2013

CAPITALIZATION RATE STUDY FOR CENTRALLY ASSESSED PROPERTIES

FOR: JANUARY 1, 2013

UTAH STATE TAX COMMISSION

PROPERTY TAX DIVISION
UTILITIES & TRANSPORTATION SECTION
210 NORTH 1950 WEST, THIRD FLOOR
SALT LAKE CITY, UTAH 84134

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REV. 3/5/2013

Industry	Page	Equity Yield Rate	Debt / Equity	Income Tax Rate
LEGACY AIR CARRIERS	3	12.34%	55% / 45%	38.50%
DISCOUNT/REGIONAL CARRIERS	6	10.02%	60% / 40%	40.52%
SOUTHWEST AIRLINES	9	10.10%	30% / 70%	40.86%
FREIGHT AIR CARRIERS	12	10.66%	10% / 90%	36.89%
ELECTRIC UTILITIES	15	8.94%	40% / 60%	33.44%
NATURAL GAS UTILITIES	18	7.95%	40% / 60%	35.00%
NATURAL GAS PIPELINES	21	11.28%	30% / 70%	26.51%
LIQUID PIPELINES	24	11.31%	30% / 70%	38.50%
RAILROAD & TERMINAL	27	12.38%	20% / 80%	34.49%
RAILROAD - SHORTLINE	30	13.61%	20% / 80%	31.00%
WIRELESS TELECOMS	33	10.04%	30% / 70%	35.41%
WIRELINE TELECOMS	36	10.30%	55% / 45%	38.50%
BROADBAND TELECOMS	39	11.12%	60% / 40%	38.50%

CORPORATE BONDS

Aaa	3.65%
Aa	3.70%
A	3.98%
Baa	4.63%
Ba1	7.38%
Ba2	7.60%
Ba3	7.60%
B1	8.99%
B2	8.99%
B3	10.62%
Caa1	10.62%
Caa2	13.26%
Caa3	14.92%
Ca	16.16%
C	23.40%

PUBLIC UTILITY BONDS

Aaa	N/A
Aa	3.75%
A	4.00%
Baa	4.56%

PREFERRED STOCKS

Aaa	N/A
Aa	N/A
A	N/A
Baa	N/A

MISCELLANEOUS RATES

Airline 'TEFRA' Relief Factor	0.00%
4-R Act Relief for Railroads	0.00%
4-R Act Relief (BNSF only)	0.00%
Rural Telephone Equity Rate Adj.	4.00%
Default Income Tax Rate	38.50%
ValueLine GDP Price Deflator Forecast	1.50%

INFLATION FACTORS

Year	4th Quarter GDP Implicit Price Deflator	Annual Percent Change	Conversion Factor
2002	92.894	N/A	**1.249**
2003	94.818	2.07%	**1.223**
2004	97.874	3.22%	**1.185**
2005	101.302	3.50%	**1.145**
2006	104.186	2.85%	**1.113**
2007	106.958	2.66%	**1.084**
2008	109.300	2.19%	**1.061**
2009	109.793	0.45%	**1.056**
2010	111.795	1.82%	**1.037**
2011	113.987	1.96%	**1.018**
2012	115.984	1.75%	**1.000**

2013 - 2003 Average Change: 2.25%

Source:

St. Louis Federal Reserve as of Feburary, 2013

Website:

http://research.stlouisfed.org/fred2/series/GDPDEF

MISCELLANEOUS INFORMATION

Deferred Income Taxes will be subtracted in the Cost Approach for rate-base regulated companies only.

This is to comply with Commission rule R884-24P-62 (Utility Appraisal Rule). If the company is not a ratebase
regulated company, no adjustment will be made.

The default depletion rate for the income indicator on leased aircraft will be based upon an approximate 18 year economic life with no salvage value.

Resources:
The Value Line Investment Survey. 12/28/2012 Download.
2013 Ibbotson Risk Premia Over Time Report.
Mergent Bond Record. January 2013 Vol. 80 No. 1
2013 Ibbotson Valuation Yearbook

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	12.79%
CAPM: Total NYSE	12.47%
CAPM: Supply Side	11.89%
CAPM: Deciles 1 & 2	11.66%
Division's Risk Premium	10.98%
DGM: Earnings & Dividend	0.00%
DGM: Plowback Ratio	0.00%
Reconciled Equity Rate	**12.34%**
Debt/Equity Structure	**55.00% / 45.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.53
Industry Risk Premium	10.25%
Add: Risk-Free Rate	2.54%
Indicated Rate	**12.79%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.53
Industry Risk Premium	9.93%
Add: Risk-Free Rate	2.54%
Indicated Rate	**12.47%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Delta Air Lines	NMF	1.22 (C++)	1.40
United Cont'l Hldgs.	NMF	1.22 (C++)	1.60
US Airways Group	21.11%	1.33 (C+)	1.60
Selected	**38.50%**	**1.26**	**1.53**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.53
Industry Risk Premium	9.35%
Add: Risk-Free Rate	2.54%
Indicated Rate	**11.89%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.53
Industry Risk Premium	9.12%
Add: Risk-Free Rate	2.54%
Indicated Rate	**11.66%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	1.26
Industry Risk Premium	8.44%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.98%**

COMMENTS ABOUT THE LEGACY AIR CARRIERS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Delta Air Lines	$11.50	-	29.50%	-	29.50%	-
United Cont'l Hldgs.	$23.04	-	-	-	-	-
US Airways Group	$12.79	-	40.00%	-	40.00%	-
Indicated Rate						**0.00%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Delta Air Lines	$11.50	-	25.00%	100.00%	25.00%	-
United Cont'l Hldgs.	$23.04	-	23.50%	100.00%	23.50%	-
US Airways Group	$12.79	-	27.50%	100.00%	27.50%	-
Indicated Rate						**0.00%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Delta Air Lines	11,111.0	760.0	3.42%	8,911.6	-	-	11.50	845.2	9,719.8
United Cont'l Hldgs.	10,420.0	785.0	3.77%	9,022.7	-	-	23.04	330.9	7,623.9
US Airways Group	4,152.0	290.0	3.49%	3,385.4	-	-	12.79	162.1	2,073.3
Total				**21,319.7**		**-**			**19,417.0**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Delta Air Lines	47.83%	52.17%
United Cont'l Hldgs.	54.20%	45.80%
US Airways Group	62.02%	37.98%
Mean	**54.68%**	**45.32%**
Weighted Mean	**52.34%**	**47.66%**

