Peer group determination for Dutch Caribbean energy and water companies

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1. Introduction and the research question

In March 2015, the Dutch parliament adopted the BES Electricity and Drinking Water Act. The Act was developed in order to regulate to the production and distribution of electricity and drinking water in Bonaire, Sint Eustatius and Saba (the "Dutch Caribbean"). Following the ratification of this act, Authority for Consumers and Markets ("ACM") received the task of regulating the energy and water companies in the Dutch Caribbean.

Following this new regulation, companies engaged in the production and distribution of electricity and drinking water should be allowed to obtain reasonable returns. To determine these reasonable returns, a weighted average cost of capital ("WACC") will be determined. For calculating a WACC, ACM should determine the risk profile of the regulated entities. Since the regulated entities are not publicly traded, one has to make use of a group of publicly traded companies with similar business and financial risk. This group of listed comparable companies is also known as a *peer group*.

The ACM has asked Boer & Croon Corporate Finance ("BCCF") to determine these representative and up-to-date peer groups. To derive the peer groups, BCCF will first discuss the theoretical framework. In this framework BCCF will elaborate on the relevant criteria for selecting comparable companies ("peers"). These criteria will address business activities, competition, geography, regulatory framework as well as the liquidity of the shares. Further to the individual criteria, a representative peer group must for data reliability reasons include a sufficient number of peers.

This report subsequently describes the (**i**) activities of the regulated entities, (**ii**) the theoretical framework and criteria for determining suitable peers, (**iii**) the number and composition of the relevant peer groups, (**iv**) the publicly traded companies considered by BCCF, and (**v**) the actual peer groups.

2. Description of the regulated entities

The Dutch Caribbean consists of three islands: Bonaire (approximately 18,000 inhabitants), Sint Eustatius (approximately 3,500 inhabitants) and Saba (approximately 1,800 inhabitants). These three islands are special municipalities of the Netherlands, in contrast to the islands of Sint Maarten, Curaçao and Aruba, which are autonomous countries within the Dutch Kingdom.

Each of the three islands has made separate arrangements for the provision of water and electricity and has different providers for these utilities. On the island of Bonaire, the main providers are the 'Water- en Elektriciteitsbedrijf Bonaire' ("WEB") and 'Contour Global' ("CG"), on Sint Eustatius it is a company named Statia Utility Company ("STUCO"), and on Saba it is the Saba Electricty Company ("SEC") (all together: "Regulated Entities").

Water- en Elektriciteitsbedrijf Bonaire (WEB)

WEB is responsible for the water production and the water and energy -distribution on Bonaire. In addition, WEB produces some of the electricity on the island and transports water by truck to houses that are not connected to the main pipeline. WEB is owned by the public body Bonaire.

Contour Global (CG)

ContourGlobal is the main electricity producer on Bonaire. Electricity is generated by wind power (average 33%) and diesel generators and then sold to WEB. CG is a part of a larger American company that operates in the Caribbean region as well as other regions throughout the world.

Statia Utility Company (STUCO)

On the island of Sint Eustasius all utility services are taken care of by Statia Utility Company. Besides the production (approximately 20% solar and 80% diesel generator) and distribution of electricity, STUCO also manages the distribution and production of drinking water. Like WEB, STUCO also delivers drinking water to the houses on the island that are not connected to the main pipeline. STUCO is owned by the public body Sint Eustasius.

Saba Electricity Company (SEC)

On the island of Saba, Saba Electric Company is responsible for the production and distribution of electricity. SEC also is engaged in the development of a solar park which aims to supply approximately 20% of the electricy on the island. SEC is owned by the public body of Saba and provides electricity to approximately 1,200 customers.

Summary of Regulated Entities

Below one finds a summary of the Regulated Entities.

