DOMINION ENERGY UTAH			
DOCKET NO. 19-057-02			
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020			
MONTHLY U.S. GOVERNMENT BOND YIELDS			
JANUARY 2013 THROUGH OCTOBER 2019			
	A	B	C
DATE	30 YEAR US TREASURY	20 YEAR US TREASURY	10 YEAR US TREASURY
1/1/2013	3.08%	2.68%	1.91%
2/1/2013	3.17%	2.78%	1.98%
3/1/2013	3.16%	2.78%	1.96%
4/1/2013	2.93%	2.55%	1.76%
5/1/2013	3.11%	2.73%	1.93%
6/1/2013	3.40%	3.07%	2.30%
7/1/2013	3.61%	3.31%	2.58%
8/1/2013	3.76%	3.49%	2.74%
9/1/2013	3.79%	3.53%	2.81%
10/1/2013	3.68%	3.38%	2.62%
11/1/2013	3.80%	3.50%	2.72%
12/1/2013	3.89%	3.63%	2.90%
1/1/2014	3.77%	3.52%	2.86%
2/1/2014	3.66%	3.38%	2.71%
3/1/2014	3.62%	3.35%	2.72%
4/1/2014	3.52%	3.27%	2.71%
5/1/2014	3.39%	3.12%	2.56%
6/1/2014	3.42%	3.15%	2.60%
7/1/2014	3.33%	3.07%	2.54%
8/1/2014	3.20%	2.94%	2.42%
9/1/2014	3.26%	3.01%	2.53%
10/1/2014	3.04%	2.77%	2.30%
11/1/2014	3.04%	2.76%	2.33%
12/1/2014	2.83%	2.55%	2.21%
1/1/2015	2.46%	2.20%	1.88%
2/1/2015	2.57%	2.34%	1.98%
3/1/2015	2.63%	2.41%	2.04%
4/1/2015	2.59%	2.33%	1.94%
5/1/2015	2.96%	2.69%	2.20%
6/1/2015	3.11%	2.85%	2.36%
7/1/2015	3.07%	2.77%	2.32%
8/1/2015	2.86%	2.55%	2.17%
9/1/2015	2.95%	2.62%	2.17%
10/1/2015	2.89%	2.50%	2.07%
11/1/2015	3.03%	2.69%	2.26%
12/1/2015	2.97%	2.61%	2.24%
1/1/2016	2.86%	2.49%	2.09%
2/1/2016	2.62%	2.20%	1.78%
3/1/2016	2.68%	2.28%	1.89%
4/1/2016	2.62%	2.21%	1.81%
5/1/2016	2.63%	2.22%	1.81%
6/1/2016	2.45%	2.02%	1.64%
7/1/2016	2.23%	1.82%	1.50%
8/1/2016	2.26%	1.89%	1.56%
9/1/2016	2.35%	2.02%	1.63%
10/1/2016	2.50%	2.17%	1.76%
11/1/2016	2.86%	2.54%	2.14%
12/1/2016	3.11%	2.84%	2.49%
1/1/2017	3.02%	2.75%	2.43%
2/1/2017	3.03%	2.76%	2.42%
3/1/2017	3.08%	2.83%	2.48%
4/1/2017	2.94%	2.67%	2.30%
5/1/2017	2.96%	2.70%	2.30%
6/1/2017	2.80%	2.54%	2.19%
7/1/2017	2.88%	2.65%	2.32%
8/1/2017	2.80%	2.55%	2.21%
9/1/2017	2.78%	2.53%	2.20%
10/1/2017	2.88%	2.65%	2.36%
11/1/2017	2.80%	2.60%	2.35%
12/1/2017	2.77%	2.60%	2.40%
1/1/2018	2.88%	2.73%	2.58%
2/1/2018	3.13%	3.02%	2.86%
3/1/2018	3.09%	2.97%	2.84%
4/1/2018	3.07%	2.96%	2.87%
5/1/2018	3.13%	3.05%	2.98%
6/1/2018	3.05%	2.98%	2.91%
7/1/2018	3.01%	2.94%	2.89%
8/1/2018	3.04%	2.97%	2.89%
9/1/2018	3.15%	3.08%	3.00%
10/1/2018	3.34%	3.27%	3.15%
11/1/2018	3.36%	3.27%	3.12%
12/1/2018	3.10%	2.98%	2.83%
1/1/2019	3.04%	2.89%	2.71%
2/1/2019	3.02%	2.87%	2.68%
3/1/2019	2.98%	2.80%	2.57%
4/1/2019	2.94%	2.76%	2.53%
5/1/2019	2.82%	2.63%	2.40%
6/1/2019	2.57%	2.36%	2.07%
7/1/2019	2.57%	2.36%	2.06%
8/1/2019	2.12%	1.91%	1.63%
9/1/2019	2.16%	1.97%	1.70%
10/1/2019	2.19%	2.00%	1.71%
AVERAGE	**2.99%**	**2.73%**	**2.33%**
3 MONTH AVG	**2.16%**	**1.96%**	**1.68%**
MINIMUM	**2.12%**	**1.82%**	**1.50%**
MAXIMUM	**3.89%**	**3.63%**	**3.15%**

SOURCES:

COLUMNS A-C FROM Federal Reserve Website

https://www.federalreserve.gov/datadownload/Choose.aspx?rel=H15

LINE NO.	DOMINION ENERGY UTAH DOCKET NO. 19-057-02 FORECASTED TEST YEAR ENDED DECEMBER 31, 2020 UPDATED ALTERNATIVE COMPARABLE GROUP BASE DATA						
			A	B	C	D	E
	COMPANY NAME	SYMBOL	BETA	EQUITY RATIO 2018	EQUITY RATIO 2019	EQUITY RATIO 2020	EQUITY RATIO 2022-2024
1	ATMOS ENERGY CORP	ATO	0.60	65.70%	62.00%	63.00%	65.00%
2	CHESAPEAKE UTILITIES CORP	CPK					
3	NEW JERSEY RESOURCES CORP	NJR	0.70	54.60%	56.50%	57.50%	59.50%
4	NORTHWEST NATURAL HOLDING CO	NWN	0.60	51.90%	52.00%	52.00%	52.50%
5	ONE GAS, INC.	OGS	0.65	61.40%	62.00%	62.00%	62.00%
6	SOUTH JERSEY INDUSTRIES, INC	SJI	0.80	37.60%	42.00%	41.50%	42.00%
7	SPIRE INC	SR	0.65	54.30%	56.00%	58.00%	60.00%
8	SOUTHWEST GAS HOLDINGS INC	SWX	0.70	51.70%	50.00%	51.50%	54.00%
9	MEAN		0.67	53.89%	54.36%	55.07%	56.43%
10	MEDIAN		0.65	54.30%	56.00%	57.50%	59.50%
11							
12	**DOMINION ENERGY UTAH**					**55.00%**	

SOURCES:

COLUMNS A-E:VALUE LINE INVESTMENT SURVEY NATURAL GAS UTILITY November 29, 2019

DOMINION ENERGY UTAH
DOCKET NO. 19=057-02
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020
UPDATED COMPARABLE GROUP STOCK PRICES

			A	B	C	D	E	F	F2	G	H	I	J	K	L	M
LINE NO.	COMPANY	SYMBOL	APR. 2019	MAY. 2019	JUN. 2019	Jul-19	AUG. 2019	SEP. 2019	OCT. 2019	Average	3 MONTH Average	52 Week High	52 Week Low	52 Week Average	DIVIDEND	YIELD
1	ATMOS ENERGY CORP	ATO	$101.34	$100.80	$105.06	$108.53	$109.71	$114.05	$106.75	$106.61	$110.17	$111.58	$87.88	$99.73	$2.30	2.09%
2	CHESAPEAKE UTILITIES CORP	CPK														
3	NEW JERSEY RESOURCES CORP	NJR	$46.84	$49.13	$49.52	$45.42	$44.70	$45.01	$42.78	$46.20	$44.16	$51.83	$43.51	$47.67	$1.25	2.83%
4	NORTHWEST NATURAL HOLDING CO	NWN	$68.37	$69.04	$70.95	$71.36	$71.33	$71.33	$67.04	$69.92	$69.90	$73.50	$57.20	$65.35	$1.91	2.73%
5	ONE GAS, INC.	OGS	$86.58	$89.80	$90.68	$91.10	$95.25	$95.25	$87.30	$90.85	$92.60	$93.04	$75.51	$84.28	$2.00	2.16%
6	SOUTH JERSEY INDUSTRIES, INC	SJI	$30.99	$33.14	$33.75	$32.06	$32.21	$32.50	$30.55	$32.17	$31.75	$36.72	$26.06	$31.39	$1.15	3.63%
7	SPIRE INC	SR	$82.16	$82.75	$81.83	$84.30	$85.97	$86.58	$77.09	$82.95	$83.21	$87.13	$70.53	$78.83	$2.37	2.85%
8	SOUTHWEST GAS HOLDINGS INC	SWX	$84.07	$89.07	$88.37	$90.67	$90.00	$90.00	$75.36	$86.79	$85.12	$92.31	$72.68	$82.50	$2.18	2.56%
9	MEAN		$71.48	$73.39	$74.31	$74.78	$75.60	$76.39	$69.55	$73.64	$73.85	$78.02	$61.91	$69.96	$1.88	2.69%
10	MEDIAN		**$82.16**	**$82.75**	**$81.83**	**$84.30**	**$85.97**	**$86.58**	**$75.36**	**$82.95**	**$83.21**	**$87.13**	**$70.53**	**$78.83**	**$2.00**	**2.73%**

