

AVISTA CORPORATION
SAMPLE COMPANY GROWTH RATE ANALYSES

ELECTRIC UTILITIES

TE – TECO Energy - TE's sustainable growth rate averaged 2.38% over the five-year historical period, with slightly lower results in 2013. VL projects that the internal growth will rebound through 2017-19, bringing sustainable growth to 3.41%. TE's book value, which increased at a 4% rate during the most recent five years, is expected to decline to a 2% rate over the next five years. TE's earnings per share are projected to increase at 2.0% (VL) to 0.17% (IBES), and 5.0% (Zack's) rates. TE's dividends are expected to grow at a 1.5% rate, near the 2% rate historically, but below average earnings growth expectations. Historically TE's earnings grew at a 0.5% rate, according to Value Line. The projected sustainable growth indicate that investors can expect the growth from TE in the future to be higher than that which has existed, on average, in the past, and projected earnings growth confirms higher growth, but are above average dividend growth projections. Investors can reasonably expect a sustainable growth rate of **3.5%** for TE—above historical averages.

Regarding share growth, TE's shares outstanding showed a 0.4% rate of increase over the past five years. TE's growth rate in shares outstanding is expected to slow to a 0.06% rate of increase through 2017-19. An expectation of share growth of **0.25%** for this company is reasonable.

ALE – ALLETE – ALE's sustainable growth rate has averaged 1.86% over the most recent five-year period, with higher growth in the most recent years. VL expects ALE's sustainable growth to increase above historical averages and reach 3.48% by the 2017-19 period. However, ALE's book value growth rate is expected to be 4.5% over the next five years, a bit lower than the 5% rate of growth experienced over the past five years. ALE's earnings per share are projected to increase at 6% according to Value Line, a value also projected by IBES and Zack's. Value Line projects a 4% growth in dividends, above the sustainable growth indications and above historical dividend growth of 3%. Value Line shows historical earnings growth of -2% for this company (contributing to the higher earnings growth rate estimates for the future). Investors can reasonably expect increased sustainable growth rate in the future, but not as high as the current earnings growth rate estimates— **4.25%** for ALE is reasonable.

Regarding share growth, ALE's shares outstanding increased at approximately a 4% rate over the past five years, due to an equity issuance in 2013. The number of shares is expected to grow at a 2.79% rate through 2017-19. An expectation of share growth of **3%** for this company is reasonable.

AEP- American Electric Power- AEP's sustainable growth rate has averaged 3.82% over the most recent five-year period. VL expects AEP's sustainable

growth to continue at a level of 3.75% by the 2017-2019 period; showing overall stability. AEP's book value growth rate is expected to increase at a 4.5% rate over the next five years, equal to the 4.5% book value growth over the past five years. Both sustainable growth and book value growth point to relative growth rate stability for this company. AEP's earnings per share are projected to increase at 4.5% (VL), to 4.23% (IBES) and 4.3% (Zack's)—all somewhat above the indicated projected internal growth rate, but in relatively close agreement. Also, AEP's dividends are expected to grow at 4.5%; an increase from the historical growth rate of 4.0%. The average projected earnings, dividends and book value for this company is 4.5%. Investors can reasonably expect a sustainable growth rate in the future of **4.25%** for AEP.

Regarding share growth, AEP's shares outstanding increased at a 0.5% rate over the past five years. The number of shares outstanding in 2007-2019 is expected to show a 0.41% increase from 2013 levels. An expectation of share growth of **0.5%** for this company is reasonable.

CNL – Cleco Corp. - CNL's sustainable growth rate averaged 5.45% for the five-year period, with the results in the most recent year below that average, indicating a lower trend. VL expects sustainable growth to continue at a 4.5% level through the 2017-19 period. CNL's book value growth is expected to increase at a 5.0% rate, well below the historical level of 9%, established during the building of a new generating plant; that projected growth approximates sustainable growth projections. CNL's earnings per share are projected to show 4.5% growth over the next five years, according to Value Line (Zacks and IBES projects 8% earnings growth, however). Historically CNL's earnings increased at a 13% rate, according to Value Line. CNL's dividend growth, which was 4.5% over the past five years is expected to expand to 8.5% over the next three- to five-year period as management expects to increase the payout ratio. The sustainable growth data indicate that future growth will be similar to prior growth rate averages, at similar levels indicated by Value Line's earnings growth projections, but other investor services predict higher earnings growth. Investors can reasonably expect sustainable growth from CNL to be above past averages, a sustainable internal growth rate of **6.0%** is reasonable for this company.

