

**AQUA ILLINOIS, INC.
KANKAKEE, ILLINOIS**

**CONSOLIDATED WATER DIVISIONS
&
CONSOLIDATED SEWER DIVISIONS**

RATE OF RETURN

EXHIBIT

**TO ACCOMPANY THE
DIRECT TESTIMONY**

APRIL 2011

Prepared by:
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VALUATION AND RATE DIVISION



Valley Forge, Pennsylvania

Aqua Illinois, Inc
Cost of Capital and Fair Rate of Return
Future Test Period - Average 2012

<u>Type of Capital</u>	<u>Ratios*</u>	<u>Cost Rate*</u> (%)	<u>Weighted Cost Rate</u> (%)
Debt	46.46 %	6.64	3.085
Preferred Stock	0.24	5.47	0.013
Common Equity	<u>53.31</u>	11.10	<u>5.917</u>
Overall Cost of Capital	<u>100.00</u> %		<u>9.015</u>

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

Before Income Tax Interest Coverage (x) (Based on effective income tax rate of 41.18%.)	4.3
Debt / Total Capital (%)	46.5
Gross Cash Flow Interest Coverage (x) (From page 2 of this Schedule)	5.5
Gross Cash Flow / Total Debt (%) (From page 2 of this Schedule)	30.1
Net Cash Flow / Capital Expenditures (%) (From page 2 of this Schedule)	106.3

Aqua Illinois, Inc
Funds Flow Ratio Test of Recommended
Cost of Capital and Fair Rate of Return
Future Test Period - Average 2012

<u>Line No.</u>	<u>Aqua Illinois, Inc</u> (\$ 000's)
1 . Rate Base Value	\$87,741
2 . Weighted Traditional Debt Component	3.08
3 . Weighted Traditional Preferred Stock Component	0.01
4 . Weighted Traditional Equity Components	5.93
	<u>Cash Flow</u>
5 . Net Income (ln 1 x ln 4)	\$5,203
	Expenses Not Requiring Cash Outlays:
6 . Depreciation	4,926
7 . Amortization	197
8 . Deferred Income Taxes	1,975
9 . Investment Tax Credits	(32)
10 . Gross Cash Flow	12,269
11 . Less:	
	Preferred Stock Dividends (ln 1 x ln 3) 11
	Common Dividends(1) 2,775
12 . Net Cash Flow	<u>\$9,483</u>
13 . Interest Charges (ln 1 x ln 2)	<u>\$2,707</u>
14 . Gross Construction(2)	<u>\$8,920</u>
15 . Rate Base Related Debt(3)	<u>\$40,764</u>
	<u>Funds Flow</u>
16 . Funds From Operations Interest Coverage	
17 . ((ln 10 + ln 13) / ln 13) (x)	<u>5.5</u>
18 . Funds From Operations / Total Debt	
19 . (ln 10 / ln 15) (%)	<u>30.1</u>
20 . Net Cash Flow / Capital Expenditures	
21 . (ln 12 / ln 14) (%)	<u>106.3</u>

Notes: (1) Estimated Company's average dividend for the period 2005 - 2009.
(2) Average construction for 2013 - 2015.
(3) The debt ratio (from page 1) times the rate base claim (ln 1).

Aqua Illinois, Inc.
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	11.2 %	11.2 %	10.9 %	10.7 %	10.6 %	10.9 %
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. Adjusted Common Equity Cost Rate Range:	<u>11.2</u>	<u>11.2</u>	<u>10.9</u>	<u>10.7</u>	<u>10.6</u>	<u>10.9</u>
Aqua Illinois, Inc. Recommended Common Equity Cost Rate (5)	<u>11.10 %</u>					
Check of Reasonableness of Common Equity Cost Rate (6)	11.0 % to 12.0 %					

- 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 9/30/10 and Estimated for 2014

	<u>9/30/2010</u>	Est.(1) <u>2014</u>
<u>Water Group Followed by Analysts</u>		
Long-term Debt	49.3 %	51.2 %
Preferred Stock	0.1	0.0
Common Equity	<u>50.6</u>	<u>48.8</u>
Total	<u>100.0</u> %	<u>100.0</u> %
 <u>Gas Group Followed by Analysts</u>		
Long-term Debt	40.1 % %	37.4 %
Preferred Stock	0.9	0.1
Common Equity	<u>59.0</u>	<u>62.5</u>
Total	<u>100.0</u> % %	<u>100.0</u> %

Notes: (1) Project by Value Line for the period 2013 to 2015.

Source of Information: Value Line Investment Survey, 1/21/11 and 3/11/11
S&P and Quarterly Reports

Aqua Illinois, Inc.
Five Year Analysis
2005 - 2009 (1)

Ln #	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	Average <u>Ann. Chg(%)</u>	Five Year <u>Average</u>	Average <u>Central Values(9)</u>
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	160.372	158.557	152.982	132.458	128.976	5.7	
2	Short-Term Debt	<u>0.000</u>	<u>3.000</u>	<u>14.400</u>	<u>7.200</u>	<u>8.150</u>		
3	Total Capital	<u>160.372</u>	<u>161.557</u>	<u>167.382</u>	<u>139.658</u>	<u>137.126</u>	4.4	
4	Total Revenue(\$)	40.976	40.068	41.207	37.792	34.716	4.4	
5	Construction(\$)	10.827	18.633	18.479	15.067	15.925	(6.0)	
6	Effective Income Tax Rate(%)	38.8	48.6	38.8	39.4	36.2	40.4	39.0
	Capitalization Ratios(%)							
7	Long-Term Debt	48.0	48.6	50.4	45.5	46.7	47.8	47.8
8	Preferred Stock	0.2	0.3	0.3	0.2	0.3	0.3	0.3
9	Common Equity	<u>51.8</u>	<u>51.1</u>	<u>49.3</u>	<u>54.3</u>	<u>53.0</u>	51.9	52.0
	Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>		
10	Total Debt	48.0	49.6	54.7	48.3	49.9	50.1	49.3
11	Preferred Stock	0.2	0.2	0.2	0.2	0.3	0.2	0.2
12	Common Equity	<u>51.8</u>	<u>50.2</u>	<u>45.1</u>	<u>51.5</u>	<u>49.8</u>	49.7	50.5
	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	6.4	5.9	6.3	6.8	6.4	6.4
14	Long-Term Debt	6.5	7.1	6.9	7.1	7.3	7.0	7.0
15	Preferred Stock	5.5	5.5	5.5	5.5	5.5	5.5	5.5
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	3.0	3.2	3.4	3.3	2.7	3.1	3.2
17	PreTax Interest + Pref. Div	2.9	3.2	3.3	3.2	2.7	3.1	3.1
18	PostTax Interest + Pref. Div	2.2	2.1	2.4	2.4	2.1	2.2	2.2
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	2.9	3.1	3.3	3.2	2.7	3.0	3.1
20	PreTax Interest + Pref. Div	2.9	3.1	3.3	3.2	2.7	3.0	3.1
21	PostTax Interest + Pref. Div	2.1	2.0	2.4	2.3	2.1	2.2	2.2
22	GCF / Interest Coverage(4)(x)	4.3	3.0	3.9	3.7	3.4	3.7	3.7
23	Coverage of Common Dividends(5)(x)	4.1	16.2	4.0	4.2	3.5	6.4	4.1
24	Construction / Avg. Tot. Capital(%)	6.7	11.3	12.0	10.9	12.4	10.7	11.4
25	NCF / Construction(6)(%)	115.9	55.6	56.5	57.7	47.0	66.5	56.6
26	AFC / Income for Common Stock	5.3	8.5	1.4	4.3	0.6	4.0	3.7
27	GCF / Avg. Tot. Debt(7)(%)	21.1	12.9	17.5	16.9	16.4	17.0	16.9
28	GCF / Permanent Capital(8)(%)	10.3	7.0	9.1	8.6	8.2	8.6	8.6

See page 2 of this Schedule for notes.

Aqua Illinois, Inc.
Five Year Analysis
2005-2009

Notes:

- (1) The results are 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: Company provided and Annual Reports

Water Group Followed by Analysts
Five Year Analysis
2005 - 2009 (1)

<u>Ln #</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Average Ann. Chg(%)</u>	<u>Average Central Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	755.811	686.903	656.145	592.441	534.790	9.1		
2	<u>32.022</u>	<u>41.575</u>	<u>24.291</u>	<u>33.565</u>	<u>36.972</u>			
3	787.833	728.478	680.436	626.006	571.762	8.4		
4	273.156	251.146	235.748	210.041	195.541	8.7		
5	88.196	90.269	75.658	86.931	75.822	4.7		
6	37.2	37.2	38.4	32.5	39.3	36.9	37.2	
	Book Capitalization Ratios(%)							
7	49.8	49.7	48.5	49.2	50.1	49.5	49.7	
8	0.1	0.1	0.2	0.2	0.2	0.1	0.1	
9	<u>50.2</u>	<u>50.2</u>	<u>51.3</u>	<u>50.6</u>	<u>49.7</u>	50.4	50.2	
	100.0	100.0	100.0	100.0	100.0			
10	52.8	53.3	50.7	51.1	53.4	52.3	52.8	
11	0.1	0.1	0.1	0.2	0.2	0.1	0.1	
12	<u>47.1</u>	<u>46.6</u>	<u>49.1</u>	<u>48.8</u>	<u>46.4</u>	47.6	47.1	
	100.0	100.0	100.0	100.0	100.0			
	Rates on Average Capital(2)(%)							
13	5.6	5.9	6.2	6.4	6.2	6.0	6.2	
14	3.9	5.5	5.5	5.8	6.6	5.5	5.5	
15	4.9	13.1	4.7	4.5	4.4	6.3	4.7	
	Coverage - Including AFC(3)(x)							
16	3.4	3.2	3.4	3.0	3.4	3.3	3.4	
17	3.4	3.2	3.3	3.0	3.4	3.3	3.3	
18	2.5	2.4	2.5	2.3	2.4	2.4	2.4	
	Coverage - Excluding AFC(3)(x)							
19	3.4	3.2	3.3	2.9	3.3	3.2	3.3	
20	3.4	3.1	3.3	2.9	3.3	3.2	3.3	
21	2.5	2.3	2.4	2.2	2.4	2.4	2.4	
22	4.2	3.9	3.9	3.5	3.9	3.9	3.9	
23	3.1	2.8	2.8	2.7	3.0	2.9	2.8	
24	10.8	14.6	12.3	15.1	13.4	13.2	13.4	
25	59.1	42.4	49.3	34.2	46.1	46.2	46.1	
26	3.6	6.0	3.5	5.6	3.3	4.4	3.6	
27	17.5	17.2	17.7	15.9	17.8	17.2	17.5	
28	9.8	9.4	9.3	8.7	10.1	9.5	9.4	

See page 2 of this Schedule for notes.

