

1 **Q. PLEASE DISCUSS YOUR ANALYSIS OF THE CAPITAL STRUCTURES**
2 **OF THE PROXY GROUP COMPANIES.**

3 A. I calculated the average capital structure for the operating utilities of each
4 of my proxy group companies, on a quarterly basis, for the past two years. As
5 shown in Exhibit No. RBH-7 the mean equity and long-term debt ratios are 51.90
6 percent and 48.10 percent, respectively. By comparison, the Company's proposed
7 equity ratio of 40.00 percent is 11.90 percentage points lower than the proxy
8 group average, and outside the range of results, indicating substantially higher
9 financial leverage relative to industry standards. Consequently, the capital
10 structure, and its effect on financial risk, should be considered in setting a
11 reasonable Return on Equity.

12 **Q. HAVE YOU CONDUCTED ANY ANALYSES TO DETERMINE THE**
13 **EFFECT OF THE COMPANY'S EQUITY RATIO ON THE COMPANY'S**
14 **REQUIRED ROE?**

15 A. Yes, I have. In order to calculate that effect, I estimated the adjustment
16 required for both the CAPM and DCF analyses to account for 5.00 percent
17 changes in the equity ratio both above and below the proxy group average equity
18 ratio of 51.90 percent.

19 I based my adjustment to the CAPM results on the Hamada Equation,²⁹
20 which adjusts the average Beta for the level of leverage held by the underlying
21 companies on which that measurement is made. In this case, the proxy group

²⁹ Shannon P. Pratt, Robert F. Reilly, and Robert P. Schweihs, Valuing a Business, Fourth Edition, at 169.

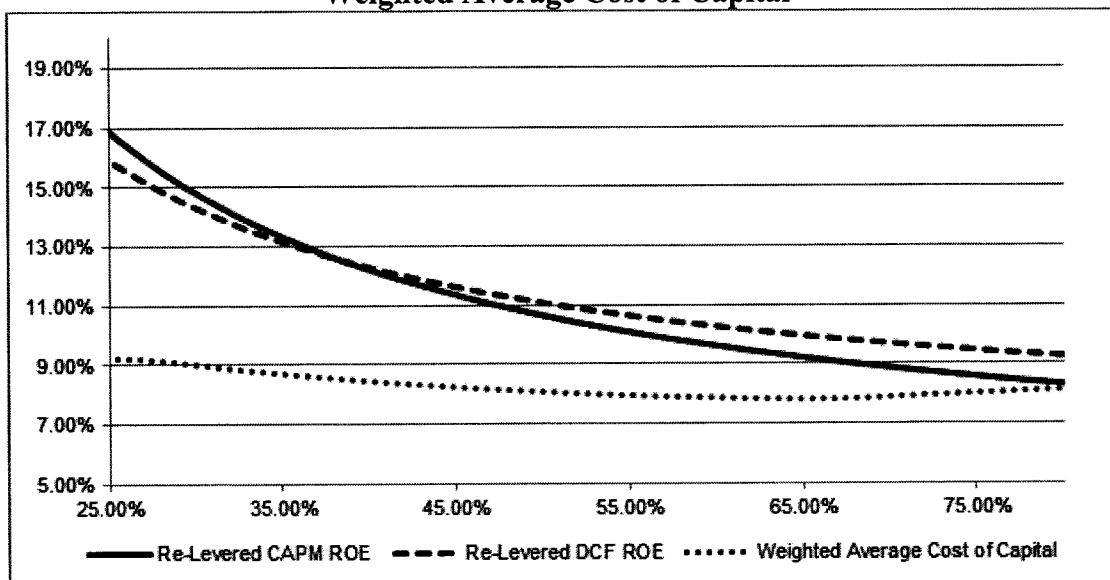
1 average equity ratio of 51.90 percent and the average Beta coefficient of 0.72
2 translate to an unlevered (or “asset”) Beta of 0.45, when the tax effect of the debt
3 portion of the capital structure is removed from the calculation. The unlevered
4 Beta coefficient can then be re-levered to approximate the additional risk assumed
5 by decreasing the equity ratio to any level specified.

6 I performed a similar adjustment to the DCF analysis based on the
7 Modigliani-Miller Approach,³⁰ using the proxy group average equity and debt
8 ratios and an assumed effective tax rate of 35.00 percent. I then adjusted the
9 unlevered ROE to approximate the added risk assumed by changing the equity
10 ratio in 5.00 percent increments.

11 As shown in Chart 2 (below) and Exhibit No. RBH-8, based on the CAPM
12 and DCF analyses, an equity ratio of approximately 40.00 percent indicates a
13 required ROE of approximately 12.21 percent to 12.29 percent. Moreover, as
14 shown in Chart 2 (below), based on several factors, including currently observed
15 credit spreads for utility bonds, Moody’s guidelines for Debt/Total Capital, and
16 the average capital structure of the proxy group, the optimal equity ratio with
17 respect to overall weighted cost of capital is well above the Company’s requested
18 40.00 percent equity ratio.

³⁰ Stephen A. Ross, Randolph Westerfield, and Jeffrey Jaffe, Corporate Finance, Seventh Edition, at 405-427.

Chart 2: Leverage Effect, the Cost of Equity and the Weighted Average Cost of Capital



Q. WHAT ARE YOUR CONCLUSIONS REGARDING THE EFFECT OF THE COMPANY'S CAPITAL STRUCTURE ON ITS RISK PROFILE?

A. The Company's 60.00 percent debt ratio is well above industry standards. In fact, Standard & Poor's characterizes a debt ratio of 60.00 percent as "aggressive."³¹ This level of financial leverage affects the Company's overall level of risk and, when compared to the proxy group, demonstrates an incremental risk not reflected in the analytical results. Therefore, in establishing a just and reasonable Return on Equity, it is my view that a Return on Equity above the midpoint of analytical results is appropriate.³²

³¹ Standard and Poor's, Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.

³² It is axiomatic that if a lower debt-equity ratio were applied to the same ROE, the utility would enjoy a higher rate of return. See also *Commission Staff's Petition for the Selection of Entities Responsible for Transmission Improvements Necessary to Deliver Renewable Energy from Competitive Renewable Energy Zones*, Docket No. 35665, Rebuttal Testimony of Slade Cutter, Attachment SC-R-A (Nov. 14, 2008) (outlining a preference for a 60/40 debt/equity structure).

1 ***D. Regulatory Risk***

2 **Q. HOW DOES THE REGULATORY ENVIRONMENT IN WHICH A**
3 **UTILITY OPERATES AFFECT ITS ACCESS TO AND COST OF**
4 **CAPITAL?**

5 A. The regulatory environment can significantly affect both the access to, and
6 cost of capital in several ways. The proportion and cost of debt capital available to
7 utility companies are influenced by the rating agencies' assessment of the
8 regulatory environment. One element of this assessment includes evaluating a
9 company's ability to recovery costs. For example, Moody's observes that timely
10 cost recovery is an important determinant of credit quality, stating that "[t]he
11 ability to recover prudently incurred costs in a timely manner is perhaps the single
12 most important credit consideration for regulated utilities, as the lack of timely
13 recovery of such costs has caused financial stress for utilities on several
14 occasions."³² Similarly, Fitch Ratings ("Fitch") notes that in the current
15 environment of rising costs, utilities will require more frequent rate increases to
16 maintain financial results, resulting in further exposure to regulatory risks.³³

³² Moody's, Global Infrastructure Finance, Regulated Electric and Gas Utilities, August 2009, at 7.

³³ Fitch Ratings, U.S. Utilities, Power, and Gas 2010 Outlook, December 4, 2009, at 1.

1 **Q. PLEASE EXPLAIN HOW THE REQUIREMENT OF A HISTORICAL**
2 **TEST PERIOD AFFECTS THE REGULATORY ASSESSMENT OF THE**
3 **COMPANY.**

4 A. A test period is intended to closely match the period for which rates are
5 set. When investments are placed in service subsequent to the test period, if
6 economic conditions have changed, investors may not fully recover costs until
7 rates are changed. As such, Standard & Poor's notes, "For a regulatory scheme to
8 be considered supportive of credit quality, commissions must limit uncertainty in
9 the recovery of a utility's investment."³⁴ The use of a future test period is one
10 method for reducing uncertainty and ensuring that rates are set based on the most
11 current information. Describing its assessment of regulatory lag, Standard &
12 Poor's stated:

13 As part of this analysis, we evaluate the timeliness of rate
14 decisions, coupled with an evaluation of the test year. In addition,
15 we take into account the timing of interim rates, and other practices
16 that affect the appropriateness of rates periodically established by
17 the regulator. We do not view the issue of regulatory lag as an
18 intermittent concern, consequential only during times of acute
19 inflation or rising capital spending, but as a consistent part of our
20 credit analysis. Accordingly, in our regulatory assessments we
21 focus on whether the regulator efficiently prosecutes rate requests
22 and bases its decisions with respect to rate setting on the most
23 current information.³⁵

24 To the extent that WETT's ability to recover costs differs from the proxy group
25 companies, this represents an incremental regulatory risk to the Company that is
26 not reflected in my analytical results. A review of the test periods typically used

³⁴ Standard and Poor's, Assessing U.S. Vertically Integrated Utilities' Business Risk Drivers, September 14, 2006 at 3.

³⁵ Standard and Poor's, Assessing U.S. Utility Regulatory Environments, November 7, 2008 at 4.

1 by the proxy group companies indicates that future test periods are common. In
2 fact, of the fourteen proxy group companies, nine companies are permitted
3 forecasted test-years or partially forecasted test-years in at least one regulatory
4 jurisdiction.

5 However, I also note that the Commission adopted P.U.C. SUBST. R.
6 25.192(h), which allows a transmission service provider to update its transmission
7 rates to reflect capital additions to its transmission plant in service since its last
8 rate case ("Interim TCOS Filing"). I believe the Interim TCOS Filing process is a
9 benefit to transmission service providers that are currently providing service. I
10 also understand that under the Commission's Informal Disposition procedures,
11 these filings typically are processed within 60 days. However, this process is not
12 available to a new entrant, such as WETT, until it has completed its first full rate
13 case. The effect of regulatory lag on WETT is discussed in more detail in the
14 direct testimony of Brett Perlman.

15 **Q. WHAT ARE YOUR CONCLUSIONS REGARDING REGULATORY**
16 **GUIDELINES AND CAPITAL MARKET EXPECTATIONS?**

17 A. The regulatory environment is one of the most important issues considered
18 by both debt and equity investors in assessing the risks and prospects of utility
19 companies. From the perspective of debt investors, the authorized return should
20 enable the Company to generate the cash flow needed to meet its near-term
21 financial obligations, make the capital investments needed to maintain and expand
22 its system, and maintain sufficient levels of liquidity to fund unexpected events.

1 This financial liquidity must be derived not only from internally generated funds,
2 but also from efficient access to capital markets.

3 Moreover, because fixed income investors have many investment
4 alternatives, even within a given market sector, the Company's financial profile
5 must be adequate on a relative basis to ensure its ability to attract capital under a
6 variety of economic and financial market conditions. From the perspective of
7 equity investors, the authorized return must be adequate to provide a risk-
8 comparable return on the equity portion of the Company's capital investments.
9 Because equity investors are the residual claimants on cash flows (which is to say
10 that the equity return is subordinate to interest payments on debt), they are
11 particularly concerned with regulatory uncertainty and its effect on future cash
12 flows. Consequently, to account for incremental risk associated with the
13 Company's test period, a return above the midpoint of the analytical results is
14 appropriate in establishing a just and reasonable Return on Equity.

VIII. CAPITAL MARKET ENVIRONMENT

15 **Q. DO ECONOMIC CONDITIONS INFLUENCE THE REQUIRED COST OF**
16 **CAPITAL AND REQUIRED RETURN ON COMMON EQUITY?**

17 **A.** Yes. As discussed in Section VI, the models used to estimate the Cost of
18 Equity are meant to reflect, and therefore are influenced by, current and expected
19 capital market conditions.

1 **Q. HAVE YOU REVIEWED ANY SPECIFIC INDICES TO ASSESS THE**
2 **RELATIONSHIP BETWEEN CURRENT MARKET CONDITIONS AND**
3 **INVESTOR RETURN REQUIREMENTS?**

4 A Yes, I considered several measures of capital market risk, including: (1)
5 incremental credit spreads on investment grade utility debt; (2) the relationship
6 between electric utility dividend yields and long-term Treasury yields; and (3)
7 equity market volatility and correlations. As discussed below, each of those
8 measures provide information that is relevant to the implementation of models
9 used to estimate the Cost of Equity, and in the interpretation of the model results.

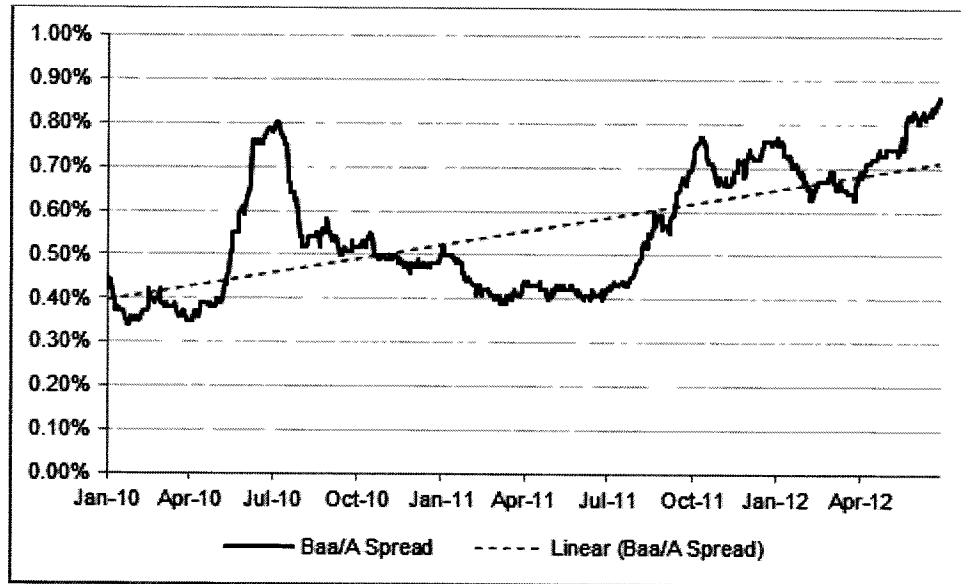
10 *A. Incremental Credit Spreads*

11 **Q. HOW HAVE CREDIT SPREADS BEEN AFFECTED BY CURRENT**
12 **MARKET CONDITIONS?**

13 A. The "credit spread" is the return required by debt investors to take on the
14 default risk associated with securities of differing credit quality. For a given
15 credit rating, the credit spread is measured by reference to a Treasury security of
16 similar tenure. That is, the credit spread on A-rated utility bonds may be
17 measured by reference to the 30-year Treasury Bond yield; the same would be
18 true of Baa-rated securities. Because lower credit ratings reflect higher levels of
19 risk, credit spreads typically are higher for lower-rated securities. In that regard,
20 the incremental credit spread (e.g., the difference between the credit spreads
21 associated with A and Baa-rated securities, respectively) is an indication of
22 incremental return required by investors to take on additional levels of risk. As
23 Chart 3 demonstrates, since the beginning of 2010, the Moody's Utility Bond

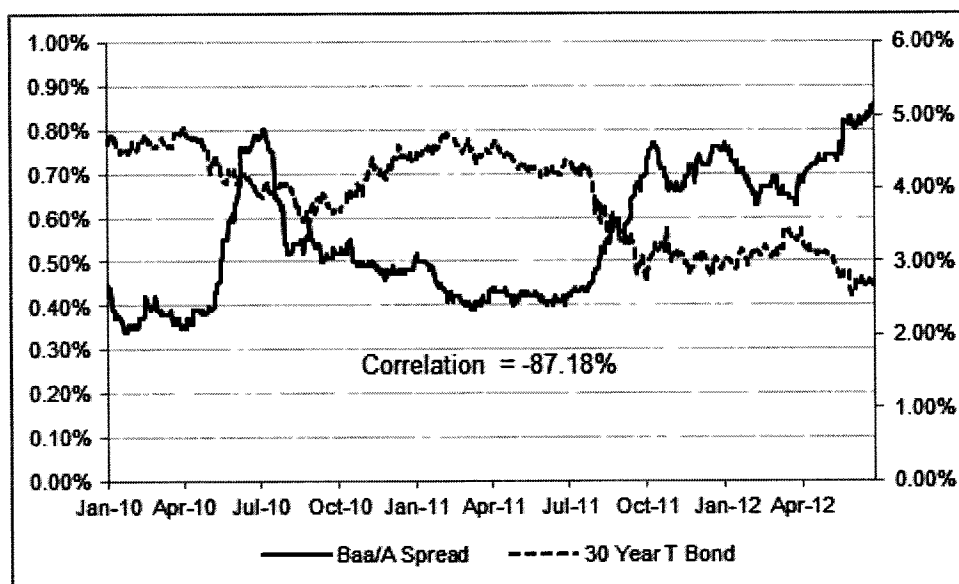
1 Index Baa/A credit spread has steadily increased, indicating that debt investors
2 have increased their marginal return requirements.

3 **Chart 3: Moody's Utility Bond Index Baa-A Credit Spread**



4
5
6 It also is interesting to note that the incremental credit spread has increased as
7 long-term Treasury yields have decreased. In fact, as Chart 4 demonstrates, even
8 since January 2010, changes in the incremental spread are negatively correlated
9 with changes in the 30-year Treasury yield.

Chart 4: Incremental Credit Spread and 30-Year Treasury Yield



Q. WHAT ARE THE IMPLICATIONS OF THOSE FINDINGS IN ASSESSING THE COMPANY'S COST OF EQUITY?

A. The implications are twofold. First, the recent decline in long-term Treasury yields has been accompanied by an increase in the premium required by investors to accept incremental levels of credit risk. That is, the incremental credit spread has increased as the level of Treasury yields have decreased. While that inverse relationship applies to the cost of debt, prior academic research has demonstrated that the equity risk premium likewise is inversely related to interest

1 rates.³⁶ Consequently, neither the Cost of Equity nor the cost of debt has
2 decreased in lock step with Treasury yields.

3 Those results also demonstrate the importance of maintaining a strong
4 financial and credit profile. Because incremental credit spreads have steadily
5 increased, the benefit of maintaining a strong credit profile is greater in the
6 current market than it has been, even over the past two years. That conclusion is
7 consistent with recent findings by FitchRatings (“Fitch”), which noted that:

8 While it appears that the credit spread differential between the
9 rating categories has a relatively small impact during times of
10 economic stability, during recent periods of economic stress, a
11 higher credit rating produces a meaningful difference in credit
12 spreads... and provides more assured access to capital.³⁷

13 Since regulatory actions affect credit ratings in several, often significant ways, the
14 Commission’s decision in this proceeding will directly affect the Company’s
15 credit profile and influence its ability to maintain a credit profile that enables
16 continued access to capital at reasonable costs. Given the Company’s substantial
17 capital investment plans for its CREZ projects, which include 374 miles of
18 transmission lines and six substations, and external funding needs, the benefits of
19 reliable and cost-effective capital access are significant. Given that WETT is
20 currently using construction financing in order to complete its CREZ projects, a
21 Commission order which sets an appropriate return on equity that recognizes the

³⁶ Robert S. Harris and Felicia C. Marston, *Estimating Shareholder Risk Premia Using Analysts’ Growth Forecasts*, Financial Management, Summer 1992, at 63-70; Eugene F. Brigham, Dilip K. Shome, and Steve R. Vinson, *The Risk Premium Approach to Measuring a Utility’s Cost of Equity*, Financial Management, Spring 1985, at 33-45; and Farris M. Maddox, Donna T. Pippert, and Rodney N. Sullivan, *An Empirical Study of Ex Ante Risk Premiums for the Electric Utility Industry*, Financial Management, Autumn 1995, at 89-95.

