

# CAPITALIZATION RATE STUDY FOR CENTRALLY ASSESSED PROPERTIES

FOR: JANUARY 1, 2010



## UTAH STATE TAX COMMISSION

PROPERTY TAX DIVISION  
UTILITIES & TRANSPORTATION SECTION  
210 NORTH 1950 WEST, THIRD FLOOR  
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[www.propertytax.utah.gov](http://www.propertytax.utah.gov)



**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
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**UTAH STATE TAX COMMISSION**  
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**SUMMARY OF EQUITY RATES AND CAPITAL STRUCTURE**

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Industry	Equity Yield Rates	Percent Debt & Preferred Equity	Percent Common Equity	Income Tax Rate
<b>Major Airlines</b>	<b>15.29%</b>	<b>75%</b>	<b>25%</b>	<b>38.50%</b>
<b>Secondary Airlines</b>	<b>12.96%</b>	<b>60%</b>	<b>40%</b>	<b>37.18%</b>
<b>Southwest Airlines</b>	<b>11.03%</b>	<b>25%</b>	<b>75%</b>	<b>39.26%</b>
<b>Freight Airlines</b>	<b>11.81%</b>	<b>10%</b>	<b>90%</b>	<b>40.60%</b>
<b>Electric Utilities</b>	<b>9.96%</b>	<b>40%</b>	<b>60%</b>	<b>32.72%</b>
<b>Natural Gas Utilities</b>	<b>9.85%</b>	<b>30%</b>	<b>70%</b>	<b>35.62%</b>
<b>Natural Gas Pipelines</b>	<b>11.29%</b>	<b>35%</b>	<b>65%</b>	<b>31.28%</b>
<b>Liquid Pipelines</b>	<b>10.63%</b>	<b>30%</b>	<b>70%</b>	<b>32.43%</b>
<b>Railroad and Terminal</b>	<b>12.39%</b>	<b>25%</b>	<b>75%</b>	<b>35.41%</b>
<b>Telecom I: Wireless</b>	<b>11.33%</b>	<b>30%</b>	<b>70%</b>	<b>38.76%</b>
<b>Telecom II: Wireline</b>	<b>11.49%</b>	<b>60%</b>	<b>40%</b>	<b>39.33%</b>
<b>Telecom III: Broadband</b>	<b>14.06%</b>	<b>60%</b>	<b>40%</b>	<b>38.50%</b>



**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
KEY RATES AND FIGURES**

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**PUBLIC UTILITY BONDS**

Aaa . . . . .	N/A
Aa . . . . .	5.52%
A . . . . .	5.79%
Baa . . . . .	6.26%

**PREFERRED STOCKS**

Aaa . . . . .	N/A
Aa . . . . .	N/A
A . . . . .	5.93%
Baa . . . . .	6.56%

**INVESTMENT-GRADE CORPORATE BONDS**

Aaa . . . . .	5.26%
Aa . . . . .	5.44%
A . . . . .	5.77%
Baa . . . . .	6.37%

**INFLATION FACTORS**

Year	4th Quarter GDP Implicit Price Deflator	Annual Percent Change	Conversion Factor
1999	87.23	N/A	1.260
2000	89.37	2.45%	1.230
2001	91.15	1.99%	1.206
2002	92.83	1.84%	1.184
2003	94.80	2.12%	1.160
2004	97.86	3.23%	1.123
2005	101.31	3.52%	1.085
2006	104.22	2.87%	1.055
2007	107.07	2.74%	1.027
2008	109.17	1.96%	1.007
2009	109.95	0.71%	1.000

1999 - 2009 Average Change: 2.34%

**Source:**

St. Louis Federal Reserve as of February, 2010

**Website:**

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

**OTHER CORPORATE BONDS**

Ba1 . . . . .	7.24%
Ba2 . . . . .	7.57%
Ba3 . . . . .	8.00%
B1 . . . . .	8.01%
B2 . . . . .	9.34%
B3 . . . . .	9.41%
Caa1 . . . . .	10.50%
Caa2 . . . . .	12.10%
Caa3 . . . . .	16.86%
Ca . . . . .	20.15%
C . . . . .	28.16%

**OTHER RATES**

Risk-Free Rate . . . . .	4.58%
Market Risk Premium . . . . .	6.70%
Default Income Tax Rate . . . . .	38.50%
ValueLine GDP Price Deflator Forecast . . . . .	1.70%
Airline "TEFRA" Relief Factor . . . . .	6.85%
4-R Act Relief for Railroads . . . . .	12.20%
4-R Act Relief (BNSF only) . . . . .	6.83%
Rural Telephone Equity Rate Adj. . . . .	4.00%

**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 rate-base regulated company, no adjustment will be made.

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. January 2010 CD  
2010 Ibbotson Risk Premia Over Time Report.  
Mergent Bond Record. January 2010 Vol. 77 No. 1  
Federal Reserve Statistical Release H.15 January 4, 2010



**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
MAJOR AIRLINES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength	Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
AMR Corp.	NMF	C+ 1.33	1.65	8.26			0.00	N/A
Cont'l Airlines	NMF	C++ 1.22	1.65	20.13	22.50		0.00	N/A
Delta Air Lines	NMF	C++ 1.22	1.55	12.09			0.00	N/A
UAL Corp.	NMF	C+ 1.33	1.85	13.84			0.00	N/A
US Airways Group	NMF	C+ 1.33	1.80	5.18			0.00	N/A
<b>Mean</b>	<b>38.50</b>	<b>1.29</b>	<b>1.70</b>		<b>22.50</b>	<b>N/A</b>		
Industry Growth Rate	11.25%				<b>Indicated Rate</b>			<b>N/A</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	15.97%	75.00%	11.98%
Division's Risk Premium	13.22%	25.00%	3.31%
Dividend Growth	0.00%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>15.29%</b>

**CAPITAL ASSET PRICING MODEL**

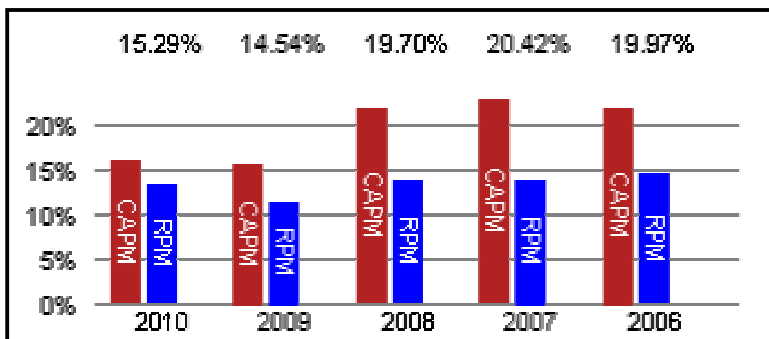
Market Risk Premium	6.70%
Industry Beta	1.70
Industry Risk Premium	11.39%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>15.97%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	1.29
Industry Risk Premium	8.64%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>13.22%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>15.29%</b>	<b>75%</b>	<b>25%</b>	<b>38.50%</b>





