

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Q. Please state your name.

2 A. My name is Robert Hوجلund.

3 Q. Are you the same Robert Hوجلund who previously  
4 submitted direct testimony in this case?

5 A. Yes, I am.

6 Q. What is the purpose of this rebuttal testimony?

7 A. I will respond to certain statements contained in the  
8 direct testimony of Mr. Augstell and Mr. Hogan  
9 ("Finance Panel" or "Panel") on behalf of the New York  
10 State Department of Public Service Staff ("NYPSC  
11 Staff" or "Staff").

12 Q. Please describe how your rebuttal testimony is  
13 organized.

14 A. My rebuttal testimony is organized in nine sections.  
15 I first address the Finance Panel's discussion of the  
16 capital structure and their calculation of a  
17 hypothetical equity ratio. Then, I discuss the  
18 Panel's discounted cash flow methodology. Third, I  
19 discuss the Panel's discounted capital asset pricing  
20 model methodology. Fourth, I discuss the Panel's  
21 purported credit quality adjustment to their model  
22 results. Fifth, I address the Panel's comments on the  
23 impact of an RDM. Sixth, I comment on various credit

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 quality and rating agency issues. Seventh, I discuss  
2 the pervasiveness of circularity in the Panel's  
3 analysis. Eighth, I discuss the Panel's criticism of  
4 the study of comparable rates of return in different  
5 jurisdictions in my direct testimony. I conclude with  
6 a discussion of past history vs. present challenges.

7 **CAPITAL STRUCTURE**

8 Q. Does the Finance Panel make a proposal with respect to  
9 calculating capital structure?

10 A. Yes. The Panel begins with the actual book  
11 capitalization of Consolidated Edison Company of New  
12 York, Inc. ("CECONY") as of June 30, 2007, and then  
13 proposes several adjustments to that capitalization  
14 that for reasons I will identify are not appropriate.

15 Q. Please explain the Finance Panel's proposal.

16 A. The Finance Panel used the publicly-filed financial  
17 statements of Consolidated Edison, Inc. ("CEI") and  
18 CECONY to determine the capital structure of the  
19 regulated utilities and CEI and the competitive energy  
20 businesses by taking the total consolidated structure  
21 and subtracting the balance sheets of the regulated  
22 utilities to approximate the capital structure of the  
23 parent and the competitive energy businesses. They

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 then adjusted the competitive energy businesses'  
2 capital structure by adding \$126 million of equity and  
3 subtracting \$126 million of debt, to reflect a 61.5%  
4 equity ratio at the competitive companies. The  
5 Finance Panel then resolved the capital imbalances it  
6 created by reversing the entries for the regulated  
7 company capital structure, subtracting \$126 million of  
8 equity and adding \$126 million of debt. The Finance  
9 Panel then used projected changes to the regulated  
10 companies' debt and equity to arrive at a rate year  
11 capital structure for the regulated companies.  
12 Finally, they justify a below-average proportion of  
13 equity in the capitalization by rejecting current  
14 capital trends in the industry and substituting a  
15 backwards-looking measure.

16 Q. Do you agree with the Finance Panel's proposal?

17 A. I do not. For several reasons discussed further  
18 below, the Panel does not establish a reasonable basis  
19 for the Commission to establish rates and returns on  
20 any basis other than CECONY's "stand-alone" capital  
21 structure (i.e., the actual sources of invested funds  
22 in CECONY) assessed in the context of current  
23 information as to utility capitalizations.

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Q. What is the most important failure in the Panel's  
2 effort to justify an adjustment to CECONY's  
3 capitalization?

4 A. The capitalization and rate of return for a profit-  
5 regulated entity such as a New York utility will  
6 determine (among other things) who the investors in  
7 the business will be, what the nature of their  
8 ownership will be, and what the rewards of their  
9 investment will be. It is thus critical that treatment  
10 of the utilities in the state be consistent among the  
11 utilities and over time so that the capital the  
12 Commission wants its utilities to attract (and the  
13 utilities need to attract) can be attracted on  
14 reasonable terms. To that end, the Commission has  
15 established a decisive precedent in its National  
16 Grid/Keyspan merger order. In that order the  
17 Commission excluded consideration of both the  
18 consolidated US group capital structure and the global  
19 group capital structure in its determination of the  
20 utility subsidiaries' capitalization, so long as the  
21 utility subsidiaries maintain an investment-grade  
22 rating. Given the modest equity returns available to  
23 utilities as compared to companies not subject to

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 profit-regulation, as discussed later in my rebuttal,  
2 this decision is critical for the other New York  
3 utilities' ability to compete successfully for new  
4 sources of capital. These new investors, like National  
5 Grid Transco, structure their investments differently  
6 than historic investors in New York utilities. If the  
7 Commission applies a less favorable capitalization  
8 analysis to CECONY, it will not be able to attract  
9 capital on competitive terms. This will be at the  
10 expense of its customers. The Panel's testimony did  
11 not offer a basis for such discriminatory treatment.  
12 Regardless of which capitalization policy the  
13 Commission adopts, investors will provide capital on  
14 the most reasonable terms if the policy is clear and  
15 uniformly and consistently applied over time.

16 Q. How have previous CECONY rate agreements addressed the  
17 application of stand-alone utility capitalization  
18 versus group capitalization?

19 A. Recent CECONY rate agreements have applied the  
20 utility's stand-alone capitalization. For example, the  
21 Joint Proposal adopted by the Commission in the recent  
22 Con Edison steam case (Case 05-S-1376) relies upon  
23 CECONY's actual capital structure in calculating the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 rate of return for purposes of the earnings sharing  
2 mechanism. The same is true for the Joint Proposal  
3 recently adopted for CECONY's gas business (Case 06-G-  
4 1332). Thus, both in terms of recent CECONY cases and  
5 in terms of significant decisions impacting the future  
6 financing of the utilities in New York, capitalization  
7 policy appears settled in favor of the use of a stand-  
8 alone capital structure. The Panel's testimony did not  
9 offer any good reason to differ from that established  
10 practice. In fact, by continuing to raise this  
11 alternative analysis, the capital costs incurred by  
12 CECONY and other New York utilities will be higher  
13 than that of utilities subject to clear rules about  
14 standalone capitalization. Investors will necessarily  
15 increase their required returns for CECONY and the  
16 other New York utilities which, in turn, will raise  
17 costs for customers.

18 Q. Why else do you believe that it is appropriate to use  
19 CECONY's capital structure?

20 A. Separate and apart from the discriminatory aspects of  
21 the proposed treatment discussed above, the Panel  
22 properly dismisses the oft-raised concept of "double-  
23 leverage"—which is effectively permitted by the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 National Grid Transco merger order—with reference to  
2 CECONY. As the Panel states at page 12, line 10,  
3 there is no double-leverage in the case of CEI's  
4 investments in CECONY. The equity dollars that have  
5 been raised by CEI have been invested in the regulated  
6 infrastructure of CECONY and Orange & Rockland  
7 Utilities, Inc. ("O&R") in the same manner as the debt  
8 raised by the two utilities. CEI's need for new  
9 capital can be attributed entirely to the needs of its  
10 regulated utilities, and therefore the need for a  
11 strong capital structure, with sufficient equity,  
12 arises from these same needs.

13 The Finance Panel does propose to adjust CEI's  
14 capitalization based on a different theory.  
15 Specifically, the Panel proposes a debt rating for  
16 CEI's competitive businesses equal to that of the  
17 utility which produces a need for 61.5% equity ratios  
18 for each of the competitive energy businesses. The  
19 Panel's analysis does not address or recognize  
20 observable market practice for the financing of  
21 independent competitive electricity companies. The  
22 Panel does not provide evidence of the commonness of  
23 "A"-rated competitive generation businesses, because

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 such ratings are very uncommon. Competitive  
2 electricity business generally have non-investment  
3 grade ratings with substantially higher levels of book  
4 leverage than those proposed by the Panel. For  
5 instance, the largest public generation businesses,  
6 Dynegy, Mirant, NRG Energy and Reliant, have average  
7 net debt balances of nearly 60% of total book  
8 capitalization. Since the Panel did not apply a  
9 comparative analysis to the capital structure of the  
10 competitive parts of CEI, the proposed adjustment in  
11 effect proposes to regulate the capitalization and  
12 financing of these other subsidiaries. The Panel's  
13 testimony did not establish the basis for its  
14 regulation of the capitalization of CEI's competitive  
15 businesses whether directly or through an adjustment  
16 to the utilities' actual capital investments in  
17 support of their customers.

18 Evidence of Staff's own discomfort with the  
19 implications of its regulation of the competitive  
20 businesses' capitalization can be inferred from the  
21 absence of a standardized analysis. In the Orange &  
22 Rockland "show cause" proceeding (Case 06-E-1433,  
23 Proceeding on Motion of the Commission as to the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Rates, Charges, Rules and Regulations of Orange and  
2 Rockland Utilities, Inc. for Electric Service) the  
3 Staff used a 50% equity ratio (as opposed to the 61.5%  
4 applied in this proceeding), with no clearer basis for  
5 the determination. If the Panel believed that this  
6 type of adjustment was justified, it would offer a  
7 consistent and defensible analysis to which the  
8 utility groups in the state could manage their capital  
9 investments.

10 Q. Do rating agencies base their ratings on the parent  
11 company's capital structure?

12 A. Two of the three major rating agencies that rate  
13 CECONY securities (Moody's and Fitch) use stand-alone  
14 financial ratios (including measures of capital  
15 structure strength) in their analyses and rating  
16 decisions.

17 Q. Do you believe the CEI non-regulated subsidiaries  
18 significantly affect the financial strength of the  
19 regulated entities?

20 A. No. From the point of view of the rating agencies,  
21 there is no significant extra risk arising from CEI's  
22 non-regulated subsidiaries. For example, the Standard  
23 & Poor's Business Profile rating of 2 is applied to

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 both Con Edison and its parent, CEI. Moreover, CEI  
2 has no current plans to significantly increase its  
3 investments in its unregulated subsidiaries and is  
4 currently undertaking a strategic review of its  
5 competitive generation investments.

6 Q. Do you believe the Finance Panel's adjustment of the  
7 non-regulated capital structure to be a sound  
8 reallocation?

9 A. No. Leaving aside my disagreement with the essential  
10 validity of their approach, Staff assumes that the  
11 equity and debt in the non-regulated portion of CEI's  
12 business will not change from the levels at June 30,  
13 2007. That assumption is incorrect. The capital  
14 structure of the non-regulated entities changes over  
15 time just as the regulated companies' capital  
16 structure changes. In fact, if Staff's Exhibit \_\_\_\_  
17 (FP-3) were produced using the 2002 10K SEC filing,  
18 the non-regulated subsidiaries would have shown an  
19 equity ratio of 59%.

20 Q. Leaving aside for the moment your concerns about the  
21 methodology used by Staff in proposing their capital  
22 structure, do you have any problems with the numbers  
23 used on their Exhibit \_\_\_\_ (FP-3)?

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

- 1 A. Yes. I reiterate my concern as expressed above that  
2 they incorrectly assume that the equity and debt in  
3 the non-regulated portion of CEI's business will not  
4 change from the levels at June 30, 2007. CEI expects  
5 to be able to retire debt and may add equity at the  
6 non-regulated subsidiaries before and during the rate  
7 year. CEI has already called and retired \$325 million  
8 of holding company debt in May 2007. An additional  
9 \$200 million of debt will mature in August 2008.  
10 Consistent with Commission policy, capitalization  
11 analysis should reflect the best information available  
12 about what the test year capitalization will be rather  
13 than what historically it has been.
- 14 Q. On pages 60 to 62 the Finance Panel commented on their  
15 recommended equity ratio vs. the average of the  
16 historic ratios from the data in Exhibit \_\_ (RH-1)  
17 from your initial testimony. Do you agree with the  
18 conclusion that they draw that their recommended ratio  
19 is generous vs. comparable rate cases?
- 20 A. I do not. While the Panel cites the downward trend in  
21 allowed returns to support partly their very modest  
22 suggested return, they do not consider trends when  
23 these trends do not support their position. Rather

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 than recognize the three-year trend in average equity  
2 ratios in the US, rising from 46.96% in 2004 to 50.07%  
3 in 2006, they use a necessarily lower three-year  
4 average of averages. In line with their oft-stated  
5 desire to look at the most recent data, the Panel  
6 should have used 50.07% as the comparison. In light  
7 of this trend towards increased allowed ratios, our  
8 request for an equity ratio of 48.68 % is outmoded and  
9 could be increased in subsequent rate filings.

10 **DISCOUNTED CASH FLOW METHODOLOGY**

- 11 Q. Please comment on the Panel's discounted cash flow  
12 methodology.
- 13 A. Dr. Morin's rebuttal has identified several of the  
14 problems with the Panel's application of the dividend  
15 discount (or "DCF") methodology, so I will confine my  
16 comments to the essential flaw in the Panel's  
17 analysis. That flaw is the direct application of  
18 market-derived values to the book measures upon which  
19 the Commission sets returns. These financial concepts  
20 are as different as fish and fruit, yet the Panel  
21 appears to be unable to recognize or account for the  
22 difference. Absent some methodology for translating  
23 its fish (market returns) into fruit (book returns),

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 the analysis provides no basis on which to establish  
2 returns.

3 Q. How unrelated are the concepts in the Panel's DCF  
4 testimony?

5 A. Completely unrelated as demonstrated in the  
6 organization and substance of the Panel's testimony.  
7 The only mention of the book value of equity—the basis  
8 upon which the Commission sets returns for the  
9 utilities whose profits it regulates—is found on line  
10 13 of page 29. There the Panel notes that book values  
11 per share for its proxy group are available from its  
12 data source, Value Line. The testimony does not  
13 indicate that this book value information for the  
14 proxy group is factored into the Panel's analysis in  
15 any way. In fact, all of the other references in this  
16 section of the Panel's testimony either explicitly or  
17 implicitly refer to market values for equity (fish),  
18 not book values (fruit). For instance, on page 29  
19 alone the Panel refers to the "price of the stock"  
20 used in calculating the required return five times.  
21 Each time, the price is, of course, the market price.  
22 And on lines 20 to 24 of the same page the Panel  
23 states "By calculating the discount rate required to

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 turn the string of dividend payments into the current  
2 stock price, one can determine the rate of return  
3 investors are expecting for each company." Just as the  
4 price referred to is the market price, the return is a  
5 market return on that market price. Numerous times  
6 over the following pages the Panel uses the word  
7 "return", without acknowledging that the calculated  
8 return that investors are expecting is a market return  
9 (fish), not a book return (fruit) on book equity. Yet  
10 the Panel converts this market return (fish) into a  
11 required book return (fruit) without once  
12 acknowledging the inconsistency or justifying this  
13 transformation.

14 Q. How significant is this transformation to the results  
15 the Panel produces?

16 A. As a simple example, and to avoid the circularity  
17 problems I discuss later in this testimony please  
18 consider the data presented in the Panel's Exhibit\_  
19 (FP-12), Merrill Lynch's periodical report entitled  
20 Quantitative Profiles dated July 13, 2007. On the last  
21 line of page 44, the aggregate estimated data about  
22 the S&P 500 index are provided. CEI is a constituent  
23 of the S&P 500, so the S&P 500 should be a reasonable

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 peer group for the purposes of measuring the impact of  
2 the Panel's transformation of fish to fruit. Line 44  
3 shows that Merrill Lynch's models estimate an  
4 aggregate implied market return for the S&P 500 of  
5 10.8% per year and a required market return of 10.9%.  
6 Merrill Lynch also attributes to the S&P 500 index an  
7 aggregate market value that is 2.9 times its historic  
8 book equity investment (including goodwill and other  
9 intangible assets) as is shown in the column titled  
10 "Price/Book." Using the relationship of Price/Book to  
11 transform market returns into book returns would  
12 produce the following results for the S&P 500:

13 10.8% implied market return \* 2.9x Price/Book =  
14 31.3% return on book investment, and  
15 10.9% required market return \* 2.9x Price/Book =  
16 31.6% return on book investment.

