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BEFORE THE ARIZONA CORPORATION COMMISSION

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2007 APR -4 A 10: 44

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

APR - 4 2007

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IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	Docket No. G-04204A-06-0463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASED GAS ADJUSTOR.	Docket No. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	Docket No. G-04204A-05-0831

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Surrebuttal Testimonies of Marylee Diaz Cortez, CPA; William A. Rigsby, CRRA and Rodney L. Moore in the above-referenced matter.

RESPECTFULLY SUBMITTED this 4th day of April 2007.

Scott S. Wakefield
Chief Counsel

AN ORIGINAL AND SEVENTEEN COPIES of the foregoing filed this 4th day of April 2007 with:

Docket Control
Arizona Corporation Commission
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Phoenix, Arizona 85007

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Secretary to Scott Wakefield

UNS GAS, INC.

DOCKET NO. G-04204A-06-0463 et al.

SURREBUTTAL TESTIMONY

OF

MARYLEE DIAZ CORTEZ, CPA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

APRIL 4, 2007

INTRODUCTION

Q. Please state your name for the record.

A. My name is Marylee Diaz Cortez.

Q. Have you previously filed testimony in this docket?

A. Yes. I filed direct testimony in this docket on February 9, 2007.

Q. What is the purpose of your surrebuttal testimony?

A. In my surrebuttal testimony I will respond to the positions and arguments set forth by various UNS Gas witnesses in their rebuttal testimony. I will show that certain arguments are without merit and demonstrate why such arguments should be rejected.

Q. What issues will you address in your surrebuttal testimony?

A. I will address the following issues in my surrebuttal testimony:

Rate Base

* Fair Value Rate Base
* Citizens Acquisition Adjustment
* CWIP
* GIS Deferral
* Working Capital

Operating Income

* Fleet Fuel Expense

* Customer Annualization
* Corporate Cost Allocations
* Bad Debts – Uncollectibles
* Out-of-Period Expenses
* Legal Expenses

Rate Design

Rules and Regulations of Service

RATE BASE

Fair Value Rate Base

Q. In its rebuttal testimony, has the Company proposed any significant revisions to its application as originally filed?

A. Yes. In its rebuttal testimony the Company has significantly altered its cost of capital recommendation, such that UNS Gas is requesting that its original cost rate of return of 8.80% now be applied to its fair value rate base, whereas in its original application this rate of return was applied to the original cost rate base. This is a significant alteration in the Company's request.

Q. Why did the Company change its position on this issue?

A. According to UNS Gas, it has altered its position based on an Arizona Court of Appeals decision regarding Chaparral City Water Company.

Q. Are you familiar with this decision?

A. Yes. While I am not a lawyer, I believe the decision the Company is referring to is a Memorandum Decision issued by the Court of Appeals in Arizona on February 13, 2007. (Chapparral City Water v. ACC, Docket No. 1 CA-CC 05-0002) (Court of Appeals, February 13, 2007). That decision, in part, addressed the issue of how the Commission had determined its fair value rate of return in that case, and ultimately remanded the issue to the Commission.

Q. Does that decision require that UNS Gas revise its rate request in the instant case?

A. No. The decision is a memorandum decision, which has no precedential effect on other cases. Further, the court recently granted an extension of the time for the Commission to seek review of the decision by the Arizona Supreme Court. Thus, the issue is, at best, prematurely raised, and more likely irrelevant given the decision's non-precedential status.

Q. Had the Company originally filed its application requesting that an original cost rate of return be applied to a fair value rate base, would RUCO's analysis and conclusions in its direct testimony have been different?

A. Certainly. RUCO's analysis of both the cost of capital as well as the Reconstruction Cost New Depreciated (RCND) rate base would have been entirely different, and most likely produced different conclusions.

Q. Is the untimeliness of this revision prejudicial to the parties?

A. Yes. The parties have had no opportunity to conduct discovery and analysis of this new request. In fact the Commission in its own rules recognizes that substantial revisions to a utility's application are prejudicial and provides the following relief under such circumstances:

> Upon motion by any party to the matter or on its own motion, the Commission or the Hearing Officer may determine the time periods prescribed by sub-section (B)(11)(d) should be extended or begin again due to:
> i. Any amendment to a filing which changes the amount sought by the utility or substantially alters the facts used as a basis for the requested in rates or charges; (R14-2-103 (B)(11)(e))

Q. Are you recommending an extension in this case as a result of this material change to the Company's request?

A. No. The Chaparral decision has not reached its final conclusion in the courts, and even if it had, it is not binding in other proceedings. An extension of time to undertake additional analysis would not be necessary to resolve the issue, as there is currently no change in the applicable legal requirements.

Citizens Acquisition Adjustment

Q. Please discuss the Company's rebuttal comments pertaining to your adjustment to the Citizens Acquisition Adjustment.

A. The Company continues to maintain in its rebuttal testimony that the depreciation rates that were proposed in Docket No. G-1032A-02-0598 have been authorized by the Commission.

Q. Did Decision No. 66028 authorize a change in depreciation rates for UNS Gas?

A. No. Furthermore, in its rebuttal testimony[1] the Company acknowledges that Decision No. 66028 makes no mention of a change in depreciation rates.

Q. Why then does the Company continue to maintain that Decision No. 66028 authorized a change in depreciation rates?

A. The Company argues that one element of the increase in revenues that was approved in Decision No. 66028 was depreciation expense based on the then Company-proposed depreciation rates and that the Commission's approval of that revenue level constitutes Commission approval of those depreciation rates.

[1] Rebuttal Testimony of Karen G. Kissinger, page 8, lines 1-2.

Q. Do you agree?

A. No. Decision No. 66028 was a result of a settlement agreement between Staff and the Company. The terms of that agreement are specifically stated in the agreement and in the resultant Commission order. Nowhere in the settlement agreement or the Commission's order is there any indication that the agreed upon revenue level is based on the depreciation that would result from the Company's then-proposed depreciation rates. Depreciation rates simply are not addressed in the terms of that agreement, and thus remain unchanged by Decision No. 66028. Accordingly, my proposed adjustment to the accumulated amortization of the Citizens Acquisition Adjustment is correct and appropriate.

Construction Work in Progress (CWIP)

Q. Please discuss the Company's rebuttal comments regarding CWIP.

A. The Company argues that CWIP in rate base is an accepted ratemaking concept that is routinely recognized in many states. The Company further expounds that, contrary to my testimony, CWIP inclusion in rate base does not require extraordinary circumstances.

Q. Please respond.

A. While CWIP in rate base may be accepted ratemaking treatment in some states, it is not accepted ratemaking in Arizona. In fact, Arizona has always required extraordinary circumstances before it even considered rate base treatment for CWIP. The Commission explicitly stated such in Decision No. 54247:

> Beginning in Decision No. 53909 (January 30, 1984) and again in Decision No. 54204, the Commission has recognized that the **extraordinary** inclusion of Palo Verde CWIP necessitates an equally extraordinary reward to ratepayers for their admittedly involuntary investment in Palo Verde carrying costs. [Decision No. 54247, dated November 28, 1984, page 5-6]

Q. What other arguments does the Company make on the CWIP issue?

A. The Company further argues that RUCO's exclusion of CWIP from rate base creates a mismatch because of some of those projects have CIAC balances associated with them, which are included in the test-year rate base.

Q. Please respond.

A. As just discussed, Arizona has historically excluded CWIP in rate base and historically included CIAC in rate base. Thus, under RUCO's recommendations, UNS Gas is being afforded the same rate base treatment for these two items that every other utility in Arizona is afforded.

Q. In fact, isn't it the Company's proposal to rate base CWIP that creates a mismatch?

A. Yes. Mismatches result from the Company's CWIP proposal because while it has included its investment in CWIP in rate base, it has failed to recognize the additional revenues those construction projects will generate.

Q. How do you know these CWIP projects will create additional revenue?

A. The Company provided RUCO with a workpaper that the identified FERC plant accounts where the $7.2 million in CWIP will eventually reside. Fully 86% of the $7.2 million in CWIP projects are for Mains, Services, and Meters. These projects will extend service to new customers and create additional revenue. Biased rates will result if the investment in these line extensions is recognized, but not the additional revenue the line extensions will generate.

Global Information System (GIS) Deferral

Q. Please discuss the Company's rebuttal comments pertaining to your GIS deferral adjustment.

A. The Company argues that even though it failed to obtain an accounting order allowing it to capitalize these expenses as a regulatory asset, it should be able to do so anyway.

Q. Do you agree?

A. No. The costs associated with the GIS are expenses, not assets, under Generally Accepted Accounting Principles (GAAP)[2] accounting.

[2] Statement of Financial Accounting Standards No. 71

Accordingly, the only way UNS Gas could have accounted for these expenses as assets was to have obtained approval of an accounting order from the Commission, which it did not.

Q. What other arguments does the Company set forth in its rebuttal testimony on this issue?

A. In response to my testimony that UNS Gas already recovered the GIS expenses during the test year because it generated over $10.5 million in operating income[3], the Company states it has not recovered these costs.

Q. If the Company's operating income exceeded its operating expenses how is it possible that the Company did not recover these costs?

A. That is a good question, and one the Company does not explain in its rebuttal testimony, other than to claim that by definition if it deferred these expenses it did not recover them.

Q. Please respond.

A. That is precisely the point. The Company did not obtain an accounting order from the Commission permitting deferral treatment of these expenses and accordingly did not defer these expenses. Rather, in accordance with GAAP, the Company expensed the GIS expenses during the test year. Since test-year revenues exceeded test-year expenses by

[3] In my direct testimony I said, "net income of over $10.5 million". This was inadvertent and should have read "operating income of over $10.5 million".

over $10.5 million the test-year costs associated with the GIS have in fact been recovered by UNS Gas.

Working Capital

Q. Please discuss the Company's rebuttal testimony regarding working capital.

A. The Company has provided no rebuttal testimony regarding working capital. Thus, it appears the only working capital issue in contention is the level of operating expenses to be used in the cash working capital lead/lag calculation. The Commission will ultimately determine the appropriate level of operating expenses in its decision in this docket.

OPERATING INCOME

Fleet Fuel Expense

Q. Has the Company provided any rebuttal comments to your recommended adjustment to Fleet Fuel Expense?

A. Very little. Other than to say the Company prefers the Staff witness' suggested adjustment over RUCO's recommended adjustment, the Company is silent on this issue. The Staff proposed adjustment normalizes the average cost of gasoline, as does RUCO's adjustment. The Staff adjustment, however, does not correct for error the Company made in calculating the average miles per gallon (mpg) its fleet realizes.

My adjustment corrects for Company's understatement of mpg and is necessary to reflect an appropriate level of fleet fuel expense.

Customer Annualization

Q. Please discuss the Company's rebuttal comments regarding your revenue annualization adjustment.

A. The Company argues that the "traditional" approach that myself and the Staff witness used to annualize the test-year revenue is inappropriate for UNS Gas given the seasonal characteristics of its customer base.

Q. Do you agree?

A. No. The test-year customer count data that the Company provided does not support the Company's argument regarding seasonality. The Company realizes the majority of its revenue from Residential Rate 10. I have prepared Surrebuttal Schedule MDC-1, which shows the percentage increase in customers on this rate schedule from month to month during the test year. As shown on this schedule, the customer base has incrementally increased in every month of the test year excepting April, May, and July. The decreases in those three months range between 9/100ths of a percent to 1/3rd of a percent. This is hardly the extreme seasonality that the Company portrays in its rebuttal testimony, or a reason to depart from the "traditional" or Commission-accepted methodology of revenue annualization.

Corporate Cost Allocations

Q. Please discuss the Company's rebuttal comments pertaining to your Corporate Cost Allocation adjustment.

A. The Company agrees with my recommended adjustment which removes additional non-recurring charges related to the recent merger attempt.

Bad Debts – Uncollectibles

Q. Please discuss the Company's rebuttal comments regarding your bad debt adjustment.

A. The Company argues that my bad debt recommendation is flawed because while I removed the Griffith Plant and NSP revenues from the calculation, I did not likewise remove these revenues from my calculation of the bad debt ratio.

Q. Do you agree?

A. Yes, both the numerator and the denominator of the bad debt ratio would have to be adjusted to remove the NSP and Griffith Plant. Because this issue only recently arose, I have not as yet obtained the information necessary to make a revised calculation that would adjust the numerator of the ratio for both 2004 and 2005 and that would adjust the denominator for 2004.

Out-of-Period Expenses

Q. Please discuss the Company's rebuttal comments pertaining to your Out-of-Period Expense adjustment.

A. The Company agrees that the test year contains a number of expenditures that relate to 2004 that should not have been included. However, the Company argues that likewise there were expenses recorded in 2006 that should have been recorded in 2005, and that these out-of-period expenses would outweigh the 2004 out-of-period expenses removed in my adjustment.

Q. Do you agree?

A. I can't know. My audit in this case was primarily of the 2005 test year. Thus, I am not familiar with the 2006 data to which the Company's rebuttal testimony refers. The Company has provided no accounting documentation to support its rebuttal claim regarding 2006 out-of-period expenses, and therefore I can neither agree nor disagree with its rebuttal arguments.

Legal Expenses

Q. Please address the Company's rebuttal arguments regarding your legal expense adjustment.

A. The Company argues that the FERC rate case settlement in the El Paso matter has continued, and while certain cases may not repeat each year, legal expenses for different cases are recurring. The Company suggests using a two-year average to normalize the test year.

Q. Do you agree with this argument?

A. No, not entirely. While the Company is correct that the identical legal issues may not necessarily arise every year, other legal issues will arise. What makes the legal adjustment recommended by RUCO and Staff appropriate is not just that the El Paso settlement legal expenses are non-recurring, but also these legal expenses are extraordinary in their magnitude.

Q. Please explain.

A. During the test year, the Company incurred 46 invoices for outside legal services. Of these 46 invoices, RUCO and Staff determined 7 of them to be related to the El Paso rate settlement and non-recurring. The average cost of these 7 non-recurring invoices was $44,436, whereas the average cost of the other 39 recurring invoices was $5,292. Thus, the El Paso legal expenses were much larger than the routine or recurring legal expenses.

Q. Are there any other reasons why your legal expenses adjustment is reasonable?

A. Yes. Despite the fact that the El Paso rate settlement is non-recurring, I have not disallowed all of the El Paso legal invoices, only those that exceed $20,000. Thus, the test year, even after my proposed adjustment, contains over $75,000 in legal expenses associated with the El Paso settlement.

RATE DESIGN

Q. Please discuss the Company's rebuttal comments regarding your proposed rate design.

A. The Company's rebuttal takes exception to my characterization of its proposed rate design as creating rate shock for certain customers, resulting in perverted price signals, and stifling conservation. The Company claims that because customers do not have to pay the cost of gas charge of approximately 60 cents per therm when they conserve, that under its proposed rate design there still remains a price signal to conserve.

Q. Do you agree with this latter claim?

A. Yes, and RUCO has not claimed otherwise. The point I make in my direct testimony is that the Company's proposed rate design shifts so much revenue from the commodity charge to the fixed charge that it results in a large increase in the fixed charge and a significant decrease in the commodity rate. The price signal this sends to customers is that low users will receive the highest percentage increase in their bill and the highest users will actually receive decreases in their bills. This phenomena of the Company's rate design is irrespective of gas cost savings that can be achieved through conservation. RUCO's proposed rate design also includes an increase in the fixed charge, but not to the degree that commodity rates need to be decreased significantly.

Q. Please address the Company's rebuttal comments regarding RUCO's position on the Throughput Adjustment Mechanism (TAM).

A. The Company claims that, contrary to my assertion in direct testimony, the TAM would not entirely remove any risk associated with revenue recovery. UNS Gas maintains that it would have risk associated with increased costs and with those customers not subject to the TAM.

Q. Please respond.

A. The Company has the ability to control and mitigate increasing costs, and thus, increasing costs do not pose a big risk to the Company. Furthermore, the Company has the ability to file for a rate increase at any time that it perceives its revenue to be insufficient to cover its costs. What the TAM does is remove virtually all of the risk that the Company is unable to control and/or mitigate, such as weather, conservation, and consumption.

Q. What other arguments does the Company set out regarding the TAM?

A. The Company argues that other states have adopted such mechanisms and that while the ACC rejected such a mechanism in the recent Southwest Gas rate case, it also encouraged the parties to seek rate design alternatives that will encourage conservation.

Q. Have the parties to the Southwest Gas case met to explore rate design alternatives that will encourage conservation as ordered in Decision No. 68487?

A. Yes. Southwest Gas, Commission Staff, SWEEP, and RUCO have met on several occasions to have such discussions. While no consensus has been reached the parties have acknowledged that Southwest Gas' ability to recover its margin rates is primarily related to weather as opposed to declining usage attributable to conservation. Thus, at least in Southwest Gas' case, a TAM would do little to encourage conservation, which was the Commission's motive for encouraging the parties to discuss rate design alternatives.

RULES AND REGULATIONS OF SERVICE

Q. Please address the Company's rebuttal comments regarding RUCO's position on shortening the length of time customers have to pay their gas bill.

A. The Company argues that the shortened period of time for when a bill becomes delinquent is entirely reasonable and that my observation that the Company already receives adequate compensation for its billing lag through its working capital allowance is "irrelevant".

Q. Please respond.

A. I would differ from the Company's opinion that the shortened bill due date is "reasonable." RUCO has had calls from UNS Gas customers regarding this issue and none of those customers believed the proposal was reasonable. Further, the Company's characterization of the fact that they are compensated for the billing lag via the working capital allowance as "irrelevant" is irresponsible at best. Ratepayers are required to reimburse the Company through the rates they pay for this billing lag, so I do not believe this fact is "irrelevant" to them. The Company is not harmed by the current billing terms, but customers perceive harm in the shortened billing terms. Thus, RUCO believes the public interest is not served by granting abbreviated billing terms.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

SURREBUTTAL SCHEDULES

MDC-1 AND MDC-2

UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
PERCENTAGE INCREASE IN RESIDENTIAL RATE 10 CUSTOMERS

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCH. MDC-1

LINE NO.	MONTH	# OF CUSTOMERS	% INCREASE
	JANUARY	117,503	
	FEBRUARY	117,602	0.08%
	MARCH	118,507	0.77%
	APRIL	118,170	-0.28%
	MAY	118,064	-0.09%
	JUNE	118,566	0.43%
	JULY	118,318	-0.21%
	AUGUST	118,974	0.55%
	SEPTEMBER	119,000	0.02%
	OCTOBER	119,735	0.62%
	NOVEMEBER	120,289	0.46%
	DECEMBER	121,125	0.69%

UNS Gas, Inc.
Legal Invoice Query
2005

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE MDC-2

	GL Date	Account	Amount	Payee/Vendor Name	Subject Matter	Service Performed
1	JAN-05	52010	18.00	ROSHKA DEWULF & PATTEN PLC		
2	JAN-05	52010	200.00	MARY L BONILLA		
3	JAN-05	52010	307.13	LEWIS AND ROCA LLP		
4	JAN-05	52010	600.00	THELEN REID & PRIEST LLP		
5	JAN-05	52010	6,248.77	FLEISCHMAN & WALSH LLP		
6	JAN-05	52010	19,216.41	LEWIS AND ROCA LLP		
7	MAR-05	52010	89.34	LEWIS AND ROCA LLP		
8	MAR-05	52010	252.00	ROSHKA DEWULF & PATTEN PLC		
9	MAR-05	52010	386.00	ROSHKA DEWULF & PATTEN PLC		
10	MAR-05	52010	563.40	ROSHKA DEWULF & PATTEN PLC		
11	MAR-05	52010	19,887.55	FLEISCHMAN & WALSH LLP		
12	APR-05	52010	111.35	LEWIS AND ROCA LLP		
13	APR-05	52010	180.00	ROSHKA DEWULF & PATTEN PLC		
14	APR-05	52010	11,201.01	ROSHKA DEWULF & PATTEN PLC		
15	APR-05	52010	19,083.78	FLEISCHMAN & WALSH LLP		
16	APR-05	52010	19,482.02	FLEISCHMAN & WALSH LLP		
17	MAY-05	52010	87,268.56	FLEISCHMAN & WALSH LLP	Rate case settlement negotiations	El Paso Gas Allocation/Rate Case
18	JUN-05	52010	(720.00)	THELEN REID & PRIEST LLP		
19	JUN-05	52010	133.75	LEWIS AND ROCA LLP		
20	JUN-05	52010	2,490.20	ROSHKA DEWULF & PATTEN PLC		
21	JUN-05	52010	11,030.00	FLEISCHMAN & WALSH LLP		
22	JUN-05	52010	11,234.83	ROSHKA DEWULF & PATTEN PLC		
23	JUL-05	52010	3.75	THELEN REID & PRIEST LLP		
24	JUL-05	52010	216.00	ROSHKA DEWULF & PATTEN PLC		
25	JUL-05	52010	360.00	ROSHKA DEWULF & PATTEN PLC		
26	JUL-05	52010	14,299.22	FLEISCHMAN & WALSH LLP		
27	AUG-05	52010	28,463.40	FLEISCHMAN & WALSH LLP	Rate case settlement negotiations	El Paso Gas Allocation/Rate Case
28	SEP-05	52010	40.80	LEWIS AND ROCA LLP		
29	SEP-05	52010	56,611.88	FLEISCHMAN & WALSH LLP	Rate case settlement negotiations	El Paso Gas Allocation/Rate Case
30	OCT-05	52010	297.80	ROSHKA DEWULF & PATTEN PLC		
31	OCT-05	52010	313.61	LEWIS AND ROCA LLP		
32	OCT-05	52010	462.00	BOULEY SCHIESINGER & SCHIPPERS		
33	OCT-05	52010	1,928.24	ROSHKA DEWULF & PATTEN PLC		
34	OCT-05	52010	2,304.50	ROSHKA DEWULF & PATTEN PLC		
35	OCT-05	52010	3,411.86	ROSHKA DEWULF & PATTEN PLC		
36	OCT-05	52010	32,330.68	FLEISCHMAN & WALSH LLP	Rate case settlement negotiations	El Paso Gas Allocation/Rate Case
37	NOV-05	52010	396.00	ROSHKA DEWULF & PATTEN PLC		
38	NOV-05	52010	15,277.45	ROSHKA DEWULF & PATTEN PLC		
39	NOV-05	52010	28,712.29	FLEISCHMAN & WALSH LLP	Rate case settlement negotiations	El Paso Gas Allocation/Rate Case
40	DEC-05	52010	17,612.56	ROSHKA DEWULF & PATTEN PLC		
41	DEC-05	52010	39,128.51	FLEISCHMAN & WALSH LLP	Rate case settlement negotiations	El Paso Gas Allocation/Rate Case
42	DEC-05	52010	139.20	LEWIS AND ROCA LLP		
43	DEC-05	52010	228.00	BOULEY SCHIESINGER & SCHIPPERS		
44	DEC-05	52010	1,662.40	ROSHKA DEWULF & PATTEN PLC		
45	DEC-05	52010	25,452.58	ROSHKA DEWULF & PATTEN PLC	Professional Research and filing services	Prudency Audit/PGA Surcharge/Broderick Complaint
46	DEC-05	52010	38,534.74	FLEISCHMAN & WALSH LLP	Rate case settlement negotiations	El Paso Gas Allocation/Rate Case

Total Legal Expense	517,451.57
Total Non-recurring	311,051.00
Total Recurring	206,400.57
Average recurring expe	5,292.32
Average non-recurring	44,435.86

UNS GAS, INC.

DOCKET NO. G-04204A-06-0463 et al.

SURREBUTTAL TESTIMONY

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

APRIL 4, 2007

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is William A. Rigsby. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state the purpose of your surrebuttal testimony.

A. The purpose of my testimony is to respond to UNS Gas Inc.'s ("UNS" or "Company") rebuttal testimony on RUCO's recommended rate of return on invested capital (which includes RUCO's recommended cost of debt and cost of common equity) for the Company's natural gas distribution operations in northern Arizona and Santa Cruz County in southern Arizona.

Q. Have you filed any prior testimony in this case on behalf of RUCO?

A. Yes, on February 9, 2007, I filed direct testimony with the Arizona Corporation Commission ("ACC" or "Commission"). My direct testimony addressed the cost of capital issues that were raised in UNS' application requesting a permanent rate increase ("Application") based on a test year ended December 31, 2005.

...

Q. How is your surrebuttal testimony organized?

A. My surrebuttal testimony contains four parts: the introduction that I have just presented; a summary of UNS' rebuttal testimony; a section on the cost of debt; and a section on the cost of equity capital. My testimony is supported by a set of revised surrebuttal schedules labeled WAR-1 through WAR-9, which can be found at the end of this document.

Q. Have you made any revisions to your original cost of capital recommendation?

A. Yes. As I will explain in my testimony, I have made upward revisions to both my recommended costs of debt and equity. I am now recommending a cost of debt of 6.60 percent and a cost of common equity of 9.84 percent. These changes can be viewed on pages 1 and 2 of my Surrebuttal Schedule WAR-1.

SUMMARY OF UNS GAS, INC.'S REBUTTAL TESTIMONY

Q. Have you reviewed UNS' rebuttal testimony?

A. Yes. I have reviewed the rebuttal testimony, filed on March 16, 2007, of Company witness Kentton C. Grant.

Q. Please summarize Mr. Grant's rebuttal testimony.

A. Mr. Grant's rebuttal testimony expresses his belief that the cost of equity recommendation presented in my direct testimony is too low as a result of the estimate that I obtained from my DCF analysis and explains why he believes that my growth estimates are unrealistic. Although Mr. Grant is in agreement with my recommendation to adopt the Company-proposed capital structure comprised of 50 percent equity and 50 percent debt, he disagrees with the 6.23 percent cost of debt that I originally recommended in my direct testimony.

COST OF DEBT

Q. Why have you revised your recommended cost of debt of 6.23 percent?

A. My decision to revise my recommended cost of debt was based on information that was provided to me by UNS in response to a RUCO data request that was sent to the Company after I filed my direct testimony in February[1], and a review of specific Federal Energy Regulatory Account ("FERC") balances that UNS included in the Company's Application. As a result, I have decided to adopt the 6.60 percent cost of debt that Mr. Grant proposed originally.

Q. Briefly summarize the current positions of the parties to the case regarding capital structure, cost of debt, cost of equity and weighted cost of capital.

A. Both RUCO and UNS are in agreement with the Company-proposed hypothetical capital structure comprised of 50.0 percent debt and 50.0 percent equity. Mr. David C. Parcell, ACC Staff's cost of capital witness,

[1] RUCO's Eighth set of Data Requests sent on March 1, 2007.

is recommending that the Commission adopt the Company's actual test year capital structure, which was comprised of 44.67 percent equity and 55.33 percent debt. To date, all of the parties to the case are in agreement on the cost of debt now that I have revised my recommendation to 6.60 percent. In regard to the cost of equity, the parties to the case are presently recommending the following estimates:

UNS	11.00%
ACC Staff	10.00%
RUCO	9.84%

Mr. Parcell's 10.00 percent cost of common equity recommendation is the mid-point of the upper end of his DCF range of 9.50 percent to 10.50 percent. The weighted costs of capital being recommended by the parties to the case are as follows:

UNS	8.80%
ACC Staff	8.12%
RUCO	8.22%

As can be seen above, there is presently a 58 basis point difference between the Company-proposed 8.80 percent weighted cost of capital and RUCO's recommended weighted cost of capital of 8.22 percent. RUCO and ACC Staff's recommended costs of capital fall within 10 basis points of each other.

COST OF EQUITY CAPITAL

Q. Has there been any recent activity in regard to interest rates?

A. Yes. On March 21, 2007, the Federal Reserve decided not to increase or decrease the federal funds rate for the sixth straight time and left it unchanged at 5.25 percent.[2] The short-term 91-day T-Bill rate has fallen to 5.03 as of March 21, 2007, and is 31 basis points higher than the benchmark long-term 30-year T-Bond yield of 4.72 percent (Attachment A).

Q. Please explain why you revised your recommended cost of common equity from 9.64 percent to 9.84 percent?

A. My revised cost of common equity is the result of updated Value Line and Zacks Investment Research projections (Attachments B and C respectively) and updated closing stock price information on the natural gas (distribution Industry) that is used in my DCF model. I also updated the 91-day T-Bill yields and betas that were used in my CAPM model.

...

[2] Blackstone, Brian and Campion Walsh, "Fed Holds Rates Steady, Softens Tightening Bias" The Wall Street Journal, March 21, 2007

Q. Please describe the updated Value Line projections that you used in your DCF model.

A. During the week ending March 16, 2007, Value Line published its quarterly update on the natural gas distribution industry with revised projections on earnings, dividends and book values. Because this is information that cannot be ignored in this proceeding, I decided to use it and revise the cost of equity recommendation that I made in my direct testimony. The updated Value Line projections can be viewed in my surrebuttal schedules.

Q. Please address Mr. Grant's criticism that the growth rates used in your DCF model are problematic from the standpoint of market expectations.

A. Mr. Grant presents two arguments in regard to the growth rates used in my DCF model. His first argument states that investors expect a convergence of individual growth rates towards the industry average growth rate and that my growth rate estimates fail to take this into account. Mr. Grant's second argument states that my growth estimates are not in line with long-term inflation-adjusted estimates of U.S. gross domestic product ("GDP") which is the long-term growth component used in the multi-stage DCF model that he has relied on for his cost of equity estimation. Both arguments presented by Mr. Grant are groundless and should be given no weight.

Q. Please explain why Mr. Grant's first argument regarding your growth rate estimates should not be afforded any weight.

A. Mr. Grant's first argument assumes that investors place their funds in an individual LDC's stock because they expect the individual LDC's growth rates to converge with the long-term average of the natural gas distribution industry. In other words, if you've seen one LDC stock, you've seen them all because you are investing in an industry as opposed to an individual utility. If his argument were true, then investors would be investing in the natural gas industry as a whole (i.e. through an investment vehicle such as a mutual fund) as opposed to investing in an individual LDC. His argument totally ignores the premise that rational investors place their funds in individual stocks because they feel comfortable with the dividend yields and the growth potentials offered by the individual LDC that they are investing in. I believe that rational investors also weigh other factors such as superior management, corporate culture and philosophy, and past records of performance when making their investment decisions. If you subscribe to Mr. Grant's argument, then it would not make any difference which LDC you made an investment in since they will all eventually provide the same returns in growth. This begs the question as to why there is so much investor information available on individual companies or why the managements of publicly traded firms tout their ability to provide returns that will exceed industry averages.

Q. Please address Mr. Grant's second argument regarding your growth rate estimates.

A. Mr. Grant's second argument assumes that my growth rates are unrealistic because they do not take into consideration the long-term inflation-adjusted estimates of U.S. GDP, which is the long-term growth component used in his multi-stage DCF model. If you subscribe to his argument then you have to believe that every individual LDC included in Mr. Grant's sample is going to have inflation-adjusted growth that mirrors the GDP of the entire U.S. economy into perpetuity. This in itself is a rather broad and unrealistic expectation. Professional analysts often have enough trouble making accurate projections of the near-term (i.e. one-year) earnings of the companies that they follow. It would be unrealistic to believe that projections that extend into perpetuity would be more accurate than the near-term projections. The growth estimates used in my DCF model are a balance of known historical 5-year growth figures and projected growth estimates over the next five-year period (i.e. 2007 through 2012). I believe that this is a reasonable horizon for future growth estimates, given the fact that utilities typically apply for rate relief within a three to five-year time frame.

...

Q. Are there any other reasons why you believe that Mr. Grant's second argument on your growth rate estimates is flawed?

A. Yes. It is interesting to note that in the multi-stage DCF model adopted by the FERC, more emphasis is given to short-term growth expectations as opposed to inflation-adjusted estimates of future U.S. GDP growth. This can be seen in the following excerpt from the FERC's Cost-of-Service Rates Manual (Attachment D):

> "**Return on Equity or Cost of Equity:** This is the pipeline's actual profit, or return on its investment. The return on equity is derived from a range of equity returns developed using a Discounted Cash Flow (DCF) analysis of a proxy group of publicly held natural gas companies. The two-stage method projects different rates of growth in projected dividend cash flows for each of the two stages, one stage reflecting short-term growth estimates and the other long-term growth estimates. These estimates are then weighted, two-thirds for the short-term growth projection and one-third on the long-term growth, and utilized in determining a range of reasonable equity returns. Two-thirds is used for the short-term growth rate on the theory that short-term growth rates are more predictable, and thus deserve a higher weighting than long-term growth rate projections. An equity return is then selected within this zone based on an analysis of the company's risk."

As stated in the excerpt above, the FERC multi-stage DCF model weighs short-term estimates, similar to the ones used in my single stage DCF model, by a factor of two-thirds based on the fact that they are more predictable and deserve more weight than long-term estimates such as the inflation-adjusted estimates of future U.S. GDP growth used in the multi-stage DCF model that Mr. Grant has relied on.

Q. Have the comments made by Mr. Grant on page 5, lines 5 through 18 of his rebuttal testimony caused you to change the views that you expressed in your direct testimony?

A. No. As I stated in my direct testimony, the Commission has consistently rejected issues such as company size, customer growth, and the historic test year concept as reasons for making upward adjustments to estimated costs of common equity. Nowhere in his rebuttal testimony is Mr. Grant willing to concede that the implementation of a decoupling mechanism would merit a lower return on common equity for UNS given the fact that it would remove all of the risk associated with operating income volatility. Mr. Grant clearly wants the best of all worlds for UNS: a guaranteed return on investment and a high cost of common equity that reflects a riskier operating environment.

Q. Please discuss on Mr. Grant's comments regarding your grasp of the additional risk resulting from high customer growth and regulatory lag.

A. With all due respect to Mr. Grant, I believe that my grasp of the additional risk resulting from high customer growth and regulatory lag is much better than what he believes. I can say with confidence that high customer growth has been business as usual and a fact of life for utilities operating in the Arizona jurisdiction for the last fifty years. If a utility's management can't deal with that fact of life then they should consider getting into another business. The issue of high customer growth in UNS' service territory certainly never deterred the Company's parent, UniSource Energy Corporation ("UniSource"), from acquiring the natural gas and electric assets from Citizens Communications Company ("Citizens") in the first place. One cannot believe that the management of UniSource, which is based in Tucson, was blind to the fact that they were acquiring assets located in one of the fastest growing states in the U.S. High growth in Arizona is one of UniSource's biggest selling points to potential investors. UniSource even presents high growth in a positive light in the Chairman's Letter to Shareholders that appears in UniSource's 2005 Annual Report (Attachment E). Obviously the investment community does not view UniSource's high growth service territories in a negative light given the fact that shares of UniSource have increased from $25.25, at the time the ACC rejected an acquisition attempt by a limited liability partnership (which included the well heeled Wall Street investment firm of Kolberg Kravis Roberts & Co.), to a current price of $37.75 as of March 28, 2007.

In regard to regulatory lag, unless the utility is operating under an agreement that provides for a rate freeze, it is the utility that decides when to apply for rate relief and generally utilities apply for rate relief at times when it is an advantage to them. Once again, UniSource's management was well aware of the regulatory environment that they would be operating in when they acquired the natural gas and electric assets from Citizens in 2003. For the reasons stated above I believe that Mr. Grant's arguments regarding additional risk resulting from high customer growth and regulatory lag should be given no weight in this proceeding.

Q. Did Mr. Grant take issue with your use of a geometric mean to calculate the historical return on the market that is used in the equity risk premium component of your CAPM model?

A. Not directly. However he does take issue with Mr. Parcell's use of the geometric mean and for this reason I believe that it is important that I defend the use of the geometric mean in this proceeding.

Q. Please explain why Mr. Grant's criticism regarding the use of a geometric mean in a CAPM analysis is unfounded.

A. The information on both the geometric and arithmetic means, published by Ibbotson Associates, is widely available to the investment community. For this reason alone I believe that the use of both means in a CAPM analysis is appropriate.

The best argument in favor of the geometric mean is that it provides a truer picture of the effects of compounding on the value of an investment when return variability exists. This is particularly relevant in the case of the return on the stock market, which has had its share of ups and downs over the 1926 to 2005 observation period used in my CAPM analysis.

