SAMPLE COMPANY GROWTH RATE ANALYSES

ELECTRIC AND COMBINATION GAS & ELECTRIC UTILITIES

CV – Central Vermont Public Service - CV's sustainable growth rate has averaged 1.49% over the most recent five year period (2003-2007), including a set-back with low growth in 2005. In the most recent two years, the company's sustainable growth averaged approximately 4%. Value Line (VL) expects CV's sustainable growth to rise above that historical growth rate level and reach 3.3% by the 2011-2013 period. CV's book value growth rate is expected to be 3% over the next five years, higher than the historical growth of 2%. CV's earnings per share are projected to increase at a 7.5% (VL) rate (Reuters and Zack's do not publish growth rate expectations for this company). Over the past five years, CV's earnings growth was -2.5% but its dividends increased at a 1% rate. Investors can reasonably expect long-term sustainable growth rate in the future to be higher than the past but not as high as the company's current internal (b x r) growth projections; a growth rate of **4.75%** is reasonable for CV.

Regarding share growth, CV's shares outstanding decreased at a 3.36% rate over the past five years. The growth the number of shares is projected by VL to increase slightly through the 2011-13 period. An expectation of share growth of **0.25%** for this company is reasonable.

FE – FirstEnergy Corp. - FE's sustainable growth rate averaged 4.77% over the five-year historical period, with negative results in 2003. Absent those recent results, the company's historical sustainable growth averaged 6%. VL projects that the internal growth will increase through 2011-13, and will bring sustainable growth to 6.3%. FE's book value, which increased at a 4.5% rate during the most recent five years, however, is expected to increase slightly to a 5.5% rate in the future. FE's earnings per share are projected to increase at 8.5% (VL) to 11.25% (Reuters), and 6.5% (Zack's) rates. FE's dividends are expected to grow at a 7.5% rate, increasing long-term growth expectations to some extent. Historically FE's earnings grew at a 3.5% rate, according to Value Line, and its dividends showed 4% growth over the past five years. The projected sustainable growth, earnings and book value growth rate data indicate that investors can expect the growth from FE in the future to be higher than that which has existed in the past. Investors can reasonably expect a sustainable growth rate of **6.50%** for FE.

Regarding share growth, FE's shares outstanding showed a 2% decline over the past five years. However, FE's growth rate in shares outstanding is expected to stabilize and show a 0% rate of increase through 2011-13. An expectation of share growth of **0%** for this company is reasonable.

NU – Northeast Utilities – NU's sustainable growth rate has averaged 2.27% over the most recent five-year period, with 4% growth in the most recent year. VL expects NU's sustainable growth to stabilize at approximately 4.8% through the 2011-13 period. NU's book value growth rate is expected to be 5.5% over the next five years, up from the 3% rate of growth experienced over the past five years, similar to sustainable growth projections. Also, NU's earnings per share are projected to increase at 15% according to Value Line (8.2% Reuters, 10% Zacks). Part of that increase is due to an expectation of a near doubling of the company's earned return, which is unlikely to continue into the indefinite future. Value Line also projects a 6% growth in dividends, considerably lower than the rate of dividend growth for the previous five years (which was inflated due to the initiation of dividend payments). Also Value Line shows an historical earnings growth of "nmf" due to the inclusion of negative earnings in 1998 in the base-year calculation. The 5-year compound historical growth rate of earnings growth for this company is 7.7%. Investors can reasonably expect a higher sustainable growth rate in the future — **5.5%** for NU is reasonable.

Regarding share growth, NU's shares outstanding increased at approximately a 5% rate over the past five years, due to an equity issuance in 2006. Prior to that equity issuance, shares grew at a 1.5% rate. Also between 1992 and 2005 NU's shares outstanding showed essentially zero growth. The number of shares is expected to grow at a 5% rate through 2011-13, as the company acquires capital for an expected construction phase. An expectation of share growth of **3%** for this company is reasonable.

