

# EXHIBIT

Exhibit No.:	
Issue(s):	Executive Summary/ OPC's Concerns Regarding Mr. Hevert's Cost-of-Common Equity Analysis/ OPC's Concerns Regarding Mr. Gorman's Cost-of-Common Equity Analysis/ OPC's Concerns Regarding Mr. Murray's Cost-of-Common Equity Analysis/ Summary of Corrected Results
Witness/Type of Exhibit:	Schafer/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	ER-2014-0258

Filed  
March 23, 2015  
Data Center  
Missouri Public  
Service Commission

## REBUTTAL TESTIMONY

OF

LANCE SCHAFER

Submitted on Behalf of the Office of the Public Counsel

UNION ELECTRIC  
D/B/A  
AMEREN MISSOURI

CASE NO. ER-2014-0258

January 16, 2015

OPC Exhibit No. 410  
Date 3-02-15 Reporter KF  
File No. ER-2014-0258



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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LANCE C. SCHAFER**

4  
5 **Union Electric Company**

6 **d/b/a Ameren Missouri**

7 **Case No. ER-2014-0258**  
8

9 **SECTION 1: INTRODUCTION AND STATEMENT OF PURPOSE**

10  
11 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

12 **A.** My name is Lance C. Schafer. My business address is P.O. Box 2230, Jefferson City,  
13 MO 65102.

14  
15 **Q. ARE YOU THE SAME LANCE C. SCHAFER WHO FILED DIRECT**  
16 **TESTIMONY IN THIS PROCEEDING?**

17 **A.** Yes, I am.  
18

19 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

20 **A.** The purpose of my rebuttal testimony is to respond to the direct testimonies of Company  
21 witness Robert B. Hevert, MIEC witness Michael P. Gorman, and Staff Witness David  
22 Murray. Specifically, I will address issues related to the witnesses' estimation of Ameren  
23 Missouri's cost of common equity.  
24

1 **Q. HAVE YOU PREPARED SCHEDULES IN SUPPORT OF YOUR TESTIMONY?**

2 A. Yes. I have prepared 9 Schedules in support of my analysis that are attached to this  
3 testimony (Rebuttal Schedules LCS-1 through LCS-9). These schedules were prepared by  
4 me and are correct to the best of my knowledge and belief.  
5

6 **SECTION 2: EXECUTIVE SUMMARY**  
7

8 **Q. PLEASE SUMMARIZE YOUR ANALYSIS OF MR. HEVERT'S**  
9 **RECOMMENDED RETURN ON COMMON EQUITY.**

10 A. Mr. Hevert's results are unreasonably high because of the following factors:

- 11 1. The use of "mean high" and "mean low" growth estimates
- 12 2. A dividend payment timing error
- 13 3. An inappropriate payout-ratio forecast
- 14 4. An unreasonably high estimation of GDP
- 15 5. Risk premia established with unreasonably high constant-growth rates
- 16 6. The selective use of a "long term projected" risk-free rate
- 17 7. An inappropriately applied argument relating to the supposed inverse  
18 relationship between interest rates and the equity risk premium

19 I will explain these factors in detail in the proceeding section. The following table  
20 presents Mr. Hevert's original results and the results I have obtained by correcting for  
21 these factors, updating the stock prices, and making an update to Mr. Hevert's proxy  
22 group, as explained in the next section:  
23

Mr. Hevert					
	Original Results			Corrected Results	
Constant-Growth DCF	Mean Low	Mean	Mean High	Mean	
30-Day Average	8.44%	9.56%	10.87%	9.37%	
90-Day Average	8.50%	9.62%	10.93%	9.53%	
180-Day Average	8.61%	9.73%	11.04%	9.56%	
<b>Multi-Stage DCF</b>					
30-Day Average	9.61%	9.93%	10.36%	8.84%	
90-Day Average	9.67%	10.00%	10.43%	9.00%	
180-Day Average	9.80%	10.13%	10.58%	9.03%	
<b>CAPM Results</b>	Bloomberg Derived Market Risk Premium	Value Line Derived Market Risk Premium		6.2% Market Risk Premium	
<i>Average Bloomberg Beta Coefficient</i>					
Current 30-Year Treasury (3.42%)	11.27%	10.69%		8.34%	
Near Term 30-Year Treasury (4.07%)	11.92%	11.34%		8.98%	
<i>Average Value Line Beta Coefficient</i>					
Current 30-Year Treasury (3.42%)	11.17%	10.59%		8.33%	
Near Term 30-Year Treasury (4.07%)	11.82%	11.24%		8.98%	
<b>Bond Yield Plus Risk Premium</b>	<b>Low</b>	<b>Mid</b>	<b>High</b>	<b>Low</b>	<b>High</b>
	10.16%	10.31%	10.77%	7.85%	8.50%
<b>Final Recommendation</b>	10.40%			<b>9.07%</b>	

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**Q. PLEASE SUMMARIZE YOUR ANALYSIS OF MR. GORMAN'S RECOMMENDED RETURN ON COMMON EQUITY.**

**A.** Mr. Gorman's results were higher than necessary due to inappropriate rounding. Also, his CAPM result was too high due to an improperly formed measure of the market risk premium.

1                   The following table presents Mr. Gorman's original results and the results I have  
2                   obtained by correcting for these two factors:

<b>Mr. Gorman</b>		
	<b>Original Return on Common Equity Results</b>	<b>Corrected Results</b>
<b>DCF</b>	9.00%	8.95%
<b>Risk Premium</b>	9.60%	9.58%
<b>CAPM</b>	9.24%	8.82%
<b>Final Recommendation</b>	9.30%	<b>9.20%</b>

3  
4                   **Q.     PLEASE SUMMARIZE YOUR ANALYSIS OF MR. MURRAY'S**  
5                   **RECOMMENDED RETURN ON COMMON EQUITY.**

6                   **A.**     Rather than recommending a result calculated directly from his financial models, Mr.  
7                   Murray calculated his final recommended return on equity by just reducing the 2012  
8                   authorized ROE by 50 basis points<sup>1</sup>. Mr. Murray obtained the figure of 50 basis points by  
9                   comparing the results of his financial calculations for this case with the results of his  
10                  financial calculations for the previous Ameren Missouri case. Based on his models, he  
11                  concluded that the current cost of common equity is 50 basis points lower than it was  
12                  during the previous case. For reasons I will explain later, I do not agree with this  
13                  adjustment and, therefore, recommend that Staff's recommendation be discarded.  
14                  However, if the Commission accepts Mr. Murray's final recommendation, it should be  
15                  adjusted downward by 7 basis points to reflect a minor adjustment that I believe better  
16                  represents the decrease that Mr. Murray has calculated.

<sup>1</sup> Mr. Murray uses 9.75% as the appropriate 2012 authorized ROE figure, presumably because it is the midpoint of what he identifies as the Commission-approved range from the previous case. See Murray Direct, p. 11, lines 2-3.

1                   The following table presents Mr. Murray's original result and the result I have  
2                   obtained by correcting one element of his calculation to account for a difference in scale:

<b>Mr. Murray</b>		
	<b>Original Return on Common Equity Result</b>	<b>Corrected Result</b>
<b>Final Recommendation</b>	9.25%	<b>9.18%</b>

3  
4                   **Q.   HOW DO THE CORRECTED RESULTS COMPARE TO YOUR**  
5                   **RECOMMENDATION OF THE REQUIRED RETURN ON COMMON EQUITY?**

6                   **A.   All three corrected results fall within the top half of the range I recommended during my**  
7                   **direct testimony (8.74% to 9.22%).**

8  
9                   **SECTION 3: OPC'S CONCERNS REGARDING MR. HEVERT'S COST-OF-COMMON-**  
10                   **EQUITY ANALYSIS**

11  
12                   **MR. HEVERT'S PROXY GROUP**

13  
14                   **Q.   DO YOU BELIEVE AN UPDATE IS NECESSARY TO THE PROXY GROUP**  
15                   **MR. HEVERT PRESENTED IN HIS DIRECT TESTIMONY?**

16                   **A.   Yes.**

17  
18                   **Q.   WHAT UPDATE TO MR. HEVERT'S PROXY GROUP DO YOU BELIEVE IS**  
19                   **APPROPRIATE?**



1 A. Based on the criteria established by Mr. Hevert in his direct testimony, I believe the  
2 following two companies should be removed from Mr. Hevert's proxy group: Cleco  
3 Corporation (CNL), and Duke Energy Corporation (DUK).  
4

5 **Q. WHY SHOULD CLECO CORPORATION BE REMOVED FROM MR.**  
6 **HEVERT'S PROXY GROUP?**

7 A. In his direct testimony, Mr. Hevert states that he "eliminated companies that are currently  
8 known to be party to a merger, or other significant transaction" when forming his proxy  
9 group.<sup>2</sup> Shortly after Mr. Hevert filed his direct testimony, Cleco Corporation agreed to  
10 be acquired by a group of infrastructure investors.<sup>3</sup> This acquisition occurred after Mr.  
11 Hevert's analysis and, therefore, will not impact his original calculation. However, when  
12 I update the stock prices of Mr. Hevert's proxy group in my final calculation, this  
13 acquisition would be reflected in those prices if I did not exclude Cleco Corporation.  
14 Therefore, when I update the proxy group's stock prices, I will exclude Cleco  
15 Corporation. Importantly, however, for purposes of analyzing the results of Mr. Hevert's  
16 models, I will continue to use Mr. Hevert's *original* proxy group.  
17

18 **Q. WHY SHOULD DUKE ENERGY CORPORATION BE REMOVED FROM MR.**  
19 **HEVERT'S PROXY GROUP?**

20 A. Duke Energy has been involved in significant transactions since Mr. Hevert filed his  
21 direct testimony. For example, Duke Energy sold retail business and ownership interest in

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<sup>2</sup> See Hevert Direct, p. 10, lines 1-2.

<sup>3</sup> See <http://www.wsj.com/articles/cleco-to-be-bought-by-infrastructure-investor-group-for-3-4-billion-1413817141>

1 11 power plants in the Midwest for \$2.8 billion to Dynegy.<sup>4</sup> These transactions occurred  
2 after Mr. Hevert's analysis and, therefore, will not impact his original calculation.  
3 However, when I update the stock prices of Mr. Hevert's proxy group in my final  
4 calculation, these transactions would be reflected in those prices if I did not exclude Duke  
5 Energy. Therefore, when I update the proxy group's stock prices, I will exclude Duke  
6 Energy. Importantly, however, for purposes of analyzing the results of Mr. Hevert's  
7 models, I will continue to use Mr. Hevert's *original* proxy group.  
8

9 **Q. HOLDING ALL OTHER VARIABLES EQUAL, WHAT IMPACT DOES THE**  
10 **EXCLUSION OF DUKE ENERGY AND CLECO CORPORATION HAVE ON**  
11 **MR. HEVERT'S DCF AND CAPM RESULTS?**

12 A. The exclusion of Duke Energy and Cleco Corporation increases Mr. Hevert's original  
13 constant-growth and multi-stage DCF results by an average of 4 basis points. The  
14 exclusions increase Mr. Hevert's original CAPM results by an average of 7 basis points.  
15

16 **Q. DO YOU UTILIZE THE REMAINING COMPANIES IN MR. HEVERT'S**  
17 **UPDATED PROXY GROUP IN THIS REBUTTAL TESTIMONY?**

18 A. My final corrections are done with the updated proxy group. However, I use Mr. Hevert's  
19 original proxy group to show the precise impact that his errors have on his original  
20 recommendation of Ameren Missouri's required return on common equity.  
21

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<sup>4</sup> See <http://www.marketwatch.com/story/dynegy-to-buy-assets-from-duke-energy-capital-for-625-billion-2014-08-22>

1 **MR. HEVERT'S CONSTANT-GROWTH DCF MODEL**

2  
3 **Q. WHAT CONCERN DO YOU HAVE ABOUT MR. HEVERT'S CONSTANT-**  
4 **GROWTH DCF MODEL?**

5 A. Mr. Hevert calculates two of the three growth rates that are used in his analysis in a way  
6 that distorts the true consensus of the estimates that he obtains from three different  
7 sources.

8  
9 **Q. HOW DOES MR. HEVERT CALCULATE THE GROWTH RATES HE USES IN**  
10 **HIS CONSTANT-GROWTH MODEL?**

11 A. Mr. Hevert begins by obtaining earnings growth estimates from Zacks, First Call, and  
12 Value Line. He then creates three sets of growth estimates from this data. Mr. Hevert's  
13 "mean" result is the average of the estimates from all three sources. The "mean" result is  
14 not controversial and is calculated the same way MIEC witness Michael P. Gorman and I  
15 calculate our "mean" results.<sup>5</sup> However, what Mr. Hevert refers to as the "mean high"  
16 result is calculated as the average of each proxy-group company's highest growth  
17 estimate taken by selecting *across his sources*. Similarly, Mr. Hevert's "mean low" result  
18 is calculated as the average of each proxy-group company's lowest growth estimate taken  
19 by selecting across his sources.<sup>6</sup> This is inappropriate because only the "mean" results are  
20 representative of the consensus of the estimates that Mr. Hevert has at his disposition.

21  

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<sup>5</sup> See Gorman Direct, p. 17, lines 15-16; See Schafer Direct, p. 13, lines 21-22 and p. 14, line 1.

<sup>6</sup> See Hevert Direct, p. 18, lines 11-21.

1 **Q. DOES MR. HEVERT DESCRIBE THE TECHNIQUE HE USES TO OBTAIN**  
2 **THE GROWTH RATES HE EMPLOYS IN HIS MODEL?**

3 A. Yes, he does. However, Mr. Hevert neither presents nor discusses the proxy-group  
4 averages for his “mean high” or “mean low” calculations. He does, however, present the  
5 “mean” result (the average of the estimates from all three of the sources he uses) in his  
6 Direct Testimony Schedules and workpapers. Since his “mean high” and “mean low”  
7 calculations are quite different from the “mean” calculation, a discussion of the impact of  
8 using those calculations is necessary.

9

10 **Q. PLEASE PRESENT MR. HEVERT’S “MEAN HIGH” GROWTH RATE**  
11 **CALCULATION.**

12 A. The following table shows Mr. Hevert’s “mean high” calculation, as well as the average  
13 of all three estimates to serve as a point of reference. The highlighted estimates represent  
14 each company’s highest growth-rate estimate, which are used to form Mr. Hevert’s  
15 “mean high”:

16

1

Company	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Average of the Three Estimates
American Electric Power Company, Inc.	4.40%	4.79%	4.50%	4.56%
Cleco Corporation	8.00%	7.00%	4.50%	6.50%
Duke Energy Corporation	4.20%	4.19%	5.00%	4.46%
Empire District Electric Company	3.00%	3.00%	4.00%	3.33%
Great Plains Energy Inc.	5.10%	5.25%	6.00%	5.45%
Hawaiian Electric Industries, Inc.	6.00%	3.20%	4.00%	4.40%
Idacorp, Inc.	4.00%	4.00%	2.00%	3.33%
NextEra Energy, Inc.	6.40%	6.23%	6.00%	6.21%
Northeast Utilities	6.90%	6.36%	8.00%	7.09%
Otter Tail Corporation	NA	6.00%	15.00%	10.50%
Pinnacle West Capital Corporation	4.10%	4.28%	4.00%	4.13%
PNM Resources, Inc.	8.50%	8.39%	12.00%	9.63%
Portland General Electric Company	6.80%	11.21%	5.00%	7.67%
Southern Company	3.70%	3.64%	3.50%	3.61%
Westar Energy, Inc.	3.70%	2.90%	6.00%	4.20%
"Mean high" average:				<b>6.96%</b>
Average of all estimates				5.67%

2

3 **Q. PLEASE PRESENT MR. HEVERT'S "MEAN LOW" GROWTH RATE**  
4 **CALCULATION.**

5 A. The following table shows Mr. Hevert's "mean low" calculation, as well as the average  
6 of all three estimates to serve as a point of reference. The highlighted estimates represent  
7 each company's lowest growth-rate estimate, which are used to form Mr. Hevert's "mean  
8 low":

9

1

Company	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Average of the Three Estimates
American Electric Power Company, Inc.	4.40%	4.79%	4.50%	4.56%
Cleco Corporation	8.00%	7.00%	4.50%	6.50%
Duke Energy Corporation	4.20%	4.19%	5.00%	4.46%
Empire District Electric Company	3.00%	3.00%	4.00%	3.33%
Great Plains Energy Inc.	5.10%	5.25%	6.00%	5.45%
Hawaiian Electric Industries, Inc.	6.00%	3.20%	4.00%	4.40%
Idacorp, Inc.	4.00%	4.00%	2.00%	3.33%
NextEra Energy, Inc.	6.40%	6.23%	6.00%	6.21%
Northeast Utilities	6.90%	6.36%	8.00%	7.09%
Otter Tail Corporation	NA	6.00%	15.00%	10.50%
Pinnacle West Capital Corporation	4.10%	4.28%	4.00%	4.13%
PNM Resources, Inc.	8.50%	8.39%	12.00%	9.63%
Portland General Electric Company	6.80%	11.21%	5.00%	7.67%
Southern Company	3.70%	3.64%	3.50%	3.61%
Westar Energy, Inc.	3.70%	2.90%	6.00%	4.20%
"Mean low" average:			<b>4.57%</b>	
Average of all estimates			5.67%	

2

3 **Q. WHAT ARE YOUR OBJECTIONS TO THE WAY MR. HEVERT SELECTS**  
 4 **GROWTH RATES ACROSS SOURCES IN ORDER TO CALCULATE HIS**  
 5 **"MEAN HIGH" AND "MEAN LOW" RESULTS?**

6 **A.** By using only one across-source estimate for each company in his "mean low" and  
 7 "mean high" calculations, Mr. Hevert inappropriately blends estimates to obtain averages  
 8 that have outlier characteristics and that do not represent the consensus of the estimates  
 9 he has obtained.

10

1 **Q. DO YOU BELIEVE THAT MR. HEVERT PRESENTS THE RESULTS BASED**  
2 **ON HIS CALCULATED GROWTH RATES IN A CLEAR MANNER?**

3 A. No. Mr. Hevert uses the “mean low”, “mean”, and “mean high” growth rates to calculate  
4 constant-growth DCF results that he presents as if they represent a true range. However,  
5 only the “mean” results are representative of the consensus of the estimates that Mr.  
6 Hevert has at his disposition.

7  
8 **Q. WHAT IS THE IMPACT OF THIS TECHNIQUE?**

9 The actual averages of the three sets of estimates that Mr. Hevert starts with are 5.34%  
10 (Zacks), 5.36% (First Call), and 5.97% (Value Line).<sup>7</sup> Between the lowest average  
11 (5.34%) and the highest average (5.97%), there is a spread of 63 basis points. By  
12 choosing across his sources in order to establish a “mean low” and “mean high”, Mr.  
13 Hevert establishes a new growth-rate range of 4.57% to 6.96%. The spread between this  
14 new range is now a phenomenal 239 basis points. This inappropriately large spread will  
15 carry over directly to the results of Mr. Hevert’s constant-growth DCF model, thus giving  
16 the impression that the range of Ameren Missouri’s cost of common equity is much  
17 greater than it otherwise would be.

18  
19 **Q. BUT DOESN’T MR. HEVERT MAKE THIS CLEAR IN HIS TESTIMONY?**

20 A. No. Mr. Hevert *never* presents or discusses the impact of the proxy-group growth  
21 averages calculated as a result of his “mean low” and “mean high” technique.  
22 Furthermore, he eliminates any reference to this technique between his initial

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<sup>7</sup> These averages are reported as calculated by Mr. Hevert in his Direct Testimony workpapers.

1 presentation of the results of his constant-growth DCF model and the summary of his  
2 DCF results presented at the end of his direct testimony.

3 The following table, which I have taken from Mr. Hevert's direct testimony,<sup>8</sup>  
4 shows his initial constant-growth DCF results. This table includes "mean low" and "mean  
5 high" headings:

**Table 3: Constant Growth DCF Results**

	<i>Mean Low</i>	<i>Mean</i>	<i>Mean High</i>
30-Day Average	8.44%	9.56%	10.87%
90-Day Average	8.50%	9.62%	10.93%
180-Day Average	8.61%	9.73%	11.04%

6  
7 However, when Mr. Hevert summarizes his results at the end of his testimony, there is a  
8 subtle difference in the information he presents, as seen in the following table:<sup>9</sup>

**Table 8a: Summary of DCF Results**

<b>Constant Growth DCF</b>	<i>Low</i>	<i>Mean</i>	<i>High</i>
30-Day Average	8.44%	9.56%	10.87%
90-Day Average	8.50%	9.62%	10.93%
180-Day Average	8.61%	9.73%	11.04%
<b>Multi-Stage DCF</b>	<i>Low</i>	<i>Mean</i>	<i>High</i>
30-Day Average	9.61%	9.93%	10.36%
90-Day Average	9.67%	10.00%	10.43%
180-Day Average	9.80%	10.13%	10.58%

9  
10 Mr. Hevert changes "mean low" to "low" and "mean high" to "high", giving the false  
11 impression that he is presenting a true range of estimates and a traditional mean.

<sup>8</sup> See Hevert Direct, p. 19, line 4

<sup>9</sup> See Hevert Direct, p. 42, line 14



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**Q. DOESN'T THE RANGE ESTABLISHED BY THE "LOW" AND "HIGH" ESTIMATES IN TABLE 8A FROM MR. HEVERT'S DIRECT TESTIMONY (PRESENTED ABOVE) CORRESPOND TO THE MEAN THAT HE PRESENTS?**

A. No, nor does Mr. Hevert claim this to be the case. However, since Mr. Hevert has chosen to eliminate all reference to "mean low" and "mean high" in his summary, a reader of Mr. Hevert's summary of DCF results (table 8a above) from his "conclusions and recommendation" section would have to remember details of Mr. Hevert's calculations that were explained over 20 pages earlier in his testimony in order to interpret the results correctly.

**Q. IF A READER WERE TO FORGET THAT THE "MEAN" ESTIMATES PRESENTED IN MR. HEVERT'S TABLE 8A WERE NOT THE ACTUAL MEANS OF THE LOW AND HIGH ESTIMATES, WOULD IT MATTER?**

A. Yes. The following table presents a calculation of the means of the low and high results from Mr. Hevert's Table 8a. I have enclosed the means of the low and high results in a box to emphasize that they were not presented by Mr. Hevert. I have also added the averages of all the estimates for illustrative purposes:

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Constant Growth DCF	Low	Mean	<u>Actual Mean of Low and High</u>	High
30-Day Average	8.44%	9.56%	<u>9.66%</u>	10.87%
90-Day Average	8.50%	9.62%	<u>9.72%</u>	10.93%
180-Day Average	8.61%	9.73%	<u>9.83%</u>	11.04%
Multi-Stage DCF	Low	Mean	<u>Actual Mean of Low and High</u>	High
30-Day Average	9.61%	9.93%	<u>9.99%</u>	10.36%
90-Day Average	9.67%	10.00%	<u>10.05%</u>	10.43%
180-Day Average	9.80%	10.13%	<u>10.19%</u>	10.58%
<b>Average of All Estimates</b>	<b>9.11%</b>	<b>9.83%</b>	<b><u>9.91%</u></b>	<b>10.70%</b>

All of the means of the ranges established by the low and high results are higher than the mean results that Mr. Hevert presents by an average of 8 basis points ( $9.91\% - 9.83\% = .08\%$ ). The average spread between the “low” results and the “mean” results is 72 basis points ( $9.83\% - 9.11\% = .72\%$ ). The average spread between the “mean” and “high” results is 87 basis points ( $10.70\% - 9.83\% = .87\%$ ). Therefore, the top “half” of the range that Mr. Hevert presents in his Table 8a is an average of 15 basis points *larger* than the bottom “half”. In percent, the top “half” of Mr. Hevert’s range is 20.8% *larger* than the bottom “half”.

**Q. FROM A PRACTICAL PERSPECTIVE, WHAT DOES THIS SIGNIFY?**

A. Return-on-equity estimates derived using the top “half” of Mr. Hevert’s range will be unreasonably high.

**Q. DOES THE FACT THAT MR. HEVERT PRESENTS BOTH A “MEAN LOW” RESULT AND A “MEAN HIGH” RESULT SOMEHOW BALANCE OUT?**

1 A. To answer this question, it is necessary to look at both the range of Mr. Hevert's final  
2 recommended ROE and the range of the results from all his calculations. The following  
3 table presents those ranges and their midpoints:

<b>Ranges of Mr. Hevert's Results</b>	<b>Low</b>	<b>Midpoint</b>	<b>High</b>
Mr. Hevert's Final Recommended Range:	10.20%	10.40%	10.60%
Range of all of Mr. Hevert's Results	8.44%	10.18%	11.92%

4  
5 Since the midpoint of the range of Mr. Hevert's final recommended range (10.40%) is  
6 higher than the midpoint of the range of all his estimates (10.18%) and, in addition, is  
7 significantly higher than the average of all of the "mean" results of both his constant-  
8 growth and multi-stage DCF models (9.83%), I believe that Mr. Hevert's "mean high"  
9 results inappropriately influenced his final recommendation more than his "mean low"  
10 results did.

11  
12 **Q. PLEASE SUMMARIZE THE EFFECT OF MR. HEVERT'S GROWTH-RATE**  
13 **CALCULATIONS.**

14 Mr. Hevert uses growth rate estimates selected across his sources in order to establish a  
15 range that has outlier characteristics and that does not represent the consensus of the  
16 estimates that he has at his disposition. The components of that range are not calculated  
17 with comparable techniques, nor do they have the mathematical relationship that a low,  
18 mean, and high estimate should have with each other.

19 Mr. Hevert's mean return-on-equity calculation is based reasonably on the  
20 average of growth estimates from three different sources. However, the false range that

1 Mr. Hevert wraps around that mean is based on “mean low” and “mean high” estimates,  
2 which were each derived from only one growth estimate, chosen across his sources.

3 Mr. Hevert presents his results in his “conclusions and recommendation” section  
4 without reference to the different technique used to obtain his “range”.  
5

6 **Q. IS MR. HEVERT’S “MEAN HIGH” CALCULATED GROWTH RATE**  
7 **REALISTIC?**

8 A. No. His “mean high” growth rate is 6.96%. It is important to remember that the constant-  
9 growth DCF model projects growth in perpetuity. Therefore, Mr. Hevert makes one of his  
10 constant-growth DCF calculation based on the “mean high” growth rate with the  
11 assumption that the companies in his proxy group will grow in perpetuity at the  
12 extremely high average rate of 6.96%. This implies that Mr. Hevert’s proxy group will  
13 grow faster in perpetuity than the economy in which it operates.  
14

15 **Q. IS MR. HEVERT’S “MEAN HIGH” GROWTH RATE SIGNIFICANTLY**  
16 **HIGHER THAN ANY OTHER AVERAGE GROWTH RATE HE USES IN HIS**  
17 **CONSTANT-GROWTH OR MULTI-STAGE DCF CALCULATIONS?**

18 A. Yes. The next-highest average growth rate he uses is 5.71%, which he uses for the  
19 terminal stage of his multi-stage DCF model. 5.71% is Mr. Hevert’s estimate of GDP  
20 growth. This value is significantly lower than the 6.96% “mean high” growth rate used by  
21 Mr. Hevert.  
22

1 **Q. IS THE TERMINAL STAGE OF THE MULTI-STAGE DCF MODEL**  
2 **COMPARABLE TO THE CONSTANT-GROWTH DCF MODEL?**

3 A. Yes. The constant-growth DCF model, also known as the Gordon Growth model, can be  
4 used to establish the terminal value of the stock in the third stage of the multi-stage  
5 model. Mr. Hevert uses this technique and describes it in his direct testimony:

6 I calculated the terminal price based on the Gordon model,  
7 which defines the price as the expected dividend divided by the  
8 difference between the cost of equity (i.e., the discount rate) and the  
9 long-term expected growth rate. In essence, the terminal price is  
10 defined by the present value of the remaining "cash flows" in  
11 perpetuity.<sup>10</sup>

12  
13 Mr. Hevert uses 5.71% as the average perpetual growth rate in his multi-stage DCF  
14 model. But he uses 6.96% as the average "mean high" perpetual growth rate in his  
15 constant-growth DCF model, and does so without ever presenting that rate or  
16 commenting on its reasonableness. This is inappropriate.

17  
18 **Q. WHY IS THIS INAPPROPRIATE?**

19 It is normal for an analyst to use different rates for the constant-growth DCF model and  
20 the terminal stage of the multi-stage DCF model; however, as both rates are being used to  
21 project growth in perpetuity, when they differ significantly, that difference cannot simply  
22 be ignored, as Mr. Hevert has done by not analyzing that difference at all. As I will show  
23 later, the different constant-growth rates that Mr. Hevert uses in his constant-growth DCF  
24 model cause his constant-growth DCF results to vary by 2.43%. Clearly, results from the  
25 same model that vary by 2.43% are worthy of scrutiny.

---

<sup>10</sup> See Hevert Direct, p. 20, lines 1-5.

1  
2 **Q. DOES ANY OTHER RATE-OF-RETURN WITNESS IN THE PRESENT CASE**  
3 **USE AVERAGE PERPETUAL GROWTH RATES THAT CONTAIN AS MUCH**  
4 **VARIABILITY AS MR. HEVERT'S DO?**

5 A. No. The following table shows the average perpetual growth rates used in the constant-  
6 growth DCF model and stage three (the terminal stage) of the multi-stage DCF model:

Proxy-Group Average Growth Rates Used in Perpetual Growth Calculations		
	<u>Constant-Growth DCF</u>	<u>Terminal Growth in Multi-Stage DCF</u>
Mr. Hevert	4.57%, 5.67%, 6.96%	5.71%
Mr. Schafer	5.03%	4.86%
Mr. Gorman	5.05%	4.60%
Mr. Murray	3.5% to 4.5%	3.00% to 4.00%

7  
8 Mr. Gorman's average perpetual growth rates differ by 45 basis points (5.05% - 4.60% =  
9 .45). My average perpetual growth rates differ by 27 basis points (5.03% - 4.86% = .27).  
10 Mr. Murray's average perpetual growth rates present a range that differs by 50 basis  
11 points (3.5% - 3.0% = .50; 4.5% - 4.0% = .50). In sharp contrast, Mr. Hevert's average  
12 perpetual growth rates differ by 114 basis points (5.71% - 4.57%), 4 basis points (5.71% -  
13 5.67%) and 125 basis points (6.96% - 5.71%).

14 Furthermore, if I limit this comparison to the average perpetual growth rates used  
15 only in the constant-growth DCF model, Mr. Gorman and I present no variability, while  
16 Mr. Murray's range covers 100 basis points (4.5% - 3.5% = 1%). Again in sharp  
17 contrast, Mr. Hevert's "mean low" and "mean high" estimates are separated by 239 basis  
18 points (6.96% - 4.57% = 2.39%).  
19

1 **Q. WHY IS IT IMPORTANT TO CONSIDER THE DIFFERENCE IN THE**  
2 **AVERAGE PERPETUAL GROWTH RATES?**

3 A. DCF models are extremely sensitive to perpetual growth rates. As I showed above, Mr.  
4 Hevert uses “mean low” and “mean high” average perpetual growth rates for his  
5 constant-growth DCF model that are separated by a range of 239 basis points. This  
6 unreasonable range carries over to his constant-growth DCF return-on-equity results. The  
7 following table summarizes those results and presents the spread between the low and  
8 high estimates:

**Mr. Hevert's Constant-Growth DCF Results**

	"Mean Low"	Mean	"Mean High"	Spread Between "Mean Low" and "Mean High" Results
<b>30-Day Average</b>	8.44%	9.56%	10.87%	2.43%
<b>90-Day Average</b>	8.50%	9.62%	10.93%	2.43%
<b>180-Day Average</b>	8.61%	9.73%	11.04%	2.43%

9

10 Mr. Hevert’s use of his “mean low” and “mean high” growth rate estimates  
11 inappropriately leads to ROE results that differ by 243 basis points.

12

13 **Q. HAVE OTHER RATE-OF-RETURN WITNESSES IN THIS CASE STATED THE**  
14 **IMPORTANCE OF COMPARING AVERAGE PERPETUAL GROWTH RATES?**

15 A. Yes. Mr. Gorman states the following:

16 The constant growth DCF analysis for my proxy group is  
17 based on a long-term sustainable growth rate of 5.05%. This growth  
18 rate is higher than my estimate of a maximum long-term sustainable  
19 growth rate of 4.6% [which Mr. Gorman uses in his multi-stage DCF

1 model]. Therefore, I believe the constant growth DCF analysis  
2 produces slightly overstated return estimates.<sup>11</sup>  
3

4 Mr. Gorman judged it necessary to state that the results of his constant-growth  
5 DCF were “slightly overstated” due to a difference in average perpetual growth rates of  
6 45 basis points. Mr. Hevert’s perpetual growth rates used in the same two models differ  
7 by as much as 125 basis points, but he chooses not to comment on the effect those growth  
8 rates have on his results.  
9

10 **Q. WHAT CHANGES SHOULD BE MADE TO MR. HEVERT’S CONSTANT-**  
11 **GROWTH DCF MODEL?**

12 **A.** All calculations based on his “mean low” and “mean high” growth rates should be  
13 discarded.  
14

15 **Q. WITHOUT MAKING ANY OTHER CHANGES, PLEASE PRESENT MR.**  
16 **HEVERT’S CONSTANT-GROWTH DCF RESULTS WITHOUT THE “MEAN**  
17 **LOW” AND “MEAN HIGH” CALCULATIONS.**

18 **A.** The following table summarizes Mr. Hevert’s constant-growth DCF results without the  
19 “mean low” and “mean high” calculations:<sup>12</sup>

<b>Constant Growth DCF</b>	<b>Mean</b>
30-Day Average	9.56%
90-Day Average	9.62%
180-Day Average	9.73%

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<sup>11</sup> See Gorman Direct, p. 18, lines 12-15.

<sup>12</sup> See Hevert Direct, p. 42, line 14.



1           Therefore, the range of estimates is from 9.56% to 9.73%. Previously, with the “mean  
2           low” and “mean high” calculations, the range was from 8.44% to 11.04%.

3  
4           **MR. HEVERT’S MULTI-STAGE DCF MODEL**

5  
6           **Q.    DOES MR. HEVERT USE THE SAME ‘MEAN LOW’ AND ‘MEAN HIGH’**  
7           **GROWTH RATES DESCRIBED ABOVE IN HIS MULTI-STAGE DCF MODEL?**

8           A.    Yes, he does.

9  
10          **Q.    ARE YOU ALSO RECOMMENDING THAT THE RESULTS OF HIS MULTI-**  
11          **STAGE DCF MODEL BASED ON THE “MEAN LOW” AND “MEAN HIGH”**  
12          **GROWTH RATES BE REJECTED?**

13          A.    Yes, I am.

14  
15          **Q.    USING MR. HEVERT’S ORIGINAL DIRECT TESTIMONY PROXY GROUP,**  
16          **PLEASE PRESENT MR. HEVERT’S MULTI-STAGE DCF RESULTS**  
17          **WITHOUT THE “MEAN LOW” AND “MEAN HIGH” CALCULATIONS.**

18          A.    The following table summarizes Mr. Hevert’s multi-stage DCF results without the “mean  
19          low” and “mean high” calculations:<sup>13</sup>

20  

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<sup>13</sup> See Hevert Direct, p. 42, line 14.

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19

Multi-Stage DCF	Mean
30-Day Average	9.93%
90-Day Average	10.00%
180-Day Average	10.13%

Therefore, the range of estimates is from 9.93% to 10.13%. Previously, with the “mean low” and “mean high” calculations, the range was from 9.61% to 10.58%.

**Q. WHAT ADDITIONAL CONCERNS DO YOU HAVE WITH MR. HEVERT’S MULTI-STAGE DCF MODEL?**

A. First, the timing of Mr. Hevert’s forecasted dividend payments is incorrect. Second, Mr. Hevert uses a payout-ratio forecast that unjustifiably increases his dividend growth rates. Third, Mr. Hevert uses an estimate of GDP for his terminal growth rate that is significantly higher than estimates from reliable sources.

**Q. PLEASE EXPLAIN WHY THE TIMING OF MR. HEVERT’S FORECASTED DIVIDEND PAYMENTS IS INACCURATE.**

A. Mr. Hevert incorrectly forecasts a year’s worth of dividend payments over a period of only 6 months. This unreasonably doubles the amount of dividends that should be received during the concerned period. The following table comes from Mr. Hevert’s direct testimony workpapers:<sup>14</sup>

---

<sup>14</sup> See Hevert Direct Schedule RBH-2. The pages of this Schedule are not numbered correctly, but the error in question is featured on all ten pages, even if the amounts differ slightly.

1

Projected Annual Data

Investor Cash Flows		[64]	[65]	[66]	[67]	[68]
		Initial				
Company	Ticker	Outflow	5/30/14	12/31/14	6/30/15	6/30/16
American Electric Power Company, Inc.	AEP	(\$50.54)	\$0.00	\$1.21	\$2.18	\$2.27
Cleco Corporation	CNL	(\$49.91)	\$0.00	\$0.96	\$1.89	\$2.07
Duke Energy Corporation	DUK	(\$71.04)	\$0.00	\$1.83	\$3.05	\$3.04
Empire District Electric Company	EDE	(\$23.73)	\$0.00	\$0.56	\$0.98	\$1.00
Great Plains Energy Inc.	GXP	(\$25.93)	\$0.00	\$0.48	\$0.97	\$1.08
Hawaiian Electric Industries, Inc.	HE	(\$24.85)	\$0.00	\$0.66	\$1.27	\$1.38
IDACORP, Inc.	IDA	(\$54.47)	\$0.00	\$0.91	\$1.86	\$2.05
NextEra Energy, Inc.	NEE	(\$94.09)	\$0.00	\$1.59	\$3.05	\$3.29
Northeast Utilities	NU	(\$44.89)	\$0.00	\$0.74	\$1.39	\$1.50
Otter Tail Corporation	OTTR	(\$29.41)	\$0.00	\$0.67	\$1.17	\$1.21
Pinnacle West Capital Corporation	PNW	(\$54.53)	\$0.00	\$1.27	\$2.42	\$2.59
PNM Resources, Inc.	PNM	(\$26.51)	\$0.00	\$0.44	\$0.93	\$1.06
Portland General Electric Company	POR	(\$31.86)	\$0.00	\$0.79	\$1.43	\$1.51
Southern Company	SO	(\$43.16)	\$0.00	\$1.25	\$2.19	\$2.25
Westar Energy, Inc.	WR	(\$34.62)	\$0.00	\$0.76	\$1.47	\$1.59

2

3

In the table above, the dates listed for columns [65], [66], and [67] are 5/30/14, 12/31/14,

4

and 6/30/15, respectively. From column [67] on (not shown in its entirety here, but the

5

columns in Mr. Hevert's Schedules extend until column [80]), the dates are annual:

6

6/30/15, 6/30/16, 6/30/17, etc. Between the dates 12/31/14 (column [66]) and 6/30/15

7

(column [67]), Mr. Hevert projects that investors will receive a full year's worth of

8

dividend payments. This clearly cannot be the case.

9

10 Q.

**DOES MR. HEVERT MAKE THIS DIVIDEND PAYMENT TIMING ERROR IN**

11

**EVERY VERSION OF THE MULTI-STAGE DCF MODEL THAT HE**

12

**PRESENTS?**

13

A. Yes.

14

1 **Q. CAN YOU CORRECT MR. HEVERT'S DIVIDEND PAYMENT TIMING**  
2 **ERROR WITHOUT CHANGING ANY OTHER ASPECT OF HIS**  
3 **CALCULATION?**

4 A. Yes. Using Mr. Hevert's own dividend payment convention, by which he calculates the  
5 quantity of dividends to be paid for periods of less than one year by the number of days in  
6 the period, I have simply corrected this one error and changed nothing else in his model  
7 in order to see what effect this error has on his results.<sup>15</sup>

8  
9 **Q. WHAT EFFECT DOES THIS DIVIDEND PAYMENT TIMING ERROR HAVE**  
10 **ON MR. HEVERT'S MULTI-STAGE DCF MODEL?**

11 A. The following table shows the difference between Mr. Hevert's mean multi-stage DCF  
12 results before and after the dividend payment timing error correction (see Rebuttal  
13 Schedule LCS-1):

<b>Multi-Stage DCF</b>	<b>Mean (with error)</b>	<b>Mean (corrected Dividend Payment Timing Error)</b>
30-Day Average	9.93%	9.85%
90-Day Average	10.00%	9.92%
180-Day Average	10.13%	10.05%

14  
15 Mr. Hevert's dividend payment timing error creates an average upward error in his  
16 calculated return-on-equity results of 8 basis points (average of the three estimates with  
17 error: 10.02%. Average of the three estimates after correction: 9.94%.  $10.02\% - 9.94\% =$   
18  $.08\%$ ).

19  

---

<sup>15</sup> For Mr. Hevert's dividend payment convention, see Mr. Hevert's Direct Testimony workpapers, Schedule RBH-2 (see the excel formula in cells E95 through E109).