³⁷ FitchRatings, *Fitch’s Review of Utility ROE Trends*, March 22, 2010, at 3.

1 risks endemic to new entrants to the electric transmission market in Texas would
2 help WETT in securing permanent financing after the construction loan is due.

3 ***B. Yield Spreads***

4 **Q. PLEASE BRIEFLY DEFINE THE TERM “YIELD SPREAD”, AND**
5 **EXPLAIN ITS MEANING IN ASSESSING CAPITAL MARKET**
6 **CONDITIONS.**

7 A. The “yield spread” is the difference between the yield on long-term
8 Treasury securities on the one hand, and dividend yields on the other. Investors
9 often consider yield spreads in their assessment of security valuation and capital
10 market conditions. As explained below, to the extent that yield spreads materially
11 deviate from long-term relationships, it may be an indication of continuing
12 dislocations within the capital market.

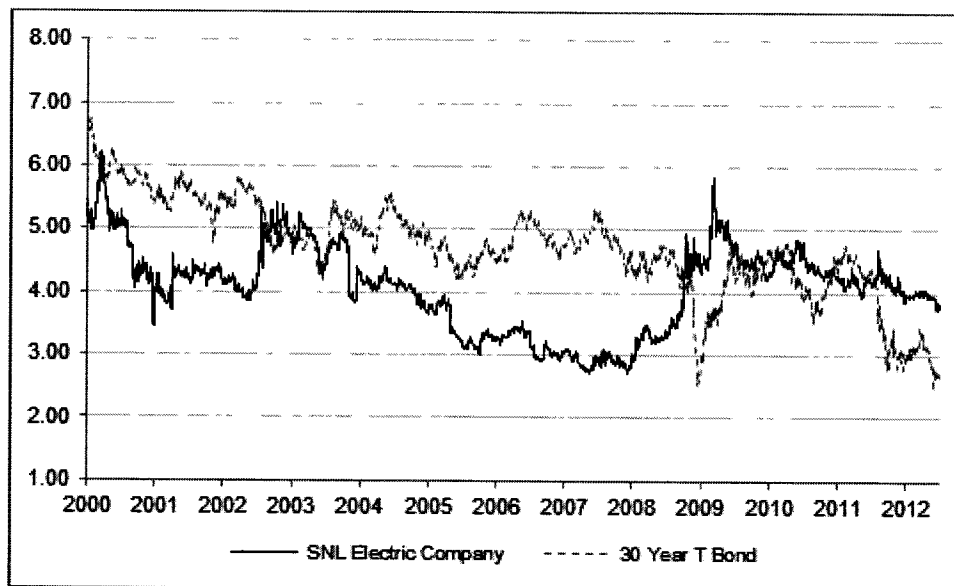
13 **Q. HAVE YOU REVIEWED THE CURRENT AND HISTORICAL YIELD**
14 **SPREAD FOR ELECTRIC UTILITY COMPANIES?**

15 A. Yes, I have. As shown in Chart 5, for much of the period from January 1,
16 2000 through June 29, 2012, the 30-year Treasury yield has exceeded the yield on
17 electric utility stocks (as measured by the SNL Electric Company Index). In fact,
18 over that time, the yield spread averaged approximately 66 basis points³⁸. That
19 period, however, includes the 2002 – 2003 credit contraction, during which the
20 Treasury yields and utility dividend yields were essentially equal, and the post-
21 Lehman Brothers bankruptcy period, during which the yields inverted, such that

³⁸ That is to say that on average, the 30-year Treasury yield exceeded the electric utility dividend yield by 66 basis points.

1 the electric utility index dividend yield exceeded the 30-year Treasury yield.
2 Excluding those two periods, the average yield spread was 129 basis points (that
3 is, on average, the 30-year Treasury yield exceeded the dividend yield by 129
4 basis points.

5 **Chart 5: Treasury/Dividend Yield Spread³⁹**



6
7 As Chart 5 also demonstrates, the yield spread inverted shortly after the
8 September 15, 2008 Lehman Brothers bankruptcy, and has essentially remained
9 inverted since that time. The continuing instability in the yield spread also has
10 been observed by The Wall Street Journal, which noted that historically,
11 “dividend yields have tended to track the yield on 10-year Treasuries closely.”⁴⁰

12 The article went on to note that:

³⁹ Source: SNL Financial

⁴⁰ Denning, Liam, “A Short Circuit in the Stock Market,” *The Wall Street Journal*, October 23, 2009, at C10. I note that while this article referred to ten-year Treasury yields, the fundamental conclusion, that the utility yield spread has deviated from its long-term relationship, remains.

1 Regulated utilities' dividend yields decoupled from Treasury
2 yields in December 2007, as the U.S. recession began. After the
3 initial flight to quality cut yields on Treasuries, particularly after
4 Lehman Brothers collapsed in September 2008, the Federal
5 Reserve's policy of buying up government debt has helped keep
6 them low.

7 **Q. HOW DOES SUCH DATA ENTER INTO YOUR ASSESSMENT OF THE**
8 **COMPANY'S COST OF EQUITY?**

9 A. As noted above, investors often look to the relationships among financial
10 metrics to assess current and expected levels of market stability. As also noted
11 above, to the extent that current relationships among such indices materially
12 deviate from long-term norms, it may be an indication of continuing or expected
13 market instability. Moreover, such data provide market-based methods by which
14 to assess the implications of the currently low Treasury yields for the Company's
15 Cost of Equity. If, for example, the currently low level Treasury yields indicated
16 a correspondingly low Cost of Equity, the average dividend yield would be
17 approximately 2.07 percent, or lower.⁴¹ As shown on Exhibit No. RBH-1,
18 however, the current (proxy group) average dividend yield is approximately 4.25
19 percent. Again, low Treasury yields are not necessarily indicative of
20 correspondingly low equity return requirements.

21

⁴¹ 2.07 percent equals 2.73 percent, less the long-term average yield spread of 66 basis points. Excluding the post-Lehman Brothers bankruptcy period, and the 2002 – 2003 credit contraction implies a yield spread of 129 basis points, suggesting an implied dividend yield of less than 1.44 percent (assumes a constant growth rate).

1 ***C. Equity Market Volatility and Return Correlations***

2 **Q. PLEASE BRIEFLY DEFINE THE TERM “VOLATILITY” AND**
3 **EXPLAIN ITS RELEVANCE TO DETERMINING THE COST OF**
4 **EQUITY.**

5 A. In finance, volatility is a statistical measure of the dispersion of returns for
6 a given security or market index. Securities for which returns are more broadly
7 dispersed (that is, they have a higher degree of deviation from the mean) are
8 thought to be less certain and, therefore, more risky than securities whose returns
9 historically have been less dispersed. The most common measure of such
10 dispersion is the standard deviation⁴², which (as discussed in Section VI) is an
11 important variable in certain Cost of Equity estimation models.

12 **Q. PLEASE NOW DEFINE THE TERM “CORRELATION” AND EXPLAIN**
13 **ITS RELEVANCE TO DETERMINING THE COST OF EQUITY.**

14 A. Correlation is a measure of the extent to which two variables tend to move
15 in relation to each other. By definition, correlation (as measured by correlation
16 coefficients) range from -1.00 to 1.00; a negative correlation indicates that the
17 returns on two securities move in opposite directions, while a positive correlation
18 suggests that they move together. The closer the correlation coefficient is to -1.00
19 or 1.00, the stronger that relationship.

20 Because securities with low or negative correlations are less likely to
21 move in tandem, investors consider such investments to offer certain

⁴² See, for example, Ross, Westerfield, Jaffe and Jordon, Corporate Finance: Core Principals & Applications, 2nd Ed., McGraw-Hill Irwin, 2009, at 313.

1 diversification benefits; highly correlated securities do not. As discussed in
2 Section VI, under portfolio-based Cost of Equity techniques such as the Capital
3 Asset Pricing Model, stocks with high correlations to the broad market tend to
4 represent greater risk (and therefore require higher returns) than stocks with lower
5 market correlations.⁴³

6 **Q. HAVE YOU REVIEWED THE RECENT AND HISTORICAL DEGREES**
7 **OF VOLATILITY AND CORRELATION FOR ELECTRIC UTILITY**
8 **STOCKS?**

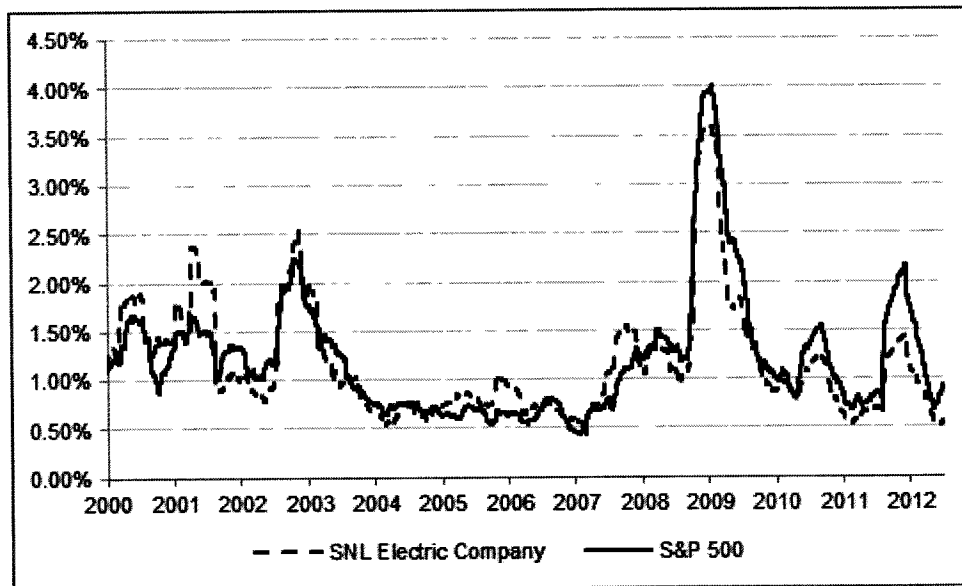
9 A. Yes, I have. The purpose of my analysis was to examine the current
10 degrees of volatility and correlation for the broad market (as measured by the
11 S&P 500 Index) and electric utilities (measured by the SNL Electric Company
12 Index) relative to their historical averages. My analysis also reviewed the
13 relationship between volatility and correlations for those indices. As discussed in
14 more detail below, although market volatility recently has moderated, electric
15 utility stocks have been increasingly correlated with the broad market. Because
16 both volatility and correlations are factors underlying the Cost of Equity, it is not
17 necessarily true that moderating market volatility implies significantly lower
18 return requirements. It also is interesting to note that correlations tend to increase
19 during periods of high market volatility. Consequently, during such periods
20 investors return requirements would be higher, still.

⁴³ As discussed in Section VII, the Beta coefficient factor of the Capital Asset Pricing Model reflects both the degree of correlation between the subject company and the overall market, and measures of volatility.

1 **Q. PLEASE NOW SUMMARIZE YOUR REVIEW OF MARKET**
2 **VOLATILITY.**

3 A. For the purpose of my review, I calculated the standard deviation of daily
4 returns for the S&P 500, and the SNL Electric Company Indices, respectively for
5 the period January 1, 2000 through June 29, 2012 (*see* Chart 6, below). As Chart
6 6 demonstrates, the volatility of returns (for both indices) increased significantly
7 during the 2002 – 2003 credit contraction, the 2008 – 2009 recent financial crisis
8 and, most recently, during the latter part of 2011.

Chart 6: Daily Return Volatility⁴⁴



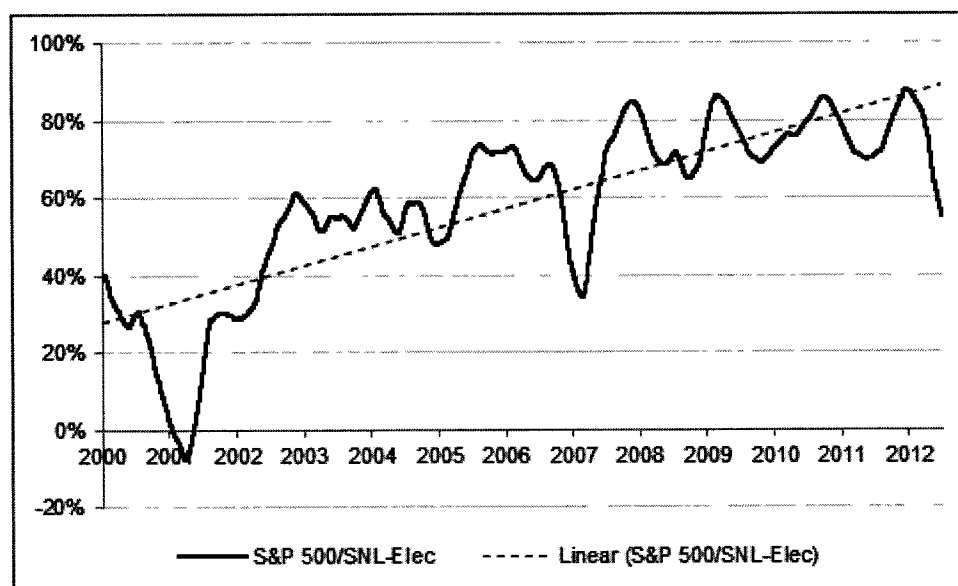
Q. TURNING NOW TO RETURN CORRELATIONS, HOW HAVE THE SNL ELECTRIC COMPANY INDEX RETURNS MOVED RELATIVE TO THE S&P 500?

A. Since 2000, correlations between SNL Electric Company returns and the S&P 500 returns have been trending upward, as shown by the linear trend in Chart 6, below.⁴⁵ Despite correlations moderating in the near term, the prevailing long-term trend remains toward increased correlation between the two indices.

⁴⁴ Represents standard deviation of daily returns over 90-day period. Source: SNL Financial, LLC.

⁴⁵ Correlations based on daily returns calculated over 90 days. Source: SNL Financial.

Chart 7: Daily Return Correlations⁴⁶



Q. HAS THE INCREASED CORRELATION OF RETURNS BEEN NOTED BY THE FINANCIAL COMMUNITY?

A. Yes, it has. A January 4, 2012 article in The Wall Street Journal, for example, noted that “[a] fact of life for investors in recent years, especially in the stock market, has been the dramatic rise in correlations. One surprise of 2011 was the degree to which correlations within and across financial markets returned with a vengeance.”⁴⁷ Citing a study by BCA Research, the article concluded by noting that:

...in order for correlations to decline dramatically to pre-Lehman levels, investors will likely need some sense that the headwinds facing the U.S. economy have largely dissipated, and that the expansion has successfully transitioned to a sustainable, self-reinforcing phase (i.e. the recovery will not fall apart in the

⁴⁶ Represents the rolling 90-day average of the standard deviation of daily returns over a 90-day period. Source: SNL Financial.

⁴⁷ The Wall Street Journal, WSJ.com, *High Correlations Could Be Here To Stay*, January 4, 2012.

1 absence of continual shots of monetary or fiscal stimulus). It may
2 be years before such a realization occurs, suggesting that the “high
3 vol/high correlation” world is likely to persist, even if we have
4 seen the worst for this cycle.⁴⁸

5 My findings, that electric utility stocks remains somewhat more volatile than their
6 historical average, but are far more correlated with the broad market than they
7 historically have been, are consistent with the observations noted by The Wall
8 Street Journal.

9 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THOSE ANALYSES?**

10 A. First, it is important to recognize the relationships among financial
11 measures relied upon by investors, and to reflect those relationships in Cost of
12 Equity estimates. Simply observing, for example, that long-term Treasury rates
13 are at historically low levels is not a sufficient level of analysis to conclude that
14 the Cost of Equity is at a commensurately low level. As noted above, for
15 example, if investors believed that the current level of long-term Treasury yields
16 is indicative of the Cost of Equity, electric utility dividend yields would be more
17 than 200 basis points below their current level. Similarly, both sector and market-
18 wide volatility should not be viewed in isolation; rather, they should be
19 considered together with the correlation of returns. Doing so provides a more
20 complete perspective, and enables a more reasoned determination of the Cost of
21 Equity. Given the market conditions, WETT’s ROE must be set at a level high
22 enough for it to effectively compete with other utilities in the equity and debt
23 capital markets.

⁴⁸ Ibid.

IX. SUMMARY AND CONCLUSION

Q. WHAT IS YOUR CONCLUSION REGARDING THE COMPANY'S COST OF EQUITY?

A. I believe that a return on common equity in the range of 10.75 percent to 11.50 percent represents the range of equity investors' required return for investment in integrated electric utilities similar to WETT in today's capital markets. Within that range, I believe that an ROE of 10.90 percent is reasonable and appropriate, if not conservative, due to the incremental risk and financial implications associated with regulatory lag that the Company will experience as a new entrant. My recommended ROE, considers the Company's risk profile relative to the proxy group analytical results with respect to: (1) incremental risks associated with the Company's new entry into the Texas transmission market; (2) the undiversified stand-alone risks of the Company's underlying projects; (3) the Company's financial leverage relative to the proxy group; and (4) the Company's regulatory risk compared to the regulatory jurisdictions of the proxy group companies. Based on those factors, it is appropriate to establish an ROE that is above the mean results. As such, a return on common equity of 10.90 percent reasonably represents the return required to invest in a company with a risk profile comparable to WETT and, in fact, may be conservative, considering the financial effects of regulatory lag to a new entrant. Tables 7a and 7b summarize my analytical results.

Table 7a: Summary of Mean Constant Growth DCF Results

	<i>Low Growth Rate</i>	<i>Mean Growth Rate</i>	<i>High Growth Rate</i>
30-Day Average	9.39%	11.03%	13.17%
90-Day Average	9.47%	11.11%	13.25%
180-Day Average	9.49%	11.13%	13.27%

Table 7b: Summary of Risk Premium Results

	<i>Sharpe Ratio Derived Market Risk Premium</i>	<i>Bloomberg Derived Market Risk Premium</i>	<i>Capital IQ Derived Market Risk Premium</i>
<i>Average Value Line Beta Coefficient</i>			
Current 30-Year Treasury (2.73%)	9.34%	10.39%	10.57%
Near Term Projected 30-Year Treasury (3.40%)	10.01%	11.06%	11.24%
<i>Average Bloomberg Beta Coefficient</i>			
Current 30-Year Treasury (2.73%)	9.07%	10.08%	10.26%
Near Term Projected 30-Year Treasury (3.40%)	9.74%	10.75%	10.93%
<i>Average Calculated Beta Coefficient</i>			
Current 30-Year Treasury (2.73%)	9.46%	10.53%	10.72%
Near Term Projected 30-Year Treasury (3.40%)	10.13%	11.20%	11.39%
<i>Bond Yield Plus Risk Premium Approach</i>			
Near Term Projected 30-Year Treasury (3.58%)	10.30%		

Q. PLEASE SUMMARIZE THE COMPANY'S OVERALL RATE OF RETURN.

A. Given the Company's requested ROE of 10.90 percent, a cost of debt of 5.624 percent, and a capital structure of 40.00 percent equity and 60.00 percent debt, the overall Rate of Return is 7.73 percent (*see* Table 8, below).

