

WILLIAM E. AVERA

FINCAP, INC.
Financial Concepts and Applications
Economic and Financial Counsel

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Summary of Qualifications

Ph.D. in economics and finance; Chartered Financial Analyst (CFA[®]) designation; extensive expert witness testimony before courts, alternative dispute resolution panels, regulatory agencies and legislative committees; lectured in executive education programs around the world on ethics, investment analysis, and regulation; undergraduate and graduate teaching in business and economics; appointed to leadership positions in government, industry, academia, and the military.

Employment

Principal,
FINCAP, Inc.
(Sep. 1979 to present)

Financial, economic and policy consulting to business and government. Perform business and public policy research, cost/benefit analyses and financial modeling, valuation of businesses (over 100 entities valued), estimation of damages, statistical and industry studies. Provide strategy advice and educational services in public and private sectors, and serve as expert witness before regulatory agencies, legislative committees, arbitration panels, and courts.

*Director, Economic Research
Division,*
Public Utility Commission of Texas
(Dec. 1977 to Aug. 1979)

Responsible for research and testimony preparation on rate of return, rate structure, and econometric analysis dealing with energy, telecommunications, water and sewer utilities. Testified in major rate cases and appeared before legislative committees and served as Chief Economist for agency. Administered state and federal grant funds. Communicated frequently with political leaders and representatives from consumer groups, media, and investment community.

Manager, Financial Education,
International Paper Company
New York City
(Feb. 1977 to Nov. 1977)

Directed corporate education programs in accounting, finance, and economics. Developed course materials, recruited and trained instructors, liaison within the company and with academic institutions. Prepared operating budget and designed financial controls for corporate professional development program.

Lecturer in Finance,
The University of Texas at Austin
(Sep. 1979 to May 1981)
Assistant Professor of Finance,
(Sep. 1975 to May 1977)

Taught graduate and undergraduate courses in financial management and investment theory. Conducted research in business and public policy. Named Outstanding Graduate Business Professor and received various administrative appointments.

Assistant Professor of Business,
University of North Carolina at
Chapel Hill
(Sep. 1972 to Jul. 1975)

Taught in BBA, MBA, and Ph.D. programs. Created project course in finance, Financial Management for Women, and participated in developing Small Business Management sequence. Organized the North Carolina Institute for Investment Research, a group of financial institutions that supported academic research. Faculty advisor to the Media Board, which funds student publications and broadcast stations.

Education

Ph.D., Economics and Finance,
University of North Carolina at
Chapel Hill
(Jan. 1969 to Aug. 1972)

Elective courses included financial management, public finance, monetary theory, and econometrics. Awarded the Stonier Fellowship by the American Bankers' Association and University Teaching Fellowship. Taught statistics, macroeconomics, and microeconomics.

Dissertation: *The Geometric Mean Strategy as a Theory of Multiperiod Portfolio Choice*

B.A., Economics,
Emory University, Atlanta, Georgia
(Sep. 1961 to Jun. 1965)

Active in extracurricular activities, president of the Barkley Forum (debate team), Emory Religious Association, and Delta Tau Delta chapter. Individual awards and team championships at national collegiate debate tournaments.

Professional Associations

Received Chartered Financial Analyst (CFA) designation in 1977; Vice President for Membership, Financial Management Association; President, Austin Chapter of Planning Executives Institute; Board of Directors, North Carolina Society of Financial Analysts; Candidate Curriculum Committee, Association for Investment Management and Research; Executive Committee of Southern Finance Association; Vice Chair, Staff Subcommittee on Economics and National Association of Regulatory Utility Commissioners (NARUC); Appointed to NARUC Technical Subcommittee on the National Energy Act.

Teaching in Executive Education Programs

University-Sponsored Programs: Central Michigan University, Duke University, Louisiana State University, National Defense University, National University of Singapore, Texas A&M University, University of Kansas, University of North Carolina, University of Texas.

Business and Government-Sponsored Programs: Advanced Seminar on Earnings Regulation, American Public Welfare Association, Association for Investment Management and Research, Congressional Fellows Program, Cost of Capital Workshop, Electricity Consumers Resource Council, Financial Analysts Association of Indonesia, Financial Analysts Review, Financial Analysts Seminar at Northwestern University, Governor's Executive Development Program of Texas, Louisiana Association of Business and Industry, National Association of Purchasing Management, National Association of Tire Dealers, Planning Executives Institute, School of Banking of the South, State of Wisconsin Investment Board, Stock Exchange of Thailand, Texas Association of State Sponsored Computer Centers, Texas Bankers' Association, Texas Bar Association, Texas Savings and Loan League, Texas Society of CPAs, Tokyo Association of Foreign Banks, Union Bank of Switzerland, U.S. Department of State, U.S. Navy, U.S. Veterans Administration, in addition to Texas state agencies and major corporations.

Presented papers for Mills B. Lane Lecture Series at the University of Georgia and Heubner Lectures at the University of Pennsylvania. Taught graduate courses in finance and economics in evening program at St. Edward's University in Austin from January 1979 through 1998.

Expert Witness Testimony

Testified in over 200 cases before regulatory agencies addressing cost of capital, rate design, and other economic and financial issues.

Federal Agencies: Federal Communications Commission, Federal Energy Regulatory Commission, Surface Transportation Board, Interstate Commerce Commission, and the Canadian Radio-Television and Telecommunications Commission.

State Regulatory Agencies: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Kansas, Maryland, Michigan, Missouri, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin.

Testified in over 30 cases before federal and state courts, arbitration panels, and alternative dispute tribunals (over 60 depositions given) regarding damages, valuation, antitrust liability, fiduciary duties, and other economic and financial issues.

