2015

CAPITALIZATION RATE STUDY FOR CENTRALLY ASSESSED PROPERTIES

FOR: JANUARY 1, 2015

UTAH STATE TAX COMMISSION

PROPERTY TAX DIVISION
UTILITIES & TRANSPORTATION SECTION
210 NORTH 1950 WEST, THIRD FLOOR
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REV. 4/13/2015

Industry	Page	Equity Yield Rate	Debt / Equity	Income Tax Rate
LEGACY AIR CARRIERS	3	10.40%	40% / 60%	38.50%
DISCOUNT AIR CARRIERS	6	10.35%	25% / 75%	38.34%
REGIONAL AIR CARRIERS	9	10.43%	80% / 20%	39.80%
SOUTHWEST AIRLINES	12	10.34%	20% / 80%	37.63%
FREIGHT AIR CARRIERS	15	9.87%	20% / 80%	35.37%
ELECTRIC UTILITIES	18	8.39%	40% / 60%	33.83%
NATURAL GAS UTILITIES	21	8.33%	40% / 60%	32.70%
NATURAL GAS PIPELINES	24	11.49%	35% / 65%	24.15%
LIQUID PIPELINES	27	11.28%	25% / 75%	21.58%
RAILROAD & TERMINAL	30	11.13%	15% / 85%	34.05%
RAILROAD - SHORTLINE	33	12.04%	15% / 85%	32.97%
WIRELESS TELECOMS	36	9.49%	40% / 60%	28.05%
WIRELINE TELECOMS	39	9.22%	55% / 45%	35.02%
BROADBAND TELECOMS	42	10.12%	40% / 60%	38.50%

CORPORATE BONDS

Aaa	3.79%
Aa	3.89%
A	4.05%
Baa	4.74%
Ba1	7.01%
Ba2	8.16%
Ba3	8.16%
B1	8.90%
B2	8.90%
B3	8.90%
Caa1	10.17%
Caa2	10.17%
Caa3	12.53%
Ca	13.32%
C	16.82%

PUBLIC UTILITY BONDS

Aaa	N/A
Aa	3.90%
A	3.95%
Baa	4.70%

PREFERRED STOCKS

Aaa	3.79%
Aa	3.89%
A	4.05%
Baa	4.74%

MISCELLANEOUS RATES

Airline 'TEFRA' Relief Factor	4.80%
4-R Act Relief for Railroads	7.76%
4-R Act Relief (BNSF only)	4.80%
Rural Telephone Equity Rate Adj.	4.00%
Default Income Tax Rate	38.50%
ValueLine GDP Price Deflator Forecast	2.00%

INFLATION FACTORS

Year	4th Quarter GDP Implicit Price Deflator	Annual Percent Change	Conversion Factor
2004	90.049	N/A	**1.206**
2005	93.100	3.39%	**1.166**
2006	95.580	2.66%	**1.136**
2007	97.956	2.49%	**1.108**
2008	99.815	1.90%	**1.088**
2009	100.169	0.35%	**1.084**
2010	101.949	1.78%	**1.065**
2011	103.917	1.93%	**1.045**
2012	105.824	1.84%	**1.026**
2013	107.301	1.40%	**1.012**
2014	108.578	1.19%	**1.000**

2015 - 2005 Average Change: 1.89%

Source:

U.S. Department of Commerce: Bureau of Economic Analysis
Gross Domestic Product: Implicit Price Deflator

Website:

http://alfred.stlouisfed.org/series?seid=GDPDEF

MISCELLANEOUS INFORMATION

Resources:

Market risk Premium and supply side risk premium are taken from:

Morningstar, Inc. . (2015). 2015 Ibbotson SBBI Market Report. Chicago, IL: Morningstar, Inc.

Stock prices are December 31, 2014 closing from Yahoo! Finance. (2015). Retrieved from http://finance.yahoo.com/

Bond yield information derived from Mergent bond record. (January 2015 Vol. 82, No. 1). New York: Mergent, Inc.

Company and industry data from (2015). Value line. New York: Value Line Inc. Retrieved from http://www.valueline.com/

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.52%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.59%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	10.24%
DGM: Earnings & Dividend	39.23%
DGM: Plowback Ratio	27.48%
Reconciled Equity Rate	**10.40%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	1.15
Industry Risk Premium	8.05%
Add: Risk-Free Rate	2.47%
Indicated Rate	**10.52%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.15
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
American Airlines	NMF	1.11 (B)	
Delta Air Lines	NMF	1.00 (B+)	1.15
United Cont'l Hldgs.	NMF	1.22 (C++)	1.15
Selected	**38.50%**	**1.11**	**1.15**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	1.15
Industry Risk Premium	7.12%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.59%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.15
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	1.11
Industry Risk Premium	7.77%
Add: Risk-Free Rate	2.47%
Indicated Rate	**10.24%**

COMMENTS ABOUT THE LEGACY AIR CARRIERS INDUSTRY

Beta simple average = 1.15
Beta weighted average = 1.15

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
American Airlines	$53.63	$0.40	-	-	-	-
Delta Air Lines	$49.19	$0.36	16.00%	61.00%	38.50%	39.23%
United Cont'l Hldgs.	$66.89	-	21.00%	-	21.00%	-
Indicated Rate						**39.23%**

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
American Airlines	$53.63	$0.40	42.00%	93.33%	39.20%	39.94%
Delta Air Lines	$49.19	$0.36	16.50%	86.54%	14.28%	15.01%
United Cont'l Hldgs.	$66.89	-	21.50%	100.00%	21.50%	-
Indicated Rate						**27.48%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
American Airlines	17,090.0	890.0	2.60%	18,115.6	28,135.0	-	-	53.63	697.5	37,405.6
Delta Air Lines	10,139.0	600.0	2.96%	11,671.1	19,334.0	-	-	49.19	825.3	40,594.4
United Cont'l Hldgs.	12,094.0	750.0	3.10%	14,361.8	26,349.3	-	-	66.89	374.5	25,052.0
Total				**73,818.3**			**-**			**103,052.0**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
American Airlines	42.93%	57.07%
Delta Air Lines	32.26%	67.74%
United Cont'l Hldgs.	51.26%	48.74%
Mean	**42.15%**	**57.85%**
Weighted Mean	**41.74%**	**58.26%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt = Disclosed Fair Value of Debt from 10-k + present value estimate of Operating Lease Obligations.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

