

ILLINOIS AMERICAN WATER COMPANY

EXHIBITS

TO ACCOMPANY

IAWC EXHIBIT 10.00: THE DIRECT TESTIMONY

OF

PAULINE M. AHERN, CRRA
PRINCIPAL
AUS CONSULTANTS

NOVEMBER 2010

Table of Contents

	<u>IAWC Exhibit</u>
Summary of Cost of Capital and Fair Rate of Return	10.01
Capital Intensity and Depreciation Rates for Illinois-American Water Company and the AUS Utility Reports Companies	10.02
Relative Risk Indicators for the AUS Utility Reports Companies	10.03
Standard & Poor's Public Utility Rating Methodology Profile and Revised Public Utility Financial Indicative Ratios	10.04
Financial Profile of Illinois-American Water Company	10.05
Financial Profile of the Proxy Group of Nine Water Companies	10.06
Application of the Discounted Cash Flow Model (DCF) to the Proxy Group of Nine Water Companies	10.07
Current Institutional Holdings	10.08
Application of the Risk Premium Model (RPM) to the Proxy Group of Nine Water Companies	10.09
Total Returns on Large Company Common Stocks – 1926-2010	10.10
Application of the Capital Asset Pricing Model (CAPM) to the Proxy Group of Nine Water Companies	10.11
Summary of Cost of Common Equity Models Applied to Comparable Risk Non-Price Regulated Companies to the Proxy Group of Nine Water Companies and Basis of Selection	10.12
Projected Returns on Book Common Equity for the Comparable Risk Non-Price Regulated Companies to the Proxy Group of Nine Water Companies	10.13
Applications of the DCF, RPM, and CAPM for the Comparable Risk Non-Price Regulated Companies to the Proxy Group of Nine Water Companies	10.14
Estimated Market Capitalization for Illinois-American Water Company and the Proxy Group of Nine Water Companies	10.15
Capital Market Indicators	10.16
Calculation of Flotation Cost Adjustment	10.17

Illinois American Water Company
 Summary of Cost of Capital and Fair Rate of Return
Based upon the Estimated Capital Structure at September 30, 2013

<u>Type of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	48.90%	6.07% (1)	2.97%
Short-Term Debt	<u>0.26%</u>	0.76%	<u>0.00%</u>
Total Debt	49.16%		2.97%
Common Equity	<u>50.84%</u>	11.40% (2)	<u>5.80%</u>
Total	<u><u>100.00%</u></u>		<u><u>8.77%</u></u>

Notes:

- (1) From Schedule D-1, page 1 of 7.
- (2) Based upon informed judgment from the entire study, the principal results of which are summarized on page 2.

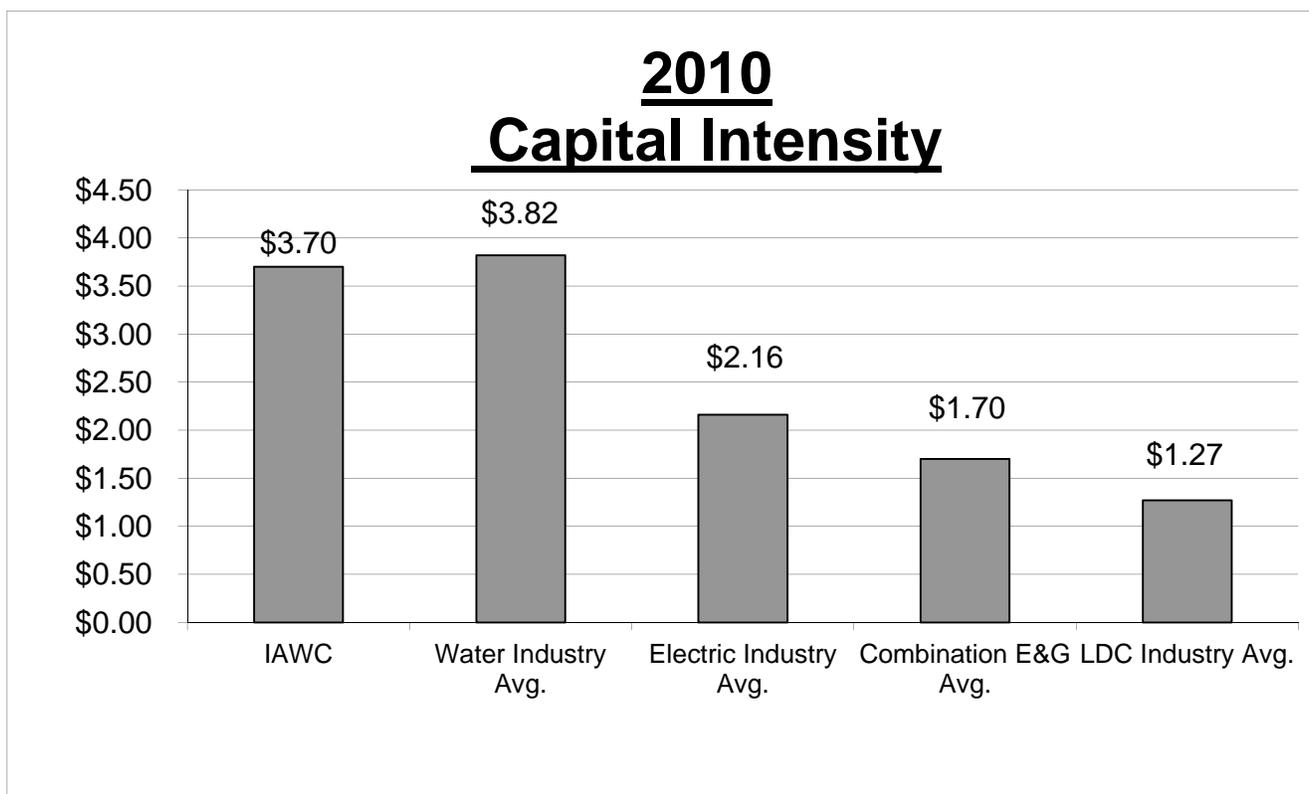
Illinois American Water Company
Brief Summary of Common Equity Cost Rate

<u>No.</u>	<u>Principal Methods</u>	<u>Proxy Group of Nine Water Companies</u>
1.	Discounted Cash Flow Model (DCF) (1)	9.96 %
2.	Risk Premium Model (RPM) (2)	10.41
3.	Capital Asset Pricing Model (CAPM) (3)	10.73
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	13.30
5.	Indicated Common Equity Cost Rate before Adjustment for Business Risks	11.00 %
6.	Flotation Cost Adjustment (5)	0.16
7.	Investment Risk Adjustment (6)	<u>0.25</u>
8.	Indicated Common Equity Cost Rate	<u><u>11.41 %</u></u>
9.	Recommended Common Equity Cost Rate	<u><u>11.40 %</u></u>

- Notes: (1) From IAWC Exhibit 10.07.
(2) From page 1 of IAWC Exhibit 10.09.
(3) From page 1 of IAWC Exhibit 10.11.
(4) From page 2 of IAWC Exhibit 10.12.
(5) From page 1 of IAWC Exhibit 10.17.
(6) Risk adjustment to reflect Illinois American Water Company's unique business and financial risks relative to the proxy group as detailed in Ms. Ahern's accompanying direct testimony.

Illinois American Water Company
2010 Capital Intensity of Illinois American Water Company and
AUS Utility Reports Utility Companies Industry Averages

	Average Net Plant (\$ mill)	Average Operating Revenue (\$ mill)	Capital Intensity (\$)	Capital Intensity of IAWC v. Other Industries (times)
Illinois American Water Company	\$ 840.26	\$ 227.00	\$ 3.70	- -
Water Industry Average	\$ 1,841.97	\$ 482.13	\$ 3.82	96.86%
Electric Industry Average	\$ 11,841.00	\$ 5,481.47	\$ 2.16	171.30%
Combination Elec. & Gas Industry Average	\$ 10,561.90	\$ 6,210.80	\$ 1.70	217.65%
Gas Distribution Average	\$ 2,909.36	\$ 2,295.93	\$ 1.27	291.34%



Notes:

Capital Intensity is equal to Net Plant divided by Total Operating Revenue.

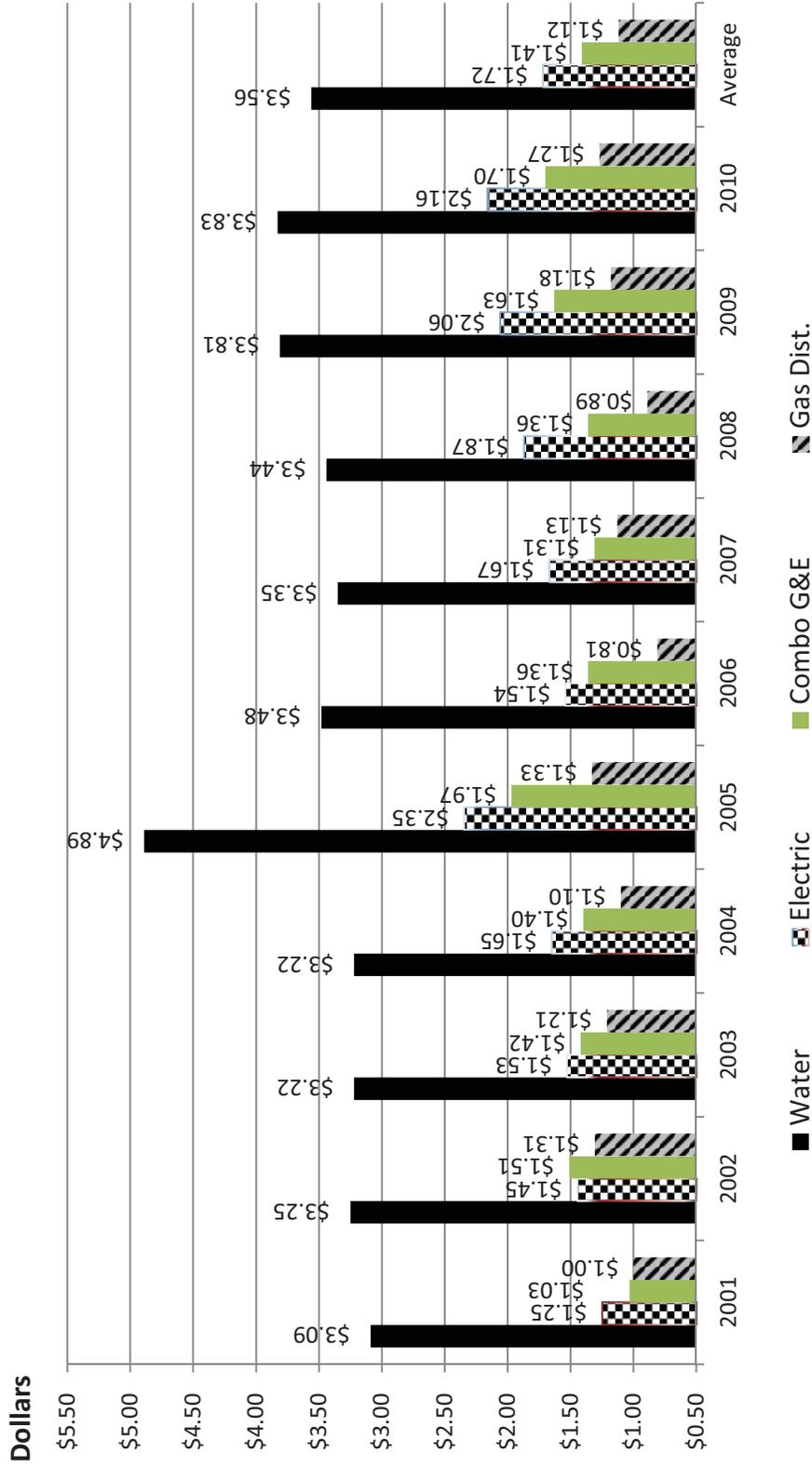
Source of Information:

EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Reports - May 2011
Published By AUS Consultants

Company Provided Information

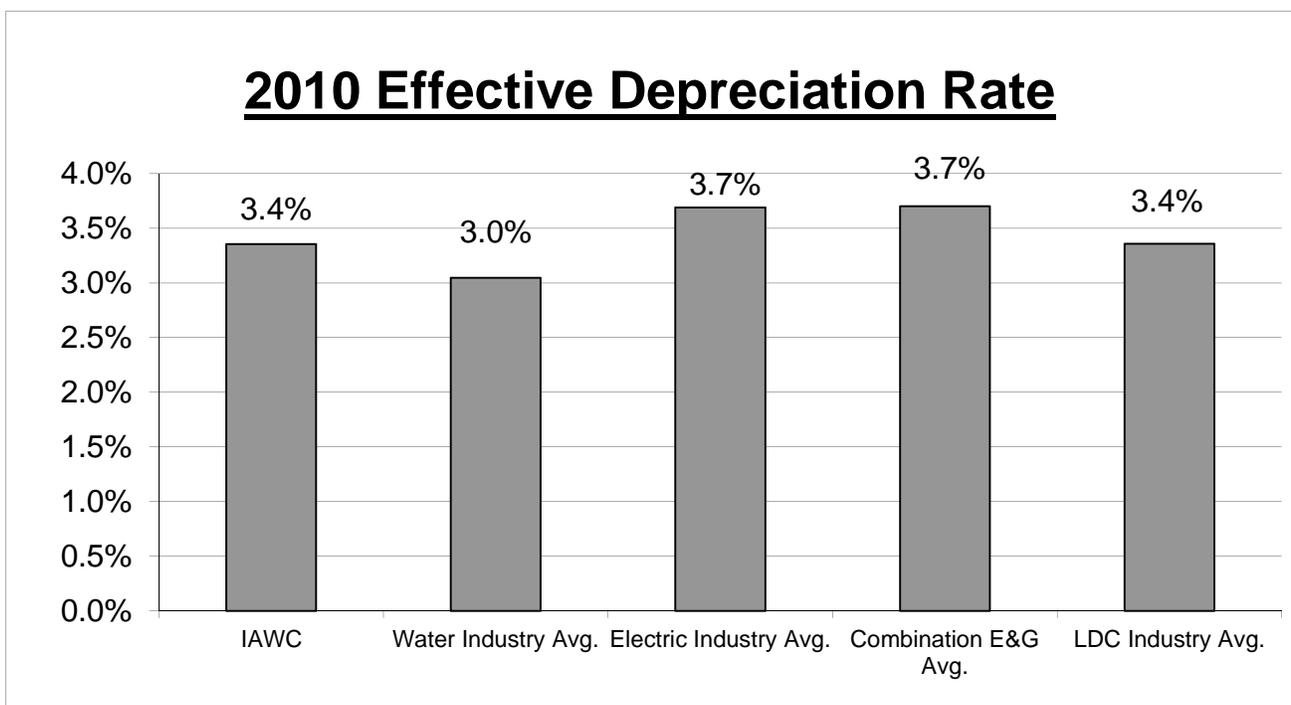
Capital Intensity of the AUS Utility Reports Companies 2001 - 2010



Source of Information: SEC Edgar I-Metrix Online Database

Illinois American Water Company
2010 Depreciation Rate of Illinois American Water Company and
AUS Utility Reports Utility Companies Industry Averages

	Depreciation Depletion & Amort. Expense (\$ mill)	Average Total Gross Plant Less CWIP (\$ mill)	Depreciation Rate (%)	Depreciation Rate of IAWC v. Other Industries (times)
Illinois American Water Company	\$ 42.01	\$ 1,252.08	3.4%	-
Water Industry Average	\$ 61.69	\$ 2,024.85	3.0%	113.33%
Electric Industry Average	\$ 581.88	\$ 15,770.71	3.7%	91.89%
Combination Elec. & Gas Industry Average	\$ 541.78	\$ 14,632.55	3.7%	91.89%
LDC Gas Distribution Industry Average	\$ 132.79	\$ 3,952.97	3.4%	100.00%



Notes:

Effective Depreciation Rate is equal to Depreciation, Depletion and Amortization Expense divided by average beginning and ending year's Gross Plant minus Construction Work in Progress.

Source of Information:

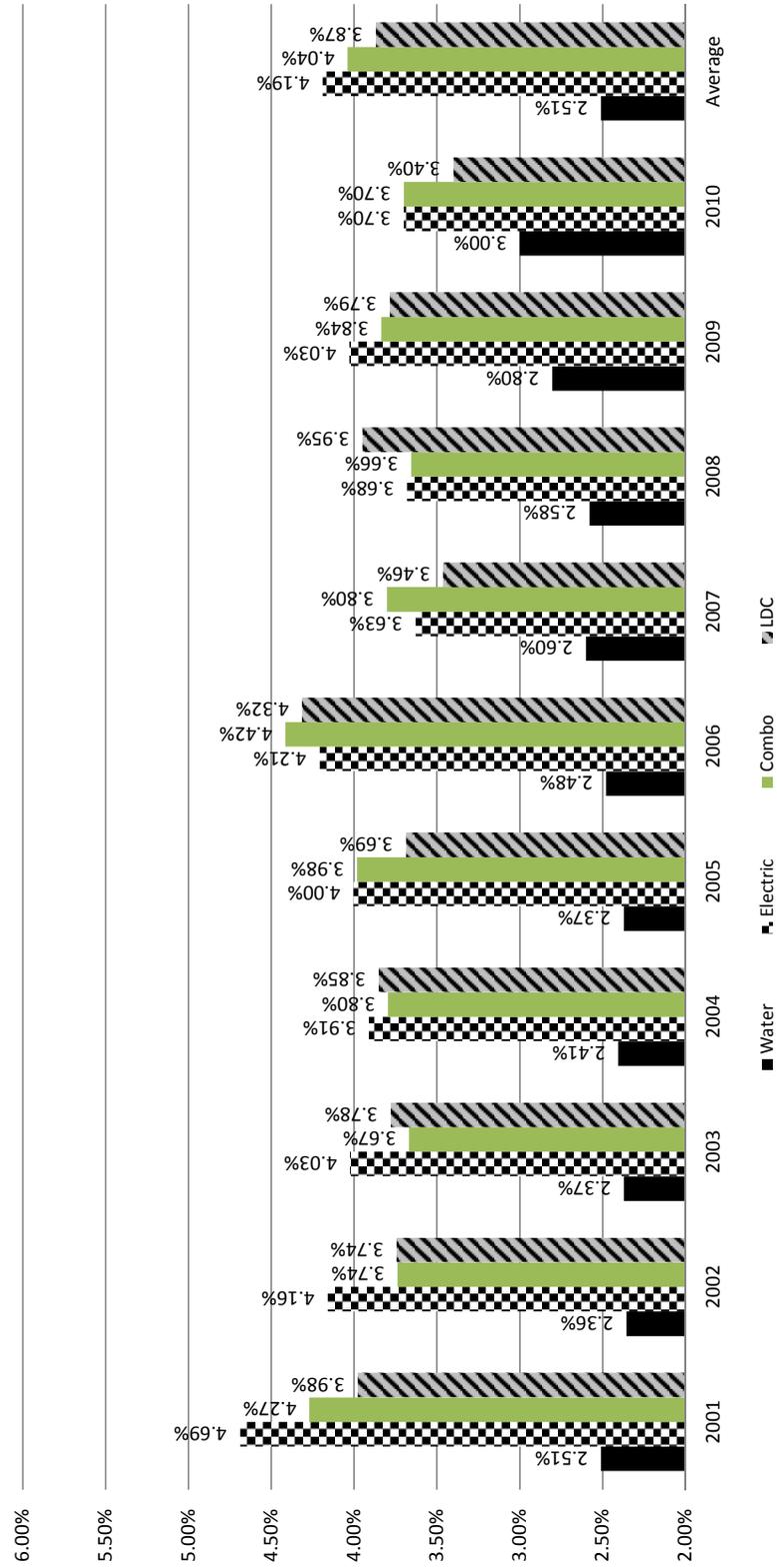
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Report - May 2011

Published by AUS Consultants

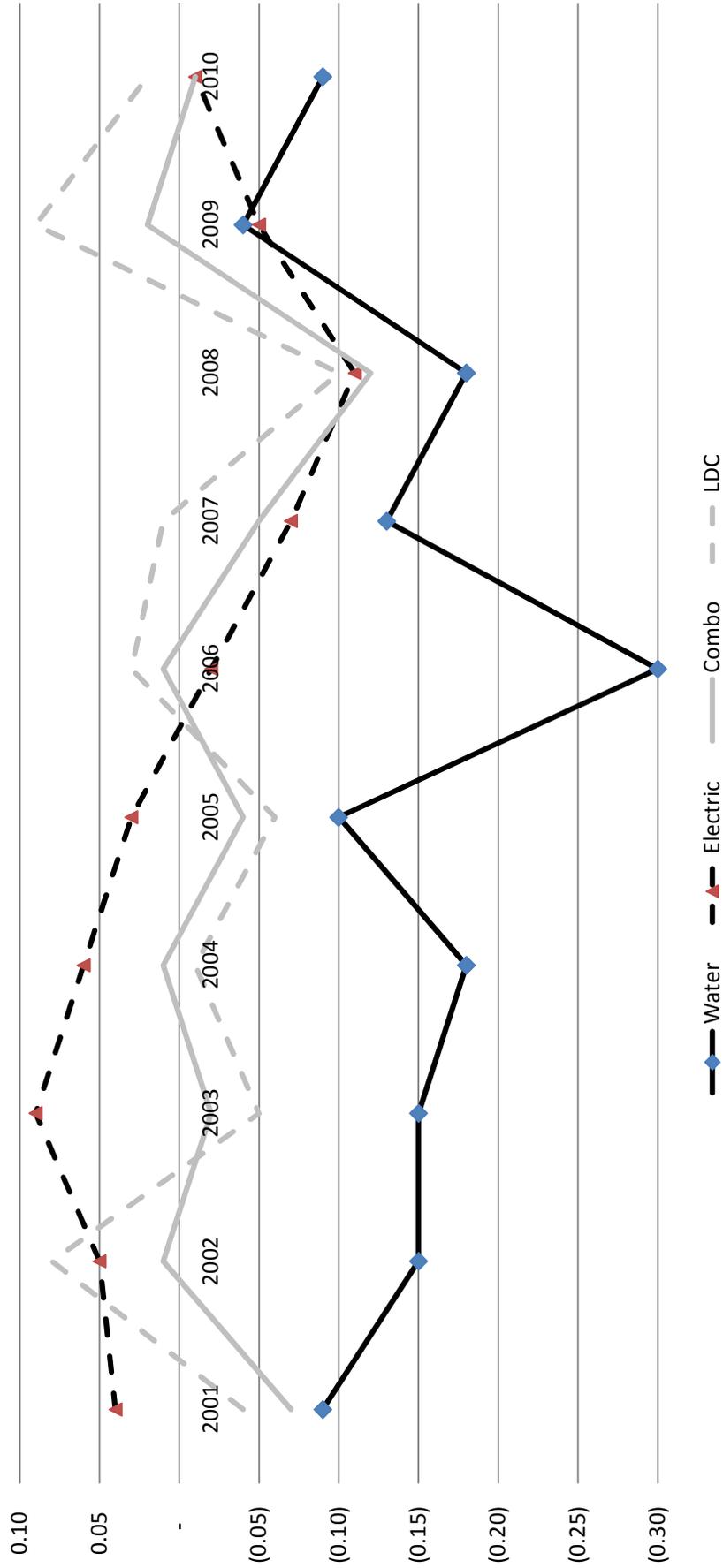
Company Provided Information

Depreciation Rates for the AUS Utility Reports Companies 2001-2010



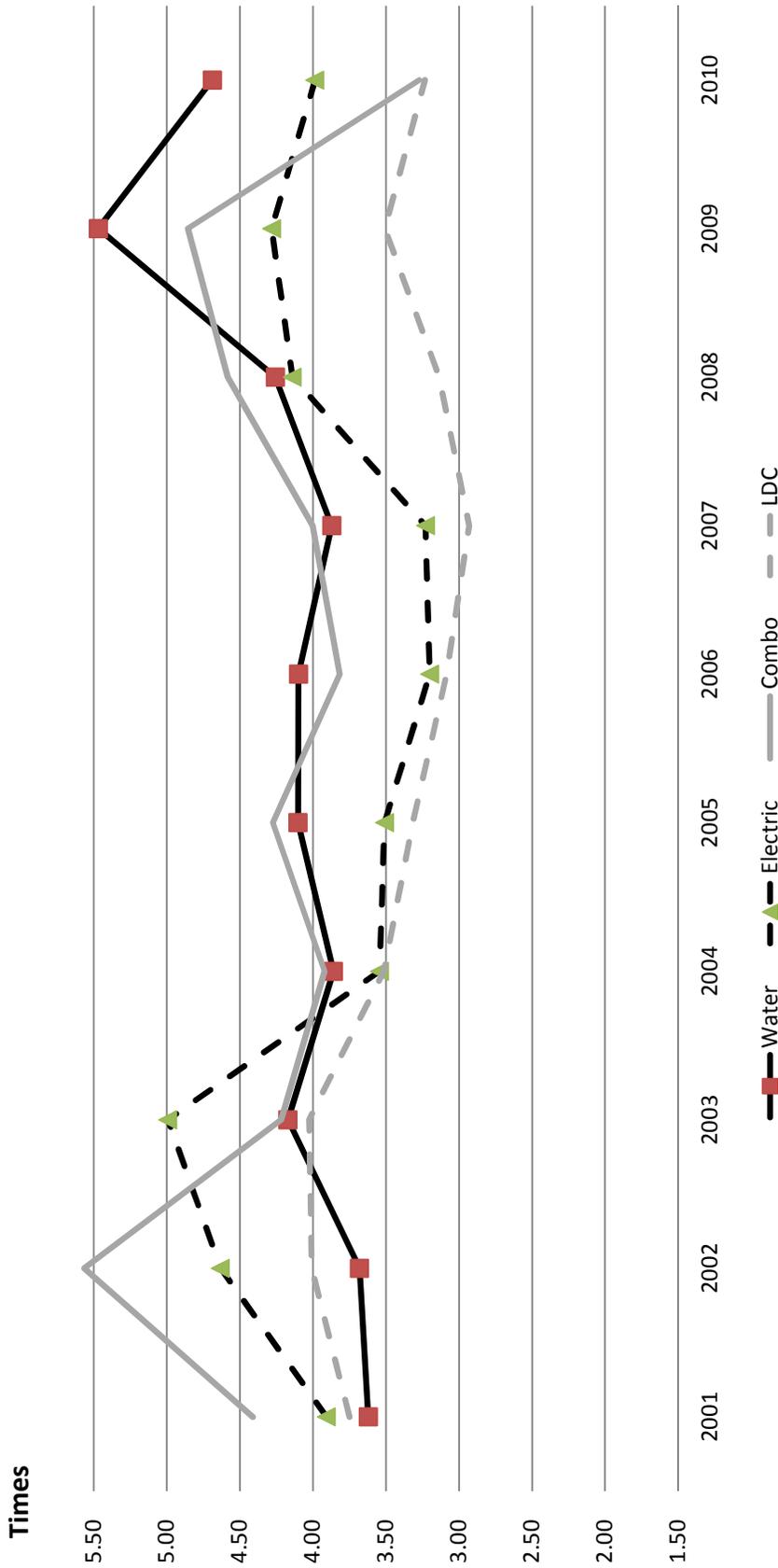
Source of Information: SEC Edgar I-Metrix Online Database

Free Cash Flow / Operating Revenues for the AUS Utility Reports Companies 2001 - 2010



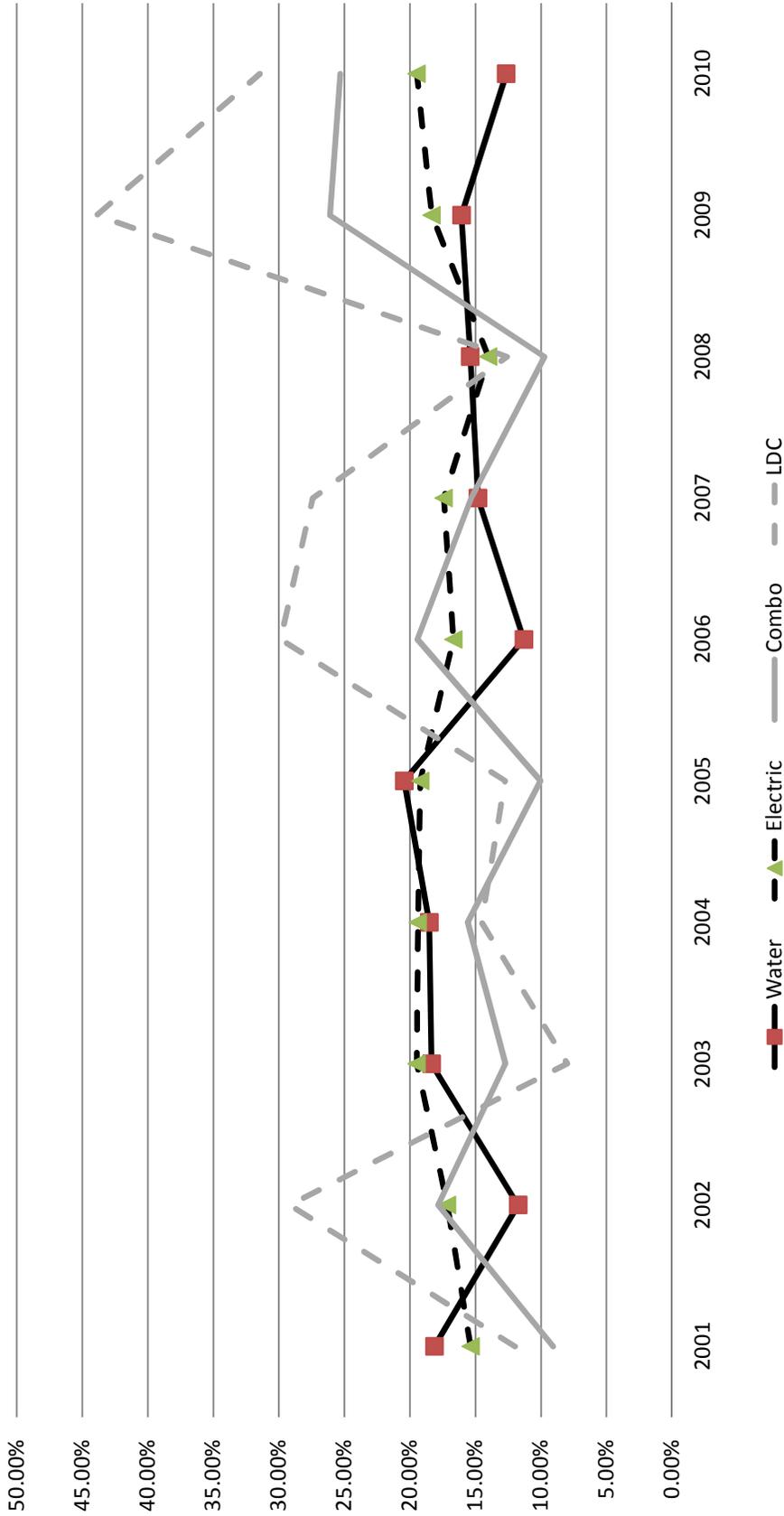
Source of Information: SEC Edgar I-Metrix Online Database

Total Debt / EBITDA for the AUS Utility Reports Companies 2001 - 2010



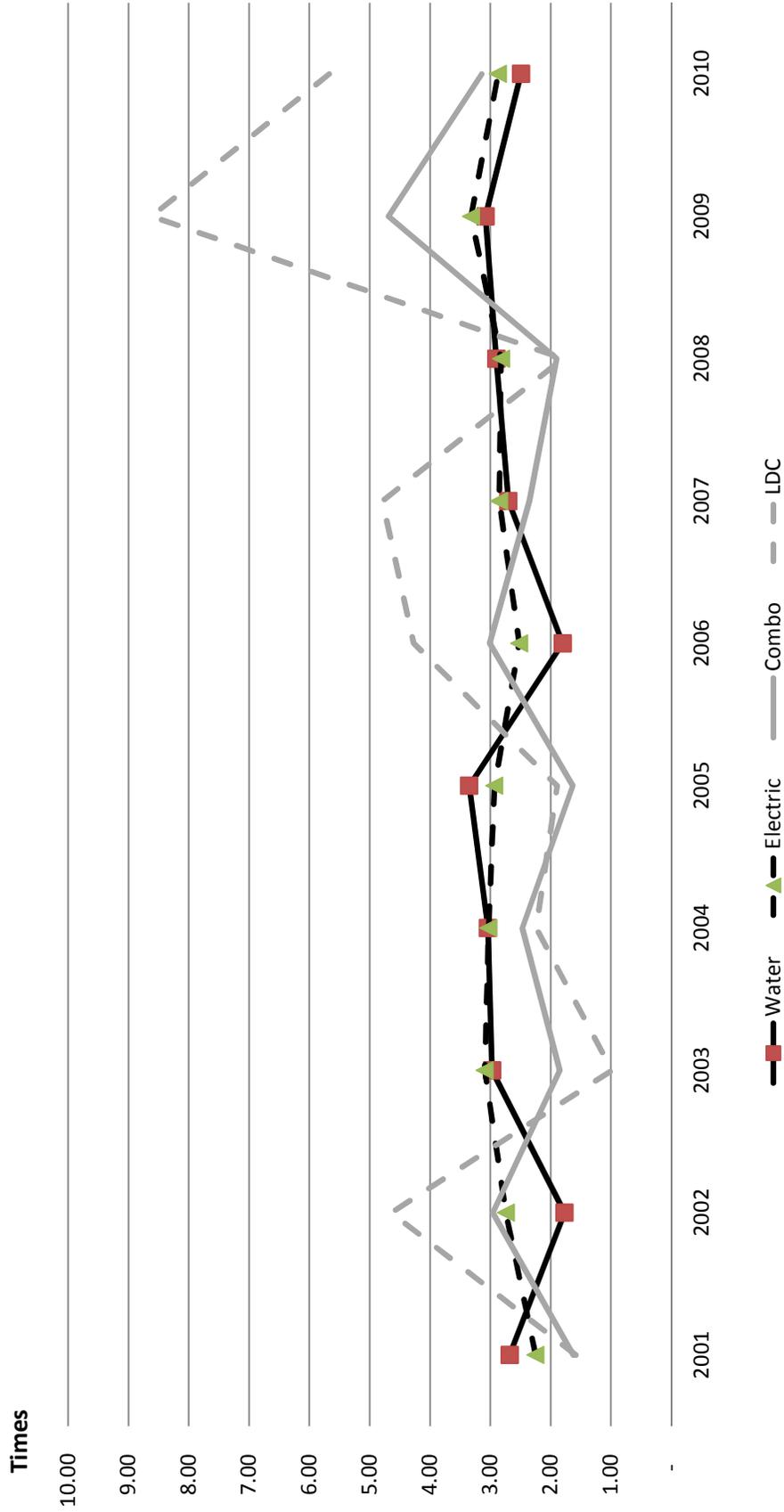
Source of Information: SEC Edgar I-Metrix Online Database

