SAMPLE COMPANY GROWTH RATE ANALYSES

ELECTRIC UTILITIES

CV – Central Vermont Public Service - CV's sustainable growth rate has averaged 2.14% over the most recent five year period (2000-2004), including a set-back with low growth in 2001. VL expects CV's sustainable growth to rise above that historical growth rate level and reach 4% by the 2008-2010 period. CV's book value growth rate is expected to be –0.5% over the next five years, a significant decrease from the 2% rate of growth experienced over the past five years. CV's earnings per share are projected to increase at a 2.0% (VL) rate. Over the past five years, CV's earnings growth was 8.5% but its dividends increased at only a 0.5% 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 **3.5%** is reasonable for CV.

Regarding share growth, CV's shares outstanding increased at a 1.45% rate over the past five years. The growth the number of shares is projected by VL to increase at about a 7% rate between 2004 and the 2008-10 period. An expectation of share growth of **1.5%** for this company is reasonable.

FPL – FPL Group - FPL's sustainable growth rate has averaged 5.87% over the most recent five-year period. VL expects FPL's sustainable growth to decline to approximately 4.6% by the 2008-20010 period. FPL's book value growth rate is expected to be 8% over the next five years, up from the 6% rate of growth experienced over the past five years. Also, FPL's earnings per share are projected to increase at a rate of from 5% to 5.4% (First Call and Zack's, respectively) , while Value Line projects 7.5% growth. Over the past five years, FPL's earnings growth was 4.5% according to Value Line. Historically, dividends grew at a 4% rate and VL expects that rate to increase to 10.5% over the next five years, countering the downward indications in sustainable growth. Investors can reasonably expect a higher sustainable growth over the long term — **5.5%** for FPL is reasonable.

Regarding share growth, FPL's shares outstanding increased at a 1.4% rate over the past five years. The number of shares is expected to grow at a 2.4% rate through 2008-10. An expectation of share growth of **1.75%** for this company is reasonable.

FE – FirstEnergy Corp. - FE's sustainable growth rate averaged 3.48% over the five-year historical period, with negative results in 2003. Absent those recent results, the company's historical sustainable growth was 4.8%. VL projects that the internal growth will increase through 2008-10, will bring sustainable growth to 5.75%. FE's book value, which increased at a 6% rate during the most recent five years, however, is expected to continue at a 6% rate in the future, approximating the sustainable growth projection. FE's earnings per share are projected to increase at 10% (VL) to 5% (First Call), and 4.3% (Zack's) rates, indicating the variability of that growth rate measure. Value Line's projections are largely a function of it's three-year averaging technique, which includes FE's 2003 results in which it paid out more in dividends that it took in earnings, thereby depressing the base year average and causing the projected earnings to overstate long-term expectations. FE's dividends are expected to grow at a 3.5% rate, moderating long-term growth expectations. Historically FE's earnings grew at a 1% rate, according to Value Line, and its dividends showed 2% growth over the past five years. On a compound growth rate basis using 2005 projections as the final year, FE's earnings grew at only about a 1.9% rate historically. 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 **5.00%** for FE.

Regarding share growth, FE's shares outstanding showed a 10% increase over the past five years. However, FE's growth rate in shares outstanding is expected to fall to a 0% rate of increase through 2008-10. Those projections indicate that future share growth will be below past averages. An expectation of share growth of **2.0%** for this company is reasonable.

GMP – Green Mountain Power – GMP's sustainable growth rate has averaged 7% over the most recent five-year period, absent very negative growth in the first year. VL expects GMP's sustainable growth to decline to approximately 4.6% by the 2008-2010 period. GMP's book value growth rate is expected to be 3% over the next five years, up from the -0.5% rate of growth experienced over the past five years, but below sustainable growth projections. Also, GMP's earnings per share are projected to increase from 3.5% according to Value Line. That investor service projects a 10% growth in dividends, following a 6% decline for the previous five years. Also Value Line shows an historical earnings growth of 37% due to the inclusion of negative earnings in 1998 in the base-year calculation. Investors can reasonably expect a higher sustainable growth rate in the future — **6%** for GMP is reasonable.

Regarding share growth, GMP's shares outstanding declined at approximately a 2% rate over the past five years. The number of shares is expected to grow at a 1.2% rate through 2008-10. An expectation of share growth of **0%** for this company is reasonable.

