Exhibit No. ___ (SGH-4)
Docket Nos. UE-060266/UG-060267
Witness: Stephen G. Hill

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **PUGET SOUND ENERGY, INC.** **Respondent.**	**DOCKET NO. UE-060266** **DOCKET NO. UG-060267**

EXHIBIT TO DIRECT TESTIMONY OF

STEPHEN G. HILL

ON BEHALF OF STAFF OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Sample Company Growth Rate Analyses

July 25, 2006

SAMPLE COMPANY GROWTH RATE ANALYSES

ELECTRIC UTILITIES

ELECTRIC UTILITIES

CV – Central Vermont Public Service - CV's sustainable growth rate has averaged 2.28% over the most recent five year period (2001-2005), 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 5.8% by the 2009-2011 period. CV's book value growth rate is expected to be "nmf" (not meaningful) over the next five years, due to write offs. The per share book value in 2009-2011 is expected to approximate the book value in 2005. Book value increased at a 3% rate of growth over the past five years. CV's earnings per share are projected to increase at a 5.0% (VL) rate (Reuters and Zack's do not publish growth rate expectations for this company).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 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 **4.0%** 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 decline dramatically through the 2009-11 period due to a stock buy-back program initiated in 2006 and financed by the sale of one of the company's unregulated subsidiaries. An expectation of share growth of **0%** for this company is reasonable.

FE – FirstEnergy Corp. - FE's sustainable growth rate averaged 3.16% over the five-year historical period, with negative results in 2003. Absent those recent results, the company's historical sustainable growth was 4%. VL projects that the internal growth will increase through 2009-11, will bring sustainable growth to 4.95%. FE's book value, which increased at a 6% rate during the most recent five years, however, is expected to decline slightly to a 5.5% rate in the future. FE's earnings per share are projected to increase at 8.5% (VL) to 4.38% (Reuters), and 4.8% (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 4.5% rate, moderating long-term growth expectations to some extent. 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 about a 4% 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 2.6% 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 2009-11. Those projections indicate that future share growth will be below past averages. An expectation of share growth of **0.5%** for this company is reasonable.

GMP – Green Mountain Power – GMP's sustainable growth rate has averaged 6.67% over the most recent five-year period. VL expects GMP's sustainable growth to decline to approximately 4.2% by the 2009-2011 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 at 3.5% according to Value Line. That investor service projects an 11% 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. The 5-year compound rate of earnings growth for this company is 3.2%. Investors can reasonably expect a lower sustainable growth rate in the future — **5%** 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 1.1% rate through 2009-11. An expectation of share growth of **0%** for this company is reasonable.

PGN- Progress Energy- PGN's sustainable growth rate has averaged 3.60% 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 2009-2011 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 3.14% (Reuters), to 3.8% (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 3.6% rate over the past five years. The number of shares outstanding in 2009-2011 is expected to show about a 0.7% 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 **1.5%** for this company is reasonable.

AEE – Ameren Corp. - AEE's sustainable growth rate has averaged 1.8% over the most recent five year period (2001-2005), with a clear declining trend. VL expects AEE's sustainable growth to improve a bit over recent low growth rate levels and reach 2.5% by the 2009-2011 period. AEE's book value growth rate shows stability and is expected to be 4.5% over the next five years, just above the 4% 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 2.5% (VL) rate. Reuters and Zacks project 5.17% and 6% 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 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 **3.75%** is reasonable for AEE.

Regarding share growth, AEE's shares outstanding increased at a 10.4% 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 1.1% rate between 2004 and the 2009-11 period. An expectation of share growth of **2.5%** for this company is reasonable.

CNL – Cleco Corp. - CNL's sustainable growth rate averaged 4.56% 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 4% level through the 2009-11 period. CNL's book value growth is expected to increase at a 8% rate, above the historical level of 4%, due to the building of a new power plant. CNL's earnings per share is projected to show 4.5% growth over the next five years, and its dividends are expected to show 2% growth, according to Value Line (Reuters & Zacks project 8% earnings growth). Historically CNL's earnings increased at a 1% rate and its dividends increased at a 2% rate of growth, according to Value Line. These data indicate that future growth will be above prior growth rate averages. Investors can reasonably expect sustainable growth from CNL to be below past averages, a sustainable internal growth rate of **5.0%** is reasonable for this company.

