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November 28, 2024

EB-2024-0063 OEB Generic Hearing on Cost of Capital Review
Pollution Probe Reply Submission

Dear Ms. Marconi:

In accordance with OEB direction, please find attached Pollution Probe's Reply Submission pertaining to the above noted proceeding.

Respectfully submitted on behalf of Pollution Probe.

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Cc: All Parties (via email)
Richard Carlson, Pollution Probe (via email)

EB-2024-0063

ONTARIO ENERGY BOARD

Ontario Energy Board

Generic Hearing on Cost of Capital Review

POLLUTION PROBE REPLY SUBMISSION

November 28, 2024

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Overview

Pollution Probe and other parties to the proceeding made submissions on or before November 7, 2024 (initial submissions). Parties to this proceeding were requested to make reply submissions by November 28, 2024. This is the reply submission on behalf of Pollution Probe.

In the initial submissions by parties there was complete (or almost complete consensus by parties) on some of the issues included in the Issues List by the Ontario Energy Board (OEB). Those areas are not covered below. This reply submission attempts to provide a structure for the OEB to understand the strengths and weaknesses of certain submissions made and a focus that separates fact from fiction based on the evidence and evidentiary record in the proceeding.

The purpose of the reply argument is to respond to the submissions of others based on the facts, not to be a substitute for what the initial argument was meant to include. This document is meant to be read in combination with Pollution Probe's initial submission to provide a fulsome understanding of all issues.

Based on a review of all the submissions made by other parties, Pollution Probe believes that information in its initial submission remains valid and robust. We therefore recommend that the OEB follow the recommendations as outlined in Pollution Probe's initial submission unless otherwise stated below. It should be noted that although Pollution Probe has not covered every issue again in this reply submission, this does not imply agreement with elements from stakeholder submissions that run counter to Pollution Probe's initial submission.

Sections outlined below are:

Fact vs. Fiction

This section is a summary of the factual issues identified when reviewing submissions and provides clarity on the actual facts that surround those issues. This is not meant to be an exhaustive list and the OEB should not assume that Pollution Probe endorses or supports other statements not included in this section. Because of the scope and importance of certain issues, additional information is included in relation to Expert Credibility, Use of US Holding Companies as a Proxy in Ontario and Return on Equity.

The problems surrounding one issue often apply to other similar issues (e.g. the intrinsic and cognitive Capex bias and incentives to maximize shareholder returns via a holding company). Many of the root causes of issues identified in this section can be applied to other similar items.

Fiction	Facts
The OEB's Cost of Capital methodology is stale and no longer fit for purpose.	The current OEB Cost of Capital methodology remains fit for purpose and remains appropriate. Parties have agreed that the 2009 Cost of Capital methodology has successfully met the Fair Return Standard in reality and that there is no evidence to the contrary. In fact, the most current regulatory examples in Ontario reaffirm that the current approach meets or exceeds what is required by Ontario utilities[1]. Of course, any Ontario utility has the ability to bring forward specific evidence in their regular rate proceedings where there is a unique situation requiring a custom approach. To-date, that has not occurred.
Ontario regulated utility risk has increased since 2009.	False. In fact Ontario utility risk has decreased since 2009 due to the increased use of deferral and variance accounts which by their nature isolate utility from risks that they were previously exposed to. There are no examples where prudently incurred costs have been disallowed by the OEB. The utility business in Ontario has not fundamentally changed and continues to evolve in a manner that is properly managed within the five-year rate terms set by the OEB.

[1] The most current utility review and OEB approval is the Toronto Hydro 2025-2029 plan which was assessed using the current approach and resulted in a decrease in ratepayer costs. Signs of excess returns are evident in some utility plans which include excess Capital spending and monopolistic behaviours as outlined in PollutionProbe_SUB_20241107, Page 4.