REMARKS

* Market Value of Debt: 8.99% (Corporate B2)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.91%
CAPM: Total NYSE	9.68%
CAPM: Supply Side	9.26%
CAPM: Deciles 1 & 2	9.10%
Division's Risk Premium	10.58%
DGM: Earnings & Dividend	12.05%
DGM: Plowback Ratio	8.75%
Reconciled Equity Rate	**10.02%**
Debt/Equity Structure	**60.00% / 40.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.10
Industry Risk Premium	7.37%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.91%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.10
Industry Risk Premium	7.14%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.68%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alaska Air Group	37.89%	1.11 (B)	1.10
Hawaiian Hldgs.	42.98%	1.22 (C++)	1.10
JetBlue Airways	40.69%	1.22 (C++)	1.25
Republic Airways Holdings Inc	NMF	1.33 (C+)	0.90
SkyWest	NMF	1.11 (B)	1.15
Mean	**40.52%**	**1.20**	**1.10**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.10
Industry Risk Premium	6.72%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.26%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.10
Industry Risk Premium	6.56%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.10%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	1.20
Industry Risk Premium	8.04%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.58%**

COMMENTS ABOUT THE DISCOUNT/REGIONAL CARRIERS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Alaska Air Group	$42.73	-	13.50%	-	13.50%	-
Hawaiian Hldgs.	$6.46	-	13.50%	-	13.50%	-
JetBlue Airways	$5.58	-	23.00%	-	23.00%	-
Republic Airways Holdings Inc	$5.71	-	49.00%	-	49.00%	-
SkyWest	$12.30	$0.16	17.50%	4.00%	10.75%	12.05%
Indicated Rate						**12.05%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Alaska Air Group	$42.73	-	15.50%	100.00%	15.50%	-
Hawaiian Hldgs.	$6.46	-	22.00%	100.00%	22.00%	-
JetBlue Airways	$5.58	-	10.50%	100.00%	10.50%	-
Republic Airways Holdings Inc	$5.71	-	-	-	-	-
SkyWest	$12.30	$0.16	7.50%	99.30%	7.45%	8.75%
Indicated Rate						**8.75%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Alaska Air Group	898.9	55.0	3.06%	661.2	-	-	42.73	70.9	3,029.6
Hawaiian Hldgs.	617.8	38.0	3.08%	456.3	-	-	6.46	50.7	327.5
JetBlue Airways	2,603.0	170.0	3.27%	2,013.6	-	-	5.58	281.8	1,572.4
Republic Airways Holdings Inc	1,919.4	-	-	1,919.4	-	-	5.71	48.4	276.4
SkyWest	1,526.5	191.0	6.26%	2,021.6	-	-	12.30	50.6	622.4
Total				**7,072.1**		**-**			**5,828.3**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alaska Air Group	17.91%	82.09%
Hawaiian Hldgs.	58.22%	41.78%
JetBlue Airways	56.15%	43.85%
Republic Airways Holdings Inc	87.41%	12.59%
SkyWest	76.46%	23.54%
Mean	**59.23%**	**40.77%**
Weighted Mean	**54.82%**	**45.18%**

REMARKS

* Market Value of Debt: 8.99% (Corporate B2)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.24%
CAPM: Total NYSE	9.03%
CAPM: Supply Side	8.65%
CAPM: Deciles 1 & 2	8.50%
Division's Risk Premium	9.24%
DGM: Earnings & Dividend	16.89%
DGM: Plowback Ratio	10.32%
Reconciled Equity Rate	**10.10%**
Debt/Equity Structure	**30.00% / 70.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.00
Industry Risk Premium	6.70%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.24%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.00
Industry Risk Premium	6.49%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.03%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Southwest Airlines	40.86%	1.00 (B+)	1.00
Mean	**40.86%**	**1.00**	**1.00**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.00
Industry Risk Premium	6.11%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.65%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.00
Industry Risk Premium	5.96%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.50%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	1.00
Industry Risk Premium	6.70%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.24%**

COMMENTS ABOUT THE SOUTHWEST AIRLINES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Southwest Airlines	$10.16	$0.04	20.00%	13.00%	16.50%	16.89%
Indicated Rate						**16.89%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Southwest Airlines	$10.16	$0.04	10.00%	99.26%	9.93%	10.32%
Indicated Rate						**10.32%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Southwest Airlines	2,961.0	140.0	2.36%	2,998.6	-	-	10.16	772.6	7,849.6
Total				**2,998.6**		**-**			**7,849.6**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Southwest Airlines	27.64%	72.36%
Mean	**27.64%**	**72.36%**
Weighted Mean	**27.64%**	**72.36%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.44%
CAPM: Total NYSE	9.22%
CAPM: Supply Side	8.83%
CAPM: Deciles 1 & 2	8.68%
Division's Risk Premium	8.91%
DGM: Earnings & Dividend	11.88%
DGM: Plowback Ratio	17.04%
Reconciled Equity Rate	**10.66%**
Debt/Equity Structure	**10.00% / 90.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.03
Industry Risk Premium	6.90%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.44%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.03
Industry Risk Premium	6.68%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.22%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Air Transport Services Grp.	39.28%	1.22 (C++)	1.85
Atlas Air Worldwide	38.65%	1.00 (B+)	1.65
FedEx Corp.	35.31%	0.78 (A)	1.00
United Parcel Serv.	34.31%	0.78 (A)	0.85
Selected	**36.89%**	**0.95**	**1.03**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.03
Industry Risk Premium	6.29%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.83%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.03
Industry Risk Premium	6.14%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.68%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	0.95
Industry Risk Premium	6.37%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.91%**