Regarding share growth, CNL's shares outstanding grew at approximately a 2.7% rate over the past five years. The growth in the number of shares is expected by VL to be 6.3% through 2009-11. An expectation of share growth of **4%** for this company is reasonable.

DPL – DPL, Inc.- DPL's sustainable growth rate has averaged 4.34% over the most recent five-year period. VL expects DPL's sustainable growth to increase to approximately 7% by the 2009-2011 period. DPL's book value growth rate is expected to be 2% over the next five years, up substantially from the -3% rate of growth experienced over the past five years. Also, DPL's earnings per share are projected to increase at a rate of from 5.5% (Reuters and Value Line), to 7% (Zack's). Over the past five years, DPL's earnings growth was -1% according to Value Line. Historically, dividends grew at a only 0.5% rate and VL expects that rate to increase to 3% over the next five years. Investors can reasonably expect a higher sustainable growth over the long term — **6.5%** for DPL is reasonable.

Regarding share growth, DPL's shares outstanding increased at a 0.3% rate over the past five years. The number of shares is expected to decline at a 2.1% rate through 2009-11. An expectation of share growth of **0%** for this company is reasonable.

EDE – Empire District Electric - EDE's sustainable internal growth rate averaged –2% over the five-year historical period, with several negative growth years. VL projects EDE's sustainable growth to rise to a level of only 1.4% through 2009-11—a substantial improvement over historical results. EDE's book value growth rate is expected to continue in the future at 1.5%, similar to the historical level of 2%. However, EDE's earnings per share are projected to increase at 5.5% to according to VL, while the analysts' surveyed by Reuters 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 2009-2011 period, Value Line's projected earnings per share indicate a 5% 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 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 2.8% through 2009-11. An expectation of share growth of **4%** for this company is reasonable.

ETR – Entergy Corp. - ETR's internal sustainable growth rate has averaged 5.79% over the most recent five year period (2001-2005). Sustainable growth is expected to decline to about 5% by the 2009-2011 period. Also, ETR's book value growth rate is expected to be 4.5% over the next five years—a 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 5% (VL) to 7.4% (Zack's) to 6.8% (Reuters). After showing low growth historically ETR's dividends are expected to grow at a high 8% rate, supporting higher sustainable growth expectations. Over the past five years, ETR's earnings grew at a 11% rate according to Value Line (8% on a compound growth basis) while its dividends showed 1.5% growth. These data indicate that investors can reasonably expect a sustainable growth rate in the future below past averages, however the earnings growth projections are above historical sustainable growth. Therefore, **6.0%** is a reasonable long-term growth expectation for ETR.

Regarding share growth, ETR's shares outstanding grew at a –1.7% rate over the past five years. The number of shares outstanding is projected by VL to continue to decline at approximately a 0.2% rate through 2009-11. An expectation of share growth of **–0.25%** for this company is reasonable.

HE – Hawaiian Electric - HE's sustainable growth rate has averaged 1.97% over the most recent five year period (2001-2005), with lower growth in the most recent year, indicating a decreasing trend. However, VL expects HE's sustainable growth to increase from that historical growth rate level to reach 3% by the 2009-2011 period. Also, HE's book value growth rate is expected to be 2.5% over the next five years, down from the 3% rate of growth experienced over the past five years. HE's earnings per share are projected to increase at a 3% (Value Line) to 5.2% (Zack's) to 2.9% (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. Investors can reasonably expect a sustainable growth rate in the future of **3.5%** for HE.

Regarding share growth, HE's shares outstanding grew at a 3.27% rate over the past five years. The number of shares is projected by VL to show a 0.25% rate of increase through the 2009-11 period. An expectation of share growth of **1%** for this company is reasonable.