Company	Island	Electricity production	Electricity distribution	Water production	Water distribution
Water- en Elekriciteitsbedrijf Bonaire	Bonaire	√	√	√	√
Contour Global	Bonaire	√	X	X	X
Statia Utility Company	Sint Eustasius	√	√	√	√
Saba Electricity Company	Saba	√	√	X	X

Table 1 - Regulated Entities

3. Theoretical framework and criteria for determining a peer group

The Regulated Entities are not publicly traded. Therefore, there is no sufficient data on the entities themselves to determine their risk profile. In order to derive the risk profile one has to compile a group of similar publicly traded companies.

For the estimation of the risk associated with the Regulated Entities to be accurate, the companies that are part of the peer group should be selected carefully. The companies have to be selected on **(i)** the right characteristics, **(ii)** data reliability and **(iii)** data availability. The resulting peer group will also have to have a sufficient number of peers.

3.1 Characteristics of suitable peer group companies

The method that ACM uses for WACC determination is based on the Capital Asset Pricing Model ("CAPM"). This method will also be applied to the Dutch Caribbean. In CAPM only the market risk is relevant for determining the risk profile. This is also called the systematic or nondiversifiable risk. Non systematic risks do not influence the risk profile of a company because these risks can be *fully* mitigated by an investor through diversification.

Following the academic (theoretical) literature, the important determinants of systematic risk are: **(i)** Cyclicality of revenues, **(ii)** Operational Leverage and **(iii)** Financial leverage.[1]

A suitable peer group thus comprises of a number of listed companies which have similar cyclicality of revenues and operational leverage. The risk profiles of the peers also need to be corrected for their company specific financial leverage.

Cyclicality of revenues

The Cyclicality of revenues partially determines the market risk of a business. Almost all enterprises are to some extent sensitive to the business cycle. The higher the sensitivity to the business cycle, the larger the amount of nondiversifiable risk (market risk) a company has.

Developments in the business cycle can have an impact on both the quantity of sold services/products and on the pricing of these services or products. The quantity and pricing together make up the revenues of a company (P x Q). Therefore, the cyclicality of the revenues can be separated into the *Cyclicality of the quantities sold* and *Cyclicality of the prices/rates*.

The more a product or services fulfills the basic needs of a customer or the less alternatives a customer has, the smaller the influence of the business cycle will be on the quantities sold. The cyclicality of the quantities is thus dependent on:

- The type of products/services
- The type of customers/clients
- The type and rate of competition

The cyclicalty of the prices is influenced by the same factors:

- The type of products/services

[1] See among others: Lev (1974), Bowman (1979), Gahlon and Gentry (1982), Mandelker and Rhee (1984) and Mensah (1992)

- The type of customers/clients
- The type and rate of competition

When the price of a product or service is determined by regulation, the prices of these products will be less sensitive to business cycle development. Also differences in regulatory frameworks can have an impact on the systematic risk of a company. The cyclicality of the prices is thus also dependent on:

- The type of regulatory framework (*if any*)

Companies in relatively open economies can be more sensitive to developments in the business cycle. Businesses in relatively closed economies are less affected by international developments. Besides the previously discussed variables the cyclicality of the quantities and prices will also be influenced by:

- The type of economies/countries

Summarizing on the above, a business has a similar cyclicality of revenues when the business (to some extent): **(i)** Offers the same type of products/services, **(ii)** serves the same type of customers, **(iii)** faces the same level and type of competition **(iv)** operates in the same type of regulatory framework and **(v)** operates in similar economies/countries.

Operational Leverage

Operational leverage is the ratio between fixed and variable costs within the cost structure of a company. Fixed costs do not decrease with declining or growing revenues, which means that a decrease or increase in revenues will be reflected 1-on-1 in the profit. Because variable costs coincide with the revenues of a company these costs have, in case of declining revenues a damping effect on the profit and vice versa.

A high proportion of fixed to variable costs therefore increases the dependence of the profits of a company to the business cycle. The higher the amount of operational leverage, the larger the amount of market risk.

