

Exhibit No.:
Issue: Cost of Capital
Witness: Robert B. Hevert
Type of Exhibit: Direct Testimony
Sponsoring Party: Laclede Gas Company
Case No.: GR-2013-0171
Date Prepared: December 21, 2012

LACLEDE GAS COMPANY

GR-2013-0171

DIRECT TESTIMONY

OF

ROBERT B. HEVERT

DECEMBER 2012

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1 **I. INTRODUCTION**

2 Q. Please state your name, affiliation and business address.

3 A. My name is Robert B. Hevert. I am Managing Partner of Sussex Economic Advisors,
4 LLC (Sussex). My business address is 161 Worcester Road, Suite 503, Framingham,
5 Massachusetts 01701.

6 Q. On whose behalf are you submitting this testimony?

7 A. I am submitting this direct testimony (“Direct Testimony”) before the Missouri Public
8 Service Commission (“Commission”) on behalf of Laclede Gas Company (“Laclede
9 Gas” or the “Company”), a wholly-owned operating subsidiary of The Laclede Group,
10 Inc. (“Laclede Group”).

11 Q. Please describe your educational background.

12 A. I hold a Bachelor’s degree in Business and Economics from the University of Delaware,
13 and an MBA with a concentration in Finance from the University of Massachusetts. I also
14 hold the Chartered Financial Analyst designation.

15 Q. Please describe your experience in the energy and utility industries.

16 A. I have worked in regulated industries for over twenty five years, having served as an
17 executive and manager with consulting firms, a financial officer of a publicly-traded
18 natural gas utility (at the time, Bay State Gas Company), and an analyst at a
19 telecommunications utility. In my role as a consultant, I have advised numerous energy
20 and utility clients on a wide range of financial and economic issues, including corporate
21 and asset-based transactions, asset and enterprise valuation, transaction due diligence,
22 and strategic matters. As an expert witness, I have provided testimony in approximately
23 100 proceedings regarding various financial and regulatory matters before numerous state

1 utility regulatory agencies and the Federal Energy Regulatory Commission. A summary
2 of my professional and educational background, including a list of my testimony in prior
3 proceedings, is included in Attachment A to my Direct Testimony.

4 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

5 Q. What is the purpose of your Direct Testimony?

6 A. The purpose of my Direct Testimony is to present evidence and provide a
7 recommendation regarding the Company's Cost of Equity (sometimes referred to as the
8 Return on Equity or ROE) and to provide an assessment of the capital structure to be used
9 for ratemaking purposes, as proposed in the Direct Testimony of Company Witness
10 Glenn Buck. My analyses and conclusions are supported by the data presented in
11 Schedule-RBH-D1 through Schedule-RBH-D12, which have been prepared by me or
12 under my direction.

13 Q. What are your conclusions regarding the appropriate Cost of Equity and capital structure
14 for the Company?

15 A. My analyses indicate that the Company's Cost of Equity currently is in the range of 10.00
16 percent to 10.75 percent. Based on the quantitative and qualitative analyses discussed
17 throughout my Direct Testimony, I conclude that the Company's proposed ROE of 10.50
18 percent is reasonable and appropriate. As to its proposed capital structure, which includes
19 56.70 percent common equity and 43.30 percent long-term debt, I conclude that the
20 Company's proposal is consistent with the capital structures that have been in place over
21 the last three years at comparable operating utility companies. In light of its ongoing need
22 to access external capital, and given the consistency of its proposal with similarly-
23 situated utility companies, I conclude that the Company's proposed capital structure is

1 reasonable and appropriate.

2 Q. Please provide a brief overview of the analyses that led to your ROE recommendation.

3 A. Equity analysts and investors use multiple methods to develop their return requirements
4 for investments. In order to develop my ROE recommendation, I relied on three widely-
5 accepted approaches: the Quarterly Growth, Constant Growth, and Multi-Stage forms of
6 the Discounted Cash Flow (DCF) model, the Capital Asset Pricing Model (CAPM), and
7 the Bond Yield Plus Risk Premium approach.

8 My recommendations and conclusions consider the risks associated with (1) the
9 Company's need to fund substantial future capital expenditures; (2) the revenue
10 stabilization mechanisms employed by the Company relative to the proxy group
11 companies;(3) flotation costs associated with equity issuances; and (4) other
12 considerations including the corporate dividend tax rate and the Company's financial
13 integrity. While I did not make any explicit adjustments to my ROE estimates for those
14 factors, I did take them into consideration in determining the range in which the
15 Company's Cost of Equity likely falls.

16 Q. How is the remainder of your Direct Testimony organized?

17 A. The remainder of my Direct Testimony is organized as follows:

- 18 • Section III –Discusses the regulatory guidelines and financial
19 considerations pertinent to the development of the cost of capital;
- 20 • Section IV –Explains my selection of the proxy group used to develop my
21 analytical results;
- 22 • Section V –Explains my analyses and the analytical bases for my ROE
23 recommendation;

- 1 • Section VI –Provides a discussion of specific business risks and other
- 2 considerations that have a direct bearing on the Company’s Cost of
- 3 Equity;
- 4 • Section VII – Highlights the current capital market conditions and their
- 5 effect on the Company’s Cost of Equity;
- 6 • Section VIII –Addresses the reasonableness of the Company’s proposed
- 7 capital structure; and
- 8 • Section IX –Summarizes my conclusions and recommendations.

9 **III. REGULATORY GUIDELINES AND FINANCIAL CONSIDERATIONS**

10 Q. Please provide a brief summary of the guidelines established by the United States
11 Supreme Court (the Court) for the purpose of determining the ROE.

12 A. The Supreme Court established the guiding principles for establishing a fair return for
13 capital in two cases: (1) *Bluefield Water Works and Improvement Co. v. Public Service*
14 *Comm’n of West Virginia (Bluefield)*; and (2) *Federal Power Comm’n v. Hope Natural*
15 *Gas Co. (Hope)*. In those cases, the Court recognized that the fair rate of return on equity
16 should be (1) comparable to returns investors expect to earn on other investments of
17 similar risk,(2) sufficient to assure confidence in the company’s financial integrity, and
18 (3) adequate to maintain and support the company’s credit and to attract capital.

19 Q. Does Missouri precedent provide similar guidance?

20 A. Yes. In a recent order, the Commission cited the *Hope* and *Bluefield* decisions at some
21 length and acknowledged its authority and responsibility to set “just and reasonable” rates
22 for public utility service, stating that:

23 A “just and reasonable” rate is one that is fair to both the utility and its
24 customers; it is no more than is sufficient to “keep public utility plants

1 in proper repair for effective public service, [and] ...to insure to the
2 investors a reasonable return upon funds invested.”¹

3 Based on those standards, the authorized ROE should provide the Company with
4 the opportunity to earn a fair and reasonable return and should enable efficient access to
5 external capital under a variety of market conditions.

6 **IV. PROXY GROUP SELECTION**

7 Q. As a preliminary matter, why is it necessary to select a group of proxy companies to
8 determine the Cost of Equity for Laclede Gas?

9 A. Since the ROE is a market-based concept, and Laclede Gas is not a publicly traded entity,
10 it is necessary to establish a group of comparable publicly-traded companies to serve as
11 its “proxy.” Even if Laclede Gas were a publicly traded entity, short-term events could
12 bias its market value during a given period of time. A significant benefit of using a proxy
13 group is that it serves to moderate the effects of anomalous, temporary events associated
14 with any one company.

15 Q. Does the selection of a proxy group suggest that analytical results will be tightly clustered
16 around average (*i.e.*, mean) results?

17 A. No. For example, the DCF approach, defines the Cost of Equity as the sum of the
18 expected dividend yield and projected long-term growth. Despite the care taken to ensure
19 risk comparability, market expectations with respect to future risks and growth
20 opportunities will vary from company to company. Therefore, even within a group of
21 similarly situated companies, it is common for analytical results to reflect a seemingly
22 wide range. Consequently, at issue is how to estimate a Company’s ROE from within

¹ *In the Matter of Missouri Gas Energy and its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*, Report and Order, Missouri Public Service Commission, Case No. GR-2009-0355. February 10, 2010, at 7.

1 that range. That determination necessarily must consider a wide range of both empirical
2 and qualitative information.

3 Q. Please provide a summary profile of Laclede Gas.

4 A. Laclede Gas is a wholly-owned operating subsidiary of Laclede Group (NYSE: LG). The
5 Company provides natural gas supply and distribution service to approximately
6 628,000 residential, commercial, and industrial customers in eastern Missouri.² Laclede
7 Group's current long-term issuer credit rating from Standard & Poor's ("S&P") is A
8 (outlook: Stable), and A- (outlook: Stable) from Fitch Ratings ("Fitch"). Laclede Gas
9 currently is rated A (outlook: Stable) by S&P, and A- (outlook: Stable) by Fitch.³

10 Q. How did you select the companies included in your proxy group?

11 A. I began with the universe of companies that Value Line classifies as Electricor Natural
12 Gas Utilities, which includes a group of 60 domestic U.S. utilities, and applied the
13 following screening criteria:

- 14 • I excluded companies that do not consistently pay quarterly cash dividends;
- 15 • All of the companies in my proxy group have been covered by at least two utility
16 industry equity analysts;
- 17 • All of the companies in my proxy group have investment grade senior unsecured
18 bond and/or corporate credit ratings from S&P;
- 19 • To ensure that my proxy group represents natural gas distribution operations, I
20 included companies with at least 60.00 percent of consolidated net operating
21 income derived from regulated natural gas utility operations; and

² See Laclede Gas Company, SEC Form 10-K for the fiscal year ended September 30, 2012, at 6 and 9.

³ Source: SNL Financial

1 • I eliminated companies that are currently known to be party to a merger, or other
2 significant transaction.

3 Q. Did you include Laclede Group in your analysis?

4 A. No. In order to avoid the circular logic that would otherwise occur, it has been my
5 consistent practice to exclude the subject company (or its parent) from the proxy group.

6 Q. What companies met those screening criteria?

7 A. The criteria discussed above resulted in a proxy group of the following eight companies:

8 **Table 1: Proxy Group Screening Results**

Company	Ticker
AGL Resources	GAS
Atmos Energy	ATO
New Jersey Resources	NJR
Northwest Natural Gas	NWN
Piedmont Natural Gas	PNY
South Jersey Industries	SJI
Southwest Gas	SWX
Washington Gas Light	WGL

9

10 Q. Do you believe that a proxy group of eight companies is sufficiently large?

11 A. Yes. The analyses performed in estimating the ROE are more likely to be representative
12 of the subject utility's Cost of Equity to the extent that the chosen proxy companies are
13 fundamentally comparable to the subject utility. Because all analysts use some form of
14 screening process to arrive at a proxy group, the group, by definition, is not randomly
15 drawn from a larger population. Consequently, there is no reason to place more reliance
16 on the quantitative results of a larger proxy group simply by virtue of the resulting larger
17 number of observations.

1 Moreover, because I am using market-based data, my analytical results will not
2 necessarily be tightly clustered around a central point. Results that may be somewhat
3 dispersed, however, do not suggest that the screening approach is inappropriate or the
4 results less meaningful. In my view, including companies whose fundamental
5 comparability is tenuous at best simply for the purpose of expanding the number of
6 observations does not add relevant information to the analysis.

7 **V. COST OF EQUITY ESTIMATION**

8 Q. Please briefly discuss the ROE in the context of the regulated rate of return.

9 A. Regulated utilities primarily use common stock and long-term debt to finance their
10 capital investments. The overall rate of return (ROR) weighs the costs of the individual
11 sources of capital by their respective book values. While the cost of debt and cost of
12 preferred stock can be directly observed, the Cost of Equity is market-based and,
13 therefore, must be estimated based on observable market information.

14 Q. How is the required ROE determined?

15 A. I estimated the ROE using analyses based on market data to quantify a range of investor
16 expectations of required equity returns. By their very nature, quantitative models
17 produce a range of results from which the market required ROE must be estimated. As
18 discussed throughout my Direct Testimony, that estimation must be based on a
19 comprehensive review of relevant data and information, and does not necessarily lend
20 itself to a strict mathematical solution. Consequently, the key consideration in
21 determining the ROE is to ensure that the overall analysis reasonably reflects investors'
22 view of the financial markets in general and the subject company (in the context of the
23 proxy companies) in particular.

1 ***Quarterly Growth DCF Model***

2 Q. Are DCF models widely used in regulatory proceedings?

3 A. Yes. In my experience, the DCF model is widely recognized in regulatory proceedings, as
4 well as in financial literature. Nonetheless, neither the DCF nor any other model should
5 be applied without considerable judgment in the selection of data and the interpretation of
6 results.

7 Q. Please describe the DCF approach.

8 A. The DCF approach is based on the theory that a stock's current price represents the
9 present value of all expected future cash flows. In its simplest form, the DCF model
10 expresses the Cost of Equity as the sum of the expected dividend yield and long-term
11 growth rate, and is expressed as follows:

12
$$P = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \dots + \frac{D_\infty}{(1+k)^\infty} \quad \text{Equation [1]}$$

13 where P represents the current stock price, $D_1 \dots D_\infty$ represent expected future dividends,
14 and k is the discount rate, or required ROE. Equation [1] is a standard present value
15 calculation that can be simplified and rearranged into the familiar form:

16
$$k = \frac{D_0 (1+g)}{P} + g \quad \text{Equation [2]}$$

17 Equation [2] often is referred to as the "Constant Growth DCF" model, in which the first
18 term is the expected dividend yield and the second term is the expected long-term annual
19 growth rate.

20 In essence, the DCF model assumes that the total return received by investors
21 includes the dividend yield, and the rate of growth. As explained below, under the
22 model's assumptions, the rate of growth equals the rate of capital appreciation. That is,

1 the model assumes that the investor's return is the sum of the dividend yield and the
2 increase in the stock price. However, most dividend or distribution-paying companies,
3 including utilities, pay dividends on a quarterly (as opposed to an annual) basis. The
4 yield component of the Quarterly Growth DCF model, therefore, accounts for the
5 quarterly payment of dividends. Thus, the Quarterly Growth DCF model incorporates
6 investors' expectation of the quarterly payment of dividends, and the associated quarterly
7 compounding of those dividends as they are reinvested at investors' required ROE. As
8 noted by Dr. Roger Morin:

9 Clearly, given that dividends are paid quarterly and that the observed
10 stock price reflects the quarterly nature of dividend payments, the
11 market-required return must recognize quarterly compounding, for the
12 investor receives dividend checks and reinvests the proceeds on a
13 quarterly schedule ... The annual DCF model inherently understates
14 the investors' true return because it assumes all cash flows received by
15 investors are paid annually.⁴

16 Q. How is the dividend yield component of the Quarterly Growth DCF model calculated?

17 A. The dividend yield is calculated such that it incorporates the time value of money
18 associated with quarterly compounding. To do so, the *D* component of the Constant
19 Growth DCF model is replaced with the following equation:

$$20 \quad D = d_1(1+k)^{-75} + d_2(1+k)^{-50} + d_3(1+k)^{-25} + d_4(1+k)^0 \quad \text{Equation [3]}$$

21 where:

22 d_1, d_2, d_3, d_4 = expected quarterly dividends over the coming year

23 k = the required Return on Equity

24 Due to the fact that the required ROE (k) is a variable in the dividend calculation, the
25 Quarterly Growth DCF model is solved in an iterative fashion.

⁴ Roger A. Morin, New Regulatory Finance, Public Utility Reports, Inc., 2006 at 344.

1 Q. What market data did you use to calculate the dividend yield in your Quarterly Growth
2 DCF model?

3 A. To calculate the expected dividends over the coming year for the proxy group companies
4 (*i.e.*, d_1 , d_2 , d_3 , and d_4), I obtained the last four paid quarterly dividends for each
5 company, and multiplied them by one plus the growth rate (*i.e.*, $1+g$). For the
6 P_0 component of the dividends yield, I obtained the closing stock prices over the 30-, 90-,
7 and 180-trading days ended November 30, 2012 for each company in the proxy group.

8 Q. Why did you use three averaging periods to calculate an average stock price?

9 A. I did so to ensure that the model's results are not skewed by anomalous events that may
10 affect stock prices on any given trading day. At the same time, the averaging period
11 should be reasonably representative of expected capital market conditions over the long
12 term. In my view, using 30-, 90-, and 180-day averaging periods reasonably balances
13 those concerns.

14 Q. Is it important to select appropriate measures of long-term growth in applying the DCF
15 model?

16 A. Yes. In its Constant Growth form, the DCF model (*i.e.*, as presented in Equation [2]
17 above) assumes a single growth estimate in perpetuity. This same assumption is made in
18 the Quarterly Growth DCF model. Accordingly, in order to reduce the long-term growth
19 rate to a single measure, one must assume a fixed payout ratio, and the same constant
20 growth rate for earnings per share ("EPS"), dividends per share, and book value per
21 share. Since dividend growth can only be sustained by earnings growth, the model
22 should incorporate a variety of measures of long-term earnings growth. That can be
23 accomplished by averaging those measures of long-term growth that tend to be least

1 influenced by capital allocation decisions that companies may make in response to near-
2 term changes in the business environment. Since such decisions may directly affect near-
3 term dividend payout ratios, estimates of earnings growth are more indicative of long-
4 term investor expectations than are dividend growth estimates. Therefore, for the
5 purposes of the Quarterly Growth DCF model, growth in EPS represents the appropriate
6 measure of long-term growth.

7 Q. Please summarize the findings of academic research on the appropriate measure for
8 estimating equity returns using the DCF model.

9 A. The relationship between various growth rates and stock valuation metrics has been the
10 subject of much academic research.⁵ As noted over 40 years ago by Charles Phillips in

11 The Economics of Regulation:

12 For many years, it was thought that investors bought utility stocks
13 largely on the basis of dividends. More recently, however, studies
14 indicate that the market is valuing utility stocks with reference to total
15 per share earnings, so that the earnings-price ratio has assumed
16 increased emphasis in rate cases.⁶

17 Philips' conclusion continues to hold true. Subsequent academic research has
18 clearly and consistently indicated that measures of earnings and cash flow are strongly
19 related to returns, and that analysts' forecasts of growth are superior to other measures of
20 growth in predicting stock prices.⁷ For example, Vander Weide and Carleton state that,
21 "[our] results...are consistent with the hypothesis that investors use analysts' forecasts,

⁵ See, for example, Harris, Robert, *Using Analysts' Growth Forecasts to Estimate Shareholder Required Rate of Return*, Financial Management, Spring 1986.

⁶ Charles F. Phillips, Jr., The Economics of Regulation, Revised Edition, 1969, Richard D. Irwin, Inc., at 285.

⁷ See, for example, Christofi, Christofi, Lori and Moliver, *Evaluating Common Stocks Using Value Line's Projected Cash Flows and Implied Growth Rate*, Journal of Investing(Spring 1999); Harris and Marston, *Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts*, Financial Management, 21 (Summer 1992); and Vander Weide and Carleton, *Investor Growth Expectations: Analysts vs. History*, The Journal of Portfolio Management, Spring 1988.

1 rather than historically oriented growth calculations, in making stock buy-and-sell
2 decisions.”⁸ Other research specifically notes the importance of analysts’ growth
3 estimates in determining the Cost of Equity, and in the valuation of equity securities. Dr.
4 Robert Harris noted that “a growing body of knowledge shows that analysts’ earnings
5 forecast are indeed reflected in stock prices.” Citing Cragg and Malkiel, Dr. Harris notes
6 that those authors “found that the evaluations of companies that analysts make are the
7 sorts of ones on which market valuation is based.”⁹ Similarly, Brigham, Shome and
8 Vinson noted that “evidence in the current literature indicates that (i) analysts’ forecasts
9 are superior to forecasts based solely on time series data; and (ii) investors do rely on
10 analysts’ forecasts.”¹⁰

11 To that point, the research of Carleton and Vander Weide demonstrates that
12 earnings growth projections have a statistically significant relationship to stock valuation
13 levels, while dividend growth rates do not.¹¹ Those findings suggest that investors form
14 their investment decisions based on expectations of growth in earnings, not dividends.
15 Consequently, earnings growth not dividend growth is the appropriate estimate for the
16 purpose of the Constant Growth DCF model.

17 Q. Please describe the Retention Growth estimate as applied in your Quarterly Growth DCF
18 model.

19 A. The Retention Growth model, which is a generally recognized and widely taught method

⁸ Vander Weide and Carleton, *Investor Growth Expectations: Analysts vs. History*, The Journal of Portfolio Management, Spring 1988.

⁹ Robert S. Harris, *Using Analysts’ Growth Forecasts to Estimate Shareholder Required Rate of Return*, Financial Management, Spring 1986.

¹⁰ Eugene F. Brigham, Dilip K. Shome, and Steve R. Vinson, *The Risk Premium Approach to Measuring a Utility’s Cost of Equity*, Financial Management, Spring 1985.

¹¹ See Vander Weide and Carleton, *Investor Growth Expectations: Analysts vs. History*, The Journal of Portfolio Management, Spring 1988.

1 of estimating long-term growth, is an alternative approach to the use of analysts' earnings
2 growth estimates. In essence, the model is premised on the proposition that a firm's
3 growth is a function of its expected earnings, and the extent to which it retains earnings to
4 invest in the enterprise. In its simplest form, the model represents long-term growth as
5 the product of the retention ratio (*i.e.*, the percentage of earnings not paid out as
6 dividends (referred to below as "b") and the expected return on book equity (referred to
7 below as "r")). Thus, the simple "b x r" form of the model projects growth as a function
8 of internally generated funds. That form of the model is limiting, however, in that it does
9 not provide for growth funded from external equity.

10 The "br + sv" form of the Retention Growth estimate used in my DCF analysis is
11 meant to reflect growth from both internally generated funds (*i.e.*, the "br" term) and
12 from issuances of equity (*i.e.*, the "sv" term). The first term, which is the product of the
13 retention ratio (*i.e.*, "b", or the portion of net income not paid in dividends) and the
14 expected Return on Equity (*i.e.*, "r") represents the portion of net income that is "plowed
15 back" into the Company as a means of funding growth. The "sv" term is represented as:

$$\left(\frac{m}{b} - 1\right) \times \text{Growth rate in Common Shares} \quad \text{Equation [4]}$$

16
17 where $\frac{m}{b}$ is the Market-to-Book ratio.

18 In this form, the "sv" term reflects an element of growth as the product of (a) the
19 growth in shares outstanding, and (b) that portion of the market-to-book ratio that
20 exceeds unity. As shown in Schedule-RBH-D3, all of the components of the Retention
21 Growth model can be derived from data provided by Value Line.

1 Q. How did you calculate the high and low DCF results?

2 A. I calculated the proxy group mean high DCF results by using the maximum EPS growth
3 rate as reported by Value Line, Zack's, First Call and the Retention Growth estimate for
4 each proxy group company in combination with the dividend yield for each of the proxy
5 group companies. The proxy group mean high results then reflect the average of the
6 maximum DCF results for the proxy group as a whole. I used a similar approach to
7 calculate the proxy group mean low results using instead the minimum of the Value Line,
8 Zack's, First Call and the Retention Growth estimate for each proxy group company.

9 Q. What are the results of your Quarterly Growth DCF analysis?

10 A. My Quarterly Growth DCF results are summarized in Table 2, below (*see* also Schedule-
11 RBH-D1).

12 **Table 2: Quarterly Growth DCF Results¹²**

	<i>Mean Low</i>	<i>Mean</i>	<i>Mean High</i>
30-Day Average	7.96%	9.68%	11.81%
90-Day Average	7.82%	9.54%	11.66%
180-Day Average	7.87%	9.60%	11.72%

13

14 ***Constant Growth DCF Model***

15 Q. What assumptions are required for the Constant Growth DCF model?

16 A. The Constant Growth DCF model assumes: (1) a constant average annual growth rate for
17 earnings and dividends; (2) a stable dividend payout ratio; (3) a constant price-to-
18 earnings multiple; and (4) a discount rate greater than the expected growth rate. Under
19 those assumptions, dividends, earnings, book value, and the stock price all grow at the

¹² DCF results presented in Table 2 are unadjusted (*i.e.*, prior to any adjustment for flotation costs).

1 same, constant rate.

2 Q. What market data did you use to calculate the dividend yield component of your DCF
3 model?

4 A. The dividend yield is based on the proxy companies' current annualized dividend, and
5 average closing stock prices over the 30-, 90-, and 180-trading day periods as of
6 November 30, 2012.

7 Q. Did you make any adjustments to the dividend yield to account for periodic growth in
8 dividends?

9 A. Yes. Since utilities increase their quarterly dividends at different times throughout the
10 year, it is reasonable to assume that dividend increases will be evenly distributed over
11 calendar quarters. Given that assumption, it is appropriate to calculate the expected
12 dividend yield by applying one-half of the long-term growth rate to the current dividend
13 yield.¹³ That adjustment ensures that the expected dividend yield is representative of the
14 coming twelve-month period, and does not overstate the dividends to be paid during that
15 time.

16 Q. What growth rates did you use in your Constant Growth DCF model analysis?

17 A. I used the same projected EPS growth rates as well as the Retention Growth estimate
18 applied in my Quarterly Growth DCF model analysis.

19 Q. Please summarize your inputs to the Constant Growth DCF model.

20 A. I used the following inputs for the price and dividend terms:

21 1. The average daily closing prices for the 30-, 90-, and 180-trading days
22 ended November 30, 2012, for the term P_0 ; and

¹³ See Schedule-RBH-D2.

1 2. The annualized dividend per share as of November 30, 2012, for the term

2 D_0 .

3 I then calculated my DCF results using each of the following growth terms:

- 4 1. The Zacks consensus long-term earnings growth estimates;
- 5 2. The First Call consensus long-term earnings growth estimates;
- 6 3. The Value Line long-term earnings growth estimates; and
- 7 4. An estimate of Retention Growth.

8 Q. What are the results of your Constant Growth DCF analysis?

9 A. My Constant Growth DCF results are summarized in Table 3, below (*see* also Schedule-
10 RBH-D2).

11 **Table 3: Constant Growth DCF Results¹⁴**

	<i>Mean Low</i>	<i>Mean</i>	<i>Mean High</i>
30-Day Average	7.83%	9.50%	11.56%
90-Day Average	7.70%	9.37%	11.42%
180-Day Average	7.75%	9.42%	11.48%

12
13 ***Multi-Stage DCF Model***

14 Q. What other forms of the DCF model have you used?

15 A. In order to address certain limiting assumptions underlying the Constant Growth form of
16 the DCF model, I also considered the results of the Multi-Stage (three-stage) DCF Model.
17 The Multi-Stage model, which is an extension of the Constant Growth form, enables the
18 analyst to specify growth rates over three distinct stages. As with the Constant Growth
19 form of the DCF model, the Multi-Stage form defines the Cost of Equity as the discount

¹⁴ DCF results presented in Table 3 are unadjusted (*i.e.*, prior to any adjustment for flotation costs).

1 rate that sets the current price equal to the discounted value of future cash flows. Unlike
2 the Constant Growth form, however, the Multi-Stage model must be solved in an iterative
3 fashion.

4 Q. Please generally describe the structure of your Multi-Stage model.

5 A. As noted above, the model sets the subject company's stock price equal to the present
6 value of future cash flows received over three "stages". In the first two stages, "cash
7 flows" are defined as projected dividends. In the third stage, "cash flows" equal both
8 dividends and the expected price at which the stock will be sold at the end of the period
9 (*i.e.*, the "terminal price"). I calculated the terminal price based on the Gordon model,
10 which defines the price as the expected dividend divided by the difference between the
11 Cost of Equity (*i.e.*, the discount rate) and the long-term expected growth rate. In
12 essence, the terminal price is defined by the present value of the remaining "cash flows"
13 in perpetuity. In each of the three stages, the dividend is the product of the projected
14 earnings per share and the expected dividend payout ratio. A summary description of the
15 model is provided in Table 4 (below).

1

Table 4: Multi-Stage DCF Structure

Stage	0	1	2	3
Cash Flow Component	Initial Stock Price	Expected Dividend	Expected Dividend	Expected Dividend + Terminal Value
Inputs	Stock Price Earnings Per Share (EPS) Dividends Per Share (DPS)	Expected EPS Expected DPS	Expected EPS Expected DPS	Expected EPS Expected DPS Terminal Value
Assumptions	30-, 90-, and 180-day average stock price	EPS Growth Rate Payout Ratio	Growth Rate Change Payout Ratio Change	Long-term Growth Rate Long-term Payout Ratio

2

3 Q. What are the analytical benefits of your three-stage model?

4 A. The primary benefits relate to the flexibility provided by the model’s formulation. Since
5 the model provides the ability to specify near, intermediate and long-term growth rates,
6 for example, it avoids the sometimes limiting assumption that the subject company will
7 grow at the same, constant rate in perpetuity. In addition, by calculating the dividend as
8 the product of earnings and the payout ratio, the model enables analysts to reflect
9 assumptions regarding the timing and extent of changes in the payout ratio to reflect, for
10 example, increases or decreases in expected capital spending, or transition from current
11 payout levels to long-term expected levels. In that regard, because the model relies on
12 multiple sources of earnings growth rate assumptions, it is not limited to a single source,
13 such as Value Line, for all inputs, and mitigates the potential bias associated with relying
14 on a single source of growth estimates.¹⁵

¹⁵ See, for example, Harris and Marston, *Estimating Shareholder Risk Premia Using Analysts’ Growth Forecasts*, Financial Management, 21 (Summer 1992).

1 The model also enables the analyst to assess the reasonableness of the inputs and
2 results by reference to certain market-based metrics. For example, the stock price
3 estimate can be divided by the expected earnings per share in the final year to calculate
4 an average Price to Earnings (P/E) ratio. Similarly, the terminal P/E ratio can be divided
5 by the terminal growth rate to develop a Price to Earnings Growth (PEG) ratio. To the
6 extent that either the projected P/E or PEG ratios are inconsistent with either historical or
7 expected levels, it may indicate incorrect or inconsistent assumptions within the balance
8 of the model.

9 Q. Please summarize your inputs to the Multi-Stage DCF model.

10 A. I applied the Multi-Stage model to the proxy group described earlier in my Direct
11 Testimony. My assumptions with respect to the various model inputs are described in
12 Table 5 (below).

1

Table 5: Multi-Stage DCF Model Assumptions

Stage	Initial	First	Transition	Terminal
Stock Price	30-, 90-, and 180-day average stock price as of November 30, 2012			
Earnings Growth	2011 actual EPS escalated by Period 1 growth rate	EPS growth as average of (1) Value Line; (2) Zacks; (3) First Call; (4) Retention Growth rates	Transition to Long-term GDP growth	Long-term GDP growth
Payout Ratio		Value Line company-specific	Transition to long-term industry payout ratio	Long-term expected payout ratio
Terminal Value				Expected dividend in final year divided by solved Cost of Equity less long-term growth rate

2

1 Q. How did you calculate the long-term Gross Domestic Product (GDP) growth rate?

2 A. The long-term growth rate of 5.80 percent is based on the real GDP growth rate of 3.24
3 percent from 1929 through 2011,¹⁶ and an inflation rate of 2.48 percent.¹⁷ The GDP
4 growth rate is calculated as the compound growth rate in the chain-weighted GDP for the
5 period from 1929 through 2011. The rate of inflation of 2.48percent is a compound
6 annual forward rate starting in ten years (*i.e.*, 2022, which is the beginning of the terminal
7 period) and is based on the 30-day average projected inflation based on the spread
8 between yields on long-term nominal Treasury Securities and long-term Treasury
9 Inflation Protected Securities, known as the “TIPS spread”.

10 In essence, my real GDP growth rate projection is based on the assumption that
11 absent specific knowledge to the contrary, it is reasonable to assume that over time, real
12 GDP growth will revert to its long-term mean. Furthermore, since estimating the Cost of
13 Equity is a market-based exercise, it is important to reflect the sentiments and
14 expectations of investors to the extent possible. In that important respect, the TIPS
15 spread represents the collective views of investors regarding long-term inflation
16 expectations. Equally important, by using forward yields, we are able to infer the level of
17 long-term inflation expected by investors as of the terminal period of the Multi-Stage
18 model (that is, ten years in the future).

19 Q. What were your specific assumptions with respect to the payout ratio?

20 A. As noted in Table 5, for the first two periods, I relied on the first year and long-term
21 projected payout ratios reported by Value Line¹⁸ for each of the proxy group companies.

¹⁶ See Bureau of Economic Analysis, November 29, 2012 update.

¹⁷ See Board of Governors of the Federal Reserve System, Table H.15 Selected Interest Rates.

¹⁸ As reported in the Value Line Investment Survey as “All Div’ds to Net Prof.”

1 I then assumed that by the end of the second period (*i.e.*, the end of year 10), the payout
2 ratio will converge to the industry expected ratio of 69.79 percent.¹⁹

3 ***Discounted Cash Flow Model Results***

4 Q. Have you considered the mean low results of your DCF models in determining your
5 recommended ROE range?

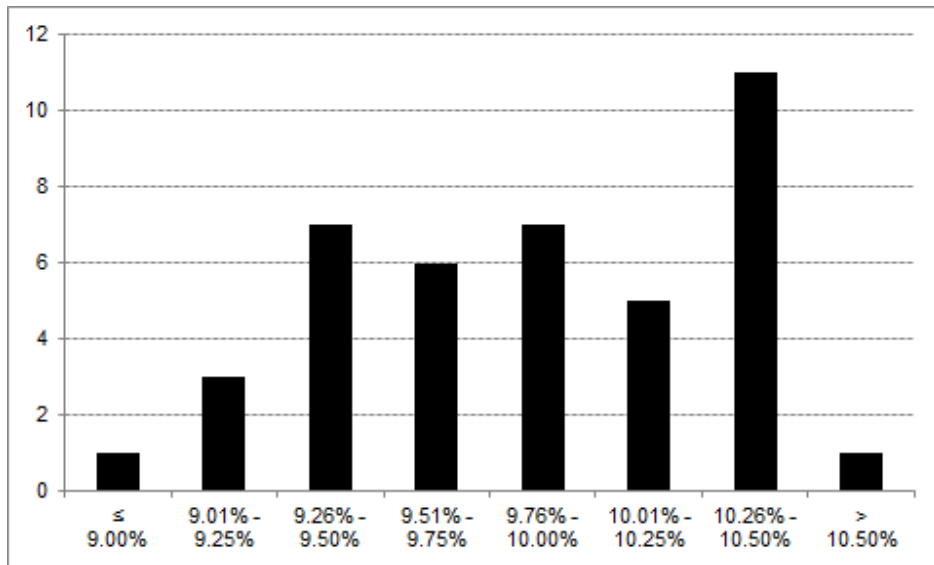
6 A. No. The mean low results of my DCF models are far below any reasonable estimation of
7 the Company's ROE. In fact, of the 956 rate cases in which an authorized ROE has been
8 disclosed since 1980, there has been only one instance in which the authorized ROE was
9 below 9.00 percent for a natural gas utility in any jurisdiction.²⁰ That authorized ROE,
10 8.83 percent, is still approximately 95 to 120 basis points higher than the mean low
11 results of my Quarterly Growth DCF and Constant Growth DCF models. In fact, from
12 January 1, 2011 through November 30, 2012, the median authorized ROE was 10.00
13 percent. Chart 1 (below), shows that the most frequently authorized ROE over that period
14 was between 10.25 percent and 10.50 percent.

¹⁹ Source: Bloomberg Professional

²⁰ Source: SNL Financial

1 **Chart 1: Frequency of Natural Gas Authorized ROEs**

2 **(January 1, 2011 – November 30, 2012)**



3 In that regard, Baird Equity Research has also noted that, “[i]nvestors view a
4 10.0% authorized ROE as an acceptable floor. Authorized ROEs materially below that
5 level are typically viewed negatively by investors.”²¹ As such, I did not consider the
6 mean low results from the three DCF models when determining the appropriate ROE for
7 Laclede Gas.

8 Q. If you do not believe the mean low results of your DCF models are reasonable, why have
9 you provided them throughout your Direct Testimony?

10 A. While I do not believe any weight should be given to the mean low DCF results, I believe
11 it is important to provide transparency in the presentation of analyses. As such, I have
12 presented the mean low results, which reflect the converse calculation of the mean high
13 results.

²¹ Baird Equity Research, *Utilities: Initial Publication of Baird’s Regulatory Toolkit*, September 20, 2011, at 3.

1 Q. Please summarize the results of your DCF analyses.

2 A. Table 6 (below) (*see* also Schedule-RBH-D1, Schedule-RBH-D2 and Schedule-RBH-D4)
3 presents the results of the Quarterly Growth, Constant Growth and Multi-Stage DCF
4 analyses. Setting aside the low results, the Quarterly Growth DCF produces a range of
5 results from 9.53 percent to 11.81percent. The Constant Growth DCF model produces a
6 range of results from 9.37 percent to 11.56 percent. The Multi-Stage DCF analysis
7 produces a range of results from 10.05 percent to 11.01 percent.

8 **Table 6: Summary of DCF Model Results²²**

	<i>Mean Low</i>	<i>Mean</i>	<i>Mean High</i>
<i>Quarterly Growth DCF Results</i>			
30-Day Average	7.96%	9.68%	11.81%
90-Day Average	7.82%	9.54%	11.66%
180-Day Average	7.87%	9.60%	11.72%
<i>Constant Growth DCF Results</i>			
30-Day Average	7.83%	9.50%	11.56%
90-Day Average	7.70%	9.37%	11.42%
180-Day Average	7.75%	9.42%	11.48%
<i>Multi-Stage DCF Results</i>			
	<i>Low</i>	<i>Mean</i>	<i>High</i>
30-Day Average	9.50%	10.19%	11.01%
90-Day Average	9.40%	10.05%	10.83%
180-Day Average	9.43%	10.11%	10.90%

9

10 Q. Did you undertake any additional analyses to support your recommendation?

11 A. Yes. As noted earlier, I also applied the CAPM and Risk Premium analyses in estimating
12 the Company's Cost of Equity.

²² DCF results presented in Table 6 are unadjusted (*i.e.*, prior to any adjustment for flotation costs).

1 **CAPM Analysis**

2 Q. Please briefly describe the general form of the CAPM analysis.

3 A. The CAPM analysis is a risk premium approach that estimates the Cost of Equity for a
4 given security as a function of a risk-free return plus a risk premium (to compensate
5 investors for the non-diversifiable or “systematic” risk of that security). As shown in
6 Equation [5], the CAPM is defined by four components, each of which theoretically must
7 be a forward-looking estimate:

8
$$k = r_f + \beta(r_m - r_f) \quad \text{Equation [5]}$$

9 where:

10 k = the required market ROE for a security;

11 β = the Beta coefficient of that security;

12 r_f = the risk-free rate of return; and

13 r_m = the required return on the market as a whole.

14 In Equation [5], the term $(r_m - r_f)$ represents the Market Risk Premium.²³

15 According to the theory underlying the CAPM, since unsystematic risk can be diversified
16 away by adding securities to their investment portfolio, investors should be concerned
17 only with systematic or non-diversifiable risk. Non-diversifiable risk is measured by the
18 Beta coefficient, which is defined as:

19
$$\beta_j = \frac{\sigma_j}{\sigma_m} \times \rho_{j,m} \quad \text{Equation [6]}$$

20 Where σ_j is the standard deviation of returns for company “j,” σ_m is the standard
21 deviation of returns for the broad market (as measured, for example, by the S&P 500

²³ The Market Risk Premium is defined as the incremental return of the market over the risk-free rate.

1 Index), and $\rho_{j,m}$ is the correlation of returns in between company j and the broad market.
2 The Beta coefficient therefore represents both relative volatility (*i.e.*, the standard
3 deviation) of returns, and the correlation in returns between the subject company and the
4 overall market.

5 Intuitively, higher Beta coefficients indicate that the subject company's returns
6 have been relatively volatile, and have moved in tandem with the overall market.
7 Consequently, if a company has a Beta coefficient of 1.00, it is as risky as the market and
8 does not provide any diversification benefit.

9 Q. Has the CAPM been affected by recent economic conditions?

10 A. Yes. For example, the risk-free rate, " r_f ," is represented by the yield on long-term U.S.
11 Treasury securities. During periods of increased equity market volatility, investors tend
12 to allocate their capital to low-risk securities such as Treasury bonds, thereby bidding
13 down the yield on those securities. In addition, since the 2008 Lehman Brothers
14 bankruptcy filing, the Federal Reserve has focused on maintaining low long-term interest
15 rates. However, the capital markets continue to change by some measures quite
16 significantly. For example, over the 90 trading days ended November 30, 2012, the 30-
17 year Treasury yield ranged from a low of 2.46 percent to a high of 3.09 percent. In
18 addition (and as discussed later in my Direct Testimony), the Equity Risk Premium is not
19 constant, and tends to move in the opposite direction as changes in interest rates occur.
20 Consequently, the CAPM results can be relatively volatile.

21 Q. With those observations in mind, what assumptions did you include in your CAPM
22 analysis?

23 A. Since utility assets represent long-term investments, I used two different estimates of the

1 risk-free rate: (1) the current 30-day average yield on 30-year Treasury bonds (*i.e.*, 2.85
2 percent); and (2) the near-term projected 30-year Treasury yield (*i.e.*, 3.15 percent).²⁴

3 Q. Why have you relied upon the 30-year Treasury yield for your CAPM analysis?

4 A. In determining the security most relevant to the application of the CAPM, it is important
5 to select the term (or maturity) that best matches the life of the underlying investment.
6 Natural gas utilities typically are long-duration investments and as such, the 30-year
7 Treasury yield is more suitable for the purpose of calculating the Cost of Equity.

8 Q. What Market Risk Premium did you use in your CAPM analysis?

9 A. Because the model is forward-looking, I developed two forward-looking estimates of the
10 Market Risk Premium. The first approach uses the market required return, less the current
11 30-year Treasury bond yield. To estimate the market required return, I calculated the
12 average ROE based on the Constant Growth DCF model. To do so, I relied on data from
13 Bloomberg and Capital IQ, respectively. For both Bloomberg and Capital IQ, I
14 calculated the average expected dividend yield (using the same one-half growth rate
15 assumption described earlier) and combined that amount with the average projected
16 earnings growth rate to arrive at the average DCF result. I then subtracted the current 30-
17 year Treasury yield from that amount to arrive at the market DCF-derived *ex-ante* Market
18 Risk Premium estimate. The results of those two calculations are provided in Schedule-
19 RBH-D5.

20 Q. Please describe the second approach.

21 A. The second approach is based on fundamental financial principle that investors require

²⁴ See Blue Chip Financial Forecasts, Vol. 31, No. 11, November 1, 2012, at 2. Consensus projections of the 30-year Treasury yield for the six quarters ending March 2014. As noted above, the 30-year Treasury yield ranged from 2.46 percent to 3.09 percent in the 90 trading days ending November 30, 2012.

1 higher returns for higher risk. In essence, this approach uses market-based data to
2 determine whether investors expect future risk to be higher, lower, or approximately
3 equal to historical market risk. To the extent the market expects risk to be higher than
4 historical levels, the Market Risk Premium would be higher than historical levels; the
5 converse also is true.

6 In terms of its application, this approach relies on the Sharpe Ratio, which is the
7 ratio of the long-term average Risk Premium for the S&P 500 Index, to the risk of that
8 index.²⁵ The formula I used for calculating the Sharpe Ratio is expressed as follows:

$$S_x = \frac{(R_x - R_f)}{\sigma_x} \quad \text{Equation [7]}$$

9 where:

11 S_x = Sharpe Ratio for the S&P 500 Index;

12 R_x = the average return of the S&P 500;

13 R_f = the rate of return of a risk-free security; and

14 σ_x = the standard deviation of the return on the S&P 500.

15 As shown in Schedule-RBH-D5, I calculated the constant Sharpe Ratio as the ratio of the
16 historical Market Risk Premium of 6.60 percent (the numerator of Equation [7] above)
17 and the historical standard deviation of 20.30 percent (the denominator of Equation [7]).²⁶

18 Equation[7] can be re-arranged as:

²⁵ The Sharpe Ratio is relied upon by financial professionals to assess the incremental return received for holding a risky (*i.e.*, more volatile) asset rather than a risk-free (*i.e.*, less volatile) asset. Risk is measured by the standard deviation of returns. That is, the higher the volatility of returns, the greater the risk.

²⁶ The standard deviation is calculated from data provided by Morningstar in its annual Valuation Yearbook. (See, Morningstar Inc., Ibbotson SBBI 2012 Valuation Yearbook, Large Company Stocks: Total Returns Table B-1, at 168-169). I recognize that the VIX forward settlement prices are liquid for approximately six to eight months; nonetheless, that data represents a market-based measure of expected volatility that should be considered in estimating the *ex-ante* Market Risk Premium.

1
$$MRP = S_x \times \sigma_{ex} \quad \text{Equation [8]}$$

2 Equation [8] basically states that the expected Market Risk Premium is determined
3 by investors' historical required return per unit of risk (the historical Sharpe Ratio) times
4 expected market risk. To measure expected market risk, I used the 30-day average of the
5 Chicago Board Options Exchange's (CBOE) three-month volatility index (*i.e.*, the VXV)
6 and the average of settlement prices over the same 30-day period of futures on the
7 CBOE's one-month volatility index (*i.e.*, the VIX) for April 2013 through June 2013. Both
8 of those indices are market-based, observable measures of investors' expectations
9 regarding future market volatility.

10 Q. What Beta coefficient did you use in your CAPM model?

11 A. With respect to the Beta coefficient, I considered two methods of calculation. My first
12 approach simply employs the average reported Beta coefficient from Bloomberg and
13 Value Line for each of the proxy group companies. While both of those services adjust
14 their calculated (or "raw") Beta coefficients to reflect the tendency of the Beta coefficient
15 to regress to the market mean of 1.00, Value Line calculates the Beta coefficient over a
16 five-year period, while Bloomberg's calculation is based on two years of data. I also
17 calculated Beta coefficients over a more recent time period to provide a more current
18 view as to investors' perspectives with respect to the systematic risk represented by the
19 proxy group companies.