SOURCES:

COLUMNS A -F, F2 & L: YAHOO FINANCE HISTORICAL STOCK PRICES MONTHLY (Retrieved SEPTEMBER 29, 2019 & F2 on November 25, 2019)

COLUMNS G - H: AVERAGES OF HISTORICAL DATA

COLUMNS I - K: PER ZACKS.COM (Retrieved SEPTEMBER 3, 2019)

COLUMN M: (COLUMN L/ COLUMN H)

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020
UPDATED ALTERNATIVE COMPARABLE GROUP GROWTH RATES

		A	B	C	D	E	F	G	H	I	J	K	L	M
		HISTORICAL GROWTH RATES							FORECAST GROWTH RATES					
COMPANY	SYMBOL	EPS 10 YR GROWTH	DPS 10 YR GROWTH	BVPS 10 YR GROWTH	EPS 5 YR GROWTH	DPS 5 YR GROWTH	BVPS 5 YR GROWTH	HISTORICAL AVERAGE	EPS VL FORECAST	YAHOO EPS	ZACKS EPS	"br+sv" INTERNAL GROWTH	AVERAGE EPS FORECAST	AVERAGE GROWTH FORECAST
ATMOS ENERGY CORP	ATO	6.50%	3.50%	5.50%	10.00%	5.50%	7.00%	6.33%	7.50%	7.00%	7.00%	12.19%	7.17%	9.68%
CHESAPEAKE UTILITIES CORP	CPK													
NEW JERSEY RESOURCES CORP	NJR	7.00%	7.50%	7.00%	5.50%	6.50%	8.00%	6.92%	2.50%	6.00%	8.00%	4.62%	5.50%	5.06%
NORTHWEST NATURAL HOLDING CO	NWN		2.50%	2.00%		1.00%		1.83%	27.00%	3.75%	5.00%	8.68%	11.92%	10.30%
ONE GAS, INC.	OGS								8.00%	5.00%	6.13%	5.81%	6.38%	6.10%
SOUTH JERSEY INDUSTRIES, INC	SJI	1.50%	8.00%	6.50%		6.00%	6.00%	5.60%	10.50%	4.60%	8.50%	8.99%	7.87%	8.43%
SPIRE INC	SR	4.00%	4.00%	7.50%	7.50%	5.00%	8.00%	6.00%	5.50%	3.23%	5.50%	5.63%	4.74%	5.19%
SOUTHWEST GAS HOLDINGS INC	SWX	7.00%	8.50%	5.50%	4.50%	10.50%	6.00%	7.00%	9.00%	8.20%	8.50%	7.69%	8.57%	8.13%
MEAN		5.20%	5.67%	5.67%	6.88%	5.75%	7.00%	5.61%	10.00%	5.40%	6.95%	7.66%	7.45%	7.55%
MEDIAN		6.50%	5.75%	6.00%	6.50%	5.75%	7.00%	6.17%	8.00%	5.00%	7.00%	7.69%	7.17%	8.13%

COLUMNS A - H:VALUE LINE INVESTMENT SURVEY GAS UTILITY November 29, 2019

COLUMN I:YAHOO FINANCE Retrieved November 23, 2019

COLUMN J: ZACKS.COM Retrieved November 23, 2019

COLUMN K:Schedule (DJL-6) PAGE 2

COLUMN L: AVERAGE OF EPS COLUMNS H,I,J.

COLUMN M: AVERAGE COLUMNS K & L.

All NEGATIVE GROWTH RATES OMITTED

DOMINION ENERGY UTAH
DOCKET NO, 19-057-02
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020
UPDATED ALTERNATIVE COMPARABLE GROUP GROWTH RATES

LINE NO.	COMPANY	SYMBOL	1 "b"	2 "r"	3 CHANGE IN EQUITY	4 ADJUSTMENT FACTOR	5 ADJUSTED "r"	6 MARKET TO BOOK 2020	7 GROWTH IN SHARES	8 "s"	9 "v"	10 "br"+"sv" GROWTH
1	ATMOS ENERGY CORP	ATO	50.00%	9.99%	11.23%	1.053	10.52%	2.27	5.44%	12.37%	56.04%	12.19%
2	CHESAPEAKE UTILITIES CORP	CPK										
3	NEW JERSEY RESOURCES CORP	NJR	36.60%	11.03%	6.18%	1.030	11.36%	1.88	0.52%	0.98%	46.75%	4.62%
4	NORTHWEST NATURAL HOLDING CO	NWN	43.71%	11.90%	3.20%	1.016	12.09%	2.64	2.07%	5.46%	62.06%	8.68%
5	ONE GAS, INC.	OGS	44.21%	9.92%	5.22%	1.025	10.17%	2.45	0.91%	2.23%	59.23%	5.81%
6	SOUTH JERSEY INDUSTRIES, INC	SJI	41.67%	12.63%	8.30%	1.040	13.13%	2.11	3.18%	6.70%	52.50%	8.99%
7	SPIRE INC	SR	46.60%	9.23%	11.74%	1.055	9.74%	1.66	1.65%	2.75%	39.78%	5.63%
8	SOUTHWEST GAS HOLDINGS INC	SWX	55.17%	10.13%	5.21%	1.025	10.39%	1.62	3.17%	5.13%	38.11%	7.69%
9	MEAN		45.42%	10.69%	7.30%	1.035	11.06%	2.09	2.42%	5.09%	50.64%	7.66%
	MEDIAN		44.21%	10.13%	6.18%	1.030	10.52%	2.11	2.07%	5.13%	52.50%	7.69%

COLUMN 1: RETENTION RATIO = 1-(DPS/EPS)

COLUMN 2: EQUITY RETURN = (EPS/BVPS)

COLUMN 3: COMPUTED USING THE FORMULA FOR COMPOUND AVERAGE GROWTH FIVE YEAR PERIOD

COLUMN 4: COMPUTED USING THE FORMULA[2*(1+ 5YR CHANGE IN EQUITY)/(2+ 5 YR CHANGE IN EQUITY)]

COLUMN 5: COLUMN 2*4

COLUMN 6: Schedule (DJL-6) PAGE 3 COLUMN 22

COLUMN 7: COMPUTED USING THE FORMULA FOR COMPOUND AVERAGE GROWTH FIVE YEAR PERIOD

COLUMN 8: COLUMN 6 * COLUMN 7

COLUMN 9: 1-(PRICE/BOOK)

COLUMN 10: COLUMNS (1 * 5)+(8*9)

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020
UPDATED ALTERNATIVE COMPARABLE GROUP GROWTH RATES

			11	12	13	14	15	16	17	18	19	20	21	22	23	24
LINE NO.	COMPANY	SYMBOL	DPS 2022 - 2024	EPS 2022 - 2024	BVPS 2022-2024	2018 EQUITY RATIO	2022 - 24 EQUITY RATIO	2018 TOTAL CAPITAL	2022-24 CAPITAL	2018 EQUITY CAPITAL	2022-2024 EQUITY CAPITAL	2022-2024 FORECAST PRICE	2022-2024 BVPS	2022-2024 MARKET TO BOOK	SHARES 2018	SHARES 2022-24
1	ATMOS ENERGY CORP	ATO	$2.80	$5.60	$56.05	65.70%	65.00%	$7,263.60	$12,500.00	$4,772.19	$8,125.00	$127.50	$56.05	2.27	111.27	145.00
2	CHESAPEAKE UTILITIES CORP	CPK														
3	NEW JERSEY RESOURCES CORP	NJR	$1.49	$2.35	$21.30	54.60%	59.50%	$2,599.60	$3,220.00	$1,419.38	$1,915.90	$40.00	$21.30	1.88	87.69	90.00
4	NORTHWEST NATURAL HOLDING C(	NWN	$1.97	$3.50	$29.40	51.90%	52.50%	$1,468.90	$1,700.00	$762.36	$892.50	$77.50	$29.40	2.64	28.88	32.00
5	ONE GAS, INC.	OGS	$2.65	$4.75	$47.90	61.40%	62.00%	$3,328.10	$4,250.00	$2,043.45	$2,635.00	$117.50	$47.90	2.45	52.57	55.00
6	SOUTH JERSEY INDUSTRIES, INC	SJI	$1.40	$2.40	$19.00	37.60%	42.00%	$3,373.90	$4,500.00	$1,268.59	$1,890.00	$40.00	$19.00	2.11	85.51	100.00
7	SPIRE INC	SR	$2.67	$5.00	$54.20	54.30%	60.00%	$4,155.50	$4,950.00	$2,256.44	$3,930.00	$90.00	$54.20	1.66	50.67	55.00
8	SOUTHWEST GAS HOLDINGS INC	SWX	$2.60	$5.80	$57.25	51.70%	54.00%	$4,359.30	$6,550.00	$2,253.76	$2,905.97	$92.50	$57.25	1.62	53.03	62.00
9	MEAN		$2.23	$4.20	$40.73	53.89%	56.43%	$3,792.70	$5,381.43	$2,110.88	$3,184.91	$83.57	$40.73	2.09	67.09	77.00
10	MEDIAN		$2.60	$4.75	$47.90	54.30%	59.50%	$3,373.90	$4,500.00	$2,043.45	$2,635.00	$90.00	$47.90	2.11	53.03	62.00

