

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Liberty Utilities (New York Water) Corp.

Case 26-W-0358

October 1, 2026

Prepared Exhibits of:

Staff Finance Panel

Andrew Hale
Associate Utility Financial
Analyst

Hasan Ahmed
Senior Utility Financial Analyst
Office of Accounting, Audits,
and Finance

State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Liberty Utilities (New York Water) Corp.
Case 26-W-0358

Staff Finance Panel
Index of Exhibits

Exhibit	Description	PDF Page
Cover Page		1
Index of Exhibits		2
Exhibit__ (SFP-1)	Interrogator Responses	3
Exhibit__ (SFP-2)	Staff Rate of Return Calculation	20
Exhibit__ (SFP-3)	Table Summarizing the Financial integrity Measure Instituted at NY Utilities	21
Exhibit__ (SFP-4)	Staff Calculation of Parent Company Capital Structure	25
Exhibit__ (SFP-5)	List of Proxy Group Companies	26
Exhibit__ (SFP-6)	Staff Return on Equity Calculation	30
Exhibit__ (SFP-7)	Excerpts of Quantitative Profiles Publication from BOAS	33
Exhibit__ (SFP-8)	Dr. Roger A. Morin	39
Exhibit__ (SFP-9)	Credit Matrix	44

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**Liberty Utilities (New York Water) Corp.
26-W-0358 Rate Case
Water Rates**

Request No.:	DPS-249
Requested By:	Andrew Hale and Hasan Ahmed
Information Requested of:	Deborah Franco (Management)
Date of Request:	July 29, 2026
Response Due Date:	August 10, 2026
Date of Response:	August 18, 2026
Name & Position of Respondent:	Gregory Martella Director, Accounting
Subject:	Historical Capital Structure

LIBERTY UTILITIES (NEW YORK WATER) CORP.'S GENERAL DEFINITIONS

1. "DPS" shall mean the New York State Department of Public Service.
2. "General Objections" shall mean the general objections Liberty NYW provided in response to DPS-001.
3. "Liberty NYW" or the "Company" shall mean Liberty Utilities (New York Water) Corp.
4. "LUCo" shall mean Liberty Utilities Co.
5. "LUSC" shall mean the Liberty Utilities Service Corp.
6. "Protective Order" shall mean the Protective Order adopted by Administrative Law Judges Leah Soule Amyot and Henry James Joseph on June 25, 2026, in this case.
7. "PSC" shall mean the New York State Public Service Commission.
8. "PSL" shall mean the New York State Public Service Law.
9. "Staff" shall mean DPS Staff.

DPS-249

Provide historical capital structures for December 31, 2023, 2024, and 2025, similar to the capital structure provided as then current for 2025 in the response to pre-filed IR DPS-048, for Liberty New York Water, Liberty Utilities Company, and Algonquin Power and Utilities Corp. in Excel format, with all formulae intact and unlocked. Include the actual dollar amounts and percentages.

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**Liberty Utilities (New York Water) Corp.
26-W-0358 Rate Case
Water Rates**

DPS-249 continued.

Liberty NYW's Response to DPS-249.

Liberty NYW hereby incorporates the General Objections. Subject to and without waiving any of the General Objections, Liberty NYW provides the following response:

For APUC and LUCo capital structures for the requested years, please see Attachment DPS-249.1.

For the Liberty NYW capital structure for the requested years, please see Attachment DPS-249.2. The attachment provides information for SA1, SA2, and Total Company.

Name and Title of Person(s) Responsible for Response: Gregory Martella Director, Accounting
Date: August 18, 2026

Liberty Utilities (New York Water) Corp.

26-W-0358

DPS-249

CONFIDENTIAL

Liberty Utilities Co.

Capital Structure

31-Dec-25

Description	Financial Statements						Adjusted	
	Amount (\$)	Capital Ratios	Short Term Debt ²	Hybrid Loans ³	Preferred Stock ⁴	Securitized Debt ⁵	Amount (\$)	Capital Ratios
Long Term Debt - including current portion ¹	3,653.4	38.3%	(337.0)	-	-	(277.8)	3,038.6	34.1%
Preferred Stock	-	0.0%				-	-	0.0%
Redeemable Non Controlling Interest, held by Related Party	-	0.0%					-	0.0%
Redeemable Non Controlling Interest	-	0.0%					-	0.0%
Common Equity	5,873.5	61.7%		-	-		5,873.5	65.9%
Total Common Equity	5,873.5	61.7%	-	-	-	-	5,873.5	65.9%
Total Capital	9,526.9	100.0%	(337.0)	-	-	(277.8)	\$ 8,912.1	100.0%

Notes:¹ Total debt as reported in the Financial Statements which includes credit facilities, commercial paper.² Credit facilities, commercial paper excluded for regulatory purposes³ Hybrid loans, if any, treated as 50% equity.⁴ Preferred Stock, if any, is treated 50% debt and 50% equity⁵ Securitized debt at Empire is excluded from total debt.

Liberty Utilities (New York Water) Corp.

26-W-0358

DPS-249

CONFIDENTIAL

Liberty Utilities Co.

Capital Structure

31-Dec-24

Description	Financial Statements						Adjusted	
	Amount (\$)	Capital Ratios	Short Term Debt ²	Hybrid Loans ³	Preferred Stock ⁴	Securitized Debt ⁵	Amount (\$)	Capital Ratios
Long Term Debt - including current portion ¹	3,419.2	38.0%	(383.0)	-	-	(302.5)	2,733.7	32.9%
Preferred Stock	-	0.0%					-	0.0%
Redeemable Non Controlling Interest, held by Related Party	-	0.0%					-	0.0%
Redeemable Non Controlling Interest	-	0.0%					-	0.0%
Common Equity	5,587.7	62.0%		-	-		5,587.7	67.1%
Total Common Equity	5,587.7	62.0%	-	-	-	-	5,587.7	67.1%
Total Capital	9,006.9	100.0%	(383.0)	-	-	(302.5)	\$ 8,321.4	100.0%

Notes:¹ Total debt as reported in the Financial Statements which includes credit facilities, commercial paper.² Credit facilities, commercial paper excluded for regulatory purposes³ Hybrid loans, if any, treated as 50% equity.⁴ Preferred Stock, if any, is treated 50% debt and 50% equity⁵ Securitized debt at Empire is excluded from total debt.

Liberty Utilities (New York Water) Corp.

26-W-0358

DPS-249

CONFIDENTIAL

Liberty Utilities Co.

Capital Structure

31-Dec-23

Description	Financial Statements						Adjusted	
	Amount (\$)	Capital Ratios	Short Term Debt ²	Hybrid Loans ³	Preferred Stock ⁴	Securitized Debt ⁵	Amount (\$)	Capital Ratios
Long Term Debt - including current portion ¹	3,094.6	36.6%	(1,588.1)	-	-	-	1,506.5	21.9%
Preferred Stock	-	0.0%			-		-	0.0%
Redeemable Non Controlling Interest, held by Related Party	-	0.0%					-	0.0%
Redeemable Non Controlling Interest	-	0.0%					-	0.0%
Common Equity	5,360.1	63.4%		-	-		5,360.1	78.1%
Total Common Equity	5,360.1	63.4%	-	-	-	-	5,360.1	78.1%
Total Capital	8,454.7	100.0%	(1,588.1)	-	-	-	\$ 6,866.6	100.0%

Notes:¹ Total debt as reported in the Financial Statements which includes credit facilities, commercial paper.² Credit facilities, commercial paper excluded for regulatory purposes³ Hybrid loans, if any, treated as 50% equity.⁴ Preferred Stock, if any, is treated 50% debt and 50% equity⁵ Securitized debt at Empire is excluded from total debt.

Liberty Utilities (New York Water) Corp.

26-W-0358

DPS-249

CONFIDENTIAL

Algonquin Power & Utilities Corp**Capital Structure**

31-Dec-25

Description	Financial Statements						Adjusted	
	Amount (\$)	Capital Ratios	Short Term Debt ²	Hybrid Loans ³	Preferred Stock ⁴	Securitized Debt ⁵	Amount (\$)	Capital Ratios
Long Term Debt - including current portion ¹	6,532.9	56.4%	(420.0)	(687.5)	92.2	(277.8)	5,239.8	48.1%
Preferred Stock	184.3	1.6%			(184.3)		-	0.0%
Redeemable Non Controlling Interest, held by Related Party	-	0.0%					-	0.0%
Redeemable Non Controlling Interest	-	0.0%					-	0.0%
Common Equity	4,864.0	42.0%		687.5	92.2		5,643.6	51.9%
Total Common Equity	4,864.0	42.0%	-	687.5	92.2	-	5,643.6	51.9%
Total Capital	11,581.2	100.0%	(420.0)	-	-	(277.8)	\$ 10,883.4	100.0%

Notes:¹ Total debt as reported in the Financial Statements which includes credit facilities, commercial paper.² Credit facilities, commercial paper excluded for regulatory purposes³ Hybrid loans treated as 50% equity for regulatory purposes⁴ Preferred Stock is treated 50% debt and 50% equity⁵ Securitized debt at Empire is excluded from total debt

Liberty Utilities (New York Water) Corp.

26-W-0358

DPS-249

CONFIDENTIAL

Algonquin Power & Utilities Corp**Capital Structure**

31-Dec-24

Description	Financial Statements						Adjusted	
	Amount (\$)	Capital Ratios	Short Term Debt ²	Hybrid Loans ³	Preferred Stock ⁴	Securitized Debt ⁵	Amount (\$)	Capital Ratios
Long Term Debt - including current portion ¹	6,698.8	52.0%	(814.0)	(680.8)	92.1	(302.5)	4,993.6	42.5%
Preferred Stock	184.3	1.4%			(184.3)		-	0.0%
Redeemable Non Controlling Interest, held by Related Party	-	0.0%					-	0.0%
Redeemable Non Controlling Interest	5	0.0%					5	0.0%
Common Equity	5,992.0	46.5%		680.8	92.1		6,764.9	57.5%
Total Common Equity	5,997.0	46.6%	-	680.8	92.1	-	6,769.9	57.5%
Total Capital	12,880.0	100.0%	(814.0)	-	-	(302.5)	\$ 11,763.5	100.0%

Notes:¹ Total debt as reported in the Financial Statements which includes credit facilities, commercial paper.² Credit facilities, commercial paper excluded for regulatory purposes³ Hybrid loans treated as 50% equity for regulatory purposes⁴ Preferred Stock is treated 50% debt and 50% equity⁵ Securitized debt at Empire is excluded from total debt

Liberty Utilities (New York Water) Corp.

26-W-0358

DPS-249

CONFIDENTIAL

Algonquin Power & Utilities Corp**Capital Structure**

31-Dec-23

Description	Financial Statements						Adjusted	
	Amount (\$)	Capital Ratios	Short Term Debt ²	Hybrid Loans ³	Preferred Stock ⁴	Securitized Debt ⁵	Amount (\$)	Capital Ratios
Long Term Debt - including current portion ¹	8,516.0	55.1%	(2,892.9)	(1,837.4)	92.1	-	3,878.0	30.9%
Preferred Stock	184.3	1.2%			(184.3)		-	0.0%
Redeemable Non Controlling Interest, held by Related Party	308	2.0%					308	2.5%
Redeemable Non Controlling Interest	10	0.1%					10	0.1%
Common Equity	6,440.1	41.7%		1,837.4	92.1		8,369.6	66.6%
Total Common Equity	6,758.5	43.7%	-	1,837.4	92.1	-	8,688.0	69.1%
Total Capital	15,458.8	100.0%	(2,892.9)	-	-	-	\$ 12,565.9	100.0%

Notes:¹ Total debt as reported in the Financial Statements which includes credit facilities, commercial paper.² Credit facilities, commercial paper excluded for regulatory purposes³ Hybrid loans (\$1,384.9M) treated as 50% equity; Green Equity Units (\$1,144.9M) treated 100% equity for regulatory purposes⁴ Preferred Stock is treated 50% debt and 50% equity⁵ Securitized debt at Empire is excluded from total debt