17 Hence, it becomes clear why the Panel's testimony does  
18 not transform its conclusions about market returns  
19 into conclusions about the book returns the Commission  
20 must set. To do so would produce a proposed fair rate  
21 of return on book investment well in excess of what  
22 the Panel, the Staff, the intervenors or the  
23 Commission would propose. To demonstrate the effects

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 of this essential flaw in the Panel's cost of capital  
2 methodologies, I have included an Exhibit\_ (RH-5, an  
3 analysis of the returns on equity of the constituents  
4 of the S&P 500. The impact of the flawed methodologies  
5 used to set "fair returns" can be seen in the relative  
6 position of CEI, which is ranked 461<sup>st</sup> in terms of  
7 return on equity.

8 Through a different analysis Dr. Morin demonstrates  
9 that, due to the difference between market and book  
10 equity, their DCF model consistently and severely  
11 understates required return from this factor alone.

12 **CAPITAL ASSET PRICING MODEL METHODOLOGY**

13 Q. Please comment on the Panel's capital asset pricing  
14 methodology.

15 A. Again I will note that Dr. Morin has identified  
16 several problems with the methodology as implemented  
17 by the Panel, and will confine my observations to the  
18 same essential flaw identified in the DCF methodology.  
19 As with the DCF methodology, the inputs to the capital  
20 asset pricing model("CAPM") are entirely derived from  
21 the market. There is no aspect of this analysis that  
22 recognizes or accounts for book value or return  
23 concepts. On pages 33 to 41, "risk premium" is

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 mentioned 33 times (15 times preceded by the word  
2 "market"), "beta" is mentioned several times, as is  
3 the risk-free rate. In each case, each of these key  
4 variables—whether identified as "market" or not--is in  
5 fact derived from market values not book values. And  
6 the resultant required rate of return from the model  
7 employing these variables is a **market** return on the  
8 **market** value of equity. The word "return" is used 29  
9 times in this section of the Panel's testimony. In 10  
10 of these instances it is actually preceded by the word  
11 "market", and in each case the return is a market  
12 return. It is not until page 41, line 17 that the  
13 Panel first mentions its task, which is to propose  
14 returns for book value investments. Having raised the  
15 subject, the Panel offers no explanation as to how or  
16 why this book concept (fruit) relates to the rest of  
17 the section, which is all based on market variables  
18 and market calculations (fish). As in the section on  
19 the DCF method, calculation of a market return and its  
20 application to a book value of equity is not justified  
21 and dramatically understates the fair rate of return  
22 which the Panel itself acknowledges is the  
23 Commission's responsibility to provide. In fact, the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Panel's own analysis--when coupled with its Merrill  
2 Lynch reference data--demonstrates how far from this  
3 standard the Panel's proposed book equity return is.  
4 As a final comment on the Panel's DCF testimony, the  
5 exhibits offered to support the Panel's position (FP  
6 #9-12) in this section of their testimony actually  
7 only serve to undermine it. Merrill Lynch's  
8 Quantitative Profiles, filed as Exhibit FP-9, in its  
9 table on page 44 supports a return of book equity  
10 (including goodwill and other intangibles) of more  
11 than 31%. Wharton professor Jeremy Siegel's out-of-  
12 date 1999 article for The Journal of Portfolio  
13 Management entitled "The Shrinking Equity Premium",  
14 filed as Exhibit FP-10 not only never mentions or even  
15 alludes to book equity investments or returns, but  
16 also discusses real returns rather than the nominal  
17 returns that the Commission sets for New York  
18 utilities. The more current research offered as  
19 Exhibit FP-11 by Davison, Marsh and Staunton (2006)  
20 similarly never references or alludes to book values  
21 or returns. Like Quantitative Profiles, the "CFO  
22 Outlook Survey" offered as Exhibit FP-12 only  
23 undermines the return proposal of the Panel. While the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Panel chooses to reference the answers to question 8  
2 in the survey, which asks for assessment of future  
3 **market** returns, the survey does include another  
4 question that is more relevant. Question 10 asks for  
5 responses to expected returns on internal capital  
6 investments. While this assessment would measure only  
7 the expected book returns on this year's class of  
8 capital investment—and not the return expected for all  
9 historic years of capital investment—at least it  
10 speaks to book-based returns. The average response for  
11 the expected return on this years' incremental capital  
12 investment was 13.17%. While well short of the 31%  
13 blended returns for all vintages of capital investment  
14 identified by the Merrill Lynch data, the "CFO Outlook  
15 Survey" does not support the Panel's position.

16 **PROXY GROUP AND CREDIT QUALITY ADJUSTMENT**

- 17 Q. What does the Panel say about the risk profile of  
18 their own proxy group?
- 19 A. The Panel states (page 25) that it would prefer to use  
20 a proxy group composed of utilities with the same bond  
21 ratings as Con Edison, but that the size of such a  
22 group would be too small, so they have included other  
23 utilities with lower ratings. They then use this

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 group for a DCF analysis. In turn, they "adjust" the  
2 result of this DCF analysis downwards because the  
3 proxy group has a different rating than Con Edison.

4 Q. Do you agree with this process?

5 A. I do not. The Panel puts forth no evidence of any  
6 relationship, let alone a causal relationship, between  
7 credit quality and required or observed equity returns  
8 even in the utility industry, with all the circularity  
9 problems that entails (see page 31 below). With  
10 resolution of the circularity problem by reference to  
11 non-utility equity investments, the Panel provides no  
12 evidence of a link between credit quality and observed  
13 returns in the market as a whole.

14 In his rebuttal, Dr. Morin refutes the  
15 adjustment. I would only add that the Panel's own  
16 data contradict the proposed adjustment. As shown on  
17 my Exhibit \_\_ (RH-2), there is no correlation between  
18 the Panel's DCF results for the companies in their  
19 sample group and the ratings of these companies.  
20 Thus, the conclusion that the DCF result should be  
21 "adjusted" not only lacks a theoretical basis; it is  
22 not borne out by the Panel's own data.

23

RDM

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Q. Does the Panel suggest a reduction in allowed ROE if  
2 an RDM is put in place for CECONY?

3 A. Yes. The Panel states (page 48, lines 1 to 4) that  
4 "since most of the risk of a large fluctuation in net  
5 income is removed, it is quite possible that there  
6 could be a credit rating upgrade" and therefore they  
7 recommend a reduction in the allowed return.

8 Q. Do you agree with this proposition?

9 A. I do not. There are several problems with this  
10 proposition, which I will address in turn. First, the  
11 Panel appears to consider risk—or more correctly,  
12 volatility—as a bad thing that investors avoid. In  
13 fact, equity investors consider naturally-occurring  
14 volatility (away from regulation) as bi-directional.  
15 To the extent that volatility produces a higher  
16 expected value, equity investors will prefer it  
17 relative to a less volatile investment with a lower  
18 expected return. What the Panel proposes is to lower  
19 volatility that the investors already accept and  
20 replace it with the certainty of lower returns. For  
21 utilities where regulators already do not offer  
22 market-competitive returns on historic tangible book  
23 equity investments, the opportunities to make even

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 modest increases in expected value through weather are  
2 critical to valuation. In early discussions with real  
3 investors, there is little appetite for the Panel's  
4 proposition.

5 Second, the assumption that a significant risk  
6 reduction will occur with the imposition of an RDM is  
7 faulty. Cold weather and variability in usage are  
8 risks (volatilities) that are very seldom even  
9 mentioned in any analyst's (whether equity or fixed-  
10 income) review of key downside risks for Con Edison.  
11 They are extremely unlikely to lead to any long-term  
12 negative impact on earnings or stock price and  
13 extremely unlikely to affect the dividend. It is  
14 unclear why an investor would prefer a situation where  
15 the increased stresses of an unusually hot summer are  
16 not counterbalanced to some extent by the opportunity  
17 to earn correspondingly higher revenues.

18 Third, an RDM may increase regulatory risks,  
19 particularly the downside risk of the Commission  
20 denying timely recovery if deferred balances become  
21 too large. At this point, most parties have shown a  
22 willingness to accept relatively frequent true-ups,  
23 but neither the specific features of any RDM (or

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 whether any RDM will be instituted at all) have been  
2 decided. There has been no recent experience with  
3 RDMs in New York, and thus no history of their impact  
4 and the pressures that might be brought to bear to  
5 alter their operation to the detriment of the Company.  
6 None of these factors would reduce downside risk in  
7 the minds of investors.

8 Fourth, there is no evidence, and the Panel has  
9 supplied none, that the imposition of an RDM has lead  
10 to credit ratings upgrades in other electric utilities  
11 or that it would do so in the case of Con Edison.

12 And fifth, as stated before, on theoretical  
13 grounds and in terms of the empirical record, there is  
14 no link, causal or otherwise, between any difference  
15 in credit rating and an adjustment in allowed return.

16

17 Q. The Panel has repeatedly claimed that Con Edison has a  
18 less-risky regulatory environment than other  
19 utilities. Has the Staff's rate case submittal  
20 included items that increase risk for Con Edison?

21 A. Yes. The Staff's case has almost entirely eliminated  
22 any possibility of higher earnings via incentives, and  
23 has requested increased penalties. In their Exhibit

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1       \_\_ (SIP-3) page 1, they state, "In comparison with the  
2       existing Reliability Performance Mechanism, more  
3       revenue would be at risk and the number of metrics  
4       would be increased." To say this is an understatement  
5       would not begin to tell the story. Staff has proposed  
6       two new metrics, Restoration and Remote Monitoring  
7       System Reporting, each with multi-million dollar per  
8       incident risks and unlimited overall exposure, and  
9       higher penalties for various older metrics. As we  
10      understand the Staff Infrastructure Panel proposal,  
11      the Company's annual exposure for reliability and  
12      customer service penalties would increase from a  
13      maximum of \$95 million under the current electric rate  
14      plan performance metrics, to \$102 million for these  
15      same metrics plus unlimited exposure for recurring \$5  
16      million and \$10 million penalties under two new  
17      metrics.

18             In addition Staff has proposed a one-way true-up  
19      of interference costs, which would penalize CECONY by  
20      not allowing it to recapture higher costs incurred for  
21      circumstances beyond its control, while returning the  
22      benefits of lower costs to the ratepayers. Staff has  
23      also proposed to discontinue various other

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 reconciliation mechanisms in the context of a one-year  
2 rate plan, which have been part of previous multi-year  
3 rate plans, without consideration of the increased  
4 risks presented by the absence of these mechanisms.  
5 And finally, Staff proposes reductions in O&M programs  
6 designed to meet PSC standards and to comply with  
7 Federal, State, and local requirements.

8 All this adds to the risk, without any  
9 compensating upside potential, for the Company. The  
10 RDM, on the other hand, in particular an RDM that  
11 would make no adjustments to actual revenues for  
12 weather as Staff proposes, does not simply reduce the  
13 risk of variations between forecasted and actual  
14 sales. As discussed by Company witnesses Rasmussen  
15 and Morin, it reduces the possibility of increased  
16 revenues that has been endemic to Con Edison's rate  
17 structure, which would negatively impact how investors  
18 view Con Edison.

19 The approach taken by the Staff has been to  
20 misstate the real downside risk to CECONY in order to  
21 push allowed returns lower. The real risk is that  
22 CECONY will not be able to earn a competitive return  
23 as its return is reduced to bond-like levels. The

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 RDM, along with the increased penalties, the lack of  
2 incentives, and one-way true-ups, would in effect make  
3 the investment in CECONY's equity a bond-with-  
4 downside. The rational equity investor will price  
5 this proposed offer at a dramatic discount to the  
6 value it would attribute to true equity, and even at a  
7 material discount to how it would value a more  
8 ordinary utility rate of return with symmetric  
9 volatility in actual returns. The Panel's proposal  
10 creates a far riskier investment than one with a  
11 reasonable return with normally distributed results  
12 both upward and downward from the expected return.

13

14

**FIXED-INCOME CREDIT QUALITY ISSUES**

15

Q. Please discuss the Panel's comments concerning the  
16 rating agencies.

17

A. The Panel makes several assertions concerning the  
18 opinions and expected actions of the rating agencies.  
19 These include assertions about what the agencies are  
20 saying about Con Edison's current and expected  
21 ratings, about what the agencies expect of Con  
22 Edison's financial performance to continue to maintain  
23 its current ratings, and what might happen should Con

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Edison become subject to an RDM.

2 Q. Do you agree with the Panel's comments in these areas?

3 A. No. I believe that the Panel understates the risks to  
4 CECONY and overstates and/or misstates the potential  
5 impact of an RDM on that risk.

6 Q. Please discuss the Panel's statements about business  
7 risk as seen by the rating agencies.

8 A. The Panel discusses the business risk rating system as  
9 used by Standard and Poor's.

10 Q. Do they discuss the business risk as measured by  
11 Moody's?

12 A. They do not.

13 Q. How does Moody's rank the risk of CECONY?

14 A. They rank CECONY as a medium risk, as opposed to a low  
15 risk, utility.

16 Q. Please describe the Panel's comments on the rating  
17 agency targets for Con Edison.

18 A. The Panel addresses Standard & Poor's targets only,  
19 and does not speak to any comments by Moody's and/or  
20 Fitch. And as to S&P, they look only to the general  
21 guidelines of S&P, overlooking the specific comments  
22 made by that agency concerning CEI and CECONY. As an  
23 example, the Panel states that the S&P range for A-

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 rated debt for the key ratio Funds From Operations  
2 (FFO) interest coverage is 2.0 to 3.0, and draws the  
3 conclusion that the Company is in robust shape versus  
4 the expectations of the rating agencies. However,  
5 specific levels of FFO coverage and other ratios have  
6 been stated by S&P as targets for CEI. As detailed in  
7 the quote I have included below, S&P has imposed  
8 expectations for higher ratios than these general  
9 guidelines before they would even consider removing  
10 the Negative Outlook that they have placed on our  
11 debt.

12 Q. What does the Staff Panel claim that S&P states  
13 concerning the condition of the Company during the  
14 rate year?

15 A. On page 59, lines 18-20, the Panel states "During the  
16 course of the rate year, S&P is predicting the Company  
17 will be at the top of the recommended A-range."

18 Q. Has S&P made such a prediction?

19 A. No. In S&P's latest write-up concerning the Company  
20 it states:

21 We expect financial metrics to somewhat improve  
22 in 2007, given CECONY's regulatory rate increase.  
23 If regulatory relief allows Con Edison to  
24 generate and maintain FFO to total debt of about  
25 15% and FFO interest coverage above 3.5x by the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 end of 2008, we could revise the outlook to  
2 stable. However, a downgrade could occur if  
3 these ratios do not appear achievable due to  
4 funding higher-than-expected outage-related  
5 costs, significantly lower-than-anticipated rate  
6 relief in 2008, or implementation of a higher-  
7 risk strategy.

8 Thus, contrary to the Panel's assertion, S&P is  
9 concerned about whether it can maintain CECONY's  
10 current rating.

11 Q. What does Fitch say about the rating?

12 A. On April 4, 2007, in their publication "Fitch Revises  
13 Outlook on ConEd & ConEd of New York to Negative," the  
14 agency stated:

15 Financial ratios for CECONY, especially cash  
16 flow measures, are weak for the current rating  
17 category, but Fitch had previously had a higher  
18 degree of confidence electric base rates would be  
19 established in 2008 to recover the heightened  
20 capital investments and improve cash operating  
21 results.

22 And again:

23 Stabilization of the current ratings could  
24 result from evidence of a favorable resolution of  
25 pending gas and electric rate cases for ED's  
26 utility subsidiaries with significant cash  
27 recovery of current and future capex. Unfavorable  
28 ratings actions could result from tariff  
29 decisions that do not improve the cash recovery  
30 of investments in infrastructure, or material  
31 penalties or adverse regulatory or legislative  
32 consequences of the 2006 Queens power outage.

33

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 I will note that, in addition to the low equity  
2 return and the other negatives in the Staff  
3 proposal, the County of Westchester panel and Mr.  
4 Arnett propose eliminating our existing inclusion  
5 of net salvage in depreciation. This will lower  
6 cash flow and force the Company to finance  
7 through additional borrowings, and, to the extent  
8 that we need to maintain our equity ratio,  
9 additional equity. This will increase financing  
10 costs and potentially further hurt our rating  
11 agency ratios by increasing debt and lowering  
12 funds from operations.

13

14

**CIRCULARITY**

- 15 Q. Why does the Panel reject Dr. Morin's comparable  
16 earnings approach?
- 17 A. They state that it has been rejected by the Commission  
18 (page 53, lines 9-13) due to the circularity of  
19 referencing the decisions of other commissions which  
20 would feed back into other commissions' decisions  
21 which would then feed back on the returns granted to  
22 CECONY should this approach be accepted.