20 Q. Please describe how you calculated the mean adjusted Beta coefficient for your proxy
21 group.

22 A. As shown in Equation [6], the Beta coefficient is calculated as the ratio of the standard
23 deviation of returns for the subject company and the market, respectively, multiplied by

1 the correlation of returns between the two. I therefore calculated the “raw” Beta
2 coefficient for each member of the proxy group, based on Equation [6], and adjusted
3 those raw Beta coefficients to address the tendency to regress toward the market Beta
4 coefficient of unity. For the purpose of that calculation, I used weekly returns, and
5 calculated the standard deviation and correlations over the twelve month period ended
6 November 30, 2012. Averaging those results produces an adjusted Beta coefficient of
7 0.701.

8 Q. How and why did you adjust the raw Beta Coefficient?

9 A. I adjusted my raw Beta coefficient consistent with the methodology used by Bloomberg,
10 which multiplies the raw Beta coefficient by 0.67, and adds 0.33 to that product. The
11 purpose of that adjustment is to reflect the results of substantial academic research
12 indicating that, over time, raw Beta coefficients tend to regress to the market mean of
13 1.00.²⁷

14 Q. Please explain why you relied on a twelve-month estimate of the proxy group mean
15 adjusted Beta Coefficient.

16 A. As discussed above, the Market Risk Premium tends to change over time. In my view,
17 the use of Beta Coefficients calculated over shorter periods is consistent with the notion
18 that market conditions, and the risk premium required by investors in response to those
19 conditions, also may change over shorter periods. In any case, by relying on both Value
20 Line and Bloomberg, my CAPM analysis reflects Beta Coefficients calculated over
21 longer periods, as well.

²⁷ The regression tendency of Beta coefficients to converge to 1.0 over time is well known and widely discussed in financial literature. (See, e.g., Blume, Marshall E., *On the Assessment of Risk*, The Journal of Finance, Vol. 26, No. 1, March 1971, at 1-10).

1 Q. Is your calculated Beta Coefficient reasonable relative to those calculated by Value Line
2 and Bloomberg?

3 A. Yes, it is. As shown in Schedule-RBH-D6, the proxy group average Value Line,
4 Bloomberg, and Calculated Beta Coefficients are 0.67, 0.76, and 0.70, respectively. In
5 light of the market dynamics noted earlier, the calculated Beta Coefficient reasonably
6 reflects current conditions, although it is not materially different than those provided by
7 Value Line and Bloomberg.

8 Q. What are the results of your CAPM analysis?

9 A. The results of my CAPM analysis are summarized in Table 7, below (*see* also Schedule-
10 RBH-D7).

11 **Table 7: Summary of CAPM Results**

	<i>Sharpe Ratio Derived Market Risk Premium</i>	<i>Bloomberg Derived Market Risk Premium</i>	<i>Capital IQ Derived Market Risk Premium</i>
<i>Average Calculated Beta Coefficient</i>			
Current 30-Year Treasury (2.85%)	7.77%	9.98%	9.96%
Near Term Projected 30-Year Treasury (3.15%)	8.07%	10.28%	10.26%
<i>Average Bloomberg Beta Coefficient</i>			
Current 30-Year Treasury (2.85%)	8.16%	10.55%	10.54%
Near Term Projected 30-Year Treasury (3.15%)	8.47%	10.86%	10.84%
<i>Average Value Line Beta Coefficient</i>			
Current 30-Year Treasury (2.85%)	7.54%	9.65%	9.63%
Near Term Projected 30-Year Treasury (3.15%)	7.84%	9.95%	9.93%

12

13 ***Bond Yield Plus Risk Premium Approach***

14 Q. Please generally describe the Bond Yield Plus Risk Premium approach.

15 A. This approach is based on the basic financial tenet that, since equity investors bear the

1 residual risk of ownership, their returns are subject to more risk than are the returns to
2 bondholders. As such, equity holders require a premium over the returns available to
3 debt holders. Risk premium approaches, therefore, estimate the Cost of Equity as the
4 sum of an Equity Risk Premium²⁸ and a bond yield. The Equity Risk Premium is the
5 difference between the historical Cost of Equity and long-term Treasury yields. Since we
6 are calculating the risk premium for natural gas utilities, a reasonable approach is to use
7 actual authorized returns for natural gas utilities as the historical measure of the Cost of
8 Equity.

9 Q. Please explain how you performed your Bond Yield Plus Risk Premium analysis.

10 A. As discussed above, I first defined the Risk Premium as the difference between
11 authorized ROEs and the then-prevailing level of long-term (*i.e.*, 30-year) Treasury yield.
12 I then gathered data from 956 natural gas rate proceedings between January 1, 1980 and
13 November 30, 2012. In addition to the authorized ROE, I also calculated the average
14 period between the filing of the case and the date of the final order (the lag period). In
15 order to reflect the prevailing level of interest rates during the pendency of the
16 proceedings, I calculated the average 30-year Treasury yield over the average lag period
17 (approximately 188 days).

18 Because the data covers a number of economic cycles,²⁹ the analysis also may be
19 used to assess the stability of the Equity Risk Premium. As noted above, the Equity Risk
20 Premium is not constant over time; prior research has shown that it is directly related to

²⁸ The Equity Risk Premium is defined as the incremental return that an equity investment provides over a risk-free rate.

²⁹ See National Bureau of Economic Research, *U.S. Business Cycle Expansion and Contractions*.

1 expected market volatility, and inversely related to the level of interest rates.³⁰ That
2 finding is particularly relevant given the historically low level of current Treasury yields.

3 Q. How did you model the relationship between interest rates and the Equity Risk Premium?

4 A. The basic method used was regression analysis, in which the observed Equity Risk
5 Premium is the dependent variable, and the average 30-year Treasury yield is the
6 independent variable. Relative to the long-term historical average, the analytical period
7 includes interest rates and authorized ROEs that are quite high during one period (*i.e.*, the
8 1980s) and that are quite low during another (*i.e.*, the post-Lehman bankruptcy period).
9 To account for that variability, I used the semi-log regression, in which the Equity Risk
10 Premium is expressed as a function of the natural log of the 30-year Treasury yield:

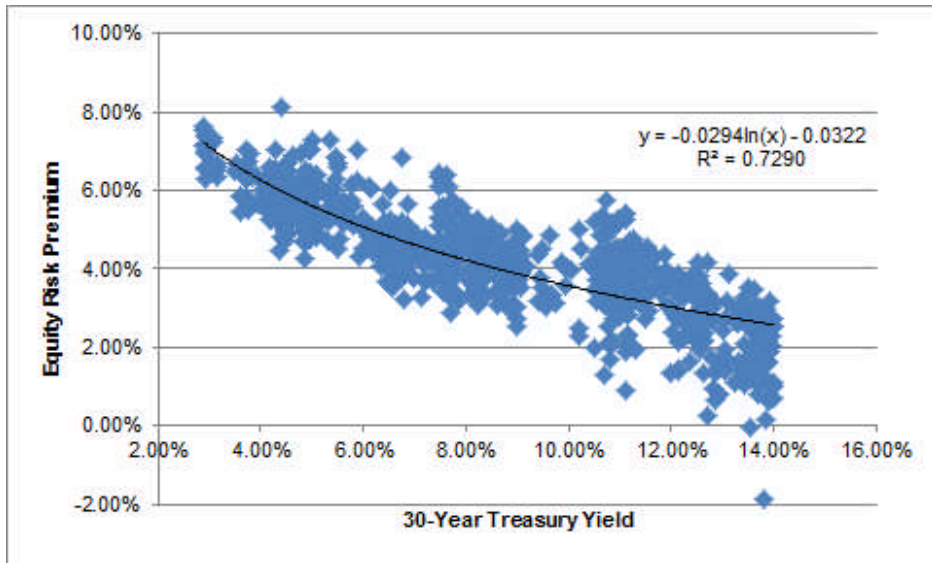
$$RP = \alpha + \beta(\text{LN}(T_{30})) \quad \text{Equation [9]}$$

12 As shown on Chart 2 (below), the semi-log form is useful when measuring an
13 absolute change in the dependent variable (in this case, the Risk Premium) relative to a
14 proportional change in the independent variable (the 30-year Treasury yield).

³⁰ See, e.g., Robert S. Harris and Felicia C. Marston, *Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts*, Financial Management, Summer 1992, at 63-70; Eugene F. Brigham, Dilip K. Shome, and Steve R. Vinson, *The Risk Premium Approach to Measuring a Utility's Cost of Equity*, Financial Management, Spring 1985, at 33-45; and Farris M. Maddox, Donna T. Pippert, and Rodney N. Sullivan, *An Empirical Study of Ex Ante Risk Premiums for the Electric Utility Industry*, Financial Management, Autumn 1995, at 89-95.

1

Chart 2: Equity Risk Premium



2

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As Chart 2 illustrates, over time there has been a statistically significant, negative relationship between the 30-year Treasury yield and the Equity Risk Premium. Consequently, simply applying the long-term average Equity Risk Premium of 4.37 percent would significantly understate the Cost of Equity and produce results well below any reasonable estimate. Based on the regression coefficients in Chart 2, however, the implied ROE is between 10.11 percent and 10.73 percent (*see* Schedule-RBH-D8 and Table 8, below).

10

Table 8: Bond Yield Plus Risk Premium Results

Treasury Yield	Return on Equity
Current 30-Year Treasury (2.85%)	10.11%
Near Term Projected 30-Year Treasury (3.15%)	10.11%
Long Term Projected 30-Year Treasury (5.30%)	10.73%

11

1 **VI. BUSINESS RISKS AND OTHER CONSIDERATIONS**

2 Q. What additional information did you consider in assessing the analytical results noted
3 above?

4 A. Because the analytical methods discussed above provide a range of estimates, there are
5 several additional factors that should be taken into consideration when establishing a
6 reasonable range for the Company's Cost of Equity. Those factors include (1) the risks
7 associated with the Company's need to fund substantial future capital expenditures;(2)
8 the revenue stabilization mechanisms employed by the Company relative to the proxy
9 group companies; (3) flotation costs associated with equity issuances; and (4) other
10 considerations including the corporate dividend tax rate and the Company's financial
11 integrity.

12 ***Planned Capital Expenditures***

13 Q. Please briefly summarize the Company's capital investment plans.

14 A. The Company's capital expenditure program is significant. For fiscal 2012, the
15 Company's capital expenditure budget was \$106 million and is projected to be \$113
16 million for fiscal 2013. By comparison, the average capital investment from 2008 to
17 2011 was \$57.6 million.³¹ Relative to the Company's current assets, the total investment
18 for 2012 and 2013 represents more than 20.00 percent of its 2012 average net plant.³²

19 Q. Why is it important for the Company to be allowed the opportunity to earn a return that is
20 adequate to attract capital at reasonable terms in light of its capital expenditure program?

21 A. The allowed ROE should enable the Company to finance capital expenditures and

³¹ See Laclede Gas Company, SEC Form 10-K for the fiscal year ended September 30, 2012, at 23 and 40.
³² *Ibid.*

1 working capital requirements at reasonable rates and maintain financial integrity during a
2 variety of economic and capital market conditions. A return that is adequate to attract
3 capital at reasonable terms enables the Company to provide safe, reliable service while
4 maintaining its financial soundness.

5 The ratemaking process is premised on the principle that, in order for investors
6 and companies to commit the capital needed to provide safe and reliable utility services,
7 the utility must have the opportunity to recover the return of, and the market-required
8 return on invested capital. Regulatory commissions recognize that since utility
9 operations are capital intensive, regulatory decisions should enable the utility to attract
10 capital at reasonable terms; doing so balances the long-term interests of the utility and its
11 ratepayers.

12 The financial community carefully monitors the current and expected financial
13 condition of utility companies, as well as the regulatory environment in which they
14 operate. In that respect, the regulatory environment is one of the most important factors
15 considered in both debt and equity investors' assessments of risk. This is especially
16 important during a period of significant capital spending when the Company may require
17 access to capital markets.

18 Q. Do credit rating agencies recognize risks associated with increased capital expenditures?

19 A. Yes, they do. From a credit perspective, the additional pressure on cash flows associated
20 with high levels of capital expenditures exerts corresponding pressure on credit metrics
21 and, therefore, credit ratings. S&P has noted that:

22 The real challenge for the industry is the combination of slow growth and
23 huge investment needs. We believe that for the remainder of 2012 and
24 beyond, state regulation will continue to be the single most influential
25 factor for the sector's credit quality. Cost increases, construction projects,

1 environmental compliance, and other public policy directives, together
2 with lackluster growth, will necessitate continued reliance on rate relief
3 requests.³³

4 The rating agency views noted above also are consistent with certain observations
5 discussed earlier in my Direct Testimony: (1) the benefits of maintaining a strong
6 financial profile are significant when capital access is required, and become particularly
7 acute during periods of market instability; and (2) the Commission's decision in this
8 proceeding will have a direct bearing on the Company's credit profile, and its ability to
9 access the capital needed to fund its investments.

10 Q. Are equity investors also concerned with comparatively high levels of capital
11 expenditures?

12 A. Yes, equity investors also recognize the pressure on cash flows associated with relatively
13 high levels of capital expenditures. For example, in a quarterly review of the electric
14 utility industry, KeyBanc Capital Markets ("KeyBanc"), noted that:

15 Credit and liquidity concerns have driven many companies to revisit
16 capital spending plans and reassess operational efficiencies. The primary
17 response has generally been to delay projects, as opposed to outright
18 cancellation. Initially, reductions in capital programs were a function of
19 lower growth, which eliminated the need for growth-related capital
20 spending on items such as line extensions and new substations. However,
21 as difficult economic conditions persist, the cuts have grown more
22 extensive, with deferrals in non-core maintenance spending, reevaluating
23 the cost-effectiveness of running older inefficient power plants and
24 pursuing company restructurings or mergers.³⁴

25 More recently, KeyBanc noted that:

26 While recent prices may have come off of their earlier highs due to the
27 global economic crisis slowing construction demand, we believe the long-

³³ S&P RatingsDirect, *Industry Economic and Ratings Outlook: U.S. Regulated Utilities Will Likely Stay On A Stable Trajectory For The Rest Of 2012 And Into 2013*, dated July 17, 2012, at 6.

³⁴ KeyBanc Capital Markets Inc., *Electric Utilities Quarterly 4Q10*, March 2011, page 7.

1 term trend of rising construction materials costs could resume as the
2 global economy rebounds. The cost of building new generation remains a
3 moving target, as worldwide demand for construction materials
4 commodities (steel, concrete and copper), labor and components (turbines
5 and boilers) would remain fundamentally strong, driven by a rebound in
6 the U.S. and Chinese economies and required compliance with future U.S.
7 environmental regulations. We believe this presents challenges to both
8 unregulated and regulated investment in new generation plants. In
9 particular, on the regulated side, there exists a chicken-and-egg problem in
10 that securing pricing without a regulatory buy-in is as difficult as receiving
11 regulatory pre-approval without firm pricing.³⁵

12 Q. What are your conclusions regarding the effect of the Company's capital spending plans
13 on its risk profile?

14 A. The Company's capital expenditure program is significant. The financial community
15 recognizes the additional risks associated with substantial capital expenditures and the
16 financing, regulatory and operating risks associated with those plans. The Company must
17 have access to the capital markets on a timely basis and at reasonable cost rates in order
18 to fund those investments. As such, the Commission's decision in this proceeding will
19 have a direct bearing the Company's ability to maintain its credit profile, and its ability to
20 access the capital market. It is my view, therefore, that Laclede Gas's capital investment
21 plan remains an important consideration in establishing its ROE and overall Rate of
22 Return.

23 ***Revenue Stabilization Mechanisms***

24 Q. Have you considered the Company's current tariff mechanisms in your assessment of the
25 appropriate ROE?

26 A. Yes. As shown in Schedule-RBH-D9, each of the companies in my proxy group employs

³⁵ KeyBanc Capital Markets Inc., *Electric Utilities Quarterly 3Q11*, December 2011, page 17.

1 a decoupling mechanism in at least one of their operating jurisdictions. In light of its
2 current rate design, on a relative basis, the Company has a higher relative risk profile than
3 the proxy group companies. My recommended ROE reflects the Company's higher risk
4 relative to the proxy group.

5 Q. Please describe the effect of the Company's tariff mechanisms on timely recovery of
6 infrastructure investments and expenses.

7 A. The Company has in place both infrastructure investment and expense recovery
8 mechanisms.³⁶ While those mechanisms provide for timely recovery of investments
9 made, and expenses incurred by Laclede Gas, as shown in Schedule-RBH-D9, each of the
10 companies in my proxy group employs similar mechanisms. In that regard, the Company
11 is comparable to the proxy group.

12 *Flotation Costs*

13 Q. What are flotation costs?

14 A. Flotation costs are the costs associated with the sale of new issues of common stock.
15 These include out-of-pocket expenditures for preparation, filing, underwriting, and other
16 costs of issuance.

17 Q. Are flotation costs part of the utility's invested costs or part of the utility's expenses?

18 A. Flotation costs are part of capital costs, which are properly reflected on the balance sheet
19 under "paid in capital" rather than current expenses on the income statement. Flotation
20 costs are incurred over time, just as investments in rate base or debt issuance costs. As a
21 result, the great majority of flotation costs are incurred prior to the test year, but remain

³⁶ Regulatory Research Associates "Adjustment Clauses and Rate Riders," March 21, 2012; American Gas Association "Innovative Rates, Non-Volumetric Rates, and Tracking Mechanisms: Current List, March 2012."

1 part of the cost structure during the test year and beyond.

2 Q. How did you calculate the flotation cost recovery adjustment?

3 A. I modified the DCF calculation to provide a dividend yield that would reimburse
4 investors for issuance costs. My flotation cost adjustment recognizes the costs of issuing
5 equity that were incurred by Laclede Group and the proxy group companies in their most
6 recent two issuances. As shown in Schedule-RBH-D10, an adjustment of 0.15 percent
7 (*i.e.*, 15 basis points) reasonably represents flotation costs for the Company.

8 Q. Are you proposing to adjust your recommended ROE by 15 basis points to reflect the
9 effect of flotation costs on Laclede Gas's ROE?

10 A. No. Rather, I have considered the effect of flotation costs, in addition to the Company's
11 other business risks, in determining where the Company's ROE falls within the range of
12 results.

13 ***Other Considerations***

14 Q. Could the potential increase in the corporate dividend tax rate affect the Company's Cost
15 of Equity?

16 A. Yes, it could. As part of the President's proposed Fiscal 2013 budget plan, the tax rate on
17 corporate dividends would increase substantially for some taxpayers as it allows tax cuts
18 approved in 2003 to expire.³⁷ An increase in the tax rate on dividends would provide less
19 of an incentive to invest in companies, such as Laclede Group, that provide dividends. In
20 a 2010 resolution in support of retaining the lower dividend tax rates, the National
21 Association of Regulatory Utility Commissioners ("NARUC") stated that:

³⁷ Deborah Solomon, *What Corporate America Knows About the Fiscal Cliff*, Bloomberg, November 29, 2012.

1 Raising dividend tax rates would make it more difficult for dividend-
2 paying companies – such as electric, gas, and water utilities – to attract
3 investors. This is uniquely significant because the utility industry,
4 which is extremely capital-intensive, relies on investors to raise the
5 funds necessary to finance critical infrastructure projects.³⁸

6 To that point, Chief Financial Officers from large utility companies recently met with
7 Congress to discuss the effect of a potential dividend tax increase. Of particular
8 importance was the issue of parity between the capital gains tax and the dividend tax. As
9 it currently stands, capital gains are set to be taxed at 20.00 percent, while dividends are
10 to be taxed as ordinary income, which would be at a rate as high as 39.60 percent. This
11 disparity places dividend paying companies at a disadvantage relative to non-dividend
12 paying companies.³⁹ Given the uncertainty as to the eventual resolution of the dividend tax
13 increase, it is not clear that the effect is fully reflected in market prices. That uncertainty,
14 however, represents an additional area of risk that could affect the Company's Cost of
15 Equity.

16 Q. Have you also considered how your recommended ROE, if adopted, would affect the
17 Company's credit metrics?

18 A. Yes, I considered pro forma credit metrics that correspond to a measure disclosed by
19 companies in their SEC Form 10-K filings, *i.e.*, the ratio of earnings to fixed charges.⁴⁰
20 That ratio (sometimes referred to as the ratio of EBIT/Interest), which measures the
21 surplus of (1) the sum of pre-tax earnings and fixed charges over (2) fixed charges, is
22 meant to be a measure of long-term solvency.⁴¹

³⁸ *Resolution Urging Retention of the Lower Dividend Income Tax Rates*, National Association of Regulatory Utility Commissioners, November 29, 2010.

³⁹ Kim Dixon, *Power Company CFOs blitz Congress on dividend taxes*, Reuters, November 28, 2012.

⁴⁰ See, for example, Exhibit 12 to Laclede Group's SEC Form 10-K for the Year Ended September 30, 2012.

⁴¹ "EBIT" refers to Earnings Before Interest and Taxes. While fixed charges may include other items, it is primarily a measure of interest on long-term debt.

1 Q. How did you use those measures in assessing the reasonableness of the recommended
2 ROE?

3 A. I calculated the pro forma ratio based on my recommended ROE and the Company's
4 capital structure recommendations, together with certain elements of the Company's
5 filing. Schedule-RBH-D11 summarizes the results of those calculations. To put those
6 results in context, I compared the pro forma EBIT coverage ratios to those of each of my
7 proxy group companies, as reported by S&P Capital IQ. The intent of that analysis was
8 to understand whether my recommended ROE would support financial metrics that
9 would allow the company to maintain its credit profile.

10 Q. What did that analysis reveal?

11 A. The Company's pro forma EBIT/Interest ratio of 5.01 is generally consistent with
12 (although somewhat above) the proxy group average of 4.48. Therefore, the Company's
13 pro forma EBIT/Interest ratio, based on a recommended ROE of 10.50 percent, would
14 support the Company's financial integrity relative to its peers.

15 Q. What are the implications of these findings in relation to the Company's debt rating?

16 A. As discussed in Section VII, because incremental credit spreads between higher and
17 lower rated utility debt have steadily increased, the benefit of maintaining an A rating is
18 greater in the current market than it had been, even over the past two years. The
19 Company's August 2012 debt issuance demonstrates the importance and benefits to
20 ratepayers of maintaining strong credit and debt ratings.⁴² Since regulatory actions are

⁴² Laclede Group announced on August 3, 2012 that it entered into a note purchase agreement with certain institutional purchasers of Laclede Group's 3.31% senior notes due Dec. 15, 2022. Laclede Group also entered into a bond purchase agreement, with certain institutional purchasers of first mortgage bonds, 3.00% series due March 15, 2023, and 3.40% series due March 15, 2028. The net proceeds from that offering were used to refinance existing indebtedness and for general corporate purposes.

1 important to credit ratings, the Commission's decision in this proceeding will affect the
2 Company's ability to maintain access to capital at favorable rates.

3 **VII. CAPITAL MARKET ENVIRONMENT**

4 Q. Do economic conditions influence the required cost of capital and required return on
5 common equity?

6 A. Yes. As discussed in Section V, the models used to estimate the Cost of Equity are
7 meant to reflect, and therefore are influenced by, current and expected capital market
8 conditions. The required cost of capital, including the ROE, is a function of prevailing
9 and expected economic and capital market conditions. During times of capital market
10 uncertainty, risk aversion increases, which causes investors to seek the relative safety of
11 U.S. Treasury debt, resulting in lower Treasury yields. To the extent that observable
12 measures of risk aversion, such as credit spreads and dividend yield spreads, remain
13 elevated relative to historical norms, it would be incorrect to conclude that the Cost of
14 Equity has materially decreased.

15 As to the analyses used to estimate the Cost of Equity, it is important to assess the
16 reasonableness of any financial model's results in the context of observable market data.
17 To the extent that certain ROE estimates are incompatible with such data or inconsistent
18 with basic financial principles, it is appropriate to consider whether alternative estimation
19 techniques are likely to provide more meaningful and reliable results.

20 Q. Please briefly describe the current level of long-term interest rates.

21 A. Long-term interest rates, in particular long-term Treasury yields, are near the lowest level
22 in at least 35 years. Because they generally are priced by reference to Treasury yields,
23 utility bond yields also remain at historically low levels. It is important to recognize,

1 however, that credit spreads, or the difference between Treasury yields and utility bond
2 yields, have increased.

3 Q. Have you reviewed any specific indices to assess the relationship between current market
4 conditions and investor return requirements?

5 A. Yes. I considered: (1) the fundamental issue of the relationship between the historically
6 low level of long-term Treasury yields and the Cost of Equity; (2) incremental credit
7 spreads between utility debt of varying investment grades; and (3) the relationship
8 between electric utility dividend yields and long-term Treasury yields.

9 ***Relationship Between Historically Low Treasury Yields and the Cost of Equity***

10 Q. As a preliminary matter, has the Cost of Equity fallen in tandem with the recent decline
11 in long-term Treasury yields?

12 A. No. The fear of taking the risks of equity ownership, for example, has motivated many
13 investors to move their capital into the relative safety of Treasury securities. In doing so,
14 investors have bid down yields to the point that they currently are receiving yields on ten-
15 year Treasury bonds that are below the rate of inflation.⁴³ In effect, those investors are
16 willing to accept a *negative* real return on Treasury bonds rather than be subject to the
17 risk of owning equity securities.

18 At the same time, the Federal Reserve's policy of buying longer-dated Treasury
19 securities and selling short-term securities also may have had the effect of lowering long-
20 term Treasury yields. That is, of course, the objective of the Federal Reserve's "maturity

⁴³ See, for example, *Treasurys Slide After Lackluster Sale*, The Wall Street Journal, August 8, 2012.

1 extension program” which began in June 2011.⁴⁴ As the Federal Reserve noted:

2 Under the maturity extension program, the Federal Reserve intends to
3 sell or redeem a total of \$667 billion of shorter-term Treasury
4 securities by the end of 2012 and use the proceeds to buy longer-term
5 Treasury securities. This will extend the average maturity of the
6 securities in the Federal Reserve’s portfolio.

7 ***

8 By reducing the supply of longer-term Treasury securities in the
9 market, this action should put downward pressure on longer-term
10 interest rates, including rates on financial assets that investors consider
11 to be close substitutes for longer-term Treasury securities. The
12 reduction in longer-term interest rates, in turn, will contribute to a
13 broad easing in financial market conditions that will provide additional
14 stimulus to support the economic recovery.⁴⁵

15 Consequently, two factors are at work: (1) the continued focus on capital
16 preservation on the part of investors has caused them to reallocate capital to the relative
17 safety of Treasury securities, thereby bidding up the price and bidding down the yield;
18 and (2) the Federal Reserve’s continued policy of buying long-term Treasury securities in
19 order to lower the yield. As the Federal Reserve noted in its June 2012 Open Market
20 Committee meeting minutes, the effect of those two factors has been a continued decline
21 in Treasury yields:

22 Yields on longer-dated nominal and inflation-protected Treasury
23 securities moved down substantially, on net, over the intermeeting
24 period. The yield on nominal 10-year Treasury securities reached a
25 historically low level immediately following the release of the May
26 employment report. A sizable portion of the decline in longer-term
27 Treasury rates over the period appeared to reflect greater safe-haven
28 demands by investors, along with some increase in market
29 participants’ expectations of further Federal Reserve balance sheet

⁴⁴ On September 13, 2012, the Federal Reserve announced that, in addition to continuing the maturity extension program announced in June, they would also begin buying mortgage-backed securities at a pace of \$40 billion per month. *See* Federal Reserve Press Release, dated September 13, 2012.

⁴⁵ *See* <http://www.federalreserve.gov/monetarypolicy/maturityextensionprogram.htm>. On December 12, 2012 the Fed announced that it would continue purchasing longer-term Treasury securities, initially at a pace of \$45 billion per month. *See* Federal Reserve Press Release dated December 12, 2012.

1 actions.⁴⁶

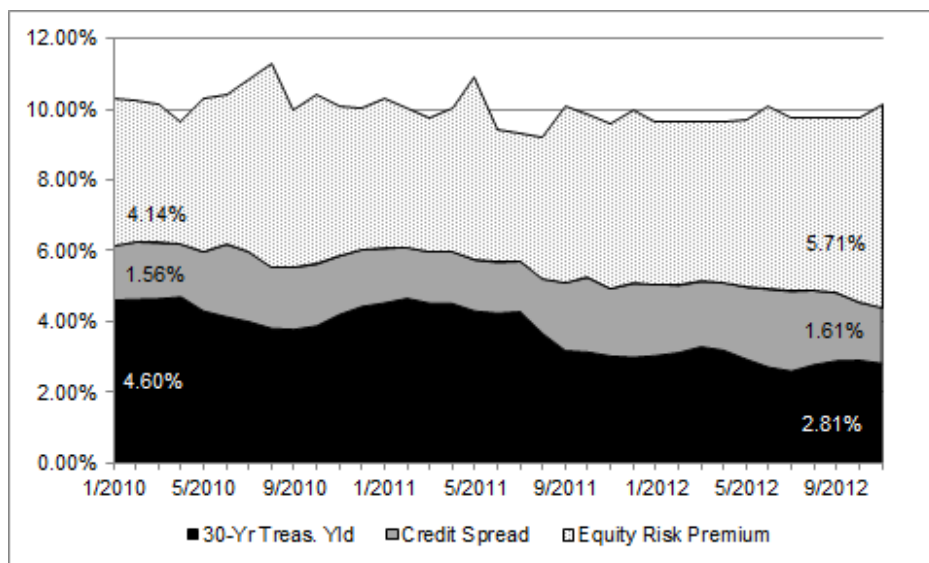
2 At issue, then, is whether those two factors, the continuing tendency of investors
3 to seek the relative safety of long-term Treasury securities and the Federal Reserve's
4 policy of lowering long-term Treasury yields, have caused the required Return on Equity
5 to fall in a fashion similar to the recent decline in interest rates. In large measure, that
6 issue becomes a question of whether the premium required by debt and equity investors
7 also has remained constant as Treasury yields have decreased. To the extent that the risk
8 premium has increased, the higher premium has offset, at least to some degree, the
9 decline in Treasury yields, indicating that the Cost of Equity has not fallen in lock step
10 with the decline in interest rates.

11 One method of performing that analysis is to analyze recently authorized ROEs
12 for natural gas utilities on a "build-up" basis. From that perspective, the required market
13 return represents the sum of: (1) long-term Treasury yields; (2) the credit spread (*i.e.*, the
14 incremental return required by debt investors over Treasury yields; and (3) the Equity
15 Risk Premium (*i.e.*, the incremental return required by equity investors over the cost of
16 debt). As shown on Chart 3 (below), that has been the case; both debt and equity
17 investors have required increased risk premiums as long-term Treasury yields have fallen.

⁴⁶ Minutes of the Federal Open Market Committee June 19–20, 2012, at 4.

1

Chart 3: Components of Authorized ROE (2010 – 2012)⁴⁷



2 ***Incremental Credit Spreads***

3 Q. How have credit spreads been affected by current market conditions?

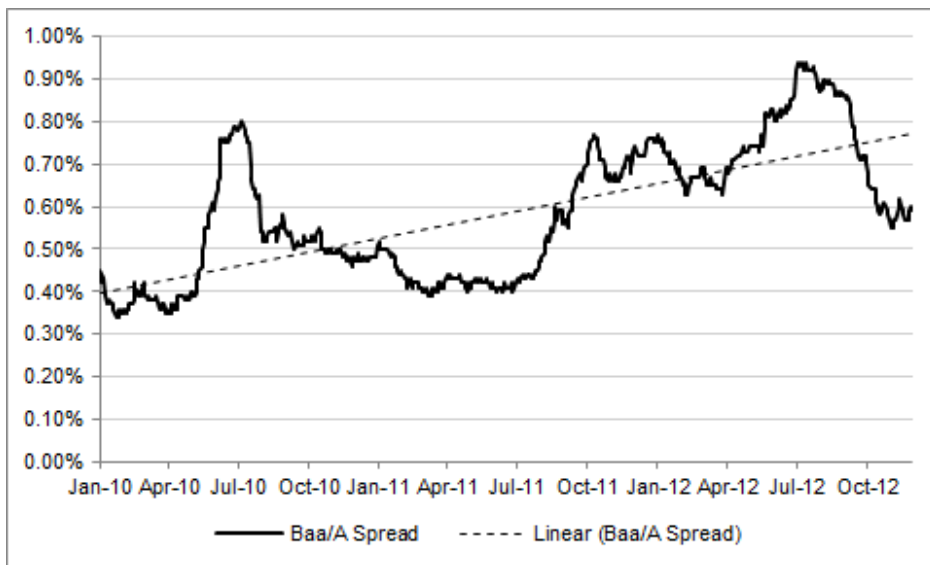
4 A. The “credit spread” is the return required by debt investors to take on the risk of lower
5 credit quality. For a given credit rating, the credit spread is measured by reference to a
6 Treasury security of similar tenure. That is, the credit spread on A-rated utility bonds
7 may be measured by reference to the 30-year Treasury Bond yield; the same would be
8 true of Baa-rated securities.⁴⁸ Lower credit ratings reflect higher levels of risk; therefore,
9 credit spreads typically are higher for lower-rated securities. In that regard, the
10 incremental credit spread (*e.g.*, the difference between the credit spreads associated with
11 A and Baa-rated securities, respectively) is an indication of additional return required by

⁴⁷ Sources: Regulatory Research Associates and Bloomberg Professional.

⁴⁸ The minimum maturity for the bonds in this index is 20 years, with an average of 30 years. Moody’s Long-Term Corporate Bond Yield Averages are derived from pricing data on a regularly replenished population of nearly 100 seasoned corporate bonds in the U.S. market, each with current outstandings over \$100 million. The bonds have maturities as close as possible to 30 years and are dropped from the list if their remaining life falls below 20 years, if they are susceptible to redemption, or if their ratings change. All yields are yield-to-maturity calculated on a semi-annual basis. Each observation is an unweighted average, with Average Corporate yields representing the unweighted average of the corresponding Average Industrial and Average Public Utility observations. See Bloomberg.com.

1 investors to take on additional levels of risk. As Chart 4 demonstrates, since the
2 beginning of 2010, the Moody's Utility Bond Index Baa/A credit spread has steadily
3 increased, indicating that debt investors have increased their marginal return
4 requirements.

5 **Chart 4: Moody's Utility Bond Index Baa-A Credit Spread⁴⁹**

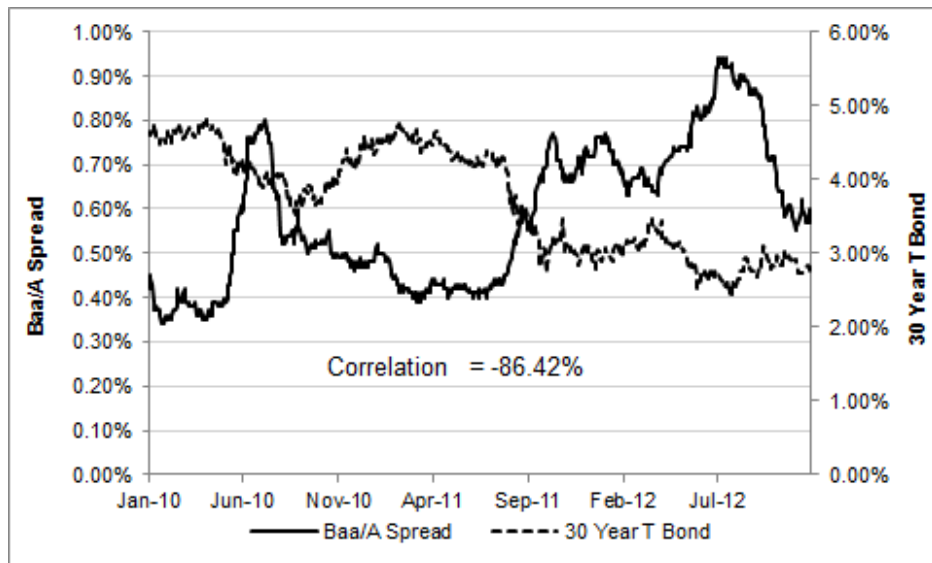


6 It is also interesting to note that the incremental credit spread has increased as
7 long-term Treasury yields have decreased. In fact, as Chart 5 demonstrates, even since
8 January 2010, changes in the incremental credit spread are negatively correlated with
9 changes in the 30-year Treasury yield.

⁴⁹ Source: Bloomberg Professional.

1

Chart 5: Moody's Utility Bond Index Baa-A Credit Spread



2 Q. What are the implications of those findings in assessing the Company's Cost of Equity?

3 A. The implications are twofold. First, the recent decline in long-term Treasury yields has
4 been accompanied by an increase in the premium required by investors to accept
5 incremental levels of credit risk. That is, the incremental credit spread has increased as
6 the level of Treasury yields have decreased. While that inverse relationship applies to the
7 cost of debt, prior academic research has demonstrated that the Equity Risk Premium
8 likewise is inversely related to interest rates.⁵⁰ Consequently, neither the Cost of Equity
9 nor the cost of debt has decreased in lock step with Treasury yields.

10 Second, those results also demonstrate the importance of maintaining a financial

⁵⁰ See Robert S. Harris and Felicia C. Marston, *Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts*, Financial Management, Summer 1992; Eugene F. Brigham, Dilip K. Shome, and Steve R. Vinson, *The Risk Premium Approach to Measuring a Utility's Cost of Equity*, Financial Management, Spring 1985, at 33-45; and Farris M. Maddox, Donna T. Pippert, and Rodney N. Sullivan, *An Empirical Study of Ex Ante Risk Premiums for the Electric Utility Industry*, Financial Management, Autumn 1995, at 89-95.

1 and credit profile that supports the Company's current A rating.⁵¹ Because incremental
2 credit spreads have steadily increased, the benefit of maintaining an A rating is greater in
3 the current market than it has been, even over the past two years. That conclusion is
4 consistent with recent findings by Fitch, which noted that:

5 While it appears that the credit spread differential between the rating
6 categories has a relatively small impact during times of economic
7 stability, during recent periods of economic stress, a higher credit
8 rating produces a meaningful difference in credit spreads ... and
9 provides more assured access to capital.⁵²

10 Since regulatory actions affect credit ratings in several, often significant ways, the
11 Commission's decision in this proceeding will directly affect the Company's credit
12 profile and influence its ability to maintain a credit profile that enables continued access
13 to capital at reasonable costs. Given the Company's substantial capital investment plans
14 and external funding needs, the benefits of reliable and cost-effective capital access are
15 significant.

16 *Yield Spreads*

17 Q. Please briefly define the term "yield spread," and explain its meaning in assessing capital
18 market conditions.

19 A. The "yield spread" is the difference between the yield on long-term Treasury securities
20 on the one hand, and common stock dividend yields on the other. Investors often
21 consider yield spreads in their assessment of security valuation and capital market
22 conditions. As explained below, to the extent that yield spreads materially deviate from
23 long-term relationships, it may be an indication of continuing dislocations within the

⁵¹ As noted above, Laclede Gas currently is rated A (outlook: Stable) by S&P, and A- (outlook: Stable) by Fitch.

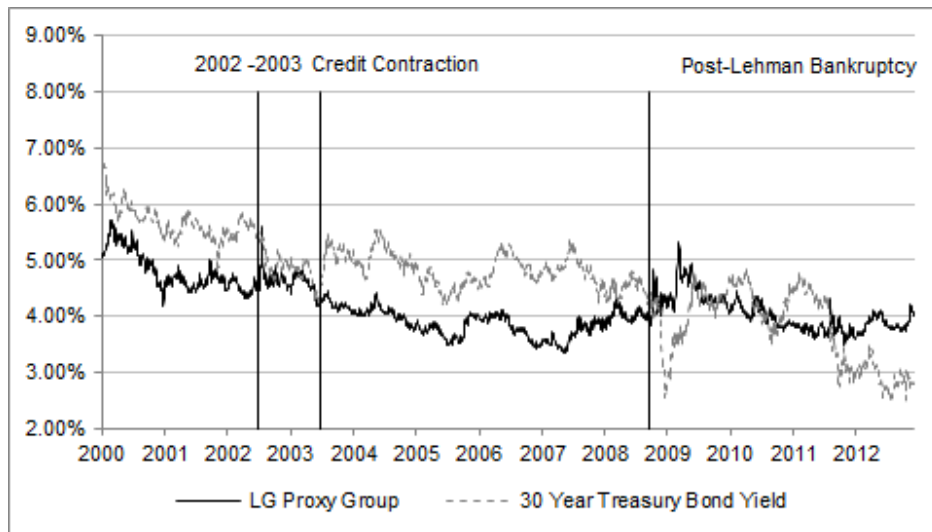
⁵² *Fitch's Review of Utility ROE Trends*, FitchRatings, March 22, 2010, at 3.

1 capital market.

2 Q. Have you reviewed the current and historical yield spread for utility companies?

3 A. Yes, I have. As shown in Chart 6, for a majority of the period from January 1, 2000
4 through November 30, 2012, the 30-year Treasury yield has exceeded the proxy group
5 average dividend yield. Over that time, the Treasury yields and utility dividend yields
6 were essentially equal. That period, however, includes the 2002 – 2003 credit contraction
7 and the post-Lehman Brothers bankruptcy period, during which the yields inverted, such
8 that the proxy company average dividend yield exceeded the 30-year Treasury yield.
9 Excluding those two periods, the average yield spread was 91 basis points (that is, on
10 average, the 30-year Treasury yield exceeded the dividend yield by 91 basis points.)

Chart 6: Treasury/Dividend Yield Spread⁵³



11
12 As Chart 6 also demonstrates, the yield spread inverted shortly after the
13 September 15, 2008 Lehman Brothers bankruptcy, and has essentially remained inverted
14 since that time. In fact, since August 2011, the yields have remained inverted, such that

⁵³ Source: SNL Financial

1 the proxy group average dividend yield exceeded the 30-year Treasury yield by 82 basis
2 points. The continuing instability in the yield spread also has been observed by The Wall
3 Street Journal, which noted that historically, “dividend yields have tended to track the
4 yield on 10-year Treasurys closely.”⁵⁴ The article went on to note that:

5 Regulated utilities’ dividend yields decoupled from Treasury yields in
6 December 2007, as the U.S. recession began. After the initial flight to
7 quality cut yields on Treasurys, particularly after Lehman Brothers
8 collapsed in September 2008, the Federal Reserve’s policy of buying
9 up government debt has helped keep them low.

10 Q. How does such data enter into your assessment of the Company’s Cost of Equity?

11 A. As noted above, investors often look to the relationships among financial metrics to
12 assess current and expected levels of market stability. To the extent that current
13 relationships among such indices materially deviate from long-term norms, it may be an
14 indication of continuing or expected market instability. Moreover, such data provide
15 market-based methods by which to assess the implications of the currently low Treasury
16 yields for the Company’s Cost of Equity. If, for example, the currently low level
17 Treasury yields indicated a correspondingly low Cost of Equity, the average dividend
18 yield would be approximately 2.03 percent, or lower.⁵⁵ As shown on Schedule-RBH-D2,
19 however, the current (proxy group) average dividend yield is approximately 3.88 percent.
20 Again, low Treasury yields are not necessarily indicative of correspondingly low equity
21 return requirements.

⁵⁴ Denning, Liam, A Short Circuit in the Stock Market, The Wall Street Journal, October 23, 2009, at C10. I note that while this article referred to ten-year Treasury yields, the fundamental conclusion, that the utility yield spread has deviated from its long-term relationship, remains.

⁵⁵ 2.03 percent equals 2.85 percent, less the average yield spread of 82 basis points, excluding the post-Lehman Brothers bankruptcy period, and the 2002 – 2003 credit contraction (assumes a constant growth rate).

1 **VIII. CAPITAL STRUCTURE**

2 Q. What is the Company's proposed capital structure?

3 A. As described in the Direct Testimony of Company Witness Glenn Buck, the Company
4 has proposed a capital structure comprised of 56.70 percent common equity and
5 43.30percent long-term debt.

6 Q. Is there a generally accepted approach to developing the appropriate capital structure for
7 a regulated natural gas utility?

8 A. There are a number of approaches to developing the appropriate capital structure. The
9 reasonableness of the approach depends on the nature and circumstances of the subject
10 company. In cases in which the subject company does not issue its own securities, it may
11 be reasonable to look to the parent's capital structure or to develop a "hypothetical"
12 capital structure based on the proxy group companies or other industry data. Regardless
13 of the approach taken, however, it is important to consider the resulting capital structure
14 in light of industry norms and investor requirements. That is, the capital structure should
15 enable the subject company to maintain its financial integrity, thereby enabling access to
16 capital at competitive rates under a variety of economic and financial market conditions.

17 Q. How does the capital structure affect the Cost of Equity?

18 A. The capital structure relates to a company's financial risk, which represents the risk that a
19 company may not have adequate cash flows to meet its financial obligations, and is a
20 function of the percentage of debt (or financial leverage) in its capital structure. In that
21 regard, as the percentage of debt in the capital structure increases, so do the fixed
22 obligations for the repayment of that debt. Consequently, as the degree of financial
23 leverage increases, the risk of financial distress (*i.e.*, financial risk) also increases. Since

1 the capital structure can affect the subject company's overall level of risk,⁵⁶ it is an
2 important consideration in establishing a just and reasonable rate of return.

3 Q. Please discuss your analysis of the capital structures of the proxy group companies.

4 A. I calculated the average capital structure for each of the proxy group companies over the
5 last three years. As shown in Schedule-RBH-D12 percent, the mean of the proxy group
6 actual capital structures is 55.54 percent common equity and 44.46 percent long-term
7 debt. The common equity ratios range from 47.92 percent to 65.63 percent. Based on
8 that review, it is apparent that the Company's proposed capital structure is generally
9 consistent with those in place at the proxy group companies.

10 Q. What is the basis for using average capital components rather than a point-in-time
11 measurement?

12 A. Measuring the capital components at a particular point in time can skew the capital
13 structure by the specific circumstances of a particular period. Therefore, it is more
14 appropriate to normalize the relative relationship between the capital components over a
15 period of time.

16 Q. What is your conclusion regarding an appropriate capital structure for Laclede Gas?

17 A. Considering the average actual equity ratio of 55.54 percent for the proxy group
18 companies, I believe that Laclede Gas's proposed common equity ratio of 56.70 percent
19 is appropriate as it is consistent with the proxy group companies.