Funds From Ops / Total Debt for the AUS Utility Reports Cos. 2001- 2010



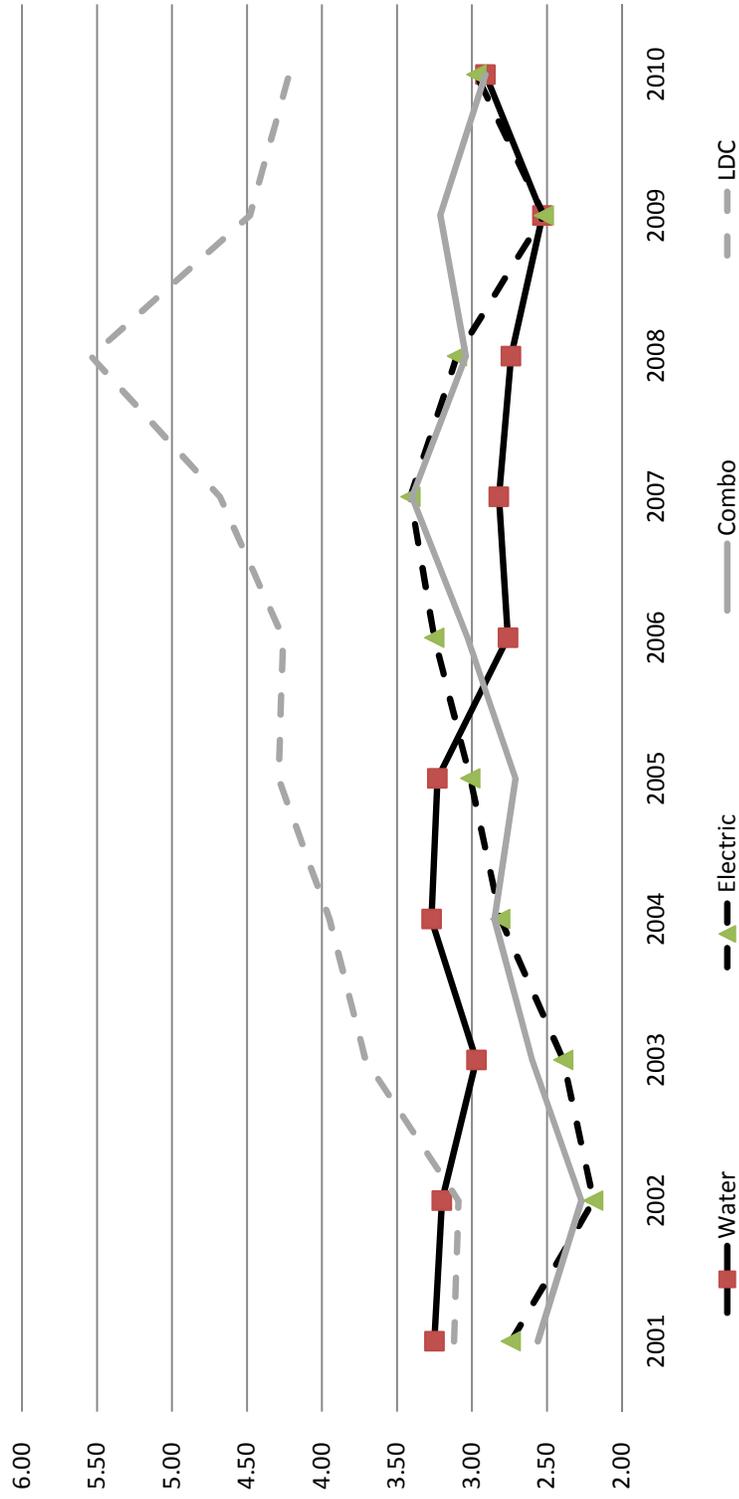
Source of Information: SEC Edgar I-Metrix Online Database

Funds From Ops / Interest Cov. for the AUS Utility Reports Cos. 2001 - 2010



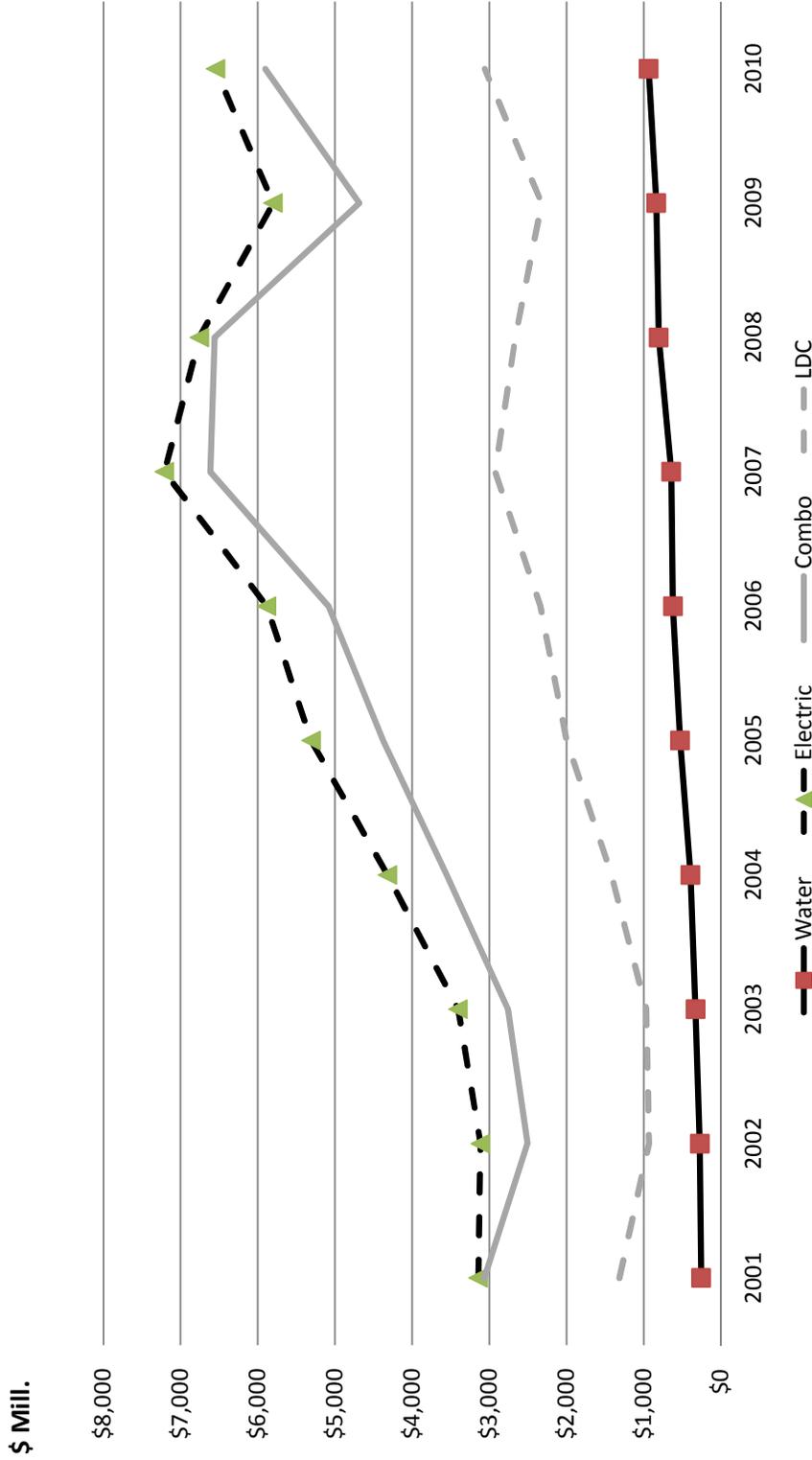
Source of Information: SEC Edgar I-Metrix Online Database

Before-Inc. Tax / Interest Cov. for the AUS Utility Reports Cos. 2001 - 2010



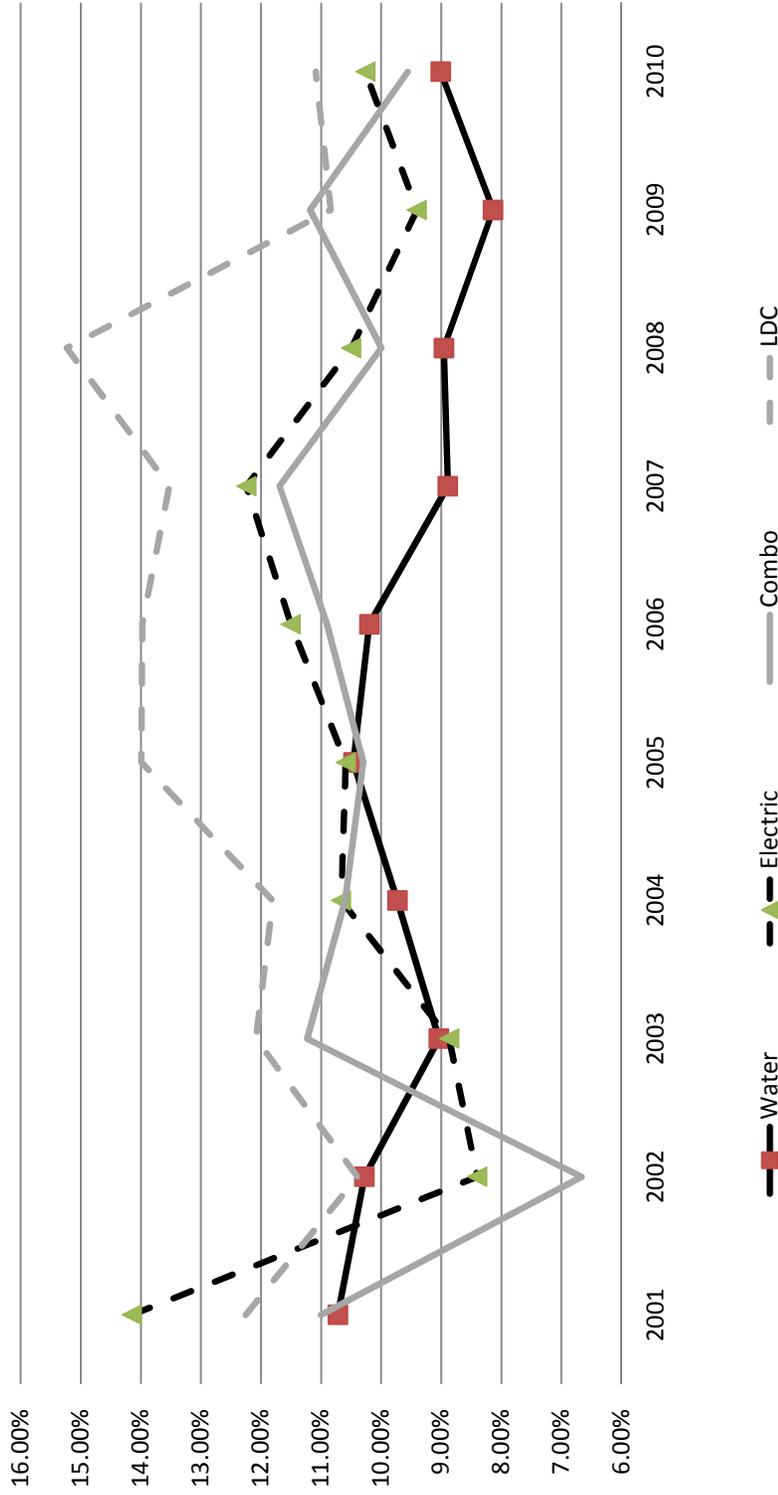
Source of Information: SEC Edgar I-Metrix Online Database

Market Capitalization for the AUS Utility Reports Companies 2001 - 2010



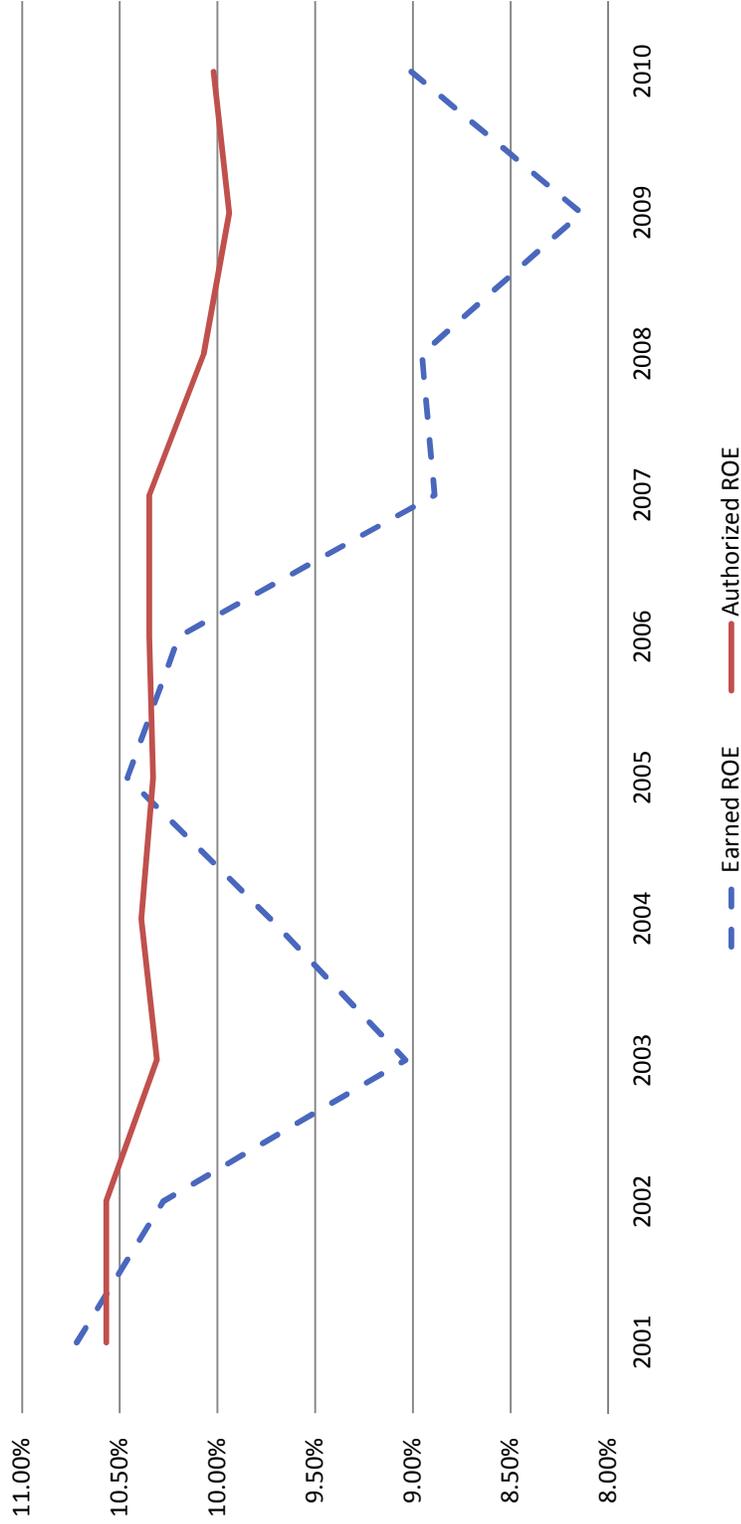
Source of information: SEC Edgar I-Metrix Online Database

Earned Returns on Common Equity for the AUS Utility Reports Cos. 2001 - 2010



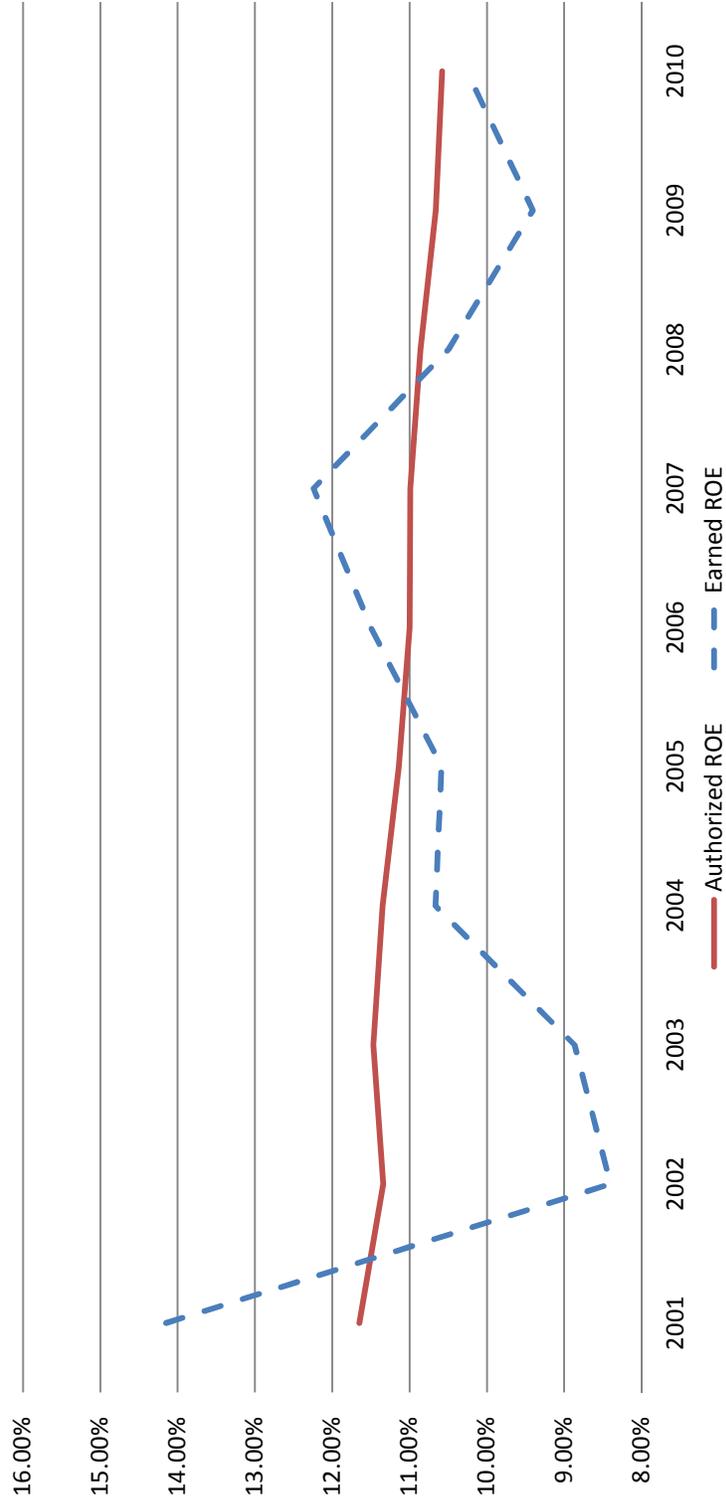
Source of Information: SEC Edgar I-Metrix Online Database

Earned ROE v Authorized ROE for the AUS Utility Reports Water Companies 2001 - 2010



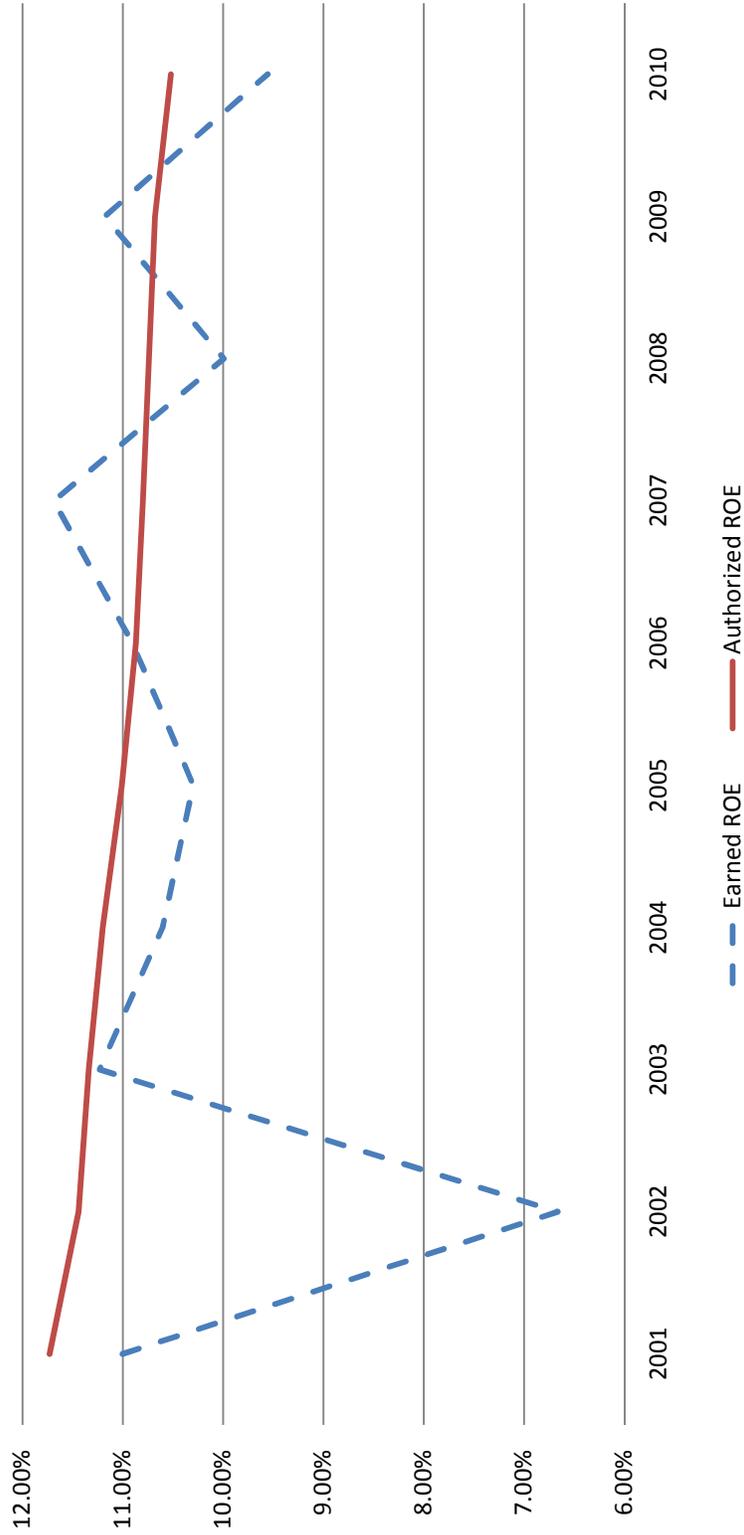
Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

Earned ROE v Authorized ROE for the AUS Utility Reports Electric Companies 2001 - 2010



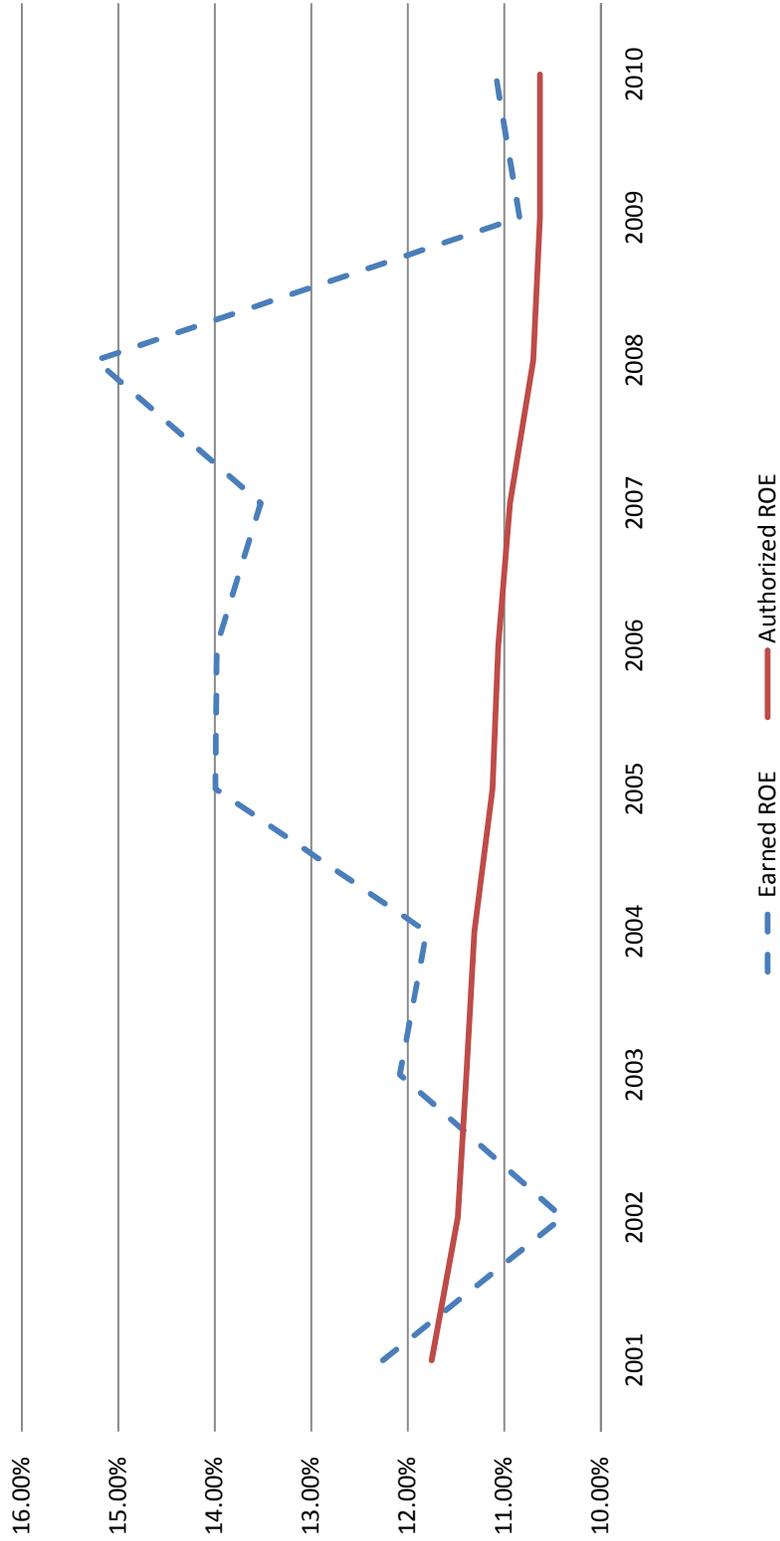
Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

Earned ROE v Authorized ROE for the AUS Utility Reports Combination Companies 2001 - 2010



Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

Earned ROE v Authorized ROE for the AUS Utility Reports LDC Companies 2001 - 2010



Source of Information: SEC Edgar I-Metrix Online Database & AUS Utility Reports

**STANDARD
& POOR'S**

RATINGS DIRECT®

May 27, 2009

Criteria | Corporates | General:
**Criteria Methodology: Business
Risk/Financial Risk Matrix
Expanded**

Primary Credit Analysts:

Solomon B Samson, New York (1) 212-438-7653; sol_samson@standardandpoors.com
Emmanuel Dubois-Pelerin, Paris (33) 1-4420-6673; emmanuel_dubois-pelerin@standardandpoors.com

Table Of Contents

Business Risk/Financial Risk Framework

Updated Matrix

Financial Benchmarks

How To Use The Matrix--And Its Limitations

Related Articles

www.standardandpoors.com/ratingsdirect

1

Standard & Poor's. All rights reserved. No reprint or dissemination without S&P's permission. See Terms of Use/Disclaimer on the last page.

724152 | 300023652

Criteria | Corporates | General:

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

(Editor's Note: In the previous version of this article published on May 26, certain of the rating outcomes in the table 1 matrix were misspelled. A corrected version follows.)

Standard & Poor's Ratings Services is refining its methodology for corporate ratings related to its business risk/financial risk matrix, which we published as part of 2008 Corporate Ratings Criteria on April 15, 2008, on RatingsDirect at www.ratingsdirect.com and Standard & Poor's Web site at www.standardandpoors.com.

This article amends and supersedes the criteria as published in Corporate Ratings Criteria, page 21, and the articles listed in the "Related Articles" section at the end of this report.

This article is part of a broad series of measures announced last year to enhance our governance, analytics, dissemination of information, and investor education initiatives. These initiatives are aimed at augmenting our independence, strengthening the rating process, and increasing our transparency to better serve the global markets.

We introduced the business risk/financial risk matrix four years ago. The relationships depicted in the matrix represent an essential element of our corporate analytical methodology.

We are now expanding the matrix, by adding one category to both business and financial risks (see table 1). As a result, the matrix allows for greater differentiation regarding companies rated lower than investment grade (i.e., 'BB' and below).

Table 1

Business And Financial Risk Profile Matrix						
Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	CCC+

These rating outcomes are shown for guidance purposes only. Actual rating should be within one notch of indicated rating outcomes.

The rating outcomes refer to issuer credit ratings. The ratings indicated in each cell of the matrix are the midpoints of a range of likely rating possibilities. This range would ordinarily span one notch above and below the indicated rating.

Business Risk/Financial Risk Framework

Our corporate analytical methodology organizes the analytical process according to a common framework, and it divides the task into several categories so that all salient issues are considered. The first categories involve fundamental business analysis; the financial analysis categories follow.

Our ratings analysis starts with the assessment of the business and competitive profile of the company. Two companies with identical financial metrics can be rated very differently, to the extent that their business challenges and prospects differ. The categories underlying our business and financial risk assessments are:

Business risk

- Country risk
- Industry risk
- Competitive position
- Profitability/Peer group comparisons

Financial risk

- Accounting
- Financial governance and policies/risk tolerance
- Cash flow adequacy
- Capital structure/asset protection
- Liquidity/short-term factors

We do not have any predetermined weights for these categories. The significance of specific factors varies from situation to situation.

Updated Matrix

We developed the matrix to make explicit the rating outcomes that are typical for various business risk/financial risk combinations. It illustrates the relationship of business and financial risk profiles to the issuer credit rating.

We tend to weight business risk slightly more than financial risk when differentiating among investment-grade ratings. Conversely, we place slightly more weight on financial risk for speculative-grade issuers (see table 1, again). There also is a subtle compounding effect when both business risk and financial risk are aligned at extremes (i.e., excellent/minimal and vulnerable/highly leveraged.)

The new, more granular version of the matrix represents a refinement--not any change in rating criteria or standards--and, consequently, holds no implications for any changes to existing ratings. However, the expanded matrix should enhance the transparency of the analytical process.

Financial Benchmarks

*Criteria | Corporates | General: Criteria Methodology: Business Risk/Financial Risk Matrix Expanded***Table 2**

Financial Risk Indicative Ratios (Corporates)			
	FFO/Debt (%)	Debt/EBITDA (x)	Debt/Capital (%)
Minimal	greater than 60	less than 1.5	less than 25
Modest	45-60	1.5-2	25-35
Intermediate	30-45	2-3	35-45
Significant	20-30	3-4	45-50
Aggressive	12-20	4-5	50-60
Highly Leveraged	less than 12	greater than 5	greater than 60

How To Use The Matrix--And Its Limitations

The rating matrix indicative outcomes are what we typically observe--but are not meant to be precise indications or guarantees of future rating opinions. Positive and negative nuances in our analysis may lead to a notch higher or lower than the outcomes indicated in the various cells of the matrix.

In certain situations there may be specific, overarching risks that are outside the standard framework, e.g., a liquidity crisis, major litigation, or large acquisition. This often is the case regarding credits at the lowest end of the credit spectrum--i.e., the 'CCC' category and lower. These ratings, by definition, reflect some impending crisis or acute vulnerability, and the balanced approach that underlies the matrix framework just does not lend itself to such situations.

Similarly, some matrix cells are blank because the underlying combinations are highly unusual--and presumably would involve complicated factors and analysis.

The following hypothetical example illustrates how the tables can be used to better understand our rating process (see tables 1 and 2).

We believe that Company ABC has a satisfactory business risk profile, typical of a low investment-grade industrial issuer. If we believed its financial risk were intermediate, the expected rating outcome should be within one notch of 'BBB'. ABC's ratios of cash flow to debt (35%) and debt leverage (total debt to EBITDA of 2.5x) are indeed characteristic of intermediate financial risk.

It might be possible for Company ABC to be upgraded to the 'A' category by, for example, reducing its debt burden to the point that financial risk is viewed as minimal. Funds from operations (FFO) to debt of more than 60% and debt to EBITDA of only 1.5x would, in most cases, indicate minimal.

Conversely, ABC may choose to become more financially aggressive--perhaps it decides to reward shareholders by borrowing to repurchase its stock. It is possible that the company may fall into the 'BB' category if we view its financial risk as significant. FFO to debt of 20% and debt to EBITDA 4x would, in our view, typify the significant financial risk category.

Still, it is essential to realize that the financial benchmarks are guidelines, neither gospel nor guarantees. They can vary in nonstandard cases: For example, if a company's financial measures exhibit very little volatility, benchmarks may be somewhat more relaxed.

Criteria | Corporates | General: Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

Moreover, our assessment of financial risk is not as simplistic as looking at a few ratios. It encompasses:

- a view of accounting and disclosure practices;
- a view of corporate governance, financial policies, and risk tolerance;
- the degree of capital intensity, flexibility regarding capital expenditures and other cash needs, including acquisitions and shareholder distributions; and
- various aspects of liquidity--including the risk of refinancing near-term maturities.

The matrix addresses a company's standalone credit profile, and does not take account of external influences, which would pertain in the case of government-related entities or subsidiaries that in our view may benefit or suffer from affiliation with a stronger or weaker group. The matrix refers only to local-currency ratings, rather than foreign-currency ratings, which incorporate additional transfer and convertibility risks. Finally, the matrix does not apply to project finance or corporate securitizations.

Related Articles

Industrials' Business Risk/Financial Risk Matrix--A Fundamental Perspective On Corporate Ratings, published April 7, 2005, on RatingsDirect.

Copyright © 2009, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.

