

**ILLINOIS COMMERCE COMMISSION**

**Docket No. 14-0741**

**Exhibit No. 10.0**

**Rebuttal Testimony of**

**Dylan W. D'Ascendis, CRRA, CVA**

**On behalf of**

**UTILITY SERVICES OF ILLINOIS, INC.**

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1                                   **ILLINOIS COMMERCE COMMISSION**

2   **DOCKET No. 14-0741**

3   **REBUTTAL TESTIMONY**

4   **OF**

5   **DYLAN W. D'ASCENDIS, CRRA, CVA**

6   **SUSSEX ECONOMIC ADVISORS, LLC**

7   **Submitted on Behalf of**

8   **UTILITY SERVICES OF ILLINOIS, INC.**

9   **I.    INTRODUCTION**

10 **Q.    Please state your name, affiliation and business address.**

11 A.    My name is Dylan W. D'Ascendis. I am a Managing Consultant at Sussex  
12 Economic Advisors, LLC ("Sussex"). My business address is 161 Worcester Road,  
13 Suite 503, Framingham, Massachusetts 01701.

14 **Q.    Please summarize your professional experience and educational  
15 background.**

16 A.    I offer expert testimony on behalf of investor-owned utilities on rate of return issues  
17 and class cost of service issues. I also assist in the preparation of rate filings,  
18 including but not limited to revenue requirements and original cost and lead/lag  
19 studies. I am a graduate of the University of Pennsylvania, where I received a  
20 Bachelor of Arts degree in Economic History. I have also received a Master of  
21 Business Administration with high honors and a concentration in finance and  
22 international business from Rutgers University. I am a Certified Rate of Return  
23 Analyst ("CRRA") and a Certified Valuation Analyst ("CVA"). My full professional

1 qualifications are provided in Appendix A.

2 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

3 **Q. What is the purpose of your Rebuttal Testimony?**

4 A. The purpose of my Rebuttal Testimony is to respond to the direct testimony of Ms.  
5 Janis Freetly on behalf of the Staff of the Illinois Commerce Commission (“ICC”)  
6 as her direct testimony relates to the Company’s Return on Equity (“ROE”). My  
7 analyses and conclusions are supported by the data presented in Schedules 10.01  
8 through 10.11, which have been prepared by me or under my direction.

9 **Q. How is the remainder of your Rebuttal Testimony organized?**

10 A. The remainder of my Rebuttal Testimony is organized as follows:

- 11 • Section III – Provides a summary of my primary conclusions and  
12 recommendations;
- 13 • Section IV – Provides my response to Ms. Freely regarding the Company’s  
14 cost of common equity; and
- 15 • Section V – Summarizes my conclusions and recommendations.

16 **III. SUMMARY OF TESTIMONY**

17 **Q. Please summarize the key issues and recommendations addressed in your**  
18 **Rebuttal Testimony.**

19 A. The 8.69% ROE recommendation offered by Ms. Freetly<sup>1</sup> in this proceeding  
20 is inadequate for the water and wastewater operations of Utility Services of Illinois  
21 (“USI” or the “Company”). As discussed throughout my Rebuttal Testimony, there

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<sup>1</sup> Direct Testimony of Janis Freetly, at 2.

1 are several methodological, theoretical and practical reasons why a  
2 recommendation of 8.69% is unreasonably low for a water utility company such as  
3 USI. For example, Ms. Freetly develops her recommendation by giving 50%  
4 weight to a 7.79% Non-Constant Discounted Cash Flow (“NCDCF”) estimate that  
5 is nearly 120 basis points below the lowest ROE authorized by any regulatory  
6 commission for a water utility since 2011. Compared with authorized ROEs around  
7 the country and her other model results (Utility Group Constant Growth DCF  
8 (“CDCF”) result of 8.94% and her Capital Asset Pricing Model (“CAPM”) result of  
9 9.20%, her 7.79% NCDCF result is insufficient to attract capital on reasonable  
10 terms. Ms. Freetly has not demonstrated why her NCDCF, which is out of line with  
11 both regulatory reality and her other measures of investor-required returns on  
12 common equity, should be afforded half weight in her recommendation.

13 **IV. RESPONSE TO COMMISSION STAFF WITNESS, MS. FREETLY**

14 **Q. Please summarize Ms. Freetly’s cost of capital recommendations.**

15 A. Ms. Freetly recommends an ROE of 8.69% for USI’s operations. Her ROE  
16 recommendation is based on the average of her 7.79% NCDCF model results and  
17 9.20% CAPM results for her Utility proxy group, and includes a 19 basis point  
18 upward adjustment to reflect the Company’s weaker credit rating relative to the  
19 proxy group.<sup>2</sup>

20 **Q. Do you have any general comments about Ms. Freetly’s recommendation of**  
21 **8.69%?**

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<sup>2</sup> Direct Testimony of Janis Freetly, at 33.

1 A. Yes. As stated previously, Ms. Freetly's recommended return is inadequate  
2 compared with both authorized returns on equity for water utilities around the  
3 country in the recent past and the results of her own models due to the fact that  
4 she includes an unrealistic 7.79% NCDCF result in her derivation of her  
5 recommendation.

6 I have provided Schedule 10.01, which is a list of authorized ROEs for water  
7 utility companies from around the country from January 2013 to the present. As  
8 shown on Schedule 10.01, the average fully-litigated Commission authorized ROE  
9 for water companies is 9.70%, which is approximately 100 basis points higher than  
10 what Ms. Freetly is recommending in this case. In fact, if Staff's recommended  
11 ROE is authorized by the ICC in this proceeding, it will be the lowest authorized  
12 ROE for a water utility in the entire country.

13 **Q. How does the regulatory environment in Illinois compare with the rest of the**  
14 **country regarding authorized ROEs and equity ratios for the water industry?**

15 A. As shown in Schedule 10.01, since 2013, authorized ROEs for water utility  
16 companies in Illinois averaged 9.06% relative to a 49.76% equity ratio, while  
17 authorized ROEs outside of Illinois averaged 9.76% relative to a 53.19% equity  
18 ratio. In addition, I have provided Schedule 10.02, which is a chart that comprises  
19 the current authorized ROEs and equity ratios of the operating subsidiaries of  
20 Utilities, Inc. ("UI"), USI's parent company. As Schedule 10.02 illustrates, its Illinois  
21 operations' currently authorized ROE of 9.25% is the second lowest out of all its

1 jurisdictions<sup>3</sup> and is approximately 60 basis points lower than the average UI  
2 operating subsidiary. USI's operations are also currently authorized a below  
3 average equity ratio compared with the rest of UI's operating portfolio. The  
4 combination of below average authorized ROEs and equity ratios for its Illinois  
5 operations factors into UI management's financial decisions as to whether to invest  
6 in Illinois as opposed to its other operating subsidiaries, which provide a higher  
7 return for the same dollar of investment.

8 **Q. Please summarize the key areas in which you and Ms. Freetly agree.**

9 A. There are several important areas in which I agree with Ms. Freetly. Those areas,  
10 which otherwise could significantly expand the scope of contested issues, include:  
11 (1) consideration of multiple cost of common equity models, namely the DCF and  
12 CAPM in her determination of an appropriate ROE for USI; (2) reliance on analyst  
13 projections of earnings growth for use in her constant growth DCF model; (3)  
14 reliance on a projected market risk premium for use in her CAPM analysis; and (4)  
15 her recognition that USI's ratemaking capital structure is an important determinant  
16 of the Company's financial strength and ability to access capital at reasonable  
17 terms under a wide range of economic conditions.

18 **Q. What are the major points of disagreement between you and Ms. Freetly?**

19 A. There are several areas in which I disagree with Ms. Freetly, including: (1) the  
20 exclusion of the results of her water proxy group in her recommendation; (2) her  
21 use of spot prices in her DCF model; (3) the exclusion of her constant growth DCF

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<sup>3</sup> The lowest ROE in UI's operating portfolio is Bermuda Water Company in Arizona, which was authorized an 8.82% on 100% common equity on 2/17/2012. Its authorized Weighed Cost of Equity of 8.82% exceeds the current authorized Weighted Cost of Equity of USI by 422 basis points.

1 analysis; (4) the application of the Multi-Stage DCF analysis, including the long-  
2 term growth rate; (5) the application of the CAPM; and; (6) the lack of a size  
3 premium to reflect the greater risk of USI relative to her proxy group companies.

4 ***Exclusion of Water Proxy Group Results***

5 **Q. Do you agree with Ms. Freetly's exclusion of the results of her water proxy**  
6 **group?**

7 A. No, I do not. Although in general, all utility companies have similar risks (e.g. both  
8 have rate-regulated operations), water utilities face unique operational risks that  
9 set them apart from non-water utility companies. For example, customers ingest  
10 water produced by water utilities, which is not the case for any other utility product.  
11 Water quality is of great importance to the health and well-being of customers and  
12 is justifiably subject to increasingly strict health and safety regulations. The strict  
13 health regulations and relative age of the infrastructure compared with other types  
14 of utilities<sup>4</sup> necessitates the use of water utility proxy companies in an ROE  
15 analysis for a water utility company. For these reasons, I have combined Ms.  
16 Freetly's Water and Utility proxy groups for my rebuttal to her return on common  
17 equity recommendation. Customarily, I do not include non-water utility companies  
18 in my ROE analyses for water utility companies, but I do understand that the  
19 Commission prefers to see the results of the common equity models for non-water  
20 utilities in their determination of the ROE for a water utility.

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<sup>4</sup> Water utility service is over 200 years old compared to electric service, which was only commercially viable for the last 100 years.

1 ***Application of the Constant Growth DCF Model***

2 **Q. Do you have any concerns with Ms. Freetly's CDCF model?**

3 A. Yes. Ms. Freetly's use of spot prices in her DCF models is inappropriate due to the  
4 potential volatility of spot prices in general. Schedule 10.03 is a series of charts for  
5 each of Ms. Freetly's proxy group companies from November 7, 2014<sup>5</sup> to March  
6 13, 2015. Each chart has the range of stock prices for each company. This  
7 Schedule demonstrates that stock prices in Ms. Freetly's proxy group are indeed  
8 volatile and that the use of a normalized, or average stock price is appropriate.

9 **Q. Do any regulatory Commissions agree with your reasoning above?**

10 A. Yes. The Public Utilities Regulatory Authority in Connecticut agrees with me when  
11 they state the following at page 3 in the final order in Docket 13-02-20 re: Aquarion  
12 Water Company of Connecticut:

13 In a DCF calculation the Authority finds an average 60-trading day  
14 period, or 90-calendar day (assuming 20 trading days a month)  
15 dividend yield to be preferable since it [is] a long enough period to  
16 smooth out any stock aberrations but short enough to bring current  
17 information into the calculation. The Authority finds a spot or 30-day  
18 average dividend yield could be subject to volatility due to the  
19 economic and capital market conditions. (emphasis added)  
20

21 **Q. Is there support for an average dividend yield in the academic literature?**

22 A. Yes. Morin<sup>6</sup> states:

23 Average stock prices are appropriate during volatile market periods,  
24 when stock prices experience large random fluctuations. Visual  
25 inspection of a chart of daily closing prices over the last few weeks  
26 should reveal whether the current price is an outlier.  
27

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<sup>5</sup> Approximately 60 trading days prior to Ms. Freetly's spot date of 2/4/2015.

<sup>6</sup> Roger A. Morin, New Regulatory Finance (Public Utility Reports, Inc., 2006) p. 280

1 Lesser<sup>7</sup> states that:

2 The usual method to address daily stock volatility is to base DCF  
3 calculations on an average of recent stock prices.<sup>footnote omitted</sup> While  
4 this violates the theoretical EMH, it reduces (but does not eliminate)  
5 the variation in the cost of equity.”  
6

7 **Q. What is your conclusion regarding the use of spot prices for use in a DCF**  
8 **model?**

9 A. Given the ranges of Ms. Freetly’s proxy group companies’ stock prices shown on  
10 Schedule 10.03, combined with the regulatory and academic support cited above,  
11 I conclude that the use of a 60 trading day average stock price is more appropriate  
12 than simply using the spot price for use in both applications of the DCF model.

13 ***Exclusion of Constant Growth DCF Results***

14 **Q. Do you think Ms. Freetly should have excluded the results of her CDCF**  
15 **model?**

16 A. No, I do not. Ms. Freetly’s reasoning that the average growth rates for each proxy  
17 group are unsustainable compared with her long-term gross domestic product  
18 (“GDP”) forecast is misplaced for four reasons. First, GDP is an average of the  
19 value added by the entire US economy, which means some sectors of the  
20 economy will outperform the economy and some will underperform the economy.  
21 Schedule 10.04 shows GDP and the value added by industry sector and relative  
22 percentages for the years 1997 to 2013. As shown in the Schedule, some  
23 industries have outperformed the overall economy and some have not.  
24 Specifically, utilities outperformed the economy in 2013, grew at the same rate as

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<sup>7</sup> Lesser “DCF Utility Valuation: Still the Gold Standard?” Public Utilities Fortnightly, February, 15, 2003.

1 the economy in the 10 year period ending in 2013, and slightly underperformed the  
2 economy in the 16 year period ending in 2013.

3 Second, Ms. Freetly's concern regarding one industry eventually growing to  
4 dominate the entire economy is similarly misplaced. As shown in Schedule 10.04,  
5 the mining industry has outperformed the economy by 10% over the 1997 to 2013  
6 period, yet the relative value added to the entire economy by the mining industry  
7 only grew to 2.6% in 2013 from 1.1% in 1997.

8 Third, the average growth rates of Ms. Freetly's Water and Utility proxy  
9 groups, 5.12% and 5.70%, respectively, compare favorably with the long-term  
10 average GDP growth rate of 5.47%, which I discuss later in my testimony.

11 Fourth and finally, Ms. Freetly asserts that the utility industry is not in the  
12 "steady state" stage in an industry life cycle and therefore, the CDCF model does  
13 not apply. I disagree with Ms. Freetly's assertion. All companies, including utilities,  
14 go through typical life cycles in their development, initially progressing through a  
15 growth stage, moving onto a transition stage and finally assuming a steady state  
16 or constant-growth stage. The public utility industry is a long-standing industry in  
17 the US as mentioned previously in this testimony. The standards of fair rate of  
18 return regulation of public utilities date back to the *Hope* and *Bluefield* Supreme  
19 Court Decisions of 1944 and 1923 respectively. All signs point to the utility industry  
20 being a stable and mature industry characterized by the steady state or constant  
21 growth stage of a DCF model.

22 For all of the reasons provided above, Ms. Freetly should have included her  
23 CDCF model results in her ROE recommendation.

1 ***Application of the Non-Constant Growth DCF Model***

2 **Q. How did Ms. Freetly develop her terminal growth rate?**

3 A. Ms. Freetly's estimate of long-term growth is based on a projection of real GDP  
4 growth from both the Energy Information Administration ("EIA") and Global Insight  
5 of 2.3%, together with an expected inflation rate of 1.8%, which represents the  
6 compound annual difference in the yields on U.S. Treasury bonds and U.S.  
7 Treasury Inflation Protected Securities ("TIPS") (sometimes referred to as the TIPS  
8 spread).<sup>8</sup> The combination of her estimates of real growth and expected inflation  
9 produce an expected nominal GDP growth rate (that is the expected growth rate  
10 as of the beginning of the terminal period) of 4.2%. Ms. Freetly also considers the  
11 average nominal GDP growth rate forecast by EIA and Global Insight of 4.4%,<sup>9</sup> in  
12 arriving at her long-term growth estimate of 4.3%.<sup>10</sup>

13 **Q. Please briefly describe the method by which Ms. Freetly arrives at her 1.8%**  
14 **expected inflation rate.**

15 A. Ms. Freetly measures expected inflation as the compound annual difference  
16 between nominal Treasury yields and the Treasury Inflation Protected Securities  
17 yield. Specifically, Ms. Freetly relies on the February 4, 2015 yields of ten and 30-  
18 year nominal Treasury bonds and corresponding TIPS securities to develop the  
19 implied 20-year expected inflation rate at the terminal growth stage of her Multi-  
20 Stage DCF analyses (*i.e.*, ten years hence).

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<sup>8</sup> Direct Testimony of Janis Freetly at 17-18.

<sup>9</sup> Direct Testimony of Janis Freetly at 19. EIA forecasted 4.4% growth from 2025-2040 and Global Insights forecast 4.4% growth for from 2025-2044.

<sup>10</sup> Direct Testimony of Janis Freetly at 19.

1 **Q. Do you agree with Ms. Freetly's development of her terminal growth rate of**  
2 **4.3%?**

3 A. No. I disagree with both of the components of her calculation.

4 **Q. Have you performed any analysis to assess Ms. Freetly's 4.3% nominal long-**  
5 **term GDP growth estimate?**

6 A. Yes, I have. While Ms. Freetly develops her nominal GDP growth estimate using  
7 real GDP growth estimates that end from 2040 to 2044, it is important to remember  
8 the long-term growth rate used in the DCF model is a perpetual growth rate  
9 extending indefinitely.<sup>11</sup> With respect to nominal GDP growth, I note that the long-  
10 term geometric average from 1929 to 2014 was 6.20%, and the arithmetic average  
11 was 6.44%.<sup>12</sup> Those observed growth rates are approximately 200 basis points  
12 above the 4.3% projection on which Ms. Freetly relies as a measure of long-term  
13 expected growth.

14 Since the nominal long-term GDP growth is applied beginning in year ten of  
15 Ms. Freetly' Multi-Stage DCF model, I calculated the average ten year annual  
16 growth rates over the 1929 to 2014 period. I then arranged that data in histograms  
17 to provide a perspective of how frequently various levels of growth have occurred.  
18 As Chart 1 demonstrates, average annual growth as low as 4.3% has been  
19 observed very infrequently; when measured over ten year periods, average annual  
20 growth exceeded 4.3% in 68 of 76 periods. To provide another perspective, I also  
21 calculated average GDP growth over five year periods. In that case, average

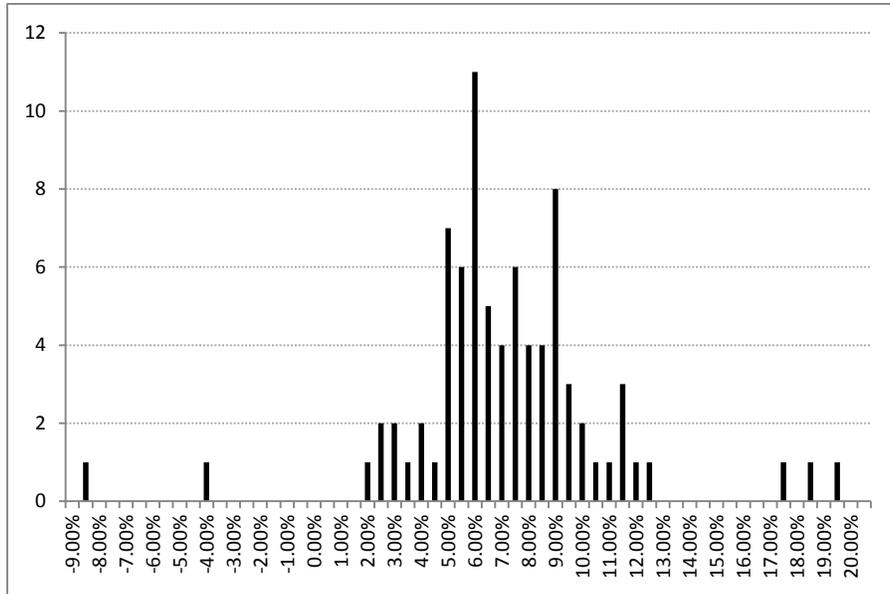
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<sup>11</sup> Direct Testimony of Janis Freetly, at 16.

<sup>12</sup> Source: Bureau of Economic Analysis.

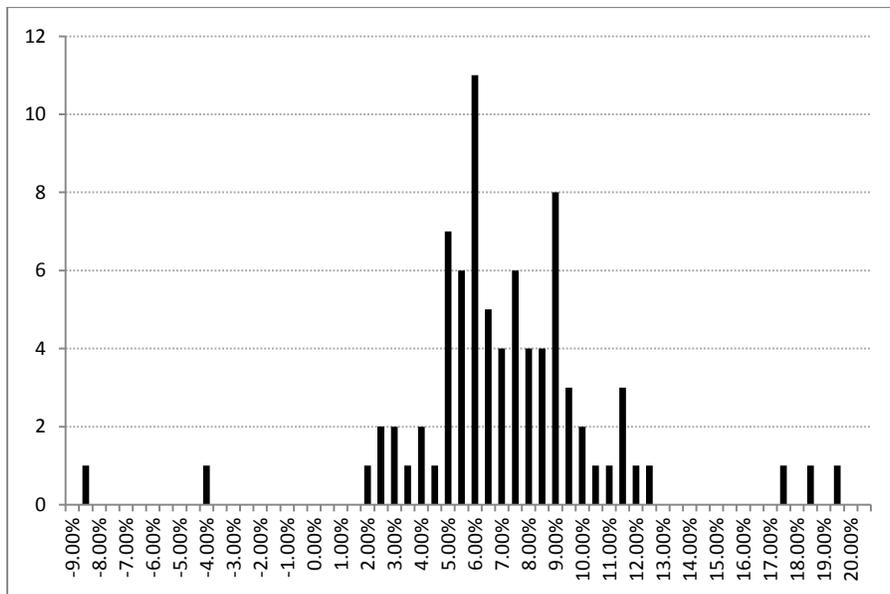
1 annual GDP growth rate was greater than 4.3% in 71 of 81 periods (see Chart 2).

2 **Chart 1: Average Annual GDP Growth Measured over Ten-Year Periods**<sup>13</sup>



3

4 **Chart 2: Average Annual GDP Growth Measured over Five-Year Periods**<sup>14</sup>



5

<sup>13</sup> Source: Bureau of Economic Analysis.

<sup>14</sup> Source: Bureau of Economic Analysis.

1 **Q. Are there other benchmarks that help put that growth rate in context?**

2 A. Yes. For example, Ms. Freetly's long-term growth estimate is below the range of  
3 mature company growth estimates provided by Eugene F. Brigham and Michael  
4 C. Ehrhardt in Financial Management: Theory and Practice who note:

5 Expected growth rates vary somewhat among companies, but  
6 dividend growth for most mature firms is generally expected to  
7 continue in the future at about the same rate as nominal gross  
8 domestic product (real GDP plus inflation). On that basis, one  
9 might expect the dividends of an average, or "normal," company  
10 to growth at a rate of 5% to 8% a year.<sup>15</sup>

11 **Q. What is your concern with Ms. Freetly's expected inflation calculation?**

12 A. I have a concern about Ms. Freetly's use of spot yields in her calculation of  
13 expected inflation. The use of spot yields for her expected inflation calculation is  
14 as problematic as her use of spot prices in her dividend yield calculation. Schedule  
15 10.05 is a similar Schedule to 10.03 as it shows charts tracking the yields of the  
16 10 and 30 year Treasury Bonds and their TIPS counterparts from November 7,  
17 2014 to March 13, 2015. The reasons expressed earlier in this testimony regarding  
18 the use of average prices in a dividend yield also apply to the use of average yields  
19 to calculate expected inflation.

20 **Q. Is there another resource one can use to find expected inflation?**

21 A. Yes. Blue Chip Financial Forecasts ("Blue Chip") produce long-term expectations  
22 (2021-2025) of key data twice a year. The expected inflation expected by Blue  
23 Chip for the period 2021-2025, is 2.3%<sup>16</sup>.

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<sup>15</sup> Eugene Brigham and Michael Ehrhardt, Financial Management: Theory and Practice, 12th Ed. (Mason, OH: South-Western Cengage Learning, 2008), at 291.

<sup>16</sup> Blue Chip Financial Forecasts 12/1/2014.

1 **Q. What is your conclusion regarding the calculation of expected inflation for**  
2 **the terminal growth rate in Ms. Freetly's NCDCF?**

3 A. I would conclude that averaging the Blue Chip forecasted inflation for 2021-2025  
4 and Ms. Freetly's methodology to arrive at expected inflation is a reasonable  
5 approach. The only input that I would change in Ms. Freetly's calculation would be  
6 to substitute 60 trading day average yields instead of spot yields. Using multiple  
7 sources of information and normalized bond yields are superior to simply using  
8 spot yields. Using this method, expected inflation is 2.14%<sup>17</sup>.

9 **Q. Is there another approach to calculating the long-term growth rate that**  
10 **produces more reasonable results?**

11 A. Yes. It is possible to combine expected inflation with average historical real GDP  
12 growth. According to data provided by the Bureau of Economic Analysis, over the  
13 period 1929 to 2014 the average annual real GDP growth rate was 3.26%.  
14 Combining real GDP growth with the expected inflation rate of 2.14% as calculated  
15 above, produces an expected long-term growth rate of 5.47%.<sup>18</sup> The use of the  
16 long-term average historical GDP is more reasonable than Ms. Freetly's projection  
17 of real GDP growth in view of current data.

18 **Q. Is it reasonable to assume future real GDP growth will reflect historical real**  
19 **GDP growth?**

20 A. Yes. As shown in Chart 3 (below), but for the recent "great recession" and the

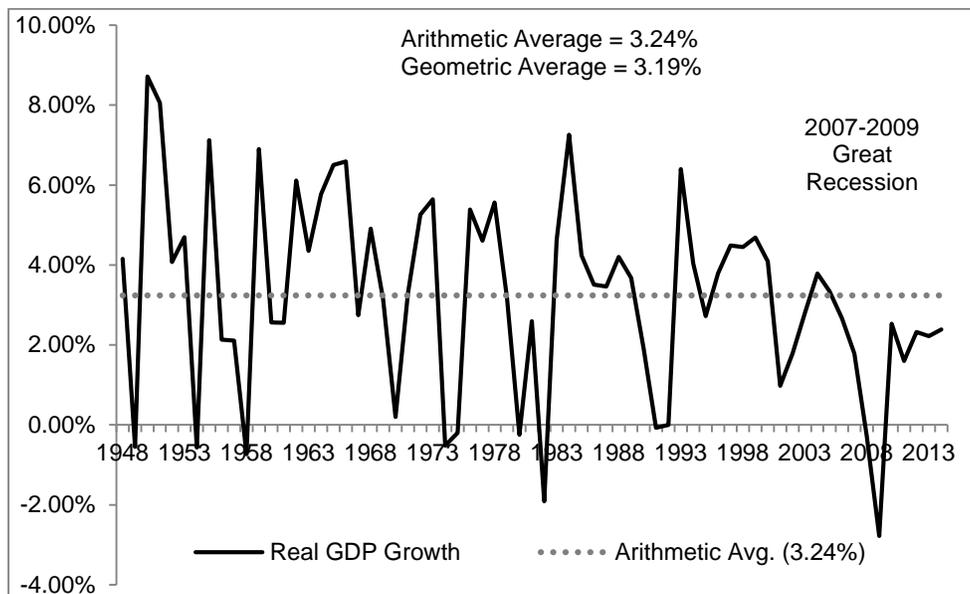
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<sup>17</sup> Using a 60 trading day average yield ending 2/4/15, expected inflation using Ms. Freetly's method resulted in expected inflation in the third stage to be 1.98%. Blue Chip predicts a 2.3% inflation rate for the third stage of growth. The average of the two results are 2.14%.

<sup>18</sup>  $(1+3.26\%) \times (1+2.14\%) - 1 = 5.47\%$ .

1 continued slow economic recovery, real GDP growth since the post-World War II  
2 era has been cyclical, but maintained a relatively steady mean reversion level  
3 close to the long-term historical average of 3.24%.

4 **Chart 3: Real GDP Growth Mean Reversion (1948 to 2013)<sup>19</sup>**



5  
6 Since 1948, annual real GDP growth rates have been above the long-term  
7 3.24% arithmetic average more than half of the time (35 of 66 years). As noted  
8 above, Ms. Freetly relies on a long-term real GDP growth rate estimate of 2.30%.<sup>20</sup>  
9 It is interesting to note that annual real GDP growth has been at or above 2.30%  
10 more than 70.00% of the time since 1948 (47 of 67 years). In fact, of the 20 years  
11 with 2.40% real growth or less, six have been during or following the recent “great  
12 recession.” Ms. Freetly, however, has provided no rationale to explain her  
13 assumed decline of more than 80 basis points in the structural growth potential of  
14 the economy over the long-term.

<sup>19</sup> Source: Bureau of Economic Analysis.

<sup>20</sup> Direct Testimony of Janis Freetly, at 17.

