2014

CAPITALIZATION RATE STUDY FOR CENTRALLY ASSESSED PROPERTIES

FOR: JANUARY 1, 2014

UTAH STATE TAX COMMISSION

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

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REV. 3/13/2014

Industry	Page	Equity Yield Rate	Debt / Equity	Income Tax Rate
LEGACY AIR CARRIERS	3	12.71%	55% / 45%	38.50%
DISCOUNT/REGIONAL CARRIERS	6	10.75%	50% / 50%	38.72%
SOUTHWEST AIRLINES	9	10.64%	35% / 65%	38.54%
FREIGHT AIR CARRIERS	12	9.76%	20% / 80%	35.91%
ELECTRIC UTILITIES	15	9.16%	40% / 60%	33.19%
NATURAL GAS UTILITIES	18	8.98%	35% / 65%	34.75%
NATURAL GAS PIPELINES	21	11.59%	30% / 70%	29.65%
LIQUID PIPELINES	24	11.79%	25% / 75%	38.50%
RAILROAD & TERMINAL	27	12.67%	15% / 85%	34.68%
RAILROAD - SHORTLINE	30	13.68%	15% / 85%	34.11%
WIRELESS TELECOMS	33	10.48%	35% / 65%	33.97%
WIRELINE TELECOMS	36	10.34%	55% / 45%	43.50%
BROADBAND TELECOMS	39	10.88%	50% / 50%	42.60%

CORPORATE BONDS

Aaa	4.62%
Aa	4.68%
A	4.85%
Baa	5.38%
Ba1	6.89%
Ba2	7.85%
Ba3	8.20%
B1	8.20%
B2	8.39%
B3	9.88%
Caa1	11.25%
Caa2	11.25%
Caa3	13.24%
Ca	15.08%
C	18.83%

PUBLIC UTILITY BONDS

Aaa	N/A
Aa	4.59%
A	4.81%
Baa	5.25%

PREFERRED STOCKS

Aaa	4.62%
Aa	4.68%
A	4.85%
Baa	5.38%

MISCELLANEOUS RATES

Airline 'TEFRA' Relief Factor	4.79%
4-R Act Relief for Railroads	7.97%
4-R Act Relief (BNSF only)	0.00%
Rural Telephone Equity Rate Adj.	4.00%
Default Income Tax Rate	38.50%
ValueLine GDP Price Deflator Forecast	1.80%

INFLATION FACTORS

Year	4th Quarter GDP Implicit Price Deflator	Annual Percent Change	Conversion Factor
2003	87.378	N/A	**1.226**
2004	90.078	3.09%	**1.189**
2005	93.121	3.38%	**1.150**
2006	95.583	2.64%	**1.121**
2007	97.959	2.49%	**1.094**
2008	99.808	1.89%	**1.073**
2009	100.164	0.36%	**1.069**
2010	101.936	1.77%	**1.051**
2011	103.783	1.81%	**1.032**
2012	105.667	1.82%	**1.014**
2013	107.121	1.38%	**1.000**

2014 - 2004 Average Change: 2.06%

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. . (2014). 2014 Ibbotson SBBI Market Report. Chicago, IL: Morningstar, Inc.

Stock prices are December 31, 2013 closing from Yahoo! Finance. (2014). Retrieved from http://finance.yahoo.com/

Bond yield information derived from Mergent bond record. (January 2014 Vol. 81, No. 1). New York: Mergent, Inc.

Company and industry data from (2014). Value line. New York: Value Line Inc. Retrieved from http://www.valueline.com/

To comply with R884-24P-62 deferred income taxes will be subtracted in the cost approach for rate-base regulated utilities only.

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	12.91%
CAPM: Total NYSE	N/A
CAPM: Supply Side	11.80%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	12.21%
DGM: Earnings & Dividend	13.37%
DGM: Plowback Ratio	27.33%
Reconciled Equity Rate	**12.71%**
Debt/Equity Structure	**55.00% / 45.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	1.32
Industry Risk Premium	9.19%
Add: Risk-Free Rate	3.72%
Indicated Rate	**12.91%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.32
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Delta Air Lines	NMF	1.22 (C++)	1.49
United Cont'l Hldgs.	NMF	1.22 (C++)	1.16
Selected	**38.50%**	**1.22**	**1.32**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	1.32
Industry Risk Premium	8.08%
Add: Risk-Free Rate	3.72%
Indicated Rate	**11.80%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.32
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	1.22
Industry Risk Premium	8.49%
Add: Risk-Free Rate	3.72%
Indicated Rate	**12.21%**

COMMENTS ABOUT THE LEGACY AIR CARRIERS INDUSTRY

Relevered betas at industry capital structure.

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Delta Air Lines	$27.47	$0.24	12.50%	-	12.50%	13.37%
United Cont'l Hldgs.	$37.83	-	9.00%	-	9.00%	-

Indicated Rate **13.37%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Delta Air Lines	$27.47	$0.24	28.50%	92.84%	26.46%	27.33%
United Cont'l Hldgs.	$37.83	-	25.50%	100.00%	25.50%	-

Indicated Rate **27.33%**

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
Delta Air Lines	11,900.0	600.0	2.52%	8,235.6	20,229.8	-	-	27.47	851.4	23,389.1
United Cont'l Hldgs.	12,059.0	720.0	2.99%	9,437.6	24,880.5	-	-	37.83	362.3	13,705.2
Total					**45,110.4**	**-**				**37,094.3**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Delta Air Lines	46.38%	53.62%
United Cont'l Hldgs.	64.48%	35.52%
Mean	**55.43%**	**44.57%**
Weighted Mean	**54.88%**	**45.12%**

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: 8.20% (Corporate B1)

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

\+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.05%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.29%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	11.31%
DGM: Earnings & Dividend	12.83%
DGM: Plowback Ratio	11.61%
Reconciled Equity Rate	**10.75%**
Debt/Equity Structure	**50.00% / 50.00%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alaska Air Group	38.48%	1.00 (B+)	1.37
Allegiant Travel	37.09%	0.89 (B++)	1.02
Hawaiian Hldgs.	37.94%	1.22 (C++)	0.65
JetBlue Airways	38.76%	1.22 (C++)	1.06
Republic Airways Holdings Inc	40.49%	1.33 (C+)	0.42
SkyWest	40.44%	1.11 (B)	0.52
Spirit Airlines	37.88%	0.89 (B++)	1.33
Selected	**38.72%**	**1.09**	**0.91**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.91
Industry Risk Premium	6.33%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.05%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.91
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.91
Industry Risk Premium	5.57%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.29%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.91
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	1.09
Industry Risk Premium	7.59%
Add: Risk-Free Rate	3.72%
Indicated Rate	**11.31%**

COMMENTS ABOUT THE DISCOUNT/REGIONAL CARRIERS INDUSTRY

Relevered betas at industry capital structure.

