99                            | 3.65                     | 3.48        | 3.47        | 2.55        | 3.61        | 3.90        | 2.76        | 2.82        | 2.83         | 3.30         | 2.99         | 2.45         | 2.44         | 3.11         | 3.07         | 3.08         | 2.90         | 2.59         | 1.85         |
| 35   | SCANA Corp.             | 3.30                            | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 4.20        | 4.16         | 3.81         | 3.79         | 3.39         | 3.15         | 2.97         | 2.98         | 2.85         | 2.95         | 2.74         | 2.59         |
| 36   | Sempra Energy           | 4.96                            | 4.80                     | 4.61        | 9.21        | 4.01        | 6.58        | 5.97        | 5.48        | 4.63        | 4.24         | 5.23         | 4.63         | 4.22         | 4.35         | 4.47         | 4.02         | 4.78         | 4.43         | 4.26         | 4.23         |
| 37   | Southern Co.            | 2.89                            | 4.00                     | 3.64        | 3.61        | 3.42        | 3.25        | 3.17        | 3.00        | 3.21        | 2.83         | 2.84         | 2.77         | 2.70         | 2.67         | 2.55         | 2.36         | 2.32         | 2.25         | 2.28         | 2.10         |
| 38   | Vectren Corp.           | 1.94                            | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2.60        | 2.55         | 2.39         | 2.02         | 1.66         | 1.94         | 1.73         | 1.64         | 1.79         | 1.63         | 1.83         | 1.44         |
| 39   | WEC Energy Group        | 2.88                            | 4.90                     | 4.63        | 4.46        | 4.11        | 3.79        | 3.58        | 3.34        | 3.14        | 2.96         | 2.34         | 2.59         | 2.51         | 2.35         | 2.18         | 1.92         | 1.60         | 1.52         | 1.42         | 1.32         |
| 40   | Westar Energy           | 1.96                            | N/A                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2.27        | 2.43         | 2.09         | 2.35         | 2.27         | 2.15         | 1.79         | 1.80         | 1.28         | 1.31         | 1.84         | 1.88         |
| 41   | Xcel Energy Inc.        | 2.22                            | 3.55                     | 3.35        | 3.17        | 2.96        | 2.79        | 2.64        | 2.47        | 2.30        | 2.21         | 2.10         | 2.03         | 1.91         | 1.85         | 1.72         | 1.56         | 1.49         | 1.46         | 1.35         | 1.35         |
| 42   | Average                 | 2.80                            | 3.81                     | 3.80        | 3.61        | 3.24        | 3.16        | 3.28        | 2.87        | 2.90        | 2.81         | 2.68         | 2.65         | 2.52         | 2.44         | 2.43         | 2.35         | 2.17         | 2.19         | 2.25         | 2.09         |
| 43   | Industry Average Growth | 3.48%                           | 0.48%                    | 5.10%       | 11.50%      | 2.47%       | -3.54%      | 14.00%      | -0.78%      | 3.26%       | 4.58%        | 1.09%        | 5.23%        | 3.58%        | 0.03%        | 3.76%        | 8.23%        | -0.89%       | -2.75%       | 7.36%        |              |

Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

## DTE Electric Company

### Electric Utilities (Valuation Metrics)

| Line | Company                 | Cash Flow / Capital Spending <sup>1</sup> |             |             |             |             |                          | 3 - 5 yr <sup>2</sup> |
|------|-------------------------|-------------------------------------------|-------------|-------------|-------------|-------------|--------------------------|-----------------------|
|      |                         | 2020<br>(1)                               | 2021<br>(2) | 2022<br>(3) | 2023<br>(4) | 2024<br>(5) | 2025 <sup>2</sup><br>(6) | Projection<br>(7)     |
| 1    | ALLETE                  | 0.74x                                     | 0.80x       | 2.26x       | 1.42x       | 2.21x       | 1.42x                    | 1.33x                 |
| 2    | Alliant Energy          | 0.82x                                     | 0.97x       | 0.94x       | 0.95x       | 0.97x       | 1.04x                    | 1.20x                 |
| 3    | Ameren Corp.            | 0.51x                                     | 0.59x       | 0.72x       | 0.74x       | 0.84x       | 0.87x                    | 0.95x                 |
| 4    | American Electric Power | 0.74x                                     | 0.69x       | 0.73x       | 0.72x       | 0.82x       | 0.88x                    | 1.09x                 |
| 5    | Avangrid, Inc.          | 0.56x                                     | 0.62x       | 0.61x       | 0.57x       | 0.71x       | 0.74x                    | 0.78x                 |
| 6    | Avista Corp.            | 0.85x                                     | 0.87x       | 0.83x       | 0.78x       | 0.84x       | 0.86x                    | 0.87x                 |
| 7    | Black Hills             | 0.72x                                     | 0.76x       | 0.85x       | 0.82x       | 0.68x       | 0.75x                    | 0.86x                 |
| 8    | CenterPoint Energy      | 0.88x                                     | 0.62x       | 0.62x       | 0.57x       | 0.55x       | 0.67x                    | 0.69x                 |
| 9    | CMS Energy Corp.        | 0.82x                                     | 0.77x       | 0.78x       | 0.92x       | 0.80x       | 0.88x                    | 0.95x                 |
| 10   | Consol. Edison          | 0.82x                                     | 0.89x       | 0.83x       | 0.72x       | 0.84x       | 0.88x                    | 0.94x                 |
| 11   | Dominion Resources      | 1.00x                                     | 0.89x       | 0.74x       | 0.63x       | 0.51x       | 0.58x                    | 0.88x                 |
| 12   | DTE Energy              | 0.67x                                     | 0.70x       | 0.75x       | 0.82x       | 0.87x       | 0.90x                    | 0.96x                 |
| 13   | Duke Energy             | 0.86x                                     | 0.93x       | 0.81x       | 0.79x       | 0.77x       | 0.78x                    | 0.90x                 |
| 14   | Edison Int'l            | 0.67x                                     | 0.74x       | 0.67x       | 0.75x       | 0.82x       | 0.84x                    | 0.88x                 |
| 15   | El Paso Electric        | 1.00x                                     | 0.83x       | N/A         | N/A         | N/A         | N/A                      | N/A                   |
| 16   | Entergy Corp.           | 0.81x                                     | 1.05x       | 0.98x       | 0.85x       | 0.81x       | 0.82x                    | 1.08x                 |
| 17   | Eversource Energy       | 0.95x                                     | 0.74x       | 0.72x       | 0.86x       | 0.76x       | 0.79x                    | 0.80x                 |
| 18   | Evergy, Inc.            | 1.06x                                     | 0.96x       | 0.94x       | 0.86x       | 0.86x       | 0.91x                    | 0.97x                 |
| 19   | Exelon Corp.            | 1.30x                                     | 1.32x       | 0.96x       | 0.99x       | 0.80x       | 0.84x                    | 0.94x                 |
| 20   | FirstEnergy Corp.       | 0.96x                                     | 0.91x       | 0.86x       | 0.80x       | 0.82x       | 0.84x                    | 0.95x                 |
| 21   | Fortis Inc.             | 0.60x                                     | 0.74x       | 0.75x       | 0.82x       | 0.85x       | 0.88x                    | 0.97x                 |
| 22   | Hawaiian Elec.          | 1.10x                                     | 1.42x       | 1.30x       | 1.51x       | 1.20x       | 1.00x                    | 1.09x                 |
| 23   | IDACORP, Inc.           | 1.25x                                     | 1.16x       | 0.83x       | 0.63x       | 0.56x       | 0.72x                    | 0.95x                 |
| 24   | MGE Energy              | 0.73x                                     | 0.87x       | N/A         | 1.26x       | 1.10x       | 1.18x                    | 1.18x                 |
| 25   | NextEra Energy, Inc.    | 0.58x                                     | 0.69x       | 0.54x       | 0.59x       | 0.59x       | 0.61x                    | 0.65x                 |
| 26   | NorthWestern Corp       | 0.98x                                     | 0.82x       | 0.66x       | 0.75x       | 0.87x       | 0.91x                    | 1.04x                 |
| 27   | OGE Energy              | 1.43x                                     | 1.13x       | 0.99x       | 0.97x       | 0.99x       | 1.06x                    | 1.23x                 |
| 28   | Otter Tail Corp.        | 0.45x                                     | 1.42x       | 1.45x       | 1.08x       | 1.46x       | 1.18x                    | 1.09x                 |
| 29   | Pinnacle West Capital   | 0.98x                                     | 0.85x       | 0.78x       | 0.95x       | 0.74x       | 0.78x                    | 0.89x                 |
| 30   | PNM Resources           | 0.59x                                     | 0.51x       | 0.63x       | 0.63x       | 0.53x       | 0.52x                    | 0.64x                 |
| 31   | Portland General        | 0.75x                                     | 0.97x       | 1.01x       | 0.58x       | 0.62x       | 0.73x                    | 0.93x                 |
| 32   | PPL Corp.               | 1.06x                                     | 1.12x       | 1.35x       | 0.98x       | 0.97x       | 0.99x                    | 1.03x                 |
| 33   | Public Serv. Enterprise | 1.00x                                     | 1.05x       | 0.82x       | 0.87x       | 0.90x       | 0.95x                    | 0.90x                 |
| 34   | Sempra Energy           | 0.92x                                     | 0.78x       | 0.92x       | 0.96x       | 0.63x       | 0.64x                    | 0.68x                 |
| 35   | Southern Co.            | 1.01x                                     | 0.93x       | 0.97x       | 0.97x       | 0.90x       | 0.95x                    | 1.09x                 |
| 36   | WEC Energy Group        | 0.70x                                     | 0.75x       | 0.87x       | 0.92x       | 1.01x       | 1.09x                    | 1.29x                 |
| 37   | Xcel Energy Inc.        | 0.99x                                     | 0.86x       | 0.80x       | 0.92x       | 0.65x       | 0.56x                    | 0.97x                 |
| 38   | Average                 | 0.86x                                     | 0.88x       | 0.89x       | 0.86x       | 0.86x       | 0.86x                    | 0.96x                 |
| 39   | Median                  | 0.85x                                     | 0.86x       | 0.83x       | 0.84x       | 0.82x       | 0.87x                    | 0.95x                 |

Source:

<sup>1</sup> Data for the years 2020 - 2024 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

Notes:

Based on the projected Cash Flow per share and Capital Spending per share.

DTE Electric Company

Electric Utilities  
(Valuation Metrics)

| Line | Company                 | Percent Dividends to Book Value <sup>1</sup> |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|------|-------------------------|----------------------------------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|      |                         | 18-Year                                      |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|      |                         | Average<br>(1)                               | 2024 <sup>2a</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 1    | ALLETE                  | 5.88%                                        | 5.50%                     | 5.56%       | 5.52%       | 5.56%       | 5.61%       | 5.44%       | 5.35%       | 5.29%       | 5.45%        | 5.45%        | 5.59%        | 5.86%        | 6.04%        | 6.18%        | 6.46%        | 6.67%        | 6.78%        | 6.80%        | 6.62%        |
| 2    | Alliant Energy          | 6.42%                                        | 6.94%                     | 6.84%       | 6.84%       | 6.73%       | 6.68%       | 6.68%       | 6.90%       | 7.32%       | 6.96%        | 6.70%        | 6.56%        | 6.36%        | 6.37%        | 6.26%        | 6.06%        | 5.98%        | 5.48%        | 5.23%        | 5.04%        |
| 3    | Ameren Corp.            | 6.04%                                        | 6.25%                     | 6.26%       | 5.88%       | 5.84%       | 5.67%       | 5.87%       | 5.92%       | 6.01%       | 5.86%        | 5.78%        | 5.82%        | 5.93%        | 5.87%        | 4.76%        | 4.73%        | 4.66%        | 7.74%        | 7.84%        | 7.97%        |
| 4    | American Electric Power | 6.36%                                        | 6.54%                     | 6.95%       | 6.80%       | 6.74%       | 6.86%       | 6.82%       | 6.56%       | 6.43%       | 6.42%        | 5.90%        | 5.91%        | 5.91%        | 5.99%        | 6.10%        | 6.04%        | 5.97%        | 6.23%        | 6.28%        | 6.32%        |
| 5    | Avangrid, Inc.          | 3.18%                                        | 3.43%                     | 3.46%       | 3.51%       | 3.57%       | 3.58%       | 3.57%       | 3.57%       | 3.54%       | 3.53%        | 0.00%        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 6    | Avista Corp.            | 5.11%                                        | 5.84%                     | 5.78%       | 5.65%       | 5.61%       | 5.53%       | 5.37%       | 5.52%       | 5.41%       | 5.33%        | 5.38%        | 5.33%        | 5.65%        | 5.51%        | 5.42%        | 5.07%        | 4.23%        | 3.77%        | 3.44%        | 3.26%        |
| 7    | Black Hills             | 5.33%                                        | 5.33%                     | 5.30%       | 5.32%       | 5.32%       | 5.32%       | 5.34%       | 5.31%       | 5.67%       | 5.55%        | 5.66%        | 5.06%        | 5.17%        | 5.31%        | 5.30%        | 5.14%        | 5.10%        | 5.15%        | 5.34%        | 5.58%        |
| 8    | CenterPoint Energy      | 9.09%                                        | 5.08%                     | 5.03%       | 4.90%       | 4.82%       | 8.35%       | 6.59%       | 8.94%       | 12.39%      | 12.82%       | 12.30%       | 8.96%        | 8.23%        | 8.05%        | 7.97%        | 10.36%       | 11.28%       | 12.40%       | 12.12%       | 12.09%       |
| 9    | CMS Energy Corp.        | 6.77%                                        | 7.95%                     | 7.84%       | 7.89%       | 7.87%       | 8.57%       | 8.66%       | 8.52%       | 8.43%       | 8.14%        | 8.16%        | 8.10%        | 7.86%        | 7.94%        | 7.05%        | 5.90%        | 4.38%        | 3.31%        | 2.11%        | 0.00%        |
| 10   | Consol. Edison          | 5.94%                                        | 5.23%                     | 5.29%       | 5.42%       | 5.48%       | 5.56%       | 5.46%       | 5.49%       | 5.55%       | 5.72%        | 5.84%        | 5.87%        | 5.88%        | 5.97%        | 6.15%        | 6.27%        | 6.47%        | 6.60%        | 7.12%        | 7.40%        |
| 11   | Dominion Resources      | 10.07%                                       | 8.61%                     | 8.69%       | 8.54%       | 8.00%       | 11.72%      | 10.39%      | 11.31%      | 11.41%      | 12.04%       | 12.20%       | 12.16%       | 11.24%       | 11.50%       | 9.81%        | 8.86%        | 9.38%        | 9.14%        | 8.95%        | 7.46%        |
| 12   | DTE Energy              | 6.32%                                        | 7.29%                     | 7.25%       | 7.64%       | 8.64%       | 6.43%       | 6.34%       | 6.38%       | 6.34%       | 6.09%        | 5.81%        | 5.72%        | 5.79%        | 5.66%        | 5.80%        | 5.49%        | 5.59%        | 5.76%        | 5.91%        | 6.28%        |
| 13   | Duke Energy             | 5.52%                                        | 6.25%                     | 6.37%       | 6.47%       | 6.34%       | 6.39%       | 6.12%       | 6.04%       | 5.85%       | 5.73%        | 5.61%        | 5.45%        | 5.28%        | 5.22%        | 5.81%        | 5.72%        | 5.66%        | 5.45%        | 5.12%        | 0.00%        |
| 14   | Edison Int'l            | 5.79%                                        | 8.26%                     | 8.30%       | 9.24%       | 7.36%       | 6.96%       | 6.73%       | 7.56%       | 6.23%       | 5.39%        | 4.97%        | 4.41%        | 4.48%        | 4.54%        | 4.16%        | 3.90%        | 4.12%        | 4.19%        | 4.53%        | 4.65%        |
| 15   | El Paso Electric        | 2.94%                                        | N/A                       | N/A         | N/A         | N/A         | 5.13%       | N/A         | 4.94%       | 4.67%       | 4.62%        | 4.43%        | 4.53%        | 4.46%        | 4.72%        | 3.47%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| 16   | Entergy Corp.           | 6.68%                                        | 6.45%                     | 6.32%       | 6.68%       | 6.72%       | 6.85%       | 7.13%       | 7.65%       | 7.90%       | 7.58%        | 6.44%        | 5.95%        | 6.15%        | 6.42%        | 6.53%        | 6.82%        | 6.59%        | 7.13%        | 6.34%        | 5.34%        |
| 17   | Eversource Energy       | 5.17%                                        | 6.75%                     | 6.66%       | 5.74%       | 5.69%       | 5.54%       | 5.59%       | 5.57%       | 5.43%       | 5.27%        | 5.12%        | 4.99%        | 4.82%        | 4.49%        | 4.86%        | 4.75%        | 4.66%        | 4.26%        | 4.16%        | 4.00%        |
| 18   | Evergy, Inc.            | 5.62%                                        | 5.92%                     | 5.90%       | 5.57%       | 5.41%       | 5.32%       | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 19   | Exelon Corp.            | 6.96%                                        | 5.77%                     | 5.59%       | 5.42%       | 4.36%       | 4.62%       | 4.38%       | 4.34%       | 4.23%       | 4.51%        | 4.42%        | 4.72%        | 5.49%        | 8.38%        | 9.68%        | 10.25%       | 10.96%       | 12.21%       | 11.87%       | 11.02%       |
| 20   | FirstEnergy Corp.       | 8.80%                                        | 8.97%                     | 8.81%       | 8.78%       | 10.26%      | 11.70%      | 11.86%      | 13.82%      | 16.34%      | 10.21%       | 4.91%        | 4.88%        | 5.44%        | 7.03%        | 6.93%        | 7.85%        | 7.84%        | 8.10%        | 6.96%        | 6.54%        |
| 21   | Fortis Inc.             | 5.44%                                        | 5.75%                     | 5.84%       | 5.95%       | 5.59%       | 5.39%       | 5.08%       | 5.03%       | 5.19%       | 4.80%        | 5.00%        | 5.22%        | 5.58%        | 5.81%        | 5.70%        | 5.91%        | 5.60%        | 5.55%        | 4.90%        | 5.47%        |
| 22   | Great Plains Energy     | 5.31%                                        | N/A                       | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 4.78%       | 4.27%        | 4.21%        | 4.02%        | 3.91%        | 3.93%        | 3.94%        | 3.90%        | 4.03%        | 7.76%        | 9.13%        | 9.94%        |
| 23   | Hawaiian Elec.          | 7.09%                                        | 5.07%                     | 6.96%       | 6.22%       | 6.17%       | 6.12%       | 6.24%       | 6.43%       | 6.51%       | 6.91%        | 7.10%        | 7.27%        | 7.62%        | 7.77%        | 7.91%        | 7.96%        | 8.08%        | 8.11%        | 9.22%        |              |
| 24   | IDACORP, Inc.           | 4.75%                                        | 5.63%                     | 5.57%       | 5.48%       | 5.45%       | 5.36%       | 5.24%       | 5.11%       | 5.02%       | 4.87%        | 4.70%        | 4.53%        | 4.26%        | 3.91%        | 3.62%        | 3.87%        | 4.11%        | 4.32%        | 4.48%        | 4.66%        |
| 25   | MGE Energy              | 6.06%                                        | 5.21%                     | 5.30%       | 5.32%       | N/A         | 5.22%       | 5.59%       | 5.60%       | 5.61%       | 5.79%        | 5.82%        | 5.84%        | 6.01%        | 6.22%        | 6.36%        | 6.56%        | 6.72%        | 6.87%        | 7.24%        | 7.77%        |
| 26   | NextEra Energy, Inc.    | 6.79%                                        | 8.39%                     | 8.08%       | 8.61%       | 8.13%       | 7.51%       | 6.61%       | 6.22%       | 6.55%       | 6.69%        | 6.29%        | 6.49%        | 6.36%        | 6.34%        | 6.12%        | 5.82%        | 5.99%        | 6.30%        | 6.22%        | 6.21%        |
| 27   | NorthWestern Corp       | 5.81%                                        | 5.60%                     | 5.63%       | 5.65%       | 5.73%       | 5.84%       | 5.69%       | 5.70%       | 5.76%       | 5.77%        | 5.78%        | 5.08%        | 5.71%        | 5.90%        | 6.08%        | 6.01%        | 6.13%        | 6.21%        | 6.06%        | 6.00%        |
| 28   | OGE Energy              | 6.88%                                        | 7.32%                     | 7.49%       | 7.47%       | 8.04%       | 8.71%       | 7.28%       | 6.96%       | 6.59%       | 6.70%        | 6.30%        | 5.84%        | 5.56%        | 5.70%        | 5.81%        | 6.24%        | 6.79%        | 6.89%        | 7.47%        | 7.61%        |
| 29   | Otter Tail Corp.        | 6.98%                                        | 6.00%                     | 5.95%       | 5.61%       | 6.54%       | 7.05%       | 7.19%       | 7.29%       | 7.27%       | 7.34%        | 7.70%        | 7.86%        | 8.07%        | 8.25%        | 7.52%        | 6.77%        | 6.33%        | 6.22%        | 6.67%        | 6.90%        |
| 30   | Pinnacle West Capital   | 6.19%                                        | 5.93%                     | 6.41%       | 6.40%       | 6.43%       | 6.47%       | 6.29%       | 6.16%       | 6.03%       | 5.93%        | 5.91%        | 5.89%        | 5.84%        | 7.38%        | 6.00%        | 6.20%        | 6.42%        | 6.15%        | 5.98%        | 5.87%        |
| 31   | PNM Resources           | 4.12%                                        | 5.73%                     | 5.72%       | 5.52%       | 3.88%       | 5.23%       | 5.59%       | 5.12%       | 4.67%       | 4.18%        | 3.85%        | 3.37%        | 3.26%        | 2.89%        | 2.55%        | 2.84%        | 2.65%        | 3.20%        | 4.13%        | 3.89%        |
| 32   | Portland General        | 4.95%                                        | 5.82%                     | 5.73%       | 5.75%       | 5.61%       | 5.45%       | 5.24%       | 5.08%       | 4.94%       | 4.78%        | 4.64%        | 4.56%        | 4.70%        | 4.78%        | 4.90%        | 4.93%        | 4.48%        | 4.42%        | 3.45%        |              |
| 33   | PPL Corp.               | 8.33%                                        | 5.19%                     | 5.03%       | 4.66%       | 8.89%       | 9.55%       | 9.74%       | 10.13%      | 10.18%      | 10.44%       | 10.19%       | 7.28%        | 7.43%        | 8.00%        | 7.48%        | 8.24%        | 9.47%        | 9.89%        | 8.20%        | 8.27%        |
| 34   | Public Serv. Enterprise | 6.99%                                        | 7.41%                     | 7.34%       | 7.82%       | 7.12%       | 6.18%       | 6.28%       | 6.31%       | 6.27%       | 6.31%        | 6.03%        | 6.14%        | 6.28%        | 6.66%        | 6.75%        | 7.20%        | 7.66%        | 8.40%        | 8.15%        | 8.54%        |
| 35   | SCANA Corp.             | 6.44%                                        | N/A                       | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 6.67%       | 5.74%        | 5.72%        | 6.01%        | 6.14%        | 6.29%        | 6.48%        | 6.54%        | 6.80%        | 7.12%        | 6.94%        | 6.89%        |
| 36   | Sempra Energy           | 5.33%                                        | 5.29%                     | 5.41%       | 5.49%       | 5.56%       | 5.96%       | 6.39%       | 6.59%       | 6.53%       | 5.83%        | 5.89%        | 5.74%        | 5.60%        | 5.66%        | 4.68%        | 4.16%        | 4.27%        | 4.18%        | 3.89%        | 4.19%        |
| 37   | Southern Co.            | 9.56%                                        | 9.57%                     | 9.65%       | 9.67%       | 9.96%       | 9.59%       | 9.42%       | 9.95%       | 9.59%       | 8.89%        | 9.53%        | 9.48%        | 9.39%        | 9.22%        | 9.22%        | 9.38%        | 9.55%        | 9.74%        | 9.83%        | 10.07%       |
| 38   | Vectren Corp.           | 7.71%                                        | N/A                       | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 7.67%       | 7.60%        | 7.57%        | 7.51%        | 7.55%        | 7.57%        | 7.74%        | 7.78%        | 7.84%        | 7.85%        | 7.86%        | 7.97%        |
| 39   | WEC Energy Group        | 6.54%                                        | 8.81%                     | 8.38%       | 7.92%       | 7.83%       | 7.62%       | 7.36%       | 7.12%       | 6.94%       | 7.00%        | 6.35%        | 7.96%        | 7.71%        | 6.65%        | 6.05%        | 4.92%        | 4.42%        | 3.78%        | 3.77%        | 3.72%        |
| 40   | Westar Energy           | 5.71%                                        | N/A                       | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 5.82%       | 5.66%        | 5.57%        | 5.60%        | 5.70%        | 5.77%        | 5.81%        | 5.84%        | 5.83%        | 5.75%        | 5.64%        | 5.56%        |
| 41   | Xcel Energy Inc.        | 6.21%                                        | 6.58%                     | 6.55%       | 6.43%       | 6.38%       | 6.34%       | 6.42%       | 6.39%       | 6.38%       | 6.26%        | 6.13%        | 5.94%        | 5.78%        | 5.88%        | 5.91%        | 5.97%        | 6.09%        | 6.13%        | 6.19%        | 6.16%        |
| 42   | Average                 | 6.35%                                        | 6.47%                     | 6.43%       | 6.46%       | 6.50%       | 6.65%       | 6.57%       | 6.69%       | 6.73%       | 6.46%        | 6.13%        | 6.09%        | 6.11%        | 6.29%        | 6.11%        | 6.07%        | 6.13%        | 6.37%        | 6.29%        | 6.10%        |
| 43   | Median                  | 6.08%                                        | 6.00%                     | 6.10%       | 5.92%       | 6.34%       | 6.18%       | 6.29%       | 6.23%       | 6.25%       | 5.85%        | 5.82%        | 5.84%        | 5.84%        | 5.99%        | 6.08%        | 6.01%        | 5.99%        | 6.22%        | 6.22%        | 6.21%        |

Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

<sup>a</sup> Based on the projected 2023 Dividend Declared per share and Book Value per share, published in The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

DTE Electric Company

Electric Utilities  
(Valuation Metrics)

Dividends to Earnings Ratio<sup>1</sup>

| Line | Company                 | 18-Year |                    |      |      |      |      |      |        |        |      |      |      |      |      |      |      |      |      |      |      |
|------|-------------------------|---------|--------------------|------|------|------|------|------|--------|--------|------|------|------|------|------|------|------|------|------|------|------|
|      |                         | Average | 2024 <sup>2a</sup> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018   | 2017   | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|      |                         | (1)     | (2)                | (3)  | (4)  | (5)  | (6)  | (7)  | (8)    | (9)    | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) |
| 1    | ALLETE                  | 0.69    | 0.75               | 0.63 | 0.77 | 0.78 | 0.74 | 0.71 | 0.66   | 0.68   | 0.66 | 0.60 | 0.68 | 0.72 | 0.71 | 0.67 | 0.80 | 0.93 | 0.61 | 0.53 | 0.52 |
| 2    | Alliant Energy          | 0.61    | 0.63               | 0.65 | 0.63 | 0.61 | 0.62 | 0.61 | 0.61   | 0.63   | 0.72 | 0.65 | 0.59 | 0.57 | 0.59 | 0.62 | 0.57 | 0.79 | 0.55 | 0.47 | 0.56 |
| 3    | Ameren Corp.            | 0.66    | 0.58               | 0.58 | 0.57 | 0.57 | 0.57 | 0.57 | 0.56   | 0.64   | 0.64 | 0.70 | 0.67 | 0.76 | 0.66 | 0.63 | 0.56 | 0.55 | 0.88 | 0.85 | 0.95 |
| 4    | American Electric Power | 0.64    | 0.64               | 0.64 | 0.62 | 0.60 | 0.64 | 0.66 | 0.65   | 0.66   | 0.54 | 0.60 | 0.61 | 0.61 | 0.63 | 0.59 | 0.66 | 0.55 | 0.55 | 0.55 | 0.52 |
| 5    | Avangrid, Inc.          | 0.87    | 0.78               | 0.84 | 0.76 | 0.89 | 0.94 | 0.78 | 0.91   | 1.03   | 0.87 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| 6    | Avista Corp.            | 0.69    | 0.80               | 0.82 | 0.83 | 0.80 | 0.85 | 0.52 | 0.72   | 0.73   | 0.64 | 0.70 | 0.69 | 0.66 | 0.88 | 0.64 | 0.61 | 0.51 | 0.51 | 0.83 | 0.39 |
| 7    | Black Hills             | 1.04    | 0.67               | 0.64 | 0.61 | 0.61 | 0.58 | 0.58 | 0.56   | 0.54   | 0.64 | 0.57 | 0.54 | 0.58 | 0.75 | 1.45 | 0.87 | 0.61 | 7.78 | 0.51 | 0.60 |
| 8    | CenterPoint Energy      | 0.71    | 0.57               | 0.56 | 0.45 | 0.70 | 0.70 | 0.58 | 1.51   | 0.86   | 1.03 | 0.92 | 0.67 | 0.67 | 0.60 | 0.62 | 0.73 | 0.75 | 0.56 | 0.58 | 0.45 |
| 9    | CMS Energy Corp.        | 0.58    | 0.63               | 0.65 | 0.65 | 0.67 | 0.62 | 0.64 | 0.62   | 0.61   | 0.63 | 0.61 | 0.62 | 0.61 | 0.63 | 0.58 | 0.50 | 0.54 | 0.29 | 0.31 | N/A  |
| 10   | Consol. Edison          | 0.68    | 0.63               | 0.64 | 0.69 | 0.65 | 0.78 | 0.73 | 0.63   | 0.67   | 0.68 | 0.64 | 0.70 | 0.63 | 0.63 | 0.67 | 0.69 | 0.75 | 0.70 | 0.67 | 0.78 |
| 11   | Dominion Resources      | 0.89    | 0.95               | 1.34 | 0.65 | 0.79 | 1.90 | 1.68 | 1.03   | 0.86   | 0.81 | 0.81 | 0.79 | 0.73 | 0.77 | 0.71 | 0.63 | 0.66 | 0.52 | 0.69 | 0.58 |
| 12   | DTE Energy              | 0.66    | 0.61               | 0.57 | 0.64 | 0.95 | 0.58 | 0.61 | 0.58   | 0.59   | 0.63 | 0.64 | 0.53 | 0.69 | 0.62 | 0.63 | 0.58 | 0.65 | 0.78 | 0.80 | 0.85 |
| 13   | Duke Energy             | 0.80    | 0.76               | 0.73 | 0.76 | 0.79 | 0.97 | 0.74 | 0.88   | 0.83   | 0.91 | 0.79 | 0.76 | 0.78 | 0.82 | 0.72 | 0.72 | 0.83 | 0.89 | 0.72 | N/A  |
| 14   | Edison Int'l            | 0.48    | 0.63               | 0.63 | 1.78 | 1.35 | 1.50 | 0.62 | - 1.93 | 0.50   | 0.50 | 0.42 | 0.34 | 0.36 | 0.29 | 0.40 | 0.38 | 0.38 | 0.33 | 0.35 | 0.34 |
| 15   | El Paso Electric        | 0.50    | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | 0.68   | 0.54   | 0.51 | 0.57 | 0.49 | 0.48 | 0.43 | 0.27 | N/A  | N/A  | N/A  | N/A  | N/A  |
| 16   | Entergy Corp.           | 0.56    | 0.86               | 0.39 | 0.76 | 0.56 | 0.54 | 0.58 | 0.61   | 0.67   | 0.50 | 0.57 | 0.58 | 0.67 | 0.55 | 0.44 | 0.49 | 0.48 | 0.48 | 0.46 | 0.40 |
| 17   | Eversource Energy       | 0.60    | 0.62               | 0.62 | 0.62 | 0.68 | 0.64 | 0.62 | 0.62   | 0.61   | 0.60 | 0.61 | 0.61 | 0.59 | 0.70 | 0.50 | 0.49 | 0.50 | 0.44 | 0.49 | 0.88 |
| 18   | Eergy, Inc.             | 0.70    | 0.73               | 0.78 | 0.71 | 0.57 | N/A  | N/A  | N/A    | N/A    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| 19   | Exelon Corp.            | 0.60    | 0.62               | 0.61 | 0.60 | 0.88 | 0.59 | 0.48 | 0.67   | 0.47   | 0.70 | 0.49 | 0.59 | 0.63 | 1.09 | 0.56 | 0.54 | 0.49 | 0.50 | 0.45 | 0.47 |
| 20   | FirstEnergy Corp.       | 0.77    | 0.63               | 0.63 | 0.65 | 0.58 | 0.84 | 0.83 | 1.37   | 0.53   | 0.69 | 0.72 | 1.69 | 0.56 | 1.03 | 1.17 | 0.68 | 0.66 | 0.50 | 0.49 | 0.48 |
| 21   | Fortis Inc.             | 0.72    | 0.74               | 0.74 | 0.78 | 0.80 | 0.76 | 0.69 | 0.69   | 0.62   | 0.82 | 0.68 | 0.94 | 0.77 | 0.73 | 0.67 | 0.69 | 0.69 | 0.66 | 0.64 | 0.49 |
| 22   | Great Plains Energy     | - 0.82  | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A    | -18.33 | 0.66 | 0.73 | 0.60 | 0.54 | 0.63 | 0.67 | 0.54 | 0.81 | 1.43 | 0.90 | 1.02 |
| 23   | Hawaiian Elec.          | 0.82    | 0.60               | 0.64 | 0.60 | 0.73 | 0.64 | 0.67 | 0.76   | 0.54   | 0.83 | 0.76 | 0.77 | 0.74 | 0.86 | 1.02 | 1.36 | 1.16 | 1.12 | 0.93 |      |
| 24   | IDACORP, Inc.           | 0.52    | 0.62               | 0.62 | 0.59 | 0.59 | 0.58 | 0.56 | 0.53   | 0.53   | 0.53 | 0.50 | 0.46 | 0.43 | 0.41 | 0.36 | 0.41 | 0.45 | 0.55 | 0.65 | 0.51 |
| 25   | MGE Energy              | 0.56    | 0.47               | 0.51 | 0.52 | N/A  | 0.56 | 0.55 | 0.54   | 0.57   | 0.56 | 0.56 | 0.48 | 0.50 | 0.56 | 0.57 | 0.60 | 0.66 | 0.60 | 0.62 | 0.68 |
| 26   | NextEra Energy, Inc.    | 0.56    | 0.61               | 0.59 | 0.59 | 0.85 | 0.67 | 0.64 | 0.66   | 0.60   | 0.60 | 0.51 | 0.52 | 0.55 | 0.53 | 0.45 | 0.42 | 0.47 | 0.44 | 0.50 | 0.47 |
| 27   | NorthWestern Corp       | 0.70    | 0.74               | 0.80 | 0.77 | 0.69 | 0.78 | 0.65 | 0.65   | 0.63   | 0.59 | 0.66 | 0.54 | 0.62 | 0.65 | 0.57 | 0.64 | 0.66 | 0.75 | 0.89 | 0.95 |
| 28   | OGE Energy              | 0.61    | 0.80               | 0.80 | 0.73 | 0.69 | 0.76 | 0.67 | 0.66   | 0.66   | 0.68 | 0.62 | 0.48 | 0.44 | 0.45 | 0.44 | 0.49 | 0.54 | 0.56 | 0.52 | 0.55 |
| 29   | Otter Tail Corp.        | 0.95    | 0.29               | 0.25 | 0.24 | 0.37 | 0.63 | 0.65 | 0.65   | 0.69   | 0.78 | 0.79 | 0.78 | 0.87 | 1.13 | 2.64 | 3.13 | 1.68 | 1.09 | 0.66 | 0.68 |
| 30   | Pinnacle West Capital   | 0.71    | 0.76               | 0.79 | 0.80 | 0.61 | 0.66 | 0.64 | 0.63   | 0.61   | 0.65 | 0.62 | 0.65 | 0.61 | 0.76 | 0.70 | 0.68 | 0.93 | 0.99 | 0.71 | 0.64 |
| 31   | PNM Resources           | 0.84    | 0.58               | 0.53 | 0.52 | 0.43 | 0.58 | 0.52 | 0.65   | 0.52   | 0.53 | 0.49 | 0.52 | 0.48 | 0.44 | 0.46 | 0.57 | 0.86 | 5.50 | 1.20 | 0.50 |
| 32   | Portland General        | 0.63    | 0.65               | 0.79 | 0.65 | 0.63 | 0.92 | 0.64 | 0.60   | 0.59   | 0.58 | 0.58 | 0.51 | 0.62 | 0.57 | 0.54 | 0.62 | 0.77 | 0.70 | 0.40 | 0.59 |
| 33   | PPL Corp.               | 0.77    | 0.61               | 0.59 | 0.62 | 3.13 | 0.81 | 0.70 | 0.64   | 0.75   | 0.54 | 0.63 | 0.63 | 0.62 | 0.55 | 0.54 | 0.61 | 1.16 | 0.55 | 0.46 | 0.48 |
| 34   | Public Serv. Enterprise | 0.56    | 0.66               | 0.66 | 0.62 | 0.80 | 0.54 | 0.48 | 0.65   | 0.61   | 0.58 | 0.47 | 0.49 | 0.59 | 0.58 | 0.44 | 0.45 | 0.43 | 0.44 | 0.45 | 0.62 |
| 35   | SCANA Corp.             | 0.61    | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A    | 0.58   | 0.55 | 0.57 | 0.55 | 0.60 | 0.63 | 0.65 | 0.64 | 0.66 | 0.62 | 0.64 | 0.65 |
| 36   | Sempra Energy           | 0.54    | 0.52               | 0.52 | 0.50 | 1.10 | 0.64 | 0.65 | 0.65   | 0.71   | 0.71 | 0.54 | 0.57 | 0.60 | 0.55 | 0.43 | 0.39 | 0.33 | 0.31 | 0.29 | 0.28 |
| 37   | Southern Co.            | 0.75    | 0.72               | 0.76 | 0.75 | 0.77 | 0.78 | 0.78 | 0.79   | 0.72   | 0.79 | 0.76 | 0.75 | 0.75 | 0.73 | 0.73 | 0.76 | 0.75 | 0.74 | 0.70 | 0.73 |
| 38   | Vectren Corp.           | 0.75    | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A    | 0.66   | 0.64 | 0.64 | 0.72 | 0.86 | 0.72 | 0.80 | 0.84 | 0.75 | 0.80 | 0.69 | 0.85 |
| 39   | WEC Energy Group        | 0.57    | 0.68               | 0.67 | 0.65 | 0.66 | 0.67 | 0.66 | 0.66   | 0.66   | 0.67 | 0.74 | 0.60 | 0.58 | 0.51 | 0.48 | 0.42 | 0.42 | 0.36 | 0.35 | 0.35 |
| 40   | Westar Energy           | 0.68    | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A    | 0.70   | 0.63 | 0.69 | 0.60 | 0.60 | 0.61 | 0.72 | 0.69 | 0.94 | 0.89 | 0.59 | 0.52 |
| 41   | Xcel Energy Inc.        | 0.62    | 0.62               | 0.62 | 0.62 | 0.62 | 0.62 | 0.61 | 0.62   | 0.63   | 0.62 | 0.61 | 0.59 | 0.58 | 0.58 | 0.60 | 0.64 | 0.65 | 0.64 | 0.67 | 0.65 |
| 42   | Average                 | 0.66    | 0.66               | 0.66 | 0.68 | 0.78 | 0.75 | 0.66 | 0.64   | 0.18   | 0.65 | 0.64 | 0.64 | 0.62 | 0.65 | 0.67 | 0.68 | 0.70 | 0.96 | 0.62 | 0.61 |
| 43   | Median                  | 0.63    | 0.63               | 0.63 | 0.64 | 0.68 | 0.67 | 0.64 | 0.65   | 0.63   | 0.64 | 0.62 | 0.60 | 0.61 | 0.63 | 0.62 | 0.62 | 0.66 | 0.61 | 0.60 | 0.57 |

Sources:

- <sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.  
Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.  
<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

Note:

- <sup>a</sup> Based on the projected 2023 Dividends Declared per share and Earnings per share, published in The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

DTE Electric Company

Electric Utilities  
(Valuation Metrics)

|      |                         | Cash Flow to Capital Spending Ratio <sup>1</sup> |                    |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |              |              |
|------|-------------------------|--------------------------------------------------|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--------------|--------------|
| Line | Company                 | 18-Year                                          |                    |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      | 2007<br>(19) | 2006<br>(20) |
|      |                         | Average                                          | 2024 <sup>2a</sup> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |              |              |
|      |                         | (1)                                              | (2)                | (3)  | (4)  | (5)  | (6)  | (7)  | (8)  | (9)  | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) |              |              |
| 1    | ALLETE                  | 0.95                                             | 1.39               | 1.76 | 2.12 | 0.55 | 0.55 | 0.63 | 1.22 | 1.61 | 1.32 | 1.16 | 0.45 | 0.67 | 0.49 | 0.77 | 0.63 | 0.39 | 0.46 | 0.65         | 1.23         |
| 2    | Alliant Energy          | 0.81                                             | 0.97               | 0.74 | 0.91 | 0.95 | N/A  | N/A  | N/A  | 0.49 | N/A  | 0.81 | 0.91 | 1.01 | 0.57 | 0.91 | 0.67 | 0.39 | 0.57 | 1.04         | 1.27         |
| 3    | Ameren Corp.            | 0.86                                             | 0.84               | 0.78 | 0.71 | 0.62 | 0.62 | 0.79 | 0.80 | 0.75 | 0.75 | 0.75 | 0.89 | 1.07 | 1.31 | 1.36 | 0.81 | 0.66 | 0.97 | 1.21         |              |
| 4    | American Electric Power | 0.86                                             | 0.82               | 0.79 | 0.81 | 0.81 | 0.75 | 0.81 | 0.68 | 0.67 | 0.85 | 0.85 | 0.87 | 0.91 | 1.07 | 1.19 | 1.24 | 1.02 | 0.70 | 0.77         | 0.75         |
| 5    | Avangrid, Inc.          | 0.71                                             | 0.71               | 0.66 | 0.79 | 0.56 | 0.56 | 0.62 | 0.85 | 0.79 | 0.86 | 0.89 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A          | N/A          |
| 6    | Avista Corp.            | 0.89                                             | 0.84               | 0.88 | 0.73 | 0.88 | 0.88 | 0.92 | 0.78 | 0.77 | 0.84 | 0.76 | 0.80 | 0.86 | 0.80 | 0.90 | 0.99 | 1.15 | 0.97 | 0.73         | 1.36         |
| 7    | Black Hills             | 0.68                                             | 0.68               | 0.95 | 0.86 | 0.61 | 0.61 | 0.53 | 0.87 | 1.17 | 0.71 | 0.64 | 0.70 | 0.74 | 0.71 | 0.40 | 0.41 | 0.61 | 0.35 | 0.76         | 0.55         |
| 8    | CenterPoint Energy      | 0.95                                             | 0.55               | 0.53 | 0.52 | 0.73 | 0.73 | 0.83 | 0.98 | 1.22 | 1.12 | 0.92 | 1.20 | 1.18 | 1.37 | 1.12 | 0.88 | 0.99 | 1.16 | 0.98         | 1.08         |
| 9    | CMS Energy Corp.        | 0.86                                             | 0.80               | 0.85 | 0.82 | 0.78 | 0.78 | 0.79 | 0.77 | 0.89 | 0.81 | 0.81 | 0.74 | 0.82 | 0.82 | 1.05 | 1.13 | 0.97 | 1.11 | 0.55         | 1.07         |
| 10   | Consol. Edison          | 0.83                                             | 0.84               | 0.84 | 0.88 | 0.83 | 0.83 | 0.87 | 0.82 | 0.76 | 0.65 | 0.76 | 0.88 | 0.86 | 1.01 | 0.98 | 0.90 | 0.75 | 0.70 | 0.81         | 0.74         |
| 11   | Dominion Resources      | 0.76                                             | 0.51               | 0.46 | 0.86 | 0.73 | 0.73 | 0.96 | 1.04 | 0.81 | 0.65 | 0.64 | 0.63 | 0.77 | 0.73 | 0.79 | 0.87 | 0.75 | 0.63 | 0.74         | 0.85         |
| 12   | DTE Energy              | 0.97                                             | 0.87               | 0.85 | 0.86 | 0.74 | 0.74 | 0.83 | 0.84 | 0.94 | 0.93 | 0.84 | 1.02 | 0.96 | 0.93 | 1.09 | 1.51 | 1.50 | 0.98 | 1.07         | 1.03         |
| 13   | Duke Energy             | 0.88                                             | 0.77               | 0.81 | 0.87 | 0.85 | 0.85 | 0.80 | 0.81 | 0.87 | 0.82 | 0.96 | 1.20 | 1.09 | 0.87 | 0.89 | 0.78 | 0.77 | 0.71 | 1.09         | 0.97         |
| 14   | Edison Int'l            | 0.75                                             | 0.82               | 0.83 | 0.62 | 0.55 | 0.55 | 0.68 | 0.34 | 0.94 | 0.91 | 0.80 | 0.83 | 0.80 | 0.76 | 0.61 | 0.60 | 0.79 | 0.93 | 0.88         | 0.93         |
| 15   | El Paso Electric        | 0.87                                             | N/A                | N/A  | N/A  | 0.83 | N/A  | N/A  | 0.86 | 1.04 | 0.85 | 0.67 | 0.69 | 0.79 | 0.85 | 1.03 | 0.98 | 0.68 | 0.78 | 0.84         | 1.26         |
| 16   | Entergy Corp.           | 0.95                                             | 0.81               | 1.03 | 0.62 | 0.74 | 0.74 | 0.79 | 0.73 | 0.76 | 1.08 | 1.05 | 1.19 | 1.03 | 0.88 | 1.15 | 1.24 | 1.02 | 0.93 | 1.14         | 1.13         |
| 17   | Eversource Energy       | 0.83                                             | 0.76               | 0.54 | 0.89 | 0.80 | 0.80 | 0.75 | 0.83 | 0.79 | 0.87 | 0.91 | 0.90 | 1.13 | 0.86 | 0.80 | 1.05 | 0.96 | 0.77 | 0.68         | 0.67         |
| 18   | Eergy, Inc.             | 0.89                                             | 0.86               | 0.90 | 0.78 | 1.03 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A          | N/A          |
| 19   | Exelon Corp.            | 1.18                                             | 0.80               | 0.82 | 0.84 | 1.09 | 1.09 | 1.20 | 1.05 | 1.06 | 0.76 | 0.82 | 0.93 | 1.07 | 0.98 | 1.19 | 1.66 | 1.66 | 1.61 | 1.84         | 1.86         |
| 20   | FirstEnergy Corp.       | 0.99                                             | 0.82               | 0.82 | 0.98 | 0.83 | 0.83 | 0.80 | 0.76 | 1.03 | 0.94 | 0.93 | 0.54 | 0.91 | 0.85 | 1.05 | 1.32 | 1.22 | 0.95 | 1.56         | 1.75         |
| 21   | Fortis Inc.             | 0.71                                             | 0.85               | 0.93 | 0.89 | 0.65 | 0.65 | 0.68 | 0.72 | 0.76 | 0.76 | 0.65 | 0.60 | 0.77 | 0.72 | 0.66 | 0.68 | 0.63 | 0.66 | 0.57         | 0.63         |
| 22   | Great Plains Energy     | 0.79                                             | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | 0.78 | 1.17 | 0.90 | 0.79 | 0.91 | 0.86 | 1.03 | 0.86 | 0.50 | 0.35 | 0.69         | 0.64         |
| 23   | Hawaiian Elec.          | 1.12                                             | 1.20               | 1.14 | 1.56 | 1.27 | 1.27 | 1.08 | 0.85 | 0.81 | 1.37 | 0.98 | 1.03 | 0.92 | 0.99 | 1.30 | 1.50 | 0.79 | 0.87 | 1.15         | 1.23         |
| 24   | IDACORP, Inc.           | 1.07                                             | 0.56               | 0.75 | 1.00 | 1.33 | 1.33 | 1.46 | 1.42 | 1.33 | 1.16 | 1.15 | 1.21 | 1.34 | 1.24 | 0.86 | 0.78 | 0.96 | 0.82 | 0.64         | 0.89         |
| 25   | MGE Energy              | 1.08                                             | 1.10               | 0.98 | 1.12 | 0.82 | 0.82 | 0.97 | 0.66 | 1.19 | 1.44 | 1.60 | 1.31 | 0.96 | 1.05 | 1.56 | 1.57 | 1.13 | 0.87 | 0.59         | 0.80         |
| 26   | NextEra Energy, Inc.    | 0.61                                             | 0.59               | 0.50 | 0.55 | 0.58 | 0.58 | 0.67 | 0.56 | 0.53 | 0.63 | 0.71 | 0.77 | 0.68 | 0.39 | 0.58 | 0.69 | 0.60 | 0.63 | 0.56         | 0.73         |
| 27   | NorthWestern Corp       | 1.00                                             | 0.87               | 0.72 | 0.75 | 0.84 | 0.84 | 1.13 | 1.23 | 1.21 | 1.13 | 1.01 | 0.93 | 0.92 | 0.88 | 1.04 | 0.76 | 0.88 | 1.27 | 1.23         | 1.29         |
| 28   | OGE Energy              | 0.92                                             | 0.99               | 1.03 | 0.87 | 1.24 | 1.24 | 1.27 | 1.30 | 0.81 | 1.00 | 1.18 | 1.19 | 0.69 | 0.63 | 0.51 | 0.69 | 0.61 | 0.60 | 0.79         | 0.84         |
| 29   | Otter Tail Corp.        | 1.00                                             | 1.46               | 1.98 | 2.13 | 0.48 | 0.48 | 0.80 | 1.49 | 1.10 | 0.84 | 0.74 | 0.70 | 0.67 | 0.85 | 1.16 | 1.09 | 0.56 | 0.37 | 0.65         | 1.44         |
| 30   | Pinnacle West Capital   | 0.93                                             | 0.74               | 0.73 | 0.89 | 0.91 | 0.91 | 1.03 | 1.06 | 0.76 | 0.81 | 0.92 | 0.97 | 0.87 | 0.96 | 0.91 | 0.97 | 1.06 | 0.86 | 0.99         | 1.28         |
| 31   | PNM Resources           | 0.69                                             | 0.53               | 0.52 | 0.78 | 0.62 | 0.62 | 0.78 | 0.82 | 0.84 | 0.57 | 0.57 | 0.63 | 0.80 | 0.87 | 0.77 | 0.82 | 0.70 | 0.44 | 0.43         | 0.89         |
| 32   | Portland General        | 0.81                                             | 0.62               | 0.51 | 0.86 | 0.78 | 0.78 | 1.03 | 1.00 | 1.07 | 0.88 | 0.80 | 0.47 | 0.59 | 1.28 | 1.25 | 0.81 | 0.44 | 0.77 | 0.72         | 0.78         |
| 33   | PPL Corp.               | 0.97                                             | 0.97               | 1.06 | 1.05 | 0.90 | 0.90 | 0.98 | 0.93 | 0.82 | 1.00 | 0.72 | 0.75 | 0.69 | 0.91 | 1.07 | 1.11 | 1.07 | 1.25 | 1.13         | 1.18         |
| 34   | Public Serv. Enterprise | 1.09                                             | 0.90               | 0.92 | 1.05 | 1.13 | 1.13 | 1.08 | 0.70 | 0.64 | 0.61 | 0.80 | 1.04 | 0.93 | 0.96 | 1.30 | 1.23 | 1.41 | 1.34 | 1.64         | 1.94         |
| 35   | SCANIA Corp.            | 0.86                                             | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | 0.86 | 0.66 | 0.83 | 0.90 | 0.83 | 0.77 | 0.88 | 0.86 | 0.76 | 0.76 | 0.92         | 1.26         |
| 36   | Sempra Energy           | 0.79                                             | 0.63               | 0.61 | 0.92 | 0.77 | 0.77 | 0.88 | 0.80 | 0.67 | 0.56 | 0.81 | 0.74 | 0.84 | 0.73 | 0.72 | 0.90 | 1.02 | 0.87 | 0.90         | 0.93         |
| 37   | Southern Co.            | 0.90                                             | 0.90               | 0.88 | 0.97 | 0.99 | 0.99 | 0.88 | 0.83 | 0.90 | 0.77 | 0.88 | 0.80 | 0.86 | 0.93 | 0.94 | 0.93 | 0.78 | 0.87 | 0.91         | 1.00         |
| 38   | Vectren Corp.           | 1.00                                             | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | 0.82 | 0.87 | 0.95 | 0.98 | 1.05 | 1.13 | 1.20 | 1.31 | 0.83 | 0.82 | 0.98         | 1.00         |
| 39   | WEC Energy Group        | 0.98                                             | 1.01               | 0.95 | 1.09 | 0.97 | 0.97 | 0.91 | 0.90 | 0.92 | 1.20 | 0.97 | 1.37 | 1.42 | 1.30 | 1.02 | 0.97 | 0.89 | 0.61 | 0.56         | 0.69         |
| 40   | Westar Energy           | 0.72                                             | N/A                | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | 0.91 | 0.63 | 0.86 | 0.70 | 0.72 | 0.67 | 0.71 | 0.88 | 0.68 | 0.36 | 0.48         | 1.00         |
| 41   | Xcel Energy Inc.        | 0.75                                             | 0.65               | 0.75 | 0.93 | 0.66 | 0.66 | 0.78 | 0.77 | 0.84 | 0.79 | 0.63 | 0.68 | 0.60 | 0.76 | 0.83 | 0.76 | 0.89 | 0.75 | 0.71         | 0.90         |
| 42   | Average                 | 0.89                                             | 0.83               | 0.86 | 0.94 | 0.83 | 0.82 | 0.88 | 0.89 | 0.89 | 0.89 | 0.87 | 0.87 | 0.89 | 0.88 | 0.96 | 0.98 | 0.86 | 0.80 | 0.88         | 1.05         |
| 43   | Median                  | 0.83                                             | 0.82               | 0.83 | 0.87 | 0.81 | 0.79 | 0.83 | 0.83 | 0.84 | 0.85 | 0.83 | 0.83 | 0.86 | 0.87 | 0.98 | 0.90 | 0.81 | 0.78 | 0.81         | 1.00         |

Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

Notes:

<sup>3</sup> Based on the projected Cash Flow per share and Capital Spending per share published in The Value Line Investment Survey, April 19, May 10, and June 7, 2024.

DTE Electric Company

Natural Gas Utilities  
(Valuation Metrics)

|      |                      | Price to Earnings (P/E) Ratio <sup>1</sup>            |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|------|----------------------|-------------------------------------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|      |                      | 19-Year                                               |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| Line | Company              | Average<br>(1)                                        | 2024 <sup>2</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 1    | Atmos Energy         | 17.38                                                 | 16.80                    | 16.80       | 19.30       | 18.80       | 22.30       | 23.20       | 21.70       | 22.00       | 20.80        | 17.50        | 16.10        | 15.90        | 15.90        | 14.40        | 13.20        | 12.50        | 13.60        | 15.90        | 13.52        |
| 2    | Chesapeake Utilities | 19.50                                                 | 21.60                    | 21.60       | 25.80       | 25.60       | 21.60       | 24.70       | 22.90       | 27.80       | 22.30        | 19.10        | 17.70        | 15.60        | 14.80        | 14.20        | 12.20        | 14.20        | 14.20        | 16.70        | 17.85        |
| 3    | New Jersey Resources | 17.02                                                 | 14.90                    | 14.90       | 17.00       | 17.50       | 17.70       | 24.30       | 15.60       | 22.40       | 21.30        | 16.60        | 11.70        | 16.00        | 16.80        | 16.80        | 15.00        | 14.90        | 12.30        | 21.60        | 16.13        |
| 4    | NiSource Inc.        | 21.80                                                 | 16.90                    | 16.90       | 19.60       | 18.00       | 18.70       | 21.30       | 19.30       | 64.40       | 23.20        | 37.30        | 22.70        | 18.90        | 17.90        | 19.40        | 15.30        | 14.30        | 12.10        | 18.80        | 19.16        |
| 5    | Northwest Nat. Gas   | 20.34                                                 | 15.40                    | 15.40       | 19.60       | 19.50       | 25.00       | 30.90       | 26.60       | NMF         | 26.90        | 23.70        | 20.70        | 19.40        | 21.10        | 19.00        | 17.00        | 15.20        | 18.10        | 16.70        | 15.85        |
| 6    | ONE Gas Inc.         | 20.43                                                 | 16.00                    | 16.00       | 19.90       | 18.90       | 21.70       | 25.30       | 23.10       | 23.50       | 22.70        | 19.80        | 17.80        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 7    | Southwest Gas        | 18.13                                                 | 23.00                    | 23.00       | NMF         | 14.30       | 16.80       | 21.30       | 20.60       | 22.20       | 21.60        | 19.40        | 17.90        | 15.80        | 15.00        | 15.70        | 14.00        | 12.20        | 20.30        | 17.30        | 15.94        |
| 8    | Spire Inc.           | 18.13                                                 | 14.50                    | 14.50       | 17.50       | 13.60       | 51.10       | 22.80       | 16.70       | 19.80       | 19.60        | 16.50        | 19.80        | 21.30        | 14.50        | 13.00        | 13.70        | 13.40        | 14.30        | 14.20        | 13.60        |
| 9    | UGI Corp.            | 14.94                                                 | 8.40                     | 8.40        | 14.10       | 13.90       | 13.80       | 23.40       | 17.80       | 20.80       | 19.30        | 17.70        | 15.80        | 15.40        | 16.40        | 15.00        | 10.90        | 10.30        | 13.30        | 15.10        | 13.97        |
| 10   | Average              | 18.45                                                 | 16.39                    | 16.39       | 19.10       | 17.79       | 23.19       | 24.13       | 20.48       | 27.86       | 21.97        | 20.84        | 17.80        | 17.29        | 16.55        | 15.94        | 13.91        | 13.38        | 14.78        | 17.04        | 15.75        |
| 11   | Median               | 16.70                                                 | 16.00                    | 16.00       | 19.45       | 18.00       | 21.60       | 23.40       | 20.60       | 22.30       | 21.60        | 19.10        | 17.80        | 15.95        | 16.15        | 15.35        | 13.85        | 13.80        | 13.90        | 16.70        | 15.89        |
|      |                      | Market Price to Cash Flow (MP/CF) Ratio <sup>1</sup>  |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|      |                      | 19-Year                                               |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| Line | Company              | Average<br>(1)                                        | 2024 <sup>2</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 12   | Atmos Energy         | 9.39                                                  | 10.59                    | 11.27       | 11.87       | 10.99       | 13.11       | 13.35       | 12.02       | 11.99       | 11.36        | 9.30         | 8.79         | 7.72         | 7.02         | 6.87         | 6.15         | 5.76         | 6.48         | 7.44         | 6.36         |
| 13   | Chesapeake Utilities | 10.83                                                 | 12.98                    | 15.77       | 14.21       | 14.20       | 12.31       | 14.17       | 12.24       | 13.78       | 12.06        | 10.16        | 9.25         | 8.12         | 7.46         | 7.35         | 6.36         | 9.48         | 7.88         | 8.58         | 9.40         |
| 14   | New Jersey Resources | 11.80                                                 | 9.36                     | 11.22       | 11.55       | 11.56       | 11.10       | 15.98       | 11.44       | 14.45       | 13.94        | 11.71        | 8.95         | 11.29        | 12.29        | 12.71        | 11.32        | 11.34        | 9.15         | 13.76        | 11.01        |
| 15   | NiSource Inc.        | 7.81                                                  | 7.11                     | 7.13        | 8.13        | 7.89        | 7.83        | 8.81        | 8.91        | 12.11       | 8.56         | 10.38        | 10.56        | 8.71         | 7.81         | 6.81         | 5.09         | 4.06         | 4.87         | 6.69         | 6.87         |
| 16   | Northwest Nat. Gas   | 11.86                                                 | 6.43                     | 7.56        | 8.76        | 8.57        | 10.10       | 13.13       | 11.75       | 59.72       | 11.57        | 9.46         | 8.84         | 8.61         | 9.48         | 9.08         | 8.94         | 8.26         | 8.75         | 8.54         | 7.83         |
| 17   | ONE Gas Inc.         | 9.93                                                  | 6.44                     | 7.73        | 9.91        | 9.32        | 10.85       | 12.75       | 11.85       | 11.89       | 11.10        | 9.19         | 8.16         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 18   | Southwest Gas        | 7.22                                                  | 7.06                     | 7.35        | 19.83       | 6.87        | 7.05        | 8.92        | 9.32        | 9.10        | 7.41         | 6.56         | 6.35         | 5.94         | 5.55         | 5.60         | 4.91         | 3.84         | 4.89         | 5.42         | 5.28         |
| 19   | Spire Inc.           | 9.45                                                  | 6.88                     | 7.53        | 8.34        | 7.55        | 14.01       | 11.27       | 9.60        | 10.39       | 10.32        | 8.47         | 12.03        | 13.76        | 8.80         | 8.08         | 8.12         | 8.58         | 8.95         | 8.46         | 8.46         |
| 20   | UGI Corp.            | 7.68                                                  | 4.28                     | 5.84        | 7.20        | 9.56        | 7.39        | 12.95       | 9.01        | 10.09       | 9.02         | 8.47         | 7.49         | 6.55         | 6.30         | 7.51         | 6.02         | 5.74         | 7.11         | 7.92         | 7.48         |
| 21   | Average              | 9.45                                                  | 7.90                     | 9.04        | 11.09       | 9.61        | 10.42       | 12.37       | 10.68       | 17.06       | 10.59        | 9.30         | 8.94         | 8.84         | 8.09         | 8.00         | 7.11         | 7.13         | 7.26         | 8.35         | 7.84         |
| 22   | Median               | 8.37                                                  | 7.06                     | 7.56        | 9.91        | 9.32        | 10.85       | 12.95       | 11.44       | 11.99       | 11.10        | 9.30         | 8.84         | 8.37         | 7.64         | 7.43         | 6.26         | 7.01         | 7.50         | 8.19         | 7.65         |
|      |                      | Market Price to Book Value (MP/BV) Ratio <sup>1</sup> |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|      |                      | 19-Year                                               |                          |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| Line | Company              | Average<br>(1)                                        | 2024 <sup>2</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 23   | Atmos Energy         | 1.58                                                  | 1.54                     | 1.55        | 1.65        | 1.59        | 1.95        | 2.10        | 2.03        | 2.16        | 2.11         | 1.72         | 1.55         | 1.39         | 1.28         | 1.30         | 1.18         | 1.05         | 1.20         | 1.40         | 1.34         |
| 24   | Chesapeake Utilities | 2.05                                                  | 1.78                     | 1.93        | 2.69        | 2.77        | 2.27        | 2.69        | 2.50        | 2.51        | 2.28         | 2.19         | 2.12         | 1.83         | 1.66         | 1.61         | 1.40         | 1.37         | 1.64         | 1.84         | 1.85         |
| 25   | New Jersey Resources | 2.25                                                  | 1.91                     | 2.32        | 2.35        | 2.26        | 1.90        | 2.75        | 2.63        | 2.70        | 2.52         | 2.28         | 2.13         | 2.05         | 2.33         | 2.31         | 2.09         | 2.16         | 1.92         | 2.17         | 2.01         |
| 26   | NiSource Inc.        | 1.52                                                  | 1.16                     | 1.14        | 2.15        | 1.86        | 1.95        | 2.09        | 1.92        | 1.96        | 1.84         | 1.95         | 1.94         | 1.58         | 1.37         | 1.15         | 0.92         | 0.69         | 0.94         | 1.16         | 1.19         |
| 27   | Northwest Nat. Gas   | 1.77                                                  | 1.03                     | 1.29        | 1.51        | 1.45        | 1.98        | 2.38        | 2.35        | 2.41        | 1.92         | 1.63         | 1.59         | 1.56         | 1.72         | 1.70         | 1.78         | 1.73         | 1.96         | 2.05         | 1.69         |
| 28   | ONE Gas Inc.         | 1.63                                                  | 1.24                     | 1.43        | 1.73        | 1.57        | 1.90        | 2.20        | 1.93        | 1.89        | 1.67         | 1.26         | 1.07         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 29   | Southwest Gas        | 1.52                                                  | 1.25                     | 1.28        | 1.62        | 1.32        | 1.49        | 1.84        | 1.79        | 2.13        | 1.96         | 1.68         | 1.68         | 1.61         | 1.51         | 1.43         | 1.24         | 0.97         | 1.20         | 1.46         | 1.46         |
| 30   | Spire Inc.           | 1.52                                                  | 1.15                     | 1.29        | 1.43        | 1.47        | 1.67        | 1.78        | 1.63        | 1.65        | 1.64         | 1.44         | 1.33         | 1.34         | 1.51         | 1.46         | 1.39         | 1.68         | 1.71         | 1.66         | 1.71         |
| 31   | UGI Corp.            | 1.93                                                  | 1.13                     | 1.59        | 1.39        | 1.64        | 1.87        | 2.92        | 2.30        | 2.62        | 2.41         | 2.29         | 1.97         | 1.69         | 1.45         | 1.75         | 1.55         | 1.66         | 2.01         | 2.16         | 2.21         |
| 32   | Average              | 1.75                                                  | 1.35                     | 1.53        | 1.83        | 1.77        | 1.89        | 2.30        | 2.12        | 2.23        | 2.04         | 1.83         | 1.71         | 1.63         | 1.60         | 1.59         | 1.44         | 1.41         | 1.57         | 1.74         | 1.68         |
| 33   | Median               | 1.67                                                  | 1.24                     | 1.43        | 1.65        | 1.59        | 1.90        | 2.20        | 2.03        | 2.16        | 1.96         | 1.72         | 1.68         | 1.59         | 1.51         | 1.54         | 1.40         | 1.51         | 1.67         | 1.75         | 1.70         |

Sources:

The current year P/E ratio is based on the forward P/E (price over expected earnings per share). All historical year P/E ratios are based on annual average share price over achieved earnings per share.

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, May 24, 2024.

Notes:

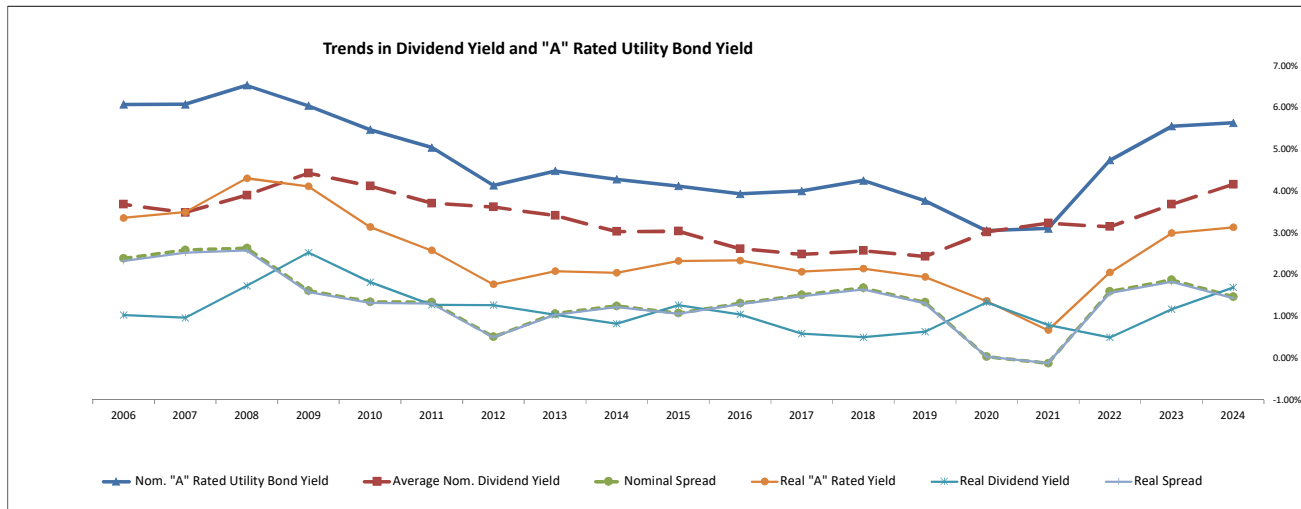
<sup>a</sup> Based on the average of the high and low price for year and the projected Cash Flow per share, published in The Value Line Investment Survey.

<sup>b</sup> Based on the average of the high and low price for the year and the projected Book Value per share, published in The Value Line Investment Survey.

# DTE Electric Company

## Natural Gas Utilities (Valuation Metrics)

| Line                            | Company                              | Dividend Yield <sup>1</sup> |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|---------------------------------|--------------------------------------|-----------------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                 |                                      | 18-Year                     |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|                                 |                                      | Average<br>(1)              | 2024 <sup>2a</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 1                               | Atmos Energy                         | 3.32%                       | 2.78%                     | 2.62%       | 2.46%       | 2.63%       | 2.19%       | 2.08%       | 2.23%       | 2.27%       | 2.39%        | 2.88%        | 3.11%        | 3.53%        | 4.13%        | 4.19%        | 4.70%        | 5.34%        | 4.78%        | 4.16%        | 4.66%        |
| 2                               | Chesapeake Utilities                 | 2.63%                       | 2.33%                     | 2.08%       | 1.61%       | 1.50%       | 1.86%       | 1.68%       | 1.76%       | 1.69%       | 1.91%        | 2.18%        | 2.44%        | 2.87%        | 3.25%        | 3.36%        | 3.91%        | 4.09%        | 4.10%        | 3.62%        | 3.76%        |
| 3                               | New Jersey Resources                 | 3.26%                       | 3.94%                     | 3.29%       | 3.25%       | 3.50%       | 3.47%       | 2.50%       | 2.61%       | 2.69%       | 2.86%        | 3.14%        | 3.50%        | 3.71%        | 3.38%        | 3.33%        | 3.69%        | 3.46%        | 3.35%        | 3.02%        | 3.19%        |
| 4                               | NiSource Inc.                        | 3.95%                       | 3.93%                     | 3.85%       | 3.33%       | 3.60%       | 3.41%       | 2.86%       | 3.10%       | 2.79%       | 2.76%        | 3.53%        | 2.69%        | 3.30%        | 3.84%        | 4.53%        | 5.66%        | 7.64%        | 5.69%        | 4.29%        | 4.21%        |
| 5                               | Northwest Nat. Gas                   | 3.70%                       | 5.19%                     | 4.40%       | 3.86%       | 3.90%       | 3.33%       | 2.81%       | 3.05%       | 3.02%       | 3.28%        | 4.01%        | 4.14%        | 4.22%        | 3.83%        | 3.85%        | 3.63%        | 3.73%        | 3.27%        | 3.12%        | 3.73%        |
| 6                               | ONE Gas Inc.                         | 2.85%                       | 4.25%                     | 3.72%       | 3.08%       | 3.21%       | 2.70%       | 2.25%       | 2.46%       | 2.37%       | 2.32%        | 2.71%        | 2.28%        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 7                               | Southwest Gas                        | 3.03%                       | 3.68%                     | 4.07%       | 3.20%       | 3.65%       | 3.28%       | 2.60%       | 2.74%       | 2.46%       | 2.62%        | 2.87%        | 2.72%        | 2.69%        | 2.75%        | 2.78%        | 3.15%        | 4.01%        | 3.19%        | 2.56%        | 2.60%        |
| 8                               | Spire Inc.                           | 3.88%                       | 4.99%                     | 4.44%       | 3.89%       | 3.79%       | 3.38%       | 2.95%       | 3.10%       | 3.09%       | 3.08%        | 3.53%        | 3.78%        | 3.96%        | 4.11%        | 4.31%        | 4.70%        | 3.91%        | 3.94%        | 4.43%        | 4.34%        |
| 9                               | UGI Corp.                            | 3.17%                       | 6.35%                     | 4.64%       | 3.61%       | 3.25%       | 3.56%       | 2.16%       | 2.09%       | 2.01%       | 2.35%        | 2.50%        | 2.61%        | 3.01%        | 3.68%        | 3.30%        | 3.48%        | 3.23%        | 2.85%        | 2.69%        | 2.96%        |
| 10                              | Average                              | 3.36%                       | 4.16%                     | 3.68%       | 3.14%       | 3.23%       | 3.02%       | 2.43%       | 2.57%       | 2.49%       | 2.62%        | 3.04%        | 3.03%        | 3.41%        | 3.62%        | 3.71%        | 4.12%        | 4.43%        | 3.90%        | 3.48%        | 3.68%        |
| 11                              | Median                               | 3.42%                       | 3.94%                     | 3.85%       | 3.25%       | 3.50%       | 3.33%       | 2.50%       | 2.61%       | 2.46%       | 2.62%        | 2.88%        | 2.72%        | 3.42%        | 3.75%        | 3.60%        | 3.80%        | 3.96%        | 3.65%        | 3.37%        | 3.75%        |
| 12                              | 20-Yr Treasury Yields <sup>3</sup>   | 3.32%                       | 4.56%                     | 4.25%       | 3.30%       | 1.98%       | 1.35%       | 2.40%       | 3.02%       | 2.65%       | 2.23%        | 2.55%        | 3.07%        | 3.12%        | 2.54%        | 3.62%        | 4.03%        | 4.11%        | 4.36%        | 4.91%        | 4.99%        |
| 13                              | 20-Yr TIPS <sup>3</sup>              | 1.12%                       | 2.09%                     | 1.73%       | 0.64%       | -0.43%      | -0.30%      | 0.60%       | 0.94%       | 0.75%       | 0.66%        | 0.78%        | 0.87%        | 0.75%        | 0.21%        | 1.19%        | 1.73%        | 2.21%        | 2.19%        | 2.36%        | 2.31%        |
| 14                              | Implied Inflation <sup>3</sup>       | 2.17%                       | 2.43%                     | 2.48%       | 2.64%       | 2.42%       | 1.66%       | 1.79%       | 2.06%       | 1.89%       | 1.56%        | 1.75%        | 1.99%        | 2.35%        | 2.33%        | 2.40%        | 2.26%        | 1.85%        | 2.13%        | 2.49%        | 2.62%        |
| 15                              | Real Dividend Yield <sup>d</sup>     | 1.16%                       | 1.69%                     | 1.17%       | 0.49%       | 0.79%       | 1.33%       | 0.63%       | 0.50%       | 0.58%       | 1.05%        | 1.27%        | 0.82%        | 1.04%        | 1.27%        | 1.27%        | 1.82%        | 2.53%        | 1.73%        | 0.97%        | 1.03%        |
| Utility                         |                                      |                             |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| 16                              | Nominal "A" Rated Yield <sup>d</sup> | 4.75%                       | 5.63%                     | 5.55%       | 4.74%       | 3.10%       | 3.05%       | 3.77%       | 4.25%       | 4.00%       | 3.93%        | 4.12%        | 4.28%        | 4.48%        | 4.13%        | 5.04%        | 5.46%        | 6.04%        | 6.53%        | 6.07%        | 6.07%        |
| 17                              | Real "A" Rated Yield                 | 2.52%                       | 3.13%                     | 2.99%       | 2.05%       | 0.67%       | 1.37%       | 1.94%       | 2.14%       | 2.07%       | 2.34%        | 2.33%        | 2.04%        | 2.08%        | 1.76%        | 2.58%        | 3.13%        | 4.11%        | 4.31%        | 3.49%        | 3.36%        |
| Spreads (Utility Bond - Stock)  |                                      |                             |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| 18                              | Nominal <sup>f</sup>                 | 1.39%                       | 1.47%                     | 1.87%       | 1.60%       | -0.12%      | 0.03%       | 1.33%       | 1.68%       | 1.51%       | 1.31%        | 1.08%        | 1.25%        | 1.06%        | 0.51%        | 1.33%        | 1.35%        | 1.61%        | 2.63%        | 2.59%        | 2.39%        |
| 19                              | Real <sup>g</sup>                    | 1.36%                       | 1.44%                     | 1.82%       | 1.56%       | -0.12%      | 0.03%       | 1.31%       | 1.64%       | 1.48%       | 1.29%        | 1.06%        | 1.22%        | 1.04%        | 0.50%        | 1.30%        | 1.32%        | 1.58%        | 2.58%        | 2.53%        | 2.33%        |
| Spreads (Treasury Bond - Stock) |                                      |                             |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| 20                              | Nominal <sup>f</sup>                 | -0.04%                      | 0.41%                     | 0.57%       | 0.16%       | -1.25%      | -1.67%      | -0.03%      | 0.45%       | 0.17%       | -0.39%       | -0.49%       | 0.05%        | -0.29%       | -1.08%       | -0.09%       | -0.09%       | -0.32%       | 0.46%        | 1.42%        | 1.31%        |
| 21                              | Real <sup>g</sup>                    | -0.04%                      | 0.40%                     | 0.56%       | 0.15%       | -1.22%      | -1.64%      | -0.03%      | 0.44%       | 0.16%       | -0.39%       | -0.48%       | 0.04%        | -0.29%       | -1.05%       | -0.08%       | -0.08%       | -0.31%       | 0.46%        | 1.39%        | 1.28%        |



### Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, May 24, 2024.