1 **Q. EARLIER YOU STATED THAT YOU ALSO IDENTIFIED AN ERROR IN MR.**  
2 **HEVERT'S USE OF A FORECASTED PAYOUT RATIO IN HIS MULTI-STAGE**  
3 **DCF MODEL. PLEASE DESCRIBE THE PAYOUT RATIO.**

4 A. The payout ratio is the proportion of a company's earnings that is paid out to the  
5 shareholders. It is important to think of the payout ratio in relation to the retention ratio,  
6 which is the proportion of earnings that a company keeps in order to grow the business.  
7 These two must logically sum to 100%.

8  
9 **Q. HOW DOES MR. HEVERT'S USE OF A FORECASTED PAYOUT RATIO**  
10 **LEAD TO ERRORS IN HIS MODEL?**

11 A. Mr. Hevert increases the payout ratio with no consideration of the fact that the  
12 corresponding retention ratio must also be decreased.

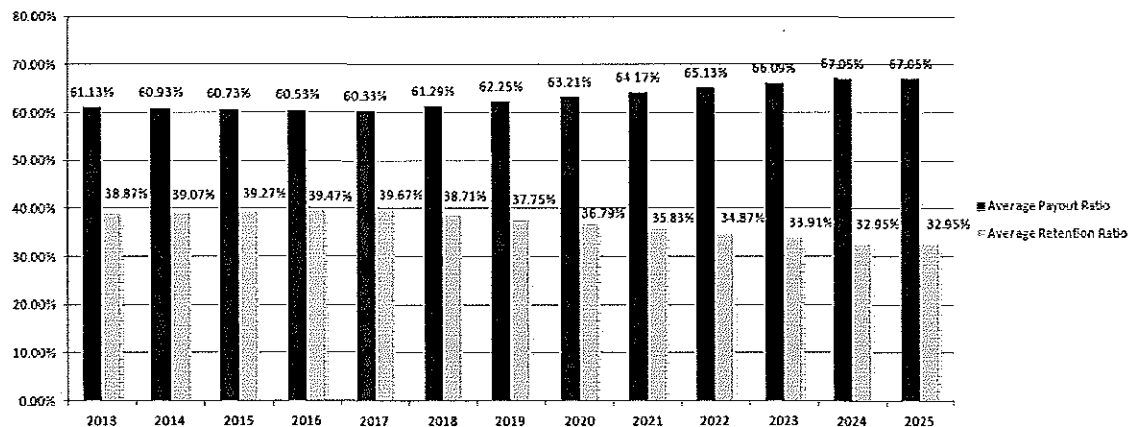
13  
14 **Q. PLEASE EXPLAIN.**

15 A. Mr. Hevert establishes the growth rates that he uses for his proxy group in the three  
16 stages of his multi-stage DCF model *before* he includes any consideration of a change in  
17 payout ratio. He uses these growth rates to forecast earnings over the period covered by  
18 his model. Only *after* Mr. Hevert applies his growth rates in order to forecast earnings  
19 does he then introduce the payout-ratio forecast. Mr. Hevert multiplies the earnings that  
20 he forecasts with his growth rates by payout ratios forecasted by Value Line and payout  
21 ratios that he believes his proxy group will revert to over the long term. The results of  
22 these calculations produce the forecasted dividend payments.

1           The problem is that while Mr. Hevert increases the payout ratio, he does not take  
2           into consideration that increasing the payout ratio decreases the retention ratio.  
3           Decreasing the retention ratio will then decrease the amount of earnings that a company  
4           retains in order to grow. Mr. Hevert never returns to the growth rates that he uses to  
5           forecast earnings in order to adjust them downward to reflect the decrease in retention  
6           ratio. By adjusting the payout ratio up but never adjusting the growth rates down to  
7           reflect the decrease in retention ratio, Mr. Hevert's forecasted dividend growth increases  
8           much higher than it reasonably would be able to.

9           The following series of charts show Mr. Hevert's payout-ratio forecast and its  
10          effects. The first chart shows the payout ratios that Mr. Hevert includes in his multi-stage  
11          DCF model (I have added the corresponding retention ratios):

**Proxy Group Average Payout Ratios Used by Mr. Hevert For His Multi-Stage DCF  
Calculations**  
Shown with the Corresponding Retention Ratios

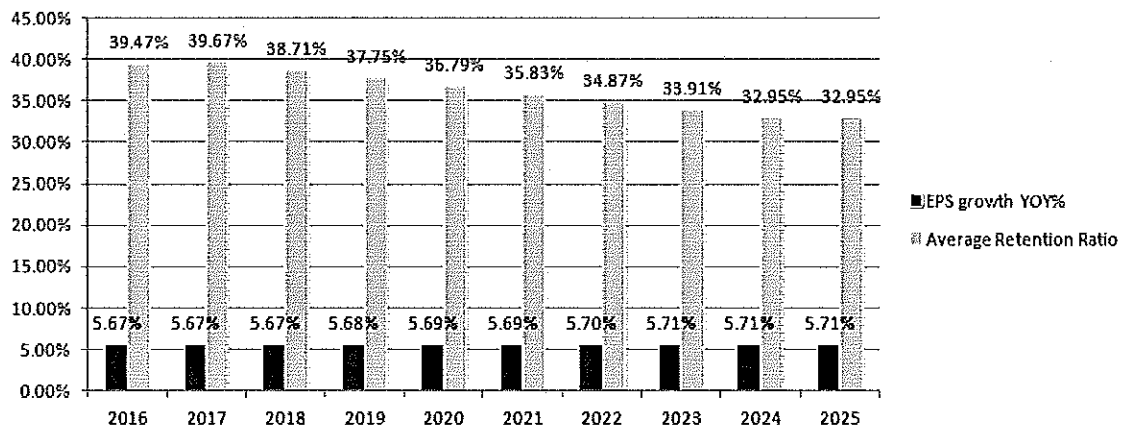


12          The payout ratio begins at 61.13% and increases to 67.05%, while the corresponding  
13          retention ratio begins at 38.87% and decreases to 32.95%.

14          The next chart shows the average earnings (EPS) growth that Mr. Hevert uses in  
15          his multi-stage DCF model juxtaposed with the retention ratio that is implied from Mr.  
16

1 Hevert's payout ratio forecast (note: the following charts begin at year 2016 because the  
2 2015-2016 year is the first year unaffected by Mr. Hevert's previous dividend payment  
3 timing error):

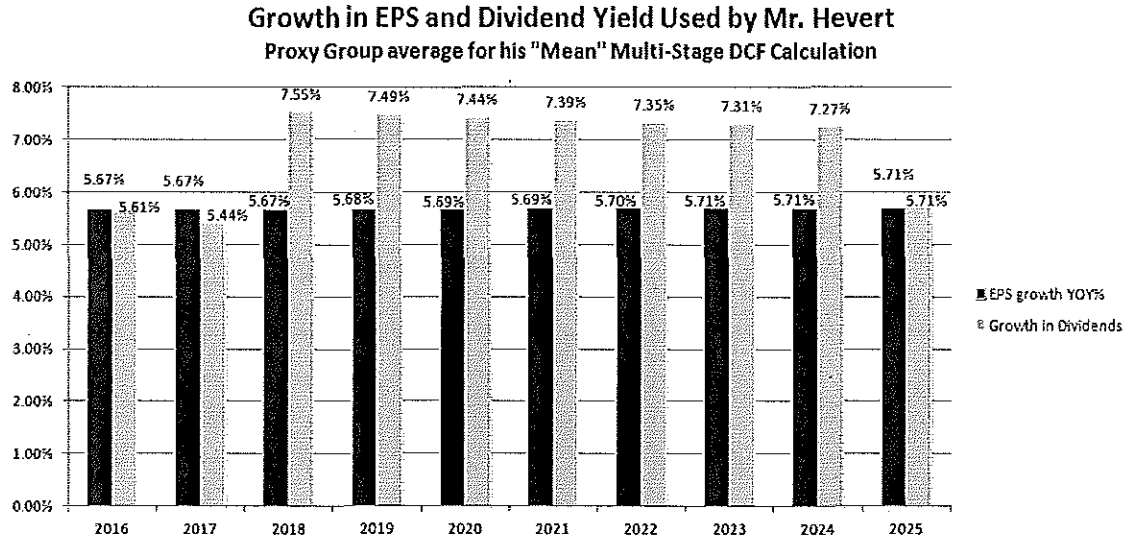
**EPS Growth and Average Retention Ratio Used by Mr. Hevert**  
EPS Growth Proxy Group average used for his "Mean" Multi-Stage DCF  
Calculation



4  
5 In year 2016, Mr. Hevert's proxy group will retain 39.47% of its earnings in order to  
6 foster growth and will grow at a rate of 5.67%. By 2024, Mr. Hevert's proxy group will  
7 retain only 32.95% of its earnings, yet will grow at 5.71%. In Mr. Hevert's model, a  
8 decrease in retained earnings of 6.52% somehow leads to 4 basis points worth of earnings  
9 growth. It is important to remember that the retention ratio represents that portion of  
10 earnings that a company retains in order to grow the business. It is illogical for a  
11 company's growth to increase over the long term while, at the same time, that company  
12 retains less and less earnings with which to foster growth. However, that is exactly what  
13 Mr. Hevert has forecast.

14 The next chart shows the effect of increasing the payout ratio without decreasing  
15 the earnings growth rate to reflect the decreasing retention ratio. Earnings growth remains

1 where it was before the change in payout ratio, and the dividend growth rate increases to  
2 reflect the higher payout ratios:

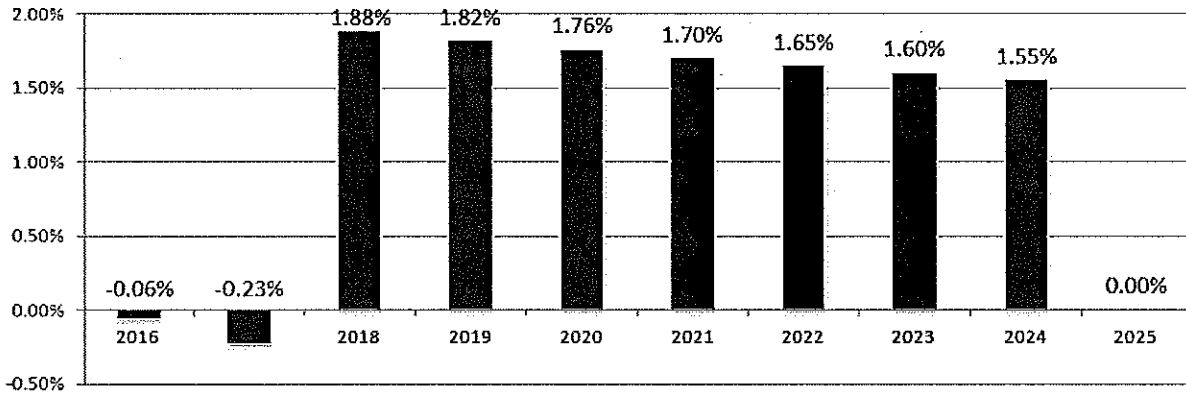


3  
4 In the chart above, the differences in EPS growth and dividend growth are caused by Mr.  
5 Hevert's payout-ratio forecast. In Mr. Hevert's model, earnings growth never decreases  
6 due to a decreasing retention ratio, yet dividend growth mainly increases because of Mr.  
7 Hevert's forecasted payout ratios.

8 Finally, the following chart shows how much dividend growth Mr. Hevert was  
9 unreasonably able to create by changing the payout ratios used in his multi-stage DCF  
10 model as described above. This chart represents the difference between the growth in  
11 dividends and the EPS growth presented in the preceding chart:



**Proxy Group Change in Dividend Growth *Relative to EPS*  
Growth as a result of Mr. Hevert's Payout-Ratio Forecast  
Based on Mr. Hevert's "Mean" multi-stage DCF Calculation**



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The amounts shown in the chart above should not have been included in Mr. Hevert's model.

**Q. HAS MR. HEVERT EVER PROVIDED HISTORICAL EVIDENCE THAT EARNINGS ACTUALLY INCREASE AS THE RETENTIO RATIO DECREASES?**

A. Yes. In his Rebuttal Testimony for Ameren Missouri Case No. ER-2012-0166, Mr. Hevert cites three articles that challenge the idea that high dividend payout ratios are followed by periods of low earnings growth.<sup>16</sup> Arnott and Asness, the authors of the main article cited, indeed found *historical* evidence that "strongly suggests that expected earnings growth is fastest when current payout ratios are high and slowest when payout ratios are low."<sup>17</sup> However, using this information in order to justify a payout-ratio

<sup>16</sup> See Hevert Rebuttal, ER-2012-0166, p. 81, lines 9-13.

1 forecast that features lower retention ratios and higher earnings would be completely  
2 misguided. As authors Arnott and Asness state in regard to the statistically strong  
3 historical relationship between high payout ratios and high growth,

4 We found that the empirical facts conform to a world in which  
5 managers possess private information that causes them to pay out a  
6 large share of earnings when they are optimistic that dividend cuts  
7 will not be necessary and to pay out a small share when they are  
8 pessimistic, perhaps so that they can be confident of maintaining the  
9 dividend payouts.<sup>18</sup>

10  
11 Clearly, it would be a mistake to believe that because high payout ratios have historically  
12 been *correlated* with periods of faster earnings growth that high payout ratios *cause*  
13 faster earnings growth.

14  
15 **Q. CAN YOU REMOVE THE EFFECT OF MR. HEVERT'S PAYOUT-RATIO**  
16 **FORECAST FROM HIS MULTI-STAGE DCF MODEL?**

17 **A.** Yes, I can. Mr. Hevert forecasts earnings in order to derive the cash flows (dividends) by  
18 multiplying earnings by the payout ratio. I have removed the earnings forecast and  
19 payout-ratio forecast from Mr. Hevert's model and I have input instead, as a starting  
20 point for the forecast, the 2013 historical annual dividend payments as reported by Value  
21 Line. The only other elements I have eliminated from Mr. Hevert's original models are  
22 the error in dividend payment timing described earlier and the flawed "mean low" and  
23 "mean high" calculations.

24  

---

<sup>17</sup> Asness, Clifford & Arnott, Robert. "Surprise: Higher Dividends = Higher Earnings Growth". *Financial Analysts Journal*, Vol. 59, No. 1, January/February 2003.

<sup>18</sup> *Ibid.* p. 84.

1 **Q. WHAT ARE THE COMBINED EFFECTS OF THE DIVIDEND PAYMENT**  
2 **TIMING ERROR AND THE PAYOUT-RATIO FORECAST?**

3 A. The following table presents Mr. Hevert's original "mean" multi-stage DCF results and  
4 the "mean" multi-stage DCF results after the two errors have been corrected (see Rebuttal  
5 Schedule LCS-2):

Multi-Stage DCF	Mean (with errors)	Mean (corrected)
30-Day Average	9.93%	9.74%
90-Day Average	10.00%	9.80%
180-Day Average	10.13%	9.92%

6  
7 The average result of the three estimates before the errors are removed is 10.02%. The  
8 average result of the three estimates after the two errors are removed is 9.82%. The  
9 dividend payment timing error and the payout-ratio forecast are thus responsible for 20  
10 basis points ( $10.02 - 9.82\% = .20\%$ ) of upward bias in Mr. Hevert's multi-stage DCF  
11 results.

12  
13 **Q. PLEASE EXPLAIN THE CONCERNS YOU HAVE WITH THE ESTIMATE OF**  
14 **GDP MR. HEVERT USES FOR HIS TERMINAL GROWTH RATE.**

15 A. Mr. Hevert's estimate of GDP growth comes from the average historical real GDP  
16 growth rate from 1929 to 2013 of 3.27%, which is then combined with a forecasted  
17 inflation rate of 2.37% to calculate his terminal growth rate.<sup>19</sup> Mr. Hevert is the only rate  
18 of return analyst in this case who relied entirely on historical real GDP data for this  
19 calculation.

20  

---

<sup>19</sup> See Hevert Direct, p. 22, lines 4-5.

1 **Q. DID MR. HEVERT EXPLAIN WHY HE RELIED ON HISTORICAL REAL GDP**  
2 **DATA TO CALCULATE HIS TERMINAL GROWTH RATE?**

3 A. Yes. Mr. Hevert states “in essence, my real GDP growth rate projection is based on the  
4 assumption that absent specific knowledge to the contrary, it is reasonable to assume that  
5 over time, real GDP growth will revert to its long-term mean.”<sup>20</sup>

6  
7 **Q. ARE MULTIPLE ESTIMATES OF GDP FROM RELIABLE SOURCES**  
8 **AVAILABLE THAT MR. HEVERT COULD HAVE UTILIZED?**

9 A. Yes. For example, I use estimates from the U.S. Energy Information Administration, the  
10 Congressional Budget Office, and the Organisation for Economic Co-operation and  
11 Development,<sup>21</sup> Mr. Gorman uses GDP estimates from Blue Chip Economic Indicators.<sup>22</sup>  
12 Mr. Murray references GDP projections from the Federal Reserve Board Members and  
13 the Federal Reserve Bank Presidents.<sup>23</sup>

14  
15 **Q. IS THERE REASON TO BELIEVE THAT GDP WILL BE LOWER THAN THE**  
16 **HISTORICAL AVERAGE?**

17 A. Yes. For example, the Congressional Budget Office states in *The Budget and Economic*  
18 *Outlook: 2014 to 2024* that “beyond 2017, CBO expects that economic growth will

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<sup>20</sup> See Hevert Direct, p. 23, lines 3-5.

<sup>21</sup> See Schafer Direct, p. 25, lines 7-9.

<sup>22</sup> See Gorman Direct, p. 24, lines 3-18.

<sup>23</sup> See Murray Direct, p. 14, lines 14-17.

1 diminish to a pace that is well below the average seen over the past several decades.”<sup>24</sup>

2 The forecasts of GDP growth provided by the U.S. Energy Information Administration  
3 (covering 2014 to 2040), the Economic Report of the President (covering 2014-2020),  
4 and the International Monetary Fund (covering 2014 to 2019) are also all lower than the  
5 historical average growth in GDP.<sup>25</sup>

6  
7 **Q. IS THE 2014 TO 2024 TIME PERIOD MENTIONED ABOVE RELEVANT TO**  
8 **THE THIRD STAGE OF THE MULTI-STAGE DCF MODELS USED IN THIS**  
9 **CASE?**

10 **A.** Yes. During his Rebuttal Testimony for Ameren Missouri Case no. ER-2012-0166, Mr.  
11 Hevert takes issue with MIEC witness Mr. Gorman’s multi-stage DCF model because  
12 “Mr. Gorman’s model assumes a terminal growth rate *beginning* in year eleven based on  
13 a GDP growth rate projection that actually *ends* in the eleventh year of his study  
14 period.”<sup>26</sup> Mr. Hevert and I agree that the relevant estimate of GDP should cover the  
15 period beginning at year 11 of the multi-stage model.

16 However, the second stage of the multi-stage DCF model, which covers years 6  
17 through 10, uses growth rates that transition from the stage-one growth rates to the  
18 terminal growth rate. In other words, the terminal growth rate used for stage three  
19 influences the multi-stage DCF model starting at the beginning of stage two (year 6). Mr.

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<sup>24</sup> <http://www.cbo.gov/publication/45010>

<sup>25</sup> See the U.S. Energy Information Administration, Annual Energy Outlook 2014  
([http://www.eia.gov/forecasts/aeo/pdf/0383\(2014\).pdf](http://www.eia.gov/forecasts/aeo/pdf/0383(2014).pdf)); The Economic Report of the President 2014  
(<http://www.gpo.gov/fdsys/pkg/ERP-2014/pdf/ERP-2014.pdf>); <http://knoema.com/IMFWEO2014Oct/imf-world-economic-outlook-october-2014>.

<sup>26</sup> See Hevert Rebuttal ER-2014-0166, p. 84, lines 7-9.

1 Hevert uses an estimate of GDP for his stage-three growth rate that is based on the  
2 historical average real GDP, which also causes his growth rates in stage two to reflect  
3 historical averages rather than estimates of economic conditions for that period. Since we  
4 have estimates of economic conditions from reliable sources for the period of 2019 to  
5 2024, that information can be used to judge the reasonableness of the stage two growth  
6 rates.

7  
8 **Q. IS IT YOUR OPINION THAT THE WAY THE STAGE-TWO GROWTH RATE**  
9 **IS CALCULATED SHOULD BE CHANGED?**

10 No. I am certainly not arguing that the technique used to calculate stage-two growth rates  
11 be changed. However, it is important to analyze the impact that growth rates have on the  
12 model. The following chart presents the growth rates that Mr. Hevert and I applied to  
13 earnings and dividends, respectively, for the second and third stages of our multi-stage  
14 DCF models:

15

	Stage Two			Stage Three		
	6	7	8	9	10	11
Mr. Hevert's Growth Rates	5.68%	5.69%	5.69%	5.70%	5.71%	5.71%
Mr. Schafer's Growth Rates	5.00%	4.97%	4.94%	4.91%	4.89%	4.86%

16  
17 As can be seen in the table above, Mr. Hevert's choice of stage-three growth rate  
18 causes his stage-two growth rates to be very close to the historical average, even though  
19 the GDP estimates from reliable sources cited by three of the four rate-of-return  
20 witnesses in this case are significantly lower for that time period (2019-2024).

1 **Q. IS MR. HEVERT GENERALLY OPPOSED TO USING ESTIMATES THAT ARE**  
2 **NOT BASED ON HISTORICAL DATA?**

3 A. No. He uses forecasted 30-year Treasury rates from Blue Chip Economic Indicators for  
4 both his CAPM and bond-yield-plus-risk-premium analyses,<sup>27</sup> earnings growth estimates  
5 from Bloomberg and Value Line to calculate the market risk premium for his CAPM,<sup>28</sup>  
6 earnings growth estimates from Value Line, Zacks, and First call to use as inputs for his  
7 constant-growth and multi-stage DCF models,<sup>29</sup> and payout-ratio forecasts from Value  
8 Line for his multi-stage DCF model.<sup>30</sup>

9  
10 **Q. IS IT GENERALLY MR. HEVERT'S POLICY TO ASSUME THAT ESTIMATES**  
11 **WILL REVERT TO HISTORICAL AVERAGES WITHOUT ANALYZING**  
12 **THEM IN THE CONTEXT OF CURRENT ECONOMIC INFORMATION?**

13 A. No. In his direct testimony, Mr. Hevert states

14                   While I appreciate that all analyses require an element of  
15 judgment, the application of that judgment must be made in the  
16 context of the quantitative and qualitative information available to  
17 the analyst and the capital market environment in which the  
18 analyses were undertaken.<sup>31</sup>

19  
20 Despite this, when it is a question of the most important growth rate used in the multi-  
21 stage DCF model, Mr. Hevert curiously finds that a mere "assumption" is appropriate,

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<sup>27</sup> See Hevert Direct, Schedule RBH-5 and Schedule RBH-6, p. 1 of 19.

<sup>28</sup> See Hevert Direct, p.26, lines 11-19.

<sup>29</sup> See Hevert Direct, p. 18, lines 11-14, and p. 20, line 9.

<sup>30</sup> See Hevert Direct, p. 23, lines 12-13.

<sup>31</sup> See Hevert Direct, p. 41, lines 17-20.

1 without any analysis of the growth rate in the context of the current capital market  
2 environment.

3  
4 **Q. YOU ALSO RELY ON A HISTORICAL ESTIMATE OF REAL GDP IN YOUR**  
5 **ANALYSES. WHAT ARE THE DIFFERENCES IN THE WAY YOU AND MR.**  
6 **HEVERT USE THE AVERAGE HISTORICAL GDP IN YOUR DIRECT**  
7 **TESTIMONY?**

8 A. As I explain in my direct testimony, the terminal-stage growth rate covers a period of  
9 roughly 20 years.<sup>32</sup> Since the terminal stage starts in year 11 of the multi-stage DCF  
10 model, the relevant forecast period for GDP approximately covers the period starting 11  
11 years from now and ending 33 years from now. Although I had estimates of GDP that  
12 covered the entire time period, I did not have multiple estimates for the last five years of  
13 that time period. Therefore, I reverted to the historical average for the last five years only.  
14 In contrast, Mr. Hevert unreasonably used a historical estimate of GDP for the entire  
15 period.

16  
17 **Q. PLEASE PRESENT THE TERMINAL-STAGE GROWTH RATES THAT WERE**  
18 **USED IN THE MULTI-STAGE DCF MODELS BY THE RATE-OF-RETURN**  
19 **WITNESSES IN THIS CASE.**

20 A. The following table presents the terminal-stage growth rates used in the multi-stage DCF  
21 models of the rate-of-return witness who filed direct testimony in this case:  
22

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<sup>32</sup> See Schafer Direct, p. 25, lines 19-20 and p. 26, lines 1-4.



Terminal Growth Rates Used in the Multi-Stage DCF Models	
Mr. Hevert	5.71%
Mr. Schafer	4.86%
Mr. Gorman	4.60%
Mr. Murray	3% to 4%

1

2

**Q. WHAT EXPLAINS THE VARIATION IN THE ESTIMATES OF TERMINAL GROWTH PRESENTED IN THE TABLE ABOVE?**

3

4

A. Mr. Murray, Mr. Gorman, and I present evidence in our direct testimony that growth rates on which the terminal growth rate should be based are lower than nominal GDP.<sup>33</sup> Mr. Gorman and I use forecasts of full GDP as terminal growth rates, while acknowledging that these growth rates are conservative. Mr. Murray uses a rate that is lower than GDP as the result of research performed by Staff. However, Mr. Hevert neither considers the possibility that the growth rate could be lower than GDP, nor does he consider that forecasts of GDP from reliable sources are significantly lower than the historical average that he chooses to use in his calculation.

5

6

7

8

9

10

11

12

13

**Q. WHAT EFFECT DOES THE TERMINAL GROWTH RATE THAT MR. HEVERT USES HAVE ON HIS MULTI-STAGE DCF MODEL?**

14

15

A. The multi-stage DCF model is extremely sensitive to the terminal growth rate. The following table presents three sets of results: 1. Mr. Hevert's original mean multi-stage DCF results; 2. Mr. Hevert's mean multi-stage DCF results after the correction of the dividend payment timing and payout-ratio errors discussed earlier, and 3. the mean results after the correction of the dividend payment timing and payout ratio errors

16

17

18

19

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<sup>33</sup> See Schafer Direct, p. 23, lines 3-19 and p. 24, lines 1-4; see also Gorman Direct, p. 23, lines 16-20; see also Murray Direct, p. 32, lines 12-21 and p. 34, lines 10-12.

1 discussed earlier, and using the next-highest terminal growth rate estimate of 4.86% (see  
2 Rebuttal Schedule LCS-3):

	Mr. Hevert's Results	After Dividend Payment Timing and Payout Ratio Corrections	After Dividend Payment Timing and Payout Ratio Corrections; 4.86% Terminal Growth Rate
<b>Multi-Stage DCF</b>	Mean	Mean	Mean
30-Day Average	9.93%	9.74%	9.05%
90-Day Average	10.00%	9.80%	9.11%
180-Day Average	10.13%	9.92%	9.23%

3  
4 As can be seen, Mr. Hevert's dividend payment timing error and his payout-ratio forecast  
5 alone cause his results to be an average of 20 basis points too high. Additionally, Mr.  
6 Hevert's choice of terminal growth rate causes his results to be an average of 69 basis  
7 points higher than they would have been had he used a reliable estimate of GDP rather  
8 than a historical average. The combined effects of the dividend payment timing error,  
9 payout-ratio forecast, and higher terminal growth rate account for an average difference  
10 of 89 basis points. Therefore, Mr. Hevert's multi-stage DCF results are an average of 89  
11 basis points higher than they should be. This is unreasonable.

12  
13 **MR. HEVERT'S CAPITAL ASSET PRICING MODEL (CAPM)**

14  
15 **Q. WHAT CONCERNS DO YOU HAVE ABOUT MR. HEVERT'S CAPM**  
16 **ANALYSIS?**

1 A. The market-risk-premium inputs to Mr. Hevert's CAPM model are greatly exaggerated  
2 due to the estimated required return on the market that Mr. Hevert calculates by means of  
3 his "market capitalization weighted average ROE based on the Constant Growth DCF  
4 model."<sup>34</sup> The high market-risk premia that Mr. Hevert uses cause the model to produce  
5 exaggerated return-on-equity results.

6  
7 **Q. PLEASE EXPLAIN HOW MR. HEVERT CALCULATES HIS "MARKET**  
8 **CAPITALIZATION WEIGHTED AVERAGE ROE BASED ON THE CONSTANT**  
9 **GROWTH DCF MODEL" AND HIS RISK-PREMIUM INPUTS.**

10 A. Mr. Hevert first uses the constant-growth DCF model to calculate expected returns for all  
11 the companies in the S&P 500 for which growth-rate estimates are available. Next, he  
12 weights each company's expected return by the company's market-capitalization weight.  
13 He then sums all of the companies' market-capitalization-weighted returns, which gives  
14 him the expected return on the S&P 500. Mr. Hevert does this calculation once with data  
15 from Value Line and a second time with data from Bloomberg.

16 To calculate his risk-premium inputs, Mr. Hevert takes the expected returns on the  
17 S&P 500 that he has calculated and subtracts the current risk-free rate.

18  
19 **Q. WHAT CONCERNS DO YOU HAVE WITH THE CALCULATION MR.**  
20 **HEVERT USES TO ESTABLISH HIS RISK PREMIA?**

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<sup>34</sup> See Hevert Direct, p. 26, lines 10-11.

1 A. First, Mr. Hevert's use of the risk-free rate is inconsistent with how he uses it elsewhere.  
2 Second, Mr. Hevert does not analyze the reliability of the risk premia estimates that he  
3 obtains by using the constant-growth DCF model.  
4

5 **Q. HOW IS MR. HEVERT'S USE OF THE RISK-FREE RATE WHEN**  
6 **ESTABLISHING THE MARKET-RISK PREMIUM INCONSISTENT WITH**  
7 **HOW HE USES IT ELSEWHERE?**

8 A. In both the CAPM and the bond-yield-plus-risk-premium approach, Mr. Hevert uses  
9 multiple estimates of the risk-free rate. For example, he uses the current (3.42%) and  
10 "near term projected" (4.07%) rates for his CAPM. He uses current (3.42%), "near term  
11 projected" (4.07%), and "long term projected" (5.25%) rates for his bond-yield-plus-risk-  
12 premium approach. As the risk-free rate input increases, the results of his models  
13 increase. In other words, using higher estimates of the risk-free rate in the CAPM and in  
14 the bond-yield-plus-risk-premium approach results in higher estimates of the cost of  
15 common equity. When using multiple risk-free rates results in higher cost-of-common-  
16 equity results, Mr. Hevert uses them.

17 However, when using multiple risk-free rates *decreases* the cost-of-common-  
18 equity results, Mr. Hevert does not use them. When Mr. Hevert calculates his risk-  
19 premium *inputs* for the CAPM, he must *subtract* the risk-free rate from his calculated  
20 return on the S&P 500. Higher estimates of the risk-free rate would thus *decrease* his  
21 calculated risk premia, and, in turn, *decrease* the results of his CAPM. For this  
22 calculation, Mr. Hevert does not use multiple estimates of the risk-free rate as he did  
23 before. Mr. Hevert only uses the current risk-free rate, which is the lowest estimate. If he

1 had used the same estimates of the risk-free rate that he previously used, his risk premia  
2 inputs would have been lower, which would have produced a lower CAPM result.

3  
4 **Q. YOU ALSO STATE THAT MR. HEVERT DOES NOT ANALYZE THE**  
5 **RELIABILITY OF THE RISK PREMIA ESTIMATES THAT HE OBTAINS BY**  
6 **USING THE CONSTANT-GROWTH DCF MODEL. PLEASE EXPLAIN.**

7 A. The constant-growth DCF model relies on the assumption that a company can grow in  
8 perpetuity at a constant growth rate. If a growth rate that cannot reasonably be sustained  
9 in perpetuity is used, the results of the model will not be reliable.

10  
11 **Q. DOES MR. HEVERT ANALYZE AND ACCOUNT FOR THIS ASSUMPTION**  
12 **ELSEWHERE IN HIS DIRECT TESTIMONY?**

13 A. Yes. When describing the multi-stage DCF model, Mr. Hevert states

14 Since the model provides the ability to specify near,  
15 intermediate and long-term growth rates, for example, it avoids the  
16 sometimes limiting assumption that the subject company will grow at  
17 the same, constant rate in perpetuity.<sup>35</sup>  
18

19 **Q. WHAT AVERAGE PERPETUAL GROWTH RATES FOR THE COMPANIES**  
20 **OF THE S&P 500 ARE IMPLIED BY MR. HEVERT'S CALCULATION OF HIS**  
21 **REQUIRED RETURN ON THE MARKET?**

22 A. Using the data from Mr. Hevert's Direct Testimony Schedules RBH-2 and RBH-3, I  
23 calculated Mr. Hevert's implied constant-growth rates for the companies in the S&P 500  
24 by multiplying the long-term growth estimate for each company by the company's

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<sup>35</sup> See Hevert Direct, p. 20, lines 13-14 and p. 21, line 1.

1 market-capitalization weight. I then summed the results to obtain the constant-growth  
2 rate.

3 Based on the Bloomberg data, the perpetual growth rate is 11.4% (see Rebuttal  
4 Schedule LCS-4). Based on the Value Line data, the perpetual growth rate is 10.5% (see  
5 Rebuttal Schedule LCS-5). These are the values that are reflected in Mr. Hevert's  
6 "market capitalization weighted average ROE based on the Constant Growth DCF  
7 model".

8  
9 **Q. ARE 11.4% AND 10.5% REASONABLE PERPETUAL GROWTH RATES?**

10 A. No. During direct testimony, Mr. Hevert, Mr. Gorman, and I use various estimates of  
11 GDP as perpetual growth rates. The highest estimate of GDP—provided by Mr. Hevert—  
12 was 5.71%. When compared to the perpetual growth rates above of 11.4% (Bloomberg)  
13 and 10.5% (Value Line), Mr. Hevert's "market capitalization weighted average ROE  
14 based on the Constant Growth DCF model" unreasonably implies that the companies in  
15 the S&P 500 will grow in perpetuity at as much as *twice* the rate of Mr. Hevert's 5.71%  
16 estimate of GDP.

17  
18 **Q. SHOULD MR. HEVERT HAVE ANALYZED THE IMPACT OF THE GROWTH  
19 RATES HE USES IN PERPETUITY?**

20 Mr. Hevert's risk-premium estimates are unreasonably high because he uses analysts' 3-  
21 to-5 year growth estimates in perpetuity in his DCF model. As Pratt informs us in his  
22 book *Cost of Capital*, "these earnings growth estimates typically are for only the next two

1 to five years; they are not perpetual. Therefore, *any use* of these forecasts in a single-  
2 stage DCF model must be tempered with a longer-term forecast” [emphasis added].<sup>36</sup>  
3

4 **Q. HOW DO THE RISK PREMIA THAT MR. HEVERT DEVELOPS BY MEANS**  
5 **OF HIS “MARKET CAPITALIZATION WEIGHTED ROE BASED ON THE**  
6 **CONSTANT GROWTH DCF MODEL” COMPARE TO THE RISK PREMIA**  
7 **USED BY THE OTHER WITNESSES IN THIS CASE FOR THEIR CAPM**  
8 **ANALYSES?**

9 A. Mr. Hevert calculates two risk premia: 10.02% and 9.28%.<sup>37</sup> Mr. Murray uses two  
10 estimates based on historical data obtained from Duff & Phelps: 6.20% and 4.64%.<sup>38</sup> Mr.  
11 Gorman uses two estimates based on historical data obtained from Morningstar: 7.3%  
12 and 6.2%.<sup>39</sup> I use two estimates based on historical data obtained from Morningstar: 6.2%  
13 and 4.6%.<sup>40</sup> The estimates are summarized in the following table:

Risk Premia Used In The CAPM (listed by Analyst)		
	Low Estimate	High Estimate
Mr. Hevert	9.28%	10.02%
Mr. Gorman	6.20%	7.30%
Mr. Murray	4.64%	6.20%
Mr. Schafer	4.60%	6.20%

14  
15 As can be seen, Mr. Hevert’s estimates are significantly higher than the other witnesses’  
16 estimates.

<sup>36</sup> Pratt, Shannon P. Cost of Capital. New York, New York: John Wiley & Sons, Inc. 1998. p. 100.

<sup>37</sup> See Hevert Direct, Schedule RBH-5.

<sup>38</sup> See Murray Direct, p. 43, lines 14-19.

<sup>39</sup> See Gorman Direct, p. 35, lines 1-20.

<sup>40</sup> See Schafer Direct, p. 35, lines 7-14.

1 **Q. WHAT IS THE RESULT OF REPLACING THE RISK PREMIA USED IN MR.**  
2 **HEVERT’S CAPM WITH THE RISK PREMIA USED BY ALL THE OTHER**  
3 **RATE-OF-RETURN WITNESSES IN THIS CASE?**

4 A. By doing so, the unreasonable results caused by Mr. Hevert’s “market capitalization  
5 weighted ROE based on the Constant Growth DCF model” technique become clear.

6 The following table shows Mr. Hevert’s original results as presented in his direct  
7 testimony<sup>41</sup>:

	<i>Bloomberg Derived Market Risk Premium</i>	<i>Value Line Derived Market Risk Premium</i>
<i>Average Bloomberg Beta Coefficient</i>		
Current 30-Year Treasury (3.42%)	11.27%	10.69%
Near Term Projected 30-Year Treasury (4.07%)	11.92%	11.34%
<i>Average Value Line Beta Coefficient</i>		
Current 30-Year Treasury (3.42%)	11.17%	10.59%
Near Term Projected 30-Year Treasury (4.07%)	11.82%	11.24%

8  
9 The following table summarizes the CAPM recommendations of the other three  
10 rate-of-return witnesses in this case, along with the market risk premia they used:

<b>CAPM Recommendations</b>		
	<b>Market Risk Premia Used</b>	<b>CAPM Result</b>
<b>Mr. Gorman</b>	6.2% and 7.3%	9.24%
<b>Mr. Schafer</b>	4.6% and 6.2%	8.74%
<b>Mr. Murray</b>	4.64% and 6.2%	6.6% and 7.76%; 6.53% and 7.66%

11  
12 Holding all other variables equal (and, as a reminder, using Mr. Hevert’s original  
13 proxy group), the following table demonstrates the CAPM results obtained by removing

<sup>41</sup> See Hevert Direct, P.28, line 1.



1 the market risk premia that Mr. Hevert uses and adding the four market risk premia used  
2 by the other witnesses in this case (see Rebuttal Schedule LCS-6):

	CAPM Result			
	4.6%	4.64%	6.2%	7.3%
<i>PROXY GROUP BLOOMBERG AVERAGE BETA COEFFICIENT</i>	Market Risk Premium	Market Risk Premium	Market Risk Premium	Market Risk Premium
Current 30-Year Treasury (30-day average)	7.02%	7.05%	8.28%	9.14%
Near-Term Projected 30-Year Treasury	7.67%	7.70%	8.93%	9.79%
<i>PROXY GROUP VALUE LINE AVERAGE BETA COEFFICIENT</i>				
Current 30-Year Treasury (30-day average)	6.98%	7.01%	8.21%	9.06%
Near-Term Projected 30-Year Treasury	7.62%	7.65%	8.86%	9.71%

3  
4 When the other witnesses' measures of the market risk premium are substituted into Mr.  
5 Hevert's CAPM model, there are minor, logical differences in results owing to the  
6 different measures of Beta and risk-free rates. However, Mr. Hevert's calculation of the  
7 market risk premium is the undeniable source of the biggest difference between his  
8 results and the results of the other three witnesses.

9  
10 **Q. CAN MR. HEVERT'S CAPM BE CORRECTED?**

11 **A.** Yes. Correcting Mr. Hevert's CAPM can be done by replacing the risk premia calculated  
12 from his "market capitalization weighted ROE based on the Constant Growth DCF  
13 model" with historical risk premia. I suggest using the consensus estimate of the other  
14 rate-of-return witnesses. This can be accomplished by replacing Mr. Hevert's equity risk  
15 premia with the 6.2% equity risk premium, which was used by every other rate-of-return  
16 witness in this case. Mr. Murray and I use 6.2% as our high estimate of the risk premium.  
17 Mr. Gorman uses 6.2% as his low estimate. For reasons I will detail in a later section, Mr.  
18 Gorman's high estimate (7.3%) is unreliable and should not be used.

1 Mr. Gorman, Mr. Murray, and I obtained the 6.2% risk-premium estimate using  
2 the same calculation. Mr. Murray and I also calculate lower risk premia (4.64% and  
3 4.6%, respectively) by using geometric mean averages rather than arithmetic mean  
4 averages. Although I firmly believe using both the geometric and arithmetic mean  
5 averages better represents investor opinion, for this correction I will use the estimate that  
6 best represents the consensus of the estimates that the witnesses in this case provided.  
7 Using 6.2% will admittedly produce higher results than Mr. Murray and I obtained by  
8 employing both the geometric and arithmetic means.