Q. Can you provide an example to illustrate the differences between the two averages?

A. Yes. The following example may help. Suppose you invest $100 and realize a 20.0 percent return over the course of a year. So at the end of year 1, your original $100 investment is now worth $120. Now let's say that over the course of a second year you are not as fortunate and the value of your investment falls by 20.0 percent. As a result of this, the $120 value of your original $100 investment falls to $96. An arithmetic mean of the return on your investment over the two-year period is zero percent calculated as follows:

$$(\text{year 1 return} + \text{year 2 return}) \div \text{number of periods} =$$

$$(20.0\% + -20.0\%) \div 2 =$$

$$(0.0\%) \div 2 = \underline{\underline{0.0\%}}$$

The arithmetic mean calculated above would lead you to believe that you didn't gain or lose anything over the two-year investment period and that your original $100 investment is still worth $100. But in reality, your original $100 investment is only worth $96. A geometric mean on the other hand calculates a compound return of negative 2.02 percent as follows:

$$(\text{year 2 value} \div \text{original value})^{1/\text{number of periods}} - 1 =$$

$$(\$96 \div \$100)^{1/2} - 1 =$$

$$(0.96)^{1/2} - 1 =$$

$$(0.9798) - 1 =$$

$$-0.0202 = \underline{-2.02\%}$$

The geometric mean calculation illustrated above provides a truer picture of what happened to your original $100 over the two-year investment period.

As can be seen in the preceding example, in a situation where return variability exists, a geometric mean will always be lower than an arithmetic mean, which probably explains why utility consultants typically put up a strenuous argument against the use of a geometric mean.

Q. Can you cite any other evidence that supports your use of both a geometric and an arithmetic mean?

A. Yes. In the third edition of their book, Valuation: Measuring and Managing the Value of Companies, authors Tom Copeland, Tim Koller and Jack Murrin ("CKM") make the point that, while the arithmetic mean has been regarded as being more forward looking in determining market risk premiums, a true market risk premium may lie somewhere between the arithmetic and geometric averages published in Ibbotson's SBBI yearbook.

Q. Please explain.

A. In order to believe that the results produced by the arithmetic mean are appropriate, you have to believe that each return possibility included in the calculation is an independent draw. However, research conducted by CKM demonstrates that year-to-year returns are not independent and are actually auto correlated (i.e. a relationship that exists between two or more returns, such that when one return changes, the other, or others, also change), meaning that the arithmetic mean has less credence. CKM also explains two other factors that would make the Ibbotson arithmetic mean too high. The first factor deals with the holding period. The arithmetic mean depends on the length of the holding period and there is no "law" that says that holding periods of one year are the "correct" measure. When longer periods (e.g. 2 years, 3 years etc.) are observed, the arithmetic mean drops about 100 basis points. The second factor deals with a situation known as survivor bias. According to CKM, this is a well-documented problem with the Ibbotson historical return series in that it only measures the returns of successful firms, that is, those firms that are listed on stock exchanges. The Ibbotson historical return series does not measure the failures, of which there are many. Therefore, the return expectations in the future are likely to be lower than the Ibbotson historical averages. After conducting their analysis, CKM conclude that 4.00 percent to 5.50 percent is a reasonable forward looking market risk premium. Adding the current 5-year Treasury yield of 4.43 percent to these two estimates indicate a cost of equity of 8.43 percent to 9.93 percent. Given the fact that utilities generally exhibit less risk than industrials, a return in the low end of this range would be reasonable. In fact, my revised 9.84 percent cost of common equity estimate falls within this range.

Q. Does your silence on any of the issues or positions addressed in the rebuttal testimony of the Company's witnesses constitute acceptance?

A. No, it does not.

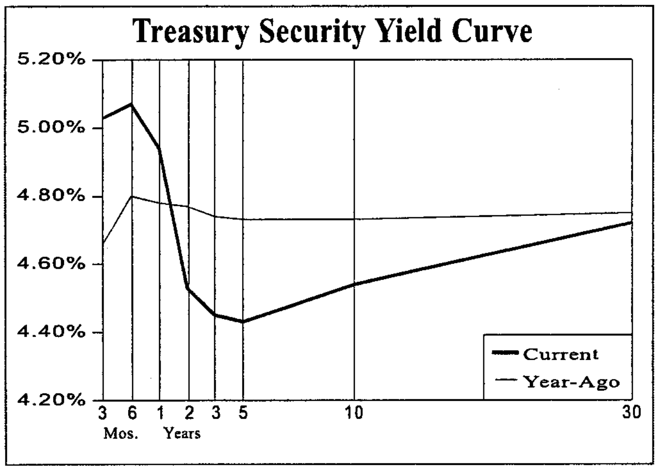
Q. Does this conclude your surrebuttal testimony on UNS?

A. Yes, it does.

ATTACHMENT A

Selected Yields

	Recent (3/21/07)	3 Months Ago (12/20/06)	Year Ago (3/23/06)
TAXABLE			
Market Rates			
Discount Rate	6.25	6.25	5.50
Federal Funds	5.25	5.25	4.50
Prime Rate	8.25	8.25	7.50
30-day CP (A1/P1)	5.24	5.25	4.73
3-month LIBOR	5.35	5.37	4.96
Bank CDs			
6-month	3.26	3.30	2.97
1-year	3.87	3.84	3.57
5-year	3.92	3.91	3.96
U.S. Treasury Securities			
3-month	5.03	4.96	4.66
6-month	5.07	5.06	4.80
1-year	4.94	4.96	4.78
5-year	4.43	4.56	4.73
10-year	4.54	4.60	4.73
10-year (inflation-protected)	2.12	2.31	2.23
30-year	4.72	4.73	4.75
30-year Zero	4.68	4.67	4.61



	Recent (3/21/07)	3 Months Ago (12/20/06)	Year Ago (3/23/06)
Mortgage-Backed Securities			
GNMA 6.5%	5.53	5.53	5.53
FHLMC 6.5% (Gold)	5.60	5.68	5.93
FNMA 6.5%	5.50	5.61	5.85
FNMA ARM	5.60	5.55	4.53
Corporate Bonds			
Financial (10-year) A	5.40	5.45	5.66
Industrial (25/30-year) A	5.68	5.69	5.84
Utility (25/30-year) A	5.86	5.75	5.86
Utility (25/30-year) Baa/BBB	6.01	6.02	6.17
Foreign Bonds (10-Year)			
Canada	4.08	4.03	4.21
Germany	3.93	3.86	3.68
Japan	1.57	1.62	1.72
United Kingdom	4.83	4.71	4.34
Preferred Stocks			
Utility A	7.22	7.13	7.18
Financial A	6.31	6.34	6.28
Financial Adjustable A	5.47	5.47	N/A
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.13	4.12	4.43
25-Bond Index (Revs)	4.38	4.52	5.08
General Obligation Bonds (GOs)			
1-year Aaa	3.54	3.48	3.43
1-year A	3.64	3.58	3.55
5-year Aaa	3.51	3.48	3.55
5-year A	3.80	3.77	3.83
10-year Aaa	3.65	3.69	3.93
10-year A	3.95	4.10	4.25
25/30-year Aaa	4.00	4.03	4.38
25/30-year A	4.30	4.35	4.65
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.33	4.47	4.39
Electric AA	4.30	4.38	4.45
Housing AA	4.55	4.50	4.65
Hospital AA	4.57	4.52	4.74
Toll Road Aaa	4.40	4.36	4.63

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/14/07	**2/28/07**	**Change**	**12 Wks.**	**26 Wks.**	**52 Wks.**
Excess Reserves	1586	1772	-186	1577	1661	1663
Borrowed Reserves	43	30	13	133	196	227
Net Free/Borrowed Reserves	1543	1742	-199	1444	1465	1436

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	3/5/07	**2/26/07**	**Change**	**3 Mos.**	**6 Mos.**	**12 Mos.**
M1 (Currency+demand deposits)	1379.2	1347.6	31.6	0.3%	0.2%	0.4%
M2 (M1+savings+small time deposits)	7127.5	7144.3	-16.8	7.9%	7.5%	5.5%

ATTACHMENT B

INDUSTRY TIMELINESS: 81 (of 96)

The Natural Gas (Distribution) Industry's Timeliness rank remains about where it was in December, though it has gained a few places in the last year. In 2006, the industry outperformed the Standard & Poor's 500 index, returning about 20%, including dividends, though the group's stock prices have generally moved little since our last report. Still, the estimated dividend yield for most of the issues is below last year's, since dividend increases have not kept pace with the stock price gains of 2006.

Natural gas distribution stocks usually offer dividends that are substantially above the *Value Line Investment Survey* median, currently 1.7%, but they also, as a group, have below-average capital appreciation potential. Indeed, some of the stocks are currently trading within their 2010-2012 target price ranges, leaving dividends as the only source of forecast investment return. That's because we believe that interest rates will likely be higher in the out years than at present, when the long-term Treasury bond rate has been below 5% for some time.

Regulated Earnings and Regulation.

Most of the gas distribution companies derive over 85% of their earnings from local natural gas distribution. Like their larger cousins, the electric power distribution companies, gas distribution companies are allowed by their state-based public service commissions to earn a limited return on equity, generally in the 10%-12% range. In a few cases, regulators allow gas utilities to earn performance-based rates of return on equity of up to 15% and to share profits above that level with rate payers, provided the utility keeps rate growth at less than the general level of inflation. Other recent regulatory innovations include weather-adjusted rate mechanisms, which help the utility when weather is warmer than average and its customers when it's colder. Some states have gone a step further and have rules that "decouple" the utilities' revenues from gas usage to a certain extent in order not to discourage conservation. All told, the regulatory climate is better for the industry than ten years ago. That leaves volume as a main driver of earnings growth, and here, the group has wide variation. With natural gas consumption increasing about 1.5% a year, regulated earnings growth will likely be in the mid-single digits. The companies that appear to have better prospects, such as *Northwest Natural Gas*, tend to have dividend yields that are lower than stocks facing slower growth, such as *Laclede*.

Nonregulated Activities

In an effort to boost earnings, most gas distribution companies also have small, unregulated businesses. These tend to include heating, ventilation and air conditioning services (HVAC), gas marketing, and gas storage for off-system customers. The group also invests in gas pipelines, the returns of which are regulated by the FERC, rather than the states. As demand for gas grows, the U.S. will need to import substantially more gas in liquid form, and liquefied natural gas (LNG) plants could offer some of the companies investment opportunities, as well as the chance to raise earnings by moving more gas through their pipelines.

Earnings and Dividend Growth Prospects

So far, customers seem to have handled recent high gas prices fairly well. Bad debt costs are up, but regulators are making allowances for that in some states, and gas price inflation will probably be less over the next two years than over the last two. Enlightened state regulation, combined with cost savings from measures like automated meter reading, will probably permit earnings to rise at a modest pace; dividends should follow suit.

Wheeling and Dealing

In the 1990s, many publicly held natural gas distributors were acquired, considerably reducing the variety of investment choices available. At present, three of the companies in our group are in the process of being acquired. While we don't encourage investors to bet on a company's being taken over, the possibility remains and could boost investment returns.

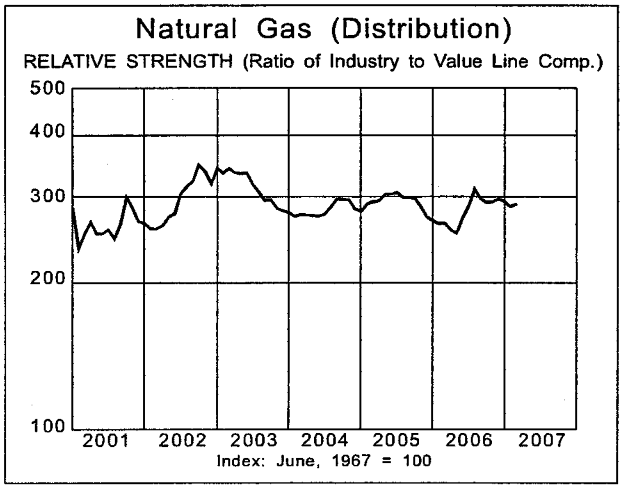
Investment Considerations

The Natural Gas (Distribution) Industry offers above-average dividends and, in some cases, some capital appreciation. Investors seeking relatively safe income can find prospects here, but dividend growth will likely be slow. Moreover, the industry is in fashion now; a change of investor sentiment unrelated to the industry's prospects or higher long-term interest rates could drive stock prices down.

Sigourney B. Romaine, CFA

Composite Statistics: Natural Gas (Distribution)

2003	2004	2005	2006	2007	2008		10-12
29981	33220	41399	**43500**	**44500**	**46500**	Revenues ($mill)	**58000**
1395.3	1517.2	1788.8	**1950**	**2050**	**2150**	Net Profit ($mill)	**2800**
37.4%	35.7%	35.8%	**36.0%**	**36.0%**	**36.0%**	Income Tax Rate	**36.0%**
4.7%	4.6%	4.3%	**4.5%**	**4.6%**	**4.6%**	Net Profit Margin	**4.8%**
55.9%	53.2%	50.7%	**51.0%**	**51.0%**	**51.0%**	Long-Term Debt Ratio	**52.0%**
43.7%	45.7%	48.3%	**48.0%**	**48.0%**	**48.0%**	Common Equity Ratio	**46.0%**
28436	31268	33911	**35400**	**36750**	**38000**	Total Capital ($mill)	**42000**
31732	32053	35030	**37000**	**39000**	**41000**	Net Plant ($mill)	**45000**
6.4%	6.4%	6.9%	**7.0%**	**7.0%**	**7.0%**	Return on Total Cap'l	**7.5%**
11.1%	10.4%	10.7%	**11.0%**	**11.5%**	**11.5%**	Return on Shr. Equity	**12.0%**
11.2%	10.5%	10.8%	**11.0%**	**11.5%**	**11.5%**	Return on Com Equity	**12.0%**
4.1%	4.0%	4.4%	**5.0%**	**5.2%**	**5.3%**	Retained to Com Eq	**5.5%**
64%	63%	59%	**61%**	**60%**	**60%**	All Div'ds to Net Prof	**60%**
14.1	15.6	16.2	**16.5**	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	**13.0**
.80	.82	.87	**.90**			Relative P/E Ratio	**.85**
4.5%	4.0%	3.6%	**3.5%**			Avg Ann'l Div'd Yield	**4.6%**
314%	308%	331%	**325%**	**325%**	**325%**	Fixed Charge Coverage	**325%**



AGL RESOURCES NYSE-ATG

RECENT PRICE	40.03	P/E RATIO	14.6 (Trailing: 14.7 / Median: 14.0)	RELATIVE P/E RATIO	0.81	DIV'D YLD	4.1%	VALUE LINE

TIMELINESS 4 Lowered 8/11/06

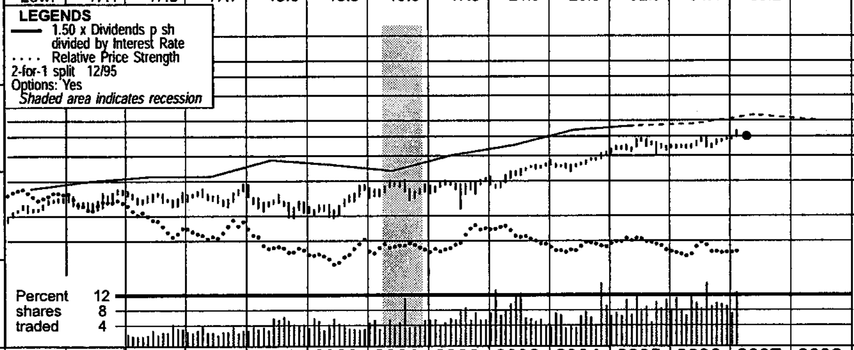
SAFETY 2 New 7/27/90

TECHNICAL 3 Raised 2/23/07

BETA .95 (1.00 = Market)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	22.0	21.6	23.4	23.4	23.2	24.5	25.0	29.3	33.7	39.3	40.1	42.9	
Low:	17.1	17.8	17.7	15.6	15.5	19.0	17.3	21.9	26.5	32.0	34.4	38.2	

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+35%)	*11%*
Low	40	(Nil)	*4%*

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	1	0	0	3	6
to Sell	0	0	0	0	2	0	0	4	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	95	113	121
to Sell	102	78	89
Hld's(000)	49525	50305	49321

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	18.2	12.0
3 yr.	59.8	41.4
5 yr.	125.1	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.75	***34.95***	***35.45***	Revenues per sh A	***38.75***
2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.62	***4.85***	***5.05***	"Cash Flow" per sh	***5.55***
1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	***2.80***	***2.90***	Earnings per sh A B	***3.10***
1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	***1.64***	***1.64***	Div'ds Decl'd per sh C■	***1.80***
2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.25	***3.35***	***3.30***	Cap'l Spending per sh	***3.45***
9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.69	***20.95***	***21.00***	Book Value per sh D	***22.50***
47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.75	***78.00***	***79.00***	Common Shs Outst'g E	***80.00***
15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	***Bold figures are***		Avg Ann'l P/E Ratio	***15.0***
.98	.94	1.06	.99	.84	.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.72	***Value Line***		Relative P/E Ratio	***1.00***
6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	***estimates***		Avg Ann'l Div'd Yield	***3.9%***

CAPITAL STRUCTURE as of 12/31/06
Total Debt $2161.0 mill. **Due in 5 Yrs** $854.0 mill.
LT Debt $1622.0 mill. **LT Interest** $130.0 mill.

(Total interest coverage: 5.0x)
Leases, Uncapitalized Annual rentals $32.0 mill.

Pension Assets-12/06 $375.0 mill.
Oblig. $454.0 mill.

Pfd Stock None
Common Stock 77,752,515 shs.
as of 1/31/07

MARKET CAP: $3.1 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
1287.6	1338.6	1068.6	607.4	1049.3	868.9	983.7	1832.0	2718.0	2624	***2725***	***2800***	Revenues ($mill) A	***3100***
76.6	80.6	52.1	71.1	82.3	103.0	132.4	153.0	193.0	212.2	***220***	***230***	Net Profit ($mill)	***250***
37.9%	32.5%	33.1%	34.3%	40.7%	36.0%	35.9%	37.0%	37.7%	37.8%	***38.0%***	***38.0%***	Income Tax Rate	***38.0%***
5.9%	6.0%	4.9%	11.7%	7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	***8.0%***	***8.2%***	Net Profit Margin	***8.0%***
48.7%	47.5%	45.3%	45.9%	61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	***50.0%***	***49.8%***	Long-Term Debt Ratio	***49.2%***
45.9%	47.1%	49.2%	48.3%	38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	***50.0%***	***50.2%***	Common Equity Ratio	***50.8%***
1356.4	1388.4	1345.8	1286.2	1736.3	1704.3	1901.4	3008.0	3114.0	3231.0	***3270***	***3310***	Total Capital ($mill)	***3540***
1496.6	1534.0	1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	***3550***	***3700***	Net Plant ($mill)	***4000***
7.3%	7.6%	5.7%	7.4%	6.5%	8.1%	8.9%	6.3%	7.9%	*8.0%*	***8.0%***	***8.5%***	Return on Total Cap'l	***8.5%***
11.0%	11.1%	7.1%	10.2%	12.3%	14.5%	14.0%	11.0%	12.9%	13.0%	***13.5%***	***14.0%***	Return on Shr. Equity	***14.0%***
11.3%	12.3%	7.9%	11.5%	12.3%	14.5%	14.0%	11.0%	12.9%	13.0%	***13.5%***	***14.0%***	Return on Com Equity	***14.0%***
3.2%	4.4%	NMF	3.2%	4.2%	7.0%	6.6%	5.6%	6.2%	*6.5%*	***5.5%***	***6.0%***	Retained to Com Eq	***6.0%***
74%	64%	101%	72%	65%	52%	53%	49%	52%	52%	***58%***	***56%***	All Div'ds to Net Prof	***58%***

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	49.0	30.0	20.0
Other	1408.0	2002.0	1802.0
Current Assets	1457.0	2032.0	1822.0
Accts Payable	207.0	264.0	213.0
Debt Due	334.0	522.0	539.0
Other	936.0	1153.0	875.0
Current Liab.	1477.0	1939.0	1627.0
Fix. Chg. Cov.	510%	442%	397%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	1.0%	7.0%	*4.0%*
"Cash Flow"	5.0%	7.0%	*5.5%*
Earnings	6.5%	13.5%	*3.5%*
Dividends	1.5%	2.0%	*5.5%*
Book Value	5.5%	8.5%	*2.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	651	294	262	625	1832
2005	908	430	387	993	2718
2006	1044	436	434	707	2621
2007	***975***	***480***	***455***	***815***	***2725***
2008	***1000***	***500***	***470***	***830***	***2800***

Cal-endar	EARNINGS PER SHARE A B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1.00	.33	.31	.64	2.28
2005	1.14	.30	.19	.85	2.48
2006	1.41	.25	.46	.60	2.72
2007	***1.35***	***.35***	***.45***	***.65***	***2.80***
2008	***1.40***	***.35***	***.45***	***.70***	***2.90***

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.27	.28	.28	.28	1.11
2004	.28	.29	.29	.29	1.15
2005	.31	.31	.31	.37	1.30
2006	.37	.37	.37	.37	1.48
2007	.41				

BUSINESS: AGL Resources, Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, and Virginia Natural Gas. The utilities have more than 2.2 million customers in Georgia (primarily Atlanta), Virginia, and in southern Tennessee. Also engaged in nonregulated natural gas marketing and other, allied services. Also wholesales and retails propane. Nonregulated subsidiaries: Georgia Natural Gas Services markets natural gas at retail. Acq. Virginia Natural Gas, 10/00. Sold Utilipro, 3/01. Off./dir. own less than 1.0% of common; Goldman Sachs, 5.5%; JPMorgan, 5.9% (3/06 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: 10 Peachtree Place N.E., Atlanta, GA 30309. Tel.: 404-584-4000. Internet: www.aglresources.com.

AGL Resources reported solid performance for 2006. Revenues declined slightly from the record top-line performance achieved in 2005, as a result of reduced customer usage due to warmer weather. Despite this, share earnings advanced by about 10%. This resulted from a lower cost of gas, which decreased by almost 9%. The Wholesale Services business also augmented AGL's bottom line, as operating earnings for this segment increased by 84%. For 2007, we anticipate a modest advance in revenues and share earnings, assuming normal weather patterns. Moderate growth should continue to the end of the decade.

The first phase of the company's rate case in Tennessee has been resolved. In December, the company received approval from the Tennessee Regulatory Authority for its joint settlement with the other parties in the case, resulting in a rate increase of $2.7 million, effective January 1, 2007. The second phase of this case will entail a review of the company's conservation and decoupling mechanisms. A final ruling on this matter is expected by the end of the third quarter.

AGL Resources has announced plans to build a natural gas storage facility in Beaumont, Texas. This initiative will require an investment of $180 million and provide 12 billion cubic feet of capacity upon completion of the first phase. Construction should commence next year, with the facility becoming operational in 2010.

The board of directors recently approved a dividend increase. The quarterly payout is now $0.41. This represents a very healthy 10.8% rise over the previous level. This pattern is encouraging, although the payout may rise at a slower pace going forward, given AGL's declining cash balance.

This stock is ranked to lag the broader market for the coming six to 12 months. However, this issue may appeal to income investors, considering the healthy dividend yield. Also, this good-quality stock scores high marks for Safety and Price Stability. Nevertheless, at the current quotation, appreciation potential is below average for the pull to late decade, as the shares currently trade within our Target Price Range.

Michael F. Napoli *March 16, 2007*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, ($0.83); '99, $0.39; '00, $0.13; '01, $0.13; '03, ($0.07). Next earnings report due in May.
(C) Dividends historically paid early March, June, Sept, and Dec. ■ Div'd reinvest. plan available.
(D) Includes intangibles. In 2006: $420 million, $5.40/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	75

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE **31.23** | P/E RATIO **15.6** (Trailing: 14.9 Median: 16.0) | RELATIVE P/E RATIO **0.86** | DIV'D YLD **4.1%** | VALUE LINE

TIMELINESS 3 Raised 7/28/06

SAFETY 2 Raised 12/16/05

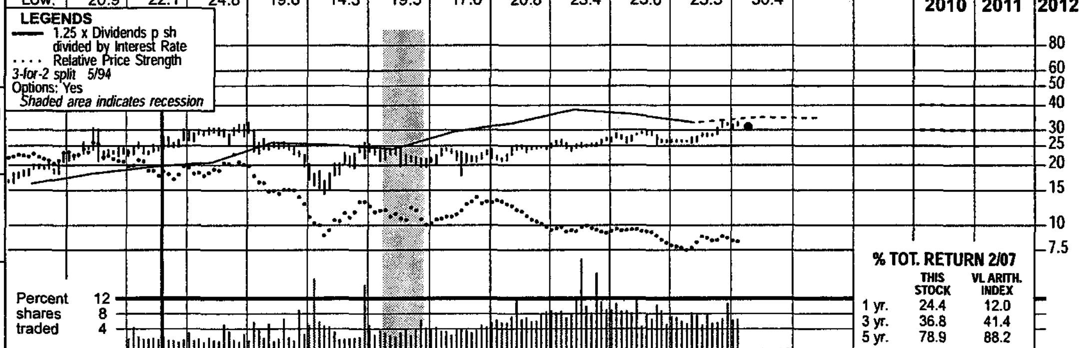
TECHNICAL 3 Lowered 1/12/07

BETA .80 (1.00 = Market)

High:	31.0	30.5	32.3	33.0	26.3	25.8	24.5	25.5	27.6	30.0	33.1	33.1
Low:	20.9	22.1	24.8	19.6	14.3	19.5	17.6	20.8	23.4	25.0	25.5	30.4

Target Price Range 2010 | 2011 | 2012

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 5/94
Options: Yes
Shaded area indicates recession



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	1	0	0
Options	0	0	1	0	0	0	0	0	0
to Sell	1	0	1	0	0	0	0	0	0

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	102	90	115
to Sell	67	88	84
Hld's(000)	46293	48572	53926

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	24.4	12.0
3 yr.	36.8	41.4
5 yr.	78.9	88.2

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
30.59	27.90	22.09	26.61	35.36	22.82	54.39	46.50	61.75	75.27	*58.75*	*60.10*	Revenues per sh A	*72.90*
2.85	3.38	2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.26	*4.15*	*4.25*	"Cash Flow" per sh	*4.65*
1.34	1.84	.81	1.03	1.47	1.45	1.71	1.58	1.72	2.00	*2.00*	*2.10*	Earnings per sh A B	*2.50*
1.01	1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	*1.28*	*1.30*	Div'ds Decl'd per sh C■	*1.35*
4.13	4.44	3.53	2.36	2.77	3.17	3.10	3.03	4.14	5.20	*5.00*	*5.30*	Cap'l Spending per sh	*6.60*
11.04	12.21	12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.16	*22.45*	*21.75*	Book Value per sh	*25.20*
29.64	30.40	31.25	31.95	40.79	41.68	51.48	62.80	80.54	81.74	*89.50*	*92.50*	Common Shs Outst'g D	*107.00*
17.9	15.4	33.0	18.9	15.6	15.2	13.4	15.9	16.1	13.5	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
1.03	.80	1.88	1.23	.80	.83	.76	.84	.86	.73	*Value Line*		Relative P/E Ratio	*.95*
4.2%	3.7%	4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	*estimates*		Avg Ann'l Div'd Yield	*3.9%*
906.8	848.2	690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	*5260*	*5560*	Revenues ($mill) A	*7800*
39.2	55.3	25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	*180*	*195*	Net Profit ($mill)	*270*
37.5%	36.5%	35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	*38.0%*	*38.0%*	Income Tax Rate	*39.0%*
4.3%	6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	*3.4%*	*3.5%*	Net Profit Margin	*3.5%*
48.1%	51.8%	50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	*49.0%*	*50.0%*	Long-Term Debt Ratio	*51.0%*
51.9%	48.2%	50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	*51.0%*	*50.0%*	Common Equity Ratio	*49.0%*
630.2	769.7	755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	*3940*	*4020*	Total Capital ($mill)	*5500*
849.1	917.9	965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	*3900*	*4200*	Net Plant ($mill)	*5300*
8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	*6.0%*	*6.5%*	Return on Total Cap'l	*6.5%*
12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.9%	*9.0%*	*9.5%*	Return on Shr. Equity	*10.0%*
12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.9%	*9.0%*	*9.5%*	Return on Com Equity	*10.0%*
3.9%	6.3%	NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	*3.5%*	*3.5%*	Retained to Com Eq	*4.5%*
67%	58%	NMF	112%	79%	82%	70%	77%	73%	63%	*64%*	*62%*	All Div'ds to Net Prof	*54%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $2336.4 mill. **Due in 5 Yrs** $1450.0 mill.
LT Debt $1878.7 mill. **LT Interest** $135.0 mill.
(LT interest earned: 2.9x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals $16.0 mill.
Pfd Stock None
Pension Assets-9/06 $362.7 mill. Oblig. $326.5 mill.
Common Stock 88,577,022 shs. as of 1/31/07
MARKET CAP: $2.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2005	2006	12/31/06
Cash Assets	40.1	75.8	94.4
Other	1224.3	1041.7	1481.2
Current Assets	1264.4	1117.5	1575.6
Accts Payable	461.3	345.1	762.5
Debt Due	148.1	385.6	457.7
Other	503.4	388.5	407.3
Current Liab.	1112.8	1119.2	1627.5
Fix. Chg. Cov.	395%	408%	420%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	17.0%	2.5%
"Cash Flow"	4.0%	5.0%	3.5%
Earnings	3.5%	10.0%	5.0%
Dividends	3.0%	2.0%	1.5%
Book Value	6.5%	8.5%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	763.6	1117.5	546.1	492.8	2920.0
2005	1371.0	1687.8	909.9	1004.6	4973.3
2006	2283.8	2033.8	863.2	971.6	6152.4
2007	1602.6	*1800*	*900*	*957.4*	*5260*
2008	*1390*	*1390*	*1390*	*1390*	*5560*

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	.57	1.12	.09	d.11	1.58
2005	.79	1.11	.06	d.21	1.72
2006	.88	1.10	d.22	.25	2.00
2007	.97	*1.15*	*d.03*	*d.09*	*2.00*
2008	*.95*	*1.15*	*.08*	*d.08*	*2.10*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.30	.30	.30	.305	1.21
2004	.305	.305	.305	.31	1.23
2005	.31	.31	.31	.315	1.25
2006	.315	.315	.315	.32	1.27
2007	.32				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to 3.2 million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined 2006 gas volumes: 272 MMcf. Breakdown: 53%, residential; 32%, commercial; 10%, industrial; and 5% other. 2006 depreciation rate 3.6%. Has around 4,600 employees. Officers and directors own approximately 1.9% of common stock (12/06 Proxy). Chairman and Chief Executive Officer: Robert W. Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy got off to a good start in fiscal 2007 (ends September 30th), driven by its non-utility businesses. Profits for the core natural gas marketing segment were boosted by higher unrealized storage mark-to-market gains, and underlying business trends were solid, as well. The pipeline operation reaped the benefits of the North Side Loop and other projects completed last year, plus rate adjustments arising from filings under the *Gas Reliability Infrastructure Program* (authorizing companies to earn a rate of return on their incremental annual capital investments).

But full-year earnings per share could be flat. The utility unit may be weighed down a bit by increased operating expenses, reflecting costs from a higher employee headcount. (Weather-normalization mechanisms applicable to around 90% of the customer base ought to help here, though.) Moreover, the fourth-quarter comparison ought to be quite difficult, given that our fiscal 2006 figure excludes an $0.18-a-share charge for the impairment of irrigation properties in the West Texas Division. Lastly, the recent public offering of 6.3 million common shares is estimated to dilute share net by around a nickel. (The $192 million in net proceeds from that transaction were used to reduce short-term debt.) Atmos is gradually strengthening its capital structure following the issuance of debt to finance the acquisition of TXU's gas business.

The company is awaiting the results of several rate cases. The largest one seeks $60 million in additional annual revenues in Texas, which would affect some 1.5 million customers. There is also a filing in Kentucky for a $10.4 million annual revenue increase (175,000 customers) and Missouri for $3.4 million in additional annual revenues (60,000 customers). Note that our presentation will account for the aforementioned amounts *if the measures are approved.*

These good-quality shares offer a decent yield, a well-covered payout, and moderate dividend growth. But performance wise, they are already trading within our 3- to 5-year Target Price Range, and are ranked only 3 (Average) for Timeliness.

Frederick L. Harris, III *March 16, 2007*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '97, d53¢; '99, d23¢; '00, 12¢; '03, d17¢; '06, d18¢. Next egs. rpt. due early May. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions, adjusted for stock splits. (E) Qtrs may not add due to change in shrs outstanding. (F) ATO completed United Cities merger 7/97.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	70

LACLEDE GROUP NYSE-LG

RECENT PRICE	30.18	P/E RATIO	15.9 (Trailing: 14.9 / Median: 15.0)	RELATIVE P/E RATIO	0.88	DIV'D YLD	4.9%	VALUE LINE

TIMELINESS 5 Lowered 1/19/07
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Raised 2/23/07
BETA .85 (1.00 = Market)

2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+50%)	14%
Low	30	(Nil)	5%

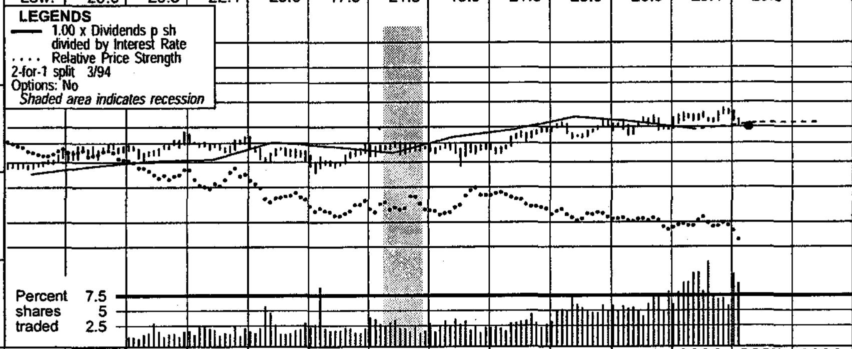
Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	1	0	0	0	1	0	4	1
to Sell	0	1	0	0	0	1	0	4	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	60	54	64
to Sell	47	52	38
Hld's(000)	10115	9986	10381

High:	24.9	28.6	27.9	27.0	24.8	25.5	25.0	30.0	32.5	34.3	37.5	36.0
Low:	20.0	20.3	22.4	20.0	17.5	21.3	19.0	21.8	26.0	26.9	29.1	29.6



Target Price Range
2010 | 2011 | 2012

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	-3.5	12.0
3 yr.	15.0	41.4
5 yr.	71.3	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
28.10	26.83	32.33	33.43	24.79	31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	*82.80*	*84.55*	Revenues per sh	*110.00*
2.37	2.32	2.81	2.65	2.55	3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	*3.60*	*3.95*	"Cash Flow" per sh	*5.00*
1.28	1.17	1.61	1.42	1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	*1.90*	*2.00*	Earnings per sh A B	*2.35*
1.20	1.20	1.22	1.22	1.24	1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	*1.45*	*1.49*	Div'ds Decl'd per sh C■	*1.60*
2.46	2.87	2.62	2.50	2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	*2.95*	*3.05*	Cap'l Spending per sh	*3.80*
11.83	11.79	12.19	12.44	13.05	13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	*20.70*	*20.90*	Book Value per sh D	*24.50*
15.59	15.59	15.59	15.67	17.42	17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	*21.50*	*22.00*	Common Shs Outst'g E	*25.00*
12.5	15.8	13.5	16.4	15.5	11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.80	.96	.80	1.08	1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	*Value Line*		Relative P/E Ratio	*1.05*
7.5%	6.5%	5.6%	5.3%	6.3%	5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	*estimates*		Avg Ann'l Div'd Yield	*4.3%%*
						602.8	547.2	491.6	566.1	1002.1	755.2	1050.3	1250.3	1597.0	1997.6	*1780*	*1860*	Revenues ($mill) A	*2750*
						32.5	27.9	26.9	26.0	30.5	22.4	34.6	36.1	40.1	50.5	*41.0*	*44.0*	Net Profit ($mill)	*60.0*
						36.1%	35.6%	35.5%	35.2%	32.7%	35.4%	35.0%	34.8%	34.1%	32.5%	*35.5%*	*35.5%*	Income Tax Rate	*35.5%*
						5.4%	5.1%	5.5%	4.6%	3.0%	3.0%	3.3%	2.9%	2.5%	2.5%	*2.3%*	*2.4%*	Net Profit Margin	*2.2%*
						38.0%	40.9%	41.8%	45.2%	49.5%	47.5%	50.4%	51.6%	48.1%	49.5%	*47.0%*	*48.0%*	Long-Term Debt Ratio	*49.0%*
						61.6%	58.6%	57.8%	54.5%	50.2%	52.3%	49.4%	48.3%	51.8%	50.4%	*53.0%*	*52.0%*	Common Equity Ratio	*51.0%*
						406.8	438.0	488.6	519.2	574.1	546.6	605.0	737.4	707.9	798.9	*840*	*885*	Total Capital ($mill)	*1200*
						467.6	490.6	519.4	575.4	602.5	594.4	621.2	646.9	679.5	763.8	*815*	*865*	Net Plant ($mill)	*1150*
						9.7%	8.1%	7.1%	6.7%	6.9%	6.0%	7.4%	6.6%	7.6%	8.4%	*6.5%*	*6.5%*	Return on Total Cap'l	*6.5%*
						12.9%	10.8%	9.5%	9.1%	10.5%	7.8%	11.5%	10.1%	10.9%	12.5%	*9.0%*	*9.5%*	Return on Shr. Equity	*10.0%*
						12.9%	10.8%	9.5%	9.1%	10.5%	7.8%	11.6%	10.1%	10.9%	12.5%	*9.0%*	*9.5%*	Return on Com Equity	*10.0%*
						3.9%	1.8%	1.0%	.2%	1.8%	NMF	3.1%	2.7%	3.1%	5.1%	*2.0%*	*2.5%*	Retained to Com Eq	*3.5%*
						70%	83%	89%	98%	83%	113%	74%	73%	72%	59%	*76%*	*75%*	All Div'ds to Net Prof	*67%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $652.8 mill. **Due in 5 Yrs** $275.0 mill.
LT Debt $355.5 mill. **LT Interest** $20.0 mill.
(Total interest coverage: 3.1x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/06 $246.1 mill.
Oblig. $282.1 mill.
Pfd Stock $.8 mill. **Pfd Div'd** $.05 mill.
Common Stock 21,566,851 shs.
as of 1/26/07

MARKET CAP: $650 million (Small Cap)

CURRENT POSITION ($MILL.)	2005	2006	12/31/06
Cash Assets	6.0	50.8	51.9
Other	418.1	409.0	522.3
Current Assets	424.1	459.8	574.2
Accts Payable	138.4	103.3	150.0
Debt Due	110.7	207.5	297.3
Other	116.5	120.1	115.0
Current Liab.	365.6	430.9	562.3
Fix. Chg. Cov.	293%	285%	290%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	10.0%	16.0%	*5.5%*
"Cash Flow"	1.0%	3.0%	*7.0%*
Earnings	3.0%	6.5%	*2.0%*
Dividends	1.0%	.5%	*2.5%*
Book Value	3.0%	3.5%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	332.6	475.0	245.1	197.6	1250.3
2005	442.5	576.5	311.3	266.7	1597.0
2006	689.2	708.8	330.6	269.0	1997.6
2007	539.6	*650*	*340*	*250.4*	*1780*
2008	*465*	*465*	*465*	*465*	*1860*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	.87	1.12	.19	d.28	1.82
2005	.79	1.06	.29	d.24	1.90
2006	1.23	1.05	.13	d.04	2.37
2007	.89	*.99*	*.15*	*d.13*	*1.90*
2008	*1.03*	*1.07*	*.20*	*d.30*	*2.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.335	.335	.335	.335	1.34
2004	.335	.34	.34	.34	1.36
2005	.34	.345	.345	.345	1.38
2006	.345	.355	.355	.355	1.41
2007	.365				

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 631,000 customers. Purchased SM&P for approximately $43 million (1/02). Therms sold and transported in fiscal 2006: 1.02 mill. Revenue mix for regulated operations: residential, 60%; commercial and industrial, 25%; transportation, 1%; other, 14%. Has around 3,880 employees. Officers and directors own approximately 7.0% of common shares (1/07 proxy). Chairman, Chief Executive Officer, and President: Douglas H. Yaeger. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.lacledegas.com.