**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
MAJOR AIRLINES -- CAPITAL STRUCTURE**

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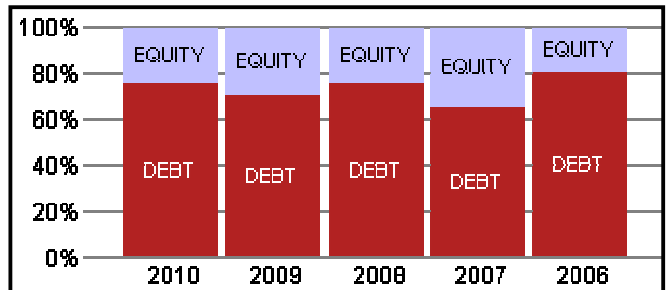
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
AMR Corp.	10,461.0	650.0	10,277.4		0.0	8.26	278.9	2,303.7
Cont'l Airlines	5,290.0	320.0	5,099.6		0.0	20.13	123.3	2,482.0
Delta Air Lines	16,655.0	1,150.0	17,654.4		0.0	12.09	695.1	8,403.8
UAL Corp.	6,979.0	475.0	7,320.5		0.0	13.84	140.0	1,937.6
US Airways Group	4,135.0	295.0	4,489.5		0.0	5.18	114.1	591.0
<b>Total</b>			<b>44,841.4</b>		<b>0.0</b>			<b>15,718.1</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AMR Corp.	81.69%	18.31%
Cont'l Airlines	67.26%	32.74%
Delta Air Lines	67.75%	32.25%
UAL Corp.	79.07%	20.93%
US Airways Group	88.37%	11.63%
<b>Mean</b>	<b>76.83%</b>	<b>23.17%</b>
<b>Weighted Mean</b>	<b>74.05%</b>	<b>25.95%</b>



**ADDITIONAL INFORMATION/COMMENTS**

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
SECONDARY AIRLINES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength	Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
AirTran Hldgs. Inc.	NMF	C 1.44	1.35	5.24			0.00	N/A
Alaska Air Group	NMF	C++ 1.22	1.20	36.51	19.00		0.00	N/A
ExpressJet Holdings Inc.	NMF	C 1.44	1.40	4.68			0.00	N/A
JetBlue Airways	NMF	C++ 1.22	1.25	5.85			0.00	N/A
Pinnacle Airlines Corp	NMF	C 1.44	1.35	7.01	5.00		0.00	N/A
Republic Airways Holdings Inc	38.45	C+ 1.33	0.80	7.41	10.00		0.00	N/A
SkyWest	35.90	B 1.11	1.25	17.23	0.50	9.00	0.16	9.82%
<b>Mean</b>	<b>37.18</b>	<b>1.31</b>	<b>1.23</b>		<b>8.63</b>	<b>9.00</b>		
Industry Growth Rate	8.81%					<b>Indicated Rate</b>		<b>9.82%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	12.82%	75.00%	9.62%
Division's Risk Premium	13.36%	25.00%	3.34%
Dividend Growth	9.82%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>12.96%</b>

**CAPITAL ASSET PRICING MODEL**

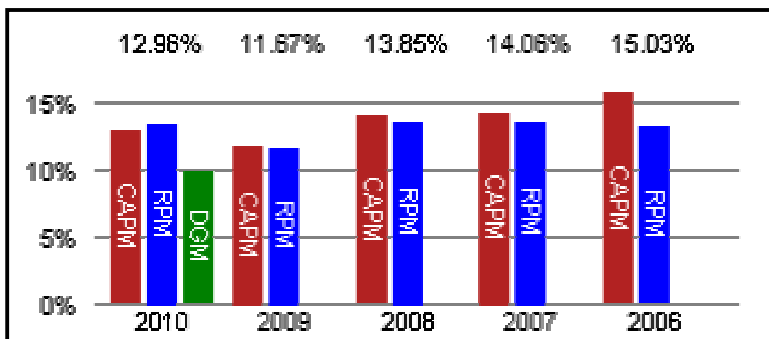
Market Risk Premium	6.70%
Industry Beta	1.23
Industry Risk Premium	8.24%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>12.82%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	1.31
Industry Risk Premium	8.78%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>13.36%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>12.96%</b>	<b>60%</b>	<b>40%</b>	<b>37.18%</b>





**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
**SECONDARY AIRLINES -- CAPITAL STRUCTURE**

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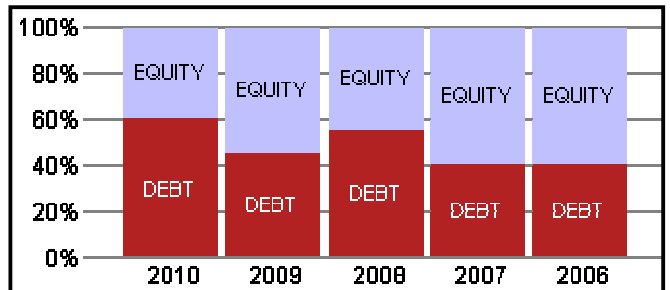
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
AirTran Hldgs. Inc.	833.3	35.0	630.4		0.0	5.24	119.6	626.7
Alaska Air Group	1,657.5	95.0	1,538.8		0.0	36.51	36.3	1,325.3
ExpressJet Holdings Inc.	40.5		11.6		0.0	4.68	17.6	82.4
JetBlue Airways	2,972.0	190.0	2,979.7		0.0	5.85	271.8	1,590.0
Pinnacle Airlines Corp	534.0		152.4		0.0	7.01	18.1	126.9
Republic Airways Holdings Inc	2,082.2		594.1		0.0	7.41	34.4	254.9
SkyWest	1,706.6	90.0	1,496.7		0.0	17.23	56.4	971.8
<b>Total</b>			<b>7,403.7</b>		<b>0.0</b>			<b>4,978.0</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AirTran Hldgs. Inc.	50.15%	49.85%
Alaska Air Group	53.73%	46.27%
ExpressJet Holdings Inc.	12.34%	87.66%
JetBlue Airways	65.21%	34.79%
Pinnacle Airlines Corp	54.56%	45.44%
Republic Airways Holdings Inc	69.98%	30.02%
SkyWest	60.63%	39.37%
<b>Mean</b>	<b>52.37%</b>	<b>47.63%</b>
<b>Weighted Mean</b>	<b>59.80%</b>	<b>40.20%</b>



**ADDITIONAL INFORMATION/COMMENTS**

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%





**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
SOUTHWEST AIRLINES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength	Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
Southwest Airlines	39.26	B+ 1.00	0.95	11.64	13.00	8.00	0.02	10.69%
<b>Mean</b>	<b>39.26</b>	<b>1.00</b>	<b>0.95</b>		<b>13.00</b>	<b>8.00</b>		
Industry Growth Rate	10.50%							<b>Indicated Rate 10.69%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	10.95%	75.00%	8.21%
Division's Risk Premium	11.28%	25.00%	2.82%
Dividend Growth	10.69%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>11.03%</b>

**CAPITAL ASSET PRICING MODEL**

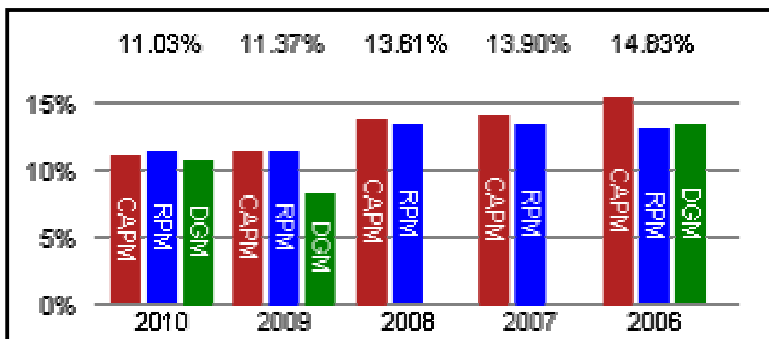
Market Risk Premium	6.70%
Industry Beta	0.95
Industry Risk Premium	6.37%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.95%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	1.00
Industry Risk Premium	6.70%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>11.28%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>11.03%</b>	<b>25%</b>	<b>75%</b>	<b>39.26%</b>