9  
10 **Q. PLEASE PRESENT MR. HEVERT'S ORIGINAL CAPM RESULTS AND THE**  
11 **CORRECTED RESULTS.**

12 **A.** The following table shows Mr. Hevert's original results as well as the corrected results:

	<b>Mr. Hevert's Original CAPM Results</b>		<b>Corrected CAPM Results</b>
	<b>Bloomberg Market DCF Derived</b>	<b>Value Line Market DCF Derived</b>	<b>6.2% Market Risk Premium</b>
<b>PROXY GROUP BLOOMBERG AVG. BETA COEFFICIENT</b>			
Current 30-Year Treasury (30-day average)	11.27%	10.69%	8.28%
Near-Term Projected 30-Year Treasury	11.92%	11.34%	8.93%
<b>PROXY GROUP VALUE LINE AVG. BETA COEFFICIENT</b>			
Current 30-Year Treasury (30-day average)	11.17%	10.59%	8.21%
Near-Term Projected 30-Year Treasury	11.82%	11.24%	8.86%

13  
14  
15 **MR. HEVERT'S BOND-YIELD-PLUS-RISK-PREMIUM APPROACH**

16  
17 **Q. WHAT CONCERN DO YOU HAVE ABOUT MR. HEVERT'S BOND-YIELD-**  
18 **PLUS-RISK-PREMIUM APPROACH?**

19 **A.** First, Mr. Hevert's use of a "long term projected" rate as one of his risk-free rate inputs is  
20 inappropriate. Second, Mr. Hevert's application of an argument relating to the inverse

1 relationship between the equity risk premium and the level of interest rates is flawed and  
2 unreasonable.

3  
4 **Q. PLEASE DESCRIBE THE RISK-FREE RATE INPUTS THAT MR. HEVERT  
5 USES IN HIS BOND-YIELD-PLUS-RISK-PREMIUM APPROACH.**

6 A. Mr. Hevert uses three measures of the 30-year treasury yield in order to obtain risk-free-  
7 rate inputs: a “current” rate of 3.42%, a “near term projected” rate of 4.07%, and a “long  
8 term projected” rate of 5.25%.<sup>42</sup> The “current” rate and “near term projected rate” are  
9 consistent with what Mr. Hevert employed in his CAPM analysis.<sup>43</sup> However, it should  
10 be noted that Mr. Hevert did not use the “long term projected” rate for his CAPM  
11 analysis.

12 Mr. Hevert includes the “long term projected” rate in his bond-yield-plus-risk-  
13 premium analysis without discussing the reasons for its inclusion. The “long term  
14 projected” rate is much higher than the “current” and “near term projected” rates.

15 Therefore, using it to establish the return on equity today is equivalent to saying that the  
16 Company should receive a higher return now because the required return in the distant  
17 future will be higher than it is currently. This is illogical and unreasonable.

18  
19 **Q. IS THERE A REASON AN ANALYST WOULD USE DIFFERENT  
20 PROJECTIONS OF THE RISK-FREE RATE IN THE BOND-YIELD-PLUS-  
21 RISK-PREMIUM APPROACH THAN HE OR SHE USES IN THE CAPM?**

---

<sup>42</sup> See Hevert Direct Schedule RBH-6, page 1 of 19.

<sup>43</sup> See Hevert Direct, p. 27, lines 3-4.

1 A. If an analyst decides to use treasury bonds in both models, as Mr. Hevert has done, there  
2 is no reason not to use the same estimates for both models. Indeed, Mr. Hevert does use  
3 the same “current” and “near term projected” rates for both models. If Mr. Hevert found  
4 it relevant to use the “long term projected” rate in his bond-yield-plus-risk-premium  
5 approach, then logically he should have used the “long term projected” rate for his  
6 CAPM analysis as well, since the CAPM is also a bond-yield-plus-risk-premium  
7 approach.

8  
9 **Q. IF MR. HEVERT HAD USED THE “LONG TERM PROJECTED” RATE IN HIS**  
10 **CAPM, WHAT EFFECT WOULD THIS HAVE HAD ON HIS RESULTS?**

11 A. The CAPM results incorporating the “long term projected” 30-year Treasury yield would  
12 have been conspicuously high. To show this, I have used Mr. Hevert’s CAPM model and  
13 simply added the “long term projected” 30-year Treasury rate, without changing any  
14 other aspect of the model. The results of Mr. Hevert’s original CAPM analysis and the  
15 additional results that I have obtained by adding the “long term projected” 30-year  
16 Treasury rate to Mr. Hevert’s model are shown in the following table (see Rebuttal  
17 Schedule LCS-7):

	CAPM Result	
	Bloomberg Market DCF Derived	Value Line Market DCF Derived
<b>PROXY GROUP BLOOMBERG AVERAGE BETA COEFFICIENT</b>		
Current 30-Year Treasury (30-day average)	11.27%	10.69%
Near-Term Projected 30-Year Treasury	11.92%	11.34%
<b>Long-Term Projected 30-Year Treasury</b>	<b>13.11%</b>	<b>12.52%</b>
<b>PROXY GROUP VALUE LINE AVERAGE BETA COEFFICIENT</b>		
Current 30-Year Treasury (30-day average)	11.17%	10.59%
Near-Term Projected 30-Year Treasury	11.82%	11.24%
<b>Long-Term Projected 30-Year Treasury</b>	<b>13.00%</b>	<b>12.43%</b>

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**Q. DOES MR. HEVERT DESCRIBE THE TIME PERIOD TO WHICH HIS “LONG TERM PROJECTED” RATE APPLIES?**

A. No. Mr. Hevert does not discuss his “long term projected” rate.

**Q. WHAT EFFECT DOES MR. HEVERT’S USE OF A “LONG TERM PROJECTED” RATE HAVE ON THE RESULTS OF HIS BOND-YIELD-PLUS-RISK-PREMIUM APPROACH?**

A. The result calculated using the “long term projected” rate represents the highest estimate Mr. Hevert obtained from his bond-yield-plus-risk-premium approach: 10.77%.

**Q. WHAT IS YOUR RECOMMENDATION REGARDING MR. HEVERT’S USE OF THE “LONG TERM PROJECTED” TREASURY YIELD?**

A. The result based on his “long term projected” rate should be discarded. If Mr. Hevert believes that a projected risk-free rate from farther in the future than his “near term

1 projected” rate is appropriate, then he should give a clear justification for its use. Mr.  
2 Hevert never attempts to explain why the rate is included in his approach. Furthermore,  
3 the fact that Mr. Hevert uses the “long term projected” rate selectively—using it in his  
4 bond-yield-plus-risk-premium approach but avoiding it in his CAPM—raises more  
5 doubts as to the reliability of the results calculated with that estimate.  
6

7 **Q. EARLIER, YOU STATED THAT MR. HEVERT’S APPLICATION OF AN**  
8 **ARGUMENT RELATING TO THE INVERSE RELATIONSHIP BETWEEN THE**  
9 **EQUITY RISK PREMIUM AND THE LEVEL OF INTEREST RATES WAS**  
10 **FLAWED AND UNREASONABLE. PLEASE EXPLAIN HOW MR. HEVERT**  
11 **DEVELOPS HIS ARGUMENT.**

12 A. Mr. Hevert defines the risk premium that he uses in his bond-yield-plus-risk-premium  
13 approach as “the difference between the authorized ROE and the then-prevailing level of  
14 long-term (i.e., 30-year) Treasury yield.”<sup>44</sup> He then develops an argument that his risk  
15 premium based on authorized ROEs needs to be adjusted because of “prior research”,  
16 which he does not reference or define, but which he claims “has shown that the Equity  
17 Risk Premium is inversely related to the level of interest rates.”<sup>45</sup> He then conducts a  
18 semi-log regression analysis of historical authorized ROE data and corresponding  
19 Treasury yields in order to reflect the supposed inverse relationship between the equity  
20 risk premium and Treasury yields.  
21

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<sup>44</sup> See Hevert Direct, p. 29, lines 3-4.

<sup>45</sup> *Ibid.* p. 29, lines 11-12.

1 **Q. HOW DOES MR. HEVERT'S RISK PREMIUM INPUT CHANGE AS A RESULT**  
2 **OF HIS REGRESSION ANALYSIS?**

3 A. The risk premium that Mr. Hevert calculates before he conducts his regression analysis is  
4 4.43%.<sup>46</sup> The risk premia that he uses as a result of his regression analysis are 5.52%,  
5 6.25% and 6.74%.<sup>47</sup>

6  
7 **Q. WHY DO YOU BELIEVE MR. HEVERT'S APPLICATION OF THE**  
8 **ARGUMENT RELATING TO THE INVERSE RELATIONSHIP BETWEEN**  
9 **EQUITY RISK PREMIA AND TREASURY YIELDS IS FLAWED?**

10 A. Mr. Hevert states that the "prior research" he has reviewed to formulate his argument  
11 relates to the inverse relationship between the *equity risk premium* and Treasury yield.  
12 However, Mr. Hevert uses a risk premium for his bond-yield-plus-risk-premium approach  
13 that is based on historical *authorized ROE*. An *equity risk premium* and a *risk premium*  
14 *based on authorized ROE* are clearly not the same thing.

15  
16 **Q. HAS MR. HEVERT PROVIDED THE SOURCES OF THE STATED "PRIOR**  
17 **RESEARCH" AT ANY TIME IN THE PAST WHILE MAKING THE SAME**  
18 **ARGUMENT?**

19 A. Yes. In Ameren Missouri Case no. ER-2012-0166, Mr. Hevert cites the following  
20 paragraph from *New Regulatory Finance* by Roger Morin:

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<sup>46</sup> See Hevert Direct, p. 30, line 8.

<sup>47</sup> See Hevert Direct Schedule RBH-6, page 1 of 19.

1                   Published studies by Brigham, Shome, and Vinson (1985),  
2                   Harris (1986), Harris and Marston (1992, 1993), Carleton, Chambers,  
3                   and Lakonishok (1983), Morin (2005), and McShane (2005), and  
4                   other demonstrate that, beginning in 1980, risk premiums varied  
5                   inversely with the level of interest rates – rising when rates fell and  
6                   declining when interest rates rose.”<sup>48</sup>  
7

8       **Q.     DO THE ARTICLES LISTED IN THE PARAGRAPH ABOVE SUPPORT MR.**  
9       **HEVERT’S ARGUMENT?**

10     A.     No. They confirm that the inverse relationship has existed—but only during specific  
11             periods of time. As Mr. Morin states in the above paragraph, the cited articles describe an  
12             inverse relationship between equity risk premia and Treasury yields beginning in 1980.  
13             However, by looking at the publication dates of the articles in the paragraph above, it is  
14             clear that the studies only found this inverse relationship for a very limited, and therefore  
15             inconclusive, time period.

16             Brigham, Shome, and Vinson (1985) found the inverse relationship for the period  
17             of 1980 to 1984.<sup>49</sup> However, for the period of 1970 to 1979, they found that the  
18             relationship between equity risk premia and Treasury yields was positive.<sup>50</sup> This means  
19             that the argument holds true for the period of 1980 to 1984, but not for the period of 1970  
20             to 1979.

21             Similarly, Harris (1986) finds that “risk premia for both stocks in general and  
22             utilities are inversely related to the level of government interest rates but positively

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<sup>48</sup> See Hevert Rebuttal from ER-2012-0166, p. 103, lines 10-14; *See also* Morin, Roger A. *New Regulatory Finance*. Vienna, Virginian: Public Utilities Reports, Inc. , 2006.

<sup>49</sup> Brigham, Eugene F.; Shome, Dilip K.; and Vinson, Steve R. (1985). The Risk Premium Approach to Measuring a Utility’s Cost of Equity. *Financial Management*, Spring, p. 38

<sup>50</sup> *Ibid.*



1 related to the bond yield spreads which proxy for the incremental risk of investing in  
2 equities rather than government bonds”,<sup>51</sup> but this conclusion is based solely on data  
3 from the 36-month period of January 1982 to December 1984.

4 Maddox, Pippert, and Sullivan (1995) summarize and confirm the Harris and  
5 Marston (1992) study.<sup>52</sup> Maddox, Pippert, and Sullivan (1995) analyze the period of 1980  
6 to 1993, and confirm “the existence of a general inverse relationship between interest  
7 rates and risk premiums over the study period.”<sup>53</sup> However, Maddox, Pippert, and  
8 Sullivan state that their results are descriptive of *their study period only* and add that  
9 during the study period “any number of events could have had an impact on the relative  
10 risks of debt and equity. In all likelihood, this relationship will continue to be affected by  
11 innumerable future events.”<sup>54</sup>

12 I was unable to obtain the Morin (2005) and McShane (2005) studies, but their  
13 study period would have ended approximately 10 years ago.

14  
15 **Q. DO THE STUDIES SUPPORT APPLYING THIS ARGUMENT TO A RISK**  
16 **PREMIUM THAT IS BASED ON HISTORICAL AUTHORIZED ROE, AS MR.**  
17 **HEVERT DOES?**

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<sup>51</sup> Harris, Robert S. (1986). Using Analysts’ Growth Forecasts to Estimate Shareholder Required Rates of Return. *Financial Management*, Spring, p. 66.

<sup>52</sup> Maddox, Farris M.; Pippert, Donna T.; and Sullivan, Rodney N. (1995). An Empirical Study of the Ex Ante Risk Premiums for the Electric Utility Industry. *Financial Management*, Autumn, vol. 24, no. 3, pp. 89-95.

<sup>53</sup> *Ibid.*, p. 93.

<sup>54</sup> *Ibid.*, p.94.

1 A. No. *None* of the studies I reviewed feature risk premiums based on authorized ROE.  
2 Brigham, Shome, and Vinson (1985) use a DCF method that incorporates the stock prices  
3 of companies included in the Dow Jones Industrial and Utility averages, as provided by  
4 Value Line.<sup>55</sup> Harris (1986)<sup>56</sup> and Harris and Marston (1992)<sup>57</sup> use a “market” required  
5 rate of return calculated by using each dividend paying stock in the S&P 500 Index.  
6 Maddox, Pippert, and Sullivan (1995) use data such as stock prices, dividends per share,  
7 and expected growth rates for a sample group of 30 electric utilities.<sup>58</sup>  
8

9 **Q. IS MR. HEVERT’S ARGUMENT FOR THE INVERSE RELATIONSHIP**  
10 **BETWEEN TREASURY YIELDS AND RISK PREMIA CONSISTENT WITH**  
11 **WHAT HE HAS DONE ELSEWHERE IN HIS DIRECT TESTIMONY?**

12 A. No. Mr. Hevert makes no such argument in his CAPM analysis even though the CAPM  
13 is also a bond-yield-plus-risk-premium approach. If Mr. Hevert believes this is a valid  
14 argument, then one would expect him to apply it to the risk premium he uses in his  
15 CAPM as well.  
16

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<sup>55</sup> Brigham, Eugene F.; Shome, Dilip K.; and Vinson, Steve R. (1985). The Risk Premium Approach to Measuring a Utility’s Cost of Equity. *Financial Management*, Spring, p. 36

<sup>56</sup> Harris, Robert S. (1986). Using Analysts’ Growth Forecasts to Estimate Shareholder Required Rates of Return. *Financial Management*, Spring, p. 62.

<sup>57</sup> Harris, Robert S. and Marston, Felicia C. (1992). Estimating Shareholder Risk Premia Using Analysts’ Growth Forecasts. *Financial Management*, Summer, p. 65.

<sup>58</sup> Maddox, Farris M.; Pippert, Donna T.; and Sullivan, Rodney N. (1995). An Empirical Study of the Ex Ante Risk Premiums for the Electric Utility Industry. *Financial Management*, Autumn, vol. 24, no. 3, p. 91.

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING MR. HEVERT'S**  
2 **APPLICATION OF THE ARGUMENT FOR THE INVERSE RELATIONSHIP**  
3 **BETWEEN EQUITY RISK PREMIA AND TREASURY YIELDS?**

4 **A.** The effects of Mr. Hevert's regression analysis should be removed by using the risk  
5 premium that he calculated before conducting his regression analysis (4.43%).  
6

7 **Q. PLEASE PRESENT THE ORIGINAL RESULTS OF MR. HEVERT'S BOND-**  
8 **YIELD-PLUS-RISK-PREMIUM APPROACH AND THE RESULTS WITHOUT**  
9 **THE "LONG TERM PROJECTED" RISK-FREE RATE AND THE EFFECTS OF**  
10 **HIS REGRESSION ANALYSIS.**

11 **A.** The following table summarizes Mr. Hevert's original results and the results after the two  
12 corrections discussed earlier:

	<b>Mr. Hevert's Original BYPRP Return on Equity Results</b>	<b>Corrected Results</b>
<b>Current</b>	10.16%	<b>7.85%</b>
<b>Near Term Projected</b>	10.31%	<b>8.50%</b>
<b>Long Term Projected</b>	10.77%	Reject

13  
14 **SUMMARY OF RECOMMENDED CHANGES TO MR. HEVERT'S RESULTS**  
15

16 **Q. PLEASE PRESENT MR. HEVERT'S ORIGINAL RESULTS AND THE**  
17 **RESULTS OBTAINED BY CORRECTING HIS MODELS.**

18 **A.** The following table summarizes Mr. Hevert's original results and the results obtained by  
19 correcting the errors detailed above. As a reminder, no changes to Mr. Hevert's original  
20 proxy group have been made yet:  
21

	Mr. Hevert's Results			Corrected Results	
	Mean Low	Mean	Mean High	Mean	
<b>Constant-Growth DCF</b>					
30-Day Average	8.44%	9.56%	10.87%	9.56%	
90-Day Average	8.50%	9.62%	10.93%	9.62%	
180-Day Average	8.61%	9.73%	11.04%	9.73%	
<b>Multi-Stage DCF</b>				<b>After Dividend Payment Timing and Payout Ratio Corrections; 4.86% Terminal Growth Rate</b>	
30-Day Average	9.61%	9.93%	10.36%	9.05%	
90-Day Average	9.67%	10.00%	10.43%	9.11%	
180-Day Average	9.80%	10.13%	10.58%	9.23%	
<b>CAPM Results</b>	Bloomberg Derived Market Risk Premium	Value Line Derived Market Risk Premium		6.2% Market Risk Premium	
<i>Average Bloomberg Beta Coefficient</i>					
Current 30-Year Treasury (3.42%)	11.27%	10.69%		8.28%	
Near Term 30-Year Treasury (4.07%)	11.92%	11.34%		8.93%	
<i>Average Value Line Beta Coefficient</i>					
Current 30-Year Treasury (3.42%)	11.17%	10.59%		8.21%	
Near Term 30-Year Treasury (4.07%)	11.82%	11.24%		8.86%	
<b>Bond Yield Plus Risk Premium</b>	<b>Low</b>	<b>Mid</b>	<b>High</b>	<b>Low</b>	<b>High</b>
	10.16%	10.31%	10.77%	7.85%	8.50%

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**Q. SHOULD ANY FURTHER CHANGES BE MADE TO MR. HEVERT'S RESULTS?**

A. Yes. As I discussed above, two of the companies in Mr. Hevert's proxy group no longer meet Mr. Hevert's proxy-group criteria. These two companies—Duke Energy and Cleco Corporation—should be removed from the results. As I mentioned earlier, the removal of Duke Energy and Cleco Corporation causes a slight increase in Mr. Hevert's original return-on-equity estimates, so their removal should not be controversial.

**Q. HAVE YOU UPDATED MR. HEVERT'S RESULTS?**

1 Yes. In order to compare Mr. Hevert's estimates to my own, I have updated the stock  
2 prices so that the most recent date in the estimates corresponds to the most recent date I  
3 used (November 17, 2014) in my direct testimony. In updating the prices, I used Mr.  
4 Hevert's preferred 30-Day, 90-Day, and 180-Day averages, calculated exactly as he has  
5 done in his workpapers. Only the dates are different.  
6

7 **Q. PLEASE PRESENT THE UPDATED RESULTS.**

8 A. The following table summarizes Mr. Hevert's original results and the results obtained  
9 from correcting the errors detailed above, using 4.86% as the terminal growth rate,  
10 updating the stock prices, and removing Duke Energy and Cleco Corporation from the  
11 proxy group (see Rebuttal Schedule LCS-8 for the DCF calculations; see Rebuttal  
12 Schedule LCS-9 for the CAPM update):  
13

1

	Mr. Hevert's Results			Corrected Results with Updated Stock Prices and the Exclusion of Duke and Cleco
<b>Constant-Growth DCF</b>	Mean Low	Mean	Mean High	Mean
30-Day Average	8.44%	9.56%	10.87%	9.37%
90-Day Average	8.50%	9.62%	10.93%	9.53%
180-Day Average	8.61%	9.73%	11.04%	9.56%
<b>Multi-Stage DCF</b>				
30-Day Average	9.61%	9.93%	10.36%	8.84%
90-Day Average	9.67%	10.00%	10.43%	9.00%
180-Day Average	9.80%	10.13%	10.58%	9.03%
<b>CAPM Results</b>	Bloomberg Derived Market Risk Premium	Value Line Derived Market Risk Premium		6.2% Market Risk Premium
<i>Average Bloomberg Beta Coefficient</i>				
Current 30-Year Treasury (3.42%)	11.27%	10.69%		8.34%
Near Term 30-Year Treasury (4.07%)	11.92%	11.34%		8.98%
<i>Average Value Line Beta Coefficient</i>				
Current 30-Year Treasury (3.42%)	11.17%	10.59%		8.33%
Near Term 30-Year Treasury (4.07%)	11.82%	11.24%		8.98%
<b>Bond Yield Plus Risk Premium</b>	<b>Low</b>	<b>Mid</b>	<b>High</b>	<b>Low</b>   <b>High</b>
	10.16%	10.31%	10.77%	7.85%   8.50%

2

3

**Q. WHAT FINAL RECOMMENDED RETURN ON EQUITY DO THESE**

4

**CORRECTED RESULTS SUGGEST?**

5

A. In his direct testimony, Mr. Hevert recommended a 40 basis-point range, the low estimate

6

of which was situated at approximately the midpoint of his highest and lowest estimates.

7

The updated low estimate is 8.18% and comes from average result of the bond-yield-

8

plus-risk-premium approach  $((8.50\% + 7.85\%) / 2)$ . The updated high estimate is 9.56%

9

and comes from the constant-growth DCF model. The midpoint of the updated high and

1 low estimates is 8.87%  $((8.18 + 9.56\%) / 2)$ . The updated final recommended range would  
2 be from 8.87% to 9.27%, with the midpoint serving as an updated final recommended  
3 ROE.

4 Based on this, Mr. Hevert's updated final recommended ROE would be 9.07%.

5  
6 **SECTION 4: OPC'S CONCERNS REGARDING MR. GORMAN'S COST-OF-**  
7 **COMMON-EQUITY ANALYSIS**

8  
9 **MR. GORMAN'S CAPITAL ASSET PRICING MODEL (CAPM)**

10 **Q. WHAT CONCERNS DO YOU HAVE ABOUT MR. GORMAN'S CAPM**  
11 **ANALYSIS?**

12 A. I believe that Mr. Gorman's calculation of a "forward-looking" estimate of the risk  
13 premium is unreliable.

14  
15 **Q. HOW DOES MR. GORMAN CALCULATE THE RISK PREMIA HE USES IN**  
16 **HIS CAPM?**

17 A. Mr. Gorman calculates two risk premia: one based on a long-term historical average, and  
18 a second, "forward-looking" estimate.

19  
20 **Q. HOW DOES MR. GORMAN CALCULATE HIS RISK PREMIA BASED ON A**  
21 **LONG-TERM HISTORICAL AVERAGE?**

22 Mr. Gorman's risk premium based on a long-term historical average is calculated by  
23 taking the historical arithmetic average of the total return on the S&P 500 from 1926 to

1 2013, as provided by Morningstar, and subtracting the total return on long-term Treasury  
2 bonds from the corresponding time period. Since the risk premium input for the CAPM is  
3 a measure of the excess return of the broad market over a risk-free rate, it is logical to use  
4 corresponding data. In other words, if we want to determine, for example, how much  
5 more an investor was compensated for investing in stocks versus Treasury bonds in the  
6 year 1940, we need to look at the market return for 1940 and subtract from that the yield  
7 on Treasury bonds from 1940. When we want to determine how much more an investor  
8 was compensated for investing in stocks rather than Treasury bonds over a longer period  
9 of time, we simply calculate each year's excess return and take the average over the  
10 entire period. This is what Mr. Gorman has done for his long-term historical arithmetic  
11 average, and, not surprisingly, he obtains the same result (6.2%) as Mr. Murray and I  
12 obtain from the same calculation.

13  
14 **Q. WHY DO YOU AND MR. MURRAY ALSO OBTAIN LOWER RISK PREMIA**  
15 **ESTIMATES THAN MR. GORMAN?**

16 **A.** Mr. Murray and I calculate the risk premium using both arithmetic and geometric means  
17 of the historical returns on large company stocks and long-term government bonds.  
18 Although I believe very strongly that using both the arithmetic and geometric means  
19 accounts for the diverse range of opinions on this subject, I am not suggesting that Mr.  
20 Gorman's long-term historical average risk premium calculation be modified to reflect  
21 this.  
22



1 Q. HOW DOES MR. GORMAN CALCULATE HIS “FORWARD-LOOKING” RISK  
2 PREMIUM ESTIMATE?

3 A. Mr. Gorman’s “forward-looking” estimate attempts to incorporate a measure of  
4 forecasted inflation into the risk premium. To do this, he starts his calculation with the  
5 historical arithmetic average *real* market return from 1926 to 2013 so that he has an  
6 estimate of the historical return that does not factor in inflation. He then takes an estimate  
7 of future inflation and adds it to his historical arithmetic average real return.

8 Next, when Mr. Gorman calculates the excess return over the risk-free rate, he  
9 uses his estimate of the return on the market, and he subtracts from that estimate his  
10 *forward estimate* of the risk-free rate. Again, the risk premium used in the CAPM  
11 measures the *excess* return over the risk-free rate, which means the measures of the  
12 market returns and the risk-free rates should correspond to the same time periods. Mr.  
13 Gorman takes the average real market return calculated from every year between 1926  
14 and 2013, adjusts it for expected inflation, and subtracts from that average *one estimate*  
15 of the *future* risk-free rate.

16 To continue the example from earlier, it is clearly not appropriate to calculate the  
17 excess return of the market over the risk-free rate for the year 1940 by subtracting an  
18 estimate of the 2016 risk-free rate from the 1940 return on the market. However, that is  
19 what Mr. Gorman’s calculation in part does—he subtracts a future risk free rate from an  
20 estimate of the market return that is based on the average real return on large company  
21 stocks from 1926 to 2013. Admittedly, when the average historical risk premium is used,  
22 an analyst is taking an average historical estimate of the *risk premium* and applying it to a

1 current risk-free rate. However, Mr. Gorman's method does not properly establish a risk  
2 premium that can be applied to a current or projected risk-free rate.

3  
4 **Q. HOW DO THE INPUTS MR. GORMAN USES FOR HIS "FORWARD-**  
5 **LOOKING" ESTIMATE COMPARE TO THOSE HE USES FOR HIS**  
6 **ESTIMATE BASED ON HISTORICAL DATA?**

7 **A.** The following table summarizes the inputs Mr. Gorman uses for his estimates. I have  
8 added the measure of inflation that was implied by the difference between the arithmetic  
9 average historical return and the arithmetic average real return, since, as Morningstar  
10 states, "the geometric and arithmetic means are lower by the amount of inflation than  
11 those of the nominal series".<sup>59</sup>

<b>Estimates Used By Mr. Gorman For His Risk-Premia Calculations</b>		
	<b>Long-Term Historical Average</b>	<b>"Forward-Looking"</b>
<b>Return on the Market</b>	12.10%	11.40%
<b>Inflation</b>	3.20%	2.30%
<b>Risk-Free Rate</b>	5.90%	4.10%
<b>Risk-Premium Result</b>	<b>6.20%</b>	<b>7.30%</b>

12  
13 Mr. Gorman's blending of historical and "forward-looking" estimates has a  
14 significant impact on his calculated risk premium. The biggest impact comes from the  
15 risk-free rate input. When Mr. Gorman uses corresponding time periods for the returns on  
16 the market and long-term government bonds in order to establish the risk premium, his  
17 result is 6.2%. When he uses time periods that do not correspond, his result is 7.3%. The  
18 difference in results is mainly because of the large difference between Mr. Gorman's

<sup>59</sup> Ibbotson Associates (Firm), and Morningstar, Inc. *Ibbotson SBBI 2014 Classic Yearbook: Market Results for Stocks, Bonds, Bills, and Inflation*. Chicago, IL: Morningstar, Inc., 2014. p. 92

1 future risk-free rate and the 1926 to 2013 historical average return on long-term  
2 government bonds. These blended estimates do not result in a reliable measure of the  
3 risk premium.

4  
5 **Q. IS IT RECOMMENDED PRACTICE FOR A FINANCIAL ANALYST TO USE**  
6 **ESTIMATES OF MARKET RETURNS AND RETURNS ON GOVERNMENT**  
7 **BONDS FROM TIME PERIODS THAT DO NOT CORRESPOND IN ORDER TO**  
8 **CALCULATE A RISK PREMIUM?**

9 A. No. For example, Dr. Morin states that when establishing a risk premium, an analyst  
10 should “first, determine the *historical spread* between the return on debt and the return on  
11 equity. Second, add this spread to the current debt yield to derive an estimate of current  
12 equity return requirements” [emphasis added].<sup>60</sup>

13  
14 **Q. ARE TECHNIQUES FOR ESTABLISHING “FORWARD-LOOKING”**  
15 **ESTIMATES OF THE RISK PREMIUM DESCRIBED IN FINANCIAL**  
16 **LITERATURE?**

17 Yes. For example, Brigham, Shome, and Vinson (1985) describe how to estimate an *ex-*  
18 *ante* market risk premium:

19 Here, one estimates the average expected future return on  
20 equity for a group of stocks,  $k_M$ , and then subtracts the concurrent  
21 risk-free rate,  $R_f$ , as proxied by the yield to maturity on either  
22 corporate or Treasury securities:

$$RP_M = k_M - R_f$$

24 Conceptually, this procedure is exactly like the I&S approach  
25 [the authors are referring to the historical approach based on data

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<sup>60</sup> Morin, Roger A. Regulatory Finance. Arlington, Virginia: Public Utilities Reports, Inc., 1994. p. 269.

1                    *from Ibbotson and Sinquefeld, now published by Morningstar. Mr.*  
2                    *Gorman uses this approach for his long-term historical estimate]*  
3                    except that one makes direct estimates of future expected returns on  
4                    stocks and bonds rather than assuming investors expect future returns  
5                    to mirror past returns.

6                    The most difficult task, of course, is to obtain a valid estimate  
7                    of  $k_M$ , the expected rate of return on the market. Several studies have  
8                    attempted to estimate DCF risk premiums for the utility industry and  
9                    for other stock market indices.<sup>61</sup>

10  
11                    In the passage above, Brigham, Shome, and Vinson state that forward-looking (ex-ante)  
12                    calculations require forward-looking data—not historical data. Despite this, Mr. Gorman  
13                    has calculated his “forward-looking” estimate by blending historical data with forecasts,  
14                    which renders his risk-premium result unreliable.

15  
16                    **Q. DOES MR. GORMAN ATTEMPT TO SHOW THE REASONABLENESS**  
17                    **OF HIS ESTIMATES?**

18                    A. Yes, he does. Mr. Gorman states that he will use the results of Morningstar’s  
19                    calculation of the risk premium to show the reasonableness of his own  
20                    estimates.<sup>62</sup> Morningstar’s risk premium is calculated by taking the total return  
21                    on large company stocks and subtracting the *income return* on Treasury bonds.  
22                    The difference between this calculation and the calculation Mr. Gorman uses to  
23                    establish his long-term historical arithmetic average risk premium is the measure  
24                    of bond return used: in Mr. Gorman’s calculation, he uses the *total return* on

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<sup>61</sup> Brigham, Eugene F.; Shome, Dilip K.; and Vinson, Steve R. (1985). The Risk Premium Approach to Measuring a Utility’s Cost of Equity. *Financial Management*, Spring, p. 35.

<sup>62</sup> See Gorman Direct, p. 36, lines 18-19.

1 long-term government bonds; Morningstar uses the *income return* on long-term  
2 government bonds.

3  
4 **Q. DOES MR. GORMAN EXPRESS APPROVAL OF MORNINGSTAR'S**  
5 **USE OF THE INCOME RETURN ON LONG-TERM GOVERNMENT**  
6 **BONDS?**

7 A. No, he does not. On the subject of Morningstar's use of the income return on  
8 long-term government bonds, Mr. Gorman states:

9 Morningstar argues that the income return is the only true  
10 risk-free rate associated with Treasury bonds and is the best  
11 approximation of a truly risk-free rate. I disagree with this assessment  
12 from Morningstar, because it does not reflect a true investment option  
13 available to the marketplace and therefore *does not produce a*  
14 *legitimate estimate of the expected premium of investing in the stock*  
15 *market versus that of Treasury bonds.* Nevertheless, I will use  
16 Morningstar's conclusion to show the reasonableness of my market  
17 risk premium estimates [emphasis added].<sup>63</sup>  
18

19 **Q. HOW DOES MR. GORMAN PROVE THE REASONABLENESS OF HIS**  
20 **MARKET RISK PREMIUM ESTIMATES BY COMPARING THEM TO A**  
21 **RISK PREMIUM ESTIMATE THAT HE BELIEVES IS NOT**  
22 **LEGITIMATE?**

23 A. Mr. Gorman never explains how comparing his estimates to estimates that he  
24 believes are not legitimate proves their reasonableness. However, the range of  
25 estimates that Morningstar provides with its calculations, which Mr. Gorman does

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<sup>63</sup> See Gorman Direct, p. 36, lines 13-19.

1 not approve of, is from 6.1% to 7.0%.<sup>64</sup> Mr. Gorman's two estimates of the  
2 market risk premium are 6.2% (based on historical data) and 7.3% (the "forward-  
3 looking" estimate). It would appear that Mr. Gorman is implying that his  
4 "forward-looking" estimate is not unreasonably high when compared to  
5 Morningstar's "illegitimate" estimates.

6  
7 **Q. WHAT IS YOUR RECOMMENDATION CONCERNING THE RESULTS**  
8 **OF MR. GORMAN'S CAPM ANALYSIS?**

9 A. I believe the results he obtained by using his "forward-looking" risk premium  
10 should be discarded.

11  
12 **Q. PLEASE PRESENT MR. GORMAN'S ORIGINAL CAPM RESULTS AND THE**  
13 **CORRECTED RESULTS OBTAINED BY REMOVING THE EFFECTS OF HIS**  
14 **"FORWARD-LOOKING" RISK PREMIUM.**

15 A. The following table summarizes Mr. Gorman's original CAPM results and the corrected  
16 results. Mr. Gorman reports them in his testimony under the rubrics "High Market Risk  
17 Premium" and "Low Market Risk Premium".<sup>65</sup> I am reporting them here by the  
18 corresponding name of the technique he uses to avoid confusion:  
19

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<sup>64</sup> *Ibid.*, p.36, lines 20-24 and p. 37, lines 1-11.

<sup>65</sup> See Gorman Direct Schedule MPG-16.

1

	<b>Mr. Gorman's Original CAPM Results</b>		<b>Corrected Results</b>
	<b>"Forward-Looking" Market Risk Premium Result</b>	<b>Historical Market Risk Premium Result</b>	<b>Historical Market Risk Premium Result</b>
CAPM Result	9.66%	8.82%	8.82%
CAPM Recommendation	9.24%		<b>8.82%</b>

2

3 **MR. GORMAN'S ROUNDING OF HIS RESULTS**

4

5 **Q. WHAT CONCERNS DO YOU HAVE ABOUT THE WAY MR. GORMAN**  
6 **ROUNDS THE RESULTS OF HIS FINANCIAL MODELS?**

7 A. Mr. Gorman rounds two of his results, which he then uses to determine his final  
8 recommended ROE.<sup>66</sup> I believe that an analyst should calculate final results based on  
9 unrounded numbers if the rounding produces material differences, as I believe it does in  
10 this instance.

11

12 **Q. WHAT EFFECT DOES MR. GORMAN'S ROUNDING HAVE ON HIS FINAL**  
13 **RECOMMENDED ROE?**

14 A. Mr. Gorman's final ROE recommendation is "approximately the midpoint" of his high  
15 and low estimates, so I will calculate the unrounded final result accordingly. The  
16 following table presents his original results and final recommendation along with the  
17 unrounded results:

<sup>66</sup> See Gorman Direct p. 26, lines 6-7; and p. 32, line 11.

	Mr. Gorman's Original Return on Common Equity Results	Unrounded Results
DCF	9.00%	8.95%
Risk Premium	9.60%	9.58%
CAPM	9.24%	9.24%
Final Recommendation (midpoint of the high and low estimates)	9.30%	9.27%

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As can be seen, three basis points of Mr. Gorman's final recommendation are attributable solely to his decision to round the results of his DCF and Risk Premium approaches before calculating his final recommended ROE.

Also of note, Mr. Gorman's DCF result of 8.95% is already the highest estimate he obtains from his DCF analyses. Adding 5 more basis points due to rounding places his DCF result above the range of results he calculated.

**Q. ARE THREE BASIS POINTS IN MR. GORMAN'S FINAL ROE RECOMMENDATION SIGNIFICANT?**

A. Yes. One basis point of the common-equity component of Ameren's capital structure represents \$393,889 ( $\$3,938,890,562 * .0001$ ). Three basis points, therefore, represent \$1,181,667 ( $\$3,938,890,562 * .0003$ ).

I am certainly not opposed to rounding in general. For example, the amounts above are rounded to the nearest dollar. However, when a simple rounding choice has an impact on the final result measured in the millions of dollars, I question its utility.



1 Q. WHAT IS YOUR RECOMMENDATION CONCERNING MR. GORMAN'S USE  
2 OF ROUNDING?

3 A. Mr. Gorman's unrounded results should be used to calculate the final recommended  
4 ROE.

5  
6 Q. PLEASE PRESENT MR. GORMAN'S ORIGINAL RESULTS AND THE  
7 CORRECTED RESULTS.

8 A. The following table summarizes Mr. Gorman's original results and the corrected results  
9 calculated with both the unrounded estimates and the discussed correction to the CAPM:

	Mr. Gorman's Original Return on Common Equity Results	Unrounded Results, Corrected CAPM
DCF	9.00%	8.95%
Risk Premium	9.60%	9.58%
CAPM	9.24%	8.82%
Final Recommendation (midpoint of the high and low estimates)	9.30%	9.20%

10

11 SECTION 5: OPC'S CONCERNS REGARDING MR. MURRAY'S COST-OF-

12 COMMON-EQUITY ANALYSIS

13

14 MR. MURRAY'S CALCULATION OF HIS FINAL RECOMMENDED RETURN ON

15 COMMON EQUITY

16

17 Q. WHAT CONCERNS DO YOU HAVE REGARDING MR. MURRAY'S

18 CALCULATION OF HIS FINAL RECOMMENDATION?

1 A. First, I believe Mr. Murray's calculation needs to be adjusted for a difference in scale  
2 between the numbers he uses. Second, his final recommendation relies on an adjustment  
3 that I do not accept.

4  
5 **Q. PLEASE DESCRIBE THE DIFFERENCE IN SCALE THAT YOU BELIEVE**  
6 **EXISTS BETWEEN MR. MURRAY'S CALCULATED ROE AND THE**  
7 **AUTHORIZED RETURNS.**

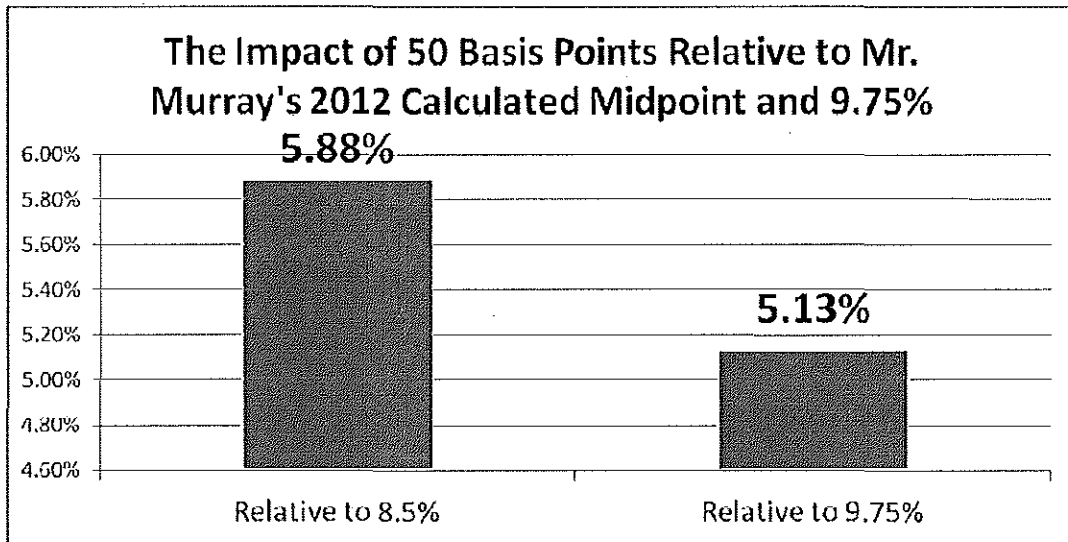
8 A. In his direct testimony, Mr. Murray recommends a 50-basis-point decrease relative to the  
9 2012 authorized ROE. This decrease is based on the 50-basis-point decrease that  
10 occurred between the results of his 2012 and 2014 analyses. However, 50 basis points do  
11 not have the same weight relative to the result of his 2012 models (8.5% midpoint) as  
12 they do relative to 9.75% (the figure he uses as the midpoint of the 2012 Commission-  
13 approved range<sup>67</sup>).

