SAMPLE COMPANY GROWTH RATE ANALYSES

ELECTRIC UTILITIES

CV – Central Vermont Public Service - CV's sustainable growth rate has averaged 2.28% over the most recent five year period (1999-2003), including a set-back with low growth in 2001. Also, the company's sustainable growth in the most recent year, about 3%, indicates an increasing growth trend. VL expects CV's sustainable growth to rise above that historical growth rate level and reach 4.4% by the 2007-2009 period. CV's book value growth rate is expected to be 4% over the next five years, a significant increase from the 1% rate of growth experienced over the past five years, but below internal growth projections. Also, CV's earnings per share are projected to increase at a 7.5% (VL) rate—well above the indicated sustainable growth rate—however its dividends are expected to show 3.5% growth over the next five years, moderating long-term sustainable growth expectations. Over the past five years, CV's earnings growth was 6% while 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 earnings growth projections; a growth rate of **4.25%** is reasonable for CV.

Regarding share growth, CV's shares outstanding increased at a 0.7% rate over the past five years. The growth the number of shares is projected by VL to increase at about a 2% rate between 2003 and the 2007-0 period. An expectation of share growth of **1.5%** for this company is reasonable.

Energy East Corp. – EAS - EAS's sustainable growth rate has averaged 5.8% over the most recent five year period, with a downward trend. VL expects EAS's sustainable growth to continue at a lower average growth rate level to about 4.4% by the 2007-2009 period. EAS's book value growth rate is expected to be 3% over the next five years, down from a 4.5% rate of growth experienced over the past five years. Also, EAS's earnings per share are projected to increase at a 1% (VL) to 4.0% (First Call), to 4.5% (Zack's) rate—all at or below the indicated internal growth rate. Also, its dividends are expected to grow at 4%, similar to earnings growth rate expectations. Over the past five years, EAS's earnings growth was 4% while its dividends increased at a 6% rate. Investors can reasonably expect a sustainable growth rate in the future of **4.5%** for EAS.

Regarding share growth, EAS's shares outstanding increased at approximately a 7.5% rate over the past five years, dues to a large equity issuance in 2002. Since the equity issuance, shares have grown at 0.8%. The number of shares outstanding in 2007-2009 is expected to show a 0.6% increase from 2003 levels. An expectation of share growth of **1%** for this company is reasonable.

FE – FirstEnergy Corp. - FE's sustainable growth rate averaged 3.82% over the five-year historical period, with negative results in the most recent year, Absent those recent results, the company's historical sustainable growth was 4.8%. VL projects that the internal growth will incrase through 2007-09, bringing sustainable growth above 6%. FE's book value, which increased at a 7% rate during the most recent five years, however, is expected to decline to a 5.5% rate in the future, below to the sustainable growth projection. FE's earnings per share are projected to increase at a 10% (VL) to 4.5% (First Call and Zack's), indicating the variability of that growth rate measure. FE's dividends are expected to grow at a 3% rate, moderating long-term growth expectations. Historically FE's earnings grew at a 2.5% rate, according to Value Line, and its dividends showed essentially no growth. On a compound growth rate basis using 2003 projections as the final year, FE's earnings grew at only about a 1.5% 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 **4.75%** for FE.

Regarding share growth, FE's shares outstanding showed a 9% 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 2007-09. 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.

PGN – Progress Energy - PGN's sustainable growth rate has averaged 3.3% over the most recent five year period, with one sub-par year. Absent that year, the average sustainable growth rate is approximately 4%. VL expects PGN's sustainable growth to fall below that historical growth rate level, to about 2%, by the 2007-2009 period. PGN's book value growth rate is expected to be 4% over the next five years, far below the 9% rate of growth experienced over the past five years. PGN's earnings per share are projected to increase at a rate of –2%% (VL) to 3.8% (First Call & Zack's). However, its dividends are expected to grow at a 2.5% rate. Over the past five years, PGN's earnings growth was 6% while its dividends increased at a 3% rate. Investors can reasonably expect a sustainable growth rate in the future of **3.75%** for PGN.

Regarding share growth, PGN's shares outstanding increased at approximately an 11% rate over the past five years due to a merger. That rate of increase is expected to slow in the future to 0.80% through 2007-2009. An expectation of share growth of **2%** for this company is reasonable.

