Janney Since 1832 | Janney Montgomery Scott LLC

INDUSTRY REPORT
February 24, 2009

Debra G. Coy 202-955-4315
dcoy@jmsonline.com
Heike M. Doerr 215-665-4448
hdoerr@jmsonline.com
Christopher J. Purtill 215-665-6601
cpurtill@jmsonline.com

Water Utility Sector

Regulation Cheat Sheet: Everything You Need to Know That Will Impact the Stocks in 2009

INVESTMENT CONCLUSION: Regulation can make or break a utility. As such, we believe it is imperative to follow the regulatory nuances at the state level across the water utility sector. In this report, we provide a comparison of regulatory treatment across the water-relevant state commissions, highlight the regulatory climate of some key states, and discuss the impact that recent elections and term endings could have at various commissions. Additionally, we highlight 2008 accomplishments that will impact companies in 2009, and detail pending regulatory matters to watch this year, including rate cases, trends in ROEs, and M&A activity.

Last week, we attended the annual NARUC (National Association of Regulatory Utility Commission) winter conference in Washington, D.C. and had an opportunity to speak with water utility executives and commissioners. Commissioners are working to understand the effect of financial market turmoil on utilities' ability to access the debt and equity markets and their capacity to maintain capex programs. Commissions and companies are focused on achieving a balance between attracting necessary capital to maintain needed infrastructure investment, while managing the impact on already stretched customers. So far, we are encouraged that rate cases are staying on track in most jurisdictions, and some states – not all – are increasingly receptive to the need for regulatory mechanisms to encourage investment in water systems. While the cost of debt remains higher than previously, at least credit markets have eased for high quality companies. We remain wary about the equity markets, however, and believe that companies that need to raise equity this year will face more skeptical investors and more pressure on valuation than in recent years.

VALUATION SUMMARY: In the current economic climate, not even the historically stable utility sector has been safe from market turmoil. Even the small water utilities, historically boring and predictable, have been prone to heightened volatility since September 2008. Excluding Southwest Water, which has sharply skewed the averages, the water utility group ended 2008 down an average of 15%, outperforming the S&P (down 38.5%) and the Dow Jones Utility Index (down 30%). Year to date, is group is down another 8%, while broader market averages have declined more so. Despite its relative outperformance, the water utility sector is no longer viewed as an entirely safe haven and has been subject to substantial valuation compression. Currently, the water utility group trades at average 2009 P/E multiples of 19.2x, a 2009 EV/EBITDA multiple of 9.3x, and price/book multiple of 1.8x. The group is currently below the low end of its five-year historical range. Nevertheless, we believe the sector remains attractive, given its recession-resistant business model, steady earnings growth over time, and dependable dividends, with the average yield now at 3.6%. We continue to see appealing opportunities to invest in the sector currently, and believe the long-term fundamentals remain intact. Our favorite names at current prices include American Water among the larger-cap stocks and Artesian Resources in the small-cap group.

TABLE OF CONTENTS

REGULATION REMAINS CORE TO UTILITY INVESTING	p.3
COMPARING REGULATORY TREATMENT	p.3
COMMISSION SCORECARD	p.5
EXPLANATION OF CATEGORIES	p.6
HIGHLIGHTING SOME STATE REGULATORY ENVIRONMENTS	p.7
MONITORING CHANGES AT THE STATE COMMISSIONS	p.8
COMMISSION CHANGES TO WATCH	p.9
RECENT REGULATORY DEVELOPMENTS	p.10
CASES TO WATCH	p.11
2008 RATE CASE HIGHLIGHTS	p.12
RATE CASE TRACKER	p.15

Water Utility Stock Valuation Comparison

Name	Symbol	JMS Rating	Fair Value	Recent Price	EPS 2008E	EPS 2009E	P/E 2008E	P/E 2009E	Div. Yield	Price/ Book	2009 EV/ EBITDA	ROE (LTM)
American States*	AWR	BUY	$38	$34.00	$1.45	$1.75	23.5x	19.5x	2.9%	1.9x	8.4x	8.3%
American Water**	AWK	BUY	$26	$20.21	$1.16	$1.39	17.4x	14.5x	4.0%	1.0x	8.4x	N/A
Aqua America	WTR	NEUTRAL	$19	$18.94	$0.74	$0.82	25.7x	23.0x	2.9%	2.5x	10.3x	8.9%
Artesian Water	ARTNA	BUY	$19	$14.86	$0.82	$1.00	18.1x	14.9x	4.8%	1.3x	8.0x	7.1%
California Water	CWT	NEUTRAL	$43	$40.52	$1.92	$1.97	21.2x	20.5x	2.9%	2.1x	8.8x	8.4%
Connecticut Water	CTWS	NEUTRAL	$25	$21.69	$1.10	$1.20	19.7x	18.1x	4.1%	1.8x	10.0x	8.7%
Middlesex Water	MSEX	BUY	$18	$14.37	$0.94	$0.92	15.4x	15.6x	4.9%	1.4x	9.3x	9.8%
Pennichuck	PNNW	NEUTRAL	$20	$18.87	$0.72	$1.01	26.1x	18.6x	3.7%	1.7x	10.0x	N/A
SJW Corp	SJW	NR	N/A	$25.08	*$1.17*	*$1.26*	21.4x	19.9x	2.6%	1.9x	N/A	N/A
Southwest Water	SWWC	BUY	$8	$5.24	Suspended		N/A	N/A	1.9%	0.8x	8.0x	*2.9%*
York Water	YORW	BUY	$13	$11.39	$0.55	$0.62	20.6x	18.5x	4.4%	1.9x	9.9x	*9.0%*
Average							**20.9x**	**18.3x**	**3.6%**	**1.7x**	**9.1x**	**7.9%**

Source: Thomson Financial/Baseline; JMS estimates on rated cos.

** Estimates for AWR exclude hedging contract & unusual items*

*** For AWK, EPS data/estimates and valuation metrics exclude goodwill impairments, SOX, & divestiture costs*

REGULATION REMAINS CORE TO UTILITY INVESTING:

Investors often ask about the most important factor for comparing and valuing regulated water utilities. Unequivocally, the answer is ***REGULATION***. We believe a fair and consistent regulatory environment is one of most important factors in valuing the earnings capabilities of water utilities. We view ratemaking as the most important interaction that a utility has with the Commission, and the main driver of its ability to generate sustainable earnings. ***Commissions that work with the company to minimize rate shock to customers while stimulating infrastructure investments in their jurisdictions are viewed most favorably by the investment community.***

The "Regulatory Compact" that exists under the utility monopoly framework tasks utilities with providing reliable service at a reasonable cost to customer, in exchange for a ***reasonable return on investment.*** The Commission's responsibility is not to ensure that customer rates are kept low, but that rates are fair to both investors and customers. The Department of Ratepayer Advocate (DRA) or Consumer Advocate represents consumers and intervenes on behalf of customers in rate increases. Overall, commissions have to walk a tightrope between the needs of diverse constituent bases.