20 **IX. CONCLUSIONS AND RECOMMENDATION**

21 Q. What is your conclusion regarding the Company's Cost of Equity?

22 A. I believe that a rate of return on common equity in the range of 10.00 percent to 10.75

⁵⁶ See Roger A. Morin, New Regulatory Finance, Public Utility Reports, Inc., 2006, at 45-46.

1 percent represents the range of equity investors' required rate of return for investment in
2 natural gas utilities similar to Laclede Gas in today's capital markets. Within that range,
3 it is my view that the Company's proposed ROE of 10.50 percent is reasonable and
4 appropriate.

5 As discussed earlier in my testimony, my recommendation reflects analytical
6 results based on a proxy group of primarily natural gas utilities. My recommendation
7 also takes into consideration the Company's risk profile relative to the proxy group
8 analytical results with respect to: include (1) the risks associated with the Company's
9 need to fund substantial future capital expenditures;(2) the revenue stabilization
10 mechanisms employed by the Company relative to the proxy group companies; (3)
11 flotation costs associated with equity issuances; and (4) other considerations including
12 the corporate dividend tax rate and the Company's financial integrity.

13 Lastly, I conclude that the Company's proposed capital structure, which consists
14 of 56.70 percent common equity and 43.30 percent long-term debt, is consistent with
15 industry practice and on that basis, is reasonable and appropriate.

16 Q. Does this conclude your Direct Testimony?

17 A. Yes, it does.

Quarterly Discounted Cash Flow Model
30 Day Average Stock Price

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]
Company	Ticker	Dividend 1	Dividend 2	Dividend 3	Dividend 4	Expected Dividend 1	Expected Dividend 2	Expected Dividend 3	Expected Dividend 4	Average Stock Price	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Sustainable Growth Estimate	Average Earnings Growth	Low ROE	Mean ROE	High ROE
AGL Resources Inc.	GAS	\$0.46	\$0.46	\$0.46	\$0.46	\$0.49	\$0.49	\$0.49	\$0.49	\$39.07	4.40%	NA	8.00%	6.81%	6.40%	9.49%	11.63%	13.33%
Atmos Energy Corporation	ATO	\$0.35	\$0.35	\$0.35	\$0.35	\$0.36	\$0.36	\$0.36	\$0.37	\$34.97	6.00%	6.00%	4.00%	4.37%	5.09%	8.24%	9.40%	10.36%
New Jersey Resources Corporation	NJR	\$0.38	\$0.38	\$0.40	\$0.40	\$0.40	\$0.40	\$0.42	\$0.42	\$42.20	3.35%	2.70%	5.50%	7.20%	4.69%	6.59%	8.68%	11.32%
Northwest Natural Gas Company	NWN	\$0.45	\$0.45	\$0.45	\$0.46	\$0.47	\$0.47	\$0.47	\$0.48	\$44.63	4.17%	4.50%	4.50%	7.56%	5.18%	8.48%	9.55%	12.06%
Piedmont Natural Gas Company, Inc.	PNY	\$0.29	\$0.30	\$0.30	\$0.30	\$0.30	\$0.31	\$0.31	\$0.31	\$30.64	5.23%	5.35%	2.50%	2.19%	3.82%	6.25%	7.97%	9.58%
South Jersey Industries, Inc.	SJI	\$0.40	\$0.40	\$0.40	\$0.44	\$0.44	\$0.44	\$0.44	\$0.48	\$49.39	6.00%	6.00%	9.00%	11.58%	8.15%	9.66%	11.91%	15.51%
Southwest Gas Corporation	SWX	\$0.30	\$0.30	\$0.30	\$0.30	\$0.31	\$0.31	\$0.31	\$0.31	\$42.15	4.97%	4.05%	9.00%	6.92%	6.24%	7.04%	9.31%	12.19%
WGL Holdings, Inc.	WGL	\$0.39	\$0.40	\$0.40	\$0.40	\$0.41	\$0.42	\$0.42	\$0.42	\$38.47	5.25%	5.60%	3.50%	3.92%	4.57%	7.90%	9.03%	10.12%
Mean											4.92%	4.89%	5.75%	6.32%	5.52%	7.96%	9.68%	11.81%

Notes:

- [1] Source: Bloomberg Professional Service
- [2] Source: Bloomberg Professional Service
- [3] Source: Bloomberg Professional Service
- [4] Source: Bloomberg Professional Service
- [5] Equals Col. [1] x (1 + Col. [14])
- [6] Equals Col. [2] x (1 + Col. [14])
- [7] Equals Col. [3] x (1 + Col. [14])
- [8] Equals Col. [4] x (1 + Col. [14])
- [9] Source: Bloomberg Professional Service, equals indicated number of trading day average as of November 30, 2012
- [10] Source: Zacks
- [11] Source: Yahoo! Finance
- [12] Source: Value Line
- [13] SCHEDULE-RBH-D3
- [14] Equals Average (Cols. [10], [11], [12], [13])
- [15] Implied Low DCF
- [16] Implied Mean DCF
- [17] Implied High DCF

Quarterly Discounted Cash Flow Model
90 Day Average Stock Price

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]
Company	Ticker	Dividend 1	Dividend 2	Dividend 3	Dividend 4	Expected Dividend 1	Expected Dividend 2	Expected Dividend 3	Expected Dividend 4	Average Stock Price	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Sustainable Growth Rate	Average Earnings Growth	Low ROE	Mean ROE	High ROE
AGL Resources Inc.	GAS	\$0.46	\$0.46	\$0.46	\$0.46	\$0.49	\$0.49	\$0.49	\$0.49	\$40.06	4.40%	NA	8.00%	6.81%	6.40%	9.36%	11.50%	13.20%
Atmos Energy Corporation	ATO	\$0.35	\$0.35	\$0.35	\$0.35	\$0.36	\$0.36	\$0.36	\$0.37	\$35.54	6.00%	6.00%	4.00%	4.37%	5.09%	8.17%	9.33%	10.29%
New Jersey Resources Corporation	NJR	\$0.38	\$0.38	\$0.40	\$0.40	\$0.40	\$0.40	\$0.42	\$0.42	\$44.49	3.35%	2.70%	5.50%	7.20%	4.69%	6.38%	8.47%	11.10%
Northwest Natural Gas Company	NWN	\$0.45	\$0.45	\$0.45	\$0.46	\$0.47	\$0.47	\$0.47	\$0.48	\$47.64	4.17%	4.50%	4.50%	7.56%	5.18%	8.20%	9.27%	11.77%
Piedmont Natural Gas Company, Inc.	PNY	\$0.29	\$0.30	\$0.30	\$0.30	\$0.30	\$0.31	\$0.31	\$0.31	\$31.50	5.23%	5.35%	2.50%	2.19%	3.82%	6.14%	7.85%	9.47%
South Jersey Industries, Inc.	SJI	\$0.40	\$0.40	\$0.40	\$0.44	\$0.44	\$0.44	\$0.44	\$0.48	\$51.17	6.00%	6.00%	9.00%	11.58%	8.15%	9.53%	11.78%	15.38%
Southwest Gas Corporation	SWX	\$0.30	\$0.30	\$0.30	\$0.30	\$0.31	\$0.31	\$0.31	\$0.31	\$43.27	4.97%	4.05%	9.00%	6.92%	6.24%	6.96%	9.23%	12.10%
WGL Holdings, Inc.	WGL	\$0.39	\$0.40	\$0.40	\$0.40	\$0.41	\$0.42	\$0.42	\$0.42	\$39.54	5.25%	5.60%	3.50%	3.92%	4.57%	7.77%	8.90%	9.99%
Mean											4.92%	4.89%	5.75%	6.32%	5.52%	7.82%	9.54%	11.66%

Notes:

[1] Source: Bloomberg Professional Service

[2] Source: Bloomberg Professional Service

[3] Source: Bloomberg Professional Service

[4] Source: Bloomberg Professional Service

[5] Equals Col. [1] x (1 + Col. [14])

[6] Equals Col. [2] x (1 + Col. [14])

[7] Equals Col. [3] x (1 + Col. [14])

[8] Equals Col. [4] x (1 + Col. [14])

[9] Source: Bloomberg Professional Service, equals indicated number of trading day average as of November 30, 2012

[10] Source: Zacks

[11] Source: Yahoo! Finance

[12] Source: Value Line

[13] SCHEDULE-RBH-D3

[14] Equals Average (Cols. [10], [11], [12], [13])

[15] Implied Low DCF

[16] Implied Mean DCF

[17] Implied High DCF

Quarterly Discounted Cash Flow Model
180 Day Average Stock Price

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]
Company	Ticker	Dividend 1	Dividend 2	Dividend 3	Dividend 4	Expected Dividend 1	Expected Dividend 2	Expected Dividend 3	Expected Dividend 4	Average Stock Price	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Sustainable Growth Rate	Average Earnings Growth	Low ROE	Mean ROE	High ROE
AGL Resources Inc.	GAS	\$0.46	\$0.46	\$0.46	\$0.46	\$0.49	\$0.49	\$0.49	\$0.49	\$39.25	4.40%	NA	8.00%	6.81%	6.40%	9.46%	11.60%	13.31%
Atmos Energy Corporation	ATO	\$0.35	\$0.35	\$0.35	\$0.35	\$0.36	\$0.36	\$0.36	\$0.37	\$34.33	6.00%	6.00%	4.00%	4.37%	5.09%	8.32%	9.48%	10.44%
New Jersey Resources Corporation	NJR	\$0.38	\$0.38	\$0.40	\$0.40	\$0.40	\$0.40	\$0.42	\$0.42	\$44.03	3.35%	2.70%	5.50%	7.20%	4.69%	6.42%	8.51%	11.15%
Northwest Natural Gas Company	NWN	\$0.45	\$0.45	\$0.45	\$0.46	\$0.47	\$0.47	\$0.47	\$0.48	\$46.93	4.17%	4.50%	4.50%	7.56%	5.18%	8.26%	9.33%	11.84%
Piedmont Natural Gas Company, Inc.	PNY	\$0.29	\$0.30	\$0.30	\$0.30	\$0.30	\$0.31	\$0.31	\$0.31	\$31.21	5.23%	5.35%	2.50%	2.19%	3.82%	6.18%	7.89%	9.51%
South Jersey Industries, Inc.	SJI	\$0.40	\$0.40	\$0.40	\$0.44	\$0.44	\$0.44	\$0.44	\$0.48	\$50.46	6.00%	6.00%	9.00%	11.58%	8.15%	9.59%	11.83%	15.43%
Southwest Gas Corporation	SWX	\$0.30	\$0.30	\$0.30	\$0.30	\$0.31	\$0.31	\$0.31	\$0.31	\$43.11	4.97%	4.05%	9.00%	6.92%	6.24%	6.97%	9.24%	12.12%
WGL Holdings, Inc.	WGL	\$0.39	\$0.40	\$0.40	\$0.40	\$0.41	\$0.42	\$0.42	\$0.42	\$39.63	5.25%	5.60%	3.50%	3.92%	4.57%	7.76%	8.89%	9.98%
Mean											4.92%	4.89%	5.75%	6.32%	5.52%	7.87%	9.60%	11.72%

Notes:

- [1] Source: Bloomberg Professional Service
- [2] Source: Bloomberg Professional Service
- [3] Source: Bloomberg Professional Service
- [4] Source: Bloomberg Professional Service
- [5] Equals Col. [1] x (1 + Col. [14])
- [6] Equals Col. [2] x (1 + Col. [14])
- [7] Equals Col. [3] x (1 + Col. [14])
- [8] Equals Col. [4] x (1 + Col. [14])
- [9] Source: Bloomberg Professional Service, equals indicated number of trading day average as of November 30, 2012
- [10] Source: Zacks
- [11] Source: Yahoo! Finance
- [12] Source: Value Line
- [13] SCHEDULE-RBH-D3
- [14] Equals Average (Cols. [10], [11], [12], [13])
- [15] Implied Low DCF
- [16] Implied Mean DCF
- [17] Implied High DCF

Constant Growth Discounted Cash Flow Model
30 Day Average Stock Price

Company	Ticker	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Annualized Dividend	Average Stock Price	Dividend Yield	Expected Dividend Yield	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Sustainable Growth Estimate	Average Earnings Growth	Low ROE	Mean ROE	High ROE
AGL Resources Inc.	GAS	\$1.84	\$39.07	4.71%	4.86%	4.40%	NA	8.00%	6.81%	6.40%	9.21%	11.27%	12.90%
Atmos Energy Corporation	ATO	\$1.40	\$34.97	4.00%	4.10%	6.00%	6.00%	4.00%	4.37%	5.09%	8.08%	9.20%	10.12%
New Jersey Resources Corporation	NJR	\$1.60	\$42.20	3.79%	3.88%	3.35%	2.70%	5.50%	7.20%	4.69%	6.54%	8.57%	11.12%
Northwest Natural Gas Company	NWN	\$1.82	\$44.63	4.08%	4.18%	4.17%	4.50%	4.50%	7.56%	5.18%	8.33%	9.37%	11.79%
Piedmont Natural Gas Company, Inc.	PNY	\$1.20	\$30.64	3.92%	3.99%	5.23%	5.35%	2.50%	2.19%	3.82%	6.15%	7.81%	9.37%
South Jersey Industries, Inc.	SJI	\$1.77	\$49.39	3.58%	3.73%	6.00%	6.00%	9.00%	11.58%	8.15%	9.69%	11.88%	15.37%
Southwest Gas Corporation	SWX	\$1.18	\$42.15	2.80%	2.89%	4.97%	4.05%	9.00%	6.92%	6.24%	6.91%	9.12%	11.93%
WGL Holdings, Inc.	WGL	\$1.60	\$38.47	4.16%	4.25%	5.25%	5.60%	3.50%	3.92%	4.57%	7.73%	8.82%	9.88%
Mean				3.88%	3.99%	4.92%	4.89%	5.75%	6.32%	5.52%	7.83%	9.50%	11.56%

Notes:

[1] Source: Bloomberg Professional Service

[2] Source: Bloomberg Professional Service, equals indicated number of trading day average as of November 30, 2012

[3] Equals [1] / [2]

[4] Equals [3] x (1 + 0.5 x [9])

[5] Source: Zacks

[6] Source: Yahoo! Finance

[7] Source: Value Line

[8] SCHEDULE-RBH-D3

[9] Equals Average([5], [6], [7], [8])

[10] Equals [3] x (1 + 0.5 x Minimum([5], [6], [7], [8])) + Minimum([5], [6], [7], [8])

[11] Equals [4] + [9]

[12] Equals [3] x (1 + 0.5 x Maximum([5], [6], [7], [8])) + Maximum([5], [6], [7], [8])

Constant Growth Discounted Cash Flow Model
90 Day Average Stock Price

Company	Ticker	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Annualized Dividend	Average Stock Price	Dividend Yield	Expected Dividend Yield	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Sustainable Growth Estimate	Average Earnings Growth	Low ROE	Mean ROE	High ROE
AGL Resources Inc.	GAS	\$1.84	\$40.06	4.59%	4.74%	4.40%	NA	8.00%	6.81%	6.40%	9.09%	11.15%	12.78%
Atmos Energy Corporation	ATO	\$1.40	\$35.54	3.94%	4.04%	6.00%	6.00%	4.00%	4.37%	5.09%	8.02%	9.13%	10.06%
New Jersey Resources Corporation	NJR	\$1.60	\$44.49	3.60%	3.68%	3.35%	2.70%	5.50%	7.20%	4.69%	6.34%	8.37%	10.92%
Northwest Natural Gas Company	NWN	\$1.82	\$47.64	3.82%	3.92%	4.17%	4.50%	4.50%	7.56%	5.18%	8.07%	9.10%	11.52%
Piedmont Natural Gas Company, Inc.	PNY	\$1.20	\$31.50	3.81%	3.88%	5.23%	5.35%	2.50%	2.19%	3.82%	6.04%	7.70%	9.26%
South Jersey Industries, Inc.	SJI	\$1.77	\$51.17	3.46%	3.60%	6.00%	6.00%	9.00%	11.58%	8.15%	9.56%	11.74%	15.24%
Southwest Gas Corporation	SWX	\$1.18	\$43.27	2.73%	2.81%	4.97%	4.05%	9.00%	6.92%	6.24%	6.83%	9.05%	11.85%
WGL Holdings, Inc.	WGL	\$1.60	\$39.54	4.05%	4.14%	5.25%	5.60%	3.50%	3.92%	4.57%	7.62%	8.71%	9.76%
Mean				3.75%	3.85%	4.92%	4.89%	5.75%	6.32%	5.52%	7.70%	9.37%	11.42%

Notes:

[1] Source: Bloomberg Professional Service

[2] Source: Bloomberg Professional Service, equals indicated number of trading day average as of November 30, 2012

[3] Equals [1] / [2]

[4] Equals [3] x (1 + 0.5 x [9])

[5] Source: Zacks

[6] Source: Yahoo! Finance

[7] Source: Value Line

[8] SCHEDULE-RBH-D3

[9] Equals Average([5], [6], [7], [8])

[10] Equals [3] x (1 + 0.5 x Minimum([5], [6], [7], [8])) + Minimum([5], [6], [7], [8])

[11] Equals [4] + [9]

[12] Equals [3] x (1 + 0.5 x Maximum([5], [6], [7], [8])) + Maximum([5], [6], [7], [8])

Constant Growth Discounted Cash Flow Model
180 Day Average Stock Price

Company	Ticker	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Annualized Dividend	Average Stock Price	Dividend Yield	Expected Dividend Yield	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Sustainable Growth Estimate	Average Earnings Growth	Low ROE	Mean ROE	High ROE
AGL Resources Inc.	GAS	\$1.84	\$39.25	4.69%	4.84%	4.40%	NA	8.00%	6.81%	6.40%	9.19%	11.24%	12.88%
Atmos Energy Corporation	ATO	\$1.40	\$34.33	4.08%	4.18%	6.00%	6.00%	4.00%	4.37%	5.09%	8.16%	9.28%	10.20%
New Jersey Resources Corporation	NJR	\$1.60	\$44.03	3.63%	3.72%	3.35%	2.70%	5.50%	7.20%	4.69%	6.38%	8.40%	10.96%
Northwest Natural Gas Company	NWN	\$1.82	\$46.93	3.88%	3.98%	4.17%	4.50%	4.50%	7.56%	5.18%	8.13%	9.16%	11.58%
Piedmont Natural Gas Company, Inc.	PNY	\$1.20	\$31.21	3.84%	3.92%	5.23%	5.35%	2.50%	2.19%	3.82%	6.08%	7.74%	9.30%
South Jersey Industries, Inc.	SJI	\$1.77	\$50.46	3.51%	3.65%	6.00%	6.00%	9.00%	11.58%	8.15%	9.61%	11.80%	15.29%
Southwest Gas Corporation	SWX	\$1.18	\$43.11	2.74%	2.82%	4.97%	4.05%	9.00%	6.92%	6.24%	6.84%	9.06%	11.86%
WGL Holdings, Inc.	WGL	\$1.60	\$39.63	4.04%	4.13%	5.25%	5.60%	3.50%	3.92%	4.57%	7.61%	8.70%	9.75%
Mean				3.80%	3.90%	4.92%	4.89%	5.75%	6.32%	5.52%	7.75%	9.42%	11.48%

Notes:

[1] Source: Bloomberg Professional Service

[2] Source: Bloomberg Professional Service, equals indicated number of trading day average as of November 30, 2012

[3] Equals [1] / [2]

[4] Equals [3] x (1 + 0.5 x [9])

[5] Source: Zacks

[6] Source: Yahoo! Finance

[7] Source: Value Line

[8] SCHEDULE-RBH-D3

[9] Equals Average([5], [6], [7], [8])

[10] Equals [3] x (1 + 0.5 x Minimum([5], [6], [7], [8])) + Minimum([5], [6], [7], [8])

[11] Equals [4] + [9]

[12] Equals [3] x (1 + 0.5 x Maximum([5], [6], [7], [8])) + Maximum([5], [6], [7], [8])

Retention Growth Estimate

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]	[18]
Company	Ticker	Projected Earnings per share 2015-17	Projected Dividend Declared per share 2015-17	Retention Ratio (B)	Projected Book Value per Share 2015-17	Return on Book Value (R)	B x R	Projected Common Shares Outstanding 2013	Projected Common Shares Outstanding 2015-17	Common Shares Growth Rate	2012 High Price	2012 Low Price	2012 price midpoint	Projected Book Value per Share 2012	Market/Book Ratio	"S"	"V"	S x V	BR + SV
AGL Resources Inc.	GAS	4.20	2.00	52.38%	33.75	12.44%	6.52%	119.00	122.00	0.83%	42.9	36.6	\$ 39.75	29.25	1.36	1.12%	26.42%	0.30%	6.81%
Atmos Energy Corporation	ATO	2.70	1.48	45.19%	34.65	7.79%	3.52%	91.00	103.00	4.17%	37.3	30.4	\$ 33.85	28.10	1.20	5.03%	16.99%	0.85%	4.37%
New Jersey Resources Corporation	NJR	3.45	1.68	51.30%	24.60	14.02%	7.20%	40.00	40.00	0.00%	50.3	41.1	\$ 45.70	18.20	2.51	0.00%	60.18%	0.00%	7.20%
Northwest Natural Gas Company	NWN	3.45	1.94	43.77%	29.10	11.86%	5.19%	28.00	31.00	3.42%	50.1	43.9	\$ 47.00	27.75	1.69	5.79%	40.96%	2.37%	7.56%
Piedmont Natural Gas Company, Inc.	PNY	1.85	1.35	27.03%	14.65	12.63%	3.41%	70.00	68.00	-0.95%	34.6	28.9	\$ 31.75	13.90	2.28	-2.17%	56.22%	-1.22%	2.19%
South Jersey Industries, Inc.	SJI	4.50	2.25	50.00%	28.55	15.76%	7.88%	32.00	35.00	3.00%	58.0	46.5	\$ 52.25	23.40	2.23	6.70%	55.22%	3.70%	11.58%
Southwest Gas Corporation	SWX	3.75	1.60	57.33%	36.25	10.34%	5.93%	48.00	51.00	2.02%	46.1	39.5	\$ 42.80	28.70	1.49	3.01%	32.94%	0.99%	6.92%
WGL Holdings, Inc.	WGL	2.85	1.75	38.60%	28.85	9.88%	3.81%	51.75	52.00	0.16%	45.0	37.7	\$ 41.35	24.55	1.68	0.27%	40.63%	0.11%	3.92%

Notes:

- [1] Source: Value Line
[2] Source: Value Line
[3] Equals 1 - [2] / [1]
[4] Source: Value Line
[5] Equals [1] / [4]
[6] Equals [3] x [5]
[7] Source: Value Line
[8] Source: Value Line
[9] Equals ([8] / [7]) ^ 0.33 - 1
[10] Source: Value Line
[11] Source: Value Line
[12] Equals Average ([10], [11])
[13] Source: Value Line
[14] Equals [12] / [13]
[15] Equals [9] x [14]
[16] Equals 1 - (1 / [14])
[17] Equals [15] x [16]
[18] Equals [6] + [17]

Multistage Growth Discounted Cash Flow Model
30 Day Average Stock Price

Inputs		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]			
Company	Ticker	Stock Price	Zacks	First Call	Line	Growth	Average	Growth	2012	2016	2022	Proof	IRR	P/E Ratio	PEG Ratio			
AGL Resources Inc.	GAS	\$39.07	4.40%	NA	8.00%	6.81%	6.40%	5.80%	66.00%	48.00%	69.79%	\$0.00	10.15%	16.05	2.77			
Atmos Energy Corp.	ATO	\$34.97	6.00%	6.00%	4.00%	4.37%	5.09%	5.80%	61.00%	54.00%	69.79%	\$0.00	10.60%	14.56	2.51			
New Jersey Resources	NJR	\$42.20	3.35%	2.70%	5.50%	7.20%	4.69%	5.80%	53.00%	48.00%	69.79%	\$0.00	10.12%	16.15	2.78			
Northwest Natural Gas	NWN	\$44.63	4.17%	4.50%	4.50%	7.56%	5.18%	5.80%	73.00%	56.00%	69.79%	\$0.00	9.88%	17.13	2.95			
Piedmont Natural Gas	PNY	\$30.64	5.23%	5.35%	2.50%	2.19%	3.82%	5.80%	77.00%	72.00%	69.79%	\$0.00	9.50%	18.86	3.25			
South Jersey Industries	SJI	\$49.39	6.00%	6.00%	9.00%	11.58%	8.15%	5.80%	54.00%	53.00%	69.79%	\$0.00	11.01%	13.41	2.31			
Southwest Gas Corp.	SWX	\$42.15	4.97%	4.05%	9.00%	6.92%	6.24%	5.80%	46.00%	42.00%	69.79%	\$0.00	10.21%	15.84	2.73			
WGL Holdings, Inc.	WGL	\$38.47	5.25%	5.60%	3.50%	3.92%	4.57%	5.80%	62.00%	61.00%	69.79%	\$0.00	10.08%	16.32	2.81			
													MEAN	10.19%				
													MAX	11.01%				
													MIN	9.50%				
Projected Annual Earnings per Share																		
Company	Ticker	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
AGL Resources Inc.	GAS	\$2.12	\$2.26	\$2.40	\$2.55	\$2.72	\$2.89	\$3.07	\$3.26	\$3.46	\$3.67	\$3.89	\$4.11	\$4.35	\$4.61	\$4.87	\$5.16	\$5.45
Atmos Energy Corp.	ATO	\$2.26	\$2.38	\$2.50	\$2.62	\$2.76	\$2.90	\$3.05	\$3.21	\$3.39	\$3.57	\$3.78	\$4.00	\$4.23	\$4.47	\$4.73	\$5.01	\$5.30
New Jersey Resources	NJR	\$2.58	\$2.70	\$2.83	\$2.96	\$3.10	\$3.24	\$3.40	\$3.57	\$3.76	\$3.97	\$4.19	\$4.43	\$4.69	\$4.96	\$5.25	\$5.55	\$5.88
Northwest Natural Gas	NWN	\$2.39	\$2.51	\$2.64	\$2.78	\$2.93	\$3.08	\$3.24	\$3.41	\$3.60	\$3.80	\$4.02	\$4.25	\$4.50	\$4.76	\$5.04	\$5.33	\$5.64
Piedmont Natural Gas	PNY	\$1.57	\$1.63	\$1.69	\$1.76	\$1.82	\$1.89	\$1.97	\$2.06	\$2.16	\$2.27	\$2.39	\$2.53	\$2.68	\$2.84	\$3.00	\$3.17	\$3.36
South Jersey Industries	SJI	\$2.89	\$3.13	\$3.38	\$3.66	\$3.95	\$4.28	\$4.61	\$4.95	\$5.29	\$5.64	\$5.99	\$6.34	\$6.70	\$7.09	\$7.50	\$7.94	\$8.40
Southwest Gas Corp.	SWX	\$2.43	\$2.58	\$2.74	\$2.91	\$3.10	\$3.29	\$3.49	\$3.70	\$3.93	\$4.16	\$4.40	\$4.66	\$4.93	\$5.22	\$5.52	\$5.84	\$6.18
WGL Holdings, Inc.	WGL	\$2.25	\$2.35	\$2.46	\$2.57	\$2.69	\$2.81	\$2.95	\$3.09	\$3.25	\$3.43	\$3.62	\$3.83	\$4.05	\$4.29	\$4.54	\$4.80	\$5.08
Projected Annual Dividend Payout Ratio																		
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
AGL Resources Inc.	GAS	66.00%	61.50%	57.00%	52.50%	48.00%	51.63%	55.26%	58.90%	62.53%	66.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
Atmos Energy Corp.	ATO	61.00%	59.25%	57.50%	55.75%	54.00%	56.63%	59.26%	61.90%	64.53%	67.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
New Jersey Resources	NJR	53.00%	51.75%	50.50%	49.25%	48.00%	51.63%	55.26%	58.90%	62.53%	66.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
Northwest Natural Gas	NWN	73.00%	68.75%	64.50%	60.25%	56.00%	58.30%	60.60%	62.90%	65.19%	67.49%	69.79%	69.79%	69.79%	69.79%	69.79%		
Piedmont Natural Gas	PNY	77.00%	75.75%	74.50%	73.25%	72.00%	71.63%	71.26%	70.90%	70.53%	70.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
South Jersey Industries	SJI	54.00%	53.75%	53.50%	53.25%	53.00%	55.80%	58.60%	61.40%	64.19%	66.99%	69.79%	69.79%	69.79%	69.79%	69.79%		
Southwest Gas Corp.	SWX	46.00%	45.00%	44.00%	43.00%	42.00%	46.63%	51.26%	55.90%	60.53%	65.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
WGL Holdings, Inc.	WGL	62.00%	61.75%	61.50%	61.25%	61.00%	62.47%	63.93%	65.40%	66.86%	68.33%	69.79%	69.79%	69.79%	69.79%	69.79%		
Projected Annual Cash Flows																		
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Value	
AGL Resources Inc.	GAS	\$1.49	\$1.48	\$1.46	\$1.43	\$1.39	\$1.59	\$1.80	\$2.04	\$2.30	\$2.57	\$2.87	\$3.04	\$3.21	\$3.40	\$3.60	\$87.52	
Atmos Energy Corp.	ATO	\$1.45	\$1.48	\$1.51	\$1.54	\$1.56	\$1.73	\$1.90	\$2.10	\$2.31	\$2.54	\$2.79	\$2.95	\$3.12	\$3.30	\$3.49	\$77.13	
New Jersey Resources	NJR	\$1.43	\$1.46	\$1.49	\$1.53	\$1.56	\$1.76	\$1.98	\$2.22	\$2.48	\$2.77	\$3.09	\$3.27	\$3.46	\$3.66	\$3.88	\$94.88	
Northwest Natural Gas	NWN	\$1.84	\$1.82	\$1.79	\$1.76	\$1.72	\$1.89	\$2.07	\$2.27	\$2.48	\$2.71	\$2.97	\$3.14	\$3.32	\$3.52	\$3.72	\$96.59	
Piedmont Natural Gas	PNY	\$1.26	\$1.28	\$1.31	\$1.34	\$1.36	\$1.41	\$1.47	\$1.53	\$1.60	\$1.68	\$1.77	\$1.87	\$1.98	\$2.09	\$2.22	\$63.35	
South Jersey Industries	SJI	\$1.69	\$1.82	\$1.96	\$2.10	\$2.27	\$2.57	\$2.90	\$3.25	\$3.62	\$4.01	\$4.42	\$4.68	\$4.95	\$5.24	\$5.54	\$112.63	
Southwest Gas Corp.	SWX	\$1.19	\$1.23	\$1.28	\$1.33	\$1.38	\$1.63	\$1.90	\$2.19	\$2.52	\$2.87	\$3.25	\$3.44	\$3.64	\$3.85	\$4.08	\$97.86	
WGL Holdings, Inc.	WGL	\$1.46	\$1.52	\$1.58	\$1.65	\$1.72	\$1.84	\$1.98	\$2.13	\$2.29	\$2.47	\$2.67	\$2.83	\$2.99	\$3.17	\$3.35	\$82.89	
Projected Annual Data Investor Cash Flows																		
Company	Ticker	Initial Outflow	11/30/12	12/31/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25	6/30/26
AGL Resources Inc.	GAS	(\$39.07)	\$0.00	\$0.13	\$1.54	\$1.46	\$1.43	\$1.39	\$1.59	\$1.80	\$2.04	\$2.30	\$2.57	\$2.87	\$3.04	\$3.21	\$3.40	\$91.11
Atmos Energy Corp.	ATO	(\$34.97)	\$0.00	\$0.12	\$1.49	\$1.51	\$1.54	\$1.56	\$1.73	\$1.90	\$2.10	\$2.31	\$2.54	\$2.79	\$2.95	\$3.12	\$3.30	\$80.62
New Jersey Resources	NJR	(\$42.20)	\$0.00	\$0.12	\$1.46	\$1.49	\$1.53	\$1.56	\$1.76	\$1.98	\$2.22	\$2.48	\$2.77	\$3.09	\$3.27	\$3.46	\$3.66	\$98.75
Northwest Natural Gas	NWN	(\$44.63)	\$0.00	\$0.16	\$1.88	\$1.79	\$1.76	\$1.72	\$1.89	\$2.07	\$2.27	\$2.48	\$2.71	\$2.97	\$3.14	\$3.32	\$3.52	\$100.31
Piedmont Natural Gas	PNY	(\$30.64)	\$0.00	\$0.11	\$1.28	\$1.31	\$1.34	\$1.36	\$1.41	\$1.47	\$1.53	\$1.60	\$1.68	\$1.77	\$1.87	\$1.98	\$2.09	\$65.57
South Jersey Industries	SJI	(\$49.39)	\$0.00	\$0.14	\$1.76	\$1.96	\$2.10	\$2.27	\$2.57	\$2.90	\$3.25	\$3.62	\$4.01	\$4.42	\$4.68	\$4.95	\$5.24	\$118.17
Southwest Gas Corp.	SWX	(\$42.15)	\$0.00	\$0.10	\$1.22	\$1.33	\$1.38	\$1.43	\$1.63	\$1.90	\$2.19	\$2.52	\$2.87	\$3.25	\$3.44	\$3.64	\$3.85	\$101.94
WGL Holdings, Inc.	WGL	(\$38.46)	\$0.00	\$0.12	\$1.49	\$1.58	\$1.65	\$1.72	\$1.84	\$1.98	\$2.13	\$2.29	\$2.47	\$2.67	\$2.83	\$2.99	\$3.17	\$86.24

Multistage Growth Discounted Cash Flow Model
90 Day Average Stock Price

Inputs		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]			
		Stock	EPS Growth Rate			Estimates		Long-Term		Payout Ratio			Iterative Solution		Terminal	Terminal		
Company	Ticker	Price	Zacks	First Call	Line	Growth	Average	Growth	2012	2016	2022	Proof	IRR	P/E Ratio	PEG Ratio			
AGL Resources Inc.	GAS	\$40.06	4.40%	NA	8.00%	6.81%	6.40%	5.80%	66.00%	48.00%	69.79%	\$0.00	10.05%	16.44	2.83			
Atmos Energy Corp.	ATO	\$35.54	6.00%	6.00%	4.00%	4.37%	5.09%	5.80%	61.00%	54.00%	69.79%	\$0.00	10.52%	14.79	2.55			
New Jersey Resources	NJR	\$44.49	3.35%	2.70%	5.50%	7.20%	4.69%	5.80%	53.00%	48.00%	69.79%	\$0.00	9.91%	17.00	2.93			
Northwest Natural Gas	NWN	\$47.64	4.17%	4.50%	4.50%	7.56%	5.18%	5.80%	73.00%	56.00%	69.79%	\$0.00	9.62%	18.29	3.15			
Piedmont Natural Gas	PNY	\$31.50	5.23%	5.35%	2.50%	2.19%	3.82%	5.80%	77.00%	72.00%	69.79%	\$0.00	9.40%	19.41	3.35			
South Jersey Industries	SJI	\$51.17	6.00%	6.00%	9.00%	11.58%	8.15%	5.80%	54.00%	53.00%	69.79%	\$0.00	10.83%	13.87	2.39			
Southwest Gas Corp.	SWX	\$43.27	4.97%	4.05%	9.00%	6.92%	6.24%	5.80%	46.00%	42.00%	69.79%	\$0.00	10.10%	16.23	2.80			
WGL Holdings, Inc.	WGL	\$39.54	5.25%	5.60%	3.50%	3.92%	4.57%	5.80%	62.00%	61.00%	69.79%	\$0.00	9.96%	16.77	2.89			
													MEAN	10.05%				
													MAX	10.83%				
													MIN	9.40%				
Projected Annual Earnings per Share																		
Company	Ticker	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
AGL Resources Inc.	GAS	\$2.12	\$2.26	\$2.40	\$2.55	\$2.72	\$2.89	\$3.07	\$3.26	\$3.46	\$3.67	\$3.89	\$4.11	\$4.35	\$4.61	\$4.87	\$5.16	\$5.45
Atmos Energy Corp.	ATO	\$2.26	\$2.38	\$2.50	\$2.62	\$2.76	\$2.90	\$3.05	\$3.21	\$3.39	\$3.57	\$3.78	\$4.00	\$4.23	\$4.47	\$4.73	\$5.01	\$5.30
New Jersey Resources	NJR	\$2.58	\$2.70	\$2.83	\$2.96	\$3.10	\$3.24	\$3.40	\$3.57	\$3.76	\$3.97	\$4.19	\$4.43	\$4.69	\$4.96	\$5.25	\$5.55	\$5.88
Northwest Natural Gas	NWN	\$2.39	\$2.51	\$2.64	\$2.78	\$2.93	\$3.08	\$3.24	\$3.41	\$3.60	\$3.80	\$4.02	\$4.25	\$4.50	\$4.76	\$5.04	\$5.33	\$5.64
Piedmont Natural Gas	PNY	\$1.57	\$1.63	\$1.69	\$1.76	\$1.82	\$1.89	\$1.97	\$2.06	\$2.16	\$2.27	\$2.39	\$2.53	\$2.68	\$2.84	\$3.00	\$3.17	\$3.36
South Jersey Industries	SJI	\$2.89	\$3.13	\$3.38	\$3.66	\$3.95	\$4.28	\$4.61	\$4.95	\$5.29	\$5.64	\$5.99	\$6.34	\$6.70	\$7.09	\$7.50	\$7.94	\$8.40
Southwest Gas Corp.	SWX	\$2.43	\$2.58	\$2.74	\$2.91	\$3.10	\$3.29	\$3.49	\$3.70	\$3.93	\$4.16	\$4.40	\$4.66	\$4.93	\$5.22	\$5.52	\$5.84	\$6.18
WGL Holdings, Inc.	WGL	\$2.25	\$2.35	\$2.46	\$2.57	\$2.69	\$2.81	\$2.95	\$3.09	\$3.25	\$3.43	\$3.62	\$3.83	\$4.05	\$4.29	\$4.54	\$4.80	\$5.08
Projected Annual Dividend Payout Ratio																		
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
AGL Resources Inc.	GAS	66.00%	61.50%	57.00%	52.50%	48.00%	51.63%	55.26%	58.90%	62.53%	66.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
Atmos Energy Corp.	ATO	61.00%	59.25%	57.50%	55.75%	54.00%	56.63%	59.26%	61.90%	64.53%	67.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
New Jersey Resources	NJR	53.00%	51.75%	50.50%	49.25%	48.00%	51.63%	55.26%	58.90%	62.53%	66.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
Northwest Natural Gas	NWN	73.00%	68.75%	64.50%	60.25%	56.00%	58.30%	60.60%	62.90%	65.19%	67.49%	69.79%	69.79%	69.79%	69.79%	69.79%		
Piedmont Natural Gas	PNY	77.00%	75.75%	74.50%	73.25%	72.00%	71.63%	71.26%	70.90%	70.53%	70.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
South Jersey Industries	SJI	54.00%	53.75%	53.50%	53.25%	53.00%	55.80%	58.60%	61.40%	64.19%	66.99%	69.79%	69.79%	69.79%	69.79%	69.79%		
Southwest Gas Corp.	SWX	46.00%	45.00%	44.00%	43.00%	42.00%	46.63%	51.26%	55.90%	60.53%	65.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
WGL Holdings, Inc.	WGL	62.00%	61.75%	61.50%	61.25%	61.00%	62.47%	63.93%	65.40%	66.86%	68.33%	69.79%	69.79%	69.79%	69.79%	69.79%		
Projected Annual Cash Flows																		
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Value	
AGL Resources Inc.	GAS	\$1.49	\$1.48	\$1.46	\$1.43	\$1.39	\$1.59	\$1.80	\$2.04	\$2.30	\$2.57	\$2.87	\$3.04	\$3.21	\$3.40	\$3.60	\$89.67	
Atmos Energy Corp.	ATO	\$1.45	\$1.48	\$1.51	\$1.54	\$1.56	\$1.73	\$1.90	\$2.10	\$2.31	\$2.54	\$2.79	\$2.95	\$3.12	\$3.30	\$3.49	\$78.35	
New Jersey Resources	NJR	\$1.43	\$1.46	\$1.49	\$1.53	\$1.56	\$1.76	\$1.98	\$2.22	\$2.48	\$2.77	\$3.09	\$3.27	\$3.46	\$3.66	\$3.88	\$99.85	
Northwest Natural Gas	NWN	\$1.84	\$1.82	\$1.79	\$1.76	\$1.72	\$1.89	\$2.07	\$2.27	\$2.48	\$2.71	\$2.97	\$3.14	\$3.32	\$3.52	\$3.72	\$103.10	
Piedmont Natural Gas	PNY	\$1.26	\$1.28	\$1.31	\$1.34	\$1.36	\$1.41	\$1.47	\$1.53	\$1.60	\$1.68	\$1.77	\$1.87	\$1.98	\$2.09	\$2.22	\$65.19	
South Jersey Industries	SJI	\$1.69	\$1.82	\$1.96	\$2.10	\$2.27	\$2.57	\$2.90	\$3.25	\$3.62	\$4.01	\$4.42	\$4.68	\$4.95	\$5.24	\$5.54	\$116.52	
Southwest Gas Corp.	SWX	\$1.19	\$1.23	\$1.28	\$1.33	\$1.38	\$1.63	\$1.90	\$2.19	\$2.52	\$2.87	\$3.25	\$3.44	\$3.64	\$3.85	\$4.08	\$100.29	
WGL Holdings, Inc.	WGL	\$1.46	\$1.52	\$1.58	\$1.65	\$1.72	\$1.84	\$1.98	\$2.13	\$2.29	\$2.47	\$2.67	\$2.83	\$2.99	\$3.17	\$3.35	\$85.21	
Projected Annual Data Investor Cash Flows																		
Company	Ticker	Initial Outflow	11/30/12	12/31/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25	6/30/26
AGL Resources Inc.	GAS	(\$40.06)	\$0.00	\$0.13	\$1.54	\$1.46	\$1.43	\$1.39	\$1.59	\$1.80	\$2.04	\$2.30	\$2.57	\$2.87	\$3.04	\$3.21	\$3.40	\$93.27
Atmos Energy Corp.	ATO	(\$35.54)	\$0.00	\$0.12	\$1.49	\$1.51	\$1.54	\$1.56	\$1.73	\$1.90	\$2.10	\$2.31	\$2.54	\$2.79	\$2.95	\$3.12	\$3.30	\$81.84
New Jersey Resources	NJR	(\$44.49)	\$0.00	\$0.12	\$1.46	\$1.49	\$1.53	\$1.56	\$1.76	\$1.98	\$2.22	\$2.48	\$2.77	\$3.09	\$3.27	\$3.46	\$3.66	\$103.72
Northwest Natural Gas	NWN	(\$47.64)	\$0.00	\$0.16	\$1.88	\$1.79	\$1.72	\$1.72	\$1.89	\$2.07	\$2.27	\$2.48	\$2.71	\$2.97	\$3.14	\$3.32	\$3.52	\$106.82
Piedmont Natural Gas	PNY	(\$31.50)	\$0.00	\$0.11	\$1.28	\$1.31	\$1.34	\$1.36	\$1.41	\$1.47	\$1.53	\$1.60	\$1.68	\$1.77	\$1.87	\$1.98	\$2.09	\$67.41
South Jersey Industries	SJI	(\$51.17)	\$0.00	\$0.14	\$1.76	\$1.96	\$2.10	\$2.27	\$2.57	\$2.90	\$3.25	\$3.62	\$4.01	\$4.42	\$4.68	\$4.95	\$5.24	\$122.06
Southwest Gas Corp.	SWX	(\$43.27)	\$0.00	\$0.10	\$1.22	\$1.28	\$1.33	\$1.38	\$1.63	\$1.90	\$2.19	\$2.52	\$2.87	\$3.25	\$3.44	\$3.64	\$3.85	\$104.37
WGL Holdings, Inc.	WGL	(\$39.54)	\$0.00	\$0.12	\$1.49	\$1.58	\$1.65	\$1.72	\$1.84	\$1.98	\$2.13	\$2.29	\$2.47	\$2.67	\$2.83	\$2.99	\$3.17	\$88.56