Water Group Followed by Analysts
Five Year Analysis
2005-2009

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
2005 - 2009 (1)

Ln #	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	Average <u>Ann. Chg(%)</u>	Average Central <u>Values(9)</u>
	(Millions of \$)						
	Investor Provided Capital(\$)						
1	Permanent Capital	2,105.045	2,022.662	1,984.777	1,897.182	1,745.946	4.8
2	Short-Term Debt	<u>246.225</u>	<u>364.705</u>	<u>238.075</u>	<u>253.299</u>	<u>238.143</u>	
3	Total Capital	2,351.270	2,387.367	2,222.852	2,150.481	1,984.088	4.4
4	Total Revenue(\$)	2,569.144	3,212.106	2,780.722	2,798.490	2,487.205	1.9
5	Construction(\$)	211.189	203.189	178.535	186.553	168.585	6.0
6	Effective Income Tax Rate(%)	34.3	35.9	35.4	35.6	35.4	35.3
	Book Capitalization Ratios(%)						
7	Long-Term Debt	44.5	44.9	46.0	47.8	47.8	46.2
8	Preferred Stock	0.2	0.2	0.2	0.2	0.2	0.2
9	Common Equity	<u>55.4</u>	<u>55.0</u>	<u>53.9</u>	<u>52.0</u>	<u>52.0</u>	53.6
	Total	100.0	100.0	100.0	100.0	100.0	53.9
10	Total Debt	51.6	54.7	53.3	55.3	55.1	54.0
11	Preferred Stock	0.1	0.1	0.1	0.2	0.2	0.1
12	Common Equity	<u>48.3</u>	<u>45.1</u>	<u>46.5</u>	<u>44.5</u>	<u>44.7</u>	45.8
	Total	100.0	100.0	100.0	100.0	100.0	45.1
	Rates on Average Capital(2)(%)						
13	Total Debt	4.9	5.2	5.8	6.0	5.9	5.6
14	Long-Term Debt	6.8	6.3	6.8	7.0	7.2	6.8
15	Preferred Stock	5.6	5.5	5.4	5.1	3.3	5.0
	Coverage - Including AFC(3)(x)						
16	PreTax Interest	4.4	4.5	4.0	3.9	4.0	4.2
17	PreTax Interest + Pref. Div	4.4	4.4	4.0	3.9	4.0	4.1
18	PostTax Interest + Pref. Div	3.1	3.1	2.9	2.8	2.9	3.0
	Coverage - Excluding AFC(3)(x)						
19	PreTax Interest	4.4	4.4	4.0	3.9	4.0	4.1
20	PreTax Interest + Pref. Div	4.4	4.4	4.0	3.8	4.0	4.1
21	PostTax Interest + Pref. Div	3.1	3.1	2.8	2.8	2.9	2.9
22	GCF / Interest Coverage(4)(x)	5.7	5.4	4.7	4.5	4.5	4.9
23	Coverage of Common Dividends(5)(x)	4.0	4.1	3.7	3.9	3.5	3.8
24	Construction / Avg. Tot. Capital(%)	8.2	8.3	7.9	8.8	9.0	8.4
25	NCF / Construction(6)(%)	107.4	113.7	101.7	99.6	91.7	102.8
26	AFC / Income for Common Stock	1.7	1.4	1.3	1.5	1.1	1.4
27	GCF / Avg. Tot. Debt(7)(%)	21.9	22.0	20.3	20.6	19.8	21.0
28	GCF / Permanent Capital(8)(%)	13.8	14.1	12.6	13.2	12.3	13.2

See page 2 of this Schedule for notes.

Gas Group Followed by Analysts
Five Year Analysis
2005-2009

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
2005 - 2009 (1)

Ln #	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	Average <u>Ann. Chg(%)</u>	Average Central <u>Values(9)</u>	
	(Millions of \$)							
	Investor Provided Capital(\$)							
1	Permanent Capital	16,995.596	15,727.671	14,738.865	16,751.240	14,360.823	4.9	
2	Short-Term Debt	<u>1,043.325</u>	<u>1,318.717</u>	<u>1,265.451</u>	<u>1,339.899</u>	<u>1,299.280</u>		
3	Total Capital	18,038.921	17,046.389	16,004.316	18,091.139	15,660.103	4.1	
4	Total Revenue(\$)	9,588.755	10,857.165	10,459.557	10,224.922	9,949.959	(0.7)	
5	Construction(\$)	2,037.756	2,106.924	1,800.885	1,732.505	1,380.681	10.8	
6	Effective Income Tax Rate(%)	29.5	25.3	28.2	26.8	27.7	27.5	
	Book Capitalization Ratios(%)							
7	Long-Term Debt	41.9	43.8	43.5	44.2	46.1	43.9	
8	Preferred Stock	20.7	19.5	17.4	15.7	16.1	17.9	
9	Common Equity	<u>37.4</u>	<u>36.7</u>	<u>39.1</u>	<u>40.0</u>	<u>37.7</u>	38.2	
	Total	100.0	100.0	100.0	100.0	100.0	37.7	
10	Total Debt	44.1	47.0	46.7	47.3	49.4	46.9	
11	Preferred Stock	20.6	19.4	17.4	15.7	16.1	17.8	
12	Common Equity	<u>35.3</u>	<u>33.6</u>	<u>35.9</u>	<u>37.0</u>	<u>34.5</u>	35.3	
	Total	100.0	100.0	100.0	100.0	100.0	35.3	
	Rates on Average Capital(2)(%)							
13	Total Debt	4.7	5.0	5.5	5.8	5.3	5.2	
14	Long-Term Debt	5.1	5.0	5.3	5.5	5.6	5.3	
15	Preferred Stock	3.0	2.4	3.0	3.0	5.1	3.3	
	Coverage - Including AFC(3)(x)							
16	PreTax Interest	3.0	2.9	3.1	2.8	2.7	2.9	
17	PreTax Interest + Pref. Div	3.0	2.8	3.1	2.7	2.7	2.9	
18	PostTax Interest + Pref. Div	2.2	2.1	2.3	2.1	2.0	2.2	
	Coverage - Excluding AFC(3)(x)							
19	PreTax Interest	2.9	2.8	3.1	2.7	2.7	2.8	
20	PreTax Interest + Pref. Div	2.9	2.8	3.0	2.7	2.7	2.8	
21	PostTax Interest + Pref. Div	2.1	2.1	2.2	2.0	2.0	2.1	
22	GCF / Interest Coverage(4)(x)	4.0	3.8	3.7	3.6	3.6	3.7	
23	Coverage of Common Dividends(5)(x)	3.8	3.5	4.1	3.2	3.3	3.6	
24	Construction / Avg. Tot. Capital(%)	9.3	10.9	9.7	8.7	7.5	9.2	
25	NCF / Construction(6)(%)	72.0	61.9	73.9	82.2	86.2	75.3	
26	AFC / Income for Common Stock	6.7	5.3	0.9	3.3	1.9	3.6	
27	GCF / Avg. Tot. Debt(7)(%)	18.6	18.0	18.5	17.8	16.5	17.9	
28	GCF / Permanent Capital(8)(%)	11.0	10.9	11.1	10.7	10.1	10.8	

See page 2 of this Schedule for notes.