COMPARATIVE BALANCE SHEET
Case 26-W-0358

Exhibit_ (SFP-1)
Page 9 of 17

Line No.	Title of Account	Service Area 1			Service Area 2		
		2023	2024	2025	2023	2024	2025
1	UTILITY PLANT						
2	Water Plant (101-107, 114, 116, 117, 118.1, 118.2)	534,194,034	571,696,399	614,396,221	237,306,043	261,002,018	270,196,271
3	(Less) Accum. Prov. for Depr. Amort. Depl. (108-113, 115, 119.1, 119.2)	101,530,466	103,692,061	110,853,243	68,681,219	68,688,540	72,397,804
4	Net Utility Plant (Total of line 2 less 3)	432,663,568	468,004,338	503,542,978	168,624,824	192,313,478	197,798,467
5	OTHER PROPERTY AND INVESTMENTS						
6	Nonutility Property (121)	38,639	38,639	42,837	24,729	24,729	20,531
7	(Less) Accum. Prov. for Depr. and Amort. (122)						
8	Investments in Associated Companies (123)						
9	Investment in Subsidiary Companies (123.1)						
10	Other Investments (124)						
11	Sinking Funds (125)						
12	Depreciation Funds (126)						
13	Other Special Funds (128)						
14	TOTAL Other Property and Investments (Total of lines 6 thru 13)	38,639	38,639	42,837	24,729	24,729	20,531
15	CURRENT AND ACCRUED ASSETS						
16	Cash (131)	(621,371)	(607,308)	(565,442)	389,265	398,313	352,540
17	Interest Special Deposits (132)						
18	Dividend Special Deposits (133)						
19	Other Special Deposits (134)						
20	Working Fund (135)						
21	Temporary Cash Investments (136)						
22	Notes Receivable (141)						
23	Customer Accounts Receivable (142)	15,895,173	15,875,210	14,637,993	3,901,320	1,064,451	4,915,874
24	Other Accounts Receivable (143)	478,547	215,465	85,313	(232,394)	(400,768)	(318,920)
25	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	3,761,358	1,690,605	1,849,690	2,443,238	1,104,716	1,012,074
26	Notes Receivable from Associated Companies (145)						
27	Accounts Receivable from Assoc. Companies (146)	342,367,661	349,138,255	375,964,143	245,227,944	248,215,870	206,026,167
28	Materials and Supplies (150)	5,084,302	3,762,581	3,109,238	3,441,649	2,408,064	1,490,226
29	Prepayments (165)	739,620	1,584,615	1,640,138	1,152,133	650,518	677,524
30	Interest and Dividends Receivable (171)						
31	Rents Receivable (172)						
32	Accrued Utility Revenues (173)	2,976,123	2,976,123	2,835,818	1,218,874	1,218,874	1,359,179
33	Miscellaneous Current and Accrued Assets (174)	253			162		
34	TOTAL Current and Accrued Assets (Enter Total of lines 16 thru 33)	363,158,950	371,254,336	395,857,512	252,655,715	252,450,605	213,490,517
35	DEFERRED DEBITS						
36	Unamortized Debt Expense (181)						
37	Extraordinary Property Losses (182)						
38	Preliminary Survey and Investigative Charges (183)						
39	Clearing Accounts (184)	(43,677)	0	0	43,677	0	
40	Temporary Facilities (185)						
41	Miscellaneous Deferred Debits (186)	53,945,793	39,574,337	25,595,414	32,615,175	21,907,541	14,581,854
42	Investment in Research and Development (188)						
43	Unamortized Loss on Reacquired Debt						
44	Accumulated Deferred Income Taxes (190)	15,184,128	19,932,218	21,417,497	6,353,282	8,629,185	10,580,049
45	TOTAL Deferred Debits (Enter Total of lines 36 thru 44)	69,086,244	59,506,554	47,012,911	39,012,135	30,536,727	25,161,903
46	TOTAL Assets and Other Debits (Enter Total of lines 4, 14, 34, and 45)	864,947,401	898,803,867	946,456,238	460,317,403	475,325,539	436,471,418
48							
49	PROPRIETARY CAPITAL						
50	Common Stock Issued (201)	10,000,000	10,000,000	10,000,000			
51	Preferred Stock Issued (204)						
52	Capital Stock Subscribed (202, 205)						
53	Stock Liability for Conversion (203, 206)						
54	Premium on Capital Stock (207)						
55	Other Paid-in Capital (208-211)	132,119,190	131,631,392	195,706,286	116,864,118	116,551,926	93,277,032
56	Installments Received on Capital Stock (212)						
57	(Less) Discount on Capital Stock						
58	(Less) Capital Stock Expense (214)						
59	Retained Earnings (215, 216)	43,065,111	52,991,489	71,226,117	11,546,044	5,313,285	8,130,690
60	(Less) Reacquired Capital Stock (217)						
61	TOTAL Proprietary Capital (Total of lines 2 thru 12)	185,184,302	194,622,881	276,932,402	128,410,162	121,865,211	101,407,722
62	LONG-TERM DEBT						
63	Bonds (221)						
64	(Less) Reacquired Bonds (222)						
65	Advances from Associated Companies (223)			226,709,785			91,920,215
66	Other Long-Term Debt (224)						
67	Unamortized Premium on Long-Term Debt (225)						
68	(Less) Unamortized Discount on Long-Term Debt-Debit (226)						
69	TOTAL Long-Term Debt (Total of Lines 16 thru 20)	-	-	226,709,785	-	-	91,920,215
70	OPERATING RESERVES						
71	Obligations Under Capital Leases - Noncurrent						
72	Property Insurance Reserve (261)						
73	Injuries and Damages Reserve (262)						
74	Pensions and Benefits Reserve (263)	106,250	(2,396,759)	(5,670,130)	3,420,909	862,029	61,662
75	Misc Operating Reserves (265)						
76	TOTAL Operating Reserves (Total lines 23 thru 27)	106,250	(2,396,759)	(5,670,130)	3,420,909	862,029	61,662
77	CURRENT AND ACCRUED LIABILITIES						
78	Notes Payable (231)						
79	Accounts Payable (232)	1,285,744	1,531,968	2,578,295	805,707	201,743	211,861
80	Notes Payable to Associated Companies (233)	134,745,181	134,745,181	-	63,884,819	63,884,819	-
81	Accounts Payable to Associated Companies (234)	460,893,242	492,416,207	381,179,109	216,892,144	243,439,490	208,410,481
82	Customer Deposits (235)						
83	Taxes Accrued (236)	785,291	243,299	557,741	245,892	138,906	172,722
84	Interest Accrued (237)	8,888,474	13,736,732	2,323,315	5,688,651	8,791,551	1,113,541
85	Dividends Declared (238)						
86	Matured Long-Term Debt (239)	34			22		
87	Matured Interest (240)						
88	Tax Collections Payable (241)		439,920	502,319		3,672	11,573
89	Miscellaneous Current and Accrued Liabilities (242)	387,132	890,270	2,901,050	6,332,278	5,620,213	3,887,754
90	Obligations Under Capital Leases - Current						
91	TOTAL Current and Accrued Liabilities (Total of lines 30 thru 42)	606,985,097	644,003,576	390,041,829	293,849,513	322,080,394	213,807,931
92	DEFERRED CREDITS						
93	Customer Advances for Construction (252)	3,934,922	3,711,695	2,661,834	(250,161)	(281,202)	1,031,226
94	Other Deferred Credits (253)	51,267,969	35,842,768	30,837,645	27,577,729	20,833,266	15,921,110
95	Accumulated Deferred Investment Tax Credits (255)						
96	Deferred Gains from Disposition of Utility Plant						
97	Unamortized Gain on Reacquired Debt						
98	Accumulated Deferred Income Taxes (281 - 283)	17,468,860	23,019,706	24,942,872	7,309,250	9,965,841	12,321,552
99	TOTAL Deferred Credits (Total of lines 45 thru 50)	72,671,752	62,574,169	58,442,351	34,636,819	30,517,905	29,273,888
100	TOTAL Liabilities and Other Credits(Total of lines 13, 21, 28, 43 and 51)	864,947,401	898,803,867	946,456,238	460,317,403	475,325,539	436,471,418
101							

COMPARATIVE BALANCE SHEET
Case 26-W-0358

Exhibit_ (SFP-1)
Page 10 of 17

Line No.	Title of Account	
1	UTILITY PLANT	
2	Water Plant (101-107, 114, 116, 117, 118.1, 118.2)	
3	(Less) Accum. Prov. for Depr. Amort. Depl. (108-113, 115, 119.1, 119.2)	
4	Net Utility Plant (Total of line 2 less 3)	
5	OTHER PROPERTY AND INVESTMENTS	
6	Nonutility Property (121)	
7	(Less) Accum. Prov. for Depr. and Amort. (122)	
8	Investments in Associated Companies (123)	
9	Investment in Subsidiary Companies (123.1)	
10	Other Investments (124)	
11	Sinking Funds (125)	
12	Depreciation Funds (126)	
13	Other Special Funds (128)	
14	TOTAL Other Property and Investments (Total of lines 6 thru 13)	
15	CURRENT AND ACCRUED ASSETS	
16	Cash (131)	
17	Interest Special Deposits (132)	
18	Dividend Special Deposits (133)	
19	Other Special Deposits (134)	
20	Working Fund (135)	
21	Temporary Cash Investments (136)	
22	Notes Receivable (141)	
23	Customer Accounts Receivable (142)	
24	Other Accounts Receivable (143)	
25	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	
26	Notes Receivable from Associated Companies (145)	
27	Accounts Receivable from Assoc. Companies (146)	
28	Materials and Supplies (150)	
29	Prepayments (165)	
30	Interest and Dividends Receivable (171)	
31	Rents Receivable (172)	
32	Accrued Utility Revenues (173)	
33	Miscellaneous Current and Accrued Assets (174)	
34	TOTAL Current and Accrued Assets (Enter Total of lines 16 thru 33)	
35	DEFERRED DEBITS	
36	Unamortized Debt Expense (181)	
37	Extraordinary Property Losses (182)	
38	Preliminary Survey and Investigative Charges (183)	
39	Clearing Accounts (184)	
40	Temporary Facilities (185)	
41	Miscellaneous Deferred Debits (186)	
42	Investment in Research and Development (188)	
43	Unamortized Loss on Reacquired Debt	
44	Accumulated Deferred Income Taxes (190)	
45	TOTAL Deferred Debits (Enter Total of lines 36 thru 44)	
46	TOTAL Assets and Other Debits (Enter Total of lines 4, 14, 34, and 45)	
47		
48		
49	PROPRIETARY CAPITAL	
50	Common Stock Issued (201)	
51	Preferred Stock Issued (204)	
52	Capital Stock Subscribed (202, 205)	
53	Stock Liability for Conversion (203, 206)	
54	Premium on Capital Stock (207)	
55	Other Paid-in Capital (208-211)	
56	Installments Received on Capital Stock (212)	
57	(Less) Discount on Capital Stock	
58	(Less) Capital Stock Expense (214)	
59	Retained Earnings (215, 216)	
60	(Less) Reacquired Capital Stock (217)	
61	TOTAL Proprietary Capital (Total of lines 2 thru 12)	
62	LONG-TERM DEBT	
63	Bonds (221)	
64	(Less) Reacquired Bonds (222)	
65	Advances from Associated Companies (223)	
66	Other Long-Term Debt (224)	
67	Unamortized Premium on Long-Term Debt (225)	
68	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	
69	TOTAL Long-Term Debt (Total of Lines 16 thru 20)	
70	OPERATING RESERVES	
71	Obligations Under Capital Leases - Noncurrent	
72	Property Insurance Reserve (261)	
73	Injuries and Damages Reserve (262)	
74	Pensions and Benefits Reserve (263)	
75	Misc Operating Reserves (265)	
76	TOTAL Operating Reserves (Total lines 23 thru 27)	
77	CURRENT AND ACCRUED LIABILITIES	
78	Notes Payable (231)	
79	Accounts Payable (232)	
80	Notes Payable to Associated Companies (233)	
81	Accounts Payable to Associated Companies (234)	
82	Customer Deposits (235)	
83	Taxes Accrued (236)	
84	Interest Accrued (237)	
85	Dividends Declared (238)	
86	Matured Long-Term Debt (239)	
87	Matured Interest (240)	
88	Tax Collections Payable (241)	
89	Miscellaneous Current and Accrued Liabilities (242)	
90	Obligations Under Capital Leases - Current	
91	TOTAL Current and Accrued Liabilities (Total of lines 30 thru 42)	
92	DEFERRED CREDITS	
93	Customer Advances for Construction (252)	
94	Other Deferred Credits (253)	
95	Accumulated Deferred Investment Tax Credits (255)	
96	Deferred Gains from Disposition of Utility Plant	
97	Unamortized Gain on Reacquired Debt	
98	Accumulated Deferred Income Taxes (281 - 283)	
99	TOTAL Deferred Credits (Total of lines 45 thru 50)	
100	TOTAL Liabilities and Other Credits(Total of lines 13, 21, 28, 43 and 51)	
101		

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**Liberty Utilities (New York Water) Corp.
26-W-0358 Rate Case
Water Rates**

Request No.:	DPS-250
Requested By:	Andrew Hale and Hasan Ahmed
Information Requested of:	Kurt Strunk (LNYW ROE Witness)
Date of Request:	July 29, 2026
Response Due Date:	August 10, 2026
Date of Response:	August 10, 2026
Name & Position of Respondent:	Sharon Moore Analyst II, Rates and Regulatory Affairs
Subject:	Cost of Capital Testimony Clarification 2

LIBERTY UTILITIES (NEW YORK WATER) CORP.'S GENERAL DEFINITIONS

1. "DPS" shall mean the New York State Department of Public Service.
2. "General Objections" shall mean the general objections Liberty NYW provided in response to DPS-001.
3. "Liberty NYW" or the "Company" shall mean Liberty Utilities (New York Water) Corp.
4. "LUCo" shall mean Liberty Utilities Co.
5. "LUSC" shall mean the Liberty Utilities Service Corp.
6. "Protective Order" shall mean the Protective Order adopted by Administrative Law Judges Leah Soule Amyot and Henry James Joseph on June 25, 2026, in this case.
7. "PSC" shall mean the New York State Public Service Commission.
8. "PSL" shall mean the New York State Public Service Law.
9. "Staff" shall mean DPS Staff.

DPS-250

Refer to Company witness Kurt G. Strunk's direct testimony and exhibits for the following questions:

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST

Liberty Utilities (New York Water) Corp.
26-W-0358 Rate Case
Water Rates

1. On page 16 of Exhibit KGS-8, the Company states that Zack's five-year growth for Artesian Resource Corporation, Global Water Resources, Inc, and The York Water Company were 6.60%, 6.40%, and 6.60%, respectively. However, in the associated work papers that the Company provided, the growth rate for Global Water Resources is shown as 6.60%. Which growth rate is correct?
2. On page 17 of the testimony, the Company states that the Yield Plus Growth estimate is a form of the DCF model that substitutes the dividend yield and earnings growth of the industry for those of the proxy group. How does the use of this model produce reliable ROE results when it includes companies that did not meet the Company's proxy group criteria?
3. On page 22 of the testimony, lines 19 through 22, and page 23, lines 1 through 2, the Company explains the examination of expected earnings for the six-proxy group companies shown in Exhibit KGS-15. The testimony also states that Value Line and Bloomberg have not published earnings estimates for three of the six proxy group companies, which is more than half of the total proxy group. Explain how the Company accounts for the missing half of the Value Line or Bloomberg data used in its proxy group's expected earnings model, which was then used to compare the results with the Company's recommended ROE.
4. On page 26 of the testimony, lines 11 through 15, the Company states that 24 basis points were added into the ROE recommendation to account for the added risk of Liberty Water New York as compared to the companies in the proxy group. Provide the calculation, analysis, and any documentation supporting this 24-basis point adjustment.

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**Liberty Utilities (New York Water) Corp.
26-W-0358 Rate Case
Water Rates**

DPS-250 continued.

Liberty NYW's Response to DPS-250.

Liberty NYW hereby incorporates the General Objections. Subject to and without waiving any of the General Objections, Liberty NYW provides the following response:

1. Zacks did not provide a 5-year growth forecast for the individual companies listed. Mr. Strunk assumed growth rates for Artesian Resource Corporation, Global Water Resources, and the York Water Company that are equal to the industry growth rate of 6.6%.
2. Mr. Strunk includes the Yield Plus Growth model because it is an easily accessed reference benchmark for the investment community that influences investor expectations for the sector. While it does not incorporate the entire sector and is not based on an applicant-specific proxy group screening process, it is nevertheless a useful benchmark that is reliable in the sense that investors can observe it and the observed yield and growth forecast can influence investor expectations of returns in the sector.
3. Mr. Strunk relied upon expected earnings for those companies for which Value Line did publish an earnings estimate. The missing data does not inform Mr. Strunk's opinion.
4. As noted, the credit rating for Liberty Water New York's parent company is BBB. As shown in cells E12 and E13 in tab "13. Risk Premium" (Attachment DPS-250.01) of Mr. Strunk's ROE Model, BBB rated bonds are yielding 35 basis points higher yields than A rated bonds (ratings for the proxy companies). The use of a 24-basis point premium is conservative relative to the credit spreads (and higher debt costs) observed in the marketplace. Because equity owners are residual claimants, the spread on the cost of debt can be viewed as a floor on differentials in the cost of equity for utilities with different credit ratings, all else equal.