Laclede Group's share earnings took a dive in the first quarter of fiscal 2007, which ends September 30th. But we were not surprised because of the difficult comparison. For one thing, the performance of Laclede Energy Resources was not as strong as the prior-year period, when margins were substantially higher as the result of supply/demand imbalances arising from the 2005 Gulf Coast hurricanes (one of the busiest storm seasons on record). Furthermore, Laclede Gas Company, accounting for the biggest portion of revenues, suffered from heightened operation and maintenance expenses and decreased income from entities outside the service territory. Lastly, SM&P Utility Resources posted a loss primarily because of costs incurred from expansionary initiatives, although its longer-term performance should benefit nicely. At this point in time, it appears the company's bottom line may plummet roughly 20%, to $1.90 a share, in fiscal 2007. Share net may perk up a bit next year, assuming that the comparison will be easier.

The company's prospects for the coming three to five years look unexceptional. Annual growth in the customer base for the natural gas distribution unit has been sluggish for some time. That's because the market in eastern Missouri is in a mature phase. As such, any substantial gains will have to be derived from the unregulated businesses or from major acquisitions, scenarios we don't see happening anytime soon. Consequently, annual earnings-per-share increases may only be in the mid-single-digit range out to 2010-2012.

Income-oriented accounts should find the dividend yield of interest. (Note that the quarterly distribution just rose by 3%.) Future hikes in the payout will likely continue to be moderate, given that the regulated subsidiary operates in a slow-growth environment.

These shares have lost some ground in recent months, attributable largely, it seems, to the company's substantially lower results in the first quarter. The diminished price and earnings momentum has caused the Timeliness rank to be 5 (Lowest). Total-return potential over the 3- to 5-year horizon is limited, as well.

Frederick L. Harris, III *March 16, 2007*

(A) Fiscal year ends Sept. 30th.
(B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Next earnings report due late April.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Incl. deferred charges. In '06: $256.8 mill., $12.02/sh.
(E) In millions. Adjusted for stock split.
(F) Qtly. egs. may not sum due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	65

NEW JERSEY RES. NYSE-NJR

RECENT PRICE 49.49 | P/E RATIO 17.1 (Trailing: 18.0 Median: 15.0) | RELATIVE P/E RATIO 0.94 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS **5** Lowered 12/15/06
SAFETY **1** Raised 9/15/06
TECHNICAL **4** Lowered 3/2/07
BETA .80 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	19.9	28.0	26.8	27.4	29.8	32.5	33.6	39.5	44.6	49.3	53.2	51.1
Low:	17.8	18.8	21.0	22.4	24.1	24.8	24.3	30.0	36.5	40.7	41.5	46.3

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

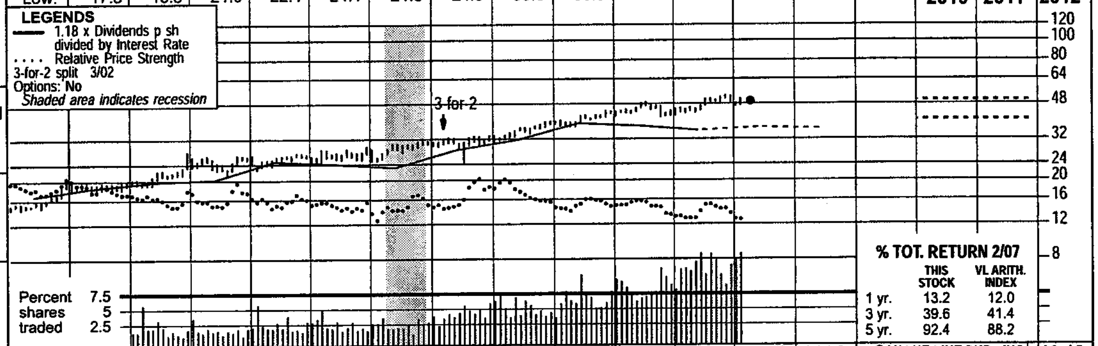
	Price	Gain	Ann'l Total Return
High	50	(Nil)	4%
Low	40	(-20%)	-1%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	0	0	4	0	0	1	1
to Sell	0	2	0	0	4	0	0	1	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	73	61	68
to Sell	60	69	69
Hld's(000)	16255	16616	15657



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	13.2	12.0
3 yr.	39.6	41.4
5 yr.	92.4	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
15.99	16.88	18.02	19.22	17.03	20.22	25.97	26.59	33.98	44.13	76.82	66.17	93.43	91.33	114.29	119.44	*121.45*	*123.00*	Revenues per sh A	*128.50*
1.58	1.95	2.14	2.31	2.13	2.22	2.45	2.60	2.79	2.99	3.18	3.21	3.58	3.75	3.92	4.10	*4.25*	*4.30*	"Cash Flow" per sh	*4.70*
.55	1.09	1.15	1.26	1.29	1.37	1.48	1.55	1.66	1.79	1.95	2.09	2.38	2.55	2.65	2.80	*2.90*	*3.00*	Earnings per sh B	*3.15*
1.00	1.01	1.01	1.01	1.01	1.03	1.07	1.09	1.12	1.15	1.17	1.20	1.24	1.30	1.36	1.44	*1.52*	*1.56*	Div'ds Decl'd per sh C■	*1.68*
2.91	1.99	2.31	2.10	1.77	1.78	1.72	1.60	1.81	1.85	1.66	1.53	1.71	2.17	1.92	1.92	*2.50*	*2.10*	Cap'l Spending per sh	*2.05*
8.57	9.44	9.81	9.64	9.70	10.10	10.38	10.88	11.35	12.43	13.20	13.06	15.38	16.87	15.90	22.50	*24.10*	*25.65*	Book Value per sh D	*0.50*
20.95	24.43	25.23	25.95	26.69	27.13	26.82	26.72	26.61	26.39	26.66	27.67	27.23	27.74	27.55	27.63	*28.00*	*28.50*	Common Shs Outst'g E	*29.50*
22.3	12.4	15.1	13.0	11.7	13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
1.42	.75	.89	.85	.78	.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.86	*Value*	*Line*	Relative P/E Ratio	*.95*
8.1%	7.5%	5.8%	6.2%	6.7%	5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*4.5%*
						696.5	710.3	904.3	1164.5	2048.4	1830.8	2544.4	2533.6	3148.3	3299.6	*3400*	*3500*	Revenues ($mill) A	*3800*
						41.5	43.3	44.9	47.9	52.3	56.8	65.4	71.6	74.4	78.5	*84.0*	*87.0*	Net Profit ($mill)	*100*
						33.3%	30.4%	36.2%	37.8%	38.0%	38.7%	39.4%	39.1%	39.1%	38.9%	*39.0%*	*39.0%*	Income Tax Rate	*40.0%*
						6.0%	6.1%	5.0%	4.1%	2.6%	3.1%	2.6%	2.8%	2.4%	2.4%	*2.5%*	*2.5%*	Net Profit Margin	*2.5%*
						49.3%	51.2%	48.7%	47.0%	50.1%	50.6%	38.1%	40.3%	42.0%	34.8%	*34.5%*	*33.5%*	Long-Term Debt Ratio	*31.5%*
						47.1%	45.6%	51.2%	52.9%	49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	*65.5%*	*66.5%*	Common Equity Ratio	*68.5%*
						590.6	638.2	590.4	620.1	706.2	732.4	676.8	783.8	755.3	954.0	*1025*	*1095*	Total Capital ($mill)	*1310*
						659.4	680.0	705.4	730.6	743.9	756.4	852.6	880.4	905.1	934.9	*940*	*970*	Net Plant ($mill)	*1100*
						8.6%	8.1%	9.0%	9.0%	8.5%	8.7%	10.7%	10.1%	11.2%	9.6%	*9.5%*	*9.5%*	Return on Total Cap'l	*9.0%*
						13.9%	13.9%	14.8%	14.6%	14.8%	15.7%	15.6%	15.3%	17.0%	12.6%	*12.5%*	*12.0%*	Return on Shr. Equity	*11.0%*
						14.3%	14.4%	14.8%	14.6%	14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	*12.5%*	*12.0%*	Return on Com Equity	*11.0%*
						4.0%	4.4%	5.0%	5.4%	6.1%	6.9%	7.7%	7.8%	8.5%	6.3%	*6.5%*	*6.0%*	Retained to Com Eq	*6.0%*
						73%	71%	67%	63%	59%	56%	51%	49%	50%	50%	*49%*	*50%*	All Div'ds to Net Prof	*50%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $626.4 mill. **Due in 5 Yrs** $300.0 mill.
LT Debt $336.7 mill. **LT Interest** $25.0 mill.
Incl. $7.4 mill. capitalized leases.
(LT interest earned: 6.0x; total interest coverage: 6.0x)
Pension Assets-9/06 $95.8 mill. **Oblig.** $103.7 mill.

Pfd Stock None

Common Stock 27,833,620 shs. as of 2/6/07
MARKET CAP: $1.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	5.0	25.0	10.1
Other	681.0	927.8	1078.8
Current Assets	686.0	952.8	1088.9
Accts Payable	42.9	54.7	45.5
Debt Due	287.4	177.4	289.7
Other	357.4	744.2	687.8
Current Liab.	687.7	976.3	1023.0
Fix. Chg. Cov.	826%	660%	450%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	19.0%	16.0%	*2.5%*
"Cash Flow"	6.0%	5.5%	*3.0%*
Earnings	7.5%	8.0%	*2.5%*
Dividends	3.0%	3.5%	*3.0%*
Book Value	6.5%	8.5%	*8.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	643.0	1037	438.5	414.4	2533.6
2005	854.0	1065	544.3	684.9	3148.3
2006	1164	1064	536.1	534.5	3299.6
2007	741.5	*1285*	*688*	*685.5*	*3400*
2008	*1195*	*1090*	*585*	*630*	*3500*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	.87	1.82	.06	d.20	2.55
2005	.91	1.84	.07	d.17	2.65
2006	1.23	2.14	d.14	d.43	2.80
2007	1.01	*2.20*	*d.05*	*d.26*	*2.90*
2008	*1.26*	*2.03*	*d.04*	*d.25*	*3.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.31	.31	.31	.31	1.24
2004	.325	.325	.325	.325	1.30
2005	.34	.34	.34	.34	1.36
2006	.36	.36	.36	.36	1.44
2007	.38				

BUSINESS: New Jersey Resources Corp. is a holding company providing retail and Wholesale energy svcs. to customers in New Jersey, in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas has about 471,000 customers at 9/30/06 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2006 volume: 102.8 bill. cu. ft. (56% firm, 7% interruptible industrial and electric utility, 37% off-system and capacity release). N.J. Natural Energy subsid. provides unregulated retail and wholesale natural gas and related energy svcs. 2006 dep. rate: 2.7%. Has 766 empls. Off./dir. own about 2% of common (12/06 Proxy). Chrmn. and CEO: Laurence M. Downes. Inc.: N.J. Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njliving.com.

New Jersey Resources began fiscal 2007 (ends September 30th) on a weak note. First-quarter profits increased 7% in the natural-gas-distribution segment (NJNG), but dropped 50% in the energy-services unit (NJRES) and dropped 40% in the retail business. Revenues declined in all three segments due to lower customer usage at NJNG and lower sales at NJRES, which was the result of lower natural gas prices and higher pipeline transportation costs due to infrastructure damage from regional hurricanes.

Even so, we look for a modest increase for share earnings, both this year and next. NJNG added about 10,000 new customers per year in 2005 and 2006 through new housing agreements and customer conversions from other fuels. We anticipate this annual new customer growth rate trend will continue. According to the company, the customer growth rate should increase natural gas sales volume by 1.5 billion cubic feet annually over the next two years and add $40 million in new utility revenues per year. Natural gas is being used in 95% of new construction due to its efficiency and reliability.

In late 2006, the Conservation Incentive Program (CIP) went into effect. NJNG's earnings and cash flows will be affected by this tariff. The CIP decouples the link between customer usage and the utility's profits. This feature will allow customers to conserve energy while addressing the company's utility profit margin variations due to weather and customer usage.

The wholesale energy services provider is on track to leverage its transportation and storage capacity to manage sales to its energy company customers. The portfolio maintains physical asset contracts across the North American continent and its varied weather areas. The portfolio's value increases when there are natural gas price differences in these different regions. In maintaining and trading this portfolio, we think that NJRES's customers will receive better pricing on these commodities.

We think this company will be able to register steady growth. Even so, the stock is untimely and is trading at the top of our 3- to 5- year price target.

Enzo DiCostanzo *March 16, 2007*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Next earnings report due late April.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2006: $323.0 million, $11.70/share.
(E) In millions, adjusted for split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	85
Earnings Predictability	95

NICOR, INC. NYSE-GAS

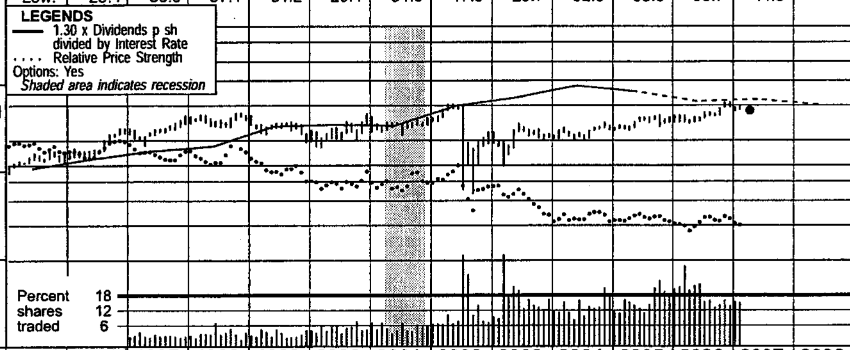
RECENT PRICE	45.33	P/E RATIO	15.4 (Trailing: 15.0 Median: 14.0)	RELATIVE P/E RATIO	0.85	DIV'D YLD	4.1%	VALUE LINE

TIMELINESS 3 Lowered 12/29/06
SAFETY 3 Lowered 6/17/05
TECHNICAL 4 Lowered 3/9/07
BETA 1.30 (1.00 = Market)

High:	37.1	42.9	44.4	42.9	43.9	42.4	49.0	39.3	39.7	43.0	49.9	48.3
Low:	25.4	30.0	37.1	31.2	29.4	34.0	17.3	23.7	32.0	35.5	38.7	44.5

Target Price Range 2010 | 2011 | 2012

LEGENDS
— 1.30 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+20%)	9%
Low	35	(-25%)	-1%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	1	0	0	1	1	3	0	1	0
Options	0	0	0	0	2	0	0	2	0
to Sell	0	0	0	0	0	0	0	2	0

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	98	83	124
to Sell	110	118	80
Hld's(000)	32450	32534	32939

Percent shares traded 18 12 6

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	13.0	12.0
3 yr.	48.3	41.4
5 yr.	42.2	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
26.46	28.90	31.02	31.23	29.42	37.39	41.33	30.84	34.45	50.52	57.30	43.11	60.46	62.12	76.00	66.20	63.90	64.90	Revenues per sh	71.00
3.92	4.14	3.80	4.11	4.19	4.97	5.29	5.21	5.59	6.16	6.41	6.03	5.37	6.00	6.19	6.85	6.05	6.20	"Cash Flow" per sh	6.20
1.86	1.92	1.97	2.07	1.96	2.42	2.55	2.31	2.57	2.94	3.01	2.88	2.11	2.22	2.29	3.03	2.70	2.75	Earnings per sh A	2.90
1.12	1.18	1.22	1.25	1.28	1.32	1.40	1.48	1.54	1.66	1.76	1.84	1.86	1.86	1.86	1.86	1.90	1.90	Div'ds Decl'd per sh B ■	2.00
3.65	3.12	2.62	3.34	3.12	2.42	2.34	2.87	3.28	3.48	4.18	4.37	4.12	4.32	4.57	4.50	4.50	4.45	Cap'l Spending per sh	4.45
12.28	12.76	13.05	13.26	13.67	14.74	15.43	15.97	16.80	15.56	16.39	16.55	17.13	16.99	18.36	19.35	20.50	21.45	Book Value per sh	24.10
57.30	55.77	53.96	51.54	50.30	49.49	48.22	47.51	46.89	45.49	44.40	44.01	44.04	44.10	44.18	44.70	44.60	44.70	Common Shs Outst'g C	45.00
11.5	11.6	14.1	12.5	13.1	12.5	14.2	17.6	14.6	11.9	12.8	13.1	15.8	15.9	17.3	13.3	Bold figures are		Avg Ann'l P/E Ratio	16.0
.73	.70	.83	.82	.88	.78	.82	.92	.83	.77	.66	.72	.90	.84	.92	.73	Value Line		Relative P/E Ratio	1.05
5.2%	5.3%	4.4%	4.8%	5.0%	4.4%	3.9%	3.6%	4.1%	4.7%	4.6%	4.9%	5.6%	5.3%	4.7%	4.7%	estimates		Avg Ann'l Div'd Yield	4.5%

CAPITAL STRUCTURE as of 12/31/06
Total Debt $848.1 mill. **Due in 5 Yrs** $215.0 mill.
LT Debt $498.1 mill. **LT Interest** $20.0 mill.
(Total interest coverage: 4.0x)

Pension Assets-12/06 $432.3 mill. **Oblig.** $271.3 mill.

Pfd Stock $.6 mill. **Pfd Div'd** $2.2 mill.
(11,681 shares of 4.48% mandatorily redeemable preferred stock)
Common Stock 44,911,933 shares as of 2/16/07
MARKET CAP: $2.0 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
1992.6	1465.1	1615.2	2298.1	2544.1	1897.4	2662.7	2739.7	3257.8	2960.0	2850	2900	Revenues ($mill)	3200
124.3	111.1	121.9	136.4	136.3	128.0	93.1	98.1	101.1	128.3	120	122	Net Profit ($mill)	150
35.0%	34.4%	34.7%	34.8%	33.5%	31.0%	35.2%	31.8%	28.3%	27.0%	30.0%	31.0%	Income Tax Rate	33.0%
6.2%	7.6%	7.5%	5.9%	5.4%	6.7%	3.5%	3.6%	3.0%	4.3%	4.2%	4.2%	Net Profit Margin	4.0%
42.3%	42.1%	35.5%	32.7%	37.8%	35.1%	39.6%	39.8%	37.4%	34.0%	33.0%	32.0%	Long-Term Debt Ratio	29.0%
57.2%	57.4%	64.0%	66.7%	61.7%	64.5%	60.3%	60.1%	62.5%	66.0%	67.0%	68.0%	Common Equity Ratio	71.0%
1300.6	1322.6	1230.1	1061.2	1180.1	1128.9	1251.5	1246.0	1297.7	1310	1365	1400	Total Capital ($mill)	1550
1735.8	1731.8	1735.2	1729.6	1768.6	1796.8	2484.2	2549.8	2659.1	2760	2850	2950	Net Plant ($mill)	3250
11.1%	9.9%	10.9%	13.7%	12.3%	12.2%	8.3%	8.8%	9.4%	10.9%	10.5%	10.5%	Return on Total Cap'l	10.0%
16.6%	14.5%	15.4%	19.1%	18.6%	17.5%	12.3%	13.1%	12.5%	14.0%	13.0%	13.0%	Return on Shr. Equity	12.0%
16.7%	14.6%	15.4%	19.2%	18.7%	17.5%	12.3%	13.1%	12.5%	14.0%	13.0%	13.0%	Return on Com Equity	12.0%
7.6%	5.4%	6.2%	8.5%	7.9%	6.5%	1.5%	2.1%	2.3%	4.5%	4.0%	4.0%	Retained to Com Eq	3.5%
55%	63%	60%	56%	58%	63%	88%	84%	81%	68%	71%	69%	All Div'ds to Net Prof	69%

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	83.2	126.9	67.6
Other	937.7	1218.8	843.1
Current Assets	1020.9	1345.7	910.7
Accts Payable	502.9	658.2	564.5
Debt Due	490.2	636.0	350.0
Other	178.3	328.7	227.9
Current Liab.	1171.4	1622.9	1142.4
Fix. Chg. Cov.	428%	367%	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '10-'12
Revenues	8.0%	11.5%	1.0%
"Cash Flow"	4.0%	0.5%	1.0%
Earnings	1.0%	-3.5%	4.0%
Dividends	4.0%	3.5%	1.0%
Book Value	3.0%	1.5%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1115.7	429.5	299.9	894.6	2739.7
2005	1179.9	484.4	236.0	1357.5	3257.8
2006	1319.4	451.3	351.1	838.2	2960.0
2007	1200	400	250	1000	2850
2008	1100	450	300	1050	2900

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.96	.44	d.26	1.08	2.22
2005	.98	.35	d.06	1.02	2.29
2006	.94	.41	.39	1.29	3.03
2007	1.00	.37	.28	1.05	2.70
2008	1.02	.35	.30	1.08	2.75

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.46	.465	.465	.465	1.86
2004	.465	.465	.465	.465	1.86
2005	.465	.465	.465	.465	1.86
2006	.465	.465	.465	.465	1.86
2007	.465				

BUSINESS: Nicor Inc. is a holding company with gas distribution as its primary business. Serves over 2.1 million customers in northern and western Illinois. 2006 gas delivered: 438.7 Bcf, incl. 206.0 Bcf from transportation. 2006 gas sales (232.7 bcf): residential, 80%; commercial, 18%; industrial, 2%. Principal supplying pipelines: Natural Gas Pipeline, Horizon Pipeline, and TGPC. Current operations include Tropical Shipping subsidiary and several energy related ventures. Divested inland barging, 7/86; contract drilling, 9/86; oil and gas E&P, 6/93. Has about 3,900 employees Off./dir. own about 2.8% of common stock. (3/06 proxy). Chairman and CEO: Russ Strobel. Inc.: Illinois Address: 1844 Ferry Road, Naperville, Illinois 60563. Telephone: 630-305-9500. Internet: www.nicor.com.

Nicor finished 2006 with a strong performance on its bottom line. Despite unseasonably warm weather, the company reported about a 32% year-over-year increase in share net in 2006. The improvement was helped by a turnaround in wholesale natural gas marketing. Nicor's weather-related utility bill management program particularly had a strong finish, which also provided a boost to earnings. However, revenues were dragged down by a subpar performance in the gas distribution business, which was attributed to the warm winter.

The recent growth will likely slow for the remainder of 2007. Our current estimates call for sales and earnings to drop about 4% and 12%, respectively. Results are due to moderate as Nicor has derived much of the benefit from its moves, while the cost-cutting initiative will probably no longer fuel share-net gains.

Base rates will likely remain unchanged in the near term. The company does not have any rate cases currently awaiting approval by the Illinois Commerce Commission. Moreover, Nicor seems to have adjusted to conditions with rates at current levels for the near term.

We have introduced our 2008 estimates. We believe the company will begin to rebound from the potential slowdown in 2007 with slight increases in 2008. Therefore, we are estimating roughly 2% growth in both revenues and earnings for next year.

Nicor offers a healthy dividend yield. The company currently offers a yield of 4.1%, which is above the industry average. Additionally, Nicor has paid a dividend for 212 consecutive quarters, which exhibits its commitment to the payout.

This issue is an average selection for the coming six- to 12 months. Moreover, these shares are currently trading within our 3- to 5-year Target Price Range, which limits the appeal of this stock for long-term investors. Nicor also has some exposure to the volatile natural gas commodity markets, which have the potential to weigh on the company's results in the coming years. All told, investors may want to look elsewhere until these shares develop more-attractive prospects.

Richard Gallagher *March 16, 2007*

(A) Based on primary earnings thru. '96, then diluted. Excl. nonrecurring gains/(loss): '89, 7¢; '97, 6¢; '98, 11¢; '99, 5¢; '00, ($1.96); '01, 16¢; '03, (27¢); '04, (52¢); '05, 80¢; '06, (17¢). Excl. items from discontinued ops.: '93, 4¢; '96, 30¢. Quarterly earnings may not sum to total due to rounding. Next egs. report due early May. (B) Dividends historically paid early February, May, August, November. ■ Dividend reinvestment plan available. (C) In millions.

Company's Financial Strength	A
Stock's Price Stability	50
Price Growth Persistence	40
Earnings Predictability	80

N.W. NAT'L GAS NYSE-NWN

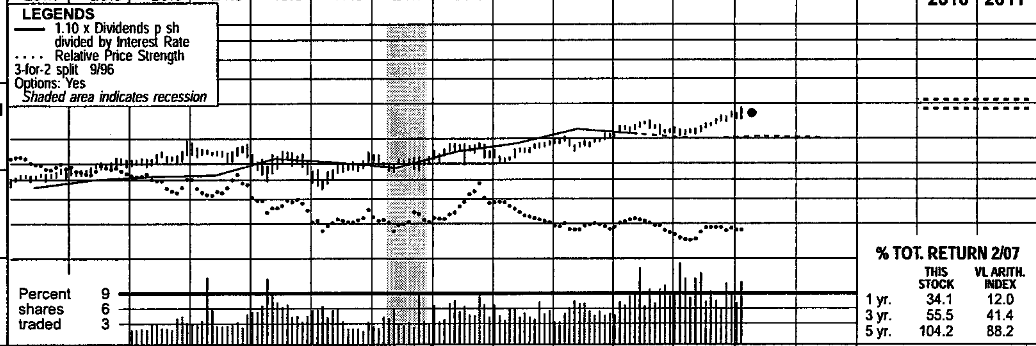
RECENT PRICE	P/E RATIO	(Trailing: 18.8 / Median: 15.0)	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
43.00	18.1	Trailing: 18.8 Median: 15.0	1.00	3.4%	

TIMELINESS 3 Raised 2/23/07
SAFETY 1 Raised 3/18/05
TECHNICAL 3 Lowered 1/12/07
BETA .75 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	25.9	31.4	30.8	27.9	27.5	26.8	30.7	31.3	34.1	39.6	43.7	46.3
Low:	20.8	23.0	24.3	19.5	17.8	21.7	23.5	24.0	27.5	32.4	32.8	39.8

Target Price Range 2010 | 2011 | 2012

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 9/96
Options: Yes
Shaded area indicates recession



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+15%)	7%
Low	45	(+5%)	5%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	1	0	1	2
to Sell	0	1	0	0	0	1	0	1	2

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	77	66	75
to Sell	59	54	60
Hld's(000)	14328	14332	14381

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	34.1	12.0
3 yr.	55.5	41.4
5 yr.	104.2	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
16.74	14.10	18.15	18.30	16.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.11	*36.35*	*38.30*	Revenues per sh	*44.85*
2.57	3.25	3.74	3.50	3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.65	*4.80*	*5.15*	"Cash Flow" per sh	*5.95*
.67	.74	1.74	1.63	1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.29	*2.40*	*2.55*	Earnings per sh A	*2.95*
1.13	1.15	1.17	1.17	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	*1.44*	*1.50*	Div'ds Decl'd per sh B■	*1.80*
3.58	3.73	3.61	4.23	3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.55	*3.85*	*3.85*	Cap'l Spending per sh	*3.85*
12.23	12.41	13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	21.96	*22.70*	*23.65*	Book Value per sh	*25.85*
17.68	19.46	19.77	20.13	22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.28	*27.50*	*27.50*	Common Shs Outst'g C	*29.00*
28.1	27.0	12.9	13.0	12.9	11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	16.3	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
1.79	1.64	.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.89	*Value Line*		Relative P/E Ratio	*1.05*
5.9%	5.7%	5.2%	5.5%	5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $646.6 mill. Due in 5 Yrs $251.7 mill.
LT Debt $517.0 mill. LT Interest $31.0 mill.

(Total interest coverage: 3.4x)

Pension Assets-12/05 $236 mill.
Oblig. $269 mill.
Pfd Stock None

Common Stock 27,256,341 shs.
as of 2/23/07
MARKET CAP $1.2 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
361.8	416.7	455.8	532.1	650.3	641.4	611.3	707.6	910.5	1013.2	*1000*	*1050*	Revenues ($mill)	*1300*
43.1	27.3	44.9	47.8	50.2	43.8	46.0	50.6	58.1	63.4	*66.0*	*70.0*	Net Profit ($mill)	*86.0*
32.9%	31.0%	35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	*36.5%*	*36.5%*	Income Tax Rate	*36.5%*
11.9%	6.6%	9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.3%	*6.6%*	*6.7%*	Net Profit Margin	*6.6%*
46.0%	45.0%	46.0%	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	46.4%	*47.0%*	*47.0%*	Long-Term Debt Ratio	*48.0%*
49.0%	50.6%	49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.6%	*53.0%*	*53.0%*	Common Equity Ratio	*52.0%*
748.0	815.6	861.5	887.8	880.5	937.3	1006.6	1052.5	1108.4	1116.5	*1150*	*1175*	Total Capital ($mill)	*1350*
827.5	894.7	895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	*1475*	*1525*	Net Plant ($mill)	*1600*
7.4%	5.0%	6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.5%	*7.0%*	*7.0%*	Return on Total Cap'l	*7.0%*
10.7%	6.1%	9.7%	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	10.6%	*10.5%*	*11.0%*	Return on Shr. Equity	*12.0%*
11.0%	6.0%	9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.6%	*10.5%*	*11.0%*	Return on Com Equity	*12.0%*
3.6%	NMF	2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.2%	*4.0%*	*4.5%*	Retained to Com Eq	*5.0%*
70%	118%	74%	70%	67%	79%	72%	69%	63%	61%	*60%*	*59%*	All Div'ds to Net Prof	*60%*

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	5.2	7.1	5.8
Other	231.9	316.6	303.0
Current Assets	237.1	323.7	308.8
Accts Payable	102.5	135.3	113.6
Debt Due	117.5	134.7	129.6
Other	47.3	56.6	98.3
Current Liab.	267.3	326.6	341.5
Fx. Chg. Cov.	316%	340%	349%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '10-'12
Revenues	4.5%	8.0%	*11.0%*
"Cash Flow"	1.5%	2.5%	*4.5%*
Earnings	1.5%	5.0%	*7.0%*
Dividends	1.0%	1.0%	*4.0%*
Book Value	4.0%	3.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	254.5	109.7	81.4	262.0	707.6
2005	308.7	153.7	106.7	341.4	910.5
2006	390.4	171.0	114.9	336.9	1013.2
2007	*380*	*170*	*110*	*340*	*1000*
2008	*390*	*180*	*120*	*360*	*1050*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1.24	d.03	d.30	.95	1.86
2005	1.44	.04	d.31	.94	2.11
2006	1.48	.07	d.35	1.09	2.29
2007	*1.56*	*.06*	*d.33*	*1.11*	*2.40*
2008	*1.64*	*.07*	*d.33*	*1.17*	*2.55*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.315	.315	.315	.325	1.27
2004	.325	.325	.325	.325	1.30
2005	.325	.325	.325	.345	1.32
2006	.345	.345	.345	.355	1.39
2007	.355				

BUSINESS: Northwest Natural Gas Co. distributes natural gas at retail to 90 communities, 636,000 customers, in Oregon (90% of custs.) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.4 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system to bring gas to market. Owns local underground storage. Rev. breakdown: residential, 55%; commercial, 28%; industrial, gas transportation, and other, 17%. Employs 1,200. Barclays owns 6.2% of shares; insiders, 1% (4/06 proxy). CEO: Mark S. Dodson. Inc.: OR. Address: 220 NW 2nd Ave., Portland, OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Northwest posted solid earnings growth in the last quarter of 2006 . . . The prior-year period suffered from about $0.06 a share in unusual litigation expenses. Still, fourth-quarter earnings rose around 9%, excluding the prior-year period charge. Northwest's customer count continued to grow at a 3% clip, about twice the industry average. Operation and maintenance costs declined 1%, after severance costs, as the company's work reorganization plan started to take effect. In 2006, the company earned $2.22 a share, before severance costs and mark-to-market accounting for derivatives ($2.29 a share overall).

. . . and the momentum will likely continue through at least 2008. For 20 years, Northwest has logged about twice the average industry customer growth, and we see no reason why that won't continue for the foreseeable future. Natural gas came to the Portland area rather late, in the 1950s, giving Northwest ample conversion opportunities. And the company has over a 90% share of new residential heating. We anticipate further gains on the cost side, too, as Northwest completes its work reorganization. This plan entails outsourcing most new construction and some administrative work, and standardizing and centralizing some functions. The company also plans to set up a new salesforce for the conversion market.

Suburban growth and other projects should keep earnings growing at a better-than average industry pace. Over the next 10 years, the Portland metro government will move its urban growth boundary out to the southeast of the city, opening a large new territory for natural gas service. Planners forecast that some towns in this area will grow by over 500% by 2015 with new, higher-density zoning. A new interstate pipeline project could also put to work over $100 million of capital, at a good, FERC-regulated rate of return, and NWN will probably benefit from the construction of at least one new liquefied natural gas terminal in its area.

