Exhibit No.:
Witness: Michael Gorman
Type of Exhibit: Surrebuttal Testimony
Issues: Revenue Requirement
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2010-0036

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company, d/b/a AmerenUE's Tariffs to Increase Its Annual Revenues for Electric Service	**Case No. ER-2010-0036** Tariff Nos. YE-2010-0054 and YE-2010-0055

Surrebuttal Testimony and Schedules of

Michael Gorman

On behalf of

Missouri Industrial Energy Consumers

March 5, 2010

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

Project 9187

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OF THE STATE OF MISSOURI

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STATE OF MISSOURI)
) **SS**
COUNTY OF ST. LOUIS)

Affidavit of Michael Gorman

Michael Gorman, being first duly sworn, on his oath states:

1. My name is Michael Gorman. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes are my surrebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2010-0036.

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things they purport to show.

Michael Gorman

Subscribed and sworn to before me this 4th day of March, 2010.

MARIA E. DECKER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: May 5, 2013
Commission # 09706793

Notary Public

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Surrebuttal Testimony of Michael Gorman

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Michael Gorman. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q ARE YOU THE SAME MICHAEL GORMAN WHO FILED DIRECT AND REBUTTAL TESTIMONY IN THIS PROCEEDING?

A Yes, I am.

Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A I will respond to the rebuttal testimony of AmerenUE (AmerenUE or Company) witness Dr. Roger A. Morin and his support for an updated 10.8% return on equity for AmerenUE. I will also respond to Ameren witness Julie Cannell's rebuttal testimony in support of Dr. Morin's 10.8% return on equity.

Response to Dr. Morin

Q DID DR. MORIN TAKE ISSUE WITH THE DEVELOPMENT OF A RETURN ON EQUITY RANGE USING THE RESULTS OF YOUR RETURN ON EQUITY ESTIMATES?

A Yes. Dr. Morin asserted that the return on equity estimates produced in my analysis support a return on equity in the range of 9.5% to 12.0%, and not the 9.5% to 10.5% range I recommended in my testimony.

Q DO YOU AGREE WITH DR. MORIN THAT THE APPROPRIATE RANGE FOR YOUR RETURN ON EQUITY ESTIMATES IS 9.5% TO 12.0%?

A No. Dr. Morin's assertion that my return on equity results fall in the range of 9.5% to 12.0% is erroneous and misrepresents my direct testimony and return findings. (Morin Rebuttal at 32-33). However, as explained below, consistently using proxy groups without undue influence on outlier estimates, would reduce the range asserted by Dr. Morin to 9.5% to 11.0%. Excluding the effects of outliers would not be consistent with Dr. Morin's own analysis.

Dr. Morin's high-end range is heavily impacted by a few outlier estimates in the DCF return models. My interpretation of the proxy group results, and those of Dr. Morin's, would leave Dr. Morin's assessment of the range for my group at 9.5% to 11.0%, with a midpoint estimate of 10.25%. This is only 25 basis points different at the midpoint estimate for my recommended range of 9.5% to 10.5%, or 10.0%. Hence, based on a review of Dr. Morin's rebuttal testimony, the issue of return on equity should fall between my recommended return of 10.0% and the midpoint of the range of returns estimated using my methodologies and Dr. Morin's assessment of those returns which would support a return on equity of 10.25%. Both of these

midpoint estimates are substantially lower than Dr. Morin's proposal to increase AmerenUE's return on equity in this proceeding to 10.8%.

Q PLEASE EXPLAIN WHY DR. MORIN'S HIGH-END RETURN ESTIMATE OF YOUR COST OF EQUITY ESTIMATES IS HEAVILY SKEWED BY OUTLIER RESULTS AND IS INCONSISTENT WITH BOTH YOUR TESTIMONY AND HIS RELYING ON PROXY GROUP ESTIMATES.

A Dr. Morin developed his recommended range using my studies based on the proxy group average results. This is inappropriate because the proxy group average results are skewed due to significant company outliers, as explained on page 23 of my direct testimony. For example, Empire District has a growth rate of 34%, which is significantly higher than the growth projections for the other utilities. Therefore, I concluded that the median results better represent the central tendency of the proxy group results. Modifying the development of the range from use of only the proxy group average results to the median results of the proxy group would reduce the proxy group estimated range made by Dr. Morin from 9.5% to 12.0%, to 9.5% to 11.0%.

Q WHY DO YOU BELIEVE THAT EXCLUSION OF OUTLIER ESTIMATES AND USE OF PROXY GROUP MEDIANS ARE CONSISTENT WITH DR. MORIN'S INTERPRETATION OF PROXY GROUP RETURN ESTIMATES?

A Dr. Morin also relied on the proxy group median estimates for his DCF studies. At page 49 of his direct testimony, Dr. Morin stated:

> In order to palliate the effect of outliers, the median estimate of 12.2% is preferable in this case.

Dr. Morin's attempt to increase the upper bound of my recommended DCF range from 10.5% to 12.0% is erroneous and contradicts his own testimony, and should be rejected.

Q PLEASE SUMMARIZE DR. MORIN'S SPECIFIC CRITICISMS OF YOUR RETURN ON EQUITY ESTIMATE IN THIS PROCEEDING.

A Dr. Morin outlines his specific arguments as follows:

1. I placed little weight to my constant growth DCF analysis;
2. His criticisms related to my non-constant growth DCF study;
3. I should have included 20 basis points to my DCF return estimate for AmerenUE to reflect the quarterly compounding;
4. My CAPM estimate is understated; and
5. I should have reflected an inverse relationship between interest rates and equity risk premiums in my risk premium study.

Constant Growth DCF Model

Q DID DR. MORIN CRITICIZE THE WEIGHTS YOU GAVE TO YOUR CONSTANT GROWTH DCF STUDIES IN THIS PROCEEDING?

A Yes. Dr. Morin noted that in past proceedings, I did not express concern with the reliability of the results of the DCF study. Specifically, he takes issue with my finding that the dividend yield component of the DCF model appears to reflect uncertain market outlooks and uncertain growth outlooks, whereas the growth component of the DCF model appears to reflect quite robust growth outlooks.

Because of this apparent contradiction in growth outlooks, I find the constant growth DCF analysis results to be suspicious at best, and rather high.

