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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF BERMUDA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	Docket No. W-01812A-10-0521

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Direct Testimony of William A. Rigsby in the above-referenced matter.

RESPECTFULLY SUBMITTED this 29th day of August, 2011.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES of the foregoing filed this 29th day of August, 2011 with:

Docket Control
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BERMUDA WATER COMPANY

DOCKET NO. W-01812A-10-0521

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

AUGUST 29, 2011

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EXECUTIVE SUMMARY

Based on the Residential Utility Consumer Office's ("RUCO") analysis of Bermuda Water Company's amended application for a permanent rate increase, filed with the Arizona Corporation Commission ("ACC" or "Commission") on February 11, 2011, RUCO recommends the following:

Cost of Equity – RUCO recommends that the Commission adopt a 9.00 percent cost of equity. This 9.00 percent figure falls on the high side of the range of results obtained in RUCO's cost of equity analysis, and is 146 basis points lower than the 10.46 percent cost of equity capital reflected in Bermuda Water Company's application for a permanent rate increase.

Capital Structure – RUCO recommends that the Commission adopt a hypothetical capital structure comprised of 60.00 percent common equity and 40.00 percent long-term debt as opposed to the Company-proposed actual capital structure comprised of 100.00 percent common equity.

Cost of Debt – RUCO recommends that the Commission adopt RUCO's recommended hypothetical cost of Long-term debt of 6.13 percent which is 70 basis points higher than the current 5.40 percent yield on a Baa/BBB-rated utility bond and is 126 basis points higher than the current 4.87 percent yield on an A-rated utility bond.

EXECUTIVE SUMMARY (Cont.)

Weighted Average Cost of Capital – RUCO recommends that the Commission adopt a 7.85 percent weighted average cost of capital ("WACC") for Bermuda Water Company, which is the weighted cost of RUCO's recommended costs of common equity and long-term debt, and is 97 basis points lower than the 8.82 percent WACC being proposed by the Company.

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 describe your qualifications in the field of utilities regulation and your educational background.

A. I have been involved with utilities regulation in Arizona since 1994. During that period of time I have worked as a utilities rate analyst for both the Arizona Corporation Commission ("ACC" or "Commission") and for RUCO. I hold a Bachelor of Science degree in the field of finance from Arizona State University and a Master of Business Administration degree, with an emphasis in accounting, from the University of Phoenix. I have been awarded the professional designation, Certified Rate of Return Analyst ("CRRA") by the Society of Utility and Regulatory Financial Analysts ("SURFA"). The CRRA designation is awarded based upon experience and the successful completion of a written examination. Appendix I, which is attached to my direct testimony further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations that are based on my analysis of Bermuda Water Company's ("Bermuda" or "Company") amended application for a permanent rate increase ("Application") that was filed with the Commission on February 11, 2011. Bermuda has chosen the operating period ended June 30, 2010 for the test year ("Test Year") in this proceeding. The Company has elected not to conduct a reconstruction cost new less depreciation study ("RCND") for the purpose of establishing a fair value rate base, and to use its original cost rate base as its fair value rate base for the purpose of establishing a fair value rate of return on its invested capital.

Q. Briefly describe Bermuda.

A. According to the Company's Application, Bermuda is a public service corporation engaged in providing water utility service in portions of Mohave County pursuant to certificates of convenience and necessity granted by the ACC. During the Test Year, Bermuda served approximately 7,219 residential customers and 413 commercial and industrial customers. The Commission authorized the Company's current, permanent rates and charges in Decision Number 61854, dated July 21, 1999. Bermuda's parent company is Utilities, Inc. ("UI." or "Parent") a privately held corporation based in Northbrook, Illinois. According to UI's website,[1] Bermuda is one of eighty-four systems that are operated by its Parent in fifteen states.[2]

Q. Is this your first case involving Bermuda?

A. No. I testified, as a witness for RUCO, on operating income and cost of capital issues in Bermuda's last rate case proceeding in 1999 (prior to the Company being acquired by UI).

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

A. I will address the cost of capital issues associated with the case.

Q. Will RUCO also offer direct testimony on rate base, operating income or rate design in this proceeding?

A. No. The reason RUCO intervened in this case was to address Bermuda's cost of capital approach. As I will explain in more detail below, Bermuda is recommending a methodology that was developed by the staff of the Florida Public Service Commission ("Florida PSC") for use in rate case proceedings in that state. This is the first time this approach has been used in Arizona to the best of my knowledge. For the reasons set forth

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1 http://www.uiwater.com/index.php

2 In addition to Arizona, Utilities, Inc. operates systems in Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, North Carolina, New Jersey, Nevada, Pennsylvania, South Carolina, Tennessee and Virginia.

below, RUCO does not believe the Commission should adopt this methodology.

Q. Please explain your role in RUCO's analysis of Bermuda's Application.

A. I reviewed Bermuda's Application and performed a cost of capital analysis to determine a fair rate of return on the Company's invested capital. In addition to my recommended hypothetical capital structure, my direct testimony will present my recommended cost of common equity (the Company has no preferred stock) and my recommended hypothetical cost long-term debt. The recommendations contained in this testimony are based on information obtained from Company responses to data requests, Bermuda's Application, and from market-based research that I conducted during my analysis.

Q. Please identify the exhibits that you are sponsoring.

A. I am sponsoring Exhibit 1, Attachments A through D and Schedules WAR-1 through WAR-9.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your cost of capital testimony is organized.

A. My cost of capital testimony is organized into seven sections. First, the introduction I have just presented and second, a summary of my testimony and recommendations that I am about to give. Third, I will present the findings of my cost of equity capital analysis, which utilized both the discounted cash flow ("DCF") method, and the capital asset pricing model ("CAPM"). These are the two methods that RUCO and ACC Staff have consistently used for calculating the cost of equity capital in rate case proceedings in the past, and are the methodologies that the ACC has given the most weight to in setting allowed rates of return for utilities that operate in the Arizona jurisdiction. In this third section I will also provide a brief overview of the current economic climate within which the Company is operating. Fourth, I will discuss my recommended hypothetical cost of long-term of debt for Bermuda. The fifth section of my direct testimony is devoted to a discussion of my recommended hypothetical capital structure for the Company. Sixth I will discuss my recommended weighted average cost of capital. In the Seventh and final section, I will comment on the Company's cost of capital testimony. Exhibit 1, Attachments A through D and Schedules WAR-1 through WAR-9 will provide support for my cost of capital analysis.

Q. Please summarize the recommendations and adjustments that you will address in your testimony.

A. Based on the results of my analysis, I am making the following recommendations:

Cost of Equity Capital – I am recommending a 9.00 percent cost of equity capital. This 9.00 percent figure falls on the high side of the range of results that I obtained in my cost of equity analysis, which employed both the DCF and CAPM methodologies. My 9.00 percent cost of equity capital is 146 basis points lower than the 10.46 percent cost of equity capital reflected in the Company's Application. My 9.00 percent cost of common equity exceeds my recommended hypothetical cost of long-term debt by 287 basis points.

Capital Structure – I am recommending that the Commission adopt a capital structure comprised of 60.00 percent common equity and 40.00 percent long-term debt as opposed to the Company-proposed capital structure comprised of 100.00 percent common equity.

Cost of Debt – I am recommending that the Commission adopt my recommended hypothetical cost of Long-term debt of 6.13 percent which is 70 basis points higher than the current 5.40 percent yield on a Baa/BBB-rated utility bond and is 126 basis points higher than the current 4.87 percent yield on an A-rated utility bond.

Weighted Average Cost of Capital – Based on the results of my recommended capital structure, I am recommending a 7.85 percent weighted average cost of capital ("WACC") for Bermuda, which is the weighted cost of my recommended costs of common equity and long-term debt. My recommended weighted average cost of capital is 97 basis points lower than the 8.82 percent WACC being proposed by the Company.

Q. Why do you believe that RUCO's recommended 7.85 percent WACC is an appropriate rate of return for the Company to earn on its invested capital?

A. The 7.85 percent WACC figure that I am recommending meets the criteria established in the landmark Supreme Court cases of Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia (262 U.S. 679, 1923) and Federal Power Commission v. Hope Natural Gas Company (320 U.S. 391, 1944). Simply stated, these two cases affirmed that a public utility that is efficiently and economically managed is entitled to a return on investment that instills confidence in its financial soundness, allows the utility to attract capital, and also allows the utility to perform its duty to provide service to ratepayers. The rate of return adopted for the utility should also be comparable to a return that investors would expect to receive from investments with similar risk.

The Hope decision allows for the rate of return to cover both the operating expenses and the "capital costs of the business" which includes interest on debt and dividend payment to shareholders. This is predicated on the belief that, in the long run, a company that cannot meet its debt obligations and provide its shareholders with an adequate rate of return will not continue to supply adequate public utility service to ratepayers.

Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient to cover all operating and capital costs is guaranteed?

A. No. Neither case *guarantees* a rate of return on utility investment. What the Bluefield and Hope decisions *do allow*, is for a utility to be provided with the *opportunity* to earn a reasonable rate of return on its investment. That is to say that a utility, such as Bermuda, is provided with the opportunity to earn an appropriate rate of return if the Company's management exercises good judgment and manages its assets and resources in a manner that is both prudent and economically efficient.

COST OF EQUITY CAPITAL

Q. What is your final recommended cost of equity capital for Bermuda?

A. I am recommending a cost of equity of 9.00 percent. My recommended 9.00 percent cost of equity figure falls on the high side of the range of results derived from my DCF and CAPM analyses, which utilized a sample of publicly traded water providers and a sample of natural gas local distribution companies ("LDCs"). The results of my DCF and CAPM analyses are summarized on page 3 of my Schedule WAR-1.

Discounted Cash Flow (DCF) Method

Q. Please explain the DCF method that you used to estimate the Company's cost of equity capital.

A. The DCF method employs a stock valuation model known as the constant growth valuation model, that bears the name of Dr. Myron J. Gordon (i.e. the Gordon model), the professor of finance who was responsible for its development. Simply stated, the DCF model is based on the premise that the current price of a given share of common stock is determined by the present value of all of the future cash flows that will be generated by that share of common stock. The rate that is used to discount these cash flows back to their present value is often referred to as the investor's cost of capital (i.e. the cost at which an investor is willing to forego other investments in favor of the one that he or she has chosen).

Another way of looking at the investor's cost of capital is to consider it from the standpoint of a company that is offering its shares of stock to the investing public. In order to raise capital, through the sale of common stock, a company must provide a required rate of return on its stock that will attract investors to commit funds to that particular investment. In this respect, the terms "cost of capital" and "investor's required return" are one in the same. For common stock, this required return is a function of the dividend that is paid on the stock. The investor's required rate of return can be expressed as the percentage of the dividend that is paid on the stock (dividend yield) plus an expected rate of future dividend growth. This is illustrated in mathematical terms by the following formula:

$$k = \frac{D_1}{P_0} + g$$

where: k = the required return (cost of equity, equity capitalization rate),

$\frac{D_1}{P_0}$ = the dividend yield of a given share of stock calculated by dividing the expected dividend by the current market price of the given share of stock, and

g = the expected rate of future dividend growth

This formula is the basis for the standard growth valuation model that I used to determine the Company's cost of equity capital.

Q. In determining the rate of future dividend growth for the Company, what assumptions did you make?

A. There are two primary assumptions regarding dividend growth that must be made when using the DCF method. First, dividends will grow by a constant rate into perpetuity, and second, the dividend payout ratio will remain at a constant rate. Both of these assumptions are predicated on the traditional DCF model's basic underlying assumption that a company's earnings, dividends, book value and share growth all increase at the same constant rate of growth into infinity. Given these assumptions, if the dividend payout ratio remains constant, so does the earnings retention ratio (the percentage of earnings that are retained by the company as opposed to being paid out in dividends). This being the case, a company's dividend growth can be measured by multiplying its retention ratio (1 - dividend payout ratio) by its book return on equity. This can be stated as g = b x r.

Q. Would you please provide an example that will illustrate the relationship that earnings, the dividend payout ratio and book value have with dividend growth?

A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens Utilities Company 1993 rate case by using a hypothetical utility.[3]

Table I

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.25	$11.70	4.00%
Equity Return	10%	10%	10%	10%	10%	N/A
Earnings/Sh.	$1.00	$1.04	$1.082	$1.125	$1.170	4.00%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.649	$0.675	$0.702	4.00%

Table I of Mr. Hill's illustration presents data for a five-year period on his hypothetical utility. In Year 1, the utility had a common equity or book value of $10.00 per share, an investor-expected equity return of ten

[3] Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

percent, and a dividend payout ratio of sixty percent. This results in earnings per share of $1.00 ($10.00 book value x 10 percent equity return) and a dividend of $0.60 ($1.00 earnings/sh. x 0.60 payout ratio) during Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's earnings are retained as opposed to being paid out to investors, book value increases to $10.40 in Year 2 of Mr. Hill's illustration. Table I presents the results of this continuing scenario over the remaining five-year period.

The results displayed in Table I demonstrate that under "steady-state" (i.e. constant) conditions, book value, earnings and dividends all grow at the same constant rate. The table further illustrates that the dividend growth rate, as discussed earlier, is a function of (1) the internally generated funds or earnings that are retained by a company to become new equity, and (2) the return that an investor earns on that new equity. The DCF dividend growth rate, expressed as g = b x r, is also referred to as the internal or sustainable growth rate.

Q. **If earnings and dividends both grow at the same rate as book value, shouldn't that rate be the sole factor in determining the DCF growth rate?**

A. No. Possible changes in the expected rate of return on either common equity or the dividend payout ratio make earnings and dividend growth by themselves unreliable. This can be seen in the continuation of Mr. Hill's illustration on a hypothetical utility.

Table II

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.47	$12.158	5.00%
Equity Return	10%	10%	15%	15%	15%	10.67%
Earnings/Sh	$1.00	$1.04	$1.623	$1.720	$1.824	16.20%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.974	$1.032	$1.094	16.20%

In the example displayed in Table II, a sustainable growth rate of four percent[4] exists in Year 1 and Year 2 (as in the prior example). In Year 3, Year 4 and Year 5, however, the sustainable growth rate increases to six percent.[5] If the hypothetical utility in Mr. Hill's illustration were expected to earn a fifteen-percent return on common equity on a continuing basis, then a six percent long-term rate of growth would be reasonable. However, the compound growth rate for earnings and dividends, displayed in the last column, is 16.20 percent. If this rate was to be used in the DCF model, the utility's return on common equity would be expected to increase by fifty percent every five years, [(15 percent ÷ 10 percent) – 1]. This is clearly an unrealistic expectation.

4 [(Year 2 Earnings/Sh – Year 1 Earnings/Sh) ÷ Year 1 Earnings/Sh] = [($1.04 - $1.00) ÷ $1.00] = [$0.04 ÷ $1.00] = <u>4.00%</u>

5 [(1 – Payout Ratio) x Rate of Return] = [(1 - 0.60) x 15.00%] = 0.40 x 15.00% = <u>6.00%</u>

Although it is not illustrated in Mr. Hill's hypothetical example, *a change in* only the dividend payout ratio will eventually result in a utility paying out more in dividends than it earns. While it is not uncommon for a utility in the real world to have a dividend payout ratio that exceeds one hundred percent on occasion, it would be unrealistic to expect the practice to continue over a sustained long-term period of time.

Q. Other than the retention of internally generated funds, as illustrated in Mr. Hill's hypothetical example, are there any other sources of new equity capital that can influence an investor's growth expectations for a given company?

A. Yes, a company can raise new equity capital externally. The best example of external funding would be the sale of new shares of common stock. This would create additional equity for the issuer and is often the case with utilities that are either in the process of acquiring smaller systems or providing service to rapidly growing areas.

Q. How does external equity financing influence the growth expectations held by investors?

A. Rational investors will put their available funds into investments that will either meet or exceed their given cost of capital (i.e. the return earned on their investment). In the case of a utility, the book value of a company's stock usually mirrors the equity portion of its rate base (the utility's earning base). Because regulators allow utilities the opportunity to earn a reasonable rate of return on rate base, an investor would take into consideration the effect that a change in book value would have on the rate of return that he or she would expect the utility to earn. If an investor believes that a utility's book value (i.e. the utility's earning base) will increase, then he or she would expect the return on the utility's common stock to increase. If this positive trend in book value continues over an extended period of time, an investor would have a reasonable expectation for sustained long-term growth.

Q. Please provide an example of how external financing affects a utility's book value of equity.

A. As I explained earlier, one way that a utility can increase its equity is by selling new shares of common stock on the open market. If these new shares are purchased at prices that are higher than those shares sold previously, the utility's book value per share will increase in value. This would increase both the earnings base of the utility and the earnings expectations of investors. However, if new shares sold at a price below the pre-sale book value per share, the after-sale book value per share declines in value. If this downward trend continues over time, investors might view this as a decline in the utility's sustainable growth rate and will have lower expectations regarding growth. Using this same logic, if a new stock issue sells at a price per share that is the same as the pre-sale book value per share, there would be no impact on either the utility's earnings base or investor expectations.

Q. Please explain how the external component of the DCF growth rate is determined.

A. In his book, The Cost of Capital to a Public Utility,[6] Dr. Gordon (the individual responsible for the development of the DCF or constant growth model) identified a growth rate that includes both expected internal and external financing components. The mathematical expression for Dr. Gordon's growth rate is as follows:

$$g = (br) + (sv)$$

where:	g	=	DCF expected growth rate,
	b	=	the earnings retention ratio,
	r	=	the return on common equity,
	s	=	the fraction of new common stock sold that accrues to a current shareholder, and
	v	=	funds raised from the sale of stock as a fraction of existing equity.
and	v	=	1 - [(BV) ÷ (MP)]
where:	BV	=	book value per share of common stock, and
	MP	=	the market price per share of common stock.

[6] Gordon, M.J., The Cost of Capital to a Public Utility, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

Q. Did you include the effect of external equity financing on long-term growth rate expectations in your analysis of expected dividend growth for the DCF model?

A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of Schedule WAR-4, where it is added to the internal growth rate estimate (br) to arrive at a final sustainable growth rate estimate.

Q. Please explain why your calculation of external growth on page 2 of Schedule WAR-4, is the current market-to-book ratio averaged with 1.0 in the equation [(M ÷ B) + 1] ÷ 2.

A. The market price of a utility's common stock will tend to move toward book value, or a market-to-book ratio of 1.0, if regulators allow a rate of return that is equal to the cost of capital (one of the desired effects of regulation). As a result of this situation, I used [(M ÷ B) + 1] ÷ 2 as opposed to the current market-to-book ratio by itself to represent investor's expectations that, in the future, a given utility will achieve a market-to-book ratio of 1.0.

Q. Has the Commission ever adopted a cost of capital estimate that included this assumption?

A. Yes. In a prior Southwest Gas Corporation rate case[7], the Commission adopted the recommendations of ACC Staff's cost of capital witness, Stephen Hill, who I noted earlier in my testimony. In that case, Mr. Hill

[7] Decision No. 68487, Dated February 23, 2006 (Docket No. G-01551A-04-0876)

used the same methods that I have used in arriving at the inputs for the DCF model. His final recommendation for Southwest Gas Corporation was largely based on the results of his DCF analysis, which incorporated the same valid market-to-book ratio assumption that I have used consistently in the DCF model as a cost of capital witness for RUCO.

Q. How did you develop your dividend growth rate estimate?

A. I analyzed data on two separate proxy groups. A water company proxy group comprised of four publicly traded water companies and a natural gas proxy group consisting of nine natural gas local distribution companies ("LDCs") that have similar operating characteristics to water providers.

Q. Why did you use a proxy group methodology as opposed to a direct analysis of the Company?

A. One of the problems in performing this type of analysis is that the utility applying for a rate increase is not always a publicly traded company as in this case where neither Bermuda or its Parent are publicly-traded on a stock exchange. Because of this situation, I used the aforementioned proxy that includes four publicly-traded water companies and nine LDCs.

Q. Are there any other advantages to the use of a proxy?

A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope decision that a utility is entitled to earn a rate of return that is commensurate with the returns on investments of other firms with comparable risk. The proxy technique that I have used derives that rate of return. One other advantage to using a sample of companies is that it reduces the possible impact that any undetected biases, anomalies, or measurement errors may have on the DCF growth estimate.

Q. What criteria did you use in selecting the companies that make up your water company proxy for the Company?

A. The four water companies used in the proxy are publicly traded on the New York Stock Exchange ("NYSE"). All four water companies are followed by The Value Line Investment Survey ("Value Line") and are the same companies that comprise Value Line's large capitalization Water Utility Industry segment of the U.S. economy (Attachment A contains Value Line's July 22, 2011 update of the water utility industry and evaluations of the water companies used in my proxy).

Q. Are these the same water utilities that you have used in prior rate case proceedings?

A. Yes and no. In prior proceedings I have included a water provider known as SouthWest Water Company ("SWWC"). My water company sample in this case includes SJW Corporation (NYSE symbol SJW), a San Jose, California-based water provider which, prior to April of 2011, was included in Value Line's Small and Mid-Cap Edition.

Q. Why did you exclude SWWC from your sample in this proceeding?

A. On March 3, 2010 SWWC announced that it had entered into a definitive merger agreement to be acquired for approximately $275 million in cash, or $11.00 per share (almost 2.5 times SWWC's 2009 book value per share), by institutional investors advised by J.P. Morgan Asset Management and Water Asset Management L.L.C. Since the completion of the acquisition, SWWC is no longer publicly traded and is no longer being followed by Value Line.

Q. Please describe the companies that comprise your water company proxy group.

A. In addition to SJW, my water company proxy group includes American States Water Company (stock ticker symbol "AWR"), California Water Service Group ("CWT") and Aqua America, Inc. ("WTR"). Each of these water companies face the same types of risk that Bermuda faces. For the sake of brevity, I will refer to each of these companies by their appropriate stock ticker symbols henceforth.

Q. Briefly describe the areas served by the companies in your water company sample proxy.

A. AWR serves communities located in Los Angeles, Orange and San Bernardino counties in California. CWT provides service to customers in seventy-five communities in California, New Mexico and Washington.

CWT's principal service areas are located in the San Francisco Bay area, the Sacramento, Salinas and San Joaquin Valleys and parts of Los Angeles. SJW serves approximately 226,000 customers in the San Jose area and approximately 8,700 customers in a region located between Austin and San Antonio, Texas. WTR is a holding company for a large number of water and wastewater utilities operating in nine different states including Pennsylvania, Ohio, New Jersey, Illinois, Maine, North Carolina, Texas, Florida and Kentucky.

Q. What criteria did you use in selecting the natural gas LDCs included in your proxy for the Company?

A. As are the water companies that I just described, each of the natural gas LDCs used in the proxy are publicly traded on a major stock exchange (all nine trade on the NYSE) and are followed by Value Line. Each of the nine LDCs in my sample are tracked in Value Line's natural gas Utility industry segment. All of the companies in the proxy are engaged in the provision of regulated natural gas distribution services. Attachment B of my testimony contains Value Line's most recent evaluation of the natural gas proxy group that I used for my cost of common equity analysis.

Q. What companies are included your natural gas proxy?

A. The nine natural gas LDCs included in my proxy (and their NYSE ticker symbols) are AGL Resources, Inc. ("AGL"), Atmos Energy Corp. ("ATO"), Laclede Group, Inc. ("LG"), New Jersey Resources Corporation ("NJR"), Northwest Natural Gas Co. ("NWN"), Piedmont Natural Gas Company ("PNY"), South Jersey Industries, Inc. ("SJI") Southwest Gas Corporation ("SWX"), which is the dominant natural gas provider in Arizona, and WGL Holdings, Inc. ("WGL").

Q. Are these the same LDCs that you have used in prior rate case proceedings?

A. Yes, I have used these same LDCs in prior cases including the most recent UNS Gas, Inc. proceeding.[8] However, in those prior proceedings I also included a tenth natural gas provider known as Nicor, Inc. ("GAS"). Nicor, Inc. is currently being acquired by AGL Resources, Inc. Because GAS' stock price is now being driven by the aforementioned acquisition, I've dropped it from my LDC proxy group.

Q. Briefly describe the regions of the U.S. served by the nine natural gas LDCs that make up your sample proxy.

A. The nine LDCs listed above provide natural gas service to customers in the Middle Atlantic region (i.e. NJR which serves portions of northern New Jersey, SJI which serves southern New Jersey and WGL which serves the Washington D.C. metro area), the Southeast and South Central portions of the U.S. (i.e. AGL which serves Virginia, southern Tennessee and the

[8] Docket No. G-04204A-06-0463

Atlanta, Georgia area and PNY which serves customers in North Carolina, South Carolina and Tennessee), the South, deep South and Midwest (i.e. ATO which serves customers in Kentucky, Mississippi, Louisiana, Texas, Colorado and Kansas, LG which serves the St. Louis area), and the Pacific Northwest (i.e. NWN which serves Washington state and Oregon). Portions of Arizona, Nevada and California are served by SWX.

Q. Are these the same water and natural gas utilities that the Company's cost of capital witness relied on?

A. According to Company Witness Kirsten Weeks, Bermuda chose not to hire a cost of capital witness in an effort to keep rate case expense reasonable. The Company instead relied on a leverage formula methodology that was developed by the staff of the Florida PSC ("Florida PSC Staff") which I will comment on later in my direct testimony. The Florida leverage formula methodology ("Florida Leverage Formula") does not rely on a sample of publicly traded water utilities but does rely on a sample of nine natural gas LDC's that are nearly identical to the ones that I included in my sample. During 2010, the LDC sample used by the Staff of the Florida PSC included all of the LDC's in my sample with the exception of New Jersey Resources Corporation ("NJR"). Staff of the Florida PSC instead chose to include Nicor, Inc. ("GAS"), which, as I explained earlier was excluded from my sample due to a pending acquisition by AGL Resources, Inc.

Q. Please explain your DCF growth rate calculations for the sample companies used in your proxy.

A. Schedule WAR-5 provides retention ratios, returns on book equity, internal growth rates, book values per share, numbers of shares outstanding, and the compounded share growth for each of the utilities included in the sample for the historical observation period 2006 to 2010. Schedule WAR-5 also includes Value Line's projected 2011, 2012 and 2014-16 values for the retention ratio, equity return, book value per share growth rate, and number of shares outstanding for the both the water utilities and the LDCs included in my analysis.

Q. Please describe how you used the information displayed in Schedule WAR-5 to estimate each comparable utility's dividend growth rate.

A. In explaining my analysis, I will use AWR as an example. The first dividend growth component that I evaluated was the internal growth rate. I used the "b x r" formula (described earlier on pages 11 and 12 of my direct testimony) to multiply AWR's earned return on common equity by its earnings retention ratio for each year in the 2006 to 2010 observation period to derive the utility's annual internal growth rates. I used the mean average of this five-year period as a benchmark against which I compared the projected growth rate trends provided by Value Line. Because an investor is more likely to be influenced by recent growth trends, as opposed to historical averages, the five-year mean noted earlier was used only as a benchmark figure. As shown on Schedule WAR-5, Page 1, AWR's average internal growth rate of 3.67% over the 2006 to 2010 time frame reflects an up and down pattern of growth that ranged from a low of 2.56% in 2006 to a high of 5.85% during 2010. Value Line is predicting a pattern of increasing growth for the future and expects internal growth will fall to 4.50% in 2011 before climbing to 7.32% by the end of the 2014-16 time frame. After weighing Value Line's projections on earnings and dividend growth, I believe that a 6.25% rate of internal sustainable growth is reasonable for AWR (Schedule WAR-4, Page 1 of 2).

Q. Please continue with the external growth rate component portion of your analysis.

A. Schedule WAR-5 demonstrates that the number of shares outstanding for AWR increased from 17.05 million to 18.63 million from 2006 to 2010. Value Line is predicting that this level will increase from 19.00 million in 2011 to 20.25 million by the end of 2016. Based on this data, I believe that a 3.00 percent growth in shares is not unreasonable for AWR (Page 2 of Schedule WAR-4). My final dividend growth rate estimate for AWR is 7.30 percent (6.25 percent internal growth + 1.05 percent external growth) and is shown on Page 1 of Schedule WAR-4.

...

Q. What is your average DCF dividend growth rate estimate for your sample of water utilities?

A. My average DCF dividend growth rate estimate for my water company sample is 6.17 percent as displayed on page 1 of Schedule WAR-4.

Q. Did you use the same approach to determine an average dividend growth rate for your proxy of natural gas LDCs?

A. Yes.

Q. What is your average DCF dividend growth rate estimate for the sample natural gas utilities?

A. My average DCF dividend growth rate estimate is 5.38 percent, which is also displayed on page 1 of Schedule WAR-4.

Q. How does your average dividend growth rate estimates on water companies compare to the growth rate data published by Value Line and other analysts?

A. Schedule WAR-6 compares my growth estimates with the five-year projections of analysts at both Zacks Investment Research, Inc. ("Zacks") (Attachment C) and Value Line. In the case of the water companies, my 6.17 percent growth estimate falls between Zacks' average long-term EPS projection of 6.50 percent for the water companies in my sample and Value Line's growth projection of 5.04 percent (which is an average of

EPS, DPS and BVPS). My 6.17 percent estimate is 100 basis points higher than the 5.17 percent average of Value Line's historical growth results and 108 basis points higher than the 5.09 percent average of the growth data published by Value Line and Zacks. My 6.17 percent growth estimate is also 180 basis points higher than Value Line's 4.37 percent 5-year compound historical average of EPS, DPS and BVPS. The estimates of analysts at Value Line indicate that investors are expecting somewhat higher performance from the water utility industry in the future given their 8.00 percent to 9.50 percent return on book common equity over the 2011 to 2016 period (Attachment A). On balance, I would say my 6.17 percent estimate is a good representation of the growth projections that are available to the investing public.

Q. How do your average growth rate estimates on natural gas LDCs compare to the growth rate data published by Value Line and other analysts?

A. As can be seen on Schedule WAR-6, my 5.38 percent growth estimate for the natural gas LDCs also falls between the average 4.67 percent long-term EPS consensus projections published by Zacks, and the 5.57 percent Value Line projected estimate (which is an average of EPS, DPS and BVPS). The 5.38 percent estimate that I have calculated is 18 basis points lower than the 5.56 percent average of the 5-year historic EPS, DPS and BVPS means of Value Line and is also 6 basis points lower than the combined 5.44 percent Value Line and Zacks averages displayed in Schedule WAR-6. However, my 5.38 percent growth estimate exceeds Value Line's 4.29 percent 5-year compound historical average of EPS, DPS and BVPS by 109 basis points. In the case of the LDCs I would say that my 5.38 percent estimate is representative of the growth projections for natural gas LDCs being presented by securities analysts at this point in time.

Q. How did you calculate the dividend yields displayed in Schedule WAR-3?

A. For both the water companies and the natural gas LDCs I used the estimated annual dividends, for the next twelve-month period, that appeared in Value Line's July 22, 2011 Ratings and Reports water utility industry update and Value Line's June 10, 2011 Ratings and Reports natural gas utility update. I then divided those figures by the eight-week average daily adjusted closing price per share of the appropriate utility's common stock. The eight-week observation period ran from June 13, 2011 to August 5, 2011. The average dividend yields were 3.11 percent and 3.73 percent for the water companies and natural gas LDCs respectively.

Q. Based on the results of your DCF analysis, what is your cost of equity capital estimate for the water and natural gas utilities included in your sample?

A. As shown on Schedule WAR-2, the cost of equity capital derived from my DCF analysis is 9.28 percent for the water utilities and 9.11 percent for the natural gas LDCs.

Capital Asset Pricing Model (CAPM) Method

Q. Please explain the theory behind CAPM and why you decided to use it as an equity capital valuation method in this proceeding.

A. CAPM is a mathematical tool that was developed during the early 1960's by William F. Sharpe[9], the Timken Professor Emeritus of Finance at Stanford University, who shared the 1990 Nobel Prize in Economics for research that eventually resulted in the CAPM model. CAPM is used to analyze the relationships between rates of return on various assets and risk as measured by beta.[10] In this regard, CAPM can help an investor to determine how much risk is associated with a given investment so that he or she can decide if that investment meets their individual preferences. Finance theory has always held that as the risk associated with a given

[9] William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

[10] Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

investment increases, so should the expected rate of return on that investment and vice versa. According to CAPM theory, risk can be classified into two specific forms: nonsystematic or diversifiable risk, and systematic or non-diversifiable risk. While nonsystematic risk can be virtually eliminated through diversification (i.e. by including stocks of various companies in various industries in a portfolio of securities), systematic risk, on the other hand, cannot be eliminated by diversification. Thus, systematic risk is the only risk of importance to investors. Simply stated, the underlying theory behind CAPM is that the expected return on a given investment is the sum of a risk-free rate of return plus a market risk premium that is proportional to the systematic (non-diversifiable risk) associated with that investment. In mathematical terms, the formula is as follows:

$$k = r_f + [\, ß\, (r_m - r_f)\,]$$

where:

where:	k	=	the expected return of a given security,
	r_f	=	risk-free rate of return,
	$ß$	=	beta coefficient, a statistical measurement of a security's systematic risk,
	r_m	=	average market return (e.g. S&P 500), and
	$r_m - r_f$	=	market risk premium.

Q. What types of financial instruments are generally used as a proxy for the risk-free rate of return in the CAPM model?

A. Generally speaking, the yields of U.S. Treasury instruments are used by analysts as a proxy for the risk-free rate of return component.

Q. Please explain why U.S. Treasury instruments are regarded as a suitable proxy for the risk-free rate of return?

A. As citizens and investors, we would like to believe that U.S. Treasury securities (which are backed by the full faith and credit of the United States Government) pose no threat of default no matter what their maturity dates are. However, a comparison of various Treasury instruments (Attachment D) will reveal that those with longer maturity dates do have slightly higher yields. Treasury yields are comprised of two separate components,[11] a real rate of interest (believed to be approximately 2.00 percent) and an inflationary expectation. When the real rate of interest is subtracted from the total treasury yield, all that remains is the inflationary expectation. Because increased inflation represents a potential capital loss, or risk, to investors, a higher inflationary expectation by itself represents a degree of risk to an investor. Another way of looking at this is from an opportunity cost standpoint. When an investor locks up funds in long-term T-Bonds, compensation must be provided for future investment

[11] As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the real rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

opportunities foregone. This is often described as maturity or interest rate risk and it can affect an investor adversely if market rates increase before the instrument matures (a rise in interest rates would decrease the value of the debt instrument). As discussed earlier in the DCF portion of my testimony, this compensation translates into higher rates of returns to the investor.

Q. What security did you use for a risk-free rate of return in your CAPM analysis?

A. I used an eight-week average of the yield on a 5-year U.S. Treasury instrument. The yields were published in Value Line's Selection and Opinion publication dated June 24, 2011 through August 12, 2011 (Attachment D). This resulted in a risk-free (r_f) rate of return of 1.52 percent.

Q. Why did you use the yield on a 5-year year U.S. Treasury instrument as opposed to a short-term T-Bill?

A. While a shorter term instrument, such as a 91-day T-Bill, presents the lowest possible total risk to an investor, a good argument can be made that the yield on an instrument that matches the investment period of the asset being analyzed in the CAPM model should be used as the risk-free rate of return. Since utilities in Arizona generally file for rates every three to five years, the yield on a 5-year U.S. Treasury Instrument closely matches the investment period or, in the case of regulated utilities, the period that new rates will be in effect.

Q. How did you calculate the market risk premium used in your CAPM analysis?

A. I used both a geometric and an arithmetic mean of the historical total returns on the S&P 500 index from 1926 to 2010 as the proxy for the market rate of return (r_m). For the risk-free portion of the risk premium component (r_f), I used the geometric mean of the total returns of intermediate-term government bonds for the same eighty-four year period. The market risk premium (r_m - r_f) that results by using the geometric mean of these inputs is 4.50 percent (9.90% - 5.40% = 4.50%). The market risk premium that results by using the arithmetic mean calculation is 6.40 percent (11.90% - 5.50% = 6.40%).

Q. How did you select the beta coefficients that were used in your CAPM analysis?

A. The beta coefficients (ß), for the individual utilities used in both my proxies, were calculated by Value Line and were current as of June 10, 2011 for the water companies and July 22, 2011 for the natural gas LDCs. Value Line calculates its betas by using a regression analysis between weekly percentage changes in the market price of the security being analyzed and weekly percentage changes in the NYSE Composite Index over a five-year period. The betas are then adjusted by Value Line for their long-term tendency to converge toward 1.00. The beta coefficients for the service providers included in my water company sample ranged from 0.65 to 0.90 with an average beta of 0.75. The beta coefficients for the LDCs included in my natural gas sample ranged from 0.60 to 0.75 with an average beta of 0.67.

Q. What are the results of your CAPM analysis?

A. As shown on pages 1 and 2 of Schedule WAR-7, my CAPM calculation using a geometric mean to calculate the risk premium results in an average expected return of 4.89 percent for the water companies and 4.52 percent for the natural gas LDCs. My calculation using an arithmetic mean results in an average expected return of 6.32 percent for the water companies and 5.78 percent for the natural gas LDCs.

Q. Please summarize the results derived under each of the methodologies presented in your testimony.

A. The following is a summary of the cost of equity capital derived under each methodology used:

METHOD	RESULTS
DCF (Water Sample)	9.28%
DCF (Natural Gas Sample)	9.11%
CAPM (Water Sample)	4.89% – 6.32%
CAPM (Natural Gas)	4.52% – 5.78%

Based on these results, my best estimate of an appropriate range for a cost of common equity for the Company is 4.52 percent to 9.28 percent. My final recommended cost of common equity figure is 9.00 percent.

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The 10.46 percent cost of equity capital reflected in the Company's Application is 146 basis points higher than the 9.00 percent cost of equity capital that I am recommending.

Q How did you arrive at your final recommended 9.00 percent cost of common equity?

A. My recommended 9.00 percent cost of common equity falls on the high side of the range of estimates obtained from my DCF and CAPM analyses. As I will discuss in more detail in the next section of my testimony, my final estimate takes into consideration current interest rates (as the cost of equity moves in the same direction as interest rates), the current state of the national economy – which could be sliding back into recession. My final estimate also takes into consideration the U.S. Federal Reserve's recent decision not to raise interest rates anytime over the next two years. I also took into consideration information on Arizona's economy and current rate of unemployment in making my final cost of equity estimate.

Current Economic Environment

Q. Please explain why it is necessary to consider the current economic environment when performing a cost of equity capital analysis for a regulated utility.

A. Consideration of the economic environment is necessary because trends in interest rates, present and projected levels of inflation, and the overall state of the U.S. economy determine the rates of return that investors earn on their invested funds. Each of these factors represent potential risks that must be weighed when estimating the cost of equity capital for a regulated utility and are, most often, the same factors considered by individuals who are also investing in non-regulated entities.

Q. Please describe your analysis of the current economic environment.

A. My analysis begins with a review of the economic events that have occurred between 1990 and the present in order to provide a background on how we got to where we are now. It also describes how the Board of Governors of the Federal Reserve System ("Federal Reserve" or "Fed") and its Federal Open Market Committee ("FOMC") used its interest rate-setting authority to stimulate the economy by cutting interest rates during recessionary periods and by raising interest rates to control inflation during times of robust economic growth. Schedule WAR-8 displays various economic indicators and other data that I will refer to during this portion of my testimony.

In 1991, as measured by the most recently revised annual change in gross domestic product ("GDP"), the U.S. economy experienced a rate of growth of negative 0.20 percent. This decline in GDP marked the beginning of a mild recession that ended sometime before the end of the first half of 1992. Reacting to this situation, the Federal Reserve, then chaired by noted economist Alan Greenspan, lowered its benchmark federal funds rate[12] in an effort to further loosen monetary constraints - an action that resulted in lower interest rates.

During this same period, the nation's major money center banks followed the Federal Reserve's lead and began lowering their interest rates as well. By the end of the fourth quarter of 1993, the prime rate (the rate charged by banks to their best customers) had dropped to 6.00 percent from a 1990 level of 10.01 percent. In addition, the Federal Reserve's discount rate on loans to its member banks had fallen to 3.00 percent and short-term interest rates had declined to levels that had not been seen since 1972.

Although GDP increased in 1992 and 1993, the Federal Reserve took steps to increase interest rates beginning in February of 1994, in order to keep inflation under control. By the end of 1995, the Federal discount rate had risen to 5.21 percent. Once again, the banking community followed

[12] This is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

the Federal Reserve's moves. The Fed's strategy, during this period, was to engineer a "soft landing." That is to say that the Federal Reserve wanted to foster a situation in which economic growth would be stabilized without incurring either a prolonged recession or runaway inflation.

Q. Did the Federal Reserve achieve its goals during this period?

A. Yes. The Fed's strategy of decreasing interest rates to stimulate the economy worked. The annual change in GDP began an upward trend in 1992. A change of 4.50 percent and 4.20 percent were recorded at the end of 1997 and 1998 respectively. Based on daily reports that were presented in the mainstream print and broadcast media during most of 1999, there appeared to be little doubt among both economists and the public at large that the U.S. was experiencing a period of robust economic growth highlighted by low rates of unemployment and inflation. Investors, who believed that technology stocks and Internet company start-ups (with little or no history of earnings) had high growth potential, purchased these types of issues with enthusiasm. These types of investors, who exhibited what former Chairman Greenspan described as "irrational exuberance," pushed stock prices and market indexes to all time highs from 1997 to 2000. Over the next ten years, the FOMC continued to stimulate the economy and keep inflation in check by raising and lowering the federal funds rate.