1 **Q. Have you corrected Ms. Freetly's DCF analysis?**

2 A. Yes. I have corrected Ms. Freetly's DCF analysis by using 60 trading day average  
3 prices ending February 4, 2015 in her dividend yield calculation, using 60 trading  
4 day average Treasury Yields ending February 4, 2015 for her inflation expectation,  
5 using the historical average real GDP growth for the terminal growth rate of 3.26%,  
6 and including her CDCF in the analysis. I also combined the Water and Utility proxy  
7 groups into one proxy group as mentioned previously. As shown on Schedule  
8 10.06, the indicated ROE for Ms. Freetly's proxy group as derived by the CDCF  
9 and NCDCF are 8.56% and 8.61% respectively. The average of the CDCF and the  
10 NCDCF is 8.58%. In my opinion, the DCF results must be viewed with caution. The  
11 indicated cost of common equity derived by the DCF method for utility companies  
12 is only accurate when the market to book ratio is at unity (i.e. the market value of  
13 equity is equivalent to the book value of equity).

14 **Q. Does the Commission typically account for the mis-specification of DCF**  
15 **results when market-to-book ratios are not equal to 100%?**

16 A. No, however, this Commission implicitly accepted a leverage adjustment in  
17 Docket No. 14-0419 by averaging Aqua Illinois ("Aqua IL") and Staff DCF results.  
18 While I am not advocating an adjustment to Staff's DCF results, it is my opinion  
19 that the Commission should consider the fact that DCF results do mis-specify the  
20 indicated cost of common equity when the market-to-book ratios do not equal  
21 100% when they authorize an ROE for USI in this case.

1 ***Application of the Capital Asset Pricing Model***

2 **Q. Please summarize Ms. Freetly's inputs to her CAPM analysis and the results**  
3 **from that analysis.**

4 A. Ms. Freetly's CAPM estimate is based on a risk-free rate of 2.40%, a market return  
5 estimate of 12.26%, and average Beta coefficients of 0.68 and 0.69 for her water  
6 and utility proxy groups, respectively. Based on those assumptions, Ms. Freetly  
7 arrives at cost of equity estimates of 9.11% and 9.20% for her water and utility  
8 proxy groups, respectively.<sup>21</sup>

9 **Q. Do you have any comment regarding Ms. Freetly's application of the CAPM?**

10 A. Yes. in three respects, Ms. Freetly's application of the CAPM underestimates a fair  
11 ROE needed to attract capital at a reasonable cost; (1) the use of a historical yield  
12 on long-term Treasury bonds as the risk-free rate; (2) the exclusion of non-dividend  
13 paying stocks from her total return on the market in her prospective market risk  
14 premium; and (3) the failure to apply the ECAPM to account for the fact that the  
15 Security Market Line ("SML") as described by the traditional CAPM is not as  
16 steeply sloped as the predicted SML.

17 **Q. Ms. Freetly utilized a 2.40% February 4, 2015 effective yield on 30-year U.S.**  
18 **Treasury Bonds as the risk-free rate in her risk premium or CAPM analysis.**  
19 **Is this appropriate?**

20 A. No. Ms. Freetly's use of a spot 30-year U.S. Treasury Bond yield conflicts with both  
21 the prospective nature of the cost of capital and general ratemaking theory  
22 because it merely provides a snapshot of yields at a point in time. Her use of the

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<sup>21</sup> ICC Staff Exhibit 5.0, Schedule 5.8.

1 spot yield also conflicts with her use of a prospective market return. Prospective  
2 yields may be derived from various forecasts that are widely and readily available,  
3 such as the forecasted 30-year U.S. Treasury Bond (note) yields from the  
4 December 1, 2014 and February 1, 2015 Blue Chip shown in Schedule 10.07.  
5 Derived in Note 3 of page 1 of Schedule 10.07, a forecasted yield of 3.65% is  
6 calculated based on the consensus forecast of about 50 economists for the six  
7 calendar quarters ending with the second calendar quarter of 2016 and the years  
8 2016-2020 and 2021-2025. Investors are more likely to rely on this information  
9 than information on spot yields.

10 **Q. Do you agree with Ms. Freetly's prospective market risk premium ("MRP")?**

11 A. No. While I agree with Ms. Freetly's use of forward-looking market risk premiums  
12 rather than historical risk premiums in the CAPM, I disagree as to the appropriate  
13 methodology to estimate the expected return for the overall market, which is used  
14 to derive the MRP. Specifically, Ms. Freetly begins with the companies in the S&P  
15 500 and excludes those companies that do not pay dividends.<sup>22</sup> Since the total  
16 return of the market is the sum of income returns (dividends) plus price  
17 appreciation (growth rates), Ms. Freetly is deliberately eliminating crucial return  
18 data. Additionally, by eliminating non-dividend paying stocks, the betas that were  
19 calculated do not match her "adjusted" market portfolio since they were calculated  
20 using the entire market, not just the dividend paying companies. I have reviewed  
21 Ms. Freetly's workpapers and adjusted her total market return to include all  
22 companies that have growth rates. This increases the number of companies

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<sup>22</sup> Direct Testimony of Janis Freetly, at 26.

1 considered from 414 companies (84.59% of total market capitalization) to 493  
2 companies (99.44% of total market capitalization). The total return for the market  
3 using this criterion is 13.10%. In my opinion, this criterion is far more robust and  
4 will give a more accurate reflection of the investor-required return for the market.

5 **Q. You have stated that Ms. Freetly also failed to apply the ECAPM to account**  
6 **for the fact that the Security Market Line as described by the traditional**  
7 **CAPM is not as steeply sloped as the predicted SML. Please explain.**

8 A. The SML is a graphical depiction of the CAPM risk-return relationship, where the  
9 vertical axis depicts increasing returns and the horizontal axis depicts increase risk  
10 as measured by beta. The intercept of the vertical axis represents the required  
11 return on an asset with zero risk (or a zero-beta asset), meaning a return equal to  
12 the risk-free rate. The SML slopes upward as beta (risk), increases. As beta  
13 increases, the required return increases, consistent with the financial precept of  
14 risk and return, i.e., that investors require a greater return for bearing greater risk.  
15 While numerous tests of the CAPM have confirmed its validity, these tests have  
16 also determined that “the implied intercept term exceeds the risk-free rate and the  
17 slope term is less than predicted by the CAPM.”<sup>23</sup> In other words, the traditional  
18 CAPM does not fully capture the greater returns required by increased risk.

19 **Q. Does Ms. Freetly agree that empirical testing shows that there is a flattening**  
20 **of the SML?**

21 A. Yes. On page 29 of her testimony, she recognizes that and because of this fact,  
22 she uses adjusted betas in her CAPM analysis.

---

<sup>23</sup> Morin 175.

1 **Q. Does using adjusted betas correct for this phenomenon?**

2 A. No, Ms. Freetly's use of adjusted betas in a CAPM analysis is not equivalent to the  
3 ECAPM. Betas are adjusted because of their general regression tendency to  
4 converge toward 1.0 over time, i.e., over successive calculations of beta. As noted  
5 above, numerous studies have determined that the SML described by the CAPM  
6 formula at any given moment in time is not as steeply sloped as the predicted SML.  
7 Morin<sup>24</sup> states:

8 Some have argued that the use of the ECAPM is inconsistent with  
9 the use of adjusted betas, such as those supplied by Value Line  
10 and Bloomberg. This is because the reason for using the ECAPM  
11 is to allow for the tendency of betas to regress toward the mean  
12 value of 1.00 over time, and, since Value Line betas are already  
13 adjusted for such trend [sic], an ECAPM analysis results in double-  
14 counting. This argument is erroneous. Fundamentally, the ECAPM  
15 is not an adjustment, increase or decrease, in beta. This is obvious  
16 from the fact that the expected return on high beta securities is  
17 actually lower than that produced by the CAPM estimate. The  
18 ECAPM is a formal recognition that the observed risk-return  
19 tradeoff is flatter than predicted by the CAPM based on myriad  
20 empirical evidence. The ECAPM and the use of adjusted betas  
21 comprised two separate features of asset pricing. Even if a  
22 company's beta is estimated accurately, the CAPM still understates  
23 the return for low-beta stocks. Even if the ECAPM is used, the  
24 return for low-beta securities is understated if the betas are  
25 understated. Referring back to Figure 6-1, the ECAPM is a return  
26 (vertical axis) adjustment and not a beta (horizontal axis)  
27 adjustment. Both adjustments are necessary.  
28

29 Moreover, the slope of the SML should not be confused with beta. As Eugene  
30 F. Brigham, finance professor emeritus and the author of many financial textbooks  
31 states<sup>25</sup> :

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<sup>24</sup> Morin 191.

<sup>25</sup> Eugene F. Brigham and Louis C. Gapenski, Financial Management Theory and Practice, Fourth Edition, (1985) p. 203

1 The slope of the SML reflects the degree of risk aversion in the  
2 economy – the greater the average investor’s aversion to risk, then  
3 (1) the steeper is the slope of the line, (2) the greater is the risk  
4 premium for any risky asset, and (3) the higher is the required rate  
5 of return on risky assets.<sup>12</sup>

6  
7 <sup>12</sup>Students sometimes confuse beta with the slope of the SML. This  
8 is a mistake. As we saw earlier in connection with Figure 6-8, and  
9 as is developed further in Appendix 6A, beta does represent the  
10 slope of a line, but *not* the Security Market Line. This confusion  
11 arises partly because the SML equation is generally written, in this  
12 book and throughout the finance literature, as  $k_i = R_F + b_i(k_M - R_F)$ ,  
13 and in this form  $b_i$  looks like the slope coefficient and  $(k_M - R_F)$  the  
14 variable. It would perhaps be less confusing if the second term  
15 were written  $(k_M - R_F)b_i$ , but this is not generally done.

16  
17 Hence, the traditional CAPM understates the cost rate for common equity  
18 for companies with betas less than 1.0 and overstates the cost rate for companies  
19 with betas greater than 1.0. Consequently, Ms. Freetly erred by not employing the  
20 Empirical CAPM (“ECAPM”).

21 **Q. What would Ms. Freetly’s CAPM results have been had she relied on a**  
22 **forecasted risk-free rate, a MRP that included all of the S&P 500 companies**  
23 **that had a growth rate as well as the ECAPM?**

24 A. As shown on page 1 of Schedule 10.07, after corrections, the traditional CAPM  
25 indicates a 10.10% ROE and the ECAPM indicates a 10.85% ROE. Averaging the  
26 CAPM and ECAPM results in a 10.48% ROE.

27 ***Indicated ROE before Adjustments for Relative Risk***

28 **Q. What is the indicated ROE for Ms. Freetly’s proxy group after correcting her**  
29 **DCF and CAPM analyses?**

30 A. Please see the Table 1 below. The average of Ms. Freetly’s corrected CDCF and  
31 NDCDF results is 8.58% and the average of her corrected CAPM results is

1 10.48%. The average of the DCF and CAPM models is 9.53%.

2 **Table 1: Indicated ROE Based on Corrected Cost of Common Equity Models**

3	<u>Principal Model</u>	<u>Indicated ROE</u>
4	Discounted Cash Flow Model	8.58%
5	Capital Asset Pricing Model	<u>10.48%</u>
	Average	<u>9.53%</u>

6 That said, the indicated ROE of 9.53% does not reflect USI's greater financial and  
7 business risks relative to the proxy group companies.

8 ***Financial Risk Adjustment***

9 **Q. Did Ms. Freetly recognize USI's greater financial risk relative to her proxy**  
10 **group?**

11 A. Yes. She reflected this by adjusting her indicated ROE by 19 basis points for a  
12 credit risk adjustment.

13 **Q. Do you agree with her credit risk adjustment and her method of obtaining**  
14 **her adjustment?**

15 A. Yes, I do.

16 ***Size Adjustment***

17 **Q. Did Ms. Freetly reflect the greater risk of USI relative to the proxy group**  
18 **based on its smaller size?**

19 A. No, she did not. It is unclear why she did not include a size adjustment because  
20 she agrees that if the proxy group does not accurately reflect the risk level of the  
21 target company, an adjustment must be made<sup>26</sup>. Schedule 10.08 shows the

---

<sup>26</sup> Freetly Direct Testimony at 34.

1 relative size between USI and the average company in Ms. Freetly's proxy group.

2 **Q. Is there a way to quantify a relative risk adjustment due to USI's small size**  
3 **relative to the proxy group?**

4 A. Yes. The Company has greater relative risk than the average company in the  
5 proxy group because of its smaller size compared with the group, measured by the  
6 estimated market capitalization of common equity for USI, whose common stock  
7 is not traded.

8 **Table 2: Market Capitalization of USI and Ms. Freetly's Proxy Companies**

	<u>Market Capitalization(1)</u> (\$ Millions)	<u>Times Greater than the Company</u>
Utility Services of Illinois, Inc.	\$29.258	
Ms. Freetly's Combined Proxy Group Companies	8,392.205	286.8x

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20 (1) From page 1 of Schedule 10.08.

21  
22 Because the Company's common stock is not publicly traded, I have  
23 assumed that if it were, its common shares would be selling at the same market-  
24 to-book ratio as the average market-to-book ratio for the proxy group, 194.6%, on  
25 February 4, 2015 as shown on page 2 of Schedule 10.08. Since her recommended  
26 common equity cost rate is based on the market data of her proxy groups, it is  
27 reasonable to use the market-to-book ratios of the proxy group to estimate USI's  
28 market capitalization. Accordingly, the Company's market capitalization is  
29 estimated at \$29.258 million based on the average market-to-book ratio of the  
30 proxy group. In contrast, the market capitalization of the average proxy group

1 company was \$8.392 billion on February 4, 2015, or 286.8 times the size of USI's  
2 estimated market capitalization.

3 As a result, it is necessary to adjust the indicated common equity cost rate  
4 of 9.53% based on the Ms. Freetly's proxy group companies to reflect USI's greater  
5 risk due to its smaller relative size. The determination is based on the size  
6 premiums for decile portfolios of New York Stock Exchange (NYSE), American  
7 Stock Exchange (AMEX) and NASDAQ listed companies for the 1926-2014 period  
8 and related data from 2015 Valuation Handbook<sup>27</sup>. The average size premium of  
9 the 3<sup>rd</sup> decile in which Ms. Freetly's proxy group companies fall has been compared  
10 with the average size premium for the 10<sup>th</sup> decile in which the market capitalization  
11 of USI would fall if its stock were traded and sold at the February 4, 2015 average  
12 market/book ratio of 194.6% experienced by the Ms. Freetly's proxy group  
13 companies. As shown on page 1, the size premium spread between the 10<sup>th</sup> decile  
14 and the 3<sup>rd</sup> decile is 4.87%. To be conservative, I have only adjusted USI's  
15 indicated common equity cost rate upward by 0.40%, even though 4.87% was  
16 indicated.

17 **Q. Please explain why size has a bearing on business risk.**

18 A. Generally, company size is a significant element of business risk for which  
19 investors expect to be compensated through greater returns. Smaller companies  
20 are simply less able to cope with significant events that affect sales, revenues and  
21 earnings. For example, smaller companies face more risk exposure to business  
22 cycles and economic conditions, both nationally and locally. Additionally, the loss

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<sup>27</sup> 2015 Valuation Handbook, Guide to Cost of Capital (Preview Version), Duff & Phelps, Wiley & Sons

1 of revenues from a few larger customers would have a greater effect on a small  
2 company than on a much larger company with a larger, more diverse, customer  
3 base.

4 Further evidence of the risk effects of size include the fact that investors  
5 demand greater returns to compensate for the lack of marketability and liquidity of  
6 the securities of smaller firms. For these reasons, the Commission should  
7 authorize a cost of common equity in this proceeding that reflects USI's relevant  
8 risk, including the impact of its small size.

9 Consistent with the financial principle of risk and return discussed above,  
10 such increased risk due to small size must be taken into account in the allowed  
11 rate of return on common equity for USI.

12 **Q. Does Ms. Freetly address the small size premium in her testimony?**

13 A. Yes. She states that since USI receives common equity infusions from a larger  
14 parent company, the small size premium is irrelevant<sup>28</sup>. Ms. Freetly's opinion is not  
15 true in regulation or in reality. The Commission should focus on the risk and return  
16 of the common equity investment in the Company's jurisdictional rate base,  
17 because it is the Company's rates that will be set in this proceeding. The fair rate  
18 of return must relate to where capital is invested, i.e. USI's rate base. In other  
19 words, it is the use of funds invested and not the source of those funds that gives  
20 rise to the risk of any investment. Therefore, the relevant risk reflected in the cost  
21 of capital must be that of the target Company, including the impact of its small size  
22 on common equity cost rate. As noted above, the Company is significantly smaller

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<sup>28</sup> Direct Testimony of Janis Freetly at 39.

1 than the average water group company based on total capitalization.

2 **Q. Does the financial literature support the basic financial principle that it is the**  
3 **use of the funds invested which gives rise to the risk of the investment, not**  
4 **the source of the funds?**

5 A. Yes. As Richard A. Brealey and Stewart C. Myers state in Principles of Corporate  
6 Finance<sup>29</sup>:

7 *But the company cost of capital rule can also get a firm into trouble if*  
8 *the new projects are more or less risky than its existing business. Each*  
9 *project should be evaluated at its own opportunity cost of capital. This*  
10 *is a clear implication of the value-additivity principle introduced in*  
11 *Chapter 7. For a firm composed of assets A and B, the firm value is*

12 
$$\text{Firm Value} = \text{PV}(AB) = \text{PV}(A) + \text{PV}(B) = \text{sum of separate asset}$$
  
13 
$$\text{values}$$

14  
15 Here PV(A) and PV(B) are valued just as if they were mini-firms in which  
16 stockholders could invest directly ...If the firm considers investing in a  
17 third project C, it should also value C as if C were a mini-firm. *That is,*  
18 *the firm should discount the cash flows of C at the expected rate of*  
19 *return that investors would demand to make a separate investment in*  
20 *C. The true cost of capital depends on the use to which the capital is*  
21 *put.* (italics added to first paragraph, italics in original text in last  
22 paragraph)

23  
24 In addition, Haim Levy and Marshall Sarnat<sup>30</sup> state:

25 The cost of capital and the discount rate are two concepts which are  
26 used throughout the book interchangeably. However, there is a  
27 distinction between the *firm's* cost of capital and specific *project's* cost  
28 of capital. (Italics contained in original text.)

29  
30 In any case where the risk profile of the individual projects differ from  
31 that of the firm, an adjustment should be made in the required discount  
32 rate, to reflect this deviation in the risk profile.

---

<sup>29</sup> Richard A. Brealey and Stewart C. Myers, Principles of Corporate Finance (McGraw-Hill Book Company, (1996) 204-205.

<sup>30</sup> Haim Levy and Marshall Sarnat, Capital Investments and Decisions, 5<sup>th</sup> Ed. (Prentice/Hall International, 1986) 464-465.

1  
2 It is fundamental that investors expect a return commensurate with the risk  
3 associated with where their capital is invested. Hence, the Company must be  
4 viewed on its own merits. As *Bluefield* so clearly states:

5 A public utility is entitled to such rates as will permit it to earn a return  
6 on the value of the property which it employs for the convenience of  
7 the public equal to that generally being made at the same time and  
8 in the same general part of the country on investments in other  
9 business undertakings which are attended by corresponding risks  
10 and uncertainties; . . .

11  
12 *Bluefield* is clear, then, that it is the “risks and uncertainties” surrounding the  
13 property employed for the “convenience of the public” that determine the  
14 appropriate level of rates and not the source of the capital financing that property.  
15 In this proceeding, the property employed “for the convenience of the public” is the  
16 rate base of USI. Therefore, it is the total investment risk of the Company and its  
17 rate base alone that is relevant.

18 **Q. For illustrative purposes, what would be the indicated size premium if you**  
19 **used Utilities, Inc.’s estimated market capitalization?**

20 A. As shown on page 1 of Schedule 10.08, the indicated size premium of Utilities,  
21 Inc., over the average company in Ms. Freetly’s proxy group would be 3.33%.

22 **Q. Is there another argument that ICC Staff witnesses typically use to reject a**  
23 **size adjustment?**

24 A. Yes. Typically, ICC Staff will argue that since the Ibbotson study is an empirical  
25 study that has no theoretical basis, to the extent that a correlation between size  
26 and return exists, that relationship is likely to be the result of some other factor or  
27 factors that are related to both size and return, such as liquidity or information

1 costs.

2 **Q. Have ICC Staff witnesses recommended adding liquidity premiums to their**  
3 **indicated ROEs in the past?**

4 A. Yes. In Docket 13-0079 involving Mt. Carmel Public Utility Company, Staff  
5 advocated for a 150 basis point liquidity premium. The premium was applied to the  
6 Company's ROE because neither they nor their parent had publicly traded stock.

7 **Q. Is the stock of either Utility Services of Illinois or its Parent, Utilities, Inc.**  
8 **publicly traded?**

9 A. No. In fact, Utilities, Inc.'s parent, Corix Utility Infrastructure Solutions ("Corix") is  
10 not publicly traded either. According to the criteria embodied in Docket No. 13-  
11 0079, USI should be afforded a liquidity premium.

12 **Q. What would Ms. Freetly's ROE recommendation be if she applied a similar**  
13 **150 basis point liquidity premium to her indicated ROE of 8.69%?**

14 A. Adding a 1.50% liquidity premium to Ms. Freetly's indicated ROE of 8.69% would  
15 result in an financial and liquidity adjusted ROE of 10.19%.

16 **V. CONCLUSIONS AND RECOMMENDATIONS**

17 **Q. What is the corrected indicated cost of common equity for USI?**

18 A. It is 9.53% as noted above. The 9.53% indicated ROE does not include relative  
19 risk adjustments for financial risk and small size relative to the proxy group.

20 **Q. What is the risk adjusted ROE applicable for USI?**

21 A. Applying the 0.19% credit risk adjustment advocated by Ms. Freetly results in a  
22 9.72% financial risk adjusted ROE. Adding a 0.40% size adjustment results in a  
23 financial and size risk adjusted ROE of 10.12%. The indicated ROE based on

1 correcting Ms. Freetly's analysis is 10.12% as illustrated in Schedule 10.09 and  
2 Table 3 below:

3  
4 **Table 3: Indicated ROE After Adjustments**

	<u>Result</u>	<u>Source</u>
DCF Analysis	8.58%	Schedule 10.06
CAPM Analysis	<u>10.48</u>	Schedule 10.07
Average	9.53%	
Financial Risk Adjustment	0.19	Freetly Test. at p. 37
Size Adjustment	<u>0.40</u>	Schedule 10.08
Indicated ROE	<u>10.12%</u>	

5  
6 **Q. Is it your opinion that an ROE of 10.12% provides adequate cash flow to both**  
7 **satisfy debt holders and attract new capital?**

8 A. Yes, I do.

9 **Q. Do you have methods to check the reasonability of your recommendation?**

10 A. Yes. First, please see Schedule 10.10, which illustrates the actual net interest  
11 coverage for all of Ms. Freetly's proxy group companies from their 2014 SEC Form  
12 10-K and USI based on Ms. Freetly's recommended Weighted Average Cost of  
13 Capital ("WACC") of 7.55%. Net interest coverage is defined as net operating  
14 income divided by interest expense. As shown on the Schedule, the net interest  
15 coverage<sup>31</sup> for USI based on Ms. Freetly's recommendation (2.58x) is lower than  
16 the average company in Ms. Freetly's proxy group (2.82x). If one adjusts USI's net  
17 interest coverage to be equivalent to the proxy group average and solves for net

---

<sup>31</sup> The interest that USI is responsible for, \$874,000, is derived by multiplying their percentage of total rate base by annual long-term debt interest. USI's rate base is \$26,636,121 compared with \$361,133,041 for UI consolidated (7.38% of total). 7.38% multiplied by UI's annual long-term debt interest cost, \$11,844,000 (from Freetly Schedule 5.3) equals approximately \$874,000.

1 operating income results in net operating income of \$2,464,680, which translates  
2 into a WACC of 8.25%, which almost exactly matches USI's requested WACC of  
3 8.26% in this proceeding. Applying the WACC to Staff's recommended capital  
4 structure results in a 10.15% ROE.

5 Second, in Docket 14-0419 involving Aqua IL, the ICC just authorized a  
6 9.81% ROE applicable to a 53.26% common equity ratio. Since the 9.81% ROE is  
7 applicable to a 53.26% common equity ratio, one can calculate an ROE applicable  
8 to USI's capital structure, given its amended common equity ratio of 50.30%<sup>32</sup>, all  
9 else equal.

10 Upward adjustments of 25 and 28 basis points to Aqua IL's authorized ROE  
11 of 9.81% are indicated based on the studies of Modigliani and Miller ("M&M") and  
12 Hamada, respectively. The M&M study<sup>33</sup> concludes that, regardless of capital  
13 structure, the pre-tax cost of capital remains constant while the Hamada study<sup>34</sup>  
14 concludes that differences in capital structure affects company betas. Page 1 of  
15 Schedule 10.11, describes the indicated 25 basis point upward adjustment derived  
16 by the M&M method and page 2 of Schedule 10.11 describes the indicated 28  
17 basis point adjustment derived by the Hamada equation. Applying these indicated  
18 financial risk adjustments to the 9.81% authorized ROE in Docket 14-0419 result  
19 in indicated ROEs from 10.06% to 10.09% applicable to USI's updated capital  
20 structure. I did not include a size adjustment due to the fact that the ICC implicitly  
21 used a size adjusted CAPM in their derivation of the 9.81% ROE for Aqua IL.

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<sup>32</sup> USI Exhibit No. 6.0, Schedule 2.0.

<sup>33</sup> Parcell, David C., *The Cost of Capital – A Practitioner's Guide*. pp. 47-49.

<sup>34</sup> Morin, pp. 221-224.

1 **Q. Please compare Ms. Freetly's corrected results with your reasonableness**  
2 **checks.**

3 A. Ms. Freetly's corrected ROE of 10.12% compares quite favorably with all of the  
4 reasonableness checks I have presented. A justified 150 basis point liquidity  
5 adjustment applied to Ms. Freetly's recommended ROE would result in a 10.19%  
6 risk adjusted ROE. An ROE of 10.15% is indicated based on the average net  
7 interest coverage of the proxy group and finally, the authorized ROE in Docket 14-  
8 0419 of 9.81% adjusted to be applicable to USI's capital structure ranges from  
9 10.06% to 10.09%. It is my opinion that the convergence of all of these measures  
10 are not mere coincidence and that the ROE applicable to USI in this case is in the  
11 range of 10.10% to 10.20%.

12 **Q. Does this conclude your rebuttal testimony?**

13 A. Yes.

**Dylan W. D'Ascendis, CRRA, CVA**  
**Managing Consultant**  
**Sussex Economic Advisors, LLC**

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Mr. D'Ascendis is an experienced consultant and Certified Rate of Return Analyst (CRRA) and Certified Valuation Analyst (CVA). He has experience in preparation of fair rate of return studies including capital structure determination, development of senior capital cost rates, as well as the determination of an appropriate rate of return on common equity on behalf of utility companies. He has submitted expert valuation reports for purposes of acquisition and for arbitration purposes. He has also assisted in the preparation of class cost of service, cash working capital, original cost and valuation studies, interrogatory responses, interrogatory requests of opposing witnesses, areas of cross-examination and rebuttal testimony in all areas discussed above. He has submitted expert testimony in the subjects of return on equity, capital structure, cost of service, rate design and valuation.

In his consulting experience, he was responsible for the data collection, distribution, marketing, and billing of a monthly utility report which provided comprehensive information on key ratios and industry rankings based upon financial statistics presented in the report for the electric, gas and water industries. Mr. D'Ascendis also assisted in the monthly maintenance and calculation of the American Gas Association (AGA) Index, a market capitalization weighted index of the common stocks of the approximately 70 corporate members of the AGA, which serves as the benchmark for the American Gas Index Fund (AGIF).

Mr. D'Ascendis has co-authored "Comparative Evaluation of the Predictive Risk Premium Model, the Discounted Cash Flow Model and the Capital Asset Pricing Model" and has contributed to a number of articles and textbooks. Mr. D'Ascendis has been invited to present to a number of national organizations such as the National Association of Utility Regulatory Commissioners (NARUC) and Edison Electric Institute (EEI).

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## **PROFESSIONAL HISTORY**

### **AUS Consultants (2008-2014)**

Principal

- Prepared fair rate of return and cost of capital exhibits which are filed in conjunction with expert testimony before various state and federal public utility regulatory bodies, which include the determination of an appropriate ratemaking capital structure and the development of embedded cost rates of senior capital as well as support the determination of a recommended return on common equity through the use of various market models, such as, but not limited to, Discounted Cash Flow analysis, Capital Asset Pricing Model and Risk Premium Methodology, as well as an assessment of the risk characteristics of the client utility.
- Assisted in the preparation of class cost of service, rate design, cash working capital, original cost and valuation studies, and responses to interrogatories received regarding such testimonies filed on behalf of client utilities.
- Evaluated opposition testimony following the filing of fair rate of return testimonies in order to

prepare interrogatory questions, areas of cross-examination, and rebuttal testimony.

- Evaluated and assisted in the preparation of briefs and exceptions following the hearing process.
- Evaluated the final orders and decisions of various commissions to determine whether further actions are warranted and to gain insight which may assist in the preparation of future rate of return studies.