While Dr. Morin found this conclusion and assessment to be "self-serving," he has provided no legitimate basis to support the expectation that utility stock dividend yields can be abnormally high (reflecting uncertain growth outlooks), while the analysts continue to reflect quite robust growth outlooks.

There is a clear contradiction in the DCF input parameters. One would reasonably expect that when growth is abnormally high, dividend yields would contract to reflect the market's willingness to pay a higher price for a stock that has strong growth outlooks. Dr. Morin's assertions in this regard support the expectations that investors will bid down a security price, and increase the yield, while believing security analysts that growth will be at abnormally high levels. Dr. Morin's position is illogical and inflates the DCF return on equity estimate.

Q DID YOU GIVE WEIGHT TO THE CONSTANT GROWTH DCF STUDY IN YOUR RETURN ON EQUITY RECOMMENDATION IN THIS CASE?

A Yes. Despite my reservations about the inconsistency in the dividend yield, and the robust growth outlooks, I included the results of my constant growth DCF study in forming my recommended return for AmerenUE in this case.

Q IS YOUR TESTIMONY IN THIS CASE CONCERNING THE RELIABILITY OF THE CONSTANT GROWTH DCF RESULT CONSISTENT WITH YOUR PRIOR TESTIMONY?

A Yes. I consistently and routinely review my constant growth DCF model results to determine whether the parameters of this DCF study produced reasonable and reliable rate of return results.

However, due to differences in market data, utility fundamentals, and three- to five-year growth outlooks, my conclusions changed in this case, and more recent cases, relative to prior cases. While I agree that I do not frequently conclude that consensus analysts' growth rate forecasts are not reasonable estimates of long-term sustainable growth, I do routinely check the analysts' growth projections to determine if they are or are not reasonable long-term sustainable growth rate estimates.

Q DID DR. MORIN ARGUE AGAINST THE PROPOSITION THAT THE ANALYSTS' GROWTH RATES USED IN A CONSTANT GROWTH DCF ANALYSIS SHOULD BE SUSTAINABLE IN THE LONG TERM?

A No. Dr. Morin has not contested my testimony that the growth rates used in the constant growth model should reflect a reasonable estimate of long-term sustainable growth. A long-term sustainable growth rate is required by the constant growth DCF model. Hence, if there is reason to believe that the three- to five-year consensus analysts' growth rate projections are not reasonable estimates of long-term sustainable growth, then use of those growth rate estimates in a constant growth model will produce an unreliable return on equity estimate. Again, this conclusion has not been refuted.

Because the growth rate estimates are such a critical element in constructing a reliable and accurate constant growth DCF return estimate, I consistently test the reliability of the DCF parameters in determining whether or how much support to give to my constant growth DCF return estimates.

Q HAS DR. MORIN EVER REJECTED THE RESULTS OF A CONSTANT GROWTH DCF STUDY BECAUSE HE QUESTIONED THE RELIABILITY OF THE GROWTH RATES OR OTHER PARAMETERS OF THIS DCF MODEL?

A Yes. As an example, in 1995, Dr. Morin filed testimony on behalf of PSI Energy, in Cause No. 40003 before the Indiana Utility Regulatory Commission. In that testimony, Dr. Morin recommended a return on equity in the range of 12.0% to 12.5% and recommended the high end of his range be used to set rates. At arriving at his proposed range, Dr. Morin disregarded the results of his constant growth DCF analysis which produced return on equity estimates of 10.80% and 10.91%. Dr. Morin's general philosophy for exercising caution in adopting a DCF return estimate was described as follows:

> In summary, caution and judgment are required in interpreting the results of the DCF model for PSI because of: (1) declining earnings and dividends effect on financial inputs to the DCF model, (2) the questionable applicability of the DCF model to utility stocks in general in the current capital market environment, and (3) the conceptual and practical difficulties associated with the growth component of the DCF model.[1]

Dr. Morin stated concern with identifying a growth rate for the constant growth DCF model that could accurately capture investors' long-term growth expectations:

> My third concern deals with the realism of the constant growth rate assumption and with difficulty of finding an adequate proxy for that growth rate. The standard DCF model assumes that a single growth rate of dividends is applicable in perpetuity. Not only is the constant growth rate assumption somewhat unrealistic, but it is difficult to proxy. Analysts' growth forecasts are usually made for not more than two to five years in time, or if they are made for more than a few years, they are dominated by the near-term earnings and dividends picture. In short, the perpetual growth term of the DCF model does not square well with the shorter-term focus of institutional investors.[2]

[1] PSI Energy, Inc., Indiana Utility Regulatory Commission Cause No. 40003, Direct Testimony of Roger A. Morin, at 38-46.

[2] *Id.*, at 37-38, emphasis added.

Dr. Morin's testimony in this proceeding contradicts similar conclusions he reached before the Indiana Utility Regulatory Commission in a case in which he found that analysts' growth rates were not reasonable for use in a constant growth DCF analysis. Dr. Morin's criticisms of me in this proceeding are at odds with positions he has taken in other proceedings.

Q ARE THERE INCONSISTENCIES IN DR. MORIN'S ARGUMENTS ON THE DCF MODEL IN THIS CASE?

A Yes. Dr. Morin is inconsistent on his preference for the duration of the forecast that should be used as a reasonable estimate of long-term sustainable growth. First, Dr. Morin asserts that consensus analysts' three- to five-year analyst growth rate projections should be relied on as a long-term sustainable growth rate in a constant growth DCF study, because they: (1) are reflected in stock prices, (2) possess a high explanatory power of equity values, and (3) are used by investors. (Morin Rebuttal at 14).

However, in arguing about an appropriate long-term sustainable growth rate for use in a multi-stage growth DCF study, Dr. Morin asserts that a 10-year GDP growth rate estimate is not long enough, and prefers to rely on his GDP forecast of 6.0% based on 20-year security data maturity. (Morin Rebuttal at 18, 40-41). Dr. Morin is not consistent with his use of data.

Q HAS DR. MORIN, IN PREVIOUS TESTIMONIES FILED IN OTHER JURISDICTIONS, CONSISTENTLY RELIED ON A DCF RETURN ESTIMATE BASED ON CONSENSUS ANALYSTS' GROWTH RATE PROJECTIONS?