COMMENTS ABOUT THE FREIGHT AIR CARRIERS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Air Transport Services Grp.	$3.89	-	-3.40%	-	-3.40%	-
Atlas Air Worldwide	$43.44	-	10.50%	-	10.50%	-
FedEx Corp.	$90.39	$0.56	14.00%	7.00%	10.50%	11.12%
United Parcel Serv.	$72.83	$2.28	11.50%	7.50%	9.50%	12.63%
Indicated Rate						**11.88%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Air Transport Services Grp.	$3.89	-	14.10%	100.00%	14.10%	-
Atlas Air Worldwide	$43.44	-	10.50%	100.00%	10.50%	-
FedEx Corp.	$90.39	$0.56	13.50%	92.99%	12.55%	13.17%
United Parcel Serv.	$72.83	$2.28	33.00%	53.85%	17.77%	20.90%
Indicated Rate						**17.04%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Air Transport Services Grp.	338.6	-	-	338.6	-	-	3.89	64.0	249.0
Atlas Air Worldwide	910.5	42.0	2.31%	989.5	-	-	43.44	26.3	1,142.5
FedEx Corp.	2,242.0	39.0	0.87%	1,553.7	-	-	90.39	317.0	28,653.6
United Parcel Serv.	11,148.0	335.0	1.50%	9,658.8	-	-	72.83	963.0	70,135.3
Total				**12,540.6**		**-**			**100,180.4**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Air Transport Services Grp.	57.62%	42.38%
Atlas Air Worldwide	46.41%	53.59%
FedEx Corp.	5.14%	94.86%
United Parcel Serv.	12.10%	87.90%
Mean	**30.32%**	**69.68%**
Weighted Mean	**11.13%**	**88.87%**

REMARKS

* Market Value of Debt: 3.98% (Corporate A)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	7.50%
CAPM: Total NYSE	7.34%
CAPM: Supply Side	7.06%
CAPM: Deciles 1 & 2	6.95%
Division's Risk Premium	8.50%
DGM: Earnings & Dividend	10.37%
DGM: Plowback Ratio	8.25%
Reconciled Equity Rate	**8.94%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	0.74
Industry Risk Premium	4.96%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.50%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	0.74
Industry Risk Premium	4.80%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.34%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alliant Energy	NMF	0.78 (A)	0.70
Avista Corp.	35.36%	0.78 (A)	0.70
CMS Energy Corp.	36.84%	1.00 (B+)	0.75
G't Plains Energy	32.73%	1.00 (B+)	0.75
Integrys Energy	36.71%	0.89 (B++)	0.90
Northeast Utilities	29.92%	0.89 (B++)	0.70
NV Energy Inc.	34.72%	1.11 (B)	0.85
OGE Energy	30.65%	0.78 (A)	0.75
Pinnacle West Capital	34.05%	0.89 (B++)	0.70
Portland General	28.29%	0.89 (B++)	0.75
SCANA Corp.	30.27%	0.89 (B++)	0.65
TECO Energy	36.06%	0.89 (B++)	0.85
Westar Energy	35.21%	0.89 (B++)	0.70
Wisconsin Energy	33.93%	0.78 (A)	0.60
Mean	**33.44%**	**0.89**	**0.74**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	0.74
Industry Risk Premium	4.52%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.06%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	0.74
Industry Risk Premium	4.41%
Add: Risk-Free Rate	2.54%
Indicated Rate	**6.95%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	0.89
Industry Risk Premium	5.96%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.50%**

