



# PUBLIC NOTICE

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**DA 13-1320**  
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## WIRELINE COMPETITION BUREAU PROVIDES REQUESTED DATA USED IN RATE OF RETURN REPRESRIPTION STAFF REPORT

### WC Docket No. 10-90

On May 16, 2013, the Wireline Competition Bureau (Bureau) released a staff report entitled “Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers” setting forth the data and procedures it recommends the Commission use to prescribe the authorized rate of return.<sup>1</sup> Based upon the staff analysis of 16 publicly-traded incumbent LECs, using various analytical methods and sources of publicly-available data, the staff report identifies a zone of reasonable estimates of the weighted average cost of capital (WACC) ranging from 7.39 percent to 8.72 percent.<sup>2</sup> This zone of reasonable estimates reflects, among other things, different estimates of the cost of equity produced using the Capital Asset Pricing Model and the Discounted Cash Flow Model. The Bureau sought comment on data, analysis and recommendations contained in the staff report.<sup>3</sup>

On May 21, 2013, a consultant representing the National Association of State Utility Consumer Advocates (NASUCA) contacted the Bureau to request access to the underlying data used in the staff report to estimate the cost of equity using the Discounted Cash Flow model, i.e., the stock prices, dividends, and earnings growth forecasts. Although the underlying data are publicly available, the earnings growth forecasts are frequently updated, which could make it more difficult for interested parties to replicate the Bureau’s calculations.

In the interest of assisting interested parties and maintaining an open and transparent process, the table below provides the underlying data used in the staff report to estimate the cost of equity using the Discounted Cash Flow model. To the best of our knowledge, all of the data we relied on and report below was accurately transcribed, but any party that wishes to rely on this data without checking with the original source must explicitly acknowledge they are using the data as reported by the Bureau, rather than

<sup>1</sup> *Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 10-90, Staff Report, DA 13-1111 (Wireline Comp. Bur. rel. May. 16, 2013) (*Staff Report*).

<sup>2</sup> *Staff Report* at 50, para. 143.

<sup>3</sup> See *Wireline Competition Bureau Seeks Comment on Rate of Return Represcription Staff Report*, WC Docket Nos. 10-90, 07-135, 05-337, and 03-109, GN Docket No. 09-51, CC Docket Nos. 96-45 and 01-92, and WT Docket No. 10-208, Public Notice, DA 13-1110 (Wireline Comp. Bur. rel. May 16, 2013).

directly citing to the underlying data source.

**Discounted Cash Flow Model Data<sup>4</sup>**

<b>Carrier</b>	<b>P<sub>0</sub></b>	<b>D<sub>0</sub></b>	<b>Yahoo! Finance 5-Year "g"</b>	<b>CNNMoney 5-Year "g"</b>	<b>Reuters Long-Term "g"</b>	<b>Zacks 5-Year "g"</b>
Consolidated	17.79	1.55	0.0200	0.0200	0.0200	0.0200
Shenandoah	15.36	0.33	0.1500	0.1300	NA	NA
Hickory Tech	10.24	0.58	0.0380	0.1200	NA	NA
TDS	21.12	0.51	0.0400	0.0400	NA	0.0400
Lumos	13.01	0.56	0.0300	0.0300	NA	0.0300
Windstream	8.14	1.00	-0.1125	-0.0200	-0.0683	0.0100
Alaska	1.62	0.20	-0.1000	-0.1000	NA	NA
Frontier	3.93	0.40	0.0600	0.0150	0.0233	0.0450
AT&T	36.74	1.80	0.0550	0.0594	0.0580	0.0580
Verizon	49.48	2.06	0.0633	0.1000	0.0575	0.0730
Century Link	35.20	2.16	0.0055	0.0060	0.0137	0.0370

Notes:

Current price (P<sub>0</sub>) and current dividend (D<sub>0</sub>) for each carrier obtained from:

<http://finance.yahoo.com> (last visited March 27, 2013). P<sub>0</sub> is the March 26, 2013 closing price. D<sub>0</sub> is the annualized value of the most recent dividend payment on or before March 26, 2013.

Growth rate ("g") for each carrier obtained from:

<http://finance.yahoo.com> (last visited March 27, 2013);  
<http://money.cnn.com> (last visited Mar. 27, 2013);  
<http://www.reuters.com/finance> (last visited Mar. 27, 2013); and  
<http://www.zacks.com> (last visited Mar. 27, 2013).

NA means that "g" is not available for the carrier from the source noted at the top of the table.

For further information regarding this proceeding, contact Victoria Goldberg, Pricing Policy Division, Wireline Competition Bureau, 202-418-1520 or [victoria.goldberg@fcc.gov](mailto:victoria.goldberg@fcc.gov).

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<sup>4</sup> An Excel version of this data is available at <http://www.fcc.gov/encyclopedia/rate-return-public-notice-and-dcf-model-data-spreadsheet>.