Q. How did the U.S. economy fare between 2001 and 2007?

A. The U.S. economy entered into a recession near the end of the first quarter of 2001. The bullish trend, which had characterized the last half of the 1990's, had already run its course sometime during the third quarter of 2000. Disappointing economic data releases, since the beginning of 2001, preceded the September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon which are now regarded as a defining point during this economic slump. From January 2001 to June 2003 the Federal Reserve cut interest rates a total of thirteen times in order to stimulate growth. During this period, the federal funds rate fell from 6.50 percent to 1.00 percent. The FOMC reversed this trend on June 29, 2004 and raised the federal funds rate 25 basis points to 1.25 percent. From June 29, 2004 to January 31, 2006, the FOMC raised the federal funds rate thirteen more times to a level of 4.50 percent during a period in which the economic picture turned considerably brighter as both Inflation and unemployment fell, wages increased and the overall economy, despite continued problems in housing, grew briskly.[13]

The FOMC's January 31, 2006 meeting marked the final appearance of Alan Greenspan, who had presided over the rate setting body for a total of eighteen years. On that same day, Greenspan's successor, Ben Bernanke, the former chairman of the President's Council of Economic Advisers, and a former Fed governor under Greenspan from 2002 to

[13] Henderson, Nell, "Bullish on Bernanke" The Washington Post, January 30, 2007.

2005, was confirmed by the U.S. Senate to be the new Federal Reserve chief. As expected by Fed watchers, Chairman Bernanke picked up where his predecessor left off and increased the federal funds rate by 25 basis points during each of the next three FOMC meetings for a total of seventeen consecutive rate increases since June 2004, and raising the federal funds rate to a level of 5.25 percent. The Fed's rate increase campaign finally came to a halt at the FOMC meeting held on August 8, 2006, when the FOMC decided not to raise rates. Once again, the Fed managed to engineer a soft landing.

Q. What has been the state of the economy since 2007?

A. Reports in the mainstream financial press during the majority of 2007 reflected the view that the U.S. economy was slowing as a result of a worsening situation in the housing market and higher oil prices. The overall outlook for the economy was one of only moderate growth at best. Also during this period the Fed's key measure of inflation began to exceed the rate setting body's comfort level.

On August 7, 2007, the beginning of what is now being referred to as the Great Recession; the FOMC decided not to increase or decrease the federal funds rate for the ninth straight time and left its target rate unchanged at 5.25 percent.[14] At the time of the Fed's decision, analysts

[14] Ip, Greg, "Markets Gyrate As Fed Straddles Inflation, Growth" The Wall Street Journal, August 8, 2007

speculated that a rate cut over the next several months was unlikely given the Fed's concern that inflation would fail to moderate. However, during this same period, evidence of an even slower economy and a possible recession was beginning to surface. Within days of the Fed's decision to stand pat on rates, a borrowing crisis rooted in a deterioration of the market for subprime mortgages and securities linked to them, forced the Fed to inject $24 billion in funds (raised through its open market operations) into the credit markets.[15] By Friday, August 17, 2007, after a turbulent week on Wall Street, the Fed made the decision to lower its discount rate (i.e. the rate charged on direct loans to banks) by 50 basis points, from 6.25 percent to 5.75 percent, and took steps to encourage banks to borrow from the Fed's discount window in order to provide liquidity to lenders. According to an article that appeared in the August 18, 2007 edition of The Wall Street Journal, [16] the Fed had used all of its tools to restore normalcy to the financial markets. If the markets failed to settle down, the Fed's only weapon left was to cut the Federal Funds rate – possibly before the next FOMC meeting scheduled on September 18, 2007.

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[15] Ip, Greg, "Fed Enters Market To Tamp Down Rate" The Wall Street Journal, August 9, 2007

[16] Ip, Greg, Robin Sidel and Randall Smith, "Fed Offers Banks Loans Amid Crises" The Wall Street Journal, August 9, 2007

Q. Did the Fed cut rates as a result of the subprime mortgage borrowing crises?

A. Yes. At its regularly scheduled meeting on September 18, 2007, the FOMC surprised the investment community and cut both the federal funds rate and the discount rate by 50 basis points (25 basis points more than what was anticipated). This brought the federal funds rate down to a level of 4.75 percent. The Fed's action was seen as an effort to curb the aforementioned slowdown in the economy. Over the course of the next four months, the FOMC reduced the Federal funds rate by a total 175 basis points to a level of 3.00 percent – mainly as a result of concerns that the economy was slipping into a recession. This included a 75 basis point reduction that occurred one week prior to the FOMC's meeting on January 29, 2008.

Q. What actions has the Fed taken in regard to interest rates since the beginning of 2008?

A. The Fed made two more rate cuts which included a 75 basis point reduction in the federal funds rate on March 18, 2008 and an additional 25 basis point reduction on April 30, 2008. The Fed's decision to cut rates was based on its belief that the slowing economy was a greater concern than the current rate of inflation (which the majority of FOMC members believed would moderate during the economic slowdown).[17] As a result of the Fed's actions, the federal funds rate was reduced to a level of 2.00 percent. From April 30, 2008 through September 16, 2008, the Fed took no further action on its key interest rate. However, the days before and after the Fed's September 16, 2008 meeting saw longstanding Wall Street firms such as Lehman Brothers, Merrill Lynch and AIG failing as a result of their subprime holdings. By the end of the week, the Bush administration had announced plans to deal with the deteriorating financial condition which had now become a worldwide crisis. The administrations actions included former Treasury Secretary Henry Paulson's request to Congress for $700 billion to buy distressed assets as part of a plan to halt what has been described as the worst financial crisis since the 1930's[18]. Amidst this turmoil, the Fed made the decision to cut the federal funds rate by another 50 basis points in a coordinated move with foreign central banks on October 8, 2008. This was followed by another 50 basis point cut during the regular FOMC meeting on October 29, 2008. At the time of this writing, the federal funds target rate now stands at 0.25 percent, the result of a 75 basis point cut announced on December 16, 2008.

[17] Ip, Greg, "Credit Worries Ease as Fed Cuts, Hints at More Relief" The Wall Street Journal, March 19, 2008

[18] Soloman, Deborah, Michael R. Crittenden and Damian Paletta, "U.S. Bailout Plan Calms Markets, But Struggle Looms Over Details" The Wall Street Journal, September 20, 2008

Q. What is the current rate of inflation in the U.S.?

A. As can be seen on Schedule WAR-8, the current rate of inflation is at 3.60 percent according to information provided by the U.S. Department of Labor's Bureau of Labor Statistics.[19]

Q. Has the Fed raised interest rates in anticipation of higher inflation?

A. No. Attributing the higher levels of inflation to recent higher prices for food and oil – which the Fed believes will fall in the near-term, the FOMC has not raised interest rates to date. The Fed's plan to buy $600 billion of U.S. government bonds over an eight month period (known as quantitative easing stage two or QE2)[20] was completed during the summer of 2011. The attempt to drive down long-term interest rates and encourage more borrowing and growth by increasing the money supply has yet to stimulate the economy and fears of a double dip recession persist. At its last meeting on August 9, 2011, the FOMC announced that it intended to keep interest rates at their current levels for at least the next two years warning that the economy would remain weak for some time but that the Fed is prepared to take further steps to shore it up.[21]

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[19] http://www.bls.gov/news.release/cpi.nr0.htm

[20] Hilsenrath, Jon, "Fed Fires $600 Billion Stimulus Shot" The Wall Street Journal, November 4, 2010

[21] Reddy, Sudeep and Jonathan Cheng "Markets Sink Then Soar After Fed Speaks" The Wall Street Journal, August 10, 2011

Q. Putting this all into perspective, how have the Fed's actions since 2000 affected the yields on Treasury Instruments and benchmark interest rates?

A. As can be seen on Schedule WAR-8, current Treasury yields are considerably lower than corresponding yields that existed during the year 2000 and U.S. Treasury instruments, are for the most part, still at historically low levels. As can be seen on the first page of Attachment D, the previously mentioned federal discount rate (the rate charged to the Fed's member banks), has remained steady at 0.75 percent since August of 2010.

As of August 3, 2011, leading interest rates that include the 3-month, 6-month and 1-year treasury yields have dropped from their June 2010 levels. Longer term yields including the 5-year, 10-year and 30-year have all fallen from levels that existed a year ago. The same is true for the 30-year Zero rate (Attachment D, Value Line Selection & Opinion page 2081). The prime rate has remained constant at 3.25 percent over the past year, as has the benchmark federal funds rate discussed above. A previous trend, described by former Chairman Greenspan as a "conundrum"[22], in which long-term rates fell as short-term rates increased, thus creating a somewhat inverted yield curve that existed as late as June 2007, is completely reversed and a more traditional yield curve (one where yields increase as maturity dates lengthen) presently exists. The 5-year

[22] Wolk, Martin, "Greenspan wrestling with rate 'conundrum'," MSNBC, June 8, 2005

Treasury yield, used in my CAPM analysis, has decreased 35 basis points from 1.61 percent, in August 2010, to 1.26 percent as of August 3, 2011.

Q. What are the current yields on utility bonds?

A. Referring again to Attachment D, as of August 3, 2011, 25/30-year A-rated utility bonds were yielding 4.87 percent (41 basis points lower than a year ago) and 25/30-year Baa/BBB-rated utility bonds were yielding 5.43 percent (down 34 basis points from a year earlier).

Q. What is the current outlook for the economy?

A. The current outlook on the economy has become increasingly pessimistic due to disappointing information on various economic indicators. Value line's analysts offered this perspective in the August 12, 2011 edition of Value Line's <u>Selection and Opinion</u> publication:

> **The business expansion faltered badly in the first half of this year,** with the gross domestic product rising by an undistinguished 1.3% over the April-through-June period, following a downwardly revised and anemic 0.4% gain in the first three months. (Earlier, that increase had been estimated at 1.9%.) True, there were factors in the opening-half falloff in growth that may be transitional, such as the unusually severe weather and the supply chain disruptions stemming from the tragic earthquake in Japan. Still, the GDP report was a stunner, in particular the downward revision to the first quarter. Also, revised data show the recession to have been deeper than earlier thought. Couple that with the toll the budget and debt-ceiling battles have taken on consumer sentiment, and it is easy to see why optimism on the economy is fading.

Value Line's analysts went on to say:

> **We are becoming less confident about the current six months,** and now sense that the economy will face an uphill climb to grow by more than 2% in this half. Although that would

> be better than the first two quarters, it would still be discouraging, especially given the positive effect of lower oil prices on the consumer's buying power.

Value Line's analysts also stated:

> **Meanwhile, a debt deal has been fashioned,** though it fell short of what many on both sides of the aisle [in Congress] had wanted. However, a failure to put into place any deal would have led to a default and a certain downgrade of our debt, which would have been far worse. A downgrade in the U.S. debt rating, however, is still possible.

Value Line's analysts further went on to say:

> **More challenges lie ahead,** not only regarding the economy — which has slowed, with manufacturing and non-manufacturing easing in July and with consumer spending faltering in June — but also with respect to profits, which may prove problematic in the second half, if the economy does not firm up meaningfully.

Q. How are water utilities such as Bermuda faring in the current economic environment?

A. While, as always, there are concerns regarding long-term infrastructure requirements, Value Line analyst Andre J. Costanza stated in his July 22, 2011 quarterly water industry update (Attachment A) that water utilities are being viewed as safe havens during the current period of economic uncertainty – even though they are regarded as less than stellar investments. Mr. Costanza went on to state the following:

> The Water Utility Industry has snuck back into the top half of the Value Line Investment Survey for Timeliness. Some stocks here have gained momentum since our April report, as many in the investment community appear to be seeking shelter from looming global economic issues.
>
> Still, water utility stocks, for the most part, remain uninspiring at this time. Not a single one, sans American Water Works, is ranked favorably for Timeliness. Earnings growth was hard to come by in the first quarter, and burgeoning operating costs are

> likely to continue outpacing the revenue gains being generated by an improving regulatory environment.
>
> The long-term outlook is not much rosier, and growth prospects appear daunting. True, as discussed below, the safe and timely delivery of water is undeniable. However, many of the country's water systems are aging, increasing the need for repairs and maintenance. Most providers, meanwhile, are strapped for cash, and the financing activity required to maintain infrastructures will only dilute future earnings gains.

Q. How has Arizona fared in terms of the overall economy and home foreclosures?

A. Arizona was one of the states hit the hardest during the Great Recession and has lagged during the current recovery.[23] During the period between 2006 and 2009, statewide construction spending fell by 40.00 percent. According to information provided by Irvine, California-based RealtyTrac, Arizona is currently ranked third in the nation behind California and Nevada in terms of home foreclosures with the largest number of foreclosures occurring in Maricopa, Pinal and Pima Counties.[24]

Q. What is the current unemployment situation in Arizona during this period of economic recovery?

A. According to information displayed on the website of the Arizona Department of Administration's Office of Employment and Population Statistics[25], Arizona's jobless rate stood at 9.40 percent which is 30 basis

[23] Beard, Betty, "Recession hit Arizona hardest" The Arizona Republic, March 6, 2011

[24] http://www.realtytrac.com/trendcenter/

[25] Arizona Department of Administration's Office of Employment and Population Statistics http://www.workforce.az.gov/

points higher than the nationwide unemployment rate of 9.10 percent during the same period.[26]

Q. After weighing the economic information that you've just discussed, do you believe that the 9.00 percent cost of equity capital that you have estimated is reasonable for the Company?

A. I believe that my recommended 9.00 percent cost of equity capital, which is 318 basis points higher than the current 5.82 percent yield on a Baa/BBB-rated utility bond, will provide the Company with a reasonable rate of return on invested capital when data on interest rates (that are low by historical standards), the current state of the economy, current rates of unemployment (both nationally and in Arizona), and the Fed's decision to keep interest rates at their current levels over the next two years are all taken into consideration. As I noted earlier, the Hope decision determined that a utility is entitled to earn a rate of return that is commensurate with the returns it would make on other investments with comparable risk. I believe that my cost of equity analysis, which is on the high side of the range of results I obtained from both the DCF and CAPM models, has produced such a return.

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[26] U.S. Bureau of Labor Statistics Economic News Release dated June 3, 2011
http://www.bls.gov/news.release/empsit.nr0.htm

CAPITAL STRUCTURE AND COST OF DEBT

Q. Please describe the Company-proposed capital structure.

A. The Company-proposed capital structure is comprised of 100.00 percent common equity.[27]

Q. How does the Company-proposed capital structure compare with the capital structures of the water and gas utilities that comprise your samples?

A. The Company-proposed capital structure, comprised of 100.00 percent equity capital is clearly heavier in equity than the capital structures of the water and gas utilities in my samples, which had a combined average of 49.00 percent common equity, and would be perceived by investors as having lower risk overall. The lower level of debt in the Company's capital structure would indicate lower financial risk and would ordinarily justify a downward adjustment to the cost of common equity derived from my sample companies that had average capital structures of approximately 46.20 percent equity and 53.80 percent debt in the case of water, and approximately 52.30 percent equity and 47.70 percent debt in the case of natural gas.

[27] As I will explain later in my testimony, the Florida Leverage Formula, which the Company used in this case, produces a cost of equity that takes a utility's level of equity into consideration in order to produce a rate of return that reflects different levels of financial risk. Consequently, the Florida Leverage Formula takes the same approach as I do in trying to achieve a rate of return that is reflective of a more balanced capital structure for utilities with extreme levels of debt and equity.

Q. What capital structure are you recommending for Bermuda?

A. I am recommending a hypothetical capital structure comprised of 60.00 percent common equity and 40.00 percent debt as opposed to the Company-proposed capital structure of 100.00 percent equity.

Q. Why have you decided to recommend a hypothetical capital structure for Bermuda?

A. In recent years I have attempted, for the most part, to recommend hypothetical capital structures for utilities that have extreme levels of debt or equity in their capital structures. In a number of prior cases involving water systems, I have recommended hypothetical capital structures in cases where imprudent capital structures comprised of 100.00 percent equity were being proposed or in cases where the utility did not have debt with a third party financial institution or bondholders, such as in this case.

Q. Why is a 100.00 percent equity capital structure imprudent?

A. Mainly because equity financing typically costs more than debt financing. So a capital structure with more equity than debt will have a higher weighted average cost than a capital structure that is comprised of more debt than equity. There are other certain tax advantages associated with debt financing that can reduce a firm's income tax expense. Specifically, interest payments made on debt instruments are tax deductible whereas dividends paid to shareholders are not. A prudent money manager who is operating in a competitive environment would strive to achieve an optimal capital structure (that contains an appropriate level of equity and debt) that results in a lower overall cost of capital to his or her firm.

Q. Did you make any direct downward adjustment to your recommended cost of common equity that takes into consideration the level of equity contained in your recommended hypothetical capital structure?

A. No. While a good argument could be made for such an adjustment, I believe my recommended 9.00 percent cost of equity, which was derived from my samples which had more balanced capital structures, would cover any investor concerns regarding any unique business risk associated with Bermuda.

Q. Are you recommending a hypothetical cost of debt for Bermuda?

A. Yes. I am recommending that the Commission adopt a hypothetical cost of debt of 6.13 percent.

Q. How did you determine your hypothetical cost of debt?

A. As can be viewed on page 2 of Schedule WAR-1, my recommended 6.13 percent hypothetical cost of debt is an average of the weighted costs of long-term debt of seven publicly traded water utilities followed by Value Line analysts. Three of these water utilities are the same ones that I described earlier and were used in my DCF and CAPM analyses. Three of the remaining four (Connecticut Water Service, Inc., Middlesex Water Company, and SJW Corp.) are followed in Value Line's Small & Mid-Cap Edition.

Q. Why do you believe your recommended 6.13 percent hypothetical cost of debt is reasonable?

A. My recommended 6.13 percent hypothetical cost of debt is 70 basis points higher than the current yield of 5.43 percent on a Baa/BBB-rated utility bonds that was reported in the August 12, 2011 Value line <u>Selection and Opinion</u> publication (Attachment D). In addition to this, Arizona Water Company, the second largest water provider in the state, privately placed $35 million in bonds at a stated rate of 6.67 percent on the first day of September 2008 during a period when the yield on Baa/BBB-rated utility bonds averaged 6.63 percent. For the reasons stated above, I believe my recommended 6.13 percent hypothetical cost of debt is reasonable.

Q. What are the current rates on Water Infrastructure Financing Agency ("WIFA") loans?

A. During a telephone conversation with WIFA personnel, I was informed that, within the last eight months, WIFA loans have been priced at approximately 3.68 percent, which is 245 basis points lower than my recommended 6.13 percent cost of debt for Bermuda.

Q. How does the Company's proposed weighted cost of capital compare with your recommendation?

A. Using the Florida Leverage Formula which, which produces a rate of return that takes a utility's equity ratio into consideration, Bermuda has proposed a weighted average cost of capital of 8.82 percent which is 97 basis points higher than my recommended 7.85 percent weighted average cost of capital.

Q. Please summarize why you believe that the Commission should adopt your recommended 7.85 percent weighted average cost of capital that is the result of your recommended hypothetical capital structure, your recommended cost of equity capital and your hypothetical cost of debt.

A. I believe that the approach that I have taken in this case provides the Company with a rate of return that meets the standards established in the Hope and Bluefield cases while also providing no change in rates to GWC's customers. My recommended capital structure of 60 percent equity and 40 percent debt is more favorable to the Company than the average capital structure of the water utilities in my sample. Ratepayers also benefit from my recommended weighted average cost of capital which is lower than what would have been obtained from a capital structure comprised of 81.68 percent common equity. In short, I believe that my analysis has produced a rate of return that is just and reasonable and should be adopted by the Commission.

COMMENTS ON BERMUDA'S COST OF EQUITY CAPITAL TESTIMONY

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. As I noted earlier in my testimony, the Company's Application reflects a 10.46 percent cost of equity capital which is 146 basis points higher than the 9.00 percent cost of equity capital that I am recommending. However, Bermuda has elected to use a lower 8.82 percent cost of equity in its 100 percent capital structure to arrive at a weighted cost of capital of 8.82 percent. This 8.82 percent cost of equity was derived from the Florida Leverage Formula which I have noted several times throughout my direct testimony.

Q. Please describe the Florida Leverage Formula.

A. As I explained earlier in my direct testimony, the Florida Leverage Formula was developed by the Staff of the Florida PSC (Exhibit 1 of my direct testimony contains a copy of the most recent version of the Florida Leverage Formula adopted on August 2, 2011). In short, it calculates a cost of equity figure based on the level of equity that is contained in a utility's capital structure.

The Florida methodology employs two DCF models; a constant growth model similar to what I have relied on and a multi-stage model which I have not used. The methodology also relies on the CAPM. The Florida Leverage Formula is used by utilities in that state in lieu of filing cost of capital testimony.

As in any cost of capital analysis the Florida Leverage Formula relies on a number of assumptions and choices regarding the inputs that are used in the DCF and CAPM models. For example, the average capital structure used in the methodology, for the year 2010 version relied on by Bermuda, assumes a cost of debt of 7.46 percent, which is Moody's Baa3 rate of 6.46 percent plus a 50 basis point small utility risk premium and a 50 basis point private placement premium (the more recent version displayed in Exhibit 1 assumes a cost of debt of 7.13 percent). This 7.46 percent cost of debt is one of three components in the Florida Leverage Formula.

After obtaining the average estimated costs of equity results from the DCF and CAPM models, the Florida PSC Staff adds a number of differentials and premiums to arrive at an average cost of equity for a utility with a 40 percent equity ratio. During 2010, The Florida Staff added 210 basis points to the average 8.75 percent cost of equity capital estimate for a sample of natural gas LDC's (obtained from the DCF and CAPM models), to arrive at a 10.85 percent cost of equity figure that was used, along with the 7.46 percent cost of debt described above, in a capital structure comprised of 40.00 percent equity and 60.0 debt. This produced a weighted average cost of capital of 8.82 percent. The 7.46 percent assumed cost of debt was then subtracted from the aforementioned 8.82 percent weighted cost of capital to derive a factor of 1.356 that is used in the Florida Leverage Formula. The 2010 Florida Leverage Formula relied on by Bermuda is as follows:

7.46% + 1.356 / Equity Ratio = Rate of Return

The range of equity returns produced by the Florida Leverage Formula are 8.82 percent, which would be the case for a utility such as Bermuda with a 100 percent equity capital structure (7.46% + 1.356 / 1.0 = 7.46% + 1.356% = 8.82% Rate of Return), to 10.85 percent for a utility with a capital structure comprised of 40.00 percent equity and 60.00 debt (7.46% + 1.356 / .40 = 7.46% + 3.39% = 10.85% Rate of Return).

Q. How does your DCF cost of equity estimates compare with the estimates obtained by the Florida PSC Staff during 2010?

A. The Florida Staff obtained an average DCF estimate of 8.92 percent for their sample of LDC's which was 19 basis points lower than my DCF estimate for LDC's and 36 basis points lower than my DCF estimate for water utilities. I believe the main difference between our respective estimates is attributed to the change in stock prices during the time frames that our analyses were conducted.

Q. **How do your CAPM cost of equity estimates compare?**

A. The Florida Staff's CAPM expected return estimate of 8.58 percent is 280 to 406 basis points higher than my CAPM estimate for LDC's (using arithmetic and geometric means respectively), and 226 to 369 basis points for water utilities. The main difference in our CAPM estimates is the Florida Staff's use of a 5.04 percent forecasted long-term Treasury bond yield as the risk free asset and the addition of a 0.20% flotation cost.

Q. Do you agree with the use of forecasted long-term Treasury bond yield as the risk free asset in the CAPM model?

A. No, I do not. In addition to my belief that an intermediate-term Treasury instrument is the more appropriate instrument to use as the risk free asset in the CAPM, the Commission has consistently rejected forecasted yields in a number of cases based on ACC Staff's recommendations.

Q. Are you aware of any instances where the Commission has added flotation costs to the expected returns produced by the CAPM model?

A. No. I am not aware of the adoption of any such adjustment to CAPM results.

Q. What other concerns do you have with the Florida Leverage Formula?

A. In addition to the forecasted yield and flotation cost items that I just discussed, my other concerns are with the various differentials and premiums that are used in arriving at the 10.85 percent cost of equity estimate used to develop the formula. This includes a bond yield differential, a private placement premium and a small-utility risk premium.

Q. Do you find the addition of a bond yield premium problematic?

A. Yes. I fail to see the need to add a bond yield premium to a cost of common equity estimate. Bond yield premiums are typically added to Treasury instrument yields as a comparison to cost of equity estimates. A cost of equity estimate would already contain a risk premium over debt instruments available to investors.

Q. Has the Commission ever approved a private placement premium?

A. Not to my knowledge. The last proceeding that I was involved with in which a water provider privately placed bonds was the most recent Arizona Water Company case.[28] The final decision on that case, Decision No. 71845, dated August 24, 2010, made no upward adjustment to the 9.50 percent cost of equity capital recommended by ACC Staff consultant David Parcell.

[28] Docket Number: W-01445A-08-0440

Q. Has the Commission ever adopted risk premiums based on firm size?

A. No the Commission has never adopted a firm size adjustment or premium in any cases that I have ever been involved in. The Commission has consistently taken the position that small firms face the same types of risks as large firms and therefore need no such adjustment or premium.

Q. Are there any other concerns that you have with applying the Florida methodology in Arizona?

A. Yes, I have two other concerns with the Florida methodology. First, it is mandated by law in Florida (Exhibit 1). Arizona does not have a similar law or rule. Second, Arizona, unlike Florida has a constitutional fair value requirement which must be complied with. Whether the Florida Leverage Formula complies with Arizona's fair value requirement needs to be considered.

Q. Does RUCO believe that adoption of the Florida methodolgy in Arizona would be in the public interest?

A, No, for the reasons explained above.

...

Q. Please comment on Company witness Kirsten Weeks statement, on page 10 of her testimony, that the Nevada Public Utilities Commission adopted a rate of return derived from a leverage formula in a case involving Sky Ranch Water Service Corporation, a sister company of Bermuda.[29]

A. The case that Ms. Weeks is referring to the Nevada Public Utilities Commission adopted a *stipulated agreement* between Sky Ranch Water Service Corporation and the Regulatory Operations Staff of the Nevada Public Utilities Commission as opposed to a fully litigated rate case proceeding. Neither the final Nevada PUC decision (Exhibit 2) or the amended stipulated agreement adopts a specific leverage formula to arrive at the cost of capital that is stipulated to by the parties in the case.

Q. Does your silence on any of the issues, matters or findings addressed in Bermuda's testimony constitute your acceptance of the Company's positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your direct testimony on the cost of capital issues in Bermuda's filing?

A. Yes, it does.

[29] Nevada Public Utilities Commission Docket No. 10-03032

Qualifications of William A. Rigsby, CRRA

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Society of Utility and Regulatory Financial Analysts
38th Annual Financial Forum and CRRA Examination
Georgetown University Conference Center, Washington D.C.
Awarded the Certified Rate of Return Analyst designation
after successfully completing SURFA's CRRA examination.

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 &1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
October 1994 – November 1997

Tax Examiner Technician I / Revenue Auditor II
Arizona Department of Revenue
Transaction Privilege / Corporate Income Tax Audit Units
Phoenix, Arizona
July 1991 – October 1994

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

Utility Company	Docket No.	Type of Proceeding
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona-American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Tucson Electric Power	E-01933A-04-0408	Rate Review
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase
Arizona-American Water Company	W-01303A-05-0405	Rate Increase
Black Mountain Sewer Corporation	SW-02361A-05-0657	Rate Increase
Far West Water & Sewer Company	WS-03478A-05-0801	Rate Increase
Gold Canyon Sewer Company	SW-02519A-06-0015	Rate Increase
Arizona Public Service Company	E-01345A-05-0816	Rate Increase
Arizona-American Water Company	W-01303A-05-0718	Transaction Approval
Arizona-American Water Company	W-01303A-05-0405	ACRM Filing
Arizona-American Water Company	W-01303A-06-0014	Rate Increase
UNS Gas, Inc.	G-04204A-06-0463	Rate Increase
Arizona-American Water Company	WS-01303A-06-0491	Rate Increase
UNS Electric, Inc.	E-04204A-06-0783	Rate Increase
Arizona-American Water Company	W-01303A-07-0209	Rate Increase
Tucson Electric Power	E-01933A-07-0402	Rate Increase
Southwest Gas Corporation	G-01551A-07-0504	Rate Increase
Chaparral City Water Company	W-02113A-07-0551	Rate Increase
Arizona Public Service Company	E-01345A-08-0172	Rate Increase
Johnson Utilities, LLC	WS-02987A-08-0180	Rate Increase
Arizona-American Water Company	W-01303A-08-0227 et al.	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	**Docket No.**	**Type of Proceeding**
UNS Gas, Inc.	G-04204A-08-0571	Rate Increase
Arizona Water Company	W-01445A-08-0440	Rate Increase
Far West Water & Sewer Company	WS-03478A-08-0608	Interim Rate Increase
Black Mountain Sewer Corporation	SW-02361A-08-0609	Rate Increase
Global Utilities	SW-02445A-09-0077 et al.	Rate Increase
Litchfield Park Service Company	SW-01428A-09-0104 et al.	Rate Increase
UNS Electric, Inc.	E-04204A-09-0206	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-08-09-0257	Rate Increase
Arizona-American Water Company	W-01303A-09-0343	Rate Increase
Bella Vista Water Company	W-02465A-09-0411 et al.	Rate Increase
Chaparral City Water Company	W-02113A-10-0309	Reorganization
Qwest Communications International	T-04190A-10-0194 et al.	Merger
CenturyLink, Inc.	T-04190A-10-0194 et al.	Merger
Goodman Water Company	W-02500A-10-0382	Rate Increase
Southwest Gas Corporation	G-01551A-10-0458	Rate Increase
Arizona-American Water Company	W-01303A-10-0448	Rate Increase
Arizona-American Water Company	W-01303A-11-0101	Reorganization

EXHIBIT 1

DATE: June 2, 2011

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Salnova, Cicchetti, Maurey, Springer)
Office of the General Counsel (Klancke)

RE: Docket No. 110006-WS – Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

AGENDA: 06/14/11 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\110006.RCM.DOC

Case Background

Section 367.081(4)(f), Florida Statutes (F.S.), authorizes the Commission to establish, not less than once each year, a leverage formula to calculate a reasonable range of returns on equity (ROE) for water and wastewater (WAW) utilities. The leverage formula methodology currently in use was established in Order No. PSC-01-2514-FOF-WS.[1] *On October 23, 2008, the Commission held a formal hearing in Docket No. 080006-WS to allow interested parties to provide testimony regarding the validity of the leverage formula. Based on the record in that proceeding, the Commission approved the 2008 leverage formula in Order No. PSC-08-0846-FOF-WS.*[2] *In that order, the Commission reaffirmed the methodology that was previously approved in Order No. PSC-01-2514-FOF-WS. In 2010, the Commission established the leverage formula currently in effect by Order No. PSC-10-0401-PAA-WS.*[3]

This staff recommendation utilizes the current leverage formula methodology established in Order

No. PSC-08-0846-FOF-WS. This methodology uses returns on equity (ROE) derived from financial models applied to an index of natural gas utilities. Based on the results of staff's annual review, there is an insufficient number of WAW utilities that meet the requisite criteria to assemble an appropriate proxy group. Therefore, since 2001, the Commission has used natural gas utilities as the proxy companies for the leverage formula. There are many natural gas utilities that have actively traded stocks and forecasted financial data. Staff used natural gas utilities that derive at least 49 percent of their revenue from regulated rates. These utilities have market power and are influenced significantly by economic regulation. As explained in the body of this recommendation, the model results based on natural gas utilities are adjusted to reflect the risks faced by Florida WAW utilities.

Although subsection 367.081(4)(f), F.S., authorizes the Commission to establish a range of returns for setting the authorized ROE for WAW utilities, the Commission retains the discretion to set an ROE for WAW utilities based on record evidence in any proceeding. If one or more parties file testimony in opposition to the use of the leverage formula, the Commission will determine the appropriate ROE based on the evidentiary record in that proceeding.

The Commission has jurisdiction pursuant to Section 367.081, F.S.

Discussion of Issues

Issue 1:

What is the appropriate range of returns on common equity for water and wastewater (WAW) utilities pursuant to Section 367.081(4)(f), Florida Statutes?

Recommendation:

Staff recommends that the current leverage formula methodology be applied using updated financial data. Staff recommends the following leverage formula:

Return on Common Equity = 7.13% + 1.610/Equity Ratio

Where the Equity Ratio = Common Equity / (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

Range: 8.74% @ 100% equity to 11.16% @ 40% equity

(Salnova, Cicchetti, Springer)

Staff Analysis:

Section 367.081(4)(f), F.S., authorizes the Commission to establish a leverage formula to calculate a reasonable range of returns on equity for WAW utilities. The Commission must establish this leverage formula not less than once a year.

Staff notes that the leverage formula depends on four basic assumptions:

1) *Business risk is similar for all WAW utilities;*

2) *The cost of equity is an exponential function of the equity ratio but a linear function of the debt to equity ratio over the relevant range;*

3) *The marginal weighted average cost of investor capital is constant over the equity ratio range of 40 percent to 100 percent; and*

4) *The debt cost rate at an assumed Moody's Baa3 bond rating, plus a 50 basis point private placement premium and a 50 basis point small utility risk premium, represents the average marginal cost of debt to a Florida WAW utility over an equity ratio range of 40 percent to 100 percent.*

For these reasons, the leverage formula is assumed to be appropriate for the average Florida WAW utility.

The leverage formula relies on two ROE models. Staff adjusted the results of these models to reflect differences in risk and debt cost between the index of companies used in the models and the average Florida WAW utility. Both models include a four percent adjustment for flotation costs. The models are as follows:

- *A Discounted Cash Flow (DCF) model applied to an index of natural gas (NG) utilities that have publicly traded stock and are followed by the Value Line Investment Survey (Value Line). This DCF model is an annual model and uses prospective growth rates. The index consists of 9* *companies that derive at least 49 percent of their total revenue from gas distribution service. These companies have a median Standard and Poor's bond rating of A.*

- *A Capital Asset Pricing Model (CAPM) using a market return for companies followed by Value Line, the average yield on the Treasury's long-term bonds projected by the Blue Chip Financial Forecasts, and the average beta for the index of NG utilities. The market return for the 2011 leverage formula was calculated using a quarterly DCF model.*

Staff averaged the indicated returns of the above models and adjusted the result as follows:

- *A bond yield differential of 57 basis points is added to reflect the difference in yields between an A/A2 rated bond, which is the median bond rating for the NG utility index, and a BBB-/Baa3 rated bond. Florida WAW utilities are assumed to be comparable to companies with the lowest investment grade bond rating, which is Baa3. This adjustment compensates for the difference between the credit quality of "A" rated debt and the credit quality of the minimum investment grade rating.*

- *A private placement premium of 50 basis points is added to reflect the difference in yields on publicly traded debt and privately placed debt, which is illiquid. Investors require a premium for the lack of liquidity of privately placed debt.*

- *A small utility risk premium of 50 basis points is added because the average Florida WAW utility is too small to qualify for privately placed debt.*

After the above adjustments, the resulting cost of equity estimate is included in the average capital structure for the NG utilities. The derivation of the recommended leverage formula using the current methodology with updated financial data is presented in Attachment 1.

For administrative efficiency, the leverage formula is used to determine the appropriate return for an average Florida WAW utility. Traditionally, the Commission has applied the same leverage formula to all WAW utilities. As is the case with other regulated companies under the Commission's jurisdiction, the Commission has discretion in the determination of the appropriate ROE based on the evidentiary record in any proceeding. If one or more parties file testimony in opposition to the use of the leverage formula, the Commission will determine the appropriate ROE based on the evidentiary record in that proceeding.

Based on the foregoing. staff recommends that the Commission cap returns on common equity at 11.16 percent for all WAW utilities with equity ratios less than 40 percent. Staff believes that this will discourage imprudent financial risk. This cap is consistent with the methodology in Order No. PSC-08-0846-FOF-WS.

Issue 2:

Should this docket be closed?

Recommendation:

No. Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant. (Klancke, Salnova)

Staff Analysis:

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant.

Attachment 1
Page 1 of 6

SUMMARY OF RESULTS

Leverage Formula Update

	Updated Results	Currently in Effect
(A) DCF ROE for Natural Gas Index	8.25%	8.92%
(B) CAPM ROE for Natural Gas Index	9.40%	8.58%
AVERAGE	8.83%	8.75%
Bond Yield Differential	0.57%	0.53%
Private Placement Premium	0.50%	0.50%
Small-Utility Risk Premium	0.50%	0.50%
Adjustment to Reflect Required Equity Return at a 40% Equity Ratio	0.76%	0.57%
Cost of Equity for Average Florida WAW Utility at a 40% Equity Ratio	11.16%	10.85%

2010 Leverage Formula (Currently in Effect)

Return on Common Equity = 7.46% + 1.356/ER

Range of Returns on Equity = 8.82% - 10.85%

2011 Leverage Formula (Recommended)

Return on Common Equity = 7.13% + 1.610/ER

Range of Returns on Equity = 8.74% - 11.16%

Attachment 1
Page 2 of 6

Marginal Cost of Investor Capital
Average Water and Wastewater Utility

Capital Component	*Ratio*	*Marginal Cost Rate*	*Weighted Marginal Cost Rate*
Common Equity	*49.30%*	*10.40%*	*5.13%*
Total Debt	*50.70%*	*7.13% **	*3.61%*
	100.00%		*8.74%*

A 40% equity ratio is the floor for calculating the required return on common equity. The return on equity at a 40% equity ratio is 7.13% + 1.610/.40 = 11.16%

Marginal Cost of Investor Capital
Average Water & Wastewater Utility at 40% Equity Ratio

Capital Component	*Ratio*	*Marginal Cost Rate*	*Weighted Marginal Cost Rate*
Common Equity	*40.00%*	*11.16%*	*4.46%*
Total Debt	*60.00%*	*7.13% **	*4.28%*
	100.00%		*8.74%*

Where: ER = Equity Ratio = Common Equity/(Common Equity + Preferred Equity + Long-Term Debt + Short-Term Debt)

** Assumed Baa3 rate for March 2011 plus a 50 basis point private placement premium and a 50 basis point small utility risk premium.*

Sources: *Moody's Credit Perspectives and Value Line Selection and Opinion*

Attachment 1
Page 3 of 6

ANNUAL DISCOUNTED CASH FLOW MODEL

NATURAL GAS INDEX

VALUE LINE ISSUE: March 11, 2011

										APRIL		
NY	DIV0	DIV1	DIV2	DIV3	DIV4	EPS4	ROE4	GR1-4	GR4+	HI-PR	LO-PR	AVER-PR
SOURCES INC.	1.80	1.84	1.88	1.92	1.96	3.75	12.50	1.0213	1.0597	41.61	38.58	40.095
ENERGY RATION	1.36	1.38	1.40	1.43	1.45	2.70	9.00	1.0166	1.0417	34.94	32.76	33.850

)E GROUP, INC.	1.61	1.65	1.70	1.75	1.80	3.15	10.00	1.0294	1.0429	38.98	36.30	37.640
[NC.	1.86	1.86	1.86	1.86	1.86	2.80	10.00	1.0000	1.0336	55.50	52.22	53.860
WEST AL GAS CO.	1.72	1.76	1.77	1.79	1.80	3.20	10.00	1.0075	1.0438	46.37	44.08	45.225
)NT NATURAL ı., INC.	1.15	1.19	1.23	1.27	1.31	1.90	12.50	1.0325	1.0388	32.00	29.00	30.500
JERSEY 'RIES, INC.	1.48	1.60	1.72	1.86	2.00	4.10	17.50	1.0772	1.0896	58.03	54.05	56.040
WEST GAS ₹ATION	1.05	1.10	1.15	1.20	1.25	2.00	9.00	1.0435	1.0338	39.89	36.97	38.430
)LDINGS, INC.	1.53	1.57	1.61	1.64	1.68	2.70	10.00	1.0228	1.0378	39.68	36.93	38.305

AVERAGE				1.7575		

S&P STOCK GUIDE: MAY 2011 with APRIL Stock Prices

:ice w/four Percent Flotation Costs		$39.89		Annual	8.25%	ROE
Cash Flows	1.4019	1.3315	1.2628	1.1982	1.1428	33.5503
Value of Cash Flows	39.8875					

NOTE: The cash flows for this multi-stage DCF Model are derived using the average forecasted dividends and the near term and long term growth rates. The discount rate, 8.25%, equates the cash flows with the average stock price less flotation cost.
$39.89 = April 2011 average stock price with a 4% flotation cost.
8.25% = Cost of equity required to match the current stock price with the expected cash flows.
Sources:
1. Stock Prices - S&P Stock Guide, May 2011 Edition.
2. DPS, EPS, ROE - Value Line Issue: March 11, 2011.

Attachment 1
Page 4 of 6

Capital Asset Pricing Model Cost of Equity for
Water and Wastewater Industry

CAPM analysis formula

K	=	*RF + Beta(MR - RF)*
K	=	*Investor's required rate of return*
RF	=	*Risk-free rate (Blue Chip forecast for Long-term Treasury bond, May 1, 2011)*
Beta	=	*Measure of industry-specific risk (Average for water utilities followed by Value Line)*
MR	=	*Market return (Value Line Investment Survey For Windows, May 2011)*
9.40%	=	*4.94% + 0.67(11.28% - 4.94%) + 0.20%*

Note: Staff calculated the market return using a quarterly DCF model for a large number of dividend paying stocks followed by Value Line. For May 2011, the result was 11.28%. Staff also added 20 basis points to the CAPM result to allow for a four-percent flotation cost.