**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
**SOUTHWEST AIRLINES -- CAPITAL STRUCTURE**

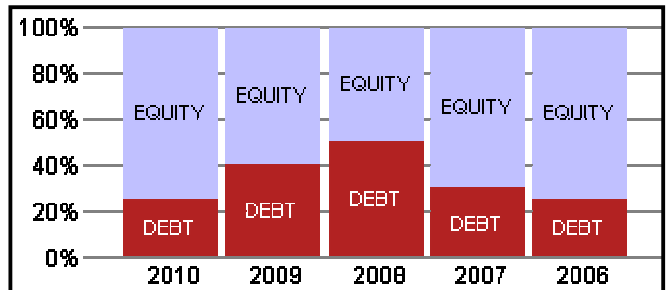
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
Southwest Airlines	3,378.0	120.0	2,310.2		0.0	11.64	740.0	8,613.6
<b>Total</b>			<b>2,310.2</b>		<b>0.0</b>			<b>8,613.6</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Southwest Airlines	21.15%	78.85%
<b>Mean</b>	<b>21.15%</b>	<b>78.85%</b>
<b>Weighted Mean</b>	<b>21.15%</b>	<b>78.85%</b>



**ADDITIONAL INFORMATION/COMMENTS**

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
FREIGHT AIRLINES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength		Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
Atlas Air Worldwide	44.05	B	1.11	1.60	38.80	7.00		0.00	N/A
FedEx Corp.	37.64	B++	0.89	0.95	84.16	11.00	7.00	0.44	7.06%
United Parcel Serv.	40.11	A	0.78	0.85	58.92	1.50	6.00	1.80	9.75%
<b>Mean</b>	<b>40.60</b>	<b>0.93</b>		<b>1.13</b>		<b>6.50</b>	<b>6.50</b>		
Industry Growth Rate	6.50%					<b>Indicated Rate</b>			<b>8.41%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	12.15%	75.00%	9.11%
Division's Risk Premium	10.81%	25.00%	2.70%
Dividend Growth	8.41%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>11.81%</b>

**CAPITAL ASSET PRICING MODEL**

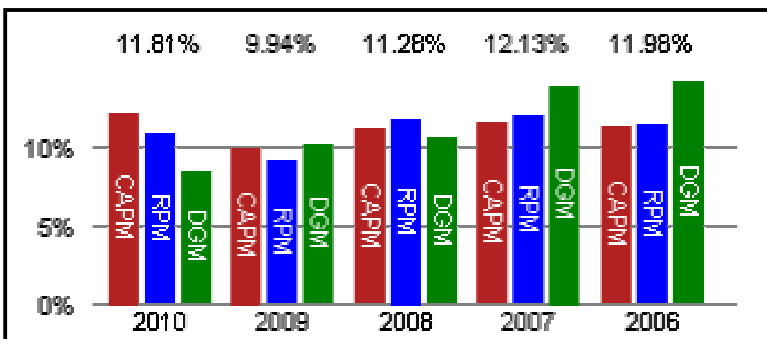
Market Risk Premium	6.70%
Industry Beta	1.13
Industry Risk Premium	7.57%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>12.15%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	0.93
Industry Risk Premium	6.23%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.81%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>11.81%</b>	<b>10%</b>	<b>90%</b>	<b>40.60%</b>





**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
FREIGHT AIRLINES -- CAPITAL STRUCTURE**

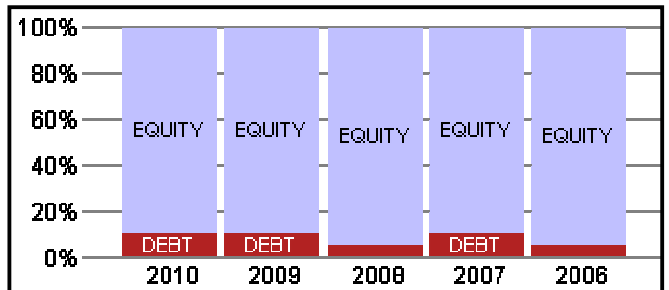
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
Atlas Air Worldwide	599.5	44.0	664.7		0.0	38.80	21.1	818.7
FedEx Corp.	1,918.0	80.0	1,444.8		0.0	84.16	312.0	26,257.9
United Parcel Serv.	8,908.0	350.0	6,468.5		0.0	58.92	995.4	58,649.0
<b>Total</b>			<b>8,578.0</b>		<b>0.0</b>			<b>85,725.6</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Atlas Air Worldwide	44.81%	55.19%
FedEx Corp.	5.22%	94.78%
United Parcel Serv.	9.93%	90.07%
<b>Mean</b>	<b>19.99%</b>	<b>80.01%</b>
<b>Weighted Mean</b>	<b>9.10%</b>	<b>90.90%</b>



**ADDITIONAL INFORMATION/COMMENTS**

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
**ELECTRIC UTILITIES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength	Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
Black Hills	33.14	B+ 1.00	0.80	26.48	10.00	2.50	1.44	11.15%
Portland General	28.69	B++ 0.89	0.75	20.23	3.50	5.50	1.04	10.84%
ALLETE	34.34	A 0.78	0.70	32.68	NMF	3.00	1.78	11.16%
Alliant Energy	33.37	A 0.78	0.70	30.83	4.00	7.00	1.60	10.89%
DPL Inc.	29.62	B++ 0.89	0.60	27.32	9.00	3.50	1.16	9.90%
Integrus Energy	29.09	B+ 1.00	0.95	42.23	5.50	1.50	2.72	12.21%
OGE Energy	30.43	A 0.78	0.75	36.81	4.50	2.50	1.46	9.60%
Wisconsin Energy	37.63	B++ 0.89	0.65	49.61	8.00	13.50	1.55	8.71%
Allegheny Energy	34.15	B++ 0.89	0.95	23.39	7.00	NMF	0.60	8.12%
TECO Energy	36.76	B 1.11	0.85	15.76	4.50	2.50	0.80	10.77%
<b>Mean</b>	<b>32.72</b>	<b>0.90</b>	<b>0.77</b>		<b>6.22</b>	<b>4.61</b>		
Industry Growth Rate	5.42%				<b>Indicated Rate</b>			<b>10.34%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	9.74%	75.00%	7.31%
Division's Risk Premium	10.61%	25.00%	2.65%
Dividend Growth	10.34%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>9.96%</b>

**CAPITAL ASSET PRICING MODEL**

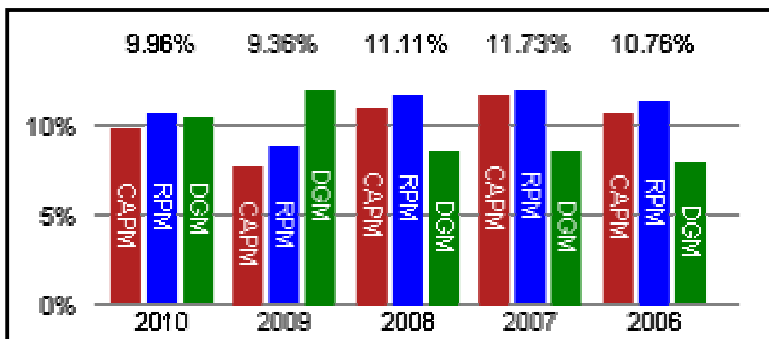
Market Risk Premium	6.70%
Industry Beta	0.77
Industry Risk Premium	5.16%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>9.74%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	0.90
Industry Risk Premium	6.03%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.61%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>9.96%</b>	<b>40%</b>	<b>60%</b>	<b>32.72%</b>