AEE – Ameren Corp. - AEE's sustainable growth rate has averaged 1.81% over the most recent five year period published by Value Line (2002-2006), with a clear increasing trend. VL expects AEE's sustainable growth to improve a bit over recent low growth rate levels and reach 2.28% by the 2010-2012 period. AEE's book value growth rate is expected to be 3% over the next five years, below the 5.5% rate of growth experienced over the past five years, but above internal growth projections. Also, AEE's earnings per share are projected to increase at a 3% (VL) rate. Reuters and Zacks project 7% and 5% earnings growth for AEE, respectively. AEE's dividends are expected to show no growth over the next five years, after growing at a 0% rate the previous five years, according to Value Line. Over the past five years, AEE's earnings growth was -2%. Based on projected earnings and book value growth, investors can reasonably expect long-term sustainable growth rate in the future to be higher than the internal growth projections published by Value Line; a growth rate of **3.5%** is reasonable for AEE.

Regarding share growth, AEE's shares outstanding increased at a 7.5% rate over the past five years due to a series of equity issuances. The growth the number of shares is projected by VL to increase at about a 1% rate between 2004 and the 2010-12 period. An expectation of share growth of **2%** for this company is reasonable.

AEP- American Electric Power- AEP's sustainable growth rate has averaged 4.62% over the most recent five-year period. VL expects AEP's sustainable growth to increase to a growth rate level of 5.63% by the 2010-2012 period. AEP's book value growth rate is also expected to increase to 6% over the next five years, well above the –2.5% rate of growth experienced over the past five years, pointing to higher growth. Also, AEP's earnings per share are projected to increase at 6.5% (VL) to 5.7% (Reuters), to 5.4% (Zack's) rate—bracketing the indicated projected internal growth rate. Also, AEP's dividends are expected to grow at 7.5%, as dividends recover from historical growth of –9.5%. Investors can reasonably expect a sustainable growth rate in the future of **5.5%** for AEP.

Regarding share growth, AEP's shares outstanding increased at approximately a 2.2% rate over the past five years. The number of shares outstanding in 2010-2012 is expected to show about a 2.2% increase from 2004 levels. However, the number of shares outstanding showed essentially no growth 2002 and 2006 and between 2007 and the 2010-12 period shares are expected to grow at a 0.8% rate. An expectation of share growth of **1.75%** for this company is reasonable.

CNL – Cleco Corp. - CNL's sustainable growth rate averaged 3.89% for the five-year period, with the results in the most recent years below that average. VL expects sustainable growth to continue at about a 3.7% level through the 2010-12 period. CNL's book value growth is expected to increase at a 6.5% rate, above the historical level of 5.5%, due to the building of a new power plant. CNL's earnings and dividends per share are projected to show 6.5% growth over the next five years, according to Value Line (Reuters projects 15% growth & Zacks projects 9% earnings growth). Historically CNL's earnings increased at a 0% rate and its dividends increased at a 1% rate of growth, according to Value Line. These data indicate that future growth will be above prior growth rate averages and moderate future growth expectations somewhat. Investors can reasonably expect sustainable growth from CNL to be above past averages, a sustainable internal growth rate of **5.5%** is reasonable for this company.

Regarding share growth, CNL's shares outstanding grew at approximately a 5.3% rate over the past five years, due to an equity issuance in 2006; prior to that CNL's shares have grown at about a 1% rate. The growth in the number of shares is expected by VL to be 2% through 2010-12. An expectation of share growth of **2.5%** for this company is reasonable.

EDE – Empire District Electric - EDE's sustainable internal growth rate averaged –1% over the five-year historical period, with several negative growth years. VL projects EDE's sustainable growth to rise to a level of only 2.4% through 2010-12—a substantial improvement over historical results. EDE's book value growth rate is expected to continue in the future at 3%, above the historical level of 2%. However, EDE's earnings per share are projected to increase at 8.5% to according to VL, while the analysts' surveyed by Reuters project earnings growth at 6%. EDE's dividends are expected to grow at a 1% rate over the next five years moderating long-term growth expectations. Sustainable growth has been relatively inconsistent for this company, historically and is expected to trend upward in the future. Dividend growth has been non-existent historically, but the company has continued to pay its dividend. Also, Value Line's earnings growth projection is skewed upward by their inclusion of the company's poor 2004 and 2005 earnings in is "base" three-year period. From 2003 through the mid-point of the 2010-2012 period, Value Line's projected earnings per share indicate a 3.9% growth rate. Investors can reasonably expect a sustainable growth rate of **3.5%** from EDE.

