

AQUA ILLINOIS, INC.
KANKAKEE, ILLINOIS

KANKAKEE WATER DIVISION

RATE OF RETURN

EXHIBIT

TO ACCOMPANY THE
DIRECT TESTIMONY

JANUARY 2010

Prepared by:
GANNETT FLEMING, INC.
VALUATION AND RATE DIVISION



Valley Forge, Pennsylvania

Aqua Illinois, Inc
Kankakee Water Division
Cost of Capital and Fair Rate of Return
Future Test Period - Average 2011

<u>Type of Capital</u>	<u>Ratios*</u>	<u>Cost Rate*</u> (%)	<u>Weighted Cost Rate</u> (%)
Debt	46.89 %	6.58	3.087
Preferred Stock	0.23	5.47	0.013
Common Equity	<u>52.88</u>	11.30	<u>5.975</u>
Overall Cost of Capital	<u>100.00</u> %		<u>9.075</u>

* - Ratios and embedded cost rates are from Schedule D-1.

	<u>Kankakee Water</u>
Before Income Tax Interest Coverage (x) (Based on effective income tax rate of 39.75%.)	4.2
Debt / Total Capital (%)	46.9
Gross Cash Flow Interest Coverage (x) (From page 2 of this Schedule)	4.1
Gross Cash Flow / Total Debt (%) (From page 2 of this Schedule)	20.7
Net Cash Flow / Capital Expenditures (%) (From page 2 of this Schedule)	113.7

Aqua Illinois, Inc
Kankakee Water Division
Funds Flow Ratio Test of Recommended
Cost of Capital and Fair Rate of Return
Future Test Period - Average 2011

<u>Line</u> <u>No.</u>	<u>Kankakee</u> <u>Water</u> (\$ 000's)
1 . Rate Base Value	\$71,734
2 . Weighted Traditional Debt Component	3.09
3 . Weighted Traditional Preferred Stock Component	0.01
4 . Weighted Traditional Equity Components	5.99
	<u>Cash Flow</u>
5 . Net Income (In 1 x In 4)	\$4,295
	Expenses Not Requiring Cash Outlays:
6 . Depreciation	2,533
7 . Amortization	(50)
8 . Deferred Income Taxes	210
9 . Investment Tax Credits	<u>(22)</u>
10 . Gross Cash Flow	6,965
11 . Less:	
	Preferred Stock Dividends (In 1 x In 3) 9
	Common Dividends(1) <u>941</u>
12 . Net Cash Flow	<u>\$6,015</u>
13 . Interest Charges (In 1 x In 2)	<u>\$2,214</u>
14 . Gross Construction(2)	<u>\$5,290</u>
15 . Rate Base Related Debt(3)	<u>\$33,636</u>
	<u>Funds Flow</u>
16 . Funds From Operations Interest Coverage	
17 . ((In 10 + In 13) / In 13) (x)	<u>4.1</u>
18 . Funds From Operations / Total Debt	
19 . (In 10 / In 15) (%)	<u>20.7</u>
20 . Net Cash Flow / Capital Expenditures	
21 . (In 12 / In 14) (%)	<u>113.7</u>

Notes: (1) Estimated Company's average dividend for the period 2006 - 2008.
(2) Average construction for 2010 - 2012.
(3) The debt ratio (from page 1) times the rate base claim (In 1).

Aqua Illinois, Inc's: Kankakee Water Division
Common Equity Cost Rate Summary

	<u>Water Group Followed by Analysts</u>			<u>Gas Group Followed by Analysts</u>		
	<u>DCF(1)</u>	<u>CAPM(2)</u>	<u>RP(3)</u>	<u>DCF(1)</u>	<u>CAPM(2)</u>	<u>RP(3)</u>
Common Equity Cost Rate Range	11.1 %	12.0 %	10.7 %	11.2 %	11.3 %	10.7 %
Investment Risk and Other Adjustments (4)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Aqua Illinois, Inc's: Kankakee Water Division Adjusted Common Equity Cost Rate Range:	<u>11.10</u>	<u>12.00</u>	<u>10.70</u>	<u>11.20</u>	<u>11.30</u>	<u>10.70</u>
Aqua Illinois, Inc's: Kankakee Water Division Recommended Common Equity Cost Rate (5)	<u><u>11.30 %</u></u>					
Check of Reasonableness of Common Equity Cost Rate (6)	11.8 % to 12.2 %					

- Notes: (1) From Schedules 14 and 17 and explained in the Direct Testimony.
(2) From Schedule 20 and explained in the Direct Testimony.
(3) From Schedule 21 and explained in the Direct Testimony.
(4) As explained in the Direct Testimony.
(5) As explained in the Direct Testimony, the recommendation is only applicable to a rate making common equity ratio of 53%.
(6) See page 2 of Schedule 16.

Capital Structure Ratios for the
The Water Group Followed by Analysts and the Gas Group Followed by Analysts
At 9/30/09 and Estimated for 2013

	<u>9/30/2009</u>	Est.(1)	<u>2013</u>
<u>Water Group Followed by Analysts</u>			
Long-term Debt	48.9 %	46.8 %	
Preferred Stock	0.1	0.0	
Common Equity	<u>51.0</u>	<u>53.2</u>	
Total	<u>100.0 %</u>	<u>100.0 %</u>	
 <u>Gas Group Followed by Analysts</u>			
Long-term Debt	43.9 % %	42.1 %	
Preferred Stock	0.1	0.1	
Common Equity	<u>56.0</u>	<u>57.8</u>	
Total	<u>100.0 % %</u>	<u>100.0 %</u>	

Notes: (1) Project by Value Line for the period 2012 to 2014.

Source of Information: Value Line Investment Survey, 10/23/09
S&P and Quarterly Reports

Aqua Illinois, Inc.
Five Year Analysis
2004 - 2008 (1)

<u>Ln #</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Average Ann. Chg(%)</u>	<u>Average Central Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	158.557	152.982	132.458	128.976	120.503	7.2	
2	Short-Term Debt	<u>3.000</u>	<u>14.400</u>	<u>7.200</u>	<u>8.150</u>	<u>0.000</u>		
3	Total Capital	<u>161.557</u>	<u>167.382</u>	<u>139.658</u>	<u>137.126</u>	<u>120.503</u>	8.0	
4	Total Revenue(\$)	40.068	41.207	37.792	34.716	32.135	5.8	
5	Construction(\$)	18.633	18.479	15.067	15.925	18.373	1.2	
6	Effective Income Tax Rate(%)	48.6	38.8	39.4	36.2	38.3	40.3	
	Capitalization Ratios(%)							
7	Long-Term Debt	48.6	50.4	45.5	46.7	50.0	48.2	
8	Preferred Stock	0.3	0.3	0.2	0.3	0.3	0.3	
9	Common Equity	<u>51.1</u>	<u>49.3</u>	<u>54.3</u>	<u>53.0</u>	<u>49.7</u>	51.5	
	Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
10	Total Debt	49.6	54.7	48.3	49.9	50.0	50.5	
11	Preferred Stock	0.2	0.2	0.2	0.3	0.3	0.2	
12	Common Equity	<u>50.2</u>	<u>45.1</u>	<u>51.5</u>	<u>49.8</u>	<u>49.7</u>	49.3	
	Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
	Rates on Average Capital(2)(%)							
13	Total Debt	6.4	5.9	6.3	6.8	7.1	6.5	
14	Long-Term Debt	7.1	6.9	7.1	7.3	7.1	7.1	
15	Preferred Stock	5.5	5.5	5.5	5.5	5.5	5.5	
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	3.2	3.4	3.3	2.7	2.9	3.1	
17	PreTax Interest + Pref. Div	3.2	3.3	3.2	2.7	2.9	3.1	
18	PostTax Interest + Pref. Div	2.1	2.4	2.4	2.1	2.1	2.2	
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	3.1	3.3	3.2	2.7	2.8	3.0	
20	PreTax Interest + Pref. Div	3.1	3.3	3.2	2.7	2.8	3.0	
21	PostTax Interest + Pref. Div	2.0	2.4	2.3	2.1	2.1	2.2	
22	GCF / Interest Coverage(4)(x)	3.0	3.9	3.7	3.4	4.0	3.6	
23	Coverage of Common Dividends(5)(x)	16.2	4.0	4.2	3.5	20.6	9.7	
24	Construction / Avg. Tot. Capital(%)	11.3	12.0	10.9	12.4	15.7	12.5	
25	NCF / Construction(6)(%)	55.6	56.5	57.7	47.0	65.2	56.4	
26	AFC / Income for Common Stock	8.5	1.4	4.3	0.6	4.6	3.9	
27	GCF / Avg. Tot. Debt(7)(%)	12.9	17.5	16.9	16.4	21.5	17.0	
28	GCF / Permanent Capital(8)(%)	7.0	9.1	8.6	8.2	10.5	8.7	

See page 3 of this Schedule for notes.

Aqua Illinois, Inc. - Kankakee Water Division
Five Year Analysis
2004 - 2008 (1)

<u>Ln #</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Average Ann. Chg(%)</u>	<u>Average Central Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	68.529	63.789	53.239	47.319	41.525	13.4	
2	Short-Term Debt	<u>1.296</u>	<u>6.004</u>	<u>2.893</u>	<u>2.990</u>	<u>0.000</u>		
3	Total Capital	<u>69.825</u>	<u>69.793</u>	<u>56.132</u>	<u>50.309</u>	<u>41.525</u>	14.3	
4	Total Revenue(\$)	17.443	17.920	13.508	13.226	11.996	10.6	
5	Construction(\$)	11.988	23.798	6.402	7.498	4.035	73.3	
6	Effective Income Tax Rate(%)	53.5	39.1	39.2	35.6	36.8	40.8	
	Capitalization Ratios(%)							
7	Long-Term Debt	48.6	50.4	45.5	46.7	50.0	48.2	
8	Preferred Stock	0.3	0.3	0.2	0.3	0.3	0.3	
9	Common Equity	<u>51.1</u>	<u>49.3</u>	<u>54.3</u>	<u>53.0</u>	<u>49.7</u>	51.5	
	Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
10	Total Debt	49.6	54.7	48.3	49.9	50.0	50.5	
11	Preferred Stock	0.2	0.2	0.2	0.3	0.3	0.2	
12	Common Equity	<u>50.2</u>	<u>45.1</u>	<u>51.5</u>	<u>49.8</u>	<u>49.7</u>	49.3	
	Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
	Rates on Average Capital(2)(%)							
13	Total Debt	6.5	6.0	6.6	7.0	7.1	6.6	
14	Long-Term Debt	7.2	7.0	7.5	7.5	7.1	7.3	
15	Preferred Stock	5.6	5.6	5.8	5.7	5.5	5.6	
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	2.5	4.0	2.6	2.7	2.7	2.9	
17	PreTax Interest + Pref. Div	2.5	4.0	2.6	2.7	2.7	2.9	
18	PostTax Interest + Pref. Div	1.7	2.8	2.0	2.1	2.1	2.1	
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	2.4	4.0	2.6	2.7	2.7	2.9	
20	PreTax Interest + Pref. Div	2.4	3.9	2.6	2.7	2.7	2.9	
21	PostTax Interest + Pref. Div	1.6	2.8	2.0	2.1	2.1	2.1	
22	GCF / Interest Coverage(4)(x)	3.2	4.1	3.0	3.2	4.1	3.5	
23	Coverage of Common Dividends(5)(x)	17.5	4.2	3.1	3.2	20.9	9.8	
24	Construction / Avg. Tot. Capital(%)	17.2	37.8	12.0	16.3	10.0	18.7	
25	NCF / Construction(6)(%)	40.5	19.2	36.8	32.9	103.4	46.6	
26	AFC / Income for Common Stock	14.5	1.2	3.0	0.9	0.6	4.0	
27	GCF / Avg. Tot. Debt(7)(%)	14.2	18.4	13.3	15.6	21.8	16.7	
28	GCF / Permanent Capital(8)(%)	7.5	9.4	6.5	7.6	10.6	8.3	

See page 3 of this Schedule for notes.

Aqua Illinois, Inc. and Aqua Illinois, Inc's: Kankakee Water Division
Five Year Analysis
2004-2008

Notes:

- (1) The results are based upon the financials as originally reported. For Aqua Illinois Inc.'s Division, capitalization, net income, and dividends were allocated based on the ratio of divisional interest charges to total interest charges.
- (2) Computed by relating total debt interest, long-term debt interest and preferred dividend expense to average of beginning and ending balance of the respective capital outstanding.
- (3) The coverage calculations, both including and excluding AFC, represent the number of times available earnings cover the various fixed charges. It should be noted that the pretax coverage including preferred dividends has been grossed up for the income tax paid on the preferred dividends.
- (4) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (5) GCF (see note 4) less all preferred dividends which cover common dividends.
- (6) The percent of GCF (see note 4) less all cash dividends which cover gross construction expenditures.
- (7) GCF (see note 4) as a percentage of Permanent Capital (long-term debt, current maturities and preferred, preference and common equity).
- (8) GCF (see note 4) as a percentage of average total debt.
- (9) Average of the second, third and fourth quintile values.

