ices. In addition to those current services such as call waiting or caller ID, the delivery of hundreds of broadcast and interactive video channels will be possible. While these services offer the potential of new revenue streams, they will simultaneously present a formidable challenge. LECs will be entering the new (to them) arena of multimedia entertainment and will have to develop expertise in marketing and entertainment programming acumen; such skills stand in sharp contrast to LECs' traditional strengths in engineering and customer service.

Operations

Standard & Poor's focuses on the nature of operations from the perspective of cost, reliability, and quality of service. Here, emphasis is placed on those areas that require management attention in terms of time or money and which, if unresolved, may lead to political, regulatory, or competitive problems.

Operations of electric utilities

For electrics, the status of utility plant investment is reviewed with regard to generating plant availability and utilization, and also for compliance with existing and contemplated environmental and other regulatory standards. The record of plant outages, equivalent availability, load factors, heat rates, and capacity factors are examined. Also important is efficiency, as defined by total megawatt hour per employee and customers per employee. Transmission interconnections are evaluated in terms of the number of utilities to which the utility in question has access, the cost structures and available generating capacity of these other utilities, and the price paid for wholesale power.

Because of mounting competition and the substantial escalation in decommissioning estimates, significant weight is given to the operation of nuclear facilities. Nuclear plants are becoming more vulnerable to high production costs that make their rates uneconomic. Significant asset concentration may expose the utility to poor performance, unscheduled outages or premature shutdowns, and large deferrals or regulatory assets that may need to be written off for the utility to remain competitive. Also, nuclear facilities tend to represent significant portions of their operators' generating capability and assets. The loss of a productive nuclear unit from both power supply and rate base can interrupt the revenue stream and create substantial additional costs for repairs and improvements and replacement power. The ability to keep these stations running smoothly and economically directly influences the ability to meet electric demand, the stability of revenues and costs, and, by extension, the ability to maintain adequate creditworthiness. Thus, economic operation, safe operation, and long-term operation are examined in depth. Specifically, emphasis is placed on operation and maintenance costs, busbar costs, fuel costs, refueling outages, forced outages, plant statistics, NRC evaluations, the potential need for repairs, operating licenses, decommissioning estimates and amounts held in external trusts, spent fuel storage capacity, and management's nuclear experience. In essence, favorable nuclear operations offer significant opportunities but, if a nuclear unit runs poorly or not at all, the attendant risks can be great.

Operations of gas utilities

For gas pipeline and distribution companies, the degree of plant utilization, the physical condition of the mains and lines, adequacy of storage to meet seasonal needs, "lost and unaccounted for" gas levels, and per-unit nongas operating and construction costs are important factors. Efficiency statistics such as load factor, operating costs per customer, and operating income per employee are also evaluated in comparison to other utilities and the industry as a whole.

Operations of water utilities

As a group, water utilities are continually upgrading their physical plant to satisfy regulations and to develop additional supply. Over the next decade, water systems will increasingly face the task of maintaining compliance, as drinking water regulations change and infrastructure ages. Given that the Safe Drinking Water Act was authorized in 1974, the first generation of treatment plants built to conform with these rules are almost 20 years old. Additionally, because the focus during this period was on satisfying environmental standards, deferred maintenance of distribution systems has been common, especially in older urban areas. The increasing cost of supplying treated water argues against the high level of unaccounted for water witnessed in the industry. Consequently, Standard & Poor's anticipates capital plans for rebuilding distribution lines and major renewal and replacement efforts aimed at treatment plants.

Operations of telephone companies

For telephone companies, cost-of-service analysis focuses on plant capability and measures of efficiency and quality of service. Plant capability is ascertained by looking at such parameters as percentage of digitally switched lines; fiber optic deployment, in particular in those portions of the plant key to network survival; and the degree of broadband capacity fiber and coaxial deployment and broadband switching capacity. Efficiency measures include operating margins, the ratio of employees per 10,000 access lines, and the extent of network and operations consolidation. Quality of service encompasses examination of quantitative measures, such as trouble reports and repeat service calls, as well as an assessment of qualitative factors, that may include service quality goals mandated by regulators.

Regulation

Regulatory rate-setting actions are reviewed on a case-by-case basis with regard to the potential effect on creditworthiness. Regulators' authorizing high rates of return is of little value unless the returns are earnable. Furthermore, allowing high returns based on noncash items does not benefit bondholders. Also, to be viewed positively, regulatory treatment should allow consistent performance from period to period, given the importance of financial stability as a rating consideration.

The utility group meets frequently with commission and staff members, both at Standard & Poor's offices and at commission headquarters, demonstrating the importance Standard & Poor's places on the regulatory arena for credit quality evaluation. Input from these meetings and from review of rate orders and their impact weigh heavily in Standard & Poor's analysis.

Standard & Poor's does not "rate" regulatory commissions. State commissions typically regulate a number of diverse industries, and regulatory approaches to different types of companies often differ within a single regulatory jurisdiction. This makes it all but impossible to develop inclusive "ratings" for regulators.

Standard & Poor's evaluation of regulation also encompasses the administrative, judicial, and legislative processes involved in state and federal regulation. These can affect rate-setting activities and other aspects of the business, such as competitive entry, environmental and safety rules, facility siting, and securities sales.

As the utility industry faces an increasingly deregulated environment, alternatives to traditional rate-making are becoming more critical to the ability of utilities to effectively compete, maintain earnings power, and sustain creditor protection. Thus, Standard & Poor's focuses on whether regulators, both state and federal, will help or hinder utilities as they are exposed to greater competition. There is much that regulators can do, from allocating costs to more captive customers to allowing pricing flexibility—and sometimes just stepping out of the way.

Under traditional rate-making, rates and earnings are tied to the amount of invested capital and the cost of capital. This can sometimes reward companies more for justifying costs than for containing them. Moreover, most current regulatory policies do not permit utilities to be flexible when responding to competitive pressures of a deregulated market. Lack of flexible tariffs for electric utilities may lure large customers to wheel cheaper power from other sources.

In general, a regulatory jurisdiction is viewed favorably if it permits earning a return based on the ability to sustain rates at competitive levels. In addition to performance-based rewards or penalties, flexible plans could include market-based rates, price caps, index-based prices, and rates premised on the value of customer service. Such rates more closely mirror the competitive environment that utilities are confronting.

Electric industry regulation

The ability to enter into long-term arrangements at negotiated rates without having to seek regulatory approval for each contract is also important in the electric industry. (While contracting at reduced rates constrains financial performance, it lessens the potential adverse impact in the event of retail wheeling. Since revenue losses associated with this strategy are not likely to be recovered from ratepayers, utilities must control costs well enough to remain competitive if they are to sustain current levels of bondholder protection.)

Natural gas industry regulation

In the gas industry, too, several state commission policies weigh heavily in the evaluation of regulatory support. Examples include stabilization mechanisms to adjust revenues for changes in weather or the economy, rate and service unbundling decisions, revenue and cost allocation between sales and transportation customers, flexible industrial rates, and the general supportiveness of construction costs and gas purchases.

Water industry regulation

In all water utility activities, federal and state environmental regulations continue to play a critical role. The legislative timetable to effect the 1986 amendments to the Safe Drinking Water Act of 1974 was quite aggressive. But environmental standards-setting has actually slowed over the past couple of years due largely to increasing sentiment that the stringent, costly standards have not been justified on the basis of public health. A moratorium on the promulgation of significant new environmental rules is anticipated.

Telecommunications industry regulation

Despite the advances in telecommunications deregulation, analysis of regulation of telephone operators will continue to be a key rating determinant for the foreseeable future. The method of regulation may be either classic rate-based rate of return or some form of price cap mechanism. The most important factor is to assess whether the regulatory framework—no matter which type—provides sufficient financial incentive to encourage the rated company to maintain its quality of service and to upgrade its plant to accommodate new services while facing increasing competition from wireless operators and cable television companies.

Where regulators do still set tariffs based on an authorized return, Standard & Poor's strives to explore with regulators their view of the rate-of-return components that can materially impact reported versus regulatory earnings. Specifically these include the allowable base upon which the authorized return can be earned, allowable expenses, and the authorized return. Since regulatory oversight runs the gamut from strict, adversarial relationships with the regulated operating companies to highly supportive postures, Standard & Poor's probes beyond the apparent regulatory environment to ascertain the actual impact of regulation on the rated company.

Management

Evaluating the management of a utility is of paramount importance to the analytical process since management's abilities and decisions affect all areas of a company's operations. While regulation, the economy, and other outside factors can influence results, it is ultimately the quality of management that determines the success of a company.

With emerging competition, utility management will be more closely scrutinized by Standard & Poor's and will become an increasingly critical component of the credit evaluation. Management strategies can be the key determinant in differentiating utilities and in establishing where companies lie on the business position spectrum. It is imperative that managements be adaptable, aggressive, and proactive if their utilities are to be viable in the future; this is especially important for utilities that are currently uncompetitive.

The assessment of management is accomplished through meetings, conversations, and reviews of company plans. It is based on such factors as tenure, industry experience, grasp of industry issues, knowledge of customers and their needs, knowledge of competitors, accounting and financing practices, and commitment to credit quality. Management's ability and willingness to develop workable strategies to address their systems' needs, to deal with the competitive pressures of free market, to execute reasonable and effective long-term plans, and to be proactive in leading their utilities into the future are assessed. Management quality is also indicated by thoughtful balancing of public and private priorities, a record of credibility, and effective communication with the public, regulatory bodies, and the financial community. Boards of directors will receive ever more attention with respect to their role in setting appropriate management incentives.

With competition the watchword, Standard & Poor's also focuses on management's efforts to enhance financial condition. Management can bolster bondholder protection by taking any number of discretionary actions, such as selling common equity, lowering the common dividend payout, and paying down debt. Also important for the electric industry will be creativity in entering into strategic alliances and working partnerships that improve efficiency, such as central dispatching for a number of utilities or locking up at-risk customers through long-term contracts or expanded flexible pricing agreements. Proactive management teams will also seek alternatives to traditional rate-base, rate-of-return rate-making, move to adopt higher depreciation rates for generating facilities, segment customers by individual market preferences, and attempt to create superior service organizations.

In general, management's ability to respond to mounting competition and changes in the utility industry in a swift and appropriate manner will be necessary to maintain credit health.

Fuel, power, and water supply

Assessment of present and prospective fuel and power supply is critical to every electric utility analysis, while gauging the long-term natural gas supply position for gas pipeline and distribution companies and the water resources of a water utility is equally important. There is no similar analytical category for telephone utilities.

Electric utilities

For electric utilities emphasis is placed on generating reserve margins, fuel mix, fuel contract terms, demand-side management techniques, and purchased power arrangements. The adequacy of generating margins is examined nationally, regionally, and for each individual company. However, the reserve margin picture is muddied by the imprecise nature of peak-load growth forecasting, and also supply uncertainty relating to such things as Canadian capacity availability and potential plant shutdowns due to age, new NRC rules, acid rain remedies, fuel shortages, problems associated with nontraditional technologies, and so forth. Even apparently ample reserves may not be what they seem. Moreover, the quality of capacity is just as important as the size of reserves. Companies' reserve requirements differ, depending upon individual operating characteristics.

Fuel diversity provides flexibility in a changing environment. Supply disruptions and price hikes can raise rates and ignite political and regulatory pressures that ultimately lead to erosion in financial performance. Thus, the ability to alter generating sources and take advantage of lower cost fuels is viewed favorably.

Dependence on any single fuel means exposure to that fuel's problems: electric utilities that rely on oil or gas face the potential for shortages and rapid price increases; utilities that own nuclear generating facilities face escalating costs for decommissioning; and coal-fired capacity entails environmental problems stemming from concerns over acid rain and the "greenhouse effect."

Buying power from neighboring utilities, qualifying facility projects, or independent power producers may be the best choice for a utility that faces increasing electricity demand. There has been a growing reliance on purchased power arrangements as an alternative to new plant construction. This can be an important advantage, since the purchasing utility avoids potential construction cost overruns as well as risking substantial capital. Also, utilities can avoid the financial risks typical of a multiyear construction program that are caused by regulatory lag and prudence reviews. Furthermore, purchased power may enhance supply flexibility, fuel resource diversity, and maximize load factors. Utilities that plan to meet demand projections with a portfolio of supply-side options also may be better able to adapt to future growth uncertainties. Notwithstanding the benefits of purchasing, such a strategy has risks associated with it. By entering into a firm long-term purchased power contract that contains a fixed-cost component, utilities can incur substantial market, operating, regulatory, and financial risks. Moreover, regulatory treatment of purchased power removes any upside potential that might help offset the risks. Utilities are not compensated through incentive rate-making; rather, purchased power is recovered dollar-for-dollar as an operating expense.

To analyze the financial impact of purchased power, Standard & Poor's first calculates the net present value of future annual capacity payments (discounted at 10%). This represents a potential debt equivalent—the off-balance-sheet obligation that a utility incurs when it enters into a long-term purchased power contract. However, Standard

& Poor's adds to the utility's balance sheet only a portion of this amount, recognizing that such a contractual arrangement is not entirely the equivalent of debt. What percentage is added is a function of Standard & Poor's qualitative analysis of the specific contract and the extent to which market, operating, and regulatory risks are borne by the utility (the risk factor). For unconditional, take-or-pay contracts, the risk factor range is from 40%-80%, with the average hovering around 60%. A lower risk factor is typically assigned for system purchases from coal-fired utilities and a higher risk factor is usually designated for unit-specific nuclear purchases. The range for take-and-pay performance obligations is between 10%-50%.

Gas utilities

For gas distribution utilities, long-term supply adequacy obviously is critical, but the supply role has become even more important in credit analysis since the Federal Energy Regulatory Commission's Order 636 eliminated the interstate pipeline merchant business. This thrust gas supply responsibilities squarely on local gas distributors. Standard & Poor's has always believed distributor management has the expertise and wherewithal to perform the job well, but the risks are significant since gas costs are such a large percentage of total utility costs. In that regard, it is important for utilities to get preapprovals of supply plans by state regulators or at least keep the staff and commissioners well informed. To minimize risks, a well-run program would diversify gas sources among different producers or marketers, different gas basins in the U.S. and Canada, and different pipeline routes. Also, purchase contracts should be firm, with minimal take-or-pay provisions, and have prices tied to an industry index. A modest percentage of fixed-price gas is not unreasonable. Contracts, whether of gas purchases or pipeline capacity, should be intermediate term. Staggering contract expirations (preferably annually) provides an opportunity to be an active market player. A modest degree of reliance on spot purchases provides flexibility, as does the use of market-based storage. Gas storage and on-property gas resources such as liquefied natural gas or propane air are effective peak-day and peak-season supply management tools.

Since pipeline companies no longer buy and sell natural gas and are just common carriers, connections with varied reserve basins and many wells within those basins are of great importance. Diversity of sources helps offset the risks arising from the natural production declines eventually experienced by all reserve basins and individual wells. Moreover, such diversity can enhance a pipeline's attractiveness as a transporter of natural gas to distributors and end users seeking to buy the most economical gas available for their needs.

Water utilities

Nearly all water systems throughout the U.S. have ample long-term water supplies. Yet to gain comfort, Standard & Poor's assesses the production capability of treatment plants and the ability to pump water from underground aquifers in relation to the usage demands from consumers. Having adequate treated water storage facilities has become important in recent years and has helped many systems meet demands during peak summer periods. Of interest is whether the resources are owned by the utility or purchased from other utilities or local authorities. Owning properties with water rights provides more supply security. This is especially so in states like California where water allocations are being reduced, particularly since recent droughts and environmental issues have created alarm. Since the primary cost for water companies is treatment, it makes little difference whether raw water is owned or bought. In fact, compliance with federal and state water regulations is very high, and the overall cost to deliver treated water to consumers remains relatively affordable.

Asset concentration in the electric utility industry

In the electric industry, Standard & Poor's follows the operations of major generating facilities to assess if they are well managed or troubled. Significant dependence on one generating facility or a large financial investment in a single asset suggests high risk. The size or magnitude of a particular asset relative to total generation, net plant in service, and common equity is evaluated. Where substantial asset concentration exists, the financial profile of a company may experience wide swings depending on the asset's performance. Heavy asset concentration is most prevalent among utilities with costly nuclear units.

Earnings protection

In this category, pretax cash income coverage of all interest charges is the primary ratio. For this calculation, allowance for funds used during construction (AFUDC) is removed from income and interest expense. AFUDC and other such noncash items do not provide any protection for bondholders. To identify total interest expense, the analyst reclassifies certain operating expenses. The interest component of various off-balance-sheet obligations, such as leases and some purchased-power contracts, is included in interest expense. This provides the most direct indication of a utility's ability to service its debt burden.

While considerable emphasis in assessing credit protection is placed on coverage ratios, this measure does not provide the entire earnings protection picture. Also important are a company's earned returns on both equity and capital, measures that highlight a firm's earnings performance. Consideration is given to the interaction of embedded costs, financial leverage, and pretax return on capital.

Capital structure

Analyzing debt leverage goes beyond the balance sheet and covers quasi-debt items and elements of hidden financial leverage. Noncapitalized leases (including sale/leaseback obligations), debt guarantees, receivables financing, and purchased-power contracts are all considered debt equivalents and are reflected as debt in calculating capital structure ratios. By making debt level adjustments, the analyst can compare the degree of leverage used by each utility company.

Furthermore, assets are examined to identify undervalued or overvalued items. Assets of questionable value are discounted to more accurately evaluate asset protection.

Some firms use short-term debt as a permanent piece of their capital structure. Short-term debt also is considered part of permanent capital when it is used as a bridge to permanent financing. Seasonal, self-liquidating debt is excluded from the permanent debt amount, but this situation is rare—with the exception of certain gas utilities. Given the long life of almost all utility assets, short-term debt may expose these companies to interest-rate volatility, remarketing risk, bank line backup risk, and regulatory exposure that cannot be readily offset. The lower cost of shorter-term obligations (assuming a positively sloped yield curve) is a positive factor that partially mitigates the risk of interest-rate variability. As a rule of thumb, a level of short-term debt that exceeds 10% of total capital is cause for concern.

Similarly, if floating-rate debt and preferred stock constitute over one-third of total debt plus preferred stock, this level is viewed as unusually high and may be cause for concern. It might also indicate that management is aggressive in its financial policies.

A layer of preferred stock in the capital structure is usually viewed as equity—since dividends are discretionary and the subordinated claim on assets provides a cushion for providers of debt capital. A preferred component of up to 10% is typically viewed as a permanent wedge in the capital structure of utilities. However, as rate-of-return regulation is phased out, preferred stock may be viewed by utilities—as many industrial firms would—as a temporary option for companies that are not current taxpayers that do not benefit from the tax deductibility of interest. Even now, floating-rate preferred and money market perpetual preferred are problematic; a rise in the rate due to deteriorating credit quality tends to induce a company to take out such preferred stock with debt. Structures that convey tax deductibility to preferred stock have become very popular and do generally afford such financings with equity treatment.

Cash flow adequacy

Cash flow adequacy relates to a company's ability to generate funds internally relative to its needs. It is a basic component of credit analysis because it takes cash to pay expenses, fund capital spending, pay dividends, and make interest and principal payments. Since both common and preferred dividend payments are important to maintain capital market access, Standard & Poor's looks at cash flow measures both before and after dividends are paid.

To determine cash flow adequacy, several quantitative relationships are examined. Emphasis is placed on cash flow relative to debt, debt service requirements, and capital spending. Cash flow adequacy is evaluated with respect to a firm's ability to meet all fixed charges, including capacity payments under purchased-power contracts. Despite the conditional nature of some contracts, the purchaser is obligated to pay a minimum capacity charge. The ratio used is funds from operations plus interest and capacity payments divided by interest plus capacity payments.

Financial flexibility/capital attraction

Financing flexibility incorporates a utility's financing needs, plans, and alternatives, as well as its flexibility to accomplish its financing program under stress without damaging creditworthiness. External funding capability complements internal cash flow. Especially since utilities are so capital intensive, a firm's ability to tap capital markets on an ongoing basis must be considered. Debt capacity reflects all the earlier elements: earnings protection, debt leverage, and cash flow adequacy. Market access at reasonable rates is restricted if a reasonable capital structure is not maintained and the company's financial prospects dim. The analyst also reviews indenture restrictions and the impact of additional debt on covenant tests.

Standard & Poor's assesses a company's capacity and willingness to issue common equity. This is affected by various factors, including the market-to-book ratio, dividend policy, and any regulatory restrictions regarding the composition of the capital structure.

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May 27, 2009

Criteria | Corporates | General:

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

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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 missated. 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

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.

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.

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Missouri-American Water Company
Capitalization and Financial Statistics
2002-2006, Inclusive

Notes:

(1) All capitalization and financial statistics 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) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges divided by interest charges.

(4) Funds from operations (as defined in Note 3) as a percentage of total debt.

Source of Information: Missouri-American Annual Reports to the Public Service Commission of the State of Missouri and Audited Financial Statements

MISSOURI-AMERICAN WATER COMPANY
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2000 - 2004, INCLUSIVE

(MILLIONS OF DOLLARS)

	2008	2007	2006	2005	2004	5 YEAR AVERAGE
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$725.243	$617.550	$510.163	$508.792	$515.396	
SHORT-TERM DEBT	54.280	66.810	62.875	24.530	21.475	
TOTAL CAPITAL EMPLOYED	$779.523	$684.360	$573.038	$533.322	$536.871	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.50 %	5.44 %	5.80 %	5.83 %	5.84 %	
DIVIDEND PAYOUT RATIO	70.60 %	54.27 %	78.43 %	103.95 %	69.34 %	75.36 %
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	53.21 %	51.17 %	55.70 %	55.87 %	56.26 %	54.44 %
MINORITY INTEREST	0.36	0.43	0.52	0.52	0.52	0.47
COMMON EQUITY	46.43	48.40	43.78	43.61	43.22	45.09
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	56.46 %	55.95 %	60.56 %	57.90 %	58.01 %	57.77 %
MINORITY INTEREST	0.34	0.38	0.46	0.50	0.50	0.44
COMMON EQUITY	43.20	43.67	38.98	41.60	41.49	41.79
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
DIVIDEND PAYOT RATIO	72.49 %	55.05 %	79.49 %	105.57 %	70.13 %	76.55 %
RATE OF RETURN ON AVERAGE COMMON EQUITY	3.13 %	6.28 %	7.71 %	9.51 %	6.75 %	6.68 %
TOTAL DEBT / EBITDA (3)	5.58 x	5.85 x	5.58 x	5.19 x	4.70 x	5.38 x
FUNDS FROM OPERATIONS / TOTAL DEBT(4)	12.00 %	10.48 %	6.50 %	17.28 %	13.62 %	11.98 %
TOTAL DEBT / TOTAL CAPITAL	56.46 %	55.95 %	60.56 %	57.90 %	58.01 %	57.78 %

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 (as defined in Note 3) as a percentage of total debt.