An enterprise has a similar operational leverage if the company has a comparable cost structure. The cost structure of a company is strongly dependent on the business model of the company. The systematic risk of a company is thus also dependent on:

- The type of cost structure/business model

Financial leverage

Financial leverage, also referred to as gearing, is the proportion of debt to equity. The more debt a company has, the larger the interest costs. The amount of interest is independent of the company's revenues and interest costs can therefore be characterized as fixed costs. A high proportion of debt to equity amplifies the sensitivity of the results to the business cycle due to a (relative) shift from variable costs to fixed costs. The higher the amount of leverage, the higher the market risk.

However, the risk profile of the companies in the peer group will be corrected for the proportion of debt to equity each business has. This will undo the effect that financial leverage has on the risk profile of a company. It is thus *not* required for peers to have a similar amount of financial leverage.

Well suited peer group companies

Summarizing on the above, to select an adequate peer group, there should be enough listed companies which to a certain extent adhere to the criteria below:

- The same type of products/services
- The same type of customers/clients
- The same type and rate of competition
- The same type of regulatory framework
- The same type of economies/countries
- The same type of cost structure/business model

In the opinion of BCCF the most important criterion is: *The same type of products/services* since adherence to this criterion generally also leads to similarities on other criteria such as the same type of customers, competition, cost structure and business model.

After this criterion it is most desirable for the companies to operate in the same type of economies/countries as this generally also leads to similarities in the type of customers, competition and regulatory framework.

Some criteria (e.g. business model, rate of competition) are difficult to test as they cannot always be derived from publicly available information.

3.2 Data reliability and availability

Next to the criteria discussed in paragraph 3.1 it is also of importance that the data on the selected peers is reliable as well as dating back long enough.

One of the elements that the peer group is used for, is estimating the beta. The beta is the broadly accepted measure for non-diversifiable risk of a company. For the beta measure to be reliable, the stock should be sufficiently liquid. Illiquid stocks tend to underestimate a beta. Therefore, ACM has to test if each firm's shares are sufficiently liquid. There are several tests for the liquidity of a share. One test defines a share as being sufficiently liquid for the purposes of estimating beta using daily returns if it trades on more than 90% of days in which the index trades. This test has generally been applied by ACM in other WACC determinations.

Furthermore, ACM generally also selects its peers on liquidity by analyzing the level of revenues of the peers.

We assume the beta will be determined by using three years of stock market data. Therefore, for sufficient data availability, the peer group companies have to be listed for over three years.

3.3 Selecting a sufficient number of peer group companies

In determining the number of peers that should be in a peer group, there is a trade-off. On the one hand, adding more peers to the group reduces the statistical error in the estimate of the beta. On the other hand, as more peers are added, there is a risk that they may have a different systematic risk than the regulated firm, which makes the beta

estimate worse. In statistical terms; once we have a certain (sufficient) number of peers in the group the reduction in the error from adding another firm is offset by the decreased comparability of the total peer group. In previous method decisions, ACM generally applied peer groups of *approximately* ten comparable companies (for example: GTS 2014-2016), but has also deviated from that number. The better the peers, the lower the sufficient number of peers.

In other words, a peer group of around ten firms should generally ensure an acceptable level of accuracy while avoiding adding firms which are not sufficiently similar to the activity in question.

3.4 Summarizing on the selection of a peer group

Summarizing, BCCF will construct peer groups of approximately ten companies. For data availability reasons the companies included will all be publicly traded for at least three years. For data reliability reasons the shares of the companies will be sufficiently liquid.

Given the above *must haves*, BCCF will look for companies that will have an, as high as possible resemblance with respect to the discussed peer group selection criteria.

4. The number and composition of the peer groups

This section describes the actual composition of the peer groups. Paragraph 4.1 first describes the number of peer groups BCCF finds applicable to the regulated entities. Paragraph 4.2 addresses the activities of the peers. Paragraph 4.3 addresses the mix of regions/countries applied in the peer groups.

