STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY
OFFICE OF EDUCATION, OUTREACH & ENFORCEMENT

July 31, 2026

Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051

Re: Docket No. 26-03-15 – Application of the Connecticut Water Company to Amend Its Rate Schedules

Dear Chairman Gillett:

The Public Utilities Regulatory Authority (Authority) Office of Education, Outreach, and Enforcement (EOE) respectfully submits the Direct Testimony of Aaron Rothschild, with supporting Appendices and Exhibits attached hereto.

Sincerely,
PUBLIC UTILITIES REGULATORY AUTHORITY
Office of Education, Outreach, and Enforcement

CERTIFICATE OF SERVICE

I hereby certify that on this day the foregoing document was filed with the Public Utilities Regulatory Authority, and copies thereof were served upon each person designated on the official service list in this proceeding in accordance with R.C.S.A. § 16-1-15.

Sincerely,
PUBLIC UTILITIES REGULATORY AUTHORITY
Office of Education, Outreach and Enforcement

BEFORE THE
CONNECTICUT PUBLIC UTILITIES REGULATORY AUTHORITY

APPLICATION OF
THE CONNECTICUT WATER COMPANY
TO AMEND ITS RATE SCHEDULES

DOCKET NO. 26-03-15

DIRECT TESTIMONY
OF
AARON L. ROTHSCHILD

COST OF CAPITAL

ON BEHALF OF THE
CONNECTICUT PUBLIC UTILITIES REGULATORY AUTHORITY
OFFICE OF EDUCATION, OUTREACH, AND ENFORCEMENT

JULY 31, 2026

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I. STATEMENT OF QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Aaron L. Rothschild. My title is President, and my business address is 15 Lake Road, Ridgefield, CT.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am President of Rothschild Financial Consulting ("RFC").

Q. PLEASE STATE YOUR EDUCATIONAL ACHIEVEMENTS AND PROFESSIONAL DESIGNATIONS.

A. I have a B.A. degree in mathematics from Clark University (1994) and an M.B.A. from Vanderbilt University (1996).

Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.

A. I performed financial analysis in the telecom industry in the United States and Asia Pacific from 1996 to 2001, investment banking consulting in New York, complex systems science research regarding the power sector at an independent research institute, and I have prepared rate of return testimonies since 2002. *See* Appendix D for my resume.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE CONNECTICUT PUBLIC UTILITIES REGULATORY AUTHORITY, OR OTHER STATE COMMISSIONS? IF SO, WHICH COMMISSIONS?

A. Yes. I have testified before the Connecticut Public Utilities Regulatory Authority.

My expert witness experience also includes testifying in over 100 cost of capital proceedings before the following additional state commissions: California, Colorado, Connecticut, Delaware, District of Columbia, Florida, New Hampshire, New Jersey, New York, Maryland, North Dakota, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, and Washington State.

Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?

A. I am testifying on behalf of the Connecticut Public Utilities Regulatory Authority ("PURA" or the "Authority") Office of Education, Outreach, and Enforcement ("EOE").

II. INTRODUCTION

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to address the cost of capital for The Connecticut Water Company ("CWC" or the "Company") which includes the following three components:

1. **Cost of Equity ("COE"):** The return investors require to provide equity capital to a utility with CWC's specific risk profile.
2. **Cost of Debt:** The prevailing market interest rates and terms associated with the Company's debt obligations.
3. **Capital Structure:** The relative proportions of equity and debt used to fund the Company's operations.

Based on my analysis of these cost of capital components, I recommend an allowed rate of return ("ROR") for ratemaking purposes, including an appropriate authorized return on equity ("ROE"), authorized cost of debt, and authorized capital structure. Please see Appendix A for a more detailed definition and discussion of these specific components.

Q. PLEASE DEFINE THE COE, COST OF DEBT, AND CAPITAL STRUCTURE.

A.

1. **COE:** My COE recommendation is my opinion of the return investors require to provide equity capital to CWC based on current capital markets. Since investors must pay the market price of a stock to make an investment, investors' required returns are based on the return they expect to receive on the market price of stocks. In other words, CWC's COE is forward-looking and "market-based." My recommendation is consistent with the following legal standards set by the United States Supreme Court for a fair rate of return:

> The return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks.[1]

And

> [S]ufficient to . . . support its credit and . . . raise the money necessary for the proper discharge of its public duties.[2]

[1] *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944).

[2] *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of the State of W. Va.*, 262 U.S. 679, 692-693 (1923).

2. **Cost of Debt:** My cost of debt recommendation is based on the actual cost of debt paid by the utility to its sources of credit. For example, if a utility has issued a bond with a 3% interest rate three years ago, its authorized cost of debt should be 3%, even if interest rates are currently higher or lower than 3%.

3. **Capital Structure:** Capital structure is the percentage of equity and debt that makes up the finances of a utility. For example, if a utility raises $1 million of equity capital and $1 million of debt capital, we say it has a capital structure containing 50% equity and 50% debt. The utility has the burden of proof to demonstrate that its requested capital structure for regulatory purposes produces the lowest, reasonable overall cost of capital. My capital structure recommendation is based on my review of CWC's justification for its requested regulatory capital structure and the capital structure ratios of other water utility companies. As discussed below, the reported capital structure of a regulated subsidiary is often not representative of how the regulated utility was financed. For example, the parent of a regulated utility can report funds raised through debt financing at the holding company level as equity financing on the books of its regulated utility subsidiary. Therefore, it is important to make sure Mr. D'Ascendis's recommended capital structure would not overcharge consumers by including a higher common equity ratio than is appropriate.[3]

[3] A higher common equity ratio, all else equal, results in higher rates for consumers because equity is more expensive than debt.

Q. WHAT IS THE DIFFERENCE BETWEEN CWC'S COST OF EQUITY AND ITS AUTHORIZED ROE?

A. The COE is the market-based return investors require to invest in any given stock. In other words, it is the return necessary to attract equity capital in a competitive market. In this proceeding, CWC's COE is estimated using cost of equity models, which rely on capital market data from a proxy group of publicly traded water utility companies to measure investor return expectations and the returns they require to purchase a stock, as CWC itself is not publicly traded. While the COE is often discussed in terms of investor expectations, it is fundamentally a required return—what investors demand to provide equity capital.

The appropriate authorized ROE is determined by PURA based on its assessment of the COE at the time of the proceeding, after reviewing the evidentiary record, which incorporates investor expectations. Once PURA issues an authorized ROE, the market-based cost of equity will continue to fluctuate as capital markets evolve. The authorized ROE, therefore, represents a snapshot of the COE at a specific point in time, even though the COE itself is continuously changing.

Q. PLEASE DEFINE THE APPROPRIATE RATE OF RETURN.

A. The appropriate Rate of Return (ROR) is based upon the weighted overall cost of capital (WACC) of the current costs of debt and equity at the time of this proceeding. The weighted cost rate is calculated by multiplying the capital structure ratios of the sources of capital (debt, preferred equity, and common equity) times their respective cost rates.

WACC = Cost of Debt X Debt Ratio + COE X Common Equity Ratio + Cost of Preferred Equity X Preferred Equity Ratio.

Q. HOW DO YOU DEFINE YOUR ROLE IN PROVIDING THIS ANALYSIS?

A. My role is to provide a recommendation based on an objective analysis of the Cost of Capital. While I define this fundamentally as the return investors require in exchange for providing funds to a utility with CWC's specific risk profile, my analysis also provides a broader market context to ensure a principled and durable decision. My approach is grounded in the following framework:

- **The Authority as the Surrogate for Competition:** Because CWC operates as a regulated monopoly, the natural price-disciplining pressures of a competitive market are absent. In this vacuum, the Authority must act as a surrogate for the market. This is a significant and often difficult responsibility. It requires that the "price" of capital charged to ratepayers reflects its market cost, neither providing an unearned monopoly premium[4] nor depriving the utility of the capital it needs to provide essential services.
- **Acknowledging the Weight of the Decision:** Former Commission Chair Alfred Kahn reminds us in *The Economics of Regulation: Principles and*

[4] A "monopoly premium" refers to the excess profits a company can extract simply because consumers have no alternative options. In a competitive market, these excess profits are naturally competed away. For a natural monopoly like CWC, granting an authorized ROE that exceeds what investors require in the broader, competitive market allows the utility to capture a monopoly premium, ultimately operating against the public interest.

Institutions, the essence of regulation is the replacement of competition.[5] If the authorized return is disconnected from the actual COE, the result is an involuntary subsidy from ratepayers to shareholders--an outcome that undermines the very purpose of regulation.

- **Providing an Informed Path Toward Market Alignment:** In this testimony I strive to provide the objective, market-based information that balances utility financial health with ratepayer protection.

Importantly, keeping authorized ROEs in line with the market-based cost of equity is not just good for residential consumers; it is pro-business and pro-economy. Small businesses, industrial customers, and commercial enterprises all rely on affordable, predictable water costs to compete and grow. Furthermore, lower utility bills mean that residential consumers retain more of their income to spend on other goods and services. This local spending directly stimulates the Connecticut economy, whereas excess utility profits are largely extracted and distributed to global investors outside of the state. Aligning CWC's authorized ROE with its cost of equity helps businesses manage their costs, which strengthens the state's overall economy.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. First, I provide a summary of our recommendations and an overview of COE concepts. Second, I provide my capital structure and cost of debt recommendation. Third, I provide

[5] Alfred E. Kahn, *The Economics of Regulation: Principles and Institutions*, at 20 (MIT Press 1988).

an explanation of the various models I used in my COE calculations. Fourth, I provide a COE analysis for the overall market ("Market COE") as context for the appropriate ROE for CWC. Fifth, I provide an evaluation of CWC's rate of return testimony. Lastly, I provide my conclusion.

III. SUMMARY OF RECOMMENDATIONS

Q. PLEASE PROVIDE A SUMMARY OF YOUR RECOMMENDATIONS.

A. I recommend that the Authority reject Mr. D'Ascendis's recommended ROE of 10.00%[6] because it significantly exceeds CWC's actual COE as indicated by current market data. Instead, I recommend that PURA calculate CWC's rates based on the following:

- An overall cost of capital of 6.46% (6.33% - 6.60%);
- A ROE of 8.33% (8.07% - 8.59%);[7]
- A capital structure containing 51.00% common equity and 49.00% long-term debt; and
- A long-term debt cost rate of 4.52%.

A summary of my cost of capital recommendations for CWC's water operations is presented in Table 1 on page 9.

[6] Mr. D'Ascendis's Direct Testimony, page 4, line 53.

[7] As discussed below, my ROE recommendation is based on implementing various COE models with a reasonable range of between 8.07% - 8.59%.

TABLE 1: ALR RECOMMENDED RANGE MIDPOINT - THE CONNECTICUT WATER COMPANY
Docket No. 26-03-15

	Capital Structure Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	49.00%	4.52%	2.21%
Short-Term Debt	0.00%	0.00%	0.00%
Preferred Equity	0.00%	0.00%	0.00%
Common Equity	51.00%	8.33%	4.25%
Rate of Return			6.46%

Exhibit ALR-1

Q. ARE YOU RECOMMENDING A SPECIFIC ROE OF 8.33% OR AN ROE RANGE OF 8.07% TO 8.59%?

A. I recommend both a range of appropriate ROEs and a specific point within that range that I consider to be the most appropriate. It is not possible to measure CWC's COE with the precision of measuring temperature with a thermometer. However, my recommended ROE range of 8.07% to 8.59% already eliminates the extreme ends of the results of my models and provides the Authority with a range of ROEs I feel confident will allow CWC to raise the capital it needs to provide safe and reliable service.

I also recommend a specific point of 8.33% which is at the midpoint of that range. However, it is important to emphasize that PURA can adopt any authorized ROE lower than this specific recommendation, so long as it remains within my provided range. Even at the lower bound of 8.07%, CWC would still be provided with sufficient cash flow to maintain its financial integrity and fulfill its service obligations.

Q. IS THERE ANYTHING ABOUT YOUR EVALUATION OF MR. D'ASCENDIS'S TESTIMONY THAT THE AUTHORITY SHOULD UNDERSTAND AT THE OUTSET?

A. Yes. My evaluation of Mr. D'Ascendis's testimony contains two distinct kinds of analyses, and I want the difference between them to be clear from the start.

The first restates Mr. D'Ascendis's own DCF and CAPM models after replacing a single input: his assumption about investors' expected future growth, wherever that assumption appears in those models. I do not perform my own historical analysis in this restatement portion of my testimony. Instead, because his CAPM market risk premium also relies in part on historical return data that contains no growth assumption to replace, I exclude those historical measures from my restatement and rely only on his forward-looking measures, corrected for the appropriate growth rate. Every other input (beta, risk free rate, dividend yield, etc.) remains exactly as he filed it. As shown in Exhibit ALR-6, page 4, this restatement produces an indicated common equity cost rate of 7.87% to 9.31%, with an average of 8.59%.[8] This restated range is not my recommendation; it is simply Mr. D'Ascendis's own models, corrected for this single input. *See* Section IV for further discussion.

The second part of my evaluation of Mr. D'Ascendis's testimony involves a broader critique of his cost of equity models presented in Section VIII.

[8] Note that the 8.59% average from this analysis is identical to the high end of my own range. It shows that replacing even this single input in Mr. D'Ascendis's own models no longer supports a cost of equity above the top of my recommended range.

Q. PLEASE SUMMARIZE HOW YOU DETERMINED YOUR 8.33% COST OF EQUITY RECOMMENDATION FOR CWC.

A. To arrive at my recommendation, I applied the Constant Growth[9] and Non-Constant Growth versions of the Discounted Cash Flow ("DCF") and eight variations of the CAPM methodologies[10] to a proxy group that is made up of 4 of the 5 companies used by Mr. D'Ascendis. I also apply the same methodologies to Mr. D'Ascendis's mixed proxy group. From both proxy groups, I have excluded Global Water Resources, Inc. as it does not have a full Value Line report. As discussed below, I utilize capital market data and cross-reference the model results of leading financial institutions as an additional check on the reasonableness of my model results.

I use a proxy group to calculate CWC's cost of equity because CWC does not have publicly traded stock data specific to itself. Additionally, using a proxy group provides more reliable results because it is less likely to be skewed by specific circumstances or anomalies faced by any individual company during the time when I take a snapshot of the COE.

As shown in Table 2 on page 13, Cost of Equity Model Results, the results of my cost of equity models, including eight variations of the CAPM and three variations of the

[9] The constant growth DCF model is a variant, or version, of the single-stage DCF model that uses a consistent, never-changing growth rate component in perpetuity.

[10] CAPM stands for "Capital Asset Pricing Model." The CAPM relates return to risk; specifically, it relates the expected return on an investment in a security to the risk of investing in that security.

DCF, range between 5.16% and 8.85%. Reducing the overall range of my results,[11] leads me to a reduced, unadjusted Cost of Equity range of 7.99% to 8.51%, with an unadjusted point estimate of 8.25%.

To arrive at my final recommendation of 8.33%, I make an upward adjustment to this 8.25% result to account for financial risk. I am recommending a common equity ratio of 51.00% for the Company, while the common equity ratio of the proxy group is 53.00% (excluding short-term debt). A higher common equity ratio means less debt, a lower chance of financial stress (financial risk), and therefore a lower COE. On the other hand, a lower common equity ratio means more debt, a higher chance of financial stress (financial risk), and therefore a higher COE. Based on a regression analysis of dozens of utility companies, I found a 0.04% reduction (or increase) in the COE results from every 1% change in the common equity ratio.[12] Because my recommended equity ratio is 2.00% lower than the proxy group average, I applied a conservative 0.08% upward adjustment (2.00% x 0.04%) to my 8.25% unadjusted result. This brings my final recommended Cost of Equity to 8.33%.

[11] While my standard practice often involves the use of the 50th percentile (the median) to mitigate the impact of outliers, the data set in this proceeding exhibited a high degree of dispersion and a significant downward skew. If I had utilized my standard 50th percentile methodology, the resulting cost of equity would calculate to just 7.25%. However, relying on the median in a highly dispersed, downwardly skewed dataset introduces significant estimation risk. Therefore, to mitigate the asymmetric risk of underestimating the true cost of capital during anomalous market conditions, I have narrowed the focus to the upper end of the distribution, selecting the 87th percentile to arrive at 8.25%. This adjustment offsets the downward skew of the underlying data, ensuring the recommended ROE fully satisfies the requirement to attract capital.

[12] Supporting calculations for this analysis are available upon request.

TABLE 2: COST OF EQUITY MODEL RESULTS		
DCF	**Low**	**High**
Constant Growth - Sustainable Growth	8.75%	8.85%
Constant Growth - Option-Implied Growth	6.79%	7.57%
Non-Constant Growth	7.70%	7.95%
CAPM		
Spot (Jun. 30, 2026)		
Risk Free Rate - 3-Month T Bill	5.16%	7.12%
Risk Free Rate - 30-Yr T Bond	5.90%	7.38%
3-Mo. Weighted Average (Apr. to Jun. 2026)		
Risk Free Rate - 3-Month T Bill	5.46%	7.03%
Risk Free Rate - 30-Yr T Bond	6.24%	7.44%
Recommended Range	**7.99%**	**8.51%**
Midpoint of Range (Based on Percentiles)	**8.25%**	

Exhibit ALR-2

Mr. D'Ascendis explains that, because of the limited size of his Water Utility Proxy Group, he uses a second proxy group—made up of water and gas companies—as a check; however, he acknowledges that he does "not generally use gas utility market data in an ROE study for water utilities, as they are an imperfect comparator (i.e., similar delivery method but vastly unique risks)."[13] In addition to calculating the expected return of the overall market as a test of my results (which I explain in more detail below), as an additional check, I also apply my models to a proxy group made up of a mix of water and natural gas utilities, which is described above. My results based on the mixed proxy group

[13] Mr. D'Ascendis's Direct Testimony, page 18, lines 402-405.

are a recommended range of 8.41% to 9.01%, with a midpoint of 8.71%,[14] results that are still well below Mr. D'Ascendis's 10.00% recommendation.

To ensure the robustness and real-world applicability of our findings, I validated these COE model results against the long-term capital market expectations of a broad cross-section of the financial community. As I explore in greater detail later in this testimony, this validation includes data from:

- Major financial institutions such as J.P. Morgan and Charles Schwab; and
- Institutional investors, specifically the capital market assumptions of 41 major investment firms and institutional asset managers, including Bank of New York Mellon, BlackRock, and Goldman Sachs Asset Management.

As shown in Table 3 on page 15, major financial institutions are informing their clients to expect returns on the overall market (S&P 500) of 5.9% to 8.65%.

[14] Exhibit ALR-5, page 5 (mixed).

TABLE 3: U.S. EQUITY RETURN EXPECTATIONS AMONG MAJOR FINANCIAL INSTITUTIONS	
J.P. Morgan Asset Management - Equity Long-Term Returns (2026) [1]	**6.70%**
Charles Schwab - 10-year U.S. Large Cap Returns (Jan 2026) [2]	**5.90%**
Horizon Actuarial Services, LLC Survey - 20 Year Horizon (August 2025) [3]	
U.S. Equity - Large Cap (4.8-9.3%, 50% Percentile - 7.1%)	**7.10%**
U.S. Equity - Small / Mid Cap (4.8-10.0%, 50% Percentile - 7.3%)	**7.30%**
Aswath Damodaran (July 1, 2026) [4]	**8.65%**
Duff & Phelps / Kroll (April 2026) [5]	**8.50%**

Sources:
[1] J.P. Morgan Asset Management - 2026 Long-Term Capital Market Assumptions, 2025, page 12.
https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/institutional/insights/portfolio-insights/ltcma-full-report.pdf
[2] Schwab's 2025 Long-Term Capital Market Expectations, January 3, 2025.
https://www.schwab.com/learn/story/whats-10-year-outlook-major-asset-classes
[3] Horizon Actuarial Services, LLC, Survey of Capital Market Assumptions Survey, August 2024, page 19.
Survey participants Include: Bank of New York Mellon, BlackRock, Goldman Sachs Asset Management, J.P. Morgan Asset Management, Merrill, Morgan Stanley Wealth Management, Royal Bank of Canada, UBS.
[4] New York University, Professor Aswath Damodaran
https://pages.stern.nyu.edu/~adamodar/
[5] Kroll Recommended U.S. ERP and Corresponding RFR to be Used in Computing Cost of Capital: January 2008 - Present,
https://www.kroll.com/en/insights/publications/cost-of-capital/recommended-us-equity-risk-premium-and-corresponding-risk-free-rates
Note: Duff & Phelps acquired Kroll in 2021 and rebranded itself as Kroll.
Note: J.P. Morgan's 2025 Long-Term Capital Market Assumptions is an annual report.

The fact that market participants, who are responsible for deploying hundreds of billions of dollars in capital, expect returns well below our recommendation of 8.33% provides a high degree of confidence and confirms that an 8.33% ROE is sufficient for CWC to attract equity capital.

Q. DO THE LONG-TERM CAPITAL MARKET EXPECTATIONS OF THE FINANCIAL COMMUNITY HIGHLIGHT WHY YOUR ROE RECOMMENDATION AND MR. D'ASCENDIS'S ARE SO DIFFERENT?

A. Yes. A primary driver of the discrepancy is Mr. D'Ascendis's reliance on inputs that introduce an upward bias into his market return expectation. Specifically, Mr. D'Ascendis applies the same Constant Growth DCF model he uses for his proxy group to the S&P 500—using projected earnings per share ("EPS") growth rates from Value Line, Bloomberg, and S&P Capital IQ—and derives expected market returns of 19.18% (market

weighted) and 15.54% (equal weighted).[15] He also derives an 11.21% expected market return from the average of Value Line's 3- to 5-year median market price appreciation potential plus Value Line's median projected dividend yield.[16]

While Value Line is an independent subscription service and does not face the exact same investment banking conflicts as traditional "sell-side" analysts, peer-reviewed academic research demonstrates that their long-term growth projections are nonetheless structurally inflated. A comprehensive study published in the *Journal of Banking & Finance* found that Value Line's 3- to 5-year projections for earnings and stock returns "exhibit large positive bias." The authors isolated the root of this bias, noting that it appears to be "entirely due to the extreme upward bias in projected profit margins."[17]

My goal is to ensure that the cost of equity estimates provided to the Authority are empirically sound and reflective of objective economic reality. The aforementioned study found that Value Line's 3- to 5-year projections lack predictive power, concluding that their "extreme upward bias ... calls into question the common practice of using these predictions as proxies for the cost of equity in cost-of-capital studies."[18] By utilizing these specific projected growth rates, Mr. D'Ascendis's analysis structurally overstates the expected market return.

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[15] Mr. D'Ascendis's Direct Testimony, page 30, line 705, and Schedule DWD-4, page 6.

[16] Mr. D'Ascendis's Direct Testimony, page 29, lines 682-696.

[17] Andrew C. Szakmary, C. Mitchell Conover, & Carol Lancaster, "An examination of Value Line's long-term projections," *Journal of Banking & Finance 32* (2008): 820-833.

[18] Ibid., at 833.

Grounding the analysis in broader, observable market data ensures that my recommendation more accurately reflects the actual economic environment. Specifically, my CAPM analysis utilizes an overall market return component of 8.22% to 8.72%,[19] which is derived directly from capital market data, including publicly traded stock and stock option prices. This range avoids the well-documented positive bias inherent in Value Line's long-term profit margin and earnings forecasts.

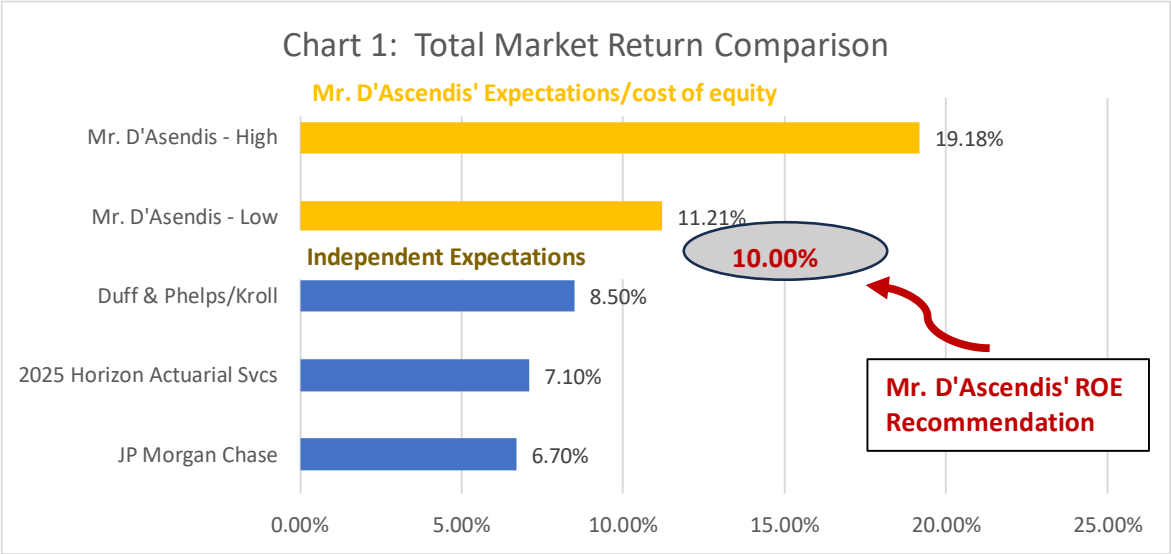
As shown in Chart 1 on page 18, Mr. D'Ascendis's singular reliance on Value Line's EPS growth rates suggests a market return of as high as 19.18%,[20] while broader perspectives and benchmarks from J.P. Morgan[21] (6.7%) and Horizon Actuarial Services[22] (7.1%) point to a reality that is nearly one-third of what Mr. D'Ascendis proposes.

[19] Exhibit ALR-4, page 4, and Exhibit ALR-4, page 6.

[20] Mr. D'Ascendis's Direct Testimony, page 30, lines 705, and Schedule DWD-4, page 6.

[21] J.P. Morgan Asset Management is a global asset management business that annually publishes its Long-Term Capital Market Assumptions to help institutional investors and advisors inform strategic asset allocation. Now in its 30th edition for 2026, this research provides projections that establish reasonable risk and return expectations over a 10- to 15-year time frame across more than 200 asset classes.

[22] Horizon Actuarial Services is an independent consulting firm that provides actuarial services to multiemployer defined benefit pension plans. In its annual Survey of Capital Market Assumptions, now in its 2025 edition, Horizon aggregates future risk and return expectations from 41 different investment advisory firms. This research provides composite forecasts over both 10-year and 20-year horizons to help evaluate the reasonableness of long-term investment return assumptions across various asset classes.



Q. PLEASE COMPARE CWC'S REVENUE REQUIREMENT IF YOUR RECOMMENDATIONS ARE ADOPTED INSTEAD OF MR. D'ASCENDIS'S.

A. Based on the $907 million rate base requested by CWC in its initial filing, the difference in the revenue requirement is substantial. If my 8.33% cost of equity and capital structure recommendations are adopted, the rate of return portion of the revenue requirement would be approximately $72.8 million.

Conversely, if Mr. D'Ascendis's 10.00% cost of equity and capital structure recommendations are used, the rate of return portion of the annual revenue requirement would rise to $85.9 million. This represents an annual overcharge to consumers of $13.1 million. It is important to note that this overcharge impacts all customer classes, not just residential ratepayers.

To provide further perspective on the drivers of this difference, if my recommended 8.33% cost of equity were applied to Mr. D'Ascendis's proposed capital structure, it would

result in a $1.3 million annual revenue impact. This highlights that while the cost of equity is the primary driver, the choice of capital structure also carries significant weight for ratepayers.

I must clarify that these calculations are based specifically on the Company's requested rate base as filed. Because the final rate base is subject to PURA's approval, the absolute dollar impact may vary slightly when final rates are set; however, the relative magnitude of the savings remains consistent regardless of the final rate base determination.

TABLE 4: ANNUAL REVENUE IMPACT VS. ROTHSCHILD RECOMMENDATION - THE CONNECTICUT WATER COMPANY
($ million)

	Rate of Return Portion of Revenue Requirement	Difference versus Rothschild Recommendation
Rothschild ROE & Cap Structure	$72.8	
Rothschild ROE with D'Ascendis Cap Structure	$74.2	$1.3
D'Ascendis ROE & Cap Structure	$85.9	$13.1

Source/Inputs:	
Requested Rate Base [1]	$907.0
Federal income tax rate	21.00%
State income tax rate	7.50%
Uncollectable Expense	0.00%

[1] SCHEDULE A-1.0

IV. A SENSITIVITY ANALYSIS OF MR. D'ASCENDIS'S GROWTH RATE ASSUMPTION

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. The purpose of this section is to isolate the single most consequential variable in the Company's cost of equity calculation: Mr. D'Ascendis's assumption about investors' expected future growth. To assist PURA in evaluating the fundamental differences between my recommendation and the Company's proposal, I have conducted an analysis viewing the Company's models in the light most favorable to the Company. Specifically, I have utilized, *for the sake of argument*, all of Mr. D'Ascendis's model inputs, such as his risk-free rate and beta coefficients, with the sole exception of his assumption about investors'

expected future growth, wherever that assumption appears in his DCF and Capital Asset Pricing Model ("CAPM") models.

Q. WHY HAVE YOU CHOSEN TO ACCEPT THE MAJORITY OF MR. D'ASCENDIS'S INPUTS FOR THIS SPECIFIC ANALYSIS?

A. I have done so to sharpen the conversation and prevent the most critical issue from getting lost in the weeds of standard methodological debates. In utility regulatory proceedings, the debate over risk-free rates and beta coefficients typically impacts the final cost of equity results by 10 to 30 basis points. However, Mr. D'Ascendis's growth rate assumption impacts his results by hundreds of basis points, across more than one model. By accepting his minor inputs, I am removing the distraction of the less impactful variables to focus PURA's attention entirely on the primary driver of the Company's requested return. To use a practical analogy, debating the betas and risk-free rates in these models is akin to arguing over the $3 cost of peanuts on an airplane, when the material issue under review is the exorbitant price of the ticket itself. This section focuses entirely on the price of the ticket.