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	$73.37	$0.80	9.50%	-	9.50%	10.59%
Allegiant Travel	$105.44	-	16.00%	-	16.00%	-
Hawaiian Hldgs.	$9.63	-	15.00%	-	15.00%	-
JetBlue Airways	$8.54	-	14.50%	-	14.50%	-
Republic Airways Holdings Inc	$10.69	-	8.63%	-	8.63%	-
SkyWest	$14.83	$0.16	24.00%	4.00%	14.00%	15.08%
Spirit Airlines	$45.41	-	-	-	-	-

Indicated Rate **12.83%**

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	$73.37	$0.80	16.00%	88.57%	14.17%	15.26%
Allegiant Travel	$105.44	-	23.50%	100.00%	23.50%	-
Hawaiian Hldgs.	$9.63	-	18.50%	100.00%	18.50%	-
JetBlue Airways	$8.54	-	9.00%	100.00%	9.00%	-
Republic Airways Holdings Inc	$10.69	-	10.00%	100.00%	10.00%	-
SkyWest	$14.83	$0.16	7.50%	91.67%	6.88%	7.95%
Spirit Airlines	$45.41	-	18.50%	100.00%	18.50%	-

Indicated Rate **11.61%**

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	893.0	53.0	2.97%	695.8	1,658.3	-	-	73.37	68.7	5,043.9
Allegiant Travel	179.7	9.0	2.50%	123.8	361.0	-	-	105.44	18.5	1,955.3
Hawaiian Hldgs.	762.8	40.0	2.62%	542.9	1,375.0	-	-	9.63	52.4	504.8
JetBlue Airways	2,842.0	135.0	2.38%	1,886.0	3,739.0	-	-	8.54	295.6	2,524.3
Republic Airways Holdings Inc	1,995.7	-	-	1,995.7	2,637.3	-	-	10.69	48.6	519.5
SkyWest	1,524.2	70.0	2.30%	988.1	3,009.2	-	-	14.83	51.2	759.7
Spirit Airlines	0.0	-	-	0.0	1,153.0	-	-	45.41	72.6	3,295.2
Total				**13,932.8**		**-**				**14,602.7**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alaska Air Group	24.74%	75.26%
Allegiant Travel	15.58%	84.42%
Hawaiian Hldgs.	73.15%	26.85%
JetBlue Airways	59.70%	40.30%
Republic Airways Holdings Inc	83.54%	16.46%
SkyWest	79.84%	20.16%
Spirit Airlines	25.92%	74.08%
Mean	**51.78%**	**48.22%**
Weighted Mean	**48.83%**	**51.17%**

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: 8.20% (Corporate Ba3)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	11.03%
CAPM: Total NYSE	N/A
CAPM: Supply Side	10.15%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	10.68%
DGM: Earnings & Dividend	27.10%
DGM: Plowback Ratio	10.11%
Reconciled Equity Rate	**10.64%**
Debt/Equity Structure	**35.00% / 65.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	1.05
Industry Risk Premium	7.31%
Add: Risk-Free Rate	3.72%
Indicated Rate	**11.03%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.05
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Southwest Airlines	38.54%	1.00 (B+)	1.05
Mean	**38.54%**	**1.00**	**1.05**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	1.05
Industry Risk Premium	6.43%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.15%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.05
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	1.00
Industry Risk Premium	6.96%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.68%**

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	$18.84	$0.16	15.50%	37.00%	26.25%	27.10%

Indicated Rate **27.10%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Southwest Airlines	$18.84	$0.16	10.50%	88.15%	9.26%	10.11%

Indicated Rate **10.11%**

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	2,875.0	120.0	2.09%	2,453.4	6,677.0	-	-	18.84	700.5	13,196.9
Total					**6,677.0**		**-**			**13,196.9**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Southwest Airlines	33.60%	66.40%
Mean	**33.60%**	**66.40%**
Weighted Mean	**33.60%**	**66.40%**

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: 5.38% (Corporate Baa)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.91%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.17%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.43%
DGM: Earnings & Dividend	9.39%
DGM: Plowback Ratio	17.59%
Reconciled Equity Rate	**9.76%**
Debt/Equity Structure	**20.00% / 80.00%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Atlas Air Worldwide	36.81%	1.00 (B+)	0.71
FedEx Corp.	36.42%	0.67 (A+)	1.00
United Parcel Serv.	34.50%	0.78 (A)	0.97
Selected	**35.91%**	**0.82**	**0.89**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.89
Industry Risk Premium	6.19%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.91%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.89
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.89
Industry Risk Premium	5.45%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.17%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.89
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	0.82
Industry Risk Premium	5.71%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.43%**

COMMENTS ABOUT THE FREIGHT AIR CARRIERS INDUSTRY

Relevered betas at industry capital structure.

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	$41.15	-	3.00%	-	3.00%	-
FedEx Corp.	$143.77	$0.60	9.00%	8.00%	8.50%	8.92%
United Parcel Serv.	$105.08	$2.48	7.50%	7.50%	7.50%	9.86%

Indicated Rate **9.39%**

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	$41.15	-	8.00%	100.00%	8.00%	-
FedEx Corp.	$143.77	$0.60	11.50%	90.84%	10.45%	10.86%
United Parcel Serv.	$105.08	$2.48	45.00%	48.80%	21.96%	24.32%

Indicated Rate **17.59%**

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	1,736.3	80.0	2.30%	1,682.8	2,652.8	-	-	41.15	25.0	1,030.3
FedEx Corp.	2,993.0	70.0	1.17%	2,037.6	15,206.4	-	-	143.77	312.2	44,889.0
United Parcel Serv.	12,600.0	335.0	1.33%	9,090.4	12,791.8	-	-	105.08	953.0	100,141.2
Total					**30,651.0**		**-**			**146,060.5**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Atlas Air Worldwide	72.03%	27.97%
FedEx Corp.	25.30%	74.70%
United Parcel Serv.	11.33%	88.67%
Mean	**36.22%**	**63.78%**
Weighted Mean	**17.35%**	**82.65%**