These neutrally ranked, top-quality shares have below average total-return potential. Earnings and dividends will likely grow faster than industry averages, but the current yield is modest.

Sigourney B. Romaine *March 16, 2007*

(A) Diluted earnings per share. Excludes nonrecurring gain: '98, $0.15; '00, $0.11. Next earnings report due early May.
(B) Dividends historically paid in mid-February, mid-May, mid-August, and mid-November.
■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	80

PIEDMONT NAT'L. GAS NYSE-PNY

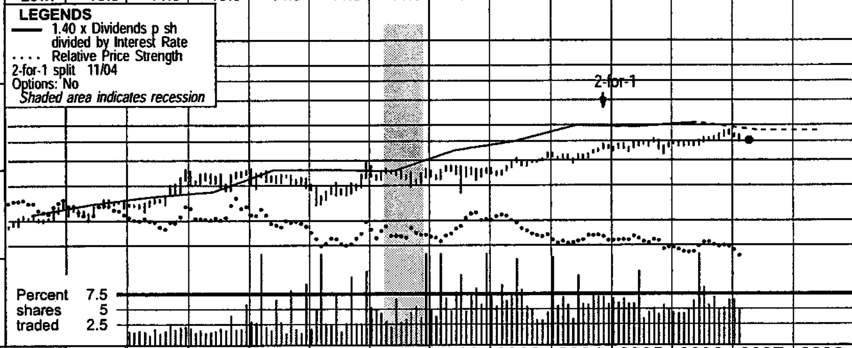
RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
25.14	18.0 (Trailing: 19.8 Median: 17.0)	0.99	4.0%

VALUE LINE

TIMELINESS 4 Raised 12/23/05
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 3/16/07
BETA .80 (1.00 = Market)

High:	12.9	18.2	18.1	18.3	19.7	19.0	19.0	22.0	24.3	25.8	28.4	27.3
Low:	10.3	11.0	13.9	14.3	11.8	14.6	13.7	16.6	19.2	21.3	23.2	24.4

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+60%)	15%
Low	30	(+20%)	8%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	9	9	9	10	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	1	0	1	2	0	0	0	0	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	85	68	79
to Sell	61	69	70
Hld's(000)	32936	33570	33589

% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	5.6	12.0
3 yr.	35.2	41.4
5 yr.	92.4	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
8.32	8.91	10.57	10.82	8.76	11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	*27.10*	*28.75*	Revenues per sh A	*33.50*
.78	1.07	1.14	1.13	1.25	1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.50	*2.60*	*2.70*	"Cash Flow" per sh	*3.00*
.44	.70	.73	.68	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.27	*1.40*	*1.45*	Earnings per sh B	*1.55*
.44	.46	.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	*.99*	*1.03*	Div'ds Decl'd per sh C ■	*1.15*
1.37	1.41	1.58	1.95	1.72	1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	*2.65*	*2.75*	Cap'l Spending per sh	*2.90*
4.83	5.13	5.45	5.68	6.16	6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	*12.00*	*12.40*	Book Value per sh D	*13.40*
49.46	51.59	52.30	53.15	57.67	59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	*73.80*	*73.00*	Common Shs Outst'g E	*71.80*
16.3	12.3	15.4	15.7	13.8	13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.4	*Bold figures are*		Avg Ann'l P/E Ratio	*22.0*
1.04	.75	.91	1.03	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.02	*Value*	*Line*	Relative P/E Ratio	*1.30*
6.0%	5.3%	4.3%	4.8%	5.4%	4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*
						775.5	765.3	686.5	830.4	1107.9	832.0	1220.8	1529.7	1761.1	1924.7	*2000*	*2100*	Revenues ($mill) A	*2400*
						55.2	60.3	58.2	64.0	65.5	62.2	74.4	95.2	101.3	96.7	*105*	*105*	Net Profit ($mill)	*110*
						39.1%	39.2%	39.7%	34.7%	34.6%	33.1%	34.8%	35.1%	33.7%	35.0%	*35.0%*	*36.0%*	Income Tax Rate	*36.0%*
						7.1%	7.9%	8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	*5.2%*	*5.1%*	Net Profit Margin	*5.0%*
						47.6%	44.7%	46.2%	46.1%	47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	*49.0%*	*50.0%*	Long-Term Debt Ratio	*49.0%*
						52.4%	55.3%	53.8%	53.9%	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	*51.0%*	*50.0%*	Common Equity Ratio	*51.0%*
						800.8	829.3	914.7	978.4	1069.4	1051.6	1090.2	1514.9	1509.2	1708.0	*1755*	*1810*	Total Capital ($mill)	*1900*
						941.7	990.6	1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.0	*2100*	*2150*	Net Plant ($mill)	*2350*
						8.9%	9.2%	8.1%	8.3%	7.9%	7.8%	8.6%	7.8%	8.2%	7.1%	*7.0%*	*7.5%*	Return on Total Cap'l	*7.0%*
						13.1%	13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	*11.5%*	*11.5%*	Return on Shr. Equity	*11.5%*
						13.1%	13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	*11.5%*	*11.5%*	Return on Com Equity	*11.5%*
						4.6%	4.7%	3.3%	3.5%	3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	*3.5%*	*3.5%*	Retained to Com Eq	*3.0%*
						65%	65%	72%	71%	75%	83%	74%	66%	68%	74.6%	*72%*	*70%*	All Div'ds to Net Prof	*74%*

CAPITAL STRUCTURE as of 10/31/06
Total Debt $995.0 mill. Due in 5 Yrs $150.0 mill.
LT Debt $825.0 mill. LT Interest $50.0 mill.
(LT interest earned: 4.0x; total interest coverage: 4.0x)

Pension Assets-10/06 $211.9 mill. **Oblig.** $236.3 mill.

Pfd Stock None

Common Stock 74,606,758 shs.
as of 1/8/07
MARKET CAP: $1.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2004	2005	10/31/06
Cash Assets	5.7	7.1	8.9
Other	329.5	497.8	467.1
Current Assets	335.2	504.9	476.0
Accts Payable	99.6	182.8	80.3
Debt Due	109.5	193.5	170.0
Other	97.1	152.3	150.1
Current Liab.	306.2	528.6	400.4
Fix. Chg. Cov.	378%	400%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	11.0%	5.5%
"Cash Flow"	7.0%	5.5%	3.0%
Earnings	5.5%	5.0%	3.0%
Dividends	5.5%	5.0%	4.0%
Book Value	6.5%	6.5%	2.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2004	618.8	482.4	214.7	213.8	1529.7
2005	680.6	508.0	232.9	339.6	1761.1
2006	921.4	483.2	237.9	282.2	1924.7
2007	*900*	*550*	*250*	*300*	*2000*
2008	*925*	*575*	*275*	*325*	*2100*

Fiscal Year Ends	EARNINGS PER SHARE A B F Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2004	1.03	.54	d.11	d.21	1.27
2005	.93	.52	d.06	d.07	1.32
2006	.94	.57	d.16	d.08	1.27
2007	*.96*	*.58*	*d.09*	*d.05*	*1.40*
2008	*.95*	*.60*	*d.06*	*d.04*	*1.45*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.20	.208	.208	.208	.82
2004	.208	.215	.215	.215	.85
2005	.215	.23	.23	.23	.91
2006	.23	.24	.24	.24	.95
2007					

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 1,016,000 customers in North Carolina, South Carolina, and Tennessee. 2006 revenue mix: residential (44%), commercial (26%), industrial (11%), other (19%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 72.8% of revenues. '06 deprec. rate: 3.5%. Estimated plant age: 8.7 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 2,051 employees. Officers & directors own less than 1% of common stock (1/07 proxy). Chairman, CEO, & President: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-731-4226. Internet: www.piedmontng.com.

We expect Piedmont Natural Gas' earnings for the first quarter of fiscal 2007 (ends October 31st) to rise by $0.02 a share. Customers continue to be added in Piedmont's North Carolina, South Carolina, and Tennessee service areas. In addition to South Carolina's increased large-volume customers, the 2006 Rate Stabilization Act filing was settled. Both of these factors should increase margins. We expect earnings for the full fiscal year to rise 10%, to $1.40 a share. That's the midpoint of Piedmont's target of $1.35-$1.45.

The Public Service Commission of South Carolina approved a gas cost hedging plan for the purpose of cost stabilization. The plan targets 30% to 60% of annual normalized sales volumes. Any benefits recognized are deemed to be reductions in gas cost and are refunded to South Carolina customers in rates.

The capitalization ratios of 48% long-term debt and 52% common equity were both in the target ranges. Maintaining sufficient cash flows and achieving this capital structure will allow PNY to have an attractive credit rating, which will facilitate obtaining capital for future infrastructure expenditures.

Piedmont's joint venture is performing well. Piedmont Energy's 30% equity interest in SouthStar Energy services, a Georgia-based unregulated retail natural gas marketer, earned $22.9 million of PNY's $29.9 million overall joint venture pretax earnings in fiscal 2006. We expect similar results to continue due to growth in joint markets.

In the three-state service area of the Carolinas and Tennessee, the overall customer growth rate was 3.5% in 2006. The gas distribution system serves a million customers company-wide with an increase last year of a near record 34,400. The growth rate is among the highest in the nation for natural gas distribution companies. A record was set in 2006 for residential construction customer growth.

Untimely Piedmont stock offers an attractive yield. Investors should note that the company offers a 5% discount on dividend reinvestment. Good dividend growth over the next 3 to 5 - years should produce worthwhile total return over that time.

Enzo DiCostanzo *March 16, 2007*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring charge: '97, 2¢. Next earnings report due early May.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. At 10/31/05: $4.0 million, 5¢/share.
(E) In millions, adjusted for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	80

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE	33.74	P/E RATIO	12.7 (Trailing: 17.2; Median: 14.0)	RELATIVE P/E RATIO	0.70	DIV'D YLD	2.9%	VALUE LINE

TIMELINESS 3 Raised 3/9/07

SAFETY 2 Lowered 1/4/91

TECHNICAL 3 Lowered 1/26/07

BETA .70 (1.00 = Market)

High:	12.3	15.3	15.4	15.4	15.1	17.0	18.3	20.3	26.5	32.4	34.3	35.3
Low:	10.1	10.5	11.0	10.8	12.3	13.8	14.1	15.3	19.7	24.9	25.6	31.8

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

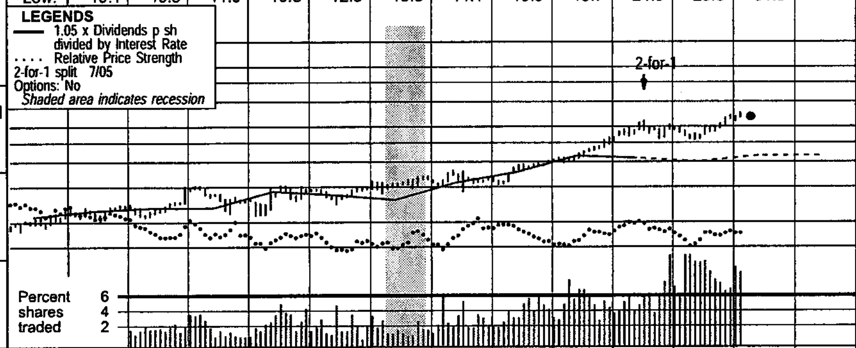
	Price	Gain	Ann'l Total Return
High	55	(+65%)	15%
Low	40	(+20%)	7%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	64	50	58
to Sell	46	47	44
Hld's(000)	15700	15711	15568



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	24.9	12.0
3 yr.	81.3	41.4
5 yr.	174.1	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
15.10	16.67	17.03	17.45	16.50	16.52	16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	30.85	*32.75*	*34.35*	Revenues per sh	*38.70*
1.37	1.56	1.54	1.35	1.65	1.54	1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.39	*3.65*	*3.85*	"Cash Flow" per sh	*4.30*
.64	.81	.78	.61	.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	*2.70*	*2.90*	Earnings per sh A	*3.30*
.71	.71	.72	.72	.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	*.98*	*1.05*	Div'ds Decl'd per sh B ■	*1.20*
2.17	1.69	1.87	1.93	2.08	2.01	2.30	3.06	2.19	2.21	2.82	3.47	2.36	2.67	3.21	2.52	*2.70*	*3.00*	Cap'l Spending per sh	*3.40*
6.77	6.95	7.17	7.23	7.34	8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.12	*16.05*	*16.65*	Book Value per sh C	*18.55*
18.48	19.00	19.61	21.43	21.44	21.51	21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.30	*29.60*	*30.00*	Common Shs Outst'g D	*31.00*
14.5	13.2	15.8	16.1	12.2	13.3	13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	14.9	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.93	.80	.93	1.06	.82	.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.81	*Value Line*		Relative P/E Ratio	*.95*
7.6%	6.6%	5.9%	7.4%	7.2%	6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	*estimates*		Avg Ann'l Div'd Yield	*3.3%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $555.0 mill. **Due in 5 Yrs** $232.5 mill.
LT Debt $358.0 mill. **LT Interest** $21.0 mill.
(Total interest coverage: 5.4x)

Pension Assets-12/06 $117.1 mill. **Oblig.** $132.6 mill.

Pfd Stock none

Common Stock 29,340,537 common shs. as of 2/23/07

MARKET CAP: $1.0 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
348.6	450.2	392.5	515.9	837.3	505.1	696.8	819.1	921.0	903.9	*970*	*1030*	Revenues ($mill)	*1200*
18.4	13.8	22.0	24.7	26.8	29.4	34.6	43.0	48.6	72.1	*80.0*	*85.0*	Net Profit ($mill)	*100*
36.8%	46.2%	42.8%	43.1%	42.2%	41.4%	40.6%	40.9%	41.5%	40.7%	*40.5%*	*40.5%*	Income Tax Rate	*40.5%*
5.3%	3.1%	5.6%	4.8%	3.2%	5.8%	5.0%	5.2%	5.3%	8.0%	*8.2%*	*8.3%*	Net Profit Margin	*8.3%*
54.6%	57.3%	53.8%	54.1%	57.0%	53.6%	50.8%	48.7%	44.9%	44.7%	*44.4%*	*44.4%*	Long-Term Debt Ratio	*42.5%*
35.8%	33.5%	37.0%	37.6%	35.9%	46.1%	49.0%	51.0%	55.1%	55.3%	*55.6%*	*55.6%*	Common Equity Ratio	*57.5%*
387.1	401.1	405.9	443.5	516.2	512.5	608.4	675.0	710.3	801.1	*855*	*900*	Total Capital ($mill)	*1000*
456.5	504.3	533.3	562.2	607.0	666.6	748.3	799.9	877.3	920.0	*975*	*1025*	Net Plant ($mill)	*1200*
6.7%	5.3%	7.4%	7.4%	6.9%	7.6%	7.3%	7.9%	8.3%	*10.2%*	*10.5%*	*10.5%*	Return on Total Cap'l	*11.5%*
10.5%	8.1%	11.7%	12.1%	12.1%	12.4%	11.5%	12.4%	12.4%	16.3%	*17.0%*	*17.0%*	Return on Shr. Equity	*17.5%*
13.3%	10.3%	14.6%	14.8%	12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	*17.0%*	*17.0%*	Return on Com Equity	*17.5%*
2.1%	NMF	4.2%	4.8%	3.5%	4.7%	5.0%	5.9%	6.2%	*10.2%*	*10.5%*	*11.0%*	Retained to Com Eq	*11.0%*
84%	112%	72%	67%	76%	62%	57%	52%	50%	37%	*36%*	*37%*	All Div'ds to Net Prof	*37%*

CURRENT POSITION ($MILL.)	2004	2005	12/31/06
Cash Assets	10.6	4.9	7.9
Other	273.3	352.6	363.8
Current Assets	283.9	357.5	371.7
Accts Payable	118.8	179.0	101.6
Debt Due	97.6	149.7	197.0
Other	68.9	74.4	124.2
Current Liab.	285.3	403.1	422.8
Fix. Chg. Cov.	426%	486%	527%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	5.5%	7.5%	*4.0%*
"Cash Flow"	4.5%	6.5%	*7.5%*
Earnings	8.0%	11.5%	*9.5%*
Dividends	1.5%	2.5%	*5.5%*
Book Value	5.5%	13.0%	*5.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	307.6	136.5	129.5	245.5	819.1
2005	328.6	154.0	157.0	281.4	921.0
2006	365.0	155.5	133.1	250.3	903.9
2007	*375*	*170*	*155*	*270*	*970*
2008	*390*	*190*	*170*	*280*	*1030*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.91	.15	.02	.50	1.58
2005	.96	.27	.09	.39	1.71
2006	1.06	.20	.51	.69	2.46
2007	*1.12*	*.30*	*.55*	*.73*	*2.70*
2008	*1.15*	*.35*	*.60*	*.80*	*2.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	--	.193	.193	.395	.78
2004	--	.202	.202	.415	.82
2005	--	.213	.213	.438	.86
2006	--	.225	.225	.470	.92
2007					

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 330,049 customers in New Jersey's southern counties, which covers 2,500 square miles and includes Atlantic City. Gas revenue mix '06: residential, 43%; commercial, 24%; cogeneration and electric generation 3%; industrial, 30%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 611 employees. Off./dir. cntrl. 1.5% of com. shares; Dimensional Fund Advisors, 7.9%; Barclays, 5.3% (3/06 proxy). Chrmn. & CEO: Edward Graham. Incorp.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Tel.: 609-561-9000. Internet: www.sjindustries.com.

South Jersey Industries has restated its earnings. In February, the company determined that its documentation of certain hedge transactions did not contain the specificity required by FASB 133. Therefore, the hedges did not qualify for hedge accounting treatment. As a result, SJI restated its financial statements for 2004, 2005, and the first three quarters of 2006. We have adjusted our 2006 figures accordingly. In keeping with *Value Line* convention, we have not restated figures from previous years.

The company's earnings per share advanced significantly in 2006. The Conservation Incentive Program (discussed below) boosted net income by $4.6 million. The Wholesale Commodity Marketing business reported impressive bottom-line growth, as volatility in natural gas prices and increased storage capacity created lucrative opportunities. Pension and other postretirement benefit costs declined. Strong performance will probably continue, although mark-to-market accounting will make earnings more volatile.

The company has implemented its Conservation Incentive Program. This initiative allows South Jersey Gas to promote energy conservation, while insulating the company from the negative impact of reduced customer usage (as a result of warmer weather, higher prices, or more efficient heating equipment).

Several projects at Marina Energy may benefit SJI in the coming years. Marina develops, owns, and operates onsite energy plants, which provide income streams as part of long-term contracts. It brought three projects on line during the second half of 2006. In addition, Marina has three projects scheduled to commence operations by early 2008.

The board of directors has increased the dividend by 9%. The board raised the quarterly payout from $0.225 a share to $0.245. SJI has increased its dividend at a solid clip in recent years and will probably continue to do so.

This stock is ranked to pace the broader market for the year ahead. At the current quotation, the yield is low (by utility standards), although the issue does have worthwhile total-return potential for the pull to late decade.

Michael F. Napoli *March 16, 2007*

(A) Based on avg. shs. Excl. nonrecur. gain: '01, $0.13. Excl gain (losses) from discont. ops.: '96, $1.14; '97, ($0.24); '98, ($0.26); '99, ($0.02); '00, ($0.04); '01, ($0.02); '02, ($0.04); '03, ($0.09); '05, ($0.02); '06, ($0.02). Excl. gains due to acct'g change: '93, $0.04; '01, $0.14. Next egs. report due early May.
(B) Dividends paid early Apr., Jul., Oct, and late Dec. ■ Div. reinvest. plan avail. (2% disc.).
(C) Incl. regulatory assets ($197.0 mill.): at 12/31/06, $6.72 per shr.
(D) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	95
Earnings Predictability	90

SOUTHWEST GAS NYSE-SWX

RECENT PRICE **36.49** | P/E RATIO **17.3** (Trailing: 18.4; Median: 20.0) | RELATIVE P/E RATIO **0.96** | DIV'D YLD **2.4%** | VALUE LINE

High:	19.9	20.3	26.9	29.5	23.0	24.7	25.3	23.6	26.2	28.1	39.4	39.9
Low:	14.9	16.1	17.3	20.4	16.9	18.6	18.1	19.3	21.5	23.5	26.0	35.3

TIMELINESS 3 Raised 5/12/06
SAFETY 3 Lowered 1/4/91
TECHNICAL 3 Lowered 1/12/07
BETA .85 (1.00 = Market)

2010-12 PROJECTIONS

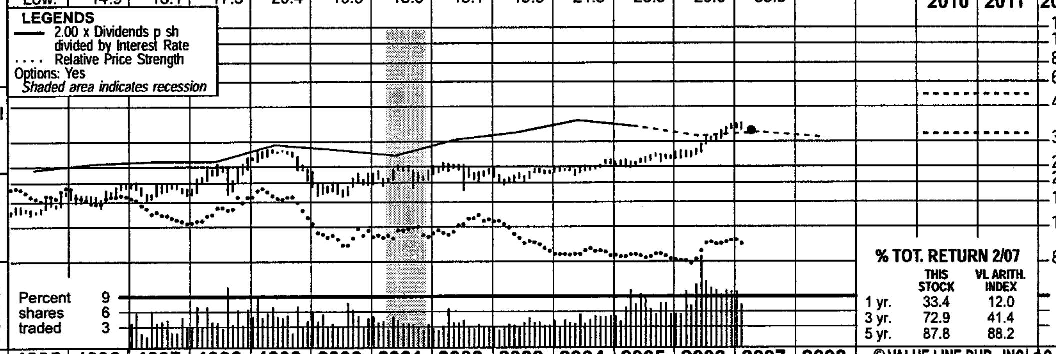
	Price	Gain	Ann'l Total Return
High	55	(+50%)	13%
Low	35	(-5%)	1%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	3	0	0	0	1	0	1	0	0
Options	1	5	5	2	5	2	1	8	2
to Sell	1	6	6	2	5	2	1	8	4

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	82	82	92
to Sell	46	50	65
Hld's(000)	29036	29706	30129



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	33.4	12.0
3 yr.	72.9	41.4
5 yr.	87.8	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
24.99	25.93	25.68	28.16	23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	*49.40*	*50.35*	Revenues per sh A	*52.65*
1.53	3.34	3.24	5.09	2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	6.07	*6.20*	*6.35*	"Cash Flow" per sh	*6.65*
d.76	.81	.63	1.22	.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	*2.12*	*2.25*	Earnings per sh A B	*2.60*
.88	.70	.74	.80	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	*.86*	*.86*	Div'ds Decl'd per sh C■	*.90*
3.76	5.02	5.43	6.64	6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	*8.70*	*9.10*	Cap'l Spending per sh	*9.45*
15.88	15.99	15.96	16.38	14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	*22.10*	*22.75*	Book Value per sh	*25.25*
20.60	20.60	21.00	21.28	24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	*43.00*	*44.00*	Common Shs Outst'g D	*47.50*
--	16.6	26.5	14.0	NMF	69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
--	1.01	1.57	.92	NMF	4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.87	*Value Line*		Relative P/E Ratio	*1.20*
7.0%	5.2%	4.4%	4.7%	5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	*estimates*		Avg Ann'l Div'd Yield	*1.8%*

CAPITAL STRUCTURE as of 12/31/06

Total Debt $1413.9 mill. **Due in 5 Yrs** $270.0 mill.
LT Debt $1386.4 mill. **LT Interest** $98.0 mill.
(Total interest coverage: 2.4x)

Pension Assets-12/06 $413.5 mill.
Oblig. $534.9 mill.

Pfd Stock None

Common Stock 41,997,015 shs.
as of 2/15/07

MARKET CAP: $1.5 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
732.0	917.3	936.9	1034.1	1396.7	1320.9	1231.0	1477.1	1714.3	2024.8	*2125*	*2215*	Revenues ($mill) A	*2500*
20.8	47.5	39.3	38.3	37.2	38.6	38.5	58.9	48.1	81.1	*90.0*	*100*	Net Profit ($mill)	*120*
29.2%	43.4%	35.5%	26.2%	34.5%	32.8%	30.5%	34.8%	29.7%	34.7%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.8%	5.2%	4.2%	3.7%	2.7%	2.9%	3.1%	4.0%	2.8%	4.0%	*4.2%*	*4.5%*	Net Profit Margin	*4.8%*
63.6%	60.2%	60.3%	60.2%	56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	*60.0%*	*59.5%*	Long-Term Debt Ratio	*57.0%*
31.5%	35.3%	35.5%	35.8%	39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	*40.0%*	*40.5%*	Common Equity Ratio	*43.0%*
1224.7	1349.3	1424.7	1489.9	1417.6	1748.3	1851.6	1968.6	2076.0	2287.8	*2375*	*2475*	Total Capital ($mill)	*2800*
1360.3	1459.4	1581.1	1686.1	1825.6	1979.5	2175.7	2336.0	2489.1	2668.1	*2800*	*3000*	Net Plant ($mill)	*3500*
3.9%	5.8%	4.8%	4.6%	5.1%	4.3%	4.2%	5.0%	4.3%	*5.5%*	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
4.7%	8.9%	7.0%	6.5%	6.0%	5.9%	6.1%	8.3%	6.4%	9.0%	*9.5%*	*10.0%*	Return on Shr. Equity	*10.0%*
5.4%	10.0%	7.8%	7.2%	6.6%	6.5%	6.1%	8.3%	6.4%	9.0%	*9.5%*	*10.0%*	Return on Com Equity	*10.0%*
NMF	5.0%	2.8%	2.4%	1.9%	1.9%	1.7%	4.3%	2.2%	*5.3%*	*5.5%*	*6.5%*	Retained to Com Eq	*6.5%*
107%	50%	64%	67%	71%	70%	72%	49%	65%	41%	*41%*	*37%*	All Div'ds to Net Prof	*34%*

CURRENT POSITION ($MILL.)

	2004	2005	12/31/06
Cash Assets	13.6	29.6	18.8
Other	418.4	513.1	482.8
Current Assets	432.0	542.7	501.6
Accts Payable	165.9	259.5	265.7
Debt Due	129.8	107.2	27.5
Other	187.3	254.3	202.9
Current Liab.	483.0	621.0	496.1
Fix. Chg. Cov.	166%	167%	220%

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	4.5%	5.0%	3.0%
"Cash Flow"	4.0%	3.5%	3.0%
Earnings	7.5%	-0.5%	8.0%
Dividends	0.5%	--	1.5%
Book Value	2.0%	3.0%	4.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	473.4	278.7	264.5	460.5	1477.1
2005	542.9	361.1	313.3	497.0	1714.3
2006	676.9	430.9	351.8	565.1	2024.8
2007	*700*	*460*	*380*	*585*	*2125*
2008	*725*	*480*	*400*	*610*	*2215*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	1.18	d.24	d.51	1.23	1.66
2005	.88	d.07	d.43	.87	1.25
2006	1.11	.02	d.26	1.11	1.98
2007	*1.15*	*.05*	*d.20*	*1.12*	*2.12*
2008	*1.20*	*.05*	*d.15*	*1.15*	*2.25*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.205	.205	.205	.205	.82
2004	.205	.205	.205	.205	.82
2005	.205	.205	.205	.205	.82
2006	.205	.205	.205	.205	.82
2007	.205	.215			

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approx. 1.8 million customers in sections of Arizona, Nevada, and California. '06 margin mix: resid. and small commercial, 85%; large commercial and industrial, 6%; transportation, 9%. Total throughput: 2.4 billion therms. Principal suppliers: El Paso Natural Gas Co. and Northwest Pipeline Corp. Acquired gas utility assets from Arizona Public Service in 1984. Sold PriMerit Bank (acq. in '86) in 7/96. Has about 4,902 employees. Officers & Directors own 2.3% of common stock (3/06 Proxy). Chairman: LeRoy Hanneman. Chief Executive Officer: Jeffrey W. Shaw. Incorporated: California. Address: 5241 Spring Mountain Rd., Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Southwest Gas finished the year on a strong note. Revenues and share earnings advanced by roughly 14% and 28%, respectively, in the fourth quarter. For full-year 2006, the top line increased by 18%. Southwest Gas increased its customer base by 4% during the year. This augmented gross margin by $26 million. Rate relief in California and Arizona added $37 million more to margin. The company also benefited from closer-to-normal weather in the recent interim, compared to the warmer temperatures it had experienced in the same period of 2005. Earnings per share came in at $1.98, well above the prior year's tally.

We anticipate moderate growth in the current year. The company's focus on obtaining rate relief and improving rate design is encouraging, as Southwest Gas depends upon approved revenue increases to help it cope with higher costs. Customer growth should continue to benefit the company, as well. However, as Southwest Gas expands, it is likely to incur upfront costs and increased operating expenses. Improvements in technology may offset these costs somewhat.

The company recently announced a dividend increase. The June quarterly payout will now be $0.215. As the first dividend increase in more than a decade, this move is refreshing. Still, income-oriented investors should note that the company's dividend yield of 2.4% remains lower than that of most utility stocks.

Investors should be aware of several caveats. The share count at Southwest Gas has risen steadily in recent years. This pattern appears likely to continue and may hinder growth in earnings per share. Also, long-term debt currently comprises over 60% of total capital. Debt should continue to increase, although probably at a slower pace than shareholders' equity. Warmer-than-normal weather or lagging rate relief could also hurt the company's revenues and earnings.

Shares of Southwest Gas are neutrally ranked for Timeliness. We anticipate steady bottom-line growth at SWX for the pull to late decade. Nonetheless, total return potential is unexciting for that timeframe, as the stock is currently trading within our Target Price Range.

Michael F. Napoli *March 16, 2007*

(A) Incl. income for PriMerit Bank on the equity basis through 1994. (B) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '93, 8¢; '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Incl. asset writedown: '93, 44¢. Excl. loss from disc. ops.: '95, 75¢. Next egs. report due early May. (C) Dividends historically paid early March, June, September, December. ■ Div'd reinvest. plan avail. (D) In millions. (E) Quarterly figures may not sum due to rounding.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	65

WGL HOLDINGS NYSE-WGL

RECENT PRICE **30.81** | P/E RATIO **15.7** (Trailing: 16.0, Median: 15.0) | RELATIVE P/E RATIO **0.87** | DIV'D YLD **4.4%** | **VALUE LINE**

TIMELINESS **4** Raised 8/4/06
SAFETY **1** Raised 4/2/93
TECHNICAL **3** Lowered 1/5/07
BETA .85 (1.00 = Market)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
High:	25.0	31.4	30.8	29.4	31.5	30.5	29.5	28.8	31.4	34.8	33.6	33.0	
Low:	19.1	20.9	23.1	21.0	21.8	25.3	19.3	23.2	26.7	28.8	27.0	30.4	

Target Price Range
2010 | 2011 | 2012

2010-12 PROJECTIONS

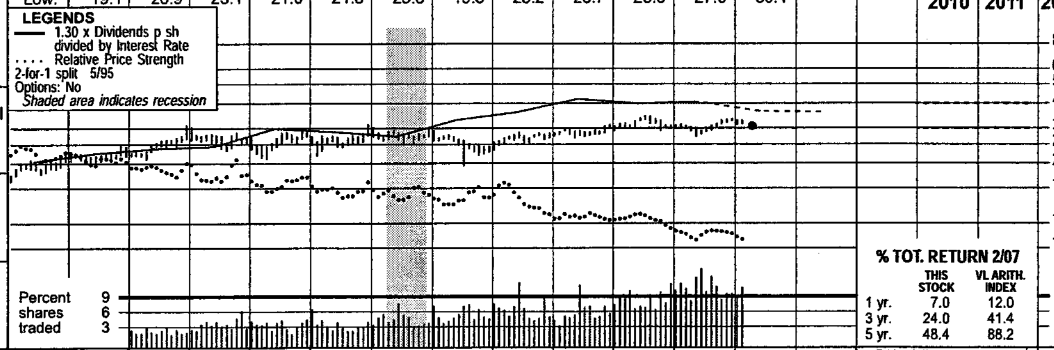
	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	1	6	0	1	6	1
to Sell	0	0	0	1	7	0	1	6	1

Institutional Decisions

	2Q2006	3Q2006	4Q2006
to Buy	73	86	81
to Sell	78	73	68
Hld's(000)	29760	30043	30408



% TOT. RETURN 2/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.0	12.0
3 yr.	24.0	41.4
5 yr.	48.4	88.2

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
17.50	18.37	21.55	21.69	19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	*54.90*	*56.70*	Revenues per sh A	*62.50*
2.04	2.17	2.25	2.43	2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.93	*4.00*	*4.15*	"Cash Flow" per sh	*4.40*
1.14	1.27	1.31	1.42	1.45	1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.11	1.94	*1.96*	*2.05*	Earnings per sh B	*2.20*
1.05	1.07	1.09	1.11	1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.34	*1.38*	*1.42*	Div'ds Decl'd per sh C■	*1.45*
2.05	2.17	2.43	2.84	2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	*2.45*	*2.45*	Cap'l Spending per sh	*2.55*
9.63	10.66	11.04	11.51	11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.28	*18.90*	*19.60*	Book Value per sh D	*22.0*
39.89	40.62	41.50	42.19	42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	*48.91*	*48.92*	Common Shs Outst'g E	*49.0*
12.8	13.6	15.6	14.0	12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.82	.82	.92	.92	.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.81	*Value Line*		Relative P/E Ratio	*1.0*
7.2%	6.2%	5.3%	5.6%	6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	*estimates*		Avg Ann'l Div'd Yield	*4.3%*
						1055.8	1040.6	972.1	1031.1	1446.5	1584.8	2064.2	2089.6	2186.3	2637.9	*2685*	*2775*	Revenues ($mill) A	*3050*
						82.0	68.6	68.8	84.6	89.9	55.7	112.3	98.0	104.8	95.1	*98*	*102*	Net Profit ($mill)	*110*
						36.9%	35.6%	36.0%	36.1%	39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	*38.0%*	*38.0%*	Income Tax Rate	*38.0%*
						7.8%	6.6%	7.1%	8.2%	6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	*3.6%*	*3.7%*	Net Profit Margin	*3.6%*
						41.1%	40.3%	41.5%	43.1%	41.7%	45.7%	43.8%	40.9%	39.5%	38.5%	*39.0%*	*38.8%*	Long-Term Debt Ratio	*36.0%*
						56.2%	57.1%	56.1%	54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	61.5%	*61.0%*	*61.5%*	Common Equity Ratio	*64.0%*
						1049.0	1064.8	1218.5	1299.2	1400.8	1462.5	1454.9	1443.6	1478.1	1497.8	*1560*	*1615*	Total Capital ($mill)	*1720*
						1217.1	1319.5	1402.7	1460.3	1519.7	1606.8	1874.9	1915.6	1969.7	2068	*2170*	*2280*	Net Plant ($mill)	*2640*
						9.3%	8.0%	7.1%	7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.7%	*7.5%*	*7.5%*	Return on Total Cap'l	*7.5%*
						13.3%	10.8%	9.7%	11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.3%	*10.0%*	*10.5%*	Return on Shr. Equity	*10.0%*
						13.7%	11.1%	9.9%	11.7%	11.2%	7.2%	14.0%	11.7%	12.0%	10.2%	*10.5%*	*10.7%*	Return on Com Equity	*10.5%*
						5.1%	2.5%	1.8%	3.7%	3.8%	NMF	6.2%	4.1%	4.6%	3.1%	*3.2%*	*3.5%*	Retained to Com Eq	*4.0%*
						63%	78%	82%	69%	67%	112%	56%	65%	62%	70%	*68%*	*67%*	All Div'ds to Net Prof	*65%*

CAPITAL STRUCTURE as of 12/31/06
Total Debt $882.8 mill. Due in 5 Yrs $290.0 mill.
LT Debt $605.1 mill. LT Interest $40.6 mill.
(LT interest earned: 4.8x; total interest coverage: 4.2x)
Pension Assets-9/06 $699.9 mill. Oblig. $697.4 mill.
Preferred Stock $28.2 mill. Pfd Div'd $1.3 mill.

Common Stock 49,141,163 shs.