Q. DOES YOUR ADOPTION OF MR. D'ASCENDIS'S RISK-FREE RATE AND BETA INPUTS IN THIS SECTION MEAN YOU AGREE WITH HIS METHODOLOGIES FOR CALCULATING THEM?

A. No, it does not. I do not agree with his methodologies for those inputs, and my independent analysis, provided later in this testimony, remains more reasonable than the Company's witness's recommendation. I am simply adopting his inputs here *arguendo* – meaning solely for the sake of this specific demonstration.

Q. DOES THIS SAME GROWTH ASSUMPTION AFFECT MR. D'ASCENDIS'S CAPM MODEL?

A. Yes, though the mechanics differ from his DCF. Mr. D'Ascendis's CAPM is not built on a single growth rate the way his DCF is. His market risk premium is instead an average of five separate measures of the same underlying concept, the return investors expect from the overall market in excess of the risk-free rate. Two of those measures, his Value Line-derived and S&P 500-derived prospective equity risk premiums, are built directly from his assumption about investors' expected future growth. I replace those two measures in the same manner and for the same reason that I replace his DCF growth rate: both are simply his growth assumption appearing in a different model.

Q. WHAT DO YOU DO WITH THE REMAINING THREE MEASURES UNDERLYING HIS CAPM MARKET RISK PREMIUM?

A. I exclude them from this restatement. Those three measures, the historical spread between large-stock and long-term government bond returns, a regression analysis on that historical data, and a Predictive Risk Premium Model ("PRPM") analysis on that historical data, are not built from any stated growth assumption. They are Mr. D'Ascendis's attempt to estimate the same thing his prospective measures estimate (investors' expected future returns) using historical data instead of a forward-looking growth rate. Because they contain no growth assumption, there is nothing in them for me to replace, and I do not perform my own historical analysis to substitute in their place. Averaging a corrected forward-looking estimate together with these unadjusted historical measures would

understate the effect of the correction and produce an internally inconsistent blend of a corrected input and stale, unadjusted ones. I have therefore restated Mr. D'Ascendis's CAPM market risk premium using only his forward-looking measures, replaced for the appropriate growth rate, consistent with his own conclusion that a forward-looking, growth-based estimate is a valid, direct measure of investors' expected return.

Q. WHAT DOES THIS ISOLATED ANALYSIS DEMONSTRATE TO THE AUTHORITY?

A. It demonstrates that even if PURA were to grant the Company every baseline assumption Mr. D'Ascendis advances regarding risk-free rates, betas, and other minor components, replacing just one flawed input, his assumption about investors' expected future growth, collapses his final conclusion. As discussed in my introductory testimony, this restatement of his DCF and CAPM models produces an indicated common equity cost rate of 7.87% to 9.31%, with an average of 8.59%, well below the results he reports. It proves that the Company's requested return is not the result of broadly differing economic frameworks, but is instead artificially driven by a single, highly sensitive, and unsupported growth assumption. By focusing purely on this isolated variable, PURA can clearly evaluate the true source of the discrepancy in our cost of equity results.

Q. ARE THE METHODOLOGICAL ERRORS DRIVING THIS INFLATED GROWTH RATE DISCUSSED FURTHER IN YOUR TESTIMONY?

A. Yes. In Section VIII of my testimony, I provide a comprehensive evaluation of Mr. D'Ascendis's rate of return testimony. In that section, I explain exactly why it is

structurally incorrect to treat analysts' 3- to 5-year earnings growth forecasts as if they were growth rates in perpetuity. I also detail how this same growth assumption inappropriately inflates his Risk Premium Model and his DCF result for his non-price-regulated proxy group. The purpose of this current section is simply to demonstrate and quantify the outsized mathematical impact of this single variable before detailing the mechanical flaws of his models in Section VIII.

V. CAPITAL STRUCTURE AND COST OF DEBT

Q. IS CWC'S REQUESTED CAPITAL STRUCTURE OF 54.00% COMMON EQUITY AND 46.00% DEBT APPROPRIATE?

A. No, CWC's requested capital structure is slightly too equity-heavy and therefore unnecessarily expensive for ratepayers. Mr. D'Ascendis recommends a pro forma capital structure of 54.00% common equity and 46.00% long-term debt. He justifies this request by pointing to the Company's fiscal year-end capital structures from 2020 through 2024, which ranged from 53.90% to 61.58%. He argues that a 54.00% equity ratio accurately reflects the Company's historical financing over time, and notes that it falls within the wide range of common equity ratios maintained by the companies in his Utility Proxy Groups, which spanned from 37.75% to 60.32%.[23]

[23] Mr. D'Ascendis's Direct Testimony, page 19, lines 421-428.

However, relying solely on CWC's historical averages and a broad proxy group range sidesteps current market realities. While his request is not wildly out of bounds, it exceeds the current consolidated capital structure projected for CWC's parent company, H2O America, as well as the average common equity ratios observed for the water utility proxy groups when short-term debt is properly considered.

Q. WHAT CAPITAL STRUCTURE DO YOU RECOMMEND BE USED FOR CWC'S OVERALL COST OF CAPITAL?

I recommend using a capital structure consisting of 51.00% common equity and 49.00% debt.

This recommendation is grounded in current market data and aligns CWC with both its parent company and its peers. According to the most recent Value Line report, CWC's parent company, H2O America, has a projected common equity ratio of 51% this year. Furthermore, the average common equity ratio of the proxy group of water companies is 51.5% when including short-term debt, and 53% without.

Absent compelling evidence from CWC supporting a specific need for an atypically expensive 54.00% equity structure, utilizing a 51.00% equity ratio aligns the Company closely with market benchmarks and the holding company's actual metrics. This provides the Company with more than sufficient financial stability to support its infrastructure investments while protecting ratepayers from funding an artificially thick, expensive equity layer.

Q. WHAT COST OF DEBT DO YOU RECOMMEND?

A. I recommend CWC adopt a cost of debt of 4.52%.

VI. COST OF EQUITY METHODOLOGY

A. Overview

Q. PLEASE PROVIDE AN OVERVIEW OF YOUR PERSPECTIVE REGARDING HOW CAPITAL MARKETS RELATE TO THE COE AND THE OVERALL COST OF CAPITAL.

A. The cost of capital is the return investors require to provide capital to CWC based on current capital markets. To measure the cost of equity accurately, it is critical to use current market data because it increases the chance that the authorized ROE will match CWC's market-based COE when it needs to raise equity capital.

My COE recommendation reflects the return investors require to provide equity capital to CWC based on current capital markets. My recommendation is consistent with the following legal standards set by the United States Supreme Court for a fair rate of return: "[t]he return to the equity owner should be commensurate with returns on

investments in other enterprises having corresponding risks"[24] and "sufficient to… support its credit and… raise the money necessary for the proper discharge of its public duties."[25]

Because the cost of equity is not a published figure like a bond yield, some interpretation is required to determine the appropriate market price. My cost of equity recommendation is based on my computation of what the market indicates investors require (return on investment) to provide capital to companies with comparable risk to CWC.

As explained below, I use current market prices (e.g., stocks, bonds, options), which measure investors' expectations directly, instead of relying solely on historical data and analyst forecasts.

A COE based on current market prices (market-based) is superior to a COE based on historical data in two respects:

1. The COE that CWC has to pay investors is based on capital markets. Recent high inflation and increases in interest rates are not a secret and therefore market-based COE models will reflect investors' changing expectations.
2. Capital markets are unpredictable. Regarding capital markets' unpredictability, Warren Buffet gave the following advice to investors: "[t]hey should not listen to a lot of the jabbering about what the market is

[24] *Fed. Power Comm'n v. Hope Nat. Gas Co. v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944).

[25] *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of the State of W. Va*, 262 U.S. 679, 692-693 (1923).

going to do tomorrow, or next week or next month because nobody knows."[26]

Current capital markets are our best source of investors' expectations regarding future capital markets. Current market prices of stocks and bonds reflect investors' forecasts for long-term interest rates and capital markets in general.

Q. HAS YOUR METHODOLOGY BEEN RECOGNIZED BY OTHER COMMISSIONS?

A. Yes. My CAPM method has also been recognized by state utility commissions. On April 9, 2020, the South Carolina Public Service Commission stated the following:

> Amongst the three witnesses, Consumer Affairs Rothschild's approach was unique in that he included the use of both historical and forward-looking, market-based data in his analysis. Based on the testimony and facts presented, the Commission therefore adopts the recommended ROE of 7.46% proposed by witness Rothschild.[27]

In a 2024 decision, the California Public Utilities Commission (CPUC) found merit in my analysis and used my cost of equity methodology, including the CAPM and DCF methods I use in this proceeding, to determine the authorized ROEs for California's ten Independent Small Telephone Companies ("ILECs").[28]

[26] PBS News Hour, Part 1 – America should stand for more than just wealth, says Warren Buffett (June 26, 2017) at www.pbs.org/newshour/show/pbs-newshour-full-episode-june-26-2017.

[27] Order Ruling on Application for Adjustment in Rates, Docket No. 2019-290-WS, Order No. 2020-306, April 9, 2020, page 43.

[28] CPUC Decision Determining the Cost of Capital for Ratemaking Purposes for California's Independent Small Telephone Companies, Application 22-09-003, page 22.

Q. HOW DID YOU ARRIVE AT YOUR COE RECOMMENDATION?

A. To arrive at my recommendation, I applied the DCF model, including two Constant Growth and one Non-Constant Growth methods, and four variations of the CAPM analysis to a group of similar companies ("D'Ascendis Water Proxy Group") using data available through June 30, 2026, as discussed below. I also applied the same models to a broader group that adds the natural gas utilities included in Mr. D'Ascendis's Water and Gas Utility Proxy Group. In all of my models, I use both historical averages and the most recently available spot data for the inputs wherever it is possible and applicable.

Q. CONSIDERING THAT STOCK AND OPTION PRICES AND BOND YIELDS CHANGE DAILY, WOULD IT NOT BE BETTER TO USE HISTORICAL AVERAGES EXCLUSIVELY FOR THE INPUTS IN YOUR MODELS?

A. Not necessarily. Most people would agree that the use of spot market data, the value of a particular input on a particular day, can lead to COE results that can vary over short periods of time. It may therefore be tempting to find a more stable value based on historical averages that are not overly influenced by short-term fluctuations in capital markets. When doing a forward-looking analysis, however, it is equally important to look at the most recent market data as an indication of trends and where a given value is more likely to be in the future. This is a broad and generally accepted principle, as made clear in the following example.

As a simple example using historical stock prices to make the point clear, if Company A's stock price were to go up linearly over the course of one year from $50 to

$100, its average stock price over that year would be $75. If Company B's stock price declined linearly from $100 to $50 over the same year, it would have the same exact average stock price of $75. However, most people would agree that predicting both stock prices at $75 over the near future would be overly simplistic and leave readily accessible data unused. Without relying on any additional data, at the very least, it would stand to reason that in the near future, Company A's stock price is more likely to be between $75 and $100 than Company B's stock price, and that Company B's stock price is more likely to be between $50 and $75 than Company A's stock price. These observations cannot be made by looking at the yearly averages alone and must take the most recent data into special consideration.

This does not eliminate concerns regarding the effect of daily fluctuations in market data, especially during periods of volatility. As a result, it is important to consider both historical averages and recent spot values when using market data for forward-looking analyses. That is precisely my approach when using market data that are expected to continue to fluctuate, such as stock prices, dividend yields, betas,[29] and market risk premia.

[29] Beta is a component of the Capital Asset Pricing Model ("CAPM") used to measure the systematic risk of a security relative to the overall market. Mathematically, it is the covariance of the return on an individual security with the return on the market portfolio, divided by the variance of the market return. In practice, Beta serves as a scaling factor: a Beta of 1.0 indicates a security that moves in tandem with the market, while a Beta below 1.0, typical for regulated utilities, indicates the security is less volatile than the broader market.

Q. CAN A DIFFERENCE OF ONE DAY IN THE SELECTION OF SPOT DATA HAVE A SIGNIFICANT POSITIVE OR NEGATIVE EFFECT ON ROE RESULTS? IF SO, HOW DO YOU GO ABOUT CHOOSING WHICH DAY TO USE FOR MARKET-BASED SPOT DATA?

A. Daily fluctuations in stock prices, resulting dividend yields, betas, etc., all have an impact on resulting ROE calculations, especially when using recent spot values for market data. Such is the nature of market data, which changes from day to day. This is rightfully noted as a potential risk of using spot data, but, given the stated benefits of using recent spot data for forward-looking analyses, there are ways to address such potential pitfalls.

For this reason, it is very important to establish consistent methodologies that eliminate the possibility of personal bias, especially when using spot market data. I consistently use the last trading day of the month as the reference point for all market-based spot data. Additionally, this day serves as the cutoff for calculating all historical market-data averages.

It is important to keep in mind that even averages fluctuate over time, and all responsible data analysts must find a consistent and reproducible way to "freeze time" to work with such fluctuations while eliminating bias.

It is also important to point out once again that I use recent spot market data to establish one benchmark for market-based inputs, which are balanced by the use of historical averages, as stated previously.

B. Proxy Group Selection

Q. WHAT PROXY GROUPS DID YOU USE TO CALCULATE CWC'S COE?

A. My comparable proxy group, shown on Table 5 below and referred to as the D'Ascendis Water Proxy Group, consists of the following 4 publicly traded water utility companies covered by Value Line. Mr. D'Ascendis's proxy group contains the same 4 companies plus Global Water Resources, Inc., which I excluded because it does not have a full Value Line report.

TABLE 5: D'ASCENDIS WATER PROXY GROUP COMPOSITION

	Company Name	Ticker
1	AMER. STATES WATER	AWR
2	CALIFORNIA WATER	CWT
3	H2O AMERICA	HTO
4	MIDDLESEX WATER	MSEX

I chose this proxy group because I believe it contains companies that are relatively comparable in risk to CWC. However, model results based on this proxy group should be viewed as a conservative estimate of CWC's COE because these companies have some unregulated operations which are riskier than water and wastewater.

In a regulated environment, CWC operates under a regulatory framework that provides for the recovery of prudently incurred costs and a reasonable opportunity to earn a return. Conversely, unregulated operations are riskier because they are subject to competition. Because investors demand a higher return to compensate for greater uncertainty, the proxy group's COE is likely higher than CWC's.

I also used a mixed proxy of water and gas utilities that include 10 of the 11 companies used by Mr. D'Ascendis. I did not include Global Water Resources, Inc., as explained above.

C. Discounted Cash Flow Models

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR DCF MODELS.

A. I used both the constant growth form of the DCF method, which determines growth based on the sustainable retention growth procedure, and a non-constant growth DCF method. The results of my constant growth DCF model range between 8.75% and 8.85% when using a sustainable growth rate and between 6.79% and 7.57% when using an option-implied growth rate.[30] The results of my non-constant growth DCF method indicate a COE of between 7.70% and 7.95% for the D'Ascendis Water Proxy Group.[31]

Q. WHAT IS THE DISCOUNTED CASH FLOW METHOD?

A. The DCF method is an approach to determine the COE. The method recognizes that investors purchase common stock to receive future cash payments. These payments come from: (a) current and future dividends, and (b) proceeds from selling stock. A rational investor will buy stock to receive dividends and ultimately to sell the stock to another investor at a gain. The price the new owner is willing to pay for stock is related to that

[30] Exhibit ALR-3, page 1.

[31] Exhibit ALR-3, page 3, and Exhibit ALR-3, page 4.

buyer's expectation of future flow of dividends and the future expected selling price. The value of the stock is the discounted value of all future dividends until the stock is sold plus the value of proceeds from the sale of the stock.

D. Constant Growth Form of the DCF Model

Q. YOU STATE YOU USED THE CONSTANT GROWTH FORM OF THE DCF MODEL. WHAT IS THE CONSTANT GROWTH FORM OF THE DCF MODEL?

A. The constant growth form of the DCF model is a form of the DCF method that can be used in determining the COE when investors can reasonably expect that the growth of retained earnings and dividends will be constant.

Retained earnings are funds that a company keeps in its treasury, so that they are available for future needs, such as capital expenditures, debt payments, and new investments. These retained earnings show investors whether the company is growing, which, in turn, is a measure of the future indicator of dividends and the value of a company's stock.

Q. DESCRIBE HOW THE CONSTANT GROWTH MODEL WORKS.

A. The constant growth model is described by the equation k= D/P + g, where:[32]

k= cost of equity (COE);
D=dividend; and
P=market price of stock at time of the analysis

[32] Myron J. Gordon, *Cost of Capital to a Public Utility*, p. 32-33 (MSU Public Utility Studies 1974).

and where:

g=the growth rate, where g= br + sv;
b=the earnings retention rate;
r=return on common equity investment (referred to below as "book equity");
v=the fraction of funds raised by the sale of stock that increases the book value of the existing shareholders' common equity; and
s=the rate of continuous new stock financing

The constant growth model is therefore correctly recognized to be:

k=D/P + (br +sv)

The COE demanded by investors is the sum of two factors. The first factor is the dividend yield. The second factor is growth (dividends and stock price). The logical relationship among these factors is as follows: the dividend yield is calculated based on current dividend payments while growth indicates what dividends and stock price will be in the future.

Q. WHAT OTHER FACTORS IMPACT HOW ONE USES THE CONSTANT GROWTH FORM OF THE DCF MODEL?

A. Sufficient care must be taken to be sure that the growth rate "g" is representative of the constant sustainable growth. To obtain an accurate constant growth DCF result, the mathematical relationship between earnings, dividends, book value and stock price must be respected.

The basic difference between the use of an analyst's earnings per share growth rate in the constant growth DCF formula and using the "br" (b (the earnings retention rate) X r (rate of return on common equity investment)) approach is that the "br" form, if properly applied, eliminates the mathematical error caused by an inconsistency between the

expectations for earnings per share growth and dividends per share growth. Because it eliminates that error, the results of a properly applied "br" approach will be superior to the answer obtained from other approaches to the constant growth form of the DCF model. This is not to say that even a properly applied "br" approach will be perfect. The self-correcting nature of a properly applied "br" to forecasted differences in earnings per share and dividends per share growth rates helps to mitigate the resultant error but should not be viewed as the perfect way to quantify the impact of expected non-constant growth rates.

Q. HOW HAVE YOU IMPLEMENTED THE CONSTANT GROWTH FORM OF THE DCF MODEL IN THIS CASE?

A. I have applied the constant growth form of the DCF model by staying true to the mathematically derived "k=D/P + (br + sv)" form of the DCF model. I have also taken care to fully allocate all future expected earnings to either future cash flow in the form of dividends ("D") or to retained earnings (the retention rate, "b"). This extra accuracy is obtained only when the retention rate "b" is derived from the values used for "D" and "r," rather than independently.

Q. PLEASE EXPLAIN HOW YOU OBTAINED THE VALUES YOU USED IN THE CONSTANT GROWTH FORM OF THE DCF METHOD.

A. The DCF model generally calls for the use of the dividend expected over the next year. A reasonable way to estimate next year's dividend rate is to increase the quarterly dividend rate by half of the current actual quarterly dividend rate. This is a good approximation of

the rate that would be obtained if the full prior year's dividend were escalated by the entire growth rate.[33]

I obtained the stock price—"P"—used in my DCF analysis from the closing prices of the stocks on June 30, 2026. I also obtained an average stock price for the 12 months ending June 30, 2026 by averaging the high and low stock prices for the year.

I based the value of the future expected return on equity—"r"—on the average return on book equity expected by Value Line, adjusted in consideration of recent returns. I also made a computation that was based on a review of both the earned return on equity consistent with analysts' consensus earnings growth rate expectations and on the actual earned returns on equity. For a stable industry such as utility companies, investors will typically look at actual earned returns on equity as one meaningful input into what can be expected for future earned returns on book equity.[34]

This return on book equity expectation used in the DCF method to compute growth must *not* be confused with the COE. Since the stock prices for the comparative companies are substantially higher than their book value, the return investors expect to receive on their market price investment is considerably less than the anticipated return on book value. If

[33] For example, assume a company paid a dividend of $0.50 in the first quarter a year ago, and has a dividend growth rate of 4 % per year. This dividend growth rate equals (1.04)^4-1=0.00985 % per quarter. Thus, the dividend is $0.5049 in the second quarter, $0.5099 in the third quarter, and $0.5149 in the fourth quarter. If that 4 % per annum growth continues into the following year, then the dividend would be $0.5199 in the first quarter, $0.5251 in the second quarter, $0.5303 in the third quarter, and $0.5355 in the fourth quarter. Thus, the total dividends for the following year equal $2.111 (0.5199 + 0.5251 + 0.5303 + 0.5355). I computed the dividend yield by taking the current quarter (the $0.5149 in the fourth quarter in this example) and multiplying it by 4 to get an annual rate of $2.06. I then escalated this $2.06 by half the 4 % growth rate, which means it is increased by 2 %. $2.06 x 1.02= $2.101, which is within one cent of the $2.111 obtained in the example.

[34] Exhibit ALR-3, page 1.

the market price is low relative to book value, the COE will be higher than the future expected return on book equity, and if the market price is high, then the return on book equity will be greater than the COE.

In addition to growing through the retention of earnings, utility companies also grow by selling new common stock. Selling new common stock increases a company's growth. I quantified this growth caused by the sale of new common stock by multiplying the amount that the actual market-to-book ratio exceeds 1.0, by the compound annual growth rate of stock that Value Line forecasts. As explained more in Appendix C, I used this formula because it represents the "sv" component of the sustainable growth equation, which captures the additional growth in book value per share that occurs when new equity is issued at a premium to book value. The results of that computation are shown on line 4 of Exhibit ALR-3, page 1.

Pure financial theory prefers concentrating on the results from the most current price because investors cannot purchase stock at historical prices. There is a legitimate concern, however, about the potential distortion of using just a single price. I present DCF results based on the most recent stock pricing data (June 30, 2026) as well as the average of the high and low stock price over the past 12 months to obtain a range of reasonable values. The DCF result based on the average of the high and low stock price for the year ending June 30, 2026, is 8.75%. As shown in Exhibit ALR-3, page 1, the DCF result based on the stock price as of June 30, 2026, is 8.85%. Exhibit ALR-3, page 1, shows more of the specifics of how I implemented the constant growth form of the DCF model for the D'Ascendis Water Proxy Group.

Q. PLEASE EXPLAIN HOW YOU DETERMINED WHAT VALUE TO USE FOR "r" WHEN COMPUTING GROWTH IN YOUR CONSTANT GROWTH FORM OF THE DCF MODEL.

A. The inputs I considered are shown in Footnote [C] of Exhibit ALR-3, page 1. The value of "r" that is appropriate to use in the DCF formula is the value anticipated by investors to be maintained on average in the future. This Exhibit shows that the average future return on equity forecasted by Value Line for the D'Ascendis Water Proxy Group between 2026 and 2029-31 is 9.88%. The same footnote also shows that the future expected return on equity derived from the Zacks[35] consensus forecast is 11.17%, and that the actual returns on equity earned by the D'Ascendis Water Proxy Group on average were 8.81% in 2023, 10.99% in 2024, and 9.32% in 2025. Based on the combination of the forecasted return on equity derived from the Zacks consensus, the recent historical actual earned returns, and Value Line's forecast, I made the DCF growth computation using a 10.00%[36] value of "r".

Q. WHAT COE IS INDICATED BY THE CONSTANT GROWTH FORM OF THE DCF METHOD THAT YOU RELY ON FOR YOUR RECOMMENDATION?

A. The result of my DCF analysis using the Constant Growth form of the DCF indicates a COE range of between 8.75% and 8.85% for the D'Ascendis Water Proxy Group.[37] Since these DCF findings use analysts' forecasts to derive sustainable growth (in part) and on

[35] Zacks is a prominent research platform that aggregates earnings estimates from independent investment analysts.

[36] I used 10.00% in consideration of historical returns, Zacks's projections, and Value Line projected returns for the D'Ascendis Water Proxy Group.

[37] Exhibit ALR-3, page 1.

analysts' forecasts of dividend growth and book value growth in the non-constant form of the DCF method, the results should be considered as conservatively high. This is because, as previously mentioned above, analysts' forecasts of such growth have been notoriously overstated, and because, as noted, the COE in general is declining.

My results are not as influenced by overly-optimistic analysts' forecasts as would have been the case had I merely used analysts' five-year earnings growth rate forecasts as a proxy for long-term growth. This is because the DCF methods I use compute sustainable growth rates, rather than growth rates that can exaggerate the growth rate due to assuming that a relatively short-term forecast (5 years) will remain indefinitely.

Q. PLEASE EXPLAIN HOW YOU IMPLEMENTED THE NON-CONSTANT GROWTH FORM OF THE DCF MODEL.

A. The non-constant growth form of the DCF model determines the return on investment expected by investors based on an estimate of each separate annual cash flow the investor expects to receive. For the purpose of this computation, I have incorporated Value Line's detailed annual forecasts to arrive at the specific non-constant growth expectations that an investor who trusts Value Line would expect. This implementation is shown on Exhibit ALR-3, page 3, and Exhibit ALR-3, page 4. In the first stage, cash flow entry is the cash outflow an investor would experience when buying a share of stock at the market price. The subsequent years of cash flow are equal to the dividends per share that Value Line forecasts. For the intermediate years of the forecast period in which Value Line does not provide a specific dividend, the annual dividends were obtained by estimating that dividend

growth would persist at a compound annual rate. The cash flow at the end of the forecast period consists of both the last year's dividend forecast by Value Line, and the proceeds from the sale of the stock. The stock price used to determine the proceeds from selling the stock was obtained by estimating that the stock price would grow at the same rate at which Value Line forecasts book value to grow.

Q. WHY DID YOU USE BOOK VALUE GROWTH TO PROVIDE THE ESTIMATE OF THE FUTURE STOCK PRICE?

A. For any given earned return on book equity, earnings are directly proportional to the book value. Furthermore, book value growth is the net result after the company produces earnings, pays a dividend and, also, perhaps, either sells new common stock at market price or repurchases its own common stock at market price.

Once these cash flows are entered into an Excel spreadsheet, the compound annual return an investor would achieve as a result of making this investment was obtained by calculating the Internal Rate of Return ("IRR").[38] This multi-stage DCF model produced an average indicated COE of 7.70% based on the year-end stock price, and 7.95% based on average prices for the year ending June 30, 2026, for the D'Ascendis Water Proxy Group as shown on Exhibit ALR-3, page 3, and Exhibit ALR-3, page 4.

[38] The IRR is the rate of return that an investment is expected to generate. On the other hand, the cost of capital is the minimum return an investment needs to make for it to be worthwhile.

Q. WHAT COST OF EQUITY DOES YOUR NON-CONSTANT GROWTH DCF METHOD INDICATE?

A. My non-constant growth DCF method indicates a cost of equity of between 7.70% and 7.95%.[39]

Q. WHAT ARE THE RESULTS OF YOUR CONSTANT AND NON-CONSTANT GROWTH DCF METHODS WHEN APPLIED TO THE MIXED PROXY GROUP?

A. When applied to the mixed proxy group the results of my constant and non-constant growth DCF methods are as follows:[40]

- Constant Growth DCF range (mixed): between **9.28%** and **9.41%** (sustainable growth rate) and between **7.40%** and **8.14%** (option-implied growth rate)
- Non-Constant Growth DCF range (mixed): **8.19%** and **8.37%**

E. Capital Asset Pricing Model

Q. PLEASE DESCRIBE THE CAPM.

A. CAPM stands for "Capital Asset Pricing Model." The CAPM relates return to risk; specifically, it relates the expected return on an investment in a security to the risk of

[39] Exhibit ALR-3, page 3, and Exhibit ALR-3, page 4.

[40] Exhibit ALR-2 (mixed).

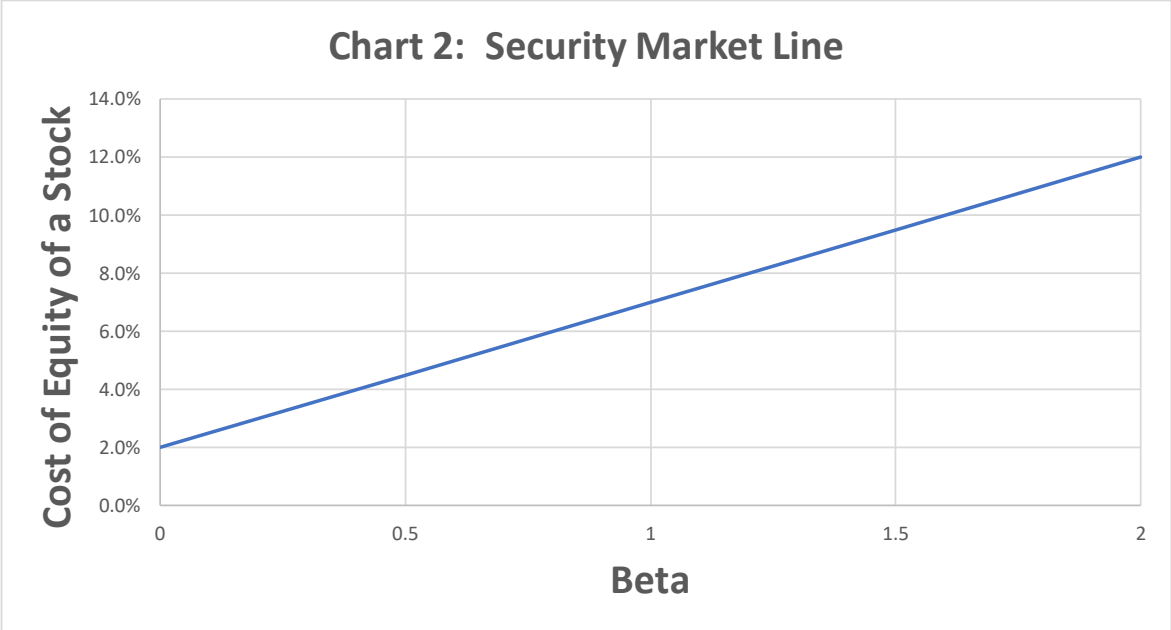
investing in that security. The riskier the investment, the greater the expected return (i.e., the cost of equity) investors require to make that investment.

