The two-stage non-constant growth DCF model described in Chapter 4 has a quarterly counterpart:

$$P_0 = \frac{D_1(1+g)}{(1+K)^{0.25}} + \frac{D_2(1+g)}{(1+K)^{0.50}}$$

$$+ \frac{D_3(1+g)}{(1+K)^{0.75}} + \frac{D_3(1+g)}{(1+K)^{1.00}}$$

$$+ \frac{D_1(1+g)^2}{(1+K)^{1.25}} + \frac{D_2(1+g)^2}{(1+K)^{1.50}}$$

$$+ \frac{D_3(1+g)^2}{(1+K)^{1.75}} + \frac{D_3(1+g)^2}{(1+K)^{2.00}}$$

$$+ \frac{P_2}{(1+K)^{2.00}} \qquad (7\text{-}3)$$

The symbol g represents the first stage growth rate while P_2 represents the stock price in period 2 that is obtained by applying the quarterly DCF model using the second-stage growth rate.

Intuitively, the quarterly form of the DCF model described by Equation 7-1 resembles the standard annual form, but with a slightly modified dividend yield component. Letting $D_1' = D_1(1+K)^{3/4} + D_2(1+K)^{1/2} + D_3(1+K)^{1/4} + D_4$ in Equation 7-1, the quarterly DCF equation becomes:

$$K = D_1'/P_0 + g \qquad (7\text{-}4)$$

which is very similar to the annual version. One can think of the D_1' term as an augmented D_1 term that simply captures the added time value of money associated with investors receiving successive quarterly dividends and reinvesting them over the remainder of the year at K%. That is to say, during the course of one year, the investor has the value of the first quarter's dividend for 3/4 of the year; the second quarter dividend for 1/2 of the year; the third quarter dividend for 1/4 of the year, and the fourth quarter dividend is received at the end of the year. The following illustration shows how to implement the quarterly DCF model and estimate the investor's required market return.

EXAMPLE 7-1

The common stock of Consolidated Natural Gas (CNG) is trading at $52.13. The dividend is expected to increase annually at a constant rate of 8.8%. The current quarterly dividend rate is $0.48 and has been in effect for two quarters. Thus, an investor buying CNG stock expects to receive, in the next year, two more dividends at the existing rate of $0.48 and two dividends at the new rate of $0.48(1 + g). The cost of equity capital is obtained by solving iteratively the quarterly version of the DCF model in Equation 7.1 by means of a computer spreadsheet. To solve that equation, the following input data for CNG:

$$D_1 = \$0.48$$

$$D_2 = \$0.48$$

$$D_3 = \$0.48\,(1 + .0880) = \$0.52$$

$$D_4 = \$0.48\,(1 + .0880) = \$0.52$$

$$P_0 = \$52.13$$

$$g = 8.80\%$$

are substituted into Equation 7.1 as follows:

$$K = \frac{[0.48(1+K)^{3/4} + 0.48(1+K)^{1/2} + 0.52(1+K)^{1/4} + 0.52]}{\$52.13} + .0880$$

The equation is solved iteratively by successive approximations for K_e, the cost of equity. Here, K_e = 12.82%.

Note that the annual DCF model produces an estimate of 12.64%, which is less than the 12.82% estimate derived from the quarterly DCF model:

$$K = D_1/P_0 + g = \$2.00/\$52.13 + .088 = 12.64\%$$

The difference is attributable to the time value of money associated with receiving quarterly dividends. The annual version of the DCF model typically understates the cost of equity by approximately 30-40 basis points, depending on the magnitude of the dividend yield component.

The cost of equity capital estimate of 12.82% should be translated into a fair return on equity by allowing for a 5% flotation costs factor. This is accomplished by dividing the dividend yield component of the cost of equity figure by 0.95 to produce a fair DCF rate of return on equity of 13.03%.

7.2 Other Alternative DCF Models

Other alternative functional forms of the DCF model are available but are largely unrealistic and/or theoretically incorrect. The continuous compounding DCF model, for example, is developed assuming that dividends are paid continuously rather than at discrete time intervals.[1] Clearly, this model does not reflect reality, any more than does the annual DCF model, which assumes that dividends are paid once a year at the end of the year. The continuous DCF model has the following form:

$$K_c = D_0/P_0 + g \qquad (7\text{-}5)$$

where K_c = investor's expected return from the continuous DCF model

D_0 = annual per share dividend at time 0, i.e., current dividend

Another DCF model sometimes used by analysts, notably by the Federal Energy Regulatory Commission in its determination of the electric utility industry's generic rate of return on equity before 1993, lies halfway between the continuous and annual forms of the DCF model:

$$K_{ad\ hoc} = D_0\,(1 + 0.5G)/P_0 + g \qquad (7\text{-}6)$$

where $K_{ad\ hoc}$ = investor's expected return from the ad hoc DCF model

This "ad hoc" DCF model is based on the arbitrary assumption that the firm is halfway into its quarterly dividend cycle and assigns half a year's growth to the dividend. Of course, the model does not reflect reality and is arbitrary in nature. Only the quarterly compounding DCF model reflects reality, is theoretically correct, and is computationally tractable.

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1 The effective return under continuous compounding is computed with the following formula:

$$K_c = \frac{D_0\,[K_c/\ln(1 + k_e)] + g}{P_0}$$

Consumers Illinois Water Company
Derivation of Dividend Yield for Use in the
Discounted Cash Flow Model

	Dividend Yield				
	Spot (03/21/00) (1)	Average of Last 3 Months (2)	Average of Last 6 Months (3)	Average of Last 12 Months (4)	Average Dividend Yield (5)
Proxy Group of Seven Water Companies					
American Water Works Co., Inc.	4.2 %	4.1 %	3.6 %	3.2 %	3.8 %
Conn. Water Service, Inc.	4.1	3.9	3.8	4.2	4.0
E'town Corporation	3.2	3.2	3.6	4.1	3.5
Middlesex Water Company	4.3	4.1	4.0	4.3	4.2
Pennichuck Corporation	4.3	3.2	3.4	3.8	3.7
Philadelphia Suburban Corp.	3.8	3.7	3.4	3.2	3.5
United Water Resources, Inc.	2.8	2.8	2.8	3.5	3.0
Average	3.8 %	3.6 %	3.5 %	3.8 %	3.7 %
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance					
American Water Works Co., Inc.	4.2 %	4.1 %	3.6 %	3.3 %	3.8 %
Berkshire Energy Resources	3.3	3.4	3.8	4.6	3.8
CMS Energy Corp.	7.5	6.1	5.2	4.2	5.8
Eastern Utilities Associates	5.3	5.4	5.5	5.6	5.5
Energy West Inc.	6.2	5.8	5.8	5.6	5.9
Hawaiian Electric Industries, Inc.	8.3	8.5	8.0	7.5	8.1
Southern Company	6.3	5.7	5.5	5.3	5.7
United Water Resources, Inc.	2.8	2.8	2.8	3.5	3.0
Average	5.5 %	5.2 %	5.0 %	5.0 %	5.2 %

Notes:
(1) The spot dividend yield is the current annualized dividend per share divided by the spot market price on 03/21/00.
(2) The average 3-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the three months ended February 29, 2000
(3) The average 6-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the six months ended February 29, 2000
(4) The average 12-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the twelve months ended February 29, 2000
(5) Equal weight has been given to the 12-month average, 6-month average, 3-month average and spot dividend yield. This provides recognition of current conditions, but does not place undue emphasis thereon.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus Database
CheckFree Investment Services http://qs.secapl.com/cgi-bin/q

Exhibit No. 7
Schedule 13

Consumers Illinois Water Company
Current Institutional Holdings (1) and Individual Holdings (2) for the
Proxy Group of Seven Water Companies and the
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

	1 February 2000 Percentage of Institutional Holdings (1)	2 February 2000 Percentage of Individual Holdings (2)
Proxy Group of Seven Value Line Water Companies		
Amer. Water Works Co., Inc.	31.7 %	68.3 %
Conn. Water Service, Inc.	9.1	90.9
E'town Corporation	28.2	71.8
Middlesex Water Company	NA	NA
Pennichuck Corporation	NA	NA
Philadelphia Suburban Corp.	19.2	80.8
United Water Resources, Inc.	19.2	80.8
Average	21.5 %	78.5 %
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance		
American Water Works Co., Inc.	31.7 %	68.3 %
Berkshire Energy Resources	NA	NA
CMS Energy Corp.	68.6	31.4
Eastern Utilities Associates	51.1	48.9
Energy West Inc.	2.0	98.0
Hawaiian Electric Industries, Inc.	27.9	72.1
Southern Company	34.3	65.7
United Water Resources, Inc.	19.2	80.8
Average	33.5 %	66.5 %

Notes:
(1) The percentage of institutional holdings is calculated by dividing the number of shares held by institutions by the number of shares outstanding.

(2) (1 - column 1).

Source of Information: Standard & Poor's Stock Guide

Consumers Illinois Water Company
Historical and Projected Growth

	1	2	3	4	5	6		7	8	9
	Value Line Historical Five Year Growth Rate (1)		Five Year Historical BR + SV (2)	Value Line Projected 1996-'98 to 2002-'04 Growth Rate (1)		I/B/E/S Projected Five Year Growth Rate		Average Projected Five Year Growth Rate in EPS (3)	Projected Five Year BR + SV (4)	Conclusion of Growth Rate
	DPS	EPS		DPS	EPS	EPS	No. of Est.			
Proxy Group of Seven Water Companies										
American Water Works Co., Inc.	10.5 %	5.5 %	7.5 %	7.0 %	8.0 %	6.18 %	[6]	7.1 %	8.3 %	
Conn. Water Service, Inc.	1.3 (5)	3.5 (5)	3.4	NA	NA	3.00	[1]	3.0	NA	
E'town Corporation	0.5	0.5	3.7	2.0	6.0	3.00	[2]	4.5	3.3	
Middlesex Water Company	2.9 (5)	1.5 (5)	3.5	NA	NA	3.00	[1]	3.0	NA	
Pennichuck Corporation	9.6 (5)	25.4 (5)	5.3	NA	NA	3.00	[1]	3.0	NA	
Philadelphia Suburban Corp.	4.0	7.5	5.3	5.0	9.0	9.73	[6]	9.4	11.0	
United Water Resources, Inc.	- -	1.0	5.9	1.5	7.5	5.17	[3]	6.3	3.9	
Average	4.1 %	3.3 % (6)	4.9 %	3.9 %	7.6 %	4.73 %		5.2 %	6.6 %	
								Range of Growth Rates		3.3% - 7.6%
								Midpoint of Range		5.5%
								Average of all Growth Rates (7)		5.0%
								Average of Midpoint of Range and Average of all Growth Rates		5.3%
								Average of Projected EPS Growth Rates (8)		5.2%
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance										
American Water Works Co., Inc.	10.5 %	5.5 %	7.5 %	7.0 %	8.0 %	6.18 %	[6]	7.1 %	8.3 %	
Berkshire Energy Resources	(0.5) (5)	7.1 (5)	4.3	NA	NA	3.00	[1]	3.0	NA	
CMS Energy Corp.	17.0	8.5	11.7	9.0	9.5	9.88	[16]	9.7	9.6	
Eastern Utilities Associates	3.5	(2.5)	1.9	Nil	0.5	2.00	[2]	1.3	0.7	
Energy West Inc.	7.0 (5)	3.3 (5)	5.1	NA	NA	5.00	[1]	5.0	NA	
Hawaiian Electric Industries, Inc.	1.5	2.5	2.2	0.5	2.0	3.23	[7]	2.6	2.6	
Southern Company	3.5	3.0	2.8	0.5	9.0	5.97	[19]	7.5	7.8	
United Water Resources, Inc.	- -	1.0	5.9	1.5	7.5	5.17	[3]	6.3	3.9	
Average	5.3 % (9)	4.4 % (9)	5.2 %	3.1 %	6.1 %	5.05 %		5.3 %	5.5 %	
								Range of Growth Rates		3.1% - 6.1%
								Midpoint of Range		4.6%
								Average of all Growth Rates (7)		5.0%
								Average of Midpoint of Range and Average of all Growth Rates		4.8%
								Average of Projected EPS Growth Rates (8)		5.3%

Notes:
(1) As shown on pages 9 through 16 of this Schedule. Historical growth rates are five-year compound growth rates.
(2) From page 2 of this Schedule.
(3) Average of Columns 5 and 6.
(4) From page 6 of this Schedule.
(5) Calculated using the same methodology as Value Line Investment Survey, i.e., three-year base periods.
(6) Excludes the 25.4% historical EPS growth rate for Pennichuck Corporation. In Ms. Ahern's opinion such a growth rate is not representative of the growth in EPS which can be expected to be sustainable prospectively.
(7) Average of Columns 1, 2, 3, 4, 5, 6, and 8.
(8) From Column 7.
(9) Excludes negative growth rate, since it is illogical that investors would invest in the common equity of a firm with the expectation of negative growth.

