

NON-CONFIDENTIAL

1 **Request IR-11:**

2
3 **With respect to Ms. McShane's answer to Booth information request # 10:**

4
5 **(a) Please provide the monthly data provided in answer to CA-IR-3, Booth IR-10**
6 **attachment 1 and Booth IR attachment 2 in a single Excel spreadsheet capable of**
7 **immediate manipulation. That is the monthly data from January 1990 for each US**
8 **utility of the dividend yield and expected IBES growth rate, the sample average and**
9 **median and the contemporaneous long US Treasury yield.**

10
11 **(b) Please indicate the series number for the US treasury yield and its source, for**
12 **example Federal Reserve Bank of St Louis 30 year constant maturity etc.**

13
14 **(c) For each month since 1990 please provide the dividend yield and expected IBES**
15 **growth rate for the S&P 500 index in a similar Excel file, so that the DCF estimate**
16 **for the overall US market can be estimated in a manner consistent with that used**
17 **for the US utilities.**

18
19 **Response IR-11:**

20
21 **(a) The requested data are provided in "Maritime Link Booth IR-11A Attachment 1.xlsx".**

22
23 **(b) The U.S. treasury yield was obtained from the U.S. Federal Reserve**
24 **website, www.federalreserve.gov. The unique identifier used by the U.S. Federal Reserve**
25 **is H15/H15/RIFLGFCY30_N.B.**

26
27 **(c) Provided in "Maritime Link Booth IR-11C Attachment 1.xlsx" are dividend yield data for**
28 **the S&P 500 monthly from 1990 to September 2012 and IBES long-term growth rates**
29 **monthly from 1990 to January 2009. Ms. McShane does not have IBES data for the S&P**
30 **500 subsequent to January 2009.**

NON-CONFIDENTIAL

1 **Request IR-12:**

2

3 **With respect to Ms. McShane's answer to Booth information request # 9:**

4

5 (a) **Please confirm that Value Line provides a medium term forecast (5-6 years) of both**
6 **the dividend per share and book value per share growth rate as well as for the**
7 **earnings growth rate.**

8

9 (b) **Please provide the dividend per share forecast growth rate for each company for**
10 **which Ms. McShane provided the historic growth rate in answer to Booth IR #9 in**
11 **attachment 2.**

12

13 (c) **Please explain in detail why the forecast growth rates in dividends and earnings per**
14 **share are different, if they are, and why Ms. McShane chose to use the earnings per**
15 **share forecast when investors are interested in the dividend per share.**

16

17 (d) **In Ms. McShane's judgment is the forecast growth rate in dividends or earnings per**
18 **share more in line with historic performance?**

19

20 **Response IR-12:**

21

22 (a) **It is confirmed.**

23

24 (b) *Value Line's* forecast dividend growth rates for the utilities are found on the *Value Line*
25 sheets provided in response to CA IR-3 Attachment 12. The *Value Line* dividend per
26 share forecast growth rates are summarized below:

NON-CONFIDENTIAL

1 (c)

Company	<i>Value Line</i> Dividend per Share Forecast Growth Rate
AGL Resources	2.0
ALLETE	3.0
Alliant Energy	5.5
Atmos Energy	1.5
Consolidated Edison	1.0
Integrys Energy	0.5
Northwest Natural Gas	2.5
Piedmont Natural Gas	3.5
Southern Company	4.0
Vectren Corp	2.5
WGL Holdings	2.5
Wisconsin Energy	13.5
Xcel Energy	5.0

2
3
4
5
6
7
8
9
10
11
12
13
14
15

The *Value Line* dividend and earnings growth forecasts are different because the *Value Line* analyst does not expect them to grow at the same rate over the forecast horizon. The *Value Line* reports for the individual companies do not specify why the analyst anticipates different growth rates for earnings and dividends over the forecast horizon. Ms. McShane relies on earnings growth forecasts in her DCF models because investor returns include both dividends and capital appreciation, which must ultimately come from earnings. By utilizing investor expectations of earnings growth, Ms. McShane's application of the DCF models encompasses all of the sources of investor returns.

(d) In Ms. McShane's judgment, the forecast earnings per share growth, combined with the dividend yield, is more in line with historical performance, where historical performance reflects the total returns that investors in the utilities have achieved over the longer-term.