S&P Public Utilities
Five Year Analysis
2005-2009

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, the 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	624.515	S&P SmallCap 600	3	Low-Cap
Aqua America Inc	A+	New York Stock Exchange	High (A)	0.65	3,107.039	S&P MidCap 400	2	Mid-Cap
Artesian Resources	-	NASDAQ/ NMS/ OTC Bul Brd	Above Average (A-)	-	148.460	NOT in a S&P Index	4	Mico-Cap
California Water Service Gp	A+	New York Stock Exchange	Above Average (A-)	0.70	734.882	NOT in a S&P Index	3	Low-Cap
Connecticut Water Service Inc.	A	NASDAQ/ NMS/ OTC Bul Brd	Above Average (A-)	-	220.590	NOT in a S&P Index	4	Mico-Cap
York Water Co	A-	NASDAQ/ NMS/ OTC Bul Brd	High (A)	-	214.637	NOT in a S&P Index	4	Mico-Cap
Average	<u>A</u>		<u>Above Average (A-)</u>	<u>0.72</u>	<u>422.553</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	2,964.780	S&P MidCap 400	2	Mid-Cap
Atmos Energy Corp	BBB+	New York Stock Exchange	Above Average (A-)	0.65	3,065.749	S&P MidCap 400	2	Mid-Cap
Laclede Group Inc	A	New York Stock Exchange	Average (B+)	0.60	870.553	S&P SmallCap 600	3	Low-Cap
New Jersey Resources	-	New York Stock Exchange	Above Average (A-)	0.65	1,732.473	S&P SmallCap 600	2	Mid-Cap
NICOR Inc	AA	New York Stock Exchange	Below Average (B)	0.75	2,402.307	S&P 500	2	Mid-Cap
Northwest Natural Gas Co	A+	New York Stock Exchange	Above Average (A-)	0.60	1,253.443	S&P SmallCap 600	3	Low-Cap
Piedmont Natural Gas Co	A	New York Stock Exchange	High (A)	0.65	2,121.965	S&P SmallCap 600	2	Mid-Cap
South Jersey Industries Inc	-	New York Stock Exchange	Above Average (A-)	0.65	1,638.833	S&P SmallCap 600	2	Mid-Cap
Southwest Gas Corp	BBB	New York Stock Exchange	Average (B+)	0.75	1,770.451	S&P SmallCap 600	2	Mid-Cap
UGI Corp	-	New York Stock Exchange	High (A)	0.65	3,543.362	S&P MidCap 400	2	Mid-Cap
WGL Holdings Inc	AA-	New York Stock Exchange	Average (B+)	0.65	1,942.826	S&P MidCap 400	2	Mid-Cap
Average	<u>A</u>		<u>Above Average (A-)</u>	<u>0.67</u>	<u>2,118.795</u>	<u>S&P SmallCap 600</u>	<u>2</u>	<u>Mid-Cap</u>

Risk Measures for the Common Stock of the
The Water Group Followed by Analysts, the 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	9,750.689	S&P 500	1	Large-Cap
Allegheny Energy Inc	BBB-	New York Stock Exchange	Below Average (B)	0.80	4,381.027	NOT in a S&P Index	2	Mid-Cap
Ameren Corp	BBB-	New York Stock Exchange	Below Average (B)	0.80	6,725.638	S&P 500	1	Large-Cap
American Electric Power	BBB	New York Stock Exchange	Below Average (B)	0.70	17,203.275	S&P 500	1	Large-Cap
CenterPoint Energy Inc	BBB	New York Stock Exchange	Below Average (B)	0.80	6,729.509	S&P 500	1	Large-Cap
CMS Energy Corp	BBB-	New York Stock Exchange	Below Average (B)	0.75	4,856.236	S&P 500	2	Mid-Cap
Consolidated Edison Inc	A-	New York Stock Exchange	Average (B+)	0.65	14,592.610	S&P 500	1	Large-Cap
Constellation Energy Grp Inc	BBB-	New York Stock Exchange	Below Average (B)	0.80	6,207.941	S&P 500	1	Large-Cap
Dominion Resources Inc	A-	New York Stock Exchange	Average (B+)	0.70	26,488.580	S&P 500	1	Large-Cap
DTE Energy Co	BBB+	New York Stock Exchange	Average (B+)	0.75	7,977.376	S&P 500	1	Large-Cap
Duke Energy Corp	A-	New York Stock Exchange	Below Average (B)	0.65	23,911.301	S&P 500	1	Large-Cap
Edison International	BBB-	New York Stock Exchange	Below Average (B)	0.80	12,094.104	S&P 500	1	Large-Cap
Entergy Corp	BBB	New York Stock Exchange	High (A)	0.70	12,747.506	S&P 500	1	Large-Cap
EQT Corp	BBB	New York Stock Exchange	Average (B+)	1.15	7,354.130	S&P 500	1	Large-Cap
Exelon Corp	BBB	New York Stock Exchange	Average (B+)	0.85	27,639.398	S&P 500	1	Large-Cap
FirstEnergy Corp	BBB-	New York Stock Exchange	Above Average (A-)	0.80	16,017.366	S&P 500	1	Large-Cap
Integrus Energy Group Inc	BBB+	New York Stock Exchange	Below Average (B)	0.90	3,820.052	S&P 500	2	Mid-Cap
NextEra Energy Inc	A-	New York Stock Exchange	High (A)	0.75	23,066.756	S&P 500	1	Large-Cap
Nicor Inc	AA	New York Stock Exchange	Below Average (B)	0.75	2,402.307	S&P 500	2	Mid-Cap
NiSource Inc	BBB-	New York Stock Exchange	Below Average (B)	0.85	5,342.862	S&P 500	2	Mid-Cap
Northeast Utilities	BBB	New York Stock Exchange	Below Average (B)	0.70	6,008.196	S&P 500	1	Large-Cap
NRG Energy Inc	BB-	New York Stock Exchange	-	1.15	4,948.265	S&P 500	2	Mid-Cap
ONEOK Inc	BBB	New York Stock Exchange	Above Average (A-)	0.95	6,910.346	S&P 500	1	Large-Cap
PEPCO Holdings Inc	BBB+	New York Stock Exchange	Below Average (B)	0.80	4,215.786	S&P 500	2	Mid-Cap
PG&E Corp	BBB+	New York Stock Exchange	Below Average (B)	0.55	18,251.643	S&P 500	1	Large-Cap
Pinnacle West Capital	BBB-	New York Stock Exchange	Below Average (B)	0.70	4,593.822	S&P 500	2	Mid-Cap
PPL Corp	BBB+	New York Stock Exchange	Above Average (A-)	0.65	12,290.115	S&P 500	1	Large-Cap
Progress Energy Inc	BBB+	New York Stock Exchange	Below Average (B)	0.60	13,393.030	S&P 500	1	Large-Cap
Public Service Entrp	BBB	New York Stock Exchange	Average (B+)	0.80	16,547.508	S&P 500	1	Large-Cap
SCANA Corp	BBB+	New York Stock Exchange	Average (B+)	0.70	5,149.987	S&P 500	2	Mid-Cap
Sempra Energy	BBB+	New York Stock Exchange	Above Average (A-)	0.80	12,802.081	S&P 500	1	Large-Cap
Southern Co	A	New York Stock Exchange	Above Average (A-)	0.55	31,658.205	S&P 500	1	Large-Cap
TECO Energy Inc	BBB	New York Stock Exchange	Below Average (B)	0.85	3,888.978	S&P 500	2	Mid-Cap
Wisconsin Energy Corp	BBB+	New York Stock Exchange	High (A)	0.60	6,919.000	S&P 500	1	Large-Cap
Xcel Energy Inc	A-	New York Stock Exchange	Below Average (B)	0.65	11,555.526	S&P 500	1	Large-Cap
Average	<u>BBB</u>		<u>Average (B+)</u>	<u>0.78</u>	<u>11,384.033</u>	<u>S&P MidCap 400</u>	<u>1</u>	<u>Large-Cap</u>

Comparative Ratios
For Aqua Illinois, Inc., The Water Group Followed by Analysts,
Gas Group Followed by Analysts,
S&P Utilities, and S&P 500
For the Years 2005-2009(1)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Five Year Average</u>
<u>Return on Common Equity(2)</u>						
Aqua Illinois, Inc.	7.3	7.9	9.2	8.3	7.5	8.0
Water Group Followed by Analysts	9.3	8.8	9.1	9.0	10.0	9.2
Gas Group Followed by Analysts	11.4	12.4	12.2	12.9	12.9	12.4
S&P Utilities	10.8	11.1	12.8	10.8	11.0	11.3
S&P 500	10.7	3.2	13.1	17.4	16.4	12.2
<u>Market/Book Multiple(3)</u>						
Water Group Followed by Analysts	1.9	1.9	2.4	2.6	2.6	2.3
Gas Group Followed by Analysts	1.6	1.8	2.0	2.0	2.0	1.9
S&P Utilities	1.2	1.8	2.2	2.0	2.0	1.8
S&P 500	1.9	2.3	2.8	2.8	2.8	2.8
<u>Earnings/Price Ratio(4)</u>						
Water Group Followed by Analysts	5.0	4.7	3.9	3.6	4.0	4.2
Gas Group Followed by Analysts	7.2	7.2	6.3	6.5	6.3	6.7
S&P Utilities	7.6	5.5	5.1	5.0	5.0	5.6
S&P 500	5.8	1.4	4.6	6.3	5.9	4.8
<u>Dividend Payout Ratio(5)</u>						
Aqua Illinois, Inc.	67.2	11.0	50.4	46.8	63.0	47.7
Water Group Followed by Analysts	70.6	75.9	73.2	77.2	71.1	73.6
Gas Group Followed by Analysts	68.5	56.6	57.2	56.7	59.8	59.8
S&P Utilities	45.8	40.3	39.6	49.3	50.7	45.1
S&P 500	43.3	178.5	40.6	29.9	31.1	64.7
<u>Dividend Yield(6)</u>						
Water Group Followed by Analysts	3.5	3.6	2.9	2.7	2.8	3.1
Gas Group Followed by Analysts	4.2	4.0	3.6	3.6	3.7	3.8
S&P Utilities	3.7	3.0	2.5	2.8	2.9	3.0
S&P 500	2.5	2.6	1.9	1.9	1.8	2.1

See next page for Notes.