Multistage Growth Discounted Cash Flow Model
180 Day Average Stock Price

Inputs		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]			
		Stock	EPS Growth Rate			Estimates		Long-Term		Payout Ratio			Iterative Solution		Terminal	Terminal		
Company	Ticker	Price	Zacks	First Call	Line	Growth	Average	Growth	2012	2016	2022	Proof	IRR	P/E Ratio	PEG Ratio			
AGL Resources Inc.	GAS	\$39.25	4.40%	NA	8.00%	6.81%	6.40%	5.80%	66.00%	48.00%	69.79%	\$0.00	10.13%	16.12	2.78			
Atmos Energy Corp.	ATO	\$34.33	6.00%	6.00%	4.00%	4.37%	5.09%	5.80%	61.00%	54.00%	69.79%	\$0.00	10.68%	14.30	2.46			
New Jersey Resources	NJR	\$44.03	3.35%	2.70%	5.50%	7.20%	4.69%	5.80%	53.00%	48.00%	69.79%	\$0.00	9.95%	16.83	2.90			
Northwest Natural Gas	NWN	\$46.93	4.17%	4.50%	4.50%	7.56%	5.18%	5.80%	73.00%	56.00%	69.79%	\$0.00	9.68%	18.01	3.10			
Piedmont Natural Gas	PNY	\$31.21	5.23%	5.35%	2.50%	2.19%	3.82%	5.80%	77.00%	72.00%	69.79%	\$0.00	9.43%	19.23	3.31			
South Jersey Industries	SJI	\$50.46	6.00%	6.00%	9.00%	11.58%	8.15%	5.80%	54.00%	53.00%	69.79%	\$0.00	10.90%	13.69	2.36			
Southwest Gas Corp.	SWX	\$43.11	4.97%	4.05%	9.00%	6.92%	6.24%	5.80%	46.00%	42.00%	69.79%	\$0.00	10.12%	16.18	2.79			
WGL Holdings, Inc.	WGL	\$39.63	5.25%	5.60%	3.50%	3.92%	4.57%	5.80%	62.00%	61.00%	69.79%	\$0.00	9.95%	16.81	2.90			
													MEAN	10.11%				
													MAX	10.90%				
													MIN	9.43%				
Projected Annual Earnings per Share																		
Company	Ticker	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
AGL Resources Inc.	GAS	\$2.12	\$2.26	\$2.40	\$2.55	\$2.72	\$2.89	\$3.07	\$3.26	\$3.46	\$3.67	\$3.89	\$4.11	\$4.35	\$4.61	\$4.87	\$5.16	\$5.45
Atmos Energy Corp.	ATO	\$2.26	\$2.38	\$2.50	\$2.62	\$2.76	\$2.90	\$3.05	\$3.21	\$3.39	\$3.57	\$3.78	\$4.00	\$4.23	\$4.47	\$4.73	\$5.01	\$5.30
New Jersey Resources	NJR	\$2.58	\$2.70	\$2.83	\$2.96	\$3.10	\$3.24	\$3.40	\$3.57	\$3.76	\$3.97	\$4.19	\$4.43	\$4.69	\$4.96	\$5.25	\$5.55	\$5.88
Northwest Natural Gas	NWN	\$2.39	\$2.51	\$2.64	\$2.78	\$2.93	\$3.08	\$3.24	\$3.41	\$3.60	\$3.80	\$4.02	\$4.25	\$4.50	\$4.76	\$5.04	\$5.33	\$5.64
Piedmont Natural Gas	PNY	\$1.57	\$1.63	\$1.69	\$1.76	\$1.82	\$1.89	\$1.97	\$2.06	\$2.16	\$2.27	\$2.39	\$2.53	\$2.68	\$2.84	\$3.00	\$3.17	\$3.36
South Jersey Industries	SJI	\$2.89	\$3.13	\$3.38	\$3.66	\$3.95	\$4.28	\$4.61	\$4.95	\$5.29	\$5.64	\$5.99	\$6.34	\$6.70	\$7.09	\$7.50	\$7.94	\$8.40
Southwest Gas Corp.	SWX	\$2.43	\$2.58	\$2.74	\$2.91	\$3.10	\$3.29	\$3.49	\$3.70	\$3.93	\$4.16	\$4.40	\$4.66	\$4.93	\$5.22	\$5.52	\$5.84	\$6.18
WGL Holdings, Inc.	WGL	\$2.25	\$2.35	\$2.46	\$2.57	\$2.69	\$2.81	\$2.95	\$3.09	\$3.25	\$3.43	\$3.62	\$3.83	\$4.05	\$4.29	\$4.54	\$4.80	\$5.08
Projected Annual Dividend Payout Ratio																		
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
AGL Resources Inc.	GAS	66.00%	61.50%	57.00%	52.50%	48.00%	51.63%	55.26%	58.90%	62.53%	66.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
Atmos Energy Corp.	ATO	61.00%	59.25%	57.50%	55.75%	54.00%	56.63%	59.26%	61.90%	64.53%	67.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
New Jersey Resources	NJR	53.00%	51.75%	50.50%	49.25%	48.00%	51.63%	55.26%	58.90%	62.53%	66.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
Northwest Natural Gas	NWN	73.00%	68.75%	64.50%	60.25%	56.00%	58.30%	60.60%	62.90%	65.19%	67.49%	69.79%	69.79%	69.79%	69.79%	69.79%		
Piedmont Natural Gas	PNY	77.00%	75.75%	74.50%	73.25%	72.00%	71.63%	71.26%	70.90%	70.53%	70.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
South Jersey Industries	SJI	54.00%	53.75%	53.50%	53.25%	53.00%	55.80%	58.60%	61.40%	64.19%	66.99%	69.79%	69.79%	69.79%	69.79%	69.79%		
Southwest Gas Corp.	SWX	46.00%	45.00%	44.00%	43.00%	42.00%	46.63%	51.26%	55.90%	60.53%	65.16%	69.79%	69.79%	69.79%	69.79%	69.79%		
WGL Holdings, Inc.	WGL	62.00%	61.75%	61.50%	61.25%	61.00%	62.47%	63.93%	65.40%	66.86%	68.33%	69.79%	69.79%	69.79%	69.79%	69.79%		
Projected Annual Cash Flows																		
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Terminal Value	
AGL Resources Inc.	GAS	\$1.49	\$1.48	\$1.46	\$1.43	\$1.39	\$1.59	\$1.80	\$2.04	\$2.30	\$2.57	\$2.87	\$3.04	\$3.21	\$3.40	\$3.60	\$87.92	
Atmos Energy Corp.	ATO	\$1.45	\$1.48	\$1.51	\$1.54	\$1.56	\$1.73	\$1.90	\$2.10	\$2.31	\$2.54	\$2.79	\$2.95	\$3.12	\$3.30	\$3.49	\$75.74	
New Jersey Resources	NJR	\$1.43	\$1.46	\$1.49	\$1.53	\$1.56	\$1.76	\$1.98	\$2.22	\$2.48	\$2.77	\$3.09	\$3.27	\$3.46	\$3.66	\$3.88	\$98.96	
Northwest Natural Gas	NWN	\$1.84	\$1.82	\$1.79	\$1.76	\$1.72	\$1.89	\$2.07	\$2.27	\$2.48	\$2.71	\$2.97	\$3.14	\$3.32	\$3.52	\$3.72	\$101.57	
Piedmont Natural Gas	PNY	\$1.26	\$1.28	\$1.31	\$1.34	\$1.36	\$1.41	\$1.47	\$1.53	\$1.60	\$1.68	\$1.77	\$1.87	\$1.98	\$2.09	\$2.22	\$64.58	
South Jersey Industries	SJI	\$1.69	\$1.82	\$1.96	\$2.10	\$2.27	\$2.57	\$2.90	\$3.25	\$3.62	\$4.01	\$4.42	\$4.68	\$4.95	\$5.24	\$5.54	\$114.97	
Southwest Gas Corp.	SWX	\$1.19	\$1.23	\$1.28	\$1.33	\$1.38	\$1.63	\$1.90	\$2.19	\$2.52	\$2.87	\$3.25	\$3.44	\$3.64	\$3.85	\$4.08	\$99.94	
WGL Holdings, Inc.	WGL	\$1.46	\$1.52	\$1.58	\$1.65	\$1.72	\$1.84	\$1.98	\$2.13	\$2.29	\$2.47	\$2.67	\$2.83	\$2.99	\$3.17	\$3.35	\$85.39	
Projected Annual Data Investor Cash Flows																		
Company	Ticker	Initial Outflow	11/30/12	12/31/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25	6/30/26
AGL Resources Inc.	GAS	(\$39.25)	\$0.00	\$0.13	\$1.54	\$1.46	\$1.43	\$1.39	\$1.59	\$1.80	\$2.04	\$2.30	\$2.57	\$2.87	\$3.04	\$3.21	\$3.40	\$91.52
Atmos Energy Corp.	ATO	(\$34.33)	\$0.00	\$0.12	\$1.49	\$1.51	\$1.54	\$1.56	\$1.73	\$1.90	\$2.10	\$2.31	\$2.54	\$2.79	\$2.95	\$3.12	\$3.30	\$79.24
New Jersey Resources	NJR	(\$44.03)	\$0.00	\$0.12	\$1.46	\$1.49	\$1.53	\$1.56	\$1.76	\$1.98	\$2.22	\$2.48	\$2.77	\$3.09	\$3.27	\$3.46	\$3.66	\$102.73
Northwest Natural Gas	NWN	(\$46.93)	\$0.00	\$0.16	\$1.88	\$1.79	\$1.76	\$1.72	\$1.89	\$2.07	\$2.27	\$2.48	\$2.71	\$2.97	\$3.14	\$3.32	\$3.52	\$105.29
Piedmont Natural Gas	PNY	(\$31.21)	\$0.00	\$0.11	\$1.28	\$1.31	\$1.34	\$1.36	\$1.41	\$1.47	\$1.53	\$1.60	\$1.68	\$1.77	\$1.87	\$1.98	\$2.09	\$66.79
South Jersey Industries	SJI	(\$50.46)	\$0.00	\$0.14	\$1.76	\$1.96	\$2.10	\$2.27	\$2.57	\$2.90	\$3.25	\$3.62	\$4.01	\$4.42	\$4.68	\$4.95	\$5.24	\$120.51
Southwest Gas Corp.	SWX	(\$43.11)	\$0.00	\$0.10	\$1.22	\$1.28	\$1.33	\$1.38	\$1.63	\$1.90	\$2.19	\$2.52	\$2.87	\$3.25	\$3.44	\$3.64	\$3.85	\$104.01
WGL Holdings, Inc.	WGL	(\$39.63)	\$0.00	\$0.12	\$1.49	\$1.58	\$1.65	\$1.72	\$1.84	\$1.98	\$2.13	\$2.29	\$2.47	\$2.67	\$2.83	\$2.99	\$3.17	\$88.74

Multi-Stage DCF Notes:

- [1] Source: Bloomberg; based on 30-, 90-, and 180-day historical average
- [2] Source: Zacks
- [3] Source: Yahoo! Finance
- [4] Source: Value Line
- [5] Source: SCHEDULE-RBH-D3
- [6] Equals average Columns [2], [3], [4], [5]
- [7] Source: Federal Reserve, Bureau of Economic Analysis
- [8] Source: Value Line
- [9] Source: Value Line
- [10] Source: Bloomberg Professional
- [11] Equals Column [1] + Column [63]
- [12] Equals result of Excel Solver function; goal: Column [11] equals \$0.00
- [13] Equals Column [62] / Column [31]
- [14] Equals Column [13] / (Column [7] x 100)
- [15] Source: Value Line
- [16] Equals Column [15] x (1 + Column [6])
- [17] Equals Column [16] x (1 + Column [6])
- [18] Equals Column [17] x (1 + Column [6])
- [19] Equals Column [18] x (1 + Column [6])
- [20] Equals Column [19] x (1 + Column [6])
- [21] Equals $(1 + (\text{Column [6]} + (((\text{Column [7]} - \text{Column [6]}) / (2021 - 2016 + 1)) \times (2017 - 2016)))) \times \text{Column [20]}$
- [22] Equals $(1 + (\text{Column [6]} + (((\text{Column [7]} - \text{Column [6]}) / (2021 - 2016 + 1)) \times (2018 - 2016)))) \times \text{Column [21]}$
- [23] Equals $(1 + (\text{Column [6]} + (((\text{Column [7]} - \text{Column [6]}) / (2021 - 2016 + 1)) \times (2019 - 2016)))) \times \text{Column [22]}$
- [24] Equals $(1 + (\text{Column [6]} + (((\text{Column [7]} - \text{Column [6]}) / (2021 - 2016 + 1)) \times (2020 - 2016)))) \times \text{Column [23]}$
- [25] Equals $(1 + (\text{Column [6]} + (((\text{Column [7]} - \text{Column [6]}) / (2021 - 2016 + 1)) \times (2021 - 2016)))) \times \text{Column [24]}$
- [26] Equals Column [25] x (1 + Column [7])
- [27] Equals Column [26] x (1 + Column [7])
- [28] Equals Column [27] x (1 + Column [7])
- [29] Equals Column [28] x (1 + Column [7])
- [30] Equals Column [29] x (1 + Column [7])
- [31] Equals Column [30] x (1 + Column [7])
- [32] Equals Column [8]
- [33] Equals Column [32] + ((Column [36] - Column [32]) / 4)
- [34] Equals Column [33] + ((Column [36] - Column [32]) / 4)
- [35] Equals Column [34] + ((Column [36] - Column [32]) / 4)
- [36] Equals Column [9]
- [37] Equals Column [36] + ((Column [42] - Column [36]) / 6)
- [38] Equals Column [37] + ((Column [42] - Column [36]) / 6)
- [39] Equals Column [38] + ((Column [42] - Column [36]) / 6)
- [40] Equals Column [39] + ((Column [42] - Column [36]) / 6)
- [41] Equals Column [40] + ((Column [42] - Column [36]) / 6)
- [42] Equals Column [10]
- [43] Equals Column [10]
- [44] Equals Column [10]
- [45] Equals Column [10]
- [46] Equals Column [10]
- [47] Equals Column [16] x Column [32]
- [48] Equals Column [17] x Column [33]
- [49] Equals Column [18] x Column [34]
- [50] Equals Column [19] x Column [35]
- [51] Equals Column [20] x Column [36]
- [52] Equals Column [21] x Column [37]
- [53] Equals Column [22] x Column [38]
- [54] Equals Column [23] x Column [39]
- [55] Equals Column [24] x Column [40]
- [56] Equals Column [25] x Column [41]
- [57] Equals Column [26] x Column [42]
- [58] Equals Column [27] x Column [43]
- [59] Equals Column [28] x Column [44]
- [60] Equals Column [29] x Column [45]
- [61] Equals Column [30] x Column [46]
- [62] Equals $(\text{Column [61]} \times (1 + \text{Column [7]})) / (\text{Column [12]} - \text{Column [7]})$
- [63] Equals negative net present value; discount rate equals Column [12], cash flows equal Column [64] through Column [79]
- [64] Equals \$0.00
- [65] Equals $(12/31/2012 - 11/30/2012) \times \text{Column [47]}$
- [66] Equals $\text{Column [47]} \times (1 + (0.5 \times \text{Column [6]}))$
- [67] Equals Column [49]
- [68] Equals Column [50]
- [69] Equals Column [51]
- [70] Equals Column [52]
- [71] Equals Column [53]
- [72] Equals Column [54]
- [73] Equals Column [55]
- [74] Equals Column [56]
- [75] Equals Column [57]
- [76] Equals Column [58]
- [77] Equals Column [59]
- [78] Equals Column [60]
- [79] Equals Column [61] + [62]

Sharpe Ratio Derived *Ex-Ante* Market Risk Premium

[1]	[2]	[3]	[4]	[5]
RP _h	Vol _h	VOL _e	Historical Sharpe Ratio	RP _e
6.60%	20.30%	21.57%	32.52%	7.01%

[6]	[7]	[8]	[9]	
Date	VXV	Apr 13 VIX Futures	May 13 VIX Futures	Jun 13 VIX Futures
11/30/2012	17.27	20.40	21.30	21.90
11/29/2012	16.82	20.30	21.10	21.80
11/28/2012	17.20	20.70	21.50	22.10
11/27/2012	17.62	20.90	21.55	22.25
11/26/2012	17.31	20.75	21.45	22.10
11/23/2012	17.58	20.90	21.60	22.25
11/21/2012	17.58	21.25	22.10	22.60
11/20/2012	17.28	21.20	22.00	22.50
11/19/2012	17.59	21.50	22.25	22.70
11/16/2012	18.93	22.40	23.05	23.30
11/15/2012	19.79	22.85	23.40	23.70
11/14/2012	19.87	22.65	23.15	23.50
11/13/2012	18.97	22.15	22.70	23.10
11/12/2012	19.15	22.30	22.80	23.25
11/9/2012	20.07	22.90	23.40	23.85
11/8/2012	19.83	22.55	23.20	23.65
11/7/2012	19.81	22.45	23.10	23.55
11/6/2012	18.24	21.90	22.55	23.00
11/5/2012	18.97	22.60	23.25	23.65
11/2/2012	18.55	22.45	23.15	23.65
11/1/2012	17.73	21.85	22.50	22.90
10/31/2012	19.31	22.85	23.50	23.95
10/26/2012	19.02	22.55	23.10	23.65
10/25/2012	19.11	22.55	23.15	23.65
10/24/2012	19.27	22.70	23.35	23.95
10/23/2012	19.45	22.95	23.60	24.15
10/22/2012	17.87	22.60	23.30	23.70
10/19/2012	18.12	22.85	23.55	24.15
10/18/2012	16.58	22.40	23.05	23.60
10/17/2012	16.61	22.25	22.90	23.50
Average:		21.57		

Notes:

[1] Source: Morningstar, Inc.

RP_h = historical arithmetic average Risk Premium

[2] Source: Morningstar, Inc.

Vol_h = historical market volatility

[3] Vol_e = expected market volatility (average of Cols. [6] to [9])

[4] Equals [1] / [2]

[5] RP_e = expected Risk Premium ([3] x [4])

[6] Source: Bloomberg Professional

[7] Source: Bloomberg Professional

[8] Source: Bloomberg Professional

[9] Source: Bloomberg Professional

Ex-Ante Market Risk Premium
Market DCF Method Based - Bloomberg

[1]	[2]	[3]
S&P 500 Est. Required Market Return	Current 30-Year Treasury (30-day average)	Implied Market Risk Premium
13.01%	2.85%	10.17%

Company	Ticker	[4] Market Capitalization	[5] Weight in Index	[6] Estimated Dividend Yield	[7] Long-Term Growth Est.	[8] DCF Result	[9] Weighted DCF Result
AGILENT TECHNOLOGIES INC	A	13,272.56	0.10%	0.96%	8.59%	9.59%	0.0098%
ALCOA INC	AA	8,964.50	0.07%	1.43%	10.00%	11.50%	0.0079%
APPLE INC	AAPL	555,506.88	4.26%	1.80%	20.63%	22.62%	0.9642%
AMERISOURCEBERGEN CORP	ABC	10,014.78	0.08%	1.63%	12.00%	13.72%	0.0105%
ABBOTT LABORATORIES	ABT	102,221.78	0.78%	3.15%	10.04%	13.35%	0.1047%
ACE LTD	ACE	27,055.54	0.21%	2.36%	9.65%	12.13%	0.0252%
ACCENTURE PLC-CL A	ACN	46,982.69	0.36%	2.39%	12.50%	15.04%	0.0542%
ADOBE SYSTEMS INC	ADBE	17,178.40	0.13%	0.00%	12.50%	12.50%	0.0165%
ANALOG DEVICES INC	ADI	12,150.51	0.09%	3.02%	12.33%	15.54%	0.0145%
ARCHER-DANIELS-MIDLAND CO	ADM	17,656.16	0.14%	2.54%	10.00%	12.66%	0.0172%
AUTOMATIC DATA PROCESSING	ADP	27,502.10	0.21%	2.88%	9.67%	12.69%	0.0268%
AUTODESK INC	ADSK	7,503.58	0.06%	0.00%	17.75%	17.75%	0.0102%
ADT CORP/THE	ADT	10,409.90	0.08%	1.18%	10.00%	11.24%	0.0090%
AMEREN CORPORATION	AEE	7,203.82	0.06%	5.41%	-4.00%	1.30%	0.0007%
AMERICAN ELECTRIC POWER	AEP	20,613.38	0.16%	4.44%	4.33%	8.87%	0.0140%
AES CORP	AES	7,900.87	0.06%	0.94%	8.50%	9.48%	0.0057%
AETNA INC	AET	14,564.13	0.11%	1.58%	10.60%	12.26%	0.0137%
AFLAC INC	AFL	24,894.27	0.19%	2.50%	14.77%	17.45%	0.0333%
ALLERGAN INC	AGN	28,391.62	0.22%	0.22%	13.06%	13.29%	0.0290%
AMERICAN INTERNATIONAL GROUP	AIG	49,426.68	0.38%	0.00%	12.33%	12.33%	0.0468%
APARTMENT INVNT & MGMT CO -A	AIV	3,653.18	0.03%	3.07%	10.82%	14.05%	0.0039%
ASSURANT INC	AIZ	2,657.19	0.02%	2.40%	11.00%	13.53%	0.0028%
AKAMAI TECHNOLOGIES INC	AKAM	6,394.17	0.05%	0.00%	14.50%	14.50%	0.0071%
ALLSTATE CORP	ALL	19,622.81	0.15%	2.16%	9.00%	11.26%	0.0170%
ALTERA CORP	ALTR	10,399.37	0.08%	1.11%	9.20%	10.36%	0.0083%
ALEXION PHARMACEUTICALS INC	ALXN	18,587.30	0.14%	0.00%	40.23%	40.23%	0.0574%
APPLIED MATERIALS INC	AMAT	13,216.45	0.10%	3.18%	9.00%	12.33%	0.0125%
ADVANCED MICRO DEVICES	AMD	1,715.79	0.01%	0.00%	4.50%	4.50%	0.0006%
AMGEN INC	AMGN	68,102.78	0.52%	1.56%	9.34%	10.97%	0.0574%
AMERIPRISE FINANCIAL INC	AMP	12,575.38	0.10%	2.30%	10.55%	12.97%	0.0125%
AMERICAN TOWER CORP	AMT	29,556.58	0.23%	1.20%	18.43%	19.74%	0.0448%
AMAZON.COM INC	AMZN	114,331.27	0.88%	0.00%	33.36%	33.36%	0.2927%
AUTONATION INC	AN	4,712.23	0.04%	0.00%	20.48%	20.48%	0.0074%
ABERCROMBIE & FITCH CO-CL A	ANF	3,765.32	0.03%	1.55%	18.13%	19.82%	0.0057%
AON PLC	AON	18,160.86	0.14%	1.10%	8.33%	9.48%	0.0132%
APACHE CORP	APA	30,277.52	0.23%	0.91%	8.23%	9.17%	0.0213%
ANADARKO PETROLEUM CORP	APC	37,172.09	0.29%	0.49%	8.83%	9.34%	0.0266%
AIR PRODUCTS & CHEMICALS INC	APD	17,496.28	0.13%	3.18%	10.69%	14.03%	0.0188%
AMPHENOL CORP-CL A	APH	9,803.33	0.08%	0.62%	18.50%	19.18%	0.0144%
APOLLO GROUP INC-CL A	APOL	2,160.93	0.02%	0.00%	9.80%	9.80%	0.0016%
AIRGAS INC	ARG	6,829.25	0.05%	1.68%	12.46%	14.24%	0.0075%
ALLEGHENY TECHNOLOGIES INC	ATI	2,773.05	0.02%	2.79%	15.00%	18.00%	0.0038%
AVALONBAY COMMUNITIES INC	AVB	15,168.31	0.12%	2.93%	9.87%	12.94%	0.0151%
AVON PRODUCTS INC	AVP	6,058.91	0.05%	5.36%	11.00%	16.65%	0.0077%
AVERY DENNISON CORP	AVY	3,305.49	0.03%	3.24%	7.00%	10.35%	0.0026%
AMERICAN EXPRESS CO	AXP	62,880.10	0.48%	1.41%	9.68%	11.15%	0.0538%
AUTOZONE INC	AZO	14,064.05	0.11%	0.00%	16.65%	16.65%	0.0180%
BOEING CO/THE	BA	55,794.15	0.43%	2.38%	11.37%	13.88%	0.0594%
BANK OF AMERICA CORP	BAC	105,948.51	0.81%	0.39%	8.67%	9.07%	0.0738%
BAXTER INTERNATIONAL INC	BAX	36,193.02	0.28%	2.15%	9.00%	11.25%	0.0313%
BED BATH & BEYOND INC	BBBY	13,385.10	0.10%	0.00%	14.70%	14.70%	0.0151%
BB&T CORP	BBT	19,666.90	0.15%	2.80%	6.50%	9.39%	0.0142%
BEST BUY CO INC	BBY	4,349.74	0.03%	4.06%	5.60%	9.78%	0.0033%
CR BARD INC	BCR	8,154.65	0.06%	0.80%	8.38%	9.21%	0.0058%
BECTON DICKINSON AND CO	BDX	15,053.49	0.12%	2.51%	6.87%	9.47%	0.0109%
BEAM INC	BEAM	8,945.32	0.07%	1.46%	12.72%	14.27%	0.0098%
FRANKLIN RESOURCES INC	BEN	28,133.14	0.22%	0.87%	12.67%	13.60%	0.0294%
BROWN-FORMAN CORP-CLASS B	BF/B	14,738.08	0.11%	2.06%	12.50%	14.68%	0.0166%
BAKER HUGHES INC	BHI	18,988.35	0.15%	1.46%	23.00%	24.63%	0.0359%
BIG LOTS INC	BIG	1,653.50	0.01%	0.00%	9.25%	9.25%	0.0012%
BIODEN IDEC INC	BIIB	35,659.89	0.27%	0.00%	15.83%	15.83%	0.0433%
BANK OF NEW YORK MELLON CORP	BK	28,268.60	0.22%	2.15%	16.50%	18.82%	0.0408%
BLACKROCK INC	BLK	34,435.13	0.26%	3.05%	12.67%	15.91%	0.0421%
BALL CORP	BLL	6,841.80	0.05%	0.90%	10.00%	10.94%	0.0057%
BMC SOFTWARE INC	BMC	6,323.05	0.05%	0.00%	15.00%	15.00%	0.0073%
BEMIS COMPANY	BMS	3,448.85	0.03%	3.04%	6.00%	9.13%	0.0024%
BRISTOL-MYERS SQUIBB CO	BMY	53,961.02	0.41%	4.17%	7.48%	11.81%	0.0489%
BROADCOM CORP-CL A	BRCM	18,344.66	0.14%	1.23%	14.50%	15.82%	0.0223%

		[4]	[5]	[6]	[7]	[8]	[9]
Company	Ticker	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
BERKSHIRE HATHAWAY INC-CL B	BRK/B	220,314.34	N/A	0.00%	N/A	N/A	N/A
BOSTON SCIENTIFIC CORP	BSX	7,716.17	0.06%	0.00%	9.57%	9.57%	0.0057%
PEABODY ENERGY CORP	BTU	6,698.91	0.05%	1.36%	12.00%	13.44%	0.0069%
BORGWARNER INC	BWA	7,770.10	0.06%	0.12%	18.74%	18.87%	0.0113%
BOSTON PROPERTIES INC	BXP	15,525.30	0.12%	2.16%	5.55%	7.77%	0.0093%
CITIGROUP INC	C	101,089.85	0.78%	0.12%	10.49%	10.61%	0.0823%
CA INC	CA	10,044.62	0.08%	4.60%	10.00%	14.83%	0.0114%
CONAGRA FOODS INC	CAG	12,148.51	0.09%	3.33%	6.50%	9.94%	0.0093%
CARDINAL HEALTH INC	CAH	13,822.17	0.11%	2.48%	10.50%	13.11%	0.0139%
CAMERON INTERNATIONAL CORP	CAM	13,381.78	0.10%	0.00%	17.00%	17.00%	0.0175%
CATERPILLAR INC	CAT	55,845.94	0.43%	2.30%	11.00%	13.43%	0.0575%
CHUBB CORP	CB	20,174.95	0.15%	2.17%	7.44%	9.69%	0.0150%
CBRE GROUP INC - A	CBG	6,275.17	0.05%	0.00%	13.33%	13.33%	0.0064%
CBS CORP-CLASS B NON VOTING	CBS	23,006.56	0.18%	1.23%	10.75%	12.05%	0.0213%
COCA-COLA ENTERPRISES	CCE	8,998.99	0.07%	2.03%	6.86%	8.95%	0.0062%
CROWN CASTLE INTL CORP	CCI	19,808.77	N/A	0.00%	N/A	N/A	N/A
CARNIVAL CORP	CCL	31,810.12	0.24%	2.73%	13.03%	15.94%	0.0389%
CELGENE CORP	CELG	33,335.63	0.26%	0.00%	23.33%	23.33%	0.0597%
CERNER CORP	CERN	13,354.55	0.10%	0.00%	19.00%	19.00%	0.0195%
CF INDUSTRIES HOLDINGS INC	CF	13,287.70	0.10%	0.76%	12.00%	12.80%	0.0131%
CAREFUSION CORP	CFN	6,204.77	0.05%	0.00%	10.20%	10.20%	0.0049%
CHESAPEAKE ENERGY CORP	CHK	11,378.90	0.09%	1.60%	8.84%	10.51%	0.0092%
C.H. ROBINSON WORLDWIDE INC	CHRW	9,835.97	0.08%	2.19%	14.75%	17.10%	0.0129%
CIGNA CORP	CI	14,914.90	0.11%	0.08%	10.45%	10.53%	0.0121%
CINCINNATI FINANCIAL CORP	CINF	6,596.92	0.05%	3.99%	5.00%	9.09%	0.0046%
COLGATE-PALMOLIVE CO	CL	51,377.66	0.39%	2.25%	8.56%	10.91%	0.0430%
CLIFFS NATURAL RESOURCES INC	CLF	4,066.84	0.03%	7.84%	11.00%	19.27%	0.0060%
CLOROX COMPANY	CLX	10,009.59	0.08%	3.35%	8.30%	11.80%	0.0091%
COMERICA INC	CMA	5,594.21	0.04%	1.90%	6.64%	8.60%	0.0037%
COMCAST CORP-CLASS A	CMCSA	97,965.55	0.75%	1.68%	14.44%	16.23%	0.1221%
CME GROUP INC	CME	18,516.61	0.14%	4.35%	14.23%	18.89%	0.0269%
CHIPOTLE MEXICAN GRILL INC	CMG	8,373.86	0.06%	0.00%	20.83%	20.83%	0.0134%
CUMMINS INC	CMI	18,698.69	0.14%	1.83%	13.00%	14.95%	0.0215%
CMS ENERGY CORP	CMS	6,478.93	0.05%	3.90%	6.00%	10.02%	0.0050%
CENTERPOINT ENERGY INC	CNP	8,480.44	0.07%	4.08%	5.67%	9.86%	0.0064%
CONSOL ENERGY INC	CNX	7,131.81	0.05%	1.60%	12.00%	13.69%	0.0075%
CAPITAL ONE FINANCIAL CORP	COF	33,598.07	0.26%	0.35%	9.72%	10.08%	0.0260%
CABOT OIL & GAS CORP	COG	10,175.73	N/A	0.18%	N/A	N/A	N/A
COACH INC	COH	16,558.98	0.13%	1.86%	12.97%	14.95%	0.0190%
ROCKWELL COLLINS INC	COL	7,874.38	0.06%	2.19%	8.90%	11.19%	0.0068%
CONOCOPHILLIPS	COP	69,446.91	0.53%	4.65%	3.97%	8.71%	0.0464%
COSTCO WHOLESALE CORP	COST	45,058.62	0.35%	1.09%	12.93%	14.09%	0.0487%
COVIDIEN PLC	COV	27,413.96	0.21%	1.78%	8.28%	10.14%	0.0213%
CAMPBELL SOUP CO	CPB	11,600.37	0.09%	3.33%	6.25%	9.68%	0.0086%
SALESFORCE.COM INC	CRM	21,877.77	0.17%	0.00%	25.87%	25.87%	0.0434%
COMPUTER SCIENCES CORP	CSC	6,119.61	0.05%	2.03%	8.00%	10.11%	0.0047%
CISCO SYSTEMS INC	CSCO	101,565.91	0.78%	2.61%	9.75%	12.49%	0.0974%
CSX CORP	CSX	20,215.01	0.16%	2.78%	15.00%	17.99%	0.0279%
CINTAS CORP	CTAS	5,172.22	0.04%	1.40%	11.17%	12.65%	0.0050%
CENTURYLINK INC	CTL	24,483.63	0.19%	7.40%	0.71%	8.13%	0.0153%
COGNIZANT TECH SOLUTIONS-A	CTSH	20,443.06	0.16%	0.00%	17.96%	17.96%	0.0282%
CITRIX SYSTEMS INC	CTXS	11,374.73	0.09%	0.00%	15.80%	15.80%	0.0138%
CABLEVISION SYSTEMS-NY GRP-A	CVC	3,694.29	0.03%	4.31%	23.00%	27.81%	0.0079%
COVENTRY HEALTH CARE INC	CVH	5,887.22	0.05%	0.96%	12.00%	13.02%	0.0059%
CVS CAREMARK CORP	CVS	57,609.66	0.44%	1.39%	12.75%	14.23%	0.0629%
CHEVRON CORP	CVX	205,601.88	1.58%	3.34%	0.17%	3.52%	0.0555%
DOMINION RESOURCES INC/VA	D	29,230.41	0.22%	4.12%	6.00%	10.24%	0.0230%
DU PONT (E.I.) DE NEMOURS	DD	39,807.19	0.31%	3.94%	6.68%	10.75%	0.0328%
DEERE & CO	DE	32,802.12	0.25%	2.22%	10.00%	12.33%	0.0311%
DELL INC	DELL	17,675.61	0.14%	1.57%	7.33%	8.96%	0.0122%
DEAN FOODS CO	DF	3,250.84	0.02%	0.00%	5.75%	5.75%	0.0014%
DISCOVER FINANCIAL SERVICES	DFS	20,963.34	0.16%	0.99%	10.67%	11.71%	0.0188%
DOLLAR GENERAL CORP	DG	16,224.96	0.12%	0.00%	17.51%	17.51%	0.0218%
QUEST DIAGNOSTICS INC	DGX	9,228.07	0.07%	1.12%	11.63%	12.81%	0.0091%
DR HORTON INC	DHI	6,252.43	0.05%	0.77%	7.67%	8.47%	0.0041%
DANAHER CORP	DHR	37,349.73	0.29%	0.18%	15.00%	15.20%	0.0436%
WALT DISNEY CO/THE	DIS	87,560.55	0.67%	1.33%	10.89%	12.30%	0.0827%
DISCOVERY COMMUNICATIONS-A	DISCA	21,581.96	0.17%	0.00%	21.75%	21.75%	0.0360%
DOLLAR TREE INC	DLTR	9,440.42	0.07%	0.00%	16.67%	16.67%	0.0121%
DUN & BRADSTREET CORP	DNB	3,509.07	0.03%	1.93%	10.00%	12.03%	0.0032%
DENBURY RESOURCES INC	DNR	6,052.62	0.05%	0.00%	9.10%	9.10%	0.0042%
DIAMOND OFFSHORE DRILLING	DO	9,591.70	0.07%	5.08%	18.00%	23.54%	0.0173%
DOVER CORP	DOV	11,392.26	0.09%	1.89%	14.33%	16.36%	0.0143%
DOW CHEMICAL CO/THE	DOW	35,797.06	0.27%	4.12%	14.33%	18.75%	0.0515%
DR PEPPER SNAPPLE GROUP INC	DPS	9,335.90	0.07%	3.02%	7.41%	10.53%	0.0075%
DARDEN RESTAURANTS INC	DRI	6,800.76	0.05%	3.69%	12.46%	16.37%	0.0085%
DTE ENERGY COMPANY	DTE	10,432.81	0.08%	4.01%	5.00%	9.11%	0.0073%
DIRECTV	DTV	29,971.13	0.23%	0.00%	16.48%	16.48%	0.0379%
DUKE ENERGY CORP	DUK	45,282.88	0.35%	4.55%	4.50%	9.15%	0.0318%

Company	Ticker	[4] Market Capitalization	[5] Weight in Index	[6] Estimated Dividend Yield	[7] Long-Term Growth Est.	[8] DCF Result	[9] Weighted DCF Result
DAVITA HEALTHCARE PARTNERS I	DVA	10,217.34	0.08%	0.00%	12.33%	12.33%	0.0097%
DEVON ENERGY CORPORATION	DVN	21,034.00	0.16%	1.40%	5.16%	6.59%	0.0106%
ELECTRONIC ARTS INC	EA	4,467.18	0.03%	0.00%	16.83%	16.83%	0.0058%
EBAY INC	EBAY	68,089.51	0.52%	0.00%	14.09%	14.09%	0.0736%
ECOLAB INC	ECL	20,942.94	0.16%	1.12%	14.75%	15.95%	0.0256%
CONSOLIDATED EDISON INC	ED	16,266.16	0.12%	4.36%	3.26%	7.69%	0.0096%
EQUIFAX INC	EFX	6,431.99	0.05%	1.31%	11.00%	12.39%	0.0061%
EDISON INTERNATIONAL	EIX	14,677.79	0.11%	2.89%	5.60%	8.58%	0.0097%
ESTEE LAUDER COMPANIES-CL A	EL	23,206.77	0.18%	1.61%	13.95%	15.67%	0.0279%
EMC CORP/MA	EMC	52,308.25	0.40%	0.00%	15.00%	15.00%	0.0602%
EASTMAN CHEMICAL CO	EMN	9,384.53	0.07%	1.68%	10.33%	12.10%	0.0087%
EMERSON ELECTRIC CO	EMR	36,156.28	0.28%	3.28%	9.67%	13.10%	0.0364%
EOG RESOURCES INC	EOG	32,129.20	0.25%	0.57%	12.89%	13.49%	0.0333%
EQUITY RESIDENTIAL	EQR	18,020.86	0.14%	3.07%	8.29%	11.48%	0.0159%
EQT CORP	EQT	8,954.36	0.07%	1.47%	30.00%	31.69%	0.0218%
EXPRESS SCRIPTS HOLDING CO	ESRX	43,546.78	0.33%	0.00%	16.88%	16.88%	0.0564%
ENSCO PLC-CL A	ESV	13,634.56	0.10%	2.60%	18.00%	20.83%	0.0218%
E*TRADE FINANCIAL CORP	ETFC	2,408.60	0.02%	0.00%	-57.27%	-57.27%	-0.0106%
EATON CORP PLC	ETN	17,423.54	0.13%	2.95%	9.75%	12.84%	0.0172%
ENTERGY CORP	ETR	11,296.71	0.09%	5.21%	3.50%	8.80%	0.0076%
EDWARDS LIFESCIENCES CORP	EW	9,962.27	0.08%	0.00%	17.47%	17.47%	0.0134%
EXELON CORP	EXC	25,372.21	0.19%	7.07%	-1.42%	5.60%	0.0109%
EXPEDITORS INTL WASH INC	EXPD	7,761.58	0.06%	1.51%	7.95%	9.51%	0.0057%
EXPEDIA INC	EXPE	8,364.35	0.06%	0.69%	13.53%	14.27%	0.0092%
FORD MOTOR CO	F	43,199.20	0.33%	1.73%	10.47%	12.29%	0.0407%
FASTENAL CO	FAST	12,448.48	0.10%	1.74%	18.73%	20.63%	0.0197%
FREEMONT-MCMORAN COPPER	FCX	36,833.57	N/A	3.15%	N/A	N/A	N/A
FAMILY DOLLAR STORES	FDO	8,143.99	0.06%	1.27%	14.10%	15.46%	0.0097%
FEDEX CORP	FDX	27,778.13	0.21%	0.63%	10.74%	11.40%	0.0243%
FIRSTENERGY CORP	FE	17,728.20	0.14%	5.19%	1.50%	6.73%	0.0092%
F5 NETWORKS INC	FFIV	7,448.92	0.06%	0.00%	18.00%	18.00%	0.0103%
FIRST HORIZON NATIONAL CORP	FHN	2,379.90	0.02%	0.43%	8.33%	8.78%	0.0016%
FEDERATED INVESTORS INC-CL B	FII	2,073.44	0.02%	10.76%	8.00%	19.19%	0.0031%
FIDELITY NATIONAL INFORMATIO	FIS	10,622.57	0.08%	1.87%	12.86%	14.85%	0.0121%
FISERV INC	FISV	10,290.74	0.08%	0.00%	11.71%	11.71%	0.0093%
FIFTH THIRD BANCORP	FITB	12,995.33	0.10%	2.49%	2.78%	5.31%	0.0053%
FLIR SYSTEMS INC	FLIR	3,009.52	0.02%	1.43%	12.50%	14.01%	0.0032%
FLUOR CORP	FLR	8,893.27	0.07%	1.19%	15.23%	16.51%	0.0113%
FLOWERVE CORP	FLS	6,962.30	0.05%	1.03%	11.00%	12.09%	0.0065%
FMC CORP	FMC	7,504.60	0.06%	0.71%	11.59%	12.34%	0.0071%
FOSSIL INC	FOSL	5,141.42	0.04%	0.00%	17.30%	17.30%	0.0068%
FOREST LABORATORIES INC	FRX	9,507.53	0.07%	0.00%	14.16%	14.16%	0.0103%
FIRST SOLAR INC	FSLR	2,364.55	0.02%	0.00%	9.00%	9.00%	0.0016%
FMC TECHNOLOGIES INC	FTI	9,865.79	0.08%	0.00%	15.33%	15.33%	0.0116%
FRONTIER COMMUNICATIONS CORP	FTR	4,812.50	0.04%	8.30%	-10.51%	-2.65%	-0.0010%
AGL RESOURCES INC	GAS	4,577.02	0.04%	4.89%	4.00%	8.99%	0.0032%
GANNETT CO	GCI	4,140.76	0.03%	4.11%	6.00%	10.23%	0.0033%
GENERAL DYNAMICS CORP	GD	23,316.73	0.18%	3.02%	8.00%	11.14%	0.0199%
GENERAL ELECTRIC CO	GE	220,317.17	1.69%	3.25%	10.00%	13.41%	0.2268%
GILEAD SCIENCES INC	GILD	56,899.38	0.44%	0.00%	20.73%	20.73%	0.0905%
GENERAL MILLS INC	GIS	26,273.54	0.20%	3.22%	7.75%	11.10%	0.0224%
CORNING INC	GLW	18,034.10	0.14%	2.54%	12.00%	14.69%	0.0203%
GAMESTOP CORP-CLASS A	GME	3,148.24	0.02%	0.84%	12.15%	13.05%	0.0032%
GENWORTH FINANCIAL INC-CL A	GNW	2,924.92	0.02%	0.00%	5.00%	5.00%	0.0011%
GOOGLE INC-CL A	GOOG	229,585.48	1.76%	0.00%	14.86%	14.86%	0.2619%
GENUINE PARTS CO	GPC	10,091.25	0.08%	3.03%	8.16%	11.32%	0.0088%
GAP INC/THE	GPS	16,481.65	0.13%	1.40%	11.78%	13.26%	0.0168%
GOLDMAN SACHS GROUP INC	GS	57,736.77	0.44%	1.53%	11.03%	12.65%	0.0560%
GOODYEAR TIRE & RUBBER CO	GT	3,096.33	0.02%	0.00%	43.84%	43.84%	0.0104%
WW GRAINGER INC	GWW	13,508.36	0.10%	1.58%	14.18%	15.87%	0.0164%
HALLIBURTON CO	HAL	30,864.84	0.24%	1.25%	20.50%	21.88%	0.0518%
HARMAN INTERNATIONAL	HAR	2,694.27	0.02%	1.32%	17.50%	18.93%	0.0039%
HASBRO INC	HAS	4,952.80	0.04%	3.67%	9.00%	12.83%	0.0049%
HUNTINGTON BANCSHARES INC	HBAN	5,278.34	0.04%	2.59%	5.33%	8.00%	0.0032%
HUDSON CITY BANCORP INC	HCBK	4,257.24	0.03%	3.97%	0.50%	4.48%	0.0015%
HEALTH CARE REIT INC	HCN	15,399.16	0.12%	5.00%	5.16%	10.28%	0.0122%
HCP INC	HCP	20,410.78	0.16%	4.44%	5.24%	9.80%	0.0153%
HOME DEPOT INC	HD	97,769.79	0.75%	1.68%	15.90%	17.71%	0.1329%
HESS CORP	HES	16,981.72	0.13%	0.82%	5.23%	6.07%	0.0079%
HARTFORD FINANCIAL SVCS GRP	HIG	9,275.91	0.07%	2.00%	9.50%	11.60%	0.0083%
HJ HEINZ CO	HNZ	18,764.93	0.14%	3.52%	7.33%	10.98%	0.0158%
HARLEY-DAVIDSON INC	HOG	10,541.36	0.08%	1.33%	13.00%	14.42%	0.0117%
HONEYWELL INTERNATIONAL INC	HON	47,817.04	0.37%	2.48%	10.25%	12.85%	0.0472%
STARWOOD HOTELS & RESORTS	HOT	10,508.30	0.08%	1.92%	15.19%	17.26%	0.0139%
HELMERICH & PAYNE	HP	5,580.33	0.04%	0.53%	8.00%	8.55%	0.0037%
HEWLETT-PACKARD CO	HPQ	25,619.08	0.20%	4.05%	3.50%	7.62%	0.0150%
H&R BLOCK INC	HRB	4,882.69	0.04%	4.40%	11.00%	15.65%	0.0059%
HORMEL FOODS CORP	HRL	8,170.31	0.06%	2.04%	8.50%	10.63%	0.0067%
HARRIS CORP	HRS	5,307.82	0.04%	2.91%	4.00%	6.97%	0.0028%

