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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER DISTRICT.	Docket No. W-01303A-07-0209

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 Timothy J. Coley in the above-referenced matter.

RESPECTFULLY SUBMITTED this 14th day of December 2007

Arizona Corporation Commission
DOCKETED
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Daniel W. Pozefsky
Attorney

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of December 2007 with:

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ARIZONA-AMERICAN WATER COMPANY, INC.

DOCKET NO. W-01303A-07-0209

SURREBUTTAL TESTIMONY

OF

MARYLEE DIAZ CORTEZ, CPA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

December 14, 2007

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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 on June 26, 2007.

Q. What is the purpose of your surrebuttal testimony?

A. In my surrebuttal testimony I will respond to the Company's rebuttal comments pertaining to RUCO's recommendations regarding Sun City's proposed Public Safety Surcharge. RUCO witness Timothy Coley will respond to the Company's revenue requirement and rate design rebuttal comments, and RUCO witness William Rigsby will respond to the Company's cost of capital rebuttal comments. I will address the Company's rebuttal comments in the order in which they appear in the Company's testimony.

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..
..

Fire Flow Public Opinion

Q. Please discuss the Company's rebuttal comments pertaining to public opinion of the proposed fire flow improvements.

A. The Company argues that RUCO does not know what the local public opinion is regarding this issue, and it is important that such opinion be considered "in light of the estimated costs of this discretionary project."[1]

Q. Is this true?

A. While RUCO had received very little public input at the time it filed its direct testimony, that has changed. The Sun City Taxpayers Association ("SCTA") has contacted RUCO on several occasions regarding the hundreds of calls their office has received opposing the proposed project and the resultant impact on their rates. At the SCTA's request, RUCO will be appearing at a public meeting in Sun City on December 20, 2007, to address the rate impacts of the Company's proposal and answer any ratepayer questions and concerns. Thus, at the hearing, RUCO will be prepared to fully address the public opinion issue.

Further, the Company presented its own public meetings on December 12, 2007, in Sun City and Youngtown, which RUCO attended. Some of the opinions expressed were that the Sun City residents did not want to subsidize what they perceived to be a Youngtown issue, and that property

[1] Rebuttal Testimony of Thomas M. Broderick, at page 7, line 24.

taxes were already too high as a result of fire protection. AZ-AM sent out a survey to its Sun City and Youngtown residents several months ago, requesting their opinion on paying increased rates for the proposed over-sizing of the water system. At the December 12, 2007 public meeting, the Company reported that it had counted 850 responses to the survey and that approximately half of the residents opposed any rate increase for over-sizing pipe for fire-flow.

Water Pressure and Main Replacements

Q. Please address the Company's rebuttal testimony regarding water pressure and main sizing.

A. In response to my direct testimony on these issues, the Company argues that its system is currently meeting pressure requirements and that only 10-inch mains or smaller are being proposed in the Sun City system.

Q. Please respond.

A. If true, this testimony then begs the question why the need for the proposed improvements if existing pressures are adequate? Or if 10-inch or smaller mains are adequate, why was Paradise Valley oversized to 12-inch mains? Further, as discussed in my direct testimony at page 7, some work has been done at relatively low cost that has already alleviated pressure problems in Youngtown. Specifically, certain unnecessary pressure reducing valves were removed at a cost of $10,000, improving flows in Youngtown."[2]

Automatic Rate Increases Under Proposed Surcharge

Q. Please address the Company's rebuttal comments concerning RUCO's opposition to the automatic rate increases under the proposed Public Safety Surcharges.

A. While the Company does acknowledge that it is requesting "a series of step-rate increases ... without the cost and effort of another rate case, it assures that all parties will be able to review the reasonableness of the fire-flow expenses."

Q. Does RUCO's opposition to the step increases hinge on its ability to review the reasonableness of the fire-flow expenses?

A. No. The Company has missed the point. RUCO opposes single-issue ratemaking that looks only at cost increases in one category of expenses and ignores changes in revenues, cost of capital, rate base and other expense categories. The fact that the parties will be able to "review the reasonableness of the fire-flow expenses" does nothing to mitigate the single-issue ratemaking concern, as well as the constitutional requirement to find Fair Value.

[2] Rebuttal Testimony of Thomas M. Broderick at page 9.

Q. How much would rates have to increase annually to fund the over-sizing of the Sun City Water system?

A. In its rebuttal testimony, the Company has provided a revised cost estimate of $4.9 million for the fire-flow project. Based on the Company's test year customer count of approximately 23,000 customers, each customer would have an annual increase in its water bill of $213. Moreover, this estimation only measures the impact of the proposed fire-flow surcharge and does not include the 30% increase in base rates requested in the current case.

Q. Do any of the Company's rebuttal comments change RUCO's opposition to the proposed fire-flow step rate increases?

A. No.

Q. Does that conclude your surrebuttal testimony.

A. Yes.

ARIZONA-AMERICAN WATER COMPANY, INC.

DOCKET NO. W-01303A-07-0209

SURREBUTTAL TESTIMONY

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

December 14, 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 Arizona-American Water Company Inc.'s ("Arizona-American" or "Company") rebuttal testimony on RUCO's recommended rate of return on invested capital (which includes RUCO's recommended capital structure, cost of debt and cost of common equity) for the Company's Sun City Water District ("Sun City District").

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

A. Yes, on October 15, 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 Arizona-American's application requesting a permanent rate increase ("Application") based on a test year ended December 29, 2006.

Q. How is your surrebuttal testimony organized?

A. My surrebuttal testimony contains five parts: the introduction that I have just presented; a summary of Arizona-American's rebuttal testimony; a section on capital structure; a section on the cost of debt; and, a section on the cost of equity capital.

SUMMARY OF ARIZONA-AMERICAN'S REBUTTAL TESTIMONY

Q. Have you reviewed Arizona-American's rebuttal testimony?

A. Yes. I have reviewed the rebuttal testimony, filed on November 30, 2007, of Company witnesses Thomas M. Broderick. In addition to testifying on the capital structure and cost of debt issues associated with the Company's rate case filing, Mr. Broderick has also assumed Mr. Joel M. Reiker's responsibility for testifying on cost of equity issues.

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

A. Mr. Broderick's rebuttal testimony presents a revised capital structure and a revised cost of debt. The Company has also adopted ACC Staff's 10.80 percent recommended cost of common equity over the 11.30 percent that was originally proposed by the Company's cost of equity witness, Mr. Joel M. Reiker. Mr. Broderick takes issue with my recommended 10.02 percent cost of common equity and with the capital structure recommendation of ACC Staff witness Steven P. Irvine.

...

Q. Briefly summarize the positions of the parties to the case regarding capital structure.

A. As stated in Mr. Broderick's rebuttal testimony, Arizona-American has revised the original Company-proposed capital structure, which was comprised of 57.60 percent debt and 42.40 percent equity, and is now proposing a capital structure of 58.62 percent debt and 41.38 percent equity. ACC Staff is recommending a capital structure comprised of 61.50 percent debt and 38.5 percent equity. RUCO has revised its original recommended capital structure comprised of 61.40 percent debt and 38.60 percent equity to reflect information that was contained in the Company's recent response to an ACC data request. RUCO is now recommending a capital structure comprised of 57.7 percent debt and 42.3 percent equity.

Q. What costs of debt are the parties to the case presently recommending?

A. The parties to the case are presently recommending the following costs of debt:

Arizona-American	5.50%
ACC Staff	5.50%
RUCO (revised)	5.50%

Q. What costs of common equity are the parties to the case presently recommending?

A. The parties to the case are presently recommending the following costs of common equity:

Arizona-American	10.80%
ACC Staff	10.80%
RUCO (revised)	9.89%

Q. What weighted costs of capital are the parties to the case recommending?

A. The parties to the case are presently recommending the following weighted costs of capital:

Arizona-American	7.69%
ACC Staff	7.60%
RUCO (revised)	7.36%

As can be seen above, there is presently a 33 basis point difference between the Company-proposed 7.69 percent weighted cost of capital and RUCO's recommended weighted cost of capital of 7.36 percent. RUCO and ACC Staff's recommended weighted costs of capital fall within 24 basis points of each other.

CAPITAL STRUCTURE

Q. Have you revised your recommended capital structure consisting of 61.40 percent debt and 38.60 percent equity?

A. Yes. As I stated earlier, I have revised my original capital structure and I am presently recommending a capital structure comprised of 57.7 percent debt and 42.3 percent equity.

Q. Why have you decided to revise your recommended capital structure?

A. The revised capital structure that I am now recommending reflects known and measurable changes to the Company's capital structure that were described in the Company's response to ACC Staff data request SPI 7.1 dated December 10, 2007 (Attachment D). RUCO's revised capital structure reflects a recent restructuring of Company debt through the issuance of new long-term promissory notes and an infusion of equity capital.[1]

Q. Has Arizona-American revised the original Company-proposed capital structure?

A. Yes. As I stated above, Arizona-American has revised the original Company-proposed capital structure, which was comprised of 57.60 percent debt and 42.40 percent equity. Mr. Broderick is proposing a

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[1] Authorized in Decision No. 68994, dated July 26, 2007 and Decision No. 69440, dated May 1, 2007

capital structure of 58.62 percent debt and 41.38 percent equity in his rebuttal testimony although it should be pointed out that this capital structure recommendation was made prior to the revisions that were contained in the Company's response to ACC Staff data request SPI 7.1, upon which I relied on to develop my revised capital structure.

Q. What are the differences between ACC Staff's recommended capital structure and the capital structures recommended by RUCO and the Company?

A. Mr. Irvine is recommending a capital structure comprised of 61.50 percent debt and 38.5 percent equity. The main difference between Mr. Irvine's recommended capital structure and the capital structures recommended by RUCO and the Company is his decision to include $25,391,823 in short-term debt (a point that Mr. Broderick takes issue with) of which $1,000,000 is zero-cost capital associated with Arizona-American's $3 million interconnection agreement with the City of Phoenix. Both RUCO and the Company are recommending that the total $3 million associated with the Phoenix Interconnection agreement be treated as zero-cost capital.

...

Q. What is RUCO's position on the inclusion of short-term debt in capital structures?

A. RUCO believes that the inclusion of short-term debt in a capital structure should be considered on a case-by-case basis and should take into consideration the purpose of the short-term debt. For instance, if the short-term debt represents a self-liquidating borrowing that will cease to exist at the end of the test year then it is probably best not to include it as permanent capital. On the other hand, if the short-term debt represents a bridge loan, used to finance permanent long-term assets and will be refinanced as part of permanent long-term debt, then it probably should be included in the Company's capital structure. This position is consistent with RUCO's recommendation in a pending case before the Commission that involves Arizona-American's request for a rate increase for the Company's Sun Cities (i.e Sun City and Sun City West) wastewater operations.[2]

Q. Are there any specific reasons why RUCO believes that short-term debt should not be included in the capital structure in this case?

A. Yes. During the aforementioned rate case proceeding on the Sun Cities wastewater operations, Mr. Broderick raised concerns on short-term debt as it related to the Company's plans to finance a Central Arizona Project

[2] Surrebuttal Testimony of RUCO witness William A. Rigsby, Docket No. WS-01303A-06-0491

("CAP") Treatment facility, known as the White Tanks Plant, through the use of hook-up fees[3]. During the White Tanks proceeding, I filed testimony in support of the Company's request to increase existing hook-up fees that are currently providing cost-free capital to finance the White Tanks Plant in the Company's Agua Fria District. The Commission eventually approved the Company's request to increase its existing hook-up fees.

Q. What was RUCO's view of the Company's argument regarding the inclusion of short-term debt as it related to the White Tanks CAP treatment facility?

A. During the Sun Cities wastewater proceeding, Mr. Broderick made some compelling points in his testimony on the issue. At first blush it would appear that any interim short-term debt issued by the Company to finance the White Tanks plant would fall into the bridge loan example that I provided earlier. However, in the specific case of the White Tanks Plant, the short-term debt would be paid off by the eventual collection of hook-up fees which will be treated as a source of cost-free capital (i.e. contributions-in-aid-of-construction). Because of this situation, I believe that any interim short-term debt that is directly associated with the White Tanks Plant should not be included in the Company's capital structure.

[3] Docket No. W-01303A-05-0718

Q. In this particular case is the recognition of short-term debt in the capital structure appropriate?

A. For the reasons stated above, I believe the inclusion of short-term debt in the capital structure is inappropriate in this case.

Q. What recommendations does RUCO have if the Commission were to adopt a capital structure that does not contain short-term debt?

A. As I recommended in the Sun Cities wastewater proceeding, a downward financial risk adjustment should be made to the cost of common equity if the Commission chooses to adopt a capital structure that has a higher level of common equity.

COST OF DEBT

Q. Have you made any changes to 5.37 percent cost of debt that you recommended in your direct testimony?

A. Yes. I have adopted the 5.50 percent cost of debt that is being recommended by both the Company and ACC Staff. This decision was based on the known and measurable changes that were contained in the Company's response to ACC data request SPI 7.1.

…

Q. Has Arizona-American revised the Company-proposed cost of debt?

A. Yes. In his rebuttal testimony, Mr. Broderick also revised the Company-proposed cost of debt from 5.56 percent to 5.50 percent based on the new debt issuances described earlier.

COST OF EQUITY CAPITAL

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

A. Yes. On Tuesday, December 11, 2007, the Federal Reserve decided to cut the federal funds rate by 25 basis points. As of this writing, the federal funds rate now stands at 4.25 percent.

Q. Have you made any changes to the 10.02 percent cost of common equity that you recommended in your direct testimony?

A. Yes. I have revised my original 10.02 percent cost of equity recommendation downward to 9.89 percent (Page 3 of Surrebuttal Schedule WAR-1). My revised cost of common equity figure of 9.89 percent contains my original 50 basis point financial risk adjustment and is based on current information that was contained in <u>The Value Line Investment Survey</u> ("Value Line") quarterly update on the Water Utility Industry dated October 26, 2007 (Attachment's A and B contain the Value Line Water and Natural Gas information used in developing my estimates). In addition, I have updated the four-week closing stock price data and the earnings estimates provided by Zacks Investment Research

(Attachment C) that I use in my discounted cash flow ("DCF") model analysis (Surrebuttal Schedules WAR-2 through Surrebuttal Schedule 6). With regard to my capital asset pricing model ("CAPM") analysis, I have updated the U.S. Treasury instrument yields that serve as a proxy for the risk free rate of return (Surrebuttal Schedule WAR-7, Pages 1 and 2). There have been no changes to the geometric and arithmetic means of the returns on the S&P 500 index, between 1926 and 2006, used in my CAPM analysis. This information was obtained from Morningstar's SBBI 2007 Yearbook.[4]

Q. Has Arizona-American made any changes to the Company-proposed 11.30 percent cost of equity capital?

A. Yes. As I noted earlier Mr. Broderick has accepted Mr. Irvine's recommended cost of equity of 10.80 percent.

Q. Do you agree with Mr. Broderick's position that your cost of common equity estimate is "incorrect" because you did not add your 50 basis point financial risk adjustment to the midpoint of your range of common equity estimates?

A. No I do not. There is nothing "incorrect" in the manner in which I derived my cost of equity estimate. Furthermore, Mr. Broderick's position is somewhat puzzling given the fact that my final cost of common equity

[4] Formerly published by Ibbotson Associates.

estimate was calculated in the exact same manner in which Mr. Irvine estimated his final cost of equity – the same cost of equity that Mr. Broderick has now adopted for Arizona-American. A comparison of page 3 of my Schedule WAR-1 with Mr. Irvin's Schedule SPI -2 will reveal that both Mr. Irvine and myself arrived at our final cost of equity estimates by adding our respective financial risk adjustments to a mean average (as opposed to a midpoint) of the mean averages of the estimates derived from both our DCF and CAPM results. Given these facts, my cost of equity estimate is no more incorrect than the cost of equity estimate that Mr. Broderick has proposed for the Company.

Q. Please address Mr. Broderick's position that you failed to quantify the upward 50 basis point adjustment that you made to your original DCF result of 8.60 percent.

A. The determination of the cost of capital, as Mr. Broderick contends, is not a simple mechanical calculation such as the Hamada method used by ACC Staff. The determination involves judgment and analysis of the specific circumstances of each individual case. I believe that my unchanged 50 basis point adjustment is more than reasonable given the fact that I have adopted a lower level of debt in my recommended capital structure (which provides a good argument for a lower financial risk adjustment). Furthermore, my CAPM estimates are perhaps generous from the standpoint that my average 3.29 percent yield on a 91-day T-bill rate, used as the risk-free rate of return, is actually somewhat higher than the yields of longer-term 3-year Treasury instruments even though an argument could be made that a longer-term 3-year Treasury yield would be more appropriate.

Q. Are there any other reasons why you believe that your 50 basis point adjustment is reasonable?

A. Yes. My CAPM analyses may also be producing estimates that are higher than what might be warranted based on recent studies that indicate that the actual equity risk premium (i.e. the difference between the expected total return on an equity index, such as the S&P 500, and the return on a riskless asset, such as the yield on a 91-day T-Bill) used in the CAPM model may be lower than the equity risk premiums published by Morningstar.

Q. So you believe that the factors that you have just described make up for any shortfall that your 50 basis point adjustment doesn't take into account?

A. Yes. I believe that each of the factors noted above have contributed to a higher weighted cost of common equity than what might actually be warranted, which will compensate the Company's investors for any perceived additional financial risk.

Q. Do you believe that Southwest Water Company ("SWWC") should have been excluded from your sample as Mr. Irvine has advocated?

A. No I do not. SWWC's unregulated revenues and earnings are derived from activities that are closely related to the provision of regulated water and wastewater services (i.e. equipment maintenance and repair, sewer pipeline cleaning, billing and collection services, and state-certified water and wastewater laboratory analysis on a contract basis) as opposed to highly speculative activities that are totally unrelated to the water and wastewater industry. For these reasons I saw no need to exclude SWWC from my sample. In addition, I have also averaged the results of my natural gas company proxy, which are somewhat higher than those for my water company sample to arrive at my final cost of equity recommendation. I have done that in this case even though I believe that Arizona-American, which is engaged in the provision of water and wastewater services, has more in common with the companies in my water sample than it does in the companies in my natural gas sample.

Q. Are there any other reasons why you believe SWWC should not be excluded from your sample?

A. Yes. SWWC, and for that matter each of the other utilities included in my sample, are engaged in unregulated activities to some degree. Because it is difficult to obtain a sample comprised only of "pure play" utilities, the market-to-book ratio calculation that I have employed in my DCF model helps to eliminate the impact that those unregulated operating segments would have on the market-to-book ratio of the utilities included in my sample.

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

A. No, it does not.

Q. Does this conclude your surrebuttal testimony on Arizona-American?

A. Yes, it does.

ATTACHMENT A

Water utility stocks, for the most part, have enjoyed success in the past few months. Indeed, some of the issues covered in our *Survey* have appreciated handsomely since our July report, boosted by strong earnings gains. West Coast providers, such as *American States Water* and *California Water Services*, fared somewhat better than those operating elsewhere, thanks largely to more favorable weather conditions.

Earnings comparisons will likely remain healthy for most of the industry going forward, thanks to an improving regulatory environment and expansion into previously untapped markets, namely military bases. Rampant acquisition activity ought to add another leg of growth to many of the larger players in this space, too.

Nevertheless, the industry is not too appealing an investment option at this time. Despite the aforementioned share-price strength, none of the stocks is ranked favorably for Timeliness or for 3- to 5-year appreciation potential. In fact, we suspect that many have gotten ahead of themselves, due to the capital constraints that most will face over the next few years. And the once alluring dividend yield has fallen off a bit, too.

A More Fluent Regulatory Process

Although one would think that water usage levels would not vary much, in truth, they can vary greatly. This because water utility companies are highly dependent on weather conditions, as evidenced by the typical spike in demand during the summer months. However, Mother Nature does not always cooperate and heavy rainfall can take a toll on companies' bottom lines. To help alleviate these circumstances, as well as maintain a balance of power between utility providers and consumers, state regulatory boards have been put in place. And although these authorities have historically sided with consumers, the landscape has shifted a bit in recent years. The California Public Utilities Commission (CPUC), the Golden State's regulatory body, is the best example of this, doing a complete 180 degree turn since governor Schwartzenegger's appointment. Rulings are being returned more quickly and generally more favorably.

But there may be even better days ahead. The CPUC is contemplating whether or not to authorize some of the proposals included in the Water Action Plan that was adopted a few years back. We suspect that it is leaning towards doing so and that the amendments may go into effect by as early as the end of the year. This is an important development because it would reduce earnings volatility by enacting a weather normalization clause and further reduce any potential regulatory lag.

INDUSTRY TIMELINESS: 75 (of 99)

Rising Expenses

Costs have ballooned considerably in recent years and are expected to remain high, as infrastructures grow older and require additional repairs and in many cases, replacement. And the Environmental Protection Agency is upping its regulations, given the heightened threat of bioterrorism. In all, we estimate that infrastructure expenses will require hundreds of millions of dollars of investment over the next few decades. Unfortunately, most utilities do not have the resources on hand to fund these improvements. In fact, not one of the companies in this *Survey* has more than $15 million on hand. The situation will likely force many to consider outside financing in order to keep up with the more stringent requirements. However it also has broadened the opportunity for those with the resources to improve their growth potential. *Aqua America* is a prime example, making dozens of acquisitions in recent years to increase its customer base.

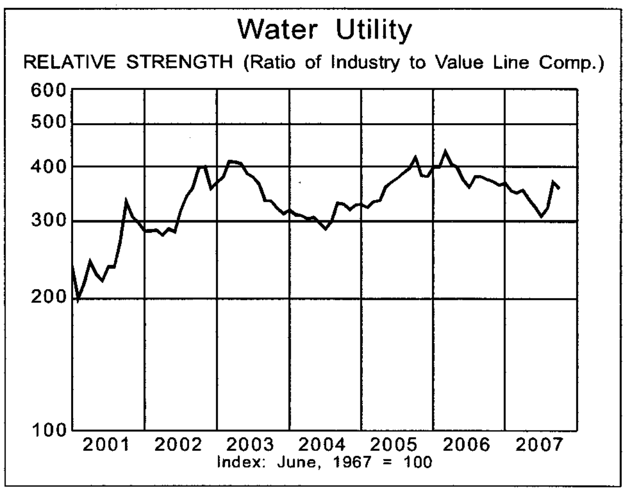
Investment Advice

We advise most investors to look elsewhere for performance. A perennial laggard in terms of Timeliness, the industry, as a whole, continues to rank near the bottom of the *Value Line* Industry groups. Its long-term appeal is also poor, as the additional share and/or debt issuances that we suspect are necessary to meet the capital requirements mentioned above will likely dilute most of the potential benefits that regulatory changes would result in. Although the industry's income component used to be a safe haven for income-oriented investors, the payout ratios, in many cases, have tailed off, too. Having said that, we recommend that potential investors carefully review the individual reports before making any financial commitments.

Andre J. Costanza

Composite Statistics: Water Utility Industry

2003	2004	2005	2006	2007	2008		10-12
1030	1173.6	1256.9	1361.0	***1500***	***1600***	Revenues ($mill)	***1975***
105.9	127.1	148.3	150.0	***180***	***205***	Net Profit ($mill)	***265***
39.7%	39.1%	40.5%	39.1%	***40.0%***	***40.0%***	Income Tax Rate	***40.0%***
1.9%	1.0%	1.1%	3.7%	***2.0%***	***2.0%***	AFUDC % to Net Profit	***2.5%***
51.0%	49.1%	50.4%	48.8%	***50.0%***	***50.0%***	Long-Term Debt Ratio	***50.0%***
48.8%	50.7%	49.5%	51.0%	***50.0%***	***50.0%***	Common Equity Ratio	***50.0%***
2296.4	2543.6	3057.5	3421.3	***3625***	***3900***	Total Capital ($mill)	***4900***
3186.1	3532.5	4194.7	4587.7	***4925***	***5225***	Net Plant ($mill)	***6400***
5.9%	6.0%	6.3%	5.9%	***6.5%***	***6.5%***	Return on Total Cap'l	***6.5%***
8.8%	9.0%	9.8%	8.6%	***10.0%***	***11.0%***	Return on Shr. Equity	***11.0%***
8.8%	9.0%	9.8%	8.6%	***10.0%***	***11.0%***	Return on Com Equity	***11.0%***
2.7%	3.1%	3.7%	2.8%	***3.5%***	***4.0%***	Retained to Com Eq	***3.5%***
70%	66%	62%	67%	***60%***	***55%***	All Div'ds to Net Prof	***55%***
25.6	25.4	29.4	33.3	***Bold figures are Value Line estimates***		Avg Ann'l P/E Ratio	***18.0***
1.46	1.34	1.57	1.80			Relative P/E Ratio	***1.20***
6.7%	2.6%	2.1%	2.0%			Avg Ann'l Div'd Yield	***2.0%***



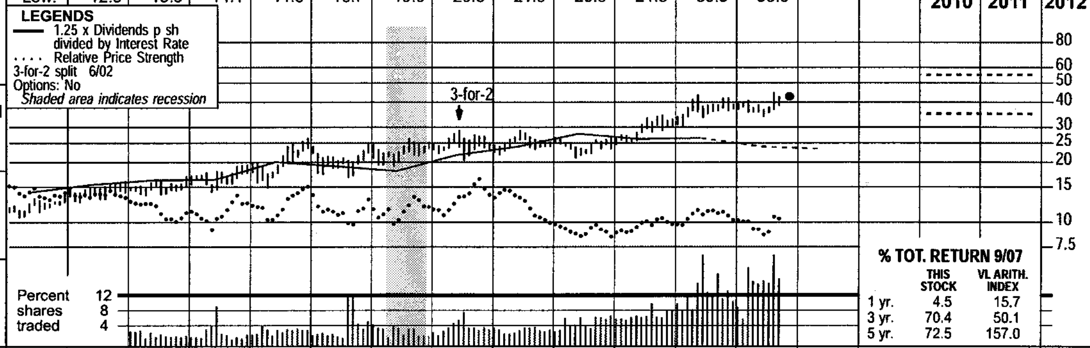
AMER. STATES WATER NYSE-AWR

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
42.76	25.0 (Trailing: 31.7 Median: 18.0)	1.36	2.2%	VALUE LINE

TIMELINESS **3** Raised 8/17/07
SAFETY **3** New 2/4/00
TECHNICAL **3** Raised 9/7/07
BETA .90 (1.00 = Market)

High:	16.1	17.1	19.5	26.5	25.3	26.4	29.0	29.0	26.8	34.6	43.8	44.8
Low:	12.5	13.5	14.1	14.8	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+30%)	9%
Low	35	(-20%)	-2%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	0	0	0	2	1	0	2
to Sell	0	0	0	0	0	2	1	0	2

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	59	57	65
to Sell	39	47	44
Hld's(000)	8944	9282	9778

% TOT. RETURN 9/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	4.5	15.7
3 yr.	70.4	50.1
5 yr.	72.5	157.0

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
9.15	10.10	9.27	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.75	*17.45*	*17.80*	Revenues per sh	*19.50*
1.78	1.81	1.67	1.68	1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.90	*3.30*	*3.65*	"Cash Flow" per sh	*3.65*
1.19	1.15	1.11	.95	1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	*1.65*	*1.80*	Earnings per sh A	*2.15*
.73	.77	.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	*.94*	*.97*	Div'd Decl'd per sh B■	*1.12*
2.77	2.31	1.90	2.43	2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	*3.20*	*3.25*	Cap'l Spending per sh	*3.50*
8.39	8.85	9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	*17.15*	*17.80*	Book Value per sh	*20.25*
9.91	9.96	11.71	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	*17.50*	*18.00*	Common Shs Outst'g C	*20.50*
8.8	10.6	13.4	12.8	11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*21.0*
.56	.64	.79	.84	.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.47	*estimates*		Relative P/E Ratio	*1.40*
7.0%	6.3%	5.3%	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.4%			Avg Ann'l Div'd Yield	*2.5%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $296.7 mill. **Due in 5 Yrs** $20.0 mill.
LT Debt $267.6 mill. **LT Interest** $24.0 mill.
(LT interest earned: 3.3x: total interest coverage: 3.1x) (48% of Cap'l)

Leases, Uncapitalized: None
Pension Assets-12/06 $64.3 mill.
Oblig. $86.1 mill.
Pfd Stock None. **Pfd Div'd** None.

Common Stock 17,113,878 shs.
MARKET CAP: $725 million (Small Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
153.8	148.1	173.4	184.0	197.5	209.2	212.7	228.0	236.2	268.6	*305*	*320*	Revenues ($mill)	*400*
14.1	14.6	16.1	18.0	20.4	20.3	11.9	16.5	22.5	23.1	*30.0*	*34.0*	Net Profit ($mill)	*45.0*
41.1%	40.9%	46.0%	45.7%	43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	*41.0%*	*41.0%*	Income Tax Rate	*42.0%*
--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	AFUDC % to Net Profit	*Nil*
43.0%	43.6%	51.0%	47.5%	54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	*47.5%*	*48.0%*	Long-Term Debt Ratio	*50.0%*
56.3%	55.7%	48.4%	51.9%	44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	*52.5%*	*52.0%*	Common Equity Ratio	*50.0%*
268.4	277.1	328.2	371.1	447.6	444.4	442.3	480.4	532.5	551.6	*585*	*615*	Total Capital ($mill)	*830*
383.6	414.8	449.6	509.1	539.8	563.3	602.3	664.2	713.2	750.6	*780*	*805*	Net Plant ($mill)	*915*
6.9%	7.0%	6.6%	6.4%	6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	*7.0%*	*7.5%*	Return on Total Cap'l	*7.0%*
9.2%	9.4%	10.0%	9.2%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	*10.0%*	*10.5%*	Return on Shr. Equity	*11.5%*
9.2%	9.4%	10.1%	9.3%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	*10.0%*	*10.5%*	Return on Com Equity	*11.5%*
1.8%	2.1%	2.9%	3.0%	3.6%	3.3%	NMF	1.0%	2.8%	2.7%	*4.5%*	*5.0%*	Retained to Com Eq	*5.5%*
80%	78%	72%	68%	65%	65%	113%	84%	67%	67%	*55%*	*51%*	All Div'ds to Net Prof	*51%*

CURRENT POSITION ($MILL.)

	2005	2006	6/30/07
Cash Assets	13.0	3.2	5.3
Receivables	13.3	14.8	15.7
Inventory (Avg Cst)	1.4	1.6	1.7
Other	41.2	44.8	47.5
Current Assets	68.9	64.4	70.2
Accts Payable	19.7	24.0	25.0
Debt Due	27.6	32.6	29.1
Other	30.3	29.3	29.8
Current Liab.	77.6	85.9	83.9
Fix. Chg. Cov.	413%	268%	*330%*

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	3.0%	2.5%	*4.0%*
"Cash Flow"	4.0%	2.0%	*6.0%*
Earnings	1.5%	-0.5%	*9.5%*
Dividends	1.0%	1.0%	*3.5%*
Book Value	4.0%	4.5%	*6.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	46.7	59.3	69.0	53.0	228.0
2005	49.8	60.5	68.1	57.8	236.2
2006	64.3	63.0	75.0	66.3	268.6
2007	72.3	79.2	*82.5*	*71.0*	*305*
2008	*77.0*	*82.0*	*86.0*	*75.0*	*320*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	.08	.30	.52	.15	1.05
2005	.22	.34	.47	.29	1.32
2006	.35	.36	.32	.30	1.33
2007	.31	.42	*.54*	*.38*	*1.65*
2008	*.37*	*.45*	*.57*	*.41*	*1.80*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.221	.221	.221	.221	.88
2004	.221	.221	.221	.225	.89
2005	.225	.225	.225	.225	.90
2006	.225	.225	.225	.235	.91
2007	.235	.235	.235		

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00). Has roughly 555 employees. Officers & directors own 3.1% of common stock (4/07 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Incorporated: CA. Addr.: 630 East Foothill Boulevard, San Dimas, CA 91773. Tele.: 909-394-3600. Web: www.aswater.com.

American States Water benefited from favorable weather in the second quarter. Indeed, warm and dry conditions, particularly in California, where the water utility does most of its business, resulted in higher usage rates and 26% higher revenues. As a result, the company posted 17% share-net improvement.

A better regulatory environment will likely be the catalyst heading forward, though. All utilities are dependent on government administrators and their rulings, and American is no different. Although the California Public Utilities Commission (CPUC), the Golden State's advisory board, has been far more constructive since Governor Schwarzenegger took over in late 2003, we think that things may get even better. The CPUC is currently considering authorizing some of the proposals included in the Water Action Plan of 2005, which would streamline the decision-making process and perhaps even effecting a weather normalization clause. We currently look for earnings growth of 24% this year and 9% in 2008.

Still, the company has been aggressively looking to increase its exposure to the non regulated sector. Despite the potential improvements mentioned above, American is still at the mercy of regulatory authorities. As a result, it has been targeting military bases as a way to limit its dependence on state regulators. And it is having some success. American has inked two significant deals with military bases since our last report. The first is a 50-year deal, totaling $143 million, to operate and maintain the water and wastewater systems at Fort Jackson, South Carolina. The second is a 50-year agreement to do the same at Fort Bragg, North Carolina. The latter deal is worth $575 million and will include periodic price redetermination adjustments and modifications for changes in circumstances. We view the foray into military bases as a good move.

Nevertheless, the stock lacks investment appeal. The share price has appreciated 19% since our July review and factors in the bulk of the gains we expect out to late decade. Income-minded investors have better options, also, given the capital constraints we suspect the company faces.

Andre J. Costanza *October 26, 2007*

(A) Primary earnings. Excludes nonrecurring gains: '91, 73¢; '92, 13¢; '04, 14¢; '05, 25¢; '06, 6¢. Next earnings report due early November.

(B) Dividends historically paid in early March, June, September, December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for splits.

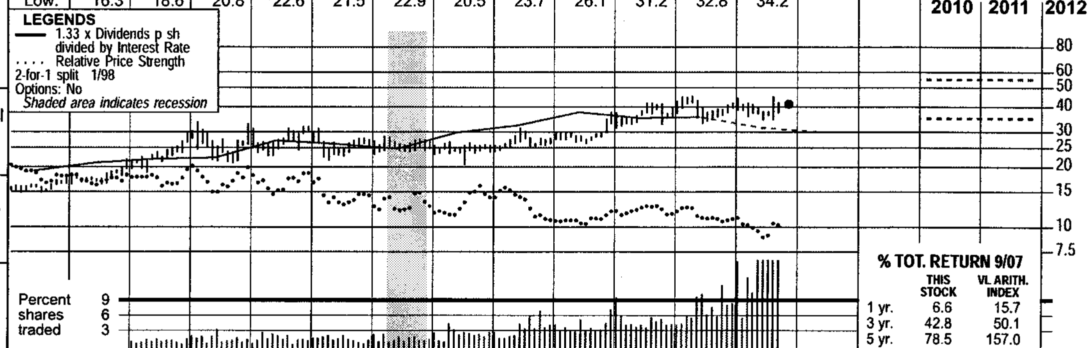
Company's Financial Strength	B++
Stock's Price Stability	75
Price Growth Persistence	75
Earnings Predictability	60

CALIFORNIA WATER NYSE-CWT

RECENT PRICE	41.41	P/E RATIO	26.2 (Trailing: 29.0; Median: 20.0)	RELATIVE P/E RATIO	1.42	DIV'D YLD	2.8%	VALUE LINE

TIMELINESS **3** Raised 10/26/07
SAFETY **3** Lowered 7/27/07
TECHNICAL **3** Raised 8/17/07
BETA .95 (1.00 = Market)

High:	21.9	29.6	33.8	32.0	31.4	28.6	26.9	31.4	37.9	42.1	45.8	45.4
Low:	16.3	18.6	20.8	22.6	21.5	22.9	20.5	23.7	26.1	31.2	32.8	34.2



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+35%)	10%
Low	35	(-15%)	-1%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	65	51	54
to Sell	26	39	43
Hld's(000)	8338	8626	9544

% TOT. RETURN 9/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	6.6	15.7
3 yr.	42.8	50.1
5 yr.	78.5	157.0

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
11.18	12.29	13.34	12.59	13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	***17.60***	***18.60***	Revenues per sh	***21.30***
1.98	1.92	2.25	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	***3.20***	***3.45***	"Cash Flow" per sh	***3.90***
1.21	1.09	1.35	1.22	1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	***1.55***	***1.75***	Earnings per sh A	***2.15***
.90	.93	.96	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	***1.16***	***1.17***	Div'd Decl'd per sh B ■	***1.20***
3.03	3.09	2.53	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	5.14	5.05	***4.35***	***4.50***	Cap'l Spending per sh	***4.35***
10.35	10.51	10.90	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	***19.05***	***19.55***	Book Value per sh C	***21.30***
11.38	11.38	11.38	12.49	12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	***21.00***	***21.50***	Common Shs Outst'g D	***23.00***
11.2	14.1	13.6	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	*Bold figures are*		Avg Ann'l P/E Ratio	***21.0***
.72	.86	.80	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	*Value Line*		Relative P/E Ratio	***1.40***
6.6%	6.1%	5.2%	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	*estimates*		Avg Ann'l Div'd Yield	***2.7%***

CAPITAL STRUCTURE as of 6/30/07
Total Debt $293.1 mill. **Due in 5 Yrs** $12.0 mill.
LT Debt $291.3 mill. **LT Interest** $21.0 mill.