Editor of AUS Utility Reports (formerly C. A. Turner Utility Reports)

- Responsible for the data collection, distribution, marketing, and billing of the AUS Monthly Utility Report, which provides comprehensive information on key ratios and industry rankings based upon financial statistics presented in the report for the electric, gas and water industries.
- Assisted in the calculation and production of the AGA Index, a market capitalization weighted index of the common stocks of the approximately 70 corporate members of the AGA.

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## **EDUCATION**

M.B.A., Rutgers University, Cum Laude, 2008

B.A., University of Pennsylvania, 2003

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## **PROFESSIONAL AFFILIATIONS**

National Association of Certified Valuators and Analysts

Society of Utility and Regulatory Financial Analysts

National Association of Water Companies

American Water Works Association

## **SPEAKING ENGAGEMENTS**

“Decoupling: Impact on the Risk and Cost of Common Equity of Public Utility Stocks”, before the Society of Utility and Regulatory Financial Analysts: 45<sup>th</sup> Financial Forum, April 17-18, 2013, Indianapolis, IN.

“Application of a New Risk Premium Model for Estimating the Cost of Common Equity”, Co-Presenter with Pauline M. Ahern, CRRRA, AUS Consultants, Edison Electric Institute Cost of Capital Working Group, October 3, 2012, Webinar.

“Application of a New Risk Premium Model for Estimating the Cost of Common Equity”, Co-Presenter with Pauline M. Ahern, CRRRA, AUS Consultants, Staff Subcommittee on Accounting and Finance of the National Association of Regulatory Commissioners, September 10, 2012, St. Paul, MN.

Chair – “Cost of Capital” - Advanced Workshop in Regulation and Competition, 31<sup>st</sup> Annual Eastern Conference of the Center for Research in Regulated Industries (CRRRI), May 18, 2012, Rutgers University, Shawnee on Delaware, PA.

## **PAPERS**

“Comparative Evaluation of the Predictive Risk Premium Model™, the Discounted Cash Flow Model and the Capital Asset Pricing Model”, co-authored with Pauline M. Ahern, CRRA, Richard A. Michelfelder, Ph.D. of Rutgers University and Frank J. Hanley, The Electricity Journal, May 2013.

“A New Approach for Estimating the Equity Risk Premium for Public Utilities”, co-authored with Frank J. Hanley and Richard A. Michelfelder, Ph.D., Rutgers University, The Journal of Regulatory Economics (December 2011), 40:261-278. (Research Assistant).

Utility Services of Illinois, Inc.  
Authorized ROEs of Water Utility Companies  
2013 - Present

Company	Common Equity Ratio	Allowed ROE	Date	Jurisdiction	Docket
Indiana American Water Company	41.55%	9.75% (1)	1/28/2015	Indiana	44450
Emporium Water Company	40.00%	10.00%	1/15/2015	Pennsylvania	R-2014-2402324
Cypress Lakes	47.12%	10.45% (1)	9/24/2014	Florida	130212-WS
Aqua Ohio, Inc.	NA	NA (1)	9/10/2014	Ohio	13-2124-WW-AIR
United Water New York	44.00%	9.00% (1)	6/26/2014	New York	13-W-0295
United Water New Rochelle / Westchester	44.00%	9.00%	6/26/2014	New York	13-W-0539/13-W-0564
Middlesex Water Company	50.71%	9.75% (1)	6/9/2014	New Jersey	WR13111059
Louisiana Water Service, Inc.	47.56%	10.40%	5/1/2014	Louisiana	U-32848
Utility Services of SC	NA	9.23% (1)	NA	South Carolina	2013-201-WS
United Utilities	NA	9.35% (1)	NA	South Carolina	2013-199-WS
Twin Lakes Utilities, Inc.	49.58%	9.80% (1)	4/1/2014	Indiana	44388
United Water Rhode Island	53.10%	9.65%	3/28/2014	Rhode Island	4434
Carolina Water Service, Inc. of NC	50.27%	9.75%	3/10/2014	North Carolina	W-354 SUB 336
Aqua North Carolina, Inc.	50.00%	9.75%	5/2/2014	North Carolina	W-218, Sub 363
Pineland Water Company	NA	9.75% (1)	3/20/2014	New Jersey	WR12080734
Pineland Wastewater Company	NA	9.75% (1)	3/20/2014	New Jersey	WR12080735
Carolina Water Service, Inc. of SC	47.56%	9.50% (1)	3/1/2014	South Carolina	2013-275-WS
Pioneer Water LLC	56.46%	10.50%	1/15/2014	Indiana	44309-U
Columbia Water Company	64.20%	9.75%	1/9/2014	Pennsylvania	R-2013-2360798
United Water New Jersey, Inc.	53.64%	9.75%	11/22/2013	New Jersey	WR13030210
Kentucky American Water Co.	44.70%	9.70% (1)	10/25/2013	Kentucky	2012-00520
Aquarion Water Company of Connecticut	51.53%	9.63%	9/24/2013	Connecticut	13-02-20
Arizona Water - Northern Group	51.10%	10.00%	9/20/2013	Arizona	W-01445A-12-0348
Apple Canyon Utility Company	49.76%	9.25%	9/1/2013	Illinois	12-0603
CWS Systems	50.00%	9.65%	8/30/2013	North Carolina	W-778, Sub 89
Montague	49.58%	9.75%	6/13/2013	New Jersey	WR12110983
Utilities, Inc. of Central Nevada	48.41%	9.71%	5/29/2013	Nevada	12-12033
San Gabriel Valley Water Co.	63.00%	9.79% (1)	5/13/2013	California	12-05-002
Park / Apple Valley Ranchos Water Cos.	57.00%	9.79% (1)	5/13/2013	California	12-05-001
Suburban Water Systems	60.00%	9.79% (1)	5/13/2013	California	12-05-003
Great Oaks Water Co.	70.00%	9.79% (1)	5/13/2013	California	12-05-004
Aqua VA - Sydnor Hydraulics, Inc.	NA	9.75% (1)	4/17/2013	Virginia	PUE-2011-00099
Holiday Hills Utilities, Inc.	NA	8.97%	2/21/2013	Illinois	11-SF
Arizona Water - Eastern Group	50.97%	10.55%	2/20/2013	Arizona	W-01445A-11-0210
Tega Cay Water Service, Inc.	NA	9.00%	2/13/2013	South Carolina	2012-177-WS
Air Acres Water System	100.00%	10.00% (1)	1/16/2013	Oregon	UW152, UI 324
Lake Marian Water	NA	8.97%	1/9/2013	Illinois	11-SF
Water Service Company of Indiana	NA	10.00%	3/1/2013	Indiana	
Average of all cases	53.06%	9.70%			
Average of all Stipulated Cases	56.27%	9.70%			
Average of all Fully-Litigated Cases	50.66%	9.70%			
Average of Illinois Cases	49.76%	9.06%			
Average of all other Cases	53.19%	9.76%			

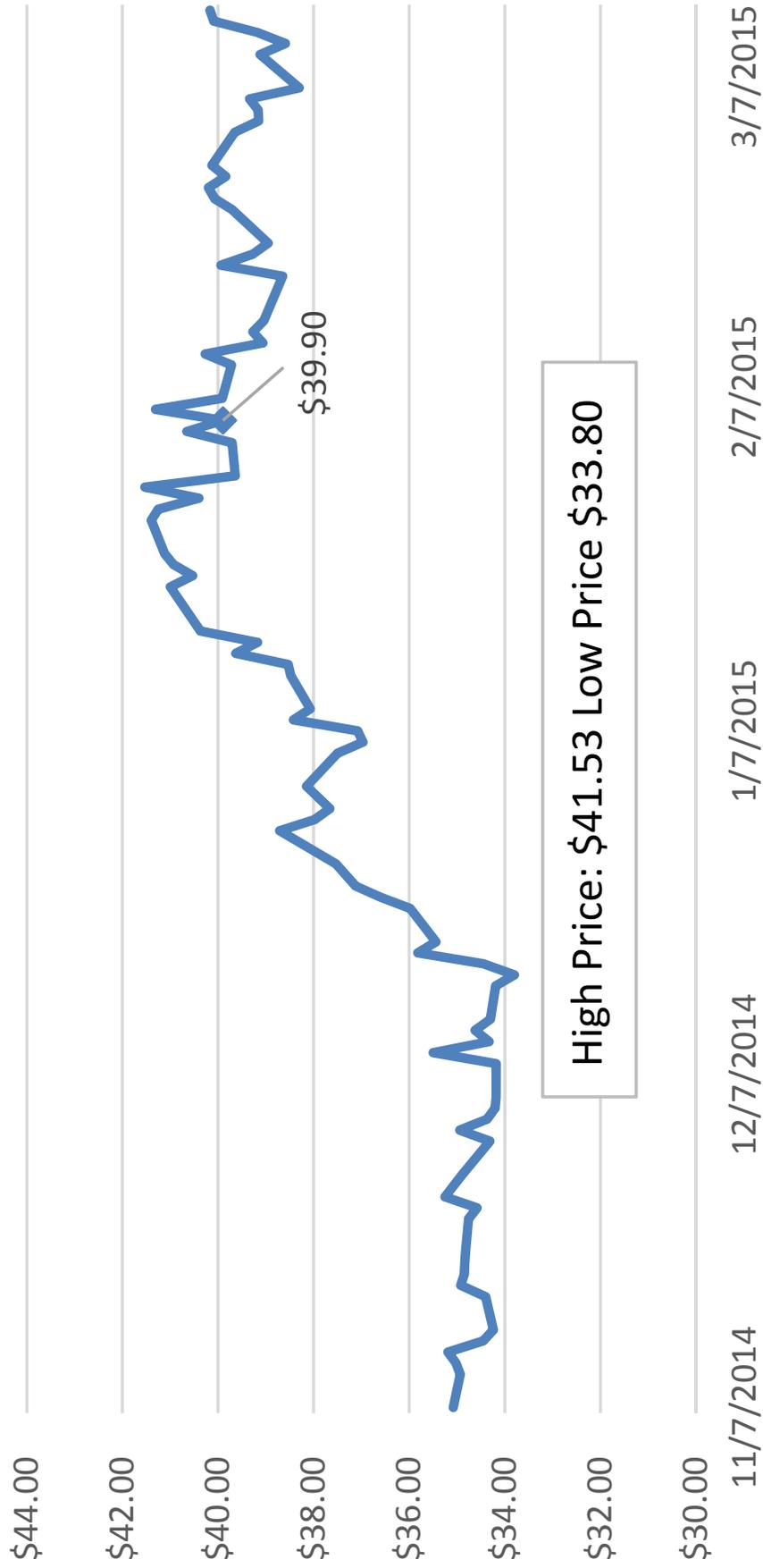
Notes: (1) Case was stipulated / settled.

Utility Services of Illinois, Inc.  
Comparison of Authorized ROEs and Equity Ratios  
for Utilities, Inc.  
Operating Subsidiaries

Utilities, Inc. Authorized ROE and Equity Ratios for its Operating Subsidiaries

Jurisdiction	Date Authorized	Authorized ROE	Authorized Equity Ratio	Weighted Equity Cost
Arizona	2/17/2012	8.82%	100.00%	8.82%
Florida	9/24/2014	10.45%	47.12%	4.92%
Illinois	9/1/2013	9.25%	49.76%	4.60%
Indiana	4/1/2014	9.80%	49.58%	4.86%
Kentucky	7/24/2014	NA	NA	NA
Louisiana	5/1/2014	10.40%	47.56%	4.95%
Maryland	9/5/2014	NA	NA	NA
Nevada	5/29/2013	9.71%	48.41%	4.70%
New Jersey	6/13/2013	9.75%	49.58%	4.83%
North Carolina	3/10/2014	9.75%	50.27%	4.90%
Pennsylvania	4/23/2014	NA	NA	NA
South Carolina	3/1/2014	9.50%	47.56%	4.52%
Virginia	10/18/2010	10.40%	42.09%	4.38%
Illinois Operations		9.25%	49.76%	4.60%
Average Excluding IL		9.84%	53.57%	5.27%
Difference		0.59%	3.81%	0.67%