14  
15 **Q. PLEASE EXPLAIN.**

16 Mr. Murray's calculated cost-of-common-equity results dropped from a midpoint  
17 of 8.5% in 2012 to a midpoint of 8.0% in 2014. This 50-basis-point drop amounts to a  
18 5.88% decrease. However, when he proposes that the same 50 basis points be subtracted  
19 from 9.75%, he is in fact proposing a decrease in authorized ROE of only 5.13%. The  
20 following chart shows the percent value of 50 basis points in relation to the relevant 2012  
21 estimates:

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<sup>67</sup> See Murray Direct, p. 11, lines 2-3.



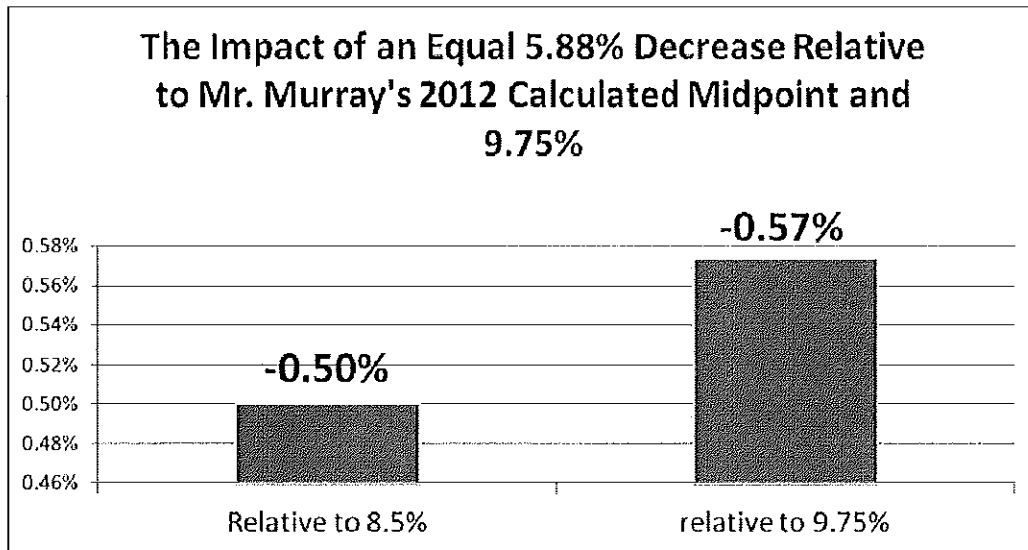
1

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3 **Q. WHAT ADJUSTMENT SHOULD BE MADE TO ACCOUNT FOR THE**  
4 **DIFFERENCE IN SCALE THAT YOU HAVE IDENTIFIED?**

5 A. I believe that the 9.75% figure should not be decreased by 50 basis points, but rather by  
6 the percent decrease that occurred between Mr. Murray's 2012 and 2014 results. In this  
7 way, the application of Mr. Murray's technique will avoid the error of scale.

8 Using an Equal 5.88% decrease means that a 50-basis-point decrease of Mr.  
9 Murray's calculated midpoint is equivalent to a 57-basis-point decrease of 9.75%. The  
10 following chart shows the impact of an equal 5.88% decrease in relation to the relevant  
11 2012 figures:



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**Q. HOW DOES MR. MURRAY'S FINAL RECOMMENDED ROE CHANGE BASED ON THIS ADJUSTMENT?**

A. Mr. Murray's unaltered final recommended ROE is 9.25%. Decreasing 9.75% by 5.88% rather than by 50 basis points results in a final recommended ROE of 9.18%. Therefore, this adjustment decreases Mr. Murray's recommendation by 7 basis points.

**Q. HOW DID MR. MURRAY CALCULATE HIS FINAL RECOMMENDATION?**

A. Mr. Murray proposes a 50-basis-point adjustment to the 2012 authorized ROE rather than recommending the result of his financial calculations.<sup>68</sup> Mr. Murray calculates this adjustment as the difference in the results of his 2012 and 2014 financial models.

<sup>68</sup> Mr. Murray uses 9.75% as the appropriate 2012 authorized ROE figure, presumably because it is the midpoint of what he identifies as the Commission-approved range from the previous case. See Murray Direct, p. 11, lines 2-3.

1 **Q. WHY DID MR. MURRAY FEEL THE NEED TO BASE HIS FINAL**  
2 **RECOMMENDATION ON THIS ADJUSTMENT RATHER THAN**  
3 **RECOMMENDING THE RESULT OF HIS CALCULATIONS?**

4 A. Mr. Murray states that “because there appears to be some concern in setting an allowed  
5 return on equity based on a reasonable estimate of the cost of equity, Staff recommends  
6 the Commission set the allowed ROE at 9.25% in this case.”<sup>69</sup>

7  
8 **Q. WHAT “CONCERN” IS MR. MURRAY REFERRING TO?**

9 A. In his direct testimony, Mr. Murray summarizes the rationale for his proposed adjustment  
10 as follows:

11 Being that the main issue the Commission had with Staff’s  
12 cost of equity estimate in the last rate case was that it was just too  
13 low, which was primarily driven by Staff’s use of a lower perpetual  
14 growth rate, the Commission should focus on the relative change in  
15 Staff’s cost of equity estimate compared to 2012 rather than the  
16 absolute estimate.<sup>70</sup>

17  
18 Mr. Murray seems to be concerned that since in 2012 the Commission found the result of  
19 his financial models too low (midpoint of 8.5%), it is possible that the Commission will  
20 also find the result of his 2014 financial models too low (midpoint of 8%).

21  
22 **Q. DO YOU BELIEVE MR. MURRAY’S FINAL RECOMMENDATION SHOULD**  
23 **BE ACCEPTED?**

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<sup>69</sup> See Murray Direct, p. 46, lines 21-23.

<sup>70</sup> See Murray Direct, p. 21, lines 25-29.

1 A. No, I do not. The adjustment Mr. Murray proposes is not financial in nature, but rather  
2 based on the “concern” described above. Basing a financial adjustment on the concern  
3 that results are “just too low,” or for that matter “just too high,” does not provide the rigor  
4 required to recommend a reliable result.

5 The difference between Mr. Murray’s final recommended ROE and the midpoint  
6 of the results of his financial calculations is 125 basis points ( $9.25\% - 8.00\% = 1.25\%$ ).<sup>71</sup>  
7 Based on the common-equity component of Ameren’s capital structure, 125 basis points  
8 are worth \$49,236,132 ( $\$3,938,890,562 * .0125$ ) in revenue requirement.<sup>72</sup> Essentially,  
9 Mr. Murray is recommending a revenue-requirement increase of \$49,236,132 from the  
10 midpoint of the results of his financial calculations based on the “concern”. I believe an  
11 adjustment of this magnitude should be based on more quantifiable information.

12 However, if the Commission decides that this is a valid adjustment, I propose that  
13 the result based on the change in calculation that I described earlier be adopted.  
14

15 **SECTION 6: SUMMARY OF CORRECTED RESULTS**

16  
17 **Q. PLEASE PRESENT THE ORIGINAL RESULTS OF THE OTHER THREE**  
18 **RATE-OF-RETURN WITNESS IN THIS CASE AND THE RESULTS OF YOUR**  
19 **PROPOSED CORRECTIONS.**

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<sup>71</sup> Had Mr. Murray recommended the top of his range, the difference would be 85 basis points ( $9.25\% - 8.4\% = .85\%$ ). Had he recommended the bottom of his range, the difference would be 165 basis points ( $9.25\% - 7.60\% = 1.65\%$ ).

<sup>72</sup> Had Mr. Murray recommended the top of his range, the 85-basis-point adjustment would be worth \$33,480,570 ( $\$3,938,890,562 * .0085$ ). Had he recommended the bottom of his range, the 165-basis-point adjustment would be worth \$64,991,694 ( $\$3,938,890,562 * .0165$ ).

1 A. The following table summarizes my analysis of Mr. Hevert's results:

Mr. Hevert						
	Original Results			Corrected Results with Updated Stock Prices and the Exclusion of Duke and Cleco		
Constant-Growth DCF	Mean Low	Mean	Mean High	Mean		
30-Day Average	8.44%	9.56%	10.87%	9.37%		
90-Day Average	8.50%	9.62%	10.93%	9.53%		
180-Day Average	8.61%	9.73%	11.04%	9.56%		
<b>Multi-Stage DCF</b>						
30-Day Average	9.61%	9.93%	10.36%	8.84%		
90-Day Average	9.67%	10.00%	10.43%	9.00%		
180-Day Average	9.80%	10.13%	10.58%	9.03%		
<b>CAPM Results</b>	Bloomberg Derived Market Risk Premium	Value Line Derived Market Risk Premium		6.2% Market Risk Premium		
<i>Average Bloomberg Beta Coefficient</i>						
Current 30-Year Treasury (3.42%)	11.27%	10.69%		8.34%		
Near Term 30-Year Treasury (4.07%)	11.92%	11.34%		8.98%		
<i>Average Value Line Beta Coefficient</i>						
Current 30-Year Treasury (3.42%)	11.17%	10.59%		8.33%		
Near Term 30-Year Treasury (4.07%)	11.82%	11.24%		8.98%		
<b>Bond Yield Plus Risk Premium</b>	<b>Low</b>	<b>Mid</b>	<b>High</b>	<b>Low</b>	<b>High</b>	
	10.16%	10.31%	10.77%	7.85%	8.50%	
<b>Final Recommendation</b>	10.40%			<b>9.07%</b>		

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3

The following table summarizes my analysis of Mr. Gorman's results:

4

1

<b>Mr. Gorman</b>		
	<b>Original Return on Common Equity Results</b>	<b>Unrounded Results, Corrected CAPM</b>
<b>DCF</b>	9.00%	8.95%
<b>Risk Premium</b>	9.60%	9.58%
<b>CAPM</b>	9.24%	8.82%
<b>Final Recommendation (midpoint of the high and low estimates)</b>	9.30%	<b>9.20%</b>

2

3

The following table summarizes my analysis of Mr. Murray's results, assuming the

4

results are accepted:

<b>Mr. Murray</b>		
	<b>Original Return on Common Equity Result</b>	<b>After Accounting for a difference in scale</b>
<b>Final Recommendation</b>	9.25%	<b>9.18%</b>

5

6

7

**Q. HOW DO THESE CORRECTED RESULTS COMPARE TO THE RESULTS YOU PRESENTED IN YOUR DIRECT TESTIMONY?**

8

9

The final recommendations based on the changes I have outlined in this rebuttal

10

testimony all fall within the top half of the range I recommended during my direct

11

testimony (8.74% to 9.22%).

12

13

**Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

14

A. Yes, it does.



Ticker	Company	Dividend	Yield	Dividend Payout Ratio		Dividend Growth		Payout Ratio	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	Dividend	Yield	
				2023	2022	2023	2022															
AFEP	American Electric Power Company, Inc.	\$1.20	4.40%	4.79%	4.40%	4.56%	5.71%	64.00%	63.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
CNO	Checo Corporation	\$0.94	4.00%	4.19%	4.00%	4.66%	5.71%	78.00%	64.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
DNK	Duke Energy Corporation	\$1.44	3.80%	4.50%	4.00%	4.46%	5.71%	64.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
EDF	Empire District Electric Company	\$2.01	3.00%	4.00%	4.00%	3.36%	5.71%	68.00%	64.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
HE	Hecla Mining Company	\$2.14	5.10%	6.25%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
IOA	IOA Corporation	\$1.74	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
NEE	Norfolk Southern Corporation	\$1.12	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
NU	Norfolk Southern Corporation	\$1.12	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
OTTR	Other Tail Corporation	\$1.12	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
PWM	Primerica Financial Corporation	\$2.66	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
PWR	Western Energy, Inc.	\$3.54	3.70%	2.90%	2.90%	3.70%	5.71%	60.00%	63.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
SO	Southern Company	\$4.28	3.70%	3.51%	3.50%	3.61%	5.71%	75.00%	72.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
POR	Potomac Electric Power Company	\$2.81	6.50%	11.21%	5.00%	7.61%	5.71%	61.00%	50.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
PNM	PNM Resources, Inc.	\$2.74	8.50%	8.39%	12.00%	9.63%	5.71%	45.00%	49.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
PNW	PNW West Capital Corporation	\$5.36	4.10%	4.26%	4.00%	4.13%	5.71%	56.00%	64.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
OTTR	Other Tail Corporation	\$2.66	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
NEE	Norfolk Southern Corporation	\$1.12	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
HE	Hecla Mining Company	\$2.14	5.10%	6.25%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
IOA	IOA Corporation	\$1.74	6.00%	6.20%	4.00%	4.40%	5.71%	61.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
DNK	Duke Energy Corporation	\$1.44	3.80%	4.50%	4.00%	4.46%	5.71%	78.00%	64.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
CNO	Checo Corporation	\$0.94	4.00%	4.19%	4.00%	4.66%	5.71%	64.00%	63.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%
AFEP	American Electric Power Company, Inc.	\$1.20	4.40%	4.79%	4.40%	4.56%	5.71%	64.00%	63.00%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%	67.05%

Index	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Multi-Stage Growth Discounted Cash Flow Model	10.68%	10.61%	10.54%	10.47%	10.40%	10.33%	10.26%	10.19%	10.12%	10.05%	9.98%	9.91%	9.84%	9.77%	9.70%	9.63%	9.56%	9.49%	9.42%	9.35%
30 Day Average Stock Price	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14	\$17.14
Average EPS Growth Rate Estimate in First Stage	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Payoff Ratio	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Market Return	10.68%	10.61%	10.54%	10.47%	10.40%	10.33%	10.26%	10.19%	10.12%	10.05%	9.98%	9.91%	9.84%	9.77%	9.70%	9.63%	9.56%	9.49%	9.42%	9.35%

TICKER	Company	Dividend Payout Ratio										Corrected Divided Timing										Cash Flows										Projected Annual Data																		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)									
WR	Western Energy, Inc.	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
SO	Southern Company	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
POR	Portland General Electric Company	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
PNM	PNM Resources, Inc.	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
PWV	Prudhoe Bay Capital Corporation	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
OTTR	Otter Tail Corporation	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
NU	Northeast Utilities	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
NEE	Northeast Energy, Inc.	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
IDA	IDA CORP, Inc.	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
HE	Hecla Mining Company	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
GXP	Great Plains Energy, Inc.	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
EDE	Empire District Electric Company	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
DUK	Duke Energy Corporation	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
CNL	Consolidated Natural Gas	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
AEP	American Electric Power Company, Inc.	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Company		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%









Multi-Stage Growth Discounted Cash Flow Model  
 30 Day Average Stock Price  
 Average EPS Growth Rate Estimate in First Stage

Inputs	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	
	Stock	EPS Growth Rate Estimates			Long-Term	Payout Ratio			Iterative Solution	Terminal	Terminal			
Company	Ticker	Price	Zacks	First Call	Value Line	Average	Growth	2013	2017	2024	Proof	IRR	P/E Ratio	PEG Ratio
American Electric Power Company, Inc.	AEP	\$52.51	4.46%	4.78%	4.50%	4.56%	4.66%	64.00%	63.00%	67.05%	(50.00)	8.24%	26.33	5.42
Cleco Corporation	CNL	\$51.44	8.00%	7.00%	4.50%	6.50%	4.66%	64.00%	67.00%	67.05%	(50.00)	8.24%	31.00	6.38
Duke Energy Corporation	DUK	\$72.19	4.20%	4.18%	5.00%	4.46%	4.66%	78.00%	64.00%	67.05%	(50.00)	9.63%	22.00	4.53
Empire District Electric Company	EDE	\$24.01	3.00%	3.00%	4.00%	3.33%	4.66%	68.00%	64.00%	67.05%	(50.00)	9.03%	25.16	5.18
Great Plains Energy Inc.	GXP	\$26.14	5.10%	5.25%	6.00%	5.45%	4.66%	66.00%	66.00%	67.05%	(50.00)	8.68%	27.42	5.64
Hawaiian Electric Industries, Inc.	HE	\$24.04	6.00%	3.20%	4.00%	4.40%	4.66%	61.00%	67.00%	67.05%	50.00	10.34%	19.14	3.94
IDACORP, Inc.	IDA	\$54.88	4.00%	4.00%	2.00%	3.33%	4.66%	43.00%	55.00%	67.05%	(50.00)	7.68%	37.12	7.64
NextEra Energy, Inc.	NEE	\$97.12	6.40%	6.23%	6.00%	6.21%	4.66%	64.00%	57.00%	67.05%	(50.00)	8.11%	32.29	6.64
Northeast Utilities	NU	\$45.96	6.90%	6.36%	8.00%	7.09%	4.66%	68.00%	58.00%	67.05%	50.00	8.89%	26.00	5.35
Otter Tail Corporation	OTTR	\$28.68	NA	6.00%	15.00%	10.50%	4.66%	87.00%	59.00%	67.05%	50.00	11.24%	16.44	3.38
Pinnacle West Capital Corporation	PNW	\$55.36	4.10%	4.26%	4.00%	4.13%	4.66%	68.00%	64.00%	67.05%	(50.00)	9.06%	24.97	5.14
PNM Resources, Inc.	PNM	\$27.74	8.50%	8.39%	12.00%	9.83%	4.66%	45.00%	49.00%	67.05%	(50.00)	8.50%	28.78	5.92
Portland General Electric Company	POR	\$32.84	6.80%	11.21%	5.00%	7.67%	4.66%	64.00%	60.00%	67.05%	50.00	9.24%	23.95	4.93
Southern Company	SO	\$44.28	3.70%	3.64%	3.50%	3.61%	4.66%	75.00%	72.00%	67.05%	50.00	9.44%	22.89	4.71
Westar Energy, Inc.	WR	\$35.54	3.70%	2.90%	6.00%	4.20%	4.66%	65.00%	60.00%	67.05%	50.00	8.87%	26.16	5.38

DCF Result	
Mean	9.05%
Max	11.24%
Mtn	7.68%

Projected Annual Dividends Per Share	[14]	[15]	[16]	[17]	[18]	[19]	[20]	[21]	[22]	[23]	[24]	[25]	[26]	[27]	[28]	[29]	[30]	
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
American Electric Power Company, Inc.	AEP	\$1.95	\$2.04	\$2.13	\$2.23	\$2.33	\$2.44	\$2.55	\$2.67	\$2.79	\$2.93	\$3.07	\$3.22	\$3.37	\$3.54	\$3.71	\$3.89	
Cleco Corporation	CNL	\$1.43	\$1.52	\$1.62	\$1.73	\$1.84	\$1.96	\$2.08	\$2.21	\$2.33	\$2.46	\$2.58	\$2.71	\$2.84	\$2.98	\$3.12	\$3.27	
Duke Energy Corporation	DUK	\$3.23	\$3.37	\$3.52	\$3.68	\$3.84	\$4.02	\$4.20	\$4.39	\$4.59	\$4.81	\$5.04	\$5.29	\$5.54	\$5.81	\$6.10	\$6.39	
Empire District Electric Company	EDE	\$1.01	\$1.04	\$1.08	\$1.11	\$1.15	\$1.19	\$1.23	\$1.28	\$1.33	\$1.39	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.84	
Great Plains Energy Inc.	GXP	\$0.88	\$0.93	\$0.98	\$1.03	\$1.09	\$1.15	\$1.21	\$1.27	\$1.34	\$1.41	\$1.48	\$1.55	\$1.62	\$1.70	\$1.78	\$1.87	
Hawaiian Electric Industries, Inc.	HE	\$1.24	\$1.29	\$1.35	\$1.41	\$1.47	\$1.54	\$1.61	\$1.68	\$1.76	\$1.84	\$1.93	\$2.02	\$2.12	\$2.22	\$2.33	\$2.44	
IDACORP, Inc.	IDA	\$1.57	\$1.62	\$1.68	\$1.73	\$1.79	\$1.85	\$1.92	\$1.99	\$2.07	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	\$2.87	
NextEra Energy, Inc.	NEE	\$2.64	\$2.80	\$2.98	\$3.16	\$3.36	\$3.57	\$3.78	\$4.00	\$4.22	\$4.44	\$4.67	\$4.90	\$5.14	\$5.39	\$5.65	\$5.92	
Northeast Utilities	NU	\$1.47	\$1.57	\$1.69	\$1.81	\$1.93	\$2.07	\$2.21	\$2.35	\$2.49	\$2.63	\$2.77	\$2.90	\$3.04	\$3.19	\$3.34	\$3.51	
Otter Tail Corporation	OTTR	\$1.19	\$1.31	\$1.45	\$1.61	\$1.77	\$1.95	\$2.15	\$2.33	\$2.51	\$2.68	\$2.84	\$2.97	\$3.12	\$3.27	\$3.43	\$3.60	
Pinnacle West Capital Corporation	PNW	\$2.23	\$2.32	\$2.42	\$2.52	\$2.62	\$2.73	\$2.85	\$2.97	\$3.10	\$3.25	\$3.40	\$3.57	\$3.74	\$3.92	\$4.11	\$4.31	
PNM Resources, Inc.	PNM	\$0.68	\$0.75	\$0.82	\$0.90	\$0.98	\$1.03	\$1.17	\$1.27	\$1.36	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.85	\$1.94	
Portland General Electric Company	POR	\$1.10	\$1.18	\$1.28	\$1.37	\$1.48	\$1.59	\$1.71	\$1.82	\$1.94	\$2.05	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	
Southern Company	SO	\$2.01	\$2.08	\$2.16	\$2.24	\$2.32	\$2.40	\$2.49	\$2.59	\$2.70	\$2.82	\$2.95	\$3.10	\$3.25	\$3.41	\$3.57	\$3.74	
Westar Energy, Inc.	WR	\$1.36	\$1.42	\$1.48	\$1.54	\$1.60	\$1.67	\$1.74	\$1.82	\$1.90	\$1.99	\$2.08	\$2.19	\$2.29	\$2.40	\$2.52	\$2.64	

Projected Annual Data Investor Cash Flows	[64]	[65]	[66]	[67]	[68]	[69]	[70]	[71]	[72]	[73]	[74]	[75]	[76]	[77]	[78]	[79]	[80]	
Company	Ticker	Initial Outflow	6/30/14	12/31/14	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	6/30/27	6/30/28
American Electric Power Company, Inc.	AEP	(\$52.51)	\$0.00	\$1.17	\$1.04	\$2.23	\$2.33	\$2.44	\$2.55	\$2.67	\$2.79	\$2.93	\$3.07	\$3.22	\$3.37	\$3.54	\$3.71	\$3.89
Cleco Corporation	CNL	(\$51.44)	\$0.00	\$0.87	\$0.77	\$1.73	\$1.84	\$1.96	\$2.08	\$2.21	\$2.33	\$2.46	\$2.58	\$2.71	\$2.84	\$2.98	\$3.12	\$3.27
Duke Energy Corporation	DUK	(\$72.19)	\$0.00	\$1.94	\$1.71	\$3.68	\$3.84	\$4.02	\$4.20	\$4.39	\$4.59	\$4.81	\$5.04	\$5.29	\$5.54	\$5.81	\$6.10	\$6.39
Empire District Electric Company	EDE	(\$24.01)	\$0.00	\$0.60	\$0.53	\$1.11	\$1.15	\$1.19	\$1.23	\$1.28	\$1.33	\$1.39	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.84
Great Plains Energy Inc.	GXP	(\$26.14)	\$0.00	\$0.53	\$0.47	\$1.03	\$1.09	\$1.15	\$1.21	\$1.27	\$1.34	\$1.41	\$1.48	\$1.55	\$1.62	\$1.70	\$1.78	\$1.87
Hawaiian Electric Industries, Inc.	HE	(\$24.04)	\$0.00	\$0.75	\$0.66	\$1.41	\$1.47	\$1.54	\$1.61	\$1.68	\$1.76	\$1.84	\$1.93	\$2.02	\$2.12	\$2.22	\$2.33	\$2.44
IDACORP, Inc.	IDA	(\$54.88)	\$0.00	\$0.94	\$0.82	\$1.73	\$1.79	\$1.85	\$1.92	\$1.99	\$2.07	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	\$2.87
NextEra Energy, Inc.	NEE	(\$97.12)	\$0.00	\$1.60	\$1.42	\$3.16	\$3.36	\$3.57	\$3.78	\$4.00	\$4.22	\$4.44	\$4.67	\$4.90	\$5.14	\$5.39	\$5.65	\$5.92
Northeast Utilities	NU	(\$45.96)	\$0.00	\$0.90	\$0.80	\$1.81	\$1.93	\$2.07	\$2.21	\$2.35	\$2.49	\$2.63	\$2.77	\$2.90	\$3.04	\$3.19	\$3.34	\$3.51
Otter Tail Corporation	OTTR	(\$28.68)	\$0.00	\$0.74	\$0.67	\$1.61	\$1.77	\$1.95	\$2.15	\$2.33	\$2.51	\$2.68	\$2.84	\$2.97	\$3.12	\$3.27	\$3.43	\$3.60
Pinnacle West Capital Corporation	PNW	(\$55.36)	\$0.00	\$1.34	\$1.18	\$2.52	\$2.62	\$2.73	\$2.85	\$2.97	\$3.10	\$3.25	\$3.40	\$3.57	\$3.74	\$3.92	\$4.11	\$4.31
PNM Resources, Inc.	PNM	(\$27.74)	\$0.00	\$0.42	\$0.38	\$0.90	\$0.98	\$1.03	\$1.17	\$1.27	\$1.36	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.85	\$1.94
Portland General Electric Company	POR	(\$32.84)	\$0.00	\$0.87	\$0.60	\$1.37	\$1.48	\$1.59	\$1.71	\$1.82	\$1.94	\$2.05	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73
Southern Company	SO	(\$44.28)	\$0.00	\$1.21	\$1.06	\$2.24	\$2.32	\$2.40	\$2.49	\$2.59	\$2.70	\$2.82	\$2.95	\$3.10	\$3.25	\$3.41	\$3.57	\$3.74
Westar Energy, Inc.	WR	(\$35.54)	\$0.00	\$0.82	\$0.72	\$1.54	\$1.60	\$1.67	\$1.74	\$1.82	\$1.90	\$1.99	\$2.08	\$2.19	\$2.29	\$2.40	\$2.52	\$2.64





Multi-Stage Growth Discounted Cash Flow Model  
180 Day Average Stock Price  
Average EPS Growth Rate Estimate in First Stage

Inputs	Stock	EPS Growth Rate Estimates					Long-Term Growth	Payoff Ratio			Iterative Solution	Terminal P/E Ratio	Terminal PEG Ratio					
		Price	Zacks	First Call	Value Line	Average		2013	2017	2024								
Company	Ticker	Price	Zacks	First Call	Value Line	Average	Growth	2013	2017	2024	Proof	IRR	P/E Ratio	PEG Ratio				
American Electric Power Company, Inc.	AEP	\$48.18	4.40%	4.79%	4.50%	4.56%	4.66%	64.00%	63.00%	67.05%	\$0.00	9.20%	24.16	4.97				
Cleco Corporation	CNL	\$47.92	8.00%	7.00%	4.50%	6.50%	4.66%	64.00%	67.00%	67.05%	(50.00)	8.49%	28.89	5.95				
Duke Energy Corporation	DUK	\$70.14	4.20%	4.19%	5.00%	4.46%	4.66%	78.00%	64.00%	67.05%	(50.00)	9.76%	21.38	4.40				
Empire District Electric Company	EDE	\$23.04	3.00%	3.00%	4.00%	3.33%	4.66%	68.00%	64.00%	67.05%	(50.00)	9.20%	24.14	4.97				
Great Plains Energy Inc.	GXP	\$24.72	5.10%	5.25%	6.00%	5.45%	4.66%	66.00%	66.00%	67.05%	(50.00)	8.90%	25.94	5.34				
Hawaiian Electric Industries, Inc.	HE	\$25.31	6.00%	3.20%	4.00%	4.40%	4.66%	64.00%	67.00%	67.05%	\$0.00	10.06%	20.16	4.15				
IDACORP, Inc.	IDA	\$52.61	4.00%	4.00%	2.00%	3.33%	4.66%	43.00%	65.00%	67.05%	(50.00)	7.81%	35.58	7.32				
NextEra Energy, Inc.	NEE	\$89.07	6.40%	6.23%	6.00%	6.21%	4.88%	64.00%	67.00%	67.05%	(50.00)	8.40%	29.64	6.10				
Northeast Utilities	NU	\$43.38	6.90%	6.36%	8.00%	7.05%	4.66%	69.00%	68.00%	67.05%	(50.00)	9.13%	24.56	5.05				
Otter Tail Corporation	OTTR	\$29.13	NA	6.00%	15.00%	10.50%	4.66%	67.00%	69.00%	67.05%	\$0.00	11.14%	16.69	3.43				
Pinnacle West Capital Corporation	PNW	\$54.50	4.10%	4.28%	4.00%	4.13%	4.66%	68.00%	64.00%	67.05%	(50.00)	9.13%	24.57	5.06				
PNM Resources, Inc.	PNM	\$24.93	8.50%	8.39%	12.00%	9.63%	4.66%	45.00%	49.00%	67.05%	(50.00)	8.90%	25.94	5.34				
Portland General Electric Company	POR	\$30.57	6.80%	11.21%	5.00%	7.67%	4.66%	61.00%	60.00%	67.05%	(50.00)	9.66%	22.32	4.59				
Southern Company	SO	\$42.21	3.70%	3.64%	3.50%	3.61%	4.66%	78.00%	72.00%	67.05%	\$0.00	9.67%	21.81	4.49				
Westar Energy, Inc.	WR	\$33.10	3.70%	2.90%	6.00%	4.20%	4.66%	65.00%	60.00%	67.05%	\$0.00	9.17%	24.36	5.01				
DCF Result																		
Mean													9.23%	24.69	5.08			
Max													11.14%	35.58	7.32			
Min													7.81%	16.69	3.43			
Projected Annual Dividends Per Share		[14]	[15]	[16]	[17]	[18]	[19]	[20]	[21]	[22]	[23]	[24]	[25]	[26]	[27]	[28]	[29]	[30]
Company	Ticker	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
American Electric Power Company, Inc.	AEP	\$1.95	\$2.04	\$2.13	\$2.23	\$2.33	\$2.44	\$2.55	\$2.67	\$2.79	\$2.93	\$3.07	\$3.22	\$3.37	\$3.54	\$3.71	\$3.88	\$4.06
Cleco Corporation	CNL	\$1.43	\$1.52	\$1.62	\$1.73	\$1.84	\$1.96	\$2.08	\$2.21	\$2.33	\$2.46	\$2.58	\$2.71	\$2.84	\$2.98	\$3.12	\$3.27	\$3.42
Duke Energy Corporation	DUK	\$3.23	\$3.37	\$3.52	\$3.68	\$3.84	\$4.02	\$4.20	\$4.39	\$4.59	\$4.81	\$5.04	\$5.29	\$5.54	\$5.81	\$6.10	\$6.39	\$6.69
Empire District Electric Company	EDE	\$1.01	\$1.04	\$1.08	\$1.11	\$1.15	\$1.19	\$1.23	\$1.28	\$1.33	\$1.39	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.84	\$1.92
Great Plains Energy Inc.	GXP	\$0.88	\$0.93	\$0.98	\$1.03	\$1.09	\$1.15	\$1.21	\$1.27	\$1.34	\$1.41	\$1.48	\$1.55	\$1.62	\$1.70	\$1.78	\$1.87	\$1.95
Hawaiian Electric Industries, Inc.	HE	\$1.24	\$1.29	\$1.35	\$1.41	\$1.47	\$1.54	\$1.61	\$1.68	\$1.76	\$1.84	\$1.93	\$2.02	\$2.12	\$2.22	\$2.33	\$2.44	\$2.55
IDACORP, Inc.	IDA	\$1.57	\$1.62	\$1.68	\$1.73	\$1.79	\$1.85	\$1.92	\$1.99	\$2.07	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	\$2.87	\$3.01
NextEra Energy, Inc.	NEE	\$2.64	\$2.80	\$2.98	\$3.16	\$3.36	\$3.57	\$3.78	\$4.00	\$4.22	\$4.44	\$4.67	\$4.90	\$5.14	\$5.39	\$5.65	\$5.92	\$6.20
Northeast Utilities	NU	\$1.47	\$1.57	\$1.69	\$1.81	\$1.93	\$2.07	\$2.21	\$2.35	\$2.49	\$2.63	\$2.77	\$2.90	\$3.04	\$3.19	\$3.34	\$3.51	\$3.67
Otter Tail Corporation	OTTR	\$1.19	\$1.31	\$1.45	\$1.61	\$1.77	\$1.96	\$2.15	\$2.33	\$2.51	\$2.68	\$2.84	\$2.97	\$3.12	\$3.27	\$3.43	\$3.60	\$3.77
Pinnacle West Capital Corporation	PNW	\$2.23	\$2.32	\$2.42	\$2.52	\$2.62	\$2.73	\$2.85	\$2.97	\$3.10	\$3.25	\$3.40	\$3.57	\$3.74	\$3.92	\$4.11	\$4.31	\$4.51
PNM Resources, Inc.	PNM	\$0.68	\$0.75	\$0.82	\$0.90	\$0.98	\$1.08	\$1.17	\$1.27	\$1.36	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.85	\$1.94	\$2.03
Portland General Electric Company	POR	\$1.10	\$1.18	\$1.23	\$1.37	\$1.48	\$1.59	\$1.71	\$1.82	\$1.94	\$2.05	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	\$2.85
Southern Company	SO	\$2.01	\$2.08	\$2.16	\$2.24	\$2.32	\$2.40	\$2.49	\$2.59	\$2.70	\$2.82	\$2.95	\$3.10	\$3.25	\$3.41	\$3.57	\$3.74	\$3.91
Westar Energy, Inc.	WR	\$1.36	\$1.42	\$1.48	\$1.54	\$1.60	\$1.67	\$1.74	\$1.82	\$1.90	\$1.99	\$2.08	\$2.19	\$2.29	\$2.40	\$2.52	\$2.64	\$2.76

Projected Annual Data Investor Cash Flows		[64]	[65]	[66]	[67]	[68]	[69]	[70]	[71]	[72]	[73]	[74]	[75]	[76]	[77]	[78]	[79]	[80]
Company	Ticker	Initial Outflow	5/30/14	12/31/14	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	6/30/27	6/30/28
American Electric Power Company, Inc.	AEP	(\$48.18)	\$0.00	\$1.17	\$1.04	\$2.23	\$2.33	\$2.44	\$2.55	\$2.67	\$2.79	\$2.93	\$3.07	\$3.22	\$3.37	\$3.54	\$3.71	\$3.88
Cleco Corporation	CNL	(\$47.92)	\$0.00	\$0.87	\$0.77	\$1.73	\$1.84	\$1.96	\$2.08	\$2.21	\$2.33	\$2.46	\$2.58	\$2.71	\$2.84	\$2.98	\$3.12	\$3.27
Duke Energy Corporation	DUK	(\$70.14)	\$0.00	\$1.94	\$1.71	\$3.63	\$3.84	\$4.02	\$4.20	\$4.39	\$4.59	\$4.81	\$5.04	\$5.29	\$5.54	\$5.81	\$6.10	\$6.39
Empire District Electric Company	EDE	(\$23.04)	\$0.00	\$0.53	\$0.53	\$1.11	\$1.15	\$1.19	\$1.23	\$1.28	\$1.33	\$1.39	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.84
Great Plains Energy Inc.	GXP	(\$24.72)	\$0.00	\$0.53	\$0.47	\$1.03	\$1.09	\$1.15	\$1.21	\$1.27	\$1.34	\$1.41	\$1.48	\$1.55	\$1.62	\$1.70	\$1.78	\$1.87
Hawaiian Electric Industries, Inc.	HE	(\$25.31)	\$0.00	\$0.75	\$0.66	\$1.41	\$1.47	\$1.54	\$1.61	\$1.68	\$1.76	\$1.84	\$1.93	\$2.02	\$2.12	\$2.22	\$2.33	\$2.44
IDACORP, Inc.	IDA	(\$52.61)	\$0.00	\$0.94	\$0.82	\$1.73	\$1.79	\$1.85	\$1.92	\$1.99	\$2.07	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	\$2.87
NextEra Energy, Inc.	NEE	(\$89.07)	\$0.00	\$1.60	\$1.42	\$3.16	\$3.36	\$3.57	\$3.78	\$4.00	\$4.22	\$4.44	\$4.67	\$4.90	\$5.14	\$5.39	\$5.65	\$5.92
Northeast Utilities	NU	(\$43.38)	\$0.00	\$0.90	\$0.80	\$1.81	\$1.93	\$2.07	\$2.21	\$2.35	\$2.49	\$2.63	\$2.77	\$2.90	\$3.04	\$3.19	\$3.34	\$3.51
Otter Tail Corporation	OTTR	(\$29.13)	\$0.00	\$0.74	\$0.67	\$1.61	\$1.77	\$1.96	\$2.15	\$2.33	\$2.51	\$2.68	\$2.84	\$2.97	\$3.12	\$3.27	\$3.43	\$3.60
Pinnacle West Capital Corporation	PNW	(\$54.50)	\$0.00	\$1.34	\$1.18	\$2.52	\$2.62	\$2.73	\$2.85	\$2.97	\$3.10	\$3.25	\$3.40	\$3.57	\$3.74	\$3.92	\$4.11	\$4.31
PNM Resources, Inc.	PNM	(\$24.93)	\$0.00	\$0.42	\$0.38	\$0.90	\$0.98	\$1.08	\$1.17	\$1.27	\$1.36	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.85	\$1.94
Portland General Electric Company	POR	(\$30.57)	\$0.00	\$0.67	\$0.60	\$1.37	\$1.48	\$1.59	\$1.71	\$1.82	\$1.94	\$2.05	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73
Southern Company	SO	(\$42.21)	\$0.00	\$1.21	\$1.06	\$2.24	\$2.32	\$2.40	\$2.49	\$2.59	\$2.70	\$2.82	\$2.95	\$3.10	\$3.25	\$3.41	\$3.57	\$3.74
Westar Energy, Inc.	WR	(\$33.10)	\$0.00	\$0.82	\$0.72	\$1.54	\$1.60	\$1.67	\$1.74	\$1.82	\$1.90	\$1.99	\$2.08	\$2.19	\$2.29	\$2.40	\$2.52	\$2.64