A No. In a piece of testimony filed in 2003, on behalf of the Michigan Consolidated Gas Company, before the Michigan Public Service Commission, in MPSC Case No. U-13898, Dr. Morin used several proxy groups to estimate his recommended return on equity of 10.2% to 12.1% with a midpoint of 11.2%.

However, in arriving at that range, he made two DCF return estimates of a vertically integrated electric proxy group. One DCF return estimate for this proxy group was based on Zacks consensus analysts' growth rates, and the other DCF return was based on *Value Line* growth rate projections. In arriving at his recommended rate of return in this Michigan proceeding, Dr. Morin rejected his DCF return based on consensus analysts' growth rate estimates for the vertically integrated electric proxy group, and relied on his DCF analysis based on *Value Line* growth rates for the same proxy group.

Dr. Morin's position before the Michigan Public Service Commission contradicts his criticisms of my use of *Value Line* forecasts, rather than consensus analysts' forecasts, in my DCF return analysis in this case. (Morin Rebuttal at 39-41).

Sustainable Growth DCF

Q DID DR. MORIN TAKE ISSUE WITH YOUR SUSTAINABLE GROWTH DCF STUDY?

A Yes. Dr. Morin takes issue with the use of *Value Line* forecasts, and comments on the circularity of the model. (Morin Rebuttal at 39).

Concerning the *Value Line* forecast, Dr. Morin comments that the single analyst backing *Value Line*'s forecast may not be representative of investor consensus expectations. He argues that consensus analyst growth rates are superior to those of a single analyst.

Concerning the circularity of the model, Dr. Morin argues that the projected earnings and rate of return parameters of the model drive the growth outlooks, which may or may not reasonably reflect the DCF return estimates captured by the sustainable growth model itself. He argues that circularity makes the results of this model highly questionable.

Q DO YOU AGREE WITH DR. MORIN THAT A CONSENSUS ANALYSTS' PROJECTION IS BETTER THAN A SINGLE ANALYST PROJECTION?

A Generally, yes. However, *Value Line* is widely followed and does provide meaningful information for producing a wide range of return on equity estimates. However, since it is not possible to determine whether any single analyst is more influential with investors than consensus analysts' projections, I would agree that a consensus analysts' forecast is superior to that of a single analyst projection.

Q ARE THERE ANY INCONSISTENCIES IN DR. MORIN'S ASSERTION THAT CONSENSUS ANALYST PROJECTIONS SHOULD BE USED RATHER THAN A SINGLE ANALYST PROJECTION?

A Yes. Dr. Morin contradicts this assertion in his proposed source of a long-term GDP growth rate projection. With respect to this long-term GDP growth rate, he proposes to rely on a single GDP growth rate forecast by Morningstar, instead of a consensus analyst GDP forecast as published by the *Blue Chip Economic Forecasts* (Morin

Rebuttal at 40-41). His proposal for a single GDP long-term growth rate as outlined by Morningstar is completely contrary to his recommendation to place minimal weight on the single analyst projections such as those published by *Value Line*.

Q DOES DR. MORIN RELY ON *VALUE LINE* DATA IN HIS DCF STUDIES?

A Yes. Dr. Morin's own DCF analyses are based on *Value Line* and Zacks three- to five-year growth projections. Zacks published growth rates are consensus analyst estimates. The *Value Line* growth rates are projections made by a single security analyst. Dr. Morin relied on both growth rate (consensus analysts, and *Value Line)* projections. Again, Dr. Morin's arguments contradict his own studies.

Q DO YOU AGREE WITH DR. MORIN THAT YOUR SUSTAINABLE GROWTH DCF MODEL IS SUBJECT TO A TECHNICAL ERROR?

A No. At pages 39-40 of his rebuttal testimony, Dr. Morin states that my sustainable DCF analysis is understated by 10-20 basis points because I failed to adjust *Value Line*'s end-of-year book equity to reflect an average book equity. This argument is erroneous. As shown on pages 1 and 3 of my Schedule MPG-11, in column 4, I did adjust the year-end earned return on equity to an average year return on equity using the following formula:

$$R_a = R_t * 2(1+G)/(2+G) \text{ or } = R_t * (2B_t/(B_t + B_{t-1}))$$

Where:

R_a = Average Return
R_t = Year-End Return
G = growth = $B_t/B_{t-1} - 1$
B_t = Book Value at Time t
B_{t-1} = Book Value at time t-1

Hence, my growth rate was based on an average return on equity. Therefore, Dr. Morin's argument is erroneous.

Q DO YOU AGREE WITH DR. MORIN THAT THE SUSTAINABLE GROWTH MODEL IS CIRCULAR AND PRODUCES UNRELIABLE RESULTS?

A No. All of the rate of return models used by Dr. Morin, myself, and all other rate of return witnesses in this proceeding have general economic factors underlying the growth estimates. The mathematical construction of those growth models is tied to expectations of investment returns, invested capital, earned return, cash flow strength and relative outlooks for alternative investment opportunities. If the sustainable growth DCF model which develops a sustainable long-term growth rate based on expected outlooks for investment returns is circular and not reliable, then security analyst projections for long-term sustainable growth would also be circular and unreliable. There is simply no guarantee that any estimate of future growth is not based on projected economic or financial parameters which render the estimate circular and/or unreliable. Dr. Morin's arguments in this regard are simply unfounded and do not support his recommendation to exclude the results of this model in estimating AmerenUE's return in this proceeding.

Multi-Stage Growth DCF Study

Q WHAT IS THE PRIMARY ISSUE DR. MORIN TAKES WITH YOUR MULTI-STAGE GROWTH DCF STUDY?

A Dr. Morin primarily argues that my long-term sustainable growth rate of 4.7% is too low. He asserts that a long-term growth rate of 6.0% is more reasonable. He contends that this alternative long-term growth rate is recommended by Morningstar in its Stocks, Bonds, Bills and Inflation 2009 Yearbook Valuation Edition. (Morin Rebuttal at 41).

Q PLEASE SUMMARIZE YOUR RESPONSE TO DR. MORIN CONCERNING THE APPROPRIATENESS OF A LONG-TERM SUSTAINABLE GROWTH RATE ESTIMATE.