1

Table 8: Overall Rate of Return

	Percent of Capitalization	Cost of Capital	Weighted Cost of Capital
Equity	40.00%	10.900%	4.36%
Debt	60.00%	5.624%	3.37%
Total	100.00%		7.73%

2

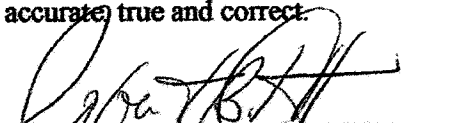
3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes. However, I reserve the right to make changes or corrections as
5 necessary.

COMMONWEALTH OF MASSACHUSETTS §
COUNTY OF MIDDLESEX §

BEFORE ME, the undersigned authority, on this day personally appeared Robert B. Hevert, who, having been placed under oath by me, did depose as follows:

My name is Robert B. Hevert. I am of legal age and a resident of the Commonwealth of Massachusetts. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are accurate, true and correct.


Robert B. Hevert

SUBSCRIBED AND SWORN TO BEFORE ME by the said Robert B. Hevert this
15th day of August, 2012.


Notary Public, Commonwealth of Massachusetts



KIMBERLY H. DAO
Notary Public
Commonwealth of Massachusetts
My Commission Expires
April 16, 2015

Robert B. Hevert, CFA
Managing Partner
Sussex Economic Advisors, LLC

Mr. Hevert is an economic and financial consultant with broad experience in regulated industries. He has an extensive background in the areas of corporate finance, corporate strategic planning, energy market assessment, mergers, and acquisitions, asset-based transactions, , feasibility and due diligence analyses, and providing expert testimony in litigated proceedings. Mr. Hevert has significant management experience with both operating and professional services companies.

REPRESENTATIVE PROJECT EXPERIENCE

Litigation Support and Expert Testimony

Provided expert testimony and support of litigation in various regulatory proceedings on a variety of energy and economic issues including: cost of capital for ratemaking purposes; the proposed transfer of power purchase agreements; procurement of residual service electric supply; the legal separation of generation assets; merger-related synergies; assessment of economic damages; and specific financing transactions. Services provided include collaborating with counsel, business and technical staff to develop litigation strategies, preparing and reviewing discovery and briefing materials, preparing presentation materials and participating in technical sessions with regulators and intervenors.

Financial and Economic Advisory Services

Retained by numerous leading energy companies and financial institutions throughout North America to provide services relating to the strategic evaluation, acquisition, sale or development of a variety of regulated and non-regulated enterprises. Specific services have included: developing strategic and financial analyses and managing multi-faceted due diligence reviews of proposed corporate M&A counter-parties; developing, screening and recommending potential M&A transactions and facilitating discussions between senior utility executives regarding transaction strategy and structure; performing valuation analyses and financial due diligence reviews of electric generation projects, retail marketing companies, and wholesale trading entities in support of significant M&A transactions.

Specific divestiture-related services have included advising both buy and sell-side clients in transactions for physical and contractual electric generation resources. Sell-side services have included: development and implementation of key aspects of asset divestiture programs such as marketing, offering memorandum development, development of transaction terms and conditions, bid process management, bid evaluation, negotiations, and regulatory approval process. Buy-side services have included comprehensive asset screening, selection, valuation and due diligence reviews. Both buy and sell-side services have included the use of sophisticated asset valuation techniques, and the development and delivery of fairness opinions.

Specific corporate finance experience while a Vice President with Bay State Gas included: negotiation, placement and closing of both private and public long-term debt, preferred and common equity; structured and project financing; corporate cash management; financial analysis, planning and forecasting; and various aspects of investor relations.

Regulatory Analysis and Ratemaking

On behalf of electric, natural gas and combination utilities throughout North America, provided services relating to energy industry restructuring including merchant function exit, residual energy supply obligations, and stranded cost assessment and recovery. Specific services provided include: performing strategic review and development of merchant function exit strategies including analysis of provider of last resort obligations in both electric and gas markets; and developing value optimizing strategies for physical generation assets.

Energy Market Assessment

Retained by numerous leading energy companies and financial institutions nationwide to manage or provide assessments of regional energy markets throughout the U.S. and Canada. Such assessments have included development of electric and natural gas price forecasts, analysis of generation project entry and exit scenarios, assessment of natural gas and electric transmission infrastructure, market structure and regulatory situation analysis, and assessment of competitive position. Market assessment engagements typically have been used as integral elements of business unit or asset-specific strategic plans or valuation analyses.

Resource Procurement, Contracting and Analysis

Assisted various clients in evaluating alternatives for acquiring fuel and power supplies, including the development and negotiation of energy contracts and tolling agreements. Assignments also have included developing generation resource optimization strategies. Provided advice and analyses of transition service power supply contracts in the context of both physical and contractual generation resource divestiture transactions.

Business Strategy and Operations

Retained by numerous leading North American energy companies and financial institutions nationwide to provide services relating to the development of strategic plans and planning processes for both regulated and non-regulated enterprises. Specific services provided include: developing and implementing electric generation strategies and business process redesign initiatives; developing market entry strategies for retail and wholesale businesses including assessment of asset-based marketing and trading strategies; and facilitating executive level strategic planning retreats. As Vice President, of Bay State was responsible for the company's strategic planning and business development processes, played an integral role in developing the company's non-regulated marketing affiliate, EnergyUSA, and managed the company's non-regulated investments, partnerships and strategic alliances.

PROFESSIONAL HISTORY

Sussex Economic Advisors, LLC (2012 – Present)

Managing Partner

Concentric Energy Advisors, Inc. (2002 – 2012)

President

Navigant Consulting, Inc. (1997 – 2001)

Managing Director (2000 – 2001)

Director (1998 – 2000)

Vice President, REED Consulting Group (1997 – 1998)

Bay State Gas Company (now Columbia Gas Company of Massachusetts) (1987 – 1997)

Vice President and Assistant Treasurer

Boston College (1986 – 1987)
Financial Analyst

General Telephone Company of the South (1984 – 1986)
Revenue Requirements Analyst

EDUCATION

M.B.A., University of Massachusetts at Amherst, 1984
B.S., University of Delaware, 1982

DESIGNATIONS AND PROFESSIONAL AFFILIATIONS

Chartered Financial Analyst, 1991
Association for Investment Management and Research
Boston Security Analyst Society

PUBLICATIONS/PRESENTATIONS

Has made numerous presentations throughout the United States and Canada on several topics, including:

- Generation Asset Valuation and the Use of Real Options
 - Retail and Wholesale Market Entry Strategies
 - The Use Strategic Alliances in Restructured Energy Markets
 - Gas Supply and Pipeline Infrastructure in the Northeast Energy Markets
 - Nuclear Asset Valuation and the Divestiture Process
-

AVAILABLE UPON REQUEST

Extensive client and project listings, and specific references.

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Arizona Corporation Commission				
Southwest Gas Corporation	11/10	Southwest Gas Corporation	Docket No. G-01551A-10-0458	Return on Equity
Arkansas Public Service Commission				
CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Arkansas Gas	01/07	CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Arkansas Gas	Docket No. 06-161-U	Return on Equity
Colorado Public Utilities Commission				
Public Service Company of Colorado	11/11	Public Service Company of Colorado	Docket No. 11AL-947E	Return on Equity (electric)
Xcel Energy, Inc.	12/10	Public Service Company of Colorado	Docket No. 10AL-963G	Return on Equity (electric)
Atmos Energy Corporation	07/09	Atmos Energy Colorado-Kansas Division	Docket No. 09AL-507G	Return on Equity (gas)
Xcel Energy, Inc.	12/06	Public Service Company of Colorado	Docket No. 06S-656G	Return on Equity (gas)
Xcel Energy, Inc.	04/06	Public Service Company of Colorado	Docket No. 06S-234EG	Return on Equity (electric)
Xcel Energy, Inc.	08/05	Public Service Company of Colorado	Docket No. 05S-369ST	Return on Equity (steam)
Xcel Energy, Inc.	05/05	Public Service Company of Colorado	Docket No. 05S-264G	Return on Equity (gas)
Columbia Public Service Commission				
Potomac Electric Power Company	07/11	Potomac Electric Power Company	Formal Case No. FC1087	Return on Equity
Connecticut Department of Public Utility Control				
Southern Connecticut Gas Company	09/08	Southern Connecticut Gas Company	Docket No. 08-08-17	Return on Equity

SPONSOR	DATE	CASE/APPLICANT	DOCKET No.	SUBJECT
Southern Connecticut Gas Company	12/07	Southern Connecticut Gas Company	Docket No. 05-03-17PH02	Return on Equity
Connecticut Natural Gas Corporation	12/07	Connecticut Natural Gas Corporation	Docket No. 06-03-04PH02	Return on Equity
Delaware Public Service Commission				
Delmarva Power & Light Company	12/11	Delmarva Power & Light Company	Case No. 11-528	Return on Equity
Federal Energy Regulatory Commission				
Public Service Company of New Mexico	10/10	Public Service Company of New Mexico	Docket No. ER11-1915-000	Return on Equity
Portland Natural Gas Transmission System	05/10	Portland Natural Gas Transmission System	Docket No. RP10-729-000	Return on Equity
Florida Gas Transmission Company, LLC	10/09	Florida Gas Transmission Company, LLC	Docket No. RP10-21-000	Return on Equity
Maritimes and Northeast Pipeline, LLC	07/09	Maritimes and Northeast Pipeline, LLC	Docket No. RP09-809-000	Return on Equity
Spectra Energy	02/08	Saltville Gas Storage	Docket No. RP08-257-000	Return on Equity
Panhandle Energy Pipelines	08/07	Panhandle Energy Pipelines	Docket No. PL07-2-000	Response to draft policy statement regarding inclusion of MLPs in proxy groups for determination of gas pipeline ROEs
Southwest Gas Storage Company	08/07	Southwest Gas Storage Company	Docket No. RP07-541-000	Return on Equity
Southwest Gas Storage Company	06/07	Southwest Gas Storage Company	Docket No. RP07-34-000	Return on Equity
Sea Robin Pipeline LLC	06/07	Sea Robin Pipeline LLC	Docket No. RP07-513-000	Return on Equity
Transwestern Pipeline Company	09/06	Transwestern Pipeline Company	Docket No. RP06-614-000	Return on Equity
GPU International and Aquila	11/00	GPU International	Docket No. EC01-24-000	Market Power Study

SPONSOR	DATE	CASE/APPLICANT	DOCKET No.	SUBJECT
Georgia Public Service Commission				
Atlanta Gas Light Company	05/10	Atlanta Gas Light Company	Docket No. 31647-U	Return on Equity
Illinois Commerce Commission				
Ameren Illinois Company d/b/a Ameren Illinois	02/11	Ameren Illinois Company d/b/a Ameren Illinois	Docket No. 11-0279	Return on Equity (electric)
Ameren Illinois Company d/b/a Ameren Illinois	02/11	Ameren Illinois Company d/b/a Ameren Illinois	Docket No. 11-0282	Return on Equity (gas)
Maine Public Utilities Commission				
Central Maine Power Company	06/11	Central Maine Power Company	Docket No. 2010-327	Response to Bench Analysis provided by Commission Staff relating to the Company's credit and collections processes
Maryland Public Service Commission				
Delmarva Power & Light Company	12/11	Delmarva Power & Light Company	Case No. 9285	Return on Equity
Potomac Electric Power Company	12/11	Potomac Electric Power Company	Case No. 9286	Return on Equity
Delmarva Power & Light Company	12/10	Delmarva Power & Light Company	Case No. 9249	Return on Equity
Massachusetts Department of Public Utilities				
National Grid	08/09	Massachusetts Electric Company d/b/a National Grid	DPU 09-39	Revenue Decoupling and Return on Equity
National Grid	08/09	Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid	DPU 09-38	Return on Equity – Solar Generation
Bay State Gas Company	04/09	Bay State Gas Company	DTE 09-30	Return on Equity
NSTAR Electric	09/04	NSTAR Electric	DTE 04-85	Divestiture of Power Purchase Agreement

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
NSTAR Electric	08/04	NSTAR Electric	DTE 04-78	Divestiture of Power Purchase Agreement
NSTAR Electric	07/04	NSTAR Electric	DTE 04-68	Divestiture of Power Purchase Agreement
NSTAR Electric	07/04	NSTAR Electric	DTE 04-61	Divestiture of Power Purchase Agreement
NSTAR Electric	06/04	NSTAR Electric	DTE 04-60	Divestiture of Power Purchase Agreement
Unitil Corporation	01/04	Fitchburg Gas and Electric	DTE 03-52	Integrated Resource Plan; Gas Demand Forecast
Minnesota Public Utilities Commission				
Otter Tail Power Corporation	04/10	Otter Tail Power Company	Docket No. E-017/GR-10-239	Return on Equity
Minnesota Power a division of ALLETE, Inc.	11/09	Minnesota Power	Docket No. E-015/GR-09-1151	Return on Equity
CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas	11/08	CenterPoint Energy Minnesota Gas	Docket No. G-008/GR-08-1075	Return on Equity
Otter Tail Power Corporation	10/07	Otter Tail Power Company	Docket No. E-017/GR-07-1178	Return on Equity
Xcel Energy, Inc.	11/05	NSP-Minnesota	Docket No. E-002/GR-05-1428	Return on Equity (electric)
Xcel Energy, Inc.	09/04	NSP Minnesota	Docket No. G-002/GR-04-1511	Cost of Capital (gas)

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Mississippi Public Service Commission				
CenterPoint Energy Resources, Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Mississippi Gas	07/09	CenterPoint Energy Mississippi Gas	Docket No. 09-UN-334	Return on Equity
Missouri Public Service Commission				
Union Electric Company d/b/a Ameren Missouri	02/12	Union Electric Company d/b/a Ameren Missouri	Case No. ER-2012-0166	Return on Equity (electric)
Union Electric Company d/b/a AmerenUE	09/10	Union Electric Company d/b/a AmerenUE	Case No. ER-2011-0028	Return on Equity (electric)
Union Electric Company d/b/a AmerenUE	06/10	Union Electric Company d/b/a AmerenUE	Case No. GR-2010-0363	Return on Equity (gas)
Nevada Public Utilities Commission				
Nevada Power Company	06/11	Nevada Power Company	Docket No. 11-06006	Return on Equity
New Hampshire Public Utilities Commission				
EnergyNorth Natural Gas d/b/a National Grid NH	02/10	EnergyNorth Natural Gas d/b/a National Grid NH	Docket No. DG 10-017	Return on Equity
Unitil Energy Systems, Inc. ("Unitil"), EnergyNorth Natural Gas, Inc. d/b/a National Grid NH, Granite State Electric Company d/b/a National Grid, and Northern Utilities, Inc. – New Hampshire Division	08/08	Unitil Energy Systems, Inc. ("Unitil"), EnergyNorth Natural Gas, Inc. d/b/a National Grid NH, Granite State Electric Company d/b/a National Grid, and Northern Utilities, Inc. – New Hampshire Division	Docket No. DG 07-072	Carrying Charge Rate on Cash Working Capital
New Jersey Board of Public Utilities				
Atlantic City Electric Company	08/11	Atlantic City Electric Company	Docket No. ER11080469	Return on Equity
Pepco Holdings, Inc.	09/06	Atlantic City Electric Company	Docket No. EMO6090638	Divestiture and Valuation of Electric Generating Assets

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Pepco Holdings, Inc.	12/05	Atlantic City Electric Company	Docket No. EM05121058	Market Value of Electric Generation Assets; Auction
Conectiv	06/03	Atlantic City Electric Company	Docket No. EO03020091	Market Value of Electric Generation Assets; Auction Process
New Mexico Public Regulation Commission				
Southwestern Public Service Company	02/11	Southwestern Public Service Company	Case No. 10-00395-UT	Return on Equity (electric)
Public Service Company of New Mexico	06/10	Public Service Company of New Mexico	Case No. 10-00086-UT	Return on Equity (electric)
Public Service Company of New Mexico	09/08	Public Service Company of New Mexico	Case No. 08-00273-UT	Return on Equity (electric)
Xcel Energy, Inc.	07/07	Southwestern Public Service Company	Case No. 07-00319-UT	Return on Equity (electric)
New York State Public Service Commission				
Orange and Rockland Utilities, Inc.	07/11	Orange and Rockland Utilities, Inc.	Case No. 11-E-0408	Return on Equity (electric)
Orange and Rockland Utilities, Inc.	07/10	Orange and Rockland Utilities, Inc.	Case No. 10-E-0362	Return on Equity (electric)
Consolidated Edison Company of New York, Inc.	11/09	Consolidated Edison Company of New York, Inc.	Case No. 09-G-0795	Return on Equity (gas)
Consolidated Edison Company of New York, Inc.	11/09	Consolidated Edison Company of New York, Inc.	Case No. 09-S-0794	Return on Equity (steam)
Niagara Mohawk Power Corporation	07/01	Niagara Mohawk Power Corporation	Case No. 01-E-1046	Power Purchase and Sale Agreement; Standard Offer Service Agreement

SPONSOR	DATE	CASE/APPLICANT	DOCKET No.	SUBJECT
North Carolina Utilities Commission				
Duke Energy Carolinas, LLC	07/11	Duke Energy Carolinas, LLC	Docket No. E-7, Sub 989	Return on Equity (electric)
North Dakota Public Service Commission				
Otter Tail Power Company	11/08	Otter Tail Power Company	Docket No. 08-862	Return on Equity (electric)
Oklahoma Corporation Commission				
Oklahoma Gas & Electric Company	07/11	Oklahoma Gas & Electric Company	Cause No. PUD201100087	Return on Equity
CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas	03/09	CenterPoint Energy Oklahoma Gas	Cause No. PUD200900055	Return on Equity
Rhode Island Public Utilities Commission				
National Grid RI – Gas	08/08	National Grid RI – Gas	Docket No. 3943	Revenue Decoupling and Return on Equity
South Carolina Public Service Commission				
Duke Energy Carolinas, LLC	08/11	Duke Energy Carolinas, LLC	Docket No. 2011-271-E	Return on Equity (electric)
South Carolina Electric & Gas	03/10	South Carolina Electric & Gas	Docket No. 2009-489-E	Return on Equity
South Dakota Public Utilities Commission				
Otter Tail Power Company	08/10	Otter Tail Power Company	Docket No. EL10-011	Return on Equity (electric)
Northern States Power Company	06/09	South Dakota Division of Northern States Power	Docket No. EL09-009	Return on Equity (electric)
Otter Tail Power Company	10/08	Otter Tail Power Company	Docket No. EL08-030	Return on Equity (electric)

