

**Miles H. Kiger**  
(202) 274-1937

March 12, 2026

**VIA eTARIFF**

The Honorable Debbie-Anne A. Reese  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**RE: Kammer Juniata Transmission, LLC  
Formula Rate Filing and Request for Authorization of Transmission Rate Incentives  
Docket No. ER26-1734-000**

Dear Secretary Reese,

Pursuant to sections 205 and 219 of the Federal Power Act (“FPA”),<sup>1</sup> Part 35 of the regulations of the Federal Energy Regulatory Commission (“FERC” or “Commission”),<sup>2</sup> Order No. 679,<sup>3</sup> and the Commission’s November 15, 2012 policy statement on transmission rate incentives,<sup>4</sup> Kammer Juniata Transmission, LLC (“Kammer Juniata” or the “Company”) hereby proposes to establish a formula rate consisting of a formula rate template (“Template”) and implementation protocols (“Protocols”) (together, the “Formula Rate”) and requests approval of certain incentive rate treatments to recover its investment in transmission facilities located in the PJM Interconnection, L.L.C. (“PJM”) region and awarded through PJM’s competitive Regional Transmission Expansion Plan (“RTEP”)<sup>5</sup> selection process, including its investment in the Kammer Juniata Project (“Kammer Juniata Project” or the “Project”).<sup>6</sup>

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<sup>1</sup> 16 U.S.C. §§ 824d, 824s.

<sup>2</sup> 18 C.F.R. Pt. 35 (2025).

<sup>3</sup> *Promoting Transmission Inv. through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057, *order on reh’g*, Order No. 679-A, 117 FERC ¶ 61,345 (2006) (“Order No. 679-A”), *order on reh’g*, 119 FERC ¶ 61,062 (2007).

<sup>4</sup> *Promoting Transmission Inv. Through Pricing Reform*, 141 FERC ¶ 61,129 (2012) (“2012 Incentives Policy Statement”).

<sup>5</sup> All capitalized terms not defined herein shall have the meaning set forth in the PJM Open Access Transmission Tariff (“PJM Tariff”), Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“PJM Operating Agreement”), and the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

<sup>6</sup> Pursuant to Order No. 714, this filing is submitted by PJM on behalf of Kammer Juniata as part of an XML filing package that conforms with the Commission’s regulations. *See Elec. Tariff Filings*, Order No. 714, 124 FERC ¶ 61,270 (2008), *clarified*, Order No. 714-A, 147 FERC ¶ 61,115 (2014). PJM has agreed to make all filings on behalf of the PJM Transmission Owners in order to retain administrative control over the PJM Tariff. Thus,

Kammer Juniata respectfully submits that the proposed Formula Rate and incentive rate treatments are just and reasonable, not unduly discriminatory or preferential, are consistent with Commission policy, and should be accepted without hearing, modification, or suspension. Kammer Juniata requests the Commission accept the proposed Formula Rate and approve the requested incentive rate treatments to be effective May 12, 2026.

## **I. SUMMARY OF REQUESTED ACTIONS**

### **A. Formula Rate**

Kammer Juniata requests that the Commission accept the proposed forward-looking Formula Rate, to be effective May 12, 2026. The Formula Rate will be used to determine Kammer Juniata's individual transmission revenue requirement which will be collected under the PJM Tariff, and incorporated into the PJM Tariff as Attachment H-42. The proposed Formula Rate is based on other formula rates accepted for filing by the Commission and is consistent with Commission precedent.<sup>7</sup> The Commission has previously accepted formula rates for transmission developers prior to the construction of transmission facilities.<sup>8</sup>

### **B. FPA Section 219 Incentive Rate Treatments**

Kammer Juniata respectfully requests that the Commission authorize the following incentive rate treatments pursuant to FPA section 219 and Section 35.35 of the Commission's regulations:

1. Recovery of 100% of prudently incurred costs in the event that all or part of the Project must be abandoned for reasons outside the control of Kammer Juniata ("Abandoned Plant Incentive");

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Kammer Juniata has requested PJM submit the proposed tariff revisions in the eTariff system as part of PJM's electronic Intra PJM Tariff.

<sup>7</sup> See *NextEra Energy Transmission MidAtlantic, LLC*, 161 FERC ¶ 61,141 (2017) ("*NextEra MidAtlantic*").

<sup>8</sup> See, e.g., *Midcontinent Grid Sols. Iowa, LLC*, 192 FERC ¶ 61,208, *order on clarification & reh'g dismissed*, 193 FERC ¶ 61,188 (2025); *Valley Link Transmission Md., LLC*, 191 FERC ¶ 61,113 (2025); *Viridon Mid-Atl., LLC*, 186 FERC ¶ 61,074 (2024); *PJM Interconnection, L.L.C.*, 173 FERC ¶ 61,033 (2020); see also *TransCanyon West Dev., LLC*, 175 FERC ¶ 61,007 (2020); *Republic Transmission, LLC*, 167 FERC ¶ 61,215 (2019); *NextEra MidAtlantic*, 161 FERC ¶ 61,141 (2017) ("*NextEra MidAtlantic*"); *PJM Interconnection, L.L.C.*, 158 FERC ¶ 61,089 (2017), *reh'g denied*, 164 FERC ¶ 61,015 (2018); *TransCanyon DCR, LLC*, 152 FERC ¶ 61,017 (2015); *Transource Kan., LLC*, 151 FERC ¶ 61,010 (2015) ("*Transource Kansas*"), *order on clarification*, 154 FERC ¶ 61,011 (2016), *rev. denied sub nom. Kan. Corp. Comm'n v. FERC*, 881 F.3d 924 (D.C. Cir. 2018); *ATX Southwest, LLC*, 152 FERC ¶ 61,193 (2015); *Transource Wis., LLC*, 149 FERC ¶ 61,180 (2014), *reh'g denied*, 154 FERC ¶ 61,010 (2016); *Xcel Energy Sw. Transmission Co., LLC*, 149 FERC ¶ 61,182 (2014); *Xcel Energy Transmission Dev. Co., LLC*, 149 FERC ¶ 61,181 (2014) ("*Xcel*").

2. Inclusion of 100% of construction work in progress (“CWIP”) in rate base during the development and construction of the Project (“CWIP Incentive”);
3. Use of a hypothetical capital structure of 40% debt and 60% equity until the Project is placed into service, at which time Kammer Juniata proposes to use its actual capital structure (“Hypothetical Capital Structure Incentive”); and
4. Inclusion of a 50-basis-point return on equity (“ROE”) adder for Kammer Juniata’s participation as a new member in a Regional Transmission Organization (“RTO”) (“RTO Participation Adder”).

### **C. Authorization to Replicate the Formula Rate and Use Certain Rate Incentives**

Kammer Juniata requests Commission authorization for any transmission-owning subsidiaries of joint ventures that are owned by NextEra Energy Transmission, LLC (“NEET”) and Exelon Transmission Company, LLC (“Exelon Transmission”) operating in the PJM region to use the same Formula Rate for their own projects in PJM. Kammer Juniata requests that this authorization cover not only the Formula Rate, but also the base ROE, the RTO Participation Adder, and the Hypothetical Capital Structure Incentive. The Commission has authorized replication of the accepted formula rate and use of the same approved non-project-specific rate incentives for affiliates of the applicant operating in the same region.<sup>9</sup>

## **II. BACKGROUND**

### **A. Kammer Juniata Transmission, LLC**

Kammer Juniata is a Delaware limited liability company that was formed in 2025.<sup>10</sup> Kammer Juniata is currently a wholly owned, direct subsidiary of NEET.<sup>11</sup> NEET is a wholly owned, indirect subsidiary of NextEra Energy, Inc. (“NextEra”).<sup>12</sup> Kammer Juniata was formed as a competitive transmission company to develop, construct, own, and invest in electric transmission projects awarded through the PJM RTEP competitive solicitation process.<sup>13</sup> Kammer Juniata does not currently own any transmission assets. All transmission assets owned

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<sup>9</sup> See, e.g., *Viridon Mid-Atl.*, 186 FERC ¶ 61,074 at P 34; *TransCanyon West*, 175 FERC ¶ 61,007 at P 30; *PJM Interconnection, L.L.C. and Ne. Transmission Dev., LLC*, 155 FERC ¶ 61,097 at PP 174-75 (2016) (“*N.E. Transmission*”), order on reh’g, 158 FERC ¶ 61,060 (2017); *TransCanyon DCR*, 152 FERC ¶ 61,017 at P 65; *Transource Kansas*, 151 FERC ¶ 61,010 at PP 81-82; *ATX Southwest*, 152 FERC ¶ 61,193 at PP 87-89; *Transource Wisconsin*, 149 FERC ¶ 61,180 at P 63.

<sup>10</sup> Testimony of Ryan Colley, Exhibit No. RC-001 at 4 (“Colley Testimony”).

<sup>11</sup> *Id.* at 4.

<sup>12</sup> *Id.* at 2.

<sup>13</sup> *Id.* at 2, 4.

by Kammer Juniata will be placed under PJM’s functional control.<sup>14</sup> Kammer Juniata has been prequalified as a Designated Entity.<sup>15</sup> Additionally, Kammer Juniata expects to execute a Designated Entity Agreement (“DEA”) with PJM for the Project.<sup>16</sup>

## **B. Exelon Transmission Company, LLC**

Exelon Transmission is a subsidiary of Exelon Corporation (“Exelon”). Exelon is a publicly traded holding company, owning and operating public utilities across five states and the District of Columbia, PECO Energy Company (Pennsylvania), Atlantic City Electric (New Jersey), Baltimore Gas and Electric (Maryland), Commonwealth Edison (Illinois), Delmarva Power & Light (Delaware and Maryland), and Potomac Electric Power Company (Washington D.C. and Maryland).

## **C. Joint Venture**

NEET and Exelon Transmission have entered into an agreement to establish a joint venture pursuant to which Exelon Transmission or an Exelon Transmission affiliate will acquire a 25% ownership interest in Kammer Juniata, and NEET will retain a 75% equity interest in Kammer Juniata. Exelon Transmission’s acquisition of the 25% ownership interest is expected to close by early April 2026, subject to the satisfaction of certain closing conditions.<sup>17</sup>

## **D. PJM Regional Transmission Expansion Planning Process**

The annual RTEP process is a Commission-approved integrated, iterative transmission planning process designed to preserve future grid reliability and provide economic savings to load and generation customers throughout the PJM region.<sup>18</sup> The RTEP process facilitates PJM’s identification of potential reliability violations on its system and its solicitation and selection of solutions to such reliability violations as proposed by transmission owners and developers, including through a competitive bidding process.<sup>19</sup> After PJM identifies a set of reliability criteria violations that must be resolved, it may open a competitive solicitation window to receive project bids that attempt to resolve these violations. Following that, PJM staff reviews the project proposals for their reliability benefits, congestion alleviation, feasibility, and costs. As part of this analysis, PJM presents a “shortlist” to its Transmission Expansion Advisory Committee (“TEAC”) and solicits stakeholder feedback before recommending selected projects

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<sup>14</sup> *Id.* at 4.

<sup>15</sup> *Id.*; PJM - Intra-PJM Tariffs, OPERATING AGREEMENT, OA Schedule 6 Sec 1.5, OA Schedule 6 Sec 1.5 Procedure for Development of the Regi (29.1.1), § 1.5.8(a) (“PJM Operating Agreement”).

<sup>16</sup> Colley Testimony at 4.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 6.

<sup>19</sup> *Id.*

to the PJM Board of Managers (“PJM Board”) for final approval. Once a project is approved by the PJM Board, PJM staff and developers of the awarded projects work together to ensure that each awarded project meets all technical specifications, as well as all financial, regulatory, and operational requirements.<sup>20</sup>

In June 2025, PJM opened the 2025 RTEP Window 1 to solicit solutions to address 2030 and 2032 baseline reliability criteria violations.<sup>21</sup> In the Mid-Atlantic Area Cluster region (“MAAC Cluster”), PJM identified several reliability needs driven by: (1) an additional ~3.5 GW of anticipated load growth by 2030 in the PPL zone; (2) delayed in-service dates for approximately 7.5 GW of New Jersey offshore wind (“NJOSW”) development; and (3) a combination of in-service delays of 7.5 GW for NJOSW and increased load of ~3.5 GW in the PPL zone.<sup>22</sup> PJM’s analysis of the MAAC region affirmed the need to enhance the PPL/MAAC West-to-East transfer path to address 2032 reliability violations.<sup>23</sup> Ultimately, PJM staff recommended that the PJM Board approve a set of reliability solutions, including the Kammer-Juniata Project. On February 12, 2026, the PJM Board approved the recommended solutions, which included the Kammer Juniata Project.<sup>24</sup>

### **E. The Kammer Juniata Project**

The Kammer Juniata Project was initially submitted to the 2025 RTEP Window 1 as part of Proposal 237. The Project includes the construction of approximately 222 miles of greenfield 765 kV transmission lines from the Kammer substation in West Virginia to the Juniata substation in Pennsylvania.<sup>25</sup> An approximately 114-mile segment of the new line will connect Kammer to the new 765/500 kV Buttermilk Falls substation and loop into the Keystone-Conemaugh 500 kV transmission line.<sup>26</sup> The remaining approximately 108-mile segment of the new line will connect the Buttermilk Falls substation to the new 765/500 kV Mountain Stone substation and connect to the existing 500 kV Juniata substation.<sup>27</sup> The Project will traverse ten counties in Pennsylvania and one county in West Virginia. The total estimated cost of the Project is \$1.7 billion.<sup>28</sup> The Project is expected to go into service in June 2031.<sup>29</sup>

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<sup>20</sup> *Id.* at 7.

<sup>21</sup> Colley Testimony at 8.

<sup>22</sup> *Id.* at 7.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 9.

<sup>25</sup> *Id.* at 10.

<sup>26</sup> *Id.* at 10.

<sup>27</sup> Colley Testimony at 10-11.

<sup>28</sup> *Id.* at 11.

<sup>29</sup> *Id.*

### III. CONTENTS OF THE FILING

Attachment A	Annual Transmission Rates, in Word format
Attachment B	Formula Rate Template, in Word format
Attachment C	Implementation Protocols, in Word format
Attachment D	Redline Formula Rate Template and Implementation Protocols, in PDF format
Attachment E	Attestation Required by 18 C.F.R. § 35.13(d)(7)
Exhibit No. MB-001	Testimony of Matthew Boykin
Exhibit No. MB-002	Formula Rate Template for Kammer Juniata, in Excel format
Exhibit No. MB-003	Implementation Protocols for Kammer Juniata, in PDF format
Exhibit No. SC-001	Testimony of Stephanie Castaneda
Exhibit No. RC-001	Testimony of Ryan Colley
Exhibit No. RC-002	List of Permits and Regulatory Approvals
Exhibit No. AM-001	Testimony of Adrien M. McKenzie
Exhibit No. AM-002	Qualifications of Adrien M. McKenzie
Exhibit No. AM-003	ROE Analysis—Summary of Results
Exhibit No. AM-004	Risk Measures
Exhibit No. AM-005	DCF Analyses
Exhibit No. AM-006	CAPM—IBES
Exhibit No. AM-007	Market Rate of Return—IBES
Exhibit No. AM-008	CAPM—Value Line
Exhibit No. AM-009	Market Rate of Return—Value Line

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Exhibit No. AM-010	Risk Premium Method
Exhibit No. AM-011	Expected Earnings Approach

#### IV. THE FORMULA RATE IS JUST AND REASONABLE

Kammer Juniata’s proposed Formula Rate will be used to determine the revenue requirement for its investment in transmission facilities in PJM. The Commission has observed that “formula rates can provide the certainty of recovery that is conducive to large transmission expansion programs” and the Commission “encourage[s] public utilities to explore the benefits of filing transmission-related formula rates.”<sup>30</sup> Accordingly, the Formula Rate should be accepted for filing.

Kammer Juniata’s proposed Formula Rate is described further in the testimony of Mr. Matthew Boykin. The proposed Formula Rate is just and reasonable and not unduly discriminatory or preferential because it is consistent with Commission-approved ratemaking methodologies and contains sufficient specificity to operate without discretion in its implementation. Accordingly, the Commission should accept the Formula Rate for filing without modification or condition.

##### A. Forward-Looking Formula Rate

The Formula Rate is forward-looking and similar to the formula rates the Commission has recently approved for other competitive transmission developers, including *NextEra Energy Transmission MidAtlantic, Inc.* (“NEET MidAtlantic”).<sup>31</sup>

As explained below and in the testimony of Mr. Matthew Boykin, the Formula Rate filed herewith establishes a forward-looking formula that recovers projected transmission costs on a calendar-year basis, *i.e.*, the twelve consecutive month period that begins on January 1 and continues through December 31 (“Rate Year”), with an annual true-up (inclusive of interest) to ensure that only actual costs and a reasonable return on investment are collected from customers.<sup>32</sup> PJM will include the projected net transmission revenue requirement (“PTRR”) to calculate the transmission rates to be effective each Rate Year beginning on January 1.<sup>33</sup> The true-up between the PTRR and Kammer Juniata’s actual annual transmission revenue requirement (“ATRR”) will then be calculated the following year (Rate Year plus one) and applied, with interest, as an addition to or subtraction from the subsequent year’s PTRR (Rate

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<sup>30</sup> Order No. 679, 116 FERC ¶ 61,057 at P 386 (footnote and citations omitted).

<sup>31</sup> *See, e.g., NextEra Energy Transmission MidAtlantic, Inc.*, 188 FERC ¶ 61,118 (2024).

<sup>32</sup> Testimony of Matthew Boykin, Exhibit No. MB-001 at 4 (“Boykin Testimony”).

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

Year plus two).<sup>34</sup> This true-up mechanism ensures that the transmission rates charged to customers include only the actual costs, no more, no less.

Mr. Boykin explains that the Formula Rate will identify the data to be used in the revenue requirement calculation. For Kammer Juniata's ATRR, the Template will be populated with cost data that comes primarily from Kammer Juniata's FERC Form No. 1 which is filed annually with the Commission.<sup>35</sup> In contrast, data used to calculate the PTRR will come primarily from Kammer Juniata's budget in accordance with how such corresponding actual data would appear in FERC Form No. 1.

The proposed Formula Rate provides for the recovery of a return on rate base, income taxes, taxes other than income taxes, depreciation and amortization expenses, and other operation and maintenance ("O&M") expenses, less any revenue credits. For rate base, Mr. Boykin explains that all transmission plant balances are calculated based on 13-month averages.<sup>36</sup> Mr. Boykin's testimony also describes how the Formula Rate complies with Order No. 864.<sup>37</sup> In addition, Mr. Boykin also provides additional details on how the Formula Rate develops O&M, income taxes, taxes other than income, and depreciation and amortization expenses.<sup>38</sup>

Mr. Boykin also explains how the Formula Rate develops the return on rate base and the initial proposed cost of debt and capital structure. As discussed further below and in the testimony of Ms. Stephanie Castaneda, Kammer Juniata will apply a 60 percent equity/40 percent debt hypothetical capital structure for ratemaking purposes during construction of the Project, consistent with Commission policy.<sup>39</sup> Once the Project is placed in service, Kammer Juniata proposes to use its actual capital structure.<sup>40</sup> Initially, the long-term debt cost rate will be based on Kammer Juniata's imputed cost of debt, and the rate will be computed using the Secured Overnight Financing Rate ("SOFR") plus 2.0%, until such time as debt is obtained, consistent with Commission precedent.<sup>41</sup> Once debt is obtained, the long-term debt cost rate will be the annual long-term interest divided by the 13-month average balance of the long-term debt.

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

<sup>35</sup> *Id.* at 8.

<sup>36</sup> *Id.* at 4.

<sup>37</sup> *Pub. Util. Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019); Boykin Testimony at 11-12.

<sup>38</sup> Boykin Testimony at 12-15.

<sup>39</sup> *See, e.g., Transource Kansas*, 151 FERC ¶ 61,010 at P 25 (granting request to use a hypothetical capital structure consisting of 60 percent equity and 40 percent debt prior to project going into service); *see also infra* n.125 (citing cases).

<sup>40</sup> Testimony of Stephanie Castaneda, Exhibit No. SC-001 at 13 ("Castaneda Testimony").

<sup>41</sup> Boykin Testimony at 15; Castaneda Testimony at 14 n.4 (citing *Midcontinent Grid Solutions Iowa, LLC*, 192 FERC ¶ 61,208 (2025) (approving use of SOFR plus 200 basis point spread); *Viridon New England LLC*, 186 FERC ¶ 61,205 (2024) ("*Viridon New England*"); *Viridon Midcontinent LLC*, 186 FERC ¶ 61,138 (2024) ("*Viridon*"))

## B. Return on Equity

Kammer Juniata requests a base ROE of 10.75%, which is supported by the testimony and analysis of Mr. Adrien M. McKenzie.<sup>42</sup> The Formula Rate includes a stated total ROE value of 11.25%, consisting of a base ROE of 10.75% and a 50-basis-point adder for RTO participation, as requested below. The requested overall ROE of 11.25% is well within the zone of reasonableness that Mr. McKenzie developed based on his cost of equity estimates for a national proxy group.<sup>43</sup>

Establishing an ROE that is sufficient to attract the necessary capital is critically important for Kammer Juniata as a new joint venture focused on the development of transmission assets through competitive solicitation. Kammer Juniata faces particular risks as a start-up with no credit history focused on competing for opportunities to build new transmission facilities. ROE plays a critical role in determining access to investment capital, given that investors will only invest in opportunities that provide a return that is sufficient to compensate for the associated risks.<sup>44</sup>

Mr. McKenzie's testimony explains the development and selection of the proxy group, describes the methodologies employed, and presents his analyses under each of the primary methods. Mr. McKenzie employed a proxy group composed of 25 electric utilities with Moody's credit ratings in the Baa3 to A3 range and S&P credit ratings in the BBB+ to A- range and utilized that proxy group in applying each of the primary methods.<sup>45</sup>

Consistent with the Commission's use of multiple financial models,<sup>46</sup> Mr. McKenzie's analysis of the appropriate base ROE for Kammer Juniata includes applications of the constant growth Discounted Cash Flow ("DCF"), the Capital Asset Pricing Model ("CAPM"), Risk Premium methodology, and Expected Earnings approach. but also recognizes the Commission's

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*Midcontinent*"); *Viridon New York Inc.*, 186 FERC ¶ 61,125 (2024) ("*Viridon New York*"); *Republic Transmission*, 167 FERC ¶ 61,215; *NextEra Energy Transmission Midwest, LLC*, 161 FERC ¶ 61,140 at P 30 (2017)).

<sup>42</sup> See Testimony of Adrien M. McKenzie, Exhibit No. AM-001 at 16 ("McKenzie Testimony").

<sup>43</sup> *Id.* at 18-19.

<sup>44</sup> See *FPC v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944); *Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679 (1923).

<sup>45</sup> See Exhibit No. AM-004.

<sup>46</sup> *Ass'n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, Opinion No. 569, 169 FERC ¶ 61,129 (2019) ("Opinion No. 569"), *order on reh'g*, Opinion No. 569-A, 171 FERC ¶ 61,154 (2020), *petitions granted and dismissed in part vacated & remanded sub nom. MISO Transmission Owners v. FERC*, 45 F.4th 248 (D.C. Cir. 2022); *Coakley v. Bangor Hydro-Elec. Co.*, Order Directing Briefs, 165 FERC ¶ 61,030 (2018) ("*Coakley Briefing Order*"); *Ass'n of Buss. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, Order Directing Briefs, 165 FERC ¶ 61,118 (2018) ("*MISO Briefing Order*").

recent Order on Remand<sup>47</sup> and responds to the concerns identified by the Commission.<sup>48</sup> Mr. McKenzie explains that investors inform their investment decisions by considering a broad range of information and methodologies, which include the Risk Premium and Expected Earnings approaches, as well as the DCF and CAPM approaches.<sup>49</sup> Mr. McKenzie concludes that the Risk Premium and Expected Earnings analyses are well-supported and relied upon to evaluate investors’ required returns, and that the determination of a just and reasonable base ROE for Kammer Juniata should rely on these benchmarks.<sup>50</sup> Nonetheless, Mr. McKenzie also applies a methodology similar to that adopted by the Commission in the Order on Remand; namely, an analysis that considers the constant growth DCF and CAPM results to inform his determination regarding a just and reasonable base ROE for Kammer Juniata.<sup>51</sup>

**SUMMARY OF RESULTS—FOUR MODEL METHODOLOGY<sup>52</sup>**

<b>Method</b>	<b>Range</b>	<b>Median</b>	<b>Midpoint</b>
Constant Growth DCF	8.23% -- 13.01%	10.44%	10.62%
CAPM			
IBES	9.34% -- 12.47%	11.54%	10.91%
Value Line	8.65% -- 11.29%	10.43%	9.97%
Average	9.00% -- 11.88%	10.99%	10.44%
Risk Premium	7.74% -- 13.05%	10.39%	10.39%
Expected Earnings	7.59% -- 15.86%	11.13%	11.73%
<b>Composite ROE</b>	<b>8.14% -- 13.45%</b>	<b>10.74%</b>	<b>10.79%</b>

Mr. McKenzie’s results from the four-model approach result in a composite zone of reasonableness ranging from 8.14% to 13.45%, with median and midpoint values averaging 10.74% and 10.79%, respectively.

<sup>47</sup> *Ass’n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, Order on Remand, 189 FERC ¶ 61,036 (2024) (“Order on Remand”).

<sup>48</sup> McKenzie Testimony at 17, 66.

<sup>49</sup> *Id.* at 12.

<sup>50</sup> *Id.* at 3.

<sup>51</sup> *Id.* at 16.

<sup>52</sup> *Id.*

**SUMMARY OF RESULTS—TWO MODEL METHODOLOGY<sup>53</sup>**

<b>Method</b>	<b>Range</b>	<b>Median</b>	<b>Midpoint</b>
<b>DCF Model</b>			
Two-step	8.10% -- 11.75%	9.76%	9.93%
Constant Growth	8.23% -- 13.01%	10.44%	10.62%
Average DCF	8.17% -- 12.38%	10.10%	10.27%
<b>CAPM</b>			
<b>IBES</b>			
Value Line Beta	9.34% -- 12.47%	11.54%	10.91%
Bloomberg Beta	9.12% -- 11.25%	10.42%	10.19%
Average	9.23% -- 11.86%	10.98%	10.55%
<b>Value Line</b>			
Value Line Beta	8.65% -- 11.29%	10.43%	9.97%
Bloomberg Beta	8.41% -- 10.19%	9.57%	9.30%
Average	8.53% -- 10.74%	10.00%	9.64%
Average CAPM	8.88% -- 11.30%	10.49%	10.09%
<b>Composite ROE</b>	<b>8.52% -- 11.84%</b>	<b>10.30%</b>	<b>10.18%</b>

As shown above, this two-model methodology results in a composite zone of reasonableness of 8.52% to 11.84%, with a median of 10.30% and a midpoint of 10.18%.

**FIGURE AMM-3  
SUMMARY OF RESULTS – ORDER ON REMAND METHODOLOGY**

<b>Method</b>	<b>Range</b>	<b>Median</b>	<b>Midpoint</b>
Two-step DCF	8.10% -- 11.75%	9.76%	9.93%
CAPM	9.34% -- 12.47%	11.54%	10.91%
<b>Composite ROE</b>	<b>8.72% -- 12.11%</b>	<b>10.65%</b>	<b>10.42%</b>

As shown above, the Order on Remand two-model methodology results in a composite zone of reasonableness of 8.72% to 12.11%, with a median of 10.65% and a midpoint of 10.42%.

Based on his analyses, Mr. McKenzie concludes that an ROE of 10.75% is just and reasonable for Kammer Juniata because, in light of the funding needs required to meet capital expenditure requirements, Kammer Juniata’s rate of return must be sufficient to preserve its

<sup>53</sup> *Id.* at 18.

financial integrity and access to capital.<sup>54</sup> Importantly, Mr. McKenzie’s recommended just and reasonable base ROE of 10.75% for Kammer Juniata is within the zone of reasonableness of his results, concluding the overall ROE meets the Commission’s policy guidance governing incentive-based ROEs.<sup>55</sup>

For these reasons, Kammer Juniata requests that the Commission accept the total ROE value of 11.25%, consisting of a base ROE of 10.75% and a 50 basis-point adder for RTO participation, for inclusion in Kammer Juniata’s Formula Rate.

### **C. Depreciation Rates**

The Template includes stated depreciation rates for transmission and general plant. Because Kammer Juniata does not yet own assets in service, it lacks an operating history upon which to base a depreciation study. Kammer Juniata therefore proposes to use the Commission-approved depreciation rates of its affiliate, NEET MidAtlantic, until such time as Kammer Juniata’s own historical transmission facilities data are sufficient to analyze their life characteristics. The Commission has found that it is appropriate to use the depreciation rates of an affiliate as a proxy for the new entity in determining proposed depreciation rates.<sup>56</sup> In addition, Kammer Juniata commits to file revised depreciation rates reflecting the depreciation of its actual facilities within five years of Kammer Juniata placing its first asset in service.

### **D. Post-Employment Benefits Other Than Pensions**

The Template includes a zero value for Post-Employment Benefits Other Than Pensions (“PBOP”).<sup>57</sup> Kammer Juniata does not propose to recover PBOP expense in the Formula Rate at this time. However, if Kammer Juniata seeks to recover a non-zero PBOP value in its Template in the future, it will make a limited section 205 filing, supported by an actuarial study to establish the amount of PBOP recovery.

### **E. Formula Rate Implementation Protocols**

As explained further by Mr. Boykin, Kammer Juniata’s proposed Protocols are consistent with the Commission’s guidance on protocols for forward-looking formula rates,<sup>58</sup> and will

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<sup>54</sup> McKenzie Testimony at 16.

<sup>55</sup> *Id.* at 16.

<sup>56</sup> See, e.g., *Midcontinent Grid*, 192 FERC ¶ 61,208 at P 19 (approving the proxy depreciation rates for the applicant’s affiliate because both the applicant and its affiliate are newly formed entities that intend to own similar transmission facilities in the future); *NextEra Energy Transmission W., LLC*, 154 FERC ¶ 61,009 at P 103 (2016); *Xcel Energy Sw.*, 149 FERC ¶ 61,182 at P 124.

<sup>57</sup> Boykin Testimony at 13.

<sup>58</sup> *Id.* at 19-20; see, e.g., *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 (2012), *order on investigation*, 143 FERC ¶ 61,149 (2013), *order on reh’g*, 146 FERC ¶ 61,209, *order on compliance*, 146 FERC ¶ 61,212 (2014), *order on reh’g & clarification*, 150 FERC ¶ 61,024, *order on compliance*, 150 FERC ¶ 61,025

provide Kammer Juniata's customers with sufficient information and procedural safeguards to facilitate the annual review of the inputs to the revenue requirement determination. Kammer Juniata's proposed Protocols are based on those approved by the Commission for NEET MidAtlantic,<sup>59</sup> a transmission-only company and PJM member, and incorporate the requirements from the *MISO Protocols Orders* and *N.E. Transmission*.

Kammer Juniata's proposed Protocols are consistent with the Commission's instructions to other entities with respect to (i) opportunities to participate in Kammer Juniata's information exchange process; (ii) the transparency of the information exchange; and (iii) the ability of interested parties to challenge Kammer Juniata's implementation of the Formula Rate.<sup>60</sup> Mr. Boykin explains that Kammer Juniata's Protocols govern the procedures for review and challenge of Kammer Juniata's rates resulting from the application of the Formula Rate for a particular Rate Year (January 1 – December 31).<sup>61</sup> The Protocols describe how the Formula Rate will be updated each year, set forth the review procedures, and explain how customer challenges will be resolved. The Protocols also explain how any changes to the annual true-up will be implemented. The Protocols therefore provide a transparent and meaningful opportunity for customers, to review and challenge the inputs to the Template.

## **F. Competitive Adjustments**

Kammer Juniata proposes to utilize a column in Attachment 1 to the Formula Rate Template that provides Kammer Juniata with flexibility to incorporate and reflect project-specific competitive adjustments to the ATRR for purposes of a competitive solicitation. This competitive adjustment feature changes the amount that could otherwise be collected under the Formula Rate as it relates to the awarded project. Any such adjustments will be reflected, through Column 13 of Attachment 1 to the Formula Rate Template, in the determination of the ATRR.<sup>62</sup>

## **V. THE COMPANY AND THE PROJECT QUALIFY FOR INCENTIVE RATE TREATMENTS**

Kammer Juniata seeks authorization to use four risk-mitigating incentive rate treatments for the Project: (i) Abandoned Plant Incentive, (ii) CWIP Incentive, (iii) Hypothetical Capital

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(2015) (“*MISO Protocols Orders*”); *N.E. Transmission*, 155 FERC ¶ 61,097 at P 127 (requiring the provision of information concerning affiliate cost allocation methodologies be provided during the annual update process be included in protocols); *Transource Kansas*, 151 FERC ¶ 61,010 at P 59; *LS Power Grid Cal., LLC*, 175 FERC ¶ 61,256 at P 20 (2021).

<sup>59</sup> See *PJM Interconnection, L.L.C.*, Docket No. ER25-2941-001 (delegated letter order) (Nov. 7, 2025).

<sup>60</sup> See generally, *MISO Protocols Orders*.

<sup>61</sup> Boykin Testimony at 19-20.

<sup>62</sup> *Id.* at 18.

Structure Incentive, and (iv) RTO Participation Adder. The requested incentives are consistent with Commission policy and precedent and will result in just and reasonable rates.

Order No. 679 requires that a request to obtain incentive rate treatment for transmission investment satisfy the requirements of FPA section 219 – *i.e.*, applicants must demonstrate that the facilities for which incentives are sought either ensure reliability or reduce the cost of delivered power by reducing transmission congestion.<sup>63</sup>

To demonstrate eligibility to receive transmission incentive rates, applicants must show that: (1) the project is needed to ensure reliability or reduce the cost of delivered power by relieving transmission congestion, and (2) there is a nexus between the incentives sought and the investment made.<sup>64</sup>

In Order No. 679, the Commission established a rebuttable presumption that a proposed transmission project will either ensure reliability or reduce the cost of delivered power by reducing transmission congestion if an applicant demonstrates one of the following: (i) the transmission project is the result of a fair and open regional planning process that considers and evaluates projects for their ability to ensure reliability or reduce congestion and is found to be acceptable to the Commission, or (ii) the project has received construction approval from an appropriate state commission or state siting authority.<sup>65</sup> As to the former, Order No. 679-A clarified that any regional planning process must consider whether the project ensures reliability *or* reduces congestion.<sup>66</sup> If a project does not qualify for the rebuttable presumption, it may nevertheless be eligible for incentives so long as the project sponsor presents a factual record supporting a finding that the project is needed to maintain reliability or reduce congestion.<sup>67</sup>

To demonstrate that a nexus exists between the incentives sought and the investment being made, applicants must show that the total package of incentives requested is tailored to address demonstrable risks or challenges faced by the applicant in undertaking the project.<sup>68</sup> The “nexus test” is fact-specific and requires the Commission to “analyze the need for each

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<sup>63</sup> Order No. 679, 116 FERC ¶ 61,057; Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594, 119 Stat. 594 at §§ 1261 *et seq.* (2005).

<sup>64</sup> Order No. 679, 116 FERC ¶ 61,057 at PP 37, 41-43; *see also* *Midcontinent Indep. Sys. Operator, Inc.*, 182 FERC ¶ 61,039 at P 15 (2023) (“*MISO*”); *Duquesne Light Co.*, 179 FERC ¶ 61,218 at P 3 (2022).

<sup>65</sup> Order No. 679, 116 FERC ¶ 61,057 at PP 57-58; *see also* *Duquesne*, 179 FERC ¶ 61,218 at P 3.

<sup>66</sup> Order No. 679-A, 117 FERC ¶ 61,345 at P 5.

<sup>67</sup> Order No. 679, 116 FERC ¶ 61,057 at P 57; Order No. 679-A, 117 FERC ¶ 61,345 at P 49 (“We continue to believe that, these approval processes will, in all likelihood, examine whether the project maintains reliability or reduces congestion. But in instances where this is not the case the applicant will bear the full burden of demonstrating such facts.”).

<sup>68</sup> Order No. 679, 116 FERC ¶ 61,057 at P 178; Order No. 679-A, 117 FERC ¶ 61,345 at P 27; *MISO*, 182 FERC ¶ 61,039 at P 15-16.

individual incentive, and the total package of incentives.”<sup>69</sup> Finally, applicants must demonstrate that the resulting rates are just and reasonable.

As explained below, the Kammer Juniata Project satisfies each of these requirements.

**A. The Kammer Juniata Project Qualifies for the Rebuttable Presumption Because it Resulted from the PJM RTEP Process, a Commission-Approved Fair and Open Regional Transmission Planning Process that Evaluates Projects for Reliability or Congestion**

The Kammer Juniata Project qualifies for the rebuttable presumption under Order No. 679 and the Commission’s regulations because it resulted from the PJM RTEP process, a Commission-approved fair and open regional planning process that evaluates transmission projects for reliability or congestion.<sup>70</sup> The Commission has consistently concluded that PJM’s RTEP process satisfies the rebuttable presumption based on findings that it is an open and transparent planning process that evaluates projects for reliability and/or congestion,<sup>71</sup> and PJM’s

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<sup>69</sup> 2012 Incentives Policy Statement, 141 FERC ¶ 61,129 at P 10.

<sup>70</sup> Order No. 679, 116 FERC ¶ 61,057 at P 58; *see* 18 C.F.R. § 35.35(i)(1)(i).

<sup>71</sup> *See, e.g., Potomac Edison Co., L.L.C.*, 189 FERC ¶ 61,161 at P 13 (2024) (“*Potomac*”); *PSEG Renewable Transmission LLC*, 188 FERC ¶ 61,142 at P 13 (2024) (“*PSEG*”); *PPL Elec. Utils. Corp., L.L.C.*, 188 FERC ¶ 61,084 at P 16 (2024) (“*PPL*”); *PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,045 at P 15 (2024); *Balt. Gas & Elec. Co.*, 187 FERC ¶ 61,030 at P 13 (2024); *NextEra Energy Transmission MidAtlantic Ind., Inc.*, 186 FERC ¶ 61,052 at P 17 (2024) (“*NextEra MidAtlantic Indiana*”); *PJM Interconnection, L.L.C.*, 185 FERC ¶ 61,200 at P 15 (2023); *Dayton Power & Light Co.*, 182 FERC ¶ 61,147 at P 20 (2023); *Duquesne*, 179 FERC ¶ 61,218 at P 15; *Dayton Power & Light Co.*, 172 FERC ¶ 61,140 at P 32 (“*Dayton*”), *order on reh’g*, 173 FERC ¶ 61,154 (2020), *order on clarification*, 174 FERC ¶ 61,119 (2021); *Am. Transmission Sys., Inc.*, 167 FERC ¶ 61,203 at P 18 (2019); *Duquesne Light Co.*, 167 FERC ¶ 61,081 at P 23 (2019) (“*Duquesne*”); *Mid-Atlantic Interstate Transmission, LLC*, 166 FERC ¶ 61,075 at P 20 (2019); *Duquesne Light Co.*, 166 FERC ¶ 61,074 at P 23 (2019); *Potomac Edison Co.*, 165 FERC ¶ 61,168 at P 19 (2018); *Balt. Gas & Electric Co. & PECO Energy Co.*, 163 FERC ¶ 61,188 at P 19 (2018); *PJM Interconnection*, 158 FERC ¶ 61,089 at P 19; *Ne. Transmission*, 155 FERC ¶ 61,097 at P 21; *PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,114 at P 26 (2016); *PJM Interconnection, LLC and Transource W. Virginia, LLC*, 152 FERC ¶ 61,180 at P 34 (2015) (“*Transource W. Virginia*”); *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,157 at P 18 (2014); *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,142 at P 18 (2014); *PPL Elec. Utils. Corp.*, 141 FERC ¶ 61,021 at P 17 (2012); *PJM Interconnection, L.L.C.*, 137 FERC ¶ 61,253 at P 19 (2011); *PJM Interconnection, L.L.C.*, 135 FERC ¶ 61,229 at P 57 (2011); *PJM Interconnection, L.L.C.*, 133 FERC ¶ 61,273 at P 41 (2010); *Pub. Serv. Elec. & Gas Co.*, 129 FERC ¶ 61,300 at P 22 (2009); *Balt. Gas & Elec. Co.*, 127 FERC ¶ 61,201 at P 24 (2009); *Trans-Allegheny Interstate Line Co.*, 126 FERC ¶ 61,286 at P 15 (2009); *Commonwealth Edison Co.*, 125 FERC ¶ 61,250 at P 24 (2008); *Pepero Holdings, Inc.*, 125 FERC ¶ 61,130 at P 32 (2008); *Duquesne Light Co.*, 125 FERC ¶ 61,028 at P 27 (2008); *Va. Elec. & Power Co.*, 124 FERC ¶ 61,207 at P 32 (2008); *Pepero Holdings, Inc.*, 124 FERC ¶ 61,176 at P 49 (2008); *PPL Elec. Utils. Corp. and Pub. Serv. Elec. & Gas Co.*, 123 FERC ¶ 61,068 at P 30 (2008); *Potomac-Appalachian Transmission Highline, L.L.C.*, 122 FERC ¶ 61,188 at P 31 (2008) (“*PATH*”), *order on reh’g*, 133 FERC ¶ 61,152 (2010); *Balt. Gas & Elec. Co.*, 120 FERC ¶ 61,084 at P 41 (2007); *Commonwealth Edison Co.*, 119 FERC ¶ 61,238 at P 52 (2007); *Trans-Allegheny Interstate Line Co.*, 119 FERC ¶ 61,219 at P 78 (2007).

2025 RTEP Window 1 reliability assessment is no different.<sup>72</sup>

The RTEP process evaluates transmission projects for reliability or congestion. The RTEP process “encompasses independent analysis, recommendation and approval to ensure that facility enhancements and cost responsibilities can be identified in a fair and non-discriminatory manner, free of any market sector’s influence. All PJM market participants can be assured that the proposed RTEP was created on a level playing field.”<sup>73</sup> The RTEP process includes ample opportunity for stakeholder input through frequent oral and written exchanges of information and reviews via the TEAC and PJM’s Mid-Atlantic, Southern, and Western RTEP Committees.<sup>74</sup> As such, “[a]ll PJM OATT facilities are planned through and included in this open, fully participatory, and transparent process.”<sup>75</sup>

PJM’s RTEP process leads to the development of specific projects to enhance the reliability and efficiency of the PJM network. The RTEP process requires PJM to evaluate separate factors that address reliability violations or operational performance issues, relieve economic constraints, and incorporate the development of transmission solutions to address public policy requirements.<sup>76</sup> The assumptions, inputs, methodologies, and results of PJM’s RTEP analyses are published in the Reliability Analysis Reports for each competitive window.

Accordingly, because the Kammer Juniata Project was evaluated and awarded for its reliability benefits in the PJM RTEP process, the Commission should find the Project qualifies for the rebuttable presumption under Order No. 679 and the Commission’s regulations.

**1. *The Specific Application of the RTEP Process that Led to the Award of the Kammer Juniata Project Both Confirms the Application of the Rebuttable Presumption and Demonstrates the Specific Reliability Benefits of the Project***

Even without the rebuttable presumption, the record evidence demonstrates that PJM’s 2025 RTEP Window 1 reliability analysis fully considered, evaluated, and made definitive

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<sup>72</sup> See *Rochester Gas & Elec. Corp.*, 188 FERC ¶ 61,001 at P 18 (“The Commission clarified in Order No. 679-A that its regulations ‘require each applicant seeking to invoke the rebuttable presumption to explain in its filing how the applicable process (regional planning or state approval) in fact considered whether the project ensures reliability or reduces congestion.’”) (quoting Order No. 679-A, 117 FERC ¶ 61,345 at P 49), *order on reh’g & clarification*, 189 FERC ¶ 61,001 (2024).

<sup>73</sup> [PJM Manual 14B: PJM Region Transmission Planning Process](#), § 2.2 (Revision 58, Effective Date: Dec. 17, 2025).

<sup>74</sup> *Id.* § 1.1.

<sup>75</sup> *Id.*

<sup>76</sup> PJM Operating Agreement, Schedule 6 § 1.5.8(b).

findings regarding the Kammer Juniata Project’s ability to ensure the reliability of the PJM transmission system.<sup>77</sup>

The 2025 RTEP Window 1 developed 5-year (2030) and 7-year (2032) base cases suited to analyze the effects of high-impact transmission, load, and generation drivers on system performance and to ensure that long-term reliability criteria violations are identified and solved. As further explained in the testimony of Mr. Ryan Colley, for the MAAC region, this analysis identified the following:

- Approximately 3.5 GW of additional anticipated load growth by 2030 in the PPL zone relative to the 2025 load forecast;
- Delayed in-service dates for approximately 7.5 GW of New Jersey offshore wind (“NJOSW”) resources; and
- A combination of in-service delays of 7.5 GW for NJOSW and increased load of approximately 3.5 GW in the PPL zone.<sup>78</sup>

In response to its solicitation of solutions to address the MAAC regional West to East transfer needs, PJM received two proposals that recommended variations of 765 kV line development from the Kammer substation in West Virginia to the Juniata substation in Pennsylvania in the PPL zone.<sup>79</sup> PJM found that both 765 kV proposals would reinforce the entire West to East corridor from the current 765 kV system edge at Kammer through the MAAC region and terminate at Juniata and/or Spicewood – *i.e.*, where there is significant data center development.<sup>80</sup> In evaluating the reliability benefits of both proposals, however, PJM found that compared to other project proposals for the MAAC region, Proposal 237 – which includes the Kammer Juniata Project – “provides stronger support to the Mid-Atlantic Region...and supports future load growth not only in PPL, but in the entire Mid-Atlantic Region” by offering “the highest transfer capability overall among studied transfer scenarios, preserv[ing] more of the existing 500 kV transmission capacity for utilization of interconnecting load or generation, and allows for adding further capability incrementally while maintaining more efficient or cost-effective orderly development of the transmission system.”<sup>81</sup> Thus, the Commission can rely on these definitive findings to conclude that the 2025 RTEP Window 1 process considered whether the Kammer Juniata Project ensures reliability of the PJM system.<sup>82</sup> On February 12, 2026, the

<sup>77</sup> *Rochester*, 188 FERC ¶ 61,001 at P 19.

<sup>78</sup> Colley Testimony at 7-8.

<sup>79</sup> *Id.* at 8.

<sup>80</sup> *Id.*

<sup>81</sup> PJM Interconnection, L.L.C., 1 at 58 (Jan. 23, 2025), available at: <https://www.pjm.com/-/media/DotCom/committees-groups/committees/teac/2026/20260106/20260106-2025-rtep-window-1-reliability-analysis-report.pdf>; see also Colley Testimony at 10.

<sup>82</sup> See *Great Basin Transmission, LLC*, 190 FERC ¶ 61,110 at P 37 (2025) (finding that a project did not qualify for a rebuttable presumption because “CAISO did not . . . make any definitive findings” about the project and thus there was “insufficient basis in the record to demonstrate that CAISO fully considered and evaluated Great

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PJM Board approved the 2025 RTEP Window 1 projects, including the Kammer Juniata Project.<sup>83</sup>

As the above shows, PJM’s 2025 RTEP Window 1 reliability analysis resulted in PJM’s definitive findings that the Kammer Juniata Project ensures reliability to the PJM system in satisfaction of Order No. 679, notwithstanding the application of the rebuttable presumption.

**B. The Kammer Juniata Project Satisfies the Nexus Requirement Because the Requested Incentives Are Tailored to the Demonstrable Risks and Challenges Faced by the Project**

Kammer Juniata’s request for incentive rate treatments satisfies the “nexus” requirement set forth in Order No. 679, and is consistent with section 219 of the FPA, as well as Commission policy and precedent. In determining whether an applicant has met the nexus test, the Commission examines “the total package of incentives being sought, the interrelationship between any incentives, and how any requested incentives address the risks and challenges faced by the project.”<sup>84</sup> Applicants do not need to show the project would not be built “but for” the incentives; rather, they must show that the incentives are “rationally related to the investments being proposed.”<sup>85</sup>

**1. Kammer Juniata Faces Significant Risks and Challenges in Financing, Developing, and Constructing the Project**

Kammer Juniata has no transmission assets, business history, or earnings history.<sup>86</sup> The Project consists of roughly 222 miles of extra-high voltage greenfield transmission projects that will cross state boundaries, with an ambitious June 2031 in-service date set by PJM.<sup>87</sup> For these reasons, Kammer Juniata will face significant permitting, siting, construction, procurement, and financial risks that present challenges to developing and constructing the Project.

Kammer Juniata must overcome these stated risks in parallel with one another and pursuant to PJM’s development timeline. As a result, Kammer Juniata faces a higher-than-average risk profile in developing the Project. Kammer Juniata’s risk is compounded by the fact that even if successful in overcoming these permitting, siting, construction, and procurement

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Basin’s Project for reliability and/or congestion relief through a fair and open regional transmission planning process . . .”).

<sup>83</sup> Colley Testimony at 9.

<sup>84</sup> Order No. 679, 116 FERC ¶ 61,057 at P 21.

<sup>85</sup> *Id.* P 16 (citation omitted).

<sup>86</sup> *See* Castaneda Testimony at 5.

<sup>87</sup> Colley Testimony at 10-11.

risks in one state, Kammer Juniata must overcome these same risks in the other state where the Project will be located at both the state and federal levels.<sup>88</sup>

**a. Permitting Risks**

There are several known permitting risks associated with the development of the Project. As explained by Mr. Colley, permitting risk refers to the uncertainty surrounding a project's ability to obtain governmental authorizations that allow construction to legally proceed.<sup>89</sup> Delays in obtaining permits or approvals can increase project costs and lead to missed milestones. Failure to obtain or comply with all regulatory and permitting requirements may result in fines, fees, or the loss of licenses or permits, which would prevent Kammer Juniata from lawfully proceeding with the Project, and may eventually lead to project failure.<sup>90</sup>

Mr. Colley explains that the Project includes multiple greenfield components that span approximately 222 miles and will require crossings over federal and state lands and waterbodies and state game lands, as well as several road crossings and agricultural lands.<sup>91</sup> One of the main risks in developing the Project is the significant permitting that will be required to route transmission facilities through federal and state lands (*i.e.*, crossings over federal civil works projects and federal waters). These transmission facilities will also route through agricultural lands. These routing features mean Kammer Juniata faces a complex permitting process that will require numerous public land use permits, historical or cultural preservation permits, as well as water and environmental permits at the federal, state, and local levels.

A current expected list of the key state, federal, and local regulatory approvals include, but are not limited to:

- State certificates of public convenience and necessity issued by West Virginia and Pennsylvania;
- A Section 404 Clean Water Act (“CWA”) permit, as administered by West Virginia and/or Pennsylvania;
- Consultation with the U.S. Army Corps of Engineers;
- Consultation with the U.S. Fish and Wildlife Service;
- Compliance with Section 106 of the National Historic Preservation Act;
- Compliance with the Endangered Species Act;
- Consultation with the state Departments of Natural Resources and/or related agencies;
- Permits and approvals from the Pennsylvania Game Commission;

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<sup>88</sup> *Id.* at 12-16.

<sup>89</sup> *Id.* at 14.

<sup>90</sup> *Id.* at 17-18.

<sup>91</sup> *See id.* at 13; *see* Exhibit No. RC-002.

- Water quality certifications and state water permits from the state Departments of Environmental Protection and/or related agencies;
- Permits and approvals from the local Board of Supervisors and/or related agencies; and
- Agricultural easements from the county Department of Agriculture and/or related agencies.

Given the number of permits and reviewing agencies, the development process and timing will be complicated. Kammer Juniata will have to coordinate with multiple federal, state, and local agencies and apply for several permits at the same time to meet PJM's tight development time frames. Although Kammer Juniata may be able to manage short permitting delays, Kammer Juniata will need all necessary regulatory approvals and permits on a timely basis to facilitate equipment and material procurement, the timely delivery of materials, and the hiring of work crews to complete the Project on pace.

Further, as Mr. Colley explains, there is no guarantee that any of the agencies from which Kammer Juniata needs a permit or other regulatory approval will grant them, or, if they do, that such approvals will not be subject to legal challenge.<sup>92</sup> There is a risk that these agencies may place conditions on the Project or restrictions on the start of construction until certain conditions are met, which could result in delays or require the abandonment of one or more components of the Project. Finally, there is also a risk the Project could be terminated if PJM determines the reliability needs justifying construction of the Project no longer exist in the region.<sup>93</sup>

#### **b. Siting Risks**

Mr. Colley further explains that siting risk refers to the uncertainty associated with identifying, acquiring, and preparing a parcel of land for construction work.<sup>94</sup> Siting risk exists to the extent a project developer may be unable to secure the appropriate land rights or may have to reroute a project due to unforeseen challenges in preparing the site for construction activities.

The Project includes greenfield extra high voltage transmission lines. Mr. Colley explains that the transmission facilities that make up the Project will cross two state boundaries: Pennsylvania and West Virginia, and therefore will require multiple certificates of public convenience and necessity ("CPCN" or "CCN") from different state regulatory commissions.<sup>95</sup> Applying for CPCN/CCNs from the Pennsylvania and West Virginia state commissions is a threshold step for Kammer Juniata during the pre-construction phase, because obtaining CPCN/CCNs will improve Kammer Juniata's ability to secure the needed land rights to develop

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<sup>92</sup> Colley Testimony at 14.

<sup>93</sup> *Id.* at 18.

<sup>94</sup> *Id.*

<sup>95</sup> *Id.* at 10-11, 13-14.

the Project. Because the PJM Board only recently approved the Project, Kammer Juniata has not yet initiated the CPCN/CCN process. Kammer Juniata faces significant time pressure to initiate the CPCN/CCN process within the next few months because CPCN/CCN proceedings in these states can be lengthy. Although the Participants have had prior success in obtaining CPCN/CCNs, it remains possible that one or both CPCN/CCN requests for the Project will be subject to conditions, legal challenge, or be denied altogether. If a CPCN/CCN application is denied, Kammer Juniata will face increased permitting risk insofar as it will have to secure all land rights on a piecemeal basis, which will significantly increase the time and resources required to obtain necessary ROW and other easements to route the Project. Such a piecemeal approach could add several months to the development timeline of the Project as well as considerable cost.

### **c. Construction Risks**

Kammer Juniata faces significant risks and challenges in developing the Project even after the required permits and regulatory approvals are obtained.<sup>96</sup> Mr. Colley explains that construction risk refers to the possibility of cost overruns, delays in completing a project, and failure of a project to satisfy design requirements or performance criteria required in the Project's financing documents.<sup>97</sup> Subject to final execution of the DEA, Kammer Juniata will be solely responsible for obtaining all necessary permits, siting, and other regulatory approvals for the Project. Kammer Juniata therefore bears all risk associated with the timely procurement of the permits, sites, labor, equipment, and materials necessary to construct the Project.

### **d. Procurement Risks**

Mr. Colley explains that procurement risk refers to uncertainties associated with all aspects of the construction supply chain as well as construction logistics and specifications.<sup>98</sup> Disruptions to the supply chain may lead to delays or cost overruns associated with finding replacement materials, labor, or equipment. These procurement risks are particularly pronounced for the extra high voltage (765 kV) transmission lines involved in the Kammer Juniata Project, because there are a limited number of suppliers of 765 kV materials – meaning Kammer Juniata has less flexibility to mitigate against supply chain disruptions. In addition, there is a 48-month lead time to procure major portions of 765 kV equipment, which means Kammer Juniata will have to begin procuring major equipment before it has received its state siting permits.<sup>99</sup>

Kammer Juniata also faces price risk in procuring the labor, equipment, and materials for the Project, given the recent uncertainty surrounding tariffs on imported goods, the continued

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<sup>96</sup> *Id.* at 15.

<sup>97</sup> *Id.* at 15.

<sup>98</sup> Colley Testimony at 15-16.

<sup>99</sup> *Id.*

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uncertainty about future inflation, and the five-year construction period.<sup>100</sup> Together, these factors mean Kammer Juniata faces significant procurement volatility.

**e. Financial Risks**

As explained by Ms. Stephanie Castaneda, Kammer Juniata has no business history, no established credit rating or other evidence of creditworthiness, no debt repayment history, and no earnings history. These factors are exacerbated by the fact that Kammer Juniata will have all of its assets invested in a single project.<sup>101</sup> Furthermore, because Kammer Juniata does not have an established financial track record and projects of this type generally do not generate cash flow until the project is in service, Kammer Juniata faces significant challenges in obtaining financing on reasonable terms.<sup>102</sup> As such, lenders will more closely scrutinize Kammer Juniata's ability to service debt than they would for transmission developers that have demonstrated financial histories and existing cash flows. Lenders' assessment of Kammer Juniata's debt service risk will be based on Kammer Juniata's cash flow projections, which depend in part on the regulatory approvals provided by the Commission for the transmission rate incentives requested herein.

To finance the Project, Kammer Juniata should achieve and maintain an investment grade credit rating. Ms. Castaneda notes that, because credit ratings have an inverse relationship to borrowing costs, as Kammer Juniata's credit rating improves, its cost of borrowing will decrease.<sup>103</sup> If Kammer Juniata's credit rating falls below the minimum investment grade level, Kammer Juniata would be required to pay a higher cost of debt.<sup>104</sup> Thus, in order to protect customers from the rate effects of a higher cost of debt, Kammer Juniata is seeking to maintain investment grade credit quality to support steady access to capital markets, obtain debt on reasonable terms, and address potential cash flow volatility associated with the construction of the Project. In short, the significant capital requirements necessary to support the Project require Kammer Juniata to provide assurances to prospective lenders that pursuing development will not strain cash flows needed to cover fixed and operating costs. Obtaining the requested transmission rate incentives will provide these much-needed financial assurances to investors.

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<sup>100</sup> *Id.* at 16.

<sup>101</sup> Castaneda Testimony at 5.

<sup>102</sup> *See id.* at 6.

<sup>103</sup> *Id.* at 7.

<sup>104</sup> *Id.*

**2. The Requested Incentives Will Each Address Demonstrable Risks and Challenges in Developing the Project**

**a. The Abandoned Plant Incentive is Tailored to Mitigate the Risks and Challenges Associated with Developing the Project**

Kammer Juniata requests authorization to receive the Abandoned Plant Incentive to permit recovery of 100 percent of prudently incurred costs of the Project in the event the Project or any of its components are abandoned for reasons beyond Kammer Juniata's control. The Commission has consistently granted the Abandoned Plant Incentive for transmission developers across several RTO/ISO regions, including PJM, for the last several years.<sup>105</sup> Recently, in *New York Transco, LLC*, the Commission reaffirmed its longstanding position that “[i]n Order No.

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<sup>105</sup> *Midcontinent Indep. Sys. Operator, Inc.*, 190 FERC ¶ 61,067 at P 29 (2025); *Midcontinent Indep. Sys. Operator, Inc.*, 189 FERC ¶ 61,247 at P 25 (2024); *United Illuminating Co.*, 189 FERC ¶ 61,221 at PP 28-29 (2024); *Potomac*, 189 FERC ¶ 61,161 at P 20; *PSEG*, 188 FERC ¶ 61,142 at P 16; *Mid-Atlantic Offshore Dev.*, 186 FERC ¶ 61,116 at P 42 (2024) (“*Mid-Atlantic Offshore*”); *PPL*, 188 FERC ¶ 61,084 at P 24; *Pac. Gas & Elec. Co.*, 188 FERC ¶ 61,072 at P 36 (2024); *N.Y. Power Auth.*, 188 FERC ¶ 61,071 at P 23 (2024); *PJM Interconnection*, 188 FERC ¶ 61,045 at P 23; *Horizon W. Transmission, LLC*, 188 FERC ¶ 61,044 at P 18 (2024); *Mich. Elec. Transmission Co., LLC*, 187 FERC ¶ 61,227 at P 17 (2024); *Midcontinent Indep. Sys. Operator, Inc.*, 187 FERC ¶ 61,219 at P 18 (2024); *Southern Cal. Edison Co.*, 187 FERC ¶ 61,205 at P 39 (2024); *Midcontinent Indep. Sys. Operator, Inc.*, 187 FERC ¶ 61,072 at P 30 (2024); *Baltimore Gas & Elec.*, 187 FERC ¶ 61,030, at P 20; *Midcontinent Indep. Sys. Operator, Inc.*, 186 FERC ¶ 61,092 at P 50 (2024); *NextEra MidAtlantic Indiana*, 186 FERC ¶ 61,052 at P 23; *Midcontinent Indep. Sys. Operator, Inc.*, 186 FERC ¶ 61,029 at P 32 (2024); *Midcontinent Indep. Sys. Operator, Inc.*, 185 FERC ¶ 61,242 at P 22 (2023); *New York Transco, LLC*, 185 FERC ¶ 61,222 at P 46 (2023) (“*N.Y. Transco*”); *PJM Interconnection*, 185 FERC ¶ 61,200 at P 21; *Pub. Serv. Elec. & Gas Co.*, 185 FERC ¶ 61,136 at P 25 (2023); *Midcontinent Indep. Sys. Operator, Inc. Mich. Elec. Transmission Co., LLC*, 185 FERC ¶ 61,105 at P 16 (2023); *N.Y. Power Auth.*, 185 FERC ¶ 61,102 at P 23 (2023); *Potomac Edison Co.*, 185 FERC ¶ 61,083 at P 28 (2023); *Midcontinent Indep. Sys. Operator, Inc.*, 185 FERC ¶ 61,066 at P 35 (2023); *NextEra Energy Transmission Sw., LLC*, 185 FERC ¶ 61,023 at P 22 (2023); *Am. Transmission Co.*, 185 FERC ¶ 61,022 at P 17 (2023); *Montana-Dakota Utils. Co.*, 185 FERC ¶ 61,015 at P 23 (2023); *Midcontinent Indep. Sys. Operator, Inc.*, 184 FERC ¶ 61,136 at P 24 (2023); *GridLiance W. LLC*, 184 FERC ¶ 61,129 at P 17 (2023); *Silver Run Elec., LLC*, 184 FERC ¶ 61,092 at P 30 (2023); *ITC Midwest, LLC*, 184 FERC ¶ 61,083 at P 43 (2023); *Republic Transmission, LLC*, 184 FERC ¶ 61,040 at P 20 (2023); *Midcontinent Indep. Sys. Operator, Inc.*, 184 FERC ¶ 61,034 at P 49 (2023); *Otter Tail Power Co.*, 183 FERC ¶ 61,121 at P 33 (2023); *LS Power Grid Cal., LLC*, 182 FERC ¶ 61,201 at P 24 (2023); *Nev. Power Co.*, 182 FERC ¶ 61,186 at P 48 (2023) (“*Nevada Power*”); *Dayton Power*, 182 FERC ¶ 61,147 at P 37; *MISO*, 182 FERC ¶ 61,039 at P 27; *N.Y. Power Auth.*, 182 FERC ¶ 61,017 at P 19 (2023); *Am. Transmission Sys., Inc.*, 167 FERC ¶ 61,203 at P 17 (2019); *Duquesne*, 167 FERC ¶ 61,081 at P 25; *Mid-Atlantic Interstate Trans.*, 166 FERC ¶ 61,075 at P 19; *Duquesne Light*, 166 FERC ¶ 61,074 at P 25; *Potomac Edison*, 165 FERC ¶ 61,168 at P 18; *Balt. Gas & Elec.*, 163 FERC ¶ 61,188 at P 18; *PJM Interconnection*, 158 FERC ¶ 61,089 at P 50; *DesertLink, LLC*, 156 FERC ¶ 61,118 at P 28 (2016) (“*DesertLink*”); *NE. Transmission*, 155 FERC ¶ 61,097 at P 54; *PJM Interconnection*, 154 FERC ¶ 61,114 at P 24; *Transource W. Va.*, 152 FERC ¶ 61,180 at P 43 (2015); *MidAmerican Transco Cent. Cal. Transco*, 147 FERC ¶ 61,179 at P 41 (2014) (“*MidAmerican Transco*”); *PJM Interconnection*, 147 FERC ¶ 61,157 at P 34; *PJM Interconnection*, 147 FERC ¶ 61,142 at 36; *Transource Mo., LLC*, 141 FERC ¶ 61,075 at P 61 (2012) (“*Transource Missouri*”); *PJM Interconnection*, 137 FERC ¶ 61,253 at P 77; *PJM Interconnection*, 135 FERC ¶ 61,229 at P 80; *S. Cal. Edison Co.*, 133 FERC ¶ 61,107 at P 88 (“*S. Cal. Edison*”), order on reh’g, 133 FERC ¶ 61,255 (2010); *Pub. Serv. Elec. & Gas*, 129 FERC ¶ 61,300 at P 40; *Balt. Gas & Elec.*, 127 FERC ¶ 61,201 at P 41; *PPL Elec. Utils. Corp.*, 123 FERC ¶ 61,068 at P 46; *PATH*, 122 FERC ¶ 61,188 at P 47.

679, the Commission found that the Abandoned Plant Incentive is an effective means of encouraging transmission development by reducing the risk of non-recovery of costs when a project is abandoned for reasons outside the applicant's control."<sup>106</sup> The Commission has further explained that the Abandoned Plant Incentive "will assure potential investors that they will likely be able to recover some part of their investments."<sup>107</sup>

As noted above, the primary risks that could lead to cancellation of any component of the Project that are outside Kammer Juniata's control include the permitting, siting, construction, and procurement risks described herein. These risks and challenges create significant uncertainty during the pre-construction phase because it is unclear whether Kammer Juniata will be able to timely secure all land rights and regulatory approvals necessary to begin construction. Even assuming that Kammer Juniata secures these approvals, Kammer Juniata will continue to face significant risk in the construction phase insofar as it must procure all labor and long-lead equipment and materials within a supply-strained and price-increasing economic environment and under a five-year construction timeline. Kammer Juniata also faces continued risk during the construction phase to the extent that it may encounter challenges in siting the hundreds of miles of greenfield transmission facilities, which may prevent Kammer Juniata from constructing on its proposed route. Any changes needed to the proposed route may lead to cancellation of the Project if Kammer Juniata is unable to secure land rights to support an alternative route within the Project budget. If any of these development criteria cannot be satisfied, the Project will be unable to achieve commercial operation, and the Project will be cancelled. In short, the Abandoned Plant Incentive will enable Kammer Juniata to initiate long-lead activities that, if delayed until the applicable CPCN/CCNs are granted, will materially threaten the Kammer Juniata's ability to achieve PJM-mandated construction milestones and, likely, the target in-service date.

The Abandoned Plant Incentive will also play a critical role in mitigating the risk of cancellation by significantly improving Kammer Juniata's ability to access capital needed to finance the Project prior to the facilities entering service because it will provide upfront assurance to prospective lenders regarding the risks of construction. If lenders perceive that the Project presents an acceptable level of risk, Kammer Juniata will be able to secure debt financing. If lenders perceive Kammer Juniata's permitting, construction, siting, and procurement risks as too high, Kammer Juniata will not be able to secure debt financing.

Although the entire Project could be cancelled because of any of the individual risks stated above, it is also conceivable that only one or two components of the Project may be cancelled while other portions continue to proceed with development. Therefore, it is possible that Kammer Juniata could be required to use the Abandoned Plant Incentive for only a portion of the Project. Although this is unlikely, it illustrates the need for Kammer Juniata to receive

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<sup>106</sup> *N.Y. Transco*, 185 FERC ¶ 61,222 at P 46 (citation omitted); *see also Dayton*, 172 FERC ¶ 61,140 at P 70.

<sup>107</sup> *Desert Sw. Power, LLC*, 135 FERC ¶ 61,143 at P 71 (2011).

authorization for the Abandoned Plant Incentive, as well as the other transmission rate incentives sought in this filing.

Accordingly, Kammer Juniata requests authorization to receive 100% of prudently incurred costs expended on the Project on and after the effective date granted in this order if any component of the Project is cancelled for reasons beyond Kammer Juniata's control. To demonstrate the prudence of any such costs, Kammer Juniata will make a FPA section 205 filing at the time it seeks recovery of abandoned plant costs.

**b. The CWIP Incentive is Tailored to Mitigate Financing and Development Risk Associated with the Project**

Kammer Juniata requests authorization to include 100% of prudently incurred CWIP in rate base during the development and construction phase of the Project, consistent with Commission precedent granting the same.<sup>108</sup> The Commission has stated that “this rate incentive treatment will advance the goals of section 219 by providing up-front regulatory certainty, rate stability, and improved cash flow, thereby reducing the pressure on an applicant’s finances caused by investing in transmission projects.”<sup>109</sup> The Commission has authorized the CWIP Incentive in many prior proceedings,<sup>110</sup> and has found this incentive does not change the level of cost recovery, but instead “addresses timing issues associated with the recovery of financing costs for large transmission investments and allows recovery of a return on construction costs during the construction period rather than delaying cost recovery until the plant is placed into

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<sup>108</sup> See *Midcontinent Indep. Sys. Operator*, 189 FERC ¶ 61,247 at P 19; *United Illuminating*, 189 FERC ¶ 61,221 at P 22; *Horizon West*, 188 FERC ¶ 61,044 at P 24; *Pac. Gas & Elec.*, 188 FERC ¶ 61,072 at P 30; *GridLiance W. LLC*, 187 FERC ¶ 61,223 at P 22 (2024); *Midcontinent Indep. Sys. Operator*, 187 FERC ¶ 61,072 at P 22; *Southern Cal.*, 187 FERC ¶ 61,205 at P 33; *NextEra MidAtlantic Indiana*, 186 FERC ¶ 61,052 at P 27; *Midcontinent Indep. Sys. Operator*, 185 FERC ¶ 61,242 at P 17; *N.Y. Transco*, 185 FERC ¶ 61,222 at P 51; *Midcontinent Indep. Sys. Operator*, 185 FERC ¶ 61,066 at P 30; *Mont.-Dakota Utils.*, 185 FERC ¶ 61,015 at P 17; *Midcontinent Indep. Sys. Operator*, 184 FERC ¶ 61,136 at P 21; *N.Y. Indep. Sys. Operator, Inc.*, 184 FERC ¶ 61,059 at P 29 (2023); *Midcontinent Indep. Sys. Operator*, 184 FERC ¶ 61,034 at P 38; *Otter Tail Power*, 183 FERC ¶ 61,121 at P 30; *Nevada Power*, 182 FERC ¶ 61,186 at P 70; *Dayton Power*, 182 FERC ¶ 61,147 at P 29; *MISO*, 182 FERC ¶ 61,039 at P 25; *Duquesne*, 179 FERC ¶ 61,218 at P 16; *Duquesne Light*, 167 FERC ¶ 61,081 at P 30; *Duquesne*, 166 FERC ¶ 61,074 at P 30; *GridLiance West Transco LLC*, 160 FERC ¶ 61,003 at P 38 (2017); *PJM Interconnection*, 158 FERC ¶ 61,089 at P 33; *Transource W. Va.*, 152 FERC ¶ 61,180 at P 48; *PJM Interconnection*, 147 FERC ¶ 61,157 at P 24; *PJM Interconnection*, 147 FERC ¶ 61,142 at 26; *Transource Missouri*, 141 FERC ¶ 61,075 at P 50; *PPL Elec. Utils.*, 141 FERC ¶ 61,021 at P 43; *PJM Interconnection*, 137 FERC ¶ 61,253 at P 70; *PJM Interconnection*, 135 FERC ¶ 61,229 at P 78; *S. Cal Edison*, 133 FERC ¶ 61,107 at P 79; *Pub. Serv. Elec. & Gas*, 129 FERC ¶ 61,300 at P 44; *Duquesne Light*, 125 FERC ¶ 61,028 at P 37; *PPL Elec. Utils. Corp.*, 123 FERC ¶ 61,068 at P 42; *PATH*, 122 FERC ¶ 61,188 at P 40.

<sup>109</sup> *Midcontinent Indep. Sys. Operator*, 184 FERC ¶ 61,034 at P 39.

<sup>110</sup> *MISO*, 182 FERC ¶ 61,039; *Duquesne*, 179 FERC ¶ 61,218; *Dayton*, 172 FERC ¶ 61,140.

service.”<sup>111</sup> The significant capital investment required for the Project (roughly \$1.7 billion) will create financial pressures for Kammer Juniata in several ways.

First, developing the Project without the CWIP Incentive will put pressure on cash flows because the Project construction cost will greatly increase cash outflows with no corresponding rate recovery. As the Commission has explained in regard to the CWIP Incentive:

[g]iven the long lead time required to construct new transmission, and the associated cash flow difficulties faced by many entities wishing to invest in new transmission, the Final Rule provides that, where appropriate, the Commission will allow for the recovery of 100 percent of CWIP in rate base. Here again, we seek to remove an impediment – inadequate cash flow – that our current regulations can present to those investing in new transmission.<sup>112</sup>

As explained by Ms. Castaneda, the CWIP Incentive will enhance cash flows during the construction period.<sup>113</sup> Because the construction period for the Project is expected to last several years, Kammer Juniata will experience a significant outflow of cash from paying contractors and other third parties for construction services. This outflow of cash year-over-year will strain Kammer Juniata’s cash flows unless it receives an inflow of cash during the construction period, which the CWIP Incentive provides. Thus, receipt of the CWIP Incentive will improve the Company’s credit metrics during the multi-year construction of the Project.

Ms. Castaneda explains that having consistent and stable cash flows during construction is a crucial factor for credit ratings agencies’ analysis.<sup>114</sup> When evaluating Kammer Juniata’s credit quality, credit ratings agencies typically consider, among other factors, Funds From Operations to Total Debt (“FFO/Debt”) as an indicating metric, which measures the ability of a company to service its financial obligations with operating cash flow. Approval of the CWIP Incentive would allow for FFO during construction, thus improving Kammer Juniata’s credit metrics. In contrast, absent the CWIP Incentive, Kammer Juniata would have no FFO during construction, which would raise its financing risks and costs. In short, better cash flows indicate to investors that a project presents less risk to their investment. The lower the perceived risk of the investment, the lower the cost of capital investors will charge to project developers like Kammer Juniata.<sup>115</sup>

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<sup>111</sup> 2012 Incentives Policy Statement, 141 FERC ¶ 61,129 at P 12; Order No. 679-A, 117 FERC ¶ 61,345 at P 38.

<sup>112</sup> Order No. 679, 116 FERC ¶ 61,057 at P 29.

<sup>113</sup> Castaneda Testimony at 8.

<sup>114</sup> *Id.* at 9.

<sup>115</sup> *Id.*

The CWIP Incentive also benefits customers because it allows the Kammer Juniata Project to be developed at a lower cost than if an allowance for funds used during construction (“AFUDC”) recovery mechanism were employed.<sup>116</sup> First, the CWIP Incentive will lower Kammer Juniata’s rate base amount (and associated revenue requirement) once the Project is in service because Kammer Juniata will not capitalize financing costs during the period when CWIP will be included in rate base (as would be the case if AFUDC were employed instead). Second, because the CWIP Incentive will produce stronger cash flow metrics and improve credit strength, the CWIP Incentive ultimately should lower Kammer Juniata’s overall borrowing costs for a given level of debt, as compared to a project constructed with a recovery mechanism entirely based on AFUDC. This lower cost, in turn, passes through to customers. Finally, the CWIP Incentive improves rate stability by gradually increasing rates as project expenses occur.<sup>117</sup>

As such, the requested CWIP Incentive is tailored to the risks and challenges of the Project and will produce a just and reasonable result.

**c. The Hypothetical Capital Structure Incentive Is Tailored to Mitigate Financing and Development Risk Associated with the Project**

Kammer Juniata requests approval to use a hypothetical capital structure of 40% debt and 60% equity until the Project is placed in service, at which time it proposes to use its actual capital structure.<sup>118</sup> Use of a hypothetical capital structure here is appropriate to improve Kammer Juniata’s access to capital to finance the Project, and consistent with Commission precedent.<sup>119</sup>

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<sup>116</sup> *Id.* at 10.

<sup>117</sup> *Id.*

<sup>118</sup> *Id.* at 13. To calculate its actual capital structure, Kammer Juniata proposes to use its most recent 13-month average capital structure. Castaneda Testimony at 13; *see also* Boykin Testimony at 17 and Note Q of Formula Rate Template.

<sup>119</sup> *See Midcontinent Indep. Sys. Operator*, 189 FERC ¶ 61,249 at P 24 (2024); *LS Power Grid Cal., LLC*, 189 FERC ¶ 61,027 at P 32 (2024); *PSEG*, 188 FERC ¶ 61,142 at P 27; *Mid-Atlantic Offshore*, 186 FERC ¶ 61,116 at P 46; *Viridon New York*, 186 FERC ¶ 61,125 at P 28; *Midcontinent Indep. Sys. Operator*, 185 FERC ¶ 61,242 at P 17; *Viridon Cal. LLC*, 186 FERC ¶ 61,143 at P 48 (2024) (“*Viridon California*”); *Viridon New England*, 186 FERC ¶ 61,205 at P 17; *Viridon Midcontinent*, 186 FERC ¶ 61,138 at P 29; *Viridon Sw. LLC*, 186 FERC ¶ 61,123 at P 28 (2024) (“*Viridon Southwest*”); *Midcontinent Indep. Sys. Operator*, 184 FERC ¶ 61,136 at P 21; *MISO*, 182 FERC ¶ 61,039 at P 25; *TransCanyon West*, 175 FERC ¶ 61,007 at P 29; *NextEra MidAtlantic*, 161 FERC ¶ 61,141 at P 30; *PJM Interconnection*, 158 FERC ¶ 61,089 at P 47; *DesertLink*, 156 FERC ¶ 61,118 at P 36; *N.E. Transmission*, 155 FERC ¶ 61,097 at P 50; *PJM Interconnection, LLC*, 152 FERC P 61,180 at P 40 (2015); *Transource Kansas*, 151 FERC ¶ 61,010 at P 25; *Xcel Energy Sw.*, 149 FERC ¶ 61,182 at P 22; *Xcel*, 149 FERC ¶ 61,181 at P 13; *MidAmerican Transco*, 147 FERC ¶ 61,179 at P 38; *Transource Missouri*, 141 FERC ¶ 61,075 at P 66; *Trans-Allegheny Interstate*, 119 FERC ¶ 61,219 at P 75.

In Order No. 679, the Commission found that a hypothetical capital structure “can be an effective tool available to public utilities to foster transmission investment in appropriate circumstances.”<sup>120</sup> The Commission has allowed hypothetical capital structures for transmission developers to facilitate “improved access to capital markets for transmission investment and . . . its use for specific projects when shown to be necessary for project financing, among other things.”<sup>121</sup>

Ms. Castaneda explains that the primary risks that the Hypothetical Capital Structure Incentive addresses are the fluctuations in Kammer Juniata’s capital structure during the development and construction phase of the Project, as well as the associated financing risks.<sup>122</sup> As a new transmission developer, Kammer Juniata does not have a stable debt-to-equity capital structure. As such, during the development and construction phase of the Project, Kammer Juniata’s actual capital structure is expected to fluctuate due to the timing, amount, and frequency of new borrowings and equity infusions. Similarly, the substantial investment needed to develop the Project will also cause actual capitalization to fluctuate significantly in accordance with the cash demands of project construction. Thus, because this pattern of financing is expected to continue at least through the construction phase, a Hypothetical Capital Structure will protect customers from this capital structure uncertainty.<sup>123</sup>

Ms. Castaneda further explains that the use of a Hypothetical Capital Structure will also address financing risks associated with constructing the Project because a stable capital structure will assist Kammer Juniata’s access to capital markets.<sup>124</sup> The increased predictability and stability of Kammer Juniata’s capital structure for ratemaking purposes will provide regulatory certainty to lenders and better support any external construction-related financing. Therefore, granting the Hypothetical Capital Structure Incentive addresses these risks and protects customers from paying higher rates resulting from uncertainty surrounding the use of an actual capital structure.<sup>125</sup>

Kammer Juniata requests approval to use a Hypothetical Capital Structure of 40 percent debt and 60 percent equity during project construction, which is consistent with Commission precedent granting similar treatment.<sup>126</sup> In *Tallgrass Transmission, LLC*, the Commission

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<sup>120</sup> Order No. 679, 116 FERC ¶ 61,057 at P 131; Order No. 679-A, 117 FERC ¶ 61,345 at P 93 (same); *see also* 18 C.F.R. § 35.35(d)(1)(iv).

<sup>121</sup> Order No. 679, 116 FERC ¶ 61,057 at P 131 (citation omitted).

<sup>122</sup> *See* Castaneda Testimony at 13.

<sup>123</sup> *Id.*

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

<sup>126</sup> *See, e.g., Midcontinent Grid*, 192 FERC ¶ 61,208 (granting hypothetical capital structure of 60% equity and 40% debt); *Viridon Mid-Atl.*, 186 FERC ¶ 61,074 at P 29 (same); *NextEra MidAtlantic*, 161 FERC ¶ 61,141 at P 30 (same); *NextEra Energy Transmission Midwest*, 161 FERC ¶ 61,140 at P 30 (same); *NextEra Energy Transmission Sw., LLC*, 161 FERC ¶ 61,139 at P 35 (2017) (same); *NextEra Energy Transmission New York, Inc.*, 161 FERC ¶

recognized that the use of a stable debt-to-equity ratio for ratemaking purposes during construction provides certainty and improves access to capital.<sup>127</sup> The Commission has also found that the use of a hypothetical capital structure during construction “will result in lower debt costs for the company, while also permitting it to vary its financing vehicles to the needs of the construction process, including such issues as timing of expenditures, regulatory developments, and changes in financial market conditions.”<sup>128</sup> The Commission also found that using a hypothetical capital structure during the construction period is a “pragmatic approach to address . . . fluctuating capital structure” at the outset of a project’s development.<sup>129</sup>

For these reasons, Kammer Juniata’s request to use the Hypothetical Capital Structure Incentive is tailored to address the risks and challenges faced because it addresses uncertainty surrounding the use of an actual capital structure during project construction and will apply only during the period in which its use could harm customers. Further, by protecting customers, the use of a Hypothetical Capital Structure will produce a just and reasonable result.

#### **d. The RTO Participation Adder Is Appropriate**

Consistent with FPA section 219(c),<sup>130</sup> Order No. 679, and Commission precedent, Kammer Juniata requests a 50 basis-point adder to its base ROE in recognition of its commitment to turn over functional control of all transmission assets to PJM. The Commission determined in Order No. 679 that it will approve ROE adders “for public utilities that join and/or continue to be a member of an ISO, RTO, or other Commission-approved Transmission Organization.”<sup>131</sup> A utility is presumed eligible for an RTO Participation Adder “if it can demonstrate that it has joined an RTO . . . and that its membership is on-going.”<sup>132</sup> As the

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61,138 at P 34 (2017) (same); *PJM Interconnection*, 158 FERC ¶ 61,089 at P 47 (same); *Transource W. Virginia*, 152 FERC ¶ 61,180 at P 40 (same); *South Central MCN*, 153 FERC ¶ 61,099 at P 37 (2015) (same); *GridLiance Heartland*, 166 FERC ¶ 61,067 at P 46 (2019) (same); *Transource Missouri*, 141 FERC ¶ 61,075 at P 66 (same); *Mw. Power Transmission Ark., LLC*, 152 FERC ¶ 61,210 at P 20 (2015) (same); *Kanstar Transmission, LLC*, 152 FERC ¶ 61,209 at P 28 (2015) (same); *Transource Kansas*, 151 FERC ¶ 61,010 at P 25 (same); *Green Power Express LP*, 127 FERC ¶ 61,031 at P 72 (2009) (same); *Primary Power, LLC*, 131 FERC ¶ 61,015 at P 141 (2010) (same), *order on clarification*, 140 FERC ¶ 61,052 (2012), *aff’d sub nom. Pub. Serv. Elec. & Gas Co. v. FERC*, 783 F.3d 1270 (D.C. Cir. 2015); *Atl. Grid Operations A LLC*, 135 FERC ¶ 61,144 at P 121 (2011) (same).

<sup>127</sup> *Tallgrass Transmission, LLC*, 125 FERC ¶ 61,248 at P 68 (2008), *reh’g denied*, 150 FERC ¶ 61,224 at PP 46-52 (2015).

<sup>128</sup> *PATH*, 122 FERC ¶ 61,188 at P 55.

<sup>129</sup> *Id.* (citing *Trans-Allegheny Interstate*, 119 FERC ¶ 61,219 at PP 74-76).

<sup>130</sup> 16 U.S.C. § 824s(c) (“In the rule issued under this section, the Commission shall, to the extent within its jurisdiction, provide for incentives to each transmitting utility or electric utility that joins a Transmission Organization. The Commission shall ensure that any costs recoverable pursuant to this subsection may be recovered by such utility through the transmission rates charged by such utility or through the transmission rates charged by the Transmission Organization that provides transmission service to such utility.”).

<sup>131</sup> Order No. 679, 116 FERC ¶ 61,057 at P 326; Order No. 679-A, 117 FERC ¶ 61,345 at P 86.

<sup>132</sup> Order No. 679, 116 FERC ¶ 61,057 at P 327.

Commission has explained, the basis for the RTO Participation Adder is a recognition of the benefits that flow from membership in an RTO and that continuing membership is generally voluntary.<sup>133</sup> Further, as long as the resulting, total ROE is within the zone of reasonableness after applying the RTO adder, the Commission routinely approves this incentive.<sup>134</sup>

As described above, Kammer Juniata will become a PJM transmission owner and transfer functional control of its facilities to PJM once they are put in service, Kammer Juniata will recover the costs of its transmission assets from PJM customers through the inclusion of their annual transmission revenue requirement in PJM's rates. The Commission has routinely approved the RTO Participation Adder for use by nonincumbent transmission developers and should do so here.<sup>135</sup>

### **C. The Total Package of Requested Incentives Addresses the Unique Risks of the Project**

To satisfy Order No. 679's eligibility standard, applicants must provide support for the Commission "to evaluate each element of the package and the interrelationship of all elements of the package."<sup>136</sup> Applicants must "demonstrate that the total package of incentives is tailored to address the demonstrable risks or challenges faced by the applicant."<sup>137</sup> Kammer Juniata submits that the particular combination of the requested incentives package is tailored to mitigate the specific risks it faces. For instance, the Abandoned Plant Incentive will mitigate risk of cancellation of the Project due to factors beyond Kammer Juniata's control and improve Kammer Juniata's ability to initiate construction activities. Additionally, the CWIP Incentive will help improve Kammer Juniata's credit profile through stable cash flows, thereby benefitting consumers by lowering costs to develop the Project. Moreover, the Hypothetical Capital Structure Incentive will help alleviate unstable financing during the Project's construction.

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<sup>133</sup> *Id.* P 331; *Midcontinent Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,004 at PP 41-44 (2015), *reh'g denied & granting clarification*, 151 FERC ¶ 61,269 (2015).

<sup>134</sup> *See Midcontinent Indep. Sys. Operator, Inc.*, 190 FERC ¶ 61,067 at P 33; *Mid-Atlantic Offshore*, 186 FERC ¶ 61,116 at P 48; *Viridon New York*, 186 FERC ¶ 61,125 at P 30; *Viridon California*, 186 FERC ¶ 61,143 at P 52; *Viridon New England*, 186 FERC ¶ 61,205 at P 19; *Viridon Midcontinent*, 186 FERC ¶ 61,138 at P 31; *Viridon Southwest*, 186 FERC ¶ 61,123 at P 30; *N.Y. Transco*, 185 FERC ¶ 61,222 at P 57; *Sw. Power Pool, Inc.*, 185 FERC ¶ 61,218 at P 40 (2023); *Consol. Edison Co. of N.Y.*, 185 FERC ¶ 61,091 at P 59 (2023); *Sw. Power Pool, Inc.*, 177 FERC ¶ 61,230 at P 21 (2021); *Monongahela Power Co.*, 173 FERC ¶ 61,290 at P 60 (2020); *PJM Interconnection, L.L.C.*, 169 FERC ¶ 61,205 at P 29 (2019); *NextEra MidAtlantic*, 161 FERC ¶ 61,141 at P 35; *PJM Interconnection*, 158 FERC ¶ 61,089 at P 72; *DesertLink*, 156 FERC ¶ 61,118 at P 33; *N.E. Transmission*, 155 FERC ¶ 61,097 at P 94; *Transource W. Va.*, 152 FERC ¶ 61,180 at P 52; *Transource Kansas*, 151 FERC ¶ 61,010 at P 46; *Xcel Energy Sw.*, 149 FERC ¶ 61,182 at P 64; *MidAmerican Transco*, 147 FERC ¶ 61,179 at P 45; *Transource Missouri*, 141 FERC ¶ 61,075 at P 75; *PPL Elec. Utils. Corp.*, 123 FERC ¶ 61,068 at P 35; *PATH*, 122 FERC ¶ 61,188 at P 28; *Balt. Gas & Elec.*, 120 FERC ¶ 61,084 at P 31.