Source of Information: Value Line Investment Survey, January 7, February 4, February 18, and March 10, 2000, Standard Edition
Market Guide -I/B/E/S Earnings Estimates, March 16, 2000, yahoo.marketquide.com/mgi/

Consumers Illinois Water Company
Calculation of Historical BR + SV

	1	2	3	4	5
	BR (1)	S Factor (2)	V Factor (3)	SV (4)	BR + SV (5)
Proxy Group of Seven Water Companies					
American Water Works Co., Inc.	5.4 %	5.4 %	38.0 %	2.1 %	7.5 %
Conn. Water Service, Inc.	2.8	1.6	39.0	0.6	3.4
E'town Corporation	1.5	8.6	25.9	2.2	3.7
Middlesex Water Company	1.9	4.3	38.2	1.6	3.5
Pennichuck Corporation	4.2	11.4	9.7	1.1	5.3
Philadelphia Suburban Corp.	3.3	3.9	52.1	2.0	5.3
United Water Resources, Inc.	1.6	14.8	28.8	4.3	5.9
Average	3.0 %	7.1 %	33.1 %	2.0 %	4.9 %
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance					
American Water Works Co., Inc.	5.4 %	5.4 %	38.0 %	2.1 %	7.5 %
Berkshire Energy Resources	3.0	6.2	21.1	1.3	4.3
CMS Energy Corp.	8.3	6.6	51.4	3.4	11.7
Eastern Utilities Associates	1.6	1.4	20.8	0.3	1.9
Energy West Inc.	4.2	2.0	44.6	0.9	5.1
Hawaiian Electric Industries, Inc.	1.2	3.0	32.2	1.0	2.2
Southern Company	2.1	1.7	42.9	0.7	2.8
United Water Resources, Inc.	1.6	14.8	28.8	4.3	5.9
Average	3.4 %	5.1 %	35.0 %	1.8 %	5.2 %

Notes:
(1) From column 6, pages 3 and 4 of this Schedule.
(2) From column 12, page 5 of this Schedule.
(3) From column 7, page 6 of this Schedule.
(4) Column 2 * column 3.
(5) Column 1 + column 4.

Consumers Illinois Water Company
Historical Internal Growth Rate (1), i.e., BR, for
the Proxy Group of Seven Water Companies
for the Years 1994-1998

	1	2	3	4	5	6
	1998	1997	1996	1995	1994	Five-Year Average 1994-1998 Internal Growth Rate, i.e., BR
Proxy Group of Seven Water Companies						
American Water Works Co., Inc.						
Common Equity Return Rate	10.67 %	10.47 %	10.41 %	11.35 %	10.75 %	
Retention Ratio	48.23	47.82	47.49	51.75	53.95	
Internal Growth Rate (1)	5.15	5.01	4.94	5.87	5.80	5.4 %
Conn. Water Service, Inc.						
Common Equity Return Rate	12.15 %	12.25 %	12.37 %	12.68 %	12.54 %	
Retention Ratio	23.75	22.92	22.41	22.58	20.63	
Internal Growth Rate (1)	2.89	2.81	2.77	2.86	2.59	2.8
E'town Corporation						
Common Equity Return Rate	10.91 %	10.21 %	8.36 %	9.27 %	8.59 %	
Retention Ratio	24.19	16.23	(3.72)	3.63	(6.35)	
Internal Growth Rate (1)	2.64	1.66	(0.31)	0.34	(0.55)	1.5 (2)
Middlesex Water Company						
Common Equity Return Rate	10.52 %	11.22 %	10.34 %	11.99 %	12.10 %	
Retention Ratio	19.59	15.51	8.07	20.25	20.28	
Internal Growth Rate (1)	2.06	1.74	0.83	2.43	2.45	1.9
Pennichuck Corporation						
Common Equity Return Rate	10.90 %	9.55 %	9.73 %	9.09 %	8.09 %	
Retention Ratio	53.94	38.37	38.93	43.29	43.09	
Internal Growth Rate (1)	5.88	3.66	3.79	3.94	3.49	4.2
Philadelphia Suburban Corp.						
Common Equity Return Rate	13.53 %	12.49 %	11.84 %	11.99 %	11.18 %	
Retention Ratio	36.02	29.85	25.12	24.87	19.19	
Internal Growth Rate (1)	4.87	3.73	2.97	2.98	2.15	3.3
United Water Resources, Inc.						
Common Equity Return Rate	10.05 %	7.24 %	10.24 %	4.89 %	10.09 %	
Retention Ratio	21.63	(0.29)	19.30	(69.61)	7.38	
Internal Growth Rate (1)	2.17	(0.02)	1.98	(3.40)	0.74	1.6 (2)
Average						3.0 %

Notes: (1) The internal growth rate is calculated by multiplying the common equity return rate by the retention ratio (100% minus the dividend payout ratio). All data are on a

(2) Excludes negatives.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus Database

Consumers Illinois Water Company
Historical Internal Growth Rate (1), i.e., BR, for
the Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance
for the Years 1994-1998

	1	2	3	4	5	6
	1998	1997	1996	1995	1994	Five-Year Average 1994-1998 Internal Growth Rate, i.e., BR
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance						
American Water Works Co., Inc.						
Common Equity Return Rate	10.67 %	10.47 %	10.41 %	11.35 %	10.75 %	
Retention Ratio	48.23	47.82	47.49	51.75	53.95	
Internal Growth Rate (1)	5.15	5.01	4.94	5.87	5.80	5.4 %
Berkshire Energy Resources						
Common Equity Return Rate	8.56 %	10.88 %	12.29 %	7.25 %	13.34 %	
Retention Ratio	6.19	25.81	33.09	(20.71)	35.56	
Internal Growth Rate (1)	0.53	2.81	4.07	(1.50)	4.74	3.0 (2)
CMS Energy Corp.						
Common Equity Return Rate	11.54 %	14.57 %	15.14 %	15.84 %	17.27 %	
Retention Ratio	42.15	55.60	57.08	58.82	62.57	
Internal Growth Rate (1)	4.86	8.10	8.64	9.32	10.81	8.3
Eastern Utilities Associates						
Common Equity Return Rate	9.29 %	10.19 %	8.20 %	8.81 %	13.56 %	
Retention Ratio	2.26	10.63	(9.81)	1.77	37.10	
Internal Growth Rate (1)	0.21	1.08	(0.80)	0.16	5.03	1.6 (2)
Energy West Inc.						
Common Equity Return Rate	12.25 %	11.05 %	11.55 %	15.19 %	13.89 %	
Retention Ratio	29.87	22.74	26.76	43.42	38.05	
Internal Growth Rate (1)	3.66	2.51	3.09	6.60	5.29	4.2
Hawaiian Electric Industries, Inc.						
Common Equity Return Rate	11.53 %	10.89 %	10.47 %	10.98 %	11.02 %	
Retention Ratio	16.07	11.52	7.24	10.82	10.29	
Internal Growth Rate (1)	1.85	1.25	0.76	1.19	1.13	1.2
Southern Company						
Common Equity Return Rate	10.05 %	10.31 %	12.53 %	13.01 %	12.47 %	
Retention Ratio	4.50	8.54	24.93	26.46	22.50	
Internal Growth Rate (1)	0.45	0.88	3.12	3.44	2.81	2.1
United Water Resources, Inc.						
Common Equity Return Rate	10.05 %	7.24 %	10.24 %	4.89 %	10.09 %	
Retention Ratio	21.63	(0.29)	19.30	(69.61)	7.38	
Internal Growth Rate (1)	2.17	(0.02)	1.98	(3.40)	0.74	1.6 (2)
Average						3.4 %

Notes: (1) The internal growth rate is calculated by multiplying the common equity return rate by the retention ratio (100% minus the dividend payout ratio). All data are on a

(2) Excludes negatives.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus Database

Consumers Illinois Water Company

Calculation of Five Year Average Growth in Common Shares Outstanding (1), i.e., S Factor

	1	2	3	4	5	6	7	8	9	10	11	12
	1993 Common Shares Outstanding (1)	93-94 Growth	1994 Common Shares Outstanding (1)	94-95 Growth	1995 Common Shares Outstanding (1)	95-96 Growth	1996 Common Shares Outstanding (1)	96-97 Growth	1997 Common Shares Outstanding (1)	97-98 Growth	1998 Common Shares Outstanding (1)	Five Year Average Common Share Growth
Proxy Group of Seven Water Companies												
American Water Works Co., Inc.	62.488	4.5 %	65.318	3.8 %	67.826	15.6 %	78.421	1.6 %	79.686	1.5 %	80.895	5.4 %
Conn. Water Service, Inc.	4.185	2.9	4.307	3.3	4.451	1.5	4.518	0.2	4.527	0.2	4.536	1.6
E'town Corporation	5.639	17.1	6.603	13.9	7.523	3.4	7.782	3.1	8.022	5.6	8.471	8.6
Middlesex Water Company	3.979	1.3	4.031	2.6	4.137	1.6	4.205	1.5	4.269	14.7	4.897	4.3
Pennichuck Corporation	1.069	0.5	1.074	0.4	1.078	3.7	1.118	1.4	1.134	50.8	1.710	11.4
Philadelphia Suburban Corp.	22.859	2.5	23.435	4.0	24.377	5.0	25.598	2.4	26.213	5.8	27.727	3.9
United Water Resources, Inc.	20.216	54.7	31.281	5.1	32.880	5.1	34.549	5.1	36.295	4.2	37.836	14.8
Average												7.1 %
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance												
American Water Works Co., Inc.	62.488	4.5 %	65.318	3.8 %	67.826	15.6 %	78.421	1.6 %	79.686	1.5 %	80.895	5.4 %
Berkshire Energy Resources	1.733	2.0	1.767	19.0	2.103	2.4	2.153	2.7	2.212	4.7	2.316	6.2
CMS Energy Corp.	85.197	1.6	86.535	14.6	99.212	3.5	102.69	6.2	109.011	6.9	116.557	6.6
Eastern Utilities Associates	19.033	4.7	19.937	2.5	20.437	0.0	20.436	0.0	20.436	0.0	20.436	1.4
Energy West Inc.	2.18	0.5	2.191	2.9	2.254	3.0	2.321	1.6	2.357	2.0	2.403	2.0
Hawaiian Electric Industries, Inc.	27.675	3.5	28.655	3.9	29.773	3.6	30.853	3.4	31.895	0.7	32.116	3.0
Southern Company	642.662	2.2	656.528	2.0	669.543	1.1	677.036	2.4	693.423	0.6	697.805	1.7
United Water Resources, Inc.	20.216	54.7	31.281	5.1	32.88	5.1	34.549	5.1	36.295	4.2	37.836	14.8
Average												5.1 %

Notes: (1) Year-end shares outstanding.
(2) Excludes negatives.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus Database

Consumers Illinois Water Company
Calculation of the Premium/Discount of a
Company's Stock Price Relative to its Book Value, i.e., V Factor

	1	2	3	4	5	6	7
	1994 Market to Book Ratio (1)	1995 Market to Book Ratio (1)	1996 Market to Book Ratio (1)	1997 Market to Book Ratio (1)	1998 Market to Book Ratio (1)	Five Year Average Market to Book Ratio	V Factor (2)
Proxy Group of Seven Water Companies							
American Water Works Co., Inc.	132.4 %	141.6 %	155.5 %	178.1 %	199.0 %	161.3 %	38.0 %
Conn. Water Service, Inc.	154.3	149.3	155.6	167.9	192.8	164.0	39.0
E'town Corporation	120.8	118.3	124.2	146.3	164.9	134.9	25.9
Middlesex Water Company	169.0	150.2	149.7	164.0	175.6	161.7	38.2
Pennichuck Corporation	98.3	99.0	106.5	100.7	149.6	110.8	9.7
Philadelphia Suburban Corp.	152.1	154.6	188.5	236.5	312.6	208.9	52.1
United Water Resources, Inc.	127.3	117.1	132.7	152.3	172.8	140.4	28.8
Average						154.6 %	33.1 %
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance							
American Water Works Co., Inc.	132.4 %	141.6 %	155.5 %	178.1 %	199.0 %	161.3 %	38.0 %
Berkshire Energy Resources	136.4	121.4	115.2	117.7	142.6	126.7	21.1
CMS Energy Corp.	185.0	190.7	196.4	216.6	239.2	205.6	51.4
Eastern Utilities Associates	136.4	126.7	106.7	119.8	142.1	126.3	20.8
Energy West Inc.	200.5	186.9	182.6	166.2	166.7	180.6	44.6
Hawaiian Electric Industries, Inc.	141.1	148.8	146.8	147.0	153.9	147.5	32.2
Southern Company	159.9	173.5	175.9	167.6	198.6	175.1	42.9
United Water Resources, Inc.	127.3	117.1	132.7	152.3	172.8	140.4	28.8
Average						157.9 %	35.0 %

Notes: (1) Market to Book Ratio = average of yearly high-low market price divided by the average of beginning and ending year's balance of book common equity per share.
(2) (1 - (100 / column 6)).