**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
ELECTRIC UTILITIES -- CAPITAL STRUCTURE**

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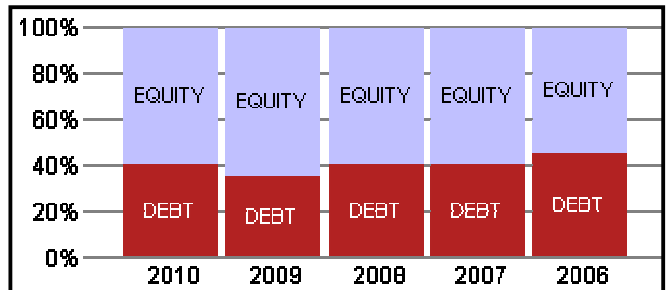
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
Black Hills	719.2	53.9	809.9	0.0	0.0	26.48	38.6	1,022.1
Portland General	1,408.0	87.0	1,377.8	0.0	0.0	20.23	62.6	1,266.4
ALLETE	628.4	30.8	524.9	0.0	0.0	32.68	32.6	1,065.4
Alliant Energy	2,155.9	135.0	2,129.7	18.7	285.1	30.83	110.4	3,403.6
DPL Inc.	1,375.8	80.0	1,290.1	0.8	12.2	27.32	116.0	3,169.1
Integrus Energy	2,396.7	134.2	2,189.5	3.1	47.3	42.23	76.0	3,209.5
OGE Energy	1,930.8	125.5	1,958.9	0.0	0.0	36.81	93.5	3,441.7
Wisconsin Energy	3,631.2	203.3	3,317.0	1.2	18.3	49.61	116.9	5,799.4
Allegheny Energy	4,327.4	240.0	3,927.4	0.0	0.0	23.39	169.4	3,962.3
TECO Energy	3,201.7	206.5	3,230.3	0.0	0.0	15.76	212.9	3,355.3
<b>Total</b>			<b>20,755.5</b>		<b>362.9</b>			<b>29,694.8</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Black Hills	44.21%	55.79%
Portland General	52.11%	47.89%
ALLETE	33.01%	66.99%
Alliant Energy	41.50%	58.50%
DPL Inc.	29.13%	70.87%
Integrus Energy	41.07%	58.93%
OGE Energy	36.27%	63.73%
Wisconsin Energy	36.51%	63.49%
Allegheny Energy	49.78%	50.22%
TECO Energy	49.05%	50.95%
<b>Mean</b>	<b>41.26%</b>	<b>58.74%</b>
<b>Weighted Mean</b>	<b>41.56%</b>	<b>58.44%</b>



**ADDITIONAL INFORMATION/COMMENTS**

Several reviews of the industry reflect an increased risk for those companies that have nuclear power generation. Although last year included a small percentage of companies with nuclear power, this year more data surfaced with details about the environmental risk that is perceived due to the cost of holding spent rods because the government never developed disposal sites. This has indicated that several companies have sold for less than comparable coal generation companies.

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
NATURAL GAS UTILITIES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength		Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
AGL Resources	40.52	B++	0.89	0.75	36.37	3.50	2.50	1.76	8.94%
Atmos Energy	38.39	B+	1.00	0.65	29.35	4.00	1.50	1.34	8.65%
Laclede Group	31.27	B+	1.00	0.60	33.69	3.50	2.50	1.58	8.78%
Nicor Inc.	27.05	A	0.78	0.75	41.69	1.50		1.86	8.55%
Northwest Nat. Gas	36.95	A	0.78	0.60	45.11	5.00	6.50	1.68	7.78%
Piedmont Natural Gas	36.35	B++	0.89	0.65	26.17	7.00	3.50	1.08	8.20%
Questar Corp.	34.32	B++	0.89	1.20	43.20	3.50	3.50	0.52	5.16%
Southwest Gas	40.11	B	1.11	0.75	29.09	6.00	5.00	1.00	7.48%
<b>Mean</b>	<b>35.62</b>	<b>0.92</b>		<b>0.74</b>		<b>4.25</b>	<b>3.57</b>		
Industry Growth Rate	3.91%				<b>Indicated Rate</b>				<b>7.94%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	9.54%	75.00%	7.16%
Division's Risk Premium	10.74%	25.00%	2.69%
Dividend Growth	7.94%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>9.85%</b>

**CAPITAL ASSET PRICING MODEL**

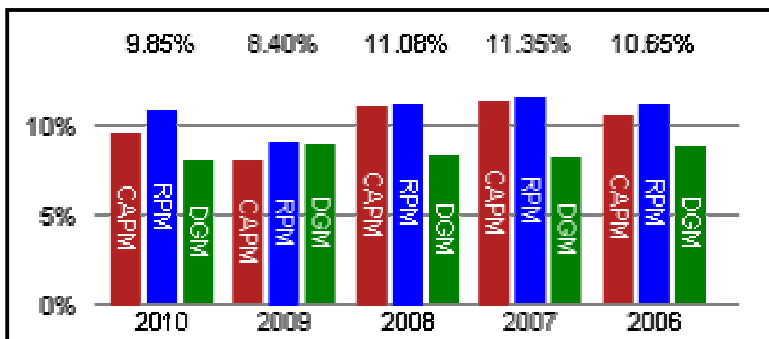
Market Risk Premium	6.70%
Industry Beta	0.74
Industry Risk Premium	4.96%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>9.54%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	0.92
Industry Risk Premium	6.16%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.74%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>9.85%</b>	<b>30%</b>	<b>70%</b>	<b>35.62%</b>





**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
**NATURAL GAS UTILITIES -- CAPITAL STRUCTURE**

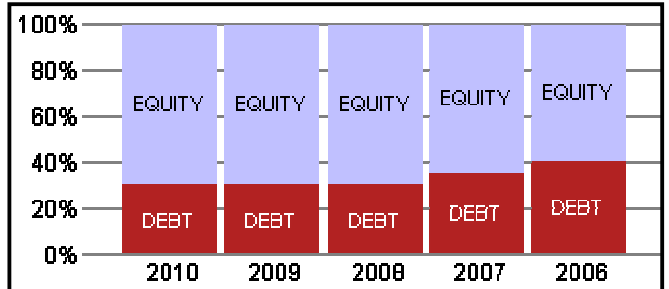
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
AGL Resources	1,975.0	90.0	1,573.3		0.0	36.37	76.9	2,796.9
Atmos Energy	2,169.4	115.0	1,909.2		0.0	29.35	90.8	2,665.0
Laclede Group	389.2	25.0	391.5		0.0	33.69	22.0	741.2
Nicor Inc.	498.8	5.0	198.4	0.0	0.0	41.69	45.1	1,880.2
Northwest Nat. Gas	637.0	37.0	596.9		0.0	45.11	26.5	1,195.4
Piedmont Natural Gas	792.8	55.5	848.9		0.0	26.17	73.3	1,918.3
Questar Corp.	2,104.9	120.0	1,946.9		0.0	43.20	173.6	7,499.5
Southwest Gas	1,226.6	85.0	1,303.6		0.0	29.09	44.2	1,285.8
<b>Total</b>			<b>8,768.7</b>		<b>0.0</b>			<b>19,982.3</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AGL Resources	36.00%	64.00%
Atmos Energy	41.74%	58.26%
Laclede Group	34.56%	65.44%
Nicor Inc.	9.54%	90.46%
Northwest Nat. Gas	33.30%	66.70%
Piedmont Natural Gas	30.68%	69.32%
Questar Corp.	20.61%	79.39%
Southwest Gas	50.34%	49.66%
<b>Mean</b>	<b>32.10%</b>	<b>67.90%</b>
<b>Weighted Mean</b>	<b>30.50%</b>	<b>69.50%</b>