PGN- Progress Energy- PGN's sustainable growth rate has averaged 3.29% over the most recent five-year period. VL expects PGN's sustainable growth to decline to a growth rate level of 2.5% by the 2008-2010 period. PGN's book value growth rate is also expected to decline to 2.5% over the next five years, well below the

8.5% rate of growth experienced over the past five years, pointing to lower growth. Also, PGN's earnings per share are projected to increase at 0% (VL) to 3.8% (First Call), to 4.1% (Zack's) rate—bracketing the indicated projected internal growth rate. Also, PGN's dividends are expected to grow at 2%, above earnings growth rate expectations and below historical dividend growth of 3%. Investors can reasonably expect a sustainable growth rate in the future of **3.0%** for PGN.

Regarding share growth, PGN's shares outstanding increased at approximately a 4.5% rate over the past five years. The number of shares outstanding in 2008-2010 is expected to show about a 0.5% increase from 2004 levels. That increase will leave the total number of shares at a lower level than existed in 2000. An expectation of share growth of **2%** for this company is reasonable.

SO – Southern Company - SO's sustainable growth rate has averaged 3.89% over the most recent five year period. VL expects SO's sustainable growth to continue to near the average historical growth rate level, at about 4%, by the 2008-2010 period. SO's book value growth rate is expected to be 5.5% over the next five years, above the –1.5% rate of growth experienced over the past five years (Southen's historical book value growth is negative due to a spin-off of its Mirant generating subsidiary). SO's earnings per share are projected to increase at a rate of 4% (VL) to 5% (First Call) to 4.5% (Zack's). Its dividends are expected to grow more slowly, at a 3.5% rate. Over the past five years, SO's earnings growth was 2.5% while its dividends increased at a 1% rate. Investors can reasonably expect a sustainable growth rate in the future to be slightly higher to that of the past and **4.25%** is reasonable for SO.

Regarding share growth, SO's shares outstanding increased at approximately a 2% rate over the past five years. That rate of increase is expected to decline in the future to a 1.2% rate through 2008-2010. An expectation of share growth of **1.5%** for this company is reasonable.

AEE – Ameren Corp. - AEE's sustainable growth rate has averaged 2.11% over the most recent five year period (2000-2004), with a clear declining trend. VL expects AEE's sustainable growth to continue recent low growth rate levels and reach 1.9% by the 2008-2010 period. AEE's book value growth rate shows stability and is expected to be 4% over the next five years, the same rate of growth experienced over the past five years, but well above internal growth projections. Also, AEE's earnings per share are projected to increase at a 2% (VL) rate. First Call and Zacks project 4.0% and 4.9% earnings growth for AEE, respectively. AEE's dividends are expected to show no growth over the next five years, after growing at a –11.5% rate the previous five years, according to Value Line. Over the past five years, AEE's earnings growth was 1.5%. 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 9.3% 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 1.8% rate between 2004 and the 2008-10 period. An expectation of share growth of **3%** for this company is reasonable.

CNL – Cleco Corp. - CNL's sustainable growth rate averaged 5.02% for the five-year period, with the results in the most recent years below that average. VL expects sustainable growth to continue at a 4.4% level through the 2008-10 period. CNL's book value growth is expected to continue to increase at a 3.5% rate, below the historical level of 4%. CNL's earnings per share is projected to show 1.5% growth over the next five years, and its dividends are expected to show no growth, according to Value Line (First Call & Zacks project 3.5% and 4% earnings growth). Historically CNL's earnings increased at a 4% rate and its dividends increased at a 2% rate of growth, according to Value Line. These data indicate that future growth will be below prior growth rate averages. Investors can reasonably expect sustainable growth from CNL to be below past averages, a sustainable internal growth rate of **4.25%** is reasonable for this company.

Regarding share growth, CNL's shares outstanding grew at approximately a 2.5% rate over the past five years. The growth in the number of shares is expected by VL to be 0.5% through 2008-10. An expectation of share growth of **1%** for this company is reasonable.

EDE – Empire District Electric - EDE's sustainable internal growth rate averaged –1.48% over the five-year historical period, with several negative growth years. VL projects EDE's sustainable growth to rise to a level of 2.8% through 2008-10—a substantial improvement over historical results. Also, EDE's book value growth rate is expected to continue in the future at 2%, equal to the historical level of 2%. EDE's earnings per share are projected to increase at 8% to according to VL, 5% according to Zack's, while the analysts' surveyed by First Call project earnings growth at 2%, a wide differential. EDE's dividends are expected to remain at a constant level over the next five years (i.e., showing 0% growth), and 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, 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 earnings in is "base" three-year period. From 2003 through the mid-point of the 2008-2010 period, Value Line's projected earnings per share indicate a 5% growth rate. Investors can reasonably expect a sustainable growth rate of **4.0%** from EDE.

