

## Examples of Regulatory Plans

<b>Jurisdiction</b>	<b>Rate Freeze/Cap</b>	<b>Sharing of Net Savings Shareholder/Customer</b>	<b>Costs</b>	<b>Merging Companies</b>
<b>Arkansas</b>	5 years	New rate case in Year 6	50% of non-recovered A.P. included in rate base over 35 years	Utilicorp Empire
<b>California</b>	5 years	N/A	Amortized over 5 years	Sierra Pacific Washington Water
<b>Colorado</b>	30 month	Rate case after 2 years extend ESM to 2006	---	PS Colorado NSP
<b>Connecticut</b>	3 years	50/50 on earnings exceeding authorized ROE	---	Consolidated Edison Northeast Utilities
<b>D.C.</b>	4 years	25/75	---	Baltimore Gas & Electric Potomac Energy
<b>Idaho</b>	5 years	50/50 over authorized ROE	\$47 million amortized over 5 years	Washington Water Sierra Pacific
<b>Indiana</b>	Base rates set for 8 years based on estimated synergies	45/55 of estimated synergies	Amortized over 8 years	AEP CSW
<b>Kansas</b>	4 years	---	\$179.5 million straight line over 35 years	Western Resources KCP&L
<b>Kentucky</b>	New rate case in 5 years	50/50	\$77 million amortized over 5 years	LGE KU

<b>Jurisdiction</b>	<b>Rate Freeze/Cap</b>	<b>Sharing of Net Savings Shareholder/Customer</b>	<b>Costs</b>	<b>Merging Companies</b>
<b>Louisiana</b>	5 years	60/40 on O&M savings		Entergy Gulf States
<b>Michigan</b>	4 years (after initial 2% rate reduction)	Company keeps all	---	Wisconsin Electric NSP
<b>Nevada</b>	3 years	New rate case after 3 years	Can recoup over 3 year rate freeze	Nevada Power Sierra Pacific
<b>New Hampshire</b>	33 month followed by \$75 million rate decrease over 7 years	25/75	Subject to prudence review	PSNH ConEd
<b>New Mexico</b>	54 months	50/50	N/A	NCE NSP
<b>North Carolina</b>	5 years	\$2 million rate reduction over 2 years	\$495 million out of utility accounts	SCANA Public Service Company of North Carolina
<b>Pennsylvania</b>	6-1/2 years (3 year extension of current rate freeze)	N/A	\$1 billion amortized over 6-1/2 years	GPU First Energy
<b>Pennsylvania</b>	Cap extended for total of 7-1/2 years	50/50 over authorized ROE	\$160 million amortized over 7-1/2 years	Allegheny Duquesne
<b>Washington</b>	Gas rates frozen for 5 years, electric rates increased 4-6% over 4 years after 5.7% initial decrease	---	---	Puget Sound Washington Natural Gas

Summary of Earnings Sharing Mechanisms in Approved PBR Plans

Jurisdiction	Company	Neutral Band			Customer Share up to Basis Points Above Target ROE <sup>2</sup>																
		Above Target	Below Target	Spread	25	50	75	100	125	150	175	200	225	250	275	300	350	400	450	500	500 +
<b>Plans with ESMS</b>																					
<b>Energy</b>																					
CA	San Diego Gas & Electric	100	150	250	0%	0%	0%	0%	75%	75%	75%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
CA	Southern California Edison	50	50	100	0%	0%	75%	75%	75%	50%	50%	25%	25%	25%	25%	0%	0%	0%	0%	0%	0%
CO	Public Service of Colorado	0	infinite	infinite	65%	65%	65%	65%	50%	50%	50%	50%	50%	50%	50%	35%	35%	35%	100%	100%	
CT	United Illuminating <sup>1</sup>	0	150	infinite	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
FL	Tampa Electric	25	infinite	infinite	0%	60%	60%	60%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
GA	Georgia Power	125	125	250	0%	0%	0%	0%	0%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%
ME	Central Maine Power	350	350	700	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%	50%	50%
MO	Union Electric <sup>3</sup>	130	130	260	0%	0%	0%	0%	0%	50%	50%	50%	50%	50%	10%	10%	10%	10%	10%	100%	100%
OR	Pacificorp	250	250	500	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%	25%	25%	50%	50%	50%	50%
VA	Appalachian Power	0	infinite	infinite	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%
VA	Virginia Electric & Power <sup>1</sup>	0	infinite	infinite	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	100%	100%	100%	100%	100%	100%	100%
CA	Southern California Gas	25	175	infinite	0%	75%	65%	55%	45%	35%	25%	25%	15%	15%	5%	5%	0%	0%	0%	0%	0%
MA	Boston Gas	400	400	800	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	75%	75%
LA	Central Louisiana Electric	0	infinite	infinite	50%	50%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
MI	SEMPCO Energy Gas	200	infinite	infinite	0%	0%	0%	0%	0%	0%	0%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
MI	Michigan Consolidated Gas	200	infinite	infinite	0%	0%	0%	0%	0%	0%	0%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
ME	Bangor Gas Company	335	infinite	infinite	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%	50%	50%	50%	50%
LA	Entex	42	42	84	0%	50%	50%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Telecommunications</b>																					
KY	Cincinnati Bell	50	infinite	infinite	0%	0%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
FL	Southern Bell	80	70	150	0%	0%	0%	60%	60%	60%	60%	60%	60%	60%	60%	60%	100%	100%	100%	100%	100%
NJ	Bell Atlantic	100	100	200	0%	0%	0%	0%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
<b>Average of Active Plans with Known or Estimatable Target ROE</b>		<b>117</b>	<b>na</b>	<b>na</b>	<b>13%</b>	<b>22%</b>	<b>28%</b>	<b>32%</b>	<b>41%</b>	<b>45%</b>	<b>45%</b>	<b>42%</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>	<b>46%</b>	<b>49%</b>	<b>53%</b>	<b>53%</b>	<b>64%</b>	<b>64%</b>
<b>Average of 5 Active Plans with Bounded Neutral Zone</b>		<b>163</b>	<b>167</b>	<b>329</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
<b>Kansas Proposals</b>																					
	Commission Staff	75	75	150	0%	0%	0%	40%	40%	40%	60%	60%	60%	60%	60%	80%	80%	80%	80%	80%	80%
	Joint Applicants - Grid 1	125	125	250	0%	0%	0%	0%	0%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
	Joint Applicants - Grid 2	125	125	250	0%	0%	0%	0%	0%	50%	50%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
	Joint Applicants - Grid 3	125	125	250	0%	0%	0%	0%	0%	50%	50%	40%	40%	30%	30%	30%	30%	30%	30%	30%	30%
	Joint Applicants - Grid 4	125	125	250	0%	0%	0%	0%	0%	50%	50%	40%	40%	30%	30%	20%	20%	20%	20%	20%	20%

<sup>1</sup> Each of these plans has some amount of extra earnings going toward a writedown of regulatory assets or stranded cost.