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Texas Public Utility Commission				
Oncor Electric Delivery Company, LLC	01/11	Oncor Electric Delivery Company, LLC	Docket No. 38929	Return on Equity
Texas-New Mexico Power Company	08/10	Texas-New Mexico Power Company	Docket No. 38480	Return on Equity (electric)
CenterPoint Energy Houston Electric LLC	07/10	CenterPoint Energy Houston Electric LLC	Docket No. 38339	Return on Equity
Xcel Energy, Inc.	05/10	Southwestern Public Service Company	Docket No. 38147	Return on Equity (electric)
Texas-New Mexico Power Company	08/08	Texas-New Mexico Power Company	Docket No. 36025	Return on Equity (electric)
Xcel Energy, Inc.	05/06	Southwestern Public Service Company	Docket No. 32766	Return on Equity (electric)
Texas Railroad Commission				
Centerpoint Energy Resources Corp. d/b/a Centerpoint Energy Entex and Centerpoint Energy Texas Gas	12/10	Centerpoint Energy Resources Corp. d/b/a Centerpoint Energy Entex and Centerpoint Energy Texas Gas	GUD 10038	Return on Equity
Atmos Pipeline - Texas	09/10	Atmos Pipeline - Texas	GUD 10000	Return on Equity
CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas	07/09	CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas	GUD 9902	Return on Equity
CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Texas Gas	03/08	CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Texas Gas	GUD 9791	Return on Equity
Utah Public Service Commission				

SPONSOR	DATE	CASE/APPLICANT	DOCKET No.	SUBJECT
Questar Gas Company	12/07	Questar Gas Company	Docket No. 07-057-13	Return on Equity
Vermont Public Service Board				
Central Vermont Public Service Corporation; Green Mountain Power	2/12	Central Vermont Public Service Corporation; Green Mountain Power	Docket No. 7770	Merger Policy
Central Vermont Public Service Corporation	12/10	Central Vermont Public Service Corporation	Docket No. 7627	Return on Equity (electric)
Green Mountain Power	04/06	Green Mountain Power	Docket Nos. 7175 and 7176	Return on Equity (electric)
Vermont Gas Systems, Inc.	12/05	Vermont Gas Systems	Docket Nos. 7109 and 7160	Return on Equity (gas)
Virginia State Corporation Commission				
Columbia Gas Of Virginia, Inc.	06/06	Columbia Gas Of Virginia, Inc.	Case No. PUE-2005-00098	Merger Synergies
Dominion Resources	10/01	Virginia Electric and Power Company	Case No. PUE000584	Corporate Structure and Electric Generation Strategy

Constant Growth Discounted Cash Flow Model
30 Day Average Stock Price

Company	Ticker	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
		Annualized Dividend	Average Stock Price	Dividend Yield	Expected Dividend Yield	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Average Earnings Growth	Low ROE	Mean ROE	High ROE
American Electric Power	AEP	\$1.88	\$39.07	4.81%	4.90%	3.60%	3.54%	4.50%	3.88%	8.44%	8.78%	9.42%
Cleco Corp.	CNL	\$1.25	\$40.99	3.05%	3.12%	N/A	3.00%	6.50%	4.75%	6.09%	7.87%	9.65%
Empire District Electric	EDE	\$1.00	\$20.62	4.85%	5.05%	N/A	10.20%	6.00%	8.10%	11.00%	13.15%	15.30%
FirstEnergy Corp.	FE	\$2.20	\$47.72	4.61%	4.68%	1.15%	3.15%	5.00%	3.10%	5.79%	7.78%	9.73%
Great Plains Energy Inc.	GXP	\$0.85	\$20.45	4.16%	4.32%	7.75%	9.75%	5.50%	7.67%	9.77%	11.98%	14.11%
Hawaiian Electric	HE	\$1.24	\$27.77	4.47%	4.65%	7.12%	9.15%	9.00%	8.42%	11.75%	13.08%	13.82%
IDACORP, Inc.	IDA	\$1.32	\$40.12	3.29%	3.36%	5.00%	4.00%	3.00%	4.00%	6.34%	7.36%	8.37%
ITC Holdings Corp.	ITC	\$1.41	\$68.94	2.05%	2.21%	15.00%	17.63%	14.50%	15.71%	16.69%	17.92%	19.86%
Otter Tail Corp.	OTTR	\$1.19	\$21.91	5.43%	5.74%	5.00%	5.00%	24.00%	11.33%	10.57%	17.07%	30.08%
Pepco Holdings, Inc.	POM	\$1.08	\$19.15	5.64%	5.79%	3.57%	4.85%	7.00%	5.14%	9.31%	10.93%	12.84%
Pinnacle West Capital	PNW	\$2.10	\$50.34	4.17%	4.29%	5.68%	6.22%	5.00%	5.63%	9.28%	9.92%	10.52%
Portland General	POR	\$1.08	\$25.79	4.19%	4.28%	4.10%	3.67%	5.50%	4.42%	7.93%	8.70%	9.80%
Southern Co.	SO	\$1.96	\$46.54	4.21%	4.32%	5.04%	5.40%	5.00%	5.15%	9.32%	9.47%	9.72%
Westar Energy	WR	\$1.32	\$29.04	4.55%	4.68%	6.22%	4.60%	6.50%	5.77%	9.25%	10.45%	11.19%
Proxy Group Median				4.34%	4.49%	5.02%	4.93%	5.75%	5.39%	9.29%	10.19%	10.86%
Proxy Group Mean				4.25%	4.38%	5.77%	6.44%	7.64%	6.65%	9.39%	11.03%	13.17%

Notes:

- [1] Source: Bloomberg Professional
[2] Source: Bloomberg Professional, equals indicated number of trading day average as of June 29, 2012
[3] Equals [1] / [2]
[4] Equals [3] x (1 + 0.5 x [8])
[5] Source: Zacks
[6] Source: Yahoo! Finance
[7] Source: Value Line
[8] Equals Average([5], [6], [7])
[9] Equals [3] x (1 + 0.5 x Minimum([5], [6], [7])) + Minimum([5], [6], [7])
[10] Equals [4] + [8]
[11] Equals [3] x (1 + 0.5 x Maximum([5], [6], [7])) + Maximum([5], [6], [7])

Constant Growth Discounted Cash Flow Model
90 Day Average Stock Price

Company	Ticker	[1] Annualized Dividend	[2] Average Stock Price	[3] Dividend Yield	[4] Expected Dividend Yield	[5] Zacks Earnings Growth	[6] First Call Earnings Growth	[7] Value Line Earnings Growth	[8] Average Earnings Growth	[9] Low ROE	[10] Mean ROE	[11] High ROE
American Electric Power	AEP	\$1.88	\$38.50	4.88%	4.98%	3.60%	3.54%	4.50%	3.88%	8.51%	8.86%	9.49%
Cleco Corp.	CNL	\$1.25	\$40.01	3.12%	3.20%	N/A	3.00%	6.50%	4.75%	6.17%	7.95%	9.73%
Empire District Electric	EDE	\$1.00	\$20.34	4.92%	5.12%	N/A	10.20%	6.00%	8.10%	11.06%	13.22%	15.37%
FirstEnergy Corp.	FE	\$2.20	\$46.31	4.75%	4.82%	1.15%	3.15%	5.00%	3.10%	5.93%	7.92%	9.87%
Great Plains Energy Inc.	GXP	\$0.85	\$20.18	4.21%	4.37%	7.75%	9.75%	5.50%	7.67%	9.83%	12.04%	14.17%
Hawaiian Electric	HE	\$1.24	\$26.36	4.70%	4.90%	7.12%	9.15%	9.00%	8.42%	11.99%	13.33%	14.07%
IDACORP, Inc.	IDA	\$1.32	\$40.18	3.28%	3.35%	5.00%	4.00%	3.00%	4.00%	6.33%	7.35%	8.37%
ITC Holdings Corp.	ITC	\$1.41	\$73.47	1.92%	2.07%	15.00%	17.63%	14.50%	15.71%	16.56%	17.78%	19.72%
Otter Tail Corp.	OTTR	\$1.19	\$21.73	5.48%	5.79%	5.00%	5.00%	24.00%	11.33%	10.61%	17.12%	30.13%
Pepco Holdings, Inc.	POM	\$1.08	\$19.02	5.68%	5.82%	3.57%	4.85%	7.00%	5.14%	9.35%	10.96%	12.88%
Pinnacle West Capital	PNW	\$2.10	\$48.43	4.34%	4.46%	5.68%	6.22%	5.00%	5.63%	9.44%	10.09%	10.69%
Portland General	POR	\$1.08	\$25.23	4.28%	4.38%	4.10%	3.67%	5.50%	4.42%	8.03%	8.80%	9.90%
Southern Co.	SO	\$1.96	\$45.51	4.31%	4.42%	5.04%	5.40%	5.00%	5.15%	9.41%	9.56%	9.82%
Westar Energy	WR	\$1.32	\$28.28	4.67%	4.80%	6.22%	4.60%	6.50%	5.77%	9.37%	10.58%	11.32%
Proxy Group Median				4.50%	4.63%	5.02%	4.93%	5.75%	5.39%	9.39%	10.33%	11.00%
Proxy Group Mean				4.32%	4.46%	5.77%	6.44%	7.64%	6.65%	9.47%	11.11%	13.25%

Notes:

- [1] Source: Bloomberg Professional
[2] Source: Bloomberg Professional, equals indicated number of trading day average as of June 29, 2012
[3] Equals [1] / [2]
[4] Equals [3] x (1 + 0.5 x [8])
[5] Source: Zacks
[6] Source: Yahoo! Finance
[7] Source: Value Line
[8] Equals Average([5], [6], [7])
[9] Equals [3] x (1 + 0.5 x Minimum([5], [6], [7])) + Minimum([5], [6], [7])
[10] Equals [4] + [8]
[11] Equals [3] x (1 + 0.5 x Maximum([5], [6], [7])) + Maximum([5], [6], [7])

Constant Growth Discounted Cash Flow Model
180 Day Average Stock Price

Company	Ticker	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
		Annualized Dividend	Average Stock Price	Dividend Yield	Expected Dividend Yield	Zacks Earnings Growth	First Call Earnings Growth	Value Line Earnings Growth	Average Earnings Growth	Low ROE	Mean ROE	High ROE
American Electric Power	AEP	\$1.88	\$39.10	4.81%	4.90%	3.60%	3.54%	4.50%	3.88%	8.43%	8.78%	9.42%
Cleco Corp.	CNL	\$1.25	\$38.48	3.25%	3.33%	N/A	3.00%	6.50%	4.75%	6.30%	8.08%	9.85%
Empire District Electric	EDE	\$1.00	\$20.40	4.90%	5.10%	N/A	10.20%	6.00%	8.10%	11.05%	13.20%	15.35%
FirstEnergy Corp.	FE	\$2.20	\$45.02	4.89%	4.96%	1.15%	3.15%	5.00%	3.10%	6.06%	8.06%	10.01%
Great Plains Energy Inc.	GXP	\$0.85	\$20.55	4.14%	4.29%	7.75%	9.75%	5.50%	7.67%	9.75%	11.96%	14.09%
Hawaiian Electric	HE	\$1.24	\$26.05	4.76%	4.96%	7.12%	9.15%	9.00%	8.42%	12.05%	13.38%	14.13%
IDACORP, Inc.	IDA	\$1.32	\$40.62	3.25%	3.31%	5.00%	4.00%	3.00%	4.00%	6.30%	7.31%	8.33%
ITC Holdings Corp.	ITC	\$1.41	\$73.58	1.92%	2.07%	15.00%	17.63%	14.50%	15.71%	16.56%	17.78%	19.72%
Otter Tail Corp.	OTTR	\$1.19	\$21.45	5.55%	5.86%	5.00%	5.00%	24.00%	11.33%	10.69%	17.20%	30.21%
Pepco Holdings, Inc.	POM	\$1.08	\$19.37	5.58%	5.72%	3.57%	4.85%	7.00%	5.14%	9.25%	10.86%	12.77%
Pinnacle West Capital	PNW	\$2.10	\$47.61	4.41%	4.54%	5.68%	6.22%	5.00%	5.63%	9.52%	10.17%	10.77%
Portland General	POR	\$1.08	\$24.98	4.32%	4.42%	4.10%	3.67%	5.50%	4.42%	8.07%	8.84%	9.94%
Southern Co.	SO	\$1.96	\$44.88	4.37%	4.48%	5.04%	5.40%	5.00%	5.15%	9.48%	9.63%	9.89%
Westar Energy	WR	\$1.32	\$28.00	4.71%	4.85%	6.22%	4.60%	6.50%	5.77%	9.42%	10.62%	11.37%
Proxy Group Median				4.56%	4.69%	5.02%	4.93%	5.75%	5.39%	9.45%	10.40%	11.07%
Proxy Group Mean				4.35%	4.49%	5.77%	6.44%	7.64%	6.65%	9.49%	11.13%	13.27%

Notes:

- [1] Source: Bloomberg Professional
[2] Source: Bloomberg Professional, equals indicated number of trading day average as of June 29, 2012
[3] Equals [1] / [2]
[4] Equals [3] x (1 + 0.5 x [8])
[5] Source: Zacks
[6] Source: Yahoo! Finance
[7] Source: Value Line
[8] Equals Average([5], [6], [7])
[9] Equals [3] x (1 + 0.5 x Minimum([5], [6], [7])) + Minimum([5], [6], [7])
[10] Equals [4] + [8]
[11] Equals [3] x (1 + 0.5 x Maximum([5], [6], [7])) + Maximum([5], [6], [7])

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Sharpe Ratio Derived *Ex-Ante* Market Risk Premium

[1]	[2]	[3]	[4]	[5]
RP _h	Vol _h	VOL _e	Historical Sharpe Ratio	RP _e
6.60%	20.19%	27.74%	32.68%	9.07%

	[6]	[7]	[8]	[9]
Date	VXV	Nov 12 VIX Futures	Dec 12 VIX Futures	Jan 13 VIX Futures
6/29/2012	20.32	25.45	27.00	28.40
6/28/2012	22.25	26.35	27.25	28.70
6/27/2012	22.36	26.70	27.65	29.00
6/26/2012	22.47	27.00	28.10	29.60
6/25/2012	23.03	27.45	27.90	29.75
6/22/2012	21.51	27.20	28.05	29.35
6/21/2012	23.16	27.55	27.15	28.40
6/20/2012	20.84	26.55	27.95	29.05
6/19/2012	21.92	27.50	27.95	29.20
6/18/2012	22.13	27.55	28.40	29.65
6/15/2012	23.67	28.00	29.55	30.55
6/14/2012	25.00	29.45	30.60	31.30
6/13/2012	26.50	30.55	29.70	30.55
6/12/2012	24.94	29.65	29.95	30.85
6/11/2012	25.50	30.00	27.80	28.90
6/8/2012	23.64	27.75	29.00	29.85
6/7/2012	24.47	28.95	29.05	29.90
6/6/2012	24.71	29.15	29.75	30.35
6/5/2012	26.87	29.90	30.20	30.55
6/4/2012	28.12	30.50	29.85	30.50
6/1/2012	28.47	30.10	28.70	29.40
5/31/2012	26.22	28.95	28.40	29.15
5/30/2012	26.19	28.55	27.60	28.50
5/29/2012	23.89	27.75	28.05	29.00
5/25/2012	24.93	28.20	28.40	29.35
5/24/2012	24.78	28.70	28.55	29.25
5/23/2012	25.11	28.70	29.00	30.20
5/22/2012	25.23	29.20	28.55	29.30
5/21/2012	24.71	28.85	29.40	30.15
5/18/2012	27.66	29.65	28.50	29.35
Average:		27.74		

Notes:

- [1] Source: Morningstar, Inc.
 RP_h = historical arithmetic average Risk Premium
- [2] Source: Morningstar, Inc.
 Vol_h = historical market volatility
- [3] Vol_e = expected market volatility (average of Cols. [6] to [9])
- [4] Equals [1] / [2]
- [5] Equals [3] x [4]
- [6] Source: Bloomberg Professional
- [7] Source: Bloomberg Professional
- [8] Source: Bloomberg Professional
- [9] Source: Bloomberg Professional

Ex-Ante Market Risk Premium
Market DCF Method Based - Bloomberg

[1]	[2]	[3]
S&P 500	Current 30-Year	
Est. Required	Treasury (30-day	Implied Market
Market Return	average)	Risk Premium
13.24%	2.73%	10.51%