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 Q. Do you agree with this conclusion?

2 A. The Commission is rightly concerned about circularity,  
3 but neither it nor the Panel offer a basis for  
4 distinguishing the circularity of the comparable  
5 analysis from the equally compromised circularity of  
6 the DCF and CAPM analyses. Like the comparable  
7 earnings analysis, the DCF and CAPM analyses used by  
8 the Panel and approved by the Commission use  
9 comparators ("proxy groups") comprised entirely of  
10 utilities whose returns are set by state commissions.  
11 Singling out Dr. Morin's comparable earnings approach  
12 for having circularity problems and therefore  
13 rejecting it is perverse. The Staff proxy group  
14 consists entirely of utilities, and does not include  
15 non-utility companies with similar risk profiles,  
16 which might have addressed the problem of circularity.  
17 Moreover, the Finance Panel, when it is convenient to  
18 do so, compares Con Edison to other utilities. An  
19 example is their discussion of allowed equity ratios  
20 on page 60-61. Finally, the CAPM analysis as performed  
21 by the Panel reflects little more than the marginal  
22 utility equity investor's ability to assess the state  
23 commission's misapplication of market-based CAPM and

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 dividend discount analyses to historic tangible book  
2 equity investments.

3 COMPARABLE RATES OF RETURN

4 Q. Please discuss the Panel's comments concerning the  
5 data you presented in Exhibit \_\_ (RH-1) showing the  
6 inadequacy of rates of return in New York vs. other  
7 jurisdictions.

8 A. The Panel criticized the conclusion by stating (on  
9 page 65) that other factors may have led to the  
10 consistently lower allowed rates of return granted by  
11 New York State vs. other jurisdictions.

12 Q. Do you agree with this criticism?

13 A. I do not. The Panel did not demonstrate that the data  
14 is biased by these other factors; it did not because  
15 it appears it could not. For example, the Panel has  
16 claimed that the failure to differentiate the  
17 companies in the sample by their credit ratings, led  
18 me to an incorrect conclusion that New York is  
19 allowing lower rates of return than other  
20 jurisdictions. I disagree with this conclusion on two  
21 grounds. First, as discussed above, debt ratings do  
22 not purport to measure or determine, nor do they  
23 measure or determine, equity returns. Second, I was

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 unable to find evidence in the data provided of  
2 jurisdictions granting higher rates of return to  
3 companies with lower debt ratings.

4 Q. Have you prepared an exhibit demonstrating this point?

5 A. Yes, I have. Exhibit \_\_ (RH-3) (using the data  
6 previously included in my Exhibit \_\_ (RH-1)) shows the  
7 allowed rates of return granted in 2005 and 2006 for  
8 several utilities, including three New York electric  
9 companies, versus their bond ratings. As can be seen,  
10 there is no pattern of higher-rated utilities  
11 receiving a lower allowed rate of return.

12 Q. Have you also looked at another measure of risk?

13 A. Yes. In Exhibit \_\_ (RH-4) I have looked at allowed  
14 rates of return versus the percentage of equity in the  
15 regulatory capital structure. Again, there is no  
16 pattern that utilities with less equity were allowed a  
17 higher ROE. In fact, there is some evidence that the  
18 contrary is true.

19

20 Q. Do you agree with the Panel's assertion on page 64,  
21 lines 7-9 that "Regulatory support in New York may  
22 lead to New York utilities being considered less risky  
23 than other utilities by investors"?

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 A. The public evidence I found indicated to the contrary.  
2 For example, the RRA ranking puts New York regulation  
3 squarely in the middle of the utility regulation  
4 spectrum, with an Average 2 ranking, the middle  
5 segment of average. RRA notes: "In the absence of a  
6 rate settlement, the Commission has, historically,  
7 authorized ROEs that are relatively low versus  
8 nationwide averages. In addition, the authorized ROEs  
9 that have been incorporated in recent rate plan  
10 agreements have been significantly below industry  
11 averages".

12 Lehman Brothers also provides a ranking, most  
13 recently published in May 2007, entitled "Power and  
14 Utilities - Capital Complications." This publication  
15 ranks commissions by their degree of shareholder  
16 support. This ranking places the New York regulation  
17 42nd of out of the 48 commissions it ranked.

18 Q. Please summarize your testimony concerning the Finance  
19 Panel's comments on allowed returns and risk.

20 A. In my testimony I have shown that the Panel's  
21 testimony is conceptually flawed in a way that  
22 significantly both misstates and understates what a  
23 fair return on historic tangible book equity is in the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 current economy. Further, I have demonstrated the  
2 extent to which the Panel's testimony is contorted to  
3 avoid a proper analysis of the subject upon which the  
4 Commission must rule. With respect to the adjustments  
5 proposed by the Panel, I noted that their own data do  
6 not support these adjustments and that the concepts of  
7 adjusting equity returns based on debt metrics has no  
8 basis in theory, logic, or empirical evidence.  
9 In addition, I have refuted their claim that Con  
10 Edison is at low risk for rating agency action and  
11 their claim that proposals embedded in Staff's  
12 proposed rate result tend to further lower that risk.  
13 The Panel's position seems designed to offer the  
14 current and future providers of equity capital to  
15 CECONY a bond-with-downside. As shown in  
16 Exhibit \_\_ (RH-5) which compares S&P 500 data, CEI  
17 today offers a bottom-decile return potential as  
18 measured on the basis on which the Commission  
19 establishes returns: tangible book equity value. There  
20 is a limited market for such a modest return  
21 proposition—a market that relies on the very high  
22 current income offered and the continuing belief that  
23 because a business is regulated, it will be provided

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 with fair returns and predictable regulatory behavior.  
2 The Panel's proposal if adopted would further reduce  
3 the potential pool of capital for CECONY and push CEI  
4 further into the of its economy-wide peers.

5 **PAST HISTORY VS. PRESENT CHALLENGES**

6 Q. On page 66 of its testimony, the Panel stated that  
7 "the Company has raised approximately \$5.2 billion  
8 through external financing from 2004 to 2006. This  
9 was done at terms similar to the costs incurred by  
10 other utilities throughout the country. The Company  
11 has not shown that it is not able to raise capital at  
12 reasonable rates or that it will not be able to in the  
13 future." Do you agree with this statement?

14 A. No. Our concern is with our future need to raise  
15 capital, not past performance. This rate case sets  
16 prospective rates for CECONY that are supposed to  
17 permit it to raise capital at reasonable rates in the  
18 future. As has been mentioned above, the rating  
19 agencies have expressed concern about our credit  
20 quality, and have pinned our ability to maintain our  
21 ratings on the granting of a reasonable rate increase  
22 consistent with the Company's infrastructure  
23 investment program.

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1           A significant part of our projected capital  
2           raising is our ability to raise equity. As has been  
3           discussed above, debt ratings are not an indicator of  
4           risk to equity investors, nor are they indicative of  
5           the cost to raise equity. The most apt measure of the  
6           cost-effectiveness of equity issuance for an entity  
7           whose return is set based on its historic book equity  
8           investment is the market/book ratio at which it sells  
9           stock. I have previously provided that comparison of  
10          CEI to other companies in the economy (as evidenced by  
11          the S&P 500 which includes 80% of the market  
12          capitalization of the United States) and demonstrated  
13          that CEI fares poorly. I have also prepared an Exhibit  
14          which compares market to book ratios for Con Edison to  
15          those for other firms in the Finance Panel's proxy  
16          group (Exhibit \_\_ (RH-6)), a select group similarly  
17          subject to the impact of rate-of-return regulation.

18          As can be seen from the Exhibit, even within a  
19          group that is subject to significant circularity, Con  
20          Edison has a market/book ratio in the bottom 28% of  
21          the utilities in the Finance Panel's proxy group. A  
22          low market/book ratio means that issuing equity, which  
23          CECONY must do to maintain its credit standing, is

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 relatively more expensive, in spite of the Finance  
2 Panel's claims that we are "able to raise capital at  
3 reasonable rates." This comparison is made only  
4 against the proxy group which the Finance Panel  
5 selected. In line with my earlier comments on  
6 circularity, this means that we are only comparing our  
7 result to those of companies subject to similar  
8 regulation, not to companies of similar risk in other  
9 industries. By way of contrast, the average market to  
10 book ratio for firms in the S&P 500 is 5.2. CEI is  
11 ranked 436 out of the 490 companies with meaningful  
12 market-to book ratios in the S&P 500. As a further  
13 comparison, as described on page 15 above, Merrill  
14 Lynch's model implies that the S&P index itself will  
15 earn more than 31% on its book equity, versus the  
16 Staff's proposed 8.9%.

17 Q. Please comment on recent events and how they have  
18 reinforced the need for a strong financial condition  
19 at CECONY.

20 A. The recent turmoil in the financial markets, which has  
21 no source in the operations of the Company or of the  
22 utility industry, has shown how fragile access to the  
23 markets can be. Long-term bond spreads have widened

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 by as much as 40 basis points for very good credits  
2 and as much as a hundred basis points for poorer  
3 credits. On the short end of the maturity spectrum,  
4 access to commercial paper markets became difficult or  
5 sometimes impossible for all but prime borrowers, and  
6 we are on the edge of losing that status, with a split  
7 A-2/P-1 (Moody's/Standard and Poor's) rating for  
8 commercial paper. The last few weeks have  
9 demonstrated how important maintaining a strong credit  
10 rating and investor confidence can be.

11 On page 66, lines 22-23 the Panel incompletely  
12 analyzed the cost to customers of a ratings downgrade,  
13 and concluded that it was \$6 million dollars a year.  
14 In fact, this figure reflects only the first year  
15 impact of financing after a downgrade, not the long-  
16 term effects of a downgrade where the cumulative  
17 amount of debt issued at a lower rating increases each  
18 year. By the fifth year, the increased cost to  
19 customers of a downgrade is almost \$31 million per  
20 year (not including any potential impact on equity  
21 financing of inadequate returns), and it increases  
22 from there. Even these results were calculated  
23 assuming average debt-market conditions and not the

ROBERT N. HOGLUND - REBUTTAL  
ELECTRIC

1 extremes conditions seen lately.

2 Staff has suggested a rate of return lower than  
3 that of the rest of the industry, based on incomplete  
4 analyses and adjustments not supported by fact or  
5 theory. In addition, they have asked for penalties  
6 which could further reduce the return and increase the  
7 risk of the Company while not offering offsetting  
8 opportunities to earn when we perform well. As the  
9 Panel stated in its testimony on pages 5 and 56, the  
10 Commission's responsibility in setting capital returns  
11 is to provide a fair rate of return that assures the  
12 Company of access to the capital markets on reasonable  
13 terms. The Panel's testimony does not demonstrate that  
14 this standard has been met.