<sup>3</sup> St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

<sup>4</sup> [www.moodys.com](http://www.moodys.com), Bond Yields and Key Indicators, through December 31, 2023.

### Notes:

<sup>a</sup> Based on the average of the high and low price for the year and the projected Dividends Declared per share published in the Value Line Investment Survey.

<sup>b</sup> Line 16 = (1 + Line 14) / (1 + Line 15) - 1.

<sup>c</sup> Line 17 = (1 + Line 12) / (1 + Line 16) - 1.

<sup>d</sup> The spread being measured here is the nominal A-rated utility bond yield over the average nominal utility dividend yield; (Line 18 - Line 12).

<sup>e</sup> The spread being measured here is the real A-rated utility bond yield over the average real utility dividend yield; (Line 19 - Line 17).

<sup>f</sup> The spread being measured here is the nominal 20-Year Treasury yield over the average nominal utility dividend yield; (Line 14 - Line 12).

<sup>g</sup> The spread being measured here is the real 20-Year TIPS yield over the average real utility dividend yield; (Line 15 - Line 17).

DTE Electric Company

Natural Gas Utilities  
(Valuation Metrics)

|      |                         | Dividend per Share <sup>1</sup> |                   |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |      | 2018   | 2017   |
|------|-------------------------|---------------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|--------|--------|
| Line | Company                 | 19-Year                         |                   | 2023  | 2022  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  | 2007  | 2006 | 2018   | 2017   |
|      |                         | Average                         | 2024 <sup>2</sup> |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |      | CAGR   | CAGR   |
|      |                         | (1)                             | (2)               | (3)   | (4)   | (5)   | (6)   | (7)   | (8)   | (9)   | (10)  | (11)  | (12)  | (13)  | (14)  | (15)  | (16)  | (17)  | (18)  | (19)  | (20) | (21)   | (22)   |
| 1    | Atmos Energy            | 1.84                            | 3.22              | 2.96  | 2.72  | 2.50  | 2.30  | 2.10  | 1.94  | 1.80  | 1.68  | 1.56  | 1.48  | 1.40  | 1.38  | 1.36  | 1.34  | 1.32  | 1.30  | 1.28  | 1.26 | 2.08%  | 2.15%  |
| 2    | Chesapeake Utilities    | 1.30                            | 2.46              | 2.25  | 2.03  | 1.84  | 1.69  | 1.55  | 1.39  | 1.26  | 1.19  | 1.12  | 1.07  | 1.01  | 0.96  | 0.91  | 0.87  | 0.83  | 0.81  | 0.78  | 0.77 | 2.89%  | 3.02%  |
| 3    | New Jersey Resources    | 0.98                            | 1.68              | 1.56  | 1.45  | 1.36  | 1.27  | 1.19  | 1.11  | 1.04  | 0.98  | 0.93  | 0.86  | 0.81  | 0.77  | 0.72  | 0.68  | 0.62  | 0.56  | 0.51  | 0.48 | 3.97%  | 4.59%  |
| 4    | NiSource Inc.           | 0.89                            | 1.06              | 1.00  | 0.94  | 0.88  | 0.84  | 0.80  | 0.78  | 0.70  | 0.64  | 0.83  | 1.02  | 0.98  | 0.94  | 0.92  | 0.92  | 0.92  | 0.92  | 0.92  | 0.92 | -0.82% | -1.69% |
| 5    | Northwest Nat. Gas      | 1.78                            | 1.95              | 1.94  | 1.93  | 1.92  | 1.91  | 1.90  | 1.89  | 1.88  | 1.87  | 1.86  | 1.85  | 1.83  | 1.79  | 1.75  | 1.68  | 1.60  | 1.52  | 1.44  | 1.39 | 1.36%  | 1.68%  |
| 6    | ONE Gas Inc.            | 1.92                            | 2.64              | 2.60  | 2.48  | 2.32  | 2.16  | 2.00  | 1.84  | 1.68  | 1.40  | 1.20  | 0.84  | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A  | 3.58%  | 4.30%  |
| 7    | Southwest Gas           | 1.65                            | 2.48              | 2.48  | 2.48  | 2.38  | 2.28  | 2.18  | 2.08  | 1.98  | 1.80  | 1.62  | 1.46  | 1.32  | 1.18  | 1.06  | 1.00  | 0.95  | 0.90  | 0.86  | 0.82 | 4.48%  | 5.35%  |
| 8    | Spire Inc.              | 2.02                            | 3.02              | 2.88  | 2.74  | 2.60  | 2.49  | 2.37  | 2.25  | 2.10  | 1.96  | 1.84  | 1.76  | 1.70  | 1.66  | 1.61  | 1.57  | 1.53  | 1.49  | 1.45  | 1.40 | 2.20%  | 2.34%  |
| 9    | UGI Corp.               | 0.92                            | 1.52              | 1.47  | 1.41  | 1.35  | 1.31  | 1.15  | 1.02  | 0.96  | 0.93  | 0.89  | 0.79  | 0.74  | 0.71  | 0.68  | 0.60  | 0.52  | 0.50  | 0.48  | 0.46 | 3.80%  | 4.41%  |
| 10   | Average                 | 1.44                            | 2.23              | 2.13  | 2.02  | 1.91  | 1.81  | 1.69  | 1.59  | 1.49  | 1.38  | 1.32  | 1.24  | 1.22  | 1.17  | 1.13  | 1.08  | 1.04  | 1.00  | 0.97  | 0.94 | 2.62%  | 2.91%  |
| 11   | Industry Average Growth | 4.94%                           | 4.65%             | 5.28% | 6.01% | 5.54% | 6.63% | 6.56% | 6.73% | 7.63% | 5.06% | 6.54% | 0.96% | 4.33% | 4.18% | 4.04% | 4.39% | 3.76% | 3.55% | 3.02% |      |        |        |

Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.  
Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, May 24, 2024.

## DTE Electric Company

Natural Gas Utilities  
(Valuation Metrics)

|      |                         | Earnings per Share <sup>1</sup> |                   |                   |        |        |        |        |        |         |       |        |        |       |       |       |       |       |       |       |      |
|------|-------------------------|---------------------------------|-------------------|-------------------|--------|--------|--------|--------|--------|---------|-------|--------|--------|-------|-------|-------|-------|-------|-------|-------|------|
| Line | Company                 | 19-Year                         |                   |                   |        |        |        |        |        |         |       |        |        |       |       |       |       |       |       |       |      |
|      |                         | Average                         | 2024 <sup>2</sup> | 2023 <sup>2</sup> | 2022   | 2021   | 2020   | 2019   | 2018   | 2017    | 2016  | 2015   | 2014   | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  | 2007  | 2006 |
|      |                         | (1)                             | (2)               | (3)               | (4)    | (5)    | (6)    | (7)    | (8)    | (9)     | (10)  | (11)   | (12)   | (13)  | (14)  | (15)  | (16)  | (17)  | (18)  | (19)  | (20) |
| 1    | Atmos Energy            | 3.51                            | 6.75              | 6.10              | 5.60   | 5.12   | 4.72   | 4.35   | 4.00   | 3.60    | 3.38  | 3.09   | 2.96   | 2.50  | 2.10  | 2.26  | 2.16  | 1.97  | 2.00  | 1.94  | 2.00 |
| 2    | Chesapeake Utilities    | 2.89                            | 5.10              | 4.73              | 4.97   | 4.70   | 4.21   | 3.72   | 3.45   | 2.68    | 2.86  | 2.68   | 2.47   | 2.26  | 1.99  | 1.91  | 1.82  | 1.43  | 1.39  | 1.29  | 1.15 |
| 3    | New Jersey Resources    | 1.78                            | 2.95              | 2.70              | 2.50   | 2.16   | 2.07   | 1.96   | 2.72   | 1.73    | 1.61  | 1.78   | 2.08   | 1.37  | 1.36  | 1.29  | 1.23  | 1.20  | 1.35  | 0.78  | 0.93 |
| 4    | NiSource Inc.           | 1.22                            | 1.70              | 1.60              | 1.47   | 1.35   | 1.32   | 1.31   | 1.30   | 0.39    | 1.00  | 0.63   | 1.67   | 1.57  | 1.37  | 1.05  | 1.06  | 0.84  | 1.34  | 1.14  | 1.14 |
| 5    | Northwest Nat. Gas      | 2.18                            | 2.50              | 2.59              | 2.54   | 2.50   | 2.30   | 2.19   | 2.33   | -1.94   | 2.12  | 1.96   | 2.16   | 2.24  | 2.22  | 2.39  | 2.73  | 2.83  | 2.57  | 2.76  | 2.35 |
| 6    | ONE Gas Inc.            | 3.32                            | 4.00              | 4.14              | 4.08   | 3.85   | 3.68   | 3.51   | 3.25   | 3.02    | 2.65  | 2.24   | 2.07   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A   | N/A  |
| 7    | Southwest Gas           | 2.88                            | 3.30              | 2.13              | 3.10   | 3.80   | 4.14   | 3.94   | 3.68   | 3.62    | 3.18  | 2.92   | 3.01   | 3.11  | 2.86  | 2.43  | 2.27  | 1.94  | 1.39  | 1.95  | 1.98 |
| 8    | Spire Inc.              | 3.10                            | 4.30              | 3.85              | 3.95   | 4.96   | 1.44   | 3.52   | 4.33   | 3.43    | 3.24  | 3.16   | 2.35   | 2.02  | 2.79  | 2.86  | 2.43  | 2.92  | 2.64  | 2.31  | 2.37 |
| 9    | UGI Corp.               | 2.02                            | 2.90              | 2.84              | 2.90   | 2.96   | 2.67   | 2.28   | 2.74   | 2.29    | 2.05  | 2.01   | 1.92   | 1.59  | 1.17  | 1.37  | 1.59  | 1.57  | 1.33  | 1.18  | 1.10 |
| 10   | Average                 | 2.47                            | 3.72              | 3.41              | 3.46   | 3.49   | 2.95   | 2.98   | 3.09   | 2.09    | 2.45  | 2.27   | 2.30   | 2.08  | 1.98  | 1.95  | 1.91  | 1.84  | 1.75  | 1.67  | 1.63 |
| 11   | Industry Average Growth | 5.33%                           | 9.19%             | -1.38%            | -0.92% | 18.27% | -0.86% | -3.67% | 47.72% | -14.80% | 7.91% | -1.06% | 10.40% | 5.02% | 1.90% | 1.83% | 3.95% | 4.98% | 4.94% | 2.53% |      |

Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, May 24, 2024.

# DTE Electric Company

## Natural Gas Utilities (Valuation Metrics)

| Line | Company              | Cash Flow / Capital Spending <sup>1</sup> |             |             |             |             |             |                          | 3 - 5 yr <sup>2</sup> |
|------|----------------------|-------------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------------------|-----------------------|
|      |                      | 2019<br>(1)                               | 2020<br>(2) | 2021<br>(3) | 2022<br>(4) | 2023<br>(5) | 2024<br>(6) | 2025 <sup>2</sup><br>(7) | Projection<br>(8)     |
| 1    | Atmos Energy         | 0.53x                                     | 0.53x       | 0.53x       | 0.54x       | 0.54x       | 0.55x       | 0.58x                    | 0.68x                 |
| 2    | Chesapeake Utilities | 0.66x                                     | 0.64x       | 0.82x       | 1.23x       | 0.84x       | 0.61x       | 0.61x                    | 0.68x                 |
| 3    | New Jersey Resources | 1.41x                                     | 0.65x       | 0.72x       | 0.59x       | 0.68x       | 1.03x       | 0.84x                    | 0.84x                 |
| 4    | NiSource Inc.        | 0.66x                                     | 0.65x       | 0.69x       | 0.55x       | 0.43x       | 0.54x       | 0.74x                    | 0.65x                 |
| 5    | Northwest Nat. Gas   | 0.77x                                     | 0.75x       | 0.61x       | 0.60x       | 0.68x       | 0.63x       | 0.70x                    | 0.72x                 |
| 6    | ONE Gas Inc.         | 0.78x                                     | 0.88x       | 0.86x       | 0.74x       | 0.83x       | 0.81x       | 0.88x                    | 1.11x                 |
| 7    | Southwest Gas        | 0.62x                                     | 0.53x       | 0.61x       | 0.31x       | 0.84x       | 0.76x       | 0.81x                    | 0.76x                 |
| 8    | Spire Inc.           | 0.65x                                     | 0.65x       | 0.70x       | 0.80x       | 0.71x       | 0.64x       | 0.67x                    | 0.76x                 |
| 9    | UGI Corp.            | 1.33x                                     | 1.54x       | 1.66x       | 1.42x       | 1.33x       | 1.24x       | 1.24x                    | 1.20x                 |
| 10   | Average              | 0.82x                                     | 0.76x       | 0.80x       | 0.75x       | 0.76x       | 0.76x       | 0.78x                    | 0.82x                 |
| 11   | Median               | 0.66x                                     | 0.65x       | 0.70x       | 0.60x       | 0.71x       | 0.64x       | 0.74x                    | 0.76x                 |

Sources:

<sup>1</sup> The Value Line Investment Survey, various report dates.

<sup>2</sup> The Value Line Investment Survey, May 24, 2024.

Notes:

Based on the projected Cash Flow per share and Capital Spending per share.

DTE Electric Company

Natural Gas Utilities  
(Valuation Metrics)

|      |                      | Percent Dividends to Book Value <sup>1</sup>     |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|------|----------------------|--------------------------------------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Line | Company              | 19-Year                                          |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|      |                      | Average<br>(1)                                   | 2024 <sup>2a</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 1    | Atmos Energy         | 4.95%                                            | 4.28%                     | 4.04%       | 4.07%       | 4.19%       | 4.26%       | 4.36%       | 4.53%       | 4.90%       | 5.04%        | 4.96%        | 4.81%        | 4.92%        | 5.28%        | 5.44%        | 5.55%        | 5.61%        | 5.75%        | 5.82%        | 6.25%        |
| 2    | Chesapeake Utilities | 7.04%                                            | 4.13%                     | 4.01%       | 4.32%       | 4.15%       | 4.23%       | 4.53%       | 4.39%       | 4.23%       | 4.35%        | 4.78%        | 5.18%        | 5.25%        | 5.39%        | 5.42%        | 5.49%        | 5.60%        | 6.71%        | 6.66%        | 6.95%        |
| 3    | New Jersey Resources | 5.25%                                            | 7.53%                     | 7.65%       | 7.63%       | 7.92%       | 6.60%       | 6.85%       | 6.87%       | 7.26%       | 7.21%        | 7.16%        | 7.45%        | 7.60%        | 7.86%        | 7.69%        | 7.72%        | 7.48%        | 6.42%        | 6.54%        | 6.40%        |
| 4    | NiSource Inc.        | 5.55%                                            | 4.57%                     | 4.40%       | 7.15%       | 6.69%       | 6.64%       | 5.99%       | 5.96%       | 5.46%       | 5.08%        | 6.89%        | 5.22%        | 5.22%        | 5.25%        | 5.19%        | 5.22%        | 5.25%        | 5.34%        | 4.97%        | 5.02%        |
| 5    | Northwest Nat. Gas   | 6.38%                                            | 5.34%                     | 5.69%       | 5.83%       | 5.66%       | 6.57%       | 6.69%       | 7.16%       | 7.27%       | 6.30%        | 6.53%        | 6.58%        | 6.59%        | 6.57%        | 6.55%        | 6.44%        | 6.43%        | 6.41%        | 6.39%        | 6.32%        |
| 6    | ONE Gas Inc.         | 4.54%                                            | 5.26%                     | 5.32%       | 5.31%       | 5.04%       | 5.14%       | 4.96%       | 4.73%       | 4.48%       | 3.88%        | 3.41%        | 2.44%        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 7    | Southwest Gas        | 4.51%                                            | 4.60%                     | 5.20%       | 5.17%       | 4.80%       | 4.87%       | 4.79%       | 4.90%       | 5.25%       | 5.14%        | 4.82%        | 4.57%        | 4.33%        | 4.16%        | 3.98%        | 3.90%        | 3.89%        | 3.83%        | 3.74%        | 3.80%        |
| 8    | Spire Inc.           | 5.85%                                            | 5.74%                     | 5.73%       | 5.58%       | 5.56%       | 5.63%       | 5.25%       | 5.06%       | 5.09%       | 5.06%        | 5.07%        | 5.04%        | 5.31%        | 6.22%        | 6.30%        | 6.53%        | 6.56%        | 6.74%        | 7.33%        | 7.43%        |
| 9    | UGI Corp.            | 5.76%                                            | 7.15%                     | 7.35%       | 5.02%       | 5.34%       | 6.65%       | 6.30%       | 4.82%       | 5.28%       | 5.65%        | 5.72%        | 5.14%        | 5.07%        | 5.35%        | 5.77%        | 5.41%        | 5.35%        | 5.72%        | 5.82%        | 6.54%        |
| 10   | Average              | 5.60%                                            | 5.40%                     | 5.49%       | 5.57%       | 5.48%       | 5.62%       | 5.52%       | 5.38%       | 5.47%       | 5.30%        | 5.48%        | 5.16%        | 5.54%        | 5.76%        | 5.79%        | 5.78%        | 5.77%        | 5.86%        | 5.91%        | 6.09%        |
| 11   | Median               | 5.32%                                            | 5.26%                     | 5.32%       | 5.31%       | 5.34%       | 5.63%       | 5.25%       | 4.90%       | 5.25%       | 5.08%        | 5.07%        | 5.14%        | 5.24%        | 5.37%        | 5.61%        | 5.52%        | 5.60%        | 6.08%        | 6.11%        | 6.36%        |
|      |                      | Dividends to Earnings Ratio <sup>1</sup>         |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| Line | Company              | 19-Year                                          |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|      |                      | Average<br>(1)                                   | 2024 <sup>2a</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 12   | Atmos Energy         | 0.55                                             | 0.48                      | 0.49        | 0.49        | 0.49        | 0.49        | 0.48        | 0.49        | 0.50        | 0.50         | 0.50         | 0.50         | 0.56         | 0.66         | 0.60         | 0.62         | 0.67         | 0.65         | 0.66         | 0.63         |
| 13   | Chesapeake Utilities | 0.48                                             | 0.48                      | 0.48        | 0.41        | 0.39        | 0.40        | 0.42        | 0.40        | 0.47        | 0.42         | 0.42         | 0.43         | 0.45         | 0.48         | 0.48         | 0.48         | 0.58         | 0.58         | 0.61         | 0.67         |
| 14   | New Jersey Resources | 0.55                                             | 0.57                      | 0.58        | 0.58        | 0.63        | 0.61        | 0.61        | 0.41        | 0.60        | 0.61         | 0.52         | 0.41         | 0.59         | 0.57         | 0.56         | 0.55         | 0.52         | 0.41         | 0.65         | 0.51         |
| 15   | NiSource Inc.        | 0.80                                             | 0.62                      | 0.63        | 0.64        | 0.65        | 0.64        | 0.61        | 0.60        | 1.79        | 0.64         | 1.32         | 0.61         | 0.62         | 0.69         | 0.88         | 0.87         | 1.10         | 0.69         | 0.81         | 0.81         |
| 16   | Northwest Nat. Gas   | 0.66                                             | 0.78                      | 0.75        | 0.76        | 0.77        | 0.83        | 0.87        | 0.81        | 0.97        | 0.88         | 0.95         | 0.86         | 0.82         | 0.81         | 0.73         | 0.62         | 0.57         | 0.59         | 0.52         | 0.59         |
| 17   | ONE Gas Inc.         | 0.57                                             | 0.63                      | 0.63        | 0.61        | 0.61        | 0.59        | 0.59        | 0.57        | 0.56        | 0.53         | 0.54         | 0.41         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 18   | Southwest Gas        | 0.56                                             | 0.75                      | 1.16        | 0.80        | 0.63        | 0.55        | 0.55        | 0.57        | 0.55        | 0.57         | 0.55         | 0.49         | 0.42         | 0.41         | 0.44         | 0.44         | 0.49         | 0.65         | 0.44         | 0.41         |
| 19   | Spire Inc.           | 0.69                                             | 0.70                      | 0.75        | 0.69        | 0.52        | 1.73        | 0.67        | 0.52        | 0.61        | 0.60         | 0.58         | 0.75         | 0.84         | 0.59         | 0.56         | 0.65         | 0.52         | 0.56         | 0.63         | 0.59         |
| 20   | UGI Corp.            | 0.45                                             | 0.52                      | 0.52        | 0.49        | 0.46        | 0.49        | 0.50        | 0.37        | 0.42        | 0.45         | 0.44         | 0.41         | 0.46         | 0.60         | 0.50         | 0.38         | 0.33         | 0.38         | 0.41         | 0.41         |
| 21   | Average              | 0.59                                             | 0.62                      | 0.66        | 0.61        | 0.57        | 0.70        | 0.59        | 0.53        | 0.50        | 0.58         | 0.65         | 0.54         | 0.60         | 0.60         | 0.59         | 0.57         | 0.60         | 0.56         | 0.59         | 0.58         |
| 22   | Median               | 0.58                                             | 0.62                      | 0.63        | 0.61        | 0.60        | 0.59        | 0.57        | 0.52        | 0.55        | 0.57         | 0.54         | 0.49         | 0.58         | 0.60         | 0.56         | 0.58         | 0.54         | 0.59         | 0.62         | 0.59         |
|      |                      | Cash Flow to Capital Spending Ratio <sup>1</sup> |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
| Line | Company              | 19-Year                                          |                           |             |             |             |             |             |             |             |              |              |              |              |              |              |              |              |              |              |              |
|      |                      | Average<br>(1)                                   | 2024 <sup>2a</sup><br>(2) | 2023<br>(3) | 2022<br>(4) | 2021<br>(5) | 2020<br>(6) | 2019<br>(7) | 2018<br>(8) | 2017<br>(9) | 2016<br>(10) | 2015<br>(11) | 2014<br>(12) | 2013<br>(13) | 2012<br>(14) | 2011<br>(15) | 2010<br>(16) | 2009<br>(17) | 2008<br>(18) | 2007<br>(19) | 2006<br>(20) |
| 23   | Atmos Energy         | 0.64                                             | 0.55                      | 0.53        | 0.54        | 0.58        | 0.52        | 0.53        | 0.55        | 0.62        | 0.59         | 0.60         | 0.65         | 0.55         | 0.59         | 0.68         | 0.77         | 0.78         | 0.81         | 0.94         | 0.82         |
| 24   | Chesapeake Utilities | 0.76                                             | 0.61                      | 0.81        | 1.23        | 0.81        | 0.78        | 0.62        | 0.39        | 0.50        | 0.50         | 0.53         | 0.71         | 0.65         | 0.79         | 1.12         | 1.10         | 1.14         | 0.83         | 0.82         | 0.45         |
| 25   | New Jersey Resources | 1.19                                             | 1.03                      | 0.82        | 0.59        | 0.62        | 0.71        | 0.51        | 0.85        | 0.70        | 0.59         | 0.67         | 1.79         | 1.46         | 1.48         | 1.51         | 1.55         | 1.75         | 2.11         | 1.67         | 2.14         |
| 26   | NiSource Inc.        | 0.73                                             | 0.54                      | 0.61        | 0.55        | 0.68        | 0.66        | 0.61        | 0.58        | 0.41        | 0.59         | 0.53         | 0.56         | 0.57         | 0.65         | 0.75         | 1.11         | 1.06         | 0.94         | 1.11         | 1.37         |
| 27   | Northwest Nat. Gas   | 0.89                                             | 0.63                      | 0.67        | 0.60        | 0.68        | 0.66        | 0.69        | 0.71        | 0.14        | 1.01         | 1.12         | 1.15         | 0.98         | 1.01         | 1.33         | 0.55         | 1.02         | 1.35         | 1.21         | 1.34         |
| 28   | ONE Gas Inc.         | 0.83                                             | 0.81                      | 0.77        | 0.74        | 0.86        | 0.83        | 0.89        | 0.84        | 0.87        | 0.92         | 0.86         | 0.79         | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          |
| 29   | Southwest Gas        | 0.82                                             | 0.76                      | 0.68        | 0.68        | 0.86        | 0.86        | 0.83        | 0.85        | 0.83        | 0.83         | 0.84         | 0.99         | 1.05         | 0.90         | 0.82         | 1.37         | 1.28         | 0.85         | 0.78         | 0.72         |
| 30   | Spire Inc.           | 1.01                                             | 0.64                      | 0.69        | 0.80        | 0.75        | 0.42        | 0.44        | 0.77        | 0.72        | 0.96         | 0.92         | 0.98         | 0.78         | 0.95         | 1.53         | 1.61         | 1.93         | 1.64         | 1.42         | 1.28         |
| 31   | UGI Corp.            | 1.44                                             | 1.24                      | 1.18        | 1.42        | 1.32        | 1.59        | 1.22        | 1.64        | 1.29        | 1.35         | 1.48         | 1.53         | 1.32         | 1.52         | 1.28         | 1.36         | 1.52         | 1.72         | 1.62         | 1.69         |
| 32   | Average              | 0.94                                             | 0.76                      | 0.75        | 0.75        | 0.80        | 0.76        | 0.67        | 0.77        | 0.66        | 0.82         | 0.84         | 1.02         | 0.92         | 0.98         | 1.13         | 1.18         | 1.31         | 1.28         | 1.20         | 1.23         |
| 33   | Median               | 0.84                                             | 0.64                      | 0.69        | 0.60        | 0.75        | 0.69        | 0.61        | 0.71        | 0.68        | 0.83         | 0.84         | 0.98         | 0.88         | 0.93         | 1.20         | 1.23         | 1.21         | 1.15         | 1.16         | 1.31         |

Sources:

<sup>1</sup> Data for years 2019 and prior were retrieved from the Value Line Investment Survey Investment Analyzer Software, downloaded on June 18, 2021.