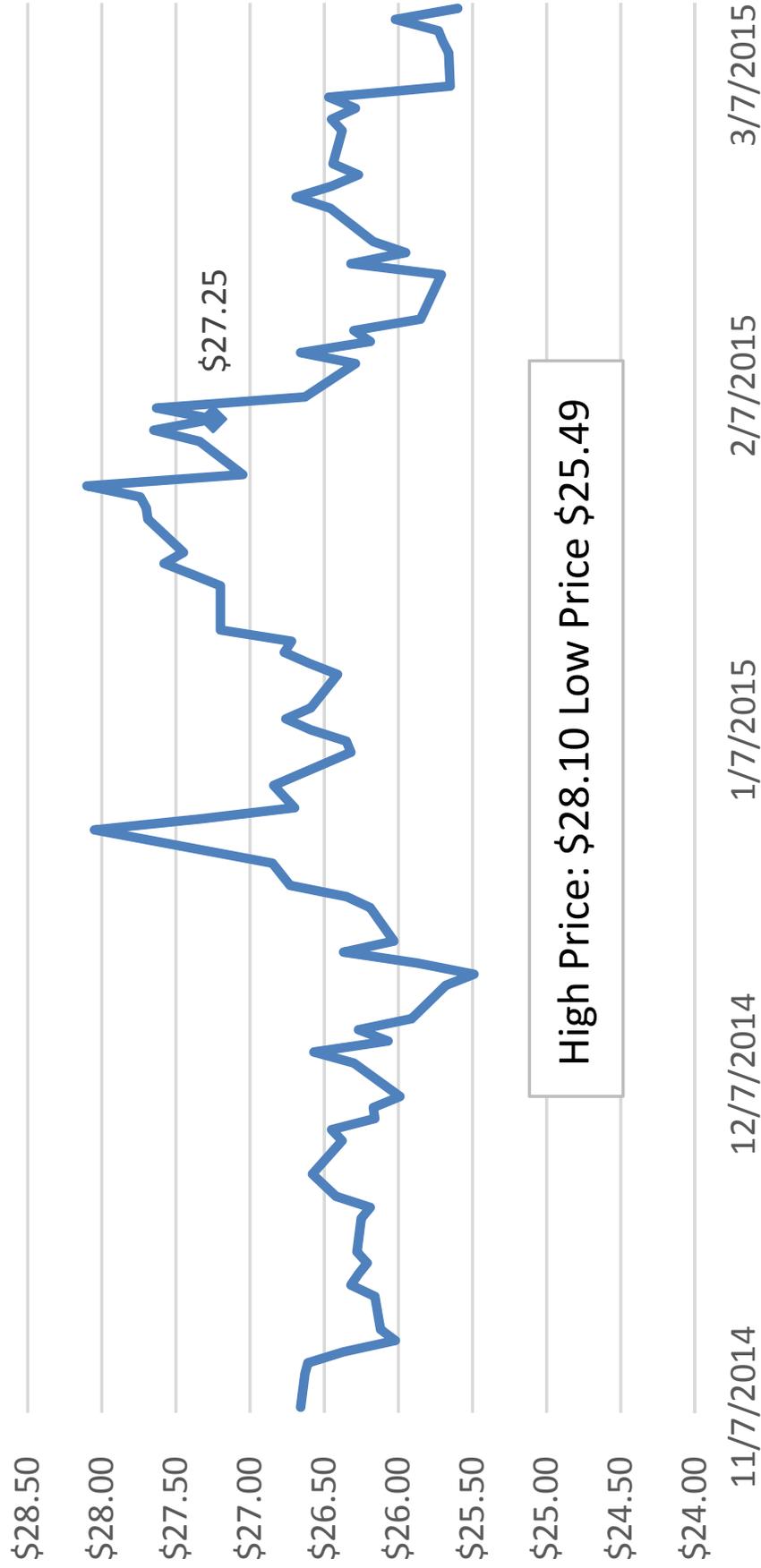
# AWR



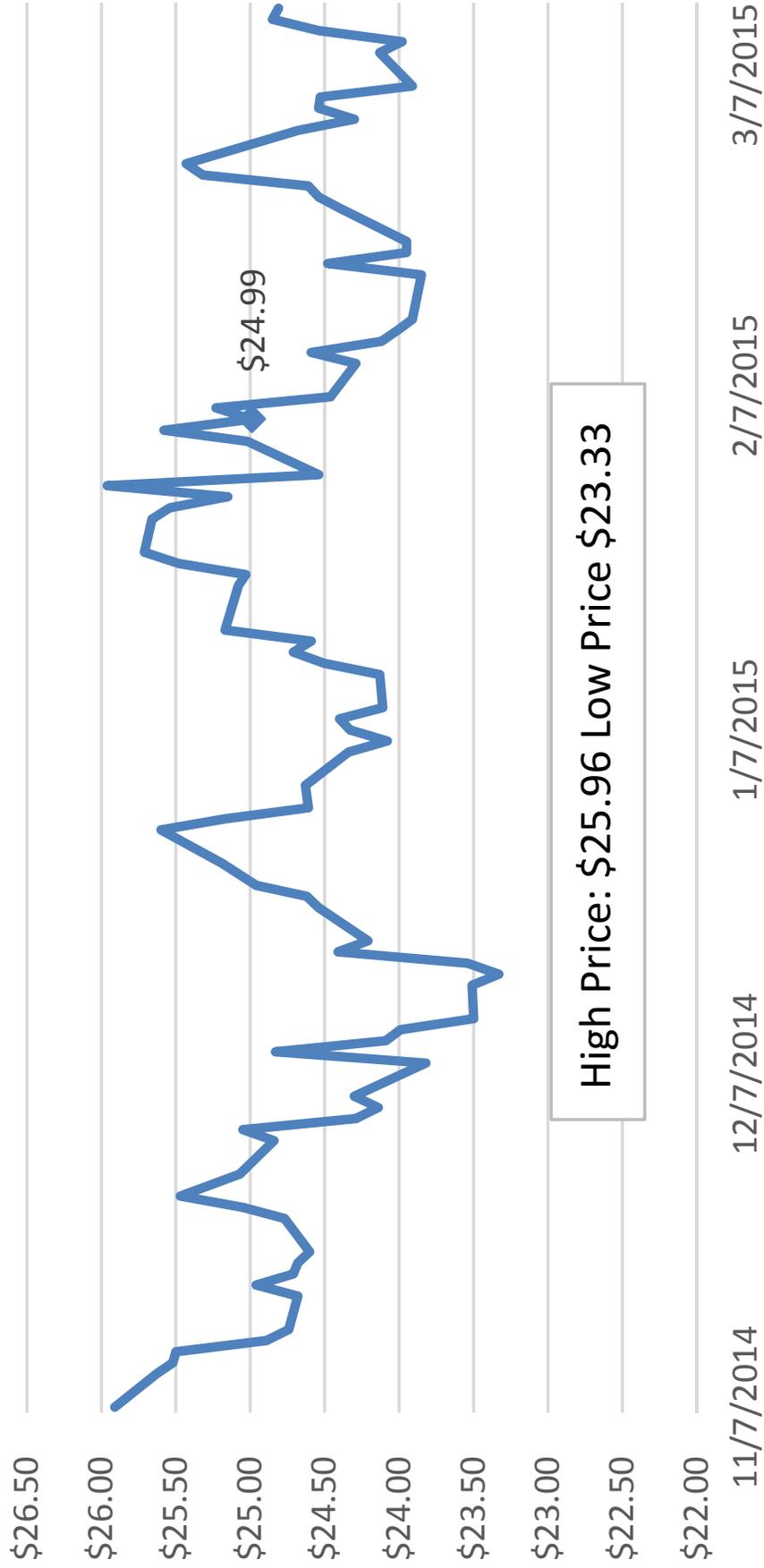
# AWK



# WTR



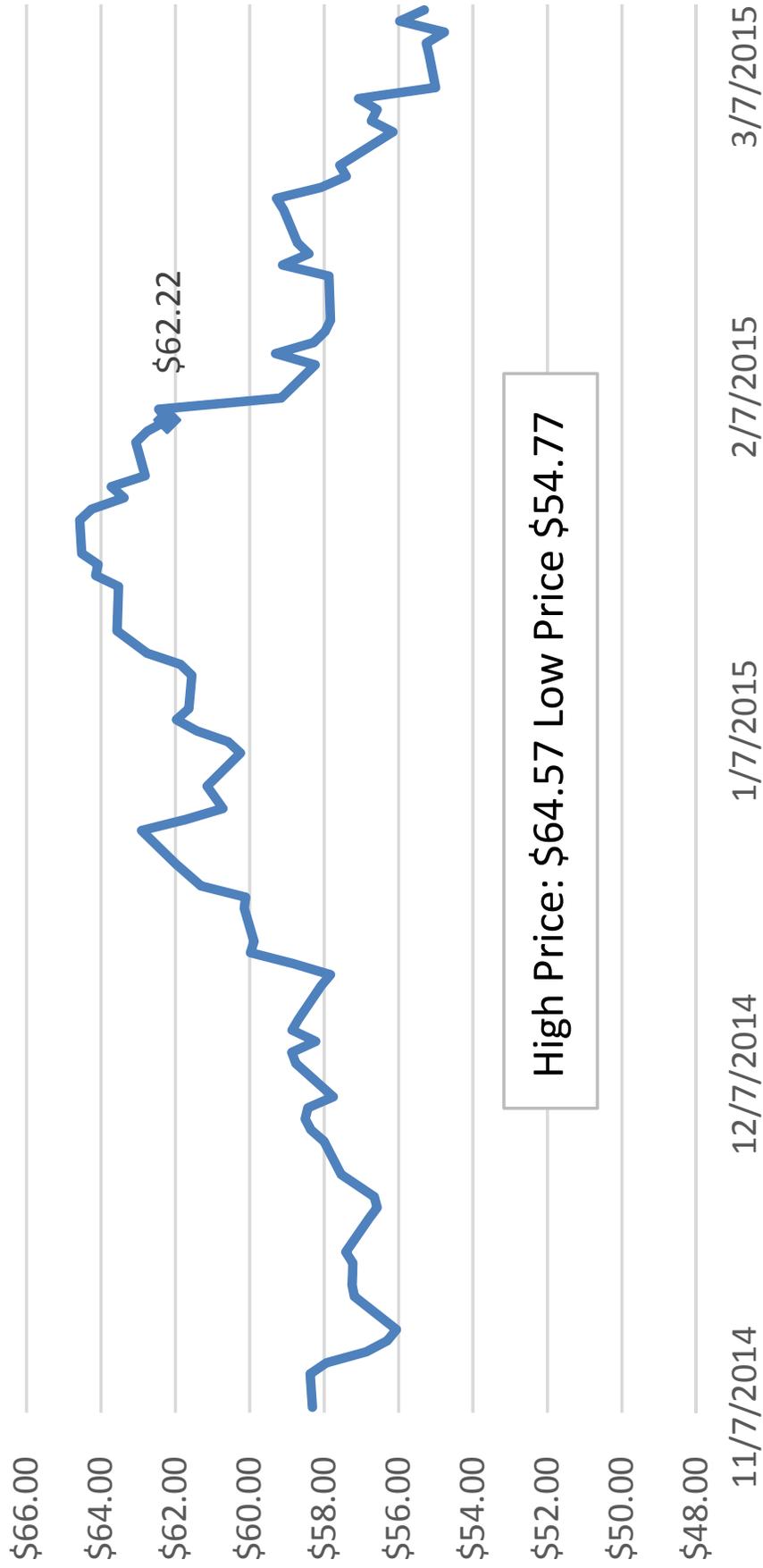
# CWT



# CTWS



# AEP



# EE

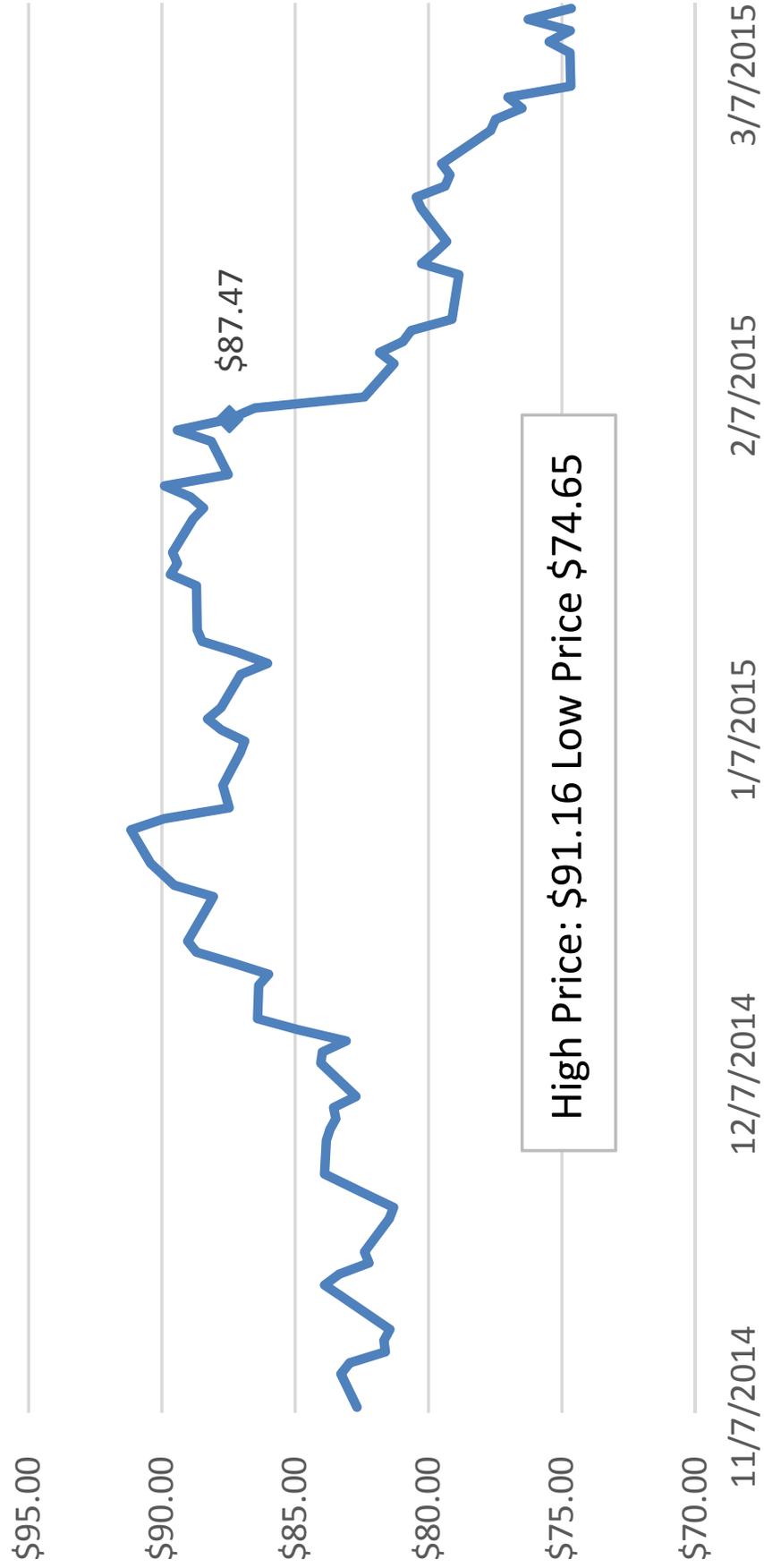


High Price: \$42.13 Low Price \$35.61

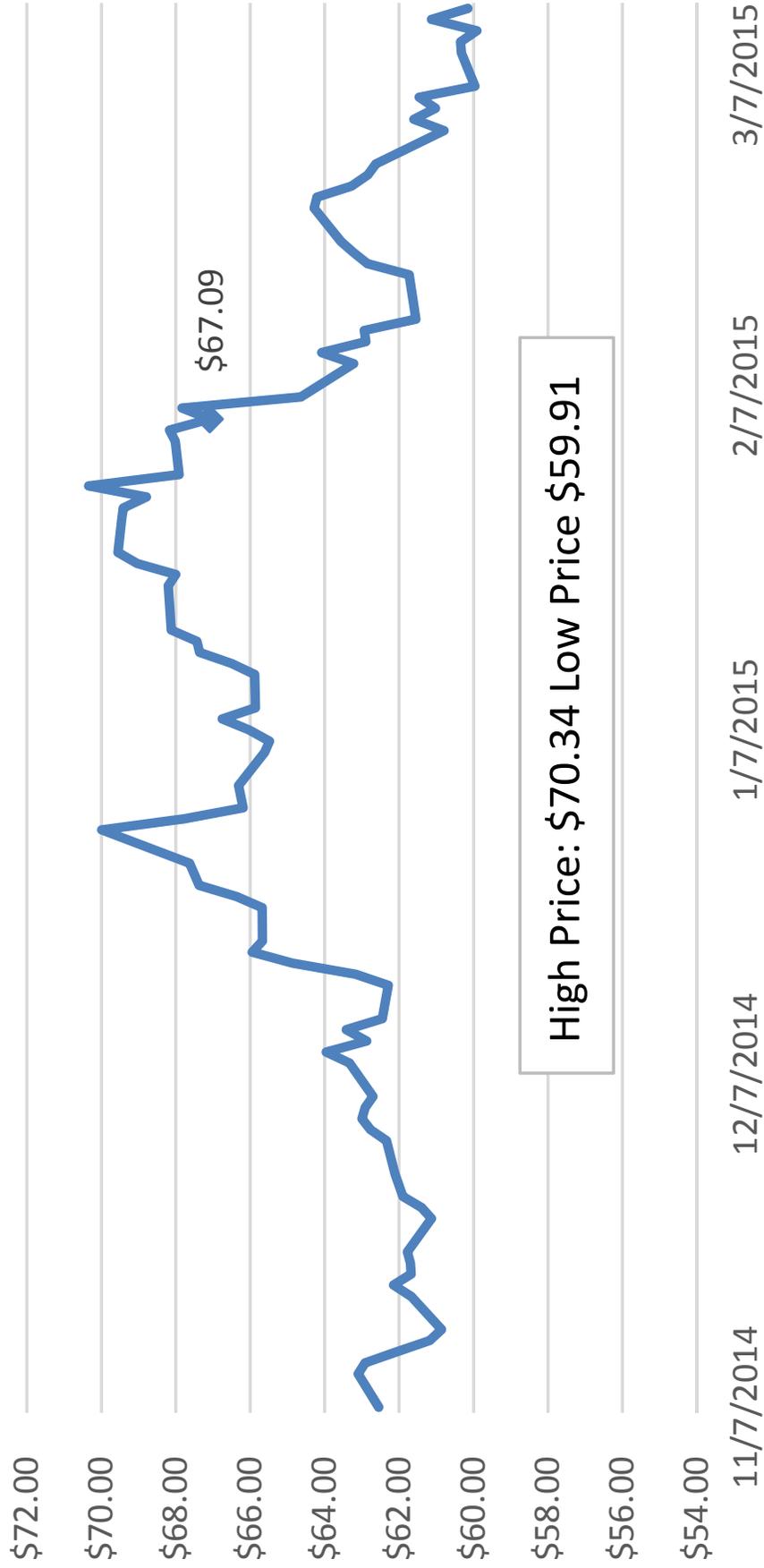
# EDE



# ETR



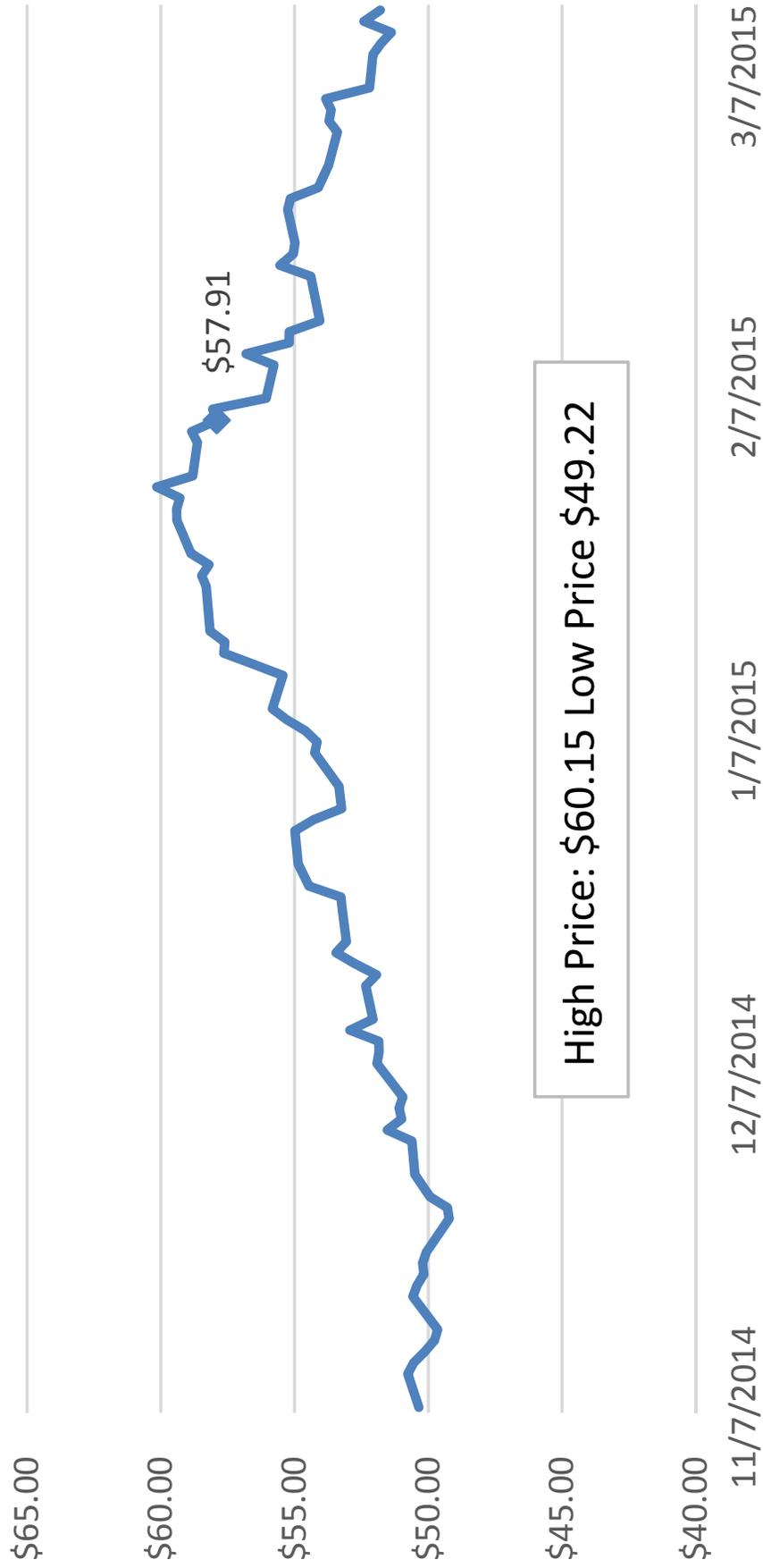
# IDA



# NI



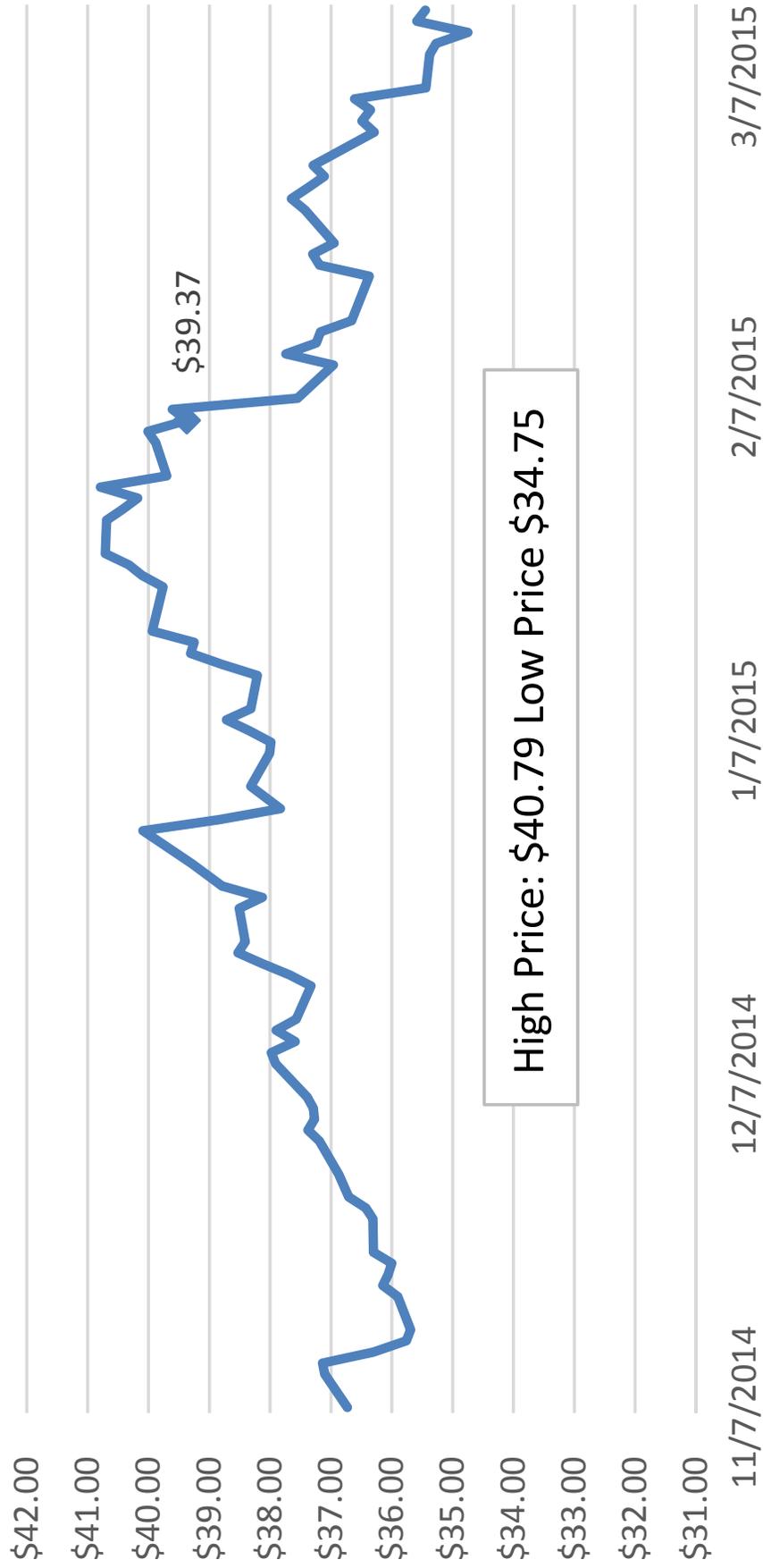
# PCG



# PNM



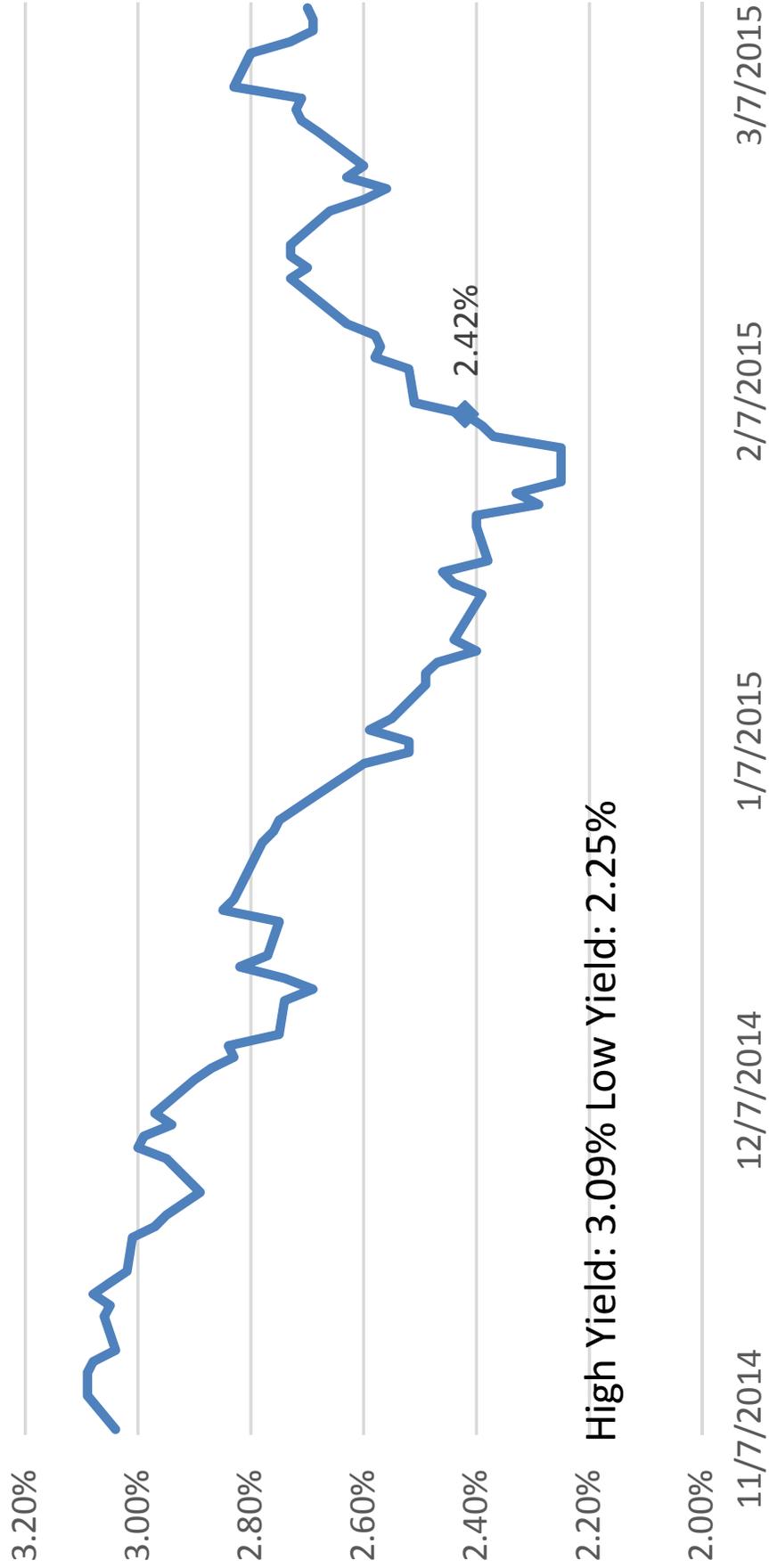
# POR



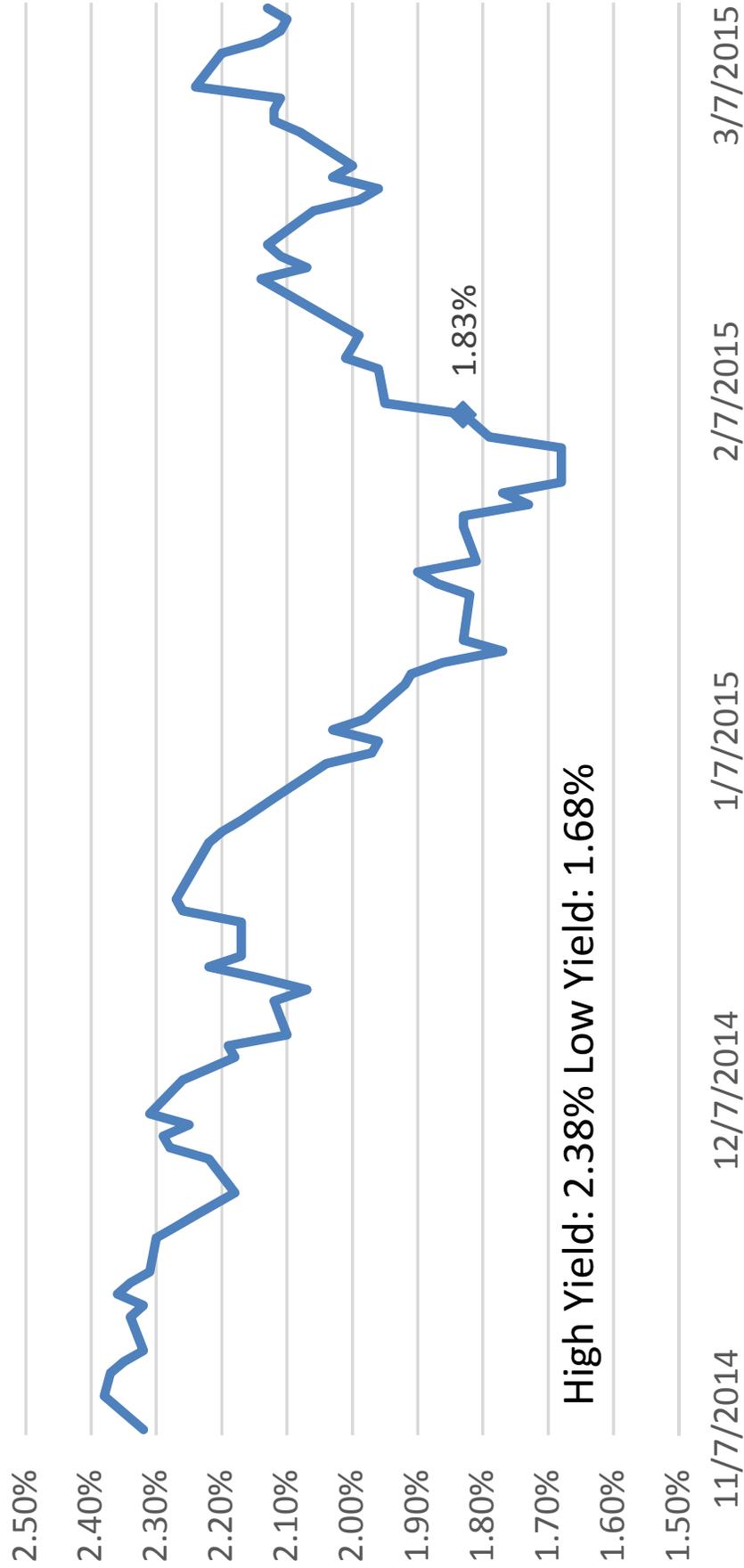
Code	Industry Title	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Change 2012/2013	Change 2008-2013	Change 1997-2013	
VA	Private goods-producing industries <sup>1</sup>	8,608,515	9,089,168	9,660,624	10,284,779	10,621,824	10,977,514	11,510,670	12,274,928	13,083,726	13,855,888	14,477,635	14,418,739	14,964,372	15,517,926	16,163,158	16,768,053	3,74%	4,07%	5,92%		
VA	Private services-producing industries <sup>2</sup>	7,459,395	7,894,015	8,403,164	8,956,010	9,223,548	9,489,527	9,950,967	10,627,989	11,366,297	12,045,446	12,572,387	12,716,179	12,926,507	13,348,439	13,971,970	14,556,407	4,18%	4,11%	5,95%		
VA	Information-communications-technology-producing industries <sup>3</sup>	1,067,796	99,940	82,808	98,517	100,027	95,800	116,075	142,895	128,571	128,345	141,989	137,655	137,655	137,655	195,280	226,635	16,06%	6,54%	6,77%		
VA	Agriculture, forestry, fishing, and hunting	95,144	81,363	84,261	110,473	125,162	113,411	140,083	167,861	226,646	273,405	314,018	290,349	331,720	398,632	406,690	439,398	8,04%	8,04%	22,61%		
VA	Mining	172,141	163,873	180,057	180,166	183,974	180,137	187,079	202,865	201,352	229,988	235,074	237,514	250,785	266,986	272,036	264,576	276,662	4,57%	4,06%	3,79%	
VA	Construction	3,900,088	4,351,125	4,483,708	4,555,335	4,478,483	4,948,856	5,271,133	5,675,529	6,684,228	6,986,228	7,149,988	7,149,988	7,726,712	8,002,421	8,114,120	8,114,120	8,114,120	5,67%	1,70%	2,81%	
VA	Manufacturing	1,390,088	1,435,125	1,483,708	1,555,335	1,478,483	1,948,856	2,271,133	2,675,529	3,684,228	3,986,228	4,149,988	4,149,988	4,726,712	5,002,421	5,114,120	5,114,120	5,114,120	5,67%	1,70%	2,81%	
VA	Wholesale trade	530,163	565,537	585,912	624,982	617,923	617,210	647,140	703,487	759,368	815,675	867,814	867,814	882,846	897,257	907,311	995,583	2,028,481	1,70%	2,81%	5,12%	
VA	Retail trade	588,376	635,762	661,729	695,614	713,514	738,289	775,840	802,663	848,767	878,066	878,066	878,066	882,846	897,257	907,311	995,583	998,486	3,40%	4,66%	5,52%	
VA	Transportation and warehousing	256,054	278,230	288,277	305,615	307,765	305,254	320,862	351,124	375,119	407,597	407,597	407,597	422,352	446,857	464,130	481,439	971,357	4,16%	2,34%	4,07%	
VA	Information	395,716	435,477	486,117	472,222	501,212	549,460	563,974	620,785	641,063	649,017	702,387	702,387	705,347	728,431	741,604	779,185	481,439	3,73%	2,42%	5,06%	
VA	Finance, insurance, real estate, rental, and leasing	1,623,098	1,722,982	1,852,948	1,992,384	2,156,688	2,246,377	2,331,730	2,424,253	2,641,063	2,770,707	2,877,106	2,877,106	2,874,032	3,052,428	3,218,172	3,381,737	3,381,737	5,08%	4,39%	6,77%	
VA	Professional and business services	845,502	919,411	1,002,958	1,111,168	1,161,448	1,195,477	1,248,286	1,340,537	1,442,711	1,541,585	1,647,218	1,647,218	1,661,133	1,812,629	1,917,440	1,981,713	3,35%	5,31%	8,40%		
VA	Educational services, health care, and social assistance	581,189	605,718	641,757	681,448	733,629	791,366	844,545	905,587	949,879	1,012,912	1,064,588	1,064,588	1,214,033	1,248,460	1,287,042	1,333,546	1,380,352	3,51%	5,83%	8,59%	
VA	Arts, entertainment, recreation, accommodation, and food services	301,639	321,320	353,300	385,823	389,251	413,199	432,226	461,447	481,271	509,974	532,105	532,105	522,304	540,671	561,380	595,350	621,719	4,43%	3,86%	6,63%	
VA	Government	1,149,121	1,195,152	1,257,462	1,328,768	1,398,277	1,477,987	1,559,702	1,646,938	1,727,430	1,810,443	1,905,245	1,905,245	2,065,760	2,169,488	2,169,488	2,191,188	2,211,647	0,93%	3,81%	5,78%	
VA	Private goods-producing industries <sup>1</sup>	1,934,724	1,986,890	2,089,172	2,226,663	2,191,680	2,176,816	2,314,385	2,516,944	2,713,495	2,904,200	3,025,336	3,025,336	3,023,066	2,732,011	2,864,139	3,183,229	3,314,438	4,12%	3,52%	4,46%	
VA	Private services-producing industries <sup>2</sup>	5,524,670	5,897,126	6,313,992	6,729,347	7,031,868	7,322,712	7,636,582	8,111,046	8,652,802	9,141,245	9,547,052	9,547,052	9,693,083	9,620,968	10,298,641	10,788,741	11,241,969	4,20%	4,29%	6,47%	
VA	Information-communications-technology-producing industries <sup>3</sup>	507,600	540,460	571,600	623,992	605,159	623,135	659,318	713,912	762,416	800,324	851,667	851,667	884,031	852,393	876,282	894,087	919,107	962,538	4,73%	3,87%	5,60%
VA	Value added as a percentage of gross domestic product (Percent)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				
VAPCT	Private goods-producing industries <sup>1</sup>	86.9	87.0	87.1	87.1	86.8	86.5	86.4	86.6	86.8	86.9	86.8	86.8	86.4	85.7	86.0	86.4	86.8				
VAPCT	Private services-producing industries <sup>2</sup>	1.1	0.9	0.9	1.1	1.2	1.0	1.2	1.4	1.7	2.0	2.2	2.2	2.0	2.2	2.6	2.5	2.6				
VAPCT	Information-communications-technology-producing industries <sup>3</sup>	2.0	1.8	1.9	1.9	1.7	1.6	1.6	1.7	1.5	1.7	1.6	1.6	1.6	1.7	1.8	1.6	1.6				
VAPCT	Agriculture, forestry, fishing, and hunting	4.0	4.2	4.3	4.5	4.6	4.5	4.6	4.8	5.0	5.0	4.9	4.4	4.0	4.0	3.6	3.6	3.7				
VAPCT	Mining	16.1	15.8	15.5	15.1	15.9	13.4	13.3	13.2	13.0	13.0	12.8	12.8	12.0	12.0	12.2	12.3	12.3				
VAPCT	Manufacturing	6.8	7.0	7.0	6.8	6.7	6.7	6.5	6.5	6.5	6.3	6.3	6.3	5.9	5.9	5.9	5.9	5.8				
VAPCT	Wholesale trade	3.0	3.1	3.0	3.0	2.9	2.8	2.8	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8	2.9	2.9				
VAPCT	Retail trade	3.0	3.1	3.0	3.0	2.9	2.8	2.8	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.9	2.9	2.9				
VAPCT	Transportation and warehousing	4.6	4.8	5.0	4.6	4.7	5.0	4.9	5.1	4.9	4.7	4.9	4.9	4.9	4.9	4.7	4.6	4.6				
VAPCT	Information	18.9	19.0	19.2	19.4	20.3	20.5	20.3	20.2	20.2	20.0	19.9	19.7	19.9	19.7	19.7	19.9	20.2				
VAPCT	Finance, insurance, real estate, rental, and leasing	9.8	10.1	10.4	10.8	10.9	10.9	10.8	10.9	11.0	11.1	11.4	11.4	11.5	11.5	11.7	11.9	11.8				
VAPCT	Professional and business services	10.1	10.4	10.8	11.1	11.2	11.1	11.4	11.5	11.6	11.7	12.0	12.0	12.0	12.0	12.2	12.3	12.3				
VAPCT	Educational services, health care, and social assistance	3.5	3.5	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.7	3.7				
VAPCT	Arts, entertainment, recreation, accommodation, and food services	3.5	3.5	3.7	3.8	3.8	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.7	3.7				
VAPCT	Government	13.3	13.1	13.0	12.9	13.2	13.5	13.6	13.4	13.2	13.1	13.2	13.2	14.3	14.3	14.0	13.6	13.2				
VAPCT	AdSense																					
VAPCT	Private goods-producing industries <sup>1</sup>	22.5	22.0	21.6	21.7	20.6	19.8	20.1	20.5	20.7	21.0	20.9	20.9	20.5	18.9	19.1	19.7	19.7				
VAPCT	Private services-producing industries <sup>2</sup>	64.2	64.9	65.4	65.4	66.2	66.7	66.3	66.1	66.1	66.0	65.9	65.9	66.7	66.6	66.4	66.7	67.0				
VAPCT	Information-communications-technology-producing industries <sup>3</sup>	5.9	5.9	5.9	6.1	5.7	5.7	5.7	5.8	5.8	5.8	5.9	5.9	5.9	5.9	5.8	5.7	5.7				

Code	Industry Title	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Change 2012/2013	Change 2008-2013	Change 1997-2013
VA	Private goods-producing industries <sup>1</sup>	8,608,515	9,089,168	9,660,624	10,284,779	10,621,824	10,977,514	11,510,670	12,274,928	13,083,726	13,855,888	14,477,635	14,418,739	14,964,372	15,517,926	16,163,158	16,768,053	3,74%	4,07%	5,92%	
VA	Private services-producing industries <sup>2</sup>	7,459,395	7,894,015	8,403,164	8,956,010	9,223,548	9,489,527	9,950,967	10,627,989	11,366,297	12,045,446	12,572,387	12,716,179	12,926,507	13,348,439	13,971,970	14,556,407	4,18%	4,11%	5,95%	
VA	Information-communications-technology-producing industries <sup>3</sup>	1,067,796	99,940	82,808	98,517	100,027	95,800	116,075	142,895	128,571	128,345	141,989	137,655	137,655	137,655	195,280	226,635	16,06%	6,54%	6,77%	
VA	Agriculture, forestry, fishing, and hunting	95,144	81,363	84,261	110,473	125,162	113,411	140,083	167,861	226,646	273,405	314,018	290,349	331,720	398,632	406,690	439,398	8,04%	8,04%	22,61%	
VA	Mining	172,141	163,873	180,057	180,166	183,974	180,137	187,079	202,865	201,352	229,988	235,074	237,514	250,785	266,986	272,036	264,576	276,662	4,57%	4,06%	3,79%
VA	Construction	3,900,088	4,351,125	4,483,708	4,555,335	4,478,483	4,948,856	5,271,133	5,675,529	6,684,228	6,986,228	7,149,988	7,149,988	7,726,712	8,002,421	8,114,120	8,114,120	8,114,120	5,67%	1,70%	2,81%
VA	Manufacturing	1,390,088	1,435,125	1,483,708	1,555,335	1,478,483	1,948,856	2,271,133	2,675,529	3,684,228	3,986,228	4,149,988	4,149,988	4,726,712	5,002,421	5,114,120	5,114,120	5,114,120	5,67%	1,70%	2,81%
VA	Wholesale trade	530,163	565,537	585,912	624,982	617,923	617,210	647,140	703,												