Board Positions and Other Professional Activities

Audit Committee and Outside Director, Georgia System Operations Corporation (electric system operator for member-owned electric cooperatives in Georgia); Chairman, Board of Print Depot, Inc. and FINCAP, Inc.; Co-chair, Synchronous Interconnection Committee, appointed by Governor George Bush and Public Utility Commission of Texas; Operator of AAA Ranch, a certified organic producer of agricultural products; Appointed to Organic Livestock Advisory Committee by Texas Agricultural Commissioner Susan Combs; Appointed by Texas Railroad Commissioners to study group for *The UP/SP Merger: An Assessment of the Impacts on the State of Texas*; Appointed by

Hawaii Public Utilities Commission to team reviewing affiliate relationships of Hawaiian Electric Industries; Chairman, Energy Task Force, Greater Austin-San Antonio Corridor Council; Consultant to Public Utility Commission of Texas on cogeneration policy and other matters; Consultant to Public Service Commission of New Mexico on cogeneration policy; Evaluator of Energy Research Grant Proposals for Texas Higher Education Coordinating Board.

Community Activities

Board Member, Sustainable Food Center; Chair, Board of Deacons, Finance Committee, and Elder, Central Presbyterian Church of Austin; Founding Member, Orange-Chatham County (N.C.) Legal Aid Screening Committee.

Military

Captain, U.S. Naval Reserve (retired after 28 years service); Commanding Officer, Naval Special Warfare Engineering Support Unit; Officer-in-charge of SWIFT patrol boat in Vietnam; Enlisted service as weather analyst (advanced to second class petty officer).

Bibliography

Monographs

Ethics and the Investment Professional (video, workbook, and instructor's guide) and *Ethics Challenge Today* (video), Association for Investment Management and Research (1995)

"Definition of Industry Ethics and Development of a Code" and "Applying Ethics in the Real World," in *Good Ethics: The Essential Element of a Firm's Success*, Association for Investment Management and Research (1994)

"On the Use of Security Analysts' Growth Projections in the DCF Model," with Bruce H. Fairchild in *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds. Institute for Study of Regulation (1982)

An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies, with Bruce H. Fairchild, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982)

"Usefulness of Current Values to Investors and Creditors," *Research Study on Current-Value Accounting Measurements and Utility*, George M. Scott, ed., Touche Ross Foundation (1978)

"The Geometric Mean Strategy and Common Stock Investment Management," with Henry A. Latané in *Life Insurance Investment Policies*, David Cummins, ed. (1977)

Investment Companies: Analysis of Current Operations and Future Prospects, with J. Finley Lee and Glenn L. Wood, American College of Life Underwriters (1975)

Articles

"Should Analysts Own the Stocks they Cover?" *The Financial Journalist*, (March 2002)

"Liquidity, Exchange Listing, and Common Stock Performance," with John C. Groth and Kerry Cooper, *Journal of Economics and Business* (Spring 1985); reprinted by National Association of Security Dealers

- "The Energy Crisis and the Homeowner: The Grief Process," *Texas Business Review* (Jan.–Feb. 1980); reprinted in *The Energy Picture: Problems and Prospects*, J. E. Pluta, ed., Bureau of Business Research (1980)
- "Use of IFPS at the Public Utility Commission of Texas," *Proceedings of the IFPS Users Group Annual Meeting* (1979)
- "Production Capacity Allocation: Conversion, CWIP, and One-Armed Economics," *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978)
- "Some Thoughts on the Rate of Return to Public Utility Companies," with Bruce H. Fairchild in *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978)
- "A New Capital Budgeting Measure: The Integration of Time, Liquidity, and Uncertainty," with David Cordell in *Proceedings of the Southwestern Finance Association* (1977)
- "Usefulness of Current Values to Investors and Creditors," in *Inflation Accounting/Indexing and Stock Behavior* (1977)
- "Consumer Expectations and the Economy," *Texas Business Review* (Nov. 1976)
- "Portfolio Performance Evaluation and Long-run Capital Growth," with Henry A. Latané in *Proceedings of the Eastern Finance Association* (1973)
- Book reviews in *Journal of Finance* and *Financial Review*. Abstracts for *CFA Digest*. Articles in *Carolina Financial Times*.

Selected Papers and Presentations

- "The Who, What, When, How, and Why of Ethics", San Antonio Financial Analysts Society (Jan. 16, 2002). Similar presentation given to the Austin Society of Financial Analysts (Jan. 17, 2002)
- "Ethics for Financial Analysts," Sponsored by Canadian Council of Financial Analysts: delivered in Calgary, Edmonton, Regina, and Winnipeg, June 1997. Similar presentations given to Austin Society of Financial Analysts (Mar. 1994), San Antonio Society of Financial Analysts (Nov. 1985), and St. Louis Society of Financial Analysts (Feb. 1986)
- "Cost of Capital for Multi-Divisional Corporations," Financial Management Association, New Orleans, Louisiana (Oct. 1996)
- "Ethics and the Treasury Function," Government Treasurers Organization of Texas, Corpus Christi, Texas (Jun. 1996)
- "A Cooperative Future," Iowa Association of Electric Cooperatives, Des Moines (December 1995). Similar presentations given to National G & T Conference, Irving, Texas (June 1995), Kentucky Association of Electric Cooperatives Annual Meeting, Louisville (Nov. 1994), Virginia, Maryland, and Delaware Association of Electric Cooperatives Annual Meeting, Richmond (July 1994), and Carolina Electric Cooperatives Annual Meeting, Raleigh (Mar. 1994)
- "Information Superhighway Warnings: Speed Bumps on Wall Street and Detours from the Economy," Texas Society of Certified Public Accountants Natural Gas, Telecommunications and Electric Industries Conference, Austin (Apr. 1995)
- "Economic/Wall Street Outlook," Carolinas Council of the Institute of Management Accountants, Myrtle Beach, South Carolina (May 1994). Similar presentation given to Bell Operating Company Accounting Witness Conference, Santa Fe, New Mexico (Apr. 1993)