4.1 The relevant number of peer groups

As depicted in Table 1, there are regulated entities on the Dutch Carribean that (**i**) only have energy production activities, (**ii**) regulated entities which have energy production and distribution activies and (**iii**) entities which have energy production and distribution activities as well as water production and distribution activities.

Given the high importance of the business activities in the selection of the peers, BCCF advises to apply a different peer group for each category. The first will be solely compiled of energy production companies, the second will consist out of companies which engage both in energy production and distribution and the third will be constructed using a combination of energy companies and water companies.

For the same reason BCCF advises to also differentiate in peer groups between companies only active in production and companies active in production and distribution. The systematic risk of these activities are not necessarily comparable and should therefore be treated differently.

In the opinion of BCCF it is unnecessary (and also unfeasible) to make a distinction in the peer groups for the different islands. The different peer groups for these islands will have

the same selection criteria and therefore will have the same peers. In other words, if one compiles the best peer group for WEB and for SEC it would contain the same companies.

Below one finds a summary of the three relevant peer groups BCCF advises to construct, being (**i**) the Energy, Production and Distribution peer group (**ii**) an Energy, Production only peer group and (**iii**) a combined peer group.

Company	Energy production	Energy distribution	Water production	Water distribution	**Peer group**
Water- en Elekriciteitsbedrijf Bonaire	√	√	√	√	Combined
Contour Global	√	X	X	X	Energy, Production only
Statia Utility Company	√	√	√	√	Combined
Saba Electricity Company	√	√	X	X	Energy, Production and Distribution

Table 2 - Regulated Entities en relevant peer group

4.2 Activities of peer group companies

As described in section 2 the Regulated Entities do not always operate in the same way as larger listed water and energy companies. Given these differences in bussines models, BCCF is still of the opinion that the activities of the Regulated Entities are best compared to other listed water and energy utility companies. In our view there are, with respect to type of products/services, no other relevant or more comparable type of companies that should be included in a peer group.

In order to construct the three relevant peer groups BCCF will consider (**i**) Energy companies active in production and distribution, (**ii**) Energy companies only active in production and (**iii**) Water companies active in production and distribution. This way we can construct 'clean' peer groups.

The peer group of the combined companies will be constructed using pure water and pure energy companies. BCCF chooses not to use peers that have combined water and electricity activities as there will not be enough suitable peers in the countries/regions considered.

For the energy companies, BCCF only considers companies that are focused on electricity (no other forms of energy such as gas) as these will be best comparable to the Regulated Entities. In previous WACC determinations, ACM has used companies that did have activities in different energy sources. However, in such cases, data availability was an important factor while in this case (with a broader geographical scope) there are enough relevant companies.

4.3 Countries and regions of peer group companies

The regulated entities are active on the Dutch Caribbean. As described in paragraph 3.1 it is *desirable* to include peers out of the same region and/or the same type of economies to match the peers in the best possible way.

Given the specific characteristics of the Dutch Carribbean: **(i)** small islands, **(ii)** situated in the carribean ocean **(iii)** part of a Western European country/economy, there will not be many listed water or electricity companies that will be well comparable on those aspects.

Given the fact that a peer group has to comprise of approximately ten listed companies, BCCF decided to consider companies active in **(i)** the Caribbean[2], **(ii)** comparable islands and/or islands groups **(iii)** Europe, **(iv)** the United States and **(v)** Latin America.

With respect to the comparable islands and/or island groups we screened for listed water and energy companies on relatively small islands that are part of more developed western economies. BCCF looked for listed companies among others on Hawaii, Canary Islands, Mauritius, Channel Islands, France Polynesia, Açores, and the Falkland Islands.

BCCF is of the opinion that one should apply a balanced mix of companies in order to prevent overweighing of one specific region. BCCF does not have reasons to use a specific weighing to these regions and therefore opts for an equal number of companies from every region *if* these peers are available. This way we are able to reach threshold of ten companies, without overrepresenting one specific geography.