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
13.44%	3.42%	10.02%

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	[10] MC Weighted Growth
AGILENT TECHNOLOGIES INC	A	18,984.96	0.10%	0.93%	10.15%	11.12%	0.0114%	0.0104%
ALCOA INC	AA	15,954.78	0.09%	0.88%	10.67%	11.60%	0.0100%	0.0092%
APPLE INC	AAPL	545,254.17	2.96%	2.01%	12.29%	14.43%	0.4264%	0.3633%
ABBVIE INC	ABBV	86,388.31	0.47%	3.06%	4.10%	7.23%	0.0338%	0.0192%
AMERISOURCEBERGEN CORP	ABC	16,526.98	0.09%	1.29%	10.88%	12.24%	0.0110%	0.0098%
ABBOTT LABORATORIES	ABT	60,092.56	0.33%	2.20%	11.41%	13.74%	0.0448%	0.0372%
ACE LTD	ACE	35,022.89	0.19%	2.45%	10.00%	12.58%	0.0239%	0.0180%
ACCENTURE PLC-CL A	ACN	54,829.32	0.30%	2.27%	10.38%	12.77%	0.0380%	0.0308%
ACTAVIS PLC	ACT	36,902.44	0.20%	0.00%	11.33%	11.33%	0.0227%	0.0227%
ADOBE SYSTEMS INC	ADBE	32,123.52	0.17%	0.00%	15.70%	15.70%	0.0273%	0.0273%
ANALOG DEVICES INC	ADI	16,454.94	0.09%	2.76%	10.88%	13.79%	0.0123%	0.0097%
ARCHER-DANIELS-MIDLAND CO	ADM	29,411.74	0.16%	1.98%	7.80%	9.86%	0.0157%	0.0124%
AUTOMATIC DATA PROCESSING	ADP	38,413.91	0.21%	2.32%	9.84%	12.28%	0.0256%	0.0205%
ALLIANCE DATA SYSTEMS CORP	ADS	13,879.95	0.08%	0.00%	14.60%	14.60%	0.0110%	0.0110%
AUTODESK INC	ADSK	11,913.07	0.06%	0.00%	12.03%	12.03%	0.0078%	0.0078%
ADT CORP/THE	ADT	5,610.71	0.03%	2.16%	6.63%	8.87%	0.0027%	0.0020%
AMEREN CORPORATION	AEE	9,547.68	0.05%	4.14%	7.30%	11.59%	0.0060%	0.0038%
AMERICAN ELECTRIC POWER	AEP	26,039.23	0.14%	3.82%	5.66%	9.59%	0.0135%	0.0080%
AES CORP	AES	10,227.21	0.06%	1.38%	8.00%	9.43%	0.0052%	0.0044%
AETNA INC	AET	27,716.37	0.15%	1.14%	11.22%	12.42%	0.0187%	0.0169%
AFLAC INC	AFL	27,807.24	0.15%	2.46%	10.24%	12.82%	0.0193%	0.0154%
ALLERGAN INC	AGN	49,628.83	0.27%	0.12%	17.24%	17.37%	0.0469%	0.0466%
AMERICAN INTERNATIONAL GROUP	AIG	78,220.31	0.42%	0.94%	12.40%	13.39%	0.0568%	0.0526%
APARTMENT INVT & MGMT CO -A	AIV	4,599.22	0.02%	3.34%	7.12%	10.57%	0.0026%	0.0018%
ASSURANT INC	AIZ	4,858.08	0.03%	1.58%	3.07%	4.67%	0.0012%	0.0008%
AKAMAI TECHNOLOGIES INC	AKAM	9,672.58	0.05%	0.00%	15.83%	15.83%	0.0083%	0.0083%
ALLSTATE CORP	ALL	25,284.32	0.14%	1.87%	8.72%	10.67%	0.0146%	0.0119%
ALLEGION PLC	ALLE	5,057.17	0.03%	0.52%	17.60%	18.17%	0.0050%	0.0048%
ALTERA CORP	ALTR	10,378.18	0.06%	1.78%	11.19%	13.06%	0.0073%	0.0063%
ALEXION PHARMACEUTICALS INC	ALXN	32,897.51	0.18%	0.00%	24.58%	24.58%	0.0438%	0.0438%
APPLIED MATERIALS INC	AMAT	24,579.33	0.13%	1.97%	24.95%	27.16%	0.0362%	0.0332%
AMETEK INC	AME	13,020.65	0.07%	0.47%	15.00%	15.51%	0.0109%	0.0106%
AMGEN INC	AMGN	87,806.94	0.48%	2.10%	7.87%	10.05%	0.0478%	0.0374%
AMERIPRISE FINANCIAL INC	AMP	21,382.33	0.12%	2.03%	13.00%	15.16%	0.0176%	0.0151%
AMERICAN TOWER CORP	AMT	35,470.69	0.19%	1.49%	23.25%	24.91%	0.0479%	0.0447%
AMAZON COM INC	AMZN	143,825.32	0.78%	0.00%	38.38%	38.38%	0.2992%	0.2992%
AUTONATION INC	AN	6,825.79	0.04%	0.00%	12.77%	12.77%	0.0047%	0.0047%
AON PLC	AON	26,666.75	0.14%	0.86%	12.01%	13.02%	0.0188%	0.0174%
APACHE CORP	APA	35,955.46	0.19%	1.02%	6.56%	7.62%	0.0148%	0.0128%
ANADARKO PETROLEUM CORP	APC	51,949.87	0.28%	0.71%	18.23%	19.00%	0.0535%	0.0513%
AIR PRODUCTS & CHEMICALS INC	APD	25,466.69	0.14%	2.47%	8.48%	11.05%	0.0153%	0.0117%
AMPHENOL CORP-CL A	APH	15,053.84	0.08%	0.79%	9.12%	9.94%	0.0081%	0.0074%
AIRGAS INC	ARG	7,898.98	0.04%	2.09%	13.21%	15.45%	0.0066%	0.0057%
ALLEGHENY TECHNOLOGIES INC	ATI	4,459.10	0.02%	1.75%	20.65%	22.58%	0.0055%	0.0050%
AVALONBAY COMMUNITIES INC	AVB	18,383.76	0.10%	3.27%	8.69%	12.10%	0.0121%	0.0087%
AVAGO TECHNOLOGIES LTD	AVGO	17,655.51	0.10%	1.50%	15.33%	16.95%	0.0162%	0.0147%
AVON PRODUCTS INC	AVP	6,208.24	0.03%	1.74%	10.32%	12.16%	0.0041%	0.0035%
AVERY DENNISON CORP	AVY	4,826.89	0.03%	2.39%	10.80%	13.32%	0.0035%	0.0028%
AMERICAN EXPRESS CO	AXP	96,862.38	0.53%	1.09%	10.78%	11.93%	0.0626%	0.0566%
AUTOZONE INC	AZO	17,692.87	0.10%	0.00%	12.50%	12.50%	0.0120%	0.0120%
BOEING CO/THE	BA	98,627.61	0.53%	2.16%	10.60%	12.88%	0.0688%	0.0587%
BANK OF AMERICA CORP	BAC	159,207.09	0.86%	0.89%	8.50%	9.42%	0.0813%	0.0734%
BAXTER INTERNATIONAL INC	BAX	40,374.86	0.22%	2.72%	10.00%	12.86%	0.0281%	0.0219%
BED BATH & BEYOND INC	BBBY	12,414.39	0.07%	0.00%	11.27%	11.27%	0.0076%	0.0076%
BB&T CORP	BBT	27,245.39	0.15%	2.51%	10.23%	12.87%	0.0190%	0.0151%
BEST BUY CO INC	BBY	9,637.33	0.05%	2.47%	10.90%	13.50%	0.0071%	0.0057%
BCR BARD INC	BCR	11,279.18	0.06%	0.60%	10.92%	11.55%	0.0071%	0.0067%
BECTON DICKINSON AND CO	BDX	22,740.11	0.12%	1.84%	9.60%	11.53%	0.0142%	0.0118%
FRANKLIN RESOURCES INC	BEN	34,654.74	0.19%	0.87%	13.84%	14.77%	0.0277%	0.0260%
BROWN-FORMAN CORP-CLASS B	BF/B	19,651.99	0.11%	1.19%	9.60%	10.84%	0.0115%	0.0102%
BAKER HUGHES INC	BHI	30,745.10	0.17%	0.87%	19.58%	20.53%	0.0342%	0.0326%
BIOGEN IDEC INC	BIIB	75,754.50	0.41%	0.00%	20.01%	20.01%	0.0822%	0.0822%
BANK OF NEW YORK MELLON CORP	BK	39,411.29	0.21%	1.91%	11.15%	13.17%	0.0281%	0.0238%
BLACKROCK INC	BLK	52,095.16	0.28%	2.54%	12.77%	15.47%	0.0437%	0.0361%
BALL CORP	BLL	8,414.89	0.05%	0.88%	9.97%	10.90%	0.0050%	0.0045%
BEMIS COMPANY	BMS	4,176.34	0.02%	2.61%	7.20%	9.90%	0.0022%	0.0016%
BRISTOL-MYERS SQUIBB CO	BMJ	82,427.94	0.45%	2.89%	12.80%	15.88%	0.0709%	0.0572%
BROADCOM CORP-CL A	BRM	18,102.16	0.10%	1.50%	10.59%	12.17%	0.0119%	0.0104%
BERKSHIRE HATHAWAY INC-CL B	BRK/B	316,118.88	1.71%	0.00%	3.20%	3.20%	0.0548%	0.0548%
BOSTON SCIENTIFIC CORP	BSX	16,969.93	0.09%	0.00%	9.00%	9.00%	0.0083%	0.0083%
PEABODY ENERGY CORP	BTU	4,384.52	0.02%	2.15%	12.00%	14.28%	0.0034%	0.0029%
BORGWARNER INC	BWA	14,378.06	0.08%	0.58%	12.64%	13.26%	0.0103%	0.0098%
BOSTON PROPERTIES INC	BXP	18,468.99	0.10%	2.93%	5.26%	8.27%	0.0083%	0.0053%
CITIGROUP INC	C	144,508.15	0.78%	0.08%	11.04%	11.12%	0.0871%	0.0864%
CA INC	CA	12,707.97	0.07%	3.49%	5.17%	8.74%	0.0060%	0.0036%
CONAGRA FOODS INC	CAG	13,603.23	0.07%	3.13%	10.00%	13.29%	0.0098%	0.0074%
CARDINAL HEALTH INC	CAH	24,028.42	0.13%	1.73%	11.00%	12.82%	0.0167%	0.0143%
CAMERON INTERNATIONAL CORP	CAM	13,057.83	0.07%	0.00%	17.50%	17.50%	0.0124%	0.0124%
CATERPILLAR INC	CAT	63,815.43	0.35%	2.41%	9.48%	12.01%	0.0415%	0.0326%
CHUBB CORP	CB	22,654.08	0.12%	2.15%	8.42%	10.66%	0.0131%	0.0103%
CBRE GROUP INC - A	CBG	9,907.85	0.05%	0.00%	12.30%	12.30%	0.0066%	0.0066%
CBS CORP-CLASS B NON VOTING	CBS	34,306.13	0.19%	0.88%	15.83%	16.76%	0.0312%	0.0294%
COCA-COLA ENTERPRISES	CCE	11,475.16	0.06%	2.15%	10.11%	12.37%	0.0077%	0.0063%
CROWN CASTLE INTL CORP	CCI	25,612.12	0.14%	2.13%	18.00%	20.32%	0.0282%	0.0250%
CARNIVAL CORP	CCL	31,180.39	0.17%	2.49%	16.92%	19.63%	0.0332%	0.0286%
CELGENE CORP	CELG	61,275.79	0.33%	0.00%	25.73%	25.73%	0.0854%	0.0854%
CERNER CORP	CERN	18,559.25	0.10%	0.00%	17.51%	17.51%	0.0176%	0.0176%
CF INDUSTRIES HOLDINGS INC	CF	12,669.88	0.07%	1.84%	5.58%	7.26%	0.0050%	0.0038%
CAREFUSION CORP	CFN	8,899.91	0.05%	0.00%	11.50%	11.50%	0.0055%	0.0055%

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	[10] MC Weighted Growth
CHESAPEAKE ENERGY CORP	CHK	19,133.60	0.10%	1.21%	19.17%	20.49%	0.0213%	0.0199%
C.H. ROBINSON WORLDWIDE INC	CHRW	8,885.02	0.05%	2.40%	12.86%	15.41%	0.0074%	0.0062%
CIGNA CORP	CI	24,119.48	0.13%	0.04%	10.40%	10.44%	0.0137%	0.0136%
CINCINNATI FINANCIAL CORP	CINF	8,015.71	N/A	3.53%	N/A	N/A	N/A	N/A
COLGATE-PALMOLIVE CO	CL	62,612.43	0.34%	2.12%	9.29%	11.50%	0.0390%	0.0315%
CLOROX COMPANY	CLX	11,523.99	0.06%	3.14%	7.45%	10.70%	0.0067%	0.0047%
COMERICA INC	CMA	8,714.89	0.05%	1.64%	9.13%	10.84%	0.0051%	0.0043%
COMCAST CORP-CLASS A	CMCSA	135,548.22	0.73%	1.72%	11.40%	13.22%	0.0971%	0.0838%
CME GROUP INC	CME	24,177.18	0.13%	4.63%	13.92%	18.87%	0.0247%	0.0182%
CHIPOTLE MEXICAN GRILL INC	CMG	17,005.21	0.09%	0.00%	21.14%	21.14%	0.0195%	0.0195%
CUMMINS INC	CMH	28,121.78	0.15%	1.73%	13.29%	15.13%	0.0231%	0.0203%
CMS ENERGY CORP	CMS	8,017.33	0.04%	3.63%	5.68%	9.41%	0.0041%	0.0025%
CENTERPOINT ENERGY INC	CNP	10,365.53	0.06%	3.94%	4.97%	9.00%	0.0051%	0.0028%
CONSOL ENERGY INC	CHX	10,155.02	0.06%	0.69%	11.10%	11.82%	0.0065%	0.0061%
CAPITAL ONE FINANCIAL CORP	COF	45,091.95	0.24%	1.45%	6.65%	8.16%	0.0199%	0.0162%
CABOT OIL & GAS CORP	COG	15,122.61	0.08%	0.22%	30.00%	30.25%	0.0248%	0.0246%
COACH INC	COH	11,161.56	0.06%	3.32%	9.03%	12.50%	0.0076%	0.0055%
ROCKWELL COLLINS INC	COL	10,709.88	0.06%	1.57%	9.20%	10.84%	0.0063%	0.0053%
CONOCOPHILLIPS	COP	98,142.77	0.53%	3.50%	7.50%	11.13%	0.0592%	0.0399%
COSTCO WHOLESALE CORP	COST	51,034.59	0.28%	1.13%	10.87%	12.06%	0.0334%	0.0301%
COVIDIEN PLC	COV	32,963.54	0.18%	1.75%	9.63%	11.46%	0.0205%	0.0172%
CAMPBELL SOUP CO	CPB	14,400.97	0.08%	2.70%	4.77%	7.53%	0.0059%	0.0037%
SALESFORCE.COM INC	CRM	32,314.82	0.18%	0.00%	27.40%	27.40%	0.0480%	0.0480%
COMPUTER SCIENCES CORP	CSC	9,110.88	0.05%	1.42%	11.33%	12.83%	0.0063%	0.0056%
CISCO SYSTEMS INC	CSCO	126,120.62	0.68%	2.92%	10.21%	13.28%	0.0908%	0.0698%
CSX CORP	CSX	29,528.26	0.16%	2.15%	12.66%	14.95%	0.0239%	0.0203%
CINTAS CORP	CTAS	7,466.36	0.04%	1.22%	10.96%	12.25%	0.0050%	0.0044%
CENTURYLINK INC	CTL	21,575.38	0.12%	5.73%	1.36%	7.13%	0.0083%	0.0016%
COGNIZANT TECH SOLUTIONS-A	CTSH	29,576.95	0.16%	0.00%	16.92%	16.92%	0.0271%	0.0271%
CITRIX SYSTEMS INC	CTXS	10,154.61	0.06%	0.00%	12.73%	12.73%	0.0070%	0.0070%
CABLEVISION SYSTEMS-NY GRP-A	CVC	4,714.22	0.03%	3.29%	0.24%	3.53%	0.0009%	0.0001%
CVS CAREMARK CORP	CVS	91,574.10	0.50%	1.28%	13.93%	15.30%	0.0759%	0.0692%
CHEVRON CORP	CVX	293,750.83	1.27%	3.39%	4.59%	8.06%	0.1021%	0.0582%
DOMINION RESOURCES INC/VA	D	40,107.70	0.22%	3.48%	6.08%	9.66%	0.0210%	0.0132%
DELTA AIR LINES INC	DAL	33,840.76	0.18%	0.78%	9.53%	10.34%	0.0190%	0.0175%
DU PONT (E.I.) DE NEMOURS	DD	63,650.70	0.35%	2.74%	7.83%	10.68%	0.0368%	0.0270%
DEERE & CO	DE	33,167.00	0.18%	2.26%	6.58%	8.92%	0.0160%	0.0118%
DISCOVER FINANCIAL SERVICES	DFS	27,570.77	0.15%	1.53%	11.67%	13.29%	0.0199%	0.0174%
DOLLAR GENERAL CORP	DG	16,670.35	0.09%	0.00%	14.13%	14.13%	0.0128%	0.0128%
QUEST DIAGNOSTICS INC	DGX	8,653.22	0.05%	2.19%	10.60%	12.90%	0.0061%	0.0050%
DR HORTON INC	DHI	7,702.41	0.04%	0.57%	11.28%	11.88%	0.0050%	0.0047%
DANAHER CORP	DHR	54,864.32	0.30%	0.42%	11.03%	11.48%	0.0341%	0.0328%
WALT DISNEY CO/THE	DIS	145,492.22	0.79%	1.02%	11.37%	12.45%	0.0982%	0.0897%
DISCOVERY COMMUNICATIONS-A	DISCA	26,317.89	0.14%	0.00%	19.03%	19.03%	0.0272%	0.0272%
DELPHI AUTOMOTIVE PLC	DLPH	20,971.05	0.11%	1.44%	14.61%	16.15%	0.0184%	0.0166%
DOLLAR TREE INC	DLTR	10,967.41	0.06%	0.00%	16.28%	16.28%	0.0097%	0.0097%
DUN & BRADSTREET CORP	DNB	3,821.91	0.02%	1.69%	9.55%	11.32%	0.0023%	0.0020%
DENBURY RESOURCES INC	DNB	5,839.96	0.03%	1.23%	10.80%	12.10%	0.0039%	0.0035%
DIAMOND OFFSHORE DRILLING	DO	7,002.36	0.04%	6.88%	20.00%	27.55%	0.0105%	0.0076%
DOVER CORP	DOV	14,514.51	0.08%	1.77%	13.15%	15.04%	0.0118%	0.0103%
DOW CHEMICAL CO/THE	DOW	62,755.52	0.34%	2.66%	7.30%	10.05%	0.0342%	0.0248%
DR PEPPER SNAPPLE GROUP INC	DPS	11,330.96	0.06%	2.82%	6.69%	9.60%	0.0059%	0.0041%
DARDEN RESTAURANTS INC	DRI	6,612.32	0.04%	4.39%	7.99%	12.55%	0.0045%	0.0029%
DTE ENERGY COMPANY	DTE	13,474.70	0.07%	3.55%	5.49%	9.14%	0.0067%	0.0040%
DIRECTV	DTV	41,535.29	0.23%	0.00%	7.47%	7.47%	0.0168%	0.0168%
DUKE ENERGY CORP	DUK	50,270.44	0.27%	4.45%	4.58%	9.13%	0.0249%	0.0125%
DAVITA HEALTHCARE PARTNERS I	DVA	15,120.38	0.08%	0.00%	12.73%	12.73%	0.0104%	0.0104%
DEVON ENERGY CORPORATION	DVN	30,143.81	0.16%	1.24%	1.55%	2.80%	0.0046%	0.0025%
ELECTRONIC ARTS INC	EA	11,049.78	0.06%	3.56%	14.50%	18.32%	0.0110%	0.0087%
EBAY INC	EBAY	64,292.29	0.35%	0.00%	13.84%	13.84%	0.0482%	0.0482%
ECOLAB INC	ECL	32,778.76	0.18%	1.01%	12.68%	13.75%	0.0244%	0.0225%
CONSOLIDATED EDISON INC	ED	16,112.11	0.09%	4.56%	3.83%	8.48%	0.0074%	0.0033%
EQUIFAX INC	EFX	8,638.48	0.05%	1.39%	11.95%	13.43%	0.0063%	0.0056%
EDISON INTERNATIONAL	EIX	17,065.23	0.10%	2.61%	3.68%	6.34%	0.0062%	0.0036%
ESTEE LAUDER COMPANIES-CL A	EL	29,330.02	0.16%	1.01%	11.74%	12.81%	0.0204%	0.0187%
EMC CORP/MA	EMC	54,376.28	0.29%	1.62%	11.76%	13.47%	0.0397%	0.0347%
EASTMAN CHEMICAL CO	EMN	13,260.37	0.07%	1.59%	7.93%	9.56%	0.0069%	0.0057%
EMERSON ELECTRIC CO	EMR	48,827.38	0.25%	2.57%	9.26%	11.95%	0.0303%	0.0235%
EOG RESOURCES INC	EOG	57,820.32	0.31%	0.46%	12.00%	12.49%	0.0391%	0.0376%
EQUITY RESIDENTIAL	EQR	22,322.35	0.12%	3.24%	7.77%	11.14%	0.0135%	0.0094%
EQT CORP	EQT	16,219.15	0.09%	0.12%	30.00%	30.14%	0.0265%	0.0264%
EXPRESS SCRIPTS HOLDING CO	ESRX	55,287.76	0.30%	0.00%	14.53%	14.53%	0.0435%	0.0435%
ESSEX PROPERTY TRUST INC	ESS	11,312.46	0.06%	2.74%	7.54%	10.37%	0.0064%	0.0046%
ENSCO PLC-CL A	ESV	12,304.66	0.07%	5.46%	26.34%	32.52%	0.0217%	0.0176%
E*TRADE FINANCIAL CORP	ETFC	5,877.41	0.03%	0.00%	40.00%	40.00%	0.0127%	0.0127%
EATON CORP PLC	ETN	35,128.02	0.19%	2.65%	11.68%	14.49%	0.0276%	0.0222%
ENTERGY CORP	ETR	13,528.97	0.07%	4.41%	0.13%	4.54%	0.0033%	0.0001%
EDWARDS LIFESCIENCES CORP	EW	8,566.10	0.05%	0.00%	13.69%	13.69%	0.0064%	0.0064%
EXELON CORP	EXC	31,626.71	0.17%	3.37%	5.42%	8.88%	0.0152%	0.0093%
EXPEIDATORS INTL WASH INC	EXPD	8,982.51	0.05%	1.49%	9.48%	11.05%	0.0054%	0.0046%
EXPEIA INC	EXPE	9,554.87	0.05%	0.82%	19.00%	19.90%	0.0103%	0.0098%
FORD MOTOR CO	F	65,008.01	0.35%	2.88%	9.78%	12.80%	0.0451%	0.0345%
FASTENAL CO	FAST	14,461.18	0.08%	2.08%	16.50%	18.76%	0.0147%	0.0129%
FACEBOOK INC-A	FB	162,449.78	0.88%	0.00%	31.80%	31.80%	0.2800%	0.2800%
REPORT-MCMORAN COPPER	FCX	35,368.20	0.19%	3.67%	16.34%	20.31%	0.0389%	0.0313%
FAMILY DOLLAR STORES	FDO	6,870.16	0.04%	1.90%	7.18%	9.15%	0.0033%	0.0026%
FEDEX CORP	FDX	42,601.64	0.23%	0.42%	14.10%	14.55%	0.0336%	0.0326%
FIRSTENERGY CORP	FE	14,201.31	0.08%	4.28%	5.00%	9.36%	0.0072%	0.0038%
F5 NETWORKS INC	FFIV	8,219.99	0.04%	0.00%	15.41%	15.41%	0.0069%	0.0069%
FIDELITY NATIONAL INFORMATIO	FIS	15,584.22	0.08%	1.74%	12.63%	14.47%	0.0122%	0.0107%
FISERV INC	FISV	14,981.10	0.08%	0.00%	10.90%	10.90%	0.0089%	0.0089%
FIFTH THIRD BANCORP	FITB	17,597.11	0.10%	2.46%	17.47%	20.14%	0.0192%	0.0167%
FLIR SYSTEMS INC	FLIR	4,944.05	0.03%	1.22%	15.00%	16.31%	0.0044%	0.0040%
FLUOR CORP	FLR	11,948.38	0.06%	1.03%	12.68%	13.78%	0.0089%	0.0082%
FLOWSERVE CORP	FLS	10,128.87	0.05%	0.85%	14.71%	15.62%	0.0086%	0.0081%
FMC CORP	FMC	10,194.92	0.06%	0.74%	10.00%	10.78%	0.0060%	0.0055%
FOSSIL GROUP INC	FOSL	5,606.54	0.03%	0.00%	14.23%	14.23%	0.0043%	0.0043%
TWENTY-FIRST CENTURY FOX-A	FOXA	80,040.16	0.43%	0.71%	11.60%	12.95%	0.0536%	0.0503%
FOREST LABORATORIES INC	FRX	25,836.49	0.14%	0.00%	44.28%	44.28%	0.0620%	0.0620%

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	(10) MC Weighted Growth
FIRST SOLAR INC	FSLR	6,185.70	0.03%	0.00%	1.82%	1.82%	0.0006%	0.0006%
FMC TECHNOLOGIES INC	FTI	13,654.83	0.07%	0.00%	18.43%	18.43%	0.0136%	0.0136%
FRONTIER COMMUNICATIONS CORP	FTR	5,803.21	0.03%	6.91%	9.45%	16.68%	0.0052%	0.0030%
AGL RESOURCES INC	GAS	6,365.99	0.03%	3.63%	5.53%	9.27%	0.0032%	0.0019%
GANNETT CO	GCI	6,302.56	0.03%	3.17%	8.33%	11.63%	0.0040%	0.0028%
GENERAL DYNAMICS CORP	GD	40,498.71	0.22%	2.10%	7.10%	9.27%	0.0204%	0.0156%
GENERAL ELECTRIC CO	GE	268,843.82	1.46%	3.37%	9.30%	12.83%	0.1868%	0.1354%
GENERAL GROWTH PROPERTIES	GGP	21,059.34	0.11%	2.50%	8.42%	11.02%	0.0126%	0.0096%
GRAHAM HOLDINGS CO-CLASS B	GHC	5,010.71	N/A	0.00%	NA	N/A	N/A	N/A
GILEAD SCIENCES INC	GILO	124,712.74	0.68%	0.00%	25.27%	25.27%	0.1708%	0.1708%
GENERAL MILLS INC	GIS	33,754.06	0.18%	2.73%	8.02%	10.92%	0.0200%	0.0147%
CORNING INC	GLVY	27,870.54	0.15%	1.97%	11.86%	13.95%	0.0211%	0.0179%
GENERAL MOTORS CO	GM	55,458.58	0.30%	3.13%	16.83%	20.22%	0.0608%	0.0506%
KEURIG GREEN MOUNTAIN INC	GMCR	18,353.37	0.10%	0.89%	16.40%	17.35%	0.0173%	0.0163%
GAMESTOP CORP-CLASS A	GME	4,337.33	0.02%	3.49%	12.26%	15.96%	0.0038%	0.0029%
GENWORTH FINANCIAL INC-CL A	GNW	8,431.81	0.05%	0.00%	5.00%	5.00%	0.0023%	0.0023%
GOOGLE INC-CL C	GOOG	381,679.49	2.07%	0.00%	18.59%	18.59%	0.3846%	0.3846%
GOOGLE INC-CL A	GOOGL	381,281.60	2.07%	0.00%	18.59%	18.59%	0.3842%	0.3842%
GENUINE PARTS CO	GPC	13,260.65	0.07%	2.63%	6.99%	9.71%	0.0070%	0.0050%
GAP INC/THE	GPS	18,422.23	0.10%	2.04%	12.47%	14.63%	0.0146%	0.0124%
GARMIN LTD	GRMN	12,257.84	0.07%	3.21%	4.50%	7.78%	0.0052%	0.0030%
GOLDMAN SACHS GROUP INC	GS	74,170.96	0.40%	1.42%	7.60%	9.07%	0.0365%	0.0306%
GOODYEAR TIRE & RUBBER CO	GT	6,551.67	0.04%	0.78%	9.02%	9.84%	0.0035%	0.0032%
VW CRAIGER INC	GWV	17,680.48	0.10%	1.57%	13.06%	14.73%	0.0141%	0.0125%
HALLIBURTON CO	HAL	54,589.78	0.30%	0.89%	16.50%	17.46%	0.0517%	0.0488%
HARJAN INTERNATIONAL	HAR	7,152.50	0.04%	1.14%	14.90%	16.13%	0.0063%	0.0058%
HASBRO INC	HAS	6,970.88	0.04%	3.18%	10.95%	14.31%	0.0054%	0.0041%
HUNTINGTON BANCSHARES INC	HBAN	7,673.44	0.04%	2.33%	6.86%	9.26%	0.0039%	0.0029%
HUDSON CITY BANK INC	HCBK	5,165.80	N/A	1.64%	NA	N/A	N/A	N/A
HEALTH CARE REIT INC	HCN	19,314.11	0.10%	5.03%	5.93%	11.11%	0.0116%	0.0062%
HCP INC	HCP	19,129.75	0.10%	5.22%	3.02%	8.32%	0.0086%	0.0031%
HOME DEPOT INC	HD	109,723.94	0.59%	2.35%	15.82%	18.36%	0.1092%	0.0941%
HES CORP	HES	28,687.22	0.16%	1.11%	7.71%	8.66%	0.0138%	0.0120%
HARTFORD FINANCIAL SVCS GRP	HIG	15,581.84	0.08%	1.86%	9.00%	10.95%	0.0092%	0.0076%
HARLEY-DAVIDSON INC	HOG	15,556.36	0.08%	1.53%	11.95%	13.59%	0.0115%	0.0101%
HONEYWELL INTERNATIONAL INC	HON	72,947.65	0.40%	1.95%	10.22%	12.27%	0.0485%	0.0404%
STARWOOD HOTELS & RESORTS	HOT	15,331.00	0.08%	1.74%	9.98%	11.80%	0.0098%	0.0083%
HELMERICH & PAYNE	HP	11,890.35	0.06%	2.10%	8.50%	10.69%	0.0069%	0.0055%
HEWLETT-PACKARD CO	HPQ	63,486.55	0.34%	1.82%	3.67%	5.52%	0.0190%	0.0126%
H&R BLOCK INC	HRB	8,168.19	0.04%	2.69%	11.00%	13.83%	0.0061%	0.0049%
HORNEEL FOODS CORP	HLR	12,990.96	0.07%	1.62%	9.80%	11.49%	0.0081%	0.0069%
HARRIS CORP	HRS	8,227.08	0.04%	2.18%	3.00%	5.21%	0.0023%	0.0013%
HOSPIRA INC	HSP	8,218.48	0.04%	0.00%	11.21%	11.21%	0.0050%	0.0050%
HOST HOTELS & RESORTS INC	HST	16,705.61	0.09%	2.68%	10.72%	13.54%	0.0123%	0.0097%
HERSHEY CO/THE	HSY	21,677.55	0.12%	1.99%	9.33%	11.42%	0.0134%	0.0110%
HUMANA INC	HUM	19,264.45	0.10%	0.92%	9.67%	10.83%	0.0111%	0.0101%
INTL BUSINESS MACHINES CORP	IBM	188,608.14	1.01%	2.16%	9.56%	11.82%	0.1166%	0.0967%
INTERCONTINENTAL EXCHANGE GRO	ICE	22,616.82	0.12%	1.33%	18.71%	20.16%	0.0247%	0.0229%
INTL FLAVORS & FRAGRANCES	IFF	8,068.84	0.04%	1.68%	8.30%	10.05%	0.0044%	0.0036%
INTL GAME TECHNOLOGY	IGT	3,099.85	0.02%	3.40%	13.00%	16.62%	0.0028%	0.0022%
INTEL CORP	INTC	135,998.96	0.74%	3.33%	6.00%	9.43%	0.0695%	0.0442%
INTUIT INC	INTU	22,509.39	0.12%	0.94%	14.22%	15.22%	0.0186%	0.0173%
INTERNATIONAL PAPER CO	IP	20,632.72	0.11%	3.00%	6.20%	9.30%	0.0104%	0.0069%
INTERPUBLIC GROUP OF COS INC	IPG	8,100.27	0.04%	1.52%	9.27%	10.85%	0.0048%	0.0041%
INGERSOLL-RAND PLC	IR	16,145.58	0.09%	1.66%	13.25%	15.02%	0.0131%	0.0116%
IRON MOUNTAIN INC	IRM	5,977.50	0.03%	3.86%	17.47%	21.66%	0.0070%	0.0057%
INTUITIVE SURGICAL INC	ISRG	14,199.37	0.08%	0.00%	5.11%	5.11%	0.0039%	0.0039%
ILLINOIS TOOL WORKS	ITW	36,772.33	0.20%	2.01%	16.90%	19.08%	0.0360%	0.0337%
INVESCO LTD	IVZ	15,879.30	0.09%	2.71%	13.12%	16.01%	0.0136%	0.0113%
JABIL CIRCUIT INC	JBL	3,825.56	0.02%	1.72%	11.00%	12.82%	0.0027%	0.0023%
JOHNSON CONTROLS INC	JCI	32,118.68	0.17%	1.80%	14.25%	16.18%	0.0282%	0.0248%
JACOBS ENGINEERING GROUP INC	JEC	7,283.77	0.04%	0.00%	12.78%	12.78%	0.0050%	0.0050%
JOHNSON & JOHNSON	JNJ	287,040.46	1.56%	2.76%	7.31%	10.17%	0.1583%	0.1137%
JUNIPER NETWORKS INC	JNPR	11,588.21	0.06%	0.30%	10.63%	10.95%	0.0069%	0.0067%
JOY GLOBAL INC	JOY	5,722.79	0.03%	1.23%	15.00%	18.32%	0.0051%	0.0047%
JPMORGAN CHASE & CO	JPM	210,316.49	1.14%	2.85%	5.14%	8.07%	0.0919%	0.0586%
NORDSTROM INC	JWN	12,910.48	0.07%	1.90%	10.78%	12.79%	0.0089%	0.0075%
KELLOGG CO	K	24,766.91	0.13%	2.70%	6.87%	9.66%	0.0130%	0.0092%
KEYCORP	KEY	12,092.39	0.07%	1.80%	5.20%	7.05%	0.0046%	0.0034%
KIMCO REALTY CORP	KIM	9,410.81	0.05%	3.97%	4.51%	8.57%	0.0044%	0.0023%
KLA-TENCOR CORPORATION	KLAC	10,864.98	0.06%	2.74%	9.02%	11.88%	0.0070%	0.0053%
KIMBERLY-CLARK CORP	KMB	42,332.52	0.23%	2.96%	8.80%	11.89%	0.0273%	0.0202%
KINDER MORGAN INC	KMI	34,321.78	0.19%	5.16%	20.95%	26.65%	0.0496%	0.0390%
CARMAX INC	KMX	9,783.90	0.05%	0.00%	13.71%	13.71%	0.0073%	0.0073%
COCA-COLA CO/THE	KO	179,806.93	0.97%	2.98%	7.09%	10.18%	0.0992%	0.0691%
MICHAEL KORS HOLDINGS LTD	KORS	19,281.18	0.10%	0.00%	24.50%	24.50%	0.0256%	0.0256%
KROGER CO	KR	24,326.07	0.13%	1.44%	10.16%	11.68%	0.0154%	0.0134%
KRAFT FOODS GROUP INC	KRFT	35,396.67	0.19%	3.61%	9.52%	13.30%	0.0255%	0.0183%
KOHL'S CORP	KSS	11,353.87	0.06%	2.86%	8.15%	11.12%	0.0066%	0.0050%
KANSAS CITY SOUTHERN	KSU	11,862.14	0.06%	0.99%	15.77%	16.83%	0.0108%	0.0101%
LOEWS CORP	L	16,669.73	N/A	0.58%	NA	N/A	N/A	N/A
L BRANDS INC	LB	18,701.30	0.09%	4.13%	11.63%	15.99%	0.0145%	0.0105%
LEGGITT & PLATT INC	LEG	4,703.37	0.03%	3.54%	15.00%	18.80%	0.0048%	0.0038%
LENNAR CORP-A	LEN	8,169.42	0.04%	0.34%	7.55%	7.91%	0.0035%	0.0033%
LABORATORY CRP OF AMER HLDGS	LH	8,698.78	0.05%	0.00%	9.16%	9.16%	0.0043%	0.0043%
L-3 COMMUNICATIONS HOLDINGS	LLL	10,448.76	0.06%	1.91%	3.93%	5.87%	0.0033%	0.0022%
LINEAR TECHNOLOGY CORP	LLTC	10,919.36	0.06%	2.28%	10.08%	12.47%	0.0074%	0.0060%
ELI LILLY & CO	LLY	67,010.34	0.36%	3.27%	4.25%	7.59%	0.0276%	0.0154%
LEGG MASON INC	LM	5,704.66	0.03%	1.32%	14.91%	16.32%	0.0050%	0.0046%
LOCKHEED MARTIN CORP	LMT	51,938.76	0.28%	3.36%	7.52%	11.01%	0.0310%	0.0212%
LINCOLN NATIONAL CORP	LNC	12,649.27	0.07%	1.34%	10.60%	12.01%	0.0082%	0.0073%
LORILLARD INC	LO	22,539.02	0.12%	3.95%	10.30%	14.45%	0.0176%	0.0126%
LOWE'S COS INC	LOW	47,963.99	0.26%	1.63%	15.85%	17.61%	0.0458%	0.0412%
LAM RESEARCH CORP	LRCX	10,058.57	0.05%	0.08%	34.45%	34.54%	0.0188%	0.0188%
LEUCADIA NATIONAL CORP	LUK	9,453.71	N/A	0.00%	NA	N/A	N/A	N/A
SOUTHWEST AIRLINES CO	LUV	18,299.25	0.10%	0.65%	15.06%	15.76%	0.0156%	0.0149%
LYONDELLBASELL INDU-CL A	LYB	52,502.79	0.28%	2.48%	6.50%	9.06%	0.0258%	0.0185%
MACY'S INC	M	22,100.74	0.12%	1.98%	9.26%	11.33%	0.0136%	0.0111%
MASTERCARD INC-CLASS A	MA	90,711.04	0.49%	0.58%	17.40%	18.03%	0.0886%	0.0856%