COMMENTS ABOUT THE ELECTRIC UTILITIES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Alliant Energy	$43.56	$1.86	6.50%	5.50%	6.00%	10.27%
Avista Corp.	$23.72	$1.19	3.50%	5.00%	4.25%	9.27%
CMS Energy Corp.	$24.05	$1.02	7.00%	10.50%	8.75%	12.99%
G't Plains Energy	$20.02	$0.88	5.50%	5.00%	5.25%	9.65%
Integrys Energy	$51.61	$2.72	6.00%	0.50%	3.25%	8.52%
Northeast Utilities	$38.44	$1.42	8.00%	9.00%	8.50%	12.19%
NV Energy Inc.	$17.98	$0.72	11.00%	14.00%	12.50%	16.50%
OGE Energy	$55.56	$1.67	6.00%	5.50%	5.75%	8.76%
Pinnacle West Capital	$50.52	$2.20	5.00%	2.50%	3.75%	8.10%
Portland General	$27.00	$1.10	5.50%	3.00%	4.25%	8.32%
SCANA Corp.	$45.10	$2.02	4.00%	2.00%	3.00%	7.48%
TECO Energy	$16.56	$0.88	5.50%	2.50%	4.00%	9.31%
Westar Energy	$28.16	$1.35	7.50%	3.00%	5.25%	10.04%
Wisconsin Energy	$36.48	$1.36	6.50%	13.50%	10.00%	13.73%
Indicated Rate						**10.37%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Alliant Energy	$43.56	$1.86	10.50%	38.90%	4.08%	8.35%
Avista Corp.	$23.72	$1.19	8.50%	35.00%	2.98%	7.99%
CMS Energy Corp.	$24.05	$1.02	12.50%	35.10%	4.39%	8.63%
G't Plains Energy	$20.02	$0.88	7.50%	37.10%	2.78%	7.18%
Integrys Energy	$51.61	$2.72	9.50%	30.00%	2.85%	8.12%
Northeast Utilities	$38.44	$1.42	9.00%	47.70%	4.29%	7.99%
NV Energy Inc.	$17.98	$0.72	9.00%	33.30%	3.00%	7.00%
OGE Energy	$55.56	$1.67	11.50%	52.90%	6.08%	9.09%
Pinnacle West Capital	$50.52	$2.20	9.00%	34.70%	3.12%	7.48%
Portland General	$27.00	$1.10	9.00%	44.40%	4.00%	8.07%
SCANA Corp.	$45.10	$2.02	9.50%	42.70%	4.06%	8.54%
TECO Energy	$16.56	$0.88	12.50%	38.70%	4.84%	10.15%
Westar Energy	$28.16	$1.35	9.00%	40.80%	3.67%	8.47%
Wisconsin Energy	$36.48	$1.36	13.50%	34.50%	4.66%	8.39%
Indicated Rate						**8.25%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Alliant Energy	2,828.1	155.0	2.74%	3,139.7	16.0	-	43.56	111.0	4,835.2
Avista Corp.	1,284.8	67.5	2.63%	1,388.6	-	-	23.72	58.4	1,385.2
CMS Energy Corp.	6,866.0	378.0	2.75%	7,644.4	2.0	-	24.05	254.1	6,111.1
G't Plains Energy	2,762.9	162.3	2.94%	3,208.1	1.6	-	20.02	136.1	2,724.7
Integrys Energy	1,708.1	95.6	2.80%	1,922.0	3.1	-	51.61	77.9	4,020.4
Northeast Utilities	7,096.6	340.6	2.40%	7,252.4	7.6	-	38.44	177.2	6,811.6
NV Energy Inc.	5,130.3	292.4	2.85%	5,840.9	-	-	17.98	236.0	4,243.3
OGE Energy	2,848.4	162.4	2.85%	3,243.7	-	-	55.56	98.1	5,450.4
Pinnacle West Capital	3,371.4	193.9	2.88%	3,861.0	-	-	50.52	109.2	5,516.8
Portland General	1,586.0	91.0	2.87%	1,813.5	-	-	27.00	75.4	2,035.8
SCANA Corp.	4,707.0	249.0	2.64%	5,109.4	-	-	45.10	130.0	5,863.0
TECO Energy	2,895.1	181.0	3.13%	3,503.3	-	-	16.56	215.8	3,573.6
Westar Energy	3,061.6	160.0	2.61%	3,297.9	-	-	28.16	125.7	3,539.7
Wisconsin Energy	4,240.6	241.7	2.85%	4,828.1	1.2	-	36.48	230.5	8,408.6
Total				**56,053.0**		**-**			**64,519.4**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alliant Energy	39.37%	60.63%
Avista Corp.	50.06%	49.94%
CMS Energy Corp.	55.57%	44.43%
G't Plains Energy	54.07%	45.93%
Integrys Energy	32.34%	67.66%
Northeast Utilities	51.57%	48.43%
NV Energy Inc.	57.92%	42.08%
OGE Energy	37.31%	62.69%
Pinnacle West Capital	41.17%	58.83%
Portland General	47.11%	52.89%
SCANA Corp.	46.57%	53.43%
TECO Energy	49.50%	50.50%
Westar Energy	48.23%	51.77%
Wisconsin Energy	36.48%	63.52%
Mean	**46.23%**	**53.77%**
Weighted Mean	**46.49%**	**53.51%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	7.16%
CAPM: Total NYSE	7.02%
CAPM: Supply Side	6.76%
CAPM: Deciles 1 & 2	6.65%
Division's Risk Premium	8.50%
DGM: Earnings & Dividend	8.48%
DGM: Plowback Ratio	9.08%
Reconciled Equity Rate	**7.95%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	0.69
Industry Risk Premium	4.62%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.16%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	0.69
Industry Risk Premium	4.48%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.02%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AGL Resources	40.19%	0.78 (A)	0.75
Atmos Energy	36.36%	0.89 (B++)	0.70
Laclede Group	31.38%	0.89 (B++)	0.55
NiSource Inc.	34.96%	1.00 (B+)	0.80
Northwest Nat. Gas	40.44%	0.78 (A)	0.55
Piedmont Natural Gas	24.59%	0.89 (B++)	0.65
Questar Corp.	35.89%	0.78 (A)	0.75
Southwest Gas	36.16%	1.11 (B)	0.75
Mean	**35.00%**	**0.89**	**0.69**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	0.69
Industry Risk Premium	4.22%
Add: Risk-Free Rate	2.54%
Indicated Rate	**6.76%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	0.69
Industry Risk Premium	4.11%
Add: Risk-Free Rate	2.54%
Indicated Rate	**6.65%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	0.89
Industry Risk Premium	5.96%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.50%**

COMMENTS ABOUT THE NATURAL GAS UTILITIES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
AGL Resources	$39.68	$1.84	6.00%	1.50%	3.75%	8.39%
Atmos Energy	$34.63	$1.41	4.00%	1.50%	2.75%	6.82%
Laclede Group	$37.70	$1.70	3.00%	2.50%	2.75%	7.26%
NiSource Inc.	$24.63	$0.96	10.50%	1.50%	6.00%	9.90%
Northwest Nat. Gas	$43.32	$1.82	3.00%	2.50%	2.75%	6.95%
Piedmont Natural Gas	$30.72	$1.20	2.50%	3.50%	3.00%	6.91%
Questar Corp.	$19.36	$0.69	-	6.50%	6.50%	10.06%
Southwest Gas	$41.73	$1.26	9.00%	8.00%	8.50%	11.52%
Indicated Rate						**8.48%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
AGL Resources	$39.68	$1.84	11.50%	48.42%	5.57%	10.21%
Atmos Energy	$34.63	$1.41	8.00%	45.19%	3.62%	7.69%
Laclede Group	$37.70	$1.70	10.00%	44.24%	4.42%	8.93%
NiSource Inc.	$24.63	$0.96	10.00%	44.44%	4.44%	8.34%
Northwest Nat. Gas	$43.32	$1.82	11.50%	37.78%	4.34%	8.55%
Piedmont Natural Gas	$30.72	$1.20	12.50%	27.03%	3.38%	7.29%
Questar Corp.	$19.36	$0.69	17.50%	51.76%	9.06%	12.62%
Southwest Gas	$41.73	$1.26	10.50%	57.33%	6.02%	9.04%
Indicated Rate						**9.08%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
AGL Resources	3,330.0	200.0	3.00%	3,923.5	-	-	39.68	117.1	4,646.5
Atmos Energy	1,956.3	110.0	2.81%	2,207.9	-	-	34.63	90.3	3,127.1
Laclede Group	339.4	25.0	3.68%	459.7	-	-	37.70	22.4	844.5
NiSource Inc.	6,819.7	300.0	2.20%	6,615.7	-	-	24.63	282.2	6,950.6
Northwest Nat. Gas	641.7	45.0	3.51%	839.7	-	-	43.32	26.8	1,161.0
Piedmont Natural Gas	975.0	46.1	2.36%	987.4	-	-	30.72	72.3	2,221.1
Questar Corp.	988.9	45.0	2.28%	978.7	-	-	19.36	177.9	3,444.1
Southwest Gas	1,256.0	70.0	2.79%	1,409.4	-	-	41.73	46.0	1,919.6
Total				**17,422.0**		**-**			**24,314.5**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AGL Resources	45.78%	54.22%
Atmos Energy	41.39%	58.61%
Laclede Group	35.25%	64.75%
NiSource Inc.	48.77%	51.23%
Northwest Nat. Gas	41.97%	58.03%
Piedmont Natural Gas	30.77%	69.23%
Questar Corp.	22.13%	77.87%
Southwest Gas	42.34%	57.66%
Mean	**38.55%**	**61.45%**
Weighted Mean	**41.74%**	**58.26%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.24%
CAPM: Total NYSE	8.06%
CAPM: Supply Side	7.73%
CAPM: Deciles 1 & 2	7.61%
Division's Risk Premium	9.17%
DGM: Earnings & Dividend	14.32%
DGM: Plowback Ratio	9.09%
Reconciled Equity Rate	**11.28%**
Debt/Equity Structure	**30.00% / 70.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	0.85
Industry Risk Premium	5.70%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.24%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	0.85
Industry Risk Premium	5.52%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.06%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Boardwalk Pipeline	NMF	1.00 (B+)	0.80
El Paso Pipeline	NMF	1.11 (B)	0.70
Enterprise Products	NMF	1.00 (B+)	0.85
Kinder Morgan Energy	NMF	1.00 (B+)	0.75
ONEOK Partners LP	NMF	0.78 (A)	0.80
Spectra Energy	27.92%	1.11 (B)	1.00
TransCanada Corp.	25.09%	0.89 (B++)	0.85
Williams Cos.	NMF	1.00 (B+)	
Williams Partners L.P.	NMF	1.00 (B+)	1.05
Mean	**26.51%**	**0.99**	**0.85**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	0.85
Industry Risk Premium	5.19%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.73%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	0.85
Industry Risk Premium	5.07%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.61%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	0.99
Industry Risk Premium	6.63%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.17%**

