

CAPITAL ASSET PRICING MODEL

Exhibit WEA-8

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COMBINATION UTILITY PROXY GROUP

Market Rate of Return

Dividend Yield (a)	2.3%	
Growth Rate (b)	<u>10.5%</u>	
Market Return (c)		12.8%
<u>Less: Risk-Free Rate (d)</u>		
Long-term Treasury Bond Yield		<u>4.5%</u>
<u>Market Risk Premium (e)</u>		8.3%
<u>Utility Proxy Group Beta (f)</u>		<u>0.75</u>
<u>Utility Proxy Group Risk Premium (g)</u>		6.2%
<u>Plus: Risk-free Rate (d)</u>		
Long-term Treasury Bond Yield		<u>4.5%</u>
Unadjusted CAPM (h)		10.7%
Size Adjustment (i)		<u>0.81%</u>
 Implied Cost of Equity (j)		 <u>11.5%</u>

- (a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (retrieved Jan. 28, 2011).
- (b) Weighted average of IBES earnings growth rates for the dividend paying firms in the S&P 500 (retrieved Feb. 23, 2011).
- (c) (a) + (b)
- (d) Average yield on 30-year Treasury bonds for March 2011 from the Federal Reserve Board at http://www.federalreserve.gov/releases/h15/data/Monthly/H15_TCMNOM_Y20.txt.
- (e) (c) - (d).
- (f) www.valueline.com (retrieved Apr. 20, 2011).
- (g) (e) x (f).
- (h) (d) + (g).
- (i) *Morningstar*, "Ibbotson S&P 500 Valuation Yearbook," at Table C-1 (2011).
- (j) (h) + (i).

GAS UTILITY PROXY GROUPMarket Rate of Return

Dividend Yield (a)	2.3%	
Growth Rate (b)	<u>10.5%</u>	
Market Return (c)		12.8%

Less: Risk-Free Rate (d)

Long-term Treasury Bond Yield		<u>4.5%</u>
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<u>Market Risk Premium (e)</u>		8.3%
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<u>Utility Proxy Group Beta (f)</u>		<u>0.68</u>
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<u>Utility Proxy Group Risk Premium (g)</u>		5.7%
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Plus: Risk-free Rate (d)

Long-term Treasury Bond Yield		<u>4.5%</u>
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Unadjusted CAPM (h)		10.2%
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Size Adjustment (i)		<u>1.81%</u>
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Implied Cost of Equity (j)		<u><u>12.0%</u></u>
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- (a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (retrieved Jan. 28, 2011).
- (b) Weighted average of IBES earnings growth rates for the dividend paying firms in the S&P 500 (retrieved Feb. 23, 2011).
- (c) (a) + (b)
- (d) Average yield on 30-year Treasury bonds for March 2011 from the Federal Reserve Board at http://www.federalreserve.gov/releases/h15/data/Monthly/H15_TCMNOM_Y20.txt.
- (e) (c) - (d).
- (f) www.valueline.com (retrieved Apr. 20, 2011).
- (g) (e) x (f).
- (h) (d) + (g).
- (i) *Morningstar*, "Ibbotson SBBI 2011 Valuation Yearbook," at Table C-1 (2011).
- (j) (h) + (i).

CAPITAL ASSET PRICING MODEL

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NON-UTILITY PROXY GROUP

Market Rate of Return

Dividend Yield (a)	2.3%	
Growth Rate (b)	<u>10.5%</u>	
Market Return (c)		12.8%

Less: Risk-Free Rate (d)

Long-term Treasury Bond Yield		<u>4.5%</u>
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Market Risk Premium (e)

8.3%

Non-Utility Proxy Group Beta (f)

0.71

Utility Proxy Group Risk Premium (g)

5.9%

Plus: Risk-free Rate (d)

Long-term Treasury Bond Yield		<u>4.5%</u>
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Unadjusted CAPM (h) 10.4%

Size Adjustment (i) -0.38%

Implied Cost of Equity (j) 10.0%

- (a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (retrieved Jan. 28, 2011).
- (b) Weighted average of IBES earnings growth rates for the dividend paying firms in the S&P 500 (retrieved Feb. 23, 2011).
- (c) (a) + (b)
- (d) Average yield on 30-year Treasury bonds for March 2011 from the Federal Reserve Board at http://www.federalreserve.gov/releases/h15/data/Monthly/H15_TCMNOM_Y20.txt.
- (e) (c) - (d).
- (f) www.valueline.com (retrieved Jan. 28, 2011).
- (g) (e) x (f).
- (h) (d) + (g).
- (i) *Morningstar*, "Ibbotson SBBI 2011 Valuation Yearbook," at Table C-1 (2011).
- (j) (h) + (i).