Name and Title of Person(s) Responsible for Response: Sharon Moore Analyst II, Rates and Regulatory Affairs

Date: August 10, 2026

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**Liberty Utilities (New York Water)
Corp. 26-W-0358 Rate Case
Water Rates**

Request No.:	DPS-049
Requested By:	New York Department of Public Service
Information Requested of:	Liberty Utilities (New York Water) Corp.
Date of Request:	May 29, 2026
Response Due Date:	May 29, 2026
Date of Response:	May 29, 2026
Name & Position of Respondent:	Moazzam Chanda, Director, Treasury
Subject:	Rate of Return

LIBERTY UTILITIES (NEW YORK WATER) CORP.'S GENERAL DEFINITIONS

1. "DPS" shall mean the New York State Department of Public Service.
2. "General Objections" shall mean the general objections Liberty NYW provided in response to DPS-001.
3. "Liberty NYW" or "the Company" shall mean Liberty Utilities (New York Water) Corp.
4. "PSC" shall mean the New York State Public Service Commission.
5. "PSL" shall mean the New York State Public Service Law.
6. "Staff" shall mean DPS Staff.

DPS-049

Provide a detailed schedule of the weighted average cost of debt that includes the following data for each class and series of long-term debt outstanding for the historic test year, the rate year and an subsequent rate years included in the company's filing

- a) Title;
- b) Date of issuance and date of maturity;
- c) Interest rate;
- d) Principal amount of issue;
- e) Amount outstanding; and amortization of issuance expenses, premiums, discounts, and sinking fund requirements.

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**Liberty Utilities (New York Water)
Corp. 26-W-0358 Rate Case
Water Rates**

DPS-049 continued.

Liberty NYW's Response to DPS-049.

Liberty NYW hereby incorporates the General Objections. Subject to and without waiving any of the General Objections, Liberty NYW provides the following response:

Liberty NYW has an outstanding long-term debt balance of \$318,630,000 under the following intercompany promissory notes:

1. \$198,630,000 promissory note with Liberty Utilities Co. dated March 1, 2022. Interest rate is 4.003% and the maturity date is March 1, 2042. Liberty NYW incurred debt issuance costs of \$2,101,574 which will be amortized over the 20-year term of the debt. See Attachment DPS-049.1.
2. \$120,000,000 promissory note with Liberty Utilities Co. dated November 18, 2025. Interest rate is 5.487% and the maturity date is November 18, 2035. Liberty NYW incurred debt issuance costs of \$1,132,200 which will be amortized over the 10-year term of the debt. See Attachment DPS-049.2

Liberty NYW's weighted average cost of debt is 4.56%.

Name and Title of Person(s) Responsible for Response: Moazzam Chanda, Director, Treasury

Date: May 29, 2026

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST

Liberty Utilities (New York Water)
Corp. 26-W-0358 Rate Case
Water Rates

Request No.:	DPS-053
Requested By:	New York Department of Public Service
Information Requested of:	Liberty Utilities (New York Water) Corp
Date of Request:	May 29, 2026
Response Due Date:	May 29, 2026
Date of Response:	May 29, 2026
Name & Position of Respondent:	Crystal Greene Director, Financial Planning & Analysis
Subject:	Rate of Return

LIBERTY UTILITIES (NEW YORK WATER) CORP.’S GENERAL DEFINITIONS

1. “DPS” shall mean the New York State Department of Public Service.
2. “General Objections” shall mean the general objections Liberty NYW provided in response to DPS-001.
3. “Liberty NYW” or “the Company” shall mean Liberty Utilities (New York Water) Corp.
4. “PSC” shall mean the New York State Public Service Commission.
5. “PSL” shall mean the New York State Public Service Law.
6. “Staff” shall mean DPS Staff.

DPS-053

Provide a monthly or quarterly forecast of balances of all sources of capital (debt, equity, preferred stock, customer deposits) from the end of the historic test year through the end of each rate year.

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST

Liberty Utilities (New York Water)
Corp. 26-W-0358 Rate Case
Water Rates

DPS-053 continued.

Liberty NYW’s Response to DPS-053.

Liberty NYW hereby incorporates the General Objections. Subject to and without waiving any of the General Objections, Liberty NYW provides the following response:

Liberty NYW is not projecting a change to the capital structure; however, for rate making purposes, the Company is applying a capital structure of 48% equity and 52% long-term debt.

Name and Title of Person(s) Responsible for Response: Crystal Greene Director, Financial Planning & Analysis
Date: May 29, 2026

Case 26-W-0358

LIBERTY UTILITIES (NEW YORK WATER) CORP.

**Rate of Return Required For:
Twelve Months Ending April 30, 2028**

	<u>Average Capitalization %</u>	<u>Cost Rate %</u>	<u>Weighted Cost Rate %</u>	<u>Pre-Tax Cost Rate %</u>
Long Term Debt	52.00%	4.56%	2.37%	2.37%
Customer Deposits	0.00%	4.20%	0.00%	0.00%
Common Equity	<u>48.00%</u>	9.20%	<u>4.42%</u>	<u>6.11%</u>
Total Capitalization	<u><u>100.00%</u></u>		<u><u>6.79%</u></u>	<u><u>8.48%</u></u>

			National Grid - KEDNY & KEDLI	National Grid - Niagara Mohawk Merger JP 2002	Case 12-E-0201/12-G-0202 National Grid - Niagara Mohawk Rate Plan Provisions Modified 2013
	Central Hudson/Fortis*	Iberdrola			
Ring Fencing					
1. Transaction/Implementation Costs	Not charged to ratepayers	Not charged to ratepayers	Not charged to ratepayers	Not charged to ratepayers	N/A
2. Goodwill	Not recorded on utility books to the extent permitted by US GAAP or reflected in rates	Not recorded on utility books (unless required by SEC registration) or reflected in rates**	May be recorded on KEDNY/KEDLI books pursuant to GAAP, but not pushed down on the regulatory books. Excluded from rate base, expenses and capitalization in determining rates or earnings.	Carried on utility books, however never able to be recovered in rates, and no portion of goodwill included in equity portion of capitalization for ratemaking. Debt and equity ratios will be established in rate cases (in a separate document)	Carried on utility books, however never able to be recovered in rates, and no portion of goodwill included in equity portion of capitalization for ratemaking. Debt and equity ratios will be established in rate cases (in separate a document).
3. Goodwill Impairment Tests	Must provide to Commission	Must provide to Staff	Not stated	Not explicitly stated	Not explicitly stated
4. Credit Ratings	Must register with a least 2 agencies	Must register with 2 agencies	Must register with 2 agencies	Must register with a least 2 agencies. If bond ratings fall to below investment grade permission to pay dividends must be obtained from the Commission.	Superceded by #7 and #8 - see below
5. Dividends-Minimum Equity Ratio	1. Must maintain an equity ratio within 200 basis points of the one used to set rates.	Based on the ratio used for rates**. Dividends can not be paid if bond ratings fall to the lowest investment grade level and are on negative watch and the dividend will cause the equity ratio to fall below the level set for earnings sharing purposes.	Can pay dividends in any year provided at least two recognized rating agencies give it an investment-grade credit rating	Not stated	No limitations as long as average total debt does not exceed 55% of capital structure. If it exceeds 55%, limitations in place
	2. Dividends are scaled back starting with a rating drop below 'BBB+' by more than one rating agency.				
6. Dividends-Limited to	Average annual income available for common stock	Income and retained earnings	Income available for dividends in that year, plus cumulative retained earnings, plus certain paid in capital	Average annual income available for common stock + \$100M (2001-2002) gradually reduced to \$0 in 2007 and beyond	Applicable law.
7. Imputed Cost of Debt due to Deterioration of Utility Credit Ratings	If Central Hudson's S&P rating drops to BBB+ or lower or the equivalent for Moody's, Fitch or DBRS, and its interest costs increase because of the downgrade, the increased interest costs will not be reflected in Central Hudson's cost of capital in subsequent rate cases. (three-year limit)	If utility credit ratings fall as a result of action by or against and affiliate, the lower cost of debt will be imputed.**	If bonds rating falls below A or A3, then any long-term debt will be "priced" as if it has been sold by an A-/A3 utility	Not stated	If bond ratings fall to below BBB- or Baa3 rates will be established based upon a BBB- or Baa3 bond rating and any resulting difference in interest expense will be disallowed for ratemaking purposes.
8. Consequences of Loss of Investment Grade Credit Rating	Dividends cannot be paid	If the credit ratings fall to the lowest investment grade rating and there is a negative watch or review downgrade notice or they fall below investment grade, neither NYSEG nor RG&E may transfer, lease, or lend any moneys, assets, rights, or other items of value to any affiliate. They are also constrained in paying dividends if equity ratio in earnings sharing provision isn't met.	1. No dividends are payable. 2. Can't pay dividends at any point in time when its bond rating is at the lowest investment grade and one or more rating agencies have outstanding negative watch or review downgrade notice, or the bond rating of National Grid is at the lowest investment grade rating and there is a negative watch/review downgrade notice by one or more U.S. nationally recognized rating agencies.	Dividends cannot be paid without Commission approval	If bond ratings fall to below BBB- or Baa3 rates will be established based upon a BBB- or Baa3 bond rating and any resulting difference in interest expense will be disallowed for ratemaking purposes.
9. Loss of Investment Grade Credit Rating	The companies must file a plan to rectify the downgrade	The companies must file a plan to rectify the downgrade	In the event an action by a rating agency triggers a dividend restriction, it may not transfer, lease, or lend any moneys, assets, rights or other items of value to any affiliate without first obtaining the Commission's permission.	Not stated	Not stated
10. Money Pooling	Utilities may participate where participants are other utilities	Utilities may participate where participants are other utilities	Regulated Money Pool' prohibits it from directly or indirectly loaning or transferring funds borrowed from the money pool to National Grid USA, National Grid plc and all other non-participants in the money pool.	Utility can participate in SEC-approved Money Pool established by parent company	Not stated

			National Grid - KEDNY & KEDLI	National Grid - Niagara Mohawk Merger JP 2002	Case 12-E-0201/12-G-0202 National Grid - Niagara Mohawk Rate Plan Provisions Modified 2013
	Central Hudson/Fortis*	Iberdrola			
11. Cross Default Provisions	Not allowed	Not allowed	Future cross default provisions not allowed and any existing ones post merger are to eliminated within 6 months of the closing of the merger.	Not stated in documents but financing orders disallow cross default provisions.	Not stated in documents but financing orders disallow cross default provisions.
12. Bankruptcy Preferred Stock	Required	Required	Require	Required by May 24, 2011 Order in Cases 06-M-0878 (KeySpan Merger) 01-M-0075 (Niagara Mohawk Merger)	Required carry-over from 06-M-0878 and 01-M-0075.
13. Accounting Method	Must follow US GAAP	Must follow US GAAP	Follow US GAAP	Not explicitly stated	Not explicitly stated
14. Sarbanes-Oxley Protections	Continue as if public company	Continue as modified**	File Sarbanes-Oxley	N/A - Prior to SOX	Not stated
15. Independent Audits	Required	Required	Has independent audits	Not explicitly stated	Not stated
16. Access to Books and Records	-Access to upstream owners books and records (subject to relevance)	-Access to upstream owners books and records (subject to relevance)**	Access to upstream owners' books and records. Access to affiliate books and records (monitor transactions)	Full access to parent company and other subsidiaries books	Full access to parent company and other subsidiaries books
	-Access to affiliates books and records (if transactions occur)	-Access to affiliates books and records (if transactions occur)			
17. Parent and affiliate consolidated financial statements	Must annually file complete set of financial statements that it files with Canadian securities regulators, which are in US GAAP, for Fortis, Inc. and its major regulated and unregulated energy company subsidiaries in the US in US dollars. US business entities with annual revenues less than ten percent of total Fortis revenues may be aggregated, provided each entity included is fully identified. To the extent available will also provide from a recognized financial reporting service such as SNL Financial or Bloomberg, Fortis Inc.'s "as reported" quarterly and annual Balance Sheet, Income Statement and Statement of Cash Flows in U.S. dollars with the underlying currency translation assumptions.	Required in former SEC format (U-9C-3 and U-5S). These forms provided consolidating financial statements that were previously required under the PUHCA of 1935 but eliminated when energy holding co. regulation transferred to FERC in energy act of 2005. These have been found to be useful since you can see stand alone audited financial statements and capitalization of each subsidiary	Required in former SEC format (U-9C-3 and U-5S). These forms provided consolidating financial statements that were previously required under the PUHCA of 1935 but eliminated when energy holding co. regulation transferred to FERC in energy act of 2005. These have been found to be useful since you can see stand alone audited financial statements and capitalization of each subsidiary	Required in former SEC format (U-9C-3 and U-5S). These forms provided consolidating financial statements that were previously required under the PUHCA of 1935 but eliminated when energy holding co. regulation transferred to FERC in energy act of 2005. These have been found to be useful since you can see stand alone audited financial statements and capitalization of each subsidiary	Required in former SEC format (U-9C-3 and U-5S). These forms provided consolidating financial statements that were previously required under the PUHCA of 1935 but eliminated when energy holding co. regulation transferred to FERC in energy act of 2005. These have been found to be useful since you can see stand alone audited financial statements and capitalization of each subsidiary
18. Information on Domestic Holding Company Capital Structure		Information to be provided in rate cases.	Not stated	Not stated	Not stated
19. SEC Registration	Will not be registered with the SEC	Becomes effective when registration is found to be cost effective.	File with SEC	Not stated	Not stated
20. Tax Sharing Agreement	Not stated	Required as part of compliance filings**	Not stated	Not stated	Not stated
21. Indemnification of utilities from affiliate tax liabilities	Required	Required**	Not stated	Not stated	Not stated
22. Utilities stand alone taxes/ held harmless from adverse tax consequences	Not stated	Required**	Not stated	Not stated	Not stated
Affiliate Transactions/Code of Conduct					
23. Filing of changes	Must provide notice to PSC Secretary and Staff 30 days prior to amending	Changes to be filed with Director of OAAF and Secretary	Changes to be filed with Director of OAAF	Subject to review and approval by both DPS and SEC	Changes to be filed with Commission Secretary
24. Use of affiliate's name	A competitive affiliate operating within Central Hudson's service territory may not use the name "Central Hudson"	No restrictions/no royalty imputed	No restrictions/no royalty imputation	No restrictions/no royalty imputed	No restrictions/no royalty imputed for National Grid companies
25. Preferential treatment of affiliates	Central Hudson may not give preferential treatment to affiliates	DISCO may not give preferential treatment to affiliates	DISCO may not give preferential treatment to affiliates	May not give preferential treatment to affiliates	May not give preferential treatment to affiliates
26. Disclosure of customer information to affiliates	Prohibited without customer authorization	Prohibited	Prohibits	No sales leads allowed to be given to affiliates	No sales leads allowed to be given to affiliates
27. Company Liaison	Designated by company	Designated by company	Designated by company	Not stated	Not stated