<sup>135</sup> *See supra* n.133.

<sup>136</sup> *MISO*, 182 FERC ¶ 61,039 at P 16 (citation omitted).

<sup>137</sup> Order No. 679-A, 117 FERC ¶ 61,345 at P 27 (emphasis original).

Similarly, the RTO Participation Adder will assist Kammer Juniata in attracting capital that will be used to provide cash flows necessary to develop the Project. Accordingly, Kammer Juniata's application satisfies the requirements of FPA section 219 because the total package of incentives is tailored to the Project's demonstrable risks and challenges.

#### **D. The Resulting Rates Are Just and Reasonable**

Section 205 of the FPA requires public utility rates to be just and reasonable.<sup>138</sup> The Commission has recognized its authority under section 205 to approve incentive rates "when they would promote the Commission's policies."<sup>139</sup> This authority exists in addition to the incentive rate policy under Order No. 679.<sup>140</sup> In the event the Commission determines Kammer Juniata has not met the requirements under Order No. 679, the Commission should authorize the use of the requested incentive rate treatments pursuant to its section 205 authority.

In exercising its authority under FPA section 205 to grant incentive rate treatments, the Commission considers, "among other [] factors, whether the incentive encourages the development of much-needed transmission facilities, improves the performance of the grid by increasing the transfer capability of the grid and providing reliability benefits to the grid, and is intended to increase the supply of energy to the grid."<sup>141</sup> The Kammer Juniata Project will provide reliability benefits and needed backbone facilities throughout Pennsylvania and West Virginia. Granting the requested incentive rate treatments thus furthers the Commission's policies of promoting development of transmission infrastructure that will enhance the grid and improve system reliability. In sum, the requested incentive package is just and reasonable, and any requested incentive rate treatments that are not approved under an Order No. 679 analysis should be approved under an FPA section 205 analysis.

### **VI. AUTHORIZATION TO REPLICATE THE FORMULA RATE AND USE CERTAIN RATE INCENTIVES**

Kammer Juniata requests Commission authorization for any transmission-owning subsidiaries of joint ventures owned by NEET and Exelon Transmission to replicate the proposed Formula Rate for their own projects in PJM without relitigating the Formula Rate's substantive provisions. Kammer Juniata requests that this authorization cover not only the Formula Rate, but also the base ROE, the RTO Participation Adder, and the Hypothetical Capital Structure Incentive. It would be administratively inefficient for these other PJM subsidiaries to have to file and defend a new rate proceeding, and for the Commission and interested parties to

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<sup>138</sup> 16 U.S.C. § 824d(a).

<sup>139</sup> *S. Cal. Edison*, 133 FERC ¶ 61,107 at P 60 (citing *S. Cal. Edison Co.*, 112 FERC ¶ 61,014, *reh'g denied*, 113 FERC ¶ 61,143 (2005); *San Diego Gas & Elec. Co.*, 98 FERC ¶ 61,332, *reh'g denied*, 100 FERC ¶ 61,073 (2002)); *see also Pac. Gas & Elec. Co.*, 123 FERC ¶ 61,067 at P 33 (2008).

<sup>140</sup> Order No. 679-A, 117 FERC ¶ 61,345 at P 21 n.37.

<sup>141</sup> *S. Cal. Edison*, 133 FERC ¶ 61,107 at P 60 (citing *S. Cal. Edison*, 113 FERC ¶ 61,143 at P 12).

have to relitigate such filings. The Commission has authorized replication of the accepted formula rate and use of the same approved non-project-specific rate incentives for affiliates of the applicant operating in the same region.<sup>142</sup>

## VII. CWIP REGULATIONS

Kammer Juniata requests waiver of the Commission’s other filing requirements related to CWIP, including (i) 18 C.F.R. § 35.13 (h)(38), which requires an applicant to submit Statement BM to describe its long-range program for providing reliable and economic power, including an assessment of alternatives and an explanation of why the program is consistent with a least-cost energy supply program, (ii) 18 C.F.R. § 35.25(c)(4), which requires the development of forward-looking allocation ratios and an evaluation of potential anticompetitive effects of CWIP recovery including “price squeeze” and “double whammy” concerns; and (iii) 18 C.F.R. § 35.25(g), which requires an applicant to provide additional information regarding the anticompetitive impacts of CWIP recovery, including the proposed CWIP levels included in wholesale and retail rates. The Commission has recognized that Statement BM was designed primarily for CWIP associated with new generation projects in mind, and that the Commission has waived the requirement to submit Statement BM in cases involving transmission rates. Similarly, the Commission’s requirements related to “double whammy” and “price-squeeze” relate to concerns that are not applicable in the case of transmission construction, and the Commission has waived these requirements for applicants seeking transmission incentives under Order No. 679.<sup>143</sup>

Sections 35.25(e) and 35.25(f) of the Commission’s regulations require an applicant seeking CWIP recovery to discontinue the capitalization of AFUDC for CWIP that is included in the rate base. The Commission’s accounting regulations provide procedures to ensure that customers will not be charged for both capitalized AFUDC and corresponding amounts of CWIP in the rate base.<sup>144</sup> The Commission’s regulations also require an applicant to propose accounting procedures to ensure that customers will not be double charged for AFUDC and corresponding amounts of CWIP. Kammer Juniata’s Protocols describe the accounting procedures that it must follow with respect to any amount of CWIP included in the rate base. These procedures follow established Commission accounting practices to ensure that wholesale customers are not charged for both capitalized AFUDC and corresponding amounts of CWIP included in the rate base.

## VIII. ADVANCED TECHNOLOGY STATEMENT

Order No. 679 requires the submission of a technology statement that describes the advanced technologies considered and an explanation if advanced technologies are not to be

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<sup>142</sup> See *supra* n.8 (citing cases).

<sup>143</sup> See, e.g., *Tucson Elec. Power Co.*, 174 FERC ¶ 61,223 at P 26 (2021).

<sup>144</sup> *Id.*

employed.<sup>145</sup> The development and construction of the Kammer Juniata Project involve the use and deployment of advanced technologies in several ways, including the utilization of 765 kV transmission technologies, which are considered Extra High Voltage equipment. The implementation of 765 kV transmission technologies requires specialized knowledge that is not commonly available within the industry.<sup>146</sup> The planning, engineering, design, operation, and maintenance of 765 kV bulk transmission lines and substations are quite complex requiring specialized skill sets. Such technologies require specialized knowledge that is in short supply within the industry and must be developed and retained. Notwithstanding the complexity of these advanced technologies, the inclusion of 765 kV transmission technologies in the Kammer Juniata Project will help increase West to East regional transfer capacity and improve the efficiency and reliability of the transmission system in the PJM region.<sup>147</sup>

## IX. WAIVERS

Kammer Juniata respectfully requests waiver of any component of the Commission's filing requirements not met by this application, including the cost-of-service requirements of Section 35.13 of the Commission's regulations. The Commission routinely grants such waivers in cases seeking implementation of a formula rate.<sup>148</sup> Waiver is similarly appropriate here because the cost-of-service information under Section 35.13 is not needed to evaluate of the justness and reasonableness of Kammer Juniata's filing.

## X. PROPOSED EFFECTIVE DATE

Kammer Juniata requests that the Commission accept for filing the Formula Rate and approve the requested incentive rate treatments to be effective as of May 12, 2026.

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<sup>145</sup> Order No. 679, 116 FERC ¶ 61,057 at P 302.

<sup>146</sup> See Colley Testimony at 15-16; Castaneda Testimony at 6.

<sup>147</sup> See Order No. 679, 116 FERC ¶ 61,057 at P 280.

<sup>148</sup> See, e.g., *Tri-State Generation & Transmission Ass'n, Inc.*, 188 FERC ¶ 61,087 at P 94, *order on clarification*, 189 FERC ¶ 61,138 (2024); *Pub. Serv. Co. of Colo.*, 166 FERC ¶ 61,156 at P 37 (2019); *S. Cal. Edison Co.*, 136 FERC ¶ 61,074 at P 29 (2011); *Xcel Energy Servs., Inc.*, 122 FERC ¶ 61,098 at P 75 (2008); *Commonwealth Edison*, 119 FERC ¶ 61,238 at PP 93-94, *order on reh'g*, 122 FERC ¶ 61,037, *order on reh'g*, 124 FERC ¶ 61,231 (2008); *Trans-Allegheny Interstate*, 119 FERC ¶ 61,219 at P 57, *order on reh'g*, 121 FERC ¶ 61,009 (2007); *Am. Elec. Power Serv. Corp.*, 120 FERC ¶ 61,205 at PP 40-41, *order on reh'g*, 121 FERC ¶ 61,245 (2007); *Allegheny Power Sys. Operating Cos.*, 111 FERC ¶ 61,308 at PP 55-56 (2005), *order on reh'g & clarification*, 115 FERC ¶ 61,156 (2006).

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## XI. NOTICE AND CORRESPONDENCE

Kammer Juniata requests all communications regarding this filing be directed to the individuals listed below and their names be placed on the official service list maintained by the Secretary for this proceeding:<sup>149</sup>

Miles H. Kiger  
Christopher R. Jones  
S. Jennifer Panahi  
Benjamin L. Duwve  
TROUTMAN PEPPER LOCKE LLP  
401 9th Street, NW, Suite 1000  
Washington, DC 20004  
(202) 274-1937  
miles.kiger@troutman.com  
chris.jones@troutman.com  
jennifer.panahi@troutman.com  
benjamin.duwve@troutman.com

Katherine J. O’Konski  
Senior Attorney  
NextEra Energy, Inc.  
801 Pennsylvania Avenue, NW, Suite 220  
Washington, DC 20004  
(202) 349-3349  
katherine.okonski@nexteraenergy.com

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission’s regulations,<sup>150</sup> PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <https://www.pjm.com/library/filing-order> with a specific link to the newly filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region<sup>151</sup> alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the Commission’s eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission’s regulations and Order No. 714.

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<sup>149</sup> Kammer Juniata hereby requests waiver of 18 C.F.R. § 203(b)(3) to permit the listing of more than two individuals to be listed on the official service list.

<sup>150</sup> *See id.* §§ 35.2(e) and 385.2010(f)(3).

<sup>151</sup> PJM already maintains, updates and regularly uses email distribution lists for all PJM members and affected state commissions.

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## **XII. CONCLUSION**

For the foregoing reasons, Kammer Juniata respectfully requests that the Commission accept for filing the enclosed Formula Rate and grant its requests for incentive rate treatment.

Respectfully submitted,

/s/ Miles H. Kiger

Miles H. Kiger

Christopher R. Jones

S. Jennifer Panahi

Benjamin L. Duwve

TROUTMAN PEPPER LOCKE LLP

*Counsel for Kammer Juniata Transmission, LLC*

Dated: March 12, 2026

# **Attachment A**

## **ATTACHMENT H-42**

### **Annual Transmission Rates – Kammer Juniata Transmission, LLC**

1. This Attachment H-42 is applicable to the Annual Transmission Revenue Requirement (“ATRR”) of Kammer Juniata Transmission, LLC (“Kammer Juniata). The ATRR for Kammer Juniata is equal to the result of the formula rate contained in Attachment H-42A and reflects the cost of providing transmission service over Kammer Juniata’s transmission facilities.
2. The ATRR shall be updated annually, and the updated formula rate spreadsheet supporting the annual update shall be posted on the PJM website. The annual ATRR update process shall be conducted pursuant to the Formula Rate Implementation Protocols contained in Attachment H-42B, and the Formula Rate Template in Attachment H-42A.
3. The formula rate in this attachment shall be effective until amended by Kammer Juniata or modified by the Commission.

## **Attachment B**

Attachment H-42A

Formula Rate - Non-Levelized

Kammer Juniata Transmission, LLC **Note Z**

Rate Formula Template  
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/\_\_\_\_

Line No.	(1)	(2)	(3)	(4)	(5) Allocated Amount
1	GROSS REVENUE REQUIREMENT	(page 3, line 46)			\$ -
	REVENUE CREDITS	(Note O)	<u>Total</u>	<u>Allocator</u>	
2	Account No. 454	(page 4, line 29)	-	TP -	-
3	Account No. 456.1	(page 4, line 33)	-	TP -	-
4	Account No. 457.1 Scheduling Revenues from Grandfathered	Attachment 5, line 39, col g	-	TP -	-
5	Interzonal Transactions	(Note N)	-	TP -	-
6	Revenues from service provided by the ISO at a discount		-	TP -	-
7	TOTAL REVENUE CREDITS	(Sum of Lines 2 through 6)	-		<u>-</u>
8	NET REVENUE REQUIREMENT	(line 1 minus line 7)			<u>\$ -</u>
9	True-up Adjustment with Interest	Attachment 3, line 4, Col. J	-	DA 1.00000	-
10	NET REVENUE REQUIREMENT	(line 8 plus line 9)			<u><u>\$ -</u></u>

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data  
Kammer Juniata Transmission, LLC

Line No.	(1)	(2)	(3)	(4)	(5)
		Source	Company		Transmission (Col 3 times)
	<b>RATE BASE:</b>				
	GROSS PLANT IN SERVICE (Notes U and R)				
1	Production	205.46.g for end of year, records for other months		NA	
2	Transmission	Attachment 4, Line 14, Col. (b)		TP	
3	Distribution	207.75.g for end of year, records for other months		NA	
4	General & Intangible	Attachment 4, Line 14, Col. (c)		W/S	
5	Common	356.1 for end of year, records for other months		CE	
6	TOTAL GROSS PLANT	(Sum of Lines 1 through 5)		GP=	
7	ACCUMULATED DEPRECIATION (Notes U and R)				
8	Production	219.20-24.c for end of year, records for other months		NA	
9	Transmission	Attachment 4, Line 14, Col. (h)		TP	
10	Distribution	219.26.c for end of year, records for other months		NA	
11	General & Intangible	Attachment 4, Line 14, Col. (i)		W/S	
12	Common	356.1 for end of year, records for other months		CE	
13	TOTAL ACCUM. DEPRECIATION	(Sum of Lines 8 through 12)			
14	NET PLANT IN SERVICE				
15	Production	(line 1 minus line 8)			
16	Transmission	(Line 2 minus line 9)			
17	Distribution	(line 3 minus line 10)			
18	General & Intangible	(Line 4 minus line 11)			
19	Common	(line 5 minus line 12)			
20	TOTAL NET PLANT	(Sum of Lines 15 through 19)		NP=	
21	ADJUSTMENTS TO RATE BASE (Note R)				
22	Account No. 281 (enter negative)	Attach 4, Line 28, Col. (d)/Attach 4a, Line 54, Col. H (Notes B and X)		NA	zero
23	Account No. 282 (enter negative)	Attach 4, Line 28, Col. (e)/Attach 4a, Line 81, Col. H (Notes B and X)		NP	
24	Account No. 283 (enter negative)	Attach 4, Line 28, Col. (f)/Attach 4a, Line 108, Col. H (Notes B and X)		NP	
25	Account No. 190	Attach 4, Line 28, Col. (g)/Attach 4a, Line 27, Col. H (Notes B and X)		NP	
26	Account No. 255 (enter negative)	Attachment 4, Line 28, Col. (h) (Notes B and X)		NP	
26a	Unfunded Reserves (enter negative)	Attachment 4, Line 31, Col. (h) (Note Y)		DA	
27	CWIP- Commission Approved Order 679 Projects	Attachment 4, Line 14, Col. (d)		DA	
28	Unamortized Regulatory Asset	Attachment 4, Line 28, Col. (b) (Note T)		DA	
29	Unamortized Abandoned Plant	Attachment 4, Line 28, Col. (c) (Note S)		DA	
30	TOTAL ADJUSTMENTS	(Sum of Lines 22 through 29)			
31	LAND HELD FOR FUTURE USE	Attachment 4, Line 14, Col. (e) (Note C)		TP	
32	WORKING CAPITAL (Note D)				
33	CWC	1/8*(Page 3, Line 14 minus Page 3, Line 11)			
34	Materials & Supplies	Attachment 4, Line 14, Col. (f) (Note C)		TP	
35	Prepayments (Account 165)	Attachment 4, Line 14, Col. (g)		GP	
36	TOTAL WORKING CAPITAL	(Sum of Lines 33 through 35)			
37	RATE BASE	(Sum of Lines 20, 30, 31 & 36)			

Utilizing FERC Form 1 Data  
Kammer Juniata Transmission, LLC

Line No.	(1)	(2)	(3)	(4)	(5) Transmission (Col 3 times)
		Source	Company Total		
	O&M				
1	Transmission	321.112.b Attach. 5, Line 13, Col. (a)			TP
2	Less Account 566 (Misc Trans Expense)	321.97.b Attach. 5, Line 13, Col. (b)			TP
3	Less Account 565	321.96.b Attach. 5, Line 13, Col. (c)			TP
4	A&G	323.197.b Attach. 5, Line 13, Col. (d)			W/S
5	Less FERC Annual Fees	Attach. 5, Line 13, Col. (e)			W/S
6	Less EPRI & Reg. Comm. Exp. & Non-safety Ad.	(Note E) Attach. 5, Line 13, Col. (f)			W/S
6a	Less PBOP Expense in Year	Attachment 7, Line 6, Col. (b)			W/S
7	Plus Transmission Related Reg. Comm. Exp.	(Note E) Attach. 5, Line 13, Col. (g)			TP
7a	Plus PBOP Expense Allowed Amount	Attachment 7, Line 8, Col. (b)			W/S
8	Common	356.1			CE
9	Transmission Lease Payments	Attach. 5, Line 13, Col (h)			DA
10	Account 566				
11	Amortization of Regulatory Asset	(Note T) Attach. 5, Line 13, Col. (i)			DA
12	Miscellaneous Transmission Expense (less	Attach. 5, Line 13, Col. (j)			TP
13	Total Account 566	(Line 11 plus Line 12) Ties to 321.97.b			
14	TOTAL O&M	(Sum of Lines 1, 4, 7, 7a, 8, 9, 13 less Lines 2, 3, 5, 6, 6a)			
15	DEPRECIATION EXPENSE (Note U)				
16	Transmission	336.7.b, d & e Attach. 5, Line 13, Col. (k)			TP
17	General & Intangible	336.10.b, d & e, 336.1.b, d & e Attach. 5, Line 26, Col. (a)			W/S
18	Common	336.11.b, d & e			CE
19	Amortization of Abandoned Plant	(Note S) Attach. 5, Line 26, Col. (b)			DA
20	TOTAL DEPRECIATION	(Sum of Lines 16 through 19)			
21	TAXES OTHER THAN INCOME TAXES	(Note F)			
22	LABOR RELATED				
23	Payroll	263.i Attach. 5, Line 26, Col. (c)			W/S
24	Highway and vehicle	263.i Attach. 5, Line 26, Col. (d)			W/S
25	PLANT RELATED				
26	Property	263.i Attach. 5, Line 26, Co.1 (e)			GP
27	Gross Receipts	263.i Attach. 5, Line 26, Col. (f)			NA
28	Other	263.i Attach. 5, Line 26, Col. (g)			GP
29	Payments in lieu of taxes	263.i Attach. 5, Line 26, Col. (h)			GP
30	TOTAL OTHER TAXES	(Sum of Lines 23 through 29)			
31	INCOME TAXES	(Note G)			
32	$T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p)$	WCLTD = Page 4, Line 20	-		
33	$CIT=(T/1-T) * (1-(WCLTD/R)) =$	R = Page 4, Line 23	-		
34	FIT & SIT & P	(Note G)			
35					
36	$1 / (1 - T) = (T \text{ from line } 32)$				
37	Amortized Investment Tax Credit	266.8f (enter negative) Attach. 5, Line 26, Col. (i)			
38	Tax Effect of Permanent Differences	Attach. 5, Line 26, Col. (k) (Note W)			
39	Income Tax Calculation	(Line 33 times Line 45)			NA
40	ITC adjustment	(Line 36 times Line 37)			NP
41	(Excess)/Deficient Deferred Income Tax Adjustment	(Attachment 4b, Line 4, Col. (M))			NP
42	Permanent Differences Tax Adjustment	(Line 36 times Line 38)			NP
43	Total Income Taxes	(Sum of Lines 39 through 42)			
44	RETURN				
45	Rate Base times Return	(Page 2, Line 37 times Page 4, Line 23)			NA
46	REV. REQUIREMENT	(Sum of Lines 14, 20, 30, 43 & 45)			

For the 12 months ended 12/31/\_\_\_\_

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data  
Kammer Juniata Transmission, LLC

(1) (2) (3) (4) (5)  
**SUPPORTING CALCULATIONS AND NOTES**

Line No.	(1)	(2)	(3)	(4)	(5)
	<b>TRANSMISSION PLANT INCLUDED IN ISO RATES</b>				
1	Total Transmission plant	(Page 2, Line 2, Column 3)			
2	Less Transmission plant excluded from ISO rates	(Note H)			
3	Less Transmission plant included in OATT Ancillary Services	(Note I)			
4	Transmission plant included in ISO rates	(Line 1 minus Lines 2 & 3)			
5	Percentage of Transmission plant included in ISO Rates	(Line 4 divided by Line 1)			TP=
6	<b>WAGES &amp; SALARY ALLOCATOR (W&amp;S)</b>				
		<u>Form 1 Reference</u>	<u>\$</u>	<u>TP</u>	<u>Allocation</u>
7	Production	354.20.b	-	-	
8	Transmission	354.21.b	-	-	
9	Distribution	354.23.b	-	-	
10	Other	354.24,25,26.b	-	-	
11	Total (W& S Allocator is 1 if lines 7-10 are zero)	(Sum of Lines 7 through 10)			= <u>W&amp;S Allocator (\$ / Allocation)</u> = WS
12	<b>COMMON PLANT ALLOCATOR (CE) (Note J and X)</b>				
			<u>\$</u>	<u>% Electric</u>	<u>W&amp;S Allocator</u>
13	Electric	200.3.c		(line 13 / line 16)	(line 11) = CE
14	Gas	201.3.d			*
15	Water	201.3.e			=
16	Total	(Sum of Lines 13 through 15)			
17	RETURN (R)	(Note V)			<u>\$</u>
18				<u>Cost</u>	
19			<u>\$</u>	<u>%</u>	<u>Weighted</u>
20	Long Term Debt	(Attachment 5, line 48 Note A)	-	-	=WCLTD
21	Preferred Stock (112.3.c)	(Attachment 5, line 49 Note B)	-	-	
22	Common Stock	(Attachment 5, line 50 Note C)	-	-	
23	Total	(Attachment 5, line 51)		11.25%	=R
24	<b>REVENUE CREDITS</b>				
25	<b>ACCOUNT 447 (SALES FOR RESALE) (Note L)</b>				
26	a. Bundled Non-RQ Sales for Resale	310 -311			
27	b. Bundled Sales for Resale	311.x.h			
28	Total of (a)-(b)	Attach 5, line 39, col (a)			
29	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY)	(Note M) Attach 5, line 39, col (b)			
30	<b>ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)</b>				
31	a. Transmission charges for all transmission transactions	330.x.n			
32	b. Transmission charges associated with Project detailed on the Project Rev Req Schedule Col. 10.	Attach 5, line 39, col (c)			
33	Total of (a)-(b)	Attach 5, line 39, col (d)			-

Formula Rate - Non-Levelized  
 Rate Formula Template  
 Utilizing FERC Form 1 Data  
 Kammer Juniata Transmission, LLC

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)  
 References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Reserved
B	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
C	Identified in Form 1 as being only transmission related.
D	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 14, column 5 minus amortization of Regulatory Asset at page 3, line 11, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on pages 111, line 57 in the Form 1.
E	Page 3, Line 6 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1 found at 323.191.b. Page 3, Line 7- Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
F	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
G	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 36). Excess and Deficient Deferred Income Taxes reduce or increase income tax expense by the amount of the excess or deficient expense multiplied by (T/1-T). Inputs Required: FIT = SIT= <span style="background-color: yellow; display: inline-block; width: 100px; height: 1em; vertical-align: middle;"></span> (State Income Tax Rate or Composite SIT) p = <span style="background-color: yellow; display: inline-block; width: 100px; height: 1em; vertical-align: middle;"></span> (percent of federal income tax deductible for state purposes)
H	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
I	Removes dollar amount of transmission plant to be included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
J	Enter dollar amounts
K	ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
L	Page 4, Line 28 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1.
M	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
N	Company will not have any grandfathered agreements. Therefore, this line shall remain zero.
O	The revenues credited on page 1 lines 2-6 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. Revenue Credits do not include revenues associated with FERC annual charges, gross receipts taxes, facilities not included in this template (e.g., direct assignment facilities and GSUs) the costs of which are not recovered under this Rate Formula Template.
P	Reserved
Q	Prior to obtaining any debt, the cost of debt will be SOFR plus 2.0%. Once any debt is obtained, the formula will use the actual cost of debt determined in Attachment 5. The capital structure will be 60% equity and 40% debt until Kammer Juniata Transmission, LLC's first transmission project enters service, after which the capital structure will be the actual capital structure. SOFR refers to the Secured Overnight Financing Rate from the Federal Reserve Bank of New York's <a href="https://newyorkfed.org/">https://newyorkfed.org/</a> .
R	Calculate using 13 month average balance, except ADIT.
S	Unamortized Abandoned Plant and Amortization of Abandoned Plant will be zero until the Commission accepts or approves recovery of the cost of abandoned plant. Utility must receive FERC authorization before recovering the cost of abandoned plant.
T	Regulatory Asset will be zero until the Commission approves a request to establish a regulatory asset. Recovery of any regulatory asset requires authorization from the Commission.
U	Excludes Asset Retirement Obligation balances.
V	Company shall be allowed recovery of costs related to interest rate locks. Absent a Section 205 filing, Company shall not include in the Formula Rate, the gains, losses, or costs related to other hedges.
W	The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State calculations and the income taxes calculated in Attachment H that are not the result of a timing difference
X	Calculated on Attachment 4 for the true up and on Attachment 4a for the projection
Y	Unfunded Reserves are customer contributed capital such as when employee vacation expense is accrued but not yet incurred. Also, pursuant to Special Instructions to Accounts 228.1 through 228.4, no amounts shall be credited to accounts 228.1 through 228.4 unless authorized by a regulatory authority or authorities to be collected in a utility's rates.
Z	This Formula Rate Template, including Attachments, is to be used by any KJT PJM Entity, which includes Kammer Juniata and any other joint venture of NextEra Energy Transmission, LLC and Exelon Transmission, LLC, that operates in the PJM Region and that owns, or proposes to own, transmission facilities that have been, or will be, turned over to the functional control of PJM and whose costs are recoverable under the PJM Tariff. Each subsequent KJT PJM Entity shall use a replication of H-42A(1) designated as a subsequent version (e.g., H-42A(2), etc.), in this Attachment H-42.

To be completed in conjunction with Attachment H.

Line No.	(1)	(2) <b>Attachment H</b> <b>Page, Line, Col.</b>	(3) <b>Transmission</b>	(4) <b>Allocator</b>
1	Gross Transmission Plant - Total	Attach H, p 2, line 2 col 5 (Note A)	-	-
2	Net Transmission Plant - Total	Attach H, p 2, line 16 col 5 plus line 27 & 29 col 5 (Note B)	-	-
<b>O&amp;M EXPENSE</b>				
3	Total O&M Allocated to Transmission	Attach H, p 3, line 14 col 5	-	-
4	Annual Allocation Factor for O&M	(line 3 divided by line 1 col 3)	-	-
<b>GENERAL, INTANGIBLE AND COMMON (G&amp;C) DEPRECIATION EXPENSE</b>				
5	Total G, I & C Depreciation Expense	Attach H, p 3, lines 17 & 18, col 5 (Note H)	-	-
6	Annual Allocation Factor for G, I & C Depreciation Expense	(line 5 divided by line 1 col 3)	-	-
<b>TAXES OTHER THAN INCOME TAXES</b>				
7	Total Other Taxes	Attach H, p 3, line 30 col 5	-	-
8	Annual Allocation Factor for Other Taxes	(line 7 divided by line 1 col 3)	-	-
9	Less Revenue Credits	Attach H, p 1, line 7 col 5	-	-
10	Annual Allocation Factor Revenue Credits	(line 9 divided by line 1 col 3)	-	-
<b>11</b>	<b>Annual Allocation Factor for Expense</b>	<b>Sum of line 4, 6, 8, and 10</b>	-	-
<b>INCOME TAXES</b>				
12	Total Income Taxes	Attach H, p 3, line 44 col 5	-	-
13	Annual Allocation Factor for Income Taxes	(line 12 divided by line 2 col 3)	-	-
<b>RETURN</b>				
14	Return on Rate Base	Attach H, p 3, line 46 col 5	-	-
15	Annual Allocation Factor for Return on Rate Base	(line 14 divided by line 2 col 3)	-	-
<b>16</b>	<b>Annual Allocation Factor for Return</b>	<b>Sum of line 13 and 15</b>	-	-







**Attachment 4**  
Rate Base Worksheet  
Kammer Juniata Transmission, LLC

Line No	Month	Transmission (b)	Gross Plant In Service General & Intangible (c)	CWIP		LHFFU Materials & Supplies (f)	Working Capital Prepayments (g)	Accumulated Depreciation	
				CWIP in Rate Base (d)	Held for Future Use (e)			Transmission (h)	General & Intangible (i)
	Attachment H, Page 2, Line No:	2	4	27	31	34	35	9	11
		207.58.g for end of year, records for other months	205.5.g & 207.99.g for end of year, records for other months	(Note C)	214.x.d for end of year, records for other months	227.8.c & 227.16.c for end of year, records for other months	111.57.c for end of year, records for other months	219.25.c for end of year, records for other months	219.28.c & 200.21.c for end of year, records for other months
1	December Prior Year	-	-	-	-	-	-	-	-
2	January								
3	February								
4	March								
5	April								
6	May								
7	June								
8	July								
9	August								
10	September								
11	October								
12	November								
13	December								
14	Average of the 13 Monthly Balances								

Line No	Month	<u>Adjustments to Rate Base</u>						
		Unamortized Regulatory Asset (b)	Unamortized Abandoned Plant (c)	Account No. 281 Accumulated Deferred Income Taxes (Note D) (d)	Account No. 282 Accumulated Deferred Income Taxes (Note D) (e)	Account No. 283 Accumulated Deferred Income Taxes (Note D) (f)	Account No. 190 Accumulated Deferred Income Taxes (Note D) (g)	Account No. 255 Accumulated Deferred Investment Credit (h)
	Attachment H, Page 2, Line No:	28	29	22	23	24	25	26
		Notes A & E	Notes B & F	272.8.b & 273.8.k	274.2.b & 275.2.k	276.9.b & 277.9.k	234.8.b & c	Consistent with 266.8.b & 267.8.h
15	December Prior Year							
16	January							
17	February							
18	March							
19	April							
20	May							
21	June							
22	July							
23	August							
24	September							
25	October							
26	November							
27	December							

28 Average of the 13 Monthly  
Balances

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**Attachment 4**

Rate Base Worksheet

Kammer Juniata Transmission, LLC

Unfunded Reserves (Notes G & H)		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Amount		Enter 1 if NOT in a trust or reserved account, enter zero (0) if included in a trust or reserved account	Enter 1 if the accrual account is included in the formula rate, enter (0) if O if the accrual account is NOT included in the formula rate	Enter the percentage paid for by the transmission formula customers	Allocation (Plant or Labor Allocator)	Amount Allocated, col. c x col. d x col. e x col. f x col. g	
29	List of all reserves:								
30a	Reserve 1	-	-						-
30b	Reserve 2	-	-						-
30c	Reserve 3								
30d	Reserve 4								
30e	...								
30f	...	-	-						-
31	Total	-	-						-

Notes:

- A Recovery of regulatory asset is limited to any regulatory assets authorized by FERC.
- B Recovery of abandoned plant is limited to any abandoned plant recovery authorized by FERC.
- C Includes only CWIP authorized by the Commission for inclusion in rate base. The annual report filed pursuant to Section 6 of the Protocols will include for each project under construction (i) the CWIP balance eligible for inclusion in rate base; (ii) the CWIP balance ineligible for inclusion in rate base; and (iii) a demonstration that AFUDC is only applied to the CWIP balance that is not included in rate base. The annual report will reconcile the project-specific CWIP balances to the total Account 107 CWIP balance reported on p. 216.b of the FERC Form 1. The demonstration in (iii) above will show that monthly debts and credits do not contain entries for AFUDC for each CWIP project in ratebase.
- D ADIT and Accumulated Deferred Income Tax Credits are computed using the average of the beginning of the year and the end of the year balances. The projection will use line 108 of Attachment 4a to populate the average ADIT balance on line 28 above.
- E Regulatory Asset will be zero until the Commission approves a request to establish a regulatory asset. Recovery of any regulatory asset requires authorization from the Commission.
- F Unamortized Abandoned Plant and Amortization of Abandoned Plant will be zero until the Commission accepts or approves recovery of the cost of abandoned plant.
- G The Formula Rate shall include a credit to rate base for all unfunded reserves (funds collected from customers that (1) have not been set aside in a trust, escrow or restricted account; (2) whose balance are collected from customers through cost accruals to accounts that are recovered under the Formula Rate; and (3) exclude the portion of any balance offset by a balance sheet account). Each unfunded reserve will be included on lines 30 above. The allocator in Col. (g) will be the same allocator used in the formula for the cost accruals to the account that is recovered under the Formula Rate. Since reserves can be created by an offsetting balance sheet account, rather than through cost accruals, the amount to be deducted from rate base should exclude the portion offset by another balance sheet account.
- H Calculate using 13 month average balance, except ADIT.

Kammer Juniata Transmission, LLC  
Attachment 4a - Accumulated Deferred Income Taxes

Year Ended 12/31/\_\_\_\_

Rate Year =

Days in Period					Averaging with Proration - Projected		
A Month	B Days in the Month	C Number of Days Prorated	D Total Days in Future Portion of Test Period	E Proration Amount (C / D)	F Projected Monthly Activity	G Prorated Projected Monthly Activity (E x F)	H Prorated Projected Balance (Cumulative Sum of G)
<b>Account 190</b>							
December 31st balance Prorated Items							
Month 1	-			-	-	-	-
Month 2	-			-	-	-	-
Month 3	-			-	-	-	-
Month 4	-			-	-	-	-
Month 5	-			-	-	-	-
Month 6	-			-	-	-	-
Month 7	-			-	-	-	-
Month 8	-			-	-	-	-
Month 9	-			-	-	-	-
Month 10	-			-	-	-	-
Month 11	-			-	-	-	-
Month 12	-			-	-	-	-
Total					-	-	-
Beginning Balance					234.8.b		-
Less non Prorated Items					(Line 19 less line 21)		-
Beginning Balance of Prorated items					(Line 5, Col H)		-
Ending Balance					234.8.c		-
Less non Prorated Items					(Line 22 less line 24)		-
Ending Balance of Prorated items					(Line 17, Col H)		-
Average Balance					Line 17, Col H + (Lines 20 + 23)/2		-
Less FASB 106 & 109 Items					Attachment H, Footnote B		-
Amount for Attachment 4					(Line 25 less line 26)		-

Days in Period					Averaging with Proration - Projected		
A Month	B Days in the Month	C Number of Days Prorated	D Total Days in Future Portion of Test Period	E Proration Amount (C / D)	F Projected Monthly Activity	G Prorated Projected Monthly Activity (E x F)	H Prorated Projected Balance (Cumulative Sum of G)
<b>Account 281</b>							
End of Year balance Prorated Items							
Month 1	-			-	-	-	-
Month 2	-			-	-	-	-
Month 3	-			-	-	-	-
Month 4	-			-	-	-	-
Month 5	-			-	-	-	-
Month 6	-			-	-	-	-

39	Month 7	-	-	-	-	-	-	-
40	Month 8	-	-	-	-	-	-	-
41	Month 9	-	-	-	-	-	-	-
42	Month 10	-	-	-	-	-	-	-
43	Month 11	-	-	-	-	-	-	-
44	Month 12	-	-	-	-	-	-	-
45	Total							

46	Beginning Balance		274.b	-
47	Less non Prorated Items		(Line 46 less line 48)	-
48	Beginning Balance of Prorated items		(Line 32, Col H)	-
49	Ending Balance		275.k	-
50	Less non Prorated Items		(Line 49 less line 51)	-
51	Ending Balance of Prorated items		(Line 44, Col H)	-
52	Average Balance		Line 44, Col H + (Lines 47 + 50)/2	-
53	Less FASB 106 & 109 Items		Attachment H, Footnote B	-
54	Amount for Attachment 4		(Line 52 less line 53)	-

55 **Account 282**

Days in Period					Averaging with Proration - Projected		
A	B	C	D	E	F	G	H
Month	Days in the Month	Number of Days Prorated	Total Days in Future Portion of Test Period	Proration Amount (C / D)	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)

59	End of Year balance Prorated Items						-
60	Month 1	-	-	-	-	-	-
61	Month 2	-	-	-	-	-	-
62	Month 3	-	-	-	-	-	-
63	Month 4	-	-	-	-	-	-
64	Month 5	-	-	-	-	-	-
65	Month 6	-	-	-	-	-	-
66	Month 7	-	-	-	-	-	-
67	Month 8	-	-	-	-	-	-
68	Month 9	-	-	-	-	-	-
69	Month 10	-	-	-	-	-	-
70	Month 11	-	-	-	-	-	-
71	Month 12	-	-	-	-	-	-
72	Total						

73	Beginning Balance		274.b	-
74	Less non Prorated Items		(Line 73 less line 75)	-
75	Beginning Balance of Prorated items		(Line 59, Col H)	-
76	Ending Balance		275.k	-
77	Less non Prorated Items		(Line 76 less line 78)	-
78	Ending Balance of Prorated items		(Line 71, Col H)	-
79	Average Balance		Line 71, Col H + (Lines 74 + 77)/2	-

80 Less FASB 106 & 109 Items Attachment H, Footnote B -

81 Amount for Attachment 4 (Line 79 less line 80) -

82 **Account 283**

Days in Period					Averaging with Proration - Projected		
A	B	C	D	E	F	G	H
Month	Days in the Month	Number of Days Prorated	Total Days in Future Portion of Test Period	Proration Amount (C / D)	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)
86 End of Year balance Prorated Items							-
87	Month 1	-	-	-	-	-	-
88	Month 2	-	-	-	-	-	-
89	Month 3	-	-	-	-	-	-
90	Month 4	-	-	-	-	-	-
91	Month 5	-	-	-	-	-	-
92	Month 6	-	-	-	-	-	-
93	Month 7	-	-	-	-	-	-
94	Month 8	-	-	-	-	-	-
95	Month 9	-	-	-	-	-	-
96	Month 10	-	-	-	-	-	-
97	Month 11	-	-	-	-	-	-
98	Month 12	-	-	-	-	-	-
99	Total				-	-	

100 Beginning Balance 276.b -

101 Less non Prorated Items (Line 100 less line 102) -

102 Beginning Balance of Prorated items (Line 86, Col H) -

103 Ending Balance 277.k -

104 Less non Prorated Items (Line 103 less line 105) -

105 Ending Balance of Prorated items (Line 98, Col H) -

106 Average Balance Line 98, Col H + (Lines 101 + 103)/2 -

107 Less FASB 106 & 109 Items Attachment H, Footnote B -

108 Amount for Attachment 4 (Line 106 less line 107) -

Attachment 4b  
(Excess)/Deficient ADIT Worksheet  
Kammer Juniata Transmission, LLC  
Costs in the Year Ending \_\_\_\_

		(A)	(B)	(C)	(D)	(E) = [(C) + (D)] x (q)	(F) = (C) + (D) + (E)	(G)	(H)	
		<b>(Excess)/Deficient ADIT as originally recorded at remeasurement (d)</b>							<b>Amortization Period (years)</b>	
<b>Line No.</b>	<b>Description</b>	<b>FERC Account No. (a)</b>		<b>(Excess)/Deficient Deferred Income Taxes Protected (Attachment 4c, Column G)</b>	<b>Unprotected (Attachment 4c, Column H)</b>	<b>Tax Gross Up (p)</b>	<b>Total</b>	<b>Protected (f) (g)</b>	<b>Unprotected (g)</b>	
	<u>FERC Account 190</u>									
1a	( ) Net Operating Loss	182.3	(o)	-	-	-	-	-	-	
1[]			(b), []					15		
1	Total FERC Account 190		(c)	-	-	-	-			
	<u>FERC Account 282</u>									
2a	( ) Electric	254	(o)	-	-	-	-	15	-	
2[]			(b), []							
2	Total FERC Account 282		(c)	-	-	-	-			
	<u>FERC Account 283</u>									
3a	( ) Prepaid Insurance	254	(n)(o)	-	-	-	-		1	
3 []			(b), []							
3	Total FERC Account 283		(c)	-	-	-	-			
4	<b>TOTAL</b> (Line 1 + Line 2 + Line 3)			-	-	-	-	-	-	
5	Acct. 182.3 Total = Total (C) + Total (D) =	182.3		-	-	-	-			
6	Acct. 254 Total = Total (E) + Total (F) =	254		-	-	-	-			
7				-	-	-	-			

Attachment 4b  
(Excess)/Deficient ADIT Worksheet  
Kammer Juniata Transmission, LLC  
Costs in the Year Ending \_\_

(I)                      (J)                      (K)                      (L) = [(J) + (K)] x                      (M) = (J) + (K) +  
= (C) / (G)                      = (D) / (H)                      (q)                      (L)

Line No.	Description	Current Year Amortization				
		FERC Account No. (e)	Amortization Amount		Tax Gross Up (p)	Total (g)
			Protected (f)	Unprotected		
	<u>FERC Account 190</u>					
	(2018 Illustrative Remeasurement) Net Operating Loss	-				
1a		410.1	-	-	-	-
1[]						
1	Total FERC Account 190		-	-	-	-
	<u>FERC Account 282</u>					
	(2018 Illustrative Remeasurement) Electric	-				
2a		411.1	-	-	-	-
2[]						
2	Total FERC Account 282		-	-	-	-
	<u>FERC Account 283</u>					
	(2018 Illustrative Remeasurement) Prepaid Insurance	-				
3a		411.1	-	-	-	-
3 []						
3	Total FERC Account 283		-	-	-	-
4	<b>TOTAL</b> (Line 1 + Line 2 + Line 3)		-	-	-	-
5	Acct. 182.3 Total = Total (C) + Total (D) =	410.1	-	-	-	-
6	Acct. 254 Total = Total (E) + Total (F) =	411.1	-	-	-	-
7			-	-	-	-



Attachment 4b  
(Excess)/Deficient ADIT Worksheet  
Kammer Juniata Transmission, LLC  
Costs in the Year Ending \_\_

(N)                      (O)                      (P) = [(N) + (O)] x (q)                      (Q) = (N) + (O) + (P)                      (R) = (J) \* - 1                      (S) = (K) \* - 1                      (T) = [(R) + (S)] x (q)                      (U) = (R) + (S) + (T)                      (V) = (N) + (R)                      (W) = (O) + (S)                      (X) = [(V) + (W)] x (q)                      (Y) = (V) + (W) + (X)                      (Z)

Line No	Description	Unamortized (Excess)/Deficient ADIT (d)												Reference	
		Beginning of Year Balance				Current Year Amortization				End of Year Balance					
		Protecte d	Unprote cted	Tax Gross Up	Total	Protecte d	Unprote cted	Tax Gross Up	Total	Protecte d	Unprote cted	Tax Gross Up	Total		
	<u>FERC Account 190</u>														
1a	(2018 Illustrative Remeasurement) Net Operating Loss	-	(h)	-	(h)	-	-	-	-	-	-	-	-	-	Internal Records
1[]		-	(h)	-	(h)	-	-	-	-	-	-	-	-	-	Internal Records
1	Total FERC Account 190	-		-		-	-	-	-	-	-	-	-	-	
	<u>FERC Account 282</u>														
2a	(2018 Illustrative Remeasurement) Electric	-	(i)	-	(i)	-	-	-	-	-	-	-	-	-	Internal Records
2[]		-	(i)	-	(i)	-	-	-	-	-	-	-	-	-	Internal Records
2	Total FERC Account 282	-		-		-	-	-	-	-	-	-	-	-	
	<u>FERC Account 283</u>														
3a	(2018 Illustrative Remeasurement) Prepaid Insurance	-	(j)	-	(j)	-	-	-	-	-	-	-	-	-	Internal Records
3 []		-	(j)	-	(j)	-	-	-	-	-	-	-	-	-	Internal Records
3	Total FERC Account 283	-		-		-	-	-	-	-	-	-	-	-	

4	<b>TOTAL</b> (Line 1 + Line 2 + Line 3)	-	-	-	-	-	-	-	-	-	-	-
5	Acct. 182.3 Total = Total (C) + Total (D) =	-	-	-	-	-	-	-	-	-	-	-
6	Acct. 254 Total = Total (E) + Total (F) =	-	-	-	-	-	-	-	-	-	-	-
7		-	-	-	-	-	-	-	-	-	-	-

Notes

- (a) Specifies ADIT accounts to which (excess) or deficient ADIT has been booked.
- (b) Kammer Juniata, LLC may add or modify notes to explain items without a FPA Section 205 filing.
- (c) Total equals the sum of sublines a through [], where [] is the last subline denoted by a letter. Kammer Juniata, LLC may add or remove sublines without a FPA Section 205 filing.
- (d) Enter credit balances as negatives.
- (e) (Excess)/deficient ADIT to be amortized to FERC Account 411.1 or 410.1, respectively.
- (f) Amortization of excess (or deficient) deferred income taxes subject to ARAM will not begin until reversal occurs (*i.e.*, when the trend of book depreciation exceeding tax depreciation—or vice versa—reverses). Before reversal, values for such items will not be included in current year amortization.
- (g) In accordance with FERC guidance for ratemaking purposes, Kammer Juniata, LLC grosses up the current year amortization value for accounting purposes.
- (h) FERC Form 1, page 234, column (b)
- (i) FERC Form 1, page 274, column (b)
- (j) FERC Form 1, page 276, column (b)
- (k) FERC Form 1, page 234, column (c)
- (l) FERC Form 1, page 275, column (k)
- (m) FERC Form 1, page 276, column (k)
- (n) Prepaid assets are expected to reverse within one year.
- (o) 2018 Illustrative Remeasurement values assume an original rate of 35 percent and a revised rate of 21 percent.
- (p) Tax gross up amounts recorded in account 182.3 will have an offsetting entry in account 190. Tax gross up amounts recorded in account 254 will have offsetting entries in account 282 and 283, dependent upon which account the EDIT amounts derived from. As (excess) or deficient ADIT and related tax gross amounts up are amortized, the annual amortization will be a reduction for accounts 182.3 and 190 for deficient ADIT, and accounts 254 and 282/283 for excess ADIT.

Income tax gross up:

FIT	21.00%
SIT	4.90%
P	

Combined tax rate	24.87%
Tax-exempt rate	0.00%
Effective tax rate	24.87%
(q) Gross-Up factor - net of TE $[(1 / (1 - \text{effective tax rate})) - 1]$	0.33104

Attachment 4c  
ADIT Remeasurement  
Balances as of December 31, \_\_\_\_\_

Line No.	(A) Description	(B) Pre-Tax Rate Change Balances	(C) = (B) x Line 9		(D) = (B) x Line 9		(E) (Excess)/Deficient Deferred IT	(F) (Excess)/Deficient Deferred IT	(G) = (C) - (D)
			Tax Effected Balances	Tax Effected Balances	Protected	Unprotected			
			Pre-Tax Rate Change	Post-Tax Rate Change					
1a	FERC Account 190	-	-	-	-	-	-	-	-
1[]									
1	Total FERC Account 190	-	-	-	-	-	-	-	-
2a	FERC Account 282	-	-	-	-	-	-	-	-
2[]									
2	Total FERC Account 282	-	-	-	-	-	-	-	-
3a	FERC Account 283	-	-	-	-	-	-	-	-
3[]									
3	Total FERC Account 283	-	-	-	-	-	-	-	-
4	Total ADIT (Line 1 + Line 2 + Line 3)	-	-	-	-	-	-	-	-

	<u>Tax Rates</u>	<u>Source</u>	<u>Pre Tax Rate</u>	<u>Post Tax Rate</u>
5	Federal		0.00%	0.00%
6	State		0.00%	0.00%
7	Combined Rate	$(1 - ((1 - \text{Line 6}) * (1 - \text{Line 5})) / (1 - \text{Line 6} * \text{Line 5} * \text{Line 13}))$	0.00%	0.00%
8	Federal (net of FBOS & SBOF)	(Line 7 - Line 6)	0.00%	0.00%
9	Effective Tax Rate (net of tax exempt adjustment)	$(\text{Line 7} / (1 - \text{Line 7})) * ((1 - \text{Line 10}) / (1 + (\text{Line 7} / (1 - \text{Line 7}))))$	0.00%	0.00%
10	Tax Exempt Ownership Percentage		0%	0%
11	Gross-Up Factor – net of TE [1/ (1-effective tax rate)]	$1 / (1 - \text{Line 9})$	0.00000	0.00000
12	Federal Benefit of State Rates (FBOS)	(Line 5 * Line 6)	0.00000%	0.00000%

13 State Benefit of Federal Rate  
(SBOF)

0.00000% 0.00000%

**Notes**

This sheet is replicable for each remeasurement of (excess)/deficient deferred income taxes without an FPA Section 205 filing.

Kammer Juniata, LLC may add or modify notes to explain items without a FPA Section 205 filing.

**Attachment 5**  
Attachment H, Pages 3 and 4, Worksheet  
Kammer Juniata Transmission, LLC

Line No.	Month	Transmission O&M Expenses	Account No. 566 (Misc. Trans. Expense)	Account No. 565	A&G Expenses	FERC Annual Fees	EPRI & Reg. Comm. Exp. & Non-safety Ad.	Transmission Related Reg. Comm. Exp.	Transmission Lease Payments	Amortization of Regulatory Asset	Miscellaneous Transmission Expense (less amortization of regulatory asset)	Depreciation Expense - Transmission	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
	Attachment H, Page 3, Line No.:	1	2	3	4	5	6	7	9	11	12	16	
	Form No. 1	321.112.b	321.97.b	321.96.b	323.197.b	(Note E)	(Note E)	(Note E)	Portion of Transmission O&M	Portion of Account 566	Balance of Account 566	336.7.b, d & e	
1	January												
2	February												
3	March												
4	April												
5	May												
6	June												
7	July												
8	August												
9	September												
10	October												
11	November												
12	December												
13	Total		\$	\$	-	\$	\$	-	\$	-	\$	-	\$
		Depreciation Expense - General & Intangible	Amortization of Abandoned Plant	Payroll Taxes	Highway & Vehicle Taxes	Property Taxes	Gross Receipts Taxes	Other Taxes	Payments in lieu of Taxes	Amortized Investment Tax Credit (266.8f)	Reserved	Tax Effect of Permanent Differences	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
	Attachment H, Page 3, Line Number	17	19	23	24	26	27	28	29	37		39	
	Form No. 1	336.10.b, d & e, 336.1.b, d & e	(Note S)	263.i	263.i	263.i	263.i	263.i	263.i	266.8.f		(Note W)	
14	January												
15	February												
16	March												
17	April												
18	May												
19	June												
20	July												
21	August												
22	September												
23	October												
24	November												
25	December												
26	Total	\$	\$	\$	-	\$	\$	-	\$	-	\$	-	\$

**Attachment 5**  
Attachment H, Pages 3 and 4, Worksheet  
Kammer Juniata Transmission, LLC

	<b>Bundled Sales for Resale included on page 4 of Attachment H</b> (a)	<b>ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY)</b> (b)	<b>Transmission charges for all transmission transactions</b> (c)	<b>Transmission charges associated with Project detailed on the Project Rev Req Schedule Col. 10.</b> (d)	<b>Account No. 457.1 Scheduling</b> (e)
Attachment H, Page 4, Line No:	27	29	31	32	Attach H, p 1 line 4
	(Note L)	(Note M)	Portion of Account 456.1	Portion of Account 456.1	
27 January			-	-	-
28 February			-	-	-
29 March			-	-	-
30 April			-	-	-
31 May			-	-	-
32 June			-	-	-
33 July			-	-	-
34 August			-	-	-
35 September			-	-	-
36 October			-	-	-
37 November			-	-	-
38 December			-	-	-
39 Total	\$	\$	\$ -	\$ -	\$ -

40  
41 RETURN (R)  
Notes K, Q & R from Attachment H

42		Long Term Interest (117, sum of 62.c through 67.c, Note A)	\$	-			
43		Preferred Dividends (118.29c) (positive number)		-			
44		Proprietary Capital (112.16.c)		-			
45		Less Preferred Stock (line 49)		-			
46		Less Account 216.1(112.12.c) (enter negative)		-			
47		Common Stock (sum lines 41-43)		-			
48	Long Term Debt	Note A	\$	-	Cost	-	
49	Preferred Stock (112.3.c)	Note B	\$	-	-	-	=WCLTD
50	Common Stock	Note C		-	11.25%	-	
51	Total	Sum of Lines 48-50		-		-	=R

Note:  
A Long Term Debt balance will reflect the 13 month average of the balances, of which the 1st and 13th are found on page 112 lines 18.c & d to 21.c & d in the Form No. 1. The cost is calculated by dividing line 42 by the Long Term Debt balance in line 48. In the event there is a construction loan prior to the issuance of non-construction debt, line 42 will include the interest and line 48 will include the outstanding amounts associated with the construction financing.  
B Preferred Stock balance will reflect the 13 month average of the balances, of which the 1st and 13th are found on page 112 line 3.c & d in the Form No. 1  
C Common Stock balance will reflect the 13 month average of the balances, of which the 1st and 13th are found on page 112 lines 3.c & d, 12.c & d, and 16.c & d in the Form No. 1 as shown on lines 41-44 above. ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.



Interest is calculated by taking the interest rate in line 8 and applying it monthly to the balances in Column C-N (i.e., for January 12/12\* Column O, February 11/12\* Column O, etc.) plus the interest rate in line 8 times 1.5 times the sum of the balances for January through December.

PBOPs  
Kammer Juniata Transmission, LLC

Calculation of PBOP Expenses

	(a)	(b)
1		<u>NextEra</u>
2	Total PBOP expenses (Note A)	\$0.00
3	Labor dollars (total labor under PBOP Plan, Note A)	\$0.00
4	Cost per labor dollar (line2 / line3)	
5	labor expended (labor not capitalized) in current year, 354.28.b.	
6	PBOP Expense for current year (line 4 * line 5)	
7	Lines 2-3 cannot change absent approval or acceptance by FERC in a separate proceeding.	
8	PBOP amount included in Company's O&M and A&G expenses included in FERC Account Nos. 500-935	

Note

Letter

A The source of the amounts from the Actuary Study supporting the numbers in Line 2 and 3 is -

**Attachment 8**  
**Depreciation Rates**  
**Kammer Juniata Transmission, LLC**

Line	Account Number	FERC Account	Rate (Annual)Percent
<b>TRANSMISSION PLANT</b>			
1	350.1	Fee Land	0.00
2	350.2	Land Rights	1.33
2	352	Structures and Improvements	3.36
3	353	Station Equipment	2.92
4	354	Towers and Fixtures	2.02
5	355	Poles and Fixtures	2.05
6	356	Overhead Conductor and Devices	3.10
7	357	Underground Conduit	0.00
8	358	Underground Conductor and Devices	0.00
9	359	Roads and Trails	0.00
<b>GENERAL PLANT</b>			
10	390	Structures & Improvements	0.00
11	391	Office Furniture & Equipment	5.25
12	392	Transportation Equipment	0.00
13	393	Stores Equipment	0.00
14	394	Tools, Shop & Garage Equipment	0.00
15	395	Laboratory Equipment	0.00
16	397	Communication Equipment	25.00
17	398	Miscellaneous Equipment	2.50
<b>INTANGIBLE PLANT</b>			
18	301	Organization	1.85
19	302	Intangible	1.85
20	303	Miscellaneous Intangible Plant	
21		5 Year Property	20.00
22		7 Year Property	14.29
23		10 Year Property	10.00
24		Transmission Facility Contributions in Aid of Construction	Note 1

Note 1: In the event a Contribution in Aid of Construction (CIAC) is made for a transmission facility, the transmission depreciation rates above will be weighted based on the relative amount of underlying transmission plant booked to the accounts shown in lines 1-9 above and the weighted average depreciation rate will be used to amortize the CIAC. The life of a facility subject to a CIAC will be equivalent to the depreciation rate calculated above, i.e.,  $100\% \div \text{depreciation rate} = \text{life in years}$ . The estimated life of the facility or rights associated with the facility will not change over the life of a CIAC without prior FERC approval.

These depreciation rates will not change absent the appropriate filing at FERC.

## **Attachment C**

**Attachment H-42B**  
**Kammer Juniata Transmission, LLC**  
**(“Kammer Juniata”)**  
**FORMULA RATE IMPLEMENTATION**  
**PROTOCOLS**

“Actual Transmission Revenue Requirement” or “ATRR” means the actual net transmission revenue requirement of Kammer Juniata calculated and posted on the PJM website no later than June 1 of each year subsequent to calendar year 2026 for the immediately preceding calendar year in accordance with Kammer Juniata’s Formula Rate and based upon Kammer Juniata’s actual costs and expenditures.

“Annual True-Up” means Kammer Juniata’s ATRR for the preceding calendar year, as well as the True-up for the prior Rate Year, as posted on or before June 1 of each year.

“Formal Challenge” means a written challenge to an Annual Update or Projected Transmission Revenue Requirement submitted to the Federal Energy Regulatory Commission (the “Commission” or “FERC”) as provided in Section IV below.

“Formula Rate” means the collection of formulas and worksheets included as Attachment H-42A of the PJM Tariff.

“Informational Filing” means the informational filing to FERC containing Kammer Juniata’s, as applicable: (1) the Projected Transmission Revenue Requirement for the upcoming Rate Year, as filed on or before September 30 of each year, and (2) the ATRR for the preceding calendar year, as well as its related True-up to the Projected Transmission Revenue Requirement for the respective Rate Year, as filed on or before June 1 of each year.

“Interested Parties” include, but are not limited to, customers under the PJM Tariff, state utility regulatory commissions, the Organization of PJM States, Inc., consumer advocacy agencies, state attorneys general, and any party to any docket assigned by the Commission to Kammer Juniata’s Formula Rate Filing and Annual True-Up.

“PJM” means PJM Interconnection, L.L.C.

“PJM Tariff” means the Open Access Transmission Tariff of the PJM Interconnection, L.L.C.

“Preliminary Challenge” means a written challenge to the Annual True-Up or Projected Transmission Revenue Requirement submitted to Kammer Juniata as provided in Section IV below.

“Projected Transmission Revenue Requirement” or “PTRR” means the projected net

transmission revenue requirement of Kammer Juniata calculated for the forthcoming Rate Year, as well as, where applicable, the most recently calculated True-up, with interest, to be posted on the PJM website no later than September 30 of each year for rates effective the next calendar year starting January 1.

“Protocols” means these Protocols, included as Attachment H-42B of the PJM Tariff.

“Publication Date” means the date on which the Annual Update is posted on the PJM website.

“Rate Year” means the twelve consecutive month period that begins on January 1 and continues through December 31.

“Transmission Provider” means PJM Interconnection, L.L.C., or its successor or assignee.

“True-Up Adjustment” means the difference between the revenues received by Kammer Juniata corresponding to the rate effective period of the PTRR (net of the True-Up Adjustment from the prior year) and the ATRR, for the same Rate Year, which shall be provided in the Annual Update on or before June 1 of the year subsequent to the Rate Year. The True-Up Adjustment will be a component of the PTRR.

## **Section I. Applicability**

The following procedures shall apply to the calculation of the ATRR, True-Up Adjustments, and PTRR of Kammer Juniata Transmission, LLC (“Kammer Juniata”) in the PJM Region.

## **Section II. Annual True-Up and Projected Transmission Revenue Requirement**

- A. On or before June 1 of each year, Kammer Juniata shall determine its Annual True-Up in accordance with its formula rate and Section VII of these protocols, to derive a True-Up Adjustment to be included in the PTRR for the subsequent Rate Year.
- B. On or before June 1 of each year, Kammer Juniata shall provide its Annual True-Up, actual net revenue requirement, and True-Up Adjustment to PJM and cause such information to be posted on the PJM website. Within five (5) days of such posting, PJM shall provide notice of such posting via an email exploder list. Interested Parties can subscribe to the PJM exploder list on the PJM website. For purposes of these protocols, the term Interested Party includes, but is not limited to, customers under the PJM Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.
- C. On or before September 30 of each year, Kammer Juniata shall provide its PTRR

to PJM and cause such information to be posted on the PJM website. Within five (5) days of posting of the PTRR, PJM shall provide notice of such posting to an email exploder list. In the event Kammer Juniata's formula rate is first included in the PJM Tariff such that the first PTRR cannot be provided to PJM by September 30, Kammer Juniata will nevertheless prepare a projection of its net revenue requirement for the first Rate Year using the most recent information available, and the projection will be posted on the PJM website at least sixty (60) days prior to the rates becoming effective. The PTRR for a partial first Rate Year will reflect Kammer Juniata's net revenue requirement only over the remaining months during the partial Rate Year. Kammer Juniata will conduct a meeting with Interested Parties on the PTRR for the first Rate Year between twenty (20) to forty (40) days after posting. Notice of the customer meeting, including the time, date, location, and remote access information, shall be posted on the PJM website and distributed to the e-mail exploder list no less than seven (7) days prior to such meeting.

- D. If the date for posting the Annual True-Up or the PTRR falls on a weekend or a holiday recognized by the Commission, then the posting shall be due on the next business day. Any delay in the Publication Date or in the posting of the PTRR will result in an equivalent extension of time for the submission of information requests discussed in Section III of these protocols.
- E. The Annual True-Up shall:
1. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
  2. Be based on Kammer Juniata's FERC Form No. 1 for the prior calendar year;
  3. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in the FERC Form No. 1;
  4. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-Up results from the FERC Form No. 1;
  5. Identify any changes in the formula references (page and line numbers) to the FERC Form No. 1;
  6. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1;

7. Provide underlying data for formula rate inputs that provide greater granularity than is required for the FERC Form No. 1;
8. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):
  - a. Identify Accounting Changes, including
    - i. the initial implementation of an accounting standard or policy;
    - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
    - iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;
    - iv. the implementation of new estimation methods or policies that change prior estimates; and
    - v. changes to income tax elections;
  - b. Identify items included in the Annual True-Up at an amount other than on a historical cost basis (e.g., fair value adjustments);
  - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-Up;
  - d. Provide, for each item identified pursuant to items II.E.8.a - II.E.8.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.
9. Provide for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Kammer Juniata and its affiliates by service category or function, including any changes to such cost allocation methodologies from the prior year and the reasons and justifications for those changes; and (2) the magnitude of such costs that

have been allocated or directly assigned between Kammer Juniata and each affiliate by service category or function.

F. The PTRR shall:

1. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
2. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the PTRR;
3. Provide sufficient information to enable Interested Parties to replicate the calculation of the PTRR; and
4. With respect to any Accounting Change:
  - a. Identify any Accounting Changes, including
    - i. the initial implementation of an accounting standard or policy;
    - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
    - iii. correction of errors and prior period adjustments that impact the PTRR calculation;
    - iv. the implementation of new estimation methods or policies that change prior estimates;
    - v. changes to income tax elections;
  - b. Identify items included in the PTRR at an amount other than on a historical cost basis (e.g., fair value adjustments);
  - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the PTRR; and
  - d. Provide, for each item identified pursuant to items II.F.4.a - II.F.4.c of these protocols, a narrative explanation of the individual impact of such changes on the PTRR.

- G. Kammer Juniata shall hold an open meeting among Interested Parties (“Annual True-Up Meeting”) no sooner than twenty (20) days after the Publication Date. The Annual True-Up Meeting shall occur no later than September 1. Kammer Juniata will make the Annual True-Up Meeting remotely accessible. No less than seven (7) days prior to such Annual True-Up Meeting, Kammer Juniata shall provide notice on PJM’s internet website of the time, date, location, and remote access information for the Annual True-Up Meeting and PJM shall provide notice of such meeting to an email exploder list. The Annual True-Up Meeting shall (i) permit Kammer Juniata to explain and clarify its Annual True-Up and True-Up Adjustment and (ii) provide Interested Parties an opportunity to seek information and clarifications from Kammer Juniata about the Annual True-Up and True-Up Adjustment.
  
- H. Kammer Juniata shall hold an open meeting among Interested Parties (“Annual Projected Rate Meeting”) no sooner than twenty (20) days after the date that the PTRR is posted to the PJM website (as described in Section II.C of these protocols). The Annual Projected Rate Meeting shall occur no later than October 31. Kammer Juniata will make the Annual Projected Rate Meeting remotely accessible. No less than seven (7) days prior to such Annual Projected Rate Meeting, Kammer Juniata shall provide notice on PJM’s internet website of the time, date, location, and remote access information for the Annual Projected Rate Meeting and PJM shall provide notice of such meeting to an email exploder list. The Annual Projected Rate Meeting shall (i) permit Kammer Juniata to explain and clarify its PTRR and (ii) provide Interested Parties an opportunity to seek information and clarifications from Kammer Juniata about the PTRRs.
  
- I. Transmission owners with transmission projects that utilize a regional or inter-regional cost sharing mechanism shall endeavor to hold a joint informational meeting to enable all interested parties to understand how those transmission owners are implementing their formula rates for cost recovery of such projects. Kammer Juniata will make the joint informational meeting remotely accessible. Notice of joint informational meetings, including the time, date, location, and remote access information, shall be posted on the PJM website and distributed to the email exploder list no less than seven (7) days prior to such meetings. Kammer Juniata will participate in joint informational meetings once it begins development of a project for which costs are to be regionally or inter-regionally allocated.

### **Section III. Information Exchange Procedures**

Each Annual True-Up and PTRR shall be subject to the following information exchange procedures (“Information Exchange Procedures”):

- A. Interested Parties shall have until November 30 following Publication Date (unless such period is extended with the written consent of Kammer Juniata or by FERC order) to serve reasonable information and document requests on Kammer

Juniata (“Information Exchange Period”). If the due date for information and document requests falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

1. the extent or effect of an Accounting Change;
2. whether the Annual True-Up or PTRR fails to include data properly recorded in accordance with these protocols;
3. the proper application of the formula rate and procedures in these protocols;
4. the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up or PTRR;
5. the prudence of actual costs and expenditures, including procurement methods and cost control methodologies;
6. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
7. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

- B. Kammer Juniata shall make a good faith effort to respond to information and document requests within fifteen (15) business days of receipt of such requests. Kammer Juniata shall respond to all information and document requests by no later than January 15 following the Publication Date, unless the Information Exchange Period is extended by Kammer Juniata or FERC. If the last day for Kammer Juniata to respond falls on a weekend or a holiday recognized by FERC, the deadline for responses to information requests shall be extended to the next business day.
- C. Kammer Juniata will cause to be posted on the PJM website all information requests from Interested Parties and Kammer Juniata’s response(s) to such requests; except, however, if responses to information and document requests include material deemed by Kammer Juniata to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by Kammer Juniata and the requesting party.
- D. Kammer Juniata shall not claim that responses to information and document

requests provided pursuant to these protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing Kammer Juniata's Annual True-Up or PTRR.

#### **Section IV. Challenge Procedures**

- A. Interested Parties shall have until February 15 following the Publication Date (unless such period is extended with the written consent of Kammer Juniata or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Kammer Juniata in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up or PTRR. The period of time from the Publication Date until February 15 shall be referred to as the Review Period. If the final day of the Review Period falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual True-Up or PTRR shall bar pursuit of such issue with respect to that Annual True-Up or PTRR under the challenge procedures set forth in these protocols, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or PTRR. This Section IV.A in no way shall affect a party's rights under section 206 of the Federal Power Act ("FPA") as set forth in Section IV.I of these protocols.
- B. A party submitting an Informal Challenge to Kammer Juniata must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Kammer Juniata shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. Kammer Juniata, and where applicable, PJM, shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If Kammer Juniata disagrees with such challenge, it will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge may be submitted after the final day of the Review Period, and Kammer Juniata must respond to all Informal Challenges by no later than thirty (30) days after the end of the Review Period, unless the Review Period is extended by Kammer Juniata or FERC. If the end of the Review Period falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. If the deadline for Kammer Juniata to respond to all Informal Challenges falls on a weekend or a holiday recognized by FERC, the deadline for responding to Informal Challenges shall be extended to the next business day.
- C. Informal Challenges shall be subject to the resolution procedures and limitations

in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements.

1. A Formal Challenge shall:
  - a. Clearly identify the action or inaction which is alleged to violate the filed rate formula or protocols;
  - b. Explain how the action or inaction violates the filed rate formula or protocols;
  - c. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
    - i. The extent or effect of an Accounting Change;
    - ii. Whether the Annual True-Up or PTRR fails to include data properly recorded in accordance with these protocols;
    - iii. The proper application of the formula rate and procedures in these protocols;
    - iv. The accuracy of data and consistency with the formula rate of the charges shown in the Annual True-Up or PTRR;
    - v. The prudence of actual costs and expenditures;
    - vi. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
    - vii. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.
  - d. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
  - e. State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
  - f. State the specific relief or remedy requested, including any request



changes or adjustments agreed to by Kammer Juniata after the last day of the Information Exchange Period will be reflected in the following year's Annual True-Up, as discussed in Section V of these protocols.

- G. An Interested Party shall have until seventy-five (75) days following the Review Period (unless such date is extended with the written consent of Kammer Juniata to continue efforts to resolve the Informal Challenge or unless the deadline for Kammer Juniata to submit its informational filing is extended) to make a Formal Challenge with FERC, which shall be served on Kammer Juniata on the date of such filing as specified in Section IV.C(2) above. If the last day of the seventy-five-day period to make a Formal Challenge falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Formal Challenges shall be extended to the next business day. A Formal Challenge shall be filed in the same docket as Kammer Juniata's Informational Filing discussed in Section VI of these protocols. Kammer Juniata shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge on any issue during the applicable Review Period.
- H. In any proceeding initiated by FERC concerning the Annual True-Up or PTRR or in response to a Formal Challenge, Kammer Juniata shall bear the burden, consistent with section 205 of the FPA, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in these protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.
- I. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Kammer Juniata to file unilaterally, pursuant to section 205 of the FPA and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to section 206 of the FPA and the regulations thereunder.
- J. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols and the Annual True-Up and PTRR shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, an FPA section 205 or section 206 filing.
- K. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or FERC Form No. 1, shall first raise the matter with Kammer Juniata in accordance with this Section IV before pursuing a Formal Challenge.

## **Section V. Changes to Annual True-Up Adjustment or Projected Transmission Revenue Requirement**

Except as provided in Section IV.F of these protocols, any changes to the data inputs, including but not limited to revisions to Kammer Juniata's FERC Form No. 1, or as the result of any FERC proceeding to consider the Annual True-Up or PTRR, or as a result of the procedures set forth herein, shall be incorporated into the formula rate and the charges produced by the formula rate in the PTRR for the next Rate Year. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VII of these protocols.

## **Section VI. Informational Filings**

- A. By March 15 of each year, Kammer Juniata shall submit to FERC an informational filing ("Informational Filing") of its PTRR for the Rate Year, including its Annual True-Up and True-Up Adjustment (unless the Review Period is extended by Kammer Juniata or FERC). If the due date for the informational filing falls on a weekend or a holiday recognized by FERC, the deadline for submitting the Informational Filing shall be extended to the next business day. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Kammer Juniata has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the transmission revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge Procedures. Additionally, the Informational Filing must include for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Kammer Juniata and its affiliates by service category or function, including any changes to such cost allocation and methodologies from the prior year, and the reasons and justification for those changes; and (2) the magnitude of such costs that have been allocated or directly assigned between Kammer Juniata and each affiliate by service category or function. Within five (5) days of such Informational Filing, PJM shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to Kammer Juniata's Informational Filing on the PJM website.
- B. Any challenges to the implementation of Kammer Juniata's formula rate must be made through the Challenge Procedures described in Section IV of these

protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

## **Section VII. Calculation of True-Up Adjustment**

The True-Up Adjustment will be determined in the following manner:

1. Actual transmission revenues received the previous calendar year (“True-Up Year”) shall be compared to the actual net revenue requirement (calculated in accordance with Kammer Juniata’s formula rate) for the True-Up Year as determined using Kammer Juniata’s completed FERC Form No. 1 report to determine any excess or shortfall. The excess or shortfall due to the actual revenue received versus the actual net revenue requirement shall constitute the “True-Up Adjustment.” The True-Up Adjustment and related calculations shall be posted to PJM’s website no later than June 1 (or if that day falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day) following the issuance of the FERC Form No. 1 for the previous year, as set forth in Section II of these protocols.
2. Interest on any over recovery of the net revenue requirement shall be determined based on the Commission’s regulation at 18 C.F.R § 35.19a. Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to: (i) Kammer Juniata’s actual short-term debt costs capped at the interest rate determined based on the Commission’s regulation at 18 C.F.R § 35.19a; or (ii) if Kammer Juniata does not have short-term debt, then the interest rate determined based on the Commission’s regulation at 18 C.F.R § 35.19a. In either case, an average interest rate shall be used to calculate the interest payable for the twenty-four (24) months during which the over or under recovery in the revenue requirement exists. The interest rate to be applied to the over or under recovery amounts will be determined using the average rate for the twenty-one (21) months preceding October of the current year. The interest amount will be included in the projected costs made available by September 30, as described in Section II.C above.
3. The net revenue requirement for transmission services for the following Rate Year shall be the sum of the PTRR for the following year, plus or minus the True-Up Adjustment from the True-Up Year, if any, including interest, as explained above, and as described in Attachment 3 of Kammer Juniata’s formula rate.
4. Kammer Juniata may accelerate the refund of any over recovery amounts by one year. The interest calculation will be adjusted to reflect the period the over recovery exists.

## **Section VIII. Competitive Bid Concessions**

For transmission development projects assigned to Kammer Juniata as a result of the PJM competitive project sponsor process, Kammer Juniata may, in its sole discretion, agree with PJM to apply a Competitive Bid Concession that will result in a lower net revenue requirement on a project-specific basis than that which would otherwise be produced by Kammer Juniata's formula rate. Any Competitive Bid Concession will appear as a zero or negative input to the formula, and will be determined on a project-specific basis using a workpaper that will be provided to Interested Parties as supporting documentation for each Annual True-Up by Kammer Juniata.

## **Attachment D**

## **ATTACHMENT H-42**

### **Annual Transmission Rates – Kammer Juniata Transmission, LLC**

1. This Attachment H-42 is applicable to the Annual Transmission Revenue Requirement (“ATRR”) of Kammer Juniata Transmission, LLC (“Kammer Juniata). The ATRR for Kammer Juniata is equal to the result of the formula rate contained in Attachment H-42A and reflects the cost of providing transmission service over Kammer Juniata’s transmission facilities.
2. The ATRR shall be updated annually, and the updated formula rate spreadsheet supporting the annual update shall be posted on the PJM website. The annual ATRR update process shall be conducted pursuant to the Formula Rate Implementation Protocols contained in Attachment H-42B, and the Formula Rate Template in Attachment H-42A.
3. The formula rate in this attachment shall be effective until amended by Kammer Juniata or modified by the Commission.

Attachment H-42A

Formula Rate - Non-Levelized

Kammer Juniata Transmission, LLC **Note Z**

Rate Formula Template  
Utilizing FERC Form 1 Data

For the 12 months ended 12/31/\_\_\_\_

Line No.	(1)	(2)	(3)	(4)	(5) Allocated Amount
1	GROSS REVENUE REQUIREMENT	(page 3, line 46)			\$ -
	REVENUE CREDITS	(Note O)	<u>Total</u>	<u>Allocator</u>	
2	Account No. 454	(page 4, line 29)	-	TP -	-
3	Account No. 456.1	(page 4, line 33)	-	TP -	-
4	Account No. 457.1 Scheduling Revenues from Grandfathered	Attachment 5, line 39, col g	-	TP -	-
5	Interzonal Transactions	(Note N)	-	TP -	-
6	Revenues from service provided by the ISO at a discount		-	TP -	-
7	TOTAL REVENUE CREDITS	(Sum of Lines 2 through 6)	-		- <hr/>
8	NET REVENUE REQUIREMENT	(line 1 minus line 7)			\$ - <hr/> <hr/>
9	True-up Adjustment with Interest	Attachment 3, line 4, Col. J	-	DA 1.00000	-
10	NET REVENUE REQUIREMENT	(line 8 plus line 9)			\$ - <hr/> <hr/>

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data  
Kammer Juniata Transmission, LLC

Line No.	(1)	(2)	(3)	(4)	(5) Transmission (Col 3 times)
Line No.	RATE BASE:	Source	Company		
	<b>GROSS PLANT IN SERVICE (Notes U and R)</b>				
1	Production	205.46.g for end of year, records for other months		NA	
2	Transmission	Attachment 4, Line 14, Col. (b)		TP	
3	Distribution	207.75.g for end of year, records for other months		NA	
4	General & Intangible	Attachment 4, Line 14, Col. (c)		W/S	
5	Common	356.1 for end of year, records for other months		CE	
6	<b>TOTAL GROSS PLANT</b>	(Sum of Lines 1 through 5)		<b>GP=</b>	
7	<b>ACCUMULATED DEPRECIATION (Notes U and R)</b>				
8	Production	219.20-24.c for end of year, records for other months		NA	
9	Transmission	Attachment 4, Line 14, Col. (h)		TP	
10	Distribution	219.26.c for end of year, records for other months		NA	
11	General & Intangible	Attachment 4, Line 14, Col. (i)		W/S	
12	Common	356.1 for end of year, records for other months		CE	
13	<b>TOTAL ACCUM. DEPRECIATION</b>	(Sum of Lines 8 through 12)			
14	<b>NET PLANT IN SERVICE</b>				
15	Production	(line 1 minus line 8)			
16	Transmission	(Line 2 minus line 9)			
17	Distribution	(line 3 minus line 10)			
18	General & Intangible	(Line 4 minus line 11)			
19	Common	(line 5 minus line 12)			
20	<b>TOTAL NET PLANT</b>	(Sum of Lines 15 through 19)		<b>NP=</b>	
21	<b>ADJUSTMENTS TO RATE BASE (Note R)</b>				
22	Account No. 281 (enter negative)	Attach 4, Line 28, Col. (d)/Attach 4a, Line 54, Col. H (Notes B and X)		NA	zero
23	Account No. 282 (enter negative)	Attach 4, Line 28, Col. (e)/Attach 4a, Line 81, Col. H (Notes B and X)		NP	
24	Account No. 283 (enter negative)	Attach 4, Line 28, Col. (f)/Attach 4a, Line 108, Col. H (Notes B and X)		NP	
25	Account No. 190	Attach 4, Line 28, Col. (g)/Attach 4a, Line 27, Col. H (Notes B and X)		NP	
26	Account No. 255 (enter negative)	Attachment 4, Line 28, Col. (h) (Notes B and X)		NP	
26a	Unfunded Reserves (enter negative)	Attachment 4, Line 31, Col. (h) (Note Y)		DA	
27	CWIP- Commission Approved Order 679 Projects	Attachment 4, Line 14, Col. (d)		DA	
28	Unamortized Regulatory Asset	Attachment 4, Line 28, Col. (b) (Note T)		DA	
29	Unamortized Abandoned Plant	Attachment 4, Line 28, Col. (c) (Note S)		DA	
30	<b>TOTAL ADJUSTMENTS</b>	(Sum of Lines 22 through 29)			
31	<b>LAND HELD FOR FUTURE USE</b>	Attachment 4, Line 14, Col. (e) (Note C)		TP	
32	<b>WORKING CAPITAL (Note D)</b>				
33	CWC	1/8*(Page 3, Line 14 minus Page 3, Line 11)			
34	Materials & Supplies	Attachment 4, Line 14, Col. (f) (Note C)		TP	
35	Prepayments (Account 165)	Attachment 4, Line 14, Col. (g)		GP	
36	<b>TOTAL WORKING CAPITAL</b>	(Sum of Lines 33 through 35)			
37	<b>RATE BASE</b>	(Sum of Lines 20, 30, 31 & 36)			

Formula Rate - Non-Levelized

Rate Formula Template

page 3 of 5  
For the 12 months ended  
12/31/\_\_\_\_

Utilizing FERC Form 1 Data  
Kammer Juniata Transmission, LLC

Line No.	(1)	(2)	(3)	(4)	(5)
		Source	Company Total		Transmission (Col 3 times)
1	O&M				
1	Transmission	321.112.b Attach. 5, Line 13, Col. (a)		TP	
2	Less Account 566 (Misc Trans Expense)	321.97.b Attach. 5, Line 13, Col. (b)		TP	
3	Less Account 565	321.96.b Attach. 5, Line 13, Col. (c)		TP	
4	A&G	323.197.b Attach. 5, Line 13, Col. (d)		W/S	
5	Less FERC Annual Fees	Attach. 5, Line 13, Col. (e)		W/S	
6	Less EPRI & Reg. Comm. Exp. & Non-safety Ad.	(Note E) Attach. 5, Line 13, Col. (f)		W/S	
6a	Less PBOP Expense in Year	Attachment 7, Line 6, Col. (b)		W/S	
7	Plus Transmission Related Reg. Comm. Exp.	(Note E) Attach. 5, Line 13, Col. (g)		TP	
7a	Plus PBOP Expense Allowed Amount	Attachment 7, Line 8, Col. (b)		W/S	
8	Common	356.1		CE	
9	Transmission Lease Payments	Attach. 5, Line 13, Col (h)		DA	
10	Account 566				
11	Amortization of Regulatory Asset	(Note T) Attach. 5, Line 13, Col. (i)		DA	
12	Miscellaneous Transmission Expense (less	Attach. 5, Line 13, Col. (j)		TP	
13	Total Account 566	(Line 11 plus Line 12) Ties to 321.97.b			
14	TOTAL O&M	(Sum of Lines 1, 4, 7, 7a, 8, 9, 13 less Lines 2, 3, 5, 6, 6a)			
15	DEPRECIATION EXPENSE (Note U)				
16	Transmission	336.7.b, d & e Attach. 5, Line 13, Col. (k)		TP	
17	General & Intangible	336.10.b, d & e, 336.1.b, d & e Attach. 5, Line 26, Col. (a)		W/S	
18	Common	336.11.b, d & e		CE	
19	Amortization of Abandoned Plant	(Note S) Attach. 5, Line 26, Col. (b)		DA	
20	TOTAL DEPRECIATION	(Sum of Lines 16 through 19)			
21	TAXES OTHER THAN INCOME TAXES	(Note F)			
22	LABOR RELATED				
23	Payroll	263.i Attach. 5, Line 26, Col. (c)		W/S	
24	Highway and vehicle	263.i Attach. 5, Line 26, Col. (d)		W/S	
25	PLANT RELATED				
26	Property	263.i Attach. 5, Line 26, Co.1 (e)		GP	
27	Gross Receipts	263.i Attach. 5, Line 26, Col. (f)		NA	zero
28	Other	263.i Attach. 5, Line 26, Col. (g)		GP	
29	Payments in lieu of taxes	263.i Attach. 5, Line 26, Col. (h)		GP	
30	TOTAL OTHER TAXES	(Sum of Lines 23 through 29)			
31	INCOME TAXES	(Note G)			
32	T=1 - {(1 - SIT) * (1 - FIT)} / (1 - SIT * FIT * p)}	WCLTD = Page 4, Line 20	-		
33	CIT=(T/1-T) * (1-(WCLTD/R)) =	R = Page 4, Line 23	-		
34	FIT & SIT & P	(Note G)			
35					
36	1 / (1 - T) = (T from line 32)				
37	Amortized Investment Tax Credit	266.8f (enter negative) Attach. 5, Line 26, Col. (i)			
38	Tax Effect of Permanent Differences	Attach. 5, Line 26, Col. (k) (Note W)			
39	Income Tax Calculation	(Line 33 times Line 45)		NA	
40	ITC adjustment	(Line 36 times Line 37)		NP	
41	(Excess)/Deficient Deferred Income Tax Adjustment	(Attachment 4b, Line 4, Col. (M))		NP	
42	Permanent Differences Tax Adjustment	(Line 36 times Line 38)		NP	
43	Total Income Taxes	(Sum of Lines 39 through 42)			
44	RETURN				
45	Rate Base times Return	(Page 2, Line 37 times Page 4, Line 23)		NA	
46	REV. REQUIREMENT	(Sum of Lines 14, 20, 30, 43 & 45)			

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data  
Kammer Juniata Transmission, LLC

For the 12 months ended  
12/31/\_\_\_\_

(1)	(2)	(3)	(4)	(5)
<b>SUPPORTING CALCULATIONS AND NOTES</b>				
Line No.	TRANSMISSION PLANT INCLUDED IN ISO RATES			
1	Total Transmission plant	(Page 2, Line 2, Column 3)		
2	Less Transmission plant excluded from ISO rates	(Note H)		
3	Less Transmission plant included in OATT Ancillary Services	(Note I)		
4	Transmission plant included in ISO rates	(Line 1 minus Lines 2 & 3)		
5	Percentage of Transmission plant included in ISO Rates	(Line 4 divided by Line 1)		TP=
6	WAGES & SALARY ALLOCATOR (W&S)			
		<u>Form 1 Reference</u>	<u>\$</u> <u>TP</u>	<u>Allocation</u>
7	Production	354.20.b	-	
8	Transmission	354.21.b	-	
9	Distribution	354.23.b	-	
10	Other	354.24,25,26.b	-	
11	Total (W& S Allocator is 1 if lines 7-10 are zero)	(Sum of Lines 7 through 10)		= <u>W&amp;S Allocator (\$ / Allocation)</u> = WS
12	COMMON PLANT ALLOCATOR (CE) (Note J and X)		<u>\$</u>	
13	Electric	200.3.c		% Electric (line 13 / line 16)
14	Gas	201.3.d		*
15	Water	201.3.e		=
16	Total	(Sum of Lines 13 through 15)		<u>W&amp;S Allocator (line 11)</u> = CE
17	RETURN (R)	(Note V)		<u>\$</u>
18				
19			<u>\$</u> <u>%</u>	<u>Cost (Notes K, Q, &amp; R)</u>
20	Long Term Debt	(Attachment 5, line 48 Note A)	-	<u>Weighted</u> =WCLTD
21	Preferred Stock (112.3.c)	(Attachment 5, line 49 Note B)	-	
22	Common Stock	(Attachment 5, line 50 Note C)	-	
23	Total	(Attachment 5, line 51)		11.25% <u>Weighted</u> =R
24	REVENUE CREDITS			
25	ACCOUNT 447 (SALES FOR RESALE) (Note L)	310 -311		
26	a. Bundled Non-RQ Sales for Resale	311.x.h		
27	b. Bundled Sales for Resale	Attach 5, line 39, col (a)		
28	Total of (a)-(b)			
29	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY)	(Note M) Attach 5, line 39, col (b)		
30	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES)	330.x.n		
31	a. Transmission charges for all transmission transactions	Attach 5, line 39, col (c)		
32	b. Transmission charges associated with Project detailed on the Project Rev Req Schedule Col. 10.	Attach 5, line 39, col (d)	-	
33	Total of (a)-(b)			-

Formula Rate - Non-Levelized  
 Rate Formula Template  
 Utilizing FERC Form 1 Data  
 Kammer Juniata Transmission, LLC

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)  
 References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter	
A	Reserved
B	The balances in Accounts 190, 281, 282 and 283, as adjusted by any amounts in contra accounts identified as regulatory assets or liabilities related to FASB 106 or 109. Balance of Account 255 is reduced by prior flow throughs and excluded if the utility chose to utilize amortization of tax credits against taxable income. Account 281 is not allocated.
C	Identified in Form 1 as being only transmission related.
D	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at page 3, line 14, column 5 minus amortization of Regulatory Asset at page 3, line 11, column 5. Prepayments are the electric related prepayments booked to Account No. 165 and reported on pages 111, line 57 in the Form 1.
E	Page 3, Line 6 - EPRI Annual Membership Dues listed in Form 1 at 353.f, all Regulatory Commission Expenses itemized at 351.h, and non-safety related advertising included in Account 930.1 found at 323.191.b. Page 3, Line 7- Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at 351.h.
F	Includes only FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template, since they are recovered elsewhere.
G	The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T) (page 3, line 36). Excess and Deficient Deferred Income Taxes reduce or increase income tax expense by the amount of the excess or deficient expense multiplied by (T/1-T). Inputs Required: FIT = SIT= (State Income Tax Rate or Composite SIT) p = (percent of federal income tax deductible for state purposes)
H	Removes transmission plant determined by Commission order to be state-jurisdictional according to the seven-factor test (until Form 1 balances are adjusted to reflect application of seven-factor test).
I	Removes dollar amount of transmission plant to be included in the development of OATT ancillary services rates and generation step-up facilities, which are deemed included in OATT ancillary services. For these purposes, generation step-up facilities are those facilities at a generator substation on which there is no through-flow when the generator is shut down.
J	Enter dollar amounts
K	ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
L	Page 4, Line 28 must equal zero since all short-term power sales must be unbundled and the transmission component reflected in Account No. 456.1.
M	Includes income related only to transmission facilities, such as pole attachments, rentals and special use.
N	Company will not have any grandfathered agreements. Therefore, this line shall remain zero.
O	The revenues credited on page 1 lines 2-6 shall include only the amounts received directly (in the case of grandfathered agreements) or from the ISO (for service under this tariff) reflecting the Transmission Owner's integrated transmission facilities. Revenue Credits do not include revenues associated with FERC annual charges, gross receipts taxes, facilities not included in this template (e.g., direct assignment facilities and GSUs) the costs of which are not recovered under this Rate Formula Template.
P	Reserved
Q	Prior to obtaining any debt, the cost of debt will be SOFR plus 2.0%. Once any debt is obtained, the formula will use the actual cost of debt determined in Attachment 5. The capital structure will be 60% equity and 40% debt until Kammer Juniata Transmission, LLC's first transmission project enters service, after which the capital structure will be the actual capital structure. SOFR refers to the Secured Overnight Financing Rate from the Federal Reserve Bank of New York's <a href="https://newyorkfed.org/">https://newyorkfed.org/</a> .
R	Calculate using 13 month average balance, except ADIT.
S	Unamortized Abandoned Plant and Amortization of Abandoned Plant will be zero until the Commission accepts or approves recovery of the cost of abandoned plant. Utility must receive FERC authorization before recovering the cost of abandoned plant.
T	Regulatory Asset will be zero until the Commission approves a request to establish a regulatory asset. Recovery of any regulatory asset requires authorization from the Commission.
U	Excludes Asset Retirement Obligation balances.
V	Company shall be allowed recovery of costs related to interest rate locks. Absent a Section 205 filing, Company shall not include in the Formula Rate, the gains, losses, or costs related to other hedges.
W	The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State calculations and the income taxes calculated in Attachment H that are not the result of a timing difference
X	Calculated on Attachment 4 for the true up and on Attachment 4a for the projection
Y	Unfunded Reserves are customer contributed capital such as when employee vacation expense is accrued but not yet incurred. Also, pursuant to Special Instructions to Accounts 228.1 through 228.4, no amounts shall be credited to accounts 228.1 through 228.4 unless authorized by a regulatory authority or authorities to be collected in a utility's rates.
Z	This Formula Rate Template, including Attachments, is to be used by any KJT PJM Entity, which includes Kammer Juniata and any other joint venture of NextEra Energy Transmission, LLC and Exelon Transmission, LLC, that operates in the PJM Region and that owns, or proposes to own, transmission facilities that have been, or will be, turned over to the functional control of PJM and whose costs are recoverable under the PJM Tariff. Each subsequent KJT PJM Entity shall use a replication of H-42A(1) designated as a subsequent version (e.g., H-42A(2), etc.), in this Attachment H-42.