- "Regulatory Developments in Telecommunications," Regional Holding Company Financial and Accounting Conference, San Antonio (Sep. 1993)
- "Estimating the Cost of Capital During the 1990s: Issues and Directions," The National Society of Rate of Return Analysts, Washington, D.C. (May 1992)
- "Making Utility Regulation Work at the Public Utility Commission of Texas," Center for Legal and Regulatory Studies, University of Texas, Austin (June 1991)
- "Can Regulation Compete for the Hearts and Minds of Industrial Customers," Emerging Issues of Competition in the Electric Utility Industry Conference, Austin (May 1988)
- "The Role of Utilities in Fostering New Energy Technologies," Emerging Energy Technologies in Texas Conference, Austin (Mar. 1988)
- "The Regulators' Perspective," Bellcore Economic Analysis Conference, San Antonio (Nov. 1987)
- "Public Utility Commissions and the Nuclear Plant Contractor," Construction Litigation Superconference, Laguna Beach, California (Dec. 1986)
- "Development of Cogeneration Policies in Texas," University of Georgia Fifth Annual Public Utilities Conference, Atlanta (Sep. 1985)
- "Wheeling for Power Sales," Energy Bureau Cogeneration Conference, Houston (Nov. 1985).
- "Asymmetric Discounting of Information and Relative Liquidity: Some Empirical Evidence for Common Stocks" (with John Groth and Kerry Cooper), Southern Finance Association, New Orleans (Nov. 1982)
- "Used and Useful Planning Models," Planning Executive Institute, 27th Corporate Planning Conference, Los Angeles (Nov. 1979)
- "Staff Input to Commission Rate of Return Decisions," The National Society of Rate of Return Analysts, New York (Oct. 1979)
- "Electric Rate Design in Texas," Southwestern Economics Association, Fort Worth (Mar. 1979)
- "Discounted Cash Life: A New Measure of the Time Dimension in Capital Budgeting," with David Cordell, Southern Finance Association, New Orleans (Nov. 1978)
- "The Relative Value of Statistics of Ex Post Common Stock Distributions to Explain Variance," with Charles G. Martin, Southern Finance Association, Atlanta (Nov. 1977)
- "An ANOVA Representation of Common Stock Returns as a Framework for the Allocation of Portfolio Management Effort," with Charles G. Martin, Financial Management Association, Montreal (Oct. 1976) —
- "A Growth-Optimal Portfolio Selection Model with Finite Horizon," with Henry A. Latané, American Finance Association, San Francisco (Dec. 1974)
- "An Optimal Approach to the Finance Decision," with Henry A. Latané, Southern Finance Association, Atlanta (Nov. 1974)
- "A Pragmatic Approach to the Capital Structure Decision Based on Long-Run Growth," with Henry A. Latané, Financial Management Association, San Diego (Oct. 1974)
- "Multi-period Wealth Distributions and Portfolio Theory," Southern Finance Association, Houston (Nov. 1973)
- "Growth Rates, Expected Returns, and Variance in Portfolio Selection and Performance Evaluation," with Henry A. Latané, Econometric Society, Oslo, Norway (Aug. 1973)