Company	Ticker	[4] Market Capitalization	[5] Weight in Index	[6] Estimated Dividend Yield	[7] Long-Term Growth Est.	[8] DCF Result	[9] Weighted DCF Result
AGILENT TECHNOLOGIES INC	A	13,458.71	0.11%	0.67%	11.38%	12.10%	0.0130%
ALCOA INC	AA	9,226.98	0.07%	1.49%	10.00%	11.57%	0.0085%
APPLE INC	AAPL	552,593.56	4.41%	0.45%	21.13%	21.62%	0.9535%
AMERISOURCEBERGEN CORP	ABC	10,040.10	0.08%	1.26%	13.00%	14.34%	0.0115%
ABBOTT LABORATORIES	ABT	101,546.69	0.81%	3.17%	10.02%	13.35%	0.1082%
ACE LTD	ACE	25,110.60	0.20%	2.51%	7.56%	10.16%	0.0204%
ACCENTURE PLC-CL A	ACN	41,913.65	0.33%	2.25%	13.67%	16.07%	0.0538%
ADOBE SYSTEMS INC	ADBE	15,795.41	0.13%	0.00%	11.17%	11.17%	0.0141%
ANALOG DEVICES INC	ADI	11,086.24	0.09%	3.13%	12.33%	15.66%	0.0139%
ARCHER-DANIELS-MIDLAND CO	ADM	19,090.66	0.15%	2.45%	10.00%	12.58%	0.0192%
AUTOMATIC DATA PROCESSING	ADP	27,193.13	0.22%	2.93%	10.20%	13.28%	0.0288%
AUTODESK INC	ADSK	7,902.82	0.06%	0.00%	12.40%	12.40%	0.0078%
AMEREN CORPORATION	AEE	8,152.52	0.07%	4.76%	-4.00%	0.66%	0.0004%
AMERICAN ELECTRIC POWER	AEP	19,513.33	0.16%	4.70%	4.33%	9.13%	0.0142%
AES CORP	AES	9,701.07	0.08%	0.60%	8.00%	8.63%	0.0067%
AETNA INC	AET	13,367.95	0.11%	1.76%	10.60%	12.46%	0.0133%
AFLAC INC	AFL	19,958.39	0.16%	3.12%	13.33%	16.65%	0.0265%
ALLERGAN INC	AGN	29,184.63	0.23%	0.21%	14.39%	14.62%	0.0340%
AMERICAN INTERNATIONAL GROUP	AIG	54,757.00	0.44%	0.00%	12.33%	12.33%	0.0539%
APARTMENT INVT & MGMT CO -A	AIV	3,861.73	0.03%	2.77%	9.26%	12.16%	0.0037%
ASSURANT INC	AIZ	2,981.54	0.02%	2.27%	10.33%	12.72%	0.0030%
AKAMAI TECHNOLOGIES INC	AKAM	5,622.84	0.04%	0.00%	14.71%	14.71%	0.0066%
ALLSTATE CORP	ALL	17,261.50	0.14%	2.49%	9.00%	11.60%	0.0160%
ALTERA CORP	ALTR	10,853.35	0.09%	0.95%	14.71%	15.73%	0.0136%
ALEXION PHARMACEUTICALS INC	ALXN	19,883.38	0.16%	0.00%	43.62%	43.62%	0.0692%
APPLIED MATERIALS INC	AMAT	14,419.27	0.12%	2.93%	8.67%	11.73%	0.0135%
ADVANCED MICRO DEVICES	AMD	4,018.73	0.03%	0.00%	9.72%	9.72%	0.0031%
AMGEN INC	AMGN	57,705.92	0.46%	1.99%	9.84%	11.94%	0.0550%
AMERIPRISE FINANCIAL INC	AMP	11,420.86	0.09%	2.44%	10.55%	13.12%	0.0120%
AMERICAN TOWER CORP	AMT	28,118.15	0.22%	1.22%	21.59%	22.94%	0.0515%
AMAZON.COM INC	AMZN	103,125.28	0.82%	0.00%	29.06%	29.06%	0.2391%
AUTONATION INC	AN	4,482.44	0.04%	0.00%	20.33%	20.33%	0.0073%
ABERCROMBIE & FITCH CO-CL A	ANF	2,797.72	0.02%	1.84%	20.44%	22.46%	0.0050%
ALPHA NATURAL RESOURCES INC	ANR	1,925.23	0.02%	0.00%	5.00%	5.00%	0.0008%
AON PLC	AON	15,432.90	0.12%	1.32%	10.67%	12.05%	0.0148%
APACHE CORP	APA	34,041.56	0.27%	0.79%	7.68%	8.50%	0.0231%
ANADARKO PETROLEUM CORP	APC	32,721.66	0.26%	0.55%	12.85%	13.44%	0.0351%
AIR PRODUCTS & CHEMICALS INC	APD	16,802.50	0.13%	3.08%	10.09%	13.32%	0.0179%
AMPHENOL CORP-CL A	APH	8,836.17	0.07%	0.72%	15.00%	15.78%	0.0111%
APOLLO GROUP INC-CL A	APOL	4,121.75	0.03%	0.00%	9.80%	9.80%	0.0032%
AIRGAS INC	ARG	6,416.78	0.05%	1.73%	14.21%	16.06%	0.0082%
ALLEGHENY TECHNOLOGIES INC	ATI	3,384.63	0.03%	2.29%	15.00%	17.46%	0.0047%
AVALONBAY COMMUNITIES INC	AVB	13,619.16	0.11%	2.72%	10.00%	12.85%	0.0140%
AVON PRODUCTS INC	AVP	6,800.86	0.05%	5.87%	5.08%	11.09%	0.0060%
AVERY DENNISON CORP	AVY	2,807.59	0.02%	3.99%	7.00%	11.12%	0.0025%
AMERICAN EXPRESS CO	AXP	67,800.29	0.54%	1.34%	11.60%	13.02%	0.0704%
AUTOZONE INC	AZO	13,629.67	0.11%	0.00%	16.57%	16.57%	0.0180%
BOEING CO/THE	BA	54,351.03	0.43%	2.41%	11.59%	14.14%	0.0613%
BANK OF AMERICA CORP	BAC	86,429.06	0.69%	0.53%	8.67%	9.22%	0.0636%
BAXTER INTERNATIONAL INC	BAX	29,566.97	0.24%	2.55%	8.76%	11.42%	0.0269%
BED BATH & BEYOND INC	BBBY	14,258.14	0.11%	0.00%	14.54%	14.54%	0.0165%
BB&T CORP	BBT	21,692.75	0.17%	2.52%	9.44%	12.08%	0.0209%
BEST BUY CO INC	BBY	7,562.85	0.06%	2.95%	7.76%	10.83%	0.0065%
CR BARD INC	BCR	9,015.51	0.07%	0.74%	10.20%	10.98%	0.0079%
BECTON DICKINSON AND CO	BDX	15,243.06	0.12%	2.36%	8.00%	10.46%	0.0127%
BEAM INC	BEAM	9,942.81	0.08%	1.30%	12.55%	13.93%	0.0111%
FRANKLIN RESOURCES INC	BEN	24,003.93	0.19%	2.48%	9.00%	11.59%	0.0222%
BROWN-FORMAN CORP-CLASS B	BF/B	13,649.42	N/A	1.51%	N/A	N/A	N/A
BAKER HUGHES INC	BHI	17,907.48	0.14%	1.46%	23.00%	24.63%	0.0352%
BIG LOTS INC	BIG	2,599.14	0.02%	0.00%	10.78%	10.78%	0.0022%
BIOGEN IDEC INC	BIIB	34,748.60	0.28%	0.00%	13.89%	13.89%	0.0385%
BANK OF NEW YORK MELLON CORP	BK	26,311.32	0.21%	2.38%	9.65%	12.15%	0.0255%
BLACKROCK INC	BLK	29,236.79	0.23%	3.55%	12.50%	16.27%	0.0380%
BALL CORP	BLL	6,325.38	0.05%	0.99%	10.00%	11.04%	0.0056%
BMC SOFTWARE INC	BMC	6,844.37	0.05%	0.00%	10.20%	10.20%	0.0056%
BEMIS COMPANY	BMS	3,209.30	0.03%	3.26%	6.00%	9.36%	0.0024%
BRISTOL-MYERS SQUIBB CO	BMJ	60,587.46	0.48%	3.49%	9.73%	13.39%	0.0647%
BROADCOM CORP-CL A	BRCM	18,447.48	0.15%	1.13%	15.00%	16.21%	0.0239%
BERKSHIRE HATHAWAY INC-CL B	BRK/B	206,581.42	N/A	0.00%	N/A	N/A	N/A

Company	Ticker	[4] Market Capitalization	[5] Weight in Index	[6] Estimated Dividend Yield	[7] Long-Term Growth Est.	[8] DCF Result	[9] Weighted DCF Result
BOSTON SCIENTIFIC CORP	BSX	8,318.50	0.07%	0.00%	5.44%	5.44%	0.0036%
PEABODY ENERGY CORP	BTU	6,738.98	0.05%	1.37%	12.00%	13.46%	0.0072%
BORGWARNER INC	BWA	7,438.42	0.06%	0.14%	17.59%	17.75%	0.0105%
BOSTON PROPERTIES INC	BXP	16,314.90	0.13%	2.02%	5.58%	7.66%	0.0100%
CITIGROUP INC	C	80,223.83	0.64%	0.29%	8.33%	8.64%	0.0553%
CA INC	CA	12,709.25	0.10%	3.71%	10.00%	13.90%	0.0141%
CONAGRA FOODS INC	CAG	10,687.31	0.09%	3.89%	7.00%	11.02%	0.0094%
CARDINAL HEALTH INC	CAH	14,666.70	0.12%	1.95%	11.33%	13.39%	0.0157%
CAMERON INTERNATIONAL CORP	CAM	10,516.68	0.08%	0.00%	17.00%	17.00%	0.0143%
CATERPILLAR INC	CAT	54,418.50	0.43%	2.27%	13.33%	15.75%	0.0684%
CHUBB CORP	CB	19,665.98	0.18%	2.23%	7.44%	9.75%	0.0153%
COOPER INDUSTRIES PLC	CBE	10,773.79	0.09%	1.84%	12.60%	14.56%	0.0125%
CBRE GROUP INC - A	CBG	5,285.09	0.04%	0.00%	13.33%	13.33%	0.0056%
CBS CORP-CLASS B NON VOTING	CBS	21,343.87	0.17%	1.26%	11.08%	12.40%	0.0211%
COCA-COLA ENTERPRISES	CCE	8,481.98	0.07%	2.25%	6.25%	8.57%	0.0058%
CROWN CASTLE INTL CORP	CCI	17,527.91	0.14%	0.00%	29.63%	29.63%	0.0414%
CARNIVAL CORP	CCL	27,887.95	0.22%	3.01%	17.36%	20.63%	0.0459%
CELGENE CORP	CELG	28,513.43	0.23%	0.00%	26.43%	26.43%	0.0601%
CERNER CORP	CERN	14,086.54	0.11%	0.00%	19.17%	19.17%	0.0215%
CF INDUSTRIES HOLDINGS INC	CF	12,661.56	0.10%	0.83%	12.00%	12.88%	0.0130%
CAREFUSION CORP	CFN	5,712.12	0.05%	0.00%	9.27%	9.27%	0.0042%
CHESAPEAKE ENERGY CORP	CHK	12,352.71	0.10%	1.47%	10.78%	12.32%	0.0121%
C.H. ROBINSON WORLDWIDE INC	CHRW	9,814.72	0.08%	2.18%	14.80%	17.14%	0.0134%
CIGNA CORP	CI	12,397.81	0.10%	0.08%	10.60%	10.68%	0.0106%
CINCINNATI FINANCIAL CORP	CINF	6,210.52	0.05%	4.24%	5.00%	9.34%	0.0046%
COLGATE-PALMOLIVE CO	CL	49,490.47	0.39%	2.28%	8.62%	11.00%	0.0434%
CLIFFS NATURAL RESOURCES INC	CLF	6,970.08	0.06%	4.40%	11.00%	15.64%	0.0087%
CLOROX COMPANY	CLX	9,393.50	0.07%	3.64%	7.85%	11.63%	0.0087%
COMERICA INC	CMA	6,092.93	0.05%	1.79%	23.13%	25.13%	0.0122%
COMCAST CORP-CLASS A	CMCSA	86,333.87	0.69%	1.98%	17.47%	19.62%	0.1351%
CME GROUP INC	CME	17,938.40	0.14%	4.41%	12.67%	17.36%	0.0249%
CHIPOTLE MEXICAN GRILL INC	CMG	12,130.37	0.10%	0.00%	20.00%	20.00%	0.0194%
CUMMINS INC	CMI	18,378.82	0.15%	1.73%	10.00%	11.81%	0.0173%
CMS ENERGY CORP	CMS	6,160.65	0.05%	4.08%	5.67%	9.86%	0.0048%
CENTERPOINT ENERGY INC	CNP	8,845.08	0.07%	3.91%	5.33%	9.35%	0.0066%
CONSOL ENERGY INC	CNX	6,896.90	0.06%	1.64%	12.00%	13.74%	0.0076%
CAPITAL ONE FINANCIAL CORP	COF	31,686.71	0.25%	0.37%	9.50%	9.88%	0.0250%
CABOT OIL & GAS CORP	COG	8,317.69	N/A	0.22%	N/A	N/A	N/A
COACH INC	COH	16,785.34	0.13%	1.90%	14.48%	16.52%	0.0221%
ROCKWELL COLLINS INC	COL	7,099.50	0.06%	2.18%	6.75%	9.00%	0.0051%
CONOCOPHILLIPS	COP	70,385.22	0.56%	4.81%	0.30%	5.11%	0.0287%
COSTCO WHOLESALE CORP	COST	40,796.05	0.33%	1.05%	14.03%	15.16%	0.0494%
COVIDIEN PLC	COV	26,043.02	0.21%	1.62%	11.00%	12.71%	0.0264%
CAMPBELL SOUP CO	CPB	10,525.84	0.08%	3.54%	6.50%	10.15%	0.0085%
SALESFORCE.COM INC	CRM	19,257.32	0.15%	0.00%	25.88%	25.88%	0.0398%
COMPUTER SCIENCES CORP	CSC	3,847.45	0.03%	3.23%	8.00%	11.36%	0.0035%
CISCO SYSTEMS INC	CSCO	91,415.14	0.73%	1.50%	9.56%	11.13%	0.0812%
CSX CORP	CSX	22,986.18	0.18%	2.35%	15.00%	17.52%	0.0321%
CINTAS CORP	CTAS	5,100.96	0.04%	1.52%	11.75%	13.36%	0.0054%
CENTURYLINK INC	CTL	24,588.59	0.20%	7.33%	3.91%	11.38%	0.0223%
COGNIZANT TECH SOLUTIONS-A	CTSH	18,007.55	0.14%	0.00%	18.80%	18.80%	0.0270%
CITRIX SYSTEMS INC	CTXS	15,584.15	0.12%	0.00%	15.00%	15.00%	0.0187%
CABLEVISION SYSTEMS-NY GRP-A	CVC	3,673.40	0.03%	4.47%	16.85%	21.70%	0.0064%
COVENTRY HEALTH CARE INC	CVH	4,437.18	0.04%	1.42%	12.33%	13.85%	0.0049%
CVS CAREMARK CORP	CVS	61,102.04	0.49%	1.34%	13.50%	14.93%	0.0728%
CHEVRON CORP	CVX	208,590.56	1.66%	3.28%	-1.15%	2.11%	0.0352%
DOMINION RESOURCES INC/VA	D	30,992.37	0.25%	3.85%	4.85%	8.79%	0.0217%
DU PONT (E.I.) DE NEMOURS	DD	46,130.43	0.37%	3.35%	7.44%	10.91%	0.0402%
DEERE & CO	DE	31,878.53	0.25%	2.04%	12.25%	14.41%	0.0367%
DELL INC	DELL	21,635.26	0.17%	1.29%	12.00%	13.37%	0.0231%
DEAN FOODS CO	DF	3,090.39	0.02%	0.00%	8.25%	8.25%	0.0020%
DISCOVER FINANCIAL SERVICES	DFS	17,970.92	0.14%	1.23%	10.67%	11.97%	0.0172%
QUEST DIAGNOSTICS INC	DGX	9,568.20	0.08%	1.11%	11.57%	12.75%	0.0097%
DR HORTON INC	DHI	5,873.94	0.05%	0.81%	4.00%	4.83%	0.0023%
DANAHER CORP	DHR	35,926.21	0.29%	0.19%	15.00%	15.21%	0.0436%
WALT DISNEY CO/THE	DIS	86,794.44	0.69%	1.23%	12.11%	13.42%	0.0929%
DISCOVERY COMMUNICATIONS-A	DISCA	20,402.58	0.16%	0.00%	20.71%	20.71%	0.0337%
DOLLAR TREE INC	DLTR	12,068.69	0.10%	0.00%	17.43%	17.43%	0.0168%
DUN & BRADSTREET CORP	DNB	3,426.56	0.03%	2.12%	10.00%	12.23%	0.0033%
DENBURY RESOURCES INC	DNR	5,828.28	N/A	0.00%	N/A	N/A	N/A
DIAMOND OFFSHORE DRILLING	DO	8,227.67	0.07%	6.02%	17.33%	23.88%	0.0157%
DOVER CORP	DOV	9,731.12	0.08%	2.46%	14.67%	17.31%	0.0134%
DOW CHEMICAL CO/THE	DOW	37,534.93	0.30%	3.65%	5.33%	9.09%	0.0272%
DR PEPPER SNAPPLE GROUP INC	DPS	9,210.37	0.07%	3.11%	7.20%	10.42%	0.0077%
DARDEN RESTAURANTS INC	DRI	6,509.87	0.05%	3.95%	12.50%	16.69%	0.0087%
DTE ENERGY COMPANY	DTE	10,079.15	0.08%	4.13%	5.00%	9.24%	0.0074%
DIRECTV-CLASS A	DTV	32,474.83	0.26%	0.00%	20.17%	20.17%	0.0523%
DUKE ENERGY CORP	DUK	31,177.86	0.25%	4.36%	4.33%	8.78%	0.0219%
DEVRY INC	DV	2,033.71	0.02%	1.01%	8.91%	9.97%	0.0016%
DAVITA INC	DVA	9,169.70	0.07%	0.00%	12.57%	12.57%	0.0092%

