

Consumers Illinois Water Company
Stock Price Index Level, Earnings Per Share and Dividends Per Share
for the S&P Utilities Index and the S&P 500 Composite Index
Quarterly for the Third Quarter 1989 through the Third Quarter 1999

Year	Quarter	S&P Utilities Index			S&P 500 Composite Index		
		Stock Price Index	EPS - Adjusted to Stock Price Index (4 qtr. total)	DPS - Adjusted to Stock Price Index (4 qtr. total)	Stock Price Index	EPS - Adjusted to Stock Price Index (4 qtr. total)	DPS - Adjusted to Stock Price Index (4 qtr. total)
1989	3rd	142.35	9.72	7.69	349.15	23.69	10.67
	4th	156.34	10.42	7.89	353.40	22.90	11.05
1990	1st	142.72	10.29	8.10	339.94	21.67	11.32
	2nd	141.39	9.86	8.18	358.02	21.26	11.67
	3rd	133.02	9.97	8.16	306.05	21.74	11.84
	4th	143.59	9.65	8.29	330.22	21.34	12.10
1991	1st	144.82	9.50	8.24	375.22	20.87	12.12
	2nd	136.58	9.45	8.41	371.16	19.35	12.15
	3rd	145.18	9.34	8.53	387.86	17.82	12.28
	4th	155.16	8.60	8.51	417.09	15.97	12.20
1992	1st	138.68	8.63	8.64	403.69	16.20	12.32
	2nd	147.33	9.02	8.54	408.14	17.05	12.32
	3rd	156.79	9.50	8.55	417.80	18.04	12.39
	4th	158.46	10.64	8.55	435.71	19.09	12.38
1993	1st	173.45	10.86	8.55	451.67	19.84	12.48
	2nd	175.34	11.02	8.56	450.53	19.33	12.52
	3rd	185.39	10.75	8.61	458.93	20.41	12.52
	4th	172.58	8.62	8.66	466.45	21.88	12.58
1994	1st	156.33	8.70	8.70	445.77	22.71	12.71
	2nd	153.99	8.88	8.87	444.27	25.20	12.84
	3rd	152.50	9.37	8.93	462.69	27.33	12.93
	4th	150.12	11.57	8.86	459.27	30.60	13.18
1995	1st	158.38	11.89	8.90	500.71	32.60	13.18
	2nd	167.86	12.12	8.83	544.75	34.44	13.37
	3rd	184.46	12.56	8.70	584.41	35.18	13.58
	4th	202.58	12.30	8.88	615.93	33.96	13.79
1996	1st	190.84	12.79	8.94	645.50	34.04	14.10
	2nd	198.08	13.03	9.00	670.63	34.91	14.27
	3rd	188.80	13.94	9.46	687.31	36.00	14.66
	4th	198.81	14.61	9.64	740.74	38.72	14.90
1997	1st	189.82	14.72	9.82	757.12	40.24	15.06
	2nd	198.39	13.74	10.01	885.14	40.55	15.16
	3rd	205.24	13.03	10.04	947.28	40.64	15.33
	4th	235.81	9.52	10.07	970.43	39.72	15.50
1998	1st	246.50	9.10	10.17	1101.75	39.54	15.65
	2nd	246.75	8.03	10.34	1133.84	38.97	15.95
	3rd	255.53	9.20	10.21	1017.01	38.09	16.15
	4th	259.62	12.15	10.13	1229.23	37.71	16.20
1999	1st	232.91	12.39	10.15	1286.37	38.38	16.45
	2nd	257.51	13.41	9.95	1372.71	41.02	16.45
	3rd	242.77	14.83	9.92	1282.71	43.96	16.64

% Change from
3rd Quarter 1989 -
3rd Quarter 1999

70.54 %	52.57 %	29.00 %	267.38 %	85.56 %	55.95 %
---------	---------	---------	----------	---------	---------

Source of Information: Standard & Poor's Security Price Index Record
Standard & Poor's Current Statistics

Consumers Illinois Water Company
Example of the Inadequacy of
a DCF Return Rate Related to Book Value
When Market Value Exceeds Book Value

<u>Line No.</u>		<u>Market Value</u>	<u>Book Value</u>
1.	Per Share	\$ 24.00	\$ 15.00
2.	DCF Cost Rate (1)	10.60%	10.60%
3.	Return in Dollars	\$ 2.544	\$ 1.590
4.	Dividends (2)	\$ 1.248	\$ 1.248
5.	Growth in Dollars	\$ 1.296	\$ 0.342
6.	Return on Market Value	10.60%	6.63% (3)
7.	Rate of Growth on Market Value	5.40% (4)	1.43% (5)

- Notes: (1) Comprised of 5.2% dividend yield and 5.4% growth.
 (2) $\$24.00 \times 5.2\% \text{ yield} = \1.248
 (3) $\$1.590 / \$24.00 \text{ market value} = 6.63\%$.
 (4) Expected rate of growth per market based DCF model.
 (5) Actual rate of growth when DCF cost rate is applied to book value
 ($\$1.590 \text{ possible earnings} - \$1.248 \text{ dividends} = \$0.342 \text{ for growth} /$
 $\$24.00 \text{ market value} = 1.43\%$).

Consumers Illinois Water Company
 Indicated Common Equity Cost Rate
 Through Use of the Discounted Cash Flow Model
Summary of Conclusion

	Proxy Group of Seven Water Companies	Proxy Group of of Eight Utilities Selected on the Basis Least Relative Distance
1. Single Stage Discounted Cash Flow Model (1)	9.1 %	10.4 %
2. Quarterly Version of the Discounted Cash Flow Model (2)	8.9	10.6
3. Conclusion	9.0 %	10.5 %

Notes: (1) From Schedule 10.
 (2) From page 2 of Schedule 11.

Consumers Illinois Water Company
Indicated Common Equity Cost Rate
Through Use of the Single Stage Discounted Cash Flow Model
Summary of Conclusion

	<u>Proxy Group of Seven Water Companies</u>	<u>Proxy Group of of Eight Utilities Selected on the Basis Least Relative Distance</u>
<u>Based upon Historical and Projected Growth in DPS, EPS, and BR+SV</u>		
1. Dividend Yield (1)	3.7 %	5.2 %
2. Dividend Growth Component (2)	<u>0.1</u>	<u>0.1</u>
3. Yield	3.8	5.3
4. Growth Rate (3)	<u>5.3</u>	<u>4.8</u>
5. Indicated Return Rate	<u>9.1 %</u>	<u>10.1 %</u>

<u>Based upon Projected Growth in EPS</u>		
6. Dividend Yield (1)	3.7 %	5.2 %
7. Dividend Growth Component (2)	<u>0.1</u>	<u>0.1</u>
8. Yield	3.8	5.3
9. Growth Rate (3)	<u>5.2</u>	<u>5.3</u>
10. Indicated Return Rate	<u>9.0 %</u>	<u>10.6 %</u>
11. Conclusion	<u>9.1 %</u>	<u>10.4 %</u>

Notes: (1) From Schedule 12.

(2) This reflects a growth rate component equal to one-half the conclusion of growth rate (from page 1 of Schedule 14) x Line Nos. 1 and 6 to reflect the period payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, 3.7% x

(3) Conclusion of growth from page 1 of Schedule 14.

Consumers Illinois Water Company
 Indicated Common Equity Cost Rate Through Use of the
 Quarterly Version of the Discounted Cash Flow Model (1)
 for the Proxy Group of Seven Water Companies and the
 Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

	Based upon Historical and Projected Growth in DPS, EPS, and BR+SV (2)		
	Based upon Spot Closing Market Prices at March 21, 2000	Based upon an Average of Closing Market Prices for Last 3 Months (3)	Based upon an Average of Closing Market Prices for Last 12 Months (3)
Proxy Group of Seven Water Companies			
American Water Works Co., Inc.	12.2 %	12.1 %	11.2 %
Conn. Water Service, Inc.	6.8	6.6	6.9
E-town Corporation	6.3	6.3	7.1
Middlesex Water Company	7.0	6.8	7.1
Pennichuck Corporation	10.9	9.7	10.4
Philadelphia Suburban Corp.	11.3	11.1	10.7
United Water Resources, Inc.	6.7	6.6	7.2
Average	<u>8.7</u> %	<u>8.5</u> %	<u>8.7</u> %

American Water Works Co., Inc.	11.6 %	11.6 %	11.2 %	11.8 %
Berkshire Energy Resources	9.0	9.0	9.7	9.0
CMS Energy Corp.	17.2	17.2	16.4	18.0
Eastern Utilities Associates	7.4	7.4	7.5	7.4
Energy West Inc.	11.5	11.4	11.3	11.5
Hawaiian Electric Industries, Inc.	10.6	10.8	9.7	10.3
Southern Company	11.4	10.7	10.3	10.7
United Water Resources, Inc.	6.7	6.7	7.2	6.8
Average	<u>11.1</u> %	<u>10.7</u> %	<u>10.4</u> %	<u>10.5</u> %

See page 2 for notes.