Company	Ticker	[4]	[5]	[6]	[7]	[8]	[9]
		Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
HOSPIRA INC	HSP	4,958.25	0.04%	0.00%	5.99%	5.99%	0.0023%
HOST HOTELS & RESORTS INC	HST	10,617.59	0.08%	1.94%	9.97%	12.00%	0.0098%
HERSHEY CO/THE	HSY	16,502.51	0.13%	2.07%	8.10%	10.25%	0.0130%
HUMANA INC	HUM	10,332.01	0.08%	1.57%	9.80%	11.45%	0.0091%
INTL BUSINESS MACHINES CORP	IBM	213,738.03	1.64%	1.73%	9.50%	11.31%	0.1855%
INTERCONTINENTALEXCHANGE INC	ICE	9,625.05	0.07%	0.00%	13.45%	13.45%	0.0099%
INTL FLAVORS & FRAGRANCES	IFF	5,274.84	0.04%	1.98%	3.00%	5.01%	0.0020%
INTL GAME TECHNOLOGY	IGT	3,816.86	0.03%	1.85%	14.25%	16.23%	0.0048%
INTEL CORP	INTC	97,479.84	0.75%	4.44%	10.26%	14.92%	0.1117%
INTUIT INC	INTU	17,573.75	0.13%	1.12%	13.50%	14.70%	0.0198%
INTERNATIONAL PAPER CO	IP	16,336.20	0.13%	2.95%	5.00%	8.02%	0.0101%
INTERPUBLIC GROUP OF COS INC	IPG	4,637.42	0.04%	2.25%	12.50%	14.89%	0.0053%
INGERSOLL-RAND PLC	IR	14,670.83	0.11%	1.31%	10.67%	12.04%	0.0136%
IRON MOUNTAIN INC	IRM	5,454.92	0.04%	3.33%	13.00%	16.55%	0.0069%
INTUITIVE SURGICAL INC	ISRG	20,899.14	0.16%	0.00%	18.38%	18.38%	0.0295%
ILLINOIS TOOL WORKS	ITW	28,576.28	0.22%	2.35%	7.48%	9.91%	0.0217%
INVESCO LTD	IVZ	11,092.17	0.09%	2.71%	12.50%	15.38%	0.0131%
JABIL CIRCUIT INC	JBL	3,889.17	0.03%	1.69%	12.00%	13.79%	0.0041%
JOHNSON CONTROLS INC	JCI	18,845.46	0.14%	2.70%	12.45%	15.31%	0.0221%
J.C. PENNEY CO INC	JCP	3,807.67	0.03%	2.39%	22.00%	24.65%	0.0072%
JDS UNIPHASE CORP	JDSU	2,884.47	N/A	0.00%	N/A	N/A	N/A
JACOBS ENGINEERING GROUP INC	JEC	5,320.13	0.04%	0.00%	13.23%	13.23%	0.0054%
JOHNSON & JOHNSON	JNJ	192,547.27	1.48%	3.38%	6.39%	9.88%	0.1460%
JUNIPER NETWORKS INC	JNPR	9,321.59	0.07%	0.00%	14.00%	14.00%	0.0100%
JOY GLOBAL INC	JOY	6,053.06	0.05%	1.22%	16.80%	18.13%	0.0084%
JPMORGAN CHASE & CO	JPM	156,883.84	1.20%	2.88%	7.25%	10.24%	0.1233%
NORDSTROM INC	JWN	10,739.22	0.08%	1.90%	12.53%	14.55%	0.0120%
KELLOGG CO	K	19,824.18	0.15%	3.12%	8.25%	11.50%	0.0175%
KEYCORP	KEY	7,534.53	0.06%	2.26%	6.33%	8.66%	0.0050%
KIMCO REALTY CORP	KIM	7,891.58	0.06%	4.01%	3.49%	7.57%	0.0046%
KLA-TENCOR CORPORATION	KLAC	7,528.17	0.06%	3.40%	10.00%	13.57%	0.0078%
KIMBERLY-CLARK CORP	KMB	33,952.74	0.26%	3.43%	8.38%	11.95%	0.0312%
KINDER MORGAN INC	KMI	38,559.71	0.30%	4.12%	7.00%	11.27%	0.0333%
CARMAX INC	KMX	8,280.74	0.06%	0.00%	12.79%	12.79%	0.0081%
COCA-COLA CO/THE	KO	168,776.63	1.30%	2.82%	7.49%	10.41%	0.1349%
KROGER CO	KR	13,996.98	0.11%	1.97%	8.73%	10.79%	0.0116%
KRAFT FOODS GROUP INC	KRFT	27,001.86	0.21%	0.00%	6.00%	6.00%	0.0124%
KOHL'S CORP	KSS	10,134.24	0.08%	2.91%	11.66%	14.73%	0.0115%
LOEWS CORP	L	16,137.67	N/A	0.61%	N/A	N/A	N/A
LEGETT & PLATT INC	LEG	3,892.27	0.03%	4.07%	15.00%	19.37%	0.0058%
LENNAR CORP-A	LEN	6,965.65	0.05%	0.42%	8.00%	8.43%	0.0045%
LABORATORY CRP OF AMER HLDGS	LH	8,002.21	0.06%	0.00%	12.25%	12.25%	0.0075%
LIFE TECHNOLOGIES CORP	LIFE	8,435.96	0.06%	0.00%	9.73%	9.73%	0.0063%
L-3 COMMUNICATIONS HOLDINGS	LLL	7,213.36	0.06%	2.54%	1.45%	4.01%	0.0022%
LINEAR TECHNOLOGY CORP	LLTC	7,730.82	0.06%	3.04%	10.33%	13.52%	0.0080%
ELI LILLY & CO	LLY	56,815.75	0.44%	4.00%	-0.40%	3.60%	0.0157%
LEGG MASON INC	LM	3,365.27	0.03%	1.75%	13.00%	14.86%	0.0038%
LOCKHEED MARTIN CORP	LMT	29,799.17	0.23%	4.52%	7.83%	12.52%	0.0286%
LINCOLN NATIONAL CORP	LNC	6,872.65	0.05%	1.33%	4.10%	5.46%	0.0029%
LORILLARD INC	LO	15,798.81	0.12%	5.00%	9.15%	14.38%	0.0174%
LOWE'S COS INC	LOW	40,652.60	0.31%	1.73%	16.96%	18.84%	0.0588%
LAM RESEARCH CORP	LRGX	6,019.25	0.05%	0.00%	10.00%	10.00%	0.0046%
LSI CORP	LSI	3,724.44	0.03%	0.00%	15.33%	15.33%	0.0044%
LIMITED BRANDS INC	LTD	14,949.18	0.11%	3.82%	12.68%	16.75%	0.0192%
LEUCADIA NATIONAL CORP	LUK	5,481.10	N/A	0.00%	N/A	N/A	N/A
SOUTHWEST AIRLINES CO	LUV	7,018.18	0.05%	0.26%	15.75%	16.03%	0.0086%
LYONDELLBASELL INDU-CL A	LYB	28,316.16	0.22%	2.93%	9.67%	12.74%	0.0277%
MACY'S INC	M	15,420.62	0.12%	2.09%	10.47%	12.67%	0.0150%
MASTERCARD INC-CLASS A	MA	60,993.49	0.47%	0.20%	17.93%	18.15%	0.0850%
MARRIOTT INTERNATIONAL -CL A	MAR	11,409.93	0.09%	1.24%	20.22%	21.59%	0.0189%
MASCO CORP	MAS	6,084.98	0.05%	1.77%	10.00%	11.85%	0.0055%
MATTEL INC	MAT	12,730.22	0.10%	3.34%	9.00%	12.49%	0.0122%
MCDONALD'S CORP	MCD	87,265.65	0.67%	3.29%	9.63%	13.08%	0.0876%
MICROCHIP TECHNOLOGY INC	MCHP	5,879.03	N/A	4.67%	N/A	N/A	N/A
MCKESSON CORP	MCK	22,390.73	0.17%	0.86%	14.33%	15.26%	0.0262%
MOODY'S CORP	MCO	10,864.15	0.08%	1.32%	11.00%	12.40%	0.0103%
MONDELEZ INTERNATIONAL INC-A	MDLZ	45,857.76	0.35%	1.77%	7.86%	9.70%	0.0341%
MEDTRONIC INC	MDT	43,049.85	0.33%	2.48%	6.45%	9.01%	0.0298%
METLIFE INC	MET	36,582.71	0.28%	2.58%	10.00%	12.71%	0.0357%
MCGRAW-HILL COMPANIES INC	MHP	14,878.56	0.11%	1.91%	9.50%	11.50%	0.0131%
MEAD JOHNSON NUTRITION CO	MJN	13,892.68	0.11%	1.75%	11.50%	13.35%	0.0142%
MCCORMICK & CO-NON VTG SHRS	MKC	8,586.07	0.07%	1.89%	7.00%	8.95%	0.0059%
MARSH & MCLENNAN COS	MMC	19,216.85	0.15%	2.54%	8.08%	10.72%	0.0158%
3M CO	MMM	62,695.89	0.48%	2.62%	11.00%	13.76%	0.0662%
MONSTER BEVERAGE CORP	MNST	8,933.51	0.07%	0.00%	17.00%	17.00%	0.0117%
ALTRIA GROUP INC	MO	68,347.33	0.52%	5.04%	6.44%	11.64%	0.0610%
MOLEX INC	MOLX	4,297.29	0.03%	3.34%	11.67%	15.20%	0.0050%
MONSANTO CO	MON	48,316.97	0.37%	1.42%	11.92%	13.43%	0.0498%
MOSAIC CO/THE	MOS	22,704.37	0.17%	1.88%	4.53%	6.45%	0.0112%

Company	Ticker	[4] Market Capitalization	[5] Weight in Index	[6] Estimated Dividend Yield	[7] Long-Term Growth Est.	[8] DCF Result	[9] Weighted DCF Result
MARATHON PETROLEUM CORP	MPC	20,045.72	0.15%	2.08%	7.37%	9.53%	0.0147%
MERCK & CO. INC.	MRK	135,587.20	1.04%	3.76%	4.30%	8.15%	0.0848%
MARATHON OIL CORP	MRO	21,927.19	0.17%	2.18%	6.78%	9.03%	0.0152%
MORGAN STANLEY	MS	32,911.92	0.25%	1.24%	11.00%	12.31%	0.0311%
MICROSOFT CORP	MSFT	223,667.50	1.72%	3.35%	10.95%	14.49%	0.2487%
MOTOROLA SOLUTIONS INC	MSI	15,273.25	N/A	1.76%	N/A	N/A	N/A
M & T BANK CORP	MTB	12,476.74	0.10%	2.87%	16.54%	19.65%	0.0188%
MICRON TECHNOLOGY INC	MU	6,095.19	0.05%	0.00%	12.54%	12.54%	0.0059%
MURPHY OIL CORP	MUR	11,007.31	0.08%	5.60%	15.00%	21.02%	0.0178%
MEADWESTVACO CORP	MWV	5,385.60	0.04%	3.25%	10.00%	13.41%	0.0055%
MYLAN INC	MYL	11,109.21	0.09%	0.00%	10.54%	10.54%	0.0090%
NOBLE ENERGY INC	NBL	17,251.07	0.13%	0.92%	7.00%	7.95%	0.0105%
NABORS INDUSTRIES LTD	NBR	4,245.41	0.03%	0.00%	8.00%	8.00%	0.0026%
NASDAQ OMX GROUP/THE	NDAQ	3,979.94	0.03%	1.77%	7.60%	9.44%	0.0029%
NOBLE CORP	NE	8,723.91	0.07%	1.54%	13.00%	14.64%	0.0098%
NEXTERA ENERGY INC	NEE	28,976.92	0.22%	3.48%	5.13%	8.71%	0.0194%
NEWMONT MINING CORP	NEM	22,998.99	0.18%	3.16%	-3.00%	0.11%	0.0002%
NETFLIX INC	NFLX	4,409.20	0.03%	0.00%	21.71%	21.71%	0.0073%
NEWFIELD EXPLORATION CO	NFX	3,317.89	0.03%	0.00%	11.50%	11.50%	0.0029%
NISOURCE INC	NI	7,567.32	N/A	3.90%	N/A	N/A	N/A
NIKE INC -CL B	NKE	44,401.04	0.34%	1.58%	12.30%	13.98%	0.0477%
NORTHROP GRUMMAN CORP	NOC	16,263.11	0.12%	3.23%	3.33%	6.62%	0.0083%
NATIONAL OILWELL VARCO INC	NOV	28,999.69	0.22%	0.69%	13.50%	14.24%	0.0317%
NRG ENERGY INC	NRG	4,793.86	0.04%	0.56%	-13.70%	-13.18%	-0.0049%
NORFOLK SOUTHERN CORP	NSC	18,791.93	0.14%	3.23%	15.00%	18.48%	0.0266%
NETAPP INC	NTAP	11,407.76	0.09%	0.00%	13.00%	13.00%	0.0114%
NORTHERN TRUST CORP	NTRS	11,549.63	0.09%	2.50%	7.46%	10.05%	0.0089%
NORTHEAST UTILITIES	NU	12,162.16	0.09%	3.44%	7.53%	11.09%	0.0104%
NUCOR CORP	NUE	12,946.94	0.10%	3.58%	8.50%	12.23%	0.0122%
NVIDIA CORP	NVDA	7,435.72	0.06%	0.64%	14.33%	15.02%	0.0086%
NEWELL RUBBERMAID INC	NWL	6,292.89	0.05%	1.89%	9.07%	11.05%	0.0053%
NEWS CORP-CL A	NWSA	58,785.87	0.45%	0.82%	13.13%	14.01%	0.0632%
NYSE EURONEXT	NYX	5,657.04	0.04%	5.16%	10.00%	15.42%	0.0067%
OWENS-ILLINOIS INC	OI	3,218.20	0.02%	0.00%	5.50%	5.50%	0.0014%
ONEOK INC	OKE	9,203.50	0.07%	2.89%	16.00%	19.12%	0.0135%
OMNICOM GROUP	OMC	13,063.73	0.10%	2.42%	6.00%	8.49%	0.0085%
ORACLE CORP	ORCL	155,944.66	1.20%	0.72%	15.05%	15.83%	0.1894%
O'REILLY AUTOMOTIVE INC	ORLY	10,738.91	0.08%	0.00%	17.67%	17.67%	0.0146%
OCCIDENTAL PETROLEUM CORP	OXY	60,528.84	0.46%	2.81%	3.60%	6.46%	0.0300%
PAYCHEX INC	PAYX	11,823.24	0.09%	3.95%	9.50%	13.64%	0.0124%
PEOPLE'S UNITED FINANCIAL	PBCT	4,251.50	0.03%	5.21%	7.00%	12.39%	0.0040%
PITNEY BOWES INC	PBI	2,310.65	N/A	12.97%	N/A	N/A	N/A
PACCAR INC	PCAR	15,455.69	0.12%	2.99%	10.25%	13.39%	0.0159%
P G & E CORP	PCG	17,465.96	0.13%	4.50%	3.55%	8.13%	0.0109%
PLUM CREEK TIMBER CO	PCL	6,909.04	0.05%	3.93%	5.00%	9.03%	0.0048%
PRICELINE.COM INC	PCLN	33,550.98	0.26%	0.00%	18.17%	18.17%	0.0468%
PRECISION CASTPARTS CORP	PCP	26,537.32	0.20%	0.07%	13.07%	13.14%	0.0268%
METROPCS COMMUNICATIONS INC	PCS	3,932.32	0.03%	0.00%	19.13%	19.13%	0.0058%
PATTERSON COS INC	PDCO	3,787.01	0.03%	1.66%	12.33%	14.09%	0.0041%
PUBLIC SERVICE ENTERPRISE GP	PEG	15,152.23	0.12%	4.74%	0.30%	5.05%	0.0059%
PEPSICO INC	PEP	108,388.02	0.83%	3.03%	5.98%	9.10%	0.0757%
PETSMART INC	PETM	7,523.25	0.06%	0.87%	18.08%	19.03%	0.0110%
PFIZER INC	PFE	184,506.09	1.42%	3.50%	3.63%	7.20%	0.1019%
PRINCIPAL FINANCIAL GROUP	PFG	8,014.92	0.06%	2.74%	13.00%	15.91%	0.0098%
PROCTER & GAMBLE CO/THE	PG	190,548.53	1.46%	3.27%	7.56%	10.95%	0.1602%
PROGRESSIVE CORP	PGR	12,881.15	0.10%	4.11%	7.75%	12.02%	0.0119%
PARKER HANNIFIN CORP	PH	12,129.91	0.09%	2.10%	6.00%	8.17%	0.0076%
PULTEGROUP INC	PHM	6,536.50	0.05%	0.00%	10.00%	10.00%	0.0050%
PERKINELMER INC	PKI	3,591.47	0.03%	0.89%	11.41%	12.35%	0.0034%
PROLOGIS INC	PLD	15,744.69	0.12%	3.28%	3.53%	6.87%	0.0083%
PALL CORP	PLL	6,766.31	0.05%	1.47%	12.64%	14.20%	0.0074%
PHILIP MORRIS INTERNATIONAL	PM	152,271.30	1.17%	3.63%	10.60%	14.43%	0.1686%
PNC FINANCIAL SERVICES GROUP	PNC	29,478.83	0.23%	2.79%	3.75%	6.60%	0.0149%
PENTAIR LTD-REGISTERED	PNR	10,135.84	0.08%	1.82%	12.50%	14.43%	0.0112%
PINNACLE WEST CAPITAL	PNW	5,651.73	0.04%	4.12%	4.39%	8.61%	0.0037%
PEPCO HOLDINGS INC	POM	4,527.48	0.03%	5.47%	5.00%	10.61%	0.0037%
PPG INDUSTRIES INC	PPG	18,851.36	0.14%	1.89%	7.00%	8.96%	0.0130%
PPL CORPORATION	PPL	16,997.45	0.13%	4.92%	-1.50%	3.39%	0.0044%
PERRIGO CO	PRGO	9,613.82	0.07%	0.29%	11.90%	12.20%	0.0090%
PRUDENTIAL FINANCIAL INC	PRU	24,245.98	0.19%	3.07%	14.50%	17.80%	0.0331%
PUBLIC STORAGE	PSA	25,615.86	0.20%	3.09%	5.61%	8.79%	0.0173%
PHILLIPS 66	PSX	32,372.97	0.25%	0.87%	10.00%	10.91%	0.0271%
QUANTA SERVICES INC	PWR	5,700.45	0.04%	0.00%	17.83%	17.83%	0.0078%
PRAXAIR INC	PX	31,385.46	0.24%	2.07%	10.59%	12.77%	0.0308%
PIONEER NATURAL RESOURCES CO	PXD	13,030.60	0.10%	0.09%	16.24%	16.33%	0.0163%
QUALCOMM INC	QCOM	108,648.90	0.83%	1.49%	15.00%	16.60%	0.1384%
QEP RESOURCES INC	QEP	5,078.11	0.04%	0.32%	15.00%	15.34%	0.0060%
RYDER SYSTEM INC	R	2,409.44	0.02%	2.60%	8.97%	11.69%	0.0022%
REYNOLDS AMERICAN INC	RAI	24,727.88	0.19%	5.27%	7.31%	12.77%	0.0242%

Company	Ticker	[4]	[5]	[6]	[7]	[8]	[9]
		Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
ROWAN COMPANIES PLC-A	RDC	3,931.98	0.03%	0.00%	13.00%	13.00%	0.0039%
REGIONS FINANCIAL CORP	RF	9,325.82	0.07%	0.58%	8.00%	8.60%	0.0062%
ROBERT HALF INTL INC	RHI	3,964.61	0.03%	2.12%	14.33%	16.60%	0.0051%
RED HAT INC	RHT	9,565.72	0.07%	0.00%	17.00%	17.00%	0.0125%
RALPH LAUREN CORP	RL	14,374.96	0.11%	0.82%	12.33%	13.20%	0.0146%
ROCKWELL AUTOMATION INC	ROK	11,119.66	0.09%	2.39%	10.33%	12.85%	0.0110%
ROPER INDUSTRIES INC	ROP	10,892.44	0.08%	0.47%	15.00%	15.51%	0.0130%
ROSS STORES INC	ROST	12,705.67	0.10%	1.03%	13.00%	14.10%	0.0138%
RANGE RESOURCES CORP	RRC	10,478.19	0.08%	0.25%	10.00%	10.26%	0.0083%
RR DONNELLEY & SONS CO	RRD	1,680.40	0.01%	11.16%	5.00%	16.44%	0.0021%
REPUBLIC SERVICES INC	RSG	10,375.79	0.08%	3.16%	6.60%	9.87%	0.0079%
RAYTHEON COMPANY	RTN	18,657.28	0.14%	3.48%	9.00%	12.63%	0.0181%
SPRINT NEXTEL CORP	S	17,186.39	0.13%	0.00%	5.00%	5.00%	0.0066%
SAIC INC	SAI	3,869.53	0.03%	4.27%	4.60%	8.96%	0.0027%
STARBUCKS CORP	SBUX	38,761.29	0.30%	1.65%	17.50%	19.29%	0.0574%
SCANA CORP	SCG	6,104.64	0.05%	4.27%	4.34%	8.71%	0.0041%
SCHWAB (CHARLES) CORP	SCHW	16,691.04	0.13%	1.81%	17.90%	19.87%	0.0255%
SPECTRA ENERGY CORP	SE	18,199.65	0.14%	4.13%	5.00%	9.23%	0.0129%
SEALED AIR CORP	SEE	3,242.54	0.02%	3.07%	5.50%	8.66%	0.0022%
SHERWIN-WILLIAMS CO/THE	SHW	15,749.60	0.12%	1.01%	13.02%	14.10%	0.0170%
SIGMA-ALDRICH	SIAL	8,675.49	0.07%	1.11%	7.11%	8.25%	0.0055%
JM SMUCKER CO/THE	SJM	9,722.79	0.07%	2.32%	7.33%	9.74%	0.0073%
SCHLUMBERGER LTD	SLB	95,346.09	0.73%	1.51%	17.00%	18.64%	0.1364%
SLM CORP	SLM	7,639.48	0.06%	3.02%	-4.30%	-1.34%	-0.0008%
SNAP-ON INC	SNA	4,618.90	0.04%	0.00%	10.00%	10.00%	0.0035%
SANDISK CORP	SNDK	9,608.68	0.07%	0.00%	19.28%	19.28%	0.0142%
SCRIPPS NETWORKS INTER-CL A	SNI	8,832.48	0.07%	0.80%	15.19%	16.04%	0.0109%
SOUTHERN CO/THE	SO	37,857.51	0.29%	4.51%	5.28%	9.91%	0.0288%
SIMON PROPERTY GROUP INC	SPG	48,044.49	0.37%	2.70%	6.76%	9.55%	0.0352%
STAPLES INC	SPLS	7,749.64	0.06%	3.75%	5.53%	9.38%	0.0056%
STERICYCLE INC	SRCL	8,014.35	0.06%	0.00%	16.00%	16.00%	0.0098%
SEMPRA ENERGY	SRE	16,666.00	0.13%	3.42%	7.00%	10.54%	0.0135%
SUNTRUST BANKS INC	STI	14,429.83	0.11%	0.75%	14.36%	15.16%	0.0168%
ST JUDE MEDICAL INC	STJ	10,437.96	0.08%	2.62%	9.89%	12.64%	0.0101%
STATE STREET CORP	STT	20,911.72	0.16%	2.09%	7.80%	9.97%	0.0160%
SEAGATE TECHNOLOGY	STX	9,516.63	0.07%	5.18%	4.08%	9.37%	0.0068%
CONSTELLATION BRANDS INC-A	STZ	6,563.37	0.05%	0.00%	10.88%	10.88%	0.0055%
STANLEY BLACK & DECKER INC	SWK	12,076.61	0.09%	2.50%	8.00%	10.60%	0.0098%
SOUTHWESTERN ENERGY CO	SWN	12,307.91	N/A	0.00%	N/A	N/A	N/A
SAFEWAY INC	SWY	4,063.62	0.03%	3.85%	9.86%	13.90%	0.0043%
STRYKER CORP	SYK	20,743.74	0.16%	1.33%	9.31%	10.70%	0.0170%
SYMANTEC CORP	SYMC	13,038.42	0.10%	0.00%	6.60%	6.60%	0.0066%
SYSCO CORP	SYI	18,650.99	0.14%	3.55%	10.00%	13.73%	0.0196%
AT&T INC	T	194,199.19	1.49%	5.17%	6.19%	11.52%	0.1717%
MOLSON COORS BREWING CO -B	TAP	7,521.68	0.06%	3.18%	3.34%	6.57%	0.0038%
TERADATA CORP	TDC	10,014.84	0.08%	0.00%	16.00%	16.00%	0.0123%
TECO ENERGY INC	TE	3,627.78	0.03%	5.25%	3.67%	9.02%	0.0025%
INTEGRYS ENERGY GROUP INC	TEG	4,150.04	0.03%	5.13%	5.50%	10.77%	0.0034%
TE CONNECTIVITY LTD	TEL	14,861.88	0.11%	2.45%	15.00%	17.63%	0.0201%
TERADYNE INC	TER	2,943.64	0.02%	0.00%	11.75%	11.75%	0.0027%
TARGET CORP	TGT	40,830.84	0.31%	2.00%	12.11%	14.23%	0.0446%
TENET HEALTHCARE CORP	THC	3,086.72	0.02%	0.00%	11.00%	11.00%	0.0026%
TITANIUM METALS CORP	TIE	2,895.87	0.02%	1.84%	15.00%	16.98%	0.0038%
TIFFANY & CO	TIF	7,379.52	0.06%	2.15%	13.16%	15.45%	0.0087%
TJX COMPANIES INC	TJX	32,247.55	0.25%	1.05%	11.68%	12.79%	0.0317%
TORCHMARK CORP	TMK	4,924.98	0.04%	1.11%	9.00%	10.16%	0.0038%
THERMO FISHER SCIENTIFIC INC	TMO	23,028.54	0.18%	0.71%	10.94%	11.68%	0.0206%
TRIPADVISOR INC	TRIP	5,379.82	0.04%	0.00%	16.34%	16.34%	0.0067%
T ROWE PRICE GROUP INC	TROW	16,451.54	0.13%	2.10%	14.00%	16.24%	0.0205%
TRAVELERS COS INC/THE	TRV	27,178.25	0.21%	2.54%	7.75%	10.39%	0.0217%
TYSON FOODS INC-CL A	TSN	6,945.62	0.05%	1.16%	7.33%	8.54%	0.0046%
TESORO CORP	TSO	5,910.91	0.05%	0.64%	30.65%	31.38%	0.0142%
TOTAL SYSTEM SERVICES INC	TSS	4,093.62	0.03%	1.83%	9.71%	11.63%	0.0037%
TIME WARNER CABLE	TWC	28,840.52	0.22%	2.33%	15.33%	17.83%	0.0395%
TIME WARNER INC	TWX	44,890.52	0.34%	2.20%	12.72%	15.06%	0.0519%
TEXAS INSTRUMENTS INC	TXN	33,310.27	0.26%	2.40%	9.20%	11.71%	0.0299%
TEXTRON INC	TXT	6,555.26	0.05%	0.34%	31.50%	31.89%	0.0160%
TYCO INTERNATIONAL LTD	TYC	13,044.74	0.10%	2.28%	13.00%	15.43%	0.0154%
UNITEDHEALTH GROUP INC	UNH	55,119.74	0.42%	1.40%	10.40%	11.87%	0.0502%
UNUM GROUP	UNM	5,637.26	0.04%	2.29%	10.00%	12.40%	0.0054%
UNION PACIFIC CORP	UNP	57,289.67	0.44%	1.99%	13.20%	15.32%	0.0674%
UNITED PARCEL SERVICE-CL B	UPS	69,717.00	0.54%	3.12%	9.58%	12.85%	0.0688%
URBAN OUTFITTERS INC	URBN	5,426.33	0.04%	0.00%	18.47%	18.47%	0.0077%
US BANCORP	USB	60,547.93	0.46%	2.41%	7.58%	10.08%	0.0469%
UNITED TECHNOLOGIES CORP	UTX	73,396.89	0.56%	2.51%	12.71%	15.38%	0.0866%
VISA INC-CLASS A SHARES	V	101,627.60	0.78%	0.78%	18.71%	19.56%	0.1526%
VARIAN MEDICAL SYSTEMS INC	VAR	7,609.01	0.06%	0.00%	12.00%	12.00%	0.0070%
VF CORP	VFC	17,737.56	0.14%	1.88%	12.40%	14.39%	0.0196%
VIACOM INC-CLASS B	VIAB	26,536.05	0.20%	2.19%	12.02%	14.35%	0.0292%

Company	Ticker	[4] Market Capitalization	[5] Weight in Index	[6] Estimated Dividend Yield	[7] Long-Term Growth Est.	[8] DCF Result	[9] Weighted DCF Result
VALERO ENERGY CORP	VLO	17,884.88	0.14%	2.01%	8.15%	10.24%	0.0141%
VULCAN MATERIALS CO	VMC	6,871.20	0.05%	0.08%	9.67%	9.75%	0.0051%
VORNADO REALTY TRUST	VNO	14,325.57	0.11%	3.59%	-2.98%	0.55%	0.0006%
VERISIGN INC	VRSN	5,662.99	0.04%	0.00%	15.50%	15.50%	0.0067%
VENTAS INC	VTR	18,983.48	0.15%	3.86%	4.77%	8.72%	0.0127%
VERIZON COMMUNICATIONS INC	VZ	126,517.83	0.97%	4.55%	6.43%	11.12%	0.1080%
WALGREEN CO	WAG	32,201.73	0.25%	3.11%	12.83%	16.14%	0.0399%
WATERS CORP	WAT	7,321.53	0.06%	0.00%	9.08%	9.08%	0.0051%
WESTERN DIGITAL CORP	WDC	8,131.43	0.06%	2.54%	4.45%	7.05%	0.0044%
WISCONSIN ENERGY CORP	WEC	8,616.13	0.07%	3.20%	4.75%	8.03%	0.0053%
WELLS FARGO & CO	WFC	173,721.02	1.33%	2.62%	11.12%	13.89%	0.1852%
WHOLE FOODS MARKET INC	WFM	17,109.11	0.13%	0.97%	18.86%	19.93%	0.0262%
WHIRLPOOL CORP	WHR	7,900.60	N/A	1.97%	N/A	N/A	N/A
WINDSTREAM CORP	WIN	4,893.22	0.04%	12.02%	-4.88%	6.84%	0.0026%
WELLPOINT INC	WLP	16,998.63	0.13%	2.05%	11.00%	13.16%	0.0172%
WASTE MANAGEMENT INC	WM	15,099.92	0.12%	4.36%	2.80%	7.22%	0.0084%
WILLIAMS COS INC	WMB	20,582.61	0.16%	3.69%	12.00%	15.91%	0.0251%
WAL-MART STORES INC	WMT	241,351.72	1.85%	2.26%	10.22%	12.59%	0.2333%
WATSON PHARMACEUTICALS INC	WPI	11,360.13	0.09%	0.00%	12.29%	12.29%	0.0107%
WASHINGTON POST-CLASS B	WPO	2,754.35	N/A	0.00%	N/A	N/A	N/A
WPX ENERGY INC	WPX	3,175.09	N/A	0.00%	N/A	N/A	N/A
WESTERN UNION CO	WU	7,582.52	0.06%	3.33%	10.41%	13.91%	0.0081%
WEYERHAEUSER CO	WY	14,984.19	0.12%	2.22%	5.00%	7.27%	0.0084%
WYNDHAM WORLDWIDE CORP	WYN	7,048.40	0.05%	1.83%	18.60%	20.60%	0.0111%
WYNN RESORTS LTD	WYNN	11,455.24	0.09%	8.12%	8.00%	16.45%	0.0145%
UNITED STATES STEEL CORP	X	3,148.22	0.02%	0.92%	6.50%	7.45%	0.0018%
XCEL ENERGY INC	XEL	13,097.46	0.10%	3.99%	5.17%	9.26%	0.0093%
XL GROUP PLC	XL	7,316.73	0.06%	1.83%	8.33%	10.24%	0.0057%
XILINX INC	XLNX	9,017.49	0.07%	2.54%	13.67%	16.38%	0.0113%
EXXON MOBIL CORP	XOM	400,720.63	3.08%	2.47%	3.53%	6.04%	0.1858%
DENTSPLY INTERNATIONAL INC	XRAY	5,628.89	0.04%	0.54%	11.50%	12.07%	0.0052%
XEROX CORP	XRX	8,767.85	N/A	2.47%	N/A	N/A	N/A
XYLEM INC	XYL	4,828.79	0.04%	1.55%	7.00%	8.60%	0.0032%
YAHOO! INC	YHOO	22,157.67	0.17%	0.00%	12.67%	12.67%	0.0215%
YUM! BRANDS INC	YUM	30,402.20	0.23%	1.79%	12.00%	13.90%	0.0324%
ZIONS BANCORPORATION	ZION	3,683.38	0.03%	0.21%	7.75%	7.96%	0.0023%
ZIMMER HOLDINGS INC	ZMH	11,402.56	0.09%	0.62%	9.56%	10.21%	0.0089%
Total Market Capitalization:		13,028,880.95					13.01%

Notes:

[1] Equals sum of Col. [9]

[2] Source: Bloomberg Professional

[3] Equals [1] - [2]

[4] Source: Bloomberg Professional

[5] Equals weight in S&P 500 based on market capitalization

[6] Source: Bloomberg Professional

[7] Source: Bloomberg Professional

[8] Equals (([6] x (1 + (0.5 x [7]))) + [7])

[9] Equals Col. [5] x Col. [8]

Ex-Ante Market Risk Premium
Market DCF Method Based - Capital IQ

[1]	[2]	[3]
S&P 500	Current 30-Year	
Est. Required	Treasury (30-day	Implied Market
Market Return	average)	Risk Premium
12.99%	2.85%	10.14%

[4]	[5]	[6]	[7]	[8]	[9]	
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
3M Co. (NYSE:MMM)	62,931.10	0.47%	2.59%	10.40%	13.12%	0.06%
Abbott Laboratories (NYSE:ABT)	102,743.40	0.77%	3.14%	9.09%	12.37%	0.10%
Abercrombie & Fitch Co. (NYSE:ANF)	3,650.90	0.03%	1.53%	20.10%	21.78%	0.01%
Accenture plc (NYSE:ACN)	50,972.80	0.38%	2.39%	11.30%	13.83%	0.05%
ACE Limited (NYSE:ACE)	26,923.00	0.20%	2.47%	7.79%	10.36%	0.02%
Adobe Systems Inc. (NasdaqGS:ADBE)	17,133.90	0.13%	0.00%	11.80%	11.80%	0.02%
Advanced Micro Devices, Inc. (NYSE:AMD)	1,566.30	0.01%	0.00%	10.20%	10.20%	0.00%
Aetna Inc. (NYSE:AET)	14,450.90	0.11%	1.62%	10.50%	12.21%	0.01%
AFLAC Inc. (NYSE:AFL)	24,847.40	0.19%	2.64%	11.00%	13.79%	0.03%
Agilent Technologies Inc. (NYSE:A)	13,341.90	0.10%	1.04%	9.79%	10.88%	0.01%
AGL Resources Inc. (NYSE:GAS)	4,591.10	0.03%	4.72%	3.87%	8.68%	0.00%
Air Products & Chemicals Inc. (NYSE:APD)	17,653.80	0.13%	3.09%	9.94%	13.18%	0.02%
Airgas, Inc. (NYSE:ARG)	6,917.50	0.05%	1.81%	12.10%	14.02%	0.01%
Akamai Technologies, Inc. (NasdaqGS:AKAM)	6,498.90	0.05%	0.00%	13.90%	13.90%	0.01%
Alcoa Inc. (NYSE:AA)	8,975.20	0.07%	1.43%	8.22%	9.71%	0.01%
Alexion Pharmaceuticals, Inc. (NasdaqGS:ALXN)	18,655.30	0.14%	0.00%	35.30%	35.30%	0.05%
Allegheny Technologies Inc. (NYSE:ATI)	2,809.50	0.02%	2.75%	15.00%	17.96%	0.00%
Allergan Inc. (NYSE:AGN)	28,523.90	0.21%	0.22%	13.10%	13.33%	0.03%
Altera Corp. (NasdaqGS:ALTR)	10,383.40	0.08%	1.23%	13.20%	14.51%	0.01%
Altria Group Inc. (NYSE:MO)	68,837.50	0.51%	5.21%	7.98%	13.40%	0.07%
Amazon.com Inc. (NasdaqGS:AMZN)	114,168.30	0.85%	0.00%	43.90%	43.90%	0.37%
Ameren Corporation (NYSE:AEE)	7,271.80	0.05%	5.34%	-3.23%	2.02%	0.00%
American Electric Power Co., Inc. (NYSE:AEP)	20,695.90	0.15%	4.41%	2.98%	7.46%	0.01%
American Express Company (NYSE:AXP)	62,555.60	0.47%	1.43%	11.70%	13.21%	0.06%
American International Group, Inc. (NYSE:AIG)	48,910.00	0.37%	0.00%	20.10%	20.10%	0.07%
American Tower Corporation (NYSE:AMT)	29,623.80	0.22%	1.23%	19.70%	21.05%	0.05%
Ameriprise Financial Inc. (NYSE:AMP)	12,486.90	0.09%	2.97%	14.20%	17.38%	0.02%
AmerisourceBergen Corporation (NYSE:ABC)	9,941.80	0.07%	1.99%	11.60%	13.71%	0.01%
Amgen Inc. (NasdaqGS:AMGN)	68,141.10	0.51%	1.62%	10.30%	12.00%	0.06%
Amphenol Corporation (NYSE:APH)	9,928.40	0.07%	0.68%	14.30%	15.03%	0.01%
Anadarko Petroleum Corporation (NYSE:APC)	36,577.40	0.27%	0.49%	1.45%	1.95%	0.01%
Analog Devices, Inc. (NasdaqGS:ADI)	12,236.40	0.09%	2.96%	13.00%	16.15%	0.01%
Aon plc (NYSE:AON)	18,100.30	0.14%	1.11%	9.06%	10.22%	0.01%
Apache Corp. (NYSE:APA)	30,164.10	0.23%	0.88%	4.94%	5.84%	0.01%
Apartment Investment & Management Co. (NYSE:AIV)	3,648.80	0.03%	3.19%	9.39%	12.73%	0.00%
Apollo Group Inc. (NasdaqGS:APOL)	2,157.10	0.02%	0.00%	9.90%	9.90%	0.00%
Apple Inc. (NasdaqGS:AAPL)	550,568.20	4.12%	1.81%	24.20%	26.23%	1.08%
Applied Materials Inc. (NasdaqGS:AMAT)	13,278.30	0.10%	3.36%	8.67%	12.18%	0.01%
Archer Daniels Midland Company (NYSE:ADM)	17,583.70	0.13%	2.62%	10.00%	12.75%	0.02%
Assurant Inc. (NYSE:AIZ)	2,692.60	0.02%	2.46%	9.00%	11.57%	0.00%
AT&T, Inc. (NYSE:T)	193,858.40	1.45%	5.16%	6.20%	11.52%	0.17%
Autodesk, Inc. (NasdaqGS:ADSK)	7,517.20	0.06%	0.00%	12.70%	12.70%	0.01%
Automatic Data Processing, Inc. (NasdaqGS:ADP)	27,548.20	0.21%	2.78%	9.96%	12.88%	0.03%
AutoNation Inc. (NYSE:AN)	4,741.50	0.04%	0.00%	18.50%	18.50%	0.01%
AutoZone, Inc. (NYSE:AZO)	14,173.40	0.11%	0.00%	15.60%	15.60%	0.02%
Avalonbay Communities Inc. (NYSE:AVB)	14,787.90	0.11%	2.94%	10.70%	13.80%	0.02%
Avery Dennison Corporation (NYSE:AVY)	3,331.40	0.02%	3.23%	8.93%	12.30%	0.00%
Avon Products Inc. (NYSE:AVP)	6,028.70	0.05%	1.72%	-1.86%	-0.16%	0.00%
Baker Hughes Incorporated (NYSE:BHI)	18,970.80	0.14%	1.39%	15.70%	17.20%	0.02%
Ball Corporation (NYSE:BLL)	6,875.60	0.05%	0.90%	11.30%	12.25%	0.01%
Bank of America Corporation (NYSE:BAC)	106,271.80	0.80%	0.41%	7.20%	7.62%	0.06%
Baxter International Inc. (NYSE:BAX)	36,407.30	0.27%	2.72%	8.68%	11.52%	0.03%
BB&T Corporation (NYSE:BBT)	19,708.90	0.15%	2.84%	9.91%	12.89%	0.02%
Beam, Inc. (NYSE:BEAM)	8,927.80	0.07%	1.46%	12.40%	13.95%	0.01%
Becton, Dickinson and Company (NYSE:BDX)	15,100.80	0.11%	2.58%	7.73%	10.41%	0.01%
Bed Bath & Beyond Inc. (NasdaqGS:BBBY)	13,214.50	0.10%	0.00%	14.20%	14.20%	0.01%
Bemis Company, Inc. (NYSE:BMS)	3,470.50	0.03%	2.98%	7.75%	10.85%	0.00%
Berkshire Hathaway Inc. (NYSE:BRK.A)	218,139.80	1.63%	0.00%	5.00%	5.00%	0.08%
Best Buy Co., Inc. (NYSE:BBY)	4,413.70	0.03%	5.19%	-13.60%	-8.76%	0.00%
Big Lots Inc. (NYSE:BIG)	1,677.30	0.01%	0.00%	9.85%	9.85%	0.00%
Biogen Idec Inc. (NasdaqGS:BIIB)	35,274.20	0.26%	0.00%	15.50%	15.50%	0.04%
BlackRock, Inc. (NYSE:BLK)	33,898.20	0.25%	3.05%	12.50%	15.74%	0.04%
BMC Software Inc. (NasdaqGS:BMC)	6,346.30	0.05%	0.00%	12.90%	12.90%	0.01%
BorgWarner Inc. (NYSE:BWA)	7,759.60	0.06%	0.00%	17.80%	17.80%	0.01%
Boston Properties Inc. (NYSE:BPX)	15,483.10	0.12%	2.53%	5.21%	7.81%	0.01%
Boston Scientific Corporation (NYSE:BSX)	7,606.30	0.06%	0.00%	7.06%	7.06%	0.00%
Bristol-Myers Squibb Company (NYSE:BMY)	53,862.00	0.40%	4.17%	6.17%	10.47%	0.04%
Broadcom Corp. (NasdaqGS:BRCM)	18,262.30	0.14%	1.24%	14.00%	15.33%	0.02%
Brown-Forman Corporation (NYSE:BF.B)	14,758.70	0.11%	1.45%	12.30%	13.84%	0.02%
CA Technologies (NasdaqGS:CA)	10,177.80	0.08%	4.51%	10.00%	14.74%	0.01%
Cablevision Systems Corporation (NYSE:CVC)	3,687.00	0.03%	4.34%	9.94%	14.50%	0.00%
Cabot Oil & Gas Corporation (NYSE:COG)	9,883.40	0.07%	0.17%	35.00%	35.20%	0.03%

	[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
Cameron International Corporation (NYSE:CAM)	13,310.20	0.10%	0.00%	20.30%	20.30%	0.02%
Campbell Soup Co. (NYSE:CPB)	11,522.70	0.09%	3.16%	5.91%	9.16%	0.01%
Capital One Financial Corp. (NYSE:COF)	26,218.70	0.20%	0.35%	9.45%	9.81%	0.02%
Cardinal Health, Inc. (NYSE:CAH)	13,744.00	0.10%	2.35%	10.30%	12.77%	0.01%
CareFusion Corporation (NYSE:CFN)	6,195.90	0.05%	0.00%	10.20%	10.20%	0.00%
CarMax Inc. (NYSE:KMX)	8,296.80	0.06%	0.00%	13.20%	13.20%	0.01%
Carnival Corporation (NYSE:CCL)	30,032.00	0.22%	2.59%	11.60%	14.34%	0.03%
Caterpillar Inc. (NYSE:CAT)	55,741.30	0.42%	2.44%	12.10%	14.69%	0.06%
CBRE Group, Inc (NYSE:CBG)	6,207.80	0.05%	0.00%	12.20%	12.20%	0.01%
CBS Corporation (NYSE:CBS)	22,862.10	0.17%	1.33%	12.30%	13.71%	0.02%
Celgene Corporation (NasdaqGS:CELG)	33,242.50	0.25%	0.00%	22.50%	22.50%	0.06%
CenterPoint Energy, Inc. (NYSE:CNP)	8,433.40	0.06%	4.11%	5.47%	9.69%	0.01%
CenturyLink, Inc. (NYSE:CTL)	24,246.40	0.18%	7.47%	4.39%	12.02%	0.02%
Cerner Corporation (NasdaqGS:CERN)	13,248.20	0.10%	0.00%	18.80%	18.80%	0.02%
CF Industries Holdings, Inc. (NYSE:CF)	13,456.30	0.10%	0.75%	8.80%	9.58%	0.01%
CH Robinson Worldwide Inc. (NasdaqGS:CHRW)	9,952.00	0.07%	2.14%	14.60%	16.90%	0.01%
Chesapeake Energy Corporation (NYSE:CHK)	10,977.00	0.08%	2.06%	3.22%	5.31%	0.00%
Chevron Corporation (NYSE:CVX)	206,854.50	1.55%	3.41%	-0.68%	2.72%	0.04%
Chipotle Mexican Grill, Inc. (NYSE:CMG)	8,308.00	0.06%	0.00%	21.60%	21.60%	0.01%
Cigna Corp. (NYSE:CI)	14,943.50	0.11%	0.08%	10.50%	10.58%	0.01%
Cincinnati Financial Corp. (NasdaqGS:CINF)	6,592.00	0.05%	4.02%	7.50%	11.67%	0.01%
Cintas Corporation (NasdaqGS:CTAS)	5,176.00	0.04%	1.54%	10.80%	12.42%	0.00%
Cisco Systems, Inc. (NasdaqGS:CSCO)	100,397.90	0.75%	2.96%	9.75%	12.85%	0.10%
Citigroup, Inc. (NYSE:C)	101,377.30	0.76%	0.12%	9.73%	9.85%	0.07%
Citrix Systems, Inc. (NasdaqGS:CTXS)	11,419.60	0.09%	0.00%	17.30%	17.30%	0.01%
Cliffs Natural Resources Inc. (NYSE:CLF)	4,096.80	0.03%	8.70%	8.33%	17.39%	0.01%
CME Group Inc. (NasdaqGS:CME)	18,426.30	0.14%	3.26%	11.50%	14.95%	0.02%
CMS Energy Corp. (NYSE:CMS)	6,447.30	0.05%	3.93%	5.99%	10.04%	0.00%
Coach, Inc. (NYSE:COH)	16,408.60	0.12%	2.07%	14.60%	16.82%	0.02%
Coca-Cola Enterprises Inc. (NYSE:CCE)	8,950.20	0.07%	2.05%	9.22%	11.36%	0.01%
Cognizant Technology Solutions Corporation (NasdaqGS:CTSH)	20,181.90	0.15%	0.00%	18.80%	18.80%	0.03%
Colgate-Palmolive Co. (NYSE:CL)	51,264.30	0.38%	2.29%	8.66%	11.05%	0.04%
Comcast Corporation (NasdaqGS:CMCSA)	98,890.30	0.74%	1.75%	14.20%	16.07%	0.12%
Comerica Incorporated (NYSE:CMA)	5,632.30	0.04%	2.03%	11.10%	13.24%	0.01%
Computer Sciences Corporation (NYSE:CSC)	5,913.30	0.04%	2.10%	6.90%	9.07%	0.00%
ConAgra Foods, Inc. (NYSE:CAG)	12,168.90	0.09%	3.35%	7.60%	11.08%	0.01%
ConocoPhillips (NYSE:COP)	69,119.20	0.52%	4.64%	3.01%	7.72%	0.04%
CONSOL Energy Inc. (NYSE:CNX)	7,140.90	0.05%	1.59%	-10.10%	-8.59%	0.00%
Consolidated Edison Inc. (NYSE:ED)	16,339.40	0.12%	4.34%	3.14%	7.55%	0.01%
Constellation Brands Inc. (NYSE:STZ)	6,548.90	0.05%	0.00%	10.70%	10.70%	0.01%
Corning Inc. (NYSE:GLW)	18,074.00	0.14%	2.94%	1.70%	4.66%	0.01%
Costco Wholesale Corporation (NasdaqGS:COST)	44,937.50	0.34%	1.06%	12.40%	13.53%	0.05%
Coventry Health Care Inc. (NYSE:CVH)	5,875.10	0.04%	1.14%	10.00%	11.20%	0.00%
Covidien plc (NYSE:COV)	27,508.60	0.21%	1.79%	8.60%	10.47%	0.02%
CR Bard Inc. (NYSE:BCR)	8,149.70	0.06%	0.81%	8.60%	9.44%	0.01%
Crown Castle International Corp. (NYSE:CCI)	19,635.80	0.15%	0.00%	27.40%	27.40%	0.04%
CSX Corp. (NYSE:CSX)	20,380.00	0.15%	2.83%	12.30%	15.30%	0.02%
Cummins Inc. (NYSE:CMI)	18,656.90	0.14%	2.04%	12.20%	14.36%	0.02%
CVS Caremark Corporation (NYSE:CVS)	57,983.70	0.43%	1.40%	13.10%	14.59%	0.06%
Danaher Corp. (NYSE:DHR)	37,384.40	0.28%	0.19%	13.20%	13.40%	0.04%
Darden Restaurants, Inc. (NYSE:DRI)	6,800.70	0.05%	3.78%	12.00%	16.01%	0.01%
DaVita HealthCare Partners Inc. (NYSE:DVA)	11,316.30	0.08%	0.00%	12.90%	12.90%	0.01%
Dean Foods Company (NYSE:DF)	3,174.90	0.02%	0.00%	16.80%	16.80%	0.00%
Deere & Company (NYSE:DE)	32,919.60	0.25%	2.19%	9.04%	11.33%	0.03%
Dell Inc. (NasdaqGS:DELL)	16,721.60	0.13%	3.32%	6.25%	9.67%	0.01%
Denbury Resources Inc. (NYSE:DNR)	5,953.60	0.04%	0.00%	9.04%	9.04%	0.00%
DENTSPLY International Inc. (NasdaqGS:XRAY)	5,634.60	0.04%	0.55%	11.50%	12.09%	0.01%
Devon Energy Corporation (NYSE:DVN)	20,926.40	0.16%	1.55%	0.47%	2.02%	0.00%
Diamond Offshore Drilling, Inc. (NYSE:DO)	9,593.10	0.07%	5.07%	11.30%	16.66%	0.01%
DIRECTV (NasdaqGS:DTV)	30,025.50	0.22%	0.00%	16.50%	16.50%	0.04%
Discover Financial Services (NYSE:DFS)	21,003.70	0.16%	0.96%	10.70%	11.71%	0.02%
Discovery Communications, Inc. (NasdaqGS:DISC.A)	21,793.70	0.16%	0.00%	18.20%	18.20%	0.03%
Dollar Tree, Inc. (NasdaqGS:DLTR)	9,483.60	0.07%	0.00%	18.40%	18.40%	0.01%
Dominion Resources, Inc. (NYSE:D)	29,368.30	0.22%	4.13%	5.33%	9.57%	0.02%
Dover Corporation (NYSE:DOV)	11,383.30	0.09%	2.20%	13.60%	15.95%	0.01%
DR Horton Inc. (NYSE:DHI)	6,386.10	0.05%	0.77%	7.67%	8.47%	0.00%
Dr Pepper Snapple Group, Inc. (NYSE:DPS)	9,333.80	0.07%	3.03%	8.30%	11.46%	0.01%
DTE Energy Co. (NYSE:DTE)	10,424.20	0.08%	4.09%	4.97%	9.16%	0.01%
Duke Energy Corporation (NYSE:DUK)	44,944.90	0.34%	4.79%	3.74%	8.62%	0.03%
Dun & Bradstreet Corp. (NYSE:DNB)	3,528.70	0.03%	1.92%	13.60%	15.65%	0.00%
E*TRADE Financial Corporation (NasdaqGS:ETFC)	2,402.30	0.02%	0.00%	18.60%	18.60%	0.00%
E. I. du Pont de Nemours and Company (NYSE:DD)	40,226.80	0.30%	3.99%	7.48%	11.62%	0.03%
Eastman Chemical Co. (NYSE:EMN)	9,332.40	0.07%	1.71%	9.98%	11.78%	0.01%
eBay Inc. (NasdaqGS:EBAY)	68,348.30	0.51%	0.00%	15.00%	15.00%	0.08%
Ecolab Inc. (NYSE:ECL)	21,112.80	0.16%	1.11%	15.60%	16.80%	0.03%
Edison International (NYSE:EIX)	14,817.90	0.11%	2.86%	4.61%	7.54%	0.01%
Edwards Lifesciences Corp. (NYSE:EW)	10,014.20	0.07%	0.00%	20.60%	20.60%	0.02%
Electronic Arts Inc. (NasdaqGS:EA)	4,519.10	0.03%	0.00%	15.60%	15.60%	0.01%
Eli Lilly and Company (NYSE:LLY)	54,326.10	0.41%	4.00%	-2.30%	1.65%	0.01%
EMC Corporation (NYSE:EMC)	52,287.20	0.39%	0.00%	14.50%	14.50%	0.06%
Emerson Electric Co. (NYSE:EMR)	36,373.50	0.27%	3.26%	11.40%	14.85%	0.04%
Enscov plc (NYSE:ESV)	13,526.00	0.10%	2.58%	25.70%	28.61%	0.03%
Entergy Corporation (NYSE:ETR)	11,293.20	0.08%	5.23%	4.50%	9.85%	0.01%