In the current economic climate, we have been frequently asked whether utilities will be able to achieve rate increases as needed, leading to concerns about whether Public Utility Commissions (PUCs) may scale back allowed returns on equity to mitigate the impact of rate increases to customers. ***To date, we have not seen any indication that water utilities are being penalized by low return on equity allowances as a method to minimize rate increases to consumers.*** Although this recently occurred with a Connecticut electric utility, we believe the risk is smaller for the water utilities, as their cost of service (and subsequent rate increases) are lower than their electric and gas peers. In fact, we have seen an expansion in return on equity granted in a handful of states, as Commissioners recognize the importance of encouraging infrastructure spending in an uncertain capital markets environment.

COMPARING REGULATORY TREATMENT:

Each commission creates and implements its own policies on a broad range of topics including allowed rates of return, capital structure, and accounting methods. For utilities operating in multiple states, this translates into complying with multiple operating and accounting standards. ***When we evaluate the regulatory climate of a state, we focus on three key items: consistency of regulatory treatment, allowed ROE, and efforts to minimize the effects of regulatory lag***. There is no formulaic equation to gauge a fair regulatory environment, and Commissions have utilized a variety of methods to strike the right balance of supporting infrastructure while balancing the needs of consumers. In some states, allowed returns may be somewhat lower, but we deem the regulatory climate constructive, if regulatory matters are resolved in a timely fashion and mechanisms to minimize regulatory lag are in place. We believe companies with good operating discipline and solid customer service records should be provided a certain degree of regulatory consistency. While states tend to apply similar policies to companies under their jurisdiction, we may also see differing treatment from one operator to another depending on company-specific circumstances.

Importance of ROEs. As we have said before, we believe that the single most important feature in a rate case is the allowed return on equity, since it sets the framework for what investors can expect to earn on their equity investment in a utility. Allowed ROEs range from 8.5% - 12%, with the national average for the water utility sector currently at about 10.25%. We view 10.0% as floor, and take a negative view on allowed returns below that level, as we believe it is more difficult for utilities earning sub-par returns to attract investment and generate earnings growth. Conversely, we believe ROEs of 10.5% or higher provide a more attractive incentive for utilities to allocate capital expenditure dollars, and for investors to provide equity capital. Equally important is a company's ability to earn its allowed ROE. Timely rate relief to cover allowed costs and surcharge mechanisms that allow utilities to "catch up" between

Earned ROE, trailing twelve-months

American States Water (AWR)	8.27%
American Water Works (AWK)	**
Aqua America (WTR)	9.75
Artesian Water (ARTNA)	7.18
California Water Service (CWT)	10.32
Middlesex Water (MSEX)	8.85
Pennichuck (PNNW)	9.92
San Jose Water (SJW)	8.69
Southwest Water (SWWC)	**
York Water (YORW)	9.06

** Negative ROE based on reported earnings losses
Source: Bloomberg

regular rate cases are critical factors in helping a utility to earn its allowed return. As shown in the above table, California Water is the only water utility to have achieved an earned ROE above 10% in the most recently reported trailing twelve months period (through Sept. 30, 2008), as it has begun to benefit from regulatory reform mechanisms in California. We think it is no accident that Cal Water has also been the best-performing stock in the group over the past twelve months.

When utilities discuss ***regulatory lag***, it is most commonly in reference to the delay between the time when higher operating costs are first experienced by the utility and when these costs are finally passed on to customers. Working together, commissions and utilities have created methods to pass on cost increases without going through the long and arduous process of a full rate case. For the utilities, these rate mechanisms and surcharges minimize regulatory lag and help stabilize earnings. From the commission's standpoint, they prevent sticker-shock with the negative publicity and customer complaints surrounding large rate increases, and decrease the amount of regulatory cases they have on their plate. As some of these state-specific mechanisms have proved successful, neighboring states have also begun to adopt them, as best-practices filter through the multiple regulatory jurisdictions.

Surcharge mechanisms allow water utilities to add an infrastructure rehabilitation surcharge to customers' rates for capital expenditure improvements made to the distribution system (normally pipe replacement). It adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period and is capped at a percentage of base rates. The amount is reset to zero when a new rate structure takes effect (after the completion of a regular rate proceeding). Companies that are currently earning their full allowed return on equity are not eligible to book surcharges between rate cases. The most successful example of these is known as a DSIC (Distribution System Improvement Charge), established in Pennsylvania in 1997. In addition to the infrastructure surcharge mechanisms we highlight in our "Scorecard", some states such as New Jersey and Virginia also allow purchased water surcharges, which allow utilities to pass on higher purchased water costs without going through a full rate case.

On the following pages, we provide an investor guide for assessing the regulatory environments of 20 of the most water-relevant state commissions. This is not an exhaustive list of states that regulate investor-owned water utilities. Multi-state companies including American Water, Aqua America, California Water, and SouthWest Water have regulated customers in additional states; however, the customer base is small relative to the remainder of the company's service territory. Smaller operating territories excluded for our evaluation include Alabama, Georgia, Hawaii, Iowa, Maine, Maryland, Mississippi, South Carolina, and Washington.

We had given some thought to a state ranking system (which some electric utility analysts have used), but believe there are too many variables to accurately do so. Although we have used a variety of data points to assess the regulatory climate, this is hardly an all-inclusive list of factors to consider when gauging regulatory temperament. Also relevant are how quickly rate cases can be completed. Rate cases are typically completed within a year. In cases where utilities have a good working relationship with the commission staff (also important), settlements can be reached in six to nine months). A state's general political environment can also make a difference in whether an equitable rate decision can be reached. Lastly, commissioner involvement in industry organizations (such as the NARUC Committee on Water) may also have a positive impact on regulatory treatment, as best practices are shared and industry topics are discussed.