Regarding share growth, CNL's shares outstanding grew at approximately a 0.10% rate over the past five years. The growth in the number of shares is expected by VL to be 0% through 2017-19. An expectation of share growth of **0%** for this company is reasonable.

ETR – Entergy Corp. - ETR's internal sustainable growth rate has averaged 6.31% over the most recent five-year period (2009-2013). Sustainable growth is expected to decline to about 3.7% by the 2017-2019 period. However, ETR's book value growth rate is expected to be 3.5% over the next five years—a decrease from the 5% rate of growth experienced over the past five years—pointing to lower growth expectations for the future. ETR's earnings per share are

projected to increase at a rate of from -2% (VL), -1.9% (IBES), due largely to the company's unregulated generation operations. ETR's dividends are expected to grow at a 0.5% rate, down from an historical rate of 7.5%-- a substantial decline, moderating long-term growth expectations. Over the past five years, ETR's earnings grew at a 5.5% rate according to Value Line. These data indicate that investors can reasonably expect a sustainable growth rate in the future below past averages. Therefore, **4.0%** is a reasonable long-term growth expectation for ETR.

Regarding share growth, ETR's shares outstanding grew at a -1.45% rate over the past five years. The number of shares outstanding is projected by VL to decrease at a -0.01% rate through 2017-19. An expectation of share growth of **0%** for this company is reasonable.

OGE – OGE Energy – OGE's sustainable growth rate has averaged 6.87% over the most recent five-year period, with higher growth in the most recent year. However, VL expects OGE's sustainable growth to decline to 5.5% through the 2017-19 period, showing lower growth. Also, OGE's book value growth rate is expected to be 6.5% over the next five years, below the 8.5% rate of growth experienced over the past five years, also indicating lower growth in the future. Projected book value growth (6.5%) is, however, above sustainable internal growth projections (5.5%). Also, OGE's earnings per share are projected to increase at 5.5% according to Value Line (5% IBES and 6% Zacks), all in relatively close agreement. Value Line projects a 9% growth in dividends, which is above historical dividend growth indications of 3% and would tend to counter reduced long-term growth rate expectations. In this instance projected sustainable growth and projected earnings growth rates are similar. Investors can reasonably expect a sustainable growth rate in the future, of **6.0%** for OGE.

Regarding share growth, OGE's shares outstanding increased at a 0.57% rate over the past five years. The number of shares is expected to grow at a 0.55% rate through 2017-19. An expectation of share growth of **0.5%** for this company is reasonable.

WR – Westar Energy, Inc.- WR's sustainable growth rate has averaged 2.54% over the most recent five-year period, with higher growth in recent years. Value Line expects WR's sustainable growth to increase to 4.33% by the 2017-2019 period. WR's book value growth rate is expected to be 5% over the next five years, up from the 4.5% rate of growth experienced over the past five years, and above sustainable growth projections. Also, WR's earnings per share are projected to increase at a rate of from 6.0% (Value Line), to 2.8% (IBES), to 4.3% (Zack's). Over the past five years, WR's earnings growth was 1.5% according to Value Line. Historically, dividends grew at a 5% rate, but Value Line expects that rate to decline to 3.0% over the next five years. The average earnings dividends and book value growth for WR, as published by Value Line is 4.67%. Investors can reasonably expect a higher sustainable growth over the long term — **4.75%** for WR is reasonable.

Regarding share growth, WR's shares outstanding increased at a 3.97% rate over the past five years, due to an equity issuance in 2011. The number of

shares is expected to increase at a 1.14% rate through 2017-19. An expectation of share growth of **2.0%** for this company is reasonable.