\+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.75%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.91%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.05%
DGM: Earnings & Dividend	33.83%
DGM: Plowback Ratio	17.21%
Reconciled Equity Rate	**10.35%**
Debt/Equity Structure	**25.00% / 75.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	1.04
Industry Risk Premium	7.28%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.75%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.04
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alaska Air Group	37.83%	0.89 (B++)	1.05
Allegiant Travel	37.43%	0.89 (B++)	0.70
Hawaiian Hldgs.	39.99%	1.11 (B)	1.00
JetBlue Airways	39.79%	1.22 (C++)	1.05
Southwest Airlines	37.63%	0.89 (B++)	1.05
Spirit Airlines	37.35%	0.89 (B++)	1.15
Selected	**38.34%**	**0.94**	**1.04**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	1.04
Industry Risk Premium	6.44%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.91%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.04
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.94
Industry Risk Premium	6.58%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.05%**

COMMENTS ABOUT THE DISCOUNT AIR CARRIERS INDUSTRY

Weighted Financial Strength = 0.94
Weighted Beta = 1.04

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	$59.76	$0.50	15.50%	48.00%	31.75%	32.59%
Allegiant Travel	$150.33	-	16.50%	-	16.50%	-
Hawaiian Hldgs.	$26.05	-	15.50%	-	15.50%	-
JetBlue Airways	$15.86	-	24.50%	-	24.50%	-
Southwest Airlines	$42.32	$0.24	30.00%	39.00%	34.50%	35.07%
Spirit Airlines	$75.58	-	20.50%	-	20.50%	-
Indicated Rate						**33.83%**

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	$59.76	$0.50	19.00%	87.27%	16.58%	17.42%
Allegiant Travel	$150.33	-	27.50%	100.00%	27.50%	-
Hawaiian Hldgs.	$26.05	-	17.50%	100.00%	17.50%	-
JetBlue Airways	$15.86	-	12.50%	100.00%	12.50%	-
Southwest Airlines	$42.32	$0.24	19.00%	86.46%	16.43%	16.99%
Spirit Airlines	$75.58	-	18.00%	100.00%	18.00%	-
Indicated Rate						**17.21%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Alaska Air Group	825.0	53.0	3.21%	1,003.3	1,807.5	-	-	59.76	131.5	7,857.3
Allegiant Travel	606.3	15.0	1.24%	430.0	588.5	-	-	150.33	17.4	2,617.7
Hawaiian Hldgs.	1,056.5	40.0	1.89%	927.2	1,511.5	-	-	26.05	54.5	1,418.6
JetBlue Airways	2,362.0	128.0	2.71%	2,567.8	3,615.2	-	-	15.86	309.9	4,914.6
Southwest Airlines	2,732.0	120.0	2.20%	2,610.1	7,435.1	-	-	42.32	675.6	28,591.1
Spirit Airlines	-	-	-	-	1,318.6	-	-	75.58	72.8	5,500.4
Total				**16,276.5**			**-**			**50,899.7**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alaska Air Group	18.70%	81.30%
Allegiant Travel	18.36%	81.64%
Hawaiian Hldgs.	51.59%	48.41%
JetBlue Airways	42.38%	57.62%
Southwest Airlines	20.64%	79.36%
Spirit Airlines	19.34%	80.66%
Mean	**28.50%**	**71.50%**
Weighted Mean	**24.23%**	**75.77%**

REMARKS

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

\+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.03%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.16%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	11.43%
DGM: Earnings & Dividend	12.20%
DGM: Plowback Ratio	6.20%
Reconciled Equity Rate	**10.43%**
Debt/Equity Structure	**80.00% / 20.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	1.08
Industry Risk Premium	7.56%
Add: Risk-Free Rate	2.47%
Indicated Rate	**10.03%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.08
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Republic Airways Holdings Inc	39.43%	1.44 (C)	1.15
SkyWest	40.17%	1.11 (B)	1.00
Selected	**39.80%**	**1.28**	**1.08**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	1.08
Industry Risk Premium	6.69%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.16%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.08
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	1.28
Industry Risk Premium	8.96%
Add: Risk-Free Rate	2.47%
Indicated Rate	**11.43%**

COMMENTS ABOUT THE REGIONAL AIR CARRIERS INDUSTRY

Weighted Financial Strength = 1.27
Weighted Beta = 1.07

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
Republic Airways Holdings Inc	$14.59	-	-	-	-	-
SkyWest	$13.28	$0.16	22.00%	0.00%	11.00%	12.20%
Indicated Rate						**12.20%**

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
Republic Airways Holdings Inc	$14.59	-	-	100.00%	-	-
SkyWest	$13.28	$0.16	5.50%	90.86%	5.00%	6.20%
Indicated Rate						**6.20%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Republic Airways Holdings Inc	2,345.8	-	-	2,345.8	2,696.3	-	-	14.59	50.0	729.9
SkyWest	1,669.6	60.0	1.80%	1,424.0	3,113.1	-	-	13.28	51.2	679.8
Total				**5,809.4**			**-**			**1,409.7**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Republic Airways Holdings Inc	78.70%	21.30%
SkyWest	82.08%	17.92%
Mean	**80.39%**	**19.61%**
Weighted Mean	**80.47%**	**19.53%**

REMARKS

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

\+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.82%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.97%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	8.70%
DGM: Earnings & Dividend	35.07%
DGM: Plowback Ratio	16.99%
Reconciled Equity Rate	**10.34%**
Debt/Equity Structure	**20.00% / 80.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	1.05
Industry Risk Premium	7.35%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.82%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.05
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Southwest Airlines	37.63%	0.89 (B++)	1.05
Mean	**37.63%**	**0.89**	**1.05**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	1.05
Industry Risk Premium	6.50%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.97%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.05
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.89
Industry Risk Premium	6.23%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.70%**

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	$42.32	$0.24	30.00%	39.00%	34.50%	35.07%
Indicated Rate						**35.07%**