**ADDITIONAL INFORMATION/COMMENTS**

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%





**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
**NATURAL GAS PIPELINES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength	Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
Boardwalk Pipeline	NMF	B+ 1.00	0.85	30.38	5.00	4.00	1.98	14.08%
Energy Transfer	NMF	B++ 0.89	0.85	46.44	4.00	8.50	3.64	15.49%
Enterprise Products	NMF	B+ 1.00	0.85	33.00	12.00	10.00	2.21	14.27%
Williams Cos.	34.84	B+ 1.00	1.30	21.82	9.00	9.00	0.48	9.46%
TransCanada Corp.	27.72	B++ 0.89	0.90	34.70	7.00	2.50	1.44	11.54%
El Paso Pipeline	NMF	B 1.11	0.75	26.65			1.40	12.73%
<b>Mean</b>	<b>31.28</b>	<b>0.98</b>	<b>0.92</b>		<b>7.40</b>	<b>6.80</b>		
Industry Growth Rate	7.10%				<b>Indicated Rate</b>			<b>12.93%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	10.74%	75.00%	8.06%
Division's Risk Premium	11.15%	0.00%	0.00%
Dividend Growth	12.93%	25.00%	3.23%
<b>Reconciled Equity Rate</b>			<b>11.29%</b>

**CAPITAL ASSET PRICING MODEL**

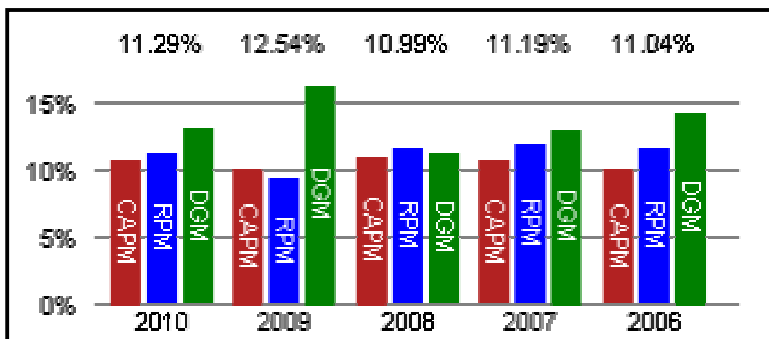
Market Risk Premium	6.70%
Industry Beta	0.92
Industry Risk Premium	6.16%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.74%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	0.98
Industry Risk Premium	6.57%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>11.15%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>11.29%</b>	<b>35%</b>	<b>65%</b>	<b>31.28%</b>





**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
**NATURAL GAS PIPELINES -- CAPITAL STRUCTURE**

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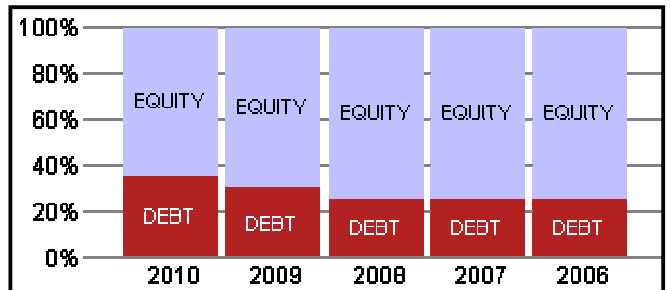
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
Boardwalk Pipeline	3,024.5	170.0	2,770.3		0.0	30.38	177.8	5,401.6
Energy Transfer	6,166.0	295.0	5,069.0		0.0	46.44	152.1	7,063.5
Enterprise Products	9,198.3	500.0	8,234.2		0.0	33.00	441.4	14,566.2
Williams Cos.	8,258.0	650.0	9,648.8		0.0	21.82	578.0	12,612.0
TransCanada Corp.	15,558.9	725.0	12,573.4		0.0	34.70	616.5	21,392.6
El Paso Pipeline	1,355.3	22.9	643.6	33.8	515.2	26.65	85.0	2,265.3
<b>Total</b>			<b>38,939.3</b>		<b>515.2</b>			<b>63,301.2</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Boardwalk Pipeline	33.90%	66.10%
Energy Transfer	41.78%	58.22%
Enterprise Products	36.11%	63.89%
Williams Cos.	43.34%	56.66%
TransCanada Corp.	37.02%	62.98%
El Paso Pipeline	33.84%	66.16%
<b>Mean</b>	<b>37.67%</b>	<b>62.33%</b>
<b>Weighted Mean</b>	<b>38.40%</b>	<b>61.60%</b>



**ADDITIONAL INFORMATION/COMMENTS**

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
LIQUID PIPELINES -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength		Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
Buckeye Partners L.P.	NMF	B+	1.00	0.85	56.14	7.00	3.50	3.77	12.85%
Kinder Morgan Energy	NMF	B+	1.00	0.75	62.38	4.00	8.00	4.40	13.21%
Magellan Midstream	NMF	B+	1.00	0.90	44.25	2.00	3.50	2.92	12.73%
Plains All Amer. Pipe.	NMF	B+	1.00	0.90	54.25	2.50	3.00	3.68	12.92%
Enbridge Inc.	32.43	B+	1.00	0.65	48.15	7.00	6.50	1.70	9.48%
Enterprise Products	NMF	B+	1.00	0.85	33.00	12.00	10.00	2.21	12.83%
<b>Mean</b>	<b>32.43</b>	<b>1.00</b>		<b>0.82</b>		<b>5.75</b>	<b>5.75</b>		

Industry Growth Rate 5.75% **Indicated Rate 12.34%**

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	10.07%	75.00%	7.55%
Division's Risk Premium	11.28%	0.00%	0.00%
Dividend Growth	12.34%	25.00%	3.08%

**Reconciled Equity Rate 10.63%**

**CAPITAL ASSET PRICING MODEL**

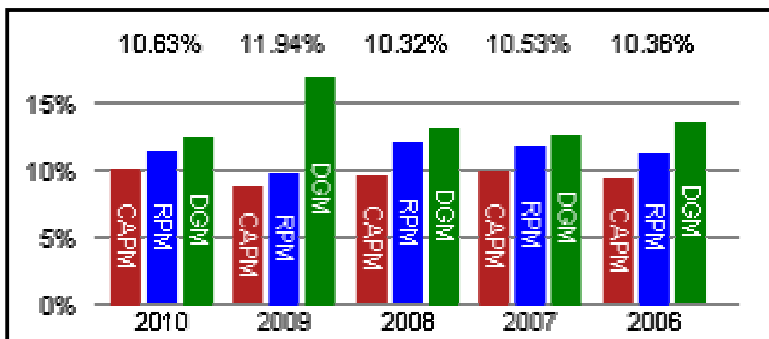
Market Risk Premium	6.70%
Industry Beta	0.82
Industry Risk Premium	5.49%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.07%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	1.00
Industry Risk Premium	6.70%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>11.28%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>10.63%</b>	<b>30%</b>	<b>70%</b>	<b>32.43%</b>





