

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

JUN 17 2011

DOCKETED BY

IN THE MATTER OF THE COMMISSION'S
GENERIC EVALUATION OF THE
REGULATORY IMPACTS FROM THE USE
OF NON-TRADITIONAL FINANCING
ARRANGEMENTS BY WATER UTILITIES
AND THEIR AFFILIATES.

Docket No. W-00000C-06-0149

RESIDENTIAL UTILITY CONSUMER OFFICE'S
COMMENTS

During the Commission's recent workshop on periodic generalized cost of equity information that was conducted on June 16, 2011, RUCO rate analyst William A. Rigsby addressed Commissioners Paul Newman and Brenda Burns and offered to provide a copy of *The Value Line Investment Survey's* ("Value Line") most recent quarterly update on the water utility industry. Attached hereto is a copy of Value Line's April 22, 2011 quarterly update that Mr. Rigsby offered to provide.

RESPECTFULLY SUBMITTED this 17th day of June, 2011

Daniel W. Pozefsky
Chief Counsel

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VALUE LINE'S APRIL 22, 2011

QUARTERLY UPDATE

INDUSTRY TIMELINESS: 54 (of 96)

Water utility stocks have been met with some resistance since our January review. Indeed, all but a single issue covered in our *Survey* gave back some ground. And the exception advanced less than 10% in price. As a result, the group, as a whole, has slipped into the bottom half of the pack for Timeliness after residing in the top quartile last time around.

Wall Street's apprehension is not surprising, given that most of the companies reported disappointing earnings in the fourth-quarter. (First-quarter results were not released as of the day of this report). Indeed, revenue growth, although healthy thanks to continued progress on the regulatory front, seemed to fall short of expectations. Earnings, meanwhile, were further frustrated by the increasing costs of doing business.

The group's growth prospects going forward are not overly impressive either. With the exception of *American Water Works*, not a single stock in this industry stands out for Timeliness or 3- to 5-year price appreciation potential. The companies here face stiff headwinds on the cost front, as many of the country's water systems are aging and increasing in the need for repairs and maintenance. Financial constraints are of further concern, with the financial moves that are likely to be made in order to maintain infrastructures dilutive to share-net growth.

Insatiable Thirst

As an essential part of life for all forms of life, demand for water is undeniable. As a result, the delivery of this liquid, which water utilities are responsible for, is nearly as vital. Indeed, water providers are responsible for the safe and timely delivery of water to millions of Americans every day. Demand for water ought to continue to grow along with the population, creating the most favorable landscape for companies operating in this area.

Favorable Backing

Although the services of most utilities reach across state lines nowadays, state regulatory boards have been put in place to maintain a balance of power between providers and customers. Among their main responsibilities is to review and rule on general rate case requests submitted by providers looking to recover costs. That being said, it is easy to recognize the importance that they play to utilities. Many boards have become far

more business friendly in recent years, auguring well for utilities.

Deleterious Costs

Despite a more favorable regulatory climate, providers still have troubles facing them. Infrastructures are decaying rapidly and, in many cases, need complete overhauls. The costs to make the repairs are exorbitant many operating in this space do not have the funds on hand to foot the bill. Indeed, most are strapped for cash and will have to look to outside financiers to keep up. Although consolidation trends present unique opportunities for those with the financial capabilities to throw their hat in the ring, such as *Aqua America*, others are just trying to stay afloat. Unfortunately, the financing costs to stay in business, whether it be additional share or debt offerings, will probably drown most and dilute shareholder gains moving ahead.

