SAMPLE COMPANY GROWTH RATE ANALYSES

ELECTRIC UTILITIES

CV – Central Vermont Public Service - CV's sustainable growth rate has averaged 1.39% over the most recent five year period (2004-2008), including a set-back with low growth in 2005. In the most recent three years, the company's sustainable growth averaged approximately 3%. Value Line (VL) expects CV's sustainable growth to rise above that historical growth rate level and reach approximately 3.3% by the 2012-2014 period. CV's book value growth rate is expected to be 6.5% over the next five years, higher than the historical growth of 1.5%, confirming higher growth expectations for the future. CV's earnings per share are projected to increase at a 3.0% (VL) rate (IBES and Zack's do not publish growth rate expectations for this company). Over the past five years, CV's earnings growth was 3.5% but its dividends increased at a 1% rate, according to Value Line. Investors can reasonably expect long-term sustainable growth rate in the future to be higher than the past; a growth rate of **3.75%** is reasonable for CV.

Regarding share growth, CV's shares outstanding decreased at a 1.3% rate over the past five years. The growth the number of shares is projected by VL to increase at about a 1% rate through the 2012-14 period. An expectation of share growth of **0%** for this company is reasonable.

FE – FirstEnergy Corp. - FE's sustainable growth rate averaged 6.02% over the five-year historical period, with much higher results in the most recent year, indicating an upward trend. VL projects that the internal growth will increase through 2012-14; bringing sustainable growth near 7%. FE's book value, which increased at a 3% rate during the most recent five years, however, is expected to increase to a 4.5% rate in the future. While confirming that future expectations are for higher growth, that projected book value growth rate is much lower than indicated by the sustainable growth measure. FE's earnings per share are projected to increase at 4% (VL) to 5% (IBES), and 7% (Zack's) rates. FE's dividends are expected to grow at a 4.5% rate, down from 6.5% historically and moderating long-term growth expectations to some extent. Historically FE's earnings grew at a 12.5% rate, according to Value Line. The projected sustainable growth indicate that investors can expect the growth from FE in the future to be higher than that which has existed in the past, while projected dividned and earnings growth indicate more moderate growth. Investors can reasonably expect a sustainable growth rate of **5.75%** for FE—similar to historical averages.

Regarding share growth, FE's shares outstanding showed about a 2% decline over the past five years. However, FE's growth rate in shares outstanding is expected to stabilize and show a 0% rate of increase through 2012-14. An expectation of share growth of **–0.25%** for this company is reasonable.

NU – Northeast Utilities – NU's sustainable growth rate has averaged 2.64% over the most recent five-year period, with 5.3% growth in the most recent year.

VL expects NU's sustainable growth to reach approximately 4% through the 2012-14 period. NU's book value growth rate is expected to be 5% over the next five years, up from the 2.0% rate of growth experienced over the past five years. Projected book value growth is, in this case, similar to sustainable growth projections. Also, NU's earnings per share are projected to increase at 8% according to Value Line (8.5% IBES and Zacks). Part of that increase is due to an expectation of a recovery from very low earned returns in the 2004-2006 period, which is unlikely to continue into the indefinite future. Value Line also projects a 6.5% growth in dividends, lower than the 8.5% rate of dividend growth for the previous five years (which was inflated due to the initiation of dividend payments). Also Value Line shows historical earnings growth of 3%. Investors can reasonably expect a higher sustainable growth rate in the future, but not as high as the current earnings growth rate estimates— **5.75%** for NU is reasonable.

Regarding share growth, NU's shares outstanding increased at approximately a 5% rate over the past five years, due to an equity issuance in 2006. However, between 1992 and 2005 NU's shares outstanding showed essentially zero growth. The number of shares is expected to grow at a 6% rate through 2012-14. An expectation of share growth of **4%** for this company is reasonable.