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: 4.85% (Corporate A)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.08%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.43%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.64%
DGM: Earnings & Dividend	9.24%
DGM: Plowback Ratio	8.20%
Reconciled Equity Rate	**9.16%**
Debt/Equity Structure	**40.00% / 60.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.77
Industry Risk Premium	5.36%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.08%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.77
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Alliant Energy	21.48%	0.78 (A)	0.75
Avista Corp.	34.37%	0.78 (A)	0.75
Black Hills	35.46%	1.00 (B+)	0.90
Cleco Corp.	28.53%	0.78 (A)	0.70
CMS Energy Corp.	39.35%	1.00 (B+)	0.70
Empire Dist. Elec.	38.02%	0.89 (B++)	0.70
G't Plains Energy	34.31%	1.00 (B+)	0.85
Integrys Energy	33.75%	0.78 (A)	1.00
MGE Energy	37.65%	0.78 (A)	0.65
Northeast Utilities	34.03%	0.89 (B++)	0.75
OGE Energy Corp	25.98%	0.78 (A)	0.85
Pinnacle West Capital	36.16%	0.78 (A)	0.75
Portland General	31.37%	0.89 (B++)	0.75
SCANA Corp.	30.23%	0.89 (B++)	0.70
TECO Energy	35.90%	0.89 (B++)	0.95
Vectren Corp.	34.16%	0.78 (A)	0.70
Westar Energy	30.87%	0.89 (B++)	0.75
Wisconsin Energy	35.88%	0.78 (A)	0.65
Mean	**33.19%**	**0.85**	**0.77**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.77
Industry Risk Premium	4.71%
Add: Risk-Free Rate	3.72%
Indicated Rate	**8.43%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.77
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	0.85
Industry Risk Premium	5.92%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.64%**

COMMENTS ABOUT THE ELECTRIC UTILITIES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Alliant Energy	$51.60	$1.96	6.00%	4.50%	5.25%	9.05%
Avista Corp.	$27.96	$1.27	4.00%	4.50%	4.25%	8.79%
Black Hills	$52.51	$1.55	11.50%	2.50%	7.00%	9.95%
Cleco Corp.	$46.62	$1.58	5.50%	10.00%	7.75%	11.14%
CMS Energy Corp.	$26.77	$1.08	5.50%	8.00%	6.75%	10.78%
Empire Dist. Elec.	$22.69	$1.03	5.00%	3.00%	4.00%	8.54%
G't Plains Energy	$24.24	$0.94	6.50%	4.50%	5.50%	9.38%
Integrys Energy	$54.41	$2.72	4.50%	1.00%	2.75%	7.75%
MGE Energy	$57.71	$1.65	6.50%	3.50%	5.00%	7.86%
Northeast Utilities	$42.39	$1.54	8.00%	8.00%	8.00%	11.63%
OGE Energy Corp	$33.90	$0.90	5.00%	8.50%	6.75%	9.40%
Pinnacle West Capital	$52.92	$2.27	5.00%	2.00%	3.50%	7.79%
Portland General	$30.20	$1.11	3.50%	3.00%	3.25%	6.93%
SCANA Corp.	$46.93	$2.08	4.50%	2.50%	3.50%	7.93%
TECO Energy	$17.24	$0.88	3.00%	2.00%	2.50%	7.60%
Vectren Corp.	$35.50	$1.46	7.50%	2.50%	5.00%	9.11%
Westar Energy	$32.17	$1.39	6.00%	3.00%	4.50%	8.82%
Wisconsin Energy	$41.34	$1.56	7.00%	13.00%	10.00%	13.77%

Indicated Rate **9.24%**

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	$51.60	$1.96	11.00%	45.00%	4.95%	8.75%
Avista Corp.	$27.96	$1.27	9.00%	37.78%	3.40%	7.94%
Black Hills	$52.51	$1.55	10.00%	44.62%	4.46%	7.41%
Cleco Corp.	$46.62	$1.58	11.00%	42.86%	4.71%	8.10%
CMS Energy Corp.	$26.77	$1.08	13.00%	35.00%	4.55%	8.58%
Empire Dist. Elec.	$22.69	$1.03	8.50%	32.35%	2.75%	7.29%
G't Plains Energy	$24.24	$0.94	8.00%	45.00%	3.60%	7.48%
Integrys Energy	$54.41	$2.72	8.50%	31.76%	2.70%	7.70%
MGE Energy	$57.71	$1.65	12.00%	51.69%	6.20%	9.06%
Northeast Utilities	$42.39	$1.54	9.50%	44.62%	4.24%	7.87%
OGE Energy Corp	$33.90	$0.90	12.00%	44.44%	5.33%	7.99%
Pinnacle West Capital	$52.92	$2.27	9.50%	35.00%	3.33%	7.61%
Portland General	$30.20	$1.11	8.50%	44.44%	3.78%	7.45%
SCANA Corp.	$46.93	$2.08	9.50%	43.75%	4.16%	8.59%
TECO Energy	$17.24	$0.88	12.50%	32.14%	4.02%	9.12%
Vectren Corp.	$35.50	$1.46	11.50%	40.74%	4.69%	8.80%
Westar Energy	$32.17	$1.39	9.50%	44.73%	4.25%	8.57%
Wisconsin Energy	$41.34	$1.56	15.50%	35.38%	5.48%	9.26%