Investors in a firm's equity face two types of risks: (1) firm-specific risk and (2) market risk (financial analysts refer to this market risk as systematic risk). Firm-specific risk refers to risks unique to the firm, such as management performance and losing market share to a new competitor. Investors can reduce firm-specific risk by purchasing stocks as part of a diverse portfolio of companies if they construct the portfolio to cause the firm-specific risk of individual companies to balance out. Market-related risk refers to potential impacts from the overall market, such as a recession or interest rate changes. This risk cannot be removed by diversification, so the investor must bear it no matter what. Since the investor has no option but to bear market risk, the investor's cost of equity will reflect that risk.

The price of a stock with a beta of 1 tends to move with the market. If the market increases by 1%, the stock is also expected to increase by about 1%, and vice versa. The price of a stock with a beta less than 1 tends to be less volatile than the market. For example, a stock with a beta of 0.5 will on average be 50% less volatile than the market. If the market rises by 1%, the price of a stock with a beta of 0.5 is expected to rise by 0.5%, and if the market falls by 1%, the stock price is expected to decrease by 0.5%. On the other hand, the price of a stock with a beta greater than 1 tends to be less volatile than the market.

The CAPM predicts that for a given equity security, the cost of equity has a linear relationship to how sensitive the stock's returns are to movements in the overall market (e.g., S&P 500). A security's market sensitivity is measured by its beta. As shown in

Chart 2 below, the higher the beta of a stock, the higher the company's cost of equity—the return required by the investor to invest in the stock.



Here is the standard CAPM formula:

$$K = Rf + \beta i * (Rm - Rf)$$

Where:

K is the cost of equity;
Rf is the risk-free interest rate;
Rm is the expected return on the overall market (e.g., S&P 500);
[Rm – Rf] is the premium investors expect to earn above the risk-free rate for investing in the overall market ("equity risk premium" or "market risk premium"); and βi (Beta) is a specific asset's share of non-diversifiable, or systematic, risk.

Q. PLEASE EXPLAIN HOW YOU IMPLEMENTED THE CAPM.

A. First, I determined appropriate values or ranges for each of the three model inputs: (1) Risk-Free Rate, (2) Beta, and (3) Equity Risk Premium. Second, I used the equation above to calculate the cost of equity implied by the model. Below I will explain how I calculated

the three model inputs and summarize the CAPM cost of equity numbers resulting from those inputs. Table 6 on page 62 and Table 7 on page 62 show the results of my CAPM.

1. Risk-Free Rate

Q. WHAT RISK-FREE RATE DID YOU USE IN YOUR CAPM?

A. It is generally preferable to use the market yield on short-term U.S. Treasury securities as the risk-free rate because these assets have a beta close to zero. *Principles of Corporate Finance* states "The CAPM… calls for a short-term interest rate."[41] I chose to use a risk-free rate based on both long- and short-term Treasury yields, however, because, as indicated by the recent inverted yield curve,[42] investors with a longer investment horizon would likely use a lower risk-free rate as an opportunity cost for their investment decisions. It is commonplace in utility rate case proceedings to consider a risk-free rate based on long-term investments. My short-term risk-free rate is based on the yield of 3-month U.S. Treasury bills and my long-term risk-free rate is based on the yield of 30-year U.S. Treasury bonds. In line with my Spot and Weighted Average CAPM approaches, I use both spot values as of June 30, 2026, and weighted averages over the 3 months ending on that date for these two yields.

[41] Richard Brealey, Stewart Myers, & Franklin Allen, *Principles of Corporate Finance*, p. 228, (McGraw-Hill Irwin, New York, 12th ed. 2017).

[42] The yield curve on U.S. Treasury bonds relates the yield to its time to maturity. We say the current yield curve is steep because the difference in yield between short-term (near 0%) and long-term (over 1%) bonds is large in percentage terms.

As outlined in Exhibit ALR-4, page 2, my spot and weighted average short-term risk-free rates are 3.87% and 3.76%, respectively. My spot and weighted average long-term risk-free rates are 4.91% and 4.95%, respectively.

U.S. government bonds are reasonable to use as a risk-free rate because they have a negligible risk of default. The value of short-term U.S. Treasury bills has a relatively low exposure to swings in the overall market. The value of long-term U.S. Treasury bonds is relatively more exposed to the market and therefore must be used with caution.

Q. WHAT IS YOUR RESPONSE TO ANALYSTS WHO CLAIM THAT THE CAPM SHOULD BE IMPLEMENTED WITH A RISK-FREE RATE BASED ON A LONG-TERM INTEREST RATE (E.G., YIELD ON 30-YEAR TREASURY BOND) AND/OR BASED ON INTEREST RATE FORECASTS INSTEAD OF MARKET YIELDS.

A. As discussed in Section VI.E, a CAPM analysis that uses a risk-free rate based only on long-term interest rates may overstate the COE because these bonds do not have a zero beta. It is not appropriate to use a risk-free rate based on interest rate forecasts because it often does not represent investors' expectations.

2. Beta

Q. WHAT BETA DID YOU USE IN YOUR CAPM?

A. Since the cost of equity should be based on investor expectations, I chose to use two betas. My "forward beta" is based on forward-looking investor expectations of non-diversifiable

risk. My "historical blended" beta is based on historical return data over 6-month, 2-year, and 5-year periods.

Most published betas are based exclusively on historical return data. For example, Value Line publishes a 5-year historical beta for each of the companies it covers. However, it is also possible to calculate betas based on investors' expectations of the probability distribution of future returns. This probability distribution of future returns expected by investors can be calculated based on the market prices of stock options.

Q. WHAT IS A STOCK OPTION?

A. A stock option is the right to buy or sell a stock at a specific price for a specified amount of time. A call option is the right to buy a stock at a specified exercise or strike price on or before a maturity date. A put option is the right to sell a stock at a specified exercise or strike price on or before a maturity date. For example, a call option to purchase 100 shares of Apple Computer stock for $230 on January 17, 2020, allows the owner the option (not the obligation) to buy Apple stock for $230 on that date. At the end of July 2019, Apple stock was trading at about $215 per share. Why would anyone pay for the right to buy a stock higher than the current price? Investors who purchased those call options thought there was a chance Apple stock would be trading higher than $230 on January 17, 2020, and those options gave those investors the right to buy Apple stock for $230 and profit by selling it at the market price on that date, if it was higher. The price of Apple's stock was $317.98 at the close of trading on January 17, 2020. Therefore, the investor who purchased

this call option for $635 on July 31, 2019, earned a profit of $8,163[43] at expiry on January 17, 2020. On the other hand, the investor who purchased an Apple put option with the same expiration date and strike price on July 31, 2019, would have lost the price of the option ($2,248) and gained nothing on the expiration date because the right to sell Apple stock for $230 when the price is over $300 is worthless.

Options can be used to assess future expectations for volatility because they track the type of variation in market price that investors bet will occur within the time frame during which an option can be exercised based on what type of option is purchased and what the difference is between the market price of stock and the option price, or the price that the option bets the stock will reach. As the distance between the market price and option price grows, more volatility is implied in the value of the stock over time. I used these option data to create an "implied volatility" value.

Q. PLEASE EXPLAIN THE TERM "STRUCTURE OF VOLATILITY."

A. Investors can expect volatility to increase or decrease over time. In general (i.e., in "normal" financial markets), investors expect higher volatility for longer time horizons. For example, investors generally expect that the chance stock prices will increase or decrease by 10% in 1 year to be greater than the chance of a 10% (annualized) move over the next 30 days. This makes sense because there is more uncertainty regarding economic and stock market changes the farther into the future you look.

[43] $8,163 profit from exercising call option ($31,798 from selling at $317.98 market price - $23,000 cost to purchase at $230) - $635 ($6.35 X 100) option purchase price. Note: Each call option is the right to purchase 100 shares.

However, during the height of a crisis, when volatility generally tends to rise in the short-term, investors often expect volatility to decrease in coming months or years. In other words, investors expect the current capital market hurricane to pass and the winds to die down. During the peak of implied volatility in mid-March 2020, shortly after the World Health Organization declared COVID-19 a pandemic, the data indicated that investors expected stock price volatility to decrease over time. This implies that investors expected the riskiness of equity investments to decrease over time. As shown in Chart 3 on page 50, before the COVID-19 outbreak, investors expected volatility to increase from less than 15% annually at the 1-month time frame to about 20% annually at the 24-month time frame. Investors' volatility expectations peaked in March 2020. At that time, investors expected stock price volatility would decrease from over 70% at the 1-month time frame to about 38% at the 24-month time frame. Chart 3 also shows that investors' volatility expectations were higher for all time frames when Russia invaded Ukraine as compared to 2021, but as of June 30, 2026, volatility expectations have dropped back closer to 2019 levels over the full term structure of volatility.

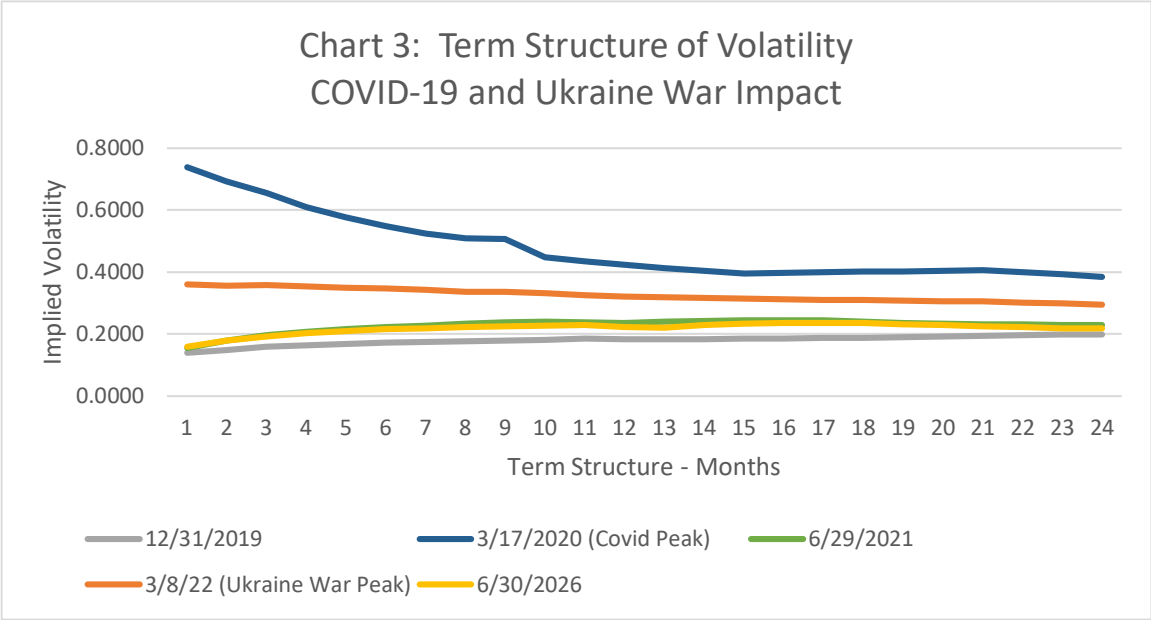
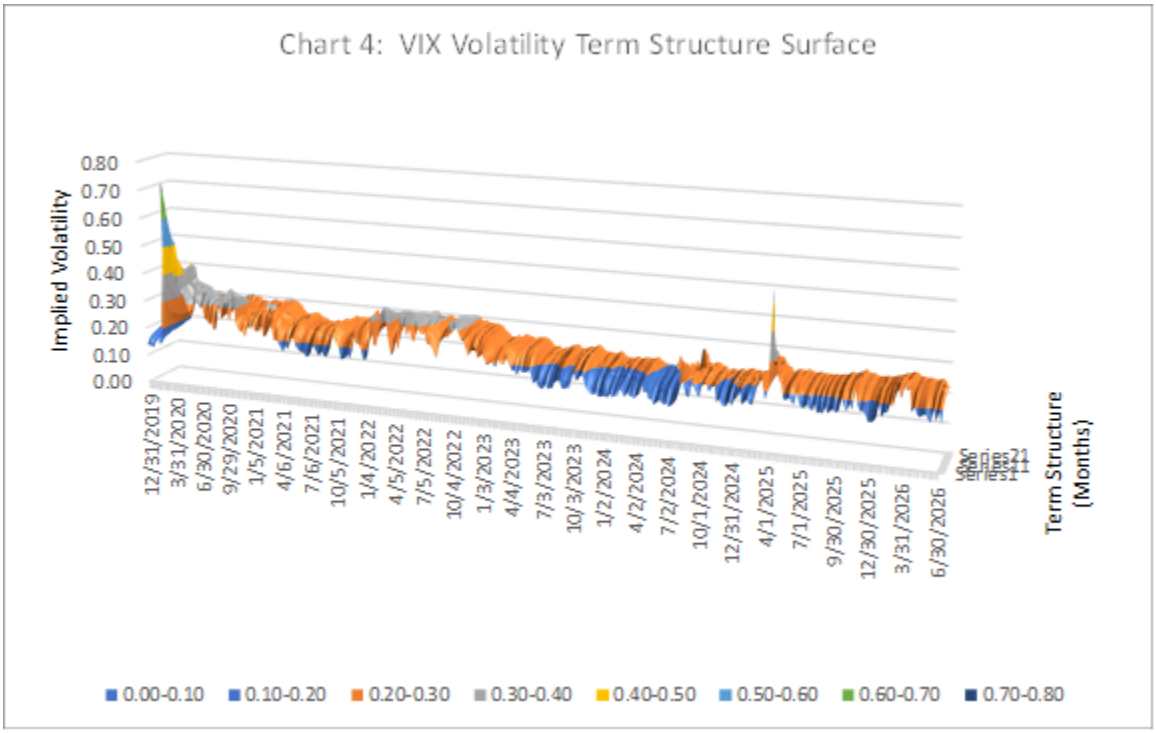


Chart 4 on page 50 provides a 3-dimensional surface[44] to show how the term structure of volatility has evolved since before the COVID-19 outbreak and how it has changed during and since the outbreak. As seen above in Chart 3 above, which shows five cross-sections of these data, during periods of low implied volatility – such as before the COVID-19 outbreak and at present – the slope of volatility expectations over time gently curves upwards, indicating lesser expectations of volatility in the short-term and greater in the long term. In Chart 4, this is represented by the surface of the line curving up and away during times of low volatility, while appearing to move downwards along the z-axis during the period of high volatility in March-April 2020 during the initial outbreak of the pandemic. Implied volatility can be seen to peak for both 1-month and 24-month time

[44] The X axis shows the implied volatility. The Y axis shows the data. The Z axis shows market expectation of future implied volatility of different time frames. Series1 = 1 month, Series11 = 11 months, and Series24 = 24 months.

frames in mid-March 2020, with less dramatic spikes in February through October of 2022. As of the end of June 30, 2026, the term structure of volatility has returned to near pre-COVID levels.



Q. PLEASE EXPLAIN HOW YOU CALCULATED THE BETAS USED IN YOUR CAPM.

A. Traditionally, the betas used in CAPM calculations are calculated from historical returns. This approach has strengths and weaknesses. An alternative way to calculate betas is to incorporate investors' return expectations by calculating option-implied betas as explained in the previous paragraph. As discussed below, I have chosen to use both historical and option-implied betas in my CAPM analysis. I chose to use option-implied betas in my CAPM analysis because, among other reasons, studies have found that betas calculated

based on investor expectations (option-implied) provide information regarding future perceived risks and expectations.[45]

As shown in Chart 5 below forward-looking betas for the D'Ascendis Water Proxy Group are higher than my historical blended betas, both on a spot basis and on a weighted basis, as of June 30, 2026. On a spot basis, my historical blended beta is 0.30, compared to an option-implied beta of 0.75; on a weighted basis (using an average of the last three months of data), my historical blended beta is 0.34, compared to an option-implied beta of 0.66. My historical blended beta is low primarily because I give a 50% weight to my 6-month historical beta, which is only 0.15; my 5-year historical beta, which receives a 20% weight, is 0.61. As a result, my CAPM result using the spot option-implied beta of 0.75 is about 100 to 200 basis points higher than my CAPM result based on the spot historical blended beta of 0.30. *See* Exhibit ALR-4, page 3.

[45] Bo-Young Chang, Peter Christoffersen, Kris Jacobs & Gregory Vainberg, "Option-Implied Measures of Equity Risk," *Review of Finance*, Vol. 16, Issue 2, pp. 385-428 (April 2012) available at https://academic.oup.com/rof/article/16/2/385/1584560.

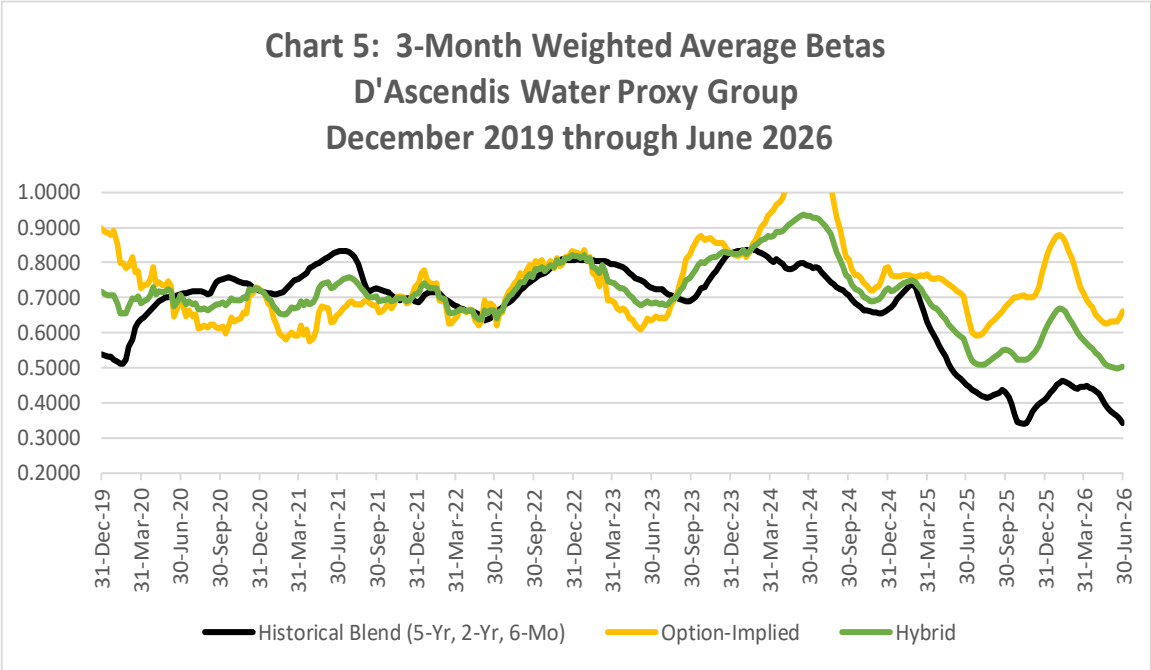


Exhibit ALR-4, page 3 contains the last three months of data used in creating Chart 5 above, which is what I use in my CAPM analysis. Specifically, I use the following two betas in my CAPM analysis:

1. **Historical Blend:** 50% (6 months) + 30% (2 years) + 20% (5 years).
2. **Forward Beta:** 100% Option-Implied Beta (6 months).

Q. WHY DO YOU USE PERIODS OF 6 MONTHS, 2 YEARS, AND 5 YEARS FOR YOUR HISTORICAL BETA CALCULATIONS, AS OPPOSED TO RELYING EXCLUSIVELY ON THE 5-YEAR PERIOD USED BY VALUE LINE?

A. Using shorter periods for the return regression analysis portion of the historical beta calculation allows me to see if the correlation between the returns of each of the companies in my D'Ascendis Water Proxy Group and those of the S&P 500 Index has changed in the

last 2 years or 6 months. Using a 5-year period exclusively tends to make recent changes in the correlation more difficult to identify because of the weight of 5 years of data.

Q. WOULD YOU AGREE THAT CHANGES IN MARKET DYNAMICS WILL HAVE A LARGER EFFECT ON 6-MONTH HISTORICAL BETAS THAN THEY WILL ON 2-YEAR OR 5-YEAR HISTORICAL BETAS?

A. Yes. As with other historical metrics based on a given time period, say, average stock prices, the longer the time horizon under consideration, the more data points are considered, and the smaller the effect of any one given change in the data set.

Q. IS THIS LARGER EFFECT ON 6-MONTH HISTORICAL BETAS FROM CHANGES IN MARKET DYNAMICS A GOOD OR A BAD THING?

A. The answer depends on what the beta will be used for. I would argue that in any attempt to forecast the beta coefficient of a company for any near-term forward-looking analysis such as the cost of capital calculations in this proceeding, more recent historical data should be given more relevance than data from 5 or 10 years ago. The weight of 10 years of data makes a beta coefficient react extremely slowly to market developments. Even pronounced permanent market changes can take more than 6 months to have a detectable effect on a 10-year beta.

As with using spot values and averages of historical market data, I believe the right answer is not to use *either* 6-month historical betas or historical betas with longer horizons, but to consider *both*. For this reason, I have created my historical blended betas, which take into consideration 6-month, 2-year, and 5-year historical betas.

Q. DO YOU THINK IT IS A GOOD IDEA TO RELY ON 6-MONTH HISTORICAL BETAS DESPITE MARKET DEVELOPMENTS IN THE PAST YEAR THAT SOME WOULD CALL "MARKET DISLOCATIONS?"

A. Financial markets are constantly in flux due to the influence of countless factors. So-called "market dislocations" are just some of the numerous factors that are constantly affecting markets. To attempt to separate any one specific factor from "real" underlying market dynamics would be an exercise in futility.

Furthermore, predicting the duration and impact of any single influencing factor on financial markets is extremely challenging, if not impossible. In 2008, when interest rates plummeted to unprecedented lows, numerous analysts deemed this a temporary anomaly. Contrary to these expectations, rates not only persisted at these low levels for more than ten years but dropped even further in response to the unforeseen COVID-19 pandemic, which significantly affected the global economy and financial markets.

So, in response, yes, I think it is a good idea to use 6-month historical betas to measure recent and current market dynamics regardless of recent developments. I use them as part of my historical blended betas in conjunction with longer-term historical betas and forward-looking, option-implied betas to achieve the most reasonable result.

Q. GIVEN THE SHORTER PERIOD COVERED BY 6-MONTH HISTORICAL BETAS, CAN THEY STILL BE CONSIDERED STATISTICALLY SIGNIFICANT? HOW MANY DATA POINT PAIRS ARE USED IN THE CALCULATION OF YOUR 6-MONTH HISTORICAL BETA COEFFICIENTS?

A. A 6-month historical beta based on weekly returns, calculated weekly, is calculated using 26 closing price points for a company and for its corresponding market index, in this case the S&P 500 Index. This translates into 25 pairs of return data that are then used in the regression analysis. This is most certainly enough data to achieve statistical significance as addressed further below.

Furthermore, as stated above, the recent improvement in my calculation of historical betas of using weekly returns on every day of the week as opposed to using only one day of the week, as Value Line does, has the added benefit of providing significantly more data pairs to be used in the regression analysis used to calculate beta. For 6-month historical betas, instead of relying on 25 return pairs, the regression is performed on 117 return pairs.

Q. PLEASE EXPLAIN HOW YOU CALCULATED OPTION-IMPLIED BETAS.

A. Calculating option-implied betas of a company requires (1) obtaining stock option data for that company and a market index, (2) filtering the stock option data, (3) calculating the option-implied volatility for the company and for the index, (4) calculating the option-implied skewness for the company and for the index, and (5) calculating option-implied betas for the company based on implied volatility and skewness for the company and for

the index. There are various ways one could choose to perform the steps above, but I chose to filter stock option data and calculate option-implied volatility[46] and skewness[47] following exactly the same methodology used by the Chicago Board of Options Exchange ("CBOE") in the calculation of their widely-used VIX (or Volatility Index) and SKEW Index, respectively.

I start my process with publicly available trading information for all the options for a given security (company or index) for a complete trading day. I then filter the option data as described by the CBOE using the following guidelines:

1. Use the mid-quote or mark (average of bid and ask) as the option price.
2. Use only out-of-the-money call and put options.
    - Determine the "moneyness" threshold where absolute difference between call and put prices is smallest (using CBOE "Forward Index Price" formula).
    - Include "at-the-money" call and put options and use average of call and put prices as price for "blended" option.
3. Exclude all zero bids.

[46] CBOE Volatility Index White Paper (2018) available at https://cdn.cboe.com/resources/indices/srvix-white-paper.pdf. Please note that the cover page says "proprietary information." However, this document has been in the public domain for over 3 years.

[47] The CBOE SKEW Index (2010) available at: https://cdn.cboe.com/resources/indices/documents/SKEWwhitepaperjan2011.pdf. Please note that the cover page says "proprietary information." However, this document has been in the public domain for over 3 years.

4. Exclude remaining (more out-of-the-money) options when two sequential zero bids are found.

I then apply the series of formulas clearly described in both of the CBOE's white papers to the remaining options to calculate Option-Implied Volatility and Option-Implied Skewness. In the words of the CBOE, each of its two indices is "an amalgam of the information reflected in the prices betas using the following formula developed by Christoffersen, Chang, Jacobs and Vainberg (2011)": [48]

$$\beta_i = \left(\frac{SKEW_i}{SKEW_m}\right)^{1/3} \quad \left(\frac{VAR_i}{VAR_m}\right)^{1/2}$$

Where:

β_i: $option - implied\ beta\ of\ security\ (e.g. stock, fund)$;
$SKEW_i$: $skewness\ of\ security$;
$SKEW_m$: $skewness\ of\ overall\ market\ (S\&P\ 500)$;
VAR_i: $variance\ of\ security$;
VAR_m: $variance\ of\ overall\ market\ (S\&P\ 500)$.

Q. YOU CALCULATE YOUR OPTION-IMPLIED BETAS BASED ON A 6-MONTH HORIZON. WOULD IT NOT BE BETTER TO USE A LONGER FORECASTING HORIZON?

A. The methodology I use to calculate my option-implied betas "allows for the computation of a complete term structure of beta for each company so long as the options data are

[48] Bo-Young Chang, Peter Christoffersen, Kris Jacobs & Gregory Vainberg, "Option-Implied Measures of Equity Risk," *Review of Finance* Volume 16, Issue 2, pp. 385-428 (April 2012) at https://academic.oup.com/rof/article/16/2/385/1584560

available,"[49] so there is nothing inherent in the methodology that limits it to a certain time horizon.

For many applications, including cost of capital, one could argue that the longer the time horizon for the option-implied betas, the better. However, the limitation on the forecasting horizon is always set by the longest expiration period of the options currently traded in the market. Some companies trade options with expiration periods up to 2 or 3 years into the future. As evidenced by the exhaustive option data in my working papers, the maximum expiration period for the options of the companies in my D'Ascendis Water Proxy Group is approximately 8 months. None of the 4 companies ever trade options with expiration periods of more than 8 months. New options are issued roughly every 3 months for all of these companies, so the maximum expiration period on any given trading day is somewhere between 5 and 8 months. For consistency across companies in my proxy group and across dates within the 3-month period on which my analysis is focused (April through June 2026), I chose to use 6 months for the time horizon of my option-implied betas. If the maximum expiration period for the options of a given company on a given day is less than 6 months, I use the maximum expiration period as an approximation for the target 6-month horizon.

Simply because some may argue that it may be preferable to use longer time horizons in place of or in addition to a 6-month horizon, it does not mean that a 6-month

[49] Peter Christoffersen, Kris Jacobs, and Gregory Vainberg, *Forward-Looking Betas*, p. 24 (April 25, 2008) at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=891467.

option-implied beta is of no relevance or cannot be used. That would be tantamount to saying you cannot use a 1-year Value Line Earnings Per Share estimate, or that the minimum relevant forecast is 2 or 3 years. In fact, for purposes of option-implied betas, it would be difficult to say if a time horizon of 1 year, for instance, is necessarily always better than a time horizon of 6 months. An option-implied forward-looking beta, even with a time horizon of less than 6 months, is still a useful tool in interpreting the current expectations of investors at any given time, this is why it is one of the many tools I consider when arriving at my recommendations.

A final strong argument in support of using 6-month option-implied betas in a cost of capital calculation looking years into the future is that the authors of the paper on which I based my option-implied betas concluded that their predictive powers are not limited to 6 months into the future.[50] In fact, they conclude that 6-month option-implied betas have stronger predictive power than 6-month, 1-year, or 5-year historical betas when attempting to forecast betas 1 or 2 years into the future.

3. Market Risk Premium

Q. PLEASE EXPLAIN HOW YOU CALCULATED THE EQUITY RISK PREMIUM USED IN YOUR CAPM.

A. Traditionally, the risk premium used in CAPM calculations is derived from historical returns and/or equity analyst projections. The former approach is historically accurate but

[50] This is further expanded upon in my testimony starting on page 87.

does not take into account investors' expectations for future market risks and returns. The latter approach is based on analyst projections, which are not appropriate since they do not reflect current investor expectations. A superior market-based way to calculate the equity risk premium is to use option-implied return expectations, which is the approach I have used.

My equity risk premium is the expected return on the S&P 500 minus the risk-free rate. I calculate an expected return on the S&P 500 by using stock options traded on this index. To begin with, I use exactly the same methodology used by the Chicago Board of Options Exchange to filter stock option data and calculate option-implied volatility and skewness,[51] as described in detail in the Beta section on page 55. The volatility and skewness calculated in this way describe a probability distribution representing the possible trajectories for the S&P 500 implied by the options market. The resulting skewed probability distribution can be closely approximated by a log-normal distribution using established statistical formulas, which then make it straightforward to calculate the expected growth for the S&P 500 for any given cumulative probability. A cumulative probability of 50% represents the median of the probability distribution, or the option-implied market consensus, which is how I arrive at my calculation of expected market growth.