SOURCES:

COLUMNS 11-17, 20-24: VALUE LINE INVESTMENT SURVEY GAS UTILITY NOVEMBER 29, 2019

COLUMN 18: COLUMN 14 * COLUMN 16

COLUMN 19: COLUMN 15 * COLUMN 17

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020
UPDATED CONSTANT GROWTH DISCOUNTED CASH FLOW

			A	B	C	D	E	F	G
LINE NO.	**COMPANY**	**SYMBOL**	**AVERAGE PRICE**	**DIVIDEND**	**DIVIDEND YIELD**	**ADJUSTED DIVIDEND YIELD**	**GROWTH RATE**	**ROE**	**ADJUSTED ROE**
1	ATMOS ENERGY CORP	ATO	$110.17	$2.30	2.09%	2.16%	7.17%	9.33%	9.33%
2	CHESAPEAKE UTILITIES CORP	CPK							
3	NEW JERSEY RESOURCES CORP	NJR	$44.16	$1.25	2.83%	2.91%	5.50%	8.41%	8.41%
4	NORTHWEST NATURAL HOLDING CO	NWN	$69.90	$1.91	2.73%	2.90%	11.92%	14.81%	
5	ONE GAS, INC.	OGS	$92.60	$2.00	2.16%	2.23%	6.38%	8.61%	8.61%
6	SOUTH JERSEY INDUSTRIES, INC	SJI	$31.75	$1.15	3.63%	3.77%	7.87%	11.64%	11.64%
7	SPIRE INC	SR	$83.21	$2.37	2.85%	2.92%	4.74%	7.66%	7.66%
8	SOUTHWEST GAS HOLDINGS INC	SWX	$85.12	$2.18	2.56%	2.81%	8.57%	11.38%	**11.38%**
9	MEAN		$73.85	$1.88	2.69%	2.81%	7.45%	10.26%	9.50%
	MEDIAN		$83.21	$2.00	2.73%	2.90%	7.17%	9.33%	8.97%

COLUMNS A - C: SEE SCHEDULE DJL-5

COLUMN D: COLUMN C GROSSED UP FOR 1/2 OF GROWTH IN COLUMN E

COLUMN E: SEE SCHEDULE (DJL-6) PAGE 1

COLUMN F: SUM OF COLUMNS E & D

COLUMN G: ALL VALUES BELOW 7.5% AND ABOVE 12.5% OMITTED FROM COLUMN F

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
FORECASTEDL TEST YEAR ENDED DECEMBER 31, 2020
UPDATED COMPARABLE GROUP TWO-STAGE GROWTH DCF

			A	B	C	D	E	F	G	H	I	J	K	L
LINE NO.	**COMPANY**	**SYMBOL**	**NXT YEAR DPS 2020**	**DPS 2022-2024**	**ANNUAL CHANGE IN DIVIDEND**	**CURRENT PRICE**	**YEAR 1 DIVIDEND**	**YEAR 2 DIVIDEND**	**YEAR 3 DIVIDEND**	**YEAR 4 DIVIDEND**	**YEAR 5 DIVIDEND**	**GROWTH YEARS 5-150**	**TWO-STAGE ROE**	**ADJUSTED TWO-STAGE ROE**
1	ATMOS ENERGY CORP	ATO	$2.30	$2.80	$0.17	$110.17	$2.30	$2.47	$2.63	$2.80	$3.14	12.19%	13.78%	
2	CHESAPEAKE UTILITIES CORP	CPK												
3	NEW JERSEY RESOURCES CORP	NJR	$1.27	$1.49	$0.07	$44.16	$1.27	$1.34	$1.42	$1.49	$1.56	4.62%	7.51%	7.51%
4	NORTHWEST NATURAL HOLDING CO	NWN	$1.91	$1.97	$0.02	$69.90	$1.91	$1.93	$1.95	$1.97	$2.14	8.68%	10.77%	10.77%
5	ONE GAS, INC.	OGS	$2.16	$2.65	$0.16	$92.60	$2.16	$2.32	$2.49	$2.65	$2.80	5.81%	8.13%	8.13%
6	SOUTH JERSEY INDUSTRIES, INC	SJI	$1.25	$1.40	$0.05	$31.75	$1.25	$1.30	$1.35	$1.40	$1.53	8.99%	12.39%	12.39%
7	SPIRE INC	SR	$2.46	$2.67	$0.07	$83.21	$2.46	$2.53	$2.60	$2.67	$2.82	5.63%	8.30%	8.30%
8	SOUTHWEST GAS HOLDINGS INC	SWX	$2.30	$2.60	$0.10	$85.12	$2.30	$2.40	$2.50	$2.60	$2.80	7.69%	10.05%	**10.05%**
9	MEAN		$1.95	$2.23	$0.09	$73.85	$1.95	$2.04	$2.13	$2.23	$2.40	7.66%	10.13%	9.52%
	MEDIAN		$2.16	$2.60	$0.07	$83.21	$2.16	$2.32	$2.49	$2.60	$2.80	7.69%	10.05%	9.17%

COLUMNS A - B: VALUE LINE INVESTMENT SURVEY GAS UTILITY NOVEMBER 29, 2019

COLUMN C: (COLUMN B-COL A)/3

COLUMN D: PER SCHEDULE DJL-5

COLUMN J: PER SCHEDULE (DJL-6) PAGE 1

COLUMN K: INTERNAL RATE OF RETURN CALCULATION

COLUMN L: COLUMN K W/O VALUES BELOW 7.5% OR ABOVE 12.5 %

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020
UPDATED CAPM AND ECAPM CALCULATIONS

	CAPITAL ASSET PRICING MODEL						EMPIRICAL CAPITAL ASSET PRICING MODEL					
			A	B	C	D			E	F	G	H
LINE NO.	COMPANY	SYMBOL	BETA	MARKET RISK PREMIUM	RISK FREE RATE	CAPM	COMPANY	SYMBOL	BETA	MARKET RISK PREMIUM	RISK FREE RATE	ECAPM
1	ATMOS ENERGY CORP	ATO	0.60	9.94%	2.16%	8.12%	ATMOS ENERGY CORP	ATO	0.60	9.94%	2.16%	9.11%
2	CHESAPEAKE UTILITIES CORP	CPK		9.94%	2.16%		CHESAPEAKE UTILITIES CORP	CPK		9.94%	2.16%	
3	NEW JERSEY RESOURCES CORP	NJR	0.70	9.94%	2.16%	9.11%	NEW JERSEY RESOURCES CORP	NJR	0.70	9.94%	2.16%	9.86%
4	NORTHWEST NATURAL HOLDING CO	NWN	0.60	9.94%	2.16%	8.12%	NORTHWEST NATURAL HOLDING CO	NWN	0.60	9.94%	2.16%	9.11%
5	ONE GAS, INC.	OGS	0.65	9.94%	2.16%	8.62%	ONE GAS, INC.	OGS	0.65	9.94%	2.16%	9.49%
6	SOUTH JERSEY INDUSTRIES, INC	SJI	0.80	9.94%	2.16%	10.11%	SOUTH JERSEY INDUSTRIES, INC	SJI	0.80	9.94%	2.16%	10.61%
7	SPIRE INC	SR	0.65	9.94%	2.16%	8.62%	SPIRE INC	SR	0.65	9.94%	2.16%	9.49%
8	SOUTHWEST GAS HOLDINGS INC	SWX	0.70	9.94%	2.16%	9.11%	SOUTHWEST GAS HOLDINGS INC	SWX	0.70	9.94%	2.16%	9.86%
9	MEAN		0.67	9.94%	2.16%	8.83%	MEAN		0.67	9.94%	2.16%	9.65%
10	MEDIAN		0.65	9.94%	2.16%	8.62%	MEDIAN		0.65	9.94%	2.16%	9.49%

COLUMNS A & E: VALUE LINE INVESTMENT SURVEY GAS UTILITY NOVEMBER 29, 2019

COLUMNS B,C & F,G: PER TESTIMONY CAPM & ECAPM SECTIONS (12.1%-2.16%=9.94%)

COLUMNS D & H CALCULATION OF CAPM & ECAPM RESPECTIVELY.

COLUMNS D & H: ALL AMOUNTS BELOW 7.5% OR ABOVE 12.5% OMITTED.