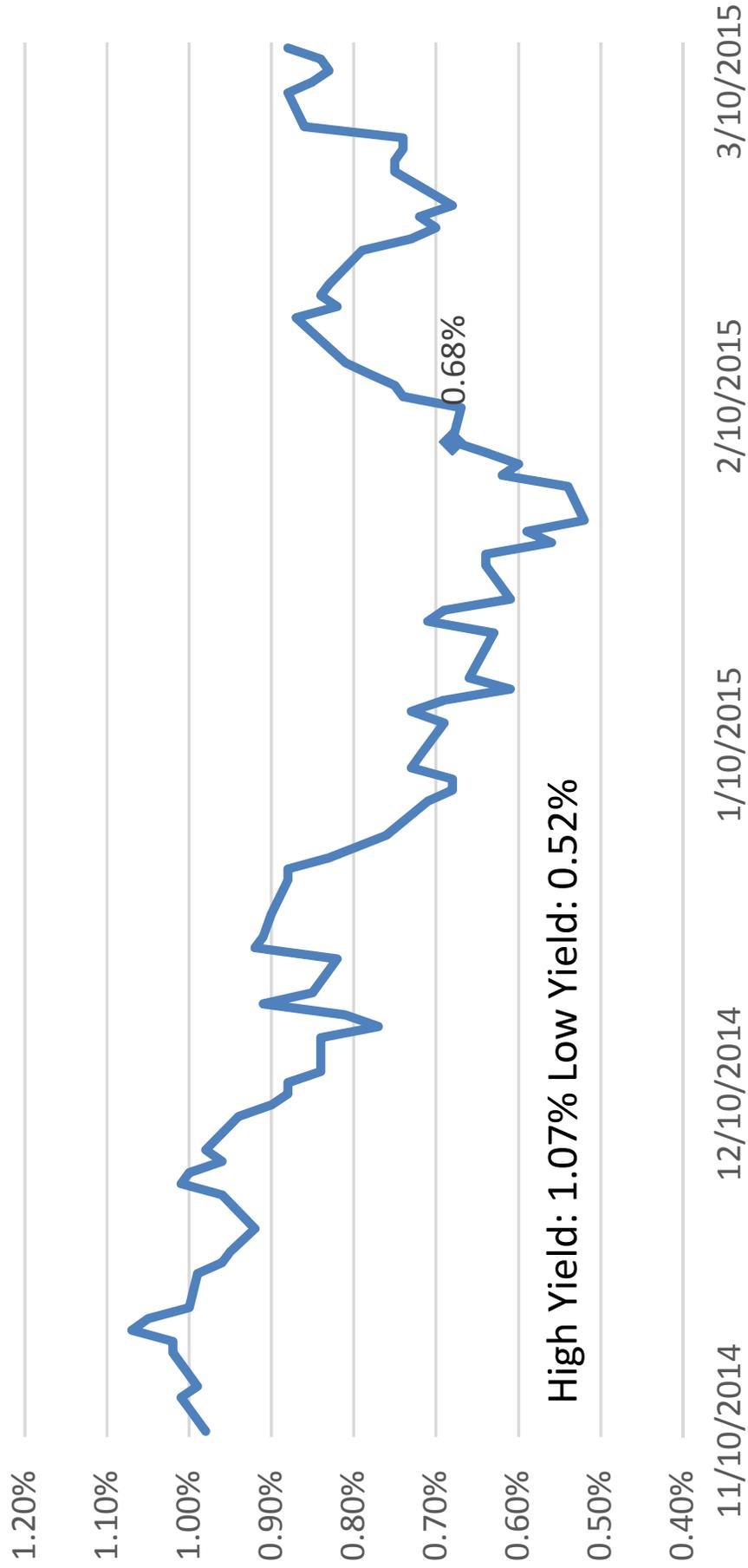
### 30 yr T-Bond



# 10 yr T-Bond

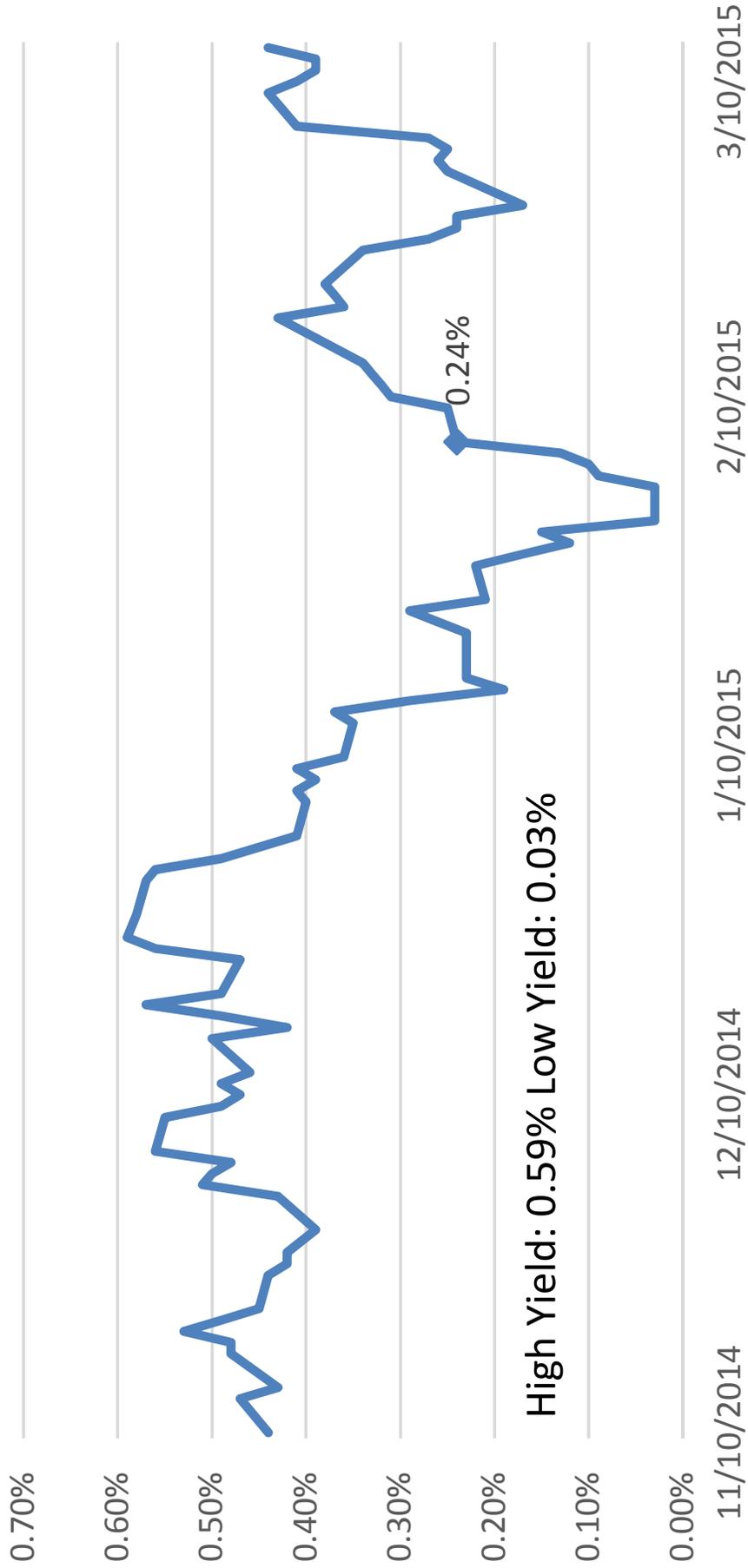


# 30 yr TIPS



High Yield: 1.07% Low Yield: 0.52%

# 10 yr TIPS



High Yield: 0.59% Low Yield: 0.03%

Utility Services of Illinois, Inc.  
Indicated ROE using the DCF Model  
After Corrections Attributable to  
Ms. Freetly's Proxy Group Companies

<u>Company</u>	<u>Constant DCF Estimate</u>	<u>Nonconstant DCF Estimate</u>
American States Water	4.39%	7.43%
American Water Works	10.58%	8.44%
Aqua America	7.07%	7.96%
California Water Service	8.82%	8.39%
Connecticut Water Service	8.04%	8.47%
American Electric Power	8.62%	9.10%
El Paso Electric Co.	9.77%	8.83%
Empire District Electric	6.63%	8.69%
Entergy Corp.	5.63%	8.77%
IDACORP	6.92%	8.24%
NiSource Inc.	8.09%	8.12%
PG&E Corp.	12.00%	9.85%
PNM Resources	12.17%	9.06%
Portland General Electric Co.	<u>11.11%</u>	<u>9.17%</u>
Average	<u>8.56%</u>	<u>8.61%</u>

Indicated DCF Result 8.58%

Utility Service of Illinois, Inc.  
Correction of Ms. Freetly's CAPM Analysis  
Using Projected Growth Rates, the Total Return on the Market  
and the use of the Empirical Capital Asset Pricing Model ("ECAPM")

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Company Name	Value Line Beta	Zacks Adjusted Beta	Average Beta (1)	Projected Return on the Market (2)	Risk-Free Rate (3)	Market Risk Premium (4)	Traditional CAPM Result	Empirical CAPM Result (5)	CAPM Result (6)
American States Water	0.70	0.79	0.74	13.10%	3.65%	9.45%	10.68%	11.29%	
American Water Works	0.70	0.48	0.59	13.10%	3.65%	9.45%	9.24%	10.21%	
Aqua America	0.70	0.64	0.67	13.10%	3.65%	9.45%	9.99%	10.77%	
California Water Service	0.70	0.73	0.72	13.10%	3.65%	9.45%	10.43%	11.10%	
Connecticut Water Service	0.65	0.72	0.68	13.10%	3.65%	9.45%	10.10%	10.85%	
American Electric Power	0.70	0.56	0.63	13.10%	3.65%	9.45%	9.62%	10.49%	
El Paso Electric Co.	0.70	0.61	0.65	13.10%	3.65%	9.45%	9.84%	10.65%	
Empire District Electric	0.70	0.60	0.65	13.10%	3.65%	9.45%	9.81%	10.63%	
Entergy Corp.	0.70	0.56	0.63	13.10%	3.65%	9.45%	9.59%	10.47%	
IDACORP	0.80	0.73	0.77	13.10%	3.65%	9.45%	10.90%	11.45%	
NiSource Inc.	0.85	0.61	0.73	13.10%	3.65%	9.45%	10.55%	11.18%	
PG&E Corp.	0.65	0.51	0.58	13.10%	3.65%	9.45%	9.13%	10.12%	
PNM Resources	0.85	0.72	0.78	13.10%	3.65%	9.45%	11.05%	11.56%	
Portland General Electric Co.	0.80	0.65	0.72	13.10%	3.65%	9.45%	10.50%	11.15%	
		Average	0.68				10.10%	10.85%	10.48%

Notes:

- (1) Average of Columns [1] and [2].
- (2) From page 2 of this Exhibit.
- (3) Forecasted yield on 30 year Treasury bonds as reported by Blue Chip Financial Forecasts.

First Quarter 2015	2.70%
Second Quarter 2015	2.90%
Third Quarter 2015	3.10%
Fourth Quarter 2015	3.30%
First Quarter 2016	3.50%
Second Quarter 2016	3.70%
2016-2020	4.90%
2021-2025	5.10%
Average	3.65%

- (4) Column [4] - Column [5].
- (5) The ECAPM is expressed by the following equation:  $rf + (0.75 * (b * (MRP))) + (.25 * (MRP)) = k$
- (6) Average of Columns [7] and [8].

Sources of Information: Blue Chip Financial Forecasts, December 1, 2014 and February 1, 2015  
Freetly workpapers

Utility Services of Illinois, Inc.  
Derivation of the Total Return on the Market for use in the CAPM

Div.	Freq.	Symbol	Name	price	ann div	per div	per yld	growth	per gr	per yld1	per roe	ann roe	weight	adj wt	wt roe	
	1	4	MMM	3M Company	\$164.32	\$4.10	1.025	0.62%	11.06%	2.66%	0.64%	3.30%	13.86%	0.0054	0.54%	0.07%
	2	4	ABT	Abbott Labs	\$45.02	\$0.96	0.240	0.53%	10.48%	2.52%	0.55%	3.07%	12.85%	0.0035	0.35%	0.04%
	3	4	ABBV	AbbVie Inc.	\$65.44	\$1.96	0.490	0.75%	10.80%	2.60%	0.77%	3.37%	14.16%	0.0053	0.54%	0.08%
	4	2	ACN	Accenture PLC	\$89.31	\$2.04	1.020	1.14%	9.72%	4.75%	1.20%	5.94%	12.24%	0.0029	0.29%	0.04%
	5	4	ACE	ACE Limited	\$114.88	\$2.60	0.650	0.57%	10.00%	2.41%	0.58%	2.99%	12.51%	0.0020	0.20%	0.02%
	6	4	ADT	ADT Corp.	\$36.23	\$0.80	0.200	0.55%	6.15%	1.50%	0.56%	2.06%	8.51%	0.0003	0.03%	0.00%
	7	4	AES	AES Corp.	\$13.77	\$0.40	0.100	0.73%	3.12%	0.77%	0.73%	1.50%	6.15%	0.0005	0.05%	0.00%
	8	4	AET	Aetna Inc. (New)	\$88.83	\$1.00	0.250	0.28%	10.34%	2.49%	0.29%	2.78%	11.59%	0.0016	0.16%	0.02%
	9	4	AFL	AFLAC Corporation	\$61.09	\$1.56	0.390	0.64%	6.40%	1.56%	0.65%	2.21%	9.14%	0.0014	0.14%	0.01%
	10	4	A	Agilent Technologies	\$40.94	\$0.40	0.100	0.24%	11.00%	2.64%	0.25%	2.89%	12.09%	0.0007	0.07%	0.01%
	11	4	GAS	AGL Resources	\$54.51	\$1.96	0.490	0.90%	4.00%	0.99%	0.91%	1.89%	7.79%	0.0003	0.03%	0.00%
	12	4	APD	Air Products & Chemicals	\$144.23	\$3.08	0.770	0.53%	11.75%	2.82%	0.55%	3.37%	14.16%	0.0016	0.16%	0.02%
	13	4	ARG	Airgas Inc.	\$115.18	\$2.20	0.550	0.48%	11.83%	2.83%	0.49%	3.33%	13.98%	0.0004	0.04%	0.01%
	14	4	AA	Alcoa Inc	\$15.79	\$0.12	0.030	0.19%	8.50%	2.06%	0.19%	2.25%	9.33%	0.0010	0.10%	0.01%
	15	4	ATI	Allegheny Technologies In	\$34.77	\$0.72	0.180	0.52%	15.00%	3.56%	0.54%	4.09%	17.40%	0.0002	0.02%	0.00%
	16	4	AGN	Allergan, Inc.	\$212.59	\$0.20	0.050	0.02%	18.43%	4.32%	0.02%	4.34%	18.54%	0.0032	0.33%	0.06%
	17	4	ALL	Allstate Corp.	\$70.25	\$1.12	0.280	0.40%	7.80%	1.90%	0.41%	2.30%	9.53%	0.0015	0.15%	0.01%
	18	4	ALTR	Altera Corp.	\$36.94	\$0.72	0.180	0.49%	13.60%	3.24%	0.50%	3.74%	15.83%	0.0006	0.06%	0.01%
	19	4	MO	Altria Group, Inc.	\$49.27	\$2.08	0.520	1.06%	7.36%	1.79%	1.07%	2.87%	11.96%	0.0050	0.50%	0.06%
	20	4	AEE	Ameren Corporation	\$46.13	\$1.64	0.410	0.89%	8.30%	2.01%	0.91%	2.92%	12.20%	0.0006	0.06%	0.01%
	21	4	AEP	American Electric Power	\$60.72	\$2.12	0.530	0.87%	4.92%	1.21%	0.88%	2.09%	8.83%	0.0015	0.15%	0.01%
	22	4	AXP	American Express	\$93.04	\$1.04	0.260	0.28%	10.95%	2.63%	0.29%	2.92%	12.20%	0.0049	0.50%	0.06%
	23	4	AIG	American Int'l. Group	\$56.01	\$0.50	0.125	0.22%	10.55%	2.54%	0.23%	2.77%	11.54%	0.0040	0.40%	0.05%
	24	4	AMT	American Tower Corp.	\$98.85	\$1.52	0.380	0.38%	19.95%	4.65%	0.40%	5.05%	21.81%	0.0020	0.20%	0.04%
	25	4	AMP	Ameriprise Financial, Inc.	\$132.25	\$2.32	0.580	0.44%	16.20%	3.82%	0.46%	4.28%	18.25%	0.0013	0.13%	0.02%
	26	4	ABC	AmerisourceBergen Corp.	\$90.16	\$1.16	0.290	0.32%	11.99%	2.87%	0.33%	3.20%	13.44%	0.0010	0.10%	0.01%
	27	4	AME	Ametek Inc.	\$52.63	\$0.36	0.090	0.17%	16.00%	3.78%	0.18%	3.96%	16.80%	0.0007	0.07%	0.01%
	28	4	AMGN	Amgen	\$159.29	\$3.16	0.790	0.50%	8.88%	2.15%	0.51%	2.66%	11.06%	0.0062	0.63%	0.07%
	29	4	APH	Amphenol Corp.	\$53.81	\$0.50	0.125	0.23%	11.70%	2.80%	0.24%	3.04%	12.74%	0.0009	0.09%	0.01%
	30	4	APC	Anadarko Petroleum	\$82.50	\$1.08	0.270	0.33%	11.50%	2.76%	0.34%	3.10%	12.97%	0.0021	0.22%	0.03%
	31	4	ADI	Analog Devices	\$55.52	\$1.48	0.370	0.67%	11.40%	2.74%	0.68%	3.42%	14.40%	0.0009	0.09%	0.01%
	32	4	ANTM	Anthem Inc.	\$125.67	\$1.75	0.438	0.35%	10.21%	2.46%	0.36%	2.82%	11.75%	0.0017	0.18%	0.02%
	33	4	AON	Aon Corp.	\$94.83	\$1.00	0.250	0.26%	12.42%	2.97%	0.27%	3.24%	13.61%	0.0014	0.14%	0.02%
	34	4	APA	Apache Corp.	\$62.67	\$1.00	0.250	0.40%	7.50%	1.82%	0.41%	2.23%	9.23%	0.0012	0.12%	0.01%
	35	4	AIV	Apartment Investment & M	\$37.15	\$1.04	0.260	0.70%	6.30%	1.54%	0.71%	2.25%	9.31%	0.0003	0.03%	0.00%
	36	4	AAPL	Apple Inc.	\$110.38	\$1.88	0.470	0.43%	13.00%	3.10%	0.44%	3.54%	14.94%	0.0332	3.34%	0.50%
	37	4	AMAT	Applied Materials	\$24.92	\$0.40	0.100	0.40%	9.92%	2.39%	0.41%	2.80%	11.70%	0.0016	0.16%	0.02%
	38	4	ADM	Archer-Daniels-Midland	\$52.00	\$0.96	0.240	0.46%	18.83%	4.41%	0.48%	4.89%	21.04%	0.0017	0.17%	0.04%
	39	4	AIZ	Assurant Inc.	\$68.43	\$1.08	0.270	0.39%	6.98%	1.70%	0.40%	2.10%	8.68%	0.0002	0.02%	0.00%
	40	4	T	AT&T Corp. (New)	\$33.59	\$1.88	0.470	1.40%	4.77%	1.17%	1.42%	2.59%	10.76%	0.0089	0.90%	0.10%
	41	4	ADP	Automatic Data Processing	\$83.37	\$1.96	0.490	0.59%	9.80%	2.36%	0.60%	2.97%	12.40%	0.0021	0.21%	0.03%
	42	4	AVGO	Avago Technologies Limite	\$100.59	\$1.40	0.350	0.35%	17.66%	4.15%	0.36%	4.51%	19.31%	0.0013	0.13%	0.03%
	43	4	AVB	AvalonBay Communities	\$163.39	\$4.64	1.160	0.71%	10.82%	2.60%	0.73%	3.33%	14.00%	0.0011	0.11%	0.02%
	44	4	AVY	Avery Dennison Corp.	\$51.88	\$1.40	0.350	0.67%	9.65%	2.33%	0.69%	3.02%	12.64%	0.0002	0.02%	0.00%
	45	4	AVP	Avon Products	\$9.39	\$0.24	0.060	0.64%	5.60%	1.37%	0.65%	2.02%	8.33%	0.0002	0.02%	0.00%
	46	4	BHI	Baker Hughes	\$56.07	\$0.68	0.170	0.30%	15.00%	3.56%	0.31%	3.87%	16.40%	0.0012	0.13%	0.02%
	47	4	BLL	Ball Corp.	\$68.17	\$0.52	0.130	0.19%	11.40%	2.74%	0.20%	2.93%	12.25%	0.0005	0.05%	0.01%
	48	4	BAC	Bank of America Corp.	\$17.89	\$0.20	0.050	0.28%	8.00%	1.94%	0.28%	2.23%	9.21%	0.0097	0.97%	0.09%
	49	4	BK	Bank of New York Mellon (	\$40.57	\$0.68	0.170	0.42%	9.00%	2.18%	0.43%	2.61%	10.84%	0.0023	0.24%	0.03%
	50	4	BCR	Bard (C.R.) Inc.	\$166.62	\$0.88	0.220	0.13%	12.08%	2.89%	0.14%	3.03%	12.67%	0.0006	0.06%	0.01%
	51	4	BAX	Baxter International Inc.	\$73.29	\$2.08	0.520	0.71%	9.00%	2.18%	0.72%	2.90%	12.13%	0.0020	0.20%	0.02%
	52	4	BBT	BB&T Corporation	\$38.89	\$0.96	0.240	0.62%	8.53%	2.07%	0.63%	2.70%	11.23%	0.0014	0.14%	0.02%
	53	4	BDX	Becton, Dickinson	\$139.16	\$2.40	0.600	0.43%	8.94%	2.16%	0.44%	2.60%	10.83%	0.0014	0.14%	0.02%
	54	4	BBY	Best Buy Co., Inc.	\$38.98	\$0.76	0.190	0.49%	15.00%	3.56%	0.50%	4.06%	17.26%	0.0007	0.07%	0.01%
	55	4	BLK	BlackRock Inc.	\$357.56	\$7.72	1.930	0.54%	12.47%	2.98%	0.56%	3.54%	14.92%	0.0030	0.30%	0.05%
	56	4	BA	Boeing Company	\$129.98	\$3.64	0.910	0.70%	10.61%	2.55%	0.72%	3.27%	13.74%	0.0048	0.48%	0.07%
	57	4	BWA	Borg Warner	\$54.95	\$0.52	0.130	0.24%	15.01%	3.56%	0.24%	3.80%	16.10%	0.0006	0.06%	0.01%
	58	4	BXP	Boston Properties	\$128.69	\$2.60	0.650	0.51%	6.39%	1.56%	0.51%	2.07%	8.56%	0.0010	0.10%	0.01%
	59	4	BMY	Bristol-Myers Squibb	\$59.03	\$1.48	0.370	0.63%	14.85%	3.52%	0.65%	4.17%	17.76%	0.0050	0.51%	0.09%
	60	4	BRCM	Broadcom Corporation	\$43.33	\$0.48	0.120	0.28%	11.04%	2.65%	0.28%	2.94%	12.28%	0.0013	0.13%	0.02%
	61	4	BF.B	Brown-Forman Corp.	\$87.84	\$1.26	0.315	0.36%	9.15%	2.21%	0.37%	2.58%	10.72%	0.0010	0.10%	0.01%
	62	4	CHRW	C.H. Robinson Worldwide	\$74.89	\$1.52	0.380	0.51%	11.38%	2.73%	0.52%	3.25%	13.66%	0.0006	0.06%	0.01%
	63	4	CA	CA, Inc.	\$30.45	\$1.00	0.250	0.82%	2.70%	0.67%	0.83%	1.49%	6.11%	0.0007	0.07%	0.00%
	64	4	CVC	Cablevision Systems Corp	\$20.64	\$0.60	0.150	0.73%	2.00%	0.50%	0.73%	1.23%	5.00%	0.0003	0.03%	0.00%
	65	4	COG	Cabot Oil & Gas Corp.	\$29.61	\$0.08	0.020	0.07%	20.80%	4.84%	0.07%	4.91%	21.13%	0.0006	0.06%	0.01%
	66	4	CPB	Campbell Soup	\$44.00	\$1.25	0.312	0.71%	4.34%	1.07%	0.72%	1.78%	7.33%	0.0007	0.07%	0.01%
	67	4	COF	Capital One Financial	\$82.55	\$1.20	0.300	0.36%	7.08%	1.72%	0.37%	2.09%	8.65%	0.0024	0.24%	0.02%
	68	4	CAH	Cardinal Health, Inc.	\$80.73	\$1.37	0.343	0.42%	10.00%	2.41%	0.43%	2.85%	11.88%	0.0014	0.14%	0.02%
	69	4	CCL	Carnival Corp.	\$45.33	\$1.00	0.250	0.55%	17.12%	4.03%	0.57%	4.60%	19.73%	0.0014	0.14%	0.03%
	70	4	CAT	Caterpillar Inc.	\$91.53	\$2.80	0.700	0.76%	10.20%	2.46%	0.78%	3.24%	13.61%	0.0028	0.29%	0.04%
	71	4	CBS	CBS Corp.	\$55.34	\$0.60	0.150	0.27%	11.93%	2.86%	0.28%	3.14%	13.15%	0.0015	0.15%	0.02%
	72	4	CNP	CenterPoint Energy	\$23.43	\$0.95	0.238	1.01%	4.75%	1.17%	1.03%	2.19%	9.06%	0.0005	0.05%	0.00%
	73	4	CTL	CenturyLink Inc.	\$39.58	\$2.16	0.540	1.36%	-1.50%	-0.38%	1.36%	0.98%	3.99%	0.0012	0.12%	0.00%
	74	4	CF	CF Industries	\$272.54	\$6.00	1.500	0.55%	8.13%	1.97%	0.56%	2.53%	10.53%	0.0007	0.07%	0.01%
	75	4	CHK	Chesapeake Energy Corp	\$19.57	\$0.35	0.088	0.45%	0.07%	0.02%	0.45%	0.46%	1.87%	0.0007	0.07%	0.00%
	76	4	CVX	Chevron Corp.	\$112.18	\$4.28	1.070	0.95%	6.15%	1.50%	0.97%	2.47%	10.26%	0.0109	1.09%	0.11%
	77	4	CB	Chubb Corp.	\$103.47	\$2.00	0.500	0.48%	6.35%	1.55%	0.49%	2.04%	8.42%	0.0013	0.13%	0.01%
	78	1	CI	CIGNA Corp.	\$102.91	\$0.04	0.040	0.04%	11.72%	11.72%	0.04%	11.76%	11.76%	0.0014	0.14%	0.02%
	79	4	XEC	Cimarex Energy Co.	\$106.00	\$0.64	0.160	0.15%	9.18%	2.22%	0.15%	2.37%	9.84%	0.0005	0.05%	0.00%
	80	4	CINF	Cincinnati Financial	\$51.83	\$1.76	0.440	0.85%	-7.05%	-1.81%	0.83%	-0.98%	-3.85%	0.0004	0.04%	0.00%
	81	1	CTAS	Cintas Corporation	\$78.44	\$0.										