Regarding share growth, EDE's shares outstanding fell at about a 2% rate over the past five years. The level of share growth is expected by VL to be -1% through 2010-12. An expectation of share growth of **–1%** for this company is reasonable.

ETR – Entergy Corp. - ETR's internal sustainable growth rate has averaged 6.5% over the most recent five year period (2002-2006). Sustainable growth is expected to increase to about 7.4% by the 2010-2012 period. Also, ETR's book value growth rate is expected to be 6.5% over the next five years—an increase from the 4% rate of growth experienced over the past five years—pointing to somewhat higher growth expectations for the future. ETR's earnings per share are projected to increase at a rate of from about 9.5% (VL) to 13.3% (Zack's) to 9.8% (Reuters), through an increasing return on equity. ETR's dividends are expected to grow at a high 10% rate, supporting higher sustainable growth expectations. Over the past five years, ETR's earnings grew at a 10.5% rate according to Value Line (8.8% on a compound growth basis). These data indicate that investors can reasonably expect a sustainable growth rate in the future above past averages. Therefore, **8%** is a reasonable long-term growth expectation for ETR.

Regarding share growth, ETR's shares outstanding grew at a –2.3% rate over the past five years. The number of shares outstanding is projected by VL to continue to decline at approximately a 0.9% rate through 2010-12. An expectation of share growth of **–1%** for this company is reasonable.

HE – Hawaiian Electric - HE's sustainable growth rate has averaged 1.58% over the most recent five year period (2002-2006), with lower growth in the most recent year, indicating a decreasing trend. However, VL expects HE's sustainable growth to increase somewhat from that historical growth rate level to reach 2% by the 2010-2012 period. HE's book value growth rate is expected to be –0.5% over the next five years, down from the 2% rate of growth experienced over the past five years. HE's earnings per share are projected to increase at a 1.5% (Value Line) to 4.5% (Zack's) to 3.6% (Reuters) rate. The company's dividends are expected to show 0% growth over the next five years. Over the past five years, HE's earnings grew at a -1% rate while its dividends showed no increase, though the company maintained its dividend payment to investors. Investors can reasonably expect a sustainable growth rate in the future of **3.0%** for HE.

Regarding share growth, HE's shares outstanding grew at a 2.56% rate over the past five years. The number of shares is projected by VL to show a 1.3% rate of increase through the 2010-12 period. An expectation of share growth of **1.5%** for this company is reasonable.

PNM Resources – PNM - PNM's sustainable growth rate has averaged 3.64% over the most recent five year period with a recent declining trend. VL expects PNM's sustainable growth to fall below that historical average growth rate level to about 2.9% by the 2010-2012 period. PNM's book value growth rate is expected to be 4.5% over the next five years, the same as the 4.5% rate of growth experienced over the past five years. Those data indicate stable growth. Also, PNM's earnings per share are projected to increase at a 2.5% (VL) to 5.8% (Zacks) to 12.5% (Reuters) rate. Notably, the Reuter's earnings growth projection has a 6% standard deviation as it is based on a very wide range of estimates for PNM indicating the variability of that measure. PNM's dividends are expected to grow at 6%, increasing long-term growth rate expectations. Over the past five years, PNM's earnings growth was –2.5%. Investors can reasonably expect a sustainable growth rate in the future of **4.75%** for PNM.

Regarding share growth, PNM's shares outstanding increased at a 6% rate over the past five years. The number of shares outstanding in 2010-2012 is expected increase at about a 0.9% rate from 2006 levels. An expectation of share growth of **3%** for this company is reasonable.