COMMENTS ABOUT THE NATURAL GAS PIPELINES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Boardwalk Pipeline	$24.70	$2.19	10.00%	3.00%	6.50%	15.37%
El Paso Pipeline	$36.20	$2.32	10.50%	10.50%	10.50%	16.91%
Enterprise Products	$49.25	$2.74	9.50%	7.00%	8.25%	13.81%
Kinder Morgan Energy	$78.23	$5.22	13.50%	7.00%	10.25%	16.92%
ONEOK Partners LP	$53.40	-	-	-	-	-
Spectra Energy	$26.97	$1.24	7.50%	7.00%	7.25%	11.85%
TransCanada Corp.	$46.67	$1.76	11.50%	4.00%	7.75%	11.52%
Williams Cos.	$31.79	$1.40	9.00%	-	9.00%	13.40%
Williams Partners L.P.	$47.25	$3.43	6.50%	8.50%	7.50%	14.76%
Indicated Rate						**14.32%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Boardwalk Pipeline	$24.70	$2.19	11.00%	-17.07%	-1.88%	-
El Paso Pipeline	$36.20	$2.32	21.00%	14.71%	3.09%	9.50%
Enterprise Products	$49.25	$2.74	19.00%	-1.47%	-0.28%	-
Kinder Morgan Energy	$78.23	$5.22	26.00%	-105.00%	-27.30%	-
ONEOK Partners LP	$53.40	-	17.00%	43.33%	7.37%	-
Spectra Energy	$26.97	$1.24	14.00%	36.67%	5.13%	9.73%
TransCanada Corp.	$46.67	$1.76	12.00%	46.67%	5.60%	9.37%
Williams Cos.	$31.79	$1.40	25.00%	-5.00%	-1.25%	-
Williams Partners L.P.	$47.25	$3.43	23.00%	2.22%	0.51%	7.77%
Indicated Rate						**9.09%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Boardwalk Pipeline	3,163.7	155.0	2.45%	3,274.1	-	-	24.70	198.6	4,905.4
El Paso Pipeline	4,244.0	236.7	2.79%	4,764.7	-	-	36.20	197.4	7,145.9
Enterprise Products	14,747.2	715.0	2.42%	15,164.3	-	-	49.25	881.6	43,418.8
Kinder Morgan Energy	15,217.0	535.0	1.76%	13,021.1	-	-	78.23	336.5	26,324.4
ONEOK Partners LP	6,517.5	265.0	2.03%	6,041.4	-	-	53.40	203.8	10,882.9
Spectra Energy	9,892.0	585.0	2.96%	11,536.9	-	-	26.97	651.0	17,557.5
TransCanada Corp.	18,257.0	300.0	0.82%	11,194.5	-	-	46.67	704.0	32,855.7
Williams Cos.	9,512.0	560.0	2.94%	11,060.9	-	-	31.79	591.0	18,787.9
Williams Partners L.P.	8,062.0	400.0	2.48%	8,408.2	-	-	47.25	290.5	13,726.1
Total				**84,466.1**		**-**			**175,604.6**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Boardwalk Pipeline	40.03%	59.97%
El Paso Pipeline	40.00%	60.00%
Enterprise Products	25.89%	74.11%
Kinder Morgan Energy	33.09%	66.91%
ONEOK Partners LP	35.70%	64.30%
Spectra Energy	39.65%	60.35%
TransCanada Corp.	25.41%	74.59%
Williams Cos.	37.06%	62.94%
Williams Partners L.P.	37.99%	62.01%
Mean	**34.98%**	**65.02%**
Weighted Mean	**32.48%**	**67.52%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.10%
CAPM: Total NYSE	7.93%
CAPM: Supply Side	7.61%
CAPM: Deciles 1 & 2	7.49%
Division's Risk Premium	8.97%
DGM: Earnings & Dividend	14.51%
DGM: Plowback Ratio	7.00%
Reconciled Equity Rate	**11.31%**
Debt/Equity Structure	**30.00% / 70.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	0.83
Industry Risk Premium	5.56%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.10%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	0.83
Industry Risk Premium	5.39%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.93%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Buckeye Partners L.P.	NMF	1.00 (B+)	0.80
Enbridge Energy Partners LLP	NMF	0.89 (B++)	0.90
Enterprise Products	NMF	1.00 (B+)	0.85
Kinder Morgan Energy	NMF	1.00 (B+)	0.75
Magellan Midstream	NMF	0.89 (B++)	0.85
Plains All Amer. Pipe.	NMF	1.00 (B+)	0.80
Mean	**38.50%**	**0.96**	**0.83**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	0.83
Industry Risk Premium	5.07%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.61%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	0.83
Industry Risk Premium	4.95%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.49%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	0.96
Industry Risk Premium	6.43%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.97%**