Data for the years 2020 - 2023 was retrieved from Value Line Investment Surveys.

<sup>2</sup> The Value Line Investment Survey, May 24, 2024.

Notes:

<sup>a</sup> Based on the projected Dividends Declared per share and Book Value per share, published in The Value Line Investment Survey.

<sup>b</sup> Based on the projected Dividends Declared per share and Earnings per share, published in The Value Line Investment Survey.

<sup>c</sup> Based on the projected Cash Flow per share and Capital Spending per share, published in The Value Line Investment Survey.

# DTE Electric Company

## Proxy Group

| <u>Line</u> | <u>Company</u>                               | <u>Credit Ratings<sup>1</sup></u> |                       | <u>Common Equity Ratios</u>  |                                      |
|-------------|----------------------------------------------|-----------------------------------|-----------------------|------------------------------|--------------------------------------|
|             |                                              | <u>S&amp;P</u><br>(1)             | <u>Moody's</u><br>(2) | <u>MI<sup>1</sup></u><br>(3) | <u>Value Line<sup>2</sup></u><br>(4) |
| 1           | Alliant Energy Corporation                   | A-                                | Baa2                  | 41.1%                        | 45.2%                                |
| 2           | American Electric Power Company, Inc.        | BBB+                              | Baa2                  | 36.5%                        | 42.0%                                |
| 3           | Ameren Corporation                           | BBB+                              | Baa1                  | 40.6%                        | 43.8%                                |
| 4           | Avista Corporation                           | BBB                               | Baa2                  | 45.0%                        | 48.8%                                |
| 5           | Black Hills Corporation                      | BBB+                              | Baa2                  | 41.7%                        | 45.8%                                |
| 6           | CMS Energy Corporation                       | BBB+                              | Baa2                  | 30.8%                        | 33.1%                                |
| 7           | CenterPoint Energy, Inc.                     | BBB+                              | Baa2                  | 34.2%                        | 35.5%                                |
| 8           | Duke Energy Corporation                      | BBB+                              | Baa2                  | 36.0%                        | 40.4%                                |
| 9           | Edison International                         | BBB                               | Baa2                  | 26.0%                        | 28.7%                                |
| 10          | Entergy Corporation                          | BBB+                              | Baa2                  | 35.2%                        | 38.6%                                |
| 11          | Eversource Energy, Inc.                      | BBB+                              | Baa2                  | 42.1%                        | 48.0%                                |
| 12          | Exelon Corporation                           | BBB+                              | Baa2                  | 36.8%                        | 39.1%                                |
| 13          | IDACORP, Inc.                                | BBB                               | Baa2                  | 50.7%                        | 51.2%                                |
| 14          | MGE Energy, Inc.                             | AA-                               | A1                    | 59.1%                        | 60.7%                                |
| 15          | NextEra Energy, Inc.                         | A-                                | Baa1                  | 35.7%                        | 43.6%                                |
| 16          | NorthWestern Corporation                     | BBB                               | Baa2                  | 49.9%                        | 50.9%                                |
| 17          | OGE Energy Corp.                             | BBB+                              | Baa1                  | 48.1%                        | 49.6%                                |
| 18          | Otter Tail Corporation                       | BBB                               | Baa2                  | 61.0%                        | 58.5%                                |
| 19          | Pinnacle West Capital Corporation            | BBB+                              | Baa2                  | 37.2%                        | 45.0%                                |
| 20          | Public Service Enterprise Group Incorporated | BBB+                              | Baa2                  | 43.1%                        | 46.5%                                |
| 21          | Sempra Energy                                | BBB+                              | Baa2                  | 42.3%                        | 49.2%                                |
| 22          | Southern Company                             | A-                                | Baa2                  | 31.9%                        | 37.6%                                |
| 23          | WEC Energy Group, Inc.                       | A-                                | Baa1                  | 37.9%                        | 44.5%                                |
| 24          | Xcel Energy Inc.                             | BBB+                              | Baa1                  | 39.0%                        | 41.4%                                |
| 25          | <b>Average</b>                               | <b>BBB+</b>                       | <b>Baa2</b>           | <b>40.9%</b>                 | <b>44.5%</b>                         |
| 26          | <b>Median</b>                                |                                   |                       | <b>39.8%</b>                 | <b>44.8%</b>                         |
| 27          | <b>DTE Electric Company<sup>3,4</sup></b>    | <b>A-</b>                         | <b>A2</b>             |                              | <b>50.00%</b>                        |

Sources:

Note: If credit rating/common equity ratio unavailable for utility, subsidiary data used.

<sup>1</sup> S&P Global Market Intelligence, Downloaded on June 21, 2024.

<sup>2</sup> *The Value Line Investment Survey*, April 19, May 10, and June 7, 2024.

<sup>3</sup> *S&P Capital IQ*.

<sup>4</sup> Villadsen Direct, page 6.

## DTE Electric Company

### Consensus Analysts' Growth Rates

| <u>Line</u> | <u>Company</u>                               | <u>Zacks</u>                          |                            | <u>MI</u>                             |                            | <u>Yahoo! Finance</u>                 |                            | <u>Average of Growth Rates</u> |
|-------------|----------------------------------------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|---------------------------------------|----------------------------|--------------------------------|
|             |                                              | <u>Estimated Growth %<sup>1</sup></u> | <u>Number of Estimates</u> | <u>Estimated Growth %<sup>2</sup></u> | <u>Number of Estimates</u> | <u>Estimated Growth %<sup>3</sup></u> | <u>Number of Estimates</u> |                                |
|             |                                              | (1)                                   | (2)                        | (3)                                   | (4)                        | (5)                                   | (6)                        | (7)                            |
| 1           | Alliant Energy Corporation                   | 6.10%                                 | N/A                        | 6.60%                                 | 4                          | 6.30%                                 | N/A                        | 6.33%                          |
| 2           | American Electric Power Company, Inc.        | 6.05%                                 | N/A                        | 6.36%                                 | 5                          | 6.36%                                 | N/A                        | 6.26%                          |
| 3           | Ameren Corporation                           | 6.24%                                 | N/A                        | 6.14%                                 | 5                          | 5.50%                                 | N/A                        | 5.96%                          |
| 4           | Avista Corporation                           | N/A                                   | N/A                        | 5.00%                                 | 2                          | 6.20%                                 | N/A                        | 5.60%                          |
| 5           | Black Hills Corporation                      | N/A                                   | N/A                        | 4.43%                                 | 3                          | 0.70%                                 | N/A                        | 2.57%                          |
| 6           | CMS Energy Corporation                       | 7.56%                                 | N/A                        | 7.29%                                 | 7                          | 7.60%                                 | N/A                        | 7.48%                          |
| 7           | CenterPoint Energy, Inc.                     | 7.00%                                 | N/A                        | 7.90%                                 | 3                          | 7.70%                                 | N/A                        | 7.53%                          |
| 8           | Duke Energy Corporation                      | 6.10%                                 | N/A                        | 6.34%                                 | 6                          | 6.66%                                 | N/A                        | 6.37%                          |
| 9           | Edison International                         | N/A                                   | N/A                        | 7.40%                                 | 3                          | 7.60%                                 | N/A                        | 7.50%                          |
| 10          | Entergy Corporation                          | 7.33%                                 | N/A                        | 7.05%                                 | 4                          | 6.80%                                 | N/A                        | 7.06%                          |
| 11          | Evergy, Inc.                                 | 5.00%                                 | N/A                        | 5.40%                                 | 2                          | 6.00%                                 | N/A                        | 5.47%                          |
| 12          | Exelon Corporation                           | 5.66%                                 | N/A                        | 5.87%                                 | 6                          | 4.20%                                 | N/A                        | 5.24%                          |
| 13          | IDACORP, Inc.                                | N/A                                   | N/A                        | 6.20%                                 | 3                          | 4.40%                                 | N/A                        | 5.30%                          |
| 14          | MGE Energy, Inc.                             | N/A                                   | N/A                        | NA                                    | NA                         | 5.40%                                 | N/A                        | 5.40%                          |
| 15          | NextEra Energy, Inc.                         | 8.59%                                 | N/A                        | 8.48%                                 | 9                          | 8.20%                                 | N/A                        | 8.42%                          |
| 16          | NorthWestern Corporation                     | N/A                                   | N/A                        | 5.10%                                 | 3                          | 4.50%                                 | N/A                        | 4.80%                          |
| 17          | OGE Energy Corp.                             | 5.00%                                 | N/A                        | 5.27%                                 | 3                          | -12.34%                               | N/A                        | 5.13%                          |
| 18          | Otter Tail Corporation                       | N/A                                   | N/A                        | 7.00%                                 | 1                          | 9.00%                                 | N/A                        | 8.00%                          |
| 19          | Pinnacle West Capital Corporation            | 8.22%                                 | N/A                        | 6.98%                                 | 4                          | 7.20%                                 | N/A                        | 7.47%                          |
| 20          | Public Service Enterprise Group Incorporated | 6.55%                                 | N/A                        | 6.56%                                 | 6                          | 5.45%                                 | N/A                        | 6.19%                          |
| 21          | Sempra Energy                                | 6.00%                                 | N/A                        | 5.44%                                 | 5                          | 5.90%                                 | N/A                        | 5.78%                          |
| 22          | Southern Company                             | 6.95%                                 | N/A                        | 7.05%                                 | 4                          | 7.30%                                 | N/A                        | 7.10%                          |
| 23          | WEC Energy Group, Inc.                       | 7.95%                                 | N/A                        | 7.35%                                 | 5                          | 7.21%                                 | N/A                        | 7.50%                          |
| 24          | Xcel Energy Inc.                             | 6.39%                                 | N/A                        | 6.36%                                 | 5                          | 6.73%                                 | N/A                        | 6.49%                          |
| 25          | <b>Average</b>                               | <b>6.63%</b>                          | <b>N/A</b>                 | <b>6.42%</b>                          | <b>4</b>                   | <b>6.21%</b>                          | <b>N/A</b>                 | <b>6.29%</b>                   |
| 26          | <b>Median</b>                                |                                       |                            |                                       |                            |                                       |                            | <b>6.29%</b>                   |

Sources:

<sup>1</sup> Zacks, <http://www.zacks.com/>, downloaded on June 21, 2024.<sup>2</sup> S&P Global Market Intelligence, <https://platform.mi.spglobal.com>, downloaded on June 21, 2024.<sup>3</sup> Yahoo! Finance, <http://www.finance.yahoo.com/>, downloaded on June 21, 2024.

# DTE Electric Company

## Constant Growth DCF Model (Consensus Analysts' Growth Rates)

| <u>Line</u> | <u>Company</u>                               | <u>13-Week AVG<br/>Stock Price<sup>1</sup></u><br>(1) | <u>Analysts'<br/>Growth<sup>2</sup></u><br>(2) | <u>Annualized<br/>Dividend<sup>3</sup></u><br>(3) | <u>Adjusted<br/>Yield</u><br>(4) | <u>Constant<br/>Growth DCF</u><br>(5) |
|-------------|----------------------------------------------|-------------------------------------------------------|------------------------------------------------|---------------------------------------------------|----------------------------------|---------------------------------------|
| 1           | Alliant Energy Corporation                   | \$50.16                                               | 6.33%                                          | \$1.92                                            | 4.07%                            | 10.40%                                |
| 2           | American Electric Power Company, Inc.        | \$87.20                                               | 6.26%                                          | \$3.52                                            | 4.29%                            | 10.55%                                |
| 3           | Ameren Corporation                           | \$72.79                                               | 5.96%                                          | \$2.68                                            | 3.90%                            | 9.86%                                 |
| 4           | Avista Corporation                           | \$35.79                                               | 5.60%                                          | \$1.90                                            | 5.61%                            | 11.21%                                |
| 5           | Black Hills Corporation                      | \$54.52                                               | 2.57%                                          | \$2.60                                            | 4.89%                            | 7.46%                                 |
| 6           | CMS Energy Corporation                       | \$60.50                                               | 7.48%                                          | \$2.06                                            | 3.66%                            | 11.14%                                |
| 7           | CenterPoint Energy, Inc.                     | \$29.30                                               | 7.53%                                          | \$0.80                                            | 2.94%                            | 10.47%                                |
| 8           | Duke Energy Corporation                      | \$99.68                                               | 6.37%                                          | \$4.10                                            | 4.37%                            | 10.74%                                |
| 9           | Edison International                         | \$72.28                                               | 7.50%                                          | \$3.12                                            | 4.64%                            | 12.14%                                |
| 10          | Entergy Corporation                          | \$107.51                                              | 7.06%                                          | \$4.52                                            | 4.50%                            | 11.56%                                |
| 11          | Evergy, Inc.                                 | \$53.17                                               | 5.47%                                          | \$2.57                                            | 5.10%                            | 10.56%                                |
| 12          | Exelon Corporation                           | \$37.03                                               | 5.24%                                          | \$1.52                                            | 4.32%                            | 9.56%                                 |
| 13          | IDACORP, Inc.                                | \$93.89                                               | 5.30%                                          | \$3.32                                            | 3.72%                            | 9.02%                                 |
| 14          | MGE Energy, Inc.                             | \$78.18                                               | 5.40%                                          | \$1.71                                            | 2.31%                            | 7.71%                                 |
| 15          | NextEra Energy, Inc.                         | \$70.21                                               | 8.42%                                          | \$2.06                                            | 3.18%                            | 11.60%                                |
| 16          | NorthWestern Corporation                     | \$50.51                                               | 4.80%                                          | \$2.60                                            | 5.39%                            | 10.19%                                |
| 17          | OGE Energy Corp.                             | \$34.93                                               | 5.13%                                          | \$1.67                                            | 5.04%                            | 10.17%                                |
| 18          | Otter Tail Corporation                       | \$87.57                                               | 8.00%                                          | \$1.87                                            | 2.31%                            | 10.31%                                |
| 19          | Pinnacle West Capital Corporation            | \$75.32                                               | 7.47%                                          | \$3.52                                            | 5.02%                            | 12.49%                                |
| 20          | Public Service Enterprise Group Incorporated | \$70.41                                               | 6.19%                                          | \$2.40                                            | 3.62%                            | 9.81%                                 |
| 21          | Sempra Energy                                | \$73.49                                               | 5.78%                                          | \$2.48                                            | 3.57%                            | 9.35%                                 |
| 22          | Southern Company                             | \$75.19                                               | 7.10%                                          | \$2.88                                            | 4.10%                            | 11.20%                                |
| 23          | WEC Energy Group, Inc.                       | \$81.32                                               | 7.50%                                          | \$3.34                                            | 4.42%                            | 11.92%                                |
| 24          | Xcel Energy Inc.                             | \$54.27                                               | 6.49%                                          | \$2.19                                            | 4.30%                            | 10.79%                                |
| 25          | <b>Average</b>                               | <b>\$66.88</b>                                        | <b>6.29%</b>                                   | <b>\$2.56</b>                                     | <b>4.14%</b>                     | <b>10.43%</b>                         |
| 26          | <b>Median</b>                                |                                                       |                                                |                                                   |                                  | <b>10.51%</b>                         |

Sources:

<sup>1</sup> S&P Global Market Intelligence, Downloaded on June 21, 2024.<sup>2</sup> Exhibit AB-6<sup>3</sup> *The Value Line Investment Survey*, April 19, May 10, and June 7, 2024.

# DTE Electric Company

## Payout Ratios

| <u>Line</u> | <u>Company</u>                               | <u>Dividends Per Share</u> |                  | <u>Earnings Per Share</u> |                  | <u>Payout Ratio</u> |                  |
|-------------|----------------------------------------------|----------------------------|------------------|---------------------------|------------------|---------------------|------------------|
|             |                                              | <u>2023</u>                | <u>Projected</u> | <u>2023</u>               | <u>Projected</u> | <u>2023</u>         | <u>Projected</u> |
|             |                                              | (1)                        | (2)              | (3)                       | (4)              | (5)                 | (6)              |
| 1           | Alliant Energy Corporation                   | \$1.81                     | \$2.43           | \$2.78                    | \$3.90           | 65.11%              | 62.31%           |
| 2           | American Electric Power Company, Inc.        | \$3.37                     | \$4.16           | \$5.24                    | \$7.20           | 64.31%              | 57.78%           |
| 3           | Ameren Corporation                           | \$2.52                     | \$3.30           | \$4.37                    | \$5.95           | 57.67%              | 55.46%           |
| 4           | Avista Corporation                           | \$1.84                     | \$2.25           | \$2.24                    | \$2.90           | 82.14%              | 77.59%           |
| 5           | Black Hills Corporation                      | \$2.50                     | \$3.00           | \$3.91                    | \$4.75           | 63.94%              | 63.16%           |
| 6           | CMS Energy Corporation                       | \$1.95                     | \$2.30           | \$3.01                    | \$3.75           | 64.78%              | 61.33%           |
| 7           | CenterPoint Energy, Inc.                     | \$0.77                     | \$1.01           | \$1.37                    | \$1.90           | 56.20%              | 53.16%           |
| 8           | Duke Energy Corporation                      | \$4.06                     | \$4.30           | \$5.56                    | \$7.60           | 73.02%              | 56.58%           |
| 9           | Edison International                         | \$2.99                     | \$3.86           | \$4.76                    | \$6.55           | 62.82%              | 58.93%           |
| 10          | Entergy Corporation                          | \$4.34                     | \$5.00           | \$11.10                   | \$8.05           | 39.10%              | 62.11%           |
| 11          | Evergy, Inc.                                 | \$2.48                     | \$3.05           | \$3.17                    | \$4.60           | 78.23%              | 66.30%           |
| 12          | Exelon Corporation                           | \$1.44                     | \$1.95           | \$2.38                    | \$3.10           | 60.50%              | 62.90%           |
| 13          | IDACORP, Inc.                                | \$3.20                     | \$4.25           | \$5.14                    | \$6.65           | 62.26%              | 63.91%           |
| 14          | MGE Energy, Inc.                             | \$1.67                     | \$1.95           | \$3.25                    | \$4.65           | 51.38%              | 41.94%           |
| 15          | NextEra Energy, Inc.                         | \$1.87                     | \$2.85           | \$3.17                    | \$4.55           | 58.99%              | 62.64%           |
| 16          | NorthWestern Corporation                     | \$2.56                     | \$2.76           | \$3.22                    | \$4.25           | 79.50%              | 64.94%           |
| 17          | OGE Energy Corp.                             | \$1.66                     | \$1.85           | \$2.07                    | \$2.70           | 80.19%              | 68.52%           |
| 18          | Otter Tail Corporation                       | \$1.75                     | \$2.20           | \$7.00                    | \$4.25           | 25.00%              | 51.76%           |
| 19          | Pinnacle West Capital Corporation            | \$3.49                     | \$3.79           | \$4.41                    | \$6.00           | 79.14%              | 63.17%           |
| 20          | Public Service Enterprise Group Incorporated | \$2.28                     | \$2.90           | \$3.48                    | \$4.65           | 65.52%              | 62.37%           |
| 21          | Sempra Energy                                | \$2.38                     | \$3.08           | \$4.61                    | \$6.30           | 51.63%              | 48.89%           |
| 22          | Southern Company                             | \$2.78                     | \$3.10           | \$3.64                    | \$5.10           | 76.37%              | 60.78%           |
| 23          | WEC Energy Group, Inc.                       | \$3.12                     | \$3.83           | \$4.63                    | \$6.40           | 67.39%              | 59.84%           |
| 24          | Xcel Energy Inc.                             | \$2.08                     | \$2.67           | \$3.35                    | \$4.70           | 62.09%              | 56.81%           |
| 25          | <b>Average</b>                               | <b>\$2.45</b>              | <b>\$2.99</b>    | <b>\$4.08</b>             | <b>\$5.02</b>    | <b>63.64%</b>       | <b>60.13%</b>    |

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Source:

*The Value Line Investment Survey*, April 19, May 10, and June 7, 2024.

