

FLOTATION COST ADJUSTMENT

Flotation Costs from Inception to Date

Date	Shares Issued	Market Price	Offering Price	Underwriting Discount	Offering Expense	Net Proceeds	Total Flotation Costs	Gross Equity Issue before Costs	Net Proceeds	Flotation Cost Percentage
11/16/1949	1,584,238	\$10.750	\$10.250	\$0.124	\$0.137	\$9.989	\$1,205,605	\$17,030,559	\$15,824,953	7.079%
6/4/1952	1,108,966	\$10.500	\$10.500	\$0.098	\$0.162	\$10.240	\$288,331	\$11,644,143	\$11,355,812	2.476%
4/14/1954	1,219,856	\$15.250	\$14.000	\$0.060	\$0.124	\$13.816	\$1,749,274	\$18,602,804	\$16,853,530	9.403%
2/29/1956	670,920	\$17.825	\$16.750	\$0.050	\$0.221	\$16.479	\$903,058	\$11,959,149	\$11,056,091	7.551%
7/22/1959	952,033	\$23.375	\$22.000	\$0.069	\$0.191	\$21.740	\$1,556,574	\$22,253,771	\$20,697,197	6.995%
7/28/1965	772,008	\$35.250	\$33.000	\$0.092	\$0.225	\$32.683	\$1,981,745	\$27,213,282	\$25,231,537	7.282%
1/22/1969	1,080,811	\$29.000	\$27.000	\$0.119	\$0.187	\$26.694	\$2,492,350	\$31,343,519	\$28,851,169	7.952%
10/21/1970	1,729,298	\$23.125	\$21.500	\$0.175	\$0.149	\$21.176	\$3,370,402	\$39,990,016	\$36,619,614	8.428%
7/26/1972	1,902,228	\$25.000	\$23.500	\$0.129	\$0.166	\$23.205	\$3,414,499	\$47,555,700	\$44,141,201	7.180%
10/10/1973	2,092,451	\$25.825	\$24.500	\$0.128	\$0.153	\$24.219	\$3,360,476	\$54,037,547	\$50,677,071	6.219%
11/20/1974	2,300,000	\$17.625	\$17.500	\$0.910	\$0.069	\$16.521	\$2,539,200	\$40,537,500	\$37,998,300	6.264%
8/14/1975	1,750,000	\$23.000	\$23.000	\$0.740	\$0.077	\$22.183	\$1,429,750	\$40,250,000	\$38,820,250	3.552%
6/3/1976	2,000,000	\$24.000	\$24.000	\$0.720	\$0.064	\$23.216	\$1,568,000	\$48,000,000	\$46,432,000	3.267%
5/31/1993	3,041,955	\$44.125	\$43.625	\$1.200	\$0.048	\$42.377	\$5,317,337	\$134,226,264	\$128,908,927	3.961%
9/23/1997	4,500,000	\$49.938	\$49.563	\$1.230	\$0.133	\$48.200	\$7,821,000	\$224,721,000	\$216,900,000	3.480%
9/29/1997	400,000	\$50.500	\$49.563	\$1.230	\$0.133	\$48.200	\$920,000	\$20,200,000	\$19,280,000	4.554%
2/25/2002	20,000,000	\$22.950	\$22.500	\$0.730	\$0.015	\$21.755	\$23,900,000	\$459,000,000	\$435,100,000	5.207%
9/9/2008	17,250,000	\$20.860	\$20.200	\$0.100	\$0.006	\$20.094	\$13,218,352	\$359,835,000	\$346,616,648	3.673%
8/3/2010	21,850,000	\$22.100	\$21.500	\$0.645	\$0.013	\$20.571	\$33,407,927	\$482,885,000	\$449,477,073	6.918% [1]
March 2013	7,757,449	\$29.057	\$29.057	\$0.291	\$0.052	\$28.714	\$2,657,558	\$225,407,642	\$222,750,085	1.179%
June 2014	5,693,946	\$30.663	\$30.663	\$0.307	\$0.030	\$30.326	\$1,915,210	\$174,592,340	\$172,677,130	1.097%
September 2018	4,733,435	\$47.885	\$47.885	\$0.407	\$0.016	\$47.462	\$2,000,721	\$226,661,287	\$224,660,566	0.883%
<i>Weighted Average Flotation Costs</i>						Total Public Issuances	\$117,017,369	\$2,717,946,524	\$2,600,929,156	4.305%
						Total Non-Public Issuances (Employee Benefit Plans)	\$0	\$1,694,905,060	\$1,694,905,060	0.000%
						Total Issuances	\$117,017,369	\$4,412,851,584	\$4,295,834,216	2.652%