Indicated Rate **8.20%**

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
Alliant Energy	3,390.5	160.0	2.36%	3,169.2	-	10.2	189.6	51.60	111.0	5,727.6
Avista Corp.	1,511.8	64.2	2.12%	1,325.3	-	-	-	27.96	59.8	1,672.0
Black Hills	1,350.0	63.1	2.34%	1,254.4	-	-	-	52.51	44.2	2,320.9
Cleco Corp.	1,308.1	72.9	2.79%	1,360.0	-	-	-	46.62	60.4	2,815.8
CMS Energy Corp.	7,761.0	383.0	2.47%	7,460.4	-	2.0	37.2	26.77	264.1	7,070.0
Empire Dist. Elec.	743.8	40.4	2.72%	760.4	-	-	-	22.69	42.5	964.3
G't Plains Energy	3,771.9	180.5	2.39%	3,556.5	-	1.6	29.7	24.24	153.5	3,720.8
Integrys Energy	3,170.7	125.1	1.97%	2,662.3	-	3.1	57.6	54.41	77.9	4,238.5
MGE Energy	404.5	19.0	2.35%	377.0	-	-	-	57.71	23.1	1,333.1
Northeast Utilities	9,334.2	322.1	1.73%	7,269.9	-	7.6	141.3	42.39	314.1	13,314.7
OGE Energy Corp	2,847.0	140.0	2.46%	2,730.6	-	-	-	33.90	197.6	6,698.6
Pinnacle West Capital	3,386.8	157.9	2.33%	3,142.1	-	-	-	52.92	109.7	5,805.3
Portland General	1,761.0	99.0	2.81%	1,841.5	-	-	-	30.20	75.6	2,283.1
SCANA Corp.	5,759.0	290.0	2.52%	5,607.2	-	-	-	46.93	132.0	6,194.8
TECO Energy	2,972.7	166.8	2.81%	3,104.6	-	-	-	17.24	216.6	3,734.2
Vectren Corp.	1,906.5	70.0	1.84%	1,536.6	-	-	-	35.50	82.2	2,918.1
Westar Energy	3,493.7	160.0	2.29%	3,205.8	-	-	-	32.17	126.5	4,069.5
Wisconsin Energy	5,103.7	240.4	2.36%	4,765.1	-	1.2	22.3	41.34	229.0	9,466.9
Total				**55,128.9**			**477.7**			**84,348.2**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Alliant Energy	36.97%	63.03%
Avista Corp.	44.22%	55.78%
Black Hills	35.09%	64.91%
Cleco Corp.	32.57%	67.43%
CMS Energy Corp.	51.47%	48.53%
Empire Dist. Elec.	44.09%	55.91%
G't Plains Energy	49.08%	50.92%
Integrys Energy	39.09%	60.91%
MGE Energy	22.05%	77.95%
Northeast Utilities	35.76%	64.24%
OGE Energy Corp	28.96%	71.04%
Pinnacle West Capital	35.12%	64.88%
Portland General	44.65%	55.35%
SCANA Corp.	47.51%	52.49%
TECO Energy	45.40%	54.60%
Vectren Corp.	34.49%	65.51%
Westar Energy	44.06%	55.94%
Wisconsin Energy	33.59%	66.41%
Mean	**39.12%**	**60.88%**
Weighted Mean	**39.73%**	**60.27%**

REMARKS

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

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 5.25% (Utility Baa)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.01%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.37%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.71%
DGM: Earnings & Dividend	9.10%
DGM: Plowback Ratio	8.73%
Reconciled Equity Rate	**8.98%**
Debt/Equity Structure	**35.00% / 65.00%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AGL Resources	36.44%	0.78 (A)	0.75
Atmos Energy	33.82%	0.89 (B++)	0.80
Laclede Group	29.56%	0.89 (B++)	0.65
NiSource Inc.	34.42%	1.00 (B+)	0.85
Northwest Nat. Gas	42.42%	0.78 (A)	0.65
Piedmont Natural Gas	29.66%	0.89 (B++)	0.75
Questar Corp.	35.46%	0.78 (A)	0.80
Southwest Gas	36.21%	0.89 (B++)	0.80
Mean	**34.75%**	**0.86**	**0.76**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.76
Industry Risk Premium	5.29%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.01%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.76
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.76
Industry Risk Premium	4.65%
Add: Risk-Free Rate	3.72%
Indicated Rate	**8.37%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.76
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	0.86
Industry Risk Premium	5.99%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.71%**

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	$46.73	$1.88	8.00%	4.50%	6.25%	10.27%
Atmos Energy	$45.42	$1.50	7.00%	4.00%	5.50%	8.80%
Laclede Group	$45.54	$1.76	6.00%	3.50%	4.75%	8.61%
NiSource Inc.	$32.64	$1.00	10.50%	4.50%	7.50%	10.56%
Northwest Nat. Gas	$42.35	$1.84	4.50%	2.50%	3.50%	7.84%
Piedmont Natural Gas	$33.16	$1.24	4.50%	2.00%	3.25%	6.99%
Questar Corp.	$22.99	$0.75	7.00%	6.00%	6.50%	9.76%
Southwest Gas	$55.91	$1.38	8.00%	7.00%	7.50%	9.97%

Indicated Rate **9.10%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
AGL Resources	$46.73	$1.88	10.50%	40.51%	4.25%	8.28%
Atmos Energy	$45.42	$1.50	9.50%	48.48%	4.61%	7.91%
Laclede Group	$45.54	$1.76	10.00%	48.05%	4.81%	8.67%
NiSource Inc.	$32.64	$1.00	11.00%	42.86%	4.71%	7.78%
Northwest Nat. Gas	$42.35	$1.84	10.00%	37.50%	3.75%	8.09%
Piedmont Natural Gas	$33.16	$1.24	11.00%	32.20%	3.54%	7.28%
Questar Corp.	$22.99	$0.75	19.00%	48.82%	9.28%	12.54%
Southwest Gas	$55.91	$1.38	11.50%	59.00%	6.79%	9.25%

Indicated Rate **8.73%**

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	5,187.0	184.0	1.77%	4,031.1	-	-	-	46.73	117.9	5,509.5
Atmos Energy	2,597.6	110.0	2.12%	2,235.9	-	-	-	45.42	90.2	4,096.9
Laclede Group	912.7	40.0	2.19%	802.0	-	-	-	45.54	22.6	1,029.2
NiSource Inc.	7,630.3	418.0	2.74%	7,721.4	-	-	-	32.64	310.3	10,128.2
Northwest Nat. Gas	741.7	45.0	3.03%	803.7	-	-	-	42.35	26.9	1,139.2
Piedmont Natural Gas	1,490.0	46.1	1.55%	1,075.8	-	-	-	33.16	72.3	2,397.5
Questar Corp.	1,491.9	45.0	1.51%	1,063.1	-	-	-	22.99	175.0	4,023.3
Southwest Gas	1,324.4	70.0	2.64%	1,309.2	-	-	-	55.91	46.1	2,577.5
Total				**19,042.2**		**-**				**30,901.3**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AGL Resources	42.25%	57.75%
Atmos Energy	35.31%	64.69%
Laclede Group	43.80%	56.20%
NiSource Inc.	43.26%	56.74%
Northwest Nat. Gas	41.37%	58.63%
Piedmont Natural Gas	30.97%	69.03%
Questar Corp.	20.90%	79.10%
Southwest Gas	33.68%	66.32%
Mean	**36.44%**	**63.56%**
Weighted Mean	**38.13%**	**61.87%**