Utility Services of Illinois, Inc.  
Derivation of the Total Return on the Market for use in the CAPM

Div.	Freq.	Symbol	Name	price	ann div	per div	per yld	growth	per gr	per yld1	per roe	ann roe	weight	adj wt	wt roe	
	88	4	KO	Coca Cola Co.	\$42.22	\$1.22	0.305	0.72%	6.53%	1.59%	0.73%	2.33%	9.64%	0.0095	0.95%	0.09%
	89	4	CCE	Coca-Cola Enterprises	\$44.22	\$1.00	0.250	0.57%	7.59%	1.85%	0.58%	2.42%	10.04%	0.0005	0.06%	0.01%
	90	4	CL	Colgate-Palmolive	\$69.19	\$1.44	0.360	0.52%	8.29%	2.01%	0.53%	2.54%	10.56%	0.0032	0.33%	0.03%
	91	4	CMCSA	Comcast Corp.	\$58.01	\$0.90	0.225	0.39%	11.87%	2.84%	0.40%	3.24%	13.62%	0.0077	0.77%	0.10%
	92	4	CMA	Comerica Inc.	\$46.84	\$0.80	0.200	0.43%	10.45%	2.52%	0.44%	2.95%	12.35%	0.0004	0.04%	0.01%
	93	4	CSC	Computer Sciences Corp.	\$63.05	\$0.92	0.230	0.36%	6.50%	1.59%	0.37%	1.96%	8.06%	0.0005	0.05%	0.00%
	94	4	CAG	ConAgra Foods, Inc.	\$36.28	\$1.00	0.250	0.69%	8.20%	1.99%	0.70%	2.69%	11.21%	0.0008	0.08%	0.01%
	95	4	COP	ConocoPhillips	\$69.06	\$2.92	0.730	1.06%	7.74%	1.88%	1.08%	2.96%	12.37%	0.0044	0.44%	0.05%
	96	4	CNX	CONSOL Energy Inc.	\$33.81	\$0.25	0.063	0.18%	12.00%	2.87%	0.19%	3.06%	12.83%	0.0004	0.04%	0.01%
	97	4	ED	Consolidated Edison	\$66.01	\$2.52	0.630	0.95%	3.02%	0.75%	0.96%	1.71%	7.01%	0.0010	0.10%	0.01%
	98	4	GLW	Corning Inc.	\$22.93	\$0.40	0.100	0.44%	10.92%	2.62%	0.45%	3.07%	12.87%	0.0015	0.15%	0.02%
	99	4	COST	Costco Co.	\$141.75	\$1.42	0.355	0.25%	11.43%	2.74%	0.26%	3.00%	12.55%	0.0032	0.32%	0.04%
	100	4	COV	Covidien PLC	\$102.28	\$1.44	0.360	0.35%	9.90%	2.39%	0.36%	2.75%	11.46%	0.0024	0.24%	0.03%
	101	4	CCI	Crown Castle International	\$78.70	\$3.28	0.820	1.04%	15.50%	3.67%	1.08%	4.75%	20.39%	0.0013	0.14%	0.03%
	102	4	CSX	CSX Corp.	\$36.23	\$0.64	0.160	0.44%	10.34%	2.49%	0.45%	2.94%	12.30%	0.0018	0.19%	0.02%
	103	4	CMI	Cummins Inc.	\$144.17	\$3.12	0.780	0.54%	14.90%	3.53%	0.56%	4.09%	17.41%	0.0014	0.14%	0.02%
	104	4	CVS	CVS Caremark Corp.	\$96.31	\$1.40	0.350	0.36%	13.79%	3.28%	0.38%	3.66%	15.45%	0.0057	0.57%	0.09%
	105	4	DHI	D.R. Horton	\$25.29	\$0.25	0.063	0.25%	9.87%	2.38%	0.25%	2.63%	10.96%	0.0005	0.05%	0.01%
	106	4	DHR	DanaHER Corp.	\$85.71	\$0.40	0.100	0.12%	12.36%	2.96%	0.12%	3.08%	12.89%	0.0031	0.31%	0.04%
	107	4	DRI	Darden Restaurants	\$58.63	\$2.20	0.550	0.94%	14.56%	3.46%	0.97%	4.43%	18.92%	0.0004	0.04%	0.01%
	108	4	DE	Deere & Co.	\$88.47	\$2.40	0.600	0.68%	8.60%	2.08%	0.69%	2.78%	11.58%	0.0016	0.16%	0.02%
	109	4	DLPH	Delphi Automotive PLC	\$72.72	\$1.00	0.250	0.34%	13.91%	3.31%	0.36%	3.66%	15.48%	0.0011	0.11%	0.02%
	110	4	DAL	Delta Airlines	\$49.19	\$0.36	0.090	0.18%	17.66%	4.15%	0.19%	4.34%	18.52%	0.0021	0.21%	0.04%
	111	4	XRAY	DENTSPLY International I	\$53.27	\$0.27	0.066	0.12%	11.90%	2.85%	0.13%	2.98%	12.46%	0.0004	0.04%	0.00%
	112	4	DVN	Devon Energy Corp.	\$61.21	\$0.96	0.240	0.39%	11.68%	2.80%	0.40%	3.20%	13.44%	0.0013	0.13%	0.02%
	113	4	DO	Diamond Offshore Drilling	\$36.71	\$3.50	0.875	2.38%	16.00%	3.78%	2.47%	6.25%	27.46%	0.0003	0.03%	0.01%
	114	4	DFS	Discover Financial Service	\$65.49	\$0.96	0.240	0.37%	11.00%	2.64%	0.38%	3.02%	12.64%	0.0015	0.15%	0.02%
	115	1	DIS	Disney (Walt) Co.	\$94.19	\$1.15	1.150	1.22%	8.71%	8.71%	1.33%	10.04%	10.04%	0.0082	0.82%	0.08%
	116	4	D	Dominion Resources	\$76.90	\$2.40	0.600	0.78%	6.05%	1.48%	0.79%	2.27%	9.40%	0.0023	0.23%	0.02%
	117	4	DOV	Dover Corp.	\$71.72	\$1.60	0.400	0.56%	9.98%	2.41%	0.57%	2.98%	12.45%	0.0006	0.06%	0.01%
	118	4	DOW	Dow Chemical	\$45.61	\$1.68	0.420	0.92%	9.32%	2.25%	0.94%	3.19%	13.40%	0.0028	0.28%	0.04%
	119	4	DPS	Dr. Pepper Snapple Group	\$71.68	\$1.64	0.410	0.57%	8.12%	1.97%	0.58%	2.55%	10.62%	0.0007	0.07%	0.01%
	120	4	DTE	DTE Energy Co.	\$86.37	\$2.76	0.690	0.80%	6.23%	1.52%	0.81%	2.33%	9.67%	0.0008	0.08%	0.01%
	121	4	DUK	Duke Energy	\$83.54	\$3.18	0.795	0.95%	4.76%	1.17%	0.96%	2.13%	8.81%	0.0030	0.30%	0.03%
	122	4	DNB	Dun & Bradstreet Corp. (Th	\$120.96	\$1.76	0.440	0.36%	6.63%	1.62%	0.37%	1.99%	8.19%	0.0002	0.02%	0.00%
	123	4	DD	Du Pont (E.I.)	\$73.94	\$1.88	0.470	0.64%	8.60%	2.08%	0.65%	2.73%	11.39%	0.0034	0.35%	0.04%
	124	4	EMN	Eastman Chemical	\$75.86	\$1.60	0.400	0.53%	8.48%	2.06%	0.54%	2.59%	10.79%	0.0006	0.06%	0.01%
	125	4	ETN	Eaton Corp.	\$67.96	\$1.96	0.490	0.72%	11.27%	2.71%	0.74%	3.45%	14.51%	0.0017	0.17%	0.02%
	126	4	ECL	Ecolab Inc.	\$104.52	\$1.32	0.330	0.32%	14.26%	3.39%	0.33%	3.72%	15.71%	0.0016	0.16%	0.03%
	127	4	EIX	Edison Int'l	\$65.48	\$1.67	0.418	0.64%	8.13%	1.97%	0.65%	2.62%	10.91%	0.0011	0.11%	0.01%
	128	4	EMC	EMC Corp.	\$29.74	\$0.46	0.115	0.39%	10.46%	2.52%	0.40%	2.91%	12.18%	0.0031	0.31%	0.04%
	129	4	EMR	Emerson Electric	\$61.73	\$1.88	0.470	0.76%	7.99%	1.94%	0.78%	2.72%	11.32%	0.0022	0.22%	0.02%
	130	4	ESV	EnscO PLC-CL' A'	\$29.95	\$3.00	0.750	2.50%	16.00%	3.78%	2.60%	6.38%	28.06%	0.0004	0.04%	0.01%
	131	4	ETR	Entergy Corp.	\$87.48	\$3.32	0.830	0.95%	-1.05%	-0.26%	0.95%	0.68%	2.76%	0.0008	0.08%	0.00%
	132	4	EOG	EOG Resources	\$92.07	\$0.67	0.168	0.18%	5.72%	1.40%	0.18%	1.58%	6.49%	0.0026	0.26%	0.02%
	133	4	EQT	EQT Corp.	\$75.70	\$0.12	0.030	0.04%	20.00%	4.66%	0.04%	4.70%	20.19%	0.0006	0.06%	0.01%
	134	4	EFX	Equifax Inc.	\$80.87	\$1.00	0.250	0.31%	9.40%	2.27%	0.32%	2.59%	10.76%	0.0005	0.05%	0.01%
	135	4	EQR	Equity Residential	\$71.84	\$2.00	0.500	0.70%	9.20%	2.22%	0.71%	2.94%	12.27%	0.0013	0.13%	0.02%
	136	4	ESS	Essex Property	\$206.60	\$5.20	1.300	0.63%	8.36%	2.03%	0.64%	2.67%	11.11%	0.0007	0.07%	0.01%
	137	4	EXC	Exelon Corp.	\$37.08	\$1.24	0.310	0.84%	4.40%	1.08%	0.85%	1.93%	7.84%	0.0016	0.16%	0.01%
	138	4	EXPE	Expedia Inc.	\$85.36	\$0.72	0.180	0.21%	14.86%	3.52%	0.22%	3.74%	15.83%	0.0006	0.06%	0.01%
	139	2	EXPD	Expeditors International	\$44.61	\$0.64	0.320	0.72%	12.97%	6.29%	0.76%	7.05%	14.60%	0.0004	0.04%	0.01%
	140	4	XOM	Exxon Mobil Corp.	\$92.45	\$2.76	0.690	0.75%	4.31%	1.06%	0.75%	1.81%	7.46%	0.0021	0.21%	0.01%
	141	4	FDO	Family Dollar Stores	\$79.21	\$1.24	0.310	0.39%	10.75%	2.59%	0.40%	2.99%	12.49%	0.0005	0.05%	0.01%
	142	4	FAST	Fastenal Co.	\$47.56	\$1.00	0.250	0.53%	16.33%	3.85%	0.55%	4.40%	18.80%	0.0007	0.07%	0.01%
	143	4	FDX	FedEx Corporation	\$173.66	\$0.80	0.200	0.12%	14.28%	3.39%	0.12%	3.51%	14.81%	0.0025	0.25%	0.04%
	144	4	FIS	Fidelity National Informatio	\$62.20	\$0.96	0.240	0.39%	12.23%	2.93%	0.40%	3.32%	13.97%	0.0009	0.09%	0.01%
	145	4	FITB	Fifth Third Bancorp	\$20.38	\$0.52	0.130	0.64%	9.35%	2.66%	0.65%	2.91%	12.17%	0.0009	0.09%	0.01%
	146	4	FE	FirstEnergy Corp.	\$38.99	\$1.44	0.360	0.92%	-3.50%	-0.89%	0.92%	0.03%	0.11%	0.0008	0.08%	0.00%
	147	4	FLIR	FLIR Systems Inc.	\$32.31	\$0.40	0.100	0.31%	14.00%	3.33%	0.32%	3.65%	15.42%	0.0002	0.02%	0.00%
	148	4	FLS	Flowserve Corp.	\$59.83	\$0.64	0.160	0.27%	10.57%	2.54%	0.27%	2.82%	11.76%	0.0004	0.04%	0.00%
	149	4	FLR	Fluor Corp. (New)	\$60.63	\$0.84	0.210	0.35%	11.83%	2.83%	0.36%	3.19%	13.39%	0.0005	0.05%	0.01%
	150	4	FMC	FMC Corp.	\$57.03	\$0.60	0.150	0.26%	10.38%	2.50%	0.27%	2.77%	11.55%	0.0004	0.04%	0.00%
	151	4	F	Ford Motor	\$15.50	\$0.50	0.125	0.81%	9.61%	2.32%	0.83%	3.15%	13.19%	0.0031	0.31%	0.04%
	152	4	BEN	Franklin Resources	\$55.37	\$0.85	0.213	0.38%	14.80%	3.51%	0.40%	3.91%	16.57%	0.0018	0.18%	0.03%
	153	4	FTR	Frontier Communications	\$6.67	\$0.40	0.100	1.50%	11.73%	2.81%	1.54%	4.35%	18.58%	0.0003	0.03%	0.01%
	154	4	GME	GameStop Corp.	\$33.80	\$1.32	0.330	0.98%	14.64%	3.47%	1.01%	4.48%	19.18%	0.0002	0.02%	0.00%
	155	4	GCI	Gannett Co.	\$31.93	\$0.80	0.200	0.63%	10.00%	2.41%	0.64%	3.05%	12.78%	0.0004	0.04%	0.00%
	156	4	GPS	Gap (The)	\$42.11	\$0.88	0.220	0.52%	11.70%	2.80%	0.54%	3.34%	14.05%	0.0009	0.09%	0.01%
	157	4	GRMN	Garmin Ltd.	\$52.83	\$1.92	0.480	0.91%	7.68%	1.87%	0.93%	2.79%	11.65%	0.0005	0.05%	0.01%
	158	4	GD	General Dynamics	\$137.62	\$2.48	0.620	0.45%	7.79%	1.89%	0.46%	2.35%	9.75%	0.0023	0.24%	0.02%
	159	4	GE	General Electric	\$25.27	\$0.92	0.230	0.91%	7.40%	1.80%	0.93%	2.73%	11.36%	0.0130	1.31%	0.15%
	160	4	GGP	General Growth Properties	\$28.13	\$0.68	0.170	0.60%	9.32%	2.25%	0.62%	2.87%	11.99%	0.0013	0.13%	0.02%
	161	4	GIS	General Mills	\$53.33	\$1.64	0.410	0.77%	7.10%	1.73%	0.78%	2.51%	10.43%	0.0017	0.17%	0.02%
	162	4	GM	General Motors	\$34.91	\$1.20	0.300	0.86%	13.76%	3.28%	0.89%	4.16%	17.72%	0.0029	0.29%	0.05%
	163	4	GPC	Genuine Parts	\$106.57	\$2.30	0.575	0.54%	7.18%	1.75%	0.55%	2.30%	9.51%	0.0008	0.08%	0.01%
	164	4	GS	Goldman Sachs Group	\$193.83	\$2.40	0.600	0.31%	8.01%	1.95%	0.32%	2.26%	9.35%	0.0043	0.44%	0.04%
	165	4	GWV	Grainger (W.W.) Inc.	\$254.89	\$4.32	1.080	0.42%	13.34%	3.18%	0.44%	3.62%	15.27%	0.0009	0.09%	0.01%
	166	4	HRB	H & R Block	\$33.68	\$0.80	0.200	0.59%	11.00%	2.64%	0.61%	3.25%	13.66%	0.0005	0.05%	0.01%
	167	4	HAL	Halliburton Co.	\$39.33	\$0.72	0.180	0.46%	17.25%	4.06%	0.48%	4.53%	19.41%	0.0017	0.17%	

Utility Services of Illinois, Inc.  
Derivation of the Total Return on the Market for use in the CAPM

Div.	Freq.	Symbol	Name	price	ann div	per div	per yld	growth	per gr	per yld1	per roe	ann roe	weight	adj wt	wt roe	
	175	4	HP	Helmerich & Payne Inc.	\$67.42	\$2.75	0.688	1.02%	12.50%	2.99%	1.05%	4.04%	17.16%	0.0004	0.04%	0.01%
	176	4	HSY	Hershey Company (The )	\$103.93	\$2.14	0.535	0.51%	9.58%	2.31%	0.53%	2.84%	11.85%	0.0012	0.12%	0.01%
	177	4	HES	Hess Corporation	\$73.82	\$1.00	0.250	0.34%	9.76%	2.36%	0.35%	2.70%	11.25%	0.0011	0.11%	0.01%
	178	4	HPQ	Hewlett-Packard	\$40.13	\$0.64	0.160	0.40%	4.49%	1.10%	0.40%	1.51%	6.17%	0.0038	0.38%	0.02%
	179	4	HD	Home Depot	\$104.97	\$1.88	0.470	0.45%	14.83%	3.52%	0.46%	3.98%	16.90%	0.0071	0.71%	0.12%
	180	4	HON	Honeywell Int'l Inc.	\$99.92	\$2.07	0.518	0.52%	10.19%	2.46%	0.53%	2.99%	12.49%	0.0040	0.40%	0.05%
	181	4	HRL	Hormel Foods Corp.	\$52.10	\$1.00	0.250	0.48%	8.00%	1.94%	0.49%	2.43%	10.09%	0.0007	0.07%	0.01%
	182	4	HST	Host Hotels & Resorts	\$23.77	\$0.80	0.200	0.84%	8.55%	2.07%	0.86%	2.93%	12.25%	0.0009	0.09%	0.01%
	183	4	HUM	Humana Inc.	\$143.63	\$1.12	0.280	0.19%	10.35%	2.49%	0.20%	2.69%	11.21%	0.0011	0.11%	0.01%
	184	4	HBAN	Huntington Bancshares	\$10.52	\$0.24	0.060	0.57%	10.98%	2.64%	0.59%	3.22%	13.53%	0.0004	0.04%	0.01%
	185	4	ITW	Illinois Tool Works	\$94.70	\$1.94	0.485	0.51%	10.90%	2.62%	0.53%	3.15%	13.19%	0.0019	0.19%	0.03%
	186	4	IR	Ingersoll Rand Plc	\$63.39	\$1.00	0.250	0.39%	14.25%	3.39%	0.41%	3.79%	16.06%	0.0009	0.09%	0.01%
	187	4	TEG	Integrus Energy Group, Inc	\$77.85	\$2.72	0.680	0.87%	5.00%	1.23%	0.88%	2.11%	8.72%	0.0003	0.03%	0.00%
	188	4	INTC	Intel Corp.	\$36.29	\$0.90	0.225	0.62%	8.36%	2.03%	0.63%	2.66%	11.07%	0.0090	0.91%	0.10%
	189	4	ICE	IntercontinentalExchange I	\$219.29	\$2.60	0.650	0.30%	14.95%	3.54%	0.31%	3.85%	16.32%	0.0013	0.13%	0.02%
	190	4	IBM	International Bus. Machine	\$160.44	\$4.40	1.100	0.69%	6.10%	1.49%	0.70%	2.19%	9.04%	0.0081	0.82%	0.07%
	191	4	IFF	International Flav/Frag	\$101.36	\$1.88	0.470	0.46%	10.60%	2.55%	0.48%	3.03%	12.67%	0.0004	0.04%	0.01%
	192	4	IP	International Paper	\$53.58	\$1.60	0.400	0.75%	11.00%	2.64%	0.77%	3.41%	14.35%	0.0012	0.12%	0.02%
	193	4	IPG	Interpublic Group	\$20.77	\$0.38	0.095	0.46%	11.00%	2.64%	0.47%	3.11%	13.04%	0.0004	0.04%	0.01%
	194	4	INTU	Intuit, Inc.	\$92.19	\$1.00	0.250	0.27%	13.59%	3.24%	0.28%	3.52%	14.83%	0.0014	0.14%	0.02%
	195	4	IVZ	Invesco Ltd.	\$39.52	\$1.00	0.250	0.63%	12.88%	3.08%	0.65%	3.73%	15.76%	0.0009	0.09%	0.01%
	196	4	IRM	Iron Mountain Inc.	\$38.66	\$1.90	0.475	1.23%	9.33%	2.26%	1.26%	3.51%	14.80%	0.0004	0.04%	0.01%
	197	4	JNJ	Johnson & Johnson	\$104.57	\$2.80	0.700	0.67%	6.33%	1.55%	0.68%	2.23%	9.21%	0.0150	1.51%	0.14%
	198	4	JCI	Johnson Controls	\$48.34	\$1.04	0.260	0.54%	12.15%	2.91%	0.55%	3.46%	14.58%	0.0017	0.17%	0.02%
	199	4	JOY	Joy Global	\$46.52	\$0.80	0.200	0.43%	15.00%	3.56%	0.45%	4.00%	16.99%	0.0002	0.02%	0.00%
	200	4	JPM	JP Morgan Chase & Co.	\$62.58	\$1.60	0.400	0.64%	5.33%	1.31%	0.65%	1.95%	8.05%	0.0120	1.21%	0.10%
	201	4	JNPR	Juniper Networks Inc.	\$22.32	\$0.40	0.100	0.45%	10.92%	2.62%	0.46%	3.08%	12.92%	0.0005	0.05%	0.01%
	202	4	KSU	Kansas City Southern	\$122.03	\$1.12	0.280	0.23%	15.90%	3.76%	0.24%	4.00%	16.97%	0.0007	0.07%	0.01%
	203	4	K	Kellogg Co.	\$65.44	\$1.96	0.490	0.75%	5.64%	1.38%	0.76%	2.14%	8.84%	0.0012	0.12%	0.01%
	204	4	GMCR	Keurig Green Mountain Inc	\$132.40	\$1.15	0.288	0.22%	16.25%	3.84%	0.23%	4.06%	17.26%	0.0011	0.11%	0.02%
	205	4	KEY	KeyCorp	\$13.90	\$0.26	0.065	0.47%	7.33%	1.78%	0.48%	2.26%	9.35%	0.0006	0.06%	0.01%
	206	4	KMB	Kimberly-Clark	\$115.54	\$3.36	0.840	0.73%	7.37%	1.79%	0.74%	2.53%	10.53%	0.0022	0.22%	0.02%
	207	4	KIM	Kimco Realty Corp.	\$25.14	\$0.96	0.240	0.95%	5.01%	1.23%	0.97%	2.20%	9.08%	0.0005	0.05%	0.00%
	208	4	KMI	Kinder Morgan	\$42.31	\$1.76	0.440	1.04%	9.50%	2.29%	1.06%	3.36%	14.13%	0.0030	0.30%	0.04%
	209	4	KLAC	KLA-Tencor Corp.	\$70.32	\$2.00	0.500	0.71%	9.76%	2.36%	0.73%	3.08%	12.92%	0.0006	0.06%	0.01%
	210	4	KSS	Kohl's Corp.	\$61.04	\$1.56	0.390	0.64%	10.00%	2.41%	0.65%	3.07%	12.84%	0.0006	0.06%	0.01%
	211	4	KRFT	Kraft Foods Group Inc.	\$62.66	\$2.20	0.550	0.88%	7.89%	1.92%	0.89%	2.81%	11.73%	0.0019	0.19%	0.02%
	212	4	KR	Kroger Co.	\$64.21	\$0.74	0.185	0.29%	11.96%	2.86%	0.30%	3.16%	13.26%	0.0016	0.16%	0.02%
	213	4	LB	L Brands	\$86.55	\$2.36	0.590	0.68%	12.20%	2.92%	0.70%	3.62%	15.29%	0.0013	0.13%	0.02%
	214	4	LLL	L-3 Communications Holdi	\$126.21	\$2.40	0.600	0.48%	5.49%	1.35%	0.48%	1.83%	7.51%	0.0006	0.06%	0.00%
	215	4	LRCX	Lam Research Corp.	\$79.34	\$0.72	0.180	0.23%	10.67%	2.57%	0.23%	2.80%	11.68%	0.0006	0.07%	0.01%
	216	4	EL	Lauder (Estee) Co.	\$76.20	\$0.96	0.240	0.31%	10.77%	2.59%	0.32%	2.91%	12.17%	0.0015	0.15%	0.02%
	217	4	LM	Legg Mason	\$53.37	\$0.64	0.160	0.30%	17.09%	4.02%	0.31%	4.33%	18.50%	0.0003	0.03%	0.01%
	218	4	LEN	Lennar Corp.	\$44.81	\$0.16	0.040	0.09%	18.93%	4.43%	0.09%	4.52%	19.36%	0.0005	0.05%	0.01%
	219	4	LLY	Lilly (Eli) & Co.	\$68.99	\$2.00	0.500	0.72%	6.83%	1.67%	0.74%	2.40%	9.96%	0.0039	0.40%	0.04%
	220	4	LNC	Lincoln National	\$57.67	\$0.80	0.200	0.35%	11.21%	2.69%	0.36%	3.05%	12.76%	0.0008	0.08%	0.01%
	221	4	LLTC	Linear Technology Corp.	\$45.60	\$1.08	0.270	0.59%	10.61%	2.55%	0.61%	3.16%	13.25%	0.0006	0.06%	0.01%
	222	4	LMT	Lockheed Martin Corp.	\$192.57	\$6.00	1.500	0.78%	8.53%	2.07%	0.80%	2.86%	11.95%	0.0031	0.31%	0.04%
	223	4	L	Loews Corp.	\$42.02	\$0.25	0.063	0.15%	7.28%	1.77%	0.15%	1.92%	7.92%	0.0008	0.08%	0.01%
	224	4	LO	Lorillard Inc.	\$62.94	\$2.46	0.615	0.98%	9.26%	2.24%	1.00%	3.24%	13.59%	0.0012	0.12%	0.02%
	225	4	LOW	Lowe's Cos.	\$68.80	\$0.92	0.230	0.33%	15.73%	3.72%	0.35%	4.07%	17.29%	0.0034	0.35%	0.06%
	226	4	LYB	LyondellBasell Industries N	\$79.39	\$2.80	0.700	0.88%	10.62%	2.56%	0.90%	3.46%	14.57%	0.0020	0.21%	0.03%
	227	4	MTB	M&T Bank Corp.	\$125.62	\$2.80	0.700	0.56%	6.27%	1.53%	0.57%	2.10%	8.66%	0.0009	0.09%	0.01%
	228	4	MAC	Macerich Company (The)	\$83.41	\$2.60	0.650	0.78%	5.09%	1.25%	0.79%	2.04%	8.40%	0.0007	0.07%	0.01%
	229	4	M	Macy's Inc.	\$65.75	\$1.25	0.313	0.48%	13.00%	3.10%	0.49%	3.59%	15.16%	0.0012	0.12%	0.02%
	230	4	MRO	Marathon Oil Corp.	\$28.29	\$0.84	0.210	0.74%	5.28%	1.29%	0.75%	2.05%	8.44%	0.0010	0.10%	0.01%
	231	4	MPC	Marathon Petroleum Corp.	\$90.26	\$2.00	0.500	0.55%	9.84%	2.37%	0.57%	2.94%	12.29%	0.0013	0.13%	0.02%
	232	4	MAR	Marriott Int'l.	\$78.03	\$0.80	0.200	0.26%	13.27%	3.16%	0.26%	3.43%	14.44%	0.0011	0.11%	0.02%
	233	4	MMC	Marsh & McLennan	\$57.24	\$1.12	0.280	0.49%	12.57%	3.00%	0.50%	3.51%	14.79%	0.0016	0.16%	0.02%
	234	4	MLM	Martin Marietta Materials	\$110.32	\$1.60	0.400	0.36%	13.80%	3.28%	0.37%	3.66%	15.46%	0.0004	0.04%	0.01%
	235	4	MAS	Masco Corp.	\$25.20	\$0.36	0.090	0.36%	16.55%	3.90%	0.37%	4.27%	18.22%	0.0005	0.05%	0.01%
	236	4	MA	Mastercard Inc.	\$86.16	\$0.64	0.160	0.19%	17.00%	4.00%	0.19%	4.20%	17.87%	0.0051	0.51%	0.09%
	237	4	MAT	Mattel, Inc.	\$30.95	\$1.52	0.380	1.23%	5.97%	1.46%	1.25%	2.71%	11.27%	0.0005	0.05%	0.01%
	238	4	MKC	McCormick & Co.	\$74.30	\$1.60	0.400	0.54%	7.97%	1.94%	0.55%	2.48%	10.31%	0.0005	0.05%	0.01%
	239	4	MCD	McDonald's Corp.	\$93.70	\$3.40	0.850	0.91%	8.27%	2.01%	0.93%	3.12%	12.25%	0.0047	0.47%	0.06%
	240	4	MHFI	McGraw-Hill	\$88.98	\$1.20	0.300	0.34%	13.42%	3.20%	0.35%	3.55%	14.96%	0.0012	0.12%	0.02%
	241	4	MCK	McKesson Corp. (New)	\$207.58	\$0.96	0.240	0.12%	15.48%	3.66%	0.12%	3.78%	16.01%	0.0025	0.25%	0.04%
	242	4	MJN	Mead Johnson Nutrition	\$100.54	\$1.50	0.375	0.37%	10.33%	2.49%	0.38%	2.87%	11.99%	0.0010	0.10%	0.01%
	243	4	MWV	MeadWestvaco Corporatio	\$44.39	\$1.00	0.250	0.56%	9.00%	2.18%	0.58%	2.75%	11.48%	0.0004	0.04%	0.00%
	244	4	MDT	Medtronic Inc.	\$72.20	\$1.22	0.305	0.42%	6.77%	1.65%	0.43%	2.08%	8.59%	0.0036	0.37%	0.03%
	245	4	MRK	Merck & Co.	\$56.79	\$1.80	0.450	0.79%	5.83%	1.43%	0.80%	2.23%	9.22%	0.0083	0.84%	0.08%
	246	4	MET	MetLife Inc.	\$54.09	\$1.40	0.350	0.65%	6.95%	1.69%	0.66%	2.35%	9.75%	0.0032	0.32%	0.03%
	247	4	MCHP	Microchip Technology	\$45.11	\$1.43	0.357	0.79%	8.00%	1.94%	0.81%	2.75%	11.45%	0.0005	0.05%	0.01%
	248	4	MSFT	Microsoft Corp.	\$46.45	\$1.24	0.310	0.67%	9.20%	2.22%	0.68%	2.91%	12.14%	0.0196	1.98%	0.24%
	249	4	TAP	Molson Coors Brewing	\$74.52	\$1.48	0.370	0.50%	5.72%	1.40%	0.50%	1.90%	7.84%	0.0006	0.06%	0.00%
	250	4	MDLZ	Mondelez International Inc	\$36.33	\$0.60	0.150	0.41%	11.94%	2.86%	0.42%	3.28%	13.80%	0.0031	0.31%	0.04%
	251	4	MON	Monsanto Co.	\$119.47	\$1.96	0.490	0.41%	12.50%	2.99%	0.42%	3.41%	14.36%	0.0030	0.30%	0.04%
	252	4	MCO	Moody's Corp	\$95.81	\$1.36	0.340	0.35%	14.08%	3.35%	0.37%	3.71%	15.71%	0.0010	0.10%	0.02%
	253	4	MS	Morgan Stanley	\$38.80	\$0.40	0.100	0.26%	21.16%	4.92%	0.27%	5.19%	22.41%	0.0039	0.39%	0.09%
	254	4	MOS	Mosaic Co.	\$45.65	\$1.00	0.250	0.55%	9.37%	2.26%						