Consumers Illinois Water Company
 Indicated Common Equity Cost Rate Through Use of the
 Quarterly Version of the Discounted Cash Flow Model (1)
 for the Proxy Group of Seven Water Companies and the
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance

	Based upon Projected Growth in EPS (6)				
	Based upon Spot Closing Market Prices at March 21, 2000	Based Upon an Average of Closing Market Prices for Last 3 Months (3)	Based Upon an Average of Closing Market Prices for Last 6 Months (3)	Based Upon an Average of Closing Market Prices for Last 12 Months (3)	Average
<u>Proxy Group of Seven Water Companies</u>					
American Water Works Co., Inc.	11.5 %	11.4 %	10.9 %	10.5 %	11.1 %
Conn. Water Service, Inc.	7.2	7.0	7.0	7.3	7.1
E'town Corporation	7.8	7.8	8.1	8.6	8.1
Middlesex Water Company	7.5	7.3	7.1	7.5	7.4
Pennichuck Corporation	7.5	6.4	6.7	7.0	6.9
Philadelphia Suburban Corp.	13.6	13.4	13.1	13.0	13.3
United Water Resources, Inc.	9.3	9.3	9.4	9.9	9.5
Average	<u>9.2 %</u>	<u>8.9 %</u>	<u>8.9 %</u>	<u>9.1 %</u>	<u>9.1 %</u>
<u>Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance</u>					
American Water Works Co., Inc.	11.5 %	11.4 %	10.9 %	10.5 %	11.1 %
Berkshire Energy Resources	6.5	6.5	6.9	7.6	6.9
CMS Energy Corp.	18.1	15.9	15.0	14.2	15.8
Eastern Utilities Associates	6.7	6.8	6.9	7.0	6.9
Energy West Inc.	11.7	11.3	11.2	11.1	11.3
Hawaiian Electric Industries, Inc.	11.2	11.4	10.9	10.3	11.0
Southern Company	14.1	13.4	13.2	13.0	13.4
United Water Resources, Inc.	9.3	9.3	9.4	9.9	9.5
Average	<u>11.1 %</u>	<u>10.8 %</u>	<u>10.6 %</u>	<u>10.5 %</u>	<u>10.7 %</u>
<u>Conclusion</u>					
Proxy Group of Seven Water Companies	<u>9.0 %</u>	<u>8.7 %</u>	<u>8.7 %</u>	<u>8.9 %</u>	<u>8.9 %</u>
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance	<u>11.1 %</u>	<u>10.8 %</u>	<u>10.6 %</u>	<u>10.5 %</u>	<u>10.6 %</u>

Notes: (1) See Equation (7-2) on page 5 of this Schedule.

(2) Calculated using historical and projected growth in DPS, EPS, and BR+SV for each company calculated from the individual growth rates shown on page 1 of Schedule 14 of this Exhibit in a manner identical to the conclusion of growth for each proxy group shown in column 9 on page 1 of Schedule 14 of this Exhibit.

(3) The average 3-month closing market price is based upon the market price on the last trading day of each of the three months ended February 29, 2000.

(4) The average 6-month closing market price is based upon the market price on the last trading day of each of the six months ended February 29, 2000.

(5) The average 12-month closing market price is based upon the market price on the last trading day of each of the twelve months ended February 29, 2000.

(6) Calculated using the average projected five year growth rate in EPS from column 8 on page 1 of Schedule 14 of this Schedule.

**REGULATORY FINANCE:
UTILITIES' COST OF CAPITAL**

Roger A. Morin, PhD

**in collaboration with
Lisa Todd Hillman**

**1994
PUBLIC UTILITIES REPORTS, INC.
Arlington, Virginia**

Regulatory Finance

model inherently produces incorrect results because it assumes that all cash flows received by investors are paid annually. By analogy, a bank rate on deposits that does not take into consideration the timing of the interest payments understates the true yield if the customer receives the interest payments more than once a year. The actual yield will exceed the stated nominal rate. Bond yield calculations are also routinely adjusted for the receipts of semi-annual interest payments. What is true for bank deposits and for bonds is equally germane for common stocks.

Most, if not all, finance textbooks discuss frequency of compounding in computing the yield on a financial security. The handbooks that accompany popular financial calculators used almost universally by the financial community contain abundant directions with respect to frequency of compounding.

Appendix 7-A formally derives the quarterly DCF model, which has the following form:

$$K = \frac{[D_1 (1 + K)^{3/4} + D_2 (1 + K)^{1/2} + D_3 (1 + K)^{1/4} + D_4]}{P_0} + g \quad (7-1)$$

where D_1, D_2, D_3, D_4 = quarterly dividends expected over the coming year

g = expected growth in dividends

P_0 = current stock price

K = required return on equity

Equation 7-1 must be solved by iteration because K appears on both sides of the equation. Note that an even more general form of the quarterly DCF model can be derived for the case where the stock price is not determined on a dividend payment date. If we let f_1, f_2, f_3 , and f_4 denote the fraction of the year before the quarterly dividends are received, Equation 7-1 becomes:

$$K = \frac{[D_1 (1 + K)^{1-f_1} + D_2 (1 + K)^{1-f_2} + D_3 (1 + K)^{1-f_3} + D_4 (1 + K)^{1-f_4}]}{P_0} + g \quad (7-2)$$

In the special case where the stock price happens to be determined on a dividend payment date, f_1, f_2, f_3 , and f_4 are equal to 0.25, 0.50, 0.75 and 1.00 and Equation 7-2 reduces back to Equation 7-1.

Chapter 7: Alternative DCF Models

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

$$\begin{aligned}
 P_0 = & \frac{D_1(1+g)}{(1+K)^{0.25}} + \frac{D_2(1+g)}{(1+K)^{0.50}} \\
 & + \frac{D_3(1+g)}{(1+K)^{0.75}} + \frac{D_3(1+g)}{(1+K)^{1.00}} \\
 & + \frac{D_1(1+g)^2}{(1+K)^{1.25}} + \frac{D_2(1+g)^2}{(1+K)^{1.50}} \\
 & + \frac{D_3(1+g)^2}{(1+K)^{1.75}} + \frac{D_3(1+g)^2}{(1+K)^{2.00}} \\
 & + \frac{P_2}{(1+K)^{2.00}}
 \end{aligned} \tag{7-3}$$

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

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

$$K = D_1' / P_0 + g \tag{7-4}$$

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



EXAMPLE 7-1

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

$$D_1 = \$0.48$$

$$D_2 = \$0.48$$

$$D_3 = \$0.48(1 + .088) = \$0.52$$

$$D_4 = \$0.48(1 + .088) = \$0.52$$

$$P_0 = \$52.13$$

$$g = 8.80\%$$

are substituted into Equation 7.1 as follows:

$$K = \frac{0.48(1 + K)^{-1} + 0.48(1 + K)^{-2} + 0.52(1 + K)^{-3} + 0.52}{52.13} \cdot 0.088$$

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

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

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

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

Chapter 7: Alternative DCF Models

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

7.2 Other Alternative DCF Models

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

$$K_c = D_0/P_0 + g \quad (7-5)$$

where K_c = investor's expected return from the continuous DCF model
 D_0 = annual per share dividend at time 0, i.e., current dividend

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) (1 - column 1).

Source of Information: Standard & Poor's Stock Guide

Consumers Illinois Water Company
Historical and Projected Growth

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

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

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

Consumers Illinois Water Company
Calculation of Historical BR + SV

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

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

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

	1	2	3	4	5	6
	1998	1997	1996	1995	1994	Five-Year Average 1994-1998 Internal Growth Rate, i.e., BR
<u>Proxy Group of Seven Water Companies</u>						
<u>American Water Works Co., Inc.</u>						
Common Equity Return Rate	10.67 %	10.47 %	10.41 %	11.35 %	10.75 %	
Retention Ratio	48.23	47.82	47.49	51.75	53.95	
Internal Growth Rate (1)	5.15	5.01	4.94	5.87	5.80	5.4 %
<u>Conn. Water Service, Inc.</u>						
Common Equity Return Rate	12.15 %	12.25 %	12.37 %	12.68 %	12.54 %	
Retention Ratio	23.75	22.92	22.41	22.58	20.63	
Internal Growth Rate (1)	2.89	2.81	2.77	2.66	2.59	2.8
<u>E'town Corporation</u>						
Common Equity Return Rate	10.91 %	10.21 %	8.36 %	9.27 %	8.59 %	
Retention Ratio	24.19	16.23	(3.72)	3.63	(6.35)	
Internal Growth Rate (1)	2.64	1.66	(0.31)	0.34	(0.55)	1.5 (2)
<u>Middlesex Water Company</u>						
Common Equity Return Rate	10.52 %	11.22 %	10.34 %	11.99 %	12.10 %	
Retention Ratio	19.59	15.51	8.07	20.25	20.28	
Internal Growth Rate (1)	2.06	1.74	0.83	2.43	2.45	1.9
<u>Pennichuck Corporation</u>						
Common Equity Return Rate	10.90 %	9.55 %	9.73 %	9.09 %	8.09 %	
Retention Ratio	53.94	38.37	38.93	43.29	43.09	
Internal Growth Rate (1)	5.88	3.66	3.79	3.94	3.49	4.2
<u>Philadelphia Suburban Corp.</u>						
Common Equity Return Rate	13.53 %	12.49 %	11.84 %	11.99 %	11.18 %	
Retention Ratio	36.02	29.85	25.12	24.87	19.19	
Internal Growth Rate (1)	4.87	3.73	2.97	2.98	2.15	3.3
<u>United Water Resources, Inc.</u>						
Common Equity Return Rate	10.05 %	7.24 %	10.24 %	4.89 %	10.09 %	
Retention Ratio	21.63	(0.29)	19.30	(69.61)	7.38	
Internal Growth Rate (1)	2.17	(0.02)	1.98	(3.40)	0.74	1.6 (2)
Average						3.0 %