Proxy Group of Six AUS Utility Reports Water Companies
Capitalization and Financial Statistics (1)
2004 - 2008, Inclusive

	2008	2007	2006	2005	2004	5 YEAR AVERAGE
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$748.685	$721.911	$653.390	$583.318	$547.791	
SHORT-TERM DEBT	$40.928	$18.061	$27.775	$29.468	$23.519	
TOTAL CAPITAL EMPLOYED	$789.613	$739.973	$681.165	$612.784	$571.310	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.86 %	6.24 %	6.50 %	6.26 %	6.28 %	
PREFERRED STOCK	2.98	5.34	5.34	5.33	3.56	
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	48.80 %	49.03 %	47.38 %	50.03 %	50.00 %	49.05 %
PREFERRED STOCK	0.22	0.34	0.35	0.40	0.44	0.35
COMMON EQUITY	50.98	50.63	52.27	49.57	49.56	50.60
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	51.95 %	50.21 %	48.69 %	51.69 %	51.49 %	50.81 %
PREFERRED STOCK	0.20	0.34	0.35	0.40	0.42	0.34
COMMON EQUITY	47.85	49.45	50.98	47.91	48.09	48.85
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	4.39 %	3.65 %	3.95 %	4.18 %	4.63 %	4.16 %
MARKET / AVERAGE BOOK RATIO	205.16	253.37	276.98	261.23	229.28	245.20
DIVIDEND YIELD	3.16	2.61	2.51	2.77	3.17	2.84
DIVIDEND PAYOUT RATIO	71.25	70.28	67.76	66.71	70.07	69.21
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	8.98 %	9.09 %	10.64 %	10.53 %	10.32 %	9.91 %
TOTAL DEBT / EBITDA (3)	3.97 X	3.65 X	3.52 X	3.62 X	3.78 X	3.71 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	18.49 %	16.80 %	21.00 %	19.35 %	20.42 %	19.21 %
TOTAL DEBT / TOTAL CAPITAL	51.95 %	50.21 %	48.69 %	51.69 %	51.49 %	50.81 %

See Page 2 for notes.

Proxy Group of Six AUS Utility Reports Water Companies
Capitalization and Financial Statistics
2004-2008, Inclusive

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 (as defined in Note 3) as a percentage of total debt.

Selection Criteria:

The basis of selection was to include those water companies: 1) which are included in the Water Company Group of AUS Utility Reports (September 2009); 2) which have Value Line five-year EPS growth rate projections or Reuters consensus five-year EPS growth rate projections; 3) which have positive Value Line five-year DPS growth rate projections; 4) which have a Value Line adjusted beta as published in Value Line Investment Survey; 5) which have not cut or omitted their common dividends during the five years ending 2008 or through the time of the preparation of this testimony; 6) which have 60% or greater of 2008 total net operating income derived from and 60% or greater of 2008 total assets devoted to regulated water operations; and 7) which at the time of the preparation of Ms. Ahern's accompanying direct testimony, had not publicly announced that they were involved in any major merger or acquisition activity.

The following six water companies met the above criteria:

American States Water Co.
Aqua America, Inc.
California Water Service Group
Middlesex Water Company
SJW Corporation
York Water Co.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database
EDGAR Online's I-Metrix Database
Company Annual Forms 10K
AUS Merger and Acquisition Quarterly Report, June 30, 2009

Capital Structure Based upon Total Capital for
the Proxy Group of Six AUS Utility Reports Water Companies
2004 - 2008, Inclusive

	2008	2007	2006	2005	2004	5 YEAR AVERAGE
American States Water Co.						
Long-Term Debt	40.95 %	44.11 %	45.95 %	48.03 %	44.83 %	44.78 %
Short-Term Debt	11.45	6.13	5.48	4.82	8.37	7.25
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	47.60	49.76	48.57	47.15	46.79	47.97
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Aqua America, Inc.						
Long-Term Debt	52.38 %	54.48 %	48.52 %	48.68 %	50.03 %	50.82 %
Short-Term Debt	3.36	2.50	5.88	7.47	5.10	4.86
Preferred Stock	0.09	0.09	0.09	0.08	0.07	0.09
Common Equity	44.16	42.93	45.50	43.77	44.79	44.23
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
California Water Service Group						
Long-Term Debt	39.59 %	42.86 %	43.47 %	48.07 %	48.66 %	44.53 %
Short-Term Debt	5.46	0.00	0.00	0.00	0.00	1.09
Preferred Stock	0.00	0.51	0.51	0.61	0.61	0.45
Common Equity	54.95	56.63	56.01	51.33	50.72	53.93
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Middlesex Water Company						
Long-Term Debt	44.91 %	48.37 %	49.98 %	54.75 %	51.36 %	49.88 %
Short-Term Debt	8.53	2.25	0.00	1.68	4.86	3.46
Preferred Stock	1.11	1.43	1.49	1.67	1.79	1.50
Common Equity	45.44	47.95	48.53	41.91	41.99	45.16
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
SJW Corporation						
Long-Term Debt	44.35 %	47.27 %	40.24 %	42.63 %	43.77 %	43.65
Short-Term Debt	3.75	1.09	3.80	0.00	0.00	1.73
Preferred Stock	0.00	0.01	0.01	0.02	0.04	0.02
Common Equity	51.90	51.63	55.95	57.35	56.19	54.60
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00
York Water Company						
Long-Term Debt	53.27 %	50.08 %	48.82 %	47.34 %	51.94 %	50.29 %
Short-Term Debt	3.70	2.13	0.00	6.65	0.00	2.50
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	43.03	47.79	51.18	46.01	48.06	47.21
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Proxy Group of Six AUS Utility Reports Water Companies						
Long-Term Debt	45.91 %	47.86 %	46.16 %	48.25 %	48.43 %	47.32 %
Short-Term Debt	6.04	2.35	2.53	3.44	3.06	3.48
Preferred Stock	0.20	0.34	0.35	0.40	0.42	0.34
Common Equity	47.85	49.45	50.96	47.91	48.09	48.85
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information:

Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base
EDGAR Online's I-Metrix Database
Annual Forms 10-K

Proxy Group of Eight AUS Utility Reports Gas Distribution Companies
Capitalization and Financial Statistics (1)
2004 - 2008, Inclusive

	2008	2007	2006	2005	2004	5 YEAR AVERAGE
			(MILLIONS OF DOLLARS)			
CAPITALIZATION STATISTICS						
AMOUNT OF CAPITAL EMPLOYED						
TOTAL PERMANENT CAPITAL	$1,920.515	$1,906.259	$1,846.585	$1,771.278	$1,502.998	
SHORT-TERM DEBT	$319.296	$184.755	$197.905	$136.681	$102.219	
TOTAL CAPITAL EMPLOYED	$2,239.811	$2,093.013	$2,044.489	$1,907.959	$1,605.217	
INDICATED AVERAGE CAPITAL COST RATES (2)						
TOTAL DEBT	5.68 %	6.21 %	6.52 %	6.54 %	6.06 %	
PREFERRED STOCK	6.79	4.83	4.80	4.78	4.82	
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	47.65	49.29 %	50.81 %	50.95 %	50.02 %	49.74 %
PREFERRED STOCK	0.33	0.40	0.40	0.40	0.40	0.39
COMMON EQUITY	52.02	50.31	48.79	48.65	49.58	49.87
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	55.37 %	54.18 %	55.70 %	54.44 %	53.04 %	54.55 %
PREFERRED STOCK	0.27	0.35	0.35	0.36	0.37	0.34
COMMON EQUITY	44.36	45.47	43.95	45.20	46.59	45.11
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
FINANCIAL STATISTICS						
FINANCIAL RATIOS - MARKET BASED						
EARNINGS / PRICE RATIO	7.43 %	6.38 %	6.37 %	6.02 %	6.34 %	6.51 %
MARKET / AVERAGE BOOK RATIO	159.78	173.69	171.91	171.08	165.73	168.44
DIVIDEND YIELD	4.28	3.81	4.00	4.02	4.10	4.04
DIVIDEND PAYOUT RATIO	59.09	61.50	63.34	67.34	69.07	64.07
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	11.58 %	11.08 %	10.93 %	10.50 %	10.40 %	10.90 %
TOTAL DEBT / EBITDA (3)	3.62 X	3.41 X	3.63 X	3.67 X	3.64 X	3.59 X
FUNDS FROM OPERATIONS / TOTAL DEBT (4)	16.41 %	19.87 %	19.09 %	19.05 %	21.24 %	19.13 %
TOTAL DEBT / TOTAL CAPITAL	55.37 %	54.18 %	55.70 %	54.44 %	53.04 %	54.55 %

See Page 2 for notes.

Proxy Group of Eight AUS Utility Reports Natural Gas Distribution Companies
Capitalization and Financial Statistics
2004-2008, Inclusive

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 (as defined in Note 3) as a percentage of total debt.

Selection Criteria:

The basis of selection was to include those gas distribution companies: 1) which are included in the Natural Gas Distribution & Integrated Natural Gas Company Group of AUS Utility Reports (September 2009); 2) which have Value Line five-year EPS growth rate projections or Reuters consensus five-year EPS growth rate projections; 3) which have positive Value Line five-year DPS growth rate projections, 4) which have a Value Line adjusted beta as published in Value Line Investment Survey; 5) which have not cut or omitted their common dividends during the five years ending 2008 or through the time of the preparation of this testimony; 6) which have 60% or greater of 2008 total net operating income derived from and 60% or greater of 2008 total assets devoted to regulated gas distribution operations; and 7) which at the time of the preparation of Ms. Ahern's accompanying direct testimony, had not publicly announced that they were involved in any major merger or acquisition activity.

The following eight gas distribution companies met the above criteria:

AGL Resources, Inc.
Atmos Energy Corp.
Delta Natural Gas Company
Laclede Group, Inc.
Northwest Natural Gas Company
Piedmont Natural Gas Co., Inc.
Southwest Gas Corporation
WGL Holdings, Inc.

Source of Information: Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Database
EDGAR Online's I-Metrix Database
Company Annual Forms 10K
AUS Merger and Acquisition Quarterly Report, June 30, 2009

Capital Structure Based upon Total Capital for
the Proxy Group of Eight AUS Utility Reports Natural Gas Distribution Companies
for the Years 2004 through 2008

	2008	2007	2006	2005	2004	5 YEAR AVERAGE
AGL Resources, Inc.						
Long-Term Debt	39.64 %	42.25 %	42.55 %	43.96 %	48.05 %	43.29 %
Short-Term Debt	20.50	14.64	14.14	14.21	9.89	14.67
Preferred Stock	0.76	1.19	1.10	1.02	1.07	1.03
Common Equity	39.10	41.92	42.21	40.80	41.00	41.01
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Atmos Energy Corp.						
Long-Term Debt	46.88 %	50.16 %	51.82 %	55.58 %	43.35 %	49.56 %
Short-Term Debt	7.75	3.55	9.07	3.68	0.00	4.81
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	45.37	46.29	39.11	40.74	56.65	45.63
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Delta Natural Gas Company						
Long-Term Debt	48.02 %	50.51 %	50.14 %	48.92 %	50.52 %	49.62 %
Short-Term Debt	5.51	3.54	5.89	5.36	4.38	4.94
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	46.47	45.95	43.97	45.72	45.10	45.44
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Laclede Group, Inc.						
Long-Term Debt	31.73 %	38.18 %	39.29 %	46.48 %	48.61 %	40.86 %
Short-Term Debt	28.57	20.40	20.60	8.63	8.56	17.35
Preferred Stock	0.05	0.08	0.09	0.12	0.15	0.10
Common Equity	39.65	41.34	40.01	44.78	42.68	41.69
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Northwest Natural Gas Company						
Long-Term Debt	36.88 %	41.20 %	43.87 %	42.59 %	42.66 %	41.44 %
Short-Term Debt	17.86	11.40	8.03	10.19	8.76	11.25
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	45.26	47.40	48.11	47.21	48.59	47.31
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Piedmont Natural Gas Co., Inc.						
Long-Term Debt	38.92 %	43.44 %	43.93 %	38.76 %	40.63 %	41.14 %
Short-Term Debt	19.19	10.30	9.05	9.31	6.73	10.92
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	41.89	46.26	47.02	51.93	52.63	47.94
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Southwest Gas Corporation						
Long-Term Debt	52.20 %	58.58 %	61.07 %	64.50 %	61.61 %	59.60 %
Short-Term Debt	2.41	0.38	0.00	1.09	4.77	1.73
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	45.40	41.04	38.93	34.40	33.63	38.68
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
WGL Holdings, Inc.						
Long-Term Debt	33.54 %	34.82 %	36.11 %	39.72 %	39.97 %	36.83 %
Short-Term Debt	13.38	10.06	10.05	2.56	5.87	8.39
Preferred Stock	1.39	1.54	1.60	1.76	1.73	1.59
Common Equity	51.70	53.57	52.24	55.97	52.42	53.18
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Average for the Proxy Group of Eight AUS Natural Gas Distribution						
Long-Term Debt	40.97 %	44.89 %	46.10 %	47.56 %	46.92 %	45.29 %
Short-Term Debt	14.40	9.29	9.60	6.88	6.12	9.26
Preferred Stock	0.27	0.35	0.35	0.36	0.37	0.34
Common Equity	44.36	45.47	43.95	45.20	46.59	45.11
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information:
Standard & Poor's Compustat Services, Inc., PC Plus / Research Insight Data Base
EDGAR Online's I-Metrix Database
Annual Forms 10-K

Missouri-American Water Company
Hypothetical Example of the Inadequacy of
A DCF Return Rate Related to Book Value
When Market Value is Greater / Less than Book Value

		1	2	3
Line No.		Market Value	Book Value with Market to Book Ratio of 180%	Book Value with Market to Book Ratio of
1.	Per Share	$ 24.00	$ 13.33	$ 30.00
2.	DCF Cost Rate (1)	10.00%	10.00%	10.00%
3.	Return in Dollars	$ 2.400	$ 1.333	$ 3.000
4.	Dividends (2)	$ 0.840	$ 0.840	$ 0.840
5.	Growth in Dollars	$ 1.560	$ 0.493	$ 2.160
6.	Return on Market Value	10.00%	5.55% (3)	12.50% (4)
7.	Rate of Growth on Market Value	6.50% (5)	2.05% (6)	9.00% (7)

Notes: (1) Comprised of 3.5% dividend yield and 6.5% growth.
(2) $24.00 * 3.5% yield = $0.840.
(3) $1.333 / $24.00 market value = 5.55%.
(4) $3.000 / $24.00 market value = 12.50%.
(5) Expected rate of growth per market based DCF model.
(6) Actual rate of growth when DCF cost rate is applied to book value ($1.333 possible earnings - $0.840 dividends = $0.493 for growth / $24.00 market value = 2.05%).
(7) Actual rate of growth when DCF cost rate is applied to book value ($3.000 possible earnings - $0.840 dividends = $2.160 for growth / $24.00 market value = 9.00%).

Missouri-American Water Company
Indicated Common Equity Cost Rate Through Use of the
Single Stage Discounted Cash Flow Model for
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natrual Gas Distribution Companies

	1	2	3	4	5
	Average Dividend Yield (1)	*Dividend* Growth Component (2)	Adjusted Dividend Yield (3)	Growth Rate (4)	Indicated Common Equity Cost Rate (5)
Proxy Group of Six AUS Utility Reports Water Companies					
American States Water Co.	2.81 %	0.12 %	2.93 %	8.25 %	11.18 %
Aqua America, Inc.	3.07	0.14	3.21	9.10	12.31
California Water Service Group	3.07	0.13	3.20	8.40	11.60
Middlesex Water Company	4.70	0.16	4.86	7.00	11.86
SJW Corporation	2.91	0.15	3.06	10.00	13.06
York Water Company	3.43	0.10	3.53	6.00	9.53
Average	3.33 %	0.13 %	3.47 %	8.13 %	11.59 %
Median	3.07 %	0.14 %	3.21 %	8.33 %	11.73 %
Proxy Group of Eight AUS Utility Reports Gas Distribution Companies					
AGL Resources, Inc.	4.96 %	0.11 %	5.07 %	4.35 %	9.42 %
Atmos Energy Corp.	4.74	0.10	4.84	4.40	9.24
Delta Natural Gas Company	5.02	0.08	5.10	3.00	8.10
Laclede Group, Inc.	4.75	0.08	4.83	3.50	8.33
Northwest Natural Gas Company	3.74	0.09	3.83	4.90	8.73
Piedmont Natural Gas Co., Inc.	4.49	0.14	4.63	6.25	10.88
Southwest Gas Corporation	3.79	0.09	3.88	4.75	8.63
WGL Holdings, Inc.	4.45	0.09	4.54	4.00	8.54
Average	4.49 %	0.10 %	4.59 %	4.39 %	8.98 %
Median	4.62 %	0.09 %	4.73 %	4.38 %	8.68 %

Notes:

(1) From Schedule PMA-8.
(2) This reflects a growth rate component equal to one-half the conclusion of growth rate (from Schedule PMA-9) x Column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co., 2.81% x (1/2 x 8.25%) = 0.12%.
(3) Column 1 + Column 2.
(4) From page 1 Schedule PMA-9.
(5) Column 3 + Column 4.

Missouri-American Water Company
Derivation of Dividend Yield for Use in the
Discounted Cash Flow Model

	Dividend Yield		
	Spot (9/30/2009)(1)	Average of Last 3 Months (2)	Average Dividend Yield (3)
Proxy Group of Six AUS Utility Reports Companies			
American States Water Co.	2.76 %	2.85 %	2.81 %
Aqua America, Inc.	3.06	3.09	3.07
California Water Service Group	3.03	3.11	3.07
Middlesex Water Company	4.72	4.69	4.70
SJW Corporation	2.89	2.94	2.91
York Water Company	3.64	3.23	3.43
Average	3.35 %	3.32 %	3.33 %
Median	3.05 %	3.10 %	3.07 %
Proxy Group of Eight AUS Utility Reports Companies			
AGL Resources Inc.	4.88 %	5.04 %	4.96 %
Atmos Energy Corporation	4.68	4.80	4.74
Delta Natural Gas Company	4.91	5.13	5.02
Laclede Group, Inc.	4.79	4.70	4.75
Northwest Natural Gas Co.	3.79	3.70	3.74
Piedmont Natural Gas Co., Inc.	4.51	4.46	4.49
Southwest Gas Corporation	3.72	3.85	3.79
WGL Holdings, Inc.	4.44	4.45	4.45
Average	4.47 %	4.52 %	4.49 %
Median	4.60 %	4.58 %	4.62 %

Notes: (1) *The spot dividend yield is the current annualized dividend per share divided by the spot market price on 9/30/2009.*
(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 9/30/2009.
(3) Equal weight has been given to the 3-month average and spot dividend yield.

Source of Information: S&P Stock Guides
yahoo.finance.com

Missouri-American Water Company
Current Institutional Holdings and Individual Holdings for
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natrual Gas Distribution Companies

	1	2
	September 30, 2009 Percentage of Institutional Holdings	September 30, 2009 Percentage of Individual Holdings (1)
Proxy Group of Six AUS Utility Reports Water Companies		
American States Water Co.	57.14 %	42.86 %
Aqua America, Inc.	44.68	55.32
California Water Service Group	47.91	52.09
Middlesex Water Company	36.45	63.55
SJW Corporation	47.03	52.97
York Water Company	20.18	79.82
Average	42.23 %	57.77 %
Proxy Group of Eight AUS Utility Reports Gas Distribution Companies		
AGL Resources, Inc.	59.32 %	40.68 %
Atmos Energy Corp.	58.53	41.47
Delta Natural Gas Company	17.54	82.46
Laclede Group, Inc.	47.52	52.48
Northwest Natural Gas Company	58.10	41.90
Piedmont Natural Gas Co., Inc.	46.30	53.70
Southwest Gas Corporation	73.24	26.76
WGL Holdings, Inc.	61.76	38.24
Average	52.79 %	47.21 %

Notes: (1) (1 - column 1).

Source of Information: pro.edgar-online.com, 9/30/09

Missouri-American Water Company
Historical and Projected Growth

	1	2		3
	Value Line Projected 2006-'08 to 2012-'14 Growth Rate (1)	Reuters Mean Consensus Projected Five Year EPS Growth Rate		Average Projected Five Year Growth Rate in EPS (2)
	EPS	EPS	No. of Est.	
Proxy Group of Six AUS Utility Reports Water Companies				
American States Water Co.	9.50 %	7.00 %	[2]	8.25 %
Aqua America, Inc.	10.00	8.20	[6]	9.10
California Water Service Group	9.00	7.80	[4]	8.40
Middlesex Water Company	7.00	NA	[NA]	7.00
SJW Corporation	10.00	NA	[NA]	10.00
York Water Company	6.00	6.00	[1]	6.00
Average	8.58 %	7.25 %		8.13 %
Median	9.25 %	7.40 %		8.33 %
Proxy Group of Eight AUS Utility Reports Gas Distribution Companies				
AGL Resources, Inc.	3.50 %	5.20 %	[3]	4.35 %
Atmos Energy Corp.	4.00	4.80	[6]	4.40
Delta Natural Gas Company	3.00	3.00	[1]	3.00
Laclede Group, Inc.	3.50	NA	[NA]	3.50
Northwest Natural Gas Company	5.00	4.80	[2]	4.90
Piedmont Natural Gas Co., Inc.	5.50	7.00	[2]	6.25
Southwest Gas Corporation	4.50	5.00	[3]	4.75
WGL Holdings, Inc.	4.00	4.00	[1]	4.00
Average	4.13 %	4.83 %		4.39 %
Median	4.00 %	4.80 %		4.38 %

NA= Not Available

Notes: (1) As shown on pages 2 through 15 of this Schedule.
(2) Average of Columns 1 and 2.