Commission Scorecard

	State	Appointed/ Elected	Test Year Used	Temporary, Interim, &/or Step Rate Increases	Retroactive Effective Dates	Infrastructure Surcharge Mechanism (ie. DSIC)	Single Tariff Rate Making	Recent Allowed ROE granted
New England/ MidAtlantic	NH	Appointed	historical	Yes	Yes	No	Yes	9.75% (PNNW; 2/08)
	CT	Appointed	historical	Yes	No	WICA	Yes	10.1% (United Water; 3/08), 10.0% (Aquarion; 12/07), 10.125% (CTWS; 1/07)
	NY	Appointed	historical	No	No	DSIC	Yes	9.5% (AWK; 4/08)
	NJ	Appointed	*updated historical*	No	No	Pending	Yes	10.3% (AWK ; 12/08), 10.3% (MSEX; 12/08)
	PA	Appointed	forward looking	No	No	DSIC	Yes	11.0% (WTR; 7/08), * (YORW; 10/08)
	DE	Appointed	updated historical	Yes	No	DSIC	Yes	10.33% (MSEX; 2/07) 10.25% (ARTNA; 4/06)
MidWest	IL	Appointed	historical	No	No	QIPS	Yes	10.35% (AWK; 8/08)
	IN	Appointed	historical	No	No	Yes	Yes	* (WTR; 10/08), 10.0% (AWK; 10/07)
	OH	Appointed	updated historical	No	No	SIC	Yes	10.9% (WTR; 11/08), 10.5% (AWK; 5/08)
	MO	Appointed	updated historical	No	No	Yes	No	* AWK (11/08) -- approximate 10.2%-10.5%
Southeast	NC	Appointed	historical	No	No	No	No	*10.45% (WTR; 2/09) Settlement -not finalized*
	KY	Appointed	forward looking	No		No	Yes	10.0% (AWK; 12/07)
	VA	Appointed	forward looking	No		No		10.5% (AWK; 7/08)
	WV	Appointed	updated historical	No		No	Yes	10.0% (AWK; 3/08)
	FL	Appointed	historical	Yes	No	No	No	*10.4% (WTR; 2/09) Settlement -not finalized*
West/ Southwest	AZ	Elected	updated historical	No	No	No	No	10.6% (AWK; 6/08) 8.8% (AWK; 8/08)
	CA	Appointed	forward looking	Yes	Yes	No	*Underway*	** 10.2% proposed in cost of capital proceeding*
	HI	Appointed	updated historical	No	No	No	No	N/A
	NM	Elected	updated historical	No	Yes	No	Yes	9.72% (AWK; 6/07)
	TX	Appointed	historical	Yes	Yes	Yes	Yes	10.2% (AWK; 10/06); 12.0% (AWK; 10/06)

Explanation of Categories

Appointed/Elected

The majority of states have commissioners appointed by the governor, though some states have other appointment mechanisms. A minority of states have elected commissioners, who may be more subject to direct political pressures.

Test Year

The test year is a twelve-month time period used in ratemaking proceeds to determine what assets qualify as rate base and which operating expenses the company may recoup. "Forward looking" allows a company to make assumptions about future capital expenditure plans and anticipated operating cost increases and is most favorable. "Updated historicals" assumes a historical base year, but takes into account known operating expense increases. "Historical" is still most common and carries the most regulatory lag risk. Depending on timing of filings, the historical test year may not have taken into account the most recent capital investments. With historical test years, it is often difficult for companies to earn their allowed ROE, as they are always playing catch-up, even when new rate increases are being implemented.

Temporary Rate Relief

One method of minimizing regulatory lag has been to allow companies to implement a portion of their requested rate relief before a rate case has been finalized. In some cases, water utilities can implement a portion of their rate request within 60 days after submitting the rate increase. In other cases, water utilities are offered a modest increase when a rate case takes longer than initially anticipated.

Interim Rates

This allows utilities to add a CPI-like increase to rates while a final decision is pending.

Step Rate Increases

Step increases allow companies to implement smaller-rate increases in between full rate filings to account for infrstracture added.

Retroactive Effective Dates

This allows utilities to collect rates retroactively to account for a recent decision. In most instances, this is utilized if a rate case is delayed beyond the anticipated effective date, and the utility is deemed not at fault.

Single Tariff Rate Making

Allows a state to file one rate case for all of its customers in a jurisdiction, instead of filing individual cases for each system. Single tariffs are more efficient for the company.

Recent Allowed ROEs

We have also included a few recent allowed ROEs from some of the larger privately-held water utilities, namely United Water (owned by Suez), and Aquarion, as well as ROEs awarded to the publicly traded companies we follow.

HIGHLIGHTING SOME STATE REGULATORY ENVIRONMENTS:

Pennsylvania continues to deserve its status as the most constructive regulatory environment in the water sector. In 2008, the Commission raised the allowed return on equity to 11% from 10.5% for both Aqua Pennsylvania and York Water. The Commission also expanded its DSIC (Distribution System Improvement Charge) mechanism, which the PA PUC is credited with creating, allowing interim surcharges of up to 7.5% of customer bills for American Water, versus 5% previously. We would expect other Pennsylvania water utilities to file for increased DSIC mechanisms with their next rate cases. Both of these efforts reinforce the Commission's commitment to encouraging capital investment in the state. This position is strongly backed by Governor Ed Rendell, who has been a vocal supporter for infrastructure investment in Pennsylvania and nationally.

Investor Owned Water Utilities in Pennsylvania

Company	# customers	% Regulated customer base in PA
American Water	644,720	19%
Aqua America	352,000	44%
United Water	55,000	3%
York Water	58,890	100%
	1,110,610	

While Pennsylvania has long been considered a leader in constructive rate-making, ***California*** has managed some notable improvement in recent years, after having been one of the most trying regulatory environments as recently as 2003. California was a combative place, to say the least, back in 2000, when the state's failed attempt at electric deregulation erupted in blackouts and bankruptcy for the state's largest electric company. Though it wasn't directly involved in the electricity crisis, water companies were also harmed by the negative environment, and rate cases averaged 24 months for completion.

In December 2005, California became the first state to issue a long-term sector strategy in its Water Action Plan. Under the plan, the state commission has been working to streamline rate cases and improve companies' ability to earn their allowed returns. In the second half of the year, the Commission completed "conservation proceedings" for Golden State Water (American States' California subsidiary) and Cal Water. This new mechanism should have the effect of smoothing out volatility caused by weather, conservation, and water production costs. The water revenue adjustment mechanism (WRAM) will allow revenues to be "decoupled" from water use. Under this mechanism, rates are set to allow recovery of costs at authorized returns, even if volume usage fluctuates, which removes the economic disincentive for utilities to encourage conservation. The modified cost balancing account will allow the company to recover costs associated with changes in supply mix. The newly created tiered rate structure, which charges residential customers more as their usage increases, will also be an incentive for customers to conserve water.

Still pending is a final decision in a cost of capital proceeding. We believe that the state may lose some of its allure for investors, however, if a recent proposed administrative law judge decision stands. The proposed cost of capital decision, which impacts Cal Water, American States, and California America (the state's three largest investor-owned water utilities), set the allowed return on equity at 10.2%, approximately in line with the current level. A final decision by the commission is pending.