Cinergy Corp. – CIN - CIN's sustainable growth rate has averaged 3.19% over the most recent five year period with a declining trend. VL expects CIN's sustainable growth to rise above that historical average growth rate level to about 4% by the 2007-2009 period. CIN's book value growth rate is expected to be 4.5% over the next five years, up slightly from the 4% rate of growth experienced over the past five years. Also, CIN's earnings per share are projected to increase at a 3.5% (VL) to 4.0% (First Call), to 3.7% (Zack's) rate—all at or below the indicated internal growth rate. Also, its dividends are expected to grow at only 2%, moderating long-term growth rate expectations. Over the past five years, CIN's earnings growth was 3% while its dividends increased at a 0.5% rate. Investors can reasonably expect a sustainable growth rate in the future of **4.0%** for CIN.

Regarding share growth, CIN's shares outstanding increased at approximately a 3% rate over the past five years due to a share issuance in 2002 and 2003. The number of shares outstanding in 2007-2009 is expected to show a 1.5% increase from 2003 levels. An expectation of share growth of **2%** for this company is reasonable.

CNL – Cleco Corp. - CNL's sustainable growth rate averaged 5.05% for the five-year period, with the results in the most recent year, below that average. VL expects sustainable growth to continue at a 4.8% level through the 2007-09 period. CNL's book value growth is expected to continue to increase at a 2% rate, well below the historical level of 5.5%. CNL's earnings per share is projected to show no growth over the next five years, and its dividends are expected to grow at only a 0.5% rate, according to Value Line (CNL is not followed by First Call or Zack's). Historically CNL's earnings increased at a 6.5% rate and its dividends increased at a 2.5% rate of growth, according to Value Line. Investors can reasonably expect sustainable growth from CNL to be below past averages, a sustainable internal growth rate of **4.5%** is reasonable for this company.

Regarding share growth, CNL's shares outstanding grew at approximately a 1.3% rate over the past five years. The growth in the number of shares is expected by VL to be 0.6% through 2007-09. An expectation of share growth of **1%** for this company is reasonable.

EDE – Empire District Electric - EDE's sustainable internal growth rate averaged –1.15% over the five-year historical period, with several negative growth years. VL projects EDE's sustainable growth to rise to a level of 2% through 2007-09—a substantial improvement over historical results. Also, EDE's book value growth rate is expected to continue in the future at 2.5%, higher than the historical level of 1.5%, also pointing to increasing growth expectations for this company. EDE's earnings per share are projected to increase at 6.5% to 10% according to VL & Zack's, respectively, while the analysts' surveyed by First Call project earnings growth at 3.0%, a substantial difference. 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. Also Value Line's earnings growth projection is skewed upward by their inclusion of the company's 2001 earnings in is "base" three-year period. From 2003 through the mid-point of the 2007-2009 period, Value Line's projected earnings per share indicate a 4% growth rate. Investors can reasonably expect a sustainable growth rate of **3.5%** from EDE.

Regarding share growth, EDE's shares outstanding grew at about a 9.7% 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 0.8% through 2007-09. An expectation of share growth of **3.5%** for this company is reasonable.

ETR – Entergy Corp. - ETR's internal sustainable growth rate has averaged 5.41% over the most recent five year period (1999-2003), with results in 2002 above the historical growth rate level. That higher level of growth is not expected to be sustained and sustainable growth is expected to be about 4.8% by the 2007-2009 period. However, ETR's book value growth rate is expected to be 6% over the next five years—a substantial increase from the 3.5% rate of growth experienced over the past five years—pointing to higher growth expectations for the future. ETR's earnings per share are projected to increase at a rate of from 6% (VL & Zack's) to 5% (First Call). After showing negative growth historically ETR's dividends are expected to grow at a high 9%, supporting higher sustainable growth expectations. Over the past five years, ETR's earnings grew at a 7% rate while its dividends showed –6.5% growth. Investors can reasonably expect a sustainable growth rate in the future similar to past averages, **5.75%** is reasonable for for ETR.

Regarding share growth, ETR's shares outstanding grew at a –1.9% rate over the past five years. The number of shares outstanding is projected by VL to rise at approximately a 0.25% rate through 2007-09. However, the number of shares outstanding in the 2007-09 time frame will be below the number outstanding in 1999. An expectation of share growth of **0%** for this company is reasonable.