COMMENTS ABOUT THE LIQUID PIPELINES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Buckeye Partners L.P.	$45.00	$4.35	7.50%	3.50%	5.50%	15.17%
Enbridge Energy Partners LLP	$27.79	-	6.70%	-	6.70%	-
Enterprise Products	$49.25	$2.74	9.50%	7.00%	8.25%	13.81%
Kinder Morgan Energy	$78.23	$5.22	13.50%	7.00%	10.25%	16.92%
Magellan Midstream	$42.49	$2.03	7.00%	10.00%	8.50%	13.28%
Plains All Amer. Pipe.	$44.53	$2.28	9.50%	7.00%	8.25%	13.37%
Indicated Rate						**14.51%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Buckeye Partners L.P.	$45.00	$4.35	12.50%	-4.44%	-0.56%	-
Enbridge Energy Partners LLP	$27.79	-	0.00%	0.00%	-	-
Enterprise Products	$49.25	$2.74	19.00%	-1.47%	-0.28%	-
Kinder Morgan Energy	$78.23	$5.22	26.00%	-105.00%	-27.30%	-
Magellan Midstream	$42.49	$2.03	27.00%	-15.56%	-4.20%	-
Plains All Amer. Pipe.	$44.53	$2.28	15.00%	12.50%	1.88%	7.00%
Indicated Rate						**7.00%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Buckeye Partners L.P.	2,672.7	115.0	2.15%	2,559.4	-	-	45.00	86.0	3,870.0
Enbridge Energy Partners LLP	5,219.6	-	-	5,219.6	-	-	27.79	284.4	7,903.5
Enterprise Products	14,747.2	715.0	2.42%	15,164.3	-	-	49.25	881.6	43,418.8
Kinder Morgan Energy	15,217.0	535.0	1.76%	13,021.1	-	-	78.23	336.5	26,324.4
Magellan Midstream	2,151.8	100.0	2.32%	2,156.6	-	-	42.49	225.5	9,581.5
Plains All Amer. Pipe.	5,811.0	190.0	1.63%	4,787.2	-	-	44.53	310.8	13,839.9
Total				**42,908.2**		**-**			**104,938.1**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Buckeye Partners L.P.	39.81%	60.19%
Enbridge Energy Partners LLP	39.77%	60.23%
Enterprise Products	25.89%	74.11%
Kinder Morgan Energy	33.09%	66.91%
Magellan Midstream	18.37%	81.63%
Plains All Amer. Pipe.	25.70%	74.30%
Mean	**30.44%**	**69.56%**
Weighted Mean	**29.02%**	**70.98%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.18%
CAPM: Total NYSE	9.94%
CAPM: Supply Side	9.51%
CAPM: Deciles 1 & 2	9.33%
Division's Risk Premium	7.97%
DGM: Earnings & Dividend	16.33%
DGM: Plowback Ratio	14.99%
Reconciled Equity Rate	**12.38%**
Debt/Equity Structure	**20.00% / 80.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.14
Industry Risk Premium	7.64%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.18%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.14
Industry Risk Premium	7.40%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.94%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	27.07%	0.78 (A)	1.10
CSX Corp.	36.91%	0.89 (B++)	1.20
Norfolk Southern	36.50%	0.78 (A)	1.10
Union Pacific	37.46%	0.78 (A)	1.15
Mean	**34.49%**	**0.81**	**1.14**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.14
Industry Risk Premium	6.97%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.51%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.14
Industry Risk Premium	6.79%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.33%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	0.81
Industry Risk Premium	5.43%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.97%**

COMMENTS ABOUT THE RAILROAD & TERMINAL INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Can. National Railway	$90.24	$1.50	12.50%	12.00%	12.25%	13.91%
CSX Corp.	$19.43	$0.56	14.00%	16.00%	15.00%	17.88%
Norfolk Southern	$61.07	$2.00	11.50%	11.50%	11.50%	14.77%
Union Pacific	$123.54	$2.76	15.50%	17.50%	16.50%	18.73%
Indicated Rate						**16.33%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Can. National Railway	$90.24	$1.50	18.00%	72.80%	13.10%	14.77%
CSX Corp.	$19.43	$0.56	22.00%	69.70%	15.33%	18.22%
Norfolk Southern	$61.07	$2.00	14.00%	63.60%	8.90%	12.18%
Union Pacific	$123.54	$2.76	18.00%	69.70%	12.55%	14.78%
Indicated Rate						**14.99%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Can. National Railway	5,770.0	336.0	2.91%	6,661.7	-	-	90.24	442.1	39,895.1
CSX Corp.	8,257.0	552.0	3.34%	10,454.9	-	-	19.43	1,049.2	20,386.0
Norfolk Southern	8,428.0	460.0	2.73%	9,331.8	-	-	61.07	330.4	20,177.5
Union Pacific	8,773.0	530.0	3.02%	10,376.5	-	-	123.54	479.9	59,286.8
Total				**36,824.9**		**-**			**139,745.4**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	14.31%	85.69%
CSX Corp.	33.90%	66.10%
Norfolk Southern	31.62%	68.38%
Union Pacific	14.90%	85.10%
Mean	**23.68%**	**76.32%**
Weighted Mean	**20.86%**	**79.14%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.58%
CAPM: Total NYSE	10.33%
CAPM: Supply Side	9.87%
CAPM: Deciles 1 & 2	9.69%
Division's Risk Premium	8.50%
DGM: Earnings & Dividend	17.32%
DGM: Plowback Ratio	14.34%
Reconciled Equity Rate	**13.61%**
Debt/Equity Structure	**20.00% / 80.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.20
Industry Risk Premium	8.04%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.58%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.20
Industry Risk Premium	7.79%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.33%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	27.07%	0.78 (A)	1.10
Can. Pacific Railway	20.97%	1.00 (B+)	1.30
CSX Corp.	36.91%	0.89 (B++)	1.20
Genesee & Wyoming	25.47%	1.00 (B+)	1.25
Kansas City South'n	32.64%	1.00 (B+)	1.30
Norfolk Southern	36.50%	0.78 (A)	1.10
Union Pacific	37.46%	0.78 (A)	1.15
Mean	**31.00%**	**0.89**	**1.20**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.20
Industry Risk Premium	7.33%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.87%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.20
Industry Risk Premium	7.15%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.69%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	0.89
Industry Risk Premium	5.96%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.50%**

