

**FILED WITH
Executive Secretary**

October 10, 2014

IOWA UTILITIES BOARD

**SCHEDULE 6
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY
USING SBBI 7 PERCENT RISK PREMIUM**

LINE			
1	Risk-free Rate	4.85%	Long-term Treasury bond yield forecast
2	Beta	0.75	Average Beta Electric Utilities
3	Risk Premium	7.0%	Long-horizon SBBI risk premium
4	Beta x Risk Premium	5.3%	
5	Flotation	0.21%	
6	Model Result	10.3%	

Value Line beta for comparable companies from Value Line Investment Analyzer. Treasury bond yield forecast from Value Line EIA forecast data. Value Line forecasts a yield on 10-year Treasury notes equal to 4.5 percent. The current spread between the average Aug 2014 yield on 10-year Treasury notes (2.42 percent) and 20-year Treasury bonds (2.94 percent) is 52 basis points. Adding 52 basis points to Value Line's 4.5 percent forecasted yield on 10-year Treasury notes produces a forecasted yield of 5.02 percent for 20-year Treasury bonds (see Value Line Investment Survey, Selection & Opinion, Aug. 22, 2014). EIA forecasts a yield of 4.16 percent on 10-year Treasury notes. Adding the 52 basis point spread between 10-year Treasury notes and 20-year Treasury bonds to the EIA forecast of 4.16 percent for 10-year Treasury notes produces an EIA forecast for 20-year Treasury bonds equal to 4.68 percent. The average of the forecasts is 4.85 percent (5.02 percent using Value Line data and 4.68 percent using EIA data).

PROXY COMPANY BETAS

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

Data from Value Line Investment Analyzer.