Copyright © 1994-2009 Standard & Poors, a division of The McGraw-Hill Companies. All Rights Reserved.

The McGraw-Hill Companies

Illinois-American Water Company
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2006 - 2010, INCLUSIVE

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
	(MILLIONS OF DOLLARS)					
<u>CAPITALIZATION STATISTICS</u>						
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$ 750.843	\$ 699.602	\$ 622.393	\$ 569.459	\$ 369.017	
SHORT-TERM DEBT	13.266	18.660	54.990	36.421	194.857	
TOTAL-CAPITAL EMPLOYED	<u>\$ 764.109</u>	<u>\$ 718.262</u>	<u>\$ 677.383</u>	<u>\$ 605.880</u>	<u>\$ 563.874</u>	
<u>INDICATED AVERAGE CAPITAL COST RATES (2)</u>						
TOTAL DEBT	5.56 %	5.02 %	5.45 %	5.37 %	5.83 %	
<u>CAPITAL STRUCTURE RATIOS</u>						
						5 YEAR AVERAGE
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	50.81 %	51.06 %	50.79 %	55.72 %	32.35 %	48.15 %
PREFERRED STOCK	-	-	-	-	-	-
COMMON EQUITY	<u>49.19</u>	<u>48.94</u>	<u>49.21</u>	<u>44.28</u>	<u>67.66</u>	<u>51.87</u>
TOTAL	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.01 %</u>	<u>100.02 %</u>
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	51.67 %	52.33 %	54.78 %	58.38 %	55.73 %	54.58 %
PREFERRED STOCK	-	-	-	-	-	-
COMMON EQUITY	<u>48.33</u>	<u>47.67</u>	<u>45.22</u>	<u>41.61</u>	<u>44.27</u>	<u>45.42</u>
TOTAL	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>99.99 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>DIVIDEND PAYOUT RATIO</u>	63.32 %	101.67 %	- %	19.73 %	117.72 %	60.49 %
<u>RATE OF RETURN ON AVERAGE COMMON EQUITY</u>	5.13 %	1.81 %	0.50 %	0.98 %	3.65 %	2.41 %
<u>TOTAL DEBT / EBITDA (3)</u>	4.21 x	5.58 x	7.69 x	5.85 x	4.98 x	5.66 x
<u>TOTAL DEBT / TOTAL CAPITAL</u>	51.67 %	52.33 %	54.78 %	58.38 %	55.73 %	54.58 %

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt as a percentage of EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization)

Source of Information: Illinois-American Water Company's Annual Reports to the Illinois Commerce Commission

Proxy Group of Nine Water Companies
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2006 - 2010, Inclusive

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
	(MILLIONS OF DOLLARS)					
<u>CAPITALIZATION STATISTICS</u>						
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$1,712.951	\$1,641.561	\$1,537.371	\$1,561.064	\$1,274.261	
SHORT-TERM DEBT	<u>\$53.463</u>	<u>\$31.243</u>	<u>\$84.104</u>	<u>\$37.360</u>	<u>\$100.228</u>	
TOTAL CAPITAL EMPLOYED	<u>\$1,766.414</u>	<u>\$1,672.804</u>	<u>\$1,621.475</u>	<u>\$1,598.424</u>	<u>\$1,374.489</u>	
<u>INDICATED AVERAGE CAPITAL COST RATES (2)</u>						
TOTAL DEBT	5.37 %	5.31 %	5.58 %	6.08 %	7.61 %	
PREFERRED STOCK						
<u>CAPITAL STRUCTURE RATIOS</u>						
<u>5 YEAR</u>						
<u>AVERAGE</u>						
<u>BASED ON TOTAL PERMANENT CAPITAL:</u>						
LONG-TERM DEBT	50.97 %	50.80 %	50.35 %	49.46 %	48.48 %	50.01 %
PREFERRED STOCK	0.19	0.21	0.22	0.31	0.46	0.28
COMMON EQUITY	<u>48.84</u>	<u>48.99</u>	<u>49.43</u>	<u>50.23</u>	<u>51.06</u>	<u>49.71</u>
TOTAL	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>BASED ON TOTAL CAPITAL:</u>						
TOTAL DEBT, INCLUDING SHORT-TERM	53.49 %	53.33 %	53.43 %	50.59 %	50.32 %	52.23 %
PREFERRED STOCK	0.18	0.19	0.21	0.31	0.45	0.27
COMMON EQUITY	<u>46.33</u>	<u>46.48</u>	<u>46.36</u>	<u>49.10</u>	<u>49.23</u>	<u>47.50</u>
TOTAL	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>FINANCIAL STATISTICS</u>						
<u>FINANCIAL RATIOS - MARKET BASED</u>						
EARNINGS / PRICE RATIO	5.39 %	3.77 %	2.31 %	4.44 %	4.83 %	4.15 %
MARKET / AVERAGE BOOK RATIO	170.09	157.50	165.60	209.54	217.26	184.00
DIVIDEND YIELD	3.64	4.05	3.87	3.33	3.32	3.64
DIVIDEND PAYOUT RATIO	66.67	60.06	64.23	63.89	63.02	63.57
<u>RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY</u>	8.98 %	6.99 %	6.39 %	7.09 %	8.09 %	7.51 %
<u>TOTAL DEBT / EBITDA (3)</u>	4.75 X	5.53 X	9.07 X	5.59 X	4.56 X	5.90 X
<u>FUNDS FROM OPERATIONS / TOTAL DEBT (4)</u>	17.10 %	16.41 %	16.14 %	15.04 %	16.58 %	16.25 %
<u>TOTAL DEBT / TOTAL CAPITAL</u>	53.49 %	53.33 %	53.43 %	50.59 %	50.32 %	52.23 %

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt as a percentage of EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).
- (4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: I-Metrix Database
Company SEC Form 10-K

Capital Structure Based upon Total Capital for the
Proxy Group of Nine Water Companies
2006 - 2010, Inclusive

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>5 YEAR</u> <u>AVERAGE</u>
<u>American States Water Co.</u>						
Long-Term Debt	40.64 %	45.78 %	40.95 %	44.11 %	45.95 %	43.49 %
Short-Term Debt	8.24	2.50	11.45	6.13	5.48	6.76
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	51.12	51.72	47.60	49.76	48.57	49.75
Total Capital	<u>100.00 %</u>					
<u>American Water Works Co., Inc.</u>						
Long-Term Debt	55.42 %	56.26 %	51.01 %	49.88 %	42.67 %	51.05 %
Short-Term Debt	2.33	1.26	5.09	2.30	9.08	4.01
Preferred Stock	0.28	0.30	0.31	0.30	0.06	0.25
Common Equity	41.97	42.18	43.59	47.52	48.19	44.69
Total Capital	<u>100.00 %</u>					
<u>Aqua America, Inc.</u>						
Long-Term Debt	55.24 %	55.99 %	52.39 %	54.48 %	48.53 %	53.33 %
Short-Term Debt	3.17	1.06	3.36	2.50	5.88	3.19
Preferred Stock	0.02	0.02	0.09	0.09	0.09	0.06
Common Equity	41.57	42.93	44.16	42.93	45.50	43.42
Total Capital	<u>100.00 %</u>					
<u>Artesian Resources Corp.</u>						
Long-Term Debt	46.04 %	47.83 %	54.48 %	51.94 %	59.00 %	51.86 %
Short-Term Debt	12.87	11.63	8.54	0.50	4.65	7.64
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	41.09	40.54	36.98	47.56	36.35	40.50
Total Capital	<u>100.00 %</u>					
<u>California Water Service Group</u>						
Long-Term Debt	51.19 %	47.23 %	39.59 %	42.86 %	43.47 %	44.87 %
Short-Term Debt	2.52	1.46	5.46	0.00	0.00	1.89
Preferred Stock	0.00	0.00	0.00	0.51	0.51	0.20
Common Equity	46.29	51.31	54.95	56.63	56.02	53.04
Total Capital	<u>100.00 %</u>					
<u>Connecticut Water Service, Inc.</u>						
Long-Term Debt	44.18 %	45.46 %	44.23 %	46.22 %	43.12 %	44.64 %
Short-Term Debt	10.42	10.15	5.79	3.23	2.93	6.50
Preferred Stock	0.31	0.31	0.37	0.42	0.47	0.38
Common Equity	45.09	44.08	49.61	50.13	53.48	48.48
Total Capital	<u>100.00 %</u>					
<u>Middlesex Water Company</u>						
Long-Term Debt	41.66 %	40.90 %	44.91 %	48.37 %	48.33 %	44.83 %
Short-Term Debt	5.12	13.63	8.53	2.25	0.92	6.09
Preferred Stock	1.01	1.07	1.11	1.43	2.93	1.51
Common Equity	52.21	44.40	45.45	47.95	47.82	47.57
Total Capital	<u>100.00 %</u>					
<u>SJW Corporation</u>						
Long-Term Debt	53.40 %	48.95 %	44.35 %	47.27 %	40.24 %	46.84 %
Short-Term Debt	0.72	1.15	3.75	1.09	3.80	2.10
Preferred Stock	0.00	0.00	0.00	0.01	0.01	0.00
Common Equity	45.88	49.90	51.90	51.63	55.95	51.06
Total Capital	<u>100.00 %</u>					
<u>York Water Company</u>						
Long-Term Debt	48.28 %	45.77 %	53.27 %	50.08 %	48.82 %	49.24 %
Short-Term Debt	0.00	2.95	3.70	2.13	0.00	1.76
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	51.72	51.28	43.03	47.79	51.18	49.00
Total Capital	<u>100.00 %</u>					
<u>Proxy Group of Nine Water Companies</u>						
Long-Term Debt	48.45 %	48.24 %	47.24 %	48.36 %	46.68 %	47.79 %
Short-Term Debt	5.04	5.09	6.19	2.24	3.64	4.44
Preferred Stock	0.18	0.19	0.21	0.31	0.45	0.27
Common Equity	46.33	46.48	46.36	49.09	49.23	47.50
Total Capital	<u>100.00 %</u>					

Source of Information
EDGAR Online's I-Metrix Database
Annual Forms 10-K

Illinois American Water Company
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
the Proxy Group of Nine Water Companies

	1	2	3	4	5	6	7	8
<u>Proxy Group of Nine Water Companies</u>	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	3.08 %	5.50 %	7.40 %	- %	7.43 %	6.78 %	3.18 %	9.96 %
American Water Works Co., Inc.	3.06	8.50	11.00	8.40	8.43	9.08	3.20	12.28
Aqua America, Inc.	2.85	10.50	7.20	6.50	6.00	7.55	2.96	10.51
Artesian Resources Corp.	4.10	3.60	4.50	-	4.53	4.21	4.19	8.40
California Water Service Group	3.37	6.00	6.30	-	9.00	7.10	3.49	10.59
Connecticut Water Service, Inc.	3.68	4.00	5.50	4.00	3.00	4.13	3.76	7.89
Middlesex Water Company	4.02	3.00	(1.00)	3.00	3.00	3.00	4.08	7.08
SJW Corporation	3.00	5.50	14.00	-	14.00	11.17	3.17	14.34
York Water Company	3.10	6.00	6.00	6.00	6.00	6.00	3.19	9.19
Average								<u>10.03 %</u>
Median								<u>9.96 %</u>

NA= Not Available
NMF = Not Meaningful Figure

Notes:

- (1) Indicated dividend at 8/12/2011 divided by the average closing price of the last 60 trading days ending 8/12/2011 for each company.
- (2) From pages 2 through 10 of this Exhibit.
- (3) Average of columns 2 through 5 excluding negative growth rates.
- (4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co. , $3.08\% \times (1 + (1/2 \times 6.78\%)) = 3.18\%$.
- (5) Column 6 + column 7.

Source of Information:

Value Line Investment Survey: July 22, 2011
www.reuters.com Downloaded on 08/15/2011
www.zacks.com Downloaded on 08/15/2011
www.yahoo.com Downloaded on 08/15/2011

AMER. STATES WATER NYSE-AWR		RECENT PRICE	35.05	P/E RATIO	17.5	(Trailing: 16.5 Median: 22.0)	RELATIVE P/E RATIO	1.09	DIV'D YLD	3.2%	VALUE LINE									
TIMELINESS 3	Raised 11/19/10	High: 25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6	36.4	Target Price Range						
SAFETY 3	New 2/4/00	Low: 16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2	32.7	2014	2015	2016				
TECHNICAL 3	Lowered 7/22/11	LEGENDS — 1.25 x Dividends p sh divided by Interest Rate Relative Price Strength 3-for-2 split 6/02 Options: No Shaded areas indicate recessions										128	96	80	64	48	32	24	16	12
BETA .75	(1.00 = Market)																			
2014-16 PROJECTIONS																				
Ann'l Total																				
High	Price	Gain	Return																	
Low	55	(+55%)	14%																	
	40	(+15%)	7%																	
Insider Decisions																				
A S O N D J F M A																				
to Buy	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Options	0	0	1	2	1	0	0	0	0	0	0	0	0	0	0	0				
to Sell	0	1	1	2	0	0	0	0	0	0	0	0	0	0	0	0				
Institutional Decisions																				
3Q2010 4Q2010 1Q2011																				
to Buy	53	59	51																	
to Sell	47	51	48																	
Hld's(000)	11195	11086	11214																	
Percent shares traded																				
8																				
4																				
% TOT. RETURN 6/11																				
THIS STOCK VL ARITH.																				
1 yr. 7.8 35.8																				
3 yr. 8.4 51.3																				
5 yr. 11.8 50.6																				
© VALUE LINE PUB. LLC 14-16																				
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Revenues per sh	25.95	
11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	21.41	21.85	22.55	"Cash Flow" per sh	4.80	
1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	4.23	4.10	4.30	Earnings per sh A	2.50	
1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	2.22	2.00	2.15	Div'd Decl'd per sh B	1.28	
.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	1.10	1.16	Cap'l Spending per sh	4.75	
2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	4.24	4.10	4.10	Book Value per sh	21.75	
10.29	11.01	11.24	11.48	11.82	11.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	20.26	20.00	20.50	Common Shs Outst'g C	20.25	
11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	18.63	19.00	19.50	Avg Ann'l P/E Ratio	19.0	
11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	15.7	15.7	15.7	Relative P/E Ratio	1.25	
.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.41	1.01	1.01	1.01	Avg Ann'l Div'd Yield	2.7%	
6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%	3.0%	3.0%			
CAPITAL STRUCTURE as of 3/31/11																				
Total Debt \$361.1 mill. Due in 5 Yrs \$296.8 mill.																				
LT Debt \$299.8 mill. LT Interest \$23.0 mill.																				
(LT interest earned: 4.6x: total interest coverage: 4.1x)																				
Leases, Uncapitalized: Annual rentals \$3.3 mill.																				
Pension Assets-12/10 \$90.2 mill.																				
Oblig. \$118.8 mill.																				
Pfd Stock None.																				
Common Stock 18,662,115 shs.																				
as of 5/4/11																				
MARKET CAP: \$650 million (Small Cap)																				
CURRENT POSITION (SMILL)																				
Cash Assets 1.7 4.2 2.4																				
Other 94.3 200.8 201.8																				
Current Assets 96.0 205.0 204.2																				
Accts Payable 33.9 36.2 42.9																				
Debt Due 18.1 61.4 61.3																				
Other 47.7 81.2 91.8																				
Current Liab. 99.7 178.8 196.0																				
Fix. Chg. Cov. 352% 441% 400%																				
ANNUAL RATES OF CHANGE (per sh)																				
Past 10 Yrs. Past 5 Yrs. Est'd '08-'10 to '14-'16																				
Revenues 5.0% 7.5% 4.5%																				
"Cash Flow" 5.5% 9.5% 4.5%																				
Earnings 4.5% 11.5% 5.5%																				
Dividends 2.0% 2.5% 4.0%																				
Book Value 5.0% 5.0% 2.0%																				
QUARTERLY REVENUES (\$ mill.)																				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year															
2008	68.9	80.3	85.3	84.2	318.7															
2009	79.6	93.6	101.5	86.3	361.0															
2010	88.4	95.5	111.3	103.7	398.9															
2011	94.3	103.7	120	97.0	415															
2012	98.0	112	125	105	440															
EARNINGS PER SHARE A																				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year															
2008	.30	.53	.26	.43	1.55															
2009	.28	.64	.52	.18	1.62															
2010	.45	.47	.62	.71	2.25															
2011	.37	.55	.69	.39	2.00															
2012	.42	.58	.73	.42	2.15															
QUARTERLY DIVIDENDS PAID B																				
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year															
2007	.235	.235	.235	.250	.96															
2008	.250	.250	.250	.250	1.00															
2009	.250	.250	.250	.260	1.01															
2010	.260	.260	.260	.260	1.04															
2011	.260	.280																		
BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 703 employees. Officers & directors own 2.9% of common stock (4/11 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls, Inc. CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.																				
After its disappointing first-quarter showing, we have tempered our full-year earnings forecast for American States Water. The company posted an 18% earnings decline in the March period, despite registering a solid 7% top-line advance. The reason is increased operating costs, specifically those associated with the build out of its military business (ASUS). Such expenses are likely to remain high, and we've thus trimmed our 2011 earnings by a dime, to \$2.00 a share, representing an 11% dip from the prior year's tally. The aforementioned initiative ought to help better position the company longer term. Although American has been on the receiving end of favorable decisions of late, that has not always been the case and the climate could change at the drop of a hat. ASUS is far less regulated than the company's traditional businesses and offers healthy upside in our opinion. Military contracts could be a much-needed catalyst for earnings growth going forward. That said, the core of the company will undoubtedly be heavily regulated, so potential investors are advised to stay abreast of the developments surrounding the recently filed general rate case for all three water regions. A decision is expected to be handed down by the end of 2012. But there are still some significant hurdles ahead. The water utility industry is capital-intensive, and American is cash strapped. Infrastructure costs are on the rise and not likely to subside, given the age and condition of many water systems. American recently sold its Chaparral City subsidiary for \$29 million, but the proceeds are just a drop in the bucket. It will need to go out on the open market and issue stock and/or debt to foot the bill. Unfortunately, such activities come at a price, and will dilute any potential gains. We recommend that most investors look elsewhere. AWR lacks price appreciation potential for the coming six to 12 months as well as the next 3- to 5-year pull, given the company's capital restraints. Likewise, we believe that the income component may lose some of its luster longer term, when compared to other utility offerings, although American recently upped its quarterly payout. <i>Andre J. Costanza July 22, 2011</i>																				
(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14c; '05, 25c; '06, 6c; '08, (27c); '10, (44c) '11, 3c. Next earnings report due early August. Quarterly egs. may not add due to rounding.																				
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.																				
(C) In millions, adjusted for split.																				
Company's Financial Strength B++																				
Stock's Price Stability 85																				
Price Growth Persistence 65																				
Earnings Predictability 85																				
To subscribe call 1-800-833-0046.																				

© 2011, Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

AMERICAN WATER NYSE-AWK				RECENT PRICE	29.56	P/E RATIO	17.4 (Trailing: 18.5 Median: NMF)	RELATIVE P/E RATIO	1.09	DIV'D YLD	3.1%	VALUE LINE										
TIMELINESS	1	New 10/22/10						High: 23.7	23.0	25.8	30.7											
SAFETY	3	New 7/25/08						Low: 16.5	16.2	19.4	25.2											
TECHNICAL	3	Raised 7/15/11										Target Price Range										
BETA	.65	(1.00 = Market)										2014 2015 2016										
2014-16 PROJECTIONS Ann'l Total High Price 50 Gain (+70%) 16% Low Price 35 Gain (+20%) 7%																						
Insider Decisions A S O N D J F M A to Buy 0 0 0 0 0 0 0 1 0 0 Options 0 0 0 0 0 0 0 1 1 0 to Sell 0 0 0 0 0 0 0 1 1 0																						
Institutional Decisions 3Q2010 4Q2010 1Q2011 to Buy 146 145 168 to Sell 93 119 117 Hld's(000) 149349 145430 145932 Percent shares traded 21 14 7																						
% TOT. RETURN 6/11 THIS STOCK VL ARITH. 1 yr. 48.0 35.8 3 yr. 49.0 51.3 5 yr. — 50.6																						
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16			
--	--	--	--	--	--	--	--	--	--	--	13.08	13.84	14.61	13.98	15.49	15.85	16.35	Revenues per sh	17.95			
--	--	--	--	--	--	--	--	--	--	--	.65	d.47	2.87	2.89	3.56	3.60	3.80	"Cash Flow" per sh	4.10			
--	--	--	--	--	--	--	--	--	--	--	d.97	d2.14	1.10	1.25	1.53	1.70	1.80	Earnings per sh A	2.10			
--	--	--	--	--	--	--	--	--	--	--	--	--	.40	.82	.86	.90	.94	Div'd Decl'd per sh B	1.10			
--	--	--	--	--	--	--	--	--	--	--	4.31	4.74	6.31	4.50	4.38	4.30	4.25	Cap'l Spending per sh	4.20			
--	--	--	--	--	--	--	--	--	--	--	23.86	28.39	25.64	22.91	23.59	23.60	23.40	Book Value per sh D	23.60			
--	--	--	--	--	--	--	--	--	--	--	160.00	160.00	160.00	174.63	175.00	180.00	185.00	Common Shs Outst'g C	195.00			
--	--	--	--	--	--	--	--	--	--	--	--	--	18.9	15.6	14.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	19.0			
--	--	--	--	--	--	--	--	--	--	--	--	--	1.14	.94	.94			Relative P/E Ratio	1.25			
--	--	--	--	--	--	--	--	--	--	--	--	--	1.9%	4.2%	3.8%			Avg Ann'l Div'd Yield	2.8%			
CAPITAL STRUCTURE as of 3/31/11				Total Debt \$5698.0 mill. Due in 5 Yrs \$201.9 mill. LT Debt \$5362.3 mill. LT Interest \$280.0 mill. (Total interest coverage: 1.9x) (56% of Cap'l)																		
Leases, Uncapitalized: Annual rentals \$25.7 mill.				--																		
Pension Assets-12/10 \$861.0 mill.				--																		
Pfd Stock \$27.8 mill.				--																		
Common Stock 175,356,140 shs. as of 4/28/11				--																		
MARKET CAP: \$5.2 billion (Mid Cap)				--																		
CURRENT POSITION				2009	2010	3/31/11																
(\$MILL.)																						
Cash Assets				22.3	13.1	13.5																
Other				476.8	521.2	1292.0																
Current Assets				499.1	534.3	1305.5																
Accts Payable				138.6	199.2	132.7																
Debt Due				173.6	44.8	335.7																
Other				295.2	530.5	666.5																
Current Liab.				607.4	774.5	1134.9																
Fix. Chg. Cov.				210%	237%	250%																
ANNUAL RATES				Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16																
of change (per sh)																						
Revenues				--	--	3.5%																
"Cash Flow"				--	--	5.0%																
Earnings				--	--	8.5%																
Dividends				--	--	8.0%																
Book Value				--	--	-5%																
Cal-endar	QUARTERLY REVENUES (\$ mill.)					Full Year																
	Mar.31	Jun. 30	Sep. 30	Dec. 31																		
2008	506.8	589.4	672.2	568.5	2336.9																	
2009	550.2	612.7	680.0	597.8	2440.7																	
2010	588.1	671.2	786.9	664.5	2710.7																	
2011	610.9	705	810	724.1	2850																	
2012	650	750	865	760	3025																	
Cal-endar	EARNINGS PER SHARE A					Full Year																
	Mar.31	Jun. 30	Sep. 30	Dec. 31																		
2008	.04	.28	.55	.23	1.10																	
2009	.19	.32	.52	.21	1.25																	
2010	.18	.42	.71	.23	1.53																	
2011	.24	.45	.75	.26	1.70																	
2012	.24	.49	.79	.28	1.80																	
Cal-endar	QUARTERLY DIVIDENDS PAID B					Full Year																
	Mar.31	Jun.30	Sep.30	Dec.31																		
2007	--	--	--	--	--																	
2008	--	--	--	--	.40																	
2009	.20	.20	.21	.21	.82																	
2010	.21	.21	.22	.22	.86																	
2011	.22	.23																				
BUSINESS: American Water Works Company, Inc. is the largest investor-owned water and wastewater utility in the U.S., providing services to over 15 million people in over 30 states and Canada. Its nonregulated business assists municipalities and military bases with the maintenance and upkeep as well. Regulated operations made up over 89% of 2010 revenues. New Jersey is its biggest market accounting for over 19% of revenues. Has roughly 7,000 employees. Depreciation rate, 2.5% in '10. BlackRock, Inc., owns 6.9% of the common stock outstanding. Off. & dir. own less than 1%. President & CEO; Jeffrey Sterba. Chairman: George Mackenzie. Address: 1025 Laurel Oak Road, Voorhees, NJ 08043. Telephone: 856-346-8200. Internet: www.amwater.com.																						
American Water Works continues to execute a portfolio optimization strategy for its regulated business. This includes the recent acquisition of 11 regulated water systems and 59 wastewater systems in Missouri. The company also announced the sale of its Texas subsidiary's assets, and the divestiture of the regulated water and wastewater operations in Arizona and New Mexico. Meanwhile, American agreed to swap its regulated operations in Ohio for Aqua America's regulated business in New York.																						
We believe that these moves, on balance, should yield some much-needed cash. The value of aforementioned divestitures is roughly \$470 million, and that excludes the agreement to swap its regulated business in Ohio (this deal should net about \$50 million for American Water). The added cash ought to support infrastructure expenditures and more strategic expansion in the coming years.																						
Profit growth ought to persist at a healthy clip for the utility. American earned \$0.24 a share during the first quarter (excluding discontinued operations), driven by a one-percentage-point decline in the operating efficiency ratio (maintenance expenses to revenues). We look for profitability to improve in conjunction with more rate hikes on the horizon. During the March quarter, the company was granted \$10.9 million in annualized rate increases, assuming constant sales volume. It also received awards in West Virginia and Texas during the June interim. All told, earnings ought to advance at an over 10% pace this year, and at a mid-single-digit clip in 2012, with the better regulatory climate offsetting financing costs.																						
American Water remains in good shape for the long haul. A reshuffling of the company's operations ought to improve its bottom-line prospects over the pull to 2014-2016. Declines in residential water usage should slow, and we look for more growth of the company's commercial and industrial water segments.																						
The stock is a timely selection, but does not stand out for price appreciation potential out to 2014-2016. It should be noted, however, that our projections do not account for a divestiture yet.																						
<i>Andre J. Costanza July 22, 2011</i>																						
Company's Financial Strength B Stock's Price Stability 90 Price Growth Persistence NMF Earnings Predictability 15																						

(A) Diluted earnings. Excludes nonrecurring gains (losses): '08, (\$4.62); '09, (\$2.63). Discontinued operations: '06, (4¢); '11, 1¢. Next earnings report due early August.

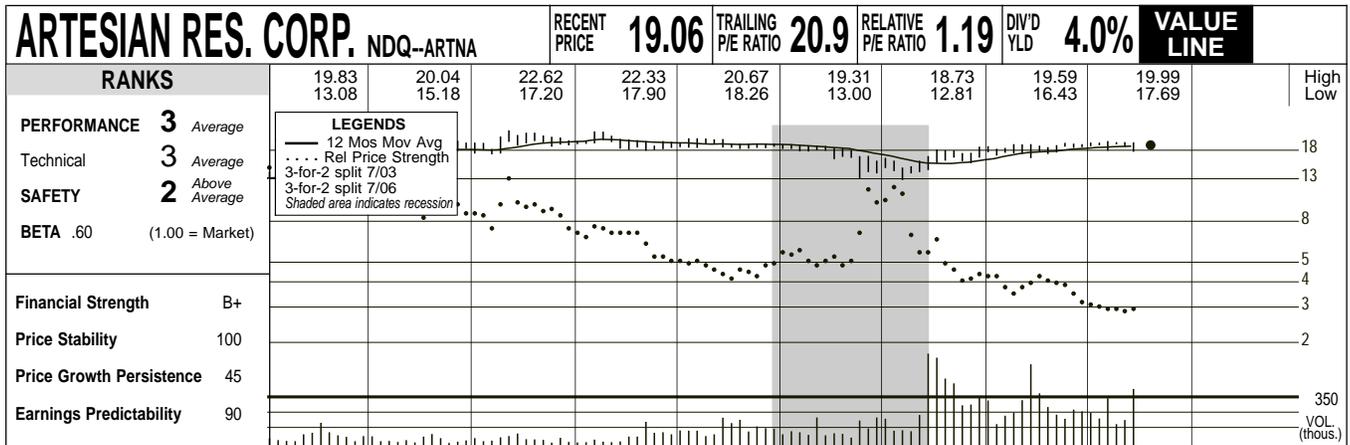
Quarterly earnings may not sum due to rounding. (B) Dividends to be paid in February, May, August, and November. Div. reinvestment available.

(C) In millions. (D) Includes intangibles. In 2010: \$1.251 billion, \$7.15/share.

© 2011, Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

To subscribe call 1-800-833-0046.