Fiction	Facts
Ontario utilities are not able to attract the Capital and financing needed to run and expand their regulated Ontario utility business.	False. Experts have agreed that Ontario is considered a consistent and low risk jurisdiction[2] and attracting Capital for Ontario regulated utilities has not been a challenge. In fact, there have been no challenges in attracting Capital at all[3]. There is evidence that in some cases the current parameters are actually leading to 'excess returns' and excess Capital spending[4]. If the current returns were not adequate, it is not reasonable to see this type of utility behaviour. The opposite would be occurring.
The Fair Return Standard is not being met under the current Cost of Capital methodology and ROE.	Based on the facts, the OEB can be assured that the current approach is leading to Cost of Capital parameters (including ROE) that meet or exceed what is needed by Ontario regulated utilities to effectively operate and that all elements of the Fair Return Standard are met. Evidence suggests that the current ROE is producing excess returns and increasing the utility Capex bias and excess Capital spending. These issues not only cause higher costs to rate payers than what is fair and reasonable, they also increase barriers for an efficient Energy Transition in Ontario[5], counter to policy objectives. Mergers of Ontario utilities also continue to occur which would not bring forward the benefits promised if those entities were not attractively profitable.
Investment required by Ontario utilities can't be done without an increase in the Cost of Capital parameters.	False. Required prudent Capital is available under the current OEB processes and there is no evidence that there is any challenge attracting that Capital for Ontario utilities. In the most recent OEB utility proceedings, there has been a decrease in revenue requirement (including Capital spending) compared to plans filed, which considered the Energy Transition including the most aggressive Energy Transition scenario, Net Zero by 2040[6]. A number of factors (including enhanced use of DERs) indicate that there is potential for Capital cost to decrease in the future[7].

[2] Final Transcript for EB-2024-0063 Volume 4 Oct 1 2024, Page 188, lines 8-13.

[3] REVISED Final Transcript for EB-2024-0063 Volume 2 Sept 26 2024, Page 64 lines 18 to page 65, line 2 and Final Transcript for EB-2024-0063 Volume 3 Sept 27 2024, Page 62, lines 13-15 and page 61, lines 18-24 and Final Transcript for EB-2024-0063 Volume 6 Oct 10 2024, Page 169, line 28 to page 170, line 12.

[4] Examples provide in submissions include requests for excess Capital in rate cases compared to what is settled or decided, legal challenges to chase additional Capital, overspending of Capital in a rate term. etc.

[5] K5.5 - PollutionProbe_HearingCompendium2_20241001, Page 37.

[6] For example, the Toronto Hydro 2025-2029 proceeding included a proposal to deliver in alignment with Net Zero by 2040 and decrease plan spending per K4.2 - PollutionProbe_HearingCompendium_20240926, Page 6. The OEB has approved this approach and included a summary of the reduced ratepayer costs in EB-2023-0195 dec_order_Partial_THESL_20241112_signed.

[7] This was included in the premise for the plan filed in EB-2023-0195.

Fiction	Facts
	Even if they increase in some areas, the current OEB processes can accommodate this evolutionary transition. Any increase in Cost of Capital will further exacerbate the Capex bias[8] and create a barrier for an efficient Energy Transition[9].
Unprecedented levels of capital investment will be required in the future.	No expert undertook a detailed analysis of this issue. This thinking is based on the old pipes and wires paradigm without any of the innovation and modern approaches being introduced within the sector. Experts agreed that the future of energy is more distributed, including DERs[10]. A benefit of the Energy Transition is that distributed energy leverages assets not owned by the utility and therefore can decreases Capital investment required[11]. Rational expansion and maintenance of the energy (gas and electricity) system[12] does not equate to more spending everywhere, but only efficient, targeted investments over time and avoiding investments that are likely to become stranded over time. This will decrease spending in some traditional areas and potentially increase spending in others (e.g. IRP alternatives and DER enablement).
The Energy Transition means more risk to Ontario utilities.	All parties appear to agree that the Energy Transition is underway, but only OEA appears to suggest that it poses an immediate increase in risk not already dealt with under the current OEB approach. No direct evidence was provided to justify an adjustment in Cost of Capital parameters is required at this time due to the Energy Transition. It is important to separate high level policy and newspaper headlines from the reality of Ontario utility delivery. The OEB has a robust process in place, including regular rate cases. Several recent rate cases[13] considered the Energy Transition in detail and the conclusion was clear that there is no incremental risk that requires a change to the OEB's current approach. This includes Toronto Hydro's approved 2025-2029 plan which aligns with the most aggressive Energy Transition goals in

[8] K5.5 - PollutionProbe_HearingCompendium2_20241001, Page 38.
[9] K5.5 - PollutionProbe_HearingCompendium2_20241001, Page 37.
[10] Final Transcript for EB-2024-0063 Volume 4 Oct 1 2024, Page 49, lines 19-27.
[11] Final Transcript for EB-2024-0063 Volume 4 Oct 1 2024, Page 52, lines 2-11.
[12] In alignment with Provincial policy per OEA_Argument_submission_20241107, paragraph 2 and its footnote to Ontario's Affordable Energy Future: The Pressing Case for More Power, Stephen Lecce, Ontario's Minister of Energy and Electrification, October 22, 2024.
[13] Including EB-2023-0195 (electricity) and EB-2022-0200 (natural gas).