(LT interest earned: 3.7x; total int. cov.: 3.6x)

Pension Assets-12/06 $78.4 mill.
Oblig. $109.1 mill.
Pfd Stock $3.5 mill. **Pfd Div'd** $.15 mill.
139,000 shares, 4.4% cumulative ($25 par).

Common Stock 20,666,469 shs.
as of 8/1/07
MARKET CAP: $850 million (Small Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
195.3	186.3	206.4	244.8	246.8	263.2	277.1	315.6	320.7	334.7	***370***	***395***	Revenues ($mill)	***490***
23.3	18.4	19.9	20.0	14.4	19.1	19.4	26.0	27.2	25.6	***33.0***	***38.0***	Net Profit ($mill)	***50.0***
37.4%	36.4%	37.9%	42.3%	39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	***41.0%***	***41.0%***	Income Tax Rate	***41.0%***
--	--	--	--	--	--	10.3%	3.2%	3.3%	10.6%	***Nil***	***Nil***	AFUDC % to Net Profit	***Nil***
45.4%	44.2%	46.9%	48.9%	50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	***44.5%***	***46.5%***	Long-Term Debt Ratio	***48.5%***
53.5%	54.7%	52.0%	50.2%	48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	***55.0%***	***53.0%***	Common Equity Ratio	***51.0%***
306.7	308.6	333.8	388.8	402.7	453.1	498.4	565.9	568.1	670.1	***730***	***790***	Total Capital ($mill)	***965***
460.4	478.3	515.4	582.0	624.3	697.0	759.5	800.3	862.7	941.5	***1000***	***1060***	Net Plant ($mill)	***1240***
9.4%	7.8%	7.8%	6.8%	5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	***6.0%***	***6.0%***	Return on Total Cap'l	***7.0%***
13.9%	10.7%	11.2%	10.0%	7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	***8.5%***	***9.0%***	Return on Shr. Equity	***10.0%***
14.1%	10.8%	11.4%	10.1%	7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	***8.5%***	***9.0%***	Return on Com Equity	***10.0%***
6.0%	2.8%	3.5%	1.8%	NMF	1.0%	.7%	2.1%	2.1%	1.0%	***2.0%***	***3.5%***	Retained to Com Eq	***4.5%***
58%	74%	70%	82%	119%	90%	91%	77%	78%	86%	***74%***	***66%***	All Div'ds to Net Prof	***55%***

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	9.5	60.3	29.8
Other	42.7	49.3	50.3
Current Assets	52.2	109.6	80.1
Accts Payable	36.1	33.1	38.0
Debt Due	1.1	1.8	1.8
Other	39.6	35.3	32.5
Current Liab.	76.8	70.2	72.3
Fix. Chg. Cov.	361%	*317%*	*380%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	2.5%	1.0%	*4.0%*
"Cash Flow"	2.5%	3.0%	*5.5%*
Earnings	1.0%	2.5%	*7.0%*
Dividends	1.0%	.5%	*1.0%*
Book Value	3.5%	5.0%	*4.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	60.2	88.9	97.1	69.4	315.6
2005	60.3	81.5	101.1	77.8	320.7
2006	65.2	81.1	107.8	80.6	334.7
2007	71.6	95.8	***117.6***	***85.0***	***370***
2008	***76.0***	***101***	***126***	***92.0***	***395***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.08	.59	.59	.20	1.46
2005	.03	.41	.71	.32	1.47
2006	.04	.31	.68	.31	1.34
2007	.07	.37	***.76***	***.35***	***1.55***
2008	***.10***	***.45***	***.82***	***.38***	***1.75***

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.281	.281	.281	.281	1.12
2004	.283	.283	.283	.283	1.13
2005	.285	.285	.285	.285	1.14
2006	.2875	.2875	.2875	.2875	1.15
2007	.290	.290	.290		

BUSINESS: California Water Service Group provides regulated and nonregulated water service to over 2 million people (483,900 customers) in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired National Utility Company (5/04); Rio Grande Corp. (11/00). Revenue breakdown, '06: residential, 70%; business, 18%; public authorities, 5%; industrial, 5%; other, 2%. '06 reported deprec. rate: 3.3%. Has roughly 870 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson. Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwater.com.

California Water Service Group is doing well. The water utility provider reported earnings of $0.37 a share in the second quarter, 19% better than last year. Revenues increased 18%, to $96 million thanks to favorable weather conditions and higher usage rates. Earnings comparisons would have been even better if not for higher water production and maintenance costs.

Possible changes to the regulatory process augur well for the company going forward. California Water files general rate cases to recover nonoperational costs for eight districts every year, making it dependent on the California Public Utilities Commission (CPUC), which is in charge of keeping a balance between consumers and utility companies operating in the Golden State. However, the board has ruled that the company can now file one GRC for the entire company every three years beginning in 2009, which should help to reduce potential regulatory lag. Authorization of other parts of the Water Action Plan would further streamline the filing process and possibly even reduce earnings volatility by invoking a weather normalization clause. That said, we currently look for earnings growth of 15%-plus this year.

Capital requirements pose a problem, though. Infrastructure costs have climbed considerably since the start of the decade and are likely to remain high for the foreseeable future, given the infrastructure repairs and more stringent EPA requirements that have arose. However, California is in no shape to meet these challenges on its own, with less than $30 million in cash on the balance sheet at the end of the most recent quarter. As such, CWT will probably have to issue more shares and/or debt in order to foot the bill. We look for increased interest expense and a higher share count to slow earnings growth a bit in 2008.

Investors have better options elsewhere. California shares have appreciated 13% since our July report and are now trading well within our 2010-2012 Target Price Range. Meanwhile, the increase in share price, coupled with the capital constraints we envision, limit this issue's dividend yield.

Andre J. Costanza *October 26, 2007*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; 02, 8¢. Next earnings report due early November.
(B) Dividends historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '06: $69.5 mill., $3.36/sh.
(D) In millions, adjusted for split.

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

SOUTHWEST WATER NDQ-SWWC

RECENT PRICE **12.64** | P/E RATIO **29.4** (Trailing: 30.8; Median: 21.0) | RELATIVE P/E RATIO **1.60** | DIV'D YLD **2.1%** | VALUE LINE

TIMELINESS 3 Raised 8/31/07
SAFETY 3 New 10/28/05
TECHNICAL 4 Lowered 10/26/07
BETA .90 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	3.7	5.0	5.6	9.2	8.3	10.2	12.4	11.2	14.3	15.2	19.1	16.4
Low:	2.0	2.6	3.5	3.6	5.1	6.9	7.6	8.1	10.3	9.0	10.8	12.1

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	18	(+40%)	10%
Low	12	(-5%)	1%

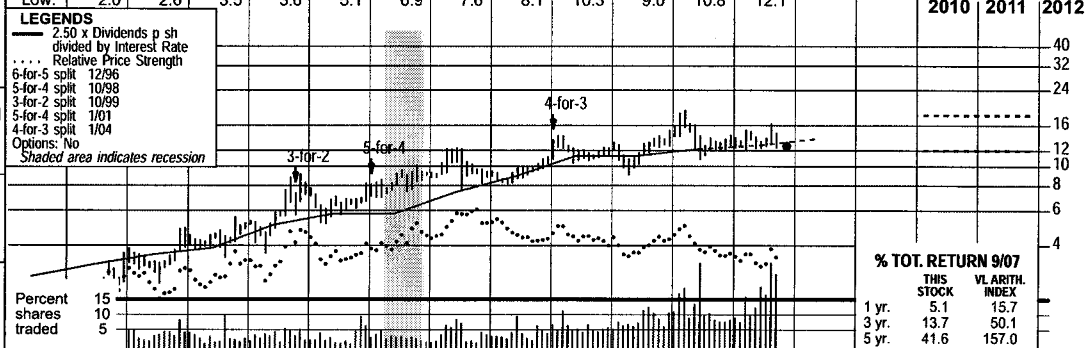
Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	1	0	1	0	0	0
Options	0	0	1	2	1	2	0	0	1
to Sell	1	1	1	1	1	2	1	1	2

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	40	34	33
to Sell	16	26	29
Hld's(000)	10780	11936	12590

LEGENDS
— 2.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
6-for-5 split 12/96
5-for-4 split 10/98
3-for-2 split 10/99
5-for-4 split 1/01
4-for-3 split 1/04
Options: No
Shaded area indicates recession



% TOT. RETURN 9/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	5.1	15.7
3 yr.	13.7	50.1
5 yr.	41.6	157.0

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
3.34	3.77	4.03	4.20	4.84	5.31	5.61	5.63	6.16	7.49	8.15	9.12	10.70	9.23	9.10	9.42	*8.80*	*9.40*	Revenues per sh	*11.00*
.28	.44	.38	.38	.44	.46	.53	.59	.65	.76	.87	.86	.91	.67	.78	.85	*.95*	*1.10*	"Cash Flow" per sh	*1.40*
.02	.19	.08	.09	.12	.15	.21	.25	.31	.38	.42	.39	.44	.23	.34	.40	*.40*	*.50*	Earnings per sh A	*.70*
.18	.18	.14	.08	.08	.09	.09	.10	.11	.13	.14	.15	.16	.18	.20	.21	*.24*	*.26*	Div'd Decl'd per sh B	*.34*
.39	.42	.60	.72	.84	.95	.74	.79	.53	.55	1.06	1.78	1.14	1.26	1.66	1.87	*1.90*	*1.95*	Cap'l Spending per sh	*2.05*
2.41	2.42	2.31	2.31	2.45	2.40	2.52	2.70	3.05	3.44	3.84	4.27	4.90	6.17	6.49	6.98	*7.60*	*8.45*	Book Value per sh D	*10.50*
11.60	11.80	11.97	12.13	11.74	12.45	12.65	12.83	13.12	13.99	14.17	14.35	16.17	20.36	22.33	23.80	*25.00*	*26.00*	Common Shs Outst'g C	*30.00*
NMF	14.5	35.8	22.3	14.6	16.5	16.9	17.2	19.6	17.0	19.8	24.8	21.2	51.6	35.5	34.8	*Bold figures are*		Avg Ann'l P/E Ratio	*21.0*
NMF	.88	2.11	1.46	.98	1.03	.97	.89	1.12	1.11	1.01	1.35	1.21	2.73	1.89	1.88	*Value Line*		Relative P/E Ratio	*1.40*
5.5%	6.6%	4.7%	4.2%	4.7%	3.4%	2.7%	2.3%	1.8%	2.0%	1.7%	1.5%	1.7%	1.5%	1.6%	1.5%	*estimates*		Avg Ann'l Div'd Yield	*2.3%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $145.1 mill. **Due in 5 Yrs** $60.0 mill.
LT Debt $143.6 mill. **LT Interest** $8.4 mill.
(Total interest coverage: 2.7x) (46% of Cap'l)

Leases, Uncapitalized: Annual rentals $6.7 mill.
Pension Liability None

Pfd Stock $.458 mill. **Pfd Div'd** $.012 mill.
Common Stock 24,174,120 shs.
as of 8/3/07

MARKET CAP: $300 million (Small Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
71.0	72.2	80.9	104.7	115.5	130.8	173.0	188.0	203.2	224.2	*220*	*245*	Revenues ($mill)	*330*
2.6	3.4	4.2	5.4	6.2	6.0	7.2	4.5	7.3	9.3	*10.0*	*14.0*	Net Profit ($mill)	*22.0*
41.6%	39.5%	39.0%	37.0%	36.0%	34.9%	35.9%	36.1%	36.0%	35.0%	*36.0%*	*36.0%*	Income Tax Rate	*35.5%*
--	--	--	--	14.4%	3.2%	--	11.0%	9.5%	12.5%	*11.5%*	*12.0%*	AFUDC % to Net Profit	*12.5%*
47.9%	48.7%	45.2%	48.8%	51.4%	56.7%	47.9%	47.9%	44.7%	43.6%	*44.0%*	*44.0%*	Long-Term Debt Ratio	*43.5%*
51.3%	50.5%	54.1%	50.7%	48.2%	42.9%	51.8%	52.0%	55.1%	56.3%	*56.0%*	*56.0%*	Common Equity Ratio	*56.5%*
62.2	68.5	73.9	95.0	113.0	142.8	152.8	242.0	262.9	295.2	*340*	*380*	Total Capital ($mill)	*560*
102.1	109.2	113.7	157.8	171.1	203.9	219.5	302.6	344.8	389.6	*450*	*510*	Net Plant ($mill)	*750*
6.8%	7.1%	7.6%	7.6%	7.6%	5.8%	6.2%	3.1%	4.1%	4.5%	*4.0%*	*5.0%*	Return on Total Cap'l	*5.0%*
8.0%	9.5%	10.3%	11.1%	11.4%	9.7%	9.0%	3.6%	5.0%	5.6%	*6.0%*	*6.0%*	Return on Shr. Equity	*7.0%*
8.1%	9.6%	10.4%	11.1%	11.4%	9.7%	9.1%	3.6%	5.0%	5.6%	*6.0%*	*6.0%*	Return on Com Equity	*7.0%*
4.5%	6.0%	7.0%	7.8%	7.8%	6.3%	5.8%	.8%	2.1%	2.6%	*2.0%*	*3.0%*	Retained to Com Eq	*3.5%*
45%	38%	33%	31%	32%	36%	36%	78%	58%	54%	*51%*	*51%*	All Div'ds to Net Prof	*54%*

CURRENT POSITION ($MILL.)

	2005	2006	6/30/07
Cash Assets	3.0	4.3	2.9
Receivables	26.5	27.5	29.4
Inventory (Avg Cst)	--	--	--
Other	18.2	16.5	13.5
Current Assets	47.7	48.3	45.8
Accts Payable	10.0	12.7	9.1
Debt Due	9.5	1.4	1.5
Other	21.1	21.7	21.5
Current Liab.	40.6	35.8	32.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.0%	5.0%	3.0%
"Cash Flow"	6.0%	0.5%	10.5%
Earnings	10.5%	-2.5%	14.0%
Dividends	9.0%	9.0%	9.5%
Book Value	10.5%	13.5%	8.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	39.8	45.7	55.0	47.5	188.0
2005	45.2	51.3	54.7	52.0	203.2
2006	50.8	55.4	60.1	57.9	224.2
2007	48.1	55.0	*60.0*	*56.9*	*220*
2008	*57.0*	*61.0*	*62.0*	*65.0*	*245*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2004	--	.13	.11	d.01	.23
2005	d.01	.15	.14	.06	.34
2006	.03	.08	.16	.13	.40
2007	.03	.09	*.15*	*.13*	*.40*
2008	*.06*	*.15*	*.18*	*.11*	*.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.04	.04	.04	.044	.16
2004	.044	.044	.044	.048	.18
2005	.048	.048	.048	.052	.20
2006	.052	.052	.052	.058	.21
2007	.058	.058	.058		

BUSINESS: Southwest Water Company provides a broad range of services including water production, treatment and distribution; wastewater collection and treatment; utility billing and collection; utility infrastructure construction management; and public works services. It operates out of two groups, Utility (38% of 2006 revenues) and Services (62%). Utility owns and manages rate-regulated public water utilities in California, New Mexico, Oklahoma, and Texas. Services does mostly maintenance work on a contract basis. Off. & dir. own 6.3% of com. shs.; Stein Roe Investment Council, 9.7% (4/07 proxy). CEO and Chairman: Mark Swatek. Inc.: DE. Addr.: One Wilshire Building, 624 S. Grand Ave. Ste. 2900, Los Angeles, CA 90017. Tel.: 213-929-1800. Internet: www.swwc.com.

We have lowered our 2007 share-net estimate for Southwest Water by a nickel. The decrease mostly stems from the company's June-period financial results. For the quarter, due to weak revenues from the Services Group division, share earnings came in at just $0.09, a few pennies below our estimate and flat when compared to the year-earlier figure. For the recently-completed September interim, we expect that the Services Group's struggles persisted because the weak housing market probably continued to limit construction and repair opportunities. All told, for the year, we now estimate that Southwest will post share earnings of $0.40, the same as 2006's tally. However,

The situation should improve in 2008. By then, we believe that the company's restructuring initiative will likely be completed. Management is currently introducing a new integrated operating system, which should reduce expenses. Also, it has renegotiated some lower-margin contracts and replaced some of its workforce. These various actions will likely help widen the operating margin by 50 to 100 basis points next year. In addition,

Earnings over the next few years will be helped by recent acquisitions. A few months ago, it purchased Diamond Water Company, which provides water services to more than 7,500 residents near San Antonio. This purchase helped SWWC expand its market reach and customer base. In sum, the acquisition of Diamond Water, combined with cost savings from its restructuring initiatives, will likely lead to share net of $0.50 in 2008, 25% better than our estimate for this year.

The company continues to seek more purchases. Although it has already completed a few purchases this year, we believe it remains committed to bolstering its market reach to new areas of the U.S. In our view, it could afford to make a couple more small acquisitions this year.

These neutrally ranked shares are not particularly attractive at this time. Poor results at the Services Group will likely lead to flat share earnings this year. Also, although Southwest possesses solid long-term growth prospects, it is already trading within our projected Target Price Range for the 2010–2012 period.

Ian Gendler *October 26, 2007*

(A) Diluted earnings. Excludes nonrecurring gains (losses): '00, (3¢); '01, (5¢); '02, 1¢; '05, (23¢). Next earnings report due mid-Nov.
(B) Dividends historically paid in late January, April, July, and October.
(C) In millions, adjusted for splits.
(D) Includes intangibles. In 2006: $36.0 million, $1.51/share.

Company's Financial Strength	B
Stock's Price Stability	55
Price Growth Persistence	70
Earnings Predictability	55

AQUA AMERICA NYSE-WTR

RECENT PRICE	22.86	P/E RATIO	26.3 (Trailing: 32.2 / Median: 24.0)	RELATIVE P/E RATIO	1.43	DIV'D YLD	2.2%	VALUE LINE

TIMELINESS 4 Raised 3/9/07
SAFETY 3 Lowered 8/1/03
TECHNICAL 3 Raised 7/13/07
BETA .85 (1.00 = Market)

High:	5.7	8.5	11.5	11.5	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6
Low:	3.9	4.4	7.2	7.6	6.3	9.4	9.6	11.8	14.2	17.5	20.1	20.5

2010-12 PROJECTIONS

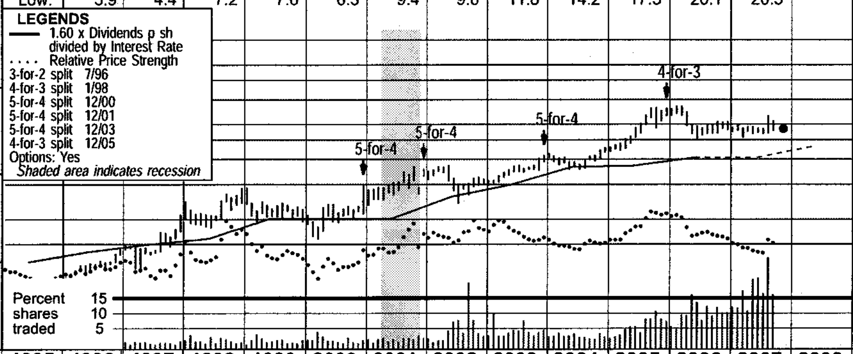
	Price	Gain	Ann'l Total Return
High	30	(+30%)	9%
Low	19	(-15%)	-2%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	1	0	0	2	0	2	3
to Sell	2	0	1	0	0	2	0	2	2

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	122	108	109
to Sell	91	95	109
Hld's(000)	51814	56295	64821



Target Price Range
2010 | 2011 | 2012
64, 48, 40, 32, 24, 20, 16, 12, 8, 6

% TOT. RETURN 9/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	5.5	15.7
3 yr.	44.6	50.1
5 yr.	106.8	157.0

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
2.14	1.82	1.70	1.82	1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	*4.55*	*4.80*	Revenues per sh	*5.35*
.45	.39	.42	.42	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	*1.45*	*1.60*	"Cash Flow" per sh	*1.80*
.25	.24	.24	.26	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	*.80*	*.90*	Earnings per sh A	*1.05*
.19	.20	.21	.21	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	*.48*	*.55*	Div'd Decl'd per sh B■	*.70*
.54	.60	.47	.46	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	*2.10*	*2.15*	Cap'l Spending per sh	*2.30*
2.07	2.09	2.29	2.41	2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	*7.15*	*7.45*	Book Value per sh	*9.30*
41.42	51.20	59.40	59.77	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	*134.00*	*136.00*	Common Shs Outst'g C	*140.00*
10.8	12.5	14.4	13.5	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	*Bold figures are*		Avg Ann'l P/E Ratio	*23.0*
.69	.76	.85	.89	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	*Value Line*		Relative P/E Ratio	*1.55*
7.2%	6.8%	5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	*estimates*		Avg Ann'l Div'd Yield	*2.9%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $1074.3 mill. **Due in 5 Yrs** $150.0 mill.
LT Debt $1040.1 mill. **LT Interest** $65.0 mill.
(LT interest earned: 3.6x; total interest coverage: 3.4x) (52% of Cap'l)

Pension Assets-12/06 $126.5 mill. **Oblig.** $178.3 mill.

Pfd Stock None
Common Stock 132,967,789 shares as of 7/23/07

MARKET CAP: $3.0 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
136.2	151.0	257.3	275.5	307.3	322.0	367.2	442.0	496.8	533.5	*610*	*650*	Revenues ($mill)	*750*
23.2	28.8	45.0	50.7	58.5	62.7	67.3	80.0	91.2	92.0	*105*	*120*	Net Profit ($mill)	*150*
40.6%	40.5%	38.4%	38.9%	39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	*39.5%*	*39.0%*	Income Tax Rate	*39.0%*
--	--	--	--	--	--	--	--	2.9%	2.0%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*2.0%*
54.4%	52.7%	52.9%	52.0%	52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	*51.0%*	*52.0%*	Long-Term Debt Ratio	*51.0%*
44.8%	46.6%	46.7%	47.8%	47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	*49.0%*	*48.0%*	Common Equity Ratio	*49.5%*
427.2	496.6	782.7	901.1	990.4	1076.2	1355.7	1497.3	1690.4	1904.4	*1970*	*2110*	Total Capital ($mill)	*2550*
534.5	609.8	1135.4	1251.4	1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	*2700*	*2850*	Net Plant ($mill)	*3500*
7.4%	7.6%	7.6%	7.4%	7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	*7.0%*	*7.0%*	Return on Total Cap'l	*7.5%*
11.9%	12.3%	12.2%	11.7%	12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	*11.0%*	*11.5%*	Return on Shr. Equity	*11.5%*
12.0%	12.4%	12.3%	11.7%	12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	*11.0%*	*11.5%*	Return on Com Equity	*11.5%*
3.6%	4.5%	4.3%	4.7%	5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	*4.0%*	*4.5%*	Retained to Com Eq	*4.0%*
70%	64%	65%	60%	59%	59%	59%	57%	56%	63%	*63%*	*64%*	All Div'ds to Net Prof	*66%*

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	11.9	44.0	11.5
Receivables	62.7	72.1	89.4
Inventory (AvgCst)	7.8	10.2	9.9
Other	7.6	8.4	8.3
Current Assets	90.0	134.7	119.1
Accts Payable	55.5	49.4	26.7
Debt Due	163.1	150.4	34.2
Other	44.7	55.8	223.9
Current Liab.	263.3	255.6	284.8
Fix. Chg. Cov.	377%	360%	360%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	8.5%	*6.0%*
"Cash Flow"	10.0%	9.0%	*7.0%*
Earnings	9.0%	8.0%	*7.5%*
Dividends	6.5%	7.0%	*9.5%*
Book Value	9.5%	11.0%	*6.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	99.8	106.5	120.3	115.4	442.0
2005	114.0	123.1	136.8	122.9	496.8
2006	118.0	131.7	147.0	136.8	533.5
2007	137.3	150.6	*165*	*157.1*	*610*
2008	*145*	*165*	*185*	*155*	*650*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.13	.14	.20	.17	.64
2005	.15	.17	.22	.17	.71
2006	.13	.17	.21	.19	.70
2007	.13	.18	*.25*	*.24*	*.80*
2008	*.20*	*.24*	*.24*	*.22*	*.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.084	.084	.084	.09	.34
2004	.09	.09	.09	.098	.37
2005	.098	.098	.098	.107	.40
2006	.107	.107	.115	.115	.44
2007	.115	.115	.125		

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately 2.8 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '06: residential, 60%; commercial, 14%; industrial & other, 26%. Officers and directors own 1.2% of the common stock (4/07 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America continues to be active on the acquisition front. So far this year, the company has completed 14 purchases that have expanded its reach to new areas of Texas, Pennsylvania, Illinois, and Florida. These additions have also added approximately 35,000 new customers. Looking ahead, we expect that management will continue to aggressively seek further expansion opportunities. Aqua possesses a good track record in regards to acquisitions, and we assume that any additional purchases would benefit revenues and profits over the next few years.

The company will soon release its September-period financial results. For the quarter, Aqua likely posted share earnings of $0.25, almost 20% better than the year-earlier period. Its recent acquisitions, coupled with rate hikes in several states, likely led to the strong results. We expect that the company will be able to implement additional rate hikes over the next few months, and for the year Aqua will likely register a share-net gain of about 14%. Looking ahead,

The prospects for 2008 and beyond appear solid. In our view, recent acquisitions should help Aqua increase its revenues annually at a mid-single-digit rate. Furthermore, additional rate hikes will likely lead to the operating margin widening and help advance share earnings over the next few years. In sum, we estimate that annual share net will advance by 5%–10% out to the 2010–2012 period.

These shares do not stand out for the short or long term. Although we estimate that Aqua America will register 14% and 13% share-net gains in 2007 and 2008, respectively, our Timeliness Ranking System suggests that this issue will lag the year-ahead market. In addition, even though the company possesses solid growth prospects out to 2010–2012, this stock already trades well within our projected Target Price Range for that timeframe, limiting appreciation potential. That said, our earnings estimates would likely be enhanced if WTR can complete some more acquisitions over the next few years. Lastly, although Aqua has raised its quarterly dividend every year over the past decade, income-oriented investors can probably find better options elsewhere.

Ian Gendler *October 26, 2007*

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec. gains (losses): '91, (34¢); '92, (38¢); '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due early Jan.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).
(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	80
Earnings Predictability	100

ATTACHMENT B

The Natural Gas Utility Industry remains ranked near the bottom of our industry spectrum. However, most of the companies have posted solid earnings gains in recent months. Additionally, they tend to offer an above-average dividend yield and decent total return potential. Still, the majority of these firms have below-average capital appreciation potential over the 3- to 5-year pull.

INDUSTRY TIMELINESS: 95 (of 99)

Acquisitions

The number of companies in our Natural Gas Utility Industry roster has declined from 15 to 13 since our last report (two companies were acquired.) This is reflective of the ongoing consolidation in the industry. These companies are targets because of their cash-rich businesses. Additionally, utilities tend to produce consistent and sustainable profit gains as service territories expand. Therefore, we believe the industry will continue to consolidate in the foreseeable future.

Weather

Unseasonably warm or cold weather is a risk to the companies in this industry. Any fluctuations that deviate too far from the historical norm can create volatility, which may cause these businesses to stray from their slow, but consistent, growth. Some utilities are able to hedge their risk by using weather-adjusted rate mechanisms, which stabilize results when atypical conditions occur. Warmer weather conditions affected many of the companies in this industry in recent months. Notably, it appears that rate mechanisms are becoming increasingly common in this business. As such, investors should keep an eye out for any firms that implement this new strategy, if they are more interested in taking a position in a utility that is less subject to seasonal swings in earnings.

Operating Environment

The companies in this industry have to settle rate cases with the respective state commission when trying to change their charges for service. Currently, most of the rates for these utilities are set. However, one of *WGL's* subsidiaries just negotiated a new rate with Virginia, which is tentatively in effect while pending approval. Additionally, *Southwest Gas* is expected to file rate cases in California and Arizona in the near future. A favorable rate can spur bottom-line gains, so the investment community is usually paying close attention to any pending cases with these firms. Recently, regulators have had a tough time finding rates that strike a balance between consumer and shareholder interests. In fact, shareholders seem to be losing out. This has caused some of these businesses to see their cash position tighten as they try to work with a smaller profit margin.

Despite the aforementioned challenges, numerous companies have been trying to improve their operations by expanding or upgrading their infrastructure. However, these initiatives will likely pressure operating margins in the coming months. Still, this may be of interest to investors with a long-term view, as these enhancements will probably contribute to growth in 2008 and beyond.

Nonregulated Activities

Many of these utilities have smaller businesses that are unregulated by state commissions. These secondary businesses can provide an interesting means for these firms to diversify their revenue. Moreover, these ventures provide additional flexibility, since the primary stream of income is regulated by these commissions. Some examples of these businesses include gas marketing, gas storage for off-system customers, and heating, ventilation, and conditioning service (HVAC). The fact that these operations can increase share net is notable, since return on equity is set by the regulatory state commissions (usually in the 10%-12% range). All told, we believe these ventures will not overtake the core businesses as the driver of these firms anytime soon.

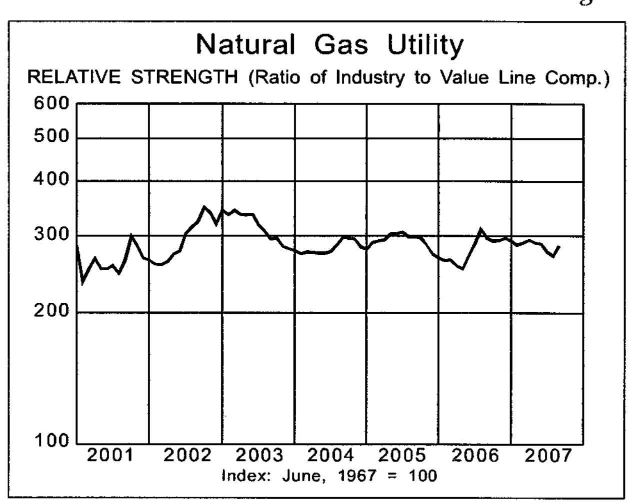
Investment Considerations

Most of the stocks in this industry are not suitable vehicles to achieve above-average capital appreciation potential over the 3- to 5-year pull. What's more, this industry is ranked in the bottom half of our industry spectrum, thereby limiting its appeal for the coming six to 12 months. However, these business do tend to offer healthy dividend yields. In fact, the average yield here is more than double the *Value Line* median of 1.8%. Conservative accounts may be interested in the industry's stable business and attractive payouts, but should be cautious when considering a position in the Natural Gas Utility Industry given the current environment. Most investors would do better to look elsewhere, due to the limited potential of this sector.

Richard Gallagher

Composite Statistics: Natural Gas Utility

2003	2004	2005	2006	2007	2008		10-12
29981	33220	41399	41401	***44500***	***46500***	Revenues ($mill)	***58000***
1395.3	1517.2	1788.8	1823	***2050***	***2150***	Net Profit ($mill)	***2800***
37.4%	35.7%	35.8%	36.1%	***36.0%***	***36.0%***	Income Tax Rate	***36.0%***
4.7%	4.6%	4.3%	4.4%	***4.6%***	***4.6%***	Net Profit Margin	***4.8%***
55.9%	53.2%	50.7%	52.0%	***51.0%***	***51.0%***	Long-Term Debt Ratio	***52.0%***
43.7%	45.7%	48.3%	47.0%	***48.0%***	***48.0%***	Common Equity Ratio	***46.0%***
28436	31268	33911	35357	***36750***	***38000***	Total Capital ($mill)	***42000***
31732	32053	35030	35944	***39000***	***41000***	Net Plant ($mill)	***45000***
6.4%	6.4%	6.9%	6.7%	***7.0%***	***7.0%***	Return on Total Cap'l	***7.5%***
11.1%	10.4%	10.7%	10.7%	***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%	4.6%	***5.2%***	***5.3%***	Retained to Com Eq	***5.5%***
64%	63%	59%	59%	***60%***	***60%***	All Div'ds to Net Prof	***60%***
14.1	15.6	16.2	15.8	*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%	3.6%			Avg Ann'l Div'd Yield	***4.6%***
314%	308%	331%	315%	***325%***	***325%***	Fixed Charge Coverage	***325%***



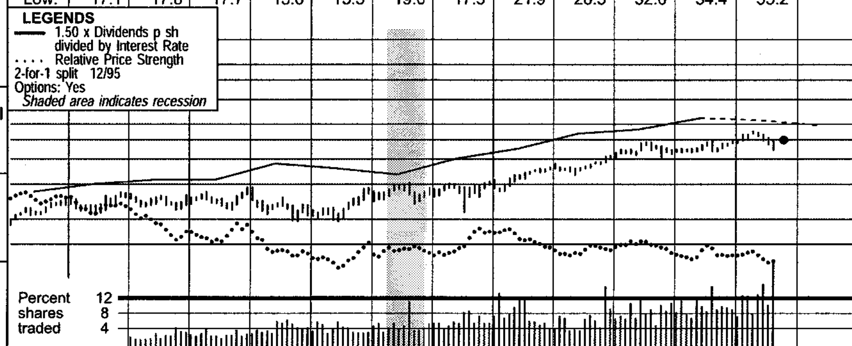
AGL RESOURCES NYSE-ATG

RECENT PRICE **40.11** | P/E RATIO **13.8** (Trailing: 14.5 Median: 14.0) | RELATIVE P/E RATIO **0.77** | DIV'D YLD **4.1%** | VALUE LINE

TIMELINESS 4 Lowered 8/11/06
SAFETY 2 New 7/27/90
TECHNICAL 3 Lowered 7/13/07
BETA .85 (1.00 = Market)

High:	22.0	21.6	23.4	23.4	23.2	24.5	25.0	29.3	33.7	39.3	40.1	44.7
Low:	17.1	17.8	17.7	15.6	15.5	19.0	17.3	21.9	26.5	32.0	34.4	35.2

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

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	121	134	132
to Sell	89	97	101
Hld's(000)	49321	49480	50323

% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	13.6	15.8
3 yr.	46.5	52.6
5 yr.	111.7	126.5

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	33.73	*34.35*	*35.15*	Revenues per sh A	*40.00*
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	*4.80*	*5.00*	"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	3.26	*3.20*	*3.30*	Cap'l Spending per sh	*3.50*
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	20.71	*21.65*	*21.85*	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	77.70	*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	.73	*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 6/30/07
Total Debt $1883.0 mill. **Due in 5 Yrs** $648.0 mill.
LT Debt $1544.0 mill. **LT Interest** $95.0 mill.

(Total interest coverage: 3.8x)
Leases, Uncapitalized Annual rentals $32.0 mill.