To be completed in conjunction with Attachment H.

Line No.	(1)	(2) <b>Attachment H</b> <b>Page, Line, Col.</b>	(3) <b>Transmission</b>	(4) <b>Allocator</b>
1	Gross Transmission Plant - Total	Attach H, p 2, line 2 col 5 (Note A)	-	-
2	Net Transmission Plant - Total	Attach H, p 2, line 16 col 5 plus line 27 & 29 col 5 (Note B)	-	-
<b>O&amp;M EXPENSE</b>				
3	Total O&M Allocated to Transmission	Attach H, p 3, line 14 col 5	-	-
4	Annual Allocation Factor for O&M	(line 3 divided by line 1 col 3)	-	-
<b>GENERAL, INTANGIBLE AND COMMON (G&amp;C) DEPRECIATION EXPENSE</b>				
5	Total G, I & C Depreciation Expense	Attach H, p 3, lines 17 & 18, col 5 (Note H)	-	-
6	Annual Allocation Factor for G, I & C Depreciation Expense	(line 5 divided by line 1 col 3)	-	-
<b>TAXES OTHER THAN INCOME TAXES</b>				
7	Total Other Taxes	Attach H, p 3, line 30 col 5	-	-
8	Annual Allocation Factor for Other Taxes	(line 7 divided by line 1 col 3)	-	-
9	Less Revenue Credits	Attach H, p 1, line 7 col 5	-	-
10	Annual Allocation Factor Revenue Credits	(line 9 divided by line 1 col 3)	-	-
<b>11</b>	<b>Annual Allocation Factor for Expense</b>	<b>Sum of line 4, 6, 8, and 10</b>	-	-
<b>INCOME TAXES</b>				
12	Total Income Taxes	Attach H, p 3, line 44 col 5	-	-
13	Annual Allocation Factor for Income Taxes	(line 12 divided by line 2 col 3)	-	-
<b>RETURN</b>				
14	Return on Rate Base	Attach H, p 3, line 46 col 5	-	-
15	Annual Allocation Factor for Return on Rate Base	(line 14 divided by line 2 col 3)	-	-
<b>16</b>	<b>Annual Allocation Factor for Return</b>	<b>Sum of line 13 and 15</b>	-	-



**Attachment 2**  
Incentive ROE

Kammer Juniata Transmission, LLC

1	Rate Base	Attachment H, Page 2 line 37, Col.5							-
2	100 Basis Point Incentive Return							\$	
								Cost	
									<u>Weighted</u>
			\$	%					
3	Long Term Debt	(Attachment H, Notes Q and R)	-	-		-			
4	Preferred Stock	(Attachment H, Notes Q and R)	-	-		-			
5	Common Stock	(Attachment H, Notes K, Q and R)			Cost = Attachment H, Page 4 Line 22, Cost plus .01	0.1225			-
6	Total (sum lines 3-5)		-						-
7	100 Basis Point Incentive Return multiplied by Rate Base (line 1 * line 6)								-
8	<b>INCOME TAXES</b>								
9	T=1 - {[ (1 - SIT) * (1 - FIT) ] / (1 - SIT * FIT * p)} =		-						
10	CIT=(T/1-T) * (1-(WCLTD/R)) =		-						
11	WCLTD = Line 3								
12	and FIT, SIT & p are as given in footnote K.								
13	1 / (1 - T) = (from line 9)		-						
14	Amortized Investment Tax Credit (266.8f) (enter negative)	Attachment H, Page 3, Line 37	-						
15	Excess Deferred Income Taxes (enter negative)	Attachment H, Page 3, Line 38	-						
16	Tax Effect of Permanent Differences (Note B)	Attachment H, Page 3, Line 39	-						
17	Income Tax Calculation = line 10 * line 7		-				NA		
18	ITC adjustment (line 13 * line 14)		-				NP	-	
19	Excess Deferred Income Tax Adjustment (line 13 * line 15)		-				NP	-	
20	Permanent Differences Tax Adjustment (line 13 * 16)		-				NP	-	
21	Total Income Taxes (sum lines 14-20)		-						-
22	Return and Income Taxes with 100 basis point increase in ROE	(Sum lines 7 & 21)							-
23	Return	(Attach. H, page 3 line 46 col 5)							-
24	Income Tax	(Attach. H, page 3 line 44 col 5)							-
25	Return and Income Taxes without 100 basis point increase in ROE	(Sum lines 23 & 24)							-
26	Incremental Return and Income Taxes for 100 basis point increase	(Line 22 - line 25)							-
27	Rate Base (line 1)								-
28	Incremental Return and Income Taxes for 100 basis point increase in ROE divided by Rate Base	(Line 26 / line 27)							-

Notes:

- A Line 5 includes a 100 basis point increase in ROE that is used only to determine the increase in return and income taxes associated with a 100 basis point increase in ROE. Any actual ROE incentive must be approved by For example, if the Commission were to grant a 137 basis point ROE incentive, the increase in return and taxes for a 100 basis point increase in ROE would be multiplied by 1.37 on Attachment 1 column 12.
- B The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State calculations and the income taxes calculated in Attachment H that are not the result of a timing difference.



**Attachment 4**

Rate Base Worksheet

Kammer Juniata Transmission, LLC

Line No	Month	Transmission	Gross Plant In Service General & Intangible	CWIP		LHFFU Materials & Supplies	Working Capital Prepayments	Accumulated Depreciation	
				CWIP in Rate Base	Held for Future Use			Transmission	General & Intangible
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Attachment H, Page 2, Line No:	2	4	27	31	34	35	9	11
		207.58.g for end of year, records for other months	205.5.g & 207.99.g for end of year, records for other months	(Note C)	214.x.d for end of year, records for other months	227.8.c & 227.16.c for end of year, records for other months	111.57.c for end of year, records for other months	219.25.c for end of year, records for other months	219.28.c & 200.21.c for end of year, records for other months
1	December Prior Year	-	-	-	-	-	-	-	-
2	January								
3	February								
4	March								
5	April								
6	May								
7	June								
8	July								
9	August								
10	September								
11	October								
12	November								
13	December								
14	Average of the 13 Monthly Balances								

Adjustments to Rate Base

Line No	Month	Unamortized Regulatory Asset	Unamortized Abandoned Plant	Account No. 281	Account No. 282	Account No. 283	Account No. 190	Account No. 255
				Accumulated Deferred Income Taxes (Note D)	Accumulated Deferred Investment Credit			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	Attachment H, Page 2, Line No:	28	29	22	23	24	25	26
		Notes A & E	Notes B & F	272.8.b & 273.8.k	274.2.b & 275.2.k	276.9.b & 277.9.k	234.8.b & c	Consistent with 266.8.b & 267.8.h
15	December Prior Year							
16	January							
17	February							
18	March							
19	April							
20	May							
21	June							
22	July							
23	August							
24	September							
25	October							
26	November							
27	December							
28	Average of the 13 Monthly Balances							

**Attachment 4**

Rate Base Worksheet

Kammer Juniata Transmission, LLC

Unfunded Reserves (Notes G & H)		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Amount		Enter 1 if NOT in a trust or reserved account, enter zero (0) if included in a trust or reserved account	Enter 1 if the accrual account is included in the formula rate, enter (0) if NOT included in the formula rate	Enter the percentage paid for by the transmission formula customers	Allocation (Plant or Labor Allocator)	Amount Allocated, col. c x col. d x col. e x col. f x col. g	
29	List of all reserves:								
30a	Reserve 1	-		-					-
30b	Reserve 2	-		-					-
30c	Reserve 3								
30d	Reserve 4								
30e	...								
30f	...	-		-					-
31	Total	-							-

Notes:

- A Recovery of regulatory asset is limited to any regulatory assets authorized by FERC.
- B Recovery of abandoned plant is limited to any abandoned plant recovery authorized by FERC.
- C Includes only CWIP authorized by the Commission for inclusion in rate base. The annual report filed pursuant to Section 6 of the Protocols will include for each project under construction (i) the CWIP balance eligible for inclusion in rate base; (ii) the CWIP balance ineligible for inclusion in rate base; and (iii) a demonstration that AFUDC is only applied to the CWIP balance that is not included in rate base. The annual report will reconcile the project-specific CWIP balances to the total Account 107 CWIP balance reported on p. 216.b of the FERC Form 1. The demonstration in (iii) above will show that monthly debts and credits do not contain entries for AFUDC for each CWIP project in ratebase.
- D ADIT and Accumulated Deferred Income Tax Credits are computed using the average of the beginning of the year and the end of the year balances. The projection will use line 108 of Attachment 4a to populate the average ADIT balance on line 28 above.
- E Regulatory Asset will be zero until the Commission approves a request to establish a regulatory asset. Recovery of any regulatory asset requires authorization from the Commission.
- F Unamortized Abandoned Plant and Amortization of Abandoned Plant will be zero until the Commission accepts or approves recovery of the cost of abandoned plant.
- G The Formula Rate shall include a credit to rate base for all unfunded reserves (funds collected from customers that (1) have not been set aside in a trust, escrow or restricted account; (2) whose balance are collected from customers through cost accruals to accounts that are recovered under the Formula Rate; and (3) exclude the portion of any balance offset by a balance sheet account). Each unfunded reserve will be included on lines 30 above. The allocator in Col. (g) will be the same allocator used in the formula for the cost accruals to the account that is recovered under the Formula Rate. Since reserves can be created by an offsetting balance sheet account, rather than through cost accruals, the amount to be deducted from rate base should exclude the portion offset by another balance sheet account.
- H Calculate using 13 month average balance, except ADIT.

Kammer Juniata Transmission, LLC  
Attachment 4a - Accumulated Deferred Income Taxes

Year Ended 12/31/\_\_\_\_

Rate Year =

1 <b>Account 190</b>	<b>Days in Period</b>					<b>Averaging with Proration - Projected</b>		
2	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
3	Month	Days in the Month	Number of Days Prorated	Total Days in Future Portion of Test Period	Proration Amount (C / D)	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)
4								
5	December 31st balance Prorated Items							-
6	Month 1	-		-	-	-	-	-
7	Month 2	-		-	-	-	-	-
8	Month 3	-		-	-	-	-	-
9	Month 4	-		-	-	-	-	-
10	Month 5	-		-	-	-	-	-
11	Month 6	-		-	-	-	-	-
12	Month 7	-		-	-	-	-	-
13	Month 8	-		-	-	-	-	-
14	Month 9	-		-	-	-	-	-
15	Month 10	-		-	-	-	-	-
16	Month 11	-		-	-	-	-	-
17	Month 12	-		-	-	-	-	-
18	Total					-	-	-
19	Beginning Balance							-
20	Less non Prorated Items							-
21	Beginning Balance of Prorated items					234.8.b		-
22	Ending Balance							-
23	Less non Prorated Items					(Line 19 less line 21)		-
24	Ending Balance of Prorated items					(Line 5, Col H)		-
25	Average Balance					234.8.c		-
26	Less FASB 106 & 109 Items					(Line 22 less line 24)		-
27	Amount for Attachment 4					(Line 17, Col H)		-
28	Average Balance					Line 17, Col H + (Lines 20 + 23)/2		-
29	Less FASB 106 & 109 Items					Attachment H, Footnote B		-
30	Amount for Attachment 4					(Line 25 less line 26)		-

28 <b>Account 281</b>	<b>Days in Period</b>					<b>Averaging with Proration - Projected</b>		
29	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
30	Month	Days in the Month	Number of Days Prorated	Total Days in Future Portion of Test Period	Proration Amount (C / D)	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)
31								
32	End of Year balance Prorated Items							-
33	Month 1	-		-	-	-	-	-
34	Month 2	-		-	-	-	-	-
35	Month 3	-		-	-	-	-	-
36	Month 4	-		-	-	-	-	-
37	Month 5	-		-	-	-	-	-
38	Month 6	-		-	-	-	-	-
39	Month 7	-		-	-	-	-	-

40	Month 8	-	-	-	-	-	-	-
41	Month 9	-	-	-	-	-	-	-
42	Month 10	-	-	-	-	-	-	-
43	Month 11	-	-	-	-	-	-	-
44	Month 12	-	-	-	-	-	-	-
45	Total					-	-	

46	Beginning Balance			274.b				-
47	Less non Prorated Items			(Line 46 less line 48)				-
48	Beginning Balance of Prorated items			(Line 32, Col H)				-
49	Ending Balance			275.k				-
50	Less non Prorated Items			(Line 49 less line 51)				-
51	Ending Balance of Prorated items			(Line 44, Col H)				-
52	Average Balance			Line 44, Col H + (Lines 47 + 50)/2				-
53	Less FASB 106 & 109 Items			Attachment H, Footnote B				-
54	Amount for Attachment 4			(Line 52 less line 53)				-

55 **Account 282**

Days in Period					Averaging with Proration - Projected		
A	B	C	D	E	F	G	H
Month	Days in the Month	Number of Days Prorated	Total Days in Future Portion of Test Period	Proration Amount (C / D)	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)

59	End of Year balance Prorated Items							-
60	Month 1	-	-	-	-	-	-	-
61	Month 2	-	-	-	-	-	-	-
62	Month 3	-	-	-	-	-	-	-
63	Month 4	-	-	-	-	-	-	-
64	Month 5	-	-	-	-	-	-	-
65	Month 6	-	-	-	-	-	-	-
66	Month 7	-	-	-	-	-	-	-
67	Month 8	-	-	-	-	-	-	-
68	Month 9	-	-	-	-	-	-	-
69	Month 10	-	-	-	-	-	-	-
70	Month 11	-	-	-	-	-	-	-
71	Month 12	-	-	-	-	-	-	-
72	Total					-	-	

73	Beginning Balance			274.b				-
74	Less non Prorated Items			(Line 73 less line 75)				-
75	Beginning Balance of Prorated items			(Line 59, Col H)				-
76	Ending Balance			275.k				-
77	Less non Prorated Items			(Line 76 less line 78)				-
78	Ending Balance of Prorated items			(Line 71, Col H)				-
79	Average Balance			Line 71, Col H + (Lines 74 + 77)/2				-
80	Less FASB 106 & 109 Items			Attachment H, Footnote B				-
81	Amount for Attachment 4			(Line 79 less line 80)				-

82 **Account 283**

Days in Period					Averaging with Proration - Projected		
A	B	C	D	E	F	G	H
Month	Days in the Month	Number of Days Prorated	Total Days in Future Portion of Test Period	Proration Amount (C / D)	Projected Monthly Activity	Prorated Projected Monthly Activity (E x F)	Prorated Projected Balance (Cumulative Sum of G)
86	End of Year balance Prorated Items						-
87	Month 1	-	-	-	-	-	-
88	Month 2	-	-	-	-	-	-
89	Month 3	-	-	-	-	-	-
90	Month 4	-	-	-	-	-	-
91	Month 5	-	-	-	-	-	-
92	Month 6	-	-	-	-	-	-
93	Month 7	-	-	-	-	-	-
94	Month 8	-	-	-	-	-	-
95	Month 9	-	-	-	-	-	-
96	Month 10	-	-	-	-	-	-
97	Month 11	-	-	-	-	-	-
98	Month 12	-	-	-	-	-	-
99	Total				-	-	

100	Beginning Balance	276.b	-
101	Less non Prorated Items	(Line 100 less line 102)	-
102	Beginning Balance of Prorated items	(Line 86, Col H)	-
103	Ending Balance	277.k	-
104	Less non Prorated Items	(Line 103 less line 105)	-
105	Ending Balance of Prorated items	(Line 98, Col H)	-
106	Average Balance	Line 98, Col H + (Lines 101 + 103)/2	-
107	Less FASB 106 & 109 Items	Attachment H, Footnote B	-
108	Amount for Attachment 4	(Line 106 less line 107)	-

Attachment 4b  
(Excess)/Deficient ADIT Worksheet  
Kammer Juniata Transmission, LLC  
Costs in the Year Ending \_\_\_\_

		(A)	(B)	(C)	(D)	(E) = [(C) + (D)] x (q)	(F) = (C) + (D) + (E)	(G)	(H)
		<b>(Excess)/Deficient ADIT as originally recorded at remeasurement (d)</b>						<b>Amortization Period (years)</b>	
Line No.	Description	FERC Account No. (a)	(Excess)/Deficient Deferred Income Taxes		Tax Gross Up (p)	Total	Protected (f) (g)	Unprotected (g)	
			Protected (Attachment 4c, Column G)	Unprotected (Attachment 4c, Column H)					
	<u>FERC Account 190</u>								
1a	(____) Net Operating Loss	182.3	(o) -	-	-	-	-	-	
1[]			(b), []				15		
1	Total FERC Account 190		(c) -	-	-	-			
	<u>FERC Account 282</u>								
2a	(____) Electric	254	(o) -	-	-	-	-	-	
2[]			(b), []				15		
2	Total FERC Account 282		(c) -	-	-	-			
	<u>FERC Account 283</u>								
3a	(____) Prepaid Insurance	254	(n)(o) -	-	-	-		1	
3 []			(b), []						
3	Total FERC Account 283		(c) -	-	-	-			
4	<b>TOTAL</b> (Line 1 + Line 2 + Line 3)		- =====	- =====	- =====	- =====	-	-	
5	Acct. 182.3 Total = Total (C) + Total (D) =	182.3	-	-	-	-			
6	Acct. 254 Total = Total (E) + Total (F) =	254	-	-	-	-			
7			- =====	- =====	- =====	- =====			

Attachment 4b  
(Excess)/Deficient ADIT Worksheet  
Kammer Juniata Transmission, LLC  
Costs in the Year Ending \_\_\_

(I)                      (J)                      (K)                      (L) = [(J) + (K)] x                      (M) = (J) + (K) +  
= (C) / (G)                      = (D) / (H)                      (q)                      (L)

		<b>Current Year Amortization</b>				
Line No.	Description	FERC Account No. (e)	Amortization Amount		Tax Gross Up (p)	Total (g)
			Protected (f)	Unprotected		
	<u>FERC Account 190</u>					
	(2018 Illustrative Remeasurement) Net Operating Loss	-				
1a		410.1	-	-	-	-
1[]						
1	Total FERC Account 190		-	-	-	-
	<u>FERC Account 282</u>					
	(2018 Illustrative Remeasurement) Electric	-				
2a		411.1	-	-	-	-
2[]						
2	Total FERC Account 282		-	-	-	-
	<u>FERC Account 283</u>					
	(2018 Illustrative Remeasurement) Prepaid Insurance	-				
3a		411.1	-	-	-	-
3 []						
3	Total FERC Account 283		-	-	-	-
4	<b>TOTAL</b> (Line 1 + Line 2 + Line 3)					
5	Acct. 182.3 Total = Total (C) + Total (D) =	410.1	-	-	-	-
6	Acct. 254 Total = Total (E) + Total (F) =	411.1				
7						



Attachment 4b  
(Excess)/Deficient ADIT Worksheet  
Kammer Juniata Transmission, LLC  
Costs in the Year Ending \_\_\_

(N)      (O)      (P) = [(N) + (O)] x (q)      (Q) = (N) + (O) + (P)      (R) = (J) \* -1      (S) = (K) \* -1      (T) = [(R) + (S)] x (q)      (U) = (R) + (S) + (T)      (V) = (N) + (O) + (S)      (W) = (O) + (S)      (X) = [(V) + (W)] x (q)      (Y) = (V) + (W) + (X)      (Z)

		<b>Unamortized (Excess)/Deficient ADIT (d)</b>													
Line No.	Description	Beginning of Year Balance				Current Year Amortization				End of Year Balance				Reference	
		Protected	Unprotected	Tax Gross Up	Total	Protected	Unprotected	Tax Gross Up	Total	Protected	Unprotected	Tax Gross Up	Total		
	<u>FERC Account 190</u>														
1	(2018 Illustrative Remeasurement) Net Operating Loss	-	(h)	(h)	-	-	-	-	-	-	(k)	(k)	-	-	Internal Records
1[ ]		-	(h)	(h)	-	-	-	-	-	-	(k)	(k)	-	-	
1	Total FERC Account 190	-	-	-	-	-	-	-	-	-	-	-	-	-	
	<u>FERC Account 282</u>														
2	(2018 Illustrative Remeasurement) Electric	-	(i)	(i)	-	-	-	-	-	-	(l)	(l)	-	-	Internal Records
2[ ]		-	(i)	(i)	-	-	-	-	-	-	(l)	(l)	-	-	
2	Total FERC Account 282	-	-	-	-	-	-	-	-	-	-	-	-	-	
	<u>FERC Account 283</u>														
3	(2018 Illustrative Remeasurement) Prepaid Insurance	-	(j)	(j)	-	-	-	-	-	-	(m)	(m)	-	-	Internal Records
3		-	(j)	(j)	-	-	-	-	-	-	(m)	(m)	-	-	

		(j)	(j)						(m)	(m)		
3												
3	Total FERC Account 283	-	-	-	-	-	-	-	-	-	-	-
4	<b>TOTAL</b> (Line 1 + Line 2 + Line 3)	-	-	-	-	-	-	-	-	-	-	-
5	Acct. 182.3 Total = Total (C) + Total (D) =	-	-	-	-	-	-	-	-	-	-	-
6	Acct. 254 Total = Total (E) + Total (F) =	-	-	-	-	-	-	-	-	-	-	-
7		-	-	-	-	-	-	-	-	-	-	-

**Notes**

- (a) Specifies ADIT accounts to which (excess) or deficient ADIT has been booked.
- (b) Kammer Juniata, LLC may add or modify notes to explain items without a FPA Section 205 filing.
- (c) Total equals the sum of sublines a through [], where [] is the last subline denoted by a letter. Kammer Juniata, LLC may add or remove sublines without a FPA Section 205 filing.
- (d) Enter credit balances as negatives.
- (e) (Excess)/deficient ADIT to be amortized to FERC Account 411.1 or 410.1, respectively.
- (f) Amortization of excess (or deficient) deferred income taxes subject to ARAM will not begin until reversal occurs (*i.e.*, when the trend of book depreciation exceeding tax depreciation—or vice versa—reverses). Before reversal, values for such items will not be included in current year amortization.
- (g) In accordance with FERC guidance for ratemaking purposes, Kammer Juniata, LLC grosses up the current year amortization value for accounting purposes.
- (h) FERC Form 1, page 234, column (b)
- (i) FERC Form 1, page 274, column (b)
- (j) FERC Form 1, page 276, column (b)
- (k) FERC Form 1, page 234, column (c)
- (l) FERC Form 1, page 275, column (k)
- (m) FERC Form 1, page 276, column (k)
- (n) Prepaid assets are expected to reverse within one year.
- (o) 2018 Illustrative Remeasurement values assume an original rate of 35 percent and a revised rate of 21 percent.
- (p) Tax gross up amounts recorded in account 182.3 will have an offsetting entry in account 190. Tax gross up amounts recorded in account 254 will have offsetting entries in account 282 and 283, dependent upon which account the EDIT amounts derived from. As (excess) or deficient ADIT and related tax gross amounts up are amortized, the annual amortization will be a reduction for accounts 182.3 and 190 for deficient ADIT, and accounts 254 and 282/283 for excess ADIT.

<u>Income tax gross up:</u>	
FIT	21.00%
SIT	4.90%
P	
Combined tax rate	24.87%
Tax-exempt rate	0.00%
Effective tax rate	24.87%
(q) Gross-Up factor - net of TE $[(1 / (1 - \text{effective tax rate})) - 1]$	0.33104

Attachment 4c  
ADIT Remeasurement  
Balances as of December 31, \_\_\_\_\_

Line No.	(A) Description	(B) Pre-Tax Rate Change Balances	(C)	(D)	(E)	(F)	(G)
			= (B) x Line 9 Tax Effected Balances Pre-Tax Rate Change	=(B) x Line 9 Tax Effected Balances Post-Tax Rate Change	(Excess)/Deficient Deferred IT Protected	(Excess)/Deficient Deferred IT Unprotected	= (C) - (D) (Excess)/Deficient Deferred IT Total
<b>FERC Account 190</b>							
1a		-	-	-	-	-	-
1[]							
1	Total FERC Account 190	-	-	-	-	-	-
<b>FERC Account 282</b>							
2a		-	-	-	-	-	-
2[]							
2	Total FERC Account 282	-	-	-	-	-	-
<b>FERC Account 283</b>							
3a		-	-	-	-	-	-
3[]							
3	Total FERC Account 283	-	-	-	-	-	-
4	Total ADIT (Line 1 + Line 2 + Line 3)	-	-	-	-	-	-

	<u>Tax Rates</u>	<u>Source</u>	<u>Pre Tax Rate</u>	<u>Post Tax Rate</u>
5	Federal		0.00%	0.00%
6	State		0.00%	0.00%
7	Combined Rate	$(1 - ((1 - \text{Line 6}) * (1 - \text{Line 5})) / (1 - \text{Line 6} * \text{Line 5} * \text{Line 13}))$	0.00%	0.00%
8	Federal (net of FBOS & SBOF)	(Line 7 - Line 6)	0.00%	0.00%
9	Effective Tax Rate (net of tax exempt adjustment)	$(\text{Line 7} / (1 - \text{Line 7})) * (1 - \text{Line 10}) / (1 + (\text{Line 7} / (1 - \text{Line 7})))$	0.00%	0.00%
10	Tax Exempt Ownership Percentage		0%	0%
11	Gross-Up Factor – net of TE [1/ (1-effective tax rate)]	$1 / (1 - \text{Line 9})$	0.00000	0.00000
12	Federal Benefit of State Rates (FBOS)	(Line 5 * Line 6)	0.00000%	0.00000%

13 State Benefit of Federal Rate  
(SBOF)

0.00000%

0.00000%

**Notes**

This sheet is replicable for each remeasurement of (excess)/deficient deferred income taxes without an FPA Section 205 filing.

Kammer Juniata, LLC may add or modify notes to explain items without a FPA Section 205 filing.

**Attachment 5**  
Attachment H, Pages 3 and 4, Worksheet  
Kammer Juniata Transmission, LLC

Line No.	Month	Transmission O&M Expenses	Account No. 566 (Misc. Trans. Expense)	Account No. 565	A&G Expenses	FERC Annual Fees	EPRI & Reg. Comm. Exp. & Non-safety Ad.	Transmission Related Reg. Comm. Exp.	Transmission Lease Payments	Amortization of Regulatory Asset	Miscellaneous Transmission Expense (less amortization of regulatory asset)	Depreciation Expense - Transmission
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Attachment H, Page 3, Line No.:	1	2	3	4	5	6	7	9	11	12	16
	Form No. 1	321.112.b	321.97.b	321.96.b	323.197.b	(Note E)	(Note E)	(Note E)	Portion of Transmission O&M	Portion of Account 566	Balance of Account 566	336.7.b, d & e
1	January											
2	February											
3	March											
4	April											
5	May											
6	June											
7	July											
8	August											
9	September											
10	October											
11	November											
12	December											
13	Total		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		Depreciation Expense - General & Intangible	Amortization of Abandoned Plant	Payroll Taxes	Highway & Vehicle Taxes	Property Taxes	Gross Receipts Taxes	Other Taxes	Payments in lieu of Taxes	Amortized Investment Tax Credit (266.8f)	Reserved	Tax Effect of Permanent Differences
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Attachment H, Page 3, Line Number	17	19	23	24	26	27	28	29	37		39
	Form No. 1	336.10.b, d & e, 336.1.b, d	(Note S)	263.i	263.i	263.i	263.i	263.i	263.i	266.8.f		(Note W)
14	January											
15	February											
16	March											
17	April											
18	May											
19	June											
20	July											
21	August											
22	September											
23	October											
24	November											
25	December											
26	Total	\$	\$	\$	\$	\$	-	\$	\$	\$	\$	\$

**Attachment 5**  
Attachment H, Pages 3 and 4, Worksheet  
Kammer Juniata Transmission, LLC

	<b>Bundled Sales for Resale included on page 4 of Attachment H (a)</b>	<b>ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (b)</b>	<b>Transmission charges for all transactions (c)</b>	<b>Transmission charges associated with Project detailed on the Project Rev Req Schedule Col. 10. (d)</b>	<b>Account No. 457.1 Scheduling (e)</b>
Attachment H, Page 4, Line No:	27	29	31	32	Attach H, p 1 line 4
	(Note L)	(Note M)	Portion of Account 456.1	Portion of Account 456.1	
27 January			-	-	-
28 February			-	-	-
29 March			-	-	-
30 April			-	-	-
31 May			-	-	-
32 June			-	-	-
33 July			-	-	-
34 August			-	-	-
35 September			-	-	-
36 October			-	-	-
37 November			-	-	-
38 December			-	-	-
39 Total	\$	\$	\$ -	\$ -	\$ -

41 RETURN (R)  
Notes K, Q & R from Attachment H

42		Long Term Interest (117, sum of 62.c through 67.c, Note A)	\$	-	
43		Preferred Dividends (118.29c) (positive number)	-	-	
44		Proprietary Capital (112.16.c)	-	-	
45		Less Preferred Stock (line 49)	-	-	
46		Less Account 216.1(112.12.c) (enter negative)	-	-	
47		Common Stock (sum lines 41-43)	-	-	
48	Long Term Debt	Note A	\$	-	Cost
49	Preferred Stock (112.3.c)	Note B	-	-	Weighted
50	Common Stock	Note C	-	-	=WCL
51	Total	Sum of Lines 48-	-	-	=R

Note:

Long Term Debt balance will reflect the 13 month average of the balances, of which the 1st and 13th are found on page 112 lines 18.c & d to 21.c & d in the Form No. 1. The cost is calculated by dividing line 42 by the Long Term Debt balance in line 48. In the event there is a construction loan prior to the issuance of non-construction debt, line 42 will include the interest and line 48 will include the outstanding amounts associated with the construction financing.

A Preferred Stock balance will reflect the 13 month average of the balances, of which the 1st and 13th are found on page 112 line 3.c & d in the Form No. 1

B Common Stock balance will reflect the 13 month average of the balances, of which the 1st and 13th are found on page 112 lines 3.c & d, 12.c & d, and 16.c & d in the Form No. 1 as shown on lines 41-44 above. ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.

**Attachment 6**  
**True-Up Interest Rates**  
**Kammer Juniata Transmission, LLC**

	[A]	[B]	[C]	[D]
Quarter (Note A)	FERC Quarterly Interest Rate	Short Term Debt Rate	Rate for Surcharges (Note A (3))	Rate for Refunds (column A)
1 1st Qtr				
2 2nd				
3 3rd				
4 4th				
5 1st Qtr				
6 2nd				
7 3rd				
8 Average of lines 1-7 above			-	-

Note A:

- (1) The FERC Quarterly Interest Rate in column [A] is the interest applicable to the
- (2) The Short Term Debt Rate in column [B] is the weighted average Short Term Debt cost applicable to the
- (3) The Rate for Surcharges is the lesser of Column A or B if short term debt is issued in the quarter and Column A if there is no short term debt issued in a quarter.

9 Year  
 10

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Project # Or Other Identifier	Project Name	The Difference Between the Revenue Actual Received for the Month And the Monthly Revenue Requirement (1/12 of the Amount in Column 14 of Attachment 1)												Interest Rate (line 8)	Interest (Note B)
		January	February	March	April	May	June	July	August	September	October	November	December		
															-
11a															-
11b															-
11c															-
...															-

Note B

Interest is calculated by taking the interest rate in line 8 and applying it monthly to the balances in Column C-N (i.e., for January 12/12\* Column O, February 11/12\* Column O, etc.) plus the interest rate in line 8 times 1.5 times the sum of the balances for January through December.

PBOPs  
Kammer Juniata Transmission, LLC

Calculation of PBOP Expenses

	(a)	(b)
1		<u>NextEra</u>
2	Total PBOP expenses (Note A)	\$0.00
3	Labor dollars (total labor under PBOP Plan, Note A)	\$0.00
4	Cost per labor dollar (line2 / line3)	
5	labor expensed (labor not capitalized) in current year, 354.28.b.	
6	PBOP Expense for current year (line 4 * line 5)	
7	Lines 2-3 cannot change absent approval or acceptance by FERC in a separate proceeding.	
8	PBOP amount included in Company's O&M and A&G expenses included in FERC Account Nos. 500-935	

Note

Letter

A The source of the amounts from the Actuary Study supporting the numbers in Line 2 and 3 is -

**Attachment 8**  
 Depreciation Rates  
 Kammer Juniata Transmission, LLC

Line	Account Number	FERC Account	Rate (Annual)Percent
<b>TRANSMISSION PLANT</b>			
1	350.1	Fee Land	0.00
2	350.2	Land Rights	1.33
2	352	Structures and Improvements	3.36
3	353	Station Equipment	2.92
4	354	Towers and Fixtures	2.02
5	355	Poles and Fixtures	2.05
6	356	Overhead Conductor and Devices	3.10
7	357	Underground Conduit	0.00
8	358	Underground Conductor and Devices	0.00
9	359	Roads and Trails	0.00
<b>GENERAL PLANT</b>			
10	390	Structures & Improvements	0.00
11	391	Office Furniture & Equipment	5.25
12	392	Transportation Equipment	0.00
13	393	Stores Equipment	0.00
14	394	Tools, Shop & Garage Equipment	0.00
15	395	Laboratory Equipment	0.00
16	397	Communication Equipment	25.00
17	398	Miscellaneous Equipment	2.50
<b>INTANGIBLE PLANT</b>			
18	301	Organization	1.85
19	302	Intangible	1.85
20	303	Miscellaneous Intangible Plant	
21		5 Year Property	20.00
22		7 Year Property	14.29
23		10 Year Property	10.00
24		Transmission Facility Contributions in Aid of Construction	Note 1

Note 1: In the event a Contribution in Aid of Construction (CIAC) is made for a transmission facility, the transmission depreciation rates above will be weighted based on the relative amount of underlying transmission plant booked to the accounts shown in lines 1-9 above and the weighted average depreciation rate will be used to amortize the CIAC. The life of a facility subject to a CIAC will be equivalent to the depreciation rate calculated above, i.e.,  $100\% \div \text{depreciation rate} = \text{life in years}$ . The estimated life of the facility or rights associated with the facility will not change over the life of a CIAC without prior FERC approval.

These depreciation rates will not change absent the appropriate filing at FERC.

**Attachment H-42B**  
**Kammer Juniata Transmission, LLC**  
**(“Kammer Juniata”)**  
**FORMULA RATE IMPLEMENTATION**  
**PROTOCOLS**

“Actual Transmission Revenue Requirement” or “ATRR” means the actual net transmission revenue requirement of Kammer Juniata calculated and posted on the PJM website no later than June 1 of each year subsequent to calendar year 2026 for the immediately preceding calendar year in accordance with Kammer Juniata’s Formula Rate and based upon Kammer Juniata’s actual costs and expenditures.

“Annual True-Up” means Kammer Juniata’s ATRR for the preceding calendar year, as well as the True-up for the prior Rate Year, as posted on or before June 1 of each year.

“Formal Challenge” means a written challenge to an Annual Update or Projected Transmission Revenue Requirement submitted to the Federal Energy Regulatory Commission (the “Commission” or “FERC”) as provided in Section IV below.

“Formula Rate” means the collection of formulas and worksheets included as Attachment H-42A of the PJM Tariff.

“Informational Filing” means the informational filing to FERC containing Kammer Juniata’s, as applicable: (1) the Projected Transmission Revenue Requirement for the upcoming Rate Year, as filed on or before September 30 of each year, and (2) the ATRR for the preceding calendar year, as well as its related True-up to the Projected Transmission Revenue Requirement for the respective Rate Year, as filed on or before June 1 of each year.

“Interested Parties” include, but are not limited to, customers under the PJM Tariff, state utility regulatory commissions, the Organization of PJM States, Inc., consumer advocacy agencies, state attorneys general, and any party to any docket assigned by the Commission to Kammer Juniata’s Formula Rate Filing and Annual True-Up.

“PJM” means PJM Interconnection, L.L.C.

“PJM Tariff” means the Open Access Transmission Tariff of the PJM Interconnection, L.L.C.

“Preliminary Challenge” means a written challenge to the Annual True-Up or Projected Transmission Revenue Requirement submitted to Kammer Juniata as provided in Section IV below.

“Projected Transmission Revenue Requirement” or “PTRR” means the projected net

transmission revenue requirement of Kammer Juniata calculated for the forthcoming Rate Year, as well as, where applicable, the most recently calculated True-up, with interest, to be posted on the PJM website no later than September 30 of each year for rates effective the next calendar year starting January 1.

“Protocols” means these Protocols, included as Attachment H-42B of the PJM Tariff.

“Publication Date” means the date on which the Annual Update is posted on the PJM website.

“Rate Year” means the twelve consecutive month period that begins on January 1 and continues through December 31.

“Transmission Provider” means PJM Interconnection, L.L.C., or its successor or assignee.

“True-Up Adjustment” means the difference between the revenues received by Kammer Juniata corresponding to the rate effective period of the PTRR (net of the True-Up Adjustment from the prior year) and the ATRR, for the same Rate Year, which shall be provided in the Annual Update on or before June 1 of the year subsequent to the Rate Year. The True-Up Adjustment will be a component of the PTRR.

## **Section I. Applicability**

The following procedures shall apply to the calculation of the ATRR, True-Up Adjustments, and PTRR of Kammer Juniata Transmission, LLC (“Kammer Juniata”) in the PJM Region.

## **Section II. Annual True-Up and Projected Transmission Revenue Requirement**

- A. On or before June 1 of each year, Kammer Juniata shall determine its Annual True-Up in accordance with its formula rate and Section VII of these protocols, to derive a True-Up Adjustment to be included in the PTRR for the subsequent Rate Year.
- B. On or before June 1 of each year, Kammer Juniata shall provide its Annual True-Up, actual net revenue requirement, and True-Up Adjustment to PJM and cause such information to be posted on the PJM website. Within five (5) days of such posting, PJM shall provide notice of such posting via an email exploder list. Interested Parties can subscribe to the PJM exploder list on the PJM website. For purposes of these protocols, the term Interested Party includes, but is not limited to, customers under the PJM Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.
- C. On or before September 30 of each year, Kammer Juniata shall provide its PTRR

to PJM and cause such information to be posted on the PJM website. Within five (5) days of posting of the PTRR, PJM shall provide notice of such posting to an email exploder list. In the event Kammer Juniata's formula rate is first included in the PJM Tariff such that the first PTRR cannot be provided to PJM by September 30, Kammer Juniata will nevertheless prepare a projection of its net revenue requirement for the first Rate Year using the most recent information available, and the projection will be posted on the PJM website at least sixty (60) days prior to the rates becoming effective. The PTRR for a partial first Rate Year will reflect Kammer Juniata's net revenue requirement only over the remaining months during the partial Rate Year. Kammer Juniata will conduct a meeting with Interested Parties on the PTRR for the first Rate Year between twenty (20) to forty (40) days after posting. Notice of the customer meeting, including the time, date, location, and remote access information, shall be posted on the PJM website and distributed to the e-mail exploder list no less than seven (7) days prior to such meeting.

D. If the date for posting the Annual True-Up or the PTRR falls on a weekend or a holiday recognized by the Commission, then the posting shall be due on the next business day. Any delay in the Publication Date or in the posting of the PTRR will result in an equivalent extension of time for the submission of information requests discussed in Section III of these protocols.

E. The Annual True-Up shall:

1. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
2. Be based on Kammer Juniata's FERC Form No. 1 for the prior calendar year;
3. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in the FERC Form No. 1;
4. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-Up results from the FERC Form No. 1;
5. Identify any changes in the formula references (page and line numbers) to the FERC Form No. 1;
6. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1;

7. Provide underlying data for formula rate inputs that provide greater granularity than is required for the FERC Form No. 1;
8. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):
  - a. Identify Accounting Changes, including
    - i. the initial implementation of an accounting standard or policy;
    - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
    - iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;
    - iv. the implementation of new estimation methods or policies that change prior estimates; and
    - v. changes to income tax elections;
  - b. Identify items included in the Annual True-Up at an amount other than on a historical cost basis (e.g., fair value adjustments);
  - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-Up;
  - d. Provide, for each item identified pursuant to items II.E.8.a - II.E.8.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.
9. Provide for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Kammer Juniata and its affiliates by service category or function, including any changes to such cost allocation methodologies from the prior year and the reasons and justifications for those changes; and (2) the magnitude of such costs that

have been allocated or directly assigned between Kammer Juniata and each affiliate by service category or function.

F. The PTRR shall:

1. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
2. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the PTRR;
3. Provide sufficient information to enable Interested Parties to replicate the calculation of the PTRR; and
4. With respect to any Accounting Change:
  - a. Identify any Accounting Changes, including
    - i. the initial implementation of an accounting standard or policy;
    - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
    - iii. correction of errors and prior period adjustments that impact the PTRR calculation;
    - iv. the implementation of new estimation methods or policies that change prior estimates;
    - v. changes to income tax elections;
  - b. Identify items included in the PTRR at an amount other than on a historical cost basis (e.g., fair value adjustments);
  - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the PTRR; and
  - d. Provide, for each item identified pursuant to items II.F.4.a - II.F.4.c of these protocols, a narrative explanation of the individual impact of such changes on the PTRR.

- G. Kammer Juniata shall hold an open meeting among Interested Parties (“Annual True-Up Meeting”) no sooner than twenty (20) days after the Publication Date. The Annual True-Up Meeting shall occur no later than September 1. Kammer Juniata will make the Annual True-Up Meeting remotely accessible. No less than seven (7) days prior to such Annual True-Up Meeting, Kammer Juniata shall provide notice on PJM’s internet website of the time, date, location, and remote access information for the Annual True-Up Meeting and PJM shall provide notice of such meeting to an email exploder list. The Annual True-Up Meeting shall (i) permit Kammer Juniata to explain and clarify its Annual True-Up and True-Up Adjustment and (ii) provide Interested Parties an opportunity to seek information and clarifications from Kammer Juniata about the Annual True-Up and True-Up Adjustment.
  
- H. Kammer Juniata shall hold an open meeting among Interested Parties (“Annual Projected Rate Meeting”) no sooner than twenty (20) days after the date that the PTRR is posted to the PJM website (as described in Section II.C of these protocols). The Annual Projected Rate Meeting shall occur no later than October 31. Kammer Juniata will make the Annual Projected Rate Meeting remotely accessible. No less than seven (7) days prior to such Annual Projected Rate Meeting, Kammer Juniata shall provide notice on PJM’s internet website of the time, date, location, and remote access information for the Annual Projected Rate Meeting and PJM shall provide notice of such meeting to an email exploder list. The Annual Projected Rate Meeting shall (i) permit Kammer Juniata to explain and clarify its PTRR and (ii) provide Interested Parties an opportunity to seek information and clarifications from Kammer Juniata about the PTRRs.
  
- I. Transmission owners with transmission projects that utilize a regional or inter-regional cost sharing mechanism shall endeavor to hold a joint informational meeting to enable all interested parties to understand how those transmission owners are implementing their formula rates for cost recovery of such projects. Kammer Juniata will make the joint informational meeting remotely accessible. Notice of joint informational meetings, including the time, date, location, and remote access information, shall be posted on the PJM website and distributed to the email exploder list no less than seven (7) days prior to such meetings. Kammer Juniata will participate in joint informational meetings once it begins development of a project for which costs are to be regionally or inter-regionally allocated.

### **Section III. Information Exchange Procedures**

Each Annual True-Up and PTRR shall be subject to the following information exchange procedures (“Information Exchange Procedures”):

- A. Interested Parties shall have until November 30 following Publication Date (unless such period is extended with the written consent of Kammer Juniata or by FERC order) to serve reasonable information and document requests on Kammer

Juniata (“Information Exchange Period”). If the due date for information and document requests falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

1. the extent or effect of an Accounting Change;
2. whether the Annual True-Up or PTRR fails to include data properly recorded in accordance with these protocols;
3. the proper application of the formula rate and procedures in these protocols;
4. the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up or PTRR;
5. the prudence of actual costs and expenditures, including procurement methods and cost control methodologies;
6. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
7. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

- B. Kammer Juniata shall make a good faith effort to respond to information and document requests within fifteen (15) business days of receipt of such requests. Kammer Juniata shall respond to all information and document requests by no later than January 15 following the Publication Date, unless the Information Exchange Period is extended by Kammer Juniata or FERC. If the last day for Kammer Juniata to respond falls on a weekend or a holiday recognized by FERC, the deadline for responses to information requests shall be extended to the next business day.
- C. Kammer Juniata will cause to be posted on the PJM website all information requests from Interested Parties and Kammer Juniata’s response(s) to such requests; except, however, if responses to information and document requests include material deemed by Kammer Juniata to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by Kammer Juniata and the requesting party.
- D. Kammer Juniata shall not claim that responses to information and document

requests provided pursuant to these protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing Kammer Juniata's Annual True-Up or PTRR.

#### **Section IV. Challenge Procedures**

- A. Interested Parties shall have until February 15 following the Publication Date (unless such period is extended with the written consent of Kammer Juniata or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Kammer Juniata in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up or PTRR. The period of time from the Publication Date until February 15 shall be referred to as the Review Period. If the final day of the Review Period falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual True-Up or PTRR shall bar pursuit of such issue with respect to that Annual True-Up or PTRR under the challenge procedures set forth in these protocols, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or PTRR. This Section IV.A in no way shall affect a party's rights under section 206 of the Federal Power Act ("FPA") as set forth in Section IV.I of these protocols.
- B. A party submitting an Informal Challenge to Kammer Juniata must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Kammer Juniata shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. Kammer Juniata, and where applicable, PJM, shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If Kammer Juniata disagrees with such challenge, it will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge may be submitted after the final day of the Review Period, and Kammer Juniata must respond to all Informal Challenges by no later than thirty (30) days after the end of the Review Period, unless the Review Period is extended by Kammer Juniata or FERC. If the end of the Review Period falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. If the deadline for Kammer Juniata to respond to all Informal Challenges falls on a weekend or a holiday recognized by FERC, the deadline for responding to Informal Challenges shall be extended to the next business day.
- C. Informal Challenges shall be subject to the resolution procedures and limitations

in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements.

1. A Formal Challenge shall:
  - a. Clearly identify the action or inaction which is alleged to violate the filed rate formula or protocols;
  - b. Explain how the action or inaction violates the filed rate formula or protocols;
  - c. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
    - i. The extent or effect of an Accounting Change;
    - ii. Whether the Annual True-Up or PTRR fails to include data properly recorded in accordance with these protocols;
    - iii. The proper application of the formula rate and procedures in these protocols;
    - iv. The accuracy of data and consistency with the formula rate of the charges shown in the Annual True-Up or PTRR;
    - v. The prudence of actual costs and expenditures;
    - vi. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
    - vii. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.
  - d. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
  - e. State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
  - f. State the specific relief or remedy requested, including any request

for stay or extension of time, and the basis for that relief;

- g. Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and
- h. State whether the filing party utilized the Informal Challenge procedures described in these protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

2. Service. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on Kammer Juniata. Service to Kammer Juniata must be simultaneous with filing at the Commission. Simultaneous service can be accomplished by electronic mail in accordance with 18 C.F.R. § 385.2010(f)(3), facsimile, express delivery, or messenger. The party filing the Formal Challenge shall serve the individual listed as the contact person on Kammer Juniata's Informational Filing required under Section VI of these protocols.

- D. Informal and Formal Challenges shall be limited to all issues that may be necessary to determine: (1) the extent or effect of an Accounting Change; (2) whether the Annual True-Up or PTRR fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up and PTRR; (5) the prudence of actual costs and expenditures; (6) the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.
- E. Kammer Juniata will cause to be posted to PJM's website all Informal Challenges from Interested Parties and Kammer Juniata's response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by Kammer Juniata to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by Kammer Juniata and the requesting party.
- F. Any changes or adjustments to the Annual True-Up Adjustment or PTRR resulting from the Information Exchange and Informal Challenge processes that are agreed to by Kammer Juniata will be reported in the Informational Filing required pursuant to Section VI of these protocols. Any such changes or adjustments agreed to by Kammer Juniata on or before the last day of the Information Exchange Period will be reflected in the PTRR for the upcoming Rate Year. Any

changes or adjustments agreed to by Kammer Juniata after the last day of the Information Exchange Period will be reflected in the following year's Annual True-Up, as discussed in Section V of these protocols.

- G. An Interested Party shall have until seventy-five (75) days following the Review Period (unless such date is extended with the written consent of Kammer Juniata to continue efforts to resolve the Informal Challenge or unless the deadline for Kammer Juniata to submit its informational filing is extended) to make a Formal Challenge with FERC, which shall be served on Kammer Juniata on the date of such filing as specified in Section IV.C(2) above. If the last day of the seventy-five-day period to make a Formal Challenge falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Formal Challenges shall be extended to the next business day. A Formal Challenge shall be filed in the same docket as Kammer Juniata's Informational Filing discussed in Section VI of these protocols. Kammer Juniata shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge on any issue during the applicable Review Period.
- H. In any proceeding initiated by FERC concerning the Annual True-Up or PTRR or in response to a Formal Challenge, Kammer Juniata shall bear the burden, consistent with section 205 of the FPA, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in these protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.
- I. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Kammer Juniata to file unilaterally, pursuant to section 205 of the FPA and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to section 206 of the FPA and the regulations thereunder.
- J. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols and the Annual True-Up and PTRR shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, an FPA section 205 or section 206 filing.
- K. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or FERC Form No. 1, shall first raise the matter with Kammer Juniata in accordance with this Section IV before pursuing a Formal Challenge.

## **Section V. Changes to Annual True-Up Adjustment or Projected Transmission Revenue Requirement**

Except as provided in Section IV.F of these protocols, any changes to the data inputs, including but not limited to revisions to Kammer Juniata's FERC Form No. 1, or as the result of any FERC proceeding to consider the Annual True-Up or PTRR, or as a result of the procedures set forth herein, shall be incorporated into the formula rate and the charges produced by the formula rate in the PTRR for the next Rate Year. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VII of these protocols.

## **Section VI. Informational Filings**

- A. By March 15 of each year, Kammer Juniata shall submit to FERC an informational filing ("Informational Filing") of its PTRR for the Rate Year, including its Annual True-Up and True-Up Adjustment (unless the Review Period is extended by Kammer Juniata or FERC). If the due date for the informational filing falls on a weekend or a holiday recognized by FERC, the deadline for submitting the Informational Filing shall be extended to the next business day. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Kammer Juniata has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the transmission revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge Procedures. Additionally, the Informational Filing must include for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Kammer Juniata and its affiliates by service category or function, including any changes to such cost allocation and methodologies from the prior year, and the reasons and justification for those changes; and (2) the magnitude of such costs that have been allocated or directly assigned between Kammer Juniata and each affiliate by service category or function. Within five (5) days of such Informational Filing, PJM shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to Kammer Juniata's Informational Filing on the PJM website.
- B. Any challenges to the implementation of Kammer Juniata's formula rate must be made through the Challenge Procedures described in Section IV of these

protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

## **Section VII. Calculation of True-Up Adjustment**

The True-Up Adjustment will be determined in the following manner:

1. Actual transmission revenues received the previous calendar year (“True-Up Year”) shall be compared to the actual net revenue requirement (calculated in accordance with Kammer Juniata’s formula rate) for the True-Up Year as determined using Kammer Juniata’s completed FERC Form No. 1 report to determine any excess or shortfall. The excess or shortfall due to the actual revenue received versus the actual net revenue requirement shall constitute the “True-Up Adjustment.” The True-Up Adjustment and related calculations shall be posted to PJM’s website no later than June 1 (or if that day falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day) following the issuance of the FERC Form No. 1 for the previous year, as set forth in Section II of these protocols.
2. Interest on any over recovery of the net revenue requirement shall be determined based on the Commission’s regulation at 18 C.F.R § 35.19a. Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to: (i) Kammer Juniata’s actual short-term debt costs capped at the interest rate determined based on the Commission’s regulation at 18 C.F.R § 35.19a; or (ii) if Kammer Juniata does not have short-term debt, then the interest rate determined based on the Commission’s regulation at 18 C.F.R § 35.19a. In either case, an average interest rate shall be used to calculate the interest payable for the twenty-four (24) months during which the over or under recovery in the revenue requirement exists. The interest rate to be applied to the over or under recovery amounts will be determined using the average rate for the twenty-one (21) months preceding October of the current year. The interest amount will be included in the projected costs made available by September 30, as described in Section II.C above.
3. The net revenue requirement for transmission services for the following Rate Year shall be the sum of the PTRR for the following year, plus or minus the True-Up Adjustment from the True-Up Year, if any, including interest, as explained above, and as described in Attachment 3 of Kammer Juniata’s formula rate.
4. Kammer Juniata may accelerate the refund of any over recovery amounts by one year. The interest calculation will be adjusted to reflect the period the over recovery exists.

## **Section VIII. Competitive Bid Concessions**

For transmission development projects assigned to Kammer Juniata as a result of the PJM competitive project sponsor process, Kammer Juniata may, in its sole discretion, agree with PJM to apply a Competitive Bid Concession that will result in a lower net revenue requirement on a project-specific basis than that which would otherwise be produced by Kammer Juniata's formula rate. Any Competitive Bid Concession will appear as a zero or negative input to the formula, and will be determined on a project-specific basis using a workpaper that will be provided to Interested Parties as supporting documentation for each Annual True-Up by Kammer Juniata.

## **Attachment E**



**Exhibit No. MB-001**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Kammer Juniata Transmission, LLC**

)  
)  
)

**Docket No. ER26-\_\_\_\_-000**

**DIRECT TESTIMONY OF MATTHEW BOYKIN**

**Exhibit No. MB-001**

**March 12, 2026**

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1 business banker and as a regulatory accountant at Florida Power & Light Company  
2 (“FPL”). While at FPL, I was a member of a team responsible for maintaining the books  
3 and records of projects designed to increase the capacity of FPL’s existing nuclear fleet  
4 (nuclear uprates) and its Turkey Point nuclear project in south Florida. In addition, the  
5 team prepared the schedules and accounting support for the annual cost recovery  
6 proceedings before the Florida Public Service Commission related to FPL’s nuclear  
7 projects. Following my role at FPL, I held the regulatory accounting manager position at  
8 NEET. In that capacity, I was responsible for the books and records of NEET’s regulated  
9 subsidiaries, including Lone Star Transmission, LLC. I also had responsibility for the  
10 books and records of NextEra Energy, Inc.’s regulated gas pipeline projects.

11 In my current position, I am part of the Business Management team for NEET and  
12 its subsidiaries. My responsibilities include managing all financial activities for the  
13 transmission development business unit. This includes accounting and financial reporting,  
14 budgeting and financial planning, and corporate development analytics. The Business  
15 Management team is also responsible for directing the compliance function and leading the  
16 preparation of state, Regional Transmission Organization (“RTO”), and Federal Energy  
17 Regulatory Commission (“FERC” or “Commission”) revenue requirement filings. In  
18 addition, my department ensures compliance with the Sarbanes-Oxley Act of 2002.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 **A.** The purpose of my testimony is to describe the proposed formula rate template  
21 (“Template”) and implementation protocols (“Protocols”) (the Template and Protocols are  
22 collectively the “Formula Rate”) of Kammer Juniata, which was formed as a competitive  
23 transmission company to build transmission facilities within the footprint of PJM

1 Interconnection, L.L.C. (“PJM”). This includes the Kammer-Juniata 765 kV project  
2 (“Kammer Juniata Project” or “Project”), but may also include future projects that Kammer  
3 Juniata bids on and wins through the PJM Regional Transmission Expansion Plan  
4 (“RTEP”) process or other transmission development process. My testimony describes the  
5 proposed Formula Rate and why it is just and reasonable.

6 I also discuss one of the transmission rate incentives that Kammer Juniata requests  
7 in the instant filing: a 50-basis point Return on Equity (“ROE”) adder for voluntary  
8 participation in an RTO (the “RTO Participation Adder”).

9 Finally, I explain Kammer Juniata’s request for authorization for any transmission-  
10 owning subsidiaries of NEET/Exelon Transmission joint ventures to replicate the proposed  
11 formula rate for their own projects in the PJM region. Kammer Juniata requests that this  
12 authorization cover not only the Formula Rate, but also the base ROE, the RTO  
13 Participation Adder, and the Hypothetical Capital Structure Incentive without relitigating  
14 those issues.

15 **Q. HAS THIS TESTIMONY BEEN PREPARED BY YOU OR UNDER YOUR DIRECT**  
16 **SUPERVISION?**

17 **A.** Yes.

18 **Q. TO THE EXTENT ANY OF YOUR EXHIBITS INVOLVE MATHEMATICAL**  
19 **CALCULATIONS OR INTERPRETATIONS OF DATA, WERE ALL SUCH**  
20 **CALCULATIONS AND INTERPRETATIONS PERFORMED BY YOU OR UNDER**  
21 **YOUR SUPERVISION AND CONTROL?**

22 **A.** Yes.

1 **Q. ARE YOU SPONSORING EXHIBITS IN CONNECTION WITH YOUR**  
2 **TESTIMONY?**

3 **A.** Yes, I am sponsoring the following exhibits:

- 4 • Exhibit No. MB-002 - Formula Rate Template for Kammer Juniata
- 5 • Exhibit No. MB-003 - Implementation Protocols for Kammer Juniata

6 **II. BACKGROUND**

7 **Q. PLEASE EXPLAIN HOW THE PROPOSED FORMULA RATE WILL**  
8 **FUNCTION.**

9 **A.** Kammer Juniata will project its net revenue requirement for each calendar year, and PJM  
10 will include these revenue requirements in calculating transmission rates to be effective  
11 each rate year beginning on January 1. The proposal includes a true-up mechanism to  
12 ensure customers are not harmed if the actual net revenue requirement is different than the  
13 Projected Net Transmission Revenue Requirement (“PTRR”). The proposed true-up  
14 compares the actual net revenue requirement to the PTRR collected during the cost year.  
15 Any difference will be added to or subtracted from the revenue requirement calculated two  
16 years later with interest as shown in Attachment 3 of the Template.

17 The Formula Rate uses 13-month average plant balances in determining the rate  
18 base upon which the return and income tax components of the annual net revenue  
19 requirement are calculated. Kammer Juniata will forecast the average of the thirteen monthly  
20 balances in rate base. Should these estimates differ from the actuals, the true-up mechanism  
21 subsequently will adjust the net revenue requirement produced by the Template.

22

23

1 **Q. WILL THE INITIAL RATES INCLUDE A TRUE-UP ADJUSTMENT?**

2 **A.** No. For the initial year, the true-up adjustment is zero. Because this filing represents the  
3 first year of a new transmission company, there is no historical rate year that qualifies for a  
4 true-up adjustment pursuant to the proposed Protocols. The true-up will first be calculated  
5 following the first Rate Year, as described in the Protocols.

6 **Q. PLEASE PROVIDE AN EXAMPLE OF HOW THE FORMULA RATE WOULD**  
7 **FUNCTION.**

8 **A.** For service from January to December (the “Rate Year”), the average rate base balance and  
9 annual expenses would be projected by September 30 preceding the start of the Rate Year.  
10 The rate in effect for the Rate Year would be calculated pursuant to the Template using this  
11 projection. On or before June 1, the actual average rate base and annual expenses would be  
12 computed. The difference between the PTRR and actual net revenue requirement, positive  
13 or negative, would be computed with the interest rate based on Section 35.19a of the  
14 Commission’s regulations and used to adjust the rate for the subsequent Rate Year.

15 **Q PLEASE EXPLAIN THE PROPOSED INTEREST CALCULATION AND WHY IT**  
16 **IS REASONABLE.**

17 **A.** As mentioned above, the interest on any over-recovery of the net revenue requirement would  
18 be calculated based on the interest rates set forth in Section 35.19a of the Commission’s  
19 regulations. Interest on any under-recovery of the net revenue requirement would be  
20 determined using the interest rate equal to: Kammer Juniata’s actual short-term debt costs,  
21 capped at the interest rate based on Section 35.19a of the Commission’s regulations; or, if  
22 Kammer Juniata does not have short-term debt, then the interest rate based on Section 35.19a

1 of the Commission's regulations. The proposed Formula Rate uses a method for calculating  
2 refunds/surcharges and interest that is consistent with Commission precedent.<sup>1</sup>

3 The interest charge will be the average of the quarterly interest rates for the period  
4 beginning January of the Rate Year through September of the following year and will then  
5 be reflected in the rate for the subsequent year. This proposal is reasonable in that: (1) the  
6 actual interest rates for the full period for which refunds/surcharges may be due will not be  
7 known prior to the period during which the refund is returned or the surcharge is collected,  
8 and (2) the monthly rate during that period may be constantly changing due to changes in  
9 interest rates.

10 **Q. PLEASE EXPLAIN WHY THE PROPOSED FORMULA RATE IS REASONABLE.**

11 **A.** The proposed Formula Rate is similar to Formula Rates recently accepted by the  
12 Commission.<sup>2</sup> Kammer Juniata plans to invest substantial amounts in the PJM footprint; the  
13 Kammer Juniata Project is estimated by PJM to cost \$1.7 billion in 2025 dollars. The  
14 proposal allows Kammer Juniata to collect a rate that is representative of the costs in the  
15 current period, provides for greater certainty for cost recovery of capital expenditures to  
16 improve the transmission infrastructure, and ensures that customers pay the cost to serve  
17 them over the lives of the facilities.<sup>3</sup>

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<sup>1</sup> See, e.g., MISO Tariff, Attachment O, Formulaic Rates (33.0.0), Formula Rate Protocols § V (effective Jan. 2, 2014).

<sup>2</sup> See, e.g., *NextEra Energy Transmission MidAtlantic, Inc.*, 188 FERC ¶ 61,118 (2024); *PJM Interconnection, L.L.C.*, 173 FERC ¶ 61,290 (2020); *Transource Pennsylvania, LLC*, 158 FERC ¶ 61,089 (2017).

<sup>3</sup> *NextEra Energy Transmission MidAtlantic, Inc.*, 188 FERC ¶ 61,118 (2024); *PJM Interconnection, L.L.C.*, 173 FERC ¶ 61,290 (2020); *Transource Pennsylvania, LLC*, 158 FERC ¶ 61,089 (2017).



1 Kammer Juniata's costs (as projected and later trued-up to data reported in the FERC Form  
2 No. 1 and other inputs to the formula).

3 Attachment H also includes, beginning on page 4, a listing of "Supporting  
4 Calculations and Notes" that are inputs to the basic formula on pages 1 through 3,  
5 specifically: (a) the Transmission Plant ("TP") allocator (page 4, lines 1-5); (b) the Wages &  
6 Salaries ("W/S") allocator (page 4, lines 6-11); and (c) the capital structure and overall Rate  
7 of Return ("R") (page 4, lines 17-23). These supporting calculations and notes are followed  
8 by explanatory notes on page 5.

9 Pages 1-4 generally have the same presentation of data: each line of the formula  
10 consists of five columns of information or data (in addition to the "Line No." column):

- 11 (1) a description of the cost item or formulaic result of the calculation on the  
12 line;
  - 13 (2) the source of the input data (a FERC Form No. 1 page number or an attached  
14 worksheet), or an instruction describing a calculation (e.g., "Sum lines 5 to  
15 9");
  - 16 (3) the actual Company Total data input (areas shaded) or sum of the data  
17 (unshaded);
  - 18 (4) the allocator or functionalization factor applicable to the Company Total  
19 value; and
  - 20 (5) the transmission-related amount obtained by applying the allocator or  
21 functionalization factor to the Company Total value.
- 22  
23

1 **Q. HOW DOES THE TEMPLATE CALCULATE RATE BASE?**

2 **A.** As set out on Attachment H, page 2, lines 1-6, Transmission Plant is allocated by the TP  
3 allocator discussed above, and General and Intangible Plant are functionalized to  
4 transmission by the W/S allocator. The Accumulated Depreciation associated with General  
5 and Intangible Plant is similarly functionalized (page 2, lines 7-13).

6 Net transmission plant, property and equipment balances are calculated at  
7 Attachment H, page 2, lines 14-20. All plant balances are calculated based on 13-month  
8 averages, the details of which are developed on Attachment 4.

9 Adjustments to Rate Base – including accumulated deferred income taxes  
10 (“ADIT”), unfunded reserves, construction-work-in-progress (“CWIP”), and unamortized  
11 balances for regulatory assets (“Unamortized Regulatory Assets”) and abandoned plant  
12 (“Unamortized Abandoned Plant”) – are calculated on Attachment 4 and carried over to the  
13 formula at Attachment H, page 2, lines 21-30. The proposed Template is capable of making  
14 adjustments for incentives that Kammer Juniata is requesting in this filing (e.g., CWIP or  
15 abandoned plant cost recovery), as described in more detail below, as well as incentives  
16 that Kammer Juniata is not requesting in this filing, but that Kammer Juniata may request  
17 at a later date (e.g., recovery of regulatory assets).

18 As further discussed in the testimony of Stephanie Castaneda, Exhibit No. SC-001,  
19 CWIP is included in the Template at Attachment H, page 2, line 27, and reflects the 13-  
20 month average balances as shown on Attachment 4. With this filing, Kammer Juniata is  
21 requesting Commission authorization to include 100 percent of its prudently incurred  
22 CWIP in rate base for the Project. Amounts will be included in CWIP only if authorized  
23 by Commission order.

1 Unamortized Abandoned Plant is included in rate base at Attachment H, page 2,  
2 line 29. While Kammer Juniata is requesting FERC authorization to recover 100 percent  
3 of prudently incurred transmission related costs if the Project is abandoned or cancelled for  
4 reasons beyond its control, any amounts included in Unamortized Abandoned Plant would  
5 be authorized by a future FERC order on a request for specific abandoned plant recovery.  
6 The Template also includes a provision (Attachment H, page 3, line 19) for including the  
7 amortization of any unrecovered abandoned plant costs, which also would require  
8 Commission approval in a separate filing. Such amortization is directly assigned to the  
9 Transmission function.

10 Kammer Juniata is not requesting a regulatory asset incentive with this filing. The  
11 Formula Rate template includes Unamortized Regulatory Asset at Attachment H, page 2,  
12 line 28 as a placeholder. The Unamortized Regulatory Asset value will be zero unless the  
13 Commission authorizes recovery of a regulatory asset pursuant to a future section 205  
14 filing. Inclusion of a line in the Template as a placeholder for a future, Commission-  
15 approved regulatory asset is consistent with Commission precedent.<sup>4</sup>

16 Land Held for Future Use is specified on Attachment 4 and included at Attachment  
17 H, page 2, line 31.

18 Working Capital (Attachment H, page 2, lines 32-36) consists of three elements:  
19 (1) Cash Working Capital (“CWC”) calculated as one-eighth of total O&M expenses; (2)  
20 Materials & Supplies; and (3) Prepayments.

21  

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<sup>4</sup> *Am. Elec. Power Serv. Corp.*, 120 FERC ¶ 61,205 at P 36 (2007) (approving incentive placeholders with a value of zero); *Tallgrass Transmission, LLC*, 125 FERC ¶ 61,248 at P 93 (2008) (noting that FERC has required a zero value when approving a placeholder for an incentive).

1 **Q. HOW ARE ACCUMULATED DEFERRED INCOME TAX (“ADIT”) BALANCES**  
2 **INCLUDED IN THE FORMULA RATE?**

3 **A.** Deferred income taxes arise when items are included in taxable income in different periods  
4 than they are included in rates. The beginning and end of year balances are reported in  
5 FERC Form No. 1. Attachment 4 uses the average of the beginning of year balance and  
6 the end of year balance. ADIT is allocated based on the Net Plant (“NP”) allocator.

7 In the PTRR, the formula also incorporates the proration calculation required by  
8 the Internal Revenue Service’s regulations and normalization rules, and consistent with  
9 proration methods allowed by the Commission.<sup>5</sup> This is shown on Attachment 4a.  
10 However, the proration calculation is not used in the true-up.

11 **Q DOES THE FORMULA RATE COMPLY WITH ORDER NO. 864?**

12 **A.** Yes. In Order No. 864,<sup>6</sup> the Commission required public utility transmission providers  
13 with formula rates to account for changes in the federal corporate income tax rate caused  
14 by the Tax Cuts and Jobs Act of 2017.<sup>7</sup> Specifically, Order No. 864 required public utilities  
15 to include in their transmission formula rates: (1) a mechanism to deduct any excess ADIT  
16 from, or add deficient ADIT to, rate base; (2) a mechanism to decrease or increase their  
17 income tax allowances by any amortized excess or deficient ADIT; and (3) permanent  
18 worksheets to annually track information related to excess or deficient ADIT. Kammer

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<sup>5</sup> *NextEra Energy Transmission MidAtlantic Indiana, Inc.*, Docket No. ER21-1163-000 (Mar. 24, 2021); *see also Horizon West Transmission, LLC*, Docket No. ER21-293-001 (Dec. 31, 2020) (letter order).

<sup>6</sup> *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) (“Order No. 864”), *on reh’g and clarification*, Order No. 864-A, 171 FERC ¶ 61,033 (2020).

<sup>7</sup> Order No. 864, 169 FERC ¶ 61,139 at P 1 (citing An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. No. 115-97, 131 Stat. 2054 (2017)). Section 13001 of the Tax Cuts and Jobs Act reduced the federal corporate tax rate from a maximum of 35% under the graduated rate structure to a flat 21% tax rate, effective January 1, 2018.

1 Juniata's proposed formula rate complies with the requirements of Order No. 864 and  
2 includes an (Excess)/Deficient ADIT worksheet at Attachment 4b, as well as an ADIT  
3 Remeasurement worksheet at Attachment 4c. The Commission has previously approved  
4 substantively identical worksheets for a Kammer Juniata affiliate.<sup>8</sup>

5 **Q. HOW DOES THE FORMULA RATE DEVELOP O&M EXPENSES?**

6 **A.** Total transmission O&M expense shown at Attachment H, page 3, line 14, consists of  
7 Transmission expense (Attachment H, page 3, line 1) plus Administrative & General  
8 ("A&G") expense functionalized to transmission.

9 The Template excludes Account 566 (Miscellaneous Expenses) on Attachment H,  
10 page 3, line 2, but includes it later on Attachment H, page 3, lines 11-12, as discussed  
11 below. Account 565 (Transmission by Others, if any) is excluded on Attachment H, page  
12 3, line 3.

13 The TP allocator is applied to the total company amounts for Transmission O&M  
14 and Accounts 566 and 565.

15 Total company A&G expense (as adjusted for FERC Annual Fees, Regulatory  
16 Commission Expense, EPRI, and non-safety General Advertising Expense) is  
17 functionalized to Transmission by the W/S allocator.

18 Regulatory Commission Expenses related to transmission are included on  
19 Attachment H, page 3, line 7.

20 Common expenses (if any) and Transmission Lease Payments are included at  
21 Attachment H, page 3, lines 8 and 9.

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<sup>8</sup> See *GridLiance High Plains LLC*, Docket Nos. ER20-2045-000, ER20-2045-001 (Feb. 3, 2023) (delegated letter order).

1 Kammer Juniata does not propose to recover Post-Employment Benefits Other  
2 Than Pensions (“PBOP”) expense in the Formula Rate at this time.<sup>9</sup> However, the  
3 Template includes a placeholder calculation for PBOP expenses in Attachment 7 that would  
4 accommodate an appropriate level of PBOP expense should Kammer Juniata seek to  
5 recover PBOP expense. If Kammer Juniata seeks to recover a non-zero PBOP value in its  
6 formula in the future, it will make a limited FPA section 205 filing supported by an actuarial  
7 study to establish the amount of PBOP recovery.

8 **Q. HOW WERE THE FORMULA RATE’S DEPRECIATION RATES DEVELOPED?**

9 **A.** Kammer Juniata’s depreciation rates are provided in Attachment 8 of the Template. As a  
10 new entity with no assets yet in service, Kammer Juniata lacks an operating history upon  
11 which to base a depreciation study. As a result, Kammer Juniata has elected to adopt the  
12 depreciation rates of its PJM affiliate, NextEra Energy Transmission MidAtlantic, Inc.  
13 (“NEET MidAtlantic”). The Commission has found that it is appropriate to use the  
14 depreciation rates of an affiliate as proxy for the new entity in determining proposed  
15 depreciation rates.<sup>10</sup> NEET MidAtlantic is an appropriate entity to use as a proxy because  
16 it is also a transmission owner in the PJM region. Kammer Juniata also commits to file  
17 revised depreciation rates reflecting the depreciation of its actual facilities within five years  
18 of Kammer Juniata placing its first asset in service.

19  
20  

---

<sup>9</sup> See *NextEra Energy Transmission MidAtlantic, LLC*, 161 FERC ¶ 61,141 at PP 44, 46 (2017).

<sup>10</sup> See, e.g., *Midcontinent Grid Solutions Iowa, LLC*, 192 FERC ¶ 61,208 at P 19 (2025) (approving proxy depreciation rates of applicant’s affiliate because both applicant and affiliate are newly formed entities that intend to own similar transmission facilities in the future); *NextEra Energy Transmission West, LLC*, 154 FERC ¶ 61,009 at P 103 (2016); *Xcel Energy Sw. Transmission Co., LLC*, 149 FERC ¶ 61,182 at P 124 (2014).

1 **Q. HOW DOES THE TEMPLATE DEVELOP TAXES OTHER THAN INCOME**  
2 **TAXES?**

3 **A.** Taxes other than income taxes (Other Taxes) are functionalized to transmission and  
4 specified at Attachment H, page 3, lines 21-30. Labor-related taxes are functionalized by  
5 the W/S allocator (page 3, lines 23-24). Real and personal property taxes, miscellaneous  
6 other taxes, and payments in lieu of taxes (if any) (page 3, lines 26, 28, and 29) are  
7 functionalized by the Gross Plant (“GP”) allocator. Gross receipts taxes are excluded (page  
8 3, line 27).

9 **Q. HOW DOES THE FORMULA RATE DEVELOP INCOME TAXES ON PAGE 3 OF**  
10 **ATTACHMENT H?**

11 **A.** Federal and state income taxes (Attachment H, page 3, line 43) are developed consistent  
12 with the return on rate base calculated at Attachment H, page 3, line 45.

13 The tax components are Federal Income Tax Rate (“FIT”), State Income Tax Rate  
14 (or Composite) (“SIT”), and the percent (“p”), if any, of federal income tax deductible in  
15 the calculation of state income tax. These components are specified in Note G. The  
16 composite federal/state income tax rate (“T”), is calculated on page 3, line 32, where:

17 
$$T = 1 - \{[(1-SIT) * (1-FIT)] / (1-SIT * FIT * p)\}$$

18 The tax multiplier,  $1/(1-T)$ , is calculated on page 3, line 36.

19 The Amortized Investment Tax Credit (“ITC”), the Excess Deferred Income Taxes, and  
20 the Tax Effect of Permanent Differences are shown at page 3, lines 37 through 39, respectively.  
21 The respective revenue effects of these adjustments are calculated by multiplying each of them  
22 by the tax multiplier at line 36 (lines 40-42), the products of which are functionalized to  
23 transmission by multiplying by the NP allocator.

1           The income tax component is calculated at page 3, line 39 as the product of  $(T/1-T)$   
2 times the portion of the investment return that is taxable (which is 1 minus the weighted debt  
3 cost rate divided by the overall rate of return) (line 33) times the investment return (line 45).  
4 The weighted debt cost rate is calculated at page 4, line 20, and the overall rate of return is  
5 calculated at page 4, line 23.

6           Total income taxes (page 3, line 43) are the summation of the income tax component  
7 (page 3, line 39) and the three adjustments (page 3, lines 40-42).

8 **Q. HOW DOES THE FORMULA RATE DEVELOP THE RETURN ON RATE BASE?**

9 **A.** Return on Rate Base (Attachment H, page 3, line 45) is the product of rate base (page 2, line  
10 37) times R (page 4, line 23). R, the overall rate of return, is the sum of the weighted cost rates  
11 for long-term debt (“LTD”), preferred stock, and common equity shown on Attachment H, page  
12 4, lines 20 through 22 and calculated on Attachment 5.

13           Prior to Kammer Juniata obtaining any debt, Kammer Juniata proposes to use an  
14 estimated cost of debt (“Proxy Debt Rate”) set at Secured Overnight Financing Rate  
15 (“SOFR”) plus 2.0%. As explained further in Ms. Stephanie Castaneda’s testimony, the Proxy  
16 Debt Rate is the interest rate estimated to be incurred by the company once debt is issued,  
17 without true-up. See Attachment H, page 5, Note Q.

18           Once Kammer Juniata obtains any debt (whether construction financing or permanent  
19 financing), the LTD cost rate will be the actual cost of debt determined in Attachment 5.  
20 Attachment 5 calculates the LTD cost rate as the annual long-term interest divided by the 13-  
21 month average balance of the long-term debt (found on page 112 lines 18.c & d to 21.c & d in  
22 the Form No. 1). The cost is calculated by dividing line 42 by the Long-Term Debt balance in  
23 line 48. At the time Kammer Juniata first obtains either construction financing or long-

1 term project financing, whichever comes first, Kammer Juniata would begin to recover a  
2 return on rate base that reflects the actual cost of debt, subject to true-up through the annual  
3 update process stipulated in the Protocols. In other words, if a rate period utilized an  
4 estimated cost of debt and during that period an actual debt facility was put in place,  
5 Attachment 5 of the Template would reflect the use of the actual debt facility for the months  
6 it was in place and the actual revenue requirement for that rate period – and resulting true-  
7 up adjustment – would reflect the actual cost of debt.

8 Kammer Juniata has utilized a total ROE of 11.25%, which is composed of a base ROE  
9 of 10.75% and the 50-basis point adder for RTO participation (“RTO Participation Adder”). The  
10 testimony of Mr. Adrien McKenzie (Exhibit No. AM-001) supports this ROE. In addition, I  
11 will discuss the request for the RTO Participation Adder below.

12 The cost of preferred stock (if any) is shown on Attachment H, page 4, line 21 consistent  
13 with standard FERC rate making.

14 The common equity of the capital structure is shown at Attachment H, page 4, line 22.

15 Total capitalization (Attachment H, page 4, line 23) is the sum of LTD, preferred stock,  
16 and common equity. LTD (Attachment H, page 4, line 20), preferred stock (Attachment H, page  
17 4, line 21), and common stock (Attachment H, page 4, line 22) divided by total capitalization  
18 gives the capitalization shares shown on those lines, respectively.

19 As explained further in Ms. Castaneda’s testimony, Kammer Juniata has requested  
20 authorization to use a Hypothetical Capital Structure of 60% common equity, 40% long-term  
21 debt and 0% preferred equity until it has a transmission asset placed in service (“Hypothetical  
22 Capital Structure Incentive”). During the development and construction period, the debt-to-  
23 equity ratio will be in flux, changing each time equity is infused or debt is drawn down.

1 Tracking the constantly changing capital structure through the Template would be complicated  
2 and would result in unpredictable cash flows. Having certainty associated with using the  
3 hypothetical capital structure during construction will improve the basis for seeking favorable  
4 terms from the lenders. Attachment H, page 5, note Q describes the use of the hypothetical  
5 capital structure until the first Kammer Juniata asset is placed into service, at which time it  
6 proposes to use its actual capital structure.

7 **Q. HOW DOES THE FORMULA RATE ADDRESS INCENTIVE RATE TREATMENTS**  
8 **FOR KAMMER JUNIATA'S PROJECTS?**

9 **A.** Kammer Juniata is seeking authorization for a 50-basis point RTO Participation Adder  
10 consistent with Section 219(c) of the Federal Power Act ("FPA"), Order No. 679, and  
11 Commission precedent. This adder is incorporated into the total ROE in Attachment H, page 4,  
12 line 22.

13 As discussed above, Kammer Juniata also requests authorization to use the Hypothetical  
14 Capital Structure Incentive, the Abandoned Plant Incentive, and the CWIP Incentive. These  
15 incentives are accounted for in the Template as described above.

16 In the future, Kammer Juniata may seek further project-specific rate treatments. The  
17 Formula Rate is developed to accommodate project-specific incentives that the Commission  
18 may grant at a later date. The Kammer Juniata revenue requirements per project are determined  
19 in the Project Revenue Requirement Worksheet (Attachment 1). The Project Revenue  
20 Requirement Worksheet details the calculation of revenue requirements associated with all  
21 transmission facilities, including those for which Commission approval for incentives has been  
22 obtained.

23

1 **Q. DOES THE FORMULA RATE ALLOW FOR COMPETITIVE BID CONCESSIONS**  
2 **TO THE REVENUE REQUIREMENTS OF INDIVIDUAL PROJECTS THAT**  
3 **RESULT FROM A COMPETITIVE BID PROCESS?**

4 **A.** Yes. Attachment 1 (Project Revenue Requirement Worksheet), which develops the PTRR for  
5 each project, shows any competitive bid concession agreed to in Column (13) separately for  
6 each project. Note J explains that the competitive bid concession value is defined as “the  
7 reduction in revenue, if any, that the company agreed to, for instance, to be selected to build  
8 facilities as the result of a competitive process and equals the amount by which the annual  
9 revenue requirement is reduced from the ceiling rate for each project.” The calculation of  
10 any bid concession adjustments will be supported by an additional workpaper. Attachment  
11 3, which calculates the project-specific true-up, reflects the competitive bid concession in both  
12 the PTRR for each project in Column (C) and in the actual net revenue requirement for each  
13 project in Column (F). The inclusion in two places in Attachment 3 is to ensure that the  
14 customers receive the competitive bid concession even after the true-up.

15 **IV. IMPLEMENTATION PROTOCOLS**

16 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY’S PROPOSED**  
17 **IMPLEMENTATION PROTOCOLS.**

18 **A.** The Protocols set forth the procedures for the annual review and challenge of the  
19 Company’s rates that result from the application of the Formula Rate. The Protocols  
20 explain how the Template will be updated each year and the implementation of the annual  
21 true-up, what the review procedures will be, and explain how customer challenges will be  
22 resolved.

23

1 **Q. DO THE PROTOCOLS PROVIDE INTERESTED PARTIES AN OPPORTUNITY TO**  
2 **REVIEW AND CHALLENGE THE ATRR PRODUCED BY THE FORMULA RATE**  
3 **TEMPLATE?**

4 **A.** Yes, the Protocols will provide Kammer Juniata's customers with sufficient information and  
5 procedural safeguards to facilitate the annual review of the inputs to the Template. Consistent  
6 with other protocols recently approved by the Commission, the Protocols provide the specific  
7 procedures for notice, requests for information, and review and challenges related to Kammer  
8 Juniata's Annual True-Up and PTRR. The Protocols provide for Kammer Juniata to publicly  
9 post its Annual True-Up and PTRR, and these postings must contain sufficient support for all  
10 inputs so that interested parties can verify that each input is consistent with the requirements of  
11 the Template. The Protocols also include a requirement to post fully functional workable  
12 formulas in Microsoft Excel format with all formulas intact, among other things. Kammer  
13 Juniata will also hold two remotely-accessible open meetings to provide an opportunity for  
14 interested parties to seek information and clarification from Kammer Juniata after the posting  
15 of its Annual True-Up and after the posting of its PTRR.

16 The Protocols' review procedures provide for interested parties to serve information  
17 requests on Kammer Juniata, and Kammer Juniata will make a good faith effort to respond to  
18 such requests within 15 business days. Interested parties may also submit written informal  
19 challenges to the Annual True-Up and the PTRRs. Kammer Juniata will make a good faith  
20 effort to respond to these informal challenges within 20 business days. Kammer Juniata also  
21 will make an annual informational filing with the Commission of its PTRR and Annual True-  
22 Up. Interested parties may file a formal challenge with the Commission after Kammer Juniata  
23 makes its annual informational filing.

1           These procedures do not limit in any way Kammer Juniata’s right to file unilaterally,  
2           pursuant to Section 205 of the FPA, changes to the Formula Rate or any of its inputs (including,  
3           but not limited to, rate of return and transmission incentive rate treatment), or the right of any  
4           other party to file a complaint requesting such changes under FPA Section 206.

5   **Q.    ARE THE PROTOCOLS CONSISTENT WITH THE *MISO PROTOCOLS ORDERS*<sup>11</sup>**  
6   **AND SUBSEQUENT COMMISSION PRECEDENT?**

7   **A.**   Yes, the Protocols are consistent with the protocols for forward-looking transmission  
8           formula rates accepted by the Commission in the *MISO Protocols Orders*.<sup>12</sup> Although the  
9           protocols adopted in the *MISO Protocols Orders* applied in the Midcontinent Independent  
10          System Operator, Inc.’s region and were not expressly made applicable to PJM, the  
11          Commission has explained that the protocols adopted in the *MISO Protocols Orders*  
12          represent the standard for formula rate protocols in other RTO regions.<sup>13</sup>

13                 Notwithstanding that the Protocols largely follow the *MISO Protocols Orders*, the  
14                 Protocols also reflect subsequent Commission precedent. In particular, the Protocols  
15                 include provisions governing the allocation of costs among affiliates<sup>14</sup> in accordance with  
16                 the Commission’s findings in *Keystone Appalachian Transmission Company* (“KATCo”)  
17                 and *N.E. Transmission*.<sup>15</sup>

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<sup>11</sup>     See, e.g., *Mw. Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 (2012), *order on investigation*, 143 FERC ¶ 61,149 (2013), *order on reh’g*, 146 FERC ¶ 61,209, *order on compliance*, 146 FERC ¶ 61,212 (2014), *order on reh’g and clarification*, 150 FERC ¶ 61,024, *order on compliance*, 150 FERC ¶ 61,025 (2015) (“*MISO Protocols Orders*”).