PNM Resources – PNM - PNM's sustainable growth rate has averaged 5.37% 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 2009-2011 period. PNM's book value growth rate is expected to be 4% over the next five years, similar to 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 5.5% (VL) to 8.3% (Zacks) to 10.3% (Reuters) rate. Its dividends are expected to grow at 8.5%, increasing long-term growth rate expectations. Over the past five years, PNM's earnings growth was -1% while its dividends increased at a 5% rate. Investors can reasonably expect a sustainable growth rate in the future of **5.75%** for PNM.

Regarding share growth, PNM's shares outstanding increased at a 4% rate over the past five years. The number of shares outstanding in 2009-2011 is expected to increase at about a 1.5% rate from 2005 levels. An expectation of share growth of **2%** for this company is reasonable.

Puget Energy – PSD - PSD's internal sustainable growth rate has averaged only 0.3% over the most recent five-year period (2001-2005), with very negative results in 2001. Abswent those results the historical average was 1.4% and the most recent growth was above the historical growth rate level, indicating an increasing trend. That higher level of growth is expected to be maintained and to reach 3% by the 2009-2011 period. PSD's book value growth rate is expected to be 4% over the next five years—up substantially from the 0.5% rate of growth experienced over the past five years. PSD's earnings per share are projected to increase at 5% to 5.14% (VL & Reuters, respectively) and 7% (Zack's), while its dividends are also expected to grow at 1.5%, moderating long-term growth expectations. 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 7.3% rate over the past five years. The number of shares outstanding is projected by VL to rise at approximately a 1.2% rate through 2009-11. An expectation of share growth of **2%** for this company is reasonable.

Pinnacle West – PNW - PNW's sustainable growth rate has averaged 3.22% 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 2.84% by the 2009-2011 period. PNW's book value growth rate is expected to be 3.5% over the next five years, just below to the 4% rate of growth experienced over the past five years, indicating relatively stable growth expectations for this firm. PNW's earnings per share is projected to increase at a 6% (VL and Reuters) to 6.8% (Zack's) rate—all well 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 –4.5% while its dividends increased at a 6.5% rate. Investors can reasonably expect a sustainable growth rate in the future of **5.0%** for PNW.

Regarding share growth, PNW's shares outstanding increased at approximately a 4% rate over the past five years due to a share issuance in 2002. The number of shares outstanding in 2009-2011 is expected to show a 0% increase from 2005 levels. An expectation of share growth of **1%** for this company is reasonable.

UNS – Unisource Energy - UNS's sustainable growth rate has averaged 5.29% 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 2009-2011 period. UNS's book value growth rate is expected to be 5% over the next five years, below the very high 12% rate of growth experienced over the past five years UNS's earnings per share are projected to increase at a rate of 7% (VL). Zack's and

Reuters do not report projected earnings growth for this company. Its dividends are expected to grow more rapidly, at a 9.5% rate—catching up from an historical growth rate of 0%. Over the past five years, UNS's earnings growth was 5%. Investors can reasonably expect a sustainable growth rate in the future to be similar to that of the past and **5.0%** is reasonable for UNS.

Regarding share growth, UNS's shares outstanding increased at approximately a 1% rate over the past five years. That rate of increase is expected to decline in the future to a 1.2% rate through 2009-2011. An expectation of share growth of **1%** for this company is reasonable.

GAS DISTRIBUTORS

ATG - AGL Resources - ATG's sustainable growth rate has averaged 5.49% over the most recent five year period (2001-2005). VL expects ATG's sustainable growth to fall below that historical growth rate level and to reach 4.75% by the 2009-2011 period. ATG's book value growth rate is expected to be 6% over the next five years, a decrease from the 6% rate of growth experienced over the past five years. Also, ATG's earnings per share are projected to increase at a 4.57% (Reuters), 4.5% (Zack's) to 4% (VL) rate— below historical growth and similar to the projected sustainable growth rate—and its dividends are expected to show 6.5% annual growth over the next five years. Over the past five years, ATG's earnings showed 13.50% growth (as the company acquired other large distribution operations and expanded its energy trading business), while its dividends increased at only a 2% rate. Investors can reasonably expect a sustainable growth rate in the future of **5.0%** for ATG.