Source of Information: Value Line Investment Survey, July 24, and September 11, 2009
Reuters Company Research (Printed September 29, 2009)

AMER. STATES WATER NYSE-AWR

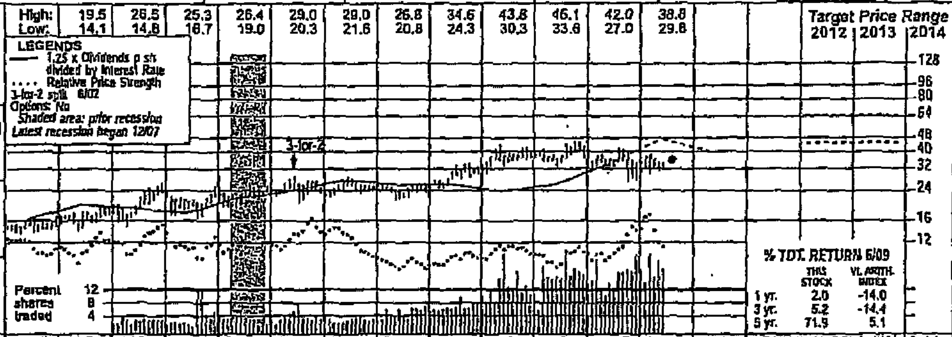
RECENT PRICE 35.93 | P/E RATIO 21.1 (Trailing: 24.0 Median: 22.0) | RELATIVE P/E RATIO 1.40 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Lowered 6/5/09
SAFETY 3 New 2/4/00
TECHNICAL 3 Raised 7/10/09
BETA .80 (1.00 = Market)

High:	19.5	26.5	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8
Low:	14.1	14.8	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 6/02
Options: No
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+80%)	18%
Low	45	(+25%)	9%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	3	0	0	0	0	0	0	0	0
to Sell	3	0	0	1	2	0	0	1	0

Institutional Decisions

	3Q2008	4Q2008	1Q2009
to Buy	46	64	55
to Sell	54	62	66
Hld's(000)	9411	8980	9283

% TOT. RETURN 6/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	2.0	-14.0
3 yr.	5.2	-14.4
5 yr.	71.9	5.1

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
9.27	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.08	15.76	17.49	18.42	18.65	19.20	Revenues per sh	21.75
1.67	1.68	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	3.50	3.75	"Cash Flow" per sh	4.65
1.11	.95	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	1.70	1.90	Earnings per sh A	2.60
.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.04	1.10	Div'd Decl'd per sh B ■	1.28
1.90	2.43	2.19	2.40	2.56	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.25	4.30	Cap'l Spending per sh	4.50
9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	18.80	18.95	Book Value per sh	22.00
11.71	11.77	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	18.50	18.75	Common Shs Outst'g C	20.00
13.4	12.8	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	Bold figures are	Value Line	Avg Ann'l P/E Ratio	21.0
.79	.84	.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.37	estimates		Relative P/E Ratio	1.40
5.3%	6.6%	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%			Avg Ann'l Div'd Yield	2.2%

CAPITAL STRUCTURE as of 3/31/09	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
Total Debt $361.5 mill. Due in 5 Yrs $33.0 mill.	173.4	184.0	197.5	209.2	212.7	228.0	236.2	268.6	301.4	318.7	345	360	Revenues ($mill)	435
LT Debt $306.5 mill. LT Interest $21.0 mill.	16.1	18.0	20.4	20.3	11.9	16.5	22.5	23.1	28.0	26.8	32.0	36.0	Net Profit ($mill)	53.0
(LT interest earned: 3.6x; total interest	46.0%	45.7%	43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	35.0%	37.5%	Income Tax Rate	40.0%
coverage: 3.4x) (50% of Cap'l)	--	--	--	--	--	--	--	12.2%	8.5%	6.9%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
	51.0%	47.5%	54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	46.5%	47.5%	Long-Term Debt Ratio	46.5%
Leases, Uncapitalized: Annual rentals $2.9 mill.	48.4%	51.9%	44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	53.5%	52.5%	Common Equity Ratio	53.5%
Pension Assets-12/08 $54.2 mill.	328.2	371.1	447.6	444.4	442.3	480.4	532.5	551.6	569.4	577.0	650	680	Total Capital ($mill)	825
Oblig. $94.5 mill. Pfd Stock None.	449.6	509.1	539.8	563.3	602.3	664.2	713.2	750.6	776.4	825.3	870	915	Net Plant ($mill)	1025
	6.6%	6.4%	6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	6.5%	7.5%	Return on Total Cap'l	8.5%
Common Stock 17,326,742 shs.	10.0%	9.2%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	9.0%	10.0%	Return on Shr. Equity	12.0%
MARKET CAP: $625 million (Small Cap)	10.1%	9.3%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	9.0%	10.0%	Return on Com Equity	12.0%
	2.9%	3.0%	3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.5%	4.5%	Retained to Com Eq	6.0%
	72%	68%	65%	65%	113%	84%	67%	67%	58%	64%	60%	57%	All Div'ds to Net Prof	46%

CURRENT POSITION ($MILL.)	2007	2008	3/31/09
Cash Assets	1.7	7.3	24.9
Receivables	18.1	14.3	13.8
Inventory (Avg Cst)	1.6	2.1	1.9
Other	43.7	66.9	66.9
Current Assets	53.1	90.6	107.3
Accts Payable	29.1	36.8	36.0
Debt Due	37.8	75.3	55.0
Other	27.4	25.6	40.3
Current Liab.	94.3	137.4	131.3
Fix. Chg. Cov.	314%	293%	

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	4.5%	5.0%	4.0%
"Cash Flow"	5.5%	6.0%	8.5%
Earnings	3.5%	5.5%	9.5%
Dividends	1.5%	2.0%	5.0%
Book Value	4.5%	5.0%	4.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2006	64.3	63.0	75.0	66.3	268.6
2007	72.3	79.3	75.8	74.0	301.4
2008	68.9	80.3	85.3	84.2	318.7
2009	79.6	86.4	*90.0*	*89.0*	*345*
2010	*82.0*	*89.0*	*95.0*	*94.0*	*360*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2006	.35	.36	.32	.30	1.33
2007	.40	.42	.44	.35	1.62
2008	.30	.53	.26	.43	1.55
2009	.28	*.46*	*.50*	*.46*	*1.70*
2010	*.30*	*.50*	*.65*	*.45*	*1.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.225	.225	.225	.225	.90
2006	.225	.225	.225	.235	.91
2007	.235	.235	.235	.250	.96
2008	.250	.250	.250	.250	1.00
2009	.250	.250			

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. Acquired Chaparral City Water of Arizona (10/00). Has roughly 675 employees. Officers & directors own 2.5% of common stock (4/09 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Inc: CA. Addr.: 630 East Foothill Boulevard, San Dimas, CA 91773. Tele.: 909-394-3600. Internet: www.aswater.com.*

American States Water has received some favorable backing from California's regulatory board. The water utility provider posted a 15% top-line gain in the first quarter, benefiting from the California Public Utilities Commission's (CPUC) November decision to implement the water revenue adjustment mechanism, modified cost balancing accounting methodology, and tiered rates laid out in the Water Action Plan. The use of these mechanisms is expected to produce smoother and more predictable growth, while stabilizing costs via removing outside influences, such as weather, on demand.

Nevertheless, the benefits were not enough. The water utility provider reported earnings of $0.28 a share, a couple of pennies off last year's mark. Despite the top-line improvement and a tax benefit, which added roughly $0.08 to the bottom line, the company was unable to offset *higher operating costs specifically* those associated with the expansion of its nonregulated business. Construction projects at Fort Bliss and military bases in Virginia cost American $0.05 a share.

We've trimmed our full-year earnings estimate by a dime, to $1.70 a share . . . Operating costs are expected to continue mounting in the *months ahead*, as aging infrastructure requires heavier investment in order to meet increasingly stringent FDA codes.

. . . and our 2010 figure by a nickel, to $1.90. *With infrastructures growing* older, higher expenses are not a passing fad. The cash-strapped company will have to seek help to make many of the needed improvements, opening up its bottom line *to dilution*, whether by higher share counts or increased interest rate costs. American recently made a stock offering of 1.15 million shares, netting nearly $35 million. Even still, similar financing activ*ity* will probably be required based on our forecasts.

These shares do not stand out for appreciation potential. Infrastructure costs limit their six- to 12- month allure as well as their 3- to 5-year appeal. **Nevertheless, the stock may well interest risk-averse investors looking to add a steady stream of income to their portfolios.**

Andre J. Costanza *July 24, 2009*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢). Next earnings report due early Aug. 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 splits.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	75
Earnings Predictability	65

AQUA AMERICA NYSE-WTR

RECENT PRICE 17.47 | P/E RATIO 20.6 (Trailing: 23.9; Median: 25.0) | RELATIVE P/E RATIO 1.36 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 3 Lowered 6/26/09
SAFETY 3 Lowered 8/1/03
TECHNICAL 4 Raised 7/10/09
BETA .65 (1.00 = Market)

2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+130%)	26%
Low	25	(+45%)	13%

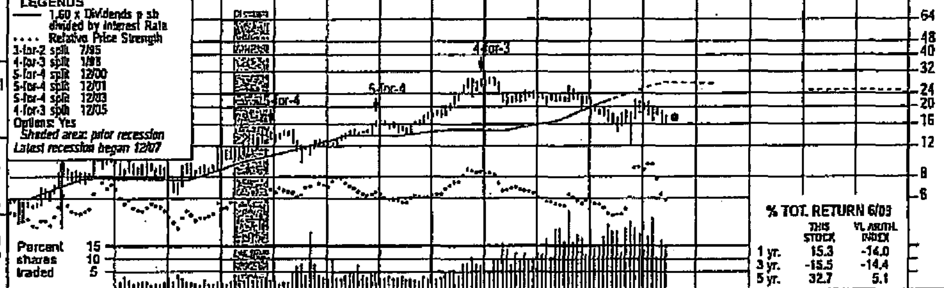
Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	1	0	1	0	0
to Sell	0	0	0	0	1	0	0	0	0

Institutional Decisions

	3Q2008	4Q2008	1Q2009
to Buy	103	131	130
to Sell	109	131	134
Hld's(000)	62150	60996	63551

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	11.5	11.5	12.0	14.8	15.0	18.8	18.5	29.2	29.8	26.6	22.0	21.5
Low:	7.2	7.6	8.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	16.1



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
1.70	1.82	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	5.00	5.30	Revenues per sh	6.50
.42	.42	.47	.50	.56	.61	.72	.78	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.55	1.65	"Cash Flow" per sh	2.10
.24	.26	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.85	.90	Earnings per sh A	1.25
.21	.21	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.54	.56	Div'd Decl'd per sh B ■	.65
.47	.46	.52	.48	.58	.82	.90	1.18	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.10	2.20	Cap'l Spending per sh	2.75
2.29	2.41	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	8.05	8.35	Book Value per sh	10.60
59.40	59.77	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	136.00	136.50	Common Shs Outst'g C	138.00
14.4	13.5	12.0	15.6	17.6	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	Bold figures are		Avg Ann'l P/E Ratio	25.0
.85	.89	.80	.93	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	Value Line		Relative P/E Ratio	1.65
5.9%	6.0%	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%	2.6%	estimates		Avg Ann'l Div'd Yield	2.0%

CAPITAL STRUCTURE as of 3/31/09
Total Debt $1338.1 mill. Due in 5 Yrs $243.9 mill.
LT Debt $1226.2 mill. LT Interest $65.0 mill.
(LT interest earned: 3.4x; total interest coverage: 3.4x) (54% of Cap'l)

Pension Assets-12/08 $112.2 mill. Oblig. $204.7 mill.

Pfd Stock None

Common Stock 135,649,486 shares as of 4/24/09

MARKET CAP: $2.4 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
257.3	275.5	307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	680	725	Revenues ($mill)	900
45.0	50.7	58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	115	125	Net Profit ($mill)	170
38.4%	38.9%	39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.0%	39.0%	Income Tax Rate	39.0%
--	--	--	--	--	--	--	--	2.9%	3.1%	1.5%	3.2%	AFUDC % to Net Profit	2.5%
52.9%	52.0%	52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	54.0%	54.0%	Long-Term Debt Ratio	49.0%
46.7%	47.8%	47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	46.0%	46.0%	Common Equity Ratio	51.0%
782.7	901.1	990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2385	2470	Total Capital ($mill)	2865
1135.4	1251.4	1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3150	3300	Net Plant ($mill)	3600
7.6%	7.4%	7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	6.5%	6.6%	Return on Total Cap'l	6.5%
12.2%	11.7%	12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	10.5%	11.0%	Return on Shr. Equity	11.5%
12.3%	11.7%	12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	10.5%	11.0%	Return on Com Equity	11.5%
4.3%	4.7%	5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	4.0%	4.5%	Retained to Com Eq D	5.5%
65%	60%	59%	59%	59%	57%	56%	63%	67%	70%	64%	61%	All Div'ds to Net Prof	53%

CURRENT POSITION ($MILL.)	2007	2008	3/31/09
Cash Assets	14.5	14.9	16.7
Receivables	82.9	84.5	77.3
Inventory (AvgCst)	8.8	9.8	9.4
Other	9.3	11.8	11.3
Current Assets	115.5	121.0	114.7
Accts Payable	45.8	50.0	27.2
Debt Due	80.8	87.9	111.9
Other	56.6	55.3	52.9
Current Liab.	183.2	193.2	192.0
Fix. Chg. Cov.	323%	329%	325%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	8.0%	9.0%	6.5%
"Cash Flow"	9.5%	8.0%	7.5%
Earnings	7.5%	5.5%	10.0%
Dividends	7.0%	8.0%	4.5%
Book Value	9.5%	10.0%	6.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	117.9	131.7	147.0	136.9	533.5
2007	137.3	150.6	165.5	149.1	602.5
2008	139.3	151.0	177.1	159.6	627.0
2009	154.5	167	185	173.5	680
2010	168	181	195	181	725

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.13	.17	.21	.19	.70
2007	.13	.17	.22	.19	.71
2008	.11	.17	.26	.19	.73
2009	.14	.20	.28	.23	.85
2010	.15	.22	.30	.23	.90

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.098	.098	.098	.107	.40
2006	.107	.107	.115	.115	.44
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135	.135			

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 '08: residential, 60%; commercial, 14%; industrial & other, 26%. Officers and directors own 1.3% of the common stock (4/09 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.

Aqua America has posted good results thus far in 2009. That can be attributed partly to the completion of key rate cases over the past year. An expanded customer base, made possible by acquisitions, has also helped the water provider (although the slowdown in the housing industry and the sale of two operations in 2008 have provided a bit of an offset). At this juncture, share net stands to climb around 16%, to $0.85, this year. Further expansion in operating margins ought to enable the bottom line to advance another 6%, to $0.90 a share, in 2010.

The company remains an active participant in the ongoing consolidation within the water-service industry. The cost and technical expertise required for compliance with quality standards for drinking water have risen to the point where a number of the many small water suppliers in the United States have been struggling financially. This has resulted in a buyer's market whereby a well-capitalized company, like Aqua America, can enlarge its customer base at relatively low cost. The latest additions to its portfolio include Clarendon Water Company, serving 1,200 residents in Warren County, Pennsylvania; the water and wastewater assets of W.P. Water Company and W.P. Sanitary Company, which serve roughly 550 customers, combined, in Wyoming County and Luzerne County, Pennsylvania; and the Kratzerville Municipal Authority water system, serving roughly 400 residents in Snyder County, Pennsylvania. Even excluding future acquisitions (because of the many uncertainties associated with that strategy), we think Aqua America is capable of registering healthy, annual bottom-line gains over the 2012-2014 horizon.

The stock's risk-adjusted, total return possibilities are decent, reflecting the steady (albeit unspectacular) dividend growth we envision for the company going forward. Note, also, the high Price Stability rating and lower-than-market Beta coefficient. Conservative investors may want to take a look here.

But for the coming six to 12 months, these shares are ranked to perform only in line with the broader market averages.

Frederick L. Harris, III *July 24, 2009*

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, 4¢. Excl. gain from disc. operations: '96, 2¢. Next earnings report due early Aug. (B) Dividends historically paid in early March, June, Sept. & Dec. ■ Div'd. reinvestment plan available (5% discount). (C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	75
Earnings Predictability	100

CALIFORNIA WATER NYSE-CWT

RECENT PRICE 36.27 | P/E RATIO 17.3 (Trailing: 18.0 Median: 22.0) | RELATIVE P/E RATIO 1.15 | DIV'D YLD 3.3% | VALUE LINE

TIMELINESS 3 Lowered 7/3/09
SAFETY 3 Lowered 7/27/07
TECHNICAL 4 Raised 7/10/09
BETA .80 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:		33.8	32.0	31.4	28.6	26.9	31.4	37.9	42.1	45.8	45.4	46.6	48.3
Low:		20.8	22.6	21.5	22.9	20.5	23.7	26.1	31.2	32.8	34.2	27.7	33.5

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+80%)	18%
Low	45	(+25%)	9%

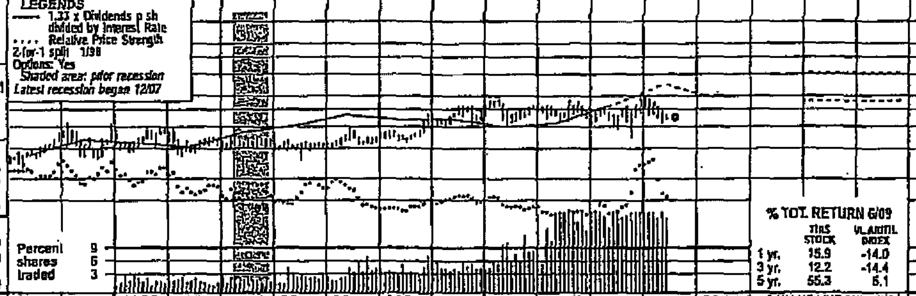
Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	3Q2008	4Q2008	1Q2009
to Buy	49	107	83
to Sell	58	46	61
Hld's(000)	9891	9799	10000

LEGENDS
— 1.33 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 1/98
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



% TOT. RETURN 6/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	15.9	-14.0
3 yr.	12.2	-14.4
5 yr.	55.3	5.1

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
13.34	12.59	13.17	14.48	15.48	14.78	15.98	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.76	19.80	21.45	22.10	Revenues per sh	24.45
2.25	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.12	3.72	4.15	4.35	"Cash Flow" per sh	4.65
1.35	1.22	1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.50	1.90	2.10	2.20	Earnings per sh A	2.65
.96	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16	1.17	1.18	1.19	Div'd Decl'd per sh B ■	1.34
2.53	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	4.01	4.28	3.68	4.82	4.75	4.80	Cap'l Spending per sh	5.00
10.90	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	18.50	19.44	19.95	20.60	Book Value per sh C	22.20
11.38	12.49	12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	20.67	20.72	21.00	21.25	Common Shs Outst'g D	22.50
13.6	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	28.1	19.8	Bold figures are	Value Line	Avg Ann'l P/E Ratio	21.0
.80	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.20	estimates		Relative P/E Ratio	1.40
5.2%	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%			Avg Ann'l Div'd Yield	2.4%

CAPITAL STRUCTURE as of 3/31/09
Total Debt $342.1 mill. Due in 5 Yrs $80.0 mill.
LT Debt $287.2 mill. LT Interest $21.0 mill.

(LT interest earned: 4.6x; total int. cov.: 4.4x)

Pension Assets-12/08 $86.9 mill.
Oblig. $192.9 mill.

Pfd Stock None

Common Stock 20,744,952 shs.
as of 5/1/09

MARKET CAP: $750 million (Small Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
206.4	244.8	245.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	450	470	Revenues ($mill) E	550
19.9	20.0	14.4	19.1	19.4	26.0	27.2	25.6	31.2	39.8	45.0	47.0	Net Profit ($mill)	60.0
37.9%	42.3%	39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	37.5%	38.0%	Income Tax Rate	39.0%
--	--	--	--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	8.5%	8.5%	AFUDC % to Net Profit	8.5%
46.9%	48.9%	50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	48.0%	47.5%	Long-Term Debt Ratio	45.0%
52.0%	50.2%	48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	58.6%	58.4%	52.0%	52.5%	Common Equity Ratio	55.0%
333.8	368.8	402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	805	835	Total Capital ($mill)	950
515.4	582.0	624.3	697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1175	1235	Net Plant ($mill)	1425
7.6%	6.8%	5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.8%	7.1%	7.0%	7.0%	Return on Total Cap'l	8.0%
11.2%	10.0%	7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	10.5%	10.5%	Return on Shr. Equity	12.0%
11.4%	10.1%	7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	10.5%	10.5%	Return on Com Equity	12.0%
3.5%	1.8%	NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	5.0%	5.0%	Retained to Com Eq	6.0%
70%	82%	119%	90%	91%	77%	78%	86%	77%	81%	55%	54%	All Div'ds to Net Prof	59%

CURRENT POSITION ($MILL.)	2007	2008	3/31/09
Cash Assets	6.7	13.9	5.3
Other	53.3	65.9	67.0
Current Assets	60.0	79.8	72.3
Accts Payable	36.7	41.8	38.0
Debt Due	2.7	42.6	54.9
Other	30.3	35.8	37.2
Current Liab.	69.7	123.2	130.1
Fix. Chg. Cov.	333%	398%	482%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	2.0%	1.5%	5.5%
"Cash Flow"	2.0%	5.5%	6.5%
Earnings	--	7.0%	9.0%
Dividends	1.0%	0.5%	2.5%
Book Value	4.0%	6.5%	3.0%

Calendar	QUARTERLY REVENUES ($ mill.) E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	65.2	81.1	107.8	80.6	334.7
2007	71.6	95.8	113.8	85.9	367.1
2008	72.9	105.6	131.7	100.1	410.3
2009	86.7	115.3	140	108	450
2010	90.0	120	145	115	470

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.04	.31	.68	.31	1.34
2007	.07	.37	.67	.39	1.50
2008	.01	.48	1.06	.35	1.90
2009	.12	.54	1.05	.39	2.10
2010	.13	.56	1.09	.42	2.20

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.285	.285	.285	.285	1.14
2006	.2875	.2875	.2875	.2875	1.15
2007	.290	.290	.290	.290	1.16
2008	.293	.293	.293	.293	1.17
2009	.295	.295			

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 463,600 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, '08: residential, 69%; business, 18%; public authorities, 5%; industrial, 5%; other, 3%. '08 reported depreciation rate: 2.4%. Has roughly 929 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/09 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

Recent changes on the regulatory front are already benefiting California Water Service Group. Late last year, the California Public Utilities Commission (CPUC), which oversees the actions of utilities in the Golden State to ensure fair business practices, implemented some guidelines proposed in the Water Action Plan that essentially create a more business-friendly landscape. The board established a water revenue adjustment mechanism (WRAM), implemented a modified cost-balancing account (MCBA) methodology, and introduced tiered rates. These moves ought to streamline the review process of general rate cases and remove many unexpected costs of doing business due to outside factors, such as weather, beyond the companies' control such. In its first full quarter with such initiatives in place, CWT posted earnings of $0.12 a share, far better than the penny earned last year. Revenues rose roughly 19% to $86.6 million, with 83% of the increase coming from rate increases.

Growth is likely to slow in the months ahead, however. Despite the more favorable regulatory climate, operating expenses are likely to continue escalating as deteriorating infrastructures and increasingly stringent EPA requirements result in higher maintenance costs. Meanwhile, the debt-riddled company is light on cash, and will probably need to look to outside financiers to make some of the necessary improvements. Thus, the increased interest expense and higher share count are likely to thwart earnings growth heading forward.

The stock has lost some appeal since our April review. It has slipped a notch for Timeliness and is now pegged to mirror the broad market for the coming six to 12 months. Its longer-term lure, meanwhile, remains below average, as the aforementioned financing costs are likely to limit shareholder gains out to 2012-2014.