<sup>12</sup>     See *MISO Protocols Orders*.

<sup>13</sup>     See, e.g., *Republic Transmission, LLC*, 167 FERC ¶ 61,215 at P 17 (2019) (citing *MISO Protocols Orders*).

<sup>14</sup>     See *PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,097 at P 127 (2016) (“*N.E. Transmission*”).

<sup>15</sup>     See *Monongahela Power Co.*, 173 FERC ¶ 61,290 (2020); *N.E. Transmission*, 155 FERC ¶ 61,097 at P 127 (2016).



1 resulting total ROE does not exceed the zone of reasonableness established for Kammer  
2 Juniata.

3 **VI. REPLICATION OF FORMULA RATE AND INCENTIVES**

4 **Q. PLEASE DESCRIBE KAMMER JUNIATA'S REQUEST TO REPLICATE THE**  
5 **FORMULA RATE AND TRANSMISSION RATE INCENTIVES.**

6 **A.** Kammer Juniata requests authorization for any transmission-owning subsidiaries of joint  
7 ventures owned by NEET and Exelon Transmission to replicate the proposed Formula Rate  
8 for their own projects in the PJM region without relitigating the Formula Rate's substantive  
9 provisions. Kammer Juniata requests that this replication authority cover not only the  
10 Formula Rate, but also the base ROE, the RTO Participation Adder, and the Hypothetical  
11 Capital Structure Incentive that are granted by the Commission in this proceeding under  
12 the same terms and conditions applicable for Kammer Juniata's own use of the requested  
13 incentives.

14 Kammer Juniata seeks these authorizations because it anticipates that additional  
15 joint venture subsidiaries of NEET and Exelon Transmission may seek to develop  
16 transmission projects in PJM. In such event, it is possible that commercial, financial,  
17 and/or policy reasons may support having a yet-to-be formed PJM affiliate develop a  
18 transmission project rather than Kammer Juniata. The incentives requested in this filing  
19 would be important to any joint venture of NEET and Exelon Transmission in PJM just as  
20 they are to Kammer Juniata in the same manner described in this testimony. The

1 Commission has granted the same replication authorizations requested in this filing in  
2 similar cases.<sup>16</sup>

3 **VII. CONCLUSION**

4 **Q. IN YOUR OPINION, DOES THE FORMULA RATE CONFORM TO COMMISSION**  
5 **PRECEDENT?**

6 **A.** Yes. The classification, functionalization and allocation factors used for the cost items reflect  
7 standard Commission ratemaking. The estimate and true-up functions also reflect Commission  
8 precedent. Furthermore, the data used in the Template is taken directly out of the FERC Form  
9 No. 1 or, when more detailed data is required, the detailed data are provided in the worksheets  
10 that are attached to the Attachment H for Kammer Juniata.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A.** Yes.

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<sup>16</sup> See, e.g., *Valley Link Transmission Md., LLC*, 191 FERC ¶ 61,113 at P 6 (2025); *Viridon Mid-Atlantic, LLC*, 186 FERC ¶ 61,074 at P 34 (2024).

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Kammer Juniata Transmission, LLC

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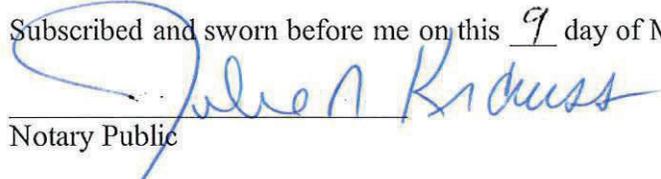
Docket No. ER26-\_\_\_-000

VERIFICATION

I, Matthew Boykin, being duly sworn, state that the contents of the foregoing testimony are true, correct, and accurate to the best of my knowledge, information, and belief.

  
Matthew Boykin

Subscribed and sworn before me on this 9 day of March, 2026.

  
Notary Public

My Commission expires: \_\_\_\_\_



**Exhibit No. MB-002**

**Exhibit No. MB-003**

**Attachment H-42B**  
**Kammer Juniata Transmission, LLC**  
**(“Kammer Juniata”)**  
**FORMULA RATE IMPLEMENTATION**  
**PROTOCOLS**

“Actual Transmission Revenue Requirement” or “ATRR” means the actual net transmission revenue requirement of Kammer Juniata calculated and posted on the PJM website no later than June 1 of each year subsequent to calendar year 2026 for the immediately preceding calendar year in accordance with Kammer Juniata’s Formula Rate and based upon Kammer Juniata’s actual costs and expenditures.

“Annual True-Up” means Kammer Juniata’s ATRR for the preceding calendar year, as well as the True-up for the prior Rate Year, as posted on or before June 1 of each year.

“Formal Challenge” means a written challenge to an Annual Update or Projected Transmission Revenue Requirement submitted to the Federal Energy Regulatory Commission (the “Commission” or “FERC”) as provided in Section IV below.

“Formula Rate” means the collection of formulas and worksheets included as Attachment H-42A of the PJM Tariff.

“Informational Filing” means the informational filing to FERC containing Kammer Juniata’s, as applicable: (1) the Projected Transmission Revenue Requirement for the upcoming Rate Year, as filed on or before September 30 of each year, and (2) the ATRR for the preceding calendar year, as well as its related True-up to the Projected Transmission Revenue Requirement for the respective Rate Year, as filed on or before June 1 of each year.

“Interested Parties” include, but are not limited to, customers under the PJM Tariff, state utility regulatory commissions, the Organization of PJM States, Inc., consumer advocacy agencies, state attorneys general, and any party to any docket assigned by the Commission to Kammer Juniata’s Formula Rate Filing and Annual True-Up.

“PJM” means PJM Interconnection, L.L.C.

“PJM Tariff” means the Open Access Transmission Tariff of the PJM Interconnection, L.L.C.

“Preliminary Challenge” means a written challenge to the Annual True-Up or Projected Transmission Revenue Requirement submitted to Kammer Juniata as provided in Section IV below.

“Projected Transmission Revenue Requirement” or “PTRR” means the projected net

transmission revenue requirement of Kammer Juniata calculated for the forthcoming Rate Year, as well as, where applicable, the most recently calculated True-up, with interest, to be posted on the PJM website no later than September 30 of each year for rates effective the next calendar year starting January 1.

“Protocols” means these Protocols, included as Attachment H-42B of the PJM Tariff.

“Publication Date” means the date on which the Annual Update is posted on the PJM website.

“Rate Year” means the twelve consecutive month period that begins on January 1 and continues through December 31.

“Transmission Provider” means PJM Interconnection, L.L.C., or its successor or assignee.

“True-Up Adjustment” means the difference between the revenues received by Kammer Juniata corresponding to the rate effective period of the PTRR (net of the True-Up Adjustment from the prior year) and the ATRR, for the same Rate Year, which shall be provided in the Annual Update on or before June 1 of the year subsequent to the Rate Year. The True-Up Adjustment will be a component of the PTRR.

## **Section I. Applicability**

The following procedures shall apply to the calculation of the ATRR, True-Up Adjustments, and PTRR of Kammer Juniata Transmission, LLC (“Kammer Juniata”) in the PJM Region.

## **Section II. Annual True-Up and Projected Transmission Revenue Requirement**

- A. On or before June 1 of each year, Kammer Juniata shall determine its Annual True-Up in accordance with its formula rate and Section VII of these protocols, to derive a True-Up Adjustment to be included in the PTRR for the subsequent Rate Year.
- B. On or before June 1 of each year, Kammer Juniata shall provide its Annual True-Up, actual net revenue requirement, and True-Up Adjustment to PJM and cause such information to be posted on the PJM website. Within five (5) days of such posting, PJM shall provide notice of such posting via an email exploder list. Interested Parties can subscribe to the PJM exploder list on the PJM website. For purposes of these protocols, the term Interested Party includes, but is not limited to, customers under the PJM Tariff, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general.
- C. On or before September 30 of each year, Kammer Juniata shall provide its PTRR

to PJM and cause such information to be posted on the PJM website. Within five (5) days of posting of the PTRR, PJM shall provide notice of such posting to an email exploder list. In the event Kammer Juniata's formula rate is first included in the PJM Tariff such that the first PTRR cannot be provided to PJM by September 30, Kammer Juniata will nevertheless prepare a projection of its net revenue requirement for the first Rate Year using the most recent information available, and the projection will be posted on the PJM website at least sixty (60) days prior to the rates becoming effective. The PTRR for a partial first Rate Year will reflect Kammer Juniata's net revenue requirement only over the remaining months during the partial Rate Year. Kammer Juniata will conduct a meeting with Interested Parties on the PTRR for the first Rate Year between twenty (20) to forty (40) days after posting. Notice of the customer meeting, including the time, date, location, and remote access information, shall be posted on the PJM website and distributed to the e-mail exploder list no less than seven (7) days prior to such meeting.

- D. If the date for posting the Annual True-Up or the PTRR falls on a weekend or a holiday recognized by the Commission, then the posting shall be due on the next business day. Any delay in the Publication Date or in the posting of the PTRR will result in an equivalent extension of time for the submission of information requests discussed in Section III of these protocols.
- E. The Annual True-Up shall:
1. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
  2. Be based on Kammer Juniata's FERC Form No. 1 for the prior calendar year;
  3. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in the FERC Form No. 1;
  4. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-Up results from the FERC Form No. 1;
  5. Identify any changes in the formula references (page and line numbers) to the FERC Form No. 1;
  6. Identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1;

7. Provide underlying data for formula rate inputs that provide greater granularity than is required for the FERC Form No. 1;
8. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Accounting Change”):
  - a. Identify Accounting Changes, including
    - i. the initial implementation of an accounting standard or policy;
    - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
    - iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;
    - iv. the implementation of new estimation methods or policies that change prior estimates; and
    - v. changes to income tax elections;
  - b. Identify items included in the Annual True-Up at an amount other than on a historical cost basis (e.g., fair value adjustments);
  - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-Up;
  - d. Provide, for each item identified pursuant to items II.E.8.a - II.E.8.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.
9. Provide for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Kammer Juniata and its affiliates by service category or function, including any changes to such cost allocation methodologies from the prior year and the reasons and justifications for those changes; and (2) the magnitude of such costs that

have been allocated or directly assigned between Kammer Juniata and each affiliate by service category or function.

F. The PTRR shall:

1. Include a workable data-populated formula rate template and underlying workpapers in native format with all formulas and links intact;
2. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the PTRR;
3. Provide sufficient information to enable Interested Parties to replicate the calculation of the PTRR; and
4. With respect to any Accounting Change:
  - a. Identify any Accounting Changes, including
    - i. the initial implementation of an accounting standard or policy;
    - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
    - iii. correction of errors and prior period adjustments that impact the PTRR calculation;
    - iv. the implementation of new estimation methods or policies that change prior estimates;
    - v. changes to income tax elections;
  - b. Identify items included in the PTRR at an amount other than on a historical cost basis (e.g., fair value adjustments);
  - c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the PTRR; and
  - d. Provide, for each item identified pursuant to items II.F.4.a - II.F.4.c of these protocols, a narrative explanation of the individual impact of such changes on the PTRR.

- G. Kammer Juniata shall hold an open meeting among Interested Parties (“Annual True-Up Meeting”) no sooner than twenty (20) days after the Publication Date. The Annual True-Up Meeting shall occur no later than September 1. Kammer Juniata will make the Annual True-Up Meeting remotely accessible. No less than seven (7) days prior to such Annual True-Up Meeting, Kammer Juniata shall provide notice on PJM’s internet website of the time, date, location, and remote access information for the Annual True-Up Meeting and PJM shall provide notice of such meeting to an email exploder list. The Annual True-Up Meeting shall (i) permit Kammer Juniata to explain and clarify its Annual True-Up and True-Up Adjustment and (ii) provide Interested Parties an opportunity to seek information and clarifications from Kammer Juniata about the Annual True-Up and True-Up Adjustment.
- H. Kammer Juniata shall hold an open meeting among Interested Parties (“Annual Projected Rate Meeting”) no sooner than twenty (20) days after the date that the PTRR is posted to the PJM website (as described in Section II.C of these protocols). The Annual Projected Rate Meeting shall occur no later than October 31. Kammer Juniata will make the Annual Projected Rate Meeting remotely accessible. No less than seven (7) days prior to such Annual Projected Rate Meeting, Kammer Juniata shall provide notice on PJM’s internet website of the time, date, location, and remote access information for the Annual Projected Rate Meeting and PJM shall provide notice of such meeting to an email exploder list. The Annual Projected Rate Meeting shall (i) permit Kammer Juniata to explain and clarify its PTRR and (ii) provide Interested Parties an opportunity to seek information and clarifications from Kammer Juniata about the PTRRs.
- I. Transmission owners with transmission projects that utilize a regional or inter-regional cost sharing mechanism shall endeavor to hold a joint informational meeting to enable all interested parties to understand how those transmission owners are implementing their formula rates for cost recovery of such projects. Kammer Juniata will make the joint informational meeting remotely accessible. Notice of joint informational meetings, including the time, date, location, and remote access information, shall be posted on the PJM website and distributed to the email exploder list no less than seven (7) days prior to such meetings. Kammer Juniata will participate in joint informational meetings once it begins development of a project for which costs are to be regionally or inter-regionally allocated.

### **Section III. Information Exchange Procedures**

Each Annual True-Up and PTRR shall be subject to the following information exchange procedures (“Information Exchange Procedures”):

- A. Interested Parties shall have until November 30 following Publication Date (unless such period is extended with the written consent of Kammer Juniata or by FERC order) to serve reasonable information and document requests on Kammer

Juniata (“Information Exchange Period”). If the due date for information and document requests falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

1. the extent or effect of an Accounting Change;
2. whether the Annual True-Up or PTRR fails to include data properly recorded in accordance with these protocols;
3. the proper application of the formula rate and procedures in these protocols;
4. the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up or PTRR;
5. the prudence of actual costs and expenditures, including procurement methods and cost control methodologies;
6. the effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
7. any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.

- B. Kammer Juniata shall make a good faith effort to respond to information and document requests within fifteen (15) business days of receipt of such requests. Kammer Juniata shall respond to all information and document requests by no later than January 15 following the Publication Date, unless the Information Exchange Period is extended by Kammer Juniata or FERC. If the last day for Kammer Juniata to respond falls on a weekend or a holiday recognized by FERC, the deadline for responses to information requests shall be extended to the next business day.
- C. Kammer Juniata will cause to be posted on the PJM website all information requests from Interested Parties and Kammer Juniata’s response(s) to such requests; except, however, if responses to information and document requests include material deemed by Kammer Juniata to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by Kammer Juniata and the requesting party.
- D. Kammer Juniata shall not claim that responses to information and document

requests provided pursuant to these protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing Kammer Juniata's Annual True-Up or PTRR.

#### **Section IV. Challenge Procedures**

- A. Interested Parties shall have until February 15 following the Publication Date (unless such period is extended with the written consent of Kammer Juniata or by FERC order) to review the inputs, supporting explanations, allocations and calculations and to notify Kammer Juniata in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up or PTRR. The period of time from the Publication Date until February 15 shall be referred to as the Review Period. If the final day of the Review Period falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual True-Up or PTRR shall bar pursuit of such issue with respect to that Annual True-Up or PTRR under the challenge procedures set forth in these protocols, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or PTRR. This Section IV.A in no way shall affect a party's rights under section 206 of the Federal Power Act ("FPA") as set forth in Section IV.I of these protocols.
- B. A party submitting an Informal Challenge to Kammer Juniata must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Kammer Juniata shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. Kammer Juniata, and where applicable, PJM, shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If Kammer Juniata disagrees with such challenge, it will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge may be submitted after the final day of the Review Period, and Kammer Juniata must respond to all Informal Challenges by no later than thirty (30) days after the end of the Review Period, unless the Review Period is extended by Kammer Juniata or FERC. If the end of the Review Period falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. If the deadline for Kammer Juniata to respond to all Informal Challenges falls on a weekend or a holiday recognized by FERC, the deadline for responding to Informal Challenges shall be extended to the next business day.
- C. Informal Challenges shall be subject to the resolution procedures and limitations

in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements.

1. A Formal Challenge shall:
  - a. Clearly identify the action or inaction which is alleged to violate the filed rate formula or protocols;
  - b. Explain how the action or inaction violates the filed rate formula or protocols;
  - c. Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:
    - i. The extent or effect of an Accounting Change;
    - ii. Whether the Annual True-Up or PTRR fails to include data properly recorded in accordance with these protocols;
    - iii. The proper application of the formula rate and procedures in these protocols;
    - iv. The accuracy of data and consistency with the formula rate of the charges shown in the Annual True-Up or PTRR;
    - v. The prudence of actual costs and expenditures;
    - vi. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
    - vii. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.
  - d. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;
  - e. State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;
  - f. State the specific relief or remedy requested, including any request



- changes or adjustments agreed to by Kammer Juniata after the last day of the Information Exchange Period will be reflected in the following year's Annual True-Up, as discussed in Section V of these protocols.
- G. An Interested Party shall have until seventy-five (75) days following the Review Period (unless such date is extended with the written consent of Kammer Juniata to continue efforts to resolve the Informal Challenge or unless the deadline for Kammer Juniata to submit its informational filing is extended) to make a Formal Challenge with FERC, which shall be served on Kammer Juniata on the date of such filing as specified in Section IV.C(2) above. If the last day of the seventy-five-day period to make a Formal Challenge falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Formal Challenges shall be extended to the next business day. A Formal Challenge shall be filed in the same docket as Kammer Juniata's Informational Filing discussed in Section VI of these protocols. Kammer Juniata shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge on any issue during the applicable Review Period.
- H. In any proceeding initiated by FERC concerning the Annual True-Up or PTRR or in response to a Formal Challenge, Kammer Juniata shall bear the burden, consistent with section 205 of the FPA, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in these protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.
- I. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Kammer Juniata to file unilaterally, pursuant to section 205 of the FPA and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to section 206 of the FPA and the regulations thereunder.
- J. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols and the Annual True-Up and PTRR shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, an FPA section 205 or section 206 filing.
- K. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or FERC Form No. 1, shall first raise the matter with Kammer Juniata in accordance with this Section IV before pursuing a Formal Challenge.

## **Section V. Changes to Annual True-Up Adjustment or Projected Transmission Revenue Requirement**

Except as provided in Section IV.F of these protocols, any changes to the data inputs, including but not limited to revisions to Kammer Juniata's FERC Form No. 1, or as the result of any FERC proceeding to consider the Annual True-Up or PTRR, or as a result of the procedures set forth herein, shall be incorporated into the formula rate and the charges produced by the formula rate in the PTRR for the next Rate Year. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section VII of these protocols.

## **Section VI. Informational Filings**

- A. By March 15 of each year, Kammer Juniata shall submit to FERC an informational filing ("Informational Filing") of its PTRR for the Rate Year, including its Annual True-Up and True-Up Adjustment (unless the Review Period is extended by Kammer Juniata or FERC). If the due date for the informational filing falls on a weekend or a holiday recognized by FERC, the deadline for submitting the Informational Filing shall be extended to the next business day. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Kammer Juniata has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the transmission revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge Procedures. Additionally, the Informational Filing must include for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Kammer Juniata and its affiliates by service category or function, including any changes to such cost allocation and methodologies from the prior year, and the reasons and justification for those changes; and (2) the magnitude of such costs that have been allocated or directly assigned between Kammer Juniata and each affiliate by service category or function. Within five (5) days of such Informational Filing, PJM shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to Kammer Juniata's Informational Filing on the PJM website.
- B. Any challenges to the implementation of Kammer Juniata's formula rate must be made through the Challenge Procedures described in Section IV of these

protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

## **Section VII. Calculation of True-Up Adjustment**

The True-Up Adjustment will be determined in the following manner:

1. Actual transmission revenues received the previous calendar year (“True-Up Year”) shall be compared to the actual net revenue requirement (calculated in accordance with Kammer Juniata’s formula rate) for the True-Up Year as determined using Kammer Juniata’s completed FERC Form No. 1 report to determine any excess or shortfall. The excess or shortfall due to the actual revenue received versus the actual net revenue requirement shall constitute the “True-Up Adjustment.” The True-Up Adjustment and related calculations shall be posted to PJM’s website no later than June 1 (or if that day falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day) following the issuance of the FERC Form No. 1 for the previous year, as set forth in Section II of these protocols.
2. Interest on any over recovery of the net revenue requirement shall be determined based on the Commission’s regulation at 18 C.F.R § 35.19a. Interest on any under recovery of the net revenue requirement shall be determined using the interest rate equal to: (i) Kammer Juniata’s actual short-term debt costs capped at the interest rate determined based on the Commission’s regulation at 18 C.F.R § 35.19a; or (ii) if Kammer Juniata does not have short-term debt, then the interest rate determined based on the Commission’s regulation at 18 C.F.R § 35.19a. In either case, an average interest rate shall be used to calculate the interest payable for the twenty-four (24) months during which the over or under recovery in the revenue requirement exists. The interest rate to be applied to the over or under recovery amounts will be determined using the average rate for the twenty-one (21) months preceding October of the current year. The interest amount will be included in the projected costs made available by September 30, as described in Section II.C above.
3. The net revenue requirement for transmission services for the following Rate Year shall be the sum of the PTRR for the following year, plus or minus the True-Up Adjustment from the True-Up Year, if any, including interest, as explained above, and as described in Attachment 3 of Kammer Juniata’s formula rate.
4. Kammer Juniata may accelerate the refund of any over recovery amounts by one year. The interest calculation will be adjusted to reflect the period the over recovery exists.

## **Section VIII. Competitive Bid Concessions**

For transmission development projects assigned to Kammer Juniata as a result of the PJM competitive project sponsor process, Kammer Juniata may, in its sole discretion, agree with PJM to apply a Competitive Bid Concession that will result in a lower net revenue requirement on a project-specific basis than that which would otherwise be produced by Kammer Juniata's formula rate. Any Competitive Bid Concession will appear as a zero or negative input to the formula, and will be determined on a project-specific basis using a workpaper that will be provided to Interested Parties as supporting documentation for each Annual True-Up by Kammer Juniata.

**Exhibit No. SC-001**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Kammer Juniata Transmission, LLC**

)  
)  
)

**Docket No. ER26-\_\_\_\_-000**

**DIRECT TESTIMONY OF STEPHANIE CASTANEDA**

**Exhibit No. SC-001**

**March 12, 2026**

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1 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
2 **PROFESSIONAL EXPERIENCE.**

3 **A.** I graduated from Florida Atlantic University in 2003 with a Bachelor of Arts in Accounting  
4 and earned a Master of Business degree from Florida Atlantic University in 2012.  
5 Beginning in 2002, I was employed by McGladrey & Pullen, LLP as an external auditor  
6 and joined NEET's affiliate, NextEra Energy, Inc. ("NextEra"), in 2007. During my tenure  
7 at NextEra, I have held various business management, accounting, and regulatory  
8 positions. I am a Certified Public Accountant licensed in the State of Florida.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 **A.** The purpose of my testimony is to describe Kammer Juniata Transmission, LLC's  
11 ("Kammer Juniata" or "Company") financial risks and financial metrics, as well as the  
12 financial considerations supporting Kammer Juniata's request to recover 100 percent of  
13 Construction Work in Progress ("CWIP") in rate base for the Kammer-Juniata 765 kV  
14 transmission project (the "Kammer Juniata Project" or "Project") that Kammer Juniata was  
15 recently awarded through PJM Interconnection, L.L.C.'s ("PJM") Regional Transmission  
16 Expansion Planning ("RTEP") process, as well as for the Hypothetical Capital Structure  
17 Incentive. My testimony will also briefly describe Kammer Juniata's proposed cost of  
18 long-term debt for use in the proposed formula rate template ("Template") and  
19 implementation protocols ("Protocols") (the Template and Protocols are collectively the  
20 "Formula Rate").

21 **Q. HAS THIS TESTIMONY BEEN PREPARED BY YOU OR UNDER YOUR**  
22 **SUPERVISION?**

23 **A.** Yes.

1 **Q. ARE YOU SPONSORING EXHIBITS IN CONNECTION WITH YOUR**  
2 **TESTIMONY?**

3 **A.** No.

4 **II. BACKGROUND**

5 **Q. PLEASE DESCRIBE KAMMER JUNIATA AND WHY THE COMPANY WAS**  
6 **FORMED.**

7 **A.** Kammer Juniata was formed as a collaboration between NEET and Exelon Transmission  
8 Company, LLC (“Exelon Transmission”) to support the development, construction,  
9 ownership, operation, and maintenance of major transmission facilities within the PJM  
10 footprint, including the Project. Kammer Juniata is currently a wholly-owned subsidiary  
11 of NEET. Kammer Juniata anticipates that by the second quarter of 2026, Exelon  
12 Transmission will acquire a 25% equity interest in Kammer Juniata (with NEET retaining  
13 a 75% equity interest), resulting in a joint venture ownership structure.

14 **Q. HOW WILL SERVICES BE PROVIDED TO KAMMER JUNIATA?**

15 **A.** Kammer Juniata’s NEET and Exelon Transmission affiliates will provide services at cost  
16 to Kammer Juniata through corporate service agreements in order to construct, own,  
17 operate, maintain, finance, and manage the Project. Such services include: control center  
18 services, such as transmission line and substation operations, protection and control  
19 services, and system monitoring; engineering and construction services; and administrative  
20 services, such as accounting, business management, corporate real estate, corporate  
21 security, environmental, human resources, information management, legal,  
22 procurement/integrated supply chain, legal, regulatory affairs, and treasury.

23

1 **Q. HOW WILL CHARGES FOR AFFILIATE SERVICES BE BILLED TO KAMMER**  
2 **JUNIATA?**

3 **A.** Affiliate charges will be billed to Kammer Juniata using one of three methods: direct billed,  
4 direct assigned, or allocated. Wherever possible, charges will be direct billed to Kammer  
5 Juniata. Charges are direct assigned when direct billing is not feasible but a direct measure  
6 of cost causation exists. Finally, charges will be allocated if direct billed charges are not  
7 feasible or no direct measure of cost causation exists.

8 For charges that must be allocated, the allocation will be done using specific drivers  
9 where available (*e.g.*, headcount or number of workstations). Where there are no specific  
10 drivers for allocation, the average of payroll, revenues, and average gross property plant  
11 and equipment will be used. This methodology is named the “Massachusetts Formula” and  
12 has been an industry standard for years in many regulatory jurisdictions. This methodology  
13 is described in more detail in the Cost Allocation Manual of NEET’s affiliate, Florida  
14 Power & Light Company.<sup>1</sup>

15 All direct billed, direct assigned, and allocated costs for services provided will be  
16 charged in a consistent manner and result in the same pricing for Kammer Juniata as is  
17 charged to any other NEET or Exelon Transmission affiliate.

18 **Q. HOW MUCH DOES KAMMER JUNIATA EXPECT TO INVEST IN THE**  
19 **PROJECT?**

20 **A.** Kammer Juniata expects to invest \$1.7 billion in the Project, in 2025 dollars.  
21

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<sup>1</sup> Florida Power & Light Company’s 2025 True-Up Filing at 2024 FPL Cost Allocation Manual, Docket No. ER22-1837-000 (filed July 1, 2025).

1 **Q. HOW DOES KAMMER JUNIATA PLAN TO FINANCE ITS INVESTMENT IN**  
2 **THE PROJECT?**

3 **A.** During the initial phases of development and construction, Kammer Juniata intends to  
4 operate with capital infusions from its parent companies NEET and Exelon Transmission  
5 based on each company's respective ownership interest in Kammer Juniata. As  
6 construction on the Kammer Juniata Project progresses, Kammer Juniata expects to obtain  
7 third-party construction financing. Kammer Juniata's precise debt-to-equity ratio will  
8 therefore fluctuate as new debt and equity are invested. On or around the Project's in-  
9 service date, Kammer Juniata will obtain long-term debt.

10 **III. FINANCIAL RISKS AND CHALLENGES**

11 **Q. PLEASE PROVIDE AN OVERVIEW OF THE FINANCIAL RISKS AND**  
12 **CHALLENGES THAT KAMMER JUNIATA FACES IN DEVELOPING THE**  
13 **PROJECT.**

14 **A.** Kammer Juniata has no established credit rating or other evidence of creditworthiness, no  
15 debt repayment history, and no earnings history. These factors are exacerbated by the fact  
16 that Kammer Juniata will have all of its assets invested in a single project. As a result,  
17 lenders will more closely scrutinize Kammer Juniata's ability to service future debt  
18 obligations.

19 **Q. ARE THERE OTHER DEVELOPMENT RISKS ASSOCIATED WITH THE**  
20 **PROJECT THAT MAY IMPACT KAMMER JUNIATA'S ABILITY TO OBTAIN**  
21 **FINANCING ON REASONABLE TERMS?**

22 **A.** Yes. Permitting risk, procurement and construction risk, and development risk inherent in  
23 PJM's RTEP process all put pressure on Kammer Juniata's financing metrics. With respect

1 to permitting risk, as further described in the testimony of Mr. Ryan Colley (Exhibit No.  
2 RC-001), Kammer Juniata faces considerable uncertainty in terms of obtaining certificates  
3 of public convenience and necessity in Pennsylvania and West Virginia, in addition to  
4 federal environmental and engineering permits, and consultation with the state departments  
5 of natural resources, wildlife, historic preservation, conservation, recreation, and/or related  
6 agencies.

7 Kammer Juniata also faces both procurement risk and construction risk, as further  
8 detailed in Mr. Colley's testimony. Kammer Juniata must both acquire raw materials and  
9 hire skilled labor in a tight market. The market for components for extra high voltage (765  
10 kV) transmission facilities is small, raising the risk of supply chain challenges. In addition,  
11 obtaining the necessary equipment to begin construction has long lead times. These  
12 challenges create a risk of cost escalation, which may in turn impact financing.

13 Finally, Kammer Juniata will be required to execute a Designated Entity Agreement  
14 ("DEA") with PJM related to the development of the Kammer Juniata Project. The DEA  
15 is a binding contract that will confer responsibility for the construction of the Project to  
16 Kammer Juniata. Although Kammer Juniata has not yet executed a DEA with PJM, the  
17 *pro forma* DEA is set out in the PJM Open Access Transmission Tariff as Attachment KK.  
18 Based on the *pro forma* DEA, Kammer Juniata expects that the executed DEA will set out  
19 mandatory development and construction milestones for the Project. These obligations  
20 also put pressure on Kammer Juniata's finances.

21 **Q. WHAT CREDIT RATING IS KAMMER JUNIATA TARGETING?**

22 **A.** When Kammer Juniata obtains financing, it will target an investment-grade credit rating of  
23 at least BBB-/Baa3.

1 **Q. WHY IS IT IMPORTANT TO ACHIEVE AN INVESTMENT-GRADE CREDIT**  
2 **RATING?**

3 **A.** Maintaining a credit quality equivalent of at least BBB-/Baa3 will support Kammer  
4 Juniata's ready access to capital markets, allow it to obtain debt, and address potential cash  
5 flow volatility associated with construction. This is because credit ratings have an inverse  
6 relationship to borrowing costs: as credit ratings increase, the cost of borrowing decreases.  
7 If Kammer Juniata's credit ratings were to fall below the minimum investment grade of  
8 BBB-/Baa3, it would require Kammer Juniata to pay a higher cost of debt.

9 **IV. CWIP INCENTIVE**

10 **Q. PLEASE DESCRIBE THE CWIP INCENTIVE THAT KAMMER JUNIATA IS**  
11 **REQUESTING FOR THE PROJECT.**

12 **A.** Kammer Juniata seeks authorization to include 100 percent of its prudently incurred CWIP  
13 in rate base for the Project. Under 100 percent CWIP recovery, a utility can recover on the  
14 financing costs of construction on a current basis, instead of adding these costs to the capital  
15 investment amount added to rate base following the construction period.

16 **Q. WHAT RISKS AND CHALLENGES WOULD THE CWIP INCENTIVE HELP**  
17 **ADDRESS FOR THE PROJECT?**

18 **A.** The CWIP Incentive serves as a useful tool to ease the financial pressures associated with  
19 transmission development by providing up-front regulatory certainty, rate stability, and  
20 improved cash flow. Large capital projects typically do not generate cash flow until the  
21 project enters service. Here, the Project's estimated in-service date is June 2031. To meet  
22 the construction schedule required for this in-service date for the Project, Kammer Juniata  
23 will need to expend significant funds for the engineering, procurement, land acquisition,

1 permitting, and overall development of the Project in the next several years. During this  
2 period, Kammer Juniata will incur significant financing costs associated with the requisite  
3 investment, but absent the CWIP Incentive will receive no offsetting return until the Project  
4 is placed in service. As a result, the cost and time that is needed to develop and construct  
5 the Project will strain Kammer Juniata's cash flow and credit metrics, affecting its ability  
6 to finance construction.

7 The CWIP Incentive helps mitigate this risk by providing cash flow during the  
8 construction period. Allowing Kammer Juniata to include 100 percent of CWIP in rate  
9 base will help reduce the Project's costs by providing upfront certainty, improved cash  
10 flow, and reduced borrowing costs. Allowing a current return on CWIP: (1) results in a  
11 lower overall construction cost and, therefore, less financing is required on the utility's  
12 part; (2) reduces the overall amount that will need to be charged to customers in the form  
13 of depreciation; and (3) avoids rate shock by providing for more gradual rate increases  
14 associated with the investment. The Commission has recognized in previous orders that  
15 the CWIP Incentive may help address the long lead times required for new transmission  
16 construction and difficulties with cash flow that companies seeking to invest in new  
17 transmission may face.

18 **Q. WHAT IS THE IMPORTANCE OF THE CWIP INCENTIVE AS IT RELATES TO**  
19 **CREDIT METRICS?**

20 **A.** When evaluating a company's credit quality, credit rating agencies typically consider,  
21 among other factors, Funds From Operations to Total Debt ("FFO/Debt") as an indicating  
22 metric. FFO/Debt measures the ability of a company to service its financial obligations  
23 with operating cash flow. Having consistent and stable cash flows during construction is a

1 crucial factor for credit rating agencies' analysis. Better cash flows indicate to investors  
2 that a project presents less risk to the investment, and the lower the perceived risk of  
3 investment, the lower the cost of capital investors will charge. Thus, approval of the CWIP  
4 Incentive would allow for FFO during construction, improving Kammer Juniata's credit  
5 metrics.

6 **Q. IS THE CWIP INCENTIVE NARROWLY TAILORED TO THE RISKS AND**  
7 **CHALLENGES OF DEVELOPING THE PROJECT?**

8 **A.** Yes. As I just explained, the CWIP Incentive will allow Kammer Juniata to obtain lower-  
9 cost financing than would be obtainable without the CWIP Incentive. The CWIP Incentive  
10 will reduce stress of Kammer Juniata's cash flow during the construction period; alleviate  
11 downward pressure on Kammer Juniata's financing metrics by replacing non-cash  
12 Allowance for Funds Used During Construction ("AFUDC") with cash earnings during the  
13 construction period, thus reducing the need for short-term borrowing; and permit Kammer  
14 Juniata to recover costs and earn a return on expenditures sufficient to maintain an  
15 investment-grade credit rating and to continue to attract financing.

16 **Q. IF GRANTED BY THE COMMISSION, WILL THE CWIP INCENTIVE**  
17 **PRODUCE JUST AND REASONABLE RATES?**

18 **A.** Yes, granting the CWIP Incentive will produce just and reasonable rates. First, because the  
19 CWIP Incentive will produce stronger cash flow metrics and improved credit strength, it  
20 will ultimately lower Kammer Juniata's overall borrowing cost for a given level of debt.  
21 This lower cost, in turn, passes through to customers.

22 Second, the CWIP Incentive results in overall lower costs on a nominal basis over  
23 the Project's life as compared to the use of AFUDC. CWIP recovery will lower Kammer

1 Juniata's rate base amount (and associated revenue requirement) once the Project is in  
2 service because the incentive would allow Kammer Juniata to recover on the financing  
3 costs of construction on a current basis, rather than capitalizing financing costs once the  
4 Project is in service.

5 Finally, the CWIP Incentive improves rate stability by gradually increasing rates as  
6 project expenses occur.

7 **Q. DOES INCLUSION OF CWIP IN RATE BASE DURING CONSTRUCTION**  
8 **ELIMINATE ALL FINANCIAL RISK FOR KAMMER JUNIATA?**

9 **A.** No. The CWIP Incentive will not eliminate all financial risk. Kammer Juniata will still  
10 have a deficiency in cash flow during the initial years of the Project's development, as it  
11 will not recover a return of capital during this period.

12 **V. ACCOUNTING FOR CWIP**

13 **Q. PLEASE DESCRIBE THE ACCOUNTING PROCEDURES THAT KAMMER**  
14 **JUNIATA WILL USE TO ENSURE THERE IS NO DOUBLE RECOVERY OF**  
15 **INVESTMENT COSTS THROUGH CWIP AND AFUDC.**

16 **A.** Kammer Juniata will follow accounting procedures to ensure that there will be no AFUDC  
17 recorded for amounts included in CWIP, as required by FERC regulations set forth in 18  
18 C.F.R. § 35.25 (e) and (f). First, under the accounting procedures, Kammer Juniata will  
19 assign any project with a Commission-approved CWIP Incentive a unique Work  
20 Breakdown Structure ("WBS") for internal cost tracking purposes.

21 Second, Kammer Juniata will record actual construction costs to the WBS through  
22 work orders that are coded to correspond to the WBS for the CWIP Incentive project.

1 These work orders will be segregated from work orders for transmission projects for which  
2 the Commission has not authorized Kammer Juniata to include CWIP in rate base.

3 Third, for each CWIP Incentive project, Kammer Juniata will prepare monthly  
4 work order summaries of costs incurred under the associated WBS that show monthly  
5 additions to CWIP and plant in service and that correspond to the amounts recorded in  
6 Kammer Juniata's FERC Form No. 1. Kammer Juniata will use these summaries as data  
7 inputs in the Annual Update to the Formula Rate. It will also make the work order  
8 summaries available upon request under the review procedures as described in the  
9 Protocols.

10 Fourth, when a CWIP Incentive project, or a portion thereof, is placed into service,  
11 Kammer Juniata will deduct from total CWIP the accumulated charges for work orders  
12 under the WBS for that project, or a portion thereof. This ensures that expenditures are not  
13 double counted as both CWIP and as additions to plant.

14 Fifth, for transmission projects for which the Commission has not authorized  
15 Kammer Juniata to include 100 percent of CWIP in rate base, Kammer Juniata may record  
16 AFUDC to be applied to any amount of CWIP not included in rate base and capitalized  
17 when the project is placed into service.

18 **Q. HAS THIS ACCOUNTING PROCEDURE BEEN ACCEPTED BY THE**  
19 **COMMISSION?**

20 **A.** Yes, this accounting procedure has been accepted by the Commission. These accounting  
21 procedures are also consistent with other Commission precedent accepting procedures that

1 track expenditures through work orders to ensure that AFUDC is not recorded for projects  
2 receiving the CWIP Incentive.<sup>2</sup>

3 **Q. WHAT OTHER TRANSPARENCY MEASURES DOES KAMMER JUNIATA**  
4 **PLAN TO TAKE WITH RESPECT TO CWIP INCENTIVE PROJECTS?**

5 **A.** Kammer Juniata anticipates that, pursuant to its Protocols, it will send workpapers to PJM  
6 that show the cost information and in-service date assumptions regarding the Project and  
7 CWIP amounts to be included in its estimates for each year. PJM will then post these  
8 materials on its website and email them out via an email exploder list. Additionally,  
9 Kammer Juniata will file on an annual basis its FERC Form No. 730, Report of  
10 Transmission Investment Activity. The Form No. 730 requires Kammer Juniata to provide  
11 information regarding transmission investment costs and project construction status,  
12 including estimated completion dates.

13 **VI. HYPOTHETICAL CAPITAL STRUCTURE INCENTIVE**

14 **Q. PLEASE PROVIDE AN OVERVIEW OF THE REQUESTED HYPOTHETICAL**  
15 **CAPITAL STRUCTURE INCENTIVE.**

16 **A.** Kammer Juniata is requesting authorization to use the Hypothetical Capital Structure  
17 Incentive, comprised of 40% debt and 60% equity, until the Project is placed into service.  
18 At that point, Kammer Juniata proposes to use its actual capital structure. To calculate its  
19 actual capital structure, Kammer Juniata proposes to utilize the most recent 13-month  
20 average of its capital structure.

21  

---

<sup>2</sup> See, e.g., *GridLiance West LLC*, 187 FERC ¶ 61,223 (2024); *NextEra Energy Transmission New York, Inc.*, 162 FERC ¶ 61,196 (2018); *Transource Missouri, LLC*, 141 FERC ¶ 61,075 (2012).

1 **Q. HOW WILL THE HYPOTHETICAL CAPITAL STRUCTURE INCENTIVE**  
2 **MITIGATE THE FINANCIAL RISKS FACED BY KAMMER JUNIATA?**

3 **A.** Given that Kammer Juniata does not yet own any transmission assets, it does not currently  
4 have a stable capital structure. During the development and construction phase of the  
5 Project, Kammer Juniata's actual capital structure is expected to fluctuate due to the timing,  
6 amount, and frequency of new borrowing and equity infusions. This capital structure  
7 volatility is expected to continue through construction and until Kammer Juniata obtains  
8 long-term debt financing. Using a predictable and stable hypothetical capital structure for  
9 ratemaking purposes, rather than Kammer Juniata's actual capital structure, will mitigate  
10 financing risk by providing better access to capital markets. A hypothetical capital  
11 structure will provide regulatory certainty for lenders, and better support any third-party  
12 construction-related financing. It will also protect customers from anomalous ratemaking  
13 outcomes resulting from capital structure volatility.

14 **Q. IS THE HYPOTHETICAL CAPITAL STRUCTURE INCENTIVE TAILORED TO**  
15 **THE RISKS AND CHALLENGES FACED BY KAMMER JUNIATA?**

16 **A.** Yes. The incentive is tailored to address the uncertainty associated with the use of an actual  
17 capital structure during Project construction. Specifically, use of the Hypothetical Capital  
18 Structure Incentive would provide Kammer Juniata better access to capital markets in order  
19 to obtain debt financing during the construction period. By requesting that the  
20 Hypothetical Capital Structure Incentive apply only during the period which the actual  
21 capital structure will be volatile, Kammer Juniata's request is appropriately tailored to its  
22 risks and challenges in financing and developing the Project.

1 **Q. WOULD GRANTING THE HYPOTHETICAL CAPITAL STRUCTURE**  
2 **INCENTIVE TO KAMMER JUNIATA PRODUCE JUST AND REASONABLE**  
3 **RATES?**

4 **A.** Yes. The use of a Hypothetical Capital Structure comprised of 60% equity and 40% debt  
5 will increase the predictability and stability of Kammer Juniata’s capital structure, which  
6 will in turn protect customers from anomalous ratemaking outcomes that would result as a  
7 result of capital structure volatility. It is also consistent with Commission policy granting  
8 the incentive to non-incumbent transmission developers.<sup>3</sup> Therefore, granting the  
9 requested Hypothetical Capital Structure Incentive will produce a just and reasonable  
10 result.

## 11 **VII. COST OF DEBT**

12 **Q. WHAT COST OF DEBT WILL KAMMER JUNIATA USE TO FINANCE ITS**  
13 **INVESTMENT IN THE PROJECT?**

14 **A.** Kammer Juniata proposes to use an estimated cost of debt (“Proxy Debt Rate”) until it  
15 obtains long-term debt. The Proxy Debt Rate will be based on the Secured Overnight  
16 Financing Rate (“SOFR”) plus 2.0%. This Proxy Debt Rate reflects Kammer Juniata’s  
17 assumption that its initial debt will be priced at SOFR plus 200 basis points. The Commission  
18 has accepted proposals to use the SOFR rate plus a 2.0% credit spread.<sup>4</sup>

19 Once Kammer Juniata obtains any debt (whether construction financing or permanent  
20 financing), Kammer Juniata proposes to use its actual cost of long-term debt. Kammer Juniata

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<sup>3</sup> See, e.g., *NextEra Energy Transmission MidAtlantic, LLC*, 161 FERC ¶ 61,141 at P 30 (2017).

<sup>4</sup> See, e.g., *Midcontinent Grid Solutions Iowa, LLC*, 192 FERC ¶ 61,208 at P 21 (2025) (approving use of SOFR plus 200 basis point spread); *Viridon New England LLC*, 186 FERC ¶ 61,205 (2024); *Viridon Midcontinent LLC*, 186 FERC ¶ 61,138 (2024); *Viridon New York Inc.*, 186 FERC ¶ 61,125 (2024); *Republic Transmission LLC*, 167 FERC ¶ 61,215 (2019); *NextEra Energy Transmission Midwest, LLC*, 161 FERC P 61,140 (2017).

1 will calculate the long-term debt cost as the annual long-term interest divided by the 13-month  
2 average balance of the long-term debt, as more fully described in the testimony of Mr. Matthew  
3 Boykin (Exhibit No. MB-001).

4 **VIII. CONCLUSION**

5 **Q. HOW DO THE REQUESTED HYPOTHETICAL CAPITAL STRUCTURE AND**  
6 **CWIP INCENTIVES MITIGATE THE FINANCIAL RISKS THAT KAMMER**  
7 **JUNIATA FACES IN DEVELOPING THE PROJECT?**

8 **A.** The Hypothetical Capital Structure Incentive and CWIP Incentive are specifically tailored  
9 to mitigate the financial risk that Kammer Juniata faces in developing the Project by: (1)  
10 minimizing financing costs by limiting fluctuations in the cost of capital in the construction  
11 period; and (2) establishing cash flows during the construction period.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 **A.** Yes.



**Exhibit No. RC-001**



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## **LIST OF EXHIBITS, TABLES, AND FIGURES**

### **EXHIBITS**

**Exhibit No. RC-002** List of Permits and Regulatory Approvals

### **TABLES**

**Table 1** Proposal 237 Project Components

### **FIGURES**

**Figure 1** Map of the Kammer Juniata Project

**UNITED STATES OF AMERICA**  
**BEFORE THE**  
**FEDERAL ENERGY REGULATORY COMMISSION**

**Kammer Juniata Transmission, LLC**

)  
)  
)

**Docket No. ER26-\_\_-000**

**DIRECT TESTIMONY OF**  
**RYAN COLLEY**

**I. INTRODUCTION**

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

**A.** My name is Ryan Colley. My business address is 700 Universe Boulevard, Juno Beach, Florida 33408.

**Q. By whom are you employed and in what capacity?**

**A.** I am employed by NextEra Energy Transmission, LLC (“NEET”) as Executive Director of Development.

**Q. What are your responsibilities as Executive Director of Development?**

**A.** My responsibilities as the Executive Director of Development include leading the development of transmission projects across the country, including in the PJM Interconnection, L.L.C. (“PJM”) region.

**Q. Please provide a brief description of your education and professional experience.**

**A.** I have worked in the transmission industry for over 24 years, with broad experience across Operations, Policy, and Planning at multiple utilities on both the retail and wholesale side of the industry. I have a Bachelor of Science Degree in Electrical Engineering from the University of Alabama.

1 **Q. What is Kammer Juniata Transmission, LLC, and what is your role there?**

2 **A.** I am providing testimony on behalf of a subsidiary of NEET: Kammer Juniata  
3 Transmission, LLC (“Kammer Juniata” or “Company”). NEET is a wholly owned, indirect  
4 subsidiary of NextEra Energy, Inc. (“NextEra”). NEET is the indirect parent company of  
5 the applicant in this proceeding, Kammer Juniata. Kammer Juniata was formed as a  
6 competitive transmission company to build transmission facilities within the footprint of  
7 PJM. This includes the Kammer Juniata 765 kV project described in this filing (“Kammer  
8 Juniata Project” or “Project”) but may also include future projects that Kammer Juniata  
9 bids on and wins through the PJM Regional Transmission Expansion Plan (“RTEP”)  
10 process. The Kammer Juniata Project is a subset of transmission projects that are part of a  
11 broader portfolio of projects submitted to the 2025 RTEP Window 1 referred to as  
12 “Proposal 237.”

13 **Q. What is the purpose of your testimony?**

14 **A.** The purpose of my testimony is to provide an overview of Kammer Juniata’s investments  
15 in the Project, which was recently approved by the PJM Board of Managers (“PJM Board”)  
16 as part of the 2025 RTEP Window 1. My testimony also provides an overview of NEET  
17 and Kammer Juniata, and introduces the other witnesses supporting Kammer Juniata’s  
18 request for approval of the formula rate template (“Template”) and implementation  
19 protocols (“Protocols”) (the Template and Protocols are collectively the “Formula Rate”)  
20 as well as the transmission rate incentives requested in this filing. Finally, my testimony  
21 supports Kammer Juniata’s request for authorization to recover 100 percent of prudently  
22 incurred costs of the Project in the event it is abandoned for reasons beyond the Company’s  
23 control (“Abandoned Plant Incentive”).

1 **Q. Has this testimony been prepared by you or under your direct supervision?**

2 **A.** Yes.

3 **Q. Are you sponsoring any exhibits in connection with your testimony?**

4 **A.** Yes. I am sponsoring the following exhibit, which is attached to and made a part of my  
5 testimony:

6 

- **Exhibit No. RC-002** – List of Permits and Regulatory Approvals.

7 **Q. Are there other witnesses providing testimony to support the Company's requests to**  
8 **adopt a formula rate and receive transmission rate incentives in this filing?**

9 **A.** Yes. In addition to my testimony, the following individuals will be providing testimony  
10 and supporting exhibits in this filing:

11 

- Matthew Boykin provides testimony on Kammer Juniata's proposed Formula  
12 Rate and request for the RTO Participation Adder Incentive (Exhibit Nos. MB-  
13 001 – MB-003);

14 

- Stephanie Castaneda presents testimony describing the financial risks and  
15 challenges faced by the Company in pursuing the Project; the Company's  
16 request for the CWIP Incentive and the accounting procedures the Company  
17 will use related to CWIP recovery; the Company's request for the Hypothetical  
18 Capital Structure Incentive; and Kammer Juniata's proposed cost of long-term  
19 debt for use in the Formula Rate (Exhibit No. SC-001); and

20 

- Adrien M. McKenzie provides testimony supporting Kammer Juniata's  
21 proposed base return on equity ("ROE") to be applied to the Formula Rate  
22 (Exhibit Nos. AM-001 – AM-011).

23

## 1           **II.     OVERVIEW OF KAMMER JUNIATA TRANSMISSION, LLC**

2     **Q.     Please describe Kammer Juniata Transmission, LLC.**

3     **A.**     Kammer Juniata is a Delaware limited liability company formed in 2025. Kammer Juniata  
4           was created to develop, construct, own, and invest in electric transmission projects in  
5           response to Order No. 1000. Kammer Juniata will pursue transmission projects through  
6           PJM’s competitive solicitations as part of its RTEP process. Kammer Juniata currently  
7           does not own any transmission assets. All transmission assets owned by Kammer Juniata  
8           will be placed under the functional control of PJM, at which point Kammer Juniata will be  
9           a transmission-owning member of PJM. Kammer Juniata has been pre-qualified as a  
10          Designated Entity pursuant to the PJM Operating Agreement. Kammer Juniata is expected  
11          to execute a Designated Entity Agreement (“DEA”) with PJM for the Project.

12    **Q.     Please describe the Company’s primary affiliates.**

13    **A.**     Kammer Juniata is currently a wholly owned, direct subsidiary of NEET. NextEra, the  
14          ultimate parent of Kammer Juniata and NEET, is a leading electric transmission company  
15          with over 95,000 miles of transmission lines at 69 kV or above, including approximately  
16          13,470 miles of high-voltage transmission lines and approximately 1,310 substations  
17          owned and operated by NextEra companies across North America. NextEra also owns  
18          approximately 72 GW of net generation and storage capacity across a diverse fleet  
19          including natural gas, solar, wind, nuclear, and battery storage.

20    **Q.     Describe Exelon Transmission Company, LLC.**

21    **A.**     Exelon Transmission Company, LLC (“Exelon Transmission”) is a wholly-owned  
22          subsidiary of Exelon Corporation (“Exelon”). Exelon is a publicly traded holding  
23          company, owning and operating public utilities across five states and the District of

1 Columbia, PECO Energy Company (Pennsylvania) (“PECO”), Atlantic City Electric (New  
2 Jersey), Baltimore Gas and Electric (Maryland), Commonwealth Edison (Illinois),  
3 Delmarva Power & Light (Delaware and Maryland), and Potomac Electric Power  
4 Company (Washington D.C. and Maryland). PECO is Pennsylvania’s largest electric and  
5 natural gas utility company with approximately 1.7 million electric customers in  
6 southeastern Pennsylvania.

7 **Q. What is Exelon Transmission’s relationship to NEET and Kammer Juniata?**

8 **A.** NEET and Exelon Transmission have entered into an agreement to establish a joint venture  
9 structure pursuant to which Exelon Transmission or an Exelon Transmission affiliate will  
10 acquire a 25% ownership interest in Kammer Juniata, and NEET will retain a 75% equity  
11 interest in Kammer Juniata. Exelon Transmission’s acquisition of the 25% ownership  
12 interest is expected to close by early April 2026, subject to the satisfaction of certain closing  
13 conditions.

14 Following completion of Exelon Transmission’s acquisition of equity interests in  
15 Kammer Juniata, the Company will be governed pursuant to a limited liability company  
16 agreement reflecting this joint ownership. Under the joint ownership structure, the day-to-  
17 day operations will be carried out by Kammer Juniata management. Both NEET and  
18 Exelon Transmission, and their respective affiliates, are expected to support Kammer  
19 Juniata with development, engineering, construction oversight, regulatory coordination,  
20 and operational services.

21

22

23

1                                   **III.    OVERVIEW OF THE PJM RTEP PROCESS**

2   **Q.    Which entity or entities submitted the Kammer Juniata Project to the 2025 RTEP**  
3   **Window 1?**

4   **A.**    The Project was initially submitted by NextEra Energy Transmission MidAtlantic, LLC as  
5   part of Proposal 237. The submission, however, contemplated that Exelon would partner  
6   in the Kammer Juniata Project.

7   **Q.    What is the PJM RTEP process?**

8   **A.**    The RTEP process is a Commission-approved integrated, iterative transmission planning  
9   process designed to preserve future grid reliability and provide economic savings to load  
10   and generation customers throughout the PJM region. The RTEP process facilitates PJM's  
11   identification of potential reliability violations on its system and its solicitation and  
12   selection of solutions to such reliability violations as proposed by transmission owners and  
13   developers through a competitive bidding process. The RTEP process is structured to  
14   ensure that PJM identifies the most efficient or cost-effective transmission expansion plan  
15   for the region. The goal of the RTEP process is to enable PJM to develop a single optimized  
16   grid solution set of transmission projects to service customers and ensure compliance with  
17   national, regional, and local reliability criteria to prevent overloaded grid facilities.

18   **Q.    Please provide an overview of the major steps in the RTEP process.**

19   **A.**    The first step in the RTEP process is for PJM to conduct transmission planning and power  
20   flow studies to identify future transmission constraints and other reliability concerns. PJM  
21   then identifies a set of reliability criteria violations that must be resolved and opens a  
22   competitive solicitation window to receive project bids that attempt to resolve these  
23   violations. Following that, PJM staff reviews the project proposals for their reliability

1 benefits, congestion alleviation, feasibility, and costs. As part of this analysis, PJM  
2 presents a “shortlist” to its Transmission Expansion Advisory Committee (“TEAC”) and  
3 solicits stakeholder feedback before recommending selected projects to the PJM Board for  
4 final approval. Once a project is approved by the PJM Board, PJM staff and developers of  
5 the awarded projects work together to ensure that each awarded project meets all technical  
6 specifications, as well as all financial, regulatory, and operational requirements.

7 **Q. What were the major need drivers behind the 2025 RTEP Window 1?**

8 **A.** The 2025 RTEP Window 1 solicited projects needed to address reliability violations PJM  
9 identified on a five-year (2030) and seven-year (2032) time horizon. In the Mid-Atlantic  
10 Area Cluster region (which PJM studied as the “MAAC Cluster”), PJM identified several  
11 reliability needs driven by the following forecast scenarios: (1) an additional ~3.5 GW of  
12 anticipated load growth by 2030 in the PPL zone compared to the 2025 load forecast; (2)  
13 delays in in-service dates for approximately 7.5 GW of New Jersey offshore wind  
14 (“NJOSW”); and (3) a combination of in-service delays of 7.5 GW for NJOSW and  
15 increased load of ~3.5 GW in the PPL zone.

16 As part of PJM’s 2032 analysis of the MAAC region, PJM reviewed multiple  
17 scenarios, which affirmed the need to enhance the PPL/MAAC West to East transfer path.  
18 The first scenario reviewed the 2032 base case without delays to the NJOSW in-service  
19 dates, which identified two 500 kV reliability violations. The second scenario (referred to  
20 in the 2025 RTEP Window 1 as “Scenario 4”) reviewed the 2032 base case with delays of  
21 the in-service dates for 7.5 GW of NJOSW. Scenario 4 revealed the following reliability  
22 violations: (a) overloads of six 500 kV transmission lines that primarily support power  
23 flows from the West and South toward the Mid-Atlantic region caused by due to terminal

1 equipment constraints; (b) overload violations for several 230 kV facilities (the majority of  
2 which are located in the PPL zone); and (c) voltage collapse for several regional facilities,  
3 including the loss of the recently approved 765 kV transmission line from Amos – Rocky  
4 Point. The third scenario reviewed Scenario 4 with the additional PPL data load of ~3.5  
5 GW not included in the 2025 load forecast and delayed in-service dates of 7.5 GW of  
6 NJOSW. The third scenario analysis identified both increased loading on the 500 kV  
7 transmission lines listed in Scenario 4 as well as increased regional transfer violations for  
8 flows from the West and South toward the Mid-Atlantic region. Notably, PJM found that  
9 regional West to East transfer reinforcement is needed in both Scenario 4 and the third  
10 scenario I described above. PJM also observed overloads of the 500 kV Keystone – Juniata  
11 circuit, regardless of the NJOSW in-service date or the additional PPL load (West to East)  
12 flows.

13 **Q. Please describe the 2025 RTEP Window 1.**

14 **A.** In June 2025, PJM opened the 2025 RTEP Window 1 to solicit solutions to address 2030  
15 and 2032 baseline reliability criteria violations. In response to PJM’s solicitation of  
16 solutions to address the MAAC regional West to East transfer needs, two proposals  
17 recommended variations of 765 kV transmission line development from Kammer to Juniata  
18 in the PPL zone and multiple proposals recommended variants of 500 kV development in  
19 the Keystone – Susquehanna area. PJM found that both 765 kV proposals would reinforce  
20 the entire West to East corridor from the current 765 kV system edge at Kammer through  
21 the MAAC region and terminate at Juniata and/or Spicewood – *i.e.*, where there is  
22 significant data center development.

1           Ultimately, PJM staff recommended that the PJM Board approve a set of reliability  
2 solutions, including the Kammer Juniata Project. On February 12, 2026, the PJM Board  
3 approved the recommended solutions, which included the Project. PJM officially notified  
4 the Company of its award through a Designated Entity Notification Letter received on  
5 March 5, 2026.

6 **Q. How did PJM evaluate the Kammer Juniata Project?**

7 **A.** PJM evaluated the Kammer Juniata Project and the other project proposals submitted to  
8 the 2025 RTEP Window 1 based on the projects' reliability, economic, and energy delivery  
9 benefits. PJM's objective in reviewing the 2025 RTEP Window 1 proposals in the MAAC  
10 Cluster was to develop solutions that address the 2030 and 2032 baseline reliability criteria  
11 violations associated with the MAAC area. Specifically, PJM reviewed Proposal 237's  
12 ability to meet both baseline load growth deliverability and reliability criteria needed to  
13 resolve multiple overloads of 500 kV transmission lines sourcing from the Mid-Atlantic  
14 region and voltage collapse of several regional facilities. PJM performed a baseline  
15 reliability analysis for the 2025 RTEP Window 1 project proposals, including the Kammer  
16 Juniata Project, to determine the nature of potential reliability violations that the PJM  
17 system may experience during the transmission planning horizon. PJM's baseline  
18 reliability analyses include single and multiple contingency testing for North American  
19 Electric Reliability Corporation reliability criteria violations regarding stability, voltage  
20 limits, and thermal line loadings. PJM concluded that Proposal 237 "is [] a natural  
21 expansion of the existing 765 kV backbone into the PJM Eastern Region;"<sup>1</sup> and is

---

<sup>1</sup> PJM Interconnection, L.L.C., Reliability Analysis Report, 2025 RTEP Window 1 at 76-77 (Jan. 23, 2025), available at: <https://www.pjm.com/-/media/DotCom/committees-groups/committees/teac/2026/20260106/20260106-2025-rtep-window-1-reliability-analysis-report.pdf>.

1 approximately 100 miles shorter than a similar NEET proposal aimed at resolving the same  
2 reliability criteria.<sup>2</sup> PJM further found that, compared to other project proposals for the  
3 MAAC region, Proposal 237 “provides stronger support to the Mid-Atlantic Region...and  
4 supports future load growth not only in PPL, but in the entire Mid-Atlantic Region” by  
5 offering “the highest transfer capability overall among studied transfer scenarios,  
6 preserv[ing] more of the existing 500 kV transmission capacity for utilization of  
7 interconnecting load or generation, and allows for adding further capability incrementally  
8 while maintaining more efficient or cost-effective orderly development of the transmission  
9 system.”<sup>3</sup>

#### 10 **IV. OVERVIEW OF THE KAMMER JUNIATA PROJECT**

##### 11 **Q. Please provide an overview of the Project.**

12 **A.** The Kammer Juniata Project was initially submitted to the 2025 RTEP Window 1 as part  
13 of Proposal 237. Proposal 237 consists of nine project components designed to address  
14 multiple reliability violations identified in the 2025 RTEP Window 1 process. The Project  
15 includes the construction of approximately 222-miles of greenfield 765 kV transmission  
16 lines from the Kammer substation in West Virginia to the Juniata substation in  
17 Pennsylvania. An approximately 114-mile segment of the new line will connect Kammer  
18 to the new 765/500 kV Buttermilk Falls substation and loop into the Keystone-Conemaugh  
19 500 kV transmission line. The remaining approximately 108-mile segment of the new line

---

<sup>2</sup> PJM Interconnection, L.L.C., Reliability Analysis Report, 2025 RTEP Window 1 at 54 (Jan. 23, 2025), available at: <https://www.pjm.com/-/media/DotCom/committees-groups/committees/teac/2026/20260106/20260106-2025-rtep-window-1-reliability-analysis-report.pdf>. NEET’s second proposal was submitted as Proposal 687 in the 2025 RTEP Window 1. Proposal 687 is a combination of Proposal 237 and Proposal 771, with additional project scope.

<sup>3</sup> PJM Interconnection, L.L.C., Reliability Analysis Report, 2025 RTEP Window 1 at 58 (Jan. 23, 2025), available at: <https://www.pjm.com/-/media/DotCom/committees-groups/committees/teac/2026/20260106/20260106-2025-rtep-window-1-reliability-analysis-report.pdf>.

1 will connect the Buttermilk Falls substation to the new 765/500 kV Mountain Stone  
 2 substation and connect to the existing 500 kV Juniata substation. The Project will traverse  
 3 ten counties in Pennsylvania and one county in West Virginia. The total estimated cost of  
 4 the Project is \$1.7 billion in 2025 dollars. The Project is expected to go into service in June  
 5 2031. Table 1 shows the project components of Proposal 237.

6 **Table 1: Proposal 237 Project Components**

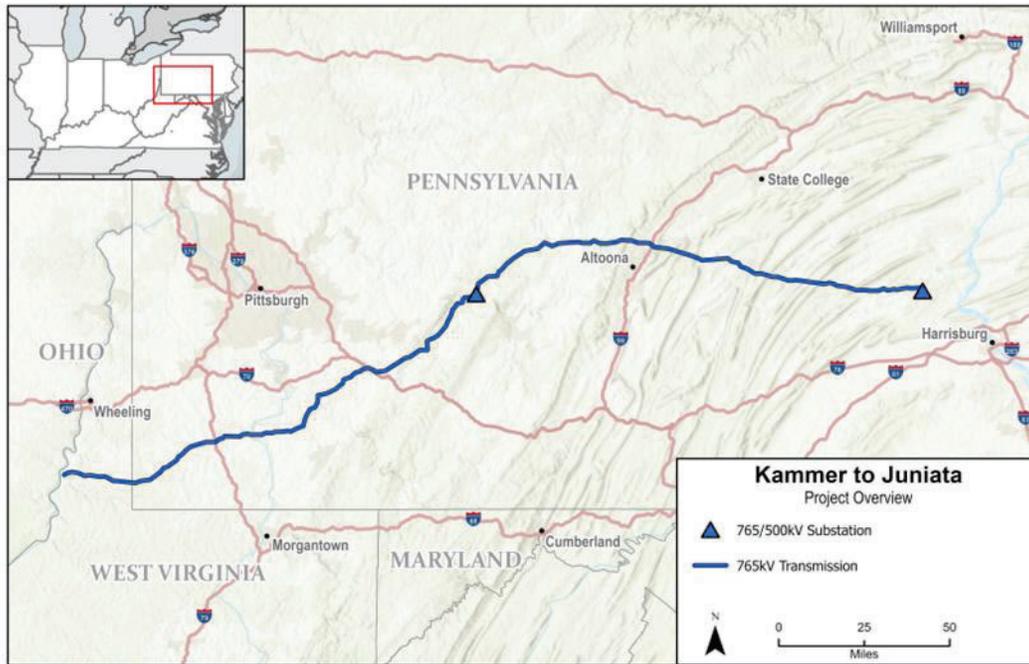
Baseline ID	Component Description
b4036.8	Construct a new single-circuit 765 kV transmission line between Kammer and proposed Buttermilk Falls substations (AEP Zone)
b4036.9	Construct a new single-circuit 765 kV transmission line between Kammer and proposed Buttermilk Falls substations (APS Zone)
b4036.10	Construct a new single-circuit 765 kV transmission line between Kammer and proposed Buttermilk Falls substations (PENELEC Zone)
b4036.11	Construct a new single-circuit 765 kV transmission line between proposed Buttermilk Falls and proposed Mountain Stone substations (PENELEC Zone)
b4036.12	Construct a new single-circuit 765 kV transmission line between proposed Buttermilk Falls and proposed Mountain Stone substations (PPL Zone)
b4036.13	765/500 kV substation work at new Mountain Stone
b4036.14	765/500 kV substation work at new Buttermilk Station
b4036.16	Install two new 500 kV circuit breakers at north and south bus to terminate the 765–500 kV transformer leads; upgrade protection settings at Juniata (NextEra work)
b4036.18	Construct two new single circuit 500 kV transmission lines between proposed Mountain Stone substation and Juniata substation

7  
 8 Figure 1 below shows the physical configuration of all components of the Project.

9 Figure 1 was prepared by NEET personnel.

1

**Figure 1: Map of the Kammer Juniata Project**



2

3

**V. THE RISKS AND CHALLENGES OF THE PROJECT**

4

**Q. What are the major milestones associated with the Project?**

5

**A.** Subject to the final execution of the DEA, it is anticipated that construction of the Project will be subject to the same development milestones typically established by PJM for other RTEP-approved baseline upgrade projects. These milestones include, but are not limited to: (a) executing Interconnection Coordination Agreements with adjacent transmission owners; (b) demonstrating and maintaining adequate project financing to PJM; (c) demonstrating acquisition of all required federal, state, county, and local site permits; (d) demonstrating that each Project component is completed pursuant to the Scope of Work established in the DEA; (e) satisfaction of all technical criteria outlined in the DEA; and (f) transferring the Project to PJM's functional control.

14

1 **Q. Please summarize the permits and regulatory approvals required for the Project.**

2 **A.** Kammer Juniata will be required to obtain state approvals for the permitting, siting, and  
3 construction of the transmission facilities in the states where the Project will be located.  
4 These state approvals include obtaining certificates of public convenience and necessity  
5 (generally referred to as a “CPCN” or “CPC” in the different states) in Pennsylvania and  
6 West Virginia, as well as federal environmental and engineering permits, and approval of  
7 the instant formula rate and incentives application. A current expected list of the key state  
8 and federal regulatory approvals include, but are not limited to, those listed in Exhibit No.  
9 RC-002 accompanying my testimony. Such approvals include Section 404 Clean Water  
10 Act (“CWA”) permits, compliance with the Endangered Species Act, permit(s) for road  
11 crossings and any necessary occupation of road rights of way (“ROW”), and consultation  
12 with the state departments of natural resources, wildlife, historic preservation,  
13 conservation, and recreation, and/or related agencies.

14 In addition, key local approvals are necessary to complete the Project. These may  
15 include planning and zoning modifications or exemptions for construction, soil erosion and  
16 sedimentation control permitting requirements, county road permits related to construction  
17 activities, and drainage district approvals. The Company may also be required to obtain  
18 additional permits and approvals at the municipal and township levels.

19 **Q. Has the Company begun efforts to obtain the needed permits and regulatory**  
20 **approvals for the Project?**

21 **A.** No. Given the recency of the PJM Board’s award of the Project to Kammer Juniata, the  
22 Company has not initiated efforts to obtain permits or regulatory approvals. The Company  
23 will commence the process to apply for the regulatory approvals noted above after the

1 Commission issues an order on the instant filing and following the Company's execution  
2 of the DEA with PJM.

3 **Q. What risks and challenges does Kammer Juniata face in pursuing the Project?**

4 **A.** Given the complexities associated with this type of long-distance, extra high voltage  
5 transmission development, Kammer Juniata faces significant permitting, siting,  
6 construction, and procurement risk in constructing and placing the Project in service.

7 **Q. Can you elaborate on the permitting risks associated with the Project?**

8 **A.** Permitting risk refers to the uncertainty surrounding a project's ability to obtain  
9 governmental authorizations that allow construction to legally proceed. There is no  
10 guarantee that any of the relevant regulatory or permitting agencies will grant the approvals  
11 necessary for the Company to develop the Project, or, if they do, that such approvals will  
12 not be subject to legal challenge. Given the history of resistance to transmission  
13 infrastructure project development in the areas in which the Project will be located,  
14 Kammer Juniata can reasonably anticipate legal challenges and/or political opposition to  
15 grants of permits and other regulatory approvals. In addition, various agencies may place  
16 conditions on the Project or restrictions on the start of construction until certain conditions  
17 are met, which could result in delays or require abandonment of one or more of the Project  
18 components.

19 **Q. Please describe the siting risks associated with the development of the Project.**

20 **A.** Siting risk refers to the uncertainty associated with identifying, acquiring, and preparing a  
21 parcel of land for construction work. The Kammer Juniata Project includes several  
22 greenfield components and over 200 miles of land to accommodate the new 765 kV line.  
23 The Project transmission facilities, moreover, will cross two states, and will require

1 CPCNs/CPC and siting approvals from two different state regulatory commissions. Even  
2 if Kammer Juniata obtains the required siting approval, it will have to acquire land rights,  
3 parcel by parcel, from over 1000 landowners. If this process takes longer than anticipated,  
4 it could lead to prolonged delays in the development and construction of the project, or  
5 could lead to the project being cancelled. In addition, if Kammer Juniata is unable to obtain  
6 the necessary siting approval, the project could be cancelled.

7 **Q. Please describe the construction risk the Project faces.**

8 **A.** Construction risk includes the risk of cost overruns, delay in completing a project, and  
9 failure of a project to satisfy design requirements or performance criteria required in the  
10 project financing documents. Subject to final execution of the DEA, Kammer Juniata will  
11 be solely responsible for obtaining all necessary permits, siting, and other regulatory  
12 approvals associated with the Project. As the sole entity responsible for constructing the  
13 Project, Kammer Juniata bears all the risks associated with timely procuring the permits,  
14 sites, labor, equipment, and materials necessary to develop the Project.

15 **Q. What particular procurement challenges does the Project face?**

16 **A.** Procurement risk refers to uncertainties associated with all aspects of the construction  
17 supply chain as well as construction logistics and specifications. Disruptions to the supply  
18 chain may lead to delays or cost overruns associated with finding replacement materials,  
19 labor, or equipment. The market for suppliers offering components for extra high voltage  
20 (765 kV) transmission facilities – such as those contemplated by the Kammer Juniata  
21 Project – is drastically smaller than the market for materials suppliers for facilities at 500  
22 kV or lower. This limited number of 765 kV materials suppliers means that Kammer  
23 Juniata has less flexibility to mitigate against supply chain disruptions. In addition, there

1 is a 48-month lead time to procure major portions of 765 kV equipment; this means that  
2 Kammer Juniata will have to begin procuring major equipment before it has received its  
3 state siting permits.

4 Notwithstanding that Kammer Juniata has conducted outreach to these suppliers to  
5 confirm a viable plan for long-lead materials and equipment, Kammer Juniata still faces  
6 significant challenges associated with procuring the labor and the remaining equipment  
7 and materials necessary to develop the Project, as demonstrated by recent and continued  
8 increases in the prices of these items. Given the recent uncertainty surrounding tariffs on  
9 imported goods, the continued uncertainty about future inflation, and the five-year  
10 development period for the Project, Kammer Juniata may be subject to significant increases  
11 in construction costs.

## 12 VI. ABANDONED PLANT INCENTIVE

13 **Q. Does the Project qualify for Order No. 679's rebuttable presumption?**

14 **A.** Yes. As noted above, the Kammer Juniata Project was evaluated for the reliability benefits  
15 it brings to the PJM system and subsequently approved as part of the PJM RTEP process,  
16 which is an open and transparent regional transmission planning process that the  
17 Commission has found entitles projects approved as RTEP baseline upgrades to enjoy the  
18 rebuttable presumption established in Order No. 679.<sup>4</sup>

19  
20  

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<sup>4</sup> See, e.g., *Duquesne Light Co.*, 179 FERC ¶ 61,218 at P 15 (2022); *Pub. Serv. Elec. and Gas Co.*, 129 FERC  
¶ 61,300 at P 22 (2009).

1 **Q. Please describe the Abandoned Plant Incentive Kammer Juniata is requesting for the**  
2 **Project.**

3 **A.** Kammer Juniata seeks authorization to recover 100 percent of its prudently incurred costs  
4 related to the Kammer Juniata Project in the event the Company must cancel or abandon  
5 the Project for reasons outside of the Company's control.

6 **Q. Please describe the risks associated with the Kammer Juniata Project that could cause**  
7 **it to be cancelled.**

8 **A.** Although Kammer Juniata diligently designed the Project to mitigate risk by routing the  
9 new greenfield 765 kV line adjacent to existing ROW where possible, the Company faces  
10 several risks in pursuing the Project. As explained below, materialization of any one of  
11 these risks could threaten the economic viability of the Project by delaying—or entirely  
12 preventing—achievement of the Company's contractually determined construction  
13 milestones and straining the Project's cash flows. The Company's failure to maintain  
14 adequate cash flows during construction and meet its construction milestones would place  
15 the success of the Project in jeopardy and could require the Project to be abandoned.

16 Given the large scale of the Project, Kammer Juniata faces substantial risk  
17 associated with obtaining all necessary permitting and regulatory approvals from federal,  
18 state, and local regulatory bodies, since there is no guarantee that any of these agencies will  
19 grant Kammer Juniata the needed approvals and permits. Further, these agencies may place  
20 burdensome conditions or restrictions on the Project which could result in delays, involve  
21 lengthy litigation, trigger political opposition, or require abandonment of one or more  
22 components of the Project. Failure to obtain or comply with all regulatory and permitting  
23 requirements may result in fines, fees, or loss of licenses or permits. In that event, Kammer

1 Juniata would be unable to lawfully proceed with the Project. And as is always the case  
2 with regionally planned projects, there is a risk that the Project or certain components of  
3 the Project could be terminated if PJM determines that the reliability needs justifying its  
4 development no longer exist. This could occur for many reasons that are beyond the  
5 Project's control, including changes in load forecasts.<sup>5</sup>

6 In addition, Kammer Juniata faces significant siting risk, insofar as the Company's  
7 ability to route the Project is dependent upon obtaining necessary regulatory approvals  
8 from two state commissions, as well as relevant permits, and then acquiring parcels of land.  
9 If Kammer Juniata fails to obtain land suitable for construction, it could lead to cancellation  
10 of the Project because these authorizations are commonly included as conditions precedent  
11 to construction contracts of this kind; as such, Kammer Juniata would be unable to lawfully  
12 proceed with construction of the Project. Similarly, an inability to appropriately site a  
13 contiguous route for the transmission facilities could lead to project cancellation if Kammer  
14 Juniata fails to secure alternative sites to route the transmission facilities on a timely basis.

15 Regarding construction risk, it is critical for the Company to achieve timely  
16 commercial operation of the Project within budget to ensure that the Project is able to cover  
17 operating costs, service debt, and provide an adequate return on investment. Construction  
18 delays or cost overruns can result in defaults, damage payments, and/or loss of revenue  
19 under various project contracts, which in turn may increase financing costs if additional  
20 capital is needed to cover these shortfalls. Credit agreements for construction projects

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<sup>5</sup> See, e.g., Potomac-Appalachian Transmission Highline, LLC, Abandonment Recovery Filing at Appendix B, Docket No. ER12-2708-000 (filed Sept. 28, 2012) (letter from PJM terminating PATH Project and removing it from the RTEP after finding that "previously identified reliability needs justifying development of the PATH Project no longer exist").

1 often include provisions permitting the lender to suspend loan disbursements if there is a  
2 risk that the project may not meet key construction milestones or pay cost overruns.

3 Finally, Kammer Juniata faces significant procurement risk in pursuing the Project.  
4 The extra high voltage transmission line involved in the Project presents supply chain  
5 constraints because of the small market of materials and equipment suppliers for these  
6 facilities. In addition, the Company faces procurement risk insofar as it cannot control the  
7 cost of materials, specialized skilled labor, or specialized equipment needed to develop the  
8 Project. This risk is compounded by external factors such as inflationary pressures, tariff  
9 uncertainty, and supply chain constraints, which are likely to exacerbate existing  
10 procurement challenges. These constraints increase the competition for labor and materials  
11 and may lead to project delays.

12 **Q. How would FERC's approval of the Abandoned Plant Incentive mitigate the risks of**  
13 **the Project's potential cancellation?**

14 **A.** Granting Kammer Juniata's request for the Abandoned Plant Incentive would mitigate the  
15 Company's regulatory, permitting, siting, construction, and procurement risks by  
16 providing assurances that their investment will not be lost or stranded if the Project is  
17 cancelled for reasons outside of Kammer Juniata's control. This financial assurance is  
18 crucial to Kammer Juniata's ability to attract financing on reasonable terms, which in turn  
19 reduces rate impacts for Kammer Juniata's customers. The Abandoned Plant Incentive  
20 will also allow the Company to initiate long-lead activities that, if delayed until the state  
21 CPCN/CCNs are granted, would materially delay the time by which the Project can be  
22 placed in service. Those activities remain subject to review through the formula rate  
23 process.

1 **Q. If the Abandoned Plant Incentive is granted, how does Kammer Juniata intend to**  
2 **recover abandonment costs?**

3 **A.** If any portion of the Project is abandoned for reasons beyond the Company's control, the  
4 Company will make a Federal Power Act section 205 filing to request Commission  
5 authorization to recover prudent costs incurred prior to the Project's cancellation. Once  
6 the Commission authorizes such recovery, the Company will flow these costs through its  
7 formula rate.

8 **Q. Is the Abandoned Plant Incentive tailored to the risks and challenges of the Project?**

9 **A.** Yes. The primary financial benefit of the Abandoned Plant Incentive is that it allows  
10 potential construction lenders to proceed with financing with assurance that they can be  
11 repaid if any portion of the Project is abandoned due to reasons beyond Kammer Juniata's  
12 control. Kammer Juniata expects that its lenders will view the prospect for recovery of  
13 abandonment costs as critical for their willingness to commit capital to finance the Project.  
14 Upfront assurances that a developer may seek full recovery of prudently incurred costs for  
15 abandoned projects is particularly important when incurring costs during the pre-  
16 construction phase of the Project. For example, the ability to recover costs of equipment  
17 with long lead times, costs of reserving labor, and costs associated with purchasing ROW  
18 represent significant pre-construction costs that lenders hesitate to support absent  
19 reasonable assurance that they will be able to recover those investments if events beyond  
20 Kammer Juniata's control prohibit the Project from moving forward.

21 **Q. Does this conclude your testimony?**

22 **A.** Yes.

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Kammer Juniata Transmission, LLC**

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**Docket No. ER26-\_\_-000**

**VERIFICATION**

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

*Ryan Colley*  
\_\_\_\_\_  
Ryan Colley

Dated: March 10, 2026

**Exhibit No. RC-002**

### List of Permits and Approvals

Topic/Issue	Notes	Permit/Consent	Agency
<b>Federal Permits/Approvals/Consultations</b>			
Federal Lands/Interests	Impacts to USACE Interests (Civil Works Projects)	Rivers and Harbors Act - Section 408 - Authorization for Impacts to Civil Works Projects	United States Army Corps of Engineers ("USACE")
Federal Waters	<ul style="list-style-type: none"> <li>Crossing Traditionally Navigable Waterways (Section 10 Waters)</li> <li>Waters of the United States (Federally Jurisdictional)</li> </ul>	Rivers and Harbors Act - Section 10 Authorization for Crossing Navigable Waters  Clean Water Act ("CWA") – Section 404 Authorization for Impacts to Waters of the United States ("WOTUS") / PA State Programmatic General Permit ("PASPGP")	USACE & PA Department of Environmental Protection ("PADEP")
Protected Species	Federally listed threatened, and endangered species	Section 7 – Endangered Species Act	U.S. Fish and Wildlife Service ("USFWS")
Protected Migratory Birds / Eagles	Federally protected migratory birds and their habitat	Migratory Bird Treaty Act ("MBTA")	USFWS
	Federally protected Bald and Golden Eagles	Bald and Golden Eagle Protection Act ("BGEPA")	USFWS
Cultural Resources	Cultural Resources	Section 106 National Historic Preservation Act ("NHPA")	PA and WV State Historic Preservation Offices
<b>CPCNs</b>			
CPCN	N/A	West Virginia CPCN	WV Public Service Commission
CPC, Siting Approval	N/A	Pennsylvania CPC and Siting Approval	PA Public Utility Commission
<b>State Permits</b>			
State Waters	State Water Quality Certification (PA & WV)	CWA – Section 401 Authorization (State Water Quality Certification)	PADEP / WV Department of Environmental Protection ("WVDEP")
	Obstruction/Encroachment for activities in, along, or	Chapter 105 – Water Obstruction and	PADEP / WVDEP

	<p>across bodies of water (PA)</p> <ul style="list-style-type: none"> <li>• Construct, modify, or remove an obstruction in a floodplain (PA)</li> <li>• Impacts to Submerged Lands (PA)</li> <li>• Impacts to State (non-Federally jurisdictional) waters</li> </ul>	<p>Encroachment Permit / Waiver</p> <ul style="list-style-type: none"> <li>• Chapter 106 – Obstructions in Floodplains for Commonwealth of PA / Subdivision of the Commonwealth</li> <li>• Submerged Lands License Agreement</li> <li>• State Waters Permit (WV)</li> </ul>	
Stormwater	<ul style="list-style-type: none"> <li>• Construction Stormwater Permit (PA &amp; WV)</li> </ul>	<p>CWA – Section 402 Authorizations – National Pollutant Discharge Elimination System (“NPDES” / Stormwater Permitting)</p> <ul style="list-style-type: none"> <li>• Chapter 102 NPDES Permit and Post-Construction Stormwater Review (PA); and/or Chapter 102 NPDES Individual Permit</li> <li>• NPDES General Water Pollution Control Permit or Stormwater Associated with Construction Activities (General Permit)</li> </ul>	PADEP / WVDEP
State Forests	<ul style="list-style-type: none"> <li>• Tuscarora State Forest (PA)</li> </ul>	ROW Application for crossing State Forest Land	PA Department of Conservation and Natural Resources (“DCNR”) (Bureau of Forestry)
State Game Lands	<ul style="list-style-type: none"> <li>• State Game Lands (PA)</li> </ul>	License for ROW across State Game Lands	Pennsylvania Game Commission (“PCG”)
<b>Local Permits</b>			
Local Parks	<ul style="list-style-type: none"> <li>• Crossing/Impacting Local Parks (PA)</li> </ul>	Local approval	Board of Supervisors / Local Jurisdiction

Agricultural Easements	<ul style="list-style-type: none"><li>County Agricultural Conservation Easements (PA)</li></ul>	Potential amendment to existing easement(s)	PA Department of Agriculture, Bureau of Farmland Preservation
PA County/ Township Approvals	<ul style="list-style-type: none"><li>Local PA land development requirements for substation siting</li></ul>	Local approvals	Local PA Boards

**Exhibit No. AM-001**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Kammer Juniata Transmission, LLC**

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**Docket No. ER26-\_\_-000**

**DIRECT TESTIMONY OF  
ADRIEN M. MCKENZIE, CFA**

**Exhibit No. AM-001**

**March 12, 2026**

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AM-002	Qualifications of Adrien M. McKenzie
AM-003	ROE Analysis—Summary of Results
AM-004	Risk Measures
AM-005	DCF Analysis
AM-006	CAPM—IBES
AM-007	Market Rate of Return—IBES
AM-008	CAPM—Value Line
AM-009	Market Rate of Return—Value Line
AM-010	Risk Premium Method
AM-011	Expected Earnings Approach

**GLOSSARY OF ACRONYMS**

AEP	American Electric Power Company
AI	artificial intelligence
Bloomberg	Bloomberg L.P.
Blue Chip	Blue Chip Financial Forecasts
CAPM	Capital Asset Pricing Model
CBO	Congressional Budget Office
Commission or FERC	Federal Energy Regulatory Commission
CPI	Consumer Price Index
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DCF	Discounted Cash Flow
EPS	earnings per share
Exelon	Exelon Corporation
ETC	Exelon Transmission Company, LLC
FirstEnergy	FirstEnergy Corp.
Fitch	Fitch Ratings, Inc.
FPA	Federal Power Act
GDP	Gross Domestic Product
KJT or Company	Kammer Juniata Transmission, LLC
kV	kilovolt
LSEG	London Stock Exchange Group
MISO TOs	Transmission-owning members of the Midcontinent Independent System Operator, Inc.
Moody's	Moody's Ratings
NEET	NextEra Energy Transmission, LLC
NETOs	Transmission-owning members of ISO New England
NextEra	NextEra Energy, Inc.
NYSE	New York Stock Exchange Composite Index
OATT	Open Access Transmission Tariff
PCE	Personal Consumption Expenditure Price Index
PJM	PJM Interconnection LLC
PPL	PPL Corporation
ROE	return on equity
RTO	regional transmission organization
S&P	S&P Global Ratings

SoCal Edison	Southern California Edison Company
SPP	Southwest Power Pool, Inc.
<i>Value Line</i>	The Value Line Investment Survey
Zacks	Zacks Investment Research, Inc.

**UNITED STATES OF AMERICA  
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**Kammer Juniata Transmission, LLC**

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**Docket No. ER26-\_\_\_-000**

**DIRECT TESTIMONY OF ADRIEN M. MCKENZIE, CFA**

**I. INTRODUCTION**

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

2 **A.** My name is Adrien M. McKenzie. My business address is 3907 Red River St., Austin,  
3 Texas 78751.

4 **Q. IN WHAT CAPACITY ARE YOU EMPLOYED?**

5 **A.** I am President of FINCAP, Inc., a firm providing financial, economic, and policy  
6 consulting services to business and government.

7 **Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.**

8 **A.** The details of my qualifications and experience are included in Exhibit No. AM-002  
9 attached to my testimony.

**A. Overview**

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 **A.** My purpose is to present to the Commission my independent analysis of a just and  
12 reasonable base ROE for KJT in connection with transmission formula rates under  
13 FERC jurisdiction.