Attachment 1
Page 5 of 6

BOND YIELD DIFFERENTIALS									
Public Utility Long Term Bond Yield Averages									
120 Month Average Spread		0.1424		0.1424		0.1424		0.1424	
MONTH/YEAR	A2	SPREAD	A3	SPREAD	Baa1	SPREAD	Baa2	SPREAD	Baa3
Mar-11	5.54	0.15	5.69	0.15	5.84	0.15	5.99	0.15	6.14
Sources: Moody's Credit Perspectives and Value Line Selection and Opinion									

Attachment 1 Page 6 of 6

INDEX STATISTICS AND FACTS

Natural Gas Distribution Proxy Group	S & P Bond Rating	% of Gas Revenue	V/L Market Capital ($ millions)	Equity Ratio	Value Line Beta
AGL Resources Inc.	A-	63%	$ 3,247.10	40.12%	0.75
Atmos Energy Corporation	BBB+	65%	$ 3,102.80	48.58%	0.65
Laclede Group, Inc.	A	51%	$ 862.82	54.30%	0.60
NICOR Inc.	AA	81%	$ 2,541.71	54.45%	0.75
Northwest Natural Gas Co.	A+	94%	$ 1,217.71	44.65%	0.60
Piedmont Natural Gas Co., Inc.	A	100%	$ 2,280.01	49.77%	0.65
South Jersey Industries, Inc.	A	51%	$ 1,702.11	44.81%	0.65
Southwest Gas Corporation	BBB	83%	$ 1,784.55	47.49%	0.75
WGL Holdings, Inc.	AA-	49%	$ 1,985.64	59.55%	0.65
Average:				49.30%	0.67
Sources:					

Value Line Investment Survey for Windows, May 2011
S.E.C. Forms 10Q and 10K for Companies
AUS Utility Report, May 2011

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[1]
See Order No. PSC-01-2514-FOF-WS, issued December 24, 2001, in Docket No. 010006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.
[2]
See Order No. PSC-08-0846-FOF-WS, issued December 31, 2008, in Docket No. 080006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater

utilities pursuant to Section 367.081(4)(f), F.S.
[3]
See *Order No. PSC-10-0401-PAA-WS, issued June 18, 2010, in Docket No. 100006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

EXHIBIT 2

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Application of Sky Ranch Water Service Corp. for authority to increase rates for water service.	)))	Docket No. 10-03032

At a general session of the Public Utilities Commission of Nevada, held at its offices on October 14, 2010.

PRESENT: Chairman Sam A. Thompson
Commissioner Rebecca D. Wagner
Commissioner Alaina Burtenshaw
Acting Assistant Commission Secretary Breanne Potter

COMPLIANCE ORDER

The Public Utilities Commission of Nevada ("Commission") makes the following findings of fact and conclusions of law:

I. Introduction

Sky Ranch Water Service Corp. ("Sky Ranch") filed an Application for authority to increase its rates for water service.

II. Summary

The Commission grants the Application as modified by the Amended Stipulation filed on September 21, 2010, and attached hereto as Attachment 1.

III. Procedural History

- On March 31, 2010, Sky Ranch filed an Application, designated as Docket No. 10-03032, with the Commission for authority to increase its rates for water service. Sky Ranch filed the Application pursuant to the Nevada Revised Statutes ("NRS") and the Nevada Administrative Code ("NAC"), Chapters 703 and 704, including but not limited to NRS 704.095 and NAC 704.570 through 704.620.
- On April 29, 2010, the Commission issued a Notice of Application for Authorization to Increase Rates for Water Service and Notice of Prehearing Conference.
- The Regulatory Operations Staff of the Commission ("Staff") participates as a matter of right pursuant to NRS 703.301.
- On April 28, 2010, Lupe Barry of Sparks, Nevada, filed comments.
- On May 3, 2010, Martin and Barbara Schuster of Sparks, Nevada, filed comments.

DOCUMENT REVIEW AND APPROVAL ROUTING	
DRAFTED BY: GCW	
FINAL DRAFT ON 10/14/10 AT 1:00 PM	
REVIEWED & APPROVED BY:	DATE
☐ ADMIN / ASST. ( )	/ /
☑ COMM / COUNSEL Jan Cohen	10/14/10
☐ SECRETARY / ASST. SEC.	/ /
OTHER ( )	/ /

- On May 4, 2010, Paul Cox of Sparks, Nevada, filed comments.
- On May 5, 2010, Dennis Myers filed comments.
- On May 7, 2010, Mr. William J. McKean, Esq. and Mr. Douglas A. Cannon, Esq., of the law firm of Lionel Sawyer and Collins, filed a letter notifying the Commission that they would be representing Sky Ranch.
- On May 14, 2010, Alan Draper of Sparks, Nevada, filed a Notice of Intent to Participate as Commenter.
- On May 17, 2010, Mrs. James Mitchell of Sparks, Nevada; and Darrell and Rose LaVelle, of Sparks, Nevada, filed comments.
- On May 19, 2010, Jim and Sandy Lockwood, of Sparks, Nevada, filed comments.
- On May 20, 2010, the Commission held a prehearing conference at which a procedural schedule and other related issues were discussed.
- On May 26, 2010, the Commission issued Procedural Order No. 1 and a Notice of Consumer Session and Notice of Hearing, establishing a procedural schedule.
- On June 15, 2010, Sky Ranch filed Supplemental Statements and Schedules, pursuant to Procedural Order No. 1.
- On June 30, 2010, Sky Ranch filed the pre-filed direct testimony of Wendolyn S.W. Barnett and Kirsten Weeks on behalf of Sky Ranch.
- On July 13, 2010, the Commission issued Procedural Order No. 2, directing Sky Ranch to file supplemental testimony.
- On July 23, 2010, Sky Ranch filed errata to the direct testimony of Wendolyn S.W. Barnett.
- On July 26, 2010, Sky Ranch filed Supplemental Testimony of Kirsten Weeks.
- On July 28, 2010, the Commission held a consumer session in Sparks, Nevada.
- On August 20, 2010, Staff filed direct testimony for five witnesses. On August 23, 2010, Staff filed direct testimony for one witness. On August 25, 2010, Staff filed direct testimony for one witness and filed errata to the direct testimony of Ron Knecht.
- On September 10, 2010, Sky Ranch and Staff (collectively, the "Parties") filed a Stipulation.
- On September 15, 2010, the Commission held a hearing at which the Parties were present. The Application and Stipulation were marked as evidence.
- On September 21, 2010, the Parties filed an Amended Stipulation.

IV. Amended Stipulation

1. The Amended Stipulation submitted by the Parties on September 21, 2010, contains agreements regarding the following specific issues: rate base, revenue requirement, cost of capital, rate design, customer service compliances, accounting of final costs, accounting issues, accounting adjustment compliances, future ratemaking adjustments, and tariff compliances.

V. Commission Discussion and Findings

2. The Commission finds that the Amended Stipulation is a consensus resolution of the issues pursuant to the Parties' negotiations, and as such, is a reasonable recommendation and resolution of the issues in this proceeding. Therefore, the Commission finds that it is in the public interest to approve the Amended Stipulation.

THEREFORE, it is ORDERED that:

1. The Amended Stipulation, attached hereto as Attachment 1, entered into by and between Sky Ranch Water Service Corp. and the Regulatory Operations Staff of the Commission is APPROVED as filed.

2. Sky Ranch Water Service Corp. must comply with all terms and conditions of the Amended Stipulation.

3. Sky Ranch Water Service Corp. must continue charging existing rates until it updates its tariff. The new rates resulting from this Docket will not take effect until after Sky Ranch Water Service Corp. updates its tariff to reflect the new rates.

4. Failure to comply with the compliance items in this Order may subject Sky Ranch Water Service Corp. to administrative fines pursuant to NRS 703.380 and/or revocation of the underlying relief granted as appropriate.

5. Except as specifically set forth herein, the Commission's approval of this Stipulation does not constitute approval of, or precedent regarding, any legal or factual issue in this proceeding.

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6. The Commission may correct any errors that may have occurred in the drafting or issuance of this Order without further proceedings.

By the Commission,

SAM A. THOMPSON,
Chairman

REBECCA D. WAGNER,
Commissioner

ALAINA BURTENSHAW,
Commissioner and Presiding Officer

Attest: BREANNE POTTER,
Acting Assistant Commission Secretary

Dated: Carson City, Nevada

10-19-10

(SEAL)

PUBLIC UTILITIES COMMISSION OF NEVADA
PUC

Attachment 1

FILED WITH THE PUBLIC UTILITIES COMMISSION OF NEVADA - 9/21/2010

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September 21, 2010

WRITER'S DIRECT DIAL NUMBER
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ELECTRONIC FILING

Breanne Breuer, Acting Assistant Commission Secretary
PUBLIC UTILITIES COMMISSION OF NEVADA
1150 E. William Street
Carson City, Nevada 89701

Re: Docket No. 10-03032; Amended Stipulation

Dear Breanne:

Please find attached, an Amended Stipulation between Sky Ranch Water Service Corp. and the Regulatory Operations Staff for filing with the Public Utilities Commission. Should you have any questions, or require additional information, please advise.

Sincerely,

William J. McKean, Esq.
Douglas A. Cannon, Esq.

DAC:jah

cc: Bing Young
Louise Uttinger

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

ooOoo

Application of Sky Ranch Water Service Corp. for authority to increase rates for water service.	Docket No. 10-03032

AMENDED STIPULATION

This Stipulation is entered into between and among the Applicant, Sky Ranch Water Service Corp. ("Sky Ranch"), acting through its attorneys, Lionel Sawyer & Collins, and the Regulatory Operations Staff of the Public Utilities Commission of Nevada ("Staff" and together with Sky Ranch, the "Parties"). The Parties respectfully submit the Stipulation to the Public Utilities Commission of Nevada (the "Commission") and request and recommend that the Commission approve the Stipulation.

Recitals

WHEREAS, Sky Ranch is a public utility providing water service to 566 customers in Spanish Springs, Nevada, pursuant to a certificate of public convenience and necessity issued by the Commission;

WHEREAS, Sky Ranch acquired the utility facilities from its predecessor, Sky Ranch Utility Company, on August 26, 1999;

WHEREAS, Sky Ranch has not completed a general rate case since acquisition;

WHEREAS, on March 31, 2010, Sky Ranch filed an application (the "Application") requesting an increase in its water service rates pursuant to section 704.095 of the Nevada Revised Statutes ("NRS") and sections 704.570 through 704.620 of the Nevada Administrative Code ("NAC");

WHEREAS, in the Application, Sky Ranch requested a $196,291, or 104.33 percent increase in revenue, for a total revenue requirement of $386,092;

WHEREAS, in the Application, Sky Ranch requested a rate base of $911,807;

WHEREAS, in the Application, Sky Ranch identified a capital structure consisting of

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47.09 percent debt at a cost of 7.10 percent, and 52.91 percent equity at a cost of 12 percent, and a weighted average cost of capital of 10.39 percent;

WHEREAS, on June 15, 2010, and pursuant to Procedural Order No. 1 issued May 26, 2010, paragraph 15, Sky Ranch filed supplemental statements and schedules (the "Supplemental Statements and Schedules") in order to restate information in the Application in standard Commission filing format;

WHEREAS, in the Supplemental Statements and Schedules, Sky Ranch identified a total revenue requirement of $387,054, a rate base of $911,807, a capital structure consisting of 56.98 percent debt (at a cost that can be calculated from Form E to be 7.10 percent) and 43.02 percent equity at a cost of 15 percent, and a weighted average cost of capital of 10.50 percent;

WHEREAS, in the cover letter accompanying the Supplemental Statements and Schedules, Sky Ranch explained differences between the Application and the Supplemental Statements and Schedules, including an explanation that with the correction of certain errors in the Application, the effective return on equity should have been shown in the Application as 14.76 percent, with no change to the originally calculated 10.39 percent weighted average cost of capital; and furthermore, that it maintained its request from the Application for a $196,291, or 104.33 percent increase in revenue, for a total revenue requirement of $386,092;

WHEREAS, the Commission designated the Application as Docket No. 10-03032;

WHEREAS, notice of the proceeding was timely published in Docket No. 10-03032;

WHEREAS, Staff participates as a party in this proceeding as a matter of right pursuant to NRS 703.301;

WHEREAS, no person filed a notice of intent to participate or a petition to intervene;

WHEREAS, seven Customers filed comments or notices of intent to comment;

WHEREAS, on July 28, 2010, a consumer session was conducted in this docket, at which nine persons offered comments relative to those Customers' concerns regarding high or low water pressure and water quality;

WHEREAS, Staff has completed its investigation of the Application;

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WHEREAS, Sky Ranch and its predecessor, Sky Ranch Utility Company, have made investments in utility facilities for service to customers;

WHEREAS, Sky Ranch incurred expenses which exceeded the revenue Sky Ranch generated during the test period;

WHEREAS, the Parties filed a stipulation with the Commission on September 10, 2010 (the "Stipulation");

WHEREAS, a hearing was held on September 15, 2010 at which the presiding officer heard oral testimony from the Parties on the Stipulation, and based on the testimony provided, the Parties agreed at the hearing to make certain changes to the Stipulation which are reflected in this Amended Stipulation; and,

WHEREAS, the Parties recommend that the Commission find that this Stipulation is in the public interest and resolves all issues that arose in Docket No. 10-03032.

NOW, THEREFORE, the Parties agree and recommend that the Commission accept, as follows:

1. Rate Base

Sky Ranch's rate base shall be established at $808,712, (instead of the requested $911,807).

2. Revenue Requirement

Sky Ranch's revenue requirement shall be established as $331,892 for revenue requirement purposes (instead of the requested $386,092), and $330,230 for rate design purposes. This is an increase of 74.9 percent (rather than the requested 104.33 percent).

3. Cost of Capital

Sky Ranch's capital structure is 56.98 percent debt and 43.02 percent equity. Sky Ranch's cost of equity is 11.63 percent, rather than the 14.76 percent identified in the cover letter to the Supplemental Statements and Schedules. The cost of long-term debt is 6.60 percent and the cost of short-term debt is 5.40 percent. Sky Ranch's weighted cost of capital is 8.65 percent, rather than the 10.39 percent identified in the Application, the cover letter and Exhibit B to the

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Supplemental Statements and Schedules.

4. Rate Design

A. The Company accepts Staff's rate design, as shown on Exhibit A, which creates one service classification with a three-tier rate structure.

B. Within five business days of the effective date of a Commission order approving the Stipulation, Sky Ranch shall file with the Commission revised tariff pages reflecting the new rate design. The tariff page showing the single service classification should be entitled "General Water Service" and the Company should also file tariff pages removing the un-needed service classifications from the tariff.

5. Customer Service Compliances

To aid Sky Ranch and Staff in investigating the accuracy or scope of some Customers' stated concerns regarding water pressure and water quality, the following items are Compliances. Sky Ranch shall:

A. Prepare a detailed hydraulic model of the existing water utility system consistent with American Water Works Association ("AWWA") standards within 120 days of the effective date of a Commission order approving this Stipulation.

B. Provide Staff with a copy of the hydraulic model within 15 business days of the receipt of the final model.

C. Representatives from Sky Ranch and the consultant contracted to perform the hydraulic model work shall meet with Staff to discuss the results of the model within 30 days of the model being completed. Representatives shall be prepared to discuss analysis and possible mitigation measures for water quality and pressure problems, if any, with Staff. The Parties shall notify the Commission of the completion of the meeting and shall work cooperatively with the Commission to schedule the resumption of the consumer session that was continued on July 28, 2010.

D. Sky Ranch shall conduct meetings with Customers during 2011, 2012 and 2013 as follows:

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1. Each meeting will be conducted by a local Company representative. Other Company representatives may attend by speakerphone and/or video conference;

2. There shall be two mandatory customer meetings in 2011 ("Year 1"), with one meeting in the first quarter (the resumption of the continued Commission-sponsored consumer session shall satisfy this meeting requirement) and one meeting in either July or August, to provide information concerning the results of the hydraulic model; the Company's plans to address any identified system deficiencies; to receive input from customers concerning any issues involving the water Company; to provide a forum to educate customers; and to provide customer information and responses to customers' issues and questions. Sky Ranch shall discuss hydraulic model results and proposed mitigation measures for pressure problems, if any, at the first meeting with customers in 2011;

3. There shall be two mandatory meetings in 2012 ("Year 2"), with one meeting in either July or August, but if attendance is below 10 customers in two consecutive meetings in Year 2, no mandatory meetings in 2013 ("Year 3").

4. These stipulated Company customer meetings are in addition to any consumer sessions that may be required due to other Commission filings made by Sky Ranch and/or any continued consumer session that the Commission may choose to hold in this case; and,

5. Notification of customer meetings will be made through bill inserts in the regular monthly billing cycles; Sky Ranch will give the customers and the Commission a minimum of 14 days' notice and no more than 30 days' notice prior to each scheduled meeting.

E. Within 60 days of the effective date of a Commission order approving this Stipulation the Company shall make a filing with the Commission approval of a water conservation plan that meets the requirements of NRS 704.662 through 704.6624.

6. Accounting of Final Costs Compliance Issue

A. Within 60 days of the effective date of a Commission order approving this Stipulation, Sky Ranch shall file with the Commission an accounting of final costs incurred from the

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date of filing to prepare and present this proceeding. Those costs shall be reflected in a regulatory asset account. The costs recorded in the regulatory asset account in excess of the $6,774 incurred by Sky Ranch during the test period and the 6 month period after the end of the test period, (see Prefiled Direct Testimony of Richard A. Phillips. Q & A's 9 and 13), may accrue carrying charges.

7. Accounting Issues

A. Sky Ranch shall maintain its books and records in a manner consistent with the Uniform System of Accounts for Class B Water Utilities ("USOA") and shall adhere to the Accounting Instructions set forth in the USOA. Sky Ranch shall review its books and records periodically for compliance with the USOA and the USOA Accounting Instructions. If Sky Ranch's periodic reviews reveal entries that are inconsistent with the USOA or the USOA Accounting Instructions, Sky Ranch shall make corrections promptly. Without limiting the foregoing commitment, Sky Ranch shall charge components of construction cost to plant accounts in a manner consistent with USOA Accounting Instruction 14. The cost of individual items of equipment less than $400 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of this accounting thereof is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in the construction work, the cost shall be included as part of the cost of the construction unit.

B. Capitalized labor costs shall be treated consistent with the Joint Statement on the Treatment of Capitalized Labor filed in Commission Docket No. 09-12017 as Late Filed Exhibit 80 on June 9, 2010. *See* Exhibit B attached hereto.

C. Sky Ranch shall charge AFUDC in its capital projects in a manner consistent with the Accounting Instructions provided in the USOA, i.e., AFUDC shall cease being charged when the project is placed in operation or is completed and ready for service. Sky Ranch

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will review capital projects for capitalized time charged to the work order after the in-service date to ensure that the corresponding labor costs relate to necessary post-in-service activities that are required as part of the construction process.

D. Sky Ranch shall, on a going forward basis, apply the depreciation rates contained in Exhibit C for the identified USOA accounts.

E. Sky Ranch shall use the separate-entity method of calculating incomes taxes in the calculation of the revenue requirement in future rate case filings.

F. Sky Ranch shall file a petition or application with the Commission to create a regulatory asset when it incurs significant, non-recurring, non-capital costs between rate cases.

8. Accounting Adjustment Compliances

Sky Ranch shall make the following adjustments on its books and records within 90 days of the Commission's order and, within 120 days thereafter, provide Staff with documentation showing the following adjustments have been made:

A. Record a debit adjustment of $172,205 (an increase to rate base) to National Association of Regulatory Commissioners ("NARUC") Account no. 114, Utility Plant Acquisition Adjustment.

B. Record a credit adjustment (a decrease to rate base) of $172,205 to accumulated depreciation on acquired assets.

C. Record a debit adjustment of $4,979 (an increase to rate base) to NARUC Account no. 115, Accumulated Amortization of Utility Plant Acquisition Adjustments.

D. Record a decrease in net plant in rate base by $17,207 (plant in service of $17,925 minus accumulated depreciation of $718) for a disallowance of tank repair costs and decrease depreciation expense by $448.

E. Reclassify tank painting costs from plant in service to a regulatory asset account. This reclassification will decrease net plant in rate base by $40,989 (plant in service of $41,825 minus accumulated depreciation of $837); decrease depreciation expense by $1,380; increase rate based for the regulatory asset by $38,256; and increase

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amortization expense for the regulatory asset by $2,733.

F. Reclassify arsenic study costs from plant in service to a regulatory asset account. This reclassification decreases net plant in rate base by $74,887 (plant in service of $78,699 minus accumulated depreciation of $3,812); reduces depreciation expense by $2,880; increases rate base for the regulatory asset by $59,910; and increases amortization expense for the regulatory asset by $14,977.

G. Record a credit adjustment to increase the accumulated depreciation by $49,263 (this reduces rate base) on the assets purchased by Sky Ranch that were acquired from Sky Ranch Utility Company on August 26, 1999, and the related debit adjustment of $12,316 to accumulated deferred income tax (this increases rate base). *In making this adjustment* Sky Ranch shall apply the depreciation rates contained in Exhibit B as if applied from the date of acquisition (August 26, 1999) to the end of the test period.

H. Reclassify back taxes paid on land from plant in service to a regulatory asset account. This reclassification decreases net plant in rate base by $12,717 (plant in service of $14,000 minus accumulated depreciation of $1,283); decreases depreciation expense by $280; increases rate base for the regulatory asset by $10,174; and increases amortization expense for the regulatory asset by $2,543.

9. Future Ratemaking Adjustments

Sky Ranch shall, in future rate cases:

A. Remove unsupported organization costs and related accumulated amortization and amortization expense.

B. Remove tank logo painting costs and related accumulated depreciation and depreciation expense.

10. Tariff Compliances

Sky Ranch shall file, within 30 days of Commission approval of this Stipulation, an Advice Letter to make the following revisions to its water service tariff:

A. Update Rule No. 10 consistent with the provisions of NRS 704.660.

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B. Update its water conservation tariff for outdoor irrigation to follow the current outdoor watering schedule adopted by the Truckee Meadows Water Authority.

C. Update its tariff so that residential customers whose bills are in arrears are offered a deferred payment plan pursuant to NAC 704.3932.

11. General Provisions

A. This Stipulation may be executed in any number of counterparts and by facsimile or electronic signature, each of which shall be taken to be an original.

B. This Stipulation represents the entire agreement between the Parties regarding the settlement of all issues that were or could have been raised in this proceeding. If the Commission does not accept the Stipulation, the terms of the Stipulation are not severable and the Stipulation is withdrawn. If the Stipulation is withdrawn pursuant to this paragraph, nothing in the Stipulation is admissible in this proceeding or any other proceeding before the Commission.

C. This Stipulation shall have no precedential value in any other proceeding before the Commission.

D. As used in this Stipulation, the term "customer" has the meaning ascribed it in Rule 1 of the Sky Ranch tariff.

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Dated this 20th day of September, 2010.

REGULATORY OPERATIONS STAFF

By: ____________________
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Nevada Bar No. 8037
Louise Uttinger
Nevada Bar No. 1971
1150 East William Street
Carson City, Nevada 89701

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By: ____________________
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Attorneys for Sky Ranch Water Service Corp.

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EXHIBIT A
Rate Design

Monthly Service Charge

Meter Size	Monthly Service Charge[1]
5/8"	$17.40
3/4"	$17.40
1"	$25.00
1.5"	$36.00

Commodity Charge

Quantity of Water	Commodity Charge
10,001 to 20,000 gallons	$1.19 per 1,000 gallons
20,001 to 50,000 gallons	$1.45 per 1,000 gallons
More than 50,000 gallons	$1.90 per 1,000 gallons

The service classifications will be removed from the Sky Ranch tariff and all water service customers will be charged consistent with the above rate structure.

[1] The monthly service charge includes the first 10,000 gallons of consumption.

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EXHIBIT B
Capitalized Labor

(Late filed Exhibit 80 from Docket No. 09-12017)

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FILED WITH THE PUBLIC UTILITIES COMMISSION OF NEVADA - 6/9/2010

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June 9, 2010

Nancy Krassner, Assistant Commission Secretary
Public Utilities Commission of Nevada
1150 East William Street
Carson City, Nevada 89701

Re: Docket No. 09-12017; Late Filed Exhibit 80

Dear Ms. Krassner:

Please find attached for filing with the Public Utilities Commission of Nevada in Docket No. 09-12017 a joint statement on the treatment of capitalized labor. Pursuant to the direction of the Hearing Officer, this joint statement is being filed as late filed Exhibit 80. Since the conclusion of the hearing the Regulatory Operations Staff ("Staff") and Utilities, Inc. of Central Nevada ("UICN") have worked to develop a mutually acceptable position. Staff and UICN were able to finalize a joint statement earlier today, and because of this the attached joint statement was not circulated to the Bureau of Consumer Protection ("BCP") or Nye County until late this afternoon. This joint statement is in no way intended to foreclose BCP and/or Nye County from filing their own statement or statements.

Best regards,

William J. McKean
Douglas A. Cannon

Enclosures: Late Filed Exhibit 80

cc: Parties of Record

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

ooOoo

Application of Utilities, Inc. of Central Nevada for authority to increase its annual revenue requirement for water service rates, decrease its annual revenue requirement for sewer service rates, implement new service classifications and modify charges, fees and provisions for water and sewer customers; approve the creation of a regulatory asset account for litigation costs; and for relief properly related thereto.)	Docket No. 09-12017

JOINT STATEMENT ON THE TREATMENT OF CAPITALIZED LABOR

Late-Filed Exhibit 80

Utilities, Inc. of Central Nevada ("UICN") and the Regulatory Operations Staff (the "Staff") hereby submit to the Public Utilities Commission of Nevada (the "Commission) their joint statement on the proposed treatment of capitalized labor costs as late-filed Exhibit 80.[1]

Based on discussions between UICN and Staff the following solution is offered to address the capitalized labor issue on a going-forward basis.[2] Historically, at the conclusion of every work day, each Utilities, Inc. ("UI") salaried employee enters her actual total expensed and capitalized hours into the JDE accounting system. A salaried employee works 260 days per year (taking into account vacation and sick time). In some cases an employee's total time worked for a given day may exceed 8 hours. This historical practice is one of the factors underlying the capitalized labor issue discussed in this proceeding.

To address the capitalized labor issue on a going forward basis, each UI salaried employee would be limited to entering no more than a total of 8 expensed and capitalized hours into JDE on any given day. In a case where an employee did work more than 8 hours on a given day, he or she would be required to apportion a total 8 hours per day between expensed and/or capitalized time, as the case may be, based on the ratio of total expensed and/or

---

[1] Docket No. 09-12017, Transcript of Proceeding pp. 761-2 (May 24-26, 2010).

[2] *Id.* at pp. 759-763; *see also* pp. 75, 99-100, 199, 223-225, 709, 740-755.

capitalized time for that day and the total hours worked that day. For example, assume a salaried employee worked a total of 10 hours on a given day with 7.5 hours being dedicated to a project that would be considered an expense item and 2.5 hours being dedicated to a capital project. In that case, the employee would apportion 75 percent of her time for that day for the expensed item and 25 percent for the capitalized project, and would report into JDE a total of 6 hours of expensed time, and 2 hours of capitalized time. Because the data from JDE flows into the books and records of UI, this process will ensure that this same apportionment will be reflected in UI's books and records (and is not merely an adjustment for rate making purposes).

Dated and respectfully submitted this 9th day of June, 2010.

REGULATORY OPERATIONS STAFF

By: [signature]
Tammy Cordova, Staff Counsel
Debrea Terwilliger, Ass't Staff Counsel

LIONEL SAWYER & COLLINS

By: [signature]
William J. McKean
Douglas A. Cannon

EXHIBIT C
Depreciation Rates

(RAB-12 from Rex Bosier testimony)

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Docket No. 10-03032
Witness: Rex A. Bosier
Attachment RAB-12

SKY RANCH WATER SERVICE CORP.
Staff Depreciation Rates
TEST YEAR ENDED 9/30/09

Line No.	A NARUC Account	B Life in years	C Rate %	
1	301	50	2.00	
2	302	5	20.00	
3	303	50	2.00	
4	304	40	2.50	
5	305	50	2.00	
6	306	50	2.00	
7	307	30	3.33	
8	308	50	2.00	
9	309	50	2.00	
10	310	40	2.50	
11	311	25	4.00	
12	320	15	6.67	
13	330	50	2.00	
14	331	50	2.00	
15	333	40	2.50	
16	334	20	5.00	
17	335	50	2.00	
18	336	20	5.00	
19	339	50	2.00	*
20	340	15	6.67	
21	341	6	16.67	
22	342	20	5.00	
23	343	15	6.67	
24	344	15	6.67	
25	345	15	6.67	
26	346	10	10.00	
27	347	50	2.00	*
28	348	50	2.00	*
29				
30				
31	* Equipment placed in this category could have a longer or shorter life			
32	depending on use, manufacture, model, storage conditions etc.			
33				
34	Source: Staff ENG Dept 6/23/10			
35				

CERTIFICATE OF SERVICE

I hereby certify that I am an employee of Lionel Sawyer & Collins and on September 21, 2010, I caused to be served, a true and correct copy of the foregoing Stipulation via U.S. Mail or as indicated below to the following parties:

VIA U.S. MAIL & ELECTRONIC MAIL:

Staff Counsel Support
PUBLIC UTILITIES COMMISSION OF NEVADA
1150 E. William Street
Carson City, Nevada 89701
pucn.sc@puc.nv.gov

Tammy Cordova, Staff Counsel
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101 Convention Center Drive, Suite 250
Las Vegas, Nevada 89109
tcordova@puc.nv.gov

VIA ELECTRONIC MAIL ONLY:

Louise Uttinger
uttinger@puc.nv.gov

Bing Young
byoung@puc.nv.gov

DATED this 21st day of September, 2010.

Jane Harrell

Jane Harrell

ATTACHMENT A

INDUSTRY TIMELINESS: 35 (of 98)

The Water Utility Industry has snuck back into the top half of the *Value Line Investment Survey* for Timeliness. Some stocks here have gained momentum since our April report, as many in the investment community appear to be seeking shelter from looming global economic issues.

Still, water utility stocks, for the most part, remain uninspiring at this time. Not a single one, sans *American Water Works*, is ranked favorably for Timeliness. Earnings growth was hard to come by in the first quarter, and burgeoning operating costs are likely to continue outpacing the revenue gains being generated by an improving regulatory environment.

The long-term outlook is not much rosier, and growth prospects appear daunting. True, as discussed below, the safe and timely delivery of water is undeniable. However, many of the country's water systems are aging, increasing the need for repairs and maintenance. Most providers, meanwhile, are strapped for cash, and the financing activity required to maintain infrastructures will only dilute future earnings gains.

Industry Pluses

Water is one of, if not the most, essential part of life. Water providers, therefore, are almost as critical. They are responsible for the safe and timely delivery of water to millions of people every day. This will likely never change, and demand for water ought to continue to grow along with the population, creating an extremely favorable operating environment.

With the need for water being so imperative, so too is regulation. State regulatory boards have been put in place to keep a balance of power between providers and customers. They are responsible for, among other things, reviewing and ruling on general rate case requests submitted by providers looking to recover costs. Their decisions have become critical as the costs of water production have skyrocketed. Although the authorities had long sided with consumers, they have turned the corner more recently and definitely have taken on a more business-friendly attitude of late, creating an improved demand climate for utilities.

And Minuses

But while the demand picture painted above would have you rushing out to buy Water Utility stocks, the industry does have its warts. Infrastructures are old, and many are decrepit. They require significant maintenance, and investment is unavoidable. These costs have escalated into the hundreds of millions of dollars and are not likely to subside anytime soon. Unfortunately, most of the companies operating in this space are starved for cash. Balance sheets are debt-laden and meek on assets. Outside financing has become commonplace and will probably remain the only viable option for those looking to bring cash into the fold. That said, the increased share count and higher interest expense associated with these initiatives thwarts share-earnings and shareholder gains. The lack of cash also precludes most from growing their businesses via acquisitions, such as *Aqua America* has become known for. The industry is consolidating at a red-hot pace, and the bigger players are the ones that are benefiting. Although the capital constraints have yet to influence dividends, some companies may have to rethink the current payout ratios if the costs of doing business cannot be curbed.

Conclusion

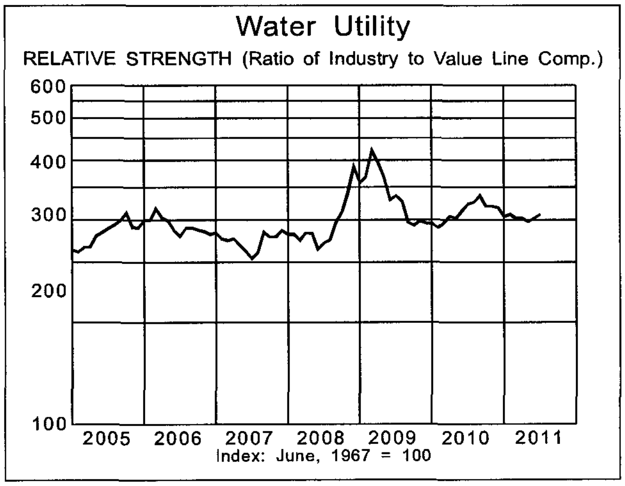
This industry is probably not for most. Share-price growth potential is not something that comes to mind when we think of water utility stocks because of its capital-intensive nature and financial constraints of most companies of its players. Some are attempting to grow their nonregulated franchises, with an eye toward military bases as a new potential avenue of growth. However, these opportunities are probably limited and, at the end of the day, water utilities will have to deal with the stringent guidelines that are in place.

Although the income components of many of these offerings seem enticing at first blush, prospective investors should keep in mind the industry's capital restraints and potentially lower yields going further out. Either way, there are better streams of income to be had in the Electric Utility Industry. As always, we advise potential investors to take a more in-depth look at the individual stocks before making any financial commitments.

Andre J. Costanza

Composite Statistics: Water Utility Industry

2007	2008	2009	2010	2011	2012		14-16
3691.8	3613.3	4137.7	4511.7	**4765**	**5065**	Revenues ($mill)	**5950**
d168.8	372.0	399.6	486.6	**545**	**600**	Net Profit ($mill)	**750**
NMF	NMF	38.2%	40.2%	**39.0%**	**39.0%**	Income Tax Rate	**39.0%**
NMF	1.5%	1.1%	.8%	**2.0%**	**5.0%**	AFUDC % to Net Profit	**7.0%**
51.0%	52.1%	55.3%	55.8%	**55.0%**	**53.0%**	Long-Term Debt Ratio	**52.0%**
49.0%	47.9%	44.7%	54.2%	**45.0%**	**47.0%**	Common Equity Ratio	**48.0%**
13134.6	12795.2	13744.0	14410.3	**14865**	**15315**	Total Capital ($mill)	**16500**
14542.8	15611.0	16534.2	17465.6	**18200**	**18950**	Net Plant ($mill)	**21350**
.3%	4.4%	4.4%	4.9%	**5.5%**	**6.0%**	Return on Total Cap'l	**8.0%**
NMF	6.0%	6.5%	7.6%	**8.0%**	**8.5%**	Return on Shr. Equity	**9.5%**
NMF	6.0%	6.5%	7.6%	**8.0%**	**8.5%**	Return on Com Equity	**9.5%**
NMF	3.0%	2.2%	3.1%	**3.5%**	**4.0%**	Retained to Com Eq	**4.5%**
NMF	50%	67%	59%	**56%**	**55%**	All Div'ds to Net Prof	**53%**
NMF	20.7	19.3		*Bold figures are Value Line estimates*		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%**



AMER. STATES WATER NYSE-AWR

RECENT PRICE	35.05	P/E RATIO	17.5 (Trailing: 16.5; Median: 22.0)	RELATIVE P/E RATIO	1.09	DIV'D YLD	3.2%	VALUE LINE

TIMELINESS 3 Raised 11/19/10
SAFETY 3 New 2/4/00
TECHNICAL 3 Lowered 7/22/11
BETA .75 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4
Low:	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	32.7

Target Price Range
2014 | 2015 | 2016

2014-16 PROJECTIONS

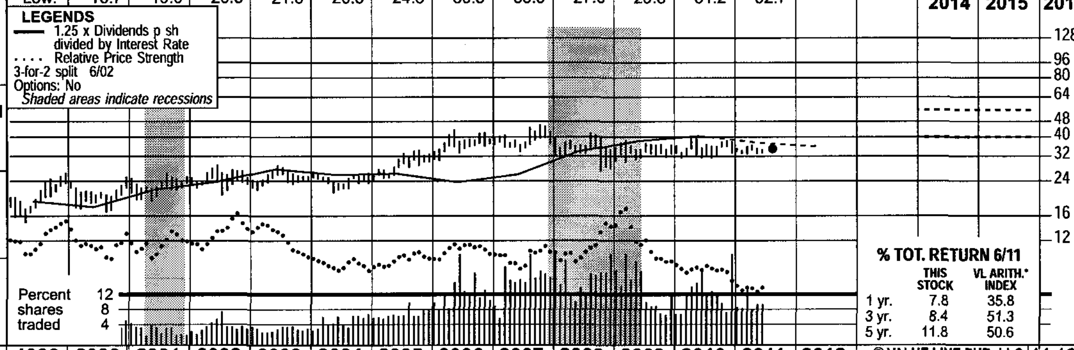
	Price	Gain	Ann'l Total Return
High	55	(+55%)	14%
Low	40	(+15%)	7%

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	53	59	51
to Sell	47	51	48
Hld's(000)	11195	11086	11214



% TOT. RETURN 6/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.8	35.8
3 yr.	8.4	51.3
5 yr.	11.8	50.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	***21.85***	***22.55***	Revenues per sh	***25.95***
1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	***4.10***	***4.30***	"Cash Flow" per sh	***4.80***
1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	***2.00***	***2.15***	Earnings per sh A	***2.50***
.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	***1.10***	***1.16***	Div'd Decl'd per sh B■	***1.28***
2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	***4.10***	***4.10***	Cap'l Spending per sh	***4.75***
10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	***20.00***	***20.50***	Book Value per sh	***21.75***
11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	***19.00***	***19.50***	Common Shs Outst'g C	***20.25***
11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	*Bold figures are*		Avg Ann'l P/E Ratio	***19.0***
.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.01	*Value Line*		Relative P/E Ratio	***1.25***
6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	*estimates*		Avg Ann'l Div'd Yield	***2.7%***

CAPITAL STRUCTURE as of 3/31/11
Total Debt $361.1 mill. **Due in 5 Yrs** $296.8 mill.
LT Debt *$299.8 mill.* **LT Interest** *$23.0 mill.*
(LT interest earned: 4.6x: total interest coverage: 4.1x) (44% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.3 mill.

Pension Assets-12/10 $90.2 mill.
Oblig. $118.8 mill.

Pfd Stock None.

Common Stock 18,662,115 shs.
as of 5/4/11
MARKET CAP: $650 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
197.5	209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	398.9	***415***	***440***	Revenues ($mill)	***525***
20.4	20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	41.4	***38.0***	***42.0***	Net Profit ($mill)	***50.0***
43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	43.2%	***43.0%***	***42.0%***	Income Tax Rate	***40.0%***
--	--	--	--	--	12.2%	8.5%	6.9%	3.2%	5.8%	***5.0%***	***5.0%***	AFUDC % to Net Profit	***5.0%***
54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	44.3%	***45.0%***	***44.0%***	Long-Term Debt Ratio	***44.0%***
44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	55.7%	***55.0%***	***56.0%***	Common Equity Ratio	***56.0%***
447.6	444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	677.4	***690***	***715***	Total Capital ($mill)	***785***
539.8	563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	855.0	***900***	***940***	Net Plant ($mill)	***1075***
6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	7.6%	***7.0%***	***7.5%***	Return on Total Cap'l	***8.0%***
10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	***10.0%***	***10.5%***	Return on Shr. Equity	***11.5%***
10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	11.0%	***10.0%***	***10.5%***	Return on Com Equity	***11.5%***
3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	5.8%	***4.5%***	***5.5%***	Retained to Com Eq	***5.5%***
65%	65%	113%	84%	67%	67%	58%	64%	61%	47%	***55%***	***53%***	All Div'ds to Net Prof	***52%***

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	1.7	4.2	2.4
Other	94.3	200.8	201.8
Current Assets	96.0	205.0	204.2
Accts Payable	33.9	36.2	42.9
Debt Due	18.1	61.4	61.3
Other	47.7	81.2	91.8
Current Liab.	99.7	178.8	196.0
Fix. Chg. Cov.	352%	441%	*400%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	5.0%	7.5%	*4.5%*
"Cash Flow"	5.5%	9.5%	*4.5%*
Earnings	4.5%	11.5%	*5.5%*
Dividends	2.0%	2.5%	*4.0%*
Book Value	5.0%	5.0%	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	68.9	80.3	85.3	84.2	318.7
2009	79.6	93.6	101.5	86.3	361.0
2010	88.4	95.5	111.3	103.7	398.9
2011	94.3	***103.7***	***120***	***97.0***	***415***
2012	***98.0***	***112***	***125***	***105***	***440***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.30	.53	.26	.43	1.55
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.71	2.25
2011	.37	***.55***	***.69***	***.39***	***2.00***
2012	***.42***	***.58***	***.73***	***.42***	***2.15***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.235	.235	.235	.250	.96
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011	.260	.280			

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. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/11 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

After its disappointing first-quarter showing, we have tempered our full-year earnings forecast for American States Water. The company posted an 18% earnings decline in the March period, despite registering a solid 7% top-line advance. The reason is increased operating costs, specifically those associated with the build out of its military business (ASUS). Such expenses are likely to remain high, and we've thus trimmed our 2011 earnings by a dime, to $2.00 a share, representing an 11% dip from the prior year's tally.

The aforementioned initiative ought to help better position the company longer term. Although American has been on the receiving end of favorable decisions of late, that has not always been the case and the climate could change at the drop of a hat. ASUS is far less regulated than the company's traditional businesses and offers healthy upside in our opinion. Military contracts could be a much-needed catalyst for earnings growth going forward. That said, the core of the company will undoubtedly be heavily regulated, so potential investors are advised to stay abreast of the developments surrounding the recently filed general rate case for all three water regions. A decision is expected to be handed down by the end of 2012.