REMARKS

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

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 5.38% (Corporate Baa)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.57%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.86%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	10.75%
DGM: Earnings & Dividend	13.60%
DGM: Plowback Ratio	7.66%
Reconciled Equity Rate	**11.59%**
Debt/Equity Structure	**30.00% / 70.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.84
Industry Risk Premium	5.85%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.57%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.84
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Boardwalk Pipeline	NMF	1.00 (B+)	0.70
Buckeye Partners L.P.	NMF	1.00 (B+)	0.75
El Paso Pipeline	NMF	1.11 (B)	0.65
Enterprise Products	NMF	1.00 (B+)	0.80
Kinder Morgan Energy	NMF	1.00 (B+)	0.75
ONEOK Inc.	38.32%	1.00 (B+)	1.05
Plains All Amer. Pipe.	NMF	1.00 (B+)	0.75
Spectra Energy	26.15%	1.11 (B)	1.00
TransCanada Corp.	24.05%	0.89 (B++)	0.85
Williams Cos.	30.10%	1.00 (B+)	
Williams Partners L.P.	NMF	1.00 (B+)	1.05
Mean	**29.65%**	**1.01**	**0.83**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.84
Industry Risk Premium	5.14%
Add: Risk-Free Rate	3.72%
Indicated Rate	**8.86%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.84
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	1.01
Industry Risk Premium	7.03%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.75%**

COMMENTS ABOUT THE NATURAL GAS PIPELINES INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Boardwalk Pipeline	$25.33	$2.13	7.50%	1.50%	4.50%	12.91%
Buckeye Partners L.P.	$69.99	$4.30	7.50%	1.50%	4.50%	10.64%
El Paso Pipeline	$35.30	$2.60	6.00%	11.00%	8.50%	15.87%
Enterprise Products	$65.58	$2.92	10.00%	7.50%	8.75%	13.20%
Kinder Morgan Energy	$79.31	$5.60	11.00%	7.00%	9.00%	16.06%
ONEOK Inc.	$54.07	$1.70	12.00%	12.50%	12.25%	15.39%
Plains All Amer. Pipe.	$51.14	$2.50	10.50%	9.00%	9.75%	14.64%
Spectra Energy	$35.30	$1.36	4.50%	8.00%	6.25%	10.10%
TransCanada Corp.	$45.66	$1.84	12.00%	3.00%	7.50%	11.53%
Williams Cos.	$38.57	$1.75	7.00%	18.50%	12.75%	17.29%
Williams Partners L.P.	$49.96	$3.62	2.00%	7.50%	4.75%	12.00%
Indicated Rate						**13.60%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Boardwalk Pipeline	$25.33	$2.13	11.00%	-9.76%	-1.07%	-
Buckeye Partners L.P.	$69.99	$4.30	13.50%	-6.83%	-0.92%	-
El Paso Pipeline	$35.30	$2.60	32.50%	-21.75%	-7.07%	-
Enterprise Products	$65.58	$2.92	22.50%	7.41%	1.67%	6.12%
Kinder Morgan Energy	$79.31	$5.60	18.50%	-100.00%	-18.50%	-
ONEOK Inc.	$54.07	$1.70	19.50%	31.25%	6.09%	9.24%
Plains All Amer. Pipe.	$51.14	$2.50	15.50%	14.10%	2.19%	7.07%
Spectra Energy	$35.30	$1.36	12.50%	17.07%	2.13%	5.99%
TransCanada Corp.	$45.66	$1.84	12.50%	46.67%	5.83%	9.86%
Williams Cos.	$38.57	$1.75	23.00%	-15.00%	-3.45%	-
Williams Partners L.P.	$49.96	$3.62	20.00%	-45.16%	-9.03%	-
Indicated Rate						**7.66%**

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
Boardwalk Pipeline	3,333.9	163.2	2.45%	3,137.4	-	-	-	25.33	230.0	5,825.9
Buckeye Partners L.P.	2,857.0	129.1	2.26%	2,557.8	-	-	-	69.99	90.4	6,327.1
El Paso Pipeline	4,337.0	236.7	2.73%	4,378.0	-	-	-	35.30	209.0	7,377.7
Enterprise Products	17,531.5	812.7	2.32%	15,944.8	-	-	-	65.58	898.8	58,943.3
Kinder Morgan Energy	19,612.0	775.0	1.98%	16,205.9	-	-	-	79.31	373.2	29,598.5
ONEOK Inc.	8,330.1	300.0	1.80%	6,528.6	-	-	-	54.07	204.9	11,078.9
Plains All Amer. Pipe.	7,637.0	296.0	1.94%	6,240.3	-	-	-	51.14	335.3	17,147.2
Spectra Energy	16,821.0	650.0	1.93%	13,720.8	-	-	-	35.30	668.0	23,580.4
TransCanada Corp.	21,588.8	800.0	1.85%	17,193.6	-	-	-	45.66	705.0	32,190.3
Williams Cos.	10,731.0	600.0	2.80%	11,006.7	-	-	-	38.57	681.0	26,266.2
Williams Partners L.P.	8,434.0	440.0	2.61%	8,266.8	-	-	-	49.96	398.0	19,884.1
Total				**105,180.7**		**-**				**238,219.6**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Boardwalk Pipeline	35.00%	65.00%
Buckeye Partners L.P.	28.79%	71.21%
El Paso Pipeline	37.24%	62.76%
Enterprise Products	21.29%	78.71%
Kinder Morgan Energy	35.38%	64.62%
ONEOK Inc.	37.08%	62.92%
Plains All Amer. Pipe.	26.68%	73.32%
Spectra Energy	36.78%	63.22%
TransCanada Corp.	34.82%	65.18%
Williams Cos.	29.53%	70.47%
Williams Partners L.P.	29.37%	70.63%
Mean	**32.00%**	**68.00%**
Weighted Mean	**30.63%**	**69.37%**