AQUA AMERICA NYSE-WTR				RECENT PRICE	P/E RATIO	Trailing: 24.1 Median: 25.0	RELATIVE P/E RATIO	DIV'D YLD	2.8%	VALUE LINE																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
TIMELINESS	3	Lowered 1/21/11	High: 12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0	23.8	21.0	Target Price Range	2014	2015	2016																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
SAFETY	3	Lowered 8/1/03	Low: 6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5	21.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
TECHNICAL	3	Raised 6/10/11	LEGENDS 1.60 x Dividends p sh divided by Interest Rate Relative Price Strength 5-for-4 split 12/00 5-for-4 split 12/01 5-for-4 split 12/03 4-for-3 split 12/05 Options: Yes Shaded areas indicate recessions																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
BETA	.65	(1.00 = Market)	2014-16 PROJECTIONS Ann'l Total Price 35 (+55%) Gain 25 (+10%) Return 14% 6%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Insider Decisions			<table border="1"> <tr> <th></th> <th>A</th> <th>S</th> <th>O</th> <th>N</th> <th>D</th> <th>J</th> <th>F</th> <th>M</th> <th>A</th> </tr> <tr> <td>to Buy</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Options</td> <td>0</td> <td>2</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>to Sell</td> <td>0</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> </table>														A	S	O	N	D	J	F	M	A	to Buy	0	1	0	0	0	0	0	0	0	Options	0	2	1	0	1	0	1	0	1	to Sell	0	2	1	1	1	0	0	1	0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
	A	S	O	N	D	J	F	M	A																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
to Buy	0	1	0	0	0	0	0	0	0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Options	0	2	1	0	1	0	1	0	1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
to Sell	0	2	1	1	1	0	0	1	0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Institutional Decisions			<table border="1"> <tr> <th></th> <th>3Q2010</th> <th>4Q2010</th> <th>1Q2011</th> </tr> <tr> <td>to Buy</td> <td>90</td> <td>101</td> <td>81</td> </tr> <tr> <td>to Sell</td> <td>101</td> <td>94</td> <td>112</td> </tr> <tr> <td>Hld's(000)</td> <td>59791</td> <td>55463</td> <td>55308</td> </tr> </table>														3Q2010	4Q2010	1Q2011	to Buy	90	101	81	to Sell	101	94	112	Hld's(000)	59791	55463	55308																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
	3Q2010	4Q2010	1Q2011																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
to Buy	90	101	81																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
to Sell	101	94	112																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Hld's(000)	59791	55463	55308																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
<table border="1"> <thead> <tr> <th>1995</th> <th>1996</th> <th>1997</th> <th>1998</th> <th>1999</th> <th>2000</th> <th>2001</th> <th>2002</th> <th>2003</th> <th>2004</th> <th>2005</th> <th>2006</th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>2012</th> <th colspan="2">© VALUE LINE PUB. LLC 14-16</th> </tr> </thead> <tbody> <tr> <td>1.84</td> <td>1.86</td> <td>2.02</td> <td>2.09</td> <td>2.41</td> <td>2.46</td> <td>2.70</td> <td>2.85</td> <td>2.97</td> <td>3.48</td> <td>3.85</td> <td>4.03</td> <td>4.52</td> <td>4.63</td> <td>4.91</td> <td>5.26</td> <td>5.55</td> <td>5.85</td> <td>Revenues per sh</td> <td>6.80</td> </tr> <tr> <td>.47</td> <td>.50</td> <td>.56</td> <td>.61</td> <td>.72</td> <td>.76</td> <td>.86</td> <td>.94</td> <td>.96</td> <td>1.09</td> <td>1.21</td> <td>1.26</td> <td>1.37</td> <td>1.42</td> <td>1.61</td> <td>1.78</td> <td>1.95</td> <td>2.05</td> <td>"Cash Flow" per sh</td> <td>2.40</td> </tr> <tr> <td>.29</td> <td>.30</td> <td>.34</td> <td>.40</td> <td>.42</td> <td>.47</td> <td>.51</td> <td>.54</td> <td>.57</td> <td>.64</td> <td>.71</td> <td>.70</td> <td>.71</td> <td>.73</td> <td>.77</td> <td>.90</td> <td>1.05</td> <td>1.10</td> <td>Earnings per sh ^A</td> <td>1.40</td> </tr> <tr> <td>.22</td> <td>.23</td> <td>.24</td> <td>.26</td> <td>.27</td> <td>.28</td> <td>.30</td> <td>.32</td> <td>.35</td> <td>.37</td> <td>.40</td> <td>.44</td> <td>.48</td> <td>.51</td> <td>.55</td> <td>.59</td> <td>.62</td> <td>.66</td> <td>Div'd Decl'd per sh ^B</td> <td>.78</td> </tr> <tr> <td>.52</td> <td>.48</td> <td>.58</td> <td>.82</td> <td>.90</td> <td>1.16</td> <td>1.09</td> <td>1.20</td> <td>1.32</td> <td>1.54</td> <td>1.84</td> <td>2.05</td> <td>1.79</td> <td>1.98</td> <td>2.08</td> <td>2.37</td> <td>2.30</td> <td>2.35</td> <td>Cap'l Spending per sh</td> <td>2.50</td> </tr> <tr> <td>2.46</td> <td>2.69</td> <td>2.84</td> <td>3.21</td> <td>3.42</td> <td>3.85</td> <td>4.15</td> <td>4.36</td> <td>5.34</td> <td>5.89</td> <td>6.30</td> <td>6.96</td> <td>7.32</td> <td>7.82</td> <td>8.12</td> <td>8.51</td> <td>8.95</td> <td>9.40</td> <td>Book Value per sh</td> <td>11.05</td> </tr> <tr> <td>63.74</td> <td>65.75</td> <td>67.47</td> <td>72.20</td> <td>106.80</td> <td>111.82</td> <td>113.97</td> <td>113.19</td> <td>123.45</td> <td>127.18</td> <td>128.97</td> <td>132.33</td> <td>133.40</td> <td>135.37</td> <td>136.49</td> <td>137.97</td> <td>138.90</td> <td>139.90</td> <td>Common Shs Outst'g ^C</td> <td>142.90</td> </tr> <tr> <td>12.0</td> <td>15.6</td> <td>17.8</td> <td>22.5</td> <td>21.2</td> <td>18.2</td> <td>23.6</td> <td>23.6</td> <td>24.5</td> <td>25.1</td> <td>31.8</td> <td>34.7</td> <td>32.0</td> <td>24.9</td> <td>23.1</td> <td>21.1</td> <td>Bold figures are Value Line estimates</td> <td></td> <td>Avg Ann'l P/E Ratio</td> <td>21.0</td> </tr> <tr> <td>.80</td> <td>.98</td> <td>1.03</td> <td>1.17</td> <td>1.21</td> <td>1.18</td> <td>1.21</td> <td>1.29</td> <td>1.40</td> <td>1.33</td> <td>1.69</td> <td>1.87</td> <td>1.70</td> <td>1.50</td> <td>1.54</td> <td>1.36</td> <td></td> <td></td> <td>Relative P/E Ratio</td> <td>1.40</td> </tr> <tr> <td>6.2%</td> <td>4.9%</td> <td>3.9%</td> <td>2.9%</td> <td>3.0%</td> <td>3.3%</td> <td>2.5%</td> <td>2.5%</td> <td>2.5%</td> <td>2.3%</td> <td>1.8%</td> <td>1.8%</td> <td>2.1%</td> <td>2.8%</td> <td>3.1%</td> <td>3.1%</td> <td></td> <td></td> <td>Avg Ann'l Div'd Yield</td> <td>2.5%</td> </tr> <tr> <td colspan="4">CAPITAL STRUCTURE as of 3/31/11</td> <td>307.3</td> <td>322.0</td> <td>367.2</td> <td>442.0</td> <td>496.8</td> <td>533.5</td> <td>602.5</td> <td>627.0</td> <td>670.5</td> <td>726.1</td> <td>770</td> <td>820</td> <td>Revenues (\$mill)</td> <td>970</td> </tr> <tr> <td colspan="4">Total Debt \$1558.5 mill. Due in 5 Yrs \$310 mill.</td> <td>58.5</td> <td>62.7</td> <td>67.3</td> <td>80.0</td> <td>91.2</td> <td>92.0</td> <td>95.0</td> <td>97.9</td> <td>104.4</td> <td>124.0</td> <td>145</td> <td>155</td> <td>Net Profit (\$mill)</td> <td>200</td> </tr> <tr> <td colspan="4">LT Debt \$1530.1 mill. LT Interest \$68.9 mill.</td> <td>39.3%</td> <td>38.5%</td> <td>39.3%</td> <td>39.4%</td> <td>38.4%</td> <td>39.6%</td> <td>38.9%</td> <td>39.7%</td> <td>39.4%</td> <td>39.2%</td> <td>40.0%</td> <td>40.0%</td> <td>Income Tax Rate</td> <td>40.0%</td> </tr> <tr> <td colspan="4">(LT interest earned: 4.5x; total interest coverage: 4.5x)</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>--</td> <td>2.9%</td> <td>3.1%</td> <td>2.5%</td> <td>2.5%</td> <td>AFUDC % to Net Profit</td> <td>1.5%</td> </tr> <tr> <td colspan="4">Pension Assets-12/10 \$159.2 mill.</td> <td>52.2%</td> <td>54.2%</td> <td>51.4%</td> <td>50.0%</td> <td>52.0%</td> <td>51.6%</td> <td>55.4%</td> <td>54.1%</td> <td>55.6%</td> <td>56.6%</td> <td>55.0%</td> <td>53.0%</td> <td>Long-Term Debt Ratio</td> <td>47.0%</td> </tr> <tr> <td colspan="4">Oblig. \$234.9 mill.</td> <td>47.7%</td> <td>45.8%</td> <td>48.6%</td> <td>50.0%</td> <td>48.0%</td> <td>48.4%</td> <td>44.6%</td> <td>45.9%</td> <td>44.4%</td> <td>43.4%</td> <td>45.0%</td> <td>47.0%</td> <td>Common Equity Ratio</td> <td>53.0%</td> </tr> <tr> <td colspan="4">Pfd Stock None</td> <td>990.4</td> <td>1076.2</td> <td>1355.7</td> <td>1497.3</td> <td>1690.4</td> <td>1904.4</td> <td>2191.4</td> <td>2306.6</td> <td>2495.5</td> <td>2706.2</td> <td>2765</td> <td>2810</td> <td>Total Capital (\$mill)</td> <td>3000</td> </tr> <tr> <td colspan="4">Common Stock 138,217,191 shares</td> <td>1368.1</td> <td>1490.8</td> <td>1824.3</td> <td>2069.8</td> <td>2280.0</td> <td>2506.0</td> <td>2792.8</td> <td>2997.4</td> <td>3227.3</td> <td>3469.3</td> <td>3630</td> <td>3800</td> <td>Net Plant (\$mill)</td> <td>4320</td> </tr> <tr> <td colspan="4">as of 4/27/11</td> <td>7.8%</td> <td>7.6%</td> <td>6.4%</td> <td>6.7%</td> <td>6.9%</td> <td>6.4%</td> <td>5.9%</td> <td>5.7%</td> <td>5.6%</td> <td>5.9%</td> <td>6.5%</td> <td>7.0%</td> <td>Return on Total Cap'l</td> <td>8.0%</td> </tr> <tr> <td colspan="4">MARKET CAP: \$3.1 billion (Mid Cap)</td> <td>12.3%</td> <td>12.7%</td> <td>10.2%</td> <td>10.7%</td> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.5%</td> <td>11.5%</td> <td>Return on Shr. Equity</td> <td>12.5%</td> </tr> <tr> <td colspan="4">CURRENT POSITION</td> <td>12.4%</td> <td>12.7%</td> <td>10.2%</td> <td>10.7%</td> <td>11.2%</td> <td>10.0%</td> <td>9.7%</td> <td>9.3%</td> <td>9.4%</td> <td>10.6%</td> <td>11.5%</td> <td>11.5%</td> <td>Return on Com Equity</td> <td>12.5%</td> </tr> <tr> <td colspan="4">(\$MILL.)</td> <td>5.1%</td> <td>5.2%</td> <td>4.2%</td> <td>4.6%</td> <td>4.9%</td> <td>3.7%</td> <td>3.2%</td> <td>2.8%</td> <td>2.7%</td> <td>3.7%</td> <td>5.0%</td> <td>4.5%</td> <td>Retained to Com Eq</td> <td>5.5%</td> </tr> <tr> <td colspan="4">Cash Assets</td> <td>59%</td> <td>59%</td> <td>59%</td> <td>57%</td> <td>56%</td> <td>63%</td> <td>67%</td> <td>70%</td> <td>72%</td> <td>65%</td> <td>59%</td> <td>60%</td> <td>All Div's to Net Prof</td> <td>56%</td> </tr> <tr> <td colspan="4">Receivables</td> <td>21.9</td> <td>5.9</td> <td>7.3</td> <td></td> </tr> <tr> <td colspan="4">Inventory (AvgCst)</td> <td>78.7</td> <td>85.9</td> <td>79.1</td> <td></td> </tr> <tr> <td colspan="4">Other</td> <td>9.5</td> <td>9.2</td> <td>10.9</td> <td></td> </tr> <tr> <td colspan="4">Current Assets</td> <td>11.5</td> <td>44.4</td> <td>59.6</td> <td></td> </tr> <tr> <td colspan="4">Accts Payable</td> <td>121.6</td> <td>145.4</td> <td>156.9</td> <td></td> </tr> <tr> <td colspan="4">Debt Due</td> <td>57.9</td> <td>45.3</td> <td>29.5</td> <td></td> </tr> <tr> <td colspan="4">Other</td> <td>87.0</td> <td>28.5</td> <td>28.4</td> <td></td> </tr> <tr> <td colspan="4">Current Liab.</td> <td>56.1</td> <td>149.9</td> <td>151.4</td> <td></td> </tr> <tr> <td colspan="4">Fix. Chg. Cov.</td> <td>201.0</td> <td>223.7</td> <td>209.3</td> <td></td> </tr> <tr> <td colspan="4"></td> <td>346%</td> <td>297%</td> <td>306%</td> <td></td> </tr> <tr> <td colspan="4">ANNUAL RATES</td> <td>Past 10 Yrs.</td> <td>Past 5 Yrs.</td> <td>Est'd '08-'10 to '14-'16</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">Revenues</td> <td>8.0%</td> <td>7.5%</td> <td>6.5%</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">"Cash Flow"</td> <td>8.5%</td> <td>8.0%</td> <td>8.0%</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">Earnings</td> <td>6.5%</td> <td>4.5%</td> <td>10.5%</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">Dividends</td> <td>7.5%</td> <td>8.0%</td> <td>5.5%</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">Book Value</td> <td>9.0%</td> <td>7.0%</td> <td>6.0%</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">QUARTERLY REVENUES (\$ mill.)</td> <td>Cal-endar</td> <td>Mar.31</td> <td>Jun.30</td> <td>Sep.30</td> <td>Dec.31</td> <td>Full Year</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2008</td> <td>139.3</td> <td>151.0</td> <td>177.1</td> <td>159.6</td> <td>627.0</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2009</td> <td>154.5</td> <td>167.3</td> <td>180.8</td> <td>167.9</td> <td>670.5</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2010</td> <td>160.5</td> <td>178.5</td> <td>207.8</td> <td>179.3</td> <td>726.1</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2011</td> <td>171.3</td> <td>190</td> <td>220</td> <td>188.7</td> <td>770</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2012</td> <td>190</td> <td>200</td> <td>230</td> <td>200</td> <td>820</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">EARNINGS PER SHARE ^A</td> <td>Cal-endar</td> <td>Mar.31</td> <td>Jun.30</td> <td>Sep.30</td> <td>Dec.31</td> <td>Full Year</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2008</td> <td>.11</td> <td>.17</td> <td>.26</td> <td>.19</td> <td>.73</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2009</td> <td>.14</td> <td>.19</td> <td>.25</td> <td>.19</td> <td>.77</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2010</td> <td>.16</td> <td>.22</td> <td>.32</td> <td>.20</td> <td>.90</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2011</td> <td>.19</td> <td>.24</td> <td>.34</td> <td>.28</td> <td>1.05</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2012</td> <td>.20</td> <td>.25</td> <td>.37</td> <td>.28</td> <td>1.10</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">QUARTERLY DIVIDENDS PAID ^B</td> <td>Cal-endar</td> <td>Mar.31</td> <td>Jun.30</td> <td>Sep.30</td> <td>Dec.31</td> <td>Full Year</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2007</td> <td>.115</td> <td>.115</td> <td>.125</td> <td>.125</td> <td>.48</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2008</td> <td>.125</td> <td>.125</td> <td>.125</td> <td>.135</td> <td>.51</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2009</td> <td>.135</td> <td>.135</td> <td>.135</td> <td>.145</td> <td>.55</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2010</td> <td>.145</td> <td>.145</td> <td>.145</td> <td>.155</td> <td>.599</td> <td colspan="10"></td> </tr> <tr> <td colspan="4">2011</td> <td>.155</td> <td>.155</td> <td></td> <td></td> <td></td> <td colspan="10"></td> </tr> <tr> <td colspan="17"> <p>BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '10: residential, 59.4%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.</p> </td> </tr> <tr> <td colspan="17"> <p>Aqua America should continue its recovery in 2011. Namely, acquisitions and rate rulings are slated to provide a considerable boost to the top and bottom lines for this year.</p> </td> </tr> <tr> <td colspan="17"> <p>Expansions remain the main focus. The company's Texas subsidiary recently completed its purchase of American Water Works Company's Texas operations. This acquisition is set to significantly expand Aqua America's customer base in one of its fastest growing sectors. The \$6 million transaction added a total of 51 water and five waste water systems, which serve approximately 16,000 people. The new unit will operate out of Aqua's Houston office, and the expanded subsidiary will cover a number of counties in the area including Brazoria, Harris, Liberty, and Matagorda. With the completion of this acquisition, Aqua America has grown its Texas customer base by about 50% since 2003, when it first entered the market. The company is planning a total of 15-20 acquisitions for the year, with future purchases planned in Pennsylvania, Texas, North Carolina, and Virginia.</p> </td> </tr> <tr> <td colspan="17"> <p>Rate rulings should also play a role in lifting the bottom line. The company is going forward with its plans to file in about seven states, including Pennsylvania, New Jersey, Ohio, Illinois, and Texas. Thus far, Aqua America has received approximately \$11 million in rate awards and surcharges.</p> </td> </tr> <tr> <td colspan="17"> <p>The company has solid long-term prospects. Given Aqua America's aggressive expansion plans, the company should considerably benefit from acquisition driven growth, which should more than offset the slow organic growth it is experiencing due to the tepid economy. Elsewhere, increased drilling of gas in the Marcellus Shale remains an exciting prospect, with the expansion of water sales to trucks in the region progressing on schedule. These factors, combined with likely favorable rate rulings, should provide a lift to revenues and earnings for the 2014-2016 period.</p> </td> </tr> <tr> <td colspan="17"> <p>Investors should find this issue of interest. The stock's dividend yield is well above the industry average, and the company has a long history of steady payout increases.</p> </td> </tr> <tr> <td colspan="17"> <p>Sahana Zutshi July 22, 2011</p> </td> </tr> <tr> <td colspan="17"> <p>(A) Diluted eps. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Earnings may not add due to rounding. Next earnings report due late July.</p> </td> </tr> <tr> <td colspan="17"> <p>(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).</p> </td> </tr> <tr> <td colspan="17"> <p>(C) In millions, adjusted for stock splits.</p> </td> </tr> <tr> <td colspan="17"> <p>Company's Financial Strength B+ Stock's Price Stability 100 Price Growth Persistence 70 Earnings Predictability 100</p> </td> </tr> </tbody> </table>																	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC 14-16		1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.55	5.85	Revenues per sh	6.80	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.95	2.05	"Cash Flow" per sh	2.40	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	1.05	1.10	Earnings per sh ^A	1.40	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.62	.66	Div'd Decl'd per sh ^B	.78	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.30	2.35	Cap'l Spending per sh	2.50	2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	8.95	9.40	Book Value per sh	11.05	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.90	139.90	Common Shs Outst'g ^C	142.90	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	21.0	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.36			Relative P/E Ratio	1.40	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%			Avg Ann'l Div'd Yield	2.5%	CAPITAL STRUCTURE as of 3/31/11				307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	770	820	Revenues (\$mill)	970	Total Debt \$1558.5 mill. Due in 5 Yrs \$310 mill.				58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	145	155	Net Profit (\$mill)	200	LT Debt \$1530.1 mill. LT Interest \$68.9 mill.				39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	40.0%	40.0%	Income Tax Rate	40.0%	(LT interest earned: 4.5x; total interest coverage: 4.5x)				--	--	--	--	--	--	--	--	2.9%	3.1%	2.5%	2.5%	AFUDC % to Net Profit	1.5%	Pension Assets-12/10 \$159.2 mill.				52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	55.0%	53.0%	Long-Term Debt Ratio	47.0%	Oblig. \$234.9 mill.				47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	45.0%	47.0%	Common Equity Ratio	53.0%	Pfd Stock None				990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2765	2810	Total Capital (\$mill)	3000	Common Stock 138,217,191 shares				1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3630	3800	Net Plant (\$mill)	4320	as of 4/27/11				7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.5%	7.0%	Return on Total Cap'l	8.0%	MARKET CAP: \$3.1 billion (Mid Cap)				12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.5%	11.5%	Return on Shr. Equity	12.5%	CURRENT POSITION				12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.5%	11.5%	Return on Com Equity	12.5%	(\$MILL.)				5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	5.0%	4.5%	Retained to Com Eq	5.5%	Cash Assets				59%	59%	59%	57%	56%	63%	67%	70%	72%	65%	59%	60%	All Div's to Net Prof	56%	Receivables				21.9	5.9	7.3												Inventory (AvgCst)				78.7	85.9	79.1												Other				9.5	9.2	10.9												Current Assets				11.5	44.4	59.6												Accts Payable				121.6	145.4	156.9												Debt Due				57.9	45.3	29.5												Other				87.0	28.5	28.4												Current Liab.				56.1	149.9	151.4												Fix. Chg. Cov.				201.0	223.7	209.3																346%	297%	306%												ANNUAL RATES				Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16											Revenues				8.0%	7.5%	6.5%											"Cash Flow"				8.5%	8.0%	8.0%											Earnings				6.5%	4.5%	10.5%											Dividends				7.5%	8.0%	5.5%											Book Value				9.0%	7.0%	6.0%											QUARTERLY REVENUES (\$ mill.)				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year											2008				139.3	151.0	177.1	159.6	627.0											2009				154.5	167.3	180.8	167.9	670.5											2010				160.5	178.5	207.8	179.3	726.1											2011				171.3	190	220	188.7	770											2012				190	200	230	200	820											EARNINGS PER SHARE ^A				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year											2008				.11	.17	.26	.19	.73											2009				.14	.19	.25	.19	.77											2010				.16	.22	.32	.20	.90											2011				.19	.24	.34	.28	1.05											2012				.20	.25	.37	.28	1.10											QUARTERLY DIVIDENDS PAID ^B				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year											2007				.115	.115	.125	.125	.48											2008				.125	.125	.125	.135	.51											2009				.135	.135	.135	.145	.55											2010				.145	.145	.145	.155	.599											2011				.155	.155														<p>BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '10: residential, 59.4%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.</p>																	<p>Aqua America should continue its recovery in 2011. Namely, acquisitions and rate rulings are slated to provide a considerable boost to the top and bottom lines for this year.</p>																	<p>Expansions remain the main focus. The company's Texas subsidiary recently completed its purchase of American Water Works Company's Texas operations. This acquisition is set to significantly expand Aqua America's customer base in one of its fastest growing sectors. The \$6 million transaction added a total of 51 water and five waste water systems, which serve approximately 16,000 people. The new unit will operate out of Aqua's Houston office, and the expanded subsidiary will cover a number of counties in the area including Brazoria, Harris, Liberty, and Matagorda. With the completion of this acquisition, Aqua America has grown its Texas customer base by about 50% since 2003, when it first entered the market. The company is planning a total of 15-20 acquisitions for the year, with future purchases planned in Pennsylvania, Texas, North Carolina, and Virginia.</p>																	<p>Rate rulings should also play a role in lifting the bottom line. The company is going forward with its plans to file in about seven states, including Pennsylvania, New Jersey, Ohio, Illinois, and Texas. Thus far, Aqua America has received approximately \$11 million in rate awards and surcharges.</p>																	<p>The company has solid long-term prospects. Given Aqua America's aggressive expansion plans, the company should considerably benefit from acquisition driven growth, which should more than offset the slow organic growth it is experiencing due to the tepid economy. Elsewhere, increased drilling of gas in the Marcellus Shale remains an exciting prospect, with the expansion of water sales to trucks in the region progressing on schedule. These factors, combined with likely favorable rate rulings, should provide a lift to revenues and earnings for the 2014-2016 period.</p>																	<p>Investors should find this issue of interest. The stock's dividend yield is well above the industry average, and the company has a long history of steady payout increases.</p>																	<p>Sahana Zutshi July 22, 2011</p>																	<p>(A) Diluted eps. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Earnings may not add due to rounding. Next earnings report due late July.</p>																	<p>(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).</p>																	<p>(C) In millions, adjusted for stock splits.</p>																	<p>Company's Financial Strength B+ Stock's Price Stability 100 Price Growth Persistence 70 Earnings Predictability 100</p>																
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC 14-16																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	5.26	5.55	5.85	Revenues per sh	6.80																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	1.78	1.95	2.05	"Cash Flow" per sh	2.40																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	.90	1.05	1.10	Earnings per sh ^A	1.40																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	.62	.66	Div'd Decl'd per sh ^B	.78																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	2.37	2.30	2.35	Cap'l Spending per sh	2.50																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	8.51	8.95	9.40	Book Value per sh	11.05																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	137.97	138.90	139.90	Common Shs Outst'g ^C	142.90																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	21.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	21.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	1.36			Relative P/E Ratio	1.40																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	3.1%			Avg Ann'l Div'd Yield	2.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
CAPITAL STRUCTURE as of 3/31/11				307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	726.1	770	820	Revenues (\$mill)	970																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Total Debt \$1558.5 mill. Due in 5 Yrs \$310 mill.				58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	124.0	145	155	Net Profit (\$mill)	200																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
LT Debt \$1530.1 mill. LT Interest \$68.9 mill.				39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	40.0%	40.0%	Income Tax Rate	40.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
(LT interest earned: 4.5x; total interest coverage: 4.5x)				--	--	--	--	--	--	--	--	2.9%	3.1%	2.5%	2.5%	AFUDC % to Net Profit	1.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Pension Assets-12/10 \$159.2 mill.				52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	56.6%	55.0%	53.0%	Long-Term Debt Ratio	47.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Oblig. \$234.9 mill.				47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	43.4%	45.0%	47.0%	Common Equity Ratio	53.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Pfd Stock None				990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	2706.2	2765	2810	Total Capital (\$mill)	3000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Common Stock 138,217,191 shares				1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	3469.3	3630	3800	Net Plant (\$mill)	4320																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
as of 4/27/11				7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	5.9%	6.5%	7.0%	Return on Total Cap'l	8.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
MARKET CAP: \$3.1 billion (Mid Cap)				12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.5%	11.5%	Return on Shr. Equity	12.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
CURRENT POSITION				12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	10.6%	11.5%	11.5%	Return on Com Equity	12.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
(\$MILL.)				5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	3.7%	5.0%	4.5%	Retained to Com Eq	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Cash Assets				59%	59%	59%	57%	56%	63%	67%	70%	72%	65%	59%	60%	All Div's to Net Prof	56%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Receivables				21.9	5.9	7.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Inventory (AvgCst)				78.7	85.9	79.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Other				9.5	9.2	10.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Current Assets				11.5	44.4	59.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Accts Payable				121.6	145.4	156.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Debt Due				57.9	45.3	29.5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Other				87.0	28.5	28.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Current Liab.				56.1	149.9	151.4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Fix. Chg. Cov.				201.0	223.7	209.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
				346%	297%	306%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
ANNUAL RATES				Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Revenues				8.0%	7.5%	6.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
"Cash Flow"				8.5%	8.0%	8.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Earnings				6.5%	4.5%	10.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Dividends				7.5%	8.0%	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Book Value				9.0%	7.0%	6.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
QUARTERLY REVENUES (\$ mill.)				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
2008				139.3	151.0	177.1	159.6	627.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2009				154.5	167.3	180.8	167.9	670.5																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2010				160.5	178.5	207.8	179.3	726.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2011				171.3	190	220	188.7	770																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2012				190	200	230	200	820																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
EARNINGS PER SHARE ^A				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
2008				.11	.17	.26	.19	.73																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2009				.14	.19	.25	.19	.77																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2010				.16	.22	.32	.20	.90																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2011				.19	.24	.34	.28	1.05																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2012				.20	.25	.37	.28	1.10																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
QUARTERLY DIVIDENDS PAID ^B				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
2007				.115	.115	.125	.125	.48																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2008				.125	.125	.125	.135	.51																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2009				.135	.135	.135	.145	.55																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2010				.145	.145	.145	.155	.599																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
2011				.155	.155																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
<p>BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '10: residential, 59.4%; commercial, 14.5%; industrial & other, 26.0%. Officers and directors own 2.0% of the common stock (4/11 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>Aqua America should continue its recovery in 2011. Namely, acquisitions and rate rulings are slated to provide a considerable boost to the top and bottom lines for this year.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>Expansions remain the main focus. The company's Texas subsidiary recently completed its purchase of American Water Works Company's Texas operations. This acquisition is set to significantly expand Aqua America's customer base in one of its fastest growing sectors. The \$6 million transaction added a total of 51 water and five waste water systems, which serve approximately 16,000 people. The new unit will operate out of Aqua's Houston office, and the expanded subsidiary will cover a number of counties in the area including Brazoria, Harris, Liberty, and Matagorda. With the completion of this acquisition, Aqua America has grown its Texas customer base by about 50% since 2003, when it first entered the market. The company is planning a total of 15-20 acquisitions for the year, with future purchases planned in Pennsylvania, Texas, North Carolina, and Virginia.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>Rate rulings should also play a role in lifting the bottom line. The company is going forward with its plans to file in about seven states, including Pennsylvania, New Jersey, Ohio, Illinois, and Texas. Thus far, Aqua America has received approximately \$11 million in rate awards and surcharges.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>The company has solid long-term prospects. Given Aqua America's aggressive expansion plans, the company should considerably benefit from acquisition driven growth, which should more than offset the slow organic growth it is experiencing due to the tepid economy. Elsewhere, increased drilling of gas in the Marcellus Shale remains an exciting prospect, with the expansion of water sales to trucks in the region progressing on schedule. These factors, combined with likely favorable rate rulings, should provide a lift to revenues and earnings for the 2014-2016 period.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>Investors should find this issue of interest. The stock's dividend yield is well above the industry average, and the company has a long history of steady payout increases.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>Sahana Zutshi July 22, 2011</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>(A) Diluted eps. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Earnings may not add due to rounding. Next earnings report due late July.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>(B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount).</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>(C) In millions, adjusted for stock splits.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>Company's Financial Strength B+ Stock's Price Stability 100 Price Growth Persistence 70 Earnings Predictability 100</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				



© VALUE LINE PUBLISHING LLC	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012/2013
SALES PER SH	6.20	6.67	7.52	7.77	7.20	7.59	8.11	8.48	--	
"CASH FLOW" PER SH	1.28	1.42	1.56	1.75	1.57	1.65	1.84	1.92	--	
EARNINGS PER SH	.64	.72	.81	.97	.90	.86	.97	1.00	1.00^{A,B}	1.13^{C,NA}
DIV'DS DECL'D PER SH	.53	.55	.58	.61	.66	.71	.72	.75	--	
CAP'L SPENDING PER SH	4.20	4.82	3.35	5.08	3.66	6.09	2.32	2.57	--	
BOOK VALUE PER SH	9.01	9.26	9.60	10.15	11.66	11.86	12.15	12.44	--	
COMMON SHS OUTST'G (MILL)	5.85	5.93	6.02	6.09	7.30	7.40	7.51	7.65	--	
AVG ANN'L P/E RATIO	24.7	25.4	24.2	20.3	21.5	20.1	16.4	18.2	19.1	16.9/NA
RELATIVE P/E RATIO	1.41	1.34	1.28	1.10	1.14	1.21	1.09	1.16	--	
AVG ANN'L DIV'D YIELD	3.4%	3.0%	2.9%	3.1%	3.4%	4.1%	4.5%	4.1%	--	
SALES (\$MILL)	36.3	39.6	45.3	47.3	52.5	56.2	60.9	64.9	--	Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.
OPERATING MARGIN	--	--	100.0%	45.6%	45.6%	45.1%	46.9%	46.5%	--	
DEPRECIATION (\$MILL)	3.6	4.0	4.4	4.6	5.2	5.8	6.6	7.0	--	
NET PROFIT (\$MILL)	3.9	4.4	5.0	6.1	6.3	6.4	7.3	7.6	--	
INCOME TAX RATE	37.9%	39.6%	39.9%	39.0%	39.8%	40.8%	40.1%	40.0%	--	
NET PROFIT MARGIN	10.8%	11.1%	11.1%	12.8%	11.9%	11.4%	11.9%	11.7%	--	
WORKING CAP'L (\$MILL)	d10.5	d8.7	d1.8	d8.8	2.5	d20.9	d23.3	d27.9	--	
LONG-TERM DEBT (\$MILL)	80.6	82.4	92.4	92.1	91.8	107.6	106.0	105.1	--	
SHR. EQUITY (\$MILL)	52.7	54.9	57.8	61.8	85.1	87.8	91.2	95.1	--	
RETURN ON TOTAL CAP'L	4.5%	5.1%	5.3%	5.8%	5.3%	4.7%	5.2%	5.6%	--	
RETURN ON SHR. EQUITY	7.4%	8.0%	8.7%	9.8%	7.4%	7.3%	8.0%	8.0%	--	
RETAINED TO COM EQ	1.4%	2.1%	2.7%	3.8%	2.1%	1.4%	2.1%	2.0%	--	
ALL DIV'DS TO NET PROF	81%	74%	69%	61%	71%	81%	74%	75%	--	

^ANo. of analysts changing earn. est. in last 9 days: 0 up, 0 down, consensus 5-year earnings growth 3.6% per year. ^BBased upon 4 analysts' estimates. ^CBased upon 4 analysts' estimates.

ANNUAL RATES						INDUSTRY: Water Utility															
of change (per share)		5 Yrs.	1 Yr.	ASSETS (\$mill.)		2009	2010	3/31/11	BUSINESS: Artesian Resources Corporation, through its subsidiaries, provides water, wastewater and other services on the Delmarva Peninsula. The company distributes and sells water, including water for public and private fire protection, to residential, commercial, industrial, municipal and utility customers throughout the states of Delaware, Maryland and Pennsylvania. It also provides wastewater services to customers in Delaware and has entered into purchase agreements to provide wastewater services in the state of Maryland. In addition, Artesian provides contract water and wastewater operations, water and sewer service line protection plans, wastewater management services, and design, construction and engineering services. Artesian Resources is the parent holding company of Artesian Water Company, Inc., Artesian Water Pennsylvania, Inc., Artesian Water Maryland, Inc., Artesian Wastewater Management, Inc., Artesian Wastewater Maryland, Inc. and three other entities. Has 238 employees. Chairman, C.E.O. & President: Dian C. Taylor. Address: 664 Churchmans Rd., Newark, DE 19702. Tel.: 302 453-6900. Internet: http://www.artesianwater.com . <i>W.T.</i>												
Sales	3.5%	4.5%		Cash Assets		.5	.2	.3							BUSINESS: Artesian Resources Corporation, through its subsidiaries, provides water, wastewater and other services on the Delmarva Peninsula. The company distributes and sells water, including water for public and private fire protection, to residential, commercial, industrial, municipal and utility customers throughout the states of Delaware, Maryland and Pennsylvania. It also provides wastewater services to customers in Delaware and has entered into purchase agreements to provide wastewater services in the state of Maryland. In addition, Artesian provides contract water and wastewater operations, water and sewer service line protection plans, wastewater management services, and design, construction and engineering services. Artesian Resources is the parent holding company of Artesian Water Company, Inc., Artesian Water Pennsylvania, Inc., Artesian Water Maryland, Inc., Artesian Wastewater Management, Inc., Artesian Wastewater Maryland, Inc. and three other entities. Has 238 employees. Chairman, C.E.O. & President: Dian C. Taylor. Address: 664 Churchmans Rd., Newark, DE 19702. Tel.: 302 453-6900. Internet: http://www.artesianwater.com . <i>W.T.</i>						
"Cash Flow"	5.0%	4.0%		Receivables		9.0	5.1	8.2													
Earnings	5.5%	3.0%		Inventory		1.2	1.2	1.3													
Dividends	5.5%	4.5%		Other		2.5	7.5	2.0													
Book Value	5.5%	2.5%		Current Assets		13.2	14.0	11.8													
Fiscal Year	QUARTERLY SALES (\$mill.)			Property, Plant & Equip, at cost			403.0	414.6													--
	1Q	2Q	3Q	4Q	Full Year	Accum Depreciation	64.9	69.2													--
12/31/09	13.9	15.4	16.1	15.5	60.9	Net Property	338.1	345.4													350.7
12/31/10	15.0	16.0	18.0	15.9	64.9	Other	7.6	12.1													7.8
12/31/11	14.8					Total Assets	358.9	371.5	370.3												
12/31/12																					
Fiscal Year	EARNINGS PER SHARE			LIABILITIES (\$mill.)			3.7	3.4	3.6												
	1Q	2Q	3Q	4Q	Full Year	Accts Payable	27.7	30.6	27.6												
12/31/08	.13	.21	.35	.17	.86	Other	5.1	7.9	7.0												
12/31/09	.22	.27	.28	.20	.97	Current Liab	36.5	41.9	38.2												
12/31/10	.22	.24	.38	.16	1.00																
12/31/11	.13	.24	.39	.22																	
12/31/12																					
Cal-endar	QUARTERLY DIVIDENDS PAID			LONG-TERM DEBT AND EQUITY as of 3/31/11			Total Debt \$134.5 mill. Due in 5 Yrs. NA														
	1Q	2Q	3Q	4Q	Full Year	LT Debt \$106.9 mill. Including Cap. Leases NA (53% of Cap'l)															
2008	.172	.178	.178	.178	.71	Leases, Uncapitalized Annual rentals NA															
2009	.178	.178	.178	.187	.72	Pension Liability \$.5 mill. in '10 vs. \$.7 mill. in '09															
2010	.187	.188	.188	.189	.75	Pfd Stock None Pfd Div'd Paid None															
2011	.189	.19				Common Stock 7,665,000 shares (47% of Cap'l)															
						TOTAL SHAREHOLDER RETURN <i>Dividends plus appreciation as of 6/30/2011</i>															
						3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.											
						-6.62%	-3.02%	1.56%	11.47%	12.77%											