Company	Ticker	[4]	[5]	[6]	[7]	[8]	[9]
		Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
DEVON ENERGY CORPORATION	DVN	23,087.20	0.18%	1.37%	8.40%	9.83%	0.0181%
ELECTRONIC ARTS INC	EA	3,893.82	0.03%	0.00%	15.53%	15.53%	0.0048%
EBAY INC	EBAY	53,024.29	0.42%	0.00%	13.08%	13.08%	0.0553%
ECOLAB INC	ECL	20,035.17	0.16%	1.16%	13.80%	15.04%	0.0241%
CONSOLIDATED EDISON INC	ED	18,318.23	0.15%	3.87%	3.35%	7.28%	0.0106%
EQUIFAX INC	EFX	5,748.30	0.05%	1.47%	11.00%	12.56%	0.0058%
EDISON INTERNATIONAL	EIX	15,124.16	0.12%	2.82%	-0.37%	2.45%	0.0030%
ESTEE LAUDER COMPANIES-CL A	EL	21,223.28	0.17%	1.30%	14.83%	16.23%	0.0275%
EMC CORP/MA	EMC	52,744.73	0.42%	0.00%	15.00%	15.00%	0.0631%
EASTMAN CHEMICAL CO	EMN	6,866.19	0.05%	2.09%	7.50%	9.67%	0.0053%
EMERSON ELECTRIC CO	EMR	33,100.27	0.26%	3.48%	12.33%	16.02%	0.0423%
EOG RESOURCES INC	EOG	23,929.19	0.19%	0.75%	11.51%	12.30%	0.0235%
EQUITY RESIDENTIAL	EQR	18,825.08	0.15%	2.70%	7.00%	9.79%	0.0147%
EQT CORP	EQT	8,041.17	0.06%	1.64%	30.00%	31.88%	0.0205%
EXPRESS SCRIPTS HOLDING CO	ESRX	44,623.59	0.36%	0.00%	17.57%	17.57%	0.0626%
E*TRADE FINANCIAL CORP	ETFC	2,266.93	0.02%	0.00%	26.00%	26.00%	0.0047%
EATON CORP	ETN	13,136.96	0.10%	3.91%	10.25%	14.36%	0.0151%
ENTERGY CORP	ETR	12,128.32	0.10%	4.88%	2.00%	6.93%	0.0067%
EDWARDS LIFESCIENCES CORP	EW	11,891.92	0.09%	0.00%	21.03%	21.03%	0.0200%
EXELON CORP	EXC	32,076.20	0.26%	5.58%	-1.85%	3.68%	0.0094%
EXPEDITORS INTL WASH INC	EXPD	8,196.73	0.07%	1.43%	9.35%	10.84%	0.0071%
EXPEDIA INC	EXPE	6,234.07	0.05%	0.71%	10.85%	11.60%	0.0058%
FORD MOTOR CO	F	35,683.04	0.28%	2.14%	9.04%	11.28%	0.0321%
FASTENAL CO	FAST	11,481.65	0.09%	1.68%	18.73%	20.57%	0.0189%
FREEPORT-MCMORAN COPPER	FCX	32,061.14	N/A	4.00%	N/A	N/A	N/A
FAMILY DOLLAR STORES	FDO	7,934.91	0.06%	1.19%	14.08%	15.36%	0.0097%
FEDEX CORP	FDX	28,745.79	0.23%	0.61%	13.28%	13.94%	0.0320%
FIRSTENERGY CORP	FE	20,806.27	0.17%	4.42%	0.33%	4.76%	0.0079%
F5 NETWORKS INC	FFIV	7,712.15	0.06%	0.00%	18.89%	18.89%	0.0116%
FIRST HORIZON NATIONAL CORP	FHN	2,195.67	0.02%	0.76%	8.33%	9.12%	0.0016%
FEDERATED INVESTORS INC-CL B	FII	2,292.96	0.02%	4.49%	8.00%	12.67%	0.0023%
FIDELITY NATIONAL INFORMATIO	FIS	10,141.24	0.08%	1.74%	12.40%	14.25%	0.0115%
FISERV INC	FISV	9,879.98	0.08%	0.00%	12.43%	12.43%	0.0098%
FIFTH THIRD BANCORP	FITB	12,406.96	0.10%	2.58%	8.30%	10.98%	0.0109%
FLIR SYSTEMS INC	FLIR	2,979.21	0.02%	1.45%	9.60%	11.12%	0.0026%
FLUOR CORP	FLR	8,300.36	0.07%	1.23%	13.30%	14.61%	0.0097%
FLOWSERVE CORP	FLS	6,268.97	N/A	1.26%	N/A	N/A	N/A
FMC CORP	FMC	7,310.61	0.06%	0.62%	10.26%	10.91%	0.0064%
FOSSIL INC	FOSL	4,636.85	0.04%	0.00%	18.52%	18.52%	0.0069%
FOREST LABORATORIES INC	FRX	9,477.13	0.08%	0.00%	5.86%	5.86%	0.0044%
FIRST SOLAR INC	FSLR	1,311.97	0.01%	0.00%	1.67%	1.67%	0.0002%
FMC TECHNOLOGIES INC	FTI	9,583.47	0.08%	0.00%	13.00%	13.00%	0.0099%
FRONTIER COMMUNICATIONS CORP	FTR	3,943.87	0.03%	10.13%	-13.24%	-3.78%	-0.0012%
AGL RESOURCES INC	GAS	4,561.03	0.04%	4.71%	4.00%	8.80%	0.0032%
GANNETT CO	GCI	3,482.05	0.03%	4.99%	6.00%	11.14%	0.0031%
GENERAL DYNAMICS CORP	GD	23,760.37	0.19%	2.99%	8.40%	11.52%	0.0218%
GENERAL ELECTRIC CO	GE	215,296.73	1.72%	3.27%	12.00%	15.47%	0.2657%
GILEAD SCIENCES INC	GILD	38,986.93	0.31%	0.00%	19.46%	19.46%	0.0606%
GENERAL MILLS INC	GIS	25,278.53	0.20%	3.39%	8.00%	11.52%	0.0232%
CORNING INC	GLW	19,485.89	0.16%	2.26%	9.50%	11.87%	0.0185%
GAMESTOP CORP-CLASS A	GME	2,328.38	0.02%	1.12%	8.40%	9.57%	0.0018%
GENWORTH FINANCIAL INC-CL A	GNW	2,786.82	0.02%	0.06%	5.00%	5.06%	0.0011%
GOOGLE INC-CL A	GOOG	188,751.20	1.51%	0.00%	17.03%	17.03%	0.2566%
GENUINE PARTS CO	GPC	9,332.77	0.07%	3.31%	8.23%	11.67%	0.0087%
GAP INC/THE	GPS	13,453.48	0.11%	1.77%	11.15%	13.02%	0.0140%
GOODRICH CORP	GR	15,990.50	0.13%	0.93%	10.80%	11.78%	0.0150%
GOLDMAN SACHS GROUP INC	GS	49,041.13	0.39%	1.78%	11.51%	13.40%	0.0524%
GOODYEAR TIRE & RUBBER CO	GT	2,784.76	0.02%	0.05%	43.64%	43.70%	0.0097%
WW GRAINGER INC	GWW	13,259.07	0.11%	1.57%	13.88%	15.56%	0.0165%
HALLIBURTON CO	HAL	26,407.21	0.21%	1.27%	20.50%	21.90%	0.0462%
HARMAN INTERNATIONAL	HAR	2,788.24	0.02%	0.73%	15.00%	15.79%	0.0035%
HASBRO INC	HAS	4,419.27	0.04%	4.13%	9.00%	13.31%	0.0047%
HUNTINGTON BANCSHARES INC	HBAN	5,598.77	0.04%	2.49%	5.33%	7.89%	0.0035%
HUDSON CITY BANCORP INC	HCBK	3,348.36	0.03%	5.05%	0.50%	5.56%	0.0015%
HEALTH CARE REIT INC	HCN	12,589.63	0.10%	5.04%	6.19%	11.38%	0.0114%
HCP INC	HCP	18,967.12	0.15%	4.52%	5.07%	9.71%	0.0147%
HOME DEPOT INC	HD	80,972.04	0.65%	2.29%	15.84%	18.31%	0.1183%
HESS CORP	HES	14,819.09	0.12%	0.94%	4.48%	5.44%	0.0064%
HARTFORD FINANCIAL SVCS GRP	HIG	7,649.02	0.06%	2.33%	9.50%	11.94%	0.0073%
HJ HEINZ CO	HNZ	17,487.24	0.14%	3.78%	8.00%	11.93%	0.0166%
HARLEY-DAVIDSON INC	HOG	10,608.20	0.08%	1.35%	13.00%	14.44%	0.0122%
HONEYWELL INTERNATIONAL INC	HON	42,706.89	0.34%	2.79%	11.00%	13.94%	0.0475%
STARWOOD HOTELS & RESORTS	HOT	10,572.12	0.08%	0.98%	20.20%	21.28%	0.0179%
HELMERICH & PAYNE	HP	4,631.78	0.04%	0.65%	8.00%	8.68%	0.0032%
HEWLETT-PACKARD CO	HPQ	39,574.68	0.32%	2.36%	10.00%	12.48%	0.0394%
H&R BLOCK INC	HRB	4,390.54	0.04%	4.98%	11.00%	16.25%	0.0057%
HORMEL FOODS CORP	HRL	8,042.95	0.06%	2.16%	11.00%	13.28%	0.0085%
HARRIS CORP	HRS	4,720.64	0.04%	3.14%	3.50%	6.70%	0.0025%
HOSPIRA INC	HSP	5,763.32	0.05%	0.00%	5.00%	5.00%	0.0023%
HOST HOTELS & RESORTS INC	HST	11,376.95	0.09%	1.56%	11.93%	13.59%	0.0123%

Company	Ticker	[4] Market Capitalization	[5] Weight in Index	[6] Estimated Dividend Yield	[7] Long-Term Growth Est.	[8] DCF Result	[9] Weighted DCF Result
HERSHEY CO/THE	HSY	16,116.54	0.13%	2.06%	8.08%	10.22%	0.0131%
HUMANA INC	HUM	12,468.53	0.10%	1.33%	9.75%	11.14%	0.0111%
INTL BUSINESS MACHINES CORP	IBM	225,148.63	1.80%	1.65%	10.00%	11.74%	0.2109%
INTERCONTINENTALEXCHANGE INC	ICE	9,878.58	0.08%	0.00%	14.00%	14.00%	0.0110%
INTL FLAVORS & FRAGRANCES	IFF	4,404.32	0.04%	2.31%	3.00%	5.34%	0.0019%
INTL GAME TECHNOLOGY	IGT	4,608.07	0.04%	1.54%	14.75%	16.40%	0.0060%
INTEL CORP	INTC	133,900.06	1.07%	3.22%	11.76%	15.17%	0.1621%
INTUIT INC	INTU	17,493.86	0.14%	0.63%	15.14%	15.82%	0.0221%
INTERNATIONAL PAPER CO	IP	12,638.50	N/A	3.63%	N/A	N/A	N/A
INTERPUBLIC GROUP OF COS INC	IPG	4,864.64	0.04%	2.25%	10.75%	13.13%	0.0051%
INGERSOLL-RAND PLC	IR	12,606.17	0.10%	1.53%	11.00%	12.61%	0.0127%
IRON MOUNTAIN INC	IRM	5,577.68	0.04%	3.84%	13.67%	17.77%	0.0079%
INTUITIVE SURGICAL INC	ISRG	22,415.52	0.18%	0.00%	21.17%	21.17%	0.0379%
ILLINOIS TOOL WORKS	ITW	24,952.60	0.20%	2.77%	9.85%	12.75%	0.0254%
INVESCO LTD	IVZ	10,062.55	0.08%	3.04%	12.00%	15.22%	0.0122%
JABIL CIRCUIT INC	JBL	4,131.41	0.03%	1.57%	12.00%	13.66%	0.0045%
JOHNSON CONTROLS INC	JCI	18,317.80	0.15%	2.51%	17.55%	20.29%	0.0297%
J.C. PENNEY CO INC	JCP	4,955.37	0.04%	0.88%	19.10%	20.07%	0.0079%
JDS UNIPHASE CORP	JDSU	2,560.25	0.02%	0.00%	14.00%	14.00%	0.0029%
JACOBS ENGINEERING GROUP INC	JEC	4,838.53	0.04%	0.00%	13.23%	13.23%	0.0051%
JOHNSON & JOHNSON	JNJ	200,503.22	1.60%	3.53%	6.65%	10.29%	0.1647%
JUNIPER NETWORKS INC	JNPR	8,372.15	0.07%	0.00%	14.88%	14.88%	0.0099%
JOY GLOBAL INC	JOY	5,704.99	0.05%	1.31%	18.50%	19.93%	0.0091%
JPMORGAN CHASE & CO	JPM	138,143.94	1.10%	3.27%	7.50%	10.89%	0.1201%
NORDSTROM INC	JWN	10,487.89	0.08%	2.01%	12.59%	14.72%	0.0123%
KELLOGG CO	K	17,655.11	0.14%	3.53%	8.16%	11.84%	0.0167%
KEYCORP	KEY	7,320.09	0.06%	2.36%	4.67%	7.09%	0.0041%
KRAFT FOODS INC-CLASS A	KFT	68,898.32	0.55%	3.03%	8.50%	11.66%	0.0641%
KIMCO REALTY CORP	KIM	7,674.67	0.06%	4.06%	11.52%	15.80%	0.0097%
KLA-TENCOR CORPORATION	KLAC	8,147.19	0.07%	2.79%	10.00%	12.92%	0.0084%
KIMBERLY-CLARK CORP	KMB	32,844.09	0.26%	3.52%	7.96%	11.62%	0.0305%
KINDER MORGAN INC	KMI	37,096.91	0.30%	4.16%	11.00%	15.38%	0.0455%
CARMAX INC	KMX	5,933.44	0.05%	0.00%	13.16%	13.16%	0.0062%
COCA-COLA CO/THE	KO	178,105.84	1.42%	2.59%	7.79%	10.48%	0.1489%
KROGER CO	KR	12,407.82	0.10%	2.10%	9.46%	11.66%	0.0115%
KOHL'S CORP	KSS	10,876.76	0.09%	2.67%	12.80%	15.64%	0.0136%
LOEWS CORP	L	16,226.63	N/A	0.61%	N/A	N/A	N/A
LEGGETT & PLATT INC	LEG	2,941.40	0.02%	5.34%	15.00%	20.74%	0.0049%
LENNAR CORP-A	LEN	5,654.30	0.05%	0.51%	4.50%	5.02%	0.0023%
LABORATORY CRP OF AMER HLDGS	LH	8,903.66	0.07%	0.00%	12.25%	12.25%	0.0087%
LIFE TECHNOLOGIES CORP	LIFE	7,777.02	0.06%	0.00%	9.11%	9.11%	0.0057%
L-3 COMMUNICATIONS HOLDINGS	LLL	7,179.36	0.06%	2.65%	2.46%	5.13%	0.0029%
LINEAR TECHNOLOGY CORP	LLTC	7,198.58	0.06%	3.25%	10.00%	13.41%	0.0077%
ELI LILLY & CO	LLY	49,863.05	0.40%	4.56%	-0.84%	3.70%	0.0147%
LEGG MASON INC	LM	3,724.67	0.03%	1.68%	11.00%	12.77%	0.0038%
LOCKHEED MARTIN CORP	LMT	28,188.21	0.22%	4.70%	6.88%	11.73%	0.0264%
LINCOLN NATIONAL CORP	LNC	6,085.04	0.05%	1.53%	5.40%	6.98%	0.0034%
LORILLARD INC	LO	17,648.48	0.14%	4.57%	9.68%	14.46%	0.0204%
LOWE'S COS INC	LOW	33,536.55	0.27%	2.17%	16.29%	18.64%	0.0499%
LAM RESEARCH CORP	LRCX	7,556.54	0.06%	0.00%	10.00%	10.00%	0.0060%
LSI CORP	LSI	3,635.31	0.03%	0.00%	15.03%	15.03%	0.0044%
LIMITED BRANDS INC	LTD	12,730.82	0.10%	3.44%	12.71%	16.37%	0.0166%
LEUCADIA NATIONAL CORP	LUK	5,207.16	N/A	0.00%	N/A	N/A	N/A
SOUTHWEST AIRLINES CO	LUV	7,116.44	0.06%	0.22%	22.41%	22.64%	0.0129%
LEXMARK INTERNATIONAL INC-A	LXK	1,881.53	0.02%	3.91%	-9.00%	-5.26%	-0.0008%
MACY'S INC	M	13,985.10	0.11%	2.24%	10.37%	12.72%	0.0142%
MASTERCARD INC-CLASS A	MA	55,486.27	0.44%	0.21%	17.44%	17.67%	0.0782%
MARRIOTT INTERNATIONAL-CL A	MAR	12,985.35	0.10%	1.12%	18.00%	19.22%	0.0199%
MASCO CORP	MAS	5,042.25	0.04%	2.13%	10.00%	12.24%	0.0049%
MATTEL INC	MAT	11,062.02	0.09%	3.82%	9.00%	13.00%	0.0115%
MCDONALD'S CORP	MCD	89,399.06	0.71%	3.25%	10.00%	13.41%	0.0957%
MICROCHIP TECHNOLOGY INC	MCHP	6,334.04	0.05%	4.34%	10.00%	14.56%	0.0074%
MCKESSON CORP	MCK	22,341.55	0.18%	0.66%	14.33%	15.04%	0.0268%
MOODY'S CORP	MCO	8,185.82	0.07%	1.76%	12.00%	13.86%	0.0091%
MEDTRONIC INC	MDT	39,997.24	0.32%	2.68%	7.43%	10.21%	0.0326%
METLIFE INC	MET	32,381.29	0.26%	3.23%	9.50%	12.88%	0.0333%
MCGRAW-HILL COMPANIES INC	MHP	12,512.78	0.10%	2.22%	9.50%	11.83%	0.0118%
MEAD JOHNSON NUTRITION CO	MJN	16,472.30	0.13%	1.48%	10.67%	12.23%	0.0161%
MCCORMICK & CO-NON VTG SHRS	MKC	8,072.37	0.06%	2.03%	9.33%	11.46%	0.0074%
MARSH & MCLENNAN COS	MMC	17,731.97	0.14%	2.72%	9.08%	11.92%	0.0169%
3M CO	MMM	61,733.80	0.49%	2.65%	12.50%	15.31%	0.0754%
MONSTER BEVERAGE CORP	MNST	13,146.87	0.10%	0.00%	17.50%	17.50%	0.0184%
ALTRIA GROUP INC	MO	70,995.70	0.57%	4.89%	7.54%	12.61%	0.0714%
MOLEX INC	MOLX	3,890.19	0.03%	3.68%	10.00%	13.86%	0.0043%
MONSANTO CO	MON	44,490.67	0.36%	1.43%	9.65%	11.15%	0.0396%
MOSAIC CO/THE	MOS	23,294.02	0.19%	0.74%	21.42%	22.23%	0.0413%
MARATHON PETROLEUM CORP	MPC	15,666.40	0.13%	2.44%	5.98%	8.49%	0.0106%
MERCK & CO. INC.	MRK	127,167.82	1.01%	4.00%	4.42%	8.50%	0.0863%
MARATHON OIL CORP	MRO	17,865.74	0.14%	2.68%	-0.66%	2.01%	0.0029%
MORGAN STANLEY	MS	29,429.30	0.23%	1.37%	10.67%	12.11%	0.0284%