			National Grid - KEDNY & KEDLI	National Grid - Niagara Mohawk Merger JP 2002	Case 12-E-0201/12-G-0202 National Grid - Niagara Mohawk Rate Plan Provisions Modified 2013
	Central Hudson/Fortis*	Iberdrola			
28. Books and Records/Offices	Central Hudson shall maintain separate books and records from affiliates. Must request Commission approval to establish a separate workspace for a competitive affiliate in an existing CH office.	-DISCO books and offices separate	DISCO books separate but can occupy same building with regulated affiliates	Shall maintain separate books and records from affiliates	Shall maintain separate books and records from affiliates
		-DISCO may not give preferential access to its property to affiliates			
29. Cost Allocation Guidelines	Fully allocated cost	Fully allocated cost required	Fully allocated cost required	Fully allocated cost required	Fully allocated cost required
30. DISCO Asset Transfers	Governed by Section 70 of the Public Service Law	Higher of book or market value	Higher of book or market value	Higher of book or market value and subject to commission approval	Higher of book or market value and subject to commission approval
31. Cost Allocation Reporting	Annual - Transfers of assets, shared employees, employee transfers, employee loans for emergencies, contracts, cost allocations, affiliate transactions and competitor or customer complaints concerning the course of conduct between CH & any affiliate related to these Standards.	Annual - Transfers of assets, cost allocations, employee transfers, affiliate transactions and complaints concerning conduct.	Annual meeting with senior staff addressing capital attraction, financial performance, asset/employee transfer, etc.	Annual - Transfers of assets, cost allocations, employee transfers and employees in common benefit plans, OEEE special services. Quarterly - all National Grid's SEC filings with the Commission.	Annual - Transfers of assets, cost allocations, employee transfers and employees in common benefit plans, Quarterly - all National Grid's SEC filings with the Commission.
32. Sharing of DISCO Employees	Separate operating employees	Separate operating employees	Separate operating employees	Utility and unregulated affiliates must have separate operating employees	Utility and unregulated affiliates must have separate operating employees
33. Directors/Officers	Director/Officer of Central Hudson may not serve as Director/Officer of competitive affiliate	No interlocking directors with non-regulated businesses	No interlocking directors and non-regulated businesses except for the Treasurer and/or Secretary	Utility and unregulated affiliates must have separate directors/officers	Utility and unregulated affiliates must have separate directors/officers
34. Employee transfers	Transferred employees to/from affiliate competing with Central Hudson must stay for 1 year minimum	-Transferred employees to/from DISCO must stay for 1 year minimum	Transferred employees to/from DISCO must resign from former position and must stay for minimum of 1 year. Employees can be shared for emergencies	Restrictions on transfers between utility and unregulated affiliate Employee transfer credit of 25% of salary - waived for first 4 years after merger	Restrictions on transfers between utility and unregulated affiliate Employee transfer credit of 25% of salary
		-Employees can be shared for emergencies			
35. Compensation tying	Can be tied to aggregate performance of Central Hudson and any affiliate, including compensation based on Fortis's stock performance	Can be tied to aggregate performance of parent or its stock	Can be tied to aggregate performance of parent or its stock	Cannot be tied to affiliates	Cannot be tied to affiliates
36. Goods and Services	No shared services planned and must provide 180 days notice prior to any planned material shared service initiative that will require Commission approval.	Shared services may be provided to DISCO at fully loaded cost	Shared services may be provided to DISCO at fully loaded cost. Goods may be provided to DISCO at lower of cost or market.	Regulations on both currently provided incidental services and proposed new services	Not stated
		-Goods may be provided to DISCO at lower of cost or market.			
Governance					
37. Reporting	<u>Quarterly report:</u> management employee transfers.	<u>Quarterly report:</u> key personnel, major corporate transactions, changes in capitalization, Board of Director Agendas**			
38. Board of Directors-Composition	Majority must be independent	1/3 of Networks Board shall be independent **	Not stated	Majority will be outside directors (not affiliated with parent company)	Majority will be outside directors (not affiliated with parent company)
		-Majority of utility board must be eligible directors (not affiliated with parent or other affiliates)**			
		-A lead independent director will be established**			
39. Board of Directors-Representation	Majority must reside in New York, with at least two residing in service territory.	½ of independent directors live/work in service territory or have utility experience**	Not stated	Not stated	Not stated
40. Separate Chairman and CEO	Not stated	Required for utilities and utility holdco**	Not stated	Not stated	Not stated
41. Conflicts of Interest	Not stated	Disclosure of Board level conflicts of interest required	Not stated	Not stated	Not stated
42. Audit and Compliance Committee Composition (ACC)	Majority must be independent directors	2/3 shall be independent directors as well as the Chairman of the ACC**	Not stated	Not stated	Not stated
43. Corporate Headquarters	In service territory	In service territory **	Not stated	In Syracuse	In Syracuse
44. Officer/Executive Locations	At least 50% of officers must Reside in service territory.	Majority of executives to work in service territory **	Not stated	In New York State	Only senior mgt involved in day to day operations are required to be In New York State
45. Communications with Board	Not stated	Staff and Commissioners may submit written communications to the Secretary of the Networks Board of Directors**	Not stated	Not stated	Not stated

			National Grid - KEDNY & KEDLI	National Grid - Niagara Mohawk Merger JP 2002	Case 12-E-0201/12-G-0202 National Grid - Niagara Mohawk Rate Plan Provisions Modified 2013
	Central Hudson/Fortis*	Iberdrola			
46. Community involvement	Central Hudson must maintain at not less than current (2011) levels for ten years after the closing (2013-2022).	Not stated	Not stated	Not stated	Not stated
47. Service Quality	Continuation of customer service, reliability and safety mechanisms with increased negative revenue adjustments for failure to meet targets	Specific performance (and capital expenditure commitments) and reporting and penalties set forth in Safety, Reliability, and Service Protection Conditions (Appendix 2).	Continuation of customer service, reliability and safety mechanisms with increased negative revenue adjustments for failure to meet targets	Specific objectives and penalties set forth in Service Quality Assurance Program	Specific objectives and penalties set forth in Service Quality Assurance Program
48. Employees	Current employees retained four years after closing under current conditions of employment	Iberdrola committed that existing employee compensation and benefits will remain substantially unchanged for a period of at least eighteen months after consummation of the merger.	Not stated	Not stated	Not stated
Economic/Rate Benefits					
49. Synergy Savings / Sharing	\$1.85 million per year guaranteed for first five years (\$9.25 million)	None	50/50, after 5 year rate plan, 100% to customers	Synergy Savings - Phase in to \$130M per year allocated 62% to NY Efficiency Gains - Phase in to \$60M per year allocated 100% to NY	N/A
50. Other Positive Benefits	1. \$35 million storm deferral write-off 2. \$5 million economic development fund	\$275 million of PBA credits	\$106M KEDNY, \$154M KEDLI		N/A
51. Other Economic Benefits	Establishment of a pilot program to test ideas for economically expanding gas service to new customers	\$200 million wind investment and if not made, a \$25 million payment (pro-rated based on actual investments) to economic development fund will be required	Not stated		N/A
52. Rates and Earnings Sharing Mechanism (ESM)	1. Rate Freeze through 7/13/15. 2. 10.0% to 10.5% ESM deadband per current Rate Plan eliminated and 50/50 sharing starts at 10.0%.	13 Month Rate Freeze followed by the implementation of an ESM (customers get 80% in excess of 10.1% ROE)	5 year rate plan, KEDNY \$75M rate increase over 5 years, KEDLI \$60M year 1 rate increase and \$100M increase over 4 years. Earnings sharing begins at 10.50% ROE with graduated levels of sharing.	Customers get: 50% ROE 11.75-14% 75% ROE 14-16% 90% ROE > 16%	Customers get: 50% ROE 9.3-10.3% 75% ROE 10.3-11.3% 90% ROE > 11.3%
53. Follow on Merger Savings	Must be shared.	Must be shared.	Not stated	Must be shared.	Not stated
54. Fossil Generation Divestiture	Not stated	Required for affiliates in NYS and they cannot own fossil generation in NYS in future.	Divest Ravenswood Station	Not stated	Not stated
* Includes enhancements to the Joint Proposal offered by the Joint Petitioners in 5/30/13 letter to Commissioners					
**Pending Company Acceptance of Commission Order					
Notes:					
(1) The SEC registration requirement may obligate the utilities to record goodwill on their books.					
This is a summary of conditions through the eyes of Staff. The official position of the Commission is contained in the orders in the respective cases					

Case 26-W-0358

Calculation of Common Equity Ratios

	LUCo	APUC
Long-Term Debt	\$3,297,600	\$6,179,400
Preferred Equity		\$184,300
Non-Controlling Interest	\$328,500	\$407,200
Common Equity	\$5,545,000	\$4,641,100
Total Capital	\$9,171,100	\$11,412,000
Goodwill	\$1,107,700	\$1,320,100
Equity less Goodwill	\$4,437,300	\$3,321,000
Capital less Goodwill	\$8,063,400	\$10,091,900
LT Debt Ratio w/ GW	35.96%	54.15%
Preferred EQR w/ GW		1.61%
NC-Interest Ratio w/ GW	3.58%	3.57%
EQR Ratio w/ GW	60.46%	40.67%
LT Debt Ratio w/o GW	40.90%	61.23%
Preferred EQR w/o GW		1.83%
NC-Interest Ratio w/o GW	4.07%	4.03%
EQR Ratio w/o GW	55.03%	32.91%

Sources:

- 1) Liberty Utilities Company, 2025 Financial Statements
- 2) Algonquin Power & Utilities Corp. 2025 Financial Statements

2025 10-K Proxy Group Regulated Reveunes-Staff Companies

#	Company Name	Ticker	Industry	Moody's Credit Ratings ⁷	S&P Credit Ratings ⁷	2025 (\$M)		
						Regulated Utility Revenue	Total Revenue	% Utility Revenue
1	Alliant Energy Corp	LNT	Central	Baa2	BBB+	4,273	4,362	98.0%
2	Ameren Corp.	AEE	Central	Baa1	BBB+	8,799	8,799	100.0%
3	American Electric Power	AEP	Central	Baa2	BBB+	18,970	21,876	86.7%
4	Avista	AVA	West	Baa2	BBB	1,963	1,964	99.9%
5	CMS Energy Corp.	CMS	Central	Baa2	BBB+	8,131	8,539	95.2%
6	Consolidated Edison	ED	Central	Baa1	A-	16,920	16,918	100.0%
7	Duke Energy Corp.	DUK	East	Baa2	BBB+	32,237	32,237	100.0%
8	Edison International	EIX	West	Baa2	BBB-	19,276	19,317	99.8%
9	Entergy Corp.	ETR	Central	Baa2	BBB+	12,888	12,947	99.5%
10	Evergy Inc	EVRG	Central	Baa2	BBB+	5,678	5,962	95.2%
11	Eversource Energy	ES	East	Baa2	BBB+	13,493	13,547	99.6%
12	Exelon	EXC	East	Baa2	A-	24,258	24,258	100.0%
13	FirstEnergy Corp	FE	East	Baa3	BBB+	14,932	15,090	99.0%
14	IDACORP, Inc.	IDA	West	Baa3	BBB	1,810	1,813	99.8%
15	OGE Energy Corp.	OGE	West	Baa1	BBB+	2,885	3,260	88.5%
16	Pinnacle West Capital	PNW	Central	Baa2	BBB+	5,084	5,340	95.2%
17	PPL Corp	PPL	West	Baa1	A-	9,041	9,042	100.0%
18	Public Service Enterprise Group	PSEG	East	Baa2	BBB+	9,098	12,168	74.8%
19	Southern Co.	SO	East	Baa1	A-	26,285	29,553	88.9%
20	WEC Energy Group	WEC	West	Baa1	A-	9,452	9,800	96.4%
21	Xcel Energy, Inc.	XEL	Central	Baa1	BBB+	14,612	14,669	99.6%
22	American States Water	AWR	Water	N/A	A	521	658	79.2%
23	California Water Service Group	CWT	Water	N/A	A+	964	1,000	96.4%
24	Middlesex Water Co	MSEX	Water	N/A	A	183	195	93.8%
AVERAGE						10,906	11,388	95.24%

Staff's 2025 Proxy Group Universe - Summary

				2026	2026	2025 (\$M)	2025 (\$M)	2025
Total No.	Company Name	Ticker	Industry	Moody's Credit Ratings ⁷	S&P Credit Ratings ⁷	Regulated Revenue	Total Revenue	% Regulate Revenue
Electric Utility (East), March 3, 2026								
1	Consolidated Edison Inc.	ED	East ¹	Baa1	A-	16,920	16,918	100.0%
3	Duke Energy Corp.	DUK	East ¹	Baa2	BBB+	32,237	32,237	100.0%
4	Eversource Energy	ES	East ¹	Baa2	BBB+	13,493	13,547	99.6%
5	Exelon Corp.	EXC	East ¹	Baa2	A-	24,258	24,258	100.0%
6	FirstEnergy Corp.	FE	East ¹	Baa3	BBB+	14,932	15,090	99.0%
9	PPL Corp.	PPL	East ¹	Baa1	A-	9,041	9,042	100.0%
10	Public Service Enterprise Group Inc.	PEG	East ¹	Baa2	BBB+	9,098	12,168	74.8%
11	Southern Co.	SO	East ¹	Baa1	A-	26,285	29,553	88.9%
Electric Utility (Central), March 3, 2026								
13	Alliant Energy Corp.	LNT	Central ²	Baa2	BBB+	4,273	4,362	98.0%
14	Ameren Corp.	AEE	Central ²	Baa1	BBB+	8,799	8,799	100.0%
15	American Electric Power Co. Inc.	AEP	Central ²	Baa2	BBB+	18,970	21,876	86.7%
17	CMS Energy Corp.	CMS	Central ²	Baa2	BBB+	8,131	8,539	95.2%
19	Entergy Corp.	ETR	Central ²	Baa2	BBB+	12,888	12,947	99.5%
20	Evergy Inc.	EVRG	Central ²	Baa2	BBB+	5,678	5,962	95.2%
23	OGE Energy Corp.	OGE	Central ²	Baa1	BBB+	2,885	3,260	88.5%
25	WEC Energy Group Inc.	WEC	Central ²	Baa1	A-	9,452	9,800	96.5%
Electric Utility (West), March 3, 2026								
26	Avista Corp.	AVA	West ³	Baa2	BBB	1,963	1,964	99.9%
28	Edison International	EIX	West ³	Baa2	BBB-	19,276	19,317	99.8%
30	IDACORP Inc.	IDA	West ³	Baa3	BBB	1,810	1,813	99.8%
33	Pinnacle West Capital Corp.	PNW	West ³	Baa2	BBB+	5,084	5,340	95.2%
37	Xcel Energy Inc.	XEL	West ³	Baa1	BBB+	14,612	13,702	99.6%
Water Utility, March 3, 2026								
49	American States Water Co.	AWR	Water ⁵	NR	A	521	658	79.2%
52	California Water Service Group ⁶	CWT	Water ⁵	NR	A+	964	1,000	96.4%
57	Middlesex Water Co.	MSEX	Water ⁵	NR	A	183	195	93.8%
Proxy Groups:				Sources:				
21	Electric Companies	1	Electric East Utilities				Average	95.2%
25	Electric & Gas Companies	2	Electric Central Utilities					
24	Electric & Water Companies	3	Electric West Utilities					
		4	Natural Gas Utilities					
		5	Water Utilities					
		6	Applied subsidiary credit rating					
		7	Credit Ratings, as of March 2026					

