

DCF: Establish Dividend and Growth Analysis

Name	AUS Utility Report June 2010 S&P Bond Rating	(D ₁) Value Line projected 2011 Dividend Per Share	(P ₀) Stock Price WSJ 06/15/10	Calculated Dividend Yield	Value Line Dividend Yield	Value Line Earnings Growth	Value Line Book Growth	Yahoo! Financial Earnings Growth	Zacks Earnings Growth	(g) Average Earnings Growth	Dividend only DCF using earnings growth	(K) DCF with Risk increment adjustment
AGL RESOURCES	A-	\$1.80	37.45	4.81%	4.90%	3.5%	5.0%	2.4%	4.0%	3.3%	8.10%	10.52%
ATMOS ENERGY CORP	BBB+	\$1.36	28.14	4.83%	5.10%	5.5%	3.5%	3.1%	4.7%	4.4%	9.25%	11.29%
NICOR INC	AA	\$1.86	42.26	4.40%	4.70%	2.5%	5.0%	4.8%	3.7%	3.7%	8.06%	10.67%
NISOURCE INC	BBB-	\$0.92	15.34	6.00%	6.30%	5.0%	1.5%	5.0%	3.0%	4.3%	10.31%	12.35%
NORTHWEST NATURAL GAS	AA-	\$1.75	45.51	3.85%	3.90%	4.5%	4.0%	3.4%	5.1%	4.3%	8.19%	10.80%
PIEDMONT NATURAL GAS	A	\$1.15	26.31	4.37%	4.50%	3.5%	3.0%	4.3%	6.3%	4.7%	9.08%	11.50%
SOUTHWEST GAS	BBB	\$1.05	30.31	3.46%	3.50%	8.0%	5.0%	4.2%	6.0%	6.1%	9.53%	11.57%
AVERAGE		\$1.41	32.19	4.53%	4.70%	4.64%	3.86%	3.88%	4.69%	4.40%	8.93%	11.25%
MEDIAN		\$1.36	30.31	4.40%	4.70%	4.50%	4.00%	4.21%	4.70%	4.35%	9.08%	11.29%
MINIMUM		\$0.92	15.34	3.46%	3.50%	2.50%	1.50%	2.38%	3.00%	3.29%	8.06%	10.52%
MAXIMUM		\$1.86	45.51	6.00%	6.30%	8.00%	5.00%	4.95%	6.30%	6.07%	10.31%	12.35%

Risk Adjustment from Mergent Bond Record May 2010 p.11 by Public Utility bond rating and US Corporate Debt Merrill Lynch High Yield from the Wall Street Journal website on 08/27/2010.

US Corporate Debt Merrill Lynch High Yield 8.23%, which serves as the baseline. The Public Utility Corporate Bond Yield Average for a Baa company on May 2010 was 6.19%. 8.23-6.19 is 2.04% which is added to all BBB rated companies.

The Public Utility Corporate Bond Yield Average for a Aa company on May 2010 was 5.62%. 8.23 - 5.62 is 2.61% which is added to all the AA rated

The Public Utility Corporate Bond Yield Average for a A company on May 2010 was 5.81%. 8.23-5.81 is 2.42% which is added to all A rated companies.