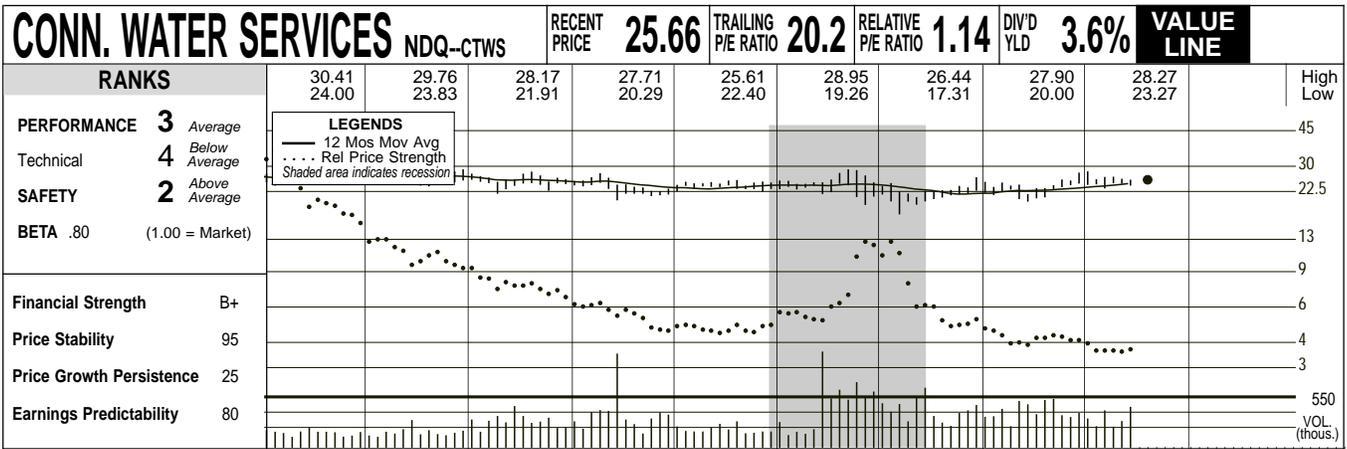
CALIFORNIA WATER NYSE-CWT				RECENT PRICE	P/E RATIO	Trailing: 21.3 Median: 22.0	RELATIVE P/E RATIO	DIV'D YLD	3.3%	VALUE LINE							
TIMELINESS	3	Raised 7/22/11	High: 15.7	15.7	19.0	21.1	22.9	22.7	23.3	24.1	19.8	19.2	Target Price Range	2014	2015	2016	
SAFETY	3	Lowered 7/27/07	Low: 10.8	11.8	13.0	15.6	16.4	17.1	13.8	16.7	16.9	17.3					
TECHNICAL	3	Lowered 11/12/10	LEGENDS 1.33 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 1/98 2-for-1 split 6/11 Options: Yes Shaded areas indicate recessions														
BETA	.70	(1.00 = Market)	2014-16 PROJECTIONS Ann'l Total High Price 30 Gain (+60%) 14% Low Price 20 Gain (+5%) 5%														
Insider Decisions			Percent shares traded										% TOT. RETURN 6/11				
Institutional Decisions			Percent shares traded										% TOT. RETURN 6/11				
CAPITAL STRUCTURE as of 3/31/11													© VALUE LINE PUB. LLC 14-16				
Total Debt \$510.2 mill. Due in 5 Yrs \$48.8 mill.													Revenues per sh				13.40
LT Debt \$479.0 mill. LT Interest \$31.9 mill.													"Cash Flow" per sh				2.45
(LT interest earned: 2.3x; total int. cov.: 2.2x)													Earnings per sh ^A				1.35
(53% of Cap'l)													Div'd Decl'd per sh ^B				.70
Pension Assets-12/10 \$139.0 mill.													Cap'l Spending per sh				3.10
Oblig. \$269.9 mill.													Book Value per sh ^C				12.35
Pfd Stock None													Common Shs Outst'g ^D				48.50
Common Stock 41,752,032 shs.													Avg Ann'l P/E Ratio				20.0
(adj. for 2-for-1 split, paid 6/13/11)													Relative P/E Ratio				1.35
MARKET CAP: \$775 million (Small Cap)													Avg Ann'l Div'd Yield				2.8%
CURRENT POSITION (SMILL)													Revenues (\$mill) ^E				650
Cash Assets 9.9													Net Profit (\$mill)				63.0
Other 82.3													Income Tax Rate				39.0%
Current Assets 92.2													AFUDC % to Net Profit				10.0%
Accts Payable 43.7													Long-Term Debt Ratio				50.5%
Debt Due 25.0													Common Equity Ratio				49.5%
Other 41.7													Total Capital (\$mill)				1210
Current Liab. 110.4													Net Plant (\$mill)				1700
Fix. Chg. Cov. 430%													Return on Total Cap'l				7.0%
													Return on Shr. Equity				10.5%
													Return on Com Equity				10.5%
													Retained to Com Eq				5.5%
													All Div'ds to Net Prof				54%
ANNUAL RATES (per sh)													BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 470,200 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '10: residential, 72%; business, 20%; public authorities, 4%; industrial, 4%. '10 reported depreciation rate: 2.3%. Has roughly 1,127 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/11 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.				
Past 10 Yrs.													and in need of significant repair, if not overall replacing. The company's cash coffers are light, however, and it will probably need to look to outside financiers in the near future to meet the costs of doing business. It has already extended its line of credit to \$400 million and received authorization to issue another 15 million or so shares from the board of directors in case it needs to increase appropriations going forward.				
Past 5 Yrs.													Most investors will want to look elsewhere. CWT shares are neutrally ranked for 3- to 5-year price appreciation potential, either as we do not think that earnings growth will be able to keep pace with the accelerating costs of doing business. Although the income component is attractive at first blush, the capital requirements we envision persisting will likely bring the dividend yield back to a more reasonable level further out. Therefore, we believe that there are much better income-producing offerings to choose from in the Electric utility segment, especially on a risk-adjusted basis.				
Est'd '08-'10 to '14-'16													Andre J. Costanza July 22, 2011				
Revenues 3.0%													California Water Service Group issued a 2-for-1 stock split just a little over a month ago. (All the figures in our presentation have been adjusted accordingly). We believe that the water utility signed off on the move in an attempt to provide a more attractive entry point for investors and bring in some much-needed funds (see below for greater details). Split-adjusted first-quarter results were as anticipated . . . The company reported share net of \$0.05, mirroring the year-before performance. Although sales continued to benefit from a complementary regulatory environment, the rising costs of doing business offset these gains. . . . but we have revised our estimates downward, nonetheless. Operating costs are expected to remain on the rise, and additional share and/or debt issuance is likely in the cards. They will have a dilutive effect on earnings, and we now look for a share gain of \$1.00 this year. Financial constraints are not likely to subside, either. The aforementioned financial maneuverings are just a Band-Aid on what we view as a gaping wound. Many of the country's pipelines and wells are old				
"Cash Flow" 4.0%																	
Earnings 3.0%																	
Dividends 1.0%																	
Book Value 4.5%																	
Cal-endar																	
QUARTERLY REVENUES (\$mill.) ^F																	
Mar.31 Jun.30 Sep.30 Dec.31 Full Year																	
2008 72.9 105.6 131.7 100.1 410.3																	
2009 86.6 116.7 139.2 106.9 449.4																	
2010 90.3 118.3 146.3 105.5 460.4																	
2011 98.1 126.9 160 115 500																	
2012 103 132 170 125 530																	
Cal-endar																	
EARNINGS PER SHARE ^A																	
Mar.31 Jun.30 Sep.30 Dec.31 Full Year																	
2008 .01 .24 .53 .17 .95																	
2009 .06 .29 .47 .16 .98																	
2010 .05 .25 .49 .12 .91																	
2011 .05 .26 .54 .15 1.00																	
2012 .08 .27 .58 .17 1.10																	
Cal-endar																	
QUARTERLY DIVIDENDS PAID ^B																	
Mar.31 Jun.30 Sep.30 Dec.31 Full Year																	
2007 .145 .145 .145 .145 .58																	
2008 .147 .147 .147 .147 .59																	
2009 .148 .148 .148 .148 .59																	
2010 .149 .149 .149 .149 .60																	
2011 .154 .154 .154 .154 .60																	

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

(B) Dividends historically paid in early Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.

(C) Incl. deferred charges. In '10: \$2.2 mill., \$0.11/sh.
(D) In millions, adjusted for split.
(E) Excludes non-reg. rev.

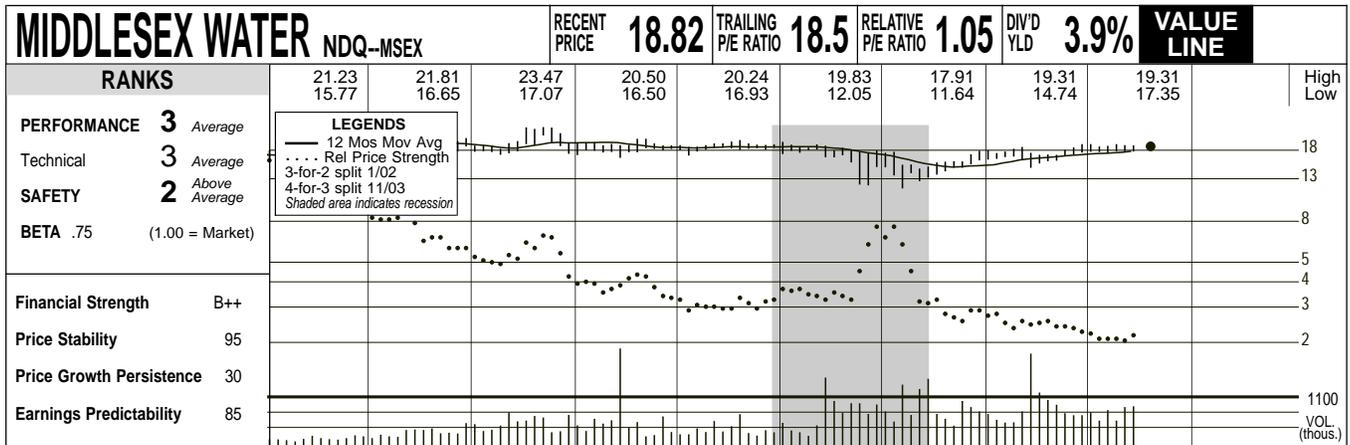
Company's Financial Strength B+
Stock's Price Stability 90
Price Growth Persistence 65
Earnings Predictability 85



© VALUE LINE PUBLISHING LLC	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012/2013
SALES PER SH	5.91	6.04	5.81	5.68	7.05	7.24	6.93	7.65	--	
"CASH FLOW" PER SH	1.89	1.91	1.62	1.52	1.90	1.95	1.93	2.04	--	
EARNINGS PER SH	1.15	1.16	.88	.81	1.05	1.11	1.19	1.13	1.34^{A,B}	1.37^C/NA
DIV'DS DECL'D PER SH	.83	.84	.85	.86	.87	.88	.90	.92	--	
CAP'L SPENDING PER SH	1.49	1.58	1.96	1.96	2.24	2.44	3.28	3.06	--	
BOOK VALUE PER SH	10.46	10.94	11.52	11.60	11.95	12.23	12.67	13.05	--	
COMMON SHS OUTST'G (MILL)	7.97	8.04	8.17	8.27	8.38	8.46	8.57	8.68	--	
AVG ANN'L P/E RATIO	23.5	22.9	28.6	29.0	23.0	22.2	18.4	20.7	19.1	18.7/NA
RELATIVE P/E RATIO	1.34	1.21	1.51	1.57	1.22	1.34	1.22	1.32	--	
AVG ANN'L DIV'D YIELD	3.0%	3.1%	3.4%	3.6%	3.6%	3.6%	4.1%	3.9%	--	
SALES (\$MILL)	47.1	48.5	47.5	46.9	59.0	61.3	59.4	66.4	--	Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.
OPERATING MARGIN	52.1%	51.0%	48.3%	43.7%	40.8%	49.0%	35.8%	40.7%	--	
DEPRECIATION (\$MILL)	5.9	6.0	6.1	5.9	7.2	7.1	6.4	7.9	--	
NET PROFIT (\$MILL)	9.2	9.4	7.2	6.7	8.8	9.4	10.2	9.8	--	
INCOME TAX RATE	17.9%	22.9%	--	23.5%	32.4%	27.2%	19.5%	35.2%	--	
NET PROFIT MARGIN	19.5%	19.4%	15.1%	14.3%	14.9%	15.4%	17.2%	14.8%	--	
WORKING CAP'L (\$MILL)	d3.9	d.7	13.0	1.2	8.1	d3.3	d13.1	d14.7	--	
LONG-TERM DEBT (\$MILL)	64.8	66.4	77.4	77.3	92.3	92.2	112.0	111.7	--	
SHR. EQUITY (\$MILL)	84.2	88.7	94.9	96.7	100.9	104.2	109.3	114.0	--	
RETURN ON TOTAL CAP'L	7.5%	7.0%	5.0%	4.9%	5.5%	5.9%	5.5%	5.4%	--	
RETURN ON SHR. EQUITY	10.9%	10.6%	7.5%	6.9%	8.7%	9.0%	9.3%	8.6%	--	
RETAINED TO COM EQ	3.2%	3.1%	.3%	NMF	1.6%	1.9%	2.3%	1.6%	--	
ALL DIV'DS TO NET PROF	71%	71%	95%	105%	82%	79%	76%	81%	--	

^ANo. of analysts changing earn. est. in last 9 days: 0 up, 0 down, consensus 5-year earnings growth 4.0% per year. ^BBased upon 6 analysts' estimates. ^CBased upon 6 analysts' estimates.

ANNUAL RATES						INDUSTRY: Water Utility								
of change (per share)		5 Yrs.	1 Yr.	ASSETS (\$mill.)		2009	2010	3/31/11	BUSINESS: Connecticut Water Service, Inc. primarily operates as a water utility provider. The company operates through three segments: Water Activities, Real Estate Transactions, and Services and Rentals. The Water Activities segment supplies public drinking water to its customers. Its Real Estate Transactions segment involves in the sale of its limited excess real estate holdings. The Services and Rentals segment provides contracted services to water and wastewater utilities and other clients, as well as leases certain properties to third parties. This segment's services include contract operations of water and wastewater facilities; Linebacker, its service line protection plan for public drinking water customers; and provision of bulk deliveries of emergency drinking water to businesses and residences via tanker truck. In April, Connecticut Water Service completed the acquisition of the Green Springs Water Company in Madison, Connecticut. Has 204 employees. Chairman, C.E.O. & President: Eric W. Thornburg, Inc.: CT. Address: 93 West Main Street, Clinton, CT 06413. Tel.: (860) 669-8636. Internet: http://www.ctwater.com . W.T. July 22, 2011					
Sales	4.0%	10.5%	Cash Assets	5.4	1.0	1.2	Cash Assets	5.4				1.0	1.2	
"Cash Flow"	2.0%	5.5%	Receivables	6.5	10.1	15.4	Receivables	6.5				10.1	15.4	
Earnings	1.5%	-5.0%	Inventory (Avg cost)	1.1	1.7	1.2	Inventory (Avg cost)	1.1				1.7	1.2	
Dividends	1.5%	2.0%	Other	7.0	7.6	3.4	Other	7.0				7.6	3.4	
Book Value	3.0%	3.0%	Current Assets	20.0	20.4	21.2	Current Assets	20.0				20.4	21.2	
Fiscal Year	QUARTERLY SALES (\$mill.)		Full Year	Property, Plant & Equip, at cost	448.2	471.6	--	Property, Plant & Equip, at cost				448.2	471.6	--
	1Q	2Q	3Q	4Q	123.0	127.4	--	Accum Depreciation				123.0	127.4	--
12/31/09	13.4	15.2	16.6	14.2	325.2	344.2	350.3	Net Property				325.2	344.2	350.3
12/31/10	13.8	15.9	21.0	15.7	70.1	60.6	55.5	Other				70.1	60.6	55.5
12/31/11	17.5				415.3	425.2	427.0	Total Assets	415.3	425.2	427.0			
12/31/12														
Fiscal Year	EARNINGS PER SHARE				Full Year	LIABILITIES (\$mill.)		TOTAL SHAREHOLDER RETURN Dividends plus appreciation as of 6/30/2011 3 Mos. 6 Mos. 1 Yr. 3 Yrs. 5 Yrs. -2.02% -6.54% 26.42% 28.45% 32.06%						
	1Q	2Q	3Q	4Q	Full Year	Accts Payable	6.5				6.6	4.6		
12/31/08	.20	.35	.34	.22	1.11	Debt Due	25.0				26.3	26.3		
12/31/09	.13	.27	.67	.12	1.19	Other	1.6				2.2	3.2		
12/31/10	.12	.27	.54	.20	1.13	Current Liab	33.1				35.1	34.1		
12/31/11	.26	.36	.48	.23		LONG-TERM DEBT AND EQUITY as of 3/31/11								
12/31/12						Total Debt \$137.8 mill.	Due in 5 Yrs. NA							
Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year	LT Debt \$111.5 mill.	(49% of Cap'l)							
	1Q	2Q	3Q	4Q	Full Year	Including Cap. Leases NA	Leases, Uncapitalized Annual rentals NA							
2008	.218	.218	.222	.222	.88	Pension Liability \$16.7 mill. in '10 vs. \$14.9 mill. in '09								
2009	.222	.222	.228	.228	.90	Pfd Stock \$.8 mill. Pfd Div'd Paid NMF								
2010	.228	.228	.233	.233	.92	Common Stock 8,705,000 shares (51% of Cap'l)								
2011	.233	.233												



© VALUE LINE PUBLISHING LLC	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012/2013
SALES PER SH	6.12	6.25	6.44	6.16	6.50	6.79	6.75	6.60	--	
"CASH FLOW" PER SH	1.15	1.28	1.33	1.33	1.49	1.53	1.40	1.55	--	
EARNINGS PER SH	.61	.73	.71	.82	.87	.89	.72	.96	.98 ^{A,B}	1.04 ^{C,NA}
DIV'DS DECL'D PER SH	.65	.66	.67	.68	.69	.70	.71	.72	--	
CAP'L SPENDING PER SH	1.87	2.54	2.18	2.31	1.66	2.12	1.49	1.90	--	
BOOK VALUE PER SH	7.60	8.02	8.26	9.52	10.05	10.03	10.33	11.13	--	
COMMON SHS OUTST'G (MILL)	10.48	11.36	11.58	13.17	13.25	13.40	13.52	15.57	--	
AVG ANN'L P/E RATIO	30.0	26.4	27.4	22.7	21.6	19.8	21.0	17.8	19.2	18.1/NA
RELATIVE P/E RATIO	1.71	1.39	1.45	1.23	1.15	1.19	1.40	1.14	--	
AVG ANN'L DIV'D YIELD	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	4.7%	4.2%	--	
SALES (\$MILL)	64.1	71.0	74.6	81.1	86.1	91.0	91.2	102.7	--	Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.
OPERATING MARGIN	44.0%	44.4%	44.4%	47.4%	47.0%	46.9%	42.6%	46.7%	--	
DEPRECIATION (\$MILL)	5.6	6.4	7.2	7.8	8.2	8.5	9.2	10.0	--	
NET PROFIT (\$MILL)	6.6	8.4	8.5	10.0	11.8	12.2	10.0	14.3	--	
INCOME TAX RATE	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	34.1%	32.1%	--	
NET PROFIT MARGIN	10.3%	11.9%	11.4%	12.4%	13.8%	13.4%	10.9%	13.9%	--	
WORKING CAP'L (\$MILL)	d13.3	d11.8	d4.5	2.8	d9.6	d40.9	d38.6	d17.9	--	
LONG-TERM DEBT (\$MILL)	97.4	115.3	128.2	130.7	131.6	118.2	124.9	133.8	--	
SHR. EQUITY (\$MILL)	83.7	99.2	103.6	133.3	137.1	141.2	143.0	176.6	--	
RETURN ON TOTAL CAP'L	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	5.0%	5.7%	--	
RETURN ON SHR. EQUITY	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	7.0%	8.1%	--	
RETAINED TO COM EQ	NMF	.9%	.6%	1.3%	1.8%	2.0%	.1%	2.1%	--	
ALL DIV'DS TO NET PROF	106%	90%	94%	84%	79%	78%	98%	75%	--	

^ANo. of analysts changing earn. est. in last 9 days: 0 up, 0 down, consensus 5-year earnings growth 3.0% per year. ^BBased upon 3 analysts' estimates. ^CBased upon 3 analysts' estimates.

ANNUAL RATES				
of change (per share)	5 Yrs.	1 Yr.		
Sales	1.5%	-2.0%		
"Cash Flow"	3.5%	10.0%		
Earnings	4.5%	33.5%		
Dividends	1.5%	1.5%		
Book Value	5.5%	8.0%		

Fiscal Year	QUARTERLY SALES (\$mill.)				Full Year
	1Q	2Q	3Q	4Q	
12/31/09	20.6	23.1	25.5	22.0	91.2
12/31/10	21.6	26.5	29.6	25.0	102.7
12/31/11	24.0				
12/31/12					

Fiscal Year	EARNINGS PER SHARE				Full Year
	1Q	2Q	3Q	4Q	
12/31/08	.15	.26	.35	.13	.89
12/31/09	.10	.21	.29	.12	.72
12/31/10	.11	.31	.37	.17	.96
12/31/11	.17	.28	.35	.18	
12/31/12					

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	1Q	2Q	3Q	4Q	
2008	.175	.175	.175	.178	.70
2009	.178	.178	.178	.18	.71
2010	.18	.18	.18	.183	.72
2011	.183	.183			

INSTITUTIONAL DECISIONS			
	3Q'10	4Q'10	1Q'11
to Buy	30	39	25
to Sell	24	21	25
Hld's(000)	5930	6031	6200

ASSETS (\$mill.)			
	2009	2010	3/31/11
Cash Assets	4.3	2.5	3.8
Receivables	10.6	16.7	14.6
Inventory (Avg cost)	1.6	2.2	1.5
Other	5.5	1.4	1.5
Current Assets	22.0	22.8	21.4

LIABILITIES (\$mill.)			
	2009	2010	3/31/11
Accts Payable	4.3	6.4	5.2
Debt Due	46.6	21.4	22.2
Other	9.8	12.9	14.3
Current Liab	60.7	40.7	41.7

LONG-TERM DEBT AND EQUITY as of 3/31/11			
	2009	2010	3/31/11
Total Debt \$155.3 mill.			Due in 5 Yrs. NA
LT Debt \$133.0 mill.			
Including Cap. Leases NA			(43% of Cap'l)
Leases, Uncapitalized Annual rentals NA			
Pension Liability \$28.6 mill. in '10 vs. \$25.7 mill. in '09			
Pfd Stock \$3.4 mill.			Pfd Div'd Paid \$2 mill. (1% of Cap'l)
Common Stock 15,587,000 shares			(56% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey and Delaware, and a regulated wastewater utility in NJ. The company offers contract operations services and a service line maintenance program through its nonregulated subsidiary, Utility Service Affiliates, Inc. Its water utility system treats, stores, and distributes water for residential, commercial, industrial, and fire prevention purposes. The New Jersey subsidiaries provide water services to approximately 60,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under wholesale contracts. It also provides water treatment and pumping services to the Township of East Brunswick, New Jersey under contract. Middlesex Water's Delaware subsidiaries provide water services to approximately 34,000 retail customers for domestic, commercial and fire protection purposes in New Castle, Kent, and Sussex counties. Has 292 employees. Chairman, C.E.O. & President: Dennis W. Doll. Address: 1500 Ronson Rd, P.O. BOX 1500, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: <http://www.middlesexwater.com>. W.T.

July 22, 2011

TOTAL SHAREHOLDER RETURN				
Dividends plus appreciation as of 6/30/2011				
3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
3.14%	3.24%	22.05%	27.42%	19.09%

©2011 Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

To subscribe call 1-800-833-0046.