Investor Owned Water Utilities in California

Regulated Utility	Parent	# customers	% Regulated customer base in CA
Golden State Water Co.	American States Water Co.	254,546	95%
California American	American Water Works Co.	171,445	5%
California Water Co.	California Water Services Group	463,600	95%
San Jose Water Co.	SJW Corp.	225,000	97%
Suburban Water Systems	SouthWest Water Co.	75,322	46%
		1,189,913	

Another improving regulatory environment has been in ***New Jersey***, which has historically granted allowed ROEs at the low end of the national average. The Commission recently awarded allowed ROEs of 10.3% (a 30 basis point improvement) for both Middlesex's small Pineland's subsidiary and for New Jersey American. Additionally, the Commission is close to approving a regulatory mechanism that will allow water utilities to add infrastructure rehabilitation surcharges to customers' rates for capital improvements made to the distribution system in between rate cases. This mechanism, loosely known throughout the industry as a DSIC (distribution system improvement charge) has been in place in Pennsylvania, Delaware, and New York for some time now.

Most recently, Governor Jon Corzine reached out to the state's utilities in October, asking them to accelerate infrastructure upgrades to boost the state's economic activity and support future economic growth. While most of the state's gas and electric utilities have announced increased capex plans in response, it is unclear if the state's water utilities will follow suit.

Investor Owned Water Utilities in New Jersey

Company	# customers	% Regulated customer base in NJ
American Water	634,957	19%
Aqua America	40,000	5%
Middlesex Water	93,000	71%
United Water	250,000	13%
	1,017,957	

MONITORING CHANGES AT THE STATE COMMISSIONS:

In the majority of states, public utility commissioners are appointed by the governor upon the approval from the State Senate. This allows the commission to make decisions, such as increasing rates, with a shelter from the political backlash that can come from this. In most cases, commissions are comprised of 4-5 members who are appointed by the Governor and confirmed by the state legislature. Terms are typically staggered so that a single commissioner is replaced at a time, allowing for some consistency at the PUC.

In a handful of states, commissioners are elected officials. Arizona and New Mexico are the most relevant for water utilities, but commissioners are also elected in Nebraska, Georgia, South Dakota, Montana, and Oklahoma. This can create a more difficult regulatory environment if commissioners are politically motivated by reelection and align their decisions more closely with rate payers. In the November election, there were 16 commission seats up for grabs and 5 of 7 incumbents were able to retain their spot. Elected commissions do not always translate into regulatory difficulties. In New Mexico, for example, Commissioner David King has been a strong supporter of the water industry.

We monitor changes at the gubernatorial level and changes to commissions, as they can meaningfully impact the regulatory climate in a given jurisdiction. A good example of this is occurred in ***Florida*** when the commission took a distinct pro-consumer shift with the appointment of two new commissioners, putting more pressure on utilities in the state. Aqua was in the middle of a rate proceeding at the time and the commission appointments were one of a variety of factors that made for a difficult case, which was ultimately retracted and refiled a year later. In ***Illinois*** it is unclear how the recent removal of Governor Blagojevich (D) will impact future appointments. All five of the commissioners currently serving have been appointed or reappointed by Blagojevich. The term of Commissioner Charles Box, who serves as Chair of the Illinois Commerce Commission (ICC), expired in January 2009. By law, he may continue to serve for an indefinite period following the expiration of his term, pending reappointment or replacement.

Arizona has been one of the most difficult operating climates across the utility sector. The state's method of electing multiple commissioners at once is particularly disruptive to timely and consistent rate making. Three of five commissioners were elected in November 2008 and took office less than a month ago, and it is still too early to tell how regulation may or may not change in the state. None have any prior commissioner experience, but all have extensive public service backgrounds including having served in the State House of Representatives at some point in their careers. Only Commissioner Bob Stump has any discernible background related to water issues, as a member

of the House Water and Agriculture Committee, which promoted sound water management policies for the state. We have been favorably impressed by the new chairman of the commission, Commissioner Kristin Mayes, who has been serving since 2003.

Both American Water and American States Water have utilities based in Arizona, although neither are a large percentage of the companies' customer base. Arizona American received some inconsistent allowed returns on equity in 2008 (10.8% granted in May 2008 and 8.8% in July); however, it appeared that the latter decision was punitive in nature, as the company had some well contamination scares during that time. The company currently has multiple rate requests outstanding in the state, totaling approximately $20 million. American States' subsidiary, Chaparral City Water Company (CCWC), has a rate case dating from 2004 that has been mired in legal woes. State law prohibits the Commission from proceeding on its 2007 filed rate case until the previous case has been resolved.

In **New Mexico**, where utility commissioners are also elected, Commissioner Jason Marks, who is known as a "Consumer Watchdog," was able to hold his seat. The other opening was won by Jerome Block, whose father and grandfather had both previously been commissioners. He was able to beat out five other candidates despite allegations regarding violation of campaign fund rules and misstated credentials. With SouthWest Water's condemnation proceeding expected to close in the next few months, Cal Water is the only publicly-traded water utilities with a presence in the state. The company's New Mexico Water serves less than 8,000 customers and represents only 1% of the company's customer base.

The following chart highlights term expirations that have recently occurred or that we expect in the coming months at water-relevant commissions. We do not currently anticipate a meaningful policy change as a result of these appointments.

Commission Changes to Watch

California

Both President Michael Peevey (D) and Commissioner Rachelle Chong (R) were recently reappointed to new terms extending to Jan. 1, 2015; but are subject to Senate confirmation. We view this as a positive development

Florida

Commissioner Lisa Edgar's (I) term expired in January 2009; she has been reappointed by Gov. Charlie Crist (R), but is awaiting Senate confirmation

New York

Commissioners Gary Brown (D) and Patricia Acampora (R) both had terms expire in February; however no action has been taken regarding their reappointment or replacement. In January, James Larocca was confirmed to fill the seat vacated by Commissioner Buley. Mr. Larocca has experience in the utility sector, having previously served as the chairman and trustee of the Long Island Power Authority and as a former director of Keyspan Energy (a New York gas utility that has since been acquired). We view this appointment as a positive development.

New Jersey

President Jeanne Fox (D) has been serving beyond the end of a term that expired in March 2008; she has been reappointed by Gov. Jon Corzine (D), but the Senate has not acted on the nomination.

Pennsylvania

Commissioner Robert Powelson's term expires on April 1st. He was nominated in June 2008, to serve the remaining term of Terrance Fitzpatrick, who resigned. While Governor Rendell has not formally done so, we would expect the Commissioner to be reappointed, which we view positively.

Ohio

Chairman Alan Schriber's term expires in April. The Commission Nominating Council submitted four names to Gov. Ted Strickland on February 5th, to be considered for appointment including Commissioner Schriber. The governor has 30 days to either select a nominee or request a new list of names from the Nominating Council.