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

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

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

	1	2	3	4	5	6
	1998	1997	1996	1995	1994	Five-Year Average 1994-1998 Internal Growth Rate, i.e., BR
<u>Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance</u>						
<u>American Water Works Co., Inc.</u>						
Common Equity Return Rate	10.67 %	10.47 %	10.41 %	11.35 %	10.75 %	
Retention Ratio	48.23	47.82	47.49	51.75	53.95	
Internal Growth Rate (1)	5.15	5.01	4.94	5.87	5.80	5.4 %
<u>Berkshire Energy Resources</u>						
Common Equity Return Rate	8.56 %	10.88 %	12.29 %	7.25 %	13.34 %	
Retention Ratio	6.19	25.81	33.09	(20.71)	35.56	
Internal Growth Rate (1)	0.53	2.81	4.07	(1.50)	4.74	3.0 (2)
<u>CMS Energy Corp.</u>						
Common Equity Return Rate	11.54 %	14.57 %	15.14 %	15.84 %	17.27 %	
Retention Ratio	42.15	55.60	57.08	58.62	62.57	
Internal Growth Rate (1)	4.86	8.10	8.64	9.32	10.81	8.3
<u>Eastern Utilities Associates</u>						
Common Equity Return Rate	9.29 %	10.19 %	8.20 %	8.81 %	13.56 %	
Retention Ratio	2.26	10.63	(9.81)	1.77	37.10	
Internal Growth Rate (1)	0.21	1.08	(0.80)	0.16	5.03	1.6 (2)
<u>Energy West Inc.</u>						
Common Equity Return Rate	12.25 %	11.05 %	11.55 %	15.19 %	13.89 %	
Retention Ratio	29.87	22.74	26.76	43.42	38.05	
Internal Growth Rate (1)	3.66	2.51	3.09	6.60	5.29	4.2
<u>Hawaiian Electric Industries, Inc.</u>						
Common Equity Return Rate	11.53 %	10.89 %	10.47 %	10.98 %	11.02 %	
Retention Ratio	16.07	11.52	7.24	10.82	10.29	
Internal Growth Rate (1)	1.85	1.25	0.76	1.19	1.13	1.2
<u>Southern Company</u>						
Common Equity Return Rate	10.05 %	10.31 %	12.53 %	13.01 %	12.47 %	
Retention Ratio	4.50	8.54	24.93	26.46	22.50	
Internal Growth Rate (1)	0.45	0.88	3.12	3.44	2.81	2.1
<u>United Water Resources, Inc.</u>						
Common Equity Return Rate	10.05 %	7.24 %	10.24 %	4.89 %	10.09 %	
Retention Ratio	21.63	(0.29)	19.30	(69.61)	7.38	
Internal Growth Rate (1)	2.17	(0.02)	1.98	(3.40)	0.74	1.6 (2)
Average						<u>3.4 %</u>

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

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

Consumers Illinois Water Company

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

	1	2	3	4	5	6	7	8	9	10	11	12
	1993 Common Shares <u>Outstanding (1)</u>	93-94 Growth	1994 Common Shares <u>Outstanding (1)</u>	94-95 Growth	1995 Common Shares <u>Outstanding (1)</u>	95-96 Growth	1996 Common Shares <u>Outstanding (1)</u>	96-97 Growth	1997 Common Shares <u>Outstanding (1)</u>	97-98 Growth	1998 Common Shares <u>Outstanding (1)</u>	Five Year Average Common Share Growth
<u>Proxy Group of Seven Water Companies</u>												
American Water Works Co., Inc.	62,488	4.5 %	65,318	3.8 %	67,826	15.6 %	78,421	1.6 %	79,686	1.5 %	80,895	5.4 %
Conn. Water Service, Inc.	4,185	2.9	4,307	3.3	4,451	1.5	4,518	0.2	4,527	0.2	4,536	1.6
E'town Corporation	5,639	17.1	6,603	13.9	7,523	3.4	7,782	3.1	8,022	5.6	8,471	8.6
Middlesex Water Company	3,979	1.3	4,031	2.6	4,137	1.6	4,205	1.5	4,269	14.7	4,897	4.3
Pennichuck Corporation	1,069	0.5	1,074	0.4	1,078	3.7	1,118	1.4	1,134	50.8	1,710	11.4
Philadelphia Suburban Corp.	22,859	2.5	23,435	4.0	24,377	5.0	25,598	2.4	26,213	5.8	27,727	3.9
United Water Resources, Inc.	20,216	54.7	31,281	5.1	32,880	5.1	34,549	5.1	36,295	4.2	37,836	14.8
Average												<u>7.1 %</u>
<u>Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance</u>												
American Water Works Co., Inc.	62,488	4.5 %	65,318	3.8 %	67,826	15.6 %	78,421	1.6 %	79,686	1.5 %	80,895	5.4 %
Berkshire Energy Resources	1,733	2.0	1,767	19.0	2,103	2.4	2,153	2.7	2,212	4.7	2,316	6.2
CMS Energy Corp.	85,197	1.6	86,535	14.6	99,212	3.5	102,69	6.2	109,011	6.9	116,557	6.6
Eastern Utilities Associates	19,033	4.7	19,937	2.5	20,437	0.0	20,436	0.0	20,436	0.0	20,436	1.4
Energy West Inc.	2,18	0.5	2,191	2.9	2,254	3.0	2,321	1.6	2,357	2.0	2,403	2.0
Hawaiian Electric Industries, Inc.	27,675	3.5	28,655	3.9	29,773	3.6	30,853	3.4	31,895	0.7	32,116	3.0
Southern Company	642,662	2.2	656,528	2.0	669,543	1.1	677,036	2.4	693,423	0.6	697,805	1.7
United Water Resources, Inc.	20,216	54.7	31,281	5.1	32,88	5.1	34,549	5.1	36,295	4.2	37,836	14.8
Average												<u>5.1 %</u>

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

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

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

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

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

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

Consumers Illinois Water Company
Calculation of Projected BR + SV

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

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

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

**Consumers Illinois Water Company
Projected Internal Growth Rate**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	1998			2002-2004			Annual Common Equity Growth Rate (4)	ROE Adjustment Factor (5)	Return on Common Equity (1)	Return on Average Common Equity (6)	2002-2004			Projected Internal Growth (8)
	Common Equity (%) (1)	Total Capital (\$ mill) (1)	Common Equity (\$ mill) (2)	Common Equity (%) (1)	Total Capital (\$ mill) (1)	Common Equity (\$ mill) (3)					EPS (1)	DPS (1)	Retention Ratio (7)	
Proxy Group of Seven Water Companies														
American Water Works Co., Inc.	36.00 %	\$3,442.30	\$1,239.23	38.00 %	\$4,850.00	\$1,843.00	8.26 %	1.04 %	12.00 %	12.48 %	\$2.30	\$1.15	50.0 %	6.2 %
Conn. Water Service, Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Etown Corporation	44.80	465.70	208.63	45.50	660.00	300.30	7.56	1.04	10.00	10.40	3.30	2.30	30.3	3.2
Middlesex Water Company	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Pennichuck Corporation	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Philadelphia Suburban Corp.	46.60	496.60	231.42	47.00	1,000.00	470.00	15.22	1.07	12.50	13.38	1.50	0.85	43.3	5.8
United Water Resources, Inc.	38.10	1,198.30	456.55	47.00	1,225.00	575.75	4.75	1.02	10.50	10.71	1.55	1.00	35.5	3.8
Average														<u>4.8 %</u>
Proxy Group of Eight Utilities Selected on the Basis of Least Relative Distance														
American Water Works Co., Inc.	36.00 %	\$3,442.30	\$1,239.23	38.00 %	\$4,850.00	\$1,843.00	8.26 %	1.04 %	12.00 %	12.48 %	\$2.30	\$1.15	50.0 %	6.2 %
Berkshire Energy Resources	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
CMS Energy Corp.	29.00	7,692.00	2,230.68	36.00	13,425.00	4,833.00	16.72	1.06	12.00	12.96	4.25	1.90	55.3	7.2
Eastern Utilities Associates	52.00	718.90	373.83	63.50 (9)	600.00 (9)	381.00	0.32	1.00	9.50 (9)	9.50	1.80 (9)	1.66 (9)	7.8	0.7
Energy West Inc.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hawaiian Electric Industries, Inc.	43.10	1,918.90	827.05	47.50	2,075.00	985.63	3.57	1.02	11.00	11.22	3.10	2.48	20.0	2.2
Southern Company	42.90	22,817.00	9,788.49	40.50 (9)	28,230.00 (9)	11,433.15	2.62	1.01	15.00 (9)	15.15	2.75 (9)	1.34 (9)	51.3	7.8
United Water Resources, Inc.	38.10	1,198.30	456.55	47.00	1,225.00	575.75	4.75	1.02	10.50	10.71	1.55	1.00	35.5	3.8
Average														<u>4.7 %</u>

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

Source of information: Value Line Investment Survey, January 7, February 4, February 19, and March 10, 2000, Standard Edition

CMS ENERGY CORP. NYSE-CMS

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

TIMELINESS **4** Lowered 2/26/99 High: 26.5 39.6 38.5 33.0 22.6 27.5 25.0 30.0 33.8 44.1 50.1 48.5 Target Price Range 2002 2003 2004
SAFETY **3** Reduced 1/19/99 Low: 13.5 22.5 24.9 16.6 14.9 18.1 19.8 22.8 27.8 31.1 38.8 30.5

TECHNICAL **4** Lowered 7/16/99
BETA .50 (1.00 = Market)

2002-04 PROJECTIONS

Price	Gain	Return
High 80	(+180%)	29%
Low 35	(+75%)	19%

Insider Decisions

	F	M	A	M	J	J	A	S	O
Buy	0	0	0	0	0	0	0	0	0
Sell	0	0	0	1	1	1	1	1	0

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	110	122	112
to Sell	0	0	0

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	% VALUE LINE PUB. INC.	02-04
34.21	36.74	37.45	35.32	34.38	35.80	36.21	36.87	36.84	38.43	40.87	41.82	42.47	45.70	47.49	47.56	51.30	57.15	Revenues per sh	62.75
5.00	4.07	2.06	3.17	4.95	5.97	6.63	6.56	6.04	5.23	6.10	6.45	6.77	7.18	7.39	6.60	8.00	8.70	"Cash Flow" per sh	10.50
3.12	1.66	0.43	0.74	2.15	3.31	3.80	3.09	1.92	.99	1.90	2.09	2.27	2.45	2.61	2.24	2.90	3.25	Earnings per sh	4.25
2.46	1.08	---	---	---	---	1.10	.42	.48	.48	.90	.78	.90	1.02	1.14	1.26	1.39	1.53	Div'd Decl'd per sh	1.90
11.06	7.84	2.37	2.17	5.02	5.31	5.98	5.26	4.42	6.09	6.43	6.64	5.84	6.95	7.05	11.98	6.05	6.00	Cap'l Spending per sh	5.50
26.04	25.92	21.50	22.00	24.53	20.23	23.97	17.36	13.28	9.09	11.34	12.79	16.04	17.95	19.61	20.63	21.43	23.60	Book Value per sh	35.00
86.92	88.07	88.07	88.01	81.47	82.20	81.77	80.76	79.82	79.97	85.20	86.53	91.59	94.81	100.79	106.11	116.00	119.00	Common Shs Outst'g	137.00
6.2	4.5	---	17.4	7.8	6.1	7.9	9.8	12.5	17.7	12.4	10.7	11.0	12.5	13.5	19.9	13.7	---	Avg Ann'l P/E Ratio	16.8
52	42	---	1.18	52	51	60	73	80	107	73	70	74	78	78	104	75	---	Relative P/E Ratio	1.05
12.7%	14.5%	---	---	---	---	3%	1.4%	2.0%	2.7%	2.5%	3.5%	3.6%	3.3%	3.2%	2.8%	3.5%	---	Avg Ann'l Div'd Yield	2.8%