The flotation adjustment is derived by dividing the dividend yield by 1-F (where F = flotation costs expressed in percentage terms), or by 0.9735, and adding that result to the constant growth rate to determine the cost of equity. Using the formulas shown previously in my testimony, the Constant Growth DCF calculation is modified as follows to accommodate an adjustment for flotation costs:

$$k = \frac{D \times (1 + .5g)}{P \times (1 - F)} + g$$

Source: Company data.

[1] This issuance was structured as a forward equity sale. The spread between the initial forward sale price (i.e., \$20.855) and the actual forward settle price (i.e., \$20.584) is reflected in the net proceeds.

FLOTATION COST ADJUSTMENT - COMBINATION PROXY GROUP

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	
	Stock Price	Annualized Dividend	Dividend Yield	Expected Dividend Yield	Adjusted for Flotation Costs	Value Line Earnings Growth	Yahoo! Finance Earnings Growth	Zacks Earnings Growth	Average Growth Estimate	DCF k(e)	Flotation Adjusted DCF k(e)	
Ameren Corporation	AEE	\$72.04	\$1.90	2.64%	2.73%	2.80%	6.50%	7.70%	6.80%	7.00%	9.73%	9.80%
Black Hills Corporation	BKH	\$72.12	\$2.02	2.80%	2.87%	2.95%	6.50%	3.63%	4.80%	4.98%	7.85%	7.93%

CMS Energy Corporation	CMS	\$54.57	\$1.53	2.80%	2.90%	2.98%	7.00%	6.89%	6.40%	6.76%	9.66%	9.74%
DTE Energy Company	DTE	\$123.25	\$3.78	3.07%	3.14%	3.23%	5.00%	4.16%	6.00%	5.05%	8.20%	8.28%
NorthWestern Corporation	NWE	\$69.25	\$2.30	3.32%	3.36%	3.46%	2.50%	2.74%	2.50%	2.58%	5.94%	6.04%
Sempra Energy	SRE	\$122.10	\$3.87	3.17%	3.31%	3.40%	9.50%	8.00%	8.30%	8.60%	11.91%	12.00%
Wisconsin Energy Corporation	WEC	\$77.19	\$2.36	3.06%	3.13%	3.22%	6.00%	4.59%	4.40%	5.00%	8.13%	8.22%
PROXY GROUP MEAN				2.98%	3.06%	3.15%	6.14%	5.39%	5.60%	5.71%	8.77%	8.86%
MEAN												8.86%
UNADJUSTED CONSTANT GROWTH DCF MEAN												8.77%
DIFFERENCE (FLOTATION COST ADJUSTMENT)												[12] 0.08%

[1] Source: Bloomberg Professional, equals 30-day average as of March 29, 2019

[2] Source: Bloomberg Professional

[3] Equals [2] / [1]

[4] Equals [3] x (1 + 0.50 x [9])

[5] Equals [4] / (1 - [Flotation Cost Percentage])

[6] Source: Value Line

[7] Source: Yahoo! Finance

[8] Source: Zacks

[9] Equals average ([6], [7], [8])

[10] Equals [4] + [9]

[11] Equals [5] + [9]

[12] Equals [11] - [10]