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	$42.32	$0.24	19.00%	86.46%	16.43%	16.99%
Indicated Rate						**16.99%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Southwest Airlines	2,732.0	120.0	2.20%	2,610.1	7,435.1	-	-	42.32	675.6	28,591.1
Total				**7,435.1**		**-**				**28,591.1**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Southwest Airlines	20.64%	79.36%
Mean	**20.64%**	**79.36%**
Weighted Mean	**20.64%**	**79.36%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt = Disclosed Fair Value of Debt from 10-k + present value estimate of Operating Lease Obligations.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.26%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.47%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	7.79%
DGM: Earnings & Dividend	12.72%
DGM: Plowback Ratio	16.10%
Reconciled Equity Rate	**9.87%**
Debt/Equity Structure	**20.00% / 80.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	0.97
Industry Risk Premium	6.79%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.26%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.97
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Atlas Air Worldwide	20.23%	1.00 (B+)	1.35
FedEx Corp.	36.24%	0.67 (A+)	1.05
United Parcel Serv.	34.49%	0.78 (A)	0.90
Selected	**35.37%**	**0.76**	**0.97**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	0.97
Industry Risk Premium	6.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.47%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.97
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.76
Industry Risk Premium	5.32%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.79%**

COMMENTS ABOUT THE FREIGHT AIR CARRIERS INDUSTRY

Beta simple average = 1.10
Beta weighted average = 0.97

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
Atlas Air Worldwide	$49.30	-	3.50%	-	3.50%	-
FedEx Corp.	$173.66	$0.80	15.50%	12.50%	14.00%	14.46%
United Parcel Serv.	$111.17	$2.76	10.00%	7.00%	8.50%	10.98%
Indicated Rate						**12.72%**

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
Atlas Air Worldwide	$49.30	-	8.50%	100.00%	8.50%	-
FedEx Corp.	$173.66	$0.80	17.00%	92.00%	15.64%	16.10%
United Parcel Serv.	$111.17	$2.76	-	57.50%	-	-
Indicated Rate						**16.10%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Atlas Air Worldwide	2,020.6	80.0	1.98%	1,818.2	2,809.2	-	-	49.30	24.8	1,223.0
FedEx Corp.	4,736.0	150.0	1.58%	3,780.3	17,802.5	-	-	173.66	317.0	55,050.2
United Parcel Serv.	12,251.0	360.0	1.47%	9,419.3	13,365.8	-	-	111.17	905.0	100,608.9
Total				**33,977.5**			**-**			**156,882.1**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Atlas Air Worldwide	69.67%	30.33%
FedEx Corp.	24.44%	75.56%
United Parcel Serv.	11.73%	88.27%
Mean	**35.28%**	**64.72%**
Weighted Mean	**17.80%**	**82.20%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt = Disclosed Fair Value of Debt from 10-k + present value estimate of Operating Lease Obligations.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

\+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	7.93%
CAPM: Total NYSE	N/A
CAPM: Supply Side	7.30%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	8.35%
DGM: Earnings & Dividend	8.84%
DGM: Plowback Ratio	7.48%
Reconciled Equity Rate	**8.39%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	0.78
Industry Risk Premium	5.46%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.93%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.78
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alliant Energy	NMF	0.78 (A)	0.80
Avista Corp.	36.02%	0.78 (A)	0.80
Black Hills	34.72%	1.00 (B+)	0.90
Cleco Corp.	33.12%	0.78 (A)	0.80
CMS Energy Corp.	39.95%	0.89 (B++)	0.70
Empire Dist. Elec.	37.14%	0.89 (B++)	0.70
G't Plains Energy	34.04%	1.00 (B+)	0.85
MGE Energy	37.46%	0.78 (A)	0.70
Northeast Utilities	34.98%	0.89 (B++)	0.75
OGE Energy	24.86%	0.67 (A+)	0.90
Pinnacle West Capital	34.39%	0.67 (A+)	0.70
Portland General	23.16%	0.89 (B++)	0.80
SCANA Corp.	32.13%	0.89 (B++)	0.75
TECO Energy	35.51%	0.89 (B++)	0.85
Westar Energy	33.07%	0.89 (B++)	0.75
Wisconsin Energy	36.87%	0.67 (A+)	0.65
Mean	**33.83%**	**0.84**	**0.78**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	0.78
Industry Risk Premium	4.83%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.30%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.78
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.84
Industry Risk Premium	5.88%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.35%**

COMMENTS ABOUT THE ELECTRIC UTILITIES INDUSTRY

Beta simple average = .78
Beta weighted average = .76

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	$66.42	$2.04	5.00%	7.50%	6.25%	9.32%
Avista Corp.	$35.35	$1.31	5.50%	4.50%	5.00%	8.71%
Black Hills	$53.04	$1.62	9.50%	4.00%	6.75%	9.80%
Cleco Corp.	$54.54	$1.60	2.00%	7.50%	4.75%	7.68%
CMS Energy Corp.	$34.75	$1.14	6.50%	6.00%	6.25%	9.53%
Empire Dist. Elec.	$29.74	$1.05	4.00%	4.50%	4.25%	7.78%
G't Plains Energy	$28.41	$1.00	6.00%	6.00%	6.00%	9.52%
MGE Energy	$45.61	$1.13	9.00%	4.00%	6.50%	8.98%
Northeast Utilities	$53.52	$1.68	8.00%	7.50%	7.75%	10.89%
OGE Energy	$35.48	$1.05	5.50%	9.50%	7.50%	10.46%
Pinnacle West Capital	$68.31	$2.38	4.00%	3.00%	3.50%	6.98%
Portland General	$37.83	$1.13	5.00%	4.50%	4.75%	7.74%
SCANA Corp.	$60.40	$2.16	5.00%	3.00%	4.00%	7.58%
TECO Energy	$20.49	$0.88	4.00%	2.50%	3.25%	7.54%
Westar Energy	$41.24	$1.40	6.00%	3.50%	4.75%	8.14%
Wisconsin Energy	$52.74	$1.69	5.50%	9.50%	7.50%	10.70%
Indicated Rate						**8.84%**