Regarding share growth, ATG's shares outstanding increased at approximately a 9% rate over the past five years, due to merger activity. The number of shares is projected by VL to increase at about a 0.1% rate between 2005 and the 2009-11 period. An expectation of share growth of **1%** for this company is reasonable.

ATO – Atmos Energy Corp - ATO's sustainable growth rate averaged only about 2,2% for the five-year historical period. Value Line projects increasing growth in 2006 and 2007, and then a rise by the 2009-11 period to a level near 4.8%, through an increasing ROE and earnings retention. However, ATO's book value growth during the most recent five years (8.5%) is expected to moderate to a 5% rate in the future. ATO's earnings per share are projected to increase at a 7% (VL) to 4.8% (Reuters) to 5.5% (Zack's) rate, but its dividends are expected to grow at only a 2% rate, moderating long-term growth expectations. Value Line's earnings growth rate expectation is due, largely, to the inclusion of 2004's poor results in the "base period" earnings measurement and, as a result, would not represent investors' expectations for a sustainable growth rate. Historically ATO's earnings have shown 6.5% growth, while its dividends increased at a 2.0% rate. Investors can reasonably expect a sustainable growth rate higher than that established historically, but not as high as the earnings growth projected by Value Line; **4.25%** is a reasonable expectation for this company.

Regarding share growth, ATO's shares outstanding grew at approximately an 18% rate over the past five years due to merger activity. The number of shares is expected to grow at approximately a 4.5% rate through 2009-11. An expectation of share growth of **5%** for this company is reasonable.

CGC - Cascade Natural Gas Company - CGC's sustainable growth rate averaged 1.2% over the five-year historical period with the company paying out more in dividends that it had in earnings in 2003 and 2005. By 2009-11, sustainable growth is projected to approximate 3%. However, CGC's book value, which showed no increase during the most recent five years, is expected to increase at a 10.5% rate in the future, well above the sustainable growth projection. CGC's earnings per share are projected to increase at a 8.5% (VL) and 3.5% (Reuters) rate, but its dividends are expected to grow at only a 0.5% rate. Historically CGC's earnings declined at a 3.5% rate, according to Value Line and its dividends showed 0% growth. The projected sustainable growth indicates declining growth for this company, however earnings and book value growth rate data indicate that investors can expect the growth from CGC to be higher in the future than has existed in the past. Investors can reasonably expect a sustainable growth rate of **4%** for CGC.

Regarding share growth, CGC's shares outstanding showed a 0.8% increase over the past five years. CGC's growth rate in shares outstanding is expected to rise at about a 1.8% rate of increase through 2009-11. Those projections indicate that future share growth will be above past averages. An expectation of share growth of **1%** for this company is reasonable.

LG – Laclede Group - LG's sustainable growth rate has averaged 1.8% over the most recent five year period, with much higher growth in the most recent year—indicating an upward trend. VL expects LG's sustainable growth to rise above that historical growth rate level and reach 6% by the 2009-2011 period. LG's book value growth rate is expected to be 5% over the next five years, up from the 2.5% rate of growth experienced over the past five years. Also, LG's earnings per share are projected to increase at a 4.0% (Reuters) to 7% (VL) rate—bracketing the indicated sustainable growth rate. However, its dividends are expected to grow at 2%. Over the past five years, LG's earnings growth was 4.5% while its dividends increased at a 0.5% rate. Investors can reasonably expect a sustainable growth rate in the future of **4.5%** for LG.

Regarding share growth, LG's shares outstanding increased at approximately a 2.9% rate over the past five years, with equity issuances recently. The number of shares outstanding in 2009-2011 is expected to have increased at a rate of 2.5% from 2005 levels. An expectation of share growth of **2.5%** for this company is reasonable.