CONSTANT GROWTH DCF MODEL

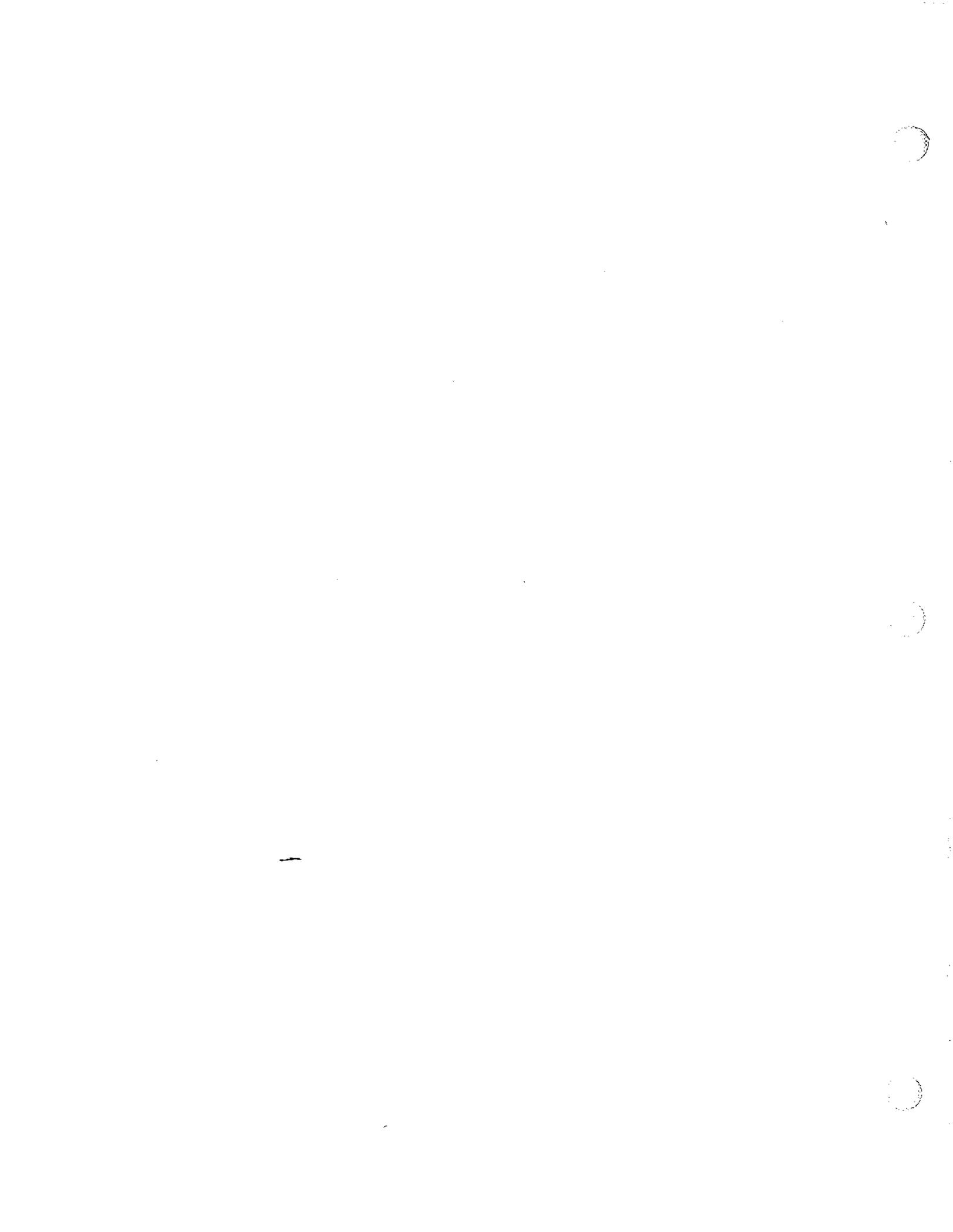
Exhibit WEA-1

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EXPECTED DIVIDEND YIELD

	(a)	(a)	
<u>Company</u>	<u>Recent Price</u>	<u>Estimated Dividends Next 12 Mos.</u>	<u>Dividend Yield</u>
Black Hills Corp.	\$ 36.82	\$ 1.34	3.6%
Edison International	\$ 40.18	\$ 1.12	2.8%
Hawaiian Electric	\$ 26.84	\$ 1.24	4.6%
IDACORP, Inc.	\$ 34.22	\$ 1.20	3.5%
MDU Resources Group	\$ 36.48	\$ 0.79	2.2%
PG&E Corp.	\$ 39.58	\$ 1.36	3.4%
Pinnacle West Capital	\$ 40.05	\$ 2.05	5.1%
PNM Resources Group	\$ 25.35	\$ 0.88	3.5%
Puget Energy, Inc.	\$ 20.75	\$ 1.00	4.8%
Sempra Energy	\$ 45.24	\$ 1.22	2.7%
Xcel Energy	\$ 18.51	\$ 0.89	4.8%
Average			3.7%

(a) The Value Line Investment Survey, Summary and Index (May 12, 2006).



PROJECTED GROWTH RATES

<u>Company</u>	<u>Earnings</u>				
	(a)	(b)	(c)	(d)	(e)
	<u>IBES</u>	<u>Value</u>	<u>First</u>	<u>Zacks</u>	<u>Reuters</u>
Black Hills Corp.	6.0%	6.5%	6.0%	6.0%	5.0%
Edison International	8.0%	7.0%	7.5%	7.8%	7.5%
Hawaiian Electric	4.0%	3.0%	3.0%	5.2%	2.9%
IDACORP, Inc.	5.0%	4.5%	5.0%	4.5%	4.8%
MDU Resources Group	8.0%	8.0%	8.0%	8.3%	6.7%
PG&E Corp.	8.0%	5.5%	7.6%	7.7%	7.3%
Pinnacle West Capital	6.0%	6.0%	6.0%	6.8%	7.6%
PNM Resources Group	10.0%	5.5%	9.0%	8.3%	10.4%
Puget Energy, Inc.	4.0%	5.0%	4.0%	7.0%	5.1%
Sempra Energy	6.0%	5.5%	5.0%	5.4%	6.4%
Xcel Energy	4.0%	6.0%	4.0%	4.2%	4.3%
Average	6.3%	5.7%	5.9%	6.5%	6.2%

NA -- Not Available

- (a) I/B/E/S International growth rates from Standard & Poor's Earnings Guide, (May 2006).
- (b) The Value Line Investment Survey (May 12, 2006).
- (c) First Call Earnings Estimates from www.finance.yahoo.com (Retrieved May 22, 2006).
- (d) Zacks Investment Research growth estimates from www.zacks.com (Retrieved May 22, 2006).
- (e) Reuters earnings growth rates from www.investor.reuters.com (May 22, 2006).