A I disagree with Dr. Morin's assessment for several reasons. First, my long-term GDP growth forecast is a published forecast based on a consensus of economists' forecasts. Therefore, as Dr. Morin's testimony states, a consensus analysts' forecast is the growth rate that most likely reflects investors' expectations. (Morin Rebuttal at 41). In contrast, Dr. Morin's proposal to rely on a single growth rate projection made by Morningstar is not as likely to reflect consensus economists' and investor expectations.

Further, Dr. Morin's assertion that Morningstar is projecting a 6.0% long-term sustainable growth rate is erroneous. Rather, Morningstar prescribes a favored methodology, which at the time of the 2009 Valuation publication indicated a long-term sustainable growth rate of 3.9% (page 53). Therefore, my consensus GDP forecast of 4.7% represents a conservative estimate for a long-term sustainable growth.

Q HOW DID YOU DERIVE YOUR LONG-TERM SUSTAINABLE GROWTH RATE?

A My long-term growth rate is based on the consensus economists' projected GDP growth over the next 10-year period as published in the *Blue Chip Economic Indicators*, October 2009.

Q DR. MORIN STATES THAT YOUR DCF RESULTS ARE UNDERSTATED BY 20 BASIS POINTS FOR NOT APPLYING THE QUARTERLY COMPOUNDING. PLEASE RESPOND.

A A quarterly compounding adjustment to the DCF model was discussed in my direct testimony at pages 34-37. An increase in the DCF return estimate to reflect the quarterly compounding assumption will allow investors to receive their dividend reinvestment return twice – once through the authorized return on equity included in the development of rates, and a second time after dividends are actually paid to investors and those dividends are reinvested.

This double-recovery is best illustrated by a utility bond investment analogy. A utility bond pays a coupon twice a year. The cost of a bond investment to the utility is the nominal cost for making the two semiannual coupon payments. The expected return to the bond investor is the effective annual return on the bond, which includes the two coupon payments and the reinvestment return by reinvesting the first coupon payment for the remaining six months of the year. However, the reinvestment portion of the return on the bond coupon payment is not a cost to the utility. Therefore, the reinvestment cost should not be included in the utility's cost of service.

In his response to this argument, Dr. Morin argues that the return on equity is not a cost of service item. He is wrong. The purpose of this proceeding is to develop a revenue requirement for the utility that will allow it to recover its cost of providing service. Because a utility's cost does not include the reinvestment return on quarterly dividend payments, that dividend reinvestment return should not be included in revenue requirements and passed on to retail customers. If this is done, investors will be allowed to recover the dividend reinvestment return twice. This is unjustified and should not be allowed. This is precisely the reason why a quarterly compounding

DCF model is not widely relied on for developing authorized returns on equity for utility companies in regulatory proceedings.

CAPM Return Estimate

Q WHAT CRITICISMS DOES DR. MORIN MAKE OF YOUR TRADITIONAL CAPM RETURN ESTIMATE?

A Dr. Morin argues that the traditional CAPM return estimate understates the return on equity for companies that have betas less than 1.0, and he argues that my market risk premium of 5.6% is too low and inconsistent with the market risk premiums estimated by Morningstar.

Q PLEASE RESPOND TO DR. MORIN'S CRITICISMS OF YOUR MARKET RISK PREMIUM.

A First, Dr. Morin's arguments in this regard are irrelevant in this case because as shown on my Schedule MPG-19, I relied on both Morningstar's total market return risk premium of 5.7%, and an income return market risk premium of 6.5%. Dr. Morin's argument that I relied only on a 5.7% market risk premium, is incorrect.

Q PLEASE COMMENT ON DR. MORIN'S CRITICISMS OF YOUR USE OF BETAS IN YOUR CAPM STUDY.

A Dr. Morin argues that I should have relied on five years of historical betas in this case, rather than the current point estimate beta as he did. He argues that this was inconsistent with prior testimonies. Dr. Morin is again making inaccurate assessments. Relying on the current spot beta is completely consistent with my testimony in AmerenUE's last rate case. Dr. Morin failed to note that in his criticism of

my testimony in this case. However, in testimonies many years ago I did include a consideration of betas over a longer term. The reason I considered these betas is because betas of a few years ago rose to a level that was completely inconsistent with rational assessments of utility investment risk. Utility betas in the last five years increased because utility stock price performance was quite robust and outperformed market indexes. In those past cases, I found that the current observable utility beta was substantially out of line with utility betas over time. Therefore, I relied on a more normal utility beta to estimate a CAPM return estimate in those past cases. That was not necessary in this case.

Q. PLEASE EXPLAIN WHY IT WAS NOT NECESSARY TO REVIEW HISTORICAL BETAS IN ORDER TO USE A NORMAL UTILITY BETA IN ESTIMATING AMERENUE'S RETURN ON EQUITY IN THIS PROCEEDING?

A. Current betas are reasonably consistent with historical normal betas. This is shown on my exhibit Schedule MPG-SR-1. As shown on this schedule, during this 11-year period, utility betas have averaged approximately 0.7. Current utility betas are also around 0.7. However, during various periods, utility betas moved from lows of 0.5 to highs of 0.99. It was the period where utility betas were as high as 0.99 where I found it appropriate to review historical betas in order to produce a normalized beta for use in a CAPM analysis. Again, utility betas today are normal, and in line with historical average utility beta levels. Therefore, my CAPM produces a more reasonable return on equity estimate for AmerenUE.

Risk Premium Study

Q WHAT ARGUMENTS DOES DR. MORIN MAKE CONCERNING YOUR RISK PREMIUM STUDY?

A Dr. Morin recommends increasing my estimated equity risk premium to reflect an inverse relationship between equity risk premiums and interest rates. He asserts that had I made this adjustment, the equity risk premiums I relied on would have increased from 5.16% to 5.7% over Treasury bonds. That equity risk premium of 5.7%, rather than 5.16%, combined with a Treasury bond yield of 5.0%, would produce a return on equity estimate of 10.7%, instead of my estimated return on equity of 10.24%.