Comparative Ratios For
Aqua Illinois, Inc., the Water Group Followed by Analysts,
The Gas Group Followed by Analysts, S&P Utilities, and S&P 500
For the Years 2005-2009 (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.
- (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
Aqua Illinois, Inc.
The Water Group Followed by Analysts, Gas Group Followed by Analysts and S&P Utilities
For the Year 2009

	<u>Capital Intensity</u>	<u>Rate of Capital Recovery</u>	<u>Capital Recovery Years</u>
Aqua Illinois, Inc.	<u>\$7.46</u>	<u>2.62%</u>	<u>38.2</u>
Water Group Followed by Analysts	<u>\$5.73</u>	<u>2.06%</u>	<u>51.5</u>
Gas Group Followed by Analysts	<u>\$1.54</u>	<u>3.14%</u>	<u>33.3</u>
S&P Utilities	<u>\$2.70</u>	<u>3.53%</u>	<u>30.3</u>

Relative Size of
Aqua Illinois, Inc.,
Versus The Water Group Followed by Analysts, the Gas Group Followed by Analysts
For the Year 2009

	<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>
Total Capitalization (000's)	\$160,372	\$787,739	\$2,351,270	4.9 x	14.7 x
Total Operating Revenues (000's)	\$40,976	\$273,156	\$2,569,144	6.7 x	62.7 x
Number of Customers	62,000	320,235	1,412,545	5.2 x	22.8 x

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

	<u>Water Group Followed by Analysts</u>	<u>Gas Group Followed by Analysts</u>	<u>S&P Public Utilities</u>
Percentage of common shares held by insiders (1)	1.7%	1.2%	0.6%
Percentage of common shares held by institutions (2)	42.1%	62.3%	70.7%
Percentage Of Common Shares Traded In 2008	126%	216%	232%
Percentage Of Common Shares Traded In 2009	118%	174%	222%
Average Number Of Months For All Common Shares To Turnover (3)	12.5	7.7	6.8

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	-
NICOR Inc	AA
Northwest Natural Gas Co	A+
Piedmont Natural Gas Co	A
South Jersey Industries Inc	-
Southwest Gas Corp	BBB
UGI Corp	-
WGL Holdings Inc	AA-
Average	<u>A</u>

* - The A+ bond rating is that for Aqua Pennsylvania, Inc.

** - The A+ bond rating is that for California Water Service, Inc.

Comparison of Standard & Poor's Measures of Financial Risk
For Aqua Illinois, Inc.,
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 2005-09)

	<u>Aqua Illinois, Inc.</u>	<u>Water Group Followed by Analysts</u>	<u>Gas Group Followed by Analysts</u>
PreTax Interest Coverage(2)(x)	3.0 x	3.2 x	4.1 x
Total Debt/Total Capital(%)	50.1 %	52.3 %	54.0 %
GCF / Interest Coverage(3)(x)	3.7 x	3.9 x	4.9 x
GCF / Average Total Debt(4)(%)	17.0 %	17.2 %	21.0 %
NCF / Construction(5)(%)	66.5 %	46.2 %	102.8 %

Spot in Standard & Poor's Measures of
Financial Risk (For the Year 2009)

	<u>Aqua Illinois, Inc.</u>	<u>Water Group Followed by Analysts</u>	<u>Gas Group Followed by Analysts</u>
PreTax Interest Coverage(2)(x)	2.9 x	3.4 x	4.4 x
Total Debt/Total Capital(%)	48.0 %	52.8 %	51.6 %
GCF / Interest Coverage(3)(x)	4.3 x	4.2 x	5.7 x
GCF / Average Total Debt(4)(%)	21.1 %	17.5 %	21.9 %
NCF / Construction(5)(%)	115.9 %	59.1 %	107.4 %

See the next page for notes.

Comparison of Standard & Poor's Measures of Financial Risk
For the Aqua Illinois, Inc.,
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.
- (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	-4,357.800	232.637	349.785
100	B+	B+	A	Default	350.101	483.912	597.383
100	BB-	BB-	AA-	B-	598.210	714.895	859.963
100	BB	BB-	AA-	CCC-	861.052	994.800	1,113.270
100	BB	BB	A+	CCC	1,114.053	1,275.759	1,459.109
100	BB+	BB	AA	CCC	1,463.000	1,660.159	1,804.463
100	BB+	BB+	AA-	CCC+	1,805.154	2,006.208	2,219.256
100	BBB-	BBB-	AA+	CCC+	2,221.100	2,490.555	2,836.579
100	BBB-	BBB	A+	CCC+	2,838.236	3,126.900	3,474.145
100	BBB-	BBB-	A+	CCC+	3,480.000	3,895.631	4,433.137
100	BBB-	BBB-	AAA	CCC	4,466.000	5,045.068	5,711.302
100	BBB	BBB	AA-	B-	5,756.400	6,317.050	7,215.643
100	BBB	BBB	AAA	CCC+	7,295.262	8,481.650	9,967.800
100	BBB	BBB	AAA	CCC	10,072.000	11,962.468	14,752.000
100	BBB+	BBB+	AAA	CCC+	14,856.000	16,930.500	21,360.306
100	BBB+	A-	AAA	CCC+	21,417.000	28,137.113	40,440.604
100	A	A	AAA	B	40,483.580	71,287.006	246,566.834
16	AA-	A+	AAA	A	256,551.402	442,352.500	669,965.000
Total							1,716

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	-4,357.800	232.637	349.785	0%	0%	4%	6%	17%	63%	6%	2%	2%
100	350.101	483.912	597.383	0%	0%	1%	10%	22%	65%	1%	0%	1%
100	598.210	714.895	859.963	0%	2%	6%	15%	29%	48%	0%	0%	0%
100	861.052	994.800	1,113.270	0%	1%	7%	24%	33%	34%	1%	0%	0%
100	1,114.053	1,275.759	1,459.109	0%	0%	4%	27%	35%	30%	4%	0%	0%
100	1,463.000	1,660.159	1,804.463	0%	3%	4%	38%	32%	20%	3%	0%	0%
100	1,805.154	2,006.208	2,219.256	0%	1%	8%	38%	32%	18%	3%	0%	0%
100	2,221.100	2,490.555	2,836.579	0%	1%	15%	41%	26%	15%	2%	0%	0%
100	2,838.236	3,126.900	3,474.145	0%	0%	17%	52%	19%	10%	2%	0%	0%
100	3,480.000	3,895.631	4,433.137	0%	0%	14%	51%	22%	12%	1%	0%	0%
100	4,466.000	5,045.068	5,711.302	1%	0%	13%	49%	24%	14%	1%	0%	0%
100	5,756.400	6,317.050	7,215.643	0%	2%	21%	49%	19%	9%	0%	0%	0%
100	7,295.262	8,481.650	9,967.800	1%	1%	24%	54%	12%	7%	1%	0%	0%
100	10,072.000	11,962.468	14,752.000	1%	1%	32%	44%	13%	7%	2%	0%	0%
100	14,856.000	16,930.500	21,360.306	1%	5%	36%	42%	9%	6%	1%	0%	0%
100	21,417.000	28,137.113	40,440.604	2%	8%	45%	34%	6%	3%	2%	0%	0%
100	40,483.580	71,287.006	246,566.834	3%	23%	47%	22%	3%	2%	0%	0%	0%
16	256,551.402	442,352.500	669,965.000	13%	38%	50%	0%	0%	0%	0%	0%	0%
1,716												

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 2009. 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 2005-2009, Monthly for the Years 2010 and 2011

<u>Years</u>	<u>Aaa Rated</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>
2005	NA	5.44	5.65	5.93
2006	NA	5.83	6.07	6.32
2007	NA	5.94	6.08	6.33
2008	NA	6.18	6.53	7.25
2009	NA	5.75	6.04	7.06
Average	NA	5.83	6.07	6.57
Jan 2010	NA	5.55	5.77	6.16
Feb 2010	NA	5.69	5.87	6.25
Mar 2010	NA	5.64	5.84	6.22
Apr 2010	NA	5.62	5.81	6.19
May 2010	NA	5.29	5.50	5.97
Jun 2010	NA	5.22	5.46	6.18
Jul 2010	NA	4.99	5.26	5.98
Aug 2010	NA	4.75	5.01	5.55
Sep 2010	NA	4.74	5.01	5.53
Oct 2010	NA	4.89	5.10	5.62
Nov 2010	NA	5.12	5.37	5.85
Dec 2010	NA	5.32	5.56	6.04
Avg 2010	NA	5.24	5.46	5.96
Jan 2011 <i>E</i>	NA	5.31	5.55	6.03
Feb 2011 <i>E</i>	NA	5.44	5.68	6.16

Source of Information: MERGENT BOND RECORD

Credit Risk Spreads of
Investor-Owned Public Utility Bonds
Yearly for 2005-2009, Monthly for the Years 2010 and 2011

	<u>Years</u>	Aa Over <u>Aaa</u>	A Over <u>Aa</u>	Baa Over <u>A</u>	Baa Over <u>Aaa</u>
	2005	NA	0.21	0.28	NA
	2006	NA	0.24	0.25	NA
	2007	NA	0.13	0.26	NA
	2008	NA	0.34	0.72	NA
	2009	NA	0.29	1.02	NA
	Average	NA	0.24	0.50	NA
Jan	2010	NA	0.22	0.39	NA
Feb	2010	NA	0.18	0.38	NA
Mar	2010	NA	0.20	0.38	NA
Apr	2010	NA	0.19	0.38	NA
May	2010	NA	0.21	0.47	NA
Jun	2010	NA	0.24	0.72	NA
Jul	2010	NA	0.27	0.72	NA
Aug	2010	NA	0.26	0.54	NA
Sep	2010	NA	0.27	0.52	NA
Oct	2010	NA	0.21	0.52	NA
Nov	2010	NA	0.25	0.48	NA
Dec	2010	NA	0.24	0.48	NA
Avg	2010	NA	0.23	0.50	NA
Jan	2011 <i>E</i>	NA	0.24	0.48	NA
Feb	2011 <i>E</i>	NA	0.24	0.48	NA