CAPITAL STRUCTURE as of 9/30/99
Total Debt \$7806.0 mill. Due in 5 Yrs \$3027.0 mill.
LT Debt \$7181.0 mill. LT Interest \$540.0 mill.
(LT Interest earned: 1.5x)
Leases, Uncapitalized Annual rentals \$20.0 mill.
Pension Liab. \$39.0 mill. in '98 vs. \$34.0 mill. in '97
Pfd Stock \$988.0 mill. Pfd Div'd \$77.0 mill.
Incl. 441,599 shs. \$4.16-\$4.50 \$100 par, cum., call, at \$103.25-\$110. incl. 8 mill. shs. \$2.08 Class A pfd. (\$25 par), cum.; 4 mill. shs. 8.36% Trust Preferred; 3.45 mill. units 7.75% conv. QUIPS.
Common Stock 115,800,521 shs. as of 10/31/99
MARKET CAP: \$3.6 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	1996	1997	1998
% Change Retail Sales (KWh)	+2.3	+1.3	+2.6
Avg. Inhd. Use (MWh)	1397	1449	1476
Avg. Inhd. Rev. per KWh (\$)	5.46	5.33	5.20
Capacity at Peak (MW)	8076	8076	8012
Peak Load, Summer (MW)	7167	7315	7238
Annual Load Factor (%)	59.5	58.9	60.8
% Change Customers (yr-end)	+1.5	+1.5	+1.4

BUSINESS: CMS Energy Corporation is a holding company for Consumers Energy, which supplies electricity (60% of operating inc.) and gas (16%) to lower Michigan (excl. Detroit). Other ops. incl. independent power projects (18%), oil/gas exploration & production (1%), gas transmission (4%), & energy marketing (1%). Elec. rev. breakdown, '98: res'l, 36%; comm'l, 30%; ind'l, 27%; other, 7%. Generating sources, '98: coal, 42%; nuclear, 13%; other, 2%; purch., 43%. Power costs: 53% of revs. '96 depur. rate: 4.3%. Has 9,700 emplos., 100,000 stockholders. Chairman & C.E.O.: William T. McCormick Jr. Pres. & C.O.O.: Motor J. Fryling, Inc. Mil. Address: Fairlane Plaza South, Suite 1100, 330 Town Center Dr., Dearborn, MI 48126. Tel.: 313-436-9200. Internet: www.cmsenergy.com

CMS Energy has received some potentially good news concerning its utility's rate review. A group representing industrial customers asked the regulators to cut the utility's electric rates, contending that its return on equity is excessive. This case is on hold, however, pending the introduction of a bill in the Michigan legislature. The bill would require CMS to provide customer credits of \$94 million over five years, beginning in 2003, but it would ensure full recovery of its stranded costs. **Earnings should rise solidly in 2000.** We assume that electric rates won't change much, if at all, in the near term, and that a return to normal weather helps the gas utility. CMS will start to book income in the seasonally strong first quarter from pipeline assets it acquired at the end of March, 1999. The independent power production division will benefit from a full year of earnings from projects that went on-line in 1999, and several more projects are scheduled to begin operation this year. Finally, a continued earnings recovery is likely at the oil and gas segment, due to increased production and higher prices. **The company plans to sell some assets**

in order to pay down debt. CMS had intended to issue common equity in order to strengthen its capital structure, but its depressed share price precludes a stock offering. Instead, the company will sell an estimated \$500 million to \$700 million of assets and use the proceeds to retire debt. The ensuing reduction in interest expense should be enough to compensate for the lost earnings from the assets that will be sold. The debt paydown will boost the common-equity ratio by four percentage points, but it will still be subpar. Our estimates and projections won't reflect the asset sales until they have been completed, possibly during the current quarter. Note that these sales are separate from CMS's annual asset-harvesting, which is part of its game plan. **CMS stock is untimely, but it offers an above-average yield** (compared to the market as a whole) and good total-return potential to 2002-2004. Despite the fact that average annual earnings growth over that time could approach a double-digit level, the stock is trading at a multiple that's well below the market's. *Paul E. Debbas, CFA January 7, 2000*

Calendar	QUARTERLY REVENUES (\$ mill)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1996	1283	998.0	929.0	1183	4333
1997	1295	1024	1032	1436	4787
1998	1374	1132	1286	1349	5141
1999	1538	1353	1488	1571	5960
2000	1900	1500	1650	1750	6800

Calendar	EARNINGS PER SHARE ^a				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1996	.83	.54	.65	.43	2.45
1997	.78	.56	.69	.59	2.61
1998	.38	.62	.80	.44	2.24
1999	.80	.57	.78	.65	2.90
2000	1.05	.70	.80	.70	3.25

Calendar	QUARTERLY DIVIDENDS PAID ^b				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1996	.24	.24	.27	.27	1.02
1997	.27	.27	.30	.30	1.14
1998	.30	.30	.33	.33	1.26
1999	.33	.33	.365	.365	1.39

(A) Divided EPS. Excl. nonrec. gain (losses): '84, (\$2); '85, (\$3.99); '90, (\$9.80); '91, (\$5.36); '92, (\$4.71); '98, 38¢. Next eps. report due late Jan. (B) Next div'd meeting about Jan. 24. Goes ex. about Jan. 28. Div'd payment dates: Feb. 22, May 21, Aug. 20, Nov. 22. Div'd reinvest. plan avail. (C) Incl. deferred charges. In '98: \$1.7 bill, \$16.41/sh. (D) In mill. Excl. Class G com. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '96: 12.25% elec., 11.6% gas; earned on avg. com. eq., '96: 11.1%. Regulatory Climate: Below Average. Company's Financial Strength **B** Stock's Price Stability **100** Price Growth Persistence **45** Earnings Predictability **40**

© 2000, Value Line Publishing, Inc. 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, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