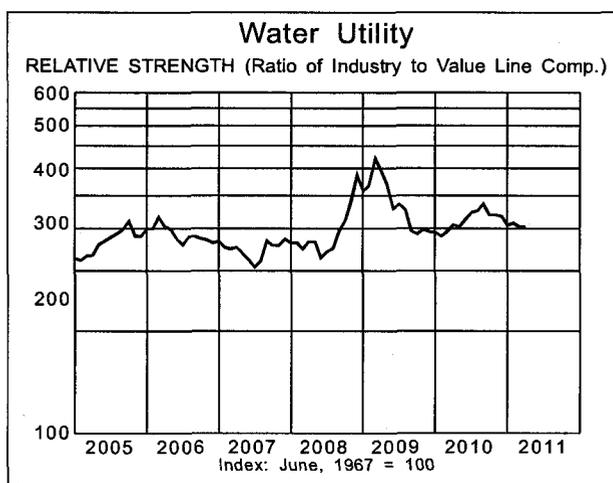
Conclusion

The bulk of the stock's in this group have lost any luster they had from a growth perspective. Although the share-price weakness makes for more attractive entry points, only *American States Water* stands out for appreciation potential. That said, the dividends of many help make for worthwhile total return appeal in some cases. Again *American States Water*, along with *American Water Works*, and newcomer *SJW Corp.*, top the list on this account. (Readers can see more about *SJW* in the pages that follow). That said, we do think that there are better options out there for investors looking to add an income-producing stock to the portfolios. The average Electric Utility stock, for example generates better income. Plus, the financial constraints mentioned above sit in the back of our heads when it come to thinking about the payout down the road. Elsewhere *Aqua America* is an interesting issue. Its acquisition-friendly ways, especially its recent venture into the solar power arena, may interest more risk-tolerant investors. As always, we advise potential investors to take a more thorough look at the individual stocks before making any monetary commitments.

Andre J. Costanza

Composite Statistics: Water Utility Industry							14-16
2007	2008	2009	2010	2011	2012		
3691.8	3613.3	4137.7	4510	4785	5050	Revenues (\$mill)	5925
d168.8	372.0	399.6	490	535	490	Net Profit (\$mill)	750
NMF	NMF	38.2%	39.0%	39.0%	39.0%	Income Tax Rate	39.0%
NMF	NMF	1.5%	5.0%	7.0%	8.0%	AFUDC % to Net Profit	10.0%
51.1%	51.1%	52.3%	52.0%	52.0%	51.0%	Long-Term Debt Ratio	51.0%
48.9%	48.9%	47.7%	48.0%	48.0%	49.0%	Common Equity Ratio	49.0%
13134.6	12795.2	13744.0	14300	14950	15475	Total Capital (\$mill)	16785
14542.8	14542.8	15611.0	17500	18250	18975	Net Plant (\$mill)	21500
.3%	4.4%	4.4%	5.0%	5.5%	6.0%	Return on Total Cap'l	8.0%
NMF	6.0%	6.5%	7.0%	7.5%	8.0%	Return on Shr. Equity	9.5%
NMF	6.0%	6.5%	7.0%	7.5%	8.0%	Return on Com Equity	9.5%
NMF	3.0%	2.2%	3.0%	3.0%	3.5%	Retained to Com Eq	4.5%
NMF	50%	67%	65%	62%	57%	All Div'ds to Net Prof	55%
NMF	20.7	19.3				Avg Ann'l P/E Ratio	21.0
NMF	1.25	1.29				Relative P/E Ratio	1.40
2.2%	2.4%	3.5%				Avg Ann'l Div'd Yield	2.6%

Bold figures are Value Line estimates



TIMELINESS 1 New 10/22/10
SAFETY 3 New 7/25/08
TECHNICAL 4 Lowered 3/11/11
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

Price	Gain	Ann'l Total Return
High 50	(+80%)	18%
Low 35	(+25%)	9%

Insider Decisions

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

Institutional Decisions

	2Q2010	3Q2010	4Q2010
to Buy	134	146	145
to Sell	107	93	119
Md's(000)	154379	149349	145430

LEGENDS
 ... Relative Price Strength
 Options: Yes
 Shaded areas indicate recessions

High: 23.7, 23.0, 25.8, 28.9
Low: 16.5, 16.2, 19.4, 25.2

Target Price Range
 2014: 40-50, 2015: 40-50, 2016: 40-50

% TOT. RETURN 3/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	33.7	23.4
3 yr.	—	49.0
5 yr.	—	45.9