Source of Information: MERGENT BOND RECORD

Interest Rate Trends
Of Long-Term Treasury Constant
Yearly for 2005-2009, Monthly for the Years 2010 and 2011

<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>
2005	4.20	4.69	NA	4.45
2006	4.79	4.99	4.90	4.89
2007	4.63	4.91	4.83	4.79
2008	3.67	4.36	4.28	4.10
2009	3.26	4.11	4.07	4.11
Average	4.11	4.61	4.52	4.47
Jan 2010	3.73	4.50	4.60	4.55
Feb 2010	3.69	4.48	4.62	4.55
Mar 2010	3.73	4.49	4.64	4.57
Apr 2010	3.85	4.53	4.69	4.61
May 2010	3.42	4.11	4.29	4.20
Jun 2010	3.20	3.95	4.13	4.04
Jul 2010	3.01	3.80	3.99	3.90
Aug 2010	2.70	3.52	3.80	3.66
Sep 2010	2.65	3.47	3.77	3.62
Oct 2010	2.54	3.52	3.87	3.70
Nov 2010	2.76	3.82	4.19	4.01
Dec 2010	3.29	4.17	4.42	4.30
Avg 2010	3.21	4.03	4.25	4.14
Jan 2011	3.39	4.28	4.52	4.40
Feb 2011 <i>E</i>	3.58	4.42	4.65	4.54

Source of Information: Federal Reserve Bulletin

Spread in Average Long-Term Bond Yields
Versus Public Utility Bond Yields
Yearly for 2005-2009, Monthly for the Years 2010 and 2011

<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>
2005		NA	1.00	1.20	1.48
2006		NA	0.94	1.18	1.42
2007		NA	1.15	1.29	1.54
2008		NA	2.08	2.43	3.14
2009		NA	1.64	1.93	2.95
Average		NA	1.36	1.61	2.11
Jan	2010	NA	1.00	1.22	1.61
Feb	2010	NA	1.14	1.32	1.70
Mar	2010	NA	1.08	1.28	1.66
Apr	2010	NA	1.01	1.20	1.58
May	2010	NA	1.09	1.30	1.77
Jun	2010	NA	1.18	1.42	2.14
Jul	2010	NA	1.10	1.37	2.09
Aug	2010	NA	1.09	1.35	1.89
Sep	2010	NA	1.12	1.39	1.91
Oct	2010	NA	1.20	1.41	1.93
Nov	2010	NA	1.12	1.37	1.85
Dec	2010	NA	1.03	1.27	1.75
Avg	2010	NA	1.10	1.33	1.82
Jan	2011 <i>E</i>	NA	0.91	1.15	1.63
Feb	2011 <i>E</i>	NA	0.91	1.15	1.63

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 2005-2009, Monthly for the Years 2010 and 2011

<u>Years</u>	<u>Fed Funds Rate</u>	<u>Prime Rate</u>
2005	2.39	5.37
2006	4.96	7.96
2007	5.02	8.05
2008	1.93	5.09
2009	0.16	3.25
Average	2.89	5.94
Jan 2010	0.11	3.25
Feb 2010	0.13	3.25
Mar 2010	0.16	3.25
Apr 2010	0.20	3.25
May 2010	0.20	3.25
Jun 2010	0.18	3.25
Jul 2010	0.18	3.25
Aug 2010	0.19	3.25
Sep 2010	0.19	3.25
Oct 2010	0.19	3.25
Nov 2010	0.19	3.25
Dec 2010	0.18	3.25
Avg 2010	0.18	3.25
Jan 2011	0.17	3.25
Feb 2011	0.16	3.25

Source of Information: Federal Reserve Bulletin

Blue Chip Financial Forecasts - March 1, 2011

	First Quarter <u>2011</u>	Second Quarter <u>2011</u>	Third Quarter <u>2011</u>	Fourth Quarter <u>2011</u>	First Quarter <u>2012</u>	Five Quarter <u>Average</u>
<u>Prime Rate</u>						
Top Ten Average	3.3 %	3.3 %	3.3 %	3.6 %	4.1 %	3.5 %
Group Average	3.3	3.3	3.3	3.3	3.6	3.4
Bottom Ten Average	3.3	3.3	3.3	3.3	3.3	3.3
<u>Three-Month Treasury Bills</u>						
Top Ten Average	0.2	0.2	0.3	0.6	1.1	0.5
Group Average	0.1	0.2	0.2	0.3	0.6	0.3
Bottom Ten Average	0.1	0.1	0.1	0.1	0.2	0.1
<u>Ten Year Treasury Notes</u>						
Top Ten Average	3.6	3.8	4.0	4.3	4.6	4.1
Group Average	3.5	3.6	3.7	3.9	4.7	3.9
Bottom Ten Average	3.4	3.4	3.5	3.6	3.7	3.5
<u>Thirty Year Treasury Bonds</u>						
Top Ten Average	4.7	5.0	5.2	5.4	5.5	5.2
Group Average	4.6	4.7	4.8	4.9	5.0	4.8
Bottom Ten Average	4.5	4.5	4.5	4.6	4.6	4.5
<u>Aaa-Rated Corporate Bonds</u>						
Top Ten Average	5.3	5.5	5.7	5.9	6.1	5.7
Group Average	5.2	5.3	5.4	5.5	5.6	5.4
Bottom Ten Average	5.0	5.1	5.2	5.2	5.2	5.1
<u>Baa-Rated Corporate Bonds</u>						
Top Ten Average	6.4	6.6	6.7	7.0	7.2	6.8
Group Average	6.2	6.3	6.4	6.5	6.6	6.4
Bottom Ten Average	6.1	6.1	6.2	6.2	6.1	6.1

Derived Public Utility Bond Yield Forecasts Based on Aaa and Baa Corporate Yields

Aa-Rated Public Utility Bonds

Top Ten Average	5.6	5.8	6.0	6.2	6.4	6.0
Group Average	5.5	5.6	5.7	5.8	5.9	5.7
Bottom Ten Average	5.3	5.4	5.5	5.5	5.4	5.4

A-Rated Public Utility Bonds

Top Ten Average	5.8	6.0	6.2	6.4	6.6	6.2
Group Average	5.7	5.8	5.9	6.0	6.1	5.9
Bottom Ten Average	5.5	5.6	5.7	5.7	5.6	5.6

Baa-Rated Public Utility Bonds

Top Ten Average	6.3	6.5	6.7	6.9	7.1	6.7
Group Average	6.2	6.3	6.4	6.5	6.6	6.4
Bottom Ten Average	6.0	6.1	6.2	6.2	6.1	6.1

Settled Yields on Treasury Bond
Future Contracts
Traded on the Chicago Board of Trade
at the Close of March 11, 2011

<u>Delivery Date</u>	<u>Treasury Bonds (CBOT)</u>
Mar-11	4.642 %
Jun-11	4.728
Sep-11	<u>4.812</u>
Average	<u>4.727 %</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)	3.4 %	3.8 %
Growth in Dividends(2)	<u>0.1</u>	<u>0.1</u>
Adjusted Dividend Yield	3.5	3.9
Stock Appreciation(3)	<u>7.2</u>	<u>5.9</u>
Market Value DCF Cost Rate	<u>10.7 %</u>	<u>9.8 %</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 February 2011

	<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	3.1 %	3.0 %	
Aqua America Inc	2.7	3.0	
Artesian Resources	3.9	4.1	
California Water Service Gp	3.4	3.3	
Connecticut Water Service Inc.	3.7	3.9	
York Water Co	<u>3.1</u>	<u>3.4</u>	
 Average	 <u>3.3 %</u>	 <u>3.5 %</u>	 <u>3.4 %</u>
 <u>Gas Group Followed by Analysts</u>			
AGL Resources Inc	4.8 %	4.7 %	
Atmos Energy Corp	4.1	4.6	
Laclede Group Inc	4.2	4.5	
New Jersey Resources	3.5	3.5	
NICOR Inc	3.6	4.1	
Northwest Natural Gas Co	3.8	3.6	
Piedmont Natural Gas Co	3.9	4.0	
South Jersey Industries Inc	2.7	2.8	
Southwest Gas Corp	2.6	3.0	
UGI Corp	3.2	3.3	
WGL Holdings Inc	<u>4.0</u>	<u>4.2</u>	
 Average	 <u>3.7 %</u>	 <u>3.8 %</u>	 <u>3.8 %</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 February 2011.

(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 February 2011.