Once the option-implied growth rate of the S&P 500 has been estimated as described above, I add the dividend yield and subtract the risk-free rate to arrive at the

[51] As used in the calculation of their widely-used VIX (or Volatility Index) and SKEW Index, respectively.

market risk premium, as laid out in Exhibit ALR-4, page 4, and Exhibit ALR-4, page 6. In line with my Spot and Weighted Average CAPM approaches, I use both spot values as of June 30, 2026, and weighted averages over the 3 months ending on that date for option-implied growth, dividend yields, and short- and long-term risk-free rates in these calculations to arrive at a total of four estimated values for the market risk premium. The market risk premia I use in my Weighted Average CAPM analysis with short- and long-term risk-free rates are 4.95% and 3.76%, respectively. The market risk premia I use in my Spot CAPM analysis with short- and long-term risk-free rates are 4.35% and 3.31%, respectively.

Q. DID YOU TAKE INTO CONSIDERATION THE DIFFERENCE IN VOLATILITIES ACROSS EXPIRATION PERIODS IN THE OPTIONS TRADED ON THE S&P 500?

A. Yes. The volatility implied by the options market changes over time as investors' perception of risk changes. For example, during a crisis, implied volatility generally increases as investors expect that stock market prices have a greater chance of large swings compared to times when there is no crisis. As discussed earlier, investors also often have different volatility expectations over different time periods. For example, on any given day, investors might expect volatility to be relatively high over the next 30 days and to decrease over the next year or longer. The same holds true for skewness, even though it is less intuitive to understand changes in skewness than in volatility. Because of these changes across option expiration periods, I take a weighted average of the entire term

structure of the option-implied volatility and skewness, which for the S&P 500 typically goes out to 54 to 61 months,[52] interpolating where necessary, and giving the most weight to the option expiration period of 12 months.

4. CAPM Results

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR CAPM.

A. Table 6 and Table 7 below show the results of my Weighted Average CAPM and Spot CAPM Analyses, respectively.

Weighted Average CAPM

TABLE 6: CAPITAL ASSET PRICING MODEL (CAPM) - INDICATED COST OF EQUITY
WEIGHTED - All Inputs Weighted From April to June 2026

	3-Month Treasury Bill		30-Year Treasury Bond	
	Historical Blended Beta	Forward Beta	Historical Blended Beta	Forward Beta
Risk-Free Rate	3.76%	3.76%	4.95%	4.95%
Beta	0.34	0.66	0.34	0.66
Risk Premium	4.95%	4.95%	3.76%	3.76%
CAPM	5.46%	7.03%	6.24%	7.44%

Source: Exhibit ALR-4, page 1

[52] Prior to November 2021, the longest expiration period for stock options traded on the S&P 500 was 36 months.

Spot CAPM

TABLE 7: CAPITAL ASSET PRICING MODEL (CAPM) - INDICATED COST OF EQUITY (SPOT)
SPOT - All Inputs Based on Last Available Data as of June 30, 2026

	3-Month Treasury Bill		30-Year Treasury Bond	
	Historical Blended Beta	Forward Beta	Historical Blended Beta	Forward Beta
Risk-Free Rate	3.87%	3.87%	4.91%	4.91%
Beta	0.30	0.75	0.30	0.75
Risk Premium	4.35%	4.35%	3.31%	3.31%
CAPM	5.16%	7.12%	5.90%	7.38%

Source: Exhibit ALR-4, page 5

As shown in Appendix B (Chart F-1), the results of my CAPM analysis applied to the D'Ascendis Water Proxy Group demonstrate how the cost of equity has evolved since the onset of the COVID-19 pandemic. The cost of equity briefly spiked in early 2020 but then declined as markets stabilized. Most importantly, since peaking at about 9.48% in November 2022, the CAPM-implied cost of equity for the proxy group has been on a clear downward trend, falling to under 6.6% by June 30, 2026.

Q. WHAT ARE THE RESULTS OF YOUR CAPM WHEN APPLIED TO THE MIXED PROXY GROUP?

A. The only CAPM input that changes with the proxy group is beta.

The weighted average CAPM based on my mixed proxy group uses a historical blended beta of 0.36 and a forward beta of 0.66, resulting in an indicated cost of equity ranging between:[53]

[53] Exhibit ALR-4, page 1 (mixed).

- 5.56% and 7.02% (3-month risk free rate)
- 6.32% and 7.43% (30-year risk-free rate)

The spot CAPM based on my mixed proxy group uses a historical blended beta of 0.33 and a forward beta of 0.74, resulting in an indicated cost of equity ranging between:[54]

- 5.29% and 7.10%(3-month risk free rate)
- 5.99% and 7.37% (30-year risk-free rate)

VII. COE OF OVERALL MARKET

Q. HOW DOES YOUR COE CALCULATION FOR THE OVERALL MARKET RELATE TO YOUR 8.33% ROE RECOMMENDATION?

A. My COE for the overall market serves as a benchmark for the appropriate ROE for CWC. It is grounded in a fundamental economic boundary: a low-risk, regulated monopoly utility cannot logically require a higher return than the riskier overall stock market.

Using forward-looking options data, I calculated the COE for the S&P 500 to be between 8.72% and 9.34% at the 1-year investment horizon and between 7.46% and 7.96% at the 5-year investment horizon, with a midpoint between the high and low of 8.40%.[55] I provide this analysis to offer direct insight into what current capital markets are indicating regarding the COE for the market as a whole. These calculations should not be interpreted

[54] Exhibit ALR-4, page 5 (mixed).

[55] The full range at investment horizons between 6 months and 5 years is 7.46% and 9.34%, with a midpoint of 8.80%.

as the COE applicable to CWC or any utility company and instead serve as an upper bound guideline.

Q. HOW DID YOU CALCULATE THE COE FOR THE OVERALL MARKET?

A. I calculated the COE for the S&P 500 by using a DCF model. I used the prices of stock options traded on the S&P 500 to derive an option-implied growth rate. As discussed above, a stock option is a financial contract giving the holder the right to buy or sell a security at a specified price within a set timeframe, and they are useful for calculating the COE because their market prices reflect the probability distribution of future stock prices, allowing for the derivation of investors' expectations. Please see Appendix G for a discussion of how I calculated the option-implied growth rates.

Q. WHAT ARE THE RESULTS OF YOUR DCF COE ANALYSIS?

A. The results of our DCF models applied to the S&P 500 range between 7.46% and 9.34%. To properly interpret these results, it is critical to understand that they vary across two distinct dimensions: the investment horizon, or the time period over which the return is measured, and the date of analysis, which in this case comprises the market conditions averaged over the three-month period April through June 2026.

Q. PLEASE EXPLAIN HOW THE COE RESULTS VARY ACROSS THESE DIMENSIONS.

A. My analysis reveals a dynamic term structure where COE expectations shift depending on how far into the future we look.

The resulting option-implied COE can be summarized as follows:

1-Year Horizon: 8.72% to 9.34%

3-Year Horizon: 8.78% to 8.90%

5-Year Horizon: 7.46% to 7.96%

Generally speaking, there is a declining trend as one goes out from short-term to longer-term horizons.

Q. WHY DIDN'T YOU CALCULATE THE COE BEYOND THE FIVE-YEAR TIME FRAME?

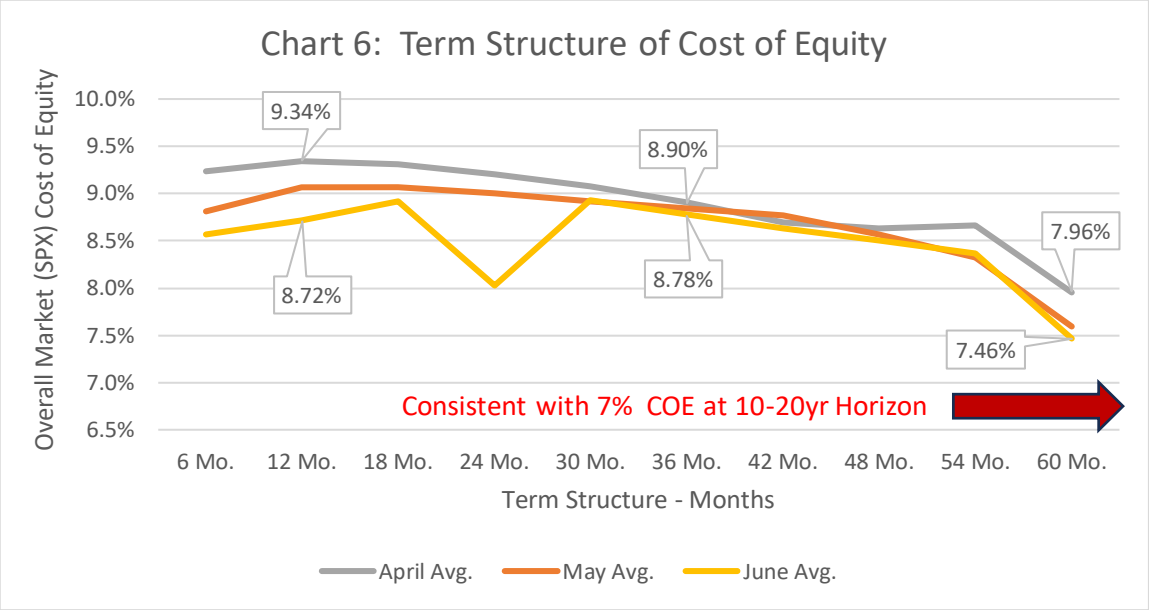
A. It is not possible to calculate an option-implied COE beyond the five-year horizon because a consistent market for such options does not exist. Publicly traded index options occasionally trade out to six years for a brief period but are only available consistently out to about five years.

Q. WHAT CONCLUSION DO YOU DRAW FROM THIS DECLINING TREND?

A. The data indicates that while short-term market expectations have risen in recent months, longer-term expectations remain anchored at lower levels.

This is significant because, for utility ratemaking purposes, the longer horizons are arguably the most relevant. While rates are set periodically, the cost of equity (COE) represents the return required to attract capital for long-lived assets. Because the primary investors in this sector, such as pension funds, match their investments to long-term liabilities, they price these securities based on a multi-decade horizon rather than shorter investment horizons.

As shown in Chart 6 below, as we extend the timeline out to five years, the COE indicated by our stock option analysis is consistent with the longer-term forecasts of major financial institutions. Specifically, even the highest COE results in Chart 6 decline from 9.34% at the 1-year horizon to 7.96% at the 5-year horizon, trending directly toward the 10-to-20-year forecasts from firms like J.P. Morgan (6.7%) and the Horizon Actuarial Survey (approximately 7.0%), as shown in Table 3 on page 15. As discussed above, the Horizon survey is a significant industry benchmark that aggregates the capital market assumptions of 41 different investment advisory firms, including the Bank of New York Mellon, BlackRock, and Goldman Sachs.



It is important to recognize that relying on the higher end of these option-implied results to establish this benchmark represents a highly conservative estimation. I have intentionally structured this analysis to afford the Company every reasonable benefit of the doubt regarding long-term market expectations.

While this market-wide COE analysis does not directly dictate my ROE recommendation, it provides a critical benchmark for reasonableness. Specifically, it confirms that my recommended ROE of 8.33% is consistent with, and provides a modest, risk premium above, a broad cross-section of long-term institutional forecasts for the broader equity market. Notably, my 8.33% recommendation remains slightly below the 8.40% midpoint I calculated for the S&P 500. Chart 6 on page 67 shows the equity return expectations/COE for the S&P 500 over longer investment horizons are mostly around 8%. Because this 8.40% market benchmark was established using generous, conservative assumptions, the fact that my 8.33% recommendation aligns so closely with it confirms that my proposed ROE is more than sufficient to allow the Company to attract capital.

VIII. EVALUATION OF CWC'S RATE OF RETURN TESTIMONY

Q. PLEASE SUMMARIZE YOUR EVALUATION OF MR. D'ASCENDIS'S RATE OF RETURN TESTIMONY.

A. PURA should reject Mr. D'Ascendis's recommended 10.00% ROE[56] because it significantly exceeds CWC's actual COE as indicated by current market data. If adopted, his recommendations would overcharge consumers by approximately $13.1 million annually.[57]

[56] Mr. D'Ascendis's Direct Testimony, page 4, line 53.

[57] *See* Table 4.

The central problem with Mr. D'Ascendis's testimony is that he treats analysts' 3- to 5-year earnings growth forecasts as if they were growth rates in perpetuity. That assumption drives his constant growth DCF result of 10.67%.[58] As discussed in Section IV, correcting this assumption alone substantially reduces his DCF result.

The same assumption that three- to five-year earnings growth forecasts are appropriate to use as if they were growth rates in perpetuity, applied to the S&P 500, produces the 19.18% market return that supplies the largest measure of his CAPM market risk premium;[59] that same market return reappears as the largest forward-looking measure in his Risk Premium Model;[60] and the same five-year forecasts drive the 12.05% DCF result for his non-price regulated companies.[61] I address each point in more detail below. Mr. D'Ascendis's testimony contains other problems as well. In this section I address several of them: his historical risk premium measures, his Non-Price Regulated Proxy Groups, his exclusive reliance on Value Line betas in his second set of results, and his credit risk and flotation cost adjustments. These issues are real, but they pale in comparison to the growth rate issue, which amounts to roughly 300 basis points in his DCF alone. My evaluation does not attempt to address every disagreement I have with Mr. D'Ascendis's

[58] Mr. D'Ascendis's Direct Testimony, page 23, lines 525-545, and page 24, lines 546-547.

[59] Mr. D'Ascendis's Direct Testimony, page 46, lines 999-1005, and page 47, lines 1006-1027.

[60] Mr. D'Ascendis's Direct Testimony, page 30, lines 702-718, page 31, lines 719-720, and Schedule DWD-4, page 6.

[61] Mr. D'Ascendis's Direct Testimony, page 52, line 1123, and Schedule DWD-8, pages 2-3.

testimony, and the fact that I do not address a particular aspect of his testimony should not be interpreted as agreement with it.

Q. WHAT GROWTH RATES DOES MR. D'ASCENDIS USE IN HIS CONSTANT GROWTH DCF MODEL?

A. Mr. D'Ascendis's growth estimate relies entirely on analysts' relatively short-term EPS growth forecasts. He mechanically uses analyst 3-5-year EPS growth rates from Value Line, Zacks, and S&P Capital IQ as a proxy for growth.[62] For his Water Utility Proxy Group, these forecasts average 7.84% for the four companies with usable data,[63] with individual company inputs as high as 10.24%; the 44.00% growth rate for Global Water Resources, Inc. is not included in his average indicated cost of equity.[64] His own schedule headings describe all three inputs as "Projected Five Year Growth in EPS."[65] This matters because Mr. D'Ascendis's constant growth DCF model requires a single growth rate that holds in perpetuity, yet the only growth rate he supplies is one his own sources label as a five-year estimate, not a perpetual one.

[62] Mr. D'Ascendis's Direct Testimony, page 23, lines 525-545, and page 24, lines 546-547.

[63] Mr. D'Ascendis's Direct Testimony, Schedule DWD-3, page 1.

[64] *Id.*

[65] *Id.*

Q. IS MR. D'ASCENDIS'S GROWTH RATE APPROPRIATE FOR A CONSTANT GROWTH DCF MODEL?

A. No. Mr. D'Ascendis explains correctly that the DCF model "estimates the investor-required return assuming a constant expected dividend yield and growth rate in perpetuity."[66] However, his DCF method contradicts his own description of how the constant growth model should be implemented.

It is not appropriate to mechanically use analyst EPS growth rate projections in a constant growth DCF model, as Mr. D'Ascendis has done, because relatively short-term growth rate projections (5-years), even if accurate, may not be realistic to achieve in the long-term. Using unrealistically high growth rates in the constant growth DCF model can significantly inflate the cost of equity.

A correct application of the DCF method requires that the dividend yield be computed properly, and that the growth rate used be derived from a careful study of what future sustainable growth in cash flow is anticipated by investors. Mr. D'Ascendis's testimony contains no analysis of long-term sustainable growth, does not state that his model assumes the five-year growth rates will continue beyond the forecast period, and it provides no support for that assumption.

I would also note that when the five-year forecast for Global Water Resources came in at 44.00%, Mr. D'Ascendis excluded the resulting DCF value as "not meaningful."[67] His

[66]Mr. D'Ascendis's Direct Testimony, page 20, lines 465-469.

[67] *Id.*

testimony does not explain how he distinguishes a five-year forecast that is too high to use from a five-year forecast that can be relied upon in perpetuity.

Q. DO HIS SOURCES HOLD THESE FIGURES OUT AS LONG-TERM GROWTH RATES SUITABLE FOR ESTIMATING GROWTH IN PERPETUITY?

A. No. Each of the three sources—Value Line, Zacks, and S&P Capital IQ—Mr. D'Ascendis relies upon presents its figure as an estimate covering approximately the next five years.[68]

Neither Mr. D'Ascendis nor his sources present these figures as an estimate of growth in perpetuity, and Mr. D'Ascendis's testimony does not address the difference between the five-year period his sources cover and a growth rate in perpetuity.

A comprehensive study published in the Journal of Banking & Finance found that Value Line's 3-to-5-year projections for earnings and stock returns "exhibit large positive bias." The authors isolated the root of this bias, noting that it appears to be "entirely due to the extreme upward bias in projected profit margins."[69]

My goal is to ensure that the cost of equity estimates provided to the Authority are empirically sound and reflective of a more reasonable economic reality. The aforementioned study found that Value Line's 3- to 5-year projections lack predictive power, concluding that their "extreme upward bias … calls into question the common practice of using these predictions as proxies for the cost of equity in cost-of-capital

[68] Mr. D'Ascendis's Direct Testimony, Schedule DWD-3.

[69] Andrew C. Szakmary, C. Mitchell Conover & Carol Lancaster, "An examination of Value Line's long-term projections," Journal of Banking & Finance 32 (2008) 820-833.

studies."[70] By utilizing these specific projected growth rates, Mr. D'Ascendis's analysis structurally overstates the expected market return.

Q. MR. D'ASCENDIS ARGUES THAT EPS GROWTH IS THE APPROPRIATE DCF GROWTH MEASURE BECAUSE DIVIDENDS CANNOT GROW WITHOUT EARNINGS GROWTH. DOES THAT ARGUMENT ADDRESS WHETHER HIS FIVE-YEAR GROWTH RATES CAN BE USED IN PERPETUITY?

A. No, it does not.[71] His argument says nothing about how long a forecast of that nature can be extended.

Q. WHAT IS THAT ASSUMPTION WORTH IN HIS DCF RESULT?

A. Roughly 300 basis points. As I discuss in Section IV, correcting this single assumption while holding every other input in his DCF model exactly as filed reduces his DCF result by roughly 300 basis points.

Q. ARE YOU SAYING ANALYSTS' EPS GROWTH FORECASTS ARE USELESS?

A. No. Analysts' EPS growth rates are, however, very dangerous if used in a simplified DCF without proper interpretation. While they are not useful if used in their "raw" form, they can be very useful in computing estimates of what earned return on equity investors expect will be sustained in the future, and as such, are useful in developing long-term sustainable

[70] *Id.* page 833.

[71] Mr. D'Ascendis's Direct Testimony, page 23, lines 534-538.

growth rates. This is exactly what I do in the application of my Constant Growth DCF Analysis.

Q. WHAT, THEN, IS THE CORRECT WAY TO USE ANALYSTS' FIVE-YEAR EPS FORECASTS IN ESTIMATING THE COST OF EQUITY?

A. There are at least two professionally recognized ways, and Mr. D'Ascendis used neither.

The first is to use them as inputs to a sustainable growth rate rather than as the growth rate itself, as I have just described. My constant growth DCF model is used by major financial institutions. J.P. Morgan Chase uses the sustainable growth form of the DCF method, as I do, in its Long-Term Capital Market Assumptions publication.[72] *Principles of Corporate Finance*, a leading financial textbook used in business schools and investment banks around the world, recommends using the very same method I use to calculate the cost of equity for regulated utility companies.[73] Major financial institutions like J.P. Morgan Chase do not use a growth rate based on analyst's 5-year EPS growth rates as a perpetual growth input as Mr. D'Ascendis has done.

The second is to use the forecasts for the period they cover—as the first stage of a multi-stage model—with a long-term growth rate thereafter. That is how the forecasts are applied by others who rely on them. Professor Aswath Damodaran of NYU uses analyst growth estimates for the first five years of his widely followed implied equity risk premium

[72] J.P. Morgan Asset Management, Long-Term Capital Market Assumptions, 2019, pages 62-63.

[73] Richard A. Brealey, Stewart C. Myers & Franklin Allen, *Principles of Corporate Finance* (12th Edition) McGraw-Hill Irwin, pp. 86-87.

calculation, and thereafter caps growth at the Treasury bond rate as a proxy for the growth of the economy: in his words, the Treasury rate serves "as our proxy for nominal growth in the long term, and thus as a cap on the growth rate in earnings beyond year 5."[74] His current calculation applies analyst-based earnings growth of 10.50% through 2027, and "dropping to 4.18% over the following years" in perpetuity, a rate which is set equal to the U.S. Treasury bond rate.[75]

In 2014, the Federal Energy Regulatory Commission adopted a two-step DCF for electric utilities, observing that the prior one-step model relied on "growth projections by investment advisory services for relatively short periods of years,"[76] and anchoring the long-term stage of the two-step model to projected GDP growth.[77]

And Robert B. Hevert, who led the rates practice at ScottMadden, the firm where Mr. D'Ascendis is a Partner,[78] has presented multi-stage DCF models in utility rate proceedings, explaining that the multi-stage form "avoids the sometimes limiting assumption that the subject company will grow at the same, constant rate in perpetuity," with long-term growth reverting toward GDP.[79]

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[74] Aswath Damodaran, Equity Risk Premiums (ERP): Determinants, Estimation, and Implications – The 2026 Edition (paper updated, March 5, 2026), page 101.

[75] *Id.,* p. 103, Figure 11 (Implied Equity Risk Premium on January 1, 2026).

[76] *Coakley v. Bangor Hydro-Elec. Co.*, Opinion No. 531, 147 FERC ¶ 61,234, at P 34 (2014).

[77] *Id.* at PP 39-40, *vacated on other grounds sub nom. Emera Maine v. FERC*, 854 F.3d 9 (D.C. Cir. 2017); *see also* Opinion No. 569, 169 FERC ¶ 61,129 (2019).

[78] Mr. D'Ascendis's Direct Testimony, page 3, line 9.

[79] Direct Testimony of Robert B. Hevert, Okla. Gas & Elec. Co., Ark. Pub. Serv. Comm'n Docket No. 16-052-U, page 29, line 11 and page 30, line 1 (2016).

Q. WHAT DO YOU CONCLUDE REGARDING MR. D'ASCENDIS'S CONSTANT GROWTH DCF RESULT OF 10.67%?

A. Mr. D'Ascendis's DCF result should be given no weight. On its own terms, his constant growth DCF requires a perpetual growth rate;[80] the inputs he supplied are five-year forecasts;[81] and his testimony provides no analysis connecting the two.

Q. DOES THIS ISSUE EXTEND BEYOND HIS DCF?

A. Yes, the same five-year analyst forecasts are inappropriately applied beyond his DCF. The same analysts' earnings growth rates that feed into his projected return on the S&P 500: using data from Bloomberg, Value Line, and S&P Global Market Intelligence, Mr. D'Ascendis calculates an expected total return on the S&P 500 of 19.18% (market-weighted) and 15.54% (equal-weighted), which his schedule states were "derived based upon expected dividend yields as a proxy for income returns and long-term earnings growth estimates as a proxy for capital appreciation."[82] That market return, built from analysts' earnings growth in the same way his DCF is built from analysts' earnings growth, is then used in two different models: it becomes the fifth measure of his CAPM market risk premium[83], and it becomes the fifth measure of the market risk premium in his Risk Premium Model.[84]

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[80] Mr. D'Ascendis's Direct Testimony, page 20, lines 465-468.

[81] Mr. D'Ascendis's Direct Testimony, page 23, lines 527-533.

[82] Mr. D'Ascendis's Direct Testimony, page 47, lines 1015-1022, and Schedule DWD-4, page 6, notes 5-6.

[83] Mr. D'Ascendis's Direct Testimony, Schedule DWD-6, page 3.

[84] Mr. D'Ascendis's Direct Testimony , Schedule DWD-4, page 6.

Regarding these inputs, Mr. D'Ascendis does not show the underlying work: neither his testimony nor his exhibits disclose the per-company dividend yields or growth rates that produce the 19.18% figure, and his schedule describes the growth only as "long-term."[85] Additionally, the companion forward-looking measure in the same table, his Value Line Summary & Index market return of 11.21%, is expressly labeled the "projected 3-5 year total annual market return."[86] This is the one projected market return whose horizon his schedules do state is a three-to-five-year figure. Mr. D'Ascendis also applies the same five-year EPS growth forecasts to his Non-Price Regulated Proxy Groups.

I address the impact of this assumption on Mr. D'Ascendis's CAPM in Section IV above, where I replace this growth-based measure, along with the corresponding measure in his DCF, with the appropriate growth rate.

Q. DO THE HISTORICAL MEASURES IN MR. D'ASCENDIS'S RISK PREMIUM MODEL MEASURE THE EQUITY RISK PREMIUM INVESTORS REQUIRE TODAY?

A. No. Six of Mr. D'Ascendis's nine equity risk premium measures are historical—his Tables 8 and 9 show the 1928-2025 spread between large company stock returns and Aaa/Aa corporate bond yields (6.17%), a regression analysis on that data (6.87%), a PRPM analysis on that data (6.71%), and three parallel measures for the S&P Utility Index (4.23%, 4.94%, and 4.91%)—and it is these historical measures, not the projected market return discussed

[85] Mr. D'Ascendis's Direct Testimony, Schedule DWD-4, page 6, notes 5-6.

[86] Mr. D'Ascendis's Direct Testimony, Schedule DWD-4, page 6, note 4.

above, that drive his Risk Premium Model result.[87] They fall short of measuring the premium investors currently require, for three reasons.

First, they do not measure investors' current equity return expectations, which are fundamental to calculating the current cost of equity. Each of these measures reports what happened to investors between 1928 and 2025; historical returns are unlikely to reflect investors' current expectations. As discussed in my testimony, investors' current expectations, as published by the institutions that manage their money, are far below what these historical spreads imply.

Second, the return periods he uses are too short a timeframe to be an appropriate measure of the cost of equity. His historical measures are built from monthly return observations.[88] CWC's cost of equity should be based on investors' long-term return expectations, because utility assets are long-lived (often over 20 years) and because many investors that purchase utility stocks (e.g., pension funds) have investment horizons considerably longer than one year. A short-period view is inconsistent with the long-term perspective needed, especially when juxtaposed with the long-term bond yields used elsewhere in his own analysis. The cost of equity should be measured over long periods, not just monthly or yearly returns. Ideally, a five-year rolling return average, or better yet, a 30-year period, should be used to align with the long-term investment horizon we are trying to measure.

[87] Mr. D'Ascendis's Direct Testimony, page 31, Table 8, and page 33, Table 9.

[88] Mr. D'Ascendis's Direct Testimony, page 27, lines 623-628, and Schedule DWD-4, page 6.

Third, his historical spread measures—the 6.17%[89] and 4.23%[90] figures—are arithmetic mean returns, which overstate the return an investor actually earns over a long horizon. The arithmetic average of a series of single-period returns answers a single-period question: what to expect over one month or one year. Over a multi-year horizon, the return an investor actually realizes is the compound, or geometric, average, which is systematically lower than the arithmetic average for any volatile series. For example, a stock that rises 100% in year one and falls 50% in year two has an arithmetic average return of 25% per year, but the investor who held it for both years ends exactly where she started, with a realized return of zero. Mr. D'Ascendis justifies his use of nearly a century of data on the ground that it "is consistent with the long-term investment horizon presumed by investing in a going concern, i.e., a company expected to operate in perpetuity."[91] By his own rationale, that century's returns should be measured the way a long-horizon investor experienced them, which the arithmetic mean does not do.

The importance of this distinction is reflected in federal securities regulation. When a mutual fund advertises its performance to investors, Securities Act Rule 482 requires that any quotation of performance be accompanied by the standardized "average annual total return" computed under the SEC's instructions to Form N-1A—a formula, $P(1+T)^n = ERV$, that solves for the compound annual rate connecting the beginning investment to its ending

[89] Mr. D'Ascendis's Direct Testimony, page 27, lines 623-628.

[90] Mr. D'Ascendis's Direct Testimony, page 32, lines 745-760.

[91] Mr. D'Ascendis's Direct Testimony, page 27, lines 617-622.

value: a geometric mean, by construction.[92] In other words, when a fund tells investors what an investment returned, securities regulators require the compound figure.

I recognize that the Kroll SBBI Yearbook, Mr. D'Ascendis's source, states a preference for arithmetic means in cost of capital estimation, and I do not contend that his choice violates any rule;[93] my point is that the arithmetic mean's bias over long horizons is known, one-directional, and material. Moreover, his justification for relying on historical premiums fails to consider whether investors expect future returns to be different than past returns. His own source, the Kroll SBBI Yearbook, considered if investors might consider future equity returns to be different than the past, looking beyond historical data and concluding that "the current [price-to-earnings] ratio is the market's best guess for the future of corporate earnings."[94] Based on this current market data, the Kroll 2023 SBBI Yearbook calculated a long-term market return of only 9.45% and a *geometric* supply-side equity risk premium of 4.39%,[95] figures far closer to the expectations of the financial community than to the historical arithmetic spreads Mr. D'Ascendis employs.

[92] Securities Act Rule 482, 17 C.F.R. § 230.482(d)(3); Form N-1A, Item 26(b)(1) (average annual total return computed per the formula $P(1+T)^n = ERV$).

[93] Mr. D'Ascendis's Direct Testimony, page 27, lines 629-639.

[94] Kroll 2023 SBBI Yearbook, page 199.

[95] Kroll 2023 SBBI Yearbook, pages 197-199.

Q. MR. D'ASCENDIS ALSO APPLIES HIS MODELS TO TWO PROXY GROUPS OF NON-PRICE REGULATED COMPANIES. WHAT IS HIS RATIONALE, AND SHOULD THE COST OF EQUITY FOR CWC BE BASED ON THOSE GROUPS?