**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
LIQUID PIPELINES -- CAPITAL STRUCTURE**

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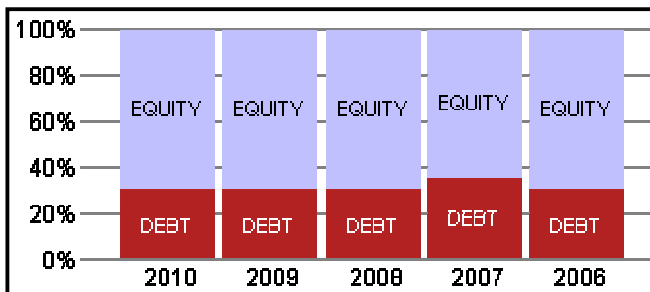
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
Buckeye Partners L.P.	1,420.9	70.0	1,190.8		0.0	56.14	48.4	2,717.2
Kinder Morgan Energy	10,247.4	425.0	7,692.1		0.0	62.38	266.3	16,611.8
Magellan Midstream	1,624.6	80.0	1,361.1		0.0	44.25	66.7	2,951.5
Plains All Amer. Pipe.	4,142.0	180.0	3,201.3		0.0	54.25	122.9	6,667.3
Enbridge Inc.	12,181.0	525.0	9,365.7	6.9	105.2	48.15	373.0	17,960.0
Enterprise Products	9,198.3	500.0	8,234.2		0.0	33.00	441.4	14,566.2
<b>Total</b>			<b>31,045.2</b>		<b>105.2</b>			<b>61,474.0</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Buckeye Partners L.P.	30.47%	69.53%
Kinder Morgan Energy	31.65%	68.35%
Magellan Midstream	31.56%	68.44%
Plains All Amer. Pipe.	32.44%	67.56%
Enbridge Inc.	34.53%	65.47%
Enterprise Products	36.11%	63.89%
<b>Mean</b>	<b>32.79%</b>	<b>67.21%</b>
<b>Weighted Mean</b>	<b>33.63%</b>	<b>66.37%</b>



**ADDITIONAL INFORMATION/COMMENTS**

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



**UTAH STATE TAX COMMISSION**  
**PROPERTY TAX DIVISION**  
**RAILROAD AND TERMINAL -- EQUITY RATE MODELS**

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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength		Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
Burlington Northern	36.39	A	0.78	1.05	98.76	6.00	9.00	1.60	12.04%
Can. National Railway	30.04	A	0.78	1.20	54.98	9.00	11.00	0.94	12.14%
CSX Corp.	36.99	B++	0.89	1.25	50.06	11.50	15.00	0.88	12.19%
Norfolk Southern	37.60	B+	1.00	1.15	53.36	NMF	NMF	1.36	13.06%
Union Pacific	36.05	A	0.78	1.20	66.59	NMF	NMF	1.08	12.04%
<b>Mean</b>	<b>35.41</b>	<b>0.85</b>		<b>1.17</b>		<b>8.83</b>	<b>11.67</b>		
Industry Growth Rate	10.25%				<b>Indicated Rate</b>				<b>12.29%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	12.42%	75.00%	9.32%
Division's Risk Premium	10.28%	0.00%	0.00%
Dividend Growth	12.29%	25.00%	3.07%
<b>Reconciled Equity Rate</b>			<b>12.39%</b>

**CAPITAL ASSET PRICING MODEL**

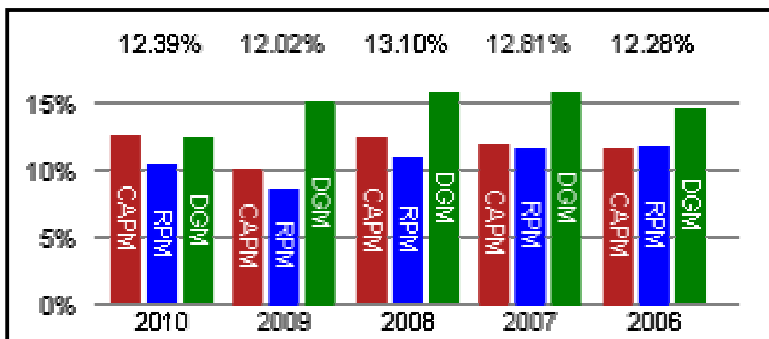
Market Risk Premium	6.70%
Industry Beta	1.17
Industry Risk Premium	7.84%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>12.42%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	0.85
Industry Risk Premium	5.70%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.28%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>12.39%</b>	<b>25%</b>	<b>75%</b>	<b>35.41%</b>





**UTAH STATE TAX COMMISSION  
PROPERTY TAX DIVISION  
RAILROAD AND TERMINAL -- CAPITAL STRUCTURE**

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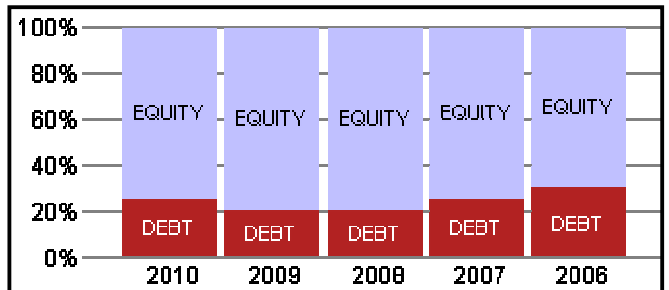
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
Burlington Northern	10,062.0	700.0	10,724.5	0.0	0.0	98.76	339.4	33,519.1
Can. National Railway	6,055.0	361.0	5,777.8	0.0	0.0	54.98	468.2	25,741.6
CSX Corp.	7,906.0	555.0	8,482.5	0.0	0.0	50.06	390.5	19,548.4
Norfolk Southern	6,685.0	440.0	6,843.9	0.0	0.0	53.36	366.2	19,540.4
Union Pacific	9,620.0	530.0	8,691.1	0.0	0.0	66.59	503.2	33,508.1
<b>Total</b>			<b>40,519.8</b>		<b>0.0</b>			<b>131,857.6</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Burlington Northern	24.24%	75.76%
Can. National Railway	18.33%	81.67%
CSX Corp.	30.26%	69.74%
Norfolk Southern	25.94%	74.06%
Union Pacific	20.60%	79.40%
<b>Mean</b>	<b>23.87%</b>	<b>76.13%</b>
<b>Weighted Mean</b>	<b>23.51%</b>	<b>76.49%</b>



**ADDITIONAL INFORMATION/COMMENTS**

BNSF will be purchased in 2010 by Berkshire Hathaway. This will eliminate a publicly traded company from Value Line for 2011. The purchase price has vacilated depending upon the source, but Value Line lists the price at \$34 billion. There is no indication in the report that the price does or does not include the already owned stake Berkshire has in the company.