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 and the Gas Group Followed by Analysts

	A	B	C	D	E	F	G	H
	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	7.5 %	4.0 %	7.5 %	9.0 %	4.0 %	6.5 %	7.0 %	6.4 %
Aqua America Inc	6.8	7.2	6.5	7.5	6.5	6.5	7.0	6.8
Artesian Resources	4.5	4.5	3.6	-	-	-	4.2	4.2
California Water Service Gp	8.3	6.0	4.0	7.0	1.0	5.0	6.3	5.2
Connecticut Water Service Inc.	3.0	5.0	4.0	-	-	-	4.0	4.0
York Water Co	6.0	6.0	6.0	-	-	-	6.0	6.0
Average	6.0 %	5.5 %	5.3 %	7.8 %	3.8 %	6.0 %	5.8 %	5.4 %
<u>Gas Group Followed by Analysts</u>								
AGL Resources Inc	5.3 %	5.2 %	4.0 %	4.5 %	2.0 %	3.0 %	4.7 %	4.0 %
Atmos Energy Corp	3.6	4.4	4.5	5.0	2.0	4.0	4.4	3.9
Laclede Group Inc	3.5	5.0	3.0	3.0	2.0	3.5	3.6	3.3
New Jersey Resources	2.7	2.9	4.0	4.0	4.5	3.5	3.4	3.6
NICOR Inc	NMF	2.8	3.5	-0.5	0.0	1.5	1.9	1.5
Northwest Natural Gas Co	3.9	3.9	4.6	3.0	4.0	2.0	3.8	3.6
Piedmont Natural Gas Co	3.5	3.0	4.5	3.5	3.5	3.0	3.6	3.5
South Jersey Industries Inc	6.3	6.3	6.5	9.0	8.5	8.5	7.0	7.5
Southwest Gas Corp	2.7	2.7	6.0	7.5	4.5	4.5	4.7	4.6
UGI Corp	3.2	3.2	NMF	3.0	6.0	3.0	3.1	3.7
WGL Holdings Inc	3.1	3.7	5.3	1.5	2.5	1.0	3.4	2.8
Average	3.8 %	3.9 %	4.6 %	4.0 %	3.6 %	3.4 %	4.0 %	3.8 %

Source of Information: Value Line Investment Survey, 1/21/11 and 3/11/11; Reuters Market Guide 3/11/11; FirstCall 3/11/11; and Zacks Investment Research 3/11/11

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

	Current Dividend Payout	Current Return on Equity	PE Mult	Market to Book Mult	Current Market Value (Mill \$)
<u>Water Group Followed by Analysts</u>					
American States Water Co	62	7.2	24.0	1.68	624.515
Aqua America Inc	72	11.0	24.7	2.64	3,107.039
Artesian Resources	74	8.6	18.6	1.57	148.460
California Water Service Gp	60	8.8	19.5	1.69	734.882
Connecticut Water Service Inc.	75	8.3	23.8	1.96	220.590
York Water Co	<u>81</u>	<u>10.1</u>	<u>24.2</u>	<u>2.37</u>	<u>214.637</u>
Average	<u>71</u>	<u>9.0</u>	<u>22.5</u>	<u>1.99</u>	<u>841.687</u>
<u>Gas Group Followed by Analysts</u>					
AGL Resources Inc	57	12.9	12.6	1.64	2,964.780
Atmos Energy Corp	61	8.2	16.7	1.35	3,065.749
Laclede Group Inc	66	10.0	15.9	1.59	870.553
New Jersey Resources	48	12.1	19.3	2.35	1,732.473
NICOR Inc	63	14.5	17.5	2.23	2,402.307
Northwest Natural Gas Co	56	10.6	17.2	1.81	1,253.443
Piedmont Natural Gas Co	57	14.4	14.9	2.20	2,121.965
South Jersey Industries Inc	62	11.8	25.1	2.95	1,638.833
Southwest Gas Corp	49	9.4	17.0	1.58	1,770.451
UGI Corp	38	15.4	12.7	1.82	3,543.362
WGL Holdings Inc	69	10.8	15.1	1.62	1,942.826
Average	<u>57</u>	<u>11.8</u>	<u>16.7</u>	<u>1.92</u>	<u>2,118.795</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 2013-2015

	Value Line Projected ROE	Projected Average ROE (1)	Value Line Projected Dividend Payout	Value Line Projected Common Equity Ratio
<u>Water Group Followed by Analysts</u>				
American States Water Co	12.0 %	12.3 %	45.9 %	54.5 %
Aqua America Inc	12.0	12.2	65.2	42.0
Artesian Resources	--	--	--	--
California Water Service Gp	11.0	11.4	46.4	50.0
Connecticut Water Service Inc.	--	--	--	--
York Water Co	--	--	--	--
Average	<u>11.7 %</u>	<u>12.0 %</u>	<u>52.5 %</u>	<u>48.8 %</u>
<u>Gas Group Followed by Analysts</u>				
AGL Resources Inc	12.5 %	12.9 %	52.3 %	65.0 %
Atmos Energy Corp	9.0	9.3	53.7	51.0
Laclede Group Inc	10.0	10.4	57.1	60.0
New Jersey Resources	13.5	13.8	50.8	65.5
NICOR Inc	10.0	10.2	66.4	76.0
Northwest Natural Gas Co	10.0	10.2	58.8	66.0
Piedmont Natural Gas Co	12.5	12.6	68.9	59.5
South Jersey Industries Inc	17.5	18.1	48.8	59.5
Southwest Gas Corp	9.0	9.3	43.1	53.5
UGI Corp	11.5	12.0	43.0	65.0
WGL Holdings Inc	<u>10.0</u>	<u>10.2</u>	<u>62.2</u>	<u>66.0</u>
Average	<u>11.4 %</u>	<u>11.7 %</u>	<u>55.0 %</u>	<u>62.5 %</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, 1/21/11 & 3/11/11

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

<u>Sensitivity Analysis of DCF</u>						
	<u>Multi-Stage DCF Estimate</u>	<u>Dividend Yield(1)</u>	<u>First Stage Growth Rate (2)</u>	<u>Third Stage Growth Rate (2)</u>	<u>Last Year of 1st Stage Growth</u>	<u>Last Year of 2nd Stage Growth</u>
<u>Water Group Followed by Analysts</u>						
Nominal GDP growth begins in year 11	10.27%	3.40%	7.20%	6.34%	5	10
Nominal GDP growth begins in year 51	10.51%	3.40%	7.20%	6.34%	5	50
Nominal GDP growth begins in year 101	10.57%	3.40%	7.20%	6.34%	5	100
Real GDP growth begins in year 11	10.06%	3.40%	7.20%	6.08%	5	10
Real GDP growth begins in year 51	10.37%	3.40%	7.20%	6.08%	5	50
Real GDP growth begins in year 101	10.45%	3.40%	7.20%	6.08%	5	100
<u>Gas Group Followed by Analysts</u>						
Nominal GDP growth begins in year 11	10.40%	3.80%	5.90%	6.34%	5	10
Real GDP growth begins in year 11	10.19%	3.80%	5.90%	6.08%	5	10

Notes: (1) From page 2 of Schedule 14.
(2) From page 2 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>7.20 %</u>	<u>5.90 %</u>
Stage 2 Growth (Years 6-X) (2)	<u>6.79 %</u>	<u>6.14 %</u>
Stage 3 Growth (Years X-∞) (3)	<u>6.37 %</u>	<u>6.37 %</u>
Real Long-term Growth Rates		
Stage 1 Growth (Years 1-5) (1)	<u>7.20 %</u>	<u>5.90 %</u>
Stage 2 Growth (Years 6-X) (2)	<u>6.89 %</u>	<u>6.24 %</u>
Stage 3 Growth (Years X-∞)		
Real long-term growth of the economy (3)	3.32	3.32
Implied forward inflation rate (4)	<u>3.26</u>	<u>3.26</u>
Stage 3 Growth (Years X-∞)	<u>6.58 %</u>	<u>6.58 %</u>

- Notes: (1) As explained in the Direct Testimony.
 (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 2009
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	89.784	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	14,061.8	0.0495	104.672	0.0195
2008	14,369.1	0.0219	104.671	0.0000
2009	14,119.0	-0.0174	101.916	-0.0263
Average		6.59%		3.40%
Compound		6.34%		3.28%

Federal Reserve
Long-term Forward Inflation
Yields of Treasury Constant Maturities
February 2011

	<u>YTM February 2011</u>	<u>Forward YTM Years 11-20</u>
<u>Nominal</u>		
10-Year	3.580%	
20-Year	4.420%	5.26%
 <u>Inflation Indexed</u>		
10-Year	1.240%	
20-Year	1.850%	<u>2.46%</u>
	 Forward Inflation	 <u><u>2.80%</u></u>

Comparison Between Growth of Water Group Followed by Analysts and
Growth of the Gross Domestic Product, 1979 to 2009

