

MGE GAS CASE
DOCKET NO.GR 2009-0355
CORRECTION'S TO WITNESS HANLEY'S
EQUITY RISK PREMIUM ESTIMATES

LINE NO.	DESCRIPTION	A	B	C
		MR. HANLEY'S ORIGINAL RISK PREMIUM ESTIMATE	MR. HANLEY'S UPDATED RISK PREMIUM ESTIMATE	CORRECTED RISK PREMIUM
	Arithmetic mean total return rate on Standard & Poor's Composite Index-			
1	1926-2007	12.30%	11.70%	11.70%
	Arithmetic mean yield on Aaa an Aa			
2	Corporate Bonds 1926-2007	6.10%	6.10%	6.10%
3	Historical Equity Risk Premium	6.20%	5.60%	5.60%
	Hanley weighting for Historical			
4	Premium	80.00%	60.00%	100.00%
	Forecasted 3-5 Year Total Annual			
5	Market Return	28.85%	17.09%	
	Prospective Yield on Aaa Rated			
6	Corporate Bonds	5.08%	5.60%	
7	Forecasted Equity Risk Premium	23.77%	11.49%	
	Hanley weighting for Forecasted			
8	Premium	20.00%	40.00%	
9	Conclusion on Equity Risk Premium	9.71%	7.96%	5.60%
10	Adjusted Value Line Beta	0.70	0.65	0.65
11	Beta Adjusted Equity Risk Premium	6.80%	5.17%	3.64%
	Mean Equity Risk Premium employing			
12	Public Utility Baa Bonds	4.13%	4.15%	4.15%
13	Average Risk Premium	5.46%	4.66%	3.90%
14	Prospective Bond Yield	6.89%	6.28%	6.28%
15	Risk Premium ROE Estimate	12.35%	10.94%	10.18%
16				
17	Sources:			
18	Column A Hanley Schedule FJH-15			
19	Column B Hanley Schedule FJH-21			
20	Column C equals Column B excluding line 5-8			