MARKET CAP: $1.5 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2005	2006	12/31/06
Cash Assets	4.8	4.4	12.2
Other	476.2	556.9	798.8
Current Assets	481.0	561.3	811.0
Accts Payable	204.9	208.5	313.1
Debt Due	91.0	238.4	277.7
Other	115.5	113.9	214.4
Current Liab.	411.4	560.8	805.2
Fix. Chg. Cov.	460%	450%	450%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	14.5%	*4.0%*
"Cash Flow"	5.0%	6.5%	*2.0%*
Earnings	4.5%	6.0%	*1.0%*
Dividends	1.5%	1.5%	*1.5%*
Book Value	4.0%	3.0%	*3.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	585.3	862.2	356.9	285.2	2089.6
2005	623.4	929.8	349.0	284.1	2186.3
2006	902.9	1064.5	346.9	323.6	2637.9
2007	732.9	*1095*	*440*	*417.1*	*2685*
2008	*970*	*1040*	*390*	*375*	*2775*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	.81	1.62	d.08	d.37	1.98
2005	.88	1.63	d.17	d.23	2.11
2006	.93	1.17	d.01	d.15	1.94
2007	.92	*1.20*	*d.01*	*d.15*	*1.96*
2008	*.95*	*1.26*	*d.01*	*d.15*	*2.05*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.32	.325	.325	.325	1.30
2004	.325	.333	.333	.333	1.32
2005	.33	.33	.333	.333	1.33
2006	.333	.333	.338	.338	1.34
2007	.34				

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,031,916 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. American Century Inv. own 9.6% of common stock; Off./dir. less than 1% (1/07 proxy). Chrmn. & CEO: J.H. DeGraffenreidt. Inc.: D.C. and VA. Addr.: 1100 H St., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings, Inc.'s consolidated operating revenues were down 2% to $733 million for the first three months of fiscal 2007. The biggest declines were in the regulated utility segment, where gas delivery revenues were down 30% due to warm weather and customer conservation. In addition the nonutility operation HVAC segment was down 60% owning to the completion of large projects for its customers at the end of fiscal 2006 that have not yet been replaced in the segment's revenue stream. The regulated utility segment is WGL's core business; it represents 91% of the holding company's total assets. Even so, corporate income increased 2% to $45.1 million thanks to a 20% decrease in operating expenses.

Washington Gas is continuing to address the natural gas leaks in its distribution system in Maryland. Gas used in the system from a liquefied natural gas terminal has a lower concentration of heavy hydrocarbons, that, when introduced into the overall distribution system, can cause the seals in the pipe couplings to leak. These gas service lines and couplings are being replaced and rehabilitated in the distribution system. The project is expected to be completed by December, 2007 at an estimated cost of $144 million. This project is necessary to provide safe and reliable utility service. It is anticipated that these costs will be recognized in the rate-making process. Washington Gas' financial condition, results of operations, and cash flows will, of course, be affected by the Public Service Commission of Maryland's rate-making judgment.

WGL Holdings expects to benefit from robust economic growth in its service area. The DC market is one of the most prosperous in the United States. New customers have been added at an average of 20,000 per year for the last few years. And attention will be focused on residential customer conversions to natural gas from other forms of energy.

These shares are trading within our Target Price Range, and we see negligible price appreciation for the 3- to 5-years ahead. The stock stands out for its yield, however, which is one of the highest among the gas distribution companies. Moreover, finances are strong.

Enzo DiCostanzo *March 16, 2007*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); discontinued operations: '06, (15¢). Next earnings report due late April.
(C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '05: $150.0 million, $3.08/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	60

ATTACHMENT C

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Zacks.com Quotes and Research

ATLANTA GAS LIGHT (NYSE)

Scottrade

ATG	41.74	▼-0.50	(-1.18%)	Vol. 99,000	12:26 CST

AGL Resources principal business is the distribution of natural gas to customers in central, northwest, northeast and southeast Georgia and the Chattanooga, Tennessee area through its natural gas distribution subsidiary. AGL's major service area is the ten county metropolitan Atlanta area.

General Information

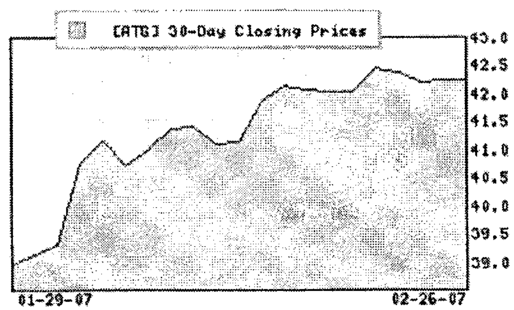
AGL RESOURCES
Ten Peachtree Place NE
Atlanta, GA 30309
Phone: 404 584-4000
Fax: 404 584-3945
Web: www.aglresources.com
Email: scave@aglresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	12/31/06
Next EPS Date	05/09/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	42.24
52 Week High	42.45
52 Week Low	34.75
Beta	0.35
20 Day Moving Average	454,960.94
Target Price Consensus	42.42



% Price Change		% Price Change Relative to S&P 500	
4 Week	9.49	4 Week	7.05
12 Week	9.92	12 Week	5.71
YTD	8.51	YTD	5.28

Share Information		Dividend Information	
Shares Outstanding (millions)	77.70	Dividend Yield	3.88%
		Annual Dividend	$1.64
Market Capitalization (millions)	3,280.32	Payout Ratio	0.54
Short Ratio	10.00	Change in Payout Ratio	-0.02
Last Split Date	12/04/1995	Last Dividend Payout / Amount	11/15/2006 / $0.37

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.40	Current (1=Strong Buy, 5=Strong Sell)	2.57
Current Year EPS Consensus Estimate	2.78	30 Days Ago	2.38
Estimated Long-Term EPS Growth Rate	5.00	60 Days Ago	2.38
Next EPS Report Date	05/09/2007	90 Days Ago	2.38

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.18	vs. Previous Year	-29.41%	vs. Previous Year	-28.80%
Trailing 12 Months:	15.52	vs. Previous Quarter	30.43%	vs. Previous Quarter:	62.90%
PEG Ratio	3.04				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.04	12/31/06	13.36	12/31/06	3.61
Price/Cash Flow	9.37	09/30/06	14.81	09/30/06	3.91
Price / Sales	1.25	06/30/06	13.75	06/30/06	3.52
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	1.12	12/31/06	0.75	12/31/06	8.08
09/30/06	1.15	09/30/06	0.67	09/30/06	7.94
06/30/06	1.12	06/30/06	0.64	06/30/06	7.32
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	13.01	12/31/06	13.01	12/31/06	20.71
09/30/06	12.72	09/30/06	12.72	09/30/06	20.30
06/30/06	11.75	06/30/06	11.75	06/30/06	20.18
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	2.58	12/31/06	1.01	12/31/06	50.84
09/30/06	3.07	09/30/06	1.03	09/30/06	51.38
06/30/06	3.23	06/30/06	1.04	06/30/06	51.44

Zacks.com Quotes and Research

ATMOS ENERGY CP (NYSE)

ATO 31.36 ▾-0.11 (-0.35%) Vol. 158,700 12:57 CST

Atmos Energy Corporation distributes and sells natural gas to residential, commercial, industrial, agricultural and other customers. Atmos operates through five divisions in cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company has entered into an agreement to sell all of its natural gas utility operations in South Carolina. The Company also transports natural gas for others through its distribution system.

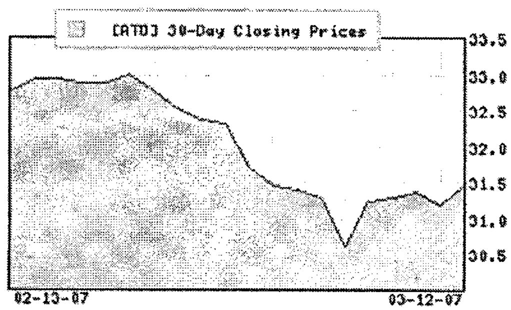
General Information

ATMOS ENERGY CP
Three Lincoln Centre, 5430 Lbj Freeway
Suite 1800
Dallas, TX 75240
Phone: 972 934-9227
Fax: -
Web: www.atmosenergy.com
Email: InvestorRelations@atmosenergy.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	12/31/06
Next EPS Date	05/10/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	31.47
52 Week High	33.01
52 Week Low	26.00
Beta	0.45
20 Day Moving Average	322,488.00
Target Price Consensus	33.9



% Price Change

4 Week -2.07

% Price Change Relative to S&P 500

4 Week 2.02

12 Week	-2.37	12 Week	-0.88
YTD	-1.94	YTD	0.23
Share Information		**Dividend Information**	
Shares Outstanding (millions)	88.58	Dividend Yield	4.09%
		Annual Dividend	$1.28
Market Capitalization (millions)	2,771.57	Payout Ratio	0.54
Short Ratio	4.76	Change in Payout Ratio	-0.17
Last Split Date	05/17/1994	Last Dividend Payout / Amount	02/22/2007 / $0.32

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	1.17	Current (1=Strong Buy, 5=Strong Sell)	2.50
Current Year EPS Consensus Estimate	1.95	30 Days Ago	2.40
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.57
Next EPS Report Date	05/10/2007	90 Days Ago	2.57

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.12	vs. Previous Year	10.23%	vs. Previous Year	-29.83%
Trailing 12 Months:	13.26	vs. Previous Quarter	288.00%	vs. Previous Quarter:	64.97%
PEG Ratio	3.07				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.42	12/31/06	11.18	12/31/06	3.29
Price/Cash Flow	7.33	09/30/06	11.03	09/30/06	3.07
Price / Sales	0.51	06/30/06	8.84	06/30/06	2.45
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	0.97	12/31/06	0.65	12/31/06	3.54
09/30/06	1.00	09/30/06	0.59	09/30/06	2.98
06/30/06	1.03	06/30/06	0.60	06/30/06	2.36
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	4.68	12/31/06	4.68	12/31/06	22.01
09/30/06	3.85	09/30/06	3.85	09/30/06	20.20
06/30/06	3.25	06/30/06	3.25	06/30/06	20.51
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	9.09	12/31/06	0.98	12/31/06	49.45

09/30/06	10.27	09/30/06	1.32	09/30/06	56.95
06/30/06	10.53	06/30/06	1.31	06/30/06	56.71

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Zacks.com Quotes and Research

LACLEDE GROUP INC (NYSE)

Scottrade

LG	31.58	▾-0.39	(-1.22%)	Vol. 29,300	12:16 CST

The Laclede Group, Inc. is a public utility engaged in the retail distribution and transportation of natural gas. The Company, which is subject to the jurisdiction of the Missouri Public Service Commission, serves the City of St. Louis, St. Louis County, the City of St. Charles, St. Charles County, the town of Arnold, and parts of Franklin, Jefferson, St. Francois, Ste. Genevieve, Iron, Madison and Butler Counties, all in Missouri.

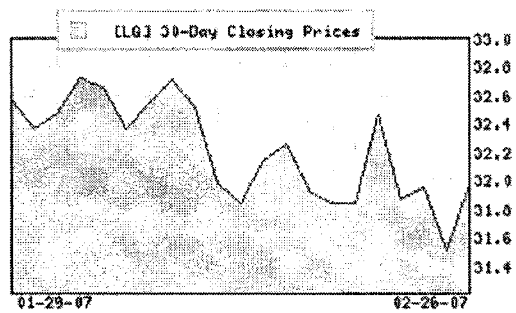
General Information
LACLEDE GRP INC
720 Olive Street
St. Louis, MO 63101
Phone: 314-342-0500
Fax: -
Web: www.thelacledegroup.com
Email: mkullman@lacledegas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Reported Quarter	12/31/06
Next EPS Date	04/27/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	31.97
52 Week High	36.95
52 Week Low	31.35
Beta	0.47
20 Day Moving Average	123,355.00
Target Price Consensus	N/A



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-2.41	4 Week	-4.59
12 Week	-12.66	12 Week	-16.00

YTD	-8.79	YTD	-11.43
Share Information		**Dividend Information**	
Shares Outstanding (millions)	21.53	Dividend Yield	4.57%
		Annual Dividend	$1.46
Market Capitalization (millions)	687.91	Payout Ratio	0.72
Short Ratio	22.64	Change in Payout Ratio	-0.07
Last Split Date	03/08/1994	Last Dividend Payout / Amount	12/07/2006 / $0.37

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.98	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	1.97	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	3.00
Next EPS Report Date	04/27/2007	90 Days Ago	3.00

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.22	vs. Previous Year	-27.64%	vs. Previous Year	-21.72%
Trailing 12 Months:	15.74	vs. Previous Quarter	2,325.00%	vs. Previous Quarter:	100.58%
PEG Ratio	-				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.64	12/31/06	10.61	12/31/06	2.79
Price/Cash Flow	8.13	09/30/06	12.54	09/30/06	3.27
Price / Sales	0.37	06/30/06	11.74	06/30/06	3.09
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	1.02	12/31/06	0.67	12/31/06	2.35
09/30/06	1.07	09/30/06	0.69	09/30/06	2.53
06/30/06	1.15	06/30/06	0.88	06/30/06	2.32
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	3.44	12/31/06	3.44	12/31/06	19.44
09/30/06	3.63	09/30/06	3.63	09/30/06	18.85
06/30/06	3.34	06/30/06	3.34	06/30/06	19.08
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	12.45	12/31/06	0.85	12/31/06	45.88
09/30/06	13.92	09/30/06	0.98	09/30/06	49.50

06/30/06	13.28	06/30/06	0.97	06/30/06	49.24

Zacks.com Quotes and Research

N J RESOURCES CP (NYSE)

Scottrade

NJR	49.22	▼-0.51	(-1.03%)	Vol. 62,200	13:11 CST

NJ RESOURCES is an exempt energy svcs holding company providing retail & wholesale natural gas & related energy services to customers from the Gulf Coast to New England. Subsidiaries include: (1) N J Natural Gas Co, a natural gas distribution company that provides regulated energy & appliance services to residential, commercial & industrial customers in central & northern N J. (2) NJR Energy Holdings Corp formerly NJR Energy Svcs Corp & (3) NJR Development Corp, a sub-holding company of NJR, which includes the Company's remaining unregulated operating subsidiaries.

General Information

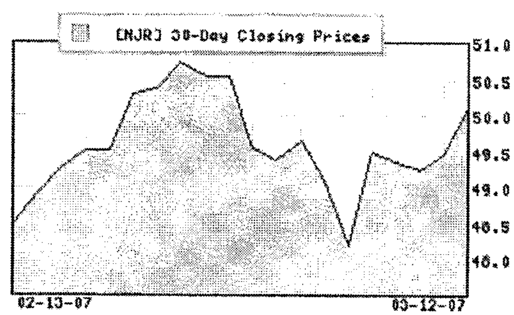
NJ RESOURCES
1415 Wyckoff Road
Wall, NJ 07719
Phone: 732 938-1480
Fax: -
Web: www2.njresources.com
Email: investcont@njresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Reported Quarter	12/31/06
Next EPS Date	05/09/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	49.73
52 Week High	52.55
52 Week Low	42.91
Beta	-0.01
20 Day Moving Average	212,657.34
Target Price Consensus	48



% Price Change

4 Week	2.66

% Price Change Relative to S&P 500

4 Week	6.94

12 Week	-3.29	12 Week	-1.82
YTD	1.61	YTD	3.38

Share Information		**Dividend Information**	
Shares Outstanding (millions)	27.83	Dividend Yield	3.08%
		Annual Dividend	$1.52
Market Capitalization (millions)	1,373.89	Payout Ratio	0.59
Short Ratio	10.88	Change in Payout Ratio	0.07
Last Split Date	03/04/2002	Last Dividend Payout / Amount	12/13/2006 / $0.38

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	2.12	Current (1=Strong Buy, 5=Strong Sell)	2.33
Current Year EPS Consensus Estimate	2.91	30 Days Ago	2.33
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	2.33
Next EPS Report Date	05/09/2007	90 Days Ago	2.33

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.95	vs. Previous Year	-17.89%	vs. Previous Year	-36.33%
Trailing 12 Months:	19.13	vs. Previous Quarter	334.88%	vs. Previous Quarter:	38.72%
PEG Ratio	2.82				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.12	12/31/06	11.68	12/31/06	3.15
Price/Cash Flow	12.20	09/30/06	13.30	09/30/06	3.49
Price / Sales	0.48	06/30/06	15.73	06/30/06	3.88
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	1.06	12/31/06	0.58	12/31/06	2.52
09/30/06	1.08	09/30/06	0.50	09/30/06	2.38
06/30/06	1.15	06/30/06	0.54	06/30/06	2.48
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	4.10	12/31/06	4.10	12/31/06	23.25
09/30/06	3.90	09/30/06	3.90	09/30/06	22.14
06/30/06	3.97	06/30/06	3.97	06/30/06	21.25
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	5.83	12/31/06	0.52	12/31/06	34.29

09/30/06	9.48	09/30/06	0.53	09/30/06	34.84
06/30/06	12.61	06/30/06	0.56	06/30/06	35.92

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Zacks.com Quotes and Research

NICOR INC (NYSE)

GAS 46.61 ▾-0.40 (-0.85%) Vol. 184,200 13:14 CST

NICOR Inc. is a holding company. Its principal subsidiaries are Northern Illinois Gas Company, one of the nation's largest distributors of natural gas, and Tropical Shipping, one of the leading transporters of containerized freight in the Caribbean. Gas distribution is Nicor's primary business, representing the majority of consolidated operating income and assets. Nicor also owns several energy-related subsidiaries and is a partner in Nicor Energy, a provider of unregulated energy products and services.

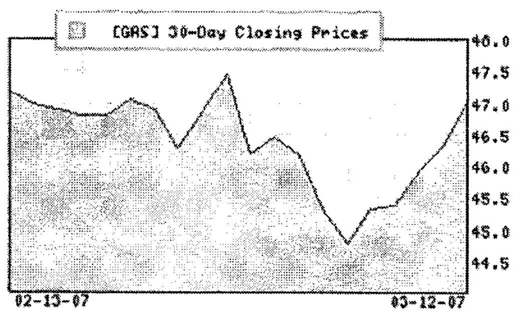
General Information

NICOR INC
1844 Ferry Road
Naperville, IL 60563-9600
Phone: 630 305-9500
Fax: 630 983-9328
Web: www.nicor.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/06
Next EPS Date	05/08/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	47.01
52 Week High	49.66
52 Week Low	38.91
Beta	0.87
20 Day Moving Average	423,751.91
Target Price Consensus	46.38



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.77	4 Week	2.32
12 Week	-7.91	12 Week	-6.51

YTD	-2.99	YTD	-0.97
Share Information		**Dividend Information**	
Shares Outstanding (millions)	44.91	Dividend Yield	4.10%
		Annual Dividend	$1.86
Market Capitalization (millions)	2,039.01	Payout Ratio	0.64
Short Ratio	19.32	Change in Payout Ratio	0.00
Last Split Date	04/27/1993	Last Dividend Payout / Amount	12/27/2006 / $0.47

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	1.00	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.77	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	2.00	60 Days Ago	3.00
Next EPS Report Date	05/08/2007	90 Days Ago	3.00

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.39	vs. Previous Year	26.47%	vs. Previous Year	-38.25%
Trailing 12 Months:	15.55	vs. Previous Quarter	360.71%	vs. Previous Quarter:	138.74%
PEG Ratio	8.19				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.33	12/31/06	15.53	12/31/06	3.35
Price/Cash Flow	6.46	09/30/06	14.21	09/30/06	2.95
Price / Sales	0.69	06/30/06	12.56	06/30/06	2.55
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	0.80	12/31/06	0.63	12/31/06	4.42
09/30/06	0.69	09/30/06	0.49	09/30/06	3.38
06/30/06	0.71	06/30/06	0.67	06/30/06	2.95
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	5.88	12/31/06	5.88	12/31/06	19.52
09/30/06	4.52	09/30/06	4.52	09/30/06	18.60
06/30/06	3.65	06/30/06	3.65	06/30/06	18.66
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	19.96	12/31/06	0.57	12/31/06	36.29
09/30/06	21.86	09/30/06	0.55	09/30/06	35.67

06/30/06	16.93	06/30/06	0.57	06/30/06	36.22

Zacks.com Quotes and Research

NORTHWEST NAT GAS (NYSE)

NWN	45.23	▼-0.68	(-1.48%)	Vol. 59,000	12:36 CST

NW Natural is principally engaged in the distribution of natural gas.The Oregon Public Utility Commission (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the fertile Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three Washington counties bordering the Columbia River.

General Information

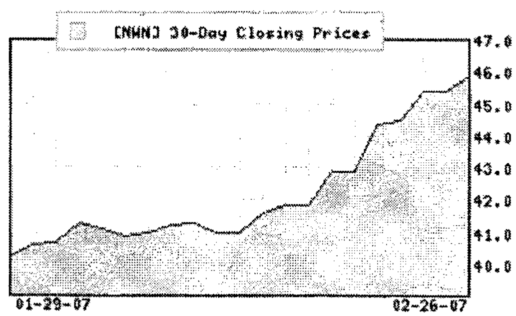
NORTHWEST NAT G
220 N.W. Second Avenue
Portland, OR 97209
Phone: 503 226-4211
Fax: 503 273-4824
Web: www.nwnatural.com
Email: investorinformation@nwnatural.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	12/31/06
Next EPS Date	05/10/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	45.91
52 Week High	45.40
52 Week Low	33.27
Beta	0.14
20 Day Moving Average	124,529.50
Target Price Consensus	44.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	11.49	4 Week	9.01
12 Week	10.09	12 Week	5.87

YTD	6.97	YTD	-1.50
Share Information		**Dividend Information**	
Shares Outstanding (millions)	27.50	Dividend Yield	3.13%
		Annual Dividend	$1.42
Market Capitalization (millions)	1,248.73	Payout Ratio	0.62
Short Ratio	17.22	Change in Payout Ratio	0.00
Last Split Date	09/09/1996	Last Dividend Payout / Amount	01/29/2007 / $0.35
EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	1.54	Current (1=Strong Buy, 5=Strong Sell)	2.50
Current Year EPS Consensus Estimate	2.38	30 Days Ago	2.86
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.86
Next EPS Report Date	05/10/2007	90 Days Ago	2.86

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	19.11	vs. Previous Year	17.20%	vs. Previous Year	6.90%
Trailing 12 Months:	19.83	vs. Previous Quarter	411.43%	vs. Previous Quarter:	-2.86%
PEG Ratio	3.58				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.11	12/31/06	10.44	12/31/06	3.49
Price/Cash Flow	10.44	09/30/06	9.81	09/30/06	3.15
Price / Sales	2.39	06/30/06	10.06	06/30/06	3.10
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	-	12/31/06	-	12/31/06	12.13
09/30/06	0.84	09/30/06	0.43	09/30/06	11.46
06/30/06	0.92	06/30/06	0.52	06/30/06	13.49
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	-	12/31/06	-	12/31/06	-
09/30/06	17.94	09/30/06	17.94	09/30/06	21.51
06/30/06	21.10	06/30/06	21.10	06/30/06	22.15
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	-	12/31/06	-	12/31/06	-
09/30/06	8.60	09/30/06	0.83	09/30/06	45.37

06/30/06	8.61	06/30/06	0.81	06/30/06	44.61

ZACKS
PROFIT FROM THE PROS

Zacks.com Quotes and Research

PIEDMONT NAT GAS CO (NYSE)

PNY	26.02	▼-0.43	(-1.63%)	Vol. 107,500	Scottrade	12:37 CST

Piedmont Natural Gas Co, Inc., is an energy and services company engaged in the transportation and sale of natural gas and the sale of propane to residential, commercial and industrial customers in North Carolina, South Carolina and Tennessee. The Company is the second-largest natural gas utility in the southeast. The Company and its non-utility subsidiaries and divisions are also engaged in acquiring, marketing and arranging for the transportation and storage of natural gas for large-volume purchasers, and in the sale of propane to customers in the Company's three-state service area.

General Information

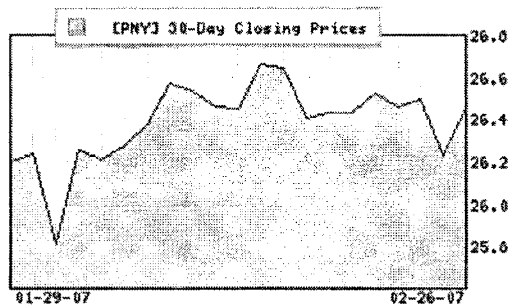
PIEDMONT NAT GA
4720 Piedmont Row Drive
Charlotte, NC 28210
Phone: 704 364-3120
Fax: 704 364-1395
Web: www.piedmontng.com
Email: margaret.griffith@piedmontng.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	October
Last Reported Quarter	01/31/07
Next EPS Date	03/13/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	26.45
52 Week High	28.28
52 Week Low	23.29
Beta	0.30
20 Day Moving Average	188,864.25
Target Price Consensus	27.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	1.07	4 Week	-1.19

12 Week	-4.92	12 Week	-8.56
YTD	-0.93	YTD	-3.72

Share Information		**Dividend Information**	
Shares Outstanding (millions)	74.72	Dividend Yield	3.62%
		Annual Dividend	$0.96
Market Capitalization (millions)	1,980.00	Payout Ratio	0.00
Short Ratio	27.75	Change in Payout Ratio	0.00
Last Split Date	04/01/1993	Last Dividend Payout / Amount	12/19/2006 / $0.24

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.98	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	1.42	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	5.50	60 Days Ago	3.00
Next EPS Report Date	03/13/2007	90 Days Ago	2.89

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	18.68	vs. Previous Year	-33.33%	vs. Previous Year	-16.90%
Trailing 12 Months:	20.87	vs. Previous Quarter	50.00%	vs. Previous Quarter:	18.64%
PEG Ratio	3.40				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.26	01/31/07	-	01/31/07	-
Price/Cash Flow	10.31	10/31/06	10.64	10/31/06	3.59
Price / Sales	-	07/31/06	10.76	07/31/06	3.67
Current Ratio		**Quick Ratio**		**Operating Margin**	
01/31/07	-	01/31/07	-	01/31/07	-
10/31/06	1.19	10/31/06	0.82	10/31/06	5.05
07/31/06	1.41	07/31/06	0.94	07/31/06	4.96
Net Margin		**Pre-Tax Margin**		**Book Value**	
01/31/07	-	01/31/07	-	01/31/07	-
10/31/06	8.29	10/31/06	8.29	10/31/06	11.72
07/31/06	8.12	07/31/06	8.12	07/31/06	11.98
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
01/31/07	-	01/31/07	-	01/31/07	-

10/31/06	9.67	10/31/06	0.93	10/31/06	48.30
07/31/06	9.96	07/31/06	0.91	07/31/06	47.77

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Zacks.com Quotes and Research

SOUTH JERSEY IND (NYSE)

SJI	34.36	▲0.81	(2.41%)	Vol. 174,800	14:41 CST

South Jersey Inds Inc. is engaged in the business of operating, through subsidiaries, various business enterprises. The company's most significant subsidiary is South Jersey Gas Company (SJG). SJG is a public utility company engaged in the purchase, transmission and sale of natural gas for residential, commercial and industrial use. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas.

General Information

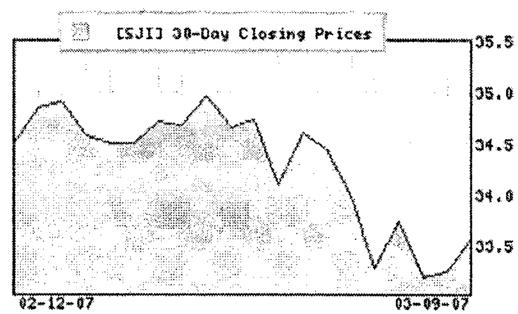
SOUTH JERSEY IN
1 South Jersey Plaza
Folsom, NJ 08037
Phone: 609 561-9000
Fax: 609-704-1608
Web: www.sjindustries.com
Email: investorrelations@sjindustries.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	12/31/06
Next EPS Date	05/11/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	33.55
52 Week High	34.97
52 Week Low	26.00
Beta	0.26
20 Day Moving Average	163,580.70
Target Price Consensus	36



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.29	4 Week	0.74
12 Week	-1.01	12 Week	0.50

YTD	-0.69	YTD	4.02
Share Information		**Dividend Information**	
Shares Outstanding (millions)	29.34	Dividend Yield	2.95%
		Annual Dividend	$0.98
Market Capitalization (millions)	973.53	Payout Ratio	0.50
Short Ratio	9.33	Change in Payout Ratio	0.00
Last Split Date	03/04/1993	Last Dividend Payout / Amount	12/07/2006 / $0.25
EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.98	Current (1=Strong Buy, 5=Strong Sell)	1.33
Current Year EPS Consensus Estimate	1.97	30 Days Ago	1.33
Estimated Long-Term EPS Growth Rate	6.50	60 Days Ago	1.33
Next EPS Report Date	05/11/2007	90 Days Ago	1.33

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.87	vs. Previous Year	72.50%	vs. Previous Year	-11.04%
Trailing 12 Months:	16.93	vs. Previous Quarter	666.67%	vs. Previous Quarter:	88.14%
PEG Ratio	2.60				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.24	12/31/06	13.44	12/31/06	3.96
Price/Cash Flow	12.63	09/30/06	11.58	09/30/06	3.35
Price / Sales	1.08	06/30/06	12.09	06/30/06	3.47
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	-	12/31/06	-	12/31/06	6.32
09/30/06	0.85	09/30/06	0.44	09/30/06	5.16
06/30/06	0.90	06/30/06	0.50	06/30/06	5.05
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	-	12/31/06	-	12/31/06	-
09/30/06	8.53	09/30/06	8.53	09/30/06	14.80
06/30/06	8.37	06/30/06	8.37	06/30/06	14.53
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	-	12/31/06	-	12/31/06	-
09/30/06	6.08	09/30/06	0.83	09/30/06	45.32

06/30/06	6.67	06/30/06	0.85	06/30/06	45.83

ZACKS
PROFIT FROM THE PROS

Zacks.com Quotes and Research

SOUTHWEST GAS CP (NYSE)					Scottrade
SWX	37.70	0.91	(2.47%)	Vol. 180,300	15:01 CST

SOUTHWEST GAS CORP. is principally engaged in the business of purchasing,transporting, and distributing natural gas in portions of Arizona, Nevada,and California. The Company also engaged in financial services activities,through PriMerit Bank, Federal Savings Bank (PriMerit or the Bank), a wholly owned subsidiary.

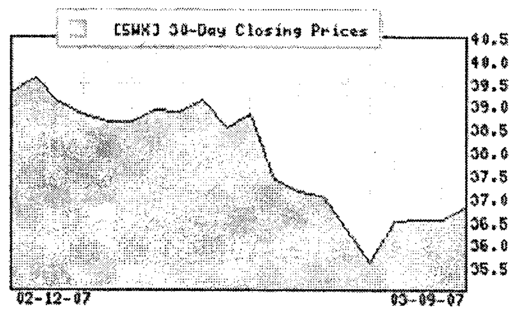
General Information
SOUTHWEST GAS
5241 Spring Mountain Road
P.O. Box 98510
Las Vegas, NV 89193-8510
Phone: 702 876-7237
Fax: 702 873-3820
Web: www.swgas.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	12/31/06
Next EPS Date	05/08/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	36.79
52 Week High	39.68
52 Week Low	26.76
Beta	0.26
20 Day Moving Average	192,076.70
Target Price Consensus	37.33



% Price Change

4 Week	-7.71
12 Week	-4.82

% Price Change Relative to S&P 500

4 Week	-3.86
12 Week	-3.37

YTD	-4.80	YTD	-3.27
Share Information		**Dividend Information**	
Shares Outstanding (millions)	42.00	Dividend Yield	2.24%
		Annual Dividend	$0.82
Market Capitalization (millions)	1,534.15	Payout Ratio	0.41
Short Ratio	8.92	Change in Payout Ratio	0.00
Last Split Date	N/A	Last Dividend Payout / Amount	02/13/2007 / $0.20

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	1.21	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.17	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	3.00
Next EPS Report Date	05/08/2007	90 Days Ago	3.00

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.83	vs. Previous Year	20.65%	vs. Previous Year	13.71%
Trailing 12 Months:	18.45	vs. Previous Quarter	526.92%	vs. Previous Quarter:	60.64%
PEG Ratio	-				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.81	12/31/06	10.02	12/31/06	2.59
Price/Cash Flow	6.93	09/30/06	8.97	09/30/06	2.24
Price / Sales	0.76	06/30/06	8.35	06/30/06	2.10
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	-	12/31/06	-	12/31/06	4.00
09/30/06	-	09/30/06	-	09/30/06	3.62
06/30/06	0.75	06/30/06	0.75	06/30/06	3.40
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	-	12/31/06	-	12/31/06	-
09/30/06	-	09/30/06	-	09/30/06	-
06/30/06	4.95	06/30/06	4.95	06/30/06	20.47
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	-	12/31/06	-	12/31/06	-
09/30/06	-	09/30/06	-	09/30/06	-

06/30/06	-	06/30/06	1.55	06/30/06	60.71

ZACKS
PROFIT FROM THE PROS

Zacks.com Quotes and Research

WGL Holdings (NYSE)

Scottrade

WGL	32.28	▼-0.52	(-1.59%)	Vol. 110,600	12:43 CST

WASHINGTON GAS LIGHT CO is a public utility that delivers and sells natural gas to metropolitan Washington, D.C. and adjoining areas in Maryland and Virginia. A distribution subsidiary serves portions of Virginia and West Virginia. The Company has four wholly-owned active subsidiaries that include: Shenandoah Gas Company (Shenandoah) is engaged in the delivery and sale of natural gas at retail in the Shenandoah Valley, including Winchester, Middletown, Strasburg, Stephens City and New Market, Virginia, and Martinsburg, West Virginia.

General Information

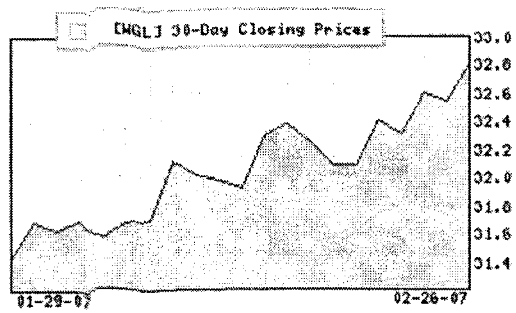
WGL HLDGS INC
101 Constitution Ave, N.W
Washington, DC 20080
Phone: 703 750-2000
Fax: 703 750-4828
Web: www.wglholdings.com
Email: madams@washgas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Reported Quarter	12/31/06
Next EPS Date	05/09/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	32.80
52 Week High	33.47
52 Week Low	27.38
Beta	0.24
20 Day Moving Average	239,499.75
Target Price Consensus	32



% Price Change

4 Week	4.15
12 Week	-1.36

% Price Change Relative to S&P 500

4 Week	1.83
12 Week	-5.14

YTD	0.06	YTD	-4.02
Share Information		**Dividend Information**	
Shares Outstanding (millions)	48.89	Dividend Yield	4.14%
		Annual Dividend	$1.35
Market Capitalization (millions)	1,593.68	Payout Ratio	0.71
Short Ratio	21.85	Change in Payout Ratio	-0.10
Last Split Date	05/02/1995	Last Dividend Payout / Amount	01/08/2007 / $0.34

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	1.18	Current (1=Strong Buy, 5=Strong Sell)	2.60
Current Year EPS Consensus Estimate	1.79	30 Days Ago	2.67
Estimated Long-Term EPS Growth Rate	3.00	60 Days Ago	2.67
Next EPS Report Date	05/09/2007	90 Days Ago	2.67

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	18.21	vs. Previous Year	1.10%	vs. Previous Year	50.80%
Trailing 12 Months:	17.25	vs. Previous Quarter	611.11%	vs. Previous Quarter:	127.31%
PEG Ratio	6.07				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.66	12/31/06	9.77	12/31/06	3.20
Price/Cash Flow	8.43	09/30/06	9.79	09/30/06	3.15
Price / Sales	1.06	06/30/06	9.48	06/30/06	3.08
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/06	1.01	12/31/06	0.67	12/31/06	6.14
09/30/06	1.00	09/30/06	0.44	09/30/06	7.28
06/30/06	1.17	06/30/06	0.71	06/30/06	7.64
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/06	12.32	12/31/06	12.32	12/31/06	19.62
09/30/06	5.91	09/30/06	5.91	09/30/06	18.90
06/30/06	9.88	06/30/06	9.88	06/30/06	19.41
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
12/31/06	8.74	12/31/06	0.63	12/31/06	38.00
09/30/06	7.91	09/30/06	0.62	09/30/06	37.75

06/30/06	3.29	06/30/06	0.61	06/30/06	37.38

ATTACHMENT D

Cost-of-Service Rates Manual

Federal Energy Regulatory Commission
888 North Capitol Street, N.E.
Washington, D.C. 20426
United States of America
www.ferc.gov

June 1999

Table of Contents

$159,602,000, is equity financed. This means that the owners of Pipeline U.S.A. used their own funds to finance this portion of their investment.

