

SCHEDULE 6
CALCULATION OF CAPITAL ASSET PRICING MODEL COST OF EQUITY
USING AN HISTORICAL 7 PERCENT RISK PREMIUM

LINE			
1	Risk-free Rate	4.64%	Long-term Treasury bond yield forecast
2	Beta	0.77	Average Beta Natural Gas Utilities
3	Risk Premium	7.0%	Long-horizon historical risk premium
4	Beta x Risk Premium	5.4%	
5	Flotation	0.20%	
6	Model Result	10.2%	

Risk premium from 2014 Ibbotson[®] SBB[®] including years 1926 through year end 2013. Value Line beta for comparable companies from Value Line Investment Analyzer. Treasury bond yield forecast from Value Line and EIA data to obtain a forecasted yield to maturity on 20-year Treasury bonds. Value Line forecasts a yield on 10-year Treasury notes equal to 4.3 percent. The current spread between the average April 2014 yield on 10-year Treasury notes (2.71 percent) and 20-year Treasury bonds (3.12 percent) is 41 basis points. Adding 41 basis points to Value Line's 4.3 percent forecasted yield on 10-year Treasury notes produces a forecasted yield of 4.71 percent for 20-year Treasury bonds (see Value Line Investment Survey, Selection & Opinion, Feb. 21, 2014). EIA forecasts a yield of 4.16 percent on 10-year Treasury notes. Adding the 41 basis point spread between 10-year Treasury notes and 20-year Treasury bonds to the EIA forecast of 4.16 percent for 10-year Treasury notes produces an EIA forecast for 20-year Treasury bonds equal to 4.57 percent. The average of the forecasts is 4.64 percent (4.71 percent using Value Line data and 4.57 percent using EIA data).

**PROXY COMPANY BETAS
NATURAL GAS UTILITIES**

LINE	COMPANY	VALUE LINE BETA
1	AGL Resources	0.80
2	Atmos Energy	0.85
3	Laclede Group	0.65
4	New Jersey Resources	0.75
5	NiSource Inc.	0.90
6	Northwest Nat. Gas	0.70
7	Piedmont Natural Gas	0.75
8	South Jersey Inds.	0.75
9	UGI Corp.	0.80
10	WGL Holdings Inc.	0.70
11	Average	0.77

Data from Value Line Investment Analyzer.