5. Companies considered by BCCF

In this section we will review the potentially relevant companies. Below one can find the analyzed companies that were comparable in activities and were in the designated geographies. All companies below are listed for more than three years.

The stocks of the companies were tested for being sufficiently liquid, using the generally applied ACM criterion:

- The stock is traded at a minimum of 90% of days in which the index trades

If the above criterium is not met, the cell is collored red meaning that the company is unsuitable as a peer group company.

[2] Among others: Netherlands Antilles, Cayman Islands, Dominican Republic, Jamaica, Bahamas, Cuba, Haiti, Trinidad and Tobago

The potential **Energy only, Production and Distribution** peers are shown below:

Company	Water, Energy, Combined	Production, Distribution, Combined	Country	% trading days	Revenues in EUR m (2015)
Energy only, Production and Distribution					
Caribbean and other comparable island groups					
Caribbean Utilities Co. Ltd.	Energy	Combined	Cayman Islands	82%	170
Hawaiian Electric Industries, Inc.	Energy	Combined / Others	United States	97%	2,347
Jersey Electricity PLC	Energy	Combined	United Kingdom	47%	135
PI Power International Limited	Energy	Combined	United Kingdom	82%	n/a
Europe					
Centralschweizerische Kraftwerke AG	Energy	Combined	Switzerland	91%	738
Public Power Corporation S.A.	Energy	Combined	Greece	92%	5,736
VERBUND AG	Energy	Combined	Austria	95%	2,970
US					
American Electric Power Company, Inc.	Energy	Combined	United States	97%	14,681
Edison International	Energy	Combined	United States	97%	10,392
PNM Resources, Inc.	Energy	Combined	United States	97%	1,291
Latin America					
AES Tiete Energia SA	Energy	Combined	Brazil	88%	709
EDP - Energias do Brasil S.A.	Energy	Combined	Brazil	95%	2,729
Empresa de Distribucion Electrica de Lima Norte SA	Energy	Combined	Peru	75%	769
Eneva S.A.	Energy	Combined	Brazil	95%	410
ENGIE Energia Peru S.A.	Energy	Combined	Peru	64%	644
Pampa Energia SA	Energy	Combined	Argentina	93%	697

Table 3 – Potential peers active in Energy, Production and Distribution

Table 3 is comprised of companies that are active in both the production as well as distribution of electricity. Four companies were found in the Carribean and other comparable island groups. Hawaiian Electric Industries however comprises a substantial banking division besides its energy activities and was therefore considered unsuitable. Three prospective peer companies did not adhere to the liquidity and size criteria.

Both for Europe and the United States three relevant peers were identified, which all adhere to the predetermined criteria. The companies in Europe are from three different countries. BCCF believes this mix of countries provides a relevant overview of the European market. In previous WACC determinations companies from Greece have been excluded. BCCF is of the opinion that this is not a necessary adjustment anymore as financial markets have been functioning properly over the last three years. Six companies were found in Latin America out of which three did not fulfill the liquidity criterion.

Below the potential peers active in **Electricity, Production only** are presented:

Company	Water, Energy, Combined	Production, Distribution, Combined	Country	% trading days	Revenues in EUR m (2015)
Energy only, Production only					
Caribbean and other comparable island groups					
N/a	N/a	N/a	N/a	N/a	N/a
Europe					
Albioma	Energy	Production	France	98%	350
Falck Renewables S.p.A.	Energy	Production	Italy	97%	271
Zespol Elektrowni Patnow Adamow Konin SA	Energy	Production	Poland	96%	705
US					
Atlantic Power Corporation	Energy	Production	United States	96%	378
NRG Yield, Inc.	Energy	Production	United States	97%	834
Talen Energy Corp	Energy	Production	United States	97%	3,529
Latin America					
CPFL Energias Renovaveis SA	Energy	Production	Brazil	94%	405
Endesa Americas SA	Energy	Production	Chile	98%	1,705
Tractebel Energia S.A.	Energy	Production	Brazil	95%	1,758

Table 4 - Potential peers active in Energy, Production only

Table 4 is comprised of companies that are active in the production of electricity. No relevant listed entities have been found in the Caribbean area. For Europe, the United States and Latin America three relevant peers were identified, which all adhere to the predetermined criteria.