DOMINION ENERGY UTAH			
DOCKET NO. 19-057-02			
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020			
UPDATED BOND YIELD RISK PREMIUM ROE ESTIMATE			

	A	B	C
YEAR	30 YEAR US TREASURY BOND YIELD	AUTHORIZED Gas UTILITY EQUITY RETURN	RISK PREMIUM
1981	13.45%	15.11%	1.66%
1982	12.76%	15.62%	2.86%
1983	11.18%	15.25%	4.07%
1984	12.41%	15.31%	2.90%
1985	10.79%	14.75%	3.96%
1986	7.78%	13.46%	5.68%
1987	8.59%	12.74%	4.15%
1988	8.96%	12.85%	3.89%
1989	8.45%	12.88%	4.43%
1990	8.61%	12.67%	4.06%
1991	8.14%	12.46%	4.32%
1992	7.67%	12.01%	4.34%
1993	6.59%	11.35%	4.76%
1994	7.37%	11.35%	3.98%
1995	6.88%	11.43%	4.55%
1996	6.71%	11.19%	4.48%
1997	6.61%	11.29%	4.68%
1998	5.58%	11.51%	5.93%
1999	5.87%	10.66%	4.79%
2000	5.94%	11.39%	5.45%
2001	5.49%	10.95%	5.46%
2002	5.43%	11.03%	5.60%
2003	4.96%	10.99%	6.03%
2004	5.04%	10.59%	5.55%
2005	4.64%	10.46%	5.82%
2006	4.91%	10.43%	5.52%
2007	4.84%	10.24%	5.40%
2008	4.28%	10.37%	6.09%
2009	4.08%	10.19%	6.11%
2010	4.25%	10.08%	5.83%
2011	3.91%	9.92%	6.01%
2012	2.92%	9.93%	7.01%
2013	3.45%	9.68%	6.23%
2014	3.34%	9.78%	6.44%
2015	2.84%	9.63%	6.79%
2016	2.60%	9.58%	6.98%
2017	2.90%	9.72%	6.82%
2018	3.11%	9.59%	6.48%
AVERAGE	6.40%	11.54%	5.13%
G			
DESCRIPTION		SPOT	3 MONTH AVERAGE
CURRENT 30 YEAR US TREASURY		2.20%	2.16%
AVERAGE YIELD IN STUDY PERIOD		6.40%	6.40%
INTEREST RATE DELTA		-4.20%	-4.25%
INTEREST RATE CHANGE IN STUDY		-0.40206106	-0.40206106
ADJUSTMENT TO RISK PREMIUM		1.69%	1.71%
BASIC RISK PREMIUM PER STUDY		5.13%	5.13%
ADJUSTED RISK PREMIUM		6.82%	6.84%
RISK PREMIUM EQUITY RETURN		**9.02%**	**9.00%**

SOURCES:

COLUMNS A: FEDERAL RESERVE WEBSITE H-15 HISTORICAL DATA NOTE: FOR 2003-2005 20-YEAR BOND YIELDS WERE EMPLOYED

(NOTE DURING THE PERIOD 2003-2005 30 YEAR US TREASURY SALES WERE SUSPENDED & 20-YEAR US TREASURY'S WERE SUBSTITUTED)

COLUMNS B: RRA MAJOR RATE CASE DECISIONS & American Gas Association (AGA) RATE and Regulatory Updates.

COLUMNS C: Column B less Column A

COLUMNS G CURRENT YIELDS: SCHEDULE (DJL-3) 3 MONTH AVERAGE; AND CURRENT YIELD

SPOT YIELD IS THE YIELD AT K OF AUGUST 29, 2019 PER FEDERAL RESERVE H-15 DATA BASE.

INTEREST RATE CHANGE: RATE OF CHANGE SLOPE OF RISK PREMIUM TO YIELD

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
FORECASTED TEST YEAR ENDED MARCH 31, 2020
FINANCIAL METRICS

COMPANY REQUESTED CAPITAL STRUCTURE COST RATES AND RETURN

DESCRIPTION	CAPITAL	RATIO	COST RATE	WEIGHTED COST	RETURN	WEIGHTED COST w/FIT GROSS UP @ 21%	RETURN W/FIT GROSS UP @ 21%
LONG TERM DEBT	$817,296,278	45.00%	4.34%	1.953%	$35,470,658	1.953%	$35,470,658
COMMON EQUITY	$998,917,673	55.00%	10.50%	5.775%	$104,886,356	7.310%	$132,767,539
TOTAL CAPITAL	$1,816,213,951	100.00%		7.728%	$140,357,014	9.263%	$168,238,197
RATE BASE			$1,816,213,951				

PER COMPANY WITNESS S. SOONG TESTIMONY MARCH 31, 2019 CAPITAL STRUCTURE

DIRECT TESTIMONY D. BLAIR RATE BASE PER SCHEDULE DAB-1-001 REVENUE REQUIREMENTS

ALTERNATIVE COST OF CAPITAL WITH RETURN EQUITY@ 9.20%

DESCRIPTION	CAPITAL	RATIO	COST RATE	WEIGHTED COST	RETURN	WEIGHTED COST w/FIT	RETURN W/FIT
LONG TERM DEBT	$817,296,278	45.00%	4.340%	1.953%	$35,470,658	1.953%	$35,470,658
COMMON EQUITY	$998,917,673	55.00%	9.100%	5.005%	$90,901,508	6.335%	$115,065,200
TOTAL CAPITAL	$1,816,213,951	100.00%		6.958%	$126,372,167	8.288%	$150,535,859
RATE BASE			$1,816,213,951		($13,984,847)		($17,702,339)

PER COMPANY WITNESS S. SOONG TESTIMONY DECEMBER 31, 2018 CAPITAL STRUCTURE

DIRECT TESTIMONY D. BLAIR RATE BASE PER SCHEDULE DAB-1-001 REVENUE REQUIREMENTS

		A	B	C		
LINE NO.	DESCRIPTION	COMPANY REQUESTED Capital Structure & 10.50% ROE	alt. Capital Structure ROE ADJUSTED TO 9.20%	Difference	SOURCES COL. A	SOURCES COL. B
1	RATE BASE	$1,816,213,951	$1,816,213,951		COMPANY FILING DEU EXHIBIT 4.06, PAGE 1 0F 2, LINE 49	COMPANY FILING DEU EXHIBIT 4.06, PAGE 1 0F 2, LINE 49
2	RATE OF RETURN	7.728%	6.958%		COMPANY FILING WITNESS HEVERT & STEPHENSON DIRECT TESTIMONY	LAWTON TESTIMONY RECOMMEDATION
3	RETURN	$140,357,014	$126,372,167	($13,984,847)	LINE 1 TIMES LINE2	LINE 1 TIMES LINE2
4	DEPRECIATION & AMOTIZ.	$85,423,490	$85,423,490	$0	COMPANY FILING DEU EXHIBIT 4.06, PAGE 1 0F 2, LINE 21	COMPANY FILING DEU EXHIBIT 4.06, PAGE 1 0F 2, LINE 21
5	EARNINGS BEFORE INTEREST, DEPREC, AMORT (EBIDA)	$225,780,504	$211,795,657		TOTAL RETURN EXCL. FIT PLUS DEPREC. & AMORT.	TOTAL RETURN EXCL. FIT PLUS DEPREC. & AMORT.
6	CURRENT DEFERRED INCOME TAXES	$5,817,654	$5,817,654		DEU Exhibit 4.18 Tab "ROR-Model" row 940	DEU Exhibit 4.18 Tab "ROR-Model" row 940
7	CASH FLOW (EBITDA LESS INTEREST & CUR FIT) CFO	$196,127,500	$182,142,652	($13,984,847)	SUM LINES 3 AND 4 AND 6 LESS LINE 9	SUM LINES 3 AND 4 AND 6 LESS LINE 9
8	TOTAL DEBT	$817,296,278	$817,296,278	$0	DEBT AMOUNT IN CAPITAL STRUCTURE	DEBT AMOUNT IN CAPITAL STRUCTURE
9	TOTAL INTEREST ESTMATED	$35,470,658	$35,470,658	$0	WTD DEBT COST TIMES RATE BASE	WTD DEBT COST TIMES RATE BASE
	FINANCIAL METRICS (Low Business Risk Grid)+B39:C39	(D)	(E)	(F) Moody's Guidelines for A Bonds		
10	CFO/DEBT (%) [excludes interest]	24.00%	22.29%	19%-27%		
11	CFO-Divid/Debt	16.30%	15.61%	15%-23%		
12	DEBT/CAPITAL	45.00%	45.00%	35% to 45%		

SOURCES

COLUMNS D & E ROW 10: COL. A & B LINE 7/ LINE 8

COLUMNS D & E ROW 11: COL (A & B LINE 7) less assumed divid payout of equity /LINE 5

COLUMNS D & E ROW 12: Per Company Filing

COLUMNS including lines 10-12 :RANGE OF METRICS REQUIRED FOR A RATED BONDS PER MOODY'S investor Services (June 23, 2017 at 22)

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
AMERICAN GAS ASSOCIATION
RATE & REGULATORY UPDATE
SUMMARY OF STATE RATE & REGULATORY ACTIVITY
JULY 1 THROUGH SEPTEMBER 30, 2019

(Provided in PDF Format)

July 1 through September 30, 2019

Rate & Regulatory Update

AGA

A Summary of State Rate & Regulatory Activity

A Publication for AGA Members

This document is intended to provide AGA members with a summary of information relative to state rate and regulatory proceedings and other related matters on a timely basis. Additional information and archived versions of the Rate & Regulatory Update can be found at the following web link: https://www.aga.org/rate-alerts

Rate Case Data for this Period	
Orders Issued	12
Average ROE	9.94

Trends and Analysis

The average ROE authorized gas utilities was 9.94% in the third quarter of 2019 compared to 9.69% in the second quarter. Six of the rate cases decided this quarter contained a definitive ROE determination. The average ROE authorized for gas utilities was 9.68% in cases decided during the first nine months of 2019, just above the 9.59% in full-year 2018. There were only 10 gas cases that included an ROE determination in the first three quarters of 2019, versus 40 in 2018. In the first nine months of 2019, the median authorized ROE for gas utilities was 9.72%, versus 9.60% in 2018.