It may pique the interest of conservative investors with a penchant for income, though. The company has a long-standing history of delivering steady dividend growth, which is an attractive attribute in times of economic volatility. WRAM and MCBA ought to make for more predictable earnings growth too.

Andre J. Costanza *July 24, 2009*

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

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

(C) Incl. deferred charges. In '08: $3.9 mill., $.19/sh.
(D) In millions, adjusted for split.
(E) Excludes non-reg. rev.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	70
Earnings Predictability	75

MIDDLESEX WATER NDQ-MSEX

RECENT PRICE 14.24 | TRAILING P/E RATIO 17.0 | RELATIVE P/E RATIO 1.23 | DIV'D YLD 5.0% | VALUE LINE

RANKS	2001	2002	2003	2004	2005	2006	2007	2008	2009	
High	18.73	20.04	21.23	21.81	23.47	20.50	20.24	19.83	17.71	
Low	14.89	13.73	15.77	16.65	17.07	16.50	16.93	12.05	11.64	

PERFORMANCE 3 Average
Technical 3 Average
SAFETY 2 Above Average
BETA .80 (1.00 = Market)

Financial Strength B+
Price Stability 95
Price Growth Persistence 45
Earnings Predictability 90

© VALUE LINE PUBLISHING, INC.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
SALES PER SH	5.87	5.98	6.12	6.25	6.44	6.16	6.50	6.79	–	
"CASH FLOW" PER SH	1.18	1.20	1.15	1.28	1.33	1.33	1.49	1.53	–	
EARNINGS PER SH	.66	.73	.61	.73	.71	.82	.87	.89	.76[A,B]	.78[C]/NA
DIV'DS DECL'D PER SH	.62	.63	.65	.66	.67	.68	.69	.70	–	
CAP'L SPENDING PER SH	1.25	1.59	1.87	2.54	2.18	2.31	1.66	2.12	–	
BOOK VALUE PER SH	7.11	7.39	7.60	8.38	8.60	9.82	10.05	10.28	–	
COMMON SHS OUTST'G (MILL)	10.17	10.36	10.48	11.36	11.58	13.17	13.25	13.40	–	
AVG ANN'L P/E RATIO	24.6	23.5	30.0	26.4	27.4	22.7	21.5	19.8	18.7	18.3/NA
RELATIVE P/E RATIO	1.26	1.28	1.71	1.39	1.46	1.23	1.15	1.19	–	
AVG ANN'L DIV'D YIELD	3.8%	3.7%	3.5%	3.4%	3.5%	3.7%	3.7%	4.0%	–	
SALES ($MILL)	59.6	61.9	64.1	71.0	74.6	81.1	86.1	91.0	–	*Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.*
OPERATING MARGIN	47.2%	47.1%	44.0%	44.4%	44.4%	47.4%	47.0%	46.9%	–	
DEPRECIATION ($MILL)	5.3	5.0	5.6	6.4	7.2	7.8	8.2	8.5	–	
NET PROFIT ($MILL)	7.0	7.8	6.6	8.4	8.5	10.0	11.8	12.2	–	
INCOME TAX RATE	34.8%	33.3%	32.8%	31.1%	27.6%	33.4%	32.6%	33.2%	–	
NET PROFIT MARGIN	11.7%	12.5%	10.3%	11.9%	11.4%	12.4%	13.8%	13.4%	–	
WORKING CAP'L ($MILL)	d.9	d9.3	d13.3	d11.8	d4.5	2.8	d9.6	d40.9	–	
LONG-TERM DEBT ($MILL)	88.1	87.5	97.4	115.3	128.2	130.7	131.6	118.2	–	
SHR. EQUITY ($MILL)	76.4	80.6	83.7	99.2	103.6	133.3	137.1	141.2	–	
RETURN ON TOTAL CAP'L	5.6%	6.0%	5.0%	5.1%	5.0%	5.1%	5.6%	5.8%	–	
RETURN ON SHR. EQUITY	9.1%	9.6%	7.9%	8.5%	8.2%	7.5%	8.6%	8.6%	–	
RETAINED TO COM EQ	.5%	1.3%	NMF	.9%	.5%	1.2%	1.8%	1.9%	–	
ALL DIV'DS TO NET PROF	94%	87%	106%	90%	94%	84%	79%	78%	–	

[A]No. of analysts changing earn. est. in last 11 days: 0 up, 0 down, consensus 5-year earnings growth 7.0% per year. [B]Based upon 2 analysts' estimates. [C]Based upon 2 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	1.5%	4.5%
"Cash Flow"	4.5%	2.5%
Earnings	5.5%	2.5%
Dividends	2.0%	1.5%
Book Value	6.5%	2.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/07	19.0	21.8	24.1	21.2	86.1
12/31/08	20.8	23.0	25.7	21.5	91.0
12/31/09	20.6				
12/31/10					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/06	.15	.25	.28	.14	.82
12/31/07	.13	.24	.31	.19	.87
12/31/08	.15	.26	.35	.13	.89
12/31/09	.10	.24	.31	.12	
12/31/10					

Calendar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2006	.17	.17	.17	.173	.68
2007	.173	.173	.173	.175	.69
2008	.175	.175	.175	.178	.70
2009	.178	.178			

INSTITUTIONAL DECISIONS

	3Q'08	4Q'08	1Q'09
to Buy	36	35	41
to Sell	30	24	27
Hld's(000)	5083	4997	4505

ASSETS ($mill.)	2007	2008	3/31/09
Cash Assets	2.0	3.3	3.2
Receivables	12.8	14.3	13.3
Inventory (Avg cost)	1.2	1.5	1.5
Other	1.4	1.5	1.0
Current Assets	17.4	20.6	19.0
Property, Plant & Equip, at cost	398.6	436.8	--
Accum Depreciation	64.7	70.5	--
Net Property	333.9	366.3	371.5
Other	41.4	53.1	52.9
Total Assets	392.7	440.0	443.4
LIABILITIES ($mill.)			
Accts Payable	6.5	5.7	5.0
Debt Due	9.0	43.9	40.3
Other	11.5	11.9	12.7
Current Liab	27.0	61.5	58.0

LONG-TERM DEBT AND EQUITY as of 3/31/09

Total Debt $164.7 mill. Due in 5 Yrs. NA
LT Debt $124.4 mill.
Including Cap. Leases NA
(47% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $25.5 mill. in '08 vs. $13.3 mill. in '07

Pfd Stock None Pfd Div'd Paid None

Common Stock 13,425,000 shares
(53% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey (NJ) and Delaware, and a regulated wastewater utility in NJ. It 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. It also provides water treatment and pumping services to the Township of East Brunswick. Its other NJ subsidiaries offer water and wastewater services to residents in Southampton Township. Its Delaware subsidiaries provide water services to retail customers in New Castle, Kent, and Sussex counties. In July, it was approved to implement a Purchased Water Adjustment Clause, which is a pass-through charge that enables the company to recover the increased unit cost of raw or finished water purchased from external sources. Has 269 employees. Chairman: J. Richard Tompkins. Address: 1500 Ronson Rd, P.O. BOX 1500, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: http://www.middlesexwater.com. *M.W.*

July 24, 2009

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 6/30/2009

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
1.69%	-14.10%	-8.88%	-14.84%	-10.85%

SJW CORP. NYSE–SJW

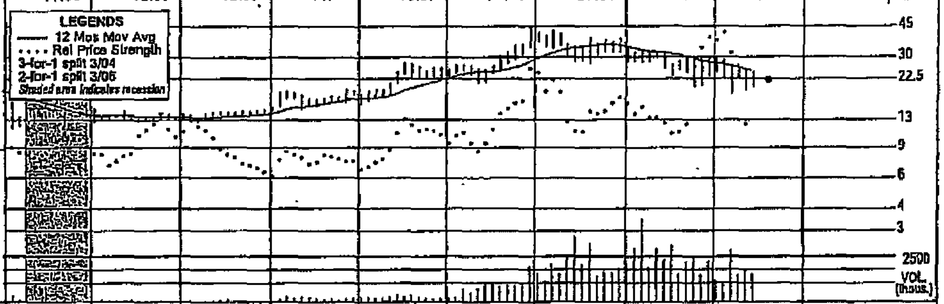
RECENT PRICE 22.12 | TRAILING P/E RATIO 24.0 | RELATIVE P/E RATIO 1.75 | DIV'D YLD 3.0% | VALUE LINE

RANKS

PERFORMANCE	4	Below Average
Technical	4	Below Average
SAFETY	3	Average
BETA 1.00	(1.00 = Market)	

Financial Strength	B+
Price Stability	65
Price Growth Persistence	75
Earnings Predictability	90

	2001	2002	2003	2004	2005	2006	2007	2008	2009	
High	17.83	15.07	14.95	19.64	27.80	45.33	43.00	35.11	30.44	High
Low	11.58	12.67	12.57	14.60	16.07	21.16	27.65	20.05	18.22	Low



© VALUE LINE PUBLISHING, INC.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
SALES PER SH	7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	–	
"CASH FLOW" PER SH	1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	–	
EARNINGS PER SH	.77	.78	.91	.87	1.12	1.19	1.04	1.08	.99 A,B	*1.31 C/NA*
DIV'DS DECL'D PER SH	.43	.46	.49	.51	.53	.57	.61	.65	–	
CAP'L SPENDING PER SH	2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	–	
BOOK VALUE PER SH	8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	–	
COMMON SHS OUTST'G (MILL)	18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	–	
AVG ANN'L P/E RATIO	18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	22.3	*16.9/NA*
RELATIVE P/E RATIO	.95	.94	.88	1.04	1.04	1.27	1.77	1.58	–	
AVG ANN'L DIV'D YIELD	3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	–	
SALES ($MILL)	136.1	145.7	149.7	166.9	180.1	189.2	206.6	220.3	–	*Bold figures*
OPERATING MARGIN	64.4%	63.7%	58.0%	59.4%	55.9%	57.0%	41.8%	42.4%	–	*are consensus*
DEPRECIATION ($MILL)	13.2	14.0	15.2	18.5	18.7	21.3	22.9	24.0	–	*earnings*
NET PROFIT ($MILL)	14.0	14.2	16.7	16.0	20.7	22.2	19.3	20.2	–	*estimates*
INCOME TAX RATE	34.5%	40.4%	38.2%	42.1%	41.6%	40.8%	39.4%	39.5%	–	*and, using the*
NET PROFIT MARGIN	10.3%	9.8%	11.2%	9.6%	11.5%	11.7%	9.4%	9.2%	–	*recent prices,*
WORKING CAP'L ($MILL)	d3.8	d4.9	12.0	13.0	10.8	22.2	d1.4	d11.3	–	*P/E ratios.*
LONG-TERM DEBT ($MILL)	110.0	110.0	139.6	143.6	145.3	163.6	216.3	216.6	–	
SHR. EQUITY ($MILL)	149.4	153.5	166.4	184.7	195.9	228.2	236.9	254.3	–	
RETURN ON TOTAL CAP'L	6.7%	6.9%	6.9%	6.5%	7.6%	7.0%	5.7%	5.8%	–	
RETURN ON SHR. EQUITY	9.4%	9.3%	10.0%	8.7%	10.6%	9.7%	8.2%	8.0%	–	
RETAINED TO COM EQ	4.1%	3.8%	4.7%	3.6%	5.6%	5.2%	3.5%	3.3%	–	
ALL DIV'DS TO NET PROF	56%	59%	53%	58%	47%	46%	57%	59%	–	

[A] No. of analysts changing earn. est. in last 11 days: 0 up, 0 down, consensus 5-year earnings growth 10.0% per year. [B] Based upon 2 analysts' estimates. [C] Based upon 2 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	7.5%	7.5%
"Cash Flow"	8.5%	6.0%
Earnings	6.0%	4.0%
Dividends	5.5%	6.5%
Book Value	9.0%	8.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/07	39.0	55.1	64.9	47.6	206.6
12/31/08	41.3	60.0	69.5	49.5	220.3
12/31/09	40.0				
12/31/10					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/06	.14	.35	.48	.22	1.19
12/31/07	.12	.29	.43	.20	1.04
12/31/08	.15	.34	.44	.15	1.08
12/31/09	d.01	*.36*	*.44*	*.18*	
12/31/10					

Calendar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2006	.141	.141	.141	.141	.56
2007	.151	.151	.151	.151	.60
2008	.161	.161	.161	.161	.64
2009	.165	.165			

INSTITUTIONAL DECISIONS

	3Q'08	4Q'08	1Q'09
to Buy	35	34	45
to Sell	36	39	32
Hld's(000)	8399	8286	8505

ASSETS ($mill.)	2007	2008	3/31/09
Cash Assets	2.4	3.4	2.4
Receivables	23.0	24.5	21.7
Inventory	.8	.9	1.0
Other	5.4	3.2	4.3
Current Assets	31.6	32.0	29.4
Property, Plant & Equip, at cost	904.3	958.7	--
Accum Depreciation	258.8	274.5	--
Net Property	645.5	684.2	699.6
Other	90.2	134.7	125.4
Total Assets	767.3	850.9	854.4
LIABILITIES ($mill.)			
Accts Payable	9.3	5.8	7.7
Debt Due	5.6	19.1	17.4
Other	18.1	18.4	15.6
Current Liab	33.0	43.3	40.7

LONG-TERM DEBT AND EQUITY as of 3/31/09

Total Debt $243.8 mill. Due In 5 Yrs. NA
LT Debt $226.4 mill.
Including Cap. Leases NA
(48% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $42.3 mill. in '08 vs. $23.4 mill. in '07

Pfd Stock None Pfd Div'd Paid None

Common Stock 18,475,597 shares
(52% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: SJW Corporation, through its subsidiaries, engages in the production, purchase, storage, purification, distribution, and retail sale of water. The company offers nonregulated water-related services, including water system operations, cash remittances, and maintenance contract services. SJW also owns undeveloped land; a 70% limited partnership interest in 444 West Santa Clara Street, L.P.; and operates commercial buildings in Arizona, California, Connecticut, Florida, Tennessee, and Texas. As of December 31, 2008, SJW provided water service to approximately 226,000 connections that served a population of approximately one million people in the San Jose area. It also provides water service to approximately 8,700 connections that serve approximately 36,000 residents in a service area in the region between San Antonio and Austin, Texas. Has 379 employees. Chairman: Charles J. Toeniskoetter. Inc.: CA. Address: 110 W. Taylor Street, San Jose, CA 95110. Tel.: (408) 279-7800. Internet: http://www.sjwater.com.

M.W.

July 24, 2009

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 6/30/2009

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-10.04%	-23.14%	-11.75%	-4.83%	50.09%

YORK WATER CO NDQ--YORW

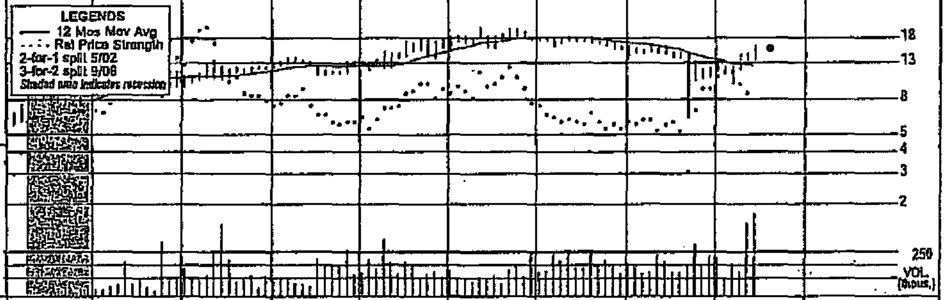
RECENT PRICE 15.62 | TRAILING P/E RATIO 26.5 | RELATIVE P/E RATIO 1.92 | DIV'D YLD 3.2% | VALUE LINE

	2001	2002	2003	2004	2005	2006	2007	2008	2009	
High	10.22	13.45	13.49	14.03	17.67	20.99	18.55	16.50	16.26	High
Low	5.67	8.20	9.33	11.00	11.67	15.33	15.45	6.23	9.74	Low

RANKS

PERFORMANCE	3	Average
Technical	3	Average
SAFETY	3	Average
BETA .65		(1.00 = Market)

Financial Strength	B+
Price Stability	90
Price Growth Persistence	55
Earnings Predictability	95



© VALUE LINE PUBLISHING, INC.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
REVENUES PER SH	2.05	2.05	2.17	2.18	2.68	2.56	2.79	2.89	–	
"CASH FLOW" PER SH	.59	.57	.65	.65	.79	.77	.86	.88	–	
EARNINGS PER SH	.43	.40	.47	.49	.56	.58	.57	.57	.66[A,B]	.68[C]/NA
DIV'D DECL'D PER SH	.34	.35	.37	.39	.42	.45	.48	.49	–	
CAP'L SPENDING PER SH	.75	.66	1.07	2.50	1.69	1.85	1.69	2.17	–	
BOOK VALUE PER SH	3.79	3.90	4.06	4.65	4.85	5.84	5.97	6.14	–	
COMMON SHS OUTST'G (MILL)	9.46	9.55	9.63	10.33	10.40	11.20	11.27	11.37	–	
AVG ANN'L P/E RATIO	17.9	26.9	24.6	25.7	26.3	31.2	30.3	24.6	23.7	23.0/NA
RELATIVE P/E RATIO	.92	1.47	1.40	1.36	1.39	1.68	1.61	1.48	–	
AVG ANN'L DIV'D YIELD	4.3%	3.3%	3.2%	3.1%	2.9%	2.5%	2.8%	3.5%	–	
REVENUES ($MILL)	19.4	19.6	20.9	22.5	26.8	28.7	31.4	32.8	–	*Bold figures*
NET PROFIT ($MILL)	4.0	3.8	4.4	4.8	5.8	6.1	6.4	6.4	–	*are consensus*
INCOME TAX RATE	35.8%	34.9%	34.8%	36.7%	36.7%	34.4%	36.5%	36.1%	–	*earnings*
AFUDC % TO NET PROFIT	-2.2%	3.7%	–	–	–	7.2%	3.6%	10.1%	–	*estimates*
LONG-TERM DEBT RATIO	47.7%	46.7%	43.4%	42.5%	44.1%	48.3%	46.5%	54.5%	–	*and, using the*
COMMON EQUITY RATIO	52.3%	53.3%	56.6%	57.5%	55.8%	51.7%	53.5%	45.5%	–	*recent prices,*
TOTAL CAPITAL ($MILL)	68.6	69.9	69.0	83.6	90.3	126.5	125.7	153.4	–	*P/E ratios.*
NET PLANT ($MILL)	102.3	106.7	116.5	140.0	155.3	174.4	191.6	211.4	–	
RETURN ON TOTAL CAP'L	7.9%	7.4%	8.5%	7.6%	8.4%	6.2%	6.7%	5.7%	–	
RETURN ON SHR. EQUITY	11.2%	10.2%	11.4%	10.0%	11.6%	9.3%	9.5%	9.2%	–	
RETURN ON COM EQUITY	11.2%	10.2%	11.4%	10.0%	11.6%	9.3%	9.5%	9.2%	–	
RETAINED TO COM EQ	2.5%	1.3%	2.6%	2.1%	3.0%	2.2%	1.7%	1.4%	–	
ALL DIV'DS TO NET PROF	78%	88%	77%	79%	74%	77%	82%	85%	–	

[A]No. of analysts changing earn. est. in last 11 days: 0 up, 0 down, consensus 5-year earnings growth 6.0% per year. [B]Based upon 4 analysts' estimates. [C]Based upon 4 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Revenues	5.5%	3.5%
"Cash Flow"	7.0%	3.5%
Earnings	6.0%	–
Dividends	6.0%	3.0%
Book Value	9.0%	3.0%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/07	7.4	7.9	8.3	7.8	31.4
12/31/08	7.5	7.8	8.6	8.9	32.8
12/31/09	8.8				
12/31/10					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/06	.12	.14	.17	.15	.58
12/31/07	.12	.15	.15	.15	.57
12/31/08	.11	.13	.15	.18	.57
12/31/09	.13	*.16*	*.19*	*.18*	
12/31/10					

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2006	.112	.112	.112	.112	.45
2007	.118	.118	.118	.118	.47
2008	.121	.121	.121	.121	.48
2009	.126	.126	.126		

INSTITUTIONAL DECISIONS

	3Q'08	4Q'08	1Q'09
to Buy	19	15	17
to Sell	12	8	10
Hld's(000)	1974	1979	1958

ASSETS ($mill.)	2007	2008	3/31/09
Cash Assets	.0	.0	.0
Receivables	5.2	5.9	5.6
Inventory (Avg cost)	.8	.7	.8
Other	.8	.7	.9
Current Assets	6.8	7.3	7.3
Property, Plant & Equip, at cost	223.1	246.0	--
Accum Depreciation	31.5	34.6	--
Net Property	191.6	211.4	216.1
Other	12.6	21.7	22.0
Total Assets	211.0	240.4	245.4
LIABILITIES ($mill.)			
Accts Payable	3.2	2.0	2.4
Debt Due	15.0	8.7	2.7
Other	3.2	3.5	4.1
Current Liab	21.4	14.2	9.2

LONG-TERM DEBT AND EQUITY as of 3/31/09

Total Debt $94.5 mill. Due In 5 Yrs. NA
LT Debt $91.8 mill.
Including Cap. Leases NA
(57% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability $9.8 mill. in '08 vs. $4.0 mill. in '07

Pfd Stock None Pfd Div'd Paid None

Common Stock 11,407,184 shares
(43% of Cap'l)

INDUSTRY: Water Utility

BUSINESS: The York Water Company engages in the impounding, purification, and distribution of water in York County and Adams County, Pennsylvania. The company supplies water for residential, commercial, industrial, and other customers. It has two reservoirs, Lake Williams, which is 700 feet long and 58 feet high, and creates a reservoir covering approximately 165 acres containing about 870 million gallons of water; and Lake Redman, which is 1,000 feet long and 52 feet high and creates a reservoir covering approximately 290 acres containing about 1.3 billion gallons of water. The company also has a 15-mile pipeline from the Susquehanna River to Lake Redman that provides access to an additional supply of water. As of December 31, 2008, the company served approximately 176,000 residential, commercial, industrial, and other customers in 39 municipalities in York County and seven municipalities in Adams County. As of June 29, it was added to the broad-market Russell 3000 Index. Has 110 employees. C.E.O. & President: Jeffrey R. Hines. Inc.: PA. Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: http://www.yorkwater.com. *M.W.*

July 24, 2009

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 6/30/2009

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
25.09%	29.15%	9.33%	5.77%	45.02%

AGL RESOURCES NYSE-AGL

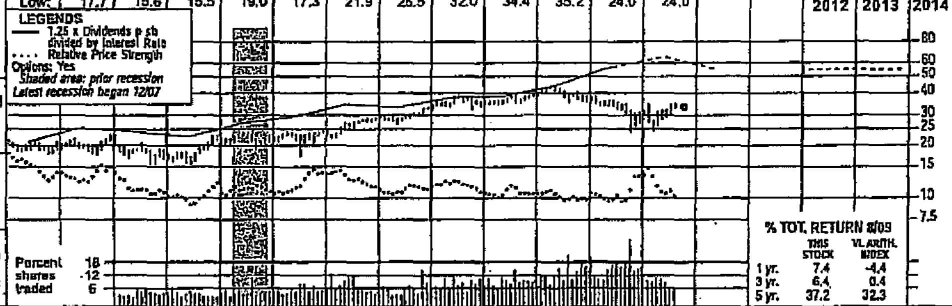
RECENT PRICE 33.35 | P/E RATIO 13.1 (Trailing: 10.9; Median: 14.0) | RELATIVE P/E RATIO 0.81 | DIV'D YLD 5.2% | VALUE LINE

High:	23.4	23.4	23.2	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1	35.0
Low:	17.7	15.6	16.5	19.0	17.3	21.9	26.5	32.0	34.4	35.2	24.0	24.0

TIMELINESS 3 Lowered 6/12/09
SAFETY 2 New 7/27/90
TECHNICAL 5 Lowered 9/11/09
BETA .75 (1.00 = Market)

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07

Target Price Range 2012 | 2013 | 2014



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+65%)	17%
Low	40	(+20%)	10%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	1	0	2	0	0	1	0
to Sell	0	3	1	0	1	0	0	2	0

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	107	110	124
to Sell	111	107	96
Hld's(000)	46113	45714	46662

Percent shares traded 18 12 6

% TOT. RETURN 8/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.4	-4.4
3 yr.	6.4	0.4
5 yr.	37.2	32.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	32.20	34.50	Revenues per sh A	38.80
2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	4.70	4.95	"Cash Flow" per sh	5.40
1.08	1.17	1.33	1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.70	2.90	Earnings per sh A B	3.30
1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.68	1.72	1.76	Div'ds Decl'd per sh C■	1.88
2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	5.15	5.30	Cap'l Spending per sh	5.60
9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	23.10	23.40	Book Value per sh D	23.55
49.72	50.88	55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	78.00	79.00	Common Shs Outst'g E	85.00
17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	Bold figures are	Value Line	Avg Ann'l P/E Ratio	15.0
1.08	.99	.84	.86	.85	.72	1.22	.88	.75	.69	.71	.69	.76	.73	.78	.74	estimates		Relative P/E Ratio	1.00
5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.6%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%			Avg Ann'l Div'd Yield	3.8%

CAPITAL STRUCTURE as of 6/30/09
Total Debt $2093.0 mill. Due in 5 Yrs $962.0 mill.
LT Debt $1675.0 mill. LT Interest $90.0 mill.
(Total interest coverage: 3.9x)

Leases, Uncapitalized Annual rentals $30.0 mill.
Pension Assets-12/08 $242.0 mill.
Oblig. $442.0 mill.