<sup>2</sup> Italics indicates that the endpoints of the sharing region were known but the intermediate points were imputed.

<sup>3</sup> The target ROE was assumed to be at the middle of the sharing region

**Merger Benefits Analysis  
Comparison of Claimed or Estimated  
Savings to Combined Operating Statistics**

Exhibit CJC-4

Merger	Average Annual Savings (Thousands)	Per 1000kWh Sold	Annual Savings as Percent of:			Ten Year Savings as Percent of:		
			Annual Operating Expenses	Annual Revenue	Per Customer	Total Assets	Market Capitalization	Book Capitalization
Cleveland Illuminating Toledo Edison	\$79,100	\$2.19	2.8%	2.4%	\$46.53	8.7%	21.7%	46.5%
Southern Savannah	\$75,000	\$0.60	1.2%	1.0%	\$24.19	3.6%	11.9%	10.6%
PacifiCorp Utah P&L	\$101,000	\$2.35	2.3%	3.4%	\$74.14	11.2%	31.6%	33.7%
SDG&E SCE	\$170,000	\$1.58	2.7%	2.3%	\$30.91	9.1%	19.8%	22.7%
KGE KCP&L	\$17,000	\$0.89	1.9%	1.4%	\$26.15	3.3%	11.4%	11.7%
Iowa RES Midwest	\$50,000	\$4.76	6.3%	5.0%	\$66.67	21.7%	55.6%	76.9%
NEU PSNH	\$90,000	\$3.13	6.7%	5.0%	\$90.00	11.5%	38.3%	32.1%
KP&L KG&E	\$28,000	\$1.56	2.0%	1.8%	\$18.06	6.4%	17.5%	20.0%
Iowa Southern Iowa Electric	\$16,000	\$2.13	3.2%	3.3%	\$29.09	12.3%	25.0%	33.7%
Gulf States Entergy	\$169,500	\$1.84	3.9%	3.0%	\$70.63	8.1%	24.6%	24.2%
CG&E PSI	\$150,000	\$3.13	6.8%	5.8%	\$93.75	22.4%	48.4%	68.2%
PSI IPALCO	\$150,000	\$3.85	1.1%	0.8%	\$150.00	37.5%	55.6%	107.1%
Central Southwest El Paso Electric	\$38,500	\$0.64	1.2%	1.0%	\$21.39	3.4%	6.2%	14.3%
Washington Water Sierra Pacific	\$45,000	\$2.81	5.0%	4.1%	\$56.25	13.20%	34.6%	40.9%
Iowa Illinois G&E Midwest Resources	\$16,000	\$2.13	3.2%	3.3%	\$29.09	12.30%	25.0%	33.7%

Merger	Annual Savings as Percent of:					Ten Year Savings as Percent of:		
	Average Annual Savings (Thousands)	Per 1000kWh Sold	Annual Operating Expenses	Annual Revenue	Per Customer	Total Assets	Market Capitalization	Book Capitalization
Union Electric CIPSCO	\$57,000	\$1.43	2.5%	2.0%	\$35.63	6.8%	12.4%	19.7%
WPL IES Interstate	\$75,000	\$2.78	4.4%	4.0%	\$62.50	17.9%	41.7%	53.6%
Northern States Power Wisconsin Energy	\$200,000	\$3.45	5.4%	4.8%	\$64.51	20.0%	33.3%	55.6%
Baltimore Gas Potomac Electric	\$130,000	\$2.20	3.4%	2.8%	\$54.17	8.6%	20.0%	29.6%
PECO PPL	\$200,000	\$2.33	4.0%	2.9%	\$64.52	8.3%	22.0%	29.4%
SPS PSCo	\$77,000	\$1.75	3.1%	2.8%	\$32.08	12.8%	24.1%	40.5%
KCP&L Utilicorp	\$63,600	\$2.36	0.7%	0.7%	\$37.41	7.6%	20.5%	30.3%
Western Resources KCP&L	\$95,000	\$2.38	3.7%	3.3%	\$95.00	8.7%	21.6%	33.9%
Centerior Ohio Edison	\$100,000	\$1.54	2.6%	2.0%	\$47.62	5.3%	22.7%	22.2%
Atlantic Energy Delmarva	\$50,000	\$2.36	2.9%	2.4%	\$50.00	8.8%	22.7%	28.9%
DQE Allegheny	\$100,000	\$1.32	3.3%	2.9%	\$50.00	9.0%	17.2%	27.8%
LG&E KU	\$76,000	\$2.33	1.9%	1.8%	\$71.02	16.2%	27.1%	52.2%
AEP CSW	\$200,000	\$0.98	2.2%	1.8%	\$43.48	6.9%	13.3%	24.4%
Boston Edison Commonwealth Energy	\$50,000	\$2.06	2.2%	1.8%	\$39.78	9.8%	27.7%	35.3%
Nevada Power Sierra Pacific	\$50,000	\$2.34	4.2%	3.3%	\$55.56	11.9%	22.7%	33.3%
ConEd Orange & Rockland	\$46,800	\$0.87	0.7%	0.6%	\$10.64	3.0%	3.9%	7.3%