Source of Information: Company provided and Annual Reports

Water Group Followed by Analysts
Five Year Analysis
2004 - 2008 (1)

<u>Ln #</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Average Ann. Chg(%)</u>	<u>Average Central Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	686.903	656.145	592.441	534.790	494.394	8.6		
2	<u>41.575</u>	<u>24.291</u>	<u>33.565</u>	<u>36.972</u>	<u>36.119</u>			
3	728.478	680.436	626.006	571.762	530.513	8.3		
4	251.146	235.748	210.041	195.541	182.698	8.3		
5	90.269	75.658	86.931	75.822	69.288	7.6		
6	37.2	38.4	32.5	39.3	35.9	36.6	37.2	
	Book Capitalization Ratios(%)							
7	49.7	48.5	49.2	50.1	49.0	49.3	49.2	
8	0.1	0.2	0.2	0.2	0.2	0.2	0.2	
9	<u>50.2</u>	<u>51.3</u>	<u>50.6</u>	<u>49.7</u>	<u>50.8</u>	50.5	50.6	
	100.0	100.0	100.0	100.0	100.0			
10	53.3	50.7	51.1	53.4	52.8	52.3	52.8	
11	0.1	0.1	0.2	0.2	0.2	0.1	0.2	
12	<u>46.6</u>	<u>49.1</u>	<u>48.8</u>	<u>46.4</u>	<u>47.0</u>	47.6	47.0	
	100.0	100.0	100.0	100.0	100.0			
	Rates on Average Capital(2)(%)							
13	5.9	6.2	6.4	6.2	6.2	6.2	6.2	
14	5.5	5.5	5.8	6.6	6.9	6.1	5.8	
15	13.1	4.7	4.5	4.4	4.4	6.2	4.5	
	Coverage - Including AFC(3)(x)							
16	3.2	3.4	3.0	3.4	3.3	3.2	3.3	
17	3.2	3.3	3.0	3.4	3.2	3.2	3.2	
18	2.4	2.5	2.3	2.4	2.5	2.4	2.4	
	Coverage - Excluding AFC(3)(x)							
19	3.2	3.3	2.9	3.3	3.2	3.2	3.2	
20	3.1	3.3	2.9	3.3	3.1	3.2	3.1	
21	2.3	2.4	2.2	2.4	2.4	2.3	2.4	
22	3.9	3.9	3.5	3.9	3.9	3.8	3.9	
23	2.8	2.8	2.7	3.0	2.9	2.9	2.8	
24	14.6	12.3	15.1	13.4	16.2	14.3	14.6	
25	42.4	49.3	34.2	46.1	43.9	43.2	43.9	
26	6.0	3.5	5.6	3.3	6.2	4.9	5.6	
27	17.2	17.7	15.9	17.8	17.5	17.2	17.5	
28	9.4	9.3	8.7	10.1	10.0	9.5	9.4	

See page 2 of this Schedule for notes.

Water Group Followed by Analysts
Five Year Analysis
2004-2008

Notes:

- (1) Average of the achieved results for each individual company based upon the financials as originally reported.
- (2) Computed by relating total debt interest, long-term debt interest and preferred dividend expense to average of beginning and ending balance of the respective capital outstanding.
- (3) The coverage calculations, both including and excluding AFC, represent the number of times available earnings cover the various fixed charges. It should be noted that the pretax coverage including preferred dividends has been grossed up for the income tax paid on the preferred dividends.
- (4) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (5) GCF (see note 4) less all preferred dividends which cover common dividends.
- (6) The percent of GCF (see note 4) less all cash dividends which cover gross construction expenditures.
- (7) GCF (see note 4) as a percentage of Permanent Capital (long-term debt, current maturities and preferred, preference and common equity).
- (8) GCF (see note 4) as a percentage of average total debt.
- (9) Average of the second, third and fourth quintile values.

Source of Information: Standard & Poor's and Annual Reports

Gas Group Followed by Analysts
Five Year Analysis
2004 - 2008 (1)

<u>Ln #</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Average Ann. Chg(%)</u>	<u>Average Central Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	1,992.597	1,948.281	1,858.123	1,712.937	1,508.018	7.3	
2	Short-Term Debt	<u>394.892</u>	<u>257.174</u>	<u>275.874</u>	<u>251.235</u>	<u>191.589</u>		
3	Total Capital	2,387.489	2,205.456	2,133.997	1,964.173	1,699.607	9.0	
4	Total Revenue(\$)	3,318.842	2,843.585	2,875.863	2,564.497	1,938.473	15.0	
5	Construction(\$)	193.486	162.301	170.676	156.007	136.084	9.6	
6	Effective Income Tax Rate(%)	35.5	35.3	35.6	35.4	35.6	35.5	
	Book Capitalization Ratios(%)							
7	Long-Term Debt	43.8	44.8	46.6	46.2	46.7	45.6	
8	Preferred Stock	0.2	0.2	0.2	0.2	0.2	0.2	
9	Common Equity	<u>56.0</u>	<u>55.1</u>	<u>53.3</u>	<u>53.6</u>	<u>53.1</u>	54.2	
	Total	100.0	100.0	100.0	100.0	100.0	53.6	
10	Total Debt	54.6	52.8	54.7	54.0	53.5	53.9	
11	Preferred Stock	0.1	0.2	0.2	0.2	0.2	0.2	
12	Common Equity	<u>45.3</u>	<u>47.1</u>	<u>45.1</u>	<u>45.8</u>	<u>46.3</u>	45.9	
	Total	100.0	100.0	100.0	100.0	100.0	45.8	
	Rates on Average Capital(2)(%)							
13	Total Debt	5.1	5.6	5.9	5.9	5.4	5.6	
14	Long-Term Debt	6.3	6.8	7.0	7.2	7.4	6.9	
15	Preferred Stock	5.5	5.4	5.1	3.3	3.3	4.5	
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	4.7	4.2	4.0	4.2	4.2	4.3	
17	PreTax Interest + Pref. Div	4.7	4.2	4.0	4.2	4.2	4.2	
18	PostTax Interest + Pref. Div	3.3	2.9	2.9	3.0	2.9	3.0	
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	4.7	4.1	4.0	4.2	4.2	4.2	
20	PreTax Interest + Pref. Div	4.6	4.1	4.0	4.2	4.2	4.2	
21	PostTax Interest + Pref. Div	3.3	2.9	2.8	3.0	2.9	3.0	
22	GCF / Interest Coverage(4)(x)	5.5	4.7	4.6	4.6	5.2	4.9	
23	Coverage of Common Dividends(5)(x)	3.7	3.3	3.5	3.3	3.5	3.5	
24	Construction / Avg. Tot. Capital(%)	7.9	7.2	8.2	8.5	8.6	8.1	
25	NCF / Construction(6)(%)	116.7	104.7	103.1	95.4	100.8	104.1	
26	AFC / Income for Common Stock	1.3	1.3	1.3	0.7	0.9	1.1	
27	GCF / Avg. Tot. Debt(7)(%)	22.1	20.4	20.9	20.4	21.3	21.0	
28	GCF / Permanent Capital(8)(%)	14.2	12.6	13.3	12.6	13.9	13.3	

See page 2 of this Schedule for notes.

Gas Group Followed by Analysts
Five Year Analysis
2004-2008

Notes:

- (1) Average of the achieved results for each individual company based upon the financials as originally reported.
- (2) Computed by relating total debt interest, long-term debt interest and preferred dividend expense to average of beginning and ending balance of the respective capital outstanding.
- (3) The coverage calculations, both including and excluding AFC, represent the number of times available earnings cover the various fixed charges. It should be noted that the pretax coverage including preferred dividends has been grossed up for the income tax paid on the preferred dividends.
- (4) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (5) GCF (see note 4) less all preferred dividends which cover common dividends.
- (6) The percent of GCF (see note 4) less all cash dividends which cover gross construction expenditures.
- (7) GCF (see note 4) as a percentage of Permanent Capital (long-term debt, current maturities and preferred, preference and common equity).
- (8) GCF (see note 4) as a percentage of average total debt.
- (9) Average of the second, third and fourth quintile values.

Source of Information: Standard & Poor's and Annual Reports

S&P Utilities
Five Year Analysis
2004 - 2008 (1)

<u>Ln #</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Average Ann. Chg(%)</u>	<u>Average Central Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	19,499.033	17,740.496	18,862.352	16,489.907	16,540.202	4.5	
2	Short-Term Debt	<u>1,529.826</u>	<u>1,532.144</u>	<u>1,547.441</u>	<u>1,485.208</u>	<u>1,124.467</u>		
3	Total Capital	21,028.859	19,272.640	20,409.793	17,975.114	17,664.669	4.7	
4	Total Revenue(\$)	13,178.344	12,357.106	11,659.248	11,344.741	10,544.990	5.8	
5	Construction(\$)	2,656.541	2,234.873	2,002.369	1,582.216	1,343.511	18.7	
6	Effective Income Tax Rate(%)	35.5	37.2	33.1	30.7	30.5	Five Year Average 33.4	
	Book Capitalization Ratios(%)							
7	Long-Term Debt	58.8	55.5	53.7	56.4	56.2	56.1	
8	Preferred Stock	9.1	8.0	3.5	2.9	1.3	5.0	
9	Common Equity	<u>50.3</u>	<u>52.5</u>	<u>49.8</u>	<u>46.6</u>	<u>45.1</u>	48.9	
	Total	118.1	116.1	106.9	105.8	102.6	49.8	
10	Total Debt	62.6	59.9	57.5	60.3	59.3	59.9	
11	Preferred Stock	9.2	8.1	3.5	3.0	1.3	5.0	
12	Common Equity	<u>46.5</u>	<u>48.2</u>	<u>46.0</u>	<u>42.7</u>	<u>42.1</u>	45.1	
	Total	118.3	116.2	107.1	106.0	102.7	46.0	
	Rates on Average Capital(2)(%)							
13	Total Debt	6.7	7.1	6.9	6.5	6.6	6.8	
14	Long-Term Debt	4.9	5.2	5.3	5.5	6.3	5.5	
15	Preferred Stock	4.2	4.6	4.4	6.2	4.7	4.8	
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	4.1	4.3	3.6	3.4	3.2	3.7	
17	PreTax Interest + Pref. Div	4.0	4.3	3.5	3.3	3.2	3.7	
18	PostTax Interest + Pref. Div	3.0	3.2	2.7	2.6	2.5	2.8	
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	4.0	4.2	3.5	3.4	3.2	3.6	
20	PreTax Interest + Pref. Div	3.9	4.2	3.5	3.3	3.1	3.6	
21	PostTax Interest + Pref. Div	2.9	3.1	2.6	2.6	2.5	2.7	
22	GCF / Interest Coverage(4)(x)	5.4	5.2	4.6	4.5	4.6	4.9	
23	Coverage of Common Dividends(5)(x)	5.2	5.6	4.2	4.3	4.2	4.7	
24	Construction / Avg. Tot. Capital(%)	15.9	13.9	11.4	9.7	8.3	11.8	
25	NCF / Construction(6)(%)	77.5	90.2	87.6	104.1	127.5	97.4	
26	AFC / Income for Common Stock	7.8	2.7	4.2	2.5	3.1	4.1	
27	GCF / Avg. Tot. Debt(7)(%)	26.0	26.3	22.8	21.4	23.8	24.1	
28	GCF / Permanent Capital(8)(%)	15.0	15.0	13.3	12.8	14.3	14.1	

See page 2 of this Schedule for notes.

S&P Public Utilities
Five Year Analysis
2004-2008

Notes:

- (1) Market value weighted achieved results for each individual company based upon the financials as originally reported.
- (2) Computed by relating total debt interest, long-term debt interest and preferred dividend expense to average of beginning and ending balance of the respective capital outstanding.
- (3) The coverage calculations, both including and excluding AFC, represent the number of times available earnings cover the various fixed charges. It should be noted that the pretax coverage including preferred dividends has been grossed up for the income tax paid on the preferred dividends.
- (4) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (5) GCF (see note 4) less all preferred dividends which cover common dividends.
- (6) The percent of GCF (see note 4) less all cash dividends which cover gross construction expenditures.
- (7) GCF (see note 4) as a percentage of Permanent Capital (long-term debt, current maturities and preferred, preference and common equity).
- (8) GCF (see note 4) as a percentage of average total debt.
- (9) Average of the second, third and fourth quintile values.

Source of Information: Standard & Poor's, Moody's and Annual Reports

Risk Measures for the Common Stock of the
The Water Group Followed by Analysts, Gas Group Followed by Analysts and the S&P Utilities

	Recent S&P Issuer Credit Rating	Stock Exchange for Company	Recent S&P Common Stock Ranking	Value Line Beta	Recent Market Value (Mill \$)	Recent S&P Market Size Index	Market Quartile	Market Quartile Name
<u>Water Group Followed by Analysts</u>								
American States Water Co	A	New York Stock Exchange	Average (B+)	0.80	655.510	S&P SmallCap 600	3	Low-Cap
Aqua America Inc	A+	New York Stock Exchange	High (A)	0.65	2,386.105	S&P MidCap 400	2	Mid-Cap
Artesian Resources	-	NASDAQ/ NMS/ OTC Bul Brd	Above Average (A-)	-	136.832	NOT in a S&P Index	4	Mico-Cap
California Water Service Gp	A+	New York Stock Exchange	Average (B+)	0.75	763.831	NOT in a S&P Index	3	Low-Cap
Connecticut Water Service Inc.	A	NASDAQ/ NMS/ OTC Bul Brd	Above Average (A-)	-	211.561	NOT in a S&P Index	4	Mico-Cap
York Water Co	A-	NASDAQ/ NMS/ OTC Bul Brd	High (A)	-	181.883	NOT in a S&P Index	4	Mico-Cap
Average	<u>A</u>		<u>Above Average (A-)</u>	<u>0.73</u>	<u>433.536</u>	<u>NOT in a S&P Index</u>	<u>3</u>	<u>Low-Cap</u>
<u>Gas Group Followed by Analysts</u>								
AGL Resources Inc	A-	New York Stock Exchange	High (A)	0.75	2,822.741	S&P MidCap 400	2	Mid-Cap
Atmos Energy Corp	BBB+	New York Stock Exchange	Above Average (A-)	0.65	2,732.201	S&P MidCap 400	2	Mid-Cap
Laclede Group Inc	A	New York Stock Exchange	Average (B+)	0.60	751.383	S&P SmallCap 600	3	Low-Cap
New Jersey Resources	A-	New York Stock Exchange	Above Average (A-)	0.65	1,555.092	S&P SmallCap 600	3	Low-Cap
NICOR Inc	AA	New York Stock Exchange	Below Average (B)	0.75	1,904.225	S&P 500	2	Mid-Cap
Northwest Natural Gas Co	AA-	New York Stock Exchange	Above Average (A-)	0.60	1,194.326	S&P SmallCap 600	3	Low-Cap
Piedmont Natural Gas Co	A	New York Stock Exchange	High (A)	0.65	1,960.668	S&P SmallCap 600	2	Mid-Cap
South Jersey Industries Inc	BBB+	New York Stock Exchange	Above Average (A-)	0.65	1,137.611	S&P SmallCap 600	3	Low-Cap
UGI Corp	BBB+	New York Stock Exchange	High (A)	0.70	2,631.558	S&P MidCap 400	2	Mid-Cap
WGL Holdings Inc	AA-	New York Stock Exchange	Average (B+)	0.65	1,685.855	S&P MidCap 400	3	Low-Cap
Average	<u>A</u>		<u>Above Average (A-)</u>	<u>0.67</u>	<u>1,837.566</u>	<u>S&P SmallCap 600</u>	<u>3</u>	<u>Low-Cap</u>

Risk Measures for the Common Stock of the
The Water Group Followed by Analysts, Gas Group Followed by Analysts and the S&P Utilities