Gross Domestic Product (Billions of dollars)		American States Water	Aqua America, Inc.	Artesian Resources	California Water Service Group	Connecticut Water Service Inc.	York Water Co.
		(Revenues - Millions of dollars)					
1979	\$2,562.2	\$32.533	\$287.869	@NA	\$54.011	\$8.942	\$6.368
1980	\$2,788.1	\$36.527	\$337.962	@NA	\$60.468	\$9.958	\$6.759
1981	\$3,126.8	\$42.805	\$43.521	@NA	\$68.268	\$12.125	\$7.494
1982	\$3,253.2	\$46.297	\$53.883	@NA	\$71.529	\$15.167	\$8.149
1983	\$3,534.6	\$52.422	\$60.811	@NA	\$82.672	\$18.734	\$8.922
1984	\$3,930.9	\$67.361	\$72.468	@NA	\$101.100	\$20.309	\$9.801
1985	\$4,217.5	\$70.999	\$82.679	@NA	\$104.649	\$21.057	\$10.206
1986	\$4,460.1	\$73.687	\$95.912	@NA	\$109.523	\$23.351	\$10.520
1987	\$4,736.4	\$77.730	\$103.919	@NA	\$112.776	\$26.273	\$11.352
1988	\$5,100.4	\$80.175	\$125.872	@NA	\$113.755	\$28.378	\$11.678
1989	\$5,482.1	\$85.564	\$133.517	@NA	\$117.488	\$29.804	\$11.882
1990	\$5,800.5	\$90.398	\$82.267	@NA	\$124.387	\$32.301	\$12.242
1991	\$5,992.1	\$90.660	\$88.648	@NA	\$127.176	\$37.372	\$13.021
1992	\$6,342.3	\$100.660	\$93.307	@NA	\$139.805	\$37.190	\$13.217
1993	\$6,667.4	\$108.506	\$101.244	@NA	\$151.716	\$38.131	\$14.202
1994	\$7,085.2	\$122.675	\$108.636	@NA	\$157.271	\$38.129	\$14.756
1995	\$7,414.7	\$129.813	\$117.044	\$22.631	\$165.086	\$39.350	\$15.449
1996	\$7,838.5	\$151.529	\$122.503	\$20.892	\$182.764	\$38.592	\$15.721
1997	\$8,332.4	\$153.755	\$136.171	\$22.340	\$195.324	\$38.501	\$16.997
1998	\$8,793.5	\$148.060	\$150.977	\$25.466	\$186.273	\$37.924	\$17.137
1999	\$9,353.5	\$173.421	\$257.326	\$26.777	\$206.440	\$42.624	\$17.511
2000	\$9,951.5	\$183.960	\$275.538	\$27.551	\$244.806	\$41.512	\$18.481
2001	\$10,286.2	\$197.514	\$307.280	\$31.987	\$246.820	\$45.392	\$19.403
2002	\$10,642.3	\$209.205	\$322.028	\$34.597	\$263.151	\$45.830	\$19.553
2003	\$11,142.1	\$212.669	\$367.233	\$36.295	\$277.128	\$47.115	\$20.889
2004	\$11,867.8	\$228.005	\$442.039	\$39.582	\$315.567	\$48.493	\$22.504
2005	\$12,638.4	\$236.197	\$496.779	\$45.285	\$320.728	\$47.453	\$26.805
2006	\$13,398.9	\$268.629	\$533.491	\$47.265	\$334.717	\$47.487	\$28.658
2007	\$14,061.8	\$301.370	\$602.499	\$52.524	\$367.082	\$59.578	\$31.433
2008	\$14,369.1	\$318.718	\$626.972	\$56.185	\$410.312	\$61.849	\$32.838
2009	\$14,119.0	\$360.973	\$670.539	\$60.912	\$449.372	\$60.095	\$37.043

Percent Change								Group Average
1981 to 2009	352%	743%	1441%	NA	558%	396%	394%	706%
1984 to 2009	259%	436%	825%	NA	344%	196%	278%	416%
1989 to 2009	158%	322%	402%	NA	282%	102%	212%	264%
1994 to 2009	99%	194%	517%	NA	186%	58%	151%	221%
1999 to 2009	51%	108%	161%	127%	118%	41%	112%	111%
2004 to 2009	19%	58%	52%	54%	42%	24%	65%	49%

Growth Rate Times Greater Than GDP		
Average	Minimum	Maximum
2.0	1.1	4.1
1.6	0.8	3.2
1.7	0.6	2.6
2.2	0.6	5.2
2.2	0.8	3.2
2.6	1.3	3.4

Source of Information: Table 1.1.5. Gross Domestic Product
Bureau of Economic Analysis, Downloaded on 3/13/2011, Last Revised 2/25/2011
Standard & Poor's, Research Insight

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 <u>(9/30/10)</u>	Recent Market Value Capitalization Ratios	Average Book Value of Common Equity <u>(Millions)</u>	Average Market Value of Common Equity <u>(Millions)</u>	Difference in Market Value and Book Value Common Equity
<u>Water Group Followed by Analysts:</u>					
Long Term Debt	49.3 %	33.3 %			
Preferred Stock	0.1	0.1			
Common Equity	<u>50.6</u>	<u>66.6</u>	<u>\$374.144</u>	<u>\$841.687</u>	<u>\$467.543</u>
Total	<u>100.0 %</u>	<u>100.0 %</u>			
<u>Gas Group Followed by Analysts:</u>					
Long Term Debt	40.1 %	27.0 %			
Preferred Stock	0.9	0.5			
Common Equity	<u>59.0</u>	<u>72.5</u>	<u>\$1,158.226</u>	<u>\$2,029.708</u>	<u>\$871.483</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 @ (9/30/10)</u>						<u>Market Value @ (9/30/10)</u>					
<u>Line No.</u>	<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)	<u>TAX</u> (t)	<u>BETA</u> (Bl)	<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)	<u>TAX</u> (t)	<u>BETA</u> (Bl)	
1.											
2.	33.3%	0.1%	66.6%	41.180%	0.72	27.0%	0.5%	72.5%	41.180%	0.67	
3.	Bl = Bu (1+(1-t)D/E+P/E)					Bl = Bu (1+(1-t)D/E+P/E)					
4.	1-t = 0.5882					1-t = 0.5882					
5.	D/E = 0.5000					D/E = 0.3724					
6.	P/E = 0.0015					P/E = 0.0069					
7.	Bl = Bu * 1.2956					Bl = Bu * 1.2260					
8.	Bu = 0.56					Bu = 0.55					
 <u>Water Group Followed by Analysts</u>						 <u>Gas Group Followed by Analysts</u>					
<u>Book Value @ (9/30/10)</u>						<u>Book Value @ (9/30/10)</u>					
	<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)	<u>TAX</u> (t)		<u>DEBT</u> (D)	<u>PREF</u> (P)	<u>CE</u> (E)	<u>TAX</u> (t)		
9.											
10.											
11.	49.30%	0.10%	50.60%	41.180%		40.10%	0.90%	59.00%	41.180%		
12.	Bl = Bu (1+(1-t)D/E+P/E)					Bl = Bu (1+(1-t)D/E+P/E)					
13.	1-t = 0.5882					1-t = 0.5882					
14.	D/E = 0.9743					D/E = 0.6797					
15.	P/E = 0.0020					P/E = 0.0153					
16.	Bl = Bu * 1.5751					Bl = Bu * 1.4150					
17.	Bl = 0.88					Bl = 0.77					
 <u>Cost Adjustment Based on Risk Premium</u>						 <u>Cost Adjustment Based on Risk Premium</u>					
18.	Barometer Group's Beta	=	<u>0.72</u>			Barometer Group's Beta	=	<u>0.67</u>			
19.	Beta difference	=	0.16			Beta difference	=	0.10			
20.	Risk premium	=	<u>4.5</u>			Risk premium	=	<u>4.5</u>			
21.	Risk adjustment	=	<u>0.72</u>			Risk adjustment	=	<u>0.45</u>			

Default Spread for
Aaa Rated Corporate Bonds and A Rated Investor-Owned Public Utility Bonds
Yearly for 2005-2009, Monthly for the Years 2010 and 2011

<u>Years</u>	<u>Corporate Aaa Rated</u>	<u>Public Utility A Rated</u>	<u>A Over Aaa</u>
2006	5.58	6.07	0.48
2007	5.56	6.08	0.52
2008	5.63	6.53	0.90
2009	5.31	6.04	0.73
Average	5.52	6.18	0.66
Jan 2010	5.26	5.77	0.51
Feb 2010	5.35	5.87	0.52
Mar 2010	5.27	5.84	0.57
Apr 2010	5.29	5.81	0.52
May 2010	4.96	5.50	0.54
Jun 2010	4.88	5.46	0.58
Jul 2010	4.72	5.26	0.54
Aug 2010	4.49	5.01	0.52
Sep 2010	4.53	5.01	0.48
Oct 2010	4.68	5.10	0.42
Nov 2010	4.87	5.37	0.50
Dec 2010	5.02	5.56	0.54
Avg 2010	4.94	5.46	0.52
Jan 2011 <i>E</i>	5.04	5.55	0.51
Feb 2011 <i>E</i>	5.22	5.68	0.46

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)	6.7 %	6.7 %
x Beta(2)	<u>0.72</u>	<u>0.67</u>
Risk Adjusted Market Premium	4.8	4.5
Size Adjustment Premium(2)	1.0	0.7
Plus Risk Free Rate(1)	<u>4.6</u>	<u>4.6</u>
Market Value CAPM Cost Rate	<u>10.4 %</u>	<u>9.8 %</u>

<u>Estimation Based Upon Projected Information</u>		
Market Premium(1)	9.8 %	9.8 %
x Beta(2)	<u>0.72</u>	<u>0.67</u>
Risk Adjusted Market Premium	7.1	6.6
Size Adjustment Premium(2)	1.0	0.7
Plus Risk Free Rate(1)	<u>4.6</u>	<u>4.6</u>
Market Value CAPM Cost Rate	<u>12.7 %</u>	<u>11.9 %</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)
March-10	1.9 %	60 %	12.5 %	14.4 %			
April-10	1.8	45	9.7	11.5			
May-10	2.0	60	12.5	14.5			
June-10	2.0	65	13.3	15.3			
July-10	2.1	75	15.0	17.1			
August-10	2.2	75	15.0	17.2			
September-10	2.1	70	14.2	16.3			
October-10	2.1	60	12.5	14.6			
November-10	2.0	60	12.5	14.5			
December-10	1.9	45	9.7	11.6			
January-11	1.8	45	9.7	11.5			
February-11	1.8	50	10.7	12.5			
					<u>14.4 %</u>	<u>14.3 %</u>	14.4 %
					Less Risk Free Rate(4)		<u>4.6</u>
					Estimated Market Premium Based Upon Projected Information (1)		<u>9.8 %</u>
					Estimated Market Premium Based Upon Historical Information (5)		<u>6.7 %</u>

See next page of this Schedule for Notes.