Increased costs associated with environmental compliance, infrastructure upgrades and expansion, storm and disaster recovery, cybersecurity and employee benefits argue for the continuation of an active rate case agenda over the next several years.

Furthermore, rising interest rates may also play a role in increased rate case activity. However, with concerns of slowing growth, fears of a global recession and the impact of U.S.-China trade tensions negatively weighing on the U.S. economy, the Fed, after more than a decade without a cut, has lowered rates twice by a quarter point in July and again in September; the new target range is now 1.75% to 2%. Fed watchers expect a third cut of similar magnitude later in October.

While increases in the federal funds rate do not move in lockstep with longer-term treasuries and authorized ROEs do not move in lockstep with interest rates, the expectation is that as interest rates change, authorized ROEs would also begin to change in similar fashion. However, several factors impact the timing and magnitude of this anticipated shift. Normal regulatory lag, i.e., the amount of time it takes for a utility to put together a rate case filing and tender it to the commission and then for the commission to process the case, would without any other influences delay a change in average authorized ROEs relative to interest rates.

To counter the negative cash flow impact of the Tax Cuts and Jobs Act, many utilities sought higher common equity ratios, and the average authorized equity ratio adopted by utility commissions in the first nine months of 2019 were modestly higher than the levels observed in 2018 and 2017. The average allowed equity ratio for gas utilities nationwide was 52.52% in the first nine months of 2019; compared to 50.09% in 2018 and 49.88% in 2017. The aforementioned averages include allowed equity ratios adopted by utility commissions in Arkansas, Florida, Indiana and Michigan – jurisdictions that authorize capital structures that include cost-free items or tax credit balances.

EXHIBIT OCS 3.11S
18 PAGES INCL. COVER

DOMINION ENERGY UTAH
DOCKET NO. 19-057-02
FORECASTED TEST YEAR ENDED DECEMBER 31, 2020
STATE CORPORATION COMMISSION OF VIRGINIA (FINAL ORDER)
VIRGINIA ELECTRIC AND POWER COMPANY
CASE NO. PUR-2019-00050

(Provided in PDF Format)

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 21, 2019

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY CASE NO. PUR-2019-00050

For the determination of the fair rate of return on common equity pursuant to § 56-585.1:1 C of the Code of Virginia

FINAL ORDER

On March 29, 2019, Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application") for the determination of the fair rate of return on common equity ("ROE") to be applied to its rate adjustment clauses ("RACs") pursuant to § 56-585.1:1 of the Code of Virginia ("Code") and to measure earnings in the first triennial review proceeding in 2021 under Code § 56-585.1:1 A.[1]

Enacted in 2015, Code § 56-585.1:1 requires that:

> Commencing in 2017 and concluding in 2019, the State Corporation Commission, after notice and opportunity for a hearing, shall conduct a proceeding every two years to determine the fair rate of return on common equity to be used by a Phase II Utility as the general rate of return applicable to rate adjustment clauses under subdivisions A 5 or A 6 of § 56-585.1. A Phase II Utility's filing in such proceedings shall be made on or before March 31 of 2017 and 2019.[2]

Pursuant to Code § 56-585.1:1, the ROE approved in this case will also be used in the Company's triennial review proceeding commencing in 2021 to review Dominion's earnings on

[1] Along with its Application, the Company filed the Direct Testimony of Robert B. Hevert. On September 6, 2019, the Company filed corrected pages to Company witness Hevert's Direct Testimony.

[2] Code § 56-585.1:1 C 2. Dominion is the Phase II Utility. *See* Code § 56-585.1.

its rates for generation and distribution services for the successive 12-month test periods beginning January 1, 2017, and ending December 31, 2020.[3]

The Company requests that the Commission approve an ROE of 10.75% for Dominion's RACs approved under subdivisions A 5 and A 6 of Code § 56-585.1 ("Subdivisions A 5 and A 6"), to be applied prospectively, effective with the date of the Commission's final order in this proceeding, and to measure earnings in the 2021 triennial review proceeding.[4] Dominion currently has a total of eleven such RACs.[5] The Company asserts, among other things, that 10.75% represents the return required to invest in a company with a risk profile comparable to Dominion.[6]

On April 3, 2019, the Commission issued an Order for Notice and Hearing that, among other things, docketed the Application; required Dominion to publish notice of its Application; gave interested persons the opportunity to comment on or participate in the proceeding; and scheduled a public hearing. Notices of participation were filed in this proceeding by the Department of the Navy, on behalf of the Federal Executive Agencies ("FEA"); Walmart, Inc. ("Walmart"); the Virginia Poverty Law Center ("VPLC"); the Virginia Committee for Fair Utility Rates ("Committee"); and the Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel").

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[3] Code §§ 56-585.1:1 A and C 3.

[4] Ex. 2 (Application) at 4.

[5] *See* Ex. 12 (Myers) at 5. Dominion's RACs, and subsequent revisions thereto, approved under these statutes include Riders B, BW, C2A, GV, R, S, U, US-2, US-3, and W. In addition, the Commission recently approved a new RAC designated as Rider E. *See Petition of Virginia Electric and Power Company, For approval of a rate adjustment clause, designated Rider E, for the recovery of costs incurred to comply with state and federal environmental regulations pursuant to § 56-585.1 A 5 e of the Code of Virginia*, Case No. PUR-2018-00195, Final Order (Aug. 5, 2019) and Order on Reconsideration (Nov. 14, 2019).

[6] Ex. 2 (Application) at 5.

On July 12, 2019, FEA, Walmart, VPLC, and Consumer Counsel each filed testimony.[7] On August 2, 2019, the Commission's Staff ("Staff") filed testimony.[8] On August 16, 2019, Dominion filed rebuttal testimony[9] and a Motion *in Limine* of Virginia Electric and Power Company ("Motion").[10] In addition, the Commission received over 260 public comments on the Application.

The Commission convened a hearing, as scheduled, on September 10-11, 2019. Four public witnesses testified at the hearing. The Company, FEA, Walmart, VPLC, the Committee, Consumer Counsel, and Staff participated at the hearing. During the hearing, the Commission received testimony from witnesses on behalf of the participants and admitted evidence on the Application. As directed by the Commission at the conclusion of the hearing, the participants filed post-hearing briefs on October 18, 2019.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds as follows.

As noted above, the purpose of this case is a determination of the fair ROE to be used by Dominion as the general return applicable to RACs under Subdivisions A 5 and A 6 and for purposes of the Company's 2021 triennial review proceeding. In this regard, "[s]uch fair rate of return shall be calculated pursuant to the methodology set forth in subdivisions A 2 a and b of

[7] FEA filed the testimony of Kevin W. O'Donnell; Walmart filed the testimony of Steve W. Chriss; VPLC filed the testimony of Karl R. Rábago; and Consumer Counsel filed the testimony of J. Randall Woolridge.

[8] Staff filed the testimonies of Carol B. Myers, Philip M. Gereaux, and Donna T. Pippert.

[9] Dominion filed the rebuttal testimonies of Robert B. Hevert and John C. Ingram.

[10] The Commission previously took the Motion under advisement. Tr. 7. Based on our findings below, the Motion is now moot.

§ 56-585.1...."[11] In addition, the Code further states that the "Commission may use *any* methodology to determine *such return it finds consistent with the public interest*...."[12] Accordingly, the Commission will follow a similar process in determining a fair ROE herein as has been done in prior proceedings using the methodology set forth in Code § 56-585.1 A 2 a and b. First, the Commission determines the actual market cost of equity. Second, the Commission establishes a peer group majority ROE. Finally, the Commission establishes an ROE "consistent with the public interest" as set forth in Code § 56-585.1 A 2 a.

Market Cost of Equity

Company witness Hevert calculated Dominion's cost of equity to be between 10.00% and 11.00% and determined that, considering the economic requirements necessary to support continuous access to capital, an ROE of 10.75% represents Dominion's cost of equity.[13] Consumer Counsel witness Woolridge calculated Dominion's market cost of equity to be between 7.30% and 8.80% and determined that 8.75% represents Dominion's market cost of equity.[14] FEA witness O'Donnell calculated Dominion's market cost of equity to be between 5.50% and 10.25% and determined that 9.00% represents Dominion's market cost of equity.[15] Staff witness Pippert calculated Dominion's market cost of equity to be between 8.10% and 9.10%, and selected the midpoint of this range.[16] The Committee recommended that the

[11] Code § 56-585.1:1 C 3.