15 Q. Does this complete your rebuttal testimony?

16 A. Yes, it does.

S&P 500 Index

Tangible Book Values and Returns to Stockholders

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible				Tangible Book Value /Share	2007		2008		Wall Street Earnings Ests.		S&P Utility Compon ent	Share Price on 6/30/07	Market Equity Value 6/30/07	Market/ Tangible Book
	Total Assets	(not recovered in rates)	Tangible Equity (= to reg equity)	Shares Outstanding		Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE	2007 Net Income	2008 Net Income				
	Common Equity														
1 FORD MOTOR	(3,465)	6,937	(10,402)	1,908.0	(5.45)	(1.64)	Neg infinite	(0.72)	Neg infinite	(3,135)	(1,374)		9.42	17,973	Infinite
2 TENET HLTHCR.	264	791	(527)	471.6	(1.12)	(0.10)	Neg infinite	0.03	Infinite	(47)	12		6.51	3,070	Infinite
3 AT&T	115,540	127,397	(11,857)	6,238.7	(1.90)	2.70	Infinite	3.07	Infinite	16,868	19,161		41.50	258,908	Infinite
4 ALTRIA GROUP	39,619	45,320	(5,701)	2,794.3	(2.04)	4.27	Infinite	4.59	Infinite	11,919	12,830		70.14	195,989	Infinite
5 PROCTER & GAMBLE	62,745	89,027	(26,282)	3,178.8	(8.27)	3.03	Infinite	3.48	Infinite	9,636	11,052		61.19	194,511	Infinite
6 VERIZON COMMS.	48,535	61,754	(13,219)	2,911.5	(4.54)	2.36	Infinite	2.64	Infinite	6,863	7,679		41.17	119,867	Infinite
7 ABBOTT LABS.	14,054	15,853	(1,799)	1,537.2	(1.17)	2.82	Infinite	3.23	Infinite	4,330	4,959		53.55	82,319	Infinite
8 BOEING	4,739	4,745	(6)	788.7	(0.01)	4.91	Infinite	6.15	Infinite	3,874	4,848		96.16	75,845	Infinite
9 UNITED TECHNOLOGIES	17,297	17,362	(65)	995.7	(0.07)	4.19	Infinite	4.75	Infinite	4,170	4,727		70.93	70,625	Infinite
10 TIME WARNER	60,389	92,903	(32,514)	3,882.8	(8.37)	0.98	Infinite	1.16	Infinite	3,814	4,492		21.04	81,694	Infinite
11 COMCAST 'A'	41,167	74,576	(33,409)	3,135.1	(10.66)	0.78	Infinite	1.11	Infinite	2,446	3,475		28.12	88,160	Infinite
12 KRAFT FOODS	28,555	35,730	(7,175)	1,636.0	(4.39)	1.80	Infinite	1.94	Infinite	2,946	3,175		35.25	57,668	Infinite
13 SPRINT NEXTEL	53,131	60,057	(6,926)	2,897.0	(2.39)	0.88	Infinite	1.08	Infinite	2,537	3,134		20.71	59,997	Infinite
14 LOCKHEED MARTIN	6,884	9,855	(2,971)	422.5	(7.03)	6.38	Infinite	6.74	Infinite	2,694	2,848		94.13	39,768	Infinite
15 COUNTRYWIDE FINL.	14,318	16,539	(2,221)	585.2	(3.80)	3.80	Infinite	4.63	Infinite	2,223	2,710		36.35	21,271	Infinite
16 GENERAL MOTORS	(5,441)	1,118	(6,559)	565.7	(11.60)	2.91	Infinite	3.65	Infinite	1,644	2,066		37.80	21,382	Infinite
17 COLGATE-PALM.	1,411	2,913	(1,502)	512.7	(2.93)	3.33	Infinite	3.73	Infinite	1,708	1,912		64.85	33,246	Infinite
18 NORTHROP GRUMMAN	16,615	18,358	(1,743)	345.9	(5.04)	4.99	Infinite	5.44	Infinite	1,725	1,883		77.87	26,937	Infinite
19 VIACOM 'B'	7,166	12,031	(4,864)	693.2	(7.02)	2.30	Infinite	2.62	Infinite	1,594	1,816		41.63	28,858	Infinite
20 RAYTHEON 'B'	11,101	11,957	(856)	446.4	(1.92)	3.07	Infinite	3.61	Infinite	1,369	1,610		53.89	24,055	Infinite
21 CBS 'B'	23,523	29,247	(5,724)	768.4	(7.45)	1.80	Infinite	2.01	Infinite	1,380	1,545		33.32	25,603	Infinite
22 REYNOLDS AMERICAN	7,043	11,869	(4,826)	295.6	(16.32)	4.54	Infinite	4.81	Infinite	1,341	1,422		65.20	19,275	Infinite
23 GENERAL MILLS	5,772	10,259	(4,487)	356.0	(12.60)	3.45	Infinite	3.73	Infinite	1,228	1,327		58.42	20,798	Infinite
24 DANAHER	6,645	8,294	(1,650)	308.2	(5.35)	3.77	Infinite	4.24	Infinite	1,163	1,308		75.50	23,272	Infinite
25 THERMO FISHER SCIENTIFIC	13,912	16,037	(2,125)	416.6	(5.10)	2.50	Infinite	2.94	Infinite	1,043	1,227		51.72	21,547	Infinite
26 MEDCO HEALTH SLTN.	7,504	7,632	(128)	288.4	(0.44)	3.44	Infinite	4.20	Infinite	993	1,210		77.99	22,496	Infinite
27 KELLOGG	2,069	4,868	(2,799)	397.7	(7.04)	2.76	Infinite	3.03	Infinite	1,099	1,205		51.79	20,597	Infinite
28 QWEST COMMS.INTL.	(1,445)	891	(2,336)	1,900.6	(1.23)	0.57	Infinite	0.62	Infinite	1,079	1,179		9.70	18,436	Infinite
29 GANNETT	8,382	10,897	(2,515)	234.7	(10.71)	4.51	Infinite	4.80	Infinite	1,058	1,126		54.95	12,899	Infinite
30 MARSH & MCLENNAN	5,819	8,045	(2,226)	551.9	(4.03)	1.55	Infinite	1.88	Infinite	856	1,039		30.88	17,043	Infinite
31 WESTERN UNION	(315)	1,780	(2,095)	771.1	(2.72)	1.09	Infinite	1.25	Infinite	843	967		20.83	16,062	Infinite
32 BOSTON SCIENTIFIC	15,298	23,636	(8,338)	1,474.7	(5.65)	0.45	Infinite	0.63	Infinite	657	934		15.34	22,622	Infinite
33 HEINZ HJ	2,049	3,869	(1,820)	330.8	(5.50)	2.59	Infinite	2.82	Infinite	856	932		47.47	15,701	Infinite
34 CAMPBELL SOUP	1,768	2,361	(593)	402.0	(1.48)	1.98	Infinite	2.13	Infinite	796	856		38.81	15,602	Infinite
35 MOODYS	167	242	(74)	278.6	(0.27)	2.63	Infinite	3.04	Infinite	732	847		62.20	17,329	Infinite
36 FORTUNE BRANDS	4,722	8,443	(3,721)	151.9	(24.49)	5.11	Infinite	5.57	Infinite	777	847		82.37	12,513	Infinite
37 CLEAR CHL.COMMS.	8,042	12,560	(4,518)	493.9	(9.15)	1.49	Infinite	1.64	Infinite	735	811		37.82	18,678	Infinite
38 LEGG MASON	5,850	6,797	(947)	129.7	(7.30)	5.41	Infinite	6.22	Infinite	702	807		98.38	12,761	Infinite
39 L3 COMMUNICATIONS	5,306	8,418	(3,112)	125.2	(24.85)	5.82	Infinite	6.41	Infinite	729	803		97.39	12,197	Infinite
40 AMER.STANDARD	924	1,424	(500)	199.9	(2.50)	3.37	Infinite	3.86	Infinite	674	772		58.98	11,790	Infinite
41 WHIRLPOOL	3,283	3,534	(251)	78.0	(3.22)	8.34	Infinite	9.83	Infinite	651	767		111.20	8,674	Infinite
42 DOVER	3,811	4,267	(456)	204.3	(2.23)	3.27	Infinite	3.74	Infinite	668	763		51.15	10,451	Infinite
43 PITNEY-BOWES	698	2,156	(1,458)	220.6	(6.61)	2.93	Infinite	3.17	Infinite	647	700		46.82	10,329	Infinite
44 EMBARQ	(468)	27	(495)	149.7	(3.31)	4.38	Infinite	4.54	Infinite	655	679		63.37	9,486	Infinite
45 SARA LEE	2,449	4,237	(1,788)	761.0	(2.35)	0.83	Infinite	0.89	Infinite	632	677		17.40	13,241	Infinite
46 COCA COLA ENTS.	4,526	12,501	(7,975)	479.7	(16.63)	1.24	Infinite	1.40	Infinite	596	671		24.00	11,513	Infinite
47 QUEST DIAGNOSTICS	3,019	3,584	(565)	193.9	(2.91)	2.80	Infinite	3.30	Infinite	543	641		51.65	10,017	Infinite
48 CA	4,680	6,352	(1,672)	571.8	(2.92)	0.97	Infinite	1.09	Infinite	555	625		25.83	14,768	Infinite
49 HILTON HOTELS	3,727	7,740	(4,013)	387.0	(10.37)	1.21	Infinite	1.54	Infinite	467	595		33.47	12,953	Infinite
50 LABORATORY CORP.OF AM. I	1,977	2,094	(117)	122.2	(0.96)	4.21	Infinite	4.77	Infinite	514	582		78.26	9,563	Infinite
51 FIDELITY NAT.INFO.SVS.	3,143	5,388	(2,246)	197.4	(11.38)	2.52	Infinite	2.93	Infinite	497	579		54.28	10,715	Infinite
52 CB RICHARD ELLIS GP.	1,182	2,629	(1,448)	227.5	(6.36)	2.10	Infinite	2.50	Infinite	478	568		36.50	8,303	Infinite
53 FISERV	2,426	2,978	(552)	171.1	(3.23)	2.89	Infinite	3.29	Infinite	495	563		56.80	9,718	Infinite
54 GOODYEAR TIRE & RUB.	(758)	851	(1,609)	178.2	(9.03)	1.52	Infinite	3.06	Infinite	271	545		34.76	6,195	Infinite
55 NEWELL RUBBERMAID	1,890	2,895	(1,004)	275.3	(3.65)	1.78	Infinite	1.98	Infinite	491	544		29.43	8,102	Infinite
56 OMNICOM GP.	3,871	6,995	(3,124)	168.3	(18.56)	2.87	Infinite	3.22	Infinite	484	542		52.92	8,906	Infinite
57 CLOROX	(156)	1,348	(1,504)	151.3	(9.94)	3.26	Infinite	3.58	Infinite	493	541		62.10	9,396	Infinite
58 MOLSON COORS BREWING 'B'	5,817	7,364	(1,547)	87.0	(17.77)	5.25	Infinite	6.00	Infinite	457	522		92.46	8,046	Infinite
59 PEPSI BOTTLING GP.	2,084	5,258	(3,174)	230.0	(13.80)	1.98	Infinite	2.18	Infinite	455	501		33.68	7,746	Infinite
60 BLACK & DECKER	1,164	1,474	(310)	66.7	(4.65)	6.50	Infinite	7.18	Infinite	434	479		88.31	5,893	Infinite
61 WINDSTREAM	470	3,065	(2,596)	476.8	(5.44)	0.92	Infinite	0.96	Infinite	439	457		14.76	7,038	Infinite
62 WYNDHAM WORLDWIDE	3,559	3,737	(178)	190.4	(0.93)	2.11	Infinite	2.40	Infinite	402	457		36.26	6,905	Infinite
63 AFFILIATED CMP.SVS.'A'	2,456	2,932	(476)	113.2	(4.21)	3.23	Infinite	3.69	Infinite	366	417		56.72	6,418	Infinite
64 BALL	1,165	1,890	(725)	104.1	(6.96)	3.54	Infinite	3.88	Infinite	368	404		53.17	5,537	Infinite
65 TRIBUNE	4,320	8,978	(4,659)	239.2	(19.48)	1.73	Infinite	1.69	Infinite	415	404		29.40	7,033	Infinite
66 BARR PHARMACEUTICALS	1,465	1,751	(285)	106.6	(2.68)	3.01	Infinite	3.68	Infinite	321	392		50.23	5,353	Infinite
67 CONSTELLATION BRANDS 'A'	2,802	3,062	(260)	223.0	(1.16)	1.38	Infinite	1.69	Infinite	309	376		24.28	5,415	Infinite

S&P 500 Index

Tangible Book Values and Returns to Stockholders

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible Assets			Tangible Shares Outstanding	Tangible Book Value /Share	2007		2008		Wall Street Earnings Ests.		Share Price on 6/30/07	Market Equity Value 6/30/07	Market/Tangible Book	
	Total Common Equity	(not recovered in rates)	Tangible Equity (= to reg equity)			Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE	S&P Utility Compon ent	2007 Net Income				2008 Net Income
68 STANLEY WORKS	1,552	1,622	(70)	81.8	(0.85)	3.99	Infinite	4.47	Infinite	Y (75%R)	327	366	60.70	4,968	Infinite
69 CENTERPOINT EN.	1,556	1,709	(153)	314.0	(0.49)	1.06	Infinite	1.15	Infinite		334	362	17.40	5,464	Infinite
70 IMS HEALTH	34	787	(753)	200.7	(3.75)	1.60	Infinite	1.80	Infinite		321	361	32.13	6,448	Infinite
71 EXPRESS SCRIPTS 'A'	1,125	3,064	(1,940)	135.7	(14.30)	2.21	Infinite	2.61	Infinite		300	354	50.01	6,784	Infinite
72 EQUIFAX	838	1,179	(341)	128.6	(2.65)	2.30	Infinite	2.63	Infinite		296	338	44.42	5,712	Infinite
73 CENTURYTEL	3,184	3,691	(508)	113.3	(4.48)	2.84	Infinite	2.82	Infinite		321	319	49.05	5,555	Infinite
74 WATERS	362	397	(34)	101.4	(0.34)	2.72	Infinite	3.14	Infinite		276	318	59.36	6,017	Infinite
75 SEALED AIR	1,655	1,974	(319)	161.3	(1.98)	1.74	Infinite	1.96	Infinite		281	317	31.02	5,004	Infinite
76 ALLIED WASTE INDS.	2,999	8,126	(5,127)	367.9	(13.94)	0.69	Infinite	0.79	Infinite		254	289	13.46	4,952	Infinite
77 MCCORMICK & CO NV.	933	997	(64)	130.1	(0.49)	1.91	Infinite	2.10	Infinite		248	274	38.18	4,967	Infinite
78 INTERPUBLIC GP.	1,416	3,097	(1,681)	468.6	(3.59)	0.21	Infinite	0.54	Infinite		100	254	11.40	5,342	Infinite
79 JANUS CAPITAL GP.	2,306	2,453	(147)	193.5	(0.76)	0.96	Infinite	1.26	Infinite		187	243	27.84	5,386	Infinite
80 CITIZENS COMMS.	1,058	2,350	(1,292)	322.3	(4.01)	0.72	Infinite	0.74	Infinite		232	237	15.27	4,921	Infinite
81 EASTMAN KODAK	1,388	2,869	(1,481)	287.3	(5.15)	0.42	Infinite	0.81	Infinite		120	232	27.83	7,996	Infinite
82 DEAN FOODS NEW	1,809	3,508	(1,698)	128.4	(13.23)	1.54	Infinite	1.74	Infinite		198	223	31.87	4,091	Infinite
83 MILLIPORE	948	1,502	(554)	53.5	(10.35)	3.42	Infinite	4.00	Infinite		183	214	75.09	4,019	Infinite
84 HERCULES	243	669	(427)	116.0	(3.68)	1.45	Infinite	1.66	Infinite		168	193	19.65	2,280	Infinite
85 MEREDITH	698	1,261	(563)	48.2	(11.67)	3.30	Infinite	3.57	Infinite		159	172	61.60	2,969	Infinite
86 UNISYS	(64)	498	(562)	345.3	(1.63)	0.14	Infinite	0.46	Infinite		47	160	9.14	3,156	Infinite
87 DOW JONES & CO	499	951	(452)	83.6	(5.41)	1.47	Infinite	1.77	Infinite		123	148	57.45	4,805	Infinite
88 PMC-SIERRA	570	620	(49)	210.7	(0.23)	0.18	Infinite	0.32	Infinite		39	68	7.73	1,628	Infinite
89 HONEYWELL INTL.	9,720	9,650	70	800.6	0.09	3.08	3517.2%	3.52	4022.9%		2,462	2,816	56.28	45,057	643.7
90 WATSON PHARMS.	1,680	1,670	11	111.9	0.09	1.27	1339.7%	1.86	1959.1%		142	208	32.53	3,639	342.4
91 GENERAL DYNAMICS	9,827	9,725	102	405.8	0.25	4.78	1902.8%	5.38	2138.6%		1,941	2,181	78.22	31,741	311.2
92 INGERSOLL-RAND	5,405	5,341	64	336.8	0.19	3.51	1850.1%	3.95	2085.7%		1,180	1,331	54.82	18,461	289.4
93 THE HERSHEY COMPANY	683	642	41	230.3	0.18	2.46	1376.7%	2.69	1503.6%		567	619	50.62	11,656	283.2
94 ORACLE	15,012	14,337	675	5,232.0	0.13	1.17	909.4%	1.34	1037.6%		6,138	7,004	19.71	103,123	152.8
95 UST	66	7	59	160.6	0.37	3.36	910.3%	3.51	950.3%		540	563	53.71	8,625	145.5
96 EATON	4,106	4,003	103	146.3	0.70	6.44	915.1%	7.25	1030.2%		943	1,061	93.00	13,606	132.1
97 AMAZON.COM	431	216	215	414.0	0.52	1.00	192.7%	1.31	251.5%		414	541	68.41	28,322	131.7
98 SCRIPPS E W 'A'	2,581	2,519	62	163.5	0.38	2.18	575.4%	2.56	676.6%		357	419	45.69	7,472	120.6
99 FIRST DATA	10,141	9,937	204	752.9	0.27	1.24	458.1%	1.41	519.7%		935	1,061	32.67	24,597	120.5
100 COOPER INDS.	2,475	2,426	49	91.1	0.54	3.09	571.1%	3.47	640.9%		282	316	57.09	5,203	105.5
101 NEW YORK TIMES 'A'	820	784	35	143.9	0.25	1.07	433.0%	1.13	457.5%		154	162	25.40	3,654	103.0
102 FEDERATED INVRs.'B'	529	489	41	103.9	0.39	2.17	554.5%	2.44	622.7%		226	254	38.33	3,981	97.8
103 DONNELLEY R R & SONS	4,125	4,007	118	218.8	0.54	2.79	517.5%	3.07	568.8%		611	672	43.51	9,520	80.6
104 SNAP-ON	1,076	1,034	42	58.6	0.72	2.81	387.7%	3.19	441.0%		164	187	50.51	2,959	69.8
105 MCGRAW-HILL	2,680	2,325	355	354.0	1.00	3.05	303.9%	3.49	348.0%		1,078	1,234	68.08	24,098	67.9
106 WALT DISNEY	31,820	30,647	1,173	2,064.0	0.57	1.88	331.6%	2.09	367.3%		3,890	4,309	34.14	70,465	60.1
107 AUTOZONE	470	303	167	71.1	2.35	8.56	364.4%	9.58	408.0%		608	681	136.62	9,711	58.2
108 PERKINELMER	1,578	1,522	56	123.3	0.45	1.26	278.2%	1.46	321.7%		156	180	26.06	3,212	57.4
109 MASCO	4,471	4,263	208	383.9	0.54	1.68	309.6%	2.02	373.0%		644	776	28.47	10,929	52.5
110 HARRAHS ENTM.	6,071	5,734	337	186.1	1.81	3.75	207.3%	4.37	241.5%		699	814	85.26	15,871	47.1
111 PACTIV	853	763	90	132.7	0.68	1.85	272.4%	2.09	307.4%		245	277	31.89	4,231	47.0
112 GOODRICH	1,977	1,813	163	125.0	1.31	3.33	254.9%	3.80	290.3%		417	474	59.56	7,442	45.5
113 ITT	2,865	2,565	300	183.0	1.64	3.50	214.1%	4.01	244.8%		641	733	68.28	12,496	41.7
114 ALLERGAN	3,143	2,912	232	152.3	1.52	2.17	142.6%	2.58	169.4%		330	392	57.64	8,777	37.9
115 JOHNSON CONTROLS	7,355	6,703	652	195.8	3.33	6.28	188.6%	7.48	224.7%		1,230	1,465	115.77	22,665	34.8
116 UNITEDHEALTH GP.	20,795	18,726	2,069	1,345.0	1.54	3.45	224.1%	3.94	256.0%		4,637	5,298	51.14	68,783	33.2
117 CONAGRA FOODS	4,650	4,227	424	510.9	0.83	1.49	179.6%	1.61	193.6%		761	820	26.86	13,722	32.4
118 SYMANTEC	13,668	13,010	658	1,040.9	0.63	1.12	176.8%	1.26	199.4%		1,163	1,312	20.20	21,026	32.0
119 IAC/INTERACTIVECORP	8,774	8,437	337	299.5	1.13	1.64	145.6%	1.95	173.4%		491	585	34.61	10,367	30.7
120 AVON PRODUCTS	790	257	533	441.3	1.21	1.62	134.1%	2.09	173.1%		715	923	36.75	16,218	30.4
121 AON	5,130	4,679	451	318.7	1.42	2.75	194.6%	3.08	218.0%		878	983	42.61	13,580	30.1
122 WELLPOINT	24,414	22,780	1,634	615.5	2.66	5.56	209.2%	6.40	241.1%		3,420	3,939	79.83	49,135	30.1
123 INTL.FLAV.& FRAG.	905	746	159	89.4	1.78	2.67	149.6%	2.96	166.1%		239	265	52.14	4,662	29.2
124 WASTE MAN.	6,222	5,413	809	533.7	1.52	2.05	135.4%	2.25	148.1%		1,095	1,198	39.05	20,840	25.8
125 ECOLAB	1,680	1,260	421	251.3	1.67	1.65	98.7%	1.90	113.3%		415	476	42.70	10,732	25.5
126 EMERSON ELECTRIC	8,154	6,646	1,508	804.7	1.87	2.59	138.3%	2.92	155.9%		2,086	2,351	46.80	37,660	25.0
127 Precision Castparts	2,836	2,100	736	137.2	5.36	6.11	113.9%	7.05	131.4%		838	967	121.36	16,651	22.6
128 TXU	2,140	747	1,393	459.2	3.03	5.13	169.2%	5.23	172.5%	Y (13%R)	2,356	2,403	67.30	30,907	22.2
129 AUTODESK	846	354	492	231.7	2.12	1.89	89.1%	2.21	104.3%		438	513	47.08	10,908	22.2
130 JONES APPAREL GROUP	2,212	2,071	141	107.9	1.30	1.99	152.7%	2.27	173.7%		215	244	28.25	3,048	21.7
131 ROCKWELL COLLINS	1,206	654	552	167.1	3.30	3.39	102.7%	3.82	115.8%		567	639	70.64	11,804	21.4
132 THE DIRECTV GROUP	6,681	5,326	1,355	1,226.5	1.10	1.20	108.6%	1.46	132.5%		1,472	1,796	23.11	28,344	20.9
133 STARWOOD HTLS.& RSTS.	3,008	2,302	706	213.5	3.31	2.58	78.1%	3.01	91.1%		552	643	67.07	14,318	20.3
134 YUM! BRANDS	1,437	1,009	428	265.0	1.62	1.63	100.7%	1.82	112.4%		431	481	32.72	8,671	20.3

