

**RPU-2014-0002**  
**FILED WITH**  
**Executive Secretary**  
**November 14, 2014**  
**IOWA UTILITIES BOARD**

**OFFICE OF CONSUMER ADVOCATE**

**DIRECT EXHIBIT**

**OF**

**MARCOS MUNOZ**

**IN RE: MIDAMERICAN ENERGY COMPANY**

**DOCKET NO. RPU-2014-0002**

**November 14, 2014**

**Index of Exhibits, Schedules A-F**  
**Marcos Munoz**  
**RPU-2014-0002**

<b><u>Schedule</u></b>	<b><u>Subject</u></b>	<b><u>PDF</u></b>	<b><u>Excel</u></b>
A	Proxy Group Information Summary and Value Line Sheet	✓	✓
B	Proxy Group DCF Calculations	✓	✓
C	CAPM ROE	✓	✓
D	Risk Premium Ranges	✓	✓
E	Interest Rates and ROE	✓	✓
F	OCA Data Request 11	✓	

**Iowa Office of Consumer Advocate  
Index of Files of Marcos Munoz  
RPU-2014-0002**

**Testimony**

Munoz-Direct Testimony.pdf

**Exhibit**

Munoz-Direct Exhibit MM-1 Sch A-F. pdf

**Workpapers**

Munoz-Direct Workpapers MM-1 Sch A-E (Excel version).xls

**Index of Direct Exhibit and Direct Workpapers of Marcos Munoz**

**OCA Exhibit\_\_ (MM-1)**

**Munoz-Direct Workpapers MM-1 Sch A-E (Excel version).xls**

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Schedule B	Sch B DCF, Sch B DCF (2), Sch B LNT, Sch B DTE, Sch B AEE, Sch B ED, Sch B SCG, Sch B TECO, Sch B Vectren, Sch B XEL, Sch B WEC, Sch B NU Sch B Growth Rates, Sch B Stble G Rates Range	1--18	DCF ROE Calculation
Schedule C	Sch C CAPM	1	CAPM ROE
Schedule D	Sch D Mrnstr, Sch D II	1--2	Risk Premium Ranges
Schedule E	Sch E Interest Rates and ROE	1	Historical Relationship Between Utility ROE and Interest Rates

**Iowa Office of Consumer Advocate**

**Index of Direct Workpapers of Marcos Munoz. Pdf**

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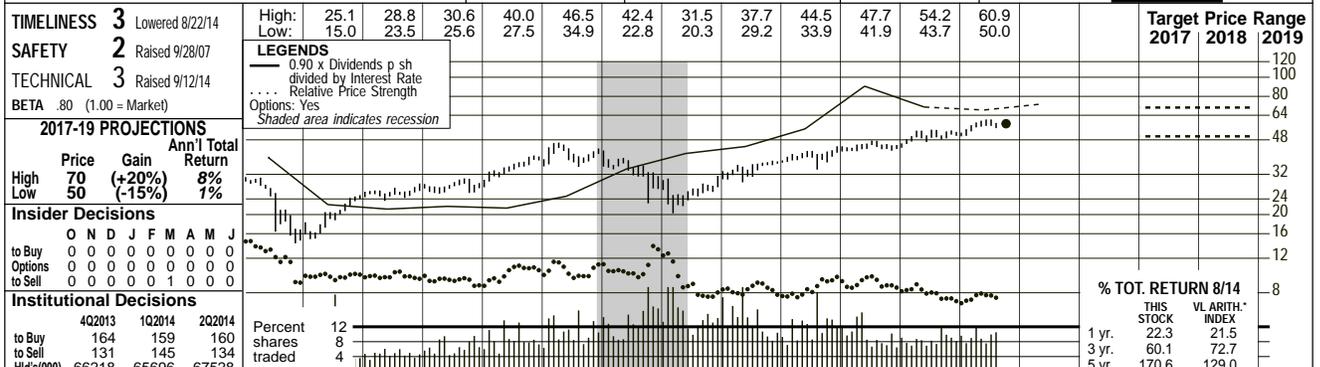
**Proxy Group Information Summary**

<u>Name</u>	<u>Symbol</u>	Market Cap (in billion)	% Revenue from Regulated Operations	(Mills)	(Mills)	Value Line Beta	Common Equity Ratio	Price Earnings Ratio P/E	Market	
				Regulated Electric Revenues	Regulated Gas Revenues				Price to Book Value P/B	
MidAmerican Energy	MEC	\$ 6.80	72%	\$ 1,694	\$ 659	N/A	52.5%	N/A	N/A	
				(Mill)	(Mill)			Price	Market	
		Market Cap (in billion)	% Revenue from Regulated Operations	Regulated Electric Revenues	Regulated Gas Revenues	Value Line Beta	Common Equity Ratio	Earnings Ratio P/E	Price to Book Value P/B	
1 Alliant Energy Corporation	LNT	\$ 6.6	98%	\$ 2,689	\$ 465	0.80	49.5%	16.88	1.98	
2 DTE Energy Company	DTE	\$ 14.1	98%	\$ 5,199	\$ 1,474	0.75	50.0%	18.28	1.76	
3 Ameren Corp.	AEE	\$ 9.9	97%	\$ 4,649	\$ 1,006	0.75	52.0%	16.95	1.49	
4 Consol. Edison	ED	\$ 18.0	91%	\$ 8,756	\$ 1,821	0.60	52.0%	14.21	1.44	
5 SCANA Corporation	SCG	\$ 7.5	75%	\$ 2,423	\$ 955	0.75	45.5%	14.2	1.53	
6 TECO Energy, Inc.	TE	\$ 4.4	83%	\$ 1,950	\$ 392	0.85	48.0%	19.27	1.76	
7 Vectren Corporation	VVC	\$ 3.6	100%	\$ 810	\$ 619	0.80	46.5%	22.74	2.27	
8 Xcel Energy Inc.	XEL	\$ 16.5	99%	\$ 9,034	\$ 1,804	0.70	47.0%	16.87	1.65	
9 Wisconsin Energy	WEC	\$ 10.8	92%	\$ 2,991	\$ 1,068	0.65	51.0%	17.61	2.48	
10 Northeast Utilities	NU	\$ 15.2	90%	\$ 5,362	\$ 856	0.75	54.5%	20.18	1.55	
		Arithmetic Average	\$ 10.7	92%	\$ 4,386	\$ 1,046	0.74	49.6%	17.72	1.79
		Median	\$ 10.3	94%	\$ 3,820	\$ 981	0.75	49.8%	17.28	1.71
		Sample High	\$ 18.0	100%	\$ 9,034	\$ 1,821	0.85	54.5%	22.74	2.48
		Sample Low	\$ 3.6	75%	\$ 810	\$ 392	0.60	45.5%	14.20	1.44

Data is primarily from Yahoo Finance 10/22/2014, Value Line Investment Survey sheets, and Security and Exchange Commission 10-Ks filed in 2014 as reported in each companies' Investors Relations section of their website.

# ALLIANT ENERGY NYSE-LNT

RECENT PRICE **58.07** P/E RATIO **17.4** (Trailing: 16.5 Median: 14.0) RELATIVE P/E RATIO **0.96** DIV'D YLD **3.5%** **VALUE LINE**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	17-19
Revenues per sh	25.56	28.02	28.93	31.15	33.33	31.02	30.81	33.02	27.88	29.54	<b>30.80</b>	<b>31.25</b>	34.80
"Cash Flow" per sh	4.69	5.46	4.33	5.12	4.56	4.21	5.21	5.51	5.90	6.68	<b>6.85</b>	<b>6.85</b>	7.75
Earnings per sh <sup>A</sup>	1.85	2.21	2.06	2.69	2.54	1.89	2.75	2.75	3.05	3.29	<b>3.45</b>	<b>3.60</b>	4.00
Div'd Decl'd per sh <sup>B</sup>	1.02	1.05	1.15	1.27	1.40	1.50	1.58	1.70	1.80	1.88	<b>2.04</b>	<b>2.20</b>	2.40
Cap'l Spending per sh	5.55	4.51	3.42	4.91	7.96	10.87	7.82	6.07	10.43	6.63	<b>7.50</b>	<b>8.85</b>	9.80
Book Value per sh <sup>C</sup>	22.13	20.85	22.83	24.30	25.56	25.07	26.09	27.14	28.25	29.58	<b>30.50</b>	<b>31.35</b>	34.65
Common Shs Outst'g <sup>D</sup>	115.74	117.04	116.13	110.36	110.45	110.66	110.89	111.02	110.99	110.94	<b>111.00</b>	<b>112.00</b>	115.00
Avg Ann'l P/E Ratio	14.0	12.6	16.8	15.1	13.4	13.9	12.5	14.5	14.5	15.3	<b>15.0</b>	<b>15.0</b>	15.0
Relative P/E Ratio	.74	.67	.91	.80	.81	.93	.80	.91	.92	.86	<b>0.96</b>	<b>0.96</b>	.95
Avg Ann'l Div'd Yield	3.9%	3.8%	3.3%	3.1%	4.1%	5.7%	4.6%	4.3%	4.1%	3.7%	<b>4.1%</b>	<b>4.1%</b>	4.2%
Revenues (\$mill)	2958.7	3279.6	3359.4	3437.6	3681.7	3432.8	3416.1	3665.3	3094.5	3276.8	<b>3420</b>	<b>3500</b>	4000
Net Profit (\$mill)	229.5	337.8	260.1	320.8	280.0	208.6	303.9	304.4	337.8	364.9	<b>385</b>	<b>405</b>	460
Income Tax Rate	26.7%	19.0%	43.8%	44.4%	33.4%	--	30.1%	19.0%	21.5%	12.4%	<b>15.0%</b>	<b>20.0%</b>	30.0%
AFUDC % to Net Profit	8.1%	3.0%	3.1%	2.4%	--	--	--	--	8.8%	6.5%	<b>7.0%</b>	<b>7.0%</b>	8.0%
Long-Term Debt Ratio	45.0%	41.6%	31.4%	32.4%	36.3%	44.3%	46.3%	45.7%	48.4%	46.1%	<b>47.5%</b>	<b>47.5%</b>	46.0%
Common Equity Ratio	50.2%	53.1%	62.9%	61.9%	58.6%	51.2%	49.5%	50.9%	48.4%	50.8%	<b>49.5%</b>	<b>49.5%</b>	51.5%
Total Capital (\$mill)	5104.7	4599.1	4218.4	4329.5	4815.6	5423.0	5840.8	5921.2	6476.6	6461.0	<b>6650</b>	<b>6850</b>	7800
Net Plant (\$mill)	5284.6	4866.2	4944.9	4679.9	5353.5	6203.0	6730.6	7037.1	7838.0	7147.3	<b>8200</b>	<b>8500</b>	9500
Return on Total Cap'l	6.1%	8.9%	7.5%	8.6%	7.0%	5.1%	6.6%	6.4%	6.3%	7.0%	<b>7.0%</b>	<b>7.0%</b>	7.0%
Return on Shr. Equity	8.2%	12.6%	9.0%	11.0%	9.1%	6.9%	9.7%	9.5%	10.1%	11.0%	<b>11.0%</b>	<b>11.0%</b>	11.5%
Return on Com Equity <sup>E</sup>	8.2%	13.1%	9.1%	11.3%	9.3%	6.8%	9.9%	9.5%	10.3%	11.3%	<b>11.5%</b>	<b>11.5%</b>	12.0%
Retained to Com Eq	3.8%	8.1%	4.0%	5.9%	3.8%	.9%	3.8%	3.3%	3.9%	4.9%	<b>4.0%</b>	<b>4.5%</b>	5.0%
All Div'ds to Net Prof	58%	42%	59%	50%	62%	88%	64%	67%	64%	57%	<b>59%</b>	<b>61%</b>	60%

**CAPITAL STRUCTURE as of 6/30/14**  
 Total Debt \$3646.8 mill. Due in 5 Yrs \$772.6 mill.  
 LT Debt \$2829.9 mill. LT Interest \$160.0 mill.  
 (LT interest earned: 3.6%)

**Pension Assets-12/13** \$965.6 mill. Oblig. \$1113.4 mill.

**Pfd Stock** \$200.0 mill. Pfd Div'd \$10.2 mill. 8,000,000 shs.

**Common Stock** 110,935,680 shs.

**MARKET CAP: \$6.4 billion (Large Cap)**

**ELECTRIC OPERATING STATISTICS**

	2011	2012	2013
% Change Retail Sales (KWH)	+9	+3	+1
Avg. Indust. Use (MWH)	11504	11555	11471
Avg. Indust. Revs. per KWH (¢)	6.51	6.42	6.75
Capacity at Peak (Mw)	5734	5886	5820
Peak Load, Summer (Mw)	5734	5886	5820
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+2	+3	+4

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
of change (per sh)			
Revenues	0.5%	-0.5%	4.0%
"Cash Flow"	2.0%	5.5%	6.0%
Earnings	6.0%	4.5%	6.0%
Dividends	0.5%	7.0%	4.5%
Book Value	3.0%	3.0%	4.0%

**QUARTERLY REVENUES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	945.0	819.5	1021.6	879.2	3665.3
2012	765.7	690.3	887.6	750.9	3094.5
2013	859.6	718.0	866.6	832.6	3276.8
2014	952.8	750.3	960	756.9	3420
2015	950	800	950	800	3500

**EARNINGS PER SHARE<sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.68	.44	1.12	.51	2.75
2012	.50	.58	1.34	.63	3.05
2013	.72	.59	1.43	.55	3.29
2014	.97	.56	1.45	.47	3.45
2015	.85	.60	1.55	.47	3.60

**QUARTERLY DIVIDENDS PAID<sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.395	.395	.395	.395	1.58
2011	.425	.425	.425	.425	1.70
2012	.45	.45	.45	.45	1.80
2013	.47	.47	.47	.47	1.88
2014	.51	.51	.51	.51	2.04

**BUSINESS:** Alliant Energy Corp., formerly named Interstate Energy, is a holding company formed through the merger of WPL Holdings, IES Industries, and Interstate Power. Supplies electricity, gas, and other services in Wisconsin, Iowa, and Minnesota. Elect. revs. by state: WI, 47%; IA, 50%; MN, 3%. Elect. rev.: residential, 38%; commercial, 24%; industrial, 29%; wholesale, 7%; other, 2%. Fuel

**Alliant Energy is on track to have another solid year.** The utility reported second-quarter earnings of \$0.56 a share, slightly below last year's figure, on revenue of \$750 million. The drop in earnings was prompted by customer billing credits that were handed out during the period, as well as higher maintenance and operational expenses. Additionally, the company's focus on increased energy efficiency, particularly at its Wisconsin-based power plant, also contributed to the rise in overhead. These negative earnings factors were partially offset by lower capacity charges related to the Kewaunee Nuclear Power Plant and the Duane Arnold Energy Center agreements that were renewed back in February of this year.

**Higher electrical usage will help offset rising expenses in the coming quarters.** Indeed, as the economy improves and unemployment falls further, Alliant should see higher electrical usage from its industrial customers. In fact, during the period, the company saw a 2.5% increase in overall electrical usage. That compares to a 5.7% increase in the first quarter, though, harsh winter weather

sources, 2013: coal, 48%; nuclear, 17%; gas, 4%; other, 31%. Fuel costs: 50% of revs. 2013 depreciation rate: 5.5%. Estimated plant age: 11 years. Has 3,950 employees. Chairman & Chief Executive Officer: Patricia L. Kampling. Incorporated: Wisconsin. Address: 4902 N. Biltmore Lane, Madison, Wisconsin 53718. Telephone: 608-458-3311. Internet: www.alliantenergy.com.

strongly contributed to that as demand for gas and electric to power heating appliances rose staunchly. **New power plants should add to the top line in the coming years.** Construction at the Columbia Energy Center near Portage Wisconsin is nearly complete. The installation of carbon injectors and scrubber systems will reduce certain emissions and help Alliant abide by new administrative rules. An application to gain regulatory approval is next, and we expect the project to be approved by 2015.

**We have tapered our estimates for the current year.** We now anticipate share earnings of \$3.45, down from \$3.65 for full 2014. Our reduced outlook incorporates rising operational expenses relating to plant costs, and new carbon emissions laws that will take effect over the next few years.

**These shares are ranked to perform in-line with the broader market averages over the next six to 12 months.** The stock doesn't stand out among utilities, either for its dividend yield or its 3- to 5- year total return potential.

Daniel Henigson September 19, 2014

(A) Diluted EPS. Excl. nonrecr. gains (losses): '03, net 24¢; '04, (58¢); '05, (\$1.05); '06, 83¢; '07, \$1.09; '08, 7¢; '09, (88¢); '10, (15¢); '11, (1¢); '12, (16¢). Next egs. rpt. due early Nov. (B) Div'ds historically paid in mid-Feb., May, Aug., and Nov. Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. deferred chgs. In '13: \$85.8 mill., \$0.77/sh. (D) In mill. (E) Rate base: Orig. cost. Rates all'd on com. eq. in IA in '13: 9.5%; in WI in '13 Regul. Clim.: WI, Above Avg.; IA, Avg.