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus Database

Consumers Illinois Water Company
Calculation of Projected BR + SV

	1	2	3	4	5	6	7	8	9	10	11
	Common Shares Outstanding (1) (000,000)			Projected 2002 - 2004 (1)							
	Actual 1998	Projected 2002-2004	S Factor (2)	High Stock Price	Low Stock Price	Book Value	Average Stock Price (3)	V Factor (4)	SV (5)	BR (6)	BR + SV (7)
Proxy Group of Seven Water Companies											
American Water Works Co., Inc.	81.02	99.00	4.1 %	$45.0	$35.0	$20.00	$40.00	50.0 %	2.1 %	6.2 %	8.3
Conn. Water Service, Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
E'town Corporation	8.47	8.80	0.8	50.0	35.0	35.60	42.50	16.2	0.1	3.2	3.3
Middlesex Water Company	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pennichuck Corporation	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Philadelphia Suburban Corp.	27.73	42.00	8.7	35.0	25.0	12.00	30.00	60.0	5.2	5.8	11.0
United Water Resources, Inc.	37.97	38.50	0.3	25.0	18.0	15.00	21.50	30.2	0.1	3.8	3.9
Average			3.5 %					39.1 %	1.9 %	4.8 %	6.6 %
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance											
American Water Works Co., Inc.	81.02	99.00	4.1 %	$45.0	$35.0	$20.00	$40.00	50.0 %	2.1 %	6.2 %	8.3 %
Berkshire Energy Resources	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
CMS Energy Corp.	108.11	137.00	4.9	80.0	55.0	35.00	67.50	48.1	2.4	7.2	9.6
Eastern Utilities Associates	20.44	20.45	0.0 (8)	40.0	25.0	18.65	32.50	42.6	0.0	0.7	0.7
Energy West Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hawaiian Electric Industries, Inc.	32.12	34.50	1.4	45.0	35.0	28.75	40.00	28.1	0.4	2.2	2.6
Southern Company	698.63	620.00	(2.0) (8)	40.0	35.0	18.55	37.50	50.5	(1.0)	7.8	7.8 (9)
United Water Resources, Inc.	37.97	38.50	0.3	25.0	18.0	15.00	21.50	30.2	0.1	3.8	3.9
Average								41.6 %	1.0 % (9)	4.7 %	5.5 %

Notes:
(1) From pages 9 through 16 of this Schedule.
(2) The S Factor is the five / six year compound growth rate between the 1998 and 2003 / 2004 (mid-point of 2002-2004 / 2003-2005 projection) common shares outstanding.
(3) The Average Stock Price is the average of column 4 and column 5.
(4) (1 - (column 6 / column 7))
(5) Column 3 * column 8.
(6) From page 8, column 14 of this Schedule.
(7) Column 9 + column 10.
(8) Projected 2003-2005.
(9) Excludes negative growth rate, since it is illogical that investors would invest in the common equity of a firm with the expectation of negative growth.

Source of Information: Value Line Investment Survey, January 7, February 4, February 18, and March 10, 2000, Standard Edition

Consumers Illinois Water Company
Projected Internal Growth Rate

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	1998			2002-2004					2002-2004					
	Common Equity (%) (1)	Total Capital ($ mill) (1)	Common Equity ($ mill) (2)	Common Equity (%) (1)	Total Capital ($ mill) (1)	Common Equity ($ mill) (3)	Annual Common Equity Growth Rate (4)	ROE Adjustment Factor (5)	Return on Common Equity (1)	Return on Average Common Equity (6)	EPS (1)	DPS (1)	Retention Ratio (7)	Projected Internal Growth (8)
Proxy Group of Seven Water Companies														
American Water Works Co., Inc.	36.00 %	$3,442.30	$1,239.23	38.00 %	$4,850.00	$1,843.00	8.26 %	1.04 %	12.00 %	12.48 %	$2.30	$1.15	50.0 %	6.2 %
Conn. Water Service, Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
E'town Corporation	44.80	465.70	208.63	45.50	660.00	300.30	7.56	1.04	10.00	10.40	3.30	2.30	30.3	3.2
Middlesex Water Company	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pennichuck Corporation	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Philadelphia Suburban Corp.	46.60	496.60	231.42	47.00	1,000.00	470.00	15.22	1.07	12.50	13.38	1.50	0.85	43.3	5.8
United Water Resources, Inc.	38.10	1,198.30	456.55	47.00	1,225.00	575.75	4.75	1.02	10.50	10.71	1.55	1.00	35.5	3.8
Average														4.8 %
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance														
American Water Works Co., Inc.	36.00 %	$3,442.30	$1,239.23	38.00 %	$4,850.00	$1,843.00	8.26 %	1.04 %	12.00 %	12.48 %	$2.30	$1.15	50.0 %	6.2 %
Berkshire Energy Resources	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
CMS Energy Corp.	29.00	7,692.00	2,230.68	36.00	13,425.00	4,833.00	16.72	1.08	12.00	12.96	4.25	1.90	55.3	7.2
Eastern Utilities Associates	52.00	718.90	373.83	63.50 (9)	600.00 (9)	381.00	0.32	1.00	9.50 (9)	9.50	1.80 (9)	1.66 (9)	7.8	0.7
Energy West Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hawaiian Electric Industries, Inc.	43.10	1,918.90	827.05	47.50	2,075.00	985.63	3.57	1.02	11.00	11.22	3.10	2.48	20.0	2.2
Southern Company	42.90	22,817.00	9,788.49	40.50 (9)	28,230.00 (9)	11,433.15	2.62	1.01	15.00 (9)	15.15	2.75 (9)	1.34 (9)	51.3	7.8
United Water Resources, Inc.	38.10	1,198.30	456.55	47.00	1,225.00	575.75	4.75	1.02	10.50	10.71	1.55	1.00	35.5	3.8
Average														4.7 %

Notes:
(1) From pages 9 through 16 of this Schedule.
(2) Column 1 * column 2.
(3) Column 4 * column 5.
(4) Five / six year compound growth rate in common equity from 1998 to 2002-2004 / 2003-2005 or (((column 6 / column 3) ^ .20) - 1) / (((column 6 / column 3) ^ .167) - 1).
(5) 2 * ((1 + column 7) / (2 + column 7)).
(6) Column 8 * column 9.
(7) 1 - (column 12 / column 11).
(8) Column 10 * column 13.
(9) Projected 2003-2005.

Source of Information: Value Line Investment Survey, January 7, February 4, February 18, and March 10, 2000, Standard Edition

AMER. WATER WKS. NYSE-AWK

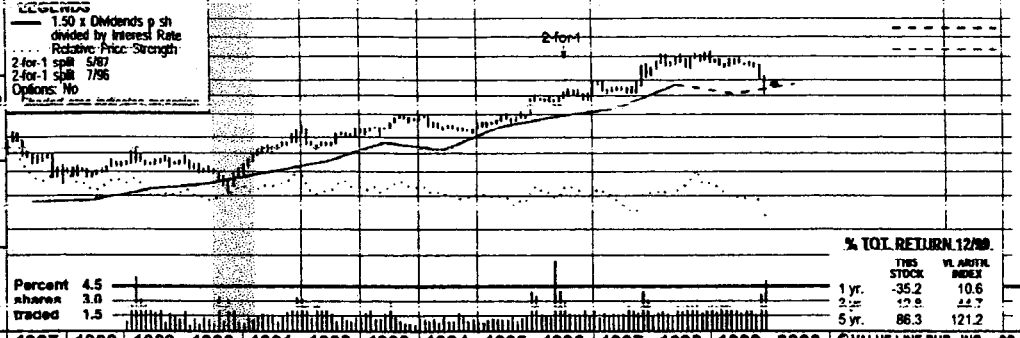
RECENT PRICE 23 | P/E RATIO 13.5 (Trailing: 14.7 Median: 12.0) | RELATIVE P/E RATIO 0.94 | DIV'D YLD 4.1% | VALUE LINE

TIMELINESS 4 Raised 11/12/99
SAFETY 3 Raised 6/11/99
TECHNICAL 4 Lowered 2/4/00
BETA .50 (1.00 = Market)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
High:	9.4	10.8	9.8	13.4	14.2	16.1	16.1	19.6	22.0	29.7	33.8	34.8
Low:	7.4	8.4	6.3	7.8	10.3	12.3	12.6	13.4	17.8	19.9	25.3	20.5

Target Price Range 2002 | 2003 | 2004

LEGENDS
— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 5/87
2-for-1 split 7/96
Options: No
Shaded area indicates recession



2002-04 PROJECTIONS

	Price	Gain	Return
High	45	(+95%)	21%
Low	35	(+50%)	14%

Insider Decisions

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

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	80	76	77
to Sell	[illegible]	[illegible]	[illegible]
Hld's(000)	31270	30267	30915

Percent shares traded 4.5 3.0 1.5

% TOT. RETURN 12/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	-35.2	10.6
2 yr.	[illegible]	[illegible]
5 yr.	86.3	121.2

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
6.22	6.80	7.13	7.73	7.94	8.40	8.66	9.32	10.28	10.59	11.48	11.79	11.84	11.41	11.97	12.56	12.70	14.00	Revenues per sh	16.90
.93	1.10	1.16	1.37	1.41	1.50	1.38	1.65	1.98	1.97	2.21	2.26	2.42	2.48	2.79	3.05	3.15	3.40	"Cash Flow" per sh	4.20
.63	.77	.77	.91	.91	.92	.78	.93	1.14	1.04	1.15	1.17	1.26	1.31	1.45	1.58	1.63	1.75	Earnings per sh A	2.30
.18	.20	.25	.28	.32	.34	.37	.40	.43	.47	.50	.54	.64	.70	.76	.82	.86	.94	Div'd Decl'd per sh B ■	1.15
1.21	1.36	1.75	2.34	2.56	2.59	3.45	3.25	2.97	3.18	3.09	4.07	4.88	3.49	4.42	4.42	4.65	4.95	Cap'l Spending per sh	5.00
4.80	5.36	6.05	6.45	7.01	7.59	8.00	8.52	9.23	9.82	10.49	11.23	12.07	13.47	14.31	15.29	15.25	16.00	Book Value per sh	20.00
59.70	59.92	60.23	60.38	60.92	60.92	60.95	61.24	61.59	62.07	62.49	65.32	67.83	78.42	79.69	81.02	96.50	96.50	Common Shs Outst'g D	99.00
5.3	5.2	8.3	10.0	10.9	8.9	11.6	8.7	9.3	11.5	12.4	12.0	12.1	15.0	15.8	19.3	17.7		Avg Ann'l P/E Ratio	17.0
.45	.48	.67	.68	.73	.74	.88	.65	.59	.70	.73	.79	.81	.94	.91	1.02	.99		Relative P/E Ratio	1.15
5.3%	5.0%	3.9%	3.1%	3.2%	4.1%	4.1%	5.0%	4.1%	3.9%	3.5%	3.8%	4.2%	3.6%	3.3%	2.7%	3.0%		Avg Ann'l Div'd Yield	3.2%
						527.6	570.7	633.0	657.4	717.5	770.2	802.8	894.6	954.2	1017.8	1225	1350	Revenues ($mill)	1675
						48.3	57.1	76.6	72.8	79.8	82.5	91.9	105.3	122.7	131.0	150	165	Net Profit ($mill)	225
						38.1%	34.2%	33.3%	34.1%	37.5%	37.7%	37.4%	37.7%	37.9%	38.9%	38.0%	38.0%	Income Tax Rate	38.0%
						6.4%	7.7%	8.4%	8.8%	8.6%	12.7%	23.2%	11.2%	9.6%	11.7%	12.0%	13.0%	AFUDC % to Net Profit	15.0%
						59.0%	58.4%	58.4%	56.8%	61.0%	61.0%	60.1%	59.7%	60.1%	61.2%	61.5%	61.5%	Long-Term Debt Ratio	60.0%
						37.1%	38.1%	35.0%	36.6%	33.7%	34.2%	35.5%	36.8%	36.6%	36.0%	36.0%	36.0%	Common Equity Ratio	38.0%
						1313.2	1369.5	1624.3	1663.2	1947.2	2143.2	2303.9	2873.3	3110.8	3442.3	3750	3975	Total Capital ($mill)	4850
						1741.9	1902.6	2037.1	2183.9	2506.5	2703.4	2862.0	3431.3	3690.6	4041.8	4400	4700	Net Plant ($mill)	5500
						6.6%	6.7%	7.4%	6.9%	6.6%	6.1%	6.4%	5.7%	6.1%	5.9%	6.0%	6.0%	Return on Total Cap'l	7.0%
						9.0%	10.0%	11.3%	10.1%	10.5%	9.9%	10.0%	9.1%	9.9%	9.8%	10.5%	10.5%	Return on Shr. Equity	11.5%
						9.1%	10.3%	12.3%	10.5%	10.9%	10.2%	10.3%	9.6%	10.4%	10.3%	11.0%	11.0%	Return on Com Equity C	12.0%
						4.5%	5.7%	7.6%	5.8%	6.1%	5.5%	5.1%	4.7%	5.1%	4.9%	5.0%	5.0%	Retained to Com Eq	6.0%
						55%	48%	43%	51%	50%	51%	55%	53%	52%	53%	55%	55%	All Div'ds to Net Prof	51%

CAPITAL STRUCTURE as of 9/30/99
Total Debt $2577.3 mill. Due in 5 Yrs $535.0 mill.
LT Debt $2396.8 mill. LT Interest $185.0 mill.
(Total interest coverage: 2.2x)

Pension Liability None
Pfd Stock $94.0 mill. Pfd Div'd $4.0 mill.
1.6 mill. shs. 8.5%; 466,935 shs. 5%; (all $25 par and cum.). Also $43.5 mill. (par value) pref. stock of subsidiaries, 3.9% to 11.0%.