Pfd Stock None

Common Stock 77,278,942 shs.
as of 7/24/09
MARKET CAP: $2.6 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
1068.6	607.4	1049.3	868.9	983.7	1832.0	2718.0	2621.0	2494.0	2800.0	2510	2725	Revenues ($mill) A	3300
52.1	71.1	82.3	103.0	132.4	153.0	193.0	212.0	211.0	207.6	155	160	Net Profit ($mill)	180
33.1%	34.3%	40.7%	36.0%	35.9%	37.0%	37.7%	37.6%	37.6%	40.5%	35.0%	38.0%	Income Tax Rate	38.0%
4.9%	11.7%	7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	8.5%	7.4%	6.4%	6.4%	Net Profit Margin	5.5%
45.3%	45.9%	61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	50.3%	48.0%	45.0%	Long-Term Debt Ratio	43.0%
49.2%	48.3%	38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	49.7%	52.0%	55.0%	Common Equity Ratio	57.0%
1345.8	1266.2	1735.3	1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	3327.0	3475	3350	Total Capital ($mill)	3500
1598.9	1637.5	2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	3566.0	3816.0	4000	4150	Net Plant ($mill)	4400
5.7%	7.4%	6.5%	8.1%	8.9%	6.3%	7.9%	8.0%	7.7%	7.4%	7.5%	8.0%	Return on Total Cap'l	9.0%
7.1%	10.2%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	11.5%	12.5%	Return on Shr. Equity	14.0%
7.9%	11.5%	12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	11.5%	12.5%	Return on Com Equity	14.0%
NMF	3.2%	4.2%	7.0%	6.8%	5.6%	6.2%	6.3%	5.3%	5.1%	4.0%	5.0%	Retained to Com Eq	6.0%
101%	72%	65%	52%	53%	49%	52%	52%	58%	60%	64%	60%	All Div'ds to Net Prof	57%

CURRENT POSITION ($MILL.)	2007	2008	6/30/09
Cash Assets	21.0	16.0	12.0
Other	1790.0	2026.0	1304.0
Current Assets	1811.0	2042.0	1316.0
Accts Payable	172.0	202.0	167.0
Debt Due	580.0	868.0	418.0
Other	893.0	915.0	696.0
Current Liab.	1645.0	1983.0	1281.0
Fix. Chg. Cov.	391%	416%	527%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	4.0%	15.5%	2.0%
"Cash Flow"	6.0%	6.5%	2.5%
Earnings	7.0%	8.5%	3.5%
Dividends	4.0%	8.0%	2.5%
Book Value	7.0%	10.0%	1.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1044	436	434	707	2621
2007	973	467	369	685	2494
2008	1012	444	539	805	2800
2009	995	377	440	698	2510
2010	1020	450	480	775	2725

Calendar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.41	.25	.46	.60	2.72
2007	1.29	.40	.17	.86	2.72
2008	1.16	.30	.28	.97	2.71
2009	1.55	.26	.20	.69	2.70
2010	1.40	.30	.30	.90	2.90

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.31	.31	.31	.37	1.30
2006	.37	.37	.37	.37	1.48
2007	.41	.41	.41	.41	1.64
2008	.42	.42	.42	.42	1.68
2009	.43	.43	.43		

BUSINESS: AGL Resources Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas and Virginia Natural Gas. The utilities have more than 2.2 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in nonregulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. Franklin Resources owns 7.7% of common stock; off./dir., less than 1.0% (3/09 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

We do not expect 2009 to be a banner year for AGL Resources. The company reported healthy results in the first quarter. However, performance was less favorable in the recent interim. The Wholesale services business posted an operating loss of $11 million, while the Retail Energy Operations and Energy Investments units reported lower earnings. On the bright side, the Distribution Operations business posted moderate growth in operating earnings. This was primarily due to higher fees to marketers in Georgia for the storage of natural gas inventory and greater pipeline replacement revenues at Atlanta Gas Light. Overall, revenues and share earnings declined in the June period. Looking forward, comparisons will likely also prove unfavorable for the second half of the year. Thus, we anticipate lower revenues and relatively flat share earnings for full-year 2009.

Subsidiary Atlanta Gas Light has announced a system infrastructure investment project. This $400 million program will be completed over a 10-year period. Infrastructure improvements include upgrading the utility's distribution system and its liquefied natural gas facilities. This project will improve system reliability, increase operational flexibility, and allow Atlanta Gas Light to meet its forecasted growth objectives.

Elizabethtown Gas has modified its rate case filing. It had originally requested a $25 million rate hike, but has since lowered this amount to $17 million. The proposed increase would become effective at the beginning of 2010. Meanwhile, Atlanta Gas Light has requested to postpone a rate case filing, which had originally been scheduled for November 1st of this year. However, it does plan to file sometime after that (June 1, 2010 at the latest). Virginia Natural Gas and Chattanooga Gas also intend to file rate cases in 2010.

We anticipate higher revenues and share earnings at the company by 2012-2014, on better operating conditions. Moreover, AGL has a healthy dividend yield and earns high marks for Safety, Price Stability, and Earnings Predictability. **From the present quotation, this issue features decent risk-adjusted total return potential.**

Michael Napoli, CPA *September 11, 2009*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, ($0.83); '99, $0.39; '00, $0.13; '01, $0.13; '03, ($0.07); '08, $0.13. Next earnings report due late October. (C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. In 2008: $418 million, $5.44/share.
(E) In millions.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	90

ATMOS ENERGY CORP. NYSE-ATO

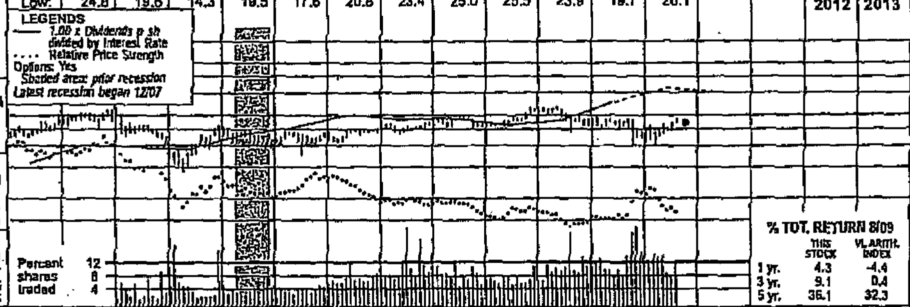
RECENT PRICE 27.06 | P/E RATIO 12.1 (Trailing: 11.9, Median: 16.0) | RELATIVE P/E RATIO 0.75 | DIV'D YLD 5.0% | VALUE LINE

High:	32.3	33.0	26.3	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3	28.6
Low:	24.8	19.6	14.3	19.5	17.6	20.8	23.4	25.0	25.5	23.8	19.7	20.1

Target Price Range 2012 | 2013 | 2014

TIMELINESS 3 Lowered 9/11/09
SAFETY 2 Raised 12/16/05
TECHNICAL 4 Lowered 9/4/09
BETA .65 (1.00 = Market)

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
···· Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+50%)	14%
Low	30	(+10%)	7%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	1	0	0	0	1	0	0	0
Options	0	0	0	0	1	0	0	0	0
to Sell	0	1	1	0	1	0	0	0	0

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	141	108	107
to Sell	103	122	115
Hld's(000)	53578	53874	54285

Percent shares traded 12 8 4

% TOT. RETURN 8/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	4.3	-4.4
3 yr.	9.1	0.4
5 yr.	36.1	32.3

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
22.09	26.61	35.36	22.82	54.39	46.50	61.75	75.27	66.03	79.52	54.25	68.45	Revenues per sh A	86.35
2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.26	4.14	4.19	4.40	4.55	"Cash Flow" per sh	4.80
.81	1.03	1.47	1.45	1.71	1.58	1.72	2.00	1.94	2.00	2.10	2.20	Earnings per sh A B	2.60
1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	Div'ds Decl'd per sh C ■	1.40
3.53	2.36	2.77	3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.50	5.75	Cap'l Spending per sh	6.60
12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.16	22.01	22.60	24.10	24.40	Book Value per sh	25.90
31.25	31.95	40.79	41.68	51.48	62.80	80.54	81.74	89.33	90.81	92.50	93.50	Common Shs Outst'g D	110.00
33.0	18.9	15.6	15.2	13.4	15.9	18.1	13.5	15.9	13.6	Bold figures are	Value Line estimates	Avg Ann'l P/E Ratio	14.0
1.88	1.23	.80	.83	.76	.84	.86	.73	.84	.84			Relative P/E Ratio	.95
4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.8%			Avg Ann'l Div'd Yield	4.0%
690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	5020	6400	Revenues ($mill) A	9500
25.0	32.2	56.1	59.7	79.5	86.2	135.8	162.3	170.5	180.3	195	205	Net Profit ($mill)	275
35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	35.0%	37.0%	Income Tax Rate	40.5%
3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.9%	3.2%	Net Profit Margin	3.0%
50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	50.0%	50.5%	Long-Term Debt Ratio	49.0%
50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.0%	49.5%	Common Equity Ratio	51.0%
755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4430	4580	Total Capital ($mill)	5800
965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4365	4675	Net Plant ($mill)	5850
5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	6.0%	6.0%	Return on Total Cap'l	6.0%
6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.0%	9.0%	9.0%	Return on Shr. Equity	9.5%
6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.0%	9.0%	9.0%	Return on Com Equity	9.5%
NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	3.5%	3.5%	Retained to Com Eq	4.0%
NMF	112%	79%	82%	70%	77%	73%	63%	65%	65%	63%	61%	All Div'ds to Net Prof	56%

CAPITAL STRUCTURE as of 6/30/09
Total Debt $2169.5 mill. Due in 5 Yrs $1360.0 mill.
LT Debt $2169.4 mill. LT Interest $115.0 mill.
(LT interest earned: 2.9x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals $18.4 mill.
Pfd Stock None
Pension Assets-9/08 $341.4 mill. Oblig. $337.6 mill.
Common Stock 92,272,478 shs. as of 7/31/09
MARKET CAP: $2.5 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2007	2008	6/30/09
Cash Assets	60.7	46.7	125.7
Other	1008.2	1238.4	670.3
Current Assets	1068.9	1285.1	796.0
Accts Payable	355.3	395.4	222.0
Debt Due	154.4	351.3	.1
Other	410.0	460.4	422.2
Current Liab.	919.7	1207.1	644.3
Fix. Chg. Cov.	405%	450%	446%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	9.5%	14.5%	3.0%
"Cash Flow"	3.5%	5.5%	2.5%
Earnings	2.5%	6.0%	4.0%
Dividends	2.5%	1.5%	1.5%
Book Value	6.6%	7.5%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	2283.8	2033.8	863.2	971.6	6152.4
2007	1602.5	2075.8	1218.2	1002.0	5898.4
2008	1657.5	2484.0	1639.1	1440.7	7221.3
2009	1716.3	1821.4	780.8	701.5	5020
2010	1465	2435	1345	1155	6400

Fiscal Year Ends	EARNINGS PER SHARE A B E Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	.86	1.10	d.22	.25	2.00
2007	.97	1.20	d.15	d.05	1.94
2008	.82	1.24	d.07	.02	2.00
2009	.83	1.29	.02	d.04	2.10
2010	.90	1.35	d.04	d.01	2.20

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.31	.31	.31	.315	1.25
2006	.315	.315	.315	.32	1.27
2007	.32	.32	.32	.325	1.29
2008	.325	.325	.325	.33	1.31
2009	.33	.33	.33		

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to 3.2 million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined 2008 gas volumes: 293 MMcf. Breakdown: 56%, residential; 32%, commercial; 7%, industrial; and 5% other. 2008 depreciation rate 3.5%. Has around 4,560 employees. Officers and directors own approximately 1.9% of common stock (12/08 Proxy). Chairman and Chief Executive Officer: Robert W. Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy's core natural gas utility has generated healthy earnings of late. That is largely because of *an increase in rates*, primarily for the Mid-Tex, Louisiana, and West Texas divisions. But throughput is being constrained some by diminished consumption from residential and commercial customers (reflecting difficult economic conditions).

The pipeline and storage, and regulated transmission and storage units are performing nicely, as well. The former segment is enjoying expanded margins arising from gains from the settlement of financial positions associated with storage and trading activities. Meanwhile, *results for the regulated transmission and* storage operation are being boosted by higher transportation fees on *through-system deliveries, due to favorable market* conditions.

It appears that consolidated share net will advance around 5%, to $2.10, in fiscal 2009 (which ends September 30th). Assuming further expansion in operating margins, the bottom line may increase at a similar rate, to $2.20 a share, the following fiscal year.

Finances are in order. An acquisition caused a mid-decade rise in the debt ratio. *But the company has whittled that figure* back to normal, if at the cost of some dilution from stock issuances. A reduced level of *uncollectible accounts*, owing to lower gas prices, is another plus these days.

We believe that more steady, though unexciting, profit growth is in store for the company over the next 3 to 5 years. The utility is one of the country's biggest natural gas-only distributors, currently serving customers across 12 states. What is more, the unregulated segments, especially pipelines, possess healthy overall prospects. Excluding future acquisitions, annual share-net gains may be in the mid-single-digit range over 2012-2014.

On a risk-adjusted basis, these good-quality shares offer decent total return potential. The dividend yield is appealing, compared to others in the *Value Line* Natural Gas Utility universe. Future hikes in the payout, though likely to be gradual, as in previous years, should be well covered *by earnings*. Meanwhile, the stock is ranked 3 (Average) for Timeliness.

Frederick L. Harris, III September 11, 2009

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '99, d23¢; '00, 12¢; '03, d17¢; '06, d18¢; '07, d2¢; Q2 '09, 12¢. Next egs. rpt. due early Nov. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	85

DELTA NAT. GAS NDQ--DGAS

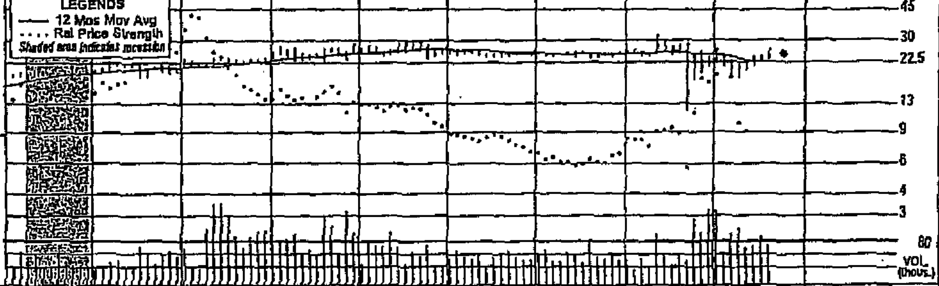
RECENT PRICE 25.00 | TRAILING P/E RATIO 15.0 | RELATIVE P/E RATIO 0.96 | DIV'D YLD 5.2% | VALUE LINE

RANKS										
High	20.99	23.08	24.10	28.75	30.00	26.82	26.08	32.19	26.66	High
Low	17.69	18.50	21.00	22.02	23.60	24.11	23.50	11.70	18.46	Low

PERFORMANCE 4 Below Average
Technical 4 Below Average
SAFETY 2 Above Average
BETA .65 (1.00 = Market)

LEGENDS
— 12 Mos Mov Avg
.... Rel Price Strength
Shaded area indicates recession

Financial Strength B+
Price Stability 95
Price Growth Persistence 55
Earnings Predictability 70



© VALUE LINE PUBLISHING, INC.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/2011
SALES PER SH	28.36	22.11	21.59	24.74	26.06	36.01	29.96	34.18	–	
"CASH FLOW" PER SH	3.08	3.16	2.65	2.65	2.86	2.94	3.19	3.49	–	
EARNINGS PER SH	1.47	1.45	1.49	1.20	1.55	1.55	1.62	2.08	1.65[A,B]	1.80[C]/NA
DIV'DS DECL'D PER SH	1.14	1.16	1.16	1.18	1.18	1.20	1.22	1.24	–	
CAP'L SPENDING PER SH	2.83	3.72	2.90	2.80	1.65	2.39	2.47	1.69	–	
BOOK VALUE PER SH	13.12	13.51	14.49	15.26	15.73	16.16	16.61	17.48	–	
COMMON SHS OUTST'G (MILL)	2.50	2.53	3.17	3.20	3.23	3.26	3.28	3.30	–	
AVG ANN'L P/E RATIO	12.3	14.1	14.5	20.1	18.8	16.9	15.5	12.3	15.2	13.9/NA
RELATIVE P/E RATIO	.63	.77	.83	1.06	.89	.91	.82	.74	–	
AVG ANN'L DIV'D YIELD	6.3%	5.7%	5.5%	4.9%	4.5%	4.6%	4.9%	4.9%	–	
SALES ($MILL)	70.8	55.9	68.4	79.2	84.2	117.3	98.2	112.7	–	*Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.*
OPERATING MARGIN	23.2%	29.3%	24.7%	21.2%	21.9%	16.2%	20.4%	19.6%	–	
DEPRECIATION ($MILL)	4.0	4.4	4.5	4.7	4.3	4.6	5.2	4.7	–	
NET PROFIT ($MILL)	3.6	3.6	3.9	3.8	5.0	5.0	5.3	6.8	–	
INCOME TAX RATE	38.0%	38.2%	38.0%	38.1%	38.3%	36.6%	37.3%	37.8%	–	
NET PROFIT MARGIN	5.1%	6.5%	5.8%	4.8%	5.9%	4.3%	5.4%	6.1%	–	
WORKING CAP'L ($MILL)	d12.6	d15.3	d.2	d.7	.9	4.6	5.1	8.2	–	
LONG-TERM DEBT ($MILL)	49.3	48.6	53.4	53.0	52.7	58.8	58.6	58.3	–	
SHR. EQUITY ($MILL)	32.8	34.2	45.9	48.8	50.8	52.6	54.4	57.6	–	
RETURN ON TOTAL CAP'L	6.7%	6.6%	5.9%	5.6%	6.7%	6.7%	6.3%	7.5%	–	
RETURN ON SHR. EQUITY	11.1%	10.6%	8.6%	7.9%	9.8%	9.5%	9.7%	11.9%	–	
RETAINED TO COM EQ	2.5%	2.1%	1.6%	.2%	2.4%	2.1%	2.4%	4.8%	–	
ALL DIV'DS TO NET PROF	78%	80%	81%	98%	76%	77%	75%	60%	–	

[A]No. of analysts changing earn. est. in last 29 days: 0 up, 0 down, consensus 5-year earnings growth 3.0% per year. [B]Based upon one analyst's estimate. [C]Based upon one analyst's estimate.

ANNUAL RATES of change (per share)	5 Yrs.	1 Yr.
Sales	7.0%	14.0%
"Cash Flow"	1.5%	9.5%
Earnings	3.5%	28.5%
Dividends	1.0%	1.5%
Book Value	4.0%	6.0%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
06/30/07	13.1	28.4	41.0	15.7	98.2
06/30/08	12.4	29.3	48.4	22.6	112.7
06/30/09	18.1	34.0	43.2		
06/30/10					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
06/30/06	d.18	.89	1.03	d.19	1.55
06/30/07	d.16	.73	1.12	d.07	1.62
06/30/08	d.25	.75	1.65	d.07	2.08
06/30/09	.08	.37	1.29		
06/30/10					

Calendar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2006	.30	.30	.305	.305	1.21
2007	.305	.305	.31	.31	1.23
2008	.31	.31	.32	.32	1.26
2009	.32	.32	.325		

INSTITUTIONAL DECISIONS	4Q'08	1Q'09	2Q'09
to Buy	8	8	9
to Sell	9	9	9
Hld's(000)	526	615	568

ASSETS ($mill.)	2007	2008	3/31/09
Cash Assets	.2	.3	.8
Receivables	7.4	11.4	15.3
Inventory (Avg cost)	12.4	15.0	7.5
Other	5.6	7.3	4.8
Current Assets	25.6	34.0	28.5
Property, Plant & Equip, at cost	187.1	192.1	--
Accum Depreciation	64.8	67.7	--
Net Property	122.3	124.4	128.3
Other	12.5	12.4	14.2
Total Assets	160.4	170.8	171.0
LIABILITIES ($mill.)			
Accts Payable	10.3	12.2	4.1
Debt Due	5.4	8.0	11.9
Other	4.7	5.6	6.9
Current Liab	20.4	25.8	22.9

LONG-TERM DEBT AND EQUITY
as of 3/31/09

Total Debt $69.6 mill. Due in 5 Yrs. NA
LT Debt $57.7 mill.
Including Cap. Leases NA
(49% of Cap'l)
Leases, Uncapitalized Annual rentals NA

Pension Liability None in '08 vs. $1.7 mill. in '07

Pfd Stock None Pfd Div'd Paid None

Common Stock 3,313,275 shares
(51% of Cap'l)

INDUSTRY: Natural Gas (Div.)