** Pipeline U.S.A. issues its own debt which is not guaranteed by its parent, has its own bond rating and its capital structure is comparable to other equity capitalizations approved by the Commission. Therefore, Pipeline U.S.A. meets the Commission's criteria for using its own capital structure for setting its rates.*

Cost of Debt: This refers to the cost of long term debt incurred by the pipeline to construct or expand the pipeline. For ongoing pipelines that have been issuing debt, we use the actual imbedded cost of debt in the capital structure. The actual imbedded cost of debt is the weighted average of all the debt issued and the cost at which the debt was issued. For new pipelines that have indicated that they would issue debt to finance their investment, but have not yet actually issued the debt, we compute the cost of debt based on a projection, or recent historical debt cost such as historical average Baa utility bonds (Moody's Bond Survey), which is the most prevalent rating for utilities. We also use Moody's to compute the cost of debt if we decide use of a hypothetical capital structure is appropriate.

A-8, column 3, shows the cost of debt of Pipeline U.S.A. of 8.25%. The cost of debt represents a return to Pipeline U.S.A.'s bondholders. The debt return dollars appearing in Column 5 represents the cost to Pipeline U.S.A. to pay the interest on the debt to its bondholders. This debt return, or interest on debt, of $30,723,000 as shown in column (5) is included in the Return component of the cost-of-service.

Return on Equity or Cost of Equity: This is the pipeline's actual profit, or return on its investment. The return on equity is derived from a range of equity returns developed using a Discounted Cash Flow

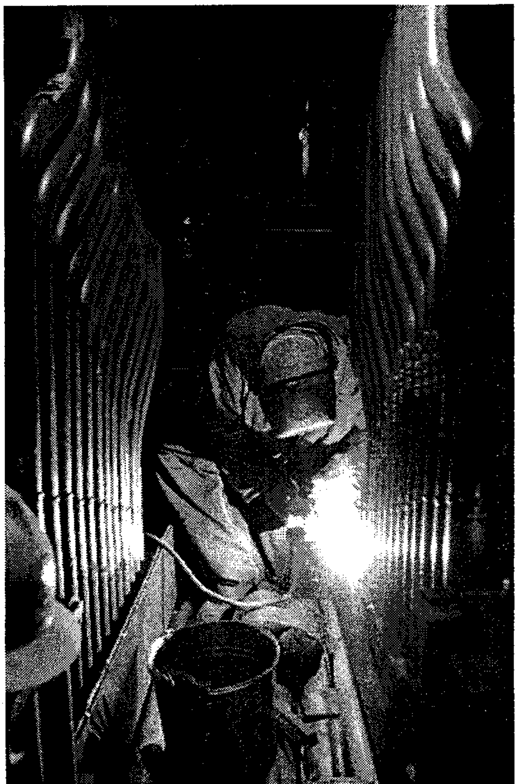
(DCF) analysis of a proxy group of publicly held natural gas companies. The Commission currently uses a two-stage Discounted Cash Flow (DCF) methodology. The two-stage method projects different rates of growth in projected dividend cash flows for each of the two stages, one stage reflecting short term growth estimates and the other long term growth estimates. These estimates are then weighted, two-thirds for the short-term growth projection and one-third on the long-term growth, and utilized in determining a range of reasonable equity returns. Two-thirds is used for the short-term growth rate on the theory that short-term growth rates are more predictable, and thus deserve a higher weighting than long term growth rate projections. An equity return is then selected within this zone based on an analysis of the company's risk. It is assumed, that most pipelines face risks that would place them in the middle of the zone of reasonableness. However, a case could be made depending on the facts of the specific pipeline that the return on equity should be outside the zone. As an example, a pipeline with a high debt capitalization ratio is usually considered more risky and thus, a higher return on equity would be expected.

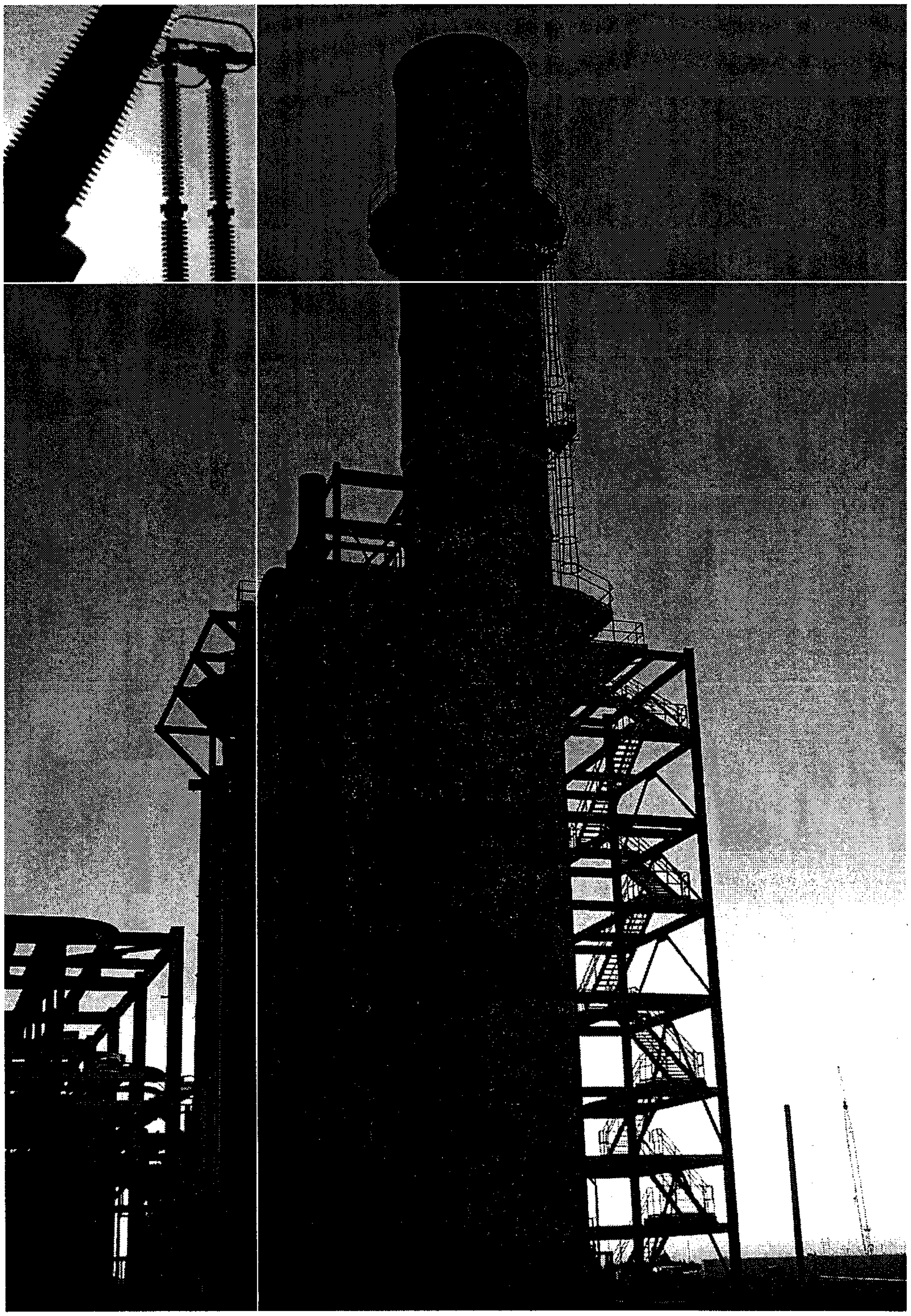
We have determined that a reasonable return on equity for Pipeline U.S.A. is 14.00%. This return was at the high end of our range of equity returns because Pipeline U.S.A. is a relatively new pipeline company with a high debt capitalization ratio. The equity portion of the return permitted to be collected in rates is $22,344,000 shown in column (5) of A-8.

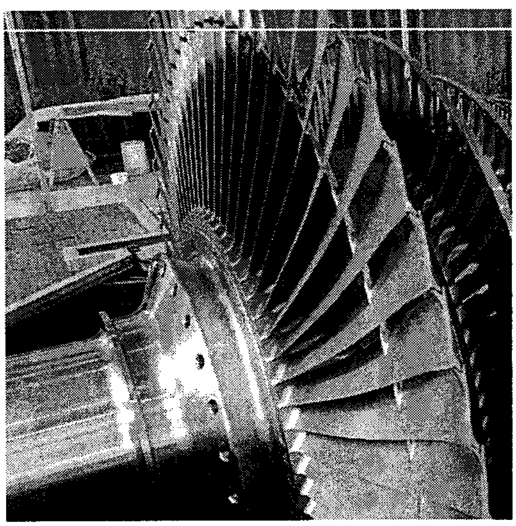
Pretax Return. Pretax return is the amount earned by a pipeline before income taxes and debt interest payments. Pretax return is often calculated for pipelines and used to further settlement negotiations. Using a pretax return figure can avoid the lengthy discussions and debates that surround the issues of capitalization ratios and ROE calculations and analyses. Use of a pretax return reduces these issues down to one number, a pretax percentage that can easily be compared to other pipeline's pretax returns. The pretax return figure

ATTACHMENT E

UniSource Energy Corporation
Annual Report 2005







Generating Success

Generating

Confidence

Dear Fellow Shareholder,

In many ways, UniSource Energy Corporation is focused on a single, powerful concept: generation.

Utilities use that term to describe power production – the transformation of coal, natural gas, sunlight and other resources into the electricity that powers our modern lives. But generation means much more than power to UniSource Energy.

Our growing utility business generates positive returns for shareholders as it provides safe, reliable energy for customers. Our infusion of capital into Tucson Electric Power (TEP) and UniSource Energy Services (UES) in 2005 generated confidence in our financial standing, including a two-notch upgrade of TEP's credit rating from Moody's Investors Service. Our proposal to extend TEP's current rate agreement through 2010 would generate a level of price stability virtually unprecedented in today's volatile energy market. And our award-winning employee volunteer program continues to generate goodwill in the communities we serve.

In 2006, our commitment to generation will be apparent in its most literal sense. By year's end, we will have added two new plants to TEP's energy generating operations. The new units will complement the expanding operations of TEP and UES, which now combine to serve approximately 613,000 customers across Arizona.

These new facilities have been years in the making, and their completion will mark a historic expansion of our company's generating operations. But as our progress in other areas makes clear, UniSource Energy isn't just producing power – we're generating success.

Construction of a third unit at TEP's coal-fired Springerville Generating Station (SGS) remains on track with an accelerated timeline that calls for the 400-megawatt (MW) unit to be brought online during the third quarter of 2006. Crews working under the direction of project contractor Bechtel have made steady progress without sacrificing quality or safety. Through the end of 2005, workers had logged more than three million hours on the project without a single lost-time accident.

TEP will operate Unit 3. It also will purchase up to 100 MW of the unit's capacity for up to five years from Tri-State Generation and Transmission Association, a wholesale power cooperative that will lease the completed unit from a financial owner and control its output. In this way, we can capitalize on the expertise we've developed during two decades of power production at SGS while spreading the fixed costs of existing common facilities across an additional unit.

Phoenix-based Salt River Project (SRP), which will purchase 100 MW of Unit 3's output, also holds the right to build a fourth unit at SGS – a 400-MW generator that would be owned by SRP and operated by TEP. SRP has sought more time to evaluate its need for the unit's output.

While Unit 3 is still months away from completion, the expansion of SGS already has delivered significant benefits to TEP. As part of the project, Tri-State funded environmental improvements to Units 1 and 2 to ensure that the total regulated emissions from all four planned units will be significantly lower than previous emissions from the two existing 380-MW units.

Generating Growth

While the effects of those improvements are difficult to detect with the naked eye, they've had a noticeable impact on our bottom line. The reduction in sulfur dioxide (SO_2) output left TEP with a surplus of emissions allowances at a time when the price of this traded commodity was rising. The sale of SO_2 allowances contributed a $13 million pretax gain to TEP's results in 2005, and we're anticipating additional sales in 2006 and beyond.

The new gas-fired Luna Energy Facility, meanwhile, has been built from the ground up with state-of-the-art emissions controls and a combined cycle design that ensures it will serve as a clean, efficient source of power for decades to come.

TEP will share ownership of the facility with Phelps Dodge Energy Services and PNM, an Albuquerque-based utility. PNM will oversee operations of the plant, which is located two miles north of Deming in southern New Mexico. TEP and its partners each hold a one-third stake in the 570-MW facility and will split its output three ways.

Duke Energy had begun construction of the facility in October 2001, but it suspended work about a year later after investing $275 million in the project. TEP, Phelps Dodge and PNM bought the unfinished plant in November 2004 for $40 million. TEP invested about $50 million of internally generated cash toward the purchase and completion of the facility.

The power TEP will receive from both Luna and SGS 3 will expand our wholesale sales opportunities while ensuring our ability to meet the growing needs of our retail customers. Electric usage by TEP customers peaked at 2,225 MW in the summer of 2005, a nearly 7 percent increase over the previous year's peak. Usage should continue to rise along with Tucson's population. TEP's customer base is growing between 2 and 3 percent each year, well ahead of the nation's 1 percent annual population growth rate.

TEP has served this growth without sacrificing reliability or customer service. Our ability to minimize outages and to restore service promptly when interruptions do occur ranked well ahead of recent regional averages in 2005. Meanwhile, TEP once again finished among the leaders in customer satisfaction for western electric utilities last year, according to J.D. Power and Associates' 2005 Electric Utility Residential Customer Satisfaction Study.

Growth also is a defining characteristic of UniSource Energy Services, which serves some of Arizona's fastest growing communities. UES' gas utility, which operates in northern Arizona as well as Santa Cruz County on the U.S.-Mexico border, enjoyed greater than 4 percent customer growth last year. The customer base for the company's electric operations in Santa Cruz and Mohave Counties grew nearly 5 percent in 2005.

To help TEP and UES manage these dramatic growth levels, we completed a financial restructuring in 2005 that bolstered the stability of both utilities. Taking advantage of favorable financial markets, UniSource Energy issued $240 million in debt and used the proceeds, along with internal cash, to retire $320 million of debt obligations at TEP while contributing $20 million to UNS Electric and UNS Gas, the operating subsidiaries of UES. The transactions significantly improved the equity position of TEP while providing additional resources to help UES fund its growing needs.

Generating Stability

While skyrocketing natural gas prices and other cost increases have put upward pressure on utility expenses, retail customers of both TEP and UES enjoy the stability and predictability that come from long-term rate freezes. The base rates for UES service are frozen through at least August 2007, while TEP's rates are capped through the end of 2008.

Rising operational costs and increasing capital investments will compel us to file requests later this year for increased UES gas and electric rates that would take effect after the current rate freeze expires. In the meantime, we've asked the Arizona Corporation Commission (ACC) to update the formula used to calculate how wholesale gas costs are passed along to UNS Gas customers. At times, the current formula hasn't kept up with dramatic price increases, delaying recovery of our gas purchase costs.

For TEP, though, we're looking to extend the period of rate stability for customers for another two years. We've asked the ACC to maintain TEP's current rates through 2010 with the addition of an energy cost provision that would take effect in 2009. This new mechanism would help account for changes in market power costs since the settlement agreement establishing TEP's current rates was signed in 1999. This proposed extension was designed to provide TEP with some protection from market volatility while sparing customers from dramatic cost increases that could result from the initiation of market pricing contemplated under that settlement agreement.

The extended cap on TEP's rates has not prevented our Board of Directors from rewarding shareholders with rising dividend payments. Earlier this year, the Board voted to increase the quarterly payments to $0.21 per share, the sixth annual increase since the dividend was established at $.08 per share in 2000.

The Board's vote of confidence is particularly meaningful in light of our disappointing financial performance in 2005. UniSource Energy's year-end earnings of $46.1 million, or $1.33 per basic share of common stock, reflect the heavy toll of an extended shutdown of SGS Unit 2 and other plant outages. The unplanned outage struck SGS Unit 2 in August, when customer demand was high and energy prices were boosted by the impact of Gulf Coast hurricane activity. The outage contributed to an 82 percent increase in TEP's purchased power expense in 2005, offsetting our utility revenue growth and the benefits of our financial restructuring.

As a result, we did not achieve my 2005 earnings goal of $1.50 to $1.75 per share. And while the $276 million in operating cash produced by UniSource Energy was strong by most measures, it fell short of my $300 million goal for the year. Despite this shortfall, we internally funded our entire capital expenditure requirements of $203 million, including the Luna Energy Facility project.

I was further disappointed by increased losses at Millennium Energy Holdings, which contains UniSource Energy's unregulated investments. The increase was almost entirely due to higher costs at Global Solar Energy, a company that develops thin-film photovoltaic material. We have agreed to sell Global Solar in a transaction that would allow us to repurchase between 5 and 10 percent of the company for a nominal fee, giving us an opportunity to capitalize on its future success. The sale is consistent with our strategy of scaling back Millennium's involvement in actively managed investments to focus on UniSource Energy's core utility operations.

Generating Goodwill

That focus will continue to include a strong emphasis on community service. Employees at both TEP and UES joined their friends and families in contributing nearly 39,000 hours of their own time to charitable activities in 2005. We've also asked our employees to provide direction for UniSource Energy's corporate giving program, rewarding their efforts with critical support for the causes most important to them. This strategy, which continues to attract significant national acclaim, has served to strengthen the bonds between our employees and the communities we serve together.

Our bond with some of TEP's most critical employees was solidified earlier this year when the International Brotherhood of Electrical Workers Local 1116 ratified a comprehensive three-year labor agreement. The agreement, which will remain in effect through January 2009, provides a balanced wage and benefit package that serves the long-term interests of both the company and our employees.

With a committed work force, a solid financial base and expanding utility operations, UniSource Energy is in a strong position to produce improving results in 2006 and beyond. In addition to the completion of SGS 3 and the Luna Energy Facility, my goals for this year include improved availability from our existing generating units, particularly during the critical summer months. We'll also press for resolution of the disagreement over the basis of TEP's future rates while addressing the need to increase the rates charged by UNS Gas and UNS Electric.

Other goals include the successful implementation of a new billing system that will improve customer service and streamline the operations of TEP, UNS Gas and UNS Electric. The upgrade, which replaces three separate older systems, is a highlight of our ongoing campaign to improve our business processes – an effort that will receive even greater emphasis this year. The success of these measures and the continued growth of our utility businesses should help us achieve year-end earnings between $1.65 and $2.05 per share for 2006.

I would like to thank you, my fellow shareholders, for your continued faith in UniSource Energy. I would also like to thank our employees, who have pursued our goals with admirable resolve. Together, we've invested in our future and followed a course that leaves us poised to capitalize on growth instead of falling victim to it. Such strategic planning is key for regulated utilities because we operate in a unique environment; unlike other companies, we provide a product far more valuable than the price our customers pay. In so doing, we create significant benefits for customers at the same time we're producing value for our shareholders. In 2006 and beyond, UniSource Energy will remain committed to generating success on both these fronts.

Your fellow shareholder,

James S. Pignatelli
Chairman, President and CEO
UniSource Energy Corporation

UNS GAS, INC.

DOCKET NO. G-04204A-06-0463

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UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
COST OF CAPITAL SUMMARY

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE WAR - 1

WEIGHTED COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) CAPITALIZATION PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED CAPITALIZATION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	DEBT	$ 98,859	$ -	$ 98,859	50.00%	6.60%	3.30%
2	PREFERRED STOCK	-	-	-	0.00%	0.00%	0.00%
3	COMMON EQUITY	98,859	-	98,859	50.00%	9.84%	4.92%
4	TOTAL CAPITALIZATION	$ 197,718	$ -	$ 197,718	100.00%		
5	**WEIGHTED COST OF CAPITAL**						8.22%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE D-1
COLUMN (B): TESTIMONY, WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 4
COLUMN (E): LINE 1 - TESTIMONY, WAR; LINE 3 - SCHEDULE WAR-1, PAGE 2
COLUMN (F): COLUMN (D) x COLUMN (E)

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.16%	SCHEDULE WAR-2, COLUMN (C), LINE 11
3	**CAPM METHODOLOGY**		
4	CAPM - GEOMETRIC MEAN ESTIMATE	9.68%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 11
5	CAPM - ARITHMETIC MEAN ESTIMATE	11.33%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 11
6	AVERAGE OF CAPM ESTIMATES	10.51%	(LINE 4 + LINE 5) ÷ 2
7	**AVERAGE**	9.84%	(LINE 2 + LINE 6) ÷ 2

UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
DCF COST OF EQUITY CAPITAL

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE WAR - 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	ATG	AGL RESOURCES, INC.	4.00%	+	5.99%	=	9.99%
2	ATO	ATMOS ENERGY CORPORATION	4.02%	+	5.54%	=	9.57%
3	LG	LACLEDE GROUP, INC.	4.66%	+	3.71%	=	8.37%
4	NJR	NEW JERSEY RESOURCES CORP.	3.11%	+	6.14%	=	9.25%
5	GAS	NICOR, INC.	3.99%	+	3.71%	=	7.70%
6	NWN	NORTHWEST NATURAL GAS CO.	3.29%	+	5.09%	=	8.38%
7	PNY	PIEDMONT NATURAL GAS COMPANY	3.67%	+	3.69%	=	7.36%
8	SJI	SOUTH JERSEY INDUSTIES, INC.	2.77%	+	11.17%	=	13.94%
9	SWX	SOUTHWEST GAS CORP.	2.25%	+	7.22%	=	9.47%
10	WGL	WGL HOLDINGS, INC.	4.29%	+	3.33%	=	7.62%
11	**NATURAL GAS LDC AVERAGE**						9.16%

REFERENCES:
COLUMN (A): SCHEDULE WAR - 3, COLUMN C
COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C

UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
DIVIDEND YIELD CALCULATION

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	÷	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	ATG	AGL RESOURCES, INC.	$1.64	÷	$40.99	=	4.00%
2	ATO	ATMOS ENERGY CORPORATION	1.28	÷	31.83	=	4.02%
3	LG	LACLEDE GROUP, INC.	1.46	÷	31.32	=	4.66%
4	NJR	NEW JERSEY RESOURCES CORP.	1.52	÷	48.91	=	3.11%
5	GAS	NICOR, INC.	1.86	÷	46.61	=	3.99%
6	NWN	NORTHWEST NATURAL GAS CO.	1.42	÷	43.14	=	3.29%
7	PNY	PIEDMONT NATURAL GAS COMPANY	0.96	÷	26.15	=	3.67%
8	SJI	SOUTH JERSEY INDUSTIES, INC.	0.96	÷	34.65	=	2.77%
9	SWX	SOUTHWEST GAS CORP.	0.86	÷	38.29	=	2.25%
10	WGL	WGL HOLDINGS, INC.	1.36	÷	31.71	=	4.29%
11	**NATURAL GAS LDC AVERAGE**						3.61%

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 03/16/2006.
COLUMN (B): EIGHT WEEK AVERAGE OF CLOSING PRICES FROM 01/28/2007 TO 03/23/2007 STOCK QUOTES OBTAINED THROUGH BIG CHARTS WEB SITE - HISTORICAL QUOTES (www.bigcharts.com).
COLUMN (C): COLUMN (A) ÷ COLUMN (B)

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	ATG	AGL RESOURCES, INC.	5.75%	+	0.24%	=	5.99%
2	ATO	ATMOS ENERGY CORPORATION	4.50%	+	1.04%	=	5.54%
3	LG	LACLEDE GROUP, INC.	3.00%	+	0.71%	=	3.71%
4	NJR	NEW JERSEY RESOURCES CORP.	5.50%	+	0.64%	=	6.14%
5	GAS	NICOR, INC.	3.65%	+	0.06%	=	3.71%
6	NWN	NORTHWEST NATURAL GAS CO.	4.75%	+	0.34%	=	5.09%
7	PNY	PIEDMONT NATURAL GAS COMPANY	3.25%	+	0.44%	=	3.69%
8	SJI	SOUTH JERSEY INDUSTIES, INC.	10.50%	+	0.67%	=	11.17%
9	SWX	SOUTHWEST GAS CORP.	6.25%	+	0.97%	=	7.22%
10	WGL	WGL HOLDINGS, INC.	3.25%	+	0.08%	=	3.33%
11	**NATURAL GAS LDC AVERAGE**						5.56%

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE WAR - 4

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	x	(B) { [((M ÷ B) + 1) ÷ 2] - 1 }	=	(C) EXTERNAL GROWTH (sv)
1	ATG	AGL RESOURCES, INC.	0.50%	x	{ [((1.96) + 1) ÷ 2] - 1 }	=	0.24%
2	ATO	ATMOS ENERGY CORPORATION	5.00%	x	{ [((1.42) + 1) ÷ 2] - 1 }	=	1.04%
3	LG	LACLEDE GROUP, INC.	2.75%	x	{ [((1.51) + 1) ÷ 2] - 1 }	=	0.71%
4	NJR	NEW JERSEY RESOURCES CORP.	1.25%	x	{ [((2.03) + 1) ÷ 2] - 1 }	=	0.64%
5	GAS	NICOR, INC.	0.10%	x	{ [((2.27) + 1) ÷ 2] - 1 }	=	0.06%
6	NWN	NORTHWEST NATURAL GAS CO.	0.75%	x	{ [((1.90) + 1) ÷ 2] - 1 }	=	0.34%
7	PNY	PIEDMONT NATURAL GAS COMPANY	0.75%	x	{ [((2.18) + 1) ÷ 2] - 1 }	=	0.44%
8	SJI	SOUTH JERSEY INDUSTIES, INC.	1.15%	x	{ [((2.16) + 1) ÷ 2] - 1 }	=	0.67%
9	SWX	SOUTHWEST GAS CORP.	2.65%	x	{ [((1.73) + 1) ÷ 2] - 1 }	=	0.97%
10	WGL	WGL HOLDINGS, INC.	0.25%	x	{ [((1.68) + 1) ÷ 2] - 1 }	=	0.08%
11	**NATURAL GAS LDC AVERAGE**						0.52%

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY RATINGS & REPORTS DATED 03/16/2006
COLUMN (C): COLUMN (A) x COLUMN (B)

UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
DIVIDEND GROWTH COMPONENTS

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE WAR - 5

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	ATG	AGL RESOURCES, INC.	2002	0.4066		14.50%		5.90%	12.52	56.70	
2			2003	0.4663		14.00%		6.53%	14.66	64.50	
3			2004	0.4956		11.00%		5.45%	18.06	76.70	
4			2005	0.4758		12.90%		6.14%	19.29	77.70	
5			2006	0.4559		13.00%		5.93%	20.69	77.75	
6			GROWTH 2002 - 2006					5.99%	8.50%		8.21%
7			2007	0.4143		13.50%		5.59%		78.00	0.32%
8			2008	0.4345		14.00%		6.08%		79.00	0.80%
9			2010-12	0.4194		14.00%		5.87%	2.50%	80.00	0.57%
10											
11	ATO	ATMOS ENERGY CORPORATION	2002	0.1862		10.40%		1.94%	13.75	41.68	
12			2003	0.2982		9.30%		2.77%	16.66	51.48	
13			2004	0.2278		7.60%		1.73%	18.05	62.80	
14			2005	0.2791		8.50%		2.37%	19.90	80.54	
15			2006	0.3700		9.90%		3.66%	20.16	81.74	
16			GROWTH 2002 - 2006					2.50%	8.50%		18.34%
17			2007	0.3600		9.00%		3.24%		89.50	9.49%
18			2008	0.3810		9.50%		3.62%		92.50	6.38%
19			2010-12	0.4600		10.00%		4.60%	4.00%	107.00	5.53%
20											
21	LG	LACLEDE GROUP, INC.	2002	-0.1356		7.80%		NMF	15.07	18.96	
22			2003	0.2637		11.60%		3.06%	15.65	19.11	
23			2004	0.2582		10.10%		2.61%	16.96	20.98	
24			2005	0.2789		10.90%		3.04%	17.31	21.17	
25			2006	0.4093		12.50%		5.12%	18.85	21.36	
26			GROWTH 2002 - 2006					3.46%	3.50%		3.02%
27			2007	0.2368		9.00%		2.13%		21.50	0.66%
28			2008	0.2550		9.50%		2.42%		22.00	1.49%
29			2010-12	0.3191		10.00%		3.19%	5.00%	25.00	3.20%
30											
31	NJR	NEW JERSEY RESOURCES CORP.	2002	0.4258		15.70%		6.69%	13.06	27.67	
32			2003	0.4790		15.60%		7.47%	15.38	27.23	
33			2004	0.4902		15.30%		7.50%	16.87	27.74	
34			2005	0.4868		17.00%		8.28%	15.90	27.55	
35			2006	0.4857		12.60%		6.12%	22.50	27.63	
36			GROWTH 2002 - 2006					7.21%	8.50%		-0.04%
37			2007	0.4759		12.50%		5.95%		28.00	1.34%
38			2008	0.4800		12.00%		5.76%		28.50	1.56%
39			2010-12	0.4667		11.00%		5.13%	8.00%	29.50	1.32%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/16/2007
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16 & 26, SIMPLE AVERAGE GROWTH, 2001 - 2005

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	GAS	NICOR, INC.	2002	0.3611		17.50%		6.32%	16.55	44.01	
2			2003	0.1185		12.30%		1.46%	17.13	44.04	
3			2004	0.1622		13.10%		2.12%	16.99	44.10	
4			2005	0.1878		12.50%		2.35%	18.36	44.18	
5			2006	0.3861		14.00%		5.41%	19.35	44.70	
6			GROWTH 2002 - 2006					3.53%	1.50%		0.39%
7			2007	0.2963		13.00%		3.85%		44.60	-0.22%
8			2008	0.3091		13.00%		4.02%		44.70	0.00%
9			2010-12	0.3103		12.00%		3.72%	4.50%	45.00	0.13%
10											
11	NWN	NORTHWEST NATURAL GAS CO.	2002	0.2222		8.50%		1.89%	18.88	25.59	
12			2003	0.2784		9.00%		2.51%	19.52	25.94	
13			2004	0.3011		8.90%		2.68%	20.64	27.55	
14			2005	0.3744		9.90%		3.71%	21.28	27.58	
15			2006	0.3930		10.60%		4.17%	21.96	27.28	
16			GROWTH 2002 - 2006					2.99%	3.50%		1.61%
17			2007	0.4000		10.50%		4.20%		27.50	0.81%
18			2008	0.4118		11.00%		4.53%		27.50	0.40%
19			2010-12	0.3898		12.00%		4.68%	3.50%	29.00	1.23%
20											
21	PNY	PIEDMONT NATURAL GAS COMPANY	2002	0.1579		10.60%		1.67%	8.91	66.18	
22			2003	0.2613		11.80%		3.08%	9.36	67.31	
23			2004	0.3307		11.10%		3.67%	11.15	76.67	
24			2005	0.3106		11.50%		3.57%	11.53	76.70	
25			2006	0.2520		11.00%		2.77%	11.83	74.61	
26			GROWTH 2002 - 2006					2.95%	6.50%		3.04%
27			2007	0.2929		11.50%		3.37%		73.80	-1.09%
28			2008	0.2897		11.50%		3.33%		73.00	-1.08%
29			2010-12	0.2581		11.50%		2.97%	2.50%	71.80	-0.76%
30											
31	SJI	SOUTH JERSEY INDUSTIES, INC.	2002	0.3852		12.50%		4.82%	9.67	24.41	
32			2003	0.4307		11.60%		5.00%	11.26	26.46	
33			2004	0.4810		12.50%		6.01%	12.41	27.76	
34			2005	0.4971		12.40%		6.16%	13.50	28.98	
35			2006	0.6260		16.30%		10.20%	15.12	29.30	
36			GROWTH 2002 - 2006					6.44%	13.00%		4.67%
37			2007	0.6370		17.00%		10.83%		29.60	1.02%
38			2008	0.6379		17.00%		10.84%		30.00	1.19%
39			2010-12	0.6364		17.50%		11.14%	5.00%	31.00	1.13%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/16/2007
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16 & 26, SIMPLE AVERAGE GROWTH, 2002 - 2006

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	SWX	SOUTHWEST GAS CORP.	2002	0.2931		6.50%		1.91%	17.91	33.29	
2			2003	0.2743		6.10%		1.67%	18.42	34.23	
3			2004	0.5060		8.30%		4.20%	19.18	36.79	
4			2005	0.3440		6.40%		2.20%	19.10	39.33	
5			2006	0.5859		9.00%		5.27%	21.58	41.77	
6			GROWTH 2002 - 2006					3.05%	3.00%		5.84%
7			2007	0.5943		9.50%		5.65%		43.00	2.94%
8			2008	0.6178		10.00%		6.18%		44.00	2.63%
9			2010-12	0.6538		10.00%		6.54%	4.00%	47.50	2.60%
10											
11	WGL	WGL HOLDINGS, INC.	2002	-0.1140		7.20%		NMF	15.78	48.56	
12			2003	0.4435		7.20%		3.19%	16.25	48.63	
13			2004	0.3434		11.70%		4.02%	16.95	48.67	
14			2005	0.3744		12.00%		4.49%	17.80	48.65	
15			2006	0.3093		10.20%		3.15%	18.28	48.89	
16			GROWTH 2002 - 2006					3.71%	3.00%		0.17%
17			2007	0.2959		10.50%		3.11%		48.91	0.04%
18			2008	0.3073		10.70%		3.29%		48.92	0.03%
19			2010-12	0.3409		10.50%		3.58%	3.00%	49.00	0.04%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/16/2007
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16 & 26, SIMPLE AVERAGE GROWTH, 2002 - 2006

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
GROWTH RATE COMPARISON

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE WAR - 6

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) VALUE LINE PROJECTED DPS	(C) VALUE LINE PROJECTED BVPS	(D) VALUE LINE HISTORIC EPS	(D) VALUE LINE HISTORIC DPS	(D) VALUE LINE HISTORIC BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) 5 - YEAR COMPOUND HISTORY DPS	(F) 5 - YEAR COMPOUND HISTORY BVPS
1	ATG	5.99%	5.00%	3.50%	5.50%	2.50%	13.50%	2.00%	8.50%	5.79%	10.57%	8.20%	13.38%
2	ATO	5.54%	5.30%	5.00%	1.50%	4.00%	10.00%	2.00%	8.50%	5.19%	8.37%	1.65%	10.04%
3	LG	3.71%	-	2.00%	2.50%	5.00%	6.50%	0.50%	3.50%	3.33%	19.05%	1.10%	5.75%
4	NJR	6.14%	6.00%	2.50%	3.00%	8.00%	8.00%	3.50%	8.50%	5.64%	7.59%	4.66%	14.57%
5	GAS	3.71%	2.00%	4.00%	1.00%	4.50%	-3.50%	3.50%	1.50%	1.86%	1.28%	0.27%	3.99%
6	NWN	5.09%	5.30%	7.00%	4.00%	3.50%	5.00%	1.00%	3.50%	4.19%	9.04%	2.49%	3.85%
7	PNY	3.69%	5.50%	3.00%	4.00%	2.50%	5.00%	5.00%	6.50%	4.50%	7.53%	4.39%	7.34%
8	SJI	11.17%	6.50%	9.50%	5.50%	5.00%	11.50%	2.50%	13.00%	7.64%	19.16%	5.24%	11.82%
9	SWX	7.22%	-	8.00%	1.50%	4.00%	-0.50%	-	3.00%	3.20%	14.30%	-	4.77%
10	WGL	3.33%	3.00%	1.00%	1.50%	3.00%	6.00%	1.50%	3.00%	2.71%	14.22%	1.35%	3.75%
11				4.55%	3.00%	4.20%	6.15%	2.39%	5.95%		11.11%	2.93%	7.93%
12	AVERAGES	5.56%	4.83%		3.92%			4.83%		4.40%		7.32%	

REFERENCES:
COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 03/16/2007
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 03/16/2007
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1, 3, 5 AND 7
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 03/16/2007

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x (	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	ATG	k	=	5.10%	+ [	0.95	x (	10.40%	-	5.10%	)]	=	10.13%
2	ATO	k	=	5.10%	+ [	0.80	x (	10.40%	-	5.10%	)]	=	9.34%
3	LG	k	=	5.10%	+ [	0.85	x (	10.40%	-	5.10%	)]	=	9.60%
4	NJR	k	=	5.10%	+ [	0.80	x (	10.40%	-	5.10%	)]	=	9.34%
5	GAS	k	=	5.10%	+ [	1.30	x (	10.40%	-	5.10%	)]	=	11.99%
6	NWN	k	=	5.10%	+ [	0.75	x (	10.40%	-	5.10%	)]	=	9.07%
7	PNY	k	=	5.10%	+ [	0.80	x (	10.40%	-	5.10%	)]	=	9.34%
8	SJI	k	=	5.10%	+ [	0.70	x (	10.40%	-	5.10%	)]	=	8.81%
9	SWX	k	=	5.10%	+ [	0.85	x (	10.40%	-	5.10%	)]	=	9.60%
10	WGL	k	=	5.10%	+ [	0.85	x (	10.40%	-	5.10%	)]	=	9.60%
11	**NATURAL GAS LDC AVERAGE**					0.87							9.68%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$k = r_f + [ß (r_m - r_f)]$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) A 6-WEEK AVERAGE OF THE 91-DAY T-BILL RATES THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 02/23/2007 THROUGH 03/30/2007 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE MARKET RATE PROXY USED WAS THE GEOMETRIC MEAN FOR S&P 500 RETURNS OVER THE 1926 - 2005 PERIOD. THE DATA WAS OBTAINED FROM IBBOTSON ASSOCIATES' STOCKS, BONDS, BILLS AND INFLATION: 2005 YEARBOOK.