Fiction	Facts
	Ontario (Net Zero by 2040)[14], which is a municipality also served by Enbridge. The Energy Transition aligns with evolutionary changes that can easily be accommodated during rate plans, rather than revolutionary changes that require additional OEB intervention.

Expert Credibility

Each of the expert firms in the proceeding brought certain knowledge and expertise. Some related more to theoretical modeling and input of their selected proxy group and others brought more real-world market knowledge and experience based on financial markets and financing. The OEA suggests that "Concentric's experience in regulatory policy, rate making, and cost of capital is unmatched in this proceeding and in the North American market at large and the issues list provided by the Board fall precisely within Concentric's core area of expertise."[15]

The OEA suggests that its consultant (Concentric) deserves the most attention since their core business is representing utilities in a large number of regulatory proceedings. Quantity is not equivalent to quality, particularly when the purpose of this proceeding is to establish what is appropriate based on current local conditions and context. OEA has adopted Concentric's position holus-bolus, which should not be a surprise since Concetric's position is OEA's position and vice versa.

OEA's submission questions the validity of Dr. Cleary in some areas where Dr. Cleary's opinion and recommendation does not align with that of OEA[16]. That concern is ignored when OEA's position aligns with Dr. Cleary's recommendation[17]. OEA appears to have been visibly concerned whether the OEB would be swayed by the objective substance of the evidence it procured through Concentric in favour of other experts with different or more relevant opinions.

Concentric had a high utilization of US proxy companies for the OEB to consider, but it is clearly not the most knowledgeable or relevant to the current Ontario regulated utility context and real market conditions impacting those utilities. Concentric focused on a theoretical approach using dissimilar US holding companies, rather than what is really

[14] Details are included in K4.2 - PollutionProbe_HearingCompendium_20240926, Page 5 and a more fulsome summary was provided by the OEB in EB-2023-0195 dec_order_Partial_THESL_20241112.
[15] OEA_Argument_submission_20241107, Page 8.
[16] E.g. OEA_Argument_submission_20241107, Page 48
[17] E.g. OEA_Argument_submission_20241107, Page 90 on short-term DVAs

happening in the market. This ignores the key fact that the current OEB Cost of Capital methodology has not produced any signs of real issues for Ontario utilities.

Pollution Probe had no bias on experts heading into the proceeding. In Pollution Probe's view the most relevant and credible expert was Dr. Cleary who is not a consultant firm focused on pleasing the client, but rather provides a practical and objective view of reality. Dr. Cleary knows all the same theory used by others and can use spreadsheets and databases, however nothing replaces stepping out of theoretical conjecture to test assumptions and models against the real world. Dr. Cleary leverages real market data which does not require the same amount of manipulation used by the other consultants. Regulatory fairness and efficiency should consider the right answer, not the most complicated spreadsheet.

Dr. Clearly noted that "I would advise the Board that it's helpful to consider that we come at it from different perspectives where I am coming at it from the point of view of what makes sense in terms of a required rate of return on equity for Ontario utilities today in order to operate in Canadian capital markets and attract capital and be financially sound"[18]. As correctly identified Consumers Council of Canada (CCC) in its submissions, Dr. Cleary provides two approaches that allow the OEB to establish a base ROE without the need to directly input financial information from companies included in a given proxy group, or using authorized returns from other jurisdictions.

Pollution Probe notes that Concentric and Nexus spent most of their focus on trying to justify why higher risk US holding companies are a sound basis for determining ROE for Ontario regulated pure play utilities, rather than discussing reality in Ontario. When asked about current and important initiatives underway that are shaping Ontario's utilities of the future, Concentric and Nexus has little to no working knowledge[19].

Use of US Holding Companies as a Proxy in Ontario

As noted in the Pollution Probe initial submission, the comparison to US holding companies which happen to include a utility element in their structure is informative from a broader environmental scan perspective, but holds limited value when assessing what is fair, reasonable and appropriate in Ontario. None of the US holding companies in the proxy groups had a high correlation to Ontario regulated pure play utilities and most of the proxies had extremely low comparative value when the details and specific holdings within the company was assessed. It is not sufficient or prudent to say that because

[18] Final Transcript for EB-2024-0063 Volume 6 Oct 10 2024, Page 181.