Capital Structure of Staff's Proxy Group

Staff Electric Proxy Group									
			(\$ Millions) ¹						
#	Company	Ticker	Current Portion of LTD	Long Term Debt	Preferred Equity	Minority Interest	Common Equity	Total Capital	Common Equity Ratio ²
1	Alliant Energy Corp	LNT	1,074	10,954	-	-	7,334	19,362	37.9%
2	Ameren Corp.	AEE	973	18,214	-	129	13,401	32,717	41.0%
3	American Electric Power Co. Inc.	AEP	3,210	44,141	-	1,080	31,138	79,569	39.1%
4	Avista Corp	AVA	-	2,777	-	-	2,709	5,486	49.4%
5	CMS Energy Corp	CMS	950	17,810	224	567	8,920	28,471	31.3%
6	Consolidated Edison	ED	250	25,551	-	-	24,190	49,991	48.4%
7	Duke Energy Corp.	DUK	7,049	79,587	973	1,177	50,869	139,655	36.4%
8	Edison International	EIX	1,928	36,070	497	1,680	17,082	57,257	29.8%
9	Entergy Corporation	ETR	2,358	27,885	-	311	16,923	47,477	35.6%
10	Eversource Energy	ES	367	13,039	-	47	10,221	23,674	43.2%
11	Exelon Corp.	EXC	1,436	27,153	-	156	16,197	44,942	36.0%
12	First Energy	FE	1,669	47,413	-	-	28,798	77,880	37.0%
13	IDACORP Inc.	IDA	720	25,501	-	1,416	12,510	40,147	31.2%
14	OGE Energy Corp.	OGE	116	3,331	-	7	3,572	7,026	50.8%
15	Pinnacle West Capital Corp.	PNW	-	5,369	-	-	4,977	10,347	48.1%
16	PPL Corp	PPL	600	9,206	-	41	7,046	16,893	41.7%
17	Public Service Enterprise Group Inc	PEG	905	18,046	-	-	14,881	33,832	44.0%
18	Southern Co.	SO	875	21,670	-	-	16,982	39,527	43.0%
19	WEC Energy Group	WEC	6,204	64,897	-	2,851	36,016	109,968	32.8%
20	Xcel Energy Inc.	XEL	1,519	18,498	-	439	13,614	34,070	40.0%
21	American States Water Co	AWR	501	31,832	-	-	23,609	55,942	42.2%
22	California Water Service Group	CWT	8	924	-	-	1,046	1,977	52.9%
23	Middlesex Water Co	MSEX	0	1,472	-	3	1,689	3,164	53.4%
24			8	379	1	-	494	882	56.0%
Median									41.3%
Average									41.7%

Sources and notes:

¹ Standard and Poor's (S&P) Global (Capital IQ)² Common equity ratio includes current portion of long-term debt and minority interest.

				2026	2026	2025 (\$M)	2025 (\$M)	2025
Total No.	Company Name	Ticker	Industry	Moody's Credit Ratings ⁷	S&P Credit Ratings ⁷	Regulated Revenue	Total Revenue	% Revenue
Electric Utility (East), March 3, 2026								
1	Consolidated Edison Inc.	ED	East ¹	Baa1	A-	16,920	16,918	100.0%
2	Dominion Energy	D	East ¹	Baa2	BBB+	15,018	16,506	91.0%
3	Duke Energy Corp.	DUK	East ¹	Baa2	BBB+	32,237	32,237	100.0%
4	Eversource Energy	ES	East ¹	Baa2	BBB+	13,493	13,547	99.6%
5	Exelon Corp.	EXC	East ¹	Baa2	A-	24,258	24,258	100.0%
6	FirstEnergy Corp.	FE	East ¹	Baa3	BBB+	14,932	15,090	99.0%
7	Hydro One Limited	TSX:H	East ¹	NR	A	8,986	9,041	99.4%
8	NextEra Energy Inc.	NEE	East ¹	Baa1	A-	18,262	27,412	66.6%
9	PPL Corp.	PPL	East ¹	Baa1	A-	9,041	9,042	100.0%
10	Public Service Enterprise Group Inc.	PEG	East ¹	Baa2	BBB+	9,098	12,168	74.8%
11	Southern Co.	SO	East ¹	Baa1	A-	26,285	29,553	88.9%
12	Unitil Corp.	UTL	East ¹	Baa2	BBB+	536	536	100.0%
Electric Utility (Central), March 3, 2026								
13	Alliant Energy Corp.	LNT	Central ²	Baa2	BBB+	4,273	4,362	98.0%
14	Ameren Corp.	AEE	Central ²	Baa1	BBB+	8,799	8,799	100.0%
15	American Electric Power Co. Inc.	AEP	Central ²	Baa2	BBB+	18,970	21,876	86.7%
16	CenterPoint Energy Inc.	CNP	Central ²	Baa2	BBB+	9,301	9,357	99.4%
17	CMS Energy Corp.	CMS	Central ²	Baa2	BBB+	8,131	8,539	95.2%
18	DTE Energy Company	DTE	Central ²	Baa2	BBB+	8,849	15,814	56.0%
19	Entergy Corp.	ETR	Central ²	Baa2	BBB+	12,888	12,947	99.5%
20	Eergy Inc.	EVRG	Central ²	Baa2	BBB+	5,678	5,962	95.2%
21	Fortis Inc	TSX:FTS	Central ²	NR	A-	12,139	12,170	99.7%
22	MGE Energy Inc ⁶	MGEE	Central ²	A1	AA-	743	744	99.9%
23	OGE Energy Corp.	OGE	Central ²	Baa1	BBB+	2,885	3,260	88.5%
24	Otter Tail Corp.	OTTR	Central ²	Baa2	BBB	567	1,304	43.5%
25	WEC Energy Group Inc.	WEC	Central ²	Baa1	A-	9,452	9,800	96.5%
Electric Utility (West), March 3, 2026								
26	Avista Corp.	AVA	West ³	Baa2	BBB	1,963	1,964	99.9%
27	Black Hills Corp.	BKH	West ³	Baa2	BBB+	2,273	2,310	98.4%
28	Edison International	EIX	West ³	Baa2	BBB-	19,276	19,317	99.8%
29	Hawaiian Electric Industries Inc.	HE	West ³	Ba3	B+	3,071	3,087	99.5%
30	IDACORP Inc.	IDA	West ³	Baa3	BBB	1,810	1,813	99.8%
31	NorthWestern Energy Group Inc.	NWE	West ³	NR	BBB	1,611	1,611	100.0%
32	PG&E Corp.	PCG	West ³	Ba3	BB	24,935	24,935	100.0%
33	Pinnacle West Capital Corp.	PNW	West ³	Baa2	BBB+	5,084	5,340	95.2%
34	Portland General Electric Co.	POR	West ³	A3	BBB+	2,991	3,576	83.6%
35	Sempra Energy	SRE	West ³	Baa2	BBB+	11,871	13,702	86.6%
36	TXNM Energy Inc.	TXNM	West ³	Baa3	BBB	1,969	2,166	90.9%
37	Xcel Energy Inc.	XEL	West ³	Baa1	BBB+	14,612	13,702	99.6%
Natural Gas Utility, March 3, 2026								
38	Atmos Energy Corp.	ATO	Gas ⁴	A2	A-	4,425	4,703	94.1%
39	Chesapeake Utilities	CPK	Gas ⁴	NR	NR	688	930	74.0%
40	New Jersey Resources Corp.	NJR	Gas ⁴	NR	NR	1,301	2,036	63.9%
41	NISource Inc.	NI	Gas ⁴	Baa2	BBB+	6,523	6,642	98.2%
42	Northwest Natural Holding Co. ⁶	NWN	Gas ⁴	Baa1	A-	1,163	1,289	90.2%
43	ONE Gas Inc.	OGS	Gas ⁴	A3	A-	2,427	2,427	100.0%
44	RGC Resources Inc.	RGCO	Gas ⁴	NR	NR	95	95	99.9%
45	Southwest Gas Holdings, Inc.	SWX	Gas ⁴	Baa2	BBB+	1,940	3,553	54.6%
46	Spire Inc.	SR	Gas ⁴	Baa2	BBB+	2,208	2,476	89.1%
47	Star Group L.P.	SGU	Gas ⁴	NR	NR	-	1,784	0.0%
48	UGI Corp.	UGI	Gas ⁴	NR	NR	1,736	7,287	23.8%
Water Utility, March 3, 2026								
49	American States Water Co.	AWR	Water ⁵	NR	A	521	658	79.2%
50	American Water Works	AWK	Water ⁵	Baa1	A	4,723	5,140	91.9%
51	Artesian Resources Corp.	ARTNA	Water ⁵	NR	NR	106	113	93.4%
52	California Water Service Group ⁶	CWT	Water ⁵	NR	A+	964	1,000	96.4%
53	Consolidated Water	CWCO	Water ⁵	NR	NR	67	132	50.8%
54	Essential Utilities	WTRG	Water ⁵	Baa2	A-	2,445	2,474	98.8%
55	Global Water Resources Inc.	GWRS	Water ⁵	NR	NR	56	56	100.0%
56	H2O America	HTO	Water ⁵	NR	A-	787	801	98.3%
57	Middlesex Water Co.	MSEX	Water ⁵	NR	A	183	195	93.8%
58	The York Water Company	YORW	Water ⁵	NR	A-	77	77	100.0%

Proxy Groups:

- 21 Electric Companies
- 25 Electric & Gas Companies
- 24 Electric & Water Companies

Sources:

- 1 Electric East Utilities
- 2 Electric Central Utilities
- 3 Electric West Utilities
- 4 Natural Gas Utilities
- 5 Water Utilities
- 6 Applied subsidiary credit rating
- 7 Credit Ratings, as of March 2026

Discount Cash Flow Model
Electric, Gas and Water Proxy

	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
			Stock Price ³										
			June.- Agst.	EPS	DPS	DPS	DPS	BPS	BPS	BPS	Number	Number	
	<u>Company</u> ¹	<u>Ticker</u>	<u>Beta</u> ²	<u>2026</u>	<u>2028</u>	<u>2026</u>	<u>2027</u>	<u>2030</u>	<u>2026</u>	<u>2027</u>	<u>2030</u>	<u>2026</u>	<u>2030</u>
1	Alliant Energy Corp.	LNT	0.80	72.44	4.55	2.15	2.28	2.72	29.70	31.25	33.85	258.50	260.00
2	Ameren Corp.	AEE	0.75	110.45	7.15	3.00	3.20	3.57	48.50	48.50	52.65	275.00	285.00
3	American Electric Power	AEP	0.70	129.91	7.50	3.98	4.08	4.31	55.55	57.00	60.90	540.00	550.00
4	Avista Corp	AVA	0.70	40.45	3.10	2.10	2.20	2.40	34.25	34.50	35.25	83.00	85.00
5	CMS Energy Corp.	CMS	0.70	72.96	5.30	2.30	2.50	3.10	31.25	32.05	35.60	309.00	309.00
6	Consolidated Edison	ED	0.65	109.10	7.75	3.55	3.80	4.55	70.40	73.55	84.10	369.00	380.00
7	Duke Energy	DUK	0.65	125.03	8.80	4.30	4.42	5.30	68.00	70.80	81.00	780.00	790.00
8	Edison International	EIX	0.90	71.42	7.60	3.56	3.76	4.48	47.25	50.25	60.60	388.00	405.00
9	Entergy Corp.	ETR	0.75	110.13	7.00	2.60	2.80	3.50	38.30	40.10	47.60	465.00	485.00
10	Evergy Inc.	EVRG	0.75	83.92	5.30	2.78	2.82	3.10	51.70	53.45	57.75	230.50	230.50
11	Eversource	ES	0.85	71.85	5.85	3.15	3.30	3.75	44.85	46.75	53.50	378.00	390.00
12	Exelon Corp.	EXC	0.75	45.74	4.30	1.68	1.76	2.04	29.35	30.65	38.00	1023.00	1023.00
13	FirstEnergy Corp	FE	0.70	47.57	3.60	1.86	1.94	2.24	22.75	24.25	30.40	585.00	625.00
14	IDACORP, Inc.	IDA	0.70	143.73	7.50	3.65	4.00	4.35	69.25	72.25	77.75	55.50	56.00
15	OGE Energy Corp.	OGE	0.85	47.73	3.15	1.70	1.70	1.85	24.50	25.85	29.95	207.00	207.00
16	Pinnacle West Capital	PNW	0.75	102.72	7.00	3.67	3.73	4.40	59.00	60.60	75.00	128.00	140.00
17	PPL	PPL	0.80	35.73	2.65	1.14	1.19	1.44	21.20	21.70	23.75	737.50	738.00
18	Public Service Enterprise Group	PEG	0.85	78.22	5.75	2.68	2.84	3.45	36.00	38.00	45.50	499.00	503.00
19	Southern Co.	SO	0.65	93.59	5.20	3.04	3.14	3.48	35.40	36.85	41.35	1130.00	1200.00
20	WEC Energy Group	WEC	0.70	112.31	7.30	3.81	4.10	5.05	45.60	49.75	59.80	326.00	326.00
21	Xcel Energy, Inc.	XEL	0.70	79.25	5.70	2.37	2.52	3.20	41.05	44.40	53.40	650.00	710.00
22	Atmos Energy Corp	ATO	0.75	172.54	11.00	4.00	4.24	5.05	90.95	96.00	111.00	171.00	200.00
23	NiSource Inc.	NI	0.85	45.30	3.00	1.20	1.28	1.52	21.65	23.50	34.25	485.00	525.00
24	Northwest Natural Holdings Inc.	NWN	0.75	50.08	3.35	1.97	1.97	2.10	36.25	37.05	39.40	43.00	50.00
25	ONE Gas Inc.	OGS	0.75	78.73	6.30	2.72	2.76	2.95	56.60	57.90	59.20	64.00	75.00
26	American States Water	AWR	0.70	84.50	4.55	2.10	2.28	2.85	28.15	29.35	33.75	39.25	40.00
27	California Water Service	CWT	0.75	49.21	3.10	1.34	1.38	1.55	31.55	35.55	40.35	60.00	60.00
28	Middlesex Water Co	MSEX	0.75	56.06	3.25	1.46	1.52	1.65	27.45	27.65	28.30	18.75	19.50

Electric Median: 0.750

*** Adjusted weighting of DPS**

21	Electric Average:	0.745	84.96
22	Electric & Gas Average:	0.750	85.24
27	Electric & Water Average:	0.744	82.25
	Water (only) Average:	0.733	

Sources:

¹Value Line Electric Industry Central, as of June 2026.

¹Value Line Electric Industry East, as of August 2026.

¹Value Line Electric Industry West, as of July 2026.

¹Value Line Gas Utility Industry, as of August 2026.

¹Value Line Water Utility Industry, as of October 2025.

²Beta data is from Value Line Investment Survey.

