RISK PREMIUM - COMBINATION GROUP

HISTORICAL BOND YIELDS

Page 1 of 4

10.29%

Current Equity Risk Premium	
(a) Avg. Yield over Study Period	8.58%
(b) Average Utility Bond Yield - Historical	<u>4.35%</u>
Change in Bond Yield	-4.23%
(c) Risk Premium/Interest Rate Relationship	<u>-0.4266</u>
Adjustment to Average Risk Premium	1.80%
(a) Average Risk Premium over Study Period	<u>3.57%</u>
Adjusted Risk Premium	5.37%
Implied Cost of Equity	
(b) Baa Utility Bond Yield - Historical	4.92%
Adjusted Equity Risk Premium	5.37%

(a) Exhibit AMM-3, page 3.

Risk Premium Cost of Equity

- (b) Six-month average yield for Mar. 2015 Aug. 2015 based on data from Moody's Investors Service, www.moodys.credittrends.com.
- (c) Exhibit AMM-3, page 4.

4.49%

PROJECTED BOND YIELDS

Current Equity Risk Premium

(a) Avg. Yield over Study Period	8.58%
(b) Average Utility Bond Yield 2016-20	<u>6.42%</u>
Change in Bond Yield	-2.16%
(c) Risk Premium/Interest Rate Relationship	<u>-0.4266</u>
Adjustment to Average Risk Premium	0.92%
(a) Average Risk Premium over Study Period	<u>3.57%</u>

Implied Cost of Equity

Adjusted Risk Premium

	Risk Premium Cost of Equity	11.48%
	Adjusted Equity Risk Premium	4.49%
(b)	Baa Utility Bond Yield 2016-20	6.99%

- (a) Exhibit AMM-3, page 3.
- (b) Based on data from IHS Global Insight, The U.S. Economy: The 30-Year Focus (Second-Quarter 2015); Energy Information Administration, Annual Energy Outlook 2015 (April 2015); & Moody's Investors Service at www.credittrends.com.
- (c) Exhibit AMM-3, page 4.

IMPLIED RISK PREMIUM

Year ROE 1974 13.10% 1975 13.20% 1976 13.10% 1977 13.30% 1978 13.20% 1979 13.50% 1980 14.23% 1981 15.22% 1982 15.78% 1983 15.36% 1984 15.32% 1985 15.20% 1986 13.93% 1987 12.99% 1989 12.79% 1990 12.70% 1991 12.55% 1992 12.09% 1993 11.41% 1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006	Average Utility Bond Yield 9.27% 9.88% 9.17% 8.58% 9.22% 10.39% 13.15% 15.62% 15.33% 13.31%	Risk Premium 3.83% 3.32% 3.93% 4.72% 3.98% 3.11%
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1987 12.99% 1988 12.79% 1989 12.97% 1990 12.70% 1991 12.55% 1992 12.09% 1993 11.41% 1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2007 10.36%	9.46%	4.47%
1988 12.79% 1989 12.97% 1990 12.70% 1991 12.55% 1992 12.09% 1993 11.41% 1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2007 10.36%	9.98%	3.01%
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1990 12.70% 1991 12.55% 1992 12.09% 1993 11.41% 1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2007 10.36%	9.66%	3.31%
1991 12.55% 1992 12.09% 1993 11.41% 1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	9.76%	2.94%
1992 12.09% 1993 11.41% 1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	9.21%	3.34%
1993 11.41% 1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	8.57%	3.52%
1994 11.34% 1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	7.56%	3.85%
1995 11.55% 1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	8.30%	3.04%
1996 11.39% 1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	7.91%	3.64%
1997 11.40% 1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	7.74%	3.65%
1998 11.66% 1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	7.63%	3.77%
1999 10.77% 2000 11.43% 2001 11.09% 2002 11.16% 2003 10.97% 2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	7.00%	4.66%
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2004 10.75% 2005 10.54% 2006 10.36% 2007 10.36%	6.61%	4.36%
2005 10.54% 2006 10.36% 2007 10.36%	6.20%	4.55%
2006 10.36% 2007 10.36%	5.67%	4.87%
2007 10.36%	6.08%	4.28%
	6.11%	4.25%
	6.65%	3.81%
2009 10.48%	6.28%	4.20%
2010 10.34%	0.2070	4.78%
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2011 10.29 % 2012 10.17 %	5.56% 5.13%	5.16%
	5.13%	
2013 10.02%	5.13% 4.26%	5.47%
2014 <u>9.91%</u> verage 12.16%	5.13%	<u>5.49%</u> 3.57%

Regulatory Service , Argus.

(b) Moody's Investors Service.

REGRESSION RESULTS

Regression Statisti	cs
Multiple R	0.92317
R Square	0.85224
Adjusted R Square	0.84845
Standard Error	0.00508
Observations	41

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.005798	0.005798237	224.9453642	8.76517E-18
Residual	39	0.001005	2.57762E-05		
Total	40	0.006804			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	<i>Upper 95.0%</i>
Intercept	0.07234	0.00257	28.18692101	1.5191E-27	0.06715	0.07753	0.06715	0.07753
X Variable 1	-0.42656	0.02844	-14.99817869	8.76517E-18	-0.48409	-0.36904	-0.48409	-0.36904