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
--	--	--	--	--	--	--	--	--	--	--	13.08	13.84	14.61	13.98	15.49	16.10	16.35	Revenues per sh	17.95
--	--	--	--	--	--	--	--	--	--	--	.65	d.47	2.87	2.89	3.56	3.50	3.80	"Cash Flow" per sh	4.10
--	--	--	--	--	--	--	--	--	--	--	d.97	d2.14	1.10	1.25	1.53	1.70	1.80	Earnings per sh ^A	2.10
--	--	--	--	--	--	--	--	--	--	--	--	--	.40	.82	.86	.90	.94	Div'd Decl'd per sh ^B	1.10
--	--	--	--	--	--	--	--	--	--	--	4.31	4.74	6.31	4.50	4.38	4.30	4.25	Cap'l Spending per sh	4.20
--	--	--	--	--	--	--	--	--	--	--	23.86	28.39	25.64	22.91	23.59	23.60	23.40	Book Value per sh ^D	23.60
--	--	--	--	--	--	--	--	--	--	--	160.00	160.00	160.00	174.63	175.00	180.00	185.00	Common Shs Outst'g ^C	195.00
--	--	--	--	--	--	--	--	--	--	--	--	--	18.9	15.6	14.6	14.6	14.6	Avg Ann'l P/E Ratio	20.0
--	--	--	--	--	--	--	--	--	--	--	--	--	1.14	1.04	.94	.94	.94	Relative P/E Ratio	1.35
--	--	--	--	--	--	--	--	--	--	--	--	--	1.9%	4.2%	3.8%	3.8%	3.8%	Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 12/31/10
 Total Debt \$5478.3 mill. Due in 5 Yrs \$201.9 mill.
 LT Debt \$5433.5 mill. LT Interest \$315.0 mill.
 (Total interest coverage: 2.4x) (57% of Cap'l)

Leases, Uncapitalized: Annual rentals \$25.7 mill.
 Pension Assets-12/10 \$861.0 mill
 Oblig. \$1285.5 mill.
 Pfd Stock \$23.9 mill. Pfd Div'd NMF

Common Stock 175,211,592 shs. as of 2/22/11

MARKET CAP: \$4.9 billion (Mid Cap)

CURRENT POSITION

	2008	2009	12/31/10
Cash Assets	9.5	22.3	13.1
Other	408.2	476.8	521.2
Current Assets	417.7	499.1	534.3
Accts Payable	149.8	138.6	199.2
Debt Due	654.8	173.6	44.8
Other	300.2	295.2	530.5
Current Liab.	1104.8	607.4	774.5
Fix. Chg. Cov.	197%	210%	237%

ANNUAL RATES

	10 Yrs.	Past 5 Yrs.	Past Est'd '08-'10 of change (per sh)
Revenues	--	--	3.5%
"Cash Flow"	--	--	5.0%
Earnings	--	--	8.5%
Dividends	--	--	8.0%
Book Value	--	--	-5%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	506.8	589.4	672.2	568.5	2336.9
2009	550.2	612.7	680.0	597.8	2440.7
2010	588.1	671.2	786.9	664.5	2710.7
2011	620	715	820	725	2875
2012	650	750	865	760	3025

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.04	.28	.55	.23	1.10
2009	.19	.32	.52	.21	1.25
2010	.18	.42	.71	.23	1.53
2011	.22	.46	.75	.27	1.70
2012	.24	.49	.79	.28	1.80

QUARTERLY DIVIDENDS PAID ^B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	--	--	--	--	--
2008	--	--	.20	.20	.40
2009	.20	.20	.21	.21	.82
2010	.21	.21	.22	.22	.86
2011	.22				

BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 15 million people in over 30 states and Canada. Its nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up over 89% of 2010 revenues. New Jersey is its biggest

American Water Works closed out a healthy 2010 campaign in solid, albeit not as strong as we predicted, fashion. The country's biggest water utility posted share earnings of \$0.23, 10% better than the year before, but half of what we were anticipating. Revenues advanced a slower-than-expected 11%, to roughly \$665 million, benefiting from new rate awards and greater military demand.

We look for growth to continue slowing this year. The high end of management's earnings guidance (\$1.65 to \$1.75 a share) appears a little too bullish in our opinion, given the tough comparisons and the continuously rising costs of doing business in this space. Indeed, infrastructure expenses are likely to remain on an upswing, as many systems are decaying and in need of significant, if not complete, overhauls. American is not exactly flush with cash though and will need to look to outside financiers to foot the bill. The increased debt load and/or higher share count will dilute share-net gains.