Merger	Annual Savings as Percent of:					Ten Year Savings as Percent of:		
	Average Annual Savings (Thousands)	Per 1000kWh Sold	Annual Operating Expenses	Annual Revenue	Per Customer	Total Assets	Market Capitalization	Book Capitalization
ConEd NEU	\$150,000	\$1.64	1.6%	1.3%	\$26.32	6.1%	11.5%	18.8%
Sierra Pacific Portland Gen	\$42,000	\$1.56	3.0%	2.4%	\$38.18	7.8%	18.3%	26.3%
PECO Unicom	\$111,000	\$0.64	1.0%	0.9%	\$20.56	2.9%	7.6%	13.9%
NCE NSP	\$110,000	\$1.17	2.0%	1.7%	\$23.91	7.3%	11.3%	21.6%
FPL Entergy	\$150,000	\$0.78	1.1%	1.0%	\$23.81	4.1%	9.4%	12.5%
First Energy GPU	\$150,000	\$1.25	1.7%	1.4%	\$37.50	3.8%	13.6%	16.7%
RGS Energy East	\$50,000	\$1.52	1.7%	1.4%	\$42.55	7.9%	13.9%	25.0%
<b>High</b>	\$200,000	\$4.76	6.8%	5.8%	\$150.00	37.5%	55.6%	107.1%
<b>Low</b>	\$16,000	\$0.60	0.7%	0.6%	\$10.64	2.9%	3.9%	7.3%
<b>Mean</b>	<b>\$92,855</b>	<b>\$1.96</b>	<b>2.9%</b>	<b>2.5%</b>	<b>\$48.78</b>	<b>10.2%</b>	<b>22.8%</b>	<b>32.5%</b>

## CPL / FLA Progress

	kWh	Operating Expenses	Revenue	Customers
CPL	55,000,000	2,500,000,000	3,100,000,000	1,200,000
FLA Progress	37,000,000	3,100,000,000	3,600,000,000	1,300,000
<b>Total</b>	<b>92,000,000</b>	<b>5,600,000,000</b>	<b>6,700,000,000</b>	<b>2,500,000</b>

	Assets	Market Capitalization	Book Capitalization
CPL	8,300,000,000	6,700,000,000	2,900,000,000
FLA Progress	6,100,000,000	4,100,000,000	1,900,000,000
<b>Total</b>	<b>14,400,000,000</b>	<b>10,800,000,000</b>	<b>4,800,000,000</b>

1) kWh:	175,000,000	/	92,000,000	=	\$ 1.90
2) Exp:	175,000,000	/	5,600,000,000	=	3.13%
3) Rev:	175,000,000	/	6,700,000,000	=	2.61%
4) Cust:	175,000,000	/	2,500,000	=	\$ 70.00
5) Assets:	1,750,000,000	/	14,400,000,000	=	12.15%
6) Mkt:	1,750,000,000	/	10,800,000,000	=	16.20%
7) Book:	1,750,000,000	/	4,800,000,000	=	36.46%
1) kWh:	180,320,000	/	92,000,000	=	\$ 1.96
2) Exp:	162,400,000	/	5,600,000,000	=	2.90%
3) Rev:	167,500,000	/	6,700,000,000	=	2.50%
4) Cust:	121,950,000	/	2,500,000	=	\$ 48.78
5) Assets:	142,800,000	/	14,000,000,000	=	10.20%
6) Mkt:	246,240,000	/	10,800,000,000	=	22.80%
7) Book:	156,000,000	/	4,800,000,000	=	32.50%

Average Annual: \$ 168,172,857  
Total Ten Years: \$ 1,681,728,571

Exhibit CJC-6

MERGER	KWH	ANNEXP	TSVNGS	YEAR	Forecasted Savings Over 10 Years
1 TOLEDO/CLEVE	24800000	1350000000	900000000	85	\$837,986,903.00
2 SOUTHERN/SAV	125000000	6100000000	750000000	87	\$2,459,969,280.00
3 UTAH/PACIFCORP	43000000	2400000000	1010000000	87	\$1,080,693,650.00
4 SDGE/SCE	78000000	6100000000	1700000000	88	\$1,571,329,110.00
5 KGE/KCP&L	19200000	900000000	170000000	90	\$610,675,962.00
6 IOWA/MIDWEST	10500000	800000000	500000000	90	\$454,660,645.00
7 NEU/PSNH	36000000	2800000000	791000000	90	\$855,485,000.00
8 KP&L/KGE	18000000	1400000000	280000000	90	\$572,161,000.00
9 IOWA SOUTH/IOWA ELECT	6900000	540000000	160000000	91	\$369,405,571.00
10 GULF STATES/ENTERGY	91400000	4400000000	1695000000	92	\$1,761,242,434.00
11 PSI/CGE	48000000	2300000000	1500000000	92	\$1,035,923,070.00
12 PSI/IPALCO	38000000	1400000000	1500000000	93	\$854,635,100.00
13 CSW/ELPASO	60000000	3200000000	385000000	93	\$1,197,979,660.00
14 SIERRA PAC/WASH WATER	16000000	900000000	450000000	94	\$440,359,530.00
15 IOWA ILL/MIDWEST RES	18700000	1500000000	500000000	94	\$469,957,437.00
16 CIPSCO/UNION ELECTRIC	40000000	2300000000	570000000	95	\$805,632,890.00
17 WPL/IES/INTERSTATE	26400000	1700000000	750000000	95	\$576,423,174.00
18 NSP/WEC	67000000	3700000000	2000000000	95	\$1,253,773,980.00
19 BALT GAS/POTOMAC	59000000	3800000000	1300000000	95	\$1,103,962,030.00
20 PECO/PPL	86000000	5000000000	2000000000	95	\$1,558,718,860.00
21 SPS/PSCO	44000000	2500000000	770000000	95	\$872,269,190.00
22 KCPL/UTILICORP	27000000	3300000000	636000000	96	\$506,556,360.00
23 WESTERN/KCPL	40000000	2600000000	950000000	96	\$767,780,580.00
24 CENTERIOR/OHIO ED	62000000	3800000000	1000000000	96	\$1,130,972,360.00
25 ATLANTIC/DELMARVA	20400000	1600000000	500000000	96	\$441,924,284.00
26 DQE/ALLEGHENY	75700000	3000000000	1000000000	97	\$1,380,394,857.00
27 LGE/KU	32600000	4000000000	760000000	97	\$558,025,426.00
28 AEP/CSW	195000000	9200000000	2000000000	97	\$3,360,049,010.00
29 BOSTON ED/COMMONWEAL	26000000	2500000000	500000000	98	\$458,848,910.00
30 NEV PWR/SIERRA PAC	22300000	1200000000	500000000	98	\$434,093,083.00
31 CON ED/ORANGE & ROCK	54000000	6600000000	468000000	98	\$835,990,520.00
32 CON ED/NEU	91000000	9500000000	1500000000	98	\$1,417,643,660.00
33 SIERRA PAC/PORTLAND	27000000	1400000000	420000000	99	\$485,619,790.00
34 PECO/UNICOM	173000000	10300000000	1110000000	99	\$2,864,918,820.00
35 NCE/NSP	94000000	5500000000	1100000000	99	\$1,576,968,790.00
36 FPL/ENTERGY	193000000	14000000000	1500000000	99	\$3,108,787,830.00
37 FIRST ENERGY/GPU	120000000	9000000000	1500000000	0	\$1,909,402,900.00
38 ENERGY EAST/RGS	33000000	3000000000	500000000	1	\$486,714,530.00
A CPL/FLORIDA PROG	92000000	5600000000	1000000000	99	\$1,537,034,900.00