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	(10) MC Weighted Growth
MACERICH CO/THE	MAC	9,291.33	0.05%	3.81%	5.64%	9.56%	0.0048%	0.0028%
MARRIOTT INTERNATIONAL -CL A	MAR	18,040.18	0.10%	1.17%	10.50%	11.73%	0.0115%	0.0103%
MASCO CORP	MAS	7,818.67	0.04%	1.46%	11.80%	13.34%	0.0055%	0.0049%
MATTEL INC	MAT	13,173.15	0.07%	3.92%	9.27%	13.37%	0.0095%	0.0066%
MCDONALD'S CORP	MCD	100,255.16	0.54%	3.26%	8.52%	11.92%	0.0648%	0.0463%
MICROCHIP TECHNOLOGY INC	MCHP	9,533.86	0.05%	2.96%	11.15%	14.27%	0.0074%	0.0058%
MCKESSON CORP	MCK	43,726.58	0.24%	0.49%	13.72%	14.24%	0.0338%	0.0325%
MOODY'S CORP	MCO	18,279.90	0.10%	1.31%	13.50%	14.90%	0.0148%	0.0134%
MONDELEZ INTERNATIONAL INC-A	MDLZ	63,632.96	0.34%	1.54%	12.15%	13.79%	0.0476%	0.0419%
MEDTRONIC INC	MDT	61,079.73	0.33%	1.99%	7.39%	9.45%	0.0313%	0.0245%
METLIFE INC	MET	57,325.66	0.31%	2.53%	12.23%	14.91%	0.0463%	0.0380%
MCGRAW HILL FINANCIAL INC	MHFI	22,257.79	0.12%	1.47%	12.50%	14.06%	0.0170%	0.0151%
MOHAWK INDUSTRIES INC	MHK	9,879.98	0.05%	0.00%	9.00%	9.00%	0.0048%	0.0048%
MEAD JOHNSON NUTRITION CO	MUN	18,081.95	0.10%	1.68%	9.90%	11.66%	0.0114%	0.0097%
MCCORMICK & CO-NON VTG SHRS	MKC	9,540.09	0.05%	2.03%	7.80%	9.91%	0.0051%	0.0040%
MARSH & MCLENNAH COS	MMC	27,628.46	0.15%	2.13%	13.50%	15.78%	0.0236%	0.0202%
3M CO	MWM	93,267.39	0.51%	2.40%	11.67%	14.21%	0.0718%	0.0590%
MONSTER BEVERAGE CORP	MNST	11,591.83	0.06%	0.00%	16.33%	16.33%	0.0103%	0.0103%
ALTRIA GROUP INC	MO	82,557.32	0.45%	4.82%	6.48%	11.46%	0.0513%	0.0290%
MONSANTO CO	MON	63,870.21	0.35%	1.38%	13.50%	14.97%	0.0518%	0.0467%
MOSAIC CO/THE	MOS	19,179.19	0.10%	2.02%	10.77%	12.89%	0.0134%	0.0112%
MARATHON PETROLEUM CORP	MPC	25,800.86	0.14%	1.89%	11.09%	13.08%	0.0183%	0.0155%
MERCK & CO. INC.	MRK	169,088.69	0.92%	3.04%	4.64%	7.75%	0.0710%	0.0425%
MARATHON OIL CORP	MRO	24,785.01	0.13%	2.10%	8.52%	10.70%	0.0144%	0.0114%
MORGAN STANLEY	MS	60,834.15	0.33%	1.06%	13.59%	14.72%	0.0485%	0.0448%
MICROSOFT CORP	MSFT	338,181.27	1.83%	2.60%	8.46%	11.17%	0.2048%	0.1551%
MOTOROLA SOLUTIONS INC	MSI	17,138.69	0.09%	1.90%	5.10%	7.05%	0.0065%	0.0047%
M & T BANK CORP	MTB	15,958.78	0.09%	2.31%	6.42%	8.80%	0.0076%	0.0056%
MICRON TECHNOLOGY INC	MU	30,602.15	0.17%	0.00%	11.00%	11.00%	0.0182%	0.0182%
MURPHY OIL CORP	MUR	11,066.48	0.06%	2.08%	11.50%	13.70%	0.0082%	0.0069%
MEADWESTVACO CORP	MWV	6,811.98	0.04%	3.58%	7.95%	11.65%	0.0043%	0.0029%
MYLAN INC	MYL	18,628.77	0.10%	0.00%	10.12%	10.12%	0.0102%	0.0102%
NAVIENT CORP	NAVI	6,679.28	N/A	3.80%	N/A	N/A	N/A	N/A
NOBLE ENERGY INC	NBL	25,998.54	0.14%	0.89%	15.99%	16.95%	0.0239%	0.0225%
NABORS INDUSTRIES LTD	NBR	7,801.96	0.04%	0.54%	23.11%	23.71%	0.0100%	0.0098%
NASDAQ OMX GROUP/THE	NDAQ	6,468.41	0.04%	1.53%	11.17%	12.78%	0.0045%	0.0039%
NOBLE CORP PLC	NE	7,998.16	0.04%	4.66%	12.50%	17.45%	0.0076%	0.0054%
NEXTERA ENERGY INC	NEE	42,460.51	0.23%	2.95%	6.45%	9.50%	0.0219%	0.0148%
NEWMONT MINING CORP	NEM	11,411.33	0.06%	1.31%	-2.53%	-1.24%	-0.0008%	-0.0016%
NETFLIX INC	NFLX	25,047.91	0.14%	0.00%	40.06%	40.06%	0.0544%	0.0544%
NEWFIELD EXPLORATION CO	NFX	4,973.70	0.03%	0.00%	9.00%	9.00%	0.0024%	0.0024%
NISOURCE INC	NI	11,768.95	0.06%	2.74%	5.45%	8.26%	0.0053%	0.0035%
NIKE INC -CL B	NKE	67,537.66	0.37%	1.20%	12.73%	14.00%	0.0512%	0.0466%
NIELSEN NV	NLSN	18,286.45	0.10%	1.77%	15.00%	16.90%	0.0168%	0.0149%
NORTHROP GRUMMAN CORP	NOC	26,028.14	0.14%	2.10%	6.19%	8.36%	0.0118%	0.0087%
NATIONAL OILWELL VARCO INC	NOV	35,126.15	0.19%	1.85%	9.16%	11.10%	0.0211%	0.0174%
NRG ENERGY INC	NRG	12,019.26	0.07%	1.50%	33.60%	35.35%	0.0230%	0.0219%
NORFOLK SOUTHERN CORP	NSC	31,196.84	0.17%	2.15%	12.86%	15.15%	0.0256%	0.0217%
NETAPP INC	NTAP	12,260.50	0.07%	1.78%	13.00%	14.89%	0.0099%	0.0086%
NORTHERN TRUST CORP	NTRS	14,283.46	0.08%	2.15%	13.22%	15.51%	0.0120%	0.0102%
NORTHEAST UTILITIES	NU	14,345.73	0.08%	3.45%	6.70%	10.28%	0.0080%	0.0052%
NUCOR CORP	NUE	16,123.90	0.09%	2.92%	13.28%	16.39%	0.0143%	0.0116%
NVIDIA CORP	NVDA	10,601.36	0.06%	1.79%	10.15%	12.04%	0.0069%	0.0058%
NEWELL RUBBERMAID INC	NWL	8,101.78	0.04%	2.23%	9.66%	11.99%	0.0053%	0.0042%
NEWS CORP - CLASS A	NWSA	9,784.31	0.05%	0.00%	-1.30%	-1.30%	-0.0007%	-0.0007%
OWENS-ILLINOIS INC	OI	5,485.41	0.03%	0.00%	9.10%	9.10%	0.0027%	0.0027%
ONEOK INC	OKE	13,405.45	0.07%	3.54%	20.55%	24.45%	0.0178%	0.0149%
OMNICOM GROUP	OMC	18,388.08	0.10%	2.37%	8.37%	10.84%	0.0108%	0.0083%
ORACLE CORP	ORCL	187,362.39	1.02%	1.14%	9.88%	11.07%	0.1124%	0.1003%
O'REILLY AUTOMOTIVE INC	ORLY	15,694.32	0.09%	0.00%	15.50%	15.50%	0.0132%	0.0132%
OCCIDENTAL PETROLEUM CORP	OXY	78,317.87	0.42%	2.82%	5.60%	8.50%	0.0361%	0.0238%
PAYCHEX INC	PAYX	14,953.31	0.08%	3.33%	9.02%	12.51%	0.0101%	0.0073%
PEOPLE'S UNITED FINANCIAL	PBCT	4,457.01	0.02%	4.58%	13.19%	18.07%	0.0044%	0.0032%
PITNEY BOWES INC	PBI	5,588.95	0.03%	2.71%	13.00%	15.89%	0.0048%	0.0039%
PACCAR INC	PCAR	22,473.63	0.12%	2.55%	11.00%	13.69%	0.0167%	0.0134%
P G & E CORP	PG	21,318.37	0.12%	3.99%	5.75%	9.85%	0.0114%	0.0066%
PLUM CREEK TIMBER CO	PCL	7,987.05	0.04%	3.92%	7.40%	11.46%	0.0050%	0.0032%
PROCTER & GAMBLE CO/THE	PCLN	67,041.63	0.36%	0.00%	21.90%	21.90%	0.0796%	0.0786%
PRECISION CASTPARTS CORP	PCP	36,622.15	0.20%	0.05%	12.07%	12.12%	0.0241%	0.0240%
PATTERSON COS INC	PDCO	4,069.59	0.02%	2.15%	9.50%	11.75%	0.0026%	0.0021%
PUBLIC SERVICE ENTERPRISE GP	PEG	19,710.97	0.11%	3.80%	5.20%	9.10%	0.0097%	0.0056%
PEPSICO INC	PEP	133,912.91	0.73%	2.86%	7.25%	10.21%	0.0741%	0.0526%
PETSMART INC	PETM	5,701.52	0.03%	1.44%	12.25%	13.78%	0.0043%	0.0038%
PFIZER INC	PFE	188,731.90	1.02%	3.51%	1.97%	5.51%	0.0584%	0.0201%
PRINCIPAL FINANCIAL GROUP	PF	13,761.19	0.07%	2.64%	11.50%	14.29%	0.0107%	0.0086%
PROCTER & GAMBLE CO/THE	PG	218,614.53	1.18%	3.04%	8.66%	11.83%	0.1401%	0.1026%
PROGRESSIVE CORP	PGR	14,817.91	0.08%	3.55%	8.26%	11.95%	0.0096%	0.0066%
PARKER HANNIFIN CORP	PH	18,651.29	0.10%	1.45%	9.92%	11.45%	0.0116%	0.0100%
PULTEGROUP INC	PHM	7,406.43	0.04%	1.10%	7.90%	9.05%	0.0036%	0.0032%
PERKINELMER INC	PKI	5,091.50	0.03%	0.62%	12.22%	12.88%	0.0036%	0.0034%
PROLOGIS INC	PLD	20,742.05	0.11%	3.15%	5.03%	8.26%	0.0093%	0.0056%
PALL CORP	PLL	9,302.40	0.05%	1.25%	10.84%	12.16%	0.0061%	0.0055%
PHILIP MORRIS INTERNATIONAL	PM	139,262.56	0.75%	4.23%	8.12%	12.53%	0.0946%	0.0613%
PNC FINANCIAL SERVICES GROUP	PNC	45,545.16	0.25%	2.20%	6.08%	8.35%	0.0206%	0.0160%
PENTAIR LTD-REGISTERED	PNR	14,532.58	0.08%	1.46%	14.33%	15.90%	0.0125%	0.0113%
PINNACLE WEST CAPITAL	PNW	6,116.00	0.03%	4.16%	4.47%	8.72%	0.0029%	0.0015%
PEPCO HOLDINGS INC	POM	8,953.39	0.04%	3.90%	5.83%	9.84%	0.0037%	0.0022%
PPG INDUSTRIES INC	PPG	27,874.63	0.15%	1.28%	7.33%	8.66%	0.0131%	0.0111%
PPL CORPORATION	PPL	22,167.91	0.12%	4.24%	3.93%	8.26%	0.0099%	0.0047%
PERRIGO CO PLC	PRGO	18,491.14	0.10%	0.30%	14.36%	14.70%	0.0147%	0.0144%
PRUDENTIAL FINANCIAL INC	PRU	37,957.92	0.21%	2.48%	10.67%	13.28%	0.0273%	0.0219%
PUBLIC STORAGE	PSA	29,649.47	0.16%	3.29%	4.51%	7.87%	0.0126%	0.0072%
PHILLIPS 66	PSX	47,978.07	0.26%	1.92%	6.53%	8.52%	0.0222%	0.0170%
PVH CORP	PVH	10,829.86	0.06%	0.11%	13.16%	13.29%	0.0078%	0.0077%
QUANTA SERVICES INC	PWR	7,224.31	0.04%	0.00%	11.75%	11.75%	0.0046%	0.0046%
PRAXAIR INC	PX	38,737.69	0.21%	1.96%	9.59%	11.64%	0.0244%	0.0201%
PIONEER NATURAL RESOURCES CO	PXD	30,052.75	0.16%	0.03%	32.37%	32.40%	0.0528%	0.0528%
QUALCOMM INC	QCOM	135,789.43	0.74%	1.84%	13.46%	15.42%	0.1135%	0.0990%
QEP RESOURCES INC	QEP	5,751.45	0.03%	0.25%	15.00%	15.27%	0.0048%	0.0047%

		[4]	[5]	[6]	[7]	[8]	[9]	[10]
Company	Ticker	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result	MC Weighted Growth
RYDER SYSTEM INC	R	4,615.88	0.03%	1.52%	13.20%	14.82%	0.0037%	0.0033%
REYNOLDS AMERICAN INC	RAI	31,963.29	0.17%	4.49%	6.70%	11.34%	0.0196%	0.0116%
ROWAN COMPANIES PLC-A	RDC	3,850.28	0.02%	0.84%	18.15%	19.07%	0.0040%	0.0038%
REGENERON PHARMACEUTICALS	REGN	30,517.54	0.17%	0.00%	28.88%	28.88%	0.0478%	0.0478%
REGIONS FINANCIAL CORP	RF	14,052.08	0.08%	1.78%	5.57%	7.40%	0.0056%	0.0042%
ROBERT HALF INTL INC	RHI	6,267.96	0.03%	1.56%	16.39%	18.08%	0.0061%	0.0056%
RED HAT INC	RHT	9,469.94	0.05%	0.00%	16.48%	16.48%	0.0085%	0.0085%
TRANSOCEAN LTD	RIG	15,380.87	0.08%	6.78%	12.50%	19.71%	0.0164%	0.0104%
RALPH LAUREN CORP	RL	13,865.45	0.08%	1.19%	11.69%	13.15%	0.0099%	0.0089%
ROCKWELL AUTOMATION INC	ROK	16,763.04	0.09%	1.91%	10.97%	12.98%	0.0118%	0.0100%
ROPER INDUSTRIES INC	ROP	14,137.86	0.08%	0.51%	12.20%	12.74%	0.0098%	0.0093%
ROSS STORES INC	ROST	14,539.77	0.08%	1.15%	11.29%	12.50%	0.0098%	0.0089%
RANGE RESOURCES CORP	RRC	15,232.60	0.08%	0.17%	25.50%	25.70%	0.0212%	0.0211%
REPUBLIC SERVICES INC	RSR	12,614.97	0.07%	2.93%	6.50%	9.53%	0.0065%	0.0044%
RAYTHEON COMPANY	RTN	30,525.46	0.17%	2.46%	8.66%	11.22%	0.0186%	0.0143%
STARBUCKS CORP	SBUX	55,135.07	0.30%	1.46%	17.80%	19.39%	0.0579%	0.0532%
SCANA CORP	SCG	7,362.76	0.04%	4.01%	5.00%	9.11%	0.0036%	0.0020%
SCHWAB (CHARLES) CORP	SCHW	32,801.75	0.18%	1.04%	21.64%	22.79%	0.0405%	0.0385%
SPECTRA ENERGY CORP	SE	27,216.41	0.15%	3.32%	5.50%	8.92%	0.0132%	0.0081%
SEALED AIR CORP	SEE	7,110.46	0.04%	1.54%	11.48%	13.11%	0.0051%	0.0044%
SHERWIN-WILLIAMS CO/THE	SHW	20,389.77	0.11%	1.07%	10.00%	11.13%	0.0123%	0.0111%
SIGMA-ALDRICH	SIAL	11,709.46	0.06%	0.93%	7.83%	8.80%	0.0056%	0.0050%
JM SMUCKER CO/THE	SJM	10,638.48	0.06%	2.25%	7.03%	9.36%	0.0054%	0.0041%
SCHLUMBERGER LTD	SLB	135,308.74	0.73%	1.48%	14.75%	16.34%	0.1199%	0.1082%
SNAP-ON INC	SNA	6,829.71	N/A	1.45%	N/A	N/A	N/A	N/A
SANDISK CORP	SNDK	21,858.80	0.12%	1.03%	13.43%	14.52%	0.0172%	0.0159%
SCRIPPS NETWORKS INTER-CL A	SNH	10,927.81	0.06%	1.04%	12.13%	13.24%	0.0078%	0.0072%
SOUTHERN CO/THE	SO	39,029.02	0.21%	4.76%	3.94%	8.80%	0.0186%	0.0083%
SIMON PROPERTY GROUP INC	SPG	51,712.22	0.28%	3.11%	6.04%	9.24%	0.0259%	0.0169%
STAPLES INC	SPLS	7,274.47	0.04%	4.38%	3.06%	7.51%	0.0030%	0.0012%
STERICYCLE INC	SRCL	9,688.09	0.05%	0.00%	15.73%	15.73%	0.0083%	0.0083%
SEMPRA ENERGY	SRE	24,628.56	0.13%	2.62%	6.89%	9.60%	0.0128%	0.0092%
SUNTRUST BANKS INC	STI	20,418.55	0.11%	1.83%	8.77%	10.68%	0.0118%	0.0097%
ST JUDE MEDICAL INC	STJ	18,446.21	0.10%	1.62%	9.68%	11.38%	0.0114%	0.0097%
STATE STREET CORP	STT	28,093.52	0.15%	1.78%	10.28%	12.14%	0.0185%	0.0156%
SEAGATE TECHNOLOGY	STX	17,546.02	0.10%	3.10%	7.40%	10.62%	0.0101%	0.0070%
CONSTELLATION BRANDS INC-A	STZ	15,926.16	0.09%	0.00%	18.51%	18.51%	0.0160%	0.0160%
STANLEY BLACK & DECKER INC	SWK	13,639.72	0.07%	2.34%	9.00%	11.45%	0.0085%	0.0067%
SOUTHWESTERN ENERGY CO	SWN	16,054.25	0.09%	0.00%	18.30%	18.30%	0.0159%	0.0159%
SAFeway INC	SWY	7,908.50	0.04%	2.28%	10.50%	12.90%	0.0055%	0.0045%
STRYKER CORP	SYK	32,029.65	0.17%	1.43%	11.56%	13.07%	0.0227%	0.0201%
SYMANTEC CORP	SYMC	15,210.35	0.08%	2.88%	6.84%	9.82%	0.0081%	0.0056%
SYSCO CORP	SYU	21,938.88	0.12%	3.11%	9.37%	12.62%	0.0150%	0.0111%
AT&T INC	T	184,089.30	1.00%	5.21%	5.67%	11.02%	0.1100%	0.0566%
MOLSON COORS BREWING CO-B	TAP	12,143.78	0.07%	2.22%	6.63%	8.92%	0.0059%	0.0044%
TERADATA CORP	TDC	6,621.82	0.04%	0.00%	9.77%	9.77%	0.0035%	0.0035%
TECO ENERGY INC	TE	3,781.50	N/A	5.12%	N/A	N/A	N/A	N/A
INTEGRYS ENERGY GROUP INC	TEG	4,637.06	0.03%	4.69%	5.00%	9.81%	0.0025%	0.0013%
TE CONNECTIVITY LTD	TEL	24,302.83	0.13%	1.77%	9.70%	11.56%	0.0152%	0.0128%
TARGET CORP	TGT	35,969.06	0.19%	3.04%	10.27%	13.46%	0.0262%	0.0200%
TENET HEALTHCARE CORP	THC	4,589.71	0.02%	0.00%	13.49%	13.49%	0.0034%	0.0034%
TIFFANY & CO	TIF	12,828.30	0.07%	1.48%	13.60%	15.19%	0.0106%	0.0095%
TJX COMPANIES INC	TJX	38,131.99	0.21%	1.22%	10.76%	12.05%	0.0249%	0.0222%
TORCHMARK CORP	TMK	7,106.55	0.04%	0.91%	8.67%	9.62%	0.0037%	0.0033%
THERMO FISHER SCIENTIFIC INC	TMO	46,639.88	0.25%	0.51%	13.91%	14.46%	0.0365%	0.0352%
TRIPADVISOR INC	TRIP	13,861.61	N/A	0.00%	N/A	N/A	N/A	N/A
T ROWE PRICE GROUP INC	TROW	21,420.68	0.12%	2.15%	13.04%	15.33%	0.0178%	0.0151%
TRAVELERS COS INC/THE	TRV	32,471.22	0.18%	2.30%	6.70%	9.08%	0.0160%	0.0118%
TRACTOR SUPPLY COMPANY	TSCO	9,004.81	0.05%	0.88%	16.69%	17.64%	0.0086%	0.0081%
TYSON FOODS INC-CL A	TSN	14,448.54	N/A	0.67%	N/A	N/A	N/A	N/A
TESORO CORP	TSO	7,268.01	0.04%	1.81%	86.34%	88.93%	0.0350%	0.0340%
TOTAL SYSTEM SERVICES INC	TSS	5,711.23	0.03%	1.32%	10.65%	12.04%	0.0037%	0.0033%
TIME WARNER CABLE	TWC	39,328.81	0.21%	2.14%	7.26%	9.47%	0.0202%	0.0155%
TIME WARNER INC	TWX	61,586.89	0.33%	1.82%	10.16%	12.06%	0.0403%	0.0339%
TEXAS INSTRUMENTS INC	TXN	50,707.92	0.27%	2.58%	10.10%	12.81%	0.0352%	0.0278%
TEXTRON INC	TXT	10,947.78	0.06%	0.29%	16.77%	16.99%	0.0101%	0.0100%
TYCO INTERNATIONAL LTD	TYC	20,130.11	0.11%	1.55%	12.70%	14.35%	0.0157%	0.0139%
UNDER ARMOUR INC-CLASS A	UA	10,816.24	0.06%	0.00%	23.54%	23.54%	0.0138%	0.0138%
UNITEDHEALTH GROUP INC	UNH	78,026.31	0.42%	1.40%	9.86%	11.34%	0.0479%	0.0417%
UNUM GROUP	UNM	8,728.78	0.05%	1.83%	9.00%	10.91%	0.0052%	0.0043%
UNION PACIFIC CORP	UNP	90,251.72	0.49%	1.81%	13.16%	15.09%	0.0738%	0.0644%
UNITED PARCEL SERVICE-CL B	UPS	95,501.23	0.52%	2.54%	10.00%	12.67%	0.0656%	0.0518%
URBAN OUTFITTERS INC	URBN	4,845.68	0.03%	0.00%	14.58%	14.58%	0.0038%	0.0038%
US BANCORP	USB	76,581.17	0.42%	2.31%	7.50%	9.90%	0.0411%	0.0311%
UNITED TECHNOLOGIES CORP	UTX	106,542.52	0.58%	2.06%	11.42%	13.59%	0.0785%	0.0659%
VISA INC-CLASS A SHARES	V	165,554.02	0.90%	0.74%	17.76%	18.57%	0.1666%	0.1594%
VARIAN MEDICAL SYSTEMS INC	VAR	8,570.87	0.05%	0.00%	10.50%	10.50%	0.0049%	0.0049%
VF CORP	VFC	27,118.86	0.15%	1.66%	12.61%	14.37%	0.0211%	0.0185%
VIACOM INC-CLASS B	VIAB	36,680.22	0.20%	1.44%	11.91%	13.43%	0.0267%	0.0237%
VALERO ENERGY CORP	VLO	29,909.63	0.16%	1.80%	10.41%	12.30%	0.0199%	0.0169%
VULCAN MATERIALS CO	VMC	7,974.98	0.04%	0.27%	6.67%	6.94%	0.0030%	0.0029%
VORNADO REALTY TRUST	VNO	20,068.03	0.11%	2.75%	10.79%	13.68%	0.0149%	0.0117%
VERISIGN INC	VRSN	6,583.01	0.04%	0.00%	11.00%	11.00%	0.0039%	0.0039%
VERTEX PHARMACEUTICALS INC	VRTX	17,067.40	0.09%	0.00%	20.50%	20.50%	0.0190%	0.0190%
VENTAS INC	VTR	19,661.71	0.11%	4.33%	3.99%	8.40%	0.0090%	0.0042%
VERIZON COMMUNICATIONS INC	VZ	206,891.80	1.12%	4.26%	6.63%	11.02%	0.1236%	0.0743%
WALGREEN CO	WAG	68,625.95	0.37%	1.71%	13.38%	15.20%	0.0566%	0.0498%
WATERS CORP	WAT	8,492.32	0.05%	0.00%	10.17%	10.17%	0.0047%	0.0047%
WESTERN DIGITAL CORP	WDC	20,650.78	0.11%	1.30%	4.26%	5.59%	0.0063%	0.0048%
WISCONSIN ENERGY CORP	WEC	10,265.65	0.06%	3.43%	4.73%	8.24%	0.0046%	0.0026%
WELLS FARGO & CO	WFC	287,461.80	1.45%	2.61%	11.94%	14.70%	0.2132%	0.1731%
WHOLE FOODS MARKET INC	WFM	14,055.99	0.08%	1.25%	13.96%	15.29%	0.0117%	0.0106%
WHIRLPOOL CORP	WHR	11,159.82	0.06%	1.99%	20.52%	22.71%	0.0137%	0.0124%
WINDSTREAM HOLDINGS INC	WIN	5,767.46	0.03%	10.45%	-1.00%	9.40%	0.0029%	-0.0003%
WELLPOINT INC	WLP	30,305.29	0.16%	1.59%	9.28%	10.94%	0.0180%	0.0152%
WASTE MANAGEMENT INC	WM	20,792.38	0.11%	3.34%	8.13%	11.61%	0.0131%	0.0092%
WILLIAMS COS INC	WMB	32,191.95	0.17%	3.72%	11.50%	15.44%	0.0269%	0.0201%
WAL-MART STORES INC	WMT	247,787.44	1.34%	2.63%	8.50%	11.14%	0.1496%	0.1142%
WESTERN UNION CO	WU	8,714.40	0.05%	3.10%	8.66%	11.90%	0.0056%	0.0041%

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	[10] MC Weighted Growth	
WEYERHAEUSER CO	WY	18,380.93	0.10%	2.82%	5.50%	8.40%	0.0084%	0.0055%	
WYNDHAM WORLDWIDE CORP	WYN	9,411.71	0.05%	1.81%	14.70%	16.85%	0.0085%	0.0075%	
WYNN RESORTS LTD	WYNN	21,767.26	0.12%	2.33%	11.00%	13.46%	0.0159%	0.0130%	
UNITED STATES STEEL CORP	X	3,333.93	0.02%	0.87%	6.00%	6.89%	0.0012%	0.0011%	
XCEL ENERGY INC	XEL	15,440.59	0.08%	3.84%	5.03%	8.97%	0.0075%	0.0042%	
XL GROUP PLC	XL	8,812.86	0.05%	1.93%	8.90%	10.91%	0.0052%	0.0042%	
XLINX INC	XLINX	12,622.57	0.07%	2.45%	10.88%	13.47%	0.0092%	0.0074%	
EXXON MOBIL CORP	XOM	431,713.49	2.34%	2.66%	12.10%	14.92%	0.3491%	0.2831%	
DENTSPLY INTERNATIONAL INC	XRAY	6,705.35	0.04%	0.57%	10.53%	11.13%	0.0040%	0.0038%	
XEROX CORP	XRX	14,416.42	0.08%	2.02%	8.65%	10.76%	0.0084%	0.0068%	
XYLEM INC	XYL	6,854.91	0.04%	1.36%	10.35%	11.78%	0.0044%	0.0038%	
YAHOO! INC	YHOO	34,885.90	0.19%	0.00%	15.42%	15.42%	0.0292%	0.0292%	
YUM! BRANDS INC	YUM	34,123.12	0.18%	1.97%	13.36%	15.46%	0.0286%	0.0247%	
ZIONS BANK CORPORATION	ZION	5,286.15	0.03%	0.58%	9.00%	9.60%	0.0028%	0.0028%	
ZIMMER HOLDINGS INC	ZMH	17,511.95	0.09%	0.79%	10.64%	11.47%	0.0109%	0.0101%	
ZOETIS INC	ZTS	15,381.27	0.08%	0.94%	10.88%	11.88%	0.0099%	0.0091%	
		Total Market Capitalization:	18,448,604.27				13.44%	Average Growth	<b>11.4%</b>

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  $[(6) \times (1 + (0.5 \times (7))) + (7)]$
- [9] Equals Col. [5] x Col. [8]
- [10] Equal Col. [5] x Col. [7]

Ex-Ante Market Risk Premium  
Market DCF Method Based - Value Line

[1]	[2]	[3]
S&P 500 Est. Required Market Return	Current 30-Year Treasury (30-day average)	Implied Market Risk Premium
12.70%	3.42%	9.28%

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	[10] MC Weighted Growth
AGILENT TECHNOLOGIES INC	A	18,518.15	0.11%	1.01%	6.50%	7.54%	0.0081%	0.0070%
ALCOA INC	AA	15,493.64	0.09%	0.91%	17.00%	17.99%	0.0161%	0.0152%
APPLE INC	AAPL	541,956.30	3.14%	2.17%	12.50%	14.81%	0.4642%	0.3920%
ABBVIE INC	ABBV	85,275.23	0.49%	3.13%	0.00%	3.13%	0.0154%	0.0000%
AMERISOURCEBERGEN CORP	ABC	16,233.48	0.09%	1.32%	14.00%	15.41%	0.0145%	0.0131%
ABBOTT LABORATORIES	ABT	59,551.84	0.34%	2.22%	-4.00%	-1.82%	-0.0063%	-0.0138%
ACE LTD	ACE	35,006.70	0.20%	2.53%	9.00%	11.64%	0.0236%	0.0182%
ACCENTURE PLC-CL A	ACN	50,310.28	0.29%	2.44%	7.50%	10.03%	0.0292%	0.0218%
ACTAVIS PLC	ACT	28,392.67	0.16%	0.00%	24.50%	24.50%	0.0402%	0.0402%
ADOBE SYSTEMS INC	ADBE	31,480.34	0.18%	0.00%	15.00%	15.00%	0.0273%	0.0273%
ANALOG DEVICES INC	ADI	16,170.15	0.09%	2.86%	11.00%	14.02%	0.0131%	0.0103%
ARCHER-DANIELS-MIDLAND CO	ADM	28,590.75	0.17%	2.20%	9.00%	11.30%	0.0187%	0.0149%
AUTOMATIC DATA PROCESSING	ADP	37,626.75	0.22%	2.61%	9.00%	11.73%	0.0255%	0.0196%
ALLIANCE DATA SYSTEMS CORP	ADS	13,323.76	0.08%	0.00%	14.50%	14.50%	0.0112%	0.0112%
AUTODESK INC	ADSK	11,677.32	0.07%	0.00%	7.50%	7.50%	0.0051%	0.0051%
ADT CORP/THE	ADT	5,772.01	0.03%	2.46%	0.00%	2.46%	0.0008%	0.0000%
AMEREN CORPORATION	AEE	9,395.90	0.05%	4.16%	2.50%	6.71%	0.0036%	0.0014%
AMERICAN ELECTRIC POWER	AEP	25,130.21	0.15%	3.96%	4.50%	8.55%	0.0124%	0.0065%
AES CORP	AES	9,847.84	0.06%	1.46%	10.50%	12.04%	0.0069%	0.0060%
AETNA INC	AET	27,346.10	0.16%	1.19%	10.50%	11.75%	0.0186%	0.0166%
AFLAC INC	AFL	28,419.29	0.16%	2.46%	7.50%	10.05%	0.0165%	0.0123%
ALLERGAN INC	AGN	48,842.63	0.28%	0.12%	13.50%	13.63%	0.0385%	0.0381%
AMERICAN INTERNATIONAL GROUP	AGI	78,829.24	0.46%	0.93%	0.00%	0.93%	0.0042%	0.0000%
APARTMENT INVT & MGMT CO -A	AIV	-	0.00%	3.35%	0.00%	3.35%	0.0000%	0.0000%
ASSURANT INC	AIZ	4,779.44	0.03%	1.62%	4.00%	5.65%	0.0016%	0.0011%
AKAMAI TECHNOLOGIES INC	AKAM	9,547.09	0.06%	0.00%	13.50%	13.50%	0.0075%	0.0075%
ALLSTATE CORP	ALL	26,199.15	0.15%	1.92%	16.00%	18.07%	0.0274%	0.0243%
ALLEGION PLC	ALLE	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
ALTERA CORP	ALTR	10,393.00	0.06%	1.81%	0.00%	1.81%	0.0011%	0.0000%
ALEXION PHARMACEUTICALS INC	ALXN	31,606.66	0.18%	0.00%	31.50%	31.50%	0.0580%	0.0580%
APPLIED MATERIALS INC	AMAT	24,086.79	0.14%	2.01%	17.00%	19.18%	0.0267%	0.0237%
AMETEK INC	AME	12,844.01	0.07%	0.69%	11.23%	11.23%	0.0083%	0.0078%
AMGEN INC	AMGN	86,937.53	0.50%	2.16%	8.50%	10.75%	0.0541%	0.0428%
AMERIPRISE FINANCIAL INC	AMP	22,465.79	0.13%	2.10%	14.50%	16.75%	0.0218%	0.0188%
AMERICAN TOWER CORP	AMT	35,000.09	0.20%	1.54%	16.50%	18.17%	0.0368%	0.0334%
AMAZON.COM INC	AMZN	140,258.60	0.81%	0.00%	71.50%	71.50%	0.5802%	0.5802%
AUTONATION INC	AN	6,727.00	0.04%	0.00%	12.50%	12.50%	0.0049%	0.0049%
ACON PLC	ACON	26,096.44	0.15%	1.14%	16.00%	17.23%	0.0260%	0.0242%
APACHE CORP	APA	35,238.66	0.20%	1.11%	10.00%	11.17%	0.0228%	0.0204%
ANADARKO PETROLEUM CORP	APC	51,277.59	0.30%	1.06%	75.00%	76.46%	0.2268%	0.2225%
AIR PRODUCTS & CHEMICALS INC	APD	25,088.78	0.15%	2.61%	9.00%	11.73%	0.0170%	0.0131%
AMPHENOL CORP-CL A	APH	14,982.51	0.09%	0.84%	8.00%	8.87%	0.0077%	0.0069%
AIRGAS INC	ARG	7,752.78	0.04%	2.10%	13.50%	15.74%	0.0071%	0.0061%
ALLEGHENY TECHNOLOGIES INC	ATI	4,308.23	0.02%	1.78%	17.50%	19.44%	0.0048%	0.0044%
AVALONBAY COMMUNITIES INC	AVB	-	0.00%	3.40%	0.00%	3.40%	0.0000%	0.0000%
AVAGO TECHNOLOGIES LTD	AVGO	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
AVON PRODUCTS INC	AVP	6,008.39	0.03%	1.74%	36.50%	38.56%	0.0134%	0.0127%
EVERETT DENNISON CORP	AVY	4,618.21	0.03%	2.90%	10.00%	13.05%	0.0035%	0.0027%
AMERICAN EXPRESS CO	AXP	93,791.59	0.54%	1.18%	10.00%	11.24%	0.0610%	0.0543%
AUTOZONE INC	AZO	18,067.07	0.10%	0.00%	14.00%	14.00%	0.0146%	0.0146%
BOEING CO/THE	BA	96,342.06	0.56%	2.27%	11.00%	13.39%	0.0747%	0.0613%
BANK OF AMERICA CORP	BAC	155,605.50	0.90%	0.54%	30.00%	30.62%	0.2760%	0.2704%
BAXTER INTERNATIONAL INC	BAX	40,433.25	0.23%	2.79%	8.50%	11.41%	0.0267%	0.0199%
BED BATH & BEYOND INC	BBBY	12,843.54	0.07%	0.00%	8.50%	8.50%	0.0063%	0.0063%
BB&T CORP	BBT	26,455.86	0.15%	2.56%	7.50%	10.16%	0.0153%	0.0115%
BEST BUY CO INC	BBY	9,091.81	0.05%	2.75%	5.50%	8.33%	0.0044%	0.0029%
CR BARD INC	BCR	11,151.82	0.06%	0.60%	10.00%	10.63%	0.0069%	0.0065%
BECTON DICKINSON AND CO	BDX	22,322.79	0.13%	1.89%	8.50%	10.47%	0.0135%	0.0110%
FRANKLIN RESOURCES INC	BEN	34,403.61	0.20%	0.97%	9.00%	10.01%	0.0199%	0.0179%
BROWN-FORMAN CORP-CLASS B	BF/B	19,595.16	0.11%	1.28%	10.00%	11.34%	0.0129%	0.0113%
BAKER HUGHES INC	BHI	30,387.60	0.18%	0.98%	13.50%	14.55%	0.0256%	0.0237%
BOGEN IDEC INC	BIFB	71,086.17	0.41%	0.00%	14.50%	14.50%	0.0596%	0.0596%
BANK OF NEW YORK MELLON CORP	BK	39,422.66	0.23%	1.97%	11.50%	13.58%	0.0310%	0.0262%
BLACKROCK INC	BLK	50,837.81	0.29%	2.57%	7.00%	9.66%	0.0284%	0.0206%
BALL CORP	BLL	8,348.43	0.05%	0.87%	12.00%	12.92%	0.0062%	0.0058%
BEMS COMPANY	BMS	4,097.55	0.02%	2.68%	8.00%	10.79%	0.0026%	0.0019%
BRISTOL-MYERS SQUIBB CO	BMY	80,870.20	0.47%	2.95%	8.50%	11.58%	0.0542%	0.0398%
BROADCOM CORP-CL A	BRCM	17,637.75	0.10%	1.59%	2.50%	4.11%	0.0042%	0.0026%
BERKSHIRE HATHAWAY INC-CL B	BRK/B	-	0.00%	0.00%	0.00%	0.00%	0.0000%	0.0000%
BOSTON SCIENTIFIC CORP	BSX	16,768.88	0.10%	0.00%	13.00%	13.00%	0.0126%	0.0126%
PEABODY ENERGY CORP	BTU	4,747.75	0.03%	1.04%	4.00%	5.88%	0.0018%	0.0011%
BORGWARNER INC	BWA	13,959.66	0.08%	0.82%	14.00%	14.88%	0.0120%	0.0113%
BOSTON PROPERTIES INC	BXP	-	0.00%	2.24%	0.00%	2.24%	0.0000%	0.0000%
CITIGROUP INC	C	143,201.20	0.83%	0.09%	9.50%	9.59%	0.0795%	0.0787%
CA INC	CA	12,847.50	0.07%	3.45%	4.50%	8.03%	0.0060%	0.0033%
CONAGRA FOODS INC	CAG	13,304.19	0.08%	3.17%	10.00%	13.33%	0.0103%	0.0077%
CARDINAL HEALTH INC	CAH	23,112.88	0.13%	2.07%	12.00%	14.19%	0.0190%	0.0160%
CAMERON INTERNATIONAL CORP	CAM	13,156.98	0.08%	0.00%	14.00%	14.00%	0.0107%	0.0107%
CATERPILLAR INC	CAT	64,345.94	0.37%	2.33%	5.00%	7.39%	0.0275%	0.0186%
CHUBB CORP	CB	22,906.23	0.13%	2.17%	8.50%	10.76%	0.0143%	0.0113%
CBRE GROUP INC - A	CBG	9,577.62	0.06%	0.00%	11.50%	11.50%	0.0064%	0.0064%
CBS CORP-CLASS B NON VOTING	CBS	35,181.38	0.20%	0.81%	8.50%	9.34%	0.0190%	0.0173%
COCA-COLA ENTERPRISES	CCE	11,520.38	0.07%	2.23%	10.00%	12.34%	0.0082%	0.0067%
CROWN CASTLE INTL CORP	CCI	25,364.08	0.15%	1.83%	27.00%	29.08%	0.0427%	0.0396%
CARNIVAL CORP	CCL	30,862.44	0.16%	2.52%	8.00%	10.82%	0.0190%	0.0143%
CELGENE CORP	CELG	60,244.18	0.35%	0.00%	14.00%	14.00%	0.0488%	0.0488%
CERNER CORP	CERN	17,967.09	0.10%	0.00%	15.00%	15.00%	0.0156%	0.0156%
CF INDUSTRIES HOLDINGS INC	CF	12,903.18	0.07%	1.74%	4.50%	6.28%	0.0047%	0.0034%
CAREFUSION CORP	CFN	8,748.63	0.05%	0.00%	13.00%	13.00%	0.0066%	0.0066%