Utility Services of Illinois, Inc.  
Derivation of the Total Return on the Market for use in the CAPM

Div.	Freq.	Symbol	Name	price	ann div	per div	per yld	growth	per gr	per yld1	per roe	ann roe	weight	adj wt	wt roe	
	262	4	NWL	Newell Rubbermaid Co.	\$38.09	\$0.68	0.170	0.45%	9.86%	2.38%	0.46%	2.84%	11.83%	0.0005	0.05%	0.01%
	263	4	NEM	Newmont Mining Corp. (HI	\$18.90	\$0.10	0.025	0.13%	-16.40%	-4.38%	0.13%	-4.25%	-15.96%	0.0005	0.05%	-0.01%
	264	4	NEE	NextEra Energy, Inc.	\$106.29	\$2.90	0.725	0.68%	6.64%	1.62%	0.69%	2.31%	9.58%	0.0024	0.24%	0.02%
	265	4	NLSN	Nielsen Holdings	\$44.73	\$1.00	0.250	0.56%	14.53%	3.45%	0.58%	4.03%	17.11%	0.0009	0.09%	0.01%
	266	4	NKE	NIKE Inc.	\$96.15	\$1.12	0.280	0.29%	14.03%	3.34%	0.30%	3.64%	15.36%	0.0042	0.43%	0.07%
	267	4	NI	NiSource Inc.	\$42.42	\$1.04	0.260	0.61%	6.25%	1.53%	0.62%	2.15%	8.88%	0.0007	0.07%	0.01%
	268	4	NE	Noble Corp.	\$16.57	\$1.50	0.375	2.26%	16.00%	3.78%	2.35%	6.13%	26.86%	0.0002	0.02%	0.01%
	269	4	NBL	Noble Energy, Inc.	\$47.43	\$0.72	0.180	0.38%	-5.00%	-1.27%	0.37%	-0.90%	-3.55%	0.0009	0.09%	0.00%
	270	4	JWN	Nordstrom	\$79.39	\$1.32	0.330	0.42%	9.92%	2.39%	0.43%	2.82%	11.76%	0.0008	0.08%	0.01%
	271	4	NSC	Norfolk Southern Corp.	\$109.61	\$2.28	0.570	0.52%	12.37%	2.96%	0.54%	3.49%	14.73%	0.0017	0.17%	0.03%
	272	4	NU	Northeast Utilities	\$53.52	\$1.57	0.393	0.73%	6.67%	1.63%	0.75%	2.37%	9.84%	0.0009	0.09%	0.01%
	273	4	NTRS	Northern Trust Corp.	\$67.40	\$1.32	0.330	0.49%	10.42%	2.51%	0.50%	3.01%	12.60%	0.0008	0.08%	0.01%
	274	4	NOC	Northrop Grumman Corp.	\$147.39	\$2.80	0.700	0.47%	6.47%	1.58%	0.48%	2.06%	8.51%	0.0015	0.15%	0.01%
	275	4	NRG	NRG Energy Inc.	\$26.95	\$0.56	0.140	0.52%	-5.60%	-1.43%	0.51%	-0.92%	-3.62%	0.0005	0.05%	0.00%
	276	4	NUE	Nucor Corp.	\$49.05	\$1.49	0.373	0.76%	8.50%	2.06%	0.78%	2.84%	11.83%	0.0008	0.08%	0.01%
	277	4	NVDA	NVIDIA Corp.	\$20.05	\$0.34	0.085	0.42%	10.30%	2.48%	0.43%	2.92%	12.18%	0.0006	0.06%	0.01%
	278	4	OXY	Occidental Petroleum	\$80.61	\$2.88	0.720	0.89%	3.84%	0.95%	0.90%	1.85%	7.60%	0.0032	0.32%	0.02%
	279	4	OMC	Omicron Group	\$77.47	\$2.00	0.500	0.65%	7.50%	1.82%	0.66%	2.48%	10.30%	0.0010	0.10%	0.01%
	280	4	OKE	ONEOK Inc.	\$49.79	\$2.36	0.590	1.18%	9.67%	2.33%	1.21%	3.55%	14.96%	0.0005	0.05%	0.01%
	281	4	ORCL	Oracle Corp.	\$44.97	\$0.48	0.120	0.27%	10.25%	2.47%	0.27%	2.74%	11.43%	0.0101	1.02%	0.12%
	282	4	PCAR	PACCAR Inc.	\$68.01	\$0.88	0.220	0.32%	11.68%	2.80%	0.33%	3.13%	13.13%	0.0012	0.12%	0.02%
	283	4	PLL	Pall Corp.	\$101.21	\$1.22	0.305	0.30%	12.48%	2.98%	0.31%	3.29%	13.84%	0.0006	0.06%	0.01%
	284	4	PH	Parker-Hannifin	\$128.95	\$2.52	0.630	0.49%	11.14%	2.68%	0.50%	3.18%	13.33%	0.0010	0.10%	0.01%
	285	4	PDCO	Patterson Companies Inc.	\$48.10	\$0.80	0.200	0.42%	10.40%	2.50%	0.43%	2.93%	12.25%	0.0003	0.03%	0.00%
	286	4	PAYX	Paychex Inc.	\$46.17	\$1.52	0.380	0.82%	9.60%	2.32%	0.84%	3.16%	13.25%	0.0009	0.09%	0.01%
	287	4	PNR	Pentair Ltd.	\$66.42	\$1.28	0.320	0.48%	15.50%	3.67%	0.50%	4.17%	17.74%	0.0006	0.06%	0.01%
	288	4	PBCT	People's United Financial I	\$15.18	\$0.66	0.165	1.09%	8.46%	2.05%	1.11%	3.16%	13.25%	0.0002	0.02%	0.00%
	289	4	POM	Pepco Holdings Inc.	\$26.93	\$1.08	0.270	1.00%	5.95%	1.46%	1.02%	2.47%	10.26%	0.0003	0.03%	0.00%
	290	4	PEP	PepsiCo Inc.	\$94.56	\$2.62	0.650	0.69%	7.56%	1.84%	1.07%	2.54%	10.71%	0.0073	0.73%	0.08%
	291	4	PKI	PerkinElmer	\$43.73	\$0.28	0.070	0.16%	13.04%	3.11%	0.17%	3.28%	13.77%	0.0003	0.03%	0.00%
	292	4	PRGO	Perrigo Co.	\$167.16	\$0.42	0.105	0.06%	13.69%	3.26%	0.06%	3.32%	13.98%	0.0012	0.12%	0.02%
	293	4	PETM	PetSmart Inc.	\$81.30	\$0.78	0.195	0.24%	13.00%	3.10%	0.25%	3.35%	14.09%	0.0004	0.04%	0.01%
	294	4	PFE	Pfizer, Inc.	\$31.15	\$1.04	0.260	0.83%	3.04%	0.75%	0.84%	1.59%	6.52%	0.0101	1.01%	0.07%
	295	4	PCG	PG&E Corp.	\$53.24	\$1.82	0.455	0.85%	7.32%	1.78%	0.87%	2.65%	11.04%	0.0013	0.13%	0.01%
	296	4	PM	Phillip Morris International	\$81.45	\$4.00	1.000	1.23%	7.03%	1.71%	1.25%	2.96%	12.38%	0.0065	0.65%	0.08%
	297	4	PSX	Phillips66	\$71.70	\$2.00	0.500	0.70%	12.03%	2.88%	0.72%	3.60%	15.19%	0.0020	0.20%	0.03%
	298	4	PNW	Pinnacle West Capital	\$68.31	\$2.38	0.595	0.87%	3.95%	0.97%	0.88%	1.85%	7.62%	0.0004	0.04%	0.00%
	299	2	PXD	Pioneer Natural Resources	\$148.85	\$0.08	0.040	0.03%	17.25%	8.28%	0.03%	8.31%	17.31%	0.0011	0.11%	0.02%
	300	4	PBI	Pitney-Bowes	\$24.37	\$0.75	0.188	0.77%	6.00%	1.47%	0.78%	2.25%	9.30%	0.0003	0.03%	0.00%
	301	4	PCL	Plum Creek Timber Co.	\$42.79	\$1.76	0.440	1.03%	5.00%	1.23%	1.04%	2.27%	9.39%	0.0004	0.04%	0.00%
	302	4	PNC	PNC Financial Services Gr	\$91.23	\$1.92	0.480	0.53%	6.87%	1.67%	0.53%	2.21%	9.14%	0.0025	0.25%	0.02%
	303	4	PPG	PPG Industries	\$231.15	\$2.68	0.670	0.29%	10.15%	2.45%	0.30%	2.74%	11.43%	0.0016	0.16%	0.02%
	304	4	PPL	PPL Corp.	\$36.33	\$1.49	0.373	1.03%	-2.10%	-0.53%	1.02%	0.49%	1.98%	0.0012	0.12%	0.00%
	305	4	PX	Praxair, Inc.	\$129.56	\$2.60	0.650	0.50%	11.66%	2.80%	0.52%	3.31%	13.92%	0.0019	0.19%	0.03%
	306	4	PCP	Precision Castparts	\$240.88	\$0.12	0.030	0.01%	12.50%	2.99%	0.01%	3.00%	12.56%	0.0018	0.18%	0.02%
	307	4	PFJ	Principal Financial Group	\$51.94	\$1.36	0.340	0.65%	11.30%	2.71%	0.67%	3.38%	14.24%	0.0008	0.08%	0.01%
	308	4	PG	Procter & Gamble	\$91.09	\$2.57	0.644	0.71%	7.88%	1.91%	0.72%	2.63%	10.96%	0.0126	1.27%	0.14%
	309	1	PGR	Progressive Corp.	\$26.99	\$0.99	0.993	3.68%	7.66%	7.66%	3.96%	11.62%	11.62%	0.0008	0.08%	0.01%
	310	4	PLD	ProLogis	\$43.03	\$1.32	0.330	0.77%	7.53%	1.83%	0.78%	2.61%	10.87%	0.0011	0.11%	0.01%
	311	4	PRU	Prudential Financial	\$90.46	\$2.32	0.580	0.64%	9.30%	2.25%	0.66%	2.90%	12.13%	0.0021	0.21%	0.03%
	312	4	PEG	Public Serv. Enterprise Inc	\$41.41	\$1.48	0.370	0.89%	2.63%	0.65%	0.90%	1.55%	6.35%	0.0011	0.11%	0.01%
	313	4	PSA	Public Storage	\$184.85	\$5.60	1.400	0.76%	5.66%	1.39%	0.77%	2.15%	8.90%	0.0016	0.16%	0.01%
	314	4	PHM	PulteGroup Inc.	\$21.46	\$0.32	0.080	0.37%	7.64%	1.86%	0.38%	2.24%	9.25%	0.0004	0.04%	0.00%
	315	4	PVH	PVH Corp.	\$128.17	\$0.15	0.038	0.03%	13.96%	3.32%	0.03%	3.35%	14.09%	0.0005	0.05%	0.01%
	316	4	QEP	QEP Resources	\$20.22	\$0.08	0.020	0.10%	10.25%	2.47%	0.10%	2.57%	10.69%	0.0002	0.02%	0.00%
	317	4	QCOM	QUALCOMM Inc.	\$74.33	\$1.68	0.420	0.57%	14.20%	3.38%	0.58%	3.96%	16.80%	0.0063	0.64%	0.11%
	318	4	DGX	Quest Diagnostics	\$67.06	\$1.32	0.330	0.49%	10.43%	2.51%	0.50%	3.02%	12.62%	0.0005	0.05%	0.01%
	319	4	RL	Ralph Lauren Corp.	\$185.16	\$1.80	0.450	0.24%	12.47%	2.98%	0.25%	3.23%	13.57%	0.0008	0.08%	0.01%
	320	4	RRC	Range Resources Corp.	\$53.45	\$0.16	0.040	0.07%	15.15%	3.59%	0.08%	3.67%	15.50%	0.0005	0.05%	0.01%
	321	4	RTN	Raytheon Co. (New)	\$108.17	\$2.42	0.605	0.56%	8.30%	2.01%	0.57%	2.58%	10.74%	0.0017	0.17%	0.02%
	322	4	RF	Regions Financial Corp. (N	\$10.56	\$0.20	0.050	0.47%	4.45%	1.09%	0.48%	1.57%	6.44%	0.0007	0.07%	0.00%
	323	4	RSG	Republic Services Inc.	\$40.25	\$1.12	0.280	0.70%	6.10%	1.49%	0.71%	2.20%	9.08%	0.0007	0.07%	0.01%
	324	4	RAI	Reynolds American Inc.	\$64.27	\$2.68	0.670	1.04%	8.51%	2.06%	1.06%	3.13%	13.11%	0.0018	0.18%	0.02%
	325	4	RHI	Robert Half International	\$58.38	\$0.72	0.180	0.31%	16.21%	3.83%	0.32%	4.15%	17.65%	0.0004	0.04%	0.01%
	326	4	ROK	Rockwell Automation, Inc.	\$111.20	\$2.60	0.650	0.58%	10.45%	2.52%	0.60%	3.12%	13.06%	0.0008	0.08%	0.01%
	327	4	COL	Rockwell Collins	\$84.48	\$1.20	0.300	0.36%	10.85%	2.61%	0.36%	2.97%	12.43%	0.0006	0.06%	0.01%
	328	4	ROP	Roper Industries Inc.	\$156.35	\$1.00	0.250	0.16%	13.35%	3.18%	0.16%	3.35%	14.08%	0.0008	0.08%	0.01%
	329	4	ROST	Ross Stores, Inc.	\$94.26	\$0.80	0.200	0.21%	11.60%	2.78%	0.22%	3.00%	12.55%	0.0010	0.10%	0.01%
	330	4	RCL	Royal Caribbean Cruises L	\$82.43	\$1.20	0.300	0.36%	20.50%	4.77%	0.38%	5.15%	22.26%	0.0009	0.09%	0.02%
	331	4	R	Ryder System	\$92.85	\$1.48	0.370	0.40%	15.00%	3.56%	0.41%	3.97%	16.84%	0.0003	0.03%	0.00%
	332	4	SWY	Safeway Inc.	\$35.12	\$0.92	0.230	0.65%	4.00%	0.99%	0.66%	1.65%	6.75%	0.0004	0.04%	0.00%
	333	4	SNDK	SanDisk Corp.	\$97.98	\$1.20	0.300	0.31%	14.40%	3.42%	0.32%	3.74%	15.81%	0.0011	0.11%	0.02%
	334	4	SCG	SCANA Corp.	\$60.40	\$2.10	0.525	0.87%	4.90%	1.20%	0.88%	2.08%	8.60%	0.0004	0.04%	0.00%
	335	4	SLB	Schlumberger Ltd.	\$85.41	\$1.60	0.400	0.47%	15.60%	3.69%	0.49%	4.18%	17.78%	0.0056	0.57%	0.10%
	336	4	SCHW	Schwab (Charles) Corp.	\$30.19	\$0.24	0.060	0.20%	19.46%	4.55%	0.21%	4.75%	20.41%	0.0020	0.20%	0.04%
	337	4	SNI	Scripes Networks Interacti	\$75.27	\$0.80	0.200	0.27%	12.07%	2.89%	0.27%	3.16%	13.27%	0.0005	0.05%	0.01%
	338	4	STX	Seagate Technology	\$66.50	\$2.16	0.540	0.81%	8.62%	2.09%	0.83%	2.92%	12.19%	0.0011	0.11%	0.01%
	339	4	SEE	Sealed Air Corp.(New)	\$42.43	\$0.52	0.130	0.31%	12.17%	2.91%	0.32%	3.23%	13.55%	0.0005	0.05%	0.01%
	340	4	SRE	Sempra Energy	\$111.36	\$2.64	0.660	0.59%	7.86%	1.91%	0.60%	2.51%	10.44%	0.0014	0.14%	0.01%
	341	4	SHW	Sherwin-Williams	\$263.04	\$2.20	0.550	0.21%	14.20%	3.38%	0.22%					

Utility Services of Illinois, Inc.  
Derivation of the Total Return on the Market for use in the CAPM

Div.	Freq.	Symbol	Name	price	ann div	per div	per yld	growth	per gr	per yld1	per roe	ann roe	weight	adj wt	wt roe	
	349	4	STJ	St Jude Medical	\$65.03	\$1.08	0.270	0.42%	9.09%	2.20%	0.42%	2.62%	10.91%	0.0010	0.10%	0.01%
	350	4	SWK	Stanley Black & Decker	\$96.08	\$2.08	0.520	0.54%	10.53%	2.53%	0.55%	3.09%	12.94%	0.0008	0.08%	0.01%
	351	4	SPLS	Staples Inc.	\$18.12	\$0.48	0.120	0.66%	-0.35%	-0.09%	0.66%	0.57%	2.32%	0.0006	0.06%	0.00%
	352	4	SBUX	Starbucks Corp.	\$82.05	\$1.28	0.320	0.39%	17.99%	4.22%	0.41%	4.63%	19.84%	0.0031	0.32%	0.06%
	353	4	HOT	Starwood Hotels & Resorts	\$81.07	\$4.00	1.000	1.23%	8.26%	2.00%	1.20%	3.26%	13.70%	0.0007	0.07%	0.01%
	354	4	STT	State Street Corp.	\$78.50	\$1.20	0.300	0.38%	7.00%	1.71%	0.39%	2.09%	8.65%	0.0017	0.17%	0.01%
	355	4	SYK	Stryker Corp.	\$94.33	\$1.38	0.345	0.37%	8.69%	2.11%	0.37%	2.48%	10.29%	0.0018	0.18%	0.02%
	356	4	STI	SunTrust Banks	\$41.90	\$0.80	0.200	0.48%	18.16%	4.26%	0.50%	4.76%	20.43%	0.0011	0.11%	0.02%
	357	4	SYMC	Symantec Corp.	\$25.66	\$0.60	0.150	0.58%	6.62%	1.62%	0.59%	2.21%	9.14%	0.0009	0.09%	0.01%
	358	4	YYY	Sysco Corp.	\$39.69	\$1.20	0.300	0.76%	5.55%	1.36%	0.77%	2.13%	8.78%	0.0012	0.12%	0.01%
	359	4	TROW	T. Rowe Price Group	\$85.86	\$1.76	0.440	0.51%	13.35%	3.18%	0.53%	3.71%	15.69%	0.0011	0.11%	0.02%
	360	4	TGT	Target Corp.	\$75.91	\$2.08	0.520	0.69%	9.07%	2.19%	0.70%	2.89%	12.09%	0.0025	0.25%	0.03%
	361	4	TEL	TE Connectivity LTD	\$63.25	\$1.16	0.290	0.46%	15.00%	3.56%	0.47%	4.03%	17.12%	0.0013	0.13%	0.02%
	362	4	TE	TECO Energy	\$20.49	\$0.88	0.220	1.07%	6.45%	1.57%	1.09%	2.67%	11.10%	0.0002	0.02%	0.00%
	363	4	TSO	Tesoro Corp.	\$74.35	\$1.20	0.300	0.40%	18.75%	4.39%	0.42%	4.81%	20.68%	0.0005	0.05%	0.01%
	364	4	TXN	Texas Instruments	\$53.47	\$1.36	0.340	0.64%	9.93%	2.40%	0.65%	3.05%	12.75%	0.0029	0.29%	0.04%
	365	4	TXT	Textron Inc.	\$42.11	\$0.08	0.020	0.05%	16.43%	3.88%	0.05%	3.93%	16.65%	0.0006	0.06%	0.01%
	366	4	TMO	Thermo Fisher Scientific	\$125.29	\$0.60	0.150	0.12%	13.22%	3.15%	0.12%	3.28%	13.76%	0.0026	0.26%	0.04%
	367	4	TIF	Tiffany & Co.	\$106.86	\$1.52	0.380	0.36%	13.23%	3.16%	0.37%	3.52%	14.85%	0.0007	0.07%	0.01%
	368	4	TWC	Time Warner Cable Inc.	\$152.06	\$3.00	0.750	0.49%	8.10%	1.97%	0.50%	2.47%	10.25%	0.0022	0.22%	0.02%
	369	4	TWX	Time Warner Inc.	\$85.42	\$1.27	0.318	0.37%	12.93%	3.09%	0.38%	3.47%	14.62%	0.0037	0.37%	0.05%
	370	4	TJX	TJX Companies Inc.	\$68.58	\$0.70	0.175	0.26%	11.90%	2.85%	0.26%	3.11%	13.05%	0.0024	0.24%	0.03%
	371	4	TMK	Torchmark Corp.	\$54.17	\$0.51	0.127	0.23%	8.57%	2.08%	0.24%	2.32%	9.59%	0.0004	0.04%	0.00%
	372	4	TSS	Total System Services	\$33.96	\$0.40	0.100	0.29%	12.50%	2.99%	0.30%	3.29%	13.83%	0.0003	0.03%	0.00%
	373	4	TSCO	Tractor Supply Co.	\$78.82	\$0.64	0.160	0.20%	17.14%	4.03%	0.21%	4.25%	18.09%	0.0005	0.06%	0.01%
	374	4	RIG	Transocean Limited	\$18.33	\$3.00	0.750	4.09%	10.50%	2.53%	4.20%	6.72%	29.73%	0.0003	0.03%	0.01%
	375	4	TRV	Travelers Cos.	\$105.85	\$2.20	0.550	0.52%	7.67%	1.86%	0.53%	2.39%	9.93%	0.0018	0.18%	0.02%
	376	2	FOXA	Twenty-First Century Fox	\$38.41	\$0.25	0.125	0.33%	16.40%	7.89%	0.35%	8.24%	17.16%	0.0042	0.43%	0.07%
	377	4	TYC	Tyco International	\$43.86	\$0.72	0.180	0.41%	12.20%	2.92%	0.42%	3.34%	14.05%	0.0009	0.09%	0.01%
	378	4	USB	U.S. Bancorp	\$44.95	\$0.98	0.245	0.55%	7.50%	1.82%	0.55%	2.38%	9.86%	0.0041	0.41%	0.04%
	379	4	UNP	Union Pacific	\$119.13	\$2.00	0.500	0.42%	12.90%	3.08%	0.43%	3.51%	14.81%	0.0054	0.55%	0.08%
	380	4	UPS	United Parcel Service	\$111.17	\$2.68	0.670	0.60%	11.20%	2.69%	0.62%	3.31%	13.91%	0.0052	0.52%	0.07%
	381	4	UTX	United Technologies	\$115.00	\$2.36	0.590	0.51%	10.57%	2.54%	0.53%	3.07%	12.86%	0.0054	0.54%	0.07%
	382	4	UNH	UnitedHealth Group Inc.	\$101.09	\$1.50	0.375	0.37%	10.28%	2.48%	0.38%	2.86%	11.93%	0.0050	0.50%	0.06%
	383	4	UHS	Universal Health Services	\$111.26	\$0.40	0.100	0.09%	9.41%	2.27%	0.09%	2.37%	9.80%	0.0006	0.06%	0.01%
	384	4	UNM	Unum Group	\$34.88	\$0.66	0.165	0.47%	7.50%	1.82%	0.48%	2.31%	9.55%	0.0005	0.05%	0.00%
	385	4	VLO	Valero Energy	\$49.50	\$1.10	0.275	0.56%	8.16%	1.98%	0.57%	2.55%	10.58%	0.0013	0.13%	0.01%
	386	4	VTR	Ventas Inc.	\$71.70	\$3.16	0.790	1.10%	4.02%	0.99%	1.11%	2.10%	8.68%	0.0011	0.11%	0.01%
	387	4	VZ	Verizon Communications	\$46.78	\$2.20	0.550	1.18%	9.38%	2.27%	1.18%	3.47%	14.62%	0.0100	1.00%	0.15%
	388	4	VFC	VF Corp.	\$74.90	\$1.28	0.320	0.43%	12.73%	3.04%	0.44%	3.48%	14.67%	0.0017	0.17%	0.02%
	389	4	VIAB	Viacom Inc.	\$75.25	\$1.32	0.330	0.44%	10.62%	2.56%	0.45%	3.01%	12.57%	0.0016	0.16%	0.02%
	390	4	V	Visa Inc.	\$262.20	\$1.92	0.480	0.18%	17.23%	4.05%	0.19%	4.24%	18.09%	0.0103	1.03%	0.19%
	391	4	VNO	Vornado Realty Trust	\$117.71	\$2.92	0.730	0.62%	15.43%	3.65%	0.64%	4.30%	18.32%	0.0011	0.11%	0.02%
	392	4	VMC	Vulcan Materials	\$65.73	\$0.24	0.060	0.09%	8.00%	1.94%	0.09%	2.04%	8.39%	0.0004	0.04%	0.00%
	393	4	WMT	Wal-Mart Stores	\$85.88	\$1.92	0.480	0.56%	5.80%	1.42%	0.57%	1.99%	8.19%	0.0142	1.43%	0.12%
	394	4	WBA	Walgreen Co.	\$76.20	\$1.35	0.338	0.44%	12.17%	2.91%	0.46%	3.37%	14.17%	0.0037	0.37%	0.05%
	395	4	WM	Waste Management Inc.	\$51.32	\$1.50	0.375	0.73%	8.10%	1.97%	0.75%	2.71%	11.29%	0.0012	0.12%	0.01%
	396	4	WFC	Wells Fargo	\$54.82	\$1.40	0.350	0.64%	9.85%	2.38%	0.65%	3.03%	12.68%	0.0146	1.47%	0.19%
	397	4	WDC	Western Digital	\$110.70	\$1.60	0.400	0.36%	9.50%	2.29%	0.37%	2.66%	11.09%	0.0013	0.13%	0.01%
	398	4	WU	Western Union Co.	\$17.91	\$0.50	0.125	0.70%	8.71%	2.11%	0.71%	2.82%	11.78%	0.0005	0.05%	0.01%
	399	4	WY	Weyerhaeuser Corp.	\$35.89	\$1.16	0.290	0.81%	5.00%	1.23%	0.82%	2.05%	8.44%	0.0010	0.10%	0.01%
	400	4	WHR	Whirlpool Corp.	\$193.74	\$3.00	0.750	0.39%	22.68%	5.24%	0.41%	5.65%	24.59%	0.0008	0.08%	0.02%
	401	4	WFM	Whole Foods Market	\$50.42	\$0.52	0.130	0.26%	12.62%	3.02%	0.27%	3.28%	13.79%	0.0009	0.09%	0.01%
	402	4	WIN	Windstream Corp.	\$8.24	\$1.00	0.250	3.03%	-2.00%	-1.50%	3.02%	2.51%	10.45%	0.0003	0.03%	0.00%
	403	4	WEC	Wisconsin Energy Corp.	\$52.74	\$1.69	0.423	0.80%	6.00%	1.47%	0.81%	2.28%	9.44%	0.0006	0.06%	0.01%
	404	4	WYN	Wynndham Worldwide Corp	\$85.76	\$1.40	0.350	0.41%	10.32%	2.49%	0.42%	2.90%	12.13%	0.0005	0.05%	0.01%
	405	4	WYNN	Wynn Resorts Ltd.	\$148.76	\$7.00	1.750	1.18%	10.63%	2.56%	1.21%	3.76%	15.93%	0.0008	0.08%	0.01%
	406	4	XEL	Xcel Energy Inc.	\$35.92	\$1.20	0.300	0.84%	4.16%	1.02%	0.84%	1.87%	7.68%	0.0009	0.09%	0.01%
	407	4	XRX	Xerox Corp.	\$13.86	\$0.25	0.063	0.45%	7.00%	1.71%	0.46%	2.16%	8.94%	0.0008	0.08%	0.01%
	408	4	XLNX	Xilinx, Inc	\$43.29	\$1.16	0.290	0.67%	11.80%	2.83%	0.69%	3.52%	14.83%	0.0006	0.06%	0.01%
	409	4	XL	XL Group	\$34.37	\$0.64	0.160	0.47%	1.83%	0.45%	0.47%	0.92%	3.74%	0.0005	0.05%	0.00%
	410	4	XYL	Xylem Inc.	\$38.07	\$0.51	0.128	0.34%	12.37%	2.96%	0.35%	3.30%	13.89%	0.0004	0.04%	0.00%
	411	4	YUM	Yum! Brands, Inc	\$72.85	\$1.64	0.410	0.56%	11.24%	2.70%	0.58%	3.28%	13.77%	0.0016	0.16%	0.02%
	412	4	ZMH	Zimmer Holdings	\$113.42	\$0.88	0.220	0.19%	8.82%	2.14%	0.20%	2.33%	9.67%	0.0010	0.10%	0.01%
	413	4	ZION	Zions Bancorp	\$28.51	\$0.16	0.040	0.14%	9.00%	2.18%	0.14%	2.32%	9.61%	0.0003	0.03%	0.00%
	414	4	ZTS	Zoetis Inc.	\$43.03	\$0.33	0.083	0.19%	12.87%	3.07%	0.20%	3.27%	13.74%	0.0011	0.11%	0.02%
	415		ACT	Actavis Inc.	\$257.41	\$0.00	0.00	0.00%	18.40%	4.31%	0.00%	4.31%	0.00%	0.0035	0.35%	0.06%
	416		ADBE	Adobe Systems	\$72.70	\$0.00	0.00	0.00%	9.33%	2.26%	0.00%	2.26%	0.00%	0.0019	0.19%	0.02%
	417		AMG	Affiliated Managers Group	\$212.24	\$0.00	0.00	0.00%	14.71%	3.49%	0.00%	3.49%	0.00%	0.0006	0.06%	0.01%
	418		AKAM	Akamai Technologies	\$62.96	\$0.00	0.00	0.00%	15.83%	3.74%	0.00%	3.74%	0.00%	0.0006	0.06%	0.01%
	419		ALXN	Alexion Pharmaceuticals	\$185.03	\$0.00	0.00	0.00%	28.86%	6.54%	0.00%	6.54%	0.00%	0.0019	0.19%	0.05%
	420		ADS	Alliance Data Systems	\$286.05	\$0.00	0.00	0.00%	17.07%	4.02%	0.00%	4.02%	0.00%	0.0009	0.09%	0.02%
	421		AMZN	Amazon.com	\$310.35	\$0.00	0.00	0.00%	30.06%	6.79%	0.00%	6.79%	0.00%	0.0074	0.74%	0.22%
	422		ADSK	Autodesk, Inc.	\$60.06	\$0.00	0.00	0.00%	8.05%	1.95%	0.00%	1.95%	0.00%	0.0007	0.07%	0.01%
	423		AN	AutoNation, Inc.	\$60.41	\$0.00	0.00	0.00%	15.93%	3.76%	0.00%	3.76%	0.00%	0.0004	0.04%	0.01%
	424		AZO	AutoZone Inc.	\$619.11	\$0.00	0.00	0.00%	13.22%	3.15%	0.00%	3.15%	0.00%	0.0010	0.10%	0.01%
	425		BBBY	Bed Bath & Beyond	\$76.17	\$0.00	0.00	0.00%	7.13%	1.74%	0.00%	1.74%	0.00%	0.0007	0.07%	0.01%
	426		BRK.B	Berkshire Hathaway Inc.	\$150.15	\$0.00	0.00	0.00%	8.35%	2.03%	0.00%	2.03%	0.00%	0.0190	1.91%	0.16%
	427		BIIB	BIOGEN IDEC Inc.	\$339.45	\$0.00	0.00	0.00%	20.11%	4.69%	0.00%	4.69%	0.00%	0.0041	0.41%	0.08%
	428		BSX	Boston Scientific	\$13.25	\$0.00	0.00	0.00%	7.53%	1.83%	0.00%	1.83%	0.00%	0.0009	0.09%	0.01%
	429															