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DTE ENERGY CO. NYSE-DTE				RECENT PRICE	P/E RATIO	Trailing: 17.8 Median: 15.0	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE										
<b>TIMELINESS</b>	2	Raised 8/18/14	High: 49.5	77.87	17.7	0.98	3.6%												
<b>SAFETY</b>	2	Raised 12/21/12	Low: 34.0																
<b>TECHNICAL</b>	3	Raised 9/12/14	45.5																
<b>BETA</b>	.75	(1.00 = Market)	48.3																
<b>2017-19 PROJECTIONS</b>																			
Price	Gain	Ann'l Total Return																	
High 85	(+10%)	6%																	
Low 60	(-25%)	-2%																	
<b>Insider Decisions</b>																			
	O	N	D	J	F	M	A	M	J										
to Buy	0	0	0	0	0	0	0	0	0										
Options	0	1	0	0	2	0	1	0	0										
to Sell	0	1	0	0	4	2	1	2	0										
<b>Institutional Decisions</b>																			
	4Q2013	1Q2014	2Q2014																
to Buy	199	206	204																
to Sell	202	208	191																
Hld's(000)	110072	110596	114784																
			Percent	15															
			shares	10															
			traded	5															
			% TOT. RETURN 8/14 THIS STOCK INDEX 1 yr. 21.5 21.5 3 yr. 74.6 72.7 5 yr. 179.9 129.0																
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
29.10	32.60	39.24	48.71	40.30	41.76	40.84	50.74	50.93	54.28	57.23	48.45	50.51	52.57	51.01	54.56	66.40	61.10	Revenues per sh	67.50
7.61	8.40	8.59	6.98	8.31	6.95	6.81	8.14	8.19	8.48	8.26	9.38	9.78	9.57	9.77	10.13	11.40	11.85	"Cash Flow" per sh	13.75
3.05	3.33	3.27	2.15	3.83	2.85	2.55	3.27	2.45	2.66	2.73	3.24	3.74	3.67	3.88	3.76	4.65	4.80	Earnings per sh <sup>A</sup>	5.50
2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.12	2.12	2.12	2.18	2.32	2.42	2.59	2.73	2.83	Div'd Decl'd per sh <sup>B</sup>	3.30
3.83	5.10	5.25	6.80	5.88	4.45	5.19	5.99	7.92	7.96	8.42	6.26	6.49	8.77	10.56	10.59	13.15	10.30	Cap'l Spending per sh	10.75
25.49	26.95	28.15	28.48	27.26	31.36	31.85	32.44	33.02	35.86	36.77	37.96	39.67	41.41	42.78	44.73	46.75	49.15	Book Value per sh <sup>C</sup>	56.75
145.07	145.04	142.65	161.13	167.46	168.61	174.21	177.81	177.14	163.23	163.02	165.40	169.43	169.25	172.35	177.09	177.00	180.00	Common Shs Outst'g <sup>D</sup>	187.00
13.3	11.6	10.3	19.3	11.3	13.7	16.0	13.8	17.4	18.3	14.8	10.4	12.3	13.5	14.9	17.9	17.00	17.00	Avg Ann'l P/E Ratio	13.5
.69	.66	.67	.99	.62	.78	.85	.73	.94	.97	.89	.69	.78	.85	.95	1.01	1.01	1.01	Relative P/E Ratio	.85
5.1%	5.3%	6.1%	5.0%	4.8%	5.3%	5.0%	4.6%	4.9%	4.4%	5.2%	6.3%	4.8%	4.7%	4.2%	3.8%	3.8%	3.8%	Avg Ann'l Div'd Yield	4.5%
<b>CAPITAL STRUCTURE as of 6/30/14</b>																			
Total Debt \$8553 mill. Due in 5 Yrs \$2777 mill.				7114.0 9022.0 9022.0 8861.0 9329.0 8014.0 8557.0 8897.0 8791.0 9661.0 11750 11000															
LT Debt \$7813 mill. LT Interest \$398 mill.				443.0 576.0 437.0 453.0 445.0 532.0 630.0 624.0 666.0 661.0 835 865															
Incl. \$5 mill. capitalized leases and \$480 mill. Trust Preferred Securities. (LT interest earned: 3.7x)				27.1% 26.0% 23.9% 25.1% 34.9% 31.6% 32.7% 35.9% 29.8% 27.5% 30.0% 30.0%															
<b>Leases, Uncapitalized Annual rentals \$35 mill. Pension Assets-12/13 \$3720 mill. Oblig. \$4380 mill.</b>				.7% 1.0% 5.0% 7.1% 11.2% 2.6% 1.6% 1.6% 3.0% 3.5% 5.0% 5.0%															
<b>Pfd Stock None Common Stock 176,993,343 shs.</b>				57.8% 55.1% 56.1% 54.4% 56.4% 54.0% 51.3% 50.6% 48.8% 47.7% 50.0% 49.5%															
<b>MARKET CAP: \$14 billion (Large Cap)</b>				42.2% 44.9% 43.9% 45.6% 43.6% 46.0% 48.7% 49.4% 51.2% 52.3% 50.0% 50.5%															
<b>ELECTRIC OPERATING STATISTICS</b>				13154 12849 13323 12824 13736 13648 13811 14196 14387 15135 16525 17600															
Avg. Retail Sales (KWH)				10491 10830 11451 11408 12231 12431 12992 13746 14684 15800 16925 17500															
Avg. Indust. Use (MWH)				5.2% 6.3% 5.1% 5.3% 5.0% 5.7% 6.3% 5.9% 6.1% 5.7% 6.5% 6.0%															
Avg. Indust. Revs. per KWH (¢)				8.0% 10.0% 7.5% 7.7% 7.4% 8.5% 9.4% 8.9% 9.0% 8.3% 10.0% 9.5%															
Capacity at Peak (Mw)				8.0% 10.0% 7.5% 7.7% 7.4% 8.5% 9.4% 8.9% 9.0% 8.3% 10.0% 9.5%															
Peak Load, Summer (Mw)				1.6% 3.7% 1.2% 1.5% 1.7% 2.9% 4.0% 3.4% 3.5% 2.7% 4.0% 4.0%															
Annual Load Factor (%)				80% 63% 84% 80% 77% 65% 57% 62% 61% 67% 57% 58%															
% Change Customers (yr-end)				-															
Fixed Charge Cov. (%)				282 286 271															
<b>ANNUAL RATES</b>																			
of change (per sh)				Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 to '17-'19															
Revenues				2.0% -5% 4.0%															
"Cash Flow"				3.0% 3.5% 6.0%															
Earnings				2.5% 7.5% 6.5%															
Dividends				1.5% 3.0% 5.0%															
Book Value				4.0% 4.0% 4.5%															
<b>QUARTERLY REVENUES (\$ mill.)</b>																			
Cal-endar				Mar.31 Jun.30 Sep.30 Dec.31 Full Year															
2011				2431 2028 2265 2173 8897.0															
2012				2239 2013 2190 2349 8791.0															
2013				2516 2225 2387 2533 9661.0															
2014				3930 2698 2450 2672 11750															
2015				3200 2450 2550 2800 11000															
<b>EARNINGS PER SHARE <sup>A</sup></b>																			
Cal-endar				Mar.31 Jun.30 Sep.30 Dec.31 Full Year															
2011				1.04 .67 1.07 .89 3.67															
2012				.91 .87 1.30 .79 3.88															
2013				1.34 .60 1.13 .70 3.76															
2014				1.84 .70 1.21 .90 4.65															
2015				1.60 .80 1.40 1.00 4.80															
<b>QUARTERLY DIVIDENDS PAID <sup>B</sup></b>																			
Cal-endar				Mar.31 Jun.30 Sep.30 Dec.31 Full Year															
2010				.53 .53 .53 .56 2.15															
2011				.56 .56 .5875 .5875 2.30															
2012				.5875 .5875 .5875 .62 2.38															
2013				.62 .62 .655 .655 2.55															
2014				.655 .655 .69 .69 2.55															
<b>BUSINESS:</b>				DTE Energy Company is a holding company for DTE Electric (formerly Detroit Edison), which supplies electricity in Detroit and a 7,600-square-mile area in southeastern Michigan, and DTE Gas (formerly Michigan Consolidated Gas). Customers: 2.1 mill. electric, 1.3 mill. gas. Acquired MCN Energy 6/01. Has various nonutility operations. Electric revenue breakdown: residential, 46%; commercial, 37%; industrial, 15%; other, 2%. Generating sources: coal, 67%; nuclear, 17%; gas, 1%; purchased, 15%. Fuel costs: 37% of revenues. '13 reported deprec. rates: 3.4% electric, 2.4% gas. Has 9,900 employees. Chairman, President & CEO: Gerard M. Anderson, Inc.: Michigan. Address: One Energy Plaza, Detroit, MI 48226-1279. Tel.: 313-235-4000. Internet: www.dteenergy.com.															
<b>DTE Energy's earnings are likely to increase significantly this year.</b>				The company benefited from favorable weather conditions in the first quarter of 2014, mark-to-market accounting gains that boosted earnings by \$0.16 a share in the first half, and regulatory amortization income that the Michigan Public Service Commission (MPSC) allowed the company to record as income in order to postpone DTE Electric's next rate application. The company is controlling operating expenses effectively. DTE Gas is benefiting from a regulatory mechanism that enables certain kinds of capital spending (\$90 million in 2014) to be recovered immediately, instead of through a general rate case. Most economic indicators in the service area are positive, and the bankruptcy filing of Detroit has had virtually no effect on DTE. Finally, the company's nonutility operations (see below) are increasing their contribution to corporate profits.															
<b>DTE Electric plans to file a rate case in late 2014 or early 2015.</b>				Under Michigan regulatory law, the utility will self-implement a rate increase six months after the filing, and the MPSC's ruling is															
<b>due six months after that.</b>				Interim rate relief and the same factors that are helping profits in 2014 should produce further growth in 2015, despite a tough March-quarter comparison.															
<b>Income from the company's nonutility operations is rising.</b>				Gas storage and pipelines is especially noteworthy. This unit is benefiting from increased demand for natural gas, and is part of a joint venture in a proposed \$1.2 billion-\$1.5 billion project that would transport gas from the Utica Shale region in Ohio to users in Michigan and Ontario, beginning in November of 2015.															
<b>The board of directors raised the dividend in the third period.</b>				The quarterly increase was \$0.035 a share (5.3%). DTE is targeting a payout ratio in a range of 60%-70%, so there is plenty of room for additional growth in the disbursement.															
<b>DTE stock is timely, but doesn't stand out for its 3- to 5-year total return potential.</b>				The dividend yield is only about average for a utility, and the recent price is above the midpoint of our 2017-2019 Target Price Range.															
				Paul E. Debbas, CFA September 19, 2014															
<b>(A) Diluted EPS. Excl. nonrec. gains (losses):</b>				'03, (16¢); '05, (2¢); '06, 1¢; '07, \$1.96; '08, 50¢; '11, 51¢; gains (losses) on disc. ops.: '03, '04; '04, (6¢); '05, (20¢); '06, (2¢); '07, \$1.20; '08, 13¢; '12, (33¢). '12 EPS don't add due to rounding. Next earnings report due Oct.															
<b>(B) Div'ds histor. paid in mid-Jan., Apr., July and Oct. ■ Div'd reinvest. plan avail. (C) Incl.</b>				intang. In '13: \$29.41/sh. (D) In mill. (E) Rate base: Net op. cost. Rate allowed on com. eq. in '11: 10.5% elec.; in '13: 10.5% gas; earned on avg. com. eq., '13: 8.6%. Regul. Clim.: Avg.															
<b>Company's Financial Strength</b>				B++															
<b>Stock's Price Stability</b>				100															
<b>Price Growth Persistence</b>				80															
<b>Earnings Predictability</b>				100															
<b>To subscribe call 1-800-VALUELINE</b>																			

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AMEREN NYSE-AEE		RECENT PRICE	38.83	P/E RATIO	17.3 (Trailing: 15.8 Median: 15.0)	RELATIVE P/E RATIO	0.96	DIV'D YLD	4.2%	VALUE LINE																																																																																																																																																																																													
TIMELINESS	2 Raised 6/27/14	High: 46.5	50.4	56.8	55.2	55.0	54.3	35.3	37.3	42.2																																																																																																																																																																																													
SAFETY	2 Raised 6/20/14	Low: 37.4	40.6	47.5	48.0	47.1	25.5	19.5	23.1	35.2																																																																																																																																																																																													
TECHNICAL	3 Raised 9/12/14																																																																																																																																																																																																						
BETA	.75 (1.00 = Market)	<table border="1"> <tr> <th>Year</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>Target Price</td> <td>40</td> <td>45</td> <td>50</td> </tr> <tr> <td>Range</td> <td>25</td> <td>30</td> <td>35</td> </tr> <tr> <td>Ann'l Total Return</td> <td>8%</td> <td>2%</td> <td>2%</td> </tr> </table>									Year	2017	2018	2019	Target Price	40	45	50	Range	25	30	35	Ann'l Total Return	8%	2%	2%																																																																																																																																																																													
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2017-19 PROJECTIONS		Price	45	Gain	(+15%)	Ann'l Total Return	8%																																																																																																																																																																																																
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Institutional Decisions		to Buy	177	to Sell	187																																																																																																																																																																																																		
Percent shares traded		15	10	5																																																																																																																																																																																																			
© VALUE LINE PUB. LLC																																																																																																																																																																																																							
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24.18	25.68	28.10	32.64	24.93	28.20	26.43	33.12	33.30	36.23	36.92	29.87	31.77	31.04	28.14	24.06	24.95	26.15	Revenues per sh	28.50																																																																																																																																																																																				
5.36	5.36	6.11	6.33	5.28	6.29	5.57	6.10	6.02	6.76	6.44	6.06	6.33	5.87	5.87	5.25	5.70	6.10	"Cash Flow" per sh	7.00																																																																																																																																																																																				
2.82	2.81	3.33	3.41	2.66	3.14	2.82	3.13	2.66	2.98	2.88	2.78	2.77	2.47	2.41	2.10	2.35	2.55	Earnings per sh	3.00																																																																																																																																																																																				
2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	1.54	1.54	1.56	1.60	1.60	1.60	1.60	Div'd Decl'd per sh	1.80																																																																																																																																																																																				
2.37	4.16	6.77	7.99	5.11	4.19	4.13	4.63	4.99	6.96	9.75	7.51	4.66	4.50	5.49	5.87	7.50	7.10	Cap'l Spending per sh	6.00																																																																																																																																																																																				
22.27	22.52	23.30	24.26	24.93	26.73	29.71	31.09	31.86	32.41	32.80	33.08	32.15	32.64	27.27	26.97	27.75	28.65	Book Value per sh	32.00																																																																																																																																																																																				
137.22	137.22	137.22	138.05	154.10	162.90	195.20	204.70	206.60	208.30	212.30	237.40	240.40	242.60	242.63	242.63	242.63	242.65	Common Shs Outst'g	252.00																																																																																																																																																																																				
14.2	13.5	11.0	12.1	15.8	13.5	16.3	16.7	19.4	17.4	14.2	9.3	9.7	11.9	13.4	16.5	16.5	16.5	Avg Ann'l P/E Ratio	13.5																																																																																																																																																																																				
.74	.77	.72	.62	.86	.77	.86	.89	1.05	.92	.85	.62	.62	.75	.85	.93	.93	.93	Relative P/E Ratio	.85																																																																																																																																																																																				
6.3%	6.7%	6.9%	6.2%	6.1%	6.0%	5.5%	4.9%	4.9%	4.9%	6.2%	6.0%	5.8%	5.3%	5.0%	4.6%	4.6%	4.6%	Avg Ann'l Div'd Yield	4.5%																																																																																																																																																																																				
<b>CAPITAL STRUCTURE as of 6/30/14</b>				<table border="1"> <tr> <td>Total Debt \$6737 mill. Due in 5 Yrs \$2316 mill.</td> <td>5160.0</td> <td>6780.0</td> <td>6880.0</td> <td>7546.0</td> <td>7839.0</td> <td>7090.0</td> <td>7638.0</td> <td>7531.0</td> <td>6828.0</td> <td>5838.0</td> <td>6050</td> <td>6350</td> <td>Revenues (\$mill)</td> <td>7200</td> </tr> <tr> <td>LT Debt \$5825 mill. LT Interest \$317 mill. (LT interest earned: 3.6x)</td> <td>541.0</td> <td>628.0</td> <td>547.0</td> <td>629.0</td> <td>615.0</td> <td>624.0</td> <td>669.0</td> <td>602.0</td> <td>589.0</td> <td>518.0</td> <td>580</td> <td>630</td> <td>Net Profit (\$mill)</td> <td>775</td> </tr> <tr> <td>Leases, Uncapitalized Annual rentals \$14 mill. Pension Assets-12/13 \$3461 mill. Oblig. \$3900 mill.</td> <td>34.3%</td> <td>35.6%</td> <td>32.7%</td> <td>33.5%</td> <td>33.7%</td> <td>34.7%</td> <td>36.8%</td> <td>37.3%</td> <td>36.9%</td> <td>37.5%</td> <td>39.5%</td> <td>38.5%</td> <td>Income Tax Rate</td> <td>38.0%</td> </tr> <tr> <td>Pfd Stock \$142 mill. Pfd Div'd \$8 mill. 807,595 sh. \$3.50 to \$5.50 cum. (no par), \$100 stated val., redeem. \$102.176-\$110/sh., 616,323 sh. 4.00% to 6.625%, \$100 par, redeem. \$100-\$104/sh.</td> <td>45.5%</td> <td>44.9%</td> <td>43.8%</td> <td>45.0%</td> <td>47.8%</td> <td>49.7%</td> <td>48.2%</td> <td>45.3%</td> <td>49.5%</td> <td>45.2%</td> <td>47.0%</td> <td>46.0%</td> <td>Long-Term Debt Ratio</td> <td>45.5%</td> </tr> <tr> <td>Common Stock 242,634,798 shs. as of 7/31/14 MARKET CAP: \$9.4 billion (Large Cap)</td> <td>52.6%</td> <td>53.3%</td> <td>54.6%</td> <td>53.4%</td> <td>50.8%</td> <td>49.1%</td> <td>50.9%</td> <td>53.7%</td> <td>49.4%</td> <td>53.7%</td> <td>52.0%</td> <td>53.0%</td> <td>Common Equity Ratio</td> <td>53.5%</td> </tr> <tr> <td></td> <td>11036</td> <td>11932</td> <td>12063</td> <td>12654</td> <td>13712</td> <td>15991</td> <td>15185</td> <td>14738</td> <td>13384</td> <td>12190</td> <td>12950</td> <td>13075</td> <td>Total Capital (\$mill)</td> <td>15100</td> </tr> <tr> <td></td> <td>13297</td> <td>13572</td> <td>14286</td> <td>15069</td> <td>16567</td> <td>17610</td> <td>17853</td> <td>18127</td> <td>16096</td> <td>16205</td> <td>17225</td> <td>18100</td> <td>Net Plant (\$mill)</td> <td>20000</td> </tr> <tr> <td></td> <td>6.0%</td> <td>6.5%</td> <td>5.7%</td> <td>6.2%</td> <td>5.7%</td> <td>5.3%</td> <td>6.0%</td> <td>5.6%</td> <td>6.0%</td> <td>5.6%</td> <td>5.5%</td> <td>6.0%</td> <td>Return on Total Cap'l</td> <td>6.5%</td> </tr> <tr> <td></td> <td>9.0%</td> <td>9.5%</td> <td>8.1%</td> <td>9.0%</td> <td>8.6%</td> <td>7.8%</td> <td>8.5%</td> <td>7.5%</td> <td>8.7%</td> <td>7.7%</td> <td>8.5%</td> <td>9.0%</td> <td>Return on Shr. 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Equity	9.5%		9.1%	9.7%	8.1%	9.2%	8.7%	7.8%	8.6%	7.5%	8.8%	7.8%	8.5%	9.0%	Return on Com Equity	9.5%		.9%	1.7%	.2%	1.3%	1.0%	3.5%	3.8%	2.8%	3.0%	1.9%	3.0%	3.5%	Retained to Com Eq	4.0%		91%	83%	97%	86%	88%	56%	56%	63%	66%	76%	68%	64%	All Div'ds to Net Prof	59%
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	91%	83%	97%	86%	88%	56%	56%	63%	66%	76%	68%	64%	All Div'ds to Net Prof	59%																																																																																																																																																																																									
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© 2014 Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.				<p>To subscribe call 1-800-VALUELINE</p>																																																																																																																																																																																																			

