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 3.3% 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. However, CV's earnings per share are projected to increase at a 3.0% (VL) rate—approximating the indicated sustainable growth 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 earnings growth projections; a growth rate of **3.5%** is reasonable for CV.

Regarding share growth, CV's shares outstanding increased at a 1.5% rate over the past five years. The growth the number of shares is projected by VL to increase at about a 2% rate between 2004 and the 2008-10 period. An expectation of share growth of **1.75%** for this company is reasonable.

EAS – Energy East Corp. - EAS's sustainable growth rate has averaged 4.69% over the most recent five-year period, with a declining trend. VL expects EAS's sustainable growth to decline to approximately 2.6% by the 2008-20010 period. EAS's book value growth rate is expected to be 3% over the next five years, down from the 5.5% rate of growth experienced over the past five years. Also, EAS's earnings per share are projected to increase at a rate of from 3.7% to 4% (Zack's & First Call, respectively) , while Value Line projects 4.5% growth. Over the past five years, EAS's earnings growth was -0.5% according to Value Line. Historically, dividends grew at a 5.5% rate and VL expects that rate to increase to 6.5% over the next five years, countering the downward indications in other growth parameters. Investors can reasonably expect a higher sustainable growth rate in the future — **4.5%** for EAS is reasonable.

Regarding share growth, EAS's shares outstanding increased at approximately a 5.75% rate over the past five years, due to a stock issuance in 2002. Since then the growth rate has been 0.7%. The number of shares is expected to grow at a 0.7% rate through 2008-10. An expectation of share growth of **1%** 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 decline to a 5.5% rate in the future, approximating the sustainable growth projection. FE's earnings per share are projected to increase at 10% (VL) to 4% (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 1.2% 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 4.5% 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 tot he inclusion of negative earnings in 1998 in the base-year calculation. projects no positive growth in earnings or dividends. 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% rate through 2008-10. An expectation of share growth of **0%** for this company is reasonable.

Northeast Utilities – NU - NU's sustainable growth rate has averaged 3.54% over the most recent five-year period, with a declining trend over the period. VL expects NU's sustainable growth to recover to a growth rate level of 5.15% by the 2008-2010 period. However, NU's book value growth rate is expected to be 2.5% over the next five years, above the 2% rate of growth experienced over the past five years, pointing to increasing growth, but growth at a much lower level than indicated by the sustainable growth rate projection. Also, NU's earnings per share are projected to increase at 11% (VL) to 5.0% (First Call), to 4.5% (Zack's) rate—bracketing the indicated projected internal growth rate. The high earnings growth projected by Value Line is predicated on an assumption of substantial increases in ROE, which would not be expected to continue over time. Therefore, the VL earnings growth projection would not provide an expectation of long-term sustainable growth. Also, NU's dividends are expected to grow at 9%, above earnings growth rate expectations and recovering from a dividend omission in 1998. Over the past five years, NU's earnings growth was 0% according to Value Line. Investors can reasonably expect a sustainable growth rate in the future of **5.5%** for NU.

Regarding share growth, NU's shares outstanding increased at approximately a –2.7% rate over the past five years. The number of shares outstanding in 2008-2010 is expected to show about a 1% 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 **0%** for this company is reasonable.

CIN – Cinergy - CIN's sustainable growth rate has averaged 3.10% over the most recent five year period, without a clear declining trend. VL expects CIN's sustainable growth to continue to recover to the average historical growth rate level, at about 3.7%, by the 2008-2010 period. CIN's book value growth rate is expected to be 5.5% over the next five years, above the 5% rate of growth experienced over the past five years. CIN's earnings per share are projected to increase at a rate of 5.5% (VL) to 5% (First Call) to 4.5% (Zack's). However, its dividends are expected to grow more slowly, at a 2% rate. Over the past five years, CIN's earnings growth was 1.5% while its dividends increased at a 0.5% rate. Investors can reasonably expect a sustainable growth rate in the future to be similar to that of the past and **4.0%** is reasonable for CIN.