SJW CORP. NYSE-SJW				RECENT PRICE	24.10	P/E RATIO	26.8 (Trailing: 29.4 Median: 22.0)	RELATIVE P/E RATIO	1.67	DIV'D YLD	2.9%	VALUE LINE																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
TIMELINESS	4	New 4/22/11	High: 20.3	17.8	15.1	15.0	19.6	27.8	45.3	43.0	35.1	30.4	28.2	26.8	Target Price Range 2014 2015 2016																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
SAFETY	3	New 4/22/11	Low: 15.8	11.6	12.7	12.6	14.6	16.1	21.2	27.7	20.0	18.2	21.6	21.9		80																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
TECHNICAL	3	Lowered 6/24/11	LEGENDS — 1.50 x Dividends p sh divided by Interest Rate Relative Price Strength 3-for-1 split 3/04 2-for-1 split 3/06 Options: No Shaded areas indicate recessions											60																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
BETA	.90	(1.00 = Market)	2014-16 PROJECTIONS Ann'l Total High Price 40 Gain (+65%) 16% Low 25 (+5%) 4%											50																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
Insider Decisions			<table border="1"> <tr> <td>A</td><td>S</td><td>O</td><td>N</td><td>D</td><td>J</td><td>F</td><td>M</td><td>A</td> </tr> <tr> <td>to Buy</td><td>0</td><td>0</td><td>0</td><td>0</td><td>1</td><td>0</td><td>0</td><td>1</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td> </tr> <tr> <td>Options</td><td>0</td><td>0</td><td>0</td><td>0</td><td>1</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td> </tr> <tr> <td>to Sell</td><td>0</td><td>0</td><td>0</td><td>0</td><td>1</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td> </tr> </table>											A	S	O	N	D	J	F	M	A	to Buy	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	Options	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	to Sell	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	40																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
A	S	O	N	D	J	F	M	A																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
to Buy	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
Options	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
to Sell	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
Institutional Decisions			<table border="1"> <tr> <td>3Q2010</td><td>4Q2010</td><td>1Q2011</td><td>Percent shares traded</td> </tr> <tr> <td>to Buy</td><td>26</td><td>34</td><td>26</td> </tr> <tr> <td>to Sell</td><td>28</td><td>26</td><td>34</td> </tr> <tr> <td>Hld's(000)</td><td>8969</td><td>8640</td><td>8648</td> </tr> </table>											3Q2010	4Q2010	1Q2011	Percent shares traded	to Buy	26	34	26	to Sell	28	26	34	Hld's(000)	8969	8640	8648	30																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
3Q2010	4Q2010	1Q2011	Percent shares traded																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
to Buy	26	34	26																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
to Sell	28	26	34																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Hld's(000)	8969	8640	8648																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
													25																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
<table border="1"> <tr> <td>1995</td><td>1996</td><td>1997</td><td>1998</td><td>1999</td><td>2000</td><td>2001</td><td>2002</td><td>2003</td><td>2004</td><td>2005</td><td>2006</td><td>2007</td><td>2008</td><td>2009</td><td>2010</td><td>2011</td><td>2012</td> <td>© VALUE LINE PUB. LLC 14-16</td> </tr> <tr> <td>4.99</td><td>5.39</td><td>5.79</td><td>5.58</td><td>6.40</td><td>6.74</td><td>7.45</td><td>7.97</td><td>8.20</td><td>9.14</td><td>9.86</td><td>10.35</td><td>11.25</td><td>12.12</td><td>11.68</td><td>11.62</td><td>11.80</td><td>11.90</td> <td>Revenues per sh</td> <td>12.00</td> </tr> <tr> <td>.98</td><td>1.43</td><td>1.27</td><td>1.26</td><td>1.43</td><td>1.23</td><td>1.49</td><td>1.55</td><td>1.75</td><td>1.89</td><td>2.21</td><td>2.38</td><td>2.30</td><td>2.44</td><td>2.21</td><td>2.37</td><td>2.45</td><td>2.50</td> <td>"Cash Flow" per sh</td> <td>2.60</td> </tr> <tr> <td>.59</td><td>.96</td><td>.80</td><td>.76</td><td>.87</td><td>.58</td><td>.77</td><td>.78</td><td>.91</td><td>.87</td><td>1.12</td><td>1.19</td><td>1.04</td><td>1.08</td><td>.81</td><td>.84</td><td>.90</td><td>1.00</td> <td>Earnings per sh ^A</td> <td>1.25</td> </tr> <tr> <td>.35</td><td>.37</td><td>.38</td><td>.39</td><td>.40</td><td>.41</td><td>.43</td><td>.46</td><td>.49</td><td>.51</td><td>.53</td><td>.57</td><td>.61</td><td>.65</td><td>.66</td><td>.68</td><td>.69</td><td>.74</td> <td>Div'd Decl'd per sh ^B</td> <td>.82</td> </tr> <tr> <td>.96</td><td>1.06</td><td>1.27</td><td>1.81</td><td>1.77</td><td>1.89</td><td>2.63</td><td>2.06</td><td>3.41</td><td>2.31</td><td>2.83</td><td>3.87</td><td>6.62</td><td>3.79</td><td>3.17</td><td>5.65</td><td>5.10</td><td>4.75</td> <td>Cap'l Spending per sh</td> <td>4.30</td> </tr> <tr> <td>5.58</td><td>6.31</td><td>7.02</td><td>7.53</td><td>7.88</td><td>7.90</td><td>8.17</td><td>8.40</td><td>9.11</td><td>10.11</td><td>10.72</td><td>12.48</td><td>12.90</td><td>13.99</td><td>13.66</td><td>13.75</td><td>13.85</td><td>14.75</td> <td>Book Value per sh</td> <td>18.80</td> </tr> <tr> <td>19.50</td><td>19.02</td><td>19.02</td><td>19.01</td><td>18.27</td><td>18.27</td><td>18.27</td><td>18.27</td><td>18.27</td><td>18.27</td><td>18.27</td><td>18.28</td><td>18.36</td><td>18.18</td><td>18.50</td><td>18.55</td><td>19.50</td><td>21.00</td> <td>Common Shs Outst'g ^C</td> <td>25.00</td> </tr> <tr> <td>9.9</td><td>6.8</td><td>11.2</td><td>13.1</td><td>15.5</td><td>33.1</td><td>18.5</td><td>17.3</td><td>15.4</td><td>19.6</td><td>19.7</td><td>23.5</td><td>33.4</td><td>26.2</td><td>28.7</td><td>29.5</td><td>Bold figures are Value Line estimates</td> <td>Avg Ann'l P/E Ratio</td> <td>25.0</td> </tr> <tr> <td>.66</td><td>.43</td><td>.65</td><td>.68</td><td>.88</td><td>2.15</td><td>.95</td><td>.94</td><td>.88</td><td>1.04</td><td>1.05</td><td>1.27</td><td>1.77</td><td>1.58</td><td>1.91</td><td>1.89</td><td></td> <td>Relative P/E Ratio</td> <td>1.65</td> </tr> <tr> <td>6.0%</td><td>5.7%</td><td>4.3%</td><td>3.9%</td><td>3.0%</td><td>2.1%</td><td>3.0%</td><td>3.4%</td><td>3.5%</td><td>3.0%</td><td>2.4%</td><td>2.0%</td><td>1.7%</td><td>2.3%</td><td>2.8%</td><td>2.8%</td><td></td> <td>Avg Ann'l Div'd Yield</td> <td>2.5%</td> </tr> <tr> <td colspan="4">CAPITAL STRUCTURE as of 3/31/11</td> <td>136.1</td><td>145.7</td><td>149.7</td><td>166.9</td><td>180.1</td><td>189.2</td><td>206.6</td><td>220.3</td><td>216.1</td><td>215.6</td><td>230</td><td>250</td> <td>Revenues (\$mill)</td> <td>300</td> </tr> <tr> <td colspan="4">Total Debt \$307.7 mill. Due in 5 Yrs \$19.3 mill.</td> <td>14.0</td><td>14.2</td><td>16.7</td><td>16.0</td><td>20.7</td><td>22.2</td><td>19.3</td><td>20.2</td><td>15.2</td><td>15.6</td><td>17.0</td><td>22.0</td> <td>Net Profit (\$mill)</td> <td>30.0</td> </tr> <tr> <td colspan="4">LT Debt \$295.1 mill. LT Interest \$17.0 mill.</td> <td>34.5%</td><td>40.4%</td><td>36.2%</td><td>42.1%</td><td>41.6%</td><td>40.8%</td><td>39.4%</td><td>39.5%</td><td>40.4%</td><td>39.7%</td><td>40.0%</td><td>40.0%</td> <td>Income Tax Rate</td> <td>39.0%</td> </tr> <tr> <td colspan="4">(LT interest earned: 1.4x: total interest coverage: 1.2x) (54% of Cap'l)</td> <td>4.4%</td><td>4.2%</td><td>1.6%</td><td>2.1%</td><td>1.6%</td><td>2.1%</td><td>2.7%</td><td>2.3%</td><td>2.0%</td><td>3.6%</td><td>5.0%</td><td>5.0%</td> <td>AFUDC % to Net Profit</td> <td>5.0%</td> </tr> <tr> <td colspan="4">Leases, Uncapitalized: Annual rentals \$4.2 mill.</td> <td>42.4%</td><td>41.7%</td><td>45.6%</td><td>43.7%</td><td>42.6%</td><td>41.8%</td><td>47.7%</td><td>46.0%</td><td>49.4%</td><td>53.7%</td><td>56.0%</td><td>53.5%</td> <td>Long-Term Debt Ratio</td> <td>48.5%</td> </tr> <tr> <td colspan="4">Pension Assets-12/10 \$10.8 mill.</td> <td>57.6%</td><td>58.3%</td><td>54.4%</td><td>56.3%</td><td>57.4%</td><td>58.2%</td><td>52.3%</td><td>54.0%</td><td>50.6%</td><td>46.3%</td><td>44.0%</td><td>46.5%</td> <td>Common Equity Ratio</td> <td>51.5%</td> </tr> <tr> <td colspan="4">Oblig. \$58.8 mill.</td> <td>259.4</td><td>263.5</td><td>306.0</td><td>328.3</td><td>341.2</td><td>391.8</td><td>453.2</td><td>470.9</td><td>499.6</td><td>550.7</td><td>615</td><td>670</td> <td>Total Capital (\$mill)</td> <td>900</td> </tr> <tr> <td colspan="4">Pfd Stock None.</td> <td>367.8</td><td>390.8</td><td>428.5</td><td>456.8</td><td>484.8</td><td>541.7</td><td>645.5</td><td>684.2</td><td>718.5</td><td>785.5</td><td>850</td><td>905</td> <td>Net Plant (\$mill)</td> <td>1100</td> </tr> <tr> <td colspan="4">Common Stock 18,577,012 shs. as of 4/21/11</td> <td>6.7%</td><td>6.9%</td><td>6.9%</td><td>6.5%</td><td>7.6%</td><td>7.0%</td><td>5.7%</td><td>5.8%</td><td>4.4%</td><td>4.2%</td><td>4.0%</td><td>4.5%</td> <td>Return on Total Cap'l</td> <td>4.5%</td> </tr> <tr> <td colspan="4">MARKET CAP: \$450 million (Small Cap)</td> <td>9.4%</td><td>9.3%</td><td>10.0%</td><td>8.7%</td><td>10.6%</td><td>9.7%</td><td>8.2%</td><td>8.0%</td><td>6.0%</td><td>6.1%</td><td>6.5%</td><td>7.0%</td> <td>Return on Shr. Equity</td> <td>6.5%</td> </tr> <tr> <td colspan="4"></td> <td>9.4%</td><td>9.3%</td><td>10.0%</td><td>8.7%</td><td>10.6%</td><td>9.7%</td><td>8.2%</td><td>8.0%</td><td>6.0%</td><td>6.1%</td><td>6.5%</td><td>7.0%</td> <td>Return on Com Equity</td> <td>6.5%</td> </tr> <tr> <td colspan="4"></td> <td>4.1%</td><td>3.8%</td><td>4.7%</td><td>3.6%</td><td>5.6%</td><td>5.2%</td><td>3.5%</td><td>3.3%</td><td>1.2%</td><td>1.2%</td><td>1.5%</td><td>2.0%</td> <td>Retained to Com Eq</td> <td>2.0%</td> </tr> <tr> <td colspan="4"></td> <td>56%</td><td>59%</td><td>53%</td><td>58%</td><td>47%</td><td>46%</td><td>57%</td><td>59%</td><td>80%</td><td>81%</td><td>75%</td><td>71%</td> <td>All Div'ds to Net Prof</td> <td>66%</td> </tr> <tr> <td colspan="4">CURRENT POSITION (SMILL)</td> <td colspan="11"> <table border="1"> <tr> <td>2009</td><td>2010</td><td>3/31/11</td> </tr> <tr> <td>Cash Assets</td><td>1.4</td><td>1.7</td><td>2.3</td> </tr> <tr> <td>Other</td><td>26.6</td><td>36.3</td><td>36.8</td> </tr> <tr> <td>Current Assets</td><td>28.0</td><td>38.0</td><td>39.1</td> </tr> <tr> <td>Accts Payable</td><td>6.6</td><td>5.5</td><td>10.6</td> </tr> <tr> <td>Debt Due</td><td>6.9</td><td>5.1</td><td>12.6</td> </tr> <tr> <td>Other</td><td>18.5</td><td>18.6</td><td>17.9</td> </tr> <tr> <td>Current Liab.</td><td>32.0</td><td>29.2</td><td>41.1</td> </tr> <tr> <td>Fix. Chg. Cov.</td><td>352%</td><td>400%</td><td>250%</td> </tr> </table> </td> </tr> <tr> <td colspan="4">ANNUAL RATES of change (per sh)</td> <td colspan="11"> <table border="1"> <tr> <td>Past 10 Yrs.</td><td>Past 5 Yrs.</td><td>Est'd '08-'10 to '14-'16</td> </tr> <tr> <td>Revenues</td><td>6.5%</td><td>5.5%</td><td>.5%</td> </tr> <tr> <td>"Cash Flow"</td><td>6.0%</td><td>3.5%</td><td>2.0%</td> </tr> <tr> <td>Earnings</td><td>2.0%</td><td>-1.5%</td><td>5.5%</td> </tr> <tr> <td>Dividends</td><td>5.0%</td><td>5.5%</td><td>3.5%</td> </tr> <tr> <td>Book Value</td><td>6.0%</td><td>6.5%</td><td>5.5%</td> </tr> </table> </td> </tr> <tr> <td colspan="4">QUARTERLY REVENUES (\$ mill.)</td> <td colspan="11"> <table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun. 30</td><td>Sep. 30</td><td>Dec. 31</td><td>Full Year</td> </tr> <tr> <td>2008</td><td>41.3</td><td>60.0</td><td>69.5</td><td>49.5</td><td>220.3</td> </tr> <tr> <td>2009</td><td>40.0</td><td>58.2</td><td>69.3</td><td>48.6</td><td>216.1</td> </tr> <tr> <td>2010</td><td>40.4</td><td>54.1</td><td>70.3</td><td>50.8</td><td>215.6</td> </tr> <tr> <td>2011</td><td>43.7</td><td>58.0</td><td>75.0</td><td>53.3</td><td>230</td> </tr> <tr> <td>2012</td><td>47.0</td><td>63.0</td><td>82.0</td><td>58.0</td><td>250</td> </tr> </table> </td> </tr> <tr> <td colspan="4">EARNINGS PER SHARE ^A</td> <td colspan="11"> <table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun. 30</td><td>Sep. 30</td><td>Dec. 31</td><td>Full Year</td> </tr> <tr> <td>2008</td><td>.15</td><td>.34</td><td>.44</td><td>.15</td><td>1.08</td> </tr> <tr> <td>2009</td><td>.01</td><td>.23</td><td>.43</td><td>.14</td><td>.81</td> </tr> <tr> <td>2010</td><td>.05</td><td>.24</td><td>.44</td><td>.11</td><td>.84</td> </tr> <tr> <td>2011</td><td>.03</td><td>.26</td><td>.48</td><td>.13</td><td>.90</td> </tr> <tr> <td>2012</td><td>.05</td><td>.29</td><td>.51</td><td>.15</td><td>1.00</td> </tr> </table> </td> </tr> <tr> <td colspan="4">QUARTERLY DIVIDENDS PAID ^B</td> <td colspan="11"> <table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun.30</td><td>Sep.30</td><td>Dec.31</td><td>Full Year</td> </tr> <tr> <td>2007</td><td>.15</td><td>.15</td><td>.15</td><td>.15</td><td>.60</td> </tr> <tr> <td>2008</td><td>.16</td><td>.16</td><td>.16</td><td>.16</td><td>.64</td> </tr> <tr> <td>2009</td><td>.165</td><td>.165</td><td>.165</td><td>.165</td><td>.66</td> </tr> <tr> <td>2010</td><td>.17</td><td>.17</td><td>.17</td><td>.17</td><td>.68</td> </tr> <tr> <td>2011</td><td>.173</td><td>.173</td><td></td><td></td><td></td> </tr> </table> </td> </tr> <tr> <td colspan="13"> <p>BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter, Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.</p> </td> </tr> <tr> <td colspan="13"> <p>The costs of doing business continue to grow faster than revenues at SJW Corp. Although the top line advanced a healthy 4% in the first quarter, the water utility posted a 40% dip in share earnings. Operating expenses remained on the upswing, as did interest expense, both of which tempered profit margins.</p> </td> </tr> <tr> <td colspan="13"> <p>We see much of the same heading forward. True, a majority of SJW's business is done in California, and ought to continue to benefit from an improving regulatory climate in the Golden State. However, SJW, as is the case with the entire industry, has a great financial burden on its shoulders, given the poor condition of many of its pipelines and water systems. Maintenance costs are on the rise and do not appear to be ready to slow down. Meanwhile, the company is essentially cash poor and, with far less cash flow than budgeted expenditures, it will have to continue funding the improvements via outside financing. The added interest expense and additional shares required to meet the requirements we envision will probably keep share-net growth modest at best this year and thereafter. SJW recently an-</p> </td> </tr> <tr> <td colspan="13"> <p>nounced the sale of \$50 million in senior notes, and similar offerings are likely on the horizon. We believe that management will try to maintain a 50/50 debt-to-equity ratio, so share issuances are probably next on the agenda.</p> </td> </tr> <tr> <td colspan="13"> <p>Investors have better choices available elsewhere. The stock has gained some momentum since our April review and lacks growth potential of any sort in our opinion. Indeed, it is untimely for the upcoming six to 12 months and does not stand out for appreciation potential out to mid-decade, either. Rising infrastructure costs and a lack of cash on hand to fund future improvements are problems that we just do not envision abating. The dividend yield is solid, but the aforementioned financial concerns raise a red flag about the sustainability of the current payout ratio. Even if the dividend yield remains in place, there are better alternatives to be had elsewhere. SJW does not have enough cash on hand to take advantage of the massive consolidation trend sweeping the industry and is unable to bolster its existing business by making acquisitions.</p> </td> </tr> <tr> <td colspan="13"> <p><i>Andre J. Costanza July 22, 2011</i></p> </td> </tr> <tr> <td colspan="13"> <p>(A) Diluted earnings. Excludes nonrecurring losses: '03, \$1.97; '04, \$3.78; '05, \$1.09; '06, \$16.36; '08, \$1.22; '10, 46¢. Next earnings report due late Oct. Quarterly egs. may not add due to rounding.</p> </td> </tr> <tr> <td colspan="13"> <p>(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.</p> </td> </tr> <tr> <td colspan="13"> <p>(C) In millions.</p> </td> </tr> <tr> <td colspan="13"> <table border="1"> <tr> <td>Company's Financial Strength</td> <td>B+</td> </tr> <tr> <td>Stock's Price Stability</td> <td>70</td> </tr> <tr> <td>Price Growth Persistence</td> <td>85</td> </tr> <tr> <td>Earnings Predictability</td> <td>85</td> </tr> </table> </td> </tr> <tr> <td colspan="13"> <p>To subscribe call 1-800-833-0046.</p> </td> </tr> </table>													1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC 14-16	4.99	5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	11.80	11.90	Revenues per sh	12.00	.98	1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.37	2.45	2.50	"Cash Flow" per sh	2.60	.59	.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	.90	1.00	Earnings per sh ^A	1.25	.35	.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.74	Div'd Decl'd per sh ^B	.82	.96	1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	5.10	4.75	Cap'l Spending per sh	4.30	5.58	6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	13.85	14.75	Book Value per sh	18.80	19.50	19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	19.50	21.00	Common Shs Outst'g ^C	25.00	9.9	6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.5	Bold figures are Value Line estimates	Avg Ann'l P/E Ratio	25.0	.66	.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.89		Relative P/E Ratio	1.65	6.0%	5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%		Avg Ann'l Div'd Yield	2.5%	CAPITAL STRUCTURE as of 3/31/11				136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	230	250	Revenues (\$mill)	300	Total Debt \$307.7 mill. Due in 5 Yrs \$19.3 mill.				14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.6	17.0	22.0	Net Profit (\$mill)	30.0	LT Debt \$295.1 mill. LT Interest \$17.0 mill.				34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	39.7%	40.0%	40.0%	Income Tax Rate	39.0%	(LT interest earned: 1.4x: total interest coverage: 1.2x) (54% of Cap'l)				4.4%	4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	3.6%	5.0%	5.0%	AFUDC % to Net Profit	5.0%	Leases, Uncapitalized: Annual rentals \$4.2 mill.				42.4%	41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.0%	53.5%	Long-Term Debt Ratio	48.5%	Pension Assets-12/10 \$10.8 mill.				57.6%	58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	44.0%	46.5%	Common Equity Ratio	51.5%	Oblig. \$58.8 mill.				259.4	263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	615	670	Total Capital (\$mill)	900	Pfd Stock None.				367.8	390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	850	905	Net Plant (\$mill)	1100	Common Stock 18,577,012 shs. as of 4/21/11				6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.2%	4.0%	4.5%	Return on Total Cap'l	4.5%	MARKET CAP: \$450 million (Small Cap)				9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	6.5%	7.0%	Return on Shr. Equity	6.5%					9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	6.5%	7.0%	Return on Com Equity	6.5%					4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	1.5%	2.0%	Retained to Com Eq	2.0%					56%	59%	53%	58%	47%	46%	57%	59%	80%	81%	75%	71%	All Div'ds to Net Prof	66%	CURRENT POSITION (SMILL)				<table border="1"> <tr> <td>2009</td><td>2010</td><td>3/31/11</td> </tr> <tr> <td>Cash Assets</td><td>1.4</td><td>1.7</td><td>2.3</td> </tr> <tr> <td>Other</td><td>26.6</td><td>36.3</td><td>36.8</td> </tr> <tr> <td>Current Assets</td><td>28.0</td><td>38.0</td><td>39.1</td> </tr> <tr> <td>Accts Payable</td><td>6.6</td><td>5.5</td><td>10.6</td> </tr> <tr> <td>Debt Due</td><td>6.9</td><td>5.1</td><td>12.6</td> </tr> <tr> <td>Other</td><td>18.5</td><td>18.6</td><td>17.9</td> </tr> <tr> <td>Current Liab.</td><td>32.0</td><td>29.2</td><td>41.1</td> </tr> <tr> <td>Fix. Chg. Cov.</td><td>352%</td><td>400%</td><td>250%</td> </tr> </table>											2009	2010	3/31/11	Cash Assets	1.4	1.7	2.3	Other	26.6	36.3	36.8	Current Assets	28.0	38.0	39.1	Accts Payable	6.6	5.5	10.6	Debt Due	6.9	5.1	12.6	Other	18.5	18.6	17.9	Current Liab.	32.0	29.2	41.1	Fix. Chg. Cov.	352%	400%	250%	ANNUAL RATES of change (per sh)				<table border="1"> <tr> <td>Past 10 Yrs.</td><td>Past 5 Yrs.</td><td>Est'd '08-'10 to '14-'16</td> </tr> <tr> <td>Revenues</td><td>6.5%</td><td>5.5%</td><td>.5%</td> </tr> <tr> <td>"Cash Flow"</td><td>6.0%</td><td>3.5%</td><td>2.0%</td> </tr> <tr> <td>Earnings</td><td>2.0%</td><td>-1.5%</td><td>5.5%</td> </tr> <tr> <td>Dividends</td><td>5.0%</td><td>5.5%</td><td>3.5%</td> </tr> <tr> <td>Book Value</td><td>6.0%</td><td>6.5%</td><td>5.5%</td> </tr> </table>											Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16	Revenues	6.5%	5.5%	.5%	"Cash Flow"	6.0%	3.5%	2.0%	Earnings	2.0%	-1.5%	5.5%	Dividends	5.0%	5.5%	3.5%	Book Value	6.0%	6.5%	5.5%	QUARTERLY REVENUES (\$ mill.)				<table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun. 30</td><td>Sep. 30</td><td>Dec. 31</td><td>Full Year</td> </tr> <tr> <td>2008</td><td>41.3</td><td>60.0</td><td>69.5</td><td>49.5</td><td>220.3</td> </tr> <tr> <td>2009</td><td>40.0</td><td>58.2</td><td>69.3</td><td>48.6</td><td>216.1</td> </tr> <tr> <td>2010</td><td>40.4</td><td>54.1</td><td>70.3</td><td>50.8</td><td>215.6</td> </tr> <tr> <td>2011</td><td>43.7</td><td>58.0</td><td>75.0</td><td>53.3</td><td>230</td> </tr> <tr> <td>2012</td><td>47.0</td><td>63.0</td><td>82.0</td><td>58.0</td><td>250</td> </tr> </table>											Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year	2008	41.3	60.0	69.5	49.5	220.3	2009	40.0	58.2	69.3	48.6	216.1	2010	40.4	54.1	70.3	50.8	215.6	2011	43.7	58.0	75.0	53.3	230	2012	47.0	63.0	82.0	58.0	250	EARNINGS PER SHARE ^A				<table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun. 30</td><td>Sep. 30</td><td>Dec. 31</td><td>Full Year</td> </tr> <tr> <td>2008</td><td>.15</td><td>.34</td><td>.44</td><td>.15</td><td>1.08</td> </tr> <tr> <td>2009</td><td>.01</td><td>.23</td><td>.43</td><td>.14</td><td>.81</td> </tr> <tr> <td>2010</td><td>.05</td><td>.24</td><td>.44</td><td>.11</td><td>.84</td> </tr> <tr> <td>2011</td><td>.03</td><td>.26</td><td>.48</td><td>.13</td><td>.90</td> </tr> <tr> <td>2012</td><td>.05</td><td>.29</td><td>.51</td><td>.15</td><td>1.00</td> </tr> </table>											Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year	2008	.15	.34	.44	.15	1.08	2009	.01	.23	.43	.14	.81	2010	.05	.24	.44	.11	.84	2011	.03	.26	.48	.13	.90	2012	.05	.29	.51	.15	1.00	QUARTERLY DIVIDENDS PAID ^B				<table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun.30</td><td>Sep.30</td><td>Dec.31</td><td>Full Year</td> </tr> <tr> <td>2007</td><td>.15</td><td>.15</td><td>.15</td><td>.15</td><td>.60</td> </tr> <tr> <td>2008</td><td>.16</td><td>.16</td><td>.16</td><td>.16</td><td>.64</td> </tr> <tr> <td>2009</td><td>.165</td><td>.165</td><td>.165</td><td>.165</td><td>.66</td> </tr> <tr> <td>2010</td><td>.17</td><td>.17</td><td>.17</td><td>.17</td><td>.68</td> </tr> <tr> <td>2011</td><td>.173</td><td>.173</td><td></td><td></td><td></td> </tr> </table>											Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2007	.15	.15	.15	.15	.60	2008	.16	.16	.16	.16	.64	2009	.165	.165	.165	.165	.66	2010	.17	.17	.17	.17	.68	2011	.173	.173				<p>BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter, Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.</p>													<p>The costs of doing business continue to grow faster than revenues at SJW Corp. Although the top line advanced a healthy 4% in the first quarter, the water utility posted a 40% dip in share earnings. Operating expenses remained on the upswing, as did interest expense, both of which tempered profit margins.</p>													<p>We see much of the same heading forward. True, a majority of SJW's business is done in California, and ought to continue to benefit from an improving regulatory climate in the Golden State. However, SJW, as is the case with the entire industry, has a great financial burden on its shoulders, given the poor condition of many of its pipelines and water systems. Maintenance costs are on the rise and do not appear to be ready to slow down. Meanwhile, the company is essentially cash poor and, with far less cash flow than budgeted expenditures, it will have to continue funding the improvements via outside financing. The added interest expense and additional shares required to meet the requirements we envision will probably keep share-net growth modest at best this year and thereafter. SJW recently an-</p>													<p>nounced the sale of \$50 million in senior notes, and similar offerings are likely on the horizon. We believe that management will try to maintain a 50/50 debt-to-equity ratio, so share issuances are probably next on the agenda.</p>													<p>Investors have better choices available elsewhere. The stock has gained some momentum since our April review and lacks growth potential of any sort in our opinion. Indeed, it is untimely for the upcoming six to 12 months and does not stand out for appreciation potential out to mid-decade, either. Rising infrastructure costs and a lack of cash on hand to fund future improvements are problems that we just do not envision abating. The dividend yield is solid, but the aforementioned financial concerns raise a red flag about the sustainability of the current payout ratio. Even if the dividend yield remains in place, there are better alternatives to be had elsewhere. SJW does not have enough cash on hand to take advantage of the massive consolidation trend sweeping the industry and is unable to bolster its existing business by making acquisitions.</p>													<p><i>Andre J. Costanza July 22, 2011</i></p>													<p>(A) Diluted earnings. Excludes nonrecurring losses: '03, \$1.97; '04, \$3.78; '05, \$1.09; '06, \$16.36; '08, \$1.22; '10, 46¢. Next earnings report due late Oct. Quarterly egs. may not add due to rounding.</p>													<p>(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.</p>													<p>(C) In millions.</p>													<table border="1"> <tr> <td>Company's Financial Strength</td> <td>B+</td> </tr> <tr> <td>Stock's Price Stability</td> <td>70</td> </tr> <tr> <td>Price Growth Persistence</td> <td>85</td> </tr> <tr> <td>Earnings Predictability</td> <td>85</td> </tr> </table>													Company's Financial Strength	B+	Stock's Price Stability	70	Price Growth Persistence	85	Earnings Predictability	85	<p>To subscribe call 1-800-833-0046.</p>												
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC 14-16																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
4.99	5.39	5.79	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	11.80	11.90	Revenues per sh	12.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
.98	1.43	1.27	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.37	2.45	2.50	"Cash Flow" per sh	2.60																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
.59	.96	.80	.76	.87	.58	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	.90	1.00	Earnings per sh ^A	1.25																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
.35	.37	.38	.39	.40	.41	.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.74	Div'd Decl'd per sh ^B	.82																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
.96	1.06	1.27	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	5.10	4.75	Cap'l Spending per sh	4.30																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
5.58	6.31	7.02	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	13.85	14.75	Book Value per sh	18.80																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
19.50	19.02	19.02	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	19.50	21.00	Common Shs Outst'g ^C	25.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
9.9	6.8	11.2	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.5	Bold figures are Value Line estimates	Avg Ann'l P/E Ratio	25.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
.66	.43	.65	.68	.88	2.15	.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.89		Relative P/E Ratio	1.65																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
6.0%	5.7%	4.3%	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%		Avg Ann'l Div'd Yield	2.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
CAPITAL STRUCTURE as of 3/31/11				136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	216.1	215.6	230	250	Revenues (\$mill)	300																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Total Debt \$307.7 mill. Due in 5 Yrs \$19.3 mill.				14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	15.2	15.6	17.0	22.0	Net Profit (\$mill)	30.0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
LT Debt \$295.1 mill. LT Interest \$17.0 mill.				34.5%	40.4%	36.2%	42.1%	41.6%	40.8%	39.4%	39.5%	40.4%	39.7%	40.0%	40.0%	Income Tax Rate	39.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
(LT interest earned: 1.4x: total interest coverage: 1.2x) (54% of Cap'l)				4.4%	4.2%	1.6%	2.1%	1.6%	2.1%	2.7%	2.3%	2.0%	3.6%	5.0%	5.0%	AFUDC % to Net Profit	5.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Leases, Uncapitalized: Annual rentals \$4.2 mill.				42.4%	41.7%	45.6%	43.7%	42.6%	41.8%	47.7%	46.0%	49.4%	53.7%	56.0%	53.5%	Long-Term Debt Ratio	48.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Pension Assets-12/10 \$10.8 mill.				57.6%	58.3%	54.4%	56.3%	57.4%	58.2%	52.3%	54.0%	50.6%	46.3%	44.0%	46.5%	Common Equity Ratio	51.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Oblig. \$58.8 mill.				259.4	263.5	306.0	328.3	341.2	391.8	453.2	470.9	499.6	550.7	615	670	Total Capital (\$mill)	900																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Pfd Stock None.				367.8	390.8	428.5	456.8	484.8	541.7	645.5	684.2	718.5	785.5	850	905	Net Plant (\$mill)	1100																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Common Stock 18,577,012 shs. as of 4/21/11				6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	4.4%	4.2%	4.0%	4.5%	Return on Total Cap'l	4.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
MARKET CAP: \$450 million (Small Cap)				9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	6.5%	7.0%	Return on Shr. Equity	6.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
				9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	6.0%	6.1%	6.5%	7.0%	Return on Com Equity	6.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
				4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	1.2%	1.2%	1.5%	2.0%	Retained to Com Eq	2.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
				56%	59%	53%	58%	47%	46%	57%	59%	80%	81%	75%	71%	All Div'ds to Net Prof	66%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
CURRENT POSITION (SMILL)				<table border="1"> <tr> <td>2009</td><td>2010</td><td>3/31/11</td> </tr> <tr> <td>Cash Assets</td><td>1.4</td><td>1.7</td><td>2.3</td> </tr> <tr> <td>Other</td><td>26.6</td><td>36.3</td><td>36.8</td> </tr> <tr> <td>Current Assets</td><td>28.0</td><td>38.0</td><td>39.1</td> </tr> <tr> <td>Accts Payable</td><td>6.6</td><td>5.5</td><td>10.6</td> </tr> <tr> <td>Debt Due</td><td>6.9</td><td>5.1</td><td>12.6</td> </tr> <tr> <td>Other</td><td>18.5</td><td>18.6</td><td>17.9</td> </tr> <tr> <td>Current Liab.</td><td>32.0</td><td>29.2</td><td>41.1</td> </tr> <tr> <td>Fix. Chg. Cov.</td><td>352%</td><td>400%</td><td>250%</td> </tr> </table>											2009	2010	3/31/11	Cash Assets	1.4	1.7	2.3	Other	26.6	36.3	36.8	Current Assets	28.0	38.0	39.1	Accts Payable	6.6	5.5	10.6	Debt Due	6.9	5.1	12.6	Other	18.5	18.6	17.9	Current Liab.	32.0	29.2	41.1	Fix. Chg. Cov.	352%	400%	250%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
2009	2010	3/31/11																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Cash Assets	1.4	1.7	2.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Other	26.6	36.3	36.8																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Current Assets	28.0	38.0	39.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Accts Payable	6.6	5.5	10.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Debt Due	6.9	5.1	12.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Other	18.5	18.6	17.9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Current Liab.	32.0	29.2	41.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Fix. Chg. Cov.	352%	400%	250%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
ANNUAL RATES of change (per sh)				<table border="1"> <tr> <td>Past 10 Yrs.</td><td>Past 5 Yrs.</td><td>Est'd '08-'10 to '14-'16</td> </tr> <tr> <td>Revenues</td><td>6.5%</td><td>5.5%</td><td>.5%</td> </tr> <tr> <td>"Cash Flow"</td><td>6.0%</td><td>3.5%</td><td>2.0%</td> </tr> <tr> <td>Earnings</td><td>2.0%</td><td>-1.5%</td><td>5.5%</td> </tr> <tr> <td>Dividends</td><td>5.0%</td><td>5.5%</td><td>3.5%</td> </tr> <tr> <td>Book Value</td><td>6.0%</td><td>6.5%</td><td>5.5%</td> </tr> </table>											Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16	Revenues	6.5%	5.5%	.5%	"Cash Flow"	6.0%	3.5%	2.0%	Earnings	2.0%	-1.5%	5.5%	Dividends	5.0%	5.5%	3.5%	Book Value	6.0%	6.5%	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Revenues	6.5%	5.5%	.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
"Cash Flow"	6.0%	3.5%	2.0%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Earnings	2.0%	-1.5%	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Dividends	5.0%	5.5%	3.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
Book Value	6.0%	6.5%	5.5%																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
QUARTERLY REVENUES (\$ mill.)				<table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun. 30</td><td>Sep. 30</td><td>Dec. 31</td><td>Full Year</td> </tr> <tr> <td>2008</td><td>41.3</td><td>60.0</td><td>69.5</td><td>49.5</td><td>220.3</td> </tr> <tr> <td>2009</td><td>40.0</td><td>58.2</td><td>69.3</td><td>48.6</td><td>216.1</td> </tr> <tr> <td>2010</td><td>40.4</td><td>54.1</td><td>70.3</td><td>50.8</td><td>215.6</td> </tr> <tr> <td>2011</td><td>43.7</td><td>58.0</td><td>75.0</td><td>53.3</td><td>230</td> </tr> <tr> <td>2012</td><td>47.0</td><td>63.0</td><td>82.0</td><td>58.0</td><td>250</td> </tr> </table>											Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year	2008	41.3	60.0	69.5	49.5	220.3	2009	40.0	58.2	69.3	48.6	216.1	2010	40.4	54.1	70.3	50.8	215.6	2011	43.7	58.0	75.0	53.3	230	2012	47.0	63.0	82.0	58.0	250																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2008	41.3	60.0	69.5	49.5	220.3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2009	40.0	58.2	69.3	48.6	216.1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2010	40.4	54.1	70.3	50.8	215.6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2011	43.7	58.0	75.0	53.3	230																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2012	47.0	63.0	82.0	58.0	250																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
EARNINGS PER SHARE ^A				<table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun. 30</td><td>Sep. 30</td><td>Dec. 31</td><td>Full Year</td> </tr> <tr> <td>2008</td><td>.15</td><td>.34</td><td>.44</td><td>.15</td><td>1.08</td> </tr> <tr> <td>2009</td><td>.01</td><td>.23</td><td>.43</td><td>.14</td><td>.81</td> </tr> <tr> <td>2010</td><td>.05</td><td>.24</td><td>.44</td><td>.11</td><td>.84</td> </tr> <tr> <td>2011</td><td>.03</td><td>.26</td><td>.48</td><td>.13</td><td>.90</td> </tr> <tr> <td>2012</td><td>.05</td><td>.29</td><td>.51</td><td>.15</td><td>1.00</td> </tr> </table>											Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year	2008	.15	.34	.44	.15	1.08	2009	.01	.23	.43	.14	.81	2010	.05	.24	.44	.11	.84	2011	.03	.26	.48	.13	.90	2012	.05	.29	.51	.15	1.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2008	.15	.34	.44	.15	1.08																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2009	.01	.23	.43	.14	.81																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2010	.05	.24	.44	.11	.84																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2011	.03	.26	.48	.13	.90																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2012	.05	.29	.51	.15	1.00																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
QUARTERLY DIVIDENDS PAID ^B				<table border="1"> <tr> <td>Cal-endar</td><td>Mar.31</td><td>Jun.30</td><td>Sep.30</td><td>Dec.31</td><td>Full Year</td> </tr> <tr> <td>2007</td><td>.15</td><td>.15</td><td>.15</td><td>.15</td><td>.60</td> </tr> <tr> <td>2008</td><td>.16</td><td>.16</td><td>.16</td><td>.16</td><td>.64</td> </tr> <tr> <td>2009</td><td>.165</td><td>.165</td><td>.165</td><td>.165</td><td>.66</td> </tr> <tr> <td>2010</td><td>.17</td><td>.17</td><td>.17</td><td>.17</td><td>.68</td> </tr> <tr> <td>2011</td><td>.173</td><td>.173</td><td></td><td></td><td></td> </tr> </table>											Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	2007	.15	.15	.15	.15	.60	2008	.16	.16	.16	.16	.64	2009	.165	.165	.165	.165	.66	2010	.17	.17	.17	.17	.68	2011	.173	.173																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2007	.15	.15	.15	.15	.60																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2008	.16	.16	.16	.16	.64																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2009	.165	.165	.165	.165	.66																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2010	.17	.17	.17	.17	.68																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
2011	.173	.173																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
<p>BUSINESS: SJW Corporation engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 226,000 connections that serve a population of approximately one million people in the San Jose area and 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns and operates commercial real estate investments. Has 375 employees. Chairman: Charles J. Toeniskoetter, Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Int:www.sjwater.com.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p>The costs of doing business continue to grow faster than revenues at SJW Corp. Although the top line advanced a healthy 4% in the first quarter, the water utility posted a 40% dip in share earnings. Operating expenses remained on the upswing, as did interest expense, both of which tempered profit margins.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p>We see much of the same heading forward. True, a majority of SJW's business is done in California, and ought to continue to benefit from an improving regulatory climate in the Golden State. However, SJW, as is the case with the entire industry, has a great financial burden on its shoulders, given the poor condition of many of its pipelines and water systems. Maintenance costs are on the rise and do not appear to be ready to slow down. Meanwhile, the company is essentially cash poor and, with far less cash flow than budgeted expenditures, it will have to continue funding the improvements via outside financing. The added interest expense and additional shares required to meet the requirements we envision will probably keep share-net growth modest at best this year and thereafter. SJW recently an-</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p>nounced the sale of \$50 million in senior notes, and similar offerings are likely on the horizon. We believe that management will try to maintain a 50/50 debt-to-equity ratio, so share issuances are probably next on the agenda.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p>Investors have better choices available elsewhere. The stock has gained some momentum since our April review and lacks growth potential of any sort in our opinion. Indeed, it is untimely for the upcoming six to 12 months and does not stand out for appreciation potential out to mid-decade, either. Rising infrastructure costs and a lack of cash on hand to fund future improvements are problems that we just do not envision abating. The dividend yield is solid, but the aforementioned financial concerns raise a red flag about the sustainability of the current payout ratio. Even if the dividend yield remains in place, there are better alternatives to be had elsewhere. SJW does not have enough cash on hand to take advantage of the massive consolidation trend sweeping the industry and is unable to bolster its existing business by making acquisitions.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p><i>Andre J. Costanza July 22, 2011</i></p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p>(A) Diluted earnings. Excludes nonrecurring losses: '03, \$1.97; '04, \$3.78; '05, \$1.09; '06, \$16.36; '08, \$1.22; '10, 46¢. Next earnings report due late Oct. Quarterly egs. may not add due to rounding.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p>(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<p>(C) In millions.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
<table border="1"> <tr> <td>Company's Financial Strength</td> <td>B+</td> </tr> <tr> <td>Stock's Price Stability</td> <td>70</td> </tr> <tr> <td>Price Growth Persistence</td> <td>85</td> </tr> <tr> <td>Earnings Predictability</td> <td>85</td> </tr> </table>													Company's Financial Strength	B+	Stock's Price Stability	70	Price Growth Persistence	85	Earnings Predictability	85																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Company's Financial Strength	B+																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Stock's Price Stability	70																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Price Growth Persistence	85																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Earnings Predictability	85																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
<p>To subscribe call 1-800-833-0046.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						

Illinois American Water Company
Current Institutional Holdings and Individual Holdings
the Proxy Group of Nine Water Companies

	<u>1</u>	<u>2</u>
	August 12, 2011 Percentage of Institutional Holdings	August 12, 2011 Percentage of Individual Holdings (1)
<u>Proxy Group of Nine Water Companies</u>		
American States Water Co.	62.67 %	37.33 %
American Water Works Co., Inc.	84.56	15.44
Aqua America, Inc.	40.77	59.23
Artesian Resources Corp.	30.69	69.31
California Water Service Group	53.76	46.24
Connecticut Water Service, Inc.	31.39	68.61
Middlesex Water Company	39.19	60.81
SJW Corporation	47.04	52.96
York Water Company	<u>23.93</u>	<u>76.07</u>
Average	<u>46.00 %</u>	<u>54.00 %</u>

Notes:

(1) (1 - column 1).

Source of Information: pro.edgar-online.com, August 12, 2011

Illinois American Water Company
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>Proxy Group of Nine Water Companies</u>
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.28 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	<u>0.32 (2)</u>
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	5.60 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	<u>0.14 (3)</u>
5.	Adjusted Prospective Bond Yield	5.74
6.	Equity Risk Premium (5)	<u>4.67</u>
7.	Risk Premium Derived Common Equity Cost Rate	<u><u>10.41 %</u></u>

- Notes:
- (1) Derived in Note (4) on page 6 of this Exhibit.
 - (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.32% from page 4 of this Exhibit.
 - (3) Adjustment to reflect the A3 Moody's bond rating of the proxy group of nine water companies as shown on page 2 of this Exhibit. The 14 basis point adjustment is derived by taking 1/3 of the spread between Baa2 and A2 Public Utility Bonds ($1/3 * 0.42\% = 0.14\%$).
 - (4) From page 5 of this Exhibit.