# CON. EDISON NYSE-ED

RECENT PRICE **56.10** P/E RATIO **14.7** (Trailing: 13.5 Median: 15.0) RELATIVE P/E RATIO **0.82** DIV'D YLD **4.6%** VALUE LINE

**TIMELINESS** 3 Raised 11/15/13  
**SAFETY** 1 New 7/27/90  
**TECHNICAL** 3 Lowered 8/22/14  
**BETA** .60 (1.00 = Market)

High: 46.0 45.6 49.3 49.3 52.9 49.3 46.3 51.0 62.7 66.0 64.0 58.6  
 Low: 36.6 37.2 41.1 41.2 43.1 34.1 32.6 41.5 48.6 53.6 54.2 52.2

**LEGENDS**  
 — 0.70 x Dividends p sh divided by Interest Rate  
 ... Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession

**2017-19 PROJECTIONS**  
 Price High **65** Low **55** Gain **(+15%)** Ann'l Total Return **8%**  
 Nil 4%

**Insider Decisions**  
 S O N D J F M A M  
 to Buy 0 0 0 1 0 0 1 0 0  
 Options 0 0 0 0 0 0 0 0 0  
 to Sell 0 0 0 0 0 0 0 0 0

**Institutional Decisions**  
 3Q2013 4Q2013 1Q2014  
 to Buy 258 258 309  
 to Sell 258 283 249  
 Hld's(000) 136133 137375 141570

Percent shares traded: 21, 14, 7

% TOT. RETURN 7/14  
 THIS STOCK INDEX  
 1 yr. -2.1 12.9  
 3 yr. 21.1 52.3  
 5 yr. 79.5 131.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
30.46	35.04	44.48	45.41	39.65	43.51	40.24	47.66	47.14	48.23	49.62	46.36	45.69	44.17	41.62	42.27	<b>44.35</b>	<b>44.70</b>	Revenues per sh	<b>49.25</b>
5.29	5.74	5.51	5.70	5.44	5.12	4.54	5.27	5.28	5.77	5.99	5.86	6.24	6.61	7.15	7.45	<b>7.60</b>	<b>8.00</b>	"Cash Flow" per sh	<b>9.00</b>
3.04	3.13	2.74	3.21	3.13	2.83	2.32	2.99	2.95	3.48	3.36	3.14	3.47	3.57	3.86	3.93	<b>3.85</b>	<b>3.95</b>	Earnings per sh <sup>A</sup>	<b>4.25</b>
2.12	2.14	2.18	2.20	2.22	2.24	2.26	2.28	2.30	2.32	2.34	2.36	2.38	2.40	2.42	2.46	<b>2.52</b>	<b>2.58</b>	Div'd Decl'd per sh <sup>B</sup>	<b>2.75</b>
2.66	3.17	4.52	5.20	5.68	5.72	5.60	6.59	7.17	7.09	8.50	7.80	6.96	6.72	7.06	8.67	<b>8.90</b>	<b>8.60</b>	Cap'l Spending per sh	<b>8.25</b>
25.88	25.31	25.81	26.71	27.68	28.44	29.09	29.80	31.09	32.58	35.43	36.46	37.93	39.05	40.53	41.81	<b>43.20</b>	<b>44.60</b>	Book Value per sh <sup>C</sup>	<b>49.25</b>
232.83	213.81	212.03	212.15	213.93	225.84	242.51	245.29	257.46	272.02	273.72	281.12	291.62	292.89	292.87	292.87	<b>293.00</b>	<b>293.00</b>	Common Shs Outst'g <sup>D</sup>	<b>293.00</b>
15.3	14.0	12.0	12.0	13.3	14.3	18.2	15.1	15.5	13.8	12.3	12.5	13.3	15.1	15.4	14.7	<b>14.0</b>	<b>14.0</b>	Avg Ann'l P/E Ratio	<b>14.0</b>
.80	.80	.78	.61	.73	.82	.96	.80	.84	.73	.74	.83	.85	.95	.98	.83	<b>.90</b>	<b>.90</b>	Relative P/E Ratio	<b>.90</b>
4.6%	4.9%	6.6%	5.7%	5.3%	5.5%	5.3%	5.0%	5.0%	4.8%	5.7%	6.0%	5.2%	4.5%	4.1%	4.3%	<b>4.6%</b>	<b>4.6%</b>	Avg Ann'l Div'd Yield	<b>4.6%</b>
<b>CAPITAL STRUCTURE as of 3/31/14</b>				9758.0	11690	12137	13120	13583	13032	13325	12938	12188	12381	<b>13000</b>	<b>13100</b>	Revenues (\$mill)	<b>14450</b>		
Total Debt \$12454 mill. Due in 5 Yrs \$3829 mill.				560.0	719.0	749.0	936.0	933.0	868.0	992.0	1062.0	1141.0	1157.0	<b>1125</b>	<b>1170</b>	Net Profit (\$mill)	<b>1265</b>		
LT Debt \$11339 mill. LT Interest \$554 mill. (LT interest earned: 4.2x)				34.3%	33.6%	35.2%	32.6%	36.0%	34.2%	36.0%	36.1%	34.5%	31.8%	<b>34.0%</b>	<b>34.0%</b>	Income Tax Rate	<b>34.0%</b>		
<b>Leases, Uncapitalized Annual rentals \$17 mill.</b>				7.7%	2.2%	1.6%	1.9%	1.7%	2.6%	2.4%	1.6%	.5%	.5%	<b>1.0%</b>	<b>1.0%</b>	AFUDC % to Net Profit	<b>1.0%</b>		
<b>Pension Assets-12/13 \$10755 mill. Oblig. \$12197 mill.</b>				47.4%	49.6%	50.2%	45.6%	48.3%	48.5%	48.6%	46.5%	45.9%	46.1%	<b>48.0%</b>	<b>48.0%</b>	Long-Term Debt Ratio	<b>49.0%</b>		
<b>Pfd Stock None</b>				51.0%	49.0%	48.5%	53.1%	50.6%	50.4%	50.4%	52.5%	54.1%	53.9%	<b>52.0%</b>	<b>52.0%</b>	Common Equity Ratio	<b>51.0%</b>		
<b>Common Stock 292,894,192 shs. as of 5/2/14</b>				13828	14921	16515	16687	19160	20330	21952	21794	21933	22735	<b>24400</b>	<b>25100</b>	Total Capital (\$mill)	<b>28200</b>		
<b>MARKET CAP: \$16 billion (Large Cap)</b>				16106	17112	18445	19914	20874	22464	23863	25093	26939	28436	<b>29950</b>	<b>31300</b>	Net Plant (\$mill)	<b>34500</b>		
<b>ELECTRIC OPERATING STATISTICS</b>				5.6%	6.3%	6.0%	7.0%	6.2%	5.7%	5.9%	6.2%	6.5%	6.4%	<b>5.5%</b>	<b>6.0%</b>	Return on Total Cap'l	<b>5.5%</b>		
2011 2012 2013				7.7%	9.6%	9.1%	10.3%	9.4%	8.3%	8.8%	9.1%	9.6%	9.4%	<b>9.0%</b>	<b>9.0%</b>	Return on Shr. Equity	<b>9.0%</b>		
% Change Retail Sales (KWH)				7.8%	9.7%	9.2%	10.4%	9.5%	8.4%	8.9%	9.2%	9.6%	9.4%	<b>9.0%</b>	<b>9.0%</b>	Return on Com Equity <sup>E</sup>	<b>9.0%</b>		
Avg. Indust. Use (MWH)				.8%	2.6%	2.6%	3.9%	3.1%	2.5%	3.2%	3.1%	3.6%	3.6%	<b>3.0%</b>	<b>3.0%</b>	Retained to Com Eq	<b>3.0%</b>		
Avg. Indust. Revs. per KWH (¢)				89%	74%	73%	63%	67%	71%	65%	66%	62%	62%	<b>66%</b>	<b>64%</b>	All Div'ds to Net Prof	<b>64%</b>		
Capacity at Peak (Mw)				<b>BUSINESS:</b> Consolidated Edison, Inc. is a holding company for Consolidated Edison Company of New York, Inc. (CECONY), which sells electricity, gas, and steam in most of New York City and Westchester County. Also owns Orange and Rockland Utilities (O&R, acquired 7/99), which operates in New York, New Jersey, and Pennsylvania. Has 3.6 million electric, 1.2 million gas customers. Pursues competitive energy opportunities through three wholly owned subsidiaries. Purchases most of its power. Fuel costs: 33% of revenues. '13 reported depreciation rates: 2.8%-3.2%. Has 14,600 employees. Chairman, President & CEO: John McAvoy, Inc.: New York. Address: 4 Irving Place, New York, New York 10003. Tel.: 212-460-4600. Internet: www.conedison.com.															
Peak Load, Summer (Mw)				<b>We have raised our 2014 earnings estimate for Consolidated Edison by \$0.05 a share.</b> So far this year, ConEd has benefited from rate relief and conversions of customers from oil heat to gas heat. Our revised earnings estimate is at the upper end of the company's targeted range of \$3.70-\$3.85 a share.															
Annual Load Factor (%)				<b>Investors should not be alarmed by the fact that even our revised 2014 earnings estimate would result in a year-to-year decline in profits.</b> ConEd books mark-to-market gains or losses each quarter, which arise from its nonutility operations. We include these items because they are an ongoing part of quarterly results. They boosted the bottom line by \$0.14 a share in 2013 and \$0.03 a share in the first half of 2014. We do not assume any gains or losses in our estimates because these are impossible to predict.															
% Change Customers (yr-end)				<b>We have raised our 2015 estimate by \$0.10 a share.</b> The same trends that are boosting profits this year should continue to lift income next year. ConEd has not yet issued earnings guidance for 2015.															
Fixed Charge Cov. (%)				<b>ConEd's investments in solar energy are paying off.</b> In the second quarter, the company booked a \$0.09-a-share gain on the sale of a 50% interest in a solar investment. We excluded this from our earnings presentation as a nonrecurring item, but the income is welcome nonetheless.															
ANNUAL RATES				<b>There is a negative issue overhanging ConEd.</b> In March, an explosion in Manhattan killed eight people and injured dozens more. The accident is still under investigation by the National Transportation Safety Board, New York City, and the New York State Public Service Commission. Litigation against ConEd is pending. So far, the company has not accrued a liability for the accident.															
Past 10 Yrs.				<b>Rockland Electric received a rate hike.</b> The New Jersey regulators granted the utility a \$13 million increase, based on a 9.75% return on equity. New tariffs took effect at the start of August.															
Past 5 Yrs.				<b>This stock offers a dividend yield that is somewhat above the utility average.</b> Total return potential to 2017-2019 is about average for the group. Although the stock is ranked 1 (Highest) for Safety, conservative investors should keep in mind the uncertainty concerning the explosion.															
Est'd '11-'13				<i>Paul E. Debbas, CFA August 22, 2014</i>															
Revenues																			
"Cash Flow"																			
Earnings																			
Dividends																			
Book Value																			

Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year			
Mar.31	Jun.30	Sep.30	Dec.31	Full Year	
2011	3349	2993	3629	2967	12938
2012	3078	2771	3438	2901	12188
2013	3306	2767	3440	2868	12381
2014	3789	2911	<b>3450</b>	<b>2850</b>	<b>13000</b>
2015	<b>3650</b>	<b>2950</b>	<b>3550</b>	<b>2950</b>	<b>13100</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>	Full Year			
Mar.31	Jun.30	Sep.30	Dec.31	Full Year	
2011	1.06	.56	1.30	.65	3.57
2012	.94	.73	1.49	.70	3.86
2013	1.16	.49	1.49	.79	3.93
2014	1.23	.64	<b>1.38</b>	<b>.60</b>	<b>3.85</b>
2015	<b>1.20</b>	<b>.65</b>	<b>1.45</b>	<b>.65</b>	<b>3.95</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup>	Full Year			
Mar.31	Jun.30	Sep.30	Dec.31	Full Year	
2010	.595	.595	.595	.595	2.38
2011	.60	.60	.60	.60	2.40
2012	.605	.605	.605	.605	2.42
2013	.615	.615	.615	.615	2.46
2014	.63	.63			

(A) Diluted EPS. Excl. nonrec. gain (losses): '02, (11¢); '03, (45¢); '13, (32¢); '14, 9¢; gain on discontinued operations: '08, \$1.01. Next earnings report due late Oct. (B) Div'ds historically paid in mid-Mar., June, Sept., and Dec. (C) Div'd reinvestment plan available. (D) In millions. (E) Rate base: net orig. cost. Rate allowed on com. eq. for CECONY in '14: 9.2% elec. 9.3% gas and steam; O&R in '12 (elec.) 9.4% in '09 (gas) 10.3%; earned on avg. com. eq., '13: 9.5%. Regulatory Climate: Below Average.