But there are still some significant hurdles ahead. The water utility industry is capital-intensive, and American is cash strapped. Infrastructure costs are on the rise and not likely to subside, given the age and condition of many water systems. American recently sold its Chaparral City subsidiary for $29 million, but the proceeds are just a drop in the bucket. It will need to go out on the open market and issue stock and/or debt to foot the bill. Unfortunately, such activities come at a price, and will dilute any potential gains.

We recommend that most investors look elsewhere. AWR lacks price appreciation potential for the coming six to 12 months as well as the next 3- to 5-year pull, given the company's capital restraints. Likewise, we believe that the income component may lose some of its luster longer term, when compared to other utility offerings, although American recently upped its quarterly payout.

Andre J. Costanza *July 22, 2011*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, *(27¢); '10, (44¢) '11, 3¢. Next earnings report* due early August. Quarterly egs. 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, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	65
Earnings Predictability	85

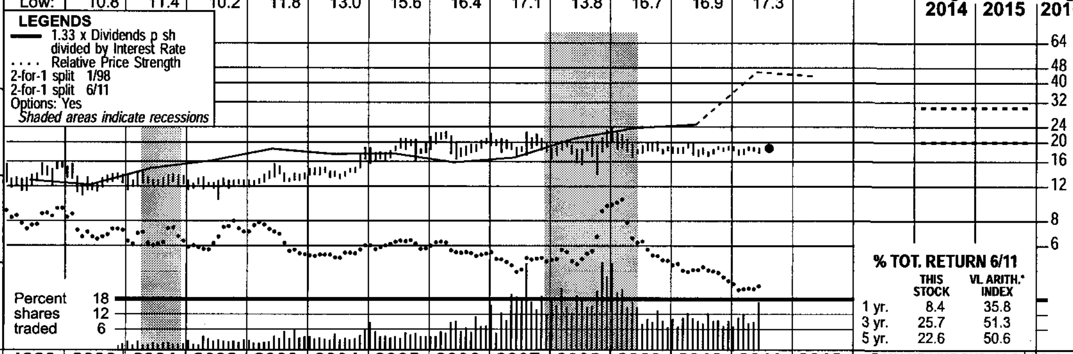
CALIFORNIA WATER NYSE-CWT

RECENT PRICE 18.73 | P/E RATIO 18.7 (Trailing: 21.3, Median: 22.0) | RELATIVE P/E RATIO 1.17 | DIV'D YLD 3.3% | VALUE LINE

TIMELINESS 3 Raised 7/22/11
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Lowered 11/12/10
BETA .70 (1.00 = Market)

High:	15.7	14.3	13.4	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.2
Low:	10.8	11.4	10.2	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	17.3

Target Price Range: 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+60%)	14%
Low	20	(+5%)	5%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	1	0	0	0	0	0	0	19	0
Options	0	2	0	1	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	53	62	56
to Sell	53	48	49
Hld's(000)	19412	20250	21158

% TOT. RETURN 6/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	8.4	35.8
3 yr.	25.7	51.3
5 yr.	22.6	50.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
6.58	7.24	7.74	7.38	7.98	8.08	8.13	8.67	8.18	8.59	8.72	8.10	8.88	9.90	10.82	11.05	11.35	11.80	Revenues per sh	13.40
1.04	1.25	1.46	1.30	1.37	1.26	1.10	1.32	1.26	1.42	1.52	1.36	1.56	1.86	1.93	1.93	2.25	2.35	"Cash Flow" per sh	2.45
.58	.75	.92	.73	.77	.66	.47	.63	.61	.73	.74	.67	.75	.95	.98	.91	1.00	1.10	Earnings per sh A	1.35
.51	.52	.53	.54	.54	.55	.56	.56	.56	.57	.57	.58	.58	.59	.59	.60	.62	.64	Div'd Decl'd per sh B ■	.70
1.09	1.41	1.30	1.37	1.72	1.23	2.04	2.91	2.19	1.87	2.01	2.14	1.84	2.41	2.66	2.97	3.05	3.00	Cap'l Spending per sh	3.10
5.86	6.11	6.50	6.69	6.71	6.45	6.48	6.56	7.22	7.83	7.90	9.07	9.25	9.72	10.13	10.45	10.60	10.95	Book Value per sh C	12.35
25.08	25.24	25.24	25.24	25.87	30.29	30.36	30.36	33.86	36.73	36.78	41.31	41.33	41.45	41.53	41.67	44.00	45.00	Common Shs Outst'g D	48.50
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	Bold figures are		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	Value Line		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%	estimates		Avg Ann'l Div'd Yield	2.8%

CAPITAL STRUCTURE as of 3/31/11
Total Debt $510.2 mill. Due in 5 Yrs $48.8 mill.
LT Debt $479.0 mill. LT Interest $31.9 mill.
(LT interest earned: 2.3x; total int. cov.: 2.2x)
(53% of Cap'l)
Pension Assets-12/10 $139.0 mill.
Oblig. $269.9 mill.
Pfd Stock None

Common Stock 41,752,032 shs.
(adj. for 2-for-1 split, paid 6/13/11)

MARKET CAP: $775 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
246.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	460.4	500	530	Revenues ($mill) E	650
14.4	19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	37.7	47.0	52.0	Net Profit ($mill)	63.0
39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	39.5%	35.0%	36.5%	Income Tax Rate	39.0%
--	--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	4.2%	10.0%	10.0%	AFUDC % to Net Profit	10.0%
50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	52.4%	50.5%	51.5%	Long-Term Debt Ratio	50.5%
48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	47.6%	49.5%	48.5%	Common Equity Ratio	49.5%
402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	914.7	945	1020	Total Capital ($mill)	1210
624.3	697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	1294.3	1360	1440	Net Plant ($mill)	1700
5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	5.5%	7.0%	5.5%	Return on Total Cap'l	7.0%
7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	10.0%	10.0%	Return on Shr. Equity	10.5%
7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	8.6%	10.0%	10.0%	Return on Com Equity	10.5%
NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	3.0%	4.0%	4.5%	Retained to Com Eq	5.5%
119%	90%	91%	77%	78%	86%	77%	61%	60%	66%	58%	55%	All Div'ds to Net Prof	54%

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	9.9	42.3	40.9
Other	82.3	83.9	88.2
Current Assets	92.2	126.2	129.1
Accts Payable	43.7	39.5	36.1
Debt Due	25.0	26.1	31.2
Other	41.7	41.7	50.2
Current Liab.	110.4	107.3	117.5
Fix. Chg. Cov.	430%	390%	275%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	3.0%	4.5%	4.0%
"Cash Flow"	4.0%	6.5%	4.0%
Earnings	3.0%	6.5%	6.0%
Dividends	1.0%	1.0%	3.0%
Book Value	4.5%	5.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.)E 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	98.1	126.9	160	115	500
2012	103	132	170	125	530

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.01	.24	.53	.17	.95
2009	.06	.29	.47	.16	.98
2010	.05	.25	.49	.12	.91
2011	.05	.26	.54	.15	1.00
2012	.08	.27	.58	.17	1.10

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.145	.145	.145	.145	.58
2008	.147	.147	.147	.147	.59
2009	.148	.148	.148	.148	.59
2010	.149	.149	.149	.149	.60
2011	.154	.154			

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.

California Water Service Group issued a 2-for-1 stock split just a little over a month ago. (All the figures in our presentation have been adjusted accordingly). We believe that the water utility signed off on the move in an attempt to provide a more attractive entry point for investors and bring in some much-needed funds (see below for greater details).

Split-adjusted first-quarter results were as anticipated . . . The company reported share net of $0.05, mirroring the year-before performance. Although sales continued to benefit from a complementary regulatory environment, the rising costs of doing business offset these gains.

. . . but we have revised our estimates downward, nonetheless. Operating costs are expected to remain on the rise, and additional share and/or debt issuance is likely in the cards. They will have a dilutive effect on earnings, and we now look for a share gain of $1.00 this year.

Financial constraints are not likely to subside, either. The aforementioned financial maneuverings are just a Band-Aid on what we view as a gaping wound. Many of the country's pipelines and wells are old and in need of significant repair, if not overall replacing. The company's cash coffers are light, however, and it will probably need to look to outside financiers in the near future to meet the costs of doing business. It has already extended its line of credit to $400 million and received authorization to issue another 15 million or so shares from the board of directors in case it needs to increase appropriations going forward.

Most investors will want to look elsewhere. CWT shares are neutrally ranked for the year ahead, and do not stand out for 3- to 5-year price appreciation potential, either as we do not think that earnings growth will be able to keep pace with the accelerating costs of doing business. Although the income component is attractive at first blush, the capital requirements we envision persisting will likely bring the dividend yield back to a more reasonable level further out. Therefore, we believe that there are much better income-producing offerings to choose from in the Electric utility segment, especially on a risk-adjusted basis.

Andre J. Costanza — *July 22, 2011*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; '02, 8¢. Next earnings report due July 29th.
(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	65
Earnings Predictability	85

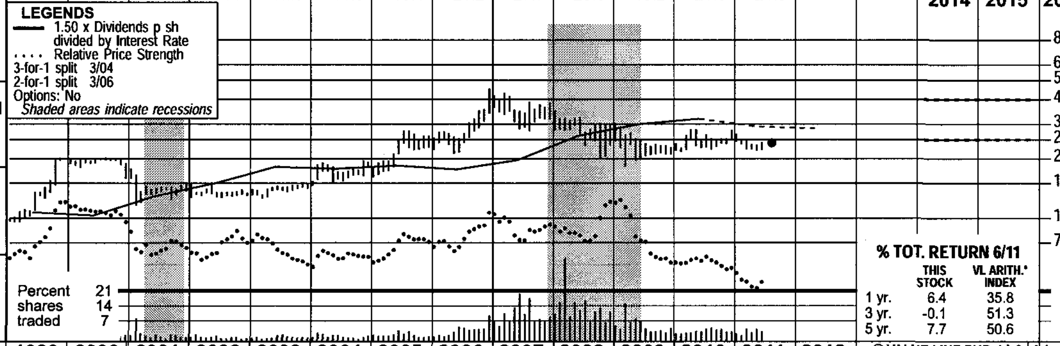
SJW CORP. NYSE-SJW

RECENT PRICE **24.10** | P/E RATIO **26.8** (Trailing: 29.4 Median: 22.0) | RELATIVE P/E RATIO **1.67** | DIV'D YLD **2.9%** | VALUE LINE

TIMELINESS 4 New 4/22/11
SAFETY 3 New 4/22/11
TECHNICAL 3 Lowered 6/24/11
BETA .90 (1.00 = Market)

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
Low:	15.8	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	21.9

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+65%)	*16%*
Low	25	(+5%)	*4%*

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	26	34	26
to Sell	28	26	34
Hld's(000)	8969	8640	8648

% TOT. RETURN 6/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.4	35.8
3 yr.	-0.1	51.3
5 yr.	7.7	50.6

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	11.62	*11.80*	*11.90*	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	*2.45*	*2.50*	"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	*1.25*
.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	*5.10*	*4.75*	Cap'l Spending per sh	*4.30*
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	*13.85*	*14.75*	Book Value per sh	*18.80*
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	*19.50*	*21.00*	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	*Bold figures are*		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	*Value Line*		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%	*estimates*		Avg Ann'l Div'd Yield	*2.5%*

CAPITAL STRUCTURE as of 3/31/11
Total Debt $307.7 mill. **Due in 5 Yrs** $19.3 mill.
LT Debt $295.1 mill. **LT Interest** $17.0 mill.
(LT interest earned: 1.4x: total interest coverage: 1.2x) (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 4/21/11
MARKET CAP: $450 million (Small Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	*230*	*250*	Revenues ($mill)	*300*
14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.6	*17.0*	*22.0*	Net Profit ($mill)	*30.0*
34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	39.7%	*40.0%*	*40.0%*	Income Tax Rate	*39.0%*
4.4%	4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	3.6%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
42.4%	41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	*56.0%*	*53.5%*	Long-Term Debt Ratio	*48.5%*
57.6%	58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	*44.0%*	*46.5%*	Common Equity Ratio	*51.5%*
259.4	263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	*615*	*670*	Total Capital ($mill)	*900*
367.8	390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	*850*	*905*	Net Plant ($mill)	*1100*
6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.2%	*4.0%*	*4.5%*	Return on Total Cap'l	*4.5%*
9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	*6.5%*	*7.0%*	Return on Shr. Equity	*6.5%*
9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	*6.5%*	*7.0%*	Return on Com Equity	*6.5%*
4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	*1.5%*	*2.0%*	Retained to Com Eq	*2.0%*
56%	59%	53%	58%	47%	46%	57%	59%	80%	81%	*75%*	*71%*	All Div'ds to Net Prof	*66%*

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	1.4	1.7	2.3
Other	26.6	36.3	36.8
Current Assets	28.0	38.0	39.1
Accts Payable	6.6	5.5	10.6
Debt Due	6.9	5.1	12.6
Other	18.5	18.6	17.9
Current Liab.	32.0	29.2	41.1
Fix. Chg. Cov.	352%	400%	*250%*

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%*
"Cash Flow"	6.0%	3.5%	*2.0%*
Earnings	2.0%	-1.5%	*5.5%*
Dividends	5.0%	5.5%	*3.5%*
Book Value	6.0%	6.5%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
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	43.7	*58.0*	*75.0*	*53.3*	*230*
2012	*47.0*	*63.0*	*82.0*	*58.0*	*250*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2008	.15	.34	.44	.15	1.08
2009	.01	.23	.43	.14	.81
2010	.05	.24	.44	.11	.84
2011	.03	*.26*	*.48*	*.13*	*.90*
2012	*.05*	*.29*	*.51*	*.15*	*1.00*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	.173			

BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and 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.

The costs of doing business continue to grow faster than revenues at SJW Corp. Although the top line advanced a healthy 4% in the first quarter, the water utility posted a 40% dip in share earnings. Operating expenses remained on the upswing, as did interest expense, both of which tempered profit margins.

We see much of the same heading forward. True, a majority of SJW's business is done in California, and ought to continue to benefit from an improving regulatory climate in the Golden State. However, SJW, as is the case with the entire industry, has a great financial burden on its shoulders, given the poor condition of many of its pipelines and water systems. Maintenance costs are on the rise and do not appear to be ready to slow down. Meanwhile, the company is essentially cash poor and, with far less cash flow than budgeted expenditures, it will have to continuing funding the improvements via outside financing. The added interest expense and additional shares required to meet the requirements we envision will probably keep share-net growth modest at best this year and thereafter. SJW recently announced the sale of $50 million in senior notes, and similar offerings are likely on the horizon. We believe that management will try to maintain a 50/50 debt-to-equity ratio, so share issuances are probably next on the agenda.

Investors have better choices available elsewhere. The stock has gained some momentum since our April review and lacks growth potential of any sort in our opinion. Indeed, it is untimely for the upcoming six to 12 months and does not stand out for appreciation potential out to mid-decade, either. Rising infrastructure costs and a lack of cash on hand to fund future improvements are problems that we just do not envision abating. The dividend yield is solid, but the aforementioned financial concerns raise a red flag about the sustainability of the current payout ratio. Even if the dividend yield remains in place, there are better alternatives to be had elsewhere. SJW does not have enough cash on hand to take advantage of the massive consolidation trend sweeping the industry and is unable to bolster its existing business by making acquisitions.

Andre J. Costanza *July 22, 2011*

(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 late Oct. Quarterly egs. 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.

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

AQUA AMERICA NYSE-WTR

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
22.39	21.3 (Trailing: 24.1 Median: 25.0)	1.33	2.8%	VALUE LINE

TIMELINESS 3 Lowered 1/21/11

SAFETY 3 Lowered 8/1/03

TECHNICAL 3 Raised 6/10/11

BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+55%)	14%
Low	25	(+10%)	6%

Insider Decisions

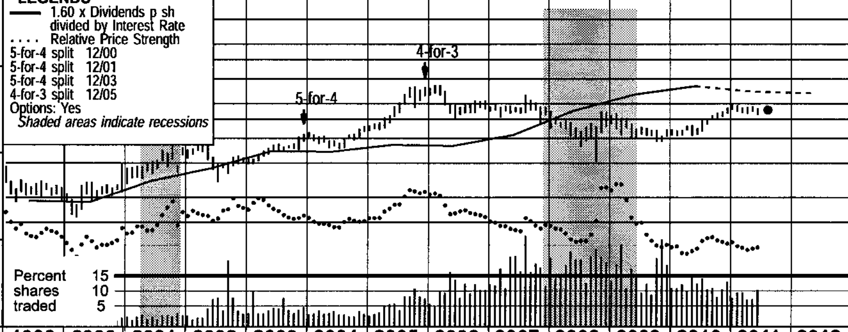
	A	S	O	N	D	J	F	M	A
to Buy	0	1	0	0	0	0	0	0	0
Options	0	2	1	0	1	1	0	1	0
to Sell	0	2	1	1	1	0	0	1	0

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	90	101	81
to Sell	101	94	112
Hld's(000)	59791	55463	55308

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8
Low:	6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	21.0

LEGENDS
— 1.60 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
5-for-4 split 12/00
5-for-4 split 12/01
5-for-4 split 12/03
4-for-3 split 12/05
Options: Yes
Shaded areas indicate recessions



Target Price Range 2014 | 2015 | 2016

% TOT. RETURN 6/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	27.9	35.8
3 yr.	50.6	51.3
5 yr.	10.3	50.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
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	**5.55**	**5.85**	Revenues per sh	**6.80**
.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	**1.95**	**2.05**	"Cash Flow" per sh	**2.40**
.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	**1.05**	**1.10**	Earnings per sh A	**1.40**
.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	**.62**	**.66**	Div'd Decl'd per sh B■	**.78**
.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	**2.30**	**2.35**	Cap'l Spending per sh	**2.50**
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	**8.95**	**9.40**	Book Value per sh	**11.05**
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**	Common Shs Outst'g C	**142.90**
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	*Bold figures are*		Avg Ann'l P/E Ratio	**21.0**
.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	*Value Line*		Relative P/E Ratio	**1.40**
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%	*estimates*		Avg Ann'l Div'd Yield	**2.5%**

CAPITAL STRUCTURE as of 3/31/11
Total Debt $1558.5 mill. **Due in 5 Yrs** $310 mill.
LT Debt $1530.1 mill. **LT Interest** $68.9 mill.
(LT interest earned: 4.5x; total interest coverage: 4.5x) (56% of Cap'l)

Pension Assets-12/10 $159.2 mill. **Oblig.** $234.9 mill.

Pfd Stock None

Common Stock 138,217,191 shares as of 4/27/11

MARKET CAP: $3.1 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	**770**	**820**	Revenues ($mill)	**970**
58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	**145**	**155**	Net Profit ($mill)	**200**
39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	**40.0%**	**40.0%**	Income Tax Rate	**40.0%**
--	--	--	--	--	--	--	--	2.9%	3.1%	**2.5%**	**2.5%**	AFUDC % to Net Profit	**1.5%**
52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	**55.0%**	**53.0%**	Long-Term Debt Ratio	**47.0%**
47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	**45.0%**	**47.0%**	Common Equity Ratio	**53.0%**
990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	**2765**	**2810**	Total Capital ($mill)	**3000**
1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	**3630**	**3800**	Net Plant ($mill)	**4320**
7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	**6.5%**	**7.0%**	Return on Total Cap'l	**8.0%**
12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	**11.5%**	**11.5%**	Return on Shr. Equity	**12.5%**
12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	**11.5%**	**11.5%**	Return on Com Equity	**12.5%**
5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	**5.0%**	**4.5%**	Retained to Com Eq	**5.5%**
59%	59%	59%	57%	56%	63%	67%	70%	72%	65%	**59%**	**60%**	All Div'ds to Net Prof	**56%**

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	21.9	5.9	7.3
Receivables	78.7	85.9	79.1
Inventory (AvgCst)	9.5	9.2	10.9
Other	11.5	44.4	59.6
Current Assets	121.6	145.4	156.9
Accts Payable	57.9	45.3	29.5
Debt Due	87.0	28.5	28.4
Other	56.1	149.9	151.4
Current Liab.	201.0	223.7	209.3
Fix. Chg. Cov.	346%	290%	306%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	8.0%	7.5%	6.5%
"Cash Flow"	8.5%	8.0%	8.0%
Earnings	6.5%	4.5%	10.5%
Dividends	7.5%	8.0%	5.5%
Book Value	9.0%	7.0%	6.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	178.5	207.8	179.3	726.1
2011	171.3	**190**	**220**	**188.7**	**770**
2012	**190**	**200**	**230**	**200**	**820**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.11	.17	.26	.19	.73
2009	.14	.19	.25	.19	.77
2010	.16	.22	.32	.20	.90
2011	.19	**.24**	**.34**	**.28**	**1.05**
2012	**.20**	**.25**	**.37**	**.28**	**1.10**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.599
2011	.155	.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 should continue its recovery in 2011. Namely, acquisitions and rate rulings are slated to provide a considerable boost to the top and bottom lines for this year.

Expansions remain the main focus. The company's Texas subsidiary recently completed its purchase of American Water Works Company's Texas operations. This acquisition is set to significantly expand Aqua America's customer base in one of its fastest growing sectors. The $6 million transaction added a total of 51 water and five waste water systems, which serve approximately 16,000 people. The new unit will operate out of Aqua's Houston office, and the expanded subsidiary will cover a number of counties in the area including Brazonia, Harris, Liberty, and Matagorda. With the completion of this acquisition, Aqua America has grown its Texas customer base by about 50% since 2003, when it first entered the market. The company is planning a total of 15-20 acquisitions for the year, with future purchases planned in Pennsylvania, Texas, North Carolina, and Virginia.

Rate rulings should also play a role in lifting the bottom line. The company is going forward with its plans to file in about seven states, including Pennsylvania, New Jersey, Ohio, Illinois, and Texas. Thus far, Aqua America has received approximately $11 million in rate awards and surcharges.

The company has solid long-term prospects. Given Aqua America's aggressive expansion plans, the company should considerably benefit from acquisition driven growth, which should more than offset the slow organic growth it is experiencing due to the tepid economy. Elsewhere, increased drilling of gas in the Marcellus Shale remains an exciting prospect, with the expansion of water sales to trucks in the region progressing on schedule. These factors, combined with likely favorable rate rulings, should provide a lift to revenues and earnings for the 2014-2016 period.

Investors should find this issue of interest. The stock's dividend yield is well above the industry average, and the company has a long history of steady payout increases.

Sahana Zutshi *July 22, 2011*

(A) Diluted egs. 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 late July.
(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

ATTACHMENT B

The Natural Gas Utility Industry has fallen to the bottom quartile of our Timeliness Ranking spectrum. A difficult economic environment, low gas prices, and customer conservation will likely be the story here for the foreseeable future. In turn, these companies continue to search for ways to improve their business prospects. Despite their efforts, near-term prospects will probably remain uninspiring until the economic recovery is further along. All told, this sector's main appeal is its above-average dividend yield.

Regulation

Rate cases are an important theme for members of this industry. These companies are regulated by state commissions that determine the return on equity that can be achieved. A positive or negative decision in rate cases can have an meaningful impact on these businesses and, as a result, their stock prices. There are a few notable rate cases pending. Prospective investors should look out in the following pages for any utilities that have cases pending before making any investment decisions.

Macroeconomic Environment

The weakness in the U.S. economy continues to affect this group's results. On point, the lackluster housing market remains a challenge. In fact, one key measure for this sector, housing starts, declined 10.6% in April. This suggests demand will probably continue to be weak in the near term. Moreover, tight consumer spending has led to customer conservation. These factors, along with low natural gas prices, will likely continue to pressure revenues for the foreseeable future. What's more, low interest rates have led to an unfavorable rate environment, which has hurt these utilities' returns of late.

Other Operating Factors

Often, these companies utilize a variety of strategies to improve their results. Establishing tight cost controls is important given this group's business structure. Furthermore, these utilities have started to look for acquisitions that can create further cost savings. For example, *AGL Resources* is awaiting approval for its purchase of *Nicor*. The combined entity would be the largest gas distributor in the United States and would benefit from various cost synergies.

INDUSTRY TIMELINESS: 76 (of 98)

Another factor that weighs on this industry is unseasonable weather. Warmer- or colder-than-normal weather can impact natural gas prices. Conservative investors should probably look for utilities that hedge this risk via weather-adjusted rate mechanisms. Additionally, it is worth noting that the sector is currently entering its off season as heating demand will be generally limited over the next few months.

Also, many of these companies have invested in non-regulated operations, which are not dictated a return on equity by the aforementioned state commissions. These operations offer a higher potential for returns, but also add greater risk to the profits of these otherwise stable utilities. However, when natural gas prices are unfavorable, as they are now, these businesses help to buoy profits.

Energy-efficiency programs have become an increasingly important theme here, too. Governments have been advocating these initiatives as a way to promote conservation without impacting profitability in this industry. We expect greater emphasis on these programs in the years ahead.

Dividends

The primary appeal of these utility stocks is their above-average dividend yields. Indeed, the average yield for this group is about 3.6%, which is well above the *Value Line* median. Most notably, *NiSource*, *AGL Resources*, and *Laclede Group* all offer particularly attractive dividend yields in this sector.

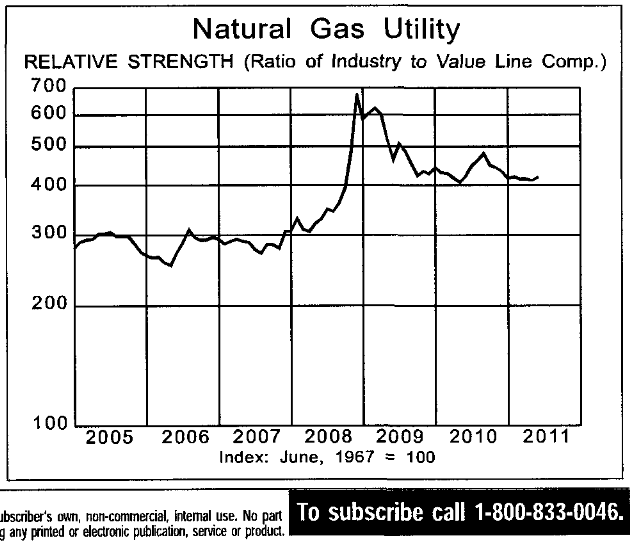
Conclusion

The Natural Gas Utility Industry is not ranked favorably for Timeliness. Thus, investors interested in stock appreciation in the year ahead would do better to look elsewhere. Longer term, these businesses should rebound due to an improved economic environment and more-favorable natural gas pricing. Therefore, we think conservative investors with an eye toward the 2014-2016 time frame will find a few issues here that offer worthwhile total return potential.

Richard Gallagher

Composite Statistics: Natural Gas Utility

2007	2008	2009	2010	2011	2012		14-16
38528	44207	34909	34089	*36250*	*42500*	Revenues ($mill)	*50250*
1562.4	1694.2	1677.6	1769.4	*2250*	*2130*	Net Profit ($mill)	*2415*
33.9%	35.7%	33.8%	34.0%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
4.1%	3.8%	4.8%	5.2%	*6.2%*	*5.0%*	Net Profit Margin	*4.8%*
50.4%	50.6%	49.9%	46.7%	*52.0%*	*51.0%*	Long-Term Debt Ratio	*54.0%*
49.5%	49.4%	50.1%	53.3%	*48.0%*	*49.0%*	Common Equity Ratio	*46.0%*
32263	32729	33974	33144	*33250*	*35500*	Total Capital ($mill)	*43000*
33936	35342	37292	39294	*40250*	*42250*	Net Plant ($mill)	*50500*
6.5%	6.8%	6.5%	6.9%	*6.5%*	*6.0%*	Return on Total Cap'l	*5.5%*
9.8%	10.5%	10.0%	10.0%	*10.0%*	*10.0%*	Return on Shr. Equity	*10.5%*
9.8%	10.5%	10.0%	10.0%	*10.0%*	*10.0%*	Return on Com Equity	*10.5%*
3.7%	4.3%	3.8%	4.0%	*4.0%*	*3.5%*	Retained to Com Eq	*4.5%*
62%	59%	61%	61%	*61%*	*60%*	All Div'ds to Net Prof	*61%*
16.6	13.9	12.8	14.0	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
.88	.83	.85	.90			Relative P/E Ratio	*.85*
3.7%	4.2%	4.8%	4.3%			Avg Ann'l Div'd Yield	*4.6%*
336%	358%	381%	402%	*400%*	*375%*	Fixed Charge Coverage	*400%*



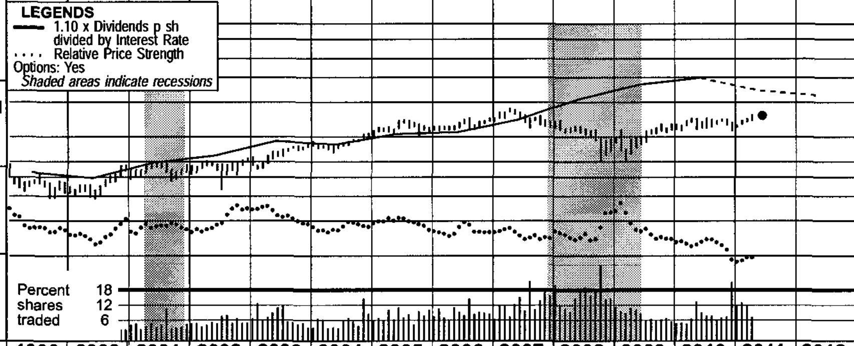
AGL RESOURCES NYSE-AGL

RECENT PRICE 41.11 | P/E RATIO 13.1 (Trailing: 14.4 / Median: 13.0) | RELATIVE P/E RATIO 0.79 | DIV'D YLD 4.4% | VALUE LINE

TIMELINESS 3 Raised 3/11/11
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 4/1/11
BETA .75 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	23.2	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1	37.5	40.1	42.3
Low:	15.5	19.0	17.3	21.9	26.5	32.0	34.4	35.2	24.0	24.0	34.2	35.7

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



Target Price Range 2014 | 2015 | 2016
120, 100, 80, 64, 48, 32, 24, 20, 16, 12, 8

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+60%)	15%
Low	50	(+20%)	9%

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	109	134	103
to Sell	96	95	129
Hld's(000)	46899	48498	48137

Percent shares traded 18 / 12 / 6

% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	17.9	28.8
3 yr.	33.7	38.8
5 yr.	42.0	53.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
19.32	21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	29.88	30.42	**31.60**	**32.65**	Revenues per sh A	**38.50**
2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	4.90	5.05	**5.25**	**5.45**	"Cash Flow" per sh	**6.05**
1.33	1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.88	3.00	**3.15**	**3.30**	Earnings per sh A B	**3.75**
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	1.68	1.72	1.76	**1.80**	**1.84**	Div'ds Decl'd per sh C■	**1.96**
2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	6.14	6.54	**4.80**	**5.20**	Cap'l Spending per sh	**6.30**
10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	22.95	23.24	**24.95**	**26.50**	Book Value per sh D	**31.60**
55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	77.54	78.00	**78.50**	**79.00**	Common Shs Outst'g E	**80.50**
12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	11.2	12.9	*Bold figures are*		Avg Ann'l P/E Ratio	**15.0**
.84	.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	.74	.75	.79	*Value Line*		Relative P/E Ratio	**1.00**
6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	5.4%	4.7%	*estimates*		Avg Ann'l Div'd Yield	**3.5%**

CAPITAL STRUCTURE as of 3/31/11
Total Debt $2199.0 mill. **Due in 5 Yrs** $600.0 mill.
LT Debt $2173.0 mill. **LT Interest** $140.0 mill.
(Total interest coverage: 6.5x)

Leases, Uncapitalized Annual rentals $95.0 mill.
Pension Assets-12/10 $344.0 mill.
Oblig. $531.0 mill.

Pfd Stock None

Common Stock 78,258,498 shs.
as of 4/28/11

MARKET CAP: $3.2 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
1049.3	868.9	983.7	1832.0	2718.0	2621.0	2494.0	2800.0	2317.0	2373.0	**2480**	**2580**	Revenues ($mill) A	**3100**
82.3	103.0	132.4	153.0	193.0	212.0	211.0	207.6	222.0	234.0	**250**	**260**	Net Profit ($mill)	**300**
40.7%	36.0%	35.9%	37.0%	37.7%	37.8%	37.6%	40.5%	35.2%	35.9%	**40.0%**	**40.0%**	Income Tax Rate	**40.0%**
7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	8.5%	7.4%	9.6%	9.9%	**10.1%**	**10.1%**	Net Profit Margin	**9.7%**
61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	50.3%	52.6%	48.0%	**53.0%**	**50.0%**	Long-Term Debt Ratio	**41.0%**
38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	49.7%	47.4%	52.0%	**47.0%**	**50.0%**	Common Equity Ratio	**59.0%**
1736.3	1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	3327.0	3754.0	3486.0	**4160**	**4190**	Total Capital ($mill)	**4345**
2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	3566.0	3816.0	4146.0	4405.0	**4660**	**4735**	Net Plant ($mill)	**5100**
6.5%	8.1%	8.9%	6.3%	7.9%	8.0%	7.7%	7.4%	6.9%	7.6%	**7.5%**	**7.5%**	Return on Total Cap'l	**8.0%**
12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	**12.5%**	**12.5%**	Return on Shr. Equity	**12.0%**
12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	**12.5%**	**12.5%**	Return on Com Equity	**12.0%**
4.2%	7.0%	6.6%	5.6%	6.2%	6.3%	5.3%	5.1%	5.3%	5.6%	**5.5%**	**5.5%**	Retained to Com Eq	**5.5%**
65%	52%	53%	49%	52%	52%	58%	60%	57%	57%	**57%**	**56%**	All Div'ds to Net Prof	**52%**

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	26	24	85
Other	1974	2138	1502
Current Assets	2000	2162	1587
Accts Payable	237	184	161
Debt Due	602	1032	26
Other	933	1212	1126
Current Liab.	1772	2428	1313
Fix. Chg. Cov.	472%	475%	820%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	6.0%	5.5%	3.0%
"Cash Flow"	6.5%	6.0%	4.0%
Earnings	9.0%	4.5%	5.0%
Dividends	5.0%	7.5%	3.0%
Book Value	7.0%	5.5%	6.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1012	444.0	539.0	805.0	2800.0
2009	995.0	377.0	307.0	638.0	2317.0
2010	1003	359.0	346.0	665.0	2373.0
2011	878.0	**400**	**400**	**802**	**2480**
2012	**1170**	**360**	**350**	**700**	**2580**

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.16	.30	.28	.97	2.71
2009	1.55	.26	.16	.91	2.88
2010	1.73	.17	.29	.81	3.00
2011	1.59	**.25**	**.35**	**.96**	**3.15**
2012	**1.60**	**.40**	**.45**	**.85**	**3.30**

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.41	.41	.41	.41	1.64
2008	.42	.42	.42	.42	1.68
2009	.43	.43	.43	.43	1.72
2010	.44	.44	.44	.44	1.76
2011	.45	.45			

BUSINESS: AGL Resources Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas and Virginia Natural Gas. The utilities have more than 2.3 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in nonregulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. BlackRock Inc. owns 7.9% of common stock; off./dir., less than 1.0% (3/11 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

The acquisition of Nicor remains AGL Resources' main focus. The transaction, announced in December, 2010, is progressing on schedule. The SEC has approved the filed registration statement, and antitrust clearance has been received. The merger looks to be quite beneficial for the company, providing considerable economies of scale. The company hopes to use Nicor's expertise in the Midwest and Chicago area to gain a greater hold in the market, adding considerably to the existing customer base. Furthermore, the integration of Nicor's storage facilities is slated to reduce operating costs and provide expansion opportunities. The merger should result in a considerable boost to both top and bottom lines over the 3 - to 5 -year pull.

AGL Resources is likely to perform well in 2011. Favorable rate rulings and expansion projects should result in solid top- and bottom-line performances.

The company continues to diversify geographically. It increased its investment during the quarter in South Star Energy, a multistate natural gas provider, from 70% to 85%. AGL Resources is now looking at other investments, though no concrete details are known.

Rate cases and expansion projects remain earnings drivers. Due to favorable rulings, rate cases in Georgia and Tennessee are slated to provide a boost to the bottom line. The company is currently focusing on rate cases in Virginia, with plans to file a case in Florida, as well. The Golden Triangle project also remains a key driver, with the expansion of Caravan 2 progressing on schedule. The endeavor is key in increasing storage levels and expanding the customer base in the long term. This should provide a boost to earnings for the 2014-2016 period.

Long-term prospects appear bright. Any stress on earnings caused by AGL's supply glut, as well as low natural gas prices, is likely to be more than offset by revenues from mergers, expansion projects, and favorable rate cases.

Income investors might find this neutrally ranked issue of interest. This stock has a high dividend yield, with the possibility of increased payouts. Thus, total return potential appears worthwhile.

Sahana Zutshi *June 10, 2011*

(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); '08, $0.13. Next earnings report due late July.
(C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. In 2010: $418 million, $5.35/share.
(E) In millions.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	95

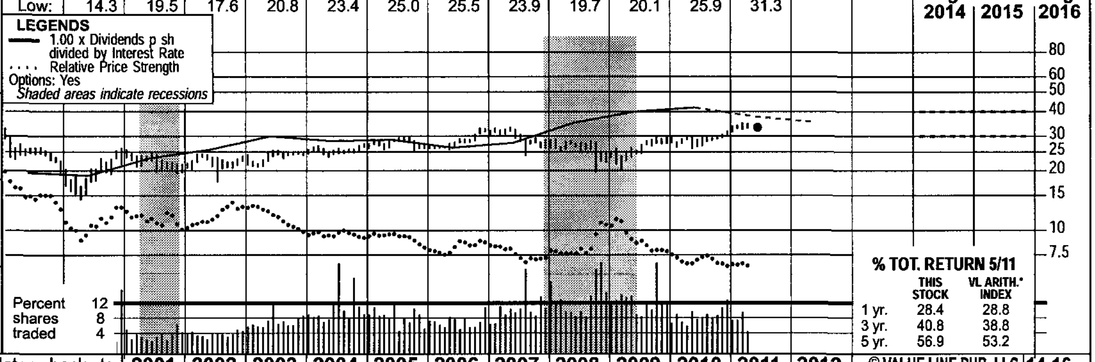
ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE	33.35	P/E RATIO	13.6 (Trailing: 14.8, Median: 14.0)	RELATIVE P/E RATIO	0.82	DIV'D YLD	4.1%	VALUE LINE

TIMELINESS 3 Raised 2/25/11
SAFETY 2 Raised 12/16/05
TECHNICAL 3 Raised 4/8/11
BETA .70 (1.00 = Market)

High:	26.3	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3	30.3	32.0	35.3
Low:	14.3	19.5	17.6	20.8	23.4	25.0	25.5	23.9	19.7	20.1	25.9	31.3

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

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

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	90	102	97
to Sell	106	100	107
Hld's(000)	50893	51197	50750

% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	28.4	28.8
3 yr.	40.8	38.8
5 yr.	56.9	53.2

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

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
35.36	22.82	54.39	46.50	61.75	75.27	66.03	79.52	53.69	53.12	**48.35**	**50.55**	Revenues per sh A	**64.75**
3.03	3.39	3.23	2.91	3.90	4.26	4.14	4.19	4.29	4.64	**4.85**	**5.10**	"Cash Flow" per sh	**5.55**
1.47	1.45	1.71	1.58	1.72	2.00	1.94	2.00	1.97	2.16	**2.30**	**2.40**	Earnings per sh A B	**2.70**
1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	**1.36**	**1.38**	Div'ds Decl'd per sh C■	**1.45**
2.77	3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.51	6.02	**6.45**	**6.75**	Cap'l Spending per sh	**7.65**
14.31	13.75	16.66	18.05	19.90	20.16	22.01	22.60	23.52	24.16	**26.10**	**27.50**	Book Value per sh	**30.10**
40.79	41.68	51.48	62.80	80.54	81.74	89.33	90.81	92.55	90.16	**91.00**	**92.00**	Common Shs Outst'g D	**105.00**
15.6	15.2	13.4	15.9	16.1	13.5	15.9	13.6	12.5	13.2	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	**13.0**
.80	.83	.76	.84	.86	.73	.84	.82	.83	.84			Relative P/E Ratio	**.85**
5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.8%	5.3%	4.7%			Avg Ann'l Div'd Yield	**4.1%**
1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	4969.1	4789.7	**4400**	**4650**	Revenues ($mill) A	**6800**
56.1	59.7	79.5	86.2	135.8	162.3	170.5	180.3	179.7	201.2	**210**	**220**	Net Profit ($mill)	**285**
37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	34.4%	38.5%	**38.5%**	**38.5%**	Income Tax Rate	**40.5%**
3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.6%	4.2%	**4.8%**	**4.7%**	Net Profit Margin	**4.2%**
54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	49.9%	45.4%	**45.0%**	**45.0%**	Long-Term Debt Ratio	**49.0%**
45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.1%	54.6%	**55.0%**	**55.0%**	Common Equity Ratio	**51.0%**
1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4346.2	3987.9	**4315**	**4600**	Total Capital ($mill)	**6200**
1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4439.1	4793.1	**5100**	**5400**	Net Plant ($mill)	**6400**
5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	5.9%	6.9%	**6.0%**	**6.0%**	Return on Total Cap'l	**6.0%**
9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	**9.0%**	**8.5%**	Return on Shr. Equity	**9.0%**
9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	**9.0%**	**8.5%**	Return on Com Equity	**9.0%**
2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	2.7%	3.5%	**3.5%**	**3.5%**	Retained to Com Eq	**4.0%**
79%	82%	70%	77%	73%	63%	65%	65%	68%	62%	**59%**	**58%**	All Div'ds to Net Prof	**53%**

CAPITAL STRUCTURE as of 3/31/11
Total Debt $2159.7 mill. **Due in 5 Yrs** $1240.0 mill.
LT Debt $1807.3 mill. **LT Interest** $110.0 mill.
(LT interest earned: 3.2x; total interest coverage: 3.1x)
Leases, Uncapitalized Annual rentals $18.2 mill.
Pfd Stock None
Pension Assets-9/10 $301.7 mill. **Oblig.** $407.5 mill.
Common Stock 90,329,899 shs. **as of 4/29/11**
MARKET CAP: $3.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	111.2	132.0	153.2
Other	717.7	743.2	830.9
Current Assets	828.9	875.2	984.1
Accts Payable	207.4	266.2	423.7
Debt Due	72.7	486.2	352.4
Other	457.3	413.7	301.9
Current Liab.	737.4	1166.1	1078.0
Fix. Chg. Cov.	416%	440%	435%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	9.5%	3.0%	*1.0%*
"Cash Flow"	4.0%	5.5%	*4.0%*
Earnings	5.0%	4.0%	*5.0%*
Dividends	2.0%	1.5%	*2.0%*
Book Value	6.5%	5.0%	*4.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	1657.5	2484.0	1639.1	1440.7	7221.3
2009	1716.3	1821.4	780.8	650.6	4969.1
2010	1292.9	1940.3	770.2	786.3	4789.7
2011	1157.0	1617.3	**820**	**805.7**	**4400**
2012	**1255**	**1740**	**850**	**805**	**4650**

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	.82	1.24	d.07	.02	2.00
2009	.83	1.29	.02	d.17	1.97
2010	1.00	1.17	d.03	.02	2.16
2011	.81	1.40	**.06**	**.03**	**2.30**
2012	**.97**	**1.35**	**.06**	**.02**	**2.40**

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.32	.32	.32	.325	1.29
2008	.325	.325	.325	.33	1.31
2009	.33	.33	.33	.335	1.33
2010	.335	.335	.335	.34	1.35
2011	.34	.34			

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three 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 2010 gas volumes: 323 MMcf. Breakdown: 59%, residential; 32%, commercial; 6%, industrial; and 3% other. 2010 depreciation rate 3.3%. Has around 4,915 employees. Officers and directors own 1.4% of common stock (12/10 Proxy). President and Chief Executive Officer: Kim R. Cocklin. Inc.: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Coming off a disappointing first quarter, Atmos Energy's share net jumped almost 20% in the March interim. (Fiscal 2011 ends on September 30th.) The natural gas distribution segment was aided by higher rates in such states as Texas, Louisiana, and Kentucky. But results here were constrained a bit by an 11% decline in throughput, reflecting warmer temperatures. Meanwhile, the regulated transmission and storage unit benefited from lower operating expenses and revenues from filings under the Texas Gas Reliability Infrastructure Program. Diminished per-unit transportation margins were somewhat of an offset here.