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength	Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
AT&T Inc.	35.35	A+ 0.67	0.75	28.54	5.00	5.50	1.68	10.83%
Verizon Communic.	34.42	A+ 0.67	0.70	33.00	4.00	2.50	1.90	10.70%
U.S. Cellular	NMF	B+ 1.00	1.10	42.18	4.00		0.00	N/A
Sprint Nextel Corp.	NMF	C++ 1.22	1.35	4.04		7.00	0.00	N/A
Leap Wireless	NMF	C++ 1.22	1.30	18.76			0.00	N/A
Metro PCS Communic.	46.52	C++ 1.22	0.85	7.97	NMF		0.00	N/A
<b>Mean</b>	<b>38.76</b>	<b>1.00</b>	<b>1.01</b>		<b>4.33</b>	<b>5.00</b>		
Industry Growth Rate	4.67%				<b>Indicated Rate</b>			<b>10.77%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	11.35%	75.00%	8.51%
Division's Risk Premium	11.28%	25.00%	2.82%
Dividend Growth	10.77%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>11.33%</b>

**CAPITAL ASSET PRICING MODEL**

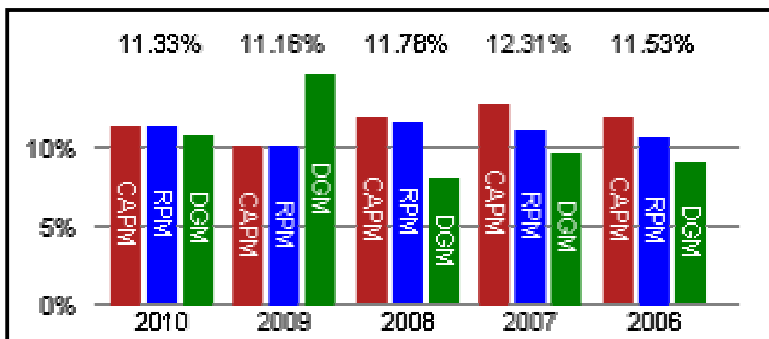
Market Risk Premium	6.70%
Industry Beta	1.01
Industry Risk Premium	6.77%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>11.35%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	1.00
Industry Risk Premium	6.70%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>11.28%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>11.33%</b>	<b>30%</b>	<b>70%</b>	<b>38.76%</b>





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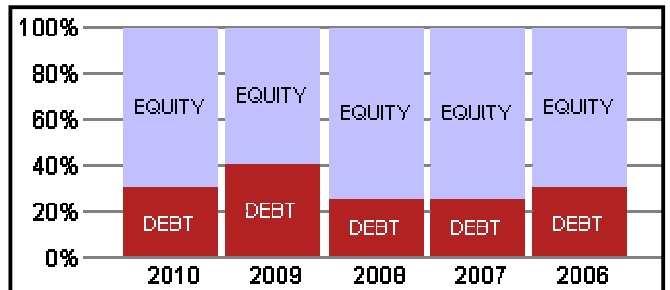
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
AT&T Inc.	65,909.0	3,400.0	56,951.4		0.0	28.54	5,893.0	168,186.2
Verizon Communic.	57,374.0	1,650.0	34,882.2		0.0	33.00	2,840.6	93,739.8
U.S. Cellular	997.6	58.0	935.4		0.0	42.18	87.3	3,682.3
Sprint Nextel Corp.	20,892.0	1,385.0	21,499.9		0.0	4.04	2,857.0	11,542.3
Leap Wireless	2,752.8	200.0	3,029.3		0.0	18.76	69.5	1,303.8
Metro PCS Communic.	3,590.7	280.0	4,165.9		0.0	7.97	350.9	2,796.7
<b>Total</b>			<b>121,464.1</b>		<b>0.0</b>			<b>281,251.1</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AT&T Inc.	25.30%	74.70%
Verizon Communic.	27.12%	72.88%
U.S. Cellular	20.26%	79.74%
Sprint Nextel Corp.	65.07%	34.93%
Leap Wireless	69.91%	30.09%
Metro PCS Communic.	59.83%	40.17%
<b>Mean</b>	<b>44.58%</b>	<b>55.42%</b>
<b>Weighted Mean</b>	<b>30.16%</b>	<b>69.84%</b>



**ADDITIONAL INFORMATION/COMMENTS**

The Wireless segment of the industry is by far the most competitive. With the penetration rate approaching 90%, there are few customers to be brought in. Therefore, there is very strong competition between the carriers causing them to offer plans at cut-throat prices. This is a risky path for them to go down as they may not be able to generate the revenues necessary to build out their current systems and upgrade to the newer technologies such as 4G LTE. To keep subscribers, the carriers have to employ the latest and greatest technology and handsets to appease the fickle consumers.  
 -ValueLine Issue 5 Telecommunications Industries

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%





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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength		Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
CenturyTel Inc.	37.01	B++	0.89	0.75	36.84	2.50	NMF	2.80	12.71%
Cincinnati Bell	41.70	C+	1.33	1.05	3.56	6.00		0.00	N/A
Frontier Communic.	36.83	B	1.11	0.95	7.93	5.00		0.75	14.66%
Iowa Telecom. Svcs.	42.95	B	1.11	0.75	17.03	NMF		1.62	14.71%
Qwest Communic.	38.04	C+	1.33	1.05	4.33	NMF	NMF	0.32	12.49%
Windstream Corp.	39.44	B	1.11	0.95	11.19	2.50	5.50	1.00	14.11%
<b>Mean</b>	<b>39.33</b>	<b>1.15</b>		<b>0.92</b>		<b>4.00</b>	<b>5.50</b>		
Industry Growth Rate	4.75%				<b>Indicated Rate</b>				<b>13.74%</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	10.74%	75.00%	8.06%
Division's Risk Premium	12.29%	0.00%	0.00%
Dividend Growth	13.74%	25.00%	3.43%
<b>Reconciled Equity Rate</b>			<b>11.49%</b>

**CAPITAL ASSET PRICING MODEL**

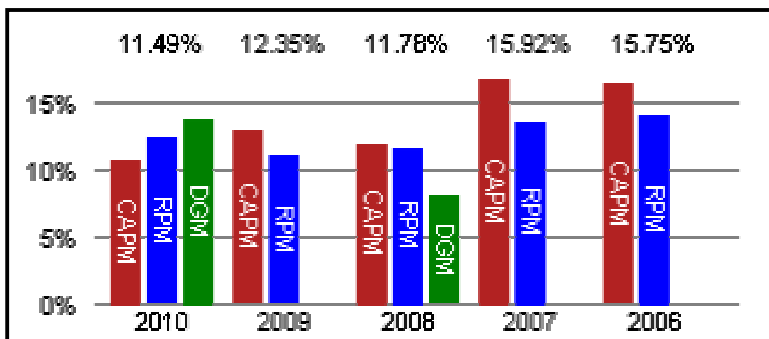
Market Risk Premium	6.70%
Industry Beta	0.92
Industry Risk Premium	6.16%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>10.74%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	1.15
Industry Risk Premium	7.71%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>12.29%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>11.49%</b>	<b>60%</b>	<b>40%</b>	<b>39.33%</b>





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**TELECOM II: WIRELINE -- CAPITAL STRUCTURE**