Connecticut

The Governor recently made two appointments that are pending state senate approval. Commissioner DelGobbo joins the commission from the state House of Representatives. He was instrumental in passing the state's Water Infrastructure Conservation Adjustment (WICA) mechanism and has a background dealing with energy planning matters. Commissioner Bzdyra most recently served as Deputy Commissioner of the Department of Social Services and has experience in all three legislative branches.

Indiana

The term of Commissioner Server (R) expires in April 2009. Governor Daniels (R), who was recently reelected, will decide whether to reappoint Commissioner Server, or appoint a new commissioner

Source: SNL, and state commission websites

RECENT REGULATORY DEVELOPMENTS:

SJW Corp. Files for Rate Relief in California

In late January, the company's largest utility subsidiary, San Jose Water filed for a $36.2 million (18.4%) rate increase to take effect January 1, 2010. Additionally, the company filed for step increases of $15.2 million (6.52%) and $19.9 million (8.1%) for the two subsequent years. The rate case assumes a 2007 test year and includes $21 million of increased infrastructure the company has added to its system since its last filed rate increase.

San Jose will file its cost of capital proceeding in May, in conjunction with Suburban Water (SouthWest's California subsidiary) and 5 smaller privately-held water utilities. The intention is for the cost of capital adjustment to take effect in conjunction with the rate increase in early 2010. The utility's current allowed return on equity is between 10.1% - 10.2%.

Middlesex Files for Rate Relief in Delaware

Middlesex Water filed for increased rates at its Delaware subsidiary, Tidewater Utilities, in late January. The company requested a $5.4 million (27.25%) increase. Additionally, the company has petitioned to reallocate about $1 million that it is already collecting through its DSIC mechanism into base rates. The rate increase is associated with the $26.7 million the company has invested in its system since the last rate filing in April 2006. The rate increase assumed an allowed ROE of 12%, the company's current allowed ROE is between 10.0% - 10.3%. In Delaware, water utilities can implement a temporary rate increase (the lesser of 5% or $2.5 million) 60 days after the request has been filed, and we expect Tidewater to do so this spring.

California American Files for Rate Increase in Three Districts

In late January, American Water Work's California subsidiary filed for rate increases in three districts in the state: $17.5 million (51.29%) in 2010 and $5.3 million (10.25%) in 2011 at its Sacramento District; $7.9 million (41.29%) in 2010; and $1.1 million (4.09%) in 2011 its Los Angeles District; and $0.65 million (23.38%) and $0.14 million (4.07%) in 2011 in its Larkfield District.

Aqua America Settlement Agreement in North Carolina

Aqua recently reached a settlement with the staff regarding the company's $12.3 million rate increase that was filed in North Carolina in July 2008. The settlement includes a $7.7 million rate increase and keeps the company's allowed ROE at 10.45%. The company anticipates an April effective date.

SouthWest Water Condemnation Settlement in New Mexico

On January 28, SouthWest Water and the Albuquerque Bernalillo County Water Utility Authority (ABCWUA) reached a settlement regarding the condemnation of the company's New Mexico Utilities, Inc. and various legal disputes. New Mexico Utilities, Inc. has approximately 17,300 water and 16,600 wastewater connections, which represents roughly 20% of the company's regulated utility base. SouthWest agreed to transfer ownership to the Water Authority for $60 million. The water authority appraised the system at $37 million, while NMUI appraised itself at $98 million. Recent settlement discussions stemmed from court mandated mediation efforts. The settlement also terminates multiple lawsuits between the two parties regarding rates charged and effluent return flow credits. SouthWest has agreed to pay $7 million to resolve disputed sewer fees. The water authority has been trying to take over the system via condemnation since January 2007, while the legal disputes date back to 2004. We believe the settlement outcome is preferable to a allowing the litigation to drag on, providing a cash infusion for the parent company and reducing the drain on management resources. While it represents the loss of an asset, we view this resolution as a positive development, as the company can redeploy the capital into its existing asset base, at a time when its access to other sources of capital has been temporarily constrained due to its accounting restatements. The transaction is expected to close within 120 days.

CASES TO WATCH:

California Cost of Capital Proceeding

As part of the Water Action Plan, the PUC decided to remove the cost of capital portion of rate cases from the general rate case (GRC). In February 2008, California Water, Golden States (American States Water) and Cal American (American Water) filed concurrent Cost of Capital requests with the California PUC. Each company submitted their own requested ROE and equity ratio and will receive a company-specific determination. In the interest of expediting the process, however, the PUC consolidated these filings into a single rate matter. This method has been used with the state's electric utilities since the late 1980s, but the current proceeding is the first time the process is being utilized for the water utilities.

On December 19, the administrative law judge (ALJ) presiding over the case issued his proposed decision. We were disappointed to see each company receive an allowed ROE of 10.2%, below the 10.5-11.0% we were hoping for. This is inline with California Water's existing ROE and only a modest increase for Golden States and California American. Electric utilities in the state currently have allowed ROEs ranging from 11.1% to 11.5%. As a positive development, the judge did propose a balancing account to allow for faster recovery of higher interest rates during this period of financial market uncertainty. ***A final decision on the case is expected this spring***.

Aqua America's Florida Rate Case

In May 2008, Aqua America refiled its rate request in Florida. As a reminder, the company "voluntarily dismissed" its $7.3 million rate case in August 2007, due to customer opposition and a lack of support from the Public Service Commission. The complexity of the case (80 separate rate filings in 15 counties) paired with a poor operating history prior to Aqua's ownership and a political shift within the commission contributed to the failure of the request. Florida has been one of the more challenging operating environments for Aqua America. The historic poor performance of the acquired systems has been an issue since the commission took a distinct pro-consumer shift, with the addition of two new Commissioners in early 2008, putting more pressure on utility businesses in the state.

The company is currently earnings less than a 5% ROE in the state. The staff decision was recently filed, which included an allowed ROE of 10.4%. ***We expect this case to be finalized in early April.***

American Water's Trenton Acquisition

According to local news articles, the sale of the suburban portion of Trenton's water utility has been approved by all four towns impacted and the Trenton City Council. The acquisition includes approximately 40,000 customers and 460 miles of water mains in Ewing, Hamilton, Lawrence, and Hopewell townships, which would increase American Water's customer base in New Jersey by 5%. American Water will be able to add $75 million of the $80 million purchase price into rate base. The additional $5 million purchase price is related to Trenton Water Works engineering and consulting costs. As part of the arrangement, Trenton Water Works will become a wholesale water supplier for the systems under a 20-year contract. In the interest of making the arrangement more attractive for the city, American Water is also likely to take on the full cost of physically separating the system, which is expected to cost $9-13 million and should take about three years. ***The transaction is supposedly on the Board of Public Utilities (BPU) agenda for February 24th and the transaction is expected to close in late April or early May.***

American States (Golden State) Rate Case

As part of the Water Action Plan, the California Commission is consolidating rate cases for the largest water utilities so that companies like Golden State will eventually file one case every three years, rather than one case each year in its three regions, on a rolling three-year cycle. When fully implemented, this new cycle should reduce filing costs and reduce regulatory lag.