	Recent S&P Issuer Credit Rating	Stock Exchange for Company	Recent S&P Common Stock Ranking	Value Line Beta	Recent Market Value (Mill \$)	Recent S&P Market Size Index	Market Quartile	Market Quartile Name
<u>S&P Public Utilities</u>								
AES Corp	BB-	New York Stock Exchange	Below Average (B)	1.20	8,885.529	S&P 500	1	Large-Cap
Allegheny Energy Inc	BBB-	New York Stock Exchange	Below Average (B)	0.95	3,981.339	S&P 500	2	Mid-Cap
Ameren Corp	BBB-	New York Stock Exchange	Average (B+)	0.80	6,621.942	S&P 500	2	Mid-Cap
American Electric Power	BBB	New York Stock Exchange	Below Average (B)	0.70	16,617.723	S&P 500	1	Large-Cap
CenterPoint Energy Inc	BBB	New York Stock Exchange	Below Average (B)	0.80	5,664.283	S&P 500	2	Mid-Cap
CMS Energy Corp	BBB-	New York Stock Exchange	Below Average (B)	0.80	3,595.646	S&P 500	2	Mid-Cap
Consolidated Edison Inc	A-	New York Stock Exchange	Average (B+)	0.65	12,747.794	S&P 500	1	Large-Cap
Constellation Energy Grp Inc	BBB-	New York Stock Exchange	Below Average (B)	0.80	7,065.618	S&P 500	2	Mid-Cap
Dominion Resources Inc	A-	New York Stock Exchange	Average (B+)	0.70	23,244.619	S&P 500	1	Large-Cap
DTE Energy Co	BBB	New York Stock Exchange	Below Average (B)	0.75	7,189.211	S&P 500	2	Mid-Cap
Duke Energy Corp	A-	New York Stock Exchange	Below Average (B)	0.65	22,452.270	S&P 500	1	Large-Cap
Dynegy Inc	B	New York Stock Exchange	Lower (B-)	1.55	1,087.319	S&P MidCap 400	3	Low-Cap
Edison International	BBB-	New York Stock Exchange	Below Average (B)	0.80	11,331.707	S&P 500	1	Large-Cap
Energy Corp	BBB	New York Stock Exchange	High (A)	0.70	15,462.195	S&P 500	1	Large-Cap
EQT Corp	BBB	New York Stock Exchange	Average (B+)	1.15	5,749.962	S&P 500	2	Mid-Cap
Exelon Corp	BBB	New York Stock Exchange	Average (B+)	0.85	32,223.754	S&P 500	1	Large-Cap
FirstEnergy Corp	BBB	New York Stock Exchange	Above Average (A-)	0.80	14,159.586	S&P 500	1	Large-Cap
FPL Group Inc	A	New York Stock Exchange	High (A)	0.75	21,832.988	S&P 500	1	Large-Cap
Integrus Energy Group Inc	BBB+	New York Stock Exchange	Average (B+)	0.95	3,208.876	S&P 500	2	Mid-Cap
Nicor Inc	AA	New York Stock Exchange	Below Average (B)	0.75	1,904.225	S&P 500	2	Mid-Cap
NiSource Inc	BBB-	New York Stock Exchange	Below Average (B)	0.85	4,241.112	S&P 500	2	Mid-Cap
Northeast Utilities	BBB	New York Stock Exchange	Below Average (B)	0.70	4,525.217	S&P 500	2	Mid-Cap
PEPCO Holdings Inc	BBB	New York Stock Exchange	Below Average (B)	0.80	3,733.842	S&P 500	2	Mid-Cap
PG&E Corp	BBB+	New York Stock Exchange	Below Average (B)	0.55	16,563.363	S&P 500	1	Large-Cap
Pinnacle West Capital	BBB-	New York Stock Exchange	Below Average (B)	0.75	3,704.859	S&P 500	2	Mid-Cap
PPL Corp	BBB	New York Stock Exchange	Average (B+)	0.70	12,183.067	S&P 500	1	Large-Cap
Progress Energy Inc	BBB+	New York Stock Exchange	Below Average (B)	0.65	11,467.462	S&P 500	1	Large-Cap
Public Service Entrp	BBB	New York Stock Exchange	Average (B+)	0.80	16,823.836	S&P 500	1	Large-Cap
Questar Corp	-	New York Stock Exchange	High (A)	1.20	7,248.436	S&P 500	2	Mid-Cap
SCANA Corp	BBB+	New York Stock Exchange	Below Average (B)	0.65	4,639.651	S&P 500	2	Mid-Cap
Sempra Energy	BBB+	New York Stock Exchange	Average (B+)	0.85	13,795.879	S&P 500	1	Large-Cap
Southern Co	A	New York Stock Exchange	Above Average (A-)	0.55	26,663.031	S&P 500	1	Large-Cap
TECO Energy Inc	BBB	New York Stock Exchange	Below Average (B)	0.85	3,467.301	S&P 500	2	Mid-Cap
Wisconsin Energy Corp	BBB+	New York Stock Exchange	Average (B+)	0.65	5,825.675	S&P 500	2	Mid-Cap
Xcel Energy Inc	BBB+	New York Stock Exchange	Below Average (B)	0.65	9,690.028	S&P 500	1	Large-Cap
Average	<u>BBB</u>		<u>Average (B+)</u>	<u>0.81</u>	<u>10,559.981</u>	<u>S&P MidCap 400</u>	<u>2</u>	<u>Mid-Cap</u>

Comparative Ratios

For Aqua Illinois, Inc. and Aqua Illinois, Inc's: Kankakee Water Division
The Water Group Followed by Analysts
Gas Group Followed by Analysts,
S&P Utilities, and S&P 500
For the Years 2004-2008(1)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Five Year Average</u>
<u>Return on Common Equity(2)</u>						
Aqua Illinois, Inc.	7.9	9.2	8.3	7.5	8.2	8.2
Aqua Illinois, Inc. - Kankakee Water Division	4.9	11.8	6.4	7.7	7.8	7.7
Water Group Followed by Analysts	8.8	9.1	9.0	10.0	10.1	9.4
Gas Group Followed by Analysts	13.0	12.5	13.2	13.6	12.2	12.9
S&P Utilities	14.7	16.5	13.3	13.6	13.6	14.3
S&P 500	3.2	13.1	17.4	16.4	15.0	13.0
<u>Market/Book Multiple(3)</u>						
Water Group Followed by Analysts	1.9	2.4	2.6	2.6	2.3	2.4
Gas Group Followed by Analysts	1.8	2.0	2.0	2.1	1.9	2.0
S&P Utilities	2.3	2.7	2.4	2.4	2.0	2.4
S&P 500	2.3	2.8	2.8	2.8	2.9	2.8
<u>Earnings/Price Ratio(4)</u>						
Water Group Followed by Analysts	4.7	3.9	3.6	4.0	4.4	4.1
Gas Group Followed by Analysts	7.4	6.3	6.5	6.5	6.4	6.6
S&P Utilities	7.4	6.8	6.0	6.0	7.1	6.7
S&P 500	1.4	4.6	6.3	5.9	5.1	4.7
<u>Dividend Payout Ratio(5)</u>						
Aqua Illinois, Inc.	11.0	50.4	46.8	63.0	12.8	36.8
Aqua Illinois, Inc. - Kankakee Water Division	18.1	40.0	63.8	63.2	13.5	39.7
Water Group Followed by Analysts	75.9	73.2	77.2	71.1	71.4	73.8
Gas Group Followed by Analysts	55.7	58.5	58.3	58.6	66.5	59.5
S&P Utilities	57.2	53.1	61.3	61.6	57.5	58.1
S&P 500	178.5	40.6	29.9	31.1	33.2	62.7
<u>Dividend Yield(6)</u>						
Water Group Followed by Analysts	3.6	2.9	2.7	2.8	3.2	3.0
Gas Group Followed by Analysts	4.0	3.7	3.7	3.8	4.1	3.9
S&P Utilities	4.2	3.3	3.5	3.6	3.8	3.7
S&P 500	2.6	1.9	1.9	1.8	1.7	2.0

See next page for Notes.

Comparative Ratios For
Aqua Illinois, Inc. and Aqua Illinois, Inc's: Kankakee Water Division, the Water
Group Followed by Analysts,
The Gas Group Followed by Analysts, S&P Utilities, and S&P 500
for the Years 2004-2008 (1)

Notes:

- (1) The average of achieved results for the companies in each group. The information for the S&P Public Utilities is market weighted. The information for the S&P 500 is based upon per share information adjusted to price index level. For Aqua Illinois Inc.'s Division, capitalization, net income, and dividends were allocated based on the ratio of divisional interest charges to total interest charges.
- (2) Rate of Return on Average Book Common Equity - income available for common equity divided by average beginning and ending year's balance of book common equity.
- (3) Market/Book Ratio - average of yearly high-low market price divided by the average of beginning and ending year's book value per share.
- (4) Earnings/Price Ratio - reported earnings per share yearly divided by the average of yearly high-low market price.
- (5) Dividend Payout Ratio is computed by dividing the yearly reported dividends paid by the yearly income available for common equity.
- (6) Dividend Yield - yearly dividend per share divided by the average yearly high-low market price.

Source of Information: Standard & Poor's and Annual Reports

Capital Intensity and Capital Recovery
 For Aqua Illinois, Inc. and Aqua Illinois, Inc's: Kankakee Water Division
 The Water Group Followed by Analysts
 The Gas Group Followed by Analysts, and S&P Utilities
For the Year 2008

	<u>Capital Intensity</u>	<u>Rate of Capital Recovery</u>	<u>Capital Recovery Years</u>
Aqua Illinois, Inc.	<u>\$7.35</u>	<u>2.60%</u>	<u>38.4</u>
Kankakee Water Division	<u>\$6.86</u>	<u>2.48%</u>	<u>40.4</u>
Water Group Followed by Analysts	<u>\$5.78</u>	<u>1.99%</u>	<u>53.5</u>
Gas Group Followed by Analysts	<u>\$1.15</u>	<u>3.20%</u>	<u>32.2</u>
S&P Utilities	<u>\$2.37</u>	<u>3.48%</u>	<u>30.5</u>

Relative Size of
Aqua Illinois, Inc.,
Aqua Illinois, Inc's: Kankakee Water Division
Versus The Water Group Followed by Analysts, the Gas Group Followed by Analysts
For the Year 2008

	<u>Aqua Illinois, Inc.</u>	<u>Water Group Followed by Analysts</u>	<u>Gas Group Followed by Analysts</u>	<u>Water Group Followed by Analysts Vs. Aqua Illinois, Inc.</u>	<u>Gas Group Followed by Analysts Vs. Aqua Illinois, Inc.</u>
<u>Aqua Illinois, Inc.,</u>					
Total Capitalization (000's)	\$158,557	\$728,478	\$2,387,489	4.6 x	15.1 x
Total Operating Revenues (000's)	\$40,068	\$251,146	\$3,318,842	6.3 x	82.8 x
Number of Customers	62,000	344,545	1,226,589	5.6 x	19.8 x
<u>Aqua Illinois, Inc's: Kankakee Water Division</u>					
Total Capitalization (000's)*	\$70,872	\$728,478	\$2,387,489	10.3 x	33.7 x
Total Operating Revenues (000's)	\$17,443	\$251,146	\$3,318,842	14.4 x	190.3 x
Number of Customers	28,644	344,545	1,226,589	12.0 x	42.8 x

* Divisional capitalization is based on rate base claim.

Institutional Holdings, Insider Holdings and Percentage of Shares Traded Annually for the
The Water Group Followed by Analysts, the Gas Group Followed by Analysts and the S&P Utilities

	Water Group Followed by <u>Analysts</u>	Gas Group Followed by <u>Analysts</u>	<u>S&P Public Utilities</u>
Percentage of common shares held by insiders (1)	1.1%	2.0%	0.9%
Percentage of common shares held by institutions (2)	38.3%	56.7%	64.2%
Percentage Of Common Shares Traded In 2007	110%	166%	172%
Percentage Of Common Shares Traded In 2008	126%	222%	228%
Average Number Of Months For All Common Shares To Turnover (3)	15.0	8.5	8.0

Notes: (1) An insider is a director or an officer who has a policy-making role or a person who is directly or indirectly the beneficial owner of more than 10% of a certain company's stock. An insider may be either an individual or a corporation. Insiders are required to disclose their purchase/sale transactions to the SEC in which a change in beneficial ownership has occurred. The filings must be submitted before the end of the second business day following the day on which the transaction had been executed.

(2) Institutional holders are those investment managers having a fair market value of equity assets under management of \$100 million or more. Certain banks, insurance companies, investment advisers, investment companies, foundations and pension funds are included in this category.

(3) Based on average turnover (shares traded) over the past five years.

Bond and Credit Ratings for
The Water Group Followed by Analysts and the Gas Group Followed by Analysts

	<u>S&P Credit Rating</u>
<u>Water Group Followed by Analysts</u>	
American States Water Co	A
Aqua America Inc *	A+
Artesian Resources	-
California Water Service Gp **	A+
Connecticut Water Service Inc.	A
York Water Co	A-
Average	<u>A</u>
<u>Gas Group Followed by Analysts</u>	
AGL Resources Inc	A-
Atmos Energy Corp	BBB+
Laclede Group Inc	A
New Jersey Resources	A-
NICOR Inc	AA
Northwest Natural Gas Co	AA-
Piedmont Natural Gas Co	A
South Jersey Industries Inc	BBB+
UGI Corp	BBB+
WGL Holdings Inc	AA-
Average	<u>A</u>

* - The A+ bond rating and the "Business Position" is that for Aqua Pennsylvania, Inc.