	[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
EOG Resources, Inc. (NYSE:EOG)	31,861.00	0.24%	0.58%	20.30%	20.94%	0.05%
EQT Corporation (NYSE:EQT)	8,985.80	0.07%	1.47%	21.60%	23.23%	0.02%
Equifax Inc. (NYSE:EFX)	6,128.20	0.05%	1.41%	10.70%	12.19%	0.01%
Equity Residential (NYSE:EQR)	17,856.20	0.13%	2.43%	8.28%	10.81%	0.01%
Exelon Corporation (NYSE:EXC)	25,816.40	0.19%	6.95%	-6.22%	0.51%	0.00%
Expedia Inc. (NasdaqGS:EXPE)	8,342.90	0.06%	0.71%	14.10%	14.86%	0.01%
Expeditors International of Washington Inc. (NasdaqGS:EXPD)	7,820.10	0.06%	1.50%	11.30%	12.88%	0.01%
Express Scripts Holding Company (NasdaqGS:ESRX)	43,963.10	0.33%	0.00%	16.30%	16.30%	0.05%
Exxon Mobil Corporation (NYSE:XOM)	401,860.50	3.01%	2.59%	2.51%	5.13%	0.15%
F5 Networks, Inc. (NasdaqGS:FFIV)	7,405.40	0.06%	0.00%	17.60%	17.60%	0.01%
Family Dollar Stores Inc. (NYSE:FDO)	8,216.70	0.06%	1.18%	14.40%	15.66%	0.01%
Fastenal Company (NasdaqGS:FAST)	12,389.20	0.09%	1.77%	17.20%	19.12%	0.02%
Federated Investors, Inc. (NYSE:FI)	2,063.80	0.02%	4.84%	8.03%	13.06%	0.00%
FedEx Corporation (NYSE:FDX)	28,120.50	0.21%	0.63%	12.10%	12.76%	0.03%
Fidelity National Information Services, Inc. (NYSE:FIS)	10,584.50	0.08%	2.22%	12.10%	14.45%	0.01%
Fifth Third Bancorp (NasdaqGS:FITB)	13,117.80	0.10%	2.73%	7.29%	10.12%	0.01%
First Horizon National Corporation (NYSE:FHN)	2,337.90	0.02%	0.42%	11.10%	11.55%	0.00%
First Solar, Inc. (NasdaqGS:FSLR)	2,348.90	0.02%	0.00%	-17.00%	-17.00%	0.00%
FirstEnergy Corp. (NYSE:FE)	17,757.50	0.13%	5.18%	0.82%	6.02%	0.01%
Fiserv, Inc. (NasdaqGS:FISV)	10,276.10	0.08%	0.00%	11.70%	11.70%	0.01%
FLIR Systems, Inc. (NasdaqGS:FLIR)	3,060.50	0.02%	1.37%	7.07%	8.49%	0.00%
Flowserve Corp. (NYSE:FLS)	6,925.30	0.05%	1.04%	11.30%	12.40%	0.01%
Fluor Corporation (NYSE:FLR)	8,838.30	0.07%	1.21%	12.60%	13.89%	0.01%
FMC Corp. (NYSE:FMC)	7,619.90	0.06%	0.65%	10.80%	11.48%	0.01%
FMC Technologies, Inc. (NYSE:FTI)	9,713.60	0.07%	0.00%	19.10%	19.10%	0.01%
Ford Motor Co. (NYSE:F)	43,655.00	0.33%	1.75%	6.07%	7.87%	0.03%
Forest Laboratories Inc. (NYSE:FRX)	9,433.00	0.07%	0.00%	9.02%	9.02%	0.01%
Fossil, Inc. (NasdaqGS:FOSL)	5,188.20	0.04%	0.00%	19.40%	19.40%	0.01%
Franklin Resources Inc. (NYSE:BEN)	28,027.10	0.21%	0.82%	12.00%	12.87%	0.03%
Freeport-McMoRan Copper & Gold Inc. (NYSE:FCX)	37,032.90	0.28%	3.20%	3.50%	6.76%	0.02%
Frontier Communications Corporation (NasdaqGS:FTR)	4,802.50	0.04%	8.32%	2.00%	10.40%	0.00%
GameStop Corp. (NYSE:GME)	3,173.60	0.02%	3.81%	9.42%	13.41%	0.00%
Gannett Co., Inc. (NYSE:GCI)	4,113.20	0.03%	4.47%	6.00%	10.60%	0.00%
Gap Inc. (NYSE:GPS)	16,573.00	0.12%	1.45%	11.00%	12.53%	0.02%
General Dynamics Corp. (NYSE:GD)	23,479.20	0.18%	3.07%	5.46%	8.61%	0.02%
General Electric Company (NYSE:GE)	221,575.50	1.66%	3.22%	10.80%	14.19%	0.24%
General Mills, Inc. (NYSE:GIS)	26,447.70	0.20%	3.22%	7.40%	10.74%	0.02%
Genuine Parts Company (NYSE:GPC)	10,097.50	0.08%	3.04%	8.17%	11.33%	0.01%
Genworth Financial Inc. (NYSE:GNW)	2,926.40	0.02%	0.00%	16.00%	16.00%	0.00%
Gilead Sciences Inc. (NasdaqGS:GILD)	56,823.60	0.43%	0.00%	20.10%	20.10%	0.09%
Goodyear Tire & Rubber Co. (NYSE:GT)	3,086.50	0.02%	0.00%	45.10%	45.10%	0.01%
Google Inc. (NasdaqGS:GOOG)	229,480.30	1.72%	0.00%	15.20%	15.20%	0.26%
H&R Block, Inc. (NYSE:HRB)	4,888.10	0.04%	4.44%	11.00%	15.68%	0.01%
H. J. Heinz Company (NYSE:HNZ)	18,745.70	0.14%	3.52%	6.83%	10.47%	0.01%
Halliburton Company (NYSE:HAL)	30,948.40	0.23%	1.08%	15.60%	16.76%	0.04%
Harley-Davidson, Inc. (NYSE:HOG)	10,733.10	0.08%	1.32%	13.30%	14.71%	0.01%
Harman International Industries, Incorporated (NYSE:HAR)	2,683.40	0.02%	1.52%	17.30%	18.95%	0.00%
Harris Corporation (NYSE:HRS)	5,352.10	0.04%	3.14%	3.07%	6.26%	0.00%
Hasbro Inc. (NasdaqGS:HAS)	4,997.00	0.04%	3.74%	8.63%	12.53%	0.00%
HCP, Inc. (NYSE:HCP)	20,365.60	0.15%	4.44%	5.08%	9.63%	0.01%
Health Care REIT, Inc. (NYSE:HCN)	15,292.70	0.11%	5.20%	5.48%	10.82%	0.01%
Helmerich & Payne Inc. (NYSE:HP)	5,519.00	0.04%	0.54%	6.25%	6.80%	0.00%
Hess Corporation (NYSE:HES)	16,744.80	0.13%	0.81%	5.19%	6.02%	0.01%
Hewlett-Packard Company (NYSE:HPQ)	25,540.40	0.19%	4.06%	-6.57%	-2.64%	-0.01%
Honeywell International Inc. (NYSE:HON)	48,044.20	0.36%	2.67%	10.70%	13.51%	0.05%
Hormel Foods Corp. (NYSE:HLR)	8,151.90	0.06%	2.19%	11.00%	13.31%	0.01%
Hospira Inc. (NYSE:HSP)	4,923.60	0.04%	0.00%	7.07%	7.07%	0.00%
Host Hotels & Resorts Inc. (NYSE:HST)	10,646.60	0.08%	2.45%	15.00%	17.63%	0.01%
Hudson City Bancorp, Inc. (NasdaqGS:HCBK)	4,004.20	0.03%	3.97%	-2.43%	1.49%	0.00%
Humana Inc. (NYSE:HUM)	10,349.40	0.08%	1.59%	9.53%	11.20%	0.01%
Huntington Bancshares Incorporated (NasdaqGS:HBAN)	5,274.10	0.04%	2.60%	5.75%	8.42%	0.00%
Illinois Tool Works Inc. (NYSE:ITW)	28,534.60	0.21%	2.47%	7.91%	10.48%	0.02%
Ingersoll-Rand Plc (NYSE:IR)	14,682.90	0.11%	1.31%	12.70%	14.09%	0.02%
Integrus Energy Group, Inc. (NYSE:TEG)	4,142.30	0.03%	5.12%	6.67%	11.96%	0.00%
Intel Corporation (NasdaqGS:INTC)	97,355.40	0.73%	4.60%	9.01%	13.82%	0.10%
IntercontinentalExchange, Inc. (NYSE:ICE)	9,609.80	0.07%	0.00%	12.30%	12.30%	0.01%
International Business Machines Corporation (NYSE:IBM)	214,766.20	1.61%	1.79%	10.40%	12.28%	0.20%
International Flavors & Fragrances Inc. (NYSE:IFF)	5,304.20	0.04%	2.09%	7.35%	9.52%	0.00%
International Game Technology (NYSE:IGT)	3,690.80	0.03%	2.02%	13.10%	15.25%	0.00%
International Paper Company (NYSE:IP)	16,309.80	0.12%	3.23%	7.50%	10.85%	0.01%
Intuit Inc. (NasdaqGS:INTU)	17,736.60	0.13%	1.14%	13.70%	14.92%	0.02%
Intuitive Surgical, Inc. (NasdaqGS:ISRG)	21,034.60	0.16%	0.00%	18.20%	18.20%	0.03%
Invesco Ltd. (NYSE:IVZ)	11,096.60	0.08%	2.76%	11.70%	14.62%	0.01%
Iron Mountain Inc. (NYSE:IRM)	5,989.90	0.04%	3.42%	12.60%	16.24%	0.01%
J. C. Penney Company, Inc. (NYSE:JCP)	3,932.40	0.03%	0.00%	25.00%	25.00%	0.01%
Jabil Circuit Inc. (NYSE:JBL)	3,905.60	0.03%	1.68%	13.50%	15.29%	0.00%
Jacobs Engineering Group Inc. (NYSE:JEC)	5,325.40	0.04%	0.00%	13.80%	13.80%	0.01%
JDS Uniphase Corporation (NasdaqGS:JDSU)	2,837.70	0.02%	0.00%	10.00%	10.00%	0.00%
Johnson & Johnson (NYSE:JNJ)	193,240.10	1.45%	3.50%	6.59%	10.21%	0.15%
Johnson Controls Inc. (NYSE:JCI)	18,831.80	0.14%	2.76%	14.70%	17.66%	0.02%
Joy Global, Inc. (NYSE:JOY)	6,034.00	0.05%	1.23%	13.30%	14.61%	0.01%
JPMorgan Chase & Co. (NYSE:JPM)	156,161.60	1.17%	2.92%	6.89%	9.91%	0.12%
Juniper Networks, Inc. (NYSE:JNPR)	9,270.00	0.07%	0.00%	16.20%	16.20%	0.01%

	[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
Kellogg Company (NYSE:K)	19,877.90	0.15%	3.17%	8.01%	11.31%	0.02%
KeyCorp (NYSE:KEY)	7,543.90	0.06%	2.48%	5.06%	7.60%	0.00%
Kimberly-Clark Corporation (NYSE:KMB)	33,541.00	0.25%	3.45%	8.09%	11.68%	0.03%
Kimco Realty Corporation (NYSE:KIM)	7,850.80	0.06%	4.36%	5.22%	9.69%	0.01%
Kinder Morgan, Inc. (NYSE:KMI)	35,051.20	0.26%	4.26%	16.00%	20.60%	0.05%
KLA-Tencor Corporation (NasdaqGS:KLAC)	7,571.50	0.06%	3.52%	10.00%	13.70%	0.01%
Kohl's Corp. (NYSE:KSS)	10,269.90	0.08%	2.87%	12.40%	15.45%	0.01%
Kraft Foods Group, Inc. (NasdaqGS:KRFT)	26,800.40	0.20%	0.00%	6.87%	6.87%	0.01%
L-3 Communications Holdings Inc. (NYSE:LLL)	7,228.40	0.05%	2.60%	1.74%	4.36%	0.00%
Laboratory Corp. of America Holdings (NYSE:LH)	8,002.20	0.06%	0.00%	12.00%	12.00%	0.01%
Lam Research Corporation (NasdaqGS:LRGX)	6,017.50	0.05%	0.00%	10.00%	10.00%	0.00%
Legg Mason Inc. (NYSE:LM)	3,362.60	0.03%	1.72%	13.80%	15.64%	0.00%
Leggett & Platt, Incorporated (NYSE:LEG)	3,934.60	0.03%	4.17%	15.00%	19.48%	0.01%
Lennar Corp. (NYSE:LEN)	7,022.70	0.05%	0.42%	8.00%	8.44%	0.00%
Leucadia National Corp. (NYSE:LUK)	5,417.50	0.04%	1.13%	0.00%	1.13%	0.00%
Life Technologies Corporation (NasdaqGS:LIFE)	8,491.00	0.06%	0.00%	9.82%	9.82%	0.01%
Limited Brands, Inc. (NYSE:LTD)	15,038.60	0.11%	5.75%	12.70%	18.82%	0.02%
Lincoln National Corporation (NYSE:LNC)	6,792.90	0.05%	1.94%	8.70%	10.72%	0.01%
Linear Technology Corporation (NasdaqGS:LLTC)	7,679.90	0.06%	3.01%	11.20%	14.38%	0.01%
Lockheed Martin Corporation (NYSE:LMT)	30,004.10	0.22%	4.93%	5.60%	10.67%	0.02%
Loews Corporation (NYSE:L)	16,090.40	0.12%	0.61%	0.00%	0.61%	0.00%
Lorillard, Inc. (NYSE:LO)	15,683.60	0.12%	5.12%	7.94%	13.26%	0.02%
Lowe's Companies Inc. (NYSE:LOW)	40,529.10	0.30%	1.77%	15.30%	17.21%	0.05%
LSI Corporation (NYSE:LSI)	3,730.00	0.03%	0.00%	16.60%	16.60%	0.00%
LyondellBasell Industries NV (NYSE:LYB)	28,603.70	0.21%	3.22%	10.50%	13.89%	0.03%
M&T Bank Corporation (NYSE:MTB)	12,510.00	0.09%	2.87%	12.60%	15.65%	0.01%
Macy's, Inc. (NYSE:M)	15,305.90	0.11%	2.07%	12.00%	14.19%	0.02%
Marathon Oil Corporation (NYSE:MRO)	21,793.00	0.16%	2.20%	2.65%	4.88%	0.01%
Marathon Petroleum Corporation (NYSE:MPC)	20,195.00	0.15%	2.35%	10.70%	13.18%	0.02%
Marriott International, Inc. (NYSE:MAR)	11,450.90	0.09%	1.43%	18.20%	19.76%	0.02%
Marsh & McLennan Companies, Inc. (NYSE:MMC)	19,173.30	0.14%	2.61%	11.00%	13.75%	0.02%
Masco Corporation (NYSE:MAS)	6,056.40	0.05%	1.77%	10.00%	11.86%	0.01%
Mastercard Incorporated (NYSE:MA)	60,723.80	0.45%	0.25%	18.10%	18.37%	0.08%
Mattel, Inc. (NasdaqGS:MAT)	12,870.90	0.10%	3.31%	9.40%	12.87%	0.01%
McCormick & Company, Incorporated (NYSE:MCK)	8,552.00	0.06%	2.11%	9.18%	11.39%	0.01%
McDonald's Corp. (NYSE:MCD)	87,386.20	0.65%	3.54%	9.18%	12.88%	0.08%
McKesson Corporation (NYSE:MCK)	22,298.70	0.17%	0.85%	14.00%	14.91%	0.02%
Mead Johnson Nutrition Company (NYSE:MJN)	13,844.20	0.10%	1.76%	11.60%	13.46%	0.01%
MeadWestvaco Corporation (NYSE:MWV)	5,403.10	0.04%	3.24%	10.00%	13.40%	0.01%
Medtronic, Inc. (NYSE:MDT)	42,958.10	0.32%	2.47%	6.17%	8.72%	0.03%
Merck & Co. Inc. (NYSE:MRK)	134,675.20	1.01%	3.88%	3.60%	7.55%	0.08%
MetLife, Inc. (NYSE:MET)	36,211.80	0.27%	2.23%	13.20%	15.58%	0.04%
MetroPCS Communications, Inc. (NYSE:PCS)	3,877.70	0.03%	0.00%	15.70%	15.70%	0.00%
Microchip Technology Inc. (NasdaqGS:MCHP)	5,919.90	0.04%	4.63%	8.00%	12.82%	0.01%
Micron Technology Inc. (NasdaqGS:MU)	6,069.70	0.05%	0.00%	9.40%	9.40%	0.00%
Microsoft Corporation (NasdaqGS:MSFT)	224,004.10	1.68%	3.46%	9.91%	13.54%	0.23%
Molex Incorporated (NasdaqGS:MOLX)	4,292.20	0.03%	3.34%	11.00%	14.52%	0.00%
Molson Coors Brewing Company (NYSE:TAP)	7,510.70	0.06%	3.09%	3.67%	6.82%	0.00%
Mondelez International, Inc. (NasdaqGS:MDLZ)	46,008.80	0.34%	4.48%	10.50%	15.22%	0.05%
Monsanto Company (NYSE:MON)	48,963.80	0.37%	1.64%	11.40%	13.13%	0.05%
Monster Beverage Corporation (NasdaqGS:MNST)	8,919.80	0.07%	0.00%	19.00%	19.00%	0.01%
Moody's Corp. (NYSE:MCO)	10,828.50	0.08%	1.32%	14.80%	16.22%	0.01%
Morgan Stanley (NYSE:MS)	33,306.80	0.25%	1.19%	16.30%	17.59%	0.04%
Motorola Solutions, Inc. (NYSE:MSI)	15,273.20	0.11%	1.91%	24.00%	26.14%	0.03%
Murphy Oil Corporation (NYSE:MUR)	11,026.70	0.08%	2.20%	10.90%	13.22%	0.01%
Mylan, Inc. (NasdaqGS:MYL)	11,076.60	0.08%	0.00%	9.64%	9.64%	0.01%
Nabors Industries Ltd. (NYSE:NBR)	4,268.60	0.03%	0.00%	9.07%	9.07%	0.00%
Nasdaq OMX Group Inc. (NasdaqGS:NDAQ)	3,996.40	0.03%	2.15%	9.51%	11.76%	0.00%
National Oilwell Varco, Inc. (NYSE:NOV)	29,157.60	0.22%	0.70%	17.00%	17.76%	0.04%
NetApp, Inc. (NasdaqGS:NTAP)	11,520.70	0.09%	0.00%	12.10%	12.10%	0.01%
Netflix, Inc. (NasdaqGS:NFLX)	4,538.60	0.03%	0.00%	12.60%	12.60%	0.00%
Newell Rubbermaid Inc. (NYSE:NWL)	6,272.60	0.05%	2.75%	8.51%	11.38%	0.01%
Newfield Exploration Co. (NYSE:NFX)	3,230.40	0.02%	0.00%	6.96%	6.96%	0.00%
Newmont Mining Corp. (NYSE:NEM)	23,377.10	0.17%	2.97%	-3.25%	-0.33%	0.00%
News Corp. (NasdaqGS:NWSA)	58,050.30	0.43%	0.69%	16.60%	17.35%	0.08%
NextEra Energy, Inc. (NYSE:NEE)	29,078.50	0.22%	3.49%	5.55%	9.14%	0.02%
Nike Inc. (NYSE:NKE)	43,919.80	0.33%	0.86%	12.60%	13.52%	0.04%
NiSource Inc. (NYSE:NI)	7,486.80	0.06%	3.97%	6.15%	10.24%	0.01%
Noble Corp. (NYSE:NE)	8,716.30	0.07%	1.63%	26.70%	28.55%	0.02%
Noble Energy, Inc. (NYSE:NBL)	17,296.00	0.13%	1.02%	7.50%	8.56%	0.01%
Nordstrom Inc. (NYSE:JWN)	10,871.90	0.08%	2.00%	13.20%	15.33%	0.01%
Norfolk Southern Corp. (NYSE:NSC)	19,082.70	0.14%	3.31%	12.20%	15.71%	0.02%
Northeast Utilities (NYSE:NU)	12,162.20	0.09%	3.54%	6.63%	10.29%	0.01%
Northern Trust Corporation (NasdaqGS:NTRS)	11,515.10	0.09%	2.50%	12.50%	15.16%	0.01%
Northrop Grumman Corporation (NYSE:NOC)	16,371.10	0.12%	3.30%	1.65%	4.98%	0.01%
NRG Energy, Inc. (NYSE:NRG)	4,817.10	0.04%	1.71%	23.10%	25.01%	0.01%
Nucor Corporation (NYSE:NUE)	13,080.30	0.10%	3.55%	7.13%	10.81%	0.01%
NVIDIA Corporation (NasdaqGS:NVDA)	7,479.50	0.06%	2.51%	13.60%	16.28%	0.01%
NYSE Euronext, Inc. (NYSE:NYX)	5,674.10	0.04%	5.14%	9.96%	15.36%	0.01%
O'Reilly Automotive Inc. (NasdaqGS:ORLY)	10,783.60	0.08%	0.00%	16.50%	16.50%	0.01%
Occidental Petroleum Corporation (NYSE:OXY)	60,933.90	0.46%	2.87%	0.56%	3.43%	0.02%
Omnicom Group Inc. (NYSE:OMC)	13,140.40	0.10%	2.41%	10.30%	12.83%	0.01%
ONEOK Inc. (NYSE:OKE)	9,181.00	0.07%	2.94%	15.80%	18.97%	0.01%

	[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
Oracle Corporation (NasdaqGS:ORCL)	155,053.10	1.16%	0.75%	12.10%	12.89%	0.15%
Owens-Illinois, Inc. (NYSE:OI)	3,295.50	0.02%	0.00%	9.78%	9.78%	0.00%
PACCAR Inc. (NasdaqGS:PCAR)	15,512.20	0.12%	1.82%	11.00%	12.92%	0.01%
Pall Corporation (NYSE:PLL)	6,757.20	0.05%	1.68%	12.40%	14.18%	0.01%
Parker-Hannifin Corporation (NYSE:PH)	12,255.20	0.09%	2.00%	4.57%	6.62%	0.01%
Patterson Companies, Inc. (NasdaqGS:PDICO)	3,762.70	0.03%	1.64%	10.60%	12.33%	0.00%
Paychex, Inc. (NasdaqGS:PAYX)	11,826.90	0.09%	3.93%	9.84%	13.96%	0.01%
Peabody Energy Corp. (NYSE:BTU)	6,739.20	0.05%	1.35%	12.00%	13.43%	0.01%
Pentair Ltd. (NYSE:PNR)	10,197.10	0.08%	1.90%	14.00%	16.03%	0.01%
People's United Financial Inc. (NasdaqGS:PBCT)	4,095.20	0.03%	5.25%	8.88%	14.36%	0.00%
Pepco Holdings, Inc. (NYSE:POM)	4,529.80	0.03%	5.47%	5.18%	10.79%	0.00%
Pepsico, Inc. (NYSE:PEP)	108,604.60	0.81%	3.06%	5.84%	8.99%	0.07%
PerkinElmer Inc. (NYSE:PKI)	3,632.80	0.03%	0.89%	12.80%	13.74%	0.00%
Perrigo Co. (NasdaqGS:PRGO)	9,716.70	0.07%	0.35%	12.80%	13.17%	0.01%
PetSmart, Inc. (NasdaqGS:PETM)	7,594.20	0.06%	0.93%	18.70%	19.72%	0.01%
Pfizer Inc. (NYSE:PFE)	184,211.60	1.38%	3.52%	3.75%	7.34%	0.10%
PG&E Corp. (NYSE:PCG)	16,875.40	0.13%	4.44%	3.34%	7.85%	0.01%
Philip Morris International, Inc. (NYSE:PM)	150,149.30	1.12%	3.78%	10.60%	14.58%	0.16%
Phillips 66 (NYSE:PSX)	32,773.50	0.25%	1.91%	10.00%	12.01%	0.03%
Pinnacle West Capital Corporation (NYSE:PNW)	5,645.20	0.04%	4.24%	5.53%	9.89%	0.00%
Pioneer Natural Resources Co. (NYSE:PXD)	13,185.80	0.10%	0.08%	17.30%	17.38%	0.02%
Pitney Bowes Inc. (NYSE:PBI)	2,246.40	0.02%	13.40%	0.00%	13.40%	0.00%
Plum Creek Timber Co. Inc. (NYSE:PCL)	6,923.60	0.05%	3.92%	5.00%	9.02%	0.00%
PNC Financial Services Group Inc. (NYSE:PNC)	29,690.40	0.22%	2.85%	4.59%	7.51%	0.02%
PPG Industries Inc. (NYSE:PPG)	19,056.90	0.14%	1.90%	9.36%	11.35%	0.02%
PPL Corporation (NYSE:PPL)	17,073.10	0.13%	4.91%	-1.33%	3.55%	0.00%
Praxair Inc. (NYSE:PX)	31,854.90	0.24%	2.05%	10.00%	12.15%	0.03%
Precision Castparts Corp. (NYSE:PCP)	26,690.20	0.20%	0.07%	13.90%	13.97%	0.03%
priceline.com Incorporated (NasdaqGS:PLCN)	33,070.00	0.25%	0.00%	20.10%	20.10%	0.05%
Principal Financial Group Inc. (NYSE:PFG)	7,970.90	0.06%	3.09%	14.60%	17.92%	0.01%
Procter & Gamble Co. (NYSE:PG)	190,931.40	1.43%	3.22%	7.45%	10.79%	0.15%
Progressive Corp. (NYSE:PGR)	12,850.90	0.10%	1.92%	8.20%	10.20%	0.01%
Prologis, Inc. (NYSE:PLD)	15,643.30	0.12%	3.30%	8.63%	12.07%	0.01%
Prudential Financial, Inc. (NYSE:PRU)	24,183.70	0.18%	3.07%	12.90%	16.17%	0.03%
Public Service Enterprise Group Inc. (NYSE:PEG)	15,223.00	0.11%	4.72%	2.48%	7.26%	0.01%
Public Storage (NYSE:PSA)	24,141.30	0.18%	3.13%	6.09%	9.32%	0.02%
PulteGroup, Inc. (NYSE:PHM)	6,494.00	0.05%	0.00%	28.40%	28.40%	0.01%
QEP Resources, Inc. (NYSE:QEP)	5,008.70	0.04%	0.28%	7.43%	7.72%	0.00%
QUALCOMM Incorporated (NasdaqGS:QCOM)	108,410.30	0.81%	1.57%	13.20%	14.87%	0.12%
Quanta Services, Inc. (NYSE:PWR)	5,512.30	0.04%	0.00%	16.30%	16.30%	0.01%
Quest Diagnostics Inc. (NYSE:DGX)	9,185.20	0.07%	1.18%	11.50%	12.75%	0.01%
R.R. Donnelley & Sons Company (NasdaqGS:RRD)	1,694.80	0.01%	11.10%	-5.00%	5.82%	0.00%
Ralph Lauren Corporation (NYSE:RL)	14,371.40	0.11%	1.02%	14.00%	15.09%	0.02%
Range Resources Corporation (NYSE:RRC)	10,187.50	0.08%	0.25%	4.35%	4.61%	0.00%
Raytheon Co. (NYSE:RTN)	18,845.30	0.14%	3.50%	6.12%	9.73%	0.01%
Red Hat, Inc. (NYSE:RHT)	9,550.30	0.07%	0.00%	21.00%	21.00%	0.02%
Regions Financial Corp. (NYSE:RF)	9,424.70	0.07%	0.60%	7.60%	8.22%	0.01%
Republic Services, Inc. (NYSE:RSG)	10,383.10	0.08%	3.30%	6.30%	9.70%	0.01%
Reynolds American Inc. (NYSE:RAI)	24,437.20	0.18%	5.40%	7.15%	12.74%	0.02%
Robert Half International Inc. (NYSE:RHI)	3,977.30	0.03%	2.12%	17.50%	19.81%	0.01%
Rockwell Automation Inc. (NYSE:ROK)	11,038.90	0.08%	2.37%	11.00%	13.50%	0.01%
Rockwell Collins Inc. (NYSE:COL)	8,017.40	0.06%	2.10%	9.65%	11.85%	0.01%
Roper Industries Inc. (NYSE:ROP)	10,973.40	0.08%	0.49%	14.40%	14.93%	0.01%
Ross Stores Inc. (NasdaqGS:ROST)	12,780.90	0.10%	0.98%	13.50%	14.55%	0.01%
Rowan Companies plc (NYSE:RDC)	3,940.70	0.03%	0.00%	32.30%	32.30%	0.01%
Ryder System, Inc. (NYSE:R)	2,405.80	0.02%	2.63%	10.60%	13.37%	0.00%
Safeway Inc. (NYSE:SWY)	4,099.60	0.03%	4.09%	10.30%	14.60%	0.00%
SAIC, Inc. (NYSE:SAI)	3,941.30	0.03%	4.16%	8.67%	13.01%	0.00%
salesforce.com, inc (NYSE:CRM)	22,389.10	0.17%	0.00%	27.50%	27.50%	0.05%
SanDisk Corp. (NasdaqGS:SNDK)	9,453.90	0.07%	0.00%	12.80%	12.80%	0.01%
SCANA Corp. (NYSE:SCG)	6,107.30	0.05%	4.27%	4.62%	8.99%	0.00%
Schlumberger Limited (NYSE:SLB)	95,080.60	0.71%	1.54%	17.80%	19.48%	0.14%
Scripps Networks Interactive, Inc. (NYSE:SNI)	8,847.30	0.07%	0.81%	14.10%	14.97%	0.01%
Seagate Technology Public Limited Company (NasdaqGS:STX)	9,475.10	0.07%	6.06%	10.10%	16.47%	0.01%
Sealed Air Corporation (NYSE:SEE)	3,271.70	0.02%	3.09%	7.48%	10.69%	0.00%
Sempra Energy (NYSE:SRE)	16,414.70	0.12%	3.51%	4.85%	8.45%	0.01%
Sigma-Aldrich Corporation (NasdaqGS:SIAL)	8,726.00	0.07%	1.10%	8.13%	9.27%	0.01%
Simon Property Group Inc. (NYSE:SPG)	47,061.30	0.35%	2.89%	7.97%	10.98%	0.04%
SLM Corporation (NasdaqGS:SLM)	7,648.70	0.06%	3.02%	11.50%	14.69%	0.01%
Snap-on Inc. (NYSE:SNA)	4,625.90	0.03%	1.91%	10.00%	12.01%	0.00%
Southern Company (NYSE:SO)	38,067.30	0.28%	4.50%	5.28%	9.90%	0.03%
Southwest Airlines Co. (NYSE:LUV)	7,032.90	0.05%	0.42%	28.90%	29.38%	0.02%
Southwestern Energy Co. (NYSE:SWN)	12,128.80	0.09%	0.00%	-11.50%	-11.50%	-0.01%
Spectra Energy Corp. (NYSE:SE)	18,251.90	0.14%	4.36%	3.95%	8.40%	0.01%
Sprint Nextel Corp. (NYSE:S)	17,216.40	0.13%	0.00%	-93.80%	-93.80%	-0.12%
St. Jude Medical Inc. (NYSE:STJ)	10,564.30	0.08%	2.68%	9.65%	12.46%	0.01%
Stanley Black & Decker, Inc. (NYSE:SWK)	12,090.40	0.09%	2.73%	9.30%	12.16%	0.01%
Staples, Inc. (NasdaqGS:SPLS)	7,884.40	0.06%	3.76%	5.90%	9.77%	0.01%
Starbucks Corporation (NasdaqGS:SBUX)	38,570.50	0.29%	1.62%	18.30%	20.07%	0.06%
Starwood Hotels & Resorts Worldwide Inc. (NYSE:HOT)	10,574.90	0.08%	2.32%	18.80%	21.34%	0.02%
State Street Corporation (NYSE:STT)	20,656.10	0.15%	2.16%	10.30%	12.57%	0.02%
Stericycle, Inc. (NasdaqGS:SRCL)	8,028.10	0.06%	0.00%	16.50%	16.50%	0.01%
Stryker Corporation (NYSE:SYK)	20,591.70	0.15%	1.57%	8.83%	10.47%	0.02%

	[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
SunTrust Banks, Inc. (NYSE:STI)	14,453.20	0.11%	0.74%	17.10%	17.90%	0.02%
Symantec Corporation (NasdaqGS:SYMC)	13,017.60	0.10%	0.00%	8.21%	8.21%	0.01%
Sysco Corporation (NYSE:SYI)	18,604.00	0.14%	3.54%	8.80%	12.50%	0.02%
T. Rowe Price Group, Inc. (NasdaqGS:TROW)	16,482.10	0.12%	2.10%	13.90%	16.15%	0.02%
Target Corp. (NYSE:TGT)	41,084.60	0.31%	2.28%	12.40%	14.82%	0.05%
TE Connectivity Ltd. (NYSE:TEL)	14,870.30	0.11%	2.39%	13.00%	15.55%	0.02%
TECO Energy, Inc. (NYSE:TE)	3,640.80	0.03%	5.23%	3.00%	8.31%	0.00%
Tenet Healthcare Corp. (NYSE:THC)	3,083.50	0.02%	0.00%	10.90%	10.90%	0.00%
Teradata Corporation (NYSE:TDC)	10,058.10	0.08%	0.00%	14.90%	14.90%	0.01%
Teradyne Inc. (NYSE:TER)	2,938.00	0.02%	0.00%	12.50%	12.50%	0.00%
Tesoro Corporation (NYSE:TSO)	5,877.50	0.04%	1.42%	24.30%	25.89%	0.01%
Texas Instruments Inc. (NasdaqGS:TXN)	33,030.10	0.25%	2.85%	9.11%	12.09%	0.03%
Textron Inc. (NYSE:TXT)	6,620.10	0.05%	0.34%	29.90%	30.29%	0.02%
The ADT Corporation (NYSE:ADT)	10,670.30	0.08%	1.09%	9.25%	10.39%	0.01%
The AES Corporation (NYSE:AES)	7,938.10	0.06%	1.50%	7.96%	9.52%	0.01%
The Allstate Corporation (NYSE:ALL)	19,502.40	0.15%	2.17%	9.00%	11.27%	0.02%
The Bank of New York Mellon Corporation (NYSE:BK)	27,976.50	0.21%	2.17%	10.50%	12.78%	0.03%
The Boeing Company (NYSE:BA)	56,012.80	0.42%	2.37%	10.20%	12.69%	0.05%
The Charles Schwab Corporation (NYSE:SCHW)	16,703.80	0.12%	1.83%	13.80%	15.76%	0.02%
The Chubb Corporation (NYSE:CB)	20,167.10	0.15%	2.13%	9.55%	11.78%	0.02%
The Clorox Company (NYSE:CLX)	9,961.30	0.07%	3.35%	8.16%	11.65%	0.01%
The Coca-Cola Company (NYSE:KO)	170,077.30	1.27%	2.69%	8.65%	11.46%	0.15%
The Dow Chemical Company (NYSE:DOW)	36,204.80	0.27%	4.24%	9.00%	13.43%	0.04%
The Estée Lauder Companies Inc. (NYSE:EL)	22,554.20	0.17%	1.24%	13.80%	15.13%	0.03%
The Goldman Sachs Group, Inc. (NYSE:GS)	57,257.70	0.43%	1.70%	16.00%	17.84%	0.08%
The Hartford Financial Services Group, Inc. (NYSE:HIG)	9,241.00	0.07%	1.89%	13.50%	15.52%	0.01%
The Hershey Company (NYSE:HSY)	16,354.00	0.12%	2.29%	9.96%	12.36%	0.02%
The Home Depot, Inc. (NYSE:HD)	97,291.30	0.73%	1.78%	15.60%	17.52%	0.13%
The Interpublic Group of Companies, Inc. (NYSE:IPG)	4,667.60	0.03%	2.22%	16.20%	18.60%	0.01%
The J. M. Smucker Company (NYSE:SJM)	9,682.30	0.07%	2.35%	8.23%	10.68%	0.01%
The Kroger Co. (NYSE:KR)	13,482.10	0.10%	2.29%	9.03%	11.42%	0.01%
The McGraw-Hill Companies, Inc. (NYSE:MHP)	14,748.60	0.11%	1.92%	14.50%	16.56%	0.02%
The Mosaic Company (NYSE:MOS)	23,010.80	0.17%	1.85%	7.41%	9.33%	0.02%
The Sherwin-Williams Company (NYSE:SHW)	15,725.90	0.12%	1.02%	16.30%	17.40%	0.02%
The TJX Companies, Inc. (NYSE:TJX)	32,335.10	0.24%	1.04%	12.10%	13.20%	0.03%
The Travelers Companies, Inc. (NYSE:TRV)	27,014.20	0.20%	2.60%	10.90%	13.64%	0.03%
The Washington Post Company (NYSE:WPO)	2,708.20	0.02%	2.67%	0.00%	2.67%	0.00%
The Western Union Company (NYSE:WU)	7,522.90	0.06%	3.97%	10.00%	14.17%	0.01%
Thermo Fisher Scientific, Inc. (NYSE:TMO)	22,891.70	0.17%	0.94%	11.10%	12.10%	0.02%
Tiffany & Co. (NYSE:TIF)	7,477.10	0.06%	2.17%	13.20%	15.51%	0.01%
Time Warner Cable Inc. (NYSE:TWC)	28,635.30	0.21%	2.36%	15.10%	17.64%	0.04%
Time Warner Inc. (NYSE:TWX)	44,786.40	0.34%	2.20%	12.00%	14.33%	0.05%
Titanium Metals Corporation (NYSE:TIE)	2,909.50	0.02%	1.81%	15.00%	16.95%	0.00%
Torchmark Corp. (NYSE:TMK)	4,935.40	0.04%	1.15%	9.70%	10.91%	0.00%
Total System Services, Inc. (NYSE:TSS)	4,101.10	0.03%	1.82%	10.20%	12.11%	0.00%
TripAdvisor Inc. (NasdaqGS:TRIP)	5,436.10	0.04%	0.00%	17.80%	17.80%	0.01%
Tyco International Ltd. (NYSE:TYC)	13,212.40	0.10%	1.76%	17.90%	19.82%	0.02%
Tyson Foods Inc. (NYSE:TSN)	6,877.60	0.05%	1.04%	7.33%	8.41%	0.00%
U.S. Bancorp (NYSE:USB)	60,660.80	0.45%	2.42%	8.42%	10.94%	0.05%
Union Pacific Corporation (NYSE:UNP)	57,755.30	0.43%	2.25%	15.20%	17.62%	0.08%
United Parcel Service, Inc. (NYSE:UPS)	69,747.70	0.52%	3.12%	9.58%	12.85%	0.07%
United States Steel Corp. (NYSE:X)	3,110.70	0.02%	0.93%	5.33%	6.28%	0.00%
United Technologies Corp. (NYSE:UTX)	73,424.40	0.55%	2.67%	11.90%	14.73%	0.08%
UnitedHealth Group Incorporated (NYSE:UNH)	55,559.00	0.42%	1.56%	11.60%	13.25%	0.06%
Unum Group (NYSE:UNM)	5,609.80	0.04%	2.55%	9.50%	12.17%	0.01%
Urban Outfitters Inc. (NasdaqGS:URBN)	5,499.30	0.04%	0.00%	17.70%	17.70%	0.01%
V.F. Corporation (NYSE:VFC)	17,681.30	0.13%	2.17%	12.50%	14.81%	0.02%
Valero Energy Corporation (NYSE:VLO)	17,857.20	0.13%	2.17%	8.32%	10.58%	0.01%
Varian Medical Systems Inc. (NYSE:VAR)	7,566.30	0.06%	0.00%	12.30%	12.30%	0.01%
Ventas, Inc. (NYSE:VTR)	18,812.10	0.14%	3.90%	5.61%	9.62%	0.01%
VeriSign, Inc. (NasdaqGS:VRSN)	5,302.00	0.04%	8.05%	16.60%	25.32%	0.01%
Verizon Communications Inc. (NYSE:VZ)	125,918.50	0.94%	4.67%	8.70%	13.57%	0.13%
Viacom, Inc. (NasdaqGS:VIAB)	25,951.10	0.19%	2.13%	14.10%	16.38%	0.03%
Visa, Inc. (NYSE:V)	100,059.80	0.75%	0.88%	19.40%	20.37%	0.15%
Vornado Realty Trust (NYSE:VNO)	14,226.90	0.11%	3.61%	-4.57%	-1.04%	0.00%
Vulcan Materials Company (NYSE:VMC)	6,847.90	0.05%	0.08%	9.50%	9.58%	0.00%
W.W. Grainger, Inc. (NYSE:GWW)	13,483.40	0.10%	1.65%	13.80%	15.56%	0.02%
Wal-Mart Stores Inc. (NYSE:WMT)	242,091.20	1.81%	2.21%	9.78%	12.10%	0.22%
Walgreen Co. (NYSE:WAG)	32,070.50	0.24%	3.24%	13.00%	16.45%	0.04%
Walt Disney Co. (NYSE:DIS)	88,003.60	0.66%	1.51%	11.90%	13.50%	0.09%
Waste Management, Inc. (NYSE:WM)	15,109.20	0.11%	4.36%	5.20%	9.67%	0.01%
Waters Corp. (NYSE:WAT)	7,352.00	0.06%	0.00%	9.76%	9.76%	0.01%
Watson Pharmaceuticals, Inc. (NYSE:WPI)	11,243.90	0.08%	0.00%	15.00%	15.00%	0.01%
WellPoint Inc. (NYSE:WLP)	16,974.30	0.13%	2.06%	10.50%	12.67%	0.02%
Wells Fargo & Company (NYSE:WFC)	173,773.70	1.30%	2.97%	8.49%	11.59%	0.15%
Western Digital Corporation (NasdaqGS:WDC)	8,143.60	0.06%	2.99%	3.93%	6.98%	0.00%
Weyerhaeuser Co. (NYSE:WY)	14,736.00	0.11%	2.47%	5.00%	7.53%	0.01%
Whirlpool Corp. (NYSE:WHR)	7,928.70	0.06%	1.96%	0.00%	1.96%	0.00%
Whole Foods Market, Inc. (NasdaqGS:WFM)	17,320.60	0.13%	0.86%	19.00%	19.94%	0.03%
Williams Companies, Inc. (NYSE:WMB)	20,601.40	0.15%	3.96%	12.70%	16.91%	0.03%
Windstream Corporation (NasdaqGS:WIN)	4,928.50	0.04%	11.90%	2.03%	14.05%	0.01%
Wisconsin Energy Corp. (NYSE:WEC)	8,634.50	0.06%	3.20%	5.38%	8.67%	0.01%
WPX Energy, Inc. (NYSE:WPX)	3,145.20	N/A	0.00%	0.00%	N/A	N/A