## DTE Electric Company

Sustainable Growth Rate

| Line | Company                                      | 3 to 5 Year Projections |               |                |              |               |             |               |               |               |              | Sustainable  |
|------|----------------------------------------------|-------------------------|---------------|----------------|--------------|---------------|-------------|---------------|---------------|---------------|--------------|--------------|
|      |                                              | Dividends               | Earnings      | Book Value     | Book Value   | ROE           | Adjustment  | Adjusted      | Payout        | Retention     | Internal     | Growth       |
|      |                                              | Per Share               | Per Share     | Per Share      | Growth       |               | Factor      | ROE           | Ratio         | Rate          | Growth Rate  | Rate         |
|      |                                              | (1)                     | (2)           | (3)            | (4)          | (5)           | (6)         | (7)           | (8)           | (9)           | (10)         | (11)         |
| 1    | Alliant Energy Corporation                   | \$2.43                  | \$3.90        | \$31.90        | 3.81%        | 12.23%        | 1.02        | 12.45%        | 62.31%        | 37.69%        | 4.69%        | 4.76%        |
| 2    | American Electric Power Company, Inc.        | \$4.16                  | \$7.20        | \$62.55        | 5.24%        | 11.51%        | 1.03        | 11.80%        | 57.78%        | 42.22%        | 4.98%        | 5.70%        |
| 3    | Ameren Corporation                           | \$3.30                  | \$5.95        | \$52.65        | 5.51%        | 11.30%        | 1.03        | 11.60%        | 55.46%        | 44.54%        | 5.17%        | 6.23%        |
| 4    | Avista Corporation                           | \$2.25                  | \$2.90        | \$35.00        | 1.92%        | 8.29%         | 1.01        | 8.36%         | 77.59%        | 22.41%        | 1.87%        | 2.09%        |
| 5    | Black Hills Corporation                      | \$3.00                  | \$4.75        | \$55.75        | 3.41%        | 8.52%         | 1.02        | 8.66%         | 63.16%        | 36.84%        | 3.19%        | 3.49%        |
| 6    | CMS Energy Corporation                       | \$2.30                  | \$3.75        | \$29.50        | 3.48%        | 12.71%        | 1.02        | 12.93%        | 61.33%        | 38.67%        | 5.00%        | 5.64%        |
| 7    | CenterPoint Energy, Inc.                     | \$1.01                  | \$1.90        | \$20.00        | 5.49%        | 9.50%         | 1.03        | 9.75%         | 53.16%        | 46.84%        | 4.57%        | 4.96%        |
| 8    | Duke Energy Corporation                      | \$4.30                  | \$7.60        | \$70.00        | 1.90%        | 10.86%        | 1.01        | 10.96%        | 56.58%        | 43.42%        | 4.76%        | 4.82%        |
| 9    | Edison International                         | \$3.86                  | \$6.55        | \$48.25        | 6.02%        | 13.58%        | 1.03        | 13.97%        | 58.93%        | 41.07%        | 5.74%        | 6.05%        |
| 10   | Entergy Corporation                          | \$5.00                  | \$8.05        | \$84.65        | 4.26%        | 9.51%         | 1.02        | 9.71%         | 62.11%        | 37.89%        | 3.68%        | 4.56%        |
| 11   | Evergy, Inc.                                 | \$3.05                  | \$4.60        | \$47.50        | 2.46%        | 9.68%         | 1.01        | 9.80%         | 66.30%        | 33.70%        | 3.30%        | 3.31%        |
| 12   | Exelon Corporation                           | \$1.95                  | \$3.10        | \$29.75        | 2.91%        | 10.42%        | 1.01        | 10.57%        | 62.90%        | 37.10%        | 3.92%        | 3.97%        |
| 13   | IDACORP, Inc.                                | \$4.25                  | \$6.65        | \$69.80        | 3.97%        | 9.53%         | 1.02        | 9.71%         | 63.91%        | 36.09%        | 3.51%        | 4.09%        |
| 14   | MGE Energy, Inc.                             | \$1.95                  | \$4.65        | \$38.75        | 4.21%        | 12.00%        | 1.02        | 12.25%        | 41.94%        | 58.06%        | 7.11%        | 7.11%        |
| 15   | NextEra Energy, Inc.                         | \$2.85                  | \$4.55        | \$34.50        | 8.32%        | 13.19%        | 1.04        | 13.72%        | 62.64%        | 37.36%        | 5.12%        | 7.03%        |
| 16   | NorthWestern Corporation                     | \$2.76                  | \$4.25        | \$51.85        | 2.66%        | 8.20%         | 1.01        | 8.30%         | 64.94%        | 35.06%        | 2.91%        | 3.01%        |
| 17   | OGE Energy Corp.                             | \$1.85                  | \$2.70        | \$26.25        | 3.44%        | 10.29%        | 1.02        | 10.46%        | 68.52%        | 31.48%        | 3.29%        | 3.29%        |
| 18   | Otter Tail Corporation                       | \$2.20                  | \$4.25        | \$34.25        | 3.09%        | 12.41%        | 1.02        | 12.60%        | 51.76%        | 48.24%        | 6.08%        | 6.82%        |
| 19   | Pinnacle West Capital Corporation            | \$3.79                  | \$6.00        | \$70.15        | 5.19%        | 8.55%         | 1.03        | 8.77%         | 63.17%        | 36.83%        | 3.23%        | 3.98%        |
| 20   | Public Service Enterprise Group Incorporated | \$2.90                  | \$4.65        | \$39.00        | 4.64%        | 11.92%        | 1.02        | 12.19%        | 62.37%        | 37.63%        | 4.59%        | 4.94%        |
| 21   | Sempra Energy                                | \$3.08                  | \$6.30        | \$59.65        | 6.28%        | 10.56%        | 1.03        | 10.88%        | 48.89%        | 51.11%        | 5.56%        | 6.26%        |
| 22   | Southern Company                             | \$3.10                  | \$5.10        | \$32.25        | 2.27%        | 15.81%        | 1.01        | 15.99%        | 60.78%        | 39.22%        | 6.27%        | 6.39%        |
| 23   | WEC Energy Group, Inc.                       | \$3.83                  | \$6.40        | \$42.00        | 2.43%        | 15.24%        | 1.01        | 15.42%        | 59.84%        | 40.16%        | 6.19%        | 6.19%        |
| 24   | Xcel Energy Inc.                             | \$2.67                  | \$4.70        | \$41.35        | 5.43%        | 11.37%        | 1.03        | 11.67%        | 56.81%        | 43.19%        | 5.04%        | 5.67%        |
| 25   | <b>Average</b>                               | <b>\$2.99</b>           | <b>\$5.02</b> | <b>\$46.14</b> | <b>4.10%</b> | <b>11.13%</b> | <b>1.02</b> | <b>11.36%</b> | <b>60.13%</b> | <b>39.87%</b> | <b>4.57%</b> | <b>5.02%</b> |
| 26   | <b>Median</b>                                |                         |               |                |              |               |             |               |               |               |              | <b>4.95%</b> |

## Sources and Notes:

Cols. (1), (2) and (3): *The Value Line Investment Survey*, April 19, May 10, and June 7, 2024.

Col. (4): [ Col. (3) / Page 2 Col. (2) ] ^ (1/number of years projected) - 1.

Col. (5): Col. (2) / Col. (3).

Col. (6): [ 2 \* (1 + Col. (4)) ] / (2 + Col. (4)).

Col. (7): Col. (6) \* Col. (5).

Col. (8): Col. (1) / Col. (2).

Col. (9): 1 - Col. (8).

Col. (10): Col. (9) \* Col. (7).

Col. (11): Col. (10) + Page 2 Col. (9).

## DTE Electric Company

Sustainable Growth Rate

| Line    | Company                                      | 13-Week<br>Average<br>Stock Price <sup>1</sup> | 2023<br>Book Value<br>Per Share <sup>2</sup> | Market<br>to Book<br>Ratio | Common Shares<br>Outstanding (in Millions) <sup>2</sup> |                  | Growth<br>(6) | S Factor <sup>3</sup><br>(7) | V Factor <sup>4</sup><br>(8) | S * V<br>(9) |
|---------|----------------------------------------------|------------------------------------------------|----------------------------------------------|----------------------------|---------------------------------------------------------|------------------|---------------|------------------------------|------------------------------|--------------|
|         |                                              | (1)                                            | (2)                                          | (3)                        | 2023<br>(4)                                             | 3-5 Years<br>(5) |               |                              |                              |              |
| 1       | Alliant Energy Corporation                   | \$50.16                                        | \$26.46                                      | 1.90                       | 256.10                                                  | 257.00           | 0.07%         | 0.13%                        | 47.25%                       | 0.06%        |
| 2       | American Electric Power Company, Inc.        | \$87.20                                        | \$48.46                                      | 1.80                       | 526.18                                                  | 550.00           | 0.89%         | 1.60%                        | 44.43%                       | 0.71%        |
| 3       | Ameren Corporation                           | \$72.79                                        | \$40.26                                      | 1.81                       | 267.00                                                  | 285.00           | 1.31%         | 2.37%                        | 44.69%                       | 1.06%        |
| 4       | Avista Corporation                           | \$35.79                                        | \$31.83                                      | 1.12                       | 78.08                                                   | 85.00            | 1.71%         | 1.93%                        | 11.05%                       | 0.21%        |
| 5       | Black Hills Corporation                      | \$54.52                                        | \$47.15                                      | 1.16                       | 68.20                                                   | 75.00            | 1.92%         | 2.22%                        | 13.51%                       | 0.30%        |
| 6       | CMS Energy Corporation                       | \$60.50                                        | \$24.86                                      | 2.43                       | 294.40                                                  | 301.00           | 0.44%         | 1.08%                        | 58.91%                       | 0.64%        |
| 7       | CenterPoint Energy, Inc.                     | \$29.30                                        | \$15.31                                      | 1.91                       | 631.23                                                  | 645.00           | 0.43%         | 0.83%                        | 47.74%                       | 0.40%        |
| 8       | Duke Energy Corporation                      | \$99.68                                        | \$63.70                                      | 1.56                       | 771.00                                                  | 775.00           | 0.10%         | 0.16%                        | 36.10%                       | 0.06%        |
| 9       | Edison International                         | \$72.28                                        | \$36.02                                      | 2.01                       | 383.93                                                  | 390.00           | 0.31%         | 0.63%                        | 50.17%                       | 0.32%        |
| 10      | Entergy Corporation                          | \$107.51                                       | \$68.70                                      | 1.56                       | 212.85                                                  | 230.00           | 1.56%         | 2.44%                        | 36.10%                       | 0.88%        |
| 11      | Evergy, Inc.                                 | \$53.17                                        | \$42.06                                      | 1.26                       | 229.73                                                  | 230.00           | 0.02%         | 0.03%                        | 20.89%                       | 0.01%        |
| 12      | Exelon Corporation                           | \$37.03                                        | \$25.78                                      | 1.44                       | 999.00                                                  | 1,005.00         | 0.12%         | 0.17%                        | 30.38%                       | 0.05%        |
| 13      | IDACORP, Inc.                                | \$93.89                                        | \$57.44                                      | 1.63                       | 50.62                                                   | 53.00            | 0.92%         | 1.51%                        | 38.82%                       | 0.59%        |
| 14      | MGE Energy, Inc.                             | \$78.18                                        | \$31.53                                      | 2.48                       | 36.16                                                   | 36.16            | 0.00%         | 0.00%                        | 59.67%                       | 0.00%        |
| 15      | NextEra Energy, Inc.                         | \$70.21                                        | \$23.13                                      | 3.04                       | 2,052.00                                                | 2,150.00         | 0.94%         | 2.85%                        | 67.05%                       | 1.91%        |
| 16      | NorthWestern Corporation                     | \$50.51                                        | \$45.48                                      | 1.11                       | 61.25                                                   | 64.00            | 0.88%         | 0.98%                        | 9.96%                        | 0.10%        |
| 17      | OGE Energy Corp.                             | \$34.93                                        | \$22.17                                      | 1.58                       | 200.30                                                  | 200.20           | - 0.01%       | - 0.02%                      | 36.53%                       | - 0.01%      |
| 18      | Otter Tail Corporation                       | \$87.57                                        | \$29.42                                      | 2.98                       | 41.71                                                   | 42.50            | 0.38%         | 1.12%                        | 66.41%                       | 0.74%        |
| 19      | Pinnacle West Capital Corporation            | \$75.32                                        | \$54.47                                      | 1.38                       | 113.42                                                  | 125.00           | 1.96%         | 2.71%                        | 27.68%                       | 0.75%        |
| 20      | Public Service Enterprise Group Incorporated | \$70.41                                        | \$31.08                                      | 2.27                       | 498.00                                                  | 505.00           | 0.28%         | 0.63%                        | 55.86%                       | 0.35%        |
| 21      | Sempra Energy                                | \$73.49                                        | \$44.00                                      | 1.67                       | 631.43                                                  | 665.00           | 1.04%         | 1.74%                        | 40.13%                       | 0.70%        |
| 22      | Southern Company                             | \$75.19                                        | \$28.82                                      | 2.61                       | 1,091.00                                                | 1,095.00         | 0.07%         | 0.19%                        | 61.67%                       | 0.12%        |
| 23      | WEC Energy Group, Inc.                       | \$81.32                                        | \$37.25                                      | 2.18                       | 315.43                                                  | 315.43           | 0.00%         | 0.00%                        | 54.19%                       | 0.00%        |
| 24      | Xcel Energy Inc.                             | \$54.27                                        | \$31.74                                      | 1.71                       | 554.94                                                  | 580.00           | 0.89%         | 1.52%                        | 41.52%                       | 0.63%        |
| Average |                                              | \$66.88                                        | \$37.80                                      | 1.86                       | 431.83                                                  | 444.14           | 0.68%         | 1.12%                        | 41.70%                       | 0.44%        |

## Sources and Notes:

<sup>1</sup> S&P Global Market Intelligence, Downloaded on June 21, 2024.<sup>2</sup> *The Value Line Investment Survey*, April 19, May 10, and June 7, 2024.<sup>3</sup> Expected Growth in the Number of Shares, Column (3) \* Column (6).<sup>4</sup> Expected Profit of Stock Investment, [ 1 - 1 / Column (3) ].

# DTE Electric Company

## Constant Growth DCF Model (Sustainable Growth Rate)

| <u>Line</u> | <u>Company</u>                               | <u>13-Week AVG<br/>Stock Price<sup>1</sup></u><br>(1) | <u>Sustainable<br/>Growth<sup>2</sup></u><br>(2) | <u>Annualized<br/>Dividend<sup>3</sup></u><br>(3) | <u>Adjusted<br/>Yield</u><br>(4) | <u>Constant<br/>Growth DCF</u><br>(5) |
|-------------|----------------------------------------------|-------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|----------------------------------|---------------------------------------|
| 1           | Alliant Energy Corporation                   | \$50.16                                               | 4.76%                                            | \$1.92                                            | 4.01%                            | 8.77%                                 |
| 2           | American Electric Power Company, Inc.        | \$87.20                                               | 5.70%                                            | \$3.52                                            | 4.27%                            | 9.96%                                 |
| 3           | Ameren Corporation                           | \$72.79                                               | 6.23%                                            | \$2.68                                            | 3.91%                            | 10.14%                                |
| 4           | Avista Corporation                           | \$35.79                                               | 2.09%                                            | \$1.90                                            | 5.42%                            | 7.51%                                 |
| 5           | Black Hills Corporation                      | \$54.52                                               | 3.49%                                            | \$2.60                                            | 4.94%                            | 8.43%                                 |
| 6           | CMS Energy Corporation                       | \$60.50                                               | 5.64%                                            | \$2.06                                            | 3.60%                            | 9.23%                                 |
| 7           | CenterPoint Energy, Inc.                     | \$29.30                                               | 4.96%                                            | \$0.80                                            | 2.87%                            | 7.83%                                 |
| 8           | Duke Energy Corporation                      | \$99.68                                               | 4.82%                                            | \$4.10                                            | 4.31%                            | 9.13%                                 |
| 9           | Edison International                         | \$72.28                                               | 6.05%                                            | \$3.12                                            | 4.58%                            | 10.63%                                |
| 10          | Entergy Corporation                          | \$107.51                                              | 4.56%                                            | \$4.52                                            | 4.40%                            | 8.96%                                 |
| 11          | Evergy, Inc.                                 | \$53.17                                               | 3.31%                                            | \$2.57                                            | 4.99%                            | 8.30%                                 |
| 12          | Exelon Corporation                           | \$37.03                                               | 3.97%                                            | \$1.52                                            | 4.27%                            | 8.24%                                 |
| 13          | IDACORP, Inc.                                | \$93.89                                               | 4.09%                                            | \$3.32                                            | 3.68%                            | 7.77%                                 |
| 14          | MGE Energy, Inc.                             | \$78.18                                               | 7.11%                                            | \$1.71                                            | 2.34%                            | 9.45%                                 |
| 15          | NextEra Energy, Inc.                         | \$70.21                                               | 7.03%                                            | \$2.06                                            | 3.14%                            | 10.17%                                |
| 16          | NorthWestern Corporation                     | \$50.51                                               | 3.01%                                            | \$2.60                                            | 5.30%                            | 8.31%                                 |
| 17          | OGE Energy Corp.                             | \$34.93                                               | 3.29%                                            | \$1.67                                            | 4.95%                            | 8.24%                                 |
| 18          | Otter Tail Corporation                       | \$87.57                                               | 6.82%                                            | \$1.87                                            | 2.28%                            | 9.10%                                 |
| 19          | Pinnacle West Capital Corporation            | \$75.32                                               | 3.98%                                            | \$3.52                                            | 4.86%                            | 8.84%                                 |
| 20          | Public Service Enterprise Group Incorporated | \$70.41                                               | 4.94%                                            | \$2.40                                            | 3.58%                            | 8.52%                                 |
| 21          | Sempra Energy                                | \$73.49                                               | 6.26%                                            | \$2.48                                            | 3.59%                            | 9.85%                                 |
| 22          | Southern Company                             | \$75.19                                               | 6.39%                                            | \$2.88                                            | 4.08%                            | 10.46%                                |
| 23          | WEC Energy Group, Inc.                       | \$81.32                                               | 6.19%                                            | \$3.34                                            | 4.36%                            | 10.55%                                |
| 24          | Xcel Energy Inc.                             | \$54.27                                               | 5.67%                                            | \$2.19                                            | 4.26%                            | 9.93%                                 |
| 25          | <b>Average</b>                               | <b>\$66.88</b>                                        | <b>5.02%</b>                                     | <b>\$2.56</b>                                     | <b>4.08%</b>                     | <b>9.10%</b>                          |
| 26          | <b>Median</b>                                |                                                       |                                                  |                                                   |                                  | <b>9.03%</b>                          |

Sources:

<sup>1</sup> S&P Global Market Intelligence, Downloaded on June 21, 2024.<sup>2</sup> Exhibit AB-9, page 1.<sup>3</sup> *The Value Line Investment Survey*, April 19, May 10, and June 7, 2024.

## DTE Electric Company

### Multi-Stage Growth DCF Model

| Line | Company                                      | 13-Week AVG                    | Annualized                  | First Stage               | Second Stage Growth |               |               |               |                | Third Stage               | Multi-Stage       |
|------|----------------------------------------------|--------------------------------|-----------------------------|---------------------------|---------------------|---------------|---------------|---------------|----------------|---------------------------|-------------------|
|      |                                              | <u>Stock Price<sup>1</sup></u> | <u>Dividend<sup>2</sup></u> | <u>Growth<sup>3</sup></u> | <u>Year 6</u>       | <u>Year 7</u> | <u>Year 8</u> | <u>Year 9</u> | <u>Year 10</u> | <u>Growth<sup>4</sup></u> | <u>Growth DCF</u> |
|      |                                              | (1)                            | (2)                         | (3)                       | (4)                 | (5)           | (6)           | (7)           | (8)            | (9)                       | (10)              |
| 1    | Alliant Energy Corporation                   | \$50.16                        | \$1.92                      | 6.33%                     | 5.98%               | 5.64%         | 5.29%         | 4.94%         | 4.59%          | 4.24%                     | 8.78%             |
| 2    | American Electric Power Company, Inc.        | \$87.20                        | \$3.52                      | 6.26%                     | 5.92%               | 5.58%         | 5.25%         | 4.91%         | 4.58%          | 4.24%                     | 9.01%             |
| 3    | Ameren Corporation                           | \$72.79                        | \$2.68                      | 5.96%                     | 5.67%               | 5.39%         | 5.10%         | 4.81%         | 4.53%          | 4.24%                     | 8.51%             |
| 4    | Avista Corporation                           | \$35.79                        | \$1.90                      | 5.60%                     | 5.37%               | 5.15%         | 4.92%         | 4.69%         | 4.47%          | 4.24%                     | 10.24%            |
| 5    | Black Hills Corporation                      | \$54.52                        | \$2.60                      | 2.57%                     | 2.85%               | 3.12%         | 3.40%         | 3.68%         | 3.96%          | 4.24%                     | 8.71%             |
| 6    | CMS Energy Corporation                       | \$60.50                        | \$2.06                      | 7.48%                     | 6.94%               | 6.40%         | 5.86%         | 5.32%         | 4.78%          | 4.24%                     | 8.59%             |
| 7    | CenterPoint Energy, Inc.                     | \$29.30                        | \$0.80                      | 7.53%                     | 6.98%               | 6.44%         | 5.89%         | 5.34%         | 4.79%          | 4.24%                     | 7.75%             |
| 8    | Duke Energy Corporation                      | \$99.68                        | \$4.10                      | 6.37%                     | 6.01%               | 5.66%         | 5.30%         | 4.95%         | 4.59%          | 4.24%                     | 9.13%             |
| 9    | Edison International                         | \$72.28                        | \$3.12                      | 7.50%                     | 6.96%               | 6.41%         | 5.87%         | 5.33%         | 4.78%          | 4.24%                     | 9.72%             |
| 10   | Entergy Corporation                          | \$107.51                       | \$4.52                      | 7.06%                     | 6.59%               | 6.12%         | 5.65%         | 5.18%         | 4.71%          | 4.24%                     | 9.45%             |
| 11   | Evergy, Inc.                                 | \$53.17                        | \$2.57                      | 5.47%                     | 5.26%               | 5.06%         | 4.85%         | 4.65%         | 4.44%          | 4.24%                     | 9.67%             |
| 12   | Exelon Corporation                           | \$37.03                        | \$1.52                      | 5.24%                     | 5.08%               | 4.91%         | 4.74%         | 4.57%         | 4.41%          | 4.24%                     | 8.79%             |
| 13   | IDACORP, Inc.                                | \$93.89                        | \$3.32                      | 5.30%                     | 5.12%               | 4.95%         | 4.77%         | 4.59%         | 4.42%          | 4.24%                     | 8.18%             |
| 14   | MGE Energy, Inc.                             | \$78.18                        | \$1.71                      | 5.40%                     | 5.21%               | 5.01%         | 4.82%         | 4.63%         | 4.43%          | 4.24%                     | 6.68%             |
| 15   | NextEra Energy, Inc.                         | \$70.21                        | \$2.06                      | 8.42%                     | 7.72%               | 7.03%         | 6.33%         | 5.63%         | 4.94%          | 4.24%                     | 8.22%             |
| 16   | NorthWestern Corporation                     | \$50.51                        | \$2.60                      | 4.80%                     | 4.71%               | 4.61%         | 4.52%         | 4.43%         | 4.33%          | 4.24%                     | 9.79%             |
| 17   | OGE Energy Corp.                             | \$34.93                        | \$1.67                      | 5.13%                     | 4.98%               | 4.84%         | 4.69%         | 4.54%         | 4.39%          | 4.24%                     | 9.51%             |
| 18   | Otter Tail Corporation                       | \$87.57                        | \$1.87                      | 8.00%                     | 7.37%               | 6.75%         | 6.12%         | 5.49%         | 4.87%          | 4.24%                     | 7.07%             |
| 19   | Pinnacle West Capital Corporation            | \$75.32                        | \$3.52                      | 7.47%                     | 6.93%               | 6.39%         | 5.85%         | 5.32%         | 4.78%          | 4.24%                     | 10.15%            |
| 20   | Public Service Enterprise Group Incorporated | \$70.41                        | \$2.40                      | 6.19%                     | 5.86%               | 5.54%         | 5.21%         | 4.89%         | 4.56%          | 4.24%                     | 8.26%             |
| 21   | Sempra Energy                                | \$73.49                        | \$2.48                      | 5.78%                     | 5.52%               | 5.27%         | 5.01%         | 4.75%         | 4.50%          | 4.24%                     | 8.12%             |
| 22   | Southern Company                             | \$75.19                        | \$2.88                      | 7.10%                     | 6.62%               | 6.15%         | 5.67%         | 5.19%         | 4.72%          | 4.24%                     | 9.00%             |
| 23   | WEC Energy Group, Inc.                       | \$81.32                        | \$3.34                      | 7.50%                     | 6.96%               | 6.42%         | 5.87%         | 5.33%         | 4.78%          | 4.24%                     | 9.46%             |
| 24   | Xcel Energy Inc.                             | \$54.27                        | \$2.19                      | 6.49%                     | 6.12%               | 5.74%         | 5.37%         | 4.99%         | 4.62%          | 4.24%                     | 9.07%             |
| 25   | <b>Average</b>                               | <b>\$66.88</b>                 | <b>\$2.56</b>               | <b>6.29%</b>              | <b>5.95%</b>        | <b>5.61%</b>  | <b>5.26%</b>  | <b>4.92%</b>  | <b>4.58%</b>   | <b>4.24%</b>              | <b>8.83%</b>      |
| 26   | <b>Median</b>                                |                                |                             |                           |                     |               |               |               |                |                           | <b>8.90%</b>      |

Sources:

<sup>1</sup> S&P Global Market Intelligence, Downloaded on June 21, 2024.

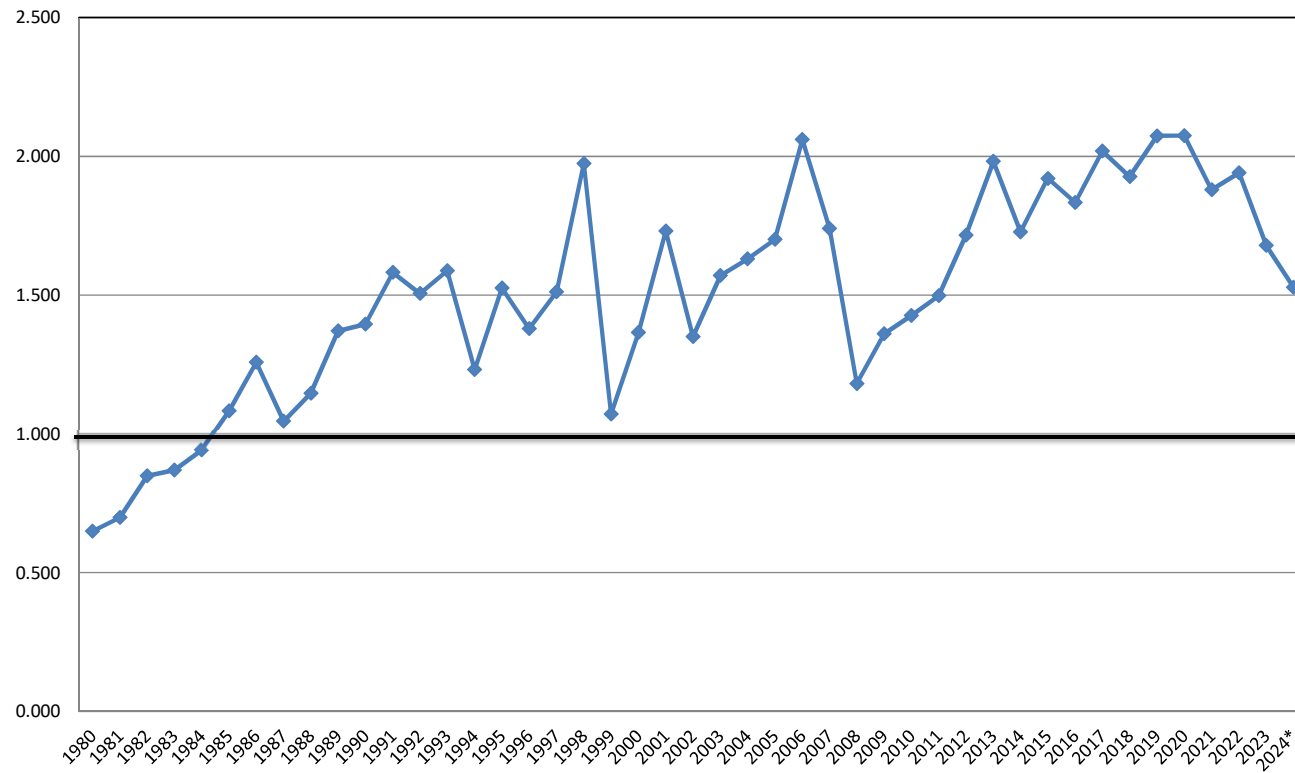
<sup>2</sup> *The Value Line Investment Survey*, April 19, May 10, and June 7, 2024.