BUSINESS: Delta Natural Gas Company, Inc., through its subsidiaries, engages in the sale, distribution, or transportation of natural gas to approximately 38,000 retail customers on its distribution system in central and southeastern Kentucky. It also owns and operates an underground storage field and transports gas to other pipeline systems. In addition, the company buys gas and resells it to industrial or other large use customers, as well as to customers not on Delta's system. Further, it owns and operates production properties and undeveloped acreage. Delta Natural Gas Company primarily serves residential, commercial, and industrial customers, including 8,000 customers in Nicholasville, 6,000 customers in Corbin, and 4,000 customers in Berea. Has 158 employees. Chairman, C.E.O. & President: Glenn R. Jennings. Inc.: KY. Address: 3617 Lexington Road, Winchester, KY 40391. Tel.: (859) 744-6171. Internet: http://www.deltagas.com.

L.Y.

September 11, 2009

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 8/31/2009

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
16.14%	23.98%	-1.97%	19.91%	25.72%

LACLEDE GROUP NYSE-LG

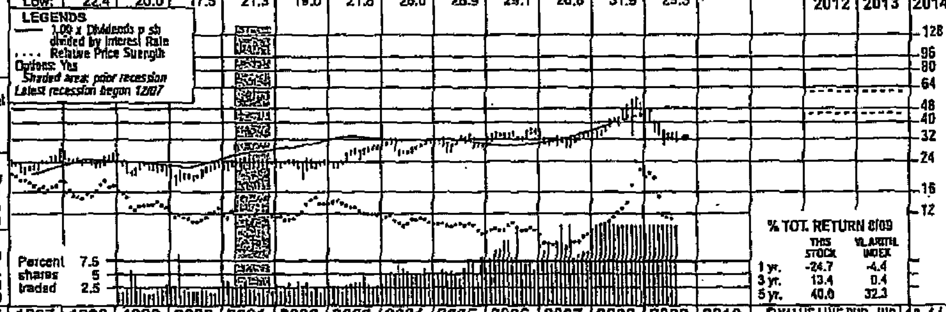
RECENT PRICE 32.61 | P/E RATIO 13.8 (Trailing: 10.9; Median: 15.0) | RELATIVE P/E RATIO 0.86 | DIV'D YLD 4.8% | VALUE LINE

TIMELINESS 3 Lowered 5/22/09
SAFETY 2 Raised 6/20/03
TECHNICAL 5 Lowered 9/4/09
BETA .60 (1.00 = Market)

High:	27.9	27.0	24.8	25.5	25.0	30.0	32.5	34.3	37.5	36.0	55.8	48.3		
Low:	22.4	20.0	17.5	21.3	19.0	21.8	26.0	26.9	29.1	28.8	31.9	29.3		

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+85%)	19%
Low	45	(+40%)	12%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	2	1
Options	0	6	0	0	0	0	0	0	0
to Sell	0	6	0	0	0	0	0	1	0

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	73	70	71
to Sell	86	81	81
Hld's(000)	11494	11043	10569

% TOT. RETURN 8/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-24.7	-4.4
3 yr.	13.4	0.4
5 yr.	40.0	32.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
32.33	33.43	24.79	31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	88.90	91.30	Revenues per sh	111.65
2.81	2.65	2.55	3.29	3.32	3.02	2.58	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.90	4.50	"Cash Flow" per sh	5.40
1.61	1.42	1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.16	1.82	1.82	1.90	2.37	2.31	2.64	2.95	2.60	Earnings per sh A B	3.00
1.22	1.22	1.24	1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	1.53	1.67	Div'ds Decl'd per sh C■	1.70
2.62	2.50	2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.55	2.60	Cap'l Spending per sh	3.40
12.19	12.44	13.05	13.72	14.28	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.65	23.55	Book Value per sh D	28.05
15.59	15.67	17.42	17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.50	23.00	Common Shs Outst'g E	26.00
13.5	18.4	15.5	11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	18.2	13.6	14.2	14.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	17.5
.80	1.08	1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.88	.73	.75	.89			Relative P/E Ratio	1.15
5.6%	5.3%	6.3%	5.8%	5.6%	5.4%	5.8%	6.8%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%			Avg Ann'l Div'd Yield	3.2%
						491.6	568.1	1002.1	755.2	1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	2000	2100	Revenues ($mill) A	2900
						26.9	26.0	30.5	22.4	34.6	36.1	40.1	50.5	49.8	57.6	65.0	60.0	Net Profit ($mill)	80.0
						35.5%	35.2%	32.7%	35.4%	35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	35.5%	35.0%	Income Tax Rate	35.0%
						5.5%	4.6%	3.0%	3.0%	3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	3.3%	2.9%	Net Profit Margin	2.8%
						41.8%	45.2%	49.5%	47.5%	50.4%	51.6%	48.1%	49.5%	45.3%	44.4%	42.5%	45.0%	Long-Term Debt Ratio	47.0%
						57.8%	54.6%	50.2%	52.3%	49.4%	48.3%	51.8%	50.4%	54.6%	55.5%	57.5%	55.0%	Common Equity Ratio	53.0%
						488.6	519.2	574.1	546.6	605.0	737.4	707.9	798.9	784.5	876.1	925	985	Total Capital ($mill)	1375
						519.4	575.4	602.5	594.4	621.2	646.9	679.5	763.8	793.8	823.2	865	915	Net Plant ($mill)	1250
						7.1%	6.7%	6.9%	6.0%	7.4%	6.6%	7.6%	8.4%	6.5%	8.1%	8.5%	7.5%	Return on Total Cap'l	7.0%
						9.5%	9.1%	10.5%	7.8%	11.5%	10.1%	10.9%	12.5%	11.6%	11.8%	12.0%	11.0%	Return on Shr. Equity	11.0%
						9.5%	9.1%	10.5%	7.8%	11.6%	10.1%	10.9%	12.5%	11.6%	11.8%	12.0%	11.0%	Return on Com Equity	11.0%
						1.0%	2%	1.8%	NMF	3.1%	2.7%	3.1%	5.1%	4.3%	5.2%	6.0%	4.5%	Retained to Com Eq	5.0%
						89%	98%	83%	113%	74%	73%	72%	59%	63%	56%	53%	60%	All Div'ds to Net Prof	55%

CAPITAL STRUCTURE as of 6/30/09
Total Debt $522.2 mill. Due in 5 Yrs $90.0 mill.
LT Debt $389.2 mill. LT Interest $25.0 mill.
(Total interest coverage: 3.0x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/08 $248.3 mill. Oblig. $308.7 mill.

Pfd Stock None
Common Stock 22,167,303 shs. as of 7/31/09

MARKET CAP: $725 million (Small Cap)

CURRENT POSITION ($MILL.)	2007	2008	6/30/09
Cash Assets	52.7	14.9	89.1
Other	414.6	547.0	283.6
Current Assets	467.3	561.9	372.7
Accts Payable	106.8	159.6	79.3
Debt Due	251.6	216.1	133.0
Other	115.3	103.5	87.8
Current Liab.	473.7	479.2	300.1
Fix. Chg. Cov.	282%	377%	370%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	11.5%	14.0%	2.5%
"Cash Flow"	2.0%	6.5%	5.5%
Earnings	3.5%	9.5%	3.5%
Dividends	1.0%	1.5%	2.5%
Book Value	3.5%	5.5%	5.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	669.2	708.8	330.6	269.0	1997.6
2007	539.6	700.8	457.9	323.3	2021.6
2008	504.0	747.7	505.5	451.8	2209.0
2009	674.3	659.1	309.9	356.7	2000
2010	530	570	520	480	2100

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	1.23	1.05	.13	d.04	2.37
2007	.89	.97	.43	.03	2.31
2008	.99	1.39	.41	d.14	2.64
2009	1.42	1.40	.31	d.18	2.95
2010	1.03	1.21	.38	d.02	2.60

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.34	.345	.345	.345	1.38
2006	.345	.355	.355	.355	1.41
2007	.365	.365	.365	.365	1.46
2008	.375	.375	.375	.375	1.50
2009	.385	.385	.385		

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. *Has roughly 630,000 customers. Purchased SM&P Utility Re*sources, 1/02; divested, 3/08. Therms sold and transported in fiscal 2008: 1.08 mill. Revenue mix for regulated operations: residential, 62%; *commercial and industrial,* 24%; transportation, 1%; other, 13%. Has around 1,807 employees. Officers and directors own approximately 7.2% of common shares (1/09 proxy). Chairman, Chief Executive Officer, and President: Douglas H. Yaeger. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

It appears that Laclede Group will generate record earnings in fiscal 2009, which ends on September 30th. The non-regulated gas marketing unit, Laclede Energy Resources, is enjoying a healthy rise in volumes. That has been brought about by significantly increased pipeline capacity and expanded margins on sales of natural gas (reflecting a drop in natural gas prices). Unfortunately, the utility, Laclede Gas, has not performed up to par of late, *stemming partly* from a rise in operational expenses. Furthermore, last year's results included certain previously *unrecognized tax benefits* (which amounted to about $0.07 a share). Nevertheless, consolidated share net may well advance about *12%, to $2.95 a share,* in fiscal 2009.

But fiscal 2010 may be a down year, when measured against the strong profits we anticipate for this year. Moreover, the benefit of sharply lower natural gas prices may not be repeatable.

The company's 3- to 5-year prospects look unspectacular. Annual customer growth for the natural gas distribution unit has been only around 1% for some time, and it appears that trend will continue. This is because the service territory, based in eastern Missouri, is in a mature phase. Laclede Energy Resources has promising expansion possibilities, given its proximity to existing and planned pipelines, as well as opportunities from shale development. But that segment has contributed just a small portion to total profits on a historical basis. A major acquisition could help to offset this, but it appears that such plans are not on management's agenda at this juncture. Consequently, annual earnings-per-share growth *could range only between 4% and 5% out* to 2012-2014.

Income-oriented accounts may find the dividend yield modestly appealing. Further increases in the payout will probably be gradual, however. That is *largely because of Laclede Gas' unexciting* expansion prospects.

Total return potential over the 3- to 5-year horizon looks unexciting, based on the stock's current quotation and assuming minimal growth in the distribution.

Frederick L. Harris, III September 11, 2009

(A) Fiscal year ends Sept. 30th.
(B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late Oct.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Incl. deferred charges. In '08: $340.4 mill., $15.48/sh.
(E) In millions.
(F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	85

N.W. NAT'L GAS NYSE-NWN

RECENT PRICE 41.94 | P/E RATIO 14.7 (Trailing: 15.5 / Median: 16.0) | RELATIVE P/E RATIO 0.91 | DIV'D YLD 4.0% | VALUE LINE

TIMELINESS 3 Lowered 7/24/09
SAFETY 1 Raised 3/18/05
TECHNICAL 4 Lowered 9/4/09
BETA .60 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	30.8	27.9	27.5	26.8	30.7	31.3	34.1	39.6	43.7	52.8	55.2	46.1
Low:	24.3	19.5	17.8	21.7	23.5	24.0	27.5	32.4	32.8	39.8	37.7	37.7

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

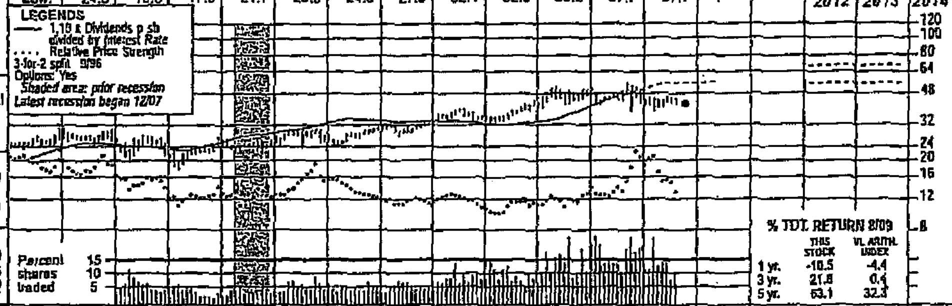
	Price	Gain	Ann'l Total Return
High	70	(+65%)	16%
Low	55	(+30%)	10%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	2	0	0	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	2	0	1	0	0	0	1	1

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	82	67	76
to Sell	83	93	69
Hld's(000)	14907	15126	15387



% TOT. RETURN 8/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-10.5	-4.4
3 yr.	21.8	0.4
5 yr.	63.1	32.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC	12-14
18.15	18.30	18.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	39.60	41.60	Revenues per sh	48.20
3.74	3.50	3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	6.60	5.85	"Cash Flow" per sh	6.75
1.74	1.63	1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.66	2.11	2.35	2.76	2.57	2.85	2.85	Earnings per sh A	3.45
1.17	1.17	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	Div'ds Decl'd per sh B■	2.00
3.61	4.23	3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	4.50	4.50	Cap'l Spending per sh	4.50
13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.68	19.52	20.64	21.28	22.01	22.52	23.71	24.90	26.10	Book Value per sh	30.50
19.77	20.13	22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.50	26.50	Common Shs Outst'g C	28.00
12.9	13.0	12.9	11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	Bold figures are		Avg Ann'l P/E Ratio	18.0
.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.11	Value Line		Relative P/E Ratio	1.20
5.2%	5.5%	5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	estimates		Avg Ann'l Div'd Yield	3.2%

CAPITAL STRUCTURE as of 6/30/09
Total Debt $677.6 mill. Due in 5 Yrs $173.8 mill.
LT Debt $587.0 mill. LT Interest $37.0 mill.

(Total interest coverage: 4.0x)

Pension Assets-12/08 $163 mill.
Oblig. $281 mill.
Pfd Stock None

Common Stock 26,513,188 shares
as of 7/31/09
MARKET CAP $1.1 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
455.8	532.1	650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1025	1125	Revenues ($mill)	1350
44.9	47.8	50.2	43.8	46.0	50.6	58.1	65.2	74.5	68.5	75.5	75.5	Net Profit ($mill)	96.5
35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	37.0%	37.0%	Income Tax Rate	37.0%
9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.3%	6.7%	Net Profit Margin	7.2%
46.0%	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47%	47%	Long-Term Debt Ratio	47%
49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	53%	53%	Common Equity Ratio	53%
851.5	887.8	880.5	937.3	1005.6	1052.5	1108.4	1116.5	1106.8	1140.4	1180	1225	Total Capital ($mill)	1400
895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1600	1660	Net Plant ($mill)	1900
6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	8.0%	8.0%	Return on Total Cap'l	8.0%
9.7%	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.0%	11.0%	Return on Shr. Equity	11.0%
9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.0%	11.0%	Return on Com Equity	11.0%
2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	4.5%	4.5%	Retained to Com Eq	4.5%
74%	70%	67%	79%	72%	69%	63%	59%	52%	59%	56%	59%	All Div'ds to Net Prof	58%

CURRENT POSITION ($MILL.)	2007	2008	6/30/09
Cash Assets	6.1	6.9	31.1
Other	268.8	474.1	241.3
Current Assets	274.9	481.0	272.4
Accts Payable	119.7	94.4	50.1
Debt Due	148.1	248.0	90.6
Other	122.1	208.9	148.8
Current Liab.	389.9	551.3	289.5
Fix. Chg. Cov.	408%	393%	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	9.0%	9.0%	4.0%
"Cash Flow"	3.5%	6.5%	4.5%
Earnings	5.0%	8.0%	5.0%
Dividends	2.0%	3.0%	5.5%
Book Value	3.5%	3.5%	6.0%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	390.4	171.0	114.9	336.9	1013.2
2007	394.1	183.2	124.2	331.7	1033.2
2008	387.7	191.3	109.7	349.2	1037.9
2009	437.4	149.4	100	338.2	1025
2010	420	215	125	365	1125

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.48	.07	d.35	1.15	2.35
2007	1.77	.10	d.22	1.11	2.76
2008	1.62	.08	d.38	1.25	2.57
2009	1.72	.12	d.31	1.32	2.85
2010	1.72	.11	d.33	1.35	2.85

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.325	.325	.325	.345	1.32
2006	.345	.345	.345	.355	1.39
2007	.355	.355	.355	.375	1.44
2008	.375	.375	.375	.395	1.52
2009	.395	.395	.395		

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 662,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 55%; commercial, 28%; industrial, gas transportation, and other, 17%. Employs 1,106. Barclays Global owns 6.6% of shares; officers and directors, 1.4% (4/09 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural's normal-looking first-half results contained some unusual elements. The company shares in either 20% or 10% of the difference between forecast natural gas costs and the actual outlays in Oregon. In this year's first half, very low gas prices led to an $11 million profit from the cost-sharing mechanism, versus a $6 million loss in the prior-year period. The profit, however, was partially offset by considerably higher operating and maintenance expenses, due partly to higher pension expense related to the decline in the stock market and bonuses due to the earnings gain. Meanwhile, the recession cost Northwest 3,000 customers in the June period, dropping its year-to-year customer increase to 0.8%.

Thus, we look for little earnings change through 2010. With natural gas prices likely to rise at least a bit next year, Northwest has opted to share in 10% of the difference between forecast and actual gas costs, likely reducing commodity cost effects. As gas prices are down, however, the company expects that residential rates will drop 15%-20% next year, raising the incentive to convert to gas heat. Moreover, the company plans to pare 50 to 100 jobs, adding to the 175 it eliminated in the last two years.

Northwest should benefit from a new union contract. Under the new five-year agreement, union members (about 60% of the workforce) received a 2.3% raise but will get just 1% more per year for years two through five, plus up to 2% for inflation. The company gains extra flexibility, and new hires will not be eligible for the defined benefit pension plan.

New projects could significantly boost earnings by the end of our time horizon. Northwest owns 75% of the Gill Ranch, CA gas storage project and will invest about $160 million in the project; it should contribute to the bottom line by 2011. The proposed Palomar pipeline would bring a second source of gas to the Portland area; its eastern section could come on line by 2013. NWN's investment would be around $200 million, plus an equal sum if the western half is built.

These top-quality shares offer decent total-return potential, suitable for conservative accounts.

Sigourney B. Romaine September 11, 2009

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03); 1Q '09, 6¢. Next earnings report due early November.

(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.

(C) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	90

PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE 24.24 | P/E RATIO 14.8 (Trailing: 15.6 Median: 18.0) | RELATIVE P/E RATIO 0.92 | DIV'D YLD 4.5% | VALUE LINE

TIMELINESS 3 Raised 6/15/07
SAFETY 2 New 7/27/90
TECHNICAL 4 Raised 7/17/09
BETA .65 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	18.1	18.3	19.7	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0
Low:	13.9	14.3	11.8	14.6	13.7	16.8	19.2	21.3	23.2	22.0	21.7	20.7

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

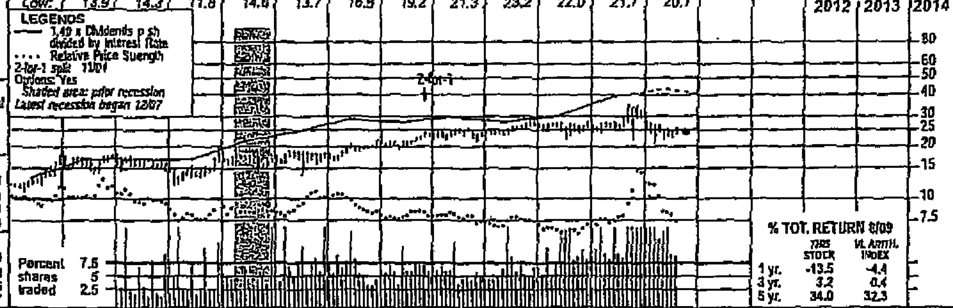
	Price	Gain	Ann'l Total Return
High	40	(+65%)	17%
Low	30	(+25%)	10%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	1	0	1	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	1	1	0	0	0	0	0

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	112	75	78
to Sell	93	123	95
Hld's(000)	33160	34611	33567



% TOT. RETURN 8/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-13.5	-4.4
3 yr.	3.2	0.4
5 yr.	34.0	32.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
10.57	10.82	8.78	11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	26.45	27.25	Revenues per sh A	30.00
1.14	1.13	1.25	1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	2.85	2.95	"Cash Flow" per sh	3.15
.73	.68	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.27	1.40	1.49	1.60	1.70	Earnings per sh B	1.90
.48	.51	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	Div'ds Decl'd per sh C■	1.23
1.58	1.95	1.72	1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	2.40	2.10	Cap'l Spending per sh	2.25
5.45	5.68	6.16	6.53	6.95	7.45	7.86	8.28	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.70	13.25	Book Value per sh D	15.05
52.30	53.15	57.67	59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.50	73.60	Common Shs Outst'g E	73.00
15.4	15.7	13.8	13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	Bold figures are	Value Line	Avg Ann'l P/E Ratio	18.0
.91	1.03	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.15	estimates		Relative P/E Ratio	1.50
4.3%	4.8%	5.4%	4.9%	4.6%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.6%	3.9%	3.8%	3.6%			Avg Ann'l Div'd Yield	3.6%
						686.5	830.4	1107.9	832.0	1220.8	1529.7	1761.1	1924.7	1711.3	2089.1	1945	2005	Revenues ($mill) A	2190
						58.2	64.0	65.5	62.2	74.4	95.2	101.3	97.2	104.4	110.0	115	125	Net Profit ($mill)	140
						39.7%	34.7%	34.6%	33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.4%	35.0%	35.0%	Income Tax Rate	35.0%
						8.5%	7.7%	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	6.1%	6.3%	Net Profit Margin	6.4%
						46.2%	46.1%	47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	47.5%	48.0%	Long-Term Debt Ratio	47.0%
						53.8%	53.9%	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	52.5%	52.0%	Common Equity Ratio	53.0%
						914.7	978.4	1069.4	1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1775	1875	Total Capital ($mill)	2075
						1047.0	1072.0	1114.7	1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2250	2300	Net Plant ($mill)	2450
						8.1%	8.3%	7.9%	7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	8.0%	8.0%	Return on Total Cap'l	8.0%
						11.6%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	12.5%	13.0%	Return on Shr. Equity	12.5%
						11.8%	12.1%	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	12.5%	13.0%	Return on Com Equity	12.5%
						3.3%	3.5%	3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.0%	4.5%	Retained to Com Eq	4.5%
						72%	71%	75%	83%	74%	68%	68%	74%	70%	69%	67%	65%	All Div'ds to Net Prof	65%

CAPITAL STRUCTURE as of 4/30/09
Total Debt $1029.0 mill. Due in 5 Yrs $150.0 mill.
LT Debt $793.5 mill. LT Interest $55.5 mill.
(LT interest earned: 4.0x; total interest coverage: 3.7x)

Pension Assets-10/08 $150.3 mill.
Oblig. $143.5 mill.