	[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
Wyndham Worldwide Corporation (NYSE:WYN)	6,885.70	0.05%	1.87%	18.80%	20.85%	0.01%
Wynn Resorts Ltd. (NasdaqGS:WYNN)	13,969.80	0.10%	8.45%	10.90%	19.81%	0.02%
Xcel Energy Inc. (NYSE:XEL)	13,190.10	0.10%	3.99%	5.57%	9.67%	0.01%
Xerox Corp. (NYSE:XRX)	8,605.40	0.06%	3.38%	6.10%	9.58%	0.01%
Xilinx Inc. (NasdaqGS:XLNX)	9,041.00	0.07%	2.54%	11.30%	13.98%	0.01%
XL Group plc (NYSE:XL)	7,313.70	0.05%	1.81%	8.75%	10.64%	0.01%
Xylem Inc. (NYSE:XYL)	4,847.40	0.04%	1.55%	7.52%	9.13%	0.00%
Yahoo! Inc. (NasdaqGS:YHOO)	22,199.10	0.17%	0.00%	13.20%	13.20%	0.02%
Yum! Brands, Inc. (NYSE:YUM)	30,307.30	0.23%	2.00%	13.30%	15.43%	0.03%
Zimmer Holdings, Inc. (NYSE:ZMH)	11,445.90	0.09%	1.09%	9.18%	10.32%	0.01%
Zions Bancorp. (NasdaqGS:ZION)	3,696.50	0.03%	0.20%	10.60%	10.81%	0.00%
Zimmer Holdings, Inc. (NYSE:ZMH)	11,474.00	0.09%	0.01%	0.09%	0.10%	0.00%
Zions Bancorp. (NasdaqGS:ZION)	3,952.00	0.03%	0.00%	0.11%	0.11%	0.00%
Total Market Capitalization:	13,366,564.80					12.99%

Notes:

[1] Equals sum of Col. [9]

[2] Source: Bloomberg Professional

[3] Equals [1] - [2]

[4] Source: Capital IQ

[5] Equals weight in S&P 500 based on market capitalization

[6] Source: Capital IQ

[7] Source: Capital IQ

[8] Equals $([6] \times (1 + (0.5 \times [7]))) + [7]$

[9] Equals Col. [5] x Col. [8]

Bloomberg, Value Line, and Calculated Beta Coefficients

Company	Ticker	[1]	[2]	[3]
		Bloomberg	Value Line	Calculated
AGL Resources Inc.	GAS	0.769	0.75	0.735
Atmos Energy Corporation	ATO	0.684	0.70	0.635
New Jersey Resources Corporation	NJR	0.753	0.65	0.763
Northwest Natural Gas Company	NWN	0.686	0.55	0.612
Piedmont Natural Gas Company, Inc.	PNY	0.832	0.65	0.714
South Jersey Industries, Inc.	SJI	0.793	0.65	0.729
Southwest Gas Corporation	SWX	0.777	0.75	0.702
WGL Holdings, Inc.	WGL	0.770	0.65	0.721
Mean		0.758	0.67	0.701

Notes:

[1] Source: Bloomberg Professional Service

[2] Source: Value Line

[3] Source: Bloomberg Professional Service; Beta coefficients calculated over 12-months based on weekly returns

Capital Asset Pricing Model Results
 Sharpe Ratio, Bloomberg, and Capital IQ Derived Market Risk Premium

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Ex-Ante Market Risk Premium					CAPM Result		
	Risk-Free Rate	Average Beta Coefficient	Sharpe Ratio Derived	Bloomberg Market DCF Derived	Capital IQ Market DCF Derived	Sharpe Ratio Derived	Bloomberg Market DCF Derived	Capital IQ Market DCF Derived
PROXY GROUP 12-MONTH BETA COEFFICIENT								
Current 30-Year Treasury (30-day average) [9]	2.85%	0.701	7.01%	10.17%	10.14%	7.77%	9.98%	9.96%
Near-Term Projected 30-Year Treasury [10]	3.15%	0.701	7.01%	10.17%	10.14%	8.07%	10.28%	10.26%
Mean						7.92%	10.13%	10.11%
PROXY GROUP BLOOMBERG BETA COEFFICIENT								
Current 30-Year Treasury (30-day average) [9]	2.85%	0.758	7.01%	10.17%	10.14%	8.16%	10.55%	10.54%
Near-Term Projected 30-Year Treasury [10]	3.15%	0.758	7.01%	10.17%	10.14%	8.47%	10.86%	10.84%
Mean						8.31%	10.71%	10.69%
PROXY GROUP VALUE LINE AVERAGE BETA COEFFICIENT								
Current 30-Year Treasury (30-day average) [9]	2.85%	0.669	7.01%	10.17%	10.14%	7.54%	9.65%	9.63%
Near-Term Projected 30-Year Treasury [10]	3.15%	0.669	7.01%	10.17%	10.14%	7.84%	9.95%	9.93%
Mean						7.69%	9.80%	9.78%

Notes:

- [1] See Notes [9] and [10]
- [2] Source: SCHEDULE-RBH-D6
- [3] Source: SCHEDULE-RBH-D5
- [4] Source: SCHEDULE-RBH-D5
- [5] Source: SCHEDULE-RBH-D5
- [6] Equals Col. [1] + (Col. [2] x Col. [3])
- [7] Equals Col. [1] + (Col. [2] x Col. [4])
- [8] Equals Col. [1] + (Col. [2] x Col. [5])
- [9] Source: Bloomberg Professional
- [10] Source: Blue Chip Financial Forecasts, Vol. 31, No. 11, November 1, 2012, at 2

Bond Yield Plus Risk Premium

	[1] Constant	[2] Slope	[3] 30-Year Treasury Yield	[4] Risk Premium	[5] Return on Equity
Current	-3.22%	-2.94%	2.85%	7.26%	10.11%
Near Term Projected	-3.22%	-2.94%	3.15%	6.96%	10.11%
Long-Term Projected	-3.22%	-2.94%	5.30%	5.43%	10.73%

Notes:

[1] Constant of regression equation

[2] Slope of regression equation

[3] Source: Current = Bloomberg Professional,

Near Term Projected = Blue Chip Financial Forecasts, Vol. 31, No. 11, November 1, 2012, at 2,

Long Term Projected = Blue Chip Financial Forecasts, Vol. 31, No. 6, June 1, 2012, at 14

[4] Equals [1] + [2] x ln([3])

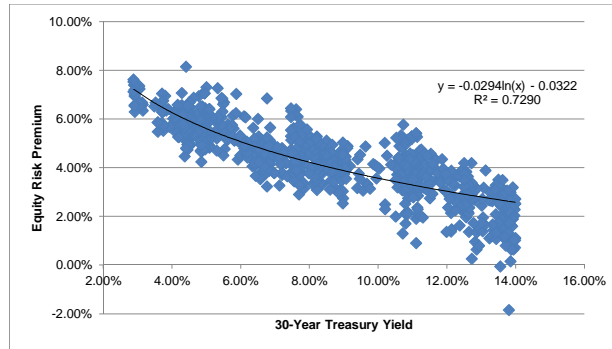
[5] Equals [3] + [4]

[6] Source: SNL Financial

[7] Source: SNL Financial

[8] Source: Bloomberg Professional, equals 188-trading day average (i.e. lag period) as of November 30, 2012

[9] Equals [7] - [8]



[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
1/3/1980	12.55%	9.39%	3.16%
1/4/1980	13.75%	9.40%	4.35%
1/14/1980	13.20%	9.44%	3.76%
1/18/1980	14.00%	9.47%	4.53%
1/31/1980	12.61%	9.56%	3.05%
2/8/1980	14.50%	9.63%	4.87%
2/14/1980	13.00%	9.67%	3.33%
2/15/1980	13.00%	9.69%	3.31%
2/29/1980	14.00%	9.86%	4.14%
3/5/1980	14.00%	9.91%	4.09%
3/7/1980	13.50%	9.95%	3.55%
3/14/1980	14.00%	10.04%	3.96%
3/27/1980	12.69%	10.20%	2.49%
4/1/1980	14.75%	10.26%	4.49%
4/29/1980	12.50%	10.51%	1.99%
5/7/1980	14.27%	10.56%	3.71%
5/8/1980	13.75%	10.56%	3.19%
5/19/1980	15.50%	10.62%	4.88%
5/27/1980	14.60%	10.65%	3.95%
5/29/1980	16.00%	10.67%	5.33%
6/10/1980	13.78%	10.71%	3.07%
6/25/1980	14.25%	10.74%	3.51%
7/9/1980	14.51%	10.77%	3.74%
7/17/1980	12.90%	10.79%	2.11%
7/18/1980	13.80%	10.79%	3.01%
7/22/1980	14.10%	10.79%	3.31%
7/23/1980	14.19%	10.79%	3.40%
8/1/1980	12.50%	10.80%	1.70%
8/11/1980	14.85%	10.81%	4.04%
8/21/1980	13.03%	10.84%	2.19%
8/28/1980	13.61%	10.87%	2.74%
8/28/1980	14.00%	10.87%	3.13%
9/4/1980	14.00%	10.90%	3.10%
9/24/1980	15.00%	10.98%	4.02%
10/9/1980	14.50%	11.05%	3.45%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
10/9/1980	14.50%	11.05%	3.45%
10/24/1980	14.00%	11.09%	2.91%
10/27/1980	15.20%	11.10%	4.10%
10/27/1980	15.20%	11.10%	4.10%
10/28/1980	12.00%	11.10%	0.90%
10/28/1980	13.00%	11.10%	1.90%
10/31/1980	14.50%	11.12%	3.38%
11/4/1980	15.00%	11.12%	3.88%
11/6/1980	14.35%	11.13%	3.22%
11/10/1980	13.25%	11.14%	2.11%
11/17/1980	15.50%	11.15%	4.35%
11/19/1980	13.50%	11.14%	2.36%
12/5/1980	14.60%	11.13%	3.47%
12/8/1980	16.40%	11.13%	5.27%
12/12/1980	15.45%	11.15%	4.30%
12/17/1980	14.20%	11.16%	3.04%
12/17/1980	14.40%	11.16%	3.24%
12/18/1980	14.00%	11.16%	2.84%
12/22/1980	13.45%	11.16%	2.29%
12/26/1980	14.00%	11.15%	2.85%
12/30/1980	14.50%	11.14%	3.36%
12/31/1980	14.56%	11.14%	3.42%
1/7/1981	14.30%	11.13%	3.17%
1/12/1981	14.95%	11.14%	3.81%
1/26/1981	15.25%	11.20%	4.05%
1/30/1981	13.25%	11.23%	2.02%
2/11/1981	14.50%	11.33%	3.17%
2/20/1981	14.50%	11.40%	3.10%
3/12/1981	15.65%	11.60%	4.05%
3/25/1981	15.30%	11.74%	3.56%
4/1/1981	15.30%	11.82%	3.48%
4/9/1981	15.00%	11.91%	3.09%
4/29/1981	13.50%	12.12%	1.38%
4/29/1981	14.25%	12.12%	2.13%
4/30/1981	13.60%	12.14%	1.46%
4/30/1981	15.00%	12.14%	2.86%
5/21/1981	14.00%	12.37%	1.63%
6/3/1981	14.67%	12.46%	2.21%
6/22/1981	16.00%	12.57%	3.43%
6/25/1981	14.75%	12.60%	2.15%
7/2/1981	14.00%	12.64%	1.36%
7/10/1981	16.00%	12.69%	3.31%
7/14/1981	16.90%	12.71%	4.19%
7/21/1981	15.78%	12.78%	3.00%
7/27/1981	13.77%	12.82%	0.95%
7/27/1981	15.50%	12.82%	2.68%
7/31/1981	13.50%	12.86%	0.64%
7/31/1981	14.20%	12.86%	1.34%
8/12/1981	13.72%	12.93%	0.79%
8/12/1981	13.72%	12.93%	0.79%
8/12/1981	14.41%	12.93%	1.48%
8/25/1981	15.45%	13.02%	2.43%
8/27/1981	14.43%	13.04%	1.39%
8/28/1981	15.00%	13.05%	1.95%
9/23/1981	14.34%	13.24%	1.10%
9/24/1981	16.25%	13.26%	2.99%
9/29/1981	14.50%	13.31%	1.19%
9/30/1981	15.94%	13.32%	2.62%
10/2/1981	14.80%	13.36%	1.44%
10/12/1981	16.25%	13.43%	2.82%
10/20/1981	15.25%	13.50%	1.75%
10/20/1981	16.50%	13.50%	3.00%
10/20/1981	17.00%	13.50%	3.50%
10/23/1981	15.50%	13.54%	1.96%
10/26/1981	13.50%	13.56%	-0.06%
10/29/1981	16.50%	13.60%	2.90%
11/4/1981	15.33%	13.62%	1.71%
11/6/1981	15.17%	13.64%	1.53%
11/12/1981	15.00%	13.65%	1.35%
11/25/1981	15.25%	13.66%	1.59%
11/25/1981	16.10%	13.66%	2.44%
11/25/1981	16.10%	13.66%	2.44%
11/30/1981	16.75%	13.66%	3.09%
12/1/1981	15.70%	13.66%	2.04%
12/1/1981	16.00%	13.66%	2.34%
12/15/1981	15.81%	13.69%	2.12%
12/17/1981	14.75%	13.70%	1.05%
12/22/1981	15.70%	13.72%	1.98%
12/22/1981	16.00%	13.72%	2.28%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
12/30/1981	16.00%	13.74%	2.26%
12/30/1981	16.25%	13.74%	2.51%
1/4/1982	15.50%	13.75%	1.75%
1/14/1982	11.95%	13.80%	-1.85%
1/25/1982	16.25%	13.84%	2.41%
1/27/1982	16.84%	13.85%	2.99%
1/31/1982	14.00%	13.86%	0.14%
2/2/1982	16.24%	13.86%	2.38%
2/8/1982	15.50%	13.87%	1.63%
2/9/1982	14.95%	13.88%	1.07%
2/9/1982	15.75%	13.88%	1.87%
2/11/1982	16.00%	13.89%	2.11%
3/1/1982	15.96%	13.91%	2.05%
3/8/1982	17.10%	13.92%	3.18%
3/26/1982	16.00%	13.97%	2.03%
3/31/1982	16.25%	13.98%	2.27%
4/1/1982	16.50%	13.98%	2.52%
4/6/1982	15.00%	13.99%	1.01%
4/9/1982	16.50%	13.99%	2.51%
4/12/1982	15.10%	13.99%	1.11%
4/12/1982	16.70%	13.99%	2.71%
4/18/1982	14.70%	13.99%	0.71%
4/27/1982	15.00%	13.97%	1.03%
5/10/1982	14.57%	13.94%	0.63%
5/14/1982	15.80%	13.92%	1.88%
5/20/1982	15.82%	13.91%	1.91%
5/21/1982	15.50%	13.90%	1.60%
5/25/1982	16.25%	13.90%	2.35%
6/2/1982	14.50%	13.87%	0.63%
6/7/1982	16.00%	13.85%	2.15%
6/23/1982	15.50%	13.81%	1.69%
6/25/1982	16.50%	13.81%	2.69%
7/1/1982	15.55%	13.79%	1.76%
7/1/1982	16.00%	13.79%	2.21%
7/2/1982	15.10%	13.79%	1.31%
7/13/1982	16.80%	13.75%	3.05%
7/22/1982	14.50%	13.71%	0.79%
7/28/1982	16.10%	13.68%	2.42%
7/30/1982	14.82%	13.66%	1.16%
8/4/1982	15.58%	13.64%	1.94%
8/6/1982	16.50%	13.63%	2.87%
8/11/1982	17.11%	13.62%	3.49%
8/25/1982	16.00%	13.59%	2.41%
8/30/1982	16.25%	13.58%	2.67%
9/3/1982	15.50%	13.57%	1.93%
9/9/1982	16.04%	13.55%	2.49%
9/15/1982	16.04%	13.52%	2.52%
9/17/1982	15.25%	13.51%	1.74%
9/29/1982	14.50%	13.43%	1.07%
9/30/1982	14.74%	13.42%	1.32%
9/30/1982	15.50%	13.42%	2.08%
9/30/1982	16.50%	13.42%	3.08%
9/30/1982	16.70%	13.42%	3.28%
10/1/1982	16.50%	13.41%	3.09%
10/8/1982	15.00%	13.33%	1.67%
10/15/1982	15.90%	13.26%	2.64%
10/19/1982	15.90%	13.22%	2.68%
10/27/1982	17.00%	13.12%	3.88%
10/28/1982	14.75%	13.11%	1.64%
11/2/1982	16.25%	13.07%	3.18%
11/4/1982	15.75%	13.03%	2.72%
11/5/1982	14.73%	13.01%	1.72%
11/17/1982	16.00%	12.86%	3.14%
11/23/1982	15.50%	12.79%	2.71%
11/24/1982	14.50%	12.77%	1.73%
11/24/1982	16.02%	12.77%	3.25%
11/30/1982	12.98%	12.72%	0.26%
11/30/1982	15.50%	12.72%	2.78%
11/30/1982	15.50%	12.72%	2.78%
11/30/1982	15.65%	12.72%	2.93%
11/30/1982	16.00%	12.72%	3.28%
11/30/1982	16.10%	12.72%	3.38%
12/3/1982	15.33%	12.68%	2.65%
12/8/1982	15.75%	12.63%	3.12%
12/13/1982	16.00%	12.58%	3.42%
12/14/1982	16.40%	12.57%	3.83%
12/17/1982	16.25%	12.52%	3.73%
12/20/1982	15.00%	12.51%	2.49%
12/21/1982	15.70%	12.49%	3.21%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
12/28/1982	15.25%	12.42%	2.83%
12/28/1982	15.25%	12.42%	2.83%
12/29/1982	16.25%	12.41%	3.84%
12/29/1982	16.25%	12.41%	3.84%
1/11/1983	15.90%	12.26%	3.64%
1/12/1983	15.50%	12.24%	3.26%
1/18/1983	15.00%	12.18%	2.82%
1/24/1983	15.50%	12.13%	3.37%
1/24/1983	16.00%	12.13%	3.87%
1/28/1983	14.90%	12.08%	2.82%
1/31/1983	15.00%	12.07%	2.93%
2/10/1983	15.00%	11.97%	3.03%
2/25/1983	15.70%	11.84%	3.86%
3/2/1983	15.25%	11.79%	3.46%
3/16/1983	16.00%	11.62%	4.38%
3/21/1983	14.96%	11.57%	3.39%
3/23/1983	15.40%	11.53%	3.87%
3/23/1983	16.10%	11.53%	4.57%
3/24/1983	15.00%	11.51%	3.49%
4/12/1983	13.25%	11.30%	1.95%
4/29/1983	15.05%	11.09%	3.96%
5/3/1983	15.40%	11.06%	4.34%
5/9/1983	15.50%	11.00%	4.50%
5/19/1983	14.85%	10.90%	3.95%
5/31/1983	14.00%	10.84%	3.16%
6/2/1983	14.50%	10.82%	3.68%
6/7/1983	14.50%	10.80%	3.70%
6/9/1983	14.85%	10.79%	4.06%
6/20/1983	14.15%	10.74%	3.41%
6/20/1983	16.50%	10.74%	5.76%
6/27/1983	14.50%	10.71%	3.79%
6/30/1983	14.80%	10.70%	4.10%
6/30/1983	15.90%	10.70%	5.20%
7/1/1983	14.80%	10.70%	4.10%
7/5/1983	15.00%	10.69%	4.31%
7/8/1983	15.50%	10.69%	4.81%
7/19/1983	15.00%	10.70%	4.30%
7/19/1983	15.10%	10.70%	4.40%
8/18/1983	15.30%	10.81%	4.49%
8/19/1983	15.79%	10.82%	4.97%
8/29/1983	16.00%	10.85%	5.15%
8/31/1983	14.75%	10.87%	3.88%
8/31/1983	15.25%	10.87%	4.38%
9/8/1983	14.75%	10.89%	3.86%
9/16/1983	15.51%	10.93%	4.58%
9/26/1983	14.50%	10.96%	3.54%
9/28/1983	14.25%	10.97%	3.28%
9/30/1983	16.15%	10.98%	5.17%
9/30/1983	16.25%	10.98%	5.27%
10/1/1983	16.25%	10.98%	5.27%
10/13/1983	15.52%	11.02%	4.50%
10/19/1983	15.20%	11.04%	4.16%
10/26/1983	14.75%	11.06%	3.69%
10/27/1983	14.88%	11.07%	3.81%
10/27/1983	15.33%	11.07%	4.26%
11/9/1983	14.82%	11.10%	3.72%
11/9/1983	16.51%	11.10%	5.41%
11/9/1983	16.51%	11.10%	5.41%
12/1/1983	14.50%	11.17%	3.33%
12/8/1983	15.90%	11.20%	4.70%
12/9/1983	15.30%	11.21%	4.09%
12/12/1983	14.50%	11.22%	3.28%
12/12/1983	15.50%	11.22%	4.28%
12/20/1983	15.40%	11.26%	4.14%
12/20/1983	16.00%	11.26%	4.74%
12/22/1983	15.75%	11.27%	4.48%
12/29/1983	15.00%	11.30%	3.70%
12/30/1983	15.00%	11.30%	3.70%
1/10/1984	15.90%	11.34%	4.56%
1/13/1984	15.50%	11.36%	4.14%
1/18/1984	15.53%	11.38%	4.15%
1/26/1984	15.90%	11.42%	4.48%
2/14/1984	14.25%	11.51%	2.74%
2/28/1984	14.50%	11.58%	2.92%
3/20/1984	16.00%	11.70%	4.30%
3/23/1984	15.50%	11.72%	3.78%
4/9/1984	15.20%	11.81%	3.39%
4/18/1984	16.20%	11.86%	4.34%
4/27/1984	15.85%	11.90%	3.95%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
5/15/1984	13.35%	11.99%	1.36%
5/16/1984	15.00%	12.00%	3.00%
5/22/1984	14.40%	12.04%	2.36%
6/13/1984	15.50%	12.18%	3.32%
7/10/1984	16.00%	12.37%	3.63%
8/7/1984	16.69%	12.51%	4.18%
8/9/1984	15.33%	12.51%	2.82%
8/17/1984	14.82%	12.54%	2.28%
8/21/1984	14.64%	12.54%	2.10%
8/27/1984	14.52%	12.56%	1.96%
8/28/1984	14.75%	12.57%	2.18%
8/30/1984	15.60%	12.58%	3.02%
9/12/1984	15.60%	12.60%	3.00%
9/12/1984	15.90%	12.60%	3.30%
9/25/1984	16.25%	12.61%	3.64%
10/2/1984	14.80%	12.62%	2.18%
10/9/1984	14.75%	12.63%	2.12%
10/10/1984	15.50%	12.63%	2.87%
10/18/1984	15.00%	12.65%	2.35%
10/24/1984	15.50%	12.65%	2.85%
11/7/1984	15.00%	12.64%	2.36%
11/20/1984	15.92%	12.63%	3.29%
11/30/1984	15.50%	12.60%	2.90%
12/18/1984	15.00%	12.55%	2.45%
12/20/1984	15.00%	12.54%	2.46%
12/28/1984	15.75%	12.51%	3.24%
12/28/1984	16.25%	12.51%	3.74%
1/2/1985	16.00%	12.50%	3.50%
1/31/1985	14.75%	12.37%	2.38%
2/7/1985	14.85%	12.33%	2.52%
2/15/1985	15.00%	12.27%	2.73%
2/20/1985	14.50%	12.25%	2.25%
2/22/1985	14.86%	12.25%	2.61%
3/14/1985	15.50%	12.16%	3.34%
3/28/1985	14.80%	12.08%	2.72%
4/9/1985	15.50%	12.02%	3.48%
4/16/1985	15.70%	11.96%	3.74%
6/10/1985	15.75%	11.58%	4.17%
6/26/1985	14.82%	11.46%	3.36%
7/9/1985	15.00%	11.38%	3.62%
7/26/1985	14.50%	11.26%	3.24%
8/29/1985	14.50%	11.11%	3.39%
8/30/1985	14.38%	11.11%	3.27%
9/12/1985	15.25%	11.07%	4.18%
9/23/1985	15.30%	11.03%	4.27%
9/25/1985	14.50%	11.02%	3.48%
9/26/1985	13.80%	11.02%	2.78%
9/26/1985	14.50%	11.02%	3.48%
10/25/1985	15.25%	10.91%	4.34%
11/8/1985	12.94%	10.85%	2.09%
11/20/1985	14.90%	10.81%	4.09%
11/25/1985	13.30%	10.79%	2.51%
12/6/1985	12.00%	10.71%	1.29%
12/11/1985	14.90%	10.68%	4.22%
12/20/1985	14.88%	10.59%	4.29%
12/20/1985	15.00%	10.59%	4.41%
12/20/1985	15.00%	10.59%	4.41%
12/30/1985	15.75%	10.53%	5.22%
12/31/1985	14.00%	10.51%	3.49%
12/31/1985	14.50%	10.51%	3.99%
1/17/1986	14.50%	10.38%	4.12%
2/11/1986	12.50%	10.20%	2.30%
2/12/1986	15.20%	10.19%	5.01%
3/11/1986	14.00%	9.98%	4.02%
4/2/1986	12.90%	9.76%	3.14%
4/28/1986	13.01%	9.47%	3.54%
5/21/1986	13.25%	9.18%	4.07%
5/28/1986	14.00%	9.12%	4.88%
5/29/1986	13.90%	9.10%	4.80%
6/2/1986	13.00%	9.08%	3.92%
6/11/1986	14.00%	8.97%	5.03%
6/13/1986	13.55%	8.94%	4.61%
6/27/1986	11.88%	8.77%	3.11%
7/14/1986	12.60%	8.59%	4.01%
7/30/1986	13.30%	8.38%	4.92%
8/14/1986	13.50%	8.22%	5.28%
9/5/1986	13.30%	8.02%	5.28%
9/23/1986	12.75%	7.91%	4.84%
10/30/1986	13.00%	7.67%	5.33%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
10/31/1986	13.75%	7.66%	6.09%
11/10/1986	14.00%	7.61%	6.39%
11/19/1986	13.75%	7.56%	6.19%
11/25/1986	13.15%	7.54%	5.61%
12/22/1986	13.80%	7.47%	6.33%
12/30/1986	13.90%	7.47%	6.43%
1/20/1987	12.75%	7.47%	5.28%
1/23/1987	13.55%	7.47%	6.08%
1/27/1987	12.16%	7.47%	4.69%
2/13/1987	12.60%	7.47%	5.13%
2/24/1987	12.00%	7.47%	4.53%
3/30/1987	12.20%	7.46%	4.74%
3/31/1987	13.00%	7.47%	5.53%
5/5/1987	12.85%	7.60%	5.25%
5/28/1987	13.50%	7.73%	5.77%
6/15/1987	13.20%	7.80%	5.40%
6/30/1987	12.60%	7.85%	4.75%
7/10/1987	12.90%	7.88%	5.02%
7/27/1987	13.50%	7.93%	5.57%
8/25/1987	11.40%	8.09%	3.31%
9/18/1987	13.00%	8.27%	4.73%
10/20/1987	12.60%	8.55%	4.05%
10/20/1987	12.98%	8.55%	4.43%
11/12/1987	12.75%	8.68%	4.07%
11/13/1987	12.75%	8.68%	4.07%
11/24/1987	12.50%	8.73%	3.77%
12/8/1987	12.50%	8.81%	3.69%
12/22/1987	12.00%	8.90%	3.10%
12/31/1987	12.85%	8.94%	3.91%
12/31/1987	13.25%	8.94%	4.31%
1/15/1988	13.15%	8.99%	4.16%
1/20/1988	12.75%	8.99%	3.76%
1/29/1988	13.20%	8.99%	4.21%
2/4/1988	12.60%	8.99%	3.61%
3/23/1988	13.00%	8.95%	4.05%
5/27/1988	13.18%	9.02%	4.16%
6/14/1988	13.50%	9.00%	4.50%
6/17/1988	11.72%	8.99%	2.73%
6/24/1988	11.50%	8.97%	2.53%
7/1/1988	12.75%	8.95%	3.80%
7/8/1988	12.00%	8.93%	3.07%
7/18/1988	12.00%	8.91%	3.09%
7/20/1988	13.40%	8.90%	4.50%
8/8/1988	12.74%	8.90%	3.84%
9/20/1988	12.90%	8.93%	3.97%
9/26/1988	12.40%	8.93%	3.47%
9/27/1988	13.65%	8.93%	4.72%
9/30/1988	13.25%	8.94%	4.31%
10/13/1988	13.10%	8.93%	4.17%
10/21/1988	12.80%	8.94%	3.86%
10/25/1988	13.25%	8.94%	4.31%
10/26/1988	13.50%	8.94%	4.56%
10/27/1988	12.95%	8.94%	4.01%
10/28/1988	13.00%	8.95%	4.05%
11/15/1988	12.00%	8.98%	3.02%
11/29/1988	12.75%	9.01%	3.74%
12/19/1988	13.00%	9.05%	3.95%
12/21/1988	12.90%	9.05%	3.85%
12/22/1988	13.50%	9.05%	4.45%
1/26/1989	12.60%	9.06%	3.54%
1/27/1989	13.00%	9.06%	3.94%
2/8/1989	13.37%	9.05%	4.32%
3/8/1989	13.00%	9.04%	3.96%
5/4/1989	13.00%	9.04%	3.96%
6/8/1989	13.50%	8.96%	4.54%
7/19/1989	11.80%	8.84%	2.96%
7/25/1989	12.80%	8.82%	3.98%
7/31/1989	13.00%	8.81%	4.19%
8/14/1989	12.50%	8.76%	3.74%
8/22/1989	12.80%	8.73%	4.07%
8/23/1989	12.90%	8.72%	4.18%
9/21/1989	12.10%	8.62%	3.48%
10/6/1989	13.00%	8.58%	4.42%
10/17/1989	12.41%	8.54%	3.87%
10/18/1989	13.25%	8.54%	4.71%
10/20/1989	12.90%	8.53%	4.37%
10/31/1989	13.60%	8.50%	5.10%
11/3/1989	12.93%	8.48%	4.45%
11/5/1989	13.20%	8.48%	4.72%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
11/9/1989	12.60%	8.45%	4.15%
11/9/1989	13.00%	8.45%	4.55%
11/28/1989	12.75%	8.37%	4.38%
12/7/1989	13.25%	8.32%	4.93%
12/15/1989	13.00%	8.28%	4.72%
12/20/1989	12.90%	8.26%	4.64%
12/21/1989	12.80%	8.25%	4.55%
12/21/1989	12.90%	8.25%	4.65%
12/27/1989	12.50%	8.23%	4.27%
1/9/1990	13.00%	8.19%	4.81%
1/18/1990	12.50%	8.16%	4.34%
1/26/1990	12.10%	8.14%	3.96%
3/21/1990	12.80%	8.15%	4.65%
3/28/1990	13.00%	8.16%	4.84%
4/5/1990	12.20%	8.17%	4.03%
4/12/1990	13.25%	8.19%	5.06%
4/30/1990	12.45%	8.24%	4.21%
5/31/1990	12.40%	8.31%	4.09%
6/15/1990	13.20%	8.33%	4.87%
6/27/1990	12.90%	8.34%	4.56%
6/29/1990	13.25%	8.35%	4.90%
7/6/1990	12.10%	8.36%	3.74%
7/19/1990	11.70%	8.38%	3.32%
8/31/1990	12.50%	8.53%	3.97%
8/31/1990	12.50%	8.53%	3.97%
9/13/1990	12.50%	8.58%	3.92%
9/18/1990	12.75%	8.60%	4.15%
9/20/1990	12.50%	8.61%	3.89%
10/2/1990	13.00%	8.65%	4.35%
10/17/1990	11.90%	8.68%	3.22%
10/31/1990	12.95%	8.70%	4.25%
11/9/1990	13.25%	8.70%	4.55%
11/19/1990	13.00%	8.70%	4.30%
11/21/1990	12.10%	8.70%	3.40%
11/21/1990	12.50%	8.70%	3.80%
11/28/1990	12.75%	8.70%	4.05%
11/29/1990	12.75%	8.70%	4.05%
12/18/1990	13.10%	8.68%	4.42%
12/20/1990	12.50%	8.67%	3.83%
12/21/1990	12.50%	8.67%	3.83%
12/21/1990	13.00%	8.67%	4.33%
12/21/1990	13.60%	8.67%	4.93%
1/3/1991	13.02%	8.66%	4.36%
1/16/1991	13.25%	8.63%	4.62%
1/25/1991	11.70%	8.61%	3.09%
2/15/1991	12.70%	8.56%	4.14%
2/15/1991	12.80%	8.56%	4.24%
4/3/1991	13.00%	8.51%	4.49%
4/30/1991	12.45%	8.48%	3.97%
4/30/1991	13.00%	8.48%	4.52%
6/25/1991	11.70%	8.34%	3.36%
6/28/1991	12.50%	8.34%	4.16%
7/1/1991	11.70%	8.34%	3.36%
7/19/1991	12.10%	8.31%	3.79%
7/19/1991	12.30%	8.31%	3.99%
7/22/1991	12.90%	8.30%	4.60%
8/15/1991	12.25%	8.28%	3.97%
8/29/1991	13.30%	8.26%	5.04%
9/27/1991	12.50%	8.23%	4.27%
9/30/1991	12.40%	8.23%	4.17%
10/3/1991	11.30%	8.22%	3.08%
10/9/1991	11.70%	8.21%	3.49%
10/15/1991	13.40%	8.20%	5.20%
11/1/1991	12.90%	8.20%	4.70%
11/8/1991	12.75%	8.20%	4.55%
11/26/1991	11.60%	8.18%	3.42%
11/26/1991	12.00%	8.18%	3.82%
11/27/1991	12.70%	8.18%	4.52%
12/6/1991	12.70%	8.16%	4.54%
12/10/1991	11.75%	8.15%	3.60%
12/19/1991	12.60%	8.14%	4.46%
12/19/1991	12.80%	8.14%	4.66%
12/30/1991	12.10%	8.11%	3.99%
1/22/1992	12.84%	8.05%	4.79%
1/31/1992	12.00%	8.03%	3.97%
2/20/1992	13.00%	8.00%	5.00%
2/27/1992	11.75%	7.98%	3.77%
3/18/1992	12.50%	7.94%	4.56%
5/15/1992	12.75%	7.86%	4.89%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
6/24/1992	12.20%	7.85%	4.35%
6/29/1992	11.00%	7.85%	3.15%
7/14/1992	12.00%	7.83%	4.17%
7/22/1992	11.20%	7.82%	3.38%
8/10/1992	12.10%	7.79%	4.31%
8/26/1992	12.43%	7.75%	4.68%
9/30/1992	11.60%	7.72%	3.88%
10/6/1992	12.25%	7.72%	4.53%
10/13/1992	12.75%	7.71%	5.04%
10/23/1992	11.65%	7.71%	3.94%
10/28/1992	12.25%	7.71%	4.54%
10/29/1992	12.75%	7.70%	5.05%
10/30/1992	11.40%	7.70%	3.70%
11/9/1992	10.60%	7.70%	2.90%
11/25/1992	11.00%	7.68%	3.32%
11/25/1992	12.00%	7.68%	4.32%
12/3/1992	11.85%	7.66%	4.19%
12/16/1992	11.90%	7.64%	4.26%
12/22/1992	12.30%	7.62%	4.68%
12/22/1992	12.40%	7.62%	4.78%
12/30/1992	12.00%	7.61%	4.39%
12/31/1992	12.00%	7.61%	4.39%
1/12/1993	12.00%	7.59%	4.41%
1/12/1993	12.00%	7.59%	4.41%
2/2/1993	11.40%	7.53%	3.87%
2/22/1993	11.60%	7.48%	4.12%
4/23/1993	11.75%	7.27%	4.48%
5/3/1993	11.50%	7.25%	4.25%
5/3/1993	11.75%	7.25%	4.50%
6/3/1993	12.00%	7.20%	4.80%
6/7/1993	11.50%	7.20%	4.30%
6/22/1993	11.75%	7.16%	4.59%
7/21/1993	11.78%	7.06%	4.72%
7/21/1993	11.90%	7.06%	4.84%
7/23/1993	11.50%	7.05%	4.45%
7/29/1993	11.50%	7.03%	4.47%
8/12/1993	10.75%	6.97%	3.78%
8/24/1993	11.50%	6.92%	4.58%
8/31/1993	11.90%	6.88%	5.02%
9/1/1993	11.25%	6.87%	4.38%
9/1/1993	11.47%	6.87%	4.60%
9/27/1993	10.50%	6.74%	3.76%
9/29/1993	11.00%	6.72%	4.28%
9/30/1993	11.60%	6.72%	4.88%
10/8/1993	11.50%	6.67%	4.83%
10/14/1993	11.20%	6.65%	4.55%
10/15/1993	11.75%	6.64%	5.11%
10/25/1993	11.55%	6.60%	4.95%
10/28/1993	11.50%	6.58%	4.92%
10/29/1993	10.10%	6.57%	3.53%
10/29/1993	10.20%	6.57%	3.63%
10/29/1993	11.25%	6.57%	4.68%
11/2/1993	10.80%	6.56%	4.24%
11/12/1993	11.80%	6.53%	5.27%
11/23/1993	12.50%	6.51%	5.99%
11/26/1993	11.00%	6.50%	4.50%
12/1/1993	11.45%	6.49%	4.96%
12/16/1993	10.60%	6.45%	4.15%
12/16/1993	11.20%	6.45%	4.75%
12/21/1993	11.30%	6.44%	4.86%
12/22/1993	11.00%	6.44%	4.56%
12/23/1993	10.10%	6.44%	3.66%
1/5/1994	11.50%	6.41%	5.09%
1/10/1994	11.00%	6.40%	4.60%
1/25/1994	12.00%	6.37%	5.63%
2/2/1994	10.40%	6.35%	4.05%
2/9/1994	10.70%	6.34%	4.36%
4/6/1994	11.24%	6.35%	4.89%
4/25/1994	11.00%	6.39%	4.61%
6/16/1994	10.50%	6.63%	3.87%
6/23/1994	10.60%	6.67%	3.93%
7/19/1994	10.70%	6.83%	3.87%
9/29/1994	10.90%	7.20%	3.70%
9/29/1994	11.00%	7.20%	3.80%
10/7/1994	11.87%	7.26%	4.61%
10/18/1994	11.50%	7.32%	4.18%
10/18/1994	11.50%	7.32%	4.18%
10/24/1994	11.00%	7.35%	3.65%
11/22/1994	12.12%	7.52%	4.60%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
11/29/1994	11.30%	7.55%	3.75%
12/1/1994	11.00%	7.56%	3.44%
12/8/1994	11.50%	7.59%	3.91%
12/8/1994	11.70%	7.59%	4.11%
12/12/1994	11.82%	7.60%	4.22%
12/14/1994	11.50%	7.61%	3.89%
12/19/1994	11.50%	7.62%	3.88%
4/19/1995	11.00%	7.72%	3.28%
9/11/1995	11.30%	7.16%	4.14%
9/15/1995	10.40%	7.13%	3.27%
9/29/1995	11.50%	7.06%	4.44%
10/13/1995	10.76%	6.98%	3.78%
11/7/1995	12.50%	6.86%	5.64%
11/8/1995	11.10%	6.85%	4.25%
11/8/1995	11.30%	6.85%	4.45%
11/17/1995	10.90%	6.81%	4.09%
11/20/1995	11.40%	6.80%	4.60%
11/27/1995	13.60%	6.77%	6.83%
12/14/1995	11.30%	6.68%	4.62%
12/20/1995	11.60%	6.65%	4.95%
1/31/1996	11.30%	6.45%	4.85%
3/11/1996	11.60%	6.40%	5.20%
4/3/1996	11.13%	6.41%	4.72%
4/15/1996	10.50%	6.41%	4.09%
4/17/1996	10.77%	6.40%	4.37%
4/26/1996	10.60%	6.40%	4.20%
5/10/1996	11.00%	6.40%	4.60%
5/13/1996	11.25%	6.41%	4.84%
7/3/1996	11.25%	6.49%	4.76%
7/22/1996	11.25%	6.54%	4.71%
10/3/1996	10.00%	6.77%	3.23%
10/29/1996	11.30%	6.84%	4.46%
11/26/1996	11.30%	6.86%	4.44%
11/27/1996	11.30%	6.86%	4.44%
11/29/1996	11.00%	6.86%	4.14%
12/12/1996	11.96%	6.85%	5.11%
12/17/1996	11.50%	6.85%	4.65%
1/22/1997	11.30%	6.83%	4.47%
1/27/1997	11.25%	6.83%	4.42%
1/31/1997	11.25%	6.83%	4.42%
2/13/1997	11.00%	6.82%	4.18%
2/13/1997	11.80%	6.82%	4.98%
2/20/1997	11.80%	6.81%	4.99%
3/27/1997	10.75%	6.79%	3.96%
4/29/1997	11.70%	6.81%	4.89%
7/17/1997	12.00%	6.77%	5.23%
10/29/1997	10.75%	6.70%	4.05%
10/31/1997	11.25%	6.70%	4.55%
12/24/1997	10.75%	6.53%	4.22%
4/28/1998	10.90%	6.11%	4.79%
4/30/1998	12.20%	6.10%	6.10%
6/30/1998	11.00%	5.94%	5.06%
8/26/1998	10.93%	5.82%	5.11%
9/3/1998	11.40%	5.80%	5.60%
9/15/1998	11.90%	5.77%	6.13%
10/7/1998	11.06%	5.70%	5.36%
10/30/1998	11.40%	5.63%	5.77%
12/10/1998	12.20%	5.52%	6.68%
12/17/1998	12.10%	5.49%	6.61%
2/19/1999	11.15%	5.32%	5.83%
3/1/1999	10.65%	5.31%	5.34%
3/1/1999	10.65%	5.31%	5.34%
6/8/1999	11.25%	5.35%	5.90%
11/12/1999	10.25%	5.92%	4.33%
12/14/1999	10.50%	5.99%	4.51%
1/28/2000	10.71%	6.16%	4.55%
2/17/2000	10.60%	6.20%	4.40%
5/25/2000	10.80%	6.19%	4.61%
6/19/2000	11.05%	6.18%	4.87%
6/22/2000	11.25%	6.18%	5.07%
7/17/2000	11.06%	6.15%	4.91%
7/20/2000	12.20%	6.14%	6.06%
8/11/2000	11.00%	6.11%	4.89%
9/27/2000	11.25%	6.00%	5.25%
9/29/2000	11.16%	6.00%	5.16%
10/5/2000	11.30%	5.98%	5.32%
11/28/2000	12.90%	5.87%	7.03%
11/30/2000	12.10%	5.86%	6.24%
2/5/2001	11.50%	5.75%	5.75%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
3/15/2001	11.25%	5.66%	5.59%
5/8/2001	10.75%	5.61%	5.14%
10/24/2001	10.30%	5.54%	4.76%
10/24/2001	11.00%	5.54%	5.46%
1/9/2002	10.00%	5.50%	4.50%
1/30/2002	11.00%	5.47%	5.53%
1/31/2002	11.00%	5.47%	5.53%
4/17/2002	11.50%	5.44%	6.06%
4/29/2002	11.00%	5.45%	5.55%
6/11/2002	11.77%	5.48%	6.29%
6/20/2002	12.30%	5.48%	6.82%
8/28/2002	11.00%	5.49%	5.51%
9/11/2002	11.20%	5.45%	5.75%
9/12/2002	12.30%	5.45%	6.85%
10/28/2002	11.30%	5.35%	5.95%
10/30/2002	10.60%	5.34%	5.26%
11/1/2002	12.60%	5.34%	7.26%
11/7/2002	11.40%	5.33%	6.07%
11/8/2002	10.75%	5.33%	5.42%
11/20/2002	10.00%	5.30%	4.70%
11/20/2002	10.50%	5.30%	5.20%
12/4/2002	10.75%	5.27%	5.48%
12/30/2002	11.20%	5.19%	6.01%
1/6/2003	11.25%	5.16%	6.09%
2/28/2003	12.30%	5.01%	7.29%
3/7/2003	9.96%	4.99%	4.97%
3/12/2003	11.40%	4.97%	6.43%
3/20/2003	12.00%	4.95%	7.05%
4/3/2003	12.00%	4.92%	7.08%
5/2/2003	11.40%	4.88%	6.52%
5/15/2003	11.05%	4.87%	6.18%
6/26/2003	11.00%	4.80%	6.20%
7/1/2003	11.00%	4.80%	6.20%
7/29/2003	11.71%	4.78%	6.93%
8/22/2003	10.20%	4.81%	5.39%
9/17/2003	9.90%	4.85%	5.05%
9/25/2003	10.25%	4.85%	5.40%
10/17/2003	10.54%	4.87%	5.67%
10/22/2003	10.46%	4.87%	5.59%
10/22/2003	10.71%	4.87%	5.84%
10/30/2003	11.00%	4.88%	6.12%
10/31/2003	10.20%	4.88%	5.32%
10/31/2003	10.75%	4.88%	5.87%
11/10/2003	10.60%	4.89%	5.71%
12/9/2003	10.50%	4.93%	5.57%
12/18/2003	10.50%	4.94%	5.56%
12/19/2003	12.00%	4.94%	7.06%
12/19/2003	12.00%	4.94%	7.06%
1/13/2004	10.25%	4.95%	5.30%
1/13/2004	12.00%	4.95%	7.05%
2/9/2004	11.25%	4.98%	6.27%
3/16/2004	10.90%	5.05%	5.85%
3/16/2004	10.90%	5.05%	5.85%
5/25/2004	10.00%	5.06%	4.94%
6/2/2004	11.22%	5.07%	6.15%
6/30/2004	10.50%	5.10%	5.40%
7/8/2004	10.00%	5.10%	4.90%
7/22/2004	10.25%	5.10%	5.15%
8/26/2004	10.50%	5.10%	5.40%
8/26/2004	10.50%	5.10%	5.40%
9/9/2004	10.40%	5.10%	5.30%
9/21/2004	10.50%	5.09%	5.41%
9/27/2004	10.30%	5.09%	5.21%
9/27/2004	10.50%	5.09%	5.41%
10/20/2004	10.20%	5.08%	5.12%
11/30/2004	10.60%	5.08%	5.52%
12/8/2004	9.90%	5.09%	4.81%
12/21/2004	11.50%	5.09%	6.41%
12/22/2004	11.50%	5.09%	6.41%
12/28/2004	10.25%	5.09%	5.16%
2/18/2005	10.30%	4.95%	5.35%
3/29/2005	11.00%	4.86%	6.14%
4/13/2005	10.60%	4.84%	5.76%
4/28/2005	11.00%	4.80%	6.20%
5/17/2005	10.00%	4.77%	5.23%
6/8/2005	10.18%	4.71%	5.47%
6/10/2005	10.90%	4.71%	6.19%
7/6/2005	10.50%	4.65%	5.85%
7/19/2005	11.50%	4.63%	6.87%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
8/11/2005	10.40%	4.60%	5.80%
9/19/2005	9.45%	4.53%	4.92%
9/30/2005	10.51%	4.52%	5.99%
10/4/2005	9.90%	4.52%	5.38%
10/4/2005	10.75%	4.52%	6.23%
10/14/2005	10.40%	4.52%	5.88%
10/31/2005	10.25%	4.53%	5.72%
11/2/2005	9.70%	4.53%	5.17%
11/30/2005	10.00%	4.53%	5.47%
12/9/2005	9.70%	4.53%	5.17%
12/12/2005	11.00%	4.53%	6.47%
12/20/2005	10.13%	4.53%	5.60%
12/21/2005	10.40%	4.52%	5.88%
12/21/2005	11.00%	4.52%	6.48%
12/22/2005	10.20%	4.52%	5.68%
12/22/2005	11.00%	4.52%	6.48%
12/28/2005	10.00%	4.52%	5.48%
1/5/2006	11.00%	4.52%	6.48%
1/25/2006	11.20%	4.52%	6.68%
1/25/2006	11.20%	4.52%	6.68%
2/3/2006	10.50%	4.52%	5.98%
2/15/2006	9.50%	4.53%	4.97%
4/26/2006	10.60%	4.65%	5.95%
7/24/2006	9.60%	4.87%	4.73%
7/24/2006	10.00%	4.87%	5.13%
9/20/2006	11.00%	4.93%	6.07%
9/26/2006	10.75%	4.93%	5.82%
10/20/2006	9.80%	4.96%	4.84%
11/2/2006	9.71%	4.97%	4.74%
11/9/2006	10.00%	4.97%	5.03%
11/21/2006	11.00%	4.98%	6.02%
12/5/2006	10.20%	4.97%	5.23%
1/5/2007	10.40%	4.95%	5.45%
1/9/2007	11.00%	4.94%	6.06%
1/11/2007	10.90%	4.94%	5.96%
1/19/2007	10.80%	4.93%	5.87%
1/26/2007	10.00%	4.92%	5.08%
2/8/2007	10.40%	4.91%	5.49%
3/14/2007	10.10%	4.86%	5.24%
3/20/2007	10.25%	4.84%	5.41%
3/21/2007	11.35%	4.84%	6.51%
3/22/2007	10.50%	4.84%	5.66%
3/29/2007	10.00%	4.83%	5.17%
6/13/2007	10.75%	4.81%	5.94%
6/29/2007	9.53%	4.84%	4.69%
6/29/2007	10.10%	4.84%	5.26%
7/3/2007	10.25%	4.85%	5.40%
7/13/2007	9.50%	4.86%	4.64%
7/24/2007	10.40%	4.87%	5.53%
8/1/2007	10.15%	4.88%	5.27%
8/29/2007	10.50%	4.91%	5.59%
9/10/2007	9.71%	4.91%	4.80%
9/19/2007	10.00%	4.91%	5.09%
9/25/2007	9.70%	4.92%	4.78%
10/8/2007	10.48%	4.92%	5.56%
10/19/2007	10.50%	4.91%	5.59%
10/25/2007	9.65%	4.91%	4.74%
11/15/2007	10.00%	4.89%	5.11%
11/20/2007	9.90%	4.89%	5.01%
11/27/2007	10.00%	4.88%	5.12%
11/29/2007	10.90%	4.88%	6.02%
12/14/2007	10.80%	4.87%	5.93%
12/18/2007	10.40%	4.86%	5.54%
12/19/2007	9.80%	4.86%	4.94%
12/19/2007	9.80%	4.86%	4.94%
12/19/2007	10.20%	4.86%	5.34%
12/21/2007	9.10%	4.86%	4.24%
1/8/2008	10.75%	4.83%	5.92%
1/17/2008	10.75%	4.81%	5.94%
1/17/2008	10.75%	4.81%	5.94%
2/5/2008	9.99%	4.78%	5.21%
2/5/2008	10.19%	4.78%	5.41%
2/13/2008	10.20%	4.76%	5.44%
3/31/2008	10.00%	4.63%	5.37%
5/28/2008	10.50%	4.53%	5.97%
6/24/2008	10.00%	4.52%	5.48%
6/27/2008	10.00%	4.52%	5.48%
7/31/2008	10.70%	4.50%	6.20%
7/31/2008	10.82%	4.50%	6.32%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
8/27/2008	10.25%	4.50%	5.75%
9/2/2008	10.25%	4.50%	5.75%
9/19/2008	10.70%	4.48%	6.22%
9/24/2008	10.68%	4.48%	6.20%
9/24/2008	10.68%	4.48%	6.20%
9/24/2008	10.68%	4.48%	6.20%
9/30/2008	10.20%	4.48%	5.72%
10/3/2008	10.30%	4.48%	5.82%
10/8/2008	10.15%	4.47%	5.68%
10/20/2008	10.06%	4.47%	5.59%
10/24/2008	10.60%	4.46%	6.14%
10/24/2008	10.60%	4.46%	6.14%
11/21/2008	10.50%	4.42%	6.08%
11/21/2008	10.50%	4.42%	6.08%
11/21/2008	10.50%	4.42%	6.08%
11/24/2008	10.50%	4.41%	6.09%
12/3/2008	10.39%	4.37%	6.02%
12/24/2008	10.00%	4.26%	5.74%
12/26/2008	10.10%	4.24%	5.86%
12/29/2008	10.20%	4.23%	5.97%
1/13/2009	10.45%	4.14%	6.31%
2/2/2009	10.05%	4.04%	6.01%
3/9/2009	10.30%	3.89%	6.41%
3/25/2009	10.17%	3.84%	6.34%
4/2/2009	10.75%	3.81%	6.94%
5/5/2009	10.75%	3.71%	7.04%
5/15/2009	10.20%	3.70%	6.50%
5/29/2009	9.54%	3.70%	5.84%
6/3/2009	10.10%	3.71%	6.39%
6/22/2009	10.00%	3.73%	6.27%
6/29/2009	10.21%	3.74%	6.47%
6/30/2009	9.31%	3.74%	5.57%
7/17/2009	9.26%	3.75%	5.51%
7/17/2009	10.50%	3.75%	6.75%
10/16/2009	10.40%	4.09%	6.31%
10/26/2009	10.10%	4.11%	5.99%
10/28/2009	10.15%	4.12%	6.03%
10/28/2009	10.15%	4.12%	6.03%
10/30/2009	9.95%	4.12%	5.83%
11/20/2009	9.45%	4.18%	5.27%
12/14/2009	10.50%	4.24%	6.26%
12/16/2009	10.75%	4.25%	6.50%
12/17/2009	10.30%	4.26%	6.04%
12/18/2009	10.40%	4.26%	6.14%
12/18/2009	10.40%	4.26%	6.14%
12/18/2009	10.50%	4.26%	6.24%
12/22/2009	10.20%	4.27%	5.93%
12/22/2009	10.40%	4.27%	6.13%
12/28/2009	10.85%	4.29%	6.56%
12/29/2009	10.38%	4.30%	6.08%
1/11/2010	10.24%	4.34%	5.90%
1/21/2010	10.23%	4.37%	5.86%
1/21/2010	10.33%	4.37%	5.96%
1/26/2010	10.40%	4.37%	6.03%
2/10/2010	10.00%	4.39%	5.61%
2/23/2010	10.50%	4.40%	6.10%
3/9/2010	9.60%	4.40%	5.20%
3/24/2010	10.13%	4.42%	5.71%
3/31/2010	10.70%	4.43%	6.27%
4/1/2010	9.50%	4.43%	5.07%
4/2/2010	10.10%	4.44%	5.66%
4/8/2010	10.35%	4.44%	5.91%
4/29/2010	9.19%	4.46%	4.73%
4/29/2010	9.40%	4.46%	4.94%
4/29/2010	9.40%	4.46%	4.94%
5/17/2010	10.55%	4.46%	6.09%
5/24/2010	10.05%	4.46%	5.59%
6/3/2010	11.00%	4.46%	6.54%
6/16/2010	10.00%	4.46%	5.54%
6/18/2010	10.30%	4.46%	5.84%
8/9/2010	12.55%	4.41%	8.14%
8/17/2010	10.10%	4.40%	5.70%
9/16/2010	9.60%	4.31%	5.29%
9/16/2010	10.00%	4.31%	5.69%
9/16/2010	10.00%	4.31%	5.69%
9/16/2010	10.30%	4.31%	5.99%
10/21/2010	10.40%	4.20%	6.20%
11/2/2010	9.75%	4.17%	5.58%
11/2/2010	9.75%	4.17%	5.58%