³Historical price data is from S&P Capital IQ

Discount Cash Flow Model
Electric, Gas and Water Proxy Group

	(B)	(N)	(O)	(P)	(Q)	(R)	(S)	(V)	(W)	(X)	
		DPS	Retention	Return on		S	V			Long	
		Growth	Rate	Equity		Increase in	MBR -1		Sustainable	Form	
Company ¹		2030	2030	2030	B x R	Shares	2026	S x V	Growth	ROE	
1 Alliant Energy Corp.		6.06	0.40	13.62	5.48	0.14	1.44	0.21	5.69	8.77%	
2 Ameren Corp.		3.71	0.50	13.77	6.89	0.90	1.28	1.15	8.04	10.55%	
3 American Electric Powe		1.84	0.43	12.45	5.30	0.46	1.34	0.62	5.91	8.68%	
4 Avista Corp		2.94	0.23	8.83	1.99	0.60	0.18	0.11	2.10	7.58%	
5 CMS Energy Corp.		7.43	0.42	15.15	6.29	0.00	1.33	0.00	6.29	9.70%	
6 Consolidated Edison		6.19	0.41	9.42	3.89	0.74	0.55	0.41	4.30	7.85%	
7 Duke Energy		6.24	0.40	11.11	4.42	0.32	0.84	0.27	4.69	8.27%	
8 Edison International		6.01	0.41	12.93	5.31	1.08	0.51	0.55	5.86	11.00%	
9 Entergy Corp.		7.72	0.50	15.13	7.56	1.06	1.88	1.98	9.55	11.85%	
10 Evergy Inc.		3.21	0.42	9.30	3.86	0.00	0.62	0.00	3.86	7.10%	
11 Eversource		4.35	0.36	11.18	4.01	0.78	0.60	0.47	4.49	8.97%	
12 Exelon Corp.		5.04	0.53	11.72	6.16	0.00	0.56	0.00	6.16	9.81%	
13 FirstEnergy Corp		4.91	0.38	12.29	4.64	1.67	1.09	1.82	6.46	10.29%	
14 IDACORP, Inc.		2.84	0.42	9.76	4.10	0.22	1.08	0.24	4.34	6.96%	
15 OGE Energy Corp.		2.86	0.41	10.78	4.45	0.00	0.95	0.00	4.45	7.81%	
16 Pinnacle West Capital		5.66	0.37	9.66	3.59	2.27	0.74	1.68	5.27	8.84%	
17 PPL		6.56	0.46	11.33	5.17	0.02	0.69	0.01	5.18	8.53%	
18 Public Service Enterpris		6.70	0.40	13.02	5.21	0.20	1.17	0.23	5.44	9.08%	
19 Southern Co.		3.49	0.33	12.82	4.24	1.51	1.64	2.49	6.73	9.74%	
20 WEC Energy Group		7.19	0.31	12.58	3.88	0.00	1.46	0.00	3.88	7.74%	
21 Xcel Energy, Inc.		8.29	0.44	11.00	4.83	2.23	0.93	2.08	6.90	10.08%	
22 Atmos Energy Corp		6.00	0.54	10.15	5.49	3.99	0.90	3.58	9.07	11.23%	
23 NiSource Inc.		5.90	0.49	9.31	4.59	2.00	1.09	2.19	6.78	9.45%	
24 Northwest Natural Holdi		2.15	0.37	8.59	3.21	3.84	0.38	1.47	4.67	8.31%	
25 ONE Gas Inc.		2.24	0.53	10.68	5.68	4.04	0.39	1.58	7.26	10.28%	
26 American States Water		7.72	0.37	13.80	5.15	0.47	2.00	0.95	6.10	8.81%	
27 California Water Service		3.95	0.50	7.84	3.92	0.00	0.56	0.00	3.92	6.66%	
28 Middlesex Water Co		2.77	0.49	11.53	5.68	0.99	1.04	1.03	6.70	9.08%	
Electric Median:									5.44	8.84%	
21 Electric Average:										5.50	9.01%

Cost of Equity Calculation
Staff Electric Proxy Group

Cost of Market ¹ :	<i>Implied</i>	<i>Required</i>
June 2026	10.80%	11.80%
July 2026	10.60%	11.60%
August 2026	10.70%	11.50%
Cost of Market	11.17%	

Treasury Rates ² :	<i>10 year</i>	<i>30 year</i>
June 2026	4.47%	4.95%
July 2026	4.60%	5.10%
August 2026	4.68%	5.22%
Risk Free Rate	4.84%	

Market Risk Premium (MRP): 6.33%

Proxy Group Beta	0.75	Average
Traditional CAPM ROE	9.56%	
Zero Beta CAPM ROE	9.96%	
Overall CAPM ROE	9.76%	
DCF ROE	9.01%	

Return on Equity
2/3 DCF 1/3 CAPM Weighting**9.26%**

Average

Sources:

¹ Bank of America Securities, Quantitative Profiles Reports - data is average of Implied and Required Returns for S&P 500.² Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED)**Cost of Equity Calculation**
Staff Electric & Gas Proxy Group

Cost of Market ¹ :	<i>Implied</i>	<i>Required</i>
June 2026	10.80%	11.80%
July 2026	10.60%	11.60%
August 2026	10.70%	11.50%
Cost of Market	11.17%	

Treasury Rates ² :	<i>10 year</i>	<i>30 year</i>
June 2026	4.47%	4.95%
July 2026	4.60%	5.10%
August 2026	4.68%	5.22%
Risk Free Rate	4.84%	

Market Risk Premium (MRP): 6.33%

Proxy Group Beta	0.75	Average
Traditional CAPM ROE	9.59%	
Zero Beta CAPM ROE	9.98%	
Overall CAPM ROE	9.79%	
DCF ROE	9.14%	

Return on Equity
2/3 DCF 1/3 CAPM Weighting**9.36%**

Average

Sources:

¹ Bank of America Securities, Quantitative Profiles Reports - data is average of Implied and Required Returns for S&P 500.² Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED)**Cost of Equity Calculation**
Staff Electric & Water Proxy Group

Cost of Market ¹ :	<i>Implied</i>	<i>Required</i>
June 2026	10.80%	11.80%
July 2026	10.60%	11.60%
August 2026	10.70%	11.50%
Cost of Market	11.17%	

Treasury Rates ² :	<i>10 year</i>	<i>30 year</i>
June 2026	4.47%	4.95%
July 2026	4.60%	5.10%
August 2026	4.68%	5.22%
Risk Free Rate	4.84%	

Market Risk Premium (MRP): 6.33%

Proxy Group Beta	0.74	Average
Traditional CAPM ROE	9.55%	
Zero Beta CAPM ROE	9.95%	
Overall CAPM ROE	9.75%	
DCF ROE	8.91%	

Return on Equity
2/3 DCF 1/3 CAPM Weighting**9.19%**

Average

Sources:

¹ Bank of America Securities, Quantitative Profiles Reports - data is average of Implied and Required Returns for S&P 500.² Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED)

Quantitative Profiles

Too early for Tech, time for Value

Mid cycle. (Same in March 2000). Sell mega, buy value.

We see both similarities and differences between the Tech Bubble and today ([see RVCS](#) and [Tech note](#)). But history rhymes, and in March of 2000 (peak of Tech bubble) economic and inflation indicators were posting similar levels. Our US Regime Indicator officially entered Mid-Cycle in May (second month in phase confirms new phase), where five of eight inputs saw higher z-scores - EPS Revisions, Inflation, ISM PMI, Capacity Utilization and Leading Economic Indicators (GDP forecasts, 10y Tsy yield and High Yield weakened). Expect broad factor leadership in this phase - Low Quality/Risk was most consistent, but Value, Growth, Momentum and Mid-caps (Small Size decile within the S&P 500) all posted positive alpha (Exhibit 4). Value enjoyed a higher success rate (78%) than Growth (67% - still good, especially EPS Estimate Revisions) in Mid Cycle with Price/Free Cash, Price/Sales and EV/EBITDA posting ~90% hit rates (Exhibit 6.).

Capital allocation baskets say too early for Tech

While sectors have grown more correlated (less good for stock pickers), groups based on capital allocation have exhibited stable and high alpha opportunity (Exhibit 14) and stronger more consistent results in backtests based on fundamentals. In the capital allocation space, Tech is currently underrepresented in the top quintile of the best performing factors historically, and skewed toward the bottom quintile (worst-performing factors) within both the CapEx and R&D groups, indicating that it might be premature to buy beaten-down Tech (Exhibit 16). In contrast, Energy, which screens best in our Momentum & Value Framework ([see Relative Value Cheat Sheet](#)), and Health Care are well represented within most alpha generating factors in the capital allocation space.

Buyback drama

The drop-off in net share buybacks for the overall market (Ex-Financials) has been driven by a dramatic shift in hyperscalers— a 60% drop in net buybacks since 2022. This is due to three factors—more issuance, higher stock prices, and a meaningful decline in TMT / hyperscaler buybacks given more claims on cash from the AI spending race. Financials contributed most to YoY net buyback growth. Tech was positive (since most hyperscalers are not in Info Tech). After the broad sell-off in 2022, Tech companies supported their stock price by engaging in cost cutting and big buybacks. In 2022 and 2023, mega cap Tech companies mostly made it into our buyback screens. Today, Tech companies making our screens are smaller Semis and IT Services.

Current constituents, factor returns and stocks' macro sensitivity available in Research Library: see Excel files: [factor constituents](#), [sector-neutral](#) factors, and [macro betas](#).

10 June 2026

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Exhibit 1: Top/Bottom 5 screens (unconstrained) in May As of 5/31/2026

Top 5 screens	Perf.
High Beta	12.2%
High Projected 5-Yr Growth	11.9%
Price Returns (12-m + 1-m)	11.4%
Most Active	11.0%
ROE (5-Yr Average)	10.2%
S&P 500 (Equal weighted)	2.0%
Bottom 5 screens	Perf.
Earnings Yield	-1.5%
Share Repurchase	0.2%
Low Price to Cash Flow	0.5%
High Dividend Growth (Tot. Return)	0.7%
Analyst Coverage Neglect	1.2%
S&P 500 (Equal weighted)	2.0%

Source: FactSet, BofA US Equity & Quant Strategy. avg = average. M = month. Perf = performance. yr = year.

BofA GLOBAL RESEARCH

Disclaimer: The valuations and screens contained herein are useful in assessing comparative valuations and comparative earnings prospects and are not intended to recommend transactions relating to any specific security. These indicators should be used in investment decisions only with other factors, including financial risk, investment risk, management strategies, and operating and financial outlooks. For methodology and definitions, see the end of the report.

Exhibit 48: BofA Universe Sector/Industry Unconstrained Factor Evaluation (cont'd)

As of 5/31/2026

	Valuation Analysis										Expectation Analysis							
	# of Comp	% Univ BofA	Impl. Return	Reqd Return	DDM Alpha	Eqty. Duration	BofA Adj Beta	P/E Ratio	Price/Book	Yield	Surprise	Earnings (Decile)			Est. Rev.	PR 5yr Growth	EPS Growth	
												Risk	Torp	Disp			2026E	2027E
Duration																		
4.63 To 21.85	191	17.82	17.4	14.4	3	15.1	1.53	18.6	7.55	0.8	5	8	8	7	3	65.1	77	38
21.87 To 28.94	191	9.62	13.2	11.2	2	25.9	1.05	14.5	2.68	2.1	5	6	7	5	4	20.3	26	11
28.95 To 33.07	191	11.19	11.3	10.5	0.8	31.1	0.95	18.1	4.02	1.9	6	5	5	4	5	14.5	9	16
33.13 To 38.25	191	22.27	10.5	10.9	-0.4	36.0	1.00	22.3	5.99	1.1	6	4	5	4	4	15.0	14	12
38.36 To 83.05	191	32.87	9.2	11.7	-2.5	45.0	1.12	29.1	9.55	0.5	6	3	4	5	4	13.8	22	9
Uncoded	351	6.23					0.92	15.5	2.45	2.4	6	6	5	6	5	4.4	13	10
Growth Sectors																		
Growth	545	42.19	10.6	11.7	-1.1	36.9	1.13	24.8	7.04	0.7	6	5	5	5	4	21.7	22	15
Growth Cyclical	238	31.80	10.9	13.1	-2.2	30.8	1.32	23.5	10.07	0.7	6	5	6	6	3	34.3	41	27
Growth Defensive	118	5.92	10.6	9.5	1.1	32.8	0.78	15.7	3.03	2.6	5	5	4	3	6	9.5	8	10
Cyclical	263	13.31	11.8	11.3	0.5	31.2	1.04	14.8	2.71	1.8	5	6	6	5	4	16.1	27	9
Defensive	142	6.78	10.6	8.8	1.8	30.6	0.69	15.4	2.57	2.8	6	4	4	3	5	11.9	9	9
EPS Surprise																		
Most Optimistic	229	9.49	11.3	10.5	0.8	31.1	0.94	14.9	2.99	1.9	2	5	5	4	4	15.0	21	10
Optimistic	229	32.62	10.7	12.9	-2.2	29.1	1.29	20.2	7.02	0.7	4	6	6	6	2	31.8	43	18
Neutral	228	16.72	10.8	11.5	-0.7	36.0	1.09	23.7	5.27	1.3	5	6	5	5	5	19.1	18	15
Less Optimistic	229	20.48	11.9	11.8	0.1	33.6	1.14	23.2	5.92	1.0	8	4	6	4	4	26.6	21	21
Not Optimistic	229	17.66	9.8	10.8	-1	40.7	0.99	24.8	6.65	1.1	10	3	4	4	5	14.8	8	18
Uncoded	162	3.03	7.2	9.7	-2.5	51.6	0.91	14	2.43	1.9		6	6	5	5	13.7	22	7
Quality Rank																		
A+	31	15.23	9.7	11.1	-1.4	42.1	1.04	25.8	12.52	0.8	9	1	4	4	4	13.8	15	14
A	66	7.64	9.9	10.7	-0.8	36.6	0.96	20.5	4.43	1.7	6	2	4	3	5	12.9	11	10
A-	106	10.74	10.5	9.8	0.7	34.2	0.86	19.4	4.62	1.9	6	4	5	4	5	12.2	8	16
B+	205	37.45	11.5	12.5	-1	30.4	1.24	21.4	6.60	0.8	5	5	6	5	3	25.8	32	17
B	207	9.36	11.5	10.5	1	32.0	0.91	14.6	2.73	1.9	5	7	6	5	5	14.6	16	11
B-	170	9.95	11.2	13.8	-2.6	31.7	1.37	19.8	4.73	0.9	5	9	6	7	4	43.2	56	16
C & D	108	1.54	12.6	11.7	0.9	26.8	1.24	42.5	4.11	0.1	5	9	6	8	5	36.3	nm	127
Not Rated	413	8.09	10.7	12.9	-2.2	33.4	1.27	25.6	4.95	0.8	6	6	5	7	5	42.5	34	30
B+ or Better	408	71.06	10.7	11.6	-0.9	34.1	1.11	21.7	6.52	1.1	6	4	5	4	4	19.8	21	15
B or Worse	898	28.94	11.2	12.4	-1.2	32.1	1.18	19.3	3.88	1.2	5	8	6	6	4	33.2	33	18
BofA Universe	1306	100.00	10.9	11.8	-0.9	33.6	1.13	22.4	5.46	1.1						23.6	25	17
S&P 500	503	93.31	10.8	11.8	-1	33.7	1.12	22.3	5.53	1.1						23.2	25	16

Source: BofA US Equity and Quant Strategy, FactSet

BofA GLOBAL RESEARCH

Quantitative Profiles

Occam's razor for quants: get rid of 30% of your factors

Time to simplify: 31% of factors are duplicative

In our latest [survey of quantitative investors \(see note\)](#), 22 was the average number of signals used in multi-factor approaches. But alpha and variance inflation (VIF, a measure of factor redundancy) suggest a small subset is actually better, as almost a third of factors may be duplicative (VIF > 5). We ranked Value, Growth, and Momentum (in this note) on two outputs – their average alpha and their cross-style independence (VIF). Top-ranked factors were EV/EBITDA, 12-mth + 1-mth Reversal price return, and 5-year Projected EPS growth. This equal-weighted three factor model produced the highest back-tested information ratio in our factor framework, a ~17% return p.a., (second best in our framework - Exhibit 4). See Exhibit 5 for the current screen of companies.