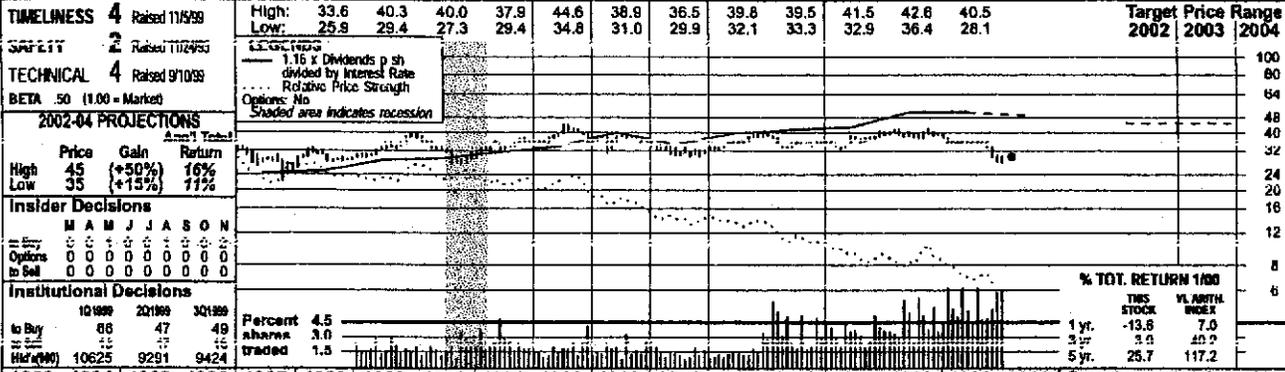
To subscribe call 1-800-833-0046

EASTERN UTILITIES NYSE-EUA		RECENT PRICE	31	P/E RATIO	19.4 (Trailing: 18.9 Median: 12.8)	RELATIVE P/E RATIO	1.50	DIV YLD	5.4%	VALUE LINE	
TIMELINESS -- Suspended 2/12/99	High: 41.8 41.5 25.0 25.3 28.9 27.8 26.3 24.5 26.8 28.4 31.6 31.1	Low: 30.4 20.6 15.8 20.4 23.8 21.1 21.3 14.5 16.9 23.6 26.5 30.0	Target Price Range 2003 2004 2005								
SAFETY 4 Low-vol 122/190	106 Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded Area indicates recession										
TECHNICAL -- Suspended 2/12/99	2003-05 PROJECTIONS Price Gain Return High 40 (+30%) 11% Low 25 (-20%) 1%										
BETA .45 (1.00 = Market)	Insider Decisions A M J J A S O N D Options to Sell 0 0 0 0 0 0 0 0 0 0 0 0										
2003-05 PROJECTIONS Price Gain Return High 40 (+30%) 11% Low 25 (-20%) 1%											
Institutional Decisions 10/1999 20/1999 30/1999 to Buy 50 34 27 to Sell 11649 10407 10161											
MARKET CAP: \$625 million (Small Cap)											
ELECTRIC OPERATING STATISTICS 1096 1997 1998 % Change Retail Sales (KWH) +1.2 +1.2 +1.7 Avg. Indust. Load (MW) 498 491 498 Avg. Indust. Rev. per KWH (\$) 9.26 9.29 8.64 Capacity at Peak (MW) 1148 1121 1042 Peak Load, Summer (MW) 854 833 940 Annual Load Factor (%) 62.6 58.3 58.1 % Change Customers (y-end) +7 +8 +1.0											
ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '96-'98 to '03-'05 Revenues -5% -2.5% 2.6% "Cash Flow" -1.5% -2.5% 3.0% Earnings -5.5% -2.5% .5% Dividends -3.0% 3.5% Nil Book Value -1.5% 3.0% .5%											
QUARTERLY REVENUES (\$ mil.) Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 1997 141.8 138.9 142.0 145.8 568.5 1998 139.3 130.0 136.0 133.5 538.8 1999 138.9 133.4 141.7 139.8 553.8 2000 145 135 145 140 565 2001 150 140 150 145 585											
EARNINGS PER SHARE^A Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 1997 .51 .29 .47 .52 1.79 1998 .54 .29 .45 .52 1.80 1999 .27 .35 .57 .45 1.64 2000 .40 .30 .45 .50 1.65 2001 .40 .30 .45 .50 1.65											
QUARTERLY DIVIDENDS PAID^B Cal-ender Mar.31 Jun.30 Sep.30 Dec.31 Full Year 1996 .40 .415 .415 .415 1.65 1997 .415 .415 .415 .415 1.68 1998 .415 .415 .415 .415 1.66 1999 .415 .415 .415 .415 1.66 2000 .415											
MARKET CAP: \$625 million (Small Cap)											
CAPITAL STRUCTURE as of 9/30/99 Total Debt \$307.3 mil. Due in 5 Yrs \$257.9 mil. LT Debt \$127.3 mil. LT Interest \$24.4 mil. (LT interest earned: 2.6x) Lesses, Uncapitalized: None Pension Liability None Pfd Stock \$35.2 mil. Pfd Div'd \$2.3 mil. Common Stock 20,435,997 shares as of 10/31/99											
MARKET CAP: \$625 million (Small Cap)											
Business: Eastern Utilities Associates is a holding company for three retail electric utilities. Supplies power to southeastern Massachusetts and northern and southern coastal Rhode Island. Also sells power wholesale via its Montauk Electric unit. 1998 fuel sources: nuclear, 23%; gas, 29%; coal, 16%; oil, 26%; other, 6%. Utility revenue sources in '98: resid., 43%; comm., 36%; indust., 18%; other, 3%. Eastern transferred its equity interest in EUA Power back to EUA Power at no cost in 1993. Has nonreg. operations in energy management. '98 deprec. rate: 3.5%. Employees: 1,137. No. com. sholders: 10,227. Chairman & CEO: Donald G. Pardus, Inc.: MA. Address: 750 W. Center St., W. Bridgewater, MA 02379. Tel.: 508-559-2000. Internet: www.eua.com.											
Eastern Utilities may be acquired by New England Electric System (NEES) before the end of the quarter. The pact calls for NEES to buy all of EUA's outstanding common stock for \$31 a share, in an all-cash transaction. The price will be increased by \$0.003 a share per day, for each day from November 17, 1999 until closing, subject to a cap of \$0.49 a share. The merger is not contingent on the previously announced purchase of NEES by National Grid Group of the United Kingdom. But it still requires approval of various state and federal regulatory bodies, all of which are expected shortly. Despite the high payout ratio, EUA has stated that it will continue dividend payments at the current rate until the alliance is concluded. We have suspended the stock's 'timeliness' rank, since the shares are trading largely on takeover considerations. The company plans to sell its remaining nuclear assets. Its 4% interest in Millstone 3 has a book value of \$115 million. Northeast Utilities (NU), a 68% owner of the plant, seeks to sell its stake in the unit and has agreed to sell EUA's share as part of the transaction. Though the sale will almost certainly be for only a small fraction of the unit's book value, the company will recover the loss through a nonby-passable transition charge. Meanwhile, EUA has settled its claim against NU for \$11 million, resulting from the latter's subpar operation of the facility. EUA also has an agreement to sell its 2.25% ownership of Vermont Yankee for \$600,000. The plant has no book value. The merger with NEES represents a negligible premium over the stock's recent quote. That's understandable, in light of EUA's limited prospects as a stand-alone entity. Not only are the company's finances below average for a utility, but, because of EUA's small size, it would have difficulty competing against its larger neighbors in the new unregulated environment. Moreover, Cogenex, the major non-core subsidiary, is not living up to expectations. In all, we consider the acquisition price a fair one. Since the alliance will probably be finalized shortly, shareholders will fare equally well by retaining their stock in anticipation of the merger or selling their holdings now.											
Arthur H. Medalle March 10, 2000											
Company's Financial Strength Stock's Price Stability 8 Price Growth Persistence 100 Earnings Predictability 15 75											

(A) EPS basic. Excl. gains (losses): '90, 46¢ and (\$9.24); '95, (52¢); '96, (18¢); '97, 7¢; '98 (10¢); '99, (82¢). Next egs. rpt. due late Apr. (B) Next div'd meeting about Apr. 17. Next ex-date about Apr. 26. Div'd pmt. dates: About the 15th of Feb., May, Aug., Nov. = Div'd reinvest. plan avail. (C) Incl. def'd chgs. & other. In '98: \$14.44/sh. (D) In millions. (E) Rate allowed on com. eq. in Rf in '92, 11.43%; no rate specified in MA or by FERC. Earn. on avg. com. in '98: 9.8%. Reg. Clm.: Avg. Company's Financial Strength 8 Stock's Price Stability 100 Price Growth Persistence 15 Earnings Predictability 75 To subscribe call 1-800-833-0046

HAWAIIAN ELECTRIC NYSE:HE

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



1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	VALUE LINE PUB. INC. 02-04	
40.36	41.52	39.11	32.88	36.28	35.43	41.57	46.12	45.41	41.65	41.27	41.48	43.53	45.72	45.80	46.24	47.29	50.60	Revenues per sh	52.25
3.91	4.18	4.30	4.63	5.04	4.78	5.29	4.43	4.74	5.02	4.48	5.05	5.45	5.62	6.01	6.46	6.50	6.55	"Cash Flow" per sh	7.00
2.06	2.25	2.40	2.57	2.86	2.90	3.06	2.02	2.40	2.54	2.38	2.60	2.66	2.69	2.76	2.96	2.89	2.99	Earnings per sh ^	3.10
1.52	1.58	1.66	1.74	1.83	1.95	2.07	2.17	2.21	2.25	2.29	2.33	2.37	2.41	2.44	2.48	2.48	2.48	Div'd Decl'd per sh ^	2.48
2.71	2.82	4.83	4.16	5.78	5.88	6.90	6.50	6.83	8.06	8.11	7.00	6.54	6.66	4.62	5.19	5.53	5.60	Cap'l Spending per sh	4.50
16.32	16.99	17.84	18.96	19.59	21.95	23.18	23.29	24.36	22.12	23.24	23.80	24.51	25.05	25.54	25.75	26.31	26.75	Book Value per sh ^	28.75
15.42	16.02	16.58	16.97	17.50	20.68	21.27	21.92	23.87	24.76	27.68	28.66	29.77	30.85	31.90	32.12	32.21	33.00	Common Shs Outst'g ^	34.50
7.5	7.8	8.3	12.0	10.3	10.3	10.9	16.2	14.2	15.3	15.5	12.5	13.5	13.7	13.2	13.4	12.1		Avg Ann'l P/E Ratio	12.5
6.4	7.3	7.6	8.1	6.9	8.8	8.3	1.20	9.1	9.1	9.2	8.2	9.0	8.6	7.6	7.0	6.8		Relative P/E Ratio	.85
9.6%	9.0%	7.5%	5.7%	6.2%	6.5%	6.2%	6.6%	6.5%	5.8%	6.2%	7.2%	6.6%	6.8%	6.7%	6.2%	7.1%		Avg Ann'l Div'd Yield	6.4%

CAPITAL STRUCTURE as of 9/30/99
 Total Debt \$1143.3 mill. Due in 5 Yrs \$375.0 mill.
 LT Debt \$935.0 mill. LT Interest \$60.0 mill.
 (LT Interest earned: 3.4%)
 Pension Liability None
 Pfd Stock \$234.3 mill. Pfd Div'd \$18.0 mill.
 1,114,657 shs. 4 1/4% to 5 1/4%, \$20 par. call \$20 to \$21; 260,000 shs. 8% to 8 1/4%, \$100 par. call \$101 to \$108.50 and subj. to mand. redemp. Sinking fund ends 2018. Incl. \$150 mill. obligated pref. securities of trust subd. Incl. pfd. stock due within 1 yr. Common Stock 32,213,000 shs. as of 12/31/99
 MARKET CAP: \$975 million (Small Cap)

ELECTRIC OPERATING STATISTICS

	1996	1997	1998
% Change Retail Sales (KWH)	+2.1	-3	-1.0
Avg. Indust. Use (KWH)	6403	6337	6297
Avg. Indust. Rev. per KWH (\$)	9.72	9.99	9.13
Capacity at Peak (MW)	2140	2108	2138
Peak Load, Winter (MW)	1561	1573	1532
Annual Load Factor (%)	72.3	71.6	72.6
% Change Customers (yr-end)	+8	+5	+7

BUSINESS: Hawaiian Electric Industries, Inc. is the parent company of Hawaiian Electric Company (HECO, 66% of revs.) & American Savings Bank (ASB, 28%). Other nonutil. subs. (4%). HECO & its subs., Maui Electric Co. (MECO) & Hawaii Electric Light Co. (HELCO), supply electricity to 389,000 customers on Oahu, Maui, Molokai, Lanai, & Hawaii. Operating cos.' systems are not intercon-

nected. Electric rev. breakdown, '98: residential, 34%; commercial, 32%; large light & power, 33%; other, 1%. Generating sources, '98: oil, 63%; purch., 37%. Fuel costs: 32% of revs. '98 reported dep. rate (utility): 3.9%. Has 3,700 emp., 40,800 com. stockholders. Pres. & CEO: Robert F. Clark, Inc. Hl. Address: P.O. Box 730, Honolulu, HI 96808-0730. Tel.: 808-543-5662. Web: www.hei.com