AVA – Avista Corp. - AVA's sustainable growth rate has averaged 2.80% over the most recent five year period (2009-2013). However, VL expects AVA's sustainable growth to increase from that historical growth rate level to reach 3.0% by the 2017-2019 period. AVA's book value growth rate is expected to be 3% over the next five years, down slightly from the 3.5% rate of growth experienced over the past five years. AVA's earnings per share are projected to increase at a 5.5% (Value Line) to 5% (IBES) rate. AVA's dividends are expected to show 4.5% growth over the next five years, down considerably from the 13.5% rate of dividend growth over the past five years (due to dividend restoration). Investors can reasonably expect a sustainable growth rate in the future of **4.25%** for AVA.

Regarding share growth, AVA's shares outstanding grew at a 2.31% rate over the past five years. The number of shares is projected by VL to show a 1.59% rate of decrease through the 2017-19 period. An expectation of share growth of **1.75%** for this company is reasonable.

HE – HAWAIIAN ELECTRIC INDUSTRIES - HE's sustainable growth rate has averaged only 0.76% over the most recent five-year period (2009-2013), due to dividend payouts that exceeded earnings in the early years. In the last year HE's sustainable growth was 2.20%. Value Line (VL) expects HE's sustainable growth to reach approximately 3.3% by the 2017-2019 period. Also showing increased growth, HE's book value growth rate is expected to be 3.5% over the next five years, higher than the historical growth of 3%. HE's earnings per share are projected to increase at a 4.0% (VL) rate, while Zacks and IBES publish growth rate expectations for this company of 6% and 3.2%, respectively. Over the past five years, HE's earnings growth was 6%, according to Value Line. Also, dividends are expected to grow at a 1% rate over the next three to five-year period, moderating long-term growth expectations somewhat. Investors can reasonably expect long-term sustainable growth rate in the future to be higher than the past; a growth rate of **3.5%** is reasonable for HE.

Regarding share growth, HE's shares outstanding increased at approximately a 2.3% rate over the past five years. Through 2017-19 HE's shares outstanding are expected to grow at a 1.85% rate. An expectation of share growth of **2.0%** for this company is reasonable.

IDA – IDACORP - IDA's sustainable growth rate has averaged 5.6% over the most recent five-year period (2009-2013). However, VL expects IDA's sustainable growth to decline below that historical growth rate level, and to reach 3.6% by the 2017-2019 period. IDA's book value growth rate is expected to be 4.5% over the next five years, slightly below the 5.5% rate of growth experienced over the past five years—indicating relatively stable growth for this company. IDA's earnings per share are projected to increase at 2% (Value Line), 4.0% (IBES), and 4.0% (Zack's) rate. The company's dividends are expected to show 7% growth over the next five years, after showing 1% growth over the past five

years, increasing growth expectations. Investors can reasonably expect a sustainable growth rate in the future of **4.25%** for IDA.

Regarding share growth, IDA's shares outstanding grew at a 1.19% rate over the past five years. The number of shares is projected by VL to show a 0.38% rate of increase through the 2017-19 period. An expectation of share growth of **1%** for this company is reasonable.

NWE – Northwestern Corp. – NWE's sustainable growth rate averaged 3.56% over the past five years. Value Line projects that sustainable growth will be 3.48% in the 2017-19 period, indicating stable growth. Book value growth for this company is expected to also show slightly increased growth (3.5% historically, and 4% projected). The projected earnings data for NWE shows disagreement among the advisory services—3.5% (Value Line), 8% (IBES), and 7.0% (Zack's). Historically NWE's earnings and dividends grew at 10% and 3% rates, respectively, according to Value Line. The average projected book value, dividend and earnings growth for this company is 4.0%. Higher earnings projections indicate that **4.5%** is a reasonable estimate of the company's long-term sustainable growth.

Over the past five years NWE's shares outstanding increased at a 1.86% rate. Value Line projects that the number of shares outstanding will increase more slowly in the future—a 0.23% rate in the 2017-19 period. An expectation of share growth of **1%** for this company is reasonable.