** - The A+ bond rating and the "Business Position" is that for California Water Service, Inc.

Comparison of Standard & Poor's Measures of Financial Risk
For the Water Group Followed by Analysts and the Gas Group Followed by Analysts(1)

Trend in Standard & Poor's Measures of
Financial Risk (Five-Year Average 2004-08)

	Division of Aqua Illinois, Inc.		Water Group Followed by Analysts	Gas Group Followed by Analysts
	<u>Kankakee Water Division</u>	<u>Aqua Illinois, Inc.</u>		
PreTax Interest Coverage(2)(x)	2.4 x	3.0 x	3.2 x	4.2 x
Total Debt/Total Capital(%)	49.6 %	50.5 %	52.3 %	53.9 %
GCF / Interest Coverage(3)(x)	3.2 x	3.6 x	3.8 x	4.9 x
GCF / Average Total Debt(4)(%)	14.2 %	17.0 %	17.2 %	21.0 %
NCF / Construction(5)(%)	40.5 %	56.4 %	43.2 %	104.1 %

Spot in Standard & Poor's Measures of
Financial Risk (For the Year 2008)

	Division of Aqua Illinois, Inc.		Water Group Followed by Analysts	Gas Group Followed by Analysts
	<u>Kankakee Water Division</u>	<u>Aqua Illinois, Inc.</u>		
PreTax Interest Coverage(2)(x)	2.9 x	3.1 x	3.2 x	4.7 x
Total Debt/Total Capital(%)	50.5 %	49.6 %	53.3 %	54.6 %
GCF / Interest Coverage(3)(x)	3.5 x	3.0 x	3.9 x	5.5 x
GCF / Average Total Debt(4)(%)	16.7 %	12.9 %	17.2 %	22.1 %
NCF / Construction(5)(%)	46.6 %	55.6 %	42.4 %	116.7 %

See the next page for notes.

Comparison of Standard & Poor's Measures of Financial Risk
For the Aqua Illinois, Inc. and Aqua Illinois, Inc's: Kankakee Water Division,
The Water Group Followed by Analysts and the Water Group Followed by Analysts

Notes:

- (1) Average of the achieved results for each individual company based upon the financials as originally reported. For Aqua Illinois Inc.'s Division, capitalization, net income, and dividends were allocated based on the ratio of divisional interest charges to total interest charges.
- (2) Represents the number of times available earnings, excluding AFC, cover all interest charges.
- (3) GCF or gross cash flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFC), plus interest charges, divided by interest charges.
- (4) GCF (see note 3) as a percentage of average total debt.
- (5) The percent of GCF (see note 3) less all cash dividends which cover gross construction expenditures.

Source of Information: Standard & Poor's, Moody's and Annual Reports

Distribution of Bond and Credit Ratings for
All Companies Contained in S&P's *Compustat* Database (1)

Number of Companies In Each Grouping	S&P Bond and Credit Ratings				Range of Reported Permanent Capital By Groupings (Million \$)		
	Average	Median	Maximum	Minimum	Smallest	Median	Largest
	100	B	B	A	Default	-25,767.000	144.145
100	B+	B+	A	Default	238.408	314.620	389.913
100	BB-	B+	AA-	CCC+	391.292	491.081	572.836
100	BB	BB-	AA	CCC-	574.640	662.030	737.548
100	BB	BB-	A+	Default	738.500	806.418	889.198
100	BB	BB	AA-	CCC	889.654	1,030.922	1,131.888
100	BB+	BB+	AA	B-	1,134.954	1,253.162	1,375.000
100	BBB-	BBB-	AA-	CCC	1,375.268	1,513.956	1,650.138
100	BB+	BBB-	A+	B-	1,650.600	1,796.650	1,975.909
100	BBB-	BBB	AA+	CCC	1,977.029	2,205.570	2,449.933
100	BBB-	BBB-	AA	B-	2,454.209	2,793.254	3,098.000
100	BBB-	BBB-	AA	B-	3,103.788	3,439.692	3,859.822
100	BBB	BBB	AA	B-	3,875.768	4,304.522	4,944.000
100	BBB	BBB	AAA	CCC+	4,957.412	5,667.446	6,565.171
100	BBB	BBB	AA	B	6,589.707	7,327.000	8,629.033
100	BBB+	BBB+	AAA	B+	8,664.300	9,936.627	11,958.765
100	BBB+	A-	AA+	CCC+	11,961.330	14,838.400	18,986.775
100	A	A-	AAA	B	19,207.000	24,096.250	39,888.000
80	A+	A+	AAA	B	39,975.699	86,015.500	488,400.000
Total							1,880

Number of Companies In Each Grouping	Range of Reported Permanent Capital By Groupings (Million \$)			Distribution of S&P Bond and Credit Ratings By Size Grouping								
	Smallest	Median	Largest	AAA	AA	A	BBB	BB	B	CCC	CC	Default
100	-25,767.000	144.145	238.252	0%	0%	6%	2%	9%	57%	18%	1%	7%
100	238.408	314.620	389.913	0%	0%	1%	7%	24%	61%	6%	0%	1%
100	391.292	491.081	572.836	0%	2%	7%	8%	29%	52%	2%	0%	0%
100	574.640	662.030	737.548	0%	1%	6%	16%	35%	39%	3%	0%	0%
100	738.500	806.418	889.198	0%	0%	7%	22%	45%	24%	1%	0%	1%
100	889.654	1,030.922	1,131.888	0%	1%	5%	29%	39%	23%	3%	0%	0%
100	1,134.954	1,253.162	1,375.000	0%	3%	10%	29%	42%	16%	0%	0%	0%
100	1,375.268	1,513.956	1,650.138	0%	2%	14%	40%	28%	13%	3%	0%	0%
100	1,650.600	1,796.650	1,975.909	0%	0%	10%	47%	29%	14%	0%	0%	0%
100	1,977.029	2,205.570	2,449.933	0%	2%	15%	51%	21%	10%	1%	0%	0%
100	2,454.209	2,793.254	3,098.000	0%	1%	18%	49%	24%	8%	0%	0%	0%
100	3,103.788	3,439.692	3,859.822	0%	2%	20%	40%	27%	11%	0%	0%	0%
100	3,875.768	4,304.522	4,944.000	0%	3%	22%	45%	20%	10%	0%	0%	0%
100	4,957.412	5,667.446	6,565.171	2%	1%	23%	41%	23%	9%	1%	0%	0%
100	6,589.707	7,327.000	8,629.033	0%	4%	28%	47%	14%	7%	0%	0%	0%
100	8,664.300	9,936.627	11,958.765	1%	5%	27%	49%	16%	2%	0%	0%	0%
100	11,961.330	14,838.400	18,986.775	0%	8%	43%	38%	9%	1%	1%	0%	0%
100	19,207.000	24,096.250	39,888.000	5%	13%	51%	26%	3%	2%	0%	0%	0%
80	39,975.699	86,015.500	488,400.000	10%	35%	40%	10%	1%	4%	0%	0%	0%
<u>1,880</u>												

Note: (1) Includes all companies contained in S&P's *Compustat* North American Database that have a S&P bond or credit ratings and reported permanent capital for the year 2005. Companies were sorted based on amount of reported permanent capital and then separated into groups of 100 companies from smallest to largest.

Interest Rate Trends for
Investor-Owned Public Utility Bonds
Yearly for 2003-2007, Monthly for the Years 2008 and 2009

<u>Years</u>	<u>Aaa Rated</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>
2003	NA	6.40	6.58	6.84
2004	NA	6.04	6.16	6.40
2005	NA	5.44	5.65	5.93
2006	NA	5.83	6.07	6.32
2007	NA	5.94	6.08	6.33
Average	NA	5.93	6.11	6.36
Jan 2008	NA	5.87	6.02	6.35
Feb 2008	NA	6.04	6.21	6.60
Mar 2008	NA	5.99	6.21	6.68
Apr 2008	NA	5.99	6.29	6.82
May 2008	NA	6.07	6.27	6.79
Jun 2008	NA	6.19	6.38	6.93
Jul 2008	NA	6.13	6.40	6.97
Aug 2008	NA	6.09	6.37	6.98
Sep 2008	NA	6.13	6.49	7.15
Oct 2008	NA	6.95	7.56	8.58
Nov 2008	NA	6.83	7.60	8.98
Dec 2008	NA	5.93	6.54	8.13
Avg 2008	NA	6.18	6.53	7.25
Jan 2009	NA	6.01	6.39	7.90
Feb 2009	NA	6.11	6.30	7.74
Mar 2009	NA	6.14	6.42	8.00
Apr 2009	NA	6.20	6.48	8.03
May 2009	NA	6.23	6.49	7.76
Jun 2009	NA	6.13	6.20	7.30
Jul 2009	NA	5.63	5.97	6.87
Aug 2009	NA	5.33	5.71	6.36
Sep 2009	NA	5.15	5.53	6.12
Oct 2009	NA	5.23	5.55	6.14
Nov 2009	NA	5.33	5.64	6.18
Dec 2009 <i>E</i>	NA	5.36	5.67	6.24

Source of Information: MERGENT BOND RECORD

Credit Risk Spreads of
Investor-Owned Public Utility Bonds
Yearly for 2003-2007, Monthly for the Years 2008 and 2009

	<u>Years</u>	Aa Over <u>Aaa</u>	A Over <u>Aa</u>	Baa Over <u>A</u>	Baa Over <u>Aaa</u>
	2003	NA	0.19	0.26	NA
	2004	NA	0.12	0.23	NA
	2005	NA	0.21	0.28	NA
	2006	NA	0.24	0.25	NA
	2007	NA	0.13	0.26	NA
	Average	NA	0.18	0.26	NA
Jan	2008	NA	0.15	0.33	NA
Feb	2008	NA	0.17	0.39	NA
Mar	2008	NA	0.22	0.47	NA
Apr	2008	NA	0.30	0.53	NA
May	2008	NA	0.20	0.52	NA
Jun	2008	NA	0.19	0.55	NA
Jul	2008	NA	0.27	0.57	NA
Aug	2008	NA	0.28	0.61	NA
Sep	2008	NA	0.36	0.66	NA
Oct	2008	NA	0.61	1.02	NA
Nov	2008	NA	0.77	1.38	NA
Dec	2008	NA	0.61	1.59	NA
Avg	2008	NA	0.34	0.72	NA
Jan	2009	NA	0.38	1.51	NA
Feb	2009	NA	0.19	1.44	NA
Mar	2009	NA	0.28	1.58	NA
Apr	2009	NA	0.28	1.55	NA
May	2009	NA	0.26	1.27	NA
Jun	2009	NA	0.07	1.10	NA
Jul	2009	NA	0.34	0.90	NA
Aug	2009	NA	0.38	0.65	NA
Sep	2009	NA	0.38	0.59	NA
Oct	2009	NA	0.32	0.59	NA
Nov	2009	NA	0.31	0.54	NA
Dec	2009 <i>E</i>	NA	0.31	0.57	NA

Source of Information: MERGENT BOND RECORD

Interest Rate Trends
Of Long-Term Treasury Constant
Yearly for 2003-2007, Monthly for the Years 2008 and 2009

<u>Years</u>	<u>10-Year T-Bond</u>	<u>20-Year T-Bond</u>	<u>30-Year T-Bond</u>	<u>Long-term T-Bond Yield</u>
2003	4.02	4.96	NA	4.49
2004	4.27	5.05	NA	4.66
2005	4.20	4.69	NA	4.45
2006	4.79	4.99	4.90	4.89
2007	4.63	4.91	4.83	4.91
Average	4.38	4.92	4.87	4.68
Jan 2008	3.74	4.35	4.33	4.34
Feb 2008	3.74	4.49	4.52	4.51
Mar 2008	3.51	4.36	4.39	4.38
Apr 2008	3.68	4.44	4.44	4.44
May 2008	3.88	4.60	4.60	4.60
Jun 2008	4.10	4.74	4.69	4.72
Jul 2008	4.01	4.62	4.57	4.60
Aug 2008	3.89	4.53	4.50	4.52
Sep 2008	3.69	4.32	4.27	4.30
Oct 2008	3.81	4.45	4.17	4.31
Nov 2008	3.53	4.27	4.00	4.14
Dec 2008	2.42	3.18	2.87	3.03
Avg 2008	3.67	4.36	4.28	4.32
Jan 2009	2.52	3.46	3.13	3.30
Feb 2009	2.87	3.83	3.59	3.71
Mar 2009	2.82	3.78	3.64	3.71
Apr 2009	2.93	3.84	3.76	3.80
May 2009	3.29	4.22	4.23	4.23
Jun 2009	3.72	4.51	4.52	4.52
Jul 2009	3.56	4.38	4.41	4.40
Aug 2009	3.59	4.33	4.37	4.35
Sep 2009	3.40	4.14	4.19	4.17
Oct 2009	3.39	4.16	4.19	4.18
Nov 2009	3.40	4.24	4.31	4.28
Dec 2009 <i>E</i>	3.59	4.40	4.49	4.45

Source of Information: Federal Reserve Bulletin

Spread in Average Long-Term Bond Yields
Versus Public Utility Bond Yields
Yearly for 2003-2007, Monthly for the Years 2008 and 2009

<u>Spread in Average Long-Term T-Bond Yields Versus Public Utility Bonds:</u>				
<u>Years</u>	<u>Aaa Rated</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>
2003	NA	1.91	2.09	2.35
2004	NA	1.38	1.50	1.74
2005	NA	1.00	1.20	1.48
2006	NA	0.94	1.18	1.42
2007	NA	1.03	1.17	1.42
Average	NA	1.25	1.43	1.68
Jan 2008	NA	1.53	1.68	2.01
Feb 2008	NA	1.54	1.71	2.10
Mar 2008	NA	1.62	1.84	2.31
Apr 2008	NA	1.55	1.85	2.38
May 2008	NA	1.47	1.67	2.19
Jun 2008	NA	1.48	1.67	2.22
Jul 2008	NA	1.54	1.81	2.38
Aug 2008	NA	1.58	1.86	2.47
Sep 2008	NA	1.84	2.20	2.86
Oct 2008	NA	2.64	3.25	4.27
Nov 2008	NA	2.70	3.47	4.85
Dec 2008	NA	2.91	3.52	5.11
Avg 2008	NA	1.87	2.21	2.93
Jan 2009	NA	2.72	3.10	4.61
Feb 2009	NA	2.40	2.59	4.03
Mar 2009	NA	2.43	2.71	4.29
Apr 2009	NA	2.40	2.68	4.23
May 2009	NA	2.01	2.27	3.54
Jun 2009	NA	1.62	1.69	2.79
Jul 2009	NA	1.24	1.58	2.48
Aug 2009	NA	0.98	1.36	2.01
Sep 2009	NA	0.99	1.37	1.96
Oct 2009	NA	1.06	1.38	1.97
Nov 2009	NA	1.06	1.37	1.91
Dec 2009 <i>E</i>	NA	0.92	1.23	1.80

Comment: Derived from the information on pages 1 and 3 of this Schedule.