CONSTANT GROWTH DCF MODEL

SUSTAINABLE GROWTH RATE

Company	(a) Projections 2009-11		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	EPS	DPS	Net Book Value	Annual Change	Mid-Year Adjustment Factor	"b"	Adjusted "r"	growth	"sv" Factor	Sustainable Growth
			2005 Net Book Value							
Black Hills Corp.	\$2.75	\$1.48	\$28.00	4.7%	1.0228	46.2%	10.0%	4.6%	0.13%	4.8%
Edison International	\$3.25	\$1.40	\$29.90	8.1%	1.0387	56.9%	11.3%	6.4%	0.01%	6.4%
Hawaiian Electric	\$1.75	\$1.24	\$17.00	2.5%	1.0124	29.1%	10.4%	3.0%	0.12%	3.2%
IDACORP, Inc.	\$2.00	\$1.20	\$28.25	3.3%	1.0161	40.0%	7.2%	2.9%	0.24%	3.1%
MDU Resources Group	\$3.00	\$0.94	\$25.75	10.5%	1.0498	68.7%	12.2%	8.4%	1.50%	9.9%
PG&E Corp.	\$3.00	\$1.66	\$26.45	6.2%	1.0300	44.7%	11.7%	5.2%	-0.01%	5.2%
Pinnacle West Capital	\$3.55	\$2.43	\$40.20	3.1%	1.0151	31.5%	9.0%	2.8%	0.00%	2.8%
PNM Resources Group	\$1.90	\$1.10	\$23.00	4.2%	1.0207	42.1%	8.4%	3.6%	0.29%	3.8%
Puget Energy, Inc.	\$1.75	\$1.10	\$21.00	3.7%	1.0181	37.1%	8.5%	3.2%	0.16%	3.3%
Sempra Energy	\$4.75	\$1.36	\$39.00	10.2%	1.0487	71.4%	12.8%	9.1%	0.40%	9.5%
Xcel Energy	\$1.75	\$1.10	\$15.75	3.3%	1.0164	37.1%	11.3%	4.2%	0.56%	4.7%
Average										5.2%

(a) The Value Line Investment Survey (May 12, 2006).

(b) Annual growth in book value per share from 2005 to 2009-11.

(c) Equal to $2(1+b)/(2+b)$, where b = annual change in net book value.

(d) (EPS-DPS)/EPS.

(e) (EPS/2009-11 Net Book Value) x Mid-Year Adjustment Factor.

(f) (d) x (e).

(g) "s" equals projected market-to-book ratio x growth in common shares. "v" equals (1- 1/projected market-to-book ratio).

(h) (f) + (g).

AUTHORIZED RATES OF RETURN - CURRENT YIELD

YEAR	(a)	(b)	RISK PREMIUM
	ALLOWED ROE	AVERAGE PUBLIC UTILITY BOND YIELD	
1974	13.10%	9.27%	3.83%
1975	13.20%	9.88%	3.32%
1976	13.10%	9.17%	3.93%
1977	13.30%	8.58%	4.72%
1978	13.20%	9.22%	3.98%
1979	13.50%	10.39%	3.11%
1980	14.23%	13.15%	1.08%
1981	15.22%	15.62%	-0.40%
1982	15.78%	15.33%	0.45%
1983	15.36%	13.31%	2.05%
1984	15.32%	14.03%	1.29%
1985	15.20%	12.29%	2.91%
1986	13.93%	9.46%	4.47%
1987	12.99%	9.98%	3.01%
1988	12.79%	10.45%	2.34%
1989	12.97%	9.66%	3.31%
1990	12.70%	9.76%	2.94%
1991	12.55%	9.21%	3.34%
1992	12.09%	8.57%	3.52%
1993	11.41%	7.56%	3.85%
1994	11.34%	8.30%	3.04%
1995	11.55%	7.91%	3.64%
1996	11.39%	7.74%	3.65%
1997	11.40%	7.63%	3.77%
1998	11.66%	7.00%	4.66%
1999	10.77%	7.55%	3.22%
2000	11.43%	8.14%	3.29%
2001	11.09%	7.72%	3.37%
2002	11.16%	7.50%	3.66%
2003	10.97%	6.61%	4.36%
2004	10.75%	6.20%	4.55%
2005	10.54%	5.67%	4.87%
Average		9.46%	3.22%

Implied Cost of Equity

Average Yield over Study Period	9.46%
April 2006 Average Utility Bond Yield (c)	6.39%
Change in Bond Yield	-3.07%
Risk Premium/Interest Rate Relationship (d)	-43.14%
Adjustment to Average Risk Premium	1.32%
Average Risk Premium over Study Period	3.22%
Adjusted Risk Premium	4.54%
April 2006 Triple-B Utility Bond Yield	6.59%
Implied Cost of Equity	11.13%

- (a) Regulatory Research Associates, Major Rate Case Decisions, January 1990 - December 2005, *Regulatory Focus* (January 2006); Major Rate Case Decisions, *Regulatory Focus*, (January 16, 1990); Argus, *UtilityScope Regulatory Service* (January 1986).
- (b) Moody's *Public Utility Manual* (2003); Mergent *Bond Record* (Jan. 2006).
- (c) Moody's *Credit Perspectives* (May 8, 2006).
- (d) Coefficient of regression between bond yields and equity risk premiums over the study period.

AUTHORIZED RATES OF RETURN - PROJECTED YIELD

YEAR	(a)	(b)	RISK PREMIUM
	ALLOWED ROE	AVERAGE PUBLIC UTILITY BOND YIELD	
1974	13.10%	9.27%	3.83%
1975	13.20%	9.88%	3.32%
1976	13.10%	9.17%	3.93%
1977	13.30%	8.58%	4.72%
1978	13.20%	9.22%	3.98%
1979	13.50%	10.39%	3.11%
1980	14.23%	13.15%	1.08%
1981	15.22%	15.62%	-0.40%
1982	15.78%	15.33%	0.45%
1983	15.36%	13.31%	2.05%
1984	15.32%	14.03%	1.29%
1985	15.20%	12.29%	2.91%
1986	13.93%	9.46%	4.47%
1987	12.99%	9.98%	3.01%
1988	12.79%	10.45%	2.34%
1989	12.97%	9.66%	3.31%
1990	12.70%	9.76%	2.94%
1991	12.55%	9.21%	3.34%
1992	12.09%	8.57%	3.52%
1993	11.41%	7.56%	3.85%
1994	11.34%	8.30%	3.04%
1995	11.55%	7.91%	3.64%
1996	11.39%	7.74%	3.65%
1997	11.40%	7.63%	3.77%
1998	11.66%	7.00%	4.66%
1999	10.77%	7.55%	3.22%
2000	11.43%	8.14%	3.29%
2001	11.09%	7.72%	3.37%
2002	11.16%	7.50%	3.66%
2003	10.97%	6.61%	4.36%
2004	10.75%	6.20%	4.55%
2005	10.54%	5.67%	4.87%
Average		9.46%	3.22%