Model Specification:  $TSVNGS = \beta_0 + \beta_1 KWH + \beta_2 ANNEXP + \beta_3 YEAR$  (model excludes KWH outliers)

<u>Order</u>	<u>Target / Acquirer</u>	<u>Announcement Date</u>
1	Toledo Edison / Cleveland Electric	6/25/1985
2	Savannah / Southern	11/2/1987
3	Utah Power and Light / Pacificorp	8/13/1987
4	San Diego Gas & Electric / Southern California Edison	7/26/1988
5	Iowa Resources / Midwest Energy	3/16/1990
6	Kansas Gas & Electric / Kansas City Power and Light	7/23/1990
7	Kansas Gas & Electric / Kansas Power & Light	10/29/1990
8	Iowa Southern / IE Industries	2/28/1991
9	Gulf States / Entergy	6/8/1992
10	PSI / Cincinnati Gas & Electric	12/14/1992
11	El Paso Electric / Central Southwest	5/5/1993
12	PSI / IPALCO	3/15/1993
13	Iowa-Illinois Gas & Electric / Midwest Resources	7/27/1994
14	Sierra Pacific / Washington Water Power	6/29/1994
15	CIPSCO / Union Electric	8/14/1995
16	IES / WPL	1/1/1995
17	Interstate / WPL	1/1/1995
18	Northern States Power / Wisconsin Energy	5/1/1995
19	Potomac / Baltimore Gas & Electric	9/25/1995
20	PP&L Resources / PECO	8/14/1995
21	Southwestern Public Service / PS of Colorado	8/23/1995
22	Washington Energy / Puget Sound Power & Light	10/18/1995
23	Centerior Energy / Ohio Edison	5/31/1996
24	Enserch / Texas Utilities	4/15/1996
25	Kansas City Power and Light / Utilicorp	1/22/1996
26	Pacific Enterprises / Enova	10/15/1996
27	Sierra Pacific / Nevada Power Co.	4/30/1998
28	Commonwealth Energy / Boston Edison	12/7/1998
29	DQE / Allegheny	4/7/1997
30	KU / LG&E	5/21/1997
31	Central Southwest / American Electric Power	12/22/1997
32	Atlantic Energy / Delmarva Power & Light	8/12/1996
33	Consolidated Natural Gas / Dominion Resources	2/22/1999
34	ESELCO / WEC	3/25/1997
35	Upper Peninsula Power Co.(UPPCO) / WPS	7/7/1997
36	Kansas City Power and Light / Western Resources	4/13/1996
37	Orange & Rockland / Consolidated Edison	5/11/1998
38	Northern States Power / New Century Energies	3/25/1999
39	Columbia Energy Group / Nisource	6/7/1999
40	Indiana Energy / SIGCORP	6/14/1999
41	Illinova / Dynegy*	6/14/1999
42	Yankee Energy System / Northeast Utilities	6/15/1999
43	WICOR / Wisconsin Energy Corp	6/28/1999
44	Florida Progress Corp / Carolina P&L	8/23/1999
45	PECO / Unicom	9/23/1999
46	MCN Energy Grp / DTE Energy Co	10/5/1999
47	Northeast Utilities / Consolidated Edison	10/13/1999
48	Entergy / FPL	7/31/2000
49	GPU / First Energy	8/8/2000
50	RGS Energy Grp / Energy East	2/20/2001

\* Not used in the regression analysis.

## List of Variables

Variable	Variable
Symbol	Definition
AASSCUST	Acquiror Assets per Customer
AASSETS	Acquiror Assets
ABETA	Acquiror Beta Statistic
ABOOK	Acquiror Book Value
ACQ_PREM	Acquisition Premium, Day Ahead
ACQPREMM	Acquisition Premium, Thirty Days Ahead
ACUST	Acquiror Number of Customers
ADIVPO	Acquiror Dividend Payout Ratio for the
ADIVYLD	Acquiror Dividend Yield
AEPS	Acquiror Earnings per Share
AEPSGR	Acquiror EPS Growth (1+%)
AEPSP	Acquiror Earnings per Share - Prev. yr
AEXP	Acquiror Total Operating Expenses
AEXPKWH	Acquiror Expenses per kWh
AKCOST	Acquiror Cost of Capital
AKWH	Acquiror kWh Sales
AMARBK	Acquiror Market to Book Ratio
AMARKET	Acquiror Market Value
APE	Acquiror PE Ratio
APR	Acquiror Stock Price
AREV	Acquiror Revenue
AREVKWH	Acquiror Revenue per kWh
CASSETS	Combined Company Assets
CBOOK	Combined Company Book Value
CCOST	Total Cost of the Merger
CCUST	Combined Number of Customers
CEXP	Combined Total Operating Expenses
CKWH	Combined kWh Sales
CMARKBK	Combined Market to Book Ratio
CMARKET	Combined Market Value
CONTROL	Control Premium Paid to Target
CREV	Combined Revenue
CSAVING	Predicted Savings for the Merger
DIVRATIO	Ratio of Targ Div Yield to Acq Div Yld
DJIA	Dow Jones Industrial Average
DJUI	Dow Jones Utilities Index
EPS_EXCH	Ratio of T & A EPS*EPS Growth
FIN_EXCH	EPS_EXCH over Stock Price Ratio
GAS	Target is a Gas Company
HOSTILE	Merger is a Hostile Takeover
NOTRBLE	0=Troubled, 1=Not Troubled
NOTRBLE2	1=Troubled, 2=Not Troubled
ORDER	Observation Number
RATES	Ratio of Targ Rev/kWh to Acq Rev/kWh
RSKFREE	Risk Free Rate - 30 Year Government Bond
RSKMKT	Market Risk - NYSE Composite Index
SAVASS	Ratio of Combined Sav to Comb. Assets
SAVBOOK	Ratio of Comb. Sav to Comb. Book Val
SAVCUST	Annual Savings over Comb. Customers
SAVEXP	Annual Savings over Comb. Expenses