Below the companies that are active in **Water only, Production and Distribution** are shown:

Company	Water, Energy, Combined	Production, Distribution, Combined	Country	% trading days	Revenues in EUR m (2015)
Water only, Production and Distribution					
Caribbean and other comparable islands groups					
N/a	N/a	N/a	N/a	N/a	N/a
Europe					
Acea S.p.A.	Water	Combined	Italy	97%	2,801
Severn Trent PLC	Water	Combined	United Kingdom	97%	2,439
United Utilities Group PLC	Water	Combined	United Kingdom	97%	2,361
US					
American States Water Company	Water	Combined	United States	97%	414
Aqua America, Inc.	Water	Combined	United States	97%	734
California water service group	Water	Combined	United States	97%	531
Latin America					
Aguas Andinas S.A.	Water	Combined	Chile	96%	652
Cia de Saneamento do Parana SA	Water	Combined	Brazil	95%	802
Companhia de Saneamento de Minas Gerais	Water	Combined	Brazil	95%	1,035
Esval SA	Water	Combined	Chile	35%	221

Table 5 - Potential peers active in Water, Production and Distribution

Table 5 is comprised of companies that are active in both the production as well as distribution of water. No relevant listed entities have been found in the Caribbean. For Europe and the United States, different listed companies have been found which all conform to the liquidity and size criteria. Four relevant water companies were found in Latin America of which one company did not adhere to the liquidity criterion.

6. Determining the final peer groups

Following the selection of the considered companies in section 5, this section presents the resulting peer groups.

Paragraph 6.1 will elaborate on the Energy, Production and Distribution peer group. Paragraph 6.2 on the Energy, Production only peer group. And 6.3 on the combined peer group. These will be applicable to the following regulated entities:

Company	Energy production	Energy distribution	Water production	Water distribution	**Peer group**
Water- en Elekriciteitsbedrijf Bonaire	√	√	√	√	Combined
Contour Global	√	X	X	X	Energy, Production only
Statia Utility Company	√	√	√	√	Combined
Saba Electricity Company	√	√	X	X	Energy, Production and Distribution

Table 6 - Regulated Entities and relevant peer group

6.1 Peer group for the Energy, Production and Distribution companies

The peer group for the **Energy, Production and Distribution companies** is presented below. This peer group will be applicable to **Saba Electric company.**

Company	Country	Description
American Electric Power Company, Inc.	United States	American Electric Power Co., Inc. is a public utility holding company that engages in the business of generation, transmission and distribution of electricity.
Centralschweizerische Kraftwerke AG	Switzerland	Centralschweizerische Kraftwerke AG engages in the production, distribution, and sale of electricity.
Edison International	United States	Edison International engages in the provision of generating and distributing electric power.
EDP - Energias do Brasil S.A.	Brasil	EDP Energias do Brasil SA engages in the generating, distributing and selling of electric energy.
Eneva S.A.	Brasil	Eneva SA is a holding company, which engages in the power generation and distribution business.
Pampa Energia SA	Argentina	Pampa Energía SA engages in the electricity generation, transmission and distribution.
PNM Resources, Inc.	United States	PNM Resources, Inc provides electricity and energy efficiency products and services in New Mexico and Texas.
Public Power Corporation S.A.	Greece	Public Power Corp. S.A. involves in activities such as production, transmission and distribution of electricity covering the entire Greek country.
VERBUND AG	Austria	Verbund AG engages in the generation, trading and sale of electrical energy.

Table 6 – Peer group for Energy, Production and Distribution companies

After the selection of peers, the resulting peer group comprises of nine different listed companies. Out of these companies, three enterprises are located in Europe, three in Latin America and three are located in the United States.