<sup>3</sup> Exhibit AB-6

<sup>4</sup> *Blue Chip Financial Forecast*, May 31, 2024 at page 14.

## DTE Electric Company

### Common Stock Market/Book Ratio



Source:

1980 - 2000: Mergent Public Utility Manual.

2001 - 2015: AUS Utility Reports, multiple dates.

2016 - 2023: Value Line Investment Survey, multiple dates.

\* Value Line Investment Survey Reports, April 19, May 10, May 24, and June 7 2024.

## DTE Electric Company

### Equity Risk Premium - Treasury Bond

| <u>Line</u> | <u>Year</u>       | <u>Authorized<br/>Electric<br/>Returns<sup>1</sup></u><br>(1) | <u>30 yr.<br/>Treasury<br/>Bond Yield<sup>2</sup></u><br>(2) | <u>Indicated<br/>Risk<br/>Premium</u><br>(3) | <u>Rolling<br/>5 - Year<br/>Average</u><br>(4) | <u>Rolling<br/>10 - Year<br/>Average</u><br>(5) |
|-------------|-------------------|---------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------|------------------------------------------------|-------------------------------------------------|
| 1           | 1986              | 13.93%                                                        | 7.80%                                                        | 6.13%                                        |                                                |                                                 |
| 2           | 1987              | 12.99%                                                        | 8.58%                                                        | 4.41%                                        |                                                |                                                 |
| 3           | 1988              | 12.79%                                                        | 8.96%                                                        | 3.83%                                        |                                                |                                                 |
| 4           | 1989              | 12.97%                                                        | 8.45%                                                        | 4.52%                                        |                                                |                                                 |
| 5           | 1990              | 12.70%                                                        | 8.61%                                                        | 4.09%                                        | 4.60%                                          |                                                 |
| 6           | 1991              | 12.55%                                                        | 8.14%                                                        | 4.41%                                        | 4.25%                                          |                                                 |
| 7           | 1992              | 12.09%                                                        | 7.67%                                                        | 4.42%                                        | 4.26%                                          |                                                 |
| 8           | 1993              | 11.41%                                                        | 6.60%                                                        | 4.81%                                        | 4.45%                                          |                                                 |
| 9           | 1994              | 11.34%                                                        | 7.37%                                                        | 3.97%                                        | 4.34%                                          |                                                 |
| 10          | 1995              | 11.55%                                                        | 6.88%                                                        | 4.67%                                        | 4.46%                                          | 4.53%                                           |
| 11          | 1996              | 11.39%                                                        | 6.70%                                                        | 4.69%                                        | 4.51%                                          | 4.38%                                           |
| 12          | 1997              | 11.40%                                                        | 6.61%                                                        | 4.79%                                        | 4.59%                                          | 4.42%                                           |
| 13          | 1998              | 11.66%                                                        | 5.58%                                                        | 6.08%                                        | 4.84%                                          | 4.65%                                           |
| 14          | 1999              | 10.77%                                                        | 5.87%                                                        | 4.90%                                        | 5.03%                                          | 4.68%                                           |
| 15          | 2000              | 11.43%                                                        | 5.94%                                                        | 5.49%                                        | 5.19%                                          | 4.82%                                           |
| 16          | 2001              | 11.09%                                                        | 5.49%                                                        | 5.60%                                        | 5.37%                                          | 4.94%                                           |
| 17          | 2002              | 11.16%                                                        | 5.43%                                                        | 5.73%                                        | 5.56%                                          | 5.07%                                           |
| 18          | 2003              | 10.97%                                                        | 4.96%                                                        | 6.01%                                        | 5.55%                                          | 5.19%                                           |
| 19          | 2004              | 10.75%                                                        | 5.05%                                                        | 5.70%                                        | 5.71%                                          | 5.37%                                           |
| 20          | 2005              | 10.54%                                                        | 4.65%                                                        | 5.89%                                        | 5.79%                                          | 5.49%                                           |
| 21          | 2006              | 10.34%                                                        | 4.87%                                                        | 5.47%                                        | 5.76%                                          | 5.57%                                           |
| 22          | 2007              | 10.31%                                                        | 4.83%                                                        | 5.48%                                        | 5.71%                                          | 5.64%                                           |
| 23          | 2008              | 10.37%                                                        | 4.28%                                                        | 6.09%                                        | 5.73%                                          | 5.64%                                           |
| 24          | 2009              | 10.52%                                                        | 4.07%                                                        | 6.45%                                        | 5.88%                                          | 5.79%                                           |
| 25          | 2010              | 10.29%                                                        | 4.25%                                                        | 6.04%                                        | 5.90%                                          | 5.85%                                           |
| 26          | 2011              | 10.19%                                                        | 3.91%                                                        | 6.28%                                        | 6.07%                                          | 5.91%                                           |
| 27          | 2012              | 10.01%                                                        | 2.92%                                                        | 7.09%                                        | 6.39%                                          | 6.05%                                           |
| 28          | 2013              | 9.81%                                                         | 3.45%                                                        | 6.36%                                        | 6.44%                                          | 6.09%                                           |
| 29          | 2014              | 9.75%                                                         | 3.34%                                                        | 6.41%                                        | 6.44%                                          | 6.16%                                           |
| 30          | 2015              | 9.60%                                                         | 2.84%                                                        | 6.76%                                        | 6.58%                                          | 6.24%                                           |
| 31          | 2016              | 9.60%                                                         | 2.60%                                                        | 7.00%                                        | 6.72%                                          | 6.40%                                           |
| 32          | 2017              | 9.68%                                                         | 2.90%                                                        | 6.79%                                        | 6.66%                                          | 6.53%                                           |
| 33          | 2018              | 9.55%                                                         | 3.11%                                                        | 6.44%                                        | 6.68%                                          | 6.56%                                           |
| 34          | 2019              | 9.64%                                                         | 2.58%                                                        | 7.06%                                        | 6.81%                                          | 6.62%                                           |
| 35          | 2020              | 9.39%                                                         | 1.56%                                                        | 7.83%                                        | 7.02%                                          | 6.80%                                           |
| 36          | 2021              | 9.39%                                                         | 2.05%                                                        | 7.34%                                        | 7.09%                                          | 6.91%                                           |
| 37          | 2022              | 9.52%                                                         | 3.12%                                                        | 6.41%                                        | 7.01%                                          | 6.84%                                           |
| 38          | 2023              | 9.66%                                                         | 4.09%                                                        | 5.57%                                        | 6.84%                                          | 6.76%                                           |
| 39          | 2024 <sup>3</sup> | 9.66%                                                         | 4.33%                                                        | 5.33%                                        | 6.49%                                          | 6.65%                                           |
| 40          | <b>Average</b>    | <b>10.84%</b>                                                 | <b>5.14%</b>                                                 | <b>5.70%</b>                                 | <b>5.73%</b>                                   | <b>5.75%</b>                                    |
| 41          | <b>Minimum</b>    |                                                               |                                                              |                                              | <b>4.25%</b>                                   | <b>4.38%</b>                                    |
| 42          | <b>Maximum</b>    |                                                               |                                                              |                                              | <b>7.09%</b>                                   | <b>6.91%</b>                                    |

Sources:

<sup>1</sup> *Regulatory Research Associates, Inc.* , Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3.  
*S&P Global Market Intelligence* , RRA Regulatory Focus, Major Rate Case Decisions, January - March 2024,  
April 19, 2024 at page 3.

2006 - 2024 Authorized Returns exclude limited issue rider cases.

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

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

<sup>3</sup> Data represents January - March, 2024.

## DTE Electric Company

### Equity Risk Premium - Utility Bond

| <u>Line</u> | <u>Year</u>       | <u>Authorized<br/>Electric<br/>Returns<sup>1</sup><br/>(1)</u> | <u>Average<br/>"A" Rated Utility<br/>Bond Yield<sup>2</sup><br/>(2)</u> | <u>Indicated<br/>Risk<br/>Premium<br/>(3)</u> | <u>Rolling<br/>5 - Year<br/>Average<br/>(4)</u> | <u>Rolling<br/>10 - Year<br/>Average<br/>(5)</u> |
|-------------|-------------------|----------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| 1           | 1986              | 13.93%                                                         | 9.58%                                                                   | 4.35%                                         |                                                 |                                                  |
| 2           | 1987              | 12.99%                                                         | 10.10%                                                                  | 2.89%                                         |                                                 |                                                  |
| 3           | 1988              | 12.79%                                                         | 10.49%                                                                  | 2.30%                                         |                                                 |                                                  |
| 4           | 1989              | 12.97%                                                         | 9.77%                                                                   | 3.20%                                         |                                                 |                                                  |
| 5           | 1990              | 12.70%                                                         | 9.86%                                                                   | 2.84%                                         | 3.12%                                           |                                                  |
| 6           | 1991              | 12.55%                                                         | 9.36%                                                                   | 3.19%                                         | 2.88%                                           |                                                  |
| 7           | 1992              | 12.09%                                                         | 8.69%                                                                   | 3.40%                                         | 2.99%                                           |                                                  |
| 8           | 1993              | 11.41%                                                         | 7.59%                                                                   | 3.82%                                         | 3.29%                                           |                                                  |
| 9           | 1994              | 11.34%                                                         | 8.31%                                                                   | 3.03%                                         | 3.26%                                           |                                                  |
| 10          | 1995              | 11.55%                                                         | 7.89%                                                                   | 3.66%                                         | 3.42%                                           | 3.27%                                            |
| 11          | 1996              | 11.39%                                                         | 7.75%                                                                   | 3.64%                                         | 3.51%                                           | 3.20%                                            |
| 12          | 1997              | 11.40%                                                         | 7.60%                                                                   | 3.80%                                         | 3.59%                                           | 3.29%                                            |
| 13          | 1998              | 11.66%                                                         | 7.04%                                                                   | 4.62%                                         | 3.75%                                           | 3.52%                                            |
| 14          | 1999              | 10.77%                                                         | 7.62%                                                                   | 3.15%                                         | 3.77%                                           | 3.52%                                            |
| 15          | 2000              | 11.43%                                                         | 8.24%                                                                   | 3.19%                                         | 3.68%                                           | 3.55%                                            |
| 16          | 2001              | 11.09%                                                         | 7.76%                                                                   | 3.33%                                         | 3.62%                                           | 3.56%                                            |
| 17          | 2002              | 11.16%                                                         | 7.37%                                                                   | 3.79%                                         | 3.61%                                           | 3.60%                                            |
| 18          | 2003              | 10.97%                                                         | 6.58%                                                                   | 4.39%                                         | 3.57%                                           | 3.66%                                            |
| 19          | 2004              | 10.75%                                                         | 6.16%                                                                   | 4.59%                                         | 3.86%                                           | 3.82%                                            |
| 20          | 2005              | 10.54%                                                         | 5.65%                                                                   | 4.89%                                         | 4.20%                                           | 3.94%                                            |
| 21          | 2006              | 10.34%                                                         | 6.07%                                                                   | 4.27%                                         | 4.39%                                           | 4.00%                                            |
| 22          | 2007              | 10.31%                                                         | 6.07%                                                                   | 4.24%                                         | 4.48%                                           | 4.04%                                            |
| 23          | 2008              | 10.37%                                                         | 6.53%                                                                   | 3.84%                                         | 4.37%                                           | 3.97%                                            |
| 24          | 2009              | 10.52%                                                         | 6.04%                                                                   | 4.48%                                         | 4.34%                                           | 4.10%                                            |
| 25          | 2010              | 10.29%                                                         | 5.47%                                                                   | 4.82%                                         | 4.33%                                           | 4.26%                                            |
| 26          | 2011              | 10.19%                                                         | 5.04%                                                                   | 5.15%                                         | 4.51%                                           | 4.45%                                            |
| 27          | 2012              | 10.01%                                                         | 4.13%                                                                   | 5.88%                                         | 4.83%                                           | 4.66%                                            |
| 28          | 2013              | 9.81%                                                          | 4.48%                                                                   | 5.33%                                         | 5.13%                                           | 4.75%                                            |
| 29          | 2014              | 9.75%                                                          | 4.28%                                                                   | 5.47%                                         | 5.33%                                           | 4.84%                                            |
| 30          | 2015              | 9.60%                                                          | 4.12%                                                                   | 5.48%                                         | 5.46%                                           | 4.90%                                            |
| 31          | 2016              | 9.60%                                                          | 3.93%                                                                   | 5.67%                                         | 5.57%                                           | 5.04%                                            |
| 32          | 2017              | 9.68%                                                          | 4.00%                                                                   | 5.68%                                         | 5.53%                                           | 5.18%                                            |
| 33          | 2018              | 9.55%                                                          | 4.25%                                                                   | 5.30%                                         | 5.52%                                           | 5.33%                                            |
| 34          | 2019              | 9.64%                                                          | 3.77%                                                                   | 5.87%                                         | 5.60%                                           | 5.47%                                            |
| 35          | 2020              | 9.39%                                                          | 3.05%                                                                   | 6.34%                                         | 5.77%                                           | 5.62%                                            |
| 36          | 2021              | 9.39%                                                          | 3.10%                                                                   | 6.29%                                         | 5.90%                                           | 5.73%                                            |
| 37          | 2022              | 9.52%                                                          | 4.72%                                                                   | 4.80%                                         | 5.72%                                           | 5.62%                                            |
| 38          | 2023              | 9.66%                                                          | 5.55%                                                                   | 4.11%                                         | 5.48%                                           | 5.50%                                            |
| 39          | 2024 <sup>3</sup> | 9.66%                                                          | 5.53%                                                                   | 4.13%                                         | 5.13%                                           | 5.37%                                            |
| 37          | <b>Average</b>    | <b>10.84%</b>                                                  | <b>6.50%</b>                                                            | <b>4.34%</b>                                  | <b>4.39%</b>                                    | <b>4.39%</b>                                     |
| 40          | <b>Minimum</b>    |                                                                |                                                                         |                                               | <b>2.88%</b>                                    | <b>3.20%</b>                                     |
| 41          | <b>Maximum</b>    |                                                                |                                                                         |                                               | <b>5.90%</b>                                    | <b>5.73%</b>                                     |

Sources:

<sup>1</sup> *Regulatory Research Associates, Inc.*, Regulatory Focus, Major Rate Case Decisions, Jan. 1997 p. 5, and Jan. 2011 p. 3.  
S&P Global Market Intelligence, RRA Regulatory Focus, Major Rate Case Decisions, January - March 2024,  
April 19, 2024 at page 3.

2006 - 2024 Authorized Returns exclude limited issue rider cases.

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

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

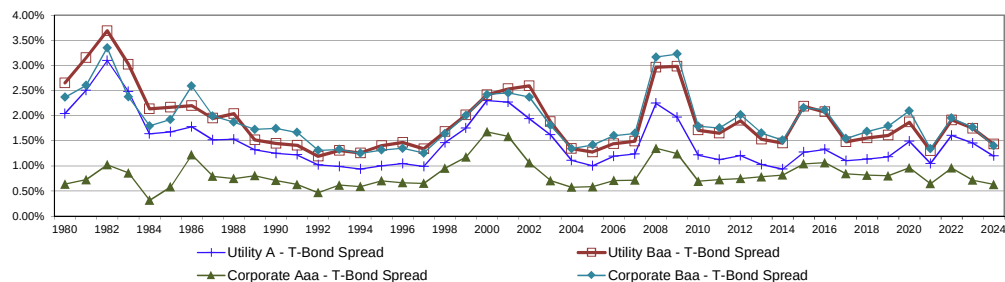
<sup>3</sup> Data represents January - March, 2024.

## DTE Electric Company

### Bond Yield Spreads

| Line | Year              | T-Bond<br>Yield <sup>1</sup><br>(1) | Public Utility Bond   |                         |                           |                             | Corporate Bond          |                         |                             |                             | Utility to Corporate  |                         |
|------|-------------------|-------------------------------------|-----------------------|-------------------------|---------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|-----------------------------|-----------------------|-------------------------|
|      |                   |                                     | A <sup>2</sup><br>(2) | Baa <sup>2</sup><br>(3) | A-T-Bond<br>Spread<br>(4) | Baa-T-Bond<br>Spread<br>(5) | Aaa <sup>3</sup><br>(6) | Baa <sup>3</sup><br>(7) | Aaa-T-Bond<br>Spread<br>(8) | Baa-T-Bond<br>Spread<br>(9) | Baa<br>Spread<br>(10) | A-Aaa<br>Spread<br>(11) |
| 1    | 1980              | 11.30%                              | 13.34%                | 13.95%                  | 2.04%                     | 2.65%                       | 11.94%                  | 13.67%                  | 0.64%                       | 2.37%                       | 0.28%                 | 1.40%                   |
| 2    | 1981              | 13.44%                              | 15.95%                | 16.60%                  | 2.51%                     | 3.16%                       | 14.17%                  | 16.04%                  | 0.73%                       | 2.60%                       | 0.56%                 | 1.78%                   |
| 3    | 1982              | 12.76%                              | 15.86%                | 16.45%                  | 3.10%                     | 3.69%                       | 13.79%                  | 16.11%                  | 1.03%                       | 3.35%                       | 0.34%                 | 2.07%                   |
| 4    | 1983              | 11.18%                              | 13.66%                | 14.20%                  | 2.48%                     | 3.02%                       | 12.04%                  | 13.55%                  | 0.86%                       | 2.38%                       | 0.65%                 | 1.62%                   |
| 5    | 1984              | 12.39%                              | 14.03%                | 14.53%                  | 1.64%                     | 2.14%                       | 12.71%                  | 14.19%                  | 0.32%                       | 1.80%                       | 0.34%                 | 1.32%                   |
| 6    | 1985              | 10.79%                              | 12.47%                | 12.96%                  | 1.68%                     | 2.17%                       | 11.37%                  | 12.72%                  | 0.58%                       | 1.93%                       | 0.24%                 | 1.10%                   |
| 7    | 1986              | 7.80%                               | 9.58%                 | 10.00%                  | 1.78%                     | 2.20%                       | 9.02%                   | 10.39%                  | 1.22%                       | 2.59%                       | -0.39%                | 0.56%                   |
| 8    | 1987              | 8.58%                               | 10.10%                | 10.53%                  | 1.52%                     | 1.95%                       | 9.38%                   | 10.58%                  | 0.80%                       | 2.00%                       | -0.05%                | 0.72%                   |
| 9    | 1988              | 8.96%                               | 10.49%                | 11.00%                  | 1.53%                     | 2.04%                       | 9.71%                   | 10.83%                  | 0.75%                       | 1.87%                       | 0.17%                 | 0.78%                   |
| 10   | 1989              | 8.45%                               | 9.77%                 | 9.97%                   | 1.32%                     | 1.52%                       | 9.26%                   | 10.18%                  | 0.81%                       | 1.73%                       | -0.21%                | 0.51%                   |
| 11   | 1990              | 8.61%                               | 9.86%                 | 10.06%                  | 1.25%                     | 1.45%                       | 9.32%                   | 10.36%                  | 0.71%                       | 1.75%                       | -0.30%                | 0.54%                   |
| 12   | 1991              | 8.14%                               | 9.36%                 | 9.55%                   | 1.22%                     | 1.41%                       | 8.77%                   | 9.80%                   | 0.63%                       | 1.67%                       | -0.25%                | 0.59%                   |
| 13   | 1992              | 7.67%                               | 8.69%                 | 8.86%                   | 1.02%                     | 1.19%                       | 8.14%                   | 8.98%                   | 0.47%                       | 1.31%                       | -0.12%                | 0.55%                   |
| 14   | 1993              | 6.60%                               | 7.59%                 | 7.91%                   | 0.99%                     | 1.31%                       | 7.22%                   | 7.93%                   | 0.62%                       | 1.33%                       | -0.02%                | 0.37%                   |
| 15   | 1994              | 7.37%                               | 8.31%                 | 8.63%                   | 0.94%                     | 1.26%                       | 7.96%                   | 8.62%                   | 0.59%                       | 1.25%                       | 0.01%                 | 0.35%                   |
| 16   | 1995              | 6.88%                               | 7.89%                 | 8.29%                   | 1.01%                     | 1.41%                       | 7.59%                   | 8.20%                   | 0.71%                       | 1.32%                       | 0.09%                 | 0.30%                   |
| 17   | 1996              | 6.70%                               | 7.75%                 | 8.17%                   | 1.05%                     | 1.47%                       | 7.37%                   | 8.05%                   | 0.67%                       | 1.35%                       | 0.12%                 | 0.38%                   |
| 18   | 1997              | 6.61%                               | 7.60%                 | 7.95%                   | 0.99%                     | 1.34%                       | 7.26%                   | 7.86%                   | 0.66%                       | 1.26%                       | 0.09%                 | 0.34%                   |
| 19   | 1998              | 5.58%                               | 7.04%                 | 7.26%                   | 1.46%                     | 1.68%                       | 6.53%                   | 7.22%                   | 0.95%                       | 1.64%                       | 0.04%                 | 0.51%                   |
| 20   | 1999              | 5.87%                               | 7.62%                 | 7.88%                   | 1.75%                     | 2.01%                       | 7.04%                   | 7.87%                   | 1.18%                       | 2.01%                       | 0.01%                 | 0.58%                   |
| 21   | 2000              | 5.94%                               | 8.24%                 | 8.36%                   | 2.30%                     | 2.42%                       | 7.62%                   | 8.36%                   | 1.68%                       | 2.42%                       | -0.01%                | 0.62%                   |
| 22   | 2001              | 5.49%                               | 7.76%                 | 8.03%                   | 2.27%                     | 2.54%                       | 7.08%                   | 7.95%                   | 1.59%                       | 2.45%                       | 0.08%                 | 0.68%                   |
| 23   | 2002              | 5.43%                               | 7.37%                 | 8.02%                   | 1.94%                     | 2.59%                       | 6.49%                   | 7.80%                   | 1.06%                       | 2.37%                       | 0.22%                 | 0.88%                   |
| 24   | 2003              | 4.96%                               | 6.58%                 | 6.84%                   | 1.62%                     | 1.89%                       | 5.67%                   | 6.77%                   | 0.71%                       | 1.81%                       | 0.08%                 | 0.91%                   |
| 25   | 2004              | 5.05%                               | 6.16%                 | 6.40%                   | 1.11%                     | 1.35%                       | 5.63%                   | 6.39%                   | 0.58%                       | 1.35%                       | 0.00%                 | 0.53%                   |
| 26   | 2005              | 4.65%                               | 5.65%                 | 5.93%                   | 1.00%                     | 1.28%                       | 5.24%                   | 6.06%                   | 0.59%                       | 1.42%                       | -0.14%                | 0.41%                   |
| 27   | 2006              | 4.87%                               | 6.07%                 | 6.32%                   | 1.20%                     | 1.44%                       | 5.59%                   | 6.48%                   | 0.71%                       | 1.61%                       | -0.16%                | 0.48%                   |
| 28   | 2007              | 4.83%                               | 6.07%                 | 6.33%                   | 1.24%                     | 1.50%                       | 5.56%                   | 6.48%                   | 0.72%                       | 1.65%                       | -0.15%                | 0.52%                   |
| 29   | 2008              | 4.28%                               | 6.53%                 | 7.25%                   | 2.25%                     | 2.97%                       | 5.63%                   | 7.45%                   | 1.35%                       | 3.17%                       | -0.20%                | 0.90%                   |
| 30   | 2009              | 4.07%                               | 6.04%                 | 7.06%                   | 1.97%                     | 2.99%                       | 5.31%                   | 7.30%                   | 1.24%                       | 3.23%                       | -0.24%                | 0.73%                   |
| 31   | 2010              | 4.25%                               | 5.47%                 | 5.96%                   | 1.22%                     | 1.71%                       | 4.95%                   | 6.04%                   | 0.70%                       | 1.79%                       | -0.08%                | 0.52%                   |
| 32   | 2011              | 3.91%                               | 5.04%                 | 5.57%                   | 1.13%                     | 1.66%                       | 4.64%                   | 5.67%                   | 0.73%                       | 1.76%                       | -0.10%                | 0.40%                   |
| 33   | 2012              | 2.92%                               | 4.13%                 | 4.83%                   | 1.21%                     | 1.90%                       | 3.67%                   | 4.94%                   | 0.75%                       | 2.02%                       | -0.11%                | 0.46%                   |
| 34   | 2013              | 3.45%                               | 4.48%                 | 4.98%                   | 1.03%                     | 1.53%                       | 4.24%                   | 5.10%                   | 0.79%                       | 1.65%                       | -0.12%                | 0.24%                   |
| 35   | 2014              | 3.34%                               | 4.28%                 | 4.80%                   | 0.94%                     | 1.46%                       | 4.16%                   | 4.86%                   | 0.82%                       | 1.52%                       | -0.06%                | 0.12%                   |
| 36   | 2015              | 2.84%                               | 4.12%                 | 5.03%                   | 1.27%                     | 2.19%                       | 3.89%                   | 5.00%                   | 1.05%                       | 2.16%                       | 0.03%                 | 0.23%                   |
| 37   | 2016              | 2.60%                               | 3.93%                 | 4.67%                   | 1.33%                     | 2.08%                       | 3.66%                   | 4.71%                   | 1.07%                       | 2.12%                       | -0.04%                | 0.27%                   |
| 38   | 2017              | 2.90%                               | 4.00%                 | 4.38%                   | 1.10%                     | 1.48%                       | 3.74%                   | 4.44%                   | 0.85%                       | 1.55%                       | -0.06%                | 0.26%                   |
| 39   | 2018              | 3.11%                               | 4.25%                 | 4.67%                   | 1.14%                     | 1.56%                       | 3.93%                   | 4.80%                   | 0.82%                       | 1.69%                       | -0.13%                | 0.32%                   |
| 40   | 2019              | 2.58%                               | 3.77%                 | 4.19%                   | 1.18%                     | 1.61%                       | 3.39%                   | 4.38%                   | 0.81%                       | 1.79%                       | -0.18%                | 0.38%                   |
| 41   | 2020              | 1.56%                               | 3.05%                 | 3.44%                   | 1.49%                     | 1.87%                       | 2.53%                   | 3.66%                   | 0.96%                       | 2.10%                       | -0.22%                | 0.53%                   |
| 42   | 2021              | 2.05%                               | 3.10%                 | 3.36%                   | 1.05%                     | 1.30%                       | 2.70%                   | 3.39%                   | 0.65%                       | 1.34%                       | -0.04%                | 0.40%                   |
| 43   | 2022              | 3.12%                               | 4.72%                 | 5.03%                   | 1.61%                     | 1.91%                       | 4.08%                   | 5.07%                   | 0.96%                       | 1.96%                       | -0.04%                | 0.65%                   |
| 44   | 2023              | 4.09%                               | 5.55%                 | 5.84%                   | 1.45%                     | 1.75%                       | 4.81%                   | 5.86%                   | 0.72%                       | 1.77%                       | -0.02%                | 0.74%                   |
| 45   | 2024 <sup>4</sup> | 4.33%                               | 5.53%                 | 5.77%                   | 1.20%                     | 1.43%                       | 4.97%                   | 5.73%                   | 0.63%                       | 1.40%                       | 0.04%                 | 0.56%                   |
| 46   | Average           | 6.05%                               | 7.53%                 | 7.95%                   | 1.48%                     | 1.90%                       | 6.88%                   | 7.95%                   | 0.83%                       | 1.90%                       | 0.00%                 | 0.65%                   |

