

FLOTATION COST ADJUSTMENT

Flotation Costs from Inception to Date

Date	Shares Issued	Market Price	Offering Price	Underwriting Discount	Offering Expense	Net Proceeds	Total Flotation Costs	Gross Equity Issue before Costs	Net Proceeds	Flotation Cost Percentage
11/16/1949	1,584,238	\$10.750	\$10.250	\$0.124	\$0.137	\$9,989	\$1,205,605	\$17,030,559	\$15,824,953	7.079%
6/4/1952	1,108,966	\$10.500	\$10.500	\$0.098	\$0.162	\$10,240	\$288,331	\$11,644,143	\$11,355,812	2.476%
4/14/1954	1,219,856	\$15.250	\$14.000	\$0.060	\$0.124	\$13,816	\$1,749,274	\$18,602,804	\$16,853,530	9.403%
2/29/1956	670,920	\$17.825	\$16.750	\$0.050	\$0.221	\$16,479	\$903,058	\$11,959,149	\$11,056,091	7.551%
7/22/1959	952,033	\$23.375	\$22.000	\$0.069	\$0.191	\$21,740	\$1,556,574	\$22,253,771	\$20,697,197	6.995%
7/28/1965	772,008	\$35.250	\$33.000	\$0.092	\$0.225	\$32,683	\$1,981,745	\$27,213,282	\$25,231,537	7.282%
1/22/1969	1,080,811	\$29.000	\$27.000	\$0.119	\$0.187	\$26,694	\$2,492,350	\$31,343,519	\$28,851,169	7.952%
10/21/1970	1,729,298	\$23.125	\$21.500	\$0.175	\$0.149	\$21,176	\$3,370,402	\$39,990,016	\$36,619,614	8.428%
7/26/1972	1,902,228	\$25.000	\$23.500	\$0.129	\$0.168	\$23,205	\$3,414,499	\$47,555,700	\$44,141,201	7.180%
10/10/1973	2,092,451	\$25.825	\$24.500	\$0.128	\$0.153	\$24,219	\$3,360,476	\$54,037,547	\$50,677,071	6.219%
11/20/1974	2,300,000	\$17.625	\$17.500	\$0.910	\$0.069	\$16,521	\$2,539,200	\$40,537,500	\$37,998,300	6.264%
8/14/1975	1,750,000	\$23.000	\$23.000	\$0.740	\$0.077	\$22,183	\$1,429,750	\$40,260,000	\$38,820,250	3.552%
6/3/1976	2,000,000	\$24.000	\$24.000	\$0.720	\$0.064	\$23,216	\$1,568,000	\$48,000,000	\$46,432,000	3.267%
5/31/1993	3,041,955	\$44.125	\$43.525	\$1.200	\$0.048	\$42,377	\$5,317,337	\$134,226,264	\$128,908,927	3.961%
9/23/1997	4,500,000	\$49.938	\$49.563	\$1.230	\$0.133	\$48,200	\$7,821,000	\$224,721,000	\$216,900,000	3.480%
9/29/1997	400,000	\$50.500	\$49.563	\$1.230	\$0.133	\$48,200	\$920,000	\$20,200,000	\$19,280,000	4.554%
2/25/2002	20,000,000	\$22.950	\$22.500	\$0.730	\$0.015	\$21,755	\$23,900,000	\$459,000,000	\$435,100,000	5.207%
9/9/2008	17,250,000	\$20.860	\$20.200	\$0.100	\$0.006	\$20,094	\$13,218,352	\$359,835,000	\$346,616,648	3.673%
8/3/2010	21,850,000	\$22.100	\$21.500	\$0.645	\$0.013	\$20,571	\$33,407,927	\$482,885,000	\$449,477,073	6.918% [1]
Weighted Average Flotation Costs							\$110,443,880	\$2,091,285,255	\$1,980,841,375	5.281%

The flotation adjustment is derived by dividing the dividend yield by 1-F (where F = flotation costs expressed in percentage terms), or by 0.9472, and adding that result to the constant growth rate to determine the cost of equity. Using the formulas shown previously in my testimony, the Constant Growth DCF calculation is modified as follows to accommodate an adjustment for flotation costs:

$$k = \frac{D \times (1 + .5g)}{P \times (1 - F)} + g$$

Source: Company data.

[1] This issuance was structured as a forward equity sale. The spread between the initial forward sale price (i.e., \$20.855) and the actual forward settle price (i.e., \$20.584) is reflected in the net proceeds.

FLOTATION COST ADJUSTMENT

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
		Stock Price	Annualized Dividend	Dividend Yield	Expected Dividend Yield	Expected Dividend Yield Adjusted for Flotation Costs	Proj EPS Growth (Zacks)	Proj EPS Growth (V.L.)	Proj EPS Growth (First Call)	Average Growth Estimate	DCF k(e)	Flotation Adjusted DCF k(e)
Americar	AEP	\$37.12	\$1.84	4.96%	5.05%	5.33%	4.00%	3.50%	3.71%	3.74%	8.79%	9.07%
Cleco Cc	CNL	\$34.84	\$1.12	3.21%	3.31%	3.50%	7.00%	8.00%	3.00%	6.00%	9.31%	9.50%
Empire L	EDE	\$22.12	\$1.28	5.79%	5.97%	6.31%	NA	7.00%	6.00%	6.50%	12.47%	12.81%
Great Plc	GXP	\$20.64	\$0.83	4.02%	4.17%	4.41%	9.00%	6.00%	7.50%	7.50%	11.67%	11.91%
Hawaiian	HE	\$25.33	\$1.24	4.90%	5.12%	5.41%	8.90%	11.00%	7.90%	9.27%	14.39%	14.68%
IDACOR	IDA	\$39.01	\$1.20	3.08%	3.14%	3.32%	4.70%	4.00%	4.67%	4.46%	7.60%	7.78%
Pinnacle	PNW	\$44.24	\$2.10	4.75%	4.89%	5.16%	5.00%	6.00%	6.98%	5.99%	10.88%	11.15%
Portland	POR	\$25.10	\$1.06	4.22%	4.34%	4.58%	5.00%	7.50%	4.38%	5.63%	9.97%	10.21%
Southern	SO	\$39.57	\$1.89	4.78%	4.91%	5.18%	5.00%	6.00%	5.51%	5.50%	10.41%	10.68%
Westar E	WR	\$27.08	\$1.28	4.73%	4.89%	5.16%	5.50%	6.50%	6.28%	6.76%	11.65%	11.92%
PROXY GROUP MEAN				4.44%	4.58%	4.84%	6.01%	6.75%	5.59%	6.13%	10.71%	10.97%
MEAN											10.97%	
UNADJUSTED CONSTANT GROWTH DCF MEAN											10.71%	
DIFFERENCE (FLOTATION COST ADJUSTMENT)											[12]	0.26%

[1] Source: Bloomberg, 30 day average price

[2] Bloomberg

[3] = Col. [1] / Col. [2] or [Annualized Dividend] / [Price]

[4] = Col. [3] x [1 + (.5 x Col. [9])] or [Dividend Yield] x [1 + (.5 x average growth rate)]

[5] = [Expected Dividend Yield] / [1 - Flotation Cost Percentage]

[6] Source: Zacks

[7] Source: Value Line

[8] Source: First Call

[9] Average of columns [6], [7], [8]

[10] = Column [4] + Column [9]

[11] = Column [5] + Column [9]

[12] = Col. [11] - Col. [10] or [Mean Adjusted DCF] - [Mean Unadjusted DCF]