AEP- American Electric Power- AEP's sustainable growth rate has averaged 5.36% over the most recent five-year period. VL expects AEP's sustainable growth to decrease to a growth rate level of 5.03% by the 2012-2014 period. Also, AEP's book value growth rate is expected to increase at a 5% rate over the next five years. AEP's earnings per share are projected to increase at 3.0% (VL), to 3.75% (IBES), to 3.3% (Zack's) rate—all below the indicated projected internal growth rate. Also, AEP's dividends are expected to grow at 3%. 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 0.64% rate over the past five years. The number of shares outstanding in 2012-2014 is expected to show about a 3.8% increase from 2007 levels. An expectation of share growth of **2.0%** for this company is reasonable.

CNL – Cleco Corp. - CNL's sustainable growth rate averaged 3.50% for the five-year period, with the results in the most recent year above that average. VL expects sustainable growth to continue to increase to about a 4% level through the 2012-14 period. CNL's book value growth is expected to increase at a 4.5% rate, below the historical level of 9.5%, established during the building of a new power plant. CNL's earnings and dividends per share are projected to show 9.5% and 10% growth, respectively, over the next five years, according to Value Line (IBES projects 12.5% earnings growth & Zacks projects 10.5% earnings growth). Historically CNL's earnings and dividends increased at a 0.5% rate, according to Value Line. Those high earnings growth projections are built on the expectation of a 34% increase in earned return from the 2006-2008 period to the 2012-14 period. Therefore, those earnings growth rates are not sustainable, and the high growth represents a recovery from prior low growth situations not a blueprint for the long term. The sustainable growth data indicate that future growth will be only modestly above prior growth rate averages and moderate future growth expectations somewhat. However the earnings growth projections would increase expectations to some extent. Investors can reasonably expect sustainable growth from CNL to be above past averages, a sustainable internal growth rate of **6%** is reasonable for this company.

Regarding share growth, CNL's shares outstanding grew at approximately a 4.8% rate over the past five years, due to an equity issuance in 2006; prior to that CNL's shares have grown at about a 1% rate. The growth in the number of shares is expected by VL to be 1.6% through 2012-14. An expectation of share growth of **1.5%** for this company is reasonable.

EDE – Empire District Electric - EDE's sustainable internal growth rate averaged –1.25% over the five-year historical period, with several negative growth years, due to paying out more in dividends than earnings. VL projects EDE's sustainable growth will rise to a level of 2.4% through 2012-14—a substantial improvement over historical results. EDE's book value growth rate is expected to continue in the future at 2.0%, above the historical level of 1.5%. However, EDE's earnings per share are projected to increase at 6% according to VL (based on a large increase in ROE, which is unsustainable). The analysts' surveyed by IBES project earnings growth at 6%, while Zacks publishes a 0% earnings growth rate expectations (i.e., earnings per share will be constant over the next five years). EDE's dividends are expected to grow at a 1.5% rate over the next five years 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 historically, but the company has continued to pay its dividend. Investors can reasonably expect a sustainable growth rate of **3.0%** from EDE.

Regarding share growth, EDE's shares outstanding rose at about a 7.2% rate over the past five years. The level of share growth is expected by VL to be 3.83% from 2007 through 2012-14. However, from 2009 through 2012-2014 the growth is expected to be only 1.9%. An expectation of share growth of **3.5%** for this company is reasonable.

ETR – Entergy Corp. - ETR's internal sustainable growth rate has averaged 7.13% over the most recent five year period (2004-2008). Sustainable growth is expected to increase to about 7.7% by the 2012-2014 period. Also, ETR's book value growth rate is expected to be 6.5% over the next five years—an increase from the 3% 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 about 6% (VL) to 8.5% (Zack's) to 6% (IBES). ETR's dividends are expected to grow at a 5.5% rate, down from an historical rate of 13%--moderating growth expectations. Over the past five years, ETR's earnings grew at a 10.5% rate according to Value Line. These data indicate that investors can reasonably expect a sustainable growth rate in the future similar to or below past averages. Therefore, **6.75%** is a reasonable long-term growth expectation for ETR.

Regarding share growth, ETR's shares outstanding grew at a –3.3% rate over the past five years. The number of shares outstanding is projected by VL to decrease at a 0.14% rate through 2012-14. An expectation of share growth of –**0.75%** for this company is reasonable.