Pension Assets-12/06 $375.0 mill. **Oblig.** $454.0 mill.
Pfd Stock None
Common Stock 77,695,018 shs. as of 7/26/07

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	2621.0	*2680*	*2775*	Revenues ($mill) A	*3200*
76.6	80.6	52.1	71.1	82.3	103.0	132.4	153.0	193.0	212.0	*220*	*230*	Net Profit ($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%	*8.2%*	*8.3%*	Net Profit Margin	*7.8%*
48.7%	47.5%	45.3%	45.9%	61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	*48.0%*	*48.0%*	Long-Term Debt Ratio	*49.0%*
45.9%	47.1%	49.2%	48.3%	38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	*52.0%*	*52.0%*	Common Equity Ratio	*51.0%*
1356.4	1388.4	1345.8	1286.2	1736.3	1704.3	1901.4	3008.0	3114.0	3231.0	*3250*	*3325*	Total Capital ($mill)	*3525*
1496.6	1534.0	1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	*3550*	*3700*	Net Plant ($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%	13.2%	*13.0%*	*13.5%*	Return on Shr. Equity	*14.0%*
11.3%	12.3%	7.9%	11.5%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	*13.0%*	*13.5%*	Return on Com Equity	*14.0%*
3.2%	4.4%	NMF	3.2%	4.2%	7.0%	6.6%	5.6%	6.2%	6.3%	*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.)	2005	2006	6/30/07
Cash Assets	30.0	20.0	17.0
Other	2002.0	1802.0	1416.0
Current Assets	2032.0	1822.0	1433.0
Accts Payable	264.0	213.0	145.0
Debt Due	522.0	539.0	339.0
Other	1153.0	875.0	837.0
Current Liab.	1939.0	1627.0	1321.0
Fix. Chg. Cov.	442%	397%	405%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	3.5%	13.5%	4.5%
"Cash Flow"	5.5%	7.0%	5.5%
Earnings	7.0%	15.0%	3.5%
Dividends	2.5%	4.0%	5.5%
Book Value	6.5%	10.5%	2.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) 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	973	467	*450*	*790*	*2680*
2008	*1000*	*495*	*470*	*810*	*2775*

Cal-endar	EARNINGS PER SHARE 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	1.30	.40	*.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	.41	.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, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in nonregulated natural gas marketing and other allied services. Also wholesales and retails propane. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Acquired Virginia Natural Gas, 10/00. Sold Utilipro, 3/01. Off./dir. own less than 1.0% of common; Barclays Global Investors, 5.0% (3/07 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 continues to register solid performance. Second-quarter revenues increased roughly 7%, compared to the prior year. Operating margins widened across each segment, and share earnings advanced 60%. The Distribution segment benefited from customer growth and increased customer usage, due partly to colder temperatures in April. Meanwhile, the Wholesale Services business experienced unrealized gains on storage and transportation hedges from declining forward NYMEX natural gas prices.

Looking forward, we anticipate modest revenue growth at AGL for full-year 2007. The company has reaffirmed its bottom-line guidance of $2.75-$2.85 a share for the current year. This assumes normal weather and average volatility in natural gas prices for the remainder of the year. We anticipate share earnings will come in at the midpoint of this range, roughly 3% above the prior year's tally. Share net will likely advance at about the same clip in 2008.

Subsidiary Golden Triangle Storage has plans to build a natural gas storage facility in Beaumont, Texas. In late June, it filed with the Federal Energy Regulatory Commission seeking a certificate to construct and operate this project. Construction will probably begin early next year, following the receipt of regulatory permits. The project, which should cost between $220 million and $260 million, will initially offer 12 billion cubic feet of working gas capacity in two underground caverns. The first cavern is likely to commence operations by early 2011, with the second coming on line in 2013. Golden Triangle will also build a nine-mile pipeline to connect the storage caverns with larger interstate and intrastate pipelines.

Shares of AGL Resources are ranked 4 (Below Average) for Timeliness. However, income-oriented accounts may find this issue attractive, considering its healthy dividend yield. Also, these good-quality shares score high marks for Price Stability, Safety, and Earnings Predictability. Nevertheless, the company's growth prospects appear to be reflected in the current quotation, and appreciation potential is modest to 2010-2012.

Michael Napoli, CPA *September 14, 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 late October.
(C) Dividends historically paid early March, June, Sept, and Dec. ■ Div'd reinvest. plan available.
(D) Includes intangibles. At 6/30/07: $420 million, $5.41/share.
(E) In millions, adjusted for stock split.

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

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
28.16	14.9 (Trailing: 12.4, Median: 16.0)	0.83	4.6%

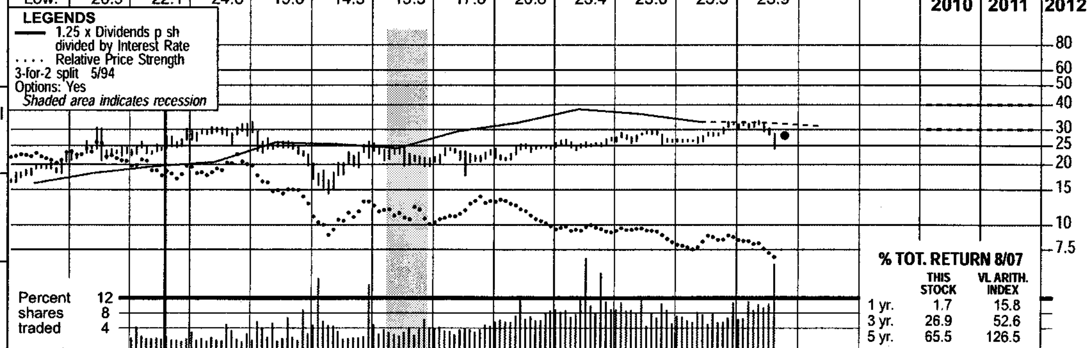
VALUE LINE

TIMELINESS 4 Lowered 8/17/07
SAFETY 2 Raised 12/16/05
TECHNICAL 4 Lowered 9/7/07
BETA .80 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	31.0	30.5	32.3	33.0	26.3	25.8	24.5	25.5	27.6	30.0	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

(2007 column continues: High 33.5, Low 23.9)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008



% TOT. RETURN 8/07	THIS STOCK	VL ARITH. INDEX
1 yr.	1.7	15.8
3 yr.	26.9	52.6
5 yr.	65.5	126.5

2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+40%)	13%
Low	30	(+5%)	6%

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	115	135	115
to Sell	84	80	101
Hld's(000)	53926	56091	58169

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	*69.45*	*70.25*	Revenues per sh A	*80.35*
2.85	3.38	2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.26	*4.15*	*4.30*	"Cash Flow" per sh	*4.70*
1.34	1.84	.81	1.03	1.47	1.45	1.71	1.58	1.72	2.00	*1.90*	*2.05*	Earnings per sh A B	*2.45*
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	*4.25*	*4.55*	Cap'l Spending per sh	*6.30*
11.04	12.21	12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.16	*22.60*	*23.25*	Book Value per sh	*26.35*
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*	*Value Line*	Avg Ann'l P/E Ratio	*14.0*
1.03	.80	1.88	1.23	.80	.83	.76	.84	.86	.73		*estimates*	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%			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	*6215*	*6500*	Revenues ($mill) A	*8600*
39.2	55.3	25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	*170*	*190*	Net Profit ($mill)	*260*
37.5%	36.5%	35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	*39.0%*	*39.0%*	Income Tax Rate	*40.5%*
4.3%	6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	*2.7%*	*2.9%*	Net Profit Margin	*3.0%*
48.1%	51.8%	50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	*52.0%*	*52.0%*	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%	*48.0%*	*48.0%*	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	*4215*	*4480*	Total Capital ($mill)	*5750*
849.1	917.9	965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	*3850*	*4150*	Net Plant ($mill)	*5300*
8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	*5.5%*	*6.0%*	Return on Total Cap'l	*6.0%*
12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.9%	*8.5%*	*9.0%*	Return on Shr. Equity	*9.0%*
12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.9%	*8.5%*	*9.0%*	Return on Com Equity	*9.0%*
3.9%	6.3%	NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	*2.5%*	*3.0%*	Retained to Com Eq	*4.0%*
67%	58%	NMF	112%	79%	82%	70%	77%	73%	63%	*67%*	*63%*	All Div'ds to Net Prof	*55%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $2430.5 mill. **Due in 5 Yrs** $1450.0 mill.
LT Debt $2126.5 mill. **LT Interest** $120.0 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 89,160,099 shs. as of 7/31/07
MARKET CAP: $2.5 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	40.1	75.8	350.4
Other	1224.3	1041.7	984.1
Current Assets	1264.4	1117.5	1334.5
Accts Payable	461.3	345.1	428.8
Debt Due	148.1	385.6	304.0
Other	503.4	388.5	360.9
Current Liab.	1112.8	1119.2	1093.7
Fix. Chg. Cov.	395%	408%	400%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	17.0%	4.5%
"Cash Flow"	4.0%	5.0%	4.0%
Earnings	3.5%	10.0%	5.5%
Dividends	3.0%	2.0%	1.5%
Book Value	6.5%	8.5%	5.5%

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	2075.6	1218.2	*1318.6*	*6215*
2008	*1625*	*1625*	*1625*	*1625*	*6500*

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	1.20	d.15	*d.12*	*1.90*
2008	*.96*	*1.20*	*d.03*	*d.08*	*2.05*

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	.32	.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's bottom line may decrease roughly 5%, to $1.90 a share, in fiscal 2007 (ends September 30th). For a start, the fourth-quarter comparison could be quite challenging, since our fiscal 2006 figure does not include an $0.18-a-share charge for the impairment of irrigation properties in the West Texas Division. Moreover, the public offering of 6.3 million common shares last December ought to dilute share earnings by around a nickel. Lastly, the effective income tax rate has been higher.

But there are some bright spots. The utility unit is benefiting from higher throughput, plus the implementation of weather-normalization mechanisms for the Mid-Tex and Louisiana operations. What's more, margins for the natural gas marketing segment have widened partly because of initiatives to capture more favorable arbitrage opportunities with regard to storage activities. Finally, the pipeline business is reaping the rewards of the North Side Loop and other projects that were completed last year, and there has been a rise in asset management fees.

The company stands to generate steady, though unspectacular, share earnings advances over the coming three to five years. With the utility division now serving 3.2 million customers across 12 states, Atmos is not dependent on the business environment in any one region of the country. Also, the non-utility segments, particularly pipelines, possess healthy overall prospects. Excluding future acquisitions, annual bottom-line growth could be in the mid-single-digit range out to 2010-2012.

Income-oriented accounts may be attracted to the dividend yield, which is adequately covered by earnings. We look for additional increases in the payout to occur, as well.

But these shares have lost some ground in recent months. We attribute that, in part, to a slumping market (reflecting uncertainty surrounding the timing of a recovery in the housing industry). This diminished stock-price momentum is partially behind the 4 (Below Average) rank for Timeliness. Long-term total-return possibilities are decent, on a risk-adjusted basis, though.

Frederick L. Harris, III September 14, 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 Nov. (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	30
Earnings Predictability	75

LACLEDE GROUP NYSE-LG

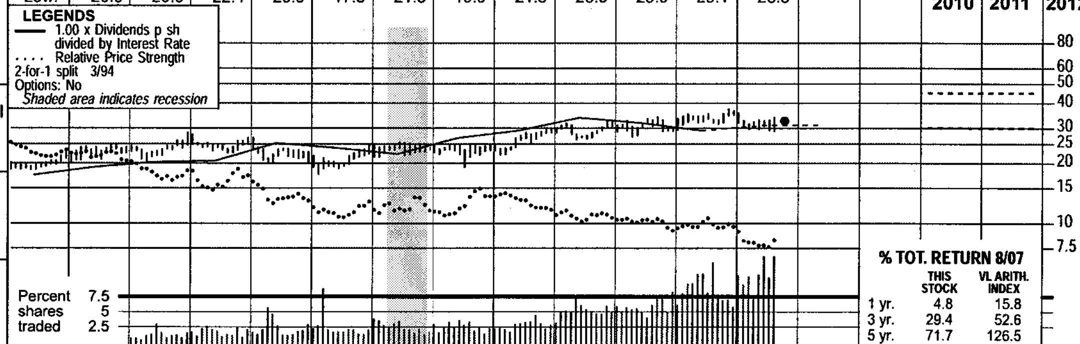
RECENT PRICE	32.64	P/E RATIO	13.9 (Trailing: 14.5 Median: 15.0)	RELATIVE P/E RATIO	0.77	DIV'D YLD	4.6%	VALUE LINE

TIMELINESS 3 Raised 9/14/07
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Raised 8/17/07
BETA .90 (1.00 = Market)

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	28.8

Target Price Range 2010 | 2011 | 2012

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 3/94
Options: No
Shaded area indicates recession



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+40%)	12%
Low	30	(-10%)	3%

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	64	62	67
to Sell	38	49	50
Hld's(000)	10381	9942	9261

% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	4.8	15.8
3 yr.	29.4	52.6
5 yr.	71.7	126.5

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	91.15	88.20	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	3.85	4.00	"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	2.15	2.10	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	21.00	20.95	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	1960	1940	Revenues ($mill) A	2750
						32.5	27.9	26.9	26.0	30.5	22.4	34.6	36.1	40.1	50.5	46.0	46.0	Net Profit ($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%	45.0%	47.0%	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%	55.0%	53.0%	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	820	870	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%	7.0%	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%	10.0%	10.0%	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%	10.0%	10.0%	Return on Com Equity	10.0%
						3.9%	1.8%	1.0%	.2%	1.8%	NMF	3.1%	2.7%	3.1%	5.1%	3.5%	3.0%	Retained to Com Eq	3.5%
						70%	83%	89%	98%	83%	113%	74%	73%	72%	59%	68%	71%	All Div'ds to Net Prof	67%

CAPITAL STRUCTURE as of 6/30/07
Total Debt $497.8 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 $.6 mill. **Pfd Div'd** $.05 mill.
Common Stock 21,633,811 shs. as of 7/27/07

MARKET CAP: $700 million (Small Cap)

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	6.0	50.8	36.4
Other	418.1	409.0	362.9
Current Assets	424.1	459.8	399.3
Accts Payable	138.4	103.3	128.6
Debt Due	110.7	207.5	142.3
Other	116.5	120.1	93.8
Current Liab.	365.6	430.9	364.7
Fix. Chg. Cov.	293%	285%	280%

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	700.8	457.9	261.7	1960
2008	485	485	485	485	1940

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	.97	.43	d.14	2.15
2008	.98	1.07	.20	d.15	2.10

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	.365	.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.

It appears that earnings for Laclede Group will be lower in fiscal 2007 (ends September 30th). That can be traced largely to Laclede Energy Resources (LER), which has not performed as well as last year, when margins were substantially higher as a result of supply/demand imbalances arising from the severe 2005 Gulf Coast hurricanes. Furthermore, results for SM&P Utility Resources are being weighed down by higher operating expenses.

But there has been a bright spot. Laclede Gas, the core subsidiary, is benefiting partly from higher volumes from entities within the service territory (reflecting cooler temperatures). A decline in the provision for uncollectible accounts has also helped here.

Still, consolidated share net may decrease about 9%, to $2.15, in fiscal 2007. The comparison would be quite difficult, though, given LER's exceptional showing last year. The bottom line for next year may be around the same level as fiscal 2007.

A request for a general rate increase was granted by the Missouri Public Service Commission. The measure, effective August 1st of this year, will generate additional annual revenues of $38.6 million. (The company last received such a rate hike in 2005.)

Prospects over the next three to five years are lackluster. The customer base for Laclede Gas has expanded at a sluggish pace for some time, leading us to believe that internal growth here will remain moderate. As such, any substantial gains will have to come from the unregulated businesses or from acquisitions, scenarios we don't see happening anytime soon. Thus, annual share-net advances may only be in the low-single-digit range over the 2010-2012 period.

Income-oriented accounts may be drawn to the dividend. Further increases in the distribution could be minimal, however, given the uninspiring long-term view for the regulated unit.

These shares, ranked 3 (Average) for Timeliness, are now trading within our 3- to 5-year Target Price Range. The good-quality stock's high yield reflects the company's subpar growth prospects.

Frederick L. Harris, III September 14, 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 October.
(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	55
Earnings Predictability	65

NEW JERSEY RES. NYSE-NJR

RECENT PRICE 48.33 | P/E RATIO 14.6 (Trailing: 14.0 Median: 15.0) | RELATIVE P/E RATIO 0.81 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 4 Raised 5/11/07

SAFETY 1 Raised 9/15/06

TECHNICAL 3 Lowered 9/7/07

BETA .80 (1.00 = Market)

High:	19.9	28.0	26.8	27.4	29.8	32.5	33.6	39.5	44.6	49.3	53.2	56.4
Low:	17.8	18.8	21.0	22.4	24.1	24.8	24.3	30.0	36.5	40.7	41.5	45.5

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

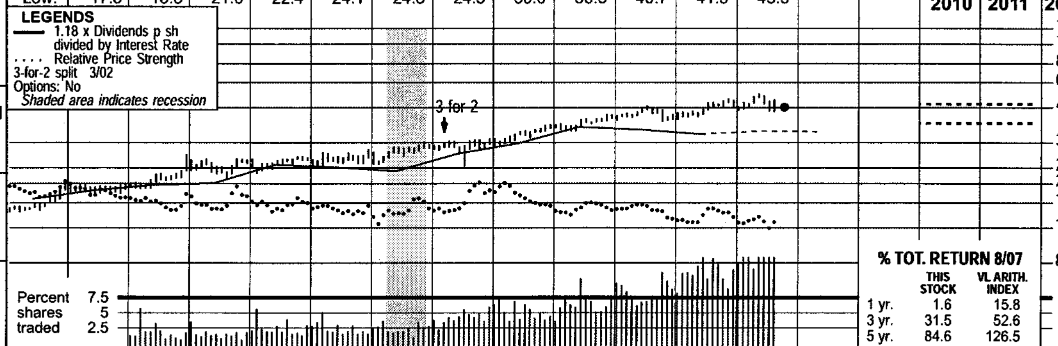
	Price	Gain	Ann'l Total Return
High	50	(+5%)	5%
Low	40	(-15%)	Nil

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	1	2	0	0	0	5	0
to Sell	0	1	1	0	0	0	0	5	0

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	68	82	77
to Sell	69	76	83
Hld's(000)	15657	15824	17707



% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.6	15.8
3 yr.	31.5	52.6
5 yr.	84.6	126.5

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	*113.20*	*113.35*	Revenues per sh A	*117.65*
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	*4.40*	*4.45*	"Cash Flow" per sh	*4.60*
.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	*3.10*	*3.15*	Earnings per sh B	*3.35*
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*	*1.60*	Div'ds Decl'd per sh C■	*1.84*
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	*1.95*	*1.95*	Cap'l Spending per sh	*1.85*
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	*24.50*	*26.65*	Book Value per sh D	*33.25*
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	*30.00*
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%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $565.8 mill. Due in 5 Yrs $300.0 mill.
LT Debt $334.5 mill. LT Interest $17.0 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 28,063,442 shs. as of 8/1/07
MARKET CAP: $1.4 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
696.5	710.3	904.3	1164.5	2048.4	1830.8	2544.4	2533.6	3148.3	3299.6	*3170*	*3230*	Revenues ($mill) A	*3530*
41.5	43.3	44.9	47.9	52.3	56.8	65.4	71.6	74.4	78.5	*88.5*	*91.5*	Net Profit ($mill)	*105.0*
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%	*2.8%*	*2.8%*	Net Profit Margin	*2.9%*
49.3%	51.2%	48.7%	47.0%	50.1%	50.6%	38.1%	40.3%	42.0%	34.8%	*32.8%*	*30.6%*	Long-Term Debt Ratio	*27.3%*
47.1%	45.6%	51.2%	52.9%	49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	*67.2%*	*69.4%*	Common Equity Ratio	*72.7%*
590.6	638.2	590.4	620.1	706.2	732.4	676.8	783.8	755.3	954.0	*1020*	*1095*	Total Capital ($mill)	*1375*
659.4	680.0	705.4	730.6	743.9	756.4	852.6	880.4	905.1	934.9	*955*	*975*	Net Plant ($mill)	*1030*
8.6%	8.1%	9.0%	9.0%	8.5%	8.7%	10.7%	10.1%	11.2%	9.6%	*9.5%*	*9.0%*	Return on Total Cap'l	*8.0%*
13.9%	13.9%	14.8%	14.6%	14.8%	15.7%	15.6%	15.3%	17.0%	12.6%	*13.0%*	*12.0%*	Return on Shr. Equity	*10.5%*
14.3%	14.4%	14.8%	14.6%	14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	*13.0%*	*12.0%*	Return on Com Equity	*10.5%*
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	*5.0%*
73%	71%	67%	63%	59%	56%	51%	49%	50%	50%	*48%*	*50%*	All Div'ds to Net Prof	*54%*

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	25.0	5.0	5.7
Other	927.8	960.5	805.6
Current Assets	952.8	965.5	811.3
Accts Payable	54.7	46.8	53.7
Debt Due	177.4	284.4	231.3
Other	744.2	566.0	471.6
Current Liab.	976.3	897.2	756.7
Fix. Chg. Cov.	660%	570%	550%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	19.0%	16.0%	*1.5%*
"Cash Flow"	6.0%	5.5%	*2.5%*
Earnings	7.5%	8.0%	*4.0%*
Dividends	3.0%	3.5%	*5.0%*
Book Value	6.5%	8.5%	*10.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2004	643.0	1037	438.5	415.1	2533.6
2005	854.1	1065	544.3	684.9	3148.3
2006	1164	1064	536.1	535.5	3299.6
2007	741.5	1024	665.4	*739.1*	*3170*
2008	*765*	*1040*	*675*	*750*	*3230*

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	2.87	d.18	*d.60*	*3.10*
2008	*1.20*	*2.90*	*d.30*	*d.65*	*3.15*

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	.38	.38		

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had 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 subsidiary provides unregulated retail/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.njresources.com.

New Jersey Resources' results over the first nine months of fiscal 2007 (year ends September 30th) have been solid. Earnings over this timeframe increased approximately 15%, to $3.70 a share. The majority of the gains were driven by a larger portfolio of pipeline & storage contracts and the company's ability to take advantage of market volatility. Due to the geographic diversity of its holdings, the energy service division's contracts become more valuable when price changes occur between areas, creating arbitrage opportunities. This segment now represents about 45% of the bottom line. As is consistent with the seasonal nature of its business, NJR will likely post a loss in the September period.

We look for the annual earnings tally to advance approximately 10% this year. Revenues will likely decline in 2007 and grow at a slower pace in future years, owing to warmer-than-normal weather. Normal is based on the 20-year average temperature. So far this year, temperatures have been roughly 5.5% warmer than the norm. Also, there is the potential for a lower level of gas usage because of conservation efforts. However, top-line reductions should have less of an effect on earnings due to the Conservation Incentive Program. This plan shelters the bottom line from both weather- and non-weather-related issues.

Provisions are being made to lift revenues. So far in fiscal 2007, 5,500 new customers have been added, and NJR expects that number to reach 9,000 by yearend. Furthermore, the company's entry into a partnership with Spectra Energy to provide storage services looks promising. The natural gas storage facility will have access to both the Texas Eastern and Dominion pipeline systems. The project will cost $250 million, and will have up to 12 billion cubic feet of storage capacity. It is expected to be operational in 2009.

However, these shares have little appeal. The equity is ranked to underperform the broader-market averages for the coming year. Furthermore, since our June report its price has dropped 5%–10%, but it is still trading within our Target Price Range, thus limiting appreciation potential to 2010-2012.

Bryan Fong *September 14, 2007*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Next earnings report due late Oct.
(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	70
Earnings Predictability	95

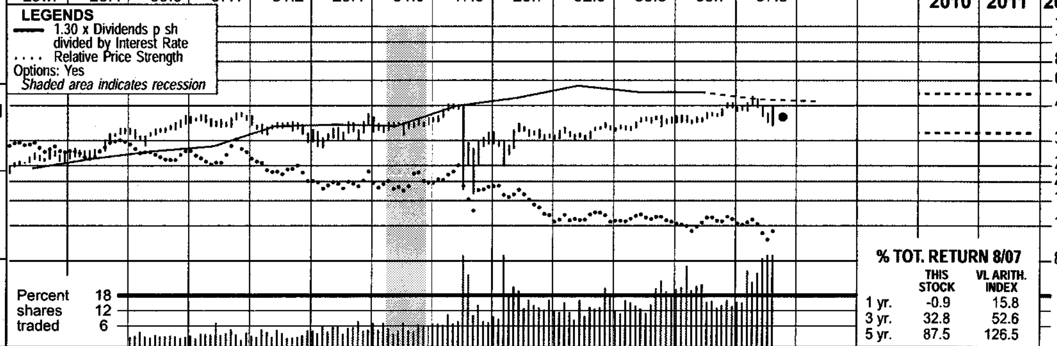
NICOR, INC. NYSE-GAS

RECENT PRICE **42.08** | P/E RATIO **14.9** (Trailing: 13.4 Median: 15.0) | RELATIVE P/E RATIO **0.83** | DIV'D YLD **4.4%** | VALUE LINE

TIMELINESS 4 Raised 9/7/07
SAFETY 3 Lowered 6/17/05
TECHNICAL 3 Raised 7/20/07
BETA 1.05 (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	53.7
Low:	25.4	30.0	37.1	31.2	29.4	34.0	17.3	23.7	32.0	35.5	38.7	37.8

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+30%)	10%
Low	35	(-15%)	1%

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	124	118	119
to Sell	80	101	111
Hld's(000)	32939	34865	37018

% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	-0.9	15.8
3 yr.	32.8	52.6
5 yr.	87.5	126.5

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	65.92	**73.35**	**74.45**	Revenues per sh	**80.00**
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	6.82	**7.25**	**7.35**	"Cash Flow" per sh	**7.70**
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	**2.80**	**2.90**	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	**1.86**	**1.86**	Div'ds Decl'd per sh B ■	**1.86**
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	4.17	**4.45**	**4.45**	Cap'l Spending per sh	**4.75**
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	19.43	**20.45**	**21.50**	Book Value per sh	**23.05**
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	44.90	**45.00**	**45.00**	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	15.0	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	**16.0**
.73	.70	.83	.82	.88	.78	.82	.92	.83	.77	.66	.72	.90	.84	.92	.81	*estimates*		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%	4.3%			Avg Ann'l Div'd Yield	**4.5%**

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	3357.8	2960.0	**3300**	**3350**	Revenues ($mill)	**3600**
124.3	111.1	121.9	136.4	136.3	128.0	93.1	98.1	101.1	128.3	**125**	**130**	Net Profit ($mill)	**130**
35.0%	34.4%	34.7%	34.8%	33.5%	31.0%	35.2%	31.8%	28.3%	26.3%	**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%	**3.8%**	**3.9%**	Net Profit Margin	**3.6%**
42.3%	42.1%	35.5%	32.7%	37.8%	35.1%	39.6%	39.8%	37.4%	36.3%	**35.0%**	**34.0%**	Long-Term Debt Ratio	**33.0%**
57.2%	57.4%	64.0%	66.7%	61.7%	64.5%	60.3%	60.1%	62.5%	63.7%	**65.0%**	**66.0%**	Common Equity Ratio	**67.0%**
1300.6	1322.6	1230.1	1061.2	1180.1	1128.9	1251.5	1246.0	1297.7	1370.7	**1420**	**1465**	Total Capital ($mill)	**1600**
1735.8	1731.8	1735.2	1729.6	1768.6	1796.8	2484.2	2549.8	2659.1	2714.1	**2850**	**2950**	Net Plant ($mill)	**3225**
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%	14.7%	**13.5%**	**13.5%**	Return on Shr. Equity	**12.5%**
16.7%	14.6%	15.4%	19.2%	18.7%	17.5%	12.3%	13.1%	12.5%	14.7%	**14.0%**	**13.0%**	Return on Com Equity	**13.0%**
7.6%	5.4%	6.2%	8.5%	7.9%	6.5%	1.5%	2.1%	2.3%	5.2%	**4.5%**	**5.0%**	Retained to Com Eq	**4.5%**
55%	63%	60%	56%	58%	63%	88%	84%	81%	65%	**66%**	**64%**	All Div'ds to Net Prof	**64%**

CAPITAL STRUCTURE as of 6/30/07
Total Debt $498.1 mill. **Due in 5 Yrs** $498.1 mill.
LT Debt $498.1 mill. **LT Interest** $5.1 mill.
(Total interest coverage: 4.6x)

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

Pfd Stock $.6 mill. **Pfd Div'd** $2.0 mill.
(11,681 shares of 4.48% mandatorily redeemable preferred stock)
Common Stock 45,113,846 shares as of 7/26/07
MARKET CAP: $1.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	126.9	67.6	190.4
Other	1218.8	843.1	535.2
Current Assets	1345.7	910.7	725.6
Accts Payable	658.2	564.5	525.3
Debt Due	636.0	350.0	- -
Other	328.7	227.9	395.6
Current Liab.	1622.9	1142.4	920.9
Fix. Chg. Cov.	367%	NMF	29.2%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	7.5%	0.5%
"Cash Flow"	3.5%	1.0%	0.5%
Earnings	1.5%	-3.0%	4.5%
Dividends	4.0%	2.5%	1.0%
Book Value	3.0%	2.5%	5.0%

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	1334.7	556.9	**400**	**1008.4**	**3300**
2008	**1350**	**565**	**415**	**1020**	**3350**

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	.93	.40	**.34**	**1.13**	**2.80**
2008	**.95**	**.43**	**.35**	**1.17**	**2.90**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.465	.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	.465	.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 1.7% of common stock. (3/07 proxy). Chairman and CEO: Russ Strobel. Inc.: Illinois Address: 1844 Ferry Road, Naperville, Illinois 60563. Telephone: 630-305-9500. Internet: www.nicor.com.

Nicor reported flat June-period bottom-line results. The top line registered solid growth, but profits were dragged down by weak results in the gas distribution and shipping businesses. Additionally, the company had less tax benefits available this year, which also weighed on results.

The remainder of 2007 doesn't look much better. Indeed, earnings will probably be down from 2006's tally, which benefited from a strong performance in wholesale natural gas marketing. Moreover, base rates, which with relief from regulatory bodies can boost profitability, will probably remain unchanged. Bad debt and high costs will likely continue to offset gains registered in the gas deliveries segment for the remainder of the year. As a result of the recent challenges, we have lowered our share-net estimate by a nickel, to $2.80 a share.

Management has been trying to trim expenses. Nicor seems focused on improving margins through cost containment, particularly in the gas distribution division. Indeed, better cost control will likely be a key driver for 2007's results.

Former executives have been charged with fraud by the SEC. Specifically, the SEC is investigating these former officers for manipulating earnings through fraudulent transactions. Those charged include former CEO Thomas Fisher, CFO Kathleen Halloran, and Treasurer George Behrens. Note that the former executives plan to contest the charges. This follows legal troubles at Nicor last year, when the company paid $10 million to settle civil charges for engaging in accounting fraud.

Results should begin to improve starting in 2008. Although the company will likely need rate relief somewhere in this timeframe, we believe Nicor's cost-cutting initiative should begin to contribute to gains in 2008. What's more, the company's focus on better utilizing its resources may also spur growth. Moreover, Nicor's diversified business should benefit top- and bottom-line expansion.

These shares are ranked to lag the market in the year ahead. All told, we believe investors should stay on the sidelines until some of Nicor's problems are resolved.

Richard Gallagher *September 14, 2007*

(A) Based on primary earnings thru. '96, then diluted. Excl. nonrecurring gains/(loss): '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¢. Next egs. report due early November.
(B) Dividends historically paid mid February, May, August, November. ■ Dividend reinvestment plan available. (C) In millions.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	35
Earnings Predictability	75

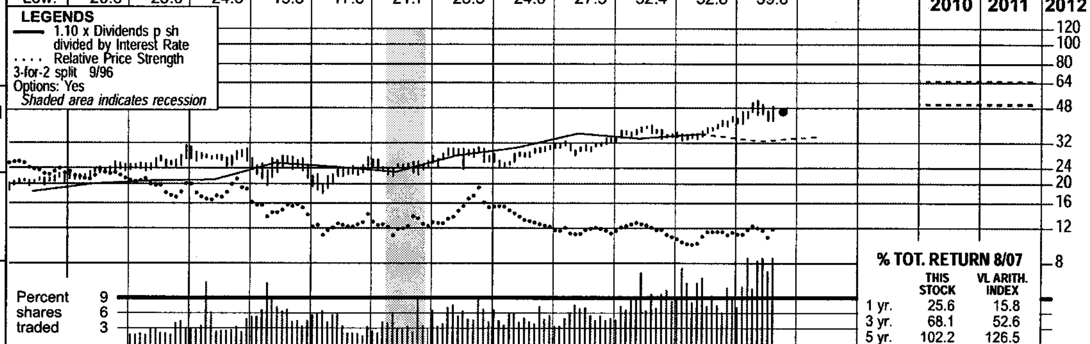
N.W. NAT'L GAS NYSE-NWN

RECENT PRICE **46.07** | P/E RATIO **17.5** (Trailing: 17.7, Median: 16.0) | RELATIVE P/E RATIO **0.97** | DIV'D YLD **3.2%** | **VALUE LINE**

TIMELINESS 4 Lowered 7/20/07
SAFETY 1 Raised 3/18/05
TECHNICAL 2 Raised 9/14/07
BETA .80 (1.00 = Market)

	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	52.8
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



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+40%)	*12%*
Low	50	(+10%)	*6%*

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	75	87	94
to Sell	60	64	65
Hld's(000)	14381	14681	16847

% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	25.6	15.8
3 yr.	68.1	52.6
5 yr.	102.2	126.5

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	37.20	*38.50*	*39.80*	Revenues per sh	*46.45*
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	4.75	*5.20*	*5.20*	"Cash Flow" per sh	*5.90*
.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	2.35	*2.65*	*2.65*	Earnings per sh A	*3.20*
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*	*1.52*	Div'ds Decl'd per sh B ■	*1.86*
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	3.56	*4.25*	*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	22.01	*22.20*	*23.00*	Book Value per sh	*26.35*
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	27.24	*27.00*	*27.00*	Common Shs Outst'g C	*28.00*
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	*18.0*
1.79	1.64	.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.88	*Value Line*		Relative P/E Ratio	*1.20*
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	*3.3%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $619.1 mill. **Due in 5 Yrs** $179.7 mill.
LT Debt $517.0 mill. **LT Interest** $31.0 mill.

(Total interest coverage: 3.5x)

Pension Assets-12/06 $236 mill.
Oblig. $269 mill.
Pfd Stock None

Common Stock 26,580,275 shs.
as of 7/31/07
MARKET CAP $1.3 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
361.8	416.7	455.8	532.1	650.3	641.4	611.3	707.6	910.5	1013.2	*1040*	*1075*	Revenues ($mill)	*1300*
43.1	27.3	44.9	47.8	50.2	43.8	46.0	50.6	58.1	63.4	*70.5*	*71.5*	Net Profit ($mill)	*87.0*
32.9%	31.0%	35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.4%	*37.0%*	*37.0%*	Income Tax Rate	*37.0%*
11.9%	6.6%	9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.3%	*6.8%*	*6.7%*	Net Profit Margin	*6.7%*
46.0%	45.0%	46.0%	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	*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%	53.7%	*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*	*1200*	Total Capital ($mill)	*1350*
827.5	894.7	895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	*1485*	*1525*	Net Plant ($mill)	*1650*
7.4%	5.0%	6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.0%	*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%	*11.0%*	*11.0%*	Return on Shr. Equity	*11.5%*
11.0%	6.0%	9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.6%	*11.0%*	*11.0%*	Return on Com Equity	*11.5%*
3.6%	NMF	2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.2%	*5.0%*	*5.0%*	Retained to Com Eq	*4.5%*
70%	118%	74%	70%	67%	79%	72%	69%	63%	60%	*54%*	*57%*	All Div'ds to Net Prof	*58%*

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	7.1	5.8	4.9
Other	316.6	303.0	156.6
Current Assets	323.7	308.8	161.5
Accts Payable	135.3	113.6	66.3
Debt Due	134.7	129.6	42.1
Other	56.6	98.3	105.3
Current Liab.	326.6	341.5	213.7
Fx. Chg. Cov.	340%	349%	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	6.5%	8.0%	*6.5%*
"Cash Flow"	2.0%	3.0%	*5.0%*
Earnings	2.0%	3.0%	*7.0%*
Dividends	1.0%	1.5%	*5.5%*
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	394.1	183.2	*120*	*342.7*	*1040*
2008	*405*	*190*	*125*	*355*	*1075*

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	1.15	2.35
2007	1.70	.10	*d.33*	*1.18*	*2.65*
2008	*1.69*	*.08*	*d.33*	*1.21*	*2.65*

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	.355	.355		

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 641,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 55%; commercial, 28%; industrial, gas transportation, and other, 17%. Employs 1,200. Fidelity owns 14.9% of shares; Snyder Cap'l, 8.7%; off./dir., 2.0% (4/07 proxy). CEO: Mark S. Dodson. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural remains on track for a record year. Earnings rose a bit in the seasonally slow second quarter as a result of higher profits in the small gas storage business. Gas distribution profits were at roughly breakeven, as in the prior-year period. First-quarter earnings benefited from $0.22 a share in profits from the purchased gas adjustment in Oregon. Northwest retains one third of the difference between forecast and actual gas costs in Oregon, whether at a profit or loss; in Washington, 100% of gas costs are passed through to customers.