In its first step, Golden State filed a combined case for Region 2 and Region 3, as well as headquarters costs, in July 2008. The company requested approximately $50 million for 2010, $4.3 million for 2011, and $7.9 million in 2012. The allowed ROE is being decided in the pending cost of capital proceeding, and the company will use its existing ROE until a final decision has been made. The company recently withdrew its request to establish a DSIC surcharge mechanism because it did not believe it would be approved. ***A final decision is not expected until January 2010.***

This is a sampling of key rate cases, not a comprehensive list of rate cases pending across the water sector. For a status update on pending rate cases, please refer to our Rate Case Tracker, which can be found on page 15.

2008 RATE CASE HIGHLIGHTS:

In the previous sections, we highlighted pending rate cases and recent regulatory developments across the sector. In this section, we highlight rate matters completed across the water utility group in 2008 that will contribute to future earnings. It is encouraging to see that more state Public Utility Commissions are increasingly recognizing the risks involved with water infrastructure investment in a volatile equity market environment and are awarding utilities commensurate ROE levels for this assumed risk.

AMERICAN WATER WORKS

Since the company announced its spinout from German owner RWE, American Water Works has been busy filing for rate relief across multiple jurisdictions. By our calculations, the company has been awarded rate relief of $200 million in 2008, as outlined below, on the heels of almost $160 million of rate rewards in 2007.

The largest rate reward the company received was in New Jersey, where approximately 20% of the company's customer base resides. In December, the company received a $72.1 million rate increase with an allowed ROE of 10.3%. The company had initially requested an increase of $100 million (excluding an additional $25 million for the proposed Trenton acquisition, which is still pending) and an allowed ROE of 11.5%. Another meaningful case completed in the fourth quarter was an approximately $34.5 million rate award in Missouri, with an estimated ROE of about 10.5%. In 2008, infrastructure surcharges enacted in Pennsylvania, Indiana, Missouri, and Illinois, contributing an additional $12.3 million in annualized increases.

Annualized Rate Increases Granted

(in millions)	During the years				
State	**2004**	**2005**	**2006**	**2007**	**2008**
New Jersey	$29.7	$0.0	$0.0	$56.2	$72.0
Pennsylvania	$28.6	$5.8	$8.0	$40.6	$1.9
Missouri	($0.4)	$0.0	$6.8	$24.0	$34.5
Illinois	$0.0	$0.0	$0.9	$1.7	$21.6
Indiana	$2.7	$0.9	$1.8	$14.0	$0.0
California	$7.2	$8.4	$15.1	$0.5	$13.0
West Virginia	$1.8	$10.0	$0.0	$0.0	$14.5
Other	$9.5	$9.9	$8.7	$21.9	$42.5
Total	**$79.1**	**$35.0**	**$41.3**	**$158.9**	**$200.0**

Source: American Water & State PUC filings

AMERICAN STATES WATER

In early February 2008, the California Public Utilities Commission approved the company's Region I rate case, adding $6.4 million in revenue with an authorized rate of return on equity of 10.2%. As mentioned previously, the California Public Utilities Commission approved adoption of regulatory adjustments that will mitigate the impact of reduced water usage and changes in supply mix for Golden State Water. These mechanisms took effect in late November, but won't be fully in place until 1Q09.

AQUA AMERICA

In late July, the Pennsylvania Public Utilities Commission (PUC) approved a $34.4 million rate increase for Aqua, with an allowed ROE of 11%. The company had initially filed for a $41.7 million rate increase and an allowed ROE of 11.75% late last year. Recent water rate cases in Pennsylvania have netted "black box" (i.e., undisclosed) ROE rates believed to be in the 10.5% range.

Also in July 2008, Aqua reached a settlement agreement with the New Jersey Board of Public Utilities (BPU) on its $6.87 million rate request. The company was granted a $4.1 million (16.4%) revenue increase with an allowed return on equity of 10%. Since then, allowed ROEs in the state have trended higher with Middlesex's small

Pinelands system and American Water's largest subsidiary, each receiving ROEs of 10.3%. About 5% of Aqua's customers and asset base are located in New Jersey.

Annualized Rate Increases Granted

(in millions)	During the years		
State	**2006***	**2007***	**2008**
Pennsylvania	$24.9	$11.7	$37.1
Illinois		$0.3	$3.7
Ohio		$1.3	$3.1
North Carolina			$1.7
Texas			$0.0
New Jersey			$4.1
Indiana		$0.1	$5.5
Florida		$0.0	$1.9
Virginia		$1.1	$0.8
New York		$0.5	$0.0
Maine		$0.1	$0.5
Missouri			$0.6
Total	**$42.0**	**$17.7**	**$58.8**

** We were unable to track down every rate awards so the yearly total does not equal the state specific increases*

Source: Aqua America & State PUC filing

CALIFORNIA WATER

In July, Cal Water received a $45 million water and sewer rate increase which assumes the company's existing allowed ROE of 10.2%. The company initially filed for rate relief in the summer of 2007, requesting $67.5 million in new rates in year one (beginning July 1, 2008), $23 million of which is associated with general office expenses.

CONNECTICUT WATER

On March 28th, the company received a decision on its Phase 2 re-opener case. The allowed reopening of the rate decision reflects increases in rate base from recent capital investments – items such as allowed ROE and capital structure were not open to review. The decision allowed for an additional 4.8% revenue increase associated with $15.5 million in capital improvements made in 2007. This second phase increase represents an additional $2.9 million in annualized revenue effective April 1, 2008. Part of the settlement agreement includes a rate-stay out until January 2010.

Connecticut Water also filed its Infrastructure Assessment Report (IAR) with the Connecticut Public Utility Commission. This report defines the priority for future replacement projects and is the first step for the company applying for a Water Infrastructure and Conservation Adjustment (WICA). As we mentioned earlier, the WICA is a surcharge, applied to customer bills, to recoup distribution systems investments without filing a full rate case, similar to the DSIC (distribution system improvement charge) allowed in Pennsylvania and Delaware. We expect approval of the IAR in the first quarter of 2009, after which the company could file for its first WICA around July.

MIDDLESEX WATER

On December 19th, Middlesex announced that its small Pinelands Water Co. and Pinelands Wastewater Co. received a final decision on its April rate request. The company received a $33,000 or 5.53%, increase in water rates and a $170,000, or 18.3%, increase in wastewater rates. The Pinelands systems provide water and wastewater service to 2,400 customers and represent less than 1% of the company's customer base. While a modest revenue increase, we were encouraged by the allowed ROE in the case of 10.3%, an improvement over the 10.0-10.1% the New Jersey BPU has granted them previously.