COMMENTS ABOUT THE RAILROAD - SHORTLINE INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Can. National Railway	$90.24	$1.50	12.50%	12.00%	12.25%	13.91%
Can. Pacific Railway	$100.78	$1.40	17.00%	10.50%	13.75%	15.14%
CSX Corp.	$19.43	$0.56	14.00%	16.00%	15.00%	17.88%
Genesee & Wyoming	$75.16	-	17.00%	-	17.00%	-
Kansas City South'n	$82.06	$0.78	22.50%	-	22.50%	23.45%
Norfolk Southern	$61.07	$2.00	11.50%	11.50%	11.50%	14.77%
Union Pacific	$123.54	$2.76	15.50%	17.50%	16.50%	18.73%
Indicated Rate						**17.32%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Can. National Railway	$90.24	$1.50	18.00%	72.84%	13.11%	14.77%
Can. Pacific Railway	$100.78	$1.40	16.50%	77.84%	12.84%	14.23%
CSX Corp.	$19.43	$0.56	22.00%	69.66%	15.33%	18.21%
Genesee & Wyoming	$75.16	-	14.00%	100.00%	14.00%	-
Kansas City South'n	$82.06	$0.78	13.50%	80.65%	10.89%	11.84%
Norfolk Southern	$61.07	$2.00	14.00%	63.64%	8.91%	12.18%
Union Pacific	$123.54	$2.76	18.00%	69.72%	12.55%	14.78%
Indicated Rate						**14.34%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Can. National Railway	5,770.0	336.0	2.91%	6,661.7	-	-	90.24	442.1	39,895.1
Can. Pacific Railway	4,602.0	276.0	3.00%	5,417.0	-	-	100.78	170.0	17,132.6
CSX Corp.	8,257.0	552.0	3.34%	10,454.9	-	-	19.43	1,049.2	20,386.0
Genesee & Wyoming	594.5	13.0	1.09%	406.4	-	-	75.16	42.5	3,194.3
Kansas City South'n	1,557.0	130.0	4.17%	2,307.0	0.2	-	82.06	109.9	9,018.4
Norfolk Southern	8,428.0	460.0	2.73%	9,331.8	-	-	61.07	330.4	20,177.5
Union Pacific	8,773.0	530.0	3.02%	10,376.5	-	-	123.54	479.9	59,286.8
Total				**44,955.3**		**-**			**169,090.7**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	14.31%	85.69%
Can. Pacific Railway	24.02%	75.98%
CSX Corp.	33.90%	66.10%
Genesee & Wyoming	11.29%	88.71%
Kansas City South'n	20.37%	79.63%
Norfolk Southern	31.62%	68.38%
Union Pacific	14.90%	85.10%
Mean	**21.49%**	**78.51%**
Weighted Mean	**21.00%**	**79.00%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.98%
CAPM: Total NYSE	9.74%
CAPM: Supply Side	9.32%
CAPM: Deciles 1 & 2	9.16%
Division's Risk Premium	9.58%
DGM: Earnings & Dividend	10.10%
DGM: Plowback Ratio	10.44%
Reconciled Equity Rate	**10.04%**
Debt/Equity Structure	**30.00% / 70.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.11
Industry Risk Premium	7.44%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.98%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.11
Industry Risk Premium	7.20%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.74%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AT&T Inc.	33.57%	0.56 (A++)	0.70
Clearwire Corp.	NMF	1.44 (C)	1.45
Leap Wireless	NMF	1.44 (C)	1.40
Metro PCS Communic.	36.19%	1.11 (B)	1.05
Sprint Nextel Corp.	NMF	1.22 (C++)	1.35
U.S. Cellular	36.47%	1.00 (B+)	1.10
Verizon Communic.	NMF	0.56 (A++)	0.70
Mean	**35.41%**	**1.05**	**1.11**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.11
Industry Risk Premium	6.78%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.32%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.11
Industry Risk Premium	6.62%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.16%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	1.05
Industry Risk Premium	7.04%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.58%**

COMMENTS ABOUT THE WIRELESS TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
AT&T Inc.	$33.32	$1.80	7.00%	3.00%	5.00%	10.40%
Clearwire Corp.	$2.88	-	-	-	-	-
Leap Wireless	$6.41	-	-	-	-	-
Metro PCS Communic.	$9.81	-	8.00%	-	8.00%	-
Sprint Nextel Corp.	$5.60	-	-	-	-	-
U.S. Cellular	$35.15	-	5.50%	-	5.50%	-
Verizon Communic.	$42.90	$2.06	8.50%	1.50%	5.00%	9.80%
Indicated Rate						**10.10%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
AT&T Inc.	$33.32	$1.80	14.00%	40.30%	5.64%	11.04%
Clearwire Corp.	$2.88	-	-	100.00%	-	-
Leap Wireless	$6.41	-	-	100.00%	-	-
Metro PCS Communic.	$9.81	-	8.50%	100.00%	8.50%	-
Sprint Nextel Corp.	$5.60	-	27.50%	100.00%	27.50%	-
U.S. Cellular	$35.15	-	6.50%	100.00%	6.50%	-
Verizon Communic.	$42.90	$2.06	12.00%	41.92%	5.03%	9.83%
Indicated Rate						**10.44%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
AT&T Inc.	60,314.0	3,000.0	2.49%	63,001.0	-	-	33.32	5,926.5	197,471.0
Clearwire Corp.	4,244.4	520.0	6.13%	8,434.1	-	-	2.88	452.2	1,302.3
Leap Wireless	3,204.4	290.0	4.53%	5,038.8	-	-	6.41	78.9	505.7
Metro PCS Communic.	4,731.2	275.0	2.91%	5,455.8	-	-	9.81	362.5	3,556.1
Sprint Nextel Corp.	20,994.0	1,250.0	2.98%	24,594.3	-	-	5.60	2,996.0	16,777.6
U.S. Cellular	880.5	61.6	3.50%	1,150.3	-	-	35.15	84.6	2,973.7
Verizon Communic.	46,467.0	1,750.0	1.88%	41,267.9	-	-	42.90	2,835.5	121,643.0
Total				**148,942.2**		**-**			**344,229.4**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AT&T Inc.	24.19%	75.81%
Clearwire Corp.	86.62%	13.38%
Leap Wireless	90.88%	9.12%
Metro PCS Communic.	60.54%	39.46%
Sprint Nextel Corp.	59.45%	40.55%
U.S. Cellular	27.89%	72.11%
Verizon Communic.	25.33%	74.67%
Mean	**53.56%**	**46.44%**
Weighted Mean	**30.20%**	**69.80%**

