

SCHEDULE 6
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY
USING AN HISTORICAL 7 PERCENT RISK PREMIUM

ELECTRIC UTILITIES

LINE			
1	Risk-free Rate	4.64%	Long-term Treasury bond yield forecast
2	Beta	0.78	Average Beta Electric Utilities
3	Risk Premium	7.0%	Long-horizon historical risk premium
4	Beta x Risk Premium	5.5%	
5	Flotation	0.21%	
6	Model Result	10.3%	

Risk premium from 2014 Ibbotson[®] S&P[®] including years 1926 through year end 2013. Value Line beta for comparable companies from Value Line Investment Analyzer. Treasury bond yield forecast from Value Line and EIA data to obtain a forecasted yield to maturity on 20-year Treasury bonds. Value Line forecasts a yield on 10-year Treasury notes equal to 4.3 percent. The current spread between the average April 2014 yield on 10-year Treasury notes (2.71 percent) and 20-year Treasury bonds (3.12 percent) is 41 basis points. Adding 41 basis points to Value Line's 4.3 percent forecasted yield on 10-year Treasury notes produces a forecasted yield of 4.71 percent for 20-year Treasury bonds (see Value Line Investment Survey, Selection & Opinion, Feb. 21, 2014). EIA forecasts a yield of 4.16 percent on 10-year Treasury notes. Adding the 41 basis point spread between 10-year Treasury notes and 20-year Treasury bonds to the EIA forecast of 4.16 percent for 10-year Treasury notes produces an EIA forecast for 20-year Treasury bonds equal to 4.57 percent. The average of the forecasts is 4.64 percent (4.71 percent using Value Line data and 4.57 percent using EIA data).

**PROXY COMPANY BETAS
ELECTRIC UTILITIES**

	COMPANY	VALUE LINE BETA
1	Alliant Energy	0.80
2	Amer. Elec. Power	0.70
3	Ameren Corp.	0.85
4	Black Hills	0.90
5	CenterPoint Energy	0.85
6	Cleco Corp.	0.70
7	CMS Energy Corp.	0.70
8	Dominion Resources	0.75
9	DTE Energy	0.85
10	Duke Energy	0.70
11	G't Plains Energy	0.90
12	Hawaiian Elec.	0.85
13	Integrys Energy	1.05
14	ITC Holdings	0.70
15	NextEra Energy	0.75
16	Northeast Utilities	0.75
17	NorthWestern Corp.	0.70
18	PG&E Corp.	0.60
19	Pinnacle West Capital	0.75
20	PNM Resources	0.95
21	Portland General	0.80
22	Public Serv. Enterprise	0.80
23	SCANA Corp.	0.75
24	Sempra Energy	0.80
25	Southern Co.	0.60
26	TECO Energy	0.95
27	UIL Holdings	0.85
28	Vectren Corp.	0.75
29	Wisconsin Energy	0.70
30	Xcel Energy Inc.	0.65
31	Average	0.78

Data from Value Line Investment Analyzer.