Cal-endar	QUARTERLY REVENUES (\$ MILL)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1996	326.2	347.2	368.2	369.0	1410.6
1997	359.2	380.3	367.1	377.4	1464.0
1998	374.9	360.7	377.3	372.3	1485.2
1999	352.2	369.7	392.5	408.9	1523.3
2000	410	415	420	425	1670

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

Cal-endar	QUARTERLY DIVIDENDS PAID \$				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1996	.60	.60	.60	.61	2.41
1997	.61	.61	.61	.61	2.44
1998	.62	.62	.62	.62	2.48
1999	.62	.62	.62	.62	2.48
2000					

We estimate that Hawaiian Electric Industries' earnings will make little progress in 2000. On the positive side, the Hawaiian economy is finally showing signs of coming out of its long slump. That's reflected in the utilities' kilowatt-hour sales, which rose 1.3% in 1999 and are likely to advance again this year. That was a reversal from the sales declines recorded in 1997 and 1998. Rate relief (see below) could be another plus. In addition, American Savings Bank has reduced costs and taken steps that could enable it to gain market share. On the downside, the deficit at HEI Power, HEI's independent power subsidiary, is likely to increase from \$5.1 million last year due to higher developmental costs and a delay in the in-service date of a project in China. The first of two units of the plant isn't scheduled to go on line until the first quarter of 2001, with the second to follow six months later. One of HEI's utilities has a rate case pending. Hawaii Electric Light Company (HELCO) has requested a tariff increase of \$15.5 million (9.6%), based on a 13.5% return on equity. This will enable the utility to recover the cost of a purchased-power

contract that is scheduled to take effect in the second quarter of 2000. HELCO is also seeking to recoup some of the costs it has incurred to build capacity on the Big Island. The project has suffered from lengthy delays due to various litigations. If it appears that the project will achieve commercial operation in 2001, then HELCO will file a rate case this year so that rate relief can be timed to coincide with the in-service date. HEI has sold its tug and barge operation. It used the proceeds of \$35 million to reduce debt, and the interest saving will make up for the loss of the modest profit this business generated. HEI booked a loss of \$0.06 a share in the third quarter last year, but reversed it in the fourth quarter. Although HEI stock is ranked 4 (Below Average) for Timeliness, investors seeking a high yield ought to consider it. At over 8%, the yield is more than two percentage points above the industry average. There is some fear of a dividend reduction, but management has stated that it has no plans to cut the disbursement. But don't expect an increase anytime soon. *Paul E. Debbas, CFA February 18, 2000*

(A) Basic: EPS, Excl. nonrecr. loss: '87, \$6.64; gain (losses) from discort. ops.: '92, (\$3.02); '93, (\$0.9); '98, (31¢) net; '99, 12¢. Next earnings report due late Apr. (B) Next div'd meeting: 2000. Value Line Publishing, Inc. 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, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

base: Orig. cost. Rate allowed on com. eq. in '95: HECO, 11.4%; in '97: HELCO, 11.65%; in '98: MECO, 10.94%; earned on avg. com. eq., \$225.5 mill., \$7.02/sh. (D) In mill. (E) Rate

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

To subscribe call 1-800-833-0046

PHILA. SUBURBAN NYSE-PSC RECENT PRICE **21** P/E RATIO **18.4** (Trailing: 19.3) RELATIVE P/E RATIO **1.29** DIV'D YLD **3.5%** **VALUE LINE**

TIMELINESS 4 Lowered 6/25/99	High: 8.4 7.3 7.5 8.2 8.3 10.4 9.8 10.8 14.9 22.2 30.1 30.1	Target Price Range 2002 2003 2004
TECHNICAL 3 Raised 10/29/99	Low: 6.1 6.4 5.2 5.9 6.9 7.8 8.6 8.7 10.3 11.4 18.9 19.8	
BETA .55 (1.00 = Market)	1.30 x Dividends p sh divided by Interest Rate	4-for-3†
2002-04 PROJECTIONS	3-for-2 split 7/96	
Price Gain Return	4-for-3 split 1/98	
High 40 (+80%) 20%	Options: No	
Low 30 (+45%) 12%		
Insider Decisions		
M A M J J A S O N		
Options to Buy 0 0 0 0 1 0 1 1 0 0 0		
Options to Sell 0 0 0 0 0 0 0 0 0 0 0		
Institutional Decisions		
1Q1999 2Q1999 3Q1999		
to Buy 65 50 44	Percent 4.5	
to Sell 22 22 22	shares 3.0	
traded 7908 8091 8035	traded 1.5	
		% TOT. RETURN 12/99
		THIS STOCK 1yr. -27.9 10.6
		VL ARITH. 3yr. 58.0 44.7
		5yr. 164.6 121.2

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	VALUE LINE PUB., INC. 02-04
4.53	5.36	6.07	6.81	7.19	8.70	8.86	5.27	5.57	4.75	4.44	4.73	4.78	4.85	5.26	5.45	6.35	6.90	Revenues per sh 7.15
.77	.82	.92	1.12	1.18	1.29	1.26	1.13	1.16	1.02	1.09	1.09	1.22	1.31	1.45	1.59	1.70	1.80	"Cash Flow" per sh 2.05
.58	.54	.56	.61	.58	.59	.53	.64	.65	.62	.64	.58	.77	.78	.88	1.03	1.10	1.20	Earnings per sh ^ 1.50
.42	.44	.44	.46	.47	.47	.47	.50	.50	.52	.54	.55	.57	.59	.62	.67	.70	.74	Div'd Decl'd per sh ^ 0.85
.69	.98	1.06	1.27	1.44	1.72	2.24	1.97	1.40	1.57	1.23	1.19	1.36	1.24	1.50	2.13	1.60	1.70	Cap'l Spending per sh 1.50
5.26	5.38	5.52	5.41	5.50	5.62	5.70	5.48	5.38	5.44	5.96	6.26	6.41	7.00	7.39	8.35	9.10	9.75	Book Value per sh 12.00
13.41	13.52	13.62	14.39	14.45	14.48	15.08	15.61	15.90	16.66	22.81	22.95	24.48	25.25	25.91	27.73	41.00	41.20	Common Shs Outstg ^ 42.00
9.7	10.7	12.2	12.8	14.0	12.3	12.9	10.2	10.8	12.5	14.4	13.5	12.0	15.6	17.8	22.5	21.0		Avg Ann'l P/E Ratio 22.5
.82	1.00	.99	.87	.94	1.02	.98	.76	.69	.76	.85	.88	.80	.98	1.03	1.19	1.15		Relative P/E Ratio 1.50
7.5%	7.6%	6.5%	5.8%	6.0%	6.5%	6.9%	7.7%	7.2%	6.8%	5.9%	6.0%	6.2%	4.9%	3.9%	2.9%	3.0%		Avg Ann'l Div'd Yield 2.8%
CAPITAL STRUCTURE as of 9/30/99																		
Total Debt \$444.9 mill. Due in 5 Yrs \$270.0 mill.																		
LT Debt \$411.5 mill. LT Interest \$31.0 mill.																		
(Total interest coverage: 3.4x)																		
Pension Liability None																		
Pfd Stock \$1.8 mill. Pfd Div'd \$.1 mill.																		
100,000 8.66% shares, to be redeemed '99-'01																		
Common Stock 40,962,206 shares																		
MARKET CAP: \$650 million (Small Cap)																		
CURRENT POSITION 1997 1998 9/30/99																		
(MILL.)																		
Cash Assets	7	7	6.4															
Receivables	23.5	27.2	41.8															
Inventory (Avg Cst)	1.8	1.9	4.4															
Other	1.0	1.2	2.8															
Current Assets	27.0	31.0	55.5															
Accts Payable	10.3	16.7	10.3															
Debt Due	17.1	7.8	33.4															
Other	17.3	20.4	78.0															
Current Liab.	44.7	44.9	121.7															
Fix. Chg. Cov.	312%	315%	313%															

BUSINESS: Philadelphia Suburban Corp., parent of Philadelphia Suburban Water Co. (PSCW), a regulated utility, provides water to approximately 1.8 million residents in Pennsylvania, Ohio, New Jersey, Illinois, and Maine. Sold three of four non-water businesses in '91; sold telemarketing group in '93. Acquired Consumers Water 4/99. Water supply revenues '96: residential, 67%; commercial, 22%; industrial & other, 11%. Average consumption per customer '98: 102,900 gal. Has approx. 540 employees, 13,650 stockholders: Compagnie Generale des Eaux controls 13.2% of common; Officers and Directors, 2.2% (4/99 Proxy). Chairman, Pres. & C.E.O.: Nicholas DeBenedictis, Inc.; PA. Address: 762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-527-8000.