### List of Variables (cont...)

SAVKWH	Annual Savings over Comb. kWh
SAVMKT	Ratio of Comb. Sav to Comb. Mkt Val
SAVREV	Annual Savings over Comb. Revenue
SIZASSET	Ratio of Targ Assets to Acq Assets
SIZECUST	Ratio of Target Cust to Acquiror Cust
SIZEKWH	Ratio of Target kWh to Acquiror kWh
SIZEREV	Ratio of Target Rev to Acquiror Rev
TASSCUST	Target Assets per Customer
TASSETS	Target Company Assets
TBETA	Target Beta Statistic
TBOOK	Target Book Value
TCUST	Target Number of Customers
TDIVPO	Target Dividend Payout Ratio
TDIVYLD	Target Dividend Yield
TEPS	Target Earnings per Share
TEPSGR	Target EPS Growth (1+%)
TEPSP	Target Earnings per Share -Prev. yr.
TEXP	Target Total Operating Expenses
TEXPKWH	Target Expenses per kWh
TKCOST	Target Cost of Capital
TKWH	Target kWh Sales
TMARKBK	Target Market to Book Ratio
TMARKET	Target Market Value
TPE	Target PE Ratio
TPR	Target Stock Price
TREV	Target Revenue
TREVKWH	Target Revenue per kWh
TROUBLE	0=Not Troubled Merger, 1=Trouble
TROUBLE2	1=Not Troubled Merger, 2=Trouble
TSMRBK	Comb. Mkt/Book*NOTRBLE2
VAL_EXCH	Exchange Ratio from EPS, EPSgr, Kcost
YEAR	Year
YEARSAV	Combined Savings Divided by 10
YEARTEST	YEAR-85

## Summary Sheet

### One Day Ahead

<b>Percent Per Share Premium Over Pre Merger Market Value</b>	
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<b>Model 1</b>	<b>20.9%</b>
<b>Model 2</b>	<b>20.8%</b>
<b>Model 3</b>	<b>20.5%</b>
<b>Model 4</b>	<b>20.7%</b>
<b>Average</b>	<b>20.7%</b>

REGRESSION #1	Estimated Coefficients	Merger Data
Intercept	0.30628	1.000
DIVRATIO	-0.18946	1.136
(VALEXCHS/(TPR/APR))	7.36041E-003	1.135
SAVMKT	0.09105	0.098
HOSTILE	5.78267E-002	0.000
(TROUBLE*SIZEKWH)	0.18829	0.000
(CONTROL*DIVRATIO)	0.10894	1.136
(CONTROL*SAVMKT)	-0.23751	0.098
ACQ_PREM		20.9%

REGRESSION #2

	Estimated Coefficients	Merger Data
Intercept	0.30178	1.000
DIVRATIO	-0.17767	1.136
VALEXCHS	2.53151E-003	1.299
SAVMKT	0.08272	0.098
HOSTILE	5.93313E-002	0.000
(TROUBLE*SIZEKWH)	0.18499	0.000
(CONTROL*DIVRATIO)	0.10139	1.136
(CONTROL*SAVMKT)	-0.18871	0.098
ACQ_PREM		20.8%

REGRESSION #3

	Estimated Coefficients	Merger Data
Intercept	0.17085	1.000
DIVRATIO	-0.20076	1.136
FIN_EXCH	2.72970E-002	0.957
(TBETA/ABETA)	0.09018	0.750
SAVMKT	0.15661	0.098
HOSTILE	1.87043E-002	0.000
RATES	6.05023E-005	1.237
(TROUBLE*SIZEKWH)	0.20576	0.000
(CONTROL*DIVRATIO)	0.16430	1.136
(CONTROL*SAVMKT)	-0.33871	0.098
ACQ_PREM		20.5%

REGRESSION #4

	Estimated	Merger
	Coefficients	Data
Intercept	0.18824	1.000
DIVRATIO	-0.17432	1.136
EPS_EXCH	7.94969E-003	1.095
(TBETA/ABETA)	0.06472	0.750
SAVMKT	0.15157	0.098
HOSTILE	3.11429E-002	0.000
RATES	6.52033E-005	1.237
(TROUBLE*SIZEKWH)	0.19289	0.000
(CONTROL*DIVRATIO)	0.14408	1.136
(CONTROL*SAVMKT)	-0.19163	0.098
ACQ_PREM		20.7%

Variable Inputs for Forecasting		Data for 8/20/99	
	Florida Progress	CPL	
<b>DIVRATIO</b>			1.136
Div Yield	5		4.4
<b>VAL_EXCH/(TPR/APR)</b>			1.135
<b>VAL_EXCH</b>			1.299
EPS	2.9		2.75
EPS Growth	0.09		0.05
BETA	0.45		0.6
30 yr bond	0.0599		0.0599
S&P 500	0.2283		0.2283
<b>FIN_EXCH</b>			0.957
EPS	2.9		2.75
EPS Growth	0.09		0.05
Prices	44.63		39
<b>EPS_EXCH</b>			1.095
EPS	2.9		2.75
EPS Growth	0.09		0.05
<b>TBETA/ABETA</b>			0.750
BETA	0.45		0.6
<b>SAVMKT</b>			0.0976
SAVINGS	-		1,000,000,000
Market Value	4,344,142,544		5,902,162,617
Shares	97,336,826		151,337,503
Book Value/Share	\$ 19.13		\$ 19.49
<b>RATES</b>			1.237
Electric Revenue	2,648,200,000		3,130,045,000
KWh	37,251,100,000		54,476,000,000
<b>Dummies</b>			
<b>TROUBLE</b>		0	
<b>CONTROL</b>		1	
<b>HOSTILE</b>		0	
<b>GAS</b>		0	
<b>SizeKWh</b>		0.683807548	
( TROUBLE*SIZEKWH )		0	
( CONTROL*DIVRATIO )		1.136363636	
( CONTROL*SAVMKT )		0.10	

## The Four Least Square Regressions

### Equation 1

Acquisition Premium depends upon:

$$(1) \frac{\text{Target Dividend Yield}}{\text{Acquirer Dividend Yield}}$$

This variable has a negative sign, which means that when the target has a lower dividend yield relative to the acquirer, the purchase price is relatively higher, and vice versa.