Regarding share growth, CIN's shares outstanding increased at approximately a 4.2% rate over the past five years. That rate of increase is expected to decline in the future to a 2.2% rate through 2008-2010. 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 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 –0.71% 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 1.5%, lower than 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 substantial difference—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 6.8% (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, **6.25%** is reasonable for 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.

AVA – Avista Corporation - AVA's sustainable growth rate has averaged 3.77% over the most recent five year period (2000-2004), with a clear declining trend. VL expects AVA's sustainable growth to rise above that historical average growth rate level and reach 4.3% by the 2008-2010 period. AVA's book value growth rate is expected to be 4% over the next five years, slightly below the 5% rate of growth experienced over the past five years, but about equal to internal growth projections. Also, AVA's earnings per share are projected to increase at a 11% (VL) rate—based on a "base year" calculation that includes 2002 and 2004 sub-par earnings years. First Call and Zacks project 4.5% and 5.0% earnings growth for AVA, respectively. AVA's dividends are expected to show 6% 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, AVA's earnings growth was -6%. 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 published by Value Line; a growth rate of **5.5%** is reasonable for AVA.

Regarding share growth, AVA'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 0.5% rate between 2004 and the 2008-10 period. 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 3.3% by the 2008-2010 period. PNM's book value growth rate is expected to be 4% over the next five years, down from the 5% rate of growth experienced over the past five years. Those data indicate lower growth in the future. Also, PNM's earnings per share are projected to increase at a 4.5% (VL) to 5.8% (Zacks) to 6% (First Call) rate. Its dividends are expected to grow at 7%, 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 **5.5%** 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 3.67% increase from 2004 levels. An expectation of share growth of **2.5%** 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 3.5% over the next five years, slightly 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—above the indicated internal growth rate. PNW's dividends are expected to grow at a 5% rate, supporting 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 1.3% rate of increase from 2004 levels. An expectation of share growth of **1.5%** for this company is reasonable.

PSD – Puget Energy - PSD's sustainable growth rate has averaged 0.28% over the most recent five year period, with one sub-par year. Absent that year, the average sustainable growth rate is approximately 1.5%. VL expects PSD's sustainable growth to rise above that historical growth rate level, to about 3.5%, by the 2008-2010 period. PSD's book value growth rate is expected to be 2.5% over the next five years, far above the 0.5% rate of growth experienced over the past five years. PSD's earnings per share are projected to increase at a rate of 5.5%(VL) to 4.8% (Zack's) to 4.0% (First Call). However, it's dividends are expected to grow at a 1% rate. Over the past five years, PSD's earnings growth was -5% while its dividends decreased at a 10% rate. Investors can reasonably expect a sustainable growth rate in the future of **4%** for PSD.

Regarding share growth, PSD's shares outstanding increased at approximately a 3.84% rate over the past five years due to equity issuances. That rate of increase is expected to slow in the future to 01.3% through 2008-2010. An expectation of share growth of **2%** for this company is reasonable.

UNS – UniSource Energy - UNS's sustainable growth rate has averaged 5.73% over the most recent five-year period. VL expects UNS's sustainable growth to decline to approximately 4% by the 2008-2010 period. UNS's book value growth rate is expected to be 6% over the next five years, far below the 13% rate of growth experienced over the past five years. Also, UNS's earnings per share are projected to increase from 8% to 12.5% (VL & First Call, respectively) , while Value Line projects 9.5% growth in dividends. Over the past five years, UNS's earnings growth was -4%, and dividend growth was non-existent, according to Value Line. The earnings and dividend projections envision a recovery from past declines and counter the indication of declining sustainable growth for this company. Investors can reasonably expect a sustainable growth rate in the future of **6.5%** for UNS is reasonable.

Regarding share growth, UNS's shares outstanding increased at approximately a 0.8% 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 **1%** for this company is reasonable.