For the full fiscal year, the bottom line stands to advance about 6%, to $2.30 a share. That's based partly on our assumption that the natural gas utility and regulated transmission and storage unit continue to perform nicely. Next year, share earnings may increase at a similar rate, to $2.40, as we look for a further expansion of operating margins.

The company intends to sell its noncore natural gas distribution assets in Missouri, Iowa, and Illinois to an affiliate of Algonquin Power & Utilities Corp. The estimated $124 million in proceeds would be used to support growth initiatives in such key states as Texas and Louisiana. Pending regulatory approvals, the transaction is expected to close in fiscal 2012.

We expect unspectacular results for the company over the 2014-2016 period. The utility is one of the country's biggest natural gas-only distributors. Also, the unregulated units, especially pipelines, possess healthy overall growth prospects. Lastly, management may resume its successful strategy of purchasing less efficient utilities and shoring up their profitability via expense-reduction initiatives, rate relief, and aggressive marketing efforts. But excluding future acquisitions, due to many uncertainties, annual share-net growth may be in the mid-single-digit range over the 3- to 5-year horizon.

The good-quality equity's dividend yield is a bit higher than the average gas utility stock tracked by *Value Line*. Further increases in the payout, though modest, seem likely.

Frederick L. Harris, III *June 10, 2011*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '03, d17¢; '06, d18¢; '07, d2¢; '09, 12¢; '10, 5¢; Q2 '11, 5¢. Next egs. rpt. due early Aug. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	90

LACLEDE GROUP NYSE-LG

RECENT PRICE **37.61** | P/E RATIO **15.4** (Trailing: 15.4 Median: 14.0) | RELATIVE P/E RATIO **0.93** | DIV'D YLD **4.4%** | **VALUE LINE**

TIMELINESS 3 Raised 11/19/10
SAFETY 2 Raised 6/20/03
TECHNICAL 3 Raised 4/1/11
BETA .60 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	24.8	25.5	25.0	30.0	32.5	34.3	37.5	36.0	55.8	48.3	37.8	40.0
Low:	17.5	21.3	19.0	21.8	26.0	26.9	29.1	28.8	31.9	29.3	30.8	36.3

Target Price Range
2014 | 2015 | 2016

2014-16 PROJECTIONS

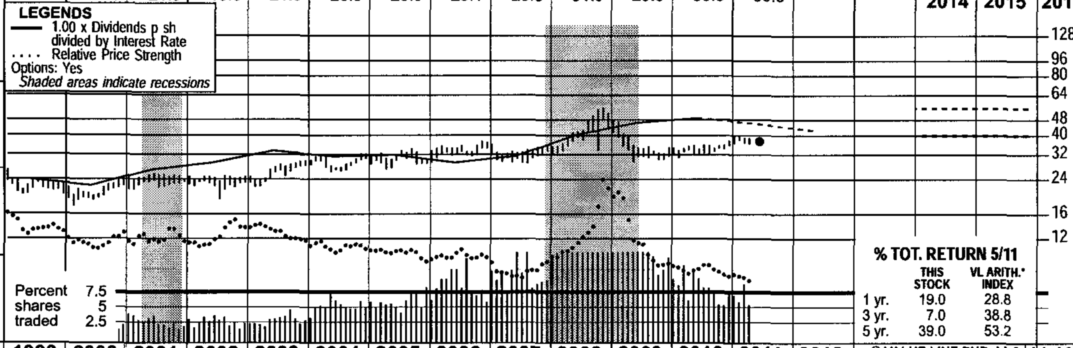
	Price	Gain	Ann'l Total Return
High	55	(+45%)	13%
Low	40	(+5%)	6%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	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	0	0	1	0

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	54	49	52
to Sell	53	62	58
Hld's(000)	10165	10026	10275



% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	19.0	28.8
3 yr.	7.0	38.8
5 yr.	39.0	53.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
24.79	31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	85.49	77.83	*71.10*	*73.90*	Revenues per sh	*86.55*
2.55	3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.56	4.11	*4.20*	*4.40*	"Cash Flow" per sh	*5.20*
1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	2.92	2.43	*2.45*	*2.55*	Earnings per sh A B	*3.05*
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	1.53	1.57	*1.61*	*1.65*	Div'ds Decl'd per sh C ■	*1.80*
2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.36	2.56	*2.70*	*2.80*	Cap'l Spending per sh	*3.15*
13.05	13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.32	24.02	*26.00*	*26.60*	Book Value per sh D	*31.15*
17.42	17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.17	22.29	*22.50*	*23.00*	Common Shs Outst'g E	*26.00*
15.5	11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	13.4	13.7	*Bold figures are*		Avg Ann'l P/E Ratio	*15.5*
1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.86	.89	.87	*Value Line*		Relative P/E Ratio	*1.05*
6.3%	5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	3.9%	4.7%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
1002.1	755.2	1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	1895.2	1735.0	*1600*	*1700*	Revenues ($mill) A	*2250*
30.5	22.4	34.6	36.1	40.1	50.5	49.8	57.6	64.3	54.0	*55.0*	*58.5*	Net Profit ($mill)	*80.0*
32.7%	35.4%	35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	33.6%	33.4%	*35.5%*	*36.0%*	Income Tax Rate	*36.5%*
3.0%	3.0%	3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	3.4%	3.1%	*3.4%*	*3.4%*	Net Profit Margin	*3.5%*
49.5%	47.5%	50.4%	51.6%	48.1%	49.5%	45.3%	44.4%	42.9%	40.5%	*40.0%*	*40.0%*	Long-Term Debt Ratio	*40.0%*
50.2%	52.3%	49.4%	48.3%	51.8%	50.4%	54.6%	55.5%	57.1%	59.5%	*60.0%*	*60.0%*	Common Equity Ratio	*60.0%*
574.1	546.6	605.0	737.4	707.9	798.9	784.5	876.1	906.3	899.9	*975*	*1020*	Total Capital ($mill)	*1350*
602.5	594.4	621.2	646.9	679.5	763.8	793.8	823.2	855.9	884.1	*915*	*960*	Net Plant ($mill)	*1300*
6.9%	6.0%	7.4%	6.6%	7.6%	8.4%	8.5%	8.1%	8.7%	7.4%	*7.0%*	*7.0%*	Return on Total Cap'l	*7.0%*
10.5%	7.8%	11.5%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	*9.5%*	*9.5%*	Return on Shr. Equity	*10.0%*
10.5%	7.8%	11.6%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	*9.5%*	*9.5%*	Return on Com Equity	*10.0%*
1.8%	NMF	3.1%	2.7%	3.1%	5.1%	4.3%	5.2%	5.9%	3.6%	*3.0%*	*3.5%*	Retained to Com Eq	*4.0%*
83%	113%	74%	73%	72%	59%	63%	56%	53%	64%	*66%*	*65%*	All Div'ds to Net Prof	*58%*

CAPITAL STRUCTURE as of 3/31/11
Total Debt $364.3 mill. **Due in 5 Yrs** $155.0 mill.
LT Debt $364.3 mill. **LT Interest** $20.0 mill.
(Total interest coverage: 4.0x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/10 $240.9 mill. **Oblig.** $398.4 mill.

Pfd Stock None
Common Stock 22,408,718 shs. as of 4/28/11

MARKET CAP: $850 million (Small Cap)

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	74.6	86.9	23.0
Other	294.2	327.3	328.1
Current Assets	368.8	414.2	351.1
Accts Payable	72.8	95.6	96.8
Debt Due	129.8	154.6	--
Other	96.5	83.7	92.3
Current Liab.	299.1	333.9	189.1
Fix. Chg. Cov.	420%	391%	400%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	11.5%	7.0%	*Nil*
"Cash Flow"	4.5%	7.5%	*3.5%*
Earnings	6.0%	7.5%	*2.5%*
Dividends	1.5%	2.5%	*2.5%*
Book Value	4.5%	7.0%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	504.0	747.7	505.5	451.8	2209.0
2009	674.3	659.1	309.9	251.9	1895.2
2010	491.2	635.3	324.5	284.0	1735.0
2011	444.2	543.8	*326*	*286*	*1600*
2012	*465*	*625*	*348*	*262*	*1700*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	.99	1.39	.41	d.14	2.64
2009	1.42	1.40	.31	d.22	2.92
2010	1.03	1.26	.21	d.07	2.43
2011	1.05	1.25	*.23*	*d.08*	*2.45*
2012	*1.05*	*1.31*	*.30*	*d.11*	*2.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.365	.365	.365	.365	1.46
2008	.375	.375	.375	.375	1.50
2009	.385	.385	.385	.385	1.54
2010	.395	.395	.395	.395	1.58
2011	.405	.405			

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 630,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Therms sold and transported in fiscal 2010: .97 mill. Revenue mix for regulated operations: residential, 68%; commercial and industrial, 24%; transportation, 2%; other, 6%. Has around 1,700 employees. Officers and directors own approximately 8% of common shares (1/11 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.thelacledegroup.com.

Laclede Group's utility unit, Laclede Gas, enjoyed a decent rise in profits during the first half of fiscal 2011 (ends September 30th), versus the year-ago figure. That was brought about, in part, by a rate hike that went into effect on September 1, 2010. Furthermore, operating costs were lower, reflecting effective collections efforts and expense-containment initiatives.

But the performance of Laclede Energy Resources was disappointing. Indeed, margins were lower, due to narrower regional price differentials (given a less-than-optimal economic environment). Unfortunately, it seems that difficult business conditions will continue a while longer.

In all, share net may only be about flat for the full fiscal year, as continued strength of Laclede Gas is offset by further weakness in Laclede Resources. But the bottom line stands to perk up some in fiscal 2012, perhaps to $2.55 a share, assuming further expansion of operating margins. (We expect the recent storms in Missouri to have minimal impact on the company's results.)

Prospects over the 2014-2016 time frame are not exciting. Annual growth in the customer base for the natural gas distributor will probably remain sluggish. (In fact, the number of customers in fiscal 2010 was only around 1,000 more than in fiscal 2000.) Laclede Energy Resources seems to have promising potential, but it has contributed just a small portion to total profits, on a historical basis. As a result, consolidated annual share-earnings advances may only be in the mid-single-digit range over the 3- to 5-year horizon. A significant acquisition could brighten things, but management appears to be satisfied with the way things are at this juncture.

The good-quality equity's dividend yield compares favorably to the average of all natural gas utility stocks covered by *Value Line*. The payout should continue to be well covered by the company's earnings. But future hikes will probably be moderate, given Laclede Gas' unexciting long-term prospects. Meanwhile, these shares' Timeliness rank stands at 3 (Average).

Frederick L. Harris, III *June 10, 2011*

(A) Fiscal year ends Sept. 30th.
(B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late July.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Incl. deferred charges. In '10: $487.1 mill., $21.85/sh.
(E) In millions.
(F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

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

NEW JERSEY RES. NYSE-NJR

RECENT PRICE 46.08 | P/E RATIO 17.1 (Trailing: 17.9, Median: 15.0) | RELATIVE P/E RATIO 1.04 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 4 Lowered 3/11/11

SAFETY 1 Raised 9/15/06

TECHNICAL 3 Raised 4/1/11

BETA .65 (1.00 = Market)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	19.8	21.7	22.4	26.4	29.7	32.9	35.4	37.6	41.1	42.4	44.1	46.3	
Low:	16.1	16.6	16.2	20.0	24.3	27.1	27.7	30.3	24.6	30.0	33.5	40.2	

Target Price Range 2014 | 2015 | 2016

2014-16 PROJECTIONS

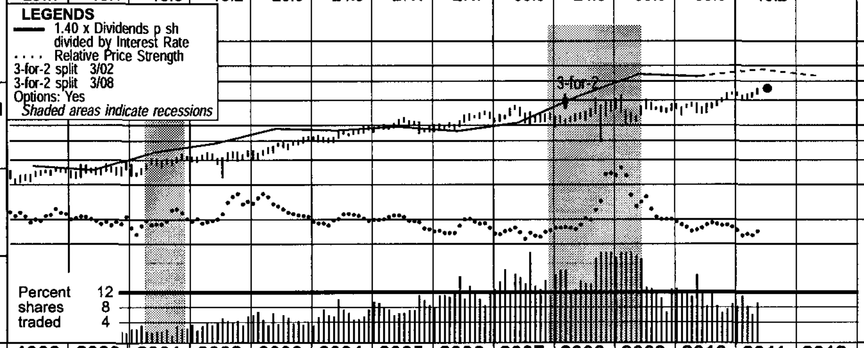
	Price	Gain	Ann'l Total Return
High	50	(+10%)	*5%*
Low	40	(-15%)	*Nil*

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	60	65	67
to Sell	64	56	57
Hld's(000)	23366	24033	23545



80 60 50 40 30 25 20 15 10 7.5

% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	34.7	28.8
3 yr.	53.8	38.8
5 yr.	82.2	53.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.36	13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	62.34	63.81	*70.10*	*74.00*	Revenues per sh A	*80.90*
1.42	1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	3.16	3.28	*3.55*	*3.80*	"Cash Flow" per sh	*4.25*
.86	.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.40	2.46	*2.65*	*2.85*	Earnings per sh B	*3.20*
.68	.69	.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	1.36	*1.44*	*1.48*	Div'ds Decl'd per sh C■	*1.60*
1.18	1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	1.81	2.09	*1.95*	*2.00*	Cap'l Spending per sh	*2.00*
6.47	6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	16.59	17.53	*18.75*	*19.45*	Book Value per sh D	*24.15*
40.03	40.69	40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	41.59	41.36	*41.00*	*40.00*	Common Shs Outst'g E	*40.00*
11.8	13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	14.9	15.0	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*14.0*
.79	.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.15	.74	.99	.96	*estimates*		Relative P/E Ratio	*.95*
6.7%	5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	3.5%	3.7%			Avg Ann'l Div'd Yield	*3.6%*

CAPITAL STRUCTURE as of 3/31/11
Total Debt $589.8 mill. **Due in 5 Yrs** $544.5 mill.
LT Debt $430.0 mill. **LT Interest** $11.7 mill.
Incl. $14.6 mill. capitalized leases.
(LT interest earned: 7.5x; total interest coverage: 7.5x)

Pension Assets-9/10 $150.5 mill. **Oblig.** $244.5 mill.

Pfd Stock None

Common Stock 41,370,942 shs. as of 5/2/11

MARKET CAP: $1.9 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
2048.4	1830.8	2544.4	2533.6	3148.3	3299.6	3021.8	3816.2	2592.5	2639.3	*2875*	*2960*	Revenues ($mill) A	*3235*
52.3	56.8	65.4	71.6	74.4	78.5	65.3	113.9	101.0	102.4	*110*	*115*	Net Profit ($mill)	*130*
38.0%	38.7%	39.4%	39.1%	39.1%	38.9%	38.8%	37.8%	27.1%	37.6%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.6%	3.1%	2.6%	2.8%	2.4%	2.4%	2.2%	3.0%	3.9%	3.9%	*4.0%*	*4.0%*	Net Profit Margin	*4.0%*
50.1%	50.6%	38.1%	40.3%	42.0%	34.8%	37.3%	38.5%	39.8%	37.2%	*37.0%*	*39.0%*	Long-Term Debt Ratio	*34.0%*
49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	62.7%	61.5%	60.2%	62.8%	*63.0%*	*61.0%*	Common Equity Ratio	*66.0%*
706.2	732.4	676.8	783.8	755.3	954.0	1028.0	1182.1	1144.8	1154.4	*1220*	*1275*	Total Capital ($mill)	*1465*
743.9	756.4	852.6	880.4	905.1	934.9	970.9	1017.3	1064.4	1135.7	*1160*	*1180*	Net Plant ($mill)	*1255*
8.5%	8.7%	10.7%	10.1%	11.2%	9.6%	7.7%	10.7%	9.7%	9.8%	*10.0%*	*10.0%*	Return on Total Cap'l	*9.5%*
14.8%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.1%	*14.5%*	*15.0%*	Return on Shr. Equity	*13.5%*
14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.1%	*14.5%*	*15.0%*	Return on Com Equity	*13.5%*
6.1%	6.9%	7.7%	7.8%	8.5%	6.3%	3.6%	9.5%	7.2%	6.8%	*6.5%*	*7.0%*	Retained to Com Eq	*6.5%*
59%	56%	51%	49%	50%	50%	64%	40%	50%	52%	*54%*	*51%*	All Div'ds to Net Prof	*50%*

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	36.2	.9	76.4
Other	648.0	784.1	633.2
Current Assets	684.2	785.0	709.6
Accts Payable	44.4	47.3	44.6
Debt Due	149.9	178.9	159.8
Other	361.9	479.6	380.8
Current Liab.	556.2	705.8	585.2
Fix. Chg. Cov.	711%	700%	700%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	12.0%	1.5%	*2.0%*
"Cash Flow"	6.0%	6.0%	*4.0%*
Earnings	8.5%	8.5%	*4.0%*
Dividends	5.0%	7.5%	*4.5%*
Book Value	8.5%	10.0%	*6.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	811.1	1178	1000	827.1	3816.2
2009	801.3	937.5	441.1	412.6	2592.5
2010	609.6	918.4	479.8	631.5	2639.3
2011	713.2	977.0	*510*	*674.8*	*2875*
2012	*735*	*1000*	*530*	*695*	*2960*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	1.31	1.86	d.10	d.39	2.70
2009	.77	1.71	.03	d.12	2.40
2010	.66	1.55	.28	d.03	2.46
2011	.71	1.62	*.30*	*.02*	*2.65*
2012	*.75*	*1.67*	*.35*	*.08*	*2.85*

Cal-endar	QUARTERLY DIVIDENDS PAID C E■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.253	.253	.253	.253	1.01
2008	.267	.28	.28	.28	1.11
2009	.31	.31	.31	.31	1.24
2010	.34	.34	.34	.34	1.36
2011	.36	.36			

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 490,310 customers at 9/30/10 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2010 volume: 150 bill. cu. ft. (5% interruptible, 39% residential and commercial and electric utility, 56% incentive programs). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2010 dep. rate: 2.2%. Has 887 empls. Off./dir. own about 1.5% of common (12/10 Proxy). Chrmn., CEO & Pres.: Laurence M. Downes. Inc.: NJ Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources is on pace to log solid top- and bottom-line gains this year. This ought to be supported by customer growth at the New Jersey Natural Gas (NJNG) unit. Thus far in 2011, NJNG has added 3,070 new customers, as natural gas continues to maintain its price advantage over other home heating fuels in NJNG's service territory. Further contributions will likely stem from the Midstream Asset division, which focuses on storage and pipelines.

Meanwhile, the NJR Clean Energy Ventures division is benefiting from solar project startups. That unit has already placed two rooftop applications into service, that generate about two megawatts of power. It also has two similar projects planned for completion this summer. And another 3.6 megawatt ground-mounted facility is slated to be in service this fall. Aside from generating green power, these facilities qualify for investment tax credits, which should lower NJR's effective tax rate down the road.

Accelerated infrastructure projects (AIP) augur well for longer-term prospects. AIP-phase I is comprised of 14 projects, of which seven have been completed. The remainder are expected to be done by the end of summer. Additionally, AIP-phase II was recently approved, and contains another nine projects to help ensure the safety, integrity, and reliability of NJR's system. These investments are expected to add over $60 million to the company's asset base, which could lead to a rate case filing down the road.

The balance sheet is improving. The company's cash reserved skyrocketed to more than $75 million since the beginning of the year. At the same time, the debt load has remained relatively constant.

These shares may appeal to income-seeking, conservative investors, thanks to an above-average dividend yield, Highest Safety rank, top mark for Price Stability, and good Financial Strength. Meanwhile, since our March review, the equity has advanced about 10% in price. This move places NJR's quotation inside our Target Price Range, which may limit capital appreciation potential. Also, the stock is ranked to lag the broader market averages in the coming year.

Bryan J. Fong *June 10, 2011*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly egs may not sum to total due to change in shares outstanding. Next earnings report due late July.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2010: $454.6 million, $10.99/share.
(E) In millions, adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	50

N.W. NAT'L GAS NYSE-NWN

RECENT PRICE 45.17 | P/E RATIO 19.2 (Trailing: 17.2 Median: 17.0) | RELATIVE P/E RATIO 1.16 | DIV'D YLD 3.9% | VALUE LINE

TIMELINESS 4 Lowered 5/13/11

SAFETY 1 Raised 3/18/05

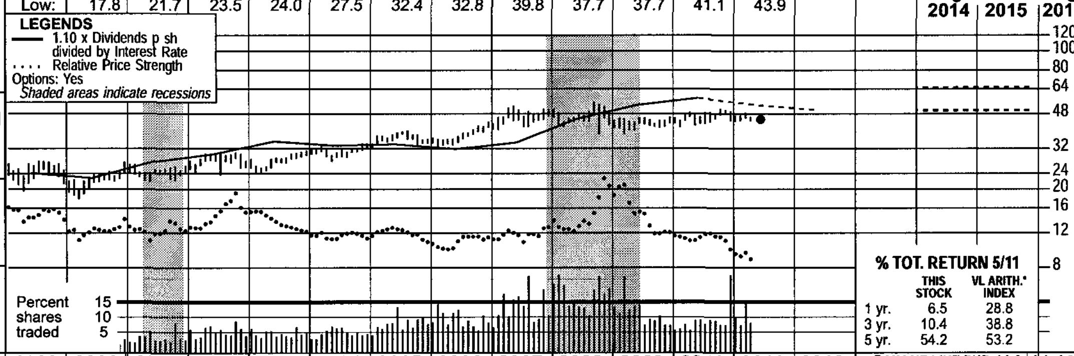
TECHNICAL 3 Raised 5/20/11

BETA .60 (1.00 = Market)

High:	27.5	26.8	30.7	31.3	34.1	39.6	43.7	52.8	55.2	46.5	50.9	48.7		
Low:	17.8	21.7	23.5	24.0	27.5	32.4	32.8	39.8	37.7	37.7	41.1	43.9		

LEGENDS
— 1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions

Target Price Range 2014 | 2015 | 2016



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+45%)	13%
Low	50	(+10%)	6%

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	63	74	53
to Sell	59	56	73
Hld's(000)	15723	15297	15073

Percent shares traded 15 10 5

% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	6.5	28.8
3 yr.	10.4	38.8
5 yr.	54.2	53.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
16.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	38.17	30.45	34.20	37.30	Revenues per sh	49.35
3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.20	5.15	5.20	5.60	"Cash Flow" per sh	6.75
1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.83	2.73	2.35	2.80	Earnings per sh A	3.40
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	1.60	1.68	1.74	1.78	Div'ds Decl'd per sh B■	1.90
3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	5.09	9.30	3.75	5.20	Cap'l Spending per sh	9.65
14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.88	25.95	27.15	28.95	Book Value per sh	34.65
22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.53	26.67	26.75	26.80	Common Shs Outst'g C	26.95
12.9	11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	15.2	17.9	Bold figures are		Avg Ann'l P/E Ratio	17.0
.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.09	1.01	1.10	Value Line		Relative P/E Ratio	1.15
5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.8%	estimates		Avg Ann'l Div'd Yield	3.3%

CAPITAL STRUCTURE as of 3/31/11
Total Debt $788.1 mill. Due in 5 Yrs $200 mill.
LT Debt $551.7 mill. LT Interest $38.5 mill.

(Total interest coverage: 7.0x)

Pension Assets-12/10 $219 mill. Oblig. $337.3 mill.

Pfd Stock None

Common Stock 26,672,812 shares

MARKET CAP $1.2 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1012.7	812.1	915	1000	Revenues ($mill)	1330
50.2	43.8	46.0	50.6	58.1	65.2	74.5	68.5	75.1	72.7	65.0	75.0	Net Profit ($mill)	90.0
35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	38.3%	31.4%	30.0%	30.0%	Income Tax Rate	30.0%
7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.4%	8.9%	7.0%	7.5%	Net Profit Margin	7.0%
43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47.7%	46.5%	43%	40%	Long-Term Debt Ratio	33%
53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	52.3%	53.5%	57%	60%	Common Equity Ratio	67%
880.5	937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1261.8	1294.8	1275	1300	Total Capital ($mill)	1385
965.0	995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1670.1	1854.2	1930	2035	Net Plant ($mill)	2530
6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	7.3%	5.6%	6.5%	7.0%	Return on Total Cap'l	8.0%
10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	9.0%	9.5%	Return on Shr. Equity	10.0%
10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	9.0%	9.5%	Return on Com Equity	10.0%
3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	5.0%	4.0%	2.5%	3.5%	Retained to Com Eq	4.5%
67%	79%	72%	69%	63%	59%	52%	59%	56%	61%	74%	63%	All Div'ds to Net Prof	56%

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	8.4	3.5	3.5
Other	319.8	326.8	277.2
Current Assets	328.2	330.3	280.7
Accts Payable	123.7	93.2	71.8
Debt Due	137.0	267.4	236.4
Other	131.9	107.6	114.7
Current Liab.	392.6	468.2	422.9
Fx. Chg. Cov.	395%	495%	745%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	8.5%	9.5%	6.0%
"Cash Flow"	4.0%	7.0%	4.5%
Earnings	6.0%	9.5%	4.5%
Dividends	2.0%	3.5%	3.5%
Book Value	3.5%	4.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	387.7	191.3	109.7	349.2	1037.9
2009	437.4	149.1	116.9	309.3	1012.7
2010	286.5	162.4	95.1	268.1	812.1
2011	323.1	190	130	271.9	915
2012	340	190	160	310	1000

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.62	.08	d.38	1.25	2.57
2009	1.78	.12	d.25	1.18	2.83
2010	1.64	.26	d.28	1.11	2.73
2011	1.53	.03	d.30	1.09	2.35
2012	1.78	.18	d.45	1.29	2.80

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.355	.355	.355	.375	1.44
2008	.375	.375	.375	.395	1.52
2009	.395	.395	.395	.415	1.60
2010	.415	.415	.415	.435	1.68
2011	.435	.435			

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 668,000 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, 57%; commercial, 26%; industrial, gas transportation, and other, 17%. Employs 1,061. BlackRock Inc. owns 7.9% of shares; officers and directors, 1.5% (4/11 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

We have reduced our earnings estimates for Northwest Natural Gas. The one-time charge relating to Oregon's Senate Bill 408 and Senate Bill 967, as well as the upswing in expenses for the Gill Ranch project, has caused us to revise our forecasts down to $2.35 and $2.80 for 2011 and 2012, respectively.

Senate Bill 967 is expected to put considerable stress on earnings for the year. This was introduced on March 29th and was designed to repeal Senate Bill 408. The latter was an unusual state tax, which had distorted utility earnings, increasing them in good years and lowering them in bad ones. Since Northwest benefited from the bill in 2010, it had to take a one-time charge, to reverse the income booked last year. This action will bite into earnings in 2011.

The company has filed a major rate case in Oregon, its first such case since 2003. Management plans for this to be its primary focus this year and into 2012. In a best-case scenario, this whould provide a considerable boost to the bottom line over the 2014-2016 period. Also. . .

There are several major prospects on the horizon. The joint venture with Encana, to develop natural gas reserves in Wyoming, remains on schedule. These reserves are slated to increase Northwest's supply over a 30-year period. Also, the Palomar project is on its way to being resolved. In March, the initial application was withdrawn from the Federal Energy Regulatory Commission, but a new application is slated to be filed in its place in the near future. The changes include eliminating the troublesome western section of the pipeline, as well as rerouting the eastern section for greater efficiency. Northwest has decided to remain on board with the new project, and plans to begin negotiations with potential shippers by the end of this year, or the beginning of 2012. Should this project progress on schedule, and without major hindrances, it would likely provide a considerable boost to the bottom line by mid-decade.

There are better options in the industry. This untimely stock has below average long-term appreciation potential. That said, the dividend yield is slightly above the industry average.

Sahana Zutshi *June 10, 2011*

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03); '09, 6¢. Next earnings report due late July.

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

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	95

PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
31.47	19.5 (Trailing: 20.3) (Median: 17.0)	1.18	3.7%

VALUE LINE

TIMELINESS 3 Raised 5/20/11
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 4/29/11
BETA .65 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	19.7	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0	30.1	32.0
Low:	11.8	14.6	13.7	16.6	19.2	21.3	23.2	22.0	21.7	20.7	23.9	27.6

Target Price Range 2014 | 2015 | 2016

2014-16 PROJECTIONS

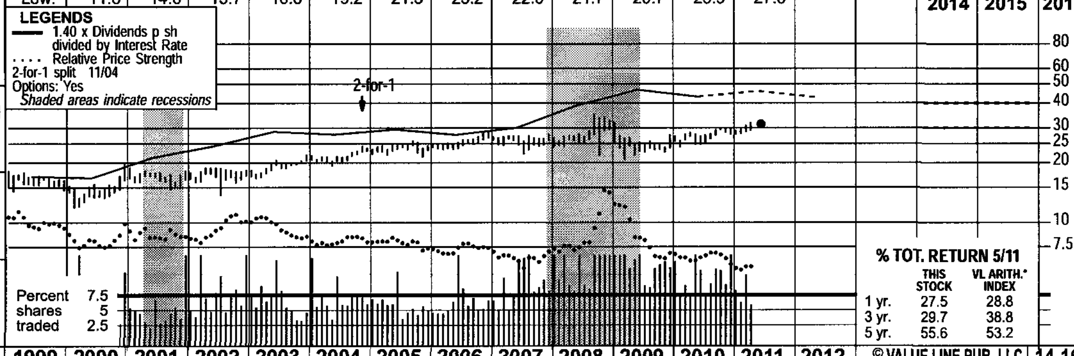
	Price	Gain	Ann'l Total Return
High	40	(+25%)	10%
Low	30	(-5%)	3%

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	87	99	74
to Sell	81	75	89
Hld's(000)	33260	31677	31082



% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	27.5	28.8
3 yr.	29.7	38.8
5 yr.	55.6	53.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
8.76	11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	22.36	21.48	*21.90*	*22.90*	Revenues per sh A	*26.10*
1.25	1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	3.01	2.91	*3.00*	*3.15*	"Cash Flow" per sh	*3.45*
.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	1.49	1.67	1.55	*1.60*	*1.70*	Earnings per sh AB	*1.90*
.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	*1.15*	*1.19*	Div'ds Decl'd per sh C■	*1.31*
1.72	1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	1.76	2.75	*4.40*	*2.80*	Cap'l Spending per sh	*2.95*
6.16	6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.67	13.35	*13.65*	*14.05*	Book Value per sh D	*15.05*
57.67	59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.27	72.28	*71.50*	*71.00*	Common Shs Outst'g E	*68.00*
13.8	13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	15.4	17.1	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*18.0*
.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.10	1.03	1.08	*estimates*		Relative P/E Ratio	*1.20*
5.4%	4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	4.1%	4.2%			Avg Ann'l Div'd Yield	*3.7%*

CAPITAL STRUCTURE as of 3/31/11
Total Debt $1047.4 mill. **Due in 5 Yrs** $160.0 mill.
LT Debt $671.9 mill. **LT Interest** $50.2 mill.
(LT interest earned: 4.1x; total interest coverage: 3.5x)

Pension Assets-10/10 $228.3 mill. **Oblig.** $211.0 mill.

Pfd Stock None

Common Stock 71,783,740 shs. as of 3/1/11
MARKET CAP: $2.3 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
1107.9	832.0	1220.8	1529.7	1761.1	1924.6	1711.3	2089.1	1638.1	1552.3	*1565*	*1625*	Revenues ($mill) A	*1775*
65.5	62.2	74.4	95.2	101.3	97.2	104.4	110.0	122.8	111.8	*115*	*120*	Net Profit ($mill)	*130*
34.6%	33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.3%	28.5%	23.4%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	7.5%	7.2%	*7.3%*	*7.5%*	Net Profit Margin	*7.3%*
47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	44.1%	41.0%	*42.0%*	*41.0%*	Long-Term Debt Ratio	*40.5%*
52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	55.9%	59.0%	*58.0%*	*59.0%*	Common Equity Ratio	*59.5%*
1069.4	1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1660.5	1636.9	*1675*	*1700*	Total Capital ($mill)	*1720*
1114.7	1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2304.4	2437.7	*2450*	*2500*	Net Plant ($mill)	*2650*
7.9%	7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	9.1%	8.4%	*8.0%*	*8.5%*	Return on Total Cap'l	*8.5%*
11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	*12.0%*	*12.0%*	Return on Shr. Equity	*12.5%*
11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	*12.0%*	*12.0%*	Return on Com Equity	*12.5%*
3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.8%	3.3%	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
75%	83%	74%	66%	68%	74%	70%	69%	64%	72%	*72%*	*70%*	All Div'ds to Net Prof	*69%*

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	7.6	5.6	20.1
Other	505.6	322.2	490.3
Current Assets	513.2	327.8	510.4
Accts Payable	115.4	115.7	179.6
Debt Due	366.0	302.0	375.5
Other	118.8	80.9	98.8
Current Liab.	600.2	498.6	653.9
Fix. Chg. Cov.	316%	323%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	7.0%	3.5%	*1.5%*
"Cash Flow"	5.5%	5.0%	*3.0%*
Earnings	5.0%	5.0%	*3.0%*
Dividends	4.5%	4.5%	*3.5%*
Book Value	5.0%	3.5%	*3.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2008	788.5	634.2	354.7	311.7	2089.1
2009	779.6	455.4	180.3	222.8	1638.1
2010	673.7	472.9	211.6	194.1	1552.3
2011	652.1	*487.9*	*220*	*205*	*1565*
2012	*665*	*505*	*235*	*220*	*1625*

Fiscal Year Ends	EARNINGS PER SHARE AB Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2008	1.12	.66	d.10	d.18	1.49
2009	1.10	.73	d.10	d.06	1.67
2010	1.14	.65	d.13	d.13	1.55
2011	1.16	*.66*	*d.10*	*d.12*	*1.60*
2012	*1.17*	*.69*	*d.06*	*d.10*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.24	.25	.25	.25	.99
2008	.25	.26	.26	.26	1.03
2009	.26	.27	.27	.27	1.07
2010	.27	.28	.28	.28	1.11
2011	.28	.29			

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 960,801 customers in North Carolina, South Carolina, and Tennessee. 2010 revenue mix: residential (48%), commercial (28%), industrial (7%), other (17%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 64.4% of revenues. '10 deprec. rate: 3.2%. Estimated plant age: 9.3 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,788 employees. Off./dir. own about 1.5% of common stock, State Street; 6.4% (1/11 proxy). Chrmn., CEO, & Pres.: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas is off to a decent start this year. We look for revenues to advance in the low single-digit range during 2011. This ought to reflect weaker natural gas pricing and customer conservation. However, PNY has been working to offset these trends by gaining new customers. In fact, it grew its core business by about 2,850 additional accounts during the first quarter. Meanwhile, the upside of lower natural gas pricing is a decrease in carrying costs for storage purchases, which has been helping to widen margins. One other drag on profits is the decreased ownership interest in Southstar Energy Holdings. That divestiture took place during the first quarter of 2010, so it wasn't a huge contributing factor. Nonetheless, it did boost the bottom line a bit last year. All told, we think the company will log a decent earnings advance of about 3% this year.

Meantime, the overall financial position is in good shape. Cash reserves advanced more than threefold, to $20 million, during the January period. Meanwhile, the long-term debt load has remained relatively flat. In January, the board completed its buyback agreement that resulted in the repurchase of 800,000 shares of stock. We look for this trend to continue and think further buybacks will bolster share net down the road. What's more, a recent 3.6% increase in the quarterly dividend adds to PNY's appeal.

Capital projects augur well for prospects. Multiple gas-fired power generation sites are being constructed to provide power to Progress Energy and Duke Energy in North Carolina. Those facilities are progressing well and on schedule.

Earnings advances may begin to pick up momentum next year. This ought to stem from customer growth and a pickup in both residential conversions and commercial additions. This may be an early sign of improvements at the residential new construction market, which has performed poorly for some time.

These shares may appeal to income-oriented investors, thanks to an attractive dividend yield. Meantime, conservative accounts can take comfort in the Above-Average Safety rank and top mark for Price Stability.

Bryan J. Fong *June 10, 2011*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring gains (losses): '97, (2¢); '10, 41¢. Next earnings report due early Aug. Quarters may not add to total due to change in shares outstanding.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2010: $14.8 million, 21¢/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	95

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE 55.97 | P/E RATIO 18.4 (Trailing: 19.7 Median: 15.0) | RELATIVE P/E RATIO 1.12 | DIV'D YLD 2.7% | VALUE LINE

TIMELINESS 3 Lowered 10/15/10
SAFETY 2 Lowered 1/4/91
TECHNICAL 3 Raised 5/13/11
BETA .65 (1.00 = Market)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	15.1	17.0	18.3	20.3	26.5	32.4	34.3	41.3	40.6	40.8	54.2	58.0
Low:	12.3	13.8	14.1	15.3	19.7	24.9	25.6	31.2	25.2	32.0	37.2	51.9

2014-16 PROJECTIONS

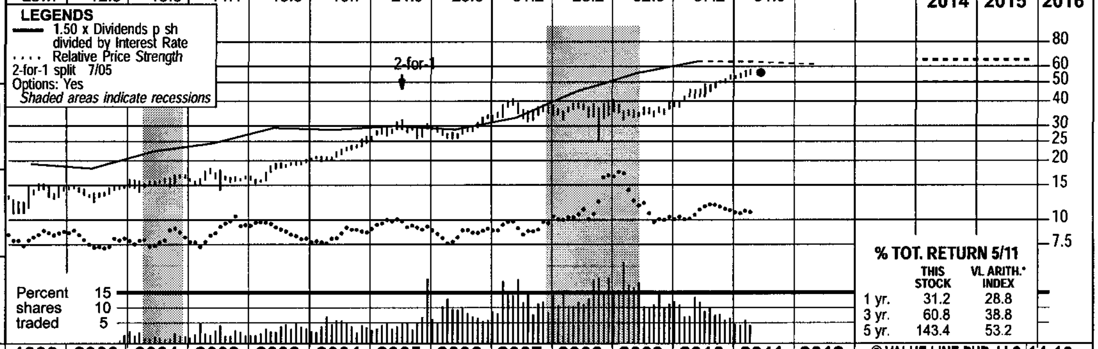
	Price	Gain	Ann'l Total Return
High	65	(+15%)	7%
Low	50	(-10%)	1%

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	60	61	58
to Sell	50	72	68
Hld's(000)	18334	17983	17863



Target Price Range
2014 | 2015 | 2016

% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	31.2	28.8
3 yr.	60.8	38.8
5 yr.	143.4	53.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
16.50	16.52	16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	31.76	32.30	32.36	28.37	30.97	**30.95**	**32.80**	Revenues per sh	**39.70**
1.65	1.54	1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.51	3.20	3.48	3.72	4.21	**4.50**	**4.85**	"Cash Flow" per sh	**6.05**
.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	2.27	2.38	2.70	**3.05**	**3.35**	Earnings per sh A	**4.10**
.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	1.11	1.22	1.36	**1.48**	**1.60**	Div'ds Decl'd per sh B ■	**2.00**
2.08	2.01	2.30	3.06	2.19	2.21	2.82	3.47	2.36	2.67	3.21	2.51	1.88	2.08	3.67	5.59	**4.85**	**5.45**	Cap'l Spending per sh	**7.35**
7.34	8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.11	16.25	17.33	18.24	19.08	**20.95**	**21.90**	Book Value per sh C	**26.45**
21.44	21.51	21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.33	29.61	29.73	29.80	29.87	**31.00**	**32.00**	Common Shs Outst'g D	**34.00**
12.2	13.3	13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	11.9	17.2	15.9	15.0	16.8	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	**14.0**
.82	.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	.96	1.00	1.08	*estimates*		Relative P/E Ratio	**.95**
7.2%	6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	2.8%	3.1%	3.4%	3.0%			Avg Ann'l Div'd Yield	**3.5%**

CAPITAL STRUCTURE as of 3/31/11
Total Debt $603.9 mill. **Due in 5 Yrs** $420.0 mill.
LT Debt $401.4 mill. **LT Interest** $24.0 mill.
(Total interest coverage: 6.2x)

Pension Assets-12/10 $120.6 mill. **Oblig.** $167.5 mill.