REMARKS

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

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 5.38% (Corporate Baa)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.22%
CAPM: Total NYSE	N/A
CAPM: Supply Side	8.55%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	10.40%
DGM: Earnings & Dividend	14.35%
DGM: Plowback Ratio	7.11%
Reconciled Equity Rate	**11.79%**
Debt/Equity Structure	**25.00% / 75.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.79
Industry Risk Premium	5.50%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.22%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.79
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Buckeye Partners L.P.	NMF	1.00 (B+)	0.75
Enbridge Energy Partners L.P.	NMF	0.89 (B++)	0.90
Enterprise Products	NMF	1.00 (B+)	0.80
Kinder Morgan Energy	NMF	1.00 (B+)	0.75
Magellan Midstream	NMF	0.89 (B++)	0.80
Plains All Amer. Pipe.	NMF	1.00 (B+)	0.75
Mean	**38.50%**	**0.96**	**0.79**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.79
Industry Risk Premium	4.83%
Add: Risk-Free Rate	3.72%
Indicated Rate	**8.55%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.79
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	0.96
Industry Risk Premium	6.68%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.40%**

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.	$69.99	$4.30	7.50%	1.50%	4.50%	10.64%
Enbridge Energy Partners L.P.	$29.30	-	4.00%	-	4.00%	-
Enterprise Products	$65.58	$2.92	10.00%	7.50%	8.75%	13.20%
Kinder Morgan Energy	$79.31	$5.60	11.00%	7.00%	9.00%	16.06%
Magellan Midstream	$62.70	$2.80	13.00%	12.50%	12.75%	17.22%
Plains All Amer. Pipe.	$51.14	$2.50	10.50%	9.00%	9.75%	14.64%

Indicated Rate **14.35%**

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.	$69.99	$4.30	13.50%	-6.83%	-0.92%	-
Enbridge Energy Partners L.P.	$29.30	-	11.90%	-69.29%	-8.25%	-
Enterprise Products	$65.58	$2.92	22.50%	7.41%	1.67%	6.12%
Kinder Morgan Energy	$79.31	$5.60	18.50%	-100.00%	-18.50%	-
Magellan Midstream	$62.70	$2.80	33.50%	10.96%	3.67%	8.14%
Plains All Amer. Pipe.	$51.14	$2.50	15.50%	14.10%	2.19%	7.07%

Indicated Rate **7.11%**

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.	2,857.0	129.1	2.26%	2,557.8	-	-	-	69.99	90.4	6,327.1
Enbridge Energy Partners L.P.	5,085.3	-	-	5,085.3	-	60.4	1,122.7	29.30	303.2	8,883.8
Enterprise Products	17,531.5	812.7	2.32%	15,944.8	-	-	-	65.58	898.8	58,943.3
Kinder Morgan Energy	19,612.0	775.0	1.98%	16,205.9	-	-	-	79.31	373.2	29,598.5
Magellan Midstream	2,486.8	111.0	2.23%	2,209.7	-	-	-	62.70	226.2	14,182.7
Plains All Amer. Pipe.	7,637.0	296.0	1.94%	6,240.3	-	-	-	51.14	335.3	17,147.2
Total				**48,243.8**		**1,122.7**				**135,082.6**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Buckeye Partners L.P.	28.79%	71.21%
Enbridge Energy Partners L.P.	41.13%	58.87%
Enterprise Products	21.29%	78.71%
Kinder Morgan Energy	35.38%	64.62%
Magellan Midstream	13.48%	86.52%
Plains All Amer. Pipe.	26.68%	73.32%
Mean	**27.79%**	**72.21%**
Weighted Mean	**26.76%**	**73.24%**

REMARKS

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

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 5.38% (Corporate Baa)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	11.79%
CAPM: Total NYSE	N/A
CAPM: Supply Side	10.82%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.15%
DGM: Earnings & Dividend	13.05%
DGM: Plowback Ratio	14.96%
Reconciled Equity Rate	**12.67%**
Debt/Equity Structure	**15.00% / 85.00%**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	27.27%	0.78 (A)	1.10
CSX Corp.	37.28%	0.89 (B++)	1.25
Norfolk Southern	36.58%	0.78 (A)	1.15
Union Pacific	37.59%	0.67 (A+)	1.15
Mean	**34.68%**	**0.78**	**1.16**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	1.16
Industry Risk Premium	8.07%
Add: Risk-Free Rate	3.72%
Indicated Rate	**11.79%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.16
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	1.16
Industry Risk Premium	7.10%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.82%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.16
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	0.78
Industry Risk Premium	5.43%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.15%**

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	$57.02	$0.84	10.00%	11.00%	10.50%	11.97%
CSX Corp.	$28.77	$0.60	10.00%	13.50%	11.75%	13.84%
Norfolk Southern	$92.28	$2.08	9.50%	9.00%	9.25%	11.50%
Union Pacific	$168.00	$3.16	12.00%	14.00%	13.00%	14.88%

Indicated Rate **13.05%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Can. National Railway	$57.02	$0.84	18.50%	72.00%	13.32%	14.79%
CSX Corp.	$28.77	$0.60	21.00%	67.00%	14.07%	16.16%
Norfolk Southern	$92.28	$2.08	17.00%	67.10%	11.41%	13.66%
Union Pacific	$168.00	$3.16	19.50%	68.50%	13.36%	15.24%

Indicated Rate **14.96%**

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	7,273.0	345.0	2.37%	6,710.2	-	-	-	57.02	856.8	48,854.7
CSX Corp.	9,051.0	544.0	3.01%	9,744.8	-	-	-	28.77	1,020.5	29,359.8
Norfolk Southern	8,499.0	460.0	2.71%	8,532.5	-	-	-	92.28	314.0	28,975.9
Union Pacific	9,455.0	500.0	2.64%	9,349.5	-	-	-	168.00	469.5	78,876.0
Total				**34,337.0**		**-**				**186,066.4**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	12.08%	87.92%
CSX Corp.	24.92%	75.08%
Norfolk Southern	22.75%	77.25%
Union Pacific	10.60%	89.40%
Mean	**17.59%**	**82.41%**
Weighted Mean	**15.58%**	**84.42%**

REMARKS

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

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 5.38% (Corporate Baa)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	12.14%
CAPM: Total NYSE	N/A
CAPM: Supply Side	11.13%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	9.50%
DGM: Earnings & Dividend	16.01%
DGM: Plowback Ratio	14.62%
Reconciled Equity Rate	**13.68%**
Debt/Equity Structure	**15.00% / 85.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	1.21
Industry Risk Premium	8.42%
Add: Risk-Free Rate	3.72%
Indicated Rate	**12.14%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	1.21
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Can. National Railway	27.27%	0.78 (A)	1.10
Can. Pacific Railway	27.39%	0.89 (B++)	1.25
CSX Corp.	37.28%	0.89 (B++)	1.25
Genesee & Wyoming	34.20%	1.00 (B+)	1.30
Kansas City South'n	38.44%	0.78 (A)	1.25
Norfolk Southern	36.58%	0.78 (A)	1.15
Union Pacific	37.59%	0.67 (A+)	1.15
Mean	**34.11%**	**0.83**	**1.21**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	1.21
Industry Risk Premium	7.41%
Add: Risk-Free Rate	3.72%
Indicated Rate	**11.13%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	1.21
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	0.83
Industry Risk Premium	5.78%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.50%**