NJR - New Jersey Resources - NJR's sustainable growth rate averaged 7.18% over the most recent five-year period, with an increasing trend. VL projects, by the 2009-11 period, sustainable growth will approximate 7%. NJR's projected book value also indicates stability -- book value grew at a 7% rate during the most recent five years and is expected to rise at an 8% rate in the future, according to Value Line. Value Line projects a rate of earnings increase for NJR of 4.5%, while Reuters projects 5.2% and Zack's projects 6.0%--all of those estimates are below sustainable growth projections. Dividends are expected to grow at a 4.5% rate, moderating long-term growth expectations slightly. Historically NJR's earnings grew at an 8.5% rate while its dividends increased at a 3% rate. Therefore, like many other gas distributors, NJR's earnings can not be expected support dividend increases at the same rate. Investors can reasonably expect a long-term sustainable growth rate of **6.5%.**

Regarding share growth, NJR's shares outstanding grew at a 0.8% rate over the past five years. The five-year average level of share growth is expected to decrease at approximately 1% annually through 2009-11. An expectation of share growth of **0%** for this company is reasonable.

GAS – Nicor, Inc. - GAS's sustainable growth rate averaged 3.98% over the five-year historical period with a decreasing trend. VL projects sustainable growth through 2009-11 near historical averages, 3.6%. GAS's book value, which increased at a 1% rate during the most recent five years, is expected to increase to a 3.5% rate in the future, above historic rates and near the sustainable growth projection. GAS's earnings per share are projected to increase at 4% (VL) 3.1% (Reuters) rate and 3.5% (Zack's). Its dividends are expected to grow at a 1.5% rate, moderating long-term growth expectations. Historically GAS's earnings grew at a –0.5% rate, according to Value Line and its dividends showed 4.5% growth. The projected sustainable growth, earnings and book value growth rate data indicate that investors can expect the growth from GAS to be lower in the future than has existed in the past. Investors can reasonably expect a sustainable growth rate of **3.75%** for GAS.

Regarding share growth, GAS's shares outstanding showed a –0.1% increase over the past five years. Further, GAS's growth rate in shares outstanding is expected to rise at about a 0.2% rate of increase through 2009-11. An expectation of share growth of **0%** for this company is reasonable.

NWN - Northwest Natural Gas - NWN's sustainable growth rate averaged 2.85% for the five-year period, with the results in the most recent year exceeding the average. VL expects sustainable growth to rise to about a 4.25% level through the 2009-11 period. NWN's book value growth is expected to continue to increase at a 3.5%, equal to the historical level of 3.5%. NWN's earnings per share growth is projected to increase at 7% (VL) to 5.2% (Reuters) to 5.3% (Zack's). VL projects its dividends are expected to grow at a 4.0% rate. Historically NWN's earnings and dividends increased at 3% and 1% rates, respectively, according to Value Line. Investors can reasonably expect sustainable growth from NWN to exceed past averages, a sustainable internal growth rate of **4.5%** is reasonable for this company.

Regarding share growth, NWN's shares outstanding grew at a 2.2% rate over the past five years. The growth in the number of shares is expected by VL to be 0.3% through 2009-11. An expectation of share growth of **1.0%** for this company is reasonable.

PGL – Peoples Energy - PGL's sustainable growth rate has averaged 2.36% over the most recent five year period, with sub-par results in the most recent two years. VL expects PGL's sustainable growth to be 2.3% by the 2009-2011 period. PGL's book value growth rate is expected to be –1.5% over the next five years, below the 2.0% rate of growth experienced over the past five years. Also, PGL's earnings per share are projected to increase at 0.5% (VL), 4.38% (Reuters) and 4.0% (Zack's). Dividends are expected to grow at only 1.0%. Over the past five years, PGL's earnings growth was 1% while its dividends increased at a 2% rate. Investors can reasonably expect a sustainable growth rate in the future of **3.0%** for PGL.

Regarding share growth, PGL's shares outstanding increased at approximately a 1.9% rate over the past five years. The number of shares outstanding in 2009-2011 is expected to increase at a 1.9% rate. An expectation of share growth of **2%** for this company is reasonable.