A. Mr. D'Ascendis's rationale is that in the *Hope* and *Bluefield* cases, "the U.S. Supreme Court did not specify that comparable risk companies had to be utilities," and that because rate regulation substitutes for competition, non-price regulated firms "make an excellent proxy if they are comparable in total risk to the Utility Proxy Groups."[96] He selects the groups by screening statistics from Value Line's beta regressions: companies whose betas, and whose regression residual standard errors, fall within two standard deviations of his utility groups' averages, yielding a proxy group of 40 companies compared against the Water Utility Proxy Group and 32 against the Water and Gas Utility Proxy Group.[97]

The cost of equity for CWC should not be based on these groups, because passing those two statistical screens does not make a company comparable in risk to a regulated water utility. As a regulated utility, CWC has accepted an obligation to serve within its service territory in exchange for the opportunity to recover its costs and earn a return on its investments. Non-price regulated companies have a different business model and are exposed to different risks. Non-price regulated companies face the risk that their customers will no longer purchase their product if they raise prices to cover increasing costs. CWC, on the other hand, can file for a rate increase to address increasing costs. Many of the

[96] Mr. D'Ascendis's Direct Testimony, page 48, lines 1044-1049 and page 49, lines 1050-1053.

[97] Mr. D'Ascendis's Direct Testimony, page 49, lines 1057-1076.

companies in Mr. D'Ascendis's Non-Price Regulated Proxy Groups are exposed to potential risk factors such as lawsuits, political risk, and international markets, among other risks to which CWC is not exposed, and none of the companies in these groups can file for a rate case to address increasing costs or declining earnings.[98]

Mr. D'Ascendis is correct that the Supreme Court did not specify that comparable-risk companies must be utilities. But his own rationale states the condition that matters: non-price regulated firms are a useful proxy only "if they are comparable in total risk" to the utility groups.[99] That is the condition his groups do not meet. Many of the companies in these groups are riskier than CWC and could be considered highly profitable enterprises or speculative ventures; *Bluefield* states that a public utility "has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures."[100]

Finally, his non-price regulated DCF of 12.05% rests on the same growth-rate flaw discussed above; he applied his models to these companies "in an identical manner,"[101] mechanically inserting analysts' five-year EPS growth forecasts into a perpetuity model.

[98] Mr. D'Ascendis's Direct Testimony, Schedule DWD-7.

[99] Mr. D'Ascendis's Direct Testimony, page 48, lines 1049, and page 49, lines 1050.

[100] *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of the State of W. Va.*, 262 U.S. 679, 692-693 (1923).

[101] Mr. D'Ascendis's Direct Testimony, page 50, lines 1086-1089.

Q. IS HIS FLOTATION COST ADJUSTMENT APPROPRIATE?

A. No. The common stock of water utility companies is currently selling well above book value—the median market-to-book ratio of Mr. D'Ascendis's own Water Utility Proxy Group was 195.1% as of March 31, 2026, and every company in his group trades above book.[102] As a result, when a water company sells new common stock, the effect is for the book value per share to increase. This makes selling new common stock a net profit to water utility companies, not a cost.

By his testimony, the adjustment "recognizes the costs of issuing equity that were incurred by [CWC's parent company] H2O America."[103] His Schedule DWD-10 shows H2O America selling shares at offering prices of roughly $53 to $68, well above its book value per share of approximately $43.[104] Every one of those sales increased book value per share for existing shareholders even after paying issuance costs. And the $41.5 million of issuance costs on that schedule were incurred by the parent for its enterprise as a whole—his testimony contains no analysis attributing any portion of them to capital serving CWC's customers.[105]

Because, in current market conditions, issuing new common stock is profitable for water utility stock investors it would be unfair for consumers to pay more for this profitable opportunity.

[102] Mr. D'Ascendis's Direct Testimony, Schedule DWD-9, page 2.

[103] Mr. D'Ascendis's Direct Testimony, page 59, lines 1311-1318.

[104] Mr. D'Ascendis's Direct Testimony, Schedule DWD-10.

[105] *Id.*

APPENDIX A. CAPITAL ASSET PRICING MODEL

Risk Free Rate: When looking for a security to calculate an estimate of the risk-free rate, it could be argued that it is appropriate to find one with a term or maturity that best matches the life of the asset being financed. In that sense, the 30-year Treasury bond yield can be argued to be ideal for this specific application. However, it is equally important to find a security that has a beta coefficient with the overall market as close to zero as possible, because by the very definition of the risk-free rate in the CAPM model, its movements should have no correlation to the movements of the market. And this is where the problem with the 30-year Treasury bond yield arises, as it has an established non-zero beta. The 3-month Treasury bill yield has a considerably lower beta, and therefore is superior in that respect to the 30-year Treasury bond yield. Neither one is a perfect fit on both fronts, which is why I have chosen to consider both as proxies for the risk-free rate to establish a range for my CAPM results.

It is important to recognize that current long-term Treasury bond yields represent a direct observation of investor expectations and there is no need to use "expert" forecasts such as Blue Chip to determine the appropriate risk-free rate to use in a CAPM analysis or any other cost of equity calculations.

Many economists and forecasters will continue to be quoted in the press prognosticating on possible developments that are truly unpredictable. The Nobel Laureate Economist Daniel Kahneman stated the following regarding forecasting:

> It is wise to take admissions of uncertainty seriously, but declarations of high confidence mainly tell you that an individual has constructed a coherent story in his mind, not necessarily that the story is true.[106]

Historical Beta: I calculate historical betas following the methodology used by Value Line, with some modifications. Specifically, Value Line adheres to the following guidelines:

1. Returns for each security are regressed against returns for the overall market in the following form:

$$\ln (p^{I}_{t} / p^{I}_{t-1}) = a_{I} + B_{I} * \ln (p^{m}_{t} / p^{m}_{t-1})$$

   Where:

   - p^{I}_{t} is the price of the security I at time t
   - p^{I}_{t-1} is the price of the security I one week before time t
   - p^{m}_{t} and p^{m}_{t-1} are the corresponding values of the market index
   - B_I is the regression estimate of Beta for the security against the market index

2. The natural log of the price ratio is used as an approximation of each return and no adjustment is made for dividends paid during the week.
3. Weekly returns are calculated on one day of the week, with a stated preference for Tuesdays to minimize the effect of holidays as much as possible.

[106] Daniel Kahneman, *Thinking Fast and Slow*, p. 212 (New York: Farrar, Straus, and Giroux, 2011).

4. Betas calculated using the regression method above are adjusted as per Blume (1971)[107] using the following formula:[108]

$$\text{Adjusted } B_I = 0.35 + 0.67 * \text{Calculated } B_I$$

There are four differences between my historical beta calculations and Value Line's calculations:

1. The first significant difference is that whereas Value Line uses the New York Stock Exchange Composite Index as the market index, I use the S&P 500 Index.
2. Another important difference is that whereas Value Line calculates weekly returns on one day of the week, with a stated preference for Tuesdays, I calculate weekly returns on all days of the week.
3. Value Line only calculates betas every 3 months in their quarterly company reports, whereas I use the same consistent methodology to calculate betas every week during the most recent 3 complete months (April through June 2026).

[107] M. Blume, On the Assessment of Risk, *The Journal of Finance*, Vol. XXVI (March 1971) at www.stat.ucla.edu/~nchristo/Fiatlux/blume2.pdf.

[108] Michelfelder and Theodossiou (2013) have discredited the Blume adjustment for regulated public utility stocks, but Gombola and Kahl (1990) found that, while their betas do not approach unity, they are nonstationary. My use of the Blume adjustment, then, is "conservative," from the perspective of the EOE.

Michelfelder, R.A. & Theodossiou, P., "Public Utility Beta Adjustment and Biased Costs of Capital in Public Utility Rate Proceedings," *Electricity Journal* 26(9) (2013): 60 68, https://doi.org/10.1016/j.tej.2013.09.017.

Gombola, M. & Kahl, D., "Time-series Processes for Utility Betas: implications for forecasting systematic risk," *Financial Management* 19(3) (1990): 84–93, at https://www.jstor.org/stable/3665827.

4. Value Line always uses a 5-year period for the return regression,[109] whereas I calculate historical betas for periods of 6 months, 2 years, and 5 years.

In the following pages, I explain my rationale for making the four modifications above to Value Line's beta calculation methodology.

Choice of Market Index (S&P 500 vs. NYSE): A critical factor in the calculation of a beta coefficient is the choice of index to represent the overall market. Using exactly the same beta calculation methodology with a different market index will result in different values of beta for a given company or portfolio – sometimes drastically different values. It is easy to jump to the conclusion that this points to a flaw in CAPM theory, as different values of beta would result in a different implied cost of equity. However, another key component of the CAPM, the market risk premium, also depends on the choice of the market index, which in theory would have an offsetting effect on the cost of equity calculation. This points to the most important aspect of selecting a market index for a CAPM analysis, which is to be consistent and use the same index for the calculation of beta as for the calculation of the market risk premium. This is a fundamental concept of the CAPM, and using betas based on one index with a market risk premium based on a different index yields invalid results.

As stated above, Value Line calculates its published betas based on the NYSE Composite Index. Most methodologies used to calculate the market risk premium,

[109] They offer betas calculated over different time periods on their website, including 3 years and 10 years.

including those I rely on, are based on the S&P 500 Index, so using them in the CAPM together with Value Line betas exactly as published would yield invalid results.

For this reason, I calculate my historical betas versus the S&P 500 Index, making my CAPM approach entirely consistent.

As an aside related to my option-implied betas, using the S&P 500 Index consistently throughout my CAPM has the added benefit that this index has a much larger number of options traded, which makes the calculation of option-implied betas more reliable.

Daily vs. Single-Day Weekly Return Calculations: Using one day of the week to calculate weekly returns for use in the regression analysis used to calculate historical betas has the unintended effect of generating different values of betas depending on the day of the week that is used. To clarify, if one were to use Value Line's precise methodology for calculating a 5-year historical beta for a given company using weekly returns calculated on Tuesdays, the resulting beta value would be different than the resulting value if one were to use the same exact methodology, but using weekly returns calculated on Wednesdays, or any other day of the week. Even though 5-year historical betas should in theory be quite stable and should not change very much from one day to the next, calculating returns on only one day of the week results in differences that can be significant and make no sense conceptually.

It is easy to understand why it happens. Even though there is some correlation due to some overlap, the set of weekly returns calculated on Mondays is a completely different set of numbers than the set of weekly returns calculated on Tuesdays. As a result, there

are five 5-year betas that can result from Value Line's methodology, and even though the Monday beta for a given company will change slowly from week to week, the change between the Monday beta and the Tuesday beta, calculated just one trading day apart, can be quite significant.

Since I became aware of this undesirable effect, I began calculating my historical betas based on an all-encompassing set of weekly returns calculated on every trading day in the beta calculation period. This methodology has the effect of averaging out the five possible betas that could result from using only one day of the week for the return calculations,[110] as Value Line does. In this way, a 5-year beta calculated on any two consecutive trading days would only change minimally, as it should.

Using a daily calculation of weekly returns could be criticized for the resulting overlap in a weekly return from Monday to Monday with that from Tuesday to Tuesday. However, given that the overlap is consistent and equal for the net effect of every trading day, no trading day is given undue weight in the regression. Even though the effect of each trading day appears 5 times in the weekly return data, there are also 5 times the total number of weekly returns in the overall set used in the regression, so any individual trading day has the same relative weight than in Value Line's methodology. The fact that the resulting beta value of this aggregate approach turns out to be a sort of average of the five possible values that would result from Value Line's methodology on different days of the week is

[110] The resulting beta is not a direct arithmetic or geometric average of the other five betas, but rather a regression based on the union of all five possible sets of weekly returns.

the final confirmation that this is the superior approach for calculating a historical beta based on weekly returns.

Using a daily calculation of weekly returns has the added benefit of providing more data pairs to be used in historical beta calculations for shorter periods, such as for 6-month historical betas, where instead of 25 return pairs, the regression is performed on 117 return pairs.

Benefits of Independent Calculations & Statistical Significance: Doing my own historical beta calculations using Value Line's established methodology allows me to see how beta values change from week to week and to use the most up-to-date beta calculations instead of relying on stale beta values that can be more than 3 months old, inappropriate for the up-to-date snapshot of the market that I am taking.

Regarding the number of data point pairs necessary to estimate the relationship between two variables in a regression analysis, establishing a minimum number is somewhat subjective, though various authorities on statistics argue the number is between 3 and 8 data pairs. While one can broadly correctly generalize that the more data point pairs one uses, the more certain one can be about the significance of the results of any correlation analysis, this is very different from stating that one cannot achieve statistical significance with a relatively low number of data pairs. In fact, it is important to realize that one can achieve statistical significance with fewer than 10 data pairs, and that even hundreds of data pairs do not guarantee statistical significance. For precisely this reason, statisticians have developed a tool that helps determine statistical significance based on the number of data pairs in a regression analysis.

A "table of critical values" of Pearson's correlation, which can be readily found online[111] or in most statistics books, tells a statistician that for 25 data point pairs (implying N-2=23 "degrees of freedom"), a correlation, or beta, coefficient of 0.505 or higher will occur *by chance* with a probability of only 0.01.[112] As explained in more detail in the text regarding how to use the table of critical values,[113] any beta coefficient above this level, and certainly above the 0.221 3-month average for the recent 6-month betas for my D'Ascendis Water Proxy Group, by definition are considered statistically significant. The threshold for statistical significance for 117 data point pairs (implying 115 "degrees of freedom"), is so low that it is not even included in the table of critical values. The maximum "degrees of freedom" listed is 100, with an already very low threshold of 0.254.

Historical Blended Beta: I am not aware of any academic study specifically focused on the optimal relative weight of historical betas to predict future betas. However, the authors of the paper I relied upon for guidance on the calculation of my option-implied betas did attempt to quantify the predictive power of 6-month option-implied ("forward-looking") betas as well as that of 6-month ("180-day"), 1-year, and 5-year historical betas by back-testing historical predictions with actual *expost* results, or "realized" betas, for the 30 companies in the Dow Jones Index. In addition to using each of the betas above

[111] University of Connecticut, *r Critical Value Table*, available at https://researchbasics.education.uconn.edu/r_critical_value_table/#.

[112] In fact, many researchers use a more lenient "alpha level" of 0.05 for determinations of statistical significance.

[113] University of Connecticut, *Statistical Significance: Is there a relationship (difference) or isn't there a relationship (difference)?*, at https://researchbasics.education.uconn.edu/statistical_significance.

independently, they also measured the predictive power of a "mixed" beta consisting of a simple average of the six-month option-implied beta and the 6-month historical beta.

Their conclusions for predicting 6-month future betas are as follows:

> The forward-looking beta outperforms the other methods ten times, and the same is true for the 180-day historical beta. The mixed beta is the best performer in seven cases, and the 1-year historical beta in three cases. The 5-year historical beta is always outperformed by at least one other method, and it often ranks last. The 180-day historical beta clearly dominates the two other historical methods.[114]

Their conclusions for predicting 1-year and 2-year future betas are as follows:

> Somewhat unexpectedly, the performance of the forward-looking beta compared to that of the 180-day historical beta is much better [for the one-year prediction] than [for the six-month prediction], and this conclusion carries over to [the two-year prediction]. The mixed beta also perform [sic] well. It is perhaps not surprising that the performance of the 180-day historical beta [for the one- and two-year predictions] is poorer than [for the six-month prediction], because the horizons used in the construction of realized betas are no longer equal to 180 days. What is harder to explain is why the correlation between realized beta and forward-looking beta is in many cases higher [for the one- and two-year predictions] than [for the six-month prediction]. Finally, it is also interesting that the 1-year and 5-year historical betas do not perform well [for the one-and two-year predictions]. In summary, [for the one-year prediction] either the forward-looking beta or the mixed beta is the best performer in nineteen out of thirty cases. [For the two-year prediction], this the case twenty-two times out of thirty.[115]

Their conclusions strongly support the use of 6-month historical betas, 6-month option-implied betas, and/or an average of the two as predictors of future betas 6 months, 1 year, or 2 years into the future. Therefore, considering a historical blended beta in

[114] Peter Christoffersen, Kris Jacobs, & Gregory Vainberg, *Forward-Looking Betas*, p. 16 (April 25, 2008) at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=891467.

[115] *Id*. at 17.

conjunction with option-implied betas to calculate the cost of equity is consistent with research findings that combining historical and option-implied betas is the best predictor of future betas.

I decided on the composition of my historical blended betas primarily based on the conclusions of the authors above. Though the predictive power of longer-term historical betas seems to be quite reduced, it is not zero, so in an effort to preserve the effect of longer-term market trends in my historical blended betas, I chose to incorporate 5-year historical betas.

Market Risk Premium: I used a cumulative probability of 50.0% in the calculation of my option-implied growth for the S&P 500, which results in a value of 7.82% as of February 28, 2026 and a value of 7.65% for the weighted average of the 3 months ending on that date. As stated above, a cumulative probability of 50% represents the median of the probability distribution, or in this case the option-implied market consensus, which is why I have chosen to use this level.

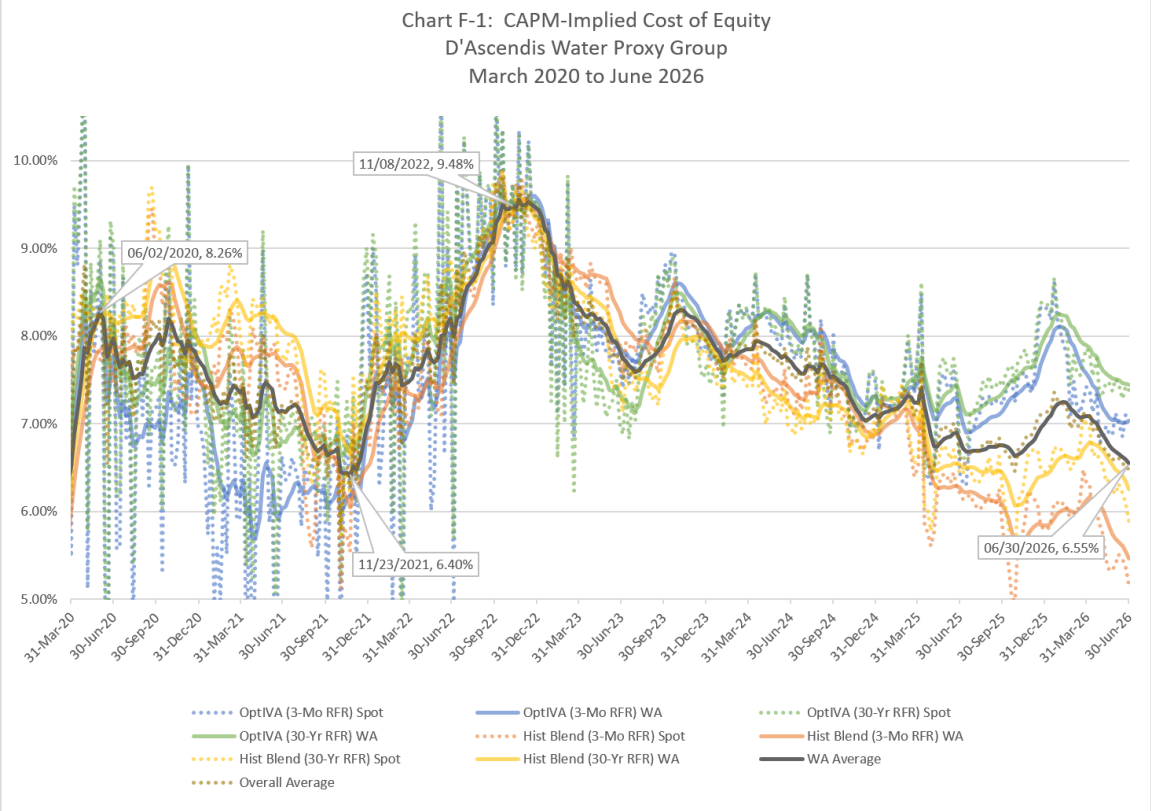
The cumulative probabilities referred to in this case are directly comparable to the cumulative probabilities I have used or referred to in his prior filed testimonies. In late 2020, after significant efforts related to the complexities in processing extremely large volumes of option data, I was finally able to use option-implied volatility and option-implied skewness to come up with a log-normal distribution that approximates the probability distribution of the possible trajectories for the S&P 500 implied by the options market as of any given day, as explained above. All of the testimonies I have filed since then, starting in 2021, have used this complete and superior approach along with a

cumulative probability of 50%, representing the median of the probability distribution, or the option-implied market consensus, to estimate expected market growth. Any references to cumulative probability in these testimonies are directly comparable.

Prior to incorporating skewness into the approximation, I used a normal function to estimate the same probability distribution referred to above. Using a normal distribution as an approximation is a simplification used commonly in economics, including in the Black-Scholes formula for a single option. However, unlike a skewed log-normal distribution, a normal distribution has the same median and mean, meaning that when applied in this case, the option-implied market consensus of this simplified approximation implies market growth of 0%. As a result, before using log-normal distributions, I had to resort to finding an adequate level of cumulative probability above 50% to estimate market growth, which is admittedly somewhat subjective. To be conservative, I often used a cumulative probability of 68.3%, which is the probability found within one standard deviation of the mean of a normal distribution, which I understood would lead to a conservatively high estimate for market growth.

It is important to point out that the cumulative probabilities of the simplified normal distribution approximation I used in cases before 2021 cannot be directly compared to the cumulative probabilities of the superior log-normal distribution approximation, which takes skewness into account. The considerably improved approximation based on a log-normal distribution eliminates all subjectivity in arriving at the implied market consensus and allows a much better measure of implied cumulative probabilities of deviations from that market consensus.

APPENDIX B. CAPM-IMPLIED COST OF EQUITY FOR D'ASCENDIS WATER PROXY GROUP OVER TIME SINCE ONSET OF COVID PANDEMIC



Notes regarding the content of this chart:

- *The information in this chart is the property of Rothschild Financial Consulting ("RFC") and may not be used for any purpose without the express written consent of RFC. Even when the underlying data are publicly available from another source, the results of analyses performed by RFC and the way of presenting the data are and remain the property of RFC.*

- *The data presented herein may not agree 100% with past recommendations by RFC for numerous reasons, including differences in the underlying proxy group and the fact that this chart represents only results based on the CAPM, whereas RFC usually bases recommendations on the CAPM and other models, such as various forms of the DCF.*

APPENDIX C. OPTION-IMPLIED GROWTH METHODOLOGY

The "Inverse Problem" Approach (Market-Implied Expectations): My methodology solves what economists call the "inverse problem." Historically, academics used theoretical assumptions to guess what a stock's price should be. My approach reverses this logic: instead of guessing, I look at what the price is in the options market, and I work backward to mathematically determine the exact growth and return expectations that justify that price.

Extracting Expectations from Stock Options: It is a fundamental economic reality that the price investors pay for an option today is directly determined by their expectations of the stock's future value. To extract this information, my analysis is based on an extremely large set of market data, making it highly robust. To avoid short-lived changes in the market, I gathered data weekly over the course of the last quarter on 13 sequential Tuesdays between April 2026 and June 2026.

The depth of this data is substantial. On any given date, the option contracts analyzed cover between 4,277 and 5,197 different strike prices. Even after applying strict filtering criteria to remove illiquid quotes, the dataset remains massive: the average number of share equivalents covered across the 13 dates is 1,051 million (over 1 billion shares) per week, providing an undeniable, real-time market signal.

An Established, Institutional Methodology: This is not a novel or experimental method. It is the foundation of the exact same mathematical framework utilized by the Federal Reserve Bank of Minneapolis to estimate market probabilities, and by the Chicago

Board Options Exchange (CBOE) to calculate global benchmarks like the VIX and SKEW indices.

The 5-Step Calculation Process: To calculate the option-implied growth of the S&P 500, I rely on the exact same proven mathematical frameworks utilized by the CBOE. I perform the following steps:

1. Gather and Filter Data: I obtain S&P 500 option data and apply the CBOE's strict filtering rules (e.g., utilizing mid-quotes, removing zero bids, and cleaning out inactive options) to ensure only valid, high-quality pricing signals are used.

2. Calculate Option-Implied Volatility: Using the CBOE methodology, I calculate the expected magnitude of future stock price movements (risk).

3. Calculate Option-Implied Skewness: I then calculate the market's expectation regarding the shape of that risk—specifically, the fear of a sudden market crash (tail risk).

4. Extract the Probability Distribution: Using a standard mathematical framework originating with the Breeden-Litzenberger theorem, I measure how these option prices change across different strike prices to reveal the exact probability distribution the market assigns to the stock's future trajectory.

5. Determine Expected Growth: Finally, I convert this distribution into the specific growth investors expect. Financial theory dictates that investors require a higher return (a "risk premium") for assets that are volatile or prone to sudden crashes. This step

mathematically converts the "fear" measured by volatility and skewness into the specific "return" investors demand to compensate them for that fear.

The median of this distribution represents the true market consensus of expected growth. This forward-looking, market-derived Option-Implied Growth Rate is what I then use in my DCF analysis, providing a vastly superior reflection of current economic reality than a reliance on short-term analyst forecasts.

APPENDIX D. RESUME OF AARON L. ROTHSCHILD

SUMMARY

Rate of return expert witness preparing testimonies focused on utility cost of capital, specifically the cost of equity, cost of debt, and capital structure, to recommend allowed rates of return. Expertise includes measuring the consequences of alternative regulatory outcomes on utility credit metrics using stress testing and credit-risk analyses. Actively contributing to advances in cost-of-capital regulation, including the development of a probability distribution-free Value at Risk (VaR) framework that extracts the market cost of equity directly from index option prices to establish a real-time, forward-looking term structure, with this recent research submitted for presentation at the University of Vienna. Methodologies have been formally adopted by state regulatory bodies. Notably, the South Carolina Public Service Commission adopted analytical approaches using option-implied cost of equity models. This decision was subsequently upheld by the Supreme Court of South Carolina, while the California Public Utilities Commission (CPUC) has adopted testimony using this approach to determine authorized ROEs. Business experience includes complex systems science research regarding the power sector at an independent research institute, investment banking consulting in New York, and financial analysis in the telecom industry across the United States and Asia Pacific.

EXPERIENCE

Rothschild Financial Consulting, Ridgefield, CT
Independent consulting firm specializing in utility sector
President (November 2001 – Present)

- Deliver expert financial testimony and robust discovery requests regarding cost of capital and rate of return in regulatory dockets across jurisdictions including South Carolina, Rhode Island, New York, Connecticut, and Rhode Island.
- Develop advanced, option-implied cost of equity models that have been formally adopted by public utility commissions and upheld by state supreme courts for rate-setting purposes.
- Pioneer a distribution-free Value at Risk (VaR) framework that extracts the market expected rate of return directly from S&P 500 index option prices, equipping regulators with a real-time, forward-looking term structure.
- Served on the bond advisory team for Duke Energy Carolinas' 2025 South Carolina storm-recovery bond financing ($561.4 million), on behalf of the South Carolina Department of Consumer Affairs.
- Assess whether the incremental credit-risk cost of a regulatory decision, such as potential downgrade risks or market-spread effects, offsets the consumer savings of a lower authorized ROE or lower equity ratio.
- Present analytical methods at major utility regulation conferences (e.g., NARUC/NASUCA, MARC), with recent sessions focusing on beta coefficients at SURFA

in Charlotte, having previously presented on topics such as complex systems science, power purchase agreements, and subsidy auctions.

360 Networks, Hong Kong
Pioneer of the fiber optic telecommunications industry
Senior Manager (January 2001 – October 2001)

- Led business development and investment evaluation initiatives.
- Negotiated landing rights and formed local partnerships in Korea, Japan, Singapore, and Hong Kong for a $1 billion undersea cable project.
- Structured a fiber optic bandwidth swapping agreement with Enron and Global Crossing.
- Established relationships with Hong Kong-based investment bankers to communicate Asia Pacific objectives and accomplishments to Wall Street.

Dantis, Chicago, IL
Start-up managed data-hosting services provider
Director (July 2000 – December 2000)

- Built capital raise valuation models and negotiated with potential investors.
- Collaborated with a team to raise $100M from a venture capital firm through valuation negotiations and internal strategic analysis.

MFS, MCI-WorldCom, Chicago, Hong Kong, Tokyo
American Telecommunications Company
Head of Business Analysis for Japan Operations (September 1996 – July 2000)

- Managed a staff of 5 business development analysts.
- Raised $80M internally for a Japanese national fiber network expansion plan by conducting an investment evaluation and presenting findings to the CEO of international operations in London, UK.
- Built a financial model for local fiber optic investment evaluation that was used by business development offices in Oak Brook, IL, and Sydney, Australia.