Implied Cost of Equity

Average Yield over Study Period	9.46%
2007 Average Utility Bond Yield (c)	6.60%
Change in Bond Yield	-2.86%
Risk Premium/Interest Rate Relationship (d)	-43.14%
Adjustment to Average Risk Premium	1.23%
Average Risk Premium over Study Period	3.22%
Adjusted Risk Premium	4.45%
2007 Triple-B Utility Bond Yield	6.90%
Implied Cost of Equity	11.35%

- (a) Regulatory Research Associates, Major Rate Case Decisions, January 1990 - December 2005, *Regulatory Focus* (January 2006); Major Rate Case Decisions, *Regulatory Focus*, (January 16, 1990); Argus, *UtilityScope Regulatory Service* (January 1986).
- (b) Moody's *Public Utility Manual* (2003); Mergent *Bond Record* (Jan. 2006).
- (c) Based on interest rate forecasts reported by GlobalInsight, *The U.S. Economy: The 30-Year Focus* (First-Quarter 2006), EIA, *Annual Energy Outlook 2006* (Feb. 2006), and Blue Chip Financial Forecasts (Apr. 1, 2006).
- (d) Coefficient of regression between bond yields and equity risk premiums over the study period.

REALIZED RATES OF RETURN - CURRENT YIELD

	<u>S&P ELECTRIC UTILITIES (a)</u>			<u>AVERAGE PUBLIC UTILITY BONDS (b)</u>		
	<u>CLOSE PRICE</u>	<u>DIV</u>	<u>ANNUAL REALIZED RETURN (c)</u>	<u>CLOSE YIELD</u>	<u>PRICE</u>	<u>ANNUAL REALIZED RETURN (d)</u>
1945	\$16.34			2.79%		
1946	\$15.53	\$0.73	-0.49%	2.77%	\$100.36	3.15%
1947	\$12.89	\$0.75	-12.17%	3.02%	\$95.66	-1.57%
1948	\$12.37	\$0.71	1.47%	3.06%	\$99.31	2.33%
1949	\$14.60	\$0.80	24.49%	2.79%	\$104.81	7.87%
1950	\$14.49	\$0.88	5.27%	2.87%	\$98.59	1.38%
1951	\$16.07	\$0.92	17.25%	3.24%	\$93.73	-3.40%
1952	\$18.28	\$0.95	19.66%	3.19%	\$100.85	4.09%
1953	\$18.97	\$0.99	9.19%	3.37%	\$96.99	0.18%
1954	\$22.39	\$1.03	23.46%	3.10%	\$104.65	8.02%
1955	\$24.06	\$1.09	12.33%	3.31%	\$96.47	-0.43%
1956	\$23.61	\$1.13	2.83%	3.93%	\$90.24	-6.45%
1957	\$24.85	\$1.19	10.29%	4.29%	\$94.54	-1.53%
1958	\$33.14	\$1.24	38.35%	4.39%	\$98.50	2.79%
1959	\$33.42	\$1.30	4.77%	4.86%	\$93.28	-2.33%
1960	\$39.35	\$1.37	21.84%	4.58%	\$104.12	8.98%
1961	\$49.28	\$1.44	28.89%	4.62%	\$99.41	3.99%
1962	\$48.60	\$1.52	1.70%	4.41%	\$103.14	7.76%
1963	\$51.97	\$1.63	10.29%	4.49%	\$98.81	3.22%
1964	\$58.21	\$1.74	15.36%	4.54%	\$99.26	3.75%
1965	\$58.05	\$1.90	2.99%	4.82%	\$95.98	0.52%
1966	\$53.49	\$2.04	-4.34%	5.65%	\$89.03	-6.15%
1967	\$49.90	\$2.16	-2.67%	6.57%	\$88.85	-5.50%
1968	\$51.95	\$2.27	8.66%	6.85%	\$96.69	3.26%
1969	\$42.65	\$2.33	-13.42%	8.39%	\$84.09	-9.06%
1970	\$45.62	\$2.40	12.59%	8.45%	\$99.38	7.77%
1971	\$44.18	\$2.47	2.26%	7.92%	\$105.70	14.15%
1972	\$43.50	\$2.53	4.19%	7.48%	\$104.91	12.83%
1973	\$32.85	\$2.51	-18.71%	8.17%	\$92.74	0.22%
1974	\$22.03	\$2.49	-25.36%	10.02%	\$83.23	-8.60%
1975	\$30.56	\$2.57	50.39%	9.87%	\$101.38	11.40%
1976	\$35.17	\$2.58	23.53%	8.61%	\$112.78	22.65%
1977	\$35.67	\$2.74	9.21%	8.65%	\$99.60	8.21%
1978	\$31.38	\$2.94	-3.78%	9.67%	\$90.50	-0.85%
1979	\$28.44	\$3.10	0.51%	11.68%	\$83.88	-6.45%
1980	\$27.19	\$3.20	6.86%	14.48%	\$81.32	-7.00%
1981	\$29.33	\$3.42	20.45%	15.77%	\$92.03	6.51%
1982	\$36.15	\$3.62	35.59%	13.55%	\$115.70	31.47%
1983	\$37.14	\$3.84	13.36%	13.48%	\$100.50	14.05%
1984	\$42.26	\$4.06	24.72%	12.96%	\$103.82	17.30%
1985	\$48.82	\$4.15	25.34%	10.82%	\$118.26	31.22%
1986	\$58.31	\$4.21	28.06%	8.96%	\$118.33	29.15%
1987	\$49.78	\$4.34	-7.19%	10.99%	\$82.89	-8.15%
1988	\$53.87	\$4.37	16.99%	10.02%	\$108.79	19.78%
1989	\$66.55	\$4.28	31.48%	9.31%	\$106.80	16.82%
1990	\$63.47	\$4.45	2.06%	9.57%	\$97.56	6.87%
1991	\$77.25	\$4.57	28.91%	8.76%	\$108.11	17.68%
1992	\$76.78	\$4.68	5.45%	8.36%	\$104.14	12.90%
1993	\$81.71	\$4.71	12.56%	7.33%	\$111.65	20.01%
1994	\$66.30	\$4.65	-13.17%	8.79%	\$85.41	-7.26%
1995	\$81.62	\$4.67	30.15%	7.21%	\$118.07	26.86%
1996	\$76.75	\$4.61	-0.32%	7.58%	\$95.90	3.11%
1997	\$91.49	\$4.47	25.03%	7.16%	\$104.82	12.40%
1998	\$100.86	\$4.39	15.04%	6.84%	\$103.78	10.94%
1999	\$77.42	\$4.35	-18.93%	8.04%	\$87.23	-5.93%
2000	\$113.00	\$4.42	51.67%	7.79%	\$102.72	10.76%
2001	\$99.70	\$3.56	-8.62%	7.86%	\$99.24	7.03%
2002	\$77.85	\$3.88	-18.02%	7.13%	\$108.41	16.27%
2003	\$92.63	\$3.47	23.45%	6.35%	\$109.60	17.46%
2004	\$112.82	\$3.78	25.88%	5.93%	\$105.40	12.53%
2005	\$128.07	\$4.49	17.49%	5.83%	\$101.34	7.70%
Average			10.92%			6.78%