We anticipate little change in earnings over the balance of the year. Customer growth was about 2.6% in the first half of the year. While that's still about double the national average, it's down from last year. With the crisis in housing continuing, customer growth will probably continue to fall, while remaining above the national average.

Earnings will likely be about the same in 2008, barring another large gain from astute gas purchasing in Oregon. Customer growth will probably remain above 2%, and costs should remain under good control as Northwest completes its work reorganization program, now under way. The program aims to reduce cost creep by centralizing and standardizing the utility's operations, while outsourcing new construction and some other non-emergency response work.

Earnings and dividend growth ought to be above industry averages out to 2010-2012. Earnings should benefit from Oregon's weather normalization and conservation clauses, which protect Northwest's profits from the effects of unusual weather and lower usage due to conservation. And the state is extending the urban density boundary to the southeast of Portland; the move will probably cause rapid population and customer growth there. Moreover, three new liquefied natural gas plants in Northwest's territory could add to its throughput by 2012.

These untimely, high-quality shares may appeal to conservative accounts. NWN's dividend yield is below the industry average, but earnings growth should be above average, producing worthwhile, risk-adjusted total-return potential.

Sigourney B. Romaine September 14, 2007

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06). Next earnings report due early November.

(B) Dividends historically paid in mid-February, mid-May, mid-August, and mid-November.
■ Dividend reinvestment plan available.
(C) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	80

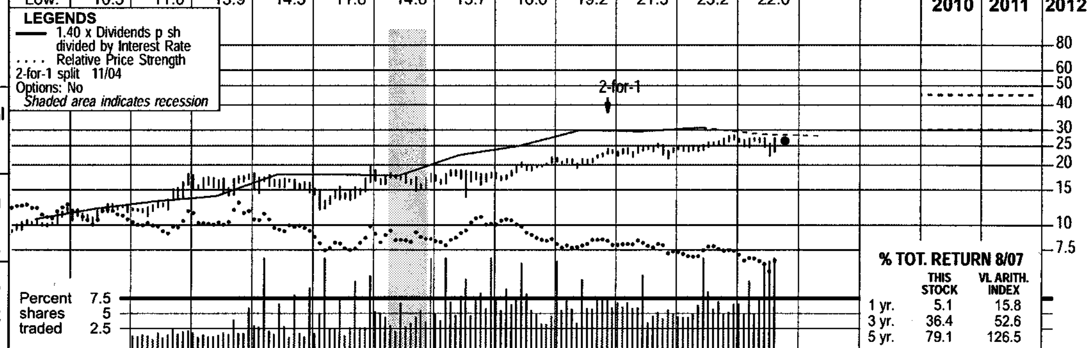
PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	
26.46	18.6	(Trailing: 19.0 / Median: 17.0)	1.04	3.8%	VALUE LINE

TIMELINESS 3 Raised 6/15/07
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 7/6/07
BETA .80 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	12.9	18.2	18.1	18.3	19.7	19.0	19.0	22.0	24.3	25.8	28.4	27.5
Low:	10.3	11.0	13.9	14.3	11.8	14.6	13.7	16.6	19.2	21.3	23.2	22.0

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+70%)	17%
Low	30	(+15%)	7%

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	79	74	84
to Sell	70	70	77
Hld's(000)	33589	31059	35264

% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	5.1	15.8
3 yr.	36.4	52.6
5 yr.	79.1	126.5

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	***25.55***	***26.85***	Revenues per sh A	***30.65***
.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	***2.55***	***2.65***	"Cash Flow" per sh	***2.95***
.44	.70	.73	.68	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.27	***1.45***	***1.50***	Earnings per sh B	***1.70***
.44	.46	.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	***1.00***	***1.04***	Div'ds Decl'd per sh C■	***1.16***
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	***1.95***	***2.05***	Cap'l Spending per sh	***2.30***
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	***12.15***	***12.40***	Book Value per sh D	***13.60***
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%***

CAPITAL STRUCTURE as of 4/30/07
Total Debt $854.5 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 73,909,836 shs.
as of 6/4/07
MARKET CAP: $2.0 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
775.5	765.3	686.5	830.4	1107.9	832.0	1220.8	1529.7	1761.1	1924.7	***1885***	***1960***	Revenues ($mill) A	***2200***
55.2	60.3	58.2	64.0	65.5	62.2	74.4	95.2	101.3	96.7	***105***	***110***	Net Profit ($mill)	***120***
39.1%	39.2%	39.7%	34.7%	34.6%	33.1%	34.8%	35.1%	33.7%	35.0%	***35.0%***	***35.0%***	Income Tax Rate	***35.0%***
7.1%	7.9%	8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	***5.7%***	***5.6%***	Net Profit Margin	***5.5%***
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	***48.7%***
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	***51.3%***
800.8	829.3	914.7	978.4	1069.4	1051.6	1090.2	1514.9	1509.2	1708.0	***1755***	***1810***	Total Capital ($mill)	***1910***
941.7	990.6	1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.0	***2100***	***2150***	Net Plant ($mill)	***2350***
8.9%	9.2%	8.1%	8.3%	7.9%	7.8%	8.6%	7.8%	8.2%	7.1%	***7.5%***	***7.0%***	Return on Total Cap'l	***7.5%***
13.1%	13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	***12.0%***	***12.0%***	Return on Shr. Equity	***12.5%***
13.1%	13.2%	11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	***12.0%***	***12.0%***	Return on Com Equity	***12.5%***
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	***4.0%***
65%	65%	72%	71%	75%	83%	74%	66%	68%	75%	***69%***	***69%***	All Div'ds to Net Prof	***69%***

CURRENT POSITION ($MILL.)	2005	2006	4/30/07
Cash Assets	7.1	8.9	10.4
Other	497.8	467.1	375.0
Current Assets	504.9	476.0	385.4
Accts Payable	182.8	80.3	101.7
Debt Due	193.5	170.0	29.5
Other	152.3	150.1	133.9
Current Liab.	528.6	400.4	265.1
Fix. Chg. Cov.	271%	261%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	11.0%	5.0%
"Cash Flow"	7.0%	5.5%	3.5%
Earnings	5.5%	5.0%	4.5%
Dividends	5.5%	5.0%	4.5%
Book Value	6.5%	6.5%	3.0%

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	677.2	531.6	***336***	***340.2***	***1885***
2008	***800***	***540***	***275***	***345***	***1960***

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	.94	.69	***d.10***	***d.08***	***1.45***
2008	***.95***	***.65***	***d.06***	***d.04***	***1.50***

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	.25	.25	.25		

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.

Piedmont Natural Gas likely posted solid earnings advances in the first nine months of fiscal 2007, in comparison to last year. Share-net losses are probable in the third and fourth quarters, as is the norm for this seasonal business. The top line likely experienced a decline sequentially, a trend that should continue in the fourth quarter. However, margin stabilization features, coupled with business process improvements, have helped spur cost savings and greater efficiency. In fact, the company has reduced expenses by 5% so far this year. All told, we look for the annual earnings tally to rise approximately 15% over last year.

The Hardy Storage Company, Piedmont's joint venture, is on schedule for the 2007-2008 winter season. The storage facility initiated service and began accepting gas during the April period. Hardy adds a cost-effective and diverse underground storage asset to PNY's supply portfolio. At present, Piedmont is trying to build sufficient reserves to serve the North Carolina and South Carolina markets during the upcoming winter months. Should capacity allow, the company may well garner additional income from off-system sales to other providers. In turn, a large portion of these proceeds can finance customer refunds, which would not only boost the top line, but help increase customer retention.

We look for year-to-year earnings advances to moderate in 2008 and beyond. Even with an expanding customer base, above-average temperatures are affecting the top line. And most of the margin improvements stemming from cost-cutting efforts should be seen in the current year. Thus, we anticipate future share-net gains to occur at a slower pace.

These shares are moderately appealing at this time. The equity's appreciation potential for the 3- to 5-year timeframe is about average. And it is ranked to perform in line with the overall market for the year ahead. Investors with an eye on capital preservation should note the issue's Above-Average Safety rank (2), and its top score for Price Stability, which is evident in its stable quotation during recent market downturns. Too, it offers an attractive dividend yield.

Bryan Fong *September 14, 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 Nov.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. At 10/31/06: $11.3 million, 15¢/share.
(E) In millions, adjusted for stock split.
(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	60
Earnings Predictability	80

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
34.02	16.2 (Trailing: 14.6 Median: 14.0)	0.90	3.0%

VALUE LINE

TIMELINESS 4 Lowered 9/14/07
SAFETY 2 Lowered 1/4/91
TECHNICAL 3 Lowered 1/26/07
BETA .70 (1.00 = Market)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High:	12.3	15.3	15.4	15.4	15.1	17.0	18.3	20.3	26.5	32.4	34.3	41.3
Low:	10.1	10.5	11.0	10.8	12.3	13.8	14.1	15.3	19.7	24.9	25.6	31.2

Target Price Range 2010 | 2011 | 2012

2010-12 PROJECTIONS

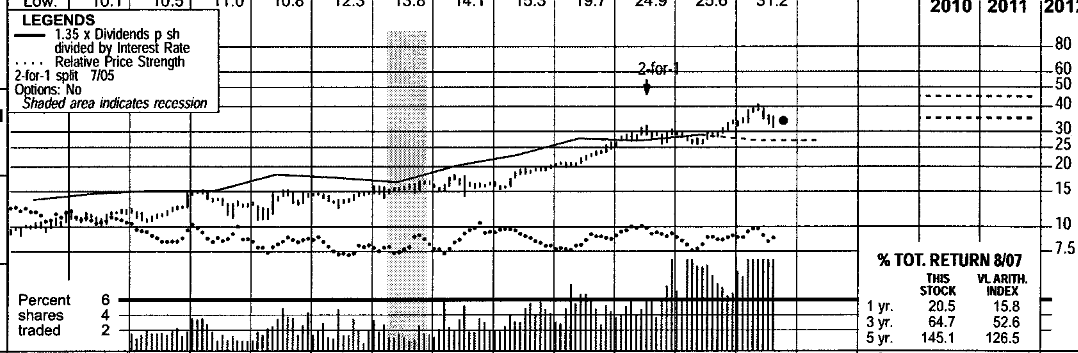
	Price	Gain	Ann'l Total Return
High	45	(+30%)	10%
Low	35	(+5%)	4%

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	58	75	69
to Sell	44	41	64
Hld's(000)	15568	17152	16955



% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	20.5	15.8
3 yr.	64.7	52.6
5 yr.	145.1	126.5

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	31.77	*32.60*	*33.75*	Revenues per sh	*37.50*
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	3.49	*3.25*	*3.40*	"Cash Flow" per sh	*4.05*
.64	.81	.78	.61	.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	*2.15*	*2.35*	Earnings per sh A	*2.85*
.71	.71	.72	.72	.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	*.98*	*1.04*	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	2.51	*2.00*	*2.45*	Cap'l Spending per sh	*3.15*
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	15.11	*16.45*	*16.70*	Book Value per sh C	*17.95*
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	29.33	*29.75*	*30.50*	Common Shs Outst'g D	*32.00*
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	11.9	*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	.64	*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	*3.0%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $467.0 mill. Due in 5 Yrs $146.9 mill.
LT Debt $358.0 mill. LT Interest $22.0 mill.
(Total interest coverage: 5.4x)

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

Pfd Stock none

Common Stock 29,512,811 common shs. as of 8/1/07

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	931.4	*970*	*1030*	Revenues ($mill)	*1200*
18.4	13.8	22.0	24.7	26.8	29.4	34.6	43.0	48.6	72.0	*65.0*	*70.0*	Net Profit ($mill)	*90.0*
36.8%	46.2%	42.8%	43.1%	42.2%	41.4%	40.6%	40.9%	41.5%	41.1%	*38.0%*	*40.0%*	Income Tax Rate	*40.0%*
5.3%	3.1%	5.6%	4.8%	3.2%	5.8%	5.0%	5.2%	5.3%	7.7%	*6.7%*	*6.8%*	Net Profit Margin	*7.5%*
54.6%	57.3%	53.8%	54.1%	57.0%	53.6%	50.8%	48.7%	44.9%	44.7%	*43.5%*	*44.0%*	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%	*56.5%*	*56.0%*	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	*865*	*910*	Total Capital ($mill)	*1000*
456.5	504.3	533.3	562.2	607.0	666.6	748.3	799.9	877.3	920.0	*960*	*1025*	Net Plant ($mill)	*1200*
6.7%	5.3%	7.4%	7.4%	6.9%	7.6%	7.3%	7.9%	8.3%	10.1%	*8.5%*	*9.0%*	Return on Total Cap'l	*10.5%*
10.5%	8.1%	11.7%	12.1%	12.1%	12.4%	11.5%	12.4%	12.4%	16.3%	*13.5%*	*13.5%*	Return on Shr. Equity	*15.5%*
13.3%	10.3%	14.6%	14.8%	12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	*13.5%*	*13.5%*	Return on Com Equity	*15.5%*
2.1%	NMF	4.2%	4.8%	3.5%	4.7%	5.0%	5.9%	6.2%	10.2%	*7.5%*	*7.5%*	Retained to Com Eq	*9.0%*
84%	112%	72%	67%	76%	62%	57%	52%	50%	37%	*45%*	*45%*	All Div'ds to Net Prof	*43%*

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	4.9	7.9	5.1
Other	352.6	363.8	292.5
Current Assets	357.5	371.7	297.6
Accts Payable	179.0	101.6	85.8
Debt Due	149.7	197.0	109.0
Other	74.4	124.2	113.5
Current Liab.	403.1	422.8	308.3
Fix. Chg. Cov.	486%	527%	526%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	6.5%	4.5%	3.0%
"Cash Flow"	5.5%	6.5%	NMF
Earnings	8.5%	9.5%	NMF
Dividends	2.0%	3.5%	5.5%
Book Value	6.0%	13.5%	4.5%

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	372.6	153.8	154.7	250.3	931.4
2007	368.4	171.7	*160*	*269.9*	*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	1.30	.21	*.25*	*.39*	*2.15*
2008	*1.25*	*.25*	*.35*	*.50*	*2.35*

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	--	.245	.245		

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. 1.2% of com. shares; Dimensional Fund Advisors, 8.3%; Barclays, 6.0% (3/07 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 reported solid top-line growth for the second quarter. This was a result of strength in nonutility operations, as sales in these businesses advanced roughly 35%. Revenue comparisons ought to remain favorable going forward, and we project a top-line advance in the mid-single digits for 2007. Readers are advised that share earnings are now based on economic earnings, a non-GAAP measure that excludes highly volatile unrealized gains and losses from commodity derivative transactions. As a result, bottom-line figures from 2007 onward are not directly comparable with those from prior years.

Subsidiary South Jersey Gas has been reporting mixed performance. Revenues at this business decreased roughly 9% in the second quarter. A greater decline in operating costs resulted in improving margins, and operating income advanced 17%. This was partly due to the Conservation Incentive Program (CIP), which continues to benefit performance. This initiative allows South Jersey Gas to promote energy conservation, while insulating the company from the negative impact of lower customer utilization. The CIP augmented the bottom line by $1.4 million in the recent interim. Looking forward, customer growth may ease to a degree, owing to the housing slowdown. Despite this, we are optimistic about the prospects for this business over the long haul, as natural gas will likely remain the fuel of choice within its service territory.

The company has announced a new project for Marina Energy. Marina and DCO Energy have formed an agreement with the Salem County Utilities Authority (SCUA) to construct, own, and operate a facility that will generate electricity from landfill methane gas in Salem County. The companies will sell the project's electricity to SCUA over a 20-year period. This facility will probably be constructed and operating by the third quarter of next year.

This stock is untimely. However, these good-quality shares have superior scores for Price Stability and Earnings Predictability. This issue offers worthwhile total return potential for a natural gas utility company, and may interest investors looking for exposure to its industry.

Michael Napoli, CPA *September 14, 2007*

(A) Based on GAAP EPS through 2006, economic earnings thereafter. GAAP EPS: Q1 2007, $0.92; Q2 2007, $0.37. 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). Next egs. report due early November.
(B) Dividends paid early Apr., Jul., Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. regulatory assets. At 6/30/07: $228.2 mill., $7.73 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 **29.11** | P/E RATIO **13.5** (Trailing: 14.5; Median: 19.0) | RELATIVE P/E RATIO **0.75** | DIV'D YLD **3.0%** | VALUE LINE

TIMELINESS 5 Lowered 8/17/07

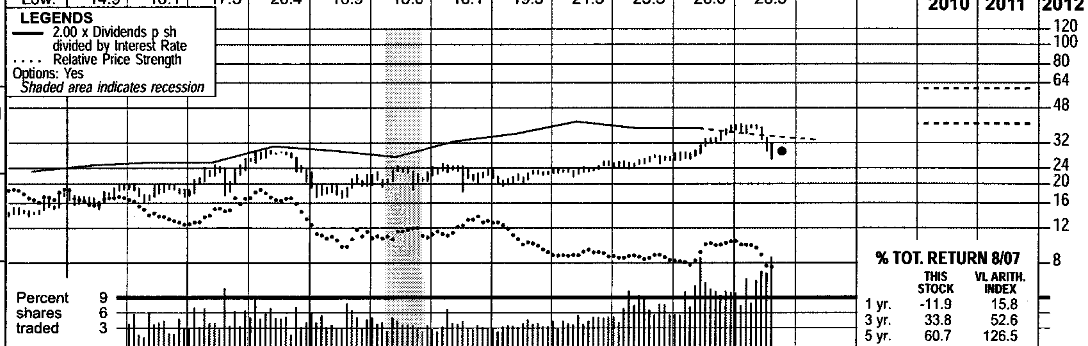
SAFETY 3 Lowered 1/4/91

TECHNICAL 4 Lowered 8/10/07

BETA .85 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	26.5

Target Price Range 2010 | 2011 | 2012



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+105%)	22%
Low	40	(+35%)	11%

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	92	99	93
to Sell	65	62	79
Hld's(000)	30129	29184	32178

% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	-11.9	15.8
3 yr.	33.8	52.6
5 yr.	60.7	126.5

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	*51.15*	*54.55*	Revenues per sh A	*58.95*
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	*6.35*	*6.60*	"Cash Flow" per sh	*7.20*
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	*2.10*	*2.25*	Earnings per sh A B	*2.70*
.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	*7.80*	*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	*22.65*	*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	.86	*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	*1.9%*

CAPITAL STRUCTURE as of 6/30/07

Total Debt $1333.7 mill. **Due in 5 Yrs** $454.8 mill.
LT Debt $1303.9 mill. **LT Interest** $93.0 mill.
(Total interest coverage: 2.4x)

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

Pfd Stock None

Common Stock 42,408,116 shs.
as of 8/1/07

MARKET CAP: $1.2 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
732.0	917.3	936.9	1034.1	1396.7	1320.9	1231.0	1477.1	1714.3	2024.7	*2200*	*2400*	Revenues ($mill) A	*2800*
20.8	47.5	39.3	38.3	37.2	38.6	38.5	58.9	48.1	81.1	*90.0*	*95.0*	Net Profit ($mill)	*125*
29.2%	43.4%	35.5%	26.2%	34.5%	32.8%	30.5%	34.8%	29.7%	34.7%	*36.0%*	*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%	*4.1%*	*4.0%*	Net Profit Margin	*4.5%*
63.6%	60.2%	60.3%	60.2%	56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	*57.0%*	*57.5%*	Long-Term Debt Ratio	*54.0%*
31.5%	35.3%	35.5%	35.8%	39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	*43.0%*	*42.5%*	Common Equity Ratio	*46.0%*
1224.7	1349.3	1424.7	1489.9	1417.6	1748.3	1851.6	1968.6	2076.0	2287.8	*2275*	*2350*	Total Capital ($mill)	*2600*
1360.3	1459.4	1581.1	1686.1	1825.6	1979.5	2175.7	2336.0	2489.1	2668.1	*2800*	*3000*	Net Plant ($mill)	*3500*
3.9%	5.8%	4.8%	4.6%	5.1%	4.3%	4.2%	5.0%	4.3%	5.6%	*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%	*9.0%*	*9.5%*	Return on Shr. Equity	*10.5%*
5.4%	10.0%	7.8%	7.2%	6.6%	6.5%	6.1%	8.3%	6.4%	9.0%	*9.0%*	*9.5%*	Return on Com Equity	*10.5%*
NMF	5.0%	2.8%	2.4%	1.9%	1.9%	1.7%	4.3%	2.2%	5.3%	*5.5%*	*6.0%*	Retained to Com Eq	*7.0%*
107%	50%	64%	67%	71%	70%	72%	49%	65%	41%	*41%*	*39%*	All Div'ds to Net Prof	*33%*

CURRENT POSITION ($MILL.)	2005	2006	6/30/07
Cash Assets	29.6	18.8	20.7
Other	513.1	482.8	287.4
Current Assets	542.7	501.6	308.1
Accts Payable	259.5	265.7	107.9
Debt Due	107.2	27.5	29.8
Other	254.3	202.9	286.7
Current Liab.	621.0	496.1	424.4
Fix. Chg. Cov.	167%	220%	226%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	6.0%	4.5%	*5.0%*
"Cash Flow"	4.5%	4.0%	*4.0%*
Earnings	12.0%	6.0%	*9.0%*
Dividends	--	--	*1.5%*
Book Value	3.0%	3.5%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) 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	2024.7
2007	793.7	426.5	*380*	*599.8*	*2200*
2008	*850*	*475*	*425*	*650*	*2400*

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	1.17	d.01	*d.20*	*1.14*	*2.10*
2008	*1.22*	*Nil*	*d.15*	*1.18*	*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	.215		

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.8 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2006 margin mix: residential and small commercial, 85%; large commercial and industrial, 6%; transportation, 9%. Total throughput: 2.4 billion therms. Sold PriMerit Bank (acquired in 1986) in July of 1996. Has 4,902 employees. Officers & Directors own roughly 1.4% of common stock (3/07 Proxy). Chairman: LeRoy C. Hanneman, Jr. Chief Executive Officer: Jeffrey W. Shaw. Incorporated: California. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Shares of Southwest Gas have declined over 20% since our June review, as the company reported an unimpressive performance for the second quarter. Revenues were relatively flat, compared to the prior year's period. During the past 12 months, Southwest Gas increased its customer base by roughly 57,000, an advance of about 3%. This was lower than in recent times, as customer growth appears to have moderated somewhat. Operating expenses increased, and the bottom line declined somewhat, to a loss of $0.01 a share. Due to the seasonal nature of the company's operations, such losses are not unusual in the second and third quarters.

We anticipate modest growth at Southwest Gas going forward. SWX has remained focused on obtaining rate relief and improving rate design. Indeed, the company anticipates filing rate cases in California and Arizona in the near future. This is encouraging, as Southwest Gas depends upon such approved revenue increases to help it cope with higher natural gas prices and to provide greater earnings stability. Moreover, customer growth should continue in the coming years, although probably at the slower pace experienced recently. Looking forward, we anticipate favorable comparisons for the remainder of the year. Revenues and earnings per share ought to advance roughly 9% and 6%, respectively, for full-year 2007. This pattern will probably continue to next year, as well.

Investors should be aware of several caveats. As Southwest Gas continues to expand, it is likely to incur increased operating costs. Warmer-than-normal temperatures may well also hurt performance. The possibility of insufficient, or lagging, rate relief remains another risk.

These shares have declined a notch in Timeliness, and are now ranked 5 (Lowest). Nevertheless, we look for steady annual growth in revenues and share earnings in the coming years. Following the recent selloff, the stock has above-average appreciation potential for the pull to 2010-2012 and may appeal to patient, risk-tolerant investors. Furthermore, this issue offers a more attractive dividend yield at the current quotation.

Michael Napoli, CPA *September 14, 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 November. (C) Dividends historically paid early March, June, September, December. ■ Div'd reinvest. plan avail. (D) In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	65

WGL HOLDINGS NYSE-WGL

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
33.34	16.3 (Trailing: 14.4; Median: 15.0)	0.91	4.1%

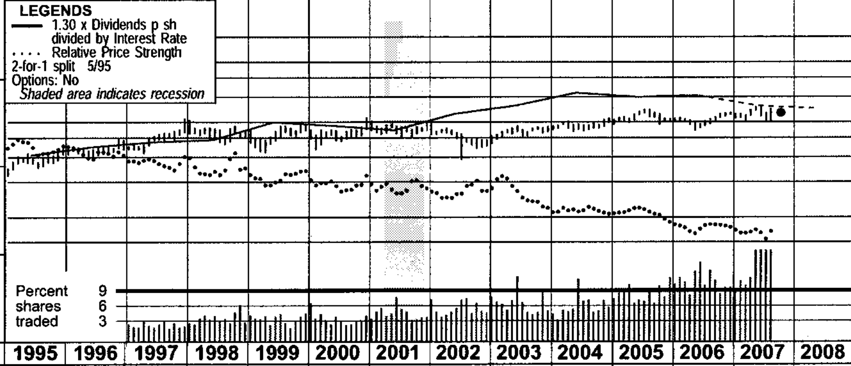
VALUE LINE

TIMELINESS 3 Raised 5/25/07
SAFETY 1 Raised 4/2/93
TECHNICAL 3 Raised 6/29/07
BETA .85 (1.00 = Market)

High:	25.0	31.4	30.8	29.4	31.5	30.5	29.5	28.8	31.4	34.8	33.6	35.9
Low:	19.1	20.9	23.1	21.0	21.8	25.3	19.3	23.2	26.7	28.8	27.0	29.8

Target Price Range 2010 | 2011 | 2012

LEGENDS
— 1.30 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 5/95
Options: No
Shaded area indicates recession



2010-12 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+20%)	9%
Low	30	(-10%)	2%

Insider Decisions

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

Institutional Decisions

	4Q2006	1Q2007	2Q2007
to Buy	81	97	94
to Sell	68	62	81
Hld's(000)	30408	33055	35310

Percent shares traded 9 6 3

% TOT. RETURN 8/07

	THIS STOCK	VL ARITH. INDEX
1 yr.	10.4	15.8
3 yr.	30.7	52.6
5 yr.	70.5	126.5

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	*54.85*	*56.45*	Revenues per sh A	*61.20*
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	*3.95*	*4.00*	"Cash Flow" per sh	*4.30*
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	*2.05*	*2.10*	Earnings per sh B	*2.30*
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	*1.36*	*1.40*	Div'ds Decl'd per sh C■	*1.52*
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	*2.40*	*2.40*	Cap'l Spending per sh	*2.50*
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	*19.60*	*20.40*	Book Value per sh D	*22.70*
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	*49.50*	*49.60*	Common Shs Outst'g E	*50.00*
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	*1.00*
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%*

CAPITAL STRUCTURE as of 6/30/07
Total Debt $670.1 mill. Due in 5 Yrs $290.0 mill.
LT Debt $605.4 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 49,309,995 shs. as of 7/31/07

MARKET CAP: $1.6 billion (Mid Cap)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		10-12
1055.8	1040.6	972.1	1031.1	1446.5	1584.8	2064.2	2089.6	2186.3	2637.9	*2715*	*2800*	Revenues ($mill) A	*3060*
82.0	68.6	68.8	84.6	89.9	55.7	112.3	98.0	104.8	95.1	*100*	*105*	Net Profit ($mill)	*115*
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%	*3.7%*	*3.8%*	Net Profit Margin	*3.8%*
41.1%	40.3%	41.5%	43.1%	41.7%	45.7%	43.8%	40.9%	39.5%	38.5%	*36.2%*	*35.4%*	Long-Term Debt Ratio	*32.9%*
56.2%	57.1%	56.1%	54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	61.5%	*62.4%*	*62.9%*	Common Equity Ratio	*65.5%*
1049.0	1064.8	1218.5	1299.2	1400.8	1462.5	1454.9	1443.6	1478.1	1497.8	*1575*	*1610*	Total Capital ($mill)	*1735*
1217.1	1319.5	1402.7	1460.3	1519.7	1606.8	1874.9	1915.6	1969.7	2068	*2170*	*2280*	Net Plant ($mill)	*2640*
9.3%	8.0%	7.1%	7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.7%	*8.0%*	*8.0%*	Return on Total Cap'l	*8.0%*
13.3%	10.8%	9.7%	11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.3%	*10.5%*	*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%	*11.0%*	*11.0%*	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%	*3.5%*	*3.5%*	Retained to Com Eq	*3.5%*
63%	78%	82%	69%	67%	112%	56%	65%	62%	70%	*66%*	*66%*	All Div'ds to Net Prof	*65%*

CURRENT POSITION ($MILL.)

	2005	2006	6/30/07
Cash Assets	4.8	4.4	67.2
Other	476.2	556.9	477.4
Current Assets	481.0	561.3	544.6
Accts Payable	204.9	208.5	250.2
Debt Due	91.0	238.4	64.7
Other	115.5	113.9	156.6
Current Liab.	411.4	560.8	471.5
Fix. Chg. Cov.	460%	465%	460%

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
Revenues	7.5%	14.5%	4.5%
"Cash Flow"	5.0%	6.5%	1.5%
Earnings	4.5%	6.0%	2.0%
Dividends	1.5%	1.5%	2.5%
Book Value	4.0%	3.0%	4.0%

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	1119.9	467.5	*394.7*	*2715*
2008	*970*	*1040*	*390*	*400*	*2800*

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	1.29	.22	*d.38*	*2.05*
2008	*.95*	*1.26*	*.04*	*d.15*	*2.10*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.318	.32	.32	.32	1.28
2004	.32	.325	.325	.325	1.30
2005	.325	.333	.333	.333	1.32
2006	.333	.338	.338	.338	1.34
2007	.34	.34	.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 will likely post a modest earnings increase for fiscal 2007 (ends September 30th). This should result from higher gas and electric volume due to additional customers. The company has added approximately 14,000 new accounts year to date and estimates that number will reach 16,000 by the end of the fiscal year. Furthermore, rate cases and capital investments should help WGL grow at a steady pace.

Favorable rate case settlements should moderate earnings volatility and may bolster the bottom line. One of WGL's subsidiaries has reached a settlement in its Virginia rate case. The resolution implements an annual rate hike of $3.9 million, as well as a weather-normalized regulatory mechanism (WNA). When coupling the WNA with previous volatility mechanisms, 90% of the fluctuations related to changes in gas usage in Virginia (the largest area serviced) are eliminated. The rate increase is already in effect, but the SCC of Virginia must approve the changes before it is finalized; WGL expects this to happen by the end of this fiscal year. A similar program was put into use in Maryland earlier this year. These combined efforts have neutralized the effects of top-line variations on earnings in over 80% of areas serviced by WGL.

The company continues to invest in capital projects to foster expansion. Currently, it is recovering the costs related to the Gardner Road facility, which blends hexane into the Cove Point gas (CPG) to make it more like domestic pipeline natural gas. The lack of hexane was causing O-rings to shrink, allowing gas to escape from the pipeline. CPG will eventually be used to service a large portion of WGL's customers. To allow for such usage, the company recently broke ground on a second facility in Rockville, Maryland and recently purchased property to construct a third in Granesville, Virginia.

However, at present, these neutrally ranked shares are not very compelling (Timeliness: 3). Too, based on our projected earnings, the equity's current quotation is within our Target Price Range, leaving little room for capital appreciation out to 2010-2012.

Bryan Fong *September 14, 2007*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); '07, (4¢) discontinued operations: '06, (15¢). Next earnings report due late Oct. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '06: $296.6 million, $6.07/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	65

ATTACHMENT C

Zacks.com Quotes and Research

AMER ST WATER (NYSE)					Scottrade
AWR	41.69	▲0.16	(0.39%)	Vol. 67,508	15:53 ET

American States is a public utility company engaged principally in thepurchase, production, distribution and sale of water. The company alsodistributes electricity in some communities. In the customer service areas for both water and electric, rates and operations are subject to the jurisdiction of the California Public Utilities Commission.

General Information

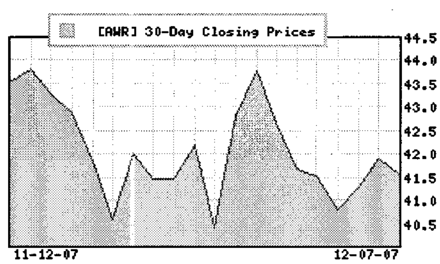
AMER STATES WTR
630 East Foothill Boulevard
San Dimas, CA 91773
Phone: 909 394-3600
Fax: 909 394-0711
Web: www.aswater.com
Email: investorinfo@aswater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	09/30/07
Next EPS Date	03/13/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	41.53
52 Week High	46.14
52 Week Low	33.57
Beta	0.49
20 Day Moving Average	131,320.84
Target Price Consensus	43.33



% Price Change		% Price Change Relative to S&P 500	
4 Week	-2.80	4 Week	-1.01
12 Week	5.02	12 Week	4.83
YTD	7.85	YTD	7.55

Share Information		Dividend Information	
Shares Outstanding (millions)	17.11	Dividend Yield	2.40%
		Annual Dividend	$1.00
Market Capitalization (millions)	712.80	Payout Ratio	0.64
Short Ratio	8.62	Change in Payout Ratio	0.00
Last Split Date	06/10/2002	Last Dividend Payout / Amount	11/07/2007 / $0.25

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.48	Current (1=Strong Buy, 5=Strong Sell)	2.80
Current Year EPS Consensus Estimate	1.62	30 Days Ago	2.75
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.50
Next EPS Report Date	03/13/2008	90 Days Ago	2.60

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	25.76	vs. Previous Year	2.33%	vs. Previous Year	2.85%
Trailing 12 Months:	28.14	vs. Previous Quarter	4.76%	vs. Previous Quarter:	-4.30%
PEG Ratio	-				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.50	09/30/07	8.86	09/30/07	2.70

Price/Cash Flow	14.23	06/30/07	8.89	06/30/07	2.71
Price / Sales	2.43	03/31/07	8.66	03/31/07	2.63
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	0.78	09/30/07	0.76	09/30/07	8.77
06/30/07	0.84	06/30/07	0.82	06/30/07	8.71
03/31/07	0.81	03/31/07	0.79	03/31/07	8.87
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	15.79	09/30/07	15.79	09/30/07	17.47
06/30/07	15.05	06/30/07	15.05	06/30/07	17.14
03/31/07	14.96	03/31/07	14.96	03/31/07	16.84
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	52.61	09/30/07	0.90	09/30/07	47.23
06/30/07	52.77	06/30/07	0.92	06/30/07	47.78
03/31/07	50.52	03/31/07	0.93	03/31/07	48.24

Zacks.com Quotes and Research

CALIFORNIA WATER SVC (NYSE)

Scottrade

CWT	39.01	▲0.17	(0.44%)	Vol. 85,800	15:58 ET

California Water Service Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

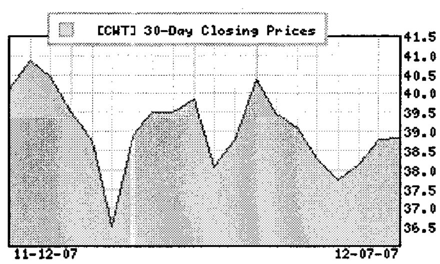
General Information

CALIF WATER SVC
1720 North First Street
San Jose, CA 95112
Phone: 408 367-8200
Fax: 408 437-9185
Web: www.calwatergroup.com
Email: klichtenberg@calwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	09/30/07
Next EPS Date	03/05/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	38.84
52 Week High	45.37
52 Week Low	34.23
Beta	1.13
20 Day Moving Average	171,618.84
Target Price Consensus	43.17



% Price Change		% Price Change Relative to S&P 500	
4 Week	0.18	4 Week	2.03
12 Week	0.39	12 Week	0.21
YTD	-3.29	YTD	-2.89

Share Information		Dividend Information	
Shares Outstanding (millions)	20.67	Dividend Yield	2.97%
		Annual Dividend	$1.16
Market Capitalization (millions)	807.42	Payout Ratio	0.82
Short Ratio	9.21	Change in Payout Ratio	-0.09
Last Split Date	01/26/1998	Last Dividend Payout / Amount	NA / $0.00

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.34	Current (1=Strong Buy, 5=Strong Sell)	2.00
Current Year EPS Consensus Estimate	1.48	30 Days Ago	2.14
Estimated Long-Term EPS Growth Rate	8.00	60 Days Ago	2.14
Next EPS Report Date	03/05/2008	90 Days Ago	2.25

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	26.42	vs. Previous Year	-1.47%	vs. Previous Year	5.66%
Trailing 12 Months:	27.51	vs. Previous Quarter	81.08%	vs. Previous Quarter:	18.86%
PEG Ratio	3.30				

Price Ratios		ROE		ROA	
Price/Book	2.13	09/30/07	7.82	09/30/07	2.52
Price/Cash Flow	14.19	06/30/07	7.95	06/30/07	2.49
Price / Sales	2.23	03/31/07	7.86	03/31/07	2.38
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	1.08	09/30/07	1.02	09/30/07	8.16
06/30/07	1.16	06/30/07	1.10	06/30/07	7.97
03/31/07	1.40	03/31/07	1.33	03/31/07	7.72
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	12.92	09/30/07	12.92	09/30/07	18.56
06/30/07	12.78	06/30/07	12.78	06/30/07	18.18
03/31/07	12.36	03/31/07	12.36	03/31/07	18.10
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	32.21	09/30/07	0.76	09/30/07	42.92
06/30/07	32.11	06/30/07	0.78	06/30/07	43.44
03/31/07	30.42	03/31/07	0.78	03/31/07	43.57

Zacks.com Quotes and Research

SOUTHWEST WATER COMPANY (NASDAQ)

Scottrade

SWWC	12.47	▾-0.10	(-0.80%)	Vol. 87,287	16:04 ET

Southwest Water Company provides a broad range of utility and utility management services and serves people from coast to coast. Through its various subsidiaries, Southwest operates and manages water and wastewater treatment facilities along with providing utility submetering and billing and collection services.