Common Stock 96,914,952 shs.

MARKET CAP: $2.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	1997	1998	9/30/99
Cash Assets	12.7	39.1	46.0
Other	160.2	172.7	238.3
Current Assets	172.9	211.8	284.3
Accts Payable	42.8	56.7	49.1
Debt Due	159.9	141.9	180.5
Other	103.8	102.7	167.5
Current Liab.	306.5	301.3	397.1
Fix. Chg. Cov.	217%	272%	262%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	4.0%	2.0%	6.0%
"Cash Flow"	7.0%	6.0%	7.0%
Earnings	4.5%	5.5%	8.0%
Dividends	9.5%	10.5%	7.0%
Book Value	7.5%	8.0%	5.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	198.2	228.6	247.6	220.2	894.6
1997	213.4	237.9	266.0	236.9	954.2
1998	226.0	256.0	282.5	253.3	1017.8
1999	237.0	319.0	353.6	315.4	1225
2000	270	350	380	350	1350

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.24	.35	.45	.27	1.31
1997	.21	.39	.51	.34	1.45
1998	.26	.42	.57	.33	1.58
1999	.23	.42	.58	.40	1.63
2000	.25	.47	.63	.40	1.75

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.175	.175	.175	.175	.70
1997	.19	.19	.19	.19	.76
1998	.205	.205	.205	.205	.82
1999	.215	.215	.215	.215	.86
2000					

BUSINESS: American Water Works is the largest investor-owned water utility in the U.S. Has 23 regulated subs. serving 10 million people in 23 states. Primary service areas: New England, Mid-Atlantic, Midwest, Southeast, and Calif. NJ and PA make up 50% of '98 water & sewer revs. Water revs.: residential, 56%; commercial, 24%; industrial, 7%; other, 13%. Avg. revs. per customer: in '98: $503; in '97: $494. 1998 deprec. rate: 2.3%. Acquired Penn. Gas & Water's water business, 2/96. Has 4,035 employees, 41,000 shareholders. Ware family owns 20% of common, Off. and Dir. 15.0% (3/99 Proxy). Chairman: Marilyn Ware. Pres. & C.E.O.: J. James Barr. Inc.: DE. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Tel.: 609-346-8200. Internet: www.amwater.com.

American Water Works should make decent earnings progress in 2000. Despite weather-related restrictions within a number of subsidiary service territories, AWK likely grew its top and bottom-lines in 1999 by 20% and 3%, respectively, primarily as a result of successful geographic diversification. The recently acquired National Enterprises (which serves approximately 1.5 million people in Missouri, Indiana, Illinois, and New York) should continue to provide a platform for geographic expansion, while also providing a measure of earnings stability against any future weather-related earnings shortfalls. Meantime, the company's Pennsylvania subsidiary has been granted a $24.6 million (8.7%) rate increase. This, along with several additional pending rate hikes and a growing customer base, should drive a single-digit earnings gain in 2000.

The company continues to grow through acquisitions. The high cost of upgrading our nation's water systems is forcing many smaller municipal water companies to turn to larger, better financed players (such as AWK) for assistance. As the largest domestic publicly owned water utility, American has the means to effectively acquire and operate smaller systems. In 1999, AWK bought 16 smaller water systems, which added 516,000 customers. Most recently, American has agreed to acquire SJW Corp. (AMEX:SJW), which provides water to 216,000 customers in California, for $390 million in cash. This merger, along with the recently announced acquisition of Citizens Utilities Company, should close by yearend, pending regulatory approval. The two additions offer additional geographic diversity, and should become accretive to earnings during 2001.

American Water Works shares are ranked to lag the market in the year ahead. However, conservative investors should note that the stock merits our top rank for Safety, and the company also possesses a solid Financial Strength rating. Furthermore, the shares offer a steadily increasing dividend. With the shares off over 20% from our November report, 3- to 5- year total-return potential at the recent price is worthwhile.

Steven Brachman *February 4, 2000*

(A) Based on average shares through '97, basic thereafter. Excludes nonrecurring gains/(losses): '85, 19¢; '95, 6¢; '99 (13¢). Incl. nonrecurring gain: '90, 5¢. Next earnings report due mid-Feb. (B) Next dividend meeting about April 2nd. Goes ex about April 22nd. Div. payment dates: About the 15th of Feb., May, Aug., Nov. ■ Div'd. reinv. plan avail. (5% discount). (C) Rate base determination varies with each state. Allowed return on common in '98: 10.5%-11.25%. Return on beg. com. eq. in '98: 10.8%. (D) In mill., adj. for stock splits.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	95

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CMS ENERGY CORP. NYSE-CMS

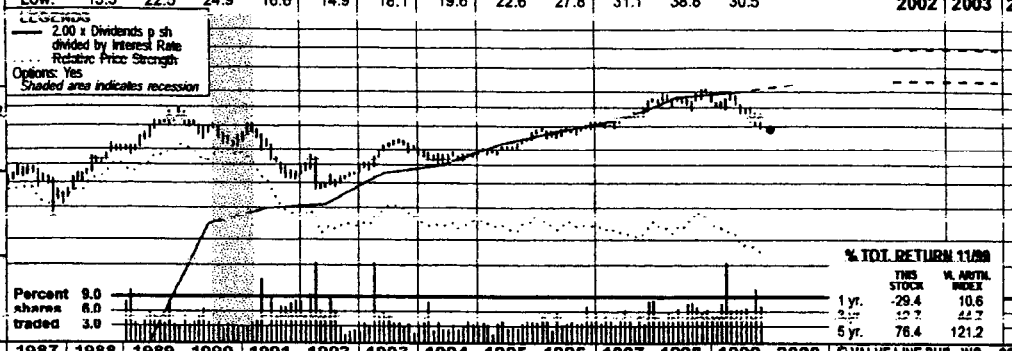
RECENT PRICE 31 | P/E RATIO 9.7 (Trailing: 11.5 Median: 12.0) | RELATIVE P/E RATIO 0.67 | DIV'D YLD 4.9% | VALUE LINE

TIMELINESS 4 Lowered 2/26/99
SAFETY 3 Raised 4/10/98
TECHNICAL 4 Lowered 7/16/99
BETA .50 (1.00 = Market)

High:	26.5	39.6	38.5	33.0	22.6	27.5	25.0	30.0	33.8	44.1	50.1	48.5
Low:	13.5	22.5	24.9	16.6	14.9	18.1	19.6	22.6	27.8	31.1	38.8	30.5

Target Price Range 2002 | 2003 | 2004

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



2002-04 PROJECTIONS

	Price	Gain	Return
High	80	(+160%)	29%
Low	55	(+75%)	19%

Insider Decisions

	F	M	A	M	J	J	A	S	O
Options	0	0	0	1	1	1	4	1	0
to Sell	0	0	1	2	1	1	5	0	0

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	110	122	112
Hld's(000)	77688	104691	78872

Percent shares traded 9.0 6.0 3.0

% TOT. RETURN 11/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	-29.4	10.6
3 yr.	13.7	44.7
5 yr.	76.4	121.2

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
34.21	36.74	37.45	35.32	34.38	35.80	36.21	36.87	36.84	38.43	40.87	41.82	42.47	45.70	47.49	47.56	*51.30*	*57.15*	Revenues per sh	*62.75*
5.00	4.07	2.06	3.17	4.95	5.97	6.63	6.56	6.04	5.23	6.10	6.45	6.77	7.18	7.39	6.60	*8.00*	*8.70*	"Cash Flow" per sh	*10.50*
3.12	1.68	d.43	.74	2.15	3.31	3.80	3.09	1.92	.99	1.90	2.09	2.27	2.45	2.61	2.24	*2.90*	*3.25*	Earnings per sh A	*4.25*
2.46	1.08	--	--	--	--	.10	.42	.48	.48	.60	.78	.90	1.02	1.14	1.26	1.39	*1.53*	Div'd Decl'd per sh B	*1.90*
11.06	7.84	2.37	2.17	5.02	5.31	5.98	5.26	4.42	6.09	6.43	6.64	5.84	6.95	7.05	11.98	*6.05*	*6.00*	Cap'l Spending per sh	*5.50*
26.04	25.92	21.50	22.00	24.53	20.23	23.97	17.36	13.28	9.09	11.34	12.79	16.04	17.95	19.61	20.63	*21.45*	*23.60*	Book Value per sh C	*35.00*
86.92	88.07	88.07	88.01	81.47	82.20	81.77	80.75	79.82	79.97	85.20	86.53	91.59	94.81	100.79	108.11	*116.00*	*119.00*	Common Shs Outst'g D	*137.00*
6.2	4.5	--	17.4	7.8	6.1	7.9	9.8	12.5	17.7	12.4	10.7	11.0	12.5	13.5	19.9	*13.7*		Avg Ann'l P/E Ratio	*16.0*
.52	.42	--	1.18	.52	.51	.60	.73	.80	1.07	.73	.70	.74	.78	.78	1.04	*.75*		Relative P/E Ratio	*1.05*
12.7%	14.5%	--	--	--	--	.3%	1.4%	2.0%	2.7%	2.5%	3.5%	3.6%	3.3%	3.2%	2.8%	3.5%		Avg Ann'l Div'd Yield	*2.8%*

CAPITAL STRUCTURE as of 9/30/99
Total Debt $7806.0 mill. Due in 5 Yrs $3027.0 mill.
LT Debt $7181.0 mill. LT Interest $540.0 mill.
(LT interest earned: 1.9x)
Leases, Uncapitalized Annual rentals $20.0 mill.
Pension Liab. $39.0 mill. in '98 vs. $34.0 mill. in '97
Pfd Stock $988.0 mill. Pfd Div'd $77.0 mill.
Incl. 441,599 shs. $4.16-$4.50 $100 par, cum., call. at $103.25-$110. Incl. 8 mill. shs. $2.08 Class A pfd. ($25 par), cum.; 4 mill. shs. 8.36% Trust Preferred; 3.45 mill. units 7.75% conv. QUIPS.
Common Stock 115,800,521 shs. as of 10/31/99
MARKET CAP: $3.6 billion (Mid Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
2961.1	2977.0	2941.0	3073.0	3482.0	3619.0	3890.0	4333.0	4787.0	5141.0	*5950*	*6800*	Revenues ($mill)	*8600*
330.6	261.3	163.0	79.2	166.0	203.0	232.0	276.0	311.0	280.0	*400*	*465*	Net Profit ($mill)	*660*
34.0%	14.3%	--	34.7%	31.1%	31.2%	33.7%	33.5%	27.3%	25.4%	*23.5%*	*24.5%*	Income Tax Rate	*24.5%*
53.5%	14.5%	3.1%	3.8%	3.0%	3.0%	3.4%	2.9%	5.1%	10.4%	*10.0%*	*6.0%*	AFUDC % to Net Profit	*1.0%*
60.6%	68.5%	62.2%	76.0%	69.1%	65.8%	62.3%	57.7%	56.2%	62.8%	*67.5%*	*65.5%*	Long-Term Debt Ratio	*57.0%*
36.1%	28.3%	32.8%	19.6%	26.5%	25.9%	30.4%	33.4%	33.2%	29.0%	*23.5%*	*25.5%*	Common Equity Ratio	*36.0%*
5424.4	4947.0	3232.0	3713.0	3649.0	4280.0	4837.0	5103.0	5955.0	7692.0	*10650*	*11080*	Total Capital ($mill)	*13425*
3839.5	4033.0	4121.0	4326.0	4583.0	4826.0	5074.0	5280.0	5435.0	6040.0	*7145*	*7210*	Net Plant ($mill)	*7125*
9.0%	8.2%	9.3%	4.4%	7.3%	7.0%	7.1%	7.7%	7.5%	5.7%	*6.0%*	*7.0%*	Return on Total Cap'l	*7.0%*
15.5%	16.8%	13.3%	8.9%	14.7%	13.9%	12.7%	12.8%	11.9%	9.8%	*11.5%*	*12.5%*	Return on Shr. Equity	*11.5%*
15.9%	17.9%	14.4%	9.4%	16.0%	16.2%	13.9%	14.1%	13.6%	10.3%	*13.5%*	*14.0%*	Return on Com Equity E	*12.0%*
15.5%	15.4%	10.8%	4.2%	11.0%	10.1%	8.2%	8.0%	7.5%	4.0%	*7.0%*	*7.0%*	Retained to Com Eq	*6.5%*
8%	17%	29%	62%	36%	45%	48%	50%	52%	68%	*56%*	*57%*	All Div'ds to Net Prof	*52%*