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	ATG	k	=	5.10%	+ [	0.95	x	(	12.30%	-	5.10%	)]	=	11.94%
2	ATO	k	=	5.10%	+ [	0.80	x	(	12.30%	-	5.10%	)]	=	10.86%
3	LG	k	=	5.10%	+ [	0.85	x	(	12.30%	-	5.10%	)]	=	11.22%
4	NJR	k	=	5.10%	+ [	0.80	x	(	12.30%	-	5.10%	)]	=	10.86%
5	GAS	k	=	5.10%	+ [	1.30	x	(	12.30%	-	5.10%	)]	=	14.46%
6	NWN	k	=	5.10%	+ [	0.75	x	(	12.30%	-	5.10%	)]	=	10.50%
7	PNY	k	=	5.10%	+ [	0.80	x	(	12.30%	-	5.10%	)]	=	10.86%
8	SJI	k	=	5.10%	+ [	0.70	x	(	12.30%	-	5.10%	)]	=	10.14%
8	SWX	k	=	5.10%	+ [	0.85	x	(	12.30%	-	5.10%	)]	=	11.22%
9	WGL	k	=	5.10%	+ [	0.85	x	(	12.30%	-	5.10%	)]	=	11.22%
10	NATURAL GAS LDC AVERAGE					0.87								11.33%

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\, ß\, (r_m - r_f)\,]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) A 6-WEEK AVERAGE OF THE 91-DAY T-BILL RATES THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 02/23/2007 THROUGH 03/30/2007 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE MARKET RATE PROXY USED WAS THE ARITHMETIC MEAN FOR S&P 500 RETURNS OVER THE 1926 - 2005 PERIOD. THE DATA WAS OBTAINED FROM IBBOTSON ASSOCIATES' STOCKS, BONDS, BILLS AND INFLATION: 2005 YEARBOOK.

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 $)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.40%	1.90%	10.01%	6.98%	8.10%	7.49%	7.49%	9.86%	10.06%
2	1991	4.21%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.01%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.99%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.56%	4.00%	7.14%	3.60%	4.20%	4.25%	4.25%	8.31%	8.63%
6	1995	2.83%	2.50%	8.83%	5.21%	5.84%	5.49%	5.49%	7.89%	8.29%
7	1996	2.95%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	1.70%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.60%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.70%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.40%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	1.60%	0.80%	6.92%	3.41%	3.88%	3.38%	5.95%	7.59%	8.02%
13	2002	2.40%	1.60%	4.67%	1.17%	1.66%	1.60%	5.38%	7.41%	7.98%
14	2003	1.90%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	3.30%	3.90%	4.34%	2.35%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.40%	3.20%	6.16%	4.16%	3.16%	3.17%	4.57%	5.38%	5.78%
17	2006	2.50%	3.30%	7.97%	5.97%	4.97%	4.83%	4.88%	5.94%	6.30%
18	CURRENT	2.50%	2.50% (a)	8.25%	6.25%	5.25%	5.03%	4.72%	5.86%	6.01%

REFERENCES:
COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS WEB SITE
COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
COLUMN (C) THROUGH (F): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 03/30/2007
COLUMN (G) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 03/30/2007
COLUMN (H) THROUGH (J): 1990 - 2000, MOODY'S PUBLIC UTILITY REPORTS
COLUMN (H) THROUGH (I): 2001, MERGENT 2002 PUBLIC UTILITY MANUAL
COLUMN (H) THROUGH (I): 2003 MERGENT NEWS REPORTS

NOTES

UNS GAS, INC.
TEST YEAR ENDED DECEMBER 31, 2005
CAPITAL STRUCTURES OF SAMPLE COMPANIES

DOCKET NO. G-04204A-06-0463
SURREBUTTAL SCHEDULE WAR - 9

LINE NO.		ATG	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	GAS	PCT.
1	DEBT	$ 1,615.0	51.9%	$ 1,602.4	42.3%	$ 340.5	48.1%	$ 317.2	42.0%	$ 1,071.8	56.9%
2											
3	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.9	0.1%	0.0	0.0%	0.6	0.0%
4											
5	COMMON EQUITY	1,499.0	48.1%	2,183.1	57.7%	366.5	51.8%	438.1	58.0%	811.3	43.1%
6											
7	TOTALS	$ 3,114.0	100%	$ 3,785.5	100%	$ 707.9	100%	$ 755.3	100%	$ 1,883.7	100%
8											
9											
10		NWN	PCT.	PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.
11											
12	DEBT	$ 521.5	47.0%	$ 625.0	41.4%	$ 328.9	48.7%	$ 1,224.9	59.0%	$ 584.2	38.8%
13											
14	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	1.6	0.2%	100.0	4.8%	28.2	1.9%
15											
16	COMMON EQUITY	586.9	53.0%	884.2	58.6%	344.4	51.0%	751.1	36.2%	894.0	59.3%
17											
18	TOTALS	$ 1,108.4	100%	$ 1,509.2	100%	$ 674.9	100%	$ 2,076.0	100%	$1,506.4	100%
19											
20											
21		NATURAL GAS LDC									
22		AVERAGE	PCT.								
23											
24	DEBT	$ 823.1	48.1%								

UNS GAS, INC.

DOCKET NO. G-04204A-06-0463 et al.

SURREBUTTAL TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

APRIL 4, 2007

TABLE OF CONTENTS

INTRODUCTION

Q. Please state your name for the record.

A. My name is Rodney Lane Moore.

Q. Have you previously filed testimony regarding this docket?

A. Yes, I have. I filed direct testimony in this docket on February 9, 2007.

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony will address the Company's rebuttal comments pertaining to adjustments I sponsored in my direct testimony.

SUMMARY OF ADJUSTMENTS

Q. What areas will you address in your surrebuttal testimony?

A. My surrebuttal testimony will address the following RUCO proposed adjustments:

Rate Base:

Adjustment No. 1 – Pre-Acquisition Plant And Accumulated Depreciation

Adjustment No. 2 – Test-Year Accumulated Depreciation

Operating Income:

Adjustment No. 2 – Incentive Compensation

Adjustment No. 3 – Test-Year Depreciation Expense

Adjustment No. 4 – Postage Expense

Adjustment No. 5 – Customer Service Cost Allocation

Adjustment No. 6 – Unnecessary Expenses

Adjustment No. 7 – Property Tax Computation

Adjustment No. 8 – Rate Case Expense

Adjustment No. 10 – Non-Recurring/Atypical Expenses

Adjustment No. 11 - SERP

Adjustment No. 22 – Income Tax Calculation

To support the adjustments in my surrebuttal testimony, I have revised specific direct testimony Schedules and prepared Surrebuttal Schedules numbered SURR RLM-1, SURR RLM-2, SURR RLM-3, SURR RLM-6, SURR RLM-7, SURR RLM-9, and SURR RLM-14 through SURR RLM-17, which are filed concurrently in my surrebuttal testimony.

These Schedules quantify the adjustments recommended in RUCO's surrebuttal testimonies and consist of revisions to:

1. Allowance For Working Capital to reflect changes in the operating expenses associated with the surrebuttal adjustments;
2. Postage Expense to reflect computations based on the Company's rebuttal testimony;
3. Legal Expenses to reflect calculation error identified by the Company;
4. Income Tax Expense to reflect changes in the operating expenses associated with the surrebuttal adjustments;
5. Rate Design, Proof of Recommended Revenue and Typical Bill Analysis to reflect changes in the operating expenses associated with the surrebuttal adjustments; and

6. Cost of Capital to reflect current market conditions.

RATE BASE

RUCO Rate Base Adjustment No. 1 – Remove Unsubstantiated Pre-Acquisition Gross Plant and Adjust Understated Accumulated Depreciation

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to remove unsubstantiated pre-acquisition gross plant and adjust understated accumulated depreciation?

A. No. RUCO has empathy for the Company's dilemma to provide adequate documentation to substantiate all the perceived plant assets theoretically incorporated as an integral component of the acquisition price. Any of the remaining records from Citizens' are notoriously inadequate for a determination of the actual value of the pre-acquisition gross plant and accumulated depreciation. It is commonly accepted by those who have attempted (in past proceedings and in the instant case) to establish an accurate rate base for ratemaking purposes from Citizens' records that these records are inaccurate. Therefore, RUCO was supportive of the Company's predicament and accepted Citizens' gas assets identified by UNS. However, RUCO believes since the Company is requesting recognition of an adjusted rate base that UNS still has the burden of proof to provide reasonable documentation to substantiate the value of these adjustments to rate base. It is contrary to established rate making principles, detrimental to ratepayers, and normally not approved by the Commission to automatically assume that where there is a lack of adequate records to substantiate plant additions, the inclusion of these unsubstantiated plant assets are routinely accepted into rate base. RUCO believes it is disingenuous of the Company to request UNS's adjusted level of the prior test-year rate base receive ACC approval even though there is a lack of evidence all these plant assets exist.

Q. Does the fact UNS fulfilled the FERC accounting requirements associated with the acquisition of Citizens' assets change RUCO's position on this adjustment to remove unsubstantiated pre-acquisition gross plant and adjust understated accumulated depreciation?

A. No. The Company's "clean" audit simply represents the accurate recording of the value of the gross plant in service was $248,032,644 as of August 11, 2003 (UNS' acquisition date), which is the level of gross plant UNS believes it purchased from Citizens and also the same amount requested as a component of the rate base in the instant case. However, for rate making purposes the Commission stipulated in the Settlement Agreement of the prior rate case the value of the test-year gross plant in service was $219,383,559 as of December 31, 2001. The difference between the value of the Commission approved test-year gross plant in the prior rate case and the Company's requested amount in the instant case is $28,649,085. Both RUCO and the Company are in agreement with this value. Regardless of the FERC approval of the Company's appropriate recording of this plant balance, UNS was unable to provide any documentation for the existence of plant assets worth $3,133,264 of the $28,649,085 requested. Therefore, as clearly outlined in my direct testimony RUCO removed $3,133,264 in gross plant and correspondingly increased the level of accumulated depreciation by $3,857,413 for a total reduction in the rate base of $6,990,677.

<u>RUCO Rate Base Adjustment No. 2 – Reduce Test-Year Accumulated Depreciation</u>

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to the test-year accumulated depreciation?

A. No. The Company continues to maintain in its rebuttal testimony that the depreciation rates that were proposed in Docket No. G-1032A-02-0598 are Commission authorized depreciation rates.

Q. Did Decision No. 66028 authorize a change in depreciation rates for UNS Gas?

A. No. Please refer to RUCO witness Ms. Marylee Diaz Cortez surrebuttal testimony's discussion of Citizens Acquisition Adjustment in which RUCO clearly explains the Commission did not approve the depreciation rates proposed in Docket No. G-1032A-02-0598.

Accordingly, my proposed adjustment to the test-year accumulated depreciation is correct and appropriate.

OPERATING INCOME

Operating Income Adjustment No. 2 – Incentive Compensation

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment on incentive compensation?

A. No, for the same reasons as outlined in my direct testimony, the Company has failed to justify why the ratepayers should be burdened with the additional costs of an incentive program that provides no direct ratepayer benefit.

RUCO's reasons for denying the pass through to the ratepayers of the costs associated with the 2005 Special Recognition Award are:

1. Despite the considerable effort the Company takes in rebuttal to explain the ultimate benefits of its Performance Enhancement Plan ("PEP"), in reality Unisource Energy did not meet its 2005 financial performance goal and therefore the PEP program was not initiated in the test year;
2. RUCO is very reluctant to abandon the Historical Test-Year principle that avoids mismatches in the ratemaking elements. Therefore, RUCO dismisses the Company's proposal to average the 2005 Special Recognition Award and the 2004 PEP program;

3. The Company promotes the PEP program as a valuable management tool to promote additional cost savings and motivate individual employees and encourage groups of employees to work together to impact specific goals. However, over 60 percent of the workforce do not even participate in this program; and

4. The Company also touts the PEP program as an employee program that reduces costs, promotes safety, increases customer service and increases the financial soundness of the Company. However, even if these efforts had been successful enough in 2005 to trigger the PEP program, 60 percent of employees sufficiently motivated to impact the actualization of these corporate goals received no compensation from the PEP program or any other arbitrary special award.

If the Company is reasonably confident it can attain its financial performance goal, operational cost containment target and customer service objectives despite the fact that the incentive compensation program incents less than half the workforce, the necessity to embed such expenditures in rates is highly suspect.

Operating Income Adjustment No. 3 – Depreciation Expenses

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to test-year depreciation expenses?

A. No, the level of RUCO's recommended test-year depreciation expenses is directly related to RUCO's recommended value of test-year gross plant in service. RUCO's recommended value of test-year gross plant in service was discussed previously in Rate Base Adjustment No. 1.

Operating Income Adjustment No. 4 – Postage Expense

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to postage expenses?

A. Yes, after reviewing Company witness Mr. Dukes' rebuttal testimony, RUCO accepts the level of test-year book postage expense as $445,171, and has corrected its calculation to reflect this amount. However, RUCO maintains it strict adherence to the historical test-year principle and disagrees with the Company's proposed proforma adjustment, which averages the 2004 and 2005 postage expenses.

As shown on Schedule SURR-RLM-9, RUCO's revised calculation decreases adjusted test-year expenses by $51,851.

Operating Income Adjustment No. 5 – Customer Service Cost Allocations

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to the corporate allocated costs for the customer service call centers?

A. No. The Company takes considerable effort in rebuttal to explain the perceived improvements in customer service attributable to this 432 percent increase in the costs associated with the direct interaction with its customers. However in reality, there is compelling evidence that the customer-base has become very dissatisfied with the Company's transition to a consolidated call center. Therefore, RUCO maintains that with such an increase in the level of customer frustration related to Unisource Energy's decision to integrate similar job functions among its affiliates, the UNS ratepayers should not be burdened with this imprudent expenditure until such time as statistical information proves the costs provide a beneficial impact to UNS ratepayers.

The increased level of customer dissatisfaction directly related to the consolidation of the TEP call centers is clearly evident in complaints filed at the Commission's Consumer Services Section and through customer contacts with the Arizona Community Action Association ("ACAA") as stated in the direct testimony of the ACAA witness Ms. Miquelle Scheier.

Through discussion I discovered the Commission's Customer Services Section recorded an escalation in consumer complaints directly attributable to the consolidation of UNS customer services. Prior to consolidation, in 2004 the Commission received 24 "quality of customer service" complaints out of a total of 178 complaints filed against UNS, or 13 percent. In 2005, when the consolidation was initiated, "quality of customer service" complaints jumped to 65 out of a total of 263 complaints filed against UNS, or 25 percent.

Continuing in 2006, the level of "quality of customer service" complaints filed remains high: 68 out of a total of 273 complaints filed against UNS, or 25 percent.

As referenced in ACAA testimony, the Company issued a pamphlet to justify the consolidation of the call centers and the corresponding closing of branch offices under the pretense of the Company's need to realize cost savings. It is very difficult to rationalize the reduction in customer service levels by embedding nearly a million-dollars in rates under the guise of cost savings.

<u>Operating Income Adjustment No. 6 – Disallowance of Inappropriate and/or Unnecessary Expenses</u>

Q. Has the Company accepted your adjustment to miscellaneous expenses?

A. No. The Company takes considerable effort in rebuttal to establish a warm and fuzzy feeling to guarantee that all test-year operating expenditures identified by RUCO "are reviewed by immediate supervisors and numerous controls are in place to ensure they are valid charges" and/or "the expenses referred to were incurred while performing regulatory-mandated functions". However, in reality the Company completely ignores the substance of RUCO's adjustment. Aggregately, the Company inappropriately padded the historical test-year expenses with unnecessary purchases worth over $200,000.

RUCO maintains certain categories of expenses should not be the financial burden of the ratepayers. For example:

1. Liquor, Coffee, Water, Bagels, Donuts, Subs, etc.
2. Flowers, Gift Certificates, Photographs, etc.
3. Charitable/Community/Service Club Donations, etc.
4. Recognition Events, Sports Events, Club Memberships, etc.
5. Numerous purchases at Circle K, Walgreen, Wal-Mart, Basha's, Fry's, Safeway, etc.

Nevertheless, the Company continues to maintain these items are appropriately charged to ratepayers.

In consideration of the Company's request for "RUCO to set a realistic materiality" to this adjustment, RUCO still questions the Company's avoidance to address several major expenses identified in my direct testimony.

For instance, the Company fails to acknowledge and/or explain the reasonableness and necessity of:

1. $1,200.00 for two people to play in Flagstaff's 8th Annual Golf Tournament;
2. $5,750.00 for an employee appreciation dinner in Prescott;
3. $1,000.00 for Toys for Tots;
4. $3,058.00 to the Flagstaff Chamber of Commerce, and
5. $1,246 for a chartered air flight.

The Company makes no attempt to mitigate this adjustment except to have the entire amount disregarded because "UNS Gas has established practices, policies, procedures and internal controls in place to assure that expenses recorded in the identified FERC accounts are materially correct, prudent and properly classified". The Company has made no concession that maybe an errant invoice here or there slipped past its internal controls nor has it discussed a meaningful adjustment. The burden of proof is on the Company to substantiate the appropriateness of the journal entries identified. The Company's mere avowal that the expenditures are prudent and necessary to provide gas service is not sufficient to satisfy that burden.

Operating Income Adjustment No. 7 – Property Tax

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to test-year property tax expenses?

A. No, the level of RUCO's recommended test-year property tax expenses is directly related to RUCO's recommended value of test-year gross plant in service and the revised Arizona Department of Revenue's ("ADOR") assessment ratio. RUCO's recommended value of test-year gross plant in service was discussed previously in Rate Base Adjustment No. 1. The ADOR assessment ratio recommended by RUCO is the effective rate through December 31, 2007 of 24 percent. Since the assessment ratio will continue to decline by one-half percent each year until it reaches 20 percent on December 31, 2014 this is the appropriate ratio to reflect a fair and reasonable level of property tax expense based on the rate making elements authorized in this case.

Operating Income Adjustment No. 8 – Rate Case Expense

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to rate case expenses?

A. No. The Company is suggesting the rate case expenses may reach nearly a million dollars. UNS is now requesting to amortize rate case expenses of $900,000. This is an unreasonable level of rate case expense, given that the entire requested rate increase is $9.6 million. Nearly ten percent of the requested increase is attributable to rate case expense.

The Commission did consider the reasonableness of rate case expenses in a recent Arizona-American rate case by stating in Decision No. 67093, dated June 30, 2004 on page 20 starting on line 14:

> "In addition, we agree with RUCO that the Company chose the test year for the application, and we believe that ratepayers should not be made to bear the burden of the Company's choices to incur unreasonable increases in expenses."

It is RUCO's position that the Company's request to burden the ratepayers with $900,000 in rate case expense is unreasonable and therefore RUCO is not revising this adjustment.

Operating Income Adjustment No. 10 – Non-Recurring/Atypical Expenses

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to non-recurring/atypical expenses?

A. No, I am confused by the Company witness Mr. Smith's rebuttal testimony. Specifically, Mr. Smith's response or actual lack of response to this adjustment does not reflect information conveyed during a telephone conversion we had during the discovery process. Mr. Smith and I discussed line by line the general ledger details provided by the Company in response to RUCO's data request 4.01 designated as "Procard Details – Data Request RUCO 4.01", pages 1 through 4. During that conversation I expressly asked for clarification of the entries noted as "M.A.R.C. Training (Union Training)". Mr. Smith indicated this training was a one-time only instructional session to acquaint Company personnel with working in a unionized environment. Based on that conversation with Mr. Smith, I selectively excluded only expenses denoted "M.A.R.C. Training (Union Training)" from data provided. Therefore, I continue to recommend disallowance, as this is not a recurring or typical test-year expense and is not appropriate for inclusion as a rate case operating expense.

Operating Income Adjustment No. 11 – Supplemental Executive Retirement Plan

Q. After analyzing the Company's rebuttal testimony, is RUCO revising its adjustment to the Supplemental Executive Retirement Plan ("SERP")?

A. No, RUCO's position is unchanged – the ratepayers should not be responsible to pay the cost of supplemental benefits to a small select group of high-ranking officers of the Company. However, RUCO did allow the cost of Company's officers' Deferred Compensation Plan ("DCP") to be included in test-year expenses.

The ratepayers are already burdened with the cost of adequately compensating this small select group of high-ranking officers for their work and who are provided with a wide array of benefits including a medical plan, dental plan, vision coverage, employee life insurance, supplemental life insurance, dependent life insurance, accidental death and dismemberment, business travel accident insurance, personal accident insurance, short and long term disability, health and dependent care spending accounts, pension, 401(k), incentive pay, vacation pay, holiday pay and sick time. If the Company feels it is necessary to provide additional perks to a select group of employees it should do so at its own expense.

It seems disingenuous in the present climate of spiraling utility costs to request that the ratepayers be burdened with the cost of this elite retirement plan for a select group of employees who are already receiving lucrative salaries and benefits.

<u>Operating Income Adjustment No. 22 – Income Tax Expense</u>

Q. Please explain RUCO's adjustment to the income tax expense.

A. This adjustment reflects income tax expenses calculated on RUCO's surrebuttal recommended revenues and expenses.

RATE DESIGN AND PROOF OF RECOMMENDED REVENUE

Q. Have you revised your direct testimony Schedule to present proof of your revised surrebuttal recommended revenue?

A. Yes, I have. Proof that RUCO's direct testimony recommended rate designs would produce the revised surrebuttal recommended required revenue as illustrated, is presented on Schedule SURR RLM-15.

TYPICAL BILL ANALYSIS

Q. Have you revised your direct testimony Schedule to present a typical bill analysis based on your surrebuttal recommended revenue?

A. Yes, I have. A revised typical bill analysis for metered residential customers with various levels of usage is presented on Schedule SURR RLM-16.

COST OF CAPITAL

Q. Is RUCO revising its adjustments to the Company proposed cost of capital?

A. Yes, it is. As shown on Schedule SURR RLM-17, this revised adjustment increases RUCO's direct testimony weighted cost of capital by 28 basis points, which is still 58 basis points below the Company's requested weighted cost of capital. This revised adjustment is fully explained in the surrebuttal testimony of RUCO witness Mr. Rigsby.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

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SURREBUTTAL
TABLE OF CONTENTS TO RUCO REVISED SCHEDULES

UNS Gas Corporation
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SURREBUTTAL
REVENUE REQUIREMENT

		(A)	(B)	(C)	(D)	(E)	(F)
			COMPANY AS FILED			RUCO REVISED SURREBUTTAL	
LINE NO.	DESCRIPTION	ORIGINAL COST	RCND	FAIR VALUE	ORIGINAL COST	RCND	FAIR VALUE
1	Adjusted Rate Base	$ 161,661,362	$ 220,694,068	$ 191,177,714	$ 144,646,160	$ 197,732,117	$ 171,189,139
2	Adjusted Operating Income (Loss)	$ 8,428,981	$ 8,428,981	$ 8,428,981	$ 10,219,499	$ 10,219,499	$ 10,219,499
3	Current Rate Of Return (Line 2 / Line 1)	5.21%	3.82%	4.41%	7.07%	5.17%	5.97%
4	Required Operating Income (Line 5 X Line 1)	$ 14,223,179	$ 14,223,179	$ 14,204,479	$ 11,889,914	$ 11,889,914	$ 11,889,914
5	Required Rate Of Return	8.80%	6.44%	7.43%	8.22%	6.01%	6.95%
6	Operating Income Deficiency (Line 4 - Line 2)	$ 5,794,198	$ 5,794,198	$ 5,775,498	$ 1,670,416		$ 1,670,416
7	Gross Revenue Conversion Factor (Schedule RLM-1, Page 3)	1.6649	1.6649	1.6649			1.6370
8	Increase In Gross Revenue Requirement (Line 7 X Line 6)	$ 9,646,901	$ 9,646,901	$ 9,615,767			$ 2,734,443
9	Adjusted Test Year Revenue			$ 47,169,528			$ 47,280,434
10	Proposed Annual Revenue Requirement (Line 8 + Line 9)			$ 56,785,295			$ 50,014,877
11	Required Percentage Increase In Revenue (Line 8 / Line 9)			20.39%			5.78%
12	Rate Of Return On Common Equity			11.39%			9.84%

References:
Columns (A) Thru (C): Company Schedule A-1, C-1 And D-1
Column (D): Schedules RLM-2, RLM-3, RLM-6 And RLM-17
Column (E): Schedule RLM-2
Column (F): Average Of Column (D) + Column (E)

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SURREBUTTAL
FAIR VALUE RATE BASE - OCRB / RCND (50/50 SPLIT)

		(A)	(B)	(C)	(D)	(E)	(F)	(G)
		COMPANY AS FILED			OCRB/RCND	RUCO REVISED SURREBUTTAL		
LINE NO.	DESCRIPTION	OCRB	RCND	FVRB	% DIFF.	OCRB	RCND	FVRB
1	Gross Utility Plant In Service	$ 279,169,694	$ 374,243,421	$ 326,706,558	134.06%	$ 268,847,200	$ 360,405,510	$ 314,626,355
2	Accumulated Depreciation	(72,006,708)	(97,114,865)	(84,560,787)	134.87%	(78,719,575)	(106,168,455)	(92,444,015)
3	Net Utility Plant In Service	$ 207,162,986	$ 277,128,556	$ 242,145,771		$ 190,127,625	$ 254,237,055	$ 222,182,340
4	Citizens Acquisition Discount	$ (30,709,738)	$ (41,822,562)	$ (36,266,150)	136.19%	$ (30,709,738)	$ (41,822,562)	$ (36,266,150)
5	Accumulated Amortization	1,876,981	2,560,308	2,218,645	136.41%	1,628,094	2,220,812	1,924,453
6	Net Citizens Acq. Disc.	$ (28,832,757)	$ (39,262,254)	$ (34,047,506)		$ (29,081,644)	$ (39,601,750)	$ (34,341,697)
7	Total Net Utility Plant	$ 178,330,229	$ 237,866,302	$ 208,098,266		$ 161,045,981	$ 214,635,305	$ 187,840,643
	Deductions:							
8	Cust. Advances For Const.	$ (7,283,595)	$ (7,786,962)	$ (7,535,279)	106.91%	$ (7,283,595)	$ (7,786,962)	$ (7,535,279)
9	Customer Deposits	(3,040,484)	(3,040,484)	(3,040,484)	100.00%	(3,040,484)	(3,040,484)	(3,040,484)
10	Acc. Deferred Income Taxes	(6,484,809)	(6,484,809)	(6,484,809)	100.00%	(6,484,809)	(6,484,809)	(6,484,809)
11	Total Deductions	$ (16,808,888)	$ (17,312,255)	$ (17,060,572)		$ (16,808,888)	$ (17,312,255)	$ (17,060,572)
12	Allowance - Working Capital	$ (1,045,146)	$ (1,045,146)	$ (1,045,146)	100.00%	$ 120,969	$ 120,969	$ 120,969
13	Regulatory Assets	$ 1,204,887	$ 1,204,887	$ 1,204,887	100.00%	$ 307,819	$ 307,819	$ 307,819
14	Regulatory Liability	$ (19,721)	$ (19,721)	$ (19,721)	100.00%	$ (19,721)	$ (19,721)	$ (19,721)
15	TOTAL TEST YEAR RATE BASE	$ 161,661,361	$ 220,694,067	$ 191,177,714		$ 144,646,160	$ 197,732,117	$ 171,189,139

References:
Columns (A) (B) (C): Company Schedule B-1
Column (D): Column (B) / Column (A)
Column (E): Schedule RLM-3, Column (H)
Column (F): Column (D) X Column (E)
Column (G): Average Of Column (E) + Column (F)

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SURREBUTTAL
SUMMARY OF ORIGINAL COST RATE BASE

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) RUCO ADJUSTMENT NO. 1	(C) RUCO ADJUSTMENT NO. 2	(D) RUCO ADJUSTMENT NO. 3	(E) RUCO ADJUSTMENT NO. 4	(F) RUCO ADJUSTMENT NO. 5	(G) RUCO ADJUSTMENT NO. 6	(H) RUCO ADJUSTED OCRB
1	Gross Utility Plant In Service	$ 279,169,694	$ (3,133,264)	$ -	$ -	$ (7,189,230)	$ -	$ -	$ 268,847,200
2	Accumulated Depreciation	(72,006,708)	(3,857,413)	(2,855,454)	-	-	-	-	(78,719,575)
3	Net Utility Plant In Service	$ 207,162,986	$ (6,990,677)	$ (2,855,454)	$ -	$ (7,189,230)	$ -	$ -	$ 190,127,625
4	Citizens Acquisition Discount	$ (30,709,738)	$ -	$ -	$ -	$ -	$ -	$ -	$ (30,709,738)
5	Accumulated Amortization	1,876,981	-	-	(248,887)	-	-	-	1,628,094
6	Net Citizens Acq. Disc.	$ (28,832,757)	$ -	$ -	$ (248,887)	$ -	$ -	$ -	$ (29,081,644)
7	Total Net Utility Plant	$ 178,330,229	$ (6,990,677)	$ (2,855,454)	$ (248,887)	$ (7,189,230)	$ -	$ -	$ 161,045,981
	Deductions:								
8	Cust. Advances For Const.	$ (7,283,595)	$ -	$ -	$ -	$ -	$ -	$ -	$ (7,283,595)
9	Customer Deposits	(3,040,484)	-	-	-	-	-	-	(3,040,484)
10	Acc. Deferred Income Taxes	(6,484,809)	-	-	-	-	-	-	(6,484,809)
11	Total Deductions	$ (16,808,888)	$ -	$ -	$ -	$ -	$ -	$ -	$ (16,808,888)
12	Allowance - Working Capital	$ (1,045,146)	$ -	$ -	$ -	$ -	$ -	$ 1,166,115	$ 120,969
13	Regulatory Assets	$ 1,204,887	$ -	$ -	$ -	$ -	$ (897,068)	$ -	$ 307,819
14	Regulatory Liability	$ (19,721)	$ -	$ -	$ -	$ -	$ -	$ -	$ (19,721)
15	TOTAL OCRB	$ 161,661,361	$ (6,990,677)	$ (2,855,454)	$ (248,887)	$ (7,189,230)	$ (897,068)	$ 1,166,115	$ 144,646,160

References:
Column (A): - Company Schedule B-2
Column (B): - Adjustment No. 1 RUCO Adjustment To Pre-Acquisition Gross Plant And Accumulated Depreciation (See RLM-4, Page 3, Lines 38 & 39)
Column (C): - Adjustment No. 2 RUCO Adjustment To Test-Year Accumulated Depreciation (See RLM-4, Page 5, Line 40)
Column (D): - Adjustment No. 3 RUCO Adjustment To Restate Accumulated Amortization On Citizens Acquisition. (See MDC-1)
Column (E): - Adjustment No. 4 RUCO Adjustment To Remove CWIP From Test-Year Rate Base (See Testimony, MDC And RLM-5, Line 39)
Column (F): - Adjustment No. 5 RUCO Adjustment To The Geographical Information System (See Testimony, MDC)
Column (G): - Adjustment No. 6 Allowance For Working Capital (See MDC-2)
Column (H): - Sum Of Columns (A) Through (G)

UNS GAS CORPORATION
TEST YEAR ENDED DECEMBER 31, 2005
REVISED RATE BASE ADJUSTMENT # 6 - WORKING CAPITAL

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SCHEDULE SURR MDC-2
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SURREBUTTAL

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	MATERIALS & SUPPLIES PER UNS	$2,039,798	SCH. B-5, PG. 1
2	MATERIALS & SUPPLIES PER RUCO	2,039,798	SCH. B-5, PG. 1
3	ADJUSTMENT	0	LINE 2 - LINE 1
4	PREPAYMENTS PER UNS	195,942	SCH. B-5, PG. 1
5	PREPAYMENTS PER RUCO	195,942	SCH. B-5, PG. 1
6	ADJUSTMENT	0	LINE 5 - LINE 4
7	CASH WORKING CAPITAL PER UNS	(3,280,886)	SCH. B-5, PG. 2
8	CASH WORKING CAPITAL PER RUCO	(2,114,771)	SCHEDULE MDC-
9	ADJUSTMENT	1,166,115	LINE 8 - LINE 7
10	TOTAL ADJUSTMENT (See RLM-3, Column (G))	$1,166,115	SUM LINES 3, 6 & 9

UNS GAS CORPORATION
TEST YEAR ENDED DECEMBER 31, 2005
REVISED RATE BASE ADJUSTMENT # 6 - WORKING CAPITAL

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SURREBUTTAL
LEAD/LAG DAY SUMMARY

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Operating Expenses:					
	Non-Cash Expenses					
1	Bad Debts Expense	$ 722,634	$ -	$ -	0	$ -
2	Depreciation	7,950,183	-	-	0	-
3	Amortization	(729,791)	-	-	0	-
4	Deferred Income Taxes	3,178,719	-	-	0	-
5	Total Non-Cash Expenses	$ 11,121,745	$ -	$ -		$ -
	Other Operating Expenses:					
6	Salaries & Wages (UNS Dir.Emp's)	$ 7,287,745	$ -	$ 7,287,745	24.50	$ 178,549,753
7	Incentive Pay (UNS Dir. Emp's)	257,895	(257,895)	-	267.00	-
8	Purchased Gas	78,101,248	-	78,101,248	30.97	2,418,795,651
9	Office Supplies and Expenses	1,365,974	(54,434)	1,311,540	20.72	27,175,105
10	Injuries and Damages	574,128	(34,234)	539,894	64.75	34,958,114
11	Pensions and Benefits	2,452,071	(93,075)	2,358,996	54.66	128,942,703
12	Support Services - TEP(Dir. Labor)	4,570,692	-	4,570,692	44.91	205,269,778
13	Property Taxes	4,103,376	(476,193)	3,627,183	213.00	772,590,038
14	Payroll Taxes	537,877	(20,853)	517,024	19.30	9,978,563
15	Current Income Taxes	(1,203,222)	5,690,904	4,487,682	41.42	185,879,804
16	Interest on Customer Deposits	170,459	-	170,459	182.50	31,108,848
17	Other Operations and Maintenance	7,501,807	(1,023,893)	6,477,914	53.10	343,977,225
18	Total Other Operating Expenses	$105,720,050	$ 3,730,327	$109,450,377		$ 4,337,225,581
19	Total Operating Expenses	$116,841,794	$ 3,730,327	$109,450,377		$ 4,337,225,581
	Other Cash Working Capital Elements:					
20	Interest on Long-Term Debt	$ 5,334,825	$ (561,502)	$ 4,773,323	91.62	$ 437,331,879
21	Revenue Taxes and Assessments	18,788,535	(6,822,129)	11,966,406	76.25	912,438,458
22	Total Other Cash Working Capital	$ 24,123,360	$ (7,383,631)	$ 16,739,729		$ 1,349,770,337
23	TOTAL			$126,190,106		$ 5,686,995,918