General Information

SOUTHWEST WATER
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Los Angeles, CA 90017-3782
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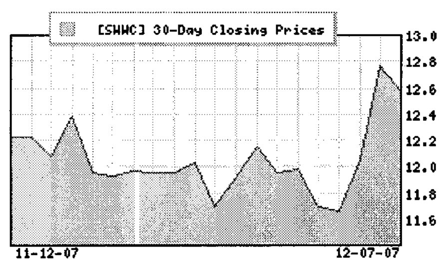
Fax: 213 929-1888
Web: www.southwestwater.com
Email: swwc@swwc.com

Industry	UTIL-WATER SPLY
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	09/30/07
Next EPS Date	03/14/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	12.57
52 Week High	16.41
52 Week Low	11.53
Beta	0.25
20 Day Moving Average	99,666.85
Target Price Consensus	14



% Price Change		% Price Change Relative to S&P 500	
4 Week	-2.60	4 Week	-0.81
12 Week	-12.68	12 Week	-12.83
YTD	-12.94	YTD	-13.93

Share Information		Dividend Information	
Shares Outstanding (millions)	24.17	Dividend Yield	1.92%
		Annual Dividend	$0.23
Market Capitalization (millions)	289.60	Payout Ratio	0.70
Short Ratio	6.54	Change in Payout Ratio	0.00
Last Split Date	12/28/2005	Last Dividend Payout / Amount	09/26/2007 / $0.06

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.12	Current (1=Strong Buy, 5=Strong Sell)	3.40
Current Year EPS Consensus Estimate	0.36	30 Days Ago	3.50
Estimated Long-Term EPS Growth Rate	11.00	60 Days Ago	3.50
Next EPS Report Date	03/14/2008	90 Days Ago	3.40

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	33.28	vs. Previous Year	-50.00%	vs. Previous Year	-4.63%
Trailing 12 Months:	36.30	vs. Previous Quarter	-11.11%	vs. Previous Quarter:	4.33%
PEG Ratio	3.03				

Price Ratios	ROE	ROA

Price/Book	1.70	09/30/07	4.77	09/30/07	1.60
Price/Cash Flow	12.95	06/30/07	5.82	06/30/07	1.96
Price / Sales	1.33	03/31/07	6.60	03/31/07	2.21
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	1.23	09/30/07	1.23	09/30/07	3.69
06/30/07	1.42	06/30/07	1.43	06/30/07	4.36
03/31/07	1.60	03/31/07	1.60	03/31/07	4.81
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	5.68	09/30/07	5.68	09/30/07	7.11
06/30/07	6.71	06/30/07	6.71	06/30/07	7.06
03/31/07	6.42	03/31/07	6.42	03/31/07	7.01
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	-	09/30/07	0.83	09/30/07	45.36
06/30/07	-	06/30/07	0.85	06/30/07	45.74
03/31/07	-	03/31/07	0.81	03/31/07	44.67

ZACKS
PROFIT FROM THE PROS

Zacks.com Quotes and Research

AQUA AMERICA INC (NYSE)

Scottrade

WTR	22.66	▲0.11	(0.49%)	Vol. 616,730	16:00 ET

Aqua America is the largest publicly-traded U.S.-based water utility serving residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

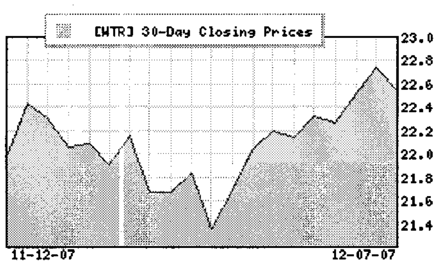
General Information

AQUA AMER INC
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
Phone: 610 527-8000
Fax: 610 519-0989
Web: www.aquaamerica.com
Email: investorrelations@aquaamerica.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	09/30/07
Next EPS Date	03/05/2008

Price and Volume Information

Zacks Rank	2
Yesterday's Close	22.55
52 Week High	26.62
52 Week Low	18.86
Beta	0.25
20 Day Moving Average	1,069,214.25
Target Price Consensus	25.86



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.36	4 Week	-1.58
12 Week	-9.48	12 Week	-9.64
YTD	-2.81	YTD	-5.62

Share Information		Dividend Information	
Shares Outstanding (millions)	132.97	Dividend Yield	2.26%
		Annual Dividend	$0.50
Market Capitalization (millions)	2,943.91	Payout Ratio	0.69
Short Ratio	9.26	Change in Payout Ratio	0.09
Last Split Date	12/02/2005	Last Dividend Payout / Amount	11/14/2007 / $0.13

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.20	Current (1=Strong Buy, 5=Strong Sell)	1.78
Current Year EPS Consensus Estimate	0.74	30 Days Ago	1.88
Estimated Long-Term EPS Growth Rate	11.00	60 Days Ago	2.00
Next EPS Report Date	03/05/2008	90 Days Ago	2.11

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	29.83	vs. Previous Year	4.76%	vs. Previous Year	12.62%
Trailing 12 Months:	30.75	vs. Previous Quarter	22.22%	vs. Previous Quarter:	9.87%
PEG Ratio	2.71				
Price Ratios		**ROE**		**ROA**	
Price/Book	3.17	09/30/07	10.20	09/30/07	3.17

Price/Cash Flow	17.51	06/30/07	10.17	06/30/07	3.20
Price / Sales	4.99	03/31/07	10.22	03/31/07	3.25
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	0.41	09/30/07	0.38	09/30/07	16.24
06/30/07	0.42	06/30/07	0.38	06/30/07	16.38
03/31/07	0.45	03/31/07	0.42	03/31/07	16.69
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	26.85	09/30/07	26.85	09/30/07	7.26
06/30/07	27.09	06/30/07	27.09	06/30/07	7.12
03/31/07	27.60	03/31/07	27.60	03/31/07	7.01
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	0.00	09/30/07	1.08	09/30/07	51.87
06/30/07	0.00	06/30/07	1.10	06/30/07	52.46
03/31/07	0.00	03/31/07	1.13	03/31/07	53.09

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ATLANTA GAS LIGHT (NYSE)

Scottrade

ATG	38.19	▾-0.13	(-0.34%)	Vol. 498,940	16:25 ET

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.

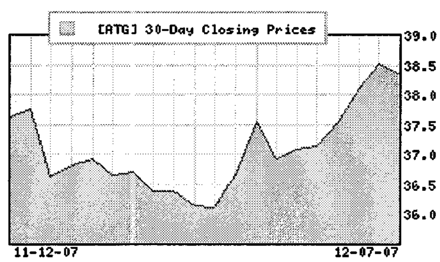
General Information

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	09/30/07
Next EPS Date	02/07/2008

Price and Volume Information

Zacks Rank	2
Yesterday's Close	38.32
52 Week High	44.67
52 Week Low	35.24
Beta	0.40
20 Day Moving Average	631,333.75
Target Price Consensus	42.25



% Price Change		% Price Change Relative to S&P 500	
4 Week	-4.36	4 Week	-2.60
12 Week	-5.84	12 Week	-6.01
YTD	-4.70	YTD	-8.56

Share Information		Dividend Information	
Shares Outstanding (millions)	77.69	Dividend Yield	4.42%
		Annual Dividend	$1.64
Market Capitalization (millions)	2,880.93	Payout Ratio	0.66
Short Ratio	3.32	Change in Payout Ratio	0.11
Last Split Date	12/04/1995	Last Dividend Payout / Amount	11/14/2007 / $0.41

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.82	Current (1=Strong Buy, 5=Strong Sell)	1.88
Current Year EPS Consensus Estimate	2.73	30 Days Ago	1.86
Estimated Long-Term EPS Growth Rate	4.80	60 Days Ago	1.86
Next EPS Report Date	02/07/2008	90 Days Ago	1.89

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.56	vs. Previous Year	-63.04%	vs. Previous Year	-14.98%
Trailing 12 Months:	15.01	vs. Previous Quarter	-57.50%	vs. Previous Quarter:	-20.99%
PEG Ratio	2.85				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.79	09/30/07	11.67	09/30/07	3.27

Price/Cash Flow	8.23	06/30/07	13.15	06/30/07	3.66
Price / Sales	1.15	03/31/07	12.67	03/31/07	3.47
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	1.04	09/30/07	0.56	09/30/07	7.63
06/30/07	1.08	06/30/07	0.62	06/30/07	8.33
03/31/07	1.27	03/31/07	0.92	03/31/07	8.00
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	12.28	09/30/07	12.28	09/30/07	20.89
06/30/07	13.41	06/30/07	13.41	06/30/07	21.49
03/31/07	12.86	03/31/07	12.86	03/31/07	21.55
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	2.50	09/30/07	0.95	09/30/07	49.47
06/30/07	2.59	06/30/07	0.92	06/30/07	48.65
03/31/07	2.52	03/31/07	0.97	03/31/07	49.73

Zacks.com Quotes and Research

ATMOS ENERGY CP (NYSE)

Scottrade

ATO	27.21	▲0.14	(0.52%)	Vol. 286,474	16:25 ET

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

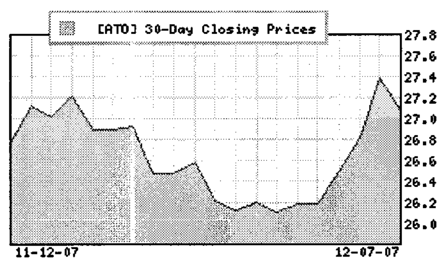
ATMOS ENERGY CP
Three Lincoln Centre, 5430 Lbj Freeway
Suite 1800
Dallas, TX 75240
Phone: 972 934-9227
Fax: -
Web: www.atmosenergy.com
Email: InvestorRelations@atmosenergy.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Reported Quarter	09/30/07
Next EPS Date	02/05/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	27.07
52 Week High	33.47
52 Week Low	23.87
Beta	0.67
20 Day Moving Average	556,636.75
Target Price Consensus	30.43



% Price Change	
4 Week	-5.66
12 Week	-5.89
YTD	-17.93

% Price Change Relative to S&P 500	
4 Week	-3.92
12 Week	-6.06
YTD	-18.00

Share Information	
Shares Outstanding (millions)	89.16
Market Capitalization (millions)	2,335.10
Short Ratio	4.23
Last Split Date	05/17/1994

Dividend Information	
Dividend Yield	4.96%
Annual Dividend	$1.30
Payout Ratio	0.65
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	11/21/2007 / $0.32

EPS Information	
Current Quarter EPS Consensus Estimate	0.86
Current Year EPS Consensus Estimate	2.00
Estimated Long-Term EPS Growth Rate	5.20
Next EPS Report Date	02/05/2008

Consensus Recommendations	
Current (1=Strong Buy, 5=Strong Sell)	2.00
30 Days Ago	1.83
60 Days Ago	1.83
90 Days Ago	2.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	13.10	vs. Previous Year	-116.00%	vs. Previous Year	3.15%
Trailing 12 Months:	13.23	vs. Previous Quarter	73.33%	vs. Previous Quarter:	-17.74%
PEG Ratio	2.52				

Price Ratios		ROE		ROA	
Price/Book	1.30	09/30/07	8.62	09/30/07	2.78
Price/Cash Flow	6.14	06/30/07	10.30	06/30/07	3.24
Price / Sales	0.40	03/31/07	11.66	03/31/07	3.58
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	-	09/30/07	-	09/30/07	2.89
06/30/07	1.22	06/30/07	0.80	06/30/07	3.32
03/31/07	1.03	03/31/07	0.77	03/31/07	3.84
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	5.05	06/30/07	5.05	06/30/07	22.39
03/31/07	5.24	03/31/07	5.24	03/31/07	22.83
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	10.11	06/30/07	1.07	06/30/07	51.68
03/31/07	9.52	03/31/07	0.93	03/31/07	48.16

Zacks.com Quotes and Research

LACLEDE GROUP INC (NYSE)

LG	34.57	-0.10	(-0.29%)	Vol. 72,700	16:25 ET

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.

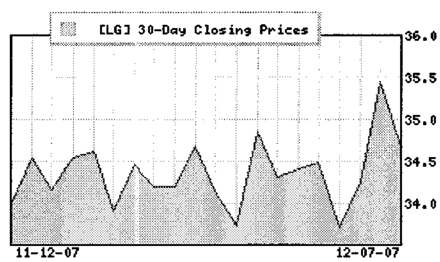
General Information

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	09/30/07
Next EPS Date	01/24/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	34.67
52 Week High	36.38
52 Week Low	28.84
Beta	0.77
20 Day Moving Average	86,467.30
Target Price Consensus	N/A



% Price Change		% Price Change Relative to S&P 500	
4 Week	4.62	4 Week	6.55
12 Week	8.34	12 Week	8.15
YTD	-1.77	YTD	-2.54

Share Information		Dividend Information	
Shares Outstanding (millions)	21.63	Dividend Yield	4.24%
		Annual Dividend	$1.46
Market Capitalization (millions)	744.43	Payout Ratio	0.63
Short Ratio	15.87	Change in Payout Ratio	-0.08
Last Split Date	03/08/1994	Last Dividend Payout / Amount	09/07/2007 / $0.37

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.86	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.09	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	3.00
Next EPS Report Date	01/24/2008	90 Days Ago	3.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.46	vs. Previous Year	175.00%	vs. Previous Year	20.18%
Trailing 12 Months:	14.83	vs. Previous Quarter	-93.02%	vs. Previous Quarter:	-29.41%
PEG Ratio	-				

Price Ratios		ROE		ROA	
Price/Book	1.83	09/30/07	11.64	09/30/07	3.15

Price/Cash Flow	8.75	06/30/07	11.48	06/30/07	3.07
Price / Sales	0.37	03/31/07	10.09	03/31/07	2.68
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	-	09/30/07	-	09/30/07	2.46
06/30/07	1.09	06/30/07	0.84	06/30/07	2.46
03/31/07	1.15	03/31/07	0.98	03/31/07	2.27
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	3.73	06/30/07	3.73	06/30/07	20.13
03/31/07	3.43	03/31/07	3.43	03/31/07	19.95
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	12.81	06/30/07	0.82	06/30/07	45.02
03/31/07	12.17	03/31/07	0.83	03/31/07	45.21

Zacks.com Quotes and Research

N J RESOURCES CP (NYSE)

NJR	51.21	-0.17	(-0.33%)	Vol. 125,200	16:15 ET

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.

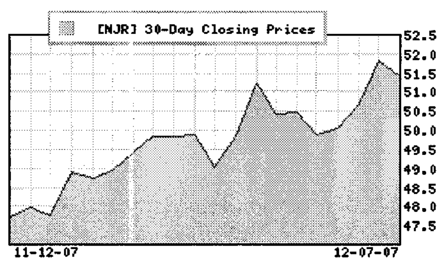
General Information

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	09/30/07
Next EPS Date	02/06/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	51.38
52 Week High	56.45
52 Week Low	45.50
Beta	0.45
20 Day Moving Average	183,036.09
Target Price Consensus	53.5



% Price Change

4 Week	6.28
12 Week	5.19
YTD	3.85

% Price Change Relative to S&P 500

4 Week	8.24
12 Week	5.01
YTD	1.04

Share Information

Shares Outstanding (millions)	28.06
Market Capitalization (millions)	1,415.78
Short Ratio	15.22
Last Split Date	03/04/2002

Dividend Information

Dividend Yield	3.01%
Annual Dividend	$1.52
Payout Ratio	0.48
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	09/12/2007 / $0.38

EPS Information

Current Quarter EPS Consensus Estimate	1.02
Current Year EPS Consensus Estimate	3.23
Estimated Long-Term EPS Growth Rate	6.00
Next EPS Report Date	02/06/2008

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	1.67
30 Days Ago	1.67
60 Days Ago	1.67
90 Days Ago	2.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.81	vs. Previous Year	-27.91%	vs. Previous Year	11.78%
Trailing 12 Months:	16.02	vs. Previous Quarter	-205.56%	vs. Previous Quarter:	-10.20%
PEG Ratio	2.63				

Price Ratios		ROE		ROA	
Price/Book	2.28	09/30/07	13.46	09/30/07	3.80
Price/Cash Flow	12.47	06/30/07	14.16	06/30/07	3.91
Price / Sales	0.47	03/31/07	14.74	03/31/07	3.99
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	-	09/30/07	-	09/30/07	2.92
06/30/07	1.07	06/30/07	0.55	06/30/07	3.09
03/31/07	1.02	03/31/07	0.63	03/31/07	3.27
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	5.07	06/30/07	5.07	06/30/07	23.99
03/31/07	5.38	03/31/07	5.38	03/31/07	23.45
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	5.93	06/30/07	0.50	06/30/07	33.25
03/31/07	5.53	03/31/07	0.51	03/31/07	33.94

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NICOR INC (NYSE)

Scottrade

GAS	44.53	▲0.09	(0.20%)	Vol. 772,807	16:24 ET

Nicor Inc. is a holding company and is a member of the Standard & Poor's 500 Index. Its primary business is Nicor Gas, one of the nation's largest natural gas distribution companies. Nicor owns Tropical Shipping, a containerized shipping business serving the Caribbean region and the Bahamas. In addition, the company owns and has an equity interest in several energy-related businesses.

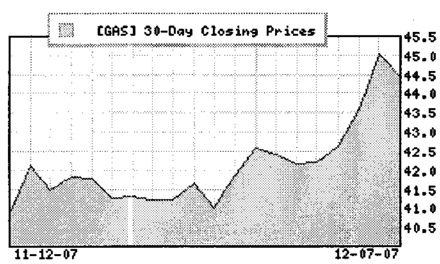
General Information

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	09/30/07
Next EPS Date	02/22/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	44.44
52 Week High	53.66
52 Week Low	37.80
Beta	0.58
20 Day Moving Average	959,363.31
Target Price Consensus	46.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	1.94	4 Week	3.81
12 Week	1.15	12 Week	0.98
YTD	-9.96	YTD	-12.37

Share Information		Dividend Information	
Shares Outstanding (millions)	45.11	Dividend Yield	4.41%
		Annual Dividend	$1.86
Market Capitalization (millions)	1,901.10	Payout Ratio	0.63
Short Ratio	14.87	Change in Payout Ratio	-0.13
Last Split Date	04/27/1993	Last Dividend Payout / Amount	09/26/2007 / $0.47

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.16	Current (1=Strong Buy, 5=Strong Sell)	2.67
Current Year EPS Consensus Estimate	2.78	30 Days Ago	2.00
Estimated Long-Term EPS Growth Rate	4.00	60 Days Ago	2.00
Next EPS Report Date	02/22/2008	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.16	vs. Previous Year	14.29%	vs. Previous Year	4.02%
Trailing 12 Months:	14.33	vs. Previous Quarter	-20.00%	vs. Previous Quarter:	-34.42%
PEG Ratio	3.79				
Price Ratios		**ROE**		**ROA**	
Price/Book	2.16	09/30/07	14.71	09/30/07	3.31

Price/Cash Flow	6.00	06/30/07	14.81	06/30/07	3.29
Price / Sales	0.61	03/31/07	15.25	03/31/07	3.34
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	0.73	09/30/07	0.48	09/30/07	4.29
06/30/07	0.79	06/30/07	0.74	06/30/07	4.24
03/31/07	0.83	03/31/07	0.79	03/31/07	4.41
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	6.05	09/30/07	6.05	09/30/07	20.15
06/30/07	6.35	06/30/07	6.35	06/30/07	20.35
03/31/07	6.21	03/31/07	6.21	03/31/07	20.33
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	18.26	09/30/07	0.47	09/30/07	31.73
06/30/07	19.79	06/30/07	0.54	06/30/07	35.18
03/31/07	19.76	03/31/07	0.55	03/31/07	35.30

Zacks.com Quotes and Research

NORTHWEST NAT GAS (NYSE)

Scottrade

NWN	48.25	-0.14	(-0.29%)	Vol. 64,200	16:25 ET

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

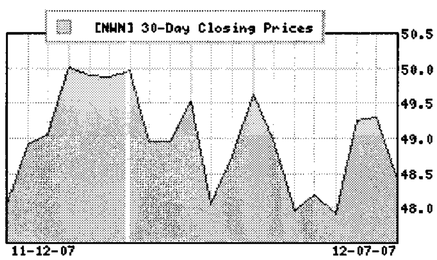
NORTHWEST NAT G
220 N.W. Second Avenue
Portland, OR 97209
Phone: 503 226-4211
Fax: 503 273-4824
Web: www.nwnatural.com
Email: Bob.Hess@nwnatural.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	December
Last Reported Quarter	09/30/07
Next EPS Date	02/14/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	48.39
52 Week High	52.85
52 Week Low	39.79
Beta	0.39
20 Day Moving Average	226,970.50
Target Price Consensus	51.33



% Price Change		% Price Change Relative to S&P 500	
4 Week	3.67	4 Week	5.59
12 Week	6.22	12 Week	6.04
YTD	13.03	YTD	14.87

Share Information		Dividend Information	
Shares Outstanding (millions)	26.58	Dividend Yield	3.13%
		Annual Dividend	$1.50
Market Capitalization (millions)	1,275.04	Payout Ratio	0.52
Short Ratio	16.93	Change in Payout Ratio	0.00
Last Split Date	09/09/1996	Last Dividend Payout / Amount	10/29/2007 / $0.38

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.13	Current (1=Strong Buy, 5=Strong Sell)	2.43
Current Year EPS Consensus Estimate	2.75	30 Days Ago	2.60
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.60
Next EPS Report Date	02/14/2008	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.49	vs. Previous Year	37.14%	vs. Previous Year	8.12%
Trailing 12 Months:	17.57	vs. Previous Quarter	-320.00%	vs. Previous Quarter:	-32.20%
PEG Ratio	3.33				

Price Ratios		ROE		ROA	

Price/Book	2.20	09/30/07	12.35	09/30/07	3.92
Price/Cash Flow	10.32	06/30/07	11.69	06/30/07	3.77
Price / Sales	1.23	03/31/07	11.58	03/31/07	3.78
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	0.69	09/30/07	0.39	09/30/07	7.21
06/30/07	0.76	06/30/07	0.47	06/30/07	6.91
03/31/07	0.95	03/31/07	0.73	03/31/07	6.93
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	11.43	09/30/07	11.43	09/30/07	22.01
06/30/07	10.96	06/30/07	10.96	06/30/07	22.61
03/31/07	10.98	03/31/07	10.98	03/31/07	23.13
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	9.62	09/30/07	0.88	09/30/07	46.67
06/30/07	9.10	06/30/07	0.85	06/30/07	45.86
03/31/07	8.28	03/31/07	0.82	03/31/07	45.06

Zacks.com Quotes and Research

PIEDMONT NAT GAS CO (NYSE)

Scottrade

PNY	26.64	▼-0.18	(-0.67%)	Vol. 218,800	16:25 ET

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.

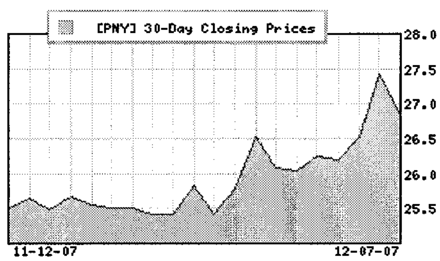
General Information

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	10/31/07
Next EPS Date	12/07/2007

Price and Volume Information

Zacks Rank	
Yesterday's Close	26.82
52 Week High	28.40
52 Week Low	22.00
Beta	0.42
20 Day Moving Average	318,159.91
Target Price Consensus	27.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	5.43	4 Week	7.37
12 Week	-0.91	12 Week	-1.09
YTD	-2.65	YTD	-4.94

Share Information		Dividend Information	
Shares Outstanding (millions)	74.07	Dividend Yield	3.84%
		Annual Dividend	$1.00
Market Capitalization (millions)	1,928.73	Payout Ratio	0.00
Short Ratio	27.02	Change in Payout Ratio	0.00
Last Split Date	11/01/2004	Last Dividend Payout / Amount	09/20/2007 / $0.25

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	-0.05	Current (1=Strong Buy, 5=Strong Sell)	2.80
Current Year EPS Consensus Estimate	1.45	30 Days Ago	2.80
Estimated Long-Term EPS Growth Rate	5.70	60 Days Ago	2.80
Next EPS Report Date	12/07/2007	90 Days Ago	2.67

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.19	vs. Previous Year	25.00%	vs. Previous Year	-5.65%
Trailing 12 Months:	18.21	vs. Previous Quarter	-117.39%	vs. Previous Quarter:	-57.78%
PEG Ratio	3.03				

Price Ratios		**ROE**		**ROA**	
Price/Book	2.22	10/31/07	-	10/31/07	-
Price/Cash Flow	10.13	07/31/07	11.77	07/31/07	3.86
Price / Sales	-	04/30/07	11.41	04/30/07	3.79
Current Ratio		**Quick Ratio**		**Operating Margin**	
10/31/07	-	10/31/07	-	10/31/07	-
07/31/07	1.23	07/31/07	0.81	07/31/07	6.21
04/30/07	1.45	04/30/07	1.02	04/30/07	5.97
Net Margin		**Pre-Tax Margin**		**Book Value**	
10/31/07	-	10/31/07	-	10/31/07	-
07/31/07	10.69	07/31/07	10.69	07/31/07	12.18
04/30/07	9.82	04/30/07	9.82	04/30/07	12.39
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
10/31/07	-	10/31/07	-	10/31/07	-
07/31/07	8.46	07/31/07	0.92	07/31/07	47.81
04/30/07	8.73	04/30/07	0.89	04/30/07	47.16

Zacks.com Quotes and Research

SOUTH JERSEY IND (NYSE)

SJI	36.33	▾-0.19	(-0.52%)	Vol. 143,000	16:25 ET

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.

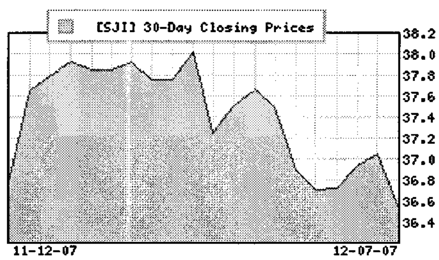
General Information

SOUTH JERSEY IN
1 South Jersey Plaza
Folsom, NJ 08037
Phone: 609 561-9000
Fax: 609 561-8225
Web: www.sjindustries.com
Email: investorrelations@sjindustries.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	09/30/07
Next EPS Date	03/05/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	36.52
52 Week High	41.27
52 Week Low	31.20
Beta	0.59
20 Day Moving Average	159,121.30
Target Price Consensus	41.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	1.46	4 Week	3.33
12 Week	11.75	12 Week	11.56
YTD	10.45	YTD	12.03

Share Information		Dividend Information	
Shares Outstanding (millions)	29.51	Dividend Yield	2.66%
		Annual Dividend	$0.98
Market Capitalization (millions)	1,089.03	Payout Ratio	0.55
Short Ratio	16.03	Change in Payout Ratio	0.00
Last Split Date	07/01/2005	Last Dividend Payout / Amount	09/06/2007 / $0.25

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.62	Current (1=Strong Buy, 5=Strong Sell)	1.80
Current Year EPS Consensus Estimate	2.07	30 Days Ago	1.40
Estimated Long-Term EPS Growth Rate	7.50	60 Days Ago	1.40
Next EPS Report Date	03/05/2008	90 Days Ago	1.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.87	vs. Previous Year	-155.56%	vs. Previous Year	17.41%
Trailing 12 Months:	20.85	vs. Previous Quarter	-123.81%	vs. Previous Quarter:	-8.99%
PEG Ratio	2.38				

Price Ratios	ROE	ROA

Price/Book	2.44	09/30/07	11.31	09/30/07	3.44
Price/Cash Flow	10.48	06/30/07	12.44	06/30/07	3.71
Price / Sales	1.15	03/31/07	13.01	03/31/07	3.82
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	0.94	09/30/07	0.47	09/30/07	5.52
06/30/07	0.97	06/30/07	0.54	06/30/07	6.09
03/31/07	1.05	03/31/07	0.77	03/31/07	6.31
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	6.32	09/30/07	6.32	09/30/07	16.00
06/30/07	7.70	06/30/07	7.70	06/30/07	16.05
03/31/07	12.64	03/31/07	12.64	03/31/07	15.79
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	3.19	09/30/07	0.76	09/30/07	43.14
06/30/07	3.09	06/30/07	0.76	06/30/07	43.22
03/31/07	5.22	03/31/07	0.77	03/31/07	43.62

Zacks.com Quotes and Research

SOUTHWEST GAS CP (NYSE)

Scottrade

SWX	30.29	▼-0.13	(-0.43%)	Vol. 109,800	16:27 ET

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.

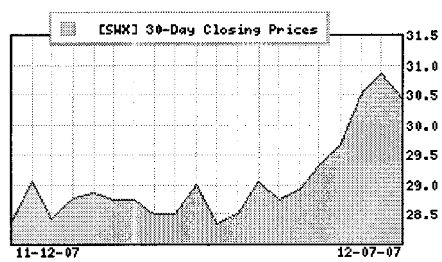
General Information

SOUTHWEST GAS
5241 Spring Mountain Road
P.O. Box 98510
Las Vegas, NV 89193-8510
Phone: 702 876-7237
Fax: 702-876-7037
Web: www.swgas.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	09/30/07
Next EPS Date	03/04/2008

Price and Volume Information

Zacks Rank	
Yesterday's Close	30.42
52 Week High	39.95
52 Week Low	26.45
Beta	0.38
20 Day Moving Average	260,003.91
Target Price Consensus	36.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	1.72	4 Week	3.60
12 Week	0.52	12 Week	0.35
YTD	-24.63	YTD	-25.59

Share Information		Dividend Information	
Shares Outstanding (millions)	42.41	Dividend Yield	2.97%
		Annual Dividend	$0.86
Market Capitalization (millions)	1,226.44	Payout Ratio	0.42
Short Ratio	8.24	Change in Payout Ratio	-0.14
Last Split Date	N/A	Last Dividend Payout / Amount	11/13/2007 / $0.22

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.05	Current (1=Strong Buy, 5=Strong Sell)	2.00
Current Year EPS Consensus Estimate	2.03	30 Days Ago	2.00
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.00
Next EPS Report Date	03/04/2008	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	14.26	vs. Previous Year	15.38%	vs. Previous Year	5.61%
Trailing 12 Months:	14.11	vs. Previous Quarter	-2,100.00%	vs. Previous Quarter:	-12.90%
PEG Ratio	-				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.33	09/30/07	9.26	09/30/07	2.52

Price/Cash Flow	4.80	06/30/07	9.41	06/30/07	2.53
Price / Sales	0.57	03/31/07	9.91	03/31/07	2.63
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	0.73	09/30/07	0.73	09/30/07	4.03
06/30/07	0.73	06/30/07	0.73	06/30/07	4.00
03/31/07	0.89	03/31/07	0.89	03/31/07	4.05
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	6.22	09/30/07	6.22	09/30/07	22.20
06/30/07	6.19	06/30/07	6.19	06/30/07	22.63
03/31/07	6.49	03/31/07	6.49	03/31/07	22.64
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	-	09/30/07	1.41	09/30/07	58.51
06/30/07	-	06/30/07	1.37	06/30/07	57.75
03/31/07	-	03/31/07	1.38	03/31/07	57.92

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PROFIT FROM THE PROS

Zacks.com Quotes and Research

WGL HOLDINGS INC (NYSE)

Scottrade

WGL	33.56	▲0.03	(0.09%)	Vol. 399,200	16:25 ET

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

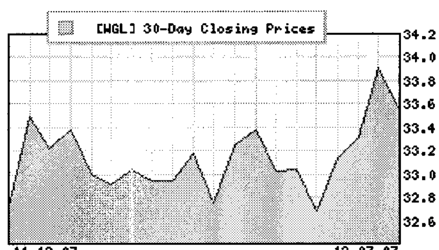
WGL HLDGS INC
101 Constitution Ave, N.W
Washington, DC 20080
Phone: 703 750-2000
Fax: 703 750-4828
Web: www.wglholdings.com
Email: madams@washgas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Reported Quarter	09/30/07
Next EPS Date	02/06/2008

Price and Volume Information

Zacks Rank	2
Yesterday's Close	33.53
52 Week High	35.91
52 Week Low	29.79
Beta	0.52
20 Day Moving Average	552,456.81
Target Price Consensus	33.58



% Price Change

4 Week	0.61
12 Week	0.95
YTD	1.41

% Price Change Relative to S&P 500

4 Week	2.46
12 Week	0.77
YTD	0.26

Share Information

Shares Outstanding (millions)	49.31
Market Capitalization (millions)	1,629.20
Short Ratio	13.12
Last Split Date	05/02/1995

Dividend Information

Dividend Yield	4.15%
Annual Dividend	$1.37
Payout Ratio	0.65
Change in Payout Ratio	0.00
Last Dividend Payout / Amount	10/05/2007 / $0.34

EPS Information

Current Quarter EPS Consensus Estimate	0.96
Current Year EPS Consensus Estimate	2.17
Estimated Long-Term EPS Growth Rate	4.00
Next EPS Report Date	02/06/2008

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	2.50
30 Days Ago	2.50
60 Days Ago	2.50
90 Days Ago	2.60

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.21	vs. Previous Year	-72.22%	vs. Previous Year	1.00%
Trailing 12 Months:	15.73	vs. Previous Quarter	-240.91%	vs. Previous Quarter:	-30.33%
PEG Ratio	3.80				

Price Ratios **ROE** **ROA**

Price/Book	1.75	09/30/07	10.38	09/30/07	3.43
Price/Cash Flow	8.55	06/30/07	11.26	06/30/07	3.72
Price / Sales	0.62	03/31/07	10.23	03/31/07	3.36
Current Ratio		**Quick Ratio**		**Operating Margin**	
09/30/07	-	09/30/07	-	09/30/07	3.89
06/30/07	1.15	06/30/07	0.72	06/30/07	4.15
03/31/07	1.14	03/31/07	0.98	03/31/07	4.05
Net Margin		**Pre-Tax Margin**		**Book Value**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	7.27	06/30/07	7.27	06/30/07	20.50
03/31/07	6.98	03/31/07	6.98	03/31/07	20.51
Inventory Turnover		**Debt-to-Equity**		**Debt to Captial**	
09/30/07	-	09/30/07	-	09/30/07	-
06/30/07	12.06	06/30/07	0.60	06/30/07	36.86
03/31/07	10.98	03/31/07	0.60	03/31/07	36.87

ATTACHMENT D

Arizona
American Water®

Paul M. Li
Associate Counsel
Tel. 623.445.2442
Fax. 623.445.2451

December 10, 2007

Robin R. Mitchell
Arizona Corporation Commission – Legal Division
1200 West Washington Street
Phoenix, AZ 85007

Via e-mail and over-night delivery

RE: Staff's Seventh Set of Data Requests to Arizona-American Water Company
Docket No. W-01303A-07-0209

Dear Ms. Mitchell:

Attached for your review is Arizona-American Water Company's response to Staff's Seventh Data Request.