Realized Rates of Return

S&P Electric Utilities	10.92%
Average Public Utility Bonds	6.78%

Equity Risk Premium 4.14%

April 2006 Triple-B Utility Bond Yield (e) 6.59%

Implied Cost of Equity 10.73%

(a) S&P's *Security Price Index Record* (2002), *The Analysts' Handbook* (1967, 1999, 2001, 2005, Monthly Supplement (March 2006).

(b) Average public utility bond yields for December from *Mergent Public Utility Manual* (2003), *Mergent Bond Record* (Jan. 2006).

(c) Computed by adding gain or loss (ending stock price - beginning stock price) to annual dividends and dividing by beginning stock price.

(d) Computed as sum of capital gain or loss plus interest income, divided by beginning price.

(e) *Moody's Credit Perspectives* (May 8, 2006).

REALIZED RATES OF RETURN - PROJECTED YIELD

	<u>S&P ELECTRIC UTILITIES (a)</u>			<u>AVERAGE PUBLIC UTILITY BONDS (b)</u>		
	<u>CLOSE PRICE</u>	<u>DIV</u>	<u>ANNUAL REALIZED RETURN (c)</u>	<u>CLOSE YIELD</u>	<u>PRICE</u>	<u>ANNUAL REALIZED RETURN (d)</u>
1945	\$16.34			2.79%		
1946	\$15.53	\$0.73	-0.49%	2.77%	\$100.36	3.15%
1947	\$12.89	\$0.75	-12.17%	3.02%	\$95.66	-1.57%
1948	\$12.37	\$0.71	1.47%	3.06%	\$99.31	2.33%
1949	\$14.60	\$0.80	24.49%	2.79%	\$104.81	7.87%
1950	\$14.49	\$0.88	5.27%	2.87%	\$98.59	1.38%
1951	\$16.07	\$0.92	17.25%	3.24%	\$93.73	-3.40%
1952	\$18.28	\$0.95	19.66%	3.19%	\$100.85	4.09%
1953	\$18.97	\$0.99	9.19%	3.37%	\$96.99	0.18%
1954	\$22.39	\$1.03	23.46%	3.10%	\$104.65	8.02%
1955	\$24.06	\$1.09	12.33%	3.31%	\$96.47	-0.43%
1956	\$23.61	\$1.13	2.83%	3.93%	\$90.24	-6.45%
1957	\$24.85	\$1.19	10.29%	4.29%	\$94.54	-1.53%
1958	\$33.14	\$1.24	38.35%	4.39%	\$98.50	2.79%
1959	\$33.42	\$1.30	4.77%	4.86%	\$93.28	-2.33%
1960	\$39.35	\$1.37	21.84%	4.58%	\$104.12	8.98%
1961	\$49.28	\$1.44	28.89%	4.62%	\$99.41	3.99%
1962	\$48.60	\$1.52	1.70%	4.41%	\$103.14	7.76%
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1988	\$53.87	\$4.37	16.99%	10.02%	\$108.79	19.78%
1989	\$66.55	\$4.28	31.48%	9.31%	\$106.80	16.82%
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1992	\$76.78	\$4.68	5.45%	8.36%	\$104.14	12.90%
1993	\$81.71	\$4.71	12.56%	7.33%	\$111.65	20.01%
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1995	\$81.62	\$4.67	30.15%	7.21%	\$118.07	26.86%
1996	\$76.75	\$4.61	-0.32%	7.58%	\$95.90	3.11%
1997	\$91.49	\$4.47	25.03%	7.16%	\$104.82	12.40%
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2000	\$113.00	\$4.42	51.67%	7.79%	\$102.72	10.76%
2001	\$99.70	\$3.56	-8.62%	7.86%	\$99.24	7.03%
2002	\$77.85	\$3.88	-18.02%	7.13%	\$108.41	16.27%
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2004	\$112.82	\$3.78	25.88%	5.93%	\$105.40	12.53%
2005	\$128.07	\$4.49	17.49%	5.83%	\$101.34	7.70%
Average			10.92%			6.78%
<u>Realized Rates of Return</u>						
S&P Electric Utilities					10.92%	
Average Public Utility Bonds					6.78%	
<u>Equity Risk Premium</u>					4.14%	
2007 Triple-B Utility Bond Yield (e)					6.90%	
<u>Implied Cost of Equity</u>					11.04%	