ELECTRIC OPERATING STATISTICS

	1996	1997	1998
% Change Retail Sales (KWH)	+2.3	+1.3	+2.6
Avg. Indust. Use (MWH)	1397	1449	1476
Avg. Indust. Revs. per KWH (¢)	5.46	5.33	5.20
Capacity at Peak (Mw)	8076	8076	8012
Peak Load, Summer (Mw)	7167	7315	7238
Annual Load Factor (%)	59.5	58.9	60.8
% Change Customers (yr-end)	+1.5	+1.5	+1.4
Fixed Charge Cov. (%)	205	183	166

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	3.0%	4.0%	*5.0%*
"Cash Flow"	4.0%	4.0%	*7.0%*
Earnings	1.5%	8.5%	*9.5%*
Dividends	--	17.0%	*9.0%*
Book Value	-1.5%	11.5%	*10.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	1283	938.0	929.0	1183	4333
1997	1295	1024	1032	1436	4787
1998	1374	1132	1286	1349	5141
1999	1538	1353	1488	*1571*	*5950*
2000	*1900*	*1500*	*1650*	*1750*	*6800*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.83	.54	.65	.43	2.45
1997	.78	.55	.69	.59	2.61
1998	.38	.62	.80	.44	2.24
1999	.80	.67	.78	*.65*	*2.90*
2000	*1.05*	*.70*	*.80*	*.70*	*3.25*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.24	.24	.27	.27	1.02
1997	.27	.27	.30	.30	1.14
1998	.30	.30	.33	.33	1.26
1999	.33	.33	.365	.365	1.39
2000					

BUSINESS: CMS Energy Corporation is a holding company for Consumers Energy, which supplies electricity (60% of operating inc.) and gas (16%) to lower Michigan (excl. Detroit). Other ops. incl. independent power projects (18%), oil/gas exploration & production (1%), gas transmission (4%), & energy marketing (1%). Elec. rev. breakdown, '98: res'l, 36%; comm'l, 30%; ind'l, 27%; other, 7%. Generating sources, '98: coal, 42%; nuclear, 13%; other, 2%; purch., 43%. Power costs: 53% of revs. '98 depr. rate: 4.8%. Has 9,700 empls., 100,000 stockholders. Chairman & C.E.O.: William T. McCormick Jr. Pres. & C.O.O.: Victor J. Fryling. Inc.: MI. Address: Fairlane Plaza South, Suite 1100, 330 Town Center Dr., Dearborn, MI 48126. Tel.: 313-436-9200. Internet: www.cmsenergy.com

CMS Energy has received some potentially good news concerning its utility's rate review. A group representing industrial customers asked the regulators to cut the utility's electric rates, contending that its return on equity is excessive. This case is on hold, however, pending the introduction of a bill in the Michigan legislature. The bill would require CMS to provide customer credits of $94 million over five years, beginning in 2003, but it would ensure full recovery of its stranded costs.

Earnings should rise solidly in 2000. We assume that electric rates won't change much, if at all, in the near term, and that a return to normal weather helps the gas utility. CMS will start to book income in the seasonally strong first quarter from pipeline assets it acquired at the end of March, 1999. The independent power production division will benefit from a full year of earnings from projects that went on-line in 1999, and several more projects are scheduled to begin operation this year. Finally, a continued earnings recovery is likely at the oil and gas segment, due to increased production and higher prices.

The company plans to sell some assets in order to pay down debt. CMS had intended to issue common equity in order to strengthen its capital structure, but its depressed share price precludes a stock offering. Instead, the company will sell an estimated $500 million to $700 million of assets and use the proceeds to retire debt. The ensuing reduction in interest expense should be enough to compensate for the lost earnings from the assets that will be sold. The debt paydown will boost the common-equity ratio by four percentage points, but it will still be subpar. Our estimates and projections won't reflect the asset sales until they have been completed, possibly during the current quarter. Note that these sales are separate from CMS's annual asset-harvesting, which is part of its game plan.

CMS stock is untimely, but it offers an above-average yield (compared to the market as a whole) and good total-return potential to 2002-2004. Despite the fact that average annual earnings growth over that time could approach a double-digit level, the stock is trading at a multiple that's well below the market's.

Paul E. Debbas, CFA *January 7, 2000*

(A) Diluted EPS. Excl. nonrec. gain (losses): '84, (52¢); '85, ($3.99); '90, ($9.80); '91, ($5.36); '92, ($4.71); '98, 38¢. Next egs. report due late Jan. (B) Next div'd meeting about Jan. 24. Goes ex about Jan. 28. Div'd payment dates: Feb. 22, May 21, Aug. 20, Nov. 22. ■ Div'd reinvest. plan avail. (C) Incl. deferred charges. In '98: $1.7 bill., $16.41/sh. (D) In mill. Excl. Class G com. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '96: 12.25% elec., 11.6% gas; earned on avg. com. eq., '98: 11.1%. Regulatory Climate: Below Average.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	40

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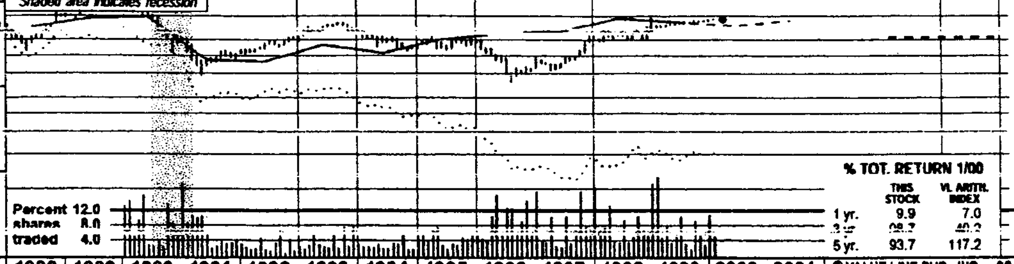
EASTERN UTILITIES NYSE-EUA

RECENT PRICE	31	P/E RATIO	19.4 (Trailing: 18.9 Median: 12.0)	RELATIVE P/E RATIO	1.50	DIV'D YLD	5.4%	VALUE LINE

TIMELINESS — Suspended 2/12/99
SAFETY 4 Lowered 10/21/90
TECHNICAL — Suspended 2/12/99
BETA .45 (1.00 = Market)

High:	41.8	41.5	25.0	25.3	29.9	27.8	25.3	24.5	26.8	28.4	31.6	31.1		Target Price Range 2003 | 2004 | 2005
Low:	30.4	20.8	15.8	20.4	23.6	21.1	21.3	14.5	16.9	23.6	26.5	30.0		

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



2003-05 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+30%)	11%
Low	25	(-20%)	1%

Insider Decisions

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

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	50	34	27
to Sell	[illegible]	[illegible]	[illegible]
Hld's(000)	11649	10407	10161

Percent shares traded 12.0 / 8.0 / 4.0

% TOT. RETURN 1/00

	THIS STOCK	VL ARITH. INDEX
1 yr.	9.9	7.0
3 yr.	98.7	40.2
5 yr.	93.7	117.2

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC.	03-05
33.17	29.32	29.40	28.31	27.98	26.77	27.63	31.11	30.52	29.76	28.30	27.57	25.79	27.82	26.37	27.10	27.70	28.60	Revenues per sh	32.05
4.21	4.17	4.77	5.38	4.84	4.95	4.49	4.70	4.94	5.01	5.09	4.68	4.16	4.31	4.55	4.50	4.70	4.85	"Cash Flow" per sh	5.40
2.85	2.67	2.82	3.46	2.85	2.95	1.08	1.58	2.00	2.44	2.41	2.13	1.68	1.79	1.80	1.64	1.65	1.65	Earnings per sh A	1.80
1.91	2.03	2.15	2.27	2.38	2.48	2.58	1.45	1.36	1.42	1.52	1.59	1.65	1.66	1.66	1.66	1.66	1.66	Div'd Decl'd per sh B ■	1.66
10.76	8.96	6.99	14.25	9.42	10.56	3.66	3.08	2.45	3.19	2.53	3.81	3.07	3.72	2.51	4.20	4.35	4.65	Cap'l Spending per sh	4.40
17.59	18.30	19.28	22.01	22.57	24.57	14.52	14.77	15.48	17.51	18.33	18.36	18.19	18.28	18.29	18.30	18.30	18.30	Book Value per sh C	18.65
10.89	11.38	11.68	12.97	13.37	15.26	16.35	16.83	17.24	19.03	19.94	20.44	20.44	20.44	20.44	20.45	20.45	20.45	Common Shs Outst'g D	20.45
5.1	7.8	11.9	9.2	9.3	12.1	28.7	12.7	11.3	11.3	10.0	10.9	11.4	11.0	14.3	17.9	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	17.0
.47	.63	.81	.62	.77	.92	2.13	.81	.69	.67	.66	.73	.71	.63	.74	1.02			Relative P/E Ratio	1.15
13.2%	9.8%	6.4%	7.1%	9.0%	7.0%	8.3%	7.2%	6.0%	5.1%	6.3%	6.8%	8.6%	8.5%	6.4%	5.7%			Avg Ann'l Div'd Yield	5.4%

CAPITAL STRUCTURE as of 9/30/99
Total Debt $307.3 mill. Due in 5 Yrs $257.9 mill.
LT Debt $127.3 mill. LT Interest $24.4 mill.
(LT interest earned: 2.6x)

Leases, Uncapitalized: None
Pension Liability None
Pfd Stock $35.2 mill. Pfd Div'd $2.3 mill.

Common Stock 20,435,997 shares
as of 10/31/99

MARKET CAP: $625 million (Small Cap)

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001		03-05
451.9	523.6	526.1	566.5	564.3	563.4	527.1	568.5	538.8	553.8	565	585	Revenues ($mill)	655
21.2	30.4	38.2	48.2	49.7	45.5	36.6	38.8	39.1	35.8	36.0	36.0	Net Profit ($mill)	38.0
34.7%	32.5%	32.4%	23.7%	26.8%	27.2%	23.0%	26.8%	31.5%	32.0%	32.0%	32.0%	Income Tax Rate	32.0%
262.1%	8.1%	5.2%	4.9%	4.3%	7.1%	6.0%	2.6%	2.1%	3.0%	3.0%	3.0%	AFUDC % to Net Profit	3.0%
60.7%	62.4%	59.8%	57.6%	53.4%	51.6%	50.0%	44.9%	43.2%	31.0%	31.0%	31.0%	Long-Term Debt Ratio	30.5%
32.5%	31.8%	34.5%	38.7%	42.8%	44.5%	45.8%	50.4%	52.0%	63.5%	63.5%	63.5%	Common Equity Ratio	63.5%
731.4	782.9	774.2	861.9	853.1	843.3	812.1	740.8	718.9	590	590	590	Total Capital ($mill)	600
788.9	794.4	782.0	828.0	833.0	803.4	792.7	779.7	651.6	680	705	735	Net Plant ($mill)	795
8.7%	6.6%	7.9%	7.9%	8.1%	7.7%	6.6%	7.4%	7.4%	7.5%	7.5%	7.5%	Return on Total Cap'l	8.0%
7.4%	10.3%	12.3%	13.2%	12.5%	11.1%	9.0%	9.5%	9.6%	9.0%	9.0%	9.0%	Return on Shr. Equity	9.5%
7.2%	10.6%	12.8%	13.5%	13.0%	11.5%	9.2%	9.8%	9.8%	9.0%	9.0%	9.0%	Return on Com Equity E	9.5%
NMF	.9%	4.1%	5.7%	4.8%	3.0%	.2%	.7%	.8%	NMF	NMF	NMF	Retained to Com Eq	.5%
NMF	92%	71%	81%	65%	76%	98%	93%	93%	101%	101%	101%	All Div'ds to Net Prof	93%

ELECTRIC OPERATING STATISTICS

	1996	1997	1998
% Change Retail Sales (KWH)	+1.2	+1.2	+1.7
Avg. Indust. Use (MWH)	488	491	498
Avg. Indust. Revs. per KWH (¢)	9.26	9.29	8.64
Capacity at Peak (Mw)	1148	1121	1042
Peak Load, Summer (Mw)	854	933	940
Annual Load Factor (%)	62.6	58.3	58.1
% Change Customers (yr-end)	+.7	+.8	+1.0
Fixed Charge Cov. (%)	158	164	196

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '03-'05
Revenues	-.5%	-2.5%	2.5%
"Cash Flow"	-1.5%	-2.5%	3.0%
Earnings	-5.5%	-2.5%	.5%
Dividends	-3.0%	3.5%	Nil
Book Value	-1.5%	3.0%	.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1997	141.8	138.9	142.0	145.8	568.5
1998	139.3	130.0	136.0	133.5	538.8
1999	138.9	133.4	141.7	139.8	553.8
2000	145	135	145	140	565
2001	150	140	150	145	585

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1997	.51	.29	.47	.52	1.79
1998	.54	.29	.45	.52	1.80
1999	.27	.35	.57	.45	1.64
2000	.40	.30	.45	.50	1.65
2001	.40	.30	.45	.50	1.65

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.40	.415	.415	.415	1.65
1997	.415	.415	.415	.415	1.66
1998	.415	.415	.415	.415	1.66
1999	.415	.415	.415	.415	1.66
2000	.415				

BUSINESS: Eastern Utilities Associates is a holding company for three retail electric utilities. Supplies power to southeastern Massachusetts and northern and southern coastal Rhode Island. Also sells power wholesale via its Montaup Electric unit. 1998 fuel sources: nuclear, 23%; gas, 29%; coal, 16%; oil, 26%; other, 6%. Utility revenue sources in '98: resid., 43%; commer., 36%; indust., 18%; other, 3%. Eastern transferred its equity interest in EUA Power back to EUA Power at no cost in 1993. Has nonreg. operations in energy management. '98 deprec. rate: 3.5%. Employees: 1,137. No. com. shholders: 10,227. Chairman & CEO: Donald G. Pardus. Inc.: MA. Address: 750 W. Center St., W. Bridgewater, MA 02379. Tel.: 508-559-2000. Internet: www.eua.com.