From crowded winners to forgotten losers: value, income...

After a Momentum-led 1H (best factor group, +36% on avg.), July has seen one of the most severe Momentum sell-offs since the GFC, with traditional Momentum factors down 10%-12% MTD (as of Fri.) as investors unwound crowded growth and high-beta positions. Leadership shifted: Value outperformed, led by high earnings yield and FCF yield (+5-6%); Div. Yield and Buyback strategies returned +4-5%. We like Value/cyclicals and inflation-protected income for the 2H (see [mid-year note](#)). The shift in leadership was evident in shifting weights of sectors in Momentum factors: Tech and Industrials (previously 82% of our 3-month Momentum factor) shed 24ppt of weight during the selloff, replaced by Energy, Staples, Financials, Health Care, RE & Cons. Disc. (Exhibit 2). Since '87, big momentum drawdowns (-5% or more in a month) signaled more weakness to come: trend factors subsequently lagged over the next 3m (-2ppt avg/63% hit rate).

...and small Size/Neglect. Broadening is in play in July

Other neglected themes have improved since June: Small Size (+4.4% in June/+1.2% MTD) and Analyst Coverage Neglect (+3.5% in June/+1.5% MTD) have led MTD. Growth factors (-3.0% on avg. MTD) have mostly have underperformed MTD, with the exception of BofA vs. Consensus Positive EPS Surprise (+2.6% in June/+1.8% MTD) which was less crowded but is ahead of the market in July.

Broadening also indicated by regime: Mid Cycle continues

Despite what feels like a cycle-less market, our US Regime Indicator improved (+0.12) in June, remaining in Mid Cycle (its third month in this phase, Exhibit 6). Six of its inputs' z-scores improved (EPS Revisions, inflation, GDP forecast, 10-year Tsy yield, LEI and Capacity Utilization) while two (PMI and High Yield spreads) weakened. Historically, factor participation has been broad in Mid Cycle, as Value, Growth, Momentum, Low Quality, High Risk and Small Size have outperformed (Exhibit 9), with Low Quality and Risk being the most consistent leaders (89% hit rate each), and Value consistently beating Growth.

See [factor constituents](#), [sector-neutral](#) factors, and [macro betas](#)

24 July 2026

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**Exhibit 1: Top/Bottom 5 screens
(unconstrained) in 1H26**
As of 6/30/2026

Top 5 screens	Perf.
Price Returns (12-Month)	47.4%
Price/200Day MA Rel. Strength (	46.4%
Relative Strength (30wk/75wk)	45.4%
Price Returns (11-m since 1 y ago)	45.1%
Price Returns (12-m plus 1-Month)	43.2%
S&P 500 (Equal weighted)	9.9%
Bottom 5 screens	Perf.
Share Repurchase	1.2%
Low Price to Free Cash Flow	3.4%
Price Ret. (12-m + 1-m Reversal)	7.7%
Earnings Yield	8.0%
High Free Cash Flow to EV	8.1%
S&P 500 (Equal weighted)	9.9%

Source: FactSet, BofA US Equity & Quant Strategy. avg = average. M = month. Perf = performance. yr = year.

BofA GLOBAL RESEARCH

Disclaimer: The valuations and screens contained herein are useful in assessing comparative valuations and comparative earnings prospects and are not intended to recommend transactions relating to any specific security. These indicators should be used in investment decisions only with other factors, including financial risk, investment risk, management strategies, and operating and financial outlooks. For methodology and definitions, see the end of the report.

Exhibit 42: BofA Universe Sector/Industry Unconstrained Factor Evaluation (cont'd)

As of 6/30/2026

	Valuation Analysis										Expectation Analysis							
	# of Comp	% Univ BofA	Impl. Return	Reqd Return	DDM Alpha	Eqty. Duration	BofA Adj Beta	P/E Ratio	Price/Book	Yield	Surprise	Earnings (Decile)			Est. Rev.	PR 5yr Growth	EPS Growth	
												Risk	Torp	Disp			2026E	2027E
Duration																		
4.51 To 22.19	192	17.32	15.5	14.0	1.5	14.8	1.52	16.5	6.58	0.8	5	8	8	7	3	66.3	84	41
22.22 To 28.96	191	10.29	13.8	11.6	2.2	25.3	1.13	15	3.05	1.9	5	6	6	5	4	23.2	26	11
29.04 To 33.80	191	14.64	11.2	10.7	0.5	32.0	1.00	18.9	4.30	1.7	6	4	5	4	5	15.7	11	13
33.81 To 38.71	191	21.22	10.4	10.5	-0.1	36.4	0.97	21.2	5.55	1.0	5	5	5	4	4	14.4	18	10
38.72 To 83.42	192	29.96	9.1	11.4	-2.3	45.3	1.11	30.4	10.29	0.6	7	3	4	5	4	13.7	18	12
Uncoded	358	6.58					0.95	15.5	2.61	2.3	6	6	5	6	5	7.5	18	15
Growth Sectors																		
Growth	552	41.13	10.8	11.5	-0.7	36.4	1.13	23.6	6.71	0.7	5	5	5	5	4	19.9	23	16
Growth Cyclical	239	32.26	9.7	12.9	-3.2	30.9	1.33	22.1	9.94	0.7	6	5	6	5	4	37.3	45	31
Growth Defensive	120	5.88	10.6	9.3	1.3	32.8	0.77	15.3	2.97	2.6	5	5	4	3	6	9.5	8	10
Cyclical	262	13.66	12.0	11.2	0.8	31.3	1.06	15.3	2.79	1.8	5	6	6	5	4	17.5	28	9
Defensive	142	7.08	10.6	8.7	1.9	30.7	0.69	15.8	2.65	2.8	6	5	4	3	6	12.5	9	9
EPS Surprise																		
Most Optimistic	230	9.01	11.2	10.1	1.1	32.0	0.90	15.9	3.47	1.8	2	5	5	4	5	15.5	19	12
Optimistic	229	32.17	10.9	12.4	-1.5	29.8	1.26	19.5	5.87	0.9	4	5	6	5	3	26.0	37	15
Neutral	230	20.75	11.1	11.5	-0.4	32.8	1.12	24.2	6.17	1.2	5	6	5	5	5	26.2	23	21
Less Optimistic	229	18.85	10.6	12.1	-1.5	34.9	1.21	19.9	5.83	0.9	8	4	6	5	4	31.1	34	25
Not Optimistic	230	16.24	9.8	10.3	-0.5	39.8	0.95	23.1	6.07	1.2	10	3	5	4	5	14.7	8	17
Uncoded	167	2.98	8.9	10.4	-1.5	45.1	0.98	14.6	2.39	1.9		6	6	6	5	21.4	24	10
Quality Rank																		
A+	31	14.56	9.8	11.0	-1.2	41.5	1.05	24.2	11.84	0.8	8	1	5	4	4	13.8	15	14
A	66	8.20	9.8	10.5	-0.7	37.1	0.97	21.5	4.73	1.6	5	2	4	3	5	13.3	11	10
A-	107	11.30	10.4	9.7	0.7	35.5	0.85	19.9	4.80	1.8	6	4	5	4	5	12.0	8	16
B+	203	35.77	10.8	12.2	-1.4	29.8	1.23	19.9	6.20	0.9	4	5	6	5	3	25.8	32	17
B	208	9.52	11.4	10.4	1	32.3	0.92	14.5	2.71	1.9	5	7	6	5	5	14.9	17	10
B-	168	10.69	11.9	13.7	-1.8	30.6	1.40	18.8	4.87	0.9	6	9	6	7	4	53.5	63	25
C & D	109	1.67	12.8	11.5	1.3	27.0	1.25	42.3	4.40	0.1	5	9	6	8	5	35.6	nm	133
Not Rated	423	8.30	11.1	12.5	-1.4	33.3	1.28	26.5	5.04	0.8	6	6	5	7	5	33.8	49	35
B+ or Better	407	69.83	10.4	11.4	-1	34.0	1.10	20.8	6.32	1.1	6	4	5	4	4	19.6	22	15
B or Worse	908	30.17	11.6	12.2	-0.6	31.7	1.20	19.1	3.96	1.1	6	8	6	6	4	35.0	39	22
BofA Universe	1315	100.00	10.7	11.6	-0.9	33.3	1.13	22.1	5.37	1.1						24.1	27	18
S&P 500	503	93.61	10.6	11.6	-1	33.4	1.12	21.9	5.45	1.1						23.6	26	17

Source: BofA US Equity and Quant Strategy, FactSet

BofA GLOBAL RESEARCH

Quantitative Profiles

Stealth strength: Large cap value

Momentum: 1H great, July awful, August great. Now what?

Momentum investors have had a roller coaster 2026, with a record +36.0% 1H rally (+4σ), a July rout (-4σ) marking momentum's 2nd worst month in ~40 years, worsted only by April 2009, then an August rally. Momentum is now ahead of the benchmark by about 10ppt YTD. But historically, when 6-mo. Momentum returns were as strong as in 1H (>95th percentile), MO has lagged by almost 10ppt over the subsequent 6 mos., lagging roughly 9 out of 10 times, whereas Value strategies have fared better. Which brings us to...

Stick with large cap value until everyone's talking about it

We wrote this in mid-2021 and since then Large Cap Value (LCV) has remained stubbornly under the radar –we get far more incoming questions on large growth stocks and small caps. Despite what feels like a mega-cap growth dominated market, LCV has placed #1 or #2 of four size/style categories since year-end 2021, 2023, 2024, 2025 (YTD, Exhibit 3). It has proven to be a ballast for investors amid volatile swings. LCV leadership from here is supported by demographics and a new rates regime (inflation-protected income is scarce) plus four more recent developments:

1) Mid Cycle: broader returns, value>growth

Our US Regime Indicator improved and remains in Mid-Cycle for its 4th month, a phase marked by strong/improving macro trends (see Exhibit 4, Exhibit 5). Prior Mid-Cycle's have seen broad participation (Value/Growth/Momentum/Risk leadership) but Value factors have enjoyed more consistent outperformance vs. Growth (Exhibit 6, Exhibit 7).

2) Profits: broader growth = more price sensitivity

Growth stocks have generally led during periods of decelerating/scarcie profits, as investors will pay up for scarcity. As profits pick up and broaden (see [Earnings Tracker](#)) as they are today, value has fared better - investors can comparison shop for cheaper growth (Exhibit 10).

3) Positioning: Value even more neglected

July's highest Value/Growth spread since 2001 did little to entice. Active funds hit record underweights in Financials (see [note](#)) and maintain light exposure to other value sectors.

4) Value's newfound appeal

The latest index reconstitution saw big style swings, with cheaper hyperscalers migrating from Growth to Value (see [Benchmark Monitor](#)). Valuation is now capturing formerly high multiple -growth stocks at more attractive multiples by design, not just "old economy" companies.

Latest requests: growth beyond AI

Incoming requests suggest AI fatigue - growth investors are looking for diversification away from pure AI. See Exhibit 11 for Buy-rated companies with high long-term growth forecasts and the most negative "AI betas" (defined in screen methodology).

Click for [factor constituents](#), [sector-neutral](#) factors, and [macro betas](#).

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**Exhibit 1: Top/Bottom 5 screens
(unconstrained) in July**
As of 7/31/2026

Top 5 screens	Perf.
Forward Earnings Yield	10.7%
Low Price to Free Cash Flow	8.4%
Earnings Yield	8.4%
Low EV/EBITDA	8.2%
High Free Cash Flow to EV	7.8%
S&P 500 (Equal weighted)	1.6%

Bottom 5 screens	Perf.
Price/200-Day Moving Avg	-13.8%
Relative Strength (5wk/30wk)	-13.7%
Price Returns (3-Month)	-13.7%
Price Returns (9-Month)	-13.6%
Relative Strength (10wk/40wk)	-13.4%
S&P 500 (Equal weighted)	1.6%

Source: FactSet, BofA US Equity & Quant Strategy. avg = average. M = month. Perf = performance. yr = year.

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Disclaimer: The valuations and screens contained herein are useful in assessing comparative valuations and comparative earnings prospects and are not intended to recommend transactions relating to any specific security. These indicators should be used in investment decisions only with other factors, including financial risk, investment risk, management strategies, and operating and financial outlooks. For methodology and definitions, see the end of the report.