Interest Rate Trends for
Federal Funds Rate and Prime Rate
Yearly for 2003-2007, Monthly for the Years 2008 and 2009

<u>Years</u>	<u>Fed Funds Rate</u>	<u>Prime Rate</u>
2003	1.13	4.12
2004	1.35	4.34
2005	2.39	5.37
2006	4.96	7.96
2007	5.02	8.05
Average	2.97	5.97
Jan 2008	3.94	6.98
Feb 2008	2.98	6.00
Mar 2008	2.61	5.66
Apr 2008	2.28	5.24
May 2008	1.98	5.00
Jun 2008	2.00	5.00
Jul 2008	2.01	5.00
Aug 2008	2.00	5.00
Sep 2008	1.81	5.00
Oct 2008	0.97	4.56
Nov 2008	0.39	4.00
Dec 2008	0.16	3.61
Avg 2008	1.93	5.09
Jan 2009	0.15	3.25
Feb 2009	0.22	3.25
Mar 2009	0.18	3.25
Apr 2009	0.15	3.25
May 2009	0.18	3.25
Jun 2009	0.21	3.25
Jul 2009	0.16	3.25
Aug 2009	0.16	3.25
Sep 2009	0.15	3.25
Oct 2009	0.12	3.25
Nov 2009	0.12	3.25
Dec 2009 <i>E</i>	0.12	3.25

Source of Information: Federal Reserve Bulletin

Blue Chip Financial Forecasts - January 1, 2009

	First Quarter <u>2010</u>	Second Quarter <u>2010</u>	Third Quarter <u>2010</u>	Fourth Quarter <u>2010</u>	First Quarter <u>2011</u>	Five Quarter <u>Average</u>
<u>Prime Rate</u>						
Top Ten Average	3.3 %	3.4 %	4.0 %	4.7 %	5.3 %	4.1 %
Group Average	3.2	3.3	3.5	3.9	4.3	3.6
Bottom Ten Average	3.2	3.2	3.2	3.3	3.6	3.3
<u>Three-Month Treasury Bills</u>						
Top Ten Average	0.3	0.6	1.2	1.9	2.4	1.3
Group Average	0.1	0.3	0.5	0.9	1.3	0.6
Bottom Ten Average	0.0	0.1	0.1	0.2	0.5	0.2
<u>Ten Year Treasury Notes</u>						
Top Ten Average	3.9	4.1	4.4	4.7	4.9	4.4
Group Average	3.6	3.8	4.0	4.2	4.3	4.0
Bottom Ten Average	3.3	3.4	3.5	3.7	3.9	3.6
<u>Thirty Year Treasury Bonds</u>						
Top Ten Average	4.7	5.0	5.3	5.5	5.6	5.2
Group Average	4.5	4.6	4.8	4.9	5.1	4.8
Bottom Ten Average	4.2	4.3	4.3	4.4	4.6	4.4
<u>Aaa-Rated Corporate Bonds</u>						
Top Ten Average	5.5	5.7	6.0	6.2	6.3	5.9
Group Average	5.3	5.4	5.5	5.7	5.8	5.5
Bottom Ten Average	5.1	5.1	5.1	5.2	5.3	5.2
<u>Baa-Rated Corporate Bonds</u>						
Top Ten Average	6.8	7.0	7.3	7.4	7.6	7.2
Group Average	6.5	6.6	6.7	6.8	6.9	6.7
Bottom Ten Average	6.3	6.2	6.3	6.3	6.4	6.3

Derived Public Utility Bond Yield Forecasts Based on Aaa and Baa Corporate YieldsAa-Rated Public Utility Bonds

Top Ten Average	5.6	5.8	6.1	6.2	6.4	6.0
Group Average	5.3	5.4	5.5	5.7	5.8	5.5
Bottom Ten Average	5.1	5.1	5.1	5.2	5.3	5.2

A-Rated Public Utility Bonds

Top Ten Average	5.9	6.1	6.4	6.5	6.7	6.3
Group Average	5.6	5.7	5.8	6.0	6.1	5.8
Bottom Ten Average	5.4	5.4	5.4	5.5	5.6	5.5

Baa-Rated Public Utility Bonds

Top Ten Average	6.9	7.1	7.4	7.6	7.7	7.3
Group Average	6.7	6.8	6.9	7.0	7.1	6.9
Bottom Ten Average	6.5	6.4	6.5	6.5	6.6	6.5

Settled Yields on Treasury Bond
Future Contracts
Traded on the Chicago Board of Trade
at the Close of January 14, 2010

<u>Delivery Date</u>	<u>Treasury Bonds (CBOT)</u>
Mar-10	4.924 %
Jun-10	5.008
Sep-10	<u>5.089</u>
Average	<u>5.007 %</u>

Source of Information: Chicago Board of Trade

Market Value Discounted Cash Flow for
The Water Group Followed by Analysts and the Gas Group Followed by Analysts

	Water Group Followed by <u>Analysts</u>	Gas Group Followed by <u>Analysts</u>
Dividend Yield(1)	3.6 %	4.3 %
Growth in Dividends(2)	<u>0.1</u>	<u>0.1</u>
Adjusted Dividend Yield	3.7	4.4
Stock Appreciation(3)	<u>7.3</u>	<u>6.4</u>
Market Value DCF Cost Rate	<u><u>11.0 %</u></u>	<u><u>10.8 %</u></u>

Notes: (1) Developed on page 2 of this Schedule.

(2) Equal to one-half the assumed growth in value.

(3) As explained in the direct testimony, the growth in value is supported by the information shown on Schedules 15 and 16.

Market Value Dividend Yield for
the Water Group Followed by Analysts and the Gas Group Followed by Analysts
for the Twelve Months Ended December 2009

	<u>Recent Dividend Yields(1)</u>	<u>Longer Term Dividend Yields(2)</u>	<u>Average Yields</u>
<u>Water Group Followed by Analysts</u>			
American States Water Co	3.0 %	2.9 %	
Aqua America Inc	3.4	3.1	
Artesian Resources	4.2	4.5	
California Water Service Gp	3.2	3.1	
Connecticut Water Service Inc.	3.7	4.1	
York Water Co	<u>3.5</u>	<u>3.6</u>	
Average	<u>3.5 %</u>	<u>3.6 %</u>	<u>3.6 %</u>
<u>Gas Group Followed by Analysts</u>			
AGL Resources Inc	4.8 %	5.4 %	
Atmos Energy Corp	4.6	5.1	
Laclede Group Inc	4.8	4.4	
New Jersey Resources	3.7	3.5	
NICOR Inc	4.5	5.3	
Northwest Natural Gas Co	3.7	3.7	
Piedmont Natural Gas Co	4.2	4.4	
South Jersey Industries Inc	3.5	3.4	
UGI Corp	3.3	3.2	
WGL Holdings Inc	<u>4.5</u>	<u>4.5</u>	
Average	<u>4.2 %</u>	<u>4.3 %</u>	<u>4.3 %</u>

Notes: (1) Computed by annualizing the current quarterly dividend per share and relating it to the monthly high-low average price per share of common stock for December 2009.

(2) Computed by annualizing the current quarterly dividend per share and relating it to the monthly high-low average price per share of common stock for the twelve months ended December 2009.

Source of Information: Standard & Poor's

Development of Long Term Projected Growth in Value
Based Upon Growth Over The Next Five Years
For the Water Group Followed by Analysts

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
	Analysts' Projected Growth in EPS				Other Projected Growth			
	First Call EPS Growth	Reuters EPS Growth	ZACK's EPS Growth	Value Line EPS Growth	Value Line DPS Growth	Value Line Cash Flow Growth	Average EPS Growth	Average All Growth
<u>Water Group Followed by Analysts</u>								
American States Water Co	4.0 %	4.0 %	4.0 %	9.5 %	4.5 %	6.5 %	5.4 %	5.4 %
Aqua America Inc	8.3	8.6	7.7	10.0	5.5	7.5	8.7	7.9
Artesian Resources	6.0	6.0	6.0	-	-	-	6.0	6.0
California Water Service Gp	6.0	6.0	6.7	9.0	2.5	6.5	6.9	6.1
Connecticut Water Service Inc.	15.0	na	9.0	-	-	-	12.0	12.0
York Water Co	<u>6.0</u>	<u>6.0</u>	<u>7.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.5</u>	<u>6.5</u>
Average	<u>7.6 %</u>	<u>6.1 %</u>	<u>6.8 %</u>	<u>9.5 %</u>	<u>4.2 %</u>	<u>6.8 %</u>	<u>7.6 %</u>	<u>7.3 %</u>
<u>Gas Group Followed by Analysts</u>								
AGL Resources Inc	4.0 %	5.2 %	4.5 %	3.5 %	2.5 %	3.5 %	4.3 %	3.9 %
Atmos Energy Corp	5.0	4.8	5.0	4.0	1.5	2.5	4.7	3.8
Laclede Group Inc	3.5	na	3.0	3.5	2.5	5.5	3.3	3.6
New Jersey Resources	7.0	6.0	7.0	5.5	7.0	4.0	6.4	6.1
NICOR Inc	4.4	3.5	4.2	1.5	0.0	1.5	3.4	2.5
Northwest Natural Gas Co	6.0	4.8	5.7	5.0	6.5	4.5	5.4	5.4
Piedmont Natural Gas Co	8.0	7.0	6.3	8.0	3.5	4.5	7.3	6.2
South Jersey Industries Inc	11.7	13.3	12.4	5.5	8.0	3.5	10.7	9.1
UGI Corp	6.0	6.0	6.0	4.0	5.5	4.0	5.5	5.3
WGL Holdings Inc	<u>5.0</u>	<u>4.0</u>	<u>na</u>	<u>4.0</u>	<u>3.0</u>	<u>3.0</u>	<u>4.3</u>	<u>3.8</u>
Average	<u>6.1 %</u>	<u>6.1 %</u>	<u>6.0 %</u>	<u>4.5 %</u>	<u>4.0 %</u>	<u>3.7 %</u>	<u>5.5 %</u>	<u>5.0 %</u>

Source of Information: Value Line Investment Survey, 10/23/09 and 12/11/09; Reuters Market Guide 1/12/10; FirstCall 1/12/10; and Zacks Investment Research 1/12/10

Recent Payout Ratios,
ROEs, P-E Multiples, Market/Book Multiples, and Market Value
For the Water Group Followed by Analysts and the Gas Group Followed by Analysts

	<u>Current Dividend Payout</u>	<u>Current Return on Equity</u>	<u>PE Mult</u>	<u>Market to Book Mult</u>	<u>Current Market Value (Mill \$)</u>
<u>Water Group Followed by Analysts</u>					
American States Water Co	79	8.8	22.0	1.82	655.510
Aqua America Inc	70	9.7	23.0	2.21	2,386.105
Artesian Resources	81	7.9	19.3	1.51	136.832
California Water Service Gp	61	10.2	18.5	1.82	763.831
Connecticut Water Service Inc.	79	10.6	19.1	1.95	211.561
York Water Co	<u>86</u>	<u>10.4</u>	<u>22.0</u>	<u>2.15</u>	<u>181.883</u>
Average	<u>76</u>	<u>9.6</u>	<u>20.6</u>	<u>1.91</u>	<u>722.620</u>
<u>Gas Group Followed by Analysts</u>					
AGL Resources Inc	57	13.2	12.4	1.64	2,822.741
Atmos Energy Corp	64	8.9	14.0	1.26	2,732.201
Laclede Group Inc	53	12.4	11.5	1.45	751.383
New Jersey Resources	192	3.7	57.5	2.25	1,555.092
NICOR Inc	71	13.0	14.9	1.90	1,904.225
Northwest Natural Gas Co	58	12.0	15.5	1.86	1,194.326
Piedmont Natural Gas Co	64	13.0	15.9	2.11	1,960.668
South Jersey Industries Inc	43	10.7	20.0	2.16	1,137.611
UGI Corp	33	17.1	10.2	1.65	2,631.558
WGL Holdings Inc	61	10.8	14.0	1.54	1,685.855
Average	<u>69</u>	<u>11.5</u>	<u>18.6</u>	<u>1.78</u>	<u>1,837.566</u>

Source of Information: Quarterly Reports, Standard & Poor's and Value Line

Value Line Projected ROE Based on Year-End and Average,
Dividend Payout Ratio, and Common Equity Ratio for
The Water Group Followed by Analysts and the Gas Group Followed by Analysts for 2012-2014

	Value Line Projected <u>ROE</u>	Projected Average ROE <u>(1)</u>	Value Line Projected Dividend <u>Payout</u>	Value Line Projected Common Equity <u>Ratio</u>
<u>Water Group Followed by Analysts</u>				
American States Water Co	12.0 %	12.4 %	48.1 %	53.5 %
Aqua America Inc	11.5	11.9	52.0	51.0
Artesian Resources	--	--	--	--
California Water Service Gp	12.0	12.3	50.6	55.0
Connecticut Water Service Inc.	--	--	--	--
York Water Co	--	--	--	--
Average	<u>11.8</u> %	<u>12.2</u> %	<u>50.2</u> %	<u>53.2</u> %
<u>Gas Group Followed by Analysts</u>				
AGL Resources Inc	13.0 %	13.3 %	57.0 %	49.0 %
Atmos Energy Corp	9.5	9.8	56.0	51.0
Laclede Group Inc	11.0	11.4	56.7	53.0
New Jersey Resources	11.5	12.0	53.3	66.5
NICOR Inc	11.5	11.8	60.0	74.0
Northwest Natural Gas Co	11.0	11.2	61.4	53.0
Piedmont Natural Gas Co	14.0	14.2	58.6	52.0
South Jersey Industries Inc	14.5	14.9	50.8	63.5
UGI Corp	12.5	13.1	39.2	52.0
WGL Holdings Inc	<u>11.0</u>	<u>11.2</u>	<u>59.3</u>	<u>64.0</u>
Average	<u>12.0</u> %	<u>12.3</u> %	<u>55.2</u> %	<u>57.8</u> %
Average All Companies	<u>11.9</u> %	<u>12.3</u> %	<u>54.1</u> %	<u>56.7</u> %

Notes: (1) Value Line ROE, which is a year-end ROE, is converted to average ROE by the factor derived from the following formula: $2((1+g)/(2+g))$, where "g" is the rate of growth in common equity.