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	$66.42	$2.04	11.50%	31.71%	3.65%	6.72%
Avista Corp.	$35.35	$1.31	8.50%	33.33%	2.83%	6.54%
Black Hills	$53.04	$1.62	9.00%	41.54%	3.74%	6.79%
Cleco Corp.	$54.54	$1.60	9.50%	33.33%	3.17%	6.10%
CMS Energy Corp.	$34.75	$1.14	13.50%	40.00%	5.40%	8.68%
Empire Dist. Elec.	$29.74	$1.05	9.00%	34.29%	3.09%	6.62%
G't Plains Energy	$28.41	$1.00	7.50%	40.00%	3.00%	6.52%
MGE Energy	$45.61	$1.13	13.50%	59.38%	8.02%	10.49%
Northeast Utilities	$53.52	$1.68	9.50%	42.86%	4.07%	7.21%
OGE Energy	$35.48	$1.05	12.00%	44.00%	5.28%	8.24%
Pinnacle West Capital	$68.31	$2.38	9.50%	34.12%	3.24%	6.73%
Portland General	$37.83	$1.13	9.00%	44.00%	3.96%	6.95%
SCANA Corp.	$60.40	$2.16	10.00%	44.71%	4.47%	8.05%
TECO Energy	$20.49	$0.88	11.50%	28.57%	3.29%	7.58%
Westar Energy	$41.24	$1.40	10.00%	44.83%	4.48%	7.88%
Wisconsin Energy	$52.74	$1.69	15.00%	35.38%	5.31%	8.51%
Indicated Rate						**7.48%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Alliant Energy	3,931.0	90.0	1.14%	2,695.0	4,560.0	10.2	215.2	66.42	110.9	7,368.0
Avista Corp.	1,485.7	66.0	2.22%	1,429.0	1,766.0	-	-	35.35	62.2	2,198.8
Black Hills	1,529.7	58.6	1.92%	1,351.3	1,734.6	-	-	53.04	44.7	2,370.9
Cleco Corp.	1,338.4	72.7	2.72%	1,457.2	1,602.0	-	-	54.54	60.5	3,299.7
CMS Energy Corp.	8,861.0	420.0	2.37%	8,860.9	9,285.0	2.0	42.2	34.75	270.6	9,403.4
Empire Dist. Elec.	806.6	39.4	2.44%	821.6	829.0	-	-	29.74	43.3	1,287.7
G't Plains Energy	3,899.2	180.3	2.31%	3,841.2	4,290.0	1.6	33.8	28.41	153.9	4,372.3
MGE Energy	400.5	19.0	2.37%	400.7	464.0	-	-	45.61	34.7	1,582.7
Northeast Utilities	9,447.7	360.9	1.91%	8,332.4	9,451.0	7.6	160.3	53.52	317.4	16,987.2
OGE Energy	2,921.1	145.3	2.49%	3,008.9	3,301.0	-	-	35.48	199.4	7,074.7
Pinnacle West Capital	3,545.0	159.6	2.25%	3,436.8	3,861.0	-	-	68.31	110.6	7,555.1
Portland General	2,141.0	104.0	2.43%	2,173.3	2,901.0	-	-	37.83	78.2	2,958.3
SCANA Corp.	6,129.0	297.0	2.42%	6,212.2	7,315.0	-	-	60.40	142.7	8,619.1
TECO Energy	3,137.6	150.7	2.40%	3,163.0	4,127.0	-	-	20.49	234.9	4,813.1
Westar Energy	3,417.8	160.0	2.34%	3,392.1	3,983.0	-	-	41.24	131.7	5,431.3
Wisconsin Energy	5,093.1	251.3	2.47%	5,220.0	5,285.0	1.2	25.3	52.74	226.0	11,919.2
Total				**64,754.6**			**476.8**			**97,241.5**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alliant Energy	39.32%	60.68%
Avista Corp.	44.54%	55.46%
Black Hills	42.25%	57.75%
Cleco Corp.	32.68%	67.32%
CMS Energy Corp.	49.80%	50.20%
Empire Dist. Elec.	39.16%	60.84%
G't Plains Energy	49.72%	50.28%
MGE Energy	22.67%	77.33%
Northeast Utilities	36.13%	63.87%
OGE Energy	31.81%	68.19%
Pinnacle West Capital	33.82%	66.18%
Portland General	49.51%	50.49%
SCANA Corp.	45.91%	54.09%
TECO Energy	46.16%	53.84%
Westar Energy	42.31%	57.69%
Wisconsin Energy	30.82%	69.18%
Mean	**39.79%**	**60.21%**
Weighted Mean	**40.15%**	**59.85%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt taken from 12-31-14 SEC filings.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.00%
CAPM: Total NYSE	N/A
CAPM: Supply Side	7.36%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	8.42%
DGM: Earnings & Dividend	9.15%
DGM: Plowback Ratio	8.50%
Reconciled Equity Rate	**8.33%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	0.79
Industry Risk Premium	5.53%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.00%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.79
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AGL Resources	36.59%	0.78 (A)	0.80
Atmos Energy	38.20%	0.78 (A)	0.80
Laclede Group	24.99%	0.89 (B++)	0.70
NiSource Inc.	34.79%	1.00 (B+)	0.85
Northwest Nat. Gas	40.79%	0.78 (A)	0.70
Piedmont Natural Gas	32.60%	0.89 (B++)	0.80
Questar Corp.	18.63%	0.78 (A)	0.80
Southwest Gas	34.98%	0.89 (B++)	0.85
Mean	**32.70%**	**0.85**	**0.79**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	0.79
Industry Risk Premium	4.89%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.36%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.79
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.85
Industry Risk Premium	5.95%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.42%**

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	$54.00	$1.96	10.50%	4.50%	7.50%	11.13%
Atmos Energy	$55.74	$1.58	7.50%	4.00%	5.75%	8.58%
Laclede Group	$53.20	$1.84	8.00%	5.00%	6.50%	9.96%
NiSource Inc.	$42.17	$1.04	10.50%	4.00%	7.25%	9.72%
Northwest Nat. Gas	$49.45	$1.86	6.50%	2.50%	4.50%	8.26%
Piedmont Natural Gas	$39.41	$1.28	5.00%	3.00%	4.00%	7.25%
Questar Corp.	$25.28	$0.77	6.50%	6.00%	6.25%	9.30%
Southwest Gas	$61.81	$1.56	6.00%	7.00%	6.50%	9.02%
Indicated Rate						**9.15%**