[12] Code § 56-585.1 A 2 a (emphases added).

[13] Ex. 3 (Hevert Direct) at 2-38, 42-43.

[14] Ex. 10 (Woolridge) at 3-55.

[15] Ex. 7 (O'Donnell) at 6, 22-48.

[16] Ex. 15 (Pippert) at 2-4, 21-31; Tr. 200.

Commission adopt a market cost of equity of 8.60%, the midpoint of Staff's recommended cost of equity range.[17] VPLC supported an ROE below 9.00%.[18] Walmart supported a market cost of equity finding of "no higher" than 9.20%.[19]

The following chart summarizes the above:

	ROE Range	ROE
Dominion	10.00% – 11.00%	10.75%
Consumer Counsel	7.30% – 8.80%	8.75%
FEA	5.50% – 10.25%	9.00%
Committee	8.10% – 9.10%	8.60%
VPLC	[none given]	< 9.00%
Walmart	[none given]	9.20%
Staff	8.10% – 9.10%	8.60%

The Commission recognizes that "[t]here is no single scientific correct rate of return."[20] Based on the evidence herein, the Commission finds that a market cost of equity within a range of 8.3% to 9.3% fairly represents the actual cost of equity in capital markets for companies comparable in risk to Dominion seeking to attract equity capital. We find that a market cost of equity of 8.3% to 9.3% is supported by reasonable proxy groups, growth rates, discounted cash

[17] *See* Tr. 44; Committee's Post-Hearing Brief at 1.

[18] Tr. 41-42.

[19] Tr. 290-291. On brief, Walmart requested "an ROE that is no higher than 9.0 percent, based on the calculation of the statutory peer group floor...." Walmart's Post-Hearing Brief at 1.

[20] *Commonwealth ex rel. Div. of Consumer Counsel v. Potomac Edison Co.*, 233 Va. 165, 171 (1987) (quoting *Central Tel. Co. of Va. v. State Corp. Comm'n*, 219 Va. 863, 874 (1979)).

flow ("DCF") methods, and risk premium analyses.[21] The Commission further concludes, under the circumstances of this case and for purposes of implementing Code § 56-585.1:1, that approving a specific ROE of 9.2% from this range is "consistent with the public interest" under Code § 56-585.1 A 2 a and reasonably balances the interests of the Company, its customers, and its investors.[22] In sum, the Commission finds that an ROE of 9.2% is fair and reasonable, supported by evidence in the record, and satisfies the following constitutional standards as stated by Staff witness Pippert: "maintenance of financial integrity, the ability to attract capital on reasonable terms, and earnings commensurate with returns on investments of comparable risk."[23]

Accordingly, the Commission has found that Dominion's proposed cost of equity of 10.0% to 11.0% represents neither the actual cost of equity in the marketplace nor a reasonable ROE for the Company. Nor is Dominion's proposed ROE of 10.75% consistent with the public interest. The Commission also concludes that Dominion's proposed market cost of equity of 10.75% is not supported by reasonable growth rates, DCF methods, or risk premium analyses. Moreover, the Commission notes that Company witness Hevert proposes certain methodologies that the Commission has previously discounted or rejected,[24] and for which we continue to give little or no weight.

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[21] *See, e.g.*, Ex. 15 (Pippert) at 2-4, 21-31; Ex. 10 (Woolridge) at 3-55; Ex. 7 (O'Donnell) at 25-35, 40-48.

[22] *See, e.g.*, Dominion's Post-Hearing Brief at 7. The Commission further notes that Dominion's currently approved ROE is also at 9.2%, having already decreased by approximately 120 basis points (*i.e.*, from 10.4%) since the commencement of biennial reviews in 2011. Accordingly, the Commission concludes that it is reasonable – at this time – not to reduce further the approved ROE, which is within the range we have found reasonable and consistent with the public interest.

[23] Ex. 15 (Pippert) at 21.

[24] *See, e.g.*, Consumer Counsel's Post-Hearing Brief at 9-11, 24-25; Walmart's Post-Hearing Brief at 5-6; Staff's Post-Hearing Brief at 9-10, 13-14; VPLC's Post-Hearing Brief at 5-6.

For example, Mr. Hevert continues to use only earnings per share ("EPS") as the measure of growth in his DCF model, which upwardly skews his results.[25] Likewise, we find that Mr. Hevert's continued use of projected EPS in the DCF portion of his capital asset pricing model ("CAPM") analysis produces a significant upward bias by overstating the return on the market (and consequently, the market risk premium) component of that cost of equity model. This results in an overstatement of the cost of equity.[26] We also note that while Mr. Hevert claims the DCF model has not produced reliable ROE results since 2014,[27] he uses his version of the DCF model to arrive at a market return for use in his CAPM analysis.[28]

The Commission also finds that Mr. Hevert's 15% return on the market for the S&P 500 appears inflated and should be given little weight.[29] According to Consumer Counsel witness Woolridge, if the net income of the companies in the S&P 500 were to grow at the earnings per share rate assumed by Mr. Hevert, and if the United States gross domestic product ("GDP") grows at rates predicted by major government agencies (*i.e.*, approximately 4.23%),[30] the net income of the S&P 500 would represent growth from approximately 6.73% of GDP to

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[25] Ex. 3 (Hevert Direct) at 5, 46; Ex. 10 (Woolridge) at 57, 62-63 ("It seems highly unlikely that investors today would rely exclusively on the EPS growth rate forecasts of Wall Street analysts and ignore other growth rate measure[s] in arriving at their expected growth rates for equity investments."); Ex. 15 (Pippert) at 6, Appendix B at 3-5.

[26] *See, e.g.*, Staff's Post-Hearing Brief at 10; Consumer Counsel's Post-Hearing Brief at 10-11. Mr. Hevert's initial expected returns on the S&P 500 of 13.68% (Bloomberg) and 16.81% (Value Line) led to market risk premiums of 10.65% (Bloomberg) and 13.77% (Value Line), which he updated in his rebuttal testimony to expected returns of 14.88% and 14.78% and market risk premiums of 12.25% and 12.15%. *See* Ex. 3 (Hevert Direct), Schedule 2 at 1, 7, 8, and 14; Ex. 19 (Hevert Rebuttal), Rebuttal Schedule 2 at 1, 7, 8 and 14.

[27] Ex. 3 (Hevert Direct) at 4-5.

[28] *See id.* at 54-55; Ex. 7 (O'Donnell) at 17.

[29] *See* Staff's Post-Hearing Brief at 10-11; Ex. 15 (Pippert) at 6; Tr. 187.

[30] *See, e.g.*, Ex. 10 (Woolridge) at 76; Tr. 117-118.

approximately 92% of GDP by the year 2050.[31] Dr. Woolridge also noted that a number of financial experts are projecting a market risk premium of 5% to 6%.[32]

As in prior cases, Mr. Hevert uses projected interest rates in his CAPM and other risk premium models. Although he did not exclusively use projected interest rates in his analyses, his use of long-term projected rates continues to influence his recommended range, given his primary reliance on his risk premium model results.[33] The Commission has rejected the use of such projected interest rates in prior cases, stating that inclusion of these projected rates inflates the results of the utility's risk premium analysis.[34] Moreover, the Commission notes that Mr. Hevert's reliance on projected interest rates has overstated the risk-free rate since 2015.[35]

The risk-free rate used in Mr. Hevert's Bond Yield Plus Risk Premium ("BYRP") analysis also appears overstated, as he uses the long-term projected 30-year Treasury rate.[36] Moreover,

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[31] *See* Ex. 10 (Woolridge) at 77; Tr. 117.

[32] *See, e.g.*, Ex. 10 (Woolridge) at 50-51; Tr. 115.

[33] *See* Staff's Post-Hearing Brief at 13; Ex. 3 (Hevert Direct) at 4, 43.

[34] *See, e.g.*, *Application of Virginia Electric and Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No PUR-2017-00038, 2017 S.C.C. Ann. Rept. 475, 476, Final Order (Nov. 29, 2017) ("PUR-2017-00038 Final Order"); *Application of Appalachian Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUE-2016-00038, 2016 S.C.C. Ann. Rept. 393, 395, Final Order (Oct. 6, 2016); *Application of Aqua Virginia, Inc., For an increase in rates*, Case No. PUE-2014-00045, 2016 S.C.C. Ann. Rept. 206, 209, Final Order (Jan. 7, 2016); *Application of Appalachian Power Company, For an increase in electric rates*, Case No. PUE-2006-00065, 2007 S.C.C. Ann. Rept. 321, 327, Final Order (May 15, 2007).