[19] Page 49, line 28 to page 50, line 17 and Final Transcript for EB-2024-0063 Volume 5 Oct 2 2024, Page 128, line 26 to page 129, line 9 and Final Transcript for EB-2024-0063 Volume 4 Oct 1 2024, Page 48, lines 1-10.

financial markets in Canada and the US are integrated in some manner[20], that using US holding companies as a proxy in Ontario is implicitly correct. This is clearly not true and even across US holding companies there is a large deviation in holdings, risk and return.

Although there was not a statistical comparison conducted by experts across the US holding company components, there was sufficient information provided to demonstrate that the majority of US holding companies used in the analysis were poorly correlated to the Ontario utilities that are the focus of this proceeding. Examples of this were covered in Pollution Probe's initial submission[21] and were also highlighted by other parties in their submissions (some proxies even included business as diverse as product manufacturing). A regulated operating utility typically has lower risk than other market businesses[22] and the overall risk and return of holding companies are levered up by the other businesses in the holding company. In almost all cases, the majority of businesses within the proxy holding companies were not comparable to an operating utility and even less comparable to an Ontario regulated pure play utility.

SEC also correctly notes in its submission that Concentric confirmed that OPG is distinctly differently than other Ontario utilities due to their generating asset mix. However, 15 of the 19 companies in Concentric's North American Electric Proxy Group include generation assets[23]. This further dilutes the proxy group from reality in Ontario.

The impact of using the higher risk US proxy group and holding companies not similar to Ontario utilities is visibly evident in the back casting done by Concentric based on its proposal. It clearly results in even higher excess returns since 2009 compared to the current OEB formula which, all parties agreed, has met the Fair Return Standard historically[24].

[20] For Ontario utility purposes, it was correctly pointed out in stakeholder submissions that using the US market proxies for debt and equity was not interchangeable and somewhat irrelevant given that Ontario utilities have no problem raising adequate funds on reasonable terms in Canada.
[21] Including Final Transcript for EB-2024-0063 Volume 5 Oct 2 2024, Page 14, line 28 to page 25, line 8.
[22] Final Transcript for EB-2024-0063 Volume 3 Sept 27 2024, Page 119, lines 2-6.

[23] SEC_FinalArgument_CoC_20241107, Page 10 and J3.2_Attachment 1, 'CEA-2 Proxy Group' tab, per SEC observation
[24] J2.5

Return on Equity

As would likely be expected, the bulk of stakeholder focus in submissions has been around the appropriate Return on Equity (ROE) parameters. Even though the current OEB Cost of Capital methodology has met the Fair Return Standard since 2009[25], some utilities (via their associations) appear to see this as an opportunity to increase their future profitability. It is important to remember that the focus of this proceeding is related to the regulated utilities in Ontario which are all pure play distribution, transmission or generator companies. In some cases the Ontario pure play regulated utility is part of a larger more complex holding company[26] and in a few rare cases those holding companies may be publicly traded. This is a large difference from the US proxies provided which are all publicly traded holding companies where the vast majority of the holdings do not pertain to an Ontario utility. Regulated utilities are not intended to supplement affiliate businesses through ratepayer funds and additional financing costs due to higher risk affiliates are not prudent costs that should be passed along to the regulated utility and collected from Ontario ratepayers.

The OEB has previously stated that a "fair return" (the "Fair Return Standard") is the return on capital that meets three standards: capital attraction, financial integrity, and comparable investment[27]. The OEB Report also provides a good overview of the theory underlying the cost of capital. Parties have summarized those elements in their submissions and it appears that they are relatively well understood. These principles continue to apply today.

Applying the Fair Return Standard can become an asymmetric assessment, especially when actual local Ontario circumstances are ignored in favour of more risky US holding companies that bear little to no resemblance to Ontario's regulated pure play utilities. As outlined in a recent industry study, it was correctly noted that regulators face an information asymmetry with the utilities they regulate when determining whether costs are prudent and necessary. Utilities have a clear incentive to push for rate increases and claim they face a high cost of equity that their shareholders must be compensated for[28]. The OEB's public interest role to protect consumers from these monopoly behaviours demands that the Cost of Capital review be done from a symmetrical perspective and that the ROE be set at an appropriate and not an excessive level, even if that requires a decrease from status quo.