We have introduced our 2012 estimates with similar trends in mind. True, American continues to make inroads

market accounting for over 19% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.5% in '10. BlackRock, Inc., owns 6.9% of the common stock outstanding. Off. & dir. own less than 1%. President & CEO: Jeffrey Sterba. Chairman; George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.

with military bases, and these non-regulated ventures should remain profitable, but the company remains for all intents and purposes, a heavily regulated business. Although regulatory commissions have been far more-business friendly of late, there is no way of getting around the need to maintain the nation's waterways and pipelines. These infrastructure costs, and the associated financing expenses, ought to keep share-earnings growth in single-digit territory next year and thereafter out to mid-decade.

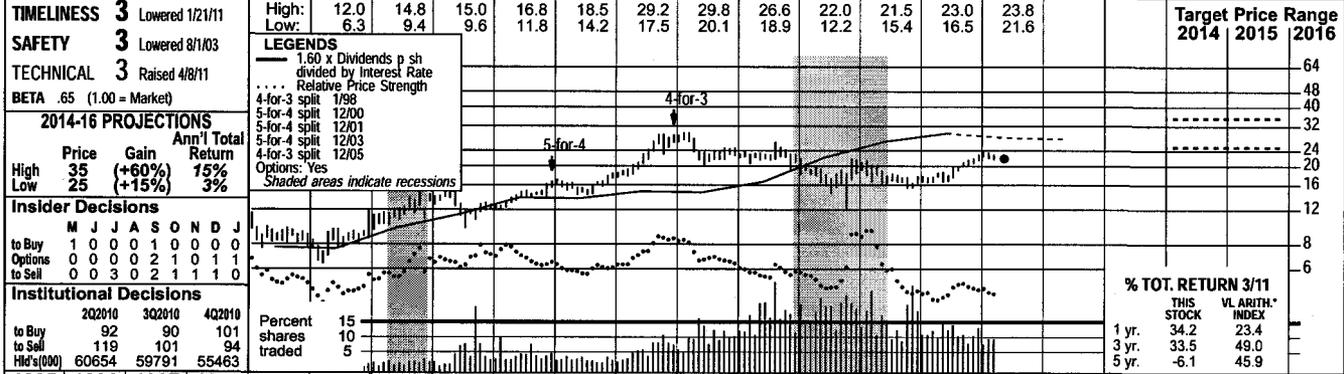
These shares are ranked 1 (Highest) for Timeliness, thanks to recent share-price momentum. They have been on a steady climb upward since last summer, and are up nearly 30% in all.

This issue looks to be undervalued according to our projections. Despite the financial constraints we envision, price appreciation potential out to mid-decade is on par with the Value Line average. Traction in nonregulated areas ought to help pick up some of the slack. Meanwhile, the dividend adds to the issue's 3- to 5-year total-return appeal.

Andre J. Costanza April 22, 2011

AQUA AMERICA NYSE-WTR

RECENT PRICE **21.94** P/E RATIO **23.8** (Trailing: 24.4 Median: 25.0) RELATIVE P/E RATIO **1.43** DIV'D YLD **2.8%** VALUE LINE



Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Value Line Pub. LLC	14-16
Revenues per sh	1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.60	5.90	6.80	6.80
"Cash Flow" per sh	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.85	1.95	2.35	2.35
Earnings per sh ^A	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	.95	1.05	1.35	1.35
Div'd Decl'd per sh ^B	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.63	.67	.79	.79
Cap'l Spending per sh	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.45	1.55	2.80	2.80
Book Value per sh	2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	8.75	9.10	10.50	10.50
Common Shs Outst'g ^C	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.90	139.90	142.90	142.90
Avg Ann'l P/E Ratio	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	23.1	23.1	21.0	21.0
Relative P/E Ratio	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.36	1.36	1.36	1.40	1.40
Avg Ann'l Div'd Yield	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%	3.1%	3.1%	2.5%	2.5%

Year	2008	2009	12/31/10	2011	2012	Value Line Pub. LLC	14-16
Revenues (\$mill)	307.3	322.0	367.2	442.0	496.8	533.5	602.5
Net Profit (\$mill)	58.5	62.7	67.3	80.0	91.2	92.0	145
Income Tax Rate	39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%
AFUDC % to Net Profit	52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%
Long-Term Debt Ratio	47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%
Common Equity Ratio	990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2306.6
Total Capital (\$mill)	1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8
Return on Total Cap'l	7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%
Return on Shr. Equity	12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%
Return on Com Equity	12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%
Retained to Com Eq	5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%
All Div'ds to Net Prof	59%	59%	59%	57%	56%	63%	67%