Eastern Utilities may be acquired by New England Electric System (NEES) before the end of the quarter. The pact calls for NEES to buy all of EUA's outstanding common stock for $31 a share, in an all-cash transaction. The price will be increased by $0.003 a share per day, for each day from November 17, 1999 until closing, subject to a cap of $0.49 a share. The merger is not contingent on the previously announced purchase of NEES by National Grid Group of the United Kingdom. But it still requires approval of various state and federal regulatory bodies, all of which are expected shortly. Despite the high payout ratio, EUA has stated that it will continue dividend payments at the current rate until the alliance is concluded. We have suspended the stock's Timeliness rank, since the shares are trading largely on takeover considerations.

The company plans to sell its remaining nuclear assets. Its 4% interest in Millstone 3 has a book value of $115 million. Northeast Utilities (NU), a 68% owner of the plant, seeks to sell its stake in the unit and has agreed to sell EUA's share as part of the transaction. Though the sale will almost certainly be for only a small fraction of the unit's book value, the company will recover the loss through a nonbypassable transition charge. Meanwhile, EUA has settled its claim against NU for $11 million, resulting from the latter's subpar operation of the facility. EUA also has an agreement to sell its 2.25% ownership of Vermont Yankee for $600,000. The plant has no book value.

The merger with NEES represents a negligible premium over the stock's recent quote. That's understandable, in light of EUA's limited prospects as a stand-alone entity. Not only are the company's finances below average for a utility, but, because of EUA's small size, it would have difficulty competing against its larger neighbors in the new unregulated environment. Moreover, Cogenex, the major noncore subsidiary, is not living up to expectations. In all, we consider the acquisition price a fair one. Since the alliance will probably be finalized shortly, shareholders will fare equally well by retaining their stock in anticipation of the merger or selling their holdings now.

Arthur H. Medalie *March 10, 2000*

(A) EPS basic. Excl. gains (losses): '90, 46¢ and ($9.24); '95, (52¢); '96, (18¢); '97, 7¢; '98 (10¢); '99, (82¢). Next egs. rpt. due late Apr. (B) Next div'd meeting about Apr. 17. Next ex date about Apr. 26. Div'd pmnt. dates: About the 15th of Feb., May, Aug., Nov. ■ Div'd reinvest. plan avail. (C) Incl. def'd chrgs. & other. In '98: $14.44/sh. (D) In millions. (E) Rate allowed on com. eq. in RI in '92, 11.43%; no rate specified in MA or by FERC. Earn. on avg. com. in '98: 9.8%. Reg. Clim.: Avg.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	75

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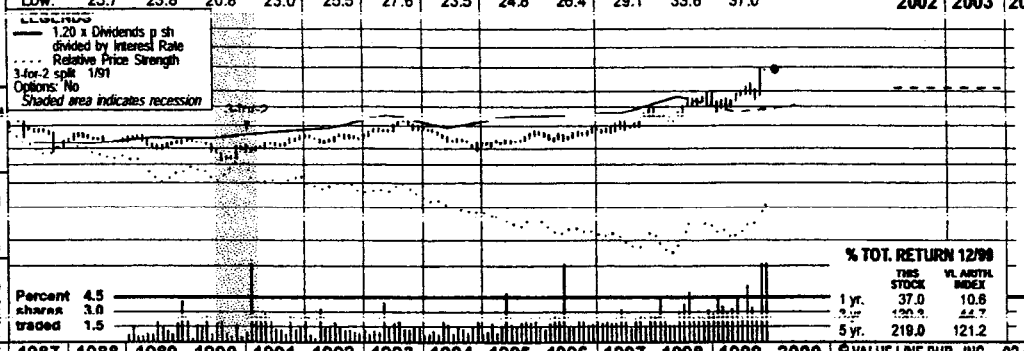
E'TOWN CORP. NYSE-ETW

RECENT PRICE 63 | P/E RATIO 24.5 (Trailing: 24.2 Median: 14.0) | RELATIVE P/E RATIO 1.71 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS — Suspended 12/3/99
SAFETY — New 2/3/99
TECHNICAL — Suspended 12/3/99
BETA .50 (1.00 = Market)

													Target Price Range
High:	29.7	28.7	27.3	28.8	29.3	35.8	32.0	30.5	32.1	40.8	48.3	63.4	2002 | 2003 | 2004
Low:	25.7	23.8	20.8	23.0	25.5	27.6	23.5	24.8	26.4	29.1	33.6	37.0	

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 1/91
Options: No
Shaded area indicates recession



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(-20%)	-2%
Low	35	(-45%)	-8%

Insider Decisions

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

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	38	22	22
to Sell	22	22	22
Hld's(000)	2714	2343	2248

Percent shares traded 4.5 3.0 1.5

% TOT. RETURN 12/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	37.0	10.6
3 yr.	120.9	44.7
5 yr.	219.0	121.2

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
--	--	19.94	21.77	22.12	22.06	20.33	21.75	20.53	18.27	17.66	15.40	14.41	14.14	16.68	15.92	18.85	19.75	Revenues per sh	22.80
--	--	2.78	3.07	3.30	3.63	2.69	3.11	3.76	3.46	3.54	3.02	3.37	3.20	3.95	4.30	4.45	4.75	"Cash Flow" per sh	5.70
--	--	2.16	2.33	2.41	2.52	1.63	1.73	2.32	2.21	2.38	1.95	2.16	1.96	2.41	2.67	2.55	2.65	Earnings per sh A	3.30
--	--	1.75	1.83	1.88	1.93	1.95	1.98	2.00	2.00	2.01	2.04	2.04	2.04	2.04	2.04	2.04	2.04	Div'd Decl'd per sh B	2.30
--	--	8.76	7.40	7.40	8.82	11.02	7.60	6.61	6.82	5.74	10.57	9.81	7.06	3.16	5.13	7.00	6.90	Cap'l Spending per sh	3.40
--	--	17.51	18.17	18.78	19.37	19.61	19.45	20.16	21.05	22.67	23.09	23.54	23.50	24.17	24.62	28.70	30.00	Book Value per sh	35.60
--	--	2.99	3.05	3.07	3.14	3.50	3.59	4.19	4.88	5.66	6.62	7.52	7.81	8.02	8.47	8.60	8.70	Common Shs Outst'g	9.80
--	--	11.2	13.2	12.5	10.9	16.1	14.0	10.9	12.5	13.2	14.3	12.4	14.7	13.5	14.6	17.6		Avg Ann'l P/E Ratio	13.0
--	--	.91	.90	.84	.90	1.22	1.04	.70	.76	.78	.94	.83	.92	.78	.77	.99		Relative P/E Ratio	.85
--	--	7.3%	6.0%	6.2%	7.0%	7.5%	8.2%	7.9%	7.2%	6.4%	7.3%	7.6%	7.1%	6.3%	5.2%	4.4%		Avg Ann'l Div'd Yield	5.3%
						71.2	78.1	86.1	89.2	100.0	102.0	108.4	110.4	133.8	134.8	162	170	Revenues ($mill)	200
						5.2	6.1	10.5	11.3	13.8	12.9	17.3	15.9	20.1	24.8	23.0	24.0	Net Profit ($mill)	30.0
						35.1%	36.6%	33.1%	33.1%	34.8%	36.0%	34.6%	34.5%	34.3%	33.9%	34.5%	34.5%	Income Tax Rate	34.5%
						20.5%	17.9%	9.3%	10.6%	5.9%	9.7%	14.1%	--	23.3%	1.1%	3.5%	3.0%	AFUDC % to Net Profit	2.5%
						59.6%	61.9%	59.3%	57.5%	52.4%	48.3%	50.6%	49.7%	54.6%	52.6%	54.0%	55.0%	Long-Term Debt Ratio	52.5%
						34.4%	32.5%	35.6%	38.1%	43.5%	47.9%	46.3%	47.2%	42.8%	44.8%	44.0%	43.0%	Common Equity Ratio	45.5%
						199.5	214.8	237.1	269.8	294.8	319.0	362.8	389.0	453.2	485.7	535	580	Total Capital ($mill)	660
						275.6	297.6	319.4	347.3	373.3	437.5	507.9	560.0	573.3	604.9	640	660	Net Plant ($mill)	710
						5.0%	5.3%	6.9%	6.3%	6.8%	5.9%	6.0%	5.3%	6.1%	6.9%	6.0%	6.0%	Return on Total Cap'l	6.0%
						6.4%	7.5%	10.9%	9.8%	9.8%	7.8%	9.2%	8.1%	9.7%	11.2%	9.5%	9.5%	Return on Shr. Equity	9.5%
						6.0%	7.3%	11.2%	10.0%	9.9%	7.9%	9.3%	8.2%	9.9%	11.5%	10.0%	10.0%	Return on Com Equity C	10.0%
						NMF	NMF	1.4%	1.9%	2.3%	.0%	1.1%	NMF	2.0%	3.4%	2.0%	2.5%	Retained to Com Eq	3.0%
						NMF	NMF	89%	82%	79%	100%	89%	103%	80%	71%	78%	75%	All Div'ds to Net Prof	68%

CAPITAL STRUCTURE as of 9/30/99
Total Debt $348.3 mill. Due in 5 Yrs $80.0 mill.
LT Debt $267.2 mill. LT Interest $16.0 mill.
(LT Interest Earned:3.1x; Total interest coverage: 3.0x)

Pension Liability None
Pfd Stock $12.0 mill. Pfd Div'd $.8 mill.
120,000 shs, 200,000 shares authorized. 5.9%. ($100 par value and cumulative). Mandatory redemption of entire issue on March 1, 2004.

Common Stock 8,637,588 shs.

MARKET CAP: $550 million (Small Cap)

CURRENT POSITION ($MILL.)	1997	1998	9/30/99
Cash Assets	6.2	3.6	10.2
Other	33.7	37.9	58.6
Current Assets	39.9	41.5	68.8
Accts Payable	11.6	12.5	21.5
Debt Due	23.0	22.0	81.1
Other	20.6	20.3	37.8
Current Liab.	55.2	54.8	140.4
Fix. Chg. Cov.	217%	230%	230%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-3.5%	-3.5%	6.5%
"Cash Flow"	1.5%	1.5%	7.0%
Earnings	-.5%	.5%	6.0%
Dividends	1.0%	.5%	2.0%
Book Value	2.5%	2.5%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	25.8	27.2	28.2	29.2	110.4
1997	30.1	32.5	38.6	32.6	133.8
1998	30.5	32.8	38.8	32.7	134.8
1999	36.5	41.6	45.6	38.3	162
2000	37.5	42.5	49.0	41.0	170

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.42	.51	.58	.45	1.96
1997	.44	.55	.92	.50	2.41
1998	.54	.62	1.00	.54	2.67
1999	.49	.66	.91	.49	2.55
2000	.50	.67	.98	.50	2.65

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.51	.51	.51	.51	2.04
1997	.51	.51	.51	.51	2.04
1998	.51	.51	.51	.51	2.04
1999	.51	.51	.51	.51	2.04
2000					

BUSINESS: E'town Corporation is the parent company of Elizabethtown Water Company, the sixth largest investor-owned water utility in the U.S. Provides water service to about 200,000 customers in central New Jersey. Also operates three non-regulated subsidiaries. Edison Water Company (formed in 1997). Liberty Water Company (formed in 1998). AWG (acq. March 1998) provides design services for water and wastewater facilities. E'town properties owns parcels of undeveloped land in New Jersey. 1998 depreciation rate: 2.0%. Has 505 employees. Officers and Directors own 9.2% of common (3/99 Proxy). Chairman: Anne Estabrook. CEO: Robert Keane. Add.: 600 South Ave., Westfield, NJ 07090. Telephone: (908) 654-1234. Internet: www.etownwater.com.

E'town Corporation has agreed to be acquired by Thames Water, a U.K.-based water supplier. The proposed purchase is for $607 million in cash or about $68 per E'town share. This represented about a 30% premium to E'town's stock price prior to the acquisition announcement. Thames is the third largest water service provider in the world, with approximately 20 million customers. The company already operates in Europe and Asia, but is seeking to further expand its services internationally, particularly in the United States.

We expect that the deal will close by the end of this year. In order to be finalized, the acquisition requires the approval of both sets of shareholders and state and federal regulatory authorities. A special shareholders meeting to vote on the merger is expected during the first quarter of 2000. We don't expect that the proposed acquisition will run into any regulatory problems, since Thames does not yet have a competitive market share in the U.S.