14 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

15 **A.** I first summarize my conclusions and recommendations regarding a just and reasonable  
16 base ROE for KJT. Next, I briefly review the Company's operations and finances. I

1 then discuss current conditions in the capital markets and their implications in  
2 evaluating a just and reasonable base ROE for KJT. With this as a background, I present  
3 the results of a comprehensive framework for evaluating a just and reasonable base  
4 ROE for the Company, including the development of the proxy group of electric  
5 utilities used to apply my quantitative analyses and the details of the technical studies  
6 I rely on in reaching my conclusions.

7 Recognizing the potential for measurement error associated with any single  
8 approach, Commission precedent provides strong support for the use of multiple  
9 financial models to estimate the cost of equity.<sup>1</sup> The Commission has noted that ROE  
10 determinations should be “directly connected to, and supported by justifications in the  
11 record evidence,”<sup>2</sup> and that the Commission’s evaluation “still depends on the  
12 particular circumstances of the case.”<sup>3</sup> The Commission affirmed that it will consider  
13 evidence beyond a mechanical application of any ROE formula, including “investor  
14 and other expert testimony.”<sup>4</sup>

15 Accordingly, I present modifications to the approach adopted in the  
16 Commission’s October 2024 Order on Remand<sup>5</sup> that are supported by my evidence.

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<sup>1</sup> *Ass’n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, Opinion No. 569, 169 FERC ¶ 61,129 (2019), (“Opinion No. 569”) *order on reh’g*, Opinion No. 569-A, 171 FERC ¶ 61,154, (“Opinion No. 569-A”), *order on reh’g*, Opinion No. 569-B, 173 FERC ¶ 61,159 (2020), *vacated & remanded sub nom., MISO Transmission Owners v. FERC*, 45 F.4th 248 (D.C. Cir. 2022) (“*MISO TOs v. FERC*”); *Ass’n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, 165 FERC ¶ 61,118 (2018) (“MISO Briefing Order”); *Coakley v. Bangor Hydro-Elec. Co.*, Opinion No. 531, 147 FERC ¶ 61,234 (2014); *Coakley v. Bangor Hydro-Elec. Co.*, 165 FERC ¶ 61,030 (2018) (“Coakley Briefing Order”).

<sup>2</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 37.

<sup>3</sup> *Id.* at P 68 (internal quotations omitted); Opinion No. 569-A, 171 FERC ¶ 61,154 at P 27.

<sup>4</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 68; Opinion No. 569-A, 171 FERC ¶ 61,154 at P 175.

<sup>5</sup> *Ass’n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, 189 FERC ¶ 61,036 at P 24 (2024) (“Order on Remand”), *order addressing arguments raised on reh’g*, 190 FERC ¶ 61,184 (2025).

1 Specifically, my recommended ROE method replaces the two-step DCF model with  
2 the constant growth DCF model, as well as including the Risk Premium and Expected  
3 Earnings approaches. While the Commission has relied on the Risk Premium method  
4 and the Expected Earnings approach in past proceedings, it has also raised concerns  
5 with both of these methods, which my testimony responds to in detail. The Risk  
6 Premium and Expected Earnings analyses are well-supported and relied upon to  
7 evaluate investors' required returns, and, as I demonstrate below, the determination of  
8 a just and reasonable base ROE for KJT should consider these benchmarks.

9 **Q. WHAT BASE ROE DO YOU RECOMMEND FOR KJT?**

10 **A.** Based on my evaluation, and in light of current capital market requirements, I conclude  
11 that a base ROE of 10.75% is just and reasonable for KJT. Additionally, to address  
12 capital expenditure needs, KJT requires a rate of return that maintains its financial  
13 stability and access to funding. A base ROE of 10.75% meets these requirements.

#### **B. Regulatory Standards**

14 **Q. WHAT IS THE ROLE OF THE ROE IN SETTING A UTILITY'S RATES?**

15 **A.** The ROE compensates shareholders for the use of their capital to finance the  
16 investment necessary to provide utility service. Investors commit capital only if they  
17 expect to earn a return on their investment commensurate with returns available from  
18 alternative investments with comparable risks. To be consistent with sound regulatory  
19 economics and the standards set forth by the U.S. Supreme Court in *Bluefield*<sup>6</sup> and  
20 *Hope*,<sup>7</sup> a utility's allowed ROE should be sufficient to: (1) fairly compensate capital

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<sup>6</sup> *Bluefield Waterworks & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679 (1923) ("*Bluefield*").

<sup>7</sup> *FPC v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("*Hope*").

1 invested in the utility; (2) enable the utility to offer a return adequate to attract new  
2 capital on reasonable terms; and (3) maintain the utility’s financial integrity.

3 **Q. WHAT ULTIMATELY GOVERNS THE SELECTION OF A FAIR ROE?**

4 **A.** The Commission has recognized that a reasonable point-estimate ROE should be based  
5 on the facts specific to each proceeding.<sup>8</sup> That point-estimate must also meet the  
6 standards mandated by the U.S. Supreme Court.<sup>9</sup> As the Commission has reaffirmed,  
7 “[t]he Commission’s ultimate task is to ensure that the resulting ROE satisfies the  
8 requirements of *Hope* and *Bluefield*.”<sup>10</sup> This determination requires the Commission  
9 to consider all of the available evidence and identify an ROE that is just, reasonable,  
10 and sufficient to support KJT’s need to attract capital and earn a competitive return and,  
11 at the same time, promote the Commission’s goal of encouraging investment in electric  
12 utility infrastructure.

13 **Q. IS A JUST AND REASONABLE ROE NECESSARY TO ATTRACT PRIVATE**  
14 **CAPITAL TO UTILITY INFRASTRUCTURE INVESTMENT?**

15 **A.** Yes. Investors’ expected ROE is the key economic signal that allocates finite capital  
16 among competing opportunities. The allowed ROE and a reasonable opportunity to

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<sup>8</sup> See, e.g., *Mw. Indep. Transmission Sys. Operator, Inc.*, 106 FERC ¶ 61,302, at P 8 (2004) (“*Midwest ISO*”), *aff’d in relevant part sub. nom., Pub. Serv. Comm’n of Ky. v. FERC*, 397 F.3d 1004 (D.C. Cir. 2005).

<sup>9</sup> See, e.g., *Id.* at PP 13-14. The Commission observed that:  
[W]e are guided by the principle, enunciated by the Supreme Court, that an approved ROE should be “reasonably sufficient to assure confidence in the financial soundness of the utility [or, in this case, utilities] and should be adequate under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties.  
*Id.* at P 13 (quoting *Bluefield*, 262 U.S. at 693).

<sup>10</sup> *Coakley v. Bangor Hydro-Elec. Co.*, Opinion No. 531, 147 FERC ¶ 61,234, at P 144 (“Opinion No. 531”), *order on paper hearing*, Opinion No. 531-A, 149 FERC ¶ 61,032 (2014), *order on reh’g*, Opinion No. 531-B, 150 FERC ¶ 61,165 (2015) (“Opinion No. 531-B”), *vacated & remanded sub nom. Emera Me. v. FERC*, 854 F.3d 9 (D.C. Cir. 2017) (“*Emera Maine*”), *order on remand*, Coakley Briefing Order.

1           earn it are key to ensuring the flow of investment capital for new utility facilities. Apart  
2           from economic and market turmoil, which can affect the availability of capital, electric  
3           utility facilities also must compete with alternative investments. Utilities and their  
4           investors must commit huge sums to expand the transmission grid with new and  
5           upgraded facilities. The necessary funding will be provided only if investors anticipate  
6           an opportunity to earn a return that is sufficient to compensate for the associated risks  
7           and compete with returns available from alternative investments of comparable risk.

8       **Q.    IS IT IMPORTANT THAT INVESTORS HAVE CONFIDENCE THAT THE**  
9       **REGULATORY ENVIRONMENT IS CONSTRUCTIVE?**

10     **A.**    Yes. Past challenges for the economy and capital markets highlight the benefits of a  
11           fair and balanced ROE, and any departure from the path of supporting utility financial  
12           strength through a sound and stable ROE policy would be extremely shortsighted.  
13           Uncertainty and volatility undermine investor confidence, and regulatory signals are  
14           the primary driver of investors' risk assessments for utilities. Securities analysts study  
15           FERC and state commission orders and regulatory policy statements closely to gauge  
16           the financial impact of regulatory actions and advise investors accordingly. The  
17           Commission has recognized the potential disincentive to investment stemming from  
18           uncertain ROE policies. In Order No. 679-A, the Commission concluded that "our  
19           hearing procedures for determining ROE can create uncertainty for investors," and  
20           noted that:

21                    Although our processes are designed to provide a just and reasonable  
22                    return, we recognize that there can be significant uncertainty as to the  
23                    ultimate return because of the uncertainties associated with  
24                    administrative determinations (e.g., selection of the proxy group,

1 changes in growth rates, etc.)[.] This can itself constitute a substantial  
2 disincentive to new investment.<sup>11</sup>

3 Absent a commitment by regulators to promote a sound and stable environment  
4 for utility investment and ensure that ROEs are competitive with alternative investment  
5 opportunities, the flow of capital into utility infrastructure may diminish. A  
6 constructive regulatory environment is vital to support the investment necessary to  
7 expand transmission infrastructure, reduce congestion, improve reliability, and secure  
8 access to new generation.<sup>12</sup>

## II. ROE FOR KAMMER JUNIATA TRANSMISSION, LLC

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

10 A. This section summarizes my ROE methodology and the results of my analysis. I then  
11 present my independent evaluation of a just and reasonable base ROE for KJT.

#### A. ROE Methodology

### 12 Q. HAS THE COMMISSION CONSISTENTLY APPLIED A TRANSPARENT ROE 13 POLICY FOR ELECTRIC UTILITIES DURING THE PAST DECADE?

14 A. No. In the decade beginning with Opinion No. 531 in 2014, the Commission has:

- 15 • Abandoned sole reliance on the constant growth DCF model in  
16 favor of considering the results of multiple financial models.
- 17 • Rejected the constant growth DCF model in favor of a two-step  
18 DCF approach that includes GDP growth.

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<sup>11</sup> *Promoting Transmission Inv. Through Pricing Reform*, Order No. 679-A, 117 FERC ¶ 61,345, at P 69 (2006), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

<sup>12</sup> *See, e.g.*, Opinion No. 531, 147 FERC ¶ 61,234 at P 150 (“Our obligation as a Commission is to ensure that we meet the requirements of *Hope* and *Bluefield* that ROE be set at a level sufficient to attract investment in interstate electric transmission. Such investment helps promote efficient and competitive electricity markets, reduce costly congestion, enhance reliability, and allow access to new energy resources, including renewables.”).

- 1 • Considered the Risk Premium and Expected Earnings methods  
2 as meaningful benchmarks in evaluating a just and reasonable  
3 ROE from within the zone of reasonableness.
- 4 • Raised concerns regarding aspects of the Risk Premium and  
5 Expected Earnings approaches and supported reliance on only  
6 the two-step DCF and CAPM approaches.
- 7 • Reversed its position regarding the Risk Premium method and  
8 supported including this approach to reduce volatility and ensure  
9 a just and reasonable end result.

10 Most recently, in its Order on Remand, the Commission elected to once again  
11 base its ROE determination on the results of the two-step DCF model and the CAPM.<sup>13</sup>

12 **Q. CAN A MECHANICAL APPLICATION OF ANY SPECIFIC ROE**  
13 **METHODOLOGY BE EXPECTED TO PRODUCE REASONABLE**  
14 **OUTCOMES IN EVERY CASE AND UNDER ALL CIRCUMSTANCES?**

15 **A.** No. The Commission has previously recognized that a just and reasonable ROE should  
16 be determined based on the facts specific to each proceeding, and noted, “[a]s an initial  
17 matter, we emphasize that the primary question to be considered here is not what  
18 constitutes the best overall method for determining ROE generically . . . .”<sup>14</sup> Rather,  
19 the question involves a determination of what ROE is most appropriate in each specific  
20 case.<sup>15</sup> As the Commission has recognized, this evaluation should not be based on the  
21 mechanical application of a single quantitative methodology (or for that matter a  
22 mechanical application of a series of models); nor should it depend on a single  
23 statistical measure of central tendency. No single financial model predicts the required

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<sup>13</sup> Order on Remand, 189 FERC ¶ 61,036 at P 24.

<sup>14</sup> *Midwest ISO*, 106 FERC ¶ 61,302 at P 8.

<sup>15</sup> *Id.* This is consistent with *Emera Maine*, which noted that, “Whether a rate . . . is unlawful depends on the particular circumstances of the case.” 854 F.3d at 19.

1 ROE with absolute precision and all financial models are based on a series of  
2 assumptions that are affected differently by market conditions.

3 **Q. DO YOU BELIEVE THE ROE METHODOLOGY APPLIED IN THE ORDER**  
4 **ON REMAND PRODUCES AN ACCURATE ESTIMATE OF A UTILITY'S**  
5 **COST OF EQUITY?**

6 **A.** No. As my testimony documents, there is no evidence that investors consider long-  
7 term projections for GDP growth in evaluating expectations for electric utility stocks,  
8 and the Commission should modify its methodology to include the constant growth  
9 DCF model. In addition, narrowing the ROE evaluation to include the results of only  
10 the DCF and CAPM approaches marks a return to a mechanistic approach that increases  
11 the potential for volatility and measurement error.

12 **Q. DO YOU BELIEVE THE COMMISSION SHOULD CONTINUE TO**  
13 **REFERENCE THE RESULTS OF THE RISK PREMIUM AND EXPECTED**  
14 **EARNINGS METHODS?**

15 **A.** Yes. The Risk Premium method is widely accepted and is a sound approach to  
16 estimating the cost of equity. The Expected Earnings approach serves as a direct  
17 measure of the expected returns on equity that investors associate with companies of  
18 comparable risk and provides a meaningful guide to the return the utility should be  
19 expected to earn on its book equity investment. Given that rates are established on the  
20 basis of the book value of a utility's investment, this is a relevant measure of the ROE  
21 that is consistent with regulatory standards of comparable earnings and capital  
22 attraction established in *Hope* and *Bluefield*.

23 While the Commission has recognized the usefulness of both the Risk Premium  
24 and Expected Earnings methods, it has also expressed a number of concerns regarding  
25 each of these approaches. My testimony responds to each of these specific concerns to

1 demonstrate that the Commission must use these methods in order to produce a just  
2 and reasonable ROE result.

3 **Q. IS THE USE OF MULTIPLE APPROACHES TO EVALUATE AN ROE**  
4 **CONSISTENT WITH INVESTOR BEHAVIOR AND ACCEPTED**  
5 **REGULATORY PRACTICE?**

6 **A.** Yes. The actual return that investors require is not directly observable. Different  
7 methodologies have been developed to estimate investors' required return on capital,  
8 but all such methodologies are simply theoretical tools and generally produce a range  
9 of estimates based on different assumptions and inputs. As the Commission has noted,  
10 "[t]he determination of rate of return on equity starts from the premise that there is no  
11 single approach or methodology for determining the correct rate of return."<sup>16</sup>

12 There is no failsafe method to estimate investors' required cost of equity, and  
13 there is no basis to conclude that investors rely on any one single method in arriving at  
14 the prices they are willing to pay for utility common stock. A publication authored for  
15 the Society of Utility and Regulatory Financial Analysts confirmed this view,  
16 concluding that:

17 Each model requires the exercise of judgment as to the reasonableness  
18 of the underlying assumptions of the methodology and on the  
19 reasonableness of the proxies used to validate the theory. Each model  
20 has its own way of examining investor behavior, its own premises, and  
21 its own set of simplifications of reality. Each method proceeds from  
22 different fundamental premises, most of which cannot be validated  
23 empirically. Investors clearly do not subscribe to any singular method,  
24 nor does the stock price reflect the application of any one single method  
25 by investors.<sup>17</sup>

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<sup>16</sup> *Nw. Pipeline Co.*, Opinion No. 396-C, 81 FERC ¶ 61,036 at 61,188 (1997) ("Opinion No. 396-C").

<sup>17</sup> David C. Parcell, *The Cost of Capital – A Practitioner's Guide*, Soc'y of Util. & Regul. Fin. Analysts (2010), at 84.

1           As this treatise succinctly observed, “no single model is so inherently precise  
2 that it can be relied on solely to the exclusion of other theoretically sound models.”<sup>18</sup>

3 Similarly, *New Regulatory Finance* concluded that:

4           There is no single model that conclusively determines or estimates the  
5 expected return for an individual firm. Each methodology possesses its  
6 own way of examining investor behavior, its own premises, and its own  
7 set of simplifications of reality. Each method proceeds from different  
8 fundamental premises that cannot be validated empirically. Investors  
9 do not necessarily subscribe to any one method, nor does the stock price  
10 reflect the application of any one single method by the price-setting  
11 investor. There is no monopoly as to which method is used by investors.  
12 In the absence of any hard evidence as to which method outdoes the  
13 other, all relevant evidence should be used and weighted equally, in  
14 order to minimize judgmental error, measurement error, and conceptual  
15 infirmities.<sup>19</sup>

16           This is consistent with the advice of a recognized financial researcher and  
17 educator:

18           Use more than one model when you can. Because estimating the  
19 opportunity cost of capital is difficult, only a fool throws away useful  
20 information. That means you should not use any one model or measure  
21 mechanically and exclusively.<sup>20</sup>

22           The results of multiple approaches provide greater insight into the expectations  
23 and requirements of investors.

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18       *Id.*

19       Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 429.

20       *Id.* at 430 (citing Stewart C. Myers, *On the Use of Modern Portfolio Theory in Public Utility Rate Cases: Comment*, Fin. Mgmt. (Autumn, 1978), at 66-68).

1 **Q. HAS THE INVESTMENT COMMUNITY PREVIOUSLY EXPRESSED**  
2 **CONCERNS REGARDING THE COMMISSION’S DECISION TO NARROW**  
3 **ITS ROE METHODOLOGY BY DISREGARDING THE RESULTS OF THE**  
4 **RISK PREMIUM AND EXPECTED EARNINGS APPROACHES?**

5 **A.** Yes. The Commission’s decision not to consider the results of the Risk Premium and  
6 Expected Earnings methods in Opinion No. 569 provoked critical responses from the  
7 investment community, which highlighted serious concerns regarding the future ability  
8 of regulated electric utilities to attract capital under an ROE methodology relying only  
9 on the two-step DCF and CAPM approaches. In a December 2019 report, Bank of  
10 America Merrill Lynch noted that the two-model approach adopted in Opinion No. 569  
11 represented “a very different reality” and that the policy shift embodied in this decision  
12 “stands to be the most acute change seen anywhere in recent memory.”<sup>21</sup> The report  
13 concluded that, by narrowing its approach to consider only the two-step DCF and  
14 CAPM approaches rather than the methodology adopted in Opinion Nos. 531 and 551  
15 or proposed in its 2018 briefing orders, Opinion No. 569 would eliminate the  
16 Commission’s discretion to reflect the implications of capital market conditions and  
17 investor requirements. Bank of America Merrill Lynch observed that “we have never  
18 seen FERC transmission ROE policy in this kind of turmoil,” and concluded, “[w]e’d  
19 expect utilities to shift away from [transmission] investments should [Opinion No. 569]  
20 hold.”<sup>22</sup> Similarly, Evercore ISI noted that Opinion No. 569 was “negatively received  
21 by financial market participants” and that the two-model ROE methodology adopted in

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<sup>21</sup> Bank of America Merrill Lynch, *Where is FERC? ROE Transmission Challenges on First Street*, Industry Overview (Dec. 5, 2019).

<sup>22</sup> *Id.*

1           this order implied “a big disincentive for capital investment.”<sup>23</sup> Wolfe Research noted  
2           that the impact of relying only on the two-step DCF and CAPM methodologies would  
3           be to “disincent transmission investment.”<sup>24</sup> The investment community has  
4           highlighted that the Commission’s two-model approach can fail to approximate  
5           investors’ required return on capital.

6           Further, as the Commission stated in its Order on Remand, “the elimination of  
7           the Risk Premium model lowers the number of models from three to two, which would  
8           reduce the diversity of inputs and increase the weighting afforded to the CAPM and  
9           DCF model.”<sup>25</sup> Aside from the potential risk this two-model approach may pose to  
10          transmission sector investment, the ROE methodology adopted in the Order on Remand  
11          is problematic in light of the greater weight it assigns to the two-step DCF model,  
12          despite the Commission’s repeated—and correct—findings that this model is prone to  
13          error and risks producing results that fail to meet the requirements of *Hope* and  
14          *Bluefield*.<sup>26</sup>

15          It is also relevant that the Commission in Opinion No. 569 relied on only the  
16          two-step DCF and CAPM models based on the finding that those approaches “will  
17          better reflect how investors make their investment decisions” and because those models  
18          “most accurately reflect how investors make their investment decisions.”<sup>27</sup> Apart from  
19          the fact that the Commission has repeatedly acknowledged the shortcomings of its two-

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<sup>23</sup> Evercore ISI, *FERC ROE Setting Methodology in MISO Transmission Case Could Be Modified On Rehearing, Reducing ROE Downside Risk* (Dec. 11, 2019).

<sup>24</sup> Wolfe Research, *ROE risk ahead? New FERC method, low rates, high stocks*, Utilities & Power (Dec. 18, 2019).

<sup>25</sup> Order on Remand, 189 FERC ¶ 61,036 at P 24.

<sup>26</sup> Opinion No. 531, 147 FERC ¶ 61,234 at P 142; *Ass’n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, Opinion No. 551, 156 FERC ¶ 61,234 at P 67 (2016); Coakley Briefing Order, 165 FERC ¶ 61,030 at PP 32, 40, 45-48; MISO Briefing Order, 165 FERC ¶ 61,118 at PP 16, 42-49; Opinion No. 569-A, 171 FERC ¶ 61,154 at P 43.

<sup>27</sup> Opinion No. 569, 169 FERC ¶ 61,129 at PP 31, 39.

1 step DCF approach, which contradict any claims of greater accuracy, no single model  
2 is deemed as inherently more reliable than any other. Investors inform their investment  
3 decisions by considering a broad range of information and methodologies, as do  
4 financial analysts. These include the DCF, CAPM, Risk Premium, and Expected  
5 Earnings approaches. In exercising its authority, the Commission should inform its  
6 decision-making by considering the totality of the available evidence to establish an  
7 ROE for KJT.

**B. ROE for Kammer Juniata Transmission, LLC**

8 **Q. WHAT FINANCIAL MODELS DO YOU RELY ON TO EVALUATE THE ROE**  
9 **FOR KJT?**

10 **A.** My evaluation of a just and reasonable ROE relies on the results of the constant growth  
11 DCF model, the CAPM, the Risk Premium method, and the Expected Earnings  
12 approach.

13 **Q. DO MEDIAN VALUES NECESSARILY PROVIDE A SUPERIOR BASIS TO**  
14 **EVALUATE A JUST AND REASONABLE ROE FOR KJT IN THIS CASE?**

15 **A.** No. The Commission has stated that it will use “the midpoint of the zone of  
16 reasonableness as the appropriate measure of central tendency for a diverse group of  
17 average risk utilities and the median as the measure of central tendency for a single  
18 utility.”<sup>28</sup> But when comparing the risks and prospects of KJT against other  
19 opportunities, there is no reason to believe that investors distinguish between utilities  
20 where the ROE is established on a stand-alone basis and those subject to a single, RTO-  
21 wide ROE determination (e.g., the NETOs and the MISO TOs). The cost of capital is  
22 an opportunity cost based on the returns that investors could realize by putting their  
23 money in other alternatives. Were the Commission to discriminate between single

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<sup>28</sup> MISO Briefing Order, 165 FERC ¶ 61,118 at P 18 n.40.

1 utilities and the NETOs or MISO TOs when evaluating a point estimate ROE, it would  
2 violate the *Hope* and *Bluefield* standards governing the determination of a just and  
3 reasonable ROE in this case.

4 Capital markets are highly sophisticated, and KJT must compete for capital with  
5 utilities across the nation, irrespective of any mechanical policies used by the  
6 Commission to establish a point estimate ROE from within a proxy group range. As a  
7 result, differentiating between a proceeding involving a single transmission utility and  
8 a joint filing of multiple RTO members ignores the requirements of investors, which  
9 are based on comparable-risk opportunities available in the capital markets. This is  
10 consistent with the Commission's prior findings. In approving the use of a national  
11 proxy group over a regional proxy group, the Commission observed that the  
12 determination "is a question of capital attraction and comparability of risk." As the  
13 Commission concluded:

14 We agree that "the NETOs must compete for capital with other utilities  
15 (and companies in other sectors) throughout the nation," and that  
16 investors are not limited to investments in geographically adjacent states  
17 but instead participate in national or international capital markets. If the  
18 NETOs' ROE is significantly less than the returns of utilities in other  
19 parts of the nation, capital will more readily flow to areas other than  
20 New England and the NETOs may not be able to attract sufficient  
21 capital consistent with the *Hope* and *Bluefield* standards.<sup>29</sup>

22 Similarly, there is no basis to categorize ROE policies based on an artificial  
23 distinction between utilities that are subject to a unified, RTO-wide ROE and single  
24 utilities, such as KJT. Rather, in order to meet the *Hope* and *Bluefield* standards, the  
25 Commission's evaluation must be premised on the risk perceptions and requirements  
26 of actual investors in the capital markets who do not determine their required returns

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<sup>29</sup> Opinion No. 531, 147 FERC ¶ 61,234 at P 96 (footnotes omitted).

1 for utilities based solely on whether the company's FERC-jurisdictional ROE happens  
2 to be fixed as the result of a single-company proceeding, or on an RTO-wide basis.

3 The Commission has not explained why or how investors might base their  
4 decisions on this artificial distinction. As a result, a mechanical policy of using the  
5 median in a single utility case, like here, is not supported.

6 **Q. IS CONSIDERING MIDPOINT RESULTS CONSISTENT WITH THE**  
7 **PRINCIPLES UNDERLYING A JUST AND REASONABLE ROE FOR KJT?**

8 **A.** Yes. As noted earlier, the Commission has recognized that a just and reasonable ROE  
9 should be determined based on the facts specific to each proceeding. The paramount  
10 consideration that must be reflected in the choice of a just and reasonable ROE is the  
11 need to ensure that the end result meets the standards mandated by the Supreme Court  
12 in *Hope* and *Bluefield* to ensure that a utility can attract capital. This determination  
13 does not require the Commission to rely on a single statistical measure of central  
14 tendency. Rather, the Commission must consider the available evidence to make an  
15 informed evaluation of an ROE that is just, reasonable, and sufficient to support  
16 investment.

17 **Q. WHAT ARE THE IMPLICATIONS FOR THE COMMISSION'S POLICY OF**  
18 **ENCOURAGING CONTINUED INVESTMENT IN ELECTRIC UTILITY**  
19 **INFRASTRUCTURE?**

20 **A.** Investors commit capital only if they expect to earn a return on their investment  
21 commensurate with returns available from alternative investments with comparable  
22 risks. If the utility is unable to offer a return similar to that available from other  
23 opportunities, investors will be unwilling to supply the capital on reasonable terms. In  
24 evaluating an investment in the wholesale sector of the electric power industry,  
25 investors will naturally seek to maximize their expected rate of return for a given level

1 of risk. Awarding an ROE by mechanically applying a particular formula based on the  
 2 median may disadvantage single electric utilities such as KJT, relative to the NETOs  
 3 and MISO TOs.

4 **Q. WHAT ARE THE RESULTS OF THE FINANCIAL MODELS DISCUSSED IN**  
 5 **YOUR TESTIMONY FOR THE PROXY GROUP OF ELECTRIC UTILITIES?**

6 **A.** The results of the four financial models supported by my testimony are shown on  
 7 Exhibit No. AM-003 and summarized in Figure AMM-1 below.

**FIGURE AMM-1  
 SUMMARY OF RESULTS—FOUR MODEL METHODOLOGY**

<b>Method</b>	<b>Range</b>	<b>Median</b>	<b>Midpoint</b>
Constant Growth DCF	8.23% -- 13.01%	10.44%	10.62%
CAPM			
IBES	9.34% -- 12.47%	11.54%	10.91%
Value Line	8.65% -- 11.29%	10.43%	9.97%
Average	9.00% -- 11.88%	10.99%	10.44%
Risk Premium	7.74% -- 13.05%	10.39%	10.39%
Expected Earnings	7.59% -- 15.86%	11.13%	11.73%
<b>Composite ROE</b>	<b>8.14% -- 13.45%</b>	<b>10.74%</b>	<b>10.79%</b>

8 As shown above, the results of my analysis produce a composite zone of reasonableness  
 9 of 8.14% to 13.45%, with median and midpoint values averaging 10.74% and 10.79%,  
 10 respectively.

11 **Q. WHAT DO YOU CONCLUDE WITH RESPECT TO A JUST AND**  
 12 **REASONABLE ROE FOR KJT?**

13 **A.** Based on my analyses, I conclude that an ROE of 10.75% is just and reasonable for  
 14 KJT. My ROE recommendation is framed by the median and midpoint results of the  
 15 four financial models supported by my testimony.

1 **Q. IS A 10.75% BASE ROE CONSISTENT WITH COMMISSION POLICIES TO**  
2 **SUPPORT INVESTMENT IN ELECTRIC TRANSMISSION**  
3 **INFRASTRUCTURE?**

4 **A.** Yes. An ROE of 10.75% for KJT is appropriate in light of the continued need to attract  
5 capital to transmission infrastructure and the imperative of meeting the *Hope* and  
6 *Bluefield* standards. But unresponsive, mechanical decision-making that leads to  
7 inadequate returns would undermine the goal of promoting capital investment in new  
8 transmission projects. This potential adverse outcome has been highlighted by the  
9 investment community:

10           The degree to which a utility revises its transmission capital plan will  
11           depend on expected returns . . . . Material reductions in the base ROE  
12           could lower the quality of and divert capital away from the transmission  
13           business, given its generally riskier profile than that for state-regulated  
14           utility businesses, such as distribution and generation. Moreover,  
15           investors could deploy capital to infrastructure projects with higher  
16           allowed returns, such as FERC-regulated natural gas pipelines, or to  
17           other industries generally.<sup>30</sup>

18           The need for regulatory certainty in supporting transmission infrastructure investment  
19           is as relevant today as ever, particularly in light of significant load growth due to AI  
20           and data center expansion.

21 **Q. IF THE COMMISSION WERE TO RELY ONLY ON THE DCF AND CAPM**  
22 **MODELS, AS IT DID IN ITS ORDER ON REMAND, WHAT APPROACH**  
23 **WOULD YOU RECOMMEND?**

24 **A.** As discussed in my testimony, the assumptions underlying the two-step DCF model are  
25 unfounded and contradicted by evidence. Similarly, there is no support for the  
26 conclusion that Bloomberg beta values are superior to those from *Value Line* in

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<sup>30</sup> Wolfe Research, Utils. & Power, *FERConomics: Risk to transmission base ROEs in focus* (June 11, 2013), at 11.

1 applying the CAPM. In light of these findings, at a minimum the Commission should  
 2 consider the results of the constant growth DCF model and a CAPM analysis using  
 3 *Value Line* betas. The results of this approach are shown in Figure AMM-2 below.

**FIGURE AMM-2  
 SUMMARY OF RESULTS—TWO MODEL METHODOLOGY**

<b>Method</b>	<b>Range</b>	<b>Median</b>	<b>Midpoint</b>
<b>DCF Model</b>			
Two-step	8.10% -- 11.75%	9.76%	9.93%
Constant Growth	8.23% -- 13.01%	10.44%	10.62%
Average DCF	8.17% -- 12.38%	10.10%	10.27%
<b>CAPM</b>			
<b>IBES</b>			
Value Line Beta	9.34% -- 12.47%	11.54%	10.91%
Bloomberg Beta	9.12% -- 11.25%	10.42%	10.19%
Average	9.23% -- 11.86%	10.98%	10.55%
<b>Value Line</b>			
Value Line Beta	8.65% -- 11.29%	10.43%	9.97%
Bloomberg Beta	8.41% -- 10.19%	9.57%	9.30%
Average	8.53% -- 10.74%	10.00%	9.64%
Average CAPM	8.88% -- 11.30%	10.49%	10.09%
<b>Composite ROE</b>	<b>8.52% -- 11.84%</b>	<b>10.30%</b>	<b>10.18%</b>

4 As shown above, this two-model methodology results in a composite zone of  
 5 reasonableness of 8.52% to 11.84%, with a median of 10.30% and a midpoint of  
 6 10.18%. The benchmarks provided by the Risk Premium and Expected Earnings  
 7 approaches confirm the reasonableness of these results and continue to demonstrate the  
 8 downward bias inherent in the Commission's two-step DCF model.

1 **Q. WHAT ROE RESULTS ARE PRODUCED FOR YOUR PROXY GROUP USING**  
 2 **THE SAME METHODOLOGY ADOPTED BY THE COMMISSION IN ITS**  
 3 **ORDER ON REMAND?**

4 **A.** In its Order on Remand, the Commission based its ROE findings on the results of its  
 5 two-step DCF model and an application of the CAPM using Value Line betas and IBES  
 6 growth rates to determine the market risk premium. The results of this approach are  
 7 shown in Figure AMM-3 below.

**FIGURE AMM-3**  
**SUMMARY OF RESULTS – ORDER ON REMAND METHODOLOGY**

<b>Method</b>	<b>Range</b>	<b>Median</b>	<b>Midpoint</b>
Two-step DCF	8.10% -- 11.75%	9.76%	9.93%
CAPM	9.34% -- 12.47%	11.54%	10.91%
<b>Composite ROE</b>	<b>8.72% -- 12.11%</b>	<b>10.65%</b>	<b>10.42%</b>

8 As shown above, this two-model methodology results in a composite zone of  
 9 reasonableness of 8.72% to 12.11%, with a median of 10.65% and a midpoint of  
 10 10.42%.

11 **Q. DOES THE TOTAL ROE REQUESTED BY KJT MEET COMMISSION**  
 12 **POLICY REQUIREMENTS?**

13 **A.** Yes. In addition to a base ROE of 10.75%, GLP is requesting a 50-basis point adder to  
 14 recognize the Company's participation in PJM. Under the Commission's policies  
 15 governing incentive-based ROEs, the total ROE of a utility including the impact of an  
 16 incentive must fall within the zone of reasonableness.<sup>31</sup> The requested total ROE of

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<sup>31</sup> See, e.g., *Promoting Transmission Investment Through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057 at P 93 (2006).

1 11.25% falls below the 13.45% upper end of my recommended composite zone of  
2 reasonableness.

### III. FUNDAMENTAL ANALYSES

3 **Q. WHAT IS THE PURPOSE OF THIS SECTION?**

4 **A.** This section briefly reviews the organization and operations of KJT. As a predicate to  
5 my quantitative analyses, it examines conditions in the capital markets and the general  
6 economy. An understanding of the fundamental factors driving the risks and prospects  
7 of electric utilities is essential in developing an informed opinion of investors'  
8 expectations and requirements that are the basis of a fair rate of return.

#### **A. Kammer Juniata Transmission, LLC**

9 **Q. BRIEFLY DESCRIBE KAMMER JUNIATA TRANSMISSION, LLC.**

10 **A.** As discussed in greater detail in the testimony of Mr. Ryan Colley, attached to this filing  
11 as Exhibit No. RC-001, KJT is a transmission-only company whose business is to  
12 develop, own, and operate transmission facilities within the PJM region. Specifically,  
13 KJT has received approval to construct a new 222-mile, 765-kV transmission line  
14 between the Kammer substation in West Virginia and the Juniata substation in  
15 Pennsylvania. The project includes two new 765 kV substations and will interconnect  
16 AEP's 765 kV system in West Virginia with the 500 kV transmission systems in  
17 Pennsylvania owned by FirstEnergy and PPL. The estimated cost of this major  
18 infrastructure project, which is part of PJM's 2025 Regional Transmission Expansion  
19 Plan, is \$1.7 billion. KJT is a joint venture between NextEra Energy Transmission,  
20 LLC, which is wholly owned by NextEra, and Exelon Transmission Company, LLC,  
21 which is wholly owned by Exelon.<sup>32</sup>

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<sup>32</sup> NextEra Energy Transmission, LLC holds a 75% equity interest in KJT, with Exelon Transmission Company, LLC holding the remaining 25% equity interest in the Company.

1 **Q. WHERE WILL KJT OBTAIN THE CAPITAL USED TO FINANCE**  
2 **INVESTMENT IN ELECTRIC TRANSMISSION INFRASTRUCTURE?**

3 **A.** As Ms. Stephanie Castaneda explains in her testimony, Exhibit No. SC-001, KJT will  
4 initially obtain capital funding from its parent companies.<sup>33</sup> KJT also may issue debt  
5 securities directly under its own name or enter into other credit arrangements to finance  
6 its operations.

**B. Outlook for Capital Costs**

7 **Q. PLEASE SUMMARIZE CURRENT ECONOMIC AND CAPITAL MARKET**  
8 **CONDITIONS.**

9 **A.** Following the economic contraction stemming from the COVID-19 pandemic in 2020,  
10 U.S. real GDP improved significantly in 2021, with GDP growing at a pace of 5.7%.<sup>34</sup>  
11 Economic growth was more subdued in subsequent years, falling in a range of 2.5% to  
12 2.9% between 2022 and 2024.<sup>35</sup> More recently, real GDP grew at an annual rate of -  
13 0.6%, 3.8%, and 4.3% in the first three quarters of 2025.<sup>36</sup> Meanwhile, the  
14 unemployment rate remained steady in December 2025 at 4.4%.<sup>37</sup>

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<sup>33</sup> Testimony of Stephanie Castaneda, Exhibit No. SC-001 at 5.

<sup>34</sup> U.S. Dep't of Commerce, Bureau of Economic Analysis, <https://www.bea.gov/news/2022/gross-domestic-product-fourth-quarter-and-year-2021-second-estimate> (last visited Dec. 3, 2025).

<sup>35</sup> U.S. Dep't of Commerce, Bureau of Economic Analysis, <https://www.bea.gov/sites/default/files/2025-05/gdp1q25-2nd.pdf> (last visited Dec. 3, 2025).

<sup>36</sup> U.S. Dep't of Commerce, Bureau of Economic Analysis, <https://www.bea.gov/news/2025/gross-domestic-product-2nd-quarter-2025-third-estimate-gdp-industry-corporate-profits> (last visited Dec. 3, 2025); U.S. Dep't of Commerce, Bureau of Economic Analysis, <https://www.bea.gov/news/2025/gross-domestic-product-3rd-quarter-2025-initial-estimate-and-corporate-profits> (last visited Jan. 13, 2026).

<sup>37</sup> News Release, U.S. Dep't of Labor, Bureau of Labor Statistics, *The Employment Situation—December 2025* (Jan. 6, 2026), <https://www.bls.gov/news.release/pdf/empisit.pdf> (last visited Jan. 13, 2026).

1           A dramatic increase in global uncertainties following Russia’s invasion of  
2 Ukraine in February 2022 overshadowed the underlying risk and price pressures  
3 associated with the COVID-19 pandemic. Resurgence of conflict in the Middle East  
4 has compounded these geopolitical risks. Apart from disrupting global trade, the  
5 potential for escalation prompted concerns over potential constraints to crude oil  
6 supplies and resulting supply-side price shocks that could reignite inflation and further  
7 dampen economic growth.

8           Stimulative monetary and fiscal policies, coupled with supply-chain disruptions  
9 and rapid price rises in the energy and commodities markets, led to increasing concern  
10 that inflation would remain significantly above the Federal Reserve’s longer-run  
11 benchmark of 2%. CPI inflation peaked in June 2022 at 9.1%, its highest level since  
12 November 1981. CPI inflation stood at 2.7% in December 2025.<sup>38</sup> Though inflation  
13 has moderated significantly since its peak in June 2022, it continues to exceed the  
14 Federal Reserve’s 2.0% target. The so-called “core” price index, which excludes more  
15 volatile energy and food costs, rose at an annual rate of 2.6% in November 2025.<sup>39</sup>  
16 PCE inflation ticked up slightly in September 2025 to 2.8%, before and after excluding  
17 more volatile food and energy costs.<sup>40</sup>

18           The investment community continues to monitor the extent to which import  
19 tariffs and the disruptions to global commerce and supply chains may reignite inflation  
20 and lead to economic recession. Oscillating trade developments have also contributed  
21 to an erosion of consumer confidence. In January 2026, the University of Michigan

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<sup>38</sup> U.S. Dep’t of Labor, Bureau of Labor Statistics, *Consumer Price Index Summary* (Oct. 24, 2025), <https://www.bls.gov/news.release/cpi.nr0.htm> (last visited Jan. 28, 2026).

<sup>39</sup> *Id.*

<sup>40</sup> Bureau of Economic Analysis, *Personal Income and Outlays, September 2025*, BEA 25-46 (Dec. 5, 2025), <https://www.bea.gov/news/2025/personal-income-and-outlays-september-2025> (last visited Jan. 28, 2026).

1 consumer sentiment index, which measures consumer expectations about current and  
2 future economic conditions, improved slightly but remained more than 20% weaker  
3 than at the same time last year and well below its historical average,<sup>41</sup> demonstrating  
4 relative consumer pessimism. Investors continue to face the prospect of heightened  
5 market volatility as capital markets respond to these uncertainties.

6 **Q. HAVE CREDIT RATING AGENCIES COMMENTED ON THE RISKS FACED**  
7 **BY UTILITIES AND THEIR INVESTORS?**

8 **A.** Yes. Although S&P noted it expects a more stable environment for credit quality, it  
9 observed that the electric utility industry “consistently operates with high cash flow  
10 deficits at about \$100 billion annually,” and concluded that:

11 Because about 40% of the [investor-owned utility] industry is actively  
12 operating with minimal credit cushion, an unexpected event outside of  
13 the base case could result in a negative outlook or even a possible  
14 downgrade for many IOU utilities if financial levers are not quickly  
15 implemented to restore credit quality.<sup>42</sup>

16 In addition to concerns over declining credit metrics, S&P cited financial  
17 pressures from significant capital spending, regulatory risks associated with higher  
18 customer bills and ongoing wildfire risks as key concerns for investors<sup>43</sup> Meanwhile,  
19 Moody’s cautioned that widening cash flow deficits in the utility industry were placing  
20 increasing negative pressure on financial credit metrics, concluding that credit pressure  
21 “will likely continue to lead to negative rating actions if not sufficiently mitigated.”<sup>44</sup>  
22 In its most recent annual review of the utility industry, Moody’s noted that a

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<sup>41</sup> University of Michigan, *Surveys of Consumers, Final Results for January 2026*.  
<https://www.sca.isr.umich.edu/> (last visited Jan. 28, 2026).

<sup>42</sup> S&P Global Ratings, *North America Regulated Utilities, Industry Credit Outlook 2026* (Jan. 14, 2026).

<sup>43</sup> *Id.*

<sup>44</sup> Moody’s Ratings, *Electric and Gas Utilities – US, Sector In-Depth* (Oct. 21, 2024).

1 continuation of supportive regulation would be required to offset ongoing pressure  
2 from still-high interest rates and other negative pressures on utilities' credit standing.<sup>45</sup>

3 Utilities are also exposed to supply chain risk and procurement cost  
4 management associated with increasing tariff barriers to trade. In 2024, China  
5 accounted for over 50% of low-voltage transformer imports, while Mexico is the largest  
6 trading partner for medium and high-voltage transformers.<sup>46</sup> Utilities in the U.S. also  
7 rely heavily on imports from China, Canada, and Mexico for breakers and switchgear.  
8 Wood Mackenzie, a global data and analytics provider for the energy industry, noted  
9 that critical path aspects of transmission and distribution projects have:

10 [F]aced tremendous security of supply and cost pressure the past five  
11 years with increased competition for the materials with the rise of  
12 renewables and transmission & distribution construction, increased  
13 storm response and volatile metals markets. . . . The additional cost  
14 pressure from tariffs coupled with supply pressure via new electric  
15 generation assets to support AI data centres, and a shift of federal  
16 investments from renewables builds to T&D infrastructure may  
17 exacerbate what the last five years have been.<sup>47</sup>

18 Apart from contributing to higher prices for materials and equipment, supply  
19 chain disruptions and shortages have the potential to delay necessary construction and  
20 maintenance of utility infrastructure. Chris Seiple, Vice Chairman at Wood Mackenzie  
21 concluded that, "In a business with 5-to-10-year planning cycles, not knowing what a  
22 project will cost next year or the year after is disruptive and causes massive uncertainty  
23 for US power industry participants."<sup>48</sup> Similarly, S&P concluded that tariff policies

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<sup>45</sup> Moody's Ratings, *Electric and Gas Utilities – US*, Outlook (Oct. 31, 2025).

<sup>46</sup> Wood Mackenzie, *Navigating the impact of President Trump's tariffs on utility supply chains* (Jan. 16, 2025), <https://www.woodmac.com/news/opinion/the-impact-of-proposed-tariffs-on-utility-supply-chains/> (last visited Oct. 13, 2025).

<sup>47</sup> *Id.*

<sup>48</sup> Wood Mackenzie, *Tariffs to increase costs and slow down development for US power industry* (June 2, 2025), <https://www.cbo.gov/publication/61823> (last visited Oct. 31, 2025).

1 will contribute to financial volatility and weakened investor confidence in the utility  
2 sector over the medium to long-term.<sup>49</sup>

3 **Q. ARE THERE BENCHMARKS AVAILABLE FOR GENERAL CHANGES IN**  
4 **CAPITAL COSTS?**

5 **A.** Yes. Although the cost of equity is not observable, a number of market benchmarks  
6 provide a gauge for the direction of capital costs, including required returns on common  
7 stocks. The Commission has noted that “prime interest rates and U.S. Treasury and  
8 public utility bond yields” may be considered as “indications of a change in capital  
9 market conditions.”<sup>50</sup> Yields on 30-year Treasury bonds are generally accepted as a  
10 guide to the risk-free rate. While yields on long-term Treasury bonds can be impacted  
11 by monetary policy (*e.g.*, quantitative easing) or a flight to safety in times of turmoil,  
12 they provide an observable benchmark for underlying trends in capital costs. Similarly,  
13 utility bonds are actively traded in the debt markets and yield trends indicate the  
14 direction and magnitude of changes in required returns. Although not specific to long-  
15 term capital costs, the target range for the Federal Funds rate established by the Federal  
16 Reserve is also widely followed by investors as a metric for monetary policies and  
17 underlying capital market conditions.

18 **Q. DO TRENDS IN BOND YIELDS INDICATE THAT THE COST OF EQUITY**  
19 **HAS INCREASED IN RECENT YEARS?**

20 **A.** Yes. Figure AMM-4 below compares widely referenced capital market benchmarks  
21 during 2021 with those in December 2025.

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<sup>49</sup> S&P Global Ratings, *Navigating Tariffs’ Credit Implications Across Asset Classes*,  
Comments (Jun. 17, 2025).

<sup>50</sup> Coakley Briefing Order, 165 FERC ¶ 61,030 at P 29.

**FIGURE AMM-4  
CAPITAL MARKET BENCHMARKS**

<b>Series</b>	<b>2021</b>	<b>December 2025<sup>1</sup></b>	<b>Change (bps)</b>
10-Year Treasury Bonds	1.44%	4.18%	274
30-Year Treasury Bonds	2.05%	4.78%	273
Baa Utility Bonds	3.35%	5.88%	253
Prime Loan Rate	3.25%	7.24%	399
Federal Funds Rate	0.13%	4.12%	399

Source: <https://fred.stlouisfed.org>; Moody's Credit Trends.

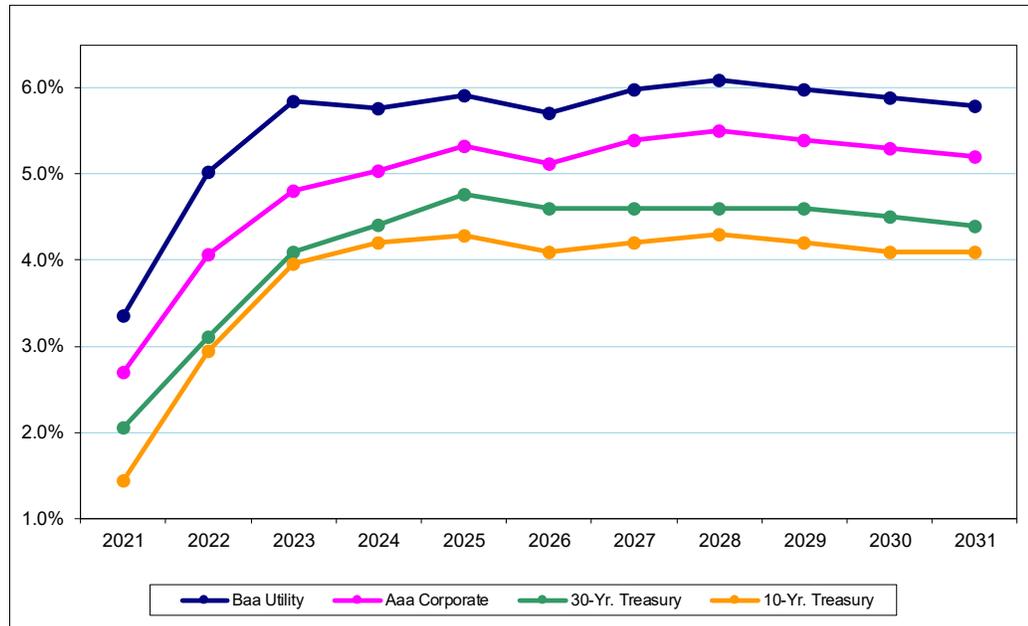
<sup>1</sup> Six-month average yields.

1           As shown above, trends in bond yields since 2021 document a substantial  
2 increase in the returns on long-term capital demanded by investors. With respect to  
3 utility bond yields, which are the most relevant indicator in gauging the implications  
4 for KJT's common equity investors, six-month average yields in December 2025  
5 exceed 2021 levels by more than 250 basis points.

6 **Q. DO INVESTORS ANTICIPATE THAT THESE HIGHER BOND YIELDS WILL**  
7 **BE SUSTAINED?**

8 **A.** Yes. As illustrated in Figure AMM-5 below, the most recent long-term consensus  
9 projections from top economists published by Blue Chip document that long-term bond  
10 yields are expected to remain elevated when compared to recent historical levels.

**FIGURE AMM-5  
INTEREST RATE TRENDS**



Source: Moody's Investors Service; <https://fred.stlouisfed.org/>; Wolters Kluwer, Blue Chip Financial Forecasts (Dec. 1, 2025).

1 This evidence shows that long-term capital costs, including the ROE, have  
 2 increased substantially since 2021, and that investors expect these higher capital costs  
 3 to be sustained at least through 2031.

4 **Q. THE FEDERAL RESERVE LOWERED THE TARGET RANGE FOR THE**  
 5 **FEDERAL FUNDS RATE SEVERAL TIMES IN 2024 AND 2025. DOES THIS**  
 6 **CHANGE YOUR CONCLUSION THAT THE COST OF EQUITY IS NOW**  
 7 **SIGNIFICANTLY HIGHER?**

8 **A.** No. Bond yields embody the market's expectations of future events, including Federal  
 9 Reserve monetary policy and inflation trends. For example, a Reuters.com article on  
 10 the day of the Federal Reserve's September 2024 rate action confirmed that it, along  
 11 with future cuts to the federal funds rate, were anticipated:

12 The U.S. central bank on Wednesday kicked off an anticipated series of  
 13 interest rate cuts with a larger-than-usual half-percentage-point  
 14 reduction that Federal Reserve Chair Jerome Powell said was meant to

1 show policymakers' commitment to sustaining a low unemployment  
2 rate now that inflation has eased.<sup>51</sup>

3 In response to the more September 2025 rate cut, Guy Lebas, Chief Fixed Income  
4 Strategist at Janney Capital Management, observed, “This was about as close to  
5 expectations as humanly possible (and) basically what was baked into markets ahead  
6 of time.”<sup>52</sup> Similarly, Uto Shinohara, Senior Investment Strategist at Mesirow  
7 Currency Management, confirmed that “the Fed delivered a widely expected rate cut”  
8 in October 2025,<sup>53</sup> while Business Insider characterized the December move as “in  
9 alignment with expectations.”<sup>54</sup> Similarly, the forecasts of leading economists  
10 presented in Figure AMM-5 also consider expectations for future changes in Federal  
11 Reserve monetary policies.

12 Long-term interest rates and capital cost are also influenced by a host of  
13 considerations beyond the Federal Funds rate, which is an overnight lending rate  
14 between banks. For example, Moody’s noted the potential for higher broad-based  
15 tariffs on imports and deficit-financed tax cuts to “result in some combination of higher  
16 inflation and interest rates.”<sup>55</sup> There is no indication that the impact of any near-term

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<sup>51</sup> Reuters.com, *Fed unveils oversized rate cut as it gains 'greater confidence' about inflation* (Sept. 18, 2024), <https://www.reuters.com/markets/rates-bonds/with-feds-rate-cut-hand-debate-swirls-over-how-big-move-2024-09-18/> (last visited Oct. 12, 2024) (emphasis added).

<sup>52</sup> Reuters.com, *Instant View: Analysts react after Fed cuts interest rates by quarter of a percentage point* (Sep. 17, 2025), <https://www.reuters.com/business/view-fed-lowers-rates-by-quarter-point-powell-says-was-risk-management-cut-2025-09-17/> (last visited Sep. 23, 2025) (emphasis added).

<sup>53</sup> Reuters.com, *Instant View: Fed delivers expected rate cut; Powell says December rate cut not assured* (Oct. 29, 2025), <https://www.reuters.com/business/view-fed-delivers-expected-rate-cut-nods-limits-data-during-shutdown-2025-10-29/> (last visited Dec. 15, 2025).

<sup>54</sup> Business Insider, *Fed meeting recap: Central bank cuts rates for a 3<sup>rd</sup> time—and shows its biggest split in years* (Dec. 10, 2025). <https://www.businessinsider.com/fed-rate-cut-decision-december-meeting-live-updates-2025-12?utm> (last visited Dec. 15, 2025).

<sup>55</sup> Moody’s Investors Service, *Trump Take Two (Take Two)*, Economic View (Nov. 19, 2024).

1 cuts in the Federal Funds rate have erased the significant increase in key interest rate  
2 benchmarks documented in Figure AMM-4.

3 **Q. WHAT DO THESE TRENDS INDICATE REGARDING A JUST AND**  
4 **REASONABLE ROE FOR KJT?**

5 **A.** The upward trend in interest rates since 2021 suggests that long-term capital costs,  
6 including the cost of equity, have increased significantly in recent years. Current  
7 capital market conditions reflect the reality of the situation in which KJT must attract  
8 and retain capital. If the upward shift in investors' risk perceptions and required rates  
9 of return for long-term capital is not reflected in the allowed ROE, the result will fail  
10 to meet the comparable earnings standard that is fundamental in determining the cost  
11 of capital. From a more practical perspective, failing to provide investors with the  
12 opportunity to earn a rate of return commensurate with KJT's risks will weaken the  
13 Company's financial integrity and undermine its ability to attract necessary capital.

#### **IV. PROXY GROUP SELECTION**

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

15 **A.** This section describes how I identify the proxy group of publicly traded electric utilities  
16 used to apply the financial models described in my testimony.

17 **Q. HOW DO YOU IMPLEMENT QUANTITATIVE METHODS TO ESTIMATE**  
18 **THE COST OF COMMON EQUITY FOR KJT?**

19 **A.** Estimating the cost of common equity using quantitative methods requires observable  
20 capital market data, such as stock prices and beta values, that is not available for KJT.  
21 Even for a firm with publicly traded stock, the cost of common equity can only be  
22 estimated and the results of quantitative models inherently include some degree of  
23 error. The accepted approach is to apply alternative financial models to a proxy group  
24 of publicly traded companies that investors regard as risk comparable. The results of

1 the analysis for the proxy companies are relied upon to establish a range of  
2 reasonableness for the cost of equity for the specific company at issue.

3 **Q. WHAT SPECIFIC CRITERIA DO YOU APPLY TO IDENTIFY A PROXY**  
4 **GROUP OF REGULATED ELECTRIC UTILITIES?**

5 **A.** Consistent with the Commission’s accepted approach, I begin with the following  
6 criteria to identify a proxy group of electric utilities:

- 7 1. Companies that are included in the Electric Utility Industry groups  
8 compiled by *Value Line*.
- 9 2. Electric utilities that paid common dividends over the last six  
10 months and have not announced a dividend cut since that time.
- 11 3. Electric utilities with no ongoing involvement in a major merger or  
12 acquisition that would distort quantitative results.

13 In addition, the Commission has determined that credit ratings from both major  
14 agencies—Moody’s and S&P—should be considered independently as screening  
15 criteria when evaluating comparable risk. In evaluating credit ratings to identify a  
16 proxy group of utilities with comparable risks, the Commission has adopted a  
17 “comparable risk band,” interpreted as including utilities with credit ratings that are  
18 one “notch” higher or lower than the corporate credit ratings of the utility at issue and  
19 within the investment grade ratings scale.

20 **Q. HOW DO YOU APPLY THE COMMISSION’S CREDIT RATINGS CRITERIA**  
21 **TO KJT?**

22 **A.** Neither KJT nor its immediate upstream owners (NEET and ETC) have an issuer credit  
23 rating. Credit ratings assigned to NextEra and Exelon by Moody’s and S&P are shown  
24 below in Figure AMM-6:

**FIGURE AMM-6  
ISSUER CREDIT RATINGS**

	<u>Moody's</u>	<u>S&amp;P</u>
NextEra Energy	Baa1	A-
Exelon Corporation	Baa2	A-

1           Applying the one notch higher or lower band to the Moody's issuer ratings for  
2 NextEra and Exelon results in a screening criterion of Baa3 to A3. Meanwhile, the  
3 comparable risk band based on S&P credit ratings is BBB+ to A.

4 **Q. WHAT OTHER FACTORS DID YOU CONSIDER IN ARRIVING AT YOUR**  
5 **PROXY GROUP?**

6 **A.** Edison International is a holding company for SoCal Edison, which supplies electricity  
7 to over five million customers in central, coastal, and southern California. In January  
8 2025, several wind-driven wildfires impacted portions of SoCal Edison's service area,  
9 causing catastrophic damage. One of the largest of these wildfires, the Eaton Fire,  
10 ignited in SoCal Edison's service area in Los Angeles County and spread under  
11 conditions of an extreme Santa Ana windstorm. Lawsuits have been filed against  
12 Edison International and SoCal Edison by firms representing residents, shareholders,  
13 insurers, Los Angeles County, and the cities of Pasadena and Sierra Madre, alleging  
14 that SoCal Edison's equipment was the ignition source of the Eaton Fire. Uncertainties  
15 surrounding the outcome of this litigation led to a significant drop in Edison  
16 International's stock price, which declined from approximately \$80 per share on  
17 January 2, 2025, to approximately \$52 one month later. While this highlights the  
18 potential impact of wildfire risk on investors' required rate of return, I exclude Edison  
19 International from the proxy group at this time.

1 **Q. PLEASE IDENTIFY THE PROXY GROUP USED IN YOUR ANALYSES.**

2 **A.** As shown on Exhibit No. AM-004, applying the criteria outlined above results in a  
3 proxy group of twenty-five utilities, which I refer to as the “Electric Group.”

**V. APPLICATION OF FINANCIAL MODELS**

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

5 **A.** This section explains my application of financial models to estimate the cost of equity  
6 for the proxy group. With respect to the DCF model, my evidence demonstrates that  
7 the growth assumptions underlying the Commission’s two-step DCF approach are  
8 arbitrary, unsupported, and inconsistent with evidence regarding investors’  
9 expectations. In addition, I present my application of the CAPM and explain why the  
10 Commission should continue to rely on beta values from *Value Line* for this purpose.

11 While the Commission concluded in its Order on Remand that there was  
12 “insufficient record evidence to include the Risk Premium model” in that proceeding,<sup>56</sup>  
13 the Commission left open the possibility of using the Risk Premium model in future  
14 proceedings if parties can (1) provide sufficient evidence demonstrating that investors  
15 use the risk premium approach and (2) address the Commission’s concerns regarding  
16 the “circularity [] inherent in the Risk Premium model.”<sup>57</sup> This section provides  
17 evidence that the Risk Premium method is widely accepted by investors, and responds  
18 to the Commission’s circularity concerns.

19 Similarly, the Commission criticized the Expected Earnings approach in  
20 Opinion No. 569 and reiterated those critiques in Opinion No. 569-A, but concluded  
21 that “we do not necessarily foreclose its use in future proceedings.”<sup>58</sup> My testimony

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<sup>56</sup> Order on Remand, 189 FERC ¶ 61,036 at P 1.

<sup>57</sup> *Id.* at P 24.

<sup>58</sup> Opinion No. 569-A, 171 FERC ¶ 61,154 at P 132.

1 explains that the criticisms raised by the Commission are unjustified and supports  
2 reference to the Expected Earnings approach as a meaningful benchmark in evaluating  
3 a fair ROE.

#### A. DCF Model

4 **Q. WHAT MARKET VALUATION PROCESS UNDERLIES DCF MODELS?**

5 **A.** DCF models assume that the price of a share of common stock is equal to the present  
6 value of the expected cash flows (*i.e.*, future dividends and stock price appreciation)  
7 that will be received while holding the stock, discounted at investors' required rate of  
8 return. Thus, the cost of equity is the discount rate that equates the current price of a  
9 share of stock with the present value of all expected cash flows from the stock.

10 **Q. WHAT FORM OF THE DCF MODEL IS CUSTOMARILY USED TO**  
11 **ESTIMATE THE COST OF EQUITY?**

12 **A.** Rather than developing annual estimates of cash flows into perpetuity, the DCF model  
13 can be simplified to a "constant growth" form:<sup>59</sup>

$$P_0 = \frac{D_1}{k_e - g}$$

14

---

<sup>59</sup> The constant growth DCF model is dependent on a number of strict assumptions, which in practice are never entirely met. These include a constant growth rate for both dividends and earnings; a stable dividend payout ratio; the discount rate exceeds the growth rate; a constant growth rate for book value and price; a constant earned rate of return on book value; no sales of stock at a price above or below book value; a constant price-earnings ratio; a constant discount rate (*i.e.*, no changes in risk or interest rate levels and a flat yield curve); and all of the above extend to infinity. (As discussed in the text below, the Commission's two-stage DCF model also depends on these assumptions, with the sole exception of the constant earnings growth rate.) Nevertheless, the constant growth DCF method provides a workable and practical approach to estimate investors' required return that is widely referenced in utility ratemaking.

1           where:     $P_0$  = Current price per share;  
2                     $D_1$  = Expected dividend per share in the coming year;  
3                     $k_e$  = Cost of equity; and  
4                     $g$  = Investors' long-term growth expectations.

5                    The cost of common equity ( $k_e$ ) can be isolated by rearranging terms within the  
6 equation:

$$k_e = \frac{D_1}{P_0} + g$$

7  
8                    This constant growth form of the DCF model recognizes that the rate of return  
9 to stockholders consists of two parts: (1) dividend yield ( $D_1/P_0$ ) and (2) growth ( $g$ ). In  
10 other words, investors expect to receive a portion of their total return in the form of  
11 current dividends and the remainder through stock price appreciation.

12 **Q.   WHAT IS THE DISTINCTION BETWEEN THE TWO-STEP DCF METHOD**  
13 **FOR ELECTRIC UTILITIES AND THE CONSTANT GROWTH DCF MODEL**  
14 **OUTLINED ABOVE?**

15 **A.**   The Commission's two-step DCF method for electric utilities assumes that investors  
16 differentiate between near-term growth forecasts, such as the EPS growth rates  
17 published by securities analysts, and some notion of longer-term growth extending into  
18 the distant future. Under the Commission's two-step DCF method, the first growth rate  
19 is represented by analysts' consensus EPS growth projections specific to each  
20 individual utility in the proxy group, while the second growth rate is based on long-  
21 term forecasts of growth in nominal GDP. Based on this assumption of disparate  
22 growth expectations, the two-step DCF method employs two separate growth rates for  
23 each company, which are weighted to arrive at a single value for the "g" component.

24

1 **Q. HAS THE COMMISSION EVER ESTABLISHED THROUGH EVIDENCE**  
2 **THAT INVESTORS USE A TWO-STEP DCF MODEL TO EVALUATE THE**  
3 **REQUIRED RATE OF RETURN FOR ELECTRIC UTILITY COMMON**  
4 **STOCKS?**

5 **A.** No. Since the two-step DCF model was first adopted for electric utilities in Opinion  
6 No. 531, the Commission has not offered any evidence to demonstrate that investors  
7 apply a two-step DCF model when evaluating electric utility common stocks. Nor is  
8 there any objective support for the specific weighting factors the Commission assigns  
9 to EPS and GDP growth rates.<sup>60</sup> There is no evidence that the Commission's two-step  
10 DCF model is used by investors or reflects their expectations.

11 **Q. IS THERE ANY REASON THAT THE GROWTH RATES USED IN A DCF**  
12 **ANALYSIS MUST BE CONSTRAINED BY THE OVERALL GROWTH OF**  
13 **THE ECONOMY, AS THE TWO-STEP DCF APPROACH ASSUMES?**

14 **A.** No. The notion that long-term GDP growth effectively constrains the DCF growth rate  
15 for electric utilities is highly tenuous. There are several reasons why GDP growth is  
16 not relevant in applying the DCF model:

17 1. Practical application of the DCF model does not require a long-term  
18 growth estimate over a horizon of 30 years and beyond—it requires  
19 a growth estimate that matches investors' expectations.

---

<sup>60</sup> In 2014, the Commission adopted a weighting approach when applying the two-step DCF methodology. Under that approach, the short-term growth rate for electric utilities would receive a two-thirds weighting and the long-term GDP growth rate would receive a one-third weighting. Opinion No. 531, 147 FERC ¶ 61,234 at PP 17-23. In Opinion No. 569-A, the Commission altered its approach, applying an 80% weighting to the short-term growth rate and a 20% weighting to the long-term growth rate. Opinion No. 569-A, 171 FERC ¶ 61,154 at P 209. To my knowledge, the Commission has never substantiated the specific values it assigns when weighting GDP growth by reference to any published financial research or cited any publication to demonstrate that the investment community uses the Commission's weightings or considers them to be relevant in evaluating expected returns for electric utility stocks.

- 1                   2. Evidence supports the conclusion that investors do not reference  
2                   long-term GDP growth in evaluating expectations for individual  
3                   common stocks, including those in the electric utility industry.
- 4                   3. The theoretical proposition that growth rates for all companies  
5                   converge to overall growth in the economy over the very long term  
6                   does not guide investors' views, and growth rates for electric  
7                   utilities routinely exceed GDP growth.
- 8                   4. There is no evidence that investors' growth expectations for  
9                   regulated electric utilities have begun to converge to that of the  
10                  economy.

11                   In short, there is no direct evidence that investors look to GDP growth rates in  
12                  the distant future in assessing their expectations for electric utility common stocks.  
13                  Opinion No. 569 took issue with many aspects of the constant growth DCF model, but  
14                  the Commission has never appropriately addressed or grappled with this fundamental  
15                  shortcoming of its two-step DCF approach.

16   **Q.    THE DCF MODEL IS BASED ON THE ASSUMPTION OF AN INFINITE**  
17   **STREAM OF CASH FLOWS.  WHY WOULDN'T A TRANSITION TO GDP**  
18   **GROWTH MAKE SENSE?**

19   **A.**    Relying on any form of the DCF model requires making a number of assumptions that  
20           never hold true in practice.  One such assumption is a constant long-term growth rate  
21           into perpetuity.<sup>61</sup>  Although long-term growth considerations should pertain to a  
22           particular firm or industry, long-term growth forecasts for companies in the proxy  
23           group or the electric utility sector collectively are lacking.  Ultimately, the growth rate  
24           relevant to valuation is the one employed by investors.  Given the inherent uncertainty  
25           about the distant future, there is no evidence to suggest that investors view GDP growth  
26           as constraining earnings growth for electric utilities within their forecasting horizon, or  
27           that they rely on GDP growth rates to value electric utility stocks.

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<sup>61</sup>       The theory underlying the DCF model also requires that dividends, earnings, and stock prices grow at exactly the same rate forever.

1 **Q. ARE THERE CIRCUMSTANCES THAT MIGHT SUPPORT THE USE OF A**  
2 **TWO-STAGE, OR MULTI-STAGE DCF APPROACH?**

3 **A.** Yes. In instances where there is evidence that investors expect a firm to undergo phased  
4 changes, the use of multiple growth rates might arguably apply. For instance,  
5 pioneering development firms, such as tech companies, may experience high growth at  
6 the early stages of the corporate life cycle that would be expected to moderate as the  
7 firm matures. As the Commission has noted, “[s]hort-term growth may be atypically  
8 high or low depending on the industry cycle.”<sup>62</sup>

9 Alternatively, a profound and definable shift in an industry’s economics could  
10 also warrant consideration of multiple growth rates. For example, in deciding to adopt  
11 a two-step model for gas pipelines, the Commission was concerned that IBES growth  
12 rates were “too influenced by the current position of the industry,”<sup>63</sup> noting:

13 Northwest’s expert witness testified that the short-term IBES figures  
14 were at historic high levels because the pipeline industry was recovering  
15 from the deterioration in earnings resulting from the collapse in oil  
16 prices and dramatic changes in regulatory framework.<sup>64</sup>

17 However, these instances are the exception rather than the rule. There is no evidence  
18 that the transition to GDP growth implied by a two-step model fits the expectations that  
19 investors currently build into electric utility stock prices.

20 But the absolute magnitude of the disparity between the near-term growth rates  
21 for pipelines and growth in GDP that prompted the use of the two-step model does not  
22 exist in this proceeding. In *Transcontinental Gas Pipeline Corp.*, IBES growth rates

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62 Opinion No. 396-C, 81 FERC ¶ 61,036 at 61,189.

63 *Id.* at 61,197.

64 *Id.*

1 for the proxy group averaged 11.3%, whereas the GDP growth rate was 5.45%.<sup>65</sup> In  
2 this case, by contrast, the IBES EPS growth rates average 7.0% and the GDP growth  
3 rate is 3.91%.<sup>66</sup> Though the growth rates in this case are higher than GDP by roughly  
4 300 basis points, they are not comparable to those that prompted the use of a two-step  
5 DCF model for gas pipelines, which were nearly 600 basis points higher than GDP.

6 **Q. ARE LONG-TERM GDP GROWTH RATES COMMONLY REFERENCED AS**  
7 **A DIRECT GUIDE TO FUTURE EXPECTATIONS FOR SPECIFIC FIRMS,**  
8 **SUCH AS ELECTRIC UTILITIES?**

9 **A.** No. Investors consider overall trends in economic activity as one source of information  
10 for their expectations for a particular industry or firm, but there is no evidence that  
11 investment advisory services view GDP growth as a direct guide to long-term  
12 expectations for a particular firm—much less every firm in an entire industry.

13 On the contrary, the financial media typically refers to three-to-five year EPS  
14 growth forecasts for individual companies and rarely mentions long-term GDP  
15 forecasts. For example, *Value Line* reports are routinely cited as a reliable source by  
16 the Commission and others, but *Value Line* does not even mention trends in GDP in its  
17 evaluation of the firms in the electric utility industry. *Value Line*'s purpose is to inform  
18 investors of pertinent factors that could impact future expectations regarding each  
19 common stock it covers. If the 50-year trajectory of GDP growth had direct relevance  
20 in investors' evaluations of electric utility common stocks, *Value Line* and other  
21 securities analysts would highlight this in their analyses.

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<sup>65</sup> *Transcon. Gas Pipe Line Corp.*, Opinion No. 414-A, 84 FERC ¶ 61,084 (“Opinion No. 414-A”), *reh’g denied*, Opinion No. 414-B, 85 FERC ¶ 61,323 (1998) (“Opinion No. 414-B”), *aff’d sub nom. N.C. Utils. Comm’n v. FERC*, 203 F.3d 53 (D.C. Cir. 2000); *see also Williston Basin Interstate Pipeline Co.*, 91 FERC ¶ 63,005 at Att. A (2000).

<sup>66</sup> Exhibit No. AM-005 at 3.

1 **Q. HOW MUCH CONFIDENCE WOULD INVESTORS PLACE ON LONG-**  
2 **TERM GDP PROJECTIONS?**

3 **A.** Very little. Investors understand the complexities and inherent inaccuracies involved  
4 in forecasting, and the longer the forecast horizon the greater the doubt as to the  
5 meaningfulness of the data. For example, the CBO states that “economic projections  
6 are subject to a high degree of uncertainty,”<sup>67</sup> and that “uncertainty grows over time  
7 because changes in factors that affect the budget become increasingly difficult to  
8 anticipate over longer time horizon.”<sup>68</sup> As the CBO makes clear, long-term economic  
9 projections “are subject to significant uncertainty because, compounded over many  
10 years, even small changes . . . could greatly affect outcomes later in the projection  
11 period.”<sup>69</sup>

12 **Q. ARE THE SHORTCOMINGS ASSOCIATED WITH A GENERIC LONG-**  
13 **TERM GROWTH RATE RECOGNIZED IN THE FINANCE LITERATURE?**

14 **A.** Yes. Professor Myron J. Gordon, who pioneered the application of the constant growth  
15 DCF approach, concluded that reference to a generic long-term growth rate was  
16 unsupported.<sup>70</sup> More specifically, Dr. Gordon concluded that any assumption of a  
17 single time horizon for a transition to a generic long-term growth rate was highly  
18 questionable and failed to reduce error in DCF estimates.

19 Instead, Dr. Gordon specifically recognized that, “it is the growth that investors  
20 expect that should be used” in applying the DCF model, and he concluded, “A number  
21 of considerations suggest that investors may, in fact, use earnings growth as a measure

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<sup>67</sup> Congressional Budget Office, *The Long-Term Budget Outlook: 2025 to 2055*, at 14 (2025),  
available at <https://www.cbo.gov/system/files/2025-03/61187-Long-Term-Outlook-2025.pdf>.

<sup>68</sup> *Id.* at 9.

<sup>69</sup> *Id.* at 15.

<sup>70</sup> Myron J. Gordon, *The Cost of Capital to a Public Utility*, MSU Pub. Util. Studies (1974), at  
100-01.

1 of expected future growth.”<sup>71</sup> Similarly, a subsequent paper co-authored by Dr. Gordon  
2 concluded that:

3 Analysts do not predict earnings beyond five years, which suggests that  
4 any consensus of opinion among investors probably deteriorates quickly  
5 after five years.<sup>72</sup>

6 Dr. Gordon further concluded that “the consensus among investors is that the  
7 future has a finite horizon of approximately seven years.”<sup>73</sup> Meanwhile, a study  
8 reported in the *Journal of Investing* determined that there is no correlation between  
9 stock market returns or earnings growth and GDP, suggesting that investors’  
10 expectations built into observable share prices are driven by valuation measures, and  
11 not expected economic growth.<sup>74</sup> In other words, reference to long-term forecasts of  
12 GDP growth in applying the DCF model is inconsistent with investor behavior.

13 **Q. DO OTHER RECOGNIZED REFERENCE SOURCES ARGUE AGAINST THE**  
14 **USE OF A LONG-TERM GDP GROWTH RATE WHEN APPLYING THE DCF**  
15 **MODEL?**

16 **A.** Yes. Professor Roger Morin, the author of a recognized treatise on regulatory finance  
17 and upon which the Commission has relied heavily, notes that, “I am not aware of any  
18 financial literature supporting the notion that that [sic] utility earnings per share are  
19 expected to grow at the average growth of the economy; or GDP.”<sup>75</sup> This reference  
20 source goes on to observe that, “The investment community does not look to GDP

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71 *Id.* at 89.

72 Joseph R. Gordon and Myron T. Gordon, *The Finite Horizon Expected Return Model*, *Fin. Analysts J.* (May-June 1997), at 52-61.

73 *Id.*

74 Joachim Klement, *What’s Growth Got to Do with It? Equity Returns and Economic Growth*, *J. of Investing*, Vol. 24, No. 2 (Summer 2015): 74:78.

75 Roger A Morin, *Modern Regulatory Finance*, PUR Books (2021), at 486.

1 growth over the next several decades when evaluating an investment in utility stocks.”<sup>76</sup>  
2 Instead, *Modern Regulatory Finance* states that, “**the use of GDP growth as a proxy**  
3 **for expected growth in earnings is highly questionable as an input in a DCF**  
4 **analysis,”**<sup>77</sup> and concludes that “current earnings growth forecasts are the appropriate  
5 growth rates to use in a DCF analysis.”<sup>78</sup>

6 **Q. IS THERE EVIDENCE THAT LONG-TERM GDP GROWTH RATES**  
7 **UNDERSTATE INVESTORS’ EXPECTATIONS FOR ELECTRIC UTILITIES?**

8 **A.** Yes. *Value Line* reports that of the companies included in its electric utility industry  
9 groups with ten-year EPS growth rates, over 50% achieved earnings growth over the  
10 last ten years that exceeded the current 3.92% GDP growth rate ceiling under the  
11 Commission’s two-step DCF model.<sup>79</sup> These values indicate that electric utilities can  
12 and do achieve long-term growth far higher than the theoretical GDP growth limitation  
13 referenced by the Commission.

14 **Q. WHAT OTHER EVIDENCE CONTRADICTS THE PATTERN OF GROWTH**  
15 **ASSUMED IN THE COMMISSION’S TWO-STEP DCF APPROACH?**

16 **A.** According to the rationale underlying the Commission’s two-step DCF model, at some  
17 point in the future all the companies in the electric utility industry are expected to grow  
18 at a constant rate equal to the economy as a whole. This assumption is contradicted by  
19 the expectations of real-world investors in the capital markets.

20 For example, Figure AMM-7 presents the median of *Value Line*’s forecasted  
21 EPS growth rates for electric utilities beginning in 1977 (in blue), along with a trendline  
22 (in red).

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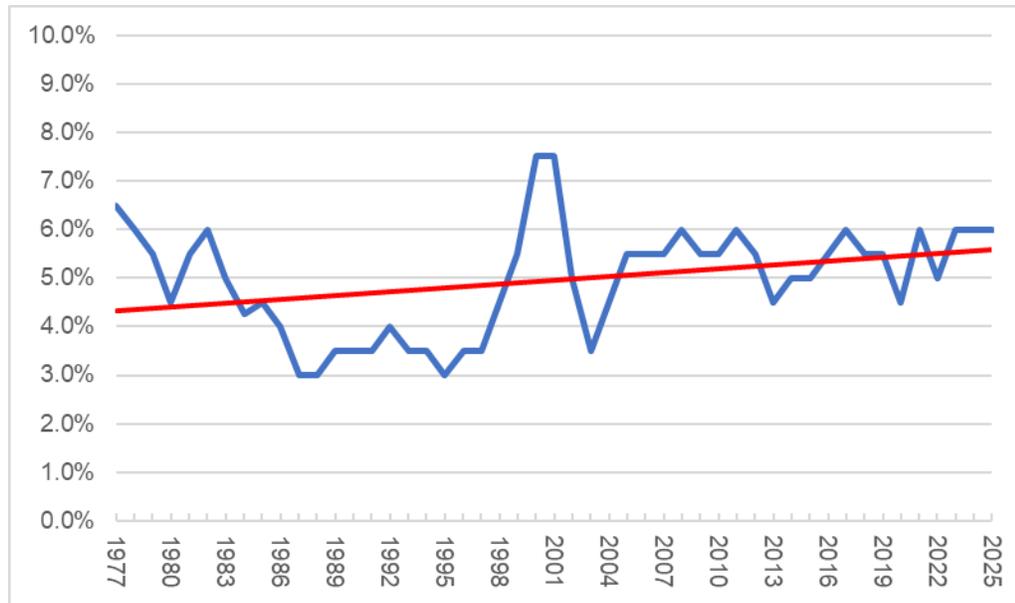
<sup>76</sup> *Id.*

<sup>77</sup> *Id.* at 488 (emphasis added).

<sup>78</sup> *Id.* at 486.

<sup>79</sup> [www.valueline.com](http://www.valueline.com) (Jan. 28, 2026).

**FIGURE AMM-7  
ELECTRIC UTILITY EPS GROWTH PROJECTIONS**



1 Under the theory that growth rates for electric utilities are trending towards the  
2 economy as a whole, expected growth in EPS should have gradually moved towards  
3 GDP over the past four decades. In fact, however, there has been no observable  
4 declining trend in expected growth rates over the last 48 years. This provides another  
5 indication that the GDP growth rate used in the Commission's two-step DCF model is  
6 not related to investors' growth expectations for electric utilities.

7 **Q. DO EXPECTATIONS FOR THE UTILITY INDUSTRY SUPPORT A LONG-**  
8 **TERM TREND TOWARDS GDP GROWTH?**

9 **A.** No. Industry fundamentals do not suggest that investors are anticipating growth rates  
10 for electric utilities to uniformly trend downward to the growth rate in the overall  
11 economy. At least in part, growth in the electric utility industry is created by additional  
12 infrastructure investment. Contrary to the assumption that growth trends will mirror  
13 GDP, investors recognize that the electric utility industry has entered a long-term cycle  
14 of significant capital spending.

1           The need for additional infrastructure investment in the utility industry is being  
2 driven in large part by reliability concerns, load growth and fundamental changes in  
3 electric generation mix. Consistent with these observations, the Edison Electric  
4 Institute has stated that its members are projected to invest more than \$1.1 trillion in  
5 the next five years to electric utility infrastructure investment.<sup>80</sup>

6           The investment community understands that utilities are facing the prospect of  
7 a long-term commitment to infrastructure investment. As S&P summarized:

8           Multiple drivers are expected to impel elevated spending over the next  
9 several years, such as pent-up demand to replace and modernize aging  
10 infrastructure and the impact from the significant number of states  
11 having renewable portfolio standards that incorporate large expansions  
12 in low-carbon generation. . . . The nation's electric and gas utilities are  
13 investing in updating aging transmission and distribution, or T&D,  
14 systems; building new gas, solar and wind generation; and  
15 implementing new technologies, such as those associated with smart  
16 meter deployment, smart grid systems, cybersecurity measures and  
17 battery storage.<sup>81</sup>

18           S&P concluded that, “These considerable levels of spending are expected to  
19 serve as the basis for solid profit expansion in the sector *for the foreseeable future.*”<sup>82</sup>  
20 More recently, S&P confirmed its expectation that “capital spending will grow at  
21 unprecedented levels during the next decade,”<sup>83</sup> and concluded that this growth in the  
22 rate base is leading to expectations for accelerating earnings growth, with consensus  
23 estimates from S&P Capital IQ indicating that EPS is expected to rise at 9% over 2024-

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<sup>80</sup> Edison Electric Institute, *Issues & Policy: Finance & Tax*,  
<https://www.eei.org/issuesandpolicy/Pages/FinanceAndTax.aspx> (last visited Jan. 28, 2026).

<sup>81</sup> S&P Global Market Intelligence, *Seismic shift in capex plans reported by utilities for 2023 through 2025*, Financial Focus (Mar. 16, 2023).

<sup>82</sup> *Id.* (emphasis added).

<sup>83</sup> S&P Global Ratings, *North America Regulated Utilities*, Industry Credit Outlook 2026 (Jan. 14, 2026).

1 29.<sup>84</sup> Far from suggesting a decline in growth towards GDP, S&P noted that “further  
2 upside potential results from an array of tailwinds within the sector, particularly around  
3 data center growth . . . and consequently, future earnings potential—within the  
4 sector.”<sup>85</sup>

5 **Q. WHAT OTHER INDUSTRY FUNDAMENTALS CONTRADICT AN**  
6 **ASSUMPTION THAT ELECTRIC UTILITY GROWTH RATES ARE**  
7 **EXPECTED TO TREND DOWNWARDS?**

8 **A.** AI is expected to drive significant growth in the electric utilities industry, both by  
9 increasing demand for electricity and by helping utilities improve their operations.  
10 Goldman Sachs recently concluded that, “US electricity demand is set to surge,” and  
11 that, “US utilities will need to invest around \$50 billion in new generating capacity just  
12 to support data centers alone.”<sup>86</sup> Similarly, Morningstar reported that stock prices for  
13 electric utilities have been driven higher, in part because of expectations “that the sector  
14 will benefit from increased data center demand sparked by the artificial intelligence  
15 boom.”<sup>87</sup> Contradicting the Commission’s growth rate assumptions, Bloomberg  
16 reported that expectations for higher growth driven by AI is turning electric utility  
17 common stocks into proxies for technology shares.<sup>88</sup> As Bloomberg reported to  
18 investors:

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<sup>84</sup> S&P Global Ratings, *North American electric utilities review*, Commodity Insights (Jul. 23, 2025).

<sup>85</sup> *Id.*

<sup>86</sup> Goldman Sachs, *AI is poised to drive 160% increase in data center power demand* (May 14, 2024), <https://www.goldmansachs.com/insights/articles/AI-poised-to-drive-160-increase-in-power-demand> (last visited Nov. 4, 2024).

<sup>87</sup> Gabe Alpert, *Inside the Big Rally in Utilities Stocks*, Morningstar (Oct. 25, 2024), <https://www.morningstar.com/stocks/inside-big-rally-utilities-stocks> (last visited Nov. 4, 2024).

<sup>88</sup> Carmen Reinicke, *AI’s Thirst for Power Turns Utility Stocks Into Big Tech Proxies*, Bloomberg (Oct. 9, 2024), <https://finance.yahoo.com/news/ai-thirst-power-turns-utility-140059508.html> (last visited Mar. 27, 2025).

1           Until recently, utilities were mostly the purview of dividend investors  
2           who have long held the stable-if-boring shares just to pocket reliable  
3           payments, says Travis Miller, a utility analyst at Morningstar. Now, it's  
4           a lot of growth investors who see the potential for big increases in  
5           earnings. Other analysts say their usual "utility mafia" clients—  
6           industry slang for those who only look at the sector—have been joined  
7           by eager tech, industrial and global investors.<sup>89</sup>

8           Bloomberg noted that data center power demand may represent "the biggest  
9           surge in US power demand since air conditioning caught on in the 1960s," and the  
10          resulting growth expectations "has meant a lot of money flowing into the companies  
11          that sell power."<sup>90</sup>

12       **Q.    OPINION NOS. 569 AND 569-A EXPRESSED CONTINUED SUPPORT FOR**  
13       **THE USE OF GDP GROWTH IN APPLYING THE DCF MODEL TO**  
14       **ELECTRIC UTILITIES. DO YOU AGREE WITH THIS CONCLUSION?**

15       **A.**    No. The support offered by the Commission is unpersuasive. For example, Opinion  
16       No. 569 cited a Forbes article quoting Warren Buffett as saying, "When you begin to  
17       expect the growth of a component factor to forever outpace that of the aggregate, you  
18       get into certain mathematical problems."<sup>91</sup> This vague statement is hardly concrete  
19       evidence that investors base their growth projections for electric utility stocks on long-  
20       term trends for GDP.

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<sup>89</sup>       Josh Saul, *AI Turns Utility Analysts Into Rock Stars*, Bloomberg (Jul. 7, 2025),  
<https://www.bloomberg.com/news/newsletters/2025-07-07/ai-s-demand-for-power-makes-utility-analysts-popular-among-investors> (last visited Aug. 14, 2025).

<sup>90</sup>       *Id.*

<sup>91</sup>       Opinion No. 569, 169 FERC ¶ 61,129 at P 153.

1 **Q. THE QUOTE FROM MR. BUFFETT ALLUDES TO THE IDEA THAT**  
2 **GROWTH RATES FOR INDIVIDUAL COMPANIES CANNOT GROW**  
3 **FASTER THAN THE ECONOMY FOR LONG PERIODS. DOES THIS**  
4 **THEORETICAL PROPOSITION SUPPORT RELYING ON GDP GROWTH?**

5 **A.** No. Mr. Buffett highlights the mathematical certitude that if a piece of pie grows faster  
6 into perpetuity than the overall pie itself, the piece will eventually engulf the whole pie.  
7 This is simple math; I do not argue this obvious relationship. But this broad axiom  
8 does not justify the assumptions of the Commission's two-step DCF model. Just as  
9 companies do not grow forever, investors do not hold stocks forever and cannot see  
10 into the distant future. Investors also realize that projections become increasingly  
11 tenuous as the forecast horizon expands. Moreover, the present value of any cash flows  
12 so far in the future would also be so miniscule that it would not move the needle in  
13 stock valuation. To estimate the growth rate investors had in mind when they purchased  
14 a common stock, we must look to information that investors use to make their  
15 decisions.