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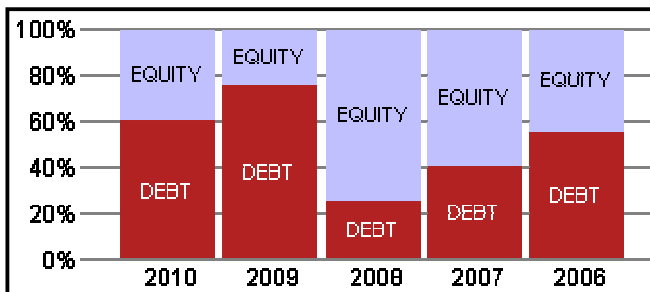
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**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
CenturyTel Inc.	7,454.5	400.0	6,614.7		0.0	36.84	297.5	10,959.9
Cincinnati Bell	1,932.2	125.0	1,953.7	10.4	158.5	3.56	202.9	722.3
Frontier Communic.	4,897.5	375.0	5,604.7		0.0	7.93	312.3	2,476.5
Iowa Telecom. Svcs.	566.9	30.0	498.3		0.0	17.03	32.8	558.6
Qwest Communic.	13,210.0	1,050.0	15,549.5		0.0	4.33	1,726.6	7,476.2
Windstream Corp.	5,199.0	390.0	5,859.0		0.0	11.19	427.3	4,781.5
<b>Total</b>			<b>36,079.9</b>		<b>158.5</b>			<b>26,975.0</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
CenturyTel Inc.	37.64%	62.36%
Cincinnati Bell	74.52%	25.48%
Frontier Communic.	69.35%	30.65%
Iowa Telecom. Svcs.	47.15%	52.85%
Qwest Communic.	67.53%	32.47%
Windstream Corp.	55.06%	44.94%
<b>Mean</b>	<b>58.54%</b>	<b>41.46%</b>
<b>Weighted Mean</b>	<b>57.33%</b>	<b>42.67%</b>



**ADDITIONAL INFORMATION/COMMENTS**

The Wireline segment of the industry is struggling to stay alive. There is more and more pressure for them to provide the same technologies and services provided by the wireless and broadband carriers. Simply put, they cannot compete because their networks are not designed to operate with the newer technologies. As a result they are trying to remain competitive by installing the systems that provide the newer technologies while maintaining the older systems. At the same time they are having to reduce rates to keep customer migration down cutting into their ability to maintain and buildout at the same time.

-ValueLine Issue 5 Telecommunications Industries

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%



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**DIVIDEND GROWTH MODEL**

Company Name	Tax Rate	Rel. Financial Strength	Beta	Recent Stock Price	Projected Earnings Growth	Projected Dividend Growth	Current Dividend	D.G.M. Rate
Clearwire Corp.	NMF	C++ 1.22	1.50	7.54			0.00	N/A
FiberTower Corporation	NMF	C 1.44	2.00	4.55			0.00	N/A
Global Crossing	NMF	C++ 1.22	1.00	15.00	12.00		0.00	N/A
Level 3 Communic.	NMF	C++ 1.22	1.35	1.62	4.50		0.00	N/A
<b>Mean</b>	<b>38.50</b>	<b>1.28</b>	<b>1.46</b>		<b>8.25</b>	<b>N/A</b>		
Industry Growth Rate	4.13%						<b>Indicated Rate</b>	<b>N/A</b>

**RECONCILIATION OF EQUITY RATE**

Equity Models	Rate	Weight	Weighted Rate
Capital Asset Pricing	14.36%	75.00%	10.77%
Division's Risk Premium	13.16%	25.00%	3.29%
Dividend Growth	0.00%	0.00%	0.00%
<b>Reconciled Equity Rate</b>			<b>14.06%</b>

**CAPITAL ASSET PRICING MODEL**

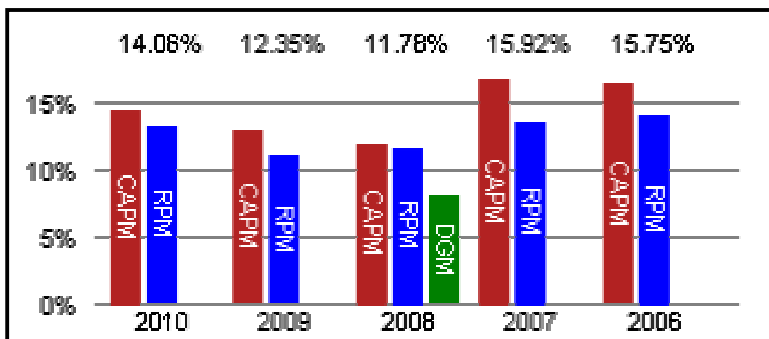
Market Risk Premium	6.70%
Industry Beta	1.46
Industry Risk Premium	9.78%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>14.36%</b>

**DIVISION'S RISK PREMIUM MODEL**

Market Risk Premium	6.70%
Industry Relative Financial Strength	1.28
Industry Risk Premium	8.58%
Add: Risk-Free Rate	4.58%
<b>Indicated Rate</b>	<b>13.16%</b>

**SUMMARY OF INDUSTRY RATES**

EQUITY RATE	PERCENT DEBT	PERCENT EQUITY	TAX RATE
<b>14.06%</b>	<b>60%</b>	<b>40%</b>	<b>38.50%</b>





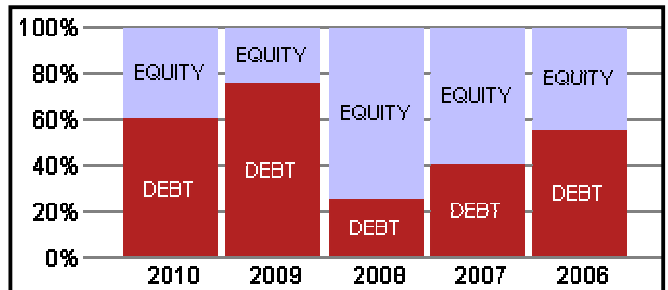
**UTAH STATE TAX COMMISSION**  
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**TELECOM III: BROADBAND -- CAPITAL STRUCTURE**

**CALCULATION OF MARKET VALUE**

Company Name	Long-Term Debt	Long-Term Interest	Market Value of Debt*	Pref'd Divids	MV of Pref'd. Equity**	Recent Stock Price	Common Shares Outstndg	Market Value of Equity
Clearwire Corp.	1,394.9	100.0	1,519.9		0.0	7.54	189.9	1,431.8
FiberTower Corporation	307.5	0.0	87.7		0.0	4.55	15.1	68.7
Global Crossing	1,402.0	84.0	1,342.5		0.0	15.00	56.7	850.5
Level 3 Communic.	6,100.0	160.0	3,535.6		0.0	1.62	1,617.6	2,620.5
<b>Total</b>			<b>6,485.7</b>		<b>0.0</b>			<b>4,971.5</b>

**CAPITAL STRUCTURE AT MARKET VALUE**

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Clearwire Corp.	51.49%	48.51%
FiberTower Corporation	56.07%	43.93%
Global Crossing	61.22%	38.78%
Level 3 Communic.	57.43%	42.57%
<b>Mean</b>	<b>56.55%</b>	<b>43.45%</b>
<b>Weighted Mean</b>	<b>56.61%</b>	<b>43.39%</b>



**ADDITIONAL INFORMATION/COMMENTS**

The Broadband segment is starting to grow some legs as the older traditional carriers rely on them to carry data and video traffic for them. To a degree, the wireless and wireline carriers rely on the broadband carriers to carry some of their traffic as well. As consumers require more data, video and voice either through their smart phone devices, home and business needs, the broadband carriers will be carrying this traffic. Other than the Wi-Max network Sprint/Nextel and others are building or planning to build, there is an abundance of capacity waiting to be filled.  
 -ValueLine Issue 5 Telecommunications Industries

\* Market Value of Debt: 6.37%

\*\* Market Value of Preferred Equity: 6.56%