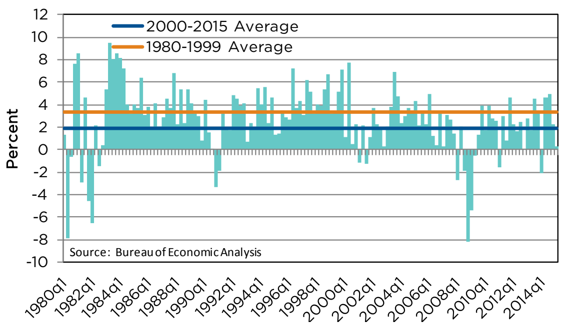
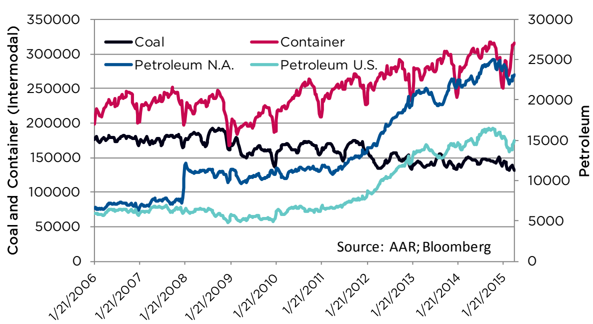
ECONOMIC REVIEW APRIL 2015

U.S. GDP growth for the first quarter was an unimpressive 0.2%. A large component of negative contributions can be traced to a stronger dollar in the first quarter. The fall in oil prices, which are dollar-denominated, caused significant disruption to oil field activities. While oil production changed little, investment in new wells fell sharply. The non-residential structures component of GDP, which encompasses drilling and mining, contributed -0.75% to GDP for the quarter. Oil prices rebounded 22% during April and oil in storage waned late in the month, which should ease concerns about continued disinvestment in Q2. Exports of goods contributed -1.26% to GDP, as foreign markets trimmed purchases of U.S. goods. The U.S. dollar weakened during April and will help to mitigate a repeat of sharply weaker exports in Q2. The strongest positive components of GDP were housing, healthcare and inventories. Transport equipment spending gained with investments in aircraft, trains and trucks. Truck construction is expected to remain strong as road transport costs have risen faster than other transport modes, reflecting unmet demand. Train construction is focused on intermodal cars and replacing the large fleet of older tanker cars, which do not meet evolving safety standards for transporting oil. Residential construction remained lackluster and is not expected to change as home ownership rates slowly erode. Q1 GDP was 1.2% below the 15-year Q1 average. Q2's 35-year average GDP is 1% higher than Q1's average, which partially reflects increased activity that is not subdued by cold weather, and is the strongest quarter over 35 years.

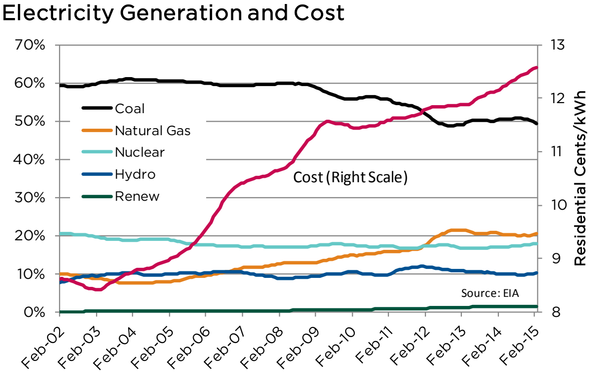
U.S. GDP Growth



Rail Carloads



Electricity Generation and Cost



Market Returns

As of April 30, 2015

	April	3 Months	YTD
S&P 500	1.0%	5.1%	1.9%
Russell 1000 Value	0.9%	4.4%	0.2%
Russell 1000 Growth	0.5%	6.0%	4.4%
Russell 2000	-2.6%	5.0%	1.7%
MSCI EAFE	4.1%	8.6%	9.2%
Emerging Markets	7.7%	9.5%	10.1%
Barclays Agg	-0.4%	-0.8%	1.2%
3-Month T-Bills	0.0%	0.0%	0.0%

The Federal Reserve made no changes to interest rates and removed date references to any likely rate increases. Given the weakened economy in Q1, the Fed found no data to serve as the impetus for raising rates. China cut reserve requirements for banks 1%, hoping to quell a relatively slow stretch of economic growth.

A multitude of factors have positively and negatively influenced electric rates since 2000. Early attempts at deregulation had issues with market manipulation, including Enron's influence, which raised regional prices. Regulators limited price fluctuations, yet effectively locked in higher rates to protect utilities from spot-market gyrations. With ever tightening pollution standards, U.S. residential electric consumers have seen prices escalate. Coal generators bore the brunt of new regulations, with many plants shuttering. Coal's contribution to electricity generation has fallen from 60% to below 50%. In its demise, natural gas plants have filled the void, with a small contribution from renewable sources. Though natural gas prices have remained low and steady, opposition to new plant construction has stymied its electric market share growth. With the cheapest production methods limited or in decline, producers have pushed for and won rate increases. Nuclear-generated electricity has risen recently as its profitability ascends.

In addition to rising electric rates, consumers have shouldered the costs for smart-grid construction. New technology that allows utilities to monitor usage and reduce outages is being phased in across the country. Because many utilities are regulated, they have asked for multiple delivery charge increases in order to cover their costs and help maintain profit margins.

After a year-long lobbying effort, Comcast ended its merger negotiations with Time Warner Cable. Regulators focused on the potential of the combined company to control well over 50% of wired broadband service across the country when deciding to oppose the merger. While Comcast claimed that competition would not diminish and its infrastructure spending would increase, regulators and consumers found that enforcing terms and appeasements of a merger would be difficult, especially following Comcast's unmet obligations from its takeover of NBCUniversal. Overwhelming negative consumer sentiment, likely emanating from negative customer service experiences, certainly weighed on regulators in deciding against the merger.

Verizon faced a lawsuit from ESPN after the company proposed tiers of basic cable TV service that did not include the ESPN family of channels. The expansion of internet-delivered shows has pressured content deliverers to mitigate cost increases, lest more consumers drop cable/satellite TV services. The biggest roadblock the deliverers face is the inability to unbundle and tailor channels to consumers' specific interests.

California's drought worsened, prompting Governor Brown to mandate water restrictions. Farmers' cuts are voluntary and residential curbs on usage remain difficult as water utilities generally lack the ability to raise prices.

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