16 To the extent that professional security analysts feel that trends in GDP affect a  
17 company's growth expectations in the time frame relevant to investors, it is already  
18 incorporated into their published EPS growth forecasts. In addition, companies differ  
19 in the degree to which growth is impacted by the national economy. Utilities vary in  
20 their exposure as some service territories are more sensitive to national economic  
21 conditions than others. These inherent differences are obviously reflected in security  
22 analysts' growth projections for individual companies, which are indicative of the  
23 expectations that underlie stock prices.

24 Additionally, the "mathematical problems" noted by Mr. Buffett are highly  
25 theoretical. The time necessary for any company to grow to the magnitude of the entire

1 economy is so long that no investors are likely to include this horizon in their decision  
2 to buy stock today. For example, consider the utilities in my proxy group which had  
3 total earnings of \$52.9 billion in 2025 and an expected EPS growth rate of 7.01%. In  
4 2025, GDP was approximately \$30.62 trillion.<sup>92</sup> Assuming the Commission’s GDP  
5 growth rate of 3.91%,<sup>93</sup> these firms would not overtake the value of the economy until  
6 the year 2242 – 217 years after the IBES growth forecasts were published. The fact  
7 that such a time horizon is so far beyond the plausible consideration of investors  
8 highlights the gap between the theoretical proposition alluded to by the Commission  
9 and practical application of the DCF model.

10 Similarly, the Commission cites *New Regulatory Finance* for the theoretical  
11 proposition that growth for all companies must “converge to a level consistent with the  
12 growth rate of the aggregate economy,”<sup>94</sup> but this does not substantiate the assumption  
13 that investors anticipate growth for all electric utilities to coalesce at a 50-year growth  
14 projection for GDP. As indicated earlier, the most recent edition of this same reference  
15 source rejects using GDP growth when using the DCF model to estimate the cost of  
16 equity for utilities.<sup>95</sup> Moreover, as discussed above, there is no indication that  
17 generalized conceptual assumptions regarding the relationship between corporate

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<sup>92</sup> International Monetary Fund, *World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim* (IMF). <https://www.imf.org/-/media/files/publications/weo/2025/october/english/statsappendix.pdf> (last visited Jan. 30, 2026).

<sup>93</sup> Exhibit No. AM-005 at 3.

<sup>94</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 152 (citing Roger A Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 308).

<sup>95</sup> Dr. Morin himself has not customarily utilized the two-stage DCF model or factored in long-term growth rates in his DCF model when estimating the ROE for electric utilities. *See, e.g., Oklahoma Gas and Electric Company*, Oklahoma Corporation Commission, Cause No. PUD 201700496, Direct Testimony of Roger A. Morin at 21 (Jan. 16, 2018) (noting, “I used Value Line’s growth forecasts as well as analysts’ long-term growth forecasts reported in Zacks as proxies for investors’ growth expectations in applying the DCF model.”); *San Diego Gas & Electric Co.*, Docket No. ER19-221-000, at Exhibit Nos. SD-0019, SD-0024 and SD-0025 (filed Oct. 30, 2018).

1 profits and GDP are driving investors' views for electric utility common stocks, given  
2 long-term expectations for elevated capital investment and accelerated growth driven  
3 by AI and cloud computing services.

4 Likewise, the Commission's dismissal of Dr. Myron Gordon's conclusions in a  
5 1974 article as dated<sup>96</sup> fails to consider the findings of his more recent research, which  
6 determined that "the consensus among investors is that the future has a finite horizon  
7 of approximately seven years."<sup>97</sup> This contradicts the assumption of the Commission's  
8 two-step DCF approach, which is premised on GDP growth projections that encompass  
9 a 50-year horizon.

10 Opinion No. 569's attempt to disregard the fact that some electric utilities  
11 achieve EPS growth well in excess of GDP over a long historical horizon is also  
12 unavailing. The Commission argues that such observations can be dismissed simply  
13 because average growth for the industry as a whole is much lower.<sup>98</sup> But the DCF  
14 model requires a growth rate that reflects investors' expectations specific to each firm  
15 in the proxy group, not a generic, industry-wide average. Just because a specific growth  
16 rate might diverge from the industry average does not mean it is not representative of  
17 investors' expectations underlying the corresponding stock price. The fact that actual  
18 growth rates for electric utilities exceed GDP over long periods contradicts the central  
19 premise of the Commission's two-step DCF approach.

20 Opinion No. 569-A granted that growth expectations for electric utilities were  
21 not comparable to trends for natural gas pipelines,<sup>99</sup> but instead of abandoning its two-

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<sup>96</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 152.

<sup>97</sup> Joseph R. Gordon and Myron T. Gordon, *The Finite Horizon Expected Return Model*, Fin. Analysts J. (May-Jun. 1997), pp. 52-61.

<sup>98</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 154.

<sup>99</sup> Opinion No. 569-A, 171 FERC ¶ 61,154 at PP 58, 59.

1 step DCF model, the Commission subjectively decreased the weight assigned to the  
2 GDP growth rate, which was in the first instance arbitrary and unsupported.<sup>100</sup>  
3 Decreasing the emphasis on GDP growth does not address the lack of clear evidence  
4 connecting long-term GDP trends to investors' growth expectations for electric utility  
5 stocks.

6 Opinion No. 569-A's suggestion that a long-term growth rate is necessary to  
7 "aid in normalizing any distortions that might be reflected in short-term data" is equally  
8 unfounded.<sup>101</sup> The Commission's tests of low and high-end cost of equity estimates  
9 already address the potential for illogical results due to distorted data. Inserting a  
10 constant GDP growth rate that does not have an established link to investors'  
11 expectations for individual utility stocks undermines the reliability of the DCF results.

12 The Commission has recognized that the results of the two-step DCF model do  
13 not necessarily provide a meaningful guide to investors' cost of equity. For example,  
14 the Commission confirmed the potential unreliability of its two-step DCF model in  
15 Opinion No. 531, noting that an ROE based on the midpoint of the DCF range would  
16 violate the *Hope* and *Bluefield* standards.<sup>102</sup> The Commission subsequently affirmed  
17 that relying on its two-step DCF methodology alone "will not produce a just and  
18 reasonable ROE," and that this method "may no longer singularly reflect how investors  
19 make their decisions."<sup>103</sup> There is no evidence that the growth assumptions underlying  
20 the Commission's two-step DCF model reflect investor expectations for electric utility

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<sup>100</sup> To my knowledge, the Commission has never substantiated the weighting it assigns to GDP growth (whether 2/3rds or 1/5<sup>th</sup>) by reference to any published financial research, or cited any publication to demonstrate that the investment community uses the Commission's weighting or considers it to be relevant in evaluating expected returns for electric utility stocks.

<sup>101</sup> *Id.* at P 60.

<sup>102</sup> Opinion No. 531, 147 FERC ¶ 61,234 at P 142.

<sup>103</sup> Coakley Briefing Order, 165 FERC ¶ 61,030 at PP 32, 40; MISO Briefing Order, 165 FERC ¶ 61,118 at PP 34, 42.

1 common stocks and my evaluation of a fair ROE relies on the constant growth form of  
2 DCF model.

3 **Q. HOW DO YOU DETERMINE THE DIVIDEND YIELD FOR THE UTILITIES**  
4 **IN YOUR PROXY GROUP?**

5 **A.** An average dividend yield is developed for each utility in the Electric Group during the  
6 six months from July to December 2025. This calculation is made by dividing the  
7 indicated dividend in each month by the corresponding average of the monthly low and  
8 high stock prices.

9 **Q. WHAT GROWTH RATE DO YOU USE TO ADJUST THIS HISTORICAL**  
10 **DIVIDEND YIELD?**

11 **A.** Consistent with the Commission's guidance, I adjust the historical dividend yield using  
12 the analysts' EPS growth estimate.<sup>104</sup>

13 **Q. WHAT IS THE SOURCE OF THE ANALYSTS' CONSENSUS EPS GROWTH**  
14 **RATES USED IN YOUR APPLICATION OF THE CONSTANT GROWTH DCF**  
15 **MODEL?**

16 **A.** I rely on IBES earnings growth rates for the utilities in the Electric Group, which are  
17 compiled and published by LSEG.<sup>105</sup>

18 **Q. IN EVALUATING THE RESULTS OF THE DCF MODEL, IS IT**  
19 **APPROPRIATE TO ELIMINATE ILLOGICAL COST OF EQUITY**  
20 **ESTIMATES?**

21 **A.** Yes. Consistent with Opinion No. 569-A, in applying quantitative methods to estimate  
22 the cost of equity, it is essential that the resulting values pass fundamental tests of

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<sup>104</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 98.

<sup>105</sup> While the Commission has accepted *Yahoo! Finance* as one source for IBES data, *Yahoo! Finance* no longer publishes this data. Accordingly, I obtained the IBES growth rates used in my analyses directly from LSEG source documents accessed through [www.fidelity.com](http://www.fidelity.com).

1           reasonableness and economic logic. Accordingly, DCF estimates that are implausibly  
2           high or low should be eliminated when evaluating the results of this method.

3       **Q.    WHAT IS THE COMMISSION’S CURRENT POSITION WITH RESPECT TO**  
4       **EVALUATING VALUES AT THE HIGH END OF THE RANGE?**

5       **A.**    With respect to the evaluation of individual cost of equity estimates, the Commission  
6           has established a high-end test based on 200% of the median value from each financial  
7           model before eliminating estimates at the low or high end of the range.<sup>106</sup>

8       **Q.    WHAT LOW-END THRESHOLD HAS THE COMMISSION ADOPTED?**

9       **A.**    Starting with the average yield on Baa-rated public utility bonds for the six-month study  
10           period, the Commission adds an increment equal to 20% of the market risk premium  
11           used to apply the CAPM.<sup>107</sup> Combining an average yield on Baa utility bonds of 5.88%  
12           for the six months ending December 2025 with 20% of the 7.77% average CAPM  
13           market risk premium<sup>108</sup> results in a low-end threshold of 7.43%.

14      **Q.    WHAT OTHER CONSIDERATION HAS THE COMMISSION RAISED IN**  
15      **EVALUATING COST OF EQUITY ESTIMATES?**

16      **A.**    The Commission has also suggested that cost of equity estimates should be subject to  
17           a “natural break” analysis, based on the difference between individual values and the  
18           next-lowest or next-highest estimate.<sup>109</sup>

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<sup>106</sup>    Opinion No. 569-A, 171 FERC ¶ 61,154 at P 154.

<sup>107</sup>    *Id.* at P 161; Opinion No. 569, 169 FERC ¶ 61,129 at P 387.

<sup>108</sup>    Computed as the average of the 8.46% IBES-based CAPM market risk premium (Exhibit No. AM-006) and the 7.07% *Value Line*-based CAPM market risk premium (Exhibit No. AM-008).

<sup>109</sup>    Opinion No. 569-A, 171 FERC ¶ 61,154 at P 153; Opinion No. 569, 169 FERC ¶ 61,129 at P 395.

1 **Q. DO YOU AGREE THAT EVALUATING THE GAP BETWEEN INDIVIDUAL**  
2 **COST OF EQUITY ESTIMATES MAY SERVE AS AN INDICATOR OF THEIR**  
3 **REASONABLENESS?**

4 **A.** No. A gap between adjacent ordered estimates, standing alone, conveys no information  
5 about whether an observation is aberrant, economically unreasonable, or  
6 methodologically flawed.

7 In standard statistical analysis, outliers may be evaluated by reference to  
8 dispersion measures for the distribution as a whole, not by comparing a single  
9 observation to its nearest neighbor in rank order. Treating the top estimate as  
10 presumptively suspect whenever it is separated from the next-highest effectively  
11 assumes—without evidence—that the distribution “should” be smooth and that any  
12 visible spacing at the top is error rather than information. That assumption is neither a  
13 finance principle nor a statistical one.

14 More fundamentally, the DCF model is not a random-sampling exercise in  
15 which estimates are drawn from a known probability distribution. DCF results for the  
16 proxy group reflect distinct, economically meaningful inputs—such as growth rates,  
17 payout ratios, and price levels—that themselves embody a range of investor judgments  
18 and expectations. Absent evidence that the inputs or mechanics of the model are  
19 erroneous or inconsistent with market information, the presence of a numerical “break”  
20 provides no basis for concluding that the estimate is unreliable. Excluding such  
21 observations based on an undefined, subjective cutoff risks systematically biasing  
22 results downward and diminishing the model’s ability to reflect the full range of  
23 investor-required returns observed in capital markets.

24 If the Commission cannot identify an underlying methodological flaw,  
25 excluding an estimate based solely on an undefined “break” amounts to discretionary

1 trimming that predictably biases the indicated cost of equity downward, while  
2 providing no empirical showing that the discarded estimate is “illogical” rather than  
3 merely “inconvenient.”

4 **Q. WHAT ARE THE RESULTS OF YOUR CONSTANT GROWTH DCF**  
5 **ANALYSIS?**

6 **A.** As shown on page 1 of Exhibit No. AM-005, the constant growth DCF analysis for the  
7 Electric Group results in a range of 8.23% to 15.43%. Although the “break” between  
8 individual estimates does not alone confirm their validity, removing the highest value  
9 of 15.43% yields a range of 8.23% to 13.01%, with a median of 10.44% and a midpoint  
10 of 10.62%.<sup>110</sup>

11 **Q. DO YOU ALSO APPLY THE COMMISSION’S TWO-STEP DCF APPROACH?**

12 **A.** Yes. Although I do not rely on this method to arrive at my recommendations, for  
13 purposes of completeness, I have included an application of the Commission’s two-  
14 step DCF approach on page 2 of Exhibit No. AM-005. As shown there, after removing  
15 the high-end result of 14.07%, two-step DCF results for the Electric Group ranged from  
16 8.10% to 11.75%, with a median of 9.76% and a midpoint of 9.93%.<sup>111</sup>

### **B. Capital Asset Pricing Model**

17 **Q. PLEASE DESCRIBE THE CAPM.**

18 **A.** The CAPM approach is generally considered to be the most widely referenced method  
19 for estimating the cost of equity among academicians and professional practitioners,  
20 with the pioneering researchers of this method receiving the Nobel Prize in 1990. The  
21 CAPM is a theory of market equilibrium that measures risk using the beta coefficient.

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<sup>110</sup> While the “natural break” test does not provide a reasoned basis to exclude the 15.43% high-end estimate from my constant growth DCF analysis, doing so has no effect on the median result.

<sup>111</sup> Excluding the 14.07% high-end estimate from the two-step DCF analysis results in a de minimis decrease to the median value of 3 basis points.

1 Assuming investors are fully diversified, the relevant risk of an individual asset  
2 (*e.g.*, common stock) is its volatility relative to the market as a whole, with beta  
3 reflecting the tendency of a stock's price to follow changes in the market. A stock that  
4 tends to respond less to market movements has a beta of less than 1.00, while stocks  
5 that tend to move more than the market have betas greater than 1.00. The CAPM is  
6 mathematically expressed as:

$$7 \quad R_j = R_f + \beta_j(R_m - R_f)$$

8 where:  $R_j$  = required rate of return for stock  $j$ ;

9  $R_f$  = risk-free rate;

10  $R_m$  = expected return on the market portfolio; and

11  $B_j$  = beta, or systematic risk, for stock  $j$ .

12 Like the DCF model, the CAPM is an *ex-ante*, or forward-looking, model based  
13 on expectations of the future. As a result, in order to produce a meaningful estimate of  
14 investors' required rate of return, the CAPM must be applied using estimates that  
15 reflect the expectations of actual investors in the market, not with backward-looking,  
16 historical data.

17 **Q. WHAT MARKET RATE OF RETURN WAS ADOPTED BY THE**  
18 **COMMISSION TO APPLY THE CAPM IN OPINION NO. 569-A?**

19 **A.** Under the approach considered by the Commission in Opinion No. 569-A, the expected  
20 market rate of return was estimated by conducting a DCF analysis on the dividend  
21 paying firms in the S&P 500.<sup>112</sup>

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<sup>112</sup> Opinion No. 569-A, 171 FERC ¶ 61,154 at P 513 (citing Opinion No. 551, 156 FERC ¶ 61,234 at PP 169, 172).

1 **Q. WHAT BETA VALUES DID THE COMMISSION ADOPT TO APPLY THE**  
2 **CAPM IN OPINION NO. 569-A?**

3 **A.** The Commission relied on the beta values reported by *Value Line*, which, in my  
4 experience, is the most widely referenced source for beta in regulatory proceedings and  
5 is widely relied upon by investors. As noted in *New Regulatory Finance*:

6 Value Line is the largest and most widely circulated independent  
7 investment advisory service, and influences the expectations of a large  
8 number of institutional and individual investors . . . . Value Line betas  
9 are computed on a theoretically sound basis using a broadly based  
10 market index, and they are adjusted for the regression tendency of betas  
11 to converge to 1.00.<sup>113</sup>

12 The fact that investors rely on *Value Line* betas in evaluating expected returns for utility  
13 common stocks provides strong support for this approach.

14 **Q. THE COMMISSION HAS SUGGESTED THAT IT MAY BE**  
15 **THEORETICALLY INCORRECT TO APPLY THE CAPM USING VALUE**  
16 **LINE BETAS AND A MARKET RETURN BASED ON THE S&P 500.<sup>114</sup> WHAT**  
17 **IS THE CRUX OF THIS ARGUMENT?**

18 **A.** Opinion No. 569-A stated that there is an “imperfect correspondence” between a market  
19 risk premium based on the dividend-paying firms in the S&P 500 and *Value Line* betas,  
20 which are determined based on a comparison of each stock’s volatility relative to the  
21 stocks in the NYSE, rather than the S&P 500. While observing that there is substantial  
22 evidence that investors rely on *Value Line* betas,<sup>115</sup> in its decision in *Constellation*

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113 Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 71.

114 Opinion No. 569-A, 171 FERC ¶ 61,154 at P 75.

115 See, e.g., Opinion No. 569-A, 171 FERC ¶ 61,154 at P 61.

1 *Mystic Power, LLC*, the Commission accepted FERC Trial Staff’s proposal to use  
2 Bloomberg-based, alternative betas derived from the returns to the S&P 500 Index.<sup>116</sup>

3 **Q. DO YOU AGREE THAT THERE MUST BE “CORRESPONDENCE”**  
4 **BETWEEN THE INDEX USED TO ESTIMATE THE MARKET RETURN AND**  
5 **THE INDEX USED TO CALCULATE BETA?**

6 **A.** No. Under the CAPM, beta measures the volatility of a firm’s stock price relative to  
7 the market as a whole. This entire “market” consists of every other possible investment  
8 opportunity, including collectible cars and gold bullion. Similar to the DCF growth  
9 rate, forward-looking market returns and beta values are not observable and must be  
10 estimated. Applying the DCF approach to the dividend-paying firms in the S&P 500  
11 provides one reasonable proxy for investors’ expected return on the “market.”  
12 Similarly, *Value Line*’s published beta values offer an objective proxy for investors’  
13 forward-looking beta. There is no requirement that these two independent estimates  
14 reference the same market index and there is no “mismatch,” as Opinion No. 569-A  
15 and *Mystic* seem to imply.

16 **Q. ARE THERE PEER-REVIEWED RESEARCH STUDIES THAT**  
17 **CONTRADICT THE “MISMATCH” ARGUMENT ORIGINALLY RAISED BY**  
18 **FERC TRIAL STAFF?**

19 **A.** Yes. The contention that there is an “imperfect correspondence” between a market  
20 return that references the S&P 500 and beta values estimated against the NYSE is  
21 contradicted by studies in the financial research. Marston & Harris noted that their  
22 research derived an estimate of the market rate of return for a sample of approximately  
23 400 companies selected from the S&P 500, while the beta values used in the study were

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<sup>116</sup> *Constellation Mystic Power, LLC*, 176 FERC ¶ 61,019, at PP 77, 85 (2021) (“*Mystic*”); see also *DATC Path 15, LLC*, 177 FERC ¶ 61,115, at P 111 (2021) (“*DATC*”).

1 calculated “against . . . all NYSE securities.”<sup>117</sup> This approach, used by recognized  
2 researchers in a peer-reviewed journal sponsored by the Eastern Finance Association,  
3 mirrors the CAPM approach adopted in Opinion No. 569-A and the Order on Remand.

4 **Q. ARE BLOOMBERG BETAS “MATCHED” TO THE MARKET RATE OF**  
5 **RETURN USED IN THE COMMISSION’S CAPM APPROACH?**

6 **A.** No. In estimating the market rate of return, the underlying DCF study adopted in the  
7 Commission’s CAPM analysis focuses only on dividend-paying companies, which  
8 generally eliminates approximately one-fifth of the firms in the S&P 500. Next, the  
9 Commission has adopted FERC Trial Staff’s recommendation to impose an artificial  
10 screen on growth estimates by eliminating companies with negative growth rates or  
11 growth rates above 20%. This generally excludes another 100 or so of the firms in the  
12 S&P 500 from consideration. As a result, there is also an “imperfect correspondence”  
13 between Bloomberg betas calculated against the S&P 500 and the estimated market  
14 return, which considers data for only about 60% of the companies in the index. The  
15 Commission and FERC Trial Staff have never explained why this significant  
16 inconsistency does not undermine Bloomberg betas.

17 **Q. ARE VALUE LINE BETAS MORE CONSISTENT WITH THE CAPM**  
18 **ASSUMPTIONS THAN A BETA CALCULATED AGAINST THE S&P 500?**

19 **A.** Yes. As noted earlier, the beta value is assumed to capture the volatility of a firm’s  
20 stock price relative to the combined price of every other investment opportunity. *Value*  
21 *Line* calculates beta using the firms in the NYSE, which includes over 2,000 common  
22 stocks. As a result, *Value Line* betas provide a more comprehensive measure of a  
23 stock’s variability relative to the broader market than does a beta that is restricted to a

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<sup>117</sup> Felicia Marston and Robert S. Harris, *Risk and Return: A Revisit Using Expected Returns*, Fin. Review (Feb. 1993). *Value Line* betas are also derived based on weekly percentage changes in the NYSE.

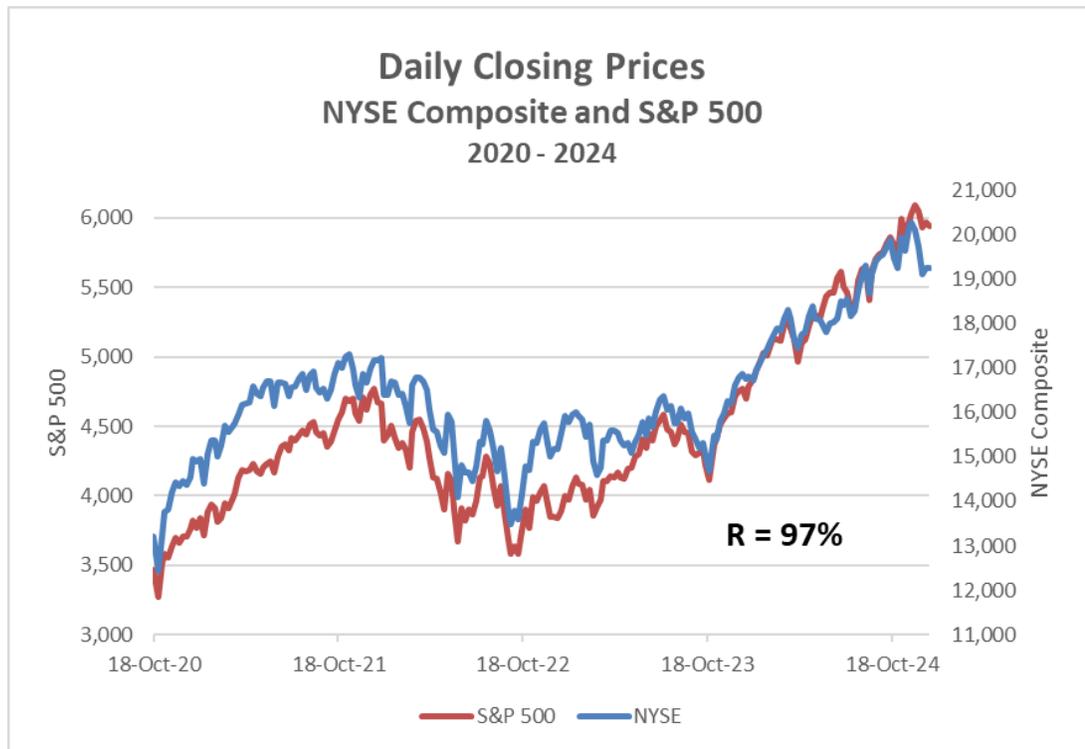
1 narrower group of 500 companies. While reference to a pared-down subset of the S&P  
2 500 may provide a practical means to estimate the market rate of return, it does not  
3 justify narrowing the definition of the overall market portfolio used to estimate beta.

4 **Q. IS THERE OTHER EVIDENCE THAT UNDERCUTS THE ARGUMENT OF A**  
5 **LACK OF CORRESPONDENCE BETWEEN A MARKET RETURN FOR THE**  
6 **S&P 500 AND *VALUE LINE* BETAS?**

7 **A.** Yes. Beta measures the variability of the price of a common stock relative to the  
8 broader market. While it is possible to calculate this measure of relative price volatility  
9 using alternative market benchmarks (*i.e.*, NYSE or S&P 500), to the extent that  
10 movements in market indices are driven by the stock prices of very large capitalization  
11 companies and thus move in tandem, the beta values using similar time periods would  
12 be indistinguishable. If there is no systemic difference in the relative movements of  
13 the NYSE and the S&P 500, then there is no basis to suggest that a beta calculated  
14 against the NYSE would not apply equally to a market rate of return estimated by  
15 reference to the S&P 500.

16 The degree to which movements in the NYSE and S&P 500 are synchronized  
17 can be tested through correlation analysis. The correlation coefficient measures the  
18 degree that two variables move together. A correlation coefficient of 0.0 would  
19 indicate that there is no consistent co-movement between two variables, while a  
20 correlation coefficient of 1.0 would indicate perfect correlation, *i.e.*, that 100% of the  
21 change in one variable is reflected in the other variable.

22 Figure AMM-8 displays the percentage changes in the NYSE and the S&P 500  
23 over the five-year period ending December 31, 2024:

**FIGURE AMM-8**

1 As indicated on the chart, this analysis results in a correlation coefficient of  
 2 0.97, meaning that weekly changes for the NYSE are almost perfectly matched by  
 3 similar movements in the S&P 500. The high degree of correlation between  
 4 movements in the NYSE and movements in the S&P 500 undercuts any notion of a  
 5 “mismatch” between *Value Line* betas and a market return predicated on a subset of the  
 6 S&P 500.

7 **Q. ARE VALUE LINE BETAS LESS ACCURATE OR TIMELY THAN THOSE**  
 8 **SOURCED FROM BLOOMBERG?**

9 **A.** No. The Commission has suggested that “unlike *Value Line* betas, [*Bloomberg* betas]  
 10 can be synchronized with the end of the study period, and they are also more precise,  
 11 as they are rounded to the nearest thousandths decimal place.”<sup>118</sup> But *Value Line* betas

<sup>118</sup> *DATC*, 177 FERC ¶ 61,115 at P 111.

1 are updated on a weekly basis, and the Commission has never demonstrated how a  
2 minor difference of at most seven days in five years of historical data would lead to  
3 greater accuracy. This distinction is inconsequential. In addition, the CAPM's focus  
4 is on investors' forward-looking expectations, not on "matching" the beta calculation  
5 with the end of an arbitrary six-month study period the Commission uses to calculate a  
6 historical dividend yield for the DCF model. The last day of the six-month dividend  
7 yield period is just that—the last day of a period. It is *not* the day that the dividend  
8 yield is acquired<sup>119</sup> or the day that analysts arrived at their estimated growth rates. In  
9 fact, the dividend yield underlying the market rate of return used in the Commission's  
10 CAPM approach relies on *Value Line*'s forecasts. As a result, it is far more likely that  
11 *Value Line* betas would be better synchronized with this data than unpublished values  
12 generated by an analyst with access to a Bloomberg terminal.

13 The argument that Bloomberg betas are more precise is equally misplaced.  
14 Adding decimal places does not imply that Bloomberg betas calculated against the S&P  
15 500 are a more accurate representation of investors' forward-looking risk perceptions.  
16 Given the narrower focus on a more restricted segment of the market as a whole, it is  
17 more plausible that betas derived from Bloomberg using the S&P 500 are less  
18 indicative of a stock's relative volatility versus the market as a whole than betas from  
19 *Value Line*. *Value Line*'s practice of rounding betas simply recognizes the imprecision  
20 inherent in all financial models used to estimate the cost of equity. Rounding the  
21 estimated market rate of return to a 100<sup>th</sup> of a basis point would have no impact on the  
22 precision of the CAPM results, and the same is true with respect to beta.

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<sup>119</sup> Under the Commission's DCF approach, the dividend yield is measured using six-months of historical information.

1 **Q. ARE THERE OTHER FACTORS THAT ALSO WEIGH IN FAVOR OF**  
2 **CONTINUED REFERENCE TO *VALUE LINE* BETAS, VERSUS THOSE**  
3 **DERIVED FROM BLOOMBERG?**

4 **A.** Yes. *Value Line* is recognized as being the most widely available source of investment  
5 information to investors, and citations in many textbooks and other sources support its  
6 usefulness as a guide to investors' expectations.<sup>120</sup> *Value Line* is available at nominal  
7 prices for paper subscription or internet access, as well as being freely available to  
8 investors in libraries and through many brokerage offices. Importantly, the beta values  
9 reported by *Value Line* are calculated using a consistent methodology.

10 This contrasts with Bloomberg-derived betas, which are dependent on criteria  
11 specified by each individual user and subject to the potential for subjective  
12 manipulation to produce a desired end-result. Meanwhile, Bloomberg is available only  
13 to a select subset of investors that can afford substantial annual subscription fees to  
14 obtain the proprietary terminal required to access Bloomberg data. The administrative  
15 benefits associated with reliance on beta values from *Value Line*, including a consistent  
16 methodology by an independent third-party and immunity to selective changes in  
17 assumptions, support continued reference to *Value Line* betas in applying the CAPM  
18 approach.

19 **Q. HOW THEN DO YOU CALCULATE THE MARKET RATE OF RETURN**  
20 **REQUIRED TO APPLY THE CAPM?**

21 **A.** I use the same approach considered by the Commission in Opinion No. 569-A.<sup>121</sup> In  
22 order to capture the expectations of today's investors in current capital markets, the

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<sup>120</sup> See, e.g., Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 71 (“Value Line is the largest and most widely circulated independent investment advisory service, and influences the expectations of a large number of institutional and individual investors.”).

<sup>121</sup> Opinion No. 569-A, 171 FERC ¶ 61,154 at P 210.

1 expected market rate of return is estimated by conducting a DCF analysis on the  
2 dividend paying firms in the S&P 500.

3 I obtain the dividend yield for each company from *Value Line* and the IBES  
4 EPS growth projections for each firm published by LSEG. As shown on Exhibit No.  
5 AM-007, after removing companies with growth rates that were negative or greater  
6 than 20%,<sup>122</sup> the weighted average of the projections for the individual firms implies  
7 an average growth rate of 11.77%. Combining this average growth rate with a weighted  
8 average dividend yield of 1.47% results in a current cost of common equity estimate  
9 for the market as a whole ( $R_m$ ) of 13.24%.

10 **Q. DOES THE COMMISSION ALSO RECOGNIZE THAT IT IS APPROPRIATE**  
11 **TO CONSIDER *VALUE LINE* GROWTH RATES IN DEVELOPING THE**  
12 **MARKET RISK PREMIUM USED TO APPLY THE CAPM?**

13 **A.** Yes. The Commission has recognized that “diversifying data sources may better reflect  
14 the data sources that investors consider in making investment decisions.”<sup>123</sup> Opinion  
15 No. 569-A concluded that *Value Line* growth rates “incorporate the input of multiple  
16 analysts” and that *Value Line*’s growth rates “are updated on a more predictable basis,”  
17 which “provides certainty about updates to key model inputs.”<sup>124</sup>

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<sup>122</sup> My use of the growth rate screen adopted in Opinion No. 569-A should not be considered an endorsement of this approach, which is based on an incorrect notion that using the DCF model to estimate the market return requires an assumption of constant growth for each of the specific firms in the S&P 500. The S&P 500 includes a broad sample of companies at all stages of growth, and the use of all of those companies to estimate the required return on common stocks reasonably reflects investors’ consensus expectations about the S&P 500 as a whole. Similarly, the United States Court of Appeals for the District of Columbia has noted that “the S&P 500 includes companies at all stages of growth, so older companies with lower growth potential will balance out younger companies with higher growth potential.” *MISO Transmission Owners v. FERC*, 45 F.4th at 260. Removing this arbitrary screen results in a weighted average growth rate of 17.79% and a dividend yield of 1.35%.

<sup>123</sup> Opinion No. 569-A, 171 FERC ¶ 61,154 at P 78.

<sup>124</sup> *Id.* at PP 80, 81.

1 **Q. DO YOU AGREE WITH THE COMMISSION THAT *VALUE LINE*'S EPS**  
2 **GROWTH PROJECTIONS SHOULD BE CONSIDERED IN ADDITION TO**  
3 **DATA FROM IBES?**

4 **A.** Yes. As noted earlier, *Value Line* is recognized as being the most widely available  
5 source of investment information that shapes the expectations of investors.<sup>125</sup> *Value*  
6 *Line*'s growth projections provide a meaningful guide to investors' expectations and  
7 there are many citations to *Value Line* in textbooks and other sources supporting its  
8 usefulness as a guide to investors' expectations. For example, *Cost of Capital – A*  
9 *Practitioners' Guide*, published by the Society of Utility and Regulatory Financial  
10 Analysts, noted that:

11 [A] number of studies have commented on the relative accuracy of  
12 various analysts' forecasts. Brown and Rozeff (1978) found that Value  
13 Line was superior to other forecasts. Chatfield, Hein and Moyer (1990,  
14 438) found, further "Value Line to be more accurate than alternative  
15 forecasting methods" and that "investors place the greatest weight on  
16 the forecasts provided by Value Line."<sup>126</sup>

17 *Value Line* is clearly a "widely-followed, independent investor service,"<sup>127</sup> and  
18 *Value Line*'s EPS growth projections provide a credible guide to investors'

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<sup>125</sup> See, e.g., Opinion No. 531, 147 FERC ¶ 61,234 at P 102 ("We accept the *Value Line* industry classifications because *Value Line* is a widely-followed, independent investor service . . ."); *Kern River Gas Transmission Co.*, Opinion No. 486-C, 129 FERC ¶ 61,240 at PP 50, 91 (2009) ("Opinion No. 486-C") ("Because *Value Line* is a publication relied on by many investors, its statements concerning the relative risks of different energy-related investments is highly probative of the views of investors generally.") (prior and subsequent history omitted); *Sw. Pub. Serv. Co.*, 83 FERC ¶ 61,138, at p. 61,636 n.63 (1998) ("The Commission did not, however, intend to preclude consideration of contemporaneous growth estimates made by the various investor services companies (e.g., *Value Line*, Zacks Investment Research, Inc. (Zacks), Institutional Brokers Estimate System (IBES)), as investors rely on these estimates in their decision-making process.").

<sup>126</sup> David C. Parcell, *The Cost of Capital – A Practitioner's Guide*, Soc'y of Util. & Regulatory Fin. Analysts (2010), at 143; see also Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 71.

<sup>127</sup> Opinion No. 531, 147 FERC ¶ 61,234 at P 102; see also Opinion No. 486-C, 129 FERC ¶ 61,240 at P 50 (noting that "*Value Line* is a publication relied on by many investors").

1 expectations. The use of *Value Line*'s EPS growth projections, in conjunction with  
2 IBES, enhances the reliability of the resulting CAPM cost of equity estimates.

3 **Q. WHAT IS THE IMPLIED MARKET RATE OF RETURN BASED ON *VALUE***  
4 ***LINE* EPS GROWTH RATES?**

5 **A.** As shown on Exhibit No. AM-009, after removing companies with growth rates that  
6 were negative or greater than 20%, the weighted average of the *Value Line* EPS growth  
7 projections for the individual firms implies an average growth rate of 10.31%.<sup>128</sup>  
8 Combining this average growth rate with a weighted average dividend yield of 1.54%  
9 results in a current cost of common equity estimate for the market as a whole ( $R_m$ ) of  
10 11.85%.

11 **Q. DO YOU INCLUDE A SIZE ADJUSTMENT IN APPLYING THE CAPM?**

12 **A.** Yes. Because financial research indicates that the CAPM does not fully account for  
13 observed differences in rates of return attributable to firm size, a modification is  
14 required to account for this size effect. As explained by Morningstar:

15 One of the most remarkable discoveries of modern finance is the finding  
16 of a relationship between firm size and return. On average, small  
17 companies have higher returns than large ones . . . . The relationship  
18 between firm size and return cuts across the entire size spectrum; it is  
19 not restricted to the smallest stocks.<sup>129</sup>

20 According to the CAPM, the expected return on a security should consist of the  
21 riskless rate, plus a premium to compensate for the systematic risk of the particular  
22 security. The degree of systematic risk is represented by the beta coefficient. The need  
23 for the size adjustment arises because differences in investors' required rates of return  
24 that are related to firm size are not fully captured by beta. To account for this, my

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<sup>128</sup> Removing the Commission's growth rate screen results in a weighted average growth rate of 15.09% and a dividend yield of 1.37%.

<sup>129</sup> Morningstar, *2015 Ibbotson SBBI Classic Yearbook* (2015), at 99.

1 CAPM analysis incorporates an adjustment to recognize the impact of size distinctions,  
2 as measured by the market capitalization for the companies in the Electric Group.

3 **Q. WHAT IS THE BASIS FOR THE SIZE ADJUSTMENT?**

4 **A.** The size adjustment required in applying the CAPM is based on the finding that *after*  
5 *controlling for risk differences reflected in beta*, the CAPM overstates returns to  
6 companies with larger market capitalizations and understates returns for relatively  
7 smaller firms. The size adjustments utilized in my analysis are sourced from Kroll,  
8 which now publishes the well-known compilation of capital market series originally  
9 developed by Professor Roger G. Ibbotson of the Yale School of Management.  
10 Calculation of the size adjustments involve the following steps:

- 11 1. divide all stocks traded on the NYSE, NYSE MKT, and NASDAQ  
12 indices into deciles based on their market capitalization;
- 13 2. using the average beta value for each decile, calculate the implied  
14 excess return over the risk-free rate using the CAPM; and
- 15 3. compare the calculated excess returns based on the CAPM to the  
16 actual excess returns for each decile, with the difference being the  
17 increment of return that is related to firm size, or “size adjustment.”

18 *New Regulatory Finance* observed that “small market-cap stocks experience  
19 higher returns than large market-cap stocks with equivalent betas,” and concluded that  
20 “the CAPM understates the risk of smaller utilities, and a cost of equity based purely  
21 on a CAPM beta will therefore produce too low an estimate.”<sup>130</sup> As the Commission  
22 has recognized, “[t]his type of size adjustment is a generally accepted approach to  
23 CAPM analyses.”<sup>131</sup>

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<sup>130</sup> Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 187.

<sup>131</sup> Opinion No. 531-B, 150 FERC ¶ 61,165 at P 117.

1 **Q. WHAT ROE IS IMPLIED FOR THE ELECTRIC GROUP USING THE IBES-**  
2 **BASED CAPM APPROACH AND BETA VALUES FROM VALUE LINE?**

3 **A.** As detailed on page 1 of Exhibit No. AM-006, referencing a 4.78% risk-free rate based  
4 on the six-month average yield on 30-year Treasury bonds in December 2025, the  
5 IBES-based CAPM implies a cost of equity range of 9.34% to 12.47% for the Electric  
6 Group. The median is 11.54% and the midpoint is 10.91%.

7 **Q. WHAT CAPM RESULTS ARE IMPLIED FOR THE ELECTRIC GROUP**  
8 **USING GROWTH RATES AND BETA VALUES FROM VALUE LINE?**

9 **A.** As shown on page 1 of Exhibit No. AM-008, the *Value Line*-based CAPM approach  
10 implies a cost of equity range of 8.65% to 11.29% for the Electric Group, with a median  
11 of 10.43% and a midpoint of 9.97%.

12 **Q. DO YOU ALSO APPLY THE CAPM USING BETA VALUES FROM**  
13 **BLOOMBERG?**

14 **A.** Yes. While I do not rely on this method to arrive at my recommendations, for purposes  
15 of completeness, I have applied the IBES and *Value Line*-based CAPM using beta  
16 values calculated against the S&P 500, as sourced from Bloomberg. These results are  
17 presented on page 2 of Exhibit Nos. KJT-0105 and KJT-0107.

### **C. Risk Premium Approach**

18 **Q. BRIEFLY DESCRIBE THE RISK PREMIUM APPROACH.**

19 **A.** The Risk Premium approach extends the risk-return tradeoff observed with bonds to  
20 estimate investors' required rate of return on common stocks. The cost of equity is  
21 estimated by first determining the additional return investors require to forgo the  
22 relative safety of bonds and to bear the greater risks associated with common stock,  
23 and then adding this equity Risk Premium to the current yield on bonds.

1 **Q. IS THE RISK PREMIUM APPROACH A WIDELY ACCEPTED METHOD**  
2 **FOR ESTIMATING THE COST OF EQUITY?**

3 **A.** Yes. The Risk Premium approach is based on the fundamental risk-return principle that  
4 is central to finance. This method is routinely referenced by the investment community,  
5 by academics, and in regulatory proceedings, and provides an important tool in  
6 estimating a fair ROE.

7 **Q. THE COMMISSION’S ORDER ON REMAND CONCLUDED THAT “THE**  
8 **RECORD FAILS TO SUPPORT THE INCLUSION OF THE RISK PREMIUM**  
9 **MODEL IN THE COMMISSION’S ROE METHODOLOGY.”<sup>132</sup> WHAT**  
10 **REASONING DID THE COMMISSION CITE IN SUPPORT OF THIS**  
11 **FINDING?**

12 **A.** The Order on Remand advanced two criticisms of the Risk Premium method: (1) “that  
13 the record does not contain any evidence suggesting that investors use the Risk  
14 Premium model adopted in Opinion No. 569-A,”<sup>133</sup> and (2) “that the record does not  
15 contain any evidence that would resolve the circularity concerns inherent in the Risk  
16 Premium model adopted in Opinion No. 569-A.”<sup>134</sup> Neither of these rationales is  
17 justified.

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132 Order on Remand, 189 FERC ¶ 61,036 at P 23.

133 *Id.*

134 *Id.*

1 **Q. OPINION NO. 569-A ARGUED THAT THE RISK PREMIUM APPROACH**  
2 **SHOULD BE EXCLUDED DUE TO A LACK OF EVIDENCE THAT**  
3 **INVESTORS RELY DIRECTLY ON THIS APPROACH.<sup>135</sup> IS THIS**  
4 **JUSTIFIED?**

5 **A.** No. The merit of a financial model does not hang on a demonstration that individual  
6 investors rely directly on that method to determine their required returns. In fact, it is  
7 precisely because it is impossible to know the valuation process that gives rise to  
8 investors' opportunity costs that such methods have been developed.

9 Consider the DCF model or the CAPM approach, for example. While each of  
10 these methodologies is premised on widely accepted theoretical concepts, there is no  
11 evidence to support a finding that either the DCF or the CAPM is used directly by  
12 investors in establishing observable stock prices or other market-based parameters for  
13 electric utilities. In fact, approximately 60% to 80% of all trading on U.S. stock  
14 exchanges is generated by automatic trading systems. Under the Commission's logic,  
15 the DCF and CAPM approaches could also be rejected because of insufficient proof  
16 that the algorithms underlying such automated trading systems rely on these  
17 methods.<sup>136</sup>

18 It is because we cannot determine the process by which investors arrive at their  
19 required return that theoretical models of investor behavior have been developed. Just  
20 as with the DCF and CAPM, the Risk Premium approach provides a sound basis to

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<sup>135</sup> This discussion also addresses a similar criticism raised by the D.C. Circuit, which noted that "FERC failed to adequately explain why it no longer mattered that investors don't use this model." *MISO Transmission Owners v. FERC*, 45 F.4th 248, 28 (D.C. Cir. 2022),

<sup>136</sup> For example, the Wall Street Journal reported that one successful hedge fund uses an algorithm to analyze tips from rival hedge funds and investment banks, as well as "information like social-media signals, fund flows, and satellite imagery of everything from parking lots to oil tankers." Caitlan McCabe, *The Billionaire Odd Couple Who's Hedge Fund Is Killing It*, The Wall Street Journal (May 29, 2025). Noticeably absent was any mention of a two-step DCF model.

1 consider and represent an unobservable artifact of investors' decision-making (*i.e.*,  
2 their required ROE). Every approach relies on certain assumptions regarding how  
3 rational investors act. For example, the DCF model assumes a series of cash flows  
4 discounted at the cost of equity, the CAPM paradigm posits a diversified portfolio with  
5 stock price variation as the key measure of risk, and the Risk Premium approach rests  
6 on the quantifiable interrelationship between an objective proxy for equity returns and  
7 bond yields. But the relevance of these models is not tied to the assumption that any  
8 individual investor actually depends on that specific approach, much less on the  
9 Commission's preferred application of each methodology.

10 Product marketing provides a similar example of this principle. Companies  
11 invest heavily to develop models of consumer behavior as a means to guide product  
12 development, marketing, and promotional campaigns. The goal of these efforts is to  
13 better understand the process underlying consumer choice, including product attributes  
14 and pricing considerations that ultimately drive purchasing decisions. Just as with the  
15 marginal investor's willingness to provide capital through the purchase of common  
16 stock, the exact process by which consumers arrive at a decision to exchange their  
17 hard-earned money for a particular good is unobservable. The relevance of behavioral  
18 models is not contingent on the idea that consumers themselves use such models when  
19 making purchasing decisions. Similarly, the value of the Risk Premium method—like  
20 the DCF and CAPM approaches—is not contingent on a demonstration that investors'  
21 behavior is directly premised on this analysis.

22 The purpose of all ROE models is to better understand investor return  
23 requirements, and those requirements cannot be directly observed. While real world  
24 investors might not apply the models in exactly the same way as theory dictates, the  
25 inputs to the models (*e.g.*, beta, growth rates, dividend yields, allowed ROEs) are

1 widely published in investment advisory reports discussing utility stocks and industry  
2 prospects. Given the importance of allowed ROEs to utility investors and the  
3 demonstrated relationship between allowed ROEs and bond yields, the Risk Premium  
4 method provides a useful approach to evaluate a just and reasonable ROE.

5 **Q. IS THERE ANY VALIDITY TO THE ARGUMENT THAT THE RISK**  
6 **PREMIUM APPROACH IS UNDERMINED BY “CIRCULARITY?”**

7 **A.** No. While the Commission raised this criticism in Opinion No. 569,<sup>137</sup> concerns over  
8 “circularity” are misplaced.<sup>138</sup> In establishing authorized ROEs, regulators (including  
9 the Commission) typically consider a broad range of evidence, including the results of  
10 alternative market-based models, such as the DCF and CAPM approaches. Because  
11 allowed ROEs consider market inputs and are not based strictly on past regulatory  
12 findings, this mitigates concerns over any potential for circularity. As *Modern*  
13 *Regulatory Finance* concluded:

14 It is sometimes suggested that reliance on allowed risk premiums is  
15 circular. This is a dubious argument to the extent that allowed risk  
16 premiums are presumably based on objective market data (dividends,  
17 interest rates, beta, stock prices, etc.) presented by several expert  
18 witnesses and not strictly on the decisions of other regulators. . . .  
19 Allowed risk premiums are presumably based on the results of market-  
20 based methodologies presented to regulators in rate hearings and on the  
21 actions of objective unbiased investors in a competitive marketplace.<sup>139</sup>

22 Further, given that the Risk Premium approach is one method among others and  
23 is not being relied on solely to establish the ROE, there is no justification for the claim  
24 that consideration of the Risk Premium approach somehow results in circularity. Given

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<sup>137</sup> *Id.* at P 343.

<sup>138</sup> This discussion also addresses a similar criticism raised by the D.C. Circuit, which noted that “FERC failed to meaningfully address its own concerns about the risk-premium model’s circularity.” *MISO Transmission Owners v. FERC*, 45 F.4th 248, 28 (D.C. Cir. 2022),

<sup>139</sup> Roger A. Morin, *Modern Regulatory Finance*, PUR Books (2021), at 139.

1 the central role of the ROE in determining a utility’s revenue requirements, virtually  
2 every measure of future financial performance—including earnings growth, cash flow  
3 measures, and dividend policies—is impacted by the ROE established by regulators.  
4 As a result, the Risk Premium approach is no more susceptible to concerns over  
5 circularity than are the analysts’ EPS growth rates reported by IBES. As one respected  
6 treatise observed, “[s]ince regulation establishes a level of authorized earnings, which  
7 in turn implicitly influences dividends per share, estimation of the growth rate from  
8 such data is an inherently circular process.”<sup>140</sup> If analysts’ growth estimates are  
9 rendered unusable because they are, in part, a function of expectations regarding future  
10 allowed ROEs, then, under the reasoning of Opinion No. 569, the DCF model must be  
11 rejected as well. Such reasoning is misguided and the Commission was justified in  
12 reversing its stance in Opinion No. 569-A and including the Risk Premium approach.

13 **Q. DID OPINION NO. 569 ADVANCE OTHER CRITICISMS OF THE RISK**  
14 **PREMIUM APPROACH THAT WERE NOT CITED BY THE COMMISSION**  
15 **IN ITS ORDER ON REMAND?**

16 **A.** Yes. In addition to the two specific concerns highlighted by the Commission in the  
17 Order on Remand, Opinion No. 569 suggested that (1) the Risk Premium approach is  
18 “largely redundant” with the CAPM methodology<sup>141</sup> and (2) that it “requires  
19 methodological decisions that would likely undermine transparency and predictability  
20 in Commission outcomes.”<sup>142</sup>

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<sup>140</sup> Charles F. Phillips, Jr., *The Regulation of Public Utilities*, Pub. Utils. Reports, Inc. (1993), at 396.

<sup>141</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 341.

<sup>142</sup> *Id.* at P 340.

1 **Q. ARE THE RISK PREMIUM AND CAPM METHODOLOGIES**  
2 **“REDUNDANT” OF EACH OTHER?<sup>143</sup>**

3 **A.** No. The Risk Premium approach is recognized as a distinct financial model that is  
4 separate and apart from the CAPM. In the recognized treatise, *Principles of Public*  
5 *Utility Rates*, Bonbright noted that “[t]he risk premium approach is probably the second  
6 most popular approach to estimating the cost of equity.”<sup>144</sup> Similarly, the Risk  
7 Premium approach is cited as one of the preeminent cost of capital methodologies by  
8 the primary reference text prepared for the Society of Utility and Regulatory Financial  
9 Analysts,<sup>145</sup> as well as by *New Regulatory Finance*,<sup>146</sup> which the Commission has cited  
10 as an authoritative source.

11 Apart from the fundamental notion that investors demand a higher return for  
12 bearing greater risk, there is no overlap whatsoever in the CAPM and Risk Premium  
13 methods, which approach the task of estimating investors’ required rate of return from  
14 their own distinct premises. Not only do these methods evaluate the cost of equity from  
15 fundamentally different foundations, each approach also uses widely different inputs,  
16 none of which are congruent. As the Commission previously determined, “the CAPM  
17 relies upon a substantially different set of inputs.”<sup>147</sup> The fact that the results of the

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<sup>143</sup> This discussion also addresses a similar criticism raised by the D.C. Circuit, which noted that the Commission “failed to reckon with its own serious concerns about ‘variations of the risk premium model’ receiving twice the weight of the discounted-case flow model . . .” *MISO Transmission Owners v. FERC*, 45 F.4th 248, 29 (D.C. Cir. 2022),

<sup>144</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Pub. Utils. Reports, Inc. (1988), at 322.

<sup>145</sup> David C. Parcell, *The Cost of Capital – A Practitioner’s Guide*, Society of Utility and Regulatory Financial Analysts (2010), at 164.

<sup>146</sup> Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc., at 28, 107-30 (2006). The Commission in Opinion No. 569 cited Professor Eugene Brigham, who also recognized that the Risk Premium method is typically used when estimating a company’s cost of equity. See Opinion No. 569, 169 FERC 61,129 at P 218.

<sup>147</sup> Opinion No. 569-B, 173 FERC ¶ 61,159 at P 114.

1 CAPM and Risk Premium approaches are not equal further demonstrates that these  
2 methods are not redundant.

3 **Q. OPINION NO. 569 ALSO STATED THAT A NEED FOR**  
4 **“METHODOLOGICAL DECISIONS” JUSTIFIED DISREGARDING THE**  
5 **RISK PREMIUM METHOD.<sup>148</sup> IS THIS A REASONABLE ASSERTION?**

6 **A.** No. This observation is true of any financial model used to estimate the cost of equity  
7 (*e.g.*, source of DCF growth rates, estimation of CAPM market risk premium) and  
8 provides no justification for ignoring an approach that has been classified among the  
9 key financial models in estimating the cost of equity. With respect to the DCF model,  
10 even after decades of use and Commission precedent, methodological issues are still  
11 commonly litigated, and the Commission continues to modify its approach. Similarly,  
12 the Commission is free to provide further guidance on the implementation of the Risk  
13 Premium method, which it undertook in Opinion No. 569-A. The Risk Premium  
14 approach is no “less predictable and transparent than other models”<sup>149</sup> in this respect.

15 **Q. THE D.C. CIRCUIT SUGGESTED THAT THE COMMISSION DID NOT**  
16 **EXPLAIN HOW THE CHANGES IT MADE TO THE RISK PREMIUM**  
17 **APPROACH “BROUGHT THE ANALYSIS INTO LINE WITH ‘GENERAL**  
18 **FINANCIAL LOGIC’.”<sup>150</sup> WHAT CHANGES TO THE RISK PREMIUM**  
19 **METHOD DID THE COMMISSION DIRECT IN OPINION NO. 569-A?**

20 **A.** To address specific concerns regarding the implementation of the Risk Premium  
21 approach, Opinion No. 569-A directed a number of refinements in its application.  
22 These changes specifically focused on enhancing the accuracy and reliability of risk

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<sup>148</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 340.

<sup>149</sup> *Id.* at P 346.

<sup>150</sup> *MISO Transmission Owners v. FERC*, 45 F.4th 248, 28 (D.C. Cir. 2022).

1 premium results by making a direct connection between each specific ROE value and  
2 contemporaneous capital market conditions, removing datapoints that were duplicative  
3 or unrepresentative, and incorporating available data through the end of the study  
4 period applicable to the proceeding. These modifications were specifically targeted to  
5 bring the Commission's Risk Premium analysis into line with general financial logic  
6 by providing a more accurate representation of the direct link between allowed ROEs  
7 and underlying bond yields. Specifically, the Commission:

- 8 • developed a separate risk premium for each individual case, rather  
9 than using annual averages;<sup>151</sup>
- 10 • adopted the six-month period preceding the filing date of the offer  
11 of settlement as the basis for establishing the six-month average  
12 bond yield used to calculate risk premiums attributable to ROEs  
13 approved through settled proceedings;<sup>152</sup>
- 14 • adopted the six-month study period as the basis for establishing  
15 the six-month average bond yield used to calculate risk premiums  
16 attributable to ROEs approved through litigated proceedings;<sup>153</sup>  
17 and
- 18 • extended the sample period for the Risk Premium study through  
19 the conclusion of the study period, rather than the calendar  
20 year.<sup>154</sup>

21 As documented in Appendix I to Opinion No. 569-A, the Commission removed  
22 cases from the Risk Premium study where:

- 23 • the utility was merely adopting an existing ROE without  
24 consideration of whether that ROE would be determined to be just  
25 and reasonable under fresh analysis;
- 26 • the ROE was clearly not under consideration;
- 27 • there were duplicative findings from a previous case;

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151 Opinion No. 569-A, 171 FERC ¶ 61,154 at P 108.

152 *Id.* at P 111.

153 *Id.*

154 *Id.*

- 1                   • the ROE was set for a definite future date, and the Commission  
2                   could not have evaluated a risk premium for a future date; and  
3                   • the test period predated 2006.

4                   More recently, in Opinion No. 569-B, the Commission corrected a limited  
5                   number of typographical and other minor errors to the Risk Premium data set used in  
6                   Opinion No. 569-A.<sup>155</sup> The Commission further refined this case set in *DATC*.<sup>156</sup>

7                   **Q. DO YOU ADD ANY OBSERVATIONS TO THE RISK PREMIUM CASE SET**  
8                   **RELIED ON BY THE COMMISSION IN *DATC*?**

9                   **A.** Yes. Apart from updating the observations to reflect ROEs approved by the  
10                   Commission through August 31, 2025, I also make several corrections to the model  
11                   inputs listed in *DATC*. Specifically, I identified three cases the Commission either  
12                   mistakenly omitted using the criteria listed above or failed to consider altogether. These  
13                   cases are listed on page 7 of Exhibit No. AM-010.

14                   The first of these additions was to reflect the 11.18% ROE approved by the  
15                   Commission in 2008 for Public Service Electric and Gas Company in connection with  
16                   that company's proposed implementation of a formula rate for transmission service.<sup>157</sup>  
17                   This 11.18% ROE was based on a contemporaneous DCF analysis employing a six-  
18                   month study period ending May 2008.<sup>158</sup>

19                   The second correction reflects the addition of the 11.18% going-forward ROE  
20                   for PPL Electric Utilities Corporation specified in the May 1, 2009 settlement of  
21                   Docket No. ER08-1457. The settlement provided for ROEs of 11.10% and 11.14%  
22                   corresponding to the periods November 1, 2008 through May 31, 2008 and June 1,

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155                   Opinion No. 569-B, 173 FERC ¶ 61,159 at PP 127-28, App. I.

156                   *DATC*, 177 FERC ¶ 61,115 at PP 126-31.

157                   *Pub. Serv. Elec. & Gas Co.*, 124 FERC ¶ 61,303 (2008).

158                   See *Pub. Serv. Elec. & Gas Co.*, Ex. PEG-6, Direct Testimony of Michael J. Vilbert at 19-20,  
Docket No. ER08-1233-000 (July 7, 2008).

1 2009 through May 31, 2010, respectively, while also providing that, “On June 1 2010  
2 and thereafter, the Base ROE shall be 11.18 percent.”<sup>159</sup> While *DATC* includes both  
3 the 11.10% and 11.14% ROEs established in that settlement agreement, it excluded the  
4 going-forward ROE of 11.18%. As the Commission determined in Opinion No. 569-B,  
5 “Use of multiple ROEs may be appropriate where the ROEs apply to distinct  
6 periods.”<sup>160</sup> The 11.18% ROE specified in the settlement of Docket No. ER08-1457  
7 is comparable to other ROEs routinely approved by the Commission for future  
8 application of formula rates, and there is no credible basis to exclude this observation.

9 The third addition to the *DATC* case set is necessary to include the ROE  
10 specified in the settlement approved for Xcel Energy Southwest Transmission  
11 Company, LLC (“XEST”) in Docket No. ER14-2751 associated with Zone 11 under  
12 the SPP OATT. As the administrative law judge specified in certifying the settlement,  
13 “XEST will have two ROEs. One for calculating XEST’s revenue requirement  
14 associated with Zone 11 under the SPP OATT (Zone 11 ROE) and one for all other  
15 purposes (General ROE.)”<sup>161</sup> As the administrative law judge noted, “The Zone 11  
16 ROE shall equal the then-effective Commission-approved ROE used to calculate the  
17 Southwestern Public Service Company’s (SPS) revenue requirement pursuant to the  
18 SPP OATT,”<sup>162</sup> which was 10.00%.<sup>163</sup> While *DATC* included the “General ROE”

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<sup>159</sup> *PPL Elec. Utils. Corp.*, 128 FERC ¶ 61,178 at P 4 (2009).

<sup>160</sup> Opinion No. 569-B, 173 FERC ¶ 61,159 at P 131.

<sup>161</sup> *See Xcel Energy Sw. Trans. Co.*, 153 FERC ¶ 63,019 (2015).

<sup>162</sup> *Id.* at P 13.

<sup>163</sup> *Golden Spread Elec. Coop., Inc.*, 153 FERC ¶ 61,103, at P 13 (2015).

1 established under XEST's settlement, it failed to include the 10.00% ROE applicable  
2 to Zone 11 service. There is no basis to ignore this data point.<sup>164</sup>

3 **Q. DO YOU REMOVE ANY OBSERVATIONS FROM THE RISK PREMIUM**  
4 **CASE SET ADOPTED IN *DATC*?**

5 **A.** Yes. As shown on page 8 of Exhibit No. AM-010, I remove the 10.02% ROE  
6 established in Opinion No. 569-A as that decision was vacated by the D.C. Circuit. I  
7 also remove a 10.05% ROE attributed to Docket No. EL15-45, which was a pancaked  
8 FPA section 206 complaint proceeding for the MISO TOs. The Commission dismissed  
9 that complaint and therefore neither approved nor established an ROE in that  
10 proceeding. In addition, I also remove a duplicative ROE observation corresponding  
11 to Docket No. ER19-1396.

12 In applying the Risk Premium approach in *DATC*, the Commission also  
13 incorporated ten ROEs stemming from settlements of cases involving publicly owned  
14 entities. In contrast to the revenue requirements and underlying capital costs for  
15 investor-owned utilities, revenue requirements and underlying capital costs for publicly  
16 owned utilities are primarily driven by debt service requirements, and there is no  
17 relevant equivalent to the market cost of equity for an investor-owned utility.  
18 Accordingly, ROE determinations for municipals and cooperatives should not be  
19 included in applying the Risk Premium method to estimate the ROE for investor-owned  
20 electric utilities, such as KJT.

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<sup>164</sup> The Commission concluded in *Pacific Gas & Elec. Co.* that approval of separate ROEs in the same order involves "unique circumstances." *Pacific Gas & Elec. Co.*, 178 FERC ¶ 61,175 at P 227 (2022). In fact, however, the Risk Premium case set includes several instances where multiple ROEs were approved in the same proceeding based on distinguishing circumstances. *See, e.g.*, Docket Nos. ER08-1457, ER10-355, and ER11-2853.

1 **Q. IS THIS CRITICAL DISTINCTION REGARDING PUBLICLY OWNED**  
2 **UTILITIES RECOGNIZED BY THE INVESTMENT COMMUNITY?**

3 **A.** Yes. For example, S&P observed that “[c]ash available from current operating  
4 revenues to pay debt service is the principal focus” of its financial analysis of  
5 cooperative utilities.<sup>165</sup> As S&P concluded:

6 We believe that fixed costs and imputed charge coverage best gauges a  
7 retail utility’s total financial capacity. It measures the ability of the retail  
8 utility to service both its total debt and debt-like obligations, which  
9 together we refer to as fixed costs and imputed charges.<sup>166</sup>

10 Moody’s identified the “[l]ack of a profit motive or need to generate a return on  
11 equity” as key characteristics typifying public power utilities.<sup>167</sup> Meanwhile, Fitch  
12 concluded that:

13 Public power systems are unique from their investor-owned  
14 counterparts. In nearly all cases, public power systems operate on a not-  
15 for-profit basis and with the fundamental mission of providing safe,  
16 reliable and affordable electric service. Excess cash flow is typically  
17 retained and used to build financial cushion, fund capital investment or  
18 reduce borrowings.<sup>168</sup>

19 Similarly, the Presiding Judge in *Missouri River Energy Services* noted that:

20 Municipally-owned utilities do not answer to stockholders seeking a  
21 return on their investments. They pay no dividends . . . . The governing  
22 members of municipal-owned utilities are their own customers . . . .  
23 Publicly-owned utilities pay no income taxes . . . . By contrast, investor-  
24 owned utilities are profit-making and profit-maximizing private entities  
25 that strive to attain the greatest possible ROE for their shareholders.  
26 They do so in order to attract investors to their stock in the stock market

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<sup>165</sup> S&P Global Ratings, *U.S. Public Finance: Applying Key Rating Factors to U.S. Cooperative Utilities*, Criteria | Governments (Nov. 21, 2007).

<sup>166</sup> S&P Global Ratings, *U.S. Municipal Retail Electric and Gas Utilities: Methodology and Assumptions* (Sep. 27, 2018).

<sup>167</sup> Moody’s Investors Service, *U.S. Public Power Electric Utilities With Generation Ownership Exposure*, Rating Methodology (Nov. 28, 2017).

<sup>168</sup> Fitch Ratings, Inc., *Exposure Draft: U.S. Public Power Rating Criteria*, Public Finance (Jun. 14, 2018).

1 . . . . In short, unlike investor-owned utilities, it is not the purpose of a  
2 municipally-owned utility to earn a profit. Quite the opposite, it is a  
3 *non*-profit institution that is set up that way in order to achieve lower  
4 rates for ratepayers.<sup>169</sup>

5 Publicly owned and cooperative utilities do not raise equity in the capital  
6 markets and do not seek to make a profit. Consequently, ROE determinations for such  
7 electric systems provide no information relevant to a determination of a just and  
8 reasonable ROE for an investor-owned electric utility, such as KJT. Similarly, the ROE  
9 witness in Docket Nos. ER17-426 and ER17-428 (identified as *Denison* and *Vermillion*  
10 on the Commission’s Risk Premium case list in *DATC*) observed that the DCF method  
11 “is not the best method to determine ROE for non-jurisdictional utilities which . . . are  
12 municipally owned, have no stock price, and issue no dividends.”<sup>170</sup> In both of these  
13 cases, the requested ROE was based on an average of previously allowed ROEs by  
14 state regulatory commissions.<sup>171</sup> In fact, of the ten proceedings for publicly-owned  
15 entities included by the Commission, eight failed to include a DCF study or the results  
16 of any other financial model, with the ROE request being based solely on an average  
17 of previously allowed ROEs.<sup>172</sup> This evidence contradicts the conclusion in *Pacific*

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<sup>169</sup> *Missouri River Energy Services*, 130 FERC ¶ 63,014 at PP 228-29, 231 (2010) (emphasis in original).

<sup>170</sup> *Sw. Power Pool, Inc.*, Ex. SPP-6, Prepared Direct Testimony of James Pardikes, at 11, Docket No. ER17-426-000 (Nov. 29, 2016); *Sw. Power Pool, Inc.*, Ex. SPP-6, Prepared Direct Testimony of James Pardikes at 11, Docket No. ER17-428-000 (Nov. 30, 2016).

<sup>171</sup> *Sw. Power Pool, Inc.*, Ex. SPP-6, Prepared Direct Testimony of James Pardikes at 9, Docket No. ER17-426-000 (Nov. 29, 2016); *Sw. Power Pool, Inc.*, Ex. SPP-6, Prepared Direct Testimony of James Pardikes at 9, Docket No. ER17-428-000 (Nov. 30, 2016).

<sup>172</sup> *Sw. Power Pool, Inc.*, Ex. SPP-5, Direct Testimony of Robert C. Smith at 5-6 Docket No. ER15-1976 (Jun. 24, 2015); *Sw. Power Pool, Inc.*, Ex. SPP-1, Direct Testimony of Alan C. Heintz at 11, Docket No. ER15-1775 (May 22, 2015); *Sw. Power Pool, Inc.*, Ex. SPP-12, Direct Testimony of Robert C. Smith at 5-6, Docket No. ER16-209 (Oct. 30, 2015); *Sw. Power Pool, Inc.*, Ex. SPP-13, Direct Testimony of Robert C. Smith at 5-6 Docket No. ER16-1774 (Oct. 30, 2015); *Ark. Elec. Coop. Corp.*, Ex. SPP-2, Prepared Direct Testimony and Exhibits of Alfred W. Busbee at 12, Docket No. ER16-1546 (Apr. 29, 2016); *Sw. Power Pool, Inc.*, Ex. SPP-6, Prepared Direct Testimony of James

(continued . . .)

1           *Gas & Elec. Co.* that there is nothing to distinguish the determination of an ROE in  
2           proceedings involving publicly owned entities and investor-owned utilities.<sup>173</sup>

3       **Q.   WHAT OTHER ADJUSTMENT DO YOU MAKE TO THE COMMISSION'S**  
4       **CASE SET?**

5       **A.**   The bottom panel on page 8 of Exhibit No. AM-010 identifies one other minor  
6           correction to remove the impact of a post-record period adjustment for changes in bond  
7           yields that is necessary to match the ROE to the study period interest rate.<sup>174</sup> The  
8           revised inputs to the Risk Premium approach are shown on pages 2 through 5 of Exhibit  
9           No. AM-010.

10      **Q.   IS THERE ANY CAPITAL MARKET RELATIONSHIP THAT MUST BE**  
11      **CONSIDERED WHEN IMPLEMENTING THE RISK PREMIUM METHOD?**

12      **A.**   Yes. Equity risk premiums are not constant and tend to move inversely with interest  
13           rates. In other words, when interest rate levels are relatively high, equity risk premiums  
14           narrow, and when interest rates are relatively low, equity risk premiums widen. The  
15           implication of this inverse relationship is that the cost of equity does not move as much  
16           as, or in lockstep with, interest rates. Accordingly, for a 1% increase or decrease in  
17           interest rates, the cost of equity may only rise or fall some fraction of 1%. Therefore,  
18           when implementing the risk premium method, adjustments are required to incorporate  
19           this inverse relationship if the current interest rate is different from the average interest  
20           rate represented in the data set.

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Pardikes at 11, Docket No. ER17-426 (Nov. 29, 2016); *Sw. Power Pool, Inc.*, Ex. SPP-17, Direct Testimony of Robert C. Smith at 5-6, Docket No. ER17-1610 (May 15, 2017); *Sw. Power Pool, Inc.*, Ex. SPP-6, Prepared Direct Testimony of James Pardikes at 11, Docket No. ER17-428 (Nov. 30, 2016).

<sup>173</sup>       *Pac. Gas & Elec. Co.*, 178 FERC ¶ 61,175 at P 221.

<sup>174</sup>       The allowed ROE of 10.04% included a 49-basis-point downward adjustment that was made to reflect changes in interest rates between the study period and the date of the Commission's order. Because the Commission references the average bond yield for the six-month study period to compute the Risk Premium, this adjustment must be reversed.

1 Current bond yields are lower than those prevailing over the risk premium study  
2 period. Given that equity risk premiums move inversely with interest rates, these lower  
3 bond yields also imply an increase in the equity risk premium. In other words, higher  
4 required equity risk premiums offset the impact of declining interest rates on the ROE.

5 **Q. IS THIS INVERSE RELATIONSHIP CONFIRMED BY PUBLISHED**  
6 **FINANCIAL RESEARCH?**

7 **A.** Yes. The inverse relationship between equity risk premiums and interest rates has been  
8 widely reported in the financial literature. As summarized by *New Regulatory Finance*:

9 Published studies by Brigham, Shome, and Vinson (1985), Harris  
10 (1986), Harris and Marston (1992, 1993), Carleton, Chambers, and  
11 Lakonishok (1983), Morin (2005), and McShane (2005), and others  
12 demonstrate that, beginning in 1980, risk premiums varied inversely  
13 with the level of interest rates – rising when rates fell and declining  
14 when rates rose.<sup>175</sup>

15 The Commission has recognized that, although the cost of equity trends in the  
16 same direction as interest rates, these variables do not move in lockstep.<sup>176</sup> This  
17 relationship is illustrated in the figure on page 6 of Exhibit No. AM-010.

18 **Q. WHAT COST OF EQUITY IS IMPLIED BY THE RISK PREMIUM METHOD?**

19 **A.** As illustrated on page 1 of Exhibit No. AM-010, with an average six-month historical  
20 yield on Baa public utility bonds at December 2025 of 5.88%, the Risk Premium  
21 method implies a current equity risk premium of 4.51% for electric utilities. Adding  
22 this equity risk premium to the average six-month historical yield on Baa utility bonds  
23 implies a current cost of equity of 10.39%.

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<sup>175</sup> Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006) at 128.

<sup>176</sup> Opinion No. 531, 147 FERC ¶ 61,234 at P 147.

1 **Q. HOW DO YOU IMPUTE A RANGE AROUND THIS RISK PREMIUM COST**  
2 **OF EQUITY ESTIMATE?**

3 **A.** I impute a range around the 10.46% Risk Premium result based on the average  
4 difference between the high and low boundaries of the constant growth DCF, CAPM,  
5 and Expected Earnings ranges. As shown on page 1 of Exhibit No. AM-010, this results  
6 in an implied cost of equity range of 7.73% to 13.05%.

**D. Expected Earnings Approach**

7 **Q. PLEASE EXPLAIN YOUR EXPECTED EARNINGS STUDY.**

8 **A.** Analysis of rates of return available from alternative investments of comparable risk  
9 can provide an important benchmark in assessing the return necessary for a firm to  
10 maintain financial integrity and attract capital. This approach is consistent with the  
11 economic underpinnings for a fair rate of return, as reflected in the comparable earnings  
12 test established by the Supreme Court in *Hope* and *Bluefield*. Moreover, it avoids the  
13 complexities and limitations of capital market methods and instead focuses on the  
14 returns earned on book equity, which are readily available to investors. As the  
15 Commission recognized in Opinion No. 531:

16 [T]he . . . expected earnings analysis, given its close relationship to the  
17 comparable earnings standard that originated in *Hope*, and the fact that  
18 it is used by investors to estimate the ROE that a utility will earn in the  
19 future can be useful in validating our ROE Recommendation.<sup>177</sup>

20 **Q. DID THE COMMISSION RELY ON THE EXPECTED EARNINGS**  
21 **APPROACH IN OPINION NO. 569-A?**

22 **A.** No. However, the Commission noted that “we do not necessarily foreclose its use in  
23 future proceedings,” so long as concerns expressed in Opinion No. 569 and reiterated

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<sup>177</sup> *Id.*

1 in Opinion No. 569-A are addressed.<sup>178</sup> Specifically, the Commission raised the  
2 following principal concerns in explaining its decision not to rely on this method:

- 3 • the Expected Earnings approach is not based on market values;
- 4 • differences between market values and book values undermine the  
5 relevance of the Expected Earnings approach; and
- 6 • there is a lack of data demonstrating that investors use the  
7 Expected Earnings approach directly to value utility common  
8 stocks.<sup>179</sup>

9 My subsequent testimony addresses these concerns.

10 **Q. OPINION NO. 569-A CONCLUDED THAT, BECAUSE INVESTORS CANNOT**  
11 **BUY STOCK IN THE MARKET AT BOOK VALUE, THE EXPECTED**  
12 **EARNINGS APPROACH SHOULD BE REJECTED.<sup>180</sup> DOES THIS FINDING**  
13 **UNDERMINE THE RELEVANCE OF THE EXPECTED EARNINGS**  
14 **APPROACH?**

15 **A.** No. I agree that the Expected Earnings method is not market-based in that it is not  
16 dependent directly or indirectly on stock prices or other data from the capital markets.  
17 But this does not discount its usefulness as a meaningful approach for investors and  
18 regulators to compare expected returns in one utility versus another. Specifically, it is  
19 reasonable to expect that investors compare stock investments based on securities  
20 analysts' projections of the expected return on common equity, which is analogous to  
21 the return on the equity component of a utility's rate base.

22 As detailed below, this comparison is relevant to investors because it directly  
23 measures the returns on book investment that the investment community expects from  
24 comparable-risk investments, without the need to make the subjective evaluations

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178 Opinion No. 569-A, 171 FERC ¶ 61,154 at P 132.

179 *Id.*

180 *Id.* at PP 201, 204-05, 210, 216-17, 219, 221-22.

1 inherent in market-based models, such as how to best estimate investors' growth  
2 expectations or the market required return. Thus, it provides regulators with a  
3 meaningful guide to the return the utility should be expected to earn on its book equity  
4 investment. And given that rates are established on the basis of the book value of a  
5 utility's investment, this is a relevant measure of the ROE that is consistent with  
6 regulatory standards of comparable earnings and capital attraction established in *Hope*  
7 and *Bluefield*.

8 **Q. HAS THE EXPECTED EARNINGS APPROACH BEEN RECOGNIZED AS A**  
9 **MEANINGFUL METHODOLOGY IN EVALUATING A JUST AND**  
10 **REASONABLE ROE?**

11 **A.** Yes. The Expected Earnings approach is analogous to the comparable earnings method,  
12 which predominated before the advent of the DCF and other financial models. While  
13 the traditional comparable earnings test is often implemented using historical  
14 accounting data, it is also common to use projections of returns on book investment.  
15 Because these returns on book value equity are analogous to the allowed return on a  
16 utility's rate base, this measure of opportunity costs results in a direct, "apples-to-  
17 apples" comparison, and it has long been referenced and relied on in regulatory  
18 proceedings.<sup>181</sup> For example, in approving an ROE for electric utility operations, the  
19 North Carolina Utilities Commission has concluded that:

20 In prior cases, the Commission has given significant weight to the  
21 results of the Expected Earnings methodology, which stands separate  
22 and apart from the market-based methodologies (e.g., the DCF or

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<sup>181</sup> See, e.g., Nat'l Ass'n of Regulatory Util. Comm'rs, *Utility Regulatory Policy in the U.S. and Canada, 1995-1996* (Dec. 1996). The Ohio Public Utilities Commission also considers prospective earned rates of return in evaluating the impact of electric security plans. Ohio R.C. 4928.143(E).

1 CAPM) also used by ROE experts . . . The Commission chooses to do  
2 so again in this case.<sup>182</sup>

3 As S&P observed, “[h]istorically, there have been two approaches in  
4 calculating ROE in regulatory proceedings, a comparable earnings approach and a  
5 market analysis. In a comparable earnings approach, similar investments with similar  
6 risks are analyzed to determine an appropriate ROE.”<sup>183</sup>

7 **Q. IS REFERENCE TO RETURNS ON BOOK VALUE CONSISTENT WITH**  
8 **HOW UTILITY RATES ARE EVALUATED?**

9 **A.** Yes. Regulators do not set the returns that investors earn in the capital markets; they  
10 can only establish the allowed return on the book value of a utility’s investment. The  
11 Expected Earnings approach provides a direct guide to ensure that the allowed ROE is  
12 similar to what other utilities of comparable risk are expected to earn on invested  
13 capital. This opportunity cost test does not require theoretical models to indirectly infer  
14 investors’ perceptions from stock prices or other market data. As long as the proxy  
15 companies are similar in risk, their expected earned returns on invested capital provide  
16 a direct benchmark for investors’ opportunity costs, independent of fluctuating stock  
17 prices, market-to-book ratios, debates over DCF growth rates, or theoretical  
18 assumptions about investor behavior.

19 A textbook prepared for the Society of Utility and Regulatory Financial  
20 Analysts concludes that the comparable earnings method is firmly anchored in the

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<sup>182</sup> *In the Matter of Application of Duke Energy Carolinas, LLC for An Accounting Order to Defer Incremental Storm Damage Expenses Incurred as a Result of Hurricanes Florence and Michael and Winter Storm Diego*, Docket No. E-7, SUB 1187 et al., *Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Customer Notice*, at 94 (N.C. Utils. Comm’n Mar. 31, 2021).

<sup>183</sup> S&P Global Market Intelligence, *The rate case process: establishing a fair return for regulated utilities*, RRA Regulatory Focus (Jun. 29, 2020).

1 regulatory economics underlying the *Bluefield* and *Hope* cases.<sup>184</sup> It also notes that it  
2 requires less subjective judgment to implement than either the DCF or CAPM  
3 methods.<sup>185</sup> *New Regulatory Finance* concluded that “because the investment base for  
4 ratemaking purposes is expressed in book value terms, a rate of return on book value,  
5 as is the case with Comparable Earnings, is highly meaningful.”<sup>186</sup>

6 **Q. DOES THE INVESTMENT COMMUNITY REFERENCE EARNED RETURNS**  
7 **ON BOOK VALUE IN THEIR EVALUATION OF ELECTRIC UTILITIES?**

8 **A.** Yes. Book value accounting measures, including earned and expected returns on book  
9 equity, are instrumental to the financial analysis underpinning investors’ evaluation of  
10 electric utilities, including credit ratings. S&P cited the relevance of earned returns on  
11 book value in highlighting the primary credit considerations in the utility industry,  
12 noting that “[f]or regulated utilities subject to full cost-of-service regulation and return-  
13 on-investment requirements, we normally measure profitability using ROE, the ratio of  
14 net income available for common stockholders to average common equity.”<sup>187</sup> While  
15 recognizing that “the regulator ultimately bases its decision on an authorized ROE,”  
16 S&P observed that “different factors -- such as variances in costs and usage -- may  
17 influence the return a utility is actually able to earn,” and that “[c]onsequently our  
18 analysis of profitability for cost-of-service-based utilities centers on the utility’s ability  
19 to consistently earn the authorized ROE.”<sup>188</sup> In S&P’s view, the earned return on book  
20 value may provide better insight into the financial health of the utility because it reflects

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184 David C. Parcell, *The Cost of Capital – A Practitioner’s Guide*, Society of Utility and Regulatory Financial Analysts (2010), at 115-116.

185 *Id.*

186 Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 395.

187 S&P Global Ratings, *Sector-Specific Corporate Methodology*, Criteria Corporates (Apr. 4, 2024).

188 *Id.*

1 the actual impact of regulation, not the theoretical outcome implied by an authorized  
2 ROE. Consistent with this paradigm, S&P examines trends in utility returns on book  
3 equity, as compared with authorized ROEs, in evaluating financial performance for the  
4 electric utility industry.<sup>189</sup> Similarly, in a review of financial quality measures for  
5 utilities, S&P noted that “[t]he earned return on equity . . . is one of the most widely  
6 followed measures of the industry’s financial performance.”<sup>190</sup>

7 Moody’s also recognizes the relevance of returns on book value in its  
8 assessment of a utility’s prospects. While noting that “[t]he authorized ROE is a  
9 popular focal point in many regulatory rate case proceedings,” Moody’s recognized  
10 that “earned ROEs, as reported by utilities and adjusted by Moody’s,” are a key gauge  
11 of financial performance.<sup>191</sup> As Moody’s concluded, “utilities are closer to earning  
12 their authorized equity returns, which is positive from an equity market valuation  
13 perspective.”<sup>192</sup> In explaining its scorecard analysis for a Baa-rated utility, Moody’s  
14 Investors’ Service noted that regulatory outcomes should be “sufficient to attract capital  
15 without difficulty,” and that this “will translate to returns (measured in relation to  
16 equity, total assets, rate base, or regulatory asset value, as applicable) that are average  
17 relative to global peers.”<sup>193</sup>

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<sup>189</sup> See, e.g., S&P, *Utility-earned ROEs exceeded authorized since 2016, but 2019 may not match 2018*, Financial Focus (Jun. 10, 2019).

<sup>190</sup> S&P Global Market Intelligence, *Utility operating company financials mixed: ROE slips*, Financial Focus (Dec. 11, 2019).

<sup>191</sup> Moody’s, *Lower Authorized Equity Returns Will Not Hurt Near-Term Credit Profiles*, Sector In-Depth (Mar. 10, 2015).

<sup>192</sup> *Id.*

<sup>193</sup> Moody’s, *Regulated Electric and Gas Utilities*, Rating Methodology (Jun. 23, 2017).

1 **Q. DO OPINION NOS. 569 OR 569-A UNDERMINE THE RELEVANCE OF THIS**  
2 **EVIDENCE?**

3 **A.** No. The Commission examined some of this evidence in Opinion No. 569 but,  
4 nevertheless, suggested that investors “may not” use the information from the Expected  
5 Earnings analysis to inform their investment decisions.<sup>194</sup> But these investment  
6 services would not provide this information if investors did not rely upon it to inform  
7 their decisions. The Commission also posited that investors may not use this  
8 information specifically to “determine the applicable cost of capital,”<sup>195</sup> but this  
9 supposition again hinges on the notion that only market-based evidence is relevant in  
10 evaluating a just and reasonable ROE.

11 **Q. WHAT OTHER EVIDENCE SUPPORTS A FINDING THAT RETURNS ON**  
12 **BOOK VALUE INFLUENCE INVESTORS’ VALUATION DECISIONS?**

13 **A.** In addition to the materials cited above, a research paper by Dr. Aswath Damodaran  
14 emphasized the importance of considering returns on book value in evaluating  
15 performance and alternative investments.<sup>196</sup> Contradicting Opinion No. 569’s  
16 conclusion that returns on book value are unrelated to an evaluation of investors’  
17 expected return on investment,<sup>197</sup> Dr. Damodaran noted that, “[w]hile returns on equity  
18 and capital are based upon accounting earnings and capital, and are designed to  
19 measure the quality of a firm’s existing investments, they are correlated with returns  
20 you would make investing in the publicly traded equity of the firm.”<sup>198</sup>

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<sup>194</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 212.

<sup>195</sup> *Id.* at P 217.

<sup>196</sup> Aswath Damodaran, *Return on Capital (ROC), Return on Invested Capital (ROIC) and Return on Equity (ROE): Measurement and Implications*, New York University, Stern School of Business (July 2007).

<sup>197</sup> Opinion No. 569, 169 FERC ¶ 61,129 at PP 204-205.

<sup>198</sup> Damodaran, *supra* note 196, at 49.

1           As Dr. Damodaran stated, “we can safely conclude that the key number in a  
2 valuation is not the cost of capital that we assign a firm but the return earned on capital  
3 that we attribute to it.”<sup>199</sup> This is exactly what the Expected Earnings method seeks to  
4 measure. If the allowed ROE is insufficient to provide a return on the book value of a  
5 utility’s investment as compared with what investors expect other utilities of  
6 comparable risk to earn, the utility’s ability to compete for capital will be undermined.  
7 The Expected Earnings approach provides a measure of this necessary return as one  
8 component of the evaluation of a just and reasonable ROE.

9     **Q.   WHAT OTHER CONSIDERATIONS SUPPORT REFERENCE TO RETURNS**  
10    **ON BOOK VALUE, AS A COMPLEMENT TO MARKET-BASED METHODS?**

11    **A.**   Opinion No. 569 contends that because investors can only purchase common stocks at  
12 market value, expected returns on book value are irrelevant unless the market-to-book  
13 ratio is equal to 1.0.<sup>200</sup> However, this ignores the fact that existing shareholders are  
14 continuously investing in a firm’s equity *at book value* every time earnings are retained  
15 for reinvestment, rather than being paid as dividends. Retained earnings are reflected  
16 on the balance sheet as an increase in the book value of shareholders’ equity. When a  
17 firm retains that portion of earnings not paid out as common dividends, its shareholders  
18 effectively invest in the firm’s equity, and those investments are made at book value.

19           Moreover, as the Commission has recognized, in most instances “the public  
20 utility companies for which the Commission sets rates are not publicly traded and thus  
21 do not have any market-determined stock values.”<sup>201</sup> This was the case in the Supreme  
22 Court’s *Hope* decision, where the financial integrity standards were directly related to

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199     *Id.* at 6.

200     Opinion No. 569, 169 FERC ¶ 61,129 at P 201.

201     *Id.* at P 208.

1 the book value of a utility's equity and expected earnings.<sup>202</sup> Similarly, one key gauge  
2 of a utility's financial integrity is credit metrics, which depend on the book value of  
3 equity and earnings on that book value of investment. The Expected Earnings method  
4 is directly related to ensuring that the standards underlying a just and reasonable ROE  
5 are met.

6 **Q. DOES A DIFFERENCE BETWEEN BOOK AND MARKET VALUES ALSO**  
7 **RAISE CONCERNS FOR MARKET-BASED METHODS?**

8 **A.** Yes. Differences between market realities and the theory underlying market-based  
9 methods support the use, rather than rejection, of the Expected Earnings approach. As  
10 one researcher summarized in the early days before the DCF became a regulatory  
11 mainstay:

12 We conclude that the [DCF] formula is logically incorrect for public  
13 utility regulation whenever stocks are selling at a price in excess of their  
14 book equity per share . . . . Although it purports to satisfy investor  
15 expectations, it is in fact designed to defeat the expectations of any  
16 investor who pays a market price in excess of book. It satisfies the  
17 expectations only of the investor who buys at book and expects market  
18 prices to remain at book.<sup>203</sup>

19 This is not to say that the DCF model is not a useful methodology when  
20 considered along with other methods. But as this discussion makes clear, arguments  
21 based on "truisms" inherent in the mathematical tautology of DCF theory do not  
22 support abandoning the Expected Earnings approach, which focuses on the projected

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<sup>202</sup> The Supreme Court noted that "the return to the equity owner should be commensurate with returns on investments in other enterprises of corresponding risks," and that it "should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." *Hope*, 320 U.S. at 603. The annual return cited by the Supreme Court was on the average book value of *Hope*'s investment.