## S&amp;P 500 Index

## Tangible Book Values and Returns to Stockholders

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible					2007		2008		Wall Street Earnings Ests.		Share Price on 6/30/07	Market Equity Value 6/30/07	Market/Tangible Book	
	Total Assets	Tangible (not recovered in rates)	Equity (= to reg equity)	Shares Outstanding	Tangible Book Value /Share	Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE	S&P Utility Compon ent	2007 Net Income				2008 Net Income
	Common Equity														
135 TYCO INTL.	35,419	29,986	5,433	1,992.1	2.73	7.81	286.3%	8.60	315.2%		15,557	17,124	53.61	106,798	19.7
136 STJUDE MED.	2,969	2,210	759	353.9	2.14	1.75	81.8%	2.02	94.3%		621	716	41.49	14,685	19.3
137 SCHLUMBERGER	10,393	5,215	5,178	1,177.9	4.40	3.99	90.8%	4.82	109.5%		4,701	5,672	84.94	100,050	19.3
138 INTL.GAME TECH.	2,042	1,352	690	334.2	2.06	1.49	72.2%	1.76	85.4%		498	589	39.70	13,268	19.2
139 BRISTOL MYERS SQUIBB	9,991	6,681	3,310	1,962.0	1.69	1.41	83.4%	1.59	94.3%		2,762	3,121	31.56	61,921	18.7
140 WRIGLEY WILLIAM JR.	2,388	1,563	825	276.9	2.98	2.23	75.0%	2.47	82.9%		618	683	55.31	15,316	18.6
141 COACH	1,189	238	951	369.8	2.57	1.68	65.2%	2.04	79.4%		620	755	47.39	17,526	18.4
142 BMC SOFTWARE	1,099	726	373	220.7	1.69	1.68	99.5%	1.81	107.3%		371	400	30.30	6,687	17.9
143 MEDTRONIC	9,383	5,938	3,445	1,155.2	2.98	2.68	89.8%	3.05	102.2%		3,093	3,521	51.86	59,911	17.4
144 LIMITED BRANDS	2,955	2,318	637	398.0	1.60	1.57	97.8%	1.91	119.3%		623	760	27.45	10,925	17.2
145 DELL	4,129	-	4,129	2,449.0	1.69	1.33	78.7%	1.59	94.4%		3,249	3,897	28.55	69,919	16.9
146 JOHNSON & JOHNSON	39,318	28,688	10,630	2,893.2	3.67	4.04	110.0%	4.30	116.9%		11,692	12,426	61.62	178,281	16.8
147 AMGEN	18,964	15,049	3,915	1,166.0	3.36	4.17	124.1%	4.36	129.8%		4,858	5,083	55.29	64,468	16.5
148 ROCKWELL AUTOMATION	1,918	1,166	752	170.8	4.40	3.57	81.2%	4.21	95.5%		610	718	69.44	11,860	15.8
149 APOLLO GP.'A'	685	37	648	173.0	3.74	2.43	64.9%	2.76	73.9%		420	478	58.43	10,110	15.6
150 ANHEUSER-BUSCH COS.	3,939	1,367	2,572	766.1	3.36	2.81	83.8%	3.09	92.0%		2,156	2,365	52.16	39,960	15.5
151 GENERAL ELECTRIC	112,314	86,433	25,881	10,277.4	2.52	2.21	87.7%	2.49	99.1%		22,695	25,639	38.28	393,418	15.2
152 MARRIOTT INTL.'A'	2,618	1,496	1,122	389.5	2.88	1.92	66.5%	2.30	80.0%		746	898	43.24	16,842	15.0
153 BAUSCH & LOMB	1,395	1,124	270	53.9	5.01	2.25	44.9%	2.88	57.4%		121	155	69.44	3,745	13.8
154 CH ROBINSON WWD.	944	283	660	172.7	3.82	1.84	48.2%	2.15	56.1%		318	371	52.52	9,068	13.7
155 VERISIGN	2,030	1,455	575	245.1	2.35	1.07	45.6%	1.38	58.8%		262	338	31.73	7,778	13.5
156 CISCO SYSTEMS	23,912	11,388	12,524	6,059.0	2.07	1.33	64.4%	1.55	75.1%		8,061	9,401	27.85	168,743	13.5
157 H & R BLOCK	2,148	1,573	575	328.5	1.75	1.36	77.6%	1.53	87.2%		446	501	23.37	7,677	13.4
158 TEXTRON	2,632	1,563	1,069	125.6	8.51	6.32	74.3%	7.36	86.5%		794	924	110.11	13,829	12.9
159 PAYCHEX	1,655	467	1,188	380.3	3.12	1.60	51.3%	1.82	58.4%		609	694	39.12	14,877	12.5
160 CHI.MERC.EX.HDG.	1,519	27	1,492	34.8	42.81	14.69	34.3%	18.52	43.3%		512	645	534.36	18,616	12.5
161 3M	9,959	4,790	5,169	734.4	7.04	4.85	68.9%	5.40	76.8%		3,563	3,968	86.79	63,735	12.3
162 SYSCO	3,052	1,396	1,656	618.9	2.68	1.57	58.5%	1.78	66.6%		969	1,103	32.99	20,417	12.3
163 FREEPORT-MCMOR.CPR.& GT	1,345	-	1,345	197.0	6.83	8.38	122.7%	8.32	121.9%		1,650	1,639	82.82	16,313	12.1
164 EBAY	10,905	7,227	3,677	1,368.5	2.69	1.34	49.9%	1.58	58.7%		1,837	2,158	32.18	44,039	12.0
165 PEPSICO	15,327	6,443	8,884	1,638.0	5.42	3.34	61.6%	3.69	68.1%		5,475	6,051	64.85	106,224	12.0
166 ROHM & HAAS	4,031	3,028	1,003	218.8	4.58	3.50	76.4%	3.85	84.0%		767	843	54.68	11,966	11.9
167 ZIMMER HDG.	4,921	3,228	1,692	236.8	7.15	4.03	56.4%	4.59	64.2%		954	1,087	84.89	20,102	11.9
168 MANOR CARE	573	171	402	72.7	5.53	2.79	50.4%	3.16	57.1%		203	229	65.29	4,747	11.8
169 ALLTEL	12,662	10,576	2,085	364.5	5.72	2.78	48.7%	3.19	55.8%		1,015	1,163	67.55	24,622	11.8
170 INTERNATIONAL BUS.MACH.	28,506	15,056	13,450	1,506.5	8.93	6.86	76.8%	7.73	86.6%		10,332	11,644	105.25	158,557	11.8
171 SMITH INTL.	1,987	991	996	199.9	4.98	3.21	64.4%	3.87	77.6%		641	773	58.64	11,723	11.8
172 CELGENE	1,976	143	1,833	376.0	4.87	1.03	21.1%	1.66	34.1%		387	625	57.33	21,558	11.8
173 MEMC Electronic Materials	1,167	-	1,167	223.3	5.23	3.17	60.7%	3.90	74.6%		708	871	61.12	13,648	11.7
174 EMC	10,326	7,021	3,305	2,122.3	1.56	0.68	43.4%	0.80	51.4%		1,434	1,700	18.10	38,414	11.6
175 AES	2,673	1,412	1,261	664.2	1.90	1.10	57.9%	1.25	65.8% Y (34%R)		731	829	21.88	14,532	11.5
176 NEWS CORP.'A'	29,874	23,994	5,880	3,156.0	1.86	0.99	53.1%	1.28	68.7%		3,124	4,040	21.21	66,939	11.4
177 MONSTER WORLDWIDE	1,110	641	469	128.6	3.65	1.50	41.2%	1.93	52.8%		193	248	41.10	5,284	11.3
178 SHERWIN-WILLIAMS	1,992	1,202	790	133.6	5.91	4.60	77.7%	5.00	84.5%		614	668	66.47	8,878	11.2
179 CATERPILLAR	6,859	2,291	4,568	645.8	7.07	5.57	78.8%	6.33	89.5%		3,599	4,088	78.30	50,567	11.1
180 APPLE	9,984	198	9,786	855.3	11.44	3.56	31.1%	4.13	36.1%		3,042	3,532	122.04	104,376	10.7
181 GOOGLE 'A'	17,040	1,892	15,148	309.0	49.02	15.21	31.0%	19.28	39.3%		4,700	5,957	522.70	161,513	10.7
182 ESTEE LAUDER COS.'A'	1,622	713	910	211.8	4.29	2.21	51.4%	2.48	57.8%		468	525	45.51	9,637	10.6
183 COGNIZANT TECH.SLTN.'A'	1,073	48	1,026	142.5	7.20	2.18	30.4%	2.89	40.1%		311	411	75.00	10,688	10.4
184 PATTERSON COMPANIES	1,262	764	498	138.8	3.59	1.75	48.7%	1.97	55.0%		242	274	37.27	5,171	10.4
185 AUTOMATIC DATA PROC.	6,012	3,084	2,927	625.0	4.68	1.84	39.2%	2.15	45.9%		1,148	1,343	48.47	30,295	10.3
186 COCA COLA	16,920	5,135	11,785	2,318.0	5.08	2.59	51.0%	2.87	56.5%		6,011	6,659	52.31	121,255	10.3
187 DU PONT E I DE NEMOURS	9,185	4,587	4,598	922.1	4.99	3.18	63.7%	3.43	68.7%		2,928	3,159	50.84	46,878	10.2
188 PPG INDUSTRIES	3,234	1,982	1,252	164.1	7.63	5.23	68.5%	5.42	71.1%		858	890	76.11	12,488	10.0
189 GILEAD SCIENCES	1,816	-	1,816	461.1	3.94	1.55	39.2%	1.74	44.1%		712	800	38.80	17,892	9.9
190 KIMBERLY-CLARK	6,097	2,993	3,104	455.6	6.81	4.22	61.9%	4.55	66.8%		1,922	2,073	66.89	30,475	9.8
191 STARBUCKS	2,229	199	2,029	756.6	2.68	0.88	32.7%	1.07	39.8%		664	807	26.24	19,853	9.8
192 SLM	3,795	1,372	2,423	410.6	5.90	3.01	51.0%	3.59	60.9%		1,237	1,475	57.58	23,643	9.8
193 MONSANTO	6,525	2,751	3,774	543.2	6.95	1.83	26.3%	2.27	32.6%		992	1,231	67.54	36,686	9.7
194 COVENTRY HLTHCR.	2,957	2,009	948	159.4	5.94	3.99	67.1%	4.47	75.2%		636	713	57.65	9,192	9.7
195 POLO RALPH LAUREN 'A'	2,050	957	1,092	105.4	10.36	3.82	36.8%	4.82	46.5%		402	508	98.11	10,341	9.5
196 ADOBE SYSTEMS	5,152	2,656	2,496	587.2	4.25	1.51	35.6%	1.71	40.2%		888	1,004	40.15	23,577	9.4
197 HASBRO	1,538	1,002	536	160.6	3.34	1.85	55.5%	1.81	54.4%		297	291	31.41	5,045	9.4
198 BIOMET	1,716	519	1,198	245.0	4.89	2.01	41.2%	2.17	44.4%		493	532	45.72	11,200	9.3
199 MACY'S (f/k/a FEDERATED)	12,254	10,087	2,167	496.9	4.36	2.42	55.5%	2.97	68.1%		1,202	1,476	39.78	19,767	9.1
200 HARMAN INTL.INDS.	1,228	381	847	66.1	12.82	4.37	34.0%	5.23	40.8%		288	345	116.80	7,716	9.1
201 NATIONAL OILWELL VARCO	5,024	2,950	2,074	175.6	11.81	6.36	53.9%	7.40	62.7%		1,117	1,300	104.24	18,302	8.8