Exhibit 37: BofA Universe Sector/Industry Unconstrained Factor Evaluation (cont'd)

As of 7/31/2026

	Valuation Analysis										Expectation Analysis							
	# of Comp	% Univ BofA	Impl. Return	Reqd Return	DDM Alpha	Eqty. Duration	BofA Adj Beta	P/E Ratio	Price/Book	Yield	Surprise	Earnings (Decile)			Est. Rev.	PR 5yr Growth	EPS Growth	
												Risk	Torp	Disp			2026E	2027E
Duration																		
4.46 To 22.04	192	19.17	15.2	14.1	1.1	15.7	1.52	17	7.81	0.8	5	8	8	7	4	62.1	103	39
22.15 To 28.98	191	9.87	13.2	11.1	2.1	26.3	1.05	15.1	2.92	1.9	5	5	7	5	4	21.1	28	12
28.99 To 33.70	191	15.12	11.4	11.0	0.4	32.0	1.03	18.6	4.03	1.3	5	7	5	5	4	16.1	20	7
33.70 To 39.07	191	26.45	10.7	10.7	0	36.2	0.99	21.5	6.65	1.0	5	3	5	4	4	15.5	34	-3
39.09 To 82.60	192	22.81	8.8	11.1	-2.3	46.2	1.06	27.8	8.48	0.7	5	3	4	4	5	11.6	17	13
Uncoded	357	6.58					0.94	15.7	2.46	2.2	6	5	5	6	5	7.5	14	17
Growth Sectors																		
Growth	550	42.81	11.1	11.4	-0.3	34.6	1.11	23	6.64	0.6	5	5	5	5	4	22.5	42	5
Growth Cyclical	240	30.48	9.7	12.8	-3.1	31.0	1.31	20.6	9.97	0.8	5	5	6	5	4	34.3	47	31
Growth Defensive	120	6.02	10.5	9.4	1.1	33.3	0.77	15.9	2.82	2.5	6	5	4	3	6	9.9	8	10
Cyclical	262	13.52	11.2	11.0	0.2	31.4	1.03	15.2	2.75	1.8	6	5	6	5	4	17.4	29	8
Defensive	142	7.16	10.6	8.8	1.8	31.2	0.68	15.8	2.74	2.7	6	5	4	3	6	12.5	11	7
EPS Surprise																		
Most Optimistic	230	11.88	11.3	11.4	-0.1	33.2	1.09	17.3	4.61	1.1	2	7	5	5	3	18.4	49	4
Optimistic	230	28.26	10.3	12.0	-1.7	30.0	1.19	21.2	7.25	1.0	3	5	6	5	4	29.1	42	19
Neutral	230	30.27	11.0	11.7	-0.7	33.6	1.15	22.8	7.01	0.8	5	4	5	5	4	22.8	36	5
Less Optimistic	230	14.61	11.0	10.5	0.5	33.9	0.96	20	4.27	1.3	8	4	5	4	5	18.5	14	17
Not Optimistic	231	11.47	9.9	11.3	-1.4	34.4	1.07	15.1	3.56	1.6	9	5	6	5	4	28.2	34	25
Uncoded	163	3.52	8.6	9.6	-1	46.0	0.93	16	2.63	1.9		6	5	5	5	17.8	15	9
Quality Rank																		
A+	32	15.71	9.7	11.0	-1.3	42.3	1.03	25.8	12.92	0.7	4	1	4	4	4	13.1	18	12
A	66	8.15	10.3	10.6	-0.3	35.9	0.97	20	4.78	1.7	6	3	5	3	5	13.8	14	12
A-	108	10.82	10.4	9.5	0.9	34.7	0.81	19.4	4.67	1.9	6	4	5	3	6	11.8	6	18
B+	200	35.56	11.2	12.3	-1.1	28.8	1.23	19	5.91	0.8	5	6	6	5	3	26.8	49	5
B	208	9.57	11.7	10.3	1.4	31.7	0.90	14.5	2.82	1.8	5	7	6	5	5	15.3	19	10
B-	166	9.04	10.9	13.2	-2.3	30.8	1.33	15.7	4.23	1.0	5	9	6	7	4	46.4	63	25
C & D	107	1.47	14.0	11.4	2.6	24.3	1.25	36.5	3.92	0.1	5	8	6	8	5	33.1	nm	128
Not Rated	427	9.67	11.1	12.3	-1.2	30.0	1.24	28.4	5.86	0.7	5	5	5	7	5	40.6	88	35
B+ or Better	406	70.25	10.5	11.4	-0.9	33.5	1.09	20.4	6.31	1.1	5	4	5	4	4	19.9	30	9
B or Worse	908	29.75	11.4	11.9	-0.5	30.6	1.15	18.4	3.98	1.1	5	8	6	6	5	33.8	45	22
BofA Universe	1314	100.00	10.7	11.5	-0.8	32.7	1.11	21.4	5.38	1.1						23.9	35	14
S&P 500	503	92.02	10.7	11.5	-0.8	33.0	1.10	20.8	5.34	1.1						22.6	33	12

Source: BofA US Equity and Quant Strategy, FactSet

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**NEW
REGULATORY
FINANCE**

Roger A. Morin, PhD

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The pure-play methodology assumes that the pure-play companies have the same business risk as the division, and that, indeed, such pure-play companies can be identified to begin with. One difficulty with the approach is to identify undiversified “single line of business” proxy companies. The pool of pure-play companies is shrinking as utilities become more diversified over time. In fact, most companies, including utilities, are not perfectly homogeneous in risk and have multiple lines of business. Moreover, to the extent that the universe of pure-play companies is dwindling, the influence of abnormal observations, or outliers, on the proxy cost of capital estimate increases. Finally, the choice of screening parameters and cutoff points in defining a sample of pure-plays is arbitrary and judgmental. The analyst possesses a fair amount of latitude in defining screening criteria, such as degree of diversification, bond rating, company size, and non-utility business.

Another difficulty is that although the task of applying the pure-play approach to the broader utility segment of a diversified company is practically feasible, the task of applying the method at the more micro level, to each service category or customer class for example, becomes operationally prohibitive. A sample of market-traded firms comparable in risk to each of the individual service categories can be difficult to locate.

Another limitation of the technique is that it ignores the benefits of corporate diversification, that is to say, it assumes that the risk of a total company is simply the sum of the risk of its parts.

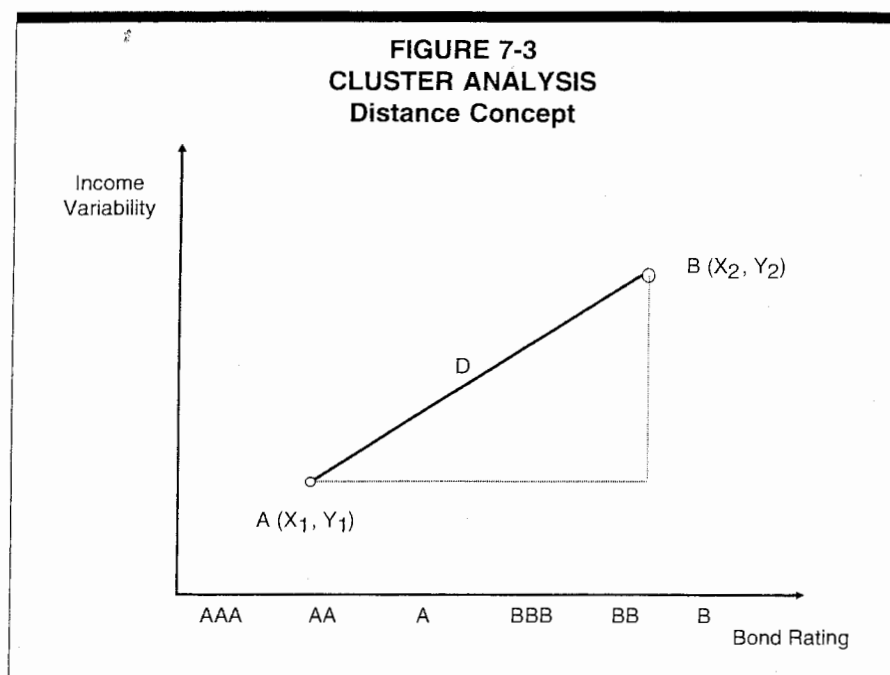
Cluster Analysis

With the Cluster Analysis approach, comparable companies are selected on the basis of “closeness” to the targeted entity in terms of such predetermined risk variables as bond rating, after-tax interest coverage, equity ratio, total capital, and variability of operating income. Cluster analysis generates a small group of publicly traded firms that are comparable in risk to a target division or firm from a much larger universe of diverse companies.

After determining the location of each publicly traded firm on a graph whose coordinates are the selected risk measures, closeness can be measured by the length of a straight line between the point associated with the division in question and the points associated with each other firm. This measurement process is illustrated graphically in Figure 7-3 for two risk measures: bond rating and income variability. Firm A has a lower income variability and a higher bond rating than firm B, as shown by points A and B on the graph.

The risk comparability of firms A and B is measured mathematically by the distance on the graph, or closeness, between the two points A and B as follows: If X and Y are two axes on a graph corresponding to two risk

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measures, and there are two points on a graph with coordinates (X_1, Y_1) and (X_2, Y_2) , then the distance, D , between the two points is given by:

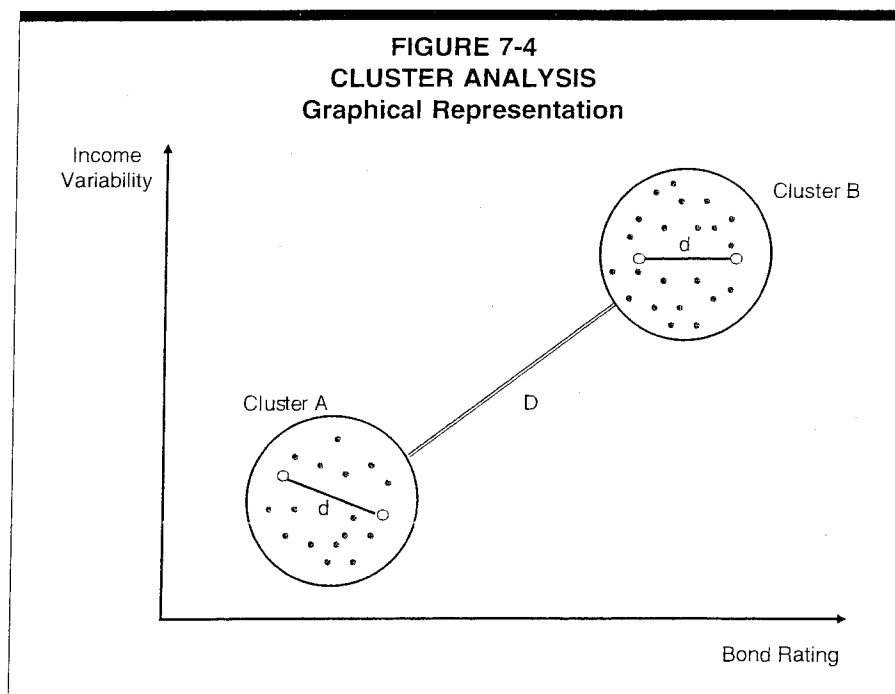
$$D = (X_2 - X_1)^2 + (Y_2 - Y_1)^2 \quad (7-2)$$

If the X and Y axes corresponding to the two risk variables are not measured in the same units, it is necessary to convert them to a common measure using the standard deviation of the sample as scale factors.

This process can be easily extended to include as many risk variables as desired. Figure 7-4 displays the cluster analysis in simplified form using two risk variables. Two clusters of companies are shown on the graph in the form of two small circles, one cluster similar in risk to firm A and the other cluster similar in risk to firm B. Firms A and B could just as well be divisions rather than publicly traded firms. Operationally, the clustering criteria must be loose enough so as to include a sufficient number of companies, but also stringent enough so as to provide a comparable group of companies close to the candidate firm. This tradeoff can be seen by comparing the distance, D , between the two clusters and the diameter, d , of the two circles in Figure 7-4.

The distance between clusters has to be significantly larger than the distance within clusters if risk comparability is to be achieved, but d has to be large enough to allow the entry of a sufficient number of companies. A cluster size of 15 to 30 firms is reasonable. Once a cluster of comparable companies is identified for each firm or division, the average DCF and CAPM/ECAPM

Chapter 7: Divisional Cost of Capital and CAPM Applications



cost of equity estimates for the publicly traded companies are used as estimates of equity costs for the divisions.

An excellent example of cluster analysis is provided by Vander Weide (1993) who implements the approach in 5 distinct steps. First, an adequate universe of companies is defined with sufficient market data to enable a DCF calculation and sufficient accounting data to compute the risk variables. Second, relevant risk variables that define the overall investment risk of the companies are selected. Vander Weide used the following 5 dimensions of investment risk and their associated measurement:

<u>Risk Dimension</u>	<u>Risk Measurement</u>
Variability	Operating income variability
Growth	Sales growth
Operating risk	Cash flow/assets ratio
Financial risk	Bond rating
Size	Total assets

Third, the risk variables are standardized for each firm because the risk variables are not measured in the same units. It is thus necessary to convert them to a common measure using the standard deviation of the sample as scale factors. Fourth, redundancies are eliminated by checking for the degree of correlation between each pair of risk variables. Highly correlated risk

Case 26-W-0358

Liberty NYW Implied Credit Metrics	Previous JP	Staff Position
Net Income (Rate Base * Equity Ratio * ROE)	\$22,515,887	\$29,315,928
Depreciation and Amortization	\$21,840,632	\$16,671,614
Deferred Income Taxes	\$0	\$0
Rate Base	\$515,473,600	\$663,857,069
Capital Expenditures	\$9,840,130	\$15,470,765
Interest Expense (Total Debt * WACD)	\$10,882,679	\$15,741,379
Current Income Taxes	\$8,955,087	\$11,217,955
Accumulated Deferred Income Taxes	\$9,499,837	\$22,015,017
Long-Term Debt	\$268,046,272	\$345,205,676
Short-Term Debt*	\$0	\$0
Total Debt	\$268,046,272	\$345,205,676
Total Equity	\$247,427,328	\$318,651,393
Total Capitalization (Debt and Equity)	\$524,973,437	\$685,872,086
EBITDA (Net Income + Interest + Inc. Taxes + Dep. & Amort.)	\$64,194,284	\$72,946,876
FFO (Net Income + Dep. & Amort. + Def. Taxes)	\$44,356,519	\$45,987,542
CFO (FFO + ΔWC)	\$44,356,519	\$45,987,542

Moody's Adjusted FFO	\$44,356,519	\$45,987,542
Moody's Adjusted CFO	\$44,356,519	\$45,987,542
Moody's Adjusted CFO Pre-W/C	\$44,356,519	\$45,987,542
Moody's Adjusted Interest Expense	\$10,882,679	\$15,741,379
Moody's Adjusted Debt	\$268,046,272	\$345,205,676
Moody's Adjusted Total Capital	\$524,973,437	\$685,872,086

S&P Adjusted EBITDA	\$64,194,284	\$72,946,876
S&P Adjusted FFO	\$44,356,519	\$45,987,542
S&P Adjusted CFO	\$44,356,519	\$45,987,542
S&P Adjusted FOCF	\$34,516,389	\$30,516,777
S&P Adjusted DCF	\$34,516,389	\$30,516,777
S&P Adj. Debt	\$268,046,272	\$345,205,676
S&P Adj. Interest Expense	\$10,882,679	\$15,741,379

Moody's Credit Metrics	Moody's	Moody's
CFO pre-WC + Interest / Interest	5.1x	3.9x
CFO pre-WC / Debt	16.5%	13.3%
CFO pre-WC – Dividends / Debt	16.5%	13.3%
Debt/Total Capital	51.1%	50.3%
Implied Rating	A3	A3

Standard & Poor's Credit Metrics	S&P	S&P
Funds from Operation/Debt	16.5%	13.3%
Debt/EBITDA (x)	4.18x	4.73x
(FFO + Interest)/Interest	5.08x	3.92x
EBITDA/Interest	5.90x	4.63x
CFO/Debt	16.5%	13.3%
FOCF/Debt	12.88%	8.84%
DCF/Debt	12.9%	8.8%
Business Risk Profile	Excellent	Excellent
Implied Rating	A	A-