[35] *See* Ex. 11; Tr. 119-21. As an example of evidence that undermines Company witness Hevert's use of projected interest rates and Dominion's request for a 10.75% ROE, the risk-free rate (*i.e.*, 30-year Treasury bond yield) used in analyzing market cost of equity has decreased during the pendency of this proceeding. Mr. Hevert used a current 30-year Treasury rate of 3.04% in his Direct Testimony, while Staff witness Pippert used a three-month average (March – May 2019) 30-year Treasury rate of 2.91%. *See* Ex. 3 (Hevert Direct) at 6 (corrected); Ex. 15 (Pippert) at 9, 26, Schedule 6. During the hearing, however, it was shown that such rate had decreased to 2.11%, indicating a downward trend in the risk-free rate from the date the Company filed its Application to the date of the hearing. Tr. 80.

[36] *See* Ex. 3 (Hevert Direct) at 6; Ex. 16 (Staff's Update of Hevert Model Results).

Mr. Hevert's BYRP analysis relies on historical authorized ROEs to calculate the market risk premium. We find that this approach is not reliable because it does not recognize case-specific information[37] and it "improperly embeds factors into the analysis such as regulatory lag, incentive ROE programs, capital structure adjustments to address leverage issues, gradualism, [and] settle[d] cases."[38]

In addition, while the Company updated its ROE results with financial data through June 2019,[39] Mr. Hevert maintains his original proposed ROE even though it does not reflect the decline in his own ROE estimates.[40] Mr. Hevert also supports his equity risk premium of approximately 8.65% for Dominion as of the time of the hearing by asserting that "[t]he equity risk premium will expand under almost any circumstance when Treasury yields fall...."[41] By not recognizing the decline in his ROE estimates, Mr. Hevert appears to suggest that authorized ROEs would never decline with falling interest rates. Furthermore, as noted by FEA, Mr. Hevert's equity risk premium of 8.65% for Dominion "is almost equivalent to the entire ROE last set by this Commission."[42]

Finally, the Commission does not find, as asserted by Company witness Hevert, that certain business risks facing Dominion warrant a 10.75% ROE. For example, while Mr. Hevert

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[37] This may include factors such as capital structure, credit ratings and other risk measures, service territory, capital expenditures, energy supply issues, rate design, and investment and expense trackers. *See* Ex. 10 (Woolridge) at 82.

[38] Tr. 191, 203.

[39] *See, e.g.*, Ex. 19 (Hevert Rebuttal) at Rebuttal Schedules 1-6; Tr. 183.

[40] *See* Ex. 19 (Hevert Rebuttal) at 6; Ex. 16 (Staff's Update of Hevert Model Results). As noted by Consumer Counsel, "[t]his highlights the disconnect existing between Mr. Hevert's cost of equity results and his cost of equity recommendation." Consumer Counsel's Post-Hearing Brief at 7.

[41] Tr. 80-84.

[42] FEA's Post-Hearing Brief at 9.

claims that risks associated with the Company's anticipated capital expenditures warrant his recommended ROE,[43] of the approximately $12.1 billion of the Company's additional planned capital expenditures from 2019-2023 (on a Virginia jurisdictional basis), the record indicates that Dominion plans to recover over $8.6 billion, or 71%, of this projected amount through RACs, which permit the timely and current recovery of all reasonable and prudent costs on a dollar-for-dollar basis.[44]

Peer Group Majority ROE

As noted above, Code § 56-585.1:1 C 3 states that Dominion's ROE "shall be calculated pursuant to the methodology set forth in subdivisions A 2 a and b of § 56-585.1 . . . ." Subdivisions A 2 a and b of Code § 56-585.1 require the Commission to establish a peer group majority ROE as follows:

> a. The Commission may use any methodology to determine such return it finds consistent with the public interest, but such return shall not be set lower than the average of the returns on common equity reported to the Securities and Exchange Commission for the three most recent annual periods for which such data are available by not less than a majority, selected by the Commission as specified in subdivision 2 b, of other investor-owned electric utilities in the peer group of the utility subject to such triennial review, nor shall the Commission set such return more than 300 basis points higher than such average.
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> b. In selecting such majority of peer group investor-owned electric utilities, the Commission shall first remove from such group the two utilities within such group that have the lowest reported returns of the group, as well as the two utilities within such group that have the highest reported returns of the group, and the Commission shall then select a majority of the utilities remaining in such peer group. In its final order regarding such triennial review, the Commission shall identify the utilities in such peer group it selected for the calculation of such limitation. For purposes of this subdivision, an investor-owned electric utility shall be deemed part of such peer group if (i) its principal operations are conducted

43 Ex. 3 (Hevert Direct) at 32-34.

44 Ex. 12 (Myers) at 14-15.

> in the southeastern United States east of the Mississippi River in either the states of West Virginia or Kentucky or in those states south of Virginia, excluding the state of Tennessee, (ii) it is a vertically-integrated electric utility providing generation, transmission and distribution services whose facilities and operations are subject to state public utility regulation in the state where its principal operations are conducted, (iii) it had a long-term bond rating assigned by Moody's Investors Service of at least Baa at the end of the most recent test period subject to such triennial review, and (iv) it is not an affiliate of the utility subject to such triennial review.

As reflected in prior Commission orders on ROE, the above statutory language – although highly prescriptive in numerous respects – also requires the Commission to exercise its reasonable discretion on specific matters not addressed or otherwise limited in this statutory grant of authority. In this regard, it is uncontested that the Commission must exercise such discretion in determining a peer group majority ROE, which establishes the ROE floor. For this purpose, the Commission has consistently found that it is reasonable and rational to exercise such discretion in a manner that supports the actual market cost of equity found fair and consistent with the public interest based on the record.

Specifically, as part of Dominion's first biennial review in 2011, the Commission found it was reasonable to establish a peer group majority ROE that was close to the actual market cost of equity found fair and reasonable therein.[45] Given the purpose and context of the statute, the

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[45] *Application of Virginia Electric and Power Company, For a 2011 biennial review of the rates, terms and conditions for the provision of generation, distribution and transmission services pursuant to § 56-585.1 A of the Code of Virginia*, Case No. PUE-2011-00027, 2011 S.C.C. Ann. Rept. 456, 463, Final Order (Nov. 30, 2011) ("PUE-2011-00027 Final Order"). The Commission explained, in part, as follows:

> If the General Assembly wanted the Commission to apply a particular approach or evaluation methodology in selecting a majority, it could have directed as such; it did not. We find that it is reasonable in this proceeding to select a majority that has an earned return that is close to the market cost of equity capital found fair and consistent with the public interest herein. The plain language of the statute giving the Commission the discretion to select a majority in no manner precludes such finding. Moreover, we do not, and need not, find that this is the only majority that is reasonable.

Id. (footnote omitted).

Commission found that establishing the ROE floor in this manner provides a rational basis for the exercise of its statutory discretion.[46] The Commission has consistently exercised its discretion in this same manner when approving subsequent ROEs for the Company under this statute.[47] The Commission continues to find that it is reasonable – in exercising its discretion for purposes of establishing a peer group majority ROE – to take into consideration the actual market cost of equity capital found fair and consistent with the public interest.

The first step in this process is determining the specific utilities that will comprise the peer group under the above statute. In this regard, we deny the Company's request to exclude Mississippi Power Company ("Mississippi Power"); Mississippi Power satisfies the statutory criteria in Code § 56-585.1 A 2 b (i)-(iv)[48] and, thus, "shall be deemed part of such peer group."[49] We also deny Staff's request to include South Carolina Electric & Gas Company ("SCE&G"); SCE&G is "an affiliate of the utility subject to such triennial review," which is excluded under Code § 56-585.1 A 2 b (iv).[50] The participants also differed on whether Appalachian Power

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[46] *Id.* ("We conclude that the specific majority chosen herein has a rational basis and does not violate any constitutional or statutory provision.").

[47] *See, e.g.*, *Application of Virginia Electric and Power Company, For a 2013 biennial review of the rates, terms and conditions for the provision of generation, distribution and transmission services pursuant to § 56-585.1 A of the Code of Virginia*, Case No. PUE-2013-00020, 2013 S.C.C. Ann. Rept. 371, 375-76, Final Order (Nov. 26, 2013); PUR-2017-00038 Final Order at 478 n.34.

[48] *See, e.g.*, Ex. 7 (O'Donnell) at 49-50; Ex. 9 (Rábago) at 20-21; Ex. 10 (Woolridge) at 89; Ex. 13 (Gereaux) at 5; Committee's Post-Hearing Brief at 4; FEA's Post-Hearing Brief at 8; Walmart's Post-Hearing Brief at 9-10; Staff's Post-Hearing Brief at 20.

[49] Code § 56-585.1 A 2 b.

[50] In addition, Walmart presents an argument that appears to be an issue of first impression. According to Walmart, the statutory plain language does not limit the peer group *only* to those deemed part thereof under Code § 56-585.1 A 2 b, and, thus, Walmart asserts that the Commission has discretion to include SCE&G. *See, e.g.*, Walmart's Post-Hearing Brief at 10-12. The Commission, however, need not address this question because the statutory ROE floor established in this Final Order is lower than the 9.2% ROE approved herein regardless of whether SCE&G is included in the peer group. *See, e.g.*, Ex. 14 (Alternate Staff Peer Group Results).