Current investors are advised to sell their E'town shares prior to the closing of the acquisition. Currently, E'town is trading at a mere 8% discount to Thames offering price. This extra potential appreciation, assuming the deal is consummated, does not appear to us to warrant holding on to these shares. There is always the risk that the acquisition may not close. In that case, E'town shares would likely fall to pre-announcement levels. This is because the Thames offer is significantly above the valuation that would seem to apply to an independent E'town, based on relevant historical measures. Thames appears to have paid a high price for E'town because of the scarcity of other acquisition candidates in the U.S. water utility industry.

Meanwhile, as a stand alone company we think E'town should produce respectable earnings growth out to 2002-2004. The main driver of these profit increases will likely come from the utility's non-regulated operations. Specifically, E'town hopes to capitalize on its financial strength and water management expertise to capture business opportunities that are surfacing in lieu of the privatization of many municipal water facilities.

Yehuda Fruchter *February 4, 2000*

(A) Based on average earnings through, 1996, diluted thereafter. Excludes nonrecurring gains (losses): '99, 24¢. Next earnings report due mid-Feb.
(B) Next dividend meeting about Feb. 19th. Goes ex. about Mar. 20th. Div. payment dates: about the 30th of Mar., Jun., Sep., Dec. Dividend reinvestment available (5% discount).
(C) Allowed return on common: 11.25%.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	75

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HAWAIIAN ELECTRIC NYSE-HE

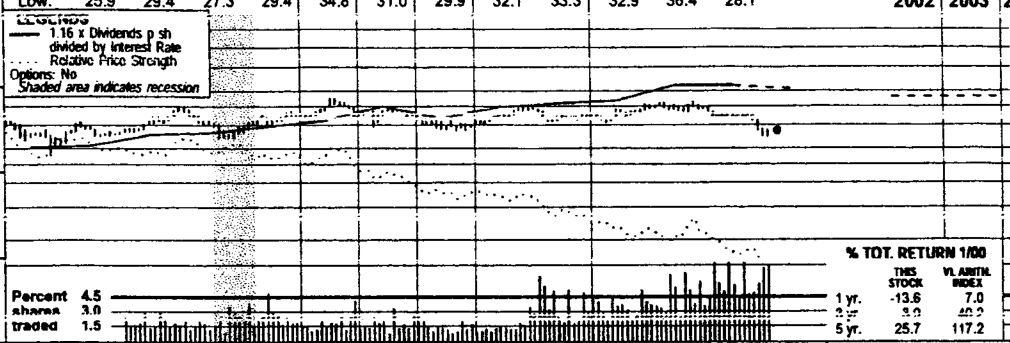
RECENT PRICE 30 | P/E RATIO 10.2 (Trailing: 10.4 Median: 14.0) | RELATIVE P/E RATIO 0.73 | DIV'D YLD 8.3% | VALUE LINE

TIMELINESS 4 Raised 11/5/99
SAFETY 2 Raised 11/24/93
TECHNICAL 4 Raised 9/10/99
BETA .50 (1.00 = Market)

High:	33.6	40.3	40.0	37.9	44.6	38.9	36.5	39.8	39.5	41.5	42.6	40.5	
Low:	25.9	29.4	27.3	29.4	34.8	31.0	29.9	32.1	33.3	32.9	36.4	28.1	

Target Price Range 2002 | 2003 | 2004

LEGENDS
— 1.16 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: No
Shaded area indicates recession



2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+50%)	16%
Low	35	(+15%)	11%

Insider Decisions

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

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	66	47	49
to Sell	46	47	46
Hld's(000)	10625	9291	9424

Percent shares traded 4.5 3.0 1.5

% TOT. RETURN 1/00

	THIS STOCK	VL ARITH. INDEX
1 yr.	-13.6	7.0
3 yr.	3.9	40.2
5 yr.	25.7	117.2

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
40.36	41.52	39.11	32.88	36.28	35.43	41.57	46.12	45.41	41.65	41.27	41.48	43.53	45.72	45.90	46.24	47.29	*50.60*	Revenues per sh	*52.25*
3.91	4.18	4.30	4.63	5.04	4.78	5.29	4.43	4.74	5.02	4.46	5.05	5.45	5.62	6.01	6.46	*6.50*	*6.55*	"Cash Flow" per sh	*7.00*
2.06	2.25	2.40	2.57	2.86	2.90	3.06	2.02	2.40	2.54	2.38	2.60	2.66	2.60	2.76	2.96	2.89	*2.90*	Earnings per sh A	*3.10*
1.52	1.58	1.66	1.74	1.83	1.95	2.07	2.17	2.21	2.25	2.29	2.33	2.37	2.41	2.44	2.48	2.48	*2.48*	Div'd Decl'd per sh B ■	*2.48*
2.71	2.82	4.83	4.16	5.78	5.88	6.90	6.50	6.83	8.06	8.11	7.00	6.54	6.66	4.62	5.19	*5.55*	*5.60*	Cap'l Spending per sh	*4.50*
16.32	16.99	17.84	18.96	19.59	21.95	23.18	23.29	24.36	22.12	23.24	23.80	24.51	25.05	25.54	25.75	26.31	*26.75*	Book Value per sh C	*28.75*
15.42	16.02	16.58	16.97	17.50	20.68	21.27	21.92	23.87	24.76	27.68	28.66	29.77	30.85	31.90	32.12	32.21	*33.00*	Common Shs Outst'g D	*34.50*
7.6	7.8	9.3	12.0	10.3	10.3	10.9	16.2	14.2	15.3	15.5	12.5	13.5	13.7	13.2	13.4	12.1		Avg Ann'l P/E Ratio	*12.5*
.64	.73	.76	.81	.69	.86	.83	1.20	.91	.93	.92	.82	.90	.86	.76	.70	.68		Relative P/E Ratio	*.85*
9.6%	9.0%	7.5%	5.7%	6.2%	6.5%	6.2%	6.6%	6.5%	5.8%	6.2%	7.2%	6.6%	6.8%	6.7%	6.2%	7.1%		Avg Ann'l Div'd Yield	*6.4%*

CAPITAL STRUCTURE as of 9/30/99
Total Debt $1143.3 mill. Due in 5 Yrs $375.0 mill.
LT Debt $935.0 mill. LT Interest $60.0 mill.
(LT interest earned: 3.4x)
Pension Liability None
Pfd Stock $234.3 mill. Pfd Div'd $18.0 mill.
1,114,657 shs. 4¼% to 5¼%, $20 par. call. $20 to $21; 260,000 shs. 8% to 8⅞%, $100 par. call. $101; 330,800 shs. 7.68% to 8¾% call. $101 to $108.56 and subj. to mand. redemp. Sinking fund ends 2018. Incl. $150 mill. obligated pref. securities of trust subsid. Incl. pfd. stock due within 1 yr.
Common Stock 32,213,000 shs. as of 12/31/99
MARKET CAP: $975 million (Small Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
884.1	1010.8	1083.8	1031.4	1142.2	1188.5	1295.9	1410.6	1464.0	1485.2	1523.3	*1670*	Revenues ($mill)	*1800*
68.7	50.7	61.7	68.4	68.2	80.2	84.4	85.2	103.3	113.2	111.1	*110*	Net Profit ($mill)	*125*
29.6%	36.4%	32.6%	30.1%	40.8%	39.8%	39.8%	39.2%	34.9%	33.5%	33.9%	*34.0%*	Income Tax Rate	*34.5%*
7.4%	11.6%	8.6%	13.0%	15.9%	16.3%	18.1%	20.7%	16.5%	14.2%	6.1%	*8.0%*	AFUDC % to Net Profit	*6.0%*
42.9%	42.1%	43.7%	47.9%	48.6%	48.1%	48.1%	48.5%	43.4%	44.7%	*45.0%*	*45.5%*	Long-Term Debt Ratio	*42.0%*
48.4%	49.4%	49.0%	45.1%	44.8%	45.7%	46.2%	46.3%	44.0%	43.1%	*43.0%*	*43.5%*	Common Equity Ratio	*47.5%*
1018.5	1033.8	1187.4	1215.4	1435.9	1493.5	1578.1	1670.2	1851.3	1918.9	*1965*	*2040*	Total Capital ($mill)	*2075*
1106.6	1189.7	1284.8	1387.8	1543.0	1677.8	1808.2	1941.8	2019.6	2093.4	*2155*	*2220*	Net Plant ($mill)	*2250*
8.4%	6.6%	6.8%	7.3%	6.4%	7.0%	7.0%	6.7%	7.0%	7.4%	*7.0%*	*7.0%*	Return on Total Cap'l	*7.5%*
11.8%	8.5%	9.2%	10.8%	9.2%	10.3%	10.3%	9.9%	9.8%	10.7%	*10.5%*	*10.0%*	Return on Shr. Equity	*10.0%*
13.0%	8.5%	9.4%	11.3%	9.6%	10.7%	10.6%	10.2%	10.6%	11.4%	*11.0%*	*10.5%*	Return on Com Equity E	*11.0%*
4.2%	NMF	.8%	1.3%	.4%	1.1%	1.1%	3.0%	3.0%	1.8%	*1.5%*	*1.5%*	Retained to Com Eq	*2.0%*
70%	106%	93%	90%	96%	91%	90%	73%	76%	87%	*88%*	*88%*	All Div'ds to Net Prof	*83%*

ELECTRIC OPERATING STATISTICS

	1996	1997	1998
% Change Retail Sales (KWH)	+2.1	-.3	-1.0
Avg. Indust. Use (MWH)	6403	6337	6297
Avg. Indust. Revs. per KWH (¢)	9.72	9.99	9.13
Capacity at Peak (Mw)	2110	2108	2138
Peak Load, Winter (Mw)	1561	1573	1532
Annual Load Factor (%)	72.3	71.6	72.6
% Change Customers (yr-end)	+.9	+.5	+.7
Fixed Charge Cov. (%)	239	210	209

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	3.0%	1.5%	2.0%
"Cash Flow"	2.5%	5.0%	2.5%
Earnings	--	2.5%	2.0%
Dividends	3.0%	1.5%	.5%
Book Value	2.5%	2.0%	2.0%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	326.2	347.2	368.2	369.0	1410.6
1997	359.2	360.3	367.1	377.4	1464.0
1998	374.9	360.7	377.3	372.3	1485.2
1999	352.2	369.7	392.5	408.9	1523.3
2000	*410*	*415*	*420*	*425*	*1670*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.63	.71	.57	.69	2.60
1997	.64	.63	.77	.72	2.76
1998	.72	.72	.87	.65	2.96
1999	.65	.71	.73	.80	2.89
2000	*.68*	*.72*	*.75*	*.75*	*2.90*

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.60	.60	.60	.61	2.41
1997	.61	.61	.61	.61	2.44
1998	.62	.62	.62	.62	2.48
1999	.62	.62	.62	.62	2.48
2000					

BUSINESS: Hawaiian Electric Industries, Inc. is the parent company of Hawaiian Electric Company (HECO, 68% of revs.) & American Savings Bank (ASB, 28%). Other nonutil. subs. (4%). HECO & its subs., Maui Electric Co. (MECO) & Hawaii Electric Light Co. (HELCO), supply electricity to 389,000 customers on Oahu, Maui, Molokai, Lanai, & Hawaii. Operating cos.' systems are not interconnected. Electric rev. breakdown, '98: residential, 34%; commercial, 32%; large light & power, 33%; other, 1%. Generating sources, '98: oil, 63%; purch., 37%. Fuel costs: 32% of revs. '98 reported depr. rate (utility): 3.9%. Has 3,700 empls., 40,800 com. stockholders. Pres. & CEO: Robert F. Clarke. Inc.: HI. Address: P.O. Box 730, Honolulu, HI 96808-0730. Tel.: 808-543-5662. Web: www.hei.com

We estimate that Hawaiian Electric Industries' earnings will make little progress in 2000. On the positive side, the Hawaiian economy is finally showing signs of coming out of its long slump. That's reflected in the utilities' kilowatt-hour sales, which rose 1.3% in 1999 and are likely to advance again this year. That was a reversal from the sales declines recorded in 1997 and 1998. Rate relief (see below) could be another plus. In addition, American Savings Bank has reduced costs and taken steps that could enable it to gain market share. On the downside, the deficit at HEI Power, HEI's independent power subsidiary, is likely to increase from $5.1 million last year due to higher developmental costs and a delay in the in-service date of a project in China. The first of two units of the plant isn't scheduled to go on line until the first quarter of 2001, with the second to follow six months later.

One of HEI's utilities has a rate case pending. Hawaii Electric Light Company (HELCO) has requested a tariff increase of $15.5 million (9.6%), based on a 13.5% return on equity. This will enable the utility to recover the cost of a purchased-power contract that is scheduled to take effect in the second quarter of 2000. HELCO is also seeking to recoup some of the costs it has incurred to build capacity on the Big Island. The project has suffered from lengthy delays due to various litigations. If it appears that the project will achieve commercial operation in 2001, then HELCO will file a rate case this year so that rate relief can be timed to coincide with the in-service date.