$$(2) \frac{\frac{\text{Earnings Per Share of Target (1 + Growth Target)}}{\text{Price per Share}}}{\frac{\text{Earnings Per Share of Acquirer (1 + Growth Acquirer)}}{\text{Price Per Share}}}$$

This variable has a positive sign, which means that when the target's growth in earnings per share, adjusted by share price and return on equity, is stronger than the acquirer's, the relative purchase prices and exchange value are higher.

$$(3) \frac{\text{Merger Synergy Savings}}{\text{Combined Market Value}}$$

This sign is positive, which means that higher synergy savings relative to the market value of the combined equity causes higher purchase prices.

$$(4) \text{Hostile Bid}$$

This sign is positive, which means that mergers that represent special opportunities for the acquirer (e.g., to prevent some third utility from

gaining control) equate to higher acquisition premium. (This variable is probably a good indicator of strategic value.)

$$(5) \text{ Trouble times } \frac{\text{Size of Target (kWh)}}{\text{Size of Acquirer(kWh)}}$$

This sign is positive, which means that turning around a troubled utility of some reasonable size relative to the acquirer would increase the acquisition premium.

$$(6) \text{ Control times } \frac{\text{Target's Dividend Yield}}{\text{Acquirer's Dividend Yield}}$$

This sign is positive, which means that the acquiring utility pays a higher price for utilities with high dividend yield.

$$(7) \text{ Control times } \frac{\text{Merger Synergy Savings}}{\text{Combined Market Value}}$$

This sign is negative, which means that when an acquirer will control a target, synergy savings are less important.

**Equation 2**

This equation is identical to Equation 1 with one exception. The sole exception is Variable (2), which is:

$$(2) \frac{\frac{\text{Earnings Per Share of Target (1 + Growth Target)}}{\text{Return on Equity of Target}}}{\frac{\text{Earnings per Share of Acquirer (1 + Growth Acquirer)}}{\text{Return on Equity of Acquirer}}}$$

This sign is again positive, suggesting higher stock purchase price and greater exchange values when the target is financially relatively healthy.

**Equation 3**

This equation is also similar to Equation 1. However, there are three differences. First, Variable (2) is different. The replacement variable is:

$$(2) \frac{\frac{\text{Earnings per Share of Targets (1 + Growth Target)}}{\text{Price per Share of Target}}}{\frac{\text{Earnings per Share of Acquirer (1 + Growth Acquirer)}}{\text{Price per Share of Acquirer}}}$$

This sign is positive and works just like the alternative specifications in Equations (1) and (2) for this variable. Specifically, when the target is relatively financially strong, the acquisition premium is higher.

There are two additional explanatory variables in Equation 3 that are not statistically significant or present in Equations (1) and (2). These are:

$$(8) \frac{\text{Target's Beta Statistic}}{\text{Acquirer's Beta Statistic}}$$

This sign is positive, which suggests that when the Beta estimated in a CAPM is higher for the Target than the Acquirer, the expected return on equity for the target is higher and the price paid to the target is also higher.

$$(9) \frac{\text{Target's Average kWh Price}}{\text{Acquirer's Average kWh Price}}$$

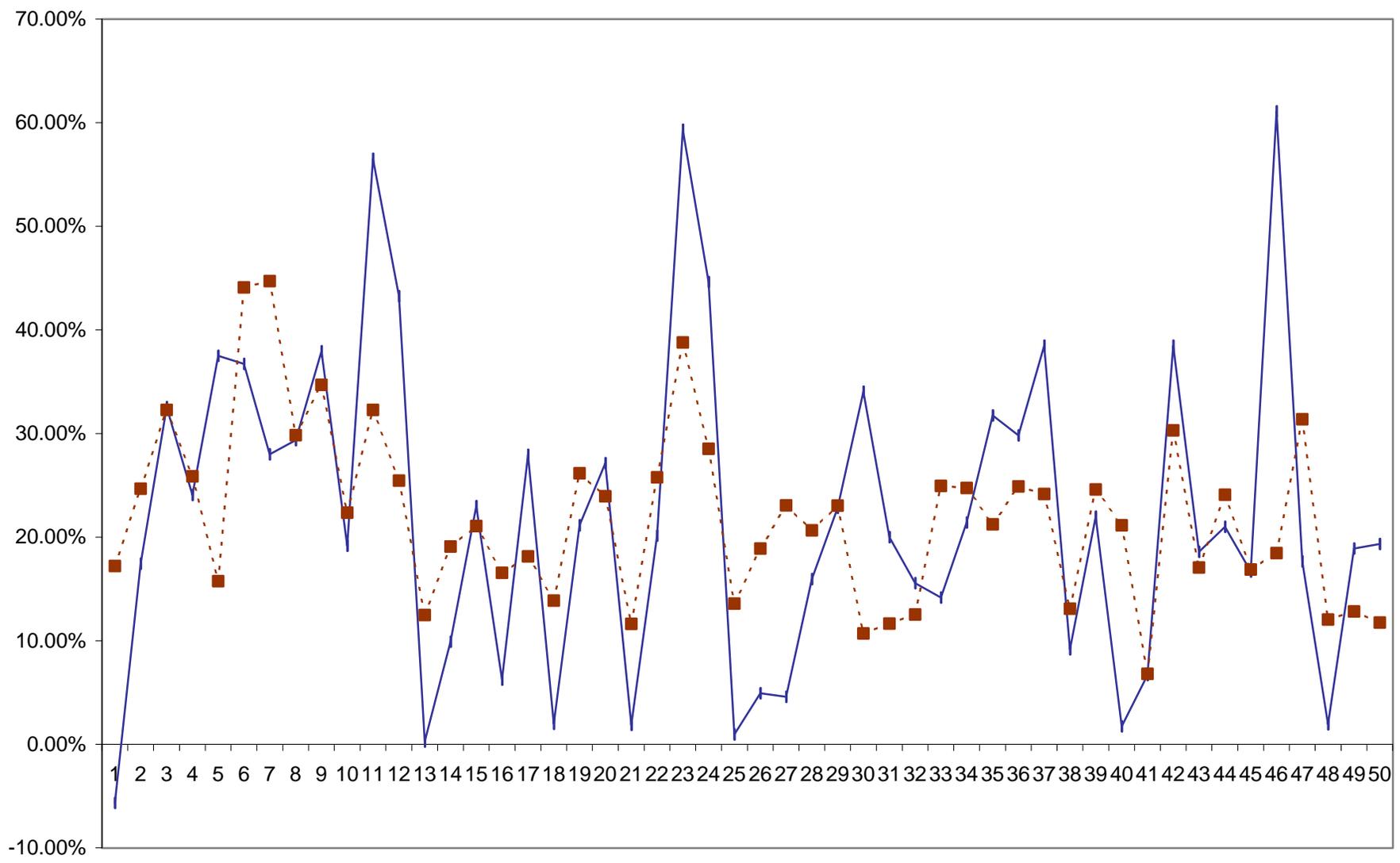
The sign is positive, which means that very efficient target utilities with relatively low prices will generally receive low acquisition premiums. This result is somewhat counter intuitive unless we relate the purchase price to the acquiring utility's prospects for cutting the target's costs and prices.