COMMENTS ABOUT THE RAILROAD - SHORTLINE INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
Can. National Railway	$57.02	$0.84	10.00%	11.00%	10.50%	11.97%
Can. Pacific Railway	$151.32	$1.40	19.50%	13.00%	16.25%	17.18%
CSX Corp.	$28.77	$0.60	10.00%	13.50%	11.75%	13.84%
Genesee & Wyoming	$96.05	-	20.50%	-	20.50%	-
Kansas City South'n	$123.83	$0.86	16.50%	35.50%	26.00%	26.69%
Norfolk Southern	$92.28	$2.08	9.50%	9.00%	9.25%	11.50%
Union Pacific	$168.00	$3.16	12.00%	14.00%	13.00%	14.88%

Indicated Rate **16.01%**

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	$57.02	$0.84	18.50%	72.00%	13.32%	14.79%
Can. Pacific Railway	$151.32	$1.40	20.00%	77.80%	15.56%	16.49%
CSX Corp.	$28.77	$0.60	21.00%	67.00%	14.07%	16.16%
Genesee & Wyoming	$96.05	-	15.00%	100.00%	15.00%	-
Kansas City South'n	$123.83	$0.86	14.00%	76.30%	10.68%	11.38%
Norfolk Southern	$92.28	$2.08	17.00%	67.10%	11.41%	13.66%
Union Pacific	$168.00	$3.16	19.50%	68.50%	13.36%	15.24%

Indicated Rate **14.62%**

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	7,273.0	345.0	2.37%	6,710.2	-	-	-	57.02	856.8	48,854.7
Can. Pacific Railway	4,625.0	272.0	2.94%	4,906.8	-	-	-	151.32	173.9	26,314.5
CSX Corp.	9,051.0	544.0	3.01%	9,744.8	-	-	-	28.77	1,020.5	29,359.8
Genesee & Wyoming	1,667.3	13.0	0.39%	734.7	-	-	-	96.05	47.1	4,524.0
Kansas City South'n	1,780.4	130.0	3.65%	2,196.4	-	-	-	123.83	110.1	13,633.7
Norfolk Southern	8,499.0	460.0	2.71%	8,532.5	-	-	-	92.28	314.0	28,975.9
Union Pacific	9,455.0	500.0	2.64%	9,349.5	-	-	-	168.00	469.5	78,876.0
Total				**42,174.9**		**-**				**230,538.6**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Can. National Railway	12.08%	87.92%
Can. Pacific Railway	15.72%	84.28%
CSX Corp.	24.92%	75.08%
Genesee & Wyoming	13.97%	86.03%
Kansas City South'n	13.87%	86.13%
Norfolk Southern	22.75%	77.25%
Union Pacific	10.60%	89.40%
Mean	**16.27%**	**83.73%**
Weighted Mean	**15.46%**	**84.54%**

REMARKS

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

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 5.38% (Corporate Baa)

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

+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.47%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.66%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	10.54%
DGM: Earnings & Dividend	10.40%
DGM: Plowback Ratio	9.78%
Reconciled Equity Rate	**10.48%**
Debt/Equity Structure	**35.00% / 65.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.97
Industry Risk Premium	6.75%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.47%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.97
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
AT&T Inc.	32.64%	0.56 (A++)	0.70
Leap Wireless	NMF	1.44 (C)	1.45
Sprint Corp.	NMF	1.22 (C++)	1.05
T-Mobile US	38.06%	1.11 (B)	
U.S. Cellular	31.20%	1.00 (B+)	1.00
Verizon Communic.	NMF	0.56 (A++)	0.65
Mean	**33.97%**	**0.98**	**0.97**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.97
Industry Risk Premium	5.94%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.66%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.97
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	0.98
Industry Risk Premium	6.82%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.54%**

COMMENTS ABOUT THE WIRELESS TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
AT&T Inc.	$35.16	$1.84	7.00%	4.00%	5.50%	10.73%
Leap Wireless	$17.40	-	-	-	-	-
Sprint Corp.	$10.75	-	-	-	-	-
T-Mobile US	$33.64	-	6.50%	-	6.50%	-
U.S. Cellular	$41.82	-	-1.50%	-	-1.50%	-
Verizon Communic.	$49.14	$2.12	9.50%	2.00%	5.75%	10.06%

Indicated Rate **10.40%**

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.	$35.16	$1.84	15.00%	35.29%	5.29%	10.53%
Leap Wireless	$17.40	-	-	-	-	-
Sprint Corp.	$10.75	-	9.50%	-	-	-
T-Mobile US	$33.64	-	10.00%	-	-	-
U.S. Cellular	$41.82	-	3.00%	-	-	-
Verizon Communic.	$49.14	$2.12	11.50%	41.05%	4.72%	9.03%

Indicated Rate **9.78%**

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.	76,223.0	3,400.0	2.23%	67,701.9	79,309.0	-	-	35.16	5,581.4	196,242.0
Leap Wireless	3,634.7	280.0	3.85%	4,661.6	4,219.5	-	-	17.40	79.2	1,378.1
Sprint Corp.	33,551.0	2,500.0	3.73%	42,001.1	34,271.0	-	-	10.75	3,010.0	32,357.5
T-Mobile US	20,949.0	1,425.0	3.40%	24,571.7	20,470.0	-	-	33.64	182.2	6,129.2
U.S. Cellular	879.0	61.0	3.47%	1,045.7	821.4	-	-	41.82	83.9	3,508.7
Verizon Communic.	99,140.0	1,725.0	0.87%	55,261.0	103,820.0	-	-	49.14	2,858.3	140,456.9
Total				**242,910.9**		**-**				**380,072.4**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
AT&T Inc.	28.78%	71.22%
Leap Wireless	75.38%	24.62%
Sprint Corp.	51.44%	48.56%
T-Mobile US	76.96%	23.04%
U.S. Cellular	18.97%	81.03%
Verizon Communic.	42.50%	57.50%
Mean	**49.00%**	**51.00%**
Weighted Mean	**38.99%**	**61.01%**