CAPITAL STRUCTURE as of 12/31/10
 Total Debt \$1560.4 mill. Due in 5 Yrs \$316 mill.
 LT Debt \$1531.9 mill. LT Interest \$70.6 mill.
 (LT interest earned: 4.5x; total interest coverage: 4.5x)
Pension Assets-12/10 \$159.2 mill.
 Oblig. \$234.9 mill.
Pfd Stock None
 Common Stock 137,968,188 shares as of 2/11/11
MARKET CAP: \$3.0 billion (Mid Cap)

Item	2008	2009	12/31/10
Cash Assets	14.9	21.9	5.9
Receivables	84.5	78.7	85.9
Inventory (AvgCst)	9.8	9.5	9.2
Other	11.8	11.5	44.4
Current Assets	121.0	121.6	145.4
Accts Payable	50.0	57.9	45.3
Debt Due	87.9	87.0	28.5
Other	55.3	56.1	149.9
Current Liab.	193.2	201.0	223.7
Fix. Chg. Cov.	329%	346%	290%

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '08-'10 to '14-'16
 of change (per sh)
 Revenues 8.0% 7.5% 6.5%
 "Cash Flow" 8.5% 8.0% 8.0%
 Earnings 6.5% 4.5% 10.0%
 Dividends 7.5% 8.0% 6.0%
 Book Value 9.0% 7.0% 5.0%

Calendar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	139.3	151.0	177.1	159.6	627.0
2009	154.5	167.3	180.8	167.9	670.5
2010	160.5	178.4	207.8	179.3	726.0
2011	180	185	215	195	775
2012	195	200	230	200	825

Calendar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	.11	.17	.26	.19	.73
2009	.14	.19	.25	.20	.77
2010	.16	.22	.32	.20	.90
2011	.16	.22	.34	.23	.95
2012	.18	.24	.36	.27	1.05

Calendar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011	.155				

Business: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three 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 '10: residential, 59.4%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 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 is slated to improve steadily in 2011. Earnings growth is likely to be driven by purchases, as well as future favorable rate rulings. **Acquisitions remain the backbone of growth.** With its strong balance sheet, Aqua America is poised to continue growth via purchases this year. Though no concrete details are known at this time, we do anticipate seeing a string of transactions, similar to the previous year. **Rate rulings should provide an additional boost to the bottom line.** The company has implemented a rate recovery program, with most of its rate cases likely to receive favorable rulings. It already has several major cases on the horizon, though there have not been any filings. States that the company plans to file in include Pennsylvania, New Jersey, Ohio, Illinois, and Texas. In the best-case scenario, the increase in revenues should boost the bottom lines from 2012 onward. **The Marcellus Shale project provides many growth opportunities.** The company has already implemented a new program of "water stations" to fill the trucks that service the drillers in Marcellus Shale. As the drilling requires significant water use, we expect drilling-related water consumption to increase in the future, adding to the revenue stream. Furthermore as the Marcellus Shale is set to provide impetus to many states that the company serves, we anticipate organic growth to increase over the next few years. **Long-term prospects look bright for Aqua America.** It looks ever likely that the company will benefit both from acquisition-driven growth and organic growth. Finally, Aqua America's diversification into other sectors continues. It is looking at three to four more solar operations this year, and is quite likely to ramp up production from 2012 onward, as these projects are turning out to be quite profitable in the near and long term. The company is also cutting down on costs, which should aid in boosting the bottom line over the next few years. **Income investors should find this issue of interest.** This equity's dividend yield is well above the industry average. Furthermore, the company has a history of steady dividend increases.