		[4]	[5]	[6]	[7]	[8]	[9]	[10]
Company	Ticker	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result	MC Weighted Growth
CHESAPEAKE ENERGY CORP	CHK	18,136.00	0.10%	1.25%	7.00%	8.29%	0.0087%	0.0073%
C.H. ROBINSON WORLDWIDE INC	CHRW	8,844.07	0.05%	2.35%	6.50%	8.93%	0.0046%	0.0033%
CIGNA CORP	CI	24,793.11	0.14%	0.05%	9.00%	9.05%	0.0130%	0.0129%
CINCINNATI FINANCIAL CORP	CINF	7,976.96	0.05%	3.62%	12.50%	16.35%	0.0075%	0.0058%
COLGATE-PALMOLIVE CO	CL	60,973.86	0.35%	2.22%	10.50%	12.84%	0.0453%	0.0370%
CLOROX COMPANY	CLX	11,315.45	0.07%	3.36%	10.50%	14.04%	0.0092%	0.0069%
COMERICA INC	CMA	8,489.02	0.05%	1.71%	11.00%	12.80%	0.0063%	0.0054%
COMCAST CORP-CLASS A	CMCSA	134,409.90	0.78%	1.74%	12.00%	13.84%	0.1077%	0.0933%
CME GROUP INC	CME	23,828.27	0.14%	2.64%	8.50%	11.25%	0.0155%	0.0117%
CHIPOTLE MEXICAN GRILL INC	CMG	16,180.68	0.09%	0.00%	17.00%	17.00%	0.0159%	0.0159%
CUMMINS INC	CMJ	27,129.12	0.16%	1.68%	8.00%	9.75%	0.0153%	0.0126%
CMS ENERGY CORP	CMS	7,842.65	0.05%	3.77%	6.50%	10.39%	0.0047%	0.0029%
CENTERPOINT ENERGY INC	CNP	10,308.87	0.06%	4.00%	2.50%	6.55%	0.0039%	0.0015%
CONSOL ENERGY INC	CHK	10,160.74	0.06%	0.57%	4.00%	4.58%	0.0027%	0.0024%
CAPITAL ONE FINANCIAL CORP	COF	43,895.54	0.25%	1.57%	4.00%	5.60%	0.0142%	0.0102%
CABOT OIL & GAS CORP	COG	15,051.58	0.09%	0.28%	33.00%	33.33%	0.0290%	0.0287%
COACH INC	COH	113,334.40	0.66%	3.27%	5.00%	8.35%	0.0548%	0.0328%
ROCKWELL COLLINS INC	COL	10,376.59	0.06%	1.57%	7.00%	8.62%	0.0052%	0.0042%
CONOCOPHILLIPS	COP	96,325.74	0.56%	3.52%	3.00%	6.57%	0.0366%	0.0167%
COSTCO WHOLESALE CORP	COST	50,468.35	0.29%	1.24%	10.50%	11.81%	0.0345%	0.0307%
COVIDIEN PLC	COV	32,003.96	0.19%	1.80%	8.00%	9.87%	0.0183%	0.0148%
CAMPBELL SOUP CO	CPB	13,806.00	0.08%	2.83%	6.00%	8.91%	0.0071%	0.0048%
SALESFORCE.COM INC	CRM	32,121.81	0.19%	0.00%	0.00%	0.00%	0.0000%	0.0000%
COMPUTER SCIENCES CORP	CSC	8,914.18	0.05%	1.51%	7.50%	9.07%	0.0047%	0.0039%
CISCO SYSTEMS INC	CSCO	126,556.60	0.73%	3.12%	5.50%	8.71%	0.0637%	0.0403%
CSX CORP	CSX	29,578.46	0.17%	2.17%	8.50%	10.76%	0.0184%	0.0145%
CTAS CORP	CTAS	7,388.06	0.04%	1.25%	11.50%	12.82%	0.0055%	0.0049%
CENTURYLINK INC	CTL	21,365.45	0.12%	5.81%	6.50%	12.50%	0.0155%	0.0080%
COGNIZANT TECH SOLUTIONS-A	CTSH	28,815.77	0.17%	0.00%	21.00%	21.00%	0.0350%	0.0350%
CITRIX SYSTEMS INC	CTXS	11,499.61	0.07%	0.00%	12.50%	12.50%	0.0083%	0.0083%
CABLEVISION SYSTEMS-NY GRP-A	CVC	4,647.21	0.03%	3.49%	19.00%	22.82%	0.0061%	0.0051%
CVS CAREMARK CORP	CVS	90,567.34	0.52%	1.43%	11.00%	12.51%	0.0659%	0.0576%
CHEVRON CORP	CVX	235,348.30	1.36%	3.46%	4.50%	8.04%	0.1094%	0.0613%
DOMINION RESOURCES INC/VA	D	40,607.88	0.23%	3.51%	5.50%	9.11%	0.0214%	0.0129%
DELTA AIR LINES INC	DAL	32,603.72	0.19%	0.62%	16.00%	16.67%	0.0314%	0.0302%
DU PONT (E.I.) DE NEMOURS	DO	61,953.72	0.36%	2.79%	8.50%	11.41%	0.0409%	0.0305%
DEERE & CO	DE	33,269.39	0.19%	2.27%	3.00%	5.30%	0.0102%	0.0058%
DISCOVER FINANCIAL SERVICES	DFS	27,315.14	0.16%	1.68%	8.50%	10.25%	0.0162%	0.0134%
DOLLAR GENERAL CORP	DG	17,571.35	0.10%	0.00%	14.50%	14.50%	0.0147%	0.0147%
QUEST DIAGNOSTICS INC	DGX	8,258.96	0.05%	2.30%	6.50%	8.87%	0.0042%	0.0031%
DR HORTON INC	DHI	7,362.59	0.04%	0.66%	25.50%	26.24%	0.0112%	0.0109%
DANAHER CORP	DHR	54,584.48	0.32%	0.51%	12.00%	12.54%	0.0396%	0.0379%
WALT DISNEY CO/THE	DIS	139,995.00	0.81%	1.04%	11.50%	12.60%	0.1021%	0.0931%
DISCOVERY COMMUNICATIONS-A	DISCA	23,361.80	0.14%	0.00%	14.50%	14.50%	0.0196%	0.0196%
DELPHI AUTOMOTIVE PLC	DLPH	20,649.18	0.12%	1.47%	12.00%	13.56%	0.0162%	0.0143%
DOLLAR TREE INC	DLTR	11,095.46	0.06%	0.00%	14.50%	14.50%	0.0093%	0.0093%
DUN & BRADSTREET CORP	DNB	3,890.58	0.02%	1.68%	3.50%	5.21%	0.0012%	0.0008%
DENBURY RESOURCES INC	DNR	5,917.10	0.03%	1.84%	9.00%	10.92%	0.0037%	0.0031%
DIAMOND OFFSHORE DRILLING	DO	7,061.51	0.04%	6.80%	9.00%	16.11%	0.0066%	0.0037%
DOVER CORP	DOV	14,319.63	0.08%	1.74%	6.00%	7.79%	0.0065%	0.0050%
DOW CHEMICAL CO/THE	DOW	59,268.07	0.34%	2.97%	14.50%	17.69%	0.0606%	0.0497%
DR PEPPER SNAPPLE GROUP INC	DPS	11,329.55	0.07%	2.90%	6.50%	9.49%	0.0062%	0.0043%
DARDEN RESTAURANTS INC	DRI	6,531.81	0.04%	4.44%	6.50%	11.08%	0.0042%	0.0025%
DTE ENERGY COMPANY	DTE	13,302.75	0.08%	3.67%	5.00%	8.76%	0.0067%	0.0038%
DIRECTV	DTV	42,678.93	0.25%	0.00%	14.50%	14.50%	0.0358%	0.0358%
DUKE ENERGY CORP	DUK	49,808.30	0.29%	4.49%	5.00%	9.60%	0.0277%	0.0144%
DAVITA HEALTHCARE PARTNERS I	DVA	14,589.31	0.08%	0.00%	11.00%	11.00%	0.0093%	0.0093%
DEVON ENERGY CORPORATION	DVN	29,665.68	0.17%	1.32%	6.50%	7.86%	0.0135%	0.0112%
ELECTRONIC ARTS INC	EA	10,682.13	0.06%	0.00%	15.00%	15.00%	0.0093%	0.0093%
EBAY INC	EBAY	66,641.00	0.39%	0.00%	13.00%	13.00%	0.0501%	0.0501%
ECOLAB INC	ECL	32,302.37	0.19%	1.05%	11.50%	12.61%	0.0236%	0.0215%
CONSOLIDATED EDISON INC	ED	15,884.88	0.09%	4.71%	1.00%	5.73%	0.0053%	0.0009%
EQUIFAX INC	EFX	8,472.90	0.05%	1.44%	10.00%	11.51%	0.0056%	0.0049%
EDISON INTERNATIONAL	EX	17,711.09	0.10%	2.70%	2.50%	5.23%	0.0054%	0.0026%
ESTEE LAUDER COMPANIES-CL A	EL	28,685.14	0.17%	1.07%	11.50%	12.63%	0.0210%	0.0191%
EMC CORP/MA	EMC	54,130.58	0.31%	1.74%	9.00%	10.82%	0.0339%	0.0282%
EASTMAN CHEMICAL CO	EMN	12,778.25	0.07%	1.85%	10.00%	11.73%	0.0087%	0.0074%
EMERSON ELECTRIC CO	EMR	46,394.89	0.27%	2.60%	6.50%	9.18%	0.0247%	0.0174%
EOG RESOURCES INC	EOG	56,660.60	0.33%	0.48%	21.50%	22.03%	0.0722%	0.0705%
EQUITY RESIDENTIAL	EOR	-	0.00%	3.30%	0.00%	3.30%	0.0000%	0.0000%
EQT CORP	EQT	15,628.84	0.09%	0.12%	15.50%	15.63%	0.0141%	0.0140%
EXPRESS SCRIPTS HOLDING CO	ESRX	54,344.00	0.31%	0.00%	12.50%	12.50%	0.0393%	0.0393%
ESSEX PROPERTY TRUST INC	ESS	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
ENSCO PLC-CL A	ESV	12,037.65	0.07%	5.82%	10.50%	16.63%	0.0116%	0.0073%
E*TRADE FINANCIAL CORP	ETFC	5,887.76	0.03%	0.00%	0.00%	0.00%	0.0000%	0.0000%
EATON CORP PLC	ETN	34,942.11	0.20%	2.67%	9.00%	11.79%	0.0238%	0.0182%
ENTERGY CORP	ETR	13,263.82	0.08%	4.48%	-2.50%	1.92%	0.0015%	-0.0019%
EDWARDS LIFESCIENCES CORP	EW	8,571.42	0.05%	0.00%	12.50%	12.50%	0.0062%	0.0062%
EXELON CORP	EXC	29,309.40	0.17%	3.63%	0.50%	4.44%	0.0070%	0.0008%
EXPEDITORS INTL WASH INC	EXPD	9,004.57	0.05%	1.40%	10.00%	11.47%	0.0060%	0.0052%
EXPEDIA INC	EXPE	9,216.55	0.05%	0.85%	15.00%	15.91%	0.0085%	0.0080%
FORD MOTOR CO	F	62,912.24	0.36%	3.14%	9.50%	12.79%	0.0466%	0.0346%
FASTENAL CO	FAST	14,273.55	0.08%	2.08%	12.00%	14.20%	0.0117%	0.0099%
FACEBOOK INC-A	FB	154,507.50	0.89%	0.00%	0.00%	0.00%	0.0000%	0.0000%
FREEMONT-MCMORAN COPPER	FCX	35,627.86	0.21%	3.73%	6.00%	9.84%	0.0203%	0.0124%
FAMILY DOLLAR STORES	FDO	6,451.49	0.04%	2.19%	5.50%	7.75%	0.0029%	0.0021%
FEDEX CORP	FDX	41,174.24	0.24%	0.43%	9.00%	9.45%	0.0225%	0.0214%
FIRSTENERGY CORP	FE	13,207.71	0.08%	4.56%	4.50%	9.16%	0.0070%	0.0034%
F5 NETWORKS INC	FFIV	8,184.19	0.05%	0.00%	12.00%	12.00%	0.0057%	0.0057%
FIDELITY NATIONAL INFORMATION SERVICES INC	FIS	15,290.81	0.09%	1.81%	10.00%	11.90%	0.0105%	0.0088%
FISERV INC	FISV	15,219.74	0.09%	0.00%	9.50%	9.50%	0.0084%	0.0084%
FIFTH THIRD BANCORP	FITB	17,298.88	0.10%	2.55%	10.00%	12.68%	0.0127%	0.0100%
FLIR SYSTEMS INC	FLIR	4,822.77	0.03%	1.20%	11.00%	12.27%	0.0034%	0.0031%
FLUOR CORP	FLR	11,758.15	0.07%	1.14%	7.00%	8.18%	0.0056%	0.0048%
FLOWSERVE CORP	FLS	10,069.74	0.06%	0.87%	12.00%	12.92%	0.0075%	0.0070%
FMC CORP	FMC	10,091.02	0.06%	0.79%	12.00%	12.84%	0.0075%	0.0070%
FOSSIL GROUP INC	FOSS	5,438.98	0.03%	0.00%	13.00%	13.00%	0.0041%	0.0041%
TWENTY-FIRST CENTURY FOX-A	FOXA	78,317.21	0.45%	0.75%	9.50%	10.29%	0.0466%	0.0430%
FOREST LABORATORIES INC	FRX	25,675.04	0.15%	0.00%	10.00%	10.00%	0.0149%	0.0149%

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	[10] MC Weighted Growth
FIRST SOLAR INC	FSLR	6,068.70	0.04%	0.00%	-2.00%	-2.00%	-0.0007%	-0.0007%
FMC TECHNOLOGIES INC	FTI	13,203.58	0.08%	0.00%	17.50%	17.50%	0.0134%	0.0134%
FRONTIER COMMUNICATIONS CORP	FTR	5,753.09	0.03%	6.97%	13.50%	20.94%	0.0070%	0.0045%
AGL RESOURCES INC	GAS	6,347.52	0.04%	3.68%	9.00%	12.85%	0.0047%	0.0033%
GANNETT CO	GCI	6,288.94	0.04%	2.89%	8.50%	11.51%	0.0042%	0.0031%
GENERAL DYNAMICS CORP	GD	39,349.84	0.23%	2.16%	3.00%	5.19%	0.0118%	0.0068%
GENERAL ELECTRIC CO	GE	265,836.00	1.54%	3.32%	10.50%	13.99%	0.2152%	0.1615%
GENERAL GROWTH PROPERTIES	GGP	-	0.00%	2.56%	0.00%	2.56%	0.0000%	0.0000%
GRAHAM HOLDINGS CO-CLASS B	GHC	4,948.83	0.03%	1.53%	10.50%	12.11%	0.0035%	0.0030%
GLEAD SCIENCES INC	GLD	127,470.50	0.74%	0.00%	13.00%	13.00%	0.0959%	0.0959%
GENERAL MILLS INC	GIS	33,114.59	0.19%	3.05%	6.50%	9.65%	0.0185%	0.0125%
CORNING INC	GLW	27,713.32	0.16%	1.89%	6.50%	8.45%	0.0136%	0.0104%
GENERAL MOTORS CO	GM	53,472.00	0.31%	3.59%	10.00%	13.77%	0.0426%	0.0309%
KEURIG GREEN MOUNTAIN INC	GMCR	18,358.34	0.11%	0.88%	19.00%	19.96%	0.0212%	0.0202%
GAMESTOP CORP-CLASS A	GME	4,285.46	0.02%	3.72%	12.00%	15.94%	0.0040%	0.0030%
GENWORTH FINANCIAL INC-CL A	GNW	8,528.85	0.05%	0.00%	20.00%	20.00%	0.0099%	0.0099%
GOOGLE INC-CL C	GOOG	367,622.30	2.13%	0.00%	15.50%	15.50%	0.3297%	0.3297%
GOOGLE INC-CL A	GOOGL	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
GENUINE PARTS CO	GPC	13,062.48	0.08%	2.71%	9.00%	11.83%	0.0089%	0.0068%
GAP INC/THE	GPS	18,346.14	0.11%	2.20%	12.50%	14.84%	0.0157%	0.0133%
GARMAN LTD	GRMN	10,874.18	0.06%	3.44%	1.50%	4.97%	0.0031%	0.0009%
GOLDMAN SACHS GROUP INC	GS	74,298.28	0.43%	1.38%	13.00%	14.47%	0.0622%	0.0559%
GOODYEAR TIRE & RUBBER CO	GT	6,136.74	0.04%	0.81%	11.50%	12.36%	0.0044%	0.0041%
YW GRAUNGER INC	GWV	17,254.62	0.10%	1.71%	12.50%	14.32%	0.0143%	0.0125%
HALLIBURTON CO	HAL	53,454.63	0.31%	0.95%	14.50%	15.52%	0.0480%	0.0448%
HARMAN INTERNATIONAL	HAR	7,200.62	0.04%	1.14%	19.50%	20.75%	0.0086%	0.0081%
HASBRO INC	HAS	6,993.24	0.04%	3.20%	7.00%	10.31%	0.0042%	0.0028%
HUNTINGTON BANCSHARES INC	HBAN	7,459.61	0.04%	2.21%	6.00%	8.28%	0.0036%	0.0026%
HUDSON CITY BANCPOR INC	HCBK	5,130.95	0.03%	1.65%	0.00%	1.65%	0.0005%	0.0000%
HEALTH CARE REIT INC	HGN	-	0.00%	5.09%	0.00%	5.09%	0.0000%	0.0000%
HCP INC	HCP	-	0.00%	5.28%	0.00%	5.28%	0.0000%	0.0000%
HOME DEPOT INC	HD	110,922.20	0.64%	2.39%	14.50%	17.06%	0.1095%	0.0931%
HESS CORP	HES	28,721.25	0.17%	1.11%	-1.00%	0.10%	0.0002%	-0.0017%
HARTFORD FINANCIAL SVCS GRP	HIG	15,522.34	0.09%	1.73%	11.00%	12.83%	0.0115%	0.0099%
HARLEY-DAVIDSON INC	HOG	15,757.66	0.09%	1.54%	13.50%	15.14%	0.0138%	0.0123%
HONEYWELL INTERNATIONAL INC	HON	71,616.32	0.41%	1.97%	9.50%	11.56%	0.0479%	0.0394%
STARWOOD HOTELS & RESORTS	HOT	15,109.07	0.09%	1.79%	11.00%	12.89%	0.0113%	0.0096%
HELMERICH & PAYNE	HP	11,495.96	0.07%	2.35%	9.50%	11.96%	0.0080%	0.0063%
HEWLETT-PACKARD CO	HPQ	60,350.22	0.35%	2.01%	0.00%	2.01%	0.0070%	0.0000%
H&R BLOCK INC	HRB	8,020.85	0.05%	2.74%	10.00%	12.88%	0.0060%	0.0046%
HORMEL FOODS CORP	HRL	12,222.46	0.07%	1.81%	11.00%	12.91%	0.0091%	0.0078%
HARRIS CORP	HRS	8,111.87	0.05%	2.33%	1.50%	3.85%	0.0018%	0.0007%
HOSPIRA INC	HSP	8,016.00	0.05%	0.00%	7.00%	7.00%	0.0032%	0.0032%
HOST HOTELS & RESORTS INC	HST	-	0.00%	2.88%	0.00%	2.88%	0.0000%	0.0000%
HERSHEY CO/THE	HSY	21,791.89	0.13%	2.05%	11.50%	13.67%	0.0172%	0.0145%
HUMANA INC	HUM	18,993.93	0.11%	0.91%	7.50%	8.44%	0.0093%	0.0082%
INTL BUSINESS MACHINES CORP	IBM	187,942.10	1.09%	2.37%	7.50%	9.96%	0.1083%	0.0816%
INTERCONTINENTALEXCHANGE GRO	ICE	22,486.60	0.13%	1.34%	18.50%	19.96%	0.0260%	0.0241%
INTL FLAVORS & FRAGRANCES	IFF	7,960.52	0.05%	1.65%	7.00%	8.71%	0.0040%	0.0032%
INTL GAME TECHNOLOGY	IGT	3,072.68	0.02%	3.54%	10.50%	14.23%	0.0025%	0.0019%
INTEL CORP	INTC	130,017.80	0.75%	3.44%	6.00%	9.54%	0.0718%	0.0451%
INTUIT INC	INTU	22,204.74	0.13%	0.97%	10.00%	11.02%	0.0142%	0.0128%
INTERNATIONAL PAPER CO	IP	20,175.29	0.12%	3.01%	12.00%	15.19%	0.0177%	0.0140%
INTERPUBLIC GROUP OF COS INC	IPG	7,858.78	0.05%	2.05%	12.00%	14.17%	0.0064%	0.0055%
INGERSOLL-RAND PLC	IR	15,499.08	0.09%	1.75%	12.50%	14.36%	0.0129%	0.0112%
IRON MOUNTAIN INC	IRM	5,723.05	0.03%	3.62%	6.50%	10.24%	0.0034%	0.0022%
INTUITIVE SURGICAL INC	ISRG	14,002.18	0.08%	0.00%	8.50%	6.50%	0.0053%	0.0053%
ILLINOIS TOOL WORKS	ITW	35,424.63	0.20%	1.96%	10.50%	12.56%	0.0257%	0.0215%
INVESCO LTD	IVZ	15,325.45	0.09%	2.82%	14.00%	17.02%	0.0151%	0.0124%
JABIL CIRCUIT INC	JBL	3,682.74	0.02%	1.77%	3.00%	4.80%	0.0010%	0.0006%
JOHNSON CONTROLS INC	JCI	31,733.42	0.18%	1.84%	12.00%	13.95%	0.0256%	0.0220%
JACOBS ENGINEERING GROUP INC	JEC	7,011.10	0.04%	0.00%	12.00%	12.00%	0.0049%	0.0049%
JOHNSON & JOHNSON	JNJ	285,478.70	1.65%	2.77%	6.50%	9.36%	0.1546%	0.1074%
JUNIPER NETWORKS INC	JNPR	12,231.44	0.07%	1.22%	16.50%	17.82%	0.0126%	0.0117%
JOY GLOBAL INC	JOY	5,793.87	0.03%	1.21%	2.00%	3.22%	0.0011%	0.0007%
JPMORGAN CHASE & CO	JPM	204,895.70	1.19%	2.93%	7.50%	10.54%	0.1249%	0.0889%
NORDSTROM INC	JWN	13,046.80	0.08%	2.00%	8.50%	10.59%	0.0080%	0.0064%
KELLOGG CO	K	24,543.48	0.14%	2.75%	6.50%	9.34%	0.0133%	0.0092%
KEYCORP	KEY	11,759.91	0.07%	1.96%	6.00%	8.02%	0.0055%	0.0041%
KIMCO REALTY CORP	KIM	-	0.00%	4.08%	0.00%	4.08%	0.0000%	0.0000%
KLA-TENCOR CORPORATION	KLAC	10,553.17	0.06%	2.83%	6.00%	8.91%	0.0054%	0.0037%
KIMBERLY-CLARK CORP	KMB	41,541.04	0.24%	3.05%	8.50%	11.68%	0.0281%	0.0204%
KINDER MORGAN INC	KMI	34,805.96	0.20%	4.98%	15.00%	20.35%	0.0410%	0.0302%
CARMAX INC	KMX	9,940.34	0.06%	0.00%	10.50%	10.50%	0.0060%	0.0060%
COCA-COLA CO/THE	KO	178,227.40	1.03%	3.08%	6.50%	9.68%	0.0998%	0.0670%
MICHAEL KORS HOLDINGS LTD	KORS	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
KROGER CO	KR	23,525.48	0.14%	1.53%	9.50%	11.10%	0.0151%	0.0129%
KRAFT FOODS GROUP INC	KRFT	34,435.28	0.20%	3.63%	0.00%	3.63%	0.0072%	0.0000%
KOHL'S CORP	KSS	11,157.68	0.06%	3.03%	7.50%	10.64%	0.0069%	0.0048%
KANSAS CITY SOUTHERN	KSU	11,704.38	0.07%	1.06%	14.00%	15.13%	0.0102%	0.0095%
LOEWS CORP	L	16,688.20	0.10%	0.58%	16.00%	16.63%	0.0161%	0.0154%
L BRANDS INC	LB	16,496.79	0.10%	2.40%	8.50%	11.00%	0.0105%	0.0081%
LEGGETT & PLATT INC	LEG	4,618.76	0.03%	3.60%	12.50%	16.33%	0.0044%	0.0033%
LENNAR CORP-A	LEN	7,970.22	0.05%	0.41%	27.00%	27.47%	0.0127%	0.0125%
LABORATORY CRP OF AMER HLDGS	LH	8,504.59	0.05%	0.00%	5.00%	5.00%	0.0025%	0.0025%
L-3 COMMUNICATIONS HOLDINGS	LLL	10,041.49	0.06%	2.07%	4.00%	6.11%	0.0036%	0.0023%
LINEAR TECHNOLOGY CORP	LLTC	10,768.55	0.06%	2.37%	6.50%	8.95%	0.0056%	0.0040%
ELI LILLY & CO	LLY	64,061.64	0.37%	3.28%	-2.50%	0.74%	0.0027%	-0.0093%
LEGG MASON INC	LM	5,826.32	0.03%	1.31%	14.00%	15.40%	0.0052%	0.0047%
LOCKHEED MARTIN CORP	LMT	51,636.77	0.30%	3.44%	7.50%	11.07%	0.0331%	0.0224%
LINCOLN NATIONAL CORP	LNC	12,742.57	0.07%	1.40%	8.00%	9.46%	0.0070%	0.0059%
LORILLARD INC	LO	21,602.13	0.12%	4.13%	11.00%	15.36%	0.0192%	0.0137%
LOWE'S COS INC	LOW	49,234.50	0.28%	1.54%	15.00%	16.66%	0.0474%	0.0427%
LAM RESEARCH CORP	LRCX	9,600.40	0.06%	1.22%	13.50%	14.80%	0.0082%	0.0075%
LEUCADIA NATIONAL CORP	LUK	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
SOUTHWEST AIRLINES CO	LUV	17,482.87	0.10%	0.95%	16.50%	17.53%	0.0177%	0.0167%
LYONDELLBASELL INDU-CL A	LYB	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
MACY'S INC	M	21,228.19	0.12%	2.17%	14.00%	16.32%	0.0200%	0.0172%
MASTERCARD INC-CLASS A	MA	91,733.25	0.53%	0.58%	14.00%	14.62%	0.0776%	0.0743%

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	[10] MC Weighted Growth
MACERICH CO/THE	MAC	-	0.00%	3.81%	0.00%	3.81%	0.0000%	0.0000%
MARRIOTT INTERNATIONAL -CL A	MAR	17,298.95	0.10%	1.36%	12.50%	13.95%	0.0140%	0.0125%
MASCO CORP	MAS	7,311.54	0.04%	1.72%	33.50%	35.51%	0.0150%	0.0142%
MATTEL INC	MAT	13,132.80	0.08%	3.93%	7.00%	11.07%	0.0084%	0.0053%
MCDONALD'S CORP	MCD	101,466.50	0.59%	3.16%	7.00%	10.27%	0.0603%	0.0411%
MICROCHIP TECHNOLOGY INC	MCHP	9,246.99	0.05%	3.06%	9.00%	12.20%	0.0065%	0.0048%
MCKESSON CORP	MCK	42,248.83	0.24%	0.52%	14.00%	14.56%	0.0356%	0.0342%
MOODY'S CORP	MCO	17,499.89	0.10%	1.37%	11.50%	12.95%	0.0131%	0.0116%
MONDELEZ INTERNATIONAL INC-A	MDLZ	63,233.96	0.37%	1.50%	7.50%	9.06%	0.0331%	0.0274%
MEDTRONIC INC	MDT	59,678.37	0.35%	2.01%	7.50%	9.59%	0.0331%	0.0259%
METLIFE INC	MET	56,752.28	0.33%	2.77%	7.50%	10.37%	0.0341%	0.0246%
MCGRAW HILL FINANCIAL INC	MHFI	21,678.01	0.13%	1.51%	0.00%	1.51%	0.0019%	0.0000%
MOHAWK INDUSTRIES INC	MHK	9,742.10	0.06%	0.00%	15.50%	15.50%	0.0087%	0.0087%
MEAD JOHNSON NUTRITION CO	MJN	17,334.12	0.10%	1.75%	11.00%	12.85%	0.0129%	0.0110%
MCCORMICK & CO-NON VTG SHRS	MKC	9,227.66	0.05%	2.18%	7.50%	9.76%	0.0052%	0.0040%
MARSH & MCLENNAN COS	MMC	27,169.49	0.16%	2.26%	12.50%	14.90%	0.0234%	0.0196%
3M CO	MMM	91,801.74	0.53%	2.44%	9.00%	11.55%	0.0613%	0.0478%
MONSTER BEVERAGE CORP	MNST	11,588.25	0.07%	0.00%	14.50%	14.50%	0.0097%	0.0097%
ALTRIA GROUP INC	MO	80,790.48	0.47%	4.72%	10.50%	15.47%	0.0723%	0.0491%
MONSANTO CO	MON	62,567.96	0.36%	1.44%	11.50%	13.02%	0.0471%	0.0416%
MOSAIC CO/THE	MOS	21,076.80	0.12%	2.43%	8.00%	8.50%	0.0104%	0.0073%
MARATHON PETROLEUM CORP	MPC	25,203.90	0.15%	2.00%	0.00%	2.00%	0.0029%	0.0000%
MERCK & CO. INC.	MRK	165,324.40	0.96%	3.12%	2.00%	5.15%	0.0493%	0.0191%
MARATHON OIL CORP	MRO	24,638.58	0.14%	2.27%	9.00%	11.37%	0.0162%	0.0128%
MORGAN STANLEY	MS	59,919.54	0.35%	1.32%	30.00%	31.52%	0.1093%	0.1040%
MICROSOFT CORP	MSFT	331,226.00	1.92%	2.99%	7.00%	10.09%	0.1935%	0.1341%
MOTOROLA SOLUTIONS INC	MSI	16,937.81	0.10%	2.00%	8.00%	10.08%	0.0099%	0.0078%
M & T BANK CORP	MTB	15,872.80	0.09%	2.32%	5.00%	7.38%	0.0068%	0.0046%
MICRON TECHNOLOGY INC	MU	29,071.90	0.17%	0.00%	80.50%	80.50%	0.1354%	0.1354%
MURPHY OIL CORP	MUR	10,973.12	0.06%	2.04%	9.00%	11.13%	0.0071%	0.0057%
MEADWESTVACO CORP	MWV	6,979.47	0.04%	2.50%	11.00%	13.64%	0.0055%	0.0044%
MYLAN INC	MYL	17,705.98	0.10%	0.00%	14.00%	14.00%	0.0143%	0.0143%
NAVIENT CORP	NAVI	N/A	N/A	N/A	N/A	N/A	N/A	#VALUE!
NOBLE ENERGY INC	NBL	25,268.40	0.15%	1.03%	15.00%	16.11%	0.0235%	0.0219%
NABORS INDUSTRIES LTD	NBR	7,677.72	0.04%	0.62%	22.50%	23.19%	0.0103%	0.0100%
NASDAQ OMX GROUP/THE	NDAQ	6,157.82	0.04%	1.65%	8.50%	10.22%	0.0036%	0.0030%
NOBLE CORP PLC	NE	7,768.17	0.04%	4.91%	23.50%	28.99%	0.0130%	0.0106%
NEXTERA ENERGY INC	NEE	42,146.44	0.24%	3.07%	6.00%	9.16%	0.0223%	0.0146%
NEWMONT MINING CORP	NEM	11,645.64	0.07%	0.43%	-17.50%	-17.11%	-0.0115%	-0.0118%
NETFLIX INC	NFLX	23,484.49	0.14%	0.00%	29.00%	29.00%	0.0394%	0.0394%
NEWFIELD EXPLORATION CO	NFX	4,738.65	0.03%	0.00%	-1.00%	-1.00%	-0.0003%	-0.0003%
NISOURCE INC	NI	11,707.41	0.07%	2.80%	10.50%	13.45%	0.0091%	0.0071%
NKE INC -CL B	NKE	65,969.28	0.38%	1.28%	12.50%	13.86%	0.0529%	0.0477%
NELSEN NV	NLSN	18,104.56	0.10%	2.09%	12.50%	14.72%	0.0154%	0.0131%
NORTHROP GRUMMAN CORP	NOC	25,478.33	0.15%	2.36%	5.00%	7.42%	0.0108%	0.0074%
NATIONAL OILWELL VARCO INC	NOV	35,302.88	0.20%	2.23%	10.50%	12.85%	0.0262%	0.0214%
NRG ENERGY INC	NRG	10,849.84	0.06%	1.66%	7.00%	8.72%	0.0055%	0.0044%
NORFOLK SOUTHERN CORP	NSC	30,667.34	0.16%	2.18%	8.50%	10.77%	0.0191%	0.0151%
NETAPP INC	NTAP	12,048.51	0.07%	1.83%	9.50%	11.42%	0.0080%	0.0066%
NORTHERN TRUST CORP	NTRS	14,266.90	0.08%	2.19%	9.50%	11.79%	0.0097%	0.0078%
NORTHEAST UTILITIES	NU	14,366.51	0.08%	3.58%	8.00%	11.72%	0.0097%	0.0066%
NUCOR CORP	NUE	16,222.61	0.09%	2.91%	22.00%	25.23%	0.0237%	0.0206%
NVIDIA CORP	NVDA	10,415.56	0.06%	1.86%	6.50%	8.42%	0.0051%	0.0039%
NEWELL RUBBERMAID INC	NWL	8,060.27	0.05%	2.33%	12.50%	14.98%	0.0070%	0.0058%
NEWS CORP - CLASS A	NWSA	9,940.12	0.06%	0.00%	0.00%	0.00%	0.0000%	0.0000%
OWENS-ILLINOIS INC	OI	5,376.27	0.03%	0.00%	8.50%	8.50%	0.0026%	0.0026%
OKEOK INC	OKE	13,376.11	0.08%	3.64%	10.00%	13.82%	0.0107%	0.0077%
OMNICOM GROUP	OMC	17,899.55	0.10%	2.89%	10.50%	13.54%	0.0140%	0.0109%
ORACLE CORP	ORCL	186,134.10	1.08%	1.35%	9.50%	10.91%	0.1175%	0.1023%
O'REILLY AUTOMOTIVE INC	ORLY	15,745.60	0.09%	0.00%	12.00%	12.00%	0.0109%	0.0109%
OCCIDENTAL PETROLEUM CORP	OXY	76,385.24	0.44%	2.99%	3.50%	6.54%	0.0289%	0.0155%
PAYCHEX INC	PAYX	14,698.69	0.09%	3.76%	8.00%	11.91%	0.0101%	0.0068%
PEOPLE'S UNITED FINANCIAL	PBCT	4,318.65	0.02%	4.58%	14.00%	18.90%	0.0047%	0.0035%
PITNEY BOWES INC	PBI	5,369.32	0.03%	2.82%	2.00%	4.85%	0.0015%	0.0006%
PACCAR INC	PCAR	22,108.45	0.13%	2.89%	12.50%	15.57%	0.0199%	0.0160%
P & E CORP	PCG	20,710.77	0.12%	4.08%	5.00%	9.18%	0.0110%	0.0080%
PLUM CREEK TIMBER CO	PCL	7,523.21	0.04%	4.14%	12.50%	16.90%	0.0074%	0.0054%
PRCELINE GROUP INC/THE	PCLN	61,594.87	0.36%	0.00%	22.00%	22.00%	0.0784%	0.0784%
PRECISION CASTPARTS CORP	PCP	35,805.71	0.21%	0.05%	13.00%	13.05%	0.0270%	0.0269%
PATTERSON COS INC	PDCO	3,966.35	0.02%	2.14%	10.00%	12.25%	0.0028%	0.0023%
PUBLIC SERVICE ENTERPRISE GP	PEG	19,031.02	0.11%	3.96%	2.00%	6.00%	0.0066%	0.0022%
PEPSICO INC	PEP	130,851.80	0.76%	3.06%	8.50%	11.69%	0.0885%	0.0644%
PETSMART INC	PETM	5,610.68	0.03%	1.45%	11.50%	13.03%	0.0042%	0.0037%
PFIZER INC	PFE	192,228.50	1.11%	3.51%	10.50%	14.19%	0.1579%	0.1168%
PRINCIPAL FINANCIAL GROUP	PFGE	13,639.90	0.08%	2.76%	10.00%	12.90%	0.0102%	0.0079%
PROCTER & GAMBLE CO/THE	PG	218,235.70	1.26%	3.19%	7.50%	10.81%	0.1265%	0.0947%
PROGRESSIVE CORP	PGR	14,990.33	0.09%	1.95%	14.00%	16.09%	0.0140%	0.0121%
PARKER HANNIFIN CORP	PH	18,152.32	0.11%	1.58%	6.50%	8.13%	0.0085%	0.0068%
PULTEGROUP INC	PHM	7,287.82	0.04%	1.04%	31.50%	32.70%	0.0138%	0.0133%
PERKINELMER INC	PKI	4,984.49	0.03%	0.64%	7.50%	8.16%	0.0024%	0.0022%
PROLOGIS INC	PLD	-	0.00%	3.31%	0.00%	3.31%	0.0000%	0.0000%
PALL CORP	PLL	9,328.68	0.05%	1.29%	9.50%	10.85%	0.0059%	0.0051%
PHILIP MORRIS INTERNATIONAL	PM	138,011.80	0.79%	4.36%	7.50%	12.02%	0.0946%	0.0590%
PNC FINANCIAL SERVICES GROUP	PNC	44,819.97	0.26%	2.28%	5.50%	7.84%	0.0203%	0.0143%
PENTAIR LTD-REGISTERED	PNR	14,427.42	0.08%	1.35%	16.50%	17.86%	0.0150%	0.0138%
PINNACLE WEST CAPITAL	PNW	6,062.85	0.04%	4.22%	4.00%	8.30%	0.0029%	0.0014%
PEPCO HOLDINGS INC	POM	6,943.99	0.04%	3.89%	7.00%	11.03%	0.0044%	0.0028%
PPG INDUSTRIES INC	PPG	27,147.35	0.16%	1.37%	11.50%	12.95%	0.0203%	0.0181%
PPL CORPORATION	PPL	21,196.67	0.12%	4.47%	0.00%	4.47%	0.0055%	0.0000%
PERRIGO CO PLC	PRGO	18,307.85	0.11%	0.31%	13.50%	13.83%	0.0147%	0.0143%
PRUDENTIAL FINANCIAL INC	PRU	37,557.54	0.22%	2.64%	10.00%	12.77%	0.0278%	0.0217%
PUBLIC STORAGE	PSA	-	0.00%	3.35%	0.00%	3.35%	0.0000%	0.0000%
PHILIPS 66	PSX	46,614.31	0.27%	2.43%	0.00%	2.43%	0.0066%	0.0000%
PVH CORP	PVH	10,777.71	0.06%	0.11%	10.50%	10.62%	0.0066%	0.0065%
QUANTA SERVICES INC	PWR	7,142.59	0.04%	0.00%	19.50%	19.50%	0.0081%	0.0081%
PRAXAIR INC	PX	38,166.37	0.22%	2.06%	10.50%	12.67%	0.0280%	0.0232%
PIONEER NATURAL RESOURCES CO	PXD	29,001.83	0.17%	0.04%	19.50%	19.54%	0.0328%	0.0327%
QUALCOMM INC	QCOM	134,138.20	0.78%	2.11%	9.50%	11.71%	0.0909%	0.0737%
QEP RESOURCES INC	QEP	5,511.94	0.03%	0.36%	11.50%	11.88%	0.0038%	0.0037%