Utility Services of Illinois, Inc.  
Derivation of the Total Return on the Market for use in the CAPM

Div.	Freq.	Symbol	Name	price	ann div	per div	per yld	growth	per gr	per yld1	per roe	ann roe	weight	adj wt	wt roe
	436	CTXS	Citrix Systems	\$63.80	\$0.00	0.00	0.00%	13.04%	3.11%	0.00%	3.11%	0.00%	0.0005	0.05%	0.01%
	437	CTSH	Cognizant Technology Sol	\$52.66	\$0.00	0.00	0.00%	17.15%	4.04%	0.00%	4.04%	0.00%	0.0016	0.17%	0.03%
	438	STZ	Constellation Brands	\$98.17	\$0.00	0.00	0.00%	16.50%	3.89%	0.00%	3.89%	0.00%	0.0010	0.10%	0.02%
	439	DVA	DaVita Inc.	\$75.74	\$0.00	0.00	0.00%	11.43%	2.74%	0.00%	2.74%	0.00%	0.0008	0.08%	0.01%
	440	DTV	Direct TV	\$86.70	\$0.00	0.00	0.00%	8.00%	1.94%	0.00%	1.94%	0.00%	0.0022	0.22%	0.02%
	441	DISCA	Discovery Communication:	\$34.45	\$0.00	0.00	0.00%	21.30%	4.95%	0.00%	4.95%	0.00%	0.0008	0.08%	0.02%
	442	DISCK	Discovery Communication:	\$33.72	\$0.00	0.00	0.00%	21.50%	4.99%	0.00%	4.99%	0.00%	0.0008	0.08%	0.02%
	443	DG	Dollar General	\$70.70	\$0.00	0.00	0.00%	14.48%	3.44%	0.00%	3.44%	0.00%	0.0011	0.11%	0.02%
	444	DLTR	Dollar Tree	\$70.38	\$0.00	0.00	0.00%	16.23%	3.83%	0.00%	3.83%	0.00%	0.0007	0.07%	0.01%
	445	ETFC	E Trade Financial	\$24.26	\$0.00	0.00	0.00%	24.20%	5.57%	0.00%	5.57%	0.00%	0.0004	0.04%	0.01%
	446	EBAY	eBay Inc.	\$56.12	\$0.00	0.00	0.00%	12.41%	2.97%	0.00%	2.97%	0.00%	0.0036	0.36%	0.04%
	447	EW	Edwards Lifesciences	\$127.38	\$0.00	0.00	0.00%	15.63%	3.70%	0.00%	3.70%	0.00%	0.0007	0.07%	0.01%
	448	EA	Electronic Arts	\$47.02	\$0.00	0.00	0.00%	17.30%	4.07%	0.00%	4.07%	0.00%	0.0007	0.08%	0.01%
	449	ESRX	Express Scripts	\$84.67	\$0.00	0.00	0.00%	14.18%	3.37%	0.00%	3.37%	0.00%	0.0032	0.32%	0.05%
	450	FFIV	F5 Networks	\$130.47	\$0.00	0.00	0.00%	16.84%	3.97%	0.00%	3.97%	0.00%	0.0005	0.05%	0.01%
	451	FB	Facebook Inc.	\$78.02	\$0.00	0.00	0.00%	31.42%	7.07%	0.00%	7.07%	0.00%	0.0112	1.12%	0.35%
	452	FISV	Fiserv Inc.	\$70.97	\$0.00	0.00	0.00%	12.25%	2.93%	0.00%	2.93%	0.00%	0.0009	0.09%	0.01%
	453	FTI	FMC Technologies inc.	\$46.84	\$0.00	0.00	0.00%	18.33%	4.30%	0.00%	4.30%	0.00%	0.0006	0.06%	0.01%
	454	FOSL	Fossil	\$110.74	\$0.00	0.00	0.00%	14.66%	3.48%	0.00%	3.48%	0.00%	0.0003	0.03%	0.00%
	455	GNW	Genworth Financial Inc.	\$8.50	\$0.00	0.00	0.00%	5.00%	1.23%	0.00%	1.23%	0.00%	0.0002	0.02%	0.00%
	456	GILD	Gilead Sciences	\$94.26	\$0.00	0.00	0.00%	29.75%	6.73%	0.00%	6.73%	0.00%	0.0073	0.73%	0.22%
	457	GOOG	Google Inc.	\$526.40	\$0.00	0.00	0.00%	17.29%	4.07%	0.00%	4.07%	0.00%	0.0092	0.92%	0.16%
	458	GOOGL	Google Inc.	\$530.66	\$0.00	0.00	0.00%	17.51%	4.12%	0.00%	4.12%	0.00%	0.0185	1.86%	0.32%
	459	HSP	Hospira Inc.	\$61.25	\$0.00	0.00	0.00%	10.45%	2.52%	0.00%	2.52%	0.00%	0.0005	0.05%	0.01%
	460	ISRG	Intuitive Surgical Inc.	\$528.94	\$0.00	0.00	0.00%	8.44%	2.05%	0.00%	2.05%	0.00%	0.0010	0.10%	0.01%
	461	JEC	Jacobs Engineering Group	\$44.69	\$0.00	0.00	0.00%	11.45%	2.75%	0.00%	2.75%	0.00%	0.0003	0.03%	0.00%
	462	LH	Laboratory Corp of Americ	\$107.90	\$0.00	0.00	0.00%	10.39%	2.50%	0.00%	2.50%	0.00%	0.0005	0.05%	0.00%
	463	LVLTL	Level 3 Communications Ir	\$49.38	\$0.00	0.00	0.00%	8.00%	1.94%	0.00%	1.94%	0.00%	0.0009	0.09%	0.01%
	464	MNK	Mallinckrodt plc	\$99.03	\$0.00	0.00	0.00%	20.21%	4.71%	0.00%	4.71%	0.00%	0.0006	0.06%	0.01%
	465	KORS	Micheals Kors Holdings Lir	\$75.10	\$0.00	0.00	0.00%	22.22%	5.14%	0.00%	5.14%	0.00%	0.0008	0.08%	0.02%
	466	MU	Micron Technology	\$35.01	\$0.00	0.00	0.00%	11.23%	2.70%	0.00%	2.70%	0.00%	0.0019	0.19%	0.02%
	467	MHK	Mohawk Industries	\$155.36	\$0.00	0.00	0.00%	16.10%	3.80%	0.00%	3.80%	0.00%	0.0006	0.06%	0.01%
	468	MNST	Monster Beverage	\$108.35	\$0.00	0.00	0.00%	19.83%	4.63%	0.00%	4.63%	0.00%	0.0009	0.09%	0.02%
	469	MYL	Mylan Inc.	\$56.37	\$0.00	0.00	0.00%	12.68%	3.03%	0.00%	3.03%	0.00%	0.0011	0.11%	0.01%
	470	NFLX	Netflix Inc.	\$341.61	\$0.00	0.00	0.00%	21.67%	5.03%	0.00%	5.03%	0.00%	0.0011	0.11%	0.02%
	471	NFX	Newfield Exploration	\$27.12	\$0.00	0.00	0.00%	12.35%	2.95%	0.00%	2.95%	0.00%	0.0002	0.02%	0.00%
	472	NWSA	News Corp.	\$15.69	\$0.00	0.00	0.00%	9.68%	2.34%	0.00%	2.34%	0.00%	0.0003	0.03%	0.00%
	473	ORLY	O'Reilly Automotive Inc.	\$192.62	\$0.00	0.00	0.00%	15.88%	3.75%	0.00%	3.75%	0.00%	0.0010	0.10%	0.02%
	474	OI	Owens-Illinois Inc.	\$26.99	\$0.00	0.00	0.00%	8.10%	1.97%	0.00%	1.97%	0.00%	0.0002	0.02%	0.00%
	475	PCLN	Priceline.com	\$1,140.21	\$0.00	0.00	0.00%	19.48%	4.55%	0.00%	4.55%	0.00%	0.0031	0.31%	0.06%
	476	PWR	Quanta Services	\$28.39	\$0.00	0.00	0.00%	8.00%	1.94%	0.00%	1.94%	0.00%	0.0003	0.03%	0.00%
	477	RHT	Red Hat Inc.	\$69.14	\$0.00	0.00	0.00%	17.35%	4.08%	0.00%	4.08%	0.00%	0.0007	0.07%	0.01%
	478	REGN	Regeneron Pharmaceutica	\$410.25	\$0.00	0.00	0.00%	22.11%	5.12%	0.00%	5.12%	0.00%	0.0021	0.22%	0.05%
	479	CRM	Salesforce.com	\$59.31	\$0.00	0.00	0.00%	26.04%	5.96%	0.00%	5.96%	0.00%	0.0019	0.19%	0.05%
	480	SWN	Southwestern Energy Co.	\$27.29	\$0.00	0.00	0.00%	7.09%	1.73%	0.00%	1.73%	0.00%	0.0005	0.05%	0.00%
	481	SRCL	Stericycle Inc.	\$131.08	\$0.00	0.00	0.00%	15.20%	3.60%	0.00%	3.60%	0.00%	0.0006	0.06%	0.01%
	482	THC	Tenet Healthcare Corp.	\$50.67	\$0.00	0.00	0.00%	11.00%	2.64%	0.00%	2.64%	0.00%	0.0003	0.03%	0.00%
	483	TDC	Teradata Corp.	\$43.68	\$0.00	0.00	0.00%	7.32%	1.78%	0.00%	1.78%	0.00%	0.0003	0.03%	0.00%
	484	TRIP	TripAdvisor	\$74.66	\$0.00	0.00	0.00%	24.69%	5.67%	0.00%	5.67%	0.00%	0.0005	0.06%	0.01%
	485	UA	Under Armour Inc.	\$67.90	\$0.00	0.00	0.00%	24.36%	5.60%	0.00%	5.60%	0.00%	0.0007	0.07%	0.02%
	486	URI	United Rentals Inc.	\$102.01	\$0.00	0.00	0.00%	19.41%	4.53%	0.00%	4.53%	0.00%	0.0005	0.05%	0.01%
	487	URBN	Urban Outfitters Inc.	\$35.13	\$0.00	0.00	0.00%	16.36%	3.86%	0.00%	3.86%	0.00%	0.0002	0.02%	0.00%
	488	VAR	Varian Medical Systems	\$86.51	\$0.00	0.00	0.00%	9.13%	2.21%	0.00%	2.21%	0.00%	0.0004	0.04%	0.00%
	489	VRSN	VeriSign Inc.	\$57.00	\$0.00	0.00	0.00%	12.00%	2.87%	0.00%	2.87%	0.00%	0.0004	0.04%	0.00%
	490	VRTX	Vertex Pharmaceuticals	\$118.80	\$0.00	0.00	0.00%	19.00%	4.44%	0.00%	4.44%	0.00%	0.0015	0.15%	0.03%
	491	WAT	Waters Corporation	\$112.72	\$0.00	0.00	0.00%	9.35%	2.26%	0.00%	2.26%	0.00%	0.0005	0.05%	0.00%
	492	YHOO	Yahoo Inc.	\$50.51	\$0.00	0.00	0.00%	10.99%	2.64%	0.00%	2.64%	0.00%	0.0025	0.25%	0.03%
	493	4 DNR	Denbury Resources Inc.	\$8.13	\$0.25	0.063	0.77%	-41.00%	-12.36%	0.67%	-11.68%	-39.16%	0.0001	0.01%	-0.01%
	493							14.93%					0.9944		13.10%

EXCLUDED COMPANIES

494															
495	4	ALLE	Allegion	\$55.46	\$0.32	0.080	0.14%	#VALUE!	#VALUE!	#VALUE!			0.0003	#REF!	#REF!
497		FSLR	First Solar Inc.	\$44.60	\$0.00	0.00	0.00%	#VALUE!	#VALUE!	#VALUE!			0.0002		
498	4	FCX	Freeport-McMoran Cp & G	\$23.36	\$1.25	0.313	1.34%	#VALUE!	#VALUE!	#VALUE!			0.0012	#REF!	#REF!
499	4	GT	Goodyear Tire & Rubber	\$28.57	\$0.24	0.060	0.21%	#VALUE!	#VALUE!	#VALUE!			0.0004	#REF!	#REF!
500	4	HCBK	Hudson City Bancorp.	\$10.12	\$0.16	0.040	0.40%	#VALUE!	#VALUE!	#VALUE!			0.0003	#REF!	#REF!
501	4	LEG	Leggett & Platt	\$42.61	\$1.24	0.310	0.73%	#VALUE!	#VALUE!	#VALUE!			0.0003	#REF!	#REF!
502	4	LUK	Leucadia National Corp.	\$22.42	\$0.25	0.063	0.28%	#VALUE!	#VALUE!	#VALUE!			0.0004	#REF!	#REF!
503	4	TSN	Tyson Foods	\$40.09	\$0.30	0.075	0.19%	#VALUE!	#VALUE!	#VALUE!			0.0008	#REF!	#REF!
504	4	WMB	Williams Cos.	\$44.94	\$2.28	0.570	1.27%	#VALUE!	#VALUE!	#VALUE!			0.0017	#REF!	#REF!
505															
506															

MARKET WEIGHTS / PRICE: Zacks Research Wizard - Run January 2, 2015; data as of close of business on December 31, 2014

DIVIDENDS: Morningstar.com and the following companies' websites: Cintas Corp., DENTSPLY International, Franklin Resources Inc., Host Hotels and Resorts, Inc., and Leucadia National Corp.

GROWTH RATES: Zacks Research Wizard - Run January 2, 2015 (data as of close of business on December 31, 2014) and Reuters.com January 2, 2015 for those companies without growth estimates from Zacks whose tickers are: CINF, DISCK, DNR, HRS, L, NEM, PBCT, and WYN. No growth rates were available from Zack or Reuters for ALLE, FCX, FSLR, GT, HCBK, LEG, LUK, TSN, and WMB. Denbury Resources Inc. (DNR) was removed because of an unsustainable growth rate.

Utility Services of Illinois, Inc.  
Derivation of Investment Risk Adjustment Based upon  
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.	[1] Market Capitalization on February 4, 2015 (1) (millions)	[2] Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	[3] Applicable Size Premium (3)	[4] Spread from Applicable Size Premium (4)
1.	Utility Services of Illinois, Inc. \$ 29,258	10	5.78%	4.87%
2.	Utilities, Inc. \$ 353,086	9 - 10	4.24%	3.33%
2.	Ms. Freetly's Proxy Group Companies \$ 8,392,205	3	0.91%	

(A) Decile	(B) Market Capitalization of Smallest Company (millions)	(C) Market Capitalization of Largest Company (millions)	(D) Midpoint (millions)	(E) Premium (Return in Excess of CAPM) (2)
Largest	1 \$ 24,428,848	\$ 591,015,721	\$ 307,722,285	-0.36%
	2 10,170,746	24,272,837	17,221,792	0.63%
	3 5,864,266	10,105,622	7,984,944	0.91%
	4 3,724,624	5,844,592	4,784,608	1.06%
	5 2,552,441	3,724,186	3,138,314	1.60%
	6 1,688,895	2,542,913	2,115,904	1.74%
	7 1,011,278	1,686,860	1,349,069	1.71%
	8 549,056	1,010,634	779,845	2.15%
	9 300,752	548,839	424,796	2.69%
Smallest	10 3,037	300,725	151,881	5.78%

\*From Duff & Phelps 2015 Valuation Handbook (Preview Edition)

Notes:

- (1) From Page 2 of this Exhibit.
- (2) Gleaned from Column (D) on the bottom of this page. The appropriate decile (Column (A)) corresponds to the market capitalization of the proxy group, which is found in Column 1.
- (3) Corresponding risk premium to the decile is provided on Column (E) on the bottom of this page.
- (4) Line No. 1a Column 3 - Line No. 2 Column 3 and Line No. 1b, Column 3 - Line No. 3 of Column 3 etc.. For example, the 4.87% in Column 4, Line No. 2 is derived as follows 4.87% = 5.78% - 0.91%.

Utility Services of Illinois, Inc.  
Market Capitalization of Utility Services of Illinois and  
Ms. Freely's Proxy Group Companies

Company	[1] Common Stock Shares Outstanding at Fiscal Year End 2014 ( millions )	[2] Book Value per Share at Fiscal Year End 2014 (1)	[3] Total Common Equity at Fiscal Year End 2014 ( millions )	[4] Closing Stock Market Price on February 4, 2015	[5] Market-to- Book Ratio on February 4, 2015 (2)	[6] Market Capitalization on February 4, 2015 (3) ( millions )
Utility Services of Illinois, Inc.	NA	NA	15,035 (4)	NA	194.6 %	\$ 29,258
Utilities, Inc.	NA	NA	181,442 (5)	NA	194.6 %	\$ 353,086
Ms. Freely's Proxy Group Companies						
American States Water	38,287	\$ 13,237	\$ 506,801	\$ 39,900	301.4 %	\$ 1,527,636
American Water Works	179,462	\$ 27,391	\$ 4,915,591	\$ 55,640	203.1	\$ 9,985,266
Aqua America	176,753	\$ 9,365	\$ 1,655,343	\$ 27,250	291.0	\$ 4,816,527
California Water Service	47,806	\$ 13,108	\$ 626,626	\$ 24,990	190.6	\$ 1,194,672
Connecticut Water Service	11,125	\$ 18,828	\$ 209,451	\$ 36,090	191.7	\$ 401,488
American Electric Power	489,403	\$ 34,377	\$ 16,824,000	\$ 62,220	181.0	\$ 30,450,628
El Paso Electric Co.	40,108	\$ 24,540	\$ 984,254	\$ 40,060	163.2	\$ 1,606,728
Empire District Electric	43,479	\$ 18,015	\$ 783,298	\$ 30,400	168.7	\$ 1,321,767
Entergy Corp.	179,241	\$ 55,834	\$ 10,007,725	\$ 87,470	156.7	\$ 15,678,185
IDACORP	50,270	\$ 38,854	\$ 1,953,201	\$ 67,090	172.7	\$ 3,372,610
NiSource Inc.	316,037	\$ 19,540	\$ 6,175,300	\$ 44,550	228.0	\$ 14,079,467
PG&E Corp.	475,913	\$ 33,090	\$ 15,748,000	\$ 57,910	175.0	\$ 27,560,145
PNM Resources	79,654	\$ 21,613	\$ 1,721,546	\$ 30,330	140.3	\$ 2,415,894
Portland General Electric Co.	78,228	\$ 24,428	\$ 1,911,000	\$ 39,370	161.2	\$ 3,079,850
Average	157,555	\$ 25,159	\$ 4,573,010	\$ 45,948	194.6 %	\$ 8,392,205

NA = Not Available

- Notes: (1) Column 3 / Column 1.  
(2) Column 4 / Column 2.  
(3) Column 5 \* Column 3.  
(4) Pro forma rate base of USI (\$29,891 M) multiplied by the Company updated equity ratio of 50.30%.  
(5) Book equity balance at 12/31/2014.

Utility Services of Illinois, Inc.  
Summary of Corrected Results for  
Ms. Freetly's DCF and CAPM Analyses

DCF Analysis (1)	8.58%
CAPM Analysis (2)	<u>10.48%</u>
Average	9.53%
Financial Risk Adjustment (3)	0.19%
Size Adjustment (4)	<u>0.40%</u>
Indicated ROE	<u><u>10.12%</u></u>

Notes:

- (1) Average of corrected CDCF and NDCF from Schedule 10.06.
- (2) Average of corrected CAPM and ECAPM from Schedule 10.07.
- (3) From Freetly testimony at page 37.
- (4) From Schedule 10.08.

Utility Services of Illinois, Inc.  
Calculation of Net Interest Coverage  
for Ms. Freetly's Proxy Group Companies  
and Utility Services of Illinois, Inc.

<u>Staff Proxy Group Companies</u>	<u>Net Operating Income</u>	<u>Interest Expense</u>	<u>Net Interest Coverage</u>
	(in Millions)		
American States Water	80.997	20.690	3.91 x
American Water Works	722.603	297.898	2.43
Aqua America	301.559	76.397	3.95
California Water Service	81.847	26.948	3.04
Connecticut Water Service	25.997	6.515	3.99
American Electric Power	2,290.000	885.000	2.59
El Paso Electric Co.	110.075	46.818	2.35
Empire District Electric	99.999	38.243	2.61
Entergy Corp.	1,417.292	627.507	2.26
IDACORP	236.924	79.801	2.97
NiSource, Inc.	952.000	443.600	2.15
PG&E Corp.	2,105.000	725.000	2.90
PNM Resources	229.959	119.627	1.92
Portland General Electric Co.	232.000	96.000	2.42
		Average	<u>2.82 x</u>
	<u>Net Operating Income</u>	<u>Interest Expense (2)</u>	<u>Net Interest Coverage</u>
	(in Millions)		
Utility Services of Illinois	\$ 2.256753	(1) \$ 0.874	2.58 x
Solve for Proxy Group Average	\$ 2.464680	\$ 0.874	2.82 x
Type of Capital	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Short-Term Debt	1.82%	1.69%	0.03%
Long-Term Debt	50.14%	6.66%	3.34%
Common Equity	48.04%	<b>10.15%</b>	4.88%
Total Capital			<u>8.25%</u> (3)

Notes:

- (1) Net operating income was derived by multiplying Staff's recommended WACC of 7.55% by the requested rate base of \$29,890,765.
- (2) Interest expense of \$0.874 million was derived by taking the relative percentage of USI's rate base to UI (7.38% of total) and applying that percentage to UI's long-term debt interest (\$11.844 million).
- (3) Net operating income divided by USI's requested ratebase of \$29.89077 million.

Company Cost of Capital Calculation  
Return on Common Equity Implied in  
Utility Services of Illinois Capital Structure  
and Weighted Average Cost of Capital

[A]	[B]	[C]	[D]	[E]
<u>Description</u>	<u>Weight (%) (1)</u>	<u>Cost</u>	<u>Weighted Cost (2)</u>	<u>Pre-Tax Weighted Cost</u>
<b>ROE Based on Docket No. 14-0419</b>				
Debt	46.74%	6.49% (3)	3.00%	3.00%
Common Equity	53.26%	9.81% (1)	5.20%	8.43% (4)
Weighted Average Cost of Capital			<u>8.20%</u>	<u>11.43%</u>
	<u>Weight (%) (5)</u>	<u>Cost</u>	<u>Weighted Cost (2)</u>	<u>Pre-Tax Weighted Cost</u>
<b>ROE Applicable to Utility Service of Illinois Capital Structure</b>				
Debt	49.70%	6.49% (3)	3.23%	3.23%
Common Equity	50.30%	10.06% (5)	5.06% (8)	8.20% (6)
Weighted Average Cost of Capital			<u>8.29%</u>	<u>11.43%</u> (7)
		<b>Indicated Financial Risk Adjustment</b>	0.25%	

- Notes: (1) From Final Decision in Docket No. 14-0419  
(2) Column [B] \* Column [C].  
(3) Weighted cost of total debt from ICC Staff Exhibit 5.0, Schedule 5.1.  
(4) Assuming a company-provided effective composite Federal and State income tax rate of 38.29%, the pre-tax weighted cost of common equity based on the authorized common equity cost rate of 9.81% and capital structure is: 8.43%.  $8.43\% = 9.81\% / (1 + 0.3829)$   
(5) From USI Exhibit 6.0, Schedule 2.0.  
(6) Pre-tax weighted cost rate of common equity equals the pre-tax overall weighted cost rate (11.43%) based upon the authorized 9.81% common equity cost rate and authorized capital structure minus the weighted cost rate of debt based upon USI's proposed capital structure (revised) 3.23%.  $11.43\% - 3.23\% = 8.20\%$ .  
(7) Pre-tax weighted overall cost of capital based on Final Decision for Docket 14-0419.  
(8) Weighted cost of common equity calculated as the pre-tax weighted cost of common equity, 5.06%, divided by USI's proposed capital structure ratio, 50.30%.  $10.06\% = 5.06\% / 50.30\%$ .

Utility Service of Illinois  
Calculation of Indicated Financial Risk Adjustment  
Using the Hamada Equation

Line No.	USI Proposed Capital Structure (1)	Capital Structure Authorized in Decision in Docket No. 14-0419
1. Total Debt	49.70 %	46.74 %
2. Common Equity	<u>50.30</u>	<u>53.26</u>
3. Total	100.00 %	100.00 %
4. Beta		0.68 (2)
5. Un-levered beta		0.44 (3)
6. Re-Levered beta		0.71 (4)
7. Market Risk Premium		9.45 (5)
8. Risk-Free Rate		3.65 (6)
9. Indicated CAPM based on Order in Docket No. 14-0419		10.08 (7)
10. Re-levered CAPM based on USI Capital Structure		10.36 (8)
11. Indicated Financial Risk Adjustment		0.28 (9)

Notes:

- (1) From USI Exhibit 6.0, Schedule 2.0.
- (2) Average beta from Schedule 10.07.
- (3) The un-levered beta is calculated as follows:

$$b_u = \frac{b_l}{[1 + \frac{D}{E}(1 - T)]}$$

Where:

$$.44 = \frac{.68}{[1 + \frac{46.74\%}{53.26\%}(1 - 38.29\%)]}$$

$b_l$  = levered beta  
D = Aqua Debt Ratio  
E = Aqua Equity Ratio  
T = Corporate Tax Rate

- (4) The beta is then re-levered using USI's proposed Capital Structure

$$b_l = b_u [1 + \frac{D}{E}(1 - T)]$$

$$.71 = .44 [1 + \frac{49.70\%}{50.30\%}(1 - 38.29\%)]$$

- (5) From Column [6] of Schedule 10.07.
- (6) From Column [5] of Schedule 10.07.
- (7) Line 4 \* Line 7 + Line 8.
- (8) Line 6 \* Line 7 + Line 8.
- (9) Line 10 - Line 9.