HEI has sold its tug and barge operation. It used the proceeds of $35 million to reduce debt, and the interest saving will make up for the loss of the modest profit this business generated. HEI booked a loss of $0.06 a share in the third quarter last year, but reversed it in the fourth quarter.

Although HEI stock is ranked 4 (Below Average) for Timeliness, investors seeking a high yield ought to consider it. At over 8%, the yield is more than two percentage points above the industry average. There is some fear of a dividend reduction, but management has stated that it has no plans to cut the disbursement. But don't expect an increase anytime soon.

Paul E. Debbas, CFA *February 18, 2000*

(A) Basic EPS. Excl. nonrecur. loss: '87, 66¢; gain (losses) from discont. ops.: '92, ($3.02); '93, (50¢); '98, (31¢) net; '99, 12¢. Next earnings report due late Apr. (B) Next div'd meeting about Apr. 25. Goes ex about May 8. Payment dates: 10th of Mar., June, Sept., Dec. ■ Div'd reinvest. plan avail. (C) Incl. intangibles. In '98: $225.5 mill., $7.02/sh. (D) In mill. (E) Rate base: Orig. cost. Rate allowed on com. eq. in '95: HECO, 11.4%; in '97: HELCO, 11.65%; in '99: MECO, 10.94%; earned on avg. com. eq., '98: 11.5%. Regulatory Climate: Above Avg.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	10
Earnings Predictability	85

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PHILA. SUBURBAN NYSE-PSC

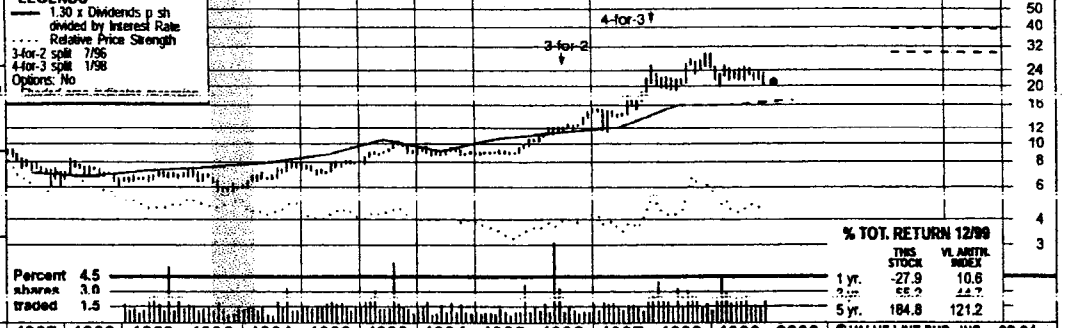
RECENT PRICE 21 | P/E RATIO 18.4 (Trailing: 19.3 Median: 13.0) | RELATIVE P/E RATIO 1.29 | DIV'D YLD 3.5% | VALUE LINE

TIMELINESS 4 Lowered 6/25/99
SAFETY 2 Raised 6/11/99
TECHNICAL 3 Raised 10/29/99
BETA .55 (1.00 = Market)

High:	8.4	7.3	7.5	8.2	8.3	10.4	9.8	10.8	14.9	22.2	30.1	30.1	
Low:	6.1	6.4	5.2	5.9	6.9	7.8	8.6	8.7	10.3	11.4	18.9	19.8	

Target Price Range 2002 | 2003 | 2004

LEGENDS
— 1.30 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 7/96
4-for-3 split 1/98
Options: No



2002-04 PROJECTIONS

	Price	Gain	Return
High	40	(+90%)	20%
Low	30	(+45%)	12%

Insider Decisions

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

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	65	50	44
to Sell	[illegible]	[illegible]	[illegible]
Hld's(000)	7908	8081	8035

Percent shares traded 4.5 3.0 1.5

% TOT. RETURN 12/99

	THIS STOCK	VL ARITH. INDEX
1 yr.	-27.9	10.6
3 yr.	55.2	44.7
5 yr.	184.8	121.2

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC.	02-04
4.53	5.36	6.07	6.91	7.19	8.70	8.86	5.27	5.57	4.75	4.44	4.73	4.78	4.85	5.26	5.45	6.35	6.90	Revenues per sh	7.15
.77	.82	.92	1.12	1.18	1.29	1.26	1.13	1.16	1.02	1.09	1.09	1.22	1.31	1.45	1.59	1.70	1.80	"Cash Flow" per sh	2.05
.58	.54	.56	.61	.56	.59	.53	.64	.65	.62	.64	.68	.77	.78	.88	1.03	1.10	1.20	Earnings per sh A	1.50
.42	.44	.44	.46	.47	.47	.47	.50	.50	.52	.54	.55	.57	.59	.62	.67	.70	.74	Div'd Decl'd per sh B■	.85
.69	.98	1.06	1.27	1.44	1.72	2.24	1.97	1.40	1.57	1.23	1.19	1.36	1.24	1.50	2.13	1.60	1.50	Cap'l Spending per sh	1.50
5.26	5.38	5.52	5.41	5.50	5.62	5.70	5.48	5.38	5.44	5.96	6.26	6.41	7.00	7.39	8.35	9.10	9.75	Book Value per sh	12.00
13.41	13.52	13.62	14.39	14.45	14.48	15.08	15.61	15.90	19.66	22.81	22.95	24.48	25.25	25.91	27.73	41.00	41.20	Common Shs Outst'g C	42.00
9.7	10.7	12.2	12.8	14.0	12.3	12.9	10.2	10.8	12.5	14.4	13.5	12.0	15.6	17.8	22.5	21.0		Avg Ann'l P/E Ratio	22.5
.82	1.00	.99	.87	.94	1.02	.98	.76	.69	.76	.85	.89	.80	.98	1.03	1.19	1.15		Relative P/E Ratio	1.50
7.5%	7.6%	6.5%	5.8%	6.0%	6.5%	6.9%	7.7%	7.2%	6.8%	5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%		Avg Ann'l Div'd Yield	2.8%
						133.5	82.3	88.6	93.3	101.2	108.6	117.0	122.5	136.2	151.0	260	285	Revenues ($mill)	360
						7.8	9.7	11.0	11.5	14.7	15.6	19.0	19.8	23.2	28.8	45.0	50.0	Net Profit ($mill)	63.0
						39.1%	37.4%	39.2%	41.2%	41.5%	42.5%	40.4%	41.4%	40.8%	40.5%	40.5%	40.5%	Income Tax Rate	40.5%
						--	--	--	2.3%	5.5%	.8%	1.6%	--	1.6%	1.5%	1.5%	1.5%	AFUDC % to Net Profit	1.5%
						65.5%	67.3%	63.7%	56.8%	49.9%	50.2%	51.9%	54.1%	54.4%	52.7%	53.5%	53.5%	Long-Term Debt Ratio	53.0%
						34.5%	32.7%	32.5%	39.5%	46.7%	47.4%	46.4%	44.0%	44.8%	46.6%	46.5%	46.5%	Common Equity Ratio	47.0%
						249.0	261.4	263.7	270.5	291.2	303.1	338.0	401.7	427.2	496.6	800	850	Total Capital ($mill)	1000
						288.4	306.7	321.0	345.6	366.2	385.7	436.9	502.9	534.5	609.8	1050	1100	Net Plant ($mill)	1250
						5.9%	6.8%	6.6%	6.7%	7.1%	7.0%	7.7%	6.8%	7.4%	7.6%	7.5%	7.5%	Return on Total Cap'l	7.5%
						9.1%	11.4%	11.5%	9.8%	10.1%	10.4%	11.7%	10.7%	11.9%	12.3%	12.5%	12.5%	Return on Shr. Equity	12.5%
						9.1%	11.4%	11.9%	9.9%	10.2%	10.3%	11.7%	11.2%	12.0%	12.4%	12.5%	12.5%	Return on Com Equity D	12.5%
						1.0%	2.5%	2.7%	1.6%	1.6%	2.1%	3.5%	2.8%	3.6%	4.5%	4.0%	4.0%	Retained to Com Eq	4.0%
						89%	78%	79%	85%	85%	81%	71%	75%	70%	64%	62%	61%	All Div'ds to Net Prof	59%

CAPITAL STRUCTURE as of 9/30/99
Total Debt $444.9 mill. Due in 5 Yrs $270.0 mill.
LT Debt $411.5 mill. LT Interest $31.0 mill.
(Total interest coverage: 3.4x)

Pension Liability None
Pfd Stock $1.8 mill. Pfd Div'd $.1 mill.
100,000 8.66% shares, to be redeemed '99-'01

Common Stock 40,962,206 shares

MARKET CAP: $850 million (Small Cap)

CURRENT POSITION ($MILL.)	1997	1998	9/30/99
Cash Assets	.7	.7	6.4
Receivables	23.5	27.2	41.9
Inventory (AvgCst)	1.8	1.9	4.4
Other	1.0	1.2	2.8
Current Assets	27.0	31.0	55.5
Accts Payable	10.3	16.7	10.3
Debt Due	17.1	7.8	33.4
Other	17.3	20.4	78.0
Current Liab.	44.7	44.9	121.7
Fix. Chg. Cov.	312%	315%	313%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '02-'04
Revenues	-4.0%	1.0%	5.5%
"Cash Flow"	2.0%	6.0%	6.0%
Earnings	4.5%	7.5%	9.0%
Dividends	3.0%	4.0%	5.0%
Book Value	3.0%	6.5%	8.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	29.3	30.7	30.8	31.7	122.5
1997	31.0	33.3	36.8	35.1	136.2
1998	34.3	37.3	41.7	37.7	151.0
1999	58.6	66.2	69.3	65.9	260
2000	65.0	71.0	77.0	72.0	285

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.16	.21	.23	.18	.78
1997	.17	.22	.28	.21	.88
1998	.21	.27	.32	.23	1.03
1999	.22	.29	.35	.24	1.10
2000	.25	.30	.37	.28	1.20

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.145	.145	.152	.152	.59
1997	.152	.152	.16	.16	.62
1998	.163	.163	.17	.17	.67
1999	.17	.17	.18	.18	.70
2000					

BUSINESS: Philadelphia Suburban Corp., parent of Philadelphia Suburban Water Co. (PSWC), a regulated utility, provides water to approximately 1.8 million residents in Pennsylvania, Ohio, New Jersey, Illinois, and Maine. Sold three of four non-water businesses in '91; sold telemarketing group in '93. Acquired Consumers Water 4/99. Water supply revenues '98: residential, 67%; commercial, 22%; industrial & other, 11%. Average consumption per customer '98: 102,900 gal. Has approx. 540 employees, 13,650 stockholders. Compagnie Generale des Eaux controls 13.2% of common; Officers and Directors, 2.2% (4/99 Proxy). Chairman, Pres. & C.E.O.: Nicholas DeBenedictis, Inc.: PA. Address: 762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-527-8000.

We think that Philadelphia Suburban posted a modest earnings gain in 1999. As we went to press, the company had yet to announce profits for the fourth quarter and full year. When those data do become available, we expect PSC to report earnings of $1.10 a share, an improvement of 7% over the previous year's tally. The company continues to be active on the merger front, having completed 17 acquisitions and growth ventures during the year. This expansion, along with natural system growth, helped PSC to increase its customer count by approximately 3%, in an industry with a norm closer to 1%.

We expect the company to continue growing through acquisitions. Because of the high costs involved in maintaining and upgrading water mains and pumping stations, smaller water systems' interests are often better served by selling their assets to well-capitalized companies such as PSC. Since 1992, the company has pursued a regional growth-through-acquisition strategy that has included over 40 water companies and wastewater systems. With the water industry remaining highly fragmented and still in the early stages of consolidation, we expect PSC to continue expanding its customer base through the purchase of smaller public and privately owned systems.

We expect healthy revenue and earnings growth through 2000 and beyond, aided by acquisitions and cost-cutting efforts. PSC might also enhance its growth by adding more services under contract. The outsourcing of services is a viable alternative for municipal systems that are looking to make operations more efficient but are reluctant to sell assets. Along these lines, PSC recently announced that its Consumers New Jersey subsidiary has been awarded a three-year contract to provide water meter reading, billing, and cash remittance services for the Winslow Township municipal water system in Camden County, New Jersey.

Though ranked as untimely, Philadelphia Suburban stock is a good choice for conservative investors. Three- to 5-year total-return potential on a risk-adjusted basis is decent, and may well be enhanced by additional acquisitions, which are not included in our projections.

Steven Brachman *February 4, 2000*

(A) Based on avg. shares outstanding. Excl. nonrec. charges: '86, 12¢; '90, 74¢; '91, 67¢; '92, 72¢; '99 11¢. disc. operations: '96, 5¢. Next earnings report due mid-February.

(B) Next dividend meeting about Feb. 5th. Goes ex about Feb. 15th. Div'd. payment dates: 1st of March, June, Sept., & Dec. ■ Div'd. reinvestment plan available.

(C) In millions, adjusted for stock splits.
(D) Return on common equity allowed by PA PUC in '91 rate adjustment: 12.0%. Return on avg. common equity in '98, 11.7%.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	90
Earnings Predictability	95

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