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	$54.00	$1.96	12.00%	44.19%	5.30%	8.93%
Atmos Energy	$55.74	$1.58	9.00%	50.00%	4.50%	7.33%
Laclede Group	$53.20	$1.84	10.00%	45.68%	4.57%	8.03%
NiSource Inc.	$42.17	$1.04	12.50%	50.00%	6.25%	8.72%
Northwest Nat. Gas	$49.45	$1.86	9.50%	36.36%	3.45%	7.22%
Piedmont Natural Gas	$39.41	$1.28	11.50%	36.44%	4.19%	7.44%
Questar Corp.	$25.28	$0.77	19.00%	45.71%	8.68%	11.73%
Southwest Gas	$61.81	$1.56	11.00%	55.00%	6.05%	8.57%
Indicated Rate						**8.50%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
AGL Resources	5,098.0	181.0	1.78%	4,319.9	5,406.0	-	-	54.00	119.6	6,460.9
Atmos Energy	2,455.9	115.0	2.34%	2,437.8	3,368.0	-	-	55.74	100.9	5,621.6
Laclede Group	2,138.1	50.0	1.17%	1,479.3	2,373.0	-	-	53.20	43.3	2,303.3
NiSource Inc.	9,727.2	450.0	2.31%	9,585.2	11,369.0	-	-	42.17	316.0	13,327.3
Northwest Nat. Gas	851.7	45.0	2.64%	911.1	992.0	-	-	49.45	27.3	1,349.2
Piedmont Natural Gas	1,664.9	46.1	1.38%	1,243.8	-	-	-	39.41	78.6	3,099.1
Questar Corp.	1,518.3	52.0	1.71%	1,262.1	1,742.0	-	-	25.28	175.4	4,434.1
Southwest Gas	1,449.0	70.0	2.42%	1,465.9	1,826.0	-	-	61.81	46.5	2,875.6
Total				**28,319.8**		**-**				**39,471.1**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AGL Resources	45.56%	54.44%
Atmos Energy	37.47%	62.53%
Laclede Group	50.75%	49.25%
NiSource Inc.	46.04%	53.96%
Northwest Nat. Gas	42.37%	57.63%
Piedmont Natural Gas	28.64%	71.36%
Questar Corp.	28.21%	71.79%
Southwest Gas	38.84%	61.16%
Mean	**39.73%**	**60.27%**
Weighted Mean	**41.78%**	**58.22%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt taken from 12-31-14 SEC filings.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.56%
CAPM: Total NYSE	N/A
CAPM: Supply Side	7.86%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.19%
DGM: Earnings & Dividend	15.06%
DGM: Plowback Ratio	6.88%
Reconciled Equity Rate	**11.49%**
Debt/Equity Structure	**35.00% / 65.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	0.87
Industry Risk Premium	6.09%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.56%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.87
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Buckeye Partners L.P.	NMF	1.00 (B+)	0.70
Enterprise Products	NMF	1.00 (B+)	0.85
Kinder Morgan Inc.	21.58%	0.89 (B++)	0.90
ONEOK Inc.	NMF	1.00 (B+)	1.05
Plains All Amer. Pipe.	NMF	1.00 (B+)	0.75
Spectra Energy	24.59%	1.11 (B)	0.95
TransCanada Corp.	24.23%	0.78 (A)	0.85
Williams Cos.	26.20%	1.00 (B+)	1.00
Williams Partners L.P.	NMF	0.89 (B++)	0.80
Mean	**24.15%**	**0.96**	**0.87**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	0.87
Industry Risk Premium	5.39%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.86%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.87
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.96
Industry Risk Premium	6.72%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.19%**

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
Buckeye Partners L.P.	$75.66	$4.51	5.50%	1.50%	3.50%	9.46%
Enterprise Products	$35.74	$1.53	10.50%	9.50%	10.00%	14.28%
Kinder Morgan Inc.	$42.34	$1.76	16.00%	16.50%	16.25%	20.41%
ONEOK Inc.	$49.12	$2.36	11.00%	16.50%	13.75%	18.55%
Plains All Amer. Pipe.	$50.65	$2.80	9.00%	10.50%	9.75%	15.28%
Spectra Energy	$36.30	$1.48	5.00%	10.00%	7.50%	11.58%
TransCanada Corp.	$49.10	$1.92	11.50%	4.50%	8.00%	11.91%
Williams Cos.	$44.94	$2.45	12.00%	21.00%	16.50%	21.95%
Williams Partners L.P.	$50.18	$3.83	2.50%	6.50%	4.50%	12.13%
Indicated Rate						**15.06%**