(a) S&P's *Security Price Index Record* (2002), *The Analysts' Handbook* (1967, 1999, 2001, 2005, Monthly Supplement (March 2006)).(b) Average public utility bond yields for December from *Merger Public Utility Manual* (2003), *Merger Bond Record* (Jan. 2006).

(c) Computed by adding gain or loss (ending stock price - beginning stock price) to annual dividends and dividing by beginning stock price.

(d) Computed as sum of capital gain or loss plus interest income, divided by beginning price.

(e) Based on interest rate forecasts reported by GlobalInsight, *The U.S. Economy: The 30-Year Focus* (First-Quarter 2006), ELA, *Annual Energy Outlook 2006* (Feb. 2006), and Blue Chip Financial Forecasts (Apr. 1, 2006).

CAPITAL ASSET PRICING MODEL

Exhibit WEA-6

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FORWARD-LOOKING RISK PREMIUM

Market Rate of Return

Dividend Yield (a)	1.8%
Growth Rate (b)	<u>11.8%</u>
Market Return (c)	13.6%
<u>Less: Risk-Free Rate (d)</u>	
Long-term Treasury Bond Yield	<u>5.3%</u>
<u>Market Risk Premium (e)</u>	8.3%
<u>Utility Proxy Group Beta (f)</u>	<u>0.95</u>
<u>Utility Proxy Group Risk Premium (g)</u>	7.9%
<u>Plus: Risk-free Rate (d)</u>	
Long-term Treasury Bond Yield	<u>5.3%</u>
Implied Cost of Equity (h)	<u><u>13.2%</u></u>

- (a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (Retrieved May 23, 2006).
- (b) Weighted average of IBES and Value Line growth rates for the dividend paying firms in the S&P 500 based on data from Standard & Poor's *Earnings Guide* (May 2006) and www.valueline.com (Retrieved May 23, 2006).
- (c) (a) + (b)
- (d) Average of the daily yields on 20-year Treasury bonds for May 2006 reported by the U.S. Department of the Treasury at www.treas.gov.
- (e) (c) - (d).
- (f) The Value Line Investment Survey (May 12, 2006).
- (g) (e) x (f).
- (h) (d) + (g).

CAPITAL ASSET PRICING MODEL

Exhibit WEA-7

Page 1 of 1

HISTORICAL RISK PREMIUM

Market Risk Premium

Long-Horizon Equity Risk Premium (a) 7.1%

Utility Proxy Group Beta (b) 0.95

Utility Proxy Group Risk Premium (c) 6.7%

Plus: Risk-free Rate (d)

Long-term Treasury Bond Yield 5.3%

Implied Cost of Equity (e) 12.0%

(a) Arithmetic mean risk premium on Large Company Stocks from 1926-2005 reported by Ibbotson Associates, *Stocks, Bonds, Bills, and Inflation, Valuation Edition, 2006 Yearbook*, at Appendix C, Table C-1, p. 262.

(b) The Value Line Investment Survey (May 12, 2006).

(c) (a) x (b).

(d) Average of the daily yields on 20-year Treasury bonds for May 2006 reported by the U.S. Department of the Treasury at www.treas.gov.

(e) (c) + (d).

ELECTRIC UTILITY PROXY GROUP

Exhibit WEA-8

Page 1 of 1

CAPITAL STRUCTURE

Company	At December 31, 2005 (a)			Value Line Projected 2009-11 (b)		
	Long-term	Preferred	Common	Long-term	Other	Common
	Debt	Equity	Equity	Debt	Equity	Equity
Black Hills Corp.	47.8%	0.0%	52.2%	47.0%	0.0%	53.0%
Edison International	55.6%	4.2%	40.2%	47.0%	4.5%	48.5%
Hawaiian Electric	47.7%	1.4%	50.8%	45.5%	1.0%	53.5%
IDACORP, Inc.	51.2%	0.0%	48.8%	49.5%	0.0%	50.5%
MDU Resources Group	38.9%	0.5%	60.6%	34.0%	0.0%	66.0%
PG&E Corp.	48.3%	1.7%	50.0%	47.5%	1.0%	51.5%
Pinnacle West Capital	46.6%	0.0%	53.4%	47.0%	0.0%	53.0%
PNM Resources Group	57.4%	0.4%	42.3%	52.0%	0.5%	47.5%
Puget Energy, Inc.	49.9%	5.3%	44.8%	52.5%	0.0%	47.5%
Sempra Energy	43.7%	1.6%	54.7%	39.5%	1.0%	59.5%
Xcel Energy	55.0%	0.9%	44.1%	47.0%	0.5%	52.5%
Average	49.3%	1.4%	49.2%	46.2%	0.8%	53.0%

(a) Company Form 10-K and Annual Reports.

(b) The Value Line Investment Survey (May 12, 2006).