CAPM

The 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 (Feb-11) that the market will appreciate in price 50% over the next three to five years. Using a four-year midpoint estimate, Value Line's appreciation potential equates to 10.7% annually ($[1.50]^{.25}$). Additionally, Value Line estimates the market will have a dividend yield of 1.8%. Combining the market dividend yield of 1.8% with the market appreciation results in a projected market return rate of 12.5% (10.7% + 1.8%).
- (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 4.6%.
- (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 11.85% which, when reduced by the long-term historic risk-free rate of 5.18% results in a market premium of 6.7% (11.85% - 5.18%).

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 Value (Mill \$)	Market Quartile Name	Market Quartile	Quartile Size Premium	Quartile Beta	Value Line Beta	Beta Ratio	Beta Adjusted Quartile Size Premium
<u>Water Group Followed by Analysts</u>								
American States Water Co	\$624.515	Low-Cap	3	1.85	1.23	0.80	65%	1.2
Aqua America Inc	3,107.039	Mid-Cap	2	1.08	1.12	0.65	58%	0.6
Artesian Resources	148.460	Mico-Cap	4	3.99	1.36	NA	NA	-
California Water Service Gp	734.882	Low-Cap	3	1.85	1.23	0.70	57%	1.1
Connecticut Water Service Inc.	220.590	Mico-Cap	4	3.99	1.36	NA	NA	-
York Water Co	214.637	<u>Mico-Cap</u>	<u>4</u>	<u>3.99</u>	<u>1.36</u>	NA	NA	-
Average		<u>Low-Cap</u>	<u>3</u>	<u>1.85</u>	<u>1.85</u>	<u>0.72</u>	<u>60%</u>	<u>1.0</u>
<u>Gas Group Followed by Analysts</u>								
AGL Resources Inc	2,964.780	Mid-Cap	2	1.08	1.12	0.75	67%	0.7
Atmos Energy Corp	3,065.749	Mid-Cap	2	1.08	1.12	0.65	58%	0.6
Laclede Group Inc	870.553	Low-Cap	3	1.85	1.23	0.60	49%	0.9
New Jersey Resources	1,732.473	Mid-Cap	2	1.08	1.12	0.65	58%	0.6
NICOR Inc	2,402.307	Mid-Cap	2	1.08	1.12	0.75	67%	0.7
Northwest Natural Gas Co	1,253.443	Low-Cap	3	1.85	1.23	0.60	49%	0.9
Piedmont Natural Gas Co	2,121.965	Mid-Cap	2	1.08	1.12	0.65	58%	0.6
South Jersey Industries Inc	1,638.833	Mid-Cap	2	1.08	1.12	0.65	58%	0.6
Southwest Gas Corp	1,770.451	Mid-Cap	2	1.08	1.12	0.75	67%	0.7
UGI Corp	3,543.362	Mid-Cap	2	1.08	1.12	0.65	58%	0.6
WGL Holdings Inc	1,942.826	Mid-Cap	2	1.08	1.12	0.65	58%	0.6
Average		<u>Low-Cap</u>	<u>3</u>	<u>1.85</u>	<u>0.00</u>	<u>0.67</u>	<u>0.59</u>	<u>0.70</u>

Source of Information: Stocks, Bonds, Bills, and Inflation, 2010 Yearbook and Value Line

Market Value Risk Premium
For the Water Group Followed by Analysts and 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)	5.8	%	5.8	%
Estimated Risk Premium(2)	<u>4.5</u>		<u>4.5</u>	
Market Value Risk Premium Indicated Cost Rate	<u>10.3</u>	%	<u>10.3</u>	%

Notes: (1) Based upon the current and prospective long-term debt cost rates, it is reasonable to expect that if the comparable group (i.e., Water Group) issued new long-term bonds, it would both be priced to yield about 5.8% based upon a credit profiles of A for the Water Group and the Gas Group.

(2) A 4.5% risk premium is concluded for the Group 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 <u>Edition</u>	Forecasted Market Dividend <u>Yield</u>	Stock Price Appreciation Next 3-5 Years	Annual Price <u>Appreciation</u>	Forecasted Annual Total <u>Return</u>	Less: Yield of Moody's A Rated <u>Industrial Bonds</u>	Forecasted Equity <u>Premium</u>	Estimated Risk <u>Adjustment</u>	Forecasted Risk <u>Premium</u>
March-10	1.9 %	60 %	12.5 %	14.4 %	5.75 %	8.7 %	90 %	7.8 %
April-10	1.8	45	9.7	11.5	5.74	5.8	90	5.2
May-10	2.0	60	12.5	14.5	5.47	9.0	90	8.1
June-10	2.0	65	13.3	15.3	5.42	9.9	90	8.9
July-10	2.1	75	15.0	17.1	5.23	11.9	90	10.7
August-10	2.2	75	15.0	17.2	4.98	12.2	90	11.0
September-10	2.1	70	14.2	16.3	5.00	11.3	90	10.2
October-10	2.1	60	12.5	14.6	5.07	9.5	90	8.6
November-10	2.0	60	12.5	14.5	5.29	9.2	90	8.3
December-10	1.9	45	9.7	11.6	5.47	6.1	90	5.5
January-11	1.8	45	9.7	11.5	5.47	6.0	90	5.4
February-11	1.8	50	10.7	12.5	5.59	6.9	90	6.2
		Midpoint of data		14.4		9.0		8.1 %
		Twelve Month Average		14.3		8.9		8.0 %

Annual Total Returns and Risk Premiums of
S&P Public Utility Stocks and Bonds
for the Years 1990-2009, 1980-2009, 1970-2009, 1960-2009, 1950-2009, 1940-2009 and 1928-2009

Periods	Public Utility Stock	L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB
Average Annual Rates of Return							
1990 to 2009	0.0984	0.0904	0.0971	0.0978	0.0986	0.0953	0.1055
1980 to 2009	0.1392	0.1088	0.1200	0.1147	0.1162	0.1151	0.1253
1970 to 2009	0.1257	0.0927	0.1004	0.1006	0.1020	0.1023	0.1109
1960 to 2009	0.1149	0.0765	0.0790	0.0824	0.0832	0.0837	0.0911
1950 to 2009	0.1198	0.0625	0.0638	0.0687	0.0695	0.0701	0.0772
1940 to 2009	0.1182	0.0575	0.0584	0.0635	0.0645	0.0661	0.0741
1928 to 2009	0.1074	0.0557	0.0594	0.0640	0.0652	0.0673	0.0754
Average Risk Premiums							
1990 to 2009		0.0080	0.0013	0.0006	-0.0002	0.0031	-0.0071
1980 to 2009		0.0304	0.0192	0.0245	0.0230	0.0241	0.0139
1970 to 2009		0.0330	0.0252	0.0250	0.0237	0.0233	0.0148
1960 to 2009		0.0574	0.0561	0.0511	0.0503	0.0498	0.0427
1950 to 2009		0.0574	0.0561	0.0511	0.0503	0.0498	0.0427
1940 to 2009		0.0607	0.0598	0.0547	0.0537	0.0521	0.0441
1928 to 2009		0.0516	0.0480	0.0434	0.0422	0.0401	0.0320

Annual Total Returns, Annual Income Returns and Risk Premiums of
S&P Public Utility Stocks and Bonds
for the Years 1990-2009, 1980-2009, 1970-2009, 1960-2009, 1950-2009, 1940-2009 and 1928-2009

Periods	Annual Total Returns Public Utility Stock	Annual Income Returns					
		L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB
Average Rates of Return							
1990 to 2009	0.0984	0.0604	0.0782	0.0724	0.0727	0.0742	0.0777
1980 to 2009	0.1392	0.0757	0.0953	0.0873	0.0878	0.0902	0.0943
1970 to 2009	0.1257	0.0756	0.0916	0.0866	0.0874	0.0898	0.0940
1960 to 2009	0.1149	0.0697	0.0818	0.0794	0.0801	0.0823	0.0861
1950 to 2009	0.1198	0.0631	0.0725	0.0718	0.0724	0.0745	0.0781
1940 to 2009	0.1182	0.0573	0.0651	0.0654	0.0660	0.0681	0.0717
1928 to 2009	0.1074	0.0534	0.0609	0.0619	0.0626	0.0653	0.0700
Average Risk Premiums							
1990 to 2009		0.0381	0.0202	0.0260	0.0258	0.0242	0.0207
1980 to 2009		0.0635	0.0440	0.0520	0.0514	0.0490	0.0449
1970 to 2009		0.0500	0.0341	0.0390	0.0383	0.0359	0.0317
1960 to 2009		0.0568	0.0474	0.0480	0.0474	0.0453	0.0417
1950 to 2009		0.0568	0.0474	0.0480	0.0474	0.0453	0.0417
1940 to 2009		0.0609	0.0531	0.0528	0.0522	0.0501	0.0465
1928 to 2009		0.0540	0.0465	0.0455	0.0447	0.0421	0.0374

Annual Total Returns of
S&P Public Utility Stocks and Bonds
for the Years 1928-2009

Years	Annual Total Returns						
	Public Utility Stocks	L-Term T-Bonds	Public Utility Bonds				
			AAA	AAA & AA	AA	A	BBB
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
2009	0.1801	-0.1460		0.1159	0.1159	0.1662	0.0745

Annual Total Returns of S&P Public Utility Stocks
And Annual Income Returns of Bonds
for the Years 1928-2009

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
2009	0.1801	0.0401		0.0579	0.0579	0.0610	0.0721