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
24	Expense Lag	Line 23, Col. (E) / (D)	45.07
25	Revenue Lag	Company Workpapers	38.95
26	Net Lag	Line 25 - Line 24	(6.12)
27	RUCO Adjusted Expenses	Col. (C), Line 23	$126,190,106
28	Cash Working Capital	Line 26 X Line27 / 365 Days	(2,114,771)
29	Company As Filed	Co. Schedule B-5, Page 1	(3,280,886)
30	ADJUSTMENT (See MDC-2, Pg 1, L 9)	Line 28 - Line 29	1,166,115

References:

Column (A): - Company Schedule B-5, Page 3
Column (B): RUCO Operating Income Adjustments (See Schedule RLM-7)
Column (C): Column (B) - (A)
Column (D): Company Schedule B-5, Page 3
Column (E): Column (C) X Column (D)

UNS Gas Corporation
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SURREBUTTAL
OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO REVISED SURREBUTTAL TEST YEAR ADJ'TMENTS	(C) TEST YEAR AS ADJUSTED	(D) PROPOSED CHANGES	(E) AS RECOMMENDED
	Operating Revenues:					
1	Gas Retail Revenues	$ 45,689,224	$ 110,906	$ 45,800,130	$ 2,734,443	$ 48,534,573
2	Other Operating Revenue	1,480,304	-	1,480,304	-	1,480,304
3	TOTAL OPERATING REVENUES	$ 47,169,528	$ 110,906	$ 47,280,434	$ 2,734,443	$ 50,014,877
	Operating Expenses:					
4	Purchased Gas	$ 355,528	$ (54)	$ 355,474	$ -	$ 355,474
5	Other O & M Expense	24,459,038	(1,955,752)	22,503,286	-	22,503,286
6	Depreciation & Amortization	7,220,391	(646,479)	6,573,912	-	6,573,912
7	Taxes Other Than Income Taxes	4,730,093	(525,485)	4,204,608	-	4,204,608
8	Income Taxes	1,975,497	1,448,158	3,423,655	1,064,027	4,487,682
9	TOTAL OPERATING EXPENSES	$ 38,740,547	$ (1,679,612)	$ 37,060,935	$ 1,064,027	$ 38,124,962
10	OPERATING INCOME (LOSS)	$ 8,428,981		$ 10,219,499		$ 11,889,914

References:
Column (A): Company Schedule C-1
Column (B): Testimony, RLM And Schedule RLM-7, Pages 1 Thru 6
Column (C): Column (A) + Column (B)
Column (D): Testimony, RLM And Schedule RLM-1
Column (E): Column (C) + Column (D)

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Test Year Ended December 31, 2005

SURREBUTTAL
SUMMARY OF OPERATING INCOME ADJUSTMENT
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ. NO. 1 WORKERS COMP.	(C) ADJ. NO. 2 INCENTIVE COMP.	(D) ADJ. NO. 3 DEPRECIATION EXPENSE	(E) ADJ. NO. 4 POSTAGE EXPENSE REVISED	(F) ADJ. NO. 5 CUSTOMER SERVICE COSTS	(G) ADJ. NO. 6 UNNECESSARY EXPENSES	(H) ADJ. NO. 7 PROPERTY TAX
	Operating Revenue								
1	Net Sales to Ultimate Customers	$ 42,950,315	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Transportation of Gas	2,738,909	-	-	-	-	-	-	-
3	**Gas Retail Revenue**	**$ 45,689,224**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4	Forfeited Discounts (Late Fees)	$ 398,966	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	Miscellaneous Service Revenues	1,046,891	-	-	-	-	-	-	-
6	Other Gas Revenues	34,447	-	-	-	-	-	-	-
7	**Other Operating Revenue**	**$ 1,480,304**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	**Total Operating Revenue**	**$ 47,169,528**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expense								
9	**Purchased Gas**	**$ 355,528**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Transmision - Mains Expense	$ 11,280	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11	Transmision - Meas. and Reg. Station	(52,221)	-	-	-	-	-	-	-
12	Transmision - Maint. Compressor Stat. Equip.	19	-	-	-	-	-	-	-
13	Transmision - Oper. Super'n and Eng.	315,983	-	-	-	-	-	-	-
14	Distribution - Load Dispatching	162	-	-	-	-	-	-	-
15	Distribution - Mains and Services	1,337,349	-	(42,144)	-	-	-	(1,592)	-
16	Distribution - Meas. and Reg. Station - Gen.	244,463	-	-	-	-	-	-	-
17	Distribution - Meas. and Reg. Station - Ind.	150,536	-	-	-	-	-	-	-
18	Distribution - Meas. and Reg. Station - City	56,529	-	-	-	-	-	-	-
19	Distribution - Meter and House Regulator	1,349,114	-	(34,242)	-	-	-	-	-
20	Distribution - Customer Installations	539,082	-	-	-	-	-	-	-
21	Distribution - Other Expenses	1,090,666	-	-	-	-	-	(27,217)	-
22	Distribution - Rents	44,510	-	-	-	-	-	-	-
23	Distribution - Maint. Superv'n & Eng.	243,170	-	-	-	-	-	-	-
24	Distribution - Maintenance of Mains	1,084,194	-	(26,340)	-	-	-	-	-
25	Distribution - Maint. M & R Stat. Equip. - Gen.	25,623	-	-	-	-	-	-	-
26	Distribution - Maint. M & R Stat. Equip. - Ind.	2,072	-	-	-	-	-	-	-
27	Distribution - Maint. M & R Equip. - City Gate	850	-	-	-	-	-	-	-
28	Distribution - Maintenance of Services	465,066	-	-	-	-	-	-	-
29	Distribution - Maint. of Meters and Reg.	167,015	-	-	-	-	-	-	-
30	Distribution - Maintenance of Other Equip.	96,826	-	-	-	-	-	-	-
31	Customer Account - Supervision	74,309	-	-	-	-	-	-	-
32	Customer Account - Meter Reading	719,037	-	-	-	-	-	-	-
33	Customer Account - Records and Collection	5,462,173	-	(60,582)	-	(51,851)	(490,413)	-	-
34	Customer Account - Uncollectibles	722,634	-	-	-	-	-	-	-

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SURREBUTTAL
SUMMARY OF OPERATING INCOME ADJUSTMENT - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ. NO. 1 WORKERS COMP.	(C) ADJ. NO. 2 INCENTIVE COMP.	(D) ADJ. NO. 3 DEPRECIATION EXPENSE	(E) ADJ. NO. 4 POSTAGE EXPENSE	(F) ADJ. NO. 5 CUSTOMER SERVICE COSTS	(G) ADJ. NO. 6 UNNECESSARY EXPENSES	(H) ADJ. NO. 7 PROPERTY TAX
	Continued								
35	Customer Account - Miscellaneous	$ 34,381	$ -	$ -	$ -	$ -	$ -	$ -	$ -
36	Customer Account - Superv'n - Cust. Service	14,743	-	-	-	-	-	-	-
37	Customer Account - Assistance	(34,228)	-	-	-	-	-	-	-
38	Customer Account - Info and Instruct Advert.	65,794	-	-	-	-	-	-	-
39	Customer Account - Miscellaneous	22,602	-	-	-	-	-	-	-
40	Sales - Demonstrating and Selling	558	-	-	-	-	-	-	-
41	A & G - Salaries	1,529,696	-	(94,587)	-	-	(25,437)	-	-
42	A & G - Office Supplies and Expenses	1,365,974	-	-	-	-	(11,157)	(107,076)	-
43	A & G - Transferred - Credit	(152,817)	-	-	-	-	(133)	-	-
44	A & G - Outside Services Employed	2,696,531	-	-	-	-	(2,559)	(14,738)	-
45	A & G - Property Insurance	7,415	-	-	-	-	(1,329)	-	-
46	A & G - Injuries and Damages	574,128	(34,234)	-	-	-	(293)	-	-
47	A & G - Employee Pension and Benefits	2,452,071	-	-	-	-	(143,577)	(6,230)	-
48	A & G - Miscellaneous General Expenses	1,082,411	-	-	-	-	-	(76,494)	-
49	A & G - Rents	109,053	-	-	-	-	-	-	-
50	A & G - Maintenance of General Plant	169,826	-	-	-	-	-	-	-
51	A & G - Rate Case Expense	200,000	-	-	-	-	-	-	-
52	Interest On Customer Deposits	170,459	-	-	-	-	-	-	-
53	**Other Oper. and Maint. Expense**	$ 24,459,038	$ (34,234)	$ (257,895)	$ -	$ (51,851)	$ (674,898)	$ (233,347)	$ -
54	Dep. & Amort. - Citizens Acq. Discount	$ (729,791)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
55	Dep. & Amort. - Intangible Plant	929,602	-	-	(57,341)	-	-	-	-
56	Dep. & Amort. - Transmission Plant	285,187	-	-	(1,618)	-	-	-	-
57	Dep. & Amort. - Distribution Plant	5,631,142	-	-	(427,753)	-	-	-	-
58	Dep. & Amort. - General Plant	1,104,251	-	-	162,629	-	(23,373)	-	-
59	**Depreciation and Amortization**	$ 7,220,391	$ -	$ -	$ (324,083)	$ -	$ (23,373)	$ -	$ -
60	Property Tax	$ 4,103,375	$ -	$ -	$ -	$ -	$ (28,439)	$ -	$ (309,309)
61	Payroll Tax - FUTA, SUTA, FICA & Medicare	537,877	-	(20,853)	-	-	-	-	-
62	Medical and Dental	86,130	-	-	-	-	-	-	-
63	Other	2,711	-	-	-	-	-	-	-
64	**Taxes Other Than Income Taxes**	$ 4,730,093	$ -	$ (20,853)	$ -	$ -	$ (28,439)	$ -	$ (309,309)
65	**Income Taxes**	$ 1,975,497	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66	**Total Operating Expense**	$ 38,740,547	$ (34,234)	$ (278,748)	$ (324,083)	$ (51,851)	$ (726,710)	$ (233,347)	$ (309,309)
67	**Operating Income**	$ 8,428,981	$ 34,234	$ 278,748	$ 324,083	$ 51,851	$ 726,710	$ 233,347	$ 309,309

SURREBUTTAL
SUMMARY OF OPERATING INCOME ADJUSTMENT - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(I) ADJ. NO. 8 RATE CASE EXPENSE	(J) ADJ. NO. 9 AGA DUES	(K) ADJ. NO. 10 ATYPICAL EXPENSES	(L) ADJ. NO. 11 SERP	(M) ADJ. NO. 12 AMORTIZATION GIS O&M	(N) ADJ. NO. 13 FLEET FUEL EXPENSE	(O) ADJ. NO. 14 CUSTOMER ANNUALIZ'N	(P) ADJ. NO. 15 CUSTOMER WEATHERIZ'N
	Operating Revenue								
1	Net Sales to Ultimate Customers	$ -	$ -	$ -	$ -	$ -	$ -	$ 110,006	$ 900
2	Transportation of Gas	-	-	-	-	-	-	-	-
3	**Gas Retail Revenue**	$ -	$ -	$ -	$ -	$ -	$ -	$ 110,006	$ 900
4	Forfeited Discounts (Late Fees)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	Miscellaneous Service Revenues	-	-	-	-	-	-	-	-
6	Other Gas Revenues	-	-	-	-	-	-	-	-
7	**Other Operating Revenue**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	**Total Operating Revenue**	$ -	$ -	$ -	$ -	$ -	$ -	$ 110,006	$ 900
	Operating Expense								
9	**Purchased Gas**	$ -	$ -	$ -	$ -	$ -	$ (54)	$ -	$ -
10	Transmision - Mains Expense	$ -	$ -	$ -	$ -	$ -	$ (69)	$ -	$ -
11	Transmision - Meas. and Reg. Station	-	-	-	-	-	(1)	-	-
12	Transmision - Maint. Compressor Stat. Equip.	-	-	-	-	-	-	-	-
13	Transmision - Oper. Super'n and Eng.	-	-	-	-	-	(1,907)	-	-
14	Distribution - Load Dispatching	-	-	-	-	-	-	-	-
15	Distribution - Mains and Services	-	-	-	-	-	(5,801)	-	-
16	Distribution - Meas. and Reg. Station - Gen.	-	-	-	-	-	(1,095)	-	-
17	Distribution - Meas. and Reg. Station - Ind.	-	-	-	-	-	(834)	-	-
18	Distribution - Meas. and Reg. Station - City	-	-	-	-	-	(123)	-	-
19	Distribution - Meter and House Regulator	-	-	-	-	-	(6,218)	-	-
20	Distribution - Customer Installations	-	-	-	-	-	(2,502)	-	-
21	Distribution - Other Expenses	-	-	-	-	-	(1,956)	-	-
22	Distribution - Rents	-	-	-	-	-	-	-	-
23	Distribution - Maint. Superv'n & Eng.	-	-	-	-	-	(1,358)	-	-
24	Distribution - Maintenance of Mains	-	-	-	-	-	(3,330)	-	-
25	Distribution - Maint. M & R Stat. Equip. - Gen.	-	-	-	-	-	(19)	-	-
26	Distribution - Maint. M & R Stat. Equip. - Ind.	-	-	-	-	-	(1)	-	-
27	Distribution - Maint. M & R Equip. - City Gate	-	-	-	-	-	(1)	-	-
28	Distribution - Maintenance of Services	-	-	-	-	-	(2,229)	-	-
29	Distribution - Maint. of Meters and Reg.	-	-	-	-	-	(366)	-	-
30	Distribution - Maintenance of Other Equip.	-	-	-	-	-	(169)	-	-
31	Customer Account - Supervision	-	-	-	-	-	(415)	-	-
32	Customer Account - Meter Reading	-	-	-	-	-	(3,799)	-	-
33	Customer Account - Records and Collection	-	-	-	-	-	(7,985)	-	-
34	Customer Account - Uncollectibles	-	-	-	-	-	-	-	-

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SURREBUTTAL
SUMMARY OF OPERATING INCOME ADJUSTMENT - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(I) ADJ. NO. 8 RATE CASE EXPENSE	(J) ADJ. NO. 9 AGA DUES	(K) ADJ. NO. 10 ATYPICAL EXPENSES	(L) ADJ. NO. 11 SERP	(M) ADJ. NO. 12 AMORTIZATION GIS O&M	(N) ADJ. NO. 13 FLEET FUEL EXPENSE	(O) ADJ. NO. 14 CUSTOMER ANNUALIZ'N	(P) ADJ. NO. 15 CUSTOMER WEATHERIZ'N
	Continued								
35	Customer Account - Miscellaneous	$ -	$ -	$ -	$ -	$ -	$ (9)	$ -	$ -
36	Customer Account - Superv'n - Cust. Service	-	-	-	-	-	(66)	-	-
37	Customer Account - Assistance	-	-	-	-	-	(71)	-	-
38	Customer Account - Info and Instruct Advert.	-	-	-	-	-	(3)	-	-
39	Customer Account - Miscellaneous	-	-	-	-	-	-	-	-
40	Sales - Demonstrating and Selling	-	-	-	-	-	-	-	-
41	A & G - Salaries	-	-	-	-	-	-	-	-
42	A & G - Office Supplies and Expenses	-	-	(2,584)	-	-	(8,981)	-	-
43	A & G - Transferred - Credit	-	-	-	-	-	-	-	-
44	A & G - Outside Services Employed	-	-	-	-	-	-	-	-
45	A & G - Property Insurance	-	-	-	-	-	-	-	-
46	A & G - Injuries and Damages	-	-	-	-	-	(3)	-	-
47	A & G - Employee Pension and Benefits	-	-	-	(93,075)	-	-	-	-
48	A & G - Miscellaneous General Expenses	-	(1,523)	-	-	-	(65)	-	-
49	A & G - Rents	-	-	-	-	-	-	-	-
50	A & G - Maintenance of General Plant	-	-	-	-	-	(120)	-	-
51	A & G - Rate Case Expense	(116,333)	-	-	-	-	-	-	-
52	Interest On Customer Deposits	-	-	-	-	-	-	-	-
53	**Other Oper. and Maint. Expense**	$ (116,333)	$ (1,523)	$ (2,584)	$ (93,075)	$ -	$ (49,493)	$ -	$ -
54	Dep. & Amort. - Citizens Acq. Discount	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
55	Dep. & Amort. - Intangible Plant	-	-	-	-	-	-	-	-
56	Dep. & Amort. - Transmission Plant	-	-	-	-	(299,023)	-	-	-
57	Dep. & Amort. - Distribution Plant	-	-	-	-	-	-	-	-
58	Dep. & Amort. - General Plant	-	-	-	-	-	-	-	-
59	**Depreciation and Amortization**	$ -	$ -	$ -	$ -	$ (299,023)	$ -	$ -	$ -
60	Property Tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61	Payroll Tax - FUTA, SUTA, FICA & Medicare	-	-	-	-	-	-	-	-
62	Medical and Dental	-	-	-	-	-	-	-	-
63	Other	-	-	-	-	-	-	-	-
64	**Taxes Other Than Income Taxes**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65	**Income Taxes**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66	**Total Operating Expense**	$ (116,333)	$ (1,523)	$ (2,584)	$ (93,075)	$ (299,023)	$ (49,547)	$ -	$ -
67	**Operating Income**	$ 116,333	$ 1,523	$ 2,584	$ 93,075	$ 299,023	$ 49,547	$ 110,006	$ 900

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SURREBUTTAL
SUMMARY OF OPERATING INCOME ADJUSTMENT - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(Q) ADJ. NO. 16 CORP. COST ALLOCATION	(R) ADJ. NO. 17 UNCOLTIBLES	(S) ADJ. NO. 18 CWIP PROP. TAXES	(T) ADJ. NO. 19 OUT OF PERIOD EXPENSES	(U) ADJ. NO. 20	(V) ADJ. NO. 21	(W) ADJ. NO. 22 INCOME TAX REVISED	(X) RUCO AS ADJUSTED
	Operating Revenue								
1	Net Sales to Ultimate Customers	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 43,061,221
2	Transportation of Gas	-	-	-	-	-	-	-	2,738,909
3	**Gas Retail Revenue**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 45,800,130
4	Forfeited Discounts (Late Fees)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 398,966
5	Miscellaneous Service Revenues	-	-	-	-	-	-	-	1,046,891
6	Other Gas Revenues	-	-	-	-	-	-	-	34,447
7	**Other Operating Revenue**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,480,304
8	**Total Operating Revenue**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 47,280,434
9	**Purchased Gas**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 355,474
10	Transmision - Mains Expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,211
11	Transmision - Meas. and Reg. Station	-	-	-	-	-	-	-	(52,222)
12	Transmision - Maint. Compressor Stat. Equip.	-	-	-	-	-	-	-	19
13	Transmision - Oper. Super'n and Eng.	-	-	-	-	-	-	-	314,076
14	Distribution - Load Dispatching	-	-	-	-	-	-	-	162
15	Distribution - Mains and Services	-	-	-	-	-	-	-	1,287,812
16	Distribution - Meas. and Reg. Station - Gen.	-	-	-	-	-	-	-	243,368
17	Distribution - Meas. and Reg. Station - Ind.	-	-	-	-	-	-	-	149,702
18	Distribution - Meas. and Reg. Station - City	-	-	-	-	-	-	-	56,406
19	Distribution - Meter and House Regulator	-	-	-	-	-	-	-	1,308,654
20	Distribution - Customer Installations	-	-	-	-	-	-	-	536,580
21	Distribution - Other Expenses	-	-	-	-	-	-	-	1,061,493
22	Distribution - Rents	-	-	-	-	-	-	-	44,510
23	Distribution - Maint. Superv'n & Eng.	-	-	-	-	-	-	-	241,812
24	Distribution - Maintenance of Mains	-	-	-	-	-	-	-	1,054,524
25	Distribution - Maint. M & R Stat. Equip. - Gen.	-	-	-	-	-	-	-	25,604
26	Distribution - Maint. M & R Stat. Equip. - Ind.	-	-	-	-	-	-	-	2,071
27	Distribution - Maint. M & R Equip. - City Gate	-	-	-	-	-	-	-	849
28	Distribution - Maintenance of Services	-	-	-	-	-	-	-	462,837
29	Distribution - Maint. of Meters and Reg.	-	-	-	-	-	-	-	166,649
30	Distribution - Maintenance of Other Equip.	-	-	-	-	-	-	-	96,657
31	Customer Account - Supervision	-	-	-	-	-	-	-	73,894
32	Customer Account - Meter Reading	-	-	-	-	-	-	-	715,238
33	Customer Account - Records and Collection	-	-	-	-	-	-	-	4,851,342
34	Customer Account - Uncollectibles	-	(95,583)	-	-	-	-	-	627,051

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SURREBUTTAL
SUMMARY OF OPERATING INCOME ADJUSTMENT - CONT'D
TEST YEAR AS FILED AND ADJUSTED

LINE NO.	DESCRIPTION	(Q) ADJ. NO. 16 CORP. COST ALLOCATION	(R) ADJ. NO. 17 UNCOL'TIBLES	(S) ADJ. NO. 18 CWIP PROP. TAXES	(T) ADJ. NO. 19 OUT OF PERIOD EXPENSES	(U) ADJ. NO. 20 LEGAL EXPENSE	(V) ADJ. NO. 21	(W) ADJ. NO. 22 INCOME TAX	(X) RUCO AS ADJUSTED
	Continued								
35	Customer Account - Miscellaneous	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,372
36	Customer Account - Superv'n - Cust. Service	-	-	-	-	-	-	-	14,677
37	Customer Account - Assistance	-	-	-	-	-	-	-	(34,299)
38	Customer Account - Info and Instruct Advert.	-	-	-	-	-	-	-	65,791
39	Customer Account - Miscellaneous	-	-	-	-	-	-	-	22,602
40	Sales - Demonstrating and Selling	-	-	-	-	-	-	-	558
41	A & G - Salaries	-	-	-	-	-	-	-	1,409,672
42	A & G - Office Supplies and Expenses	-	-	-	-	-	-	-	1,236,177
43	A & G - Transferred - Credit	-	-	-	-	-	-	-	(152,950)
44	A & G - Outside Services Employed	-	-	-	-	(311,051)	-	-	2,368,183
45	A & G - Property Insurance	-	-	-	-	-	-	-	6,086
46	A & G - Injuries and Damages	-	-	-	-	-	-	-	539,598
47	A & G - Employee Pension and Benefits	-	-	-	-	-	-	-	2,209,189
48	A & G - Miscellaneous General Expenses	(12,765)	-	-	(21,120)	-	-	-	970,444
49	A & G - Rents	-	-	-	-	-	-	-	109,053
50	A & G - Maintenance of General Plant	-	-	-	-	-	-	-	169,706
51	A & G - Rate Case Expense	-	-	-	-	-	-	-	83,667
52	Interest On Customer Deposits	-	-	-	-	-	-	-	170,459
53	**Other Oper. and Maint. Expense**	$ (12,765)	$ (95,583)	$ -	$ (21,120)	$ (311,051)	$ -	$ -	$ 22,503,286
54	Dep. & Amort. - Citizens Acq. Discount	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (729,791)
55	Dep. & Amort. - Intangible Plant	-	-	-	-	-	-	-	872,261
56	Dep. & Amort. - Transmission Plant	-	-	-	-	-	-	-	(15,454)
57	Dep. & Amort. - Distribution Plant	-	-	-	-	-	-	-	5,203,389
58	Dep. & Amort. - General Plant	-	-	-	-	-	-	-	1,243,507
59	**Depreciation and Amortization**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,573,912
60	Property Tax	$ -	$ -	$ (166,884)	$ -	$ -	$ -	$ -	$ 3,598,743
61	Payroll Tax - FUTA, SUTA, FICA & Medicare	-	-	-	-	-	-	-	517,024
62	Medical and Dental	-	-	-	-	-	-	-	86,130
63	Other	-	-	-	-	-	-	-	2,711
64	**Taxes Other Than Income Taxes**	$ -	$ -	$ (166,884)	$ -	$ -	$ -	$ -	$ 4,204,608
65	**Income Taxes**	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,448,158	$ 3,423,655
66	**Total Operating Expense**	$ (12,765)	$ (95,583)	$ (166,884)	$ (21,120)	$ (311,051)	$ -	$ 1,448,158	$ 37,060,935
67	**Operating Income**	$ 12,765	$ 95,583	$ 166,884	$ 21,120	$ 311,051	$ -	$ (1,448,158)	$ 10,219,499

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SURREBUTTAL
OPERATING INCOME ADJUSTMENT NO. 4
NORMALIZATION OF POSTAGE EXPENSES

LINE NO.	DESCRIPTION	REFERENCE		(A) POSTAGE
	Postage Associated With Customer Records and Collections			
1	Actual Test-Year Costs	Company Workpapers	$	426,102
2	Actual Number Of Test-Year Customer Bills	Company Schedule H-2		1,632,576
3	Cost Per Customer Bill	Line 1 / Line 2	$	0.2610
4	RUCO Annualized Number Of Test-Year Customer Bills	RLM-15, Column (C)		1,669,426
5	RUCO Adjusted Postage Costs For Annualized Customer Base	Line 3 X Line 4	$	435,720
	Postage Associated With Office Expenses			
6	Actual Test-Year Costs	Company Workpapers	$	19,070
7	Total RUCO Adjusted Test-Year Postage Costs	Line 5 + Line 6	$	454,790
8	Postage Increase			5.00%
9	RUCO Total Adjusted Postage Cost	Line 7 + 5.00% Increase	$	477,530
10	Company As Filed	Company Workpapers	$	529,380
11	Difference	Line 7 - Line 8	$	(51,851)
12	RUCO Adjustment (See RLM-7, Pages 1 & 2, Column (E))	Line 9	$	(51,851)

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SURREBUTTAL
OPERATING INCOME ADJUSTMENT NO. 22
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Schedule RLM-6, Column (C), Line 10 + Line 8	$ 13,643,154
	LESS:		
2	Arizona State Tax	Line 11	(618,050)
3	Interest Expense	Note (A) Line 22	(4,773,323)
4	Federal Taxable Income	Sum Of Lines 1, 2 & 3	$ 8,251,781
5	Federal Tax Rate	Schedule RLM-2, Column (A), Line 9	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ 2,805,605
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 13,643,154
	LESS:		
8	Interest Expense	Note (A) Line 22	(4,773,323)
9	State Taxable Income	Line 7 + Line 8	$ 8,869,831
10	State Tax Rate	Tax Rate	6.9680%
11	State Income Tax Expense	Line 9 X Line 10	$ 618,050
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 2,805,605
13	State Income Tax Expense	Line 11	618,050
14	Total Income Tax Expense Per RUCO	Sum Of Lines 12 & 13	$ 3,423,655
15	Total Income Tax Expense Per Company Filing (Schedule C-1)		1,975,497
16	Difference	Line 14 - Line 15	$ 1,448,158
17	RUCO ADJUSTMENT TO INCOME TAX EXPENSE (See RLM 7, Page 6, Column (W))	Line 16	$ 1,448,158

NOTE (A):

LINE NO.	Interest Synchronization:	
18	Adjusted Rate Base (Schedule RLM-3, Column (H), Line 16)	$ 144,646,160
19	Weighted Cost Of Debt (Schedule RLM-16, Column (F), Line 1 + Line 2)	3.30%
20	Interest Expense (Line 20 X Line 21)	$ 4,773,323

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SURREBUTTAL
RATE DESIGN AND PROOF OF RUCO RECOMMENDED REQUIRED REVENUE

LINE NO.	(A) DESCRIPTION	(B) SCH. NO.	(C) RUCO ANNUALIZED/WEATHERIZED ADJUSTED BILL COUNT	(D) RUCO ANNUALIZED/WEATHERIZED SALES (THERMS)	(E) PROPOSED MARGIN RATES BASIC SERVICE CHARGE	(F) PROPOSED MARGIN RATES COM. CHARGE	(G) MARGIN AT PROPOSED RATES BASIC SERVICE CHARGE	(H) MARGIN AT PROPOSED RATES COMMODITY CHARGE	(I) TOTAL MARGIN	(J) FIXED ALLOCATION FACTORS	(K) VARIABLE ALLOCATION FACTORS	(L) RES/COM ALLOCATION FACTORS
	Residential Service	R-10										
1	Basic Service Charge per Month - Summer		973,181		$ 8.34		$ 8,113,648		$ 8,113,648	64.11%		
2	Basic Service Charge per Month - Winter		495,838		$ 8.34		$ 4,133,925		4,133,925	32.67%		
3	Commodity Charge All Therms		-	69,822,061		$ 0.29668		$ 20,714,528	20,714,528		97.17%	
4	Total Residential Service		1,469,020	69,822,061			$ 12,247,573	$ 20,714,528	$ 32,962,101			
	Residential Service Cares	R-12										
4	Basic Service Charge per Month - Summer		33,439		$ 8.34		$ 278,790		$ 278,790	2.20%		
5	Basic Service Charge per Month - Winter		15,476		$ 8.34		$ 129,027		129,027	1.02%		
6	Commodity Charge All Therms			2,036,847		$ 0.29668		$ 604,283	604,283		2.83%	
7	Total Residential Service Cares		48,915	2,036,847			$ 407,817	$ 604,283	$ 1,012,100			
8	SUB-TOTAL RESIDENTIAL		1,517,935	71,858,907			$ 12,655,390	$ 21,318,811	$ 33,974,201	100.00%	100.00%	70.00%
	Small Volume Commercial Service	C-20										
9	Basic Service Charge per Month		133,275		$ 34.46		$ 4,592,054		$ 4,592,054	84.67%		
10	Commodity Charge per Therm			29,392,577		$ 0.18619		$ 5,472,634	5,472,634		59.90%	
11	Total Small Volume Commercial Service		133,275	29,392,577			$ 4,592,054	$ 5,472,634	$ 10,064,689			
	Large Volume Commercial Service & Trans.	C-22										
12	Basic Service Charge per Month		225		$ 265.03		$ 59,570		$ 59,570	1.10%		
13	Commodity Charge per Therm			4,170,979		$ 0.11919		$ 497,148	497,148		5.44%	
14	Total Large Volume Commercial Service		225	4,170,979			$ 59,570	$ 497,148	$ 556,719			
	Small Volume Industrial Service	I-30										
15	Basic Service Charge		146		$ 34.46		$ 5,048		$ 5,048	0.09%		
16	Commodity Charge per Therm			474,830		$ 0.17508		$ 83,135	83,135		0.91%	
17	Total Small Volume Industrial Service		146	474,830			$ 5,048	$ 83,135	$ 88,182			
	Large Volume Industrial Service	I-32										
18	Basic Service Charge		238		$ 265.03		$ 63,158		$ 63,158	1.16%		
19	Commodity Charge per Therm			22,586,654		$ 0.06680		$ 1,508,698	1,508,698		16.51%	
20	Total Large Volume Industrial Service		238	22,586,654			$ 63,158	$ 1,508,698	$ 1,571,856			
	Small Volume Public Authority	PA-40										
21	Basic Service Charge per Month		12,795		$ 34.46		$ 440,860		$ 440,860	8.13%		
22	Commodity Charge per Therm			5,870,369		$ 0.18259		$ 1,071,854	1,071,854		11.73%	
23	Total Small Volume Public Authority		12,795	5,870,369			$ 440,860	$ 1,071,854	$ 1,512,714			
	Large Volume Public Authority	PA-42										
24	Basic Service Charge per Month		113		$ 265.03		$ 29,835		$ 29,835	0.55%		
25	Commodity Charge per Therm			5,906,070		$ 0.08220		$ 485,508	485,508		5.31%	
26	Total Larege Volume Public Authority		113	5,906,070			$ 29,835	$ 485,508	$ 515,344			
	Special Gas Light Service	PA-44										
27	Customer Charge Lighting Group A		866		$ 42.88		$ 37,157		$ 37,157	0.69%		
28	Customer Charge Lighting Group B		3,767		$ 51.45		$ 193,786		193,786	3.57%		
29	Total Special Gas Light Service		4,633				$ 230,943	$ -	$ 230,943			
	Irrigation Service	IR-60										
30	Basic Service Charge		66		$ 34.46		$ 2,269		$ 2,269	0.04%		
31	Commodity Charge per Therm			79,409		$ 0.22234		$ 17,656	17,656		0.19%	
32	Total Irrigation Service		66	79,409			$ 2,269	$ 17,656	$ 19,925	100.00% #	100.00%	30.00%
33											RES. TO TOTAL	RES. REVENUE
34	SUB-TOTAL COMMERCIAL		151,491	68,480,887			5,423,739	9,136,633	14,560,372		70.00%	$ 33,974,201
35												COM REVENUE
36	TOTAL TARIFF SALES		1,669,426	140,339,795			18,079,128	30,455,444	48,534,573		COM. TO TOTAL	$ 14,560,372
37											30.00%	RES FIX REV
38												$ 12,655,390
39								OTHER REVENUE	1,480,304			COM FIX REV
40								TOTAL REVENUE	50,014,877		FIXED TO TOTAL	$ 5,423,739
41											37.25%	RES VAR REV
42								RUCO PROPOSED REVENUE	$ 50,014,877			$ 21,318,811
43											VAR. TO TOTAL	COM VAR REV
44								DIFFERENCE	$ (0)		62.75%	$ 9,136,633

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SURREBUTTAL

TYPICAL RESIDENTIAL BILL ANALYSIS

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
		PRESENT		COMPANY AS FILED PROPOSED		RUCO REVISED SURREBUTTAL PROPOSED	
	REVENUE ALLOCATION						
1	RESIDENTIAL	$ 31,123,034	70.02%	$ 39,021,053	70.19%	$ 33,974,201	70.00%
2	OTHER	$ 13,323,588	29.98%	$ 16,573,116	29.81%	$ 14,560,372	30.00%
3	TOTAL	$ 44,446,622	100.00%	$ 55,594,169	100.00%	$ 48,534,573	100.00%
	ALLOCATION RATIOS						
4	FIX REVENUE	12,110,551	27.25%	$ 28,769,014	51.70%	$ 18,079,128	37.25%
5	VARIABLE REVENUE	32,336,071	72.75%	$ 26,879,714	48.30%	$ 30,455,444	62.75%
6	TOTAL	44,446,622	100.00%	$ 55,648,727	100.00%	$ 48,534,573	100.00%
	RESIDENTIAL RATE DESIGN	PRESENT		COMPANY PROPOSED		RUCO PROPOSED	
	BASIC MONTHLY CHARGE						
7	SUMMER	$ 7.00		MONTHS 8	$ 20.00	$ 8.34	
8	WINTER	$ 7.00		MONTHS 4	$ 11.00	$ 8.34	
9	COMMODITY CHARGE	$ 0.3004			$ 0.18625	0.2967	
	RESIDENTIAL BILL COMPARISONS						
	GAS CHARGE AT MARGIN + PGA COSTS AT DIFFERENT LEVELS OF USAGE WITH PERCENTAGE INCREASE IN BILL	AVERAGE PROPOSED PGA RATES	% OF AVERAGE MONTH USAGE OF 46.59 Therms	PRESENT MONTHLY GAS COST	RUCO PROP'D MONTHLY GAS COST	RUCO PROP'D MONTHLY INCREASE	RUCO PROP'D MONTHLY % INCREASE
10		$ 0.6467	25.00%	$ 18.03	$ 19.33	$ 1.29	7.18%
11			50.00%	$ 29.06	$ 30.31	$ 1.25	4.30%
12			100.00%	$ 51.13	$ 52.29	$ 1.16	2.28%
13			150.00%	$ 73.19	$ 74.27	$ 1.08	1.47%
14			200.00%	$ 95.25	$ 96.24	$ 0.99	1.04%

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SURREBUTTAL
COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED	(D) PERCENT	(E) COST RATE	(F) WEIGHTED COST RATE
1	Short-term Debt	N/A	$ -	$ -	0.00%	0.00%	0.00%
2	Long-term Debt	$ 98,859,000	$ -	$ 98,859,000	50.00%	6.60%	3.30%
3	Preferred Stock	N/A	$ -	$ -	0.00%	0.00%	0.00%
4	Common Equity	$ 98,859,000	$ -	$ 98,859,000	50.00%	9.84%	4.92%
5	TOTAL CAPITAL	$ 197,718,000	$ -	$ 197,718,000	100.00%		
6	WEIGHTED COST OF CAPITAL						8.22%

References:
- Column (A): Company Schedule D-1
- Column (B): Surrebuttal Testimony, WAR
- Column (C): Column (A) + Column (B)
- Column (D): Column (C), Line Item / Total Capital (L5)
- Column (E): Surrebuttal Testimony, WAR
- Column (F): Column (D) X Column (E)