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.	$75.66	$4.51	13.00%	-10.98%	-1.43%	-
Enterprise Products	$35.74	$1.53	22.00%	8.33%	1.83%	6.11%
Kinder Morgan Inc.	$42.34	$1.76	13.50%	-50.00%	-6.75%	-
ONEOK Inc.	$49.12	$2.36	53.00%	0.00%	-	-
Plains All Amer. Pipe.	$50.65	$2.80	16.00%	9.41%	1.51%	7.03%
Spectra Energy	$36.30	$1.48	14.00%	6.98%	0.98%	5.05%
TransCanada Corp.	$49.10	$1.92	12.00%	45.00%	5.40%	9.31%
Williams Cos.	$44.94	$2.45	13.00%	-56.52%	-7.35%	-
Williams Partners L.P.	$50.18	$3.83	21.00%	-69.09%	-14.51%	-
Indicated Rate						**6.88%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Buckeye Partners L.P.	3,845.9	161.1	2.09%	3,573.9	3,632.0	-	-	75.66	127.0	9,612.1
Enterprise Products	19,646.4	789.0	2.01%	17,821.4	23,044.0	-	-	35.74	1,937.3	69,240.0
Kinder Morgan Inc.	37,900.0	1,700.0	2.24%	36,662.3	43,582.0	-	-	42.34	2,125.1	89,978.7
ONEOK Inc.	7,205.6	360.0	2.50%	7,442.4	7,500.0	-	-	49.12	208.3	10,232.8
Plains All Amer. Pipe.	8,390.0	328.0	1.95%	7,495.9	10,049.0	-	-	50.65	375.1	18,999.2
Spectra Energy	14,707.0	750.0	2.55%	15,385.6	14,446.0	-	-	36.30	671.0	24,357.3
TransCanada Corp.	23,035.0	780.0	1.69%	19,033.6	-	66.0	1,392.4	49.10	709.0	34,811.9
Williams Cos.	20,941.0	1,000.0	2.39%	21,035.9	21,136.0	-	-	44.94	747.9	33,610.4
Williams Partners L.P.	12,063.0	538.0	2.23%	11,629.5	4,401.0	-	-	50.18	202.5	10,163.1
Total				**146,823.6**			**1,392.4**			**301,005.5**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Buckeye Partners L.P.	27.42%	72.58%
Enterprise Products	24.97%	75.03%
Kinder Morgan Inc.	32.63%	67.37%
ONEOK Inc.	42.29%	57.71%
Plains All Amer. Pipe.	34.59%	65.41%
Spectra Energy	37.23%	62.77%
TransCanada Corp.	36.98%	63.02%
Williams Cos.	38.61%	61.39%
Williams Partners L.P.	30.22%	69.78%
Mean	**33.88%**	**66.12%**
Weighted Mean	**32.99%**	**67.01%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt taken from 12-31-14 SEC filings.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.00%
CAPM: Total NYSE	N/A
CAPM: Supply Side	7.36%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.19%
DGM: Earnings & Dividend	15.29%
DGM: Plowback Ratio	7.19%
Reconciled Equity Rate	**11.28%**
Debt/Equity Structure	**25.00% / 75.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	0.79
Industry Risk Premium	5.53%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.00%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.79
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Buckeye Partners L.P.	NMF	1.00 (B+)	0.70
Enterprise Products	NMF	1.00 (B+)	0.85
Kinder Morgan Inc.	21.58%	0.89 (B++)	0.90
Magellan Midstream	NMF	0.89 (B++)	0.75
Plains All Amer. Pipe.	NMF	1.00 (B+)	0.75
Mean	**21.58%**	**0.96**	**0.79**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	0.79
Industry Risk Premium	4.89%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.36%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.79
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.96
Industry Risk Premium	6.72%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.19%**

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.	$75.66	$4.51	5.50%	1.50%	3.50%	9.46%
Enterprise Products	$35.74	$1.53	10.50%	9.50%	10.00%	14.28%
Kinder Morgan Inc.	$42.34	$1.76	16.00%	16.50%	16.25%	20.41%
Magellan Midstream	$81.96	$2.89	13.50%	13.50%	13.50%	17.03%
Plains All Amer. Pipe.	$50.65	$2.80	9.00%	10.50%	9.75%	15.28%
Indicated Rate						**15.29%**

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.	$75.66	$4.51	13.00%	-10.98%	-1.43%	-
Enterprise Products	$35.74	$1.53	22.00%	8.33%	1.83%	6.11%
Kinder Morgan Inc.	$42.34	$1.76	13.50%	-50.00%	-6.75%	-
Magellan Midstream	$81.96	$2.89	34.00%	14.44%	4.91%	8.44%
Plains All Amer. Pipe.	$50.65	$2.80	16.00%	9.41%	1.51%	7.03%
Indicated Rate						**7.19%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Buckeye Partners L.P.	3,845.9	161.1	2.09%	3,573.9	3,632.0	-	-	75.66	127.0	9,612.1
Enterprise Products	19,646.4	789.0	2.01%	17,821.4	23,044.0	-	-	35.74	1,937.3	69,240.0
Kinder Morgan Inc.	37,900.0	1,700.0	2.24%	36,662.3	43,582.0	-	-	42.34	2,125.1	89,978.7
Magellan Midstream	3,003.7	147.4	2.45%	3,068.2	3,212.0	-	-	81.96	227.1	18,610.5
Plains All Amer. Pipe.	8,390.0	328.0	1.95%	7,495.9	10,049.0	-	-	50.65	375.1	18,999.2
Total				**83,519.0**			**-**			**206,440.5**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Buckeye Partners L.P.	27.42%	72.58%
Enterprise Products	24.97%	75.03%
Kinder Morgan Inc.	32.63%	67.37%
Magellan Midstream	14.72%	85.28%
Plains All Amer. Pipe.	34.59%	65.41%
Mean	**26.87%**	**73.13%**
Weighted Mean	**28.80%**	**71.20%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt taken from 12-31-14 SEC filings.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.75%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.91%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	7.72%
DGM: Earnings & Dividend	11.96%
DGM: Plowback Ratio	14.45%
Reconciled Equity Rate	**11.13%**
Debt/Equity Structure	**15.00% / 85.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	1.04
Industry Risk Premium	7.28%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.75%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.04
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	26.66%	0.78 (A)	0.95
CSX Corp.	36.21%	0.89 (B++)	1.15
Norfolk Southern	35.60%	0.78 (A)	1.05
Union Pacific	37.74%	0.56 (A++)	1.00
Mean	**34.05%**	**0.75**	**1.04**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	1.04
Industry Risk Premium	6.44%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.91%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.04
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.75
Industry Risk Premium	5.25%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.72%**

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	$68.91	$0.90	11.00%	12.50%	11.75%	13.06%
CSX Corp.	$36.23	$0.64	9.50%	10.50%	10.00%	11.77%
Norfolk Southern	$109.01	$2.28	8.50%	7.50%	8.00%	10.09%
Union Pacific	$119.13	$2.00	11.00%	11.50%	11.25%	12.93%
Indicated Rate						**11.96%**