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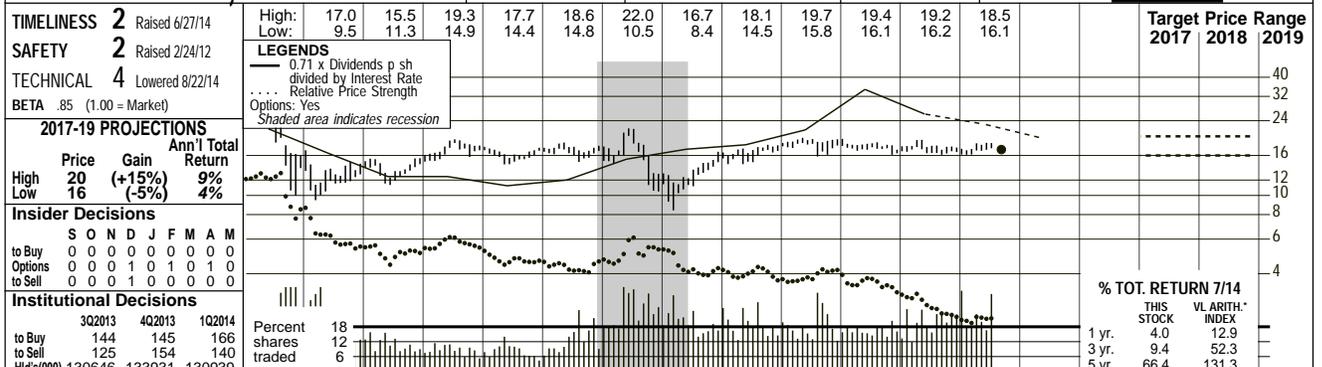
Company's Financial Strength	A+
Stock's Price Stability	100
Price Growth Persistence	100
Earnings Predictability	85

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# TECO ENERGY, INC. NYSE-TE

RECENT PRICE **17.15** P/E RATIO **18.1** (Trailing: 17.5 Median: 15.0) RELATIVE P/E RATIO **1.01** DIV'D YLD **5.1%** **VALUE LINE**



<b>TIMELINESS</b>	2	Raised 6/27/14
<b>SAFETY</b>	2	Raised 2/24/12
<b>TECHNICAL</b>	4	Lowered 8/22/14
<b>BETA</b>	.85	(1.00 = Market)

<b>2017-19 PROJECTIONS</b>	
Price	Ann'l Total
High 20	Gain (+15%)
Low 16	Return (-5%)
	9%

<b>Insider Decisions</b>	
	S O N D J F M A M
to Buy	0 0 0 0 0 0 0 0 0
Options	0 0 0 1 0 1 0 1 0
to Sell	0 0 0 1 0 0 0 0 0

<b>Institutional Decisions</b>	
	3Q2013 4Q2013 1Q2014
to Buy	144 145 166
to Sell	125 154 140
Hld's(000)	130646 133931 130939

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
14.83	15.01	18.17	18.97	15.22	14.59	13.37	14.46	16.46	16.77	15.85	15.48	16.23	15.49	13.83	13.12	12.65	13.05	12.65	13.05	12.65	13.05	
3.25	3.28	4.11	4.31	3.20	1.96	2.14	2.37	2.51	2.51	2.01	2.35	2.59	2.77	2.69	2.43	2.35	2.50	2.35	2.50	2.35	2.50	
1.52	1.53	1.97	2.24	1.95	d.08	.71	1.00	1.17	1.27	.77	1.00	1.13	1.27	1.14	.92	.95	1.00	.95	1.00	.95	1.00	
1.23	1.29	1.33	1.37	1.41	.93	.76	.76	.76	.78	.80	.80	.82	.85	.88	.88	.88	.88	.88	.88	.88	.88	
2.24	3.23	5.45	6.92	6.06	3.14	1.37	1.42	2.18	2.34	2.77	2.99	2.28	2.10	2.33	2.45	3.15	3.00	3.15	3.00	3.15	3.00	
11.42	10.73	11.93	14.12	14.86	8.93	6.43	7.65	8.25	9.56	9.43	9.75	10.10	10.50	10.58	10.74	11.30	11.35	11.30	11.35	11.30	11.35	
132.00	132.10	126.30	139.60	175.80	187.80	199.70	208.20	209.50	210.90	212.90	213.90	214.90	215.80	216.60	217.30	233.50	233.50	233.50	233.50	233.50	233.50	
17.8	14.2	11.9	12.9	11.0	--	19.3	17.1	13.8	13.3	21.2	12.6	14.6	14.4	15.5	18.9	18.9	18.9	18.9	18.9	18.9	18.9	
.93	.81	.77	.66	.60	--	1.02	.91	.75	.71	1.28	.84	.93	.90	.99	1.06	1.06	1.06	1.06	1.06	1.06	1.06	
4.5%	5.9%	5.7%	4.8%	6.6%	7.4%	5.5%	4.4%	4.7%	4.6%	4.9%	6.3%	4.9%	4.6%	5.0%	5.1%	5.0%	5.1%	5.0%	5.1%	5.0%	5.1%	
<b>CAPITAL STRUCTURE as of 6/30/14</b>																						
Total Debt \$3137.6 mill. Due in 5 Yrs \$1295.4 mill.																						
LT Debt \$2863.1 mill. LT Interest \$150.7 mill.																						
(LT interest earned: 3.0x)																						
<b>Leases, Uncapitalized</b> Annual rentals \$5.0 mill.																						
<b>Pension Assets-12/13</b> \$593.0 mill.																						
<b>Oblig.</b> \$666.0 mill.																						
<b>Pfd Stock</b> None																						
<b>Common Stock</b> 233,407,893 shs.																						
as of 7/28/14																						
<b>MARKET CAP: \$4.0 billion (Mid Cap)</b>																						
<b>ELECTRIC OPERATING STATISTICS</b>																						
	2011	2012	2013																			
% Change Retail Sales (KWH)	-3.4	-8	--																			
Avg. Indust. Use (Mw)	NA	NA	NA																			
Avg. Indust. Revs. per KWH (¢)	8.94	8.84	8.50																			
Capacity at Peak (Mw)	4684	4668	4668																			
Peak Load, Winter (Mw)	NA	NA	NA																			
Annual Load Factor (%)	NA	NA	NA																			
% Change Customers (avg.)	+7	+1.3	+1.5																			

<b>ANNUAL RATES</b>	Past	Past	Est'd '11-'13
of change (per sh)	10 Yrs.	5 Yrs.	to '17-'19
Revenues	-1.5%	-3.0%	1.5%
"Cash Flow"	-2.0%	2.5%	3.5%
Earnings	-2.0%	.5%	3.5%
Dividends	-3.5%	2.5%	1.5%
Book Value	-1.5%	3.0%	2.5%

<b>QUARTERLY REVENUES (\$ mill.)</b>	Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31
2011	796.1 885.7 911.4 750.2 3343.4
2012	697.1 752.5 858.6 688.4 2996.6
2013	661.1 735.9 765.9 688.4 2851.3
2014	684.1 726.3 839.6 700 2950
2015	725 750 850 725 3050

<b>EARNINGS PER SHARE A</b>	Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31
2011	.24 .36 .42 .25 1.27
2012	.20 .30 .42 .22 1.14
2013	.19 .24 .29 .20 .92
2014	.22 .27 .31 .15 .95
2015	.22 .27 .33 .18 1.00

<b>QUARTERLY DIVIDENDS PAID B</b>	Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31
2010	.20 .205 .205 .205 .82
2011	.205 .215 .215 .215 .85
2012	.22 .22 .22 .22 .88
2013	.22 .22 .22 .22 .88
2014	.22 .22 .22 .22 .88

**BUSINESS:** TECO Energy, Inc. is a holding company for Tampa Electric, which serves 700,000 customers in west central Florida, and Peoples Gas, which serves 350,000 customers in Florida. TECO Coal mines coal. Sold TECO Transport 12/07; discontinued generation investments in Guatemala in '12. Electric revenue breakdown: residential, 49%; commercial, 31%; industrial, 9%;

**It appears as if TECO Energy is close to completing its acquisition of New Mexico Gas.** TECO has agreed to pay \$750 million and assume \$200 million of debt for New Mexico Gas, a utility with more than 510,000 customers in the state. The New Mexico regulators have approved the transaction, which should close in the next few weeks. (A request for a rehearing would delay the closing, but appears unlikely, given the lack of significant opposition to the deal.) In order to finance the purchase, TECO has already sold 15.5 million common shares at \$18.10 each and signed definitive agreements to issue \$270 million of private placement debt. The acquisition would probably be slightly accretive to earnings in 2015.

**The company is interested in selling TECO Coal.** This subsidiary was once a solid contributor to corporate profits, but its prospects have waned due to weakening demand for coal. This year, TECO Coal will probably do no better than break even. Management concedes that a sale isn't likely to fetch any more than book value of \$200 million.

**The utilities are performing well.**

other, 11%. Generating sources: coal, 56%; gas, 36%; purchased, 8%. Fuel costs: 31% of revenues. '13 reported deprec. rate (utility): 3.7%. Has 3,900 employees. Chairman: Sherrill W. Hudson. President & CEO: John B. Ramil. Incorporated: Florida. Address: TECO Plaza, 702 N. Franklin Street, Tampa, Florida 33602. Telephone: 813-228-1111. Internet: www.tecoenergy.com.

Tampa Electric and Peoples Gas are benefiting from the recovering economy in the service area. Customer growth is strong. Tampa Electric is also benefiting from a full year of the rate increase it was granted in November of 2013. Each utility is earning a return on equity that is at or above the midpoint of its range of allowed ROEs, which are shown in footnote E.

**Our earnings estimates require an explanation.** Because the New Mexico Gas deal has not been completed, we are not including the utility in our figures. We are also not assuming a sale of TECO Coal. However, we are including the newly issued shares. That's why we have cut our 2014 and 2015 share-earnings estimates by a nickel each year. We expect to raise them, assuming the New Mexico Gas transaction is completed.

**TECO Energy stock is timely and has one of the highest dividend yields of any electric utility issue.** The weak prospects for TECO Coal have weighed on the stock. TECO also offers total return potential to 2017-2019 that is above the utility norm.

*Paul E. Debbas, CFA August 22, 2014*

(A) Diluted earnings. Excl. nonrecurring gain (losses): '99, (11¢); '03, (\$4.97); '07, 63¢; '10, (2¢) net; gains (losses) on discontinued ops.: '04, (77¢); '05, '31¢; '06, '1¢; '07, 7¢; '12, (15¢). Next earnings report due late Oct. (B) Div'ds paid in late Feb., May, Aug., & Nov. (C) Div'd re-investment plan available. (D) Incl. deferred charges. In '13: \$1.93/sh. (E) In mill. (F) Rate base: Net orig. cost. Rate allowed on com. eq. in '13 (elec.): 10.25%-12.25%; in '09 (gas): 9.75%-11.75%; earned on avg. com. eq., '13: 8.6%. Regulatory Climate: Average.

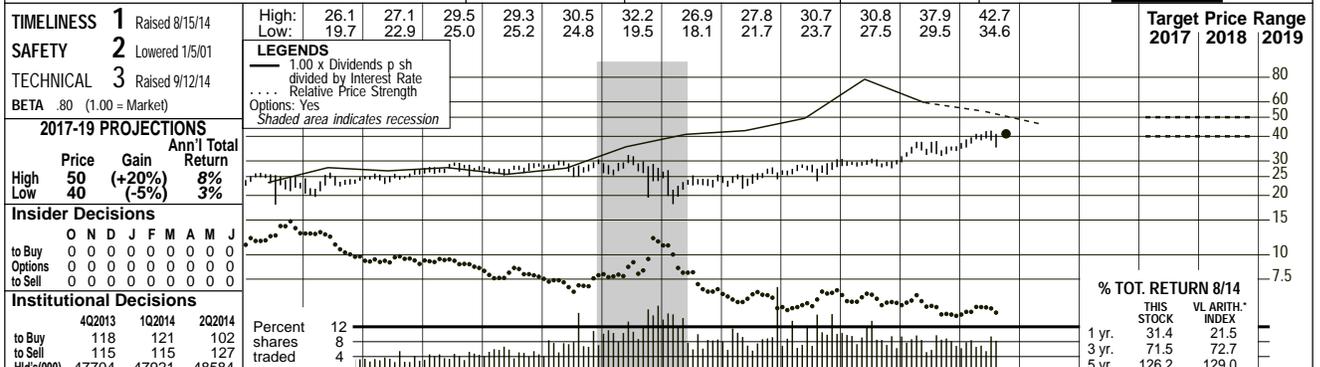
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<b>Company's Financial Strength</b>	B++
<b>Stock's Price Stability</b>	95
<b>Price Growth Persistence</b>	40
<b>Earnings Predictability</b>	75

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# VECTREN CORP. NYSE-VVC

RECENT PRICE **41.18** P/E RATIO **19.5** (Trailing: 19.5 Median: 16.0) RELATIVE P/E RATIO **1.08** DIV'D YLD **3.5%** **VALUE LINE**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	17-19
Revenues per sh	22.26	26.62	26.83	29.88	30.67	25.76	26.06	28.39	27.16	30.23	31.95	33.35	39.55
"Cash Flow" per sh	3.27	3.87	3.69	4.29	3.97	4.40	4.44	4.71	5.03	5.03	5.65	6.20	7.45
Earnings per sh <sup>A</sup>	1.42	1.81	1.44	1.83	1.63	1.79	1.65	1.73	1.94	1.66	2.05	2.40	3.00
Div'd Decl'd per sh <sup>B†</sup>	1.15	1.19	1.23	1.27	1.31	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.55
Cap'l Spending per sh	3.66	3.04	3.70	4.38	4.83	5.33	3.39	3.92	4.45	4.77	4.70	5.10	6.70
Book Value per sh <sup>C</sup>	14.42	15.01	15.43	16.16	16.68	17.23	17.61	17.89	18.57	18.86	19.30	19.95	21.50
Common Shs Outst'g <sup>D</sup>	75.90	76.19	76.10	76.36	81.03	81.10	81.70	81.90	82.20	82.40	83.00	84.00	86.00
Avg Ann'l P/E Ratio	17.6	15.1	18.9	15.3	16.8	12.9	15.0	15.8	15.0	20.7	15.0	15.0	15.0
Relative P/E Ratio	.93	.80	1.02	.81	1.01	.86	.95	.99	.95	1.16	1.16	1.16	.95
Avg Ann'l Div'd Yield	4.6%	4.4%	4.5%	4.5%	4.8%	5.9%	5.5%	5.1%	4.8%	4.2%	4.2%	4.2%	3.4%
Revenues (\$mill)	1689.8	2028.0	2041.6	2281.9	2484.7	2088.9	2129.5	2325.2	2232.8	2491.2	2650	2800	3400
Net Profit (\$mill)	108.0	136.8	108.8	143.1	129.0	145.0	133.7	141.6	159.0	136.6	170	200	260
Income Tax Rate	26.5%	24.4%	21.8%	34.7%	37.1%	26.5%	35.8%	37.9%	34.2%	32.9%	35.0%	35.0%	35.0%
AFUDC % to Net Profit	3.0%	1.4%	3.8%	2.8%	2.9%	4.1%	--	--	4.1%	4.0%	4.0%	4.0%	4.0%
Long-Term Debt Ratio	48.1%	51.2%	50.7%	50.2%	48.0%	52.4%	49.9%	51.6%	50.4%	53.3%	53.5%	53.0%	53.0%
Common Equity Ratio	51.8%	48.8%	49.3%	49.8%	52.0%	47.6%	50.1%	48.4%	49.6%	46.7%	46.5%	47.0%	47.0%
Total Capital (\$mill)	2111.5	2341.3	2382.2	2479.1	2599.5	2937.7	2874.1	3025.1	3079.5	3331.4	3435	3550	3950
Net Plant (\$mill)	2156.2	2251.9	2385.5	2539.7	2720.3	2878.8	2955.4	3032.6	3119.6	3224.3	3320	3360	3700
Return on Total Cap'l	6.4%	7.2%	6.0%	7.2%	6.5%	6.3%	6.1%	6.2%	6.4%	5.4%	6.0%	7.0%	8.0%
Return on Shr. Equity	9.9%	12.0%	9.3%	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	10.5%	12.0%	14.0%
Return on Com Equity <sup>E</sup>	9.9%	12.0%	9.3%	11.6%	9.5%	10.4%	9.3%	9.7%	10.4%	8.8%	10.5%	12.0%	14.0%
Retained to Com Eq	1.9%	4.0%	1.3%	3.8%	2.0%	2.6%	1.6%	1.9%	2.9%	1.2%	3.0%	4.5%	7.0%
All Div'ds to Net Prof	81%	66%	86%	67%	80%	75%	83%	80%	73%	86%	71%	62%	51%

**VECTREN FORMED ON MARCH 31, 2000** through the merger of Indiana Energy and SIGCORP. The merger was consummated with a tax-free exchange of shares and has been accounted for as a pooling of interests. Indiana Energy common stockholders received one Vectren common share for each share held. SIGCORP stockholders exchanged each common share for 1.333 common shares of Vectren.

**CAPITAL STRUCTURE as of 6/30/14**  
 Total Debt \$1856.3 mill. Due in 5 Yrs \$710.0 mill.  
 LT Debt \$1772.2 mill. LT Interest \$85.0 mill.  
 (LT interest earned: 3.7x)

**Pension Assets-12/13** \$323.9 mill. **Oblig.** \$338.4 mill.

**Pfd Stock** None

**Common Stock** 82,503,531 shs. as of 7/31/14

**MARKET CAP:** \$3.4 billion (Mid Cap)

**ELECTRIC OPERATING STATISTICS**

	2011	2012	2013
% Change Retail Sales (KWH)	-3	-2.3	+3
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	1494	1494	1384
Peak Load, Summer (Mw)	1220	1259	1102
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	--	+4	+6

Fixed Charge Cov. (%) 347 367 380

**BUSINESS:** Vectren is a holding company formed through the merger of Indiana Energy and SIGCORP. Supplies electricity and gas to an area nearly two-thirds of the state of Indiana. Owns gas distribution assets in Ohio. Has a customer base exceeding 1.1 million. 2013 Electricity revenues: residential, 36%; commercial, 27%; industrial, 35%; other, 2%. 2013 Gas revenues: residential, 67%; commercial, 24%; other, 9%. Also provides energy-related products and services and has an investment subsidiary. Est'd plant age: electric, 8 years. '13 deprec. rate: 5.2%. Has 5,500 employees. Chairman, President, & CEO: Carl Chapman. Incorporated: IN. Address: One Vectren Square, Evansville, Indiana 47708. Telephone: 812-491-4000. Internet: www.vectren.com.