Source of Information: Value Line Investment Survey, 7/27/09 & 12/11/09

Market Value 3-Stage Non-Constant Growth Discounted Cash Flow for
The Water Group Followed by Analysts and the Gas Group Followed by Analysts

	Water Group Followed by <u>Analysts</u>	Gas Group Followed by <u>Analysts</u>
Nominal Long-term Growth Model		
Dividend Yield(1)	3.5 %	4.2 %
Growth in Dividends(2)	<u>0.1</u>	<u>0.1</u>
Adjusted Dividend Yield	3.6	4.3
Stock Appreciation(3)	<u>6.8</u>	<u>6.3</u>
Market Value DCF Cost Rate	<u><u>10.4 %</u></u>	<u><u>10.6 %</u></u>
Real Long-term Growth Model		
Dividend Yield(1)	3.5 %	4.2 %
Growth in Dividends(2)	<u>0.1</u>	<u>0.1</u>
Adjusted Dividend Yield	3.6	4.3
Stock Appreciation(3)	<u>6.4</u>	<u>6.0</u>
Market Value DCF Cost Rate	<u><u>10.0 %</u></u>	<u><u>10.3 %</u></u>

- Notes: (1) December 2009 yield developed on page 2 of Schedule 14.
(2) Equal to one-half the assumed growth in value.
(3) As explained in the direct testimony, the 3-stage non-constant growth in value is supported by the information shown on pages 2-4 of this Schedule.

3-Stage Non-Constant Growth Rates
The Water Group Followed by Analysts and the Gas Group Followed by Analysts

	Water Group Followed by <u>Analysts</u>	Gas Group Followed by <u>Analysts</u>
Nominal Long-term Growth Rates		
Stage 1 Growth (Years 1-5) (1)	<u>7.60 %</u>	<u>5.50 %</u>
Stage 2 Growth (Years 6-10) (2)	<u>6.99 %</u>	<u>5.94 %</u>
Stage 3 Growth (Years 11-∞) (3)	<u>6.37 %</u>	<u>6.37 %</u>
Real Long-term Growth Rates		
Stage 1 Growth (Years 1-5) (1)	<u>7.60 %</u>	<u>5.50 %</u>
Stage 2 Growth (Years 6-10) (2)	<u>6.76 %</u>	<u>5.71 %</u>
Stage 3 Growth (Years 11-∞)		
Real long-term growth of the economy (3)	3.32	3.32
Implied forward inflation rate (4)	<u>2.59</u>	<u>2.59</u>
Stage 3 Growth (Years 11-∞)	<u>5.91 %</u>	<u>5.91 %</u>

Notes: (1) From Schedule 15.

(2) Assumed transitional growth, equal to the average of Stage-1 and Stage-3 growth rates.

(3) From page 3 of this schedule.

(4) From page 4 of this schedule.

Gross Domestic Product
[Billions of dollars]
Annual data from 1929 To 2008
Bureau of Economic Analysis

	Gross Domestic Product [Billions of dollars]		Real Gross Domestic Product [Index numbers, 2005=100]	
1929	103.6		7.730	
1930	91.2	-0.1197	7.064	-0.0862
1931	76.5	-0.1612	6.606	-0.0648
1932	58.7	-0.2327	5.743	-0.1306
1933	56.4	-0.0392	5.669	-0.0129
1934	66.0	0.1702	6.285	0.1087
1935	73.3	0.1106	6.844	0.0889
1936	83.8	0.1432	7.737	0.1305
1937	91.9	0.0967	8.134	0.0513
1938	86.1	-0.0631	7.854	-0.0344
1939	92.2	0.0708	8.489	0.0809
1940	101.4	0.0998	9.233	0.0876
1941	126.7	0.2495	10.809	0.1707
1942	161.9	0.2778	12.804	0.1846
1943	198.6	0.2267	14.900	0.1637
1944	219.8	0.1067	16.103	0.0807
1945	223.0	0.0146	15.923	-0.0112
1946	222.2	-0.0036	14.181	-0.1094
1947	244.1	0.0986	14.054	-0.0090
1948	269.1	0.1024	14.672	0.0440
1949	267.2	-0.0071	14.596	-0.0052
1950	293.7	0.0992	15.872	0.0874
1951	339.3	0.1553	17.100	0.0774
1952	358.3	0.0560	17.754	0.0382
1953	379.3	0.0586	18.572	0.0461
1954	380.4	0.0029	18.455	-0.0063
1955	414.7	0.0902	19.783	0.0720
1956	437.4	0.0547	20.175	0.0198
1957	461.1	0.0542	20.581	0.0201
1958	467.2	0.0132	20.395	-0.0090
1959	506.6	0.0843	21.858	0.0717
1960	526.4	0.0391	22.399	0.0248
1961	544.8	0.0350	22.921	0.0233
1962	585.7	0.0751	24.310	0.0606
1963	617.8	0.0548	25.373	0.0437
1964	663.6	0.0741	26.841	0.0579
1965	719.1	0.0836	28.565	0.0642
1966	787.7	0.0954	30.426	0.0651
1967	832.4	0.0567	31.195	0.0253
1968	909.8	0.0930	32.705	0.0484
1969	984.4	0.0820	33.721	0.0311
1970	1,038.3	0.0548	33.786	0.0019
1971	1,126.8	0.0852	34.920	0.0336
1972	1,237.9	0.0986	36.775	0.0531
1973	1,382.3	0.1166	38.905	0.0579
1974	1,499.5	0.0848	38.691	-0.0055
1975	1,637.7	0.0922	38.609	-0.0021
1976	1,824.6	0.1141	40.680	0.0536
1977	2,030.1	0.1126	42.550	0.0460
1978	2,293.8	0.1299	44.924	0.0558
1979	2,562.2	0.1170	46.328	0.0313
1980	2,788.1	0.0882	46.200	-0.0028
1981	3,126.8	0.1215	47.373	0.0254
1982	3,253.2	0.0404	46.453	-0.0194
1983	3,534.6	0.0865	48.552	0.0452
1984	3,930.9	0.1121	52.041	0.0719
1985	4,217.5	0.0729	54.194	0.0414
1986	4,460.1	0.0575	56.071	0.0346
1987	4,736.4	0.0619	57.866	0.0320
1988	5,100.4	0.0769	60.244	0.0411
1989	5,482.1	0.0748	62.397	0.0357
1990	5,800.5	0.0581	63.568	0.0188
1991	5,992.1	0.0330	63.419	-0.0023
1992	6,342.3	0.0584	65.571	0.0339
1993	6,667.4	0.0513	67.441	0.0285
1994	7,085.2	0.0627	70.188	0.0407
1995	7,414.7	0.0465	71.953	0.0251
1996	7,838.5	0.0572	74.645	0.0374
1997	8,332.4	0.0630	77.972	0.0446
1998	8,793.5	0.0553	81.367	0.0435
1999	9,353.5	0.0637	85.295	0.0483
2000	9,951.5	0.0639	88.825	0.0414
2001	10,286.2	0.0336	89.783	0.0108
2002	10,642.3	0.0346	91.412	0.0181
2003	11,142.1	0.0470	93.688	0.0249
2004	11,867.8	0.0651	97.036	0.0357
2005	12,638.4	0.0649	100.000	0.0305
2006	13,398.9	0.0602	102.673	0.0267
2007	14,077.6	0.0507	104.872	0.0214
2008	14,441.4	0.0258	105.331	0.0044
Average		6.70%		3.48%
Compound		6.37%		3.32%

Federal Reserve
Long-term Forward Inflation
Yields of Treasury Constant Maturities
December 2009

	<u>YTM December 2009</u>	<u>Forward YTM Years 11-20</u>
<u>Nominal</u>		
10-Year	3.590%	
20-Year	4.400%	5.21%
<u>Inflation Indexed</u>		
10-Year	1.360%	
20-Year	1.990%	<u>2.62%</u>
	Forward Inflation	<u>2.59%</u>

Illustration of the
Effect of Market-To-Book Ratio on Market Return

<u>Ln #</u>	<u>Situation 1</u>	<u>Situation 2</u>	<u>Situation 3</u>
1 M/B Ratio	50%	100%	200%
2 Market Purchase Price	\$25.00	\$50.00	\$100.00
3 Book Value	\$50.00	\$50.00	\$50.00
4 DCF Return	10.0%	10.0%	10.0%
5 DCF Dollar Return	\$5.00	\$5.00	\$5.00
6 Dividend Yield	5.0%	5.0%	5.0%
7 DPS	\$1.25	\$2.50	\$5.00
8 Dollar Growth in Value	\$3.75	\$2.50	\$0.00
9 Market Sale Price	\$28.75	\$52.50	\$100.00
10 Total Market Return	20.0%	10.0%	5.0%

"The simple numerical illustration....demonstrates the impact of market-to-book ratios on the DCF market return....The DCF cost rate of 10%, made up of a 5% dividend yield and a 5% growth rate, is applied to the book value rate base of \$50 to produce \$5.00 of earnings. Of the \$5.00 of earnings, the full \$5.00 are required for dividends to produce a dividend yield of 5.0% on a stock price of \$100.00, and no dollars are available for growth. The investor's return is therefore only 5% versus his required return of 10%. A DCF cost rate of 10%, which implies \$10.00 of earnings, translates to only \$5.00 of earnings on book value, or a 5% return.....Therefore, the DCF cost rate understates the investor's required return when stock prices are well above book, as is the case presently."

The above illustration is taken from Roger A Morin, Regulatory Finance - Utilities' Cost of Capital, Public Utility Reports, Inc., 1994, pp. 236-237.

Differences in Book Value and Market Values for the
Water Group Followed by Analysts and the Gas Group Followed by Analysts

	Recent Book Value Capitalization Ratios (9/30/09)	Recent Market Value Capitalization Ratios	Average Book Value of Common Equity (Millions)	Average Market Value of Common Equity (Millions)	Difference in Market Value and Book Value Common Equity
<u>Water Group Followed by Analysts:</u>					
Long Term Debt	48.9 %	33.7 %			
Preferred Stock	0.1	0.0			
Common Equity	<u>51.0</u>	<u>66.3</u>	<u>\$356.721</u>	<u>\$722.620</u>	<u>\$365.899</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>			
 <u>Gas Group Followed by Analysts:</u>					
Long Term Debt	43.9 %	31.8 %			
Preferred Stock	0.1	0.7			
Common Equity	<u>56.0</u>	<u>67.5</u>	<u>\$1,100.867</u>	<u>\$2,128.927</u>	<u>\$1,028.060</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>			

Financial Risk Adjustment Using the "Hamada Model"

<u>Water Group Followed by Analysts</u>						<u>Gas Group Followed by Analysts</u>					
<u>Market Value @ (9/30/09)</u>						<u>Market Value @ (9/30/09)</u>					
Line No.	<u>DEBT</u>	<u>PREF</u>	<u>CE</u>	<u>TAX</u>	<u>BETA</u>	<u>DEBT</u>	<u>PREF</u>	<u>CE</u>	<u>TAX</u>	<u>BETA</u>	
1 .	(D)	(P)	(E)	(t)	(Bl)	(D)	(P)	(E)	(t)	(Bl)	
2 .	33.7%	0.0%	66.3%	39.800%	0.73	31.8%	0.7%	67.5%	39.800%	0.67	
3 .	Bl = Bu (1+(1-t)D/E+P/E)					Bl = Bu (1+(1-t)D/E+P/E)					
4 .	1-t = 0.6020					1-t = 0.6020					
5 .	D/E = 0.5083					D/E = 0.4711					
6 .	P/E = 0.0000					P/E = 0.0104					
7 .	Bl = Bu * 1.3060					Bl = Bu * 1.2940					
8 .	Bu = 0.56					Bu = 0.52					
 <u>Water Group Followed by Analysts</u>						 <u>Gas Group Followed by Analysts</u>					
<u>Book Value @ (9/30/09)</u>						<u>Book Value @ (9/30/09)</u>					
9 .	<u>DEBT</u>	<u>PREF</u>	<u>CE</u>	<u>TAX</u>		<u>DEBT</u>	<u>PREF</u>	<u>CE</u>	<u>TAX</u>		
10 .	(D)	(P)	(E)	(t)		(D)	(P)	(E)	(t)		
11 .	48.90%	0.10%	51.00%	39.800%		43.90%	0.10%	56.00%	39.800%		
12 .	Bl = Bu (1+(1-t)D/E+P/E)					Bl = Bu (1+(1-t)D/E+P/E)					
13 .	1-t = 0.6020					1-t = 0.6020					
14 .	D/E = 0.9588					D/E = 0.7839					
15 .	P/E = 0.0020					P/E = 0.0018					
16 .	Bl = Bu * 1.5792					Bl = Bu * 1.4737					
17 .	Bl = 0.88					Bl = 0.76					
 <u>Cost Adjustment Based on Risk Premium</u>						 <u>Cost Adjustment Based on Risk Premium</u>					
18 .	Barometer Group's Beta	= <u>0.73</u>				Barometer Group's Beta	= <u>0.67</u>				
19 .	Beta difference	= 0.15				Beta difference	= 0.09				
20 .	Risk premium	= <u>4.0</u>				Risk premium	= <u>4.0</u>				
21 .	Risk adjustment	= <u>0.60</u>				Risk adjustment	= <u>0.36</u>				

Default Spread for
Aaa Rated Corporate Bonds and A Rated Investor-Owned Public Utility Bonds
Yearly for 2004-2007, Monthly for the Years 2008 and 2009

	<u>Years</u>	<u>Corporate Aaa Rated</u>	<u>Public Utility A Rated</u>	<u>A Over Aaa</u>
	2004	5.63	6.16	0.53
	2005	5.24	5.65	0.41
	2006	5.58	6.07	0.48
	2007	5.56	6.08	0.52
	Average	5.50	5.99	0.49
Jan	2008	5.33	6.02	0.69
Feb	2008	5.53	6.21	0.68
Mar	2008	5.51	6.21	0.70
Apr	2008	5.55	6.29	0.74
May	2008	5.57	6.27	0.70
Jun	2008	5.68	6.38	0.70
Jul	2008	5.67	6.40	0.73
Aug	2008	5.64	6.37	0.73
Sep	2008	5.65	6.49	0.84
Oct	2008	6.28	7.56	1.28
Nov	2008	6.12	7.60	1.48
Dec	2008	5.05	6.54	1.49
Avg	2008	5.63	6.53	0.90
Jan	2009	5.05	6.39	1.34
Feb	2009	5.27	6.30	1.03
Mar	2009	5.50	6.42	0.92
Apr	2009	5.39	6.48	1.09
May	2009	5.54	6.49	0.95
Jun	2009	5.61	6.20	0.59
Jul	2009	5.41	5.97	0.56
Aug	2009	5.26	5.71	0.45
Sep	2009	5.13	5.53	0.40
Oct	2009	5.15	5.55	0.40
Nov	2009	5.19	5.64	0.45
Dec	2009	5.26	5.67	0.41

Source of Information: MERGENT BOND RECORD

Market Value CAPM for
The Water Group Followed by Analysts and the Gas Group Followed by Analysts

	Water Group Followed by <u>Analysts</u>	Gas Group Followed by <u>Analysts</u>
<u>Estimation Based Upon Historical Information</u>		
Market Premium(1)	6.5 %	6.5 %
x Beta(2)	<u>0.73</u>	<u>0.67</u>
Risk Adjusted Market Premium	4.7	4.3
Size Adjustment Premium(2)	0.9	0.7
Plus Risk Free Rate(1)	<u>4.5</u>	<u>4.5</u>
Market Value CAPM Cost Rate	<u><u>10.1 %</u></u>	<u><u>9.5 %</u></u>

<u>Estimation Based Upon Projected Information</u>		
Market Premium(1)	16.2 %	16.2 %
x Beta(2)	<u>0.73</u>	<u>0.67</u>
Risk Adjusted Market Premium	11.8	10.9
Size Adjustment Premium(2)	0.9	0.7
Plus Risk Free Rate(1)	<u>4.5</u>	<u>4.5</u>
Market Value CAPM Cost Rate	<u><u>17.2 %</u></u>	<u><u>16.1 %</u></u>

Notes: (1) Developed on page 2 of this Schedule.
(2) Developed on page 4 of this Schedule.