Illinois American Water Company
Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for the
Proxy Group of Nine Water Companies

	Moody's		Standard & Poor's				
	Bond Rating	Bond Rating	Bond Rating	Bond Rating			
	August 2011	August 2011	August 2011	August 2011			
	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)			
			Credit Rating	Numerical Weighting (1)			
	Bond Rating	Numerical Weighting (1)	Business Risk Profile (2)	Numerical Weighting (1)			
			Financial Risk Profile (2)	Numerical Weighting (1)			
American States Water Co.	A2	6.0	A+	5.0	Excellent	Intermediate	3.0
American Water Works Co., Inc.	Baa1	8.0	A+	5.0	BBB+	Aggressive	5.0
Aqua America, Inc.	NR	--	AA-	4.0	A+	Intermediate	3.0
Artesian Resources Corp.	NR	--	NR	--	NR	NR	--
California Water Service Group	NR	--	AA-	4.0	A+	Excellent	3.0
Connecticut Water Service, Inc.	NR	--	A	6.0	A	Excellent	3.0
Middlesex Water Company	NR	--	A	6.0	A-	Excellent	3.0
SJW Corporation	NR	--	A	6.0	A	Excellent	3.0
York Water Company	NR	--	A-	7.0	A-	Excellent	3.0
Average	A3	7.0	A+	5.4	A	Excellent	3.3

Notes: (1)

- (2) From page 3 of this Exhibit.
- (3) From Standard & Poor's Issuer Ranking: U.S. Investor-Owned Water Utilities, Strongest to Weakest, June 20, 2011.
- (4) Ratings, business risk and financial risk profiles are those of Golden State Water Company.
- (5) Rating, business risk and financial risk profiles are those of Pennsylvania and New Jersey American Water.
- (6) Ratings, business risk and financial risk profiles are those of Aqua Pennsylvania, Inc.
- (7) Ratings, business risk and financial risk profiles are those of California Water Service Co.
- (8) Ratings, business risk and financial risk profiles are those of Connecticut Water Company.
- (9) Ratings, business risk and financial risk profiles are those of San Jose Water Co.

Source Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Illinois-American Water Company
Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings
and Standard & Poor's Business and Financial Risk Profiles

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard & Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

Standard & Poor's

<u>Business Risk Profile</u>	<u>Numerical Weighting</u>	<u>Financial Risk Profile</u>	<u>Numerical Weighting</u>
Excellent	1	Minimal	1
Strong	2	Modest	2
Satisfactory	3	Intermediate	3
Fair	4	Significant	4
Weak	5	Aggressive	5
Vulnerable	6	Highly Leveraged	6

Moody's
Comparison of Interest Rate Trends
for the Three Months Ending July 2011 (1)

Months	Corporate Bonds		Public Utility Bonds		Spread - Corporate v. Public Utility Bonds		Spread - Public Utility Bonds	
	Aaa Rated	Aa Rated	A Rated	Baa Rated	Aa (Pub. Util.) over Aaa (Corp.)	A (Pub. Util.) over Aaa (Corp.)	A over Aa	Baa over A
July-11	4.93 %	5.05 %	5.27 %	5.70 %				
June-11	4.99	5.04	5.26	5.67				
May-11	4.96	5.08	5.32	5.74				
Average of Last 3 Months	<u>4.96 %</u>	<u>5.06 %</u>	<u>5.28 %</u>	<u>5.70 %</u>	<u>0.10 %</u>	<u>0.32 %</u>	<u>0.22 %</u>	<u>0.42 %</u>

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, August 2011, Vol. 78, No. 8

Illinois American Water Company
Judgment of Equity Risk Premium for
the Proxy Group of Nine Water Companies

<u>Line No.</u>		<u>Proxy Group of Nine Water Companies</u>
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.22
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	<u>4.12</u>
3.	Average equity risk premium	<u><u>4.67</u></u> %

Notes: (1) From page 6 of this Exhibit.
(2) From page 8 of this Exhibit.

Illinois American Water Company
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Nine Water Companies

<u>Line No.</u>		<u>Proxy Group of Nine Water Companies</u>
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2010 (1)	11.90 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2010 (2)	<u>(6.10)</u>
3.	Historical Equity Risk Premium	<u>5.80 %</u>
4.	Forecasted 3-5 year Total Annual Market Return (3)	14.39 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	<u>(5.28)</u>
6.	Forecasted Equity Risk Premium	<u>9.11 %</u>
7.	Conclusion of Equity Risk Premium (5)	7.46 %
8.	Adjusted Value Line Beta (6)	<u>0.70</u>
9.	Beta Adjusted Equity Risk Premium	<u>5.22 %</u>

- Notes: (1) Stocks, Bonds, Bills, and Inflation - Market Results for 1926-2010 Yearbook
Valuation Edition, Morningstar, Inc., 2011 Chicago, IL.
- (2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.
- (3) From page 3 of IAWC Exhibit 10.11.
- (4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds
per the consensus of nearly 50 economists reported in Blue Chip Financial
Forecasts dated August 1, 2011 (see page 7 of this Exhibit). The estimates are
detailed below.

Third Quarter 2011	5.00 %
Fourth Quarter 2011	5.10
First Quarter 2012	5.20
Second Quarter 2012	5.30
Third Quarter 2012	5.50
Fourth Quarter 2012	<u>5.60</u>
Average	<u>5.28 %</u>

- (5) The average of the historical equity risk premium of 5.80% from Line No. 3 and
the forecasted equity risk premium of 9.11% from Line No. 6 $((5.80\% + 9.11\%) /$
 $2 = 7.46\%$.
- (6) Median beta from page 1 of IAWC Exhibit 10.11.

2 ■ BLUE CHIP FINANCIAL FORECASTS ■ AUGUST 1, 2011

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

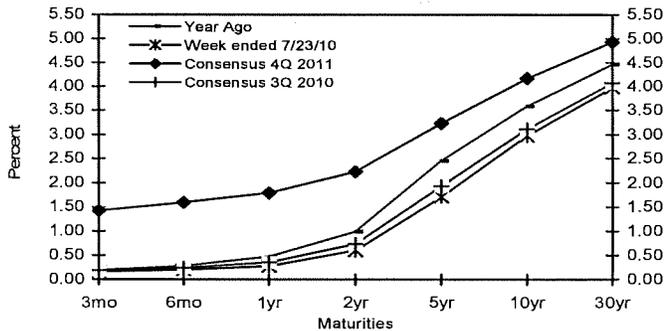
Interest Rates	History								Consensus Forecasts-Quarterly Avg.						
	Average For Week Ending				Average For Month				Latest Q	3Q	4Q	1Q	2Q	3Q	4Q
	July 22	July 15	July 8	July 1	Jun	May	Apr.	2Q 2011	2011	2011	2012	2012	2012	2012	
Federal Funds Rate	0.06	0.07	0.08	0.08	0.09	0.09	0.10	0.09	0.1	0.2	0.3	0.4	0.7	1.1	
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.3	3.3	3.3	3.4	3.8	4.1	
LIBOR, 3-mo.	0.25	0.25	0.25	0.25	0.29	0.26	0.28	0.28	0.3	0.4	0.5	0.7	1.0	1.3	
Commercial Paper, 1-mo.	0.09	0.09	0.10	0.08	0.11	0.11	0.14	0.12	0.2	0.2	0.3	0.5	0.9	1.2	
Treasury bill, 3-mo.	0.02	0.02	0.02	0.02	0.04	0.04	0.06	0.05	0.1	0.1	0.3	0.4	0.8	1.1	
Treasury bill, 6-mo.	0.06	0.06	0.07	0.10	0.10	0.09	0.12	0.10	0.1	0.2	0.4	0.6	0.9	1.3	
Treasury bill, 1 yr.	0.16	0.16	0.19	0.19	0.18	0.19	0.25	0.21	0.2	0.4	0.5	0.8	1.1	1.5	
Treasury note, 2 yr.	0.38	0.37	0.44	0.46	0.41	0.56	0.73	0.57	0.5	0.7	1.0	1.3	1.6	2.0	
Treasury note, 5 yr.	1.47	1.48	1.67	1.67	1.58	1.84	2.17	1.86	1.7	2.0	2.2	2.4	2.7	2.9	
Treasury note, 10 yr.	2.95	2.94	3.12	3.11	3.00	3.17	3.46	3.21	3.1	3.3	3.5	3.7	3.9	4.1	
Treasury note, 30 yr.	4.25	4.21	4.35	4.36	4.23	4.29	4.50	4.34	4.3	4.5	4.6	4.7	4.9	5.0	
Corporate Aaa bond	4.91	4.89	5.07	5.11	4.99	4.96	5.16	5.04	5.0	5.1	5.2	5.3	5.5	5.6	
Corporate Baa bond	5.74	5.71	5.84	5.88	5.75	5.78	6.02	5.85	5.8	5.9	6.1	6.2	6.3	6.5	
State & Local bonds	4.46	4.51	4.65	4.59	4.51	4.59	4.99	4.70	4.6	4.7	4.8	5.0	5.1	5.2	
Home mortgage rate	4.52	4.51	4.60	4.51	4.51	4.64	4.84	4.66	4.6	4.8	5.0	5.2	5.4	5.6	

Key Assumptions	History								Consensus Forecasts-Quarterly					
	3Q		4Q		1Q		2Q		3Q	4Q	1Q	2Q	3Q	4Q
	2009	2009	2010	2010	2010	2011	2011	2011	2011	2011	2012	2012	2012	2012
Major Currency Index	76.4	72.8	74.8	77.6	75.9	73.0	71.9	69.8	69.8	70.0	70.4	70.9	71.3	71.5
Real GDP	1.6	5.0	3.7	1.7	2.6	3.1	1.9	1.8	2.9	3.1	2.8	3.0	3.1	3.2
GDP Price Index	0.7	-0.2	1.0	1.9	2.1	0.4	2.0	2.3	1.9	1.7	2.0	2.0	2.0	2.0
Consumer Price Index	3.7	2.7	1.3	-0.5	1.4	2.6	5.2	4.1	2.1	2.1	2.3	2.2	2.3	2.3

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). Figures for 2Q 2011 Real GDP and the GDP Chained Price Index are based on a special question asked of the panelists this month (see page 14).

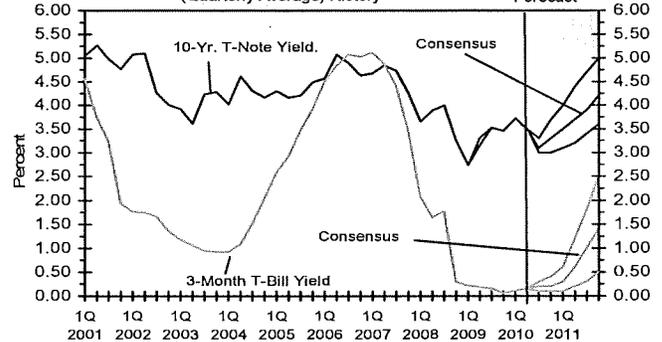
U.S. Treasury Yield Curve

Week ended July 23, 2010 and Year Ago vs. 3Q 2010 and 4Q 2011 Consensus Forecasts



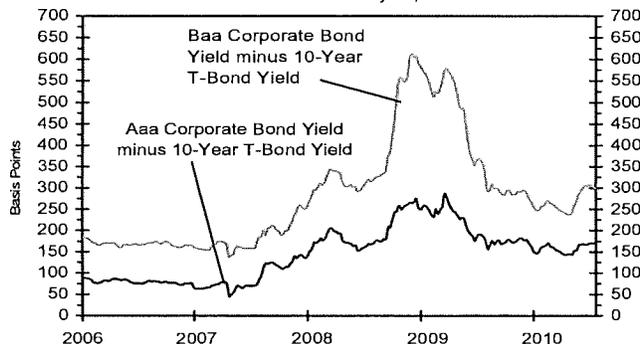
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



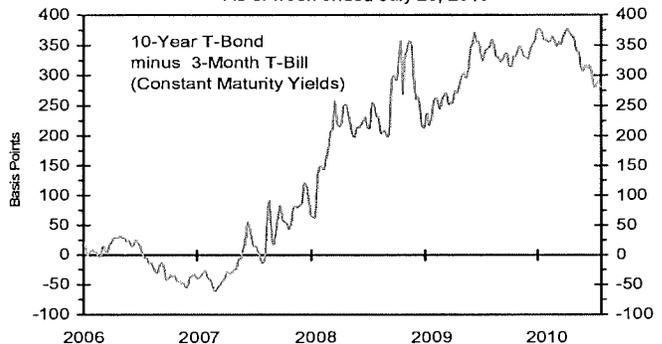
Corporate Bond Spreads

As of week ended July 23, 2010



U.S. Treasury Yield Curve

As of week ended July 23, 2010

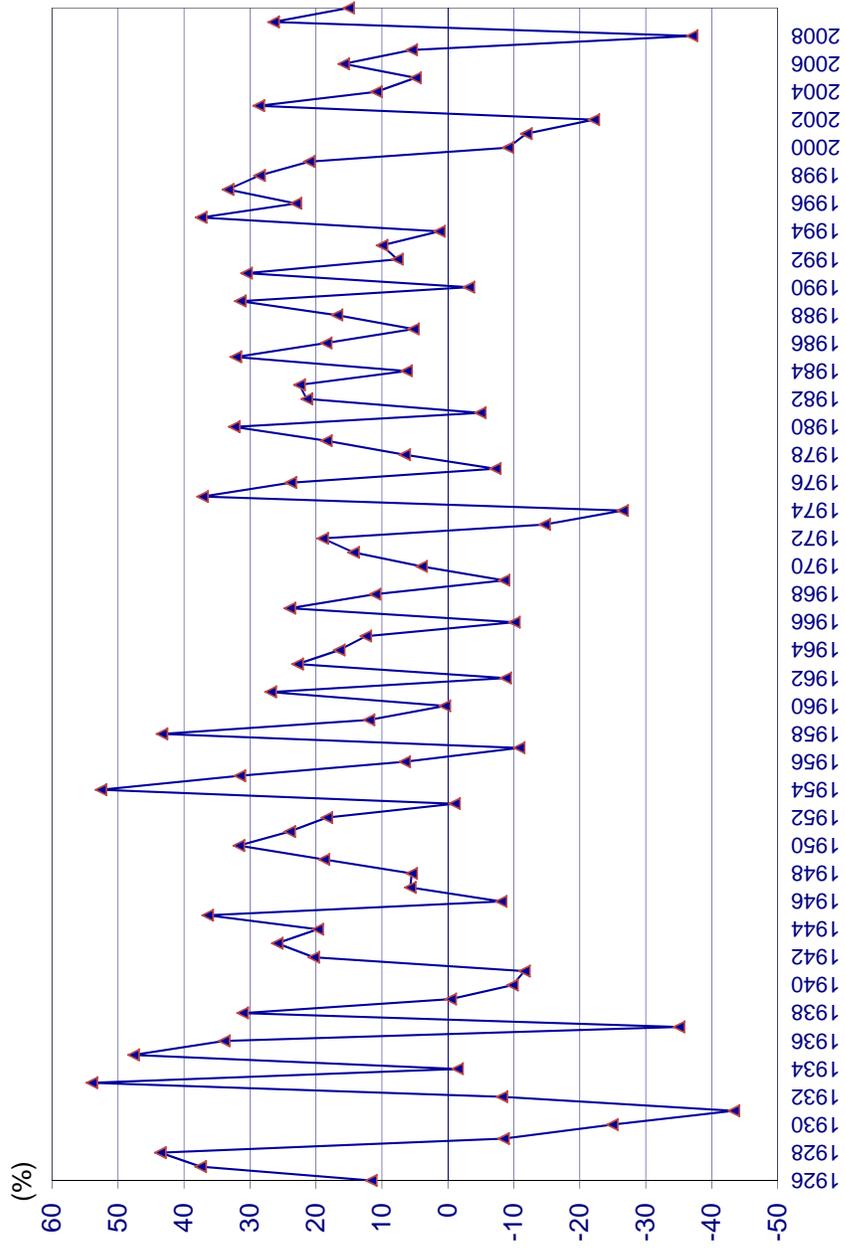


Illinois American Water Company
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

<u>Line No.</u>		<u>Over A Rated Moody's Public Utility Bonds - AUS Consultants Study (1)</u>
1.	Arithmetic Mean Holding Period Returns on the Standard & Poor's Utility Index 1926-2010 (2):	10.69 %
2.	Arithmetic Mean Yield on Moody's A Rated Public Utility Yields 1926-2010	<u>(6.57)</u>
3.	Equity Risk Premium	<u><u>4.12 %</u></u>

- Notes: (1) S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2010, (AUS Consultants - Utility Services, 2011).
- (2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

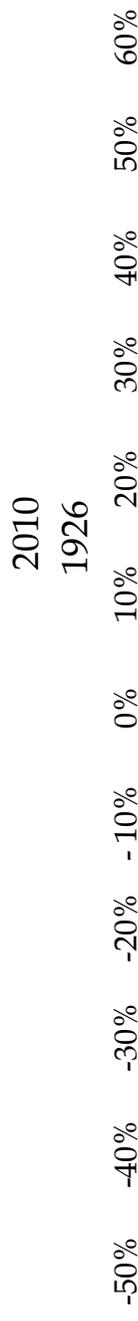
Large Company Stock Returns From 1926 to 2010



Source of Information:
Ibbotson® SBB|® - 2011 Valuation Yearbook - Market Results for Stocks Bonds Bills and Inflation - 1926-2010.
Morningstar, Inc., 2011 Chicago, IL.

Total Returns on Large Company Stocks 1926 to 2010

Large Company Stocks



$$\text{Geometric Mean: } r_G = \left[\frac{V_n}{V_0} \right]^{1/n} - 1$$

Source : Ibbotson® SBBI ® – 2011 Valuation Yearbook – Market Results
for Stocks, Bonds, Bills, and Inflation –1926-2010
Morningstar, Inc., 2011 Chicago, IL

Illinois American Water Company
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
<u>Proxy Group of Nine Water Companies</u>	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
American States Water Co.	0.75	8.21 %	4.67 %	10.83 %	11.34 %	
American Water Works Co., Inc.	0.65	8.21	4.67	10.01	10.72	
Aqua America, Inc.	0.65	8.21	4.67	10.01	10.72	
Artesian Resources Corp.	0.60	8.21	4.67	9.60	10.42	
California Water Service Group	0.70	8.21	4.67	10.42	11.03	
Connecticut Water Service, Inc.	0.80	8.21	4.67	11.24	11.65	
Middlesex Water Company	0.75	8.21	4.67	10.83	11.34	
SJW Corporation	0.90	8.21	4.67	12.06	12.26	
York Water Company	0.70	8.21	4.67	<u>10.42</u>	<u>11.03</u>	
Average				<u>10.60 %</u>	<u>11.17 %</u>	<u>10.89 %</u>
Median				<u>10.42 %</u>	<u>11.03 %</u>	<u>10.73 %</u>

See page 2 for notes.

Illinois-American Water Company
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Nine AUS Utility Reports Water Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

- (1) For reasons explained in Ms. Ahern's accompanying direct testimony, from the thirteen weeks ending August 19, 2011, Value Line Summary & Index, a forecasted 3-5 year total annual market return of 14.39% can be derived by averaging the thirteen weeks ended August 19, 2011 forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 60% produces a four-year average annual return of 12.40% ($(1.60^{25}) - 1$). When the average annual forecasted dividend yield of 1.99% is added, a total average market return of 14.39% (1.99% + 12.40%) is derived.

The thirteen week forecasted total market return of 14.39% minus the forecasted risk-free rate of 4.67% (developed in Note 2) is 9.72% (14.39% - 4.67%). The Morningstar, Inc. (Ibbotson Associates) calculated market premium of 6.70% for the period 1926-2010 results from a total market return of 11.90% less the average income return on long-term U.S. Government Securities of 5.20% (11.90% - 5.20% = 6.70%). This is then averaged with the 9.72% Value Line market premium resulting in a 8.21% market premium. The 8.21% market premium is then multiplied by the beta in column 1 of page 1 of this Exhibit.

- (2) The average forecast based upon six quarterly estimates of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated August 1, 2011 (see page 7 of IAWC Exhibit 10.09). The estimates are detailed below:

	<u>30-Year Treasury Note Yield</u>
Third Quarter 2011	4.30
Fourth Quarter 2011	4.50
First Quarter 2012	4.60
Second Quarter 2012	4.70
Third Quarter 2012	4.90
Fourth Quarter 2012	<u>5.00</u>
Average	<u>4.67%</u>

- (3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$$R_S = R_F + \beta (R_M - R_F)$$

Where R_S = Return rate of common stock
 R_F = Risk Free Rate
 β = Value Line Adjusted Beta
 R_M = Return on the market as a whole

- (4) The empirical CAPM is applied using the following formula:

$$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$$

Where R_S = Return rate of common stock
 R_F = Risk-Free Rate
 β = Value Line Adjusted Beta
 R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, August 1, 2011
Value Line Investment Survey, July 22, 2011
Standard Edition and Small and Mid-Cap Edition
Ibbotson[®] SBB[®] 2011 Valuation Yearbook – Market Results for
Stocks, Bonds, Bills, and Inflation – 1926 – 2010, Morningstar, Inc., 2011 Chicago, IL

Illinois American Water Company
Summary of Cost of Equity Models Applied to the
Proxy Group of Non-Utility Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

<u>Principal Methods</u>	<u>Proxy Group of Thirty-Nine Non- Utility Companies</u>
Projected Return on Book Common Equity (1)	15.00 %
Average of Market-Based Models (2)	<u>11.59 %</u>
Average	<u><u>13.30 %</u></u>

Notes:

- (1) From IAWC Exhibit 10.12.
- (2) Average of the results of the DCF (11.95%), RPM (11.73%), and CAPM / ECAPM (11.09%) analyses as shown on pages 1, 2, and 5 of IAWC Exhibit 10.13 respectively.

Illinois American Water Company
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

Proxy Group of Nine Water Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression
American States Water Co.	0.75	0.57	3.6376
American Water Works Co., Inc.	0.65	0.43	3.5017
Aqua America, Inc.	0.65	0.41	2.7699
Artesian Resources Corp.	0.60	0.34	2.4340
California Water Service Group	0.70	0.49	3.4453
Connecticut Water Service, Inc.	0.80	0.64	2.8611
Middlesex Water Company	0.75	0.56	2.6991
SJW Corporation	0.90	0.82	4.3423
York Water Company	0.70	0.48	3.2807
Average	<u>0.72</u>	<u>0.53</u>	<u>3.2191</u>
Beta Range (+/- 2 std. Devs. of Beta)	0.40	0.66	
2 std. Devs. of Beta	0.13		
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.9363	3.5019	
Std. dev. of the Res. Std. Err.	0.1414		
2 std. devs. of the Res. Std. Err.	0.2828		

Illinois American Water Company
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

<u>Proxy Group of Thirty-Nine Non-Utility Companies</u>	<u>VL Adjusted Beta</u>	<u>Unadjusted Beta</u>	<u>Residual Standard Error of the Regression</u>
Gallagher (Arthur J.)	0.70	0.54	3.0362
AutoZone Inc.	0.70	0.51	3.3427
Baxter Intl Inc.	0.65	0.45	2.9474
Bristol-Myers Squibb	0.75	0.57	3.0546
Brown & Brown	0.70	0.48	3.0383
Capitol Fed. Finl	0.65	0.44	3.2917
CenturyLink Inc.	0.75	0.55	2.9789
Quest Diagnostics	0.70	0.49	2.9409
Edwards Lifesciences	0.65	0.41	3.1041
Forest Labs.	0.80	0.64	3.3015
Gilead Sciences	0.65	0.46	3.5013
Gen-Probe	0.80	0.66	3.4121
Hasbro, Inc.	0.75	0.60	3.4389
Hudson City Bancorp	0.80	0.66	3.2150
Hospira Inc.	0.70	0.52	3.4108
IAC/InterActiveCorp	0.70	0.49	3.2562
Investors Bancorp	0.75	0.55	3.3951
J&J Snack Foods	0.70	0.48	3.4541
Lancaster Colony	0.75	0.57	3.3757
McKesson Corp.	0.75	0.58	3.3192
Marsh & McLennan	0.75	0.59	2.9986
MAXIMUS Inc.	0.80	0.63	3.4865
Owens & Minor	0.65	0.46	3.3308
Rollins, Inc.	0.80	0.66	3.0435
Sherwin-Williams	0.70	0.49	3.0351
Smucker (J.M.)	0.70	0.49	3.0242
Sara Lee Corp.	0.80	0.65	3.2561
Silgan Holdings	0.75	0.62	3.1746
Suburban Propane	0.75	0.59	2.9382
Stericycle Inc.	0.70	0.48	3.1808
Safeway Inc.	0.70	0.48	3.1874
Stryker Corp.	0.80	0.66	3.1280
TJX Companies	0.80	0.65	3.0165
Walgreen Co.	0.75	0.61	3.2419
WD-40 Co.	0.75	0.56	3.4782
Weis Markets	0.65	0.45	2.9598
Watson Pharmac.	0.75	0.57	3.0355
Berkley (W.R.)	0.70	0.50	3.0005
West Pharmac. Svcs.	0.80	0.62	3.4659
Average	<u>0.73</u>	<u>0.55</u>	<u>3.1999</u>
Proxy Group of Nine Water Companies	<u>0.72</u>	<u>0.53</u>	<u>3.2191</u>

Illinois-American Water Company
Basis of Selection of Group of Domestic, Non-Price Regulated Companies
Comparable in Total Risk to the Proxy Group of Nine Water Companies

- (1) The criteria for selection of the proxy group of thirty-seven non-utility companies was that the non-utility companies be domestic and have a meaningful projected rate of return on book common equity, shareholder's equity, net worth or partner's capital for the years 2013-2015 / 2014-2016, as reported in Value Line Investment Survey (Standard Edition). The proxy group of thirty-seven non-utility companies was selected based upon the proxy group of nine water companies unadjusted beta range of 0.40 – 0.66 and standard error of the regression range of 2.9363 – 3.5019. These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and standard errors of the regression.
- (2) The standard deviation of group of nine water companies' standard error of the regression is 0.1414. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1414 = \frac{3.2191}{\sqrt{518}} = \frac{3.2191}{22.7596}$$

Source of Information: Value Line, Inc., June 15, 2011
Value Line Investment Survey (Standard Edition)

Illinois American Water Company
Comparable Earnings Analysis
for the Proxy Group of Non-Utility Companies Comparable to the
Proxy Group of Nine Water Companies(1)

Rate of Return on Book Common
Equity, Net Worth, or Partner's
Capital
5-Year Projected (2)

Proxy Group of Thirty-Nine Non-Utility Companies	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta	5 Year Projection	Student's T Statistic
Gallagher (Arthur J.)	0.70	0.54	3.0362	0.0629	13.00 %	(0.5)
AutoZone Inc.	0.70	0.51	3.3427	0.0693	NMF	(2.0)
Baxter Intl Inc.	0.65	0.45	2.9474	0.0611	27.50	1.1
Bristol-Myers Squibb	0.75	0.57	3.0546	0.0633	23.00	0.6
Brown & Brown	0.70	0.48	3.0383	0.0630	12.00	(0.7)
Capitol Fed. Finl	0.65	0.44	3.2917	0.0682	3.50	(1.6)
CenturyLink Inc.	0.75	0.55	2.9789	0.0617	9.00	(1.0)
Quest Diagnostics	0.70	0.49	2.9409	0.0609	15.00	(0.3)
Edwards Lifesciences	0.65	0.41	3.1041	0.0643	18.50	0.1
Forest Labs.	0.80	0.64	3.3015	0.0684	9.50	(0.9)
Gilead Sciences	0.65	0.46	3.5013	0.0726	39.00 (3)	2.3
Gen-Probe	0.80	0.66	3.4121	0.0707	13.50	(0.5)
Hasbro, Inc.	0.75	0.60	3.4389	0.0713	28.00	1.1
Hudson City Bancorp	0.80	0.66	3.2150	0.0666	10.00	(0.9)
Hospira Inc.	0.70	0.52	3.4108	0.0707	23.50	0.6
IAC/InterActiveCorp	0.70	0.49	3.2562	0.0754	4.50	(1.5)
Investors Bancorp	0.75	0.55	3.3951	0.0704	9.50	(0.9)
J&J Snack Foods	0.70	0.48	3.4541	0.0716	13.00	(0.5)
Lancaster Colony	0.75	0.57	3.3757	0.0700	17.00	(0.1)
McKesson Corp.	0.75	0.58	3.3192	0.0688	14.50	(0.4)
Marsh & McLennan	0.75	0.59	2.9986	0.0621	15.00	(0.3)
MAXIMUS Inc.	0.80	0.63	3.4865	0.0723	35.00	1.9
Owens & Minor	0.65	0.46	3.3308	0.0690	16.00	(0.2)
Rollins, Inc.	0.80	0.66	3.0435	0.0631	32.00	1.6
Sherwin-Williams	0.70	0.49	3.0351	0.0629	22.50	0.5
Smucker (J.M.)	0.70	0.49	3.0242	0.0627	11.00	(0.8)
Sara Lee Corp.	0.80	0.65	3.2561	0.0675	NMF	(2.0)
Silgan Holdings	0.75	0.62	3.1746	0.0658	17.00	(0.1)
Suburban Propane	0.75	0.59	2.9382	0.0609	25.00	0.8
Stericycle Inc.	0.70	0.48	3.1808	0.0659	15.50	(0.3)
Safeway Inc.	0.70	0.48	3.1874	0.0661	17.00	(0.1)
Stryker Corp.	0.80	0.66	3.1280	0.0648	19.50	0.2
TJX Companies	0.80	0.65	3.0165	0.0625	44.00 (3)	2.9
Walgreen Co.	0.75	0.61	3.2419	0.0672	20.50	0.3
WD-40 Co.	0.75	0.56	3.4782	0.0721	16.50	(0.2)
Weis Markets	0.65	0.45	2.9598	0.0613	9.00	(1.0)
Watson Pharmac.	0.75	0.57	3.0355	0.0629	13.50	(0.5)
Berkley (W.R.)	0.70	0.50	3.0005	0.0622	13.50	(0.5)
West Pharmac. Svcs.	0.80	0.62	3.4659	0.0718	14.50	(0.4)
Average	<u>0.73</u>	<u>0.55</u>	<u>3.1999</u>	<u>0.0665</u>		
Average for the Proxy Group of Nine Water Companies	<u>0.72</u>	<u>0.53</u>	<u>3.2191 (1)</u>	<u>0.0674</u>		
					<u>15.50%</u>	
Median (4)						
					<u>15.00%</u>	
Conservative Median (5)						

Notes:

- (1) See Page 4 of IAWC Exhibit 10.12.
- (2) From Value Line Investment Survey, various issues for the years 2013 - 2015 / 2014 - 2016.
- (3) The student's T statistic associated with these returns exceeds 1.96 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper projected returns as fully explained in Ms. Ahern's testimony.
- (4) Median five year projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital including returns identified as outliers as outlined in note (3) above.
- (5) Median five year projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital excluding returns identified as outliers as outlined in note (3) above.

Illinois American Water Company
DCF Results for the Proxy Group of Non-Utility Companies Comparable in Total Risk to
the Proxy Group of Nine Water Companies.

Proxy Group of Thirty-Nine Non-Utility Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate
Gallagher (Arthur J.)	4.74 %	8.50 %	9.00 %	9.80 %	9.00 %	9.08 %	4.96 %	14.04 %
AutoZone Inc.	-	14.50	15.00	13.50	15.24	14.56	-	NA
Baxter Intl Inc.	2.12	9.50	9.00	9.30	9.54	9.34	2.22	11.56
Bristol-Myers Squibb	4.68	8.00	1.30	1.50	(0.16)	3.60	4.77	8.37
Brown & Brown	1.34	7.00	11.00	13.30	10.75	10.51	1.41	11.92
Capitol Fed. Finl	2.58	8.00	3.00	3.00	3.00	4.25	2.64	6.89
CenturyTel, Inc.	7.42	(1.00)	2.30	(0.30)	21.10	11.70	7.86	19.56
Quest Diagnostics	0.70	9.00	11.00	11.70	11.21	10.73	0.74	11.47
Edwards Lifesciences	-	15.00	27.00	33.80	26.27	25.52	-	NA
Forest Labs.	-	NMF	0.90	(2.00)	(5.10)	0.90	-	NA
Gilead Sciences	-	7.50	15.00	14.20	15.25	12.99	-	NA
Gen-Probe	-	11.00	12.00	14.80	12.49	12.57	-	NA
Hasbro, Inc.	2.85	10.00	12.00	NA	15.50	12.50	3.02	15.52
Hudson City Bancorp	7.41	3.50	4.50	4.50	5.00	4.38	7.57	11.95
Hospira Inc.	-	11.50	11.00	10.70	10.08	10.82	-	NA
IAC/InterActiveCorp	-	22.50	38.00	27.00	38.00	31.38	-	NA
Investors Bancorp In	-	NMF	15.00	15.00	15.00	15.00	-	NA
J&J Snack Foods	0.95	10.50	NA	NA	NA	10.50	1.00	11.50
Lancaster Colony	2.20	9.00	NA	NA	10.00	9.50	2.31	11.81
McKesson Corp.	0.88	9.50	11.00	11.80	13.20	11.38	0.93	12.31
Marsh & McLennan	2.82	28.50	10.00	10.70	10.44	14.91	3.03	17.94
MAXIMUS Inc.	0.75	18.00	10.00	NA	10.00	12.67	0.80	13.47
Owens & Minor	2.44	11.00	9.70	11.50	9.77	10.49	2.57	13.06
Rollins, Inc.	1.43	14.50	NA	NA	10.00	12.25	1.52	13.77
Sherwin-Williams	1.79	11.00	10.00	9.80	10.70	10.38	1.88	12.26
Smucker (J.M.)	2.31	9.50	6.90	8.00	7.08	7.87	2.40	10.27
Sara Lee Corp.	2.42	7.50	9.40	6.00	10.42	8.33	2.52	10.85
Silgan Holdings	1.09	11.50	6.40	5.00	6.03	7.23	1.12	8.35
Suburban Propane	6.90	1.00	3.00	1.00	2.50	1.88	6.96	8.84
Stericycle Inc.	-	14.50	17.00	16.50	16.00	16.00	-	NA
Safeway Inc.	2.17	7.00	9.80	11.10	9.98	9.47	2.27	11.74
Stryker Corp.	1.26	13.00	11.00	10.80	10.97	11.44	1.33	12.77
TJX Companies	1.14	13.50	13.00	13.90	13.23	13.41	1.22	14.63
Walgreen Co.	1.68	12.00	13.00	13.60	14.60	13.30	1.79	15.09
WD-40 Co.	2.58	9.50	12.00	12.00	12.00	11.38	2.73	14.11
Weis Markets	2.91	6.50	NA	NA	NA	6.50	3.01	9.51
Watson Pharmac.	-	11.50	11.00	13.10	12.36	11.99	-	NA
Berkley (W.R.)	0.88	11.50	11.00	11.30	9.50	10.83	0.93	11.76
West Pharmac. Svcs.	1.55	8.50	20.00	NA	15.00	14.50	1.66	16.16
Average								12.46
Median								11.95

NA= Not Available
NMF= Not Meaningful Figure

(1) Ms. Ahern's application of the DCF model to the domestic, non-price regulated comparable risk companies is identical to the application of the DCF to her proxy group of water companies. She uses the 60 day average price and the spot indicated dividend as of 8/12/2011 for her dividend yield and then adjusts that yield for 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey: July 22, 2011
www.reuters.com Downloaded on 08/15/2011
www.zacks.com Downloaded on 08/15/2011
www.yahoo.com Downloaded on 08/15/2011

Illinois American Water Company
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>Proxy Group of Thirty-Nine Non- Utility Companies</u>
1.	Prospective Yield on Baa Rated Corporate Bonds (1)	6.13 %
2.	Equity Risk Premium (2)	<u>5.60</u>
3.	Risk Premium Derived Common Equity Cost Rate	<u><u>11.73 %</u></u>

Notes: (1) Average forecast based upon six quarterly estimates of Baa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated August 1, 2011 (see page 7 of IAWC Exhibit 10.09). The estimates are detailed below.