Q IS DR. MORIN'S PROPOSAL TO REFLECT A SIMPLISTIC INVERSE RELATIONSHIP BETWEEN EQUITY RISK PREMIUMS AND INTEREST RATES CONSISTENT WITH THE ACADEMIC LITERATURE ON THIS RELATIONSHIP?

A No, his position is not consistent with the academic research on this issue.

Q PLEASE DESCRIBE THE ACADEMIC RESEARCH ON THE RELATIONSHIP BETWEEN EQUITY RISK PREMIUMS AND INTEREST RATES.

A The academic literature on the inverse relationship between interest rates and equity risk premiums has observed that there has been a transient inverse relationship that was not tied to changes in nominal interest rates. It was caused by changes to perceived risk differentials between debt and equity investments. Further, the relationship between interest rates and equity risk premiums is not constant, but rather can change materially over time.

Most of the academic literature addressing this issue that I am familiar with is based on market data from the 1980s and very early 1990s. During the 1980s and very early 1990s, an inverse relationship did exist. However, that relationship did not exist prior to 1980, and it has not been shown to be the case since the early 1990s. For example, the abstract for a paper written by Eugene Brigham, Dilip K. Shome and Steve R. Vinson, entitled "The Risk Premium Approach to Measuring a Utility's Cost of Equity," published by the Public Utility Research Center, August 1984, states:

> (4) Before 1980, equity risk premiums for utilities increased as interest rates rose, but after that date an increase in interest rates was associated with lower risk premiums. As a result, in recent years a 100 basis point increase in long-term interest rates has led to an increase of about 37 basis points in the cost of equity. (5) Risk premiums are not stable; they change substantially over relatively short periods of time, and this volatility has implications for anyone who seeks to measure equity capital costs on the basis of a debt yield plus a risk premium, including advocates of the CAPM approach. (Emphasis added).

These authors found that there was a positive relationship between interest rates and equity risk premiums before 1980, and an inverse relationship from 1980-1984. This study does not establish a consistent relationship between interest rates and equity risk premiums over the entire period.

In a more recent study by Robert S. Harris and Felicia C. Marston published in the *Journal of Applied Finance* – 2001, "The Market Risk Premium: Expectational Estimates Using Analysts Forecasts," the authors expanded an earlier study of risk premiums to cover the period of 1982-1998. In this study, the authors did note an historical inverse relationship between equity risk premiums and interest rates. However, the authors went into detail to explain why that historical relationship was likely affected more by relative investment risk changes, and not simply changes to nominal interest rates. The authors state as follows:

> . . .The market risk premium changes over time and appears inversely related to government interest rates but is positively related to the bond yield spread, which proxies for the incremental risk of investing in equities as opposed to government bonds.

Importantly, the authors in that same study concluded as follows:

> . . . As a result, our evidence does not resolve the equity premium puzzle; rather, the results suggest investors still expect to receive large spreads to invest in equity versus debt instruments.
>
> There is strong evidence, however, that the market risk premium changes over time. Moreover, these changes appear linked to the level of interest rates as well as ex ante proxies for risk drawn from interest rate spreads in the bond market . . .

Clearly, the academic literature does not support a simplistic inverse relationship between interest rates and equity risk premiums. Rather, the authors of these studies recognize that equity risk premiums change over time from the perceived changes in investment risk. Dr. Morin's simplistic analysis takes no account of changes to perceived investment risk, and inappropriately increases equity risk premiums for no other reason than a reduction in nominal interest rates.

Q ARE REDUCTIONS IN NOMINAL INTEREST RATES AN ADEQUATE REASON FOR INCREASES TO EQUITY RISK PREMIUMS?

A No, they are not. Reductions to nominal interest rates over the last 10 years are simply not an adequate reason for increases to equity risk premiums. Indeed, decreases to interest rates over the last 10 years likely have been caused by reduced inflation expectations, which would decrease both bond interest rates and required common equity returns. Reduced inflation expectations alone should not change relative debt to equity investment risk, and thus would not cause equity risk premiums to increase. Consequently, Dr. Morin's proposal to reflect an inverse relationship between equity risk premiums and bond interest rates should be rejected.

Q DO YOU BELIEVE THAT THE EQUITY RISK PREMIUM HAS INCREASED BECAUSE OF THE RECENT MARKET TURBULENCE?

A As discussed in detail in my direct testimony, the security markets experienced significant turbulence, which led to increased utility spreads over Treasuries at the end of 2008 and the beginning of 2009. However, since then the market has significantly improved and the current spreads are lower than the ones experienced prior to the credit crisis, which suggests that the current market risk perception is at or below the risk outlook prior to the financial crisis.

Response to AmerenUE Witness Julie M. Cannell

Q WHAT ISSUES CONCERNING MS. CANNELL'S REBUTTAL TESTIMONY WILL YOU ADDRESS?

A I will respond to Ms. Cannell's conclusions and support for her testimony that the Commission should award the Company's requested 10.8% return on equity, as recommended as AmerenUE witness Dr. Roger Morin. Ms. Cannell asserts that a 10.8% return on equity is necessary in order to preserve the constructive Missouri regulatory outlook for investors, which will support AmerenUE's credit, and construction program. She also concludes that a return on equity in the range of 9.5% to 10.5% as I recommended would not support AmerenUE's ability to access external capital markets in order to support its capital expenditure programs.

I will also respond to the general assertions made by Ms. Cannell concerning: (1) investors' requirement for increased returns in utility investments, (2) investors' expectations for the current rate proceedings, and (3) investors' expectations for return on equity for AmerenUE.

Q PLEASE DESCRIBE MS. CANNELL'S ASSESSMENT OF THE INVESTORS' EXPECTATION CONCERNING THE RISK OF THE UTILITY INVESTMENTS.

A Ms. Cannell goes through various aspects of business risk associated with electric utility companies that have existed over approximately the last 15 years. She concludes at page 10 of her testimony that "These increased risks mean that investors no longer perceive electric utilities as a group as being the 'safe havens' they once were."

Q DO YOU BELIEVE MS. CANNELL IS CORRECT, THAT INVESTORS NO LONGER PERCEIVE ELECTRIC UTILITIES TO BE "SAFE HAVEN" INVESTMENTS?

A No. Ms. Cannell's assessment that investors no longer perceive electric utility investments as a safe haven investment is contradicted by nearly every "independent" market participant.