Pfd Stock None

Common Stock 72,959,779 shs.
as of 6/2/09
MARKET CAP: $1.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2007	2008	4/30/09
Cash Assets	7.5	7.0	20.7
Other	427.8	593.8	528.0
Current Assets	435.3	600.8	548.7
Accts Payable	143.6	132.3	94.0
Debt Due	195.0	436.5	235.5
Other	75.9	112.7	182.3
Current Liab.	424.5	681.5	511.8
Fix. Chg. Cov.	309%	341%	350%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	7.5%	10.0%	2.5%
"Cash Flow"	5.0%	7.0%	3.0%
Earnings	4.5%	6.5%	5.5%
Dividends	5.0%	4.5%	3.5%
Book Value	5.5%	6.0%	4.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2006	921.4	483.2	237.9	282.2	1924.7
2007	677.2	531.5	224.4	278.2	1711.3
2008	788.5	634.2	354.7	311.7	2089.1
2009	779.6	455.4	372	338	1945
2010	790	470	390	355	2005

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2006	.94	.57	d.16	d.08	1.27
2007	.94	.69	d.12	d.11	1.40
2008	1.12	.66	d.10	d.18	1.49
2009	1.10	.73	d.10	d.13	1.60
2010	1.12	.76	d.08	d.09	1.70

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.215	.23	.23	.23	.91
2006	.23	.24	.24	.24	.95
2007	.24	.25	.25	.25	.99
2008	.25	.26	.26	.26	1.03
2009	.26	.27	.27		

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 935,724 customers in North Carolina, South Carolina, and Tennessee. 2008 revenue mix: residential (39%), commercial (24%), industrial (12%), other (25%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 73.5% of revenues. '08 deprec. rate: 3.2%. Estimated plant age: 8.7 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,833 employees. Officers & directors own about 1.1% of common stock (1/09 proxy). Chairman, CEO, & President: Thomas E. Skains. Inc.: NC. Address: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas has posted a mixed bag of financial results thus far in 2009. Quarterly sales in the first half declined, year over year, as the weakened economy continued to weigh on both residential and commercial new construction activities. As a result, PNY's regulated utility segment has been experiencing declining customer growth compounded by *rising conservation practices at existing* accounts. Nonetheless, margins have been widening, thanks largely to lower natural gas costs, which have more than offset the rise in operating expenses. These trends resulted in a 10.6% hike in the April-period bottom line.

***Meantime, slumping demand has put* the brakes on many of the company's capital projects.** Management has opted to defer its pipeline infrastructure enhancement plans that were scheduled to serve the new gas-fired power generation markets of North Carolina. Moreover, construction of the liquid natural gas storage facility in Robeson County, NC has also been put off. *Current customer growth* projections in that region indicate this facility may not be necessary for a few more years. As a result, PNY is holding off on construction until 2012, with a potential *in-service date of 2015. These moves ought* to help the company conserve cash at a time when rising accounts receivable and higher delinquencies are a distinct possibility.

Still, we have raised our earnings estimates for this year and next by a nickel. *The main* culprit for the disappointing 2009 revenues can be attributed to the slumping commodity prices. This trend masks Piedmont's continued customer growth, a figure that should register at about 1%-1.5% this year. Meantime, lower gas costs should continue *to offset* the margin tightening associated with diminished volumes. Consequently, *annual earnings gains should persist.*

These neutrally ranked shares have some appeal as an income vehicle. Recovery potential for the pull to 2012-2014 is about average for a utility. But the recent dividend hike, and relative stability provided by an ever-increasing customer base, *shines a positive* light on this good-quality stock.

Bryan J. Fong *September 11, 2009*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring charge: '97, 2¢. Next earnings report due early Nov. Quarters may not add to total due to change in shares outstanding.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2008: $16.3 million, 22¢/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	90

SOUTHWEST GAS NYSE-SWX

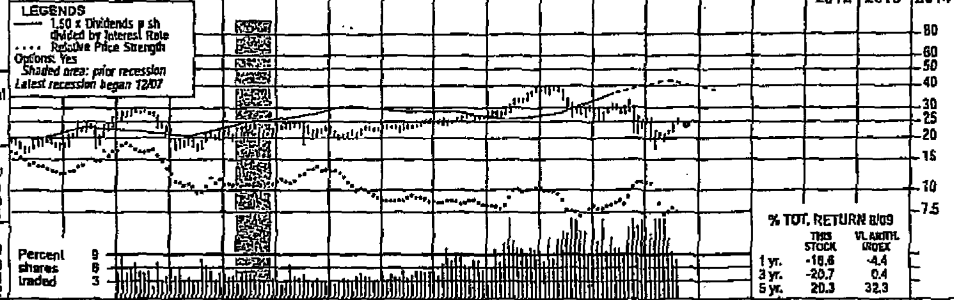
RECENT PRICE 23.98 | P/E RATIO 13.5 (Trailing: 16.3 Median: 19.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 4.1% | VALUE LINE

TIMELINESS 3 Raised 5/23/08
SAFETY 3 Lowered 1/4/91
TECHNICAL 4 Lowered 7/24/09
BETA .75 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	26.9	29.5	23.0	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	28.4
Low:	17.3	20.4	16.9	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	17.1

Target Price Range 2012 2013 2014

LEGENDS
—— 1.50 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+65%)	17%
Low	30	(+25%)	10%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	1	1	0	0	0	3	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	83	83	88
to Sell	75	71	71
Hld's(000)	32362	32859	32802

% TOT. RETURN 8/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-16.6	-4.4
3 yr.	-20.7	0.4
5 yr.	20.3	32.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
25.68	28.16	23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	39.55	41.50	Revenues per sh	52.00
3.24	5.09	2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	5.95	6.15	"Cash Flow" per sh	7.30
.63	1.22	.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.75	1.90	Earnings per sh A	2.30
.74	.80	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	.95	1.00	Div'ds Decl'd per sh B■†	1.15
5.43	6.64	6.79	8.19	8.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	5.60	5.95	Cap'l Spending per sh	7.20
15.96	16.38	14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	25.25	26.05	Book Value per sh	28.00
21.00	21.28	24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.50	47.00	Common Shs Outst'g C	50.00
26.5	14.0	NMF	69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	Bold figures are		Avg Ann'l P/E Ratio	15.0
1.57	.92	NMF	4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22	Value Line		Relative P/E Ratio	1.00
4.4%	4.7%	5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	estimates		Avg Ann'l Div'd Yield	3.3%

CAPITAL STRUCTURE as of 6/30/09

Total Debt $1228.0 mill. Due in 5 Yrs $566.1 mill.
LT Debt $1222.9 mill. LT Interest $85.0 mill.
(Total interest coverage: 2.2x)
Leases, Uncapitalized Annual rentals $6.0 mill.
Pension Assets-12/08 $342.9 mill. Oblig. $556.9 mill.
Pfd Stock None

Common Stock 44,822,466 shs. as of 7/30/09

MARKET CAP: $1.1 billion (Mid Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
936.8	1034.1	1396.7	1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	1800	1950	Revenues ($mill)	2600
39.3	38.3	37.2	38.8	38.5	58.9	48.1	80.5	83.2	61.0	80.0	90.0	Net Profit ($mill)	115
35.5%	26.2%	34.5%	32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	38.0%	38.0%	Income Tax Rate	36.0%
4.2%	3.7%	2.7%	2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	4.4%	4.6%	Net Profit Margin	4.4%
60.3%	60.2%	56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	51.0%	50.5%	Long-Term Debt Ratio	49.0%
35.5%	35.8%	39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	49.0%	49.5%	Common Equity Ratio	51.0%
1424.7	1489.9	1417.6	1748.3	1851.6	1968.6	2076.0	2287.6	2349.7	2323.3	2350	2475	Total Capital ($mill)	2750
1581.1	1668.1	1825.6	1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	3050	3150	Net Plant ($mill)	3600
4.8%	4.6%	5.1%	4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	4.5%	5.0%	5.5%	Return on Total Cap'l	6.0%
7.0%	6.5%	6.0%	5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.0%	7.5%	Return on Shr. Equity	8.0%
7.8%	7.2%	6.6%	6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.0%	7.5%	Return on Com Equity	8.0%
2.8%	2.4%	1.9%	1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	3.0%	3.5%	Retained to Com Eq	4.0%
64%	67%	71%	70%	72%	49%	65%	42%	44%	63%	54%	52%	All Div'ds to Net Prof	50%

CURRENT POSITION ($MILL.)	2007	2008	6/30/09
Cash Assets	32.0	26.4	26.8
Other	470.5	411.7	232.5
Current Assets	502.5	438.1	259.3
Accts Payable	220.7	191.4	68.0
Debt Due	47.1	62.8	5.1
Other	260.1	255.7	303.0
Current Liab.	527.9	509.9	376.1
Fix. Chg. Cov.	229%	224%	233%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	6.0%	4.5%	1.0%
"Cash Flow"	4.5%	3.5%	3.5%
Earnings	7.0%	9.0%	4.5%
Dividends	0.5%	1.0%	5.0%
Book Value	4.5%	5.0%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	676.9	430.9	351.8	565.1	2024.7
2007	793.7	426.6	371.5	560.3	2152.1
2008	813.8	447.3	374.4	509.4	2144.7
2009	689.9	387.6	275	447.5	1800
2010	730	410	310	500	1950

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1.11	.02	d.26	1.11	1.98
2007	1.17	d.01	d.22	1.01	1.95
2008	1.14	d.06	d.38	.71	1.39
2009	1.12	d.01	d.35	.99	1.75
2010	1.15	Nil	d.30	1.05	1.90

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.205	.205	.205	.205	.82
2006	.205	.205	.205	.205	.82
2007	.205	.215	.215	.215	.85
2008	.215	.225	.225	.225	.89
2009	.225	.238	.238		

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.8 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2008 margin mix: residential and small commercial, 86%; large commercial and industrial, 5%; transportation, 9%. Total throughput: 2.4 billion therms. Sold PriMerit Bank, 7/96. Has 4,732 employees. Off. & Dir. own 2.0% of common stock; T. Rowe Price Associates, Inc., 7.0%; Barclays Global Investors, 6.8%; GAMCO Investors, Inc., 6.4% (3/09 Proxy). Chairman: James J. Kropid. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89145. Telephone: 702-876-7237. Internet: www.swgas.com.

Southwest Gas reported unfavorable top-line performance for the second quarter. The recent recession stymied customer growth and resulted in lower usage. On the bright side, rate relief in Arizona and California (discussed below) supported results. Consequently, the company's share loss of $0.01 compared favorably with the prior-year tally. *Losses are common during the second and third quarters, owing to the seasonal nature of the business. Looking forward, we expect lower revenue and a normal-sized share loss for the third quarter. Earnings comparisons ought to improve in the fourth quarter, assuming a better operating environment and greater cost control. Overall, we anticipate lower revenue and higher share earnings for Southwest in full-year 2009.* Bottom-line growth may well continue next year.

The company is awaiting a rate case decision from the state of Nevada. Southwest is seeking a $30.5 million rate increase to compensate it for higher operating costs in that state. The request asks that the new rates take effect at the beginning of November. The company is also seeking an improvement in rate design. Specifically, SWX wants to implement a decoupled rate structure that would allow it more freedom in pursuing customer conservation opportunities. This follows recent prior rate case settlements in California and Arizona.

Investors should be mindful of several caveats. Warmer-than-normal temperatures during the winter months can hurt performance at Southwest Gas. In addition, the company will probably incur greater operating costs as it continues to expand, and profitability may suffer if rate relief cannot keep up with rising expenses.

The pace of customer growth should pick up in the future. That's assuming economic conditions in Southwest's service areas improve in the coming years. As a result, we anticipate higher revenues and share earnings at the company by 2012-2014. Moreover, income-oriented investors may find the stock's prospects for dividend growth attractive. But from the present quotation, this neutrally ranked equity features about-average total return potential for a utility.

Michael Napoli, CPA *September 11, 2009*

(A) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '93, 8¢; '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Incl. asset writedown: '93, 44¢. Excl. loss from disc. ops.: '95, 75¢. Totals may not sum due to rounding. Next egs. report due early November. (B) Dividends historically paid early March, June, September, December. ■† Div'd reinvestment and stock purchase plan avail. (C) In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	70

WGL HOLDINGS NYSE-WGL

RECENT PRICE 33.30 | P/E RATIO 13.2 (Trailing: 13.1 Median: 15.0) | RELATIVE P/E RATIO 0.82 | DIV'D YLD 4.4% | VALUE LINE

TIMELINESS 3 Lowered 6/5/09
SAFETY 1 Raised 4/2/93
TECHNICAL 5 Lowered 8/11/09
BETA .65 (1.00 = Market)

High:	30.8	29.4	31.5	30.5	29.5	28.8	31.4	34.8	33.6	35.9	37.1	35.5	
Low:	23.1	21.0	21.8	25.3	19.3	23.2	26.7	28.8	27.0	29.8	22.4	28.6	

Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

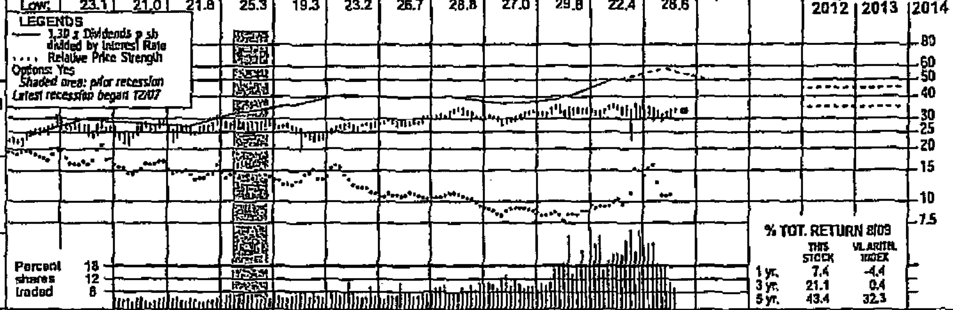
	Price	Gain	Ann'l Total Return
High	45	(+35%)	12%
Low	35	(+5%)	6%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	4	0	0	1	0	0	0	0
to Sell	0	4	0	0	4	1	0	2	0

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	94	97	85
to Sell	95	86	88
Hld's(000)	31560	30919	31333



% TOT. RETURN 8/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.4	-4.4
3 yr.	21.1	0.4
5 yr.	43.4	32.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
21.55	21.69	19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.20	54.25	Revenues per sh A	57.60
2.25	2.43	2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.89	3.89	4.34	4.40	4.45	"Cash Flow" per sh	4.70
1.31	1.42	1.45	1.65	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.10	2.44	2.50	2.55	Earnings per sh B	2.70
1.09	1.11	1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.61	Div'ds Decl'd per sh C■	1.63
2.43	2.84	2.63	2.85	3.20	3.52	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	3.00	3.00	Cap'l Spending per sh	2.50
11.04	11.51	11.95	12.79	13.46	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.85	19.83	20.99	22.00	23.05	Book Value per sh D	26.20
41.50	42.19	42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.00	50.00	Common Shs Outst'g E	50.00
15.6	14.0	12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	Bold figures are		Avg Ann'l P/E Ratio	15.0
.92	.92	.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.82	.85	Value Line		Relative P/E Ratio	1.00
5.3%	5.6%	6.1%	5.4%	5.0%	4.5%	4.6%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	estimates		Avg Ann'l Div'd Yield	4.0%
						972.1	1031.1	1446.5	1584.8	2064.2	2089.6	2188.3	2637.9	2646.0	2628.2	2660	2715	Revenues ($mill) A	2860
						68.8	84.6	89.9	55.7	112.3	98.0	104.8	96.0	102.9	122.9	125	130	Net Profit ($mill)	135
						36.0%	36.1%	39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	37.0%	37.0%	Income Tax Rate	38.0%
						7.1%	8.2%	6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	4.7%	4.8%	Net Profit Margin	4.7%
						41.5%	43.1%	41.7%	45.7%	43.8%	40.9%	39.5%	37.6%	37.9%	35.9%	36.5%	35.5%	Long-Term Debt Ratio	34.0%
						56.1%	54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	62.0%	63.0%	Common Equity Ratio	64.5%
						1218.5	1299.2	1400.8	1462.5	1454.9	1443.8	1478.1	1526.1	1625.4	1679.5	1780	1830	Total Capital ($mill)	2040
						1402.7	1460.3	1519.7	1606.8	1674.9	1915.6	1969.7	2067.9	2150.4	2208.3	2325	2420	Net Plant ($mill)	2720
						7.1%	7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	8.0%	8.0%	Return on Total Cap'l	8.0%
						9.7%	11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.5%	11.0%	Return on Shr. Equity	10.5%
						9.9%	11.7%	11.2%	7.2%	14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	12.0%	11.5%	Return on Com Equity	11.0%
						1.8%	3.7%	3.8%	NMF	6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	4.5%	4.5%	Retained to Com Eq	4.0%
						82%	69%	67%	112%	56%	85%	62%	69%	66%	57%	59%	59%	All Div'ds to Net Prof	60%

CAPITAL STRUCTURE as of 6/30/09
Total Debt $728.7 mill. Due in 5 Yrs $264.5 mill.
LT Debt $624.1 mill. LT Interest $37.4 mill.
(LT interest earned: 5.9x; total interest coverage: 5.2x)
Pension Assets-9/08 $588.2 mill. Oblig. $590.5 mill.
Preferred Stock $28.2 mill. Pfd. Div'd $1.3 mill.

Common Stock 50,141,229 shs. as of 7/31/09

MARKET CAP: $1.7 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2007	2008	6/30/09
Cash Assets	4.9	6.2	41.6
Other	568.8	736.1	553.2
Current Assets	573.7	742.3	594.8
Accts Payable	216.9	243.1	202.8
Debt Due	205.4	347.0	104.6
Other	134.8	158.4	202.1
Current Liab.	557.1	748.5	509.5
Fix. Chg. Cov.	432%	490%	500%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	8.5%	9.0%	1.5%
"Cash Flow"	3.5%	4.0%	2.5%
Earnings	2.0%	4.0%	4.0%
Dividends	1.5%	1.5%	3.0%
Book Value	4.0%	4.5%	4.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	902.9	1064.5	346.9	323.6	2637.9
2007	732.9	1119.9	467.5	325.7	2646.0
2008	751.6	1020.0	464.7	391.9	2628.2
2009	821.5	1040.9	427.0	370.6	2660
2010	830	1050	445	390	2715

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2006	.93	1.17	d.01	d.15	1.94
2007	.92	1.27	.22	d.31	2.10
2008	.96	1.66	.06	d.24	2.44
2009	1.03	1.65	.11	d.29	2.50
2010	1.04	1.66	.12	d.27	2.55

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.325	.333	.333	.333	1.32
2006	.333	.338	.338	.338	1.34
2007	.34	.34	.34	.34	1.36
2008	.34	.36	.36	.36	1.42
2009	.36	.37	.37		

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,053,032 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. American Century Inv. own 7.1% of common stock; Off./dir. less than 1% (1/09 proxy). Chrmn. & CEO: J.H. DeGraffenreidt. Inc.: D.C. and VA. Addr.: 1100 H St., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings posted a mixed bag of financial results for the off-peak June period. Top-line volumes fell approximately 8% over that time frame. This stemmed from weakness at the regulated utility segment, which has been dealing with lower natural gas consumption and some equipment cost issues. On a brighter note, the retail energy marketing division got a boost to its revenues and earnings contributions from higher natural gas and electricity margins. On the efficiency front, management has been performing well. Operating expenses declined 90 basis points versus the year-ago period. This stemmed from lower labor and benefits expenses. All told, the bottom line advanced nicely.

We look for the company to register a mid-single-digit earnings hike this year. The decent gains experienced earlier in 2009 will probably be offset by a larger share deficit in the fiscal fourth quarter. Despite the widening margins and solid performance from the retail energy and design build segments, demand at the mainstay regulated utility business may be soft. Also, the September period is historically and seasonally slow for WGL. Nonetheless, considering all that happened in the past year, the company appears to be in solid shape.

The LNG peaking facility is going to take longer than expected to be completed and put into service. That project will be used to support customer growth and maintain the pressure requirements of the distribution system in Chillum, MD. It was planned to be in service by the 2012-2013 winter heating season, but due to regulatory and legal issues, the following year is more likely.

These top-quality shares may appeal to income-oriented accounts, as they offer an attractive dividend yield. Typically, too, they proved much less volatile than the broader market during the recent turmoil. This partly stems from WGL's large government business in the DC metro area, which has been less affected by the economic downturn. These benefits are evident in the equity's top-notch Safety rank, and high mark for Price Stability. But appreciation potential is subpar for the pull to 2012-2014.

Bryan J. Fong *September 11, 2009*

(A) Fiscal years end Sept. 30th.
(B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); '07, (4¢) discontinued operations: '06, (15¢). Qtly egs. may not sum to total, due to change in shares outstanding. Next earnings report due late Oct.
(C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available.
(D) Includes deferred charges and intangibles. '08: $291.3 million, $5.81/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	80

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

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Eight AUS Utility Reports Gas Distribution Companies
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.53 %	5.53 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	0.53 (2)	0.53 (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	6.06 %	6.06 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.00 (3)	0.29 (4)
5.	Adjusted Prospective Bond Yield	6.06	6.35
6.	Equity Risk Premium (5)	5.06	4.50
7.	Risk Premium Derived Common Equity Cost Rate	11.12 %	10.85 %

Notes:
(1) Derived in Note (3) on page 6 of this Schedule.
(2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.53% from page 4 of this Schedule.
(3) No adjustment necessary as the average Moody's bond rating of the proxy group of six AUS Utility Reports water companies is A2 as shown on page 2 of this Schedule.
(4) Adjustment to reflect the A3 Moody's-Bond Rating of the proxy group of eight AUS Utility Reports natural gas distribution companies as shown on page 2 of this Schedule. The 29 basis point adjustment is derived by taking 1/3 of the spread between Baa and A Public Utility Bonds (1/3 * 0.88% = 0.29%)
(5) From page 5 of this Schedule.