<sup>203</sup> Walter A. Morton, *The Investor Capitalization Theory of the Cost of Equity Capital*, Land Econ. 248-63 (Aug. 1970).

1 earned returns on book equity supporting the investors' expectations underlying the  
2 market price of the stock.

3 **Q. OPINION NO. 569 PRESENTS A NUMERICAL EXAMPLE PURPORTING TO**  
4 **ILLUSTRATE THAT EXPECTED BOOK RETURNS ARE NOT GERMANE**  
5 **TO THE EVALUATION OF A JUST AND REASONABLE ROE.<sup>204</sup> IS THAT**  
6 **EXAMPLE PERSUASIVE?**

7 **A.** No. Opinion No. 569 posits a comparison between two firms, both with a book value  
8 of \$100 and an expected return on book value of 10%, but with the market price of the  
9 companies' stocks being \$20 (Firm A) and \$40 (Firm B), respectively. The problem  
10 with the example is that the assumptions are completely divorced from reality for  
11 electric utilities. For example, based on a stock price of \$20, the illustration implies a  
12 market-to-book ratios of 0.20 and 0.40 times<sup>205</sup> and price/earnings multiples of 2.0 and  
13 4.0.<sup>206</sup> These values are completely unrelated to actual market data for the electric  
14 utilities covered by *Value Line*, which have an average market-to-book ratio on the  
15 order of 1.97 and a price/earnings multiple of 17.8.<sup>207</sup> Under an approach where  
16 assumptions are simply contrived to "demonstrate" a hypothesis, Opinion No. 569  
17 could have just as easily "invalidated" the DCF model.

18 For example, extending the illustration to assume that each firm pays a dividend  
19 of \$1.00 and both are expected to grow at 5%, the DCF cost of equity for Firm A would  
20 be 10%, versus only 7.5% for Firm B.<sup>208</sup> Because the Opinion No. 569 example

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204 Opinion No. 569, 169 FERC ¶ 61,129 at P 205.

205 \$20/\$100 and \$40/\$100.

206 \$20/\$10 and \$40/\$10.

207 *Value Line*, www.valueline.com (Sep. 20, 2025).

208 \$1/\$20 + 5% and \$1/\$40 + 5%.

1 implicitly presumes that both stocks are of equal risk,<sup>209</sup> the differential between the  
2 implied DCF cost of equity estimates makes no sense. As with Opinion No. 569's  
3 contrived assumptions, the problem is with the example, not the underlying model.

4 **Q. OPINION NO. 569 ALSO ASSERTED THAT RELIANCE ON DATA FROM**  
5 **VALUE LINE UNDERMINES THE RELIABILITY OF THE EXPECTED**  
6 **EARNINGS APPROACH.<sup>210</sup> IS THIS CONSISTENT WITH THE**  
7 **UNDERLYING FACTS?**

8 **A.** No. The Commission reversed this finding in Opinion No. 569-A, concluding that  
9 *Value Line's* projections "incorporate the input of multiple analysts."<sup>211</sup> The  
10 Commission also concluded that considering *Value Line* projections "may better reflect  
11 the data sources that investors consider in making investor decisions."<sup>212</sup> This provides  
12 additional support for the relevance of the Expected Earnings approach in evaluating  
13 investors' expectations and requirements.

14 **Q. OPINION NO. 569-A SUGGESTED THAT THE RELATIVE AMOUNT OF**  
15 **COMMON EQUITY OR ACCUMULATED DEPRECIATION ON A UTILITY'S**  
16 **BALANCE SHEET COULD DISTORT THE RESULTS OF THE EXPECTED**  
17 **EARNINGS APPROACH.<sup>213</sup> IS THIS ACCURATE?**

18 **A.** No. The absolute amount of equity in a utility's capital structure, or the fact that a  
19 utility may have a higher or lower equity ratio, does not lead to an "illogical result"

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<sup>209</sup> This assumption is unstated in Opinion No. 569, but without this assumption, the difference in stock prices between Firm A and Firm B is easily explained. If the risks of Firm A are considerably higher than those of Firm B, the price investors are willing to pay to receive the same expected stream of cash flows will be significantly lower.

<sup>210</sup> Opinion No. 569, 169 FERC ¶ 61,129 at P 225.

<sup>211</sup> Opinion No. 569-A, 171 FERC ¶ 61,154 at P 80.

<sup>212</sup> *Id.* at P 78.

<sup>213</sup> *Id.* at P 131 (citing Opinion No. 569, 169 FERC ¶ 61,129 at P 223).

1 under the Expected Earnings approach, as Opinion No. 569 posits. The Expected  
 2 Earnings method is based on the ratio of earnings available to common stockholders to  
 3 the outstanding balance of common equity investment. While a higher equity ratio  
 4 would imply that the numerator would be higher relative to a utility with a lower equity  
 5 ratio, the denominator would also increase. In other words, assuming a constant  
 6 allowed ROE, differences in equity ratios between one utility and another would have  
 7 no impact at all on the resulting earned return on book value.<sup>214</sup>

8 Opinion No. 569's contention that the degree to which a utility's plant in service  
 9 is depreciated on its books would distort the Expected Earnings results is equally  
 10 misguided. Consider the simple example in the figure below, which assumes that the  
 11 only difference between the two utilities is the relative age of their respective utility  
 12 systems and the degree to which their plant investment is depreciated.

**FIGURE AMM-9  
 IMPACT OF DEPRECIATION**

	<u>Utility A</u>	<u>Utility B</u>
Plant	\$1,000	\$1,000
Accumulated Depreciation	\$ 800	\$ 100
Net Plant	\$ 200	\$ 900
Equity Ratio	50%	50%
Common Equity	\$ 100	\$ 450
ROE	10%	10%
Equity Return	\$ 10	\$ 45

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<sup>214</sup> Consider two utilities, both with a rate base of \$1,000 and an authorized ROE of 10%. If Utility A's common equity ratio were 60%, the Expected Earnings result would be calculated as  $(\$1,000 \times 60\% \times 10\%) / (\$1,000 \times 60\%) = 10\%$ . For Utility B with a common equity ratio of 40%, the Expected Earnings result would be calculated as  $(\$1,000 \times 40\% \times 10\%) / (\$1,000 \times 40\%) = 10\%$ . To the extent that the risk associated with Utility B's greater financial leverage were found to justify a ROE higher than that of Utility A, Utility B's Expected Earnings result would also be higher.

1           This example shows that, just as with the utility’s equity ratio, the degree to  
2           which the utility’s plant is depreciated affects the amount of common equity investment  
3           that earns at the allowed ROE. However, the ratio of equity return to book common  
4           equity is the same in both cases (i.e.,  $\$10/\$100 = 10\% = \$45/\$450 = 10\%$ ). There are  
5           no “illogical results” in either instance.<sup>215</sup>

6   **Q.   WHAT OTHER PRIMARY MISCONCEPTION UNDERLIES THE**  
7   **REJECTION OF THE EXPECTED EARNINGS APPROACH IN OPINION**  
8   **NOS. 569 AND 569-A?**

9   **A.**   Opinion No. 569-A argues that the Expected Earnings method should be excluded  
10       because of a lack of evidence “that investors use such data to directly value equities,  
11       determine the cost of equity, or make investment decisions.”<sup>216</sup> Similarly, Opinion No.  
12       569 concluded that “there is insufficient record evidence to demonstrate that investors  
13       rely on the Expected Earnings model,” or that investors “use the Expected Earnings  
14       model to determine their required returns on investments in public utilities.”<sup>217</sup>

15   **Q.   DOES THIS LINE OF ARGUMENT SUPPORT EXCLUDING THE**  
16   **EXPECTED EARNINGS APPROACH?**

17   **A.**   No. As my testimony demonstrates, returns on book value are a key consideration in  
18       evaluating investment alternatives, particularly in the regulated sector where book

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<sup>215</sup>       Further, the Commission’s suggestion that the relative age of a utility’s plant alone can be viewed as a key determinant of its risk is incorrect. Opinion No. 569, 169 FERC ¶ 61,129 at P 224. Risk is a function of numerous factors that might affect the investors’ ability to earn a fair ROE. While the relative age of a utility’s facilities might arguably be a consideration, it is just as likely that older facilities could be viewed as riskier due to the presumptively greater potential for unplanned outages or catastrophic failure.

<sup>216</sup>       Opinion No. 569-A, 171 FERC ¶ 61,154 at P 126.

<sup>217</sup>       Opinion No. 569, 169 FERC ¶ 61,129 at PP 210, 213. Similarly, the Commission also concluded that there is “insufficient evidence that investors rely on risk premium analyses utilizing historic Commission ROE determinations or settlement approvals to determine the cost of capital and make investment decisions.” *Id.* at P 345. My discussion applies equally to the fallacy of this contention as well.

1 values play a fundamental role in establishing future earnings and cash flows. But in  
2 any event, as discussed earlier in the context of the Risk Premium approach, the merit  
3 of any specific financial model is not premised on whether individual investors rely  
4 directly on that method to “determine their required returns” or “to inform their  
5 investment decisions.”<sup>218</sup> Given the importance of both expected earnings and book  
6 value investment for utility investors, and the direct link to the *Hope* and *Bluefield*  
7 regulatory standards, the Expected Earnings approach provides a useful perspective in  
8 evaluating a just and reasonable ROE.

9 **Q. DOES THE PROSPECT OF CONTINUED UNCERTAINTY IN THE**  
10 **ECONOMY AND CAPITAL MARKETS PROVIDE ADDITIONAL SUPPORT**  
11 **FOR ALTERNATIVES TO THE DCF AND CAPM APPROACHES?**

12 **A.** Yes. Apart from the COVID-19 pandemic and Russia’s invasion of Ukraine, recent  
13 dislocations associated with a global tariff conflict demonstrate that investors continue  
14 to confront heightened market volatility and uncertainty. At the same time, the Federal  
15 Reserve’s monetary policy stance has undergone significant shifts in response to spikes  
16 in price inflation and concerns over a potential economic slowdown, and investors face  
17 significant uncertainties regarding the future economic and fiscal policies of the Trump  
18 administration. Such tumultuous and highly aberrant conditions violate the general  
19 assumptions of market equilibrium and stability underlying market-based financial  
20 models. The Risk Premium and Expected Earnings approaches are largely insulated  
21 from such concerns and including them in the set of ROE models used by the  
22 Commission helps to ensure that the *Hope* and *Bluefield* standards are met.

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<sup>218</sup> See, e.g., *id.* at PP 212-13.

1 **Q. WHAT ROES ARE INDICATED FOR ELECTRIC UTILITIES BASED ON**  
2 **THE EXPECTED EARNINGS APPROACH?**

3 **A.** The year-end returns on common equity projected by *Value Line* over its forecast  
4 horizon for each of the utilities in the proxy group are shown on Exhibit No. AM-011.  
5 In *Southern California Edison Co.*, the Commission correctly recognized that, if the  
6 rate of return were based on year-end book values, such as those reported by *Value*  
7 *Line*, it would understate actual returns because of growth in common equity over the  
8 year.<sup>219</sup> Accordingly, consistent with the Commission's findings and the theory  
9 underlying this approach, I made an adjustment to compute an average rate of return.<sup>220</sup>

10 As shown on Exhibit No. AM-011, *Value Line's* projections for the Electric  
11 Group resulted in a range of expected rates of return from 7.59% to 15.86%. The  
12 median and midpoint values are 11.13% and 11.73%, respectively.

13 **Q. WHAT ROE DO YOU RECOMMEND FOR KJT?**

14 **A.** As shown on Exhibit KJT-0102, the results of the four financial models supported in  
15 my testimony produce a composite zone of reasonableness of 8.14% to 13.45%, with  
16 median and midpoint values averaging 10.74% and 10.79%, respectively. Based on  
17 my evaluation, and in light of current capital market requirements, I conclude that an  
18 ROE of 10.75% is just and reasonable for KJT.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 **A.** Yes.

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<sup>219</sup> *So. Cal. Edison Co.*, 92 FERC ¶ 61,070 at 61,263 & n. 38 (2000).

<sup>220</sup> Use of an average return in developing the rate of return is well supported. *See, e.g.*, Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006) at 305-06, which discusses the need to adjust *Value Line's* end-of-year data, consistent with the Commission's prior findings.

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Kammer Juniata Transmission, LLC**

**Docket No. ER26-\_\_\_\_-000**

**DECLARATION OF ADRIEN M. MCKENZIE**

Pursuant to 18 C.F.R. § 385.2005, I, Adrien M. McKenzie, verify under penalty of perjury that I possess full power and authority to sign the filing, have read and know the contents of the foregoing Direct Testimony and attached exhibits, and that the answers contained therein are true and correct to the best of my knowledge, information, and belief.

Executed on March 11, 2026.

/s/ Adrien M. McKenzie  
Adrien M. McKenzie

**Exhibit Nos. AM-002 – AM-011**

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

A. My name is Adrien M. McKenzie. My business address is 3907 Red River Street, Austin, Texas 78751.

**Q. PLEASE STATE YOUR OCCUPATION.**

A. I am a principal in FINCAP, Inc., a firm engaged primarily in financial, economic, and policy consulting in the field of public utility regulation.

**Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.**

A. I received B.A. and M.B.A. degrees with a major in finance from The University of Texas at Austin and hold the Chartered Financial Analyst (CFA<sup>®</sup>) designation. Since joining FINCAP in 1984, I have participated in consulting assignments involving a broad range of economic and financial issues, including cost of capital, cost of service, rate design, economic damages, and business valuation. I have extensive experience in economic and financial analysis for regulated industries, and in preparing and supporting expert witness testimony before courts, regulatory agencies, and legislative committees throughout the U.S. and Canada. I have personally sponsored direct and rebuttal testimony in more than 200 proceedings filed with the Federal Energy Regulatory Commission (“FERC”) and regulatory agencies in Alaska, Arkansas, Colorado, District of Columbia, Florida, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Montana, Nebraska, New Mexico, Ohio, Oklahoma, Oregon, South Dakota, Texas, Virginia, Washington, West Virginia, and Wyoming. My testimony has addressed the establishment of risk-comparable proxy groups, the application of alternative quantitative methods, and the consideration of regulatory standards and policy objectives in

establishing a fair rate of return on common equity for regulated electric, gas, and water utility operations. In connection with these assignments, my responsibilities have included critically evaluating the positions of other parties and preparation of rebuttal testimony, representing clients in settlement negotiations and hearings, and assisting in the preparation of legal briefs.

FINCAP was formed in 1979 as an economic and financial consulting firm serving clients in both the regulated and competitive sectors. FINCAP conducts assignments ranging from broad qualitative analyses and policy consulting to technical analyses and research. The firm's experience is in the areas of public utilities, valuation of closely-held businesses, and economic evaluations (e.g., damage and cost/benefit analyses). Prior to joining FINCAP, I was employed by an oil and gas firm and was responsible for operations and accounting. I am a member of the CFA Institute. A resume containing the details of my qualifications and experience is attached below.

**ADRIEN M. McKENZIE**

FINCAP, INC.  
Financial Concepts and Applications  
*Economic and Financial Counsel*

3907 Red River Street  
Austin, Texas 78751  
(512) 923-2790  
amm.fincap@outlook.com

**Summary of Qualifications**

Adrien McKenzie has over 35 years of experience in economic and financial analysis for regulated industries, and in preparing and supporting expert witness testimony before regulatory agencies, courts, and legislative committees throughout the U.S. and Canada. Assignments have included a broad range of economic and financial issues, including cost of capital, cost of service, rate design, economic damages, and business valuation. Mr. McKenzie holds the Chartered Financial Analyst (CFA®) designation and earned an MBA in finance from the University of Texas at Austin.

**Employment**

*President*  
FINCAP, Inc.  
(June 1984 to June 1987)  
(April 1988 to present)

Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included rate of return, revenue requirements, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Develop cost of capital analyses using alternative market models for electric, gas, and telephone utilities. Prepare pre-filed direct and rebuttal testimony, participate in settlement negotiations, respond to interrogatories, evaluate opposition testimony, and assist in the areas of cross-examination and the preparations of legal briefs. Other assignments have involved preparation of technical reports, valuations, estimation of damages, industry studies, and various economic analyses in support of litigation.

*Manager,*  
McKenzie Energy Company  
(Jan. 1981 to May. 1984)

Responsible for operations and accounting for firm engaged in the management of working interests in oil and gas properties.

**Education**

*M.B.A., Finance,*  
University of Texas at Austin  
(Sep. 1982 to May. 1984)

Program included coursework in corporate finance, accounting, financial modeling, and statistics. Received Dean's Award for Academic Excellence and Good Neighbor Scholarship.

Professional Report: *The Impact of Construction Expenditures on Investor-Owned Electric Utilities*

*B.B.A., Finance,*  
University of Texas at Austin  
(Jan. 1981 to May 1982)

Electives included capital market theory, portfolio management, and international economics and finance. Elected to Beta Gamma Sigma business honor society. Dean's List 1981-1982.

Simon Fraser University,  
Vancouver, Canada and University  
of Hawaii at Manoa, Honolulu,  
Hawaii  
(Jan. 1979 to Dec 1980)

Coursework in accounting, finance, economics, and liberal arts.

**Professional Associations**

Received Chartered Financial Analyst (CFA®) designation in 1990.

*Member* – CFA Institute.

**Bibliography**

“A Profile of State Regulatory Commissions,” A Special Report by the Electricity Consumers Resource Council (ELCON), Summer 1991.

“The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test,” with Bruce H. Fairchild, *Public Utilities Fortnightly* (May 25, 1989).

**Presentations**

“ROE at FERC: Issues and Methods,” *Expert Briefing on Parallels in ROE Issues between AER, ERA, and FERC*, Jones Day (Sydney, Melbourne, and Perth, Australia) (April 15, 2014).

*Cost of Capital Working Group eforum*, Edison Electric Institute (April 24, 2012).

“Cost-of-Service Studies and Rate Design,” General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).

**Representative Assignments**

- Mr. McKenzie has prepared and sponsored prefiled testimony submitted in over 200 regulatory proceedings.
- In addition to filings before regulatory agencies in Alaska, Arkansas, Colorado, District of Columbia, Florida, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Montana, Nebraska, New Mexico, Ohio, Oklahoma, Oregon, South Dakota, Texas, Virginia, Washington, West Virginia, and Wyoming, Mr. McKenzie has considerable expertise in preparing expert analyses and testimony before the Federal Energy Regulatory Commission.
- Evaluation of fair rate of return on equity for electric, gas, water, sewer, and telephone utilities, as well as natural gas pipelines.
- Analysis of capital structure issues for regulated utilities.
- Developing cost of service, cost allocation, and rate design studies.
- Design and development of explanatory models for nuclear plant capital costs in connection with prudency reviews.
- Analysis of avoided cost pricing for cogenerated power.
- Application of econometric models to analyze the impact of anti-competitive behavior, theft of trade secrets, and estimate lost profits.
- Valuation of closely-held businesses.

SUMMARY OF RESULTSI. FOUR-MODEL METHODOLOGY

<u>Method</u>	<u>Range</u>	<u>Median</u>	<u>Midpoint</u>
Constant Growth DCF	8.23% -- 13.01%	10.44%	10.62%
CAPM			
IBES	9.34% -- 12.47%	11.54%	10.91%
Value Line	8.65% -- 11.29%	10.43%	9.97%
Average	9.00% -- 11.88%	10.99%	10.44%
Risk Premium	7.74% -- 13.05%	10.39%	10.39%
Expected Earnings	7.59% -- 15.86%	11.13%	11.73%
<b>Composite ROE</b>	<b>8.14% -- 13.45%</b>	<b>10.74%</b>	<b>10.79%</b>

II. TWO MODEL METHODOLOGY

<u>Method</u>	<u>Range</u>	<u>Median</u>	<u>Midpoint</u>
DCF Model			
Two-step	8.10% -- 11.75%	9.76%	9.93%
Constant Growth	8.23% -- 13.01%	10.44%	10.62%
Average DCF	8.17% -- 12.38%	10.10%	10.27%
CAPM			
IBES			
Value Line Beta	9.34% -- 12.47%	11.54%	10.91%
Bloomberg Beta	9.12% -- 11.25%	10.42%	10.19%
Average	9.23% -- 11.86%	10.98%	10.55%
Value Line			
Value Line Beta	8.65% -- 11.29%	10.43%	9.97%
Bloomberg Beta	8.41% -- 10.19%	9.57%	9.30%
Average	8.53% -- 10.74%	10.00%	9.64%
Average CAPM	8.88% -- 11.30%	10.49%	10.09%
<b>Composite ROE</b>	<b>8.52% -- 11.84%</b>	<b>10.30%</b>	<b>10.18%</b>

III. ORDER ON REMAND METHODOLOGY

<u>Method</u>	<u>Range</u>	<u>Median</u>	<u>Midpoint</u>
Two-step DCF	8.10% -- 11.75%	9.76%	9.93%
CAPM	9.34% -- 12.47%	11.54%	10.91%
<b>Composite ROE</b>	<b>8.72% -- 12.11%</b>	<b>10.65%</b>	<b>10.42%</b>

ELECTRIC GROUP

	Company	SYM	(a)		(b)		(c)		
			Credit Rating		Value Line		Safety Rank	Financial Strength	Beta
			Moody's	S&P					
1	Alliant Energy	LNT	Baa2	BBB+	1	A	0.80		
2	Ameren Corp.	AEE	Baa1	BBB+	1	A	0.75		
3	American Elec Pwr	AEP	Baa2	BBB+	1	A	0.70		
4	CenterPoint Energy	CNP	Baa2	BBB+	2	B++	0.80		
5	CMS Energy Corp.	CMS	Baa2	BBB+	2	B++	0.70		
6	Consolidated Edison	ED	Baa1	A-	1	A+	0.65		
7	Dominion Energy	D	Baa2	BBB+	2	A	0.80		
8	DTE Energy Co.	DTE	Baa2	BBB+	2	B++	0.80		
9	Duke Energy Corp.	DUK	Baa2	BBB+	1	A	0.65		
10	Entergy Corp.	ETR	Baa2	BBB+	1	A	0.75		
11	Evergy Inc.	EVRG	Baa2	BBB+	2	B++	0.75		
12	Eversource Energy	ES	Baa2	BBB+	2	A	0.85		
13	Exelon Corp.	EXC	Baa2	A-	2	B++	0.75		
14	FirstEnergy Corp.	FE	Baa3	BBB+	2	B++	0.75		
15	Fortis Inc.	FTS	Baa3	A-	1	A	0.50		
16	NextEra Energy, Inc.	NEE	Baa1	A-	2	A+	0.90		
17	OGE Energy Corp.	OGE	Baa1	BBB+	2	B++	0.85		
18	Pinnacle West Capital	PNW	Baa2	BBB+	2	B++	0.75		
19	Portland General Elec.	POR	A3	BBB+	2	B++	0.75		
20	PPL Corp.	PPL	Baa1	A-	1	A+	0.80		
21	Pub Sv Enterprise Grp.	PEG	Baa2	BBB+	1	A	0.85		
22	Sempra	SRE	Baa2	BBB+	3	B++	0.90		
23	Southern Company	SO	Baa1	A-	1	A	0.65		
24	WEC Energy Group	WEC	Baa1	A-	1	A	0.65		
25	Xcel Energy Inc.	XEL	Baa1	BBB+	2	A	0.70		
			<b>Baa2</b>	<b>BBB+</b>	<b>2</b>	<b>A</b>	<b>0.75</b>		

(a) www.spglobal.com (retrieved Jan. 9, 2026).

(b) www.moody's.com (retrieved Jan. 9, 2026).

(c) The Value Line Investment Survey (Oct. 17, Nov. 7 and Dec. 5, 2025).

ELECTRIC GROUP

	(a)	(b)	(c)	(d)	
<b>Company</b>	<b>6-mo. Avg Dividend Yield</b>	<b>EPS Growth</b>	<b>Adjusted Dividend Yield</b>	<b>DCF Result</b>	<b>Break (bps)</b>
1 Dominion Energy	4.49%	10.70%	4.73%	15.43%	242
2 Entergy Corp.	2.67%	10.20%	2.81%	13.01%	77
3 Xcel Energy Inc.	3.00%	9.10%	3.14%	12.24%	1
4 Ameren Corp.	2.80%	9.30%	2.93%	12.23%	16
5 Pub Sv Enterprise Grp.	3.04%	8.90%	3.17%	12.07%	66
6 CenterPoint Energy	2.30%	9.00%	2.41%	11.41%	49
7 WEC Energy Group	3.29%	7.50%	3.41%	10.91%	8
8 NextEra Energy, Inc.	2.92%	7.80%	3.03%	10.83%	4
9 American Elec Pwr	3.27%	7.40%	3.39%	10.79%	17
10 FirstEnergy Corp.	3.99%	6.50%	4.12%	10.62%	12
11 Eversource Energy	4.47%	5.90%	4.60%	10.50%	5
12 DTE Energy Co.	3.23%	7.10%	3.35%	10.45%	1
13 PPL Corp.	3.03%	7.30%	3.14%	10.44%	--
14 CMS Energy Corp.	2.99%	7.30%	3.10%	10.40%	4
15 Alliant Energy	3.07%	7.20%	3.18%	10.38%	2
16 Duke Energy Corp.	3.49%	6.70%	3.61%	10.31%	8
17 Southern Company	3.20%	6.80%	3.31%	10.11%	20
18 Sempra	2.99%	6.70%	3.09%	9.79%	31
19 OGE Energy Corp.	3.78%	5.90%	3.89%	9.79%	0
20 Exelon Corp.	3.56%	6.00%	3.66%	9.66%	13
21 Consolidated Edison	3.41%	6.10%	3.52%	9.62%	5
22 Evergy Inc.	3.67%	5.80%	3.78%	9.58%	4
23 Portland General Elec.	4.73%	3.50%	4.81%	8.31%	127
24 Fortis Inc.	3.55%	4.60%	3.63%	8.23%	8
25 Pinnacle West Capital	4.01%	1.90%	4.05%	5.95%	228
<b>Lower End (e)</b>				<b>8.23%</b>	
<b>Upper End (e)</b>				<b>13.01%</b>	
<b>Median (e)</b>				<b>10.44%</b>	
<b>Midpoint</b>				<b>10.62%</b>	
<b>Median - All Values</b>				<b>10.44%</b>	
<b>Low-End Test (f)</b>				<b>7.43%</b>	
<b>High-End Test (g)</b>				<b>20.88%</b>	

(a) Six-month average dividend yield for Jul. - Dec. 2025.

(b) IBES growth rates from LSEG, as provided by www.fidelity.com (Jan. 8, 2026).

(c) Six-month average dividend yield x [1+ (EPS Growth Rate / 2)].

(d) (b) + (c).

(e) Excludes highlighted values.

(f) Average Baa utility bond yield for six-months ending Dec. 2025, plus 20% of average IBES and Value Line CAPM market risk premium.

(g) 200% of Median - All Values.

**ELECTRIC GROUP**

		(a)	(b)	(c)	(d)	(e)	(f)	
	<b>Company</b>	<b>6-mo. Avg Dividend Yield</b>	<b>EPS Growth</b>	<b>GDP</b>	<b>Weighted</b>	<b>Adjusted Dividend Yield</b>	<b>DCF Result</b>	<b>Break (bps)</b>
1	Dominion Energy	4.49%	10.70%	3.91%	9.34%	4.73%	14.07%	232
2	Entergy Corp.	2.67%	10.20%	3.91%	8.94%	2.81%	11.75%	55
3	Xcel Energy Inc.	3.00%	9.10%	3.91%	8.06%	3.14%	11.20%	5
4	Ameren Corp.	2.80%	9.30%	3.91%	8.22%	2.93%	11.15%	8
5	Pub Sv Enterprise Grp.	3.04%	8.90%	3.91%	7.90%	3.17%	11.07%	68
6	CenterPoint Energy	2.30%	9.00%	3.91%	7.98%	2.41%	10.39%	19
7	WEC Energy Group	3.29%	7.50%	3.91%	6.78%	3.41%	10.20%	9
8	Eversource Energy	4.47%	5.90%	3.91%	5.50%	4.60%	10.10%	0
9	FirstEnergy Corp.	3.99%	6.50%	3.91%	5.98%	4.12%	10.10%	1
10	American Elec Pwr	3.27%	7.40%	3.91%	6.70%	3.39%	10.10%	4
11	NextEra Energy, Inc.	2.92%	7.80%	3.91%	7.02%	3.03%	10.05%	24
12	DTE Energy Co.	3.23%	7.10%	3.91%	6.46%	3.35%	9.81%	5
13	PPL Corp.	3.03%	7.30%	3.91%	6.62%	3.14%	9.76%	--
14	Duke Energy Corp.	3.49%	6.70%	3.91%	6.14%	3.61%	9.75%	1
15	Alliant Energy	3.07%	7.20%	3.91%	6.54%	3.18%	9.73%	2
16	CMS Energy Corp.	2.99%	7.30%	3.91%	6.62%	3.10%	9.72%	0
17	Southern Company	3.20%	6.80%	3.91%	6.22%	3.31%	9.53%	20
18	OGE Energy Corp.	3.78%	5.90%	3.91%	5.50%	3.89%	9.39%	13
19	Exelon Corp.	3.56%	6.00%	3.91%	5.58%	3.66%	9.25%	15
20	Sempra	2.99%	6.70%	3.91%	6.14%	3.09%	9.24%	1
21	Evergy Inc.	3.67%	5.80%	3.91%	5.42%	3.78%	9.20%	4
22	Consolidated Edison	3.41%	6.10%	3.91%	5.66%	3.52%	9.18%	2
23	Portland General Elec.	4.73%	3.50%	3.91%	3.58%	4.81%	8.39%	78
24	Fortis Inc.	3.55%	4.60%	3.91%	4.46%	3.63%	8.10%	30
25	Pinnacle West Capital	4.01%	1.90%	3.91%	2.30%	4.05%	6.35%	174
	<b>Lower End (g)</b>						<b>8.10%</b>	
	<b>Upper End (g)</b>						<b>11.75%</b>	
	<b>Median (g)</b>						<b>9.76%</b>	
	<b>Midpoint</b>						<b>9.93%</b>	
	<b>Median - All Values</b>						<b>9.76%</b>	
	<b>Low-End Test (h)</b>						<b>7.43%</b>	
	<b>High-End Test (i)</b>						<b>19.52%</b>	

(a) Six-month average dividend yield for Jul. - Dec. 2025.

(b) IBES growth rates from LSEG, as provided by www.fidelity.com (Jan. 8, 2026).

(c) Table 2, page 5.

(d)  $EPS\ Growth \times 80\% + GDP\ Growth \times 20\%$ .

(e)  $Six\text{-month\ average\ dividend\ yield} \times [1 + (EPS\ Growth\ Rate / 2)]$ .

(f) (d) + (e).

(g) Excludes highlighted values.

(h) Average Baa utility bond yield for six-months ending Dec. 2025, plus 20% of average IBES and Value Line CAPM market risk premium.

(i) 200% of Median - All Values.

**GDP GROWTH RATE**

Source	Nominal GDP (\$ Billions)				Compound Annual Growth Rate
	2031	2050	2055	2081	
(a) S&P Capital IQ	39,638		98,997		3.89%
(b) EIA					
Real GDP	24,878	34,171			
GDP Deflator	<u>1.528</u>	<u>2.301</u>			
	38,005	78,611			3.90%
(c) SSA Trustees Report	38,903			268,214	<u>3.94%</u>
<b>Average Projected GDP Growth</b>					<b>3.91%</b>

- (a) S&P Capital IQ, Long-Term Macro Forecast - Baseline, Economic & Demographic Data (Feb. 6, 2026).  
(b) Energy Information Administration, *Annual Energy Outlook 2025* (Apr. 15, 2025).  
(c) Social Security Administration, *2025 OASDI Trustees Report*, Table VI.G6.-Selected Economic Variables.

**VALUE LINE BETA**

Company	(a) (b) (c)			(d)			(e)		(f)	
	Market Return (R <sub>m</sub> )			Risk-Free Rate	Risk Premium	Beta	Unadjusted CAPM	Market Cap	Size Adjustment	Adjusted CAPM
	Div Yield	Proj. Growth	R <sub>(m)</sub>							
1 OGE Energy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.85	11.97%	\$9,000	0.50%	12.47%
2 NextEra Energy, Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.90	12.39%	\$177,000	-0.01%	12.38%
3 Sempra	1.47%	11.77%	13.24%	4.78%	8.46%	0.90	12.39%	\$60,300	-0.01%	12.38%
4 Eversource Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.85	11.97%	\$27,700	0.33%	12.30%
5 Pub Sv Enterprise Grp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.85	11.97%	\$41,600	0.33%	12.30%
6 Alliant Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.80	11.55%	\$17,600	0.49%	12.04%
7 CenterPoint Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.80	11.55%	\$25,900	0.33%	11.88%
8 DTE Energy Co.	1.47%	11.77%	13.24%	4.78%	8.46%	0.80	11.55%	\$28,300	0.33%	11.88%
9 PPL Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.80	11.55%	\$27,700	0.33%	11.88%
10 Portland General Elec.	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.13%	\$4,800	0.74%	11.87%
11 Evergy Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.13%	\$17,700	0.49%	11.62%
12 Pinnacle West Capital	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.13%	\$10,800	0.49%	11.62%
13 Dominion Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.80	11.55%	\$51,900	-0.01%	11.54%
14 Ameren Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.13%	\$28,300	0.33%	11.46%
15 Entergy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.13%	\$42,600	0.33%	11.46%
16 FirstEnergy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.13%	\$26,800	0.33%	11.46%
17 Exelon Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.13%	\$48,600	-0.01%	11.12%
18 CMS Energy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.70	10.70%	\$22,600	0.33%	11.03%
19 American Elec Pwr	1.47%	11.77%	13.24%	4.78%	8.46%	0.70	10.70%	\$65,300	-0.01%	10.69%
20 Xcel Energy Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.70	10.70%	\$47,900	-0.01%	10.69%
21 Consolidated Edison	1.47%	11.77%	13.24%	4.78%	8.46%	0.65	10.28%	\$36,100	0.33%	10.61%
22 WEC Energy Group	1.47%	11.77%	13.24%	4.78%	8.46%	0.65	10.28%	\$36,100	0.33%	10.61%
23 Duke Energy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.65	10.28%	\$99,100	-0.01%	10.27%
24 Southern Company	1.47%	11.77%	13.24%	4.78%	8.46%	0.65	10.28%	\$105,000	-0.01%	10.27%
25 Fortis Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.50	9.01%	\$36,500	0.33%	9.34%
<b>Lower End</b>										<b>9.34%</b>
<b>Upper End</b>										<b>12.47%</b>
<b>Median</b>										<b>11.54%</b>
<b>Midpoint</b>										<b>10.91%</b>
<b>Median - All Values</b>										<b>11.54%</b>
<b>Low-End Test (g)</b>										<b>7.57%</b>
<b>High-End Test (h)</b>										<b>23.08%</b>

- (a) Weighted average for dividend-paying stocks in the S&P 500 based on data from www.valueline.com (retrieved Dec. 31, 2025).
- (b) IBES growth rates from LSEG, as provided by www.fidelity.com (retrieved Dec. 31, 2025). Eliminated growth rates greater than 20%, as well as all negative values.
- (c) Six-month average yield on 30-year Treasury bonds for Dec. 2025 from https://fred.stlouisfed.org/.
- (d) The Value Line Investment Survey, Summary & Index (Dec. 26, 2025).
- (e) The Value Line Investment Survey (Oct. 17, Nov. 7 and Dec. 5, 2025).
- (f) Kroll, 2024 CRSP Deciles Size Premium, Cost of Capital Navigator (2025).
- (g) Average Baa utility bond yield for six-months ending Dec. 2025, plus 20% of IBES CAPM market risk premium.
- (h) 200% of Median - All Values.

**BLOOMBERG BETA**

Company	(a) (b) (c)			(d)			(e)		(f)	
	Market Return (R <sub>m</sub> )			Risk-Free Rate	Risk Premium	Beta	Unadjusted CAPM	Market Cap	Size Adjustment	Adjusted CAPM
	Div Yield	Proj. Growth	R <sub>(m)</sub>							
1 NextEra Energy, Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.77	11.26%	\$177,000	-0.01%	11.25%
2 Pub Sv Enterprise Grp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.71	10.77%	\$41,600	0.33%	11.10%
3 Sempra	1.47%	11.77%	13.24%	4.78%	8.46%	0.75	11.10%	\$60,300	-0.01%	11.09%
4 OGE Energy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.66	10.39%	\$9,000	0.50%	10.89%
5 CenterPoint Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.67	10.45%	\$25,900	0.33%	10.78%
6 Entergy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.67	10.44%	\$42,600	0.33%	10.77%
7 Pinnacle West Capital	1.47%	11.77%	13.24%	4.78%	8.46%	0.62	10.04%	\$10,800	0.49%	10.53%
8 PPL Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.64	10.19%	\$27,700	0.33%	10.52%
9 Alliant Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.61	9.96%	\$17,600	0.49%	10.45%
10 Ameren Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.63	10.12%	\$28,300	0.33%	10.45%
11 Eversource Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.63	10.11%	\$27,700	0.33%	10.44%
12 Portland General Elec.	1.47%	11.77%	13.24%	4.78%	8.46%	0.58	9.69%	\$4,800	0.74%	10.43%
13 Evergy Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.61	9.93%	\$17,700	0.49%	10.42%
14 DTE Energy Co.	1.47%	11.77%	13.24%	4.78%	8.46%	0.60	9.87%	\$28,300	0.33%	10.20%
15 Exelon Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.63	10.09%	\$48,600	-0.01%	10.08%
16 FirstEnergy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.57	9.64%	\$26,800	0.33%	9.97%
17 CMS Energy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.57	9.59%	\$22,600	0.33%	9.92%
18 Dominion Energy	1.47%	11.77%	13.24%	4.78%	8.46%	0.60	9.83%	\$51,900	-0.01%	9.82%
19 WEC Energy Group	1.47%	11.77%	13.24%	4.78%	8.46%	0.55	9.46%	\$36,100	0.33%	9.79%
20 Fortis Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.55	9.40%	\$36,500	0.33%	9.73%
21 Xcel Energy Inc.	1.47%	11.77%	13.24%	4.78%	8.46%	0.58	9.65%	\$47,900	-0.01%	9.64%
22 Southern Company	1.47%	11.77%	13.24%	4.78%	8.46%	0.55	9.44%	\$105,000	-0.01%	9.43%
23 American Elec Pwr	1.47%	11.77%	13.24%	4.78%	8.46%	0.54	9.39%	\$65,300	-0.01%	9.38%
24 Consolidated Edison	1.47%	11.77%	13.24%	4.78%	8.46%	0.47	8.79%	\$36,100	0.33%	9.12%
25 Duke Energy Corp.	1.47%	11.77%	13.24%	4.78%	8.46%	0.51	9.13%	\$99,100	-0.01%	9.12%
<b>Lower End</b>										<b>9.12%</b>
<b>Upper End</b>										<b>11.25%</b>
<b>Median</b>										<b>10.42%</b>
<b>Midpoint</b>										<b>10.19%</b>
<b>Median - All Values</b>										<b>10.42%</b>
<b>Low-End Test (g)</b>										<b>7.57%</b>
<b>High-End Test (h)</b>										<b>20.84%</b>

- (a) Weighted average for dividend-paying stocks in the S&P 500 based on data from www.valueline.com (retrieved Dec. 31, 2025).
- (b) IBES growth rates from LSEG, as provided by www.fidelity.com (retrieved Dec. 31, 2025). Eliminated growth rates greater than 20%, as well as all negative values.
- (c) Six-month average yield on 30-year Treasury bonds for Dec. 2025 from https://fred.stlouisfed.org/.
- (d) Bloomberg L.P. (retrieved Jan. 29, 2026).
- (e) The Value Line Investment Survey (Oct. 17, Nov. 7 and Dec. 5, 2025).
- (f) Kroll, 2024 CRSP Deciles Size Premium, Cost of Capital Navigator (2025).
- (g) Average Baa utility bond yield for six-months ending Dec. 2025, plus 20% of IBES CAPM market risk premium.
- (h) 200% of Median - All Values.

**IBES**

	(a)	(a)	(b)	(a)		Weighted			
				Dividend	IBES	Market	Dividend	Growth	Yield
Company	Ticker	Yield	EPS	Cap	Mkt. Cap.	Weight	Yield	Growth	Rate
1	Agilent Technologies Inc	A	0.75%	8.35%	38.58	38.58	0.0010	0.000007	0.000084
2	Apple Inc	AAPL	0.38%	11.75%	4,017.10	4,017.10	0.1042	0.000399	0.012242
3	AbbVie Inc	ABBV	2.87%	16.48%	403.83	403.83	0.0105	0.000301	0.001726
4	Abbott Laboratories	ABT	1.88%	10.05%	217.86	217.86	0.0057	0.000106	0.000568
5	Accenture PLC	ACN	2.43%	7.49%	165.09	165.09	0.0043	0.000104	0.000321
6	Analog Devices Inc	ADI	1.46%	17.43%	132.79	132.79	0.0034	0.000050	0.000600
7	Archer-Daniels-Midland Co	ADM	3.55%	1.70%	27.63	27.63	0.0007	0.000025	0.000012
8	Automatic Data Processing Inc	ADP	2.64%	n/a	104.04	--	--	--	--
9	Ameren Corporation	AEE	2.96%	9.30%	27.01	27.01	0.0007	0.000021	0.000065
10	American Electric Power Co Inc	AEP	3.40%	7.35%	61.59	61.59	0.0016	0.000054	0.000117
11	AES Corp (The)	AES	5.23%	11.20%	10.21	10.21	0.0003	0.000014	0.000030
12	Aflac Incorporated	AFL	2.21%	2.65%	57.79	57.79	0.0015	0.000033	0.000040
13	American International Group Inc	AIG	2.10%	23.20%	46.16	--	--	--	--
14	Assurant Inc.	AIZ	1.33%	n/a	12.06	--	--	--	--
15	Arthur J. Gallagher & Co.	AJG	1.02%	9.00%	66.46	66.46	0.0017	0.000018	0.000155
16	Albemarle Corp	ALB	1.15%	n/a	16.65	--	--	--	--
17	The Allstate Corporation	ALL	1.92%	13.35%	54.47	54.47	0.0014	0.000027	0.000189
18	Allegion PLC	ALLE	1.28%	10.20%	13.70	13.70	0.0004	0.000005	0.000036
19	Applied Materials Inc	AMAT	0.72%	9.80%	203.78	203.78	0.0053	0.000038	0.000518
20	Amtcor Plc	AMCR	6.12%	12.60%	19.25	19.25	0.0005	0.000031	0.000063
21	AMETEK Inc	AME	0.60%	8.87%	47.26	47.26	0.0012	0.000007	0.000109
22	Amgen Inc	AMGN	3.01%	4.77%	176.25	176.25	0.0046	0.000137	0.000218
23	Ameriprise Financial Inc	AMP	1.35%	9.60%	45.56	45.56	0.0012	0.000016	0.000113
24	American Tower Corp	AMT	4.15%	n/a	82.19	--	--	--	--
25	Aon plc	AON	0.84%	10.45%	75.85	75.85	0.0020	0.000017	0.000206
26	A. O. Smith Corp	AOS	2.03%	n/a	9.31	--	--	--	--
27	APA Corporation	APA	4.09%	8.70%	8.68	8.68	0.0002	0.000009	0.000020
28	Air Products and Chemicals Inc.	APD	2.91%	7.87%	54.98	54.98	0.0014	0.000041	0.000112
29	Amphenol Corp	APH	0.74%	38.70%	165.42	--	--	--	--
30	Apollo Global Management Inc	APO	1.41%	14.00%	84.02	84.02	0.0022	0.000031	0.000305
31	Alexandria Real Estate Equities Inc.	ARE	5.88%	-22.93%	8.46	--	--	--	--
32	Ares Management Corp	ARES	2.77%	24.58%	52.83	--	--	--	--
33	Atmos Energy Corp	ATO	2.43%	8.20%	27.10	27.10	0.0007	0.000017	0.000058
34	AvalonBay Communities Inc.	AVB	4.02%	-6.42%	25.67	--	--	--	--
35	Broadcom Inc	AVGO	0.75%	35.10%	1,640.95	--	--	--	--
36	Avery Dennison Corp	AVY	2.07%	7.80%	14.06	14.06	0.0004	0.000008	0.000028
37	American Water Works Company Inc	AWK	2.68%	n/a	25.46	--	--	--	--
38	American Express Co	AXP	0.95%	14.50%	254.84	254.84	0.0066	0.000063	0.000958
39	Bank of America Corp	BAC	2.18%	15.30%	401.64	401.64	0.0104	0.000227	0.001594
40	Ball Corporation	BALL	1.51%	13.10%	14.20	14.20	0.0004	0.000006	0.000048
41	Baxter International Inc	BAX	3.56%	14.02%	9.82	9.82	0.0003	0.000009	0.000036
42	Best Buy Co Inc	BBY	5.68%	4.90%	14.02	14.02	0.0004	0.000021	0.000018
43	Becton Dickinson and Co	BDX	2.23%	6.10%	55.29	55.29	0.0014	0.000032	0.000087
44	Franklin Resources Inc	BEN	5.36%	6.40%	12.46	12.46	0.0003	0.000017	0.000021
45	Brown-Forman Corp	BF/B	3.91%	2.24%	7.68	7.68	0.0002	0.000008	0.000004
46	Bunge Global SA	BG	3.19%	2.05%	17.22	17.22	0.0004	0.000014	0.000009
47	Bank of New York Mellon Corp (The)	BK	1.93%	n/a	80.96	--	--	--	--
48	Booking Holdings Inc	BKNG	0.72%	16.70%	172.62	172.62	0.0045	0.000032	0.000748
49	Baker Hughes a GE Co	BKR	2.15%	10.73%	44.94	44.94	0.0012	0.000025	0.000125
50	BlackRock Inc	BLK	2.13%	13.22%	166.06	166.06	0.0043	0.000092	0.000569
51	Bristol-Myers Squibb Co	BMJ	4.60%	75.76%	109.81	--	--	--	--
52	Broadridge Financial Solutions Inc	BR	1.75%	n/a	26.05	--	--	--	--
53	Brown & Brown Inc	BRO	0.85%	9.80%	27.21	27.21	0.0007	0.000006	0.000069
54	Blackstone Inc	BX	3.35%	21.95%	188.02	--	--	--	--

**IBES**

	(a)	(a)	(b)	(a)					
					Dividend	IBES	Market	Weighted	
Company	Ticker	Yield	EPS	Cap	Mkt. Cap.	Weight	Yield	Rate	
55	BXP Inc	BXP	5.81%	n/a	10.69	--	--	--	--
56	Citigroup Inc	C	2.13%	27.00%	208.79	--	--	--	--
57	Conagra Brands Inc	CAG	8.09%	-6.06%	8.28	--	--	--	--
58	Cardinal Health Inc	CAH	0.99%	13.93%	48.83	48.83	0.0013	0.000013	0.000176
59	Carrier Global Corp	CARR	1.82%	8.86%	44.50	44.50	0.0012	0.000021	0.000102
60	Caterpillar Inc	CAT	1.05%	4.40%	268.09	268.09	0.0070	0.000073	0.000306
61	Chubb Ltd	CB	1.29%	5.90%	122.84	122.84	0.0032	0.000041	0.000188
62	Boe Global Markets Inc	CBOE	1.15%	13.47%	26.27	26.27	0.0007	0.000008	0.000092
63	Crown Castle Inc	CCI	4.78%	n/a	38.70	--	--	--	--
64	CDW Corp	CDW	1.84%	6.95%	17.73	17.73	0.0005	0.000008	0.000032
65	Constellation Energy Corp	CEG	0.44%	n/a	110.32	--	--	--	--
66	CF Industries Holdings Inc	CF	2.84%	-5.70%	12.06	--	--	--	--
67	Citizens Financial Group Inc	CFG	3.15%	24.40%	25.09	--	--	--	--
68	Church & Dwight Co Inc	CHD	1.41%	4.99%	20.13	20.13	0.0005	0.000007	0.000026
69	C.H. Robinson Worldwide Inc.	CHRW	1.57%	15.43%	18.99	18.99	0.0005	0.000008	0.000076
70	The Cigna Group	CI	2.40%	8.13%	73.52	73.52	0.0019	0.000046	0.000155
71	Cincinnati Financial Corp	CINF	2.24%	5.30%	25.48	25.48	0.0007	0.000015	0.000035
72	Colgate-Palmolive Co	CL	2.63%	3.79%	63.70	63.70	0.0017	0.000043	0.000063
73	Clorox Co (The)	CLX	4.92%	-3.10%	12.30	--	--	--	--
74	Comcast Corp	CMCSA	4.42%	0.83%	108.92	108.92	0.0028	0.000125	0.000023
75	CME Group Inc	CME	1.83%	6.41%	98.47	98.47	0.0026	0.000047	0.000164
76	Cummins Inc.	CMI	1.57%	11.43%	70.46	70.46	0.0018	0.000029	0.000209
77	CMS Energy Corp	CMS	3.10%	7.30%	21.28	21.28	0.0006	0.000017	0.000040
78	CenterPoint Energy Inc.	CNP	2.30%	9.00%	25.03	25.03	0.0006	0.000015	0.000058
79	Capital One Financial Corp	COF	1.32%	21.24%	154.08	--	--	--	--
80	Conocophillips	COP	3.33%	-0.17%	115.68	--	--	--	--
81	Cencora Inc	COR	0.65%	10.53%	65.52	65.52	0.0017	0.000011	0.000179
82	Costco Wholesale Corp	COST	0.60%	12.80%	382.77	382.77	0.0099	0.000060	0.001271
83	Campbell's Co (The)	CPB	5.60%	-2.98%	8.31	--	--	--	--
84	Camden Property Trust	CPT	3.92%	5.36%	11.71	11.71	0.0003	0.000012	0.000016
85	CRH PLC	CRH	1.19%	11.09%	83.49	83.49	0.0022	0.000026	0.000240
86	SALESFORCE INC	CRM	0.63%	14.88%	248.22	248.22	0.0064	0.000040	0.000958
87	Cisco Systems Inc	CSCO	2.16%	7.95%	304.35	304.35	0.0079	0.000170	0.000628
88	CSX Corp	CSX	1.49%	5.96%	67.50	67.50	0.0018	0.000026	0.000104
89	Cintas Corp	CTAS	0.96%	12.40%	75.78	75.78	0.0020	0.000019	0.000244
90	Coterra Energy Inc	CTRA	3.34%	35.05%	20.04	--	--	--	--
91	Cognizant Technology Solutions Corp	CTSH	1.52%	9.32%	40.06	40.06	0.0010	0.000016	0.000097
92	Corteva Inc	CTVA	1.10%	13.30%	45.29	45.29	0.0012	0.000013	0.000156
93	CVS Health Corp	CVS	3.59%	15.44%	100.74	100.74	0.0026	0.000094	0.000403
94	Chevron Corp	CVX	4.67%	4.50%	306.88	306.88	0.0080	0.000371	0.000358
95	Dominion Energy Inc	D	4.56%	10.70%	50.03	50.03	0.0013	0.000059	0.000139
96	Delta Air Lines Inc	DAL	1.08%	7.77%	45.32	45.32	0.0012	0.000013	0.000091
97	DuPont De Nemours Inc	DD	1.99%	n/a	16.84	--	--	--	--
98	DEERE & COMPANY	DE	1.39%	13.47%	125.91	125.91	0.0033	0.000045	0.000440
99	Dell Technologies Inc	DELL	1.67%	15.95%	83.42	83.42	0.0022	0.000036	0.000345
100	Dollar General Corporation	DG	1.78%	9.00%	29.23	29.23	0.0008	0.000013	0.000068
101	Quest Diagnostics Inc	DGX	1.84%	7.33%	19.30	19.30	0.0005	0.000009	0.000037
102	D.R. Horton Inc	DHI	1.25%	-2.10%	41.93	--	--	--	--
103	Danaher Corp	DHR	0.57%	6.43%	161.70	161.70	0.0042	0.000024	0.000270
104	Walt Disney Co (The)	DIS	0.88%	11.31%	203.11	203.11	0.0053	0.000046	0.000596
105	Digital Realty Trust Inc	DLR	3.28%	-9.50%	53.14	--	--	--	--
106	Healthpeak Properties Inc	DOC	7.59%	n/a	11.17	--	--	--	--
107	Dover Corp	DOV	1.07%	12.63%	26.78	26.78	0.0007	0.000007	0.000088
108	Dow Inc	DOW	5.99%	-12.63%	16.62	--	--	--	--

**IBES**

	(a)	(a)	(b)	(a)	Weighted				
					Dividend	IBES	Market	Dividend	Growth
Company	Ticker	Yield	EPS	Cap	Mkt. Cap.	Weight	Yield	Growth	Rate
109	Domino's Pizza Inc	DPZ	1.78%	10.37%	14.08	14.08	0.0004	0.000007	0.000038
110	Darden Restaurants Inc	DRI	3.26%	9.86%	21.40	21.40	0.0006	0.000018	0.000055
111	DTE Energy Co	DTE	3.54%	7.10%	26.79	26.79	0.0007	0.000025	0.000049
112	Duke Energy Corp	DUK	3.65%	6.70%	91.15	91.15	0.0024	0.000086	0.000158
113	Devon Energy Corp	DVN	2.62%	9.90%	22.98	22.98	0.0006	0.000016	0.000059
114	Electronic Arts Inc	EA	0.40%	13.00%	51.10	51.10	0.0013	0.000005	0.000172
115	eBay Inc.	EBAY	1.33%	9.67%	39.37	39.37	0.0010	0.000014	0.000099
116	Ecolab Inc.	ECL	0.99%	12.71%	74.36	74.36	0.0019	0.000019	0.000245
117	Consolidated Edison Inc.	ED	3.57%	6.10%	35.85	35.85	0.0009	0.000033	0.000057
118	Equifax Inc.	EFX	0.92%	11.82%	26.56	26.56	0.0007	0.000006	0.000081
119	Everest Group Ltd	EG	2.36%	27.35%	14.25	--	--	--	--
120	Edison International	EIX	5.85%	10.60%	23.09	23.09	0.0006	0.000035	0.000063
121	Estee Lauder Cos Inc (The)	EL	1.34%	37.96%	37.74	--	--	--	--
122	Elevance Health Inc	ELV	1.95%	1.20%	77.91	77.91	0.0020	0.000039	0.000024
123	EMCOR Group Inc.	EME	0.16%	n/a	27.39	--	--	--	--
124	Emerson Electric Co.	EMR	1.67%	8.97%	74.56	74.56	0.0019	0.000032	0.000173
125	EOG Resources Inc.	EOG	3.92%	6.65%	56.98	56.98	0.0015	0.000058	0.000098
126	Equinix Inc	EQIX	2.45%	9.00%	75.23	75.23	0.0020	0.000048	0.000176
127	Equity Residential	EQR	4.43%	5.99%	23.99	23.99	0.0006	0.000028	0.000037
128	EQT Corp	EQT	1.23%	39.23%	33.45	--	--	--	--
129	Erie Indemnity Co	ERIE	1.91%	n/a	14.99	--	--	--	--
130	Eversource Energy	ES	4.65%	5.90%	25.26	25.26	0.0007	0.000030	0.000039
131	Essex Property Trust Inc.	ESS	4.15%	n/a	16.85	--	--	--	--
132	Eaton Corporation plc	ETN	1.31%	13.63%	123.71	123.71	0.0032	0.000042	0.000437
133	Entergy corporation	ETR	2.60%	10.20%	41.28	41.28	0.0011	0.000028	0.000109
134	Evergy Inc	EVRG	3.82%	5.80%	16.69	16.69	0.0004	0.000017	0.000025
135	Exelon Corp	EXC	3.72%	6.00%	44.04	44.04	0.0011	0.000042	0.000069
136	Expand Energy Corporation	EXE	2.08%	121.00%	26.28	--	--	--	--
137	Expeditors International of Washington Inc.	EXPD	1.03%	6.40%	19.97	19.97	0.0005	0.000005	0.000033
138	Expedia Group Inc	EXPE	0.56%	19.45%	34.71	34.71	0.0009	0.000005	0.000175
139	Extra Space Storage Inc	EXR	5.16%	10.47%	27.64	27.64	0.0007	0.000037	0.000075
140	Ford Motor Co	F	4.57%	-4.06%	52.28	--	--	--	--
141	Diamondback Energy Inc	FANG	2.66%	5.00%	43.07	43.07	0.0011	0.000030	0.000056
142	Fastenal Co	FAST	2.19%	7.80%	46.07	46.07	0.0012	0.000026	0.000093
143	Freeport-McMoRan Inc	FCX	1.18%	27.10%	72.93	--	--	--	--
144	FactSet Research Systems Inc.	FDS	1.52%	n/a	10.86	--	--	--	--
145	FedEx Corp.	FDX	2.01%	10.84%	67.92	67.92	0.0018	0.000035	0.000191
146	FirstEnergy Corp.	FE	4.11%	6.50%	25.86	25.86	0.0007	0.000028	0.000044
147	Fidelity National Information Services Inc	FIS	2.59%	15.95%	34.42	34.42	0.0009	0.000023	0.000142
148	Fifth Third Bancorp	FITB	3.50%	n/a	30.94	--	--	--	--
149	Comfort Systems USA Inc	FIX	0.26%	n/a	32.92	--	--	--	--
150	Fox Corp	FOXA	0.77%	2.85%	15.23	15.23	0.0004	0.000003	0.000011
151	Federal Realty Investment Trust	FRT	4.39%	2.73%	8.70	8.70	0.0002	0.000010	0.000006
152	Fortive Corp	FTV	0.43%	9.40%	17.54	17.54	0.0005	0.000002	0.000043
153	General Dynamics Corp	GD	1.78%	13.05%	90.94	90.94	0.0024	0.000042	0.000308
154	GE Aerospace	GE	0.47%	20.87%	324.91	--	--	--	--
155	GE HealthCare Technologies Inc	GEHC	0.20%	6.50%	37.36	37.36	0.0010	0.000002	0.000063
156	Gen Digital Inc	GEN	1.84%	13.80%	16.77	16.77	0.0004	0.000008	0.000060
157	GE Vernova Inc	GEV	0.24%	110.80%	177.33	--	--	--	--
158	Gilead Sciences Inc	GILD	2.57%	28.40%	152.28	--	--	--	--
159	General Mills Inc.	GIS	5.25%	-2.08%	24.81	--	--	--	--
160	Globe Life Inc	GL	0.82%	n/a	11.13	--	--	--	--
161	Corning Inc	GLW	1.28%	20.15%	75.07	--	--	--	--
162	General Motors Co	GM	0.74%	11.00%	75.86	75.86	0.0020	0.000015	0.000216

**IBES**

	(a)	(a)	(b)	(a)	Weighted				
					Dividend	IBES	Market	Dividend	Growth
Company	Ticker	Yield	EPS	Cap	Mkt. Cap.	Weight	Yield	Rate	
163	Alphabet Inc (Class C shares)	GOOG	0.27%	19.30%	1,696.72	1,696.72	0.0440	0.000118	0.008493
164	Alphabet Inc (Class A shares)	GOOGL	0.27%	18.45%	2,084.58	2,084.58	0.0541	0.000145	0.009975
165	Genuine Parts Co	GPC	3.35%	n/a	17.11	--	--	--	--
166	Global Payments Inc	GPN	1.41%	9.00%	18.32	18.32	0.0005	0.000007	0.000043
167	Garmin Ltd	GRMN	1.97%	9.65%	39.02	39.02	0.0010	0.000020	0.000098
168	Goldman Sachs Group Inc (The)	GS	1.82%	14.30%	263.64	263.64	0.0068	0.000124	0.000978
169	Grainger (W.W.) Inc	GWW	0.97%	6.90%	47.98	47.98	0.0012	0.000012	0.000086
170	Halliburton Co	HAL	2.69%	-8.03%	23.78	--	--	--	--
171	Hasbro Inc.	HAS	3.41%	n/a	11.51	--	--	--	--
172	Huntington Bancshares Inc	HBAN	3.63%	17.70%	27.28	27.28	0.0007	0.000026	0.000125
173	HCA Healthcare Inc	HCA	0.62%	12.50%	106.53	106.53	0.0028	0.000017	0.000345
174	Home Depot Inc. (The)	HD	2.67%	1.80%	342.56	342.56	0.0089	0.000238	0.000160
175	Hartford Insurance Group Inc (The)	HIG	1.51%	13.00%	38.43	38.43	0.0010	0.000015	0.000130
176	Huntington Ingalls Industries Inc	HII	1.63%	13.84%	13.34	13.34	0.0003	0.000006	0.000048
177	Hilton Worldwide Holdings Inc	HLT	0.21%	12.65%	66.77	66.77	0.0017	0.000004	0.000219
178	Honeywell International Inc	HON	2.44%	6.61%	123.86	123.86	0.0032	0.000078	0.000212
179	Hewlett Packard Enterprise Co	HPE	2.37%	15.65%	32.06	32.06	0.0008	0.000020	0.000130
180	HP Inc	HPQ	5.25%	3.25%	20.45	20.45	0.0005	0.000028	0.000017
181	Hormel Foods Corp	HRL	4.89%	4.85%	13.04	13.04	0.0003	0.000017	0.000016
182	Host Hotels & Resorts Inc	HST	5.08%	n/a	12.19	--	--	--	--
183	Hershey Co (The)	HSY	3.07%	-3.91%	36.90	--	--	--	--
184	Hubbell Inc	HUBB	1.30%	9.10%	23.60	23.60	0.0006	0.000008	0.000056
185	Humana Inc.	HUM	1.38%	13.00%	30.81	30.81	0.0008	0.000011	0.000104
186	Howmet Aerospace Inc	HWM	0.23%	23.69%	82.43	--	--	--	--
187	Interactive Brokers Group Inc	IBKR	0.50%	16.00%	109.08	109.08	0.0028	0.000014	0.000453
188	International Business Machines Corp	IBM	2.43%	8.80%	276.88	276.88	0.0072	0.000175	0.000632
189	Intercontinental Exchange Inc	ICE	1.19%	10.35%	92.35	92.35	0.0024	0.000028	0.000248
190	IDEX Corp	IEX	1.60%	12.00%	13.32	13.32	0.0003	0.000006	0.000041
191	International Flavors & Fragrances Inc	IFF	2.37%	3.83%	17.26	17.26	0.0004	0.000011	0.000017
192	Intuit Inc.	INTU	0.72%	14.21%	184.33	184.33	0.0048	0.000035	0.000679
193	Invitation Homes Inc	INVH	4.32%	7.13%	17.04	17.04	0.0004	0.000019	0.000032
194	International Paper Company	IP	4.70%	46.70%	20.80	--	--	--	--
195	Ingersoll Rand Inc	IR	0.10%	5.80%	31.30	31.30	0.0008	0.000001	0.000047
196	Iron Mountain Inc	IRM	4.17%	19.80%	24.52	24.52	0.0006	0.000027	0.000126
197	Illinois Tool Works Inc.	ITW	2.61%	0.93%	71.45	71.45	0.0019	0.000048	0.000017
198	Invesco Ltd	IVZ	3.27%	18.48%	11.69	11.69	0.0003	0.000010	0.000056
199	Jacobs Solutions Inc	J	1.06%	14.50%	15.73	15.73	0.0004	0.000004	0.000059
200	J.B. Hunt Transport Services Inc.	JBHT	0.94%	18.06%	18.50	18.50	0.0005	0.000004	0.000087
201	Jabil Inc	JBL	0.14%	18.10%	24.36	24.36	0.0006	0.000001	0.000114
202	Johnson Controls International Plc	JCI	1.24%	17.48%	73.18	73.18	0.0019	0.000023	0.000332
203	Henry (Jack) & Associates Inc	JKHY	1.29%	n/a	13.21	--	--	--	--
204	Johnson & Johnson	JNJ	2.51%	7.45%	498.60	498.60	0.0129	0.000325	0.000963
205	JPMorgan Chase & Co	JPM	1.99%	8.80%	886.03	886.03	0.0230	0.000456	0.002022
206	Keurig Dr Pepper Inc	KDP	3.61%	6.67%	38.05	38.05	0.0010	0.000036	0.000066
207	KeyCorp	KEY	4.07%	n/a	22.56	--	--	--	--
208	The Kraft Heinz Co	KHC	6.60%	-6.61%	28.70	--	--	--	--
209	Kimco Realty Corp	KIM	5.18%	n/a	13.73	--	--	--	--
210	KKR & Co Inc	KKR	0.58%	21.18%	113.63	--	--	--	--
211	KLA Corp	KLAC	0.63%	10.60%	159.65	159.65	0.0041	0.000026	0.000439
212	Kimberly-Clark Corporation	KMB	5.00%	4.80%	33.48	33.48	0.0009	0.000043	0.000042
213	Kinder Morgan Inc.	KMI	4.26%	10.10%	61.16	61.16	0.0016	0.000068	0.000160
214	Coca-Cola Co (The)	KO	2.92%	6.12%	300.73	300.73	0.0078	0.000228	0.000478
215	Kroger Co. (The)	KR	2.24%	6.90%	39.54	39.54	0.0010	0.000023	0.000071
216	Kenvue Inc	KVUE	4.81%	-0.64%	33.05	--	--	--	--

**IBES**

	(a)	(a)	(b)	(a)	Weighted				
					Dividend	IBES	Market	Dividend	Growth
Company	Ticker	Yield	EPS	Cap	Mkt. Cap.	Weight	Yield	Growth	Rate
217	Loews Corp	L	0.24%	n/a	21.76	--	--	--	--
218	Leidos Holdings Inc	LDOS	0.95%	11.60%	23.07	23.07	0.0006	0.000006	0.000069
219	Lennar Corp	LEN	1.95%	12.70%	23.01	23.01	0.0006	0.000012	0.000076
220	Labcorp Holdings Inc	LH	1.15%	8.97%	20.80	20.80	0.0005	0.000006	0.000048
221	L3Harris Technologies Inc	LHX	1.64%	13.70%	54.91	54.91	0.0014	0.000023	0.000195
222	Lennox International Inc.	LII	1.07%	9.35%	17.03	17.03	0.0004	0.000005	0.000041
223	Linde Plc	LIN	1.41%	7.76%	199.10	199.10	0.0052	0.000073	0.000401
224	Eli Lilly and Co	LLY	0.56%	44.35%	1,015.99	--	--	--	--
225	Lockheed Martin Corp	LMT	2.85%	10.74%	111.92	111.92	0.0029	0.000083	0.000312
226	Alliant Energy Corporation	LNT	3.12%	7.20%	16.71	16.71	0.0004	0.000014	0.000031
227	Lowe's Cos Inc	LOW	2.03%	5.55%	135.28	135.28	0.0035	0.000071	0.000195
228	Lam Research Corp	LRCX	0.53%	18.09%	215.01	215.01	0.0056	0.000029	0.001009
229	Southwest Airlines Co.	LUV	1.74%	54.80%	21.37	--	--	--	--
230	Las Vegas Sands Corp	LVS	1.54%	6.55%	44.01	44.01	0.0011	0.000018	0.000075
231	Lamb Weston Holdings Inc	LW	3.60%	-1.30%	5.82	--	--	--	--
232	LyondellBasell Industries NV	LYB	12.38%	-10.28%	13.94	--	--	--	--
233	Mastercard Inc	MA	0.59%	15.28%	512.65	512.65	0.0133	0.000078	0.002031
234	Mid-America Apartment Communities Inc	MAA	4.36%	n/a	16.26	--	--	--	--
235	Marriott International Inc	MAR	0.86%	9.90%	83.25	83.25	0.0022	0.000019	0.000214
236	Masco Corporation	MAS	2.02%	5.89%	13.18	13.18	0.0003	0.000007	0.000020
237	McDonald's Corp	MCD	2.43%	7.14%	217.66	217.66	0.0056	0.000137	0.000403
238	Microchip Technology Inc	MCHP	2.86%	29.70%	34.44	--	--	--	--
239	McKesson Corp	MCK	0.40%	13.97%	101.25	101.25	0.0026	0.000010	0.000367
240	Moody's Corp.	MCO	0.74%	14.05%	91.14	91.14	0.0024	0.000017	0.000332
241	Mondelez International Inc	MDLZ	3.72%	1.28%	69.46	69.46	0.0018	0.000067	0.000023
242	Medtronic PLC	MDT	2.99%	6.57%	123.15	123.15	0.0032	0.000095	0.000210
243	MetLife Inc	MET	2.99%	11.90%	52.01	52.01	0.0013	0.000040	0.000161
244	Meta Platforms Inc	META	0.34%	12.14%	1,663.78	1,663.78	0.0432	0.000147	0.005238
245	McCormick & Co Inc	MKC	2.64%	5.08%	17.25	17.25	0.0004	0.000012	0.000023
246	Martin Marietta Materials Inc	MLM	0.54%	8.70%	37.55	37.55	0.0010	0.000005	0.000085
247	Marsh & McLennan Companies Inc	MMC	1.90%	7.00%	90.89	90.89	0.0024	0.000045	0.000165
248	3M Co	MMM	1.82%	8.96%	85.05	85.05	0.0022	0.000040	0.000198
249	Altria Group Inc	MO	7.35%	3.25%	96.79	96.79	0.0025	0.000185	0.000082
250	Mosaic Company (The)	MOS	3.65%	20.90%	7.65	--	--	--	--
251	Marathon Petroleum Corp	MPC	2.46%	n/a	48.89	--	--	--	--
252	Monolithic Power Systems Inc	MPWR	0.69%	18.80%	43.42	43.42	0.0011	0.000008	0.000212
253	Merck and Co Inc	MRK	3.08%	10.93%	261.26	261.26	0.0068	0.000209	0.000741
254	Morgan Stanley	MS	2.25%	13.10%	282.45	282.45	0.0073	0.000165	0.000960
255	MSCI Inc	MSCI	1.25%	12.20%	43.11	43.11	0.0011	0.000014	0.000136
256	Microsoft Corp	MSFT	0.77%	16.78%	3,594.45	3,594.45	0.0932	0.000719	0.015643
257	Motorola Solutions Inc	MSI	1.26%	9.10%	63.84	63.84	0.0017	0.000021	0.000151
258	M&T Bank Corp	MTB	2.98%	12.60%	30.97	30.97	0.0008	0.000024	0.000101
259	Match Group Inc	MTCH	2.60%	12.89%	7.62	7.62	0.0002	0.000005	0.000025
260	Micron Technology Inc.	MU	0.16%	83.07%	321.23	--	--	--	--
261	Nasdaq Inc	NDAQ	1.11%	16.11%	55.46	55.46	0.0014	0.000016	0.000232
262	Nordson Corp	NDSN	1.38%	13.00%	13.42	13.42	0.0003	0.000005	0.000045
263	NextEra Energy Inc	NEE	3.04%	7.78%	167.19	167.19	0.0043	0.000132	0.000337
264	Newmont Corporation	NEM	1.00%	41.10%	108.96	--	--	--	--
265	NiSource Inc	NI	2.87%	8.05%	19.93	19.93	0.0005	0.000015	0.000042
266	NIKE Inc	NKE	2.51%	11.90%	94.18	94.18	0.0024	0.000061	0.000291
267	Northrop Grumman Corp	NOC	1.70%	6.00%	81.38	81.38	0.0021	0.000036	0.000127
268	NRG Energy Inc	NRG	1.11%	14.64%	30.52	30.52	0.0008	0.000009	0.000116
269	Norfolk Southern Corp	NSC	1.87%	6.33%	64.79	64.79	0.0017	0.000031	0.000106
270	NetApp Inc	NTAP	1.94%	7.15%	21.21	21.21	0.0006	0.000011	0.000039

**IBES**

	(a)	(a)	(b)	(a)	Weighted				
					Dividend	IBES	Market	Dividend	Growth
Company	Ticker	Yield	EPS	Cap	Mkt. Cap.	Weight	Yield	Growth	Rate
271	Northern Trust Corp	NTRS	2.34%	10.70%	25.83	25.83	0.0007	0.000016	0.000072
272	Nucor Corp	NUE	1.42%	16.00%	37.33	37.33	0.0010	0.000014	0.000155
273	NVIDIA Corporation	NVDA	0.03%	46.29%	4,531.95	--	--	--	--
274	News Corp	NWSA	0.77%	14.70%	9.78	9.78	0.0003	0.000002	0.000037
275	NXP Semiconductors NV	NXPI	1.87%	8.24%	54.63	54.63	0.0014	0.000027	0.000117
276	Realty Income Corp	O	5.94%	18.81%	51.86	51.86	0.0013	0.000080	0.000253
277	Old Dominion Freight Line Inc	ODFL	0.75%	4.91%	32.79	32.79	0.0009	0.000006	0.000042
278	ONEOK Inc	OKE	5.82%	4.60%	46.25	46.25	0.0012	0.000070	0.000055
279	Omnicom Group Inc	OMC	3.47%	9.65%	25.40	25.40	0.0007	0.000023	0.000064
280	Oracle Corp	ORCL	0.97%	19.46%	560.00	560.00	0.0145	0.000142	0.002826
281	Otis Worldwide Corp	OTIS	1.92%	7.75%	34.04	34.04	0.0009	0.000017	0.000068
282	Occidental Petroleum Corp	OXY	2.33%	n/a	40.51	--	--	--	--
283	Paycom Software Inc	PAYC	0.94%	11.73%	8.75	8.75	0.0002	0.000002	0.000027
284	Paychex Inc.	PAYX	3.85%	n/a	40.27	--	--	--	--
285	PACCAR Inc	PCAR	3.94%	-6.50%	57.52	--	--	--	--
286	PG&E Corp	PCG	1.00%	12.55%	35.32	35.32	0.0009	0.000009	0.000115
287	Public Service Enterprise Group Inc	PEG	3.29%	8.93%	40.08	40.08	0.0010	0.000034	0.000093
288	PepsiCo Inc	PEP	3.99%	3.57%	196.24	196.24	0.0051	0.000203	0.000182
289	Pfizer Inc	PFE	6.91%	-0.60%	141.57	--	--	--	--
290	Principal Financial Group Inc	PFGE	3.58%	13.85%	19.38	19.38	0.0005	0.000018	0.000070
291	Procter & Gamble Co (The)	PG	2.95%	4.30%	334.88	334.88	0.0087	0.000256	0.000373
292	Progressive Corp (The)	PGR	0.18%	7.55%	133.49	133.49	0.0035	0.000006	0.000261
293	Parker-Hannifin Corp	PH	0.84%	9.05%	110.91	110.91	0.0029	0.000024	0.000260
294	PulteGroup Inc	PHM	0.79%	3.00%	22.86	22.86	0.0006	0.000005	0.000018
295	Packaging Corp Of America	PKG	2.42%	13.70%	18.56	18.56	0.0005	0.000012	0.000066
296	Prologis Inc	PLD	3.35%	n/a	118.58	--	--	--	--
297	Philip Morris International Inc	PM	3.37%	11.51%	249.68	249.68	0.0065	0.000218	0.000745
298	The PNC Financial Services Group Inc	PNC	3.41%	n/a	81.86	--	--	--	--
299	Pentair plc	PNR	1.04%	11.16%	17.04	17.04	0.0004	0.000005	0.000049
300	Pinnacle West Capital Corp	PNW	4.11%	1.90%	10.62	10.62	0.0003	0.000011	0.000005
301	Pool Corp	POOL	2.25%	4.80%	8.52	8.52	0.0002	0.000005	0.000011
302	PPG Industries Inc.	PPG	2.77%	5.90%	22.99	22.99	0.0006	0.000017	0.000035
303	PPL Corp	PPL	3.08%	7.30%	25.91	25.91	0.0007	0.000021	0.000049
304	Prudential Financial Inc	PRU	4.96%	8.65%	39.51	39.51	0.0010	0.000051	0.000089
305	Public Storage	PSA	4.62%	2.51%	45.53	45.53	0.0012	0.000055	0.000030
306	Phillips 66	PSX	3.84%	23.90%	51.99	--	--	--	--
307	Quanta Services Inc.	PWR	0.09%	18.10%	62.94	62.94	0.0016	0.000002	0.000295
308	PayPal Holdings Inc	PYPL	0.96%	12.12%	54.62	54.62	0.0014	0.000014	0.000172
309	Qnity Electronics Inc	Q	0.32%	n/a	17.10	--	--	--	--
310	QUALCOMM Inc.	QCOM	2.08%	5.07%	182.85	182.85	0.0047	0.000099	0.000241
311	Royal Caribbean Group	RCL	1.08%	20.25%	76.07	--	--	--	--
312	Regency Centers Corp.	REG	4.37%	n/a	12.63	--	--	--	--
313	Regeneron Pharmaceuticals Inc	REGN	0.46%	5.00%	81.12	81.12	0.0021	0.000010	0.000105
314	Regions Financial Corp	RF	4.17%	n/a	23.76	--	--	--	--
315	Raymond James Financial Inc.	RJF	1.37%	n/a	31.58	--	--	--	--
316	Ralph Lauren Corp	RL	1.03%	13.53%	21.44	21.44	0.0006	0.000006	0.000075
317	Resmed Inc	RMD	1.02%	18.00%	35.16	35.16	0.0009	0.000009	0.000164
318	Rockwell Automation Inc.	ROK	1.42%	12.24%	43.68	43.68	0.0011	0.000016	0.000139
319	Rollins Inc	ROL	1.22%	14.60%	28.88	28.88	0.0007	0.000009	0.000109
320	Roper Technologies Inc	ROP	0.82%	8.00%	47.91	47.91	0.0012	0.000010	0.000099
321	Ross Stores Inc	ROST	0.96%	6.40%	58.27	58.27	0.0015	0.000015	0.000097
322	Republic Services Inc.	RSG	1.09%	7.92%	65.61	65.61	0.0017	0.000019	0.000135
323	RTX Corp	RTX	1.48%	10.21%	245.90	245.90	0.0064	0.000095	0.000651
324	Revvity Inc	RVTY	0.29%	6.05%	10.97	10.97	0.0003	0.000001	0.000017

**IBES**

	(a)	(a)	(b)	(a)	Weighted				
					Dividend	IBES	Market	Dividend	Growth
Company	Ticker	Yield	EPS	Cap	Mkt. Cap.	Weight	Yield	Growth	Rate
325	SBA Communications Corp	SBAC	2.44%	8.00%	20.61	20.61	0.0005	0.000013	0.000043
326	Starbucks Corp	SBUX	2.93%	20.47%	95.76	--	--	--	--
327	Schwab (Charles) Corp	SCHW	1.08%	25.50%	177.53	--	--	--	--
328	Sherwin-Williams Co (The)	SHW	1.05%	7.59%	80.33	80.33	0.0021	0.000022	0.000158
329	The J M Smucker Company	SJM	4.50%	1.69%	10.44	10.44	0.0003	0.000012	0.000005
330	SLB Ltd	SLB	3.05%	-0.10%	57.34	--	--	--	--
331	Snap-On Inc	SNA	2.83%	4.10%	17.92	17.92	0.0005	0.000013	0.000019
332	Southern Co (The)	SO	3.39%	6.80%	96.02	96.02	0.0025	0.000085	0.000169
333	Simon Property Group Inc	SPG	4.83%	n/a	60.43	--	--	--	--
334	S&P Global Inc	SPGI	0.73%	11.82%	158.24	158.24	0.0041	0.000030	0.000485
335	Sempra	SRE	3.04%	6.74%	57.63	57.63	0.0015	0.000045	0.000101
336	Steris Plc	STE	0.98%	n/a	24.88	--	--	--	--
337	Steel Dynamics Inc	STLD	1.29%	n/a	24.75	--	--	--	--
338	State Street Corporation	STT	2.68%	10.60%	36.03	36.03	0.0009	0.000025	0.000099
339	Seagate Technology Holdings plc	STX	1.07%	14.20%	60.00	60.00	0.0016	0.000017	0.000221
340	Constellation Brands Inc	STZ	3.02%	-2.23%	24.01	--	--	--	--
341	Smurfit Westrock Plc	SW	4.19%	n/a	20.19	--	--	--	--
342	Stanley Black & Decker Inc	SWK	4.48%	9.99%	11.50	11.50	0.0003	0.000013	0.000030
343	Skyworks Solutions Inc	SWKS	4.54%	-7.10%	9.51	--	--	--	--
344	Synchrony Financial	SYF	1.44%	8.10%	30.05	30.05	0.0008	0.000011	0.000063
345	Stryker Corp	SYK	0.97%	10.75%	134.41	134.41	0.0035	0.000034	0.000375
346	Sysco Corporation	SYI	2.93%	6.30%	35.29	35.29	0.0009	0.000027	0.000058
347	AT&T Inc	T	4.99%	8.77%	176.10	176.10	0.0046	0.000228	0.000400
348	Molson Coors Beverage Company	TAP	4.13%	-2.25%	8.65	--	--	--	--
349	Bio-Techne Corp	TECH	0.54%	10.13%	9.16	9.16	0.0002	0.000001	0.000024
350	TE Connectivity plc	TEL	1.25%	12.43%	66.93	66.93	0.0017	0.000022	0.000216
351	Teradyne Inc	TER	0.27%	27.30%	30.31	--	--	--	--
352	Truist Financial Corp	TFC	4.29%	11.70%	62.95	62.95	0.0016	0.000070	0.000191
353	Target Corp	TGT	4.66%	-2.65%	44.26	--	--	--	--
354	TJX Companies Inc (The)	TJX	1.20%	9.95%	170.58	170.58	0.0044	0.000053	0.000440
355	Thermo Fisher Scientific Inc	TMO	0.30%	7.27%	217.70	217.70	0.0056	0.000017	0.000410
356	T-Mobile US Inc	TMUS	2.07%	15.44%	227.10	227.10	0.0059	0.000122	0.000910
357	Texas Pacific Land Corp	TPL	2.38%	n/a	19.80	--	--	--	--
358	Tapestry Inc	TPR	1.10%	10.00%	26.15	26.15	0.0007	0.000007	0.000068
359	Targa Resources Corp	TRGP	2.44%	20.70%	39.60	--	--	--	--
360	T. Rowe Price Group Inc	TROW	5.05%	3.30%	22.34	22.34	0.0006	0.000029	0.000019
361	Travelers Companies Inc (The)	TRV	1.52%	6.15%	64.70	64.70	0.0017	0.000025	0.000103
362	Tractor Supply Co	TSCO	1.92%	8.73%	26.43	26.43	0.0007	0.000013	0.000060
363	Tyson Foods Inc.	TSN	3.41%	11.30%	20.70	20.70	0.0005	0.000018	0.000061
364	Trane Technologies plc	TT	0.97%	13.71%	86.30	86.30	0.0022	0.000022	0.000307
365	Texas Instruments Inc	TXN	3.27%	8.70%	157.64	157.64	0.0041	0.000134	0.000356
366	Textron Inc	TXT	0.09%	12.70%	15.36	15.36	0.0004	0.000000	0.000051
367	UDR Inc	UDR	4.88%	33.90%	12.12	--	--	--	--
368	Universal Health Services Inc.	UHS	0.37%	14.77%	13.62	13.62	0.0004	0.000001	0.000052
369	UnitedHealth Group Incorporated	UNH	2.68%	2.57%	299.03	299.03	0.0078	0.000208	0.000199
370	Union Pacific Corp	UNP	2.39%	7.31%	137.21	137.21	0.0036	0.000085	0.000260
371	United Parcel Service Inc	UPS	6.63%	1.82%	84.15	84.15	0.0022	0.000145	0.000040
372	United Rentals Inc.	URI	0.81%	9.40%	52.07	52.07	0.0014	0.000011	0.000127
373	U.S. Bancorp	USB	3.94%	11.70%	83.04	83.04	0.0022	0.000085	0.000252
374	Visa Inc	V	0.75%	12.83%	670.64	670.64	0.0174	0.000131	0.002232
375	VICI Properties Inc	VICI	6.51%	n/a	30.05	--	--	--	--
376	Valero Energy Corp	VLO	2.90%	11.90%	49.65	49.65	0.0013	0.000037	0.000153
377	Veralto Corp	VLTO	0.44%	8.33%	24.78	24.78	0.0006	0.000003	0.000053
378	Vulcan Materials Co	VMC	0.69%	15.00%	37.69	37.69	0.0010	0.000007	0.000147

**IBES**

	(a)	(a)	(b)	(a)				Weighted	
								Dividend Yield	Growth Rate
Company	Ticker	Yield	EPS Growth	Market Cap (\$bil.)	Mkt. Cap.	Weight			
379	Verisk Analytics Inc	VRSK	0.80%	9.50%	31.18	31.18	0.0008	0.000007	0.000077
380	VeriSign Inc	VRSN	1.27%	n/a	22.52	--	--	--	--
381	Vistra Corp	VST	0.56%	n/a	54.66	--	--	--	--
382	Ventas Inc.	VTR	2.58%	n/a	36.35	--	--	--	--
383	Viatis Inc	VTRS	3.86%	-0.70%	14.34	--	--	--	--
384	Verizon Communications Inc	VZ	6.78%	1.80%	171.73	171.73	0.0045	0.000302	0.000080
385	Westinghouse Air Brake Technologies Corp	WAB	0.47%	14.50%	36.49	36.49	0.0009	0.000004	0.000137
386	Western Digital Corp	WDC	0.32%	n/a	58.90	--	--	--	--
387	WEC Energy Group Inc	WEC	3.55%	7.50%	34.31	34.31	0.0009	0.000032	0.000067
388	Welltower Inc	WELL	1.72%	17.57%	127.39	127.39	0.0033	0.000057	0.000580
389	Wells Fargo & Co	WFC	2.04%	14.40%	292.56	292.56	0.0076	0.000155	0.001093
390	Waste Management Inc.	WM	1.50%	10.85%	88.51	88.51	0.0023	0.000034	0.000249
391	Williams Cos Inc. (The)	WMB	3.33%	14.85%	73.41	73.41	0.0019	0.000063	0.000283
392	Walmart Inc	WMT	0.84%	8.40%	887.96	887.96	0.0230	0.000194	0.001934
393	Berkley (W.R.) Corp	WRB	0.51%	5.10%	26.65	26.65	0.0007	0.000004	0.000035
394	Williams-Sonoma Inc	WSM	1.48%	1.30%	21.32	21.32	0.0006	0.000008	0.000007
395	West Pharmaceutical Services Inc.	WST	0.32%	9.00%	19.79	19.79	0.0005	0.000002	0.000046
396	Willis Towers Watson plc	WTW	1.14%	10.80%	31.46	31.46	0.0008	0.000009	0.000088
397	Weyerhaeuser Co	WY	3.55%	-22.10%	17.08	--	--	--	--
398	Wynn Resorts Ltd	WYNN	0.83%	-12.10%	12.51	--	--	--	--
399	Xcel Energy Inc.	XEL	3.22%	9.05%	43.69	43.69	0.0011	0.000037	0.000103
400	Exxon Mobil Corp	XOM	3.29%	7.35%	507.49	507.49	0.0132	0.000433	0.000967
401	Xylem Inc	XYL	1.17%	12.89%	33.16	33.16	0.0009	0.000010	0.000111
402	YUM Brands Inc	YUM	1.88%	10.92%	42.00	42.00	0.0011	0.000020	0.000119
403	Zimmer Biomet Holdings Inc	ZBH	1.10%	3.60%	17.82	17.82	0.0005	0.000005	0.000017
404	Zoetis Inc	ZTS	1.59%	8.48%	55.45	55.45	0.0014	0.000023	0.000122
						38,557.34	1.0000		
<b>Weighted Average</b>								<b>1.47%</b>	<b>11.77%</b>

n/a Not Available

(a) www.valueline.com (retrieved Dec. 31, 2025).

(b) IBES growth rates from LSEG, as provided by www.fidelity.com (retrieved Dec. 31, 2025). Eliminated growth rates greater than 20%, as well as all negative values.