**ANNUAL RATES of change (per sh)**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	1.0%	-0.5%	5.5%
"Cash Flow"	4.5%	4.5%	7.0%
Earnings	2.0%	1.5%	9.0%
Dividends	3.0%	2.0%	1.5%
Book Value	3.5%	3.0%	2.5%

**QUARTERLY REVENUES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	682.6	475.8	539.4	627.4	2325.2
2012	604.6	470.6	513.5	644.1	2232.8
2013	700.6	531.0	579.6	680.0	2491.2
2014	796.8	542.5	600	710.7	2650
2015	820	590	640	750	2800

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.55	.18	.43	.57	1.73
2012	.62	.31	.48	.53	1.94
2013	.61	0.07	.52	.60	1.66
2014	.62	.14	.58	.71	2.05
2015	.68	.35	.62	.75	2.40

**QUARTERLY DIVIDENDS PAID <sup>B†</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.340	.340	.340	.345	1.37
2011	.345	.345	.345	.350	1.39
2012	.350	.350	.350	.355	1.41
2013	.355	.355	.355	.360	1.43
2014	.360	.360	.360		

**Shares of Vectren have rebounded nicely in recent weeks, following a selloff in July.** Comparisons for the June period were favorable, though revenues and share earnings fell short of our estimates. Regardless, we think Wall Street was pleased with the announcement that the company had agreed to sell Vectren Fuels to Sunrise Coal, LLC. Excluding the results of the coal mining operation, earnings per share for the recent interim would have been \$0.37. The deal closed in late August for net aftertax proceeds of roughly \$280 million. This move completes Vectren's exit from commodity-based non-utility businesses. The company believes its remaining operations have better growth potential with less volatility. **We envision favorable comparisons going forward, and higher revenues and share earnings for 2014 and 2015.** Performance at the Utility Group ought to remain solid. In particular, we expect the electric utility services business to perform well. Modest customer growth and returns from Ohio infrastructure replacement programs should continue to support results at the gas utility line, though higher costs

may well constrain profitability here. Meanwhile, prospects for the Nonutility Group appear bright. The absence of Vectren Fuels should be a plus here. The infrastructure services business will probably further benefit from strong demand in the coming quarters, though much depends on the weather. Adverse winter weather earlier in the year hurt performance in the first quarter and in the beginning of the June period, as crews were unable to complete their work as planned. Recovery picked up in the second quarter, and this business finished the term with a backlog of \$626 million at midyear (compared to \$535 million six months earlier). **This stock is well ranked for year-ahead relative price performance.** The healthy dividend yield is another inducement. Moreover, Vectren earns good marks for Safety, Financial Strength, Price Stability, and Earnings Predictability. Conservative, income-oriented investors may find something to like here. That said, subscribers seeking long-term appreciation of capital can probably find more-suitable choices elsewhere. *Michael Napoli, CFA September 19, 2014*

(A) Diluted EPS. Excl. nonrecur. gain (loss): '03, (6¢); '09, 15¢. Next eggs report due early November. (B) Div'ds historically paid in early March, June, September, and December. (C) Div'd reinvest. plan avail. (D) Shareholder invest. plan avail. (E) Incl. intang. In '13, \$5.5/sh. (F) In millions. (G) Electric rate base determination: fair value. Rates allowed on elect. common equity range from 10.15% to 10.4%; earned on common equity in '13: 8.8%. Regulatory Climate: Above Average.

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Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	55
Earnings Predictability	85

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WISCONSIN ENERGY NYSE-WEC										RECENT PRICE	P/E RATIO	(Trailing: 16.4 Median: 15.0)	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE																																																												
<b>TIMELINESS</b> 3 Lowered 9/19/14 <b>SAFETY</b> 1 Raised 3/23/12 <b>TECHNICAL</b> 3 Raised 9/12/14 <b>BETA</b> .65 (1.00 = Market) <b>2017-19 PROJECTIONS</b> <table border="1"> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total Return</th> </tr> <tr> <td>High 50</td> <td>(+10%)</td> <td>7%</td> </tr> <tr> <td>Low 40</td> <td>(-10%)</td> <td>2%</td> </tr> </table>										Price	Gain	Ann'l Total Return	High 50	(+10%)	7%	Low 40	(-10%)	2%	44.65	18.1	1.00	3.7%																																																					
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<b>High: 16.8 17.3 20.4 24.3 25.2 24.8 25.3 30.5 35.4 41.5 45.0 49.2</b> <b>Low: 11.3 14.8 16.7 19.1 20.5 17.4 18.2 23.4 27.0 33.6 37.0 40.2</b> <b>Target Price Range 2017 2018 2019</b> <b>LEGENDS</b> 1.01 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 3/11 Options: Yes Shaded area indicates recession																																																																											
<b>Insider Decisions</b> <table border="1"> <tr> <th></th> <th>O</th> <th>N</th> <th>D</th> <th>J</th> <th>F</th> <th>M</th> <th>A</th> <th>M</th> <th>J</th> </tr> <tr> <td>to Buy</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Options</td> <td>1</td> <td>2</td> <td>0</td> <td>2</td> <td>4</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>to Sell</td> <td>1</td> <td>3</td> <td>0</td> <td>2</td> <td>4</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> </table>											O	N	D	J	F	M	A	M	J	to Buy	0	0	0	0	0	0	0	0	0	Options	1	2	0	2	4	0	0	0	0	to Sell	1	3	0	2	4	0	0	0	0	<b>Institutional Decisions</b> <table border="1"> <tr> <th></th> <th>4Q2013</th> <th>1Q2014</th> <th>2Q2014</th> </tr> <tr> <td>to Buy</td> <td>202</td> <td>231</td> <td>257</td> </tr> <tr> <td>to Sell</td> <td>200</td> <td>200</td> <td>186</td> </tr> <tr> <td>Hld's(000)</td> <td>166401</td> <td>168816</td> <td>166724</td> </tr> </table>											4Q2013	1Q2014	2Q2014	to Buy	202	231	257	to Sell	200	200	186	Hld's(000)	166401	168816	166724
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<b>REVENUES</b> 8.56 9.56 14.14 17.02 16.10 17.12 14.66 16.31 17.08 18.12 18.95 17.65 17.98 19.46 18.54 20.00 22.15 22.15 <b>"Cash Flow"</b> 2.06 2.26 2.24 2.72 2.84 2.86 2.58 2.89 2.90 2.98 2.95 3.11 3.30 3.68 4.01 4.33 4.50 4.75 <b>Earnings</b> .83 .94 .54 .92 1.16 1.13 .93 1.28 1.32 1.42 1.52 1.60 1.92 2.18 2.35 2.51 2.60 2.70 <b>Div'd Decl'd</b> .78 .78 .69 .40 .40 .40 .42 .44 .46 .50 .54 .68 .80 1.04 1.20 1.45 1.56 1.68										<b>25.50 5.75 3.25 2.10</b>																																																																	
<b>Cap'l Spending</b> 1.76 2.22 2.64 3.01 2.54 2.95 2.85 3.40 4.17 5.28 4.86 3.50 3.41 3.60 3.09 3.04 3.30 3.65 <b>Book Value</b> 8.23 8.44 8.50 8.91 9.22 9.96 10.65 11.46 12.35 13.25 14.27 15.26 16.26 17.20 18.05 18.73 19.65 20.65										<b>3.75 21.50 220.00</b>																																																																	
<b>Avg Ann'l P/E Ratio</b> 18.0 13.3 18.7 12.1 10.5 12.4 17.5 14.5 16.0 16.5 14.8 13.3 14.0 14.2 15.8 16.5 <b>Relative P/E Ratio</b> .94 .76 1.22 .62 .57 .71 .92 .77 .86 .88 .89 .89 .89 .89 1.01 .93 <b>Avg Ann'l Div'd Yield</b> 5.2% 6.3% 6.8% 3.6% 3.3% 2.8% 2.6% 2.4% 2.2% 2.1% 2.4% 3.2% 3.0% 3.3% 3.2% 3.5%										<b>14.5 .90 4.5%</b>																																																																	
<b>CAPITAL STRUCTURE as of 6/30/14</b> <b>Total Debt \$5042.7 mill. Due in 5 Yrs \$1559.8 mill.</b> <b>LT Debt \$4587.5 mill. LT Interest \$252.7 mill.</b> Incl. \$84.5 mill. capitalized leases. (LT interest earned: 5.1x) <b>Leases, Uncapitalized Annual rentals \$3.9 mill.</b> <b>Pension Assets-12/13 \$1451.0 mill.</b> <b>Obliq. \$1410.2 mill.</b> <b>Pfd Stock \$30.4 mill. Pfd Div'd \$1.2 mill.</b> 260,000 shs. 3.60%, \$100 par, callable at \$101; 44,498 shs. 6%, \$100 par. <b>Common Stock 225,518,455 shs.</b>										<b>5600 5000 715 38.0% 6.0% 49.0% 50.5% 9400 12400 9.0% 15.0% 5.0%</b>																																																																	
<b>MARKET CAP: \$10.1 billion (Large Cap)</b>										<b>4.9% 7.5% 7.1% 7.1% 7.0% 6.2% 7.0% 6.8% 6.5% 5.9% 5.5% 5.0%</b>																																																																	
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Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																						
2011	.72	.41	.55	.49	2.18																																																																						
2012	.74	.51	.67	.43	2.35																																																																						
2013	.76	.52	.60	.63	2.51																																																																						
2014	.91	.58	.48	.63	2.60																																																																						
2015	.78	.59	.68	.65	2.70																																																																						
<b>QUARTERLY DIVIDENDS PAID B</b> <table border="1"> <tr> <th>Cal-endar</th> <th>Mar.31</th> <th>Jun.30</th> <th>Sep.30</th> <th>Dec.31</th> <th>Full Year</th> </tr> <tr> <td>2010</td> <td>.20</td> <td>.20</td> <td>.20</td> <td>.20</td> <td>.80</td> </tr> <tr> <td>2011</td> <td>.26</td> <td>.26</td> <td>.26</td> <td>.26</td> <td>1.04</td> </tr> <tr> <td>2012</td> <td>.30</td> <td>.30</td> <td>.30</td> <td>.30</td> <td>1.20</td> </tr> <tr> <td>2013</td> <td>.34</td> <td>.34</td> <td>.3825</td> <td>.3825</td> <td>1.45</td> </tr> <tr> <td>2014</td> <td>.39</td> <td>.39</td> <td>.39</td> <td></td> <td></td> </tr> </table>										Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2010	.20	.20	.20	.20	.80	2011	.26	.26	.26	.26	1.04	2012	.30	.30	.30	.30	1.20	2013	.34	.34	.3825	.3825	1.45	2014	.39	.39	.39			<b>.80 1.04 1.20 1.45</b>																													
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																						
2010	.20	.20	.20	.20	.80																																																																						
2011	.26	.26	.26	.26	1.04																																																																						
2012	.30	.30	.30	.30	1.20																																																																						
2013	.34	.34	.3825	.3825	1.45																																																																						
2014	.39	.39	.39																																																																								
<b>Business:</b> Wisconsin Energy Corporation is a holding company for We Energies, which provides electric, gas & steam service in Wisconsin. Customers: 1.1 mill. elec., 1.1 mill. gas. Acq'd WICOR 4/00. Discontinued pump-manufacturing operations in '04. Sold Point Beach nuclear plant in '07. Elec. revenue breakdown: residential, 36%; small commercial & industrial, 32%; large commercial & industrial, 22%; other, 10%. Generating sources: coal, 54%; gas, 10%; renewables, 3%; purchased, 33%. Fuel costs: 40% of revs. '13 reported deprec. rate (utility): 2.9%. Has 4,300 employees. Chairman & CEO: Gale E. Klappa. President: Allen L. Leverett. Inc.: WI. Address: 231 W. Michigan St., P.O. Box 1331, Milwaukee, WI 53201. Tel.: 414-221-2345. Internet: www.wisconsinenergy.com.										<b>Wisconsin Energy has agreed to buy Integrys Energy.</b> The company would pay \$4.0 billion in stock and \$1.5 billion in cash (to be financed with debt) for Integrys, which provides electric and gas service in Wisconsin and gas service in Illinois, Minnesota, and Michigan. The companies have filed for approval from the state regulators and the Federal Energy Regulatory Commission. Each company's shareholders will vote on the deal. This is expected in the fourth quarter of 2014, and the companies are targeting a closing in the second half of 2015. Wisconsin Energy would be renamed WEC Energy Group.																																																																	
<b>The acquisition would likely boost Wisconsin Energy's annual earnings growth rate.</b> Now 4%-6%, the combined company's goal would be 5%-7%. Wisconsin Energy has free cash flow, some of which it was using to buy back stock (until the merger announcement). WEC Energy would use some of this cash flow to pay for capital spending that Integrys now plans to finance with debt and equity.										<b>We have cut our 2014 and 2015 earnings estimates by \$0.05 a share each year.</b> This year, an unusually mild summer has hurt the utility. Also, Wisconsin Energy is incurring merger-related costs. We include these in our earnings presentation, but will not include Integrys until after the acquisition has been completed. Wisconsin Energy plans to continue increasing the dividend at a 7%-8% rate while the takeover is pending, and is targeting a payout ratio of 65%-70% once the deal is done. This would entail another dividend hike at the time of closing.																																																																	
<b>A rate case is pending.</b> Wisconsin Electric filed for an electric rate increase and a gas rate decrease of \$52.3 million (1.8%) and \$10.7 million (2.4%) for 2015. It also requested modest steam rate increases. Wisconsin Gas is seeking tariff hikes of \$21.1 million (3.3%) and \$21.4 million (3.3%) in 2015 and 2016, respectively. New rates should take effect in January.										<b>This stock is suitable for conservative, income-oriented investors.</b> The yield is close to the utility average, and the stock is top-ranked for Safety. Our projections indicate modest 3- to 5-year total return potential, but the addition of Integrys would likely enhance this.																																																																	
<b>Paul E. Debbas, CFA</b>										<b>September 19, 2014</b>																																																																	
<b>(A) Diluted EPS. Excl. nonrec. gains (losses): '99, (5¢); '00, 10¢ net; '02, (44¢); '03, (10¢) net; '04, (42¢); gains on disc. ops.: '04, 77¢; '05, 2¢; '06, 2¢; '09, 2¢; '10, 1¢; '11, 6¢. '11</b>										<b>EPS don't add due to rounding. Next earnings report due late Oct. (B) Div'ds historically paid in early Mar., June, Sept. &amp; Dec. ■ Div'd reinvestment plan avail. (C) Incl. intang. In '13:</b>																																																																	
<b>\$6.86/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rates all'd on com. eq. in WI in '13: 10.4%-10.5%; earned on avg. com. eq., '13: 13.6%. Regulat. Climate: Above Avg.</b>										<b>Company's Financial Strength A+ Stock's Price Stability 100 Price Growth Persistence 90 Earnings Predictability 95</b>																																																																	
<b>© 2014 Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.</b>										<b>To subscribe call 1-800-VALUELINE</b>																																																																	



**Table I**  
**Proxy Group Current Cost DCF Results**

		(A)	(B)	(C)	(D)	(E)	(F)	
			<b>Annualized</b>	<b>Dividend</b>	<b>Low</b>	<b>High</b>	<b>Mid</b>	
<b>Company</b>	<b>Symbol</b>	<b>Price</b>	<b>Indicated</b>	<b>Yield</b>	<b>Growth</b>	<b>Growth</b>	<b>Growth</b>	
			<b>Dividend</b>		<b>Rate</b>	<b>Rate</b>	<b>Rate</b>	
1 Alliant Energy Corporation	LNT	\$ 54.58	\$ 1.88	3.4%	3.0%	6.0%	4.5%	
2 DTE Energy Company	DTE	\$ 61.81	\$ 2.62	4.2%	4.2%	6.1%	5.1%	
3 Ameren Corp.	AEE	\$ 38.05	\$ 1.60	4.2%	0.7%	2.8%	1.8%	
4 Consol. Edison	ED	\$ 55.72	\$ 2.46	4.4%	3.7%	4.1%	3.9%	
5 SCANA Corporation	SCG	\$ 49.32	\$ 2.03	4.1%	3.8%	4.6%	4.2%	
6 TECO Energy, Inc.	TE	\$ 17.22	\$ 0.88	5.1%	2.3%	2.6%	2.4%	
7 Vectren Corporation	VVC	\$ 37.43	\$ 1.44	3.8%	2.4%	6.6%	4.5%	
8 Xcel Energy Inc.	XEL	\$ 29.73	\$ 1.12	3.8%	4.4%	6.0%	5.2%	
9 Wisconsin Energy	WEC	\$ 43.66	\$ 1.53	3.5%	5.8%	7.0%	6.4%	DCF Recommendation
10 Northeast Utilities	NU	\$ 43.87	\$ 1.47	3.4%	4.2%	4.7%	4.5%	
	<b>Average</b>			4.0%	3.5%	5.0%	4.2%	Low G + DY → 8.5%
	<b>Median</b>			4.0%	3.8%	5.3%	4.5%	High G + DY → 9.2%
	<b>Max</b>				5.8%	7.0%	5.2%	
	<b>Min</b>				0.7%	2.6%	2.4%	
	<b>Stdv</b>				1.4%	1.5%	1.3%	

**Source:**

Closing prices are from Yahoo Finance (10-22-14). Details of the price and dividend yield calculation can be found in my electronic workpapers, Munoz-Workpaper MM-1, tab "Wkp Price".

Quarterly dividends are from Value Line 2014 3rd Quarter Issue.

Growth rates are based primarily on the data found in this Exhibit in Schedule B, page 14.

The calculations of median and maximum do not include the numbers highlighted in rows 1-10.