Non Constant DCF HIGH YIELD		Earnings per share					Dividends per share				
Name	AUS Utility Report June 2010 S&P Bond Rating	Value Line EPS 2011	Imputed EPS 2012	Imputed EPS 2013	Imputed EPS 2014	Value Line EPS 2015	Value Line Dividend 2011	Imputed Dividend 2012	Imputed Dividend 2013	Imputed Dividend 2014	Value Line Dividend 2015
AGL RESOURCES	A-	\$3.10	\$3.20	\$3.27	\$3.31	\$3.40	\$1.80	\$1.85	\$1.88	\$1.91	\$1.95
ATMOS ENERGY CORP	BBB+	2.25	2.40	2.50	2.57	2.70	1.36	1.39	1.41	1.42	1.45
NICOR INC	AA	2.85	2.90	2.93	2.96	3.00	1.86	1.86	1.86	1.86	1.86
NISOURCE INC	BBB-	1.20	1.30	1.37	1.41	1.50	0.92	0.93	0.94	0.94	0.95
NORTHWEST NATURAL GAS	AA-	2.80	3.03	3.19	3.29	3.50	1.75	1.75	1.75	1.75	1.75
PIEDMONT NATURAL GAS	A	1.70	1.77	1.81	1.84	1.90	1.15	1.19	1.22	1.23	1.27
SOUTHWEST GAS	BBB	2.40	2.53	2.62	2.68	2.80	1.05	1.10	1.13	1.16	1.20
AVERAGE		\$2.33	\$2.45	\$2.53	\$2.58	\$2.69	\$1.41	\$1.44	\$1.46	\$1.47	\$1.49
MEDIAN		2.40	2.53	2.62	2.68	2.80	1.36	1.39	1.41	1.42	1.45
MINIMUM		1.20	1.30	1.37	1.41	1.50	0.92	0.93	0.94	0.94	0.95
MAXIMUM		3.10	3.20	3.27	3.31	3.50	1.86	1.86	1.88	1.91	1.95

Risk Adjustment from Mergent Bond Record May 2010 p.11 by Public Utility bond rating and US Corporate Debt Merrill Lynch High Yield from the Wall Street Journal website on 08/27/2010.

US Corporate Debt Merrill Lynch High Yield 8.23%, which serves as the baseline. The Public Utility Corporate Bond Yield Average for a Baa company on May 2010 was 6.19%. 8.23-6.19 is 2.04% which is added to all BBB rated companies.

US Corporate Debt Merrill Lynch High Yield 8.23%, which serves as the baseline. The Public Utility Corporate Bond Yield Average for a Baa company on May 2010 was 6.19%. which serves as the baseline. The Public Utility Corporate Bond Yield The Public Utility Corporate Bond Yield Average for a A company on May 2010 was 5.81%. 8.23-5.81 is 2.42% which is added to all A rated companies.

Retention Ratio (Calculated)											
Retention Ratio 2011	Retention Ratio 2012	Retention Ratio 2013	Retention Ratio 2014	Retention Ratio 2015	(r) Value Line ROE 2013-15	Sustainable Growth Rate	Stock Price WSJ 06/15/10		Non-Constant Growth DCF	Risk Adjustment	
41.94%	42.19%	42.35%	42.45%	42.65%	11.50%	4.90%	37.45	\$37.45	9.25%	11.67%	
39.56%	42.08%	43.60%	44.55%	46.30%	10.00%	4.63%	28.14	\$28.14	8.98%	11.02%	
34.74%	35.86%	36.59%	37.07%	38.00%	11.00%	4.18%	42.26	\$42.26	7.97%	10.58%	
23.33%	28.46%	31.46%	33.31%	36.67%	7.50%	2.75%	15.34	\$15.34	8.36%	10.40%	
37.50%	42.31%	45.12%	46.85%	50.00%	11.50%	5.75%	45.51	\$45.51	8.88%	11.49%	
32.35%	32.64%	32.82%	32.94%	33.16%	13.00%	4.31%	26.31	\$26.31	8.42%	10.84%	
56.25%	56.58%	56.78%	56.91%	57.14%	9.00%	5.14%	30.31	\$30.31	8.40%	10.44%	
37.95%	40.02%	41.25%	42.01%	43.42%	10.50%	4.52%	32.19		8.61%	10.92%	
37.50%	42.08%	42.35%	42.45%	42.65%	11.00%	4.63%	30.31		8.42%	10.84%	
23.33%	28.46%	31.46%	32.94%	33.16%	7.50%	2.75%	15.34		7.97%	10.40%	
56.25%	56.58%	56.78%	56.91%	57.14%	13.00%	5.75%	45.51		9.25%	11.67%	