Sincerely,

Paul M. Li
Associate Counsel

Cc: Dorothy Hains, Utilities Division
Alexander Igwe, Utilities Division
Steve Irvine, Utilities Division
Dan Pozefsky, RUCO
Marylee Diaz Cortez, RUCO
William Sullivan, Town of Youngtown
Craig Marks

Enclosures

COMPANY: ARIZONA AMERICAN WATER COMPANY
DISTRICT: SUN CITY WATER DISTRICT
DOCKET NO: WS-01303A-07-0209

Response provided by: **Thomas M. Broderick**

Title: Manager of Rates

Address: 19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

Company Response Number: SPI 7.1

Q: Please provide the most current capital structure available for Sun City Water District inclusive of long-term and short-term debt, along with its corresponding costs.

A: Attachment 7.1.1 shows Arizona-American Water's capital structure as of October 31, 2007 with a pro forma adjustment for the equity infusion occurred in the November, 2007. Arizona-American Water is in the process of updating its capital structure and will provide staff its actual November Capital structure as soon as it becomes available.

Arizona-American's Cost of Debt

	Actual and Projected as of 10/31/2007	Annual Interest	Interest Rate		
Long-Term Debt					
Aug '08 L-T Senior Notes	$ 4,519,474	321,877	7.122%	Actual	
Sept '13 PILR - Monterey	41,323	2,587	6.260%	Actual	
Aug '13 PILR - Montex/Lincoln	23,036	1,327	5.761%	Actual	
Aug '15 PILR - Rosalee	43,340	3,112	7.180%	Actual	
Aug '15 PILR - T.O. Development	37,123	2,665	7.179%	Actual	
Sept '28 L-T Note - Maricopa	10,635,000	386,051	3.630%	Actual	
Dec '13 L-T Promissory Note	24,700,000	1,331,330	5.390%	Actual	
Dec '16 L-T Promissory Note	11,200,000	618,240	5.520%	Actual	
Dec '18 L-T Promissory Note	123,100,000	6,918,220	5.620%	Actual	
Oct '37 L-T Promissory Note	10,000,000	650,000	6.500%	ACC Approved Max.	
Oct '37 L-T Promissory Note	6,450,000	425,249	6.593%	Actual	
Phoenix Agreement	3,000,000	-	0.000%	Actual	
Long-Term Debt	193,749,296	10,660,657	5.502%		
Total Debt	$ 193,749,296	$ 10,660,657	**5.50%**		**57.7%**

Arizona-American's Equity

	Amount outstanding as of 10/31/2007		
Common Equity			
Common Stock	522,880	Actual	
Paid in Capital	149,468,228	Actual	
Retained Earnings	(22,888,723)	Actual	
2007 Equity Infusion	15,000,000	Nov '07 Pro Forma	
Total Common Equity	**$ 142,102,385**		**42.3%**
Total Capitalization	**$ 335,851,681**		**100%**

Short Term Debt **$ 28,124,006**

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
DOCKET NO. W-01303A-07-0209
TABLE OF CONTENTS TO SURREBUTTAL SCHEDULES WAR

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
COST OF CAPITAL SUMMARY

WEIGHTED COST OF CAPITAL - SUN CITY WATER

LINE NO.	DESCRIPTION	(A) CAPITALIZATION PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED CAPITALIZATION	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	DEBT	$ 193,749,296	$ -	$ 193,749,296	57.70%	5.50%	3.17%
2	PREFERRED STOCK	-	-	-	0.00%	0.00%	0.00%
3	COMMON EQUITY	142,102,385	-	142,102,385	42.30%	9.89%	4.18%
4	TOTAL CAPITALIZATION	$ 335,851,681	$ -	$ 335,851,681	100.00%		
5	**WEIGHTED COST OF CAPITAL**						7.36%

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 - SCHEDULE WAR-1, PAGE 2; LINE 3 - TESTIMONY, WAR
COLUMN (F): COLUMN (D) x COLUMN (E)

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
COST OF CAPITAL SUMMARY

WEIGHTED COST OF DEBT

	(A)	(B)	(C)	(D)	(E)	(F)
LINE NO.	DESCRIPTION	BALANCE	ANNUAL INTEREST	INTEREST RATE	BALANCE RATIOS	WEIGHTED COST OF DEBT
1	AUG '08 L-T SENIOR NOTES	$ 4,519,474	$ 321,877	7.122%	2.33%	0.166%
2	SEP '13 PILR - MONTEREY	41,323	2,587	6.260%	0.02%	0.001%
3	SEP '13 PILR - MONTEX/LINCOLN	23,036	1,327	5.761%	0.01%	0.001%
4	AUG '15 PILR - ROSALEE	43,340	3,112	7.180%	0.02%	0.002%
5	AUG '15 PILR - T.O. DEVELOPMENT	37,123	2,665	7.179%	0.02%	0.001%
6	SEP '28 L-T NOTE - MARICOPA	10,635,000	386,051	3.630%	5.49%	0.199%
7	DEC '13 L-T PROMISSORY NOTE	24,700,000	1,331,330	5.390%	12.75%	0.687%
8	DEC '16 L-T PROMISSORY NOTE	11,200,000	618,240	5.520%	5.78%	0.319%
9	DEC '18 L-T PROMISSORY NOTE	123,100,000	6,918,220	5.620%	63.54%	3.571%
10	DEC '37 L-T PROMISSORY NOTE	10,000,000	650,000	6.500%	5.16%	0.335%
11	DEC '37 L-T PROMMISSORY NOTE	6,450,000	425,249	6.593%	3.33%	0.219%
12	PHOENIX AGREEMENT	3,000,000	-	0.000%	1.55%	0.000%
13						
14	TOTALS	$ 193,749,296	$ 10,660,658		100.00%	
15						
16	**WEIGHTED COST OF DEBT**					5.50%

REFERENCES:
COLUMN (A) LINES 1 THRU 12: COMPANY RESPONSE TO ACC DATA REQUEST SPI 7.1
COLUMN (B) LINES 1 THRU 12: COMPANY RESPONSE TO ACC DATA REQUEST SPI 7.1
COLUMN (C) LINES 1 THRU 12: COMPANY RESPONSE TO ACC DATA REQUEST SPI 7.1
COLUMN (D) LINES 1 THRU 7: COLUMN (C) ÷ COLUMN (D)
COLUMN (D) LINES 8 THRU 10: COMPANY RESPONSE TO ACC DATA REQUEST SPI 7.1
COLUMN (E): COLUMN (A) LINES 1 THRU 10 ÷ LINE 12
COLUMN (F): COLUMN (D) x COLUMN (E)

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	7.94%	SCHEDULE WAR-2, COLUMN (C), LINE 5
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.02%	SCHEDULE WAR-2, COLUMN (C), LINE 13
4	AVERAGE OF DCF ESTIMATES	8.48%	(LINE 2 + LINE 3) ÷ 2
5	**CAPM METHODOLOGY**		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	9.69%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	9.26%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	11.40%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	10.86%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13
10	AVERAGE OF CAPM ESTIMATES	10.30%	(SUM OF LINES 6 THRU) ÷ 4
11	**AVERAGE OF DCF AND CAPM ESTIMATES**	9.39%	(LINE 4 + LINE 10) ÷ 2
12	**ADD: 50 BASIS POINT ADJUSTMENT FOR FINANCIAL RISK**	0.50%	TESTIMONY WAR
13	**COST OF COMMON EQUITY ESTIMATE**	9.89%	LINE 11 + LINE 12

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
DCF COST OF EQUITY CAPITAL

DOCKET NO. W-01303A-07-0209
SURREBUTTAL SCHEDULE WAR - 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	2.20%	+	7.24%	=	9.44%
2	CWT	CALIFORNIA WATER SERVICE GROUP	2.95%	+	5.32%	=	8.26%
3	SWWC	SOUTHWEST WATER COMPANY	1.91%	+	4.59%	=	6.50%
4	WTR	AQUA AMERICA, INC.	2.26%	+	5.31%	=	7.57%
5	**WATER COMPANY AVERAGE**						7.94%
6	ATG	AGL RESOURCES, INC.	4.42%	+	5.90%	=	10.31%
7	ATO	ATMOS ENERGY CORP.	4.78%	+	4.66%	=	9.44%
8	LG	LACLEDE GROUP, INC.	4.29%	+	3.85%	=	8.14%
9	NJR	NEW JERSEY RESOURCES CORPORATION	3.11%	+	6.30%	=	9.40%
10	GAS	NICOR, INC.	4.50%	+	4.69%	=	9.19%
11	NWN	NORTHWEST NATURAL GAS CO.	2.92%	+	4.71%	=	7.63%
12	PNY	PIEDMONT NATURAL GAS COMPANY	3.91%	+	3.51%	=	7.42%
13	SJI	SOUTH JERSEY INDUSTIES, INC.	2.63%	+	8.85%	=	11.48%
14	SWX	SOUTHWEST GAS CORPORATION	3.02%	+	6.64%	=	9.66%
15	WGL	WGL HOLDINGS, INC.	4.11%	+	3.37%	=	7.49%
16	**NATURAL GAS LDC AVERAGE**						9.02%

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

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
DIVIDEND YIELD CALCULATION

DOCKET NO. W-01303A-07-0209
SURREBUTTAL SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	÷	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	$0.94	÷	$42.80	=	2.20%
2	CWT	CALIFORNIA WATER SERVICE GROUP	1.16	÷	39.34	=	2.95%
3	SWWC	SOUTHWEST WATER COMPANY	0.23	÷	12.12	=	1.91%
4	WTR	AQUA AMERICA, INC.	0.50	÷	22.15	=	2.26%
5	**WATER COMPANY AVERAGE**						2.33%
6	ATG	AGL RESOURCES, INC.	$1.64	÷	$37.13	=	4.42%
7	ATO	ATMOS ENERGY CORP.	1.28	÷	26.80	=	4.78%
8	LG	LACLEDE GROUP, INC.	1.46	÷	34.06	=	4.29%
9	NJR	NEW JERSEY RESOURCES CORPORATION	1.52	÷	48.92	=	3.11%
10	GAS	NICOR, INC.	1.86	÷	41.33	=	4.50%
11	NWN	NORTHWEST NATURAL GAS CO.	1.42	÷	48.57	=	2.92%
12	PNY	PIEDMONT NATURAL GAS COMPANY	1.00	÷	25.56	=	3.91%
13	SJI	SOUTH JERSEY INDUSTIES, INC.	0.98	÷	37.31	=	2.63%
14	SWX	SOUTHWEST GAS CORPORATION	0.86	÷	28.47	=	3.02%
15	WGL	WGL HOLDINGS, INC.	1.36	÷	33.06	=	4.11%
16	**NATURAL GAS LDC AVERAGE**						3.77%

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/26/2007 (WATER COMPANIES) AND 09/14/2007 (NATURAL GAS LDC's).
COLUMN (B): FOUR WEEK AVERAGE OF CLOSING PRICES FROM 11/05/2007 TO 11/30/2007 STOCK QUOTES OBTAINED THROUGH BIG CHARTS WEB SITE - HISTORICAL QUOTES (www.bigcharts.com).
COLUMN (C): COLUMN (A) ÷ COLUMN (B)

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
DIVIDEND GROWTH RATE CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	AWR	AMERICAN STATES WATER CO.	5.00%	+	2.24%	=	7.24%
2	CWT	CALIFORNIA WATER SERVICE GROUP	4.25%	+	1.07%	=	5.32%
3	SWWC	SOUTHWEST WATER COMPANY	3.25%	+	1.34%	=	4.59%
4	WTR	AQUA AMERICA, INC.	4.00%	+	1.31%	=	5.31%
5	**WATER COMPANY AVERAGE**						5.61%
6	ATG	AGL RESOURCES, INC.	5.70%	+	0.20%	=	5.90%
7	ATO	ATMOS ENERGY CORP.	4.20%	+	0.46%	=	4.66%
8	LG	LACLEDE GROUP, INC.	3.00%	+	0.85%	=	3.85%
9	NJR	NEW JERSEY RESOURCES CORPORATION	5.55%	+	0.75%	=	6.30%
10	GAS	NICOR, INC.	4.65%	+	0.04%	=	4.69%
11	NWN	NORTHWEST NATURAL GAS CO.	4.70%	+	0.01%	=	4.71%
12	PNY	PIEDMONT NATURAL GAS COMPANY	3.50%	+	0.01%	=	3.51%
13	SJI	SOUTH JERSEY INDUSTIES, INC.	7.90%	+	0.95%	=	8.85%
14	SWX	SOUTHWEST GAS CORPORATION	6.30%	+	0.34%	=	6.64%
15	WGL	WGL HOLDINGS, INC.	3.35%	+	0.02%	=	3.37%
16	**NATURAL GAS LDC AVERAGE**						5.25%

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

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
DIVIDEND GROWTH RATE CALCULATION

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH		(B) { [((M ÷ B) + 1) ÷ 2] - 1 }		(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	3.00%	x	{ [((2.50) + 1) ÷ 2] - 1 }	=	2.24%
2	CWT	CALIFORNIA WATER SERVICE GROUP	2.00%	x	{ [((2.07) + 1) ÷ 2] - 1 }	=	1.07%
3	SWWC	SOUTHWEST WATER COMPANY	4.50%	x	{ [((1.60) + 1) ÷ 2] - 1 }	=	1.34%
4	WTR	AQUA AMERICA, INC.	1.25%	x	{ [((3.10) + 1) ÷ 2] - 1 }	=	1.31%
5	**WATER COMPANY AVERAGE**						1.49%
6	ATG	AGL RESOURCES, INC.	0.55%	x	{ [((1.72) + 1) ÷ 2] - 1 }	=	0.20%
7	ATO	ATMOS ENERGY CORP.	5.00%	x	{ [((1.19) + 1) ÷ 2] - 1 }	=	0.46%
8	LG	LACLEDE GROUP, INC.	2.75%	x	{ [((1.62) + 1) ÷ 2] - 1 }	=	0.85%
9	NJR	NEW JERSEY RESOURCES CORPORATION	1.50%	x	{ [((2.00) + 1) ÷ 2] - 1 }	=	0.75%
10	GAS	NICOR, INC.	0.07%	x	{ [((2.02) + 1) ÷ 2] - 1 }	=	0.04%
11	NWN	NORTHWEST NATURAL GAS CO.	0.01%	x	{ [((2.19) + 1) ÷ 2] - 1 }	=	0.01%
12	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	x	{ [((2.10) + 1) ÷ 2] - 1 }	=	0.01%
13	SJI	SOUTH JERSEY INDUSTIES, INC.	1.50%	x	{ [((2.27) + 1) ÷ 2] - 1 }	=	0.95%
14	SWX	SOUTHWEST GAS CORPORATION	2.65%	x	{ [((1.26) + 1) ÷ 2] - 1 }	=	0.34%
15	WGL	WGL HOLDINGS, INC.	0.07%	x	{ [((1.69) + 1) ÷ 2] - 1 }	=	0.02%
16	**NATURAL GAS LDC AVERAGE**						0.36%

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 10/26/2007 (WATER COMPANIES) AND 09/14/2007 (NATURAL GAS LDC's)
COLUMN (C): COLUMN (A) x COLUMN (B)

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
COST OF CAPITAL SUMMARY

LINE NO.	STOCK SYMBOL	WATER COMPANY 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	AWR	AMERICAN STATES WATER CO.	2002	0.3507		9.50%		3.33%	14.05	15.18	
2			2003	-0.1282		5.60%		NMF	13.97	15.21	
3			2004	0.1524		6.60%		1.01%	15.01	16.75	
4			2005	0.3182		8.50%		2.70%	15.72	16.80	
5			2006	0.3158		8.10%		2.56%	16.64	17.05	
6			GROWTH 2002 - 2006					2.40%	4.50%		2.95%
7			2007	0.4303		10.00%		4.30%		17.50	2.64%
8			2008	0.4611		10.50%		4.84%		18.00	2.75%
9			2010-12	0.4791		11.50%		5.51%	6.00%	20.50	3.75%
10											
11	CWT	CALIFORNIA WATER SERVICE GROUP	2002	0.1040		9.50%		0.99%	13.12	15.18	
12			2003	0.0744		7.90%		0.59%	14.44	16.93	
13			2004	0.2260		9.00%		2.03%	15.66	18.37	
14			2005	0.2245		9.30%		2.09%	15.79	18.39	
15			2006	0.1418		6.80%		0.96%	18.15	20.66	
16			GROWTH 2002 - 2006					1.33%	5.00%		8.01%
17			2007	0.2516		8.50%		2.14%		21.00	1.65%
18			2008	0.3314		9.00%		2.98%		21.50	2.01%
19			2010-12	0.4419		10.00%		4.42%	4.50%	23.00	2.17%
20											
21	SWWC	SOUTHWEST WATER COMPANY	2002	0.6154		9.70%		5.97%	4.27	14.35	
22			2003	0.6364		9.10%		5.79%	4.90	16.17	
23			2004	0.2174		3.60%		0.78%	6.17	20.36	
24			2005	0.4118		5.00%		2.06%	6.49	22.33	
25			2006	0.4750		5.60%		2.66%	6.98	23.80	
26			GROWTH 2002 - 2006					3.45%	13.50%		13.48%
27			2007	0.4000		6.00%		2.40%		25.00	5.04%
28			2008	0.4800		6.00%		2.88%		26.00	4.52%
29			2010-12	0.5143		7.00%		3.60%	8.00%	30.00	4.74%
30											
31	WTR	AQUA AMERICA, INC.	2002	0.4074		12.70%		5.17%	4.36	113.19	
32			2003	0.3860		10.20%		3.94%	5.34	123.45	
33			2004	0.4219		10.70%		4.51%	5.89	127.18	
34			2005	0.4366		11.20%		4.89%	6.30	128.97	
35			2006	0.3714		10.00%		3.71%	6.96	132.33	
36			GROWTH 2002 - 2006					4.45%	11.00%		3.98%
37			2007	0.4000		11.00%		4.40%		134.00	1.26%
38			2008	0.3889		11.50%		4.47%		136.00	1.38%
39			2010-12	0.3333		11.50%		3.83%	6.50%	140.00	1.13%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 10/26/2007
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2002 - 2006

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36 COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
COST OF CAPITAL SUMMARY

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) 8.50% 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		13.20%		6.02%	20.71	77.70	
6			GROWTH 2002 - 2006					6.01%	10.50%		8.20%
7			2007	0.4143		13.00%		5.39%		78.00	0.39%
8			2008	0.4345		13.50%		5.87%		79.00	0.83%
9			2010-12	0.4194		14.00%		5.87%	2.50%	80.00	0.59%
10											
11	ATO	ATMOS ENERGY CORP.	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	0.3263		8.50%		2.77%		89.50	9.49%
18			2008	0.3659		9.00%		3.29%		92.50	6.38%
19			2010-12	0.4490		9.00%		4.04%	5.50%	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	0.3256		10.00%		3.26%		21.50	0.66%
28			2008	0.2905		10.00%		2.90%		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 CORPORATION	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	0.5097		13.00%		6.63%		28.00	1.34%
38			2008	0.4921		12.00%		5.90%		28.50	1.56%
39			2010-12	0.4507		10.50%		4.73%	10.50%	30.00	1.66%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 09/14/2007
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2002 - 2006

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36 COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
COST OF CAPITAL SUMMARY

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		14.70%		5.68%	19.43	44.90	
6			GROWTH 2002 - 2006					3.58%	2.50%		0.50%
7			2007	0.3357		14.00%		4.70%		45.00	0.22%
8			2008	0.3586		13.00%		4.66%		45.00	0.11%
9			2010-12	0.3586		13.00%		4.66%	5.00%	45.00	0.04%
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	0.4085		10.60%		4.33%	22.01	27.24	
16			GROWTH 2002 - 2006					3.02%	3.50%		1.57%
17			2007	0.4566		11.00%		5.02%		27.00	-0.88%
18			2008	0.4264		11.00%		4.69%		27.00	-0.44%
19			2010-12	0.4188		11.50%		4.82%	3.50%	28.00	0.55%
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	0.3103		12.00%		3.72%		73.80	-1.09%
28			2008	0.3067		12.00%		3.68%		73.00	-1.08%
29			2010-12	0.3176		12.50%		3.97%	3.00%	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%	15.11	29.33	
36			GROWTH 2002 - 2006					6.44%	13.50%		4.70%
37			2007	0.5442		13.50%		7.35%		29.75	1.43%
38			2008	0.5574		13.50%		7.53%		30.50	1.98%
39			2010-12	0.5789		15.30%		8.86%	4.50%	32.00	1.76%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 09/14/2007
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2002 - 2006

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36 COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
COST OF CAPITAL SUMMARY

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 CORPORATION	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%	3.50%		5.84%
7			2007	0.5905		9.00%		5.31%		43.00	2.94%
8			2008	0.6178		9.50%		5.87%		44.00	2.63%
9			2010-12	0.6667		10.50%		7.00%	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	0.3366		11.00%		3.70%		49.50	1.25%
18			2008	0.3333		11.00%		3.67%		49.60	0.72%
19			2010-12	0.3391		10.50%		3.56%	4.00%	50.00	0.45%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 09/14/2007
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6 & 16, SIMPLE AVERAGE GROWTH, 2002 - 2006

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

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
GROWTH RATE COMPARISON

DOCKET NO. W-01303A-07-0209
SURREBUTTAL SCHEDULE WAR - 6

WATER COMPANY 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	AWR	7.24%	5.00%	9.50%	3.50%	6.00%	-0.50%	1.00%	4.50%	4.14%	-0.19%	1.13%	4.32%
2	CWT	5.32%	7.30%	7.00%	1.00%	4.50%	2.50%	0.50%	5.00%	3.97%	1.75%	0.66%	8.45%
3	SWWC	4.59%	9.00%	14.00%	9.50%	8.00%	-2.50%	9.00%	13.50%	8.64%	0.63%	8.78%	13.07%
4	WTR	5.31%	10.50%	7.50%	9.50%	6.50%	8.00%	7.00%	11.00%	8.57%	6.70%	8.29%	12.40%
5				9.50%	5.88%	6.25%	1.88%	4.38%	8.50%		2.23%	4.71%	9.56%
6	AVERAGES	5.61%	7.95%		7.21%			4.92%		6.33%		5.50%	

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	5.90%	4.50%	3.50%	5.50%	2.50%	15.00%	4.00%	10.50%	6.50%	10.57%	8.20%	13.41%
2	ATO	4.66%	5.30%	5.50%	1.50%	5.50%	10.00%	2.00%	8.50%	5.47%	8.37%	1.65%	10.04%
3	LG	3.85%	3.00%	2.00%	2.50%	5.00%	6.50%	0.50%	3.50%	3.29%	19.05%	1.10%	5.75%
4	NJR	6.30%	5.70%	4.00%	5.00%	10.50%	8.00%	3.50%	8.50%	6.46%	7.59%	4.66%	14.57%
5	GAS	4.69%	4.00%	4.50%	1.00%	5.00%	-3.00%	2.50%	2.50%	2.36%	1.28%	0.27%	4.09%
6	NWN	4.71%	5.30%	7.00%	5.50%	3.50%	3.00%	1.50%	3.50%	4.19%	9.75%	2.49%	3.91%
7	PNY	3.51%	5.30%	4.50%	4.50%	3.00%	5.00%	5.00%	6.50%	4.83%	7.53%	4.39%	7.34%
8	SJI	8.85%	7.00%	NMF	5.50%	4.50%	9.50%	3.50%	13.50%	7.25%	19.16%	5.24%	11.80%
9	SWX	6.64%	5.00%	9.00%	1.50%	4.00%	6.00%	-	3.50%	4.83%	14.30%	-	4.77%
10	WGL	3.37%	3.00%	2.00%	2.50%	4.00%	6.00%	1.50%	3.00%	3.14%	14.22%	1.35%	3.75%
11				4.67%	3.50%	4.75%	6.60%	2.67%	6.35%		11.18%	2.93%	7.94%
12	AVERAGES	5.25%	4.81%		4.31%			5.21%		4.83%		7.35%	

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 10/26/2007 (WATER COMPANIES) AND 09/14/2007 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 10/26/2007 (WATER COMPANIES) AND 09/14/2007 (NATURAL GAS LDC's)
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 10/26/2007 (WATER COMPANIES) AND 09/14/2007 (NATURAL GAS LDC's)

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x (	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	3.29%	+ [	0.90	x (	10.40%	-	3.29%	)]	=	9.69%
2	CWT	k	=	3.29%	+ [	0.95	x (	10.40%	-	3.29%	)]	=	10.04%
3	SWWC	k	=	3.29%	+ [	0.90	x (	10.40%	-	3.29%	)]	=	9.69%
4	WTR	k	=	3.29%	+ [	0.85	x (	10.40%	-	3.29%	)]	=	9.33%
5	**WATER COMPANY AVERAGE**					0.90							9.69%
6	ATG	k	=	3.29%	+ [	0.85	x (	10.40%	-	3.29%	)]	=	9.33%
7	ATO	k	=	3.29%	+ [	0.80	x (	10.40%	-	3.29%	)]	=	8.98%
8	LG	k	=	3.29%	+ [	0.90	x (	10.40%	-	3.29%	)]	=	9.69%
9	NJR	k	=	3.29%	+ [	0.80	x (	10.40%	-	3.29%	)]	=	8.98%
10	GAS	k	=	3.29%	+ [	1.05	x (	10.40%	-	3.29%	)]	=	10.76%
11	NWN	k	=	3.29%	+ [	0.80	x (	10.40%	-	3.29%	)]	=	8.98%
12	PNY	k	=	3.29%	+ [	0.80	x (	10.40%	-	3.29%	)]	=	8.98%
13	SJI	k	=	3.29%	+ [	0.70	x (	10.40%	-	3.29%	)]	=	8.27%
14	SWX	k	=	3.29%	+ [	0.85	x (	10.40%	-	3.29%	)]	=	9.33%
15	WGL	k	=	3.29%	+ [	0.85	x (	10.40%	-	3.29%	)]	=	9.33%
16	**NATURAL GAS LDC AVERAGE**					0.84							9.26%

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 4-WEEK AVERAGE OF THE 91-DAY T-BILL RATES THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 11/16/2007 THROUGH 12/07/2007 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 - 2006 PERIOD. THE DATA WAS OBTAINED FROM MORNINGSTAR, INC.'S STOCKS, BONDS, BILLS AND INFLATION: 2007 YEARBOOK .

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x (	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	3.29%	+ [	0.90	x (	12.30%	-	3.29%	)]	=	11.40%
2	CWT	k	=	3.29%	+ [	0.95	x (	12.30%	-	3.29%	)]	=	11.85%
3	SWWC	k	=	3.29%	+ [	0.90	x (	12.30%	-	3.29%	)]	=	11.40%
4	WTR	k	=	3.29%	+ [	0.85	x (	12.30%	-	3.29%	)]	=	10.95%
5	WATER COMPANY AVERAGE					0.90							11.40%
6	ATG	k	=	3.29%	+ [	0.85	x (	12.30%	-	3.29%	)]	=	10.95%
7	ATO	k	=	3.29%	+ [	0.80	x (	12.30%	-	3.29%	)]	=	10.50%
8	LG	k	=	3.29%	+ [	0.90	x (	12.30%	-	3.29%	)]	=	11.40%
9	NJR	k	=	3.29%	+ [	0.80	x (	12.30%	-	3.29%	)]	=	10.50%
10	GAS	k	=	3.29%	+ [	1.05	x (	12.30%	-	3.29%	)]	=	12.75%
11	NWN	k	=	3.29%	+ [	0.80	x (	12.30%	-	3.29%	)]	=	10.50%
12	PNY	k	=	3.29%	+ [	0.80	x (	12.30%	-	3.29%	)]	=	10.50%
13	SJI	k	=	3.29%	+ [	0.70	x (	12.30%	-	3.29%	)]	=	9.60%
14	SWX	k	=	3.29%	+ [	0.85	x (	12.30%	-	3.29%	)]	=	10.95%
15	WGL	k	=	3.29%	+ [	0.85	x (	12.30%	-	3.29%	)]	=	10.95%
16	NATURAL GAS LDC AVERAGE					0.84							10.86%

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 4-WEEK AVERAGE OF THE 91-DAY T-BILL RATES THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 11/16/2007 THROUGH 12/07/2007 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 - 2006 PERIOD. THE DATA WAS OBTAINED FROM MORNINGSTAR, INC.'S STOCKS, BONDS, BILLS AND INFLATION: 2007 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	3.50%	4.90%	7.50%	5.00%	4.50%	3.03%	4.42%	6.03%	6.11%

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 12/07/2007
COLUMN (G) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 12/07/2007
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

ARIZONA-AMERICAN WATER COMPANY
SUN CITY WATER DISTRICT
TEST YEAR ENDED DECEMBER 29, 2006
CAPITAL STRUCTURES OF SAMPLE COMPANIES

DOCKET NO. W-01303A-07-0209
SURREBUTTAL SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES

LINE NO.		AWR	PCT.	CWT	PCT.	SWWC	PCT.	WTR	PCT.	WATER COMPANY AVERAGE	PCT.
1	DEBT	$ 267.8	48.6%	$ 291.8	43.3%	$ 128.6	43.6%	$ 951.7	50.8%	$ 410.0	48.3%
2											
3	PREFERRED STOCK	0.0	0.0%	3.5	0.5%	0.5	0.2%	0.0	0.0%	1.0	0.1%
4											
5	COMMON EQUITY	283.7	51.4%	378.3	56.2%	166.0	56.3%	921.6	49.2%	437.4	51.6%
6											
7	TOTALS	$ 551.6	100%	$ 673.6	100%	$ 295.1	100%	$ 1,873.3	100%	$ 848.4	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES

LINE NO.											
1		ATG	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	GAS	PCT.
2											
3	DEBT	$ 2,161.0	57.3%	$ 2,565.9	60.9%	$ 395.5	49.5%	$ 613.0	49.6%	$ 851.6	56.2%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.8	0.1%	0.0	0.0%	1.4	0.1%
6											
7	COMMON EQUITY	1,609.0	42.7%	1,648.1	39.1%	402.6	50.4%	621.7	50.4%	661.4	43.7%
8											
9	TOTALS	$ 3,770.0	100%	$ 4,214.0	100%	$ 798.9	100%	$ 1,234.7	100%	$ 1,514.4	100%
10											
11											
12		NWN	PCT.	PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.
13											
14	DEBT	$ 517.0	46.3%	$ 825.0	48.3%	$ 358.0	44.7%	$ 1,286.4	56.2%	$ 576.1	37.8%
15											
16	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	100.0	4.4%	28.2	1.8%
17											
18	COMMON EQUITY	599.5	53.7%	882.9	51.7%	443.0	55.3%	901.4	39.4%	921.1	60.4%
19											
20	TOTALS	$ 1,116.5	100%	$ 1,707.9	100%	$ 801.1	100%	$ 2,287.8	100%	$1,525.4	100%
21											
22											
23		NATURAL GAS LDC									
24		AVERAGE	PCT.								
25											
26	DEBT	$ 1,015.0	53.5%								
27											
28	PREFERRED STOCK	13.0	0.7%								
29											
30	COMMON EQUITY	869.1	45.8%								
31											
32	TOTALS	$ 1,897.1	100%								

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS

ARIZONA-AMERICAN WATER COMPANY, INC.

DOCKET NO. W-01303A-07-0209

SURREBUTTAL TESTIMONY

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

December 14, 2007

INTRODUCTION

Q. Please state your name and business address.

A. My name is Timothy J. Coley. My business address is 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. In what capacity and by whom are you employed?

A. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO").

Q. Please state your educational background and qualifications in utility regulation.

A. Appendix 1, attached to my direct testimony, describes my educational background and includes a list of the rate cases and regulatory matters in which I have participated.

Q. Have you previously testified in rate proceedings before the Arizona Corporation Commission ("ACC")?

A. Yes. I have previously presented testimony regarding revenue requirements in rate case proceedings before the Arizona Corporation Commission (hereafter referred to as "ACC" or "Commission").

Q. Are you the same Timothy J. Coley who previously filed direct testimony in this case?

A. Yes.

Q. Please state the purpose of your surrebuttal testimony in this case.

A. The purpose of my surrebuttal testimony in this case is to present RUCO's responses and positions to Arizona-American Water Company's, Inc. (hereafter referred to as "AZ-AM", or "Company" or "Sun City Water") rebuttal testimony filed on November 30, 2007 for permanent rate increases in the Company's Sun City Water District.

I will also respond to certain Commission Staff ("Staff") adjustments accepted by the Company in its rebuttal testimony filing.

Q. What specific areas will your testimony address?

A. I will sponsor RUCO's recommended overall revenue requirements, rate base adjustments, operating income and expense adjustments, a proposed low-income program, other remaining issues, and the rate design pertaining to the Sun City Water District.

Q. Are there other RUCO witnesses that will provide testimony and sponsor other areas of this rate proceeding?

A. Yes. Ms. Marylee Diaz Cortez provides testimony on policy related positions that RUCO maintains regarding the Company's forthcoming proposed fire flow surcharge. RUCO witness Mr. William A. Rigsby is providing testimony and sponsoring RUCO's recommended cost of capital and capital structure issues.

Q. Please identify the exhibits and schedules that you are sponsoring in this testimony.

A. The schedules are labeled TJC-1 through TJC-17 respectively. The exhibits that support my testimony follow immediately after my schedules and are labeled RUCO Exhibit 1 through RUCO Exhibit 4.

Q. Does your silence on any issues or matters pertaining to the Company's rebuttal testimony constitute RUCO's acceptance of the Company's position?

A. No.

SURREBUTTAL REVENUE REQUIREMENTS

Q. Please summarize your surrebuttal response to AZ/AM's Sun City Water District rebuttal testimony and your recommended surrebuttal revenue requirements.

A. The Sun City Water District's revenue should be increased by no more than $1,850,205. This recommendation is summarized on Schedule TJC-1. My recommended original cost rate base is $25,357,295 for Sun City Water District. This information is shown on Schedule TJC-2, and the detail supporting the original cost rate base is presented on Schedule TJC-3. The Company had agreed that its original cost rate base is its fair value rate base and therefore fair value calculations are not presented. My recommended proposed adjusted operating income for Sun City Water should be no more than $730,275 as shown on Schedule TJC-7. The detail supporting my recommended operating income is presented on Schedule TJC-8.

SUMMARY

Q. Please summarize what areas your surrebuttal will address in this proceeding.

A. My surrebuttal testimony addresses the following areas:

Rate Base

Rate Base Adjustment #1 - Plant and Accumulated Depreciation – This adjustment reflects RUCO's recommended Sun City Water District Utility Plant in Service ("UPIS") and Accumulated Depreciation balances since the District's last rate case (Decision No. 67093).

For Gross Utility Plant in Service, RUCO's surrebuttal recommendation is $43,888,309 for Sun City Water.

This adjustment changed slightly from that filed in my direct testimony.

For Accumulated Depreciation, RUCO's surrebuttal recommendation is $16,705,898. This equates to a Net Utility Plant in Service of $27,182,411.

This adjustment changed slightly from that filed in my direct testimony.

Rate Base Adjustment #2 – Allowance for Working Capital – This adjustment calculates cash working capital based on an AZ-AM lead/lag study as applied to RUCO's recommended level of operating expenses. The adjustment increased the allowance for working capital by $45,733 from including a cash working capital calculation.

This adjustment changed slightly from that filed in my direct testimony.

Operating Income

Operating Adjustment #1 – Labor Expense – This adjustment adjusts the hourly pay rate of four employees to TY end rates. The total adjustment reduces Sun City Water District's labor expense by $1,200 that included an increase of $1,047 to labor, $7 to group insurance, $41 to the miscellaneous account, and $105 to general taxes.

All of my operating income adjustments are unchanged from my direct testimony with the exception of depreciation & amortization expense and income taxes. I will address those changes in those sections.

Operating Adjustment #2 – Remove Eastern Division Allocated Labor Expense – This adjustment removes all Eastern Division allocated labor expense. The total adjustment reduces Sun City Water District's allocated labor expense by $3,895. The total adjustment reduces labor in the amount of $2,475, group insurance by $1,010, pensions by $105, the miscellaneous account by $58, and general taxes by $247.

Operating Adjustment #3 – Remove All Other Eastern Division Allocated Expenses - This adjustment removes all other non-recurring Eastern Division allocated expenses to Sun City Water District. The total adjustment reduces Sun City Water District's non-recurring Eastern Division allocated expenses by $9,764, which either increases or (reduces) the following expense accounts by the following amounts:

Fuel & Power	$ (266)
Insurance Other Than Group	634
Customer Accounting	12
Rents	(31)
General Office Expense	(5,496)
Miscellaneous	(3,548)
Maintenance	(298)
Depreciation & Amortization	(770)
Total	(9,764)

Operating Adjustment #4 - Late Charges on Power Bills – I will not provide an explanation for this adjustment because the Company accepts it in its rebuttal testimony.