		[4]	[5]	[6]	[7]	[8]	[9]
Company	Ticker	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
MICROSOFT CORP	MSFT	256,058.39	2.04%	2.68%	11.00%	13.83%	0.2825%
MOTOROLA SOLUTIONS INC	MSI	13,799.94	N/A	1.98%	N/A	N/A	N/A
M & T BANK CORP	MTB	10,517.03	0.08%	3.37%	13.69%	17.29%	0.0145%
MICRON TECHNOLOGY INC	MU	6,432.58	0.05%	0.00%	11.28%	11.28%	0.0058%
MURPHY OIL CORP	MUR	9,756.92	0.08%	2.30%	10.00%	12.41%	0.0097%
MEADWESTVACO CORP	MWV	4,912.53	0.04%	3.52%	10.00%	13.70%	0.0054%
MYLAN INC	MYL	9,293.05	0.07%	0.00%	10.10%	10.10%	0.0075%
NOBLE ENERGY INC	NBL	14,832.66	0.12%	1.03%	7.00%	8.07%	0.0096%
NABORS INDUSTRIES LTD	NBR	4,110.75	0.03%	0.00%	8.00%	8.00%	0.0026%
NASDAQ OMX GROUP/THE	NDAQ	3,885.14	0.03%	1.38%	10.33%	11.79%	0.0037%
NOBLE CORP	NE	8,172.30	0.07%	1.72%	13.00%	14.84%	0.0097%
NEXTERA ENERGY INC	NEE	28,615.56	0.23%	3.48%	5.00%	8.57%	0.0196%
NEWMONT MINING CORP	NEM	24,041.09	0.19%	3.13%	-3.00%	0.09%	0.0002%
NETFLIX INC	NFLX	3,758.41	0.03%	0.00%	12.11%	12.11%	0.0036%
NEWFIELD EXPLORATION CO	NFX	3,949.88	0.03%	0.00%	11.50%	11.50%	0.0036%
NISOURCE INC	NI	7,042.65	N/A	3.77%	N/A	N/A	N/A
NIKE INC -CL B	NKE	40,753.50	0.33%	1.72%	13.83%	15.67%	0.0510%
NORTHROP GRUMMAN CORP	NOC	15,897.55	0.13%	3.34%	3.75%	7.15%	0.0091%
NATIONAL OILWELL VARCO INC	NOV	27,384.24	0.22%	0.72%	18.00%	18.78%	0.0410%
NRG ENERGY INC	NRG	3,925.29	0.03%	0.65%	0.02%	0.67%	0.0002%
NORFOLK SOUTHERN CORP	NSC	23,187.82	0.19%	2.64%	14.67%	17.50%	0.0324%
NETAPP INC	NTAP	11,285.24	0.09%	0.00%	15.57%	15.57%	0.0140%
NORTHERN TRUST CORP	NTRS	11,145.95	0.09%	2.63%	8.50%	11.24%	0.0100%
NORTHEAST UTILITIES	NU	12,205.47	0.10%	3.26%	5.14%	8.47%	0.0083%
NUCOR CORP	NUE	11,994.08	0.10%	3.85%	8.50%	12.51%	0.0120%
NVIDIA CORP	NVDA	8,295.07	0.07%	0.00%	14.33%	14.33%	0.0095%
NEWELL RUBBERMAID INC	NWL	5,214.27	0.04%	2.13%	9.01%	11.24%	0.0047%
NEWS CORP-CL A	NWSA	55,122.28	0.44%	0.75%	16.62%	17.43%	0.0767%
NYSE EURONEXT	NYX	6,502.40	0.05%	4.69%	8.50%	13.39%	0.0069%
OWENS-ILLINOIS INC	OI	3,151.74	0.03%	0.00%	8.67%	8.67%	0.0022%
ONEOK INC	OKE	8,842.06	0.07%	3.01%	17.00%	20.26%	0.0143%
OMNICOM GROUP	OMC	13,380.44	0.11%	2.43%	10.33%	12.89%	0.0138%
ORACLE CORP	ORCL	144,717.47	1.15%	0.80%	13.38%	14.23%	0.1643%
O'REILLY AUTOMOTIVE INC	ORLY	10,695.00	0.09%	0.00%	18.25%	18.25%	0.0156%
OCCIDENTAL PETROLEUM CORP	OXY	69,516.59	0.55%	2.46%	-1.99%	0.44%	0.0025%
PAYCHEX INC	PAYX	11,371.14	0.09%	4.14%	10.00%	14.34%	0.0130%
PEOPLE'S UNITED FINANCIAL	PBCT	4,196.25	0.03%	5.40%	7.67%	13.28%	0.0044%
PITNEY BOWES INC	PBI	2,931.14	N/A	10.20%	N/A	N/A	N/A
PACCAR INC	PCAR	13,614.75	0.11%	3.63%	9.67%	13.47%	0.0146%
P G & E CORP	PCG	19,224.01	0.15%	4.02%	2.85%	6.93%	0.0106%
PLUM CREEK TIMBER CO	PCL	6,416.11	0.05%	4.23%	5.00%	9.33%	0.0048%
PRICELINE.COM INC	PCLN	33,821.46	0.27%	0.00%	22.00%	22.00%	0.0594%
PRECISION CASTPARTS CORP	PCP	24,049.14	0.19%	0.07%	12.63%	12.70%	0.0244%
METROPCS COMMUNICATIONS INC	PCS	2,295.34	0.02%	0.00%	18.84%	18.84%	0.0035%
PATTERSON COS INC	PDCO	3,855.40	0.03%	1.62%	11.75%	13.47%	0.0041%
PUBLIC SERVICE ENTERPRISE GP	PEG	16,436.53	0.13%	4.35%	0.30%	4.66%	0.0061%
PEPSICO INC	PEP	110,634.87	0.88%	3.00%	9.30%	12.44%	0.1098%
PFIZER INC	PFE	172,077.36	1.37%	3.81%	3.72%	7.60%	0.1044%
PRINCIPAL FINANCIAL GROUP	PFG	7,812.63	0.06%	2.79%	11.50%	14.45%	0.0090%
PROCTER & GAMBLE CO/THE	PG	167,557.48	1.34%	3.74%	6.90%	10.77%	0.1440%
PROGRESSIVE CORP	PGR	12,608.13	0.10%	1.85%	7.75%	9.67%	0.0097%
PARKER HANNIFIN CORP	PH	11,372.64	0.09%	2.24%	6.00%	8.30%	0.0075%
PULTEGROUP INC	PHM	4,174.10	0.03%	0.00%	5.00%	5.00%	0.0017%
PERKINELMER INC	PKI	2,938.27	0.02%	1.09%	11.16%	12.31%	0.0029%
PROLOGIS INC	PLD	15,280.62	0.12%	3.37%	3.63%	7.07%	0.0086%
PALL CORP	PLL	6,259.83	0.05%	1.43%	11.67%	13.18%	0.0066%
PHILIP MORRIS INTERNATIONAL	PM	151,692.80	1.21%	3.66%	10.33%	14.17%	0.1716%
PNC FINANCIAL SERVICES GROUP	PNC	32,387.99	0.26%	2.54%	3.86%	6.45%	0.0167%
PINNACLE WEST CAPITAL	PNW	5,704.87	0.05%	4.11%	5.00%	9.22%	0.0042%
PEPCO HOLDINGS INC	POM	4,465.17	0.04%	5.52%	6.50%	12.20%	0.0043%
PPG INDUSTRIES INC	PPG	15,889.57	0.13%	2.22%	7.00%	9.30%	0.0118%
PPL CORPORATION	PPL	16,287.01	0.13%	5.12%	-8.00%	-3.09%	-0.0040%
PERRIGO CO	PRGO	11,065.67	0.09%	0.24%	11.75%	12.01%	0.0106%
PRUDENTIAL FINANCIAL INC	PRU	22,544.83	0.18%	3.37%	11.00%	14.55%	0.0262%
PUBLIC STORAGE	PSA	25,844.04	0.21%	3.05%	5.21%	8.33%	0.0172%
PHILLIPS 66	PSX	21,630.24	N/A	1.37%	N/A	N/A	N/A
QUANTA SERVICES INC	PWR	5,000.01	0.04%	0.00%	16.83%	16.83%	0.0067%
PRAXAIR INC	PX	32,222.61	0.26%	2.05%	11.25%	13.41%	0.0345%
PIONEER NATURAL RESOURCES CO	PXD	10,640.36	N/A	0.14%	N/A	N/A	N/A
QUALCOMM INC	QCOM	95,193.68	0.76%	1.66%	16.19%	17.99%	0.1366%
QEP RESOURCES INC	QEP	5,239.20	0.04%	0.20%	15.00%	15.22%	0.0064%
RYDER SYSTEM INC	R	1,804.83	0.01%	3.51%	10.27%	13.96%	0.0020%
REYNOLDS AMERICAN INC	RAI	25,981.08	0.21%	5.13%	7.41%	12.73%	0.0264%
ROWAN COMPANIES PLC-A	RDC	4,053.23	0.03%	0.00%	18.33%	18.33%	0.0059%
REGIONS FINANCIAL CORP	RF	9,604.52	0.08%	0.63%	8.00%	8.66%	0.0066%
ROBERT HALF INTL INC	RHI	4,060.59	0.03%	2.09%	12.67%	14.89%	0.0048%
RED HAT INC	RHT	10,694.00	0.09%	0.00%	19.14%	19.14%	0.0163%
RALPH LAUREN CORP	RL	12,987.53	0.10%	0.91%	13.00%	13.96%	0.0145%
ROCKWELL AUTOMATION INC	ROK	9,128.88	0.07%	2.61%	17.00%	19.83%	0.0144%
ROPER INDUSTRIES INC	ROP	9,494.70	0.08%	0.54%	14.00%	14.58%	0.0110%

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Company	Ticker	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
ROSS STORES INC	ROST	14,200.14	0.11%	0.88%	13.20%	14.13%	0.0160%
RANGE RESOURCES CORP	RRC	9,862.43	0.08%	0.27%	10.00%	10.28%	0.0081%
RR DONNELLEY & SONS CO	RRD	2,096.89	0.02%	8.94%	5.00%	14.17%	0.0024%
REPUBLIC SERVICES INC	RSG	9,677.85	0.08%	3.37%	16.10%	19.74%	0.0152%
RAYTHEON COMPANY	RTN	18,633.59	0.15%	3.51%	7.75%	11.40%	0.0169%
SPRINT NEXTEL CORP	S	10,286.04	0.08%	0.00%	-33.45%	-33.45%	-0.0275%
SAIC INC	SAI	4,116.00	0.03%	3.98%	3.87%	7.93%	0.0026%
STARBUCKS CORP	SBUX	39,942.61	0.32%	1.33%	18.08%	19.53%	0.0622%
SCANA CORP	SCG	6,314.65	0.05%	4.10%	4.55%	8.74%	0.0044%
SCHWAB (CHARLES) CORP	SCHW	16,383.89	0.13%	1.85%	16.00%	18.00%	0.0235%
SPECTRA ENERGY CORP	SE	18,968.58	0.15%	3.91%	5.00%	9.01%	0.0136%
SEALED AIR CORP	SEE	3,012.39	0.02%	3.35%	7.00%	10.47%	0.0025%
SEARS HOLDINGS CORP	SHLD	6,383.06	N/A	0.00%	N/A	N/A	N/A
SHERWIN-WILLIAMS CO/THE	SHW	13,601.60	0.11%	1.17%	17.50%	18.77%	0.0204%
SIGMA-ALDRICH	SIAL	8,822.45	0.07%	1.12%	8.69%	9.86%	0.0069%
JM SMUCKER CO/THE	SJM	8,420.85	0.07%	2.66%	8.00%	10.77%	0.0072%
SCHLUMBERGER LTD	SLB	86,320.98	0.69%	1.66%	18.00%	19.81%	0.1365%
SLM CORP	SLM	7,769.81	N/A	3.14%	N/A	N/A	N/A
SNAP-ON INC	SNA	3,582.15	0.03%	2.29%	10.00%	12.40%	0.0035%
SANDISK CORP	SNDK	8,969.17	0.07%	0.00%	13.11%	13.11%	0.0094%
SCRIPPS NETWORKS INTER-CL A	SNI	8,765.78	0.07%	0.78%	14.96%	15.79%	0.0110%
SOUTHERN CO/THE	SO	40,489.65	0.32%	4.17%	5.67%	9.96%	0.0322%
SIMON PROPERTY GROUP INC	SPG	47,735.37	0.38%	2.57%	5.13%	7.76%	0.0296%
STAPLES INC	SPLS	8,928.25	0.07%	3.33%	9.33%	12.82%	0.0091%
STERICYCLE INC	SRL	7,852.31	0.06%	0.00%	16.67%	16.67%	0.0104%
SEMPRA ENERGY	SRE	16,695.86	0.13%	3.21%	7.00%	10.32%	0.0138%
SUNTRUST BANKS INC	STI	13,244.33	0.11%	0.92%	14.44%	15.43%	0.0163%
ST JUDE MEDICAL INC	STJ	12,521.55	0.10%	2.19%	9.89%	12.19%	0.0122%
STATE STREET CORP	STT	21,766.85	0.17%	2.08%	7.23%	9.38%	0.0163%
SEAGATE TECHNOLOGY	STX	10,345.97	0.08%	4.18%	32.60%	37.46%	0.0309%
CONSTELLATION BRANDS INC-A	STZ	5,041.33	0.04%	0.00%	9.46%	9.46%	0.0038%
SUNOCO INC	SUN	5,056.54	0.04%	1.67%	-2.09%	-0.44%	-0.0002%
STANLEY BLACK & DECKER INC	SWK	10,711.49	0.09%	2.74%	13.00%	15.92%	0.0136%
SOUTHWESTERN ENERGY CO	SWN	11,119.62	N/A	0.00%	N/A	N/A	N/A
SAFeway INC	SWY	4,279.12	0.03%	3.39%	10.77%	14.34%	0.0049%
STRYKER CORP	SYK	20,745.61	0.17%	1.15%	10.53%	11.74%	0.0194%
SYMANTEC CORP	SYMC	10,414.78	0.08%	0.00%	7.67%	7.67%	0.0064%
SYSCO CORP	SY	17,455.78	0.14%	3.79%	10.00%	13.98%	0.0195%
AT&T INC	T	211,947.45	1.69%	4.89%	6.33%	11.38%	0.1925%
MOLSON COORS BREWING CO -B	TAP	7,494.96	0.06%	3.31%	-1.90%	1.38%	0.0008%
TERADATA CORP	TDC	12,059.20	0.10%	0.00%	14.40%	14.40%	0.0139%
TECO ENERGY INC	TE	3,923.22	0.03%	4.85%	3.50%	8.43%	0.0026%
INTEGRYS ENERGY GROUP INC	TEG	4,499.21	0.04%	4.73%	4.30%	9.13%	0.0033%
TE CONNECTIVITY LTD	TEL	13,511.37	0.11%	2.44%	15.00%	17.63%	0.0190%
TERADYNE INC	TER	2,598.47	0.02%	0.00%	11.75%	11.75%	0.0024%
TARGET CORP	TGT	38,429.28	0.31%	2.10%	12.15%	14.38%	0.0441%
TENET HEALTHCARE CORP	THC	2,151.83	0.02%	0.00%	11.20%	11.20%	0.0019%
TITANIUM METALS CORP	TIE	1,955.01	0.02%	2.02%	15.00%	17.17%	0.0027%
TIFFANY & CO	TIF	6,698.73	0.05%	2.34%	13.37%	15.87%	0.0085%
TJX COMPANIES INC	TJX	31,949.85	0.25%	1.06%	11.80%	12.92%	0.0329%
TORCHMARK CORP	TMK	4,980.84	0.04%	0.97%	9.00%	10.01%	0.0040%
THERMO FISHER SCIENTIFIC INC	TMO	18,831.64	0.15%	0.79%	11.89%	12.73%	0.0191%
TRIPADVISOR INC	TRIP	6,172.11	0.05%	0.00%	16.80%	16.80%	0.0083%
T ROWE PRICE GROUP INC	TROW	16,017.40	0.13%	2.16%	12.50%	14.80%	0.0189%
TRAVELERS COS INC/THE	TRV	24,871.28	0.20%	2.84%	7.75%	10.70%	0.0212%
TYSON FOODS INC-CL A	TSN	6,769.71	0.05%	0.89%	7.33%	8.25%	0.0045%
TESORO CORP	TSO	3,570.10	0.03%	0.00%	-3.66%	-3.66%	-0.0010%
TOTAL SYSTEM SERVICES INC	TSS	4,581.44	0.04%	1.61%	9.43%	11.11%	0.0041%
TIME WARNER CABLE	TWC	25,977.66	0.21%	2.70%	15.68%	18.59%	0.0385%
TIME WARNER INC	TWX	37,110.35	0.30%	2.68%	12.89%	15.74%	0.0466%
TEXAS INSTRUMENTS INC	TXN	32,236.43	0.26%	2.41%	9.00%	11.52%	0.0296%
TEXTRON INC	TXT	6,838.86	0.05%	0.32%	33.94%	34.31%	0.0187%
TYCO INTERNATIONAL LTD	TYC	24,568.74	0.20%	2.00%	14.00%	16.14%	0.0316%
UNITEDHEALTH GROUP INC	UNH	58,117.86	0.46%	1.23%	11.00%	12.29%	0.0570%
UNUM GROUP	UNM	5,519.75	0.04%	2.37%	9.50%	11.98%	0.0053%
UNION PACIFIC CORP	UNP	56,322.33	0.45%	2.03%	13.00%	15.16%	0.0681%
UNITED PARCEL SERVICE-CL B	UPS	75,449.13	0.60%	2.90%	9.34%	12.38%	0.0745%
URBAN OUTFITTERS INC	URBN	3,977.91	0.03%	0.00%	17.08%	17.08%	0.0054%
US BANCORP	USB	61,295.99	0.49%	2.43%	13.92%	16.52%	0.0808%
UNITED TECHNOLOGIES CORP	UTX	68,187.82	0.54%	2.65%	11.70%	14.51%	0.0789%
VISA INC-CLASS A SHARES	V	84,972.66	0.68%	0.70%	18.71%	19.48%	0.1321%
VARIAN MEDICAL SYSTEMS INC	VAR	6,735.95	0.05%	0.00%	12.67%	12.67%	0.0068%
VF CORP	VFC	14,472.57	0.12%	2.20%	12.97%	15.31%	0.0177%
VIACOM INC-CLASS B	VIAB	25,363.89	0.20%	2.14%	15.00%	17.30%	0.0350%
VALERO ENERGY CORP	VLO	13,340.80	0.11%	2.49%	2.23%	4.74%	0.0051%
VULCAN MATERIALS CO	VMC	5,141.93	0.04%	0.10%	9.67%	9.77%	0.0040%
VORNADO REALTY TRUST	VNO	15,619.92	0.12%	3.32%	-1.98%	1.31%	0.0016%
VERISIGN INC	VRSN	6,847.19	0.05%	0.00%	14.17%	14.17%	0.0077%
VENTAS INC	VTR	18,231.95	0.15%	3.94%	5.23%	9.27%	0.0135%
VERIZON COMMUNICATIONS INC	VZ	127,362.04	1.02%	4.50%	6.28%	10.92%	0.1110%

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Company	Ticker	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
WALGREEN CO	WAG	25,658.20	0.20%	3.07%	12.83%	16.10%	0.0330%
WATERS CORP	WAT	6,971.08	0.06%	0.00%	12.64%	12.64%	0.0070%
WESTERN DIGITAL CORP	WDC	7,718.88	0.06%	0.00%	16.45%	16.45%	0.0101%
WISCONSIN ENERGY CORP	WEC	9,236.64	0.07%	2.99%	4.50%	7.56%	0.0056%
WELLS FARGO & CO	WFC	177,644.33	1.42%	2.58%	11.38%	14.10%	0.1999%
WHOLE FOODS MARKET INC	WFM	17,335.77	0.14%	0.57%	18.17%	18.80%	0.0260%
WHIRLPOOL CORP	WHR	4,736.65	N/A	3.26%	N/A	N/A	N/A
WINDSTREAM CORP	WIN	5,768.88	0.05%	10.20%	0.33%	10.55%	0.0049%
WELLPOINT INC	WLP	20,657.01	0.16%	1.81%	10.50%	12.41%	0.0205%
WASTE MANAGEMENT INC	WM	15,345.44	0.12%	4.29%	7.50%	11.95%	0.0146%
WILLIAMS COS INC	WMB	18,143.92	0.14%	4.14%	23.00%	27.61%	0.0400%
WAL-MART STORES INC	WMT	234,208.70	1.87%	2.33%	9.75%	12.19%	0.2278%
WATSON PHARMACEUTICALS INC	WPI	9,520.01	0.08%	0.00%	11.09%	11.09%	0.0084%
WASHINGTON POST-CLASS B	WPO	2,871.31	N/A	0.00%	N/A	N/A	N/A
WPX ENERGY INC	WPX	3,151.67	N/A	0.00%	N/A	N/A	N/A
WESTERN UNION CO	WU	10,371.14	0.08%	2.36%	11.21%	13.71%	0.0113%
WEYERHAEUSER CO	WY	11,974.42	0.10%	2.69%	5.00%	7.76%	0.0074%
WYNDHAM WORLDWIDE CORP	WYN	7,703.93	0.06%	1.74%	19.80%	21.71%	0.0133%
WYNN RESORTS LTD	WYNN	10,258.33	0.08%	1.94%	22.67%	24.83%	0.0203%
UNITED STATES STEEL CORP	X	3,014.06	0.02%	0.96%	6.50%	7.49%	0.0018%
XCEL ENERGY INC	XEL	13,980.14	0.11%	3.71%	4.58%	8.38%	0.0093%
XL GROUP PLC	XL	6,533.39	0.05%	2.13%	10.00%	12.24%	0.0064%
XILINX INC	XLNX	8,732.60	0.07%	2.60%	14.14%	16.93%	0.0118%
EXXON MOBIL CORP	XOM	398,175.47	3.18%	2.47%	4.88%	7.41%	0.2355%
DENTSPLY INTERNATIONAL INC	XRAY	5,360.96	0.04%	0.56%	11.50%	12.09%	0.0052%
XEROX CORP	XRX	10,512.43	N/A	2.18%	N/A	N/A	N/A
XYLEM INC	XYL	4,621.01	0.04%	1.62%	15.00%	16.74%	0.0062%
YAHOO! INC	YHOO	19,320.23	0.15%	0.00%	14.00%	14.00%	0.0216%
YUM! BRANDS INC	YUM	29,388.26	0.23%	1.88%	11.50%	13.49%	0.0316%
ZIONS BANCORPORATION	ZION	3,604.74	0.03%	0.21%	7.75%	7.97%	0.0023%
ZIMMER HOLDINGS INC	ZMH	11,332.71	0.09%	0.44%	10.25%	10.71%	0.0097%
Total Market Capitalization		12,531,531.60					13.24%

Notes:

- [1] Equals sum of Col. [9]
[2] Source: Bloomberg Professional
[3] Equals [1] - [2]
[4] Source: Bloomberg Professional
[5] Equals weight in S&P 500 based on market capitalization
[6] Source: Bloomberg Professional
[7] Source: Bloomberg Professional
[8] Equals ([6] x (1 + (0.5 x [7]))) + [7]
[9] Equals Col. [5] x Col. [8]