Third Quarter 2011	5.80 %
Fourth Quarter 2011	5.90
First Quarter 2012	6.10
Second Quarter 2012	6.20
Third Quarter 2012	6.30
Fourth Quarter 2012	<u>6.50</u>
Average	<u><u>6.13 %</u></u>

(2) From page 4 of this Exhibit.

Illinois American Water Company
Comparison of Bond Ratings for the
Proxy Group of Non-Utility Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

<u>Proxy Group of Thirty-Nine Non-Utility Companies</u>	<u>Moody's</u> <u>Bond Rating</u> <u>August 2011</u>		<u>Standard & Poor's</u> <u>Bond Rating</u> <u>August 2011</u>	
	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>
Gallagher (Arthur J.)	N/A	--	N/A	--
Autozone Inc.	Baa2	9	BBB	9
Baxter Intl Inc.	A3	7	A+	5
Bristol-Myers Squibb	A2	6	A+	5
Brown & Brown	N/A	--	N/A	--
Capitol Fed. Finl	N/A	--	N/A	--
CenturyLink Inc.	Baa3	10	N/A	--
Quest Diagnostics	Baa2	9	BBB+	8
Edwards Lifesciences	N/A	--	N/A	--
Forest Labs.	N/A	--	N/A	--
Gilead Sciences	Baa1	8	N/A	--
Gen-Probe	N/A	--	N/A	8
Hasbro, Inc.	Baa2	9	BBB+	--
Hudson City Bancorp	N/A	--	N/A	--
Hospira Inc.	Baa3	10	BBB+	8
IAC/InterActiveCorp	Ba2	12	N/A	--
Investors Bancorp	N/A	--	N/A	--
J&J Snack Foods	N/A	--	N/A	--
Lancaster Colony	N/A	--	N/A	--
McKesson Corp.	Baa2	9	A-	7
Marsh & McLennan	Baa2	9	BBB-	10
MAXIMUS Inc.	N/A	--	N/A	--
Owens & Minor	Ba2	12	BBB-	10
Rollins, Inc.	N/A	--	N/A	--
Sherwin-Williams	A3	4	A	6
Smucker (J.M.)	N/A	--	N/A	--
Sara Lee Corp.	Baa1	8	BBB	9
Silgan Holdings	Ba3	13	N/A	--
Suburban Propane	Ba2	12	N/A	--
Stericycle Inc.	N/A	--	N/A	--
Safeway Inc.	A3	7	BBB	9
Stryker Corp.	A3	7	N/A	--
TJX Companies	A3	7	A	6
Walgreen Co.	A2	6	N/A	--
WD-40 Co.	N/A	--	N/A	--
Weis Markets	N/A	--	N/A	--
Watson Pharmac.	Baa3	10	N/A	--
Berkley (W.R.)	Baa2	9	BBB+	8
West Pharmac. Svcs.	N/A	--	N/A	--
Average	Baa2	8.8	BBB+	7.7

Notes:
(1) From page 3 of Exhibit.

Source of Information:
Standard & Poor's Bond Guide July 2011
www.moodys.com; downloaded 8/15/2011

Illinois American Water Company
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Non-Utility Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

<u>Line No.</u>		<u>Proxy Group of Thirty-Nine Non- Utility Companies</u>
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2010 (1)	11.90 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2010 (2)	<u>(6.10)</u>
3.	Historical Equity Risk Premium	<u>5.80 %</u>
4.	Forecasted 3-5 year Total Annual Market Return (3)	14.39 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	<u>(5.28)</u>
6.	Forecasted Equity Risk Premium	<u>9.11 %</u>
7.	Conclusion of Equity Risk Premium (5)	7.46 %
8.	Adjusted Value Line Beta (6)	<u>0.75</u>
9.	Beta Adjusted Equity Risk Premium	<u>5.60 %</u>

- Notes: (1) Ibbotson Associates 2011 Valuation Yearbook - Market Results for 1926-2010, Morningstar, Inc., 2011 Chicago, IL.
(2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.
(3) From page 2 of IAWC Exhibit 10.11.
(4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated August 1, 2011 (see page 7 of IAWC Exhibit 10.09). The estimates are detailed below.

Third Quarter 2011	5.00 %
Fourth Quarter 2011	5.10
First Quarter 2012	5.20
Second Quarter 2012	5.30
Third Quarter 2012	5.50
Fourth Quarter 2012	<u>5.60</u>
Average	<u>5.28 %</u>

- (5) The average of the historical equity risk premium of 5.80% from Line No. 3 and the forecasted equity risk premium of 9.11% from Line No. 6 $((5.80\% + 9.11\%) / 2 = 7.46\%$.
(6) Median beta from page 5 of this Exhibit.

Illinois American Water Company
Traditional CAPM and ECAPM Results for the Proxy Group of Non-Utility Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

<u>Proxy Group of Thirty-Nine Non-Utility Companies</u>	<u>Value Line Adjusted Beta</u>	<u>Market Risk Premium (1)</u>	<u>Risk-Free Rate (2)</u>	<u>Traditional CAPM Cost Rate (3)</u>	<u>ECAPM Cost Rate (4)</u>	<u>Indicated Common Equity Cost Rate (5)</u>
Gallagher (Arthur J.)	0.70	8.21 %	4.67 %	10.42 %	11.03 %	
AutoZone Inc.	0.70	8.21	4.67	10.42	11.03	
Baxter Intl Inc.	0.65	8.21	4.67	10.01	10.72	
Bristol-Myers Squibb	0.75	8.21	4.67	10.83	11.34	
Brown & Brown	0.70	8.21	4.67	10.42	11.03	
Capitol Fed. Finl	0.65	8.21	4.67	10.01	10.72	
CenturyLink Inc.	0.75	8.21	4.67	10.83	11.34	
Quest Diagnostics	0.70	8.21	4.67	10.42	11.03	
Edwards Lifesciences	0.65	8.21	4.67	10.01	10.72	
Forest Labs.	0.80	8.21	4.67	11.24	11.65	
Gilead Sciences	0.65	8.21	4.67	10.01	10.72	
Gen-Probe	0.80	8.21	4.67	11.24	11.65	
Hasbro, Inc.	0.75	8.21	4.67	10.83	11.34	
Hudson City Bancorp	0.80	8.21	4.67	11.24	11.65	
Hospira Inc.	0.70	8.21	4.67	10.42	11.03	
IAC/InterActiveCorp	0.70	8.21	4.67	10.42	11.03	
Investors Bancorp	0.75	8.21	4.67	10.83	11.34	
J&J Snack Foods	0.70	8.21	4.67	10.42	11.03	
Lancaster Colony	0.75	8.21	4.67	10.83	11.34	
McKesson Corp.	0.75	8.21	4.67	10.83	11.34	
Marsh & McLennan	0.75	8.21	4.67	10.83	11.34	
MAXIMUS Inc.	0.80	8.21	4.67	11.24	11.65	
Owens & Minor	0.65	8.21	4.67	10.01	10.72	
Rollins, Inc.	0.80	8.21	4.67	11.24	11.65	
Sherwin-Williams	0.70	8.21	4.67	10.42	11.03	
Smucker (J.M.)	0.70	8.21	4.67	10.42	11.03	
Sara Lee Corp.	0.80	8.21	4.67	11.24	11.65	
Silgan Holdings	0.75	8.21	4.67	10.83	11.34	
Suburban Propane	0.75	8.21	4.67	10.83	11.34	
Stericycle Inc.	0.70	8.21	4.67	10.42	11.03	
Safeway Inc.	0.70	8.21	4.67	10.42	11.03	
Stryker Corp.	0.80	8.21	4.67	11.24	11.65	
TJX Companies	0.80	8.21	4.67	11.24	11.65	
Walgreen Co.	0.75	8.21	4.67	10.83	11.34	
WD-40 Co.	0.75	8.21	4.67	10.83	11.34	
Weis Markets	0.65	8.21	4.67	10.01	10.72	
Watson Pharmac.	0.75	8.21	4.67	10.83	11.34	
Berkley (W.R.)	0.70	8.21	4.67	10.42	11.03	
West Pharmac. Svcs.	0.80	8.21	4.67	11.24	11.65	
				<u>10.67 %</u>	<u>11.22 %</u>	<u>10.95 %</u>
Average						
				<u>10.83 %</u>	<u>11.34 %</u>	<u>11.09 %</u>
Median						

Notes:

- (1) From IAWC Exhibit 10.11, page 2, note 1.
- (2) From IAWC Exhibit 10.11, page 2, note 2.
- (3) Derived from the model shown on IAWC Exhibit 10.11, page 2, note 3.
- (4) Derived from the model shown on IAWC Exhibit 10.11, page 2, note 4.
- (5) Average of CAPM and ECAPM cost rates.

Illinois American Water Company
Market Capitalization of Illinois American Water Company and
the Proxy Group of Nine Water Companies

Company	1 Common Stock Shares Outstanding at Fiscal Year End 2010 (millions)	2 Book Value per Share at Fiscal Year End 2010 (1)	3 Total Common Equity at Fiscal Year End 2010 (millions)	4 Closing Stock Market Price on August 12, 2011	5 Market-to-Book Ratio on August 12, 2011 (2)	6 Market Capitalization on August 12, 2011 (3) (millions)
Illinois American Water Company	NA	NA	369,323 (4)	NA		
Based Upon the Proxy Group of Nine Water Companies					178.9 % (5)	\$ 660,719 (6)
Proxy Group of Nine Water Companies						
American States Water Co.	18,631	\$ 20,264	\$ 377,541	\$ 34,030	167.9 %	\$ 634,008
American Water Works Co., Inc.	174,996	\$ 23,614	\$ 4,132,272	\$ 28,230	119.5	\$ 4,940,137
Aqua America, Inc.	138,449	\$ 8,481	\$ 1,174,254	\$ 21,490	253.4	\$ 2,975,270
Aresian Resources Corp.	7,517	\$ 12,657	\$ 95,146	\$ 17,560	138.7	\$ 132,001
California Water Service Group	41,666	\$ 10,453	\$ 435,526	\$ 18,020	172.4	\$ 750,821
Connecticut Water Service, Inc.	8,677	\$ 13,134	\$ 113,963	\$ 26,170	199.3	\$ 227,073
Middlesex Water Company	15,566	\$ 11,132	\$ 173,279	\$ 17,680	158.8	\$ 275,207
SJW Corporation	18,552	\$ 13,747	\$ 255,032	\$ 22,340	162.5	\$ 414,441
York Water Company	12,692	\$ 7,190	\$ 91,257	\$ 17,100	237.8	\$ 217,034
Average	48,527	\$ 13,408	\$ 760,919	\$ 22,513	178.9 %	\$ 1,173,999

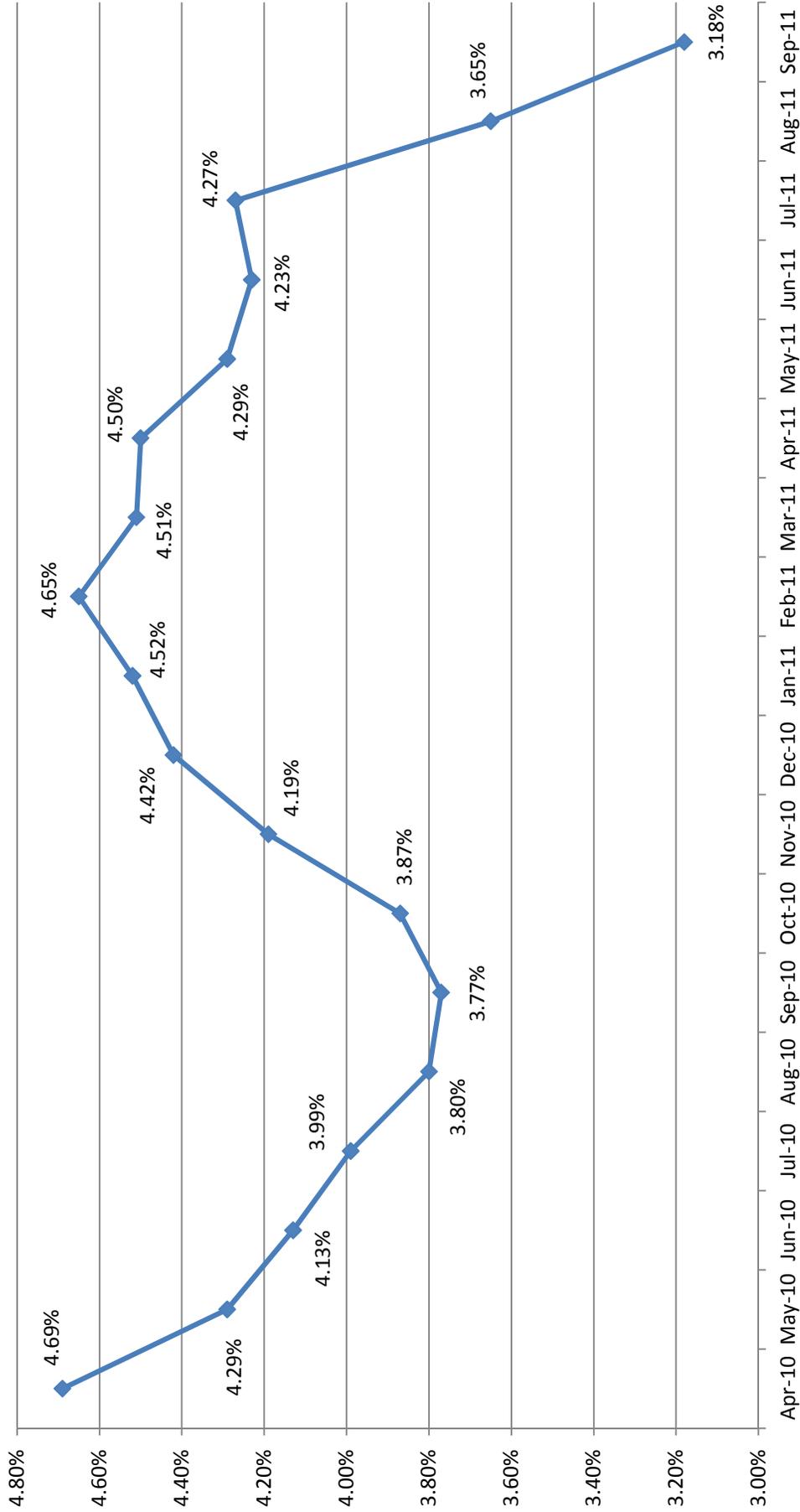
NA= Not Available

- Notes: (1) Column 3 / Column 1.
(2) Column 4 / Column 2.
(3) Column 5 * Column 3.
(4) From Financial Statements of Illinois American Water Company for Fiscal Year End 2010.
(5) The market-to-book ratio of Illinois American Water Company on August 12, 2011 is assumed to be equal to the market-to-book ratio of the Proxy Group of Nine Water Companies at August 12, 2011.

(6) Illinois American Water Company's common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at August 12, 2011 of the Proxy Group of Nine Water Companies, 178.9%, and Illinois American Water Company's market capitalization on August 12, 2011 would therefore have been \$660,719 million.

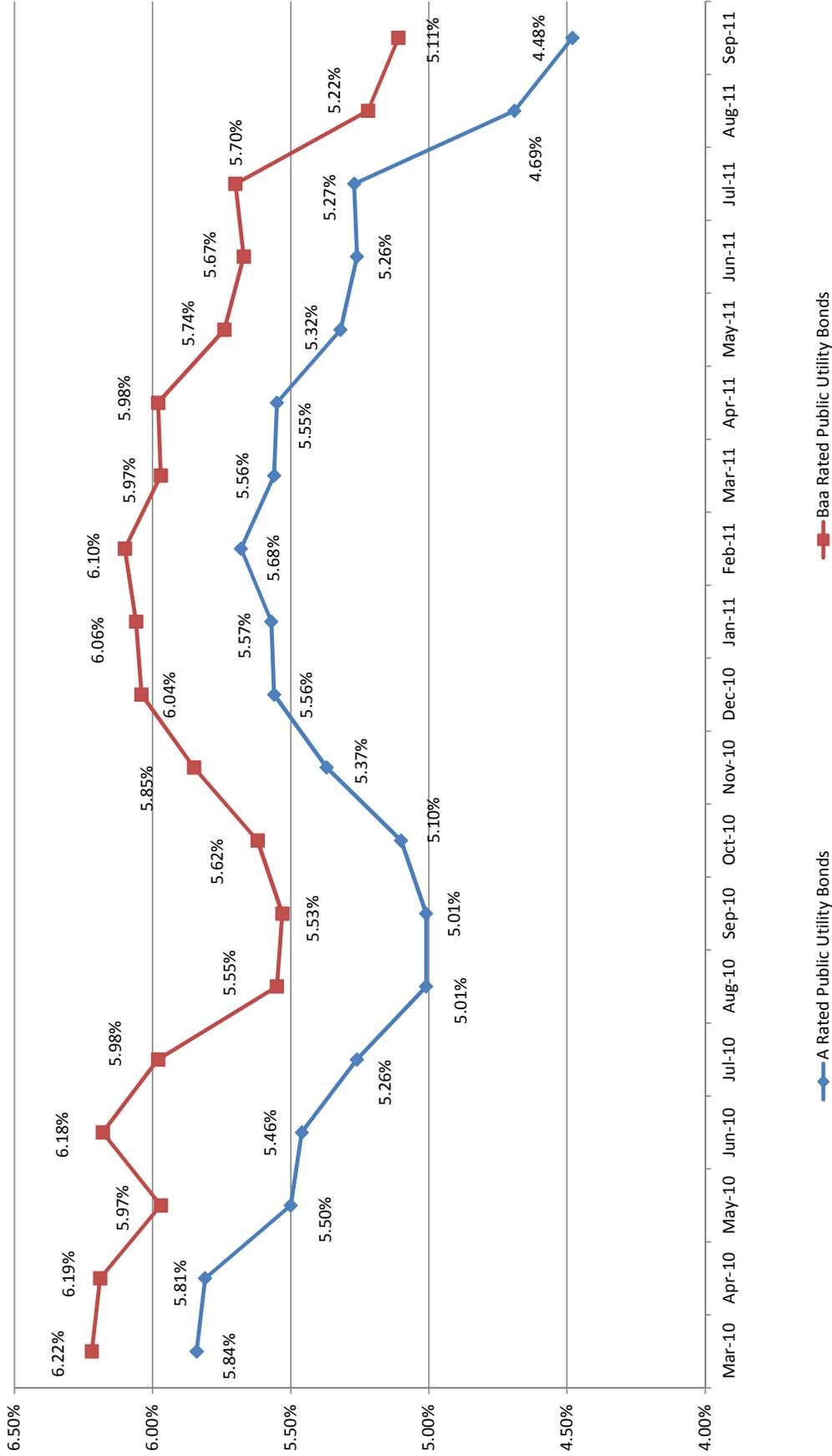
Source of Information: 2010 Annual Forms 10K
yahoo.finance.com

Average Yield on 30 Year U.S. Treasury Bonds



Source: www.federalreserve.gov, Statistical Release H.15, Historical Data

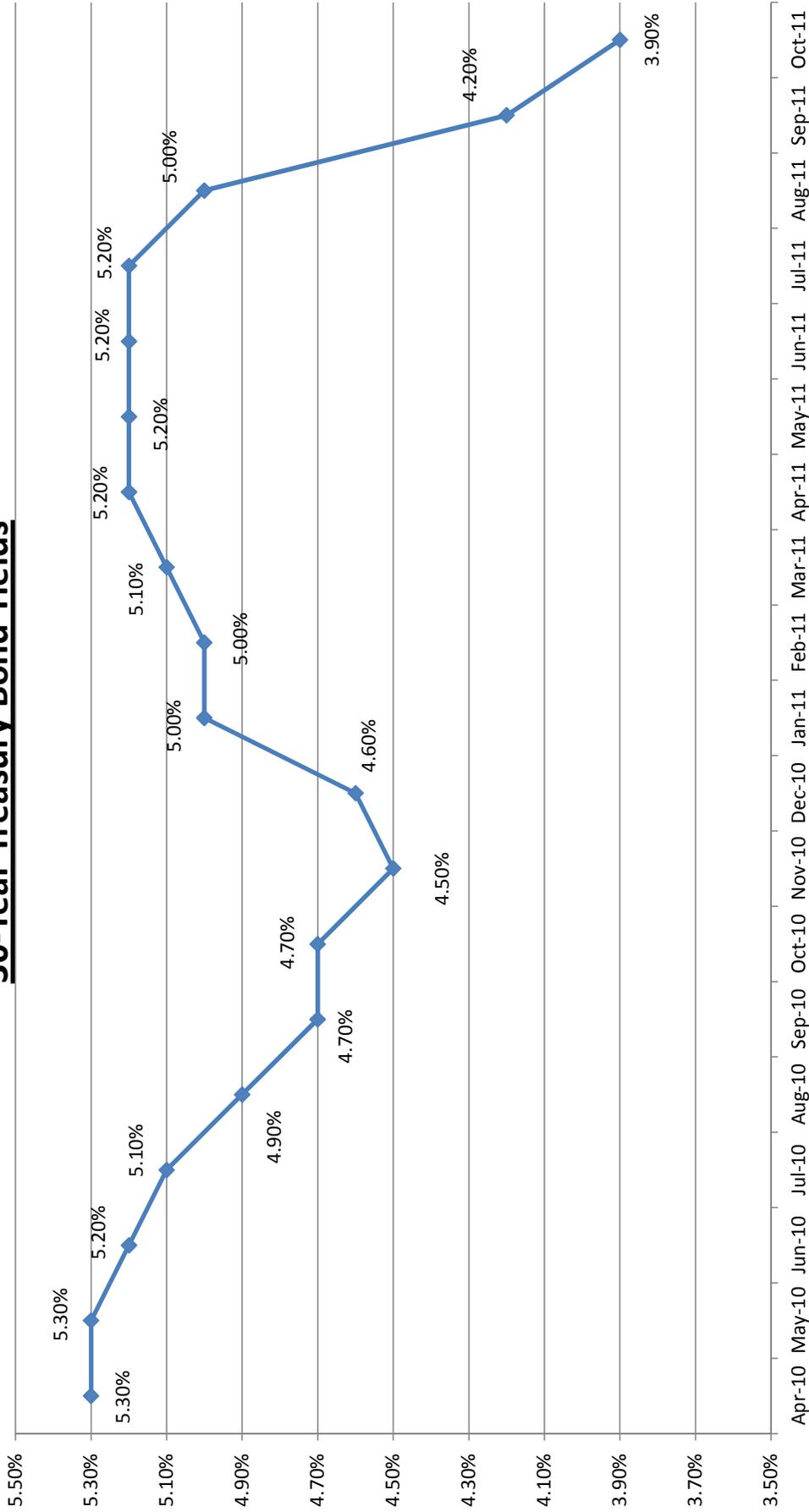
Moody's A Rated and Baa Rated Public Utility Bond Yields



—◆— A Rated Public Utility Bonds

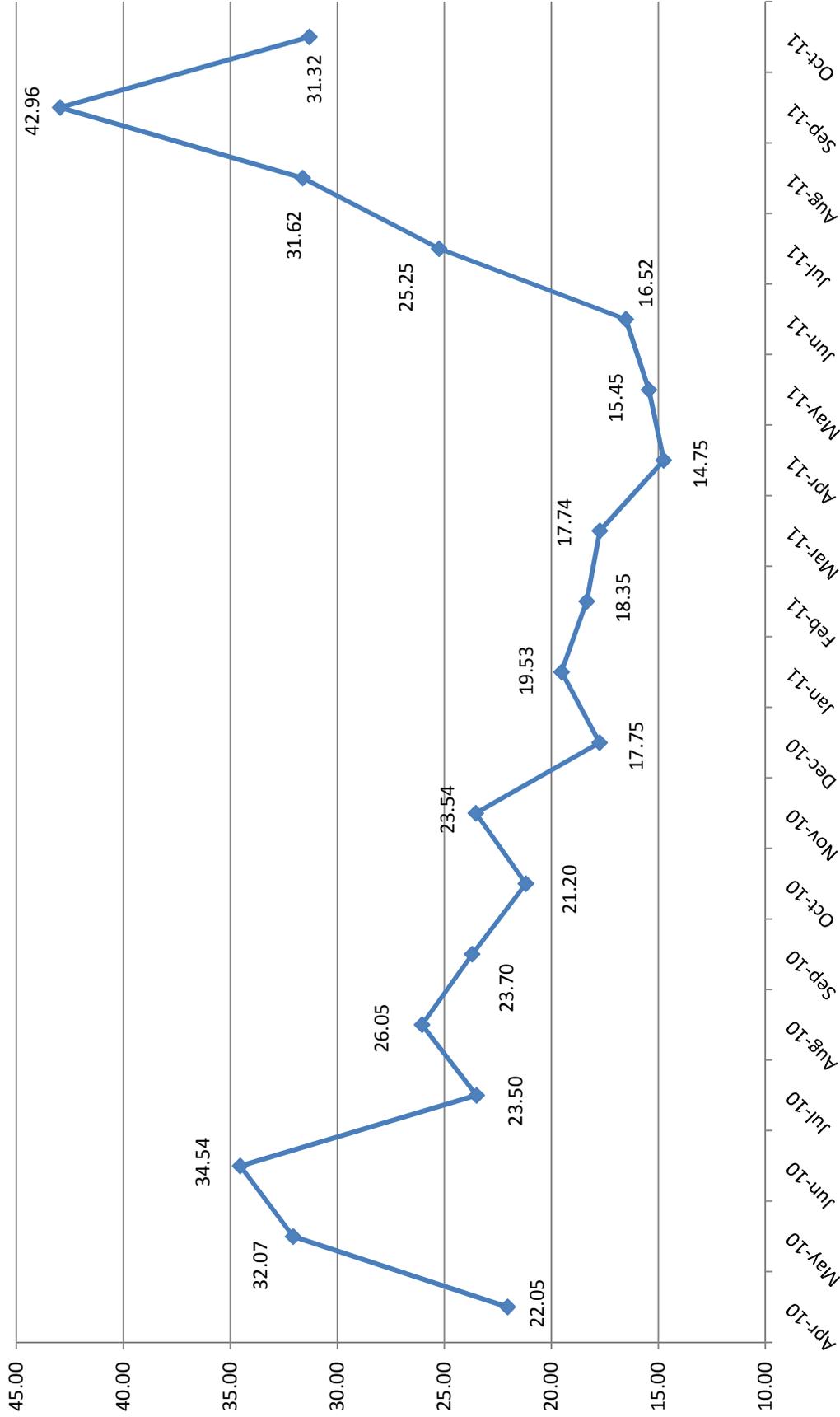
—■— Baa Rated Public Utility Bonds

Blue Chip Financial Forecasts Consensus Estimated 30-Year Treasury Bond Yields



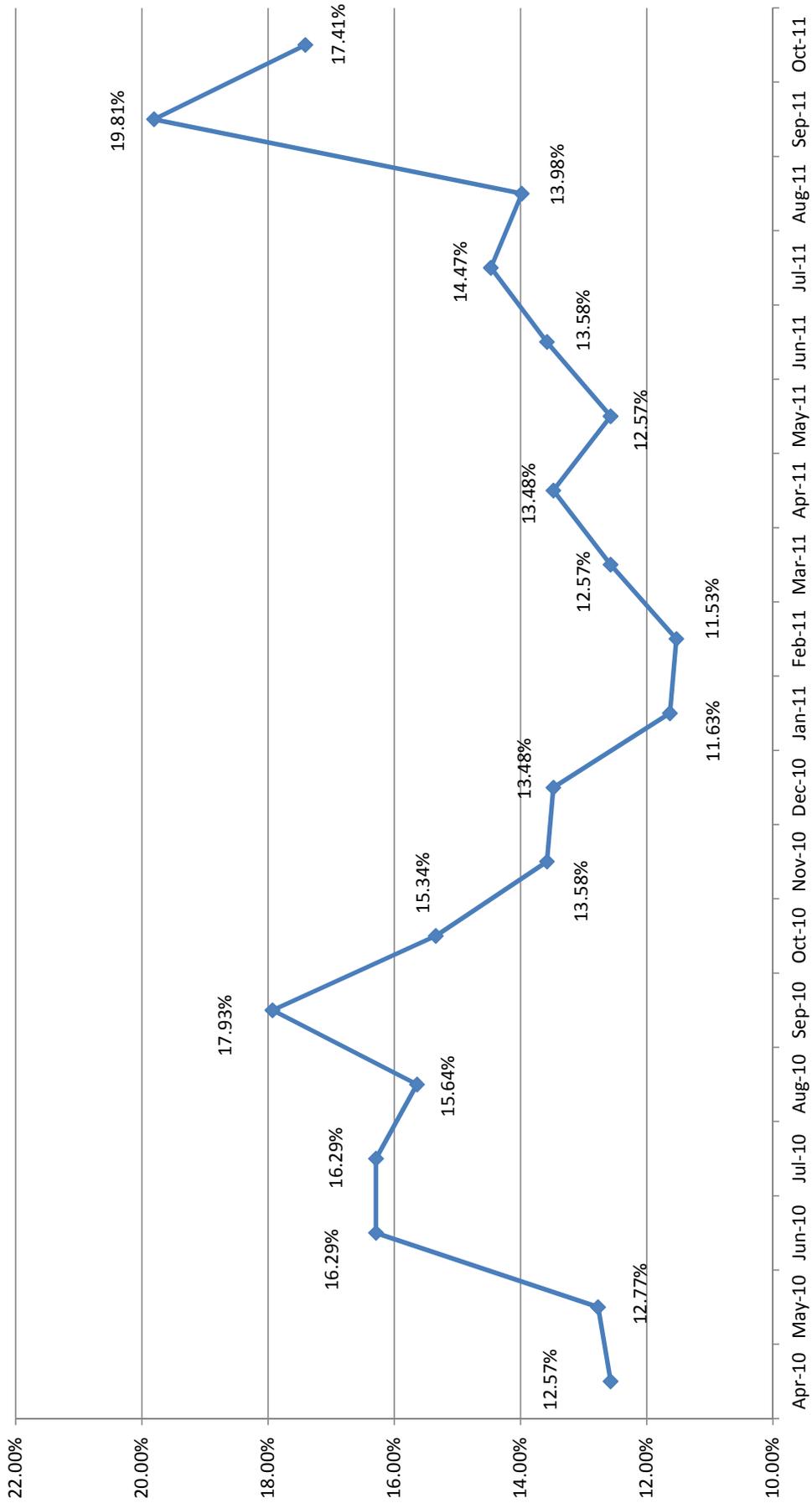
Source: Blue Chip Financial Forecasts, Various Issues

Volatility of S&P 500 Index Options (VIX Index)



Source: www.finance.yahoo.com

Value Line Forecasted Total Annual Return



Source: Value Line Summary and Index, Various Issues

Equity Risk Premium: Value Line Forecasted Total Annual Return Over 30-Year U.S. Treasury Yields (1)



(1) Derived from pages 3 and 5 of this Exhibit.

Illinois American Water Company
Derivation of the Flotation Cost Adjustment to the Cost of Common Equity

Equity Issuances and Flotation Costs of the Parent Since XXXX

Date	Transaction (1)	[Column 1] Shares Issued	[Column 2] Market Price per Share	[Column 3] Offering Price per Share	[Column 4] Market Pressure (2)	[Column 5] Underwriting Discount	[Column 6] Net Proceeds per Share (3)	[Column 7] Gross Equity/ Issue before Costs (4)	[Column 8] Total Net Proceeds (5)	[Column 9] Total Flotation Costs (6)	[Column 10] Flotation Cost Percentage (7)
06/10/09	Primary Equity Offering	11,500,000	\$ 17.4800	\$ 17.2500	\$ 0.2400	\$ 0.5180	\$ 16.7320	\$ 201,135,000	\$ 192,418,000	\$ 8,717,000	4.33%
								\$ 201,135,000	\$ 192,418,000	\$ 8,717,000	4.33%

Flotation Cost Adjustment

Average Dividend Yield	3.36 %	Average Projected EPS Growth Rate	6.56 %	Average DCF Cost Rate Unadjusted for Flotation (8)	10.03 %	DCF Cost Rate Adjusted for Flotation (9)	10.19 %	Flotation Cost Adjustment (10)	0.16 %

Notes are on page 2 of this Exhibit.

Illinois-American Water Company
Notes to Accompany the
Derivation of the Floatation Cost Adjustment to the Cost of Common Equity

- (1) Company-provided.
- (2) Column 2 – Column 3.
- (3) Column 2 – the sum of columns 4 and 5.
- (4) Column 1 * Column 2.
- (5) Column1 * Column 6.
- (6) Column1 * (the sum of columns 4 and 5).
- (7) (Column 7 – Column 8) divided by Column 7.
- (8) Using the average growth rate from Schedule 7.
- (9) Adjustment for flotation costs based on adjusting the average DCF constant growth cost rate in accordance with the following:

$$K = \frac{D(1 + 0.5g)}{P(1 - F)} + g ,$$

where g is the growth factor and F is the percentage of flotation costs.

- (10) Flotation cost adjustment of 0.12% equals the difference between the flotation adjusted average DCF cost rate of 10.15% and the unadjusted average DCF cost rate of 10.03% of the proxy group of nine water companies.

Source of Information:

Company provided information