

Universe of Natural Gas Utilities From Value Line Issue 3 June 1

SourceGas LLC (Issued Bonds)

BBB+

Name	TICKER	% REG Gas Rev	AUS Utility Report June 2010 S&P Bond Rating
AGL RESOURCES	AGL	63	A-
ATMOS ENERGY CORP	ATO	61	BBB+
LACLEDE GROUP	LG	54	A
NEW JERSEY RESOURCES	NJR	40	NR
NICOR INC	GAS	81	AA
NISOURCE INC	NI	72**	BBB-*
NORTHWEST NATURAL GAS	NWN	97	AA-
PIEDMONT NATURAL GAS	PNY	86	A
SOUTH JERSEY INDUSTRIES, INC	SJI	54	A
SOUTHWEST GAS CORP	SWX	85	BBB
UGI CORP	UGI	32	*
WGL HOLDINGS	WGL	50	AA-

Proxy Group

SourceGas LLC Issued
 SourceGas LLC (7/1/09)

S&P
 BBB+
 BBB-

Moody's
 Baa1
 Ba

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1	AGL RESOURCES	AGL	63	A-
2	ATMOS ENERGY CORP	ATO	61	BBB+
3	NICOR INC	GAS	81	AA
4	NISOURCE INC	NI	72	BBB-
5	NORTHWEST NATURAL GAS	NWN	97	AA-
6	PIEDMONT NATURAL GAS	PNY	86	A
7	SOUTHWEST GAS	SWX	85	BBB

DCF: Establish Dividend and Growth Analysis

Exhibit KMW3

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%	8.48%
ATMOS ENERGY CORP	BBB+	\$1.36	28.14	4.83%	5.10%	5.5%	3.5%	3.1%	4.7%	4.4%	9.25%	9.25%
NICOR INC	AA	\$1.86	42.26	4.40%	4.70%	2.5%	5.0%	4.8%	3.7%	3.7%	8.06%	8.63%
NISOURCE INC	BBB-	\$0.92	15.34	6.00%	6.30%	5.0%	1.5%	5.0%	3.0%	4.3%	10.31%	10.31%
NORTHWEST NATURAL GAS	AA-	\$1.75	45.51	3.85%	3.90%	4.5%	4.0%	3.4%	5.1%	4.3%	8.19%	8.76%
PIEDMONT NATURAL GAS	A	\$1.15	26.31	4.37%	4.50%	3.5%	3.0%	4.3%	6.3%	4.7%	9.08%	9.46%
SOUTHWEST GAS	BBB	\$1.05	30.31	3.46%	3.50%	8.0%	5.0%	4.2%	6.0%	6.1%	9.53%	9.53%
AVERAGE		\$1.41	32.19	4.53%	4.70%	4.64%	3.86%	3.88%	4.69%	4.40%	8.93%	9.21%
MEDIAN		\$1.36	30.31	4.40%	4.70%	4.50%	4.00%	4.21%	4.70%	4.35%	9.08%	9.25%
MINIMUM		\$0.92	15.34	3.46%	3.50%	2.50%	1.50%	2.38%	3.00%	3.29%	8.06%	8.48%
MAXIMUM		\$1.86	45.51	6.00%	6.30%	8.00%	5.00%	4.95%	6.30%	6.07%	10.31%	10.31%

Risk Adjustment from Mergent Bond Record May 2010 p.11 by Public Utility bond rating.

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 Average for a Aa company on May 2010 was 5.62%. 6.19 - 5.62 is 0.57 which is added to all the AA rated companies.

The Public Utility Corporate Bond Yield Average for a A company on May 2010 was 5.81%. 6.19-5.81 is 0.38% which is added to all A rated companies.

Non Constant DCF		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

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The Public Utility Corporate Bond Yield Average for a A company on May 2010 was 5.81%. 6.19-5.81 is 0.38% 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%	9.63%	
39.56%	42.08%	43.60%	44.55%	46.30%	10.00%	4.63%	28.14	\$28.14	8.98%	8.98%	
34.74%	35.86%	36.59%	37.07%	38.00%	11.00%	4.18%	42.26	\$42.26	7.97%	8.54%	
23.33%	28.46%	31.46%	33.31%	36.67%	7.50%	2.75%	15.34	\$15.34	8.36%	8.36%	
37.50%	42.31%	45.12%	46.85%	50.00%	11.50%	5.75%	45.51	\$45.51	8.88%	9.45%	
32.35%	32.64%	32.82%	32.94%	33.16%	13.00%	4.31%	26.31	\$26.31	8.42%	8.80%	
56.25%	56.58%	56.78%	56.91%	57.14%	9.00%	5.14%	30.31	\$30.31	8.40%	8.40%	
37.95%	40.02%	41.25%	42.01%	43.42%	10.50%	4.52%	32.19		8.61%	8.88%	
37.50%	42.08%	42.35%	42.45%	42.65%	11.00%	4.63%	30.31		8.42%	8.80%	
23.33%	28.46%	31.46%	32.94%	33.16%	7.50%	2.75%	15.34		7.97%	8.36%	
56.25%	56.58%	56.78%	56.91%	57.14%	13.00%	5.75%	45.51		9.25%	9.63%	

CAPM Analysis

Name	AUS Utility Report June 2010 S&P Bond Rating	Value Line Beta	ST Risk Free Rate (US 1 month Treasury Bill 06/16/10 WSJ)	Ibbotsons ST Equity Risk Premium 2010	LT Risk Free Rate (US 30-year Bond 06/16/10 WSJ)	Ibbotsons LT Equity Risk Premium 2010	Corp Risk Free Rate (WSJ 7/1/2010 website)	Corp Equity Risk Premium 2010	Long Term CAPM	Short Term CAPM	Corporate CAPM (WSJ)
AGL RESOURCES	A-	0.75	0.05%	8.10%	4.18%	6.60%	5.82%	5.60%	9.13%	6.13%	10.02%
ATMOS ENERGY CORP	BBB+	0.65	0.05%	8.10%	4.18%	6.60%	5.82%	5.60%	8.47%	5.32%	9.46%
NICOR INC	AA	0.75	0.05%	8.10%	4.18%	6.60%	5.82%	5.60%	9.13%	6.13%	10.02%
NISOURCE INC	BBB-	0.85	0.05%	8.10%	4.18%	6.60%	5.82%	5.60%	9.79%	6.94%	10.58%
NORTHWEST NATURAL GAS	AA-	0.60	0.05%	8.10%	4.18%	6.60%	5.82%	5.60%	8.14%	4.91%	9.18%
PIEDMONT NATURAL GAS	A	0.65	0.05%	8.10%	4.18%	6.60%	5.82%	5.60%	8.47%	5.32%	9.46%
SOUTHWEST GAS	BBB	0.75	0.05%	8.10%	4.18%	6.60%	5.82%	5.60%	9.13%	6.13%	10.02%
AVERAGE		0.71	0.1%	8.1%	4.18%	6.60%	5.82%	5.60%	8.90%	5.84%	9.82%
MEDIAN		0.75	0.1%	8.1%	4.18%	6.60%	5.82%	5.60%	9.13%	6.13%	10.02%
MINIMUM		0.60	0.1%	8.1%	4.18%	6.60%	5.82%	5.60%	8.14%	4.91%	9.18%
MAXIMUM		0.85	0.1%	8.1%	4.18%	6.60%	5.82%	5.60%	9.79%	6.94%	10.58%

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