Q PLEASE PROVIDE EXAMPLES OF MARKET PARTICIPANTS CONCLUDING THAT THE ELECTRIC UTILITY INDUSTRY IS A SAFE HAVEN INVESTMENT.

A The Edison Electric Institute (EEI) in its 2009 third quarter financial update characterized an electric utility as exhibiting a traditional role as a defensive investment in terms of market stress. As described in my direct testimony at pages 11-12, EEI advises that the stability of utility earnings and dividends, and stock price performance exhibit relatively stable investment returns during periods of market stress.

Value Line also noted the market risk mitigation aspects of utility stock investments:

> **Conclusion**
>
> During challenging economic times, investors tend to migrate towards utility stocks due to their relative stability and attractive dividend yields. And, now seems like a better time than ever, as the broad market selloff early in the year has led to higher yields and increased total-return potential. All told, we believe this might be a good time for investors to increase their electric-utility exposure.[3]

Further, as noted on pages 7-9 of my direct testimony, credit analyst reports from Standard & Poor's, Moody's, and Fitch, the three major credit rating agencies, characterize the electric utility industry as having relatively stable credit quality, and state that the industry has navigated the difficult 2008-2009 financial market. All of this is clear evidence that electric utilities have maintained their safe haven perspective by investors, and Ms. Cannell's assessment that they lost this distinction is inaccurate.

Q DO YOU AGREE WITH MS. CANNELL THAT INVESTORS WOULD EXPECT THAT AMERENUE IN THIS CASE WOULD RECEIVE APPROXIMATELY THE SAME AUTHORIZED RETURN ON EQUITY IT RECEIVED IN ITS LAST RATE CASE?

A No. An informed investor would understand that utility rates are based on the utility's costs in a test year, including the utility cost of equity. The rate of return approved in the last case may or may not be reflective of its current market cost of equity. Indeed, in this case, I have already shown in my direct testimony that AmerenUE's cost of capital in this case is lower than its cost of capital in its last case. This alone would signal to an informed investor that the authorized return on equity in this case should

[3] *Value Line Investment Survey*: "Electric Utility (East) Industry," May 29, 2009, emphasis added.

be lower than that of its last case. As such, rational expectations for an informed investor in this case should be that AmerenUE's authorized return on equity will be lower than it was in its last rate case. Consistent application of these rate-setting principles will also support a constructive regulatory environment in Missouri.

Q CAN YOU OUTLINE THE AMERENUE-SPECIFIC RISKS WHICH MS. CANNELL ASSERTS SUPPORT THE COMPANY'S 10.8% RETURN ON EQUITY REQUEST?

A Ms. Cannell generally reviews AmerenUE's investment risk from several broad operating risk categories including the following:

1. Regulatory risk,
2. Construction risk,
3. Historical test year risk, and
4. Regulatory lag.

Based on all of these assessments, Ms. Cannell appears to conclude that her assessment of AmerenUE's risk supports AmerenUE's requested return on equity of 10.8%.

Q PLEASE OUTLINE MS. CANNELL'S CONCLUSIONS ASSOCIATED WITH AMERENUE'S REGULATORY RISK.

A Ms. Cannell quotes two sources that find that the regulatory risk ranking of the Missouri Commission would be average as noted from the Regulatory Research Associates (RRA), and below average as stated by Barclays Capital. (Cannell Direct at 24-25).

Q DO YOU HAVE ANY GENERAL RESPONSE TO MS. CANNELL'S ASSESSMENT OF THE REGULATORY RISK IN MISSOURI?

A Yes. My first general finding is that the Commission should place minimal to no weight on the opinions outlined by Barclays Capital. Barclays is very clear in its disclosure that it is not an independent source of investment advice, and its recommendations could relate to conflicts of interest that could affect its objectivity. Specifically, Barclays states as follows:

> Barclays Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report.[4]

That report included a section concerning Ameren Corporation, AmerenUE's parent company. As Barclays clearly notes, it may do, or seek to do, business with Ameren Corporation including AmerenUE. Therefore, its report should not be taken by the Commission as an objective assessment of the risk of AmerenUE, or the utility industry.

Q DO YOU HAVE THE SAME CONCERN ABOUT RRA'S ASSESSMENT OF THE REGULATORY RISK OF MISSOURI?

A No. RRA makes the following disclosure:

> Regulatory Research Associates provides independent research and consultation on electric utility securities and regulation, with a nearly 30-year reputation for unmatched expertise in both areas. Knowing the financial and strategic impact of state-level regulation is the key to success in the energy business. And, with the expert analysis and proprietary data provided by Regulatory Research Associates, you have access to the best available intelligence on regulatory issues affecting utilities. (Emphasis added).[5]

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[4]Barclay Capital Utility, Capital Management, July 16, 2009, attached to Ms. Cannell's rebuttal testimony, emphasis added.

[5]SNL.com.

As noted by Ms. Cannell at page 24 of her rebuttal testimony, RRA rates the Missouri regulatory environment as "relatively balanced from an investor perspective," and on its rate scale, it rates Missouri as an "Average – 2" ranking.

Q ARE THERE OTHER INDEPENDENT SOURCES THAT RATE REGULATORY RISK BETWEEN JURISDICTIONS?

A Yes. *The Value Line Investment Survey* provides a regulatory risk assessment for regulatory jurisdictions similar to that provided by RRA. Like RRA, *Value Line* is an independent advisory service to investors. In its December 25, 2009 report on Ameren Corporation, *Value Line* rated the regulatory climate in Missouri as Average and the Illinois regulatory environment as Below Average.[6]

Hence, from a regulatory perspective from independent rating agencies, Missouri's regulatory environment is rated as average or generally supportive of investors' interest.

Q MS. CANNELL ALSO OUTLINES CONSTRUCTION RISK FOR AMERENUE. DO YOU BELIEVE MISSOURI HAS IMPLEMENTED REGULATORY MECHANISMS THAT HELP SUPPORT A UTILITY'S FINANCIAL INTEGRITY, AND ACCESS TO CAPITAL TO SUPPORT MAJOR CONSTRUCTION PROGRAMS?