Development of Market Premiums for Use in a CAPM Model

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
Value Line Summary & Index Month End Edition	Forecasted Market Dividend Yield	Stock Price Appreciation Next 3-5 Years	Annual Price Appreciation(1)	Annual Total Return(1)	Midpoint Market Return(2)	Average Market Return(3)	CAPM Projected Market Return(6)
January-09	3.5 %	155 %	26.4 %	29.9 %			
February-09	3.5	150	25.7	29.2			
March-09	3.5	150	25.7	29.2			
April-09	3.0	115	21.1	24.1			
May-09	2.6	90	17.4	20.0			
June-09	2.6	85	16.6	19.2			
July-09	2.5	75	15.0	17.5			
August-09	2.3	70	14.2	16.5			
September-09	2.1	55	11.6	13.7			
October-09	2.1	50	10.7	12.8			
November-09	2.1	55	11.6	13.7			
December-09	2.1	55	11.6	13.7			
					<u>21.4 %</u>	<u>20.0 %</u>	20.7 %
					Less Risk Free Rate(4)		<u>4.5</u>
					Estimated Market Premium Based Upon Projected Information (1)		<u>16.2 %</u>
					Estimated Market Premium Based Upon Historical Information (5)		<u>6.5 %</u>

See next page of this Schedule for Notes.

CAPMThe Water Group Followed by Analysts and the Gas Group Followed by Analysts

- Notes: (1) A projected market premium is based upon the projected market return rate derived from the Value Line Summary and Index for the various dates shown. For example, Value Line projects (Dec-09) that the market will appreciate in price 55% over the next three to five years. Using a four-year midpoint estimate, Value Line's appreciation potential equates to 11.6% annually ($[1.55]^{.25}$). Additionally, Value Line estimates the market will have a dividend yield of 2.1%. Combining the market dividend yield of 2.1% with the market appreciation results in a projected market return rate of 13.7% (11.6% + 2.1%).
- (2) Mid point of the month-end total market returns in Column E.
- (3) Average 12-month total market return in Column E.
- (4) As discussed in the direct testimony, the risk-free rate is 4.5%.
- (5) The historical market premium is based upon studies conducted by Ibbotson Associates concerning asset returns. Ibbotson Associates' asset return studies are the most noted asset return rate studies available today. The results are widely disseminated throughout the investment public. Ibbotson Associates' long-term common stock total market return is 11.67% which, when reduced by the long-term historic risk-free rate of 5.2% results in a market premium of 6.47% (11.67% - 5.2%).

Recent Market Values and
Beta Adjusted Ibbotson Associates Size Premiums For
The Water Group Followed by Analysts and the Gas Group Followed by Analysts

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
	Recent Market <u>Value</u> (Mill \$)	Market Quartile <u>Name</u>	Market <u>Quartile</u>	Quartile Size <u>Premium</u>	Quartile <u>Beta</u>	Value Line <u>Beta</u>	Beta <u>Ratio</u>	Beta Adjusted Quartile Size <u>Premium</u>
<u>Water Group Followed by Analysts</u>								
American States Water Co	\$655.510	Low-Cap	3	1.74	1.22	0.80	66%	1.1
Aqua America Inc	2,386.105	Mid-Cap	2	0.94	1.12	0.65	58%	0.5
Artesian Resources	136.832	Mico-Cap	4	3.74	1.36	NA	NA	-
California Water Service Gp	763.831	Low-Cap	3	1.74	1.22	0.75	61%	1.1
Connecticut Water Service Inc.	211.561	Mico-Cap	4	3.74	1.36	NA	NA	-
York Water Co	181.883	<u>Mico-Cap</u>	<u>4</u>	<u>3.74</u>	<u>1.36</u>	NA	NA	-
Average		<u>Low-Cap</u>	<u>3</u>	<u>1.74</u>	<u>1.30</u>	<u>0.73</u>	<u>62%</u>	<u>0.9</u>
<u>Gas Group Followed by Analysts</u>								
AGL Resources Inc	2,822.741	Mid-Cap	2	0.94	1.12	0.75	67%	0.6
Atmos Energy Corp	2,732.201	Mid-Cap	2	0.94	1.12	0.65	58%	0.5
Laclede Group Inc	751.383	Low-Cap	3	1.74	1.22	0.60	49%	0.9
New Jersey Resources	1,555.092	Low-Cap	3	1.74	1.22	0.65	53%	0.9
NICOR Inc	1,904.225	Mid-Cap	2	0.94	1.12	0.75	67%	0.6
Northwest Natural Gas Co	1,194.326	Low-Cap	3	1.74	1.22	0.60	49%	0.9
Piedmont Natural Gas Co	1,960.668	Mid-Cap	2	0.94	1.12	0.65	58%	0.5
South Jersey Industries Inc	1,137.611	Low-Cap	3	1.74	1.22	0.65	53%	0.9
UGI Corp	2,631.558	Mid-Cap	2	0.94	1.12	0.70	63%	0.6
WGL Holdings Inc	1,685.855	Low-Cap	3	1.74	1.22	0.65	53%	0.9
Average		<u>Low-Cap</u>	<u>3</u>	<u>1.74</u>	<u>1.30</u>	<u>0.67</u>	<u>0.57</u>	<u>0.70</u>

Source of Information: Stocks, Bonds, Bills, and Inflation, 2009 Yearbook and Value Line

Market Value Risk Premium
For the Value Line Water Group and the Gas Group Followed by Analysts

	Water Group Followed by <u>Analysts</u>	Gas Group Followed by <u>Analysts</u>
Prospective Public Utility Bond Yields(1)	5.9 %	5.9 %
Estimated Risk Premium(2)	<u>4.3</u>	<u>4.3</u>
Market Value Risk Premium Indicated Cost Rate	<u>10.2 %</u>	<u>10.2 %</u>

Notes: (1) Based upon the current and prospective long-term debt cost rates, it is reasonable to expect that if the comparable groups (i.e., Water & Gas Groups) issued new long-term bonds, it would both be priced to yield about 5.9% based upon a credit profiles of A for the Water Group and the Gas Group.

(2) A 4.3% risk premium is concluded for the Groups after reviewing the tabulation of risk spreads shown on pages 2, 3 and 4 of this Schedule.

Development of the Projected Risk Premium

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
Value Line Summary & Index Month End Edition	Forecasted Market Dividend Yield	Stock Price Appreciation Next 3-5 Years	Annual Price Appreciation	Forecasted Annual Total Return	Less: Yield of Moody's A Rated Industrial Bonds	Forecasted Equity Premium	Estimated Risk Adjustment	Forecasted Risk Premium
January-09	3.5 %	155 %	26.4 %	29.9 %	6.52 %	23.4 %	90 %	21.0 %
February-09	3.5	150	25.7	29.2	6.62	22.6	90	20.3
March-09	3.5	150	25.7	29.2	6.90	22.3	90	20.1
April-09	3.0	115	21.1	24.1	6.90	17.2	90	15.5
May-09	2.6	90	17.4	20.0	6.84	13.2	90	11.8
June-09	2.6	85	16.6	19.2	6.58	12.6	90	11.4
July-09	2.5	75	15.0	17.5	6.20	11.3	90	10.2
August-09	2.3	70	14.2	16.5	5.84	10.7	90	9.6
September-09	2.1	55	11.6	13.7	5.58	8.1	90	7.3
October-09	2.1	50	10.7	12.8	5.59	7.2	90	6.5
November-09	2.1	55	11.6	13.7	5.64	8.1	90	7.3
December-09	2.1	55	11.6	13.7	5.69	8.0	90	7.2
		Midpoint of data		21.4		15.3		13.8 %
		Twelve Month Average		20.0		13.7		12.4 %

Annual Total Returns and Risk Premiums of
S&P Public Utility Stocks and Bonds
for the Years 1989-2008, 1979-2008, 1969-2008, 1959-2008, 1949-2008, 1939-2008 and 1928-2008

<u>Periods</u>	<u>Public Utility Stock</u>	<u>L-Term T-Bonds</u>	<u>Public Utility Bonds</u>				
			<u>AAA</u>	<u>AAA & AA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
<u>Average Annual Rates of Return</u>							
1989 to 2008	0.1112	0.1086	0.1033	0.1008	0.1014	0.0954	0.1107
1979 to 2008	0.1373	0.1128	0.1130	0.1092	0.1104	0.1074	0.1201
1969 to 2008	0.1167	0.0947	0.0950	0.0956	0.0969	0.0958	0.1068
1959 to 2008	0.1132	0.0788	0.0766	0.0796	0.0805	0.0802	0.0894
1949 to 2008	0.1220	0.0662	0.0639	0.0680	0.0689	0.0688	0.0772
1939 to 2008	0.1178	0.0606	0.0581	0.0625	0.0635	0.0650	0.0743
1928 to 2008	0.1065	0.0582	0.0594	0.0634	0.0645	0.0660	0.0754
<u>Average Risk Premiums</u>							
1989 to 2008		0.0026	0.0079	0.0104	0.0098	0.0157	0.0005
1979 to 2008		0.0245	0.0243	0.0281	0.0269	0.0299	0.0172
1969 to 2008		0.0220	0.0217	0.0211	0.0199	0.0210	0.0099
1959 to 2008		0.0344	0.0366	0.0336	0.0327	0.0330	0.0238
1949 to 2008		0.0558	0.0581	0.0540	0.0531	0.0532	0.0448
1939 to 2008		0.0572	0.0597	0.0553	0.0543	0.0528	0.0435
1928 to 2008		0.0483	0.0471	0.0431	0.0419	0.0405	0.0311

Annual Total Returns, Annual Income Returns and Risk Premiums of
S&P Public Utility Stocks and Bonds
for the Years 1989-2008, 1979-2008, 1969-2008, 1959-2008, 1949-2008, 1939-2008 and 1928-2008

<u>Periods</u>	<u>Annual Total Returns Public Utility Stock</u>	<u>Annual Income Returns</u>					
		<u>L-Term T-Bonds</u>	<u>Public Utility Bonds</u>				
			<u>AAA</u>	<u>AAA & AA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
<u>Average Rates of Return</u>							
1989 to 2008	0.1112	0.0626	0.0794	0.0742	0.0745	0.0761	0.0791
1979 to 2008	0.1373	0.0774	0.0953	0.0886	0.0892	0.0915	0.0955
1969 to 2008	0.1167	0.0762	0.0910	0.0870	0.0878	0.0901	0.0941
1959 to 2008	0.1132	0.0697	0.0809	0.0792	0.0799	0.0820	0.0856
1949 to 2008	0.1220	0.0628	0.0716	0.0713	0.0719	0.0740	0.0774
1939 to 2008	0.1178	0.0571	0.0645	0.0650	0.0656	0.0677	0.0714
1928 to 2008	0.1065	0.0535	0.0609	0.0619	0.0627	0.0653	0.0699
<u>Average Risk Premiums</u>							
1989 to 2008		0.0485	0.0317	0.0369	0.0366	0.0351	0.0321
1979 to 2008		0.0599	0.0420	0.0487	0.0481	0.0457	0.0418
1969 to 2008		0.0406	0.0258	0.0298	0.0290	0.0266	0.0226
1959 to 2008		0.0435	0.0323	0.0340	0.0333	0.0312	0.0276
1949 to 2008		0.0592	0.0503	0.0507	0.0500	0.0480	0.0445
1939 to 2008		0.0608	0.0533	0.0528	0.0522	0.0501	0.0465
1928 to 2008		0.0530	0.0456	0.0446	0.0438	0.0411	0.0365

Annual Total Returns of
S&P Public Utility Stocks and Bonds
for the Years 1928-2008