**Equation 4**

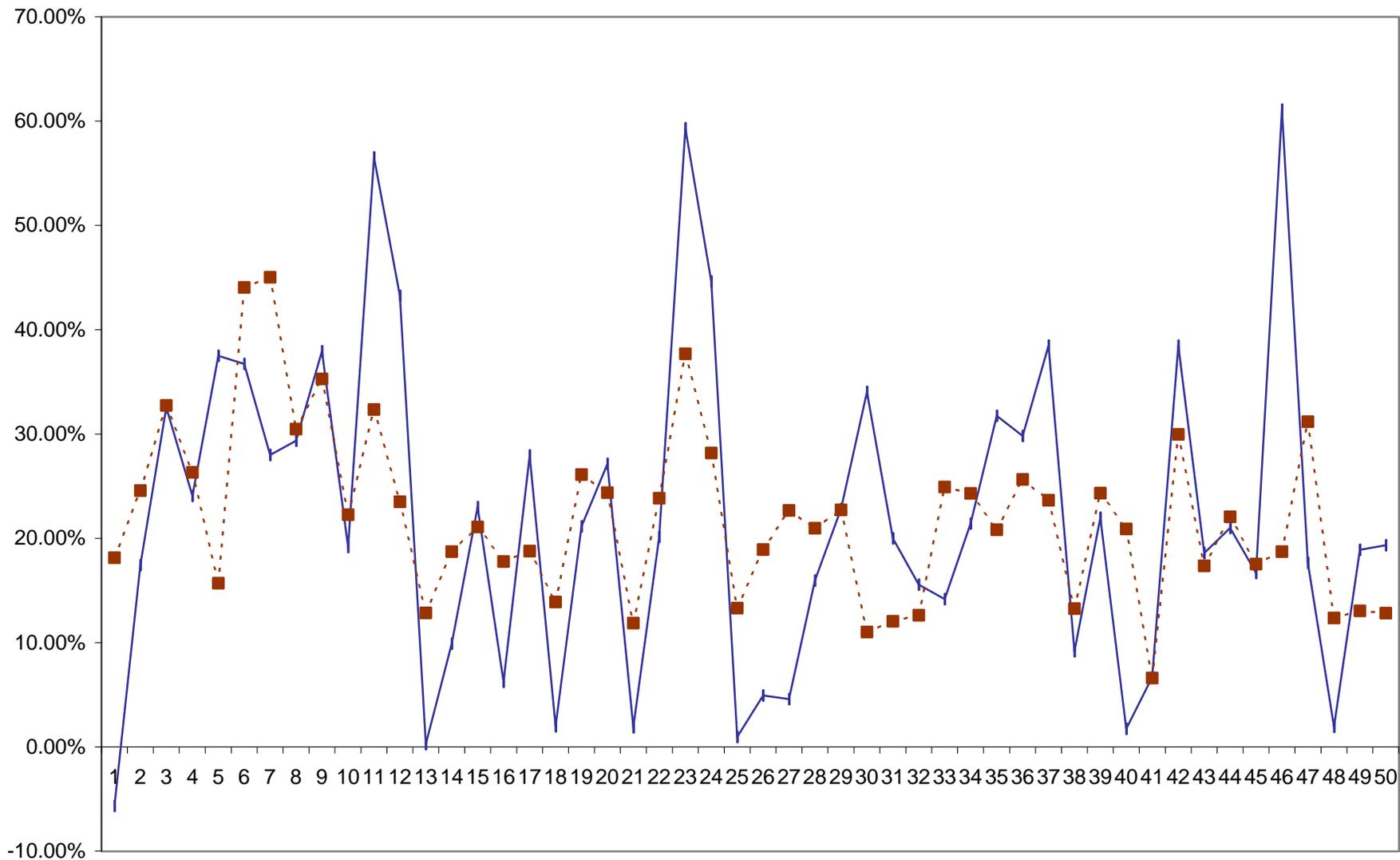
This equation is identical to Equation 3, with a sole exception, which is:

$$(2) \frac{\text{Earnings per Share of Target (1 + Growth Target)}}{\text{Earnings per Share of Acquirer (1 + Growth Acquirer)}}$$