We think that Philadelphia Suburban posted a modest earnings gain in 1999. As we went to press, the company had yet to announce profits for the fourth quarter and full year. When those data do become available, we expect PSC to report earnings of \$1.10 a share, an improvement of 7% over the previous year's tally. The company continues to be active on the merger front, having completed 17 acquisitions and growth ventures during the year. This expansion, along with natural system growth, helped PSC to increase its customer count by approximately 3%, in an industry with a norm closer to 1%. **We expect the company to continue growing through acquisitions.** Because of the high costs involved in maintaining and upgrading water mains and pumping stations, smaller water systems' interests are often better served by selling their assets to well-capitalized companies such as PSC. Since 1992, the company has pursued a regional growth-through-acquisition strategy that has included over 40 water companies and wastewater systems. With the water industry remaining highly fragmented and still in the early stages of consolidation, we expect PSC to continue expanding its customer base through the purchase of smaller public and privately owned systems. **We expect healthy revenue and earnings growth through 2000 and beyond,** aided by acquisitions and cost-cutting efforts. PSC might also enhance its growth by adding more services under contract. The outsourcing of services is a viable alternative for municipal systems that are looking to make operations more efficient but are reluctant to sell assets. Along these lines, PSC recently announced that its Consumers New Jersey subsidiary has been awarded a three-year contract to provide water meter reading, billing, and cash remittance services for the Winslow Township municipal water system in Camden County, New Jersey. **Though ranked as untimely, Philadelphia Suburban stock is a good choice for conservative investors.** Three- to 5-year total-return potential on a risk-adjusted basis is decent, and may well be enhanced by additional acquisitions, which are not included in our projections. *Steven Brachman February 4, 2000*

Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
QUARTERLY REVENUES (\$ mill)					
1996	29.3	30.7	30.8	31.7	122.5
1997	31.0	33.3	36.8	35.1	136.2
1998	34.3	37.3	41.7	37.7	151.0
1999	58.6	66.2	69.3	65.9	260
2000	65.0	71.0	77.0	72.0	285
EARNINGS PER SHARE ^					
1996	.16	.21	.23	.18	.78
1997	.17	.22	.28	.21	.88
1998	.21	.27	.32	.23	1.03
1999	.22	.29	.35	.24	1.10
2000	.25	.30	.37	.28	1.20
QUARTERLY DIVIDENDS PAID ^					
1996	.145	.145	.152	.152	.59
1997	.152	.152	.16	.16	.62
1998	.163	.163	.17	.17	.67
1999	.17	.17	.18	.18	.70

(A) Based on avg. shares outstanding. Excl. nonrec. charges: '86, 12¢; '90, 74¢; '91, 67¢; '92, 72¢; '99 11¢ disc. operations: '96, 5¢. Next earnings report due mid-February. (B) Next dividend meeting about Feb. 5th. Goes ex about Feb. 15th. Div'd. payment dates: 1st of March, June, Sept., & Dec. Div'd. reinvestment plan available. (C) In millions, adjusted for stock splits. (D) Return on common equity allowed by PA PUC in '91 rate adjustment: 12.0%. Return on avg. common equity in '98, 11.7%. Company's Financial Strength B+ Stock's Price Stability 85 Price Growth Persistence 90 Earnings Predictability 85

SOUTHERN CO. NYSE:SO RECENT PRICE **22** P/E RATIO **11.3** (Trailing: 12.0 Median: 13.0) RELATIVE P/E RATIO **0.88** DIV'D YLD **6.1%** VALUE LINE

TIMELINESS 4 Lowered 1/28/00	High: 14.9 14.7 17.4 19.6 23.6 22.1 25.0 25.9 26.3 31.6 29.6 25.9	Target Price Range 2003 2004 2005
SAFETY 1 Raised 1/21/99	Low: 11.0 11.5 12.9 15.2 18.5 17.3 19.4 21.1 19.9 23.9 22.1 21.6	
TECHNICAL 3 Raised 11/5/99	1.11 x Dividends p sh divided by Interest Rate	
BETA .45 (1.00 = Market)	Relative Price Strength	
2003-05 PROJECTIONS		
Price	Gain	Return
High 40	(+80%)	20%
Low 35	(+80%)	76%
Insider Decisions		
Institutional Decisions		
10/1999	20/1999	30/1999
to Buy 226	177	169
to Sell 0	0	0
Options 0	0	0
to Sell 0	0	0
Percent shares traded 6.0	4.8	2.0
% TOT. RETURN 1/00		
1 yr.	-1.0	7.0
3 yr.	37.8	40.0
5 yr.	61.6	117.2

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC. 03-05		
12.25	12.67	12.02	11.87	11.48	11.87	12.63	12.75	12.76	13.21	12.63	13.70	15.30	16.41	16.32	17.30	18.80	20.15	Revenues per sh	23.40	
2.57	2.67	2.70	2.55	2.67	2.85	2.86	2.77	3.04	3.13	3.22	3.52	3.64	3.90	4.25	3.90	4.33	4.75	"Cash Flow" per sh	5.55	
1.50	1.60	1.59	1.36	1.36	1.34	1.30	1.24	1.51	1.57	1.52	1.66	1.68	1.58	1.73	1.83	2.00	2.15	Earnings per sh	2.75	
.92	.96	1.04	1.07	1.07	1.07	1.07	1.07	1.10	1.14	1.18	1.22	1.26	1.30	1.34	1.34	1.34	1.34	1.34	Div'd Decl'd per sh	1.34
4.20	4.11	4.11	3.08	2.77	2.13	1.88	1.78	1.75	2.24	2.34	2.09	1.82	2.71	2.87	3.75	3.90	3.55	Cap'l Spending per sh	3.55	
9.28	9.92	10.55	10.44	10.59	10.87	10.74	11.05	11.43	11.96	12.46	13.09	13.61	14.08	14.02	14.10	14.45	14.95	Book Value per sh	18.55	
500.10	537.77	569.83	590.83	631.30	631.31	631.31	631.31	632.92	642.66	657.00	670.00	677.00	685.00	698.69	676.00	645.00	620.00	Common Shs Outst'g	620.00	
5.4	6.4	7.8	8.9	8.2	9.6	9.9	11.5	11.5	13.5	12.9	13.2	13.8	14.0	15.7	14.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.5	
.50	.52	.52	.60	.68	.73	.74	.73	.70	.80	.85	.88	.86	.81	.82	.82			Relative P/E Ratio	.90	
11.3%	9.6%	8.6%	8.9%	8.6%	8.3%	8.3%	7.5%	6.3%	5.4%	6.0%	5.6%	5.5%	5.9%	4.9%	5.1%			Avg Ann'l Div'd Yield	3.6%	

CAPITAL STRUCTURE as of 9/30/99

Total Debt \$15,371 mil. Due in 5 Yrs \$7,140 mil.
LT Debt \$11,510 mil. LT Interest \$800.0 mil.
(LT Interest earned: 3.3x)

Pfd Stock \$2,429 mil. Pfd Div'd \$200.0 mil.
Incl. 1,350,000 shs 4.2%-7.0%, cum. pfd., \$100 par; 8 mil shs. 5.2%-6.8%, cum. pfd., \$25 par; \$225 mil. 6.85%-7.00%, mand. redeem. pfd.; \$297 mil. 7.13%-7.38%, mand. redeem. pfd.; \$415 mil. 7.60%-7.63%, mand. redeem. pfd.; \$649 mil. 7.75%, mand. redeem. pfd.; \$583 mil. 8.14%-9.00% mand. redeem. pfd., all \$25 ltr. val.

Common Stock 673,093,100 shs. as of 10/31/99

MARKET CAP: \$14.8 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

% Change Retail Sales (MM)	1996	1997	1998
	+3.3	+1.1	+6.2
Avg. Indust. Use (MMWh)	3106	3387	3689
Avg. Indust. Rev. per (MMWh)	4.04	3.95	4.10
Capacity at Peak (MW)	31076	31446	31461
Peak Load, Summer (MW)	27190	27334	28934
Annual Load Factor (%)	62.3	59.4	60.0
% Change Customers (yr-end)	+2.0	+2.1	+2.0

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '96-'98 to '03-'05
Revenues	3.5%	5.5%	6.0%
"Cash Flow"	4.0%	5.5%	6.0%
Earnings	1.5%	3.0%	9.0%
Dividends	2.0%	3.5%	5%
Book Value	3.0%	4.0%	5.0%

QUARTERLY REVENUES (mil.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1997	2585	2717	4071	3238	12611
1998	2495	2913	3457	2538	11403
1999	2442	2791	3736	2616	11585
2000	2835	2900	3880	2685	12000
2001	2650	3020	4035	2795	12500

EARNINGS PER SHARE

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1997	.28	.31	.71	.28	1.58
1998	.34	.38	.74	.27	1.73
1999	.32	.45	.89	.17	1.83
2000	.37	.50	.90	.23	2.00
2001	.40	.54	.94	.27	2.15

QUARTERLY DIVIDENDS PAID

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.315	.315	.315	.315	1.26
1997	.325	.325	.325	.325	1.30
1998	.335	.335	.335	.335	1.34
1999	.335	.335	.335	.335	1.34
2000	.335				

Though not now timely, top-quality Southern stock holds good long-term appeal for utility investors. As borrowing rates rise, utility stocks, Southern included, have realized downward price pressure. Indeed, this stock is currently trading at a 52-week low. Still, given Southern's solid business prospects, both in the regulated and nonregulated arenas, we believe that utility investors will be well-rewarded over the pull to 2003-2005. Management is building an enormous physical generating base. The goal is to establish 24 gigawatts of low-cost capacity within a few years. Southern is busy acquiring and building plants. The focus is on raising the proportion of natural gas operations, which are generally cleaner and more efficient than other fossil-fueled (coal and oil) facilities. At the same time, the company is busy expanding its energy trading and marketing capabilities. As deregulation spreads across the U.S., revenues and net profits should quickly rise, in all likelihood, faster than the industry averages. Currently, Southern's dependable regulated power business, located in the economically healthy Southeast, is