REMARKS

* Market Value of Debt: 4.63% (Corporate Baa)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.64%
CAPM: Total NYSE	8.45%
CAPM: Supply Side	8.10%
CAPM: Deciles 1 & 2	7.96%
Division's Risk Premium	9.98%
DGM: Earnings & Dividend	15.28%
DGM: Plowback Ratio	8.89%
Reconciled Equity Rate	**10.30%**
Debt/Equity Structure	**55.00% / 45.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	0.91
Industry Risk Premium	6.10%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.64%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	0.91
Industry Risk Premium	5.91%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.45%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
CenturyLink Inc.	39.39%	0.89 (B++)	0.75
Cincinnati Bell	NMF	1.33 (C+)	1.05
Frontier Communic.	39.51%	1.11 (B)	0.95
Windstream Corp.	36.88%	1.11 (B)	0.90
Selected	**38.50%**	**1.11**	**0.91**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	0.91
Industry Risk Premium	5.56%
Add: Risk-Free Rate	2.54%
Indicated Rate	**8.10%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	0.91
Industry Risk Premium	5.42%
Add: Risk-Free Rate	2.54%
Indicated Rate	**7.96%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	1.11
Industry Risk Premium	7.44%
Add: Risk-Free Rate	2.54%
Indicated Rate	**9.98%**

COMMENTS ABOUT THE WIRELINE TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
CenturyLink Inc.	$38.56	$2.90	1.50%	-	1.50%	9.02%
Cincinnati Bell	$5.25	-	22.00%	-	22.00%	-
Frontier Communic.	$4.19	$0.40	6.00%	-12.50%	-3.25%	-
Windstream Corp.	$8.30	$1.00	9.50%	-	9.50%	21.55%
Indicated Rate						**15.28%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
CenturyLink Inc.	$38.56	$2.90	8.00%	17.14%	1.37%	8.89%
Cincinnati Bell	$5.25	-	-	100.00%	-	-
Frontier Communic.	$4.19	$0.40	7.50%	0.00%	-	-
Windstream Corp.	$8.30	$1.00	-	16.67%	-	-
Indicated Rate						**8.89%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
CenturyLink Inc.	19,508.0	1,000.0	2.56%	14,586.4	-	-	38.56	618.5	23,849.4
Cincinnati Bell	2,561.9	225.0	4.39%	2,870.9	10.4	-	5.25	196.6	1,032.2
Frontier Communic.	8,257.6	700.0	4.24%	8,996.2	-	-	4.19	995.1	4,169.5
Windstream Corp.	7,848.3	560.0	3.57%	7,476.4	-	-	8.30	586.3	4,866.3
Total				**33,929.9**		**-**			**33,917.4**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
CenturyLink Inc.	37.95%	62.05%
Cincinnati Bell	73.55%	26.45%
Frontier Communic.	68.33%	31.67%
Windstream Corp.	60.57%	39.43%
Mean	**60.10%**	**39.90%**
Weighted Mean	**50.01%**	**49.99%**

REMARKS

* Market Value of Debt: 7.60% (Corporate Ba2)

** Market Value of Pref. Equity: N/A (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	11.12%
CAPM: Total NYSE	10.85%
CAPM: Supply Side	10.36%
CAPM: Deciles 1 & 2	10.17%
Division's Risk Premium	10.38%
DGM: Earnings & Dividend	0.00%
DGM: Plowback Ratio	0.00%
Reconciled Equity Rate	**11.12%**
Debt/Equity Structure	**60.00% / 40.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.70%
x Industry Beta	1.28
Industry Risk Premium	8.58%
Add: Risk-Free Rate	2.54%
Indicated Rate	**11.12%**

CAPM: FULL NYSE

Market Risk Premium	6.49%
x Industry Beta	1.28
Industry Risk Premium	8.31%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.85%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Level 3 Communic.	NMF	1.22 (C++)	1.25
tw telecom	41.73%	1.11 (B)	1.30
Selected	**38.50%**	**1.17**	**1.28**

CAPM: SUPPLY SIDE

Market Risk Premium	6.11%
x Industry Beta	1.28
Industry Risk Premium	7.82%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.36%**

CAPM: DECILES 1 & 2

Market Risk Premium	5.96%
x Industry Beta	1.28
Industry Risk Premium	7.63%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.17%**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.70%
x Industry Financial Strength	1.17
Industry Risk Premium	7.84%
Add: Risk-Free Rate	2.54%
Indicated Rate	**10.38%**

COMMENTS ABOUT THE BROADBAND TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Level 3 Communic.	$22.54	-	8.00%	-	8.00%	-
tw telecom	$25.32	-	27.50%	-	27.50%	-
Indicated Rate						**0.00%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Level 3 Communic.	$22.54	-	-	100.00%	-	-
tw telecom	$25.32	-	-	100.00%	-	-
Indicated Rate						**0.00%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Long-Term Debt	Long-Term Interest	Implied Coupon Rate	Market Value of Debt*	Pref'd Divs	MV of Pref Eqty**	Recent Stock Price	Shares Outstd	Market Value of Equity
Level 3 Communic.	8,496.0	-	-	8,496.0	-	-	22.54	207.9	4,686.1
tw telecom	903.2	80.0	4.43%	626.3	-	-	25.32	150.0	3,798.0
Total				**9,122.3**		**-**			**8,484.1**

CAPITAL STRUCTURE AT MARKET VALUE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Level 3 Communic.	64.45%	35.55%
tw telecom	14.16%	85.84%
Mean	**39.30%**	**60.70%**
Weighted Mean	**51.81%**	**48.19%**

REMARKS

* Market Value of Debt: 13.26% (Corporate Caa2)

** Market Value of Pref. Equity: N/A (Baa)