VALUE LINE BETA

Company	(a) (b) (c)			(d)			(e)		(f)	
	Market Return (R <sub>m</sub> )			Risk-Free Rate	Risk Premium	Beta	Unadjusted CAPM	Market Cap	Size Adjustment	Adjusted CAPM
	Div Yield	Proj. Growth	R <sub>(m)</sub>							
1 OGE Energy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.85	10.79%	\$9,000	0.50%	11.29%
2 NextEra Energy, Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.90	11.14%	\$177,000	-0.01%	11.13%
3 Sempra	1.54%	10.31%	11.85%	4.78%	7.07%	0.90	11.14%	\$60,300	-0.01%	11.13%
4 Eversource Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.85	10.79%	\$27,700	0.33%	11.12%
5 Pub Sv Enterprise Grp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.85	10.79%	\$41,600	0.33%	11.12%
6 Alliant Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.80	10.44%	\$17,600	0.49%	10.93%
7 Portland General Elec.	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.08%	\$4,800	0.74%	10.82%
8 CenterPoint Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.80	10.44%	\$25,900	0.33%	10.77%
9 DTE Energy Co.	1.54%	10.31%	11.85%	4.78%	7.07%	0.80	10.44%	\$28,300	0.33%	10.77%
10 PPL Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.80	10.44%	\$27,700	0.33%	10.77%
11 Evergy Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.08%	\$17,700	0.49%	10.57%
12 Pinnacle West Capital	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.08%	\$10,800	0.49%	10.57%
13 Dominion Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.80	10.44%	\$51,900	-0.01%	10.43%
14 Ameren Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.08%	\$28,300	0.33%	10.41%
15 Entergy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.08%	\$42,600	0.33%	10.41%
16 FirstEnergy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.08%	\$26,800	0.33%	10.41%
17 Exelon Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.08%	\$48,600	-0.01%	10.07%
18 CMS Energy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.70	9.73%	\$22,600	0.33%	10.06%
19 American Elec Pwr	1.54%	10.31%	11.85%	4.78%	7.07%	0.70	9.73%	\$65,300	-0.01%	9.72%
20 Xcel Energy Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.70	9.73%	\$47,900	-0.01%	9.72%
21 Consolidated Edison	1.54%	10.31%	11.85%	4.78%	7.07%	0.65	9.38%	\$36,100	0.33%	9.71%
22 WEC Energy Group	1.54%	10.31%	11.85%	4.78%	7.07%	0.65	9.38%	\$36,100	0.33%	9.71%
23 Duke Energy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.65	9.38%	\$99,100	-0.01%	9.37%
24 Southern Company	1.54%	10.31%	11.85%	4.78%	7.07%	0.65	9.38%	\$105,000	-0.01%	9.37%
25 Fortis Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.50	8.32%	\$36,500	0.33%	8.65%
<b>Lower End</b>										<b>8.65%</b>
<b>Upper End</b>										<b>11.29%</b>
<b>Median</b>										<b>10.43%</b>
<b>Midpoint</b>										<b>9.97%</b>
<b>Median - All Values</b>										<b>10.43%</b>
<b>Low-End Test (g)</b>										<b>7.29%</b>
<b>High-End Test (h)</b>										<b>20.86%</b>

- (a) Weighted average for dividend-paying stocks in the S&P 500 based on data from www.valueline.com (retrieved Dec. 31, 2025).
- (b) www.valueline.com (retrieved Dec. 31, 2025).. Eliminated growth rates greater than 20%, as well as all negative values.
- (c) Six-month average yield on 30-year Treasury bonds for Dec. 2025 from https://fred.stlouisfed.org/.
- (d) The Value Line Investment Survey, Summary & Index (Dec. 26, 2025).
- (e) The Value Line Investment Survey (Oct. 17, Nov. 7 and Dec. 5, 2025).
- (f) Kroll, 2024 CRSP Deciles Size Premium, Cost of Capital Navigator (2025).
- (g) Average Baa utility bond yield for six-months ending Dec. 2025, plus 20% of Value Line CAPM market risk premium.
- (h) 200% of Median - All Values.

**BLOOMBERG BETA**

Company	(a) (b) (c)			(d)			(e)		(f)	
	Market Return (R <sub>m</sub> )			Risk-Free Rate	Risk Premium	Beta	Unadjusted CAPM	Market Cap	Size Adjustment	Adjusted CAPM
	Div Yield	Proj. Growth	R <sub>(m)</sub>							
1 NextEra Energy, Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.77	10.20%	\$177,000	-0.01%	10.19%
2 Pub Sv Enterprise Grp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.71	9.78%	\$41,600	0.33%	10.11%
3 Sempra	1.54%	10.31%	11.85%	4.78%	7.07%	0.75	10.06%	\$60,300	-0.01%	10.05%
4 OGE Energy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.66	9.47%	\$9,000	0.50%	9.97%
5 CenterPoint Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.67	9.52%	\$25,900	0.33%	9.85%
6 Entergy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.67	9.51%	\$42,600	0.33%	9.84%
7 Pinnacle West Capital	1.54%	10.31%	11.85%	4.78%	7.07%	0.62	9.17%	\$10,800	0.49%	9.66%
8 Portland General Elec.	1.54%	10.31%	11.85%	4.78%	7.07%	0.58	8.89%	\$4,800	0.74%	9.63%
9 PPL Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.64	9.30%	\$27,700	0.33%	9.63%
10 Alliant Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.61	9.11%	\$17,600	0.49%	9.60%
11 Evergy Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.61	9.09%	\$17,700	0.49%	9.58%
12 Ameren Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.63	9.24%	\$28,300	0.33%	9.57%
13 Eversource Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.63	9.24%	\$27,700	0.33%	9.57%
14 DTE Energy Co.	1.54%	10.31%	11.85%	4.78%	7.07%	0.60	9.03%	\$28,300	0.33%	9.36%
15 Exelon Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.63	9.22%	\$48,600	-0.01%	9.21%
16 FirstEnergy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.57	8.84%	\$26,800	0.33%	9.17%
17 CMS Energy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.57	8.80%	\$22,600	0.33%	9.13%
18 WEC Energy Group	1.54%	10.31%	11.85%	4.78%	7.07%	0.55	8.69%	\$36,100	0.33%	9.02%
19 Dominion Energy	1.54%	10.31%	11.85%	4.78%	7.07%	0.60	9.00%	\$51,900	-0.01%	8.99%
20 Fortis Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.55	8.64%	\$36,500	0.33%	8.97%
21 Xcel Energy Inc.	1.54%	10.31%	11.85%	4.78%	7.07%	0.58	8.85%	\$47,900	-0.01%	8.84%
22 Southern Company	1.54%	10.31%	11.85%	4.78%	7.07%	0.55	8.67%	\$105,000	-0.01%	8.66%
23 American Elec Pwr	1.54%	10.31%	11.85%	4.78%	7.07%	0.54	8.63%	\$65,300	-0.01%	8.62%
24 Consolidated Edison	1.54%	10.31%	11.85%	4.78%	7.07%	0.47	8.13%	\$36,100	0.33%	8.46%
25 Duke Energy Corp.	1.54%	10.31%	11.85%	4.78%	7.07%	0.51	8.42%	\$99,100	-0.01%	8.41%
<b>Lower End</b>										<b>8.41%</b>
<b>Upper End</b>										<b>10.19%</b>
<b>Median</b>										<b>9.57%</b>
<b>Midpoint</b>										<b>9.30%</b>
<b>Median - All Values</b>										<b>9.57%</b>
<b>Low-End Test (g)</b>										<b>7.29%</b>
<b>High-End Test (h)</b>										<b>19.14%</b>

(a) Weighted average for dividend-paying stocks in the S&P 500 based on data from www.valueline.com (retrieved Dec. 31, 2025).

(b) www.valueline.com (retrieved Dec. 31, 2025).. Eliminated growth rates greater than 20%, as well as all negative values.

(c) Six-month average yield on 30-year Treasury bonds for Dec. 2025 from https://fred.stlouisfed.org/.

(d) Bloomberg L.P. (retrieved Jan. 29, 2026).

(e) The Value Line Investment Survey (Oct. 17, Nov. 7 and Dec. 5, 2025).

(f) Kroll, 2024 CRSP Deciles Size Premium, Cost of Capital Navigator (2025).

(g) Average Baa utility bond yield for six-months ending Dec. 2025, plus 20% of Value Line CAPM market risk premium.

(h) 200% of Median - All Values.

VALUE LINE

	(a)	(a)	(b)	(a)	Weighted				
					Value	Market	Dividend	Growth	Rate
Company	Ticker	Yield	Line	Cap	Mkt. Cap.	Weight	Yield	Growth	Rate
1	Agilent Technologies Inc	A	0.75%	7.50%	38.58	38.58	0.0010	0.000008	0.000075
2	Apple Inc	AAPL	0.38%	11.00%	4,017.10	4,017.10	0.1043	0.000399	0.011474
3	AbbVie Inc	ABBV	2.87%	7.00%	403.83	403.83	0.0105	0.000301	0.000734
4	Abbott Laboratories	ABT	1.88%	6.00%	217.86	217.86	0.0057	0.000107	0.000339
5	Accenture PLC	ACN	2.43%	6.50%	165.09	165.09	0.0043	0.000104	0.000279
6	Analog Devices Inc	ADI	1.46%	9.00%	132.79	132.79	0.0034	0.000050	0.000310
7	Archer-Daniels-Midland Co	ADM	3.55%	2.00%	27.63	27.63	0.0007	0.000025	0.000014
8	Automatic Data Processing Inc	ADP	2.64%	6.50%	104.04	104.04	0.0027	0.000071	0.000176
9	Ameren Corporation	AEE	2.96%	6.50%	27.01	27.01	0.0007	0.000021	0.000046
10	American Electric Power Co Inc	AEP	3.40%	6.00%	61.59	61.59	0.0016	0.000054	0.000096
11	AES Corp (The)	AES	5.23%	29.50%	10.21	--	--	--	--
12	Aflac Incorporated	AFL	2.21%	9.00%	57.79	57.79	0.0015	0.000033	0.000135
13	American International Group Inc	AIG	2.10%	n/a	46.16	--	--	--	--
14	Assurant Inc.	AIZ	1.33%	11.50%	12.06	12.06	0.0003	0.000004	0.000036
15	Arthur J. Gallagher & Co.	AJG	1.02%	20.00%	66.46	66.46	0.0017	0.000018	0.000345
16	Albemarle Corp	ALB	1.15%	0.50%	16.65	16.65	0.0004	0.000005	0.000002
17	The Allstate Corporation	ALL	1.92%	27.50%	54.47	--	--	--	--
18	Allegion PLC	ALLE	1.28%	7.00%	13.70	13.70	0.0004	0.000005	0.000025
19	Applied Materials Inc	AMAT	0.72%	8.50%	203.78	203.78	0.0053	0.000038	0.000450
20	Amtcor Plc	AMCR	6.12%	9.50%	19.25	19.25	0.0005	0.000031	0.000047
21	AMETEK Inc	AME	0.60%	8.00%	47.26	47.26	0.0012	0.000007	0.000098
22	Amgen Inc	AMGN	3.01%	5.00%	176.25	176.25	0.0046	0.000138	0.000229
23	Ameriprise Financial Inc	AMP	1.35%	12.00%	45.56	45.56	0.0012	0.000016	0.000142
24	American Tower Corp	AMT	4.15%	10.00%	82.19	82.19	0.0021	0.000088	0.000213
25	Aon plc	AON	0.84%	9.50%	75.85	75.85	0.0020	0.000017	0.000187
26	A. O. Smith Corp	AOS	2.03%	7.50%	9.31	9.31	0.0002	0.000005	0.000018
27	APA Corporation	APA	4.09%	3.00%	8.68	8.68	0.0002	0.000009	0.000007
28	Air Products and Chemicals Inc.	APD	2.91%	4.50%	54.98	54.98	0.0014	0.000042	0.000064
29	Amphenol Corp	APH	0.74%	23.00%	165.42	--	--	--	--
30	Apollo Global Management Inc	APO	1.41%	24.50%	84.02	--	--	--	--
31	Alexandria Real Estate Equities Inc.	ARE	5.88%	-1.00%	8.46	--	--	--	--
32	Ares Management Corp	ARES	2.77%	31.50%	52.83	--	--	--	--
33	Atmos Energy Corp	ATO	2.43%	8.50%	27.10	27.10	0.0007	0.000017	0.000060
34	AvalonBay Communities Inc.	AVB	4.02%	6.00%	25.67	25.67	0.0007	0.000027	0.000040
35	Broadcom Inc	AVGO	0.75%	38.50%	1,640.95	--	--	--	--
36	Avery Dennison Corp	AVY	2.07%	6.50%	14.06	14.06	0.0004	0.000008	0.000024
37	American Water Works Company Inc	AWK	2.68%	7.00%	25.46	25.46	0.0007	0.000018	0.000046
38	American Express Co	AXP	0.95%	11.00%	254.84	254.84	0.0066	0.000063	0.000728
39	Bank of America Corp	BAC	2.18%	8.50%	401.64	401.64	0.0104	0.000228	0.000886
40	Ball Corporation	BALL	1.51%	13.50%	14.20	14.20	0.0004	0.000006	0.000050
41	Baxter International Inc	BAX	3.56%	0.50%	9.82	9.82	0.0003	0.000009	0.000001
42	Best Buy Co Inc	BBY	5.68%	3.00%	14.02	14.02	0.0004	0.000021	0.000011
43	Becton Dickinson and Co	BDX	2.23%	7.50%	55.29	55.29	0.0014	0.000032	0.000108
44	Franklin Resources Inc	BEN	5.36%	4.00%	12.46	12.46	0.0003	0.000017	0.000013
45	Brown-Forman Corp	BF/B	3.91%	7.50%	7.68	7.68	0.0002	0.000008	0.000015
46	Bunge Global SA	BG	3.19%	1.50%	17.22	17.22	0.0004	0.000014	0.000007
47	Bank of New York Mellon Corp (The)	BK	1.93%	12.50%	80.96	80.96	0.0021	0.000041	0.000263
48	Booking Holdings Inc	BKNG	0.72%	16.00%	172.62	172.62	0.0045	0.000032	0.000717
49	Baker Hughes a GE Co	BKR	2.15%	20.00%	44.94	44.94	0.0012	0.000025	0.000233
50	BlackRock Inc	BLK	2.13%	11.00%	166.06	166.06	0.0043	0.000092	0.000474
51	Bristol-Myers Squibb Co	BMJ	4.60%	27.50%	109.81	--	--	--	--
52	Broadridge Financial Solutions Inc	BR	1.75%	9.50%	26.05	26.05	0.0007	0.000012	0.000064
53	Brown & Brown Inc	BRO	0.85%	11.00%	27.21	27.21	0.0007	0.000006	0.000078
54	Blackstone Inc	BX	3.35%	26.00%	188.02	--	--	--	--

VALUE LINE

	(a)	(a)	(b)	(a)	Weighted				
		Dividend	Value	Market			Dividend	Growth	
Company	Ticker	Yield	Line	Cap	Mkt. Cap.	Weight	Yield	Rate	
55	BXP Inc	BXP	5.81%	1.50%	10.69	10.69	0.0003	0.000016	0.000004
56	Citigroup Inc	C	2.13%	n/a	208.79	--	--	--	--
57	Conagra Brands Inc	CAG	8.09%	-2.50%	8.28	--	--	--	--
58	Cardinal Health Inc	CAH	0.99%	13.00%	48.83	48.83	0.0013	0.000013	0.000165
59	Carrier Global Corp	CARR	1.82%	10.50%	44.50	44.50	0.0012	0.000021	0.000121
60	Caterpillar Inc	CAT	1.05%	8.50%	268.09	268.09	0.0070	0.000073	0.000592
61	Chubb Ltd	CB	1.29%	11.00%	122.84	122.84	0.0032	0.000041	0.000351
62	Choe Global Markets Inc	CBOE	1.15%	13.00%	26.27	26.27	0.0007	0.000008	0.000089
63	Crown Castle Inc	CCI	4.78%	2.50%	38.70	38.70	0.0010	0.000048	0.000025
64	CDW Corp	CDW	1.84%	6.50%	17.73	17.73	0.0005	0.000008	0.000030
65	Constellation Energy Corp	CEG	0.44%	21.50%	110.32	--	--	--	--
66	CF Industries Holdings Inc	CF	2.84%	-0.50%	12.06	--	--	--	--
67	Citizens Financial Group Inc	CFG	3.15%	10.50%	25.09	25.09	0.0007	0.000021	0.000068
68	Church & Dwight Co Inc	CHD	1.41%	7.00%	20.13	20.13	0.0005	0.000007	0.000037
69	C.H. Robinson Worldwide Inc.	CHRW	1.57%	10.50%	18.99	18.99	0.0005	0.000008	0.000052
70	The Cigna Group	CI	2.40%	10.00%	73.52	73.52	0.0019	0.000046	0.000191
71	Cincinnati Financial Corp	CINF	2.24%	11.00%	25.48	25.48	0.0007	0.000015	0.000073
72	Colgate-Palmolive Co	CL	2.63%	10.00%	63.70	63.70	0.0017	0.000044	0.000165
73	Clorox Co (The)	CLX	4.92%	5.00%	12.30	12.30	0.0003	0.000016	0.000016
74	Comcast Corp	CMCSA	4.42%	7.00%	108.92	108.92	0.0028	0.000125	0.000198
75	CME Group Inc	CME	1.83%	6.50%	98.47	98.47	0.0026	0.000047	0.000166
76	Cummins Inc.	CMI	1.57%	8.00%	70.46	70.46	0.0018	0.000029	0.000146
77	CMS Energy Corp	CMS	3.10%	8.50%	21.28	21.28	0.0006	0.000017	0.000047
78	CenterPoint Energy Inc.	CNP	2.30%	7.00%	25.03	25.03	0.0006	0.000015	0.000045
79	Capital One Financial Corp	COF	1.32%	10.00%	154.08	154.08	0.0040	0.000053	0.000400
80	Conocophillips	COP	3.33%	1.50%	115.68	115.68	0.0030	0.000100	0.000045
81	Cencora Inc	COR	0.65%	11.00%	65.52	65.52	0.0017	0.000011	0.000187
82	Costco Wholesale Corp	COST	0.60%	10.00%	382.77	382.77	0.0099	0.000060	0.000994
83	Campbell's Co (The)	CPB	5.60%	1.00%	8.31	8.31	0.0002	0.000012	0.000002
84	Camden Property Trust	CPT	3.92%	-6.50%	11.71	--	--	--	--
85	CRH PLC	CRH	1.19%	n/a	83.49	--	--	--	--
86	SALESFORCE INC	CRM	0.63%	21.00%	248.22	--	--	--	--
87	Cisco Systems Inc	CSCO	2.16%	5.50%	304.35	304.35	0.0079	0.000170	0.000435
88	CSX Corp	CSX	1.49%	7.00%	67.50	67.50	0.0018	0.000026	0.000123
89	Cintas Corp	CTAS	0.96%	13.50%	75.78	75.78	0.0020	0.000019	0.000266
90	Coterra Energy Inc	CTRA	3.34%	5.50%	20.04	20.04	0.0005	0.000017	0.000029
91	Cognizant Technology Solutions Corp	CTSH	1.52%	7.50%	40.06	40.06	0.0010	0.000016	0.000078
92	Corteva Inc	CTVA	1.10%	12.00%	45.29	45.29	0.0012	0.000013	0.000141
93	CVS Health Corp	CVS	3.59%	3.50%	100.74	100.74	0.0026	0.000094	0.000092
94	Chevron Corp	CVX	4.67%	1.00%	306.88	306.88	0.0080	0.000372	0.000080
95	Dominion Energy Inc	D	4.56%	6.00%	50.03	50.03	0.0013	0.000059	0.000078
96	Delta Air Lines Inc	DAL	1.08%	9.50%	45.32	45.32	0.0012	0.000013	0.000112
97	DuPont De Nemours Inc	DD	1.99%	-2.00%	16.84	--	--	--	--
98	DEERE & COMPANY	DE	1.39%	1.00%	125.91	125.91	0.0033	0.000046	0.000033
99	Dell Technologies Inc	DELL	1.67%	12.00%	83.42	83.42	0.0022	0.000036	0.000260
100	Dollar General Corporation	DG	1.78%	1.50%	29.23	29.23	0.0008	0.000013	0.000011
101	Quest Diagnostics Inc	DGX	1.84%	8.00%	19.30	19.30	0.0005	0.000009	0.000040
102	D.R. Horton Inc	DHI	1.25%	5.00%	41.93	41.93	0.0011	0.000014	0.000054
103	Danaher Corp	DHR	0.57%	4.50%	161.70	161.70	0.0042	0.000024	0.000189
104	Walt Disney Co (The)	DIS	0.88%	26.50%	203.11	--	--	--	--
105	Digital Realty Trust Inc	DLR	3.28%	9.50%	53.14	53.14	0.0014	0.000045	0.000131
106	Healthpeak Properties Inc	DOC	7.59%	6.00%	11.17	11.17	0.0003	0.000022	0.000017
107	Dover Corp	DOV	1.07%	6.00%	26.78	26.78	0.0007	0.000007	0.000042
108	Dow Inc	DOW	5.99%	-5.00%	16.62	--	--	--	--

VALUE LINE

	(a)	(a)	(b)	(a)	Weighted				
		Dividend	Value	Market			Dividend	Growth	
Company	Ticker	Yield	Line	Cap	Mkt. Cap.	Weight	Yield	Rate	
109	Domino's Pizza Inc	DPZ	1.78%	13.50%	14.08	14.08	0.0004	0.000007	0.000049
110	Darden Restaurants Inc	DRI	3.26%	11.00%	21.40	21.40	0.0006	0.000018	0.000061
111	DTE Energy Co	DTE	3.54%	6.50%	26.79	26.79	0.0007	0.000025	0.000045
112	Duke Energy Corp	DUK	3.65%	6.00%	91.15	91.15	0.0024	0.000086	0.000142
113	Devon Energy Corp	DEV	2.62%	-1.50%	22.98	--	--	--	--
114	Electronic Arts Inc	EA	0.40%	11.50%	51.10	51.10	0.0013	0.000005	0.000153
115	eBay Inc.	EBAY	1.33%	10.50%	39.37	39.37	0.0010	0.000014	0.000107
116	Ecolab Inc.	ECL	0.99%	8.00%	74.36	74.36	0.0019	0.000019	0.000154
117	Consolidated Edison Inc.	ED	3.57%	6.00%	35.85	35.85	0.0009	0.000033	0.000056
118	Equifax Inc.	EFX	0.92%	7.50%	26.56	26.56	0.0007	0.000006	0.000052
119	Everest Group Ltd	EG	2.36%	6.00%	14.25	14.25	0.0004	0.000009	0.000022
120	Edison International	EIX	5.85%	6.50%	23.09	23.09	0.0006	0.000035	0.000039
121	Estee Lauder Cos Inc (The)	EL	1.34%	-1.50%	37.74	--	--	--	--
122	Elevance Health Inc	ELV	1.95%	6.50%	77.91	77.91	0.0020	0.000039	0.000131
123	EMCOR Group Inc.	EME	0.16%	16.50%	27.39	27.39	0.0007	0.000001	0.000117
124	Emerson Electric Co.	EMR	1.67%	14.50%	74.56	74.56	0.0019	0.000032	0.000281
125	EOG Resources Inc.	EOG	3.92%	3.50%	56.98	56.98	0.0015	0.000058	0.000052
126	Equinix Inc	EQIX	2.45%	12.50%	75.23	75.23	0.0020	0.000048	0.000244
127	Equity Residential	EQR	4.43%	4.00%	23.99	23.99	0.0006	0.000028	0.000025
128	EQT Corp	EQT	1.23%	11.00%	33.45	33.45	0.0009	0.000011	0.000096
129	Erie Indemnity Co	ERIE	1.91%	16.00%	14.99	14.99	0.0004	0.000007	0.000062
130	Eversource Energy	ES	4.65%	5.50%	25.26	25.26	0.0007	0.000030	0.000036
131	Essex Property Trust Inc.	ESS	4.15%	6.50%	16.85	16.85	0.0004	0.000018	0.000028
132	Eaton Corporation plc	ETN	1.31%	13.50%	123.71	123.71	0.0032	0.000042	0.000434
133	Entergy corporation	ETR	2.60%	3.00%	41.28	41.28	0.0011	0.000028	0.000032
134	Evergy Inc	EVRG	3.82%	6.50%	16.69	16.69	0.0004	0.000017	0.000028
135	Exelon Corp	EXC	3.72%	5.50%	44.04	44.04	0.0011	0.000042	0.000063
136	Expand Energy Corporation	EXE	2.08%	n/a	26.28	--	--	--	--
137	Expeditors International of Washington Inc.	EXPD	1.03%	1.00%	19.97	19.97	0.0005	0.000005	0.000005
138	Expedia Group Inc	EXPE	0.56%	25.50%	34.71	--	--	--	--
139	Extra Space Storage Inc	EXR	5.16%	-1.00%	27.64	--	--	--	--
140	Ford Motor Co	F	4.57%	20.50%	52.28	--	--	--	--
141	Diamondback Energy Inc	FANG	2.66%	1.50%	43.07	43.07	0.0011	0.000030	0.000017
142	Fastenal Co	FAST	2.19%	10.00%	46.07	46.07	0.0012	0.000026	0.000120
143	Freeport-McMoRan Inc	FCX	1.18%	18.00%	72.93	72.93	0.0019	0.000022	0.000341
144	FactSet Research Systems Inc.	FDS	1.52%	7.50%	10.86	10.86	0.0003	0.000004	0.000021
145	FedEx Corp.	FDX	2.01%	6.50%	67.92	67.92	0.0018	0.000035	0.000115
146	FirstEnergy Corp.	FE	4.11%	5.00%	25.86	25.86	0.0007	0.000028	0.000034
147	Fidelity National Information Services Inc	FIS	2.59%	7.00%	34.42	34.42	0.0009	0.000023	0.000063
148	Fifth Third Bancorp	FITB	3.50%	7.50%	30.94	30.94	0.0008	0.000028	0.000060
149	Comfort Systems USA Inc	FIX	0.26%	25.50%	32.92	--	--	--	--
150	Fox Corp	FOXA	0.77%	6.00%	15.23	15.23	0.0004	0.000003	0.000024
151	Federal Realty Investment Trust	FRT	4.39%	2.00%	8.70	8.70	0.0002	0.000010	0.000005
152	Fortive Corp	FTV	0.43%	6.50%	17.54	17.54	0.0005	0.000002	0.000030
153	General Dynamics Corp	GD	1.78%	11.00%	90.94	90.94	0.0024	0.000042	0.000260
154	GE Aerospace	GE	0.47%	22.00%	324.91	--	--	--	--
155	GE HealthCare Technologies Inc	GEHC	0.20%	n/a	37.36	--	--	--	--
156	Gen Digital Inc	GEN	1.84%	8.50%	16.77	16.77	0.0004	0.000008	0.000037
157	GE Vernova Inc	GEV	0.24%	n/a	177.33	--	--	--	--
158	Gilead Sciences Inc	GILD	2.57%	16.00%	152.28	152.28	0.0040	0.000102	0.000633
159	General Mills Inc.	GIS	5.25%	0.50%	24.81	24.81	0.0006	0.000034	0.000003
160	Globe Life Inc	GL	0.82%	10.00%	11.13	11.13	0.0003	0.000002	0.000029
161	Corning Inc	GLW	1.28%	29.00%	75.07	--	--	--	--
162	General Motors Co	GM	0.74%	9.50%	75.86	75.86	0.0020	0.000015	0.000187

**VALUE LINE**

	(a)	(a)	(b)	(a)		Weighted			
				Dividend	Line	Market	Cap	Mkt. Cap.	Weight
Company	Ticker	Yield	Growth	(\$bil.)			Yield	Rate	
163	Alphabet Inc (Class C shares)	GOOG	0.27%	14.00%	1,696.72	1,696.72	0.0441	0.000118	0.006168
164	Alphabet Inc (Class A shares)	GOOGL	0.27%	14.00%	2,084.58	2,084.58	0.0541	0.000145	0.007578
165	Genuine Parts Co	GPC	3.35%	2.00%	17.11	17.11	0.0004	0.000015	0.000009
166	Global Payments Inc	GPN	1.41%	7.00%	18.32	18.32	0.0005	0.000007	0.000033
167	Garmin Ltd	GRMN	1.97%	10.00%	39.02	39.02	0.0010	0.000020	0.000101
168	Goldman Sachs Group Inc (The)	GS	1.82%	15.00%	263.64	263.64	0.0068	0.000125	0.001027
169	Grainger (W.W.) Inc	GWW	0.97%	5.50%	47.98	47.98	0.0012	0.000012	0.000069
170	Halliburton Co	HAL	2.69%	7.50%	23.78	23.78	0.0006	0.000017	0.000046
171	Hasbro Inc.	HAS	3.41%	12.00%	11.51	11.51	0.0003	0.000010	0.000036
172	Huntington Bancshares Inc	HBAN	3.63%	7.50%	27.28	27.28	0.0007	0.000026	0.000053
173	HCA Healthcare Inc	HCA	0.62%	13.00%	106.53	106.53	0.0028	0.000017	0.000360
174	Home Depot Inc. (The)	HD	2.67%	5.50%	342.56	342.56	0.0089	0.000238	0.000489
175	Hartford Insurance Group Inc (The)	HIG	1.51%	7.00%	38.43	38.43	0.0010	0.000015	0.000070
176	Huntington Ingalls Industries Inc	HII	1.63%	11.50%	13.34	13.34	0.0003	0.000006	0.000040
177	Hilton Worldwide Holdings Inc	HLT	0.21%	15.00%	66.77	66.77	0.0017	0.000004	0.000260
178	Honeywell International Inc	HON	2.44%	9.00%	123.86	123.86	0.0032	0.000078	0.000289
179	Hewlett Packard Enterprise Co	HPE	2.37%	7.50%	32.06	32.06	0.0008	0.000020	0.000062
180	HP Inc	HPQ	5.25%	2.00%	20.45	20.45	0.0005	0.000028	0.000011
181	Hormel Foods Corp	HRL	4.89%	2.50%	13.04	13.04	0.0003	0.000017	0.000008
182	Host Hotels & Resorts Inc	HST	5.08%	10.50%	12.19	12.19	0.0003	0.000016	0.000033
183	Hershey Co (The)	HSY	3.07%	5.00%	36.90	36.90	0.0010	0.000029	0.000048
184	Hubbell Inc	HUBB	1.30%	10.00%	23.60	23.60	0.0006	0.000008	0.000061
185	Humana Inc.	HUM	1.38%	-2.00%	30.81	--	--	--	--
186	Howmet Aerospace Inc	HWM	0.23%	21.50%	82.43	--	--	--	--
187	Interactive Brokers Group Inc	IBKR	0.50%	16.00%	109.08	109.08	0.0028	0.000014	0.000453
188	International Business Machines Corp	IBM	2.43%	6.50%	276.88	276.88	0.0072	0.000175	0.000467
189	Intercontinental Exchange Inc	ICE	1.19%	7.50%	92.35	92.35	0.0024	0.000028	0.000180
190	IDEX Corp	IEX	1.60%	4.00%	13.32	13.32	0.0003	0.000006	0.000014
191	International Flavors & Fragrances Inc	IFF	2.37%	2.00%	17.26	17.26	0.0004	0.000011	0.000009
192	Intuit Inc.	INTU	0.72%	14.00%	184.33	184.33	0.0048	0.000035	0.000670
193	Invitation Homes Inc	INVH	4.32%	6.50%	17.04	17.04	0.0004	0.000019	0.000029
194	International Paper Company	IP	4.70%	9.50%	20.80	20.80	0.0005	0.000025	0.000051
195	Ingersoll Rand Inc	IR	0.10%	8.50%	31.30	31.30	0.0008	0.000001	0.000069
196	Iron Mountain Inc	IRM	4.17%	8.50%	24.52	24.52	0.0006	0.000027	0.000054
197	Illinois Tool Works Inc.	ITW	2.61%	6.50%	71.45	71.45	0.0019	0.000049	0.000121
198	Invesco Ltd	IVZ	3.27%	23.00%	11.69	--	--	--	--
199	Jacobs Solutions Inc	J	1.06%	8.50%	15.73	15.73	0.0004	0.000004	0.000035
200	J.B. Hunt Transport Services Inc.	JBHT	0.94%	7.00%	18.50	18.50	0.0005	0.000005	0.000034
201	Jabil Inc	JBL	0.14%	13.00%	24.36	24.36	0.0006	0.000001	0.000082
202	Johnson Controls International Plc	JCI	1.24%	18.00%	73.18	73.18	0.0019	0.000023	0.000342
203	Henry (Jack) & Associates Inc	JKHY	1.29%	7.50%	13.21	13.21	0.0003	0.000004	0.000026
204	Johnson & Johnson	JNJ	2.51%	5.00%	498.60	498.60	0.0129	0.000325	0.000647
205	JPMorgan Chase & Co	JPM	1.99%	10.00%	886.03	886.03	0.0230	0.000457	0.002301
206	Keurig Dr Pepper Inc	KDP	3.61%	13.00%	38.05	38.05	0.0010	0.000036	0.000128
207	KeyCorp	KEY	4.07%	7.50%	22.56	22.56	0.0006	0.000024	0.000044
208	The Kraft Heinz Co	KHC	6.60%	2.00%	28.70	28.70	0.0007	0.000049	0.000015
209	Kimco Realty Corp	KIM	5.18%	27.50%	13.73	--	--	--	--
210	KKR & Co Inc	KKR	0.58%	7.00%	113.63	113.63	0.0030	0.000017	0.000207
211	KLA Corp	KLAC	0.63%	13.00%	159.65	159.65	0.0041	0.000026	0.000539
212	Kimberly-Clark Corporation	KMB	5.00%	6.00%	33.48	33.48	0.0009	0.000043	0.000052
213	Kinder Morgan Inc.	KMI	4.26%	8.50%	61.16	61.16	0.0016	0.000068	0.000135
214	Coca-Cola Co (The)	KO	2.92%	7.00%	300.73	300.73	0.0078	0.000228	0.000547
215	Kroger Co. (The)	KR	2.24%	6.00%	39.54	39.54	0.0010	0.000023	0.000062
216	Kenvue Inc	KVUE	4.81%	n/a	33.05	--	--	--	--

VALUE LINE

	(a)	(a)	(b)	(a)	Weighted				
		Dividend	Value	Market			Dividend	Growth	
Company	Ticker	Yield	Line	Cap	Mkt. Cap.	Weight	Yield	Rate	
217	Loews Corp	L	0.24%	14.00%	21.76	21.76	0.0006	0.000001	0.000079
218	Leidos Holdings Inc	LDOS	0.95%	12.50%	23.07	23.07	0.0006	0.000006	0.000075
219	Lennar Corp	LEN	1.95%	-1.50%	23.01	--	--	--	--
220	Labcorp Holdings Inc	LH	1.15%	6.50%	20.80	20.80	0.0005	0.000006	0.000035
221	L3Harris Technologies Inc	LHX	1.64%	16.00%	54.91	54.91	0.0014	0.000023	0.000228
222	Lennox International Inc.	LII	1.07%	11.00%	17.03	17.03	0.0004	0.000005	0.000049
223	Linde Plc	LIN	1.41%	7.50%	199.10	199.10	0.0052	0.000073	0.000388
224	Eli Lilly and Co	LLY	0.56%	29.00%	1,015.99	--	--	--	--
225	Lockheed Martin Corp	LMT	2.85%	12.50%	111.92	111.92	0.0029	0.000083	0.000363
226	Alliant Energy Corporation	LNT	3.12%	7.50%	16.71	16.71	0.0004	0.000014	0.000033
227	Lowe's Cos Inc	LOW	2.03%	6.00%	135.28	135.28	0.0035	0.000071	0.000211
228	Lam Research Corp	LRCX	0.53%	14.50%	215.01	215.01	0.0056	0.000029	0.000810
229	Southwest Airlines Co.	LUV	1.74%	20.50%	21.37	--	--	--	--
230	Las Vegas Sands Corp	LVS	1.54%	29.00%	44.01	--	--	--	--
231	Lamb Weston Holdings Inc	LW	3.60%	3.50%	5.82	5.82	0.0002	0.000005	0.000005
232	LyondellBasell Industries NV	LYB	12.38%	n/a	13.94	--	--	--	--
233	Mastercard Inc	MA	0.59%	11.00%	512.65	512.65	0.0133	0.000078	0.001464
234	Mid-America Apartment Communities Inc	MAA	4.36%	1.50%	16.26	16.26	0.0004	0.000018	0.000006
235	Marriott International Inc	MAR	0.86%	9.00%	83.25	83.25	0.0022	0.000019	0.000195
236	Masco Corporation	MAS	2.02%	7.50%	13.18	13.18	0.0003	0.000007	0.000026
237	McDonald's Corp	MCD	2.43%	8.50%	217.66	217.66	0.0057	0.000138	0.000480
238	Microchip Technology Inc	MCHP	2.86%	3.00%	34.44	34.44	0.0009	0.000026	0.000027
239	McKesson Corp	MCK	0.40%	12.00%	101.25	101.25	0.0026	0.000011	0.000315
240	Moody's Corp.	MCO	0.74%	10.50%	91.14	91.14	0.0024	0.000017	0.000248
241	Mondelez International Inc	MDLZ	3.72%	7.50%	69.46	69.46	0.0018	0.000067	0.000135
242	Medtronic PLC	MDT	2.99%	7.00%	123.15	123.15	0.0032	0.000096	0.000224
243	MetLife Inc	MET	2.99%	7.50%	52.01	52.01	0.0014	0.000040	0.000101
244	Meta Platforms Inc	META	0.34%	18.00%	1,663.78	1,663.78	0.0432	0.000147	0.007777
245	McCormick & Co Inc	MKC	2.64%	6.50%	17.25	17.25	0.0004	0.000012	0.000029
246	Martin Marietta Materials Inc	MLM	0.54%	8.50%	37.55	37.55	0.0010	0.000005	0.000083
247	Marsh & McLennan Companies Inc	MMC	1.90%	11.50%	90.89	90.89	0.0024	0.000045	0.000271
248	3M Co	MMM	1.82%	40.00%	85.05	--	--	--	--
249	Altria Group Inc	MO	7.35%	5.00%	96.79	96.79	0.0025	0.000185	0.000126
250	Mosaic Company (The)	MOS	3.65%	-8.00%	7.65	--	--	--	--
251	Marathon Petroleum Corp	MPC	2.46%	-8.00%	48.89	--	--	--	--
252	Monolithic Power Systems Inc	MPWR	0.69%	12.00%	43.42	43.42	0.0011	0.000008	0.000135
253	Merck and Co Inc	MRK	3.08%	13.00%	261.26	261.26	0.0068	0.000209	0.000882
254	Morgan Stanley	MS	2.25%	16.50%	282.45	282.45	0.0073	0.000165	0.001210
255	MSCI Inc	MSCI	1.25%	8.50%	43.11	43.11	0.0011	0.000014	0.000095
256	Microsoft Corp	MSFT	0.77%	13.50%	3,594.45	3,594.45	0.0933	0.000720	0.012601
257	Motorola Solutions Inc	MSI	1.26%	9.50%	63.84	63.84	0.0017	0.000021	0.000157
258	M&T Bank Corp	MTB	2.98%	5.50%	30.97	30.97	0.0008	0.000024	0.000044
259	Match Group Inc	MTCH	2.60%	13.50%	7.62	7.62	0.0002	0.000005	0.000027
260	Micron Technology Inc.	MU	0.16%	65.50%	321.23	--	--	--	--
261	Nasdaq Inc	NDAQ	1.11%	9.50%	55.46	55.46	0.0014	0.000016	0.000137
262	Nordson Corp	NDSN	1.38%	8.00%	13.42	13.42	0.0003	0.000005	0.000028
263	NextEra Energy Inc	NEE	3.04%	8.50%	167.19	167.19	0.0043	0.000132	0.000369
264	Newmont Corporation	NEM	1.00%	26.50%	108.96	--	--	--	--
265	NiSource Inc	NI	2.87%	8.00%	19.93	19.93	0.0005	0.000015	0.000041
266	NIKE Inc	NKE	2.51%	3.50%	94.18	94.18	0.0024	0.000061	0.000086
267	Northrop Grumman Corp	NOC	1.70%	7.50%	81.38	81.38	0.0021	0.000036	0.000158
268	NRG Energy Inc	NRG	1.11%	24.00%	30.52	--	--	--	--
269	Norfolk Southern Corp	NSC	1.87%	9.50%	64.79	64.79	0.0017	0.000031	0.000160
270	NetApp Inc	NTAP	1.94%	9.00%	21.21	21.21	0.0006	0.000011	0.000050

VALUE LINE

	(a)	(a)	(b)	(a)	Weighted				
		Dividend	Value	Market			Dividend	Growth	
Company	Ticker	Yield	Line	Cap	Mkt. Cap.	Weight	Yield	Rate	
271	Northern Trust Corp	NTRS	2.34%	6.50%	25.83	25.83	0.0007	0.000016	0.000044
272	Nucor Corp	NUE	1.42%	1.00%	37.33	37.33	0.0010	0.000014	0.000010
273	NVIDIA Corporation	NVDA	0.03%	37.00%	4,531.95	--	--	--	--
274	News Corp	NWSA	0.77%	23.50%	9.78	--	--	--	--
275	NXP Semiconductors NV	NXPI	1.87%	7.50%	54.63	54.63	0.0014	0.000027	0.000106
276	Realty Income Corp	O	5.94%	n/a	51.86	--	--	--	--
277	Old Dominion Freight Line Inc	ODFL	0.75%	4.50%	32.79	32.79	0.0009	0.000006	0.000038
278	ONEOK Inc	OKE	5.82%	10.50%	46.25	46.25	0.0012	0.000070	0.000126
279	Omnicom Group Inc	OMC	3.47%	7.00%	25.40	25.40	0.0007	0.000023	0.000046
280	Oracle Corp	ORCL	0.97%	21.00%	560.00	--	--	--	--
281	Otis Worldwide Corp	OTIS	1.92%	9.50%	34.04	34.04	0.0009	0.000017	0.000084
282	Occidental Petroleum Corp	OXY	2.33%	2.50%	40.51	40.51	0.0011	0.000025	0.000026
283	Paycom Software Inc	PAYC	0.94%	9.50%	8.75	8.75	0.0002	0.000002	0.000022
284	Paychex Inc.	PAYX	3.85%	8.00%	40.27	40.27	0.0010	0.000040	0.000084
285	PACCAR Inc	PCAR	3.94%	-1.00%	57.52	--	--	--	--
286	PG&E Corp	PCG	1.00%	9.00%	35.32	35.32	0.0009	0.000009	0.000083
287	Public Service Enterprise Group Inc	PEG	3.29%	7.00%	40.08	40.08	0.0010	0.000034	0.000073
288	PepsiCo Inc	PEP	3.99%	5.50%	196.24	196.24	0.0051	0.000203	0.000280
289	Pfizer Inc	PFE	6.91%	6.00%	141.57	141.57	0.0037	0.000254	0.000221
290	Principal Financial Group Inc	PFGE	3.58%	6.50%	19.38	19.38	0.0005	0.000018	0.000033
291	Procter & Gamble Co (The)	PG	2.95%	4.50%	334.88	334.88	0.0087	0.000257	0.000391
292	Progressive Corp (The)	PGR	0.18%	16.50%	133.49	133.49	0.0035	0.000006	0.000572
293	Parker-Hannifin Corp	PH	0.84%	11.50%	110.91	110.91	0.0029	0.000024	0.000331
294	PulteGroup Inc	PHM	0.79%	3.00%	22.86	22.86	0.0006	0.000005	0.000018
295	Packaging Corp Of America	PKG	2.42%	5.50%	18.56	18.56	0.0005	0.000012	0.000027
296	Prologis Inc	PLD	3.35%	2.50%	118.58	118.58	0.0031	0.000103	0.000077
297	Philip Morris International Inc	PM	3.37%	8.50%	249.68	249.68	0.0065	0.000218	0.000551
298	The PNC Financial Services Group Inc	PNC	3.41%	8.50%	81.86	81.86	0.0021	0.000073	0.000181
299	Pentair plc	PNR	1.04%	14.00%	17.04	17.04	0.0004	0.000005	0.000062
300	Pinnacle West Capital Corp	PNW	4.11%	5.50%	10.62	10.62	0.0003	0.000011	0.000015
301	Pool Corp	POOL	2.25%	0.50%	8.52	8.52	0.0002	0.000005	0.000001
302	PPG Industries Inc.	PPG	2.77%	6.00%	22.99	22.99	0.0006	0.000017	0.000036
303	PPL Corp	PPL	3.08%	7.50%	25.91	25.91	0.0007	0.000021	0.000050
304	Prudential Financial Inc	PRU	4.96%	6.50%	39.51	39.51	0.0010	0.000051	0.000067
305	Public Storage	PSA	4.62%	n/a	45.53	--	--	--	--
306	Phillips 66	PSX	3.84%	n/a	51.99	--	--	--	--
307	Quanta Services Inc.	PWR	0.09%	19.50%	62.94	62.94	0.0016	0.000002	0.000319
308	PayPal Holdings Inc	PYPL	0.96%	13.50%	54.62	54.62	0.0014	0.000014	0.000191
309	Qnity Electronics Inc	Q	0.32%	n/a	17.10	--	--	--	--
310	QUALCOMM Inc.	QCOM	2.08%	6.50%	182.85	182.85	0.0047	0.000099	0.000309
311	Royal Caribbean Group	RCL	1.08%	n/a	76.07	--	--	--	--
312	Regency Centers Corp.	REG	4.37%	6.50%	12.63	12.63	0.0003	0.000014	0.000021
313	Regeneron Pharmaceuticals Inc	REGN	0.46%	2.50%	81.12	81.12	0.0021	0.000010	0.000053
314	Regions Financial Corp	RF	4.17%	7.50%	23.76	23.76	0.0006	0.000026	0.000046
315	Raymond James Financial Inc.	RJF	1.37%	11.00%	31.58	31.58	0.0008	0.000011	0.000090
316	Ralph Lauren Corp	RL	1.03%	14.50%	21.44	21.44	0.0006	0.000006	0.000081
317	Resmed Inc	RMD	1.02%	11.00%	35.16	35.16	0.0009	0.000009	0.000100
318	Rockwell Automation Inc.	ROK	1.42%	9.50%	43.68	43.68	0.0011	0.000016	0.000108
319	Rollins Inc	ROL	1.22%	10.00%	28.88	28.88	0.0007	0.000009	0.000075
320	Roper Technologies Inc	ROP	0.82%	8.00%	47.91	47.91	0.0012	0.000010	0.000100
321	Ross Stores Inc	ROST	0.96%	8.00%	58.27	58.27	0.0015	0.000015	0.000121
322	Republic Services Inc.	RSG	1.09%	10.00%	65.61	65.61	0.0017	0.000019	0.000170
323	RTX Corp	RTX	1.48%	13.50%	245.90	245.90	0.0064	0.000095	0.000862
324	Revvity Inc	RVTY	0.29%	6.00%	10.97	10.97	0.0003	0.000001	0.000017

VALUE LINE

	(a)	(a)	(b)	(a)	Weighted				
		Dividend	Value	Market			Dividend	Growth	
Company	Ticker	Yield	Line	Cap	Mkt. Cap.	Weight	Yield	Rate	
325	SBA Communications Corp	SBAC	2.44%	14.00%	20.61	20.61	0.0005	0.000013	0.000075
326	Starbucks Corp	SBUX	2.93%	0.50%	95.76	95.76	0.0025	0.000073	0.000012
327	Schwab (Charles) Corp	SCHW	1.08%	13.50%	177.53	177.53	0.0046	0.000050	0.000622
328	Sherwin-Williams Co (The)	SHW	1.05%	10.00%	80.33	80.33	0.0021	0.000022	0.000209
329	The J M Smucker Company	SJM	4.50%	4.50%	10.44	10.44	0.0003	0.000012	0.000012
330	SLB Ltd	SLB	3.05%	11.00%	57.34	57.34	0.0015	0.000045	0.000164
331	Snap-On Inc	SNA	2.83%	4.50%	17.92	17.92	0.0005	0.000013	0.000021
332	Southern Co (The)	SO	3.39%	6.50%	96.02	96.02	0.0025	0.000085	0.000162
333	Simon Property Group Inc	SPG	4.83%	n/a	60.43	--	--	--	--
334	S&P Global Inc	SPGI	0.73%	9.00%	158.24	158.24	0.0041	0.000030	0.000370
335	Sempra	SRE	3.04%	5.00%	57.63	57.63	0.0015	0.000045	0.000075
336	Steris Plc	STE	0.98%	6.50%	24.88	24.88	0.0006	0.000006	0.000042
337	Steel Dynamics Inc	STLD	1.29%	0.50%	24.75	24.75	0.0006	0.000008	0.000003
338	State Street Corporation	STT	2.68%	11.00%	36.03	36.03	0.0009	0.000025	0.000103
339	Seagate Technology Holdings plc	STX	1.07%	31.00%	60.00	--	--	--	--
340	Constellation Brands Inc	STZ	3.02%	3.50%	24.01	24.01	0.0006	0.000019	0.000022
341	Smurfit Westrock Plc	SW	4.19%	n/a	20.19	--	--	--	--
342	Stanley Black & Decker Inc	SWK	4.48%	20.00%	11.50	11.50	0.0003	0.000013	0.000060
343	Skyworks Solutions Inc	SWKS	4.54%	-4.00%	9.51	--	--	--	--
344	Synchrony Financial	SYF	1.44%	8.50%	30.05	30.05	0.0008	0.000011	0.000066
345	Stryker Corp	SYK	0.97%	10.50%	134.41	134.41	0.0035	0.000034	0.000366
346	Sysco Corporation	SYI	2.93%	7.00%	35.29	35.29	0.0009	0.000027	0.000064
347	AT&T Inc	T	4.99%	3.50%	176.10	176.10	0.0046	0.000228	0.000160
348	Molson Coors Beverage Company	TAP	4.13%	10.00%	8.65	8.65	0.0002	0.000009	0.000022
349	Bio-Techne Corp	TECH	0.54%	18.00%	9.16	9.16	0.0002	0.000001	0.000043
350	TE Connectivity plc	TEL	1.25%	11.00%	66.93	66.93	0.0017	0.000022	0.000191
351	Teradyne Inc	TER	0.27%	12.00%	30.31	30.31	0.0008	0.000002	0.000094
352	Truist Financial Corp	TFC	4.29%	4.50%	62.95	62.95	0.0016	0.000070	0.000074
353	Target Corp	TGT	4.66%	7.00%	44.26	44.26	0.0011	0.000054	0.000080
354	TJX Companies Inc (The)	TJX	1.20%	10.00%	170.58	170.58	0.0044	0.000053	0.000443
355	Thermo Fisher Scientific Inc	TMO	0.30%	8.00%	217.70	217.70	0.0057	0.000017	0.000452
356	T-Mobile US Inc	TMUS	2.07%	17.50%	227.10	227.10	0.0059	0.000122	0.001032
357	Texas Pacific Land Corp	TPL	2.38%	10.00%	19.80	19.80	0.0005	0.000012	0.000051
358	Tapestry Inc	TPR	1.10%	10.50%	26.15	26.15	0.0007	0.000007	0.000071
359	Targa Resources Corp	TRGP	2.44%	20.50%	39.60	--	--	--	--
360	T. Rowe Price Group Inc	TROW	5.05%	8.50%	22.34	22.34	0.0006	0.000029	0.000049
361	Travelers Companies Inc (The)	TRV	1.52%	12.00%	64.70	64.70	0.0017	0.000025	0.000202
362	Tractor Supply Co	TSCO	1.92%	10.00%	26.43	26.43	0.0007	0.000013	0.000069
363	Tyson Foods Inc.	TSN	3.41%	5.50%	20.70	20.70	0.0005	0.000018	0.000030
364	Trane Technologies plc	TT	0.97%	12.50%	86.30	86.30	0.0022	0.000022	0.000280
365	Texas Instruments Inc	TXN	3.27%	4.50%	157.64	157.64	0.0041	0.000134	0.000184
366	Textron Inc	TXT	0.09%	13.50%	15.36	15.36	0.0004	0.000000	0.000054
367	UDR Inc	UDR	4.88%	7.50%	12.12	12.12	0.0003	0.000015	0.000024
368	Universal Health Services Inc.	UHS	0.37%	13.50%	13.62	13.62	0.0004	0.000001	0.000048
369	UnitedHealth Group Incorporated	UNH	2.68%	1.50%	299.03	299.03	0.0078	0.000208	0.000116
370	Union Pacific Corp	UNP	2.39%	6.50%	137.21	137.21	0.0036	0.000085	0.000232
371	United Parcel Service Inc	UPS	6.63%	0.50%	84.15	84.15	0.0022	0.000145	0.000011
372	United Rentals Inc.	URI	0.81%	9.50%	52.07	52.07	0.0014	0.000011	0.000128
373	U.S. Bancorp	USB	3.94%	7.00%	83.04	83.04	0.0022	0.000085	0.000151
374	Visa Inc	V	0.75%	10.50%	670.64	670.64	0.0174	0.000131	0.001829
375	VICI Properties Inc	VICI	6.51%	8.00%	30.05	30.05	0.0008	0.000051	0.000062
376	Valero Energy Corp	VLO	2.90%	-4.50%	49.65	--	--	--	--
377	Veralto Corp	VLTO	0.44%	n/a	24.78	--	--	--	--
378	Vulcan Materials Co	VMC	0.69%	8.50%	37.69	37.69	0.0010	0.000007	0.000083

VALUE LINE

	(a)	(a)	(b)	(a)			Weighted		
		Dividend	Value	Market			Dividend	Growth	
Company	Ticker	Yield	Line	Cap	Mkt. Cap.	Weight	Yield	Rate	
379	Verisk Analytics Inc	VRSK	0.80%	8.00%	31.18	31.18	0.0008	0.000007	0.000065
380	VeriSign Inc	VRSN	1.27%	10.00%	22.52	22.52	0.0006	0.000007	0.000058
381	Vistra Corp	VST	0.56%	34.50%	54.66	--	--	--	--
382	Ventas Inc.	VTR	2.58%	n/a	36.35	--	--	--	--
383	Viatis Inc	VTRS	3.86%	n/a	14.34	--	--	--	--
384	Verizon Communications Inc	VZ	6.78%	1.50%	171.73	171.73	0.0045	0.000302	0.000067
385	Westinghouse Air Brake Technologies Corp	WAB	0.47%	15.00%	36.49	36.49	0.0009	0.000004	0.000142
386	Western Digital Corp	WDC	0.32%	96.50%	58.90	--	--	--	--
387	WEC Energy Group Inc	WEC	3.55%	7.00%	34.31	34.31	0.0009	0.000032	0.000062
388	Welltower Inc	WELL	1.72%	23.50%	127.39	--	--	--	--
389	Wells Fargo & Co	WFC	2.04%	n/a	292.56	--	--	--	--
390	Waste Management Inc.	WM	1.50%	7.50%	88.51	88.51	0.0023	0.000035	0.000172
391	Williams Cos Inc. (The)	WMB	3.33%	9.00%	73.41	73.41	0.0019	0.000063	0.000172
392	Walmart Inc	WMT	0.84%	10.00%	887.96	887.96	0.0231	0.000195	0.002306
393	Berkley (W.R.) Corp	WRB	0.51%	13.50%	26.65	26.65	0.0007	0.000004	0.000093
394	Williams-Sonoma Inc	WSM	1.48%	5.00%	21.32	21.32	0.0006	0.000008	0.000028
395	West Pharmaceutical Services Inc.	WST	0.32%	5.00%	19.79	19.79	0.0005	0.000002	0.000026
396	Willis Towers Watson plc	WTW	1.14%	9.00%	31.46	31.46	0.0008	0.000009	0.000074
397	Weyerhaeuser Co	WY	3.55%	-1.50%	17.08	--	--	--	--
398	Wynn Resorts Ltd	WYNN	0.83%	n/a	12.51	--	--	--	--
399	Xcel Energy Inc.	XEL	3.22%	7.00%	43.69	43.69	0.0011	0.000037	0.000079
400	Exxon Mobil Corp	XOM	3.29%	-3.00%	507.49	--	--	--	--
401	Xylem Inc	XYL	1.17%	12.00%	33.16	33.16	0.0009	0.000010	0.000103
402	YUM Brands Inc	YUM	1.88%	10.00%	42.00	42.00	0.0011	0.000020	0.000109
403	Zimmer Biomet Holdings Inc	ZBH	1.10%	5.00%	17.82	17.82	0.0005	0.000005	0.000023
404	Zoetis Inc	ZTS	1.59%	7.50%	55.45	55.45	0.0014	0.000023	0.000108
						38,510.11	1.0000		
<b>Weighted Average</b>								<b>1.54%</b>	<b>10.31%</b>

n/a Not Available

(a) www.valueline.com (retrieved Dec. 31, 2025).

(b) EPS growth rates from Value Line (retrieved Dec. 31, 2025). Eliminated growth rates greater than 20%, as well as all negative values.

**IMPLIED ROE****Current Equity Risk Premium**

(a) Average Yield Over Study Period	5.37%
(b) Baa Utility Bond Yield	5.88%
Change in Bond Yield	<u>0.51%</u>
(c) Risk Premium/Interest Rate Relationship	-0.6865
Adjustment to Average Risk Premium	<u>-0.35%</u>
(a) Average Risk Premium over Study Period	<u>4.86%</u>
<b>Adjusted Risk Premium</b>	<b>4.51%</b>

**Implied Cost of Equity**

(b) Baa Utility Bond Yield	5.88%
Adjusted Equity Risk Premium	<u>4.51%</u>
<b>Risk Premium Cost of Equity</b>	<b>10.39%</b>

**Implied Cost of Equity Range**

Range Spread	
(d) Constant Growth DCF	4.78%
(d) CAPM	2.89%
(d) Expected Earnings	<u>8.27%</u>
Average Range Spread	<u>5.31%</u>
(e) <b>Risk Premium Range</b>	<b>7.73%    --    13.05%</b>

(a) See Exhibit No. AM-010, pp. 2-5.

(b) Six-month average yield for Jul. 2025 to Dec. 2025 based on data from Moody's Investors Service, [www.moodys.credittrends.com](http://www.moodys.credittrends.com).

(c) See Exhibit No. AM-010, p. 6.

(d) Difference between high and low estimates from Exhibit No. AM-003.

(e) Risk Premium cost of equity +/- one-half of average range spread.

**ALLOWED ROE**

<b>Date</b>	<b>Docket No.</b>	<b>Utility</b>	<b>Base ROE</b>	<b>Baa Bond Yield</b>	<b>Implied Risk Premium</b>
Feb-06	ER05-515	Baltimore Gas & Elec.	10.80%	6.07%	4.73%
Feb-06	ER05-515	Baltimore Gas & Elec.	11.30%	6.07%	5.23%
Jun-06	ER05-925	Westar Energy Inc.	10.80%	6.36%	4.44%
Feb-07	ER07-284	San Diego Gas & Elec.	11.35%	6.14%	5.21%
May-07	ER06-787	Idaho Power Co.	10.70%	6.15%	4.55%
May-07	ER06-1320	Wisconsin Elec. Pwr. Co.	11.00%	6.15%	4.85%
Sep-07	EL06-109	Duquesne Light Co.	10.90%	6.41%	4.49%
Sep-07	ER07-583	Commonwealth Edison Co.	11.00%	6.41%	4.59%
Oct-07	ER08-92	Virginia Elec. & Power Co.	10.90%	6.43%	4.47%
Nov-07	ER08-374	Atlantic Path 15	10.65%	6.44%	4.21%
Nov-07	ER08-396	Westar Energy Inc.	10.80%	6.44%	4.36%
Nov-07	ER08-413	Startrans IO, LLC	10.65%	6.44%	4.21%
Nov-07	ER08-375	So. Cal Edison	10.55%	6.44%	4.11%
Jan-08	ER08-686	Pepco Holdings, Inc.	11.30%	6.41%	4.89%
Feb-08	ER07-562	Trans-Allegheny	11.20%	6.42%	4.78%
Apr-08	ER07-1142	Arizona Public Service Co.	10.75%	6.54%	4.21%
May-08	ER08-1207	Virginia Elec. & Power Co.	10.90%	6.62%	4.28%
May-08	ER08-1233	Public Service Elec. & Gas	11.18%	6.62%	4.56%
Jun-08	ER08-1402	Duquesne Light Co.	10.90%	6.69%	4.21%
Jun-08	ER08-1423	Pepco Holdings, Inc.	10.80%	6.69%	4.11%
Jul-08	ER09-35/36	Tallgrass / Prairie Wind	10.80%	6.80%	4.00%
Sep-08	ER09-249	Public Service Elec. & Gas	11.18%	6.94%	4.24%
Sep-08	ER09-187	So. Cal Edison	10.53%	6.94%	3.59%
Sep-08	ER09-548	ITC Great Plains	10.66%	6.94%	3.72%
Sep-08	ER09-75	Pioneer Transmission	10.54%	6.94%	3.60%
Nov-08	ER08-1584	Black Hills Power Co.	10.80%	7.60%	3.20%
Dec-08	ER09-745	Baltimore Gas & Elec.	10.80%	7.80%	3.00%
Jan-09	ER07-1069	AEP - SPP Zone	10.70%	7.95%	2.75%
Jan-09	ER09-681	Green Power Express	10.78%	7.95%	2.83%
Mar-09	ER08-281	Oklahoma Gas & Elec.	10.60%	8.22%	2.38%
Apr-09	ER08-1457	PPL Elec. Utilities Corp.	11.10%	8.13%	2.97%
Apr-09	ER08-1457	PPL Elec. Utilities Corp.	11.14%	8.13%	3.01%
Apr-09	ER08-1457	PPL Elec. Utilities Corp.	11.18%	8.13%	3.05%
Apr-09	ER08-1588	Kentucky Utilities Co.	11.00%	8.13%	2.87%
Jul-09	ER08-552	Niagara Mohawk Pwr. Co.	11.00%	7.62%	3.38%
Aug-09	ER08-313	Southwestern Public Service Co.	10.77%	7.39%	3.38%
Aug-09	ER09-628	National Grid Generation LLC	10.75%	7.08%	3.67%
Sep-09	ER10-160	So. Cal Edison	10.33%	7.08%	3.25%

ALLOWED ROE

<b>Date</b>	<b>Docket No.</b>	<b>Utility</b>	<b>Base ROE</b>	<b>Baa Bond Yield</b>	<b>Implied Risk Premium</b>
Mar-10	ER08-1329	AEP - PJM Zone	10.99%	6.20%	4.79%
Aug-10	ER10-230	Kansas City Power & Light Co.	10.60%	6.05%	4.55%
Aug-10	ER10-355	AEP Transcos - PJM	10.99%	6.05%	4.94%
Aug-10	ER10-355	AEP Transcos - SPP	10.70%	6.05%	4.65%
Sep-10	ER11-1952	So. Cal Edison	10.30%	5.93%	4.37%
Oct-10	EL11-13	Atlantic Grid Operations	10.09%	5.84%	4.25%
Oct-10	ER11-2895	Duke Energy Carolinas	10.20%	5.84%	4.36%
Nov-10	ER11-2377	Northern Pass Transmission	10.40%	5.79%	4.61%
Mar-11	ER10-1377	Northern States Power Co. (MN)	10.40%	5.94%	4.46%
Apr-11	ER10-516	South Carolina Elec. & Gas	10.55%	6.00%	4.55%
Apr-11	ER10-992	Northern States Power Co.	10.20%	6.00%	4.20%
May-11	ER11-4069	RITELine	9.93%	5.98%	3.95%
Aug-11	ER12-296	PJM & PSE&G	11.18%	5.71%	5.47%
Sep-11	ER08-386	PATH	10.40%	5.57%	4.83%
Dec-11	ER11-2560	Entergy Arkansas	10.20%	5.21%	4.99%
Mar-12	ER12-2300	Public Service Co. of Colorado	10.25%	5.08%	5.17%
Mar-12	ER11-2853	Public Service Co. of Colorado	10.10%	5.08%	5.02%
Mar-12	ER11-2853	Public Service Co. of Colorado	10.40%	5.08%	5.32%
Nov-12	ER12-1378	Cleco Power LLC	10.50%	4.74%	5.76%
Jan-13	ER12-778	Puget Sound Energy	9.80%	4.65%	5.15%
Jan-13	ER12-778	Puget Sound Energy - PSANI	10.30%	4.65%	5.65%
Jan-13	ER12-2554	Transource Missouri	9.80%	4.65%	5.15%
Feb-13	ER11-3643	PacifiCorp	9.80%	4.62%	5.18%
Feb-13	ER12-1650	Maine Public Service Co.	9.75%	4.62%	5.13%
Jul-13	ER11-3697	So. Cal Edison	9.30%	4.82%	4.48%
Jan-14	ER13-941	San Diego Gas & Electric	9.55%	5.22%	4.33%
Aug-14	ER12-1589	Public Service Co. of Colorado	9.72%	4.76%	4.96%
Sep-14	ER12-91	Duke Energy Ohio	10.88%	4.73%	6.15%
Nov-14	ER13-1508	Entergy Arkansas	10.37%	4.71%	5.66%
Jan-15	EL12-101	Niagara Mohawk Power Corp.	9.80%	4.66%	5.14%
Feb-15	ER13-685	Public Service Company of New Mexico	10.00%	4.62%	5.38%
Mar-15	ER14-1661	MidAmerican Central Calif. Transco	9.80%	4.58%	5.22%
May-15	EL14-93	Westar Energy	9.80%	4.58%	5.22%
Jun-15	EL14-12	MISO Complaint I	9.98%	4.65%	5.33%
Jun-15	EL12-39	Duke Energy Florida	10.00%	4.65%	5.35%
Jun-15	ER15-303	American Transmission Systems, Inc.	10.56%	4.65%	5.91%
Jun-15	ER15-303	American Transmission Systems, Inc.	9.88%	4.65%	5.23%
Jul-15	ER14-192	Southwestern Public Service Co.	10.00%	4.79%	5.21%

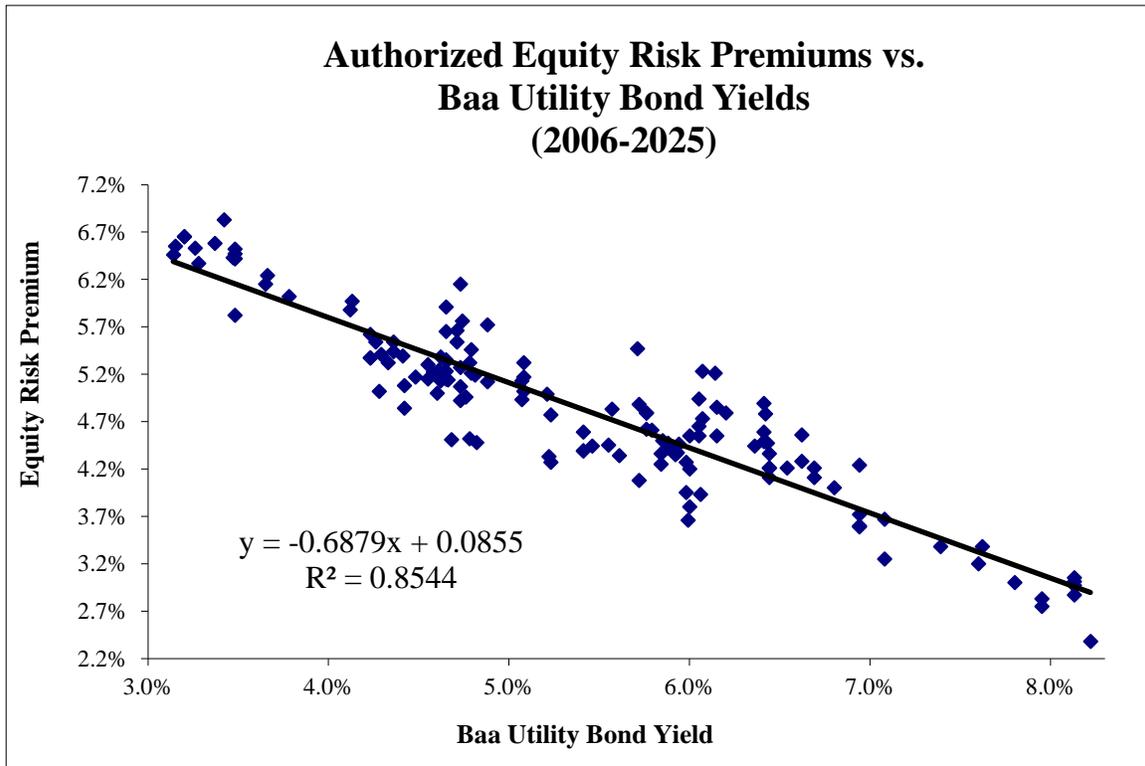
ALLOWED ROE

<b>Date</b>	<b>Docket No.</b>	<b>Utility</b>	<b>Base ROE</b>	<b>Baa Bond Yield</b>	<b>Implied Risk Premium</b>
Jul-15	ER13-2428	Kentucky Utilities Co.	10.25%	4.79%	5.46%
Sep-15	ER14-2751	Xcel Energy Southwest Trans. Co. (Gen)	10.20%	5.07%	5.13%
Sep-15	ER14-2751	Xcel Energy Southwest Trans. Co. (Zn 11)	10.00%	5.07%	4.93%
Oct-15	EL15-27	Baltimore G&E / Pepco Holdings, Inc.	10.00%	5.23%	4.77%
Oct-15	ER15-572	New York Transco LLC	9.50%	5.23%	4.27%
Dec-15	ER15-2237	Kanstar Transmission, LLC	9.80%	5.41%	4.39%
Dec-15	ER15-2114	Transource West Virginia, LLC	10.00%	5.41%	4.59%
Jan-16	ER15-1809	ATX Southwest, LLC	9.90%	5.46%	4.44%
Mar-16	ER15-958	Transource Kansas, LLC	9.80%	5.41%	4.39%
Jul-16	EL16-30	Duke Energy Carolinas	10.00%	4.73%	5.27%
Jul-16	ER15-1682	TransCanyon DCR, LLC	9.80%	4.73%	5.07%
Jul-16	ER15-2069	NorthWestern Corp.	9.65%	4.73%	4.92%
Aug-16	ER15-2239	NextEra Energy Transmission West	9.70%	4.55%	5.15%
Aug-16	ER16-453	Northeast Transmission Development	9.85%	4.55%	5.30%
Sep-16	ER15-2594	South Central MCN LLC	9.80%	4.41%	5.39%
May-17	ER15-1429	Emera Maine	9.60%	4.60%	5.00%
Jul-17	ER15-572	New York Transco, LLC	9.65%	4.48%	5.17%
Aug-17	ER17-856	Rockland Electric Co.	9.50%	4.42%	5.08%
Aug-17	ER16-2320-002	Pacific Gas & Electric Co.	9.26%	4.42%	4.84%
Sep-17	ER17-211	Mid-Atlantic Interstate Transmission	9.80%	4.36%	5.44%
Sep-17	ER17-419	Transource Pennsylvania/Maryland, LLC	9.90%	4.36%	5.54%
Nov-17	ER16-2720	NextEra Energy Trans. Southwest LLC	9.80%	4.26%	5.54%
Feb-18	ER16-2716	NextEra Energy Trans. MidAtlantic, LLC	9.60%	4.23%	5.37%
Feb-18	ER17-706	GridLiance West Transco LLC	9.60%	4.23%	5.37%
Feb-18	EL17-13	AEP East Cos.	9.85%	4.23%	5.62%
Mar-18	ER17-135	DesertLink, LLC	9.30%	4.28%	5.02%
Apr-18	ER16-2719	NextEra Energy Trans. New York LLC	9.65%	4.33%	5.32%
Sep-18	ER18-1639	Constellation Mystic Power, LLC	9.19%	4.68%	4.51%
Nov-18	ER18-1225	Southwestern Electric Power Co.	10.10%	4.78%	5.32%
Nov-18	ER19-605	Republic Transmission, LLC	9.30%	4.78%	4.52%
Feb-19	ER19-1396	AEP West Cos.	10.00%	4.88%	5.12%
Feb-19	ER19-1427	Alabama Power Co.	10.60%	4.88%	5.72%
Apr-19	EL18-58	Oklahoma G&E	10.00%	4.81%	5.19%
May-19	ER18-1953	Gulf Power Co.	10.25%	4.71%	5.54%
Jun-19	ER17-1519	PECO	9.85%	4.61%	5.24%
Aug-19	ER18-169-002	Southern California Edison	9.70%	4.29%	5.41%
Sep-19	ER19-221	San Diego Gas & Electric Co.	10.10%	4.13%	5.97%
Dec-19	ER21-195	LS Power Grid California, LLC	9.80%	3.78%	6.02%

ALLOWED ROE

<b>Date</b>	<b>Docket No.</b>	<b>Utility</b>	<b>Base ROE</b>	<b>Baa Bond Yield</b>	<b>Implied Risk Premium</b>
Feb-20	ER19-697-001	Cheyenne Light, Fuel and Power	9.90%	3.66%	6.24%
Jun-20	ER19-1553	Southern California Edison Co.	9.80%	3.65%	6.15%
Sep-20	ER19-13	Pacific Gas & Electric Co.	9.95%	3.37%	6.58%
Oct-20	ER19-1756	NorthWestern Corp.	9.65%	3.28%	6.37%
Nov-20	ER20-1150	Dayton Power and Light Co.	9.85%	3.20%	6.65%
Dec-20	ER21-2198	Avista Corp.	9.60%	3.14%	6.46%
Jan-21	ER20-227	Jersey Central Power & Light Co.	9.70%	3.15%	6.55%
Feb-21	ER21-1319	Duke Energy Progress	9.85%	3.20%	6.65%
Jun-21	ER21-2450	Public Service Elec. & Gas Co.	9.90%	3.47%	6.43%
Jul-21	ER21-1065	TransCanyon Western Development, LLC	9.90%	3.48%	6.42%
Jul-21	ER21-669	Morongo Transmission LLC	9.30%	3.48%	5.82%
Jul-21	EL20-48	PPL Elec. Utilities Corp.	9.90%	3.48%	6.42%
Jul-21	EL20-48	PPL Elec. Utilities Corp.	9.95%	3.48%	6.47%
Jul-21	EL20-48	PPL Elec. Utilities Corp.	10.00%	3.48%	6.52%
Nov-21	ER19-2019	Tucson Electric Power Co.	9.79%	3.26%	6.53%
Feb-22	ER20-2878	Pacific Gas & Electric Co.	10.25%	3.42%	6.83%
May-22	ER22-2125	Duke Energy Progress	10.00%	4.12%	5.88%
Nov-22	ER22-233	Portland General Electric Co.	10.00%	5.55%	4.45%
Dec-22	ER21-253	South FirstEnergy Operating Cos.	9.95%	5.61%	4.34%
Aug-23	ER22-2185	Black Hills Colorado Electric	9.80%	5.72%	4.08%
Oct-23	ER18-1182	System Energy Resources, Inc.	9.65%	5.99%	3.66%
Mar-24	ER22-282	El Paso Electric Co.	10.25%	5.98%	4.27%
Jul-24	ER23-2212	Consolidated Edison Co.	10.35%	5.88%	4.47%
Jul-24	ER24-232	New York Transco LLC	10.30%	5.88%	4.42%
Aug-24	ER24-1614	Orange and Rockland Utilities Co.	10.35%	5.85%	4.50%
Oct-24	ER25-482	National Grid Generation, LLC	10.60%	5.72%	4.88%
Feb-25	ER24-727	Viridon Southwest LLC	10.55%	5.76%	4.79%
Feb-25	ER24-506	Viridon Mid-Atlantic LLC	10.55%	5.76%	4.79%
Feb-25	ER24-96	Pacific Gas & Electric Co.	10.38%	5.76%	4.62%
Apr-25	ER24-2255	NEET MidAtlantic, Inc.	10.27%	5.92%	4.35%
May-25	ER24-2255	Great Basin Transmission, LLC	9.80%	6.00%	3.80%
Sep-25	ER25-885	New York Transco LLC	<u>9.99%</u>	<u>6.06%</u>	<u>3.93%</u>
		<b>Average</b>	<b>10.23%</b>	<b>5.37%</b>	<b>4.86%</b>

REGRESSION RESULTS



<i>Regression Statistics</i>	
Multiple R	0.924691526
R Square	0.855054417
Adjusted R Square	0.854040812
Standard Error	0.003493906
Observations	145

<i>Coefficients</i>	
Intercept	0.08547254
X Variable 1	-0.68649032

ADJUSTMENTS TO FERC CASE SET

Date	Docket No.	Utility	Base ROE	Explanation
<b>Added to FERC Case Set</b>				
May-08	ER08-1233	Public Service Elec. & Gas	11.18%	Original formula rate order. Commission accepted 11.18% ROE based on applicant's DCF analysis using May 2008 study period. 124 FERC ¶ 61,303 at P 1 (2008).
Apr-09	ER08-1457	PPL Elec. Utilities Corp.	11.18%	Order authorized ROEs of 11.10%, 11.14%, and 11.18%. Opinion No. 569-B included 11.10% and 11.14% values. No basis to distinguish 11.18% or to exclude it because it applies to a future date, as do the majority of ROEs approved by the Commission.
Sep-15	ER14-2751	Xcel Energy Southwest Trans. Co. (Zn 11)	10.00%	Settlement specifies separate ROE for Zone 11 under SPP OATT. 153 FERC ¶ 63,019 (2015). Commission failed to include.
Jun-15	EL14-12	MISO Complaint I	9.98%	Add observation corresponding to 189 FERC ¶ 61,036 (2024).
Aug-17	ER16-2320-002	Pacific Gas & Electric Co.	9.26%	Add observation corresponding to 178 FERC ¶ 61,175 (2022).
Sep-18	ER18-1639	Constellation Mystic Power, LLC	9.19%	Add observation corresponding to 177 FERC ¶ 61,106 (2021).
Apr-19	EL18-58	Oklahoma G&E	10.00%	Offer of Settlement dated 5/21/19. 167 FERC ¶ 63,048 (2019).
May-19	ER18-1953	Gulf Power Co.	10.25%	Offer of Settlement dated 6/20/19. 169 FERC ¶ 61,023 (2019).
Jun-19	ER17-1519	PECO	9.85%	Offer of Settlement dated 7/22/19. 168 FERC ¶ 63,038 (2019).
Aug-19	ER18-169-002	Southern California Edison	9.70%	Offer of Settlement dated 9/19/19. 169 FERC ¶ 63,009 (2019).
Sep-19	ER19-221	San Diego Gas & Electric Co.	10.10%	Offer of Settlement dated 10/18/19. 170 FERC ¶ 63,010 (2020).
Dec-19	ER21-195	LS Power Grid California, LLC	9.80%	175 FERC ¶ 61,256 (2021). ROE cap per CAISO Selection Report dated January 17, 2020.
Feb-20	ER19-697-001	Cheyenne Light, Fuel and Power	9.90%	Offer of Settlement dated 3/20/20. 171 FERC ¶ 63,012 (2020).
Jun-20	ER19-1553	Southern California Edison Co.	9.80%	Offer of Settlement dated 7/01/20. 172 FERC ¶ 63,011 (2020).
Sep-20	ER19-13	Pacific Gas & Electric Co.	9.95%	Offer of Settlement dated 10/15/20. 173 FERC ¶ 63,024 (2020).
Oct-20	ER19-1756	NorthWestern Corp.	9.65%	Offer of Settlement dated 11/16/20. 174 FERC ¶ 61,074 (2020).
Nov-20	ER20-1150	Dayton Power and Light Co.	9.85%	Offer of Settlement dated 12/10/20. 175 FERC ¶ 61,021 (2020).
Dec-20	ER21-2198	Avista Corp.	9.60%	Add observation corresponding to 176 FERC ¶ 61,222 (2020).
Jan-21	ER20-227	Jersey Central Power & Light Co.	9.70%	Offer of Settlement dated 02/02/21. 175 FERC ¶ 61,023 (2020).
Feb-21	ER21-1319	Duke Energy Progress	9.85%	Offer of Settlement dated 03/10/21. 175 FERC ¶ 63,006 (2021).
Jun-21	ER21-2450	Public Service Elec. & Gas Co.	9.90%	Offer of Settlement dated 07/14/21. 177 FERC ¶ 61,115 (2021).
Jul-21	ER21-1065	TransCanyon Western Development, LLC	9.90%	Offer of Settlement dated 08/13/21. 176 FERC ¶ 63,025 (2021).
Jul-21	ER21-669	Morongo Transmission LLC	9.30%	Offer of Settlement dated 08/16/21. 178 FERC ¶ 61,062 (2021).
Jul-21	EL20-48	PPL Elec. Utilities Corp.	9.90%	Offer of Settlement dated 08/20/21. Effective 05/21/20-05/31/22. 176 FERC ¶ 63,028 (2021).
Jul-21	EL20-48	PPL Elec. Utilities Corp.	9.95%	Offer of Settlement dated 08/20/21. Effective 06/1/22-05/31/23. 176 FERC ¶ 63,028 (2021).
Jul-21	EL20-48	PPL Elec. Utilities Corp.	10.00%	Offer of Settlement dated 08/20/21. Effective 06/1/23. 176 FERC ¶ 63,028 (2021).
Nov-21	ER19-2019	Tucson Electric Power Co.	9.79%	Offer of Settlement dated 12/22/21. 178 FERC ¶ 61,229 (2022).
Feb-22	ER20-2878	Pacific Gas & Electric Co.	10.25%	Offer of Settlement dated 03/31/22. 179 FERC ¶ 61,167 (2022).
May-22	ER22-2125	Duke Energy Progress	10.00%	Offer of Settlement dated 06/16/22. 181 FERC ¶ 61,111 (2022).

**ADJUSTMENTS TO FERC CASE SET**

<b>Date</b>	<b>Docket No.</b>	<b>Utility</b>	<b>Base ROE</b>	<b>Explanation</b>
<b><u>Added to FERC Case Set (cont.)</u></b>				
Nov-22	ER22-233	Portland General Electric Co.	10.00%	Offer of Settlement dated 12/19/22. 182 FERC ¶ 63,008 (2023).
Dec-22	ER21-253	South FirstEnergy Operating Cos.	9.95%	Offer of Settlement dated 01/18/23. 182 FERC ¶ 63,016 (2023).
Aug-23	ER22-2185	Black Hills Colorado Electric	9.80%	Offer of Settlement dated 09/12/23. 185 FERC ¶ 61,115 (2023).
Oct-23	ER18-1182	System Energy Resources, Inc.	9.65%	Offer of Settlement dated 11/17/23. 186 FERC ¶ 61,194 (2024).
Mar-24	ER22-282	El Paso Electric Co.	10.25%	Offer of Settlement dated 04/11/24. 188 FERC ¶ 61,104 (2024).
Jul-24	ER23-2212	Consolidated Edison Co.	10.35%	Offer of Settlement dated 08/20/24. 189 FERC ¶ 61,107 (2024).*
Jul-24	ER24-232	New York Transco LLC	10.30%	Offer of Settlement dated 08/21/24. 188 FERC ¶ 63,031 (2024).
Aug-24	ER24-1614	Orange and Rockland Utilities	10.35%	Offer of Settlement dated 09/20/24. 189 FERC ¶ 61,210 (2024).*
Oct-24	ER25-482	National Grid Generation, LLC	10.60%	Offer of Settlement dated 11/08/24. 191 FERC ¶ 61,015 (2025).
Feb-25	ER24-727	Viridon Southwest LLC	10.55%	Offer of Settlement dated 03/18/25. 192 FERC ¶ 61,035 (2025).
Feb-25	ER24-506	Viridon Mid-Atlantic LLC	10.55%	Offer of Settlement dated 03/18/25. 192 FERC ¶ 61,039 (2025).
Feb-25	ER24-96	Pacific Gas & Electric Co.	10.38%	Offer of Settlement dated 03/21/25. 192 FERC ¶ 61,124 (2025).
Apr-25	ER24-2255	NEET MidAtlantic, Inc.	10.27%	Offer of Settlement dated 05/28/25. 192 FERC ¶ 61,200 (2025).
May-25	ER25-2025	Great Basin Transmission, LLC	9.80%	Amended request dated 06/20/25. 193 FERC ¶ 61,083 (2025).
Sep-25	ER25-885	New York Transco LLC	9.99%	Offer of Settlement dated 10/02/25. 193 FERC ¶ 61,230 (2025).

\* Rate Schedule 10 projects not subject to Right of First Refusal. All-inclusive ROE of 10.85%, less assumed 50 bps RTO adder.

**Removed from FERC Case Set**

Jun-15	EL14-12	MISO Complaint I	10.02%	Vacated by Court of Appeals, No. 16-1325 (Aug. 9, 2022).
Dec-15	ER15-45	MISO Complaint II	10.05%	Remove ROE attributed to Complaint II, which was dismissed. No ROE was established or approved in that proceeding.
Jul-16	ER15-1976	East River	9.60%	Remove observation for publicly-owned entity.
Aug-16	ER16-835	NYPA	8.95%	Remove observation for publicly-owned entity.
Sep-16	ER15-1775	Basin Electric	9.60%	Remove observation for publicly-owned entity.
Jan-17	ER16-204	Tri-State	9.30%	Remove observation for publicly-owned entity.
Feb-17	ER16-209	Central Power	9.50%	Remove observation for publicly-owned entity.
Feb-17	ER16-1774	Western Farmers	8.77%	Remove observation for publicly-owned entity.
Feb-17	ER16-1546	Arkansas Electric	8.00%	Remove observation for publicly-owned entity.
Aug-17	ER17-426	Denison	9.60%	Remove observation for publicly-owned entity.
Nov-17	ER17-1610	Mountrail-Williams	9.60%	Remove observation for publicly-owned entity.
Nov-17	ER17-428	Vermillion	9.60%	Remove observation for publicly-owned entity.
Feb-19	ER19-1396	PSCo, SWPECo, AEP Oklahoma, et al.	10.00%	Remove duplicate observation previously reflected as "AEP West."

**Other Corrections to FERC Case Set**

Sep-08	ER09-187	So. Cal Edison	10.53%	Remove post-record period adjustment from 10.04% authorized ROE to match ROE with study period interest rate. 139 FERC ¶ 61,042 at P 41 (2012) .
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**ELECTRIC GROUP**

	(a)	(b)	(c)
<b>Company</b>	<b>Expected Return on Common Equity</b>	<b>Adjustment Factor</b>	<b>Adjusted Return on Common Equity</b>
1 CMS Energy Corp.	15.50%	1.0235	15.86%
2 Southern Company	14.50%	1.0108	14.66%
3 NextEra Energy, Inc.	14.00%	1.0462	14.65%
4 WEC Energy Group	13.00%	1.0090	13.12%
5 OGE Energy Corp.	13.00%	1.0083	13.11%
6 Pub Sv Enterprise Grp.	12.50%	1.0282	12.85%
7 FirstEnergy Corp.	12.50%	1.0242	12.80%
8 DTE Energy Co.	12.50%	1.0114	12.64%
9 Alliant Energy	12.00%	1.0156	12.19%
10 Xcel Energy Inc.	11.50%	1.0306	11.85%
11 Eversource Energy	11.50%	1.0267	11.81%
12 Dominion Energy	11.50%	1.0229	11.76%
13 American Elec Pwr	11.00%	1.0119	11.13%
14 CenterPoint Energy	10.50%	1.0287	10.80%
15 Sempra	10.50%	1.0288	10.80%
16 Duke Energy Corp.	10.50%	1.0187	10.70%
17 Ameren Corp.	10.00%	1.0217	10.22%
18 Exelon Corp.	10.00%	1.0099	10.10%
19 Evergy Inc.	10.00%	1.0054	10.05%
20 Entergy Corp.	9.50%	1.0307	9.79%
21 Portland General Elec.	9.50%	1.0287	9.77%
22 PPL Corp.	9.50%	1.0171	9.66%
23 Pinnacle West Capital	9.00%	1.0263	9.24%
24 Consolidated Edison	9.00%	1.0259	9.23%
25 Fortis Inc.	7.50%	1.0118	7.59%
<b>Lower End</b>			<b>7.59%</b>
<b>Upper End</b>			<b>15.86%</b>
<b>Median</b>			<b>11.13%</b>
<b>Midpoint</b>			<b>11.73%</b>
<b>Median - All Values</b>			<b>11.13%</b>
<b>Low-End Test (d)</b>			<b>7.43%</b>
<b>High-End Test (e)</b>			<b>22.26%</b>

(a) The Value Line Investment Survey (Oct. 17, Nov. 7 and Dec. 5, 2025).

(b) Computed using the formula  $2 \times (1 + 5\text{-Yr. Change in Equity}) / (2 + 5 \text{ Yr. Change in Equity})$ .

(c) (a) x (b).

(d) Average Baa utility bond yield for six-months ending Dec. 2025, plus 20% of average IBES and Value Line CAPM market risk premium.

(e) 200% of Median - All Values.