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	[10] MC Weighted Growth
RYDER SYSTEM INC	R	4,395.66	0.03%	1.65%	13.00%	14.76%	0.0038%	0.0033%
REYNOLDS AMERICAN INC	RAI	31,373.66	0.18%	4.58%	9.50%	14.30%	0.0260%	0.0172%
ROWAN COMPANIES PLC-A	RDC	3,754.31	0.02%	1.33%	28.50%	30.02%	0.0065%	0.0062%
REGENERON PHARMACEUTICALS	REGN	29,442.92	0.17%	0.00%	35.50%	35.50%	0.0605%	0.0605%
REGIONS FINANCIAL CORP	RF	13,901.20	0.08%	2.08%	13.00%	15.22%	0.0122%	0.0105%
ROBERT HALF INTL INC	RHI	6,103.52	0.04%	1.62%	12.00%	13.72%	0.0048%	0.0042%
REO HAT INC	RHT	9,572.87	0.06%	0.00%	12.00%	12.00%	0.0066%	0.0066%
TRANSOCEAN LTD	RIG	15,424.14	0.09%	5.26%	13.00%	18.60%	0.0166%	0.0116%
RALPH LAUREN CORP	RL	13,610.24	0.08%	1.19%	9.00%	10.24%	0.0081%	0.0071%
ROCKWELL AUTOMATION INC	ROK	16,596.79	0.10%	1.94%	8.50%	10.52%	0.0101%	0.0082%
ROPER INDUSTRIES INC	ROP	14,039.03	0.08%	0.57%	11.00%	11.60%	0.0094%	0.0089%
ROSS STORES INC	ROST	14,533.90	0.08%	1.22%	9.00%	10.27%	0.0086%	0.0076%
RANGE RESOURCES CORP	RRC	14,268.28	0.08%	0.18%	32.50%	32.71%	0.0270%	0.0268%
REPUBLIC SERVICES INC	RSG	12,451.99	0.07%	3.16%	9.00%	12.30%	0.0089%	0.0065%
RAYTHEON COMPANY	RTN	30,085.10	0.17%	2.52%	9.50%	12.14%	0.0211%	0.0165%
STARBUCKS CORP	SBUX	53,842.73	0.31%	1.63%	18.50%	20.28%	0.0632%	0.0576%
SCANA CORP	SCG	7,243.17	0.04%	4.13%	5.00%	9.23%	0.0039%	0.0021%
SCHWAB (CHARLES) CORP	SCHW	33,302.88	0.19%	0.94%	10.50%	11.49%	0.0221%	0.0202%
SPECTRA ENERGY CORP	SE	27,168.50	0.16%	3.35%	3.00%	6.40%	0.0101%	0.0047%
SEALED AIR CORP	SEE	7,016.78	0.04%	1.60%	19.50%	21.26%	0.0086%	0.0079%
SHERWIN-WILLIAMS CO/THE	SHW	19,810.09	0.11%	1.15%	15.50%	16.74%	0.0192%	0.0178%
SIGMA-ALDRICH	SIAL	11,535.90	0.07%	0.95%	7.50%	8.49%	0.0057%	0.0050%
JM SMUCKER CO/THE	SJM	10,323.72	0.06%	2.41%	7.50%	10.00%	0.0060%	0.0045%
SCHLUMBERGER LTD	SLB	132,302.70	0.77%	1.58%	13.50%	15.19%	0.1182%	0.1033%
SNAP-ON INC	SNA	6,688.41	0.04%	1.53%	9.00%	10.60%	0.0041%	0.0035%
SANDISK CORP	SNDK	21,017.25	0.12%	1.29%	11.50%	12.86%	0.0156%	0.0140%
SCRIPPS NETWORKS INTER-CL A	SNI	10,893.61	0.06%	1.06%	8.00%	9.10%	0.0057%	0.0050%
SOUTHERN CO/THE	SO	38,313.25	0.22%	4.91%	3.50%	8.50%	0.0188%	0.0078%
SIMON PROPERTY GROUP INC	SPG	-	0.00%	2.99%	0.00%	2.99%	0.0000%	0.0000%
STAPLES INC	SPLS	7,570.02	0.04%	4.10%	-1.50%	2.57%	0.0011%	-0.0007%
STERICYCLE INC	SRCL	9,587.97	0.06%	0.00%	12.00%	12.00%	0.0067%	0.0067%
SEMPRA ENERGY	SRE	24,159.79	0.14%	2.72%	6.00%	8.80%	0.0123%	0.0084%
SUNTRUST BANKS INC	STI	20,430.66	0.12%	2.10%	15.00%	17.26%	0.0204%	0.0177%
ST JUDE MEDICAL INC	STJ	18,379.17	0.11%	1.70%	8.50%	10.07%	0.0109%	0.0090%
STATE STREET CORP	STT	27,845.16	0.16%	1.86%	9.50%	11.45%	0.0184%	0.0153%
SEAGATE TECHNOLOGY	STX	16,952.54	0.10%	3.33%	6.50%	9.94%	0.0097%	0.0064%
CONSTELLATION BRANDS INC-A	STZ	15,742.75	0.09%	0.00%	16.50%	16.50%	0.0150%	0.0150%
STANLEY BLACK & DECKER INC	SWK	13,441.45	0.08%	2.32%	10.00%	12.44%	0.0097%	0.0078%
SOUTHWESTERN ENERGY CO	SWN	15,648.91	0.09%	0.00%	11.00%	11.00%	0.0100%	0.0100%
SAFEWAY INC	SWY	7,892.43	0.05%	2.68%	8.50%	11.29%	0.0052%	0.0039%
STRYKER CORP	SYK	30,551.10	0.18%	1.51%	13.50%	15.11%	0.0267%	0.0239%
SYMANTEC CORP	SYM	15,366.33	0.09%	2.70%	9.50%	12.33%	0.0110%	0.0084%
SYSCO CORP	SY	21,314.72	0.12%	3.18%	8.50%	11.82%	0.0146%	0.0105%
AT&T INC	T	183,784.70	1.06%	5.23%	7.00%	12.41%	0.1320%	0.0744%
MOLSON COORS BREWING CO-B	TAP	12,374.24	0.07%	2.29%	8.50%	10.89%	0.0078%	0.0061%
TERADATA CORP	TOC	6,468.85	0.04%	0.00%	7.00%	7.00%	0.0026%	0.0026%
TECO ENERGY INC	TE	3,735.58	0.02%	5.14%	4.50%	9.76%	0.0021%	0.0010%
INTEGRYS ENERGY GROUP INC	TEG	4,614.96	0.03%	4.68%	3.50%	8.26%	0.0022%	0.0009%
TE CONNECTIVITY LTD	TEL	23,454.00	0.14%	2.02%	8.50%	10.61%	0.0144%	0.0115%
TARGET CORP	TGT	35,372.18	0.20%	3.36%	5.50%	8.95%	0.0183%	0.0113%
TENET HEALTHCARE CORP	THC	4,581.43	0.03%	0.00%	28.00%	28.00%	0.0074%	0.0074%
TIFFANY & CO	TIF	12,388.52	0.07%	1.57%	12.50%	14.17%	0.0102%	0.0090%
TJX COMPANIES INC	TJX	39,450.15	0.23%	1.26%	12.50%	13.84%	0.0316%	0.0285%
TORCHMARK CORP	TMK	7,272.52	0.04%	0.94%	5.50%	6.47%	0.0027%	0.0023%
THERMO FISHER SCIENTIFIC INC	TMO	46,248.88	0.27%	0.52%	13.00%	13.55%	0.0363%	0.0348%
TRIPADVISOR INC	TRIP	12,982.67	0.08%	0.00%	23.50%	23.50%	0.0177%	0.0177%
T ROWE PRICE GROUP INC	TROW	21,247.90	0.12%	2.21%	12.00%	14.34%	0.0176%	0.0148%
TRAVELERS COS INC/THE	TRV	32,879.03	0.19%	2.37%	9.50%	11.98%	0.0228%	0.0181%
TRACTOR SUPPLY COMPANY	TSCO	8,819.36	0.05%	1.01%	16.00%	17.09%	0.0087%	0.0082%
TYSON FOODS INC-CL A	TSN	13,633.52	0.08%	0.77%	12.00%	12.82%	0.0101%	0.0095%
TESORO CORP	TSO	7,145.35	0.04%	1.84%	15.50%	17.48%	0.0072%	0.0064%
TOTAL SYSTEM SERVICES INC	TSS	5,747.89	0.03%	1.31%	9.50%	10.87%	0.0036%	0.0032%
TIME WARNER CABLE	TWC	39,151.66	0.23%	2.14%	10.00%	12.25%	0.0277%	0.0227%
TIME WARNER INC	TWX	61,993.42	0.36%	1.82%	11.00%	12.92%	0.0463%	0.0395%
TEXAS INSTRUMENTS INC	TXN	49,801.25	0.29%	2.60%	8.00%	10.70%	0.0308%	0.0231%
TEXTRON INC	TXT	10,620.06	0.06%	0.29%	17.00%	17.31%	0.0106%	0.0104%
TYCO INTERNATIONAL LTD	TYC	19,176.97	0.11%	1.68%	15.00%	16.81%	0.0192%	0.0171%
UNDER ARMOUR INC-CLASS A	UA	10,205.60	0.06%	0.00%	23.00%	23.00%	0.0136%	0.0136%
UNITEDHEALTH GROUP INC	UNH	77,399.91	0.45%	1.43%	10.00%	11.50%	0.0515%	0.0448%
UNUM GROUP	UNM	8,631.80	0.05%	1.74%	7.50%	9.31%	0.0046%	0.0037%
UNION PACIFIC CORP	UNP	88,472.06	0.51%	1.86%	11.00%	12.96%	0.0664%	0.0563%
UNITED PARCEL SERVICE-CL B	UPS	94,543.80	0.55%	2.64%	7.50%	10.24%	0.0560%	0.0410%
URBAN OUTFITTERS INC	URBN	4,790.92	0.03%	0.00%	14.50%	14.50%	0.0040%	0.0040%
US BANCORP	USB	75,334.77	0.44%	2.27%	5.50%	7.83%	0.0341%	0.0240%
UNITED TECHNOLOGIES CORP	UTX	105,460.70	0.61%	2.05%	9.50%	11.65%	0.0711%	0.0580%
VISA INC-CLASS A SHARES	V	161,424.30	0.93%	0.84%	16.50%	17.41%	0.1626%	0.1541%
VARIAN MEDICAL SYSTEMS INC	VAR	8,462.99	0.05%	0.00%	6.00%	6.00%	0.0029%	0.0029%
VF CORP	VFC	27,038.22	0.16%	1.68%	11.50%	13.28%	0.0208%	0.0180%
VIACOM INC-CLASS B	VIAB	37,212.46	0.22%	1.56%	13.00%	14.66%	0.0316%	0.0280%
VALERO ENERGY CORP	VLO	29,279.56	0.17%	1.83%	15.00%	16.97%	0.0287%	0.0254%
VULCAN MATERIALS CO	VMC	7,836.29	0.05%	0.33%	0.00%	0.33%	0.0001%	0.0000%
VORNADO REALTY TRUST	VNO	19,518.46	0.11%	2.82%	6.50%	9.41%	0.0106%	0.0073%
VERISIGN INC	VRSH	6,502.03	0.04%	0.00%	16.00%	16.00%	0.0060%	0.0060%
VERTEX PHARMACEUTICALS INC	VRTX	16,641.03	0.10%	0.00%	0.00%	0.00%	0.0000%	0.0000%
VENTAS INC	VTR	-	0.00%	4.39%	0.00%	4.39%	0.0000%	0.0000%
VERIZON COMMUNICATIONS INC	VZ	204,779.80	1.18%	4.29%	10.50%	15.02%	0.1779%	0.1244%
WALGREEN CO	WAG	66,640.94	0.39%	1.80%	10.50%	12.39%	0.0478%	0.0405%
WATERS CORP	WAT	8,508.32	0.05%	0.00%	7.50%	7.50%	0.0037%	0.0037%
WESTERN DIGITAL CORP	WDC	19,655.40	0.11%	1.91%	6.00%	7.97%	0.0091%	0.0068%
WISCONSIN ENERGY CORP	WEC	10,173.16	0.06%	3.53%	6.00%	9.64%	0.0057%	0.0035%
WELLS FARGO & CO	WFC	263,233.60	1.52%	2.80%	8.50%	11.42%	0.1739%	0.1295%
WHOLE FOODS MARKET INC	WFM	13,927.50	0.08%	1.44%	15.50%	17.05%	0.0137%	0.0125%
WHIRLPOOL CORP	WHR	11,233.53	0.06%	2.06%	10.50%	12.67%	0.0082%	0.0068%
WINDSTREAM HOLDINGS INC	WIN	5,665.38	0.03%	10.64%	4.00%	14.85%	0.0049%	0.0013%
WELLPOINT INC	WLP	30,319.15	0.18%	1.63%	6.50%	8.18%	0.0144%	0.0114%
WASTE MANAGEMENT INC	WM	20,231.25	0.12%	3.47%	7.50%	11.10%	0.0130%	0.0088%
WILLIAMS COS INC	WMB	31,968.95	0.18%	3.75%	8.00%	11.90%	0.0220%	0.0148%
WAL-MART STORES INC	WMT	243,735.90	1.41%	2.55%	7.50%	10.15%	0.1431%	0.1058%
WESTERN UNION CO	WU	8,691.63	0.05%	3.18%	6.00%	9.28%	0.0047%	0.0030%

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	[10] MC Weighted Growth
WEYERHAEUSER CO	WY	17,753.56	0.10%	2.90%	17.00%	20.15%	0.0207%	0.0175%
WYNDHAM WORLDWIDE CORP	WYN	9,072.88	0.05%	1.96%	10.00%	12.06%	0.0063%	0.0052%
WYNN RESORTS LTD	WYNN	21,006.26	0.12%	2.40%	9.00%	11.51%	0.0140%	0.0109%
UNITED STATES STEEL CORP	X	3,450.93	0.02%	0.84%	0.00%	0.84%	0.0002%	0.0000%
XCEL ENERGY INC	XEL	15,184.88	0.09%	4.03%	5.50%	9.64%	0.0085%	0.0048%
XL GROUP PLC	XL	9,692.23	0.06%	1.97%	16.00%	18.13%	0.0102%	0.0090%
XLINX INC	XLNX	12,203.04	0.07%	2.53%	8.50%	11.14%	0.0079%	0.0060%
EXXON MOBIL CORP	XOM	435,879.00	2.52%	2.72%	6.00%	8.80%	0.2220%	0.1513%
DENTSPLY INTERNATIONAL INC	XRAY	6,649.00	0.04%	0.58%	8.50%	9.10%	0.0035%	0.0033%
XEROX CORP	XRX	14,045.94	0.08%	2.12%	6.00%	8.18%	0.0067%	0.0049%
XYLEM INC	XYL	6,975.21	0.04%	1.34%	10.50%	11.91%	0.0048%	0.0042%
YAHOO! INC	YHOO	35,236.11	0.20%	0.00%	8.50%	8.50%	0.0173%	0.0173%
YUM! BRANDS INC	YUM	33,092.54	0.19%	2.10%	10.50%	12.71%	0.0243%	0.0201%
ZIONS BANCFORPORATION	ZION	5,256.57	0.03%	0.56%	12.00%	12.59%	0.0036%	0.0036%
ZIMMER HOLDINGS INC	ZMH	17,280.55	0.10%	0.88%	9.50%	10.42%	0.0104%	0.0095%
ZOETIS INC	ZTS	15,195.33	0.09%	0.96%	0.00%	0.96%	0.0008%	0.0000%
Total Market Capitalization:		17,283,941.97					12.70%	Average Growth
								<b>10.5%</b>

Notes:

[1] Equals sum of Col. [9]

[2] Source: Bloomberg Professional

[3] Equals [1] - [2]

[4] Source: Value Line

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

[6] Source: Value Line

[7] Source: Value Line

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

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

[10] Equals Col. [5] x Col. [7]

Capital Asset Pricing Model Results  
Bloomberg and Value Line Derived Market Risk Premium

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]
	Ex-Ante Market Risk Premium								CAPM Result					
	Risk-Free Rate	Average Beta Coefficient	Bloomberg Market DCF Derived	Value Line Market DCF Derived	4.6% Market Risk Premium	4.64% Market Risk Premium	6.2% Market Risk Premium	7.3% Market Risk Premium	Bloomberg Market DCF Derived	Value Line Market DCF Derived	4.6% Market Risk Premium	4.64% Market Risk Premium	6.2% Market Risk Premium	7.3% Market Risk Premium
<b>PROXY GROUP BLOOMBERG AVERAGE BETA COEFFICIENT</b>														
Current 30-Year Treasury (30-day average) [15]	3.42%	0.784	10.02%	9.28%	4.60%	4.64%	6.20%	7.30%	11.27%	10.69%	7.02%	7.05%	8.28%	9.14%
Near-Term Projected 30-Year Treasury [16]	4.07%	0.784	10.02%	9.28%	4.60%	4.64%	6.20%	7.30%	11.92%	11.34%	7.67%	7.70%	8.93%	9.79%
	Ex-Ante Market Risk Premium								CAPM Result					
	Risk-Free Rate	Average Beta Coefficient	Bloomberg Market DCF Derived	Value Line Market DCF Derived	4.6% Market Risk Premium	4.64% Market Risk Premium	6.2% Market Risk Premium	7.3% Market Risk Premium	Bloomberg Market DCF Derived	Value Line Market DCF Derived	4.6% Market Risk Premium	4.64% Market Risk Premium	6.2% Market Risk Premium	7.3% Market Risk Premium
<b>PROXY GROUP VALUE LINE AVERAGE BETA COEFFICIENT</b>														
Current 30-Year Treasury (30-day average) [15]	3.42%	0.773	10.02%	9.28%	4.60%	4.64%	6.20%	7.30%	11.17%	10.59%	6.98%	7.01%	8.21%	9.06%
Near-Term Projected 30-Year Treasury [16]	4.07%	0.773	10.02%	9.28%	4.60%	4.64%	6.20%	7.30%	11.82%	11.24%	7.62%	7.65%	8.86%	9.71%

Notes:

- [1] See Notes [7] and [8]
- [2] Source: Schedule RBH-4
- [3] Source: Schedule RBH-3
- [4] Source: Schedule RBH-3
- [5] Used by Mr. Schafer
- [6] Used by Mr. Murray
- [7] Used by Mr. Gorman, Mr. Murray, and Mr. Schafer
- [8] Used by Mr. Gorman
- [9] Equals Col. [1] + (Col. [2] x Col. [3])
- [10] Equals Col. [1] + (Col. [2] x Col. [4])
- [11] Equals Col. [1] + (Col. [2] x Col. [5])
- [12] Equals Col. [1] + (Col. [2] x Col. [6])
- [13] Equals Col. [1] + (Col. [2] x Col. [7])
- [14] Equals Col. [1] + (Col. [2] x Col. [8])
- [15] Source: Bloomberg Professional
- [16] Source: Blue Chip Financial Forecasts, Vol. 33, No. 5, May 1, 2014, at 2

Capital Asset Pricing Model Results  
Bloomberg and Value Line Derived Market Risk Premium

	[1]	[2]	[3]	[4]	[5]	[6]
			Ex-Ante Market Risk Premium		CAPM Result	
	Risk-Free Rate	Average Beta Coefficient	Bloomberg Market DCF Derived	Value Line Market DCF Derived	Bloomberg Market DCF Derived	Value Line Market DCF Derived
<b>PROXY GROUP BLOOMBERG AVERAGE BETA COEFFICIENT</b>						
Current 30-Year Treasury (30-day average) [7]	3.42%	0.784	10.02%	9.28%	11.27%	10.69%
Near-Term Projected 30-Year Treasury [8]	4.07%	0.784	10.02%	9.28%	11.92%	11.34%
<b>Long-Term Projected 30-Year Treasury [9]</b>	<b>5.25%</b>	<b>0.784</b>	<b>10.02%</b>	<b>9.28%</b>	<b>13.11%</b>	<b>12.52%</b>
Mean					11.60%	11.02%
			Ex-Ante Market Risk Premium		CAPM Result	
	Risk-Free Rate	Average Beta Coefficient	Bloomberg Market DCF Derived	Value Line Market DCF Derived	Bloomberg Market DCF Derived	Value Line Market DCF Derived
<b>PROXY GROUP VALUE LINE AVERAGE BETA COEFFICIENT</b>						
Current 30-Year Treasury (30-day average) [7]	3.42%	0.773	10.02%	9.28%	11.17%	10.59%
Near-Term Projected 30-Year Treasury [8]	4.07%	0.773	10.02%	9.28%	11.82%	11.24%
<b>Long-Term Projected 30-Year Treasury [9]</b>	<b>5.25%</b>	<b>0.773</b>	<b>10.02%</b>	<b>9.28%</b>	<b>13.00%</b>	<b>12.43%</b>
Mean					11.49%	10.92%

Notes:

[1] See Notes [7], [8], and [9]

[2] Source: Schedule RBH-4

[3] Source: Schedule RBH-3

[4] Source: Schedule RBH-3

[5] Equals Col. [1] + (Col. [2] x Col. [3])

[6] Equals Col. [1] + (Col. [2] x Col. [4])

[7] Source: Bloomberg Professional

[8] Source: Blue Chip Financial Forecasts, Vol. 33, No. 5, May 1, 2014, at 2

[9] Source: Hevert Direct Schedule RBH-6, page 1 of 19

Company	APF	EDE	GXP	HE	IDACORP, Inc.	NEE	NU	OTTR	PNN	PNN	PNN	SO	WR
American Electric Power Company, Inc.	\$3.71	\$3.64	\$3.37	\$3.22	\$3.07	\$2.93	\$2.79	\$2.67	\$2.55	\$2.44	\$2.33	\$2.23	\$2.13
Empire District Electric Company, Inc.	\$1.85	\$1.84	\$1.81	\$1.78	\$1.76	\$1.74	\$1.72	\$1.70	\$1.68	\$1.66	\$1.64	\$1.62	\$1.60
Great Plains Energy, Inc.	\$2.07	\$2.05	\$2.03	\$2.01	\$1.99	\$1.97	\$1.95	\$1.93	\$1.91	\$1.89	\$1.87	\$1.85	\$1.83
Hawaiian Electric Industries, Inc.	\$2.44	\$2.42	\$2.40	\$2.38	\$2.36	\$2.34	\$2.32	\$2.30	\$2.28	\$2.26	\$2.24	\$2.22	\$2.20
IOACORP, Inc.	\$1.72	\$1.71	\$1.70	\$1.69	\$1.68	\$1.67	\$1.66	\$1.65	\$1.64	\$1.63	\$1.62	\$1.61	\$1.60
Nextera Energy, Inc.	\$2.87	\$2.86	\$2.85	\$2.84	\$2.83	\$2.82	\$2.81	\$2.80	\$2.79	\$2.78	\$2.77	\$2.76	\$2.75
Northwest Utilities	\$2.64	\$2.63	\$2.62	\$2.61	\$2.60	\$2.59	\$2.58	\$2.57	\$2.56	\$2.55	\$2.54	\$2.53	\$2.52
Over Tail Corporation	\$2.34	\$2.33	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22
Permian West Capital Corporation	\$2.52	\$2.51	\$2.50	\$2.49	\$2.48	\$2.47	\$2.46	\$2.45	\$2.44	\$2.43	\$2.42	\$2.41	\$2.40
PNN Resources, Inc.	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22	\$2.21	\$2.20
Portland General Electric Company	\$2.18	\$2.17	\$2.16	\$2.15	\$2.14	\$2.13	\$2.12	\$2.11	\$2.10	\$2.09	\$2.08	\$2.07	\$2.06
Southern Company	\$2.01	\$2.00	\$1.99	\$1.98	\$1.97	\$1.96	\$1.95	\$1.94	\$1.93	\$1.92	\$1.91	\$1.90	\$1.89
Western Energy, Inc.	\$1.36	\$1.35	\$1.34	\$1.33	\$1.32	\$1.31	\$1.30	\$1.29	\$1.28	\$1.27	\$1.26	\$1.25	\$1.24

Company	APF	EDE	GXP	HE	IDACORP, Inc.	NEE	NU	OTTR	PNN	PNN	PNN	SO	WR
American Electric Power Company, Inc.	\$3.71	\$3.64	\$3.37	\$3.22	\$3.07	\$2.93	\$2.79	\$2.67	\$2.55	\$2.44	\$2.33	\$2.23	\$2.13
Empire District Electric Company, Inc.	\$1.85	\$1.84	\$1.81	\$1.78	\$1.76	\$1.74	\$1.72	\$1.70	\$1.68	\$1.66	\$1.64	\$1.62	\$1.60
Great Plains Energy, Inc.	\$2.07	\$2.05	\$2.03	\$2.01	\$1.99	\$1.97	\$1.95	\$1.93	\$1.91	\$1.89	\$1.87	\$1.85	\$1.83
Hawaiian Electric Industries, Inc.	\$2.44	\$2.42	\$2.40	\$2.38	\$2.36	\$2.34	\$2.32	\$2.30	\$2.28	\$2.26	\$2.24	\$2.22	\$2.20
IOACORP, Inc.	\$1.72	\$1.71	\$1.70	\$1.69	\$1.68	\$1.67	\$1.66	\$1.65	\$1.64	\$1.63	\$1.62	\$1.61	\$1.60
Nextera Energy, Inc.	\$2.87	\$2.86	\$2.85	\$2.84	\$2.83	\$2.82	\$2.81	\$2.80	\$2.79	\$2.78	\$2.77	\$2.76	\$2.75
Northwest Utilities	\$2.64	\$2.63	\$2.62	\$2.61	\$2.60	\$2.59	\$2.58	\$2.57	\$2.56	\$2.55	\$2.54	\$2.53	\$2.52
Over Tail Corporation	\$2.34	\$2.33	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22
Permian West Capital Corporation	\$2.52	\$2.51	\$2.50	\$2.49	\$2.48	\$2.47	\$2.46	\$2.45	\$2.44	\$2.43	\$2.42	\$2.41	\$2.40
PNN Resources, Inc.	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22	\$2.21	\$2.20
Portland General Electric Company	\$2.18	\$2.17	\$2.16	\$2.15	\$2.14	\$2.13	\$2.12	\$2.11	\$2.10	\$2.09	\$2.08	\$2.07	\$2.06
Southern Company	\$2.01	\$2.00	\$1.99	\$1.98	\$1.97	\$1.96	\$1.95	\$1.94	\$1.93	\$1.92	\$1.91	\$1.90	\$1.89
Western Energy, Inc.	\$1.36	\$1.35	\$1.34	\$1.33	\$1.32	\$1.31	\$1.30	\$1.29	\$1.28	\$1.27	\$1.26	\$1.25	\$1.24

Company	APF	EDE	GXP	HE	IDACORP, Inc.	NEE	NU	OTTR	PNN	PNN	PNN	SO	WR
American Electric Power Company, Inc.	\$3.71	\$3.64	\$3.37	\$3.22	\$3.07	\$2.93	\$2.79	\$2.67	\$2.55	\$2.44	\$2.33	\$2.23	\$2.13
Empire District Electric Company, Inc.	\$1.85	\$1.84	\$1.81	\$1.78	\$1.76	\$1.74	\$1.72	\$1.70	\$1.68	\$1.66	\$1.64	\$1.62	\$1.60
Great Plains Energy, Inc.	\$2.07	\$2.05	\$2.03	\$2.01	\$1.99	\$1.97	\$1.95	\$1.93	\$1.91	\$1.89	\$1.87	\$1.85	\$1.83
Hawaiian Electric Industries, Inc.	\$2.44	\$2.42	\$2.40	\$2.38	\$2.36	\$2.34	\$2.32	\$2.30	\$2.28	\$2.26	\$2.24	\$2.22	\$2.20
IOACORP, Inc.	\$1.72	\$1.71	\$1.70	\$1.69	\$1.68	\$1.67	\$1.66	\$1.65	\$1.64	\$1.63	\$1.62	\$1.61	\$1.60
Nextera Energy, Inc.	\$2.87	\$2.86	\$2.85	\$2.84	\$2.83	\$2.82	\$2.81	\$2.80	\$2.79	\$2.78	\$2.77	\$2.76	\$2.75
Northwest Utilities	\$2.64	\$2.63	\$2.62	\$2.61	\$2.60	\$2.59	\$2.58	\$2.57	\$2.56	\$2.55	\$2.54	\$2.53	\$2.52
Over Tail Corporation	\$2.34	\$2.33	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22
Permian West Capital Corporation	\$2.52	\$2.51	\$2.50	\$2.49	\$2.48	\$2.47	\$2.46	\$2.45	\$2.44	\$2.43	\$2.42	\$2.41	\$2.40
PNN Resources, Inc.	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22	\$2.21	\$2.20
Portland General Electric Company	\$2.18	\$2.17	\$2.16	\$2.15	\$2.14	\$2.13	\$2.12	\$2.11	\$2.10	\$2.09	\$2.08	\$2.07	\$2.06
Southern Company	\$2.01	\$2.00	\$1.99	\$1.98	\$1.97	\$1.96	\$1.95	\$1.94	\$1.93	\$1.92	\$1.91	\$1.90	\$1.89
Western Energy, Inc.	\$1.36	\$1.35	\$1.34	\$1.33	\$1.32	\$1.31	\$1.30	\$1.29	\$1.28	\$1.27	\$1.26	\$1.25	\$1.24

Company	APF	EDE	GXP	HE	IDACORP, Inc.	NEE	NU	OTTR	PNN	PNN	PNN	SO	WR
American Electric Power Company, Inc.	\$3.71	\$3.64	\$3.37	\$3.22	\$3.07	\$2.93	\$2.79	\$2.67	\$2.55	\$2.44	\$2.33	\$2.23	\$2.13
Empire District Electric Company, Inc.	\$1.85	\$1.84	\$1.81	\$1.78	\$1.76	\$1.74	\$1.72	\$1.70	\$1.68	\$1.66	\$1.64	\$1.62	\$1.60
Great Plains Energy, Inc.	\$2.07	\$2.05	\$2.03	\$2.01	\$1.99	\$1.97	\$1.95	\$1.93	\$1.91	\$1.89	\$1.87	\$1.85	\$1.83
Hawaiian Electric Industries, Inc.	\$2.44	\$2.42	\$2.40	\$2.38	\$2.36	\$2.34	\$2.32	\$2.30	\$2.28	\$2.26	\$2.24	\$2.22	\$2.20
IOACORP, Inc.	\$1.72	\$1.71	\$1.70	\$1.69	\$1.68	\$1.67	\$1.66	\$1.65	\$1.64	\$1.63	\$1.62	\$1.61	\$1.60
Nextera Energy, Inc.	\$2.87	\$2.86	\$2.85	\$2.84	\$2.83	\$2.82	\$2.81	\$2.80	\$2.79	\$2.78	\$2.77	\$2.76	\$2.75
Northwest Utilities	\$2.64	\$2.63	\$2.62	\$2.61	\$2.60	\$2.59	\$2.58	\$2.57	\$2.56	\$2.55	\$2.54	\$2.53	\$2.52
Over Tail Corporation	\$2.34	\$2.33	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22
Permian West Capital Corporation	\$2.52	\$2.51	\$2.50	\$2.49	\$2.48	\$2.47	\$2.46	\$2.45	\$2.44	\$2.43	\$2.42	\$2.41	\$2.40
PNN Resources, Inc.	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22	\$2.21	\$2.20
Portland General Electric Company	\$2.18	\$2.17	\$2.16	\$2.15	\$2.14	\$2.13	\$2.12	\$2.11	\$2.10	\$2.09	\$2.08	\$2.07	\$2.06
Southern Company	\$2.01	\$2.00	\$1.99	\$1.98	\$1.97	\$1.96	\$1.95	\$1.94	\$1.93	\$1.92	\$1.91	\$1.90	\$1.89
Western Energy, Inc.	\$1.36	\$1.35	\$1.34	\$1.33	\$1.32	\$1.31	\$1.30	\$1.29	\$1.28	\$1.27	\$1.26	\$1.25	\$1.24

Multi-Stage Growth Discounted Cash Flow Model  
 30-Day Average Stock Price  
 Average EPS Growth Rate Estimate by First Stage

EPS Growth Rate Estimate	Long-Term	Payoff Ratio	Rebate Solution	Terminal
(1)	(2)	(3)	(4)	(5)
(6)	(7)	(8)	(9)	(10)
(11)	(12)	(13)		

DCF Results	Mean	Max
8.81%	11.07%	7.45%
27.53	40.48	16.88
5.67	8.32	3.47

Projected Annual Data  
 Projected Cash Flows

Company	APF	EDE	GXP	HE	IDACORP, Inc.	NEE	NU	OTTR	PNN	PNN	PNN	SO	WR
American Electric Power Company, Inc.	\$3.71	\$3.64	\$3.37	\$3.22	\$3.07	\$2.93	\$2.79	\$2.67	\$2.55	\$2.44	\$2.33	\$2.23	\$2.13
Empire District Electric Company, Inc.	\$1.85	\$1.84	\$1.81	\$1.78	\$1.76	\$1.74	\$1.72	\$1.70	\$1.68	\$1.66	\$1.64	\$1.62	\$1.60
Great Plains Energy, Inc.	\$2.07	\$2.05	\$2.03	\$2.01	\$1.99	\$1.97	\$1.95	\$1.93	\$1.91	\$1.89	\$1.87	\$1.85	\$1.83
Hawaiian Electric Industries, Inc.	\$2.44	\$2.42	\$2.40	\$2.38	\$2.36	\$2.34	\$2.32	\$2.30	\$2.28	\$2.26	\$2.24	\$2.22	\$2.20
IOACORP, Inc.	\$1.72	\$1.71	\$1.70	\$1.69	\$1.68	\$1.67	\$1.66	\$1.65	\$1.64	\$1.63	\$1.62	\$1.61	\$1.60
Nextera Energy, Inc.	\$2.87	\$2.86	\$2.85	\$2.84	\$2.83	\$2.82	\$2.81	\$2.80	\$2.79	\$2.78	\$2.77	\$2.76	\$2.75
Northwest Utilities	\$2.64	\$2.63	\$2.62	\$2.61	\$2.60	\$2.59	\$2.58	\$2.57	\$2.56	\$2.55	\$2.54	\$2.53	\$2.52
Over Tail Corporation	\$2.34	\$2.33	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22
Permian West Capital Corporation	\$2.52	\$2.51	\$2.50	\$2.49	\$2.48	\$2.47	\$2.46	\$2.45	\$2.44	\$2.43	\$2.42	\$2.41	\$2.40
PNN Resources, Inc.	\$2.32	\$2.31	\$2.30	\$2.29	\$2.28	\$2.27	\$2.26	\$2.25	\$2.24	\$2.23	\$2.22	\$2.21	\$2.20
Portland General Electric Company	\$2.18	\$2.17	\$2.16	\$2.15	\$2.14	\$2.13	\$2.12	\$2.11	\$2.10	\$2.09	\$2.08	\$2.07	\$2.06
Southern Company	\$2.01	\$2.00	\$1.99	\$1.98	\$1.97	\$1.96	\$1.95	\$1.94	\$1.93	\$1.92	\$1.91	\$1.90	\$1.89
Western Energy, Inc.	\$1.36	\$1.35	\$1.34	\$1.33	\$1.32	\$1.31	\$1.30	\$1.29	\$1.28	\$1.27	\$1.26	\$1.25	\$1.24





Multi-Stage Growth Discounted Cash Flow Model  
180-Day Average Stock Price  
Average EPS Growth Rate Estimates in First Stage

Inputs	[1] Stock	[2] - [6] EPS Growth Rate Estimates					[7] - [9] Long-Term Payout-Rate			[10] Iterative Solution	[11] WRR	[12] P/E Ratio	[13] Terminal Terminal	
		Price	Zacks	First Call	Value Line	Average	Growth	2013	2017					2024
Company	Ticker	Price	Zacks	First Call	Value Line	Average	Growth	2013	2017	2024	Proof	WRR	P/E Ratio	PEG Ratio
American Electric Power Company, Inc.	AEP	\$ 53.03	4.40%	4.79%	4.50%	4.56%	4.86%	64.00%	63.00%	67.06%	(\$10)	8.80%	26.59	5.47
Empire District Electric Company	EDE	\$ 24.97	3.00%	3.00%	4.00%	3.33%	4.80%	68.00%	64.00%	67.06%	\$100	8.86%	26.18	5.39
Great Plains Energy Inc.	GXP	\$ 25.84	5.10%	5.25%	6.00%	5.45%	4.86%	68.00%	66.00%	67.06%	\$100	8.73%	27.11	5.58
Hawaiian Electric Industries, Inc.	HE	\$ 25.14	0.90%	3.20%	4.00%	4.40%	4.86%	64.00%	64.00%	67.06%	(\$100)	10.10%	20.03	4.12
IDACORP, Inc.	IDA	\$ 58.89	4.00%	4.00%	2.00%	3.33%	4.86%	49.49%	55.00%	67.06%	(\$100)	7.63%	37.81	7.76
NextEra Energy, Inc.	NEE	\$ 98.76	6.40%	6.23%	6.00%	6.21%	4.86%	64.00%	64.00%	67.06%	(\$100)	8.12%	32.17	6.62
Northeast Utilities	NU	\$ 45.82	6.90%	6.36%	8.00%	7.09%	4.86%	60.00%	68.00%	67.06%	(\$100)	8.91%	25.91	5.33
Otter Tail Corporation	OTTR	\$ 29.00	NA	6.00%	15.00%	10.50%	4.86%	87.00%	69.00%	67.06%	(\$100)	11.17%	16.61	3.42
Pinnacle West Capital Corporation	PNW	\$ 56.09	4.10%	4.28%	4.00%	4.13%	4.86%	68.00%	64.00%	67.06%	(\$100)	9.01%	25.30	5.20
PNM Resources, Inc.	PNM	\$ 27.22	8.50%	8.30%	12.00%	9.63%	4.86%	45.00%	49.00%	67.06%	\$100	8.57%	28.25	5.81
Portland General Electric Company	POR	\$ 33.31	6.80%	11.21%	5.00%	7.67%	4.86%	64.00%	80.00%	67.06%	(\$100)	9.18%	24.29	5.00
Southern Company	SO	\$ 44.38	3.70%	3.64%	3.50%	3.61%	4.86%	76.00%	72.00%	67.06%	(\$100)	9.43%	22.94	4.72
Westar Energy, Inc.	WR	\$ 35.97	3.70%	2.90%	6.00%	4.20%	4.86%	58.00%	60.00%	67.06%	(\$100)	8.82%	26.48	5.45

DCF Result

Mean	9.03%	26.33	5.42
Max	11.17%	37.81	7.76
Min	7.63%	16.61	3.42

Projected Annual Dividends Per Share	[14]	[15]	[16]	[17]	[18]	[19]	[20]	[21]	[22]	[23]	[24]	[25]	[26]	[27]	[28]	[29]	[30]	
																		Company
American Electric Power Company, Inc.	AEP	\$1.95	\$2.04	\$2.13	\$2.23	\$2.33	\$2.44	\$2.55	\$2.67	\$2.79	\$2.93	\$3.07	\$3.22	\$3.37	\$3.54	\$3.71	\$3.89	
Empire District Electric Company	EDE	\$1.01	\$1.04	\$1.08	\$1.11	\$1.15	\$1.19	\$1.23	\$1.28	\$1.33	\$1.39	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.84	
Great Plains Energy Inc.	GXP	\$0.88	\$0.93	\$0.98	\$1.03	\$1.09	\$1.15	\$1.21	\$1.27	\$1.34	\$1.41	\$1.48	\$1.55	\$1.62	\$1.70	\$1.78	\$1.87	
Hawaiian Electric Industries, Inc.	HE	\$1.24	\$1.29	\$1.35	\$1.41	\$1.47	\$1.54	\$1.61	\$1.68	\$1.76	\$1.84	\$1.93	\$2.02	\$2.12	\$2.22	\$2.33	\$2.44	
IDACORP, Inc.	IDA	\$1.57	\$1.62	\$1.68	\$1.73	\$1.79	\$1.85	\$1.92	\$1.99	\$2.07	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	\$2.87	
NextEra Energy, Inc.	NEE	\$2.64	\$2.80	\$2.98	\$3.16	\$3.36	\$3.57	\$3.78	\$4.00	\$4.22	\$4.44	\$4.67	\$4.90	\$5.14	\$5.39	\$5.65	\$5.92	
Northeast Utilities	NU	\$1.47	\$1.57	\$1.69	\$1.81	\$1.93	\$2.07	\$2.21	\$2.35	\$2.49	\$2.63	\$2.77	\$2.90	\$3.04	\$3.19	\$3.34	\$3.51	
Otter Tail Corporation	OTTR	\$1.19	\$1.31	\$1.45	\$1.61	\$1.77	\$1.96	\$2.15	\$2.33	\$2.51	\$2.68	\$2.84	\$2.97	\$3.12	\$3.27	\$3.43	\$3.60	
Pinnacle West Capital Corporation	PNW	\$2.23	\$2.32	\$2.42	\$2.52	\$2.62	\$2.73	\$2.85	\$2.97	\$3.10	\$3.25	\$3.40	\$3.57	\$3.74	\$3.92	\$4.11	\$4.31	
PNM Resources, Inc.	PNM	\$0.68	\$0.75	\$0.82	\$0.90	\$0.98	\$1.08	\$1.17	\$1.27	\$1.36	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.85	\$1.94	
Portland General Electric Company	POR	\$1.10	\$1.18	\$1.28	\$1.37	\$1.48	\$1.59	\$1.71	\$1.82	\$1.94	\$2.06	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	
Southern Company	SO	\$2.01	\$2.08	\$2.16	\$2.24	\$2.32	\$2.40	\$2.49	\$2.59	\$2.70	\$2.82	\$2.95	\$3.10	\$3.25	\$3.41	\$3.57	\$3.74	
Westar Energy, Inc.	WR	\$1.36	\$1.42	\$1.48	\$1.54	\$1.60	\$1.67	\$1.74	\$1.82	\$1.90	\$1.99	\$2.08	\$2.19	\$2.29	\$2.40	\$2.52	\$2.64	

Projected Annual Data Investor Cash Flows	[54] Instal	[55]	[56]	[57]	[58]	[59]	[60]	[61]	[62]	[63]	[64]	[65]	[66]	[67]	[68]	[69]	[70]	
																		Company
American Electric Power Company, Inc.	AEP	(\$53.03)	\$0.00	\$1.17	\$1.04	\$2.23	\$2.33	\$2.44	\$2.55	\$2.67	\$2.79	\$2.93	\$3.07	\$3.22	\$3.37	\$3.54	\$3.71	\$107.34
Empire District Electric Company	EDE	(\$24.97)	\$0.00	\$0.60	\$0.53	\$1.11	\$1.15	\$1.19	\$1.23	\$1.28	\$1.33	\$1.39	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$50.13
Great Plains Energy Inc.	GXP	(\$25.84)	\$0.00	\$0.53	\$0.47	\$1.03	\$1.09	\$1.15	\$1.21	\$1.27	\$1.34	\$1.41	\$1.48	\$1.55	\$1.62	\$1.70	\$1.78	\$52.58
Hawaiian Electric Industries, Inc.	HE	(\$25.14)	\$0.00	\$0.75	\$0.66	\$1.41	\$1.47	\$1.54	\$1.61	\$1.68	\$1.76	\$1.84	\$1.93	\$2.02	\$2.12	\$2.22	\$2.33	\$51.40
IDACORP, Inc.	IDA	(\$58.89)	\$0.00	\$0.94	\$0.82	\$1.73	\$1.79	\$1.85	\$1.92	\$1.99	\$2.07	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$2.73	\$111.23
NextEra Energy, Inc.	NEE	(\$98.76)	\$0.00	\$1.60	\$1.42	\$3.16	\$3.36	\$3.57	\$3.78	\$4.00	\$4.22	\$4.44	\$4.67	\$4.90	\$5.14	\$5.39	\$5.65	\$199.48
Northeast Utilities	NU	(\$45.82)	\$0.00	\$0.90	\$0.80	\$1.81	\$1.93	\$2.07	\$2.21	\$2.35	\$2.49	\$2.63	\$2.77	\$2.90	\$3.04	\$3.19	\$3.34	\$94.40
Otter Tail Corporation	OTTR	(\$29.00)	\$0.00	\$0.74	\$0.67	\$1.61	\$1.77	\$1.96	\$2.15	\$2.33	\$2.51	\$2.68	\$2.84	\$2.97	\$3.12	\$3.27	\$3.43	\$63.34
Pinnacle West Capital Corporation	PNW	(\$56.09)	\$0.00	\$1.34	\$1.18	\$2.52	\$2.62	\$2.73	\$2.85	\$2.97	\$3.10	\$3.25	\$3.40	\$3.57	\$3.74	\$3.92	\$4.11	\$113.37
PNM Resources, Inc.	PNM	(\$27.22)	\$0.00	\$0.42	\$0.38	\$0.90	\$0.98	\$1.08	\$1.17	\$1.27	\$1.36	\$1.45	\$1.53	\$1.60	\$1.68	\$1.76	\$1.85	\$56.64
Portland General Electric Company	POR	(\$33.31)	\$0.00	\$0.67	\$0.60	\$1.37	\$1.48	\$1.59	\$1.71	\$1.82	\$1.94	\$2.06	\$2.16	\$2.26	\$2.37	\$2.49	\$2.61	\$69.14
Southern Company	SO	(\$44.38)	\$0.00	\$1.21	\$1.06	\$2.24	\$2.32	\$2.40	\$2.49	\$2.59	\$2.70	\$2.82	\$2.95	\$3.10	\$3.25	\$3.41	\$3.57	\$89.65
Westar Energy, Inc.	WR	(\$35.97)	\$0.00	\$0.82	\$0.72	\$1.54	\$1.60	\$1.67	\$1.74	\$1.82	\$1.90	\$1.99	\$2.08	\$2.19	\$2.29	\$2.40	\$2.52	\$72.64

Capital Asset Pricing Model Results  
6.2% Market Risk Premium; Exclusion of Duke and Cleco

	[1]	[2]	[3]	[4]
	Risk-Free Rate	Average Beta Coefficient	MRP Estimate 3	CAPM Results
<b>PROXY GROUP BLOOMBERG AVERAGE BETA COEFFICIENT</b>				6.2% Market Risk Premium
Current 30-Year Treasury (30-day average)	3.42%	0.793	6.20%	8.34%
Near-Term Projected 30-Year Treasury	4.07%	0.793	6.20%	8.98%
<b>PROXY GROUP VALUE LINE AVERAGE BETA COEFFICIENT</b>				
Current 30-Year Treasury (30-day average)	3.42%	0.792	6.20%	8.33%
Near-Term Projected 30-Year Treasury	4.07%	0.792	6.20%	8.98%

Notes:

[1] See Notes [5] and [6]

[2] Mr. Hevert's original proxy-group BETA, minus Duke and Cleco

[3] Market Risk Premium Used by Mr. Gorman, Mr. Murray, and Mr. Schafer

[4] Equals Col. [1] + (Col. [2] x Col. [3])

[5] Source: Bloomberg Professional

[6] Source: Blue Chip Financial Forecasts, Vol. 33, No. 5, May 1, 2014, at 2