S&P 500 Index

Tangible Book Values and Returns to Stockholders

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible				Tangible Book Value /Share	2007		2008		S&P Utility Compon ent	Wall Street Earnings Ests.		Share Price on 6/30/07	Market Equity Value 6/30/07	Market/Tangible Book
	Total Common Equity	(not recovered in rates)	Tangible Equity (= to reg equity)	Shares Outstanding		Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE		2007 Net Income	2008 Net Income			
	202 INTUIT	1,738	564	1,174		344.2	3.41	1.40	41.0%		1.60	46.9%			
203 BAXTER INTL.	6,272	2,098	4,174	650.5	6.42	2.63	41.0%	2.95	46.0%		1,711	1,919	56.34	36,648	8.8
204 BARD C R	1,698	722	976	103.2	9.46	3.81	40.3%	4.39	46.4%		393	453	82.63	8,524	8.7
205 CITRIX SYS.	1,465	762	703	180.6	3.89	1.53	39.4%	1.77	45.5%		277	320	33.67	6,080	8.6
206 AVERY DENNISON	1,681	925	756	98.3	7.69	4.10	53.3%	4.68	60.9%		403	460	66.48	6,536	8.6
207 BROWN-FORMAN 'B'	1,563	520	1,043	122.5	8.52	3.44	40.4%	3.89	45.7%		421	476	73.08	8,950	8.6
208 AVAYA	2,086	1,185	901	451.7	1.99	0.59	29.7%	0.69	34.7%		268	313	16.84	7,607	8.4
209 VARIAN MED.SYS.	797	135	662	130.7	5.06	1.79	35.4%	2.10	41.5%		235	275	42.51	5,557	8.4
210 CINTAS	2,088	1,316	772	163.2	4.73	2.26	47.7%	2.36	49.8%		368	384	39.43	6,434	8.3
211 MICROSOFT	40,104	4,405	35,699	10,062.0	3.55	1.49	42.1%	1.71	48.2%		15,018	17,203	29.47	296,527	8.3
212 NVIDIA	2,007	347	1,660	333.8	4.97	1.84	37.1%	2.10	42.2%		615	700	41.31	13,788	8.3
213 CARDINAL HEALTH	8,491	4,991	3,500	410.8	8.52	3.41	40.0%	4.10	48.1%		1,399	1,684	70.64	29,019	8.3
214 AMERICAN EXPRESS	10,511	1,653	8,858	1,199.0	7.39	3.48	47.1%	3.87	52.3%		4,176	4,634	61.18	73,355	8.3
215 FIRST HORIZON NATIONAL	2,462	1,874	588	124.9	4.71	2.47	52.3%	2.84	60.2%		308	354	39.00	4,870	8.3
216 ALLEGHENY TECHS.	1,493	207	1,286	101.2	12.71	7.85	61.8%	8.64	68.0%		794	874	104.88	10,614	8.3
217 NETWORK APPLIANCE	1,923	563	1,361	376.0	3.62	1.27	35.1%	1.64	45.4%		478	617	29.19	10,975	8.1
218 PRAXAIR	4,554	1,669	2,885	320.9	8.99	3.49	38.8%	3.96	44.0%		1,119	1,271	71.99	23,099	8.0
219 AMERISOURCEBERGEN	4,141	2,924	1,217	196.4	6.20	2.56	41.2%	2.89	46.7%		502	568	49.47	9,713	8.0
220 CONSOL EN.	1,066	-	1,066	182.7	5.84	2.36	40.5%	3.04	52.0%		432	554	46.11	8,422	7.9
221 SCHERING-PLOUGH	6,470	738	5,732	1,487.0	3.85	1.29	33.4%	1.55	40.3%		1,914	2,308	30.44	45,264	7.9
222 VULCAN MATERIALS	2,001	620	1,381	94.6	14.60	5.77	39.5%	6.50	44.5%		546	615	114.54	10,836	7.8
223 T ROWE PRICE GP.	2,427	669	1,758	265.0	6.63	2.37	35.7%	2.77	41.8%		627	734	51.89	13,749	7.8
224 AUTONATION	3,713	3,117	596	206.8	2.88	1.61	55.8%	1.78	61.9%		333	369	22.44	4,640	7.8
225 ILLINOIS TOOL WKS.	9,018	5,100	3,918	558.7	7.01	3.33	47.5%	3.72	53.1%		1,862	2,080	54.19	30,279	7.7
226 SPECTRA ENERGY	5,639	3,507	2,132	631.0	3.38	1.35	40.0%	1.47	43.4%		852	925	25.96	16,381	7.7
227 WELLS FARGO & CO	45,492	29,626	15,866	3,377.1	4.70	2.73	58.1%	3.01	64.1%		9,217	10,163	35.17	118,774	7.5
228 WYETH	14,653	4,282	10,370	1,345.2	7.71	3.49	45.3%	3.87	50.2%		4,698	5,201	57.34	77,137	7.4
229 TEREX	1,751	633	1,118	101.1	11.06	5.59	50.6%	6.67	60.3%		565	674	81.30	8,219	7.4
230 WEATHERFORD INTL.	6,175	3,607	2,567	339.8	7.56	3.35	44.3%	4.17	55.2%		1,138	1,416	55.24	18,770	7.3
231 BAKER HUGHES	5,243	1,537	3,706	319.9	11.58	4.97	42.9%	5.94	51.3%		1,589	1,901	84.13	26,913	7.3
232 KROGER	4,923	2,192	2,731	705.0	3.87	1.67	43.2%	1.87	48.3%		1,179	1,320	28.13	19,832	7.3
233 V F	3,265	1,849	1,416	112.2	12.62	5.32	42.2%	5.93	46.9%		597	665	91.58	10,274	7.3
234 FRANK.RES.	6,685	1,981	4,703	253.2	18.57	7.01	37.7%	7.94	42.8%		1,775	2,011	132.47	33,548	7.1
235 CIENA	754	323	430	84.9	5.07	1.11	21.9%	1.55	30.5%		94	131	36.13	3,067	7.1
236 MERCK & CO.	17,560	2,376	15,184	2,167.8	7.00	2.92	41.8%	3.08	43.9%		6,340	6,667	49.80	107,956	7.1
237 ROBERT HALF INTL.	1,043	179	864	167.8	5.15	1.82	35.4%	2.13	41.3%		306	357	36.50	6,126	7.1
238 SUN MICROSYSTEMS	6,344	3,745	2,599	3,503.0	0.74	0.09	11.7%	0.19	25.7%		304	668	5.26	18,426	7.1
239 SIMON PR.GP.	3,095	184	2,911	221.4	13.15	1.91	14.5%	2.30	17.5%		422	509	93.04	20,601	7.1
240 PARKER-HANNIFIN	4,241	2,568	1,674	120.3	13.91	6.93	49.8%	7.37	53.0%		833	887	97.91	11,780	7.0
241 PFIZER	71,217	45,226	25,991	7,124.0	3.65	2.15	58.8%	2.34	64.2%		15,282	16,686	25.57	182,161	7.0
242 RADIOSHACK	654	8	646	135.8	4.76	1.50	31.5%	1.66	34.8%		204	225	33.14	4,502	7.0
243 SUPERVALU	2,619	1,699	920	136.4	6.74	2.79	41.3%	3.23	47.9%		380	441	46.32	6,320	6.9
244 BJ SVS.	2,147	928	1,219	293.2	4.16	2.48	59.8%	2.54	61.1%		728	744	28.44	8,338	6.8
245 HEWLETT-PACKARD	38,144	20,205	17,939	2,732.0	6.57	2.78	42.3%	3.12	47.6%		7,596	8,537	44.62	121,902	6.8
246 AETNA	9,071	5,295	3,776	516.0	7.32	3.36	46.0%	3.78	51.7%		1,736	1,952	49.40	25,490	6.8
247 OFFICE DEPOT	2,610	1,361	1,249	276.4	4.52	2.15	47.5%	2.53	56.0%		594	700	30.30	8,375	6.7
248 TRANSOCEAN	6,836	2,195	4,641	292.5	15.87	7.92	49.9%	11.49	72.4%		2,317	3,361	105.98	30,994	6.7
249 EXELON	9,973	2,694	7,279	669.5	10.87	4.34	39.9%	4.65	42.8% Y (24%R)		2,903	3,114	24% 72.60	48,604	6.7
250 BECTON DICKINSON	3,836	1,091	2,745	245.5	11.18	3.78	33.8%	4.22	37.7%		928	1,036	74.50	18,287	6.7
251 MYLAN LABORATORIES	788	208	579	210.2	2.76	1.71	62.2%	1.49	54.0%		360	313	18.19	3,823	6.6
252 FIRSTENERGY	9,035	5,898	3,137	319.2	9.83	4.18	42.6%	4.24	43.1% Y (67%R)		1,335	1,353	67% 64.73	20,662	6.6
253 NORDSTROM	2,169	136	2,033	257.3	7.90	2.90	36.7%	3.31	41.9%		746	852	51.12	13,154	6.5
254 PALL	1,179	307	871	122.2	7.13	1.79	25.1%	2.11	29.5%		218	257	45.99	5,618	6.4
255 MATTEL	2,433	916	1,517	384.3	3.95	1.62	41.0%	1.75	44.3%		622	673	25.29	9,719	6.4
256 YAHOO	9,161	3,374	5,786	1,360.2	4.25	0.50	11.7%	0.66	15.6%		675	903	27.13	36,904	6.4
257 UNITED PARCEL SER.	15,482	3,221	12,261	1,070.0	11.46	4.15	36.2%	4.59	40.0%		4,435	4,907	73.00	78,110	6.4
258 CONVERGYS	1,455	930	525	136.5	3.85	1.27	33.0%	1.44	37.4%		173	196	24.24	3,309	6.3
259 NISOURCE	5,014	4,113	901	273.7	3.29	1.41	42.8%	1.44	43.8%	Yes	385	394	100% 20.71	5,667	6.3
260 JUNIPER NETWORKS	6,115	3,794	2,321	569.2	4.08	0.81	19.9%	1.00	24.6%		463	571	25.17	14,328	6.2
261 US BANCORP	20,197	10,765	9,432	1,764.7	5.34	2.68	50.1%	2.90	54.2%		4,722	5,111	32.95	58,147	6.2
262 PEABODY ENERGY	2,339	262	2,076	263.8	7.87	2.47	31.3%	3.48	44.2%		651	918	48.38	12,765	6.1
263 STRYKER	4,191	-	4,191	407.9	10.27	2.40	23.4%	2.87	27.9%		980	1,170	63.09	25,734	6.1
264 QUALCOMM	13,406	1,707	11,699	1,652.0	7.08	1.90	26.9%	2.08	29.4%		3,145	3,438	43.39	71,680	6.1
265 HUMANA	3,064	1,406	1,657	166.6	9.95	4.19	42.1%	4.80	48.2%		698	800	60.91	10,150	6.1
266 SIGMA ALDRICH	1,411	487	924	132.0	7.00	2.23	31.8%	2.43	34.7%		294	320	42.67	5,632	6.1
267 NCR	1,881	316	1,565	178.9	8.75	2.62	29.9%	3.14	35.9%		468	561	52.54	9,399	6.0
268 FOREST LABS.	2,698	227	2,471	321.3	7.69	3.11	40.5%	3.42	44.5%		1,000	1,099	45.65	14,669	5.9

**S&P 500 Index**

**Tangible Book Values and Returns to Stockholders**

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible Assets		Tangible Equity (= to reg equity)	Shares Outstanding	Tangible Book Value /Share	2007		2008		Wall Street Earnings Ests.		Share Price on 6/30/07	Market Equity Value 6/30/07	Market/Tangible Book	
	Total Common Equity	(not recovered in rates)				Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE	S&P Utility Compon ent	2007 Net Income				2008 Net Income
269 FLUOR	1,730	78	1,653	88.0	18.77	3.98	21.2%	4.93	26.3%		351	434	111.37	9,805	5.9
270 TJX COS.	2,290	185	2,106	453.6	4.64	1.83	39.5%	2.09	45.1%		831	950	27.50	12,475	5.9
271 GENZYME	5,676	2,791	2,885	263.0	10.97	3.25	29.7%	3.70	33.7%		856	973	64.40	16,939	5.9
272 ELI LILLY	10,981	130	10,851	1,131.7	9.59	3.38	35.3%	3.70	38.6%		3,830	4,187	55.88	63,238	5.8
273 CORNING	7,246	316	6,930	1,565.0	4.43	1.32	29.8%	1.54	34.8%		2,062	2,409	25.55	39,986	5.8
274 ADVANCED MICRO DEVC.	5,785	4,424	1,361	547.0	2.49	(2.56)	-103.0%	(0.87)	-35.0%		(1,402)	(476)	14.30	7,822	5.7
275 OFFICEMAX	1,931	1,417	514	74.9	6.86	2.34	34.1%	2.70	39.4%		175	202	39.30	2,944	5.7
276 E TRADE FINL.	4,196	2,553	1,643	426.3	3.85	1.65	42.7%	1.91	49.6%		701	815	22.09	9,417	5.7
277 CVS CAREMARK	9,786	4,513	5,273	825.7	6.39	1.90	29.8%	2.30	36.0%		1,572	1,896	36.45	30,098	5.7
278 ELECTRONIC ARTS	3,408	879	2,529	305.0	8.29	1.15	13.8%	1.97	23.7%		350	601	47.32	14,432	5.7
279 HARLEY-DAVIDSON	2,757	59	2,698	258.1	10.45	4.14	39.6%	4.63	44.3%		1,070	1,195	59.61	15,383	5.7
280 CHARLES SCHWAB	5,008	419	4,589	1,265.2	3.63	0.93	25.8%	1.11	30.5%		1,182	1,401	20.52	25,962	5.7
281 BIOGEN IDEC	7,149	3,902	3,247	338.2	9.60	2.63	27.4%	3.11	32.4%		889	1,053	53.50	18,092	5.6
282 DARDEN RESTAURANTS	1,230	56	1,174	147.0	7.99	2.79	34.9%	3.07	38.4%		410	451	43.99	6,466	5.5
283 SUNOCO	2,075	301	1,774	121.3	14.62	8.57	58.6%	7.47	51.0%		1,039	906	79.68	9,665	5.4
284 LIZ CLAIBORNE	2,130	1,422	708	103.2	6.86	2.06	30.1%	2.37	34.5%		213	244	37.30	3,848	5.4
285 BROADCOM 'A'	4,192	1,214	2,977	548.3	5.43	1.19	21.9%	1.45	26.7%		652	794	29.25	16,038	5.4
286 ALLEGHENY EN.	2,080	483	1,597	165.4	9.66	2.20	22.8%	2.62	27.2%	Y (44%R)	364	434	51.74	8,556	5.4
287 LINEAR TECH.	2,104	42	2,063	303.1	6.81	1.38	20.3%	1.68	24.7%		419	509	36.18	10,966	5.3
288 TEXAS INSTR.	11,360	1,095	10,265	1,450.0	7.08	1.76	24.8%	2.13	30.1%		2,547	3,091	37.63	54,565	5.3
289 HALLIBURTON	7,376	775	6,601	998.0	6.61	2.34	35.4%	2.85	43.1%		2,340	2,844	34.50	34,431	5.2
290 BANK OF NY/ MELLON	16,269	9,860	6,409	760.1	8.43	2.51	29.8%	2.89	34.3%		1,908	2,197	43.93	33,392	5.2
291 NIKE 'B'	6,285	536	5,749	512.0	11.23	3.32	29.6%	3.78	33.6%		1,700	1,933	58.29	29,844	5.2
292 STAPLES	5,022	1,687	3,334	718.7	4.64	1.44	31.1%	1.68	36.2%		1,035	1,206	23.73	17,056	5.1
293 NATIONAL SEMICON.	1,926	57	1,869	335.7	5.57	1.23	22.0%	1.55	27.8%		412	520	28.27	9,490	5.1
294 ELECTRONIC DATA SYSTEMS	7,896	5,114	2,782	508.5	5.47	1.58	28.8%	1.76	32.1%		801	894	27.73	14,102	5.1
295 JDS UNIPHASE	1,584	1,019	565	210.7	2.68	0.26	9.7%	0.47	17.6%		55	99	13.43	2,830	5.0
296 PPL	5,122	1,521	3,601	385.0	9.35	2.35	25.1%	2.43	26.0%	Y (52%R)	903	934	46.79	18,016	5.0
297 PACCAR	4,456	117	4,339	248.5	17.46	4.84	27.7%	5.69	32.6%		1,203	1,413	87.04	21,629	5.0
298 ALTERA	1,608	1	1,608	360.2	4.46	0.84	18.8%	1.11	24.9%		303	400	22.13	7,971	5.0
299 MCKESSON	5,952	2,282	3,670	304.0	12.07	3.24	26.9%	3.71	30.8%		986	1,129	59.64	18,131	4.9
300 AGILENT TECHS.	3,648	468	3,180	408.0	7.79	1.87	24.0%	2.22	28.5%		763	907	38.44	15,684	4.9
301 BEST BUY	5,257	601	4,656	485.1	9.60	3.04	31.7%	3.58	37.3%		1,477	1,735	46.67	22,640	4.9
302 HOSPIRA	1,361	109	1,252	155.9	8.03	2.14	26.7%	2.50	31.1%		334	390	39.04	6,086	4.9
303 BED BATH & BEYOND	2,262	168	2,095	281.0	7.46	2.21	29.6%	2.49	33.4%		620	701	35.99	10,113	4.8
304 TYSON FOODS 'A'	4,440	2,648	1,792	373.3	4.80	0.85	17.6%	1.31	27.3%		316	490	23.04	8,601	4.8
305 INTL.PAPER	7,963	4,253	3,710	453.5	8.18	2.25	27.5%	2.66	32.5%		1,022	1,207	39.05	17,709	4.8
306 APPLERA APPD.BIOS.	1,478	316	1,161	181.4	6.40	1.41	22.0%	1.56	24.4%		255	283	30.54	5,540	4.8
307 ALCOA	14,576	7,173	7,403	867.7	8.53	3.21	37.6%	3.22	37.7%		2,783	2,793	40.53	35,169	4.8
308 APPLIED MATS.	6,651	774	5,878	1,391.7	4.22	1.23	29.0%	1.30	30.7%		1,707	1,806	19.87	27,654	4.7
309 LEXMARK INTL.GP.A	1,035	-	1,035	97.0	10.67	3.56	33.4%	3.82	35.7%		346	370	49.31	4,783	4.6
310 MCDONALDS	15,458	2,209	13,249	1,203.7	11.01	2.72	24.7%	2.96	26.9%		3,271	3,566	50.76	61,100	4.6
311 ABERCROMBIE & FITCH	1,405	-	1,405	88.3	15.92	5.21	32.8%	6.00	37.7%		460	530	72.98	6,444	4.6
312 SAFEWAY	5,667	2,394	3,273	440.1	7.44	2.00	26.9%	2.24	30.2%		879	987	34.03	14,977	4.6
313 DEERE	7,491	1,488	6,003	227.2	26.42	6.97	26.4%	8.58	32.5%		1,583	1,951	120.74	27,436	4.6
314 AIR PRDS. & CHEMS.	4,924	1,102	3,822	217.3	17.59	4.19	23.8%	4.70	26.7%		910	1,022	80.37	17,460	4.6
315 CUMMINS	2,802	484	2,318	104.2	22.25	6.45	29.0%	7.53	33.9%		672	785	101.21	10,546	4.5
316 BEMIS	1,472	706	766	104.8	7.31	2.00	27.3%	2.17	29.7%		210	227	33.18	3,479	4.5
317 MARSHALL & ILSLEY	6,151	3,393	2,758	255.5	10.80	3.42	31.7%	3.73	34.5%		875	952	47.63	12,168	4.4
318 ADC TELECOM.	874	381	493	117.2	4.21	0.92	22.0%	1.06	25.2%		108	124	18.33	2,148	4.4
319 HOME DEPOT	25,030	7,092	17,938	1,970.0	9.11	2.59	28.4%	2.90	31.9%		5,095	5,721	39.35	77,520	4.3
320 WALGREEN	10,186	-	10,186	1,007.9	10.11	2.10	20.8%	2.37	23.5%		2,116	2,389	43.54	43,882	4.3
321 INTEL	36,752	4,848	31,904	5,766.0	5.53	1.07	19.4%	1.34	24.2%		6,190	7,718	23.74	136,885	4.3
322 COMPASS BANCSHARES	2,824	732	2,092	130.1	16.08	3.75	23.3%	4.11	25.5%		487	534	68.98	8,973	4.3
323 FAMILY DOLLAR STORES	1,208	-	1,208	150.2	8.04	1.64	20.4%	1.87	23.3%		247	281	34.32	5,155	4.3
324 WHOLE FOODS MARKET	1,404	148	1,256	139.6	9.00	1.33	14.8%	1.53	17.1%		186	214	38.30	5,347	4.3
325 GRAINGER W W	2,178	334	1,844	84.1	21.93	4.85	22.1%	5.50	25.1%		408	462	93.05	7,822	4.2
326 KOHLS	5,603	229	5,375	321.0	16.74	3.90	23.3%	4.59	27.4%		1,251	1,474	71.03	22,800	4.2
327 FEDEX	11,511	3,486	8,025	306.0	26.23	7.24	27.6%	8.28	31.6%		2,216	2,535	110.97	33,957	4.2
328 EXXON MOBIL	113,844	-	113,844	5,729.0	19.87	6.88	34.6%	6.61	33.3%		39,394	37,863	83.88	480,549	4.2
329 SYNOVUS FINL.	3,709	1,333	2,375	325.6	7.30	1.94	26.6%	2.13	29.2%		632	694	30.70	9,994	4.2
330 STATE STREET	7,252	1,818	5,434	332.4	16.35	3.82	23.4%	4.38	26.8%		1,270	1,455	68.40	22,739	4.2
331 WAL MART STORES	61,573	13,759	47,814	4,131.0	11.57	3.16	27.3%	3.53	30.5%		13,071	14,583	48.11	198,742	4.2
332 NORTHERN TRUST	3,944	548	3,396	218.7	15.53	3.44	22.2%	3.85	24.8%		753	841	64.24	14,049	4.1
333 ANALOG DEVICES	3,436	299	3,137	342.0	9.17	1.56	17.0%	1.82	19.8%		534	622	37.64	12,873	4.1
334 NOBLE	3,229	10	3,219	134.6	23.92	9.06	37.9%	12.73	53.2%		1,219	1,713	97.52	13,125	4.1
335 TIFFANY & CO	1,805	31	1,774	135.9	13.06	2.12	16.3%	2.44	18.7%		289	331	53.06	7,210	4.1