A Yes. The Missouri Public Service Commission has implemented constructive regulatory plans which have mitigated construction risk for Kansas City Power and Light, and The Empire District Electric Company after those utilities demonstrated that an extraordinary regulatory mechanism was justified. As such, to the extent AmerenUE is able to demonstrate it has construction risk that cannot be managed

[6] *Value Line* ranks regulation on a scale of Above Average, Average, and Below Average (May 8, 2009 at 2232).

through traditional regulatory practices, there are opportunities for it to negotiate regulatory mechanisms to strengthen cash flows to support its credit metrics during construction periods, if needed.

Q HOW WERE THESE REGULATORY MECHANISMS PERCEIVED BY THE CREDIT RATING AGENCIES?

A Positively, S&P stated the following:

> State regulatory decisions will be key to credit quality as companies seek to recover substantial capital expenditures on a timely basis. In notable instances where state regulators have been required to confront certain challenges (e.g., in rulings affecting recovery of costs related to new power plants), regulatory decisions have been generally supportive of companies' credit quality. For instance, in Iowa, Missouri and Colorado, the commissions structured recovery mechanisms for MidAmerican Energy Co., Kansas City Power & Light Co., and Public Service Co. of Colorado, respectively, in such a way that the utilities' financial health would not be compromised during the construction of major generating facilities. Standard & Poor's does not assume that these actions will in any way be a harbinger of the supportive nature of decisions that many other commissions will be making, but they at least provide a reference point. Of more immediate consequence are the political battles that loom over the power cost increases that will follow the expiration of the restructuring transition periods in Ohio (2008) and Pennsylvania (2010).[7]

Q MS. CANNELL ALSO ASSERTS THAT AMERENUE'S OPERATING RISK IS GREATER BECAUSE IT IS REQUIRED TO USE AN HISTORICAL TEST YEAR IN SETTING RATES. PLEASE COMMENT.

A While I would agree that providing options for historic versus future test year provides the utility more flexibility to design rates that will recover its cost of service once those rates are in effect, Ms. Cannell's blanket assertion that use of only an historical test year increases AmerenUE's rates is too simplistic to support her risk claim.

[7]Standard & Poor's RatingsDirect: "U.S. Electric Utility Sector Rating Actions Slightly Negative In A Quiet First Quarter, April 25, 2008 at 3, emphasis added.

Ameren Corporation's Illinois utility affiliates have options of using future test years, historical test years, or current test years. Over at least the last 10 years, Ameren Illinois Utilities have chosen to use only historical test years in order to set utility rates. If using future test years better produces rate structures that allow the utility to fully recover its cost of service, as Ms. Cannell asserts without support, then it is reasonable to believe the Ameren Illinois Utilities would consistently choose future test years in their rate-setting proceedings in Illinois. They do not. Again, Ameren Illinois Utilities have consistently chosen to use historical test years to set rates since at least the year 2000.

Q **MS. CANNELL ALSO SUGGESTS THAT AMERENUE HAS REGULATORY LAG RISK THAT IS UNCHARACTERISTIC OF THE UTILITY INDUSTRY. PLEASE RESPOND.**

A Ms. Cannell's assertion that AmerenUE has excessive regulatory lag has already been addressed in this proceeding in AmerenUE's proposal for an interim rate increase. The Company failed to provide evidence that supported its contention that it has excessive regulatory lag, and this assertion has already been rejected by the Commission. Since Ms. Cannell has not provided any new information in support of this inaccurate assessment, I continue to recommend to the Commission to reject AmerenUE's assertion that it has excessive regulatory lag. Since regulatory lag is a part of operating risk for all regulated electric utilities, and AmerenUE's has not proven it has more/less regulatory risk than other electric utilities, AmerenUE should not receive an above industry average authorized return on equity in this proceeding.

1 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

2 A Yes, it does.

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AmerenUE

Betas
(Integrated Electric Utilities)

Line	Company	Current Beta[1] (1)	11-Year Average (2)	Historical[2] 2009 (3)	2008 (4)	2007 (5)	2006 (6)	2005 (7)	2004 (8)	2003 (9)	2002 (10)	2001 (11)	2000 (12)	1999 (13)
1	ALLETE	0.70	0.85	0.70	0.85	0.95	0.90	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Allegheny Energy	0.95	1.21	1.00	1.10	2.10	1.95	1.75	1.55	1.35	0.80	0.60	0.55	0.60
3	Alliant Energy	0.70	0.74	0.70	0.80	0.90	0.90	0.85	0.80	0.70	0.65	0.55	0.55	N/A
4	Amer. Elec. Power	0.70	0.86	0.70	0.85	1.15	1.25	1.20	1.15	0.95	0.75	0.55	0.50	0.40
5	Ameren Corp.	0.80	0.68	0.80	0.80	0.80	0.75	0.75	0.75	0.65	0.60	0.55	0.55	0.50
6	CMS Energy Corp.	0.80	1.00	0.80	0.95	1.55	1.55	1.40	1.30	1.10	0.75	0.50	0.55	0.50
7	Cleco Corp.	0.65	0.87	0.65	0.90	1.35	1.25	1.15	1.05	0.90	0.65	0.55	0.55	0.55
8	DPL Inc.	0.60	0.75	0.60	0.75	0.90	0.95	0.95	0.90	0.80	0.75	0.60	0.55	0.55
9	DTE Energy	0.75	0.67	0.75	0.75	0.80	0.75	0.70	0.65	0.60	0.60	0.55	0.60	0.60
10	Duke Energy	0.65	0.63	0.65	0.60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11	Edison Int'l	0.80	0.87	0.80	0.85	1.05	1.15	1.05	1.05	0.90	0.80	0.65	0.65	0.60
12	Empire Dist. Elec.	0.75	0.64	0.75	0.80	0.85	0.80	0.70	0.65	0.60	0.50	0.45	0.50	0.45
13	Entergy Corp.	0.70	0.69	0.70	0.80	0.85	0.85	0.75	0.75	0.65	0.60	0.50	0.60	0.50
14	Exelon Corp.	0.85	0.76	0.85	0.85	0.90	0.80	0.75	0.70	0.70	0.55	N/A	N/A	N/A
15	FPL Group	0.75	0.64	0.75	0.80	0.80	0.85	0.75	0.70	0.60	0.50	0.40	0.45	0.45
16	FirstEnergy Corp.	0.80	0.69	0.80	0.75	0.90	0.80	0.75	0.75	0.70	0.55	0.55	0.55	0.50
17	G't Plains Energy	0.75	0.73	0.75	0.75	0.85	0.90	0.85	0.80	0.70	0.65	0.55	0.60	0.60
18	Hawaiian Elec.	0.70	0.82	0.70	0.75	0.70	0.70	0.70	0.65	0.55	0.55	0.50	0.50	0.50
19	IDACORP Inc.	0.70	0.75	0.70	0.85	1.00	1.00	0.95	0.85	0.75	0.60	0.50	0.50	0.50
20	PG&E Corp.	0.55	0.80	0.55	0.85	0.95	1.15	1.10	1.05	0.90	0.80	0.55	0.45	0.40
21	Pepco Holdings	0.80	0.88	0.80	0.90	0.90	0.85	0.90	0.90	N/A	N/A	N/A	N/A	N/A
22	Portland General	0.70	0.70	0.70	0.70	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
23	Progress Energy	0.65	0.76	0.65	0.75	0.95	0.85	0.85	0.85	0.85	N/A	N/A	0.55	0.55
24	Public Serv. Enterprise	0.80	0.75	0.80	0.85	0.95	0.95	0.85	0.85	0.75	0.65	0.50	0.55	0.50
25	Southern Co.	0.55	0.61	0.55	0.65	0.75	0.65	0.65	0.65	0.65	N/A	N/A	0.45	0.45
26	TECO Energy	0.85	0.77	0.85	0.85	1.10	1.05	0.95	0.85	0.75	0.55	0.50	0.50	0.50
27	Westar Energy	0.75	0.65	0.75	0.85	0.90	0.90	0.85	0.75	0.60	0.50	0.35	0.30	0.35
28	Wisconsin Energy	0.65	0.64	0.65	0.75	0.80	0.80	0.70	0.70	0.60	0.55	0.50	0.50	0.45
29	Xcel Energy Inc.	0.65	0.75	0.85	0.75	1.05	0.90	0.80	0.80	0.70	0.60	N/A	N/A	0.50
30	**Average**	**0.73**	**0.76**	**0.73**	**0.81**	**0.99**	**0.97**	**0.91**	**0.86**	**0.76**	**0.63**	**0.52**	**0.52**	**0.50**