GXP – Great Plains Energy - GXP's sustainable growth rate has averaged only 1.2% over the most recent five year period, however the most recent year showed a substantial increase to 4.4%. VL expects GXP's sustainable growth to continue at that recent growth rate level and reach approximately 4.7% by the 2007-2009 period. GXP's book value growth rate is expected to be 7% over the next five years, up dramatically from the –1.5% rate of growth experienced over the past five years. Also, GXP's earnings per share are projected to increase at a 3.5% (Zack's), to 3% (First Call) to 5.5% (VL)—bracketing the projected sustainable growth rate. However, its dividends are expected to grow at 1.5%, moderating investor growth expectations. Over the past five years, GXP's earnings growth was 2.5% according to Value Line, while its dividends increased at a 0.5% rate. Investors can reasonably expect a higher sustainable growth rate in the future — **4.00%** for GXP is reasonable.

Regarding share growth, GXP's shares outstanding increased at approximately a 2.8% rate over the past five years. The number of shares is expected to grow at a 2.7% rate through 2007-09. An expectation of share growth of **2.7%** for this company is reasonable.

HE – Hawaiian Electric - HE's sustainable growth rate has averaged 1.89% over the most recent five year period (1999-2003), with higher growth in the three most recent years, indicating an increasing trend. VL expects HE's sustainable growth to increase from that historical growth rate level to reach 3% by the 2007-2009 period. Also, HE's book value growth rate is expected to be 3.5% over the next five years, a significant increase from the 1.5% 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 3.5% (Zack's) to 2.80% (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 3% rate while its dividends increased at only a 0.5% rate. 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 4% rate over the past five years. The number of shares is projected by VL to increase at about a 1% between 2003 and the 2007-09 period. An expectation of share growth of **1.75%** for this company is reasonable.

PNM Resources – PNM - PNM's sustainable growth rate has averaged 6% 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 3.5% by the 2007-2009 period. PNM's book value growth rate is expected to be 3.5% over the next five years, down from the 6% rate of growth experienced over the past five years. Also, PNM's earnings per share are projected to increase at a negative 1% (VL) to 5.0% (First Call & Zack's) rate—a wide differential. Also, its dividends are expected to grow at 4.5%, increasing long-term growth rate expectations. Over the past five years, PNM's earnings growth was 4.5% while its dividends increased at an 8% rate. Investors can reasonably expect a sustainable growth rate in the future of **5%** for PNM.

Regarding share growth, PNM's shares outstanding increased at approximately a -.25% rate over the past five years. The number of shares outstanding in 2007-2009 is expected to show a 0.2% increase from 2003 levels. An expectation of share growth of **0%** for this company is reasonable.

Pinnacle West – PNW - PNW's sustainable growth rate has averaged 5.32% over the most recent five year period with an downward trend. VL expects PNW's sustainable growth to fall below that historical average growth rate level to 4.11% by the 2007-2009 period. PNW's book value growth rate is expected to be 4% over the next five years, slightly below the 4.5% 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 4% (VL) to 4% (First Call) to 4.9%

(Zack's) rate—above the indicated internal growth rate. PNW's dividends are expected to grow at a 4.5% rate, supporting long-term growth rate expectations. Over the past five years, PNW's earnings growth was 1.5% while its dividends increased at a 7.5% 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 1.8% rate over the past five years due to a share issuance in 2002. The number of shares outstanding in 2006-2008 is expected to show effectively no increase from 2000 levels. An expectation of share growth of **0.25%** for this company is reasonable.

PSD – Puget Energy, Inc. - PSD's sustainable growth rate averaged only about 0% over the most recent five-year period, with a poor year in 2001 in which the company paid out more dividends that it earned. Absent the that year PSD's sustainable growth averaged about 1%. VL projects, by the 2007-09 period, sustainable growth will approximate 3.2%. PSD's projected book value growth also indicates improvement -- book value grew at a -1% rate during the most recent five years but is expected to rise at a 3.5% rate in the future, according to Value Line. Value Line and First Call project a rate of earnings increase for PSD of 6%, while Zack's projects 4.8%. Dividends are expected to grow at a -3% rate, according to Value Line, but will increase from 2003 levels by 2007-2009, at about a 2% rate. Historically PSD's earnings grew at a -6% rate while its dividends increased at a -6% rate. Therefore, investors can reasonably expect a long-term sustainable growth rate from this company of **4.0%.**

Regarding share growth, PSD's shares outstanding grew at a 3.9% rate over the past five years. The five-year average level of share growth is expected to decrease to approximately 0.5% annually through 2007-09. An expectation of share growth of **1%** for this company is reasonable.