**Table I**  
**Proxy Group Long-Term DCF Results**

		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
			<b>Annualized</b>	<b>High</b>	<b>Low</b>	<b>Mid</b>	<b>Low</b>	<b>High</b>	<b>Mid point</b>
			<b>Indicated</b>	<b>Dividend</b>	<b>Dividend</b>	<b>Growth</b>	<b>DCF Cost</b>	<b>DCF Cost</b>	<b>of Common</b>
<b>Company</b>	<b>Symbol</b>	<b>Price</b>	<b>Dividend</b>	<b>Yield</b>	<b>Yield</b>	<b>Rate</b>	<b>Equity</b>	<b>Equity</b>	<b>Equity</b>
1 Alliant Energy Corporation	LNT	\$54.58	\$ 1.88	8.5%	3.1%	4.5%	7.6%	13.0%	10.3%
2 DTE Energy Company	DTE	\$61.81	\$ 2.62	6.3%	3.8%	5.1%	8.9%	11.4%	10.2%
3 Ameren Corp.	AEE	\$38.05	\$ 1.60	6.9%	4.6%	1.8%	6.4%	8.7%	7.5%
4 Consol. Edison	ED	\$55.72	\$ 2.46	6.0%	4.1%	3.9%	8.0%	9.9%	9.0%
5 SCANA Corporation	SCG	\$49.32	\$ 2.03	5.7%	3.9%	4.2%	8.1%	9.9%	9.0%
6 TECO Energy, Inc.	TE	\$17.22	\$ 0.88	7.4%	4.4%	2.4%	6.8%	9.8%	8.3%
7 Vectren Corporation	VVC	\$37.43	\$ 1.44	5.9%	4.2%	4.5%	8.7%	10.4%	9.5%
8 Xcel Energy Inc.	XEL	\$29.73	\$ 1.12	6.6%	3.9%	5.2%	9.1%	11.8%	10.4%
9 Wisconsin Energy	WEC	\$43.66	\$ 1.53	6.8%	2.1%	6.4%	8.5%	13.2%	10.8%
10 Northeast Utilities	NU	\$43.87	\$ 1.47	4.2%	1.9%	4.5%	6.4%	8.7%	7.5%
			<b>Arithmetic Average</b>	<b>6.4%</b>	<b>3.6%</b>	<b>4.2%</b>	<b>7.8%</b>	<b>10.7%</b>	<b>9.3%</b>
			<b>Median</b>	<b>6.5%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>8.1%</b>	<b>10.2%</b>	<b>9.3%</b>
			<b>Maximum</b>	<b>8.5%</b>	<b>4.6%</b>	<b>6.4%</b>	<b>9.1%</b>	<b>13.2%</b>	<b>10.8%</b>
			<b>Minimum</b>	<b>4.2%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>6.4%</b>	<b>8.7%</b>	<b>7.5%</b>

**Source:**

Closing prices are from Yahoo Finance (10-22-14). Details of the price and dividend yield calculation can be found in my electronic workpapers, Munoz-Workpaper MM-1, tab "Wkp Price".

High and low dividend yield ranges are from Value Line 2013 3rd Quarter Issue from 2000 to 2013 .

Growth rates are based on the data found in this Exhibit in Schedule B, page 14.

**Table I Alliant Energy  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$1.57	\$1.00	\$20.63	7.610%	63.694%	36.306%	2.763%
2004	\$1.85	\$1.02	\$21.75	8.506%	55.135%	44.865%	3.816%
2005	\$2.21	\$1.05	\$21.49	10.284%	47.511%	52.489%	5.398%
2006	\$2.06	\$1.15	\$21.84	9.432%	55.825%	44.175%	4.167%
2007	\$2.69	\$1.27	\$23.57	11.415%	47.212%	52.788%	6.026%
2008	\$2.54	\$1.40	\$24.93	10.189%	55.118%	44.882%	4.573%
2009	\$1.89	\$1.50	\$25.32	7.466%	79.365%	20.635%	1.541%
2010	\$2.75	\$1.58	\$25.58	10.751%	57.455%	42.545%	4.574%
2011	\$2.75	\$1.70	\$26.62	10.333%	61.818%	38.182%	3.945%
2012	\$3.05	\$1.80	\$27.70	11.013%	59.016%	40.984%	4.513%
2013	\$3.29	\$1.88	\$28.92	11.378%	57.143%	42.857%	4.876%
	<b>Recent Five Year Arithmetic Average</b>			<b>10.2%</b>	<b>63.0%</b>	<b>37.0%</b>	<b>3.9%</b>
	<b>Recent Five Year Median</b>			<b>10.8%</b>	<b>59.0%</b>	<b>41.0%</b>	<b>4.5%</b>
	<b>Ten Year Arithmetic Average</b>			<b>10.1%</b>	<b>57.6%</b>	<b>42.4%</b>	<b>4.3%</b>
	<b>Ten Year Median</b>			<b>10.3%</b>	<b>56.5%</b>	<b>43.5%</b>	<b>4.5%</b>

**Table II Alliant Energy**

**Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>7.8%</b>	<b>6.0%</b>	<b>3.0%</b>		
<b>Ten Year Growth Rates</b>	<b>6.0%</b>	<b>7.0%</b>	<b>3.3%</b>	<b>5.5%</b>	<b>6.0%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Table I DTE  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$2.85	\$2.06	\$29.31	9.724%	72.281%	27.719%	2.695%
2004	\$2.55	\$2.06	\$31.61	8.068%	80.784%	19.216%	1.550%
2005	\$3.27	\$2.06	\$32.15	10.173%	62.997%	37.003%	3.764%
2006	\$2.45	\$2.08	\$32.73	7.485%	84.898%	15.102%	1.130%
2007	\$2.66	\$2.12	\$34.44	7.724%	79.699%	20.301%	1.568%
2008	\$2.73	\$2.12	\$36.32	7.518%	77.656%	22.344%	1.680%
2009	\$3.24	\$2.12	\$37.37	8.671%	65.432%	34.568%	2.997%
2010	\$3.74	\$2.18	\$38.82	9.635%	58.289%	41.711%	4.019%
2011	\$3.67	\$2.32	\$40.54	9.053%	63.215%	36.785%	3.330%
2012	\$3.88	\$2.42	\$42.10	9.217%	62.371%	37.629%	3.468%
2013	\$3.76	\$2.59	\$43.76	8.593%	68.883%	31.117%	2.674%
<b>Recent Five Year Arithmetic Average</b>				<b>9.0%</b>	<b>63.6%</b>	<b>36.4%</b>	<b>3.3%</b>
<b>Recent Five Year Median</b>				<b>9.1%</b>	<b>63.2%</b>	<b>36.8%</b>	<b>3.3%</b>
<b>Ten Year Arithmetic Average</b>				<b>8.6%</b>	<b>70.4%</b>	<b>29.6%</b>	<b>2.6%</b>
<b>Ten Year Median</b>				<b>8.6%</b>	<b>67.2%</b>	<b>32.8%</b>	<b>2.8%</b>

**Table II DTE**

**Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>6.1%</b>	<b>4.2%</b>	<b>3.8%</b>		
<b>Ten Year Growth Rates</b>	<b>4.0%</b>	<b>2.0%</b>	<b>3.9%</b>	<b>4.0%</b>	<b>4.0%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Table I Ameren  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$3.14	\$2.54	\$25.83	12.156%	80.892%	19.108%	2.323%
2004	\$2.82	\$2.54	\$28.22	9.993%	90.071%	9.929%	0.992%
2005	\$3.13	\$2.54	\$30.40	10.296%	81.150%	18.850%	1.941%
2006	\$2.66	\$2.54	\$31.48	8.451%	95.489%	4.511%	0.381%
2007	\$2.98	\$2.54	\$32.14	9.273%	85.235%	14.765%	1.369%
2008	\$2.88	\$2.54	\$32.61	8.833%	88.194%	11.806%	1.043%
2009	\$2.78	\$1.54	\$32.94	8.440%	55.396%	44.604%	3.764%
2010	\$2.77	\$1.54	\$32.62	8.493%	55.596%	44.404%	3.771%
2011	\$2.47	\$1.56	\$32.38	7.629%	63.158%	36.842%	2.811%
2012	\$2.41	\$1.60	\$29.94	8.051%	66.390%	33.610%	2.706%
2013	\$2.10	\$1.60	\$27.12	7.743%	76.190%	23.810%	1.844%
<b>Recent Five Year Arithmetic Average</b>				<b>8.1%</b>	<b>63.3%</b>	<b>36.7%</b>	<b>3.0%</b>
<b>Recent Five Year Median</b>				<b>8.1%</b>	<b>63.2%</b>	<b>36.8%</b>	<b>2.8%</b>
<b>Ten Year Arithmetic Average</b>				<b>8.7%</b>	<b>75.7%</b>	<b>24.3%</b>	<b>2.1%</b>
<b>Ten Year Median</b>				<b>8.5%</b>	<b>78.7%</b>	<b>21.3%</b>	<b>1.9%</b>

**Table II Ameren Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>-6.1%</b>	<b>-6.2%</b>	<b>-3.5%</b>		
<b>Ten Year Growth Rates</b>	<b>-3.0%</b>	<b>-6.5%</b>	<b>0.7%</b>	<b>-4.1%</b>	<b>-4.8%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Table I Cons. Edison  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$2.83	\$2.24	\$28.06	10.086%	79.152%	20.848%	2.103%
2004	\$2.32	\$2.26	\$28.77	8.065%	97.414%	2.586%	0.209%
2005	\$2.99	\$2.28	\$29.45	10.155%	76.254%	23.746%	2.411%
2006	\$2.95	\$2.30	\$30.45	9.690%	77.966%	22.034%	2.135%
2007	\$3.48	\$2.32	\$31.84	10.931%	66.667%	33.333%	3.644%
2008	\$3.36	\$2.34	\$34.01	9.881%	69.643%	30.357%	3.000%
2009	\$3.14	\$2.36	\$35.95	8.736%	75.159%	24.841%	2.170%
2010	\$3.47	\$2.38	\$37.20	9.329%	68.588%	31.412%	2.931%
2011	\$3.57	\$2.40	\$38.49	9.275%	67.227%	32.773%	3.040%
2012	\$3.86	\$2.42	\$39.79	9.701%	62.694%	37.306%	3.619%
2013	\$3.93	\$2.46	\$41.17	9.546%	62.595%	37.405%	3.571%
<b>Recent Five Year Arithmetic Average</b>				<b>9.3%</b>	<b>67.3%</b>	<b>32.7%</b>	<b>3.1%</b>
<b>Recent Five Year Median</b>				<b>9.3%</b>	<b>67.2%</b>	<b>32.8%</b>	<b>3.0%</b>
<b>Ten Year Arithmetic Average</b>				<b>9.5%</b>	<b>72.4%</b>	<b>27.6%</b>	<b>2.7%</b>
<b>Ten Year Median</b>				<b>9.6%</b>	<b>69.1%</b>	<b>30.9%</b>	<b>3.0%</b>

**Table II Cons. Edison Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>4.1%</b>	<b>1.0%</b>	<b>3.7%</b>		
<b>Ten Year Growth Rates</b>	<b>4.0%</b>	<b>0.9%</b>	<b>4.1%</b>	<b>3.0%</b>	<b>3.9%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Table I SCANA  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$ 2.50	\$ 1.38	\$20.23	12.358%	55.200%	44.800%	5.536%
2004	\$ 2.67	\$ 1.46	\$21.30	12.535%	54.682%	45.318%	5.681%
2005	\$ 2.78	\$ 1.56	\$22.57	12.320%	56.115%	43.885%	5.407%
2006	\$ 2.59	\$ 1.68	\$23.87	10.850%	64.865%	35.135%	3.812%
2007	\$ 2.74	\$ 1.76	\$24.88	11.013%	64.234%	35.766%	3.939%
2008	\$ 2.95	\$ 1.84	\$25.61	11.519%	62.373%	37.627%	4.334%
2009	\$ 2.85	\$ 1.88	\$26.74	10.658%	65.965%	34.035%	3.628%
2010	\$ 2.98	\$ 1.90	\$28.34	10.515%	63.758%	36.242%	3.811%
2011	\$ 2.97	\$ 1.94	\$29.50	10.070%	65.320%	34.680%	3.492%
2012	\$ 3.15	\$ 1.98	\$30.71	10.259%	62.857%	37.143%	3.810%
2013	\$ 3.39	\$ 2.03	\$32.28	10.503%	59.882%	40.118%	4.214%
<b>Recent Five Year Arithmetic Average</b>				<b>10.4%</b>	<b>63.6%</b>	<b>36.4%</b>	<b>3.8%</b>
<b>Recent Five Year Median</b>				<b>10.5%</b>	<b>63.8%</b>	<b>36.2%</b>	<b>3.8%</b>
<b>Ten Year Arithmetic Average</b>				<b>11.0%</b>	<b>62.0%</b>	<b>38.0%</b>	<b>4.2%</b>
<b>Ten Year Median</b>				<b>10.8%</b>	<b>63.3%</b>	<b>36.7%</b>	<b>3.9%</b>

**Table II SCANA Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>2.8%</b>	<b>1.9%</b>	<b>4.6%</b>		
<b>Ten Year Growth Rates</b>	<b>2.5%</b>	<b>3.7%</b>	<b>4.6%</b>	<b>3.3%</b>	<b>3.3%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.



**Table I Vectren  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2005	\$1.81	\$1.19	\$14.72	12.300%	65.746%	34.254%	4.213%
2006	\$1.44	\$1.23	\$15.22	9.461%	85.417%	14.583%	1.380%
2007	\$1.83	\$1.27	\$15.80	11.586%	69.399%	30.601%	3.545%
2008	\$1.63	\$1.31	\$16.42	9.927%	80.368%	19.632%	1.949%
2009	\$1.79	\$1.35	\$16.96	10.557%	75.419%	24.581%	2.595%
2010	\$1.64	\$1.37	\$17.42	9.414%	83.537%	16.463%	1.550%
2011	\$1.73	\$1.39	\$17.75	9.746%	80.347%	19.653%	1.915%
2012	\$1.85	\$1.41	\$18.27	10.126%	76.216%	23.784%	2.408%
2013	\$1.66	\$1.43	\$18.76	8.851%	86.145%	13.855%	1.226%
2014	\$2.05	\$1.45	\$19.08	10.744%	70.732%	29.268%	3.145%
2015	\$2.40	\$1.47	\$19.63	12.229%	61.250%	38.750%	4.739%
<b>Recent Five Year Arithmetic Average</b>				<b>10.3%</b>	<b>74.9%</b>	<b>25.1%</b>	<b>2.7%</b>
<b>Recent Five Year Median</b>				<b>10.1%</b>	<b>76.2%</b>	<b>23.8%</b>	<b>2.4%</b>
<b>Ten Year Arithmetic Average</b>				<b>10.3%</b>	<b>76.9%</b>	<b>23.1%</b>	<b>2.4%</b>
<b>Ten Year Median</b>				<b>10.0%</b>	<b>78.3%</b>	<b>21.7%</b>	<b>2.2%</b>

**Table II Vectren Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>6.6%</b>	<b>1.4%</b>	<b>2.4%</b>		
<b>Ten Year Growth Rates</b>	<b>2.5%</b>	<b>2.0%</b>	<b>2.8%</b>	<b>3.0%</b>	<b>2.4%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Table I Xcel Energy  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$1.23	\$0.75	\$12.33	9.980%	60.976%	39.024%	3.895%
2004	\$1.27	\$0.81	\$12.97	9.792%	63.780%	36.220%	3.547%
2005	\$1.20	\$0.85	\$13.18	9.105%	70.833%	29.167%	2.656%
2006	\$1.35	\$0.88	\$13.83	9.765%	65.185%	34.815%	3.400%
2007	\$1.35	\$0.91	\$14.49	9.317%	67.407%	32.593%	3.037%
2008	\$1.46	\$0.94	\$15.03	9.717%	64.384%	35.616%	3.461%
2009	\$1.49	\$0.97	\$15.64	9.530%	65.101%	34.899%	3.326%
2010	\$1.56	\$1.00	\$16.34	9.547%	64.103%	35.897%	3.427%
2011	\$1.72	\$1.03	\$17.10	10.058%	59.884%	40.116%	4.035%
2012	\$1.85	\$1.07	\$17.82	10.385%	57.838%	42.162%	4.378%
2013	\$1.91	\$1.11	\$18.70	10.214%	58.115%	41.885%	4.278%
	<b>Recent Five Year Arithmetic Average</b>			<b>9.9%</b>	<b>61.0%</b>	<b>39.0%</b>	<b>3.9%</b>
	<b>Recent Five Year Median</b>			<b>10.1%</b>	<b>59.9%</b>	<b>40.1%</b>	<b>4.0%</b>
	<b>Ten Year Arithmetic Average</b>			<b>9.7%</b>	<b>63.7%</b>	<b>36.3%</b>	<b>3.6%</b>
	<b>Ten Year Median</b>			<b>9.7%</b>	<b>64.2%</b>	<b>35.8%</b>	<b>3.4%</b>

**Table II Xcel Energy**

**Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>6.0%</b>	<b>3.3%</b>	<b>4.4%</b>		
<b>Ten Year Growth Rates</b>	<b>4.7%</b>	<b>3.6%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.3%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Table I Wisconsin Energy  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$1.13	\$0.40	\$9.59	11.783%	35.398%	64.602%	7.612%
2004	\$0.93	\$0.42	\$10.31	9.025%	45.161%	54.839%	4.949%
2005	\$1.28	\$0.44	\$11.06	11.578%	34.375%	65.625%	7.598%
2006	\$1.32	\$0.46	\$11.91	11.088%	34.848%	65.152%	7.224%
2007	\$1.42	\$0.50	\$12.80	11.094%	35.211%	64.789%	7.188%
2008	\$1.52	\$0.54	\$13.76	11.047%	35.526%	64.474%	7.122%
2009	\$1.60	\$0.68	\$14.77	10.836%	42.500%	57.500%	6.231%
2010	\$1.92	\$0.80	\$15.76	12.183%	41.667%	58.333%	7.107%
2011	\$2.18	\$1.04	\$16.73	13.030%	47.706%	52.294%	6.814%
2012	\$2.35	\$1.20	\$17.63	13.333%	51.064%	48.936%	6.525%
2013	\$2.51	\$1.45	\$18.39	13.649%	57.769%	42.231%	5.764%
<b>Recent Five Year Arithmetic Average</b>				<b>12.6%</b>	<b>48.1%</b>	<b>51.9%</b>	<b>6.5%</b>
<b>Recent Five Year Median</b>				<b>13.0%</b>	<b>47.7%</b>	<b>52.3%</b>	<b>6.5%</b>
<b>Ten Year Arithmetic Average</b>				<b>11.7%</b>	<b>42.6%</b>	<b>57.4%</b>	<b>6.7%</b>
<b>Ten Year Median</b>				<b>11.3%</b>	<b>42.1%</b>	<b>57.9%</b>	<b>7.0%</b>