Sources:

[1] *The Value Line Investment Survey*, November 6, November 27, and December 25, 2009.

[2] *The Value Line Investment Analyzer*, downloaded on March 3, 2010.

AmerenUE

Betas
(S&P Electric Utilities)

Line	Company	Current Beta[1] (1)	11-Year Average (2)	Historical[2] 2009 (3)	2008 (4)	2007 (5)	2006 (6)	2005 (7)	2004 (8)	2003 (9)	2002 (10)	2001 (11)	2000 (12)	1999 (13)
1	Allegheny Energy	0.95	1.21	1.00	1.10	2.10	1.95	1.75	1.55	1.35	0.80	0.60	0.55	0.60
2	Amer. Elec. Power	0.70	0.86	0.70	0.85	1.15	1.25	1.20	1.15	0.95	0.75	0.55	0.50	0.40
3	Ameren Corp.	0.80	0.68	0.80	0.80	0.80	0.75	0.75	0.75	0.65	0.60	0.55	0.55	0.50
4	CMS Energy Corp.	0.80	1.00	0.80	0.95	1.55	1.55	1.40	1.30	1.10	0.75	0.50	0.55	0.50
5	CenterPoint Energy	0.80	0.73	0.80	0.90	0.70	0.65	0.60	N/A	N/A	N/A	N/A	N/A	N/A
6	Consol. Edison	0.65	0.61	0.65	0.75	0.70	0.70	0.60	0.65	0.55	0.55	0.50	0.55	0.50
7	Constellation Energy	0.80	0.76	0.80	0.85	0.95	1.00	0.95	0.85	0.75	0.70	0.50	0.50	0.50
8	DTE Energy	0.75	0.67	0.75	0.75	0.80	0.75	0.70	0.65	0.60	0.60	0.55	0.60	0.60
9	Dominion Resources	0.70	0.74	0.70	0.75	1.05	1.00	0.90	0.85	0.75	0.60	0.50	0.55	0.50
10	Duke Energy	0.65	0.63	0.65	0.60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11	Edison Int'l	0.80	0.87	0.80	0.85	1.05	1.15	1.05	1.05	0.90	0.80	0.65	0.65	0.60
12	Entergy Corp.	0.70	0.69	0.70	0.80	0.85	0.85	0.75	0.75	0.65	0.60	0.50	0.60	0.50
13	Exelon Corp.	0.85	0.76	0.85	0.85	0.90	0.80	0.75	0.70	0.70	0.55	N/A	N/A	N/A
14	FPL Group	0.75	0.64	0.75	0.80	0.80	0.85	0.75	0.70	0.60	0.50	0.40	0.45	0.45
15	FirstEnergy Corp.	0.80	0.69	0.80	0.75	0.90	0.80	0.75	0.75	0.70	0.55	0.55	0.55	0.50
16	Integrys Energy	0.95	0.71	0.95	0.80	0.85	0.80	0.75	0.75	0.70	0.60	0.55	0.55	0.50
17	PG&E Corp.	0.55	0.80	0.55	0.85	0.95	1.15	1.10	1.05	0.90	0.80	0.55	0.45	0.40
18	PPL Corp.	0.70	0.80	0.70	0.85	0.95	1.00	0.95	0.95	0.85	0.75	0.65	0.60	0.50
19	Pepco Holdings	0.80	0.88	0.80	0.90	0.90	0.85	0.90	0.90	N/A	N/A	N/A	N/A	N/A
20	**Average**	**0.76**	**0.77**	**0.77**	**0.83**	**1.00**	**0.99**	**0.92**	**0.90**	**0.79**	**0.66**	**0.54**	**0.55**	**0.50**

Sources:

[1] *The Value Line Investment Survey,* November 6, November 27, and December 25, 2009.

[2] *The Value Line Investment Analyzer,* downloaded on March 3, 2010.