[25] Including recently reviewed ROEs such as in EB-2022-0200.
[26] Example provided at K4.2 - PollutionProbe_HearingCompendium_20240926, Page 10.
[27] EB-2009-0084 ReportoftheBoard_CostofCapital_20091211, Page 19.
[28] K5.5 - PollutionProbe_HearingCompendium2_20241001, Page 5.

Signs that Cost of Capital and related parameters are too low are easy to recognize[29]. They include failure to attract adequate financing and equity for a few isolated cases for Ontario utilities that are publicly traded, credit rating, utility financial distress (including delivery of core regulated utility obligations), etc. Some of these issues can be due to other factors and it is assumed that a utility is properly managed and prudent in delivery of their regulated utility services. Pollution Probe agrees with other parties that the current Cost of Capital methodology continues to meet its purpose. No evidence has been provided in this proceeding that Ontario utilities are currently failing to attract capital on reasonable terms, let alone that their financial integrity is compromised. This fact was also confirmed by Concentric[30].

Concentric says that many of the Canadian investors they work with (e.g., pension funds) have been investing in US utilities, and that there has been a “steady outflow of capital from Canada investing in US utilities”, but no one has demonstrated that such cross-border investment has left Ontario utilities unable to raise the capital they need on reasonable terms. In other words, there is no evidence that investment in US utilities for higher risk and reward has come at the expense of Ontario utility financing. Ontario's utilities operate in an especially low-risk, regulated environment. According to S&P, the "regulatory frameworks for electricity and gas transmission and distribution networks in Ontario exhibit characteristics that are consistent with our most credit-supportive (strong) regulatory advantage assessment”[31]. As outlined in the OEB Staff submission, Pollution Probe agrees that the only reasonable inference is that, generally, US utilities are not actually comparable in risk to Ontario utilities[32]. Investors are willing to accept lower returns in Ontario because the risk is lower. Even Concentric agrees that utilities in different jurisdictions may have different risk profiles, and setting lower returns for utilities in less risky jurisdictions does not violate the fair return standard[33]. This dichotomy is even larger when comparing utilities within publicly traded holding companies that are dissimilar in composition.

Signs that Cost of Capital and related parameters are too high (i.e. excess returns) are much more difficult to recognize and result in ratepayers paying higher costs than what is fair and reasonable. The evidence and facts confirm that the Cost of Capital methodology set in 2009 have met or exceeded the Fair Return Standard, even when viewed through the most harsh test using full retrospective hindsight. However, how can the OEB determine if the current ROE is excessive and by how much? The evidence is

[29] Final Transcript for EB-2024-0063 Volume 6 Oct 10 2024, Page 169, line 28 to page 170, line 12.
[30] REVISED Final Transcript for EB-2024-0063 Volume 2 Sept 26 2024, Page 64 lines 18 to page 65, line 2 and Final Transcript for EB-2024-0063 Volume 3 Sept 27 2024, Page 62, lines 13-15 and page 61, lines 18-24
[31] M2-0-SEC-32, Attachment 9.
[32] Oral Hearing Transcript, September 25, 2024, p. 68
[33] Transcript 3, page 145, line 20 through page 146, line 9

available to support this conclusion and make the appropriate adjustment in this proceeding. Dr. Cleary provides some objective market indicators to use as a benchmark. The OEB has also seen some signs that the current ROEs are actually leading to excess returns and excess Capital requests and spending. Some utilities incent pursuit of excess returns through scorecard metrics (e.g. Net Income) and employee compensation (e.g. bonus) criteria linked to those results. Examples of the pursuit of excess Capital are adequately outlined in the submissions. If the current returns were not fair and adequate, it is not reasonable to see this aggressive action to spend excess Capital. This problem is even more pronounced in the US[34] which was the primary focus of proxy groups selected by the consultants retained on behalf of the utilities.

The utility consultants suggests that higher betas are warranted for consideration and that a utility's beta will migrate toward 1.0 (the market average) over the long term. This is theoretical speculation with no actual real-world validation provided. In fact, industry literature suggests that this assumption is not appropriate for electric and gas utilities provides a bias view in favour of excess utility returns[35]. If this assumption were true, investors could just buy a market index fund instead of utility stock. Pollution Probe agrees with the CCC submission that reviewing P/B ratios is a reasonable method to determine whether existing ROEs are too high. As noted by Dr. Cleary, current ROEs in Canada are inflated based on average P/B ratios for the 2017-2023 period for Canadian publicly traded utilities of 1.65[36]. This is another way to identify if publicly traded utilities are earning excess returns.