Pfd Stock None

Common Stock 29,953,094 common shs. as of 5/2/11

MARKET CAP: $1.7 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
837.3	505.1	696.8	819.1	921.0	931.4	956.4	962.0	845.4	925.1	**960**	**1050**	Revenues ($mill)	**1350**
26.8	29.4	34.6	43.0	48.6	72.0	61.8	67.7	71.3	81.0	**95.0**	**105**	Net Profit ($mill)	**140**
42.2%	41.4%	40.6%	40.9%	41.5%	41.3%	41.9%	47.7%	23.0%	15.2%	**25.0%**	**30.0%**	Income Tax Rate	**30.0%**
3.2%	5.8%	5.0%	5.2%	5.3%	7.7%	6.5%	7.0%	8.4%	8.8%	**9.9%**	**10.0%**	Net Profit Margin	**10.4%**
57.0%	53.6%	50.8%	48.7%	44.9%	44.7%	42.7%	39.2%	36.5%	37.4%	**39.5%**	**39.0%**	Long-Term Debt Ratio	**38.0%**
35.9%	46.1%	49.0%	51.0%	55.1%	55.3%	57.3%	60.8%	63.5%	62.6%	**60.5%**	**61.0%**	Common Equity Ratio	**62.0%**
516.2	512.5	608.4	675.0	710.3	801.1	839.0	848.0	856.4	910.1	**1075**	**1150**	Total Capital ($mill)	**1450**
607.0	666.6	748.3	799.9	877.3	920.0	948.9	982.6	1073.1	1193.3	**1250**	**1325**	Net Plant ($mill)	**1500**
6.9%	7.6%	7.3%	7.9%	8.3%	10.1%	8.6%	8.9%	9.0%	9.5%	**10.0%**	**10.0%**	Return on Total Cap'l	**10.5%**
12.1%	12.4%	11.5%	12.4%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	**14.5%**	**15.0%**	Return on Shr. Equity	**15.5%**
12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	**14.5%**	**15.0%**	Return on Com Equity	**15.5%**
3.5%	4.7%	5.0%	5.9%	6.2%	10.2%	6.7%	6.7%	6.4%	7.1%	**7.5%**	**7.5%**	Retained to Com Eq	**8.0%**
76%	62%	57%	52%	50%	37%	48%	49%	51%	50%	**48%**	**49%**	All Div'ds to Net Prof	**49%**

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	3.8	2.4	3.3
Other	364.6	421.4	345.4
Current Assets	368.4	423.8	348.7
Accts Payable	123.9	165.2	154.4
Debt Due	231.7	362.1	202.5
Other	123.2	113.2	99.9
Current Liab.	478.8	640.5	456.8
Fix. Chg. Cov.	585%	532%	571%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	4.0%	1.0%	4.5%
"Cash Flow"	8.0%	9.5%	8.0%
Earnings	10.5%	9.5%	9.0%
Dividends	5.5%	8.5%	8.5%
Book Value	10.5%	8.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	348.1	135.8	210.4	267.7	962.0
2009	362.2	134.5	127.1	221.6	845.4
2010	329.3	151.6	160.7	283.5	925.1
2011	331.9	**165**	**170**	**293.1**	**960**
2012	**380**	**180**	**185**	**305**	**1050**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.32	.26	.04	.67	2.27
2009	1.46	.15	d.06	.83	2.38
2010	1.49	.24	.10	.87	2.70
2011	1.63	**.30**	**.15**	**.97**	**3.05**
2012	**1.70**	**.35**	**.20**	**1.10**	**3.35**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	--	.245	.245	.515	1.01
2008	--	.270	.270	.568	1.11
2009	--	.298	.298	.628	1.22
2010	--	.330	.330	.695	1.36
2011	--	.365			

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 347,725 customers in New Jersey's southern counties, which covers about 2,500 square miles and includes Atlantic City. Gas revenue mix '10: residential, 44%; commercial, 21%; cogeneration and electric generation, 12%; industrial, 23%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 650 employees. Off./dir. control 1.0% of common shares; Black Rock Inc., 8.3% (4/11 proxy). Chrmn. & CEO: Edward Graham. Incorp.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Telephone: 609-561-9000. Internet: www.sjindustries.com.

Shares of South Jersey Industries have been trading in a holding pattern since the beginning of the year, following a healthy advance in 2010. The company has posted solid results in recent periods, though the stock appears to have gotten ahead of itself somewhat.

Prospects look favorable for utility South Jersey Gas. SJG should continue to experience modest customer growth, despite softness in the housing construction market. Natural gas remains the fuel of choice within the utility's service territory. This business should continue to benefit from customer interest in converting from other fuel sources to natural gas. Moreover, rate relief should serve to offset cost pressures for the utility.

The company's retail energy operations should also continue to perform well. Demand for renewable and natural gas-fired energy projects will probably remain strong. For the remainder of the year, the company has projects under construction that will produce an additional 19 megawatts of generation capacity, bringing the total capacity from its projects to roughly 64 megawatts. Energenic, South Jersey's joint-venture energy project business, has agreed to provide the energy at the Revel resort complex in Atlantic City. Energenic's $160 million project will be in place to serve Revel when it opens in mid-2012.

Performance may improve somewhat at the wholesale energy business. This business has suffered from thin industry-wide storage spreads. Some weakness here may well continue, though this line's natural gas marketing activities have been shifted and expanded to take advantage of opportunities in the Marcellus Shale.

We anticipate favorable comparisons in the coming quarters. We expect top-line growth of about 4% for full-year 2011. Profit margins will likely widen, and we look for share-net growth of roughly 13%.

This stock is neutrally ranked for Timeliness. We anticipate steady growth through 2014-2016. Moreover, this issue earns high marks for Price Stability and Earnings Predictability. This appears to be partly reflected in the present quotation, and total return potential is unimpressive for the coming years.

Michael Napoli, CFA *June 10, 2011*

(A) Based on GAAP egs. through 2006, economic egs. thereafter. GAAP EPS: '07, $2.10; '08, $2.58; '09, $1.94; '10, $2.22. Excl. non-recur. gain (loss): '01, $0.13; '08, $0.31; '09, ($0.44); '10, ($0.47). Excl gain (losses) from discont. ops.: '01, ($0.02); '02, ($0.04); '03, ($0.09); '05, ($0.02); '06, ($0.02); '07, $0.01. Egs. may not sum due to rounding. Next egs. report due in August. (B) Div'ds paid early April, July, Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. reg. assets. In 2010: $248.4 mill., $8.32 per shr. (D) In mill., adj. for split.

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

SOUTHWEST GAS NYSE-SWX

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	
39.06	16.6	(Trailing: 16.8 / Median: 18.0)	1.01	2.7%	VALUE LINE

TIMELINESS 3 Lowered 8/20/10

SAFETY 3 Lowered 1/4/91

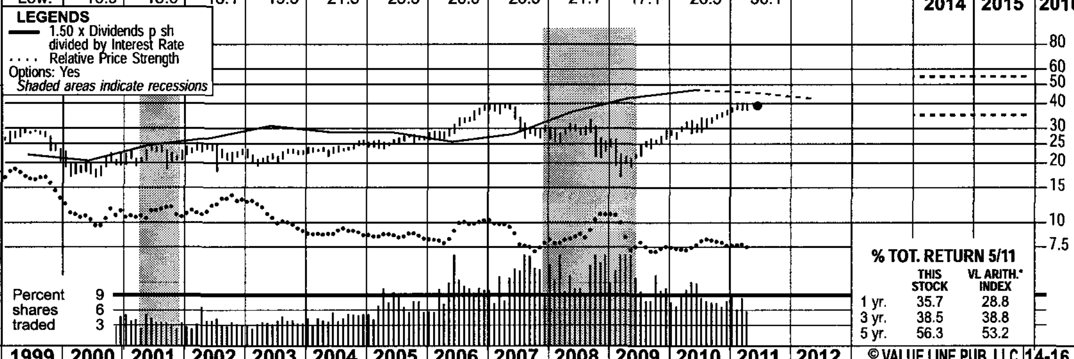
TECHNICAL 3 Raised 5/27/11

BETA .75 (1.00 = Market)

High:	23.0	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	29.5	37.3	40.6
Low:	16.9	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	17.1	26.3	36.1

Target Price Range
2014 | 2015 | 2016

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+40%)	*11%*
Low	35	(-10%)	*1%*

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	2	0	0	1	0	0	2
Options	0	0	4	0	2	3	2	0	7
to Sell	0	0	4	0	3	3	2	0	9

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	57	61	60
to Sell	76	75	80
Hld's(000)	32794	32710	33193

% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	35.7	28.8
3 yr.	38.5	38.8
5 yr.	56.3	53.2

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	42.00	40.14	*37.85*	*38.00*	Revenues per sh	*48.00*
2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	6.16	6.45	*6.55*	*6.90*	"Cash Flow" per sh	*7.80*
.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.94	2.27	*2.35*	*2.50*	Earnings per sh A	*3.00*
.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	.95	1.00	*1.06*	*1.10*	Div'ds Decl'd per sh B■†	*1.25*
6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	4.81	4.72	*4.85*	*5.00*	Cap'l Spending per sh	*6.00*
14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	24.44	25.59	*27.95*	*29.15*	Book Value per sh	*34.00*
24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.09	45.60	*46.50*	*48.00*	Common Shs Outst'g C	*50.00*
NMF	NMF	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	12.2	14.0	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*15.0*
NMF	NMF	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22	.81	.89	*estimates*		Relative P/E Ratio	*1.00*
5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%			Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 3/31/11
Total Debt $1122.7 mill. **Due in 5 Yrs** $275.0 mill.
LT Debt $1122.7 mill. **LT Interest** $72.0 mill.
(Total interest coverage: 3.2x) (48% of Cap'l)
Leases, Uncapitalized Annual rentals $5.0 mill.
Pension Assets-12/10 $505.6 mill. **Oblig.** $708.9 mill.

Pfd Stock None

Common Stock 45,848,692 shs. as of 4/29/11

MARKET CAP: $1.8 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		14-16
1396.7	1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	1893.8	1830.4	*1760*	*1825*	Revenues ($mill)	*2400*
37.2	38.6	38.5	58.9	48.1	80.5	83.2	61.0	87.5	104.0	*110*	*120*	Net Profit ($mill)	*150*
34.5%	32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	34.0%	34.7%	*37.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.7%	2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	4.6%	5.7%	*6.3%*	*6.6%*	Net Profit Margin	*6.3%*
56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	53.5%	49.1%	*47.0%*	*46.0%*	Long-Term Debt Ratio	*45.0%*
39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	46.5%	50.9%	*53.0%*	*54.0%*	Common Equity Ratio	*55.0%*
1417.6	1748.3	1851.6	1968.6	2076.0	2287.8	2349.7	2323.3	2371.4	2292.0	*2450*	*2600*	Total Capital ($mill)	*3100*
1825.6	1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	3034.5	3072.4	*3150*	*3250*	Net Plant ($mill)	*3600*
5.1%	4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	4.5%	5.4%	6.2%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
6.0%	5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.0%*
6.6%	6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	*8.5%*	*8.5%*	Return on Com Equity	*9.0%*
1.9%	1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	4.1%	5.0%	*4.5%*	*5.0%*	Retained to Com Eq	*5.0%*
71%	70%	72%	49%	65%	42%	44%	63%	48%	44%	*45%*	*44%*	All Div'ds to Net Prof	*42%*

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	65.3	116.1	108.4
Other	352.3	329.8	281.9
Current Assets	417.6	445.9	390.3
Accts Payable	158.9	165.5	114.5
Debt Due	1.3	75.1	- -
Other	314.0	356.4	363.2
Current Liab.	474.2	597.0	477.7
Fix. Chg. Cov.	251%	299%	314%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	5.0%	4.0%	*1.5%*
"Cash Flow"	3.5%	3.0%	*4.0%*
Earnings	3.5%	6.0%	*8.0%*
Dividends	1.0%	2.0%	*4.5%*
Book Value	4.5%	5.0%	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	813.6	447.3	374.4	509.4	2144.7
2009	689.9	387.6	317.5	498.8	1893.8
2010	668.8	385.8	307.7	468.1	1830.4
2011	628.4	*365*	*300*	*466.6*	*1760*
2012	*650*	*375*	*310*	*490*	*1825*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.14	d.06	d.38	.71	1.39
2009	1.12	d.01	d.18	1.01	1.94
2010	1.42	d.02	d.11	.98	2.27
2011	1.48	*Nil*	*d.12*	*.99*	*2.35*
2012	*1.50*	*Nil*	*d.10*	*1.10*	*2.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.205	.215	.215	.215	.85
2008	.215	.225	.225	.225	.89
2009	.225	.238	.238	.238	.94
2010	.238	.250	.250	.250	.99
2011	.250	.265			

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. 2010 margin mix: residential and small commercial, 86%; large commercial and industrial, 4%; transportation, 10%. Total throughput: 2.2 billion therms. Sold PriMerit Bank, 7/96. Has 4,802 employees. Off. & Dir. own 1.7% of common stock; BlackRock Inc., 8.6%; T. Rowe Price Associates, Inc., 7.2%; GAMCO Investors, Inc., 7.0% (3/11 Proxy). Chairman: James J. Kropid. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Shares of Southwest Gas have traded in a holding pattern over the past three months, following a healthy rebound over the past couple of years. The company posted lower revenues but higher share earnings for the March period.

Mixed performance will likely continue in the coming quarters. The natural gas utility operations will likely continue to experience softness in demand, though this should be partly offset by rate relief in California and modest customer growth. Elsewhere, the construction services subsidiary ought to further benefit from an increase in maintenance and replacement work. Overall, lower revenues will likely be offset by a decline in the cost of gas sold, and we expect a moderate share-net improvement for full-year 2011. Earnings should continue to advance in 2012, assuming utility demand picks up.

Efforts to procure rate relief ought to further benefit performance. Southwest has filed a general rate case in Arizona, requesting an increase in revenues of $73.2 million (roughly 9.3%). The company is also seeking a decoupled rate structure and several programs promoting energy efficiency. A decision on this matter is expected by early 2012. Southwest's focus on rate relief and improved rate design is important, as the company depends on such approved revenue increases to help it cope with rising operating costs and to provide compensation for investments in infrastructure.

Investors should be aware of several caveats. Southwest Gas will likely incur greater operating expenses as it continues to expand going forward. Moreover, warmer-than-normal temperatures during the winter months can result in lower profitability. Insufficient, or lagging, rate relief can also hurt performance.

These shares remain neutrally ranked for Timeliness. Looking further out, we anticipate solid improvement in revenues and share earnings at the company out to 2014-2016. This appears to be partly reflected in the present quotation, and the shares currently trade within our Target Price Range. Moreover, Southwest's dividend yield is below average for its industry group. Investors can probably find more-attractive opportunities elsewhere.

Michael Napoli, CFA *June 10, 2011*

(A) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Excl. loss from disc. ops.: '95, 75¢. Totals may not sum due to rounding. Next egs. report due early August. (B) Dividends historically paid early March, June, September, December. ■† Div'd reinvestment and stock purchase plan avail. (C) In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	75

WGL HOLDINGS NYSE-WGL

RECENT PRICE **39.25** | P/E RATIO **18.2** (Trailing: 17.9 / Median: 15.0) | RELATIVE P/E RATIO **1.10** | DIV'D YLD **4.0%** | **VALUE LINE**

TIMELINESS 4 Lowered 5/13/11

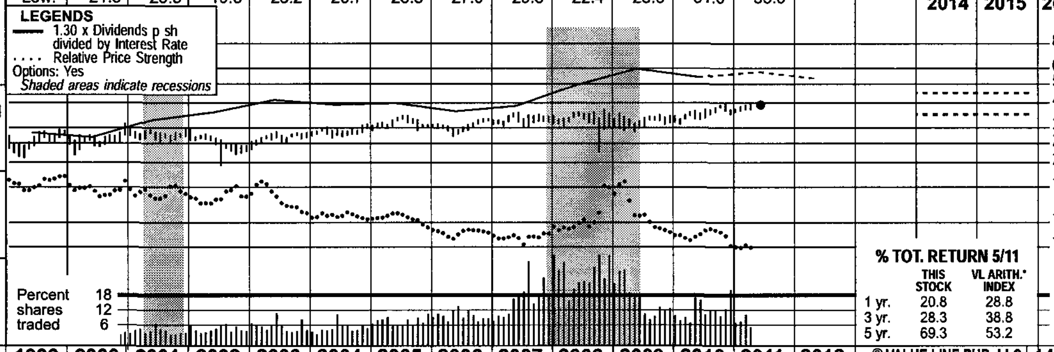
SAFETY 1 Raised 4/2/93

TECHNICAL 3 Raised 6/10/11

BETA .65 (1.00 = Market)

High:	31.5	30.5	29.5	28.8	31.4	34.8	33.6	35.9	37.1	35.5	40.0	39.7
Low:	21.8	25.3	19.3	23.2	26.7	28.8	27.0	29.8	22.4	28.6	31.0	35.6

Target Price Range
2014 | 2015 | 2016



% TOT. RETURN 5/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	20.8	28.8
3 yr.	28.3	38.8
5 yr.	69.3	53.2

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+15%)	7%
Low	35	(-10%)	2%

Insider Decisions

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

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	76	87	83
to Sell	76	75	83
Hld's(000)	32221	31020	31550

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.98	53.60	***54.60***	***56.85***	Revenues per sh A	***59.20***
2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.84	3.89	4.34	4.44	4.11	***3.95***	***4.30***	"Cash Flow" per sh	***4.55***
1.45	1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.09	2.44	2.53	2.27	***2.10***	***2.35***	Earnings per sh B	***2.65***
1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.50	***1.55***	***1.59***	Div'ds Decl'd per sh C■	***1.71***
2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	2.77	2.57	***2.45***	***2.45***	Cap'l Spending per sh	***2.40***
11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	21.89	22.82	***23.50***	***24.20***	Book Value per sh D	***27.15***
42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.14	50.54	***51.00***	***51.00***	Common Shs Outst'g E	***52.00***
12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	12.6	15.1	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***15.0***
.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.83	.82	.84	.95			Relative P/E Ratio	***1.00***
6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	4.6%	4.4%			Avg Ann'l Div'd Yield	***4.2%***
						1446.5	1584.8	2064.2	2089.6	2186.3	2637.9	2646.0	2628.2	2706.9	2708.9	***2785***	***2900***	Revenues ($mill) A	***3075***
						89.9	55.7	112.3	98.0	104.8	96.0	102.9	122.9	128.7	115.0	***110***	***120***	Net Profit ($mill)	***140***
						39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	39.1%	38.7%	***39.0%***	***39.0%***	Income Tax Rate	***39.0%***
						6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	4.8%	4.2%	***3.9%***	***4.1%***	Net Profit Margin	***4.5%***
						41.7%	45.7%	43.8%	40.9%	39.5%	37.8%	37.9%	35.9%	33.3%	33.4%	***34.5%***	***34.0%***	Long-Term Debt Ratio	***32.5%***
						56.3%	52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	65.0%	65.0%	***64.0%***	***64.5%***	Common Equity Ratio	***66.0%***
						1400.8	1462.5	1454.9	1443.6	1478.1	1526.1	1625.4	1679.5	1687.7	1774.4	***1875***	***1915***	Total Capital ($mill)	***2150***
						1519.7	1606.8	1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	2269.1	2346.2	***2425***	***2510***	Net Plant ($mill)	***2775***
						7.9%	5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	8.8%	7.6%	***7.0%***	***7.5%***	Return on Total Cap'l	***7.5%***
						11.0%	7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.4%	9.7%	***9.0%***	***9.5%***	Return on Shr. Equity	***10.0%***
						11.2%	7.2%	14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	11.6%	9.9%	***9.0%***	***9.5%***	Return on Com Equity	***10.0%***
						3.8%	NMF	6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	5.0%	3.3%	***2.5%***	***3.0%***	Retained to Com Eq	***3.5%***
						67%	112%	56%	65%	62%	69%	66%	57%	57%	67%	***74%***	***67%***	All Div'ds to Net Prof	***64%***

CAPITAL STRUCTURE as of 3/31/11
Total Debt $682.7 mill. **Due in 5 Yrs** $194.2 mill.
LT Debt $614.9 mill. **LT Interest** $39.4 mill.
(LT interest earned: 6.2x; total interest coverage: 5.7x)
Pension Assets-9/10 $1,215.8 mill. **Oblig.** $678.1 mill.
Preferred Stock $28.2 mill. **Pfd. Div'd** $1.3 mill.

Common Stock 51,226,263 shs. **as of 4/30/11**

MARKET CAP: $2.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2009	2010	3/31/11
Cash Assets	7.9	8.9	190.0
Other	675.6	708.4	730.3
Current Assets	683.5	717.3	920.3
Accts Payable	213.5	225.4	292.7
Debt Due	266.5	130.5	67.8
Other	154.6	188.2	249.8
Current Liab.	634.6	544.1	610.3
Fix. Chg. Cov.	533%	536%	535%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	9.0%	4.0%	*1.5%*
"Cash Flow"	4.0%	1.5%	*1.0%*
Earnings	4.0%	2.5%	*1.5%*
Dividends	2.0%	2.5%	*2.5%*
Book Value	4.0%	5.0%	*3.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	751.6	1020.0	464.7	391.9	2628.2
2009	826.2	1040.9	427.0	412.8	2706.9
2010	727.4	1056.6	459.7	465.2	2708.9
2011	795.9	1017.2	***481.9***	***490***	***2785***
2012	***825***	***1045***	***510***	***520***	***2900***

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	.96	1.66	.06	d.24	2.44
2009	1.03	1.65	.11	d.25	2.53
2010	1.01	1.64	d.07	d.29	2.27
2011	1.02	1.53	***d.10***	***d.35***	***2.10***
2012	***1.08***	***1.61***	***d.04***	***d.30***	***2.35***

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.34	.34	.34	.34	1.36
2008	.34	.36	.36	.36	1.42
2009	.36	.37	.37	.37	1.47
2010	.37	.378	.378	.378	1.50
2011	.378	.39			

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 (1,073,722 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. Black Rock Inc. owns 9.2% of common stock; Off./dir. less than 1% (1/11 proxy). Chrmn. & CEO: Terry D. McCallister. Inc.: D.C. and VA. Addr.: 101 Const. Ave., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings posted lackluster financial results for the March period. Indeed, the top line declined about 3.5% over that time frame, due to weaker contributions from the Regulated Utility segment. This stemmed from unfavorable changes in the consumption patterns of its natural gas customers. However, this was partially offset by greater earnings contributions at the Retail Energy Marketing and Design-Build Energy System divisions. Still, on balance, WGL's second-quarter bottom line declined almost 7%, to $1.53 a share. And we look for an annual earnings decline this year. But financial results ought to begin to rebound in 2012.

Rate cases and capital projects, augur well for prospects. The company recently received approval to raise its rates in Maryland. The proposed increase ought to boost annual revenues by about $30 million from that region, and is slated to go into effect this November. Meanwhile, WGL was also granted a favorable ruling by the Virginia commission to go ahead with a multiyear $115 million accelerated pipeline-replacement program. This should boost the distribution system's reliability and safety.

Investments in green energy projects may also bear fruit down the road. WGL has announced an additional 1.7 megawatts worth of solar projects for this year. When combined with existing ventures, the company has a stake in about 4.5 megawatts of clean renewable energy. These moves should also provide the company with federal energy tax credits.

Meanwhile, the financial position is solid. Cash reserves have skyrocketed to a seasonal high of $190 million. At the same time, the long-term debt load inched higher but at a much slower clip of about 4%, to $615 million. What's more, the board recently approved a 3.2% hike in the quarterly dividend, to $0.39 a share.

These shares may appeal to income-seeking investors, thanks to an above-average dividend yield, Highest Safety rank, and top mark for Price Stability. Meantime, in the event of a market correction, shares of WGL ought to be minimally affected as evidenced by the below-market Beta of .65. But they are ranked to lag the broader markets in the year ahead.

Bryan J. Fong *June 10, 2011*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes non-recurring losses: '01, (13¢); '02, (34¢); '07, (4¢); '08, (14¢) discontinued operations: '06, (15¢). Qtly egs. may not sum to total, due to change in shares outstanding. Next earnings report due late July. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '10: $580.4 million, $11.48/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	95

ATTACHMENT C

ZACKS INVESTMENT RESEARCH
Proven Ratings, Research & Recommendations
Zacks.com Quotes and Research

AMERICAN STS WTR CO (NYSE)				Scottrade	
AWR	33.84	-0.82	(-2.37%)	Vol. 133,433	16:02 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.

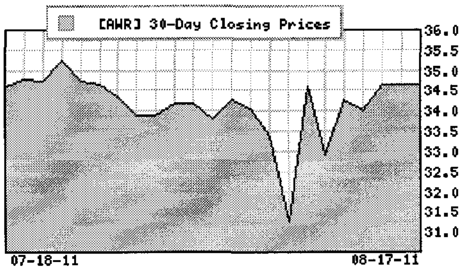
General Information

AMER STATES WTR
630 E FOOTHILL BLVD
SAN DIMAS, CA 91773-9016
Phone: 9093943600
Fax: 909-394-0711
Web: http://www.aswater.com
Email: investorinfo@aswater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	11/07/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	34.66
52 Week High	38.59
52 Week Low	30.53
Beta	0.36
20 Day Moving Average	115,535.35
Target Price Consensus	42.5



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-0.23	4 Week	10.80
12 Week	3.59	12 Week	14.57
YTD	0.55	YTD	5.33

Share Information		**Dividend Information**	
Shares Outstanding (millions)	18.66	Dividend Yield	3.23%
		Annual Dividend	$1.12
Market Capitalization (millions)	646.83	Payout Ratio	0.55
Short Ratio	9.23	Change in Payout Ratio	-0.07
Last Split Date	06/10/2002	Last Dividend Payout / Amount	08/09/2011 / $0.28

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.73	Current (1=Strong Buy, 5=Strong Sell)	2.25
Current Year EPS Consensus Estimate	2.12	30 Days Ago	2.25
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.25
Next EPS Report Date	11/07/2011	90 Days Ago	2.43

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.32	vs. Previous Year	41.67%	vs. Previous Year	15.03%
Trailing 12 Months:	16.99	vs. Previous Quarter	83.78%	vs. Previous Quarter:	16.46%
PEG Ratio	-				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.65	06/30/11	10.05	06/30/11	3.20

Price/Cash Flow	8.50	03/31/11	9.22	03/31/11	2.91
Price / Sales	1.54	12/31/10	9.74	12/31/10	3.09
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	1.38	06/30/11	1.36	06/30/11	9.13
03/31/11	1.04	03/31/11	1.03	03/31/11	8.55
12/31/10	1.15	12/31/10	1.13	12/31/10	9.01
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	14.11	06/30/11	14.11	06/30/11	21.05
03/31/11	12.94	03/31/11	12.94	03/31/11	20.42
12/31/10	13.57	12/31/10	13.57	12/31/10	20.28
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	43.56	06/30/11	0.87	06/30/11	46.43
03/31/11	44.32	03/31/11	0.79	03/31/11	44.04
12/31/10	45.95	12/31/10	0.79	12/31/10	44.26

ZACKS INVESTMENT RESEARCH
Proven Ratings, Research & Recommendations
Zacks.com Quotes and Research

CALIFORNIA WTR SVC GROUP (NYSE)					Scottrade
CWT	17.85	-0.48	(-2.62%)	Vol. 404,006	16:02 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

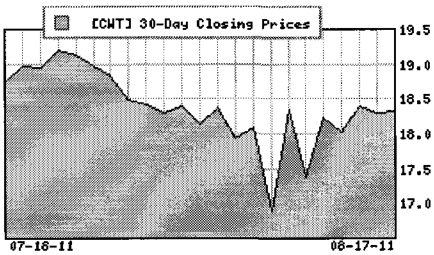
CALIF WATER SVC
1720 N FIRST ST C/O CALIFORNIA WATER SERVICE CO
SAN JOSE, CA 95112
Phone: 4083678200
Fax: 831-427-9185
Web: http://www.calwatergroup.com
Email: None

Industry	UTIL-WATER SPLY
Sector:	Utilities

Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	10/26/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	18.33
52 Week High	19.37
52 Week Low	16.65
Beta	0.28
20 Day Moving Average	287,887.44
Target Price Consensus	41



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-3.27	4 Week	7.42
12 Week	-0.97	12 Week	9.53
YTD	-1.64	YTD	3.17

Share Information		**Dividend Information**	
Shares Outstanding (millions)	41.75	Dividend Yield	3.36%
		Annual Dividend	$0.62
Market Capitalization (millions)	765.31	Payout Ratio	0.67
Short Ratio	3.95	Change in Payout Ratio	-0.04
Last Split Date	06/13/2011	Last Dividend Payout / Amount	08/04/2011 / $0.15

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.61	Current (1=Strong Buy, 5=Strong Sell)	2.11
Current Year EPS Consensus Estimate	1.08	30 Days Ago	2.11
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.11
Next EPS Report Date	10/26/2011	90 Days Ago	2.11

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	16.95	vs. Previous Year	16.00%	vs. Previous Year	11.05%
Trailing 12 Months:	19.92	vs. Previous Quarter	1,060.00%	vs. Previous Quarter:	33.88%
PEG Ratio	-				

Price Ratios		ROE		ROA	
Price/Book	1.75	06/30/11	8.84	06/30/11	2.27
Price/Cash Flow	9.10	03/31/11	8.52	03/31/11	2.21
Price / Sales	1.59	12/31/10	8.81	12/31/10	2.32
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	1.00	06/30/11	0.95	06/30/11	8.00
03/31/11	1.10	03/31/11	1.05	03/31/11	7.85
12/31/10	1.18	12/31/10	1.12	12/31/10	8.18
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	13.33	06/30/11	13.33	06/30/11	10.50
03/31/11	12.96	03/31/11	12.96	03/31/11	10.37
12/31/10	13.51	12/31/10	13.51	12/31/10	10.45
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	31.64	06/30/11	1.09	06/30/11	52.17
03/31/11	31.44	03/31/11	1.11	03/31/11	52.57
12/31/10	31.32	12/31/10	1.10	12/31/10	52.39

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INVESTMENT RESEARCH
Proven Ratings, Research & Recommendations
Zacks.com Quotes and Research

SJW CORP (NYSE)					Scottrade
SJW	21.90	▼-0.85	(-3.74%)	Vol. 45,773	16:03 ET

SJW CORP. is a holding company which operates through its wholly-ownedsubsidiaries, San Jose Water Co., SJW Land Co., and Western Precision, Inc.San Jose Water Co., is a public utility in the business of providing waterservice to a population of approximately 928,000 people. Their servicearea encompasses about 134 sq. miles in the metropolitan San Juan area.SJW Land Co. operates parking facilities located adjacent to the theirheadquarters and the San Jose area.

General Information

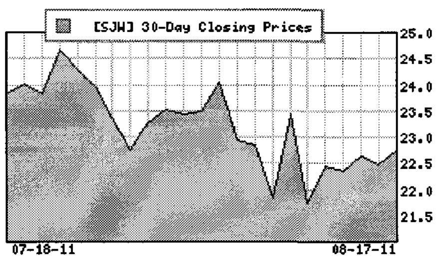
SJW CORP
110 W. TAYLOR STREET
SAN JOSE, CA 95110
Phone: 4082797800
Fax: 408-279-7917
Web: http://www.sjwater.com/
Email: boardofdirectors@sjwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities

Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	10/26/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	22.75
52 Week High	28.00
52 Week Low	20.89
Beta	0.65
20 Day Moving Average	47,296.85
Target Price Consensus	27



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-4.57	4 Week	5.97
12 Week	0.62	12 Week	11.29
YTD	-14.05	YTD	-9.96

Share Information		**Dividend Information**	
Shares Outstanding (millions)	18.58	Dividend Yield	3.03%
		Annual Dividend	$0.69
Market Capitalization (millions)	422.63	Payout Ratio	0.80
Short Ratio	13.50	Change in Payout Ratio	0.13
Last Split Date	03/17/2006	Last Dividend Payout / Amount	08/04/2011 / $0.17

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.53	Current (1=Strong Buy, 5=Strong Sell)	2.00
Current Year EPS Consensus Estimate	0.99	30 Days Ago	2.00
Estimated Long-Term EPS Growth Rate	-	60 Days Ago	2.00
Next EPS Report Date	10/26/2011	90 Days Ago	2.33

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	22.90	vs. Previous Year	20.83%	vs. Previous Year	9.01%
Trailing 12 Months:	26.45	vs. Previous Quarter	866.67%	vs. Previous Quarter:	35.04%
PEG Ratio	-				

Price Ratios		**ROE**		**ROA**	
Price/Book	1.66	06/30/11	6.33	06/30/11	1.68
Price/Cash Flow	9.60	03/31/11	5.98	03/31/11	1.61
Price / Sales	1.89	12/31/10	6.14	12/31/10	1.67
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	2.13	06/30/11	2.10	06/30/11	7.22
03/31/11	0.95	03/31/11	0.93	03/31/11	6.95
12/31/10	1.30	12/31/10	1.27	12/31/10	7.23
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	15.37	06/30/11	15.37	06/30/11	13.73
03/31/11	14.96	03/31/11	14.96	03/31/11	13.61
12/31/10	15.48	12/31/10	15.48	12/31/10	13.76
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	92.40	06/30/11	1.35	06/30/11	57.47
03/31/11	91.51	03/31/11	1.17	03/31/11	53.86
12/31/10	90.65	12/31/10	1.16	12/31/10	53.69

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AQUA AMERICA INC (NYSE)				Scottrade
WTR	21.26	▼-0.68	(-3.10%)	Vol. 769,308	16:03 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

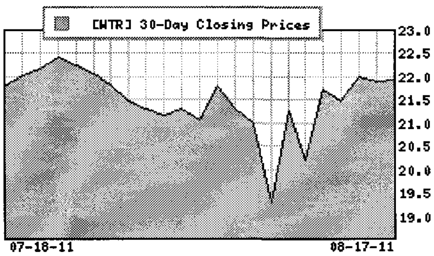
AQUA AMER INC
762 LANCASTER AVE
BRYN MAWR, PA 19010
Phone: 2155278000
Fax: 610-645-1061
Web: http://www.aquaamerica.com
Email: None

Industry	UTIL-WATER SPLY
Sector:	Utilities

Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	11/10/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	21.94
52 Week High	23.79
52 Week Low	18.90
Beta	0.23
20 Day Moving Average	941,310.38
Target Price Consensus	23.8



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-0.99	4 Week	9.95
12 Week	-0.72	12 Week	9.80
YTD	-2.40	YTD	1.99

Share Information		**Dividend Information**	
Shares Outstanding (millions)	138.22	Dividend Yield	2.83%
		Annual Dividend	$0.62
Market Capitalization (millions)	3,032.48	Payout Ratio	0.64
Short Ratio	9.27	Change in Payout Ratio	-0.05
Last Split Date	12/02/2005	Last Dividend Payout / Amount	NA / $0.00

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.33	Current (1=Strong Buy, 5=Strong Sell)	1.83
Current Year EPS Consensus Estimate	1.01	30 Days Ago	2.17
Estimated Long-Term EPS Growth Rate	6.50	60 Days Ago	2.17
Next EPS Report Date	11/10/2011	90 Days Ago	2.27

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	21.66	vs. Previous Year	13.64%	vs. Previous Year	5.48%
Trailing 12 Months:	22.62	vs. Previous Quarter	31.58%	vs. Previous Quarter:	9.87%
PEG Ratio	3.33				

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

Price/Book	2.50	06/30/11	11.25	06/30/11	3.26
Price/Cash Flow	12.31	03/31/11	11.08	03/31/11	3.22
Price / Sales	4.06	12/31/10	10.88	12/31/10	3.17
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	0.58	06/30/11	0.54	06/30/11	17.78
03/31/11	0.75	03/31/11	0.70	03/31/11	17.44
12/31/10	0.65	12/31/10	0.61	12/31/10	17.08
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	29.35	06/30/11	29.35	06/30/11	8.77
03/31/11	28.70	03/31/11	28.70	03/31/11	8.64
12/31/10	28.10	12/31/10	28.10	12/31/10	8.54
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	26.82	06/30/11	1.21	06/30/11	54.78
03/31/11	27.97	03/31/11	1.28	03/31/11	56.20
12/31/10	28.68	12/31/10	1.30	12/31/10	56.60

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AGL RESOURCES INC (NYSE)

Scottrade

AGL	37.83	-1.14	(-2.93%)	Vol. 400,293	16:03 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.

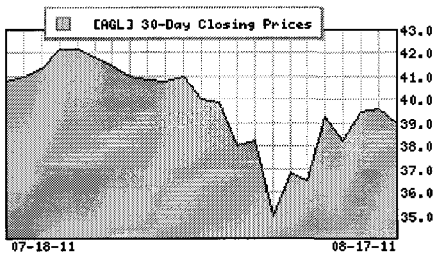
General Information

AGL RESOURCES
TEN PEACHTREE PLACE
ATLANTA, GA 30309
Phone: 4045844000
Fax: 404-584-3945
Web: http://www.aglresources.com
Email: scave@aglresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	11/08/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	38.97
52 Week High	42.40
52 Week Low	34.08
Beta	0.46
20 Day Moving Average	648,381.25
Target Price Consensus	42



% Price Change		% Price Change Relative to S&P 500	
4 Week	-5.66	4 Week	4.76
12 Week	-3.23	12 Week	7.03
YTD	8.70	YTD	13.77

Share Information		Dividend Information	
Shares Outstanding (millions)	78.26	Dividend Yield	4.62%
		Annual Dividend	$1.80
Market Capitalization (millions)	3,049.72	Payout Ratio	0.58
Short Ratio	13.25	Change in Payout Ratio	-0.02
Last Split Date	12/04/1995	Last Dividend Payout / Amount	NA / $0.00

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.29	Current (1=Strong Buy, 5=Strong Sell)	2.57
Current Year EPS Consensus Estimate	3.16	30 Days Ago	2.57
Estimated Long-Term EPS Growth Rate	4.00	60 Days Ago	2.57
Next EPS Report Date	11/08/2011	90 Days Ago	2.38

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	12.35	vs. Previous Year	94.12%	vs. Previous Year	4.46%
Trailing 12 Months:	12.53	vs. Previous Quarter	-79.75%	vs. Previous Quarter:	-57.29%
PEG Ratio	3.09				

Price Ratios		ROE		ROA	
Price/Book	1.59	06/30/11	12.98	06/30/11	3.39
Price/Cash Flow		03/31/11		03/31/11	

	7.65		12.49		3.28
Price / Sales	1.35	12/31/10	12.98	12/31/10	3.40
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	1.15	06/30/11	0.76	06/30/11	10.72
03/31/11	1.21	03/31/11	0.93	03/31/11	10.27
12/31/10	0.89	12/31/10	0.63	12/31/10	10.02
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	16.83	06/30/11	16.83	06/30/11	24.46
03/31/11	16.59	03/31/11	16.59	03/31/11	24.62
12/31/10	16.43	12/31/10	16.43	12/31/10	23.52
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	2.82	06/30/11	1.13	06/30/11	53.06
03/31/11	2.80	03/31/11	1.13	03/31/11	53.09
12/31/10	2.98	12/31/10	0.91	12/31/10	47.68

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ATMOS ENERGY CORP (NYSE)

Scottrade

ATO	31.94	-0.54	(-1.66%)	Vol. 554,096	16:01 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

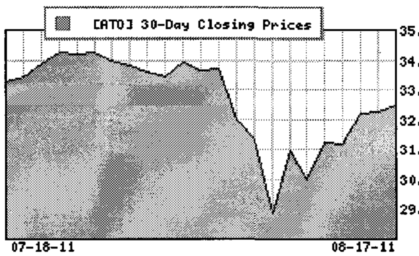
ATMOS ENERGY CP
1800 THREE LINCOLN CTR 5430 LBJ FREEWAY
DALLAS, TX 75240
Phone: 9729349227
Fax: 972-855-3040
Web: http://www.njresources.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	September
Last Completed Quarter	06/30/11
Next EPS Date	11/09/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	32.48
52 Week High	35.25
52 Week Low	28.01
Beta	0.53
20 Day Moving Average	553,990.63
Target Price Consensus	33.7



% Price Change		% Price Change Relative to S&P 500	
4 Week	-4.13	4 Week	6.46
12 Week	-1.37	12 Week	9.09
YTD	4.10	YTD	6.65

Share Information		Dividend Information	
Shares Outstanding (millions)	90.33	Dividend Yield	4.19%
		Annual Dividend	$1.36
Market Capitalization (millions)	2,933.92	Payout Ratio	0.62
Short Ratio	4.32	Change in Payout Ratio	0.00
Last Split Date	05/17/1994	Last Dividend Payout / Amount	05/23/2011 / $0.34

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.02	Current (1=Strong Buy, 5=Strong Sell)	2.83
Current Year EPS Consensus Estimate	2.28	30 Days Ago	2.83
Estimated Long-Term EPS Growth Rate	4.50	60 Days Ago	2.86
Next EPS Report Date	11/09/2011	90 Days Ago	2.86

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	14.26	vs. Previous Year	-44.44%	vs. Previous Year	10.81%
Trailing 12 Months:	14.83	vs. Previous Quarter	-96.24%	vs. Previous Quarter:	-47.84%
PEG Ratio	3.17				

Price Ratios		ROE		ROA	
Price/Book	1.26	06/30/11	8.70	06/30/11	2.85
Price/Cash Flow	6.88	03/31/11	8.87	03/31/11	2.94
Price / Sales	0.66	12/31/10	9.52	12/31/10	3.17
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	1.53	06/30/11	1.13	06/30/11	4.52
03/31/11	0.91	03/31/11	0.70	03/31/11	4.68
12/31/10	0.86	12/31/10	0.63	12/31/10	4.66
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	7.42	06/30/11	7.42	06/30/11	25.86
03/31/11	7.50	03/31/11	7.50	03/31/11	26.19
12/31/10	6.52	12/31/10	6.52	12/31/10	25.16
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	12.31	06/30/11	0.94	06/30/11	48.57
03/31/11	12.01	03/31/11	0.76	03/31/11	43.22
12/31/10	13.40	12/31/10	0.79	12/31/10	44.27

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LACLEDE GROUP INC (NYSE)

Scottrade

LG	36.34	-1.00	(-2.68%)	Vol. 135,161	16:02 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.