REMARKS

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

Fair Value of Debt was obtained from company 2013 10K fair value of debt plus capital lease obligations.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 5.38% (Corporate Baa)

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

\+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	9.98%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.23%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	11.65%
DGM: Earnings & Dividend	11.39%
DGM: Plowback Ratio	9.16%
Reconciled Equity Rate	**10.34%**
Debt/Equity Structure	**55.00% / 45.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.90
Industry Risk Premium	6.26%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.98%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.90
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
CenturyLink Inc.	37.84%	1.00 (B+)	0.75
Cincinnati Bell	68.80%	1.33 (C+)	1.05
Frontier Communic.	33.04%	1.11 (B)	0.90
Windstream Hldgs.	34.30%	1.11 (B)	0.90
Mean	**43.50%**	**1.14**	**0.90**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.90
Industry Risk Premium	5.51%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.23%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.90
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	1.14
Industry Risk Premium	7.93%
Add: Risk-Free Rate	3.72%
Indicated Rate	**11.65%**

COMMENTS ABOUT THE WIRELINE TELECOMS INDUSTRY

DIVIDEND GROWTH MODEL: EARNINGS AND DIVIDEND GROWTH

Company Name	Recent Stock Price	Next Year's Dividend	Projected Earnings Growth	Projected Dividend Growth	Market Growth Rate	D.G.M. Rate
CenturyLink Inc.	$31.85	$2.16	8.00%	-5.00%	1.50%	8.28%
Cincinnati Bell	$3.56	-	34.00%	-	34.00%	-
Frontier Communic.	$4.65	$0.40	9.50%	-8.50%	0.50%	9.10%
Windstream Hldgs.	$7.98	$1.00	8.50%	0.00%	4.25%	16.78%

Indicated Rate **11.39%**

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.	$31.85	$2.16	8.50%	28.00%	2.38%	9.16%
Cincinnati Bell	$3.56	-	-	-	-	-
Frontier Communic.	$4.65	$0.40	6.50%	-14.29%	-0.93%	-
Windstream Hldgs.	$7.98	$1.00	73.50%	0.00%	-	-

Indicated Rate **9.16%**

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.	20,582.0	1,300.0	3.16%	17,422.7	20,983.0	-	-	31.85	625.7	19,928.5
Cincinnati Bell	2,617.1	220.0	4.20%	2,762.8	2,350.8	10.4	193.3	3.56	202.7	721.6
Frontier Communic.	8,145.2	670.0	4.11%	8,451.5	8,519.0	-	-	4.65	998.4	4,642.6
Windstream Hldgs.	8,846.8	650.0	3.67%	8,401.7	9,087.4	-	-	7.98	588.2	4,693.8
Total				**40,940.2**		**193.3**				**29,986.5**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
CenturyLink Inc.	51.29%	48.71%
Cincinnati Bell	77.90%	22.10%
Frontier Communic.	64.73%	35.27%
Windstream Hldgs.	65.94%	34.06%
Mean	**64.96%**	**35.04%**
Weighted Mean	**57.84%**	**42.16%**

REMARKS

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

Fair Value of Debt was obtained from company 2013 10K fair value of debt plus capital lease obligations.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 7.85% (Corporate Ba2)

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

\+ Market Value of Pref. Equity: 5.38% (Baa)

RECONCILIATION

Equity Models	Equity Rate
CAPM: Rule 62 Compliant	10.54%
CAPM: Total NYSE	N/A
CAPM: Supply Side	9.72%
CAPM: Deciles 1 & 2	N/A
Division's Risk Premium	11.86%
DGM: Earnings & Dividend	0.00%
DGM: Plowback Ratio	0.00%
Reconciled Equity Rate	**10.88%**
Debt/Equity Structure	**50.00% / 50.00%**

CAPM: RULE 62 COMPLIANT

Market Risk Premium	6.96%
x Industry Beta	0.98
Industry Risk Premium	6.82%
Add: Risk-Free Rate	3.72%
Indicated Rate	**10.54%**

CAPM: FULL NYSE

Market Risk Premium	0.00%
x Industry Beta	0.98
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

GUIDELINE COMPANY INFORMATION SUMMARY

Company Name	Tax Rate	Relative Financial Strength	Beta
Level 3 Communic.	NMF	1.22 (C++)	0.90
tw telecom	42.60%	1.11 (B)	1.05
Mean	**42.60%**	**1.17**	**0.98**

CAPM: SUPPLY SIDE

Market Risk Premium	6.12%
x Industry Beta	0.98
Industry Risk Premium	6.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**9.72%**

CAPM: DECILES 1 & 2

Market Risk Premium	0.00%
x Industry Beta	0.98
Industry Risk Premium	0.00%
Add: Risk-Free Rate	3.72%
Indicated Rate	**N/A**

DIVISION'S RISK PREMIUM

Market Risk Premium	6.96%
x Industry Financial Strength	1.17
Industry Risk Premium	8.14%
Add: Risk-Free Rate	3.72%
Indicated Rate	**11.86%**

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.	$33.17	-	-	-	-	-
tw telecom	$30.47	-	21.50%	-	21.50%	-

Indicated Rate **0.00%**

DIVIDEND GROWTH MODEL: PLOWBACK RATIO

Company Name	Recent Stock Price	Next Year's Dividend	Return on Equity	Retention Rate	Market Growth Rate	D.G.M. Rate
Level 3 Communic.	$33.17	-	14.50%	-	-	-
tw telecom	$30.47	-	14.50%	-	-	-

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.	8,558.0	733.0	4.28%	8,702.1	8,392.0	-	-	33.17	218.4	7,244.3
tw telecom	1,830.8	80.0	2.18%	1,123.1	1,974.0	-	-	30.47	152.1	4,634.5
Total					**10,366.0**		**-**			**11,878.8**

CAPITAL STRUCTURE

Company Name	Percent Debt & Preferred Equity	Percent Common Equity
Level 3 Communic.	53.67%	46.33%
tw telecom	29.87%	70.13%
Mean	**41.77%**	**58.23%**
Weighted Mean	**46.60%**	**53.40%**

REMARKS

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

Fair Value of Debt was obtained from company 2013 10K fair value of debt plus capital lease obligations.

* Implied Coupon Rate is a semi-annual rate.

** Market Value of Debt: 8.39% (Corporate B2)

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

+ Market Value of Pref. Equity: 5.38% (Baa)