Operating Adjustment #5 – Property Tax Expense – This adjustment reduces property tax expense by adjusting three factors: 1) the three years of revenue used, 2) the tax rate, and 3) the inclusion of net book value of transportation equipment. The property tax expense is reduced by $31,747 from the Company's original application request.

This adjustment is higher than my direct testimony due to a correction to test-year revenues.

Operating Adjustment #6 – Revenue & Expense Annualization – This adjustment annualizes revenues and expenses to the number of customers at the end of the TY. This increases revenues for the additional customer growth on a going forward basis by $1,844.

Operating Adjustment #7 – Miscellaneous Expense - This adjustment removes additional expenses beyond the Company's pro forma adjustment in its rate application that RUCO finds to be inappropriate in rates by $4,405. I will address the Company's position regarding this adjustment later in my testimony.

Operating Adjustment #8 – Management Achievement Incentive Pay ("AIP") – This adjustment reduces the level of AIP expenses to be borne exclusively by ratepayers and shares the expense more appropriately with the shareholders.

This adjustment reduces AIP by 30 percent or $32,230 to recognize the benefit that the shareholders potentially gain in more efficient operations.

Operating Adjustment #9 – Rate Case Expense – This adjustment reduces rate case expense by $18,578. The Company agrees with this adjustment, and therefore, no further explanation is warranted in RUCO's surrebuttal testimony.

Operating Adjustment #10 - Depreciation and Amortization Expense – This adjustment reduces depreciation and amortization expense related to RUCO's level of recommended utility plant in service ("UPIS") by $18,155. I will discuss this adjustment in more detail later in my testimony.

This adjustment changed slightly from that filed in my direct testimony.

Operating Adjustment #11 – Waste Disposal Expense – This adjustment removes the waste disposal expense of $4,270 that was erroneously reported in the Company's rate application. No further explanation will be provided in my testimony because the Company has accepted the adjustment as proposed by RUCO.

Operating Operating Adjustment #12 – Low-Income Program - (Discussed in Later TJC Testimony)

Operating Adjustment #13 – Income Tax Expense – This adjustment is necessitated by RUCO's recommended level of operating income, which increases income taxes by $39,560.

This adjustment changed slightly from that filed in my direct testimony.

Other Remaining Issues

Proposed Low-Income Program – RUCO generally supports the Low-Income Program ("LIP") as proposed by the Company witness, Ms. Cindy Datig. I will address some issues and possible contingency plans that RUCO would like the Company to address further later in my surrebuttal testimony.

This adjustment increases miscellaneous expense by $50,000 to pay for the costs associated with the LIP.

Fire Flow Surcharge Proposed by the Company – See MDC Testimony

RATE DESIGN

Q. Is RUCO filing a new rate design in surrebuttal testimony?

A. Not at this time. As a result of RUCO's modified position, it will be filing revised rate design schedules prior to the hearing.

RATE BASE

Rate Base Adjustment #1 – Plant and Accumulated Depreciation

Q. Does RUCO accept the Company's rebuttal position pertaining to Gross Utility Plant In Service ("GUPIS") and accumulated depreciation?

A. RUCO's surrebuttal GUPIS is a mere $34,947 less than what the Company has proposed in its rebuttal filing out of a total of $43,923,256 of GUPIS. Other than that, RUCO has no contention with the Company's rebuttal position taken on the level of GUPIS recommended in its rebuttal testimony. However, I will address some of the issues raised in Ms. Linda Gutowski's rebuttal testimony regarding RUCO's rate base adjustments.

Q. What additional response(s) do you have concerning the Company's rebuttal testimony?

A. On numerous occasions, the Company witness alleges that RUCO made calculation errors, inappropriate allocations, and a failure to record a plant credit in an instance. I appreciate Ms. Gutowski's alertness and assertiveness in pointing out any mistakes that she identifies that may have been made in any audit. However, her allegations are wrong in almost every instance in this case. For example, in one rate base adjustment, it was claimed that I removed $228,968 in Plant account 303300 without removing the credits of ($80,838) in the same account. Quite to the contrary, I did remove the plant credit of ($80,838) from account 303300 in my plant schedules through a series of reversals in the months as follows:

Account #303300 – Land & Land Rights Pumping

09/24/04		($ 24,724.56)
10/22/04		(309.16)
11/19/04		(12,208.43)
12/10/04		(56,442.12)
10/6/05	$ 12,846.41	
Credit Balance		($ 80,838.27)

As can be seen in the T-account chart illustrated above, I have achieved the same result as the Company, only through another method. This can also be verified in my Depreciation Schedule TJC-15, line 24. My adjustment in Column B of that schedule is a credit of ($148,130), $ 228,968 – $ 80,838 = $ 148,130, which corresponds to Ms. Gutowkski's rebuttal testimony on page 3, lines 1-4 and Staff's rate base adjustment #4. The Company witness simply erred in her interpretation of my final adjustment in this situation.

To Ms. Gutowski's credit in a few instances, she identified an anomaly in my Depreciation Schedule TJC-15 and pointed out that I had utilized a wrong plant value to base an allocation to an account.

Q. Did you make the corrections as noted above by Ms. Gutowski here in your surrebuttal testimony and schedules?

A. Yes.

Q. What actions were necessary to correct those two errors identified by Ms. Gutowski?

A. To properly correct the two errors that were identified, it was necessary for me to copy a range of formulae down in my Depreciation Schedule TJC-15 from lines 50 through 60. To correct the second error identified, it was necessary to change a plant adjustment value from $220,892 to $220,883, a $9 correction.[1]

Q. What was the overall impact on the revenue requirement after making those two necessary corrections documented by the Company witness?

A. The corrections resulted in a zero overall revenue impact. However, the two corrections reduced the adjusted rate base by one dollar unfavorably to the Company.

Q. Are there any other allegations of errors and miscalculations on RUCO's behalf that Ms. Gutowski provided in her rebuttal testimony that you would like to respond?

A. There are a few more allegations I would like to rectify, but to not belabor the point, I will narrow it to one more clarification. The Company witness alleged that I utilized an inappropriate allocation factor of 15.269 percent rather than the appropriate 13.204 percent for plant account 304600.[2]

[1] Arizona-American Water Company, Sun City Water District, Docket No. W-01303A-07-0209, Ms. Linda Gutowski Rebuttal Testimony, page 3, lines 12-14.
[2] Arizona-American Water Company, Sun City Water District, Docket No. W-01303A-07-0209, Ms. Linda Gutowski Rebuttal Testimony, page 3, lines 6-14.

Q. How do you respond to the assertion that you utilized an inappropriate allocation factor?

A. I am somewhat perplexed on this assertion because Staff data request 1.15 – 2nd Response gave rise to this adjustment. In that data request, it clearly states that 15.269 percent is the proper allocation factor to be utilized when allocating this plant to Sun City Water. Then, Ms. Gutowski's rebuttal testimony, as footnoted below, states, "the appropriate four-factor allocation is percentage of metered customers, 13.204%..."

Q. Which of the two allocation factors is the appropriate factor to use in this case?

A. Although I am puzzled from the two contradictory sources, Staff data request 1.15 – 2nd Response and Ms. Gutowski's rebuttal testimony cited above, but only one-factor produces the correct adjustment, 15.269 percent. I initially utilized the 13.204 percent in my direct schedules. That is corrected in my surrebuttal schedules to 15.269 percent to derive the proper Company rate base adjustment #5 of ($187,155).

It is worth noting, after all the alleged errors, miscalculations, and inappropriate use of allocation factors by RUCO from the Company, RUCO's direct testimony and the Company's rebuttal testimony for the plant adjustment in question that relates to Staff data request 1.15 – 2nd Response varied only $20,422 (RUCO direct recommended adjustment was $1,122,241 and the Company proposed rebuttal adjustment was $1,101,819).

Q. Is RUCO's rate base adjustment #1 equivalent to the Company's rate base adjustments #1, #2, #3, #4, and #5?

A. Yes.

Q. Please explain how your surrebuttal rate base adjustment #1 is the same or equivalent to the Company's rebuttal rate base adjustments #1, #2, #3, #4, and #5?

A. My rate base adjustment #1 combines all five of the Company's rate base adjustments #1, #2, #3, #4, and #5 into my one rate base adjustment #1.

Q. Why doesn't your rate base adjustment #1 equal the Company's rate base adjustments #1, #2, #3, #4, and #5?

A. I can reconcile my total gross plant to the Company's total gross plant to within $21,562. Due to the limited time between when the Company filed its rebuttal testimony and when I am required to file my surrebuttal testimony (10 days), it is not prudent to spend an inordinate amount of time tracking an immaterial amount of $21,562.

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Q. Please reconcile your surrebuttal total gross plant of $43,888,309 to the Company's proposed rebuttal total gross plant of $43,923,256.

A.

RUCO's Total Gross Plant in Service....................	$ 43,888,309
RUCO Removed Eastern Division Allocated Plant.....	$ 13,835
Total RUCO Gross Plant & Eastern Div. Removed....	43,901,694 *
Company Rebuttal Total Gross Plant in Service........	$ 43,923,256
Less: RUCO's Reconciliation of Gross Plant Above...	43,901,694 *
Unreconciled Difference of Total Gross Plant...........	21,562

Q. You mentioned earlier that RUCO's surrebuttal position is <u>not</u> in contention with the Company's proposed GUPIS. Is that RUCO's final position?

A. Yes, it is RUCO's surrebuttal position. Even though RUCO's surrebuttal gross plant is $34,947 less than the Company's, RUCO has <u>no</u> contention with the Company's proposed gross plant of $43,923,256 with the exception of the Company including the Eastern Division Allocated Plant that is now in the Mohave and Havasu Districts.

Q. Please explain the Company's response to RUCO's rationale to disallow the Eastern Division Allocated Plant from Sun City Water's rate base.

A. The Company states, "RUCO's disallowance of the Eastern Division's Plant is based on the argument that the Eastern Division plant was moved from the

Eastern Division to the Mohave business unit *after the test year*." The Company later makes a comment that RUCO believes the Eastern Division has been abolished.

Q. What is your response to the Company's rebuttal testimony regarding the Eastern Division plant allocation?

A. To respond to the first rebuttal testimony quote above, the Company is correct in its statement that RUCO disallowed the Eastern Division allocated plant based on a non-recurring and/or not occurring on an on-going basis to the Sun City Water District after the test-year.

Q. Did RUCO ask a data request concerning the Eastern Division allocated corporate plant?

A. Yes. In RUCO data request 2.06, attached as RUCO Exhibit 1, I inquired why the previous Sun Cities Wastewater cases using a test-year-end December 9, 2005 did <u>not</u> have any Eastern Division allocations to its districts. I also asked, "Please provide the districts to which receive the allocations."

Q. What was the Company's response to the questions poised in RUCO data request 2.06?

A. The Company responded by saying that the Eastern Division did not exist in the Sun Cities Wastewater cases 2005 test-year. The Eastern Division was organized in 2006 and was moved from the Eastern Division business unit to *strictly* the Mohave business unit in 2007. The Company added, "Therefore, there is no longer an Eastern Division plant to be allocated *after* the end of the test year."

From that response, RUCO deemed the Eastern Division allocation as non-recurring on a going forward basis after the end of the test year for any AZ-AM district other than Mohave and Havasu Districts. Sun City Water has its own direct level of management and two more levels of corporate expertise in addition to the parent Company in New Jersey that charges Sun City through management fees. That is four levels of management for most all of AZ-AM districts in Arizona. Sun City Water has many resources to draw upon here in Phoenix rather than another level of corporate some 250 miles away. The Eastern Division costs are more appropriately borne by the Mohave and Havasu Districts, which have nexus to the new location of the Eastern Division.

Q. What adjustment is necessary to disallow the Eastern Division non-recurring plant allocations for Sun City Water?

A. An adjustment to reduce both Sun City Water's gross plant and accumulated depreciation balances by $13,835 and $3,542 respectively is necessary.

Rate Base Adjustment #2 – Working Capital

Q. What was the Company's rebuttal response to RUCO's working capital adjustment?

A. The Company's primary argument to RUCO's cash working capital adjustment is based on the following reasons as stated below:

> To properly calculate cash working capital, a comprehensive lead/lag study is required. The time and expense associated with performing a comprehensive lead/lag study was a significant factor in Arizona-American's decision to forego requesting an allowance for cash working capital.

Q. How do you respond to the Company's rebuttal response?

A. Since the recent Mohave and Paradise Valley rate cases, the Company responds in the same manner each time. The Company makes it sound like each and every rate application that AZ-AM files with the Commission a separate lead/lag study would be required in each case. That is not true. One lead/lag study would be sufficient to utilize across all AZ-AM's districts in Arizona. The Company already has lead/lag studies for both Mohave and Paradise Valley Districts. Both of those districts are owned, operated, and managed by AZ-AM. There would be little to no variance of the lead/lags from one district to the next, which I will address further later. The Commission has approved both Mohave and Paradise Valley lead/lag analysis in those cases before the Commission. Either study is appropriate for any AZ-AM district with minor modifications.

Q. What do you mean there would be little to no variance of the lead/lag analysis from one AZ-AM district to another AZ-AM district?

A. I addressed this in general terms in my direct testimony but will be more specific here in my surrebuttal. Let's refer to the Mohave District lead/lag analysis that I utilized in this case in my direct testimony. I will address each lead/lag expense line item in chronological order and concentrate on any or no variance on the number of possible lead/lag days in each expense account.

1. Labor Expense – Zero variance in lead/lag days for all AZ-AM districts because payroll is disbursed from an AZ-AM central location.
2. Purchased Water – A potential for a variance in the lead/lag days is highly possible in this account. However, the calculation to obtain the *exact* lead/lag days in each case would be simple and efficient. The only data required is the twelve or fewer test-year bills.
3. Fuel & Power – Little to no variance for this account. APS and SRP serve most all districts. Again, the twelve bills for each meter is all the data required. An analysis of one meter per provider over the test-year would provide accurate results.
4. Chemicals – Potential for small variance. Again, the test-year bills are all the data needed to obtain accurate lead/lag results.
5. Waste Disposal - Potential for small variance. Again, the test-year bills are all the data needed to obtain accurate lead/lag results.
6. Management Fees - Zero variance in lead/lag days for all AZ-AM districts because management fees are billed from an AZ-AM central location.

7. Group Insurance - Zero variance in lead/lag days for all AZ-AM districts because group insurance is paid from an AZ-AM central location.
8. Pensions - Zero variance in lead/lag days for all AZ-AM districts because pensions are paid from an AZ-AM central location.
9. Insurance Other Than Group - Zero variance in lead/lag days for all AZ-AM districts because these benefits are paid from an AZ-AM central location.
10. Customer Accounting - Zero variance in lead/lag days for all AZ-AM districts because customer accounting is performed at an AZ-AM central location.
11. Rents - Potential for small variance. Again, the test-year bills are all the data needed to obtain accurate lead/lag results.
12. Depreciation & Amortization – Not Applicable; not a cash expense item.
13. Other Operating Expenses – This account would vary by vendor and would require the most effort in obtaining the lead/lag days, although most all vendors have a specific billing policy. One sample test-year bill from each vendor would yield more accurate results than what the Company utilized in its Mohave analysis. In the current lead/lag analysis, the Company used 30 days. Most lead/lag studies that I have analyzed result in a number of days closer to 45 days rather than the 30 days utilized in the Mohave analysis.
14. Taxes Other Than Income – Zero variance not only across AZ-AM districts but nation wide. Same taxing authority.
15. Property Taxes - Zero variance across AZ-AM districts. Same taxing authority.

16. State Income Taxes - Zero variance across AZ-AM districts. Same taxing authority.

17. Federal Income Taxes - Zero variance not only across AZ-AM districts but nation wide. Same taxing authority.

18. Interest – Some variance but a very simple calculation made in a timely manner.

Q. Why would AZ-AM file a lead/lag study in the Mohave and Paradise Valley cases but chose not to do so in Sun Cities Wastewater and here in the Sun City Water case?

A. The Company gave its reasons as I cited earlier in my testimony. However, normally, a class A regulated utility lead/lag study results in a negative cash working capital disallowance. Both Mohave and Paradise Valley lead/lag studies resulted in a negative cash working capital disallowance, which can reduce rate base.

Generally, the Commission requests that a class A utility file a lead/lag study as opposed to the formula method some smaller utilities employ.

Q. If the Commission were to adopt RUCO's cash working capital calculation in the instant case, what adjustment is necessary?

A. It would be necessary to increase the Company's working capital by $45,733, which, in effect, increases rate base by the same amount.

OPERATING INCOME

Operating Adjustment #1 – Labor

Q. How did the Company respond to RUCO's operating adjustment #1 – labor expense adjustment that corrected four employees hourly pay rates?

A. The Company alleges that RUCO disallowed promotions during the test-year for four employees resulting in a decrease to labor expense and used the hourly rate at the middle of the test-year.

Q. How does RUCO respond to the Company's allegations that you failed to recognize four individual promotions and used middle of the test-year hourly pay rates?

A. Company witness, Ms. Gutowski, and I had a phone conversation regarding this adjustment. I identified by name to her the four individual employees that she and I had a discrepancy in hourly pay rates. We reviewed the same spreadsheets (Company work papers provided in support of its rate application) as we spoke. I identified two different worksheets that substantiated the hourly pay rates utilized by RUCO in making the labor adjustment.

Q. What two worksheets did you identify to Ms. Gutowski that substantiated the hourly pay rate that RUCO used in making the labor adjustment?

A. In the work sheet tabbed 2006 Labor.xls in the Labor folder, I pointed out to Ms. Gutowski that all of the four employees hourly pay rates that RUCO used in its adjustment were obtained directly from that worksheet (See RUCO Exhibit 2, pages 1-4). The second worksheet I directed Ms. Gutowski to was tabbed Pivot 3 – Dec '06 Hrly. Rate.xls., attached as RUCO Exhibit 3, that also supports the hourly pay rate that I used in making the adjustment.

Q. What was Ms. Gutowski's response after you pointed out your sources for your adjustment?

A. In general, she responded that she thought those four individuals received pay raises in the test-year. However, neither source document that I had directed Ms. Gutowski to supported any evidence that those individuals had in fact received an increase in hourly pay rates, as shown in RUCO Exhibit 2 and 3.

To both of our surprise, the last payroll entry for one of the four employees hourly pay rates in question was in August 2006 (RUCO Exhibit 2). It was the last known hourly pay rate for that particular individual. I assume that is why she replied in her rebuttal testimony that RUCO used the hourly pay rate at the middle of the test-year. It was the latest test-year hourly rate listed and is supported by RUCO Exhibit 3 too.

At the close of our conversation, I told Ms. Gutowski if she would provide me some supporting documentation that those individuals received pay raises in the test-year that I would consider the information.

Q. Did the Company provide any information to RUCO that substantiated any promotions and hourly pay rate increases?

A. No. At the time of writing this surrebuttal testimony, I am preparing a data request that again requests that information.

Q. In analyzing the Company's original rate application labor adjustment, why do you believe RUCO and the Company had the exact same hourly pay rate for 184 employees but differed only on four employees?

A. The Company witness claims she obtained all payroll information from a 2006 download (See Gutowski rebuttal testimony page 5, lines 13-14) from AZ-AM's parent office in New Jersey. That is the same source I derived my hourly pay rates, with excerpts shown in RUCO Exhibit 2. Nowhere in that 2006 download of approximately 58,000 lines does it show any of the four employees in question here earn the hourly pay rate utilized by the Company.

The only work sheet I identified in my analysis where the Company could have obtained the hourly pay rates it used, as opposed to the amount used by RUCO, was a work sheet tabbed "current salaries." However, if the Company used the current salaries for the source of the hourly pay rates for the four employees, it would be inconsistent with Ms. Gutowski's direct testimony.

Q. Why do you think it would be inconsistent with the Company's direct testimony if Ms. Gutowski utilized the work sheet tabbed "current salaries"?

A. In Ms. Gutowski's direct testimony on page 5, lines 16-17, the Company states, "These hours are recomputed using the latest known wages as of the end of the test year." The work sheet tabbed current salaries must be at some time post-test-year because the 2006 download work sheet does not support the test-year hourly pay rates used by the Company for those four employees.

Q. What adjustment is necessary to reflect RUCO's hourly pay rate adjustment that is supported in both RUCO Exhibit 2 and 3?

A. Labor expense adjustments affect more than the labor expense account alone. A labor adjustment will affect the payroll benefits and tax accounts also. To properly reflect RUCO operating adjustment #1, it is necessary to reduce labor expense by $1,047, reduce group insurance by $7, reduce miscellaneous expense by $41, and reduce general taxes by $105 for a total adjustment of $1,200.

Operating Adjustment #2 – Remove Eastern Division Allocated Labor

Q. What was RUCO's operating adjustment #2?

A. RUCO operating adjustment #2 removes Eastern Division allocated labor expense based on the reasoning for RUCO rate base adjustment #1 and supported by RUCO Exhibit 1.

Q. What adjustment is necessary to reflect RUCO's disallowance of the Eastern Division labor expense allocation found to be non-recurring on a going forward basis?

A. This adjustment also affects several accounts. It is necessary to reduce the following allocated labor & payroll benefits expense:

1. Labor Expense	$ 2,475
2. Group Insurance Expense	1,010
3. Pension Expense	105
4. Miscellaneous Expense	58
5. General Tax Expense	247
Total Adjustment	$ 3,895

Operating Adjustment #3 – Remove All Other Eastern Division Allocated Expenses

Q. What was RUCO's operating adjustment #3?

A. RUCO operating adjustment #3 removes all other Eastern Division allocated expenses based on the reasoning gave in RUCO rate base adjustment #1 and supported by RUCO Exhibit 1.

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Q. What adjustment is necessary to reflect RUCO's disallowance of all other Eastern Division allocated expenses found to be non-recurring on a going forward basis?

A. This adjustment also affects several accounts. It is necessary to increase or (reduce) the following allocated expenses for a total adjustment of ($9,764):

a. Fuel & Power	$ (266)
b. Insurance Other Than Group Expense	634
c. Customer Accounting Expense	12
d. Rent Expense	(31)
e. General Office Expense	(5,496)
f. Miscellaneous Expense	(3,548)
g. Maintenance Expense	(298)
h. Depreciation & Amortization Expense	(770)
Total Adjustment	$ (9,764)

Operating Adjustment #4 – Late Charge on Power Bill

Q. Did the Company accept RUCO's removal of a late charge on a power bill?

A. Yes.

Operating Adjustment #5 – Property Taxes

Q. How did the Company respond to RUCO's property tax expense adjustment?

A. The Company's response to RUCO's property tax expense adjustment #5 was as follows:

> RUCO's calculation uses three historical years, including the unadjusted test year of 2006 which has 385 days. This flaw in RUCO's calculation resulted in property tax expense of $274,073, higher than even Staff's Present Rate property tax expense from the use of 2005 and 2006 revenues, both of which are higher than the test year adjusted revenue. This is a very odd result for proposed rate property tax and Arizona-American rejects RUCO's method and results.

Q. Do you agree with Ms. Gutowski's response to RUCO's property tax calculation?

A. I agree with Ms. Gutowski that I did not remove the additional 20 days of revenue she identified in my 2006 gross revenue figure. This has been corrected and is reflected in my Surrebuttal Schedule TJC-11. As for the Company's response above, I do not know what is meant by the statement, "This is a very odd result for proposed rate property tax…"

Q. What is RUCO's revised adjustment for property tax expense?

A. RUCO's revised surrebuttal adjustment reduces property tax expense by $31,747.

Operating Adjustment #6 – Revenue Annualization

Q. Please address the Company's response to RUCO's revenue annualization.

A. The revenue annualization adjustment was not calculated by RUCO but rather a calculation made by the Company pursuant to a RUCO data request issued because the Company's application did not include a revenue annualization. In rebuttal testimony, the Company stated if the Commission believes the Company should have made a customer revenue annualization adjustment, it must also allow AZ-AM the additional expense to generate the additional revenue.

Q. Did the Company provide an expense annualization in its rebuttal testimony?

A. Yes.

Q. Do you agree with the Company's expense annualization provided in its rebuttal testimony?

A. No.

Q. Why don't you agree with the Company's expense annualization provided in its rebuttal testimony?

A. It produces results that do not make sense and contains a calculation error.

Q. Please explain how the Company's expense annualization calculation does not make sense and identify the calculation error.

A. First, I will identify the calculation error. The Company's expense annualization calculation identifies four variable costs that the Company claims to total $2,649 annually for the 30 additional customers placed on the system at test-year-end (See RUCO Exhibit 4 attached). The Company calculated the additional expense annualization for the additional 30 customers that the Company identified in its revenue annualization to RUCO's data request 4.2 as follows:

1. Fuel & Power Expense.....................................$ 2,041
2. Transmission & Distribution Expense.................... 93
3. Customer Accounting Expense............................ 135
4. Postage Expense... 80

The total of the four variable costs identified by the Company above do not equal $2,649 of additional costs that the Company claims that the 30 additional customers place on the system. Actually, the four variable costs total $2,349 rather than $2,649, a difference of $300.

With the addition calculation corrected, the Company's expense annualization still doesn't make sense.

Q. Please explain why you believe the Company's expense annualization doesn't make sense?

A. With or without the calculation error, the Company's expense annualization is flawed and produces a result that leads one to believe that it costs more to serve 30 additional customers than is generated in additional revenues. The Company's response to RUCO data request 4.2 identified an additional $1,844 in revenue due to the revenue annualization for 30 additional test-year customers. Now, in the Company's rebuttal expense annualization calculation, the Company claims that it costs $2,649 to serve those same 30 additional customers. In essence, the Company is saying that to generate another $1,844 in revenue it would cost the Company $2,649.

Q. Are there some accounting documents that you could refer that would substantiate your belief that it does not cost more to serve an additional customer than the additional customer generates in revenue?

A. Yes. The Company's Schedule E-2 summarizes three-years, 2004, 2005, and 2006, of income statements. Every one of those years shows positive operating incomes, which substantiates the Company's operation activities are profitable (hence, operating revenues are greater than operating expenses).

Q. Does RUCO offer an alternative expense annualization in its surrebuttal testimony that results in a more practical expense annualization?

A. Yes. If the Commission were to adopt an expense annualization calculation, RUCO recommends an expense annualization of $1,034 for the four variable costs as follows:

1. Fuel & Power Expense..	$ 726
2. Transmission & Distribution Expense......................	93
3. Customer Accounting Expense..............................	135
4. Postage Expense..	80
	$1,034

Q. How does your expense annualization differ from the Company's?

A. It differs in one respect. In calculating the fuel & power expense, my calculation uses the average consumption of the 5/8 X 3/4 inch meter customers because that is where the majority of the customer growth occurs. The Company utilized a calculation that assumes that all customers use an average of 23,239 gallons per month. The customer growth occurred at the residential 5/8 X 3/4 inch meter classification whose average use is 8,269 gallons per month, not 23,239 gallons. RUCO accepted the Company's other three variable costs in the expense annualization calculation.

Q. What adjustment would be necessary if the Commission adopted RUCO's direct testimony revenue annualization, and what adjustment would be necessary to adopt RUCO's expense annualization?

A. It would be necessary to increase revenues by $1,844 if the Commission adopted RUCO's direct testimony adjustment, and it would be necessary to increase expenses by $1,034 for a net adjustment of $810 if the Commission adopted RUCO's expense annualization as described here in my surrebuttal testimony.

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Operating Adjustment #7 – Miscellaneous Expense

Q. What was the Company's response to RUCO's adjustment #7 – Miscellaneous Expense?

A. The Company's rebuttal testimony varied slightly from its rebuttal schedules regarding RUCO's adjustment to miscellaneous expense. The Company stated that, "We disagree with the disallowance for meals and would add back $184 to RUCO's disallowance of $4,405. The Company never makes the $184 adjustment back to RUCO's adjustment that disallows $4,405. If the Company makes that adjustment in its rejoinder testimony, RUCO will agree with the Company's adjustment to add back $184 to RUCO's $4,405 miscellaneous expense adjustment for a net adjustment of $4,221.

Operating Adjustment #8 – Achievement Incentive Pay ("AIP")

Q. How did the Company respond to RUCO's AIP adjustment?

A. The Company's responded that the case precedent cited in the last Paradise Valley Water District Commission Decision No. 68858 does not apply to Sun City Water. The Company also said that, unlike Paradise Valley, Sun City Water adjusted test-year resulted in a net loss for that district.

Q. How do you respond to the Company?

A. I believe the Sun City Water District will be operating profitably on a going forward basis after the close of this rate case. The Company can come in for another rate case whenever it sees its profitability eroding. Therefore, RUCO believes Sun City Water's allocated AIP costs should be shared 70/30 between the ratepayers and shareholders as was decided in Decision No. 68858 because both share a gain in the Company's management efforts. Furthermore, if the Company does not control its costs in order to remain profitable, ratepayers should not have to reward its employees with payroll bonuses such as the AIP.

Q. What adjustment did RUCO make to share the AIP costs on a more equitable terms rather than burdening the ratepayers with 100 percent of the cost when both ratepayers and shareholders stand to gain in positive management efforts?

A. RUCO reduced management fees that totaled $1,386,158 by $32,230 to more adequately share this expense 70/30 between the ratepayers and shareholders who both gain in more efficient operations.

Operating Adjustment #9 – Rate Case Expense

Q. Does the Company accept RUCO's rate case expense adjustment to reduce it by $18,578?

A. Yes.

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Operating Adjustment #10 – Depreciation & Amortization Expense

Q. What was the Company's response to RUCO's depreciation and amortization expense adjustment that was $12,265 less than the Company's depreciation expense calculation?

A. The Company cited some differences in its proposed depreciation and amortization expense and RUCO's depreciation adjustment as follows:

1. The Company claims that the majority of the difference between RUCO's direct testimony and the Company's rebuttal depreciation expense is attributable to RUCO's double allocation of the amortization of the Y2K costs.
2. The Company asserts that $655,877 of $1,491,737 of regulatory assets were allocated to Sun City Water, which included a depreciation study, Y2K costs, and L/T effluent to be amortized at 2.83 percent.
3. The Company maintains that RUCO is trying to allocate the portion of Sun City Water's Y2K allocated costs, $665,877, attributed to Sun City Water in Decision No. 67093 and reallocated that amount to all the districts via the 4-factor allocator.
4. The Company disagrees with RUCO's disallowance of the Eastern Division allocated plant in calculating depreciation expense.
5. The Company claims that RUCO removed too much money from account 304600 - Structures & Improvements Offices, for the office renovation.

6. The Company pointed out that I did not include my rate base adjustment #3 of $19,085 in my Plant Schedule balances that ultimately transfers to my Depreciation Schedule TJC-15.
7. The Company states, "RUCO's Schedule TJC-15 has a strange difference between column (A) and column (B) for accounts 341100 and 346300.
8. The Company's final disagreement with RUCO's Depreciation Expense Schedule TJC-15 was that "it would appear RUCO reduced depreciation expense for the amortization of the Youngtown Plant twice, once on line 62 of Schedule TJC-15 and again 7 lines later on the same schedule."

Q. Do you agree with Ms. Gutowski's eight assertions you cited above?

A. I disagree with approximately half of them and made the necessary corrections to the others where appropriate. I corrected number 5 above in my surrebuttal rate base adjustments, and the adjustment now correctly flows through to my Depreciation Schedule TJC-15, line 31. In Ms. Gutowski's claim regarding number 7, this correction was also made in my surrebuttal schedules. That correction was discussed in my surrebuttal rate base testimony, but it does not change RUCO's recommended level of GUPIS, as it's only cosmetic.

Q. Please address each of the eight claims Ms. Gutowski discusses in her rebuttal testimony that provides your surrebuttal position?

A. 1. I completely agree with the Company's claims regarding the Y2K costs and double allocation. I was lead to believe in the recent Sun City Wastewater case that the Y2K costs totaled $145,771 for all districts rather than only Sun City Water's allocation. I was also unaware of the depreciation study and L/T effluent being lumped together into one deferred asset amount. This correction has been made in my surrebuttal testimony and schedules.

2. The adjustment I made in number 1 above also corrects the issues identified in number 2.

3. I agree with Ms. Gutowski that my accounting for the Y2K costs would take Sun City Water's allocation and would reallocate that allocation to all districts. Again, number 1 above describes my misunderstanding of the Y2K costs from the recent Sun City Wastewater case and the corrections I've made.

4. I do not agree with the Company regarding the Eastern Division allocated plant. This is the majority of the difference between RUCO and the Company concerning plant and depreciation expense balances, and RUCO continues to support the removal of these non-recurring costs.

5. I agree that I removed $4,560 too much from account 304600 – Structure & Improvements Offices. I have also corrected that in my surrebuttal rate base testimony and schedules.

6. I agree that I did not include my rate base adjustment #3 in my plant schedules to be carried forward to the Depreciation Schedule TJC-15.

7. I agree that I did not copy a formula down from line 50 to 60. However, that had no affect on my recommended level of GUPIS and was merely cosmetic.

8. I do <u>not</u> agree that that Youngtown Plant amortization was reduced twice from RUCO's depreciation expense as recommended. As Ms. Gutowski said, "it would appear RUCO reduced depreciation expense twice..." The formula in the cell (Column E, line 75) where I remove any Contributions in Aid of Construction ("CIAC") depreciation expense titled "Total Depreciation Expense Per RUCO" at the bottom of the page adds a negative to a negative creating a positive $4,202, when netted to the ($4,202) negative balance on line 62 of Schedule TJC-15 nets to zero. This is correct because there should be zero impact on depreciation expense for CIAC.

Q. What surrebuttal adjustment to depreciation expense does RUCO recommend after making the noted corrections?

A. RUCO's surrebuttal adjustment to depreciation expense reduces depreciation by $18,155. Taking the Eastern Division allocated plant and accumulated depreciation disallowance into account, this reconciles to within $14,613 of the Company's requested annual depreciation expense.

Operating Adjustment #11 – Waste Disposal Expense

Q. Did the Company accept RUCO's waste disposal expense adjustment that was inaccurately recorded in that account?

A. Yes.

Operating Adjustment #12 – Low-Income Program (Discussed in Later TJC Testimony)

Operating Adjustment #13 – Income Tax Expense

Q. Did the Company respond in its rebuttal testimony to RUCO's income tax expense adjustment?

A. No response is necessary since that adjustment is a function of RUCO's recommended level of operating income.

OTHER REMAINING ISSUES

Low-Income Program

Q. How did the Company respond to RUCO's direct testimony suggestion that AZ-AM should submit a detailed Low-Income Program ("LIP") as part of its rebuttal testimony for all intervenors to review and evaluate?

A. In its rebuttal testimony, the Company provided a detailed explanation of its proposed LIP program. AZ-AM has successfully contracted with a third party, Dollar Energy, to administer this program.

Q. Did AZ-AM's LIP witness, Ms. Datig, design a program that met RUCO's four criteria set out in your direct testimony?

A. The proposed program appears to satisfy the four criteria[3] set forth in my direct testimony. However, due to the short turn-around time of when the Company's rebuttal testimony was filed and when surrebuttal testimony is due to be filed, RUCO has not had the opportunity to conduct a cost analysis study to determine if *all customer classifications* would be contributing equitably to the LIP proposed by AZ-AM. RUCO would like to reserve the opportunity to conduct a cost analysis study and provide our final position concerning the LIP prior to the hearing.

[3] RUCO's Four Criteria for a Successful Low-Income Program: 1) Program properly targets the appropriate set of customers, 2) creates material benefits for qualifying participants, 3) is not overly burdensome on non-participants of the program, and 4) is efficiently administered.

Q. Other than the opportunity for RUCO to conduct a later cost analysis study, were there other areas of the LIP that caused some concern on RUCO's behalf?

A. As I stated earlier in my surrebuttal testimony, RUCO generally supports the LIP as proposed by the Company witness, Ms. Datig. RUCO would like to see some reassurances/contingency plans from the Company regarding possible levels of participation, low – medium – high. For two extreme examples, if the participation rate is so low that the administration costs exceed the benefits, or if the participation rate is so high that many qualifying participants are not able to participate in the program because of the cap of 1,000 qualifying participants.

Q. Did RUCO make the appropriate adjustment to account for the Company's estimated expense of $50,000 to fund the program?