**Table II Wisconsin Energy Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>10.8%</b>	<b>19.7%</b>	<b>5.8%</b>		
<b>Ten Year Growth Rates</b>	<b>9.2%</b>	<b>13.3%</b>	<b>6.7%</b>	<b>10.9%</b>	<b>10.0%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Table I Northeast Utilities  
Financial Data & Calculations**

<u>Years</u>	<u>Earnings per Share</u>	<u>Dividends per Share</u>	<u>Average Book Value per Share</u>	<u>Average Return on Common Equity "r"</u>	<u>Dividend Payout Ratio (1-b)</u>	<u>Earnings Retention Ratio "b"</u>	<u>Internal Growth Rate "br"</u>
2003	\$1.24	\$0.58	\$17.53	7.074%	46.774%	53.226%	3.765%
2004	\$0.91	\$0.63	\$17.77	5.122%	69.231%	30.769%	1.576%
2005	\$0.98	\$0.68	\$18.13	5.405%	69.388%	30.612%	1.655%
2006	\$0.82	\$0.73	\$18.30	4.481%	89.024%	10.976%	0.492%
2007	\$1.59	\$0.78	\$18.40	8.644%	49.057%	50.943%	4.403%
2008	\$1.86	\$0.83	\$19.02	9.782%	44.624%	55.376%	5.417%
2009	\$1.91	\$0.95	\$19.88	9.610%	49.738%	50.262%	4.830%
2010	\$2.10	\$1.03	\$20.99	10.007%	49.048%	50.952%	5.099%
2011	\$2.22	\$1.10	\$22.13	10.034%	49.550%	50.450%	5.062%
2012	\$1.89	\$1.32	\$26.03	7.261%	69.841%	30.159%	2.190%
2013	\$2.49	\$1.47	\$29.95	8.314%	59.036%	40.964%	3.406%
<b>Recent Five Year Arithmetic Average</b>				<b>9.0%</b>	<b>55.4%</b>	<b>44.6%</b>	<b>4.1%</b>
<b>Recent Five Year Median</b>				<b>9.6%</b>	<b>49.7%</b>	<b>50.3%</b>	<b>4.8%</b>
<b>Ten Year Arithmetic Average</b>				<b>7.9%</b>	<b>59.9%</b>	<b>40.1%</b>	<b>3.4%</b>
<b>Ten Year Median</b>				<b>8.5%</b>	<b>54.4%</b>	<b>45.6%</b>	<b>3.9%</b>

**Table II Northeast Utilities Per Share Growth Rates**

	<u>Earnings</u>	<u>Dividends</u>	<u>Book Value</u>	<u>Arithmetic Average</u>	<u>Median</u>
<b>Five Year Growth Rates</b>	<b>4.2%</b>	<b>11.2%</b>	<b>9.0%</b>		
<b>Ten Year Growth Rates</b>	<b>9.9%</b>	<b>9.0%</b>	<b>4.7%</b>	<b>8.0%</b>	<b>9.0%</b>

Data on earnings, dividends and book value are from Value Line. Other numbers are calculated from these.

**Proxy Group Growth Rates Summary**

	<b>Alliant Energy</b>	<b>SCANA Energy</b>	<b>TECO Energy</b>	<b>DTE Energy</b>	<b>Amren Corporation</b>	<b>Vectren Corporation</b>	<b>Xcel Energy</b>	<b>Consol. Edison Corporation</b>	<b>Northeast Utilities</b>	<b>Wisconsin Energy</b>
<b>Five Year Growth Rates</b>										
Earnings per Share	7.8%	2.8%	4.0%	6.1%	-6.1%	6.6%	6.0%	4.1%	4.2%	10.8%
Dividends per Share	6.0%	1.9%	2.3%	4.2%	-6.2%	1.4%	3.3%	1.0%	11.2%	19.7%
Book Value per Share	3.0%	4.6%	2.6%	3.8%	-3.5%	2.4%	4.4%	3.7%	9.0%	5.8%
<b>Ten Year Growth Rates</b>										
Earnings per Share	6.0%	2.5%	13.2%	4.0%	-3.0%	2.5%	4.7%	4.0%	9.9%	9.2%
Dividends per Share	7.0%	3.7%	0.7%	2.0%	-6.5%	2.0%	3.6%	0.9%	9.0%	13.3%
Book Value per Share	3.3%	4.6%	2.2%	3.9%	0.7%	2.8%	4.1%	4.1%	4.7%	6.7%
Arithmetic Average	5.5%	3.3%	4.2%	4.0%	-4.1%	3.0%	4.3%	3.0%	8.0%	10.9%
Median	6.0%	3.3%	2.4%	4.0%	-4.8%	2.4%	4.3%	3.9%	9.0%	10.0%
<b>Median Internal Growth Rates</b>										
Recent Retention Growth	4.5%	3.8%	2.5%	3.3%	2.8%	2.4%	4.0%	3.0%	4.8%	6.5%
Ten Year Retention Growth	4.5%	3.9%	2.8%	2.8%	1.9%	2.2%	3.4%	3.0%	3.9%	7.0%

Growth rates are based primarily on the data found on Schedule B, pages 3 to 12.

**Sustainable Growth Rate Ranges**

<u>Company</u>	<u>Symbol</u>	<u>Low</u>	<u>High</u>	<u>Mid Point</u>
Alliant Energy	LNT	3.0%	6.0%	4.5%
SCANA	SCG	3.8%	4.6%	4.2%
TECO Energy Inc.	TE	2.3%	2.6%	2.4%
DTE Energy	DTE	4.2%	6.1%	5.1%
Vectren	VVC	2.4%	6.6%	4.5%
Xcel Energy	XEL	4.4%	6.0%	5.2%
Amren Corp.	AEE	0.7%	2.8%	1.8%
Consl. Edison	ED	3.7%	4.1%	3.9%
Wisconsin Energy	WEC	5.8%	7.0%	6.4%
Northeast Utilities	NU	4.2%	4.7%	4.5%
<b>Arithmetic Average</b>		<b>3.5%</b>	<b>5.0%</b>	<b>4.2%</b>
<b>Median</b>		<b>3.8%</b>	<b>5.3%</b>	<b>4.5%</b>
<b>Maximum</b>		<b>5.8%</b>	<b>7.0%</b>	<b>6.4%</b>
<b>Minimum</b>		<b>0.7%</b>	<b>2.6%</b>	<b>1.8%</b>

Growth rates are based primarily on the data found on Schedule B, page 13.  
The discussion of my sustainable growth selection is contained on pages 15 to 18 of this schedule.

**Alliant Energy Corporation (LNT). (Sch. B, p. 3):**

*EPS:* Alliant had earnings setbacks in 2002, and then again in 2006, 2008 and 2009. Thus, I find both the 5-and 10-year EPS growth not representative of sustainable growth.

*DPS:* Alliant changed its dividend policy in 2002 and 2003 producing endpoint outliers in the 10-year DPS distribution. However, the 5-year growth in DPS remains stable due to a stable dividend policy. Therefore, the 5-year growth in DPS is a likely indicator of sustainable growth in the future.

*BVPS:* The 10-year distribution of BVPS produced endpoint outliers. These endpoints make the BVPS an unreliable indicator of sustainable dividend growth. On the other hand, the 5-year stability in the distribution of BVPS makes growth in BVPS a likely indicator of sustainable growth in the future.

*Internal Growth:* Although the retention ratio “b” has been too volatile due to frequent changes in the historical earnings retention policy, the 5-year retention policy, and the corresponding internal growth rate, is stable. Therefore, the 5-year internal growth rate is a likely indicator of sustainable growth.

**DTE Energy Company (DTE). (Sch. B, p. 4):**

*EPS:* Earnings dipped in 2001, 2003, 2004, and in 2006. Because of these distortions in the distribution of EPS, the 10-year growth in EPS is not a reliable indicator of growth. However, earnings growth has been stable over the past 5 years. Thus, the stability in the 5-year growth in earnings makes the EPS growth a reliable indicator of sustainable growth in the future.

*DPS:* DTE’s 10-year growth is two percent. It is unlikely that earnings growth rate will remain this low in perpetuity. However, the 5-year DPS growth rate is stable and could be a reliable measure of sustainable dividend growth in the future.

*BVPS:* BVPS growth over the past 10 years has been relatively stable and a likely indicator of sustainable growth.

*Internal Growth:* The retention ratio “b” and dividend payout for the past 10 years has been too volatile. The internal growth is not a reliable indicator of sustainable growth.

**Amren Corp. (AEE). (Sch. B, p 5):**

*EPS:* Amren’s earnings have been on a steady decline and producing negative growth. As a result, the growth rate in EPS is not a likely indicator of sustainable growth.

*DPS:* Because of an earnings dip, Amren cut its dividends in half. As a result, the growth in DPS is not a reliable indicator of sustainable growth going forward.

*BVPS:* Both the 5-and-10 distributions of BVPS have remained steady. However, the most recent distribution in BVPS has been trending negative due to the dip in earnings. Thus, the 10-year growth in BVPS can be a reliable indicator of sustainable growth.

*Internal Growth:* The retention ratio “b” for the past 5 years has been relatively steady and is one of the few measures of growth that is not negative. Thus, the 5-year internal growth rate is a likely indicator of sustainable growth.

**Consl. Edison (ED). (Sch. B, p. 6):**

*EPS:* ED experienced earnings setbacks, which produced distortions in the distribution of EPS. These distortions in the EPS distribution make the growth in EPS overstated and not a reliable indicator of sustainable growth.

*DPS:* DPS have remained stable over the past 10 years but remain very low. It is unlikely that ED will maintain this dividend policy indefinitely given the recent growth in earnings. As a result, I did not find the growth rate in DPS a reliable indicator of sustainable growth.

*BVPS:* Both the 5-and10-year distributions of BVPS have remained steady. Thus, both the 5-and 10-year growth in BVPS can be a reliable indicator of sustainable growth.

*Internal Growth:* The 5-and 10-year dividend retention policy and the corresponding internal growth has been too volatile. I did not find the internal growth rate to be a reliable indicator of sustainable growth.

**SCANA Corporation (SCG). (Sch. B, p 7):**

*EPS:* SCANA's earnings dipped in 2006 and 2009. These earnings' setbacks represent endpoint outliers. As a result, the growth rate in EPS is not a likely indicator of sustainable growth.

*DPS:* The 10-year DPS has been stable. SCANA has had steady dividend payments for the past 10 years followed by a consistent dividend policy. As a result, the DPS growth is likely to be stable in the future.

*BVPS:* BVPS experienced setbacks in 2002 which resulted in endpoint outliers. Thus, the 10-year BVPS is not a good indicator of sustainable growth. However, BVPS has stabilized in recent years, and if the 5- year growth in BVPS remains steady, it could indicate stable growth in the future.

*Internal Growth:* The retention ratio "b" for the past 10 years has been relatively stable. Thus, the internal growth rate is a likely indicator of sustainable growth.

**TECO Energy , Inc. (TE). (Sch. B, p. 8):**

*EPS:* The 10-year EPS has been volatile. TECO's earnings dipped more than 100 percent in 2003 resulting in endpoint outliers in EPS. As a result, the EPS for the past 10 years is an unreliable indicator of growth. However, in recent years, EPS growth has stabilized but remains too low. It is unlikely that earnings growth can be sustained at less than one percent growth per year in perpetuity; therefore, the 5-year EPS growth rate of less than one percent is not representative of a sustained growth in the future.

*DPS:* The DPS declined in 2003 and 2004 and produced endpoint outliers in the 10-year distribution of DPS. As a result, the 10-year DPS growth is not a reliable indicator of sustained growth. On the other hand, TECO's dividends have returned to levels realized during the early 2000's due to the reduction of unregulated business losses. The DPS ratio over the past five years has improved and could serve as a reliable indicator of sustainable growth.

*BVPS:* BVPS growth over the past 10 years has not been stable. BVPS declined in 2003, 2004, and 2005. As a result of this decline, BVPS is not a likely indicator of sustainable growth. On the other hand, the recent BVPS growth has stabilized and could prove to be a viable indicator of sustainable growth.

*Internal Growth:* The retention ratio “b” and the dividend payout ratio for the past 10 years have been too volatile. TECO had to make adjustments to its dividend policy due to losses incurred during the early part of the last decade. Thus, the internal growth rate is not sustainable and therefore not a likely indicator of sustained growth.

**Vectren Corporation (VVC). (Sch. B, p. 9):**

*EPS:* EPS has remained modestly steady over the past 10 years. Although there are no significant endpoint outliers in the distribution of EPS, small changes in EPS have distorted the EPS growth rate. However, the recent growth in earnings appears to be stable and is a likely indicator of sustainable growth.

*DPS:* DPS has remained stable over the past 10 years and is growing at an almost constant rate. In addition, Vectren has maintained a good stable dividend policy over the past 10 years. However, because of the past growth in earnings, Vectren’s growth in dividends remained too low. As a result, I will discard DPS growth as a reliable measure of sustainable growth.

*BVPS:* Both the 5-and-10-year BVPS per share are growing at a stable rate. Both growth rates are good indicators of sustainable growth going forward. However, the most recent growth in BVPS appears to be more reliable and stable.

*Internal growth:* Due to a fairly consistent dividend policy over the past 10 years, Vectren has maintained a stable internal growth rate. On the other hand, low dividend payments have maintained an inflated internal growth rate, which is unlikely to remain in the future. Thus, the internal growth rate is not sustainable in perpetuity.

**Excel Energy, Inc. (XEL). (Sch. B, p. 10):**

*EPS:* Both the 5-and-10-year growth rates serve as a good indicator of sustainable growth.

*DPS:* Due to the earnings setback in 2002, Excel was forced to cut its dividend in 2003 which caused distortions in the 10-year distribution of DPS. On the other hand, the 5-year DPS has remained modestly steady lead by a stable dividend policy and modest gains in earnings. Even though EPS and DPS have the same 5-year growth rate and similar distribution, I chose the 5-year DPS growth instead of the 5-year EPS growth rate because there is less variation in the distribution of DPS.

*BVPS:* The earnings setbacks in the first half of last decade distorted the 10-year distribution of BVPS. On the other hand, the most recent growth in BVPS has remained steady proving the 5-year BVPS growth rate is a good indication of sustained growth in the future.

*Internal Growth rate:* Internal growth rate has stabilized over the past 5 years. The 5-year internal growth rate is a reliable measure of sustainable growth. However, the 5-year internal growth distribution variance was larger than the 5-year EPS and DPS distribution.

**Wisconsin Energy (WEC). (Sch. B, p. 11):**

*EPS:* WEC experienced earnings setbacks in 2003 and in 2004. These earnings’ setbacks produced distortions in the distribution of EPS, which overstated the EPS growth rate. As a result, EPS growth is not a reliable indicator of sustainable growth.

*DPS:* DPS remained stable over the past 10 years and grew rapidly in the latter part of the decade. However, it is unlikely that WEC will maintain this dividend policy indefinitely, since dividends cannot

grow faster than earnings in perpetuity.

*BVPS:* Both the 5-and-10-year distributions of BVPS are stable. Thus, both the 5-and 10-year growth in BVPS can be a reliable indicator of sustainable growth.

*Internal Growth:* The historical retention policy and the corresponding internal growth rates remain stable. Therefore, they are both representative of sustainable growth.

**Northeast Utilities (NU). (Sch. B, p. 12):**

*EPS:* Although NU experienced earnings setbacks in the middle years of the last decade, 2004 and 2006, NU earnings have stabilized. Thus, the 5-year growth in earnings can be a reliable indicator of sustainable growth.

*DPS:* DPS have remained stable over the past 10 years and were growing rapidly in the latter part of the decade. However, it is unlikely that NU will maintain this dividend policy indefinitely, since dividends cannot grow faster than earnings in perpetuity.

*BVPS:* Both the 5-and-10 distributions of BVPS remain stable. However, the most recent distribution in BVPS has been more stable. Thus, the 5-year growth in BVPS can be a reliable indicator of sustainable growth.

*Internal Growth:* Although NU's retention ratio "b" and its dividend payout ratio for the past 10 years have been stable, it is unlikely that NU's dividend payment can grow faster than its earnings. As a result, the internal growth rate cannot be representative of a sustainable growth rate.

## CAPM Cost of Common Equity

**Table I Risk-free Interest Rate and Estimated Risk Premium**

Morningstar's Estimated Geometric Long-run Market Return	10.1%
Morningstar's Estimated Risk-free Interest Rate on 20-year Treasury Bond	5.5%
Estimated Risk Premium	4.6%

**Table II Companies' Adjusted Betas**

	Company	Betas
1	Alliant Energy Corporation	0.80
2	DTE Energy Company	0.75
3	Ameren Corp.	0.75
4	Consol. Edison	0.60
5	SCANA Corporation	0.75
6	TECO Energy, Inc.	0.85
7	Vectren Corporation	0.80
8	Xcel Energy Inc.	0.70
9	Wisconsin Energy	0.65
10	Northeast Utilities	0.75
	Proxy Group Average	0.74
	Proxy Group Median	0.75
	Proxy Group Maximum	0.85
	Proxy Group Minimum	0.60

**Table III Companies' CAPM Results**

1	Alliant Energy Corporation	9.2%
2	DTE Energy Company	9.0%
3	Ameren Corp.	9.0%
4	Consol. Edison	8.3%
5	SCANA Corporation	9.0%
6	TECO Energy, Inc.	9.4%
7	Vectren Corporation	9.2%
8	Xcel Energy Inc.	8.7%
9	Wisconsin Energy	8.5%
10	Northeast Utilities	9.0%
	Proxy Group Average	8.9%
	Proxy Group Median	9.0%
	Proxy Group Maximum	9.4%
	Proxy Group Minimum	8.3%

Analysis: The CAPM cost of common equity (K) is equal to the risk free interest rate (I) plus the product of the market risk premium (RP) multiplied by beta (b). The equation is  $I + b * (RP) = k$ .