PNY - Piedmont Natural Gas - PNY's sustainable internal growth rate averaged 2.96% over the five-year historical period, but was above that level in the two most recent years, indicating an increasing trend. VL projects PNY's sustainable growth to rise to a level of approximately 4.1% through 2009-11. Also, PNY's book value growth rate is expected to continue in the future at 3.5%, below the historical level of 6.5%, pointing to moderating growth for this company. PNY's earnings per share are projected to increase at 6% (VL) to 5.2% (Zack's), to 4.87% (Reuters), while its dividends are expected to grow at a 5.5% rate, approximating to the historical rate. Sustainable growth has been relatively consistent for this company and is expected to trend upward somewhat in the future to above the 4% level. Dividend growth has been consistent at 5%, therefore, investors can reasonably expect a sustainable growth rate of **5%**, from PNY.

Regarding share growth, PNY's shares outstanding grew at about a 4.25% rate over the past five years, due to a large equity issuance in 2004. Prior to that time share growth was about 1.7% annually. The level of share growth is expected by VL to decline at a 0.4% rate through 2009-11. An expectation of share growth of **0.5%** for this company is reasonable.

SJI – South Jersey Industries - SJI's internal sustainable growth rate has averaged 5.31% over the most recent five-year period (2001-2005), with results in 2005 above the historical growth rate level, indicating an increasing trend. That higher level of growth is expected to be maintained and to reach 6.5% by the 2009-2011 period. SJI's book value growth rate is expected to be 6% over the next five years—down from the 13% rate of growth experienced over the past five years (the product of acquisitions). SJI's earnings per share are projected to increase at 7% to 5.67% (VL & Reuters, respectively) and 5.7% (Zack's), while its dividends are also expected to grow at 6%. Over the past five years, SJI's earnings grew at a 11.5% rate while its dividends showed a 2.5% increase. Investors can reasonably expect a sustainable growth rate in the future to be higher than past averages, **6%** is reasonable for for SJI.

Regarding share growth, SJI's shares outstanding grew at a 5% rate over the past five years. The number of shares outstanding is projected by VL to rise at approximately a 1.3% rate through 2009-11. An expectation of share growth of **1.5%** for this company is reasonable.

SWX – Southwest Gas - SWX's sustainable growth rate averaged 2.37% over the five-year historical period with an increasing trend. VL projects that the retention ratio and ROE will rise through 2009-11, bringing sustainable growth near 6.75%. SWX's book value, which increased at a 4% rate during the most recent five years, is expected to decline slightly to a 3% rate in the future, below the sustainable growth projection. SWX's earnings per share are projected to increase at a 8.5% (VL) 4.33% (Reuters) and 6% (Zack's). Its dividends are expected to grow at a 0% rate, moderating long-term growth expectations. Historically SWX's earnings grew at a 1.5% rate, according to Value Line and its dividends showed 0% growth. The projected sustainable growth and earnings growth rate data indicate that investors can expect the growth from SWX to be higher in the future than has existed in the past, however those expectations are moderated by the decline in book value growth and the stagnant dividend. Investors can reasonably expect a sustainable growth rate of **5.5%** for SWX.

Regarding share growth, SWX's shares outstanding showed a 4.8% increase over the past five years. Further, SWX's growth rate in shares outstanding is expected to rise at about a 2.8% rate of increase through 2009-11. An expectation of share growth of **3%** for this company is reasonable.

WGL – WGL Holdings - WGL's sustainable growth rate has averaged 3.52% over the most recent five year period, with an increasing trend. VL expects WGL's sustainable growth to rise above that historical growth rate level to 4.35% by the 2009-2011 period. WGL's book value growth rate is expected to be 4% over the next five years, above the 3% rate of growth experienced over the past five years. WGL's earnings per share are projected to increase at a 2% (VL) 3.73% (Reuters) to 4.0% (Zack's). However, like the other gas distributors, its dividends are expected to grow at only 2%. Over the past five years, WGL's earnings growth was 6% while its dividends increased at a 1.5% rate. Investors can reasonably expect a sustainable growth rate in the future of **4.0%** for WGL.

Regarding share growth, WGL's shares outstanding increased at approximately a 0.5% rate over the past five years. That rate of increase is expected to be maintained in the future with number of shares outstanding in 2009-2011 is expected to grow at a similar rate. An expectation of share growth of **0.5%** for this company is reasonable.