PENNICHUCK:

On April 8th the New Hampshire PUC approved the settlement agreement on Pennichuck East Utility's (PEU) rate case, which increased the utility's revenue by 17% and replaced a 12% temporary rate increase that had been in effect since August 2008. The resolution stipulated an annualized increase of $712,000 (17.19%) with an effective date of May 29, 2007. In essence, this added an additional $211,000 (annualized) to existing rates.

YORK WATER

In October 2008, York settled its $7.1 million rate case with the Pennsylvania PUC Commission, allowing an annual revenue increase of $5.95 million with rates effective October, 9th. We believe the "black box" allowed return on equity was around 11.0%. This rate relief comes a quarter earlier than we expected and will contribute materially to fourth quarter and 2009 results.

JMS WATER UTILITY RATE CASE TRACKER

	State	File Date	Water/ Sewer	Region	% Increase	$ Increase (M)	Req. ROE	Status Summary
American Water Works	NJ			Trenton Acquisition	NA	NA	NA	System ownership transfer has been approved by Trenton City Council as well as Ewing, Hamilton, Lawrence, and Hopewell townships. Acquisition is said to be on BPU's Agenda for February 24th and the transaction is expected to close in late April/early May.
	NJ			DSIC Mechanism	NA	NA	NA	Currently in hearing/discovery phase. Expect a decision in second quarter 2009.
	CA	1/30/08	Water & Sewer	Monterey & General Office	83.47%, 6.3%, 6.4%	$44.4M	11.50%	On 12-8-08 Cal American filed for interim rate relief with an effective data of January 1st, since the company did not expect a final ruling by January 31, 2009. Commissioner Bohn denied the company's motion for temporary rates but encouraged the utility to file an advice letter to receive temporary rate relief. It does not appear that the company has filed an advice letter. Partial settlement has been reached with Division of Ratepayer Advocate (DRA) - motions and reply briefs continue to be filed
	CA	1/26/09	Water	Sacremento, Los Angeles, and Larfield Districts	51.29% & 10.25%; 41.29% & 4.09%; 23.38% & 4.07%	$17.5M & $5.3M; $7.9M & $1.1M; $0.65M & $0.14M	NA	Company filed for increased rates in late January. Stated rate increase data (by $M & %) reflects 2010 & 2011increases for each system.
	WV	5/30/08	Water	Statewide	12%	$14.7M	11.75%	Hearings held in December. Reply briefs filed in January and February.
	OH	11/13/08	Water and Sewer	Statewide and Franklin sewer	16%	$5.5M	11.25%	On 9/4/08 an agreement was reached with the Commission staff, the Ohio Consumers' Counsel (OCC), and other parties for a $5.26 million (or approximately 15.8% increase). The agreement is subject to approval by the Commission.
	KY	10/31/08				$18.5M	11.50%	Recently filed
	NM	6/30/08				$2.2M	11.75%	Unknown
	AZ	5/1/08	Water & Sewer	10 Districts	26.4%-169%	$20M	11.75%	Currently in data request phase (consumer comments). Commission hearings to be held on March 19th. In the Sun City case, the RUCO (similar to DRA) proposed a 59% increase, compared to the company's 79% rate increase.
Aqua America	FL	5/22/08	Water & Sewer	All expect Sarasota	Consolidated 20.6% (W) & 59.1% (WW)	$4.5M (W) & $3.8M (WW)	9.25%-11.25%	Staff recommendation filed slightly later than expected in mid February (originally planned to be completed by 1/30/09). Final order anticipated in late March.
	NC	7/18/08	Water & Sewer	Consolidated	38.9%	$12.32M	11%	The company reached a settlement with staff in late January that assumes a 10.45% allowed ROE. Pending final Commission approval
Artesian R.	DE	4/22/08	Water	Delaware	27.3%	$13.6M	11.60%	Artesian implimented a temporary rate increase of $2.5 million (annualized) on Jnue 21st (60 days after intial rate increase). The company increased rates by an additional $5.1 million (annualized) on December 17th. Briefs have been filed by the company and oral arguments are slated for this summer.
American States	CA	7/2/08	Water	Region 2,3, and Corp. (for 2010; 2011; 2012)	Region II: 20.1%; 2.2%; & 3.4%; Region III: 32.7%; 1.4%; 2.9%	Region II: $20.3M; $2.6M; & $4.2M; Region III: $30.0M; $1.7M; & $3.7M	10.20%	Commissioner and ALJ have been appointed and intervenors have filed. Company recently withdrew its request to establish a DSIC surcharge mechanism. DRA is expected to give its report shortly and then hearings will begin. A final decision expected in January 2010.
	CA	6/27/08	Electric	Bear Valley	23.0%	$6.8M		Procedural schedule states that settlement negotiations are occuring in February and a proposed decision is expected in late June.
Middlesex	DE	1/27/09	Water	Delaware (consolidated)	27.25%	$5.4M	12.0%	The company has also petitioned to reallocate about $1 million that it is already collecting through its DSIC mechanism into base rates. The company can implement temporary rates 60 days after filing its request.
Pennichuck	NH	5/2/08	Water	Pittsfield & North County	44% & 240% respectively	$1.2M		Temporary rates went into effect in mid January, dating back to July 28, 2008 (approximately $0.7 million annually)
	NH	6/23/08	Water	Pennichuck Water Works	14.7%, 5.05%. 5.5% (25.27% combined)	$3.2M, $1.1M, $1.2M		Temporary rates went into effect in mid January, dating back to July 28, 2008 (approximately $2.4 million annually)
SJW Corp.	CA	1/21/09	Water	San Jose Water (for 2010; 2011; 2012)	18..44%; 6.52%; 8.1%	$36.3M; $15.2M; $19.9M	N/A	SJW filed for a rate increase of $36.3M (18.44%) in 2010; $15.2M (6.52%) in 2011; and $19.9M (8.1%) in 2012. Commissioner Bohn and ALJ Galvin have been assigned to the proceeding. Return on Equity will be filed as part of the May cost of capital proceeding.
	TX	11/14/08	Water	CLWSC (consoldiated)	14%		12.0%	Rates went into effect on January 14th (60 days after filing). Protest period for customers is until March 14th.
Southwest	CA	1/2/08	Water	Suburban Water - LA & Orange County (for 2009; 2010; 2011)	13.57%, 2.97%, 2.12% over 3 years	$6.8M; $1.7M; $1.3M	N/A	Final approval was bumped from recent PUC meeting - on Agenda for February 20th. ALJ Proposed decision announced. $5.57M in 2009; $1.51M in 2010; $1.28M in 2011.
General Cases	CA	5/1/08	Cost of Capital	California Water (CWT), Cal American (AWK), Golden States Water (AWR)	NA	NA	12.57%, 11.5%, 12.1% resp.	A final decision has been postponed to allow for additional witness testimony. Witness testimony has already been submitted and witnesses will be questioned in mid-February.