Sahana Zutshi April 22, 2011

(A) Diluted eqs. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Earnings may not add due to rounding. Next earnings report due mid-May.
 (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	100
Price Growth Persistence	70
Earnings Predictability	100

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CALIFORNIA WATER NYSE-CWT

RECENT PRICE **36.39** P/E RATIO **18.8** (Trailing: 20.1 Median: 22.0) RELATIVE P/E RATIO **1.12** DIV'D YLD **3.4%** VALUE LINE

TIMELINESS 4 Lowered 3/4/11	High: 31.4 28.6 26.9 31.4 37.9 42.1 45.8 45.4 46.6 48.3 39.7 38.3	LEGENDS 1.33 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 1/98 Options: Yes Shaded areas indicate recessions	Target Price Range 2014 2015 2016 128 96 84 80 48 40 32 24 16 12
SAFETY 3 Lowered 7/27/07	Low: 21.5 22.9 20.5 23.7 26.1 31.2 32.8 34.2 27.7 33.5 33.8 34.6		
TECHNICAL 3 Lowered 11/12/10	2014-16 PROJECTIONS Price Gain Ann'l Total High 55 (+50%) 14% Low 40 (10%) 6%		
BETA .70 (1.00 = Market)	Insider Decisions M J J A S O N D J to Buy 0 0 0 1 0 0 0 0 0 0 Options 0 0 0 2 0 1 0 0 0 to Sell 1 0 0 0 0 1 0 0 0		
Institutional Decisions 2Q2010 3Q2010 4Q2010 to Buy 43 53 62 to Sell 72 53 45 Hld's(000) 8640 9706 10125		% TOT. RETURN 3/11 THIS STOCK INDEX 1 yr. 2.1 23.4 3 yr. 7.2 49.0 5 yr. -4.3 45.9	

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.76	19.80	21.64	22.10	21.75	21.00	Revenues per sh	23.15
2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.12	3.72	3.87	3.86	4.00	3.90	"Cash Flow" per sh	4.05
1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.50	1.90	1.95	1.81	2.00	2.15	Earnings per sh ^A	2.35
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	1.18	1.19	1.23	1.27	Div'd Decl'd per sh ^B	1.38
2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	4.01	4.28	3.68	4.82	5.33	5.95	5.55	5.20	Cap'l Spending per sh	5.55
11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	18.50	19.44	20.26	20.91	20.85	22.80	Book Value per sh ^C	23.70
12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	20.67	20.72	20.77	20.83	23.00	25.00	Common Shs Outst'g ^D	27.00
13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	20.3	20.3	20.3	Avg Ann'l P/E Ratio	20.0
.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.31	1.30	1.30	1.30	Relative P/E Ratio	1.35
6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%	3.2%	3.2%	Avg Ann'l Div'd Yield	2.9%

CAPITAL STRUCTURE as of 12/31/11
 Total Debt \$505.3 mill. Due in 5 Yrs \$43.9 mill.
 LT Debt \$479.2 mill. LT Interest \$27.9 mill.
 (LT interest earned: 3.4x; total int. cov.: 3.2x)

Pension Assets-12/10 \$139.0 mill.
 Oblig. \$269.9 mill.

Pfd Stock None

Common Stock 20,833,303 shs. as of 2/24/11

MARKET CAP: \$750 million (Small Cap)

2008	2009	12/31/10
13.9	9.9	42.3
65.9	82.3	83.9
79.8	92.2	126.2
45.1	43.7	39.5
42.8	25.0	26.1
35.3	41.7	41.7
123.2	110.4	107.3
398%	430%	390%

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 470,200 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 Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown: '10: residential, 72%; business, 20%; public authorities, 4%; industrial, 4%. '10 reported depreciation rate: 2.3%. Has roughly 1,127 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10
3.0%	4.5%	1.5%
4.0%	6.5%	1.0%
3.0%	6.5%	3.0%
1.0%	1.0%	2.5%
4.5%	5.5%	2.5%

We look for California Water Service Group to bounce back nicely this year. The water utility disappointed in the fourth quarter of 2010, reporting earnings of \$0.23 a share, well below the year-earlier mark and estimates. The top line dipped 1%, as the net effect of WRAM and the MCBA resulted in a decrease of \$2.9 million in revenue. These usage of these methodologies added \$5.2 million to the books in the same period last year. But there should not be any lagging effects with the transition to a three year general rate case cycle in California now in the rear view mirror. In fact, the regulatory landscape ought to be complementary after the California Public Utilities Commission recently approved CWT's rate case authorizing the company to recognize an additional \$25 million in annualized revenues and another \$8 million in funds to be obtained at the conclusion of certain projects. With that, we look for a 10% share-net advance in 2011, despite the rising costs of doing business (see below). **Growth will likely taper off in 2012 and thereafter, however.** U.S. water infrastructures are extremely capital-