6.2 Peer group for the Energy, Production only companies

The peer group for the **Energy, Production only companies** is shown below. This peer group will be applicable to **Contour Global**.

Company	Country	Description
Albioma	France	Albioma engages in the energy production industry.
Atlantic Power Corporation	United States	Atlantic Power Corp. owns and operates a fleet of power generation assets in the United States and Canada.
CPFL Energias Renovaveis SA	Brazil	CPFL Energias Renováveis SA operates as a power generation company.
Endesa Americas SA	Chile	Endesa Américas SA engages in the generation of electricity in Chile.
Falck Renewables S.p.A.	Italy	Falck Renewables SpA engages in the production of energy.
NRG Yield, Inc. Class A	United States	NRG Yield, Inc. Owns a diversified portfolio of generation assets.
Talen Energy Corp	United States	Talen Energy Corp. is a North American competitive energy and power generation company.
Tractebel Energia S.A.	Brazil	Tractebel Energia SA operates as a power generation company.
Zespol Elektrowni Patnow Adamow Konin SA	Poland	Zespól Elektrowni Patnów Adamów Konin SA engages in the generation and supply of electricity.

Table 7 – Peer group for the Energy, Production only companies

After the selection of peers, the resulting peer group comprises of nine different listed companies. Out of these companies, three enterprises are located in Europe, three in Latin America and three are located in the United States.

6.3 Peer group for the combined companies

The peer group for the **combined companies** is shown below. This peer group will be applicable to **WEB** and **STUCO**.

Company	Country	Description
Acea S.p.A.	Italy	Acea SpA engages in the management of energy, environmental, and water services
Aguas Andinas S.A.	Chile	Aguas Andinas SA engages in the provision of water sanitation services
American Electric Power Company, Inc.	United States	American Electric Power Co., Inc. is a public utility holding company that engages in the business of generation, transmission and distribution of electricity
American States Water Company	United States	American States Water Co. engages in the provision of water supply and electricity distribution services
Aqua America, Inc.	United States	Aqua America, Inc. Operates in regulated water and wastewater utilities
California Water Service Group	United States	California Water Service Group engages in the production, purchase, storage, treatment, testing, distribution and sale of water
Centralschweizerische Kraftwerke AG	Switzerland	Centralschweizerische Kraftwerke AG engages in the production, distribution, and sale of electricity
Cia de Saneamento do Parana SA	Brazil	Cia de Saneamento do Paraná engages in the distribution of water, water supply services and treatment of sewage.
Companhia de Saneamento de Minas Gerais	Brazil	Companhia de Saneamento de Minas Gerais is engaged in providing public water supply and sanitary sewage services
Edison International	United States	Edison International engages in the provision of generating and distributing electric power
EDP - Energias do Brasil S.A.	Brazil	EDP Energias do Brasil SA engages in the generating, distributing and selling of electric energy
Eneva S.A.	Brazil	Eneva SA is a holding company, which engages in the power generation and distribution business
Pampa Energia SA	Argentina	Pampa Energía SA engages in the electricity generation, transmission and distribution
PNM Resources, Inc.	United States	PNM Resources, Inc provides electricity and energy efficiency products and services in New Mexico and Texas.
Public Power Corporation S.A.	Greece	Public Power Corp. S.A. involves in activities such as production, transmission and distribution of electricity covering the entire Greek country
Severn Trent PLC	United Kingdom	Severn Trent Plc engages in the provision of waste water treatment services
United Utilities Group PLC	United Kingdom	United Utilities Group Plc provides water and sewage services
VERBUND AG	Austria	Verbund AG engages in the generation, trading and sale of electrical energy

Table 8 – Peer group for the combined companies

The composite peer group for combined companies consists of both the selected peers for Water, Production and Distribution companies as well as the selected peer group for Energy, Production and Distribution companies.

A total of 18 different entities have been included of which six are located in the United States, six are located in Latin America and the last six are located in Europe.

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