[6] Date of Natural Gas Rate Case	[7] Return on Equity	[8] 30-Year Treasury Yield	[9] Risk Premium
11/3/2010	10.75%	4.17%	6.58%
11/19/2010	10.20%	4.15%	6.05%
12/1/2010	10.00%	4.13%	5.87%
12/6/2010	9.56%	4.12%	5.44%
12/6/2010	10.09%	4.12%	5.97%
12/9/2010	10.25%	4.12%	6.13%
12/14/2010	10.33%	4.11%	6.22%
12/17/2010	10.10%	4.11%	5.99%
12/20/2010	10.10%	4.11%	5.99%
12/23/2010	9.92%	4.10%	5.82%
1/6/2011	10.35%	4.09%	6.26%
1/12/2011	10.30%	4.09%	6.21%
1/13/2011	10.30%	4.09%	6.21%
3/10/2011	10.10%	4.16%	5.94%
3/31/2011	9.45%	4.20%	5.25%
4/18/2011	10.05%	4.23%	5.82%
4/21/2011	10.00%	4.24%	5.76%
5/13/2011	11.35%	4.29%	7.06%
5/26/2011	10.50%	4.32%	6.18%
6/21/2011	10.00%	4.36%	5.64%
6/29/2011	8.83%	4.38%	4.45%
8/1/2011	9.20%	4.41%	4.79%
9/1/2011	10.10%	4.33%	5.77%
11/14/2011	9.60%	3.93%	5.67%
12/13/2011	9.50%	3.76%	5.74%
12/20/2011	10.00%	3.72%	6.28%
12/22/2011	10.40%	3.70%	6.70%
1/10/2012	9.06%	3.59%	5.47%
1/10/2012	9.45%	3.59%	5.86%
1/10/2012	9.45%	3.59%	5.86%
1/23/2012	10.20%	3.53%	6.67%
1/31/2012	10.00%	3.49%	6.51%
4/24/2012	9.50%	3.16%	6.34%
4/24/2012	9.75%	3.16%	6.59%
5/7/2012	9.80%	3.13%	6.67%
5/22/2012	9.60%	3.10%	6.50%
5/24/2012	9.70%	3.09%	6.61%
6/7/2012	10.30%	3.06%	7.24%
6/15/2012	10.40%	3.05%	7.35%
6/18/2012	9.60%	3.05%	6.55%
7/2/2012	9.75%	3.04%	6.71%
10/24/2012	10.30%	2.92%	7.38%
10/26/2012	9.50%	2.92%	6.58%
10/31/2012	9.20%	2.92%	6.28%
10/31/2012	9.85%	2.92%	6.93%
10/31/2012	9.90%	2.92%	6.98%
11/1/2012	9.45%	2.92%	6.53%
11/8/2012	10.10%	2.91%	7.19%
11/9/2012	10.30%	2.91%	7.39%
11/26/2012	10.00%	2.89%	7.11%
11/28/2012	10.40%	2.88%	7.52%
11/28/2012	10.50%	2.88%	7.62%
		Average	4.37%
		Count	956

Revenue Stabilization Mechanisms

Company	Ticker	Infrastructure	Decoupling	Expense
AGL Resources Inc.	GAS	✓	✓	✓
Atlanta Gas Light Co.		✓ [1], [2]		✓ [1]
Northern Illinois Gas Co.				✓ [1], [2]
Virginia Natural Gas			✓ [1], [2]	✓ [1], [2]
Elizabethtown Gas		✓ [1], [2]	✓ [1], [2]	
Florida City Gas				✓ [1]
Chattanooga Gas			✓ [1], [2]	✓ [1], [2]
Atmos Energy Corporation	ATO	✓	✓	✓
Atmos Energy (Colorado)				✓ [2]
Atmos Energy (Georgia)		✓ [2]	✓ [1], [2]	
Atmos Energy (Iowa)				
Atmos Energy (Illinois)				
Atmos Energy (Kansas)		✓ [1], [2]	✓ [1], [2]	✓ [2]
Atmos Energy (Kentucky)		✓ [1], [2]	✓ [1], [2]	✓ [1], [2]
Atmos Energy (Louisiana)			✓ [1], [2]	✓ [2]
Atmos Energy (Mississippi)			✓ [1], [2]	✓ [2]
Atmos Energy (Missouri)		✓ [1], [2]		✓ [2]
Atmos Energy (Tennessee)			✓ [1], [2]	✓ [1], [2]
Atmos Energy (Texas)		✓ [1], [2]	✓ [1], [2]	✓ [2]
Atmos Energy (Virginia)			✓ [2]	✓ [2]
New Jersey Resources Corporation	NJR	✓	✓	
New Jersey Natural Gas		✓ [1], [2]	✓ [1], [2]	
Northwest Natural Gas Company	NWN	✓	✓	
Northwest Natural Gas (Oregon)		✓ [1], [2]	✓ [1], [2]	
Northwest Natural Gas (Washington)				
Piedmont Natural Gas Company, Inc.	PNY		✓	✓
Piedmont Natural Gas (North Carolina)			✓ [1], [2]	✓ [2]
Piedmont Natural Gas (South Carolina)			✓ [1], [2]	✓ [2]
Piedmont Natural Gas (Tennessee)			✓ [1], [2]	✓ [2]
South Jersey Industries, Inc.	SJI	✓	✓	✓
South Jersey Gas Company		✓ [1], [2]	✓ [1], [2]	✓ [3]
Southwest Gas Corporation	SWX		✓	✓
Southwest Gas Corporation (Arizona)			✓ [1], [2]	
Southwest Gas Corporation (California)			✓ [1], [2]	
Southwest Gas Corporation (Nevada)			✓ [1], [2]	✓ [1], [2]
WGL Holdings, Inc.	WGL	✓	✓	✓
Washington Gas (District of Columbia)				✓ [2]
Washington Gas (Maryland)			✓ [1], [2]	✓ [2]
Washington Gas (Virginia)		✓ [1], [2]	✓ [1]	✓ [2]

[1] RRA Adjustment Clauses and Rate Riders, March 21, 2012

[2] AGA, Innovative Rates, Non-Volumetric Rates, and Tracking Mechanisms: Current List, March 2012

[3] 2011 SEC Form 10-K

Revenue Stabilization Mechanisms

Company	Ticker	Disclosed in SEC Form 10-K Filing
AGL Resources Inc.	AGL	<p>Our STRIDE program is comprised of the ongoing pipeline replacement program, the Integrated System Reinforcement Program (i-SRP), and Integrated Customer Growth Program (i-CGP). The purpose of the i-SRP program under STRIDE is to upgrade our distribution system and liquefied natural gas facilities in Georgia, improve our system reliability and operational flexibility, and create a platform to meet long-term forecasted growth. Our i-CGP authorizes Atlanta Gas Light to extend its pipeline facilities to serve customers in areas without pipeline access and create new economic development opportunities in Georgia. Under STRIDE, we are required to file an updated ten-year forecast of infrastructure requirements under i-SRP along with a new construction plan every three years for review and approval by the Georgia Commission. (pg 10)</p> <p>In January 2012 Virginia Natural Gas filed an accelerated infrastructure replacement program with the Virginia Commission. The program was filed pursuant to a Virginia statute that provides a regulatory cost recovery mechanism to recover the costs associated with certain infrastructure replacement programs. The Virginia Commission has six months to review and render a decision on this proposed program. (pg 10)</p> <p>The New Jersey BPU-approved accelerated enhanced infrastructure program was created in response to the New Jersey Governor's request for utilities to assist in the economic recovery by increasing infrastructure investments. Costs associated with the investment in this program are recovered through periodic adjustments to base rates. (pg 10)</p> <p>Environmental Remediation Cost Recovery - The paid and accrued ERCs are deferred in a corresponding regulatory asset until the costs are recovered from customers. Costs are primarily recovered through deferred costs through three rate riders that authorize dollar-for-dollar recovery. The ERC rate rider for Atlanta Gas Light only allows for recovery of the costs incurred over the subsequent five-year period. ERC associated with the investigation and remediation of Nicor Gas and Elizabethtown Gas remediation sites located in the states of Illinois and New Jersey are recovered under remediation adjustment clauses that include carrying cost on unrecovered expenditures. (pg 77)</p> <p>Bad Debt Rider - Nicor Gas' bad debt rider provides for the recovery from (or refund to) customers of the difference between Nicor Gas' actual bad debt experience on an annual basis and the benchmark bad debt expense included in its rates for the respective year. (pg 77)</p> <p>Three of AGL Resources' utilities have "decoupled" regulatory mechanisms in place that encourage conservation. Decoupled and straight-fixed-variable rate designs allow for the recovery of fixed customer service costs separately from assumed natural gas volumes used by customers. The decoupled rate design for Virginia Natural Gas expired in December 2011. (pgs 7-8)</p>
Atmos Energy Corporation	ATO	<p>However, gas cost risk has been mitigated in recent years through improvements in rate design that allow us to collect from our customers the gas cost portion of our bad debt expense on approximately 75 percent of our residential and commercial margins. (pg 35)</p> <p>Rates are updated through periodic formal rate proceedings and filings made under Texas' Gas Reliability Infrastructure Program (GRIP). GRIP allows us to include in our rate base annually approved capital costs incurred in the prior calendar year provided that we file a complete rate case at least once every five years. (pg 9)</p> <p>Finally, regulatory authorities have approved weather normalization adjustments (WNA) for approximately 97 percent of residential and commercial margins in our service areas as a part of our rates. WNA minimizes the effect of weather that is above or below normal by allowing us to increase customers' bills to offset the effect of lower gas usage when weather is warmer than normal and decrease customers' bills to offset the effect of higher gas usage when weather is colder than normal. (pg 5)</p>
New Jersey Resources Corporation	NJR	<p>The CIP, a mechanism authorized by the BPU, stabilizes fluctuations in NJNG's utility gross margin, as a result of variations in weather. In addition, the CIP decouples the link between utility gross margin and customer usage, allowing NJNG to promote energy conservation measures. Recovery of such utility gross margin is subject to additional conditions including an earnings test and an evaluation of Basic Gas Supply Service (BGSS)-related savings achieved. The CIP was initially authorized in October 2006 as a three-year pilot program, however, due to the continuing nature of energy efficiency programs at the state and federal levels in concert with the issuance of the economic stimulus programs, in fiscal 2010 NJNG requested and received approval from the BPU to extend the CIP through September 30, 2013. It is anticipated that NJNG will file for an extension of its CIP in fiscal 2013. (pg 4)</p> <p>Regulatory rider expenses consist of recovery of state-mandated programs, the RA and energy efficiency costs. These expenses are offset by corresponding revenues and are calculated on a per-therm basis. (pg 39)</p> <p>NJNG is responsible for the remedial cleanup of five MGP sites, dating back to gas operations in the late 1800s and early 1900s, which contain contaminated residues from former gas manufacturing operations...NJNG may, subject to BPU approval, recover its remediation expenditures, including carrying costs, over rolling seven-year periods pursuant to a Remediation Adjustment (RA). In January 18, 2012, the BPU approved the recovery of the remediation expenditures incurred through June 30, 2009, which maintained the expected annual recovery at approximately \$20 million. In February 2012, NJNG filed its 2011 Societal Benefits Clause (SBC) filing, requesting approval of its MGP expenditures incurred through June 30, 2011, which would continue its existing overall SBC rate and recovery. As of September 30, 2012, \$59.7 million of previously incurred remediation costs, net of recoveries from customers and insurance proceeds, are included in regulatory assets on the Consolidated Balance Sheets. (pg 20)</p>
Northwest Natural Gas Company	NWN	<p>Conservation Tariff - In October 2002, the OPUC authorized the implementation of a "conservation tariff" to adjust utility margin for changes in consumption patterns due to residential and commercial customers' conservation efforts. The conservation tariff is a decoupling mechanism that is intended to break the link between utility earnings and the quantity of gas consumed by customers, removing any financial incentive by the utility to discourage customers' efforts to conserve energy. (pg. 46)</p> <p>System Integrity Program - The OPUC has approved specific accounting treatment and cost recovery for our transmission pipeline integrity management program, SIP, and the related rules adopted by the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA). We record the costs related to the integrity management program as either capital expenditures or regulatory assets, accumulate the costs over each 12-month period, and recover the revenue requirement associated with the costs, subject to audit, through rate changes effective with the annual PGA in Oregon. (pg. 47)</p>

Revenue Stabilization Mechanisms

Company	Ticker	Disclosed in SEC Form 10-K Filing
Piedmont Natural Gas Company, Inc.	PNY	<p>In North Carolina, a margin decoupling mechanism provides for the recovery of our approved margin from residential and commercial customers on a year around basis independent of consumption patterns. The margin decoupling mechanism results in semi-annual rate adjustments to refund any over-collection of margin or recover any under-collection of margin. PNY has weather normalization adjustment (WNA) mechanisms in South Carolina and Tennessee that partially offset the impact of colder- or warmer-than-normal winter weather on bills rendered during the months of November through March for residential and commercial customers. (pg. 23)</p> <p>In North Carolina, PNY has decoupled residential and commercial rates. In South Carolina, PNY operates under a rate stabilization mechanism that achieves the objectives of margin decoupling for residential and commercial customers with a one year lag. These and other rate designs stabilized PNY's gas utility margin by providing fixed recovery of 70% of its utility margins, including margin decoupling in North Carolina, facilities charges to our customers and fixed-rate contracts; semi-fixed recovery of 18% of its utility margins, including the rate stabilization mechanism in South Carolina and WNA in South Carolina and Tennessee; and volumetric or periodic renegotiation of 12% of its utility margins. (pgs. 23-24)</p>
South Jersey Industries, Inc.	SJL	<p>SJG was permitted to recover regulatory assets contained in its petition and defer certain federally mandated pipeline integrity management program costs for recovery in its next base rate case. In addition, annual depreciation expense will be reduced by \$1.2 million as a result of the amortization of excess cost of removal recoveries. The BPU also authorized a Phase II of the base rate proceeding to review the costs of CIRT projects not rolled into rate base in the September 2010 settlement. (pg 20)</p> <p>The BGSS price structure was approved by the BPU in January 2003, and allows SJG to recover all prudently incurred gas costs. BGSS charges to customers can be either monthly or periodic (annual). (pg 66)</p> <p>Conservation Incentive Program (CIP) - The primary purpose of the CIP is to promote conservation efforts, without negatively impacting financial stability and to base SJG's profit margin on the number of customers rather than the amount of natural gas distributed to customers. In October 2006, the BPU approved SJG's CIP as a three year pilot program. In January 2010, the BPU approved an extension of this program through September 2013. Each CIP year begins October 1 and ends September 30 of the subsequent year. On a monthly basis during the CIP year, SJG records adjustments to earnings based on weather and customer usage factors, as incurred. Subsequent to each year, SJG will make filings with the BPU to review and approve amounts recorded under the CIP. BPU approved cash inflows or outflows generally will not begin until the next CIP year. (pg 66)</p> <p>Capital Investment Recovery Tracker (CIRT) - In January 2009, SJG made a filing with the BPU requesting approval for an accelerated infrastructure investment program. The purpose of the CIRT was to accelerate \$103.0 million of capital expenditures from five years to two years. The petition requested that the Company be allowed to earn a return of, and a return on, its investment. Under the CIRT, 2009 spending was projected to be \$70.5 million and 2010 spending was projected to be \$32.5 million. On a monthly basis during the CIRT year, SJG records adjustments to earnings based on actual CIRT program expenditures, as incurred. Annually, SJG makes a filing to the BPU for review and approval of expenditures recorded under the CIRT. (pg 66)</p> <p>Energy Efficiency Tracker (EET) - In January 2009, SJG filed a petition with the BPU requesting approval of an energy efficiency program for residential, commercial and industrial customers. Under this program, SJG can invest \$17.0 million over two years in energy efficiency measures to be installed in customer homes and businesses. SJG can recover incremental operating and maintenance expenses and earn a return of, and return on, program investments. (pg 67)</p> <p>Societal Benefits Clause (SBC) - The SBC allows SJG to recover costs related to several BPU-mandated programs. Within the SBC are a Remediation Adjustment Clause (RAC), a New Jersey Clean Energy Program (NJCEP), a Universal Service Fund (USF) program and a Consumer Education Program (CEP). (pg 68)</p> <p>Remediation Adjustment Clause (RAC) - The RAC recovers environmental remediation costs of 12 former gas manufacturing plants (See Note 15). The BPU allows SJG to recover such costs over seven year amortization periods. The net between the amounts actually spent and amounts recovered from customers is recorded as a regulatory asset, Environmental Remediation Cost Expended - Net. Note that RAC activity affects revenue and cash flows but does not directly affect earnings because of the cost recovery over seven year amortization periods. As of December 31, 2011 and 2010, SJG reflected the unamortized remediation costs of \$45.8 million and \$39.1 million, respectively, on the consolidated balance sheets under Regulatory Assets (See Note 11). Since implementing the RAC in 1992, SJG has recovered \$58.6 million through rates as of December 31, 2011. (pg 68)</p> <p>New Jersey Clean Energy Program (NJCEP) - This mechanism recovers costs associated with SJG's energy efficiency and renewable energy programs. In August 2008, the BPU approved the statewide funding of the NJCEP of \$1.2 billion for the years 2009 through 2012. Of this amount SJG will be responsible for approximately \$41.5 million over the four-year period. NJCEP adjustments affect revenue and cash flows but do not directly affect earnings as related costs are deferred and recovered through rates on an on-going basis. (pg 68)</p> <p>Universal Service Fund (USF) - The USF is a statewide program through which funds for the USF and Lifeline Credit and Tenants Assistance Programs are collected from customers of all New Jersey electric and gas utilities. USF adjustments affect cash flows but do not directly affect revenue or earnings as related costs are deferred and recovered through rates on an on-going basis. (pg 68)</p> <p>Unbundling - Effective January 10, 2000, the BPU approved full unbundling of SJG's system. This allows all natural gas consumers to select their natural gas commodity supplier. As of December 31, 2011, 35,880 of SJG's residential customers were purchasing their gas commodity from someone other than SJG. Customers choosing to purchase natural gas from providers other than the utility are charged for the cost of gas by the marketer. The resulting decrease in utility revenues is offset by a corresponding decrease in gas costs. While customer choice can reduce utility revenues, it does not negatively affect SJG's net income or financial condition. The BPU continues to allow for full recovery of prudently incurred natural gas costs through the BGSS. Unbundling did not change the fact that SJG still recovers cost of service, including certain deferred costs, through base rates. (pg 69)</p> <p>Pipeline Integrity - In October 2005, SJG filed a petition with the BPU to implement a Pipeline Integrity Management Tracker (Tracker). The purpose of this Tracker was to recover incremental costs to be incurred by SJG as a result of new federal regulations, which are aimed at enhancing public safety and reliability. The regulations require that utilities use a comprehensive analysis to assess, evaluate, repair and validate the integrity of certain transmission lines in the event of a leak or failure. As part of SJG's September 2010 base rate increase, SJG was permitted to recover previously deferred pipeline integrity costs incurred through September 2010. In addition, SJG is authorized to defer future program costs, and related carrying costs, for recovery in the next base rate proceeding, subject to review by the BPU. Accordingly, SJG withdrew its petition for the Pipeline Integrity Management Tracker. As of December 31, 2011 and 2010, deferred pipeline integrity costs totaled \$1.2 million and \$1.7 million, respectively, and are included in other regulatory assets. (pg 69)</p>

Revenue Stabilization Mechanisms

Company	Ticker	Disclosed in SEC Form 10-K Filing
Southwest Gas Corporation	SWX	<p>Rate design is the primary mechanism available to Southwest to mitigate weather risk. As of January 2012, all of Southwest's service territories have decoupled rate structures which mitigate weather risk. In California, CPUC regulations allow Southwest to decouple operating margin from usage and offset weather risk. In Nevada, a decoupled rate structure applies to most customer classes providing stability in annual operating margin by insulating the Company from the effects of lower usage (including volumes associated with unusual weather). In Arizona, the ACC recently approved a fully decoupled rate structure with a monthly weather normalization provision effective January 2012. (pg 12)</p> <p>There are approximately 100,000 customers in Arizona whose natural gas meters are set-off away from the customer's home (e.g., near a backyard property line), as opposed to a more traditional configuration in which the meter is adjacent to the home. To address the cost normally borne by the customer to repair or replace the COYL, the Company received approval to implement a new program (as part of its recent Arizona rate case decision) under which the Company will replace the customer's facilities at no immediate direct cost to the customer, and relocate the customer's meter adjacent to the home. In addition, the program provides for the Company to endeavor to leak survey all such COYLs over a 3-year period; anticipated costs for the survey are reflected in current rates. The costs of the replacement portion of this program will be capitalized by the Company. Subject to an annual reporting requirement, a surcharge will be added to all bills to recover an amount approximately equal to the amount that the Company would have earned if the additional pipe replacement costs had been included in the rate base amount filed in the recently concluded Arizona rate case. Recovery of the surcharge will cease as of the next Arizona general rate case (as the expenditures will then be included in rate base). (pg 27)</p>
WGL Holdings, Inc.	WGL	<p>Washington Gas recovers the cost of the natural gas purchased to serve firm customers through gas cost recovery mechanisms as approved in jurisdictional tariffs. Any difference between gas costs incurred on behalf of firm customers and the gas costs recovered from those customers is deferred on the balance sheet as an amount to be collected from or refunded to customers in future periods. Therefore, increases or decreases in the cost of gas associated with sales made to firm customers have no direct effect on Washington Gas' net revenues and net income. (pg 4)</p> <p>[In the April 2011 new rate base request] Washington Gas has also included a request for approval of a rate adjustment mechanism to recover costs associated with the accelerated replacement of transmission and distribution pipe designed to enhance safety and system reliability. Washington Gas also seeks to increase its research and development funding through programs sponsored by the Gas Technology Institute. [The PSC of Maryland's November 2011 order] The order also authorized Washington Gas to implement the initial 5-year phase of the accelerated pipe replacement plan, but denied the proposed cost recovery mechanism; and disallowed the amortization of costs to achieve under Washington Gas' BPO agreement. (pg 65)</p> <p>In Maryland, Washington Gas has a RNA billing mechanism that is designed to stabilize the level of net revenues collected from Maryland customers by eliminating the effect of deviations in customer usage caused by variations in weather from normal levels and other factors such as conservation. In Virginia, Washington Gas has a WNA billing adjustment mechanism that is designed to eliminate the effect of variations in weather from normal levels on utility net revenues. Additionally, as part of the CARE plan, Washington Gas has a CRA mechanism, which, coupled with the WNA, eliminates the effect of both weather and other factors such as conservation for residential customers in Virginia. (pg 58)</p> <p>Steps to Advance Virginia's Energy (SAVE Plan): A plan which provides for accelerated recovery mechanisms for costs of eligible infrastructure replacement programs. (pg 4)</p> <p>On January 31, 2011, Washington Gas filed a request with the SCC of VA for a \$29.6 million annual increase in revenues. The filing was made pursuant to the settlement agreement reached by the parties and approved by the SCC of VA in Washington Gas' last base rate case, which resulted in a Performance-Based Rate (PBR) plan...On July 2, 2012, the SCC of VA issued an order approving all terms and conditions of the stipulation, including the \$20.0 million rate increase, except for one modification. The SCC of VA directed that approximately \$0.2 million of the revenue increase be reallocated from commercial non-heating non-cooling rate classes to the residential and non-firm rate classes. (pg 66)</p> <p>Storage Carrying Costs — Each jurisdiction provides for the recovery of carrying costs based on the cost of capital in each jurisdiction, multiplied by the monthly average balance of storage gas inventory. The year over year comparisons reflect lower average storage gas inventory investment balances primarily due to lower weighted average cost of gas in inventory. (pg 38)</p> <p>Gas Administrative Charge (GAC): A regulatory mechanism designed to remove the cost of uncollectible accounts expense related to gas costs from base rates and instead, permits Washington Gas to collect an amount for this expense through its Purchased Gas Charge provision. (pg 3)</p>

Source: Most recent company SEC Form 10-K filing as of November 30, 2012.

Flotation Cost Adjustment

Two most recent open market common stock issuances per company, if available

Company	Date	Shares Issued	Offering Price	Underwriting Discount	Offering Expense	Net Proceeds Per Share	Total Flotation Costs	Gross Equity Issue Before Costs	Net Proceeds	Flotation Cost Percentage
Laclede Group, Inc. (The)	5/25/2004	1,725,000	\$26.80	\$0.8710	\$100,000	\$25.87	\$1,602,475	\$46,230,000	\$44,627,525	3.466%
AGL Resources Inc.	11/19/2004	11,040,000	\$31.01	\$0.9300	\$400,000	\$30.04	\$10,667,200	\$342,350,400	\$331,683,200	3.116%
AGL Resources Inc.	2/11/2003	6,440,000	\$22.00	\$0.7700	\$250,000	\$21.19	\$5,208,800	\$141,680,000	\$136,471,200	3.676%
Atmos Energy Corporation	12/7/2006	6,325,000	\$31.50	\$1.1025	\$400,000	\$30.33	\$7,373,313	\$199,237,500	\$191,864,188	3.701%
Atmos Energy Corporation	10/21/2004	16,100,000	\$24.75	\$0.9900	\$400,000	\$23.74	\$16,339,000	\$398,475,000	\$382,136,000	4.100%
Northwest Natural Gas Company	3/30/2004	1,290,000	\$31.00	\$1.0100	\$175,000	\$29.85	\$1,477,900	\$39,990,000	\$38,512,100	3.696%
Piedmont Natural Gas Company, Inc.	1/20/2004	4,887,500	\$42.50	\$1.4900	\$350,000	\$40.94	\$7,632,375	\$207,718,750	\$200,086,375	3.674%
WGL Holdings, Inc.	6/20/2001	2,058,500	\$26.73	\$0.8950	\$56,218	\$25.81	\$1,898,576	\$55,023,705	\$53,125,130	3.450%
Mean							\$6,524,955	\$178,838,169		
							WEIGHTED AVERAGE FLOTATION COSTS:		3.649%	

Constant Growth Discounted Cash Flow Model Adjusted for Flotation Costs - 30 Day Average Stock Price

Company	Ticker	[1]	[2]	[3]	[4]		[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Annualized Dividend	Average Stock Price	Dividend Yield	Expected Dividend Current	Adjusted for Flot. Costs	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Sustainable Growth	Average Earnings Growth	DCF k(e)	DCF k(e)	
AGL Resources Inc.	GAS	\$1.84	\$39.07	4.71%	4.86%	5.04%	4.40%	NA	8.00%	6.81%	6.40%	11.27%	11.45%	
Atmos Energy Corporation	ATO	\$1.40	\$34.97	4.00%	4.10%	4.26%	6.00%	6.00%	4.00%	4.37%	5.09%	9.20%	9.35%	
New Jersey Resources Corporation	NJR	\$1.60	\$42.20	3.79%	3.88%	4.03%	3.35%	2.70%	5.50%	7.20%	4.69%	8.57%	8.71%	
Northwest Natural Gas Company	NWN	\$1.82	\$44.63	4.08%	4.18%	4.34%	4.17%	4.50%	4.50%	7.56%	5.18%	9.37%	9.52%	
Piedmont Natural Gas Company, Inc.	PNY	\$1.20	\$30.64	3.92%	3.99%	4.14%	5.23%	5.35%	2.50%	2.19%	3.82%	7.81%	7.96%	
South Jersey Industries, Inc.	SJI	\$1.77	\$49.39	3.58%	3.73%	3.87%	6.00%	6.00%	9.00%	11.58%	8.15%	11.88%	12.02%	
Southwest Gas Corporation	SWX	\$1.18	\$42.15	2.80%	2.89%	3.00%	4.97%	4.05%	9.00%	6.92%	6.24%	9.12%	9.23%	
WGL Holdings, Inc.	WGL	\$1.60	\$38.47	4.16%	4.25%	4.42%	5.25%	5.60%	3.50%	3.92%	4.57%	8.82%	8.98%	

PROXY GROUP MEAN

9.50% 9.65%

Notes:

The proxy group DCF result is adjusted for flotation costs by dividing each company's expected dividend yield by (1 - flotation cost). The flotation cost adjustment is derived as the difference between the unadjusted DCF result and the DCF result adjusted for flotation costs.

DCF Result Adjusted For Flotation Costs: 9.65%
 DCF Result Unadjusted For Flotation Costs: 9.50%
 Difference (Flotation Cost Adjustment): 0.15% [13]

- [1] Source: Bloomberg Professional
- [2] Source: Bloomberg Professional
- [3] Equals [1] / [2]
- [4] Equals [3] x (1 + 0.5 x [10])
- [5] Equals [4] / (1 - 0.0364)
- [6] Source: Zacks
- [7] Source: Yahoo! Finance
- [8] Source: Value Line
- [9] Source: SCHEDULE-RBH-D3
- [10] Equals Average([6], [7], [8], [9])
- [11] Equals [4] + [10]
- [12] Equals [5] + [10]
- [13] Equals average [12] - average [11]

Pro Forma Coverage Ratio Calculations

Coverage Ratios using Financials as Filed

LINE	DESCRIPTION	AMOUNT	NOTES / SOURCES
1	Long Term Debt Percent of Total	43.30%	Revenue Requirement Schedule 7
2	Long Term Debt Cost Rate	5.59%	Revenue Requirement Schedule 7
3	Common Equity Percent of Total	56.70%	Revenue Requirement Schedule 7
4	Common Equity Cost Rate	10.50%	Recommendation
5			
6	Wgtd Cost of Debt	2.42%	L1 x L2
7	Wgtd Return on Equity	5.95%	L3 x L4
8			
9	Rate Base	\$ 944,340.00	Revenue Requirement Schedule 7
10			
11	Effective Tax Rate	38.64%	Revenue Requirement Workpapers
12		1.6296	1/(1-L11)
13	Net Income	\$ 56,221.28	L7 x L9
14	Income Taxes	\$ 35,396.55	(L12-1) x L13
15	Interest Expense	\$ 22,857.47	L6 x L9
16	Earnings Before Interest and Taxes ("EBIT")	\$ 114,475.30	L13 + L14 + L15
17	EBIT/Interest	5.01	L16/L15

EBIT/Interest
12 months ending
Sep-30-2012

AGL Resources Inc.	3.29
Atmos Energy Corporation	3.20
New Jersey Resources Corporation	5.21
Northwest Natural Gas Company	3.36
Piedmont Natural Gas Company, Inc.	4.13
South Jersey Industries, Inc.	5.70
Southwest Gas Corporation	3.75
WGL Holdings, Inc.	7.18
Proxy Group Mean	4.48

Source: S&P Capital IQ

Proxy Group Capital Structure

Company	Ticker	2011	% Long-Term Debt		
			2010	2009	Average
AGL Resources Inc.	GAS	47.28%	44.80%	45.77%	45.95%
Atmos Energy Corporation	ATO	53.69%	49.00%	53.53%	52.08%
New Jersey Resources Corporation	NJR	33.38%	34.35%	35.38%	34.37%
Northwest Natural Gas Company	NWN	45.72%	46.05%	47.69%	46.48%
Piedmont Natural Gas Company, Inc.	PNY	46.45%	48.63%	50.37%	48.48%
South Jersey Industries, Inc.	SJI	43.87%	44.34%	36.68%	41.63%
Southwest Gas Corporation	SWX	42.62%	50.64%	53.44%	48.90%
WGL Holdings, Inc.	WGL	36.50%	38.53%	38.26%	37.76%
Mean		43.69%	44.54%	45.14%	44.46%

Operating Company Capital Structure

Operating Company	Parent	% Long-Term Debt		
		2011	2010	2009
Pivotal Utility Holdings, Inc.	GAS	N/A	N/A	N/A
Northern Illinois Gas Company	GAS	43.88%	43.55%	43.00%
Atlanta Gas Light Company	GAS	47.52%	47.12%	49.68%
Chattanooga Gas Company	GAS	48.07%	47.82%	49.15%
Virginia Natural Gas, Inc.	GAS	49.67%	40.70%	41.25%
Atmos Energy Corporation	ATO	53.69%	49.00%	53.53%
New Jersey Natural Gas Company	NJR	33.38%	34.35%	35.38%
Northwest Natural Gas Company	NWN	45.72%	46.05%	47.69%
Piedmont Natural Gas Company, Inc.	PNY	46.45%	48.63%	50.37%
South Jersey Gas Company	SJI	43.87%	44.34%	36.68%
Southwest Gas Corporation	SWX	42.62%	50.64%	53.44%
Washington Gas Light Company	WGL	36.50%	38.53%	38.26%

Source: SNL Financial

Proxy Group Capital Structure

Company	Ticker	2011	% Common Equity		
			2010	2009	Average
AGL Resources Inc.	GAS	52.72%	55.20%	54.23%	54.05%
Atmos Energy Corporation	ATO	46.31%	51.00%	46.47%	47.92%
New Jersey Resources Corporation	NJR	66.62%	65.65%	64.62%	65.63%
Northwest Natural Gas Company	NWN	54.28%	53.95%	52.31%	53.52%
Piedmont Natural Gas Company, Inc.	PNY	53.55%	51.37%	49.63%	51.52%
South Jersey Industries, Inc.	SJI	56.13%	55.66%	63.32%	58.37%
Southwest Gas Corporation	SWX	57.38%	49.36%	46.56%	51.10%
WGL Holdings, Inc.	WGL	63.50%	61.47%	61.74%	62.24%
Mean		56.31%	55.46%	54.86%	55.54%

Operating Company Capital Structure

Operating Company	Parent	% Common Equity		
		2011	2010	2009
Pivotal Utility Holdings, Inc.	GAS	N/A	N/A	N/A
Northern Illinois Gas Company	GAS	56.12%	56.45%	57.00%
Atlanta Gas Light Company	GAS	52.48%	52.88%	50.32%
Chattanooga Gas Company	GAS	51.93%	52.18%	50.85%
Virginia Natural Gas, Inc.	GAS	50.33%	59.30%	58.75%
Atmos Energy Corporation	ATO	46.31%	51.00%	46.47%
New Jersey Natural Gas Company	NJR	66.62%	65.65%	64.62%
Northwest Natural Gas Company	NWN	54.28%	53.95%	52.31%
Piedmont Natural Gas Company, Inc.	PNY	53.55%	51.37%	49.63%
South Jersey Gas Company	SJI	56.13%	55.66%	63.32%
Southwest Gas Corporation	SWX	57.38%	49.36%	46.56%
Washington Gas Light Company	WGL	63.50%	61.47%	61.74%

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Laclede Gas Company's Filing of)
 Revised Tariffs to Increase its Annual Revenues) Case No. GR-2013-0171
 For Natural Gas Service)

AFFIDAVIT

COMMONWEALTH OF MASSACHUSETTS)
) SS.
 COUNTY OF MIDDLESEX)

Robert B. Hevert, of lawful age, being first duly sworn, deposes and states:

1. My name is Robert B. Hevert. My business address is 161 Worcester Road, Suite 503, Framingham, Massachusetts 01701; and I am Managing Partner of Sussex Economic Advisors, LLC.

2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Laclede Gas Company.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.


 Robert B. Hevert

Subscribed and sworn to before me this 10th day of December, 2012.


 Notary Public



KIMBERLY H. DAO
 Notary Public
 Commonwealth of Massachusetts
 My Commission Expires
 April 16, 2015