intensive. Costs of maintenance are adding up as many systems require significant investment. CWT is reasonably cash-strapped, though, and will probably have to continue seeking outside financing. Though necessary, such ventures come at a price, and the initiatives will probably cause earnings growth to begin slowing. **We do not recommend this issue to most.** The financing costs should weigh on shareholder gains for the foreseeable future. Although the steadily increasing dividend is a boon, it is not enough to make up for the lack of earnings power in our opinion. There are better income vehicles out there, especially in the Electric Utilities Industry. We also worry that the dearth of cash on hand could potentially affect the dividend payout if the operating environment remains so capital intensive. It should be noted that CWT announced a 2-for-1 stock split and a stock offering that looks to be contingent upon approval of the former action. If granted shareholder approval, both are slated to go through in June. Our presentation does not account for the split at this time.

Andre J. Costanza April 22, 2011

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	72.9	105.6	131.7	100.1	410.3
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	105.5	460.4
2011	95.0	130	160	115	500
2012	100	135	170	120	525

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.01	.48	1.06	.35	1.90
2009	.12	.58	.94	.31	1.95
2010	.10	.50	.98	.23	1.81
2011	.11	.55	1.05	.29	2.00
2012	.12	.60	1.11	.32	2.15

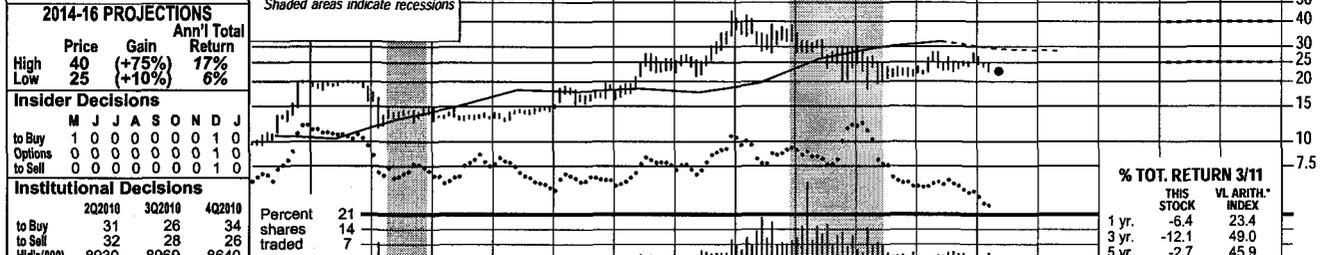
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.290	.290	.290	.290	1.16
2008	.293	.293	.293	.293	1.17
2009	.295	.295	.295	.295	1.18
2010	.2975	.2975	.2975	.2975	1.19
2011	.3075				

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; '02, 8¢. Next earnings report due April 28th. (B) Dividends historically paid in early Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available. (C) Incl. deferred charges. In '10: \$2.2 mill., \$0.11/sh. (D) In millions, adjusted for split. (E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	85

SJW CORP. NYSE-SJW RECENT PRICE **22.65** P/E RATIO **NMF** (Trailing: 27.0 Median: 22.0) RELATIVE P/E RATIO **NMF** DIV'D YLD **3.0%** VALUE LINE

TIMELINESS 4 New 4/22/11	High: 20.3	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	Target Price Range 2014 2015 2016
SAFETY 3 New 4/22/11	Low: 15.8	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	22.3	
TECHNICAL 3 New 4/22/11	LEGENDS 1.50 x Dividends p sh divided by Interest Rate Relative Price Strength Options: No Shaded areas indicate recessions												
BETA .90 (1.00 = Market)													



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
4.99	5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.82	11.20	11.35	Revenues per sh	12.00
.98	1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.37	2.40	2.40	"Cash Flow" per sh	2.60
.59	.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	.90	1.00	Earnings per sh A	1.30
.35	.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.74	Div'd Decl'd per sh B	.82
.96	1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	5.75	5.00	Cap'l Spending per sh	4.80
5.58	6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.90	15.70	Book Value per sh	17.00
19.50	19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	20.50	22.00	Common Shs Outst'g C	25.00
9.9	6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.5	29.5	29.5	Avg Ann'l P/E Ratio	25.0
.66	.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.89	1.89	1.89	Relative P/E Ratio	1.65
6.0%	5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.8%	2.8%	Avg Ann'l Div'd Yield	2.5%

CAPITAL STRUCTURE as of 12/31/11
 Total Debt \$300.8 mill. Due in 5 Yrs \$12.4 mill.
 LT Debt \$295.7 mill. LT Interest \$15.9 mill.
 (LT interest earned: 2.7x: total interest coverage: 2.6x) (54% of Cap'l)

Leases, Uncapitalized: Annual rentals \$4.2 mill.