Company ("APCo") should be considered part of the peer group.[51] The peer group majority ROE established in this Final Order (discussed below), however, is lower than the 9.2% ROE approved herein regardless of whether APCo is included in the peer group;[52] thus, as in prior cases, the Commission need not address APCo's inclusion or exclusion as part of the instant proceeding.[53]

Next, the Commission must calculate an ROE for each utility in the peer group, which will then be used in determining the peer group majority's average ROE.[54] Such calculation can be based on either year-end common equity or average common equity,[55] and the choice is left to the Commission's discretion.[56] The Commission has previously found that it is reasonable to use *either* year-end equity or average equity for this purpose.[57] Dominion, however, asserts that "there is no evidentiary basis" to use year-end equity in this proceeding. We disagree. Based on

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[51] *See, e.g.*, Ex. 3 (Hevert Direct) at 39-40; Ex. 7 (O'Donnell) at 49-50; Ex. 10 (Woolridge) at 8, Exhibit JRW-11; Ex. 13 (Gereaux) at 6-7, Schedule 1.

[52] *See, e.g.*, Ex. 14 (Alternate Staff Peer Group Results).

[53] *See, e.g.*, PUR-2017-00038 Final Order at 478.

[54] To calculate an ROE for a peer group utility under the statute, "net income available for common shareholders is divided by common shareholders' equity." Ex. 13 (Gereaux) at 9.

[55] *Id.*

[56] As with selecting the peer group majority, if the General Assembly wanted the Commission to apply a particular approach or methodology in calculating peer group returns, it could have directed as such; it did not. Indeed, as with the Commission's previous observation in establishing the peer group majority ROE, "the lack of a particular evaluation methodology for [calculating peer group ROEs] directly contrasts with the very specific criteria prescribed by the General Assembly in other parts of § 56-585.1 A 2 of the Code." PUE-2011-00027 Final Order at 463 n.62. Thus, while Dominion and Consumer Counsel disparately advocate for the use of average and year-end equity, respectively, neither party asserts that its requested methodology is mandated by statute. *See, e.g.*, Dominion's Post-Hearing Brief at 18-20; Consumer Counsel's Post-Hearing Brief at 30-37.

[57] *See, e.g.*, *Application of Appalachian Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUR-2018-00048, Doc. Con. Cen. No. 181120212, Final Order (Nov. 7, 2018) ("2018 APCo ROE Order") at 6 ("Based on the record herein, the Commission finds that it is reasonable to calculate the statutory peer group floor using either average or year-end common equity.").

the instant record, the Commission continues to find that it is reasonable to calculate peer group ROEs for the statutory purpose herein using either year-end or average equity.

Specifically, while Dominion provides a factual basis supporting the use of average equity, we find that such basis does not preclude the use of year-end equity as well. For example, as testified to by Consumer Counsel's expert witness, "it is common among financial publications such as *Value Line* to report ROEs based on year-end equity."[58] Staff also testified that the statutory peer group analysis shares characteristics with the comparable earnings method used by some cost of capital analysts to estimate the market cost of equity, noting that applications of this method may include returns on year-end or average equity.[59] In addition, Staff's expert witness disagreed with Dominion's conclusion that average equity must be used for consistency with rate cases, explaining that measuring peer group returns "is separate and distinct" from base rate earnings tests.[60] Indeed, Staff further testified that because rate cases use a "mix of an average rate base and a year-end capital structure," this "lend[s] support for either year-end or average equity in calculating the statutory peer group floor."[61] Consumer Counsel's witness similarly testified that using year-end equity is supported by the fact that "the ROE awarded in this case will be applied to a year-end and not an average capital structure."[62]

As explained above, in exercising reasonable discretion for purposes of establishing a peer group majority ROE, the Commission takes into consideration the actual market cost of

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[58] Ex. 10 (Woolridge) at 90.

[59] Ex. 15 (Pippert) at 20.

[60] Tr. 143.

[61] Tr. 144. *See also* Tr. 160-162.

[62] Ex. 10 (Woolridge) at 90.

equity capital found fair and *consistent with the public interest*.[63] In this regard, and based on the instant record, only the use of year-end equity results in a peer group majority ROE that is within the ROE range found fair and consistent with the public interest.[64] As a result, the Commission finds that the use of average equity in this proceeding does not support the fair market cost of equity and, further, that it is reasonable to use year-end equity for this purpose. In sum, we find that it is consistent with the public interest to use the methodology that establishes Dominion's ROE within the range of actual cost of equity capital in the marketplace as found herein.

The Commission also notes that Dominion characterizes the use of year-end equity in this manner as a "stark deviation" from prior precedent.[65] We disagree. As explained by Consumer Counsel, Commission precedent has never precluded the use of year-end equity for this purpose.[66] To the contrary, Commission precedent has expressly *preserved* the subsequent use of year-end equity: "While the peer group floor has been previously calculated using average common equity, the Commission has never precluded the use of year-end common equity as also reasonable for this purpose. ... Finally, we again emphasize that our decision does not preclude the use of year-end common equity in subsequent cases."[67] Significantly, in the Commission's implementation of this statute since the commencement of biennial reviews – and in stark

[63] *See also* Consumer Counsel's Post-Hearing Brief at 31-35; VPLC's Post-Hearing Brief at 6-8; Walmart's Post-Hearing Brief at 8-9.

[64] *See, e.g.*, Ex. 10 (Woolridge) at 90, Exhibit JRW-11; Ex. 14 (Alternate Staff Peer Group Results); Consumer Counsel's Post-Hearing Brief at 32-34.

[65] Ex. 25 (Ingram Rebuttal) at 3.

[66] *See, e.g.*, Consumer Counsel's Post-Hearing Brief at 33.

[67] 2018 APCo ROE Order at 6-7.

contrast to the instant case – the use of average equity did *not* result in a peer group majority ROE that was outside of the ROE range found fair and consistent with the public interest.[68]

Accordingly, the peer group majority that the Commission selects had, on average, an ROE close to that found fair and reasonable herein.[69] The Commission continues to conclude, as we have in prior cases, that the peer group majority ROE as established in this manner is reasonable, has a rational basis, and does not violate any constitutional or statutory provision.

Conclusion

The Commission concludes that the fair ROE in this proceeding for Dominion is 9.2%.[70] The Commission finds that this ROE is supported by the record, is fair and reasonable to the Company within the meaning of the Code, permits the attraction of capital on reasonable terms,

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[68] For example, in explaining the Commission's decision to use average equity in the most recent ROE case for APCo, we emphasized that "using average equity also results in a peer group floor that falls within the market cost of equity range ... that the Commission finds reasonable in this proceeding." *Application of Appalachian Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUR-2018-00048, Doc. Con. Cen. No. 190140208, Opinion (Jan. 25, 2019) at 4. The Commission further notes that the peer group majority ROE established in the following cases was likewise within the ROE range found fair and consistent with the public interest in each respective case: Case No. PUR-2017-00038 (Nov. 29, 2017); Case Nos. PUE-2016-00111, PUE-2016-00112, PUE-2016-00113 (consolidated) (April 14, 2017); Case Nos. PUE-2016-00059, PUE-2016-00060, PUE-2016-00061, PUE-2016-00062, PUE-2016-00063 (consolidated) (Feb. 16, 2017); Case No. PUE-2016-00038 (Oct. 6, 2016); Case No. PUE-2014-00026 (Nov. 26, 2014); Case No. PUE-2011-00037 (Nov. 30, 2011); Case No. PUE-2011-00027 (Nov. 30, 2011). Thus, the Commission disagrees with Dominion's claim that it is "improper" to use year-end equity in this instance in order to implement the Commission's reasonable discretion in a manner consistent with prior cases. Dominion's Post-Hearing Brief at 4.

[69] The statutory floor with APCo in the peer group is 9.09% and comprises the following companies: Georgia Power Company; Entergy Mississippi, Inc.; APCo; Louisville Gas & Electric Company; and Duke Energy Progress, LLC. The statutory floor without APCo in the peer group is 9.01% and comprises the following companies: Georgia Power Company; Entergy Mississippi, Inc.; Louisville Gas & Electric Company; and Duke Energy Progress, LLC. *See, e.g.*, Ex. 14 (Alternate Staff Peer Group Results); Ex. 10 (Woolridge) at Exhibit JRW-11.

[70] Pursuant to Code § 56-585.1:1 C 3, "any adjustment to the fair rate of return for applicable rate adjustment clauses under subdivisions A 5 and A 6 of § 56-585.1 [shall take] effect on the date of the Commission's final order in the proceeding, utilizing rate adjustment clause true-up protocols as the Commission may in its discretion determine." Accordingly, the 9.2% ROE found appropriate herein shall become effective with respect to the Company's RACs under Code §§ 56-585.1 A 5 and A 6 on the date of this Final Order and any resulting over- or under-recovery shall be addressed through appropriate true-up protocols in future RAC proceedings.

fairly compensates investors for the risks assumed, enables the Company to maintain its financial integrity, is consistent with the public interest, and satisfies all applicable statutory and constitutional standards.

Accordingly, IT IS SO ORDERED, and this matter is dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219. A copy also shall be sent to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.