Years	Annual Total Returns						
	Public Utility Stocks	L-Term T-Bonds	Public Utility Bonds				BBB
			AAA	AAA & AA	AA	A	
1928	0.5431	-0.0030	0.0370	0.0388	0.0406	0.0372	0.0392
1929	0.1376	0.0410	0.0209	0.0193	0.0178	0.0163	-0.0076
1930	-0.2149	0.0509	0.0917	0.0892	0.0869	0.0820	0.0378
1931	-0.3193	-0.0782	0.0058	-0.0059	-0.0171	-0.0608	-0.1089
1932	-0.0724	0.1736	0.1073	0.1037	0.1003	0.0685	0.0570
1933	-0.2170	0.0090	0.0142	-0.0145	-0.0401	-0.0686	-0.0601
1934	-0.1743	0.0962	0.1712	0.2000	0.2272	0.3264	0.4593
1935	0.6914	0.0610	0.1053	0.1243	0.1427	0.1760	0.2885
1936	0.2357	0.0691	0.0783	0.0916	0.1046	0.1079	0.1078
1937	-0.3337	-0.0091	0.0290	0.0323	0.0357	0.0272	-0.0626
1938	0.1020	0.0662	0.0720	0.0773	0.0825	0.0884	0.1505
1939	0.1538	0.0692	0.0435	0.0473	0.0510	0.0851	0.0923
1940	-0.1643	0.0910	0.0480	0.0506	0.0532	0.0949	0.1359
1941	-0.3050	0.0234	0.0255	0.0291	0.0327	0.0428	0.0681
1942	0.1079	-0.0735	0.0261	0.0287	0.0313	0.0314	0.0590
1943	0.4750	0.0228	0.0312	0.0346	0.0380	0.0405	0.0564
1944	0.1879	0.0268	0.0343	0.0353	0.0362	0.0303	0.0459
1945	0.5665	0.1075	0.0298	0.0349	0.0383	0.0683	0.0805
1946	-0.0130	-0.0006	0.0233	0.0238	0.0242	0.0267	0.0377
1947	-0.1236	-0.0165	-0.0139	-0.0187	-0.0234	-0.0213	-0.0105
1948	0.0451	0.0202	0.0287	0.0317	0.0347	0.0225	0.0073
1949	0.3074	0.0760	0.0718	0.0746	0.0773	0.0892	0.0757
1950	0.0152	-0.0034	0.0126	0.0131	0.0135	0.0107	0.0233
1951	0.2075	-0.0541	-0.0393	-0.0393	-0.0393	-0.0468	-0.0268
1952	0.1947	0.0101	0.0373	0.0390	0.0407	0.0442	0.0399
1953	0.0918	0.0062	0.0078	0.0063	0.0048	0.0107	0.0037
1954	0.2269	0.0676	0.0668	0.0701	0.0733	0.0745	0.0909
1955	0.1357	-0.0264	-0.0107	-0.0127	-0.0147	-0.0100	0.0146
1956	0.0416	-0.0484	-0.0703	-0.0703	-0.0703	-0.0714	-0.0816
1957	0.0541	0.0472	0.0246	0.0229	0.0213	0.0054	-0.0131
1958	0.3827	-0.0439	-0.0081	-0.0032	0.0017	0.0123	0.0339
1959	0.0958	-0.0320	-0.0231	-0.0234	-0.0237	-0.0120	-0.0102
1960	0.1680	0.1106	0.0764	0.0735	0.0705	0.0791	0.0994
1961	0.3646	0.0135	0.0432	0.0448	0.0464	0.0502	0.0442
1962	-0.0519	0.0650	0.0831	0.0829	0.0828	0.0852	0.0891
1963	0.1261	-0.0022	0.0171	0.0202	0.0232	0.0294	0.0329
1964	0.1685	0.0439	0.0394	0.0391	0.0387	0.0409	0.0396
1965	0.0489	-0.0064	-0.0010	-0.0014	-0.0018	-0.0044	0.0050
1966	-0.0504	0.0085	-0.0501	-0.0509	-0.0518	-0.0602	-0.0990
1967	-0.0216	-0.0650	-0.0525	-0.0539	-0.0553	-0.0592	-0.0271
1968	0.1419	0.0149	0.0268	0.0224	0.0181	0.0286	0.0243
1969	-0.1769	-0.0640	-0.0792	-0.0839	-0.0885	-0.0960	-0.0892
1970	0.1494	0.1537	0.0970	0.0978	0.0987	0.0952	0.0761
1971	0.0050	0.0999	0.1168	0.1241	0.1313	0.1510	0.1681
1972	0.1464	0.0661	0.0912	0.0980	0.1047	0.1103	0.1387
1973	-0.2106	-0.0893	0.0158	0.0138	0.0118	0.0156	0.0150
1974	-0.2135	0.0092	-0.0315	-0.0360	-0.0405	-0.0683	-0.1033
1975	0.4364	0.0465	0.0915	0.0863	0.0813	0.0872	0.0940
1976	0.3245	0.1955	0.1976	0.2017	0.2058	0.2475	0.2806
1977	0.1076	0.0074	0.0459	0.0545	0.0629	0.0683	0.0903
1978	-0.0174	-0.0189	-0.0083	-0.0055	-0.0027	-0.0026	0.0000
1979	0.1221	-0.0289	-0.0424	-0.0509	-0.0590	-0.0655	-0.0823
1980	0.1275	-0.0804	-0.0782	-0.0778	-0.0773	-0.0702	-0.0649
1981	0.1464	0.0472	0.0616	0.0674	0.0730	0.0416	0.0674
1982	0.2292	0.4323	0.3294	0.3750	0.3942	0.3708	0.3808
1983	0.2372	-0.0049	0.0721	0.0691	0.0763	0.1406	0.1347
1984	0.2219	0.1611	0.1770	0.1796	0.1768	0.1783	0.2075
1985	0.3232	0.3143	0.3473	0.3276	0.3259	0.3143	0.3098
1986	0.3575	0.3692	0.2994	0.2720	0.2698	0.2835	0.2933
1987	-0.0544	-0.1013	-0.1132	-0.0637	-0.0566	-0.0435	-0.0505
1988	0.1849	0.1026	0.2027	0.1615	0.1594	0.1643	0.1919
1989	0.4351	0.2176	0.1770	0.1743	0.1715	0.1692	0.1781
1990	0.0069	0.0482	0.0685	0.0689	0.0722	0.0738	0.0728
1991	0.0931	0.1472	0.1813	0.1647	0.1624	0.1715	0.1878
1992	0.1183	0.1093	0.1264	0.1312	0.1324	0.1355	0.1315
1993	0.1661	0.2162	0.1926	0.2126	0.2190	0.1429	0.1590
1994	-0.0825	-0.1075	-0.0802	-0.0656	-0.0657	0.0065	-0.0351
1995	0.3772	0.3268	0.2860	0.3074	0.3089	0.2164	0.2442
1996	0.0550	0.0020	0.0279	0.0211	0.0214	0.0279	0.0415
1997	0.1959	0.1454	0.1181	0.1157	0.1169	0.1238	0.1496
1998	0.1896	0.1786	0.1431	0.0365	0.0289	0.1074	0.0981
1999	-0.0998	-0.1062	-0.0792	-0.0275	-0.0237	-0.0921	0.0489
2000	0.5475	0.1922	0.1076	0.1150	0.1146	0.1101	0.1771
2001	-0.2877	0.0596	0.0734	0.0788	0.0873	0.0780	0.2497
2002	-0.2934	0.1362		0.1851	0.1851	0.2461	0.1113
2003	0.2509	0.0488		0.1678	0.1678	0.1529	0.0694
2004	0.2763	0.0861		0.1162	0.1162	0.0782	0.0660
2005	0.2151	0.0520		0.0869	0.0869	0.0732	0.0609
2006	0.2323	0.0421		0.0486	0.0486	0.0596	0.0651
2007	0.1434	0.0814		0.0043	0.0043	0.0143	0.0648
2008	-0.3160	0.2953		0.0733	0.0733	0.0132	0.0735

Annual Total Returns of S&P Public Utility Stocks
And Annual Income Returns of Bonds
for the Years 1928-2008

Years	Annual Total Returns		Income Returns				
	Public Utility Stocks	L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB
1928	0.5431	0.0329	0.0451	0.0460	0.0470	0.0499	0.0541
1929	0.1376	0.0361	0.0468	0.0479	0.0490	0.0522	0.0578
1930	-0.2149	0.0332	0.0458	0.0470	0.0482	0.0514	0.0591
1931	-0.3193	0.0338	0.0434	0.0449	0.0463	0.0511	0.0635
1932	-0.0724	0.0350	0.0474	0.0504	0.0535	0.0640	0.0815
1933	-0.2170	0.0315	0.0436	0.0468	0.0499	0.0604	0.0833
1934	-0.1743	0.0306	0.0402	0.0436	0.0471	0.0559	0.0713
1935	0.6914	0.0278	0.0351	0.0376	0.0402	0.0466	0.0544
1936	0.2357	0.0273	0.0324	0.0343	0.0362	0.0415	0.0465
1937	-0.3337	0.0275	0.0320	0.0334	0.0347	0.0395	0.0486
1938	0.1020	0.0263	0.0303	0.0316	0.0329	0.0392	0.0510
1939	0.1538	0.0239	0.0286	0.0296	0.0305	0.0360	0.0448
1940	-0.1643	0.0224	0.0277	0.0285	0.0293	0.0331	0.0410
1941	-0.3050	0.0197	0.0269	0.0276	0.0283	0.0304	0.0366
1942	0.1079	0.0239	0.0272	0.0279	0.0287	0.0305	0.0358
1943	0.4750	0.0246	0.0264	0.0269	0.0273	0.0296	0.0338
1944	0.1879	0.0248	0.0265	0.0268	0.0272	0.0294	0.0333
1945	0.5665	0.0229	0.0256	0.0261	0.0266	0.0285	0.0318
1946	-0.0130	0.0208	0.0250	0.0254	0.0257	0.0268	0.0293
1947	-0.1236	0.0215	0.0257	0.0261	0.0264	0.0273	0.0297
1948	0.0451	0.0240	0.0282	0.0287	0.0292	0.0301	0.0327
1949	0.3074	0.0223	0.0270	0.0274	0.0277	0.0291	0.0324
1950	0.0152	0.0216	0.0262	0.0264	0.0267	0.0276	0.0312
1951	0.2075	0.0244	0.0285	0.0288	0.0291	0.0307	0.0334
1952	0.1947	0.0265	0.0300	0.0303	0.0305	0.0324	0.0351
1953	0.0918	0.0300	0.0325	0.0328	0.0331	0.0347	0.0371
1954	0.2269	0.0266	0.0296	0.0298	0.0301	0.0317	0.0348
1955	0.1357	0.0287	0.0307	0.0309	0.0311	0.0324	0.0341
1956	0.0416	0.0310	0.0335	0.0337	0.0340	0.0357	0.0374
1957	0.0541	0.0355	0.0397	0.0400	0.0403	0.0428	0.0452
1958	0.3827	0.0344	0.0384	0.0386	0.0389	0.0414	0.0447
1959	0.0958	0.0409	0.0445	0.0448	0.0451	0.0470	0.0494
1960	0.1680	0.0409	0.0450	0.0453	0.0455	0.0473	0.0489
1961	0.3646	0.0391	0.0442	0.0445	0.0449	0.0462	0.0476
1962	-0.0519	0.0401	0.0434	0.0437	0.0439	0.0450	0.0466
1963	0.1261	0.0403	0.0427	0.0429	0.0431	0.0437	0.0456
1964	0.1685	0.0419	0.0441	0.0442	0.0443	0.0450	0.0466
1965	0.0489	0.0424	0.0448	0.0450	0.0451	0.0458	0.0475
1966	-0.0504	0.0475	0.0513	0.0515	0.0518	0.0531	0.0552
1967	-0.0216	0.0494	0.0553	0.0556	0.0559	0.0576	0.0605
1968	0.1419	0.0543	0.0621	0.0627	0.0633	0.0651	0.0684
1969	-0.1769	0.0624	0.0706	0.0716	0.0725	0.0743	0.0778
1970	0.1494	0.0692	0.0822	0.0833	0.0844	0.0870	0.0913
1971	0.0050	0.0614	0.0766	0.0777	0.0789	0.0825	0.0868
1972	0.1464	0.0601	0.0744	0.0751	0.0758	0.0778	0.0815
1973	-0.2106	0.0701	0.0762	0.0767	0.0773	0.0789	0.0812
1974	-0.2135	0.0800	0.0849	0.0861	0.0873	0.0899	0.0929
1975	0.4364	0.0817	0.0894	0.0912	0.0929	0.0978	0.1057
1976	0.3245	0.0794	0.0864	0.0880	0.0895	0.0928	0.0987
1977	0.1076	0.0765	0.0814	0.0829	0.0845	0.0859	0.0896
1978	-0.0174	0.0840	0.0877	0.0888	0.0900	0.0917	0.0947
1979	0.1221	0.0921	0.0962	0.0978	0.0995	0.1017	0.1064
1980	0.1275	0.1115	0.1182	0.1211	0.1241	0.1271	0.1352
1981	0.1464	0.1349	0.1427	0.1458	0.1489	0.1529	0.1616
1982	0.2292	0.1309	0.1439	0.1448	0.1464	0.1532	0.1610
1983	0.2372	0.1115	0.1247	0.1229	0.1237	0.1298	0.1350
1984	0.2219	0.1247	0.1297	0.1339	0.1341	0.1374	0.1434
1985	0.3232	0.1104	0.1187	0.1179	0.1189	0.1228	0.1270
1986	0.3575	0.0802	0.0908	0.0930	0.0940	0.0973	0.1015
1987	-0.0544	0.0843	0.0934	0.0946	0.0953	0.0985	0.1027
1988	0.1849	0.0897	0.1013	0.1009	0.1014	0.1040	0.1083
1989	0.4351	0.0854	0.0938	0.0949	0.0955	0.0980	0.1001
1990	0.0069	0.0858	0.0943	0.0959	0.0964	0.0985	0.1009
1991	0.0931	0.0818	0.0891	0.0915	0.0921	0.0943	0.0961
1992	0.1183	0.0769	0.0822	0.0860	0.0869	0.0887	0.0897
1993	0.1661	0.0671	0.0737	0.0776	0.0780	0.0805	0.0816
1994	-0.0825	0.0730	0.0794	0.0799	0.0802	0.0826	0.0868
1995	0.3772	0.0708	0.0781	0.0774	0.0776	0.0813	0.0857
1996	0.0550	0.0672	0.0745	0.0742	0.0745	0.0762	0.0805
1997	0.1959	0.0670	0.0746	0.0743	0.0746	0.0747	0.0782
1998	0.1896	0.0572	0.0682	0.0674	0.0677	0.0687	0.0710
1999	-0.0998	0.0592	0.0710	0.0740	0.0748	0.0743	0.0766
2000	0.5475	0.0607	0.0790	0.0817	0.0821	0.0830	0.0839
2001	-0.2877	0.0557	0.0747	0.0777	0.0780	0.0787	0.0810
2002	-0.2934	0.0542		0.0730	0.0730	0.0754	0.0818
2003	0.2509	0.0496		0.0646	0.0646	0.0623	0.0673
2004	0.2763	0.0505		0.0608	0.0608	0.0617	0.0641
2005	0.2151	0.0465		0.0546	0.0546	0.0566	0.0592
2006	0.2323	0.0499		0.0583	0.0583	0.0607	0.0632
2007	0.1434	0.0493		0.0591	0.0591	0.0605	0.0629
2008	-0.3160	0.0448		0.0619	0.0619	0.0650	0.0711