WR – Westar, Inc.- WR's sustainable growth rate has averaged 3.15% over the most recent five-year period. Value Line expects WR's sustainable growth to decline to approximately 2.9% by the 2012-2014 period. However, WR's book value growth rate is expected to be 6% over the next five years, up substantially from the 1% rate of growth experienced over the past five years, and well above sustainable growth projections. Also, WR's earnings per share are projected to increase at a rate of from 4.5% (Value Line), to 3.3% (IBES), to 4.5% (Zack's). Over the past five years, WR's earnings growth was 21.5% according to Value Line, including negative earnings in the base years. Compound 5-year historical earnings growth for WR was 7.7%. Historically, dividends grew at a –0.5% rate, and Value Line expects that rate to increase to +4.5% over the next five years. Investors can reasonably expect a higher sustainable growth over the long term — **3.75%** for WR is reasonable.

Regarding share growth, WR's shares outstanding increased at about a 6% rate over the past five years. The number of shares is expected to increase at a 1% rate through 2012-14. An expectation of share growth of **2.0%** for this company is reasonable.

HE – Hawaiian Electric - HE's sustainable growth rate has averaged 0.21% over the most recent five year period (2004-2008), with negative growth in the two most recent years. However, VL expects HE's sustainable growth to increase from that historical growth rate level to reach approximately 3% by the 2012-2014 period. HE's book value growth rate is expected to be 2.0% over the next five years, up from the 1% rate of growth experienced over the past five years. HE's earnings per share are projected to increase at a 7% (Value Line) to 6% (Zack's) to 3% (IBES) rate. The company's dividends are expected to show 0% growth over the next five years, moderating long-term growth expectations. Over the past five years, HE's earnings grew at a -6% rate while its dividends showed no increase, though the company maintained its dividend payment to investors. 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 2.92% rate over the past five years. The number of shares is projected by VL to show a 0.65% rate of increase through the 2012-14 period. An expectation of share growth of **1.5%** for this company is reasonable.

IDA – IDACORP - IDA's internal sustainable growth rate has averaged 2.96% over the most recent five year period (2004-2008). Sustainable growth is expected to increase to about 3.7% by the 2012-2014 period. Also, IDA's book value growth rate is expected to be 5% over the next five years—above to the 3% rate of growth experienced over the past five years—pointing to increasing growth expectations for the future. IDA's earnings per share are projected to increase at a rate of from 4.5% (Value Line) to 5% (Zack's and IBES). IDA's dividends are expected to show 2.5% growth. Over the past five years, IDA's earnings grew at a 1.5% rate according to Value Line while its dividends showed –8% growth. These data indicate that investors can reasonably expect a sustainable growth rate in the future above past averages. Therefore, **4.25%** is a reasonable long-term growth expectation for IDA.

Regarding share growth, IDA's shares outstanding grew at a 2.67% rate over the past five years. The number of shares outstanding is projected by Value Line to continue to increase at approximately a 2% rate through 20011-13. An expectation of share growth of **2.25%** for this company is reasonable.

Pinnacle West – PNW - PNW's sustainable growth rate has averaged 1.81% over the most recent five-year period with no discernable trend. However, VL expects PNW's sustainable growth to rise above that historical average growth rate level to almost 3% by the 2012-2014 period. PNW's book value growth rate is expected to be 1% over the next five years, below the 3% rate of growth experienced over the past five years, indicating relatively lower growth expectations for this firm. PNW's earnings per share is projected to increase at a 3% (VL) to 5.5% (IBES) to 8% (Zack's) rate—a very wide range, with all but VL projections above the indicated internal growth rate. PNW's dividends are expected to grow at a 1% rate, supporting moderate long-term growth rate expectations. Over the past five years, PNW'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 **3.5%** for PNW.

Regarding share growth, PNW's shares outstanding increased at a 2.4% rate over the past five years due to a share issuance in 2005. The number of shares outstanding in 2012-2014 is expected to show a 2.11% increase from 2007 levels. An expectation of share growth of **2.25%** for this company is reasonable.