Sources: Betas are from Value Line Investment Surveys included in Schedule A. The long-run stock market return and 20-year Treasury bond yield are from Morningstar's 2014 Yearbook (Ibbotson SBBI 2014 Classic Yearbook, Morningstar, p. 40).

**Morningstar's Estimated Risk Premium, Volatility and Declining Risk Premiums**

<b>Table I</b>		Discrete Common Stock <u>Annual Return</u> Col. a	Discrete US Treasury Bill <u>Annual Return</u> b	Realized Discrete Risk <u>Premium</u> c	
		<u>Overall Period</u>	<u>1926 - 2013</u>		
1	Average Returns	12.3%	3.6%	8.7%	
2	Standard Deviation	20.3%	3.2%	20.7%	
3	Maximum	53.9%	14.7%	53.5%	
4	Minimum	-43.3%	0.0%	-44.4%	
<b>Table II</b>		<u>More Distant Past Period</u>	<u>1926 - 1968</u>		
5	Average Returns	13.3%	1.8%	11.4%	
6	Standard Deviation	23.0%	1.9%	23.3%	
7	Maximum	53.9%	7.7%	53.5%	
8	Minimum	-43.3%	0.0%	-44.4%	
<b>Table III</b>		<u>More Recent Period</u>	<u>1969 - 2013</u>		
9	Average Returns	11.5%	5.3%	6.2%	
10	Standard Deviation	17.7%	3.3%	17.9%	
11	Maximum	37.4%	14.7%	32.4%	
12	Minimum	-36.9%	0.0%	-38.5%	
<b>Table IV</b>		<u>Comparison of Returns and Risk Premiums</u>			
13	<b>More Distant Past Period</b>	<b>1926 - 1968</b>	13.3%	1.8%	11.4%
14	<b>More Recent Period</b>	<b>1969 - 2013</b>	11.5%	5.3%	6.2%

Analysis: Table I depicts the overall data on returns and risk premiums. Table II depicts older data and Table III depicts more recent data on returns and risk premiums. Table IV compares the older period to the more recent period. Note in Table IV (Col. c, Row 13 compared to Row 14) how risk premiums have declined. The more recent period's risk premium is considerably smaller than the more distant past.

According to Morningstar's estimates, stock returns have declined (Col. a, Row 13 compared to Row 14), stocks have become less risky (Col. a, Row 6 compared Row 10), government bill returns have increased (Col. b, Row 5 compared to 9), and government bills have become more risky (Col. b, Row 6 compared to 10).

Since returns depend on risks and the stock market is now less risky and the Treasury bond market is now more risky, the expected return on stocks has decreased and the expected return on bonds has increased to reflect these risks. Because the risk premium is the difference between the expected returns of stocks and Treasury securities, risk premiums, as a mathematical necessity must decrease.

Notes: The standard deviation is an indicator of volatility and risk. The higher the risks, the higher the expected return on that asset. The risk premium is the difference between the return on stocks and the return on U. S. Treasury securities. Differences are due to rounding.

Source: Ibbotson SBBI 2014 Classic Yearbook, Morningstar, Appendix Tables B-1, B-5 and B-9.

Morningstar's Risk Premium, Volatility and Declining Risk Premiums 1925 to 2012

Column/Row	Year	Common	Discrete	Long-term	Discrete	Long-term	T-Bill Total	Discrete	T-Bill
		Stock Return Index For Year Ended	Common Stock Annual Return	T-Bond Total Return Index For Year Ended	Long-term T-Bond Annual Return	Realized Discrete Risk Premium	Return Index For Year Ended	T-Bill Annual Return	Realized Discrete Risk Premium
	A	B	C	D	E	F	G	H	I
1	1925								
2	1926	1.116	11.600%	1.078	7.800%	3.800%	1.033	3.300%	8.300%
3	1927	1.535	37.545%	1.174	8.905%	28.639%	1.065	3.098%	34.447%
4	1928	2.204	43.583%	1.175	0.085%	43.498%	1.103	3.568%	40.015%
5	1929	2.018	-8.439%	1.215	3.404%	-11.843%	1.155	4.714%	-13.154%
6	1930	1.516	-24.876%	1.272	4.691%	-29.567%	1.183	2.424%	-27.300%
7	1931	0.859	-43.338%	1.204	-5.346%	-37.992%	1.196	1.099%	-44.437%
8	1932	0.789	-8.149%	1.407	16.860%	-25.009%	1.207	0.920%	-9.069%
9	1933	1.214	53.866%	1.406	-0.071%	53.937%	1.211	0.331%	53.534%
10	1934	1.197	-1.400%	1.547	10.028%	-11.429%	1.213	0.165%	-1.565%
11	1935	1.767	47.619%	1.624	4.977%	42.642%	1.215	0.165%	47.454%
12	1936	2.367	33.956%	1.746	7.512%	26.444%	1.217	0.165%	33.791%
13	1937	1.538	-35.023%	1.75	0.229%	-35.252%	1.221	0.329%	-35.352%
14	1938	2.016	31.079%	1.847	5.543%	25.536%	1.221	0.000%	31.079%
15	1939	2.008	-0.397%	1.957	5.956%	-6.352%	1.221	0.000%	-0.397%
16	1940	1.812	-9.761%	2.076	6.081%	-15.842%	1.221	0.000%	-9.761%
17	1941	1.602	-11.589%	2.096	0.963%	-12.553%	1.222	0.082%	-11.671%
18	1942	1.927	20.287%	2.163	3.197%	17.091%	1.225	0.245%	20.042%
19	1943	2.427	25.947%	2.208	2.080%	23.867%	1.229	0.327%	25.621%
20	1944	2.906	19.736%	2.27	2.808%	16.928%	1.233	0.325%	19.411%
21	1945	3.965	36.442%	2.514	10.749%	25.693%	1.237	0.324%	36.117%
22	1946	3.645	-8.071%	2.511	-0.119%	-7.951%	1.242	0.404%	-8.475%
23	1947	3.853	5.706%	2.445	-2.628%	8.335%	1.248	0.483%	5.223%
24	1948	4.065	5.502%	2.529	3.436%	2.067%	1.258	0.801%	4.701%
25	1949	4.829	18.795%	2.692	6.445%	12.349%	1.272	1.113%	17.682%
26	1950	6.36	31.704%	2.693	0.037%	31.667%	1.287	1.179%	30.525%
27	1951	7.888	24.025%	2.587	-3.936%	27.961%	1.306	1.476%	22.549%
28	1952	9.336	18.357%	2.617	1.160%	17.197%	1.328	1.685%	16.672%
29	1954	14.108	51.114%	2.617	0.000%	51.114%	1.328	0.000%	51.114%
30	1955	18.561	31.564%	2.87	9.668%	21.896%	1.385	4.292%	27.271%
31	1956	19.778	6.557%	2.71	-5.575%	12.132%	1.419	2.455%	4.102%
32	1957	17.646	-10.780%	2.912	7.454%	-18.234%	1.464	3.171%	-13.951%
33	1958	25.298	43.364%	2.734	-6.113%	49.477%	1.486	1.503%	41.861%
34	1959	28.322	11.954%	2.673	-2.231%	14.185%	1.53	2.961%	8.993%
35	1961	36.106	27.484%	2.673	0.000%	27.484%	1.53	0.000%	27.484%
36	1962	32.955	-8.727%	3.282	22.783%	-31.510%	1.648	7.712%	-16.439%
37	1963	40.468	22.798%	3.322	1.219%	21.579%	1.7	3.155%	19.642%
38	1964	47.139	16.485%	3.438	3.492%	12.993%	1.76	3.529%	12.955%
39	1965	53.008	12.450%	3.462	0.698%	11.752%	1.829	3.920%	8.530%
40	1966	47.674	-10.063%	3.589	3.668%	-13.731%	1.916	4.757%	-14.819%
41	1967	59.104	23.975%	3.259	-9.195%	33.170%	1.997	4.228%	19.748%
42	1968	65.641	11.060%	3.251	-0.245%	11.306%	2.101	5.208%	5.852%
43	1969	60.059	-8.504%	3.086	-5.075%	-3.428%	2.239	6.568%	-15.072%
44	1970	62.465	4.006%	3.46	12.119%	-8.113%	2.385	6.521%	-2.515%
45	1971	71.406	14.314%	3.917	13.208%	1.106%	2.49	4.403%	9.911%
46	1972	84.956	18.976%	4.14	5.693%	13.283%	2.585	3.815%	15.161%
47	1973	72.5	-14.662%	4.094	-1.111%	-13.551%	2.764	6.925%	-21.586%
48	1974	53.311	-26.468%	4.272	4.348%	-30.815%	2.986	8.032%	-34.499%
49	1975	73.144	37.202%	4.665	9.199%	28.003%	3.159	5.794%	31.409%
50	1976	90.584	23.843%	5.447	16.763%	7.080%	3.319	5.065%	18.778%
51	1977	84.076	-7.184%	5.41	-0.679%	-6.505%	3.489	5.122%	-12.307%
52	1978	89.592	6.561%	5.346	-1.183%	7.744%	3.74	7.194%	-0.633%
53	1979	106.112	18.439%	5.28	-1.235%	19.674%	4.128	10.374%	8.065%
54	1980	140.513	32.420%	5.071	-3.958%	36.378%	4.592	11.240%	21.179%
55	1981	133.615	-4.909%	5.166	1.873%	-6.783%	5.267	14.699%	-19.609%
56	1982	162.221	21.409%	7.251	40.360%	-18.951%	5.822	10.537%	10.872%
57	1983	198.743	22.514%	7.298	0.648%	21.866%	6.335	8.811%	13.702%
58	1984	211.197	6.266%	8.427	15.470%	-9.204%	6.959	9.850%	-3.584%
59	1985	279.114	32.158%	11.037	30.972%	1.186%	7.496	7.717%	24.442%
60	1986	330.668	18.471%	13.745	24.536%	-6.065%	7.958	6.163%	12.307%
61	1987	347.965	5.231%	13.372	-2.714%	7.945%	8.393	5.466%	-0.235%
62	1988	406.455	16.809%	14.665	9.669%	7.140%	8.926	6.351%	10.459%
63	1989	534.456	31.492%	17.322	18.118%	13.374%	9.673	8.369%	23.123%
64	1990	517.499	-3.173%	18.392	6.177%	-9.350%	10.429	7.816%	-10.988%
65	1991	675.592	30.549%	21.942	19.302%	11.248%	11.012	5.590%	24.959%
66	1992	727.412	7.670%	23.709	8.053%	-0.383%	11.398	3.505%	4.165%
67	1993	800.078	9.990%	28.034	18.242%	-8.252%	11.728	2.895%	7.094%
68	1994	810.538	1.307%	25.856	-7.769%	9.077%	12.186	3.905%	-2.598%
69	1995	1113.918	37.429%	34.044	31.668%	5.762%	12.868	5.597%	31.833%
70	1996	1370.946	23.074%	33.727	-0.931%	24.005%	13.538	5.207%	17.868%
71	1997	1828.326	33.362%	39.074	15.854%	17.509%	14.25	5.259%	28.103%
72	1998	2350.892	28.582%	44.178	13.062%	15.519%	14.942	4.856%	23.726%
73	1999	2845.629	21.045%	40.218	-8.964%	30.008%	15.641	4.678%	16.367%
74	2000	2586.524	-9.105%	48.856	21.478%	-30.583%	16.563	5.895%	-15.000%
75	2001	2279.127	-11.885%	50.662	3.697%	-15.581%	17.197	3.828%	-15.712%
76	2002	1775.341	-22.104%	59.699	17.838%	-39.942%	17.48	1.646%	-23.750%
77	2003	2284.785	28.696%	60.564	1.449%	27.247%	17.659	1.024%	27.622%
78	2004	2533.204	10.873%	65.717	8.508%	2.364%	17.871	1.201%	9.672%
79	2005	2657.559	4.909%	70.852	7.814%	-2.905%	18.043	0.962%	3.947%
80	2006	3077.329	15.795%	71.694	1.188%	14.607%	19.287	6.895%	8.901%
81	2007	3246.391	5.494%	78.779	9.882%	-4.388%	20.186	4.661%	0.833%
82	2008	2049.448	-36.870%	99.161	25.872%	-62.742%	20.509	1.600%	-38.470%
83	2009	2591.824	26.464%	84.383	-14.903%	41.368%	20.529	0.098%	26.367%
84	2010	2982.24	15.063%	92.942	10.143%	4.920%	20.553	0.117%	14.946%
85	2011	3045.218	2.112%	119.183	28.234%	-26.122%	20.562	0.044%	2.068%
86	2012	3532.562	16.004%	123.125	3.308%	12.696%	20.574	0.058%	15.945%
87	2013	4676.88	32.393%	109.138	-11.360%	43.753%	20.579	0.024%	32.369%

Source: Ibbotson SBBI 2014 Classic Yearbook, Morningstar, Appendix Tables B-1, B-5 and B-9.

Overall Period 1926 - 2013						
87	Average	12.326%		6.062%	6.264%	3.628%
88	Standard Deviation	20.294%		10.095%	22.912%	3.220%
89	Maximum	53.866%		40.360%	53.937%	14.699%
90	Minimum	-43.338%		-14.903%	-62.742%	0.000%
More Distant Past Period 1926 - 1968						
91	Average	13.267%		3.085%	10.182%	1.844%
92	Standard Deviation	23.010%		6.023%	24.391%	1.895%
93	Maximum	53.866%		22.783%	53.937%	7.712%
94	Minimum	-43.338%		-9.195%	-37.992%	0.000%
More Recent Period 1969 - 2013						
95	Average	11.468%		8.775%	2.693%	5.253%
96	Standard Deviation	17.684%		12.169%	21.118%	3.331%
97	Maximum	37.429%		40.360%	43.753%	14.699%
98	Minimum	-36.870%		-14.903%	-62.742%	0.024%

Source: Ibbotson SBBI 2014 Classic Yearbook, Morningstar, Appendix Tables B-1, B-5 and B-9.

**Historical Relationship Between Utility ROE and Interest Rates**

	<b>2014</b>	<b>2013</b>
	<b>A</b>	<b>B</b>
	A-Rated Public Utility Bond Yields	A-Rated Public Utility Bond Yields
a) <b>12 Month Average</b>	4.5%	4.0%
b) <b>Current</b>	4.1%	4.0%
c) <b>Historical Average</b>	6.5%	7.0%
d) Difference Between Current and Historical	2.4%	3.0%
e) Interest Rate and ROE Relationship Coefficient	0.39	0.38
f) ROE Adjustment	<b>0.93%</b>	<b>1.13%</b>
g) Current Average ROE	9.8%	10.1%
h) Possible ROE	<b>10.8%</b>	<b>11.2%</b>

**Sources:**

**Column A**

- a) Monthly Yields from September 2013 to August 2014  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Wkp Ylds".
- b) Monthly Yields for August 2014  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Wkp Ylds".
- c) 20-Year Average A-Rated PU Bond Monthly Yields  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Interest Rate and ROE".
- d) Row c) minus Row b)
- e) 20-Year ROE and Interest Rate Coefficient  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Interest Rate and ROE"
- f) Row d) \* Row e)
- g) 2014 Q2 EEI National Average (Second Quarter 2014)  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "ROE Survey".
- h) Row g) + Row f)

**Column B (RPU-2013-0003)**

- a) Monthly Yields from May 2012 to April 2013  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Wkp Ylds".
- b) Monthly Yields for April 2013  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Wkp Ylds".
- c) 20-Year Average A-Rated PU Bond Monthly Yields  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Interest Rate and ROE".
- d) Row c) minus Row b)
- e) 20-Year ROE and Interest Rate Coefficient  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "Interest Rate and ROE"
- f) Row d) \* Row e)
- g) 2012 Q4 EEI National Average (4th Quarter 2012)  
 Munoz-Workpaper MM-1 Sch A-E(Excel version).xls, tab "ROE Survey".
- h) Row g) + Row f)

**OFFICE OF CONSUMER ADVOCATE  
DATA REQUEST**

DATE : October 22, 2014  
DOCKET NO. : RPU-2014-0002  
COMPANY : MidAmerican Energy Company  
WITNESS : Thomas Specketer  
SUBJECT : Return on Equity  
REFERENCE : Principle 5.5

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11. The following questions apply to Return on Equity Principle 5.5, which provides:  
“The allowed return on the common equity portion of the wind projects, 50% of the capital invested, constructed pursuant to this Ratemaking Principles Application, that is included in Iowa electric rate base shall be 11.75%.”
- A. Is the inclusion of the language “50% of the capital invested” intended to establish as a ratemaking principle applicable to the Wind IX project a specific capital structure of 50% common equity?
- B. If the answer to A is no:
1. Please explain the reason for including this language and its impact.
  2. Would the following language accurately describe MidAmerican’s return on equity principle applicable to the Wind IX project:  
The allowed return on the common equity portion of the wind projects, constructed pursuant to this Ratemaking Principles Application, that is included in Iowa electric rate base shall be 11.75%.

Response:

- A. No.
- B. 1. The language is included to reference the capital structure used in the financial model in support of the Wind IX investment. It is not meant to imply the ratemaking principle is seeking a 50% common equity capital structure for the life of the investment.
2. Yes.

NOTE: In the event the response to this data request contains confidential information, do not simply mark the entire response or attached document(s) confidential. Please highlight, or otherwise identify, the specific information that is claimed to be confidential.