PCG – PGE Corporation – PCG's sustainable growth rate has averaged 2.29% over the most recent five-year period, with approximately 0.03% growth in the most recent year, due to a low earned return. VL expects PCG's sustainable growth to average 2.5% by the 2017-19 period, showing growth similar to historical averages. PCG's book value growth rate is expected to be 3.0% over the next five years, down from the 4.5% rate of growth experienced over the past five years, indicating moderating growth in the future. Projected book value growth is similar to sustainable internal growth projections. Also, PCG's earnings per share are projected to increase at 5% according to Value Line (6.44% IBES and 4.8% Zacks). Value Line projects a 2.5% growth in dividends, equal to the sustainable growth indications. Investors can reasonably expect a sustainable growth rate in the future of **3.75%** for PCG.

Regarding share growth, PCG's shares outstanding increased at approximately a 5.3% rate over the past five years. The number of shares is expected to grow at a 1.8% rate through 2017-19. An expectation of share growth of **3%** for this company is reasonable.

PNW — Pinnacle West Capital Corp. - PNW's sustainable growth rate has averaged 2.41% over the most recent five-year period with higher growth in the most recent years (indicating an increasing trend). VL expects PNW's sustainable growth to rise above that historical average growth rate level to 3.35% by the 2017-2019 period. PNW's book value growth rate is expected to be 3.5% over the next five years, much greater than the 1% rate of book value growth

experienced over the past five years, and pointing to higher growth in the future. PNW's earnings per share are projected to increase at a 4% (VL) to 4.28% (IBES) to 4.1% (Zack's) rate, with all earnings projections above the indicated internal growth rate. PNW's dividends are expected to grow at a 3.0% rate, supporting more moderate long-term growth rate expectations. Over the past five years, PNW's earnings and dividend growth was 4.0% and 2.5%, respectively. The average Value Line projected growth rate for this company is 3.50%. Investors can reasonably expect a sustainable growth rate in the future of **3.75%** for PNW.

Regarding share growth, PNW's shares outstanding increased at a 2.09% rate over the past five years. The number of shares outstanding in 20017-2019 is expected to show a 1.38% increase from 2013 levels. An expectation of share growth of **1.75%** for this company is reasonable.

POR – Portland General- POR's sustainable growth rate has averaged 2.94% over the most recent five-year period. Value Line expects POR's sustainable growth to increase to 4.32% by the 20017-2019 period. POR's book value growth rate is expected to be 4% over the next five years, roughly equal to sustainable growth projections, and above historical book value growth (2%). Also, POR's earnings per share are projected to increase at a rate of from 5% (Value Line), to 11.21% (IBES), to 6.8% (Zack's)—relative disagreement. Value Line reports historical earnings, and book value growth for this company of 3% and 2%. The average Value Line projected earnings, dividend and book value growth is 4.0%. Investors can reasonably expect a higher sustainable growth over the long term — **4.5%** for POR is reasonable.

Regarding share growth, POR's shares outstanding increased at a 0.98% rate over the past five years, due to an equity issuance in 2013. Prior to that annual share growth was very low (0.04%). The number of shares is expected to increase at a 2.88% rate through 2017-19. An expectation of share growth of **1.5%** for this company is reasonable.

XEL – Xcel Energy – XEL's sustainable growth rate has averaged 3.78% over the most recent five-year period, with 4.15% growth in the most recent year. VL expects XEL's sustainable growth to reach 4.2% in the 2017-19 period, showing increasing growth. Also, XEL's book value growth rate is expected to be 5% over the next five years, above the 4.5% rate of growth experienced over the past five years indicating somewhat increasing growth in the future. Projected book value growth is, however, slightly above sustainable internal growth projections. Also, XEL's earnings per share are projected to increase at 5.5% according to Value Line (4.49% IBES and 4.2% Zacks). Value Line also projects a 5% growth in dividends, which is above the sustainable growth indications and would increase long-term growth rate expectations. The average of Value Line's projected earnings, dividends and book value growth rates for XEL is 5.17%. Investors can reasonably expect a sustainable growth rate in the future, of **4.50%** for XEL.

Regarding share growth, XEL's shares outstanding increased at a 2.14% rate over the past five years. The number of shares is expected to grow at a 1.37%

rate through 2017-19. An expectation of share growth of **1.5%** for this company is reasonable.