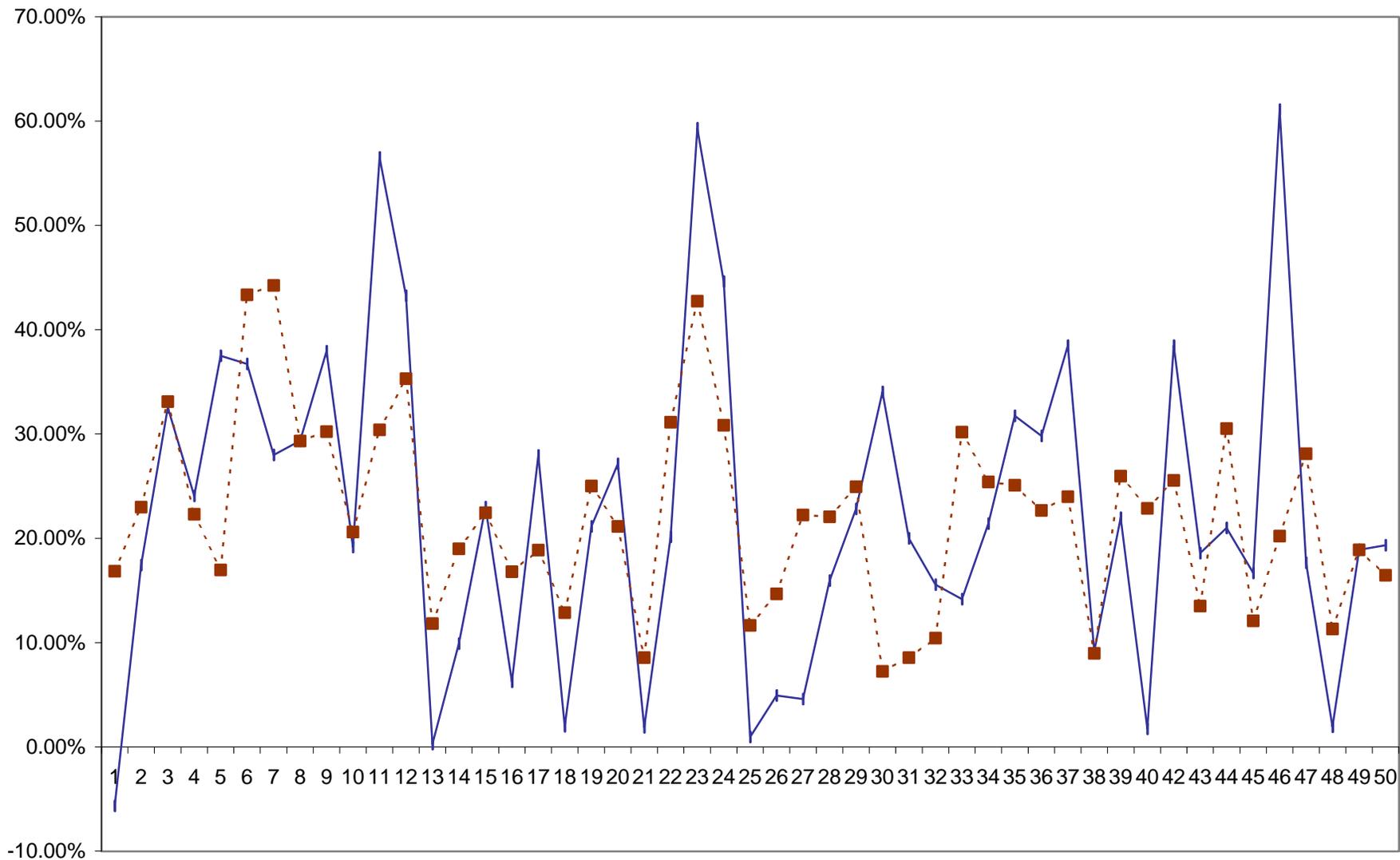
This sign is positive, indicating, just as in the other three specifications, a financially strong target would command a higher acquisition premium.



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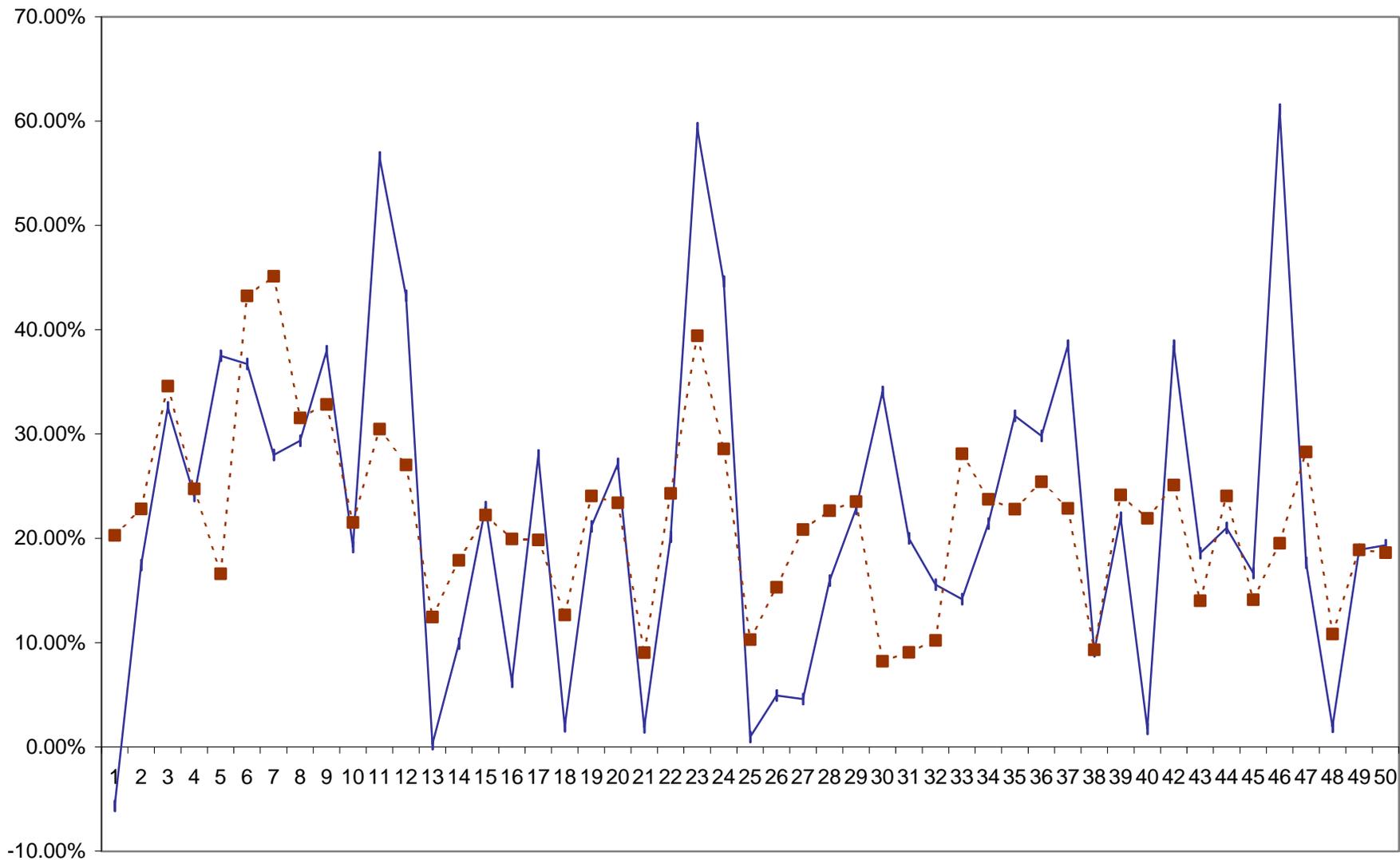


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