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	$68.91	$0.90	20.50%	70.00%	14.35%	15.66%
CSX Corp.	$36.23	$0.64	18.50%	68.00%	12.58%	14.35%
Norfolk Southern	$109.01	$2.28	16.50%	67.80%	11.19%	13.28%
Union Pacific	$119.13	$2.00	18.50%	69.30%	12.82%	14.50%
Indicated Rate						**14.45%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Can. National Railway	7,057.0	340.0	2.41%	7,127.5	-	-	-	68.91	830.6	57,236.6
CSX Corp.	9,617.0	548.0	2.85%	10,799.4	11,042.0	-	-	36.23	992.0	35,940.2
Norfolk Southern	8,919.0	500.0	2.80%	9,910.0	11,062.0	-	-	109.01	308.2	33,601.2
Union Pacific	11,505.0	500.0	2.17%	10,923.3	13,000.0	-	-	119.13	883.4	105,235.4
Total				**42,231.5**			**-**			**232,013.4**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	11.07%	88.93%
CSX Corp.	23.50%	76.50%
Norfolk Southern	24.77%	75.23%
Union Pacific	11.00%	89.00%
Mean	**17.58%**	**82.42%**
Weighted Mean	**15.40%**	**84.60%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt taken from 12-31-14 SEC filings.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.03%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.16%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	8.14%
DGM: Earnings & Dividend	14.03%
DGM: Plowback Ratio	14.56%
Reconciled Equity Rate	**12.04%**
Debt/Equity Structure	**15.00% / 85.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	1.08
Industry Risk Premium	7.56%
Add: Risk-Free Rate	2.47%
Indicated Rate	**10.03%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.08
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	26.66%	0.78 (A)	0.95
Can. Pacific Railway	26.92%	0.89 (B++)	1.05
CSX Corp.	36.21%	0.89 (B++)	1.15
Genesee & Wyoming	NMF	1.00 (B+)	1.20
Kansas City South'n	34.69%	0.78 (A)	1.15
Norfolk Southern	35.60%	0.78 (A)	1.05
Union Pacific	37.74%	0.56 (A++)	1.00
Mean	**32.97%**	**0.81**	**1.08**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	1.08
Industry Risk Premium	6.69%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.16%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.08
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.81
Industry Risk Premium	5.67%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.14%**

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	$68.91	$0.90	11.00%	12.50%	11.75%	13.06%
Can. Pacific Railway	$192.69	$1.26	22.00%	14.00%	18.00%	18.65%
CSX Corp.	$36.23	$0.64	9.50%	10.50%	10.00%	11.77%
Genesee & Wyoming	$89.92	-	15.00%	-	15.00%	-
Kansas City South'n	$122.03	$1.12	14.00%	19.50%	16.75%	17.67%
Norfolk Southern	$109.01	$2.28	8.50%	7.50%	8.00%	10.09%
Union Pacific	$119.13	$2.00	11.00%	11.50%	11.25%	12.93%
Indicated Rate						**14.03%**

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	$68.91	$0.90	20.50%	70.00%	14.35%	15.66%
Can. Pacific Railway	$192.69	$1.26	21.50%	81.30%	17.48%	18.13%
CSX Corp.	$36.23	$0.64	18.50%	68.00%	12.58%	14.35%
Genesee & Wyoming	$89.92	-	13.50%	100.00%	13.50%	-
Kansas City South'n	$122.03	$1.12	13.50%	78.10%	10.54%	11.46%
Norfolk Southern	$109.01	$2.28	16.50%	67.80%	11.19%	13.28%
Union Pacific	$119.13	$2.00	18.50%	69.30%	12.82%	14.50%
Indicated Rate						**14.56%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Can. National Railway	7,057.0	340.0	2.41%	7,127.5	-	-	-	68.91	830.6	57,236.6
Can. Pacific Railway	4,396.0	252.0	2.87%	4,955.8	-	-	-	192.69	175.5	33,817.1
CSX Corp.	9,617.0	548.0	2.85%	10,799.4	11,042.0	-	-	36.23	992.0	35,940.2
Genesee & Wyoming	1,640.8	13.0	0.40%	809.7	1,612.0	-	-	89.92	54.0	4,852.0
Kansas City South'n	1,870.9	140.0	3.74%	2,529.4	2,365.0	-	-	122.03	110.4	13,471.1
Norfolk Southern	8,919.0	500.0	2.80%	9,910.0	11,062.0	-	-	109.01	308.2	33,601.2
Union Pacific	11,505.0	500.0	2.17%	10,923.3	13,000.0	-	-	119.13	883.4	105,235.4
Total				**51,164.3**			**-**			**284,153.6**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	11.07%	88.93%
Can. Pacific Railway	12.78%	87.22%
CSX Corp.	23.50%	76.50%
Genesee & Wyoming	24.94%	75.06%
Kansas City South'n	14.93%	85.07%
Norfolk Southern	24.77%	75.23%
Union Pacific	11.00%	89.00%
Mean	**17.57%**	**82.43%**
Weighted Mean	**15.26%**	**84.74%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Fair Value of Debt taken from 12-31-14 SEC filings.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.07%
CAPM: Total NYSE	N/A
CAPM: Supply Side	7.42%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	8.49%
DGM: Earnings & Dividend	10.52%
DGM: Plowback Ratio	11.27%
Reconciled Equity Rate	**9.49%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	0.80
Industry Risk Premium	5.60%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.07%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.80
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AT&T Inc.	33.21%	0.56 (A++)	0.75
Sprint Corp.	NMF	1.22 (C++)	1.15
T-Mobile US	31.37%	1.11 (B)	
Verizon Communic.	19.57%	0.56 (A++)	0.70
Selected	**28.05%**	**0.86**	**0.80**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	0.80
Industry Risk Premium	4.95%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.42%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.80
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	0.86
Industry Risk Premium	6.02%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.49%**

COMMENTS ABOUT THE WIRELESS TELECOMS INDUSTRY

Beta simple average = 0.87
Beta weighted average = 0.75

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.	$33.59	$1.88	7.00%	4.00%	5.50%	11.10%
Sprint Corp.	$4.15	-	-	-	-	-
T-Mobile US	$26.94	-	6.50%	-	6.50%	-
Verizon Communic.	$46.78	$2.20	8.00%	2.50%	5.25%	9.95%
Indicated Rate						**10.52%**