EDUCATION

Vanderbilt University, Nashville, TN
MBA, Finance (1994 – 1996)

- Completed business plan for Nextlink Communications in support of their national fiber optic network expansion, including identifying opportunities from passage of Telecom Act of 1996
- Developed analytical framework to evaluate predictability of rare events
- Provided financial and accounting analysis to Chicago's consumer advocate, the Citizens Utility Board (CUB) as a summer intern

Clark University, Worcester, MA
BA, Mathematics (1990 – 1994)

APPENDIX E. TESTIFYING EXPERIENCE OF AARON L. ROTHSCHILD

Filed Rate of Return Testimonies:

California

- Pacific Gas and Electric Company, Application 25-03-010, Rate of Return, July 2025
- Southern California Edison, Application 25-03-011, Rate of Return, July 2025
- San Diego Gas & Electric Company, Application 25-03-012, Rate of Return, July 2025
- Southern California Gas Company Application 25-03-013, Rate of Return, July 2025
- Pacific Gas and Electric, Application 22-04-008 et al, Rate of Return/Cost of Capital Mechanism, January 2024
- Liberty Utilities, Application A.23-05-004, Rate of Return, August 2023
- San Gabriel Water Company, Application 23-05-001, Rate of Return, August 2023
- Suburban Water Company, Application 23-05-003, Rate of Return, August 2023
- Great Oaks Water Company, Application 23-05-002, Rate of Return, August 2023
- Incumbent Local Exchange Carriers (ILECs), Application 22-09-003, Rate of Return, May 2023
- Pacific Gas and Electric Company, Application 22-04-008, Rate of Return, August 2022
- Southern California Edison, Application 22-04-009, Rate of Return, August 2022
- San Diego Gas & Electric Company, Application 22-04-012, Rate of Return, August 2022
- California American Water Company, Application 21-05-001, Rate of Return, January 2022
- California Water Service Company, Application 21-05-002, Rate of Return, January 2022
- Golden State Water Company, Application 21-05-003, Rate of Return, January 2022
- San Jose Water Company, Application 21-05-004, Rate of Return, January 2022
- Southern California Edison, Application 21-08-013, Rate of Return/Cost of Capital Mechanism, January 2022
- San Diego Gas & Electric Company, Application 21-08-014, Rate of Return/Cost of Capital Mechanism, January 2022
- Pacific Gas and Electric Company, Application 21-08-015, Rate of Return/Cost of Capital Mechanism, January 2022
- Pacific Gas and Electric Company, Application 21-01-004, Securitization, February 2021
- Pacific Gas and Electric Company, Application 20-04-023, Securitization, October 2020
- Southern California Edison, Application 20-07-008, Securitization, September 2020
- San Diego Gas & Electric Company, Application 19-04-017, Rate of Return, August 2019
- Southern California Gas Company, Application 19-04-016, Rate of Return, August 2019
- Pacific Gas and Electric Company, Application 19-04-015, Rate of Return, August 2019
- Southern California Edison, Application 19-04-014, Rate of Return, August 2019
- Liberty Utilities, Application A.18-05-006, Rate of Return, August 2018
- San Gabriel Water Company, Application 18-05-005, Rate of Return, August 2018
- Suburban Water Company, Application 18-05-004, Rate of Return, August 2018
- Great Oaks Water Company, Application 18-05-001, Rate of Return, August 2018
- California Water Service Company, Application 17-04-006, Rate of Return, August 2017
- California American Water Company, Application 17-04-003, Rate of Return, August 2017

- Golden State Water Company, Application 17-04-002, Rate of Return, August 2017
- San Jose Water Company, Application 17-04-001, Rate of Return, August 2017

Colorado

- Public Service Company of Colorado, Docket No. 11AL-947E, Rate of Return, March 2012

Connecticut

- Aquarion Water Company of Connecticut, Docket No. 25-12-12, Rate of Return, June 2026
- Yankee Gas Service Company, Docket No. 24-14-01, Rate of Return, March 2025
- United Illuminating Company, Docket No. 24-10-04, Rate of Return, February 2025
- Connecticut Natural Gas Corporation, Docket No. 23-11-02, Rate of Return, February 2024
- The Southern Connecticut Gas Company, Docket No. 23-11-02, Rate of Return, February 2024
- The Connecticut Water Company, Docket No. 23-08-32, Rate of Return, December 2023
- United Illuminating Company, Docket No. 22-08-08, Rate of Return, December 2022
- Aquarion Water Company of Connecticut, Docket No. 22-07-01, Rate of Return, October 2022
- Eversource and United Illuminating, Docket No. 17-12-03RE11, Rate of Return / Interim Rate Reduction, April 2021
- United Water Connecticut, Docket No. 07-05-44, Rate of Return, November 2008
- Valley Water Systems, Docket No. 06-10-07, Rate of Return, May 2007

Delaware

- Tidewater Utilities, Inc., PSC Docket No. 11-397, Rate of Return, April 2012

District of Columbia

- Washington Gas Light Company, Formal Case No. 1180, Rate of Return, January 2025
- Washington Gas Light Company, Formal Case No. 1169, Rate of Return, May 2023

Florida

- Florida Power & Light (FPL), Docket No. 070001-EI, October 2007
- Florida Power Corp., Docket No. 060001 Fuel Clause, September 2007

Maryland

- Delmarva Power & Light, Case No. 9317, Rate of Return, June 2013
- Columbia Gas of Maryland, Case No. 9316, Rate of Return, May 2013
- Potomac Electric Power Company, Case No. 9286, Rate of Return, March 2012
- Delmarva Power & Light, Case No. 9285, Rate of Return, March 2012

New Jersey

- Aqua New Jersey, Inc., BPU Docket No. WR11120859, Rate of Return, April 2012

New York

- Consolidated Edison Company of New York, Inc., Docket No. 2025-S-0741, March 2026

New Hampshire

- Public Service Company Of New Hampshire., Docket No. DG 24-07,0 Rate of Return, January 2025
- Liberty Utilities (Energy North Natural Gas) Corp., Docket No. DG 23-067, Rate of Return, February 2024
- Liberty Utilities (Granite State Electric) Corp., Docket No. DE 23-039, Rate of Return, December 2023

North Dakota

- Montana-Dakota Utilities Co., Case No. PU-20-379, Rate of Return, January 2021
- Otter Tail Power Company, Case No. PU-17-398, Rate of Return, May 2018
- Montana-Dakota Utilities Co., Case No. PU-15-90, Rate of Return, August 2015
- Northern States Power, Case No. PU-400-04-578, Rate of Return, March 2005

Pennsylvania

- Aqua Pennsylvania, Inc., Docket No. R-2024-3047822, Rate of Return, August 2024
- Peoples Natural Gas Company LLC, Docket No. R-2023-304459, Rate of Return, March 2024
- UGI Utilities, Inc. – Electric Division, Docket No. R-2022-3037368, Rate of Return, April 2023
- Pennsylvania American Water Company, Docket No. R-2022-3031672 and R-2022-3031673, Rate of Return, July 2022
- UGI Utilities, Inc. – Electric Division, Docket No. R-2021-3023618, Rate of Return, May 2021
- Pennsylvania American Water Company, Docket No. P-2021-3022426, Rate of Return, February 2021
- Audubon Water Company, Docket No. R-2020-3020919, Rate of Return, November 2020
- Pennsylvania American Water Company, Docket No. R-2020-3019369 and R-2020-3019371, Rate of Return, September 2020
- Twin Lakes Utilities, Inc., Docket No. R-2019-3010958, Rate of Return, October 2019
- City of Lancaster Sewer Fund, Docket No. R-2019-3010955, Rate of Return, October 2019
- Community Utilities of Pennsylvania Inc. Wastewater Division, Docket No. R-2019-3008948, Rate of Return, July 2019
- Community Utilities of Pennsylvania Inc. Water Division, Docket No. R-2019-3008947, Rate of Return, July 2019
- Newtown Artesian Water Company, Docket No. R-20019-3006904, Rate of Return, May 2019
- Hidden Valley Utility Services, L.P. – Wastewater Division, Docket No. R-2018-3001307, Rate of Return, September 2018
- Hidden Valley Utility Services, L.P. – Water Division, Docket No. R-2018-3001306, Rate of Return, September 2018
- The York Water Company, Docket No. R-2018-3000019, Rate of Return, August 2018
- SUEZ PA Pennsylvania, Inc., Docket No. R-2018-000834, Rate of Return, July 2018
- UGI Utilities, Inc. – Electric Division, Docket No. R-2017-2640058, Rate of Return, April 2018
- Wellsboro Electric Company, Docket No. R-2016-2531551, Rate of Return, December 2016
- Citizens' Electric Company of Lewisburg, PA, Docket No. R-2016-2531550, Rate of Return, December 2016
- Columbia Gas of Pennsylvania, Inc., Docket No. R-2016-2529660, Rate of Return, June 2016
- Columbia Gas of Pennsylvania, Inc., Docket No. R-2015-2468056, Rate of Return, June 2015
- Pike County Light & Power Company, Docket No. R-2013-2397353 (gas), Rate of Return, April 2014
- Pike County Light & Power Company, Docket No. R-2013-2397237 (electric), Rate of Return, April 2014
- Columbia Water Company, Docket No. R-2013-2360798, Rate of Return, August 2013

- Peoples TWP LLC, Docket No. R-2013-2355886, Rate of Return, July 2013
- City of Dubois – Bureau of Water, Docket No. R-2013-2350509, Rate of Return, July 2013
- City of Lancaster – Sewer Fund, Docket No. R-2012-2310366, Rate of Return, December 2012
- Wellsboro Electric Company, Docket No. R-2010-2172665, Rate of Return, September 2010
- Citizens' Electric Company of Lewisburg, PA, Docket No. R-2010-2172662, Rate of Return, September 2010
- T.W. Phillips Gas and Oil Company, Docket No. R-2010-2167797, Rate of Return, August 2010
- York Water Company, Docket No. R-2010-2157140, Rate of Return, August 2010
- Joint Application of The Peoples Natural Gas Company, Dominion Resources, Inc. and Peoples Hope Gas Company LLC, Docket No. A-2008-2063737, Financial Analysis, December 2008
- York Water Company, Docket No. R-2008-2023067, Rate of Return, August 2008

Rhode Island

- Rhode Island Energy, Docket No. 25-45-GE, Rate of Return, April 2026

South Carolina

- Piedmont Natural Gas Company, Inc., Docket No. 26-61-G, Rate of Return, July 2026
- Dominion Energy South Carolina, Inc., Docket No. 2025-325-E, Rate of Return, March 2026
- Kiawah Island Utility, Inc., Docket No., Rate of Return, 2025-243-WS, December 2025
- Duke Energy Carolinas, LLC., Docket No. 2025-172-E, Rate of Return, October 2025
- Duke Energy Progress, LLC., Docket No. 2025-154-E, Rate of Return, September 2025
- Duke Energy Carolinas, LLC., Docket No. 2025-65-E, Securitization, May 2025
- Dominion Energy South Carolina, Inc., Docket No. 2024-34-E, Rate of Return, June 2024
- Duke Energy Carolinas, LLC., Docket No. 2023-388-E, Rate of Return, April 2024
- Duke Energy Progress, LLC., Docket No. 2023-89-E, Securitization, September 2023
- Dominion Energy South Carolina, Inc., Docket No. 2023-170-G, Rate of Return, July 2023
- Duke Energy Progress, LLC., Docket No. 2022-254-E, Rate of Return, December 2022
- Daufuskie Island Utility Company, Inc., Docket No. 22-142-WS, Rate of Return, September 2022
- Piedmont Natural Gas Company, Inc., Docket No. 22-89-G, Rate of Return, July 2022
- Kiawah Island Utility, Inc., Docket No. 2021-324-WS, Rate of Return, February 2022
- Palmetto Wastewater Reclamation, Inc., Docket No. 2021-153-S, Rate of Return, September 2021
- Dominion Energy South Carolina, Inc., Docket No. 2020-125-E, Rate of Return, November 2020
- Palmetto Utilities, Inc., Docket No. 2019-281-S, Rate of Return, May 2020
- Palmetto Utilities, Inc., Docket No. 2019-281-S, Accounting, May 2020
- Blue Granite Water Company, Docket No. 2019-290-WS, Rate of Return, January 2020

Tennessee

- Limestone Water Utility Operating Company, Inc., Docket No. 24-00044, Rate of Return, December 2024
- Tennessee American Water Company, Inc., Docket No. 24-00032, Rate of Return, September 2024
- Kingsport Power Company D/B/A AEP Appalachian Power, Docket No. 21-00107, Rate of Return, March 2022

Vermont

- Central Vermont Public Service Corp., Docket No. 7321, Rate of Return, September 2007

Wisconsin

– American Transmission Company, LLC, ITC, Midwest, LLC, Case No. 19-CV-3418, financial and regulatory analysis regarding requested temporary injunction to halt the construction in Wisconsin of the proposed Cardinal-Hickory Creek transmission line, October 2021

OVERALL COST OF CAPITAL
The Connecticut Water Company

	Ratios		Cost Rate		Weighted Cost Rate
					[D]
Long-Term Debt	49.00%	[A]	4.52%	[B]	2.21%
Short-Term Debt	0.00%	[B]	0.00%	[B]	0.00%
Preferred Equity	0.00%	[B]	0.00%	[B]	0.00%
Common Equity	51.00%	[A]	8.33%	[C]	4.25%
	100.00%				**6.46%**

RECOMMENDED RANGES	Low		High
Proxy Group Cost of Equity Range	7.99%		8.51%
Proxy Group Cost of Equity		8.25%	
Based on RFC Capital Structure Recommendation			
Capital Structure Risk Adjustment [E]		0.08%	
Adjusted Recommended Cost of Equity Range	**8.07%**		**8.59%**
Company Specific Cost of Equity Recommendation		**8.33%**	
Cost of Capital Range	6.33%		6.60%
Based on Mr. D'Ascendis's Capital Structure Recommendation			
Capital Structure Risk Adjustment [E]		-0.04%	
Adjusted Recommended Cost of Equity Range	**7.95%**		**8.47%**
Company Specific Cost of Equity Recommendation		**8.21%**	
Cost of Capital Range	6.37%		6.65%
Comprehensive Cost of Capital Range			
Cost of Debt Range	4.52%		3.64%
Common Equity Ratio Range	51.00%		51.50%
Comprehensive Cost of Capital Range	6.33%		6.19%

Sources:
[A] Recommendation based on holding company capital structure
[B] D'Ascendis Direct Testimony, Schedule DWD-1, page 1
[C] Company Specific Cost of Equity Recommendation based on RFC Capital Structure Recommendation
[D] Ratios times Cost Rate
[E] Based on estimate of 0.04% change in Cost of Equity for each 1% difference in Common Equity Ratio compared to the Proxy Group (Exhibit ALR-1 vs. Exhibit ALR-5, page 4).

COST OF EQUITY SUMMARY

D'Ascendis Water Proxy Group (4 Companies)

		Low	High	Percentile			
				50.0% (Median)	85.0%	87.5%	90.0%
DCF		**6.79%**	**8.85%**				
Constant Growth - Sustainable Growth	[A]	8.75%	8.85%				
Constant Growth - Option-Implied Growth	[B]	6.79%	7.57%				
Non-Constant Growth	[C]	7.70%	7.95%				
CAPM		**5.16%**	**7.44%**				
3-Mo. Weighted Average (Apr. to Jun. 2026)							
3-Month Treasury Bill Risk-Free Rate	[D]	5.46%	7.03%				
30-Year Treasury Bond Risk-Free Rate	[D]	6.24%	7.44%				
Spot (Jun. 30, 2026)							
3-Month Treasury Bill Risk-Free Rate	[E]	5.16%	7.12%				
30-Year Treasury Bond Risk-Free Rate	[E]	5.90%	7.38%				
Proxy Group Cost of Equity				7.25% Median of Overall Range of Results	**7.99%**	**8.25% Proxy Group COE Midpoint**	**8.51%**
						<---- Recommended Range ---->	

Sources:
[A] Exhibit ALR-3, page 1
[B] Exhibit ALR-3, page 2
[C] Exhibit ALR-3, page 3 and Exhibit ALR-3, page 4
[D] Exhibit ALR-4, page 1
[E] Exhibit ALR-4, page 5

CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
D'Ascendis Water Proxy Group (4 Companies)

			Based on Average Market Price For Year Ending 6/30/2026	Based On Market Price As Of 6/30/2026
1	Dividend Yield On Market Price	[A]	2.90%	2.66%
2	Retention Rate:			
	a) Market-to-Book Ratio	[A]	1.94	2.05
	b) Dividend Yield on Book	[B]	5.63%	5.46%
	c) Expected Return on Equity	[C]	10.00%	10.00%
	d) Retention Rate	[D]	43.67%	45.40%
3	Reinvestment Growth	[E]	4.37%	4.54%
4	New Financing Growth	[F]	1.40%	1.56%
5	Total Estimate of Investor Anticipated Growth	[G]	5.77%	6.10%
6	Increment to Dividend Yield for Growth to Next Year	[H]	0.08%	0.08%
7	**Indicated Cost of Equity**	**[I]**	**8.75%**	**8.85%**

Sources:

[A] Exhibit ALR-5, page 1

[B] Line 1 x Line 2a

[C] Some of the considerations for determining Future Expected Return on Equity:

	Median	Mean	From
Value Line Expectation	**9.25%**	**9.88%**	Exhibit ALR-5, page 2
Return on Equity to Achieve Zacks Growth	10.71%	11.17%	Exhibit ALR-5, page 3
Average Historical Growth	9.05%	9.71%	
Earned Return on Equity in 2025	8.43%	9.32%	Exhibit ALR-5, page 2
Earned Return on Equity in 2024	11.32%	10.99%	Exhibit ALR-5, page 2
Earned Return on Equity in 2023	7.39%	8.81%	Exhibit ALR-5, page 2

[D] 1 - Line 2b / Line 2c

[E] Line 2c x Line 2d

[F] S x V = (Ext. Fin Rate) x (Line 2a - 1) Ext. Fin. Rate = 1.49% From Exhibit ALR-3, page 5

S = rate of continuous new stock financing

V = fraction of funds raised by sale of stock that increases the book value of existing shareholders' common equity

[G] Line 3 + Line 4

[H] Line 1 x one-half of Line 5

[I] Line 1 + Line 5 + Line 6

CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
D'Ascendis Water Proxy Group (4 Companies)

			Based On Weighted Averages As Of 6/30/2026	Based On Spot Market Values As Of 6/30/2026
1	Dividend Yield On Market Price	[A]	2.90%	2.66%
2	Total Estimate of Investor Anticipated Growth	[B]	3.83%	4.84%
3	Increment to Dividend Yield for Growth to Next Year	[C]	0.06%	0.06%
4	**Indicated Cost of Equity**	**[D]**	**6.79%**	**7.57%**

Sources:
[A] Exhibit ALR-5, page 1
[B] 6-Month Option-Implied Growth
[C] Line 1 x one-half of Line 2
[D] Line 1 + Line 2 + Line 3

NON-CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
(BASED ON VALUE LINE FORECASTS AND CLOSING STOCK PRICE)
D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
		Forecasted Dividends per Share					Growth	Book Value		Closing Stock Price		Cash Flow From Buying and Selling Stock (At Closing Price)					
		2026	2027	2028	2029	2030	2027-30	6/30/26	6/30/30	6/30/2026	6/30/2030	2026	2027	2028	2029	2030	IRR / DCF
		[A]	[A]	[B]	[B]	[A]	[B]	[C]	[C]	[D]	[E]	[F]	[F]	[F]	[F]	[F]	[G]
AMER. STATES WATER	AWR	$2.10	$2.28	$2.46	$2.65	$2.85	7.72%	$27.46	$32.92	$82.63	$99.07	($81.58)	$2.28	$2.46	$2.65	$100.49	7.52%
CALIFORNIA WATER	CWT	$1.34	$1.38	$1.43	$1.49	$1.55	3.95%	$29.95	$38.30	$48.65	$62.22	($47.98)	$1.38	$1.43	$1.49	$62.99	9.16%
H2O AMERICA	HTO	$1.75	$1.82	$1.86	$1.91	$1.95	2.33%	$40.38	$52.99	$60.77	$79.75	($59.90)	$1.82	$1.86	$1.91	$80.73	9.94%
MIDDLESEX WATER	MSEX	$1.46	$1.52	$1.56	$1.61	$1.65	2.77%	$27.26	$28.83	$56.16	$59.39	($55.43)	$1.52	$1.56	$1.61	$60.21	4.18%
Maximum		$2.10	$2.28	$2.46	$2.65	$2.85	7.72%	$40.38	$52.99	$82.63	$99.07	($47.98)	$2.28	$2.46	$2.65	$100.49	9.94%
Minimum		$1.34	$1.38	$1.43	$1.49	$1.55	2.33%	$27.26	$28.83	$48.65	$59.39	($81.58)	$1.38	$1.43	$1.49	$60.21	4.18%
Median		$1.61	$1.67	$1.71	$1.76	$1.80	3.36%	$28.70	$35.61	$58.47	$70.99	($57.66)	$1.67	$1.71	$1.76	$71.86	8.34%
Average		$1.66	$1.75	$1.83	$1.91	$2.00	4.19%	$31.26	$38.26	$62.05	$75.11	($61.22)	$1.75	$1.83	$1.91	$76.11	**7.70%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation. 2030 data is VL forecast for 2029-31.
[B] Straight line interpolation based on Value Line data, assuming constant dividend growth for 2027-30.
[C] Straight line interpolation based on Value Line data, assuming constant book value growth for 2027-30.
[D] EOD Data: Market Data as of June 30, 2026.
[E] Stock Price projected assuming constant Market to Book Ratio (Exhibit ALR-5, page 1) and using VL projected Book Value.
[F] Cash Flow from purchasing stock on July 1, 2026, receiving dividends through 2030, and selling on June 30, 2030.
Negative number in 2026 reflects cash outflow required to purchase stock.
Cash flow sources are 1) dividends and 2) proceeds of stock sale.
2 of 4 dividends assumed received in 2026 and 2 of 4 in 2030 based on purchase and sale date.
[G] Total return on equity to investor who purchased, held, and sold stock as described above,
assuming Value Line projections of Dividends and Book Value are correct and
assuming Stock Price grows at same rate as Book Value.
DCF result is an Internal Rate of Return computation made using the "IRR" function built into Microsoft Excel
based on projected cash flows from 2026 to 2030.

NON-CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
(BASED ON VALUE LINE FORECASTS AND LTM AVERAGE STOCK PRICE)
D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
		Forecasted Dividends per Share					Growth	LTM Avg. Book Value		LTM Avg. Stock Price		Cash Flow From Buying and Selling Stock (At LTM Average Price)					
		2026	2027	2028	2029	2030	2027-30	2026	2030	6/30/26	6/30/30	2026	2027	2028	2029	2030	IRR / DCF
		[A]	[A]	[B]	[B]	[A]	[B]	[C]	[C]	[D]	[E]	[F]	[F]	[F]	[F]	[F]	[G]
AMER. STATES WATER	AWR	$2.10	$2.28	$2.46	$2.65	$2.85	7.72%	$26.45	$31.71	$76.59	$91.82	($75.54)	$2.28	$2.46	$2.65	$93.25	7.75%
CALIFORNIA WATER	CWT	$1.34	$1.38	$1.43	$1.49	$1.55	3.95%	$28.94	$37.01	$45.87	$58.66	($45.20)	$1.38	$1.43	$1.49	$59.43	9.33%
H2O AMERICA	HTO	$1.75	$1.82	$1.86	$1.91	$1.95	2.33%	$41.02	$53.83	$52.81	$69.30	($51.94)	$1.82	$1.86	$1.91	$70.28	10.38%
MIDDLESEX WATER	MSEX	$1.46	$1.52	$1.56	$1.61	$1.65	2.77%	$26.52	$28.04	$53.18	$56.23	($52.45)	$1.52	$1.56	$1.61	$57.05	4.34%
Maximum		$2.10	$2.28	$2.46	$2.65	$2.85	7.72%	$41.02	$53.83	$76.59	$91.82	($45.20)	$2.28	$2.46	$2.65	$93.25	10.38%
Minimum		$1.34	$1.38	$1.43	$1.49	$1.55	2.33%	$26.45	$28.04	$45.87	$56.23	($75.54)	$1.38	$1.43	$1.49	$57.05	4.34%
Median		$1.61	$1.67	$1.71	$1.76	$1.80	3.36%	$27.73	$34.36	$52.99	$63.98	($52.19)	$1.67	$1.71	$1.76	$64.86	8.54%
Average		$1.66	$1.75	$1.83	$1.91	$2.00	4.19%	$30.73	$37.65	$57.11	$69.00	($56.28)	$1.75	$1.83	$1.91	$70.00	**7.95%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation. 2030 data is VL forecast for 2029-31.
[B] Straight line interpolation based on Value Line data, assuming constant dividend growth for 2027-30.
[C] Straight line interpolation based on Value Line data, assuming constant book value growth for 2027-30.
[D] EOD Data: Market Data as of June 30, 2026.
[E] Stock Price projected assuming constant Market to Book Ratio (Exhibit ALR-5, page 1) and using VL projected Book Value.
[F] Cash Flow from purchasing stock on July 1, 2026, receiving dividends through 2030, and selling on June 30, 2030.
Negative number in 2026 reflects cash outflow required to purchase stock.
Cash flow sources are 1) dividends and 2) proceeds of stock sale.
2 of 4 dividends assumed received in 2026 and 2 of 4 in 2030 based on purchase and sale date.
[G] Total return on equity to investor who purchased, held, and sold stock as described above,
assuming Value Line projections of Dividends and Book Value are correct and
assuming Stock Price grows at same rate as Book Value.
DCF result is an Internal Rate of Return computation made using the "IRR" function built into Microsoft Excel
based on projected cash flows from 2026 to 2030.

COMMON SHARES OUTSTANDING AND EXTERNAL FINANCING RATE
D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
		Common Stock Outstanding (Millions of Shares)								Annual Growth Rate		
		2021	2022	2023	2024	2025	2026	2027	2030	2021-25	2025-30	2021-30
		[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[B]	[B]	[B]
AMER. STATES WATER	AWR	36.9	36.9	37.0	37.0	38.2	39.1	39.3	40.0	0.84%	0.95%	0.90%
CALIFORNIA WATER	CWT	50.3	53.7	55.6	57.7	59.5	59.6	60.0	60.0	4.26%	0.17%	1.97%
H2O AMERICA	HTO	28.6	30.2	30.8	32.0	33.6	36.1	42.0	35.0	4.17%	0.80%	2.29%
MIDDLESEX WATER	MSEX	17.5	17.5	17.6	17.8	17.9	18.5	18.5	18.8	0.60%	0.94%	0.79%
Maximum		50.3	53.7	55.6	57.7	59.5	59.6	60.0	60.0	4.26%	0.95%	2.29%
Minimum		17.5	17.5	17.6	17.8	17.9	18.5	18.5	18.8	0.60%	0.17%	0.79%
Median		32.7	33.6	33.9	34.5	35.9	37.6	40.6	37.5	2.51%	0.87%	1.44%
Average		33.3	34.6	35.3	36.1	37.3	38.3	39.9	38.4	2.47%	0.72%	1.49%
								Sustainable Growth	**[C]**			**1.49%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Annualized Growth Rate calculation.
[C] Estimated Sustainable Growth in Common Stock based on analysis of historical and projected growth rates.

CAPITAL ASSET PRICING MODEL (CAPM) - INDICATED COST OF EQUITY

WEIGHTED - All Inputs Weighted From April to June 2026

D'Ascendis Water Proxy Group

	3-Month Treasury Bill		30-Year Treasury Bond	
	Historical Blended Beta	Forward Beta	Historical Blended Beta	Forward Beta
Risk-Free Rate	3.76%	3.76%	4.95%	4.95%
Beta	0.34	0.66	0.34	0.66
Risk Premium	4.95%	4.95%	3.76%	3.76%
CAPM (Weighted)	5.46%	7.03%	6.24%	7.44%

CAPITAL ASSET PRICING MODEL (CAPM) - RISK-FREE RATE

Spot (Jun. 30, 2026)	
3-Month Treasury Bill	3.87%
30-Year Treasury Bond	4.91%
3-Mo. Weighted Average (Apr. to Jun. 2026)	
3-Month Treasury Bill	3.76%
30-Year Treasury Bond	4.95%

Source: www.treasury.gov

CAPITAL ASSET PRICING MODEL (CAPM) - BETAS

(BASED ON HISTORICAL AND OPTION-IMPLIED RETURNS)
D'Ascendis Water Proxy Group

Betas	03/31/2026	04/07/2026	04/14/2026	04/21/2026	04/28/2026	05/05/2026	05/12/2026	05/19/2026	05/26/2026	06/02/2026	06/09/2026	06/16/2026	06/23/2026	06/30/2026	Average	Time Avg.
Forward (6 months)	0.63	0.65	0.64	0.67	0.59	0.60	0.63	0.62	0.63	0.68	0.63	0.62	0.71	0.75	0.646	0.660
Historical (6 months)	0.39	0.42	0.36	0.36	0.35	0.32	0.20	0.18	0.18	0.19	0.22	0.21	0.20	0.15	0.266	0.221
Historical (2 yrs)	0.41	0.40	0.40	0.39	0.37	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.35	0.34	0.370	0.360
Historical (5 yrs)	0.63	0.63	0.63	0.63	0.63	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.61	0.623	0.619
Weighting																
Forward (6 months)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
Historical (6 months)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%		
Historical (2 yrs)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%		
Historical (5 yrs)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%		
Historical Blended Beta	**0.44**	**0.46**	**0.43**	**0.42**	**0.41**	**0.39**	**0.33**	**0.32**	**0.32**	**0.33**	**0.34**	**0.34**	**0.33**	**0.30**	0.369	0.342
Slope	15%															
Points	0.00	1.00	1.15	1.32	1.52	1.75	2.01	2.31	2.66	3.06	3.52	4.05	4.65	5.35		
Time Weight	0.0%	2.9%	3.3%	3.8%	4.4%	5.1%	5.9%	6.7%	7.7%	8.9%	10.2%	11.8%	13.5%	15.6%		

CAPM Betas	Spot (Jun 30, 2026)	Weighted (Apr - Jun 2026)
Forward	0.75	0.66
Historical Blended	0.30	0.34

Note: Historical betas are calculated on Tuesdays, following Value Line's methodology. Forward (option-implied) betas are also calculated on Tuesdays for the sake of compatibility.