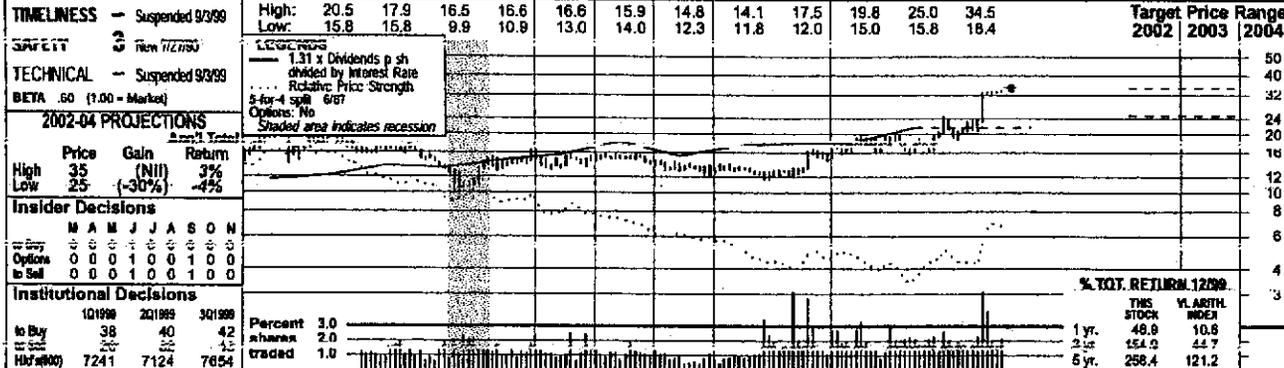
providing the cash flow necessary for expansion. Overseas ventures should support strong bottom-line growth over the next 3 to 5 years. The Southern Energy, Inc. (SEI) subsidiary may well account for 30% of corporate earnings by 2002. While management has increased its focus on the domestic market, where there's ample opportunity, foreign operations, as a whole, are benefitting overall results. Most notably, Saul, a sizable (1,200 megawatt) coal-fired project in the Philippines, has begun operating, and is now a nice contributor. Cost cuts are underway at the Western Power Distribution unit in the U.K. and at Bewag in Germany. These two large regulated businesses offer steady net-income flows. Also, an energy marketing subsidiary in the Netherlands holds exciting growth potential. Although we are positive on Southern's overseas foray, investors should note that there have been a few setbacks, namely in Argentina and Chile. In its favor, management is quick to react, and has worked to divest businesses that don't live up to their original promise. *David M. Keimer* March 10, 2000

(A) Excl. nonrec. items: d40; '90, d35; '91, 16; '97, d16; '98, d33; '99, 34. Incl. severance chg.: '94, 8; Next yrs. rpt. mid-Apr. (B) Next div'd meet. Apr. 20. Goes ex Apr. 28. (C) Div'd pmt. dates: the 5th of Mar., June, Sep., and Dec. (D) Div'd reinvest. plan avail. (E) Incl. def'd chgs. in '98, \$3.42/sh. (F) In mils., adj. for split. (G) Rate base: AL, MS, fair val.; FL, GA, orig. cost. All'd return on com. eq.: 10.0%-14.5%. Earn. on avg. com. eq., '99: 13.43%. Reg. Clm.: AL, GA, MS-Avg.; FL-Above Avg. (F) Excl. marketing revs. beg. '98.

Company's Financial Strength A
Stock's Price Stability 95
Price Growth Persistence 35
Earnings Predictability 90

To subscribe call 1-800-833-0046.

UT'D WATER RES'S NYSE-UWR RECENT PRICE **35** P/E RATIO **28.5** (Trailing: 30.4 Median: 16.0) RELATIVE P/E RATIO **1.99** DIV'D YLD **2.7%** VALUE LINE



1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	VALUE LINE PUB. INC. 02-04	
7.18	6.87	6.62	7.19	7.66	7.51	8.10	9.80	8.23	8.77	9.91	9.33	9.97	9.61	9.68	9.38	9.35	8.50	Revenues per sh	9.90
1.04	1.11	1.04	1.27	1.64	1.42	1.46	1.80	1.72	1.63	1.69	1.76	1.44	1.94	1.83	2.24	2.35	2.50	"Cash Flow" per sh	2.90
.75	.91	.71	.99	1.28	1.08	.86	1.10	.96	.87	1.03	1.01	.54	1.01	.83	1.17	1.15	1.30	Earnings per sh	1.55
.85	.67	.68	.70	.77	.84	.88	.88	.91	.92	.92	.92	.92	.92	.92	.93	.96	.96	Div'd Decl'd per sh	1.00
2.02	2.74	2.36	2.78	2.50	2.25	1.82	1.65	.92	.75	.79	1.89	2.14	2.16	2.30	2.63	1.90	1.75	Cap'l Spending per sh	1.40
6.12	6.49	6.80	8.05	8.79	8.94	8.84	9.10	9.33	9.56	10.00	11.17	10.90	11.33	11.53	12.01	14.10	14.35	Book Value per sh	15.75
11.93	13.86	14.42	16.25	16.69	16.82	16.47	16.79	17.52	18.80	20.22	31.39	32.88	34.55	36.30	37.97	39.00	40.00	Common Shs Outst'g	43.00
10.2	8.7	14.0	14.9	14.2	16.8	19.3	11.9	14.7	16.7	14.7	13.5	24.2	13.9	21.5	15.9	22.5	15.9	Avg Ann'l P/E Ratio	19.8
.86	.81	1.14	1.01	.95	1.39	1.46	.88	.94	1.01	.87	.99	1.02	.87	1.24	.83	1.25	1.25	Relative P/E Ratio	1.25
8.6%	8.5%	6.9%	4.8%	4.2%	4.6%	5.3%	6.7%	6.4%	6.3%	6.1%	6.7%	7.6%	6.5%	5.2%	5.0%	3.7%	3.7%	Avg Ann'l Div'd Yield	3.4%
CAPITAL STRUCTURE as of 9/30/99																			
Total Debt \$791.4 mill. Due in 5 Yrs \$140.0 mill.																			
LT Debt \$663.8 mill. LT Interest \$40.0 mill.																			
(LT interest earned: 2.1x)																			
Leases, Uncapitalized Annual rentals \$4.8 mill.																			
Pension Liability None																			
Pfd Stock \$57.1 mill. Pfd Div'd \$1.6 mill.																			
232,279 shs. 5%-9.84% cum. (\$100 par);																			
2,296,278 shs. 5%, each convertible into .83333 sh. common.																			
Common Stock 38,866,445 shs.																			
as of 10/31/99																			
MARKET CAP: \$1.4 billion (Mkt Cap)																			
CURRENT POSITION 1997 1998 9/30/99																			
(MILL.)																			
Cash Assets 43.1 56.5 36.9																			
Other 69.5 71.9 89.8																			
Current Assets 112.6 128.4 126.7																			
Accts Payable 40.2 36.5 42.2																			
Debt Due 82.9 99.2 127.6																			
Other 35.0 32.3 32.4																			
Current Liab. 158.1 168.0 202.2																			
Fix. Chg. Cov. 177% 181% 140%																			
ANNUAL RATES Past Past Est'd '96-'98																			
of change (per sh) 10 Yrs. 5 Yrs. to '92-'94																			
Revenues 2.5% .5% .5%																			
"Cash Flow" 3.5% 3.5% 6.5%																			
Earnings -1.0% 1.0% 7.5%																			
Dividends 2.0% -- 1.5%																			
Book Value 3.0% 4.0% 5.0%																			

Cal-endar	QUARTERLY REVENUES (\$ mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
1996	71.3 84.3 94.6 81.8	332.0
1997	80.0 87.8 99.7 83.9	351.4
1998	75.4 86.2 108.7 85.9	356.2
1999	79.2 91.8 107.4 86.8	365
2000	80.0 95.0 115 90.0	380
Cal-endar	EARNINGS PER SHARE	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
1996	.15 .22 .46 .18	1.01
1997	.12 .32 .18 .21	.83
1998	.09 .30 .51 .27	1.17
1999	.13 .29 .46 .27	1.15
2000	.15 .35 .50 .30	1.30
Cal-endar	QUARTERLY DIVIDENDS PAID	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
1996	.23 .23 .23 .23	.92
1997	.23 .23 .23 .23	.92
1998	.23 .23 .23 .24	.93
1999	.24 .24 .24 .24	.96

Shareholders of United Water Resources have approved Suez Lyonnais des Eaux's takeover offer of \$35 a share in cash. The takeover terms call for United to pay a special dividend of \$0.48 a share to shareholders before the completion of the deal, and \$0.06 of this amount is now scheduled to be paid on March 1. The deal needs the approval of 10 states in which UWR owns regulated utilities. So far, it has already received clearance from Arkansas, Delaware, and Missouri. We expect that the takeover will be completed in April; therefore, at the stock's current quotation, shareholders will stand to earn only dividends until the merger is finalized. The regular per share dividend of \$0.24 plus the special dividend of \$0.48 represent a modest 2% total-return potential for investors who choose to hold on to their shares—a far cry from the 54% premium originally offered to shareholders in August when shares were trading at \$23. We believe that risk-tolerant investors looking for capital-appreciation potential can find more appealing total-return vehicles elsewhere. United, as a stand-alone entity, should

increase earnings in 2000. The company's nonregulated businesses, as a whole, posted a loss in 1999, but it is possible that they could enhance share net this year. UWR has about a dozen contract proposals for water and wastewater management in various stages of development, and roughly six of them have already been presented to cities. A few more deals should help create synergies that will make the division profitable for the next few years. Also, New York City recently awarded the company contracts worth \$8.5 million for water-meter repair and replacement services over a two-year period. Too, if temperatures become more normalized in 2000, as opposed to last year's drought conditions, earnings will be enhanced. The company will likely increase share net out to 2002-2004. Its strategy of growing its higher-margin nonregulated businesses, coupled with cost savings related to its third-quarter 1999 payroll initiatives, should boost earnings over the long haul. The stock's Timeliness rank continues to be suspended due to the takeover agreement.

Joseph Espaillet February 4, 2000

(A) Diluted earnings. Excludes nonrecurring gains (losses): '85, '23; '99 (17%). Includes gains (losses) from real estate transactions. Next eps. rpt. due late April. (B) Next div. meet-
 © 2000, Value Line Publishing, Inc. 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, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

ing about April. 20. Next ex date about May 15.
 Div. payment dates: March 1, June 1, Sept. 1, Dec. 1. * Div. reinvest. plan available (5% discount). (C) Includes deferred charges. In '98: \$168.8 million, \$4.45/share. (D) In millions, adjusted for stock splits. (E) Rate base determined plant. Rates allowed on com. eq. '98: 10%-11.5%. Earned on avg. com. eq., '98: 10.2%.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	25
Earnings Predictability	50

To subscribe call 1-800-833-0046