Regarding share growth, EDE's shares outstanding grew at about a 9.9% rate over the past five years, due primarily to a large equity issuance in 2002. The level of share growth is expected by VL to drop to 1.1% through 2008-10. An expectation of share growth of **3%** for this company is reasonable.

ETR – Entergy Corp. - ETR's internal sustainable growth rate has averaged 5.87% over the most recent five year period (2000-2004). Sustainable growth is expected to decline to about 5% by the 2008-2010 period. Also, ETR's book value growth rate is expected to be 5% over the next five years—a slight decrease from the 5.5% rate of growth experienced over the past five years—pointing to somewhat lower growth expectations for the future. ETR's earnings per share are projected to increase at a rate of from about 6.5% (VL) to 7.2% (Zack's) to 7% (First Call). After showing low growth historically ETR's dividends are expected to grow at a high 11%, supporting higher sustainable growth expectations. Over the past five years, ETR's earnings grew at a 11% rate while its dividends showed 1.5% growth. These data indicate that investors can reasonably expect a sustainable growth rate in the future above past averages, **6.5%** is a reasonable long-term growth expectation for ETR.

Regarding share growth, ETR's shares outstanding grew at a –0.3% rate over the past five years. The number of shares outstanding is projected by VL to continue to decline at approximately a 1% rate through 2008-10. An expectation of share growth of **–0.5%** for this company is reasonable.

HE – Hawaiian Electric - HE's sustainable growth rate has averaged 1.73% over the most recent five year period (2000-2004), with lower growth in the most recent year, indicating decreasing trend. However, VL expects HE's sustainable growth to increase from that historical growth rate level to reach 3% by the 2008-2010 period. Also, HE's book value growth rate is expected to be 3% over the next five years, an increase from the 2.5% rate of growth experienced over the past five years. HE's earnings per share are projected to increase at a 2.5% (Value Line) to 3.5% (Zack's) to 3% (First Call) 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. Investors can reasonably expect a sustainable growth rate in the future of **3.25%** for HE.

Regarding share growth, HE's shares outstanding grew at a 5% rate over the past five years. The number of shares is projected by VL to increase at about a 0.08% between 2003 and the 2008-10 period. An expectation of share growth of **1.75%** for this company is reasonable.

PNM Resources – PNM - PNM's sustainable growth rate has averaged 5.86% over the most recent five year period with a declining trend. VL expects PNM's sustainable growth to fall below that historical average growth rate level to about 3.75% by the 2008-2010 period. PNM's book value growth rate is expected to be 5% over the next five years, equal to the 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 8% (VL) to 7.7% (Zacks) to 12% (First Call) rate. Its dividends are expected to grow at 10.5%, increasing long-term growth rate expectations. Over the past five years, PNM's earnings growth was -2% while its dividends increased at a 4.5% rate. Investors can reasonably expect a sustainable growth rate in the future of **6.0%** for PNM.

Regarding share growth, PNM's shares outstanding increased at a 0.75% rate over the past five years. The number of shares outstanding in 2008-2010 is expected to show a 1.3% increase from 2004 levels. An expectation of share growth of **1%** for this company is reasonable.

Pinnacle West – PNW - PNW's sustainable growth rate has averaged 4.37% over the most recent five-year period with a downward trend. VL expects PNW's sustainable growth to fall below that historical average growth rate level to 2.21% by the 2008-2010 period. PNW's book value growth rate is expected to be 3.0% over the next five years, below the 4% rate of growth experienced over the past five years, confirming lower growth expectations for this firm. Also, PNW's earnings per share is projected to increase at a 3.5% (VL) to 4.5% (First Call) to 5.2% (Zack's) rate—all above the indicated internal growth rate. PNW's dividends are expected to grow at a 5% rate, supporting higher long-term growth rate expectations. Over the past five years, PNW's earnings growth was -3% while its dividends increased at a 7% rate. Investors can reasonably expect a sustainable growth rate in the future of **4.5%** for PNW.

Regarding share growth, PNW's shares outstanding increased at approximately a 2% rate over the past five years due to a share issuance in 2002. The number of shares outstanding in 2008-2010 is expected to show a 1.4% rate of increase from 2004 levels. An expectation of share growth of **1.75%** for this company is reasonable.