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.	$33.59	$1.88	15.00%	38.03%	5.70%	11.30%
Sprint Corp.	$4.15	-	4.50%	-	-	-
T-Mobile US	$26.94	-	4.50%	-	-	-
Verizon Communic.	$46.78	$2.20	13.50%	48.44%	6.54%	11.24%
Indicated Rate						**11.27%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
AT&T Inc.	75,625.0	3,600.0	2.38%	75,822.3	90,802.0	-	-	33.59	5,186.9	174,228.3
Sprint Corp.	32,266.0	2,320.0	3.60%	42,409.8	31,663.0	-	-	4.15	3,956.0	16,417.4
T-Mobile US	25,877.0	1,540.0	2.98%	29,898.5	24,832.0	-	-	26.94	807.5	21,753.2
Verizon Communic.	109,230.0	1,750.0	0.80%	65,252.7	127,065.0	-	-	46.78	4,155.0	194,369.0
Total				**274,362.0**			**-**			**406,767.9**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AT&T Inc.	34.26%	65.74%
Sprint Corp.	65.85%	34.15%
T-Mobile US	53.30%	46.70%
Verizon Communic.	39.53%	60.47%
Mean	**48.24%**	**51.76%**
Weighted Mean	**40.28%**	**59.72%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Shares Outstanding and Fair Value of Debt obtained from SEC Form 10-K's.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	8.21%
CAPM: Total NYSE	N/A
CAPM: Supply Side	7.55%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	10.24%
DGM: Earnings & Dividend	15.53%
DGM: Plowback Ratio	10.22%
Reconciled Equity Rate	**9.22%**
Debt/Equity Structure	**55.00% / 45.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	0.82
Industry Risk Premium	5.74%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.21%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.82
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
CenturyLink Inc.	38.82%	0.89 (B++)	0.75
Cincinnati Bell	NMF	1.33 (C+)	1.15
Frontier Communic.	35.28%	1.11 (B)	0.90
Windstream Hldgs.	30.94%	1.11 (B)	0.90
Selected	**35.02%**	**1.11**	**0.82**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	0.82
Industry Risk Premium	5.08%
Add: Risk-Free Rate	2.47%
Indicated Rate	**7.55%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.82
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	1.11
Industry Risk Premium	7.77%
Add: Risk-Free Rate	2.47%
Indicated Rate	**10.24%**

COMMENTS ABOUT THE WIRELINE TELECOMS INDUSTRY

Beta simple average = 0.93
Beta weighted average = 0.82

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.	$39.58	$2.16	19.50%	-3.50%	8.00%	13.46%
Cincinnati Bell	$3.19	-	-	-	-	-
Frontier Communic.	$6.67	$0.40	21.00%	-4.00%	8.50%	14.50%
Windstream Hldgs.	$8.24	$1.00	6.50%	-	6.50%	18.64%
Indicated Rate						**15.53%**

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.	$39.58	$2.16	11.00%	43.16%	4.75%	10.20%
Cincinnati Bell	$3.19	-	-	-	-	-
Frontier Communic.	$6.67	$0.40	11.00%	38.46%	4.23%	10.23%
Windstream Hldgs.	$8.24	$1.00	27.50%	-	-	-
Indicated Rate						**10.22%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
CenturyLink Inc.	21,151.0	1,200.0	2.84%	23,684.3	21,764.0	-	-	39.58	568.5	22,502.0
Cincinnati Bell	1,898.9	75.0	1.97%	1,706.3	1,815.5	10.4	219.4	3.19	209.3	667.7
Frontier Communic.	948.1	700.0	36.92%	9,353.0	10,399.5	-	-	6.67	1,002.5	6,686.5
Windstream Hldgs.	8,661.1	600.0	3.46%	11,092.1	8,830.4	-	-	8.24	602.9	4,967.9
Total				**42,809.4**			**219.4**			**34,824.1**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
CenturyLink Inc.	49.17%	50.83%
Cincinnati Bell	75.29%	24.71%
Frontier Communic.	60.87%	39.13%
Windstream Hldgs.	64.00%	36.00%
Mean	**62.33%**	**37.67%**
Weighted Mean	**55.27%**	**44.73%**

REMARKS

Recent stock prices obtained from Yahoo Finance, Dec. 31 closing price.

Shares Outstanding and Fair Value of Debt obtained from SEC Form 10-K's.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

\+ Market Value of Pref. Equity: 4.74% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.82%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.97%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	11.01%
DGM: Earnings & Dividend	N/A
DGM: Plowback Ratio	N/A
Reconciled Equity Rate	**10.12%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	7.00%
x Industry Beta	1.05
Industry Risk Premium	7.35%
Add: Risk-Free Rate	2.47%
Indicated Rate	**9.82%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.05
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Level 3 Communic.	NMF	1.22 (C++)	1.05
Mean	**38.50%**	**1.22**	**1.05**

CAPM: SUPPLY SIDE

Market Risk Premium	6.19%
x Industry Beta	1.05
Industry Risk Premium	6.50%
Add: Risk-Free Rate	2.47%
Indicated Rate	**8.97%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.05
Industry Risk Premium	0.00%
Add: Risk-Free Rate	2.47%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	7.00%
x Industry Financial Strength	1.22
Industry Risk Premium	8.54%
Add: Risk-Free Rate	2.47%
Indicated Rate	**11.01%**

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.	$49.38	-	-	-	-	-
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.	$49.38	-	16.50%	-	-	-
Indicated Rate						**0.00%**

CALCULATION OF CAPITAL STRUCTURE

Company Name	Total Debt	Long-Term Interest	Implied Coupon Rate*	Market Value of Debt**	Fair Value of Debt***	Pref'd Divs	MV of Pref Eqty+	Recent Stock Price	Shares Outstd	Market Value of Equity
Level 3 Communic.	9,358.0	649.0	3.47%	11,993.8	12,149.0	-	-	49.38	341.4	16,856.4
Total					**12,149.0**		**-**			**16,856.4**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Level 3 Communic.	41.89%	58.11%
Mean	**41.89%**	**58.11%**
Weighted Mean	**41.89%**	**58.11%**

REMARKS

Recent stock price obtained from Yahoo Finance, Dec. 31 closing price.

Shares Outstanding and Fair Value of Debt obtained from SEC Form 10-K.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 4.74% (Corporate Baa)

*** Fair Value of Debt overrides the Market Value of Debt in calculation of Capital Structure.

\+ Market Value of Pref. Equity: 4.74% (Baa)