Pinnacle West – PNW - PNW's sustainable growth rate has averaged 2.38% over the most recent five-year period with an upward trend. However, VL expects PNW's sustainable growth to fall below that historical average growth rate level to 1.8% by the 2010-2012 period. PNW's book value growth rate is expected to be 2% over the next five years, below the 4% rate of growth experienced over the past five years, indicating relatively lower growth expectations for this firm. PNW's earnings per share is projected to increase at a 1.5% (VL) to 5.6% (Reuters) to 6.7% (Zack's) rate—all but VL projections above the indicated internal growth rate. PNW's dividends are expected to grow at a 3% rate, supporting moderate long-term growth rate expectations. Over the past five years, PNW's earnings growth was –5% while its dividends increased at a 6% rate. Investors can reasonably expect a sustainable growth rate in the future of **3.5%** for PNW.

Regarding share growth, PNW's shares outstanding increased at a 2.3% rate over the past five years due to a share issuance in 2005. The number of shares outstanding in 2010-2012 is expected to show a 0.2% increase from 2006 levels. An expectation of share growth of **0.5%** for this company is reasonable.

Puget Energy – PSD - PSD's internal sustainable growth rate has averaged 1.83% over the most recent five-year period (2002-2006). A higher level of internal growth is expected to be maintained and to reach 3.6% by the 2010-2012 period. PSD's book value growth rate is expected to be 4% over the next five years—up substantially from the 1.5% rate of growth experienced over the past five years, as the company enters a construction phase. PSD's earnings per share are projected to increase at 6% to 5.7% (VL & Reuters, respectively) and 5.5% (Zack's), while its dividends are also expected to grow at 3%, moderating long-term growth expectations. PSD's earnings and dividends declined at 4.5% and 11.5% rates over the past five years, according to Value Line. Investors can reasonably expect a sustainable growth rate in the future to be higher than past averages, **4.5%** is reasonable for PSD.

Regarding share growth, PSD's shares outstanding grew at a 5.6% rate over the past five years, due to an equity issuance in 2006. The number of shares outstanding is projected by VL to rise at approximately a 2.8% rate through 2010-12. An expectation of share growth of **3%** for this company is reasonable.

UNS – Unisource Energy - UNS's sustainable growth rate has averaged 4.23% over the most recent five year period. VL expects UNS's sustainable growth to decline below that historical growth rate level, to about 3.5%, by the 2010-2012 period. UNS's book value growth rate is expected to be 4% over the next five years, below the very high 9.5% rate of growth experienced over the past five years. UNS's earnings per share are projected to increase at a rate of 4% (VL). Zack's and Reuters do not report projected earnings growth for this company. UNS's dividends are expected to grow more rapidly, at a 7% rate—catching up from an historical growth rate of "nmf"—and re-institution of the dividend in 2000. Over the past five years, UNS's earnings growth was 1.5%, according to VL. Investors can reasonably expect a sustainable growth rate in the future to be similar to that of the past and **4.5%** is reasonable for UNS.

Regarding share growth, UNS's shares outstanding increased at approximately a 1.2% rate over the past five years. That rate of increase is expected to decline in the future to a 1.3% rate through 2010-2012. An expectation of share growth of **1.25%** for this company is reasonable.

XEL – Xcel Energy, Inc. - XEL's sustainable growth rate has averaged 1.45% over the most recent five-year period. Absent a negative year in 2002, the average historical growth is 3.4%. VL expects XEL's sustainable growth to increase to approximately 3.7% by the 2010-2012 period. XEL's book value growth rate is expected to be 4% over the next five years, up substantially from the -4% rate of growth experienced over the past five years, pointing to increased growth in the future. Also, XEL's earnings per share are projected to increase at a rate of from 5.5% (Value Line), to 6.1% (Reuters), to 5.2% (Zack's). Over the past five years, XEL's earnings growth was –6.5% according to Value Line. Historically, dividends grew at a -10.5% rate (dividends were cut, but not eliminated in 2003) and VL expects that rate to increase to 4.5% over the next five years. Investors can reasonably expect a higher sustainable growth over the long term — **4.25%** for XEL is reasonable.

Regarding share growth, XEL's shares outstanding increased at a 0.5% rate over the past five years. The number of shares is expected to decline at a 1.3% rate through 2010-12. An expectation of share growth of **1%** for this company is reasonable.