S&P 500 Index

Tangible Book Values and Returns to Stockholders

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible Assets		Tangible Equity (= to reg equity)	Shares Outstanding	Tangible Book Value /Share	2007		2008		Wall Street Earnings Ests.		Share Price on 6/30/07	Market Equity Value 6/30/07	Market/Tangible Book	
	Total Common Equity	(not recovered in rates)				Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE	S&P Utility Compon ent	2007 Net Income				2008 Net Income
336 NOVELL	1,118	465	653	339.0	1.93	0.10	5.4%	0.18	9.4%		35	61	7.79	2,641	4.0
337 BANK OF AMERICA	132,421	78,129	54,292	4,458.2	12.18	4.88	40.0%	5.28	43.3%		21,738	23,532	48.89	217,959	4.0
338 M&T BK.	6,281	3,333	2,949	110.2	26.75	7.30	27.3%	7.97	29.8%		804	879	106.90	11,782	4.0
339 TEMPLE INLAND	2,189	564	1,625	104.9	15.50	2.18	14.1%	2.60	16.8%		229	273	61.53	6,451	4.0
340 MAXIM INTEGRATED PRDS.	2,705	-	2,705	320.0	8.45	1.18	14.0%	1.40	16.5%		378	447	33.41	10,691	4.0
341 DOLLAR GENERAL	1,746	-	1,746	312.4	5.59	0.64	11.5%	0.86	15.4%		200	270	21.92	6,849	3.9
342 XTO EN.	5,865	215	5,650	367.6	15.37	4.62	30.1%	4.42	28.8%		1,698	1,626	60.10	22,090	3.9
343 PENNEY JC	4,288	95	4,193	226.0	18.55	5.49	29.6%	6.36	34.3%		1,241	1,437	72.38	16,358	3.9
344 XEROX	7,080	2,527	4,553	946.2	4.81	1.18	24.6%	1.32	27.4%		1,118	1,249	18.48	17,486	3.8
345 WENDY'S INTL.	1,012	89	922	95.7	9.64	1.12	11.7%	1.47	15.3%		108	141	36.75	3,517	3.8
346 LEGGETT&PLATT	2,351	1,318	1,033	178.0	5.80	1.36	23.4%	1.57	27.1%		242	279	22.05	3,925	3.8
347 COMPUWARE	1,579	396	1,183	377.9	3.13	0.57	18.2%	0.70	22.2%		215	263	11.86	4,482	3.8
348 KING PHARMS.	2,289	973	1,316	243.2	5.41	1.82	33.5%	1.68	31.0%		442	408	20.46	4,975	3.8
349 WASHINGTON MUTUAL	26,469	15,799	10,670	944.5	11.30	3.71	32.9%	4.20	37.2%		3,506	3,965	42.64	40,273	3.8
350 DOMINION RES.	12,913	4,926	7,987	349.0	22.89	5.55	24.3%	6.10	26.7%	Y (23%R)	1,938	2,129	86.31	30,122	3.8
351 WILLIAMS COS.	6,073	1,011	5,062	597.1	8.48	1.35	15.9%	1.81	21.4%		803	1,082	31.62	18,880	3.7
352 BOSTON PROPS.	3,223	-	3,223	117.5	27.43	2.65	9.7%	2.72	9.9%		312	320	102.13	12,001	3.7
353 BB & T	11,745	5,765	5,980	541.5	11.04	3.33	30.2%	3.60	32.6%		1,805	1,948	40.68	22,027	3.7
354 AFLAC	6,891	-	6,891	492.6	13.99	3.30	23.6%	3.76	26.9%		1,623	1,852	51.40	25,317	3.7
355 NUCOR	4,826	-	4,826	300.9	16.04	5.14	32.1%	5.26	32.8%		1,548	1,583	58.65	17,651	3.7
356 CITIGROUP	118,783	49,316	69,467	4,912.0	14.14	4.47	31.6%	5.05	35.7%		21,939	24,795	51.29	251,936	3.6
357 PUB.SER. ENTER.GP.	6,747	585	6,162	252.6	24.39	5.16	21.2%	6.09	25.0%	Y (26%R)	1,303	1,539	87.78	22,177	3.6
358 TEKTRONIX	1,188	394	794	83.7	9.48	1.87	19.7%	2.15	22.7%		156	180	33.74	2,825	3.6
359 XILINX	2,729	148	2,581	342.6	7.53	1.25	16.6%	1.52	20.2%		429	521	26.77	9,172	3.6
360 TARGET	15,633	212	15,421	859.8	17.94	3.63	20.2%	4.13	23.0%		3,117	3,552	63.60	54,681	3.5
361 CONSTELLATION EN.	4,609	158	4,452	180.5	24.66	4.56	18.5%	5.56	22.6%	Y (21%R)	823	1,004	87.17	15,736	3.5
362 PLUM CREEK TIMBER	2,089	-	2,089	177.1	11.80	1.51	12.8%	1.69	14.3%		268	299	41.66	7,378	3.5
363 AVALONBAY COMMNS.	2,531	-	2,531	74.7	33.90	2.55	7.5%	2.82	8.3%		190	210	118.88	8,877	3.5
364 EL PASO	3,436	-	3,436	697.1	4.93	0.91	18.5%	1.08	21.9%		636	751	17.23	12,011	3.5
365 APARTMENT INV.MAN.'A'	1,521	114	1,408	96.8	14.54	(0.96)	-6.6%	(1.02)	-7.0%		(93)	(98)	50.42	4,882	3.5
366 SEARS HOLDINGS	12,714	5,129	7,585	154.0	49.25	10.06	20.4%	11.49	23.3%		1,549	1,769	169.50	26,103	3.4
367 SOVEREIGN BANC.	8,449	5,504	2,945	476.5	6.18	1.38	22.3%	1.50	24.2%		656	713	21.14	10,074	3.4
368 GENUINE PARTS	2,550	62	2,488	170.5	14.59	3.00	20.6%	3.30	22.6%		512	563	49.60	8,458	3.4
369 NEWMONT MINING	9,337	4,166	5,171	449.8	11.50	1.07	9.3%	1.37	11.9%		481	615	39.06	17,567	3.4
370 BRUNSWICK	1,872	986	886	90.9	9.75	1.71	17.5%	2.05	21.1%		155	187	32.63	2,965	3.3
371 LSI	1,896	990	906	403.7	2.24	0.21	9.2%	0.42	18.5%		83	168	7.51	3,032	3.3
372 VORNADO REALTY TST.	5,296	312	4,984	151.1	32.99	2.85	8.6%	3.12	9.4%		430	471	109.84	16,596	3.3
373 GOLDMAN SACHS GP.	32,686	5,686	27,000	412.7	65.43	22.02	33.7%	22.47	34.3%		9,086	9,273	216.75	89,445	3.3
374 SUNTRUST BANKS	17,314	8,072	9,242	354.9	26.04	5.95	22.8%	6.51	25.0%		2,112	2,312	85.74	30,429	3.3
375 WACHOVIA	69,716	40,014	29,702	1,904.0	15.60	4.94	31.7%	5.39	34.5%		9,401	10,257	51.25	97,580	3.3
376 QLOGIC	859	33	827	162.1	5.10	0.98	19.1%	1.16	22.7%		158	188	16.65	2,699	3.3
377 DEVELOPERS DIVR.REAL.	1,791	19	1,772	109.7	16.15	1.70	10.5%	2.31	14.3%		186	254	52.71	5,784	3.3
378 ENSCO INTL.	3,216	336	2,880	151.8	18.97	6.87	36.2%	8.28	43.7%		1,044	1,257	61.01	9,261	3.2
379 EOG RES.	5,546	-	5,546	243.7	22.76	4.59	20.2%	5.36	23.6%		1,118	1,306	73.06	17,807	3.2
380 SANDISK	4,768	1,299	3,469	226.5	15.31	1.13	7.4%	2.10	13.7%		255	477	48.94	11,086	3.2
381 DOW CHEMICALS	17,065	3,699	13,366	958.1	13.95	3.89	27.9%	3.51	25.1%		3,726	3,361	44.22	42,365	3.2
382 VALERO ENERGY	18,605	4,514	14,091	603.8	23.34	9.55	40.9%	7.93	34.0%		5,765	4,786	73.86	44,594	3.2
383 EASTMAN CHEMICALS	2,029	325	1,704	83.5	20.40	4.58	22.5%	4.50	22.1%		383	376	64.33	5,374	3.2
384 KLA TENCOR	3,568	70	3,498	199.1	17.56	3.07	17.5%	3.18	18.1%		611	633	54.95	10,943	3.1
385 PNC FINL.SVS.GP.	10,781	4,043	6,738	293.0	23.00	5.58	24.3%	6.16	26.8%		1,636	1,805	71.58	20,973	3.1
386 FIFTH THIRD BANCORP	10,013	2,883	7,130	556.3	12.82	2.73	21.3%	2.98	23.3%		1,519	1,659	39.77	22,122	3.1
387 ZIONS BANCORP.	4,747	2,063	2,684	106.7	25.15	5.79	23.0%	6.39	25.4%		618	682	76.91	8,208	3.1
388 LINCOLN NAT.	11,707	5,270	6,437	275.8	23.34	5.49	23.5%	6.18	26.5%		1,513	1,704	70.95	19,565	3.0
389 GAP	5,174	48	5,126	813.9	6.30	0.87	13.9%	1.02	16.3%		711	834	19.10	15,545	3.0
390 JP MORGAN CHASE & CO.	115,790	60,038	55,752	3,461.7	16.11	4.53	28.1%	4.80	29.8%		15,669	16,611	48.45	167,719	3.0
391 DEVON ENERGY	17,292	5,706	11,586	444.0	26.09	6.10	23.4%	6.96	26.7%		2,711	3,092	78.29	34,763	3.0
392 KIMCO REALTY	3,192	-	3,192	250.9	12.72	1.51	11.9%	1.60	12.5%		379	400	38.07	9,551	3.0
393 COSTCO WHOLESALE	9,143	73	9,070	462.3	19.62	2.55	13.0%	2.93	14.9%		1,177	1,354	58.52	27,053	3.0
394 LOWE'S COMPANIES	15,725	-	15,725	1,525.0	10.31	1.99	19.3%	2.29	22.2%		3,040	3,492	30.69	46,802	3.0
395 US.STEEL	4,365	-	4,365	118.5	36.82	9.85	26.7%	9.40	25.5%		1,167	1,115	108.75	12,892	3.0
396 REGIONS FINL.NEW	20,701	12,508	8,193	730.1	11.22	2.82	25.1%	3.08	27.5%		2,058	2,249	33.10	24,165	2.9
397 MEADWESTVACO	3,533	1,346	2,187	182.1	12.01	1.18	9.8%	1.56	13.0%		215	283	35.32	6,432	2.9
398 BURL.NTHN.SANTA FE C	10,396	-	10,396	357.9	29.05	5.48	18.9%	6.35	21.9%		1,962	2,272	85.14	30,469	2.9
399 NABORS INDS.	3,537	362	3,174	277.0	11.46	3.66	31.9%	4.32	37.7%		1,013	1,197	33.38	9,246	2.9
400 MOTOROLA	17,142	2,499	14,643	2,397.4	6.11	0.34	5.5%	0.87	14.2%		805	2,077	17.70	42,434	2.9
401 PRINCIPAL FINL.GP.	6,752	1,343	5,409	268.4	20.15	3.85	19.1%	4.38	21.7%		1,034	1,175	58.29	15,645	2.9
402 PROGRESSIVE OHIO	6,242	-	6,242	748.0	8.35	1.82	21.7%	1.68	20.1%		1,358	1,255	23.93	17,900	2.9