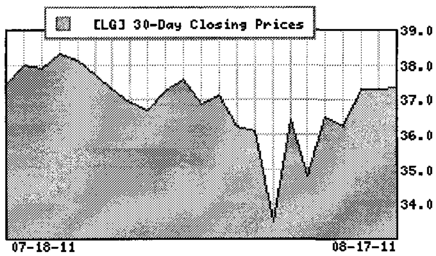
General Information

LACLEDE GRP INC
720 OLIVE ST
ST LOUIS, MO 63101
Phone: 3143420500
Fax: 314-421-1979
Web: http://www.thelacledegroup.com
Email: investorservices@lacledegas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	06/30/11
Next EPS Date	10/28/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	37.34
52 Week High	39.99
52 Week Low	32.55
Beta	0.08
20 Day Moving Average	131,482.75
Target Price Consensus	N/A



% Price Change		% Price Change Relative to S&P 500	
4 Week	-1.50	4 Week	9.38
12 Week	0.32	12 Week	10.96
YTD	2.19	YTD	5.84

Share Information		Dividend Information	
Shares Outstanding (millions)	22.41	Dividend Yield	4.34%
		Annual Dividend	$1.62
Market Capitalization (millions)	836.75	Payout Ratio	0.56
Short Ratio	7.81	Change in Payout Ratio	-0.05
Last Split Date	03/08/1994	Last Dividend Payout / Amount	06/08/2011 / $0.41

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	-0.09	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.52	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	3.00	60 Days Ago	3.00
Next EPS Report Date	10/28/2011	90 Days Ago	3.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	14.82	vs. Previous Year	225.00%	vs. Previous Year	6.09%
Trailing 12 Months:	13.01	vs. Previous Quarter	-47.15%	vs. Previous Quarter:	-36.69%
PEG Ratio	4.94				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.44	06/30/11	11.46	06/30/11	3.57

Price/Cash Flow	8.86	03/31/11	9.80	03/31/11	3.00
Price / Sales	0.52	12/31/10	9.84	12/31/10	2.95
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	1.86	06/30/11	1.48	06/30/11	3.96
03/31/11	1.86	03/31/11	1.53	03/31/11	3.38
12/31/10	1.39	12/31/10	0.97	12/31/10	3.18
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	5.91	06/30/11	5.91	06/30/11	25.86
03/31/11	5.12	03/31/11	5.12	03/31/11	25.43
12/31/10	4.83	12/31/10	4.83	12/31/10	24.51
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	12.61	06/30/11	0.63	06/30/11	38.60
03/31/11	12.55	03/31/11	0.64	03/31/11	39.03
12/31/10	13.41	12/31/10	0.66	12/31/10	39.91

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NEW JERSEY RES (NYSE)					Scottrade
NJR	43.56	▼-1.60	(-3.54%)	Vol. 246,440	16:00 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.

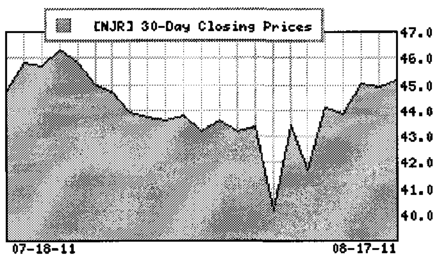
General Information

NJ RESOURCES
1415 WYCKOFF RD PO BOX 1468
WALL, NJ 07719
Phone: 9089381494
Fax: 732-938-2134
Web: http://www.njresources.com
Email: dpuma@njresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	06/30/11
Next EPS Date	11/22/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	45.16
52 Week High	46.60
52 Week Low	36.09
Beta	0.20
20 Day Moving Average	245,034.80
Target Price Consensus	46



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-1.16	4 Week	9.76
12 Week	-0.42	12 Week	10.14
YTD	4.76	YTD	8.54

Share Information		**Dividend Information**	
Shares Outstanding (millions)	41.37	Dividend Yield	3.19%
		Annual Dividend	$1.44
Market Capitalization (millions)	1,868.31	Payout Ratio	0.57
Short Ratio	16.37	Change in Payout Ratio	0.03
Last Split Date	03/04/2008	Last Dividend Payout / Amount	06/13/2011 / $0.36

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	0.03	Current (1=Strong Buy, 5=Strong Sell)	2.83
Current Year EPS Consensus Estimate	2.62	30 Days Ago	2.67
Estimated Long-Term EPS Growth Rate	4.00	60 Days Ago	2.67
Next EPS Report Date	11/22/2011	90 Days Ago	2.43

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	17.25	vs. Previous Year	-17.86%	vs. Previous Year	35.07%
Trailing 12 Months:	17.99	vs. Previous Quarter	-85.71%	vs. Previous Quarter:	-33.66%
PEG Ratio	4.31				

Price Ratios		ROE		ROA	
Price/Book	2.35	06/30/11	13.74	06/30/11	4.04
Price/Cash Flow	13.79	03/31/11	14.25	03/31/11	4.17
Price / Sales	0.63	12/31/10	13.92	12/31/10	4.05
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	1.18	06/30/11	0.77	06/30/11	3.52
03/31/11	1.21	03/31/11	0.87	03/31/11	3.80
12/31/10	1.09	12/31/10	0.65	12/31/10	3.77
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	4.85	06/30/11	4.85	06/30/11	19.25
03/31/11	3.49	03/31/11	3.49	03/31/11	18.95
12/31/10	4.61	12/31/10	4.61	12/31/10	17.86
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	9.08	06/30/11	0.54	06/30/11	34.97
03/31/11	8.46	03/31/11	0.55	03/31/11	35.39
12/31/10	8.34	12/31/10	0.59	12/31/10	36.96

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NORTHWEST NAT GAS CO (NYSE)					Scottrade
NWN	42.59	▼-1.16	(-2.65%)	Vol. 150,096	16:03 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.

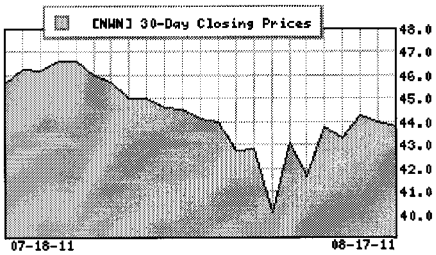
General Information

NORTHWEST NAT G
220 NW SECOND AVE
PORTLAND, OR -
Phone: 5032264211
Fax: 503-273-4824
Web: www.nwnatural.com
Email: Bob.Hess@nwnatural.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	11/04/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	43.75
52 Week High	50.86
52 Week Low	39.63
Beta	0.31
20 Day Moving Average	174,207.41
Target Price Consensus	47.33



% Price Change		% Price Change Relative to S&P 500	
4 Week	-5.30	4 Week	5.16
12 Week	-2.32	12 Week	8.03
YTD	-5.85	YTD	-0.68

Share Information		Dividend Information	
Shares Outstanding (millions)	26.67	Dividend Yield	3.98%
		Annual Dividend	$1.74
Market Capitalization (millions)	1,166.94	Payout Ratio	0.67
Short Ratio	25.89	Change in Payout Ratio	0.08
Last Split Date	09/09/1996	Last Dividend Payout / Amount	07/27/2011 / $0.44

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	-0.32	Current (1=Strong Buy, 5=Strong Sell)	2.11
Current Year EPS Consensus Estimate	2.57	30 Days Ago	2.33
Estimated Long-Term EPS Growth Rate	4.40	60 Days Ago	2.33
Next EPS Report Date	11/04/2011	90 Days Ago	2.50

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.05	vs. Previous Year	-3.85%	vs. Previous Year	-0.72%
Trailing 12 Months:	16.76	vs. Previous Quarter	-83.66%	vs. Previous Quarter:	-50.11%
PEG Ratio	3.90				

Price Ratios	ROE	ROA

Price/Book	1.63	06/30/11	9.91	06/30/11	2.73
Price/Cash Flow	8.46	03/31/11	10.04	03/31/11	2.78
Price / Sales	1.38	12/31/10	10.56	12/31/10	2.93
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	0.60	06/30/11	0.41	06/30/11	8.20
03/31/11	0.66	03/31/11	0.54	03/31/11	8.23
12/31/10	0.71	12/31/10	0.53	12/31/10	8.95
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	12.91	06/30/11	12.91	06/30/11	26.79
03/31/11	13.80	03/31/11	13.80	03/31/11	27.12
12/31/10	15.04	12/31/10	15.04	12/31/10	26.02
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	7.93	06/30/11	0.77	06/30/11	43.57
03/31/11	7.69	03/31/11	0.76	03/31/11	43.27
12/31/10	6.85	12/31/10	0.85	12/31/10	46.05

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PIEDMONT NAT GAS INC (NYSE)				Scottrade	
PNY	28.30	▾-0.96	(-3.28%)	Vol. 455,439	16:01 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

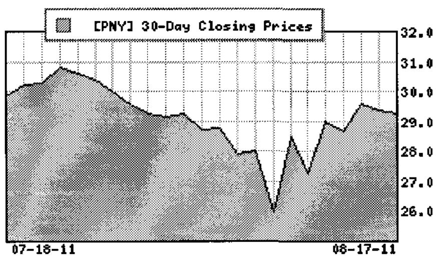
PIEDMONT NAT GA
4720 PIEDMONT ROW DR
CHARLOTTE, NC 28233
Phone: 7043643120
Fax: 704-365-3849
Web: http://www.piedmontng.com
Email: investorrelations@piedmontng.com

Industry	UTIL-GAS DISTR
Sector:	Utilities

Fiscal Year End	October
Last Completed Quarter	07/31/11
Next EPS Date	09/08/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	29.26
52 Week High	32.00
52 Week Low	25.86
Beta	0.27
20 Day Moving Average	387,267.31
Target Price Consensus	28.5



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-3.43	4 Week	7.24
12 Week	-5.46	12 Week	4.56
YTD	4.65	YTD	9.43

Share Information		**Dividend Information**	
Shares Outstanding (millions)	71.98	Dividend Yield	3.96%
		Annual Dividend	$1.16
Market Capitalization (millions)	2,106.05	Payout Ratio	0.00
Short Ratio	11.91	Change in Payout Ratio	0.00
Last Split Date	11/01/2004	Last Dividend Payout / Amount	06/22/2011 / $0.29

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	-0.12	Current (1=Strong Buy, 5=Strong Sell)	2.86
Current Year EPS Consensus Estimate	1.58	30 Days Ago	2.86
Estimated Long-Term EPS Growth Rate	4.80	60 Days Ago	2.83
Next EPS Report Date	09/08/2011	90 Days Ago	3.43

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	18.52	vs. Previous Year	1.54%	vs. Previous Year	-16.98%
Trailing 12 Months:	18.64	vs. Previous Quarter	-43.10%	vs. Previous Quarter:	-39.80%
PEG Ratio	3.89				

Price Ratios		ROE		ROA	
Price/Book	2.01	07/31/11	-	07/31/11	-
Price/Cash Flow	9.85	04/30/11	11.28	04/30/11	3.66
Price / Sales	-	01/31/11	11.31	01/31/11	3.67
Current Ratio		**Quick Ratio**		**Operating Margin**	
07/31/11	-	07/31/11	-	07/31/11	-
04/30/11	0.45	04/30/11	0.30	04/30/11	7.81
01/31/11	0.78	01/31/11	0.62	01/31/11	7.36
Net Margin		**Pre-Tax Margin**		**Book Value**	
07/31/11	-	07/31/11	-	07/31/11	-
04/30/11	12.69	04/30/11	12.69	04/30/11	14.59
01/31/11	11.99	01/31/11	11.99	01/31/11	14.02
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
07/31/11	-	07/31/11	-	07/31/11	-
04/30/11	11.17	04/30/11	0.45	04/30/11	31.21
01/31/11	11.84	01/31/11	0.66	01/31/11	39.82

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SOUTH JERSEY INDS INC (NYSE)				Scottrade
SJI 47.67	-1.11	(-2.28%)	Vol. 331,101	16:01 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.

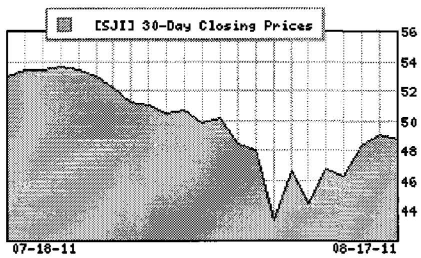
General Information

SOUTH JERSEY IN
1 SOUTH JERSEY PLAZA. ROUTE 54
FOLSOM, NJ 08037
Phone: 609-561-9000
Fax: 609-561-8225
Web: http://www.sjindustries.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	11/07/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	48.78
52 Week High	58.03
52 Week Low	42.85
Beta	0.32
20 Day Moving Average	198,225.66
Target Price Consensus	59.5



% Price Change		% Price Change Relative to S&P 500	
4 Week	-8.72	4 Week	1.37
12 Week	-11.58	12 Week	-2.21
YTD	-7.65	YTD	-6.50

Share Information		Dividend Information	
Shares Outstanding (millions)	29.95	Dividend Yield	2.99%
		Annual Dividend	$1.46
Market Capitalization (millions)	1,461.11	Payout Ratio	0.52
Short Ratio	9.46	Change in Payout Ratio	0.00
Last Split Date	07/01/2005	Last Dividend Payout / Amount	06/08/2011 / $0.37

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.07	Current (1=Strong Buy, 5=Strong Sell)	1.40
Current Year EPS Consensus Estimate	3.01	30 Days Ago	1.80
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	1.50
Next EPS Report Date	11/07/2011	90 Days Ago	1.50

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.21	vs. Previous Year	-16.67%	vs. Previous Year	5.82%
Trailing 12 Months:	17.42	vs. Previous Quarter	-87.73%	vs. Previous Quarter:	-51.65%
PEG Ratio	2.70				

Price Ratios	ROE	ROA

Price/Book	2.41	06/30/11	14.33	06/30/11	4.15
Price/Cash Flow	11.60	03/31/11	14.89	03/31/11	4.34
Price / Sales	1.56	12/31/10	14.42	12/31/10	4.22
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	0.76	06/30/11	0.64	06/30/11	8.96
03/31/11	0.76	03/31/11	0.70	03/31/11	9.19
12/31/10	0.66	12/31/10	0.55	12/31/10	8.75
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	12.59	06/30/11	12.59	06/30/11	20.24
03/31/11	12.73	03/31/11	12.73	03/31/11	20.42
12/31/10	10.72	12/31/10	10.72	12/31/10	19.08
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	11.60	06/30/11	0.70	06/30/11	41.29
03/31/11	10.02	03/31/11	0.66	03/31/11	39.68
12/31/10	9.14	12/31/10	0.60	12/31/10	37.36

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SOUTHWEST GAS CORP (NYSE)				Scottrade	
SWX	34.32	▼-1.21	(-3.41%)	Vol. 471,109	16:04 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.

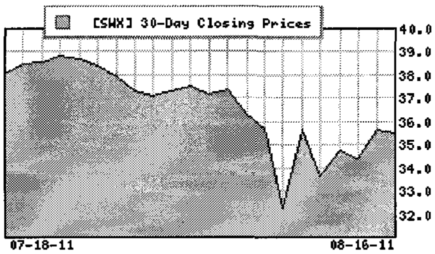
General Information

SOUTHWEST GAS
5241 SPRING MOUNTAIN . PO BOX 98510RD
LAS VEGAS, NV 89193-8510
Phone: 7028767237
Fax: 702-876-7037
Web: http://www.swgas.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Completed Quarter	06/30/11
Next EPS Date	11/07/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	35.53
52 Week High	40.59
52 Week Low	30.11
Beta	0.75
20 Day Moving Average	354,040.84
Target Price Consensus	36.25



% Price Change		**% Price Change Relative to S&P 500**	
4 Week	-7.91	4 Week	2.27
12 Week	-7.64	12 Week	2.15
YTD	-3.11	YTD	-0.03

Share Information		**Dividend Information**	
Shares Outstanding (millions)	45.85	Dividend Yield	2.98%
		Annual Dividend	$1.06
Market Capitalization (millions)	1,629.02	Payout Ratio	0.41
Short Ratio	7.00	Change in Payout Ratio	-0.05
Last Split Date	N/A	Last Dividend Payout / Amount	08/11/2011 / $0.26

EPS Information		**Consensus Recommendations**	
Current Quarter EPS Consensus Estimate	-0.20	Current (1=Strong Buy, 5=Strong Sell)	3.14
Current Year EPS Consensus Estimate	2.22	30 Days Ago	3.14
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	3.14
Next EPS Report Date	11/07/2011	90 Days Ago	3.14

Fundamental Ratios

P/E		**EPS Growth**		**Sales Growth**	
Current FY Estimate:	15.99	vs. Previous Year	250.00%	vs. Previous Year	0.69%
Trailing 12 Months:	13.66	vs. Previous Quarter	-97.97%	vs. Previous Quarter:	-38.18%
PEG Ratio	2.66				
Price Ratios		**ROE**		**ROA**	
Price/Book	1.33	06/30/11	10.11	06/30/11	3.07
Price/Cash Flow		03/31/11		03/31/11	

	6.12		10.09		3.04
Price / Sales	0.91	12/31/10	9.90	12/31/10	2.96
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	0.52	06/30/11	0.52	06/30/11	6.68
03/31/11	0.82	03/31/11	0.82	03/31/11	6.56
12/31/10	0.75	12/31/10	0.75	12/31/10	6.20
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	9.49	06/30/11	9.49	06/30/11	26.66
03/31/11	9.24	03/31/11	9.24	03/31/11	26.87
12/31/10	8.65	12/31/10	8.65	12/31/10	25.62
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	-	06/30/11	0.77	06/30/11	43.51
03/31/11	-	03/31/11	0.91	03/31/11	47.70
12/31/10	-	12/31/10	0.96	12/31/10	49.08

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WGL HLDGS INC (NYSE)					Scottrade
WGL	37.39	▼-1.42	(-3.66%)	Vol. 543,815	16:02 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.

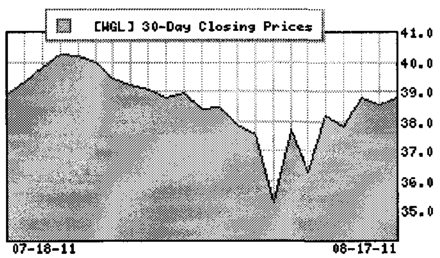
General Information

WGL HLDGS INC
101 CONSTITUTION AVE N.W.
WASHINGTON, DC 20080
Phone: 2026246011
Fax: 703-750-4828
Web: http://www.wglholdings.com
Email: robertdennis@washgas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Completed Quarter	06/30/11
Next EPS Date	11/16/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	38.81
52 Week High	40.44
52 Week Low	34.69
Beta	0.25
20 Day Moving Average	388,177.34
Target Price Consensus	39



% Price Change		% Price Change Relative to S&P 500	
4 Week	-2.46	4 Week	8.32
12 Week	-0.51	12 Week	10.03
YTD	8.50	YTD	12.77

Share Information		Dividend Information	
Shares Outstanding (millions)	51.23	Dividend Yield	3.99%
		Annual Dividend	$1.55
Market Capitalization (millions)	1,988.08	Payout Ratio	0.70
Short Ratio	7.24	Change in Payout Ratio	0.07
Last Split Date	05/02/1995	Last Dividend Payout / Amount	07/18/2011 / $0.78

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	-0.36	Current (1=Strong Buy, 5=Strong Sell)	2.43
Current Year EPS Consensus Estimate	2.20	30 Days Ago	2.43
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.43
Next EPS Report Date	11/16/2011	90 Days Ago	2.43

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.67	vs. Previous Year	57.14%	vs. Previous Year	6.66%
Trailing 12 Months:	17.40	vs. Previous Quarter	-101.96%	vs. Previous Quarter:	-51.80%
PEG Ratio	3.37				

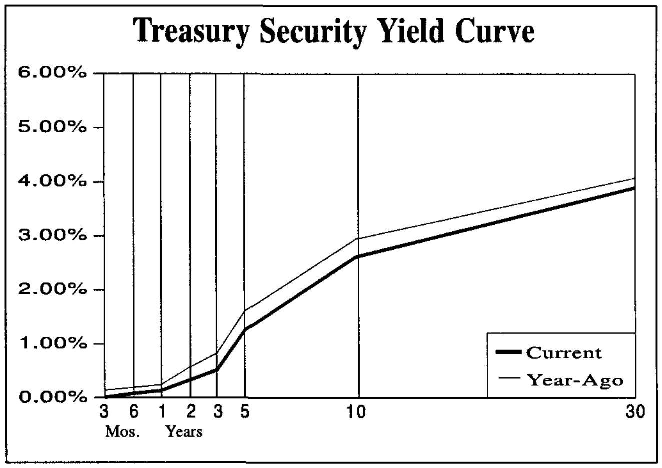
Price Ratios		ROE		ROA	

Price/Book	1.59	06/30/11	9.39	06/30/11	2.98
Price/Cash Flow	9.24	03/31/11	9.35	03/31/11	3.01
Price / Sales	0.72	12/31/10	9.82	12/31/10	3.17
Current Ratio		**Quick Ratio**		**Operating Margin**	
06/30/11	1.43	06/30/11	1.03	06/30/11	4.13
03/31/11	1.51	03/31/11	1.33	03/31/11	4.11
12/31/10	1.30	12/31/10	1.00	12/31/10	4.19
Net Margin		**Pre-Tax Margin**		**Book Value**	
06/30/11	7.39	06/30/11	7.39	06/30/11	24.44
03/31/11	7.91	03/31/11	7.91	03/31/11	24.73
12/31/10	7.74	12/31/10	7.74	12/31/10	23.53
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
06/30/11	10.89	06/30/11	0.47	06/30/11	31.44
03/31/11	11.39	03/31/11	0.49	03/31/11	32.24
12/31/10	11.69	12/31/10	0.53	12/31/10	34.15

ATTACHMENT D

Selected Yields

	Recent (8/03/11)	3 Months Ago (5/04/11)	Year Ago (8/04/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.28	0.22	0.28
3-month LIBOR	0.27	0.27	0.42
Bank CDs			
6-month	0.26	0.28	0.38
1-year	0.44	0.46	0.67
5-year	1.62	1.71	1.99
U.S. Treasury Securities			
3-month	0.01	0.02	0.15
6-month	0.08	0.06	0.19
1-year	0.14	0.18	0.25
5-year	1.26	1.94	1.61
10-year	2.62	3.22	2.95
10-year (inflation-protected)	0.28	0.66	1.10
30-year	3.90	4.32	4.08
30-year Zero	4.27	4.66	4.40



	Recent (8/03/11)	3 Months Ago (5/04/11)	Year Ago (8/04/10)
Mortgage-Backed Securities			
GNMA 5.5%	1.82	2.56	1.46
FHLMC 5.5% (Gold)	2.43	2.90	1.70
FNMA 5.5%	2.36	2.81	1.53
FNMA ARM	2.49	2.53	2.95
Corporate Bonds			
Financial (10-year) A	4.09	4.48	4.48
Industrial (25/30-year) A	4.93	5.26	5.20
Utility (25/30-year) A	4.87	5.39	5.28
Utility (25/30-year) Baa/BBB	5.43	5.84	5.77
Foreign Bonds (10-Year)			
Canada	2.67	3.12	3.16
Germany	2.40	3.30	2.60
Japan	1.02	1.21	1.00
United Kingdom	2.74	3.80	3.29
Preferred Stocks			
Utility A	6.05	6.06	6.08
Financial A	6.33	6.47	6.54
Financial Adjustable A	5.50	5.51	5.51
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.47	4.86	4.21
25-Bond Index (Revs)	5.62	5.51	4.80
General Obligation Bonds (GOs)			
1-year Aaa	0.21	0.31	0.23
1-year A	0.96	1.17	1.11
5-year Aaa	1.20	1.57	1.33
5-year A	2.18	2.67	2.33
10-year Aaa	2.87	3.10	2.76
10-year A	4.18	4.35	3.93
25/30-year Aaa	4.28	4.58	4.37
25/30-year A	5.77	6.04	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.83	5.07	4.74
Electric AA	5.16	5.26	4.76
Housing AA	5.80	5.95	5.66
Hospital AA	5.08	5.55	4.96
Toll Road Aaa	4.90	5.24	4.73

Federal Reserve Data

BANK RESERVES

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

	Recent Levels			Average Levels Over the Last...		
	7/27/11	7/13/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1607788	1634387	-26599	1557624	1415889	1212882
Borrowed Reserves	12307	12631	-324	14004	17520	33937
Net Free/Borrowed Reserves	1595481	1621756	-26275	1543620	1398369	1178946

MONEY SUPPLY

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

	Recent Levels			Ann'l Growth Rates Over the Last...		
	7/18/11	7/11/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1976.5	1976.0	0.5	20.5%	14.3%	14.7%
M2 (M1+savings+small time deposits)	9292.5	9258.4	34.1	15.8%	9.9%	8.0%

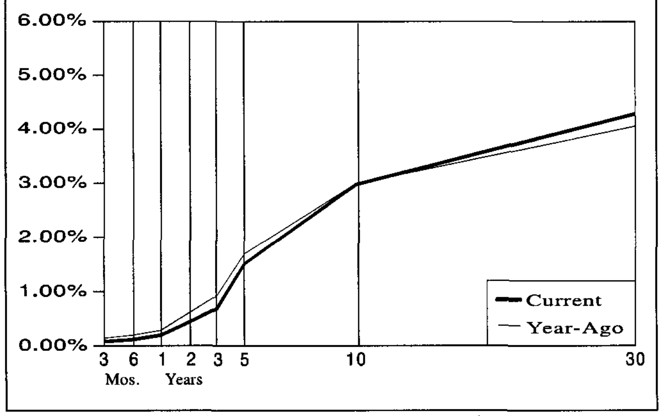
Selected Yields

TAXABLE

	Recent (7/27/11)	3 Months Ago (4/27/11)	Year Ago (7/28/10)
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.22	0.24	0.29
3-month LIBOR	0.25	0.27	0.48
Bank CDs			
6-month	0.26	0.28	0.39
1-year	0.44	0.46	0.68
5-year	1.62	1.71	1.98
U.S. Treasury Securities			
3-month	0.08	0.05	0.15
6-month	0.12	0.11	0.20
1-year	0.20	0.20	0.29
5-year	1.52	2.02	1.70
10-year	2.98	3.36	2.99
10-year (inflation-protected)	0.46	0.77	1.19
30-year	4.29	4.45	4.06
30-year Zero	4.69	4.79	4.34

	Recent (7/27/11)	3 Months Ago (4/27/11)	Year Ago (7/28/10)
Mortgage-Backed Securities			
GNMA 5.5%	2.04	2.72	1.33
FHLMC 5.5% (Gold)	2.68	2.94	1.42
FNMA 5.5%	2.58	2.87	1.35
FNMA ARM	2.51	2.62	2.94
Corporate Bonds			
Financial (10-year) A	4.42	4.68	4.62
Industrial (25/30-year) A	5.30	5.40	5.18
Utility (25/30-year) A	5.28	5.53	5.26
Utility (25/30-year) Baa/BBB	5.82	5.95	5.82
Foreign Bonds (10-Year)			
Canada	2.88	3.27	3.23
Germany	2.65	3.29	2.75
Japan	1.09	1.22	1.10
United Kingdom	2.98	3.57	3.49
Preferred Stocks			
Utility A	5.14	5.65	6.08
Financial A	6.07	6.46	6.53
Financial Adjustable A	5.50	5.50	5.50

Treasury Security Yield Curve



TAX-EXEMPT

	Recent (7/27/11)	3 Months Ago (4/27/11)	Year Ago (7/28/10)
Bond Buyer Indexes			
20-Bond Index (GOs)	4.46	4.98	4.26
25-Bond Index (Revs)	5.32	5.54	4.78
General Obligation Bonds (GOs)			
1-year Aaa	0.21	0.27	0.25
1-year A	1.01	1.13	1.12
5-year Aaa	1.27	1.66	1.36
5-year A	2.27	2.75	2.32
10-year Aaa	2.92	3.28	2.78
10-year A	4.23	4.41	3.93
25/30-year Aaa	4.34	4.75	4.37
25/30-year A	5.83	6.07	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.87	5.15	4.75
Electric AA	5.19	5.28	4.77
Housing AA	5.84	5.97	5.61
Hospital AA	5.12	5.60	4.96
Toll Road Aaa	4.92	5.29	4.74

Federal Reserve Data

BANK RESERVES

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

	Recent Levels			Average Levels Over the Last...		
	7/13/11	6/29/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1634389	1567447	66942	1538573	1373150	1191501
Borrowed Reserves	12631	13067	-436	14808	19824	35959
Net Free/Borrowed Reserves	1621758	1554380	67378	1523766	1353326	1155542

MONEY SUPPLY

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

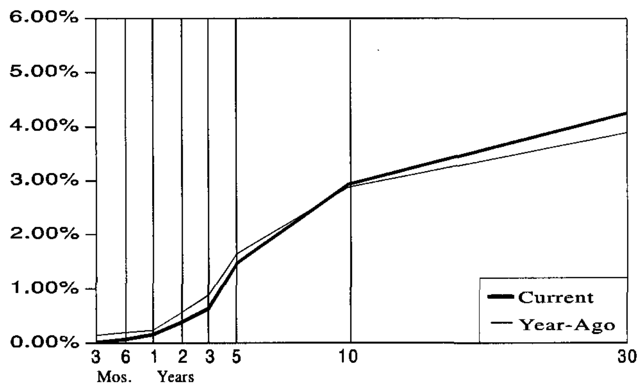
	Recent Levels			Ann'l Growth Rates Over the Last...		
	7/11/11	7/4/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1976.1	1997.0	-20.9	21.6%	18.1%	14.3%
M2 (M1+savings+small time deposits)	9258.9	9252.4	6.5	14.8%	10.3%	7.7%

Selected Yields

	Recent (7/20/11)	3 Months Ago (4/20/11)	Year Ago (7/21/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.21	0.17	0.31
3-month LIBOR	0.25	0.27	0.51
Bank CDs			
6-month	0.26	0.29	0.39
1-year	0.45	0.47	0.68
5-year	1.62	1.71	1.99
U.S. Treasury Securities			
3-month	0.02	0.06	0.15
6-month	0.07	0.11	0.19
1-year	0.16	0.21	0.24
5-year	1.47	2.12	1.64
10-year	2.93	3.41	2.88
10-year (inflation-protected)	0.54	0.78	1.14
30-year	4.25	4.47	3.89
30-year Zero	4.65	4.79	4.14

	Recent (7/20/11)	3 Months Ago (4/20/11)	Year Ago (7/21/10)
Mortgage-Backed Securities			
GNMA 6.5%	2.06	2.85	1.32
FHLMC 6.5% (Gold)	2.64	3.07	1.19
FNMA 6.5%	2.55	2.99	1.05
FNMA ARM	2.51	2.62	2.94
Corporate Bonds			
Financial (10-year) A	4.45	4.71	4.51
Industrial (25/30-year) A	5.32	5.45	5.03
Utility (25/30-year) A	5.27	5.57	5.13
Utility (25/30-year) Baa/BBB	5.78	6.03	5.65
Foreign Bonds (10-Year)			
Canada	2.95	3.33	3.16
Germany	2.77	3.31	2.64
Japan	1.09	1.24	1.10
United Kingdom	3.07	3.58	3.35
Preferred Stocks			
Utility A	5.12	5.59	6.08
Financial A	6.07	6.45	6.82
Financial Adjustable A	5.49	5.49	5.49
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.51	5.06	4.37
25-Bond Index (Revs)	5.30	5.58	4.77
General Obligation Bonds (GOs)			
1-year Aaa	0.20	0.33	0.28
1-year A	1.04	1.18	1.15
5-year Aaa	1.27	1.74	1.43
5-year A	2.34	2.81	2.38
10-year Aaa	2.91	3.37	2.82
10-year A	4.24	4.49	3.94
25/30-year Aaa	4.34	4.80	4.37
25/30-year A	5.85	6.12	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.87	5.19	4.76
Electric AA	5.19	5.32	4.78
Housing AA	5.80	6.01	5.65
Hospital AA	5.12	5.65	4.96
Toll Road Aaa	4.92	5.33	4.75

Treasury Security Yield Curve



Federal Reserve Data

BANK RESERVES

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

	Recent Levels 7/13/11	6/29/11	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1634388	1567447	66941	1538573	1373150	1191501
Borrowed Reserves	12631	13067	-436	14808	19824	35959
Net Free/Borrowed Reserves	1621757	1554380	67377	1523766	1353326	1155542

MONEY SUPPLY

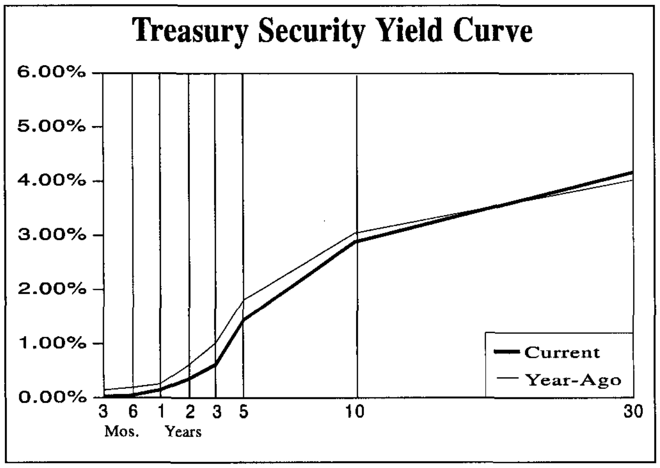
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels 7/4/11	6/27/11	Change	Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1997.5	1949.4	48.1	21.8%	19.3%	15.9%
M2 (M1+savings+small time deposits)	9253.4	9164.7	88.7	14.8%	10.4%	7.9%

Selected Yields

	Recent (7/13/11)	3 Months Ago (4/13/11)	Year Ago (7/14/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.23	0.23	0.31
3-month LIBOR	0.25	0.28	0.53
Bank CDs			
6-month	0.26	0.29	0.40
1-year	0.44	0.47	0.68
5-year	1.61	1.71	2.00
U.S. Treasury Securities			
3-month	0.03	0.05	0.15
6-month	0.05	0.10	0.19
1-year	0.15	0.22	0.26
5-year	1.44	2.17	1.81
10-year	2.88	3.46	3.04
10-year (inflation-protected)	0.52	0.84	1.16
30-year	4.17	4.54	4.03
30-year Zero	4.55	4.88	4.27

	Recent (7/13/11)	3 Months Ago (4/13/11)	Year Ago (7/14/10)
Mortgage-Backed Securities			
GNMA 5.5%	2.11	2.97	1.44
FHLMC 5.5% (Gold)	2.66	3.32	1.35
FNMA 5.5%	2.56	3.22	1.21
FNMA ARM	2.51	2.62	2.94
Corporate Bonds			
Financial (10-year) A	4.37	4.72	4.63
Industrial (25/30-year) A	5.26	5.52	5.19
Utility (25/30-year) A	5.20	5.66	5.29
Utility (25/30-year) Baa/BBB	5.75	6.05	5.80
Foreign Bonds (10-Year)			
Canada	2.93	3.37	3.27
Germany	2.75	3.44	2.66
Japan	1.11	1.32	1.15
United Kingdom	3.12	3.71	3.40
Preferred Stocks			
Utility A	5.22	5.83	6.08
Financial A	6.03	6.44	6.52
Financial Adjustable A	5.49	5.49	5.49



	Recent (7/13/11)	3 Months Ago (4/13/11)	Year Ago (7/14/10)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.65	5.04	4.36
25-Bond Index (Revs)	5.36	5.61	4.79
General Obligation Bonds (GOs)			
1-year Aaa	0.20	0.34	0.30
1-year A	1.04	1.20	1.18
5-year Aaa	1.32	1.83	1.50
5-year A	2.40	2.89	2.50
10-year Aaa	2.90	3.46	2.90
10-year A	4.20	4.62	4.01
25/30-year Aaa	4.34	4.86	4.38
25/30-year A	5.85	6.13	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.87	5.19	4.76
Electric AA	5.19	5.34	4.78
Housing AA	5.84	6.16	5.64
Hospital AA	5.13	5.65	4.96
Toll Road Aaa	4.93	5.33	4.75

Federal Reserve Data

BANK RESERVES

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

	Recent Levels			Average Levels Over the Last...		
	6/29/11	6/15/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1567472	1609842	-42370	1509592	1327214	1169010
Borrowed Reserves	13067	13384	-317	15745	22161	38033
Net Free/Borrowed Reserves	1554405	1596458	-42053	1493847	1305053	1130977

MONEY SUPPLY

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

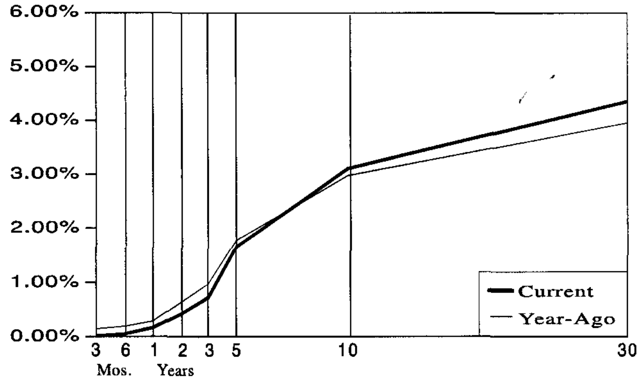
	Recent Levels			Growth Rates Over the Last...		
	6/27/11	6/20/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1954.8	1945.6	9.2	11.2%	12.8%	12.3%
M2 (M1+savings+small time deposits)	9144.2	9068.1	76.1	11.6%	7.1%	6.0%

Selected Yields

	Recent (7/06/11)	3 Months Ago (4/06/11)	Year Ago (7/07/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.18	0.27	0.31
3-month LIBOR	0.25	0.29	0.53
Bank CDs			
6-month	0.26	0.29	0.40
1-year	0.44	0.47	0.69
5-year	1.63	1.71	2.00
U.S. Treasury Securities			
3-month	0.01	0.06	0.15
6-month	0.05	0.13	0.19
1-year	0.17	0.28	0.29
5-year	1.66	2.31	1.78
10-year	3.11	3.55	2.98
10-year (inflation-protected)	0.68	0.96	1.24
30-year	4.36	4.60	3.96
30-year Zero	4.75	4.92	4.19

	Recent (7/06/11)	3 Months Ago (4/06/11)	Year Ago (7/07/10)
Mortgage-Backed Securities			
GNMA 5.5%	2.32	2.84	1.55
FHLMC 5.5% (Gold)	2.91	3.46	1.13
FNMA 5.5%	2.81	3.40	1.23
FNMA ARM	2.51	2.62	2.94
Corporate Bonds			
Financial (10-year) A	4.55	4.85	4.57
Industrial (25/30-year) A	5.44	5.59	5.14
Utility (25/30-year) A	5.40	5.66	5.26
Utility (25/30-year) Baa/BBB	5.93	6.16	5.76
Foreign Bonds (10-Year)			
Canada	3.04	3.42	3.17
Germany	2.93	3.43	2.60
Japan	1.18	1.30	1.15
United Kingdom	3.25	3.76	3.36
Preferred Stocks			
Utility A	5.17	5.89	6.08
Financial A	6.03	5.84	6.52
Financial Adjustable A	5.48	5.48	5.48
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.59	5.00	4.38
25-Bond Index (Revs)	5.34	5.56	4.84
General Obligation Bonds (GOs)			
1-year Aaa	0.23	0.37	0.31
1-year A	1.02	1.21	1.18
5-year Aaa	1.33	1.85	1.60
5-year A	2.45	2.84	2.57
10-year Aaa	2.75	3.41	2.99
10-year A	4.20	4.48	4.07
25/30-year Aaa	4.39	4.84	4.38
25/30-year A	5.86	6.13	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.89	5.19	4.77
Electric AA	5.21	5.30	4.79
Housing AA	5.85	6.19	5.64
Hospital AA	5.25	5.65	4.95
Toll Road Aaa	4.99	5.34	4.76

Treasury Security Yield Curve



Federal Reserve Data

BANK RESERVES

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

	Recent Levels 6/29/11	6/15/11	Change	Average Levels Over the Last... 12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1567471	1609841	-42370	1509592	1327214	1169010
Borrowed Reserves	13067	13384	-317	15745	22161	38033
Net Free/Borrowed Reserves	1554404	1596457	-42053	1493846	1305053	1130977

MONEY SUPPLY

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

	Recent Levels 6/20/11	6/13/11	Change	Growth Rates Over the Last... 3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1945.4	1935.4	10.0	11.8%	12.7%	12.4%
M2 (M1+savings+small time deposits)	9067.4	9037.4	30.0	7.8%	5.7%	5.3%