Source: Company filings and Commission websites

IMPORTANT DISCLOSURES

Research Analyst Certification

Each of the primarily responsible analysts for this research report, Debra G. Coy and Heike M. Doerr, certify that all the views in this research report accurately reflect her personal views about any and all of the subject securities or issuers. No part of her compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

Janney Montgomery Scott LLC Equity Research Disclosure Legend February 24, 2009

Individual disclosures for the companies mentioned in this report can be obtained by calling or writing Janney Montgomery Scott LLC as provided on the first page of this report.

Janney Montgomery Scott LLC ("JMS") Equity Research Disclosure Legend

1. JMS is a market maker in the securities of the company and may at any time hold a long or short position in this security.
2. The research analyst primarily responsible for preparing this research report or a member of the research analyst's household has a financial interest in the securities of the company in the form of a long position in such securities.
3. The research analyst primarily responsible for preparing this research report or a member of the research analyst's household has a financial interest in the securities of the company in the form of options (O), warrants (W), futures (F), and/or a short position (S).
4. JMS or an affiliate managed or co-managed a public offering of securities for the company in the past 12 months.
5. JMS or an affiliate received compensation for investment banking services from the company in the past 12 months.
6. JMS or an affiliate received compensation for products or services other than investment banking services from the company in the past 12 months.
7. JMS may seek compensation for investment banking services from the subject company (ies) in the next 3 months.
8. The research analyst is compensated based on, in part, JMS's profitability, which includes its investment banking revenues.
9. JMS or an affiliate beneficially owns 1% or more of any class of common equity securities of the company.
10. An Employee or Director of JMS is an officer or Director of subject company.
11. Other:

Definition of Ratings

BUY Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts

Contact JMS for the charts containing rating and price target information of covered companies.

Janney Montgomery Scott Ratings Distribution as of December 31, 2008*

BUY	NEUTRAL	SELL
48%	49%	3%

*As a percent of total coverage. See ratings definition above.

Janney Montgomery Scott Ratings of Investment Banking Relationships as of December 31, 2008**

BUY	NEUTRAL	SELL
11%	2%	0%

**Percentages of each rating category where JMS has performed Investment Banking services over the past 12 months.

Other Disclosures

Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views.

This research report is provided for informational purposes only and shall in no event be construed as an offer to sell or a solicitation of an offer to buy any securities. The information described herein is taken from sources which we believe to be reliable, but the accuracy and completeness of such information is not guaranteed by us. The opinions expressed herein may be given only such weight as opinions warrant. This Firm, its officers, directors, employees, or members of their families may have positions in the securities mentioned and may make purchases or sales of such securities from time to time in the open market or otherwise and may sell to or buy from customers such securities on a principal basis. Supporting information related to the recommendation, if any, made in the research report is available upon request.

RESEARCH DEPARTMENT

Janney Since 1832 Janney Montgomery Scott LLC

Gary Schatz	**Managing Director**	**(215) 665-6234**
		gschatz@jmsonline.com
Liam D. Burke	**Director/Research**	**(202) 955-4305**
	Special Situations	**lburke@jmsonline.com**
Debra G. Coy	**First Vice President**	**(202) 955-4315**
	Water	**dcoy@jmsonline.com**
Jonathan P. Feeney, CFA	**Director/Research**	**(215) 665-6679**
	Food • Beverage	**jfeeney@jmsonline.com**
Stephanie M. Krewson	**Director/Research**	**(215) 665-6385**
	Real Estate Investment Trusts	**skrewson@jmsonline.com**
James C. Lucas	**Director/Research**	**(215) 665-6196**
	Industrials	**jlucas@jmsonline.com**
Thomas C. McCrohan	**Director/Research**	**(215) 665-6293**
	Financial Technology	**tmccrohan@jmsonline.com**
Shawn Milne	**Director/Research**	**(415) 981-9539**
	E-Commerce/Internet	**smilne@jmsonline.com**
Mitchell B. Pinheiro, CFA	**Senior Vice President**	**(215) 665-6280**
	Food • Beverage	**mpinheiro@jmsonline.com**
John M.A. Roy, Ph.D.	**Director/Research**	**(646) 840-4606**
	Alternative Energy	**jroy@jmsonline.com**
Dan Wantrobski, CMT	**Director/**	**(215) 665-4446**
	Technical Research	**dwantrobski@jmsonline.com**
Richard D. Weiss	**Director/Research**	**(215) 665-6224**
	Banks • Thrifts	**rweiss@jmsonline.com**
Tony Wible, CFA	**Director/Research**	**(215) 665-6529**
	Entertainment & Digital Media	**twible@jmsonline.com**
Heike M. Doerr	**Analyst/Research**	**(215) 665-4448**
	Water	**hdoerr@jmsonline.com**
Joseph D. Foresi	**Analyst/Research**	**(617) 557-2972**
	Information Technology Services	**jforesi@jmsonline.com**
Stephen M. Moss	**Analyst/Research**	**(215) 665-4595**
	Banks • Thrifts	**smoss@jmsonline.com**
John T.G. Rogers, CFA	**Analyst/Research**	**(202) 966-4316**
	Special Situations	**jrogers@jmsonline.com**
Leonard A. DeProspo III, CFA	**Senior Research Associate**	**(215) 665-4559**
	Financial Technology	**ldeprospo@jmsonline.com**
Ryan C. MacLean, CFA	**Senior Research Associate**	**(215) 665-6213**
	Industrials	**rmaclean@jmsonline.com**
Michael Wherley	**Senior Research Associate**	**(215) 665-4476**
	Industrials	**mwherley @jmsonline.com**
Andrew DiZio, CFA	**Research Associate**	**(215) 665-6439**
	Real Estate Investment Trusts	**adizio@jmsonline.com**
Daniel P. Donlan	**Research Associate**	**(215) 665-6476**
	Real Estate Investment Trusts	**ddonlan@jmsonline.com**
Brian Holland	**Research Associate**	**(215) 665-4478**
	Food • Beverage	**bholland@jmsonline.com**
Albert Lui	**Research Associate**	**(215) 665-4572**
	Entertainment & Digital Media	**alui@jmsonline.com**
Christopher J. Purtill	**Research Associate**	**(215) 665-6601**
	Water	**cpurtill @jmsonline.com**
John San Marco	**Research Associate**	**(646) 840-4607**
	Food • Beverage	**jsanmarco @jmsonline.com**