Yield Spreads  
Treasury Vs. Corporate & Treasury Vs. Utility



Sources:

- <sup>1</sup> St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>.  
<sup>2</sup> The utility yields for the period 1980-2000 were obtained from Mergent Public Utility Manual, Mergent Weekly News Reports, 2003.  
The utility yields for the period 2001-2009 were obtained from the Mergent Bond Record.  
The utility yields for the period 2010-2023 were obtained from <http://credittrends.moodys.com/>.  
<sup>3</sup> The corporate yields for the period 1980-2009 were obtained from the St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>.  
The corporate yields from 2010-2024 were obtained from <http://credittrends.moodys.com/>.  
<sup>4</sup> Data represents January - March, 2024.

# DTE Electric Company

## 13-Week Treasury and Utility Bond Yields

| <u>Line</u> | <u>Date</u>               | <u>Treasury<br/>Bond Yield<sup>1</sup></u><br>(1) | <u>"A" Rated Utility<br/>Bond Yield<sup>2</sup></u><br>(2) | <u>"Baa" Rated Utility<br/>Bond Yield<sup>2</sup></u><br>(3) |
|-------------|---------------------------|---------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| 1           | 06/21/24                  | 4.39%                                             | 5.59%                                                      | 5.82%                                                        |
| 2           | 06/14/24                  | 4.34%                                             | 5.52%                                                      | 5.74%                                                        |
| 3           | 06/07/24                  | 4.55%                                             | 5.68%                                                      | 5.91%                                                        |
| 4           | 05/31/24                  | 4.65%                                             | 5.77%                                                      | 6.00%                                                        |
| 5           | 05/24/24                  | 4.57%                                             | 5.71%                                                      | 5.94%                                                        |
| 6           | 05/17/24                  | 4.56%                                             | 5.69%                                                      | 5.92%                                                        |
| 7           | 05/10/24                  | 4.64%                                             | 5.77%                                                      | 6.00%                                                        |
| 8           | 05/03/24                  | 4.66%                                             | 5.78%                                                      | 6.01%                                                        |
| 9           | 04/26/24                  | 4.78%                                             | 5.91%                                                      | 6.14%                                                        |
| 10          | 04/19/24                  | 4.72%                                             | 5.85%                                                      | 6.08%                                                        |
| 11          | 04/12/24                  | 4.61%                                             | 5.73%                                                      | 5.95%                                                        |
| 12          | 04/05/24                  | 4.54%                                             | 5.67%                                                      | 5.90%                                                        |
| 13          | 03/28/24                  | 4.34%                                             | 5.50%                                                      | 5.72%                                                        |
| 14          | <b>Average</b>            | <b>4.57%</b>                                      | <b>5.71%</b>                                               | <b>5.93%</b>                                                 |
| 15          | <b>Spread To Treasury</b> |                                                   | <b>1.14%</b>                                               | <b>1.36%</b>                                                 |

Sources:

<sup>1</sup> St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

<sup>2</sup> <http://credittrends.moody's.com/>.

## DTE Electric Company

### 26-Week Treasury and Utility Bond Yields

| <u>Line</u> | <u>Date</u>               | <u>Treasury<br/>Bond Yield<sup>1</sup></u><br>(1) | <u>"A" Rated Utility<br/>Bond Yield<sup>2</sup></u><br>(2) | <u>"Baa" Rated Utility<br/>Bond Yield<sup>2</sup></u><br>(3) |
|-------------|---------------------------|---------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| 1           | 06/21/24                  | 4.39%                                             | 5.59%                                                      | 5.82%                                                        |
| 2           | 06/14/24                  | 4.34%                                             | 5.52%                                                      | 5.74%                                                        |
| 3           | 06/07/24                  | 4.55%                                             | 5.68%                                                      | 5.91%                                                        |
| 4           | 05/31/24                  | 4.65%                                             | 5.77%                                                      | 6.00%                                                        |
| 5           | 05/24/24                  | 4.57%                                             | 5.71%                                                      | 5.94%                                                        |
| 6           | 05/17/24                  | 4.56%                                             | 5.69%                                                      | 5.92%                                                        |
| 7           | 05/10/24                  | 4.64%                                             | 5.77%                                                      | 6.00%                                                        |
| 8           | 05/03/24                  | 4.66%                                             | 5.78%                                                      | 6.01%                                                        |
| 9           | 04/26/24                  | 4.78%                                             | 5.91%                                                      | 6.14%                                                        |
| 10          | 04/19/24                  | 4.72%                                             | 5.85%                                                      | 6.08%                                                        |
| 11          | 04/12/24                  | 4.61%                                             | 5.73%                                                      | 5.95%                                                        |
| 12          | 04/05/24                  | 4.54%                                             | 5.67%                                                      | 5.90%                                                        |
| 13          | 03/28/24                  | 4.34%                                             | 5.50%                                                      | 5.72%                                                        |
| 14          | 03/22/24                  | 4.39%                                             | 5.55%                                                      | 5.78%                                                        |
| 15          | 03/15/24                  | 4.43%                                             | 5.60%                                                      | 5.83%                                                        |
| 16          | 03/08/24                  | 4.26%                                             | 5.48%                                                      | 5.72%                                                        |
| 17          | 03/01/24                  | 4.33%                                             | 5.56%                                                      | 5.79%                                                        |
| 18          | 02/23/24                  | 4.37%                                             | 5.56%                                                      | 5.77%                                                        |
| 19          | 02/16/24                  | 4.45%                                             | 5.62%                                                      | 5.85%                                                        |
| 20          | 02/09/24                  | 4.37%                                             | 5.56%                                                      | 5.79%                                                        |
| 21          | 02/02/24                  | 4.22%                                             | 5.42%                                                      | 5.66%                                                        |
| 22          | 01/26/24                  | 4.38%                                             | 5.54%                                                      | 5.78%                                                        |
| 23          | 01/19/24                  | 4.36%                                             | 5.55%                                                      | 5.80%                                                        |
| 24          | 01/12/24                  | 4.20%                                             | 5.42%                                                      | 5.66%                                                        |
| 25          | 01/05/24                  | 4.21%                                             | 5.47%                                                      | 5.74%                                                        |
| 26          | 12/29/23                  | 4.03%                                             | 5.28%                                                      | 5.54%                                                        |
| 27          | <b>Average</b>            | <b>4.44%</b>                                      | <b>5.61%</b>                                               | <b>5.84%</b>                                                 |
| 28          | <b>Spread To Treasury</b> |                                                   | <b>1.17%</b>                                               | <b>1.40%</b>                                                 |

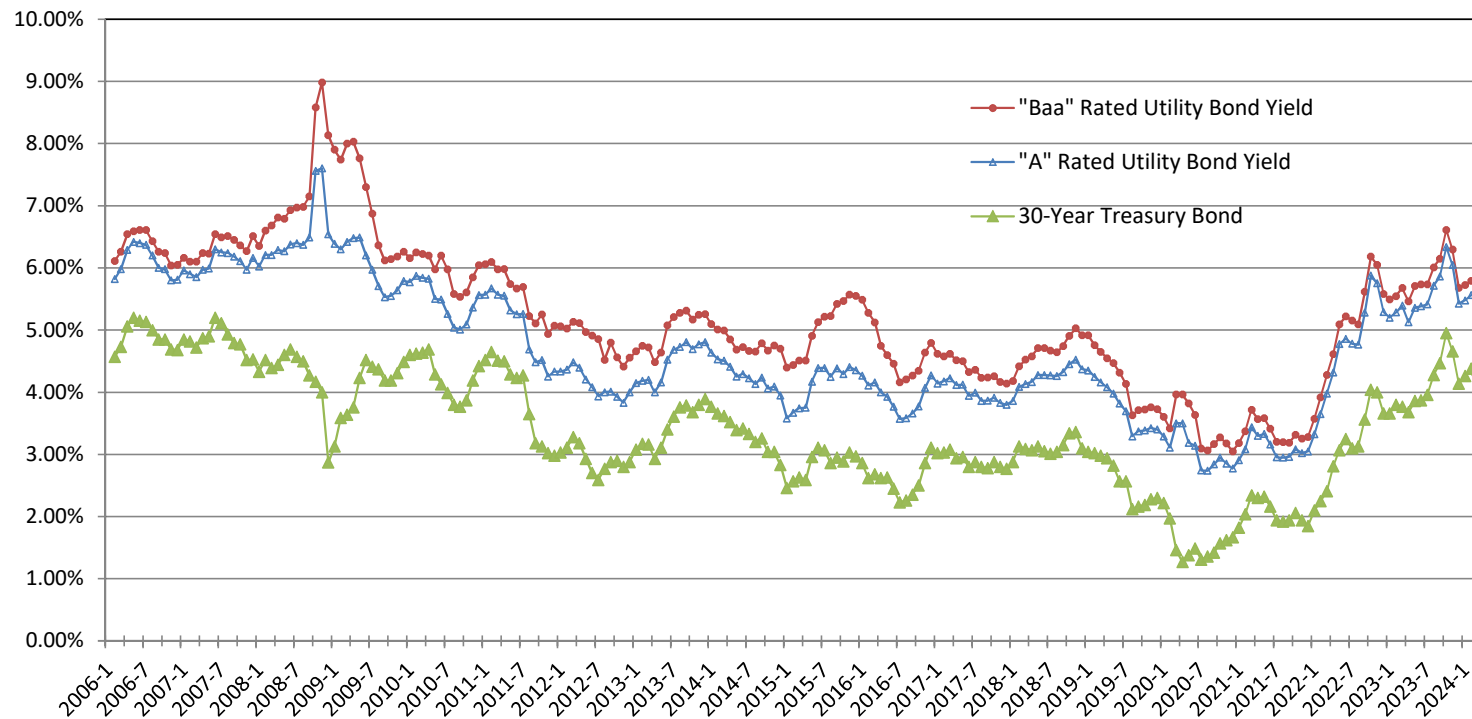
Sources:

<sup>1</sup> St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org>.

<sup>2</sup> <http://credittrends.moodys.com/>.

## DTE Electric Company

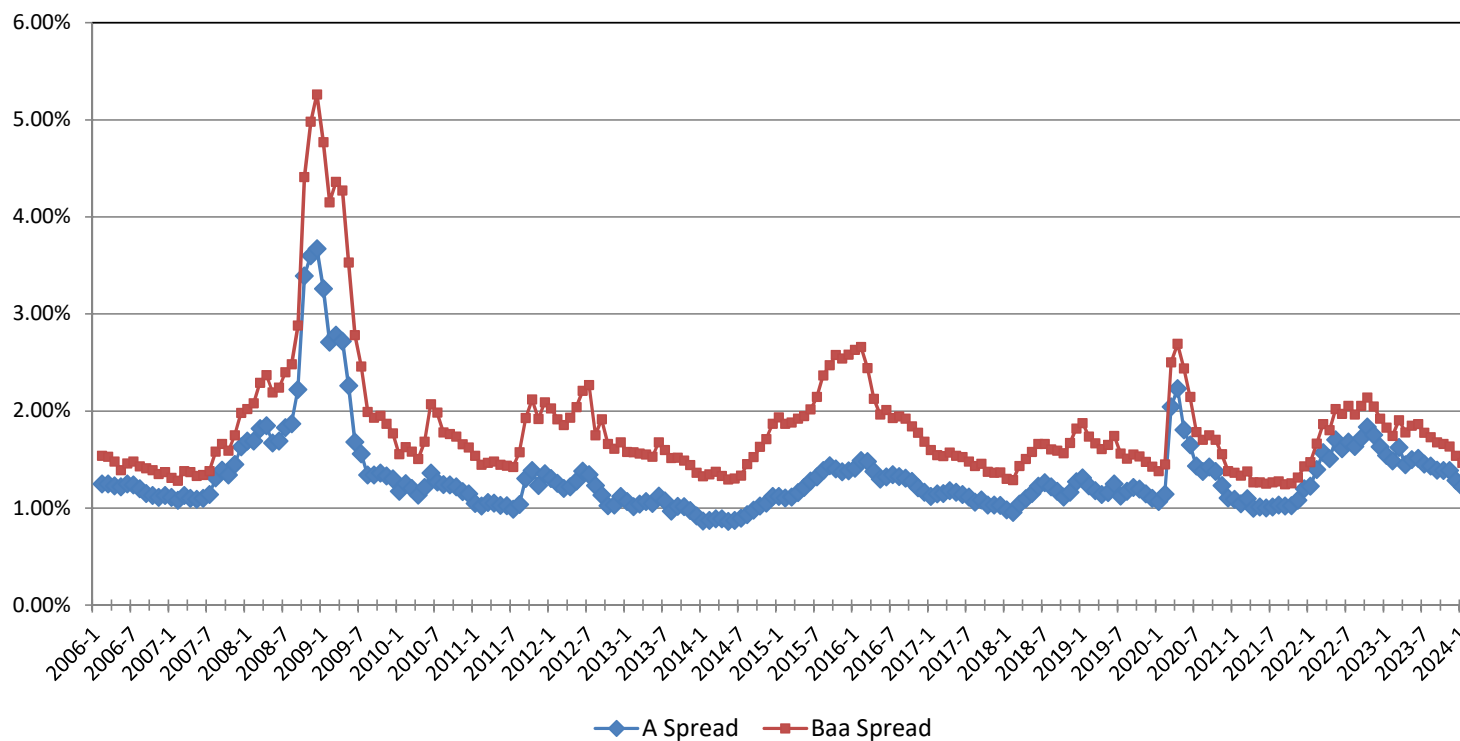
### Trends in Bond Yields



Sources:  
Mergent Bond Record.  
[www.moodys.com](http://www.moodys.com), Bond Yields and Key Indicators.  
St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

## DTE Electric Company

### Yield Spread Between Utility Bonds and 30-Year Treasury Bonds



Sources:  
Mergent Bond Record.  
[www.moodys.com](http://www.moodys.com), Bond Yields and Key Indicators.  
St. Louis Federal Reserve: Economic Research, <http://research.stlouisfed.org/>

## DTE Electric Company

### Beta

| <u>Line</u> | <u>Company</u>                               | <u>Beta</u> <sup>1</sup> | S&P Global<br>Market Intelligence |
|-------------|----------------------------------------------|--------------------------|-----------------------------------|
|             |                                              |                          | <u>Beta</u> <sup>2</sup>          |
| 1           | Alliant Energy Corporation                   | 0.90                     | 0.83                              |
| 2           | American Electric Power Company, Inc.        | 0.85                     | 0.81                              |
| 3           | Ameren Corporation                           | 0.90                     | 0.80                              |
| 4           | Avista Corporation                           | 0.95                     | 0.81                              |
| 5           | Black Hills Corporation                      | 1.05                     | 0.95                              |
| 6           | CMS Energy Corporation                       | 0.85                     | 0.80                              |
| 7           | CenterPoint Energy, Inc.                     | 1.15                     | 0.99                              |
| 8           | Duke Energy Corporation                      | 0.90                     | 0.79                              |
| 9           | Edison International                         | 1.00                     | 0.90                              |
| 10          | Entergy Corporation                          | 1.00                     | 0.91                              |
| 11          | Evergy, Inc.                                 | 0.95                     | 0.85                              |
| 12          | Exelon Corporation                           | NMF                      | 0.90                              |
| 13          | IDACORP, Inc.                                | 0.85                     | 0.83                              |
| 14          | MGE Energy, Inc.                             | 0.80                     | 0.72                              |
| 15          | NextEra Energy, Inc.                         | 1.05                     | 0.86                              |
| 16          | NorthWestern Corporation                     | 0.95                     | 0.92                              |
| 17          | OGE Energy Corp.                             | 1.05                     | 1.03                              |
| 18          | Otter Tail Corporation                       | 0.95                     | 0.90                              |
| 19          | Pinnacle West Capital Corporation            | 0.95                     | 0.90                              |
| 20          | Public Service Enterprise Group Incorporated | 0.95                     | 0.90                              |
| 21          | Sempra Energy                                | 1.00                     | 0.88                              |
| 22          | Southern Company                             | 0.95                     | 0.85                              |
| 23          | WEC Energy Group, Inc.                       | 0.85                     | 0.79                              |
| 24          | Xcel Energy Inc.                             | 0.85                     | 0.80                              |
| 25          | <b>Average</b>                               | <b>0.94</b>              | <b>0.86</b>                       |
| 26          | <b>Median</b>                                | <b>0.95</b>              | <b>0.86</b>                       |
| 27          | <b>Historical Beta</b> <sup>3</sup>          | <b>0.78</b>              |                                   |

Source:

<sup>1</sup> *The Value Line Investment Survey*,  
April 19, May 10, and June 7, 2024.

<sup>2</sup> S&P Global Market Intelligence, betas for the period 6/21/2019 - 6/21/2024.

<sup>3</sup> Exhibit AB-17, page 2.

**DTE Electric Company**

[illegible]

Source: Value Line Software Analyzer.

## DTE Electric Company

### CAPM Return

|             |                                                        |                                                       |                                                           | Average<br>FERC<br>S&P 500 DCF <sup>4</sup> |
|-------------|--------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------|
| <u>Line</u> | <u>Description</u>                                     | Kroll<br>Normalized <sup>2</sup><br><u>MRP</u><br>(1) | Risk Premium <sup>3</sup><br>Derived<br><u>MRP</u><br>(2) | Derived<br><u>MRP</u><br>(3)                |
|             | <u>Current Beta</u>                                    |                                                       |                                                           |                                             |
| 1           | Risk-Free Rate <sup>1,2</sup>                          | 4.67%                                                 | 4.30%                                                     | 4.30%                                       |
| 2           | Market Risk Premium                                    | 5.00%                                                 | 7.30%                                                     | 8.45%                                       |
| 3           | Beta <sup>6</sup>                                      | 0.94                                                  | 0.94                                                      | 0.94                                        |
| 4           | <b>CAPM</b>                                            | <b>9.38%</b>                                          | <b>11.19%</b>                                             | <b>12.27%</b>                               |
|             | <u>Historical Beta</u>                                 |                                                       |                                                           |                                             |
| 5           | Risk-Free Rate <sup>1,2</sup>                          | 4.67%                                                 | 4.30%                                                     | 4.30%                                       |
| 6           | Market Risk Premium                                    | 5.00%                                                 | 7.30%                                                     | 8.45%                                       |
| 7           | Beta <sup>6</sup>                                      | 0.78                                                  | 0.78                                                      | 0.78                                        |
| 8           | <b>CAPM</b>                                            | <b>8.58%</b>                                          | <b>10.01%</b>                                             | <b>10.91%</b>                               |
|             | <u>Current S&amp;P Global Market Intelligence Beta</u> |                                                       |                                                           |                                             |
| 9           | Risk-Free Rate <sup>1,2</sup>                          | 4.67%                                                 | 4.30%                                                     | 4.30%                                       |
| 10          | Market Risk Premium                                    | 5.00%                                                 | 7.30%                                                     | 8.45%                                       |
| 11          | Beta <sup>6</sup>                                      | 0.86                                                  | 0.86                                                      | 0.86                                        |
| 12          | <b>CAPM</b>                                            | <b>8.99%</b>                                          | <b>10.61%</b>                                             | <b>11.60%</b>                               |

Sources:

<sup>1</sup> Kroll Cost of Capital Navigator.

<sup>2</sup> Morningstar Direct.

<sup>3</sup> Kroll 2023 SBBI Yearbook, page 138.

<sup>4</sup> S&P 500 1-Step DCF through June 21, 2024 for Dividend Paying Companies.

<sup>5</sup> S&P 500 1-Step DCF through June 21, 2024 for all Companies.

<sup>6</sup> Exhibit AB-17, page 1.

# DTE Electric Company

## Development of the Market Risk Premium

| <u>Line</u>                                                                  | <u>Description</u>               | <u>MRP</u>                |
|------------------------------------------------------------------------------|----------------------------------|---------------------------|
| <b><u>Risk Premium Based Method:</u></b>                                     |                                  |                           |
| 1                                                                            | Lg. Co. Stock Real Market Return | 9.02% <sup>1</sup>        |
| 2                                                                            | Projected Consumer Price Index   | <u>2.40%</u> <sup>2</sup> |
| 3                                                                            | Expected Market Return           | 11.64%                    |
| 4                                                                            | Risk-Free Rate                   | <u>4.30%</u> <sup>2</sup> |
| 5                                                                            | Market Risk Premium              | <b>7.30%</b>              |
| <b><u>FERC S&amp;P 500 (Dividend Companies) 1-Step DCF Based Method:</u></b> |                                  |                           |
| 6                                                                            | S&P 500 Growth                   | 10.90% <sup>3</sup>       |
| 7                                                                            | Index Dividend Yield             | 1.70% <sup>3</sup>        |
| 8                                                                            | Adjusted Yield                   | <u>1.79%</u>              |
| 9                                                                            | Expected Market Return           | 12.69%                    |
| 10                                                                           | Risk-Free Rate                   | <u>4.30%</u> <sup>2</sup> |
| 11                                                                           | Market Risk Premium              | <b>8.40%</b>              |
| <b><u>FERC S&amp;P 500 (All Companies) 1-Step DCF Based Method:</u></b>      |                                  |                           |
| 12                                                                           | Short-Term S&P 500 Growth        | 11.10% <sup>4</sup>       |
| 13                                                                           | Index Dividend Yield             | 1.60% <sup>4</sup>        |
| 14                                                                           | Adjusted Yield                   | <u>1.69%</u>              |
| 15                                                                           | Expected Market Return           | 12.79%                    |
| 16                                                                           | Risk-Free Rate                   | <u>4.30%</u> <sup>2</sup> |
| 17                                                                           | Market Risk Premium              | <b>8.50%</b>              |
| 18                                                                           | Average DCF Based MRP            | <b>8.45%</b>              |

### Sources & Note:

<sup>1</sup> Morningstar Direct.

<sup>2</sup> *Blue Chip Financial Forecast May 31, 2024.*

<sup>3</sup> S&P 500 1-Step DCF through June 21, 2024 for Dividend Paying Companies.

<sup>4</sup> S&P 500 1-Step DCF through June 21, 2024 for all Companies.