A. Yes. RUCO made operating income adjustment #12 to make the Company whole for the LIP costs.

Q. Does that conclude your surrebuttal testimony at this time?

A. Yes, it does.

RUCO EXHIBITS 1 THROUGH 4

RUCO Exhibit 1

COMPANY: ARIZONA AMERICAN WATER COMPANY
DISTRICT: SUN CITY WATER DISTRICT
DOCKET NO: WS-01303A-07-0209

Response provided by: **Sheryl Hubbard**

Title: **Senior Rate Analyst**

Address: 19820 N. 7th Street, Suite 201
Phoenix, AZ 85024

Company Response Number: RUCO 2.06

Q: Plant and Accumulated Depreciation - Please explain why there is an Eastern Division allocation of plant in Sun City Water district because there is no Eastern Division Corporate plant allocations in Sun Cities Wastewater recent rate application. Explain where the Eastern Division is located, if in Arizona, please define the Eastern Division service territory and services they provide. Please confirm if the Eastern Division is allocated plant. If it is allocated, please provide the districts to which receive the allocations.

A: Arizona-American began segregating the Arizona Corporate investment among the Central Division districts and a recently-established Eastern Division in 2006. The wastewater case test year was 2005, before the reorganization into these two Divisions. This process is still in progress and Arizona-American has been determined that these investments are more fairly allocated among all Arizona entities and accordingly, the allocation factors used in this proceeding are the same as the factor to allocate the Arizona Corporate investments.

What was called Eastern Division plant was moved from the Eastern Division business unit to strictly the Mohave business unit in 2007. Therefore, there is no longer an Eastern Division plant to be allocated *after* the end of the test year.

RUCO Exhibit 2 – page 1 of 4

Employee Name	Pay Description	Pay Cat	Pay Category	Hours	Hrly Rate	Amount	Work Date	Period End
Bostic, Satin C.	Vacation	V	Vacation	8.00	16.000	128.00	11/03/06	11/05/06

RUCO Exhibit 2 – page 2 of 4

Employee Name	Pay Description	Pay Cat	Pay Category	Hours	Hrly Rate	Amount	Work Date	Period End
Gill, Thomas M.	Regular	R	Regular	8.00	23.600	188.80	08/13/06	08/13/06

RUCO Exhibit 2 – page 3 of 4

Employee Name	Pay Description	Pay Cat	Pay Category	Hours	Hrly Rate	Amount	Work Date	Period End
Gunderson, Christopher L.	Regular	R	Regular	0.60	29.856	17.91	07/02/06	07/02/06

Employee Name	Pay Description	Pay Cat	Pay Category	Hours	Hrly Rate	Amount	Work Date	Period End
Williams, Thomas W.	Regular	R	Regular	8.00	41.798	334.43	08/27/06	08/27/06

RUCO Exhibit 3

Latest Hourly Rate		
Employee Name	Pay Category	Total
Bostic, Satin C.	Regular	$16.000
Gill, Thomas M.	Regular	$23.600
Gunderson, Christopher L.	Regular	$29.856
Williams, Thomas W.	Regular	$41.798

RUCO Exhibit 4

RUCO DR 4.2

SUN CITY WATER DISTRICT
Customer Annualization for Test Year Ended 2006
per Company's response to Staff's DR DH 3.2

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total
RESIDENTIAL													
Monthly Billed Revenue	$666,792.26	$380,944.52	$520,978.61	$412,420.54	$504,761.05	$586,146.40	$605,810.90	$661,498.26	$563,036.13	$460,192.35	$556,905.92	$491,740.31	$6,411,227.25
2006 # of Customers	22,069	22,089	22,088	22,070	22,069	22,067	22,070	22,070	22,065	22,079	22,085	22,070	
Avg Revenue/Customer	$30.21	$17.25	$23.59	$18.69	$22.87	$26.56	$27.45	$29.97	$25.52	$20.84	$25.22	$22.28	
Prior Mo # of Customers	22,032	22,069	22,089	22,088	22,070	22,069	22,067	22,070	22,070	22,065	22,079	22,085	
Increase/(Decrease)	37	20	(1)	(18)	(1)	(2)	3	-	(5)	14	6	(15)	38
Times Avg Revenue	$1,117.77	$345.00	($23.59)	($336.42)	($22.87)	($53.12)	$82.35	$0.00	($127.60)	$291.76	$151.32	($334.20)	$1,090.40
COMMERCIAL													
Monthly Billed Revenue	$159,637.65	$77,094.01	$93,627.54	$90,454.13	$98,884.48	$130,053.13	$103,987.76	$117,353.22	$148,130.82	$84,794.70	$90,239.34	$95,718.51	$1,289,975.29
2006 # of Customers	771	770	775	772	769	772	774	775	772	762	757	756	
Avg Revenue/Customer	$207.05	$100.12	$120.81	$117.17	$128.59	$168.46	$134.35	$151.42	$191.88	$111.28	$119.21	$126.61	
Prior Mo # of Customers	759	771	770	775	772	769	772	774	775	772	762	757	
Increase/(Decrease)	12	(1)	5	(3)	(3)	3	2	1	(3)	(10)	(5)	(1)	(3)
Times Avg Revenue	$2,484.60	($100.12)	$604.05	($351.51)	($385.77)	$505.38	$268.70	$151.42	($575.64)	($1,112.80)	($596.05)	($126.61)	$765.65
SALE FOR RESALE													
Monthly Billed Revenue	$9.18	$0.00	$9.18	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	$59.67
2006 # of Customers	1	1	1	1	1	1	1	1	1	1	1	1	
Avg Revenue/Customer	$9.18	$0.00	$9.18	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	$4.59	
Prior Mo # of Customers	1	1	1	1	1	1	1	1	1	1	1	1	
Increase/(Decrease)	-	-	-	-	-	-	-	-	-	-	-	-	-
Times Avg Revenue	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
MISCELLANEOUS													
Monthly Billed Revenue	$253.82	$2,063.78	$9,643.39	$5,143.98	$12,772.88	$14,363.94	$15,642.43	$9,409.72	$17,301.61	$5,095.76	$12,985.08	$7,815.53	$112,491.92
2006 # of Customers	122	122	122	122	122	122	122	122	123	123	123	123	
Avg Revenue/Customer	$2.08	$16.92	$79.04	$42.16	$104.70	$117.74	$128.22	$77.13	$140.66	$41.43	$105.57	$63.54	
Prior Mo # of Customers	122	122	122	122	122	122	122	122	122	123	123	123	
Increase/(Decrease)	-	-	-	-	-	-	-	-	1	-	-	-	1
Times Avg Revenue	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$140.66	$0.00	$0.00	$0.00	$140.66
FIRE													
Monthly Billed Revenue	$2,314.44	$1,715.81	$2,334.16	$2,033.13	$2,033.13	$2,033.13	$2,033.13	$2,021.86	$2,028.69	$2,028.69	$2,028.69	$2,024.62	$24,629.48
2006 # of Customers	91	91	91	91	91	91	91	91	91	91	91	91	
Avg Revenue/Customer	$25.43	$18.86	$25.65	$22.34	$22.34	$22.34	$22.34	$22.22	$22.29	$22.29	$22.29	$22.25	
Prior Mo # of Customers	97	91	91	91	91	91	91	91	91	91	91	91	
Increase/(Decrease)	(6)	-	-	-	-	-	-	-	-	-	-	-	(6)
Times Avg Revenue	($152.58)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($152.58)

Total Billed Revenue $7,838,383.61

Additional Customers during 2006 30
Additional Revenue 2006 $1,844.13

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
REVENUE REQUIREMENTS

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-1
SURREBUTTAL TESTIMONY

REVENUE REQUIREMENTS

LINE NO.	DESCRIPTION	(A) COMPANY REQUESTED	(B) RUCO RECOMMENDED
1	ADJUSTED RATE BASE	$ 25,961,898	$ 25,357,295
2	ADJUSTED OPERATING INCOME	693,412	730,275
3	CURRENT RATE OF RETURN (L2 / L1)	2.67%	2.88%
4	REQUIRED RATE OF RETURN	7.98%	7.36%
5	REQUIRED OPERATING INCOME (L4 * L1)	2,071,759	1,866,297
6	OPERATING INCOME DEFICIENCY (L5 - L2)	1,378,347	1,136,022
7	GROSS REVENUE CONVERSION FACTOR	1.6286	1.6287
8	GROSS REVENUE INCREASE	$ 2,244,777	$ 1,850,205
9	CURRENT REVENUES T/Y ADJUSTED	7,688,479	7,690,323
10	PROPOSED ANNUAL REVENUE (L8 + L9)	9,933,256	9,540,528
11	PERCENTAGE AVERAGE INCREASE	29.20%	24.06%

REFERENCES:
COLUMN (A): COMPANY SCHEDULE A-1
COLUMN (B): SCHEDULE TJC-1, PG. 2, TJC-2, TJC-7 AND TJC-17

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
SUMMARY OF RATE BASE ADJUSTMENTS

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-3
SURREBUTTAL TESTIMONY

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) RUCO ADJUSTED
1	PLANT IN SERVICE	$45,025,075	$(1,136,766)	$ -	$ -		$ -	$ -	$ -	$ 43,888,309
2	ACCUMULATED DEPRECIATION	(17,192,328)	486,430	-						(16,705,898)
3	NET PLANT IN SERVICE	$27,832,747	$ (650,336)	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,182,411
4	CONSTRUCTION WORK IN PROGRESS (CWIP)	-								-
5	TOTAL NET PLANT	$27,832,747	$ (650,336)	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,182,411
	Less:									
6	ADVANCES IN AID OF CONSTRUCTION (AIAC)	(3,576,920)								(3,576,920)
7	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) - NET	(63,004)								(63,004)
8	IMPUTED REGULATORY ADVANCES	(551,760)		-		-				(551,760)
9	IMPUTED REGULATORY CONTRIBUTIONS	(567,874)		-		-				(567,874)
10	CUSTOMER METER DEPOSITS	(2,100)								(2,100)
11	DEFERRED INCOME TAXES	1,938,781								1,938,781
	Plus:									
12	DEFERRED DEBITS	642,628					-	-		642,628
13	WORKING CAPITAL	309,400		45,733						355,133
14	UTILITY PLANT ACQUISITION ADJUSTMENT	-							-	-
15	TOTAL RATE BASE	$25,961,898	$ (650,336)	$ 45,733	$ -	$ -	$ -	$ -	$ -	$ 25,357,295

ADJUSTMENT #:	REFERENCE:
1. PLANT & ACCUMULATED DEPRECIATION ADJUSTMENTS PER STAFF DATA REQUEST 1.15	SCHEDULE TJC-4
2. INTENTIONALLY LEFT BLANK	TESTIMONY TJC
3. REMOVE CHARGES INCORRECTLY CLASSIFIED (SEE STAFF DR DH 4.1)	TESTIMONY TJC
4. CASH WORKING CAPITAL ADJUSTMENT	SCHEDULE TJC-5, PAGES 1 THRU 7

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
OPERATING ADJ. #1 - TOTAL UTILITY PLANT IN SERVICE (UPIS) AND ACCUMULATED DEPRECIATION

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-4
SURREBUTTAL TESTIMONY

Total Sun City Water UPIS:

Line No.	Description	Amount
1	Sun City Water Direct Plant Per Company	$44,512,311
2	Sun City Water Direct Plant Per RUCO	43,389,380
3	RUCO's Direct Plant Adjustment	(1,122,931)
4	Sun City Water AZ-Corporate Allocated Plant Per Company	414,338
5	Sun City Water AZ-Corporate Allocated Plant Per RUCO	414,338
6	RUCO's AZ-Corporate Allocated Plant Adjustment	0
7	Sun City Water Central Division Allocated Plant Per Company	84,591
8	Sun City Water Central Division Allocated Plant Per RUCO	84,591
9	RUCO's Central Division Allocated Plant Adjustment	0
10	Sun City Water Eastern Division Allocated Plant Per Company	13,835
11	Sun City Water Eastern Division Allocated Plant Per RUCO	-
12	RUCO's Eastern Division Allocated Plant Adjustment	(13,835)
13	Total Sun City Water Gross UPIS Per Company	45,025,075
14	Total Sun City Water Gross UPIS Per RUCO	43,888,309
15	Total RUCO Gross UPIS Adjustment	$ (1,136,766)

Total Sun City Water Accumulated Depreciation:

Line No.	Description	Amount
16	Sun City Water Direct Plant Accumulated Depreciation Per Company	$16,887,027
17	Sun City Water Direct Plant Accumulated Depreciation Per RUCO	16,430,140
18	RUCO's Direct Plant Accumulated Depreciation Adjustment	(456,887)
19	Sun City Water AZ-Corporate Allocated Plant Accumulated Depreciation Per Company	272,212
20	Sun City Water AZ-Corporate Allocated Plant Accumulated Depreciation Per RUCO	245,685
21	RUCO's AZ-Corporate Allocated Plant Accumulated Depreciation Adjustment	(26,527)
22	Sun City Water Central Division Allocated Plant Accumulated Depreciation Per Company	29,547
23	Sun City Water Central Division Allocated Plant Accumulated Depreciation Per RUCO	30,073
24	RUCO's Central Division Allocated Plant Accumulated Depreciation Adjustment	526
25	Sun City Water Eastern Division Allocated Plant Accumulated Depreciation Per Company	3,542
26	Sun City Water Eastern Division Allocated Plant Accumulated Depreciation Per RUCO	-
27	RUCO's Eastern Division Allocated Plant Accumulated Depreciation Adjustment	(3,542)
28	Total Sun City Water Accumulated Depreciation Per Company	17,192,328
29	Total Sun City Water Accumulated Depreciation Per RUCO	16,705,898
30	Total RUCO Accumulated Depreciation Adjustment	$ (486,430)
31	RUCO's Sun City Water Plant Adjustment - Net of Accumulated Depreciation	$ (650,336)

Supporting Schedules:
\TJC-4(a)Schedules\Pages1-5\DirectPlant\AZ-CorpPlant\CentralDivisionPlant\
Regarding RUCO's Eastern Div. treatment see Company response to RUCO DR 2.06

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
RATE BASE ADJ. #3 - WORKING CAPITAL ADJUSTMENT
WORKING CAPITAL ADJUSTMENT SUMMARY

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-5
PAGE 1 OF 7
SURREBUTTAL TESTIMONY

LINE NO.	DESCRIPTION	AMOUNT
1	Cash Working Capital per Company	$ -
2	Cash Working Capital per RUCO	45,733
3	RUCO Adjustment	45,733
4	Materials & Supplies Inventories per Company	$ 254,674
5	Materials & Supplies Inventories per RUCO	254,674
6	RUCO Adjustment	-
7	Prepayments per Company	$ 54,726
8	Prepayments per RUCO	54,726
9	RUCO Adjustment	-
10	Total Working Capital Adjustment	$ 45,733

REFERENCES:
Lines 1, 4, and 7: Company Schedule B-5, Page 1
Line 2: See RUCO Schedule TJC-5, Page 2 of 7
Line 10: Line 3 + Line 6 + Line 9

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
RATE BASE ADJ. #3 - WORKING CAPITAL ADJUSTMENT
LEAD/LAG CALCULATION

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-5
PAGE 2 OF 7
SURREBUTTAL TESTIMONY

		(A)	(B)	(C)		(D)	(E)
LINE NO.	DESCRIPTION	EXPENSES PER COMPANY	RUCO ADJUSTMENTS	RUCO ADJUSTED EXPENSES		RUCO (LEAD)/LAG DAYS	RUCO $ DAYS
1	LABOR	$ 1,137,093	$ (3,521)	1,133,572	*	12.00	$ 13,602,860
2	PURCHASED WATER	-	-	-	*	0.00	-
3	FUEL & POWER	1,573,296	(600)	1,572,696	*	32.42	50,988,840
4	CHEMICALS	49,041	-	49,041	*	28.47	1,395,991
5	WASTE DISPOSAL	4,270	(4,270)	-	*	30.00	-
6	MANAGEMENT FEES	1,386,158	(32,230)	1,353,928	*	(3.88)	(5,253,242)
7	GROUP INSURANCE	276,821	(1,018)	275,803	*	(4.64)	(1,280,969)
8	PENSIONS	51,046	(105)	50,941	*	45.00	2,292,338
9	INSURANCE OTHER THAN GROUP	51,587	634	52,221	*	45.00	2,349,942
10	CUSTOMER ACCOUNTING	165,878	12	165,890	*	7.46	1,237,653
11	RENTS	19,442	(31)	19,411	*	(10.68)	(207,343)
12	DEPRECIATION & AMORTIZATION	1,287,646		N/A	*	0.00	N/A
13	OTHER OPERATING EXPENSES	631,161	36,153	667,314	*	30.00	20,019,414
14	TAXES OTHER THAN INCOME	100,225	(352)	99,873	*	15.65	1,563,123
15	PROPERTY TAXES	297,758	(31,747)	266,011	*	212.50	56,527,296
16	STATE INCOME TAXES	(15,589)	136,101	120,512	*	62.65	7,550,058
17	FEDERAL INCOME TAXES	(70,766)	617,642	546,876		37.50	20,507,856
18	INTEREST	830,781	(26,067)	804,714	*	106.84	85,974,829
19	TOTAL OPERATING EXPENSES	$ 7,775,848	$ 690,600	$ 7,178,802			$ 257,268,647
20	EXPENSE LAG					35.84	
21	REVENUE LAG					38.16	
22	NET LAG					2.33	
23	CASH WORKING CAPITAL	$ 45,733					

REFERENCES:
Col. A, Line 23 = Cash Working Capital Allowance = (Col. D, Line 19 /365) X Col. E, Line 22
Col. B = RUCO's Expense Adjustments on TJC-8
Col. C = Col. A + Col. B + Col. C
Col. D = Company's and RUCO's Calculated Expense Lead and Lag Days from Study
Col. E = Col. C x Col. D
Col. D, Line 20 = Col. E, Line 19 / Col. C, Line 19
Col. D, Line 21 = Company's Revenue Lead/Lag Calculation on Page 3
Col. D, Line 22 = Col. D, Line 21 - Col. D, Line 20

NOTE
N/A = NON CASH CHARGES EXCLUDED FROM CASH WORKING CAPITAL LEAD/LAG STUDY CALCULATION
* RUCO RECOMMENDED LEVEL OF CASH WORKING CAPITAL EXPENSES

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
OPERATING INCOME - TEST YEAR AND RUCO PROPOSED

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-7
SURREBUTTAL TESTIMONY

LINE NO.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) RUCO TEST YEAR ADJUSTMENTS	(C) RUCO TEST YEAR AS ADJUSTED	(D) RUCO PROPOSED CHANGES	(E) RUCO RECOMMENDED
	REVENUES - WATER:					
1	WATER REVENUES	$ 7,578,436	$ 1,844	$ 7,580,280	$ 1,850,205	$ 9,430,485
2	OTHER REVENUES	110,043	-	110,043		110,043
3	MICELLANEOUS REVENUES	-	-	-		-
4	TOTAL REVENUES	$ 7,688,479	$ 1,844	$ 7,690,323	$ 1,850,205	$ 9,540,528
	OPERATING EXPENSES:					
5	LABOR	$ 1,137,093	$ (3,521)	$ 1,133,572	$ -	$ 1,133,572
6	PURCHASED WATER	-	-	-	-	-
7	FUEL & POWER	1,573,296	(600)	1,572,696		1,572,696
8	CHEMICALS	49,041	-	49,041		49,041
9	WASTE DISPOSAL	4,270	(4,270)	-		-
10	MANAGEMENT FEES	1,386,158	(32,230)	1,353,928		1,353,928
11	GROUP INSURANCE	276,821	(1,018)	275,803		275,803
12	PENSIONS	51,046	(105)	50,941		50,941
13	REGULATORY EXPENSE	50,000	(18,578)	31,422		31,422
14	INSURANCE OTHER THAN GROUP	51,587	634	52,221		52,221
15	CUSTOMER ACCOUNTING	165,878	12	165,890		165,890
16	RENTS	19,442	(31)	19,411		19,411
17	GENERAL OFFICE EXPENSE	97,290	(5,496)	91,794		91,794
18	MISCELLANEOUS	360,734	41,947	402,681		402,681
19	MAINTENANCE EXPENSE	173,137	(298)	172,839		172,839
20	DEPRECIATION & AMORTIZATION	1,287,646	(18,925)	1,268,721		1,268,721
21	TAXES OTHER THAN INCOME	100,225	(352)	99,873		99,873
22	PROPERTY TAXES	297,758	(31,747)	266,011		266,011
23	INCOME TAX	(86,355)	39,560	(46,795)	714,183	667,388
24	**TOTAL OPERATING EXPENSES**	$ 6,995,067	$ (35,019)	$ 6,960,048	$ 714,183	$ 7,674,231
25	**NET INCOME**	$ 693,412	$ 36,863	$ 730,275	$ 1,136,022	$ 1,866,297

REFERENCES:
COLUMN (A): CO. SCH. C-1
COLUMN (B): SCH. TJC-8
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): SCH. TJC-1, PAGE 1 OF 2
COLUMN (E): COLUMN (C) + COLUMN (D)

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
SUMMARY OF OPERATING ADJUSTMENTS

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-8
SURREBUTTAL TESTIMONY

LINE NO.	DESCRIPTION	(A) COMPANY PROPOSED	(B) ADJ. #1	(C) ADJ. #2	(D) ADJ. #3	(E) ADJ. #4	(F) ADJ. #5	(G) ADJ. #6	(H) ADJ. #7	(I) ADJ. #8	(J) ADJ. #9	(K) ADJ. #10	(L) ADJ. #11	(M) ADJ. #12	(N) ADJ. #13	(O) RUCO ADJUSTED
	REVENUES - WATER:															
1	WATER REVENUES	$ 7,578,436	$ -	$ -	$ -	$ -	$ -	$ 1,844	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,580,280
2	OTHER REVENUES	110,043														
3	MICELLANEOUS REVENUES	-														-
4	TOTAL REVENUES	$ 7,688,479	$ -	$ -	$ -	$ -	$ -	$ 1,844	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,690,323
	OPERATING EXPENSES:															
5	LABOR	$ 1,137,093	$ (1,047)	$ (2,475)	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	1,133,572
6	PURCHASED WATER	-	-	-		-			-	-					-	-
7	FUEL & POWER	1,573,296			(266)	(334)										1,572,696
8	CHEMICALS	49,041			-	-										49,041
9	WASTE DISPOSAL	4,270							-				(4,270)			-
10	MANAGEMENT FEES	1,386,158			-					(32,230)						1,353,928
11	GROUP INSURANCE	276,821	(7)	(1,010)									-			275,803
12	PENSIONS	51,046	(0)	(105)	-								-			50,941
13	REGULATORY EXPENSE	50,000			-					-	$ (18,578)					31,422
14	INSURANCE OTHER THAN GROU	51,587			634											52,221
15	CUSTOMER ACCOUNTING	165,878			12											165,890
16	RENTS	19,442		-	(31)				-							19,411
17	GENERAL OFFICE EXPENSE	97,290			(5,496)				-	-						91,794
18	MISCELLANEOUS	360,734	(41)	(58)	(3,548)				($4,405)				-	50,000		402,681
19	MAINTENANCE EXPENSE	173,137			(298)										-	172,839
20	DEPRECIATION & AMORTIZATIO	1,287,646			(770)							(18,155)			-	1,268,721
21	GENERAL TAXES	100,225	(105)	(247)									-			99,873
22	PROPERTY TAXES	297,758					(31,747)									266,011
23	INCOME TAXES	(86,355)													39,560	(46,795)
24	TOTAL OPERATING EXPENSES	$ 6,995,067	$ (1,200)	$ (3,895)	$ (9,764)	$ (334)	$ (31,747)	$ -	$ (4,405)	$ (32,230)	$ (18,578)	$ (18,155)	$ (4,270)	$ 50,000	$ 39,560	$ 6,960,048
25	UTILITY OPERATING INCOME	$ 693,412	$ 1,200	$ 3,895	$ 9,764	$ 334	$ 31,747	$ 1,844	$ 4,405	$ 32,230	$ 18,578	$ 18,155	$ 4,270	$ (50,000)	$ (39,560)	$ 730,275

ADJUSTMENT #:	REFERENCE:
1. End of Test Year Hourly Labor Rate Expense Adjustment	Schedule TJC-9
2. Remove Eastern Division Allocated Labor Expense	Schedule TJC-10
3. Remove All Other Eastern Division Expenses	See RUCO\Coley\Workpaper
4. Late Charges on Power Bills	Testimony of TJC
5. Property Tax Expense	Schedule TJC-11
6. Revenue Annualization (See RUCO DR 4.2)	Testimony of TJC
7. Miscellaneous Expense	Schedule TJC-12
8. Achievement Incentive Pay	Schedule TJC-13
9. Rate Case Expense	Schedule TJC-14
10. Depreciation & Amortization Expense	Schedule TJC-15
11. Remove Errant Recording of Waste Disposal	Testimony of TJC
12. Low-Income Program Expense	Testimony of TJC
13. Income Taxes	Schedule TJC-16

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
OPERATING ADJ. #6 - PRIMARY PROPERTY TAX EXPENSE

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-11
SURREBUTTAL TESTIMONY

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
1	REVENUES - 2004	$ 7,480,971	COMPANY SCHEDULE E-1
2	REVENUES - 2005	7,884,260	COMPANY SCHEDULE E-1
3	REVENUES - 2006	7,688,479	COMPANY SCHEDULE C-2 REBUTTAL
4	TOTAL	$ 23,053,710	SUM LINES 1, 2, & 3
5	3 YEAR AVERAGE	$ 7,684,570	LINE 4/3 YEARS
6	MULTIPLIER FOR REVENUES (2 X LAST 3 YRS. AVERAGE REVENUE)	x 2	ADOR VALUATION FACTOR
7	REVENUES FOR FULL CASH VALUE	$ 15,369,140	LINE 5 X 2 (MULTIPLIER FOR REVENUES)
8	ADD: 10% OF CWIP BALANCE	$ 20,865	COMPANY TRIAL BALANCE
9	LESS: NET BOOK VALUE OF VEHICLES	181,994	CORRECTED COMPANY C-2 SCHEDULE
10	FULL CASH VALUE	$ 15,208,011	LINE 7 + LINE 8 MINUS LINE 9
11	ASSESSMENT RATIO	23.5%	PER HOUSE BILL 2779
12	ASSESSED VALUE	$ 3,573,883	LINE 10 X LINE 11
13	PROPERTY TAX RATE	7.4432%	PER TAX BILLS
14	PROPERTY TAXES PAYABLE PER RUCO	$ 266,011	LINE 12 X LINE 13
15	PROPERTY TAXES PER COMPANY	297,758	PER COMPANY
16	RUCO ADJUSTMENT	$ (31,747)	LINE 14 MINUS LINE 15

Workpapers & Supporting Documents:
RUCO Workpapers\Coley Workpapers\PropertyTaxRate-RUCO

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
OPERATING ADJ. #10 - DEPRECIATION AND AMORTIZATION EXPENSE

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-15
SURREBUTTAL TESTIMONY

LINE NO.	ACCT. NO.	PLANT ACCOUNT NAME	(A) ACTUAL TEST YEAR BALANCE PER COMPANY	(B) RUCO ADJUSTMENTS	(C) RUCO ADJUSTED BALANCE	(D) COMPONENT DEPRECIATION RATES	(E) RUCO RECOMMENDED DEPRECIATION EXPENSE
1	303600	Land & Land Rights AG	4,691	$ (4,691)	$ -	0.00%	$ -
2	304510	Struct & Imp AG Cap Lease	-	-	-	5.63%	-
3	304600	Struct & Imp Offices	2,780	(1)	2,779	4.63%	129
4	304800	Struct & Imp Misc	-	-	-	4.63%	-
5	304620	Struct & Imp Leasehold	22,012	-	22,012	14.20%	3,126
6	340100	Office Furniture & Equip	121,377	-	121,377	4.04%	4,904
7	340200	Comp & Periph Equip	44,127	(210)	43,917	15.89%	6,978
8	340300	Computer Software	200,454	(127)	200,327	37.71%	75,543
9	340330	Comp Software Other	4,097	-	4,097	37.71%	1,545
10	340500	Other Office Equipment	-	-	-	7.13%	-
11	341100	Trans Equip Lt Duty Trks	71,614	-	71,614	28.05%	20,088
12	343000	Tools,Shop,Garage Equip	2,769	-	2,769	3.61%	100
13	344000	Laboratory Equipment	-	-	-	3.71%	-
14	345000	Power Operated Equipment	7,318	-	7,318	4.64%	340
15	346100	Comm Equip Non-Telephone	22,175	-	22,175	9.76%	2,164
16	346200	Comm Equip Telephone	7,586	(7,586)	-	9.76%	-
17	346300	Comm Equip Other	1,765	(1,219)	546	7.91%	43
18	347000	Misc Equipment	-	-	-	5.10%	-
19	380400	WW TD Equip Aux Effl Trmt	-	-	-	5.00%	-
20	393000	WW Tool Shop & Garage Equip	-	-	-	4.74%	-
21	301000	Organization	471	0	471	0.00%	-
22	302000	Franchises	2,851	0	2,851	0.00%	-
23	303200	Land & Land Rights SS	180,023	0	180,023	0.00%	-
24	303300	Land & Land Rights P	156,586	(148,130)	8,456 *	0.00%	-
25	303500	Land & Land Rights TD	10,493	-	10,493	0.00%	-
26	303600	Land & Land Rights AG	2,125	-	2,125	0.00%	-
27	304100	Struct & Imp SS	787,273	-	787,273	2.50%	19,682
28	304200	Struct & Imp P	456,858	0	456,858	1.67%	7,630
29	304300	Struct & Imp WT	126,815	(0)	126,814	1.67%	2,118
30	304400	Struct & Imp TD	28,604	0	28,604	2.00%	572
31	304600	Struct & Imp Offices	260,489	(187,166)	73,323	4.63%	3,395
32	304800	Struct & Imp Misc	1,328,185	0	1,328,185	1.67%	22,181
33	305000	Collect & Impounding	314	0	314	2.50%	8
34	307000	Wells & Springs	3,021,387	(427,725)	2,593,662 *	2.52%	65,360
35	310100	Power Generation Equip Other	146,519	(0)	146,518	4.42%	6,476
36	311200	Pump Equip Electric	6,713,399	0	6,713,399	4.42%	296,732
37	311300	Pump Equip Diesel	36,032	0	36,032	5.00%	1,802
38	311500	Pump Equip Other	140,654	-	140,654	5.01%	7,047
39	320100	WT Equip Non-Media	396,541	(19,594)	376,947	4.00%	15,078
40	330000	Dist Reservoirs & Standpipe	1,802,878	(319,215)	1,483,663	1.67%	24,777
41	331001	TD Mains Not Classified by Size	777,906	-	777,906	1.53%	11,902
42	331100	TD Mains 4in & Less	12,547,934	0	12,547,934	1.53%	191,983
43	331200	TD Mains 6in to 8in	1,713,259	-	1,713,259	1.53%	26,213
44	331300	TD Mains 10in to 16in	79,891	-	79,891	1.53%	1,222
45	333000	Services	5,572,172	(1)	5,572,171	2.48%	138,190
46	334100	Meters	3,178,281	(0)	3,178,281	2.51%	79,775
47	334200	Meter Installations	634,504	-	634,504	2.51%	15,926
48	335000	Hydrants	2,175,095	(91)	2,175,004	2.00%	43,500
49	339100	Othber P/E Intangible	-	(0)	(0)	0.00%	-
50	339500	Other P/E TD	523	-	523	2.00%	10
51	340100	Office Furniture & Equip	596,432	(1)	596,431	4.59%	27,376
52	340200	Comp & Periph Equip	307,123	0	307,123	4.59%	14,097
53	341100	Trans Equip Lt Duty Trks	649,927	(400)	649,528	25.00%	162,382
54	341200	Trans Equip Hvy Duty Trks	23,777	-	23,777	25.00%	5,944
55	342000	Stores Equipment	21,022	(1)	21,021	3.91%	822
56	343000	Tools,Shop,Garage Equip	262,900	(1)	262,899	4.02%	10,569
57	344000	Laboratory Equipment	9,560	(0)	9,560	3.71%	355
58	345000	Power Operated Equipment	103,966	0	103,967	5.20%	5,406
59	346100	Comm Equip Non-Telephone	221,454	0	221,454	10.30%	22,810
60	346300	Comm Equip Other	165,577	400	165,976	4.93%	8,183
61					-		
62		Less: Youngtown Plant	(127,485)	(21,012)	(148,497)	2.83%	(4,202)
63							
64		TOTAL PLANT IN SERVICE	$ 45,025,078	$ (1,136,769)	$43,888,309		$ 1,354,481
65							
66							
67				Amortization of Y2k Costs at 2.83% (AZ Corp. 4 Factor) *			18,573
68				Amortization of Deferred Debit - Fire Flow Study @ 3.06%			5,915
69							
70							
71				Less: Amortization of Contributions			972
72				Amortization of Imputed Regulatory CIAC			112,708
73				Amortization of Youngtown Plant CIAC			(4,202)
74							
75				Total Depreciation Expense Per RUCO			1,269,491
76							
77				Total Depreciation Expense Per Company			1,287,646
78							
79				RUCO Adjustment			(18,155)

REFERENCES:
COLUMN (A): COMPANY SCHEDULE E-5 PAGE 2 OF 3
COLUMN (B): COLUMN (C) - COLUMN (A)
COLUMN (C): RUCO SCHEDULE TJC-4, PAGE 4
COLUMN (D): COMPANY SCHEDULE C-2, W/P C2-15b, PAGE 2 OF 4
COLUMN (E): COLUMN (C) x COLUMN (D)
LINE 24, COLUMN L, IS LESS RUCO RATE BASE ADJ. #2
LINE 34, COLUMN L, IS LESS RUCO RATE BASE ADJ. #3

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
OPERATING ADJ. #16 - INCOME TAXES

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-16
SURREBUTTAL TESTIMONY

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE
	FEDERAL INCOME TAXES:		
1	OPERATING INCOME BEFORE INCOME TAXES	$ 683,480	SCH. TJC-7
	LESS:		
2	ARIZONA STATE TAX	(8,448)	LINE 11
3	INTEREST EXPENSE	804,714	NOTE (a)
4	FEDERAL TAXABLE INCOME	$ (112,786)	LINE 1 - LINES 2 & 3
5	FEDERAL INCOME TAX RATE	34.00%	TAX RATE
6	FEDERAL INCOME TAX EXPENSE	$ (38,347)	LINE 4 X LINE 5
	STATE INCOME TAXES:		
7	OPERATING INCOME BEFORE INCOME TAXES	$ 683,480	LINE 1
	LESS:		
8	INTEREST EXPENSE	804,714	NOTE (A)
9	STATE TAXABLE INCOME	$ (121,234)	LINE 7 - LINE 8
10	STATE TAX RATE	6.968%	TAX RATE
11	STATE INCOME TAX EXPENSE	$ (8,448)	LINE 9 X LINE 10
12	TOTAL INCOME TAX PER RUCO	(46,795)	COMPANY SCH. C-1, PG. 3
13	INCOME TAXES PER COMPANY FILING	(86,355)	LINE 13 - LINE 14
14	RUCO INCOME TAX ADJUSTMENT	$ 39,560	

NOTE (a):
INTEREST SYCHRONIZATION

ADJUSTED RATE BASE	$ 25,357,295
WEIGHTED COST OF DEBT	3.17%
	$ 804,714

ARIZONA-AMERICAN WATER COMPANY
TEST YEAR ENDED DECEMBER 29, 2006
SUN CITY WATER DISTRICT
COST OF CAPITAL

DOCKET NO. WS-01303A-07-0209
SCHEDULE TJC-17
SURREBUTTAL TESTIMONY

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) RUCO ADJUSTMENT	(C) ADJUSTED BALANCE	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST
1	LONG-TERM DEBT	$ 193,749,296	$ -	$ 193,749,296	57.70%	5.50%	3.17%
2	SHORT-TERM DEBT	-		-	0.00%	0.00%	0.00%
3	COMMON EQUITY	142,102,385		142,102,385	42.30%	9.89%	4.18%
4	TOTAL	$ 335,851,681	$ -	$ 335,851,681	100.00%		7.36%

REFERENCES:
COLUMN (A): COMPANY SCH. D - 1
COLUMN (B): TESTIMONY, WAR
COLUMN (C): COLUMN (A) + COLUMN (B)
COLUMN (D): COLUMN (C) ÷ COLUMN (C), LINE 5
COLUMN (E): TESTIMONY, WAR
COLUMN (F): COLUMN (D) x COLUMN (E)