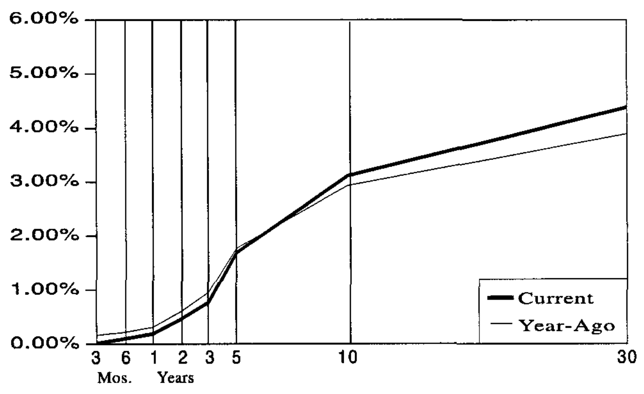
Selected Yields

TAXABLE

	Recent (6/29/11)	3 Months Ago (3/30/11)	Year Ago (6/30/10)
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.17	0.22	0.36
3-month LIBOR	0.25	0.30	0.53
Bank CDs			
6-month	0.26	0.29	0.40
1-year	0.44	0.47	0.70
5-year	1.64	1.71	2.02
U.S. Treasury Securities			
3-month	0.02	0.09	0.17
6-month	0.10	0.17	0.22
1-year	0.19	0.26	0.31
5-year	1.69	2.20	1.77
10-year	3.11	3.44	2.93
10-year (inflation-protected)	0.67	0.98	1.08
30-year	4.38	4.50	3.89
30-year Zero	4.76	4.79	4.10

	Recent (6/29/11)	3 Months Ago (3/30/11)	Year Ago (6/30/10)
Mortgage-Backed Securities			
GNMA 5.5%	2.02	2.68	1.84
FHLMC 5.5% (Gold)	2.63	3.28	1.59
FNMA 5.5%	2.50	3.17	1.54
FNMA ARM	2.51	2.63	2.94
Corporate Bonds			
Financial (10-year) A	4.58	4.70	4.51
Industrial (25/30-year) A	5.47	5.50	5.07
Utility (25/30-year) A	5.42	5.56	5.20
Utility (25/30-year) Baa/BBB	5.92	6.06	5.73
Foreign Bonds (10-Year)			
Canada	3.09	3.29	3.08
Germany	2.98	3.34	2.58
Japan	1.13	1.25	1.09
United Kingdom	3.33	3.67	3.36
Preferred Stocks			
Utility A	5.13	5.70	6.08
Financial A	6.02	6.02	6.57
Financial Adjustable A	5.48	5.48	5.48

Treasury Security Yield Curve



TAX-EXEMPT

	Recent (6/29/11)	3 Months Ago (3/30/11)	Year Ago (6/30/10)
Bond Buyer Indexes			
20-Bond Index (GOs)	4.46	4.91	4.40
25-Bond Index (Revs)	5.31	5.52	4.85
General Obligation Bonds (GOs)			
1-year Aaa	0.24	0.33	0.31
1-year A	1.04	1.15	1.11
5-year Aaa	1.25	1.76	1.70
5-year A	2.41	2.75	2.65
10-year Aaa	2.63	3.29	3.09
10-year A	4.11	4.37	4.11
25/30-year Aaa	4.36	4.80	4.43
25/30-year A	5.86	6.08	5.52
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.87	5.15	4.78
Electric AA	5.17	5.28	4.79
Housing AA	5.79	6.13	5.64
Hospital AA	5.25	5.61	4.97
Toll Road Aaa	4.97	5.32	4.78

Federal Reserve Data

BANK RESERVES

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

	Recent Levels			Average Levels Over the Last...		
	6/15/11	6/1/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1609841	1548636	61205	1480873	1288455	1149518
Borrowed Reserves	13384	14360	-976	16725	24491	40167
Net Free/Borrowed Reserves	1596457	1534276	62181	1464148	1263964	1109351

MONEY SUPPLY

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

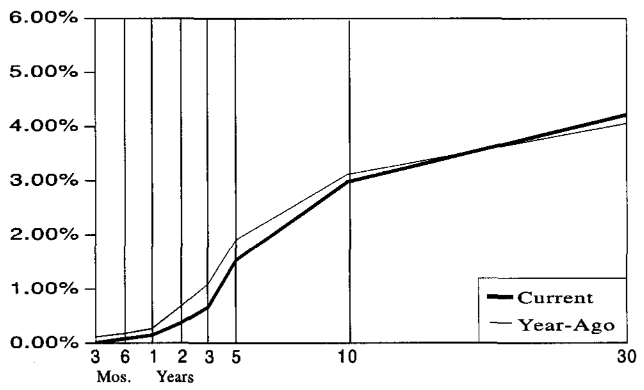
	Recent Levels			Growth Rates Over the Last...		
	6/13/11	6/6/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1935.4	1939.4	-4.0	15.5%	12.4%	12.8%
M2 (M1+savings+small time deposits)	9037.5	9025.8	11.7	6.5%	5.2%	5.4%

Selected Yields

	Recent (6/22/11)	*3 Months Ago (3/23/11)*	*Year Ago (6/23/10)*
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.18	0.28	0.36
3-month LIBOR	0.25	0.31	0.54
Bank CDs			
6-month	0.26	0.30	0.40
1-year	0.44	0.48	0.69
5-year	1.64	1.71	2.05
U.S. Treasury Securities			
3-month	0.01	0.08	0.12
6-month	0.08	0.15	0.18
1-year	0.15	0.23	0.27
5-year	1.54	2.05	1.92
10-year	2.98	3.35	3.12
10-year (inflation-protected)	0.75	0.95	1.15
30-year	4.22	4.45	4.06
30-year Zero	4.60	4.79	4.29

	Recent (6/22/11)	*3 Months Ago (3/23/11)*	*Year Ago (6/23/10)*
Mortgage-Backed Securities			
GNMA 5.5%	2.05	2.60	1.75
FHLMC 5.5% (Gold)	2.55	3.18	1.32
FNMA 5.5%	2.43	3.06	1.42
FNMA ARM	2.51	2.63	2.96
Corporate Bonds			
Financial (10-year) A	4.42	4.63	4.72
Industrial (25/30-year) A	5.31	5.46	5.22
Utility (25/30-year) A	5.29	5.50	5.38
Utility (25/30-year) Baa/BBB	5.79	5.98	5.87
Foreign Bonds (10-Year)			
Canada	2.97	3.21	3.23
Germany	2.94	3.24	2.65
Japan	1.12	1.23	1.18
United Kingdom	3.19	3.55	3.44
Preferred Stocks			
Utility A	5.27	6.00	6.01
Financial A	6.10	6.10	6.63
Financial Adjustable A	5.47	5.47	5.47
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.49	4.86	4.40
25-Bond Index (Revs)	5.32	5.50	4.86
General Obligation Bonds (GOs)			
1-year Aaa	0.28	0.33	0.33
1-year A	1.08	1.19	1.17
5-year Aaa	1.37	1.72	1.77
5-year A	2.40	2.67	2.68
10-year Aaa	2.63	3.16	3.21
10-year A	4.08	4.29	4.20
25/30-year Aaa	4.37	4.75	4.47
25/30-year A	5.89	6.08	5.54
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.87	5.15	4.78
Electric AA	5.19	5.28	4.79
Housing AA	5.79	6.10	5.66
Hospital AA	5.28	5.61	4.99
Toll Road Aaa	4.97	5.30	4.78

Treasury Security Yield Curve



Federal Reserve Data

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

	Recent Levels			Average Levels Over the Last...		
	6/15/11	**6/1/11**	**Change**	**12 Wks.**	**26 Wks.**	**52 Wks.**
Excess Reserves	1609845	1548639	61206	1480875	1288455	1149518
Borrowed Reserves	13384	14360	-976	16725	24491	40167
Net Free/Borrowed Reserves	1596461	1534279	62182	1464149	1263964	1109351

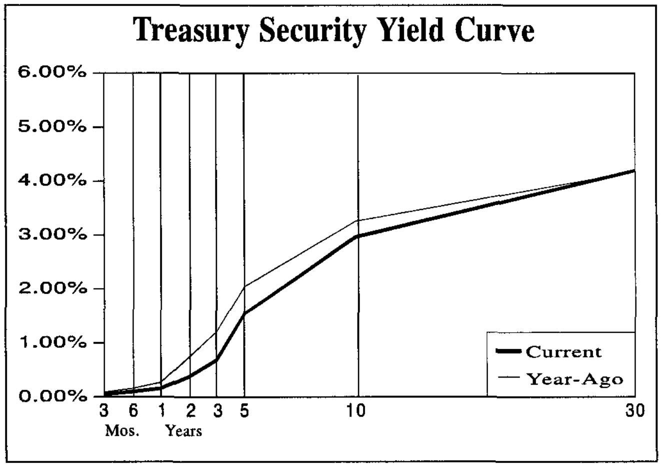
MONEY SUPPLY
(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	6/6/11	**5/30/11**	**Change**	**3 Mos.**	**6 Mos.**	**12 Mos.**
M1 (Currency+demand deposits)	1939.3	1961.1	-21.8	15.7%	13.7%	13.5%
M2 (M1+savings+small time deposits)	9025.6	9017.7	7.9	4.8%	5.2%	5.2%

Selected Yields

	Recent (6/15/11)	3 Months Ago (3/16/11)	Year Ago (6/16/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.17	0.24	0.35
3-month LIBOR	0.25	0.31	0.54
Bank CDs			
6-month	0.27	0.21	0.41
1-year	0.45	0.29	0.70
5-year	1.69	1.76	2.05
U.S. Treasury Securities			
3-month	0.05	0.08	0.09
6-month	0.10	0.13	0.16
1-year	0.16	0.20	0.27
5-year	1.55	1.84	2.05
10-year	2.97	3.17	3.26
10-year (inflation-protected)	0.69	0.82	1.24
30-year	4.20	4.36	4.18
30-year Zero	4.57	4.75	4.41

	Recent (6/15/11)	3 Months Ago (3/16/11)	Year Ago (6/16/10)
Mortgage-Backed Securities			
GNMA 5.5%	2.11	2.54	1.32
FHLMC 5.5% (Gold)	2.56	2.92	0.83
FNMA 5.5%	2.45	2.84	0.94
FNMA ARM	2.51	2.63	2.97
Corporate Bonds			
Financial (10-year) A	4.84	4.45	4.87
Industrial (25/30-year) A	5.28	5.39	5.36
Utility (25/30-year) A	5.25	5.44	5.50
Utility (25/30-year) Baa/BBB	5.77	5.86	6.00
Foreign Bonds (10-Year)			
Canada	2.95	3.13	3.37
Germany	2.95	3.09	2.67
Japan	1.17	1.23	1.25
United Kingdom	3.24	3.48	3.54
Preferred Stocks			
Utility A	5.77	5.79	6.01
Financial A	6.10	6.10	6.65
Financial Adjustable A	5.46	5.47	5.47



	Recent (6/15/11)	3 Months Ago (3/16/11)	Year Ago (6/16/10)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.49	4.91	4.37
25-Bond Index (Revs)	5.34	5.52	4.82
General Obligation Bonds (GOs)			
1-year Aaa	0.25	0.37	0.30
1-year A	1.07	1.23	1.16
5-year Aaa	1.31	1.76	1.76
5-year A	2.40	2.73	2.65
10-year Aaa	2.64	3.16	3.21
10-year A	4.08	4.31	4.18
25/30-year Aaa	4.38	4.78	4.47
25/30-year A	5.89	6.11	5.54
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.87	5.15	4.78
Electric AA	5.18	5.28	4.79
Housing AA	5.59	6.14	5.63
Hospital AA	5.29	5.59	4.97
Toll Road Aaa	4.97	5.32	4.78

Federal Reserve Data

BANK RESERVES

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

	Recent Levels			Average Levels Over the Last...		
	6/1/11	**5/18/11**	**Change**	**12 Wks.**	**26 Wks.**	**52 Wks.**
Excess Reserves	1548639	1502022	46617	1429859	1240312	1127110
Borrowed Reserves	14360	15373	-1013	17912	26951	42434
Net Free/Borrowed Reserves	1534279	1486649	47630	1411948	1213361	1084676

MONEY SUPPLY

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

	Recent Levels			Growth Rates Over the Last...		
	5/30/11	**5/23/11**	**Change**	**3 Mos.**	**6 Mos.**	**12 Mos.**
M1 (Currency+demand deposits)	1961.1	1939.4	21.7	13.4%	15.3%	14.7%
M2 (M1+savings+small time deposits)	9017.8	9005.2	12.6	4.9%	4.8%	5.0%

BERMUDA WATER COMPANY

DOCKET NO. W-01812A-10-0521

TABLE OF CONTENTS TO SCHEDULES WAR

WEIGHTED AVERAGE COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) COST RATE	(C) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.13%	2.45%
2	Common Equity	60.00%	9.00%	5.40%
3	Total Capitalization	100.00%		
4	**WEIGHTED AVERAGE COST OF CAPITAL**			7.85%

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): LINE 1; SCHEDULE WAR-1, PAGE 2, LINE 2; TESTIMONY WAR
COLUMN (C): COLUMN (A) x COLUMN (B), LINE 4; LINE 1 + LINE 2

SAMPLE COMPANIES APPROXIMATE WEIGHTED COSTS OF DEBT

LINE NO.	STOCK SYMBOL	COMPANY	WEIGHTED COSTS		
1	AWR	AMERICAN STATES WATER CO.	7.07%		
2	CWT	CALIFORNIA WATER SERVICE GROUP	6.24%		
3	WTR	AQUA AMERICA, INC.	5.75%		
4	CTWS	CONNECTICUT WATER SERVICES, INC.	4.95%		
5	MSEX	MIDDLESEX WATER COMPANY	5.56%		
6	SJW	SJW CORP.	6.66%		
7	YORW	YORK WATER COMPANY	6.65%		
8	AVERAGE OF APPROXIMATE WEIGHTED COSTS OF DEBT (a)			6.13%	AVERAGE OF LINES 1 THRU 8
9	**RUCO RECOMMENDED COST OF DEBT**			$\boxed{6.13\%}$	

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

NOTE:
(a) COSTS ARE APPROXIMATE AND DO NOT INCLUDE THE FOLLOWING:
DEBT ISSUES THAT DID NOT HAVE STATED YIELDS; AND
DEBT ISSUES WITH ZERO RATES OF INTEREST.
IN THE CASE OF ISSUES WITH VARIABLE RATES OF INTEREST THE HIGH END OF THE VARIABLE RANGE WAS USED.

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
COST OF CAPITAL SUMMARY

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.28%	SCHEDULE WAR-2, COLUMN (C), LINE 5
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.11%	SCHEDULE WAR-2, COLUMN (C), LINE 13
4	**AVERAGE OF DCF ESTIMATES**	**9.20%**	(LINE 2 + LINE 3) ÷ 2
5	**CAPM METHODOLOGY**		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	4.89%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	4.52%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	6.32%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	5.78%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13
10	**AVERAGE OF CAPM ESTIMATES**	**5.38%**	(SUM OF LINES 6 THRU 9) ÷ 4
11	**AVERAGE OF DCF AND CAPM ESTIMATES**	**7.29%**	(SUM OF LINES 4 AND 10) ÷ 2
12	**FINAL COST OF COMMON EQUITY ESTIMATE**	**9.00%**	TESTIMONY WAR

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
DCF COST OF EQUITY CAPITAL

DOCKET NO. W-01812A-10-0521
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.	3.29%	+	7.30%	=	10.59%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.35%	+	6.32%	=	9.67%
3	SJW	SJW CORPORATION	2.94%	+	5.29%	=	8.23%
4	WTR	AQUA AMERICA, INC.	2.86%	+	5.75%	=	8.61%
5	**WATER COMPANY AVERAGE**						**9.28%**
6	AGL	AGL RESOURCES, INC.	4.48%	+	5.70%	=	10.18%
7	ATO	ATMOS ENERGY CORP.	4.11%	+	4.12%	=	8.23%
8	LG	LACLEDE GROUP, INC.	4.33%	+	4.60%	=	8.94%
9	NJR	NEW JERSEY RESOURCES CORPORATION	3.24%	+	6.61%	=	9.85%
10	NWN	NORTHWEST NATURAL GAS CO.	3.89%	+	4.08%	=	7.97%
11	PNY	PIEDMONT NATURAL GAS COMPANY	3.89%	+	3.76%	=	7.65%
12	SJI	SOUTH JERSEY INDUSTRIES, INC.	2.78%	+	10.43%	=	13.22%
13	SWX	SOUTHWEST GAS CORPORATION	2.81%	+	5.39%	=	8.20%
14	WGL	WGL HOLDINGS, INC.	4.07%	+	3.74%	=	7.81%
15	**NATURAL GAS LDC AVERAGE**						**9.11%**

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

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
DIVIDEND YIELD CALCULATION

DOCKET NO. W-01812A-10-0521
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.	$1.12	/	$34.06	=	3.29%
2	CWT	CALIFORNIA WATER SERVICE GROUP	$0.62	/	$18.39	=	3.35%
3	SJW	SJW CORPORATION	$0.69	/	$23.51		2.94%
4	WTR	AQUA AMERICA, INC.	$0.62	/	$21.65	=	2.86%
5	**WATER COMPANY AVERAGE**						**3.11%**
6	AGL	AGL RESOURCES, INC.	$1.80	/	$40.20	=	4.48%
7	ATO	ATMOS ENERGY CORP.	$1.36	/	$33.10	=	4.11%
8	LG	LACLEDE GROUP, INC.	$1.62	/	$37.38	=	4.33%
9	NJR	NEW JERSEY RESOURCES CORPORATION	$1.44	/	$44.47	=	3.24%
10	NWN	NORTHWEST NATURAL GAS CO.	$1.74	/	$44.73	=	3.89%
11	PNY	PIEDMONT NATURAL GAS COMPANY	$1.16	/	$29.80	=	3.89%
12	SJI	SOUTH JERSEY INDUSTRIES, INC.	$1.46	/	$52.47	=	2.78%
13	SWX	SOUTHWEST GAS CORPORATION	$1.06	/	$37.67	=	2.81%
14	WGL	WGL HOLDINGS, INC.	$1.56	/	$38.33	=	4.07%
15	**NATURAL GAS LDC AVERAGE**						**3.73%**

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 07/22/2011 (WATER COMPANIES) AND 06/10/2011 (NATURAL GAS LDC's).
COLUMN (B): EIGHT WEEK AVERAGE OF ADJUSTED CLOSING PRICES FROM 06/13/2011 TO 08/05/2011 STOCK QUOTES OBTAINED THROUGH YAHOO! FINANCE WEB SITE - HISTORICAL QUOTES (http://finance.yahoo.com).
COLUMN (C): COLUMN (A) DIVIDED BY COLUMN (B)

NOTE:
CLOSING STOCK PRICES ARE ADJUSTED FOR DIVIDENDS AND STOCK SPLITS.

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
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.	6.25%	+	1.05%	=	7.30%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.75%	+	2.57%	=	6.32%
3	SJW	SJW CORPORATION	2.50%	+	2.79%	=	5.29%
4	WTR	AQUA AMERICA, INC.	5.25%	+	0.50%	=	5.75%
5	**WATER COMPANY AVERAGE**						**6.17%**
6	AGL	AGL RESOURCES, INC.	5.50%	+	0.20%	=	5.70%
7	ATO	ATMOS ENERGY CORP.	3.75%	+	0.37%	=	4.12%
8	LG	LACLEDE GROUP, INC.	4.00%	+	0.60%	=	4.60%
9	NJR	NEW JERSEY RESOURCES CORPORATION	6.60%	+	0.01%	=	6.61%
10	NWN	NORTHWEST NATURAL GAS CO.	4.00%	+	0.08%	=	4.08%
11	PNY	PIEDMONT NATURAL GAS COMPANY	3.75%	+	0.01%	=	3.76%
12	SJI	SOUTH JERSEY INDUSTRIES, INC.	7.80%	+	2.63%	=	10.43%
13	SWX	SOUTHWEST GAS CORPORATION	5.00%	+	0.39%	=	5.39%
14	WGL	WGL HOLDINGS, INC.	3.50%	+	0.24%	=	3.74%
15	**NATURAL GAS LDC AVERAGE**						**5.38%**

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

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. W-01812A-10-0521
SCHEDULE WAR - 4

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH	x	(B) { [((M ÷ B) + 1) / 2] - 1 }	=	(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	3.00%	x	{ [((1.70) + 1) / 2] - 1 }	=	1.05%
2	CWT	CALIFORNIA WATER SERVICE GROUP	7.00%	x	{ [((1.73) + 1) / 2] - 1 }	=	2.57%
3	SJW	SJW CORPORATION	8.00%	x	{ [((1.70) + 1) / 2] - 1 }	=	2.79%
4	WTR	AQUA AMERICA, INC.	0.70%	x	{ [((2.42) + 1) / 2] - 1 }	=	0.50%
5	**WATER COMPANY AVERAGE**						**1.73%**
6	AGL	AGL RESOURCES, INC.	0.65%	x	{ [((1.61) + 1) / 2] - 1 }	=	0.20%
7	ATO	ATMOS ENERGY CORP.	2.75%	x	{ [((1.27) + 1) / 2] - 1 }	=	0.37%
8	LG	LACLEDE GROUP, INC.	2.75%	x	{ [((1.44) + 1) / 2] - 1 }	=	0.60%
9	NJR	NEW JERSEY RESOURCES CORPORATION	0.01%	x	{ [((2.37) + 1) / 2] - 1 }	=	0.01%
10	NWN	NORTHWEST NATURAL GAS CO.	0.25%	x	{ [((1.65) + 1) / 2] - 1 }	=	0.08%
11	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	x	{ [((2.18) + 1) / 2] - 1 }	=	0.01%
12	SJI	SOUTH JERSEY INDUSTRIES, INC.	3.50%	x	{ [((2.50) + 1) / 2] - 1 }	=	2.63%
13	SWX	SOUTHWEST GAS CORPORATION	2.25%	x	{ [((1.35) + 1) / 2] - 1 }	=	0.39%
14	WGL	WGL HOLDINGS, INC.	0.75%	x	{ [((1.63) + 1) / 2] - 1 }	=	0.24%
15	**NATURAL GAS LDC AVERAGE**						**0.50%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 07/22/2011 (WATER COMPANIES) AND 06/10/2011 (NATURAL GAS LDC's)
COLUMN (C): COLUMN (A) x COLUMN (B)

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
DIVIDEND GROWTH COMPONENTS

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	WGL	WGL HOLDINGS, INC.	2006	0.3041		10.30%		3.13%	18.86	48.89	
2			2007	0.3445		10.30%		3.55%	19.83	49.45	
3			2008	0.4221		11.60%		4.90%	20.99	49.92	
4			2009	0.4190		11.60%		4.86%	21.89	50.14	
5			2010	0.3392		9.90%		3.36%	22.82	50.54	
6			GROWTH 2006 - 2010					3.96%	5.00%		0.83%
7			2011	0.2619		9.00%		2.36%		51.00	0.91%
8			2012	0.3234		9.50%		3.07%		51.00	0.45%
9			2014-16	0.3547		10.00%		3.55%	3.50%	52.00	0.57%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 06/10/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINE 6, SIMPLE AVERAGE GROWTH, 2006 - 2010

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

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
GROWTH RATE COMPARISON

DOCKET NO. W-01812A-10-0521
SCHEDULE WAR - 6

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	AWR	7.30%	-	5.50%	4.00%	2.00%	11.50%	2.50%	5.00%	5.08%	13.66%	3.39%	5.04%
2	CWT	6.32%	-	6.00%	3.00%	3.50%	6.50%	1.00%	5.50%	4.25%	7.95%	0.85%	3.60%
3	SJW	5.29%	-	5.50%	3.50%	5.50%	-1.50%	5.50%	6.50%	4.17%	-8.34%	4.51%	2.45%
4	WTR	5.75%	6.50%	10.50%	5.50%	6.00%	4.50%	8.00%	7.00%	6.86%	6.48%	7.61%	5.16%
5				6.88%	4.00%	4.25%	5.25%	4.25%	6.00%		4.94%	4.09%	4.06%
6	AVERAGES	6.17%	6.50%		5.04%			5.17%		5.09%		4.37%	

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) DPS	(C) BVPS	(D) VALUE LINE HISTORIC EPS	(D) DPS	(D) BVPS	(E) VALUE LINE & ZACKS AVGS.	(F) 5 - YEAR COMPOUND HISTORY EPS	(F) DPS	(F) BVPS
1	AGL	5.70%	4.00%	5.00%	30.00%	6.00%	4.50%	7.50%	5.50%	8.93%	2.48%	4.43%	2.92%
2	ATO	4.12%	4.50%	5.00%	2.00%	4.50%	4.00%	1.50%	5.00%	3.79%	1.94%	1.55%	4.63%
3	LG	4.60%	3.00%	2.50%	2.50%	5.00%	7.50%	2.50%	7.00%	4.29%	0.63%	2.91%	6.25%
4	NJR	6.61%	4.00%	4.00%	4.50%	6.00%	8.50%	7.50%	10.00%	6.36%	7.10%	9.10%	3.97%
5	NWN	4.08%	4.40%	4.50%	3.50%	6.50%	9.50%	3.50%	4.00%	5.13%	3.82%	4.85%	4.20%
6	PNY	3.76%	4.80%	3.00%	3.50%	3.00%	5.00%	4.50%	3.50%	3.90%	4.90%	3.97%	3.07%
7	SJI	10.43%	6.00%	9.00%	8.50%	6.50%	9.50%	8.50%	8.00%	8.00%	2.35%	10.27%	6.01%
8	SWX	5.39%	6.00%	8.00%	4.50%	5.50%	6.00%	2.00%	5.00%	5.29%	3.48%	5.09%	4.35%
9	WGL	3.74%	5.30%	1.50%	2.50%	3.50%	2.50%	2.50%	5.00%	3.26%	4.01%	2.67%	4.88%
10				4.72%	6.83%	5.17%	6.33%	4.44%	5.89%		3.41%	4.98%	4.48%
11	AVERAGES	5.38%	4.67%		5.57%			5.56%		5.44%		4.29%	

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 07/22/2011 (WATER COMPANIES) AND 06/10/2011 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 07/22/2011 (WATER COMPANIES) AND 06/10/2011 (NATURAL GAS LDC's)
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 9 (NATURAL GAS)
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 07/22/2011 (WATER COMPANIES) AND 06/10/2011 (NATURAL GAS LDC's)

SURVEY - RATINGS & REPORTS DATED 07/22/2011 (WATER COMPANIES) AND 06/10/2011 (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	=	1.52%	+ [	0.75	x (	9.90%	-	5.40%	)]	=	4.89%
2	CWT	k	=	1.52%	+ [	0.70	x (	9.90%	-	5.40%	)]	=	4.67%
3	SJW	k	=	1.52%	+ [	0.90	x (	9.90%	-	5.40%	)]	=	5.57%
4	WTR	k	=	1.52%	+ [	0.65	x (	9.90%	-	5.40%	)]	=	4.44%
5	**WATER COMPANY AVERAGE**					0.75							4.89%
6	AGL	k	=	1.52%	+ [	0.75	x (	9.90%	-	5.40%	)]	=	4.89%
7	ATO	k	=	1.52%	+ [	0.70	x (	9.90%	-	5.40%	)]	=	4.67%
8	LG	k	=	1.52%	+ [	0.60	x (	9.90%	-	5.40%	)]	=	4.22%
9	NJR	k	=	1.52%	+ [	0.65	x (	9.90%	-	5.40%	)]	=	4.44%
10	NWN	k	=	1.52%	+ [	0.60	x (	9.90%	-	5.40%	)]	=	4.22%
11	PNY	k	=	1.52%	+ [	0.65	x (	9.90%	-	5.40%	)]	=	4.44%
12	SJI	k	=	1.52%	+ [	0.65	x (	9.90%	-	5.40%	)]	=	4.44%
13	SWX	k	=	1.52%	+ [	0.75	x (	9.90%	-	5.40%	)]	=	4.89%
14	WGL	k	=	1.52%	+ [	0.65	x (	9.90%	-	5.40%	)]	=	4.44%
15	**NATURAL GAS LDC AVERAGE**					0.67							4.52%

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) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 06/24/2011 THROUGH 08/12/2011 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2010 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PERI THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2011 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	=	1.52%	+ [	0.75	x (	11.90%	-	5.50%	)]	=	6.32%
2	CWT	k	=	1.52%	+ [	0.70	x (	11.90%	-	5.50%	)]	=	6.00%
3	SJW	k	=	1.52%	+ [	0.90	x (	11.90%	-	5.50%	)]	=	7.28%
4	WTR	k	=	1.52%	+ [	0.65	x (	11.90%	-	5.50%	)]	=	5.68%
5	**WATER COMPANY AVERAGE**					0.75							**6.32%**
6	AGL	k	=	1.52%	+ [	0.75	x (	11.90%	-	5.50%	)]	=	6.32%
7	ATO	k	=	1.52%	+ [	0.70	x (	11.90%	-	5.50%	)]	=	6.00%
8	LG	k	=	1.52%	+ [	0.60	x (	11.90%	-	5.50%	)]	=	5.36%
9	NJR	k	=	1.52%	+ [	0.65	x (	11.90%	-	5.50%	)]	=	5.68%
10	NWN	k	=	1.52%	+ [	0.60	x (	11.90%	-	5.50%	)]	=	5.36%
11	PNY	k	=	1.52%	+ [	0.65	x (	11.90%	-	5.50%	)]	=	5.68%
12	SJI	k	=	1.52%	+ [	0.65	x (	11.90%	-	5.50%	)]	=	5.68%
13	SWX	k	=	1.52%	+ [	0.75	x (	11.90%	-	5.50%	)]	=	6.32%
14	WGL	k	=	1.52%	+ [	0.65	x (	11.90%	-	5.50%	)]	=	5.68%
15	**NATURAL GAS LDC AVERAGE**					0.67							**5.78%**

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) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 06/24/2011 THROUGH 08/12/2011 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE ARITHMETIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2010 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAMI THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2011 YEARBOO

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-01812A-10-0521
SCHEDULE WAR - 8

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	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	5.95%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	5.38%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	4.57%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.90%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.84%	-6.80%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	2009	-0.36%	5.00%	3.25%	0.50%	0.00% - 0.25%	0.15%	4.08%	5.84%	6.87%
21	2010	1.64%	2.80%	3.25%	0.72%	0.00% - 0.25%	0.13%	4.25%	5.50%	5.98%
22	CURRENT	3.60%	1.30%	3.25%	0.75%	0.00% - 0.25%	0.01%	3.90%	4.87%	5.43%

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 (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 08/12/2011
COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 08/12/2011

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-01812A-10-0521
SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES

LINE NO.		AWR	PCT.	CWT	PCT.	SJW	PCT.	WTR	PCT.	WATER COMPANY AVERAGE	PCT.
1	DEBT	$ 299.8	44.3%	$ 479.2	52.4%	$ 295.7	53.7%	$ 1,532.0	56.6%	$ 651.7	53.8%
2											
3	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	-	0.0%
4											
5	COMMON EQUITY	377.5	55.7%	435.5	47.6%	255.0	46.3%	1,174.3	43.4%	560.6	46.2%
6											
7	TOTALS	$ 677.4	100%	$ 914.7	100%	$ 550.7	100%	$ 2,706.2	100%	$ 1,212.3	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES

LINE NO.		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	NWN	PCT.
2											
3	DEBT	$ 1,673.0	47.7%	$ 1,809.6	45.4%	$ 364.3	47.0%	$ 428.9	37.2%	$ 591.7	46.1%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
6											
7	COMMON EQUITY	1,836.0	52.3%	2,178.3	54.6%	411.3	53.0%	725.5	62.8%	693.1	53.9%
8											
9	TOTALS	$ 3,509.0	100%	$ 3,987.9	100%	$ 775.6	100%	$ 1,154.4	100%	$ 1,284.8	100%
10											
11											

LINE NO.		PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.	NATURAL GAS LDC AVERAGE	PCT.
14											
15	DEBT	$ 671.9	41.0%	$ 340.0	37.4%	$ 1,169.4	49.3%	$ 592.9	33.4%	$ 849.1	43.9%
16											
17	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	100.0	4.2%	28.2	1.6%	$ 14.2	0.7%
18											
19	COMMON EQUITY	964.9	59.0%	570.1	62.6%	1,102.1	46.5%	1,153.4	65.0%	1,070.5	55.4%
20											
21	TOTALS	$ 1,636.9	100%	$ 910.1	100%	$ 2,371.4	100%	$1,774.4	100%	$ 1,933.8	100%
22											
23											

LINE NO.		WATER & LDC AVERAGE	PCT.
26			
27	DEBT	$ 750.4	47.7%
28			
29	PREFERRED STOCK	7.1	0.5%
30			
31	COMMON EQUITY	815.6	51.8%
32			
33	TOTALS	$ 1,573.0	100%

REFERENCE:

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.	2006	0.3158		8.10%		2.56%	16.64	17.05	
2			2007	0.4074		9.30%		3.79%	17.53	17.23	
3			2008	0.3548		8.60%		3.05%	17.95	17.30	
4			2009	0.3765		8.20%		3.09%	19.39	18.53	
5			2010	0.5315		11.00%		5.85%	20.26	18.63	
6			GROWTH 2006 - 2010					3.67%	5.00%		2.24%
7			2011	0.4500		10.00%		4.50%		19.00	1.99%
8			2012	0.4605		10.50%		4.83%		19.50	2.31%
9			2014-16	0.4880		15.00%		7.32%	2.00%	20.25	1.68%
10											
11	CWT	CALIFORNIA WATER SERVICE GROUP	2006	0.1343		6.80%		0.91%	9.07	41.31	
12			2007	0.2267		8.10%		1.84%	9.25	41.33	
13			2008	0.3789		9.90%		3.75%	9.72	41.45	
14			2009	0.3980		9.60%		3.82%	10.13	41.53	
15			2010	0.3407		8.60%		2.93%	10.45	41.67	
16			GROWTH 2006 - 2010					2.65%	5.50%		0.22%
17			2011	0.3800		10.00%		3.80%		44.00	5.59%
18			2012	0.4182		10.00%		4.18%		45.00	3.92%
19			2014-16	0.4815		10.50%		5.06%	3.50%	48.50	3.08%
20											
21	SJW	SJW CORPORATION	2006	0.5210		9.70%		5.05%	12.48	18.28	
22			2007	0.4135		8.20%		3.39%	12.90	18.36	
23			2008	0.3981		8.00%		3.19%	13.99	18.18	
24			2009	0.1852		6.00%		1.11%	13.66	18.50	
25			2010	0.1905		6.10%		1.16%	13.75	18.55	
26			GROWTH 2006 - 2010					2.78%	6.50%		0.37%
27			2011	0.2333		6.50%		1.52%		19.50	5.12%
28			2012	0.2600		7.00%		1.82%		21.00	6.40%
29			2014-16	0.3440		6.50%		2.24%	5.50%	25.00	6.15%
30											
31	WTR	AQUA AMERICA, INC.	2006	0.3714		10.00%		3.71%	6.96	132.33	
32			2007	0.3239		9.70%		3.14%	7.32	133.40	
33			2008	0.3014		9.30%		2.80%	7.82	135.37	
34			2009	0.2857		9.40%		2.69%	8.12	136.49	
35			2010	0.3444		10.60%		3.65%	8.51	137.97	
36			GROWTH 2006 - 2010					3.20%	7.00%		1.05%
37			2011	0.4095		11.50%		4.71%		138.90	0.67%
38			2012	0.4000		11.50%		4.60%		139.90	0.70%
39			2014-16	0.4429		12.50%		5.54%	6.00%	142.90	0.70%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 07/22/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2006 - 2010

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

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	AGL	AGL RESOURCES, INC.	2006	0.4559		13.20%		6.02%	20.71	77.70	
2			2007	0.3971		12.70%		5.04%	21.74	76.40	
3			2008	0.3801		12.60%		4.79%	21.48	76.90	
4			2009	0.4028		12.50%		5.03%	22.95	77.54	
5			2010	0.4133		12.90%		5.33%	23.24	78.00	
6			GROWTH 2006 - 2010					5.24%	5.50%		0.10%
7			2011	0.4286		12.50%		5.36%		78.50	0.64%
8			2012	0.4424		12.50%		5.53%		79.00	0.64%
9			2014-16	0.4773		12.00%		5.73%	6.00%	80.50	0.63%
10											
11	ATO	ATMOS ENERGY CORP.	2006	0.3700		9.80%		3.63%	20.16	81.74	
12			2007	0.3402		8.70%		2.96%	22.01	89.33	
13			2008	0.3500		8.80%		3.08%	22.60	90.81	
14			2009	0.3299		8.30%		2.74%	23.52	92.55	
15			2010	0.3796		9.20%		3.49%	24.16	90.16	
16			GROWTH 2006 - 2010					3.18%	5.00%		2.48%
17			2011	0.4087		9.00%		3.68%		91.00	0.93%
18			2012	0.4250		8.50%		3.61%		92.00	1.02%
19			2014-16	0.4630		9.00%		4.17%	4.50%	105.00	3.09%
20											
21	LG	LACLEDE GROUP, INC.	2006	0.4093		12.50%		5.12%	18.85	21.36	
22			2007	0.3723		11.60%		4.32%	19.79	21.65	
23			2008	0.4356		11.80%		5.14%	22.12	21.99	
24			2009	0.4760		12.40%		5.90%	23.32	22.17	
25			2010	0.3539		10.10%		3.57%	24.02	22.29	
26			GROWTH 2006 - 2010					4.81%	7.00%		1.07%
27			2011	0.3429		9.50%		3.26%		22.50	0.94%
28			2012	0.3529		9.50%		3.35%		23.00	1.58%
29			2014-16	0.4098		10.00%		4.10%	5.00%	26.00	3.13%
30											
31	NJR	NEW JERSEY RESOURCES CORPORATION	2006	0.4866		12.60%		6.13%	15.00	41.44	
32			2007	0.3484		10.10%		3.52%	15.50	41.61	
33			2008	0.5889		15.70%		9.25%	17.28	42.06	
34			2009	0.4833		14.60%		7.06%	16.59	41.59	
35			2010	0.4472		14.10%		6.30%	17.53	41.36	
36			GROWTH 2006 - 2010					6.45%	10.00%		-0.05%
37			2011	0.4566		14.50%		6.62%		41.00	-0.87%
38			2012	0.4807		15.00%		7.21%		40.00	-1.66%
39			2014-16	0.5000		13.50%		6.75%	6.00%	40.00	-0.67%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 06/10/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2006 - 2010

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

BERMUDA WATER COMPANY
TEST YEAR ENDED JUNE 30, 2010
DIVIDEND GROWTH COMPONENTS

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	NWN	NORTHWEST NATURAL GAS CO.	2006	0.4085		10.90%		4.45%	22.01	27.24	
2			2007	0.4783		12.50%		5.98%	22.52	26.41	
3			2008	0.4086		10.90%		4.45%	23.71	26.50	
4			2009	0.4346		11.40%		4.95%	24.88	26.53	
5			2010	0.3846		10.50%		4.04%	25.95	26.67	
6			GROWTH 2006 - 2010					4.78%	4.00%		-0.53%
7			2011	0.2596		9.00%		2.34%		26.75	0.30%
8			2012	0.3643		9.50%		3.46%		26.80	0.24%
9			2014-16	0.4412		10.00%		4.41%	6.50%	26.95	0.21%
10											
11	PNY	PIEDMONT NATURAL GAS COMPANY	2006	0.2578		11.00%		2.84%	11.83	74.61	
12			2007	0.2929		11.90%		3.49%	11.99	73.23	
13			2008	0.3087		12.40%		3.83%	12.11	73.26	
14			2009	0.3593		13.20%		4.74%	12.67	73.27	
15			2010	0.2839		11.60%		3.29%	13.35	72.28	
16			GROWTH 2006 - 2010					3.64%	3.50%		-0.79%
17			2011	0.2813		12.00%		3.38%		71.50	-1.08%
18			2012	0.3000		12.00%		3.60%		71.00	-0.89%
19			2014-16	0.3105		12.50%		3.88%	3.00%	68.00	-1.21%
20											
21	SJI	SOUTH JERSEY INDUSTRIES, INC.	2006	0.6260		16.30%		10.20%	15.11	29.33	
22			2007	0.5167		12.80%		6.61%	16.25	29.61	
23			2008	0.5110		13.10%		6.69%	17.33	29.73	
24			2009	0.4874		13.10%		6.38%	18.24	29.80	
25			2010	0.4963		14.20%		7.05%	19.08	29.87	
26			GROWTH 2006 - 2010					7.39%	8.00%		0.46%
27			2011	0.5148		14.50%		7.46%		31.00	3.78%
28			2012	0.5224		15.00%		7.84%		32.00	3.50%
29			2014-16	0.5122		15.50%		7.94%	6.50%	34.00	2.62%
30											
31	SWX	SOUTHWEST GAS CORPORATION	2006	0.5859		8.90%		5.21%	21.58	41.77	
32			2007	0.5590		8.50%		4.75%	22.98	42.81	
33			2008	0.3525		5.90%		2.08%	23.49	44.19	
34			2009	0.5103		7.90%		4.03%	24.44	45.09	
35			2010	0.5595		8.90%		4.98%	25.59	45.60	
36			GROWTH 2006 - 2010					4.21%	5.00%		2.22%
37			2011	0.5489		8.50%		4.67%		46.50	1.97%
38			2012	0.5600		8.50%		4.76%		48.00	2.60%
39			2014-16	0.5833		9.00%		5.25%	5.50%	50.00	1.86%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 06/10/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2006 - 2010

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