Ex-Ante Market Risk Premium
Market DCF Method Based - Capital IQ

[1]	[2]	[3]
S&P 500 Est. Required Market Return	Current 30-Year Treasury (30-day average)	Implied Market Risk Premium
13.49%	2.73%	10.76%

[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result Weighted DCF Result
3M Co. (NYSE:MMM)	60,741.60	0.47%	2.70%	11.00%	0.0655%
Abbott Laboratories (NYSE:ABT)	98,840.40	0.77%	3.25%	8.61%	0.0923%
Abercrombie & Fitch Co. (NYSE:ANF)	2,662.30	0.02%	2.17%	22.00%	0.0051%
Accenture plc (NYSE:ACN)	38,402.90	0.30%	2.27%	11.80%	0.0425%
ACE Limited (NYSE:ACE)	24,721.10	0.19%	2.69%	7.54%	0.0199%
Adobe Systems Inc. (NasdaqGS:ADBE)	15,871.10	0.12%	0.00%	9.50%	0.0117%
Advanced Micro Devices, Inc. (NYSE:AMD)	4,250.20	0.03%	0.00%	10.60%	0.0035%
Aetna Inc. (NYSE:AET)	14,239.90	0.11%	1.71%	10.50%	0.0136%
AFLAC Inc. (NYSE:AFL)	19,822.80	0.15%	3.11%	9.92%	0.0203%
Agilent Technologies Inc. (NYSE:A)	14,122.40	0.11%	0.98%	12.80%	0.0152%
AGL Resources Inc. (NYSE:GAS)	4,570.40	0.04%	4.72%	4.50%	0.0033%
Air Products & Chemicals Inc. (NYSE:APD)	16,920.90	0.13%	3.20%	12.00%	0.0203%
Airgas Inc. (NYSE:ARG)	6,551.40	0.05%	1.88%	13.70%	0.0080%
Akamai Technologies, Inc. (NasdaqGS:AKAM)	5,678.40	0.04%	0.00%	14.50%	0.0064%
Alcoa, Inc. (NYSE:AA)	9,515.00	0.07%	1.35%	6.97%	0.0062%
Alexion Pharmaceuticals, Inc. (NasdaqGS:ALXN)	18,790.30	0.15%	0.00%	28.90%	0.0423%
Allegheny Technologies Inc. (NYSE:ATI)	3,318.20	0.03%	2.32%	15.00%	0.0045%
Allergan Inc. (NYSE:AGN)	28,434.20	0.22%	0.22%	13.60%	0.0306%
Alpha Natural Resources, Inc. (NYSE:ANR)	1,955.80	0.02%	0.00%	5.00%	0.0008%
Altera Corp. (NasdaqGS:ALTR)	11,069.50	0.09%	0.93%	15.10%	0.0139%
Altria Group Inc. (NYSE:MO)	69,041.10	0.54%	4.84%	7.71%	0.0684%
Amazon.com Inc. (NasdaqGS:AMZN)	100,476.30	0.78%	0.00%	31.70%	0.2479%
Ameren Corporation (NYSE:AEE)	8,138.00	0.06%	4.77%	-3.70%	0.0006%
American Electric Power Co., Inc. (NYSE:AEP)	19,198.50	0.15%	4.74%	3.32%	0.0122%
American Express Company (NYSE:AXP)	66,108.40	0.51%	1.39%	11.70%	0.0678%
American International Group, Inc. (NYSE:AIG)	55,396.50	0.43%	0.00%	15.80%	0.0681%
American Tower Corporation (NYSE:AMT)	27,017.30	0.21%	1.23%	18.40%	0.0415%
Ameriprise Financial Inc. (NYSE:AMP)	11,180.40	0.09%	2.74%	14.30%	0.0150%
AmerisourceBergen Corporation (NYSE:ABC)	9,520.40	0.07%	1.37%	12.90%	0.0106%
Amgen Inc. (NasdaqGS:AMGN)	56,609.40	0.44%	1.98%	9.46%	0.0508%
Amphenol Corporation (NYSE:APH)	9,191.00	0.07%	0.74%	15.00%	0.0113%
Anadarko Petroleum Corporation (NYSE:APC)	32,077.20	0.25%	0.56%	11.90%	0.0312%
Analog Devices, Inc. (NasdaqGS:ADI)	11,417.40	0.09%	3.14%	11.30%	0.0130%
Aon Corporation (NYSE:AON)	15,341.90	0.12%	1.34%	9.18%	0.0126%
Apache Corp. (NYSE:APA)	32,935.50	0.26%	0.81%	6.09%	0.0177%
Apartment Investment & Management Co. (NYSE:AIV)	3,675.40	0.03%	2.59%	8.83%	0.0033%
Apollo Group Inc. (NasdaqGS:APOL)	4,097.10	0.03%	0.00%	11.40%	0.0036%
Apple Inc. (NasdaqGS:AAPL)	547,704.20	4.26%	1.81%	22.70%	1.0535%
Applied Materials Inc. (NasdaqGS:AMAT)	14,803.80	0.12%	3.12%	8.67%	0.0137%
Archer Daniels Midland Company (NYSE:ADM)	19,676.80	0.15%	2.34%	5.65%	0.0123%
Assurant Inc. (NYSE:AIZ)	2,998.70	0.02%	2.40%	8.50%	0.0026%
AT&T, Inc. (NYSE:T)	207,608.80	1.62%	4.97%	6.42%	0.1866%
Autodesk, Inc. (NasdaqGS:ADSK)	7,967.20	0.06%	0.00%	12.30%	0.0076%
Automatic Data Processing, Inc. (NasdaqGS:ADP)	27,051.30	0.21%	2.86%	10.10%	0.0276%
AutoNation Inc. (NYSE:AN)	4,517.90	0.04%	0.00%	16.20%	0.0057%
AutoZone Inc. (NYSE:AZO)	14,511.30	0.11%	0.00%	15.30%	0.0173%
Avalonbay Communities Inc. (NYSE:AVB)	13,448.40	0.10%	2.75%	11.50%	0.0151%
Avery Dennison Corporation (NYSE:AVY)	2,908.10	0.02%	3.85%	9.65%	0.0031%
Avon Products Inc. (NYSE:AVP)	6,965.00	0.05%	5.70%	4.29%	0.0055%
Baker Hughes Incorporated (NYSE:BHI)	17,925.00	0.14%	1.47%	22.40%	0.0335%
Ball Corporation (NYSE:BLL)	6,649.70	0.05%	0.94%	11.90%	0.0067%
Bank of America Corporation (NYSE:BAC)	87,722.30	0.68%	0.49%	9.20%	0.0663%
Baxter International Inc. (NYSE:BAX)	28,778.80	0.22%	2.59%	8.76%	0.0257%
BB&T Corporation (NYSE:BBT)	21,154.80	0.16%	2.64%	10.80%	0.0224%
Beam, Inc. (NYSE:BEAM)	10,009.00	0.08%	1.29%	12.40%	0.0107%
Becton, Dickinson and Company (NYSE:BDX)	15,135.60	0.12%	2.41%	7.98%	0.0124%
Bed Bath & Beyond Inc. (NasdaqGS:BBBY)	17,024.70	0.13%	0.00%	14.30%	0.0189%
Bemis Company, Inc. (NYSE:BMS)	3,303.10	0.03%	3.12%	7.34%	0.0027%
Berkshire Hathaway Inc. (NYSE:BRK.A)	204,298.20	1.59%	0.00%	8.60%	0.1367%
Best Buy Co. Inc. (NYSE:BBY)	6,903.40	0.05%	3.15%	7.35%	0.0057%
Big Lots Inc. (NYSE:BIG)	2,517.60	0.02%	0.00%	11.70%	0.0023%
Biogen Idec Inc. (NasdaqGS:BIIB)	34,221.60	0.27%	0.00%	14.60%	0.0389%
BlackRock, Inc. (NYSE:BLK)	31,514.50	0.25%	3.42%	11.00%	0.0358%
BMC Software Inc. (NasdaqGS:BMC)	6,996.70	0.05%	0.00%	9.53%	0.0052%
BorgWarner Inc. (NYSE:BWA)	7,786.80	0.06%	0.00%	21.30%	0.0129%
Boston Properties Inc. (NYSE:BOX)	15,811.50	0.12%	2.08%	6.12%	0.0102%
Boston Scientific Corporation (NYSE:BSX)	8,175.60	0.06%	0.00%	6.37%	0.0041%
Bristol-Myers Squibb Company (NYSE:BMJ)	58,678.80	0.46%	3.91%	5.76%	0.0447%
Broadcom Corp. (NasdaqGS:BRQM)	19,433.80	0.15%	1.13%	14.10%	0.0232%

	[4]	[5]	[6]	[7]	[8]	[9]
Company (Ticker)	Market Capitalization	Weight in Index	Estimated Dividend Yield	Long-Term Growth Est.	DCF Result	Weighted DCF Result
Brown-Forman Corporation (NYSE:BF.B)	13,074.70	0.10%	1.51%	9.15%	10.73%	0.0109%
CA Technologies (NasdaqGS:CA)	12,559.70	0.10%	3.76%	8.88%	12.81%	0.0125%
Cablevision Systems Corporation (NYSE:CVC)	3,418.60	0.03%	4.76%	13.70%	18.79%	0.0050%
Cabot Oil & Gas Corporation (NYSE:COG)	7,637.80	0.06%	0.22%	35.00%	35.26%	0.0210%
Cameron International Corporation (NYSE:CAM)	10,984.60	0.09%	0.00%	19.70%	19.70%	0.0168%
Campbell Soup Co. (NYSE:CPB)	10,222.60	0.08%	3.59%	4.86%	8.54%	0.0068%
Capital One Financial Corp. (NYSE:COF)	24,775.70	0.19%	0.37%	7.99%	8.37%	0.0161%
Cardinal Health, Inc. (NYSE:CAH)	14,600.90	0.11%	2.25%	12.10%	14.49%	0.0165%
CareFusion Corporation (NYSE:CFN)	5,585.60	0.04%	0.00%	9.91%	9.91%	0.0043%
CarMax Inc. (NYSE:KMX)	6,366.60	0.05%	0.00%	13.90%	13.90%	0.0069%
Carnival Corporation (NYSE:CCL)	27,515.20	0.21%	2.83%	10.30%	13.28%	0.0284%
Caterpillar Inc. (NYSE:CAT)	56,878.40	0.44%	2.39%	20.40%	23.03%	0.1020%
CBRE Group, Inc. (NYSE:CBG)	5,522.50	0.04%	0.00%	12.50%	12.50%	0.0054%
CBS Corporation (NYSE:CBS)	20,770.00	0.16%	1.25%	13.00%	14.33%	0.0232%
Celgene Corporation (NasdaqGS:CELG)	29,583.80	0.23%	0.00%	24.20%	24.20%	0.0557%
CenterPoint Energy, Inc. (NYSE:CNP)	8,793.80	0.07%	3.94%	4.80%	8.83%	0.0060%
CenturyLink, Inc. (NYSE:CTL)	24,141.30	0.19%	7.46%	6.94%	14.66%	0.0275%
Cerner Corporation (NasdaqGS:CERN)	14,234.90	0.11%	0.00%	18.90%	18.90%	0.0209%
CF Industries Holdings, Inc. (NYSE:CF)	11,779.40	0.09%	0.89%	16.30%	17.26%	0.0158%
CH Robinson Worldwide Inc. (NasdaqGS:CHRW)	9,644.60	0.08%	2.23%	14.60%	16.99%	0.0128%
Chesapeake Energy Corporation (NYSE:CHK)	12,223.80	0.10%	1.84%	7.79%	9.70%	0.0092%
Chevron Corporation (NYSE:CVX)	204,428.20	1.59%	3.47%	-2.16%	1.27%	0.0202%
Chipotle Mexican Grill, Inc. (NYSE:CMG)	13,236.20	0.10%	0.00%	21.90%	21.90%	0.0226%
Cigna Corp. (NYSE:CI)	13,029.20	0.10%	0.09%	10.40%	10.49%	0.0106%
Cincinnati Financial Corp. (NasdaqGS:CINF)	6,053.20	0.05%	4.32%	7.50%	11.98%	0.0056%
Cintas Corporation (NasdaqGS:CTAS)	4,850.40	0.04%	1.45%	12.30%	13.84%	0.0052%
Cisco Systems, Inc. (NasdaqGS:CSCO)	93,799.00	0.73%	1.83%	9.90%	11.82%	0.0863%
Citigroup, Inc. (NYSE:C)	84,622.10	0.66%	0.14%	8.50%	8.64%	0.0569%
Citrix Systems, Inc. (NasdaqGS:CTXS)	15,061.00	0.12%	0.00%	17.50%	17.50%	0.0205%
Cliffs Natural Resources Inc. (NYSE:CLF)	7,370.40	0.06%	2.17%	8.33%	10.59%	0.0061%
CME Group Inc. (NasdaqGS:CME)	18,424.90	0.14%	3.22%	9.29%	12.66%	0.0182%
CMS Energy Corp. (NYSE:CMS)	6,117.10	0.05%	4.09%	5.90%	10.11%	0.0048%
Coach, Inc. (NYSE:COH)	17,730.80	0.14%	1.94%	15.90%	17.99%	0.0248%
Coca-Cola Enterprises Inc. (NYSE:CCE)	8,206.00	0.06%	2.34%	8.17%	10.61%	0.0068%
Cognizant Technology Solutions Corporation (NasdaqGS:CTSH)	18,376.00	0.14%	0.00%	19.20%	19.20%	0.0275%
Colgate-Palmolive Co. (NYSE:CL)	48,073.10	0.37%	2.46%	8.46%	11.02%	0.0412%
Comcast Corporation (NasdaqGS:CMCSA)	83,805.00	0.65%	2.08%	15.90%	18.15%	0.1184%
Comerica Incorporated (NYSE:CMA)	5,943.50	0.05%	1.99%	6.79%	8.85%	0.0041%
Computer Sciences Corporation (NYSE:CSC)	3,835.00	0.03%	3.24%	8.67%	12.05%	0.0036%
ConAgra Foods, Inc. (NYSE:CAG)	10,218.00	0.08%	3.90%	6.53%	10.56%	0.0084%
ConocoPhillips (NYSE:COP)	68,842.50	0.54%	4.85%	-4.00%	0.75%	0.0040%
CONSOL Energy Inc. (NYSE:CNX)	6,658.00	0.05%	1.71%	8.30%	10.08%	0.0052%
Consolidated Edison Inc. (NYSE:ED)	18,013.60	0.14%	3.93%	3.44%	7.44%	0.0104%
Constellation Brands Inc. (NYSE:STZ)	3,514.00	0.03%	0.00%	9.14%	9.14%	0.0025%
Cooper Industries plc (NYSE:CBE)	10,810.40	0.08%	1.82%	13.10%	15.04%	0.0127%
Corning Inc. (NYSE:GLW)	20,123.30	0.16%	2.26%	8.50%	10.86%	0.0170%
Costco Wholesale Corporation (NasdaqGS:COST)	39,555.20	0.31%	1.20%	13.00%	14.28%	0.0440%
Coventry Health Care Inc. (NYSE:CVH)	4,858.60	0.04%	1.47%	9.67%	11.21%	0.0042%
Covidien plc (NYSE:COV)	25,811.50	0.20%	1.68%	10.90%	12.67%	0.0255%
CR Bard Inc. (NYSE:BCR)	8,791.50	0.07%	0.76%	8.94%	9.74%	0.0067%
Crown Castle International Corp. (NYSE:CCI)	16,755.40	0.13%	0.00%	31.20%	31.20%	0.0407%
CSX Corp. (NYSE:CSX)	23,349.90	0.18%	2.49%	13.20%	15.85%	0.0288%
Cummins Inc. (NYSE:CMI)	18,334.60	0.14%	1.68%	15.00%	16.81%	0.0240%
CVS Caremark Corporation (NYSE:CVS)	58,936.30	0.46%	1.41%	12.10%	13.60%	0.0624%
Danaher Corp. (NYSE:DHR)	36,425.00	0.28%	0.19%	15.20%	15.40%	0.0437%
Darden Restaurants, Inc. (NYSE:DRI)	6,619.20	0.05%	3.34%	12.60%	16.15%	0.0083%
DaVita Inc. (NYSE:DVA)	8,818.30	0.07%	0.00%	12.20%	12.20%	0.0084%
Dean Foods Company (NYSE:DF)	3,103.30	0.02%	0.00%	13.60%	13.60%	0.0033%
Deere & Company (NYSE:DE)	30,570.00	0.24%	2.39%	10.70%	13.22%	0.0314%
Dell Inc. (NasdaqGS:DELL)	21,512.80	0.17%	0.00%	9.25%	9.25%	0.0155%
Denbury Resources Inc. (NYSE:DNR)	5,675.80	0.04%	0.00%	30.60%	30.60%	0.0135%
DENTSPLY International Inc. (NasdaqGS:XRAY)	5,437.50	0.04%	0.57%	11.90%	12.51%	0.0053%
Devon Energy Corporation (NYSE:DVN)	23,042.70	0.18%	1.40%	8.40%	9.86%	0.0177%
DeVry, Inc. (NYSE:DV)	1,796.70	0.01%	1.09%	12.00%	13.16%	0.0018%
Diamond Offshore Drilling, Inc. (NYSE:DO)	8,414.00	0.07%	5.78%	13.50%	19.67%	0.0129%
DIRECTV (NasdaqGS:DTV)	30,981.40	0.24%	0.00%	20.10%	20.10%	0.0485%
Discover Financial Services (NYSE:DFS)	17,650.40	0.14%	1.17%	9.25%	10.47%	0.0144%
Discovery Communications, Inc. (NasdaqGS:DISC.A)	19,670.70	0.15%	0.00%	21.10%	21.10%	0.0323%
Dollar Tree, Inc. (NasdaqGS:DLTR)	12,889.80	0.10%	0.00%	17.40%	17.40%	0.0175%
Dominion Resources, Inc. (NYSE:D)	30,958.10	0.24%	3.90%	5.20%	9.20%	0.0222%
Dover Corp. (NYSE:DOV)	10,302.10	0.08%	2.25%	13.60%	16.00%	0.0128%
DR Horton Inc. (NYSE:DHI)	5,332.70	0.04%	0.90%	7.67%	8.60%	0.0036%
Dr Pepper Snapple Group, Inc. (NYSE:DPS)	9,036.70	0.07%	3.19%	7.87%	11.19%	0.0079%
DTE Energy Co. (NYSE:DTE)	10,050.20	0.08%	4.20%	4.40%	8.69%	0.0068%
Duke Energy Corporation (NYSE:DUK)	30,548.90	0.24%	4.38%	4.92%	9.41%	0.0224%
Dun & Bradstreet Corp. (NYSE:DNB)	3,286.80	0.03%	2.21%	9.57%	11.89%	0.0030%
E*TRADE Financial Corporation (NasdaqGS:ETFC)	2,330.90	0.02%	0.00%	21.40%	21.40%	0.0039%
E. I. du Pont de Nemours and Company (NYSE:DD)	47,826.50	0.37%	3.37%	9.72%	13.25%	0.0493%
Eastman Chemical Co. (NYSE:EMN)	6,759.20	0.05%	2.12%	7.67%	9.87%	0.0052%
Eaton Corporation (NYSE:ETN)	13,247.70	0.10%	3.87%	12.90%	17.02%	0.0175%