Evidence and testimony confirmed that the average stock is riskier than an Ontario utility. Dr. Cleary transparently derives an expected average Canadian equity market return, concluding that 7.5% represents an appropriate point estimate[37]. Dr. Cleary notes that it is important to recognize that this expected market return of 7.5% represents an upper bound for the cost of equity to regulated utilities (before adding 0.50% for flotation costs), since they are less risky than the average company in the market[38].

A 2024 study using a comprehensive database of (US) utility rate cases estimated that utilities' regulated returns on equity are significantly higher than several other

[34] K5.5 - PollutionProbe_HearingCompendium2_20241001 and J4.5 Article - Public Utility Beta Adjustment and Biased Costs of Capital in Public Utility Rate Proceedings
[35] AMPCO_IGUA_Undertakins_J4 5_Michelfelder_Theodossiou_PU Beta Adjustment_The Electricity Journal 2013_20241001
[36] CCC_Submission_Cost_of_Capital_20241107, Page 9
[37] IGUA_AMPCO_Reformatted_EVD_1 of 4_20240722, Page 83
[38] IGUA_AMPCO_Reformatted_EVD_1 of 4_20240722, Page 84

benchmarks suggest[39]. Overall, the study found excess costs to US consumers averaging $6 billion per year. Adopting US proxies (in part or whole) imports this problem to Ontario. Using readily available benchmarks similar to what Dr. Cleary has included helps to mitigate this bias.

The two utility consultants propose that Ontario should have the highest deemed ROE, at or above other provinces in Canada. It was not possible for Concentric and Nexus to support their conclusions based on real market analysis related to Ontario's situation, so it required them to collect a set of US holding company proxies that do not approximate Ontario's regulated pyre play utilities. Why try to fix a problem that does not exist? The answer is easy. It has the ability to increases excess returns. If you wanted to support utility excess returns, what story would you create? It could sound like:

- Pick a proxy group that by design supports your client's preference.
- You would include jurisdictions outside Ontario and Canada that are higher risk and higher return, plus treat them as similar to Ontario.
- You would pick integrated utilities or holding companies where the regulated distribution, transmission or generation businesses were a limited or meagre element of the actual holding company.
- You may increase the equity ratio, even as high as 45%

This recipe may sound familiar when trying to maximize utility ROE, unfortunately it does not represent an Ontario regulated pure play utilities. Across the board, all experts consistently confirmed that risk and returns of Canadian utilities are lower than the US utilities. Even Concentric confirmed this fact[40].

LEI correctly identified the issue when they indicated "I think that what we hear consistently is that, you know, Ontario is the runt of the litter. Right? And the conclusion is: Well, we have got this US data; look, there's a bunch of US states that have these much higher numbers. And I think that, when we look for example at the way in which the holding companies are able to lever up relative to their deemed capital structures and returns at the state level, I think that we can demonstrate that, in some cases, it is possible that state commissions could achieve similar results for customers with lower ROEs.[41]"

Pollution Probe had suggested an ROE at the level recommended by Dr. Cleary with an upset of that set by LEI. Other parties have laid out a sound argument for a base ROE

[39] K5.5 - PollutionProbe_HearingCompendium2_20241001 and Final Transcript for EB-2024-0063 Volume 5 Oct 2 2024, Page 167, line 4 to page 173, line 5.
[40] J4.6 and J4.1.
[41] Final Transcript for EB-2024-0063 Volume 1 Sept 25 2024, Page 113, lines 6-16.

of 6.55%[42], 7.1%[43] and 7.58%[44] which approximate the range recommended by Pollution Probe. This range also matches the expected range once excess returns are adjusted from the approach used by Concentric and Nexus[45]. Pollution Probe supports that approach to arrive at a fair and reasonable ROE for both utilities and ratepayers.

[42] AMPCO/IGUA
[43] CCC
[44] SEC
[45] Excess returns were estimated at up to 4% per and Final Transcript for EB-2024-0063 Volume 5 Oct 2 2024, Page 167, line 4 to page 173, line 5 and the 2024 study - K5.5 PollutionProbe_HearingCompendium2_20241001, Page 38.