S&P 500 Index

Tangible Book Values and Returns to Stockholders

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible Assets		Tangible Equity (= to reg equity)	Shares Outstanding	Tangible Book Value /Share	2007		2008		S&P Utility Compon ent	Wall Street Earnings Ests.		Share Price on 6/30/07	Market Equity Value 6/30/07	Market/ Tangible Book
	Total Common Equity	(not recovered in rates)				Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE		2007 Net Income	2008 Net Income			
403 BIG LOTS	1,130	-	1,130	109.6	10.30	1.29	12.5%	1.50	14.5%		141	164	29.42	3,225	2.9
404 CARNIVAL	18,210	4,634	13,576	794.0	17.10	2.93	17.1%	3.32	19.4%		2,325	2,635	48.77	38,723	2.9
405 CHEVRON	68,937	4,623	64,314	2,164.6	29.71	7.98	26.8%	7.86	26.5%		17,266	17,021	84.24	182,342	2.8
406 COMPUTER SCIS.	6,772	2,836	3,936	187.3	21.02	4.15	19.7%	4.58	21.8%		777	858	59.15	11,076	2.8
407 ENTERGY	8,198	377	7,821	202.7	38.59	5.65	14.6%	6.84	17.7%	Y (72%R)	1,145	1,385	107.35	21,756	2.8
408 MURPHY OIL	4,053	44	4,009	187.6	21.37	3.40	15.9%	5.06	23.7%		638	949	59.44	11,149	2.8
409 CAPITAL ONE FINL.	25,235	13,635	11,600	409.9	28.30	7.04	24.9%	8.39	29.7%		2,887	3,440	78.44	32,155	2.8
410 LEHMAN BROS.HDG.	18,096	3,362	14,734	533.4	27.62	7.95	28.8%	8.34	30.2%		4,242	4,449	75.80	40,429	2.7
411 PUBLIC STORAGE	5,353	589	4,764	169.1	28.16	0.42	1.5%	1.48	5.2%		70	250	76.82	12,994	2.7
412 HESS	8,095	1,253	6,842	315.0	21.72	5.20	23.9%	5.25	24.2%		1,637	1,654	58.96	18,573	2.7
413 TELLABS	2,938	1,197	1,741	439.1	3.97	0.34	8.7%	0.50	12.5%		151	218	10.76	4,725	2.7
414 WEYERHAEUSER	9,085	2,203	6,882	236.0	29.16	1.84	6.3%	2.82	9.7%		433	665	78.93	18,629	2.7
415 CONOCOPHILLIPS	82,646	32,439	50,207	1,690.4	29.70	9.00	30.3%	8.66	29.2%		15,214	14,637	78.50	132,700	2.6
416 OCCIDENTAL PTL.	19,184	-	19,184	870.7	22.03	4.43	20.1%	4.76	21.6%		3,860	4,145	57.88	50,395	2.6
417 COM.BANC.	2,801	142	2,659	188.5	14.11	1.64	11.6%	1.92	13.6%		310	362	36.99	6,973	2.6
418 ASSURANT	3,707	925	2,782	122.6	22.69	5.09	22.4%	5.50	24.2%		624	674	58.92	7,225	2.6
419 TERADYNE	1,361	78	1,283	189.0	6.79	0.51	7.6%	0.91	13.4%		97	172	17.58	3,322	2.6
420 MOLEX	2,281	149	2,131	183.6	11.61	1.45	12.5%	1.60	13.8%		265	294	30.01	5,510	2.6
421 KEYSpan	4,519	1,666	2,853	175.4	16.26	2.32	14.3%	2.51	15.4%	Y (64%R)	407	440	41.98	7,364	2.6
422 SANMINA-SCI	2,271	1,643	628	514.0	1.22	0.12	10.1%	0.26	21.2%		63	133	3.13	1,609	2.6
423 FPL GROUP	9,930	868	9,062	405.4	22.35	3.45	15.4%	3.77	16.9%	Y (64%R)	1,399	1,528	56.74	23,003	2.5
424 PROGRESS ENERGY	8,286	3,655	4,631	256.0	18.09	2.80	15.5%	3.04	16.8%	Yes	717	778	45.59	11,671	2.5
425 NATIONAL CITY	14,581	6,094	8,487	632.4	13.42	2.46	18.3%	2.83	21.1%		1,557	1,792	33.32	21,071	2.5
426 PROLOGIS	6,049	254	5,794	250.9	23.09	3.30	14.3%	3.27	14.2%		828	821	56.90	14,277	2.5
427 DYNEGY 'A'	2,275	347	1,928	498.2	3.87	0.32	8.2%	0.40	10.4%	Y (0% R)	158	201	9.44	4,703	2.4
428 EQUITY RESD.TST.PROPS. SH	5,498	-	5,498	293.6	18.73	0.25	1.3%	0.43	2.3%		73	127	45.63	13,395	2.4
429 ROWAN COS.	1,874	14	1,860	110.5	16.84	4.16	24.7%	5.16	30.6%		460	570	40.98	4,527	2.4
430 JABIL CIRCUIT	2,315	453	1,862	204.5	9.11	0.99	10.8%	1.54	16.9%		202	315	22.07	4,513	2.4
431 EDISON INTL.	7,709	-	7,709	325.8	23.66	3.45	14.6%	3.70	15.6%	Y (64%R)	1,123	1,205	56.12	18,285	2.4
432 ANADARKO PETROLEUM	14,867	4,616	10,251	467.0	21.95	3.34	15.2%	4.04	18.4%		1,561	1,885	51.99	24,279	2.4
433 MORGAN STANLEY	34,264	3,350	30,914	1,048.9	29.47	8.66	29.4%	8.71	29.6%		9,081	9,140	69.63	73,033	2.4
434 ARCHSTONE SMITH TST.	5,513	-	5,513	220.1	25.04	2.01	8.0%	0.55	2.2%		442	121	59.11	13,013	2.4
435 HOST HOTELS & RESORTS	5,122	-	5,122	521.1	9.83	1.11	11.2%	1.16	11.8%		576	604	23.12	12,048	2.4
436 DTE ENERGY	5,849	2,129	3,720	177.1	21.00	2.74	13.1%	3.24	15.4%	Y (75%R)	486	574	48.22	8,542	2.3
437 KEYCORP	7,703	1,719	5,984	399.2	14.99	2.83	18.9%	3.01	20.1%		1,130	1,202	34.33	13,703	2.3
438 ARCHER-DANLS.-MIDL.	9,807	322	9,485	655.7	14.47	2.40	16.6%	2.65	18.3%		1,572	1,735	33.09	21,697	2.3
439 NOVELLUS SYSTEMS	1,835	261	1,573	125.5	12.54	1.64	13.1%	1.74	13.9%		206	218	28.37	3,559	2.3
440 NICOR	873	19	853	44.9	19.01	2.81	14.8%	2.78	14.6%	Y (63%R)	126	125	42.92	1,927	2.3
441 SOUTHERN	11,371	-	11,371	746.4	15.23	2.18	14.3%	2.29	15.0%	Yes	1,625	1,709	34.29	25,594	2.3
442 HUNTINGTON BCSH.	3,014	630	2,384	235.5	10.12	1.79	17.7%	1.95	19.2%		422	458	22.74	5,355	2.2
443 PRUDENTIAL FINL.	21,721	1,159	20,562	473.1	43.46	7.18	16.5%	8.09	18.6%		3,399	3,825	97.23	46,000	2.2
444 CSX	8,942	112	8,830	437.8	20.17	2.47	12.2%	2.96	14.7%		1,081	1,297	45.08	19,734	2.2
445 TORCHMARK	3,459	444	3,016	99.9	30.19	5.40	17.9%	5.86	19.4%		539	585	67.00	6,692	2.2
446 CIGNA	4,136	1,800	2,336	98.7	23.68	3.62	15.3%	4.09	17.3%		357	403	52.22	5,152	2.2
447 AMERICAN INTL.GP.	91,594	8,628	82,966	2,601.2	31.90	6.53	20.5%	7.02	22.0%		16,988	18,250	70.03	182,162	2.2
448 CINCINNATI FIN.	3,429	-	3,429	173.0	19.82	2.98	15.0%	2.89	14.6%		516	500	43.40	7,508	2.2
449 AMERIPRISE FINL.	7,925	871	7,054	241.4	29.22	3.82	13.1%	4.44	15.2%		922	1,072	63.57	15,345	2.2
450 NORFOLK SOUTHERN	9,615	-	9,615	397.4	24.19	3.80	15.7%	4.29	17.7%		1,508	1,703	52.57	20,892	2.2
451 MERRILL LYNCH & CO.	35,888	2,457	33,431	864.7	38.66	8.35	21.6%	8.99	23.3%		7,224	7,775	83.58	72,270	2.2
452 TECO ENERGY	1,729	59	1,670	209.5	7.97	1.04	13.1%	1.13	14.2%	Y (54%R)	219	237	17.18	3,599	2.2
453 QUESTAR	2,206	71	2,135	85.9	24.85	2.72	10.9%	3.03	12.2%	Y (22%R)	233	260	52.85	4,540	2.1
454 SEMPRA ENERGY	7,511	170	7,341	262.0	28.02	3.88	13.8%	4.07	14.5%	Y (38%R)	1,016	1,067	59.23	15,518	2.1
455 RYDER SYSTEM	1,721	174	1,547	60.7	25.48	4.34	17.0%	4.80	18.8%		263	292	53.80	3,267	2.1
456 APACHE	13,093	189	12,903	330.7	39.01	7.42	19.0%	8.24	21.1%		2,455	2,726	81.59	26,985	2.1
457 UNION PACIFIC	15,312	-	15,312	276.0	55.49	6.83	12.3%	7.94	14.3%		1,886	2,192	115.15	31,777	2.1
458 SAFECO	3,199	-	3,199	105.3	30.37	6.21	20.4%	6.07	20.0%		654	640	62.26	6,559	2.1
459 PG & E	7,811	45	7,766	349.5	22.22	2.76	12.4%	2.99	13.5%	Yes	965	1,045	45.30	15,833	2.0
460 ALLSTATE	19,772	825	18,947	622.0	30.46	6.99	23.0%	6.85	22.5%		4,350	4,263	61.51	38,259	2.0
461 HARTFORD FINL.SVS.GP.	17,818	1,717	16,101	323.3	49.80	9.83	19.7%	10.41	20.9%		3,180	3,364	98.51	31,850	2.0
462 XL CAP.'A'	9,614	1,818	7,796	181.0	43.07	10.05	23.3%	9.72	22.6%		1,818	1,759	84.29	15,255	2.0
463 METLIFE	29,834	4,897	24,937	752.0	33.16	5.47	16.5%	5.96	18.0%		4,115	4,483	64.48	48,488	1.9
464 AMER.ELEC.PWR.	9,412	76	9,336	396.7	23.54	2.91	12.4%	3.16	13.4%	Yes	1,155	1,255	45.04	17,866	1.9
465 ACE	13,669	2,731	10,938	326.5	33.51	7.25	21.6%	7.18	21.4%		2,365	2,343	62.52	20,410	1.9
466 AMEREN	6,583	1,047	5,536	206.6	26.80	3.47	12.9%	3.65	13.6%	Yes	716	754	49.01	10,125	1.8
467 COMERICA	5,153	-	5,153	157.6	32.70	4.95	15.1%	5.23	16.0%		780	825	59.47	9,371	1.8
468 SOUTHWEST AIRLINES	6,449	-	6,449	783.3	8.23	0.64	7.8%	0.83	10.1%		504	651	14.91	11,679	1.8
469 FREDDIE MAC	22,192	-	22,192	661.3	33.56	3.96	11.8%	5.54	16.5%		2,619	3,666	60.70	40,138	1.8

**S&P 500 Index**

**Tangible Book Values and Returns to Stockholders**

Exhibit RH-5

(in millions, equity book values as of 12/31/06)

Company Name	Intangible		Tangible Equity (=	Shares Outstanding	Tangible Book Value /Share	2007		2008		S&P Utility Compon ent	Wall Street Earnings Ests.		Share Price on 6/30/07	Market Equity Value 6/30/07	Market/ Tangible Book	
	Total Common Equity	Assets (not recovered in rates)				Est EPS	Tangible Book ROE	Est EPS	Tangible Book ROE		2007 Net Income	2008 Net Income				
	Equity	in rates)				Equity)	Equity	Equity	Equity		Equity	Equity				
470 INTEGRYS ENERGY GROUP	1,534	304	1,230	43.4	28.34	2.89	10.2%	4.06	14.3%	Yes	125	176	92%	50.73	2,201	1.8
471 THE TRAVELERS COS.	24,553	4,202	20,351	678.3	30.00	5.85	19.5%	5.84	19.4%		3,966	3,958		53.50	36,289	1.8
472 GENWORTH FINANCIAL	12,895	2,578	10,317	529.0	19.50	3.19	16.4%	3.64	18.6%		1,689	1,923		34.40	18,198	1.8
473 CIT GP.	7,251	1,008	6,243	198.3	31.48	5.46	17.4%	6.10	19.4%		1,083	1,209		54.83	10,873	1.7
474 CMS ENERGY	2,234	26	2,208	222.8	9.91	0.84	8.5%	1.25	12.6%	Yes	188	278	100%	17.20	3,832	1.7
475 LOEWS	16,405	299	16,106	544.2	29.59	4.35	14.7%	5.09	17.2%		2,366	2,770		50.98	27,743	1.7
476 CHUBB	13,471	467	13,004	411.3	31.62	5.59	17.7%	5.52	17.5%		2,300	2,271		54.14	22,267	1.7
477 CHESAPEAKE ENERGY	9,293	-	9,293	457.4	20.32	3.05	15.0%	3.00	14.7%		1,393	1,370		34.60	15,827	1.7
478 FANNIE MAE	39,300	-	39,300	973.0	40.39	5.13	12.7%	5.85	14.5%		4,995	5,692		65.33	63,569	1.6
479 MARATHON OIL	14,607	1,578	13,029	347.8	37.46	6.05	16.2%	5.88	15.7%		2,105	2,045		59.96	20,852	1.6
480 CIRCUIT CITY STORES	1,955	254	1,700	174.8	9.73	0.43	4.5%	0.81	8.4%		76	142		15.08	2,636	1.6
481 CONSOLIDATED EDISON	8,004	486	7,518	257.5	29.20	3.16	10.8%	3.26	11.2%	Yes	814	840	96%	45.12	11,616	1.5
482 ASHLAND	3,096	310	2,786	67.0	41.58	3.46	8.3%	3.92	9.4%		232	263		63.95	4,285	1.5
483 AMBAC FINANCIAL	6,184	-	6,184	105.7	58.49	7.99	13.7%	8.58	14.7%		845	907		87.19	9,219	1.5
484 SOLECTRON	2,414	172	2,242	905.8	2.48	0.21	8.6%	0.27	10.9%		193	243		3.68	3,333	1.5
485 XCEL ENERGY	5,817	-	5,817	407.3	14.28	1.38	9.6%	1.47	10.3%	Yes	560	598	92%	20.47	8,337	1.4
486 HUDSON CITY BANC.	4,930	164	4,766	557.8	8.54	0.57	6.6%	0.71	8.3%		316	394		12.22	6,816	1.4
487 American Capital Strategies	4,781	-	4,781	157.5	30.36	3.22	10.6%	3.53	11.6%		507	556		42.52	6,697	1.4
488 BEAR STEARNS	11,770	-	11,770	117.4	100.25	14.72	14.7%	15.78	15.7%		1,729	1,852		140.00	16,437	1.4
489 DUKE ENERGY	26,102	9,080	17,022	1,257.0	13.54	1.16	8.6%	1.23	9.1% Y (72%R)		1,461	1,552	72%	18.30	23,003	1.4
490 KB HOME	2,923	234	2,689	89.4	30.09	(1.00)	-3.3%	1.58	5.3%		(89)	141		39.37	3,519	1.3
491 MICRON TECHNOLOGY	8,114	890	7,224	749.4	9.64	(0.38)	-4.0%	0.01	0.2%		(286)	11		12.53	9,390	1.3
492 UNUM GROUP	7,184	282	6,902	342.6	20.14	1.94	9.6%	2.20	10.9%		664	754		26.11	8,946	1.3
493 PINNACLE WEST CAP.	3,446	96	3,350	100.0	33.51	2.70	8.1%	2.79	8.3%	Yes	270	279	86%	39.85	3,983	1.2
494 MBIA	7,204	79	7,125	134.8	52.84	6.19	11.7%	6.87	13.0%		835	927		62.22	8,389	1.2
495 DILLARDS 'A'	2,587	35	2,552	80.1	31.85	1.69	5.3%	1.76	5.5%		135	141		35.93	2,879	1.1
496 MGIC INVT	4,230	-	4,230	82.8	51.09	5.72	11.2%	7.00	13.7%		474	579		56.86	4,708	1.1
497 D R HORTON	6,453	579	5,874	313.2	18.75	0.90	4.8%	1.38	7.4%		281	433		19.93	6,243	1.1
498 LENNAR 'A'	5,701	258	5,444	158.2	34.42	(1.21)	-3.5%	0.89	2.6%		(191)	141		36.56	5,782	1.1
499 CENTEX	5,012	219	4,793	122.1	39.25	0.84	2.1%	1.99	5.1%		102	242		40.10	4,896	1.0
500 PULTE HOMES	6,577	495	6,083	255.3	23.82	(0.29)	-1.2%	0.78	3.3%		(75)	198		22.45	5,732	0.9
<b>All S&amp;P 500 Constituents</b>			<b>2,181,405</b>				<b>40.1%</b>		<b>44.8%</b>		<b>875,629</b>	<b>976,323</b>		<b>13,909,643</b>		<b>6.4</b>