CAPITAL ASSET PRICING MODEL (CAPM) - MARKET RISK PREMIUM

WEIGHTED - All Inputs Weighted From April to June 2026

Cumulative Probability	50.00%	
S&P 500 Option-Implied Growth Rate	7.62%	
S&P 500 Dividend Yield	1.10%	
S&P 500 Market Return	8.72%	
	3-Month Treasury Bill	**30-Year Treasury Bond**
Risk-Free Rate	3.76%	4.95%
Option-Implied Market Risk Premium (Weighted)	4.95%	3.76%

CAPITAL ASSET PRICING MODEL (CAPM) - INDICATED COST OF EQUITY

SPOT - All Inputs Based on Last Available Data as of June 30, 2026

D'Ascendis Water Proxy Group

	3-Month Treasury Bill		30-Year Treasury Bond	
	Historical Blended Beta	Forward Beta	Historical Blended Beta	Forward Beta
Risk-Free Rate	3.87%	3.87%	4.91%	4.91%
Beta	0.30	0.75	0.30	0.75
Risk Premium	4.35%	4.35%	3.31%	3.31%
CAPM (Spot)	5.16%	7.12%	5.90%	7.38%

CAPITAL ASSET PRICING MODEL (CAPM) - MARKET RISK PREMIUM

SPOT - All Inputs Based on Last Available Data as of June 30, 2026

Cumulative Probability	50.00%	
S&P 500 Option-Implied Growth Rate	7.16%	
S&P 500 Dividend Yield	1.06%	
S&P 500 Market Return	8.22%	
	3-Month Treasury Bill	**30-Year Treasury Bond**
Risk-Free Rate	3.87%	4.91%
Option-Implied Market Risk Premium (Spot)	4.35%	3.31%

MARKET TO BOOK RATIO AND DIVIDEND YIELD

D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
		Book Value per Share															
		Actual				**Estimated**			**Market Price**			**Mkt. to Book Ratio**		**Dividend Rate**		**Dividend Yield**	
		12/31/22	**12/31/23**	**12/31/24**	**12/31/25**	**6/30/25**	**6/30/26**	**12/31/26**	**6/30/26**	**LTM High**	**LTM Low**	**6/30/26**	**LTM Avg.**	**MRQ**	**Annual**	**6/30/26**	**LTM Avg.**
		[A]	[A]	[A]	[A]	[B]	[B]	[A]	[C]	[C]	[C]	[D]	[D]	[A]	[E]	[F]	[F]
AMER. STATES WATER	AWR	$19.20	$20.99	$24.12	$26.76	$25.44	$27.46	$28.15	$82.63	$83.73	$69.45	3.01	2.90	$0.504	$2.016	2.44%	2.63%
CALIFORNIA WATER	CWT	$23.70	$24.72	$27.49	$28.35	$27.92	$29.95	$31.55	$48.65	$50.44	$41.29	1.62	1.59	$0.335	$1.340	2.75%	2.92%
H2O AMERICA	HTO	$36.06	$38.52	$40.65	$42.66	$41.66	$40.38	$38.10	$60.77	$61.87	$43.75	1.50	1.29	$0.440	$1.760	2.90%	3.33%
MIDDLESEX WATER	MSEX	$22.65	$23.74	$24.89	$26.67	$25.78	$27.26	$27.85	$56.16	$62.18	$44.17	2.06	2.01	$0.360	$1.440	2.56%	2.71%
Maximum		$36.06	$38.52	$40.65	$42.66	$41.66	$40.38	$38.10	$82.63	$83.73	$69.45	3.01	2.90	$0.504	$2.016	2.90%	3.33%
Minimum		$19.20	$20.99	$24.12	$26.67	$25.44	$27.26	$27.85	$48.65	$50.44	$41.29	1.50	1.29	$0.335	$1.340	2.44%	2.63%
Median		$23.18	$24.23	$26.19	$27.56	$26.85	$28.70	$29.85	$58.47	$62.03	$43.96	1.84	1.80	$0.400	$1.600	2.66%	2.81%
Average		$25.40	$26.99	$29.29	$31.11	$30.20	$31.26	$31.41	$62.05	$64.55	$49.67	2.05	1.94	$0.410	$1.639	2.66%	2.90%

Sources:

[A] Value Line: Most current data available at time of schedule preparation.

[B] Straight-line interpolation of Actual and Estimated VL year-end values.

[C] EOD Data: Market Data as of June 30, 2026.

[D] Market Price divided by Book Value per Share.

[E] Most Recent Quarterly Dividend multiplied by 4.

[F] Dividend Rate divided by Market Price.

EARNINGS PER SHARE AND RETURN ON EQUITY
D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
		Earnings per Share				**Return on Equity**			
		2022	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**VL Future Exp.**
		[A]	[A]	[A]	[A]	[B]	[B]	[B]	[A]
AMER. STATES WATER	AWR	$2.11	$3.36	$3.17	$3.37	16.72%	14.05%	13.25%	13.50%
CALIFORNIA WATER	CWT	$1.77	$0.91	$3.26	$2.15	3.76%	12.49%	7.70%	7.50%
H2O AMERICA	HTO	$2.43	$2.68	$2.87	$2.99	7.19%	7.25%	7.18%	7.50%
MIDDLESEX WATER	MSEX	$2.39	$1.76	$2.47	$2.36	7.59%	10.16%	9.15%	11.00%
Maximum		$2.43	$3.36	$3.26	$3.37	16.72%	14.05%	13.25%	13.50%
Minimum		$1.77	$0.91	$2.47	$2.15	3.76%	7.25%	7.18%	7.50%
Median		$2.25	$2.22	$3.02	$2.68	7.39%	11.32%	8.43%	9.25%
Average		$2.18	$2.18	$2.94	$2.72	8.81%	10.99%	9.32%	9.88%

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Earnings per Share divded by average Book Value. Book Values shown on Exhibit ALR-5, page 1.

RETURN ON EQUITY IMPLIED BY ZACKS GROWTH RATES
D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
				Annual	Analyst	Analyst-Implied		Analyst-Implied		Implied	Analyst-
		Book Value	EPS	Dividend	5 Year	Book Value before SV		Book Value Incl. SV		EPS	Implied
		12/31/25	2025	Rate	Growth Rate	12/31/2029	12/31/2030	12/31/2029	12/31/2030	2030	ROE
		[A]	[A]	[A]	[B]	[C]	[C]	[C]	[C]	[C]	[C]
AMER. STATES WATER	AWR	$26.76	$3.37	$2.016	6.90%	$33.18	$35.07	$35.11	$37.64	$4.70	12.93%
CALIFORNIA WATER	CWT	$28.35	$2.15	$1.340	10.60%	$32.54	$33.89	$32.54	$33.89	$3.56	10.71%
H2O AMERICA	HTO	$42.66	$2.99	$1.760	3.30%	$48.00	$49.45	$36.36	$34.95	$3.52	9.86%
MIDDLESEX WATER	MSEX	$26.67	$2.36	$1.440	NA	NA	NA	NA	NA	NA	NA
Maximum		$42.66	$3.37	$2.016	10.60%	$48.00	$49.45	$36.36	$37.64	$4.70	12.93%
Minimum		$26.67	$2.15	$1.340	3.30%	$32.54	$33.89	$32.54	$33.89	$3.52	9.86%
Median		$27.56	$2.68	$1.600	6.90%	$33.18	$35.07	$35.11	$34.95	$3.56	10.71%
Average		$31.11	$2.72	$1.639	6.93%	$37.91	$39.47	$34.67	$35.49	$3.93	11.17%

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Zacks: Data as of July 16, 2026.
[C] Analyst-Implied Book Value and Return on Equity is obtained by escalating both Dividends and Earnings per Share by the stated Analyst Growth Rate and adding Earnings and subtracting Dividends for each projected year.
"SV" = S X V, where S = rate of continuous new stock financing and V = rate of return on common equity investment.

CAPITAL STRUCTURE WITH SHORT TERM DEBT
D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]
		% Common Equity					($ millions)						Percentage			
		2021	2022	2023	2024	2025	Total Debt	LT Debt	ST Debt	Pfd Stock	Equity	Total Capital	LT Debt	ST Debt	Pfd Stock	Equity Ratio
		[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[B]	[B]	[B]	[B]
AMER. STATES WATER	AWR	53.9%	60.1%	47.2%	53.3%	57.0%	$ 790.9	$ 782.7	$ 8.2	$ -	$ 1,037.5	$ 1,828.4	42.8%	0.4%	0.0%	56.7%
CALIFORNIA WATER	CWT	52.7%	55.6%	57.5%	59.7%	53.5%	$ 1,604.3	$ 1,472.0	$ 132.3	$ -	$ 1,693.6	$ 3,297.9	44.6%	4.0%	0.0%	51.4%
H2O AMERICA	HTO	40.9%	42.7%	44.7%	44.5%	45.2%	$ 1,977.1	$ 1,866.8	$ 110.3	$ -	$ 1,539.8	$ 3,516.9	53.1%	3.1%	0.0%	43.8%
MIDDLESEX WATER	MSEX	54.4%	57.7%	54.0%	55.7%	56.4%	$ 417.4	$ 380.7	$ 36.7	$ 2.4	$ 495.6	$ 915.4	41.6%	4.0%	0.3%	54.1%
Maximum		54.4%	60.1%	57.5%	59.7%	57.0%	$ 1,977.1	$ 1,866.8	$ 132.3	$ 2.4	$ 1,693.6	$ 3,516.9	53.1%	4.0%	0.3%	56.7%
Minimum		40.9%	42.7%	44.7%	44.5%	45.2%	$ 417.4	$ 380.7	$ 8.2	$ -	$ 495.6	$ 915.4	41.6%	0.4%	0.0%	43.8%
Median		53.3%	56.7%	50.6%	54.5%	55.0%	$ 1,197.6	$ 1,127.4	$ 73.5	$ -	$ 1,288.7	$ 2,563.2	43.7%	3.6%	0.0%	52.7%
Average		50.5%	54.0%	50.9%	53.3%	53.0%	$ 1,197.4	$ 1,125.6	$ 71.9	$ 0.6	$ 1,191.6	$ 2,389.6	45.5%	2.9%	0.1%	**51.5%**

Sources:

[A] Value Line: Most current data available at time of schedule preparation.

[B] Percentage calculated on Total Capital including Short Term Debt.

CAPITAL STRUCTURE WITHOUT SHORT TERM DEBT
D'Ascendis Water Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]
		% Common Equity					($ millions)						Percentage			
		2021	2022	2023	2024	2025	Total Debt	LT Debt	ST Debt	Pfd Stock	Equity	Total Capital	LT Debt	ST Debt	Pfd Stock	Equity Ratio
		[A]	[A]	[A]	[A]	[A]	[A]	[A]	[B]	[A]	[A]	[A]	[B]	[B]	[B]	[B]
AMER. STATES WATER	AWR	53.9%	60.1%	47.2%	53.3%	57.0%	$ 790.9	$ 782.7		$ -	$ 1,037.5	$ 1,820.2	43.0%	0.0%	0.0%	57.0%
CALIFORNIA WATER	CWT	52.7%	55.6%	57.5%	59.7%	53.5%	$ 1,604.3	$ 1,472.0		$ -	$ 1,693.6	$ 3,165.6	46.5%	0.0%	0.0%	53.5%
H2O AMERICA	HTO	40.9%	42.7%	44.7%	44.5%	45.2%	$ 1,977.1	$ 1,866.8		$ -	$ 1,539.8	$ 3,406.6	54.8%	0.0%	0.0%	45.2%
MIDDLESEX WATER	MSEX	54.4%	57.7%	54.0%	55.7%	56.4%	$ 417.4	$ 380.7		$ 2.4	$ 495.6	$ 878.7	43.3%	0.0%	0.3%	56.4%
Maximum		54.4%	60.1%	57.5%	59.7%	57.0%	$ 1,977.1	$ 1,866.8		$ 2.4	$ 1,693.6	$ 3,406.6	54.8%	0.0%	0.3%	57.0%
Minimum		40.9%	42.7%	44.7%	44.5%	45.2%	$ 417.4	$ 380.7		$ -	$ 495.6	$ 878.7	43.0%	0.0%	0.0%	45.2%
Median		53.3%	56.7%	50.6%	54.5%	55.0%	$ 1,197.6	$ 1,127.4		$ -	$ 1,288.7	$ 2,492.9	44.9%	0.0%	0.0%	55.0%
Average		50.5%	54.0%	50.9%	53.3%	53.0%	$ 1,197.4	$ 1,125.6		$ 0.6	$ 1,191.6	$ 2,317.8	46.9%	0.0%	0.1%	**53.0%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Percentage calculated on Total Capital excluding Short Term Debt.

Connecticut Water Company
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for the
Proxy Group of Five Water Companies and Proxy Group of Eleven Water & Natural Gas Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Five Water Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Zack's Five Year Projected Growth Rate in EPS	S&P Capital IQ Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Company	2.73 %	7.00 %	5.70 %	NA %	6.18 %	2.81 %	9.00 %
California Water Service Group	2.98	9.50	10.60	10.62	6.18	3.07	9.25
Global Water Resources, Inc.	3.61	NA	NA	44.00	6.18	3.72	NMF
H2O America, Inc.	3.23	5.00	6.50	6.74	6.18	3.33	9.51
Middlesex Water Company	2.73	8.00	8.10	9.92	6.18	2.81	9.00
						Average	9.19 %
						Median	9.12 %
						Average of Mean and Median	9.16 %

	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Proxy Group of Eleven Water & Natural Gas Companies	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Zack's Five Year Projected Growth Rate in EPS	S&P Capital IQ Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Company	2.73 %	7.00 %	5.70 %	NA %	6.35 %	2.82 %	9.17 %
California Water Service Group	2.98	9.50	10.60	10.62	10.24	3.13	13.37
Global Water Resources, Inc.	3.61	NA	NA	44.00	44.00	4.40	NMF
H2O America, Inc.	3.23	5.00	6.50	6.74	6.08	3.33	9.41
Middlesex Water Company	2.73	8.00	8.10	9.92	8.67	2.85	11.52
Atmos Energy Corporation	2.26	8.00	7.00	8.21	7.74	2.35	10.09
New Jersey Resources Corporation	3.67	5.00	NA	8.55	6.78	3.79	10.57
NiSource Inc.	2.66	7.50	6.00	8.64	7.38	2.76	10.14
Northwest Natural Holding Company	3.97	6.00	NA	7.50	6.75	4.10	10.85
ONE Gas, Inc.	3.28	6.00	8.10	6.90	7.00	3.39	10.39
Southwest Gas Holdings, Inc.	2.91	NA	9.20	12.01	10.61	3.06	13.67
						Average	10.92 %
						Median	10.48 %
						Average of Mean and Median	10.70 %

NA= Not Available
NMF=Not Meaningful Figure

Notes:

(1) Indicated dividend at 3/31/2026 divided by the average closing price of the last 60 trading days ending 3/31/2026 for each company.
(2) From pages 2 through 12 of this Schedule.
(3) Average of columns 2 through 4 excluding negative growth rates.
(4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 5) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Company, 2.73% x (1+(1/2 x 6.18%)) = 2.81%.
(5) Column 5 + Column 6.

Source of Information:
Value Line Investment Survey
www.zacks.com Downloaded on 3/31/2026
S&P Capital IQ

Connecticut Water Company
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

Proxy Group of Five Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Five Water Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
American States Water Company	0.75	0.31	0.53	4.95 %	4.75 %	7.37 %	7.95 %	7.66 %
California Water Service Group	0.75	0.36	0.55	4.95	4.75	7.47	8.03	7.75
Global Water Resources, Inc.	0.90	0.74	0.82	4.95	4.75	8.81	9.03	8.92 (4)
H2O America, Inc.	0.75	0.35	0.55	4.95	4.75	7.47	8.03	7.75
Middlesex Water Company	0.80	0.29	0.54	4.95	4.75	7.42	7.99	7.71
Mean			0.60			7.71 %	8.21 %	7.72 %
Median			0.55			7.47 %	8.03 %	7.73 %
Average of Mean and Median			0.58			7.59 %	8.12 %	7.72 %

Proxy Group of Eleven Water & Natural Gas Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
Proxy Group of Eleven Water & Natural Gas Companies	Value Line Adjusted Beta	Bloomberg Adjusted Beta	Average Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
American States Water Company	0.75	0.31	0.53	8.34 %	4.75 %	9.17 %	10.15 %	9.66 %
California Water Service Group	0.75	0.36	0.55	8.34	4.75	9.34	10.28	9.81
Global Water Resources, Inc.	0.90	0.74	0.82	8.34	4.75	11.59	11.97	11.78 (4)
H2O America, Inc.	0.75	0.35	0.55	8.34	4.75	9.34	10.28	9.81
Middlesex Water Company	0.80	0.29	0.54	8.34	4.75	9.25	10.21	9.73
Atmos Energy Corporation	0.80	0.42	0.61	8.34	4.75	9.84	10.65	10.25
New Jersey Resources Corporation	0.75	0.38	0.57	8.34	4.75	9.51	10.40	9.95
NiSource Inc.	0.85	0.55	0.70	8.34	4.75	10.59	11.22	10.90
Northwest Natural Holding Company	0.80	0.46	0.63	8.34	4.75	10.01	10.78	10.39
ONE Gas, Inc.	0.75	0.43	0.59	8.34	4.75	9.67	10.53	10.10
Southwest Gas Holdings, Inc.	0.80	0.55	0.67	8.34	4.75	10.34	11.03	10.68
Mean			0.61			9.88 %	10.68 %	10.13 %
Median			0.59			9.67 %	10.53 %	10.03 %
Average of Mean and Median			0.60			9.78 %	10.61 %	10.08 %

Notes on page 3 of this Schedule.

Connecticut Water Company
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

Proxy Group of Five Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]
Proxy Group of Five Water Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
American States Water Company	0.75	4.95 %	4.75 %	8.46 %	8.77 %	8.62 %
California Water Service Group	0.75	4.95	4.75	8.46	8.77	8.62
Global Water Resources, Inc.	0.90	4.95	4.75	9.20	9.33	9.26
H2O America, Inc.	0.75	4.95	4.75	8.46	8.77	8.62
Middlesex Water Company	0.80	4.95	4.75	8.71	8.96	8.83
Mean	0.79			8.66 %	8.92 %	8.79 %
Median	0.75			8.46 %	8.77 %	8.62 %
Average of Mean and Median	0.77			8.56 %	8.85 %	8.71 %

Proxy Group of Eleven Water & Natural Gas Companies

	[1]	[2]	[3]	[4]	[5]	[6]
Proxy Group of Eleven Water & Natural Gas Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate	ECAPM Cost Rate	Indicated Common Equity Cost Rate (3)
American States Water Company	0.75	7.98 %	4.75 %	10.73 %	11.23 %	10.98 %
California Water Service Group	0.75	7.98	4.75	10.73	11.23	10.98
Global Water Resources, Inc.	0.90	7.98	4.75	11.93	12.13	12.03 (4)
H2O America, Inc.	0.75	7.98	4.75	10.73	11.23	10.98
Middlesex Water Company	0.80	7.98	4.75	11.13	11.53	11.33
Atmos Energy Corporation	0.80	7.98	4.75	11.13	11.53	11.33
New Jersey Resources Corporation	0.75	7.98	4.75	10.73	11.23	10.98
NiSource Inc.	0.85	7.98	4.75	11.53	11.83	11.68
Northwest Natural Holding Company	0.80	7.98	4.75	11.13	11.53	11.33
ONE Gas, Inc.	0.75	7.98	4.75	10.73	11.23	10.98
Southwest Gas Holdings, Inc.	0.80	7.98	4.75	11.13	11.53	11.33
Mean	0.79			11.06 %	11.48 %	11.19 %
Median	0.80			11.13 %	11.53 %	11.16 %
Average of Mean and Median	0.80			11.10 %	11.51 %	11.18 %

Notes on page 3 of this Schedule.

Connecticut Water Company
Brief Summary of Common Equity Cost Rate

Line No.	Principal Methods	Proxy Group of Five Water Companies
1.	Discounted Cash Flow Model (DCF) (1)	9.16%
2.	Risk Premium Model (RPM) (2)	NA - NA
3.	Capital Asset Pricing Model (CAPM) (3)	7.72% - 8.71%
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	NA - NA
5.	Indicated Common Equity Cost Rate before Adjustment for Unique Risk	7.72% - 9.16%
6.	Size Adjustment (5)	0.00%
7.	Credit Risk Adjustment (6)	0.06%
8.	Flotation Cost Adjustment (7)	0.15%
9.	Indicated Common Equity Cost Rate after Adjustment	7.87% - 9.31%
10.	Average Common Equity Cost Rate	8.59%

Notes:
(1) From page 1 of Schedule DWD-3.
(2) From page 1 of Schedule DWD-4.
(3) From pages 1 and 2 of Schedule DWD-6.
(4) From page 1 of Schedule DWD-8.
(5) As detailed in the accompanying Direct Testimony, a size risk adjustment is not needed at this time.
(6) Company-specific risk adjustment to reflect the Company's greater risk due to a riskier long-term rating relative to the Proxy Groups as detailed in
(7) From page 1 of Schedule DWD-10.

OVERALL COST OF CAPITAL
The Connecticut Water Company

	Ratios		Cost Rate		Weighted Cost Rate
					[D]
Long-Term Debt	49.00%	[A]	4.52%	[B]	2.21%
Short-Term Debt	0.00%	[B]	0.00%	[B]	0.00%
Preferred Equity	0.00%	[B]	0.00%	[B]	0.00%
Common Equity	51.00%	[A]	8.69%	[C]	4.43%
	100.00%				**6.64%**

RECOMMENDED RANGES	Low		High
Proxy Group Cost of Equity Range	8.41%		9.01%
Proxy Group Cost of Equity		8.71%	
Based on RFC Capital Structure Recommendation			
Capital Structure Risk Adjustment [E]		-0.02%	
Adjusted Recommended Cost of Equity Range	**8.39%**		**8.98%**
Company Specific Cost of Equity Recommendation		**8.69%**	
Cost of Capital Range	6.49%		6.80%
Based on Mr. D'Ascendis's Capital Structure Recommendation			
Capital Structure Risk Adjustment [E]		-0.14%	
Adjusted Recommended Cost of Equity Range	**8.27%**		**8.86%**
Company Specific Cost of Equity Recommendation		**8.57%**	
Cost of Capital Range	6.54%		6.87%
Comprehensive Cost of Capital Range			
Cost of Debt Range	4.52%		3.64%
Common Equity Ratio Range	51.00%		48.12%
Comprehensive Cost of Capital Range	6.49%		6.21%

Sources:
[A] Recommendation based on holding company capital structure
[B] D'Ascendis Direct Testimony, Schedule DWD-1, page 1
[C] Company Specific Cost of Equity Recommendation based on RFC Capital Structure Recommendation
[D] Ratios times Cost Rate
[E] Based on estimate of 0.04% change in Cost of Equity for each 1% difference in Common Equity Ratio compared to the Proxy Group (Exhibit ALR-7 vs. Exhibit ALR-11, page 4).

COST OF EQUITY SUMMARY

D'Ascendis Mixed Proxy Group (10 Companies)

		Low	High	Percentile			
				50.0% (Median)	85.0%	87.5%	90.0%
DCF		**7.40%**	**9.41%**				
Constant Growth - Sustainable Growth	[A]	9.28%	9.41%				
Constant Growth - Option-Implied Growth	[B]	7.40%	8.14%				
Non-Constant Growth	[C]	8.19%	8.37%				
CAPM		**5.29%**	**7.43%**				
3-Mo. Weighted Average (Apr. to Jun. 2026)							
3-Month Treasury Bill Risk-Free Rate	[D]	5.56%	7.02%				
30-Year Treasury Bond Risk-Free Rate	[D]	6.32%	7.43%				
Spot (Jun. 30, 2026)							
3-Month Treasury Bill Risk-Free Rate	[E]	5.29%	7.10%				
30-Year Treasury Bond Risk-Free Rate	[E]	5.99%	7.37%				
Proxy Group Cost of Equity				7.38% Median of Overall Range of Results	**8.41%**	**8.71% Proxy Group COE Midpoint**	**9.01%**
					<---- Recommended Range ---->		

Sources:
[A] Exhibit ALR-9, page 1
[B] Exhibit ALR-9, page 2
[C] Exhibit ALR-9, page 3 and Exhibit ALR-9, page 4
[D] Exhibit ALR-10, page 1
[E] Exhibit ALR-10, page 5

CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
D'Ascendis Mixed Proxy Group (10 Companies)

			Based on Average Market Price For Year Ending 6/30/2026	Based On Market Price As Of 6/30/2026
1	Dividend Yield On Market Price	[A]	3.10%	2.93%
2	Retention Rate:			
	a) Market-to-Book Ratio	[A]	1.85	1.91
	b) Dividend Yield on Book	[B]	5.74%	5.60%
	c) Expected Return on Equity	[C]	9.40%	9.40%
	d) Retention Rate	[D]	38.91%	40.41%
3	Reinvestment Growth	[E]	3.66%	3.80%
4	New Financing Growth	[F]	2.43%	2.58%
5	Total Estimate of Investor Anticipated Growth	[G]	6.09%	6.38%
6	Increment to Dividend Yield for Growth to Next Year	[H]	0.09%	0.09%
7	**Indicated Cost of Equity**	**[I]**	**9.28%**	**9.41%**

Sources:

[A] Exhibit ALR-11, page 1

[B] Line 1 x Line 2a

[C] Some of the considerations for determining Future Expected Return on Equity:

	Median	Mean	From
Value Line Expectation	**9.75%**	**9.95%**	Exhibit ALR-11, page 2
Return on Equity to Achieve Zacks Growth	9.02%	9.38%	Exhibit ALR-11, page 3
Average Historical Growth	8.78%	9.31%	
Earned Return on Equity in 2025	8.78%	9.44%	Exhibit ALR-11, page 2
Earned Return on Equity in 2024	9.39%	9.59%	Exhibit ALR-11, page 2
Earned Return on Equity in 2023	8.18%	8.88%	Exhibit ALR-11, page 2

[D] 1 - Line 2b / Line 2c

[E] Line 2c x Line 2d

[F] S x V = (Ext. Fin Rate) x (Line 2a - 1) Ext. Fin. Rate = 2.84% From Exhibit ALR-9, page 5

S = rate of continuous new stock financing

V = fraction of funds raised by sale of stock that increases the book value of existing shareholders' common equity

[G] Line 3 + Line 4

[H] Line 1 x one-half of Line 5

[I] Line 1 + Line 5 + Line 6

CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
D'Ascendis Mixed Proxy Group (10 Companies)

			Based On Weighted Averages As Of 6/30/2026	Based On Spot Market Values As Of 6/30/2026
1	Dividend Yield On Market Price	[A]	3.10%	2.93%
2	Total Estimate of Investor Anticipated Growth	[B]	4.23%	5.13%
3	Increment to Dividend Yield for Growth to Next Year	[C]	0.07%	0.08%
4	**Indicated Cost of Equity**	**[D]**	**7.40%**	**8.14%**

Sources:
[A] Exhibit ALR-11, page 1
[B] 6-Month Option-Implied Growth
[C] Line 1 x one-half of Line 2
[D] Line 1 + Line 2 + Line 3

NON-CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
(BASED ON VALUE LINE FORECASTS AND CLOSING STOCK PRICE)
D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
		Forecasted Dividends per Share					Growth	Book Value		Closing Stock Price		Cash Flow From Buying and Selling Stock (At Closing Price)					
		2026	2027	2028	2029	2030	2027-30	6/30/26	6/30/30	6/30/2026	6/30/2030	2026	2027	2028	2029	2030	IRR / DCF
		[A]	[A]	[B]	[B]	[A]	[B]	[C]	[C]	[D]	[E]	[F]	[F]	[F]	[F]	[F]	[G]
AMER. STATES WATER	AWR	$2.10	$2.28	$2.46	$2.65	$2.85	7.72%	$27.46	$32.92	$82.63	$99.07	($81.58)	$2.28	$2.46	$2.65	$100.49	7.52%
CALIFORNIA WATER	CWT	$1.34	$1.38	$1.43	$1.49	$1.55	3.95%	$29.95	$38.30	$48.65	$62.22	($47.98)	$1.38	$1.43	$1.49	$62.99	9.16%
H2O AMERICA	HTO	$1.75	$1.82	$1.86	$1.91	$1.95	2.33%	$40.38	$52.99	$60.77	$79.75	($59.90)	$1.82	$1.86	$1.91	$80.73	9.94%
MIDDLESEX WATER	MSEX	$1.46	$1.52	$1.56	$1.61	$1.65	2.77%	$27.26	$28.83	$56.16	$59.39	($55.43)	$1.52	$1.56	$1.61	$60.21	4.18%
ATMOS ENERGY CORP.	ATO	$4.00	$4.24	$4.49	$4.76	$5.05	6.00%	$86.69	$107.57	$172.27	$213.77	($170.27)	$4.24	$4.49	$4.76	$216.30	8.05%
NEW JERSEY RES.	NJR	$1.90	$2.00	$2.13	$2.26	$2.40	6.27%	$24.55	$31.78	$56.04	$72.54	($55.09)	$2.00	$2.13	$2.26	$73.74	10.29%
NI SOURCE INC.	NI	$1.20	$1.28	$1.36	$1.44	$1.52	5.90%	$20.70	$32.70	$47.55	$75.11	($46.95)	$1.28	$1.36	$1.44	$75.87	14.69%
N.W. NATURAL	NWN	$1.97	$1.98	$1.99	$1.99	$2.00	0.34%	$35.87	$38.99	$49.06	$53.32	($48.08)	$1.98	$1.99	$1.99	$54.32	6.15%
ONE GAS, INC.	OGS	$2.72	$2.76	$2.82	$2.89	$2.95	2.24%	$55.74	$58.30	$77.07	$80.61	($75.71)	$2.76	$2.82	$2.89	$82.09	4.82%
SOUTHWEST GAS	SWX	$2.55	$2.55	$2.64	$2.74	$2.84	3.66%	$56.52	$66.67	$88.68	$104.60	($87.41)	$2.55	$2.64	$2.74	$106.02	7.13%
Maximum		$4.00	$4.24	$4.49	$4.76	$5.05	7.72%	$86.69	$107.57	$172.27	$213.77	($46.95)	$4.24	$4.49	$4.76	$216.30	14.69%
Minimum		$1.20	$1.28	$1.36	$1.44	$1.52	0.34%	$20.70	$28.83	$47.55	$53.32	($170.27)	$1.28	$1.36	$1.44	$54.32	4.18%
Median		$1.94	$1.99	$2.06	$2.13	$2.20	3.80%	$32.91	$38.65	$58.47	$77.43	($57.66)	$1.99	$2.06	$2.13	$78.30	7.78%
Average		$2.10	$2.18	$2.27	$2.37	$2.48	4.12%	$40.51	$48.90	$73.89	$90.04	($72.84)	$2.18	$2.27	$2.37	$91.28	**8.19%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation. 2030 data is VL forecast for 2029-31.
[B] Straight line interpolation based on Value Line data, assuming constant dividend growth for 2027-30.
[C] Straight line interpolation based on Value Line data, assuming constant book value growth for 2027-30.
[D] EOD Data: Market Data as of June 30, 2026.
[E] Stock Price projected assuming constant Market to Book Ratio (Exhibit ALR-11, page 1) and using VL projected Book Value.
[F] Cash Flow from purchasing stock on July 1, 2026, receiving dividends through 2030, and selling on June 30, 2030.
Negative number in 2026 reflects cash outflow required to purchase stock.
Cash flow sources are 1) dividends and 2) proceeds of stock sale.
2 of 4 dividends assumed received in 2026 and 2 of 4 in 2030 based on purchase and sale date.
[G] Total return on equity to investor who purchased, held, and sold stock as described above,
assuming Value Line projections of Dividends and Book Value are correct and
assuming Stock Price grows at same rate as Book Value.
DCF result is an Internal Rate of Return computation made using the "IRR" function built into Microsoft Excel
based on projected cash flows from 2026 to 2030.