Pension Assets-12/10 \$10.8 mill. **Oblig.** \$58.8 mill.

Pfd Stock None.

Common Stock 18,577,012 shs. as of 2/8/11

MARKET CAP: \$425 million (Small Cap)

CURRENT POSITION (\$MILL.)	2008	2009	12/31/10
Cash Assets	3.4	1.4	1.7
Other	28.6	26.6	36.3
Current Assets	32.0	28.0	38.0
Accts Payable	5.8	6.6	5.5
Debt Due	19.1	6.9	5.1
Other	18.4	18.5	18.6
Current Liab.	43.3	32.0	29.2
Fix. Chg. Cov.	293%	352%	400%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	6.5%	5.5%	5.0%
"Cash Flow"	6.0%	3.5%	6.5%
Earnings	2.0%	-1.5%	9.0%
Dividends	5.0%	5.5%	4.0%
Book Value	6.0%	6.5%	3.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	41.3	60.0	69.5	49.5	220.3
2009	40.0	58.2	69.3	48.6	216.1
2010	40.4	54.1	70.3	50.8	215.6
2011	43.0	58.0	75.0	54.0	230
2012	47.0	63.0	81.0	59.0	250

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008	.15	.34	.44	.15	1.08
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	.05	.25	.47	.13	.90
2012	.07	.28	.50	.15	1.00

Cal-endar	QUARTERLY DIVIDENDS PAID B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2007	.15	.15	.15	.15	.60
2008	.16	.16	.16	.16	.64
2009	.165	.165	.165	.165	.66
2010	.17	.17	.17	.17	.68
2011	.173				

(A) Diluted earnings. Excludes nonrecurring losses: '03, \$1.97; '04, \$3.78; '05, \$1.09; '06, \$16.36; '08, \$1.22; '10, 46¢. Next earnings report due April 28th. Quarterly eggs. may not add due to rounding.

(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.

(C) In millions.

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Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter, Inc. CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.

We welcome newcomer SJW Corp to The Value Line Investment Survey in this issue. Although it dabbles in commercial property, the company, for all intents and purposes, is a water utility, engaging in the production, purchase, storage, purification, distribution, and sale of water. It offers nonregulated services via agreements with municipalities and other utilities, but the bulk of its business is regulated. Operations are centered around San Jose, California, where it provides more than 225,000 connections that serve population of roughly one million people. Services are not exclusive to the Golden State, however, with another 8,700 connections serving 36,000 residents in the state of Texas.

The company's inaugural appearance is forgettable. It posted earnings of \$0.11 in the fourth quarter of 2010 (March-period results are due out next week), a few pennies below the prior year's tally, after stripping out gains we deem as non-recurring in nature. Sales inched up modestly in the quarter, but the costs of doing business in this capital-intensive industry continued to take a toll.

We are a little wary of the company's near-term prospects. Operating costs are likely to remain on the rise, given the shape that many water systems appear to be in across the United States. That said, SJW, like many of its bedfellows, is not exactly flush with cash and will probably have to turn to outside financing to make the improvements. The costs associated with additional debt or share offerings, however, will be dilutive, likely keeping growth under wraps going forward. Note, however, that growth may look decent against depressed 2010 comparisons.

We advise investors to take a pass on this issue. SJW is ranked 4 (Below Average) for Timeliness and lacks 3- to 5-year appreciation potential, as well. Meanwhile, the balance sheet is highly leveraged, adding some skepticism about the sustainability of the stock's only saving grace at this time, its dividend. Although the steady stream of income is not likely to dry up completely, the financial constraints alluded to above could prompt the company to use the funds to make capital improvements instead.

Andre J. Costanza April 22, 2011

Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	80
Earnings Predictability	85

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