NON-CONSTANT GROWTH DISCOUNTED CASH FLOW (DCF) - INDICATED COST OF EQUITY
(BASED ON VALUE LINE FORECASTS AND LTM AVERAGE STOCK PRICE)
D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
		Forecasted Dividends per Share					Growth	LTM Avg. Book Value		LTM Avg. Stock Price		Cash Flow From Buying and Selling Stock (At LTM Average Price)					
		2026	2027	2028	2029	2030	2027-30	2026	2030	6/30/26	6/30/30	2026	2027	2028	2029	2030	IRR / DCF
		[A]	[A]	[B]	[B]	[A]	[B]	[C]	[C]	[D]	[E]	[F]	[F]	[F]	[F]	[F]	[G]
AMER. STATES WATER	AWR	$2.10	$2.28	$2.46	$2.65	$2.85	7.72%	$26.45	$31.71	$76.59	$91.82	($75.54)	$2.28	$2.46	$2.65	$93.25	7.75%
CALIFORNIA WATER	CWT	$1.34	$1.38	$1.43	$1.49	$1.55	3.95%	$28.94	$37.01	$45.87	$58.66	($45.20)	$1.38	$1.43	$1.49	$59.43	9.33%
H2O AMERICA	HTO	$1.75	$1.82	$1.86	$1.91	$1.95	2.33%	$41.02	$53.83	$52.81	$69.30	($51.94)	$1.82	$1.86	$1.91	$70.28	10.38%
MIDDLESEX WATER	MSEX	$1.46	$1.52	$1.56	$1.61	$1.65	2.77%	$26.52	$28.04	$53.18	$56.23	($52.45)	$1.52	$1.56	$1.61	$57.05	4.34%
ATMOS ENERGY CORP.	ATO	$4.00	$4.24	$4.49	$4.76	$5.05	6.00%	$83.90	$104.11	$171.25	$212.50	($169.25)	$4.24	$4.49	$4.76	$215.03	8.06%
NEW JERSEY RES.	NJR	$1.90	$2.00	$2.13	$2.26	$2.40	6.27%	$23.76	$30.75	$51.02	$66.04	($50.07)	$2.00	$2.13	$2.26	$67.24	10.65%
NI SOURCE INC.	NI	$1.20	$1.28	$1.36	$1.44	$1.52	5.90%	$19.91	$31.45	$43.83	$69.24	($43.23)	$1.28	$1.36	$1.44	$70.00	14.91%
N.W. NATURAL	NWN	$1.97	$1.98	$1.99	$1.99	$2.00	0.34%	$35.42	$38.50	$47.64	$51.78	($46.66)	$1.98	$1.99	$1.99	$52.78	6.28%
ONE GAS, INC.	OGS	$2.72	$2.76	$2.82	$2.89	$2.95	2.24%	$54.55	$57.05	$80.88	$84.59	($79.52)	$2.76	$2.82	$2.89	$86.07	4.64%
SOUTHWEST GAS	SWX	$2.55	$2.55	$2.64	$2.74	$2.84	3.66%	$54.18	$63.90	$83.43	$98.41	($82.16)	$2.55	$2.64	$2.74	$99.83	7.32%
Maximum		$4.00	$4.24	$4.49	$4.76	$5.05	7.72%	$83.90	$104.11	$171.25	$212.50	($43.23)	$4.24	$4.49	$4.76	$215.03	14.91%
Minimum		$1.20	$1.28	$1.36	$1.44	$1.52	0.34%	$19.91	$28.04	$43.83	$51.78	($169.25)	$1.28	$1.36	$1.44	$52.78	4.34%
Median		$1.94	$1.99	$2.06	$2.13	$2.20	3.80%	$32.18	$37.75	$52.99	$69.27	($52.19)	$1.99	$2.06	$2.13	$70.14	7.90%
Average		$2.10	$2.18	$2.27	$2.37	$2.48	4.12%	$39.46	$47.63	$70.65	$85.86	($69.60)	$2.18	$2.27	$2.37	$87.10	**8.37%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation. 2030 data is VL forecast for 2029-31.
[B] Straight line interpolation based on Value Line data, assuming constant dividend growth for 2027-30.
[C] Straight line interpolation based on Value Line data, assuming constant book value growth for 2027-30.
[D] EOD Data: Market Data as of June 30, 2026.
[E] Stock Price projected assuming constant Market to Book Ratio (Exhibit ALR-11, page 1) and using VL projected Book Value.
[F] Cash Flow from purchasing stock on July 1, 2026, receiving dividends through 2030, and selling on June 30, 2030.
Negative number in 2026 reflects cash outflow required to purchase stock.
Cash flow sources are 1) dividends and 2) proceeds of stock sale.
2 of 4 dividends assumed received in 2026 and 2 of 4 in 2030 based on purchase and sale date.
[G] Total return on equity to investor who purchased, held, and sold stock as described above,
assuming Value Line projections of Dividends and Book Value are correct and
assuming Stock Price grows at same rate as Book Value.
DCF result is an Internal Rate of Return computation made using the "IRR" function built into Microsoft Excel
based on projected cash flows from 2026 to 2030.

COMMON SHARES OUTSTANDING AND EXTERNAL FINANCING RATE
D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
		Common Stock Outstanding (Millions of Shares)								Annual Growth Rate		
		2021	2022	2023	2024	2025	2026	2027	2030	2021-25	2025-30	2021-30
		[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[B]	[B]	[B]
AMER. STATES WATER	AWR	36.9	36.9	37.0	37.0	38.2	39.1	39.3	40.0	0.84%	0.95%	0.90%
CALIFORNIA WATER	CWT	50.3	53.7	55.6	57.7	59.5	59.6	60.0	60.0	4.26%	0.17%	1.97%
H2O AMERICA	HTO	28.6	30.2	30.8	32.0	33.6	36.1	42.0	35.0	4.17%	0.80%	2.29%
MIDDLESEX WATER	MSEX	17.5	17.5	17.6	17.8	17.9	18.5	18.5	18.8	0.60%	0.94%	0.79%
ATMOS ENERGY CORP.	ATO	125.9	132.4	140.9	148.5	155.3	161.6	171.0	200.0	5.38%	5.19%	5.28%
NEW JERSEY RES.	NJR	95.8	95.0	96.3	97.6	99.5	100.5	102.0	105.0	0.94%	1.09%	1.02%
NI SOURCE INC.	NI	391.8	405.3	412.1	447.4	469.8	478.4	485.0	525.0	4.65%	2.25%	3.31%
N.W. NATURAL	NWN	30.6	31.1	35.5	37.6	40.2	41.6	45.0	50.0	7.08%	4.45%	5.61%
ONE GAS, INC.	OGS	53.2	53.6	55.4	56.6	59.9	62.7	64.0	75.0	3.02%	4.61%	3.90%
SOUTHWEST GAS	SWX	57.2	60.4	67.1	71.6	71.8	72.2	73.0	77.0	5.85%	1.41%	3.36%
Maximum		391.8	405.3	412.1	447.4	469.8	478.4	485.0	525.0	7.08%	5.19%	5.61%
Minimum		17.5	17.5	17.6	17.8	17.9	18.5	18.5	18.8	0.60%	0.17%	0.79%
Median		51.8	53.7	55.5	57.1	59.7	61.2	62.0	67.5	4.22%	1.25%	2.80%
Average		88.8	91.6	94.8	100.4	104.6	107.0	110.0	118.6	3.68%	2.19%	2.84%
									Sustainable Growth [C]			**2.84%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Annualized Growth Rate calculation.
[C] Estimated Sustainable Growth in Common Stock based on analysis of historical and projected growth rates.

CAPITAL ASSET PRICING MODEL (CAPM) - INDICATED COST OF EQUITY

WEIGHTED - All Inputs Weighted From April to June 2026

D'Ascendis Mixed Proxy Group

	3-Month Treasury Bill		30-Year Treasury Bond	
	Historical Blended Beta	Forward Beta	Historical Blended Beta	Forward Beta
Risk-Free Rate	3.76%	3.76%	4.95%	4.95%
Beta	0.36	0.66	0.36	0.66
Risk Premium	4.95%	4.95%	3.76%	3.76%
CAPM (Weighted)	5.56%	7.02%	6.32%	7.43%

CAPITAL ASSET PRICING MODEL (CAPM) - RISK-FREE RATE

Spot (Jun. 30, 2026)	
3-Month Treasury Bill	3.87%
30-Year Treasury Bond	4.91%
3-Mo. Weighted Average (Apr. to Jun. 2026)	
3-Month Treasury Bill	3.76%
30-Year Treasury Bond	4.95%

Source: www.treasury.gov

CAPITAL ASSET PRICING MODEL (CAPM) - BETAS

(BASED ON HISTORICAL AND OPTION-IMPLIED RETURNS)
D'Ascendis Mixed Proxy Group

Betas	03/31/2026	04/07/2026	04/14/2026	04/21/2026	04/28/2026	05/05/2026	05/12/2026	05/19/2026	05/26/2026	06/02/2026	06/09/2026	06/16/2026	06/23/2026	06/30/2026	Average	Time Avg.
Forward (6 months)	0.56	0.59	0.63	0.61	0.58	0.59	0.62	0.58	0.61	0.62	0.70	0.67	0.71	0.74	0.629	0.657
Historical (6 months)	0.34	0.37	0.36	0.34	0.34	0.32	0.22	0.19	0.20	0.18	0.20	0.20	0.19	0.15	0.257	0.217
Historical (2 yrs)	0.47	0.46	0.46	0.45	0.45	0.44	0.43	0.43	0.43	0.43	0.43	0.42	0.42	0.42	0.439	0.430
Historical (5 yrs)	0.64	0.64	0.64	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.62	0.62	0.62	0.62	0.630	0.627
Weighting																
Forward (6 months)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
Historical (6 months)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%		
Historical (2 yrs)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%		
Historical (5 yrs)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%		
Historical Blended Beta	**0.44**	**0.45**	**0.45**	**0.43**	**0.43**	**0.42**	**0.37**	**0.35**	**0.35**	**0.34**	**0.35**	**0.35**	**0.35**	**0.33**	0.386	0.363
Slope	15%															
Points	0.00	1.00	1.15	1.32	1.52	1.75	2.01	2.31	2.66	3.06	3.52	4.05	4.65	5.35		
Time Weight	0.0%	2.9%	3.3%	3.8%	4.4%	5.1%	5.9%	6.7%	7.7%	8.9%	10.2%	11.8%	13.5%	15.6%		

CAPM Betas	Spot (Jun 30, 2026)	Weighted (Apr - Jun 2026)
Forward	0.74	0.66
Historical Blended	0.33	0.36

Note: Historical betas are calculated on Tuesdays, following Value Line's methodology. Forward (option-implied) betas are also calculated on Tuesdays for the sake of compatibility.

CAPITAL ASSET PRICING MODEL (CAPM) - MARKET RISK PREMIUM

WEIGHTED - All Inputs Weighted From April to June 2026

Cumulative Probability	50.00%	
S&P 500 Option-Implied Growth Rate	7.62%	
S&P 500 Dividend Yield	1.10%	
S&P 500 Market Return	8.72%	
	3-Month Treasury Bill	**30-Year Treasury Bond**
Risk-Free Rate	3.76%	4.95%
Option-Implied Market Risk Premium (Weighted)	4.95%	3.76%

CAPITAL ASSET PRICING MODEL (CAPM) - INDICATED COST OF EQUITY

SPOT - All Inputs Based on Last Available Data as of June 30, 2026
D'Ascendis Mixed Proxy Group

	3-Month Treasury Bill		30-Year Treasury Bond	
	Historical Blended Beta	Forward Beta	Historical Blended Beta	Forward Beta
Risk-Free Rate	3.87%	3.87%	4.91%	4.91%
Beta	0.33	0.74	0.33	0.74
Risk Premium	4.35%	4.35%	3.31%	3.31%
CAPM (Spot)	5.29%	7.10%	5.99%	7.37%

CAPITAL ASSET PRICING MODEL (CAPM) - MARKET RISK PREMIUM

SPOT - All Inputs Based on Last Available Data as of June 30, 2026

Cumulative Probability	50.00%	
S&P 500 Option-Implied Growth Rate	7.16%	
S&P 500 Dividend Yield	1.06%	
S&P 500 Market Return	8.22%	
	3-Month Treasury Bill	**30-Year Treasury Bond**
Risk-Free Rate	3.87%	4.91%
Option-Implied Market Risk Premium (Spot)	4.35%	3.31%

MARKET TO BOOK RATIO AND DIVIDEND YIELD
D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
		Book Value per Share															
		Actual				**Estimated**			**Market Price**			**Mkt. to Book Ratio**		**Dividend Rate**		**Dividend Yield**	
		12/31/22	**12/31/23**	**12/31/24**	**12/31/25**	**6/30/25**	**6/30/26**	**12/31/26**	**6/30/26**	**LTM High**	**LTM Low**	**6/30/26**	**LTM Avg.**	**MRQ**	**Annual**	**6/30/26**	**LTM Avg.**
		[A]	[A]	[A]	[A]	[B]	[B]	[A]	[C]	[C]	[C]	[D]	[D]	[A]	[E]	[F]	[F]
AMER. STATES WATER	AWR	$19.20	$20.99	$24.12	$26.76	$25.44	$27.46	$28.15	$82.63	$83.73	$69.45	3.01	2.90	$0.504	$2.016	2.44%	2.63%
CALIFORNIA WATER	CWT	$23.70	$24.72	$27.49	$28.35	$27.92	$29.95	$31.55	$48.65	$50.44	$41.29	1.62	1.59	$0.335	$1.340	2.75%	2.92%
H2O AMERICA	HTO	$36.06	$38.52	$40.65	$42.66	$41.66	$40.38	$38.10	$60.77	$61.87	$43.75	1.50	1.29	$0.440	$1.760	2.90%	3.33%
MIDDLESEX WATER	MSEX	$22.65	$23.74	$24.89	$26.67	$25.78	$27.26	$27.85	$56.16	$62.18	$44.17	2.06	2.01	$0.360	$1.440	2.56%	2.71%
ATMOS ENERGY CORP.	ATO	$66.85	$73.20	$78.31	$83.92	$81.12	$86.69	$89.45	$172.27	$192.51	$149.98	1.99	2.04	$1.000	$4.000	2.32%	2.34%
NEW JERSEY RES.	NJR	$18.88	$20.40	$22.12	$23.80	$22.96	$24.55	$25.30	$56.04	$58.57	$43.46	2.28	2.15	$0.475	$1.900	3.39%	3.72%
NI SOURCE INC.	NI	$14.63	$17.40	$18.48	$19.75	$19.12	$20.70	$21.65	$47.55	$49.21	$38.45	2.30	2.20	$0.300	$1.200	2.52%	2.74%
N.W. NATURAL	NWN	$33.09	$34.12	$34.44	$35.49	$34.97	$35.87	$36.25	$49.06	$55.99	$39.29	1.37	1.35	$0.493	$1.972	4.02%	4.14%
ONE GAS, INC.	OGS	$46.69	$48.91	$51.85	$54.87	$53.36	$55.74	$56.60	$77.07	$90.78	$70.97	1.38	1.48	$0.680	$2.720	3.53%	3.36%
SOUTHWEST GAS	SWX	$45.57	$46.25	$48.82	$54.84	$51.83	$56.52	$58.20	$88.68	$94.43	$72.43	1.57	1.54	$0.645	$2.580	2.91%	3.09%
Maximum		$66.85	$73.20	$78.31	$83.92	$81.12	$86.69	$89.45	$172.27	$192.51	$149.98	3.01	2.90	$1.000	$4.000	4.02%	4.14%
Minimum		$14.63	$17.40	$18.48	$19.75	$19.12	$20.70	$21.65	$47.55	$49.21	$38.45	1.37	1.29	$0.300	$1.200	2.32%	2.34%
Median		$28.40	$29.42	$30.97	$31.92	$31.44	$32.91	$33.90	$58.47	$62.03	$43.96	1.81	1.80	$0.484	$1.936	2.83%	3.01%
Average		$32.73	$34.83	$37.12	$39.71	$38.41	$40.51	$41.31	$73.89	$79.97	$61.32	1.91	1.85	$0.523	$2.093	2.93%	3.10%

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Straight-line interpolation of Actual and Estimated VL year-end values.
[C] EOD Data: Market Data as of June 30, 2026.
[D] Market Price divided by Book Value per Share.
[E] Most Recent Quarterly Dividend multiplied by 4.
[F] Dividend Rate divided by Market Price.

EARNINGS PER SHARE AND RETURN ON EQUITY
D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
		Earnings per Share				Return on Equity			
		2022	2023	2024	2025	2023	2024	2025	VL Future Exp.
		[A]	[A]	[A]	[A]	[B]	[B]	[B]	[A]
AMER. STATES WATER	AWR	$2.11	$3.36	$3.17	$3.37	16.72%	14.05%	13.25%	13.50%
CALIFORNIA WATER	CWT	$1.77	$0.91	$3.26	$2.15	3.76%	12.49%	7.70%	7.50%
H2O AMERICA	HTO	$2.43	$2.68	$2.87	$2.99	7.19%	7.25%	7.18%	7.50%
MIDDLESEX WATER	MSEX	$2.39	$1.76	$2.47	$2.36	7.59%	10.16%	9.15%	11.00%
ATMOS ENERGY CORP.	ATO	$5.60	$6.10	$6.83	$7.46	8.71%	9.02%	9.20%	10.00%
NEW JERSEY RES.	NJR	$2.50	$2.71	$2.92	$3.33	13.80%	13.73%	14.50%	13.00%
NI SOURCE INC.	NI	$1.47	$1.60	$1.75	$1.95	9.99%	9.75%	10.20%	9.00%
N.W. NATURAL	NWN	$2.54	$2.59	$2.03	$2.77	7.71%	5.92%	7.92%	8.00%
ONE GAS, INC.	OGS	$4.08	$4.14	$3.91	$4.48	8.66%	7.76%	8.40%	10.50%
SOUTHWEST GAS	SWX	($3.10)	$2.13	$2.76	$3.60	4.64%	5.81%	6.95%	9.50%
Maximum		$5.60	$6.10	$6.83	$7.46	16.72%	14.05%	14.50%	13.50%
Minimum		($3.10)	$0.91	$1.75	$1.95	3.76%	5.81%	6.95%	7.50%
Median		$2.41	$2.64	$2.90	$3.16	8.18%	9.39%	8.78%	9.75%
Average		$2.18	$2.80	$3.20	$3.45	8.88%	9.59%	9.44%	9.95%

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Earnings per Share divded by average Book Value. Book Values shown on Exhibit ALR-11, page 1.

RETURN ON EQUITY IMPLIED BY ZACKS GROWTH RATES

D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
				Annual	Analyst	Analyst-Implied		Analyst-Implied		Implied	Analyst-
		Book Value	EPS	Dividend	5 Year	Book Value before SV		Book Value Incl. SV		EPS	Implied
		12/31/25	2025	Rate	Growth Rate	12/31/2029	12/31/2030	12/31/2029	12/31/2030	2030	ROE
		[A]	[A]	[A]	[B]	[C]	[C]	[C]	[C]	[C]	[C]
AMER. STATES WATER	AWR	$26.76	$3.37	$2.016	6.90%	$33.18	$35.07	$35.11	$37.64	$4.70	12.93%
CALIFORNIA WATER	CWT	$28.35	$2.15	$1.340	10.60%	$32.54	$33.89	$32.54	$33.89	$3.56	10.71%
H2O AMERICA	HTO	$42.66	$2.99	$1.760	3.30%	$48.00	$49.45	$36.36	$34.95	$3.52	9.86%
MIDDLESEX WATER	MSEX	$26.67	$2.36	$1.440	NA	NA	NA	NA	NA	NA	NA
ATMOS ENERGY CORP.	ATO	$83.92	$7.46	$4.000	6.80%	$100.28	$105.09	$136.11	$153.96	$10.37	7.15%
NEW JERSEY RES.	NJR	$23.80	$3.33	$1.900	NA	NA	NA	NA	NA	NA	NA
NI SOURCE INC.	NI	$19.75	$1.95	$1.200	6.10%	$23.24	$24.24	$27.81	$30.35	$2.62	9.02%
N.W. NATURAL	NWN	$35.49	$2.77	$1.972	NA	NA	NA	NA	NA	NA	NA
ONE GAS, INC.	OGS	$54.87	$4.48	$2.720	6.20%	$63.07	$65.45	$78.41	$85.92	$6.05	7.37%
SOUTHWEST GAS	SWX	$54.84	$3.60	$2.580	9.90%	$60.03	$61.67	$65.26	$68.45	$5.77	8.63%
Maximum		$83.92	$7.46	$4.000	10.60%	$100.28	$105.09	$136.11	$153.96	$10.37	12.93%
Minimum		$19.75	$1.95	$1.200	3.30%	$23.24	$24.24	$27.81	$30.35	$2.62	7.15%
Median		$31.92	$3.16	$1.936	6.80%	$48.00	$49.45	$36.36	$37.64	$4.70	9.02%
Average		$39.71	$3.45	$2.093	7.11%	$51.48	$53.55	$58.80	$63.59	$5.23	9.38%

Sources:

[A] Value Line: Most current data available at time of schedule preparation.

[B] Zacks: Data as of various dates since July 09, 2026.

[C] Analyst-Implied Book Value and Return on Equity is obtained by escalating both Dividends and Earnings per Share by the stated Analyst Growth Rate and adding Earnings and subtracting Dividends for each projected year.

"SV" = S X V, where S = rate of continuous new stock financing and V = rate of return on common equity investment.

CAPITAL STRUCTURE WITH SHORT TERM DEBT
D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]
		% Common Equity					($ millions)						Percentage			
		2021	2022	2023	2024	2025	Total Debt	LT Debt	ST Debt	Pfd Stock	Equity	Total Capital	LT Debt	ST Debt	Pfd Stock	Equity Ratio
		[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[A]	[B]	[B]	[B]	[B]
AMER. STATES WATER	AWR	53.9%	60.1%	47.2%	53.3%	57.0%	$ 790.9	$ 782.7	$ 8.2	$ -	$ 1,037.5	$ 1,828.4	42.8%	0.4%	0.0%	56.7%
CALIFORNIA WATER	CWT	52.7%	55.6%	57.5%	59.7%	53.5%	$ 1,604.3	$ 1,472.0	$ 132.3	$ -	$ 1,693.6	$ 3,297.9	44.6%	4.0%	0.0%	51.4%
H2O AMERICA	HTO	40.9%	42.7%	44.7%	44.5%	45.2%	$ 1,977.1	$ 1,866.8	$ 110.3	$ -	$ 1,539.8	$ 3,516.9	53.1%	3.1%	0.0%	43.8%
MIDDLESEX WATER	MSEX	54.4%	57.7%	54.0%	55.7%	56.4%	$ 417.4	$ 380.7	$ 36.7	$ 2.4	$ 495.6	$ 915.4	41.6%	4.0%	0.3%	54.1%
ATMOS ENERGY CORP.	ATO	61.6%	62.1%	62.1%	60.7%	60.2%	$ 9,629.3	$ 9,618.0	$ 11.3	$ -	$ 14,547.8	$ 24,177.1	39.8%	0.0%	0.0%	60.2%
NEW JERSEY RES.	NJR	43.0%	42.2%	41.8%	43.3%	42.5%	$ 3,596.3	$ 3,281.7	$ 314.6	$ -	$ 2,425.6	$ 6,021.9	54.5%	5.2%	0.0%	40.3%
NI SOURCE INC.	NI	33.5%	35.3%	40.3%	41.8%	37.9%	$ 16,767.0	$ 15,459.0	$ 1,308.0	$ -	$ 9,434.7	$ 26,201.7	59.0%	5.0%	0.0%	36.0%
N.W. NATURAL	NWN	47.2%	48.5%	47.4%	45.2%	38.6%	$ 2,604.4	$ 2,272.4	$ 332.0	$ -	$ 1,428.6	$ 4,033.0	56.3%	8.2%	0.0%	35.4%
ONE GAS, INC.	OGS	38.9%	49.3%	56.1%	56.5%	59.3%	$ 3,381.2	$ 2,340.3	$ 1,040.9	$ -	$ 3,409.8	$ 6,791.0	34.5%	15.3%	0.0%	50.2%
SOUTHWEST GAS	SWX	41.8%	41.0%	41.8%	44.6%	53.6%	$ 3,509.0	$ 3,434.0	$ 75.0	$ -	$ 3,966.9	$ 7,475.9	45.9%	1.0%	0.0%	53.1%
Maximum		61.6%	62.1%	62.1%	60.7%	60.2%	$ 16,767.0	$ 15,459.0	$ 1,308.0	$ 2.4	$ 14,547.8	$ 26,201.7	59.0%	15.3%	0.3%	60.2%
Minimum		33.5%	35.3%	40.3%	41.8%	37.9%	$ 417.4	$ 380.7	$ 8.2	$ -	$ 495.6	$ 915.4	34.5%	0.0%	0.0%	35.4%
Median		45.1%	48.9%	47.3%	49.3%	53.6%	$ 2,992.8	$ 2,306.4	$ 121.3	$ -	$ 2,059.6	$ 5,027.4	45.3%	4.0%	0.0%	50.8%
Average		46.8%	49.5%	49.3%	50.5%	50.4%	$ 4,427.7	$ 4,090.8	$ 336.9	$ 0.2	$ 3,998.0	$ 8,425.9	47.2%	4.6%	0.0%	**48.1%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Percentage calculated on Total Capital including Short Term Debt.

CAPITAL STRUCTURE WITHOUT SHORT TERM DEBT
D'Ascendis Mixed Proxy Group

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]
		% Common Equity					($ millions)						Percentage			
		2021	2022	2023	2024	2025	Total Debt	LT Debt	ST Debt	Pfd Stock	Equity	Total Capital	LT Debt	ST Debt	Pfd Stock	Equity Ratio
		[A]	[A]	[A]	[A]	[A]	[A]	[A]	[B]	[A]	[A]	[A]	[B]	[B]	[B]	[B]
AMER. STATES WATER	AWR	53.9%	60.1%	47.2%	53.3%	57.0%	$ 790.9	$ 782.7		$ -	$ 1,037.5	$ 1,820.2	43.0%	0.0%	0.0%	57.0%
CALIFORNIA WATER	CWT	52.7%	55.6%	57.5%	59.7%	53.5%	$ 1,604.3	$ 1,472.0		$ -	$ 1,693.6	$ 3,165.6	46.5%	0.0%	0.0%	53.5%
H2O AMERICA	HTO	40.9%	42.7%	44.7%	44.5%	45.2%	$ 1,977.1	$ 1,866.8		$ -	$ 1,539.8	$ 3,406.6	54.8%	0.0%	0.0%	45.2%
MIDDLESEX WATER	MSEX	54.4%	57.7%	54.0%	55.7%	56.4%	$ 417.4	$ 380.7		$ 2.4	$ 495.6	$ 878.7	43.3%	0.0%	0.3%	56.4%
ATMOS ENERGY CORP.	ATO	61.6%	62.1%	62.1%	60.7%	60.2%	$ 9,629.3	$ 9,618.0		$ -	$ 14,547.8	$ 24,165.8	39.8%	0.0%	0.0%	60.2%
NEW JERSEY RES.	NJR	43.0%	42.2%	41.8%	43.3%	42.5%	$ 3,596.3	$ 3,281.7		$ -	$ 2,425.6	$ 5,707.3	57.5%	0.0%	0.0%	42.5%
NI SOURCE INC.	NI	33.5%	35.3%	40.3%	41.8%	37.9%	$ 16,767.0	$ 15,459.0		$ -	$ 9,434.7	$ 24,893.7	62.1%	0.0%	0.0%	37.9%
N.W. NATURAL	NWN	47.2%	48.5%	47.4%	45.2%	38.6%	$ 2,604.4	$ 2,272.4		$ -	$ 1,428.6	$ 3,701.0	61.4%	0.0%	0.0%	38.6%
ONE GAS, INC.	OGS	38.9%	49.3%	56.1%	56.5%	59.3%	$ 3,381.2	$ 2,340.3		$ -	$ 3,409.8	$ 5,750.1	40.7%	0.0%	0.0%	59.3%
SOUTHWEST GAS	SWX	41.8%	41.0%	41.8%	44.6%	53.6%	$ 3,509.0	$ 3,434.0		$ -	$ 3,966.9	$ 7,400.9	46.4%	0.0%	0.0%	53.6%
Maximum		61.6%	62.1%	62.1%	60.7%	60.2%	$ 16,767.0	$ 15,459.0		$ 2.4	$ 14,547.8	$ 24,893.7	62.1%	0.0%	0.3%	60.2%
Minimum		33.5%	35.3%	40.3%	41.8%	37.9%	$ 417.4	$ 380.7		$ -	$ 495.6	$ 878.7	39.8%	0.0%	0.0%	37.9%
Median		45.1%	48.9%	47.3%	49.3%	53.6%	$ 2,992.8	$ 2,306.4		$ -	$ 2,059.6	$ 4,704.1	46.5%	0.0%	0.0%	53.6%
Average		46.8%	49.5%	49.3%	50.5%	50.4%	$ 4,427.7	$ 4,090.8		$ 0.2	$ 3,998.0	$ 8,089.0	49.6%	0.0%	0.0%	**50.4%**

Sources:
[A] Value Line: Most current data available at time of schedule preparation.
[B] Percentage calculated on Total Capital excluding Short Term Debt.