Missouri-American Water Company
Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natrual Gas Distribution Companies

	Moody's Bond Rating September 2009		Standard & Poor's Bond Rating September 2009				Standard & Poor's			
	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)	Credit Rating	Numerical Weighting (1)	Business Risk Profile (2)	Numerical Weighting (1)	Financial Risk Profile (2)	Numerical Weighting (1)
Proxy Group of Six AUS Utility Reports Water Companies										
American States Water Company (3)	A2	6.0	A	6.0	A	6.0	Excellent	1.0	Intermediate	3.0
Aqua America, Inc. (4)	NR	--	AA-	4.0	A+	5.0	Excellent	1.0	Intermediate	3.0
California Water Services Group (5)	NR	--	AA-	4.0	A+	5.0	Excellent	1.0	Intermediate	3.0
Middlesex Water Co	NR	--	A	6.0	A-	7.0	Excellent	1.0	Intermediate	3.0
SJW Corporation (6)	NR	--	NR	--	NR	--	NR	--	NR	--
York Water Company (The)	NR	--	A-	7.0	A-	7.0	Excellent	1.0	Intermediate	3.0
Average	A2	6.0	A+	5.4	A	6.0	Excellent	1.0	Intermediate	3.0
Proxy Group of Eight AUS Utility Reports Gas Distribution Companies										
AGL Resources Inc (7)	A3	7.0	A-	7.0	A-	7.0	Excellent	1.0	Significant	4.0
Atmos Energy Corporation	Baa2	9.0	BBB+	8.0	BBB+	8.0	Excellent	1.0	Significant	4.0
Delta Natural Gas Company, Inc.	NR	--	NR	--	NR	--	NR	--	NR	--
Laclede Group, Inc. (The) (8)	A2	6.0	A	6.0	A	6.0	Excellent	1.0	Intermediate	3.0
Northwest Natural Gas Company	A1	5.0	AA-	4.0	AA-	4.0	Excellent	1.0	Intermediate	3.0
Piedmont Natural Gas Company	A3	7.0	A	6.0	A	6.0	Excellent	1.0	Intermediate	3.0
Southwest Gas Corp	Baa3	10.0	BBB	9.0	BBB	9.0	Excellent	1.0	Aggressive	5.0
WGL Holdings, Inc. (9)	A2	6.0	AA-	4.0	AA-	4.0	Excellent	1.0	Intermediate	3.0
Average	A3	7.1	A	6.3	A	6.0	Excellent	1.0	Significant	4.0

Notes:
(1) From page 3 of this Schedule.
(2) From Standard & Poor's Issuer Ranking: U.S. Investor-Owned Water Utilities, Strongest to Weakest, September 2, 2009 and U.S. Natural Gas Distribution and Integrated Gas Companies, Strongest to Weakest September 2, 2009.
(3) Ratings, business risk and financial risk profiles are those of Golden State Water Company
(4) Ratings, business risk and financial risk profiles are those of Aqua Pennsylvania, Inc.
(5) Ratings, business risk and financial risk profiles are those of California Water Service Company.
(6) Ratings, business risk and financial risk profiles are those of San Jose Water Company.
(7) Ratings, business risk and financial risk profiles are those of Atlanta Gas Light Company.
(8) Ratings, business risk and financial risk are those of Laclede Gas Company.
(9) Ratings, business risk and financial risk profiles are those of Washington Gas Light Company.

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

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

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond / Credit Rating
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

Business Risk Profile	Numerical Weighting	Financial Risk Profile	Numerical Weighting
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 August 2009 (1)

Months	Corporate Bonds Aaa Rated	Public Utility Bonds Aa Rated	Public Utility Bonds A Rated	Public Utility Bonds Baa Rated	Spread - Corporate v. Public Utility Bonds: Aa (Pub. Util.) over Aaa (Corp.)	Spread - Corporate v. Public Utility Bonds: A (Pub. Util.) over Aaa (Corp.)	Spread - Corporate v. Public Utility Bonds: Baa (Pub. Util.) over Aaa (Corp.)	Spread - Public Utility Bonds: A over Aa	Spread - Public Utility Bonds: Baa over A
June-09	5.61	6.13	6.20	7.30 %					
July-09	5.41	5.63	5.97	6.87					
August-09	5.26	5.33	5.71	6.36					
Average of Last 3 Months	5.43 %	5.70 %	5.96 %	6.84 %	0.27 %	0.53 %	1.41 %	0.26 %	0.88 %

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, September 2009, Vol. 76, No. 8.

Missouri-American Water Company
Judgment of Equity Risk Premium for
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natrual Gas Distribution Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Eight AUS Utility Reports Gas Distribution Companies
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.96 %	4.85 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.15	4.15
3.	Average equity risk premium	5.06 %	4.50 %

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

Missouri-American Water Company
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natrual Gas Distribution Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Eight AUS Utility Reports Gas Distribution Companies
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2008 (1)	11.70 %	11.70 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2008 (2)	(6.10)	(6.10)
3.	Historical Equity Risk Premium	5.60 %	5.60 %
4.	Forecasted 3-5 year Total Annual Market Return (3)	14.84 %	14.84 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	(5.53)	(5.53)
6.	Forecasted Equity Risk Premium	9.31 %	9.31 %
7.	Conclusion of Equity Risk Premium (5)	7.46 %	7.46 %
8.	Adjusted Value Line Beta (6)	0.80	0.65
9.	Beta Adjusted Equity Risk Premium	5.96 %	4.85 %

Notes:

(1) *From Ibbotson SBBI - 2009 Valuation Yearbook - Market Results for Stocks Bonds Bills and Inflation for 1926-2008*, Morningstar, Inc., 2009 Chicago, IL.

(2) *From Moody's Industrial Manual and Mergent Bond Record Monthly Update.*

(3) From page 3 of Schedule PMA-12.

(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 October 1, 2009 (see page 7 of this Schedule). The estimates are detailed below.

Fourth Quarter 2009	5.30 %
First Quarter 2010	5.40
Second Quarter 2010	5.40
Third Quarter 2010	5.60
Fourth Quarter 2010	5.70
First Quarter 2011	5.80
Average	5.53 %

(5) Average of the Historical Equity Risk Premium of 5.60% from Line No. 3 and the Forecasted Equity Risk Premium of 9.31% from Line No. 6 ((5.60% + 9.31%) / 2 = 7.46%).

(6) From page 9 of this Schedule.

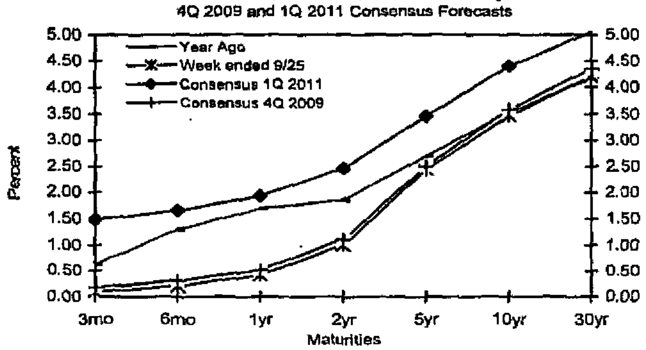
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week End				Average For Month			Latest Q*	4Q	1Q	2Q	3Q	4Q	1Q
Interest Rates	Sep. 25	Sep. 18	Sep. 11	Sep. 4	Aug.	July	June	3Q 2009	2009	2010	2010	2010	2010	2011
Federal Funds Rate	0.15	0.16	0.15	0.15	0.16	0.16	0.21	0.16	0.2	0.2	0.3	0.6	1.0	1.5
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.2	3.2	3.3	3.6	4.1	4.5
LIBOR, 3-mo.	0.29	0.30	0.31	0.34	0.42	0.52	0.62	0.41	0.5	0.5	0.7	1.0	1.4	1.8
Commercial Paper, 1-mo.	0.13	0.14	0.13	0.15	0.17	0.18	0.18	0.16	0.2	0.3	0.4	0.7	1.2	1.6
Treasury bill, 3-mo.	0.10	0.11	0.14	0.14	0.17	0.18	0.18	0.16	0.2	0.3	0.4	0.7	1.1	1.5
Treasury bill, 6-mo.	0.20	0.20	0.22	0.23	0.27	0.28	0.31	0.25	0.3	0.4	0.6	0.9	1.3	1.7
Treasury bill, 1 yr.	0.41	0.40	0.40	0.42	0.46	0.48	0.51	0.45	0.5	0.7	0.8	1.2	1.6	1.9
Treasury note, 2 yr.	1.00	0.98	0.92	0.93	1.12	1.02	1.18	1.04	1.1	1.3	1.5	1.8	2.1	2.5
Treasury note, 5 yr.	2.44	2.43	2.34	2.33	2.57	2.46	2.71	2.48	2.5	2.7	2.8	3.0	3.2	3.5
Treasury note, 10 yr.	3.46	3.46	3.41	3.37	3.59	3.56	3.72	3.53	3.6	3.7	3.9	4.1	4.2	4.4
Treasury note, 30 yr.	4.21	4.24	4.25	4.18	4.37	4.41	4.52	4.34	4.4	4.5	4.6	4.8	4.9	5.1
Corporate Aaa bond	5.16	5.15	5.18	5.12	5.26	5.41	5.61	5.28	5.3	5.4	5.4	5.6	5.7	5.8
Corporate Baa bond	6.31	6.36	6.39	6.37	6.58	7.09	7.50	6.67	6.6	6.7	6.7	6.8	6.9	7.0
State & Local bonds	4.04	4.20	4.33	4.37	4.60	4.72	4.81	4.50	4.5	4.6	4.7	4.8	4.9	5.0
Home mortgage rate	5.04	5.04	5.07	5.08	5.19	5.22	5.42	5.15	5.2	5.3	5.4	5.6	5.8	5.9
	History								Consensus Forecasts-Quarterly					
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q*	4Q	1Q	2Q	3Q	4Q	1Q
Key Assumptions	2007	2008	2008	2008	2008	2009	2009	2009	2009	2010	2010	2010	2010	2011
Major Currency Index	73.3	72.0	70.9	73.5	81.3	82.7	79.4	75.4	75.2	75.1	74.6	74.6	74.9	75.2
Real GDP	2.1	-0.7	1.5	-2.7	-5.4	-6.4	-1.0	3.2	2.5	2.5	2.7	2.8	2.8	2.9
GDP Price Index	2.3	1.9	1.8	4.0	0.1	1.9	0.0	1.4	1.2	1.5	1.6	1.7	1.7	2.0
Consumer Price Index	5.8	4.5	4.5	6.2	-8.3	-2.4	1.3	2.7	1.8	1.7	1.6	2.0	2.0	2.1

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' 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).

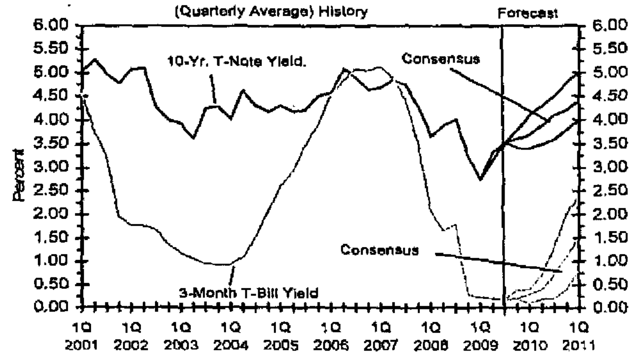
U.S. Treasury Yield Curve

Week ended September 25, 2009 and Year Ago vs. 4Q 2009 and 1Q 2011 Consensus Forecasts



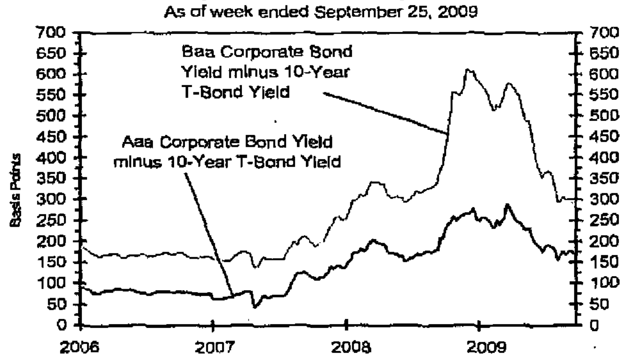
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



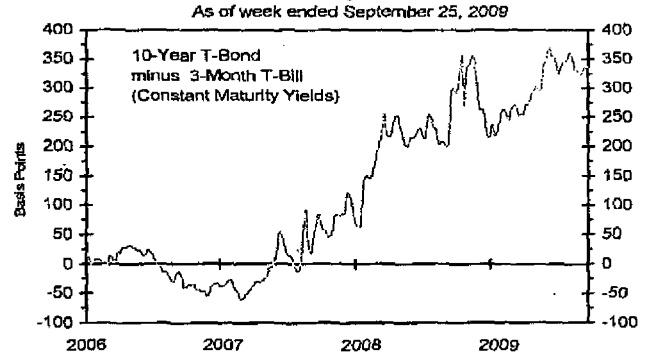
Corporate Bond Spreads

As of week ended September 25, 2009



U.S. Treasury Yield Curve

As of week ended September 25, 2009



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

Line No.		Over A Rated Public Utility Bonds AUS Consultants - Utility Services Study (1)
Time Period		1928-2008
1.	Arithmetic Mean Holding Period Returns (2): Standard & Poor's Public Utility Index	10.74 %
2.	Arithmetic Mean Yield on: Moody's A Rated Public Utility Bonds	(6.59)
3.	Equity Risk Premium	4.15 %

Notes: (1) S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2008, (AUS Consultants - Utility Services, 2009).

(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.

Missouri-American Water Company
Value Line Adjusted Betas for
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natrual Gas Distribution Companies

	Value Line Adjusted Beta
Proxy Group of Six AUS Utility Reports Water Companies	
American States Water Co.	0.80
Aqua America, Inc.	0.65
California Water Service Group	0.80
Middlesex Water Company	0.80
SJW Corporation	1.00
York Water Company	0.65
Average	0.78
Median	0.80
Proxy Group of Eight AUS Utility Reports Gas Distribution Companies	
AGL Resources, Inc.	0.75
Atmos Energy Corp.	0.65
Delta Natural Gas Company	0.65
Laclede Group, Inc.	0.60
Northwest Natural Gas Company	0.60
Piedmont Natural Gas Co., Inc.	0.65
Southwest Gas Corporation	0.75
WGL Holdings, Inc.	0.65
Average	0.66
Median	0.65

Source of Information: Value Line Investment Survey, July 24, and September 11, 2009 Standard Edition and Small and Mid-Cap Edition

Missouri-American Water Company
Indicated Common Equity Cost Rate Through Use
of the Capital Asset Pricing Model for the
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natrual Gas Distribution Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Eight AUS Utility Reports Gas Distribution Companies
1.	Traditional Capital Asset Pricing Model (1)	11.37 %	10.12 %
2.	Empirical Capital Asset Pricing Model (1)	11.78 %	10.85 %
3.	Conclusion	11.58 %	10.49 %

Notes: (1) From page 2 of this Schedule.

Missouri-American Water Company
Indicated Common Equity Cost Rate Through Use
of the Capital Asset Pricing Model

	1 Value Line Adjusted Beta	2 Company-Specific Risk Premium Based on Market Premium of 8.31% (1)	3 CAPM Result Including Risk-Free Rate of 4.72% (2)
Traditional Capital Asset Pricing Model (3)			
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	0.80	6.65 %	11.37 %
Aqua America, Inc.	0.65	5.40	10.12
California Water Service Group	0.80	6.65	11.37
Middlesex Water Company	0.80	6.65	11.37
SJW Corporation	1.00	8.31	13.03
York Water Company	0.65	5.40	10.12
Average	0.78	6.51 %	11.23 %
Median	0.80	6.65 %	11.37 %
Proxy Group of Eight AUS Utility Reports Gas Distribution Companies			
AGL Resources, Inc.	0.75	6.23 %	10.95 %
Atmos Energy Corp.	0.65	5.40	10.12
Delta Natural Gas Company	0.65	5.40	10.12
Laclede Group, Inc.	0.60	4.99	9.71
Northwest Natural Gas Company	0.60	4.99	9.71
Piedmont Natural Gas Co., Inc.	0.65	5.40	10.12
Southwest Gas Corporation	0.75	6.23	10.95
WGL Holdings, Inc.	0.65	5.40	10.12
Average	0.66	5.51 %	10.23 %
Median	0.65	5.40 %	10.12 %
Empirical Capital Asset Pricing Model (4)			
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	0.80	7.06 %	11.78 %
Aqua America, Inc.	0.65	6.13	10.85
California Water Service Group	0.80	7.06	11.78
Middlesex Water Company	0.80	7.06	11.78
SJW Corporation	1.00	8.31	13.03
York Water Company	0.65	6.13	10.85
Average	0.78	6.96 %	11.68 %
Median	0.80	7.06 %	11.78 %
Proxy Group of Eight AUS Utility Reports Gas Distribution Companies			
AGL Resources, Inc.	0.75	6.75 %	11.47 %
Atmos Energy Corp.	0.65	6.13	10.85
Delta Natural Gas Company	0.65	6.13	10.85
Laclede Group, Inc.	0.60	5.82	10.54
Northwest Natural Gas Company	0.60	5.82	10.54
Piedmont Natural Gas Co., Inc.	0.65	6.13	10.85
Southwest Gas Corporation	0.75	6.75	11.47
WGL Holdings, Inc.	0.65	6.13	10.85
Average	0.66	6.21 %	10.93 %
Median	0.65	6.13 %	10.85 %

See page 3 for notes.

Missouri-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 Six AUS Utility Reports Water Companies
and the Proxy Group of Eight AUS Utility Reports Natural Gas Distribution 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 three previous month-end (July 2009 – September 2009), as well as a recently available (October 2, 2009), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 14.84% can be derived by averaging the 3-month and spot 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 61% produces a four-year average annual return of 12.64% $((1.61^{0.25}) - 1)$. When the average annual forecasted dividend yield of 2.20% is added, a total average market return of 14.84% (2.20% + 12.64%) is derived.

The 3-month and spot forecasted total market return of 14.84% minus the forecasted risk-free rate of 4.72% (developed in Note 2) is 10.12% (14.84% - 4.72%). The Morningstar, Inc. (Ibbotson Associates) calculated market premium of 6.50% for the period 1926-2008 results from a total market return of 11.70% less the average income return on long-term U.S. Government Securities of 5.20% (11.70% - 5.20% = 6.50%). This is then averaged with the 11.70% Value Line market premium resulting in an 8.31% market premium. The 8.31% market premium is then multiplied by the beta in column 1 of page 2 of this Schedule.

(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 October 1, 2009 (see page 7 of Schedule PMA-11). The estimates are detailed below:

	30-Year Treasury Note Yield
Fourth Quarter 2009	4.40
First Quarter 2010	4.50
Second Quarter 2010	4.60
Third Quarter 2010	4.80
Fourth Quarter 2010	4.90
First Quarter 2011	5.10
Average	4.72%

(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, October 1, 2009
Value Line Investment Survey, July 24, 2009 and September 11, 2009 Standard Edition and Small and Mid-Cap Edition
Ibbotson SBBI – 2009 Valuation Yearbook – Market Results for Stocks, Bonds, Bills, and Inflation for 1926-2008, Morningstar, Inc., 2009, Chicago,

Missouri-American Water Company
Comparable Earnings Analysis
for a Proxy Group of One Hundred Seventeen Non-Utility Companies Comparable to the
Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of One Hundred Seventeen Non-Utility Companies Comparable to the Proxy Group of Six AUS Utility Reports Water Companies (1)	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth, or Partner's Capital — 5-Year Projected (2): 5 Year Projection	Student's T Statistic
Affiliated Computer	0.75	0.56	3.2080	0.0714	14.50	(0.21)
Analog Devices	0.90	0.81	3.6726	0.0818	17.00	0.10
Allergan, Inc.	0.90	0.82	3.3584	0.0748	17.60	0.16
Gallagher (Arthur J.)	0.75	0.56	3.1255	0.0696	24.00	0.97
Amgen	0.65	0.42	3.8066	0.0847	16.50	0.04
Aon Corp.	0.70	0.52	3.9021	0.0869	14.50	(0.21)
AVX Corp.	0.95	0.85	3.4217	0.0762	7.00	(1.15)
Bed Bath & Beyond	0.90	0.85	3.7545	0.0836	12.00	(0.52)
Beckman Coulter	0.75	0.62	3.1885	0.0710	12.00	(0.52)
Bio-Rad Labs. A	0.90	0.84	3.8652	0.0860	11.50	(0.59)
BJs Wholesale Club	0.75	0.55	4.0163	0.0894	10.00	(0.77)
BMC Software	0.85	0.73	3.3622	0.0748	21.00	0.60
Brown & Brown	0.70	0.51	3.2448	0.0722	13.00 (3)	(0.40)
Cardinal Health	0.75	0.60	3.3076	0.0736	9.50	(0.84)
Coca-Cola Enterprises	0.90	0.81	3.5117	0.0782	35.00	2.47
Crown Holdings	0.80	0.63	3.4851	0.0776	29.50	1.66
Cephalon Inc.	0.70	0.52	4.0465	0.0901	14.50	(0.21)
Cerner Corp.	0.85	0.71	3.9413	0.0877	11.00	(0.65)
CLARCOR Inc.	0.95	0.85	3.7027	0.0824	11.50	(0.59)
Coherent, Inc.	0.90	0.78	3.8597	0.0859	6.00	(1.27)
Coca-Cola Bottling	0.70	0.47	3.6316	0.0808	19.00	0.35
Columbia Sportswear	0.90	0.77	3.8340	0.0854	12.50	(0.46)
Copart, Inc.	0.95	0.85	3.6280	0.0808	19.50	0.41
Charles River	0.85	0.77	3.7464	0.0834	10.50	(0.71)
Del Monte Foods	0.70	0.53	3.2767	0.0729	10.50	(0.71)
Dionex Corp.	0.90	0.79	3.5366	0.0787	23.50	0.91
DIRECTV Group (The)	0.85	0.77	3.1875	0.0710	30.50	1.79
DaVita Inc.	0.65	0.39	3.1744	0.0707	16.50	0.04
Lauder (Estee)	0.95	0.85	3.3989	0.0757	30.50 (3)	1.79
EarthLink, Inc.	0.70	0.51	4.0490	0.0901	16.00	(0.02)
EMC Corp.	0.90	0.84	3.8370	0.0854	11.00	(0.65)
Energy Transfer	0.85	0.71	3.1256	0.0696	32.50 (3)	2.03
First Niagara Finl Group	0.85	0.73	3.5910	0.0799	7.50	(1.09)
Forest Labs.	0.80	0.63	3.8042	0.0847	9.50	(0.84)
Genzyme Corp.	0.65	0.44	3.7938	0.0845	13.50	(0.34)
Gilead Sciences	0.65	0.40	3.6747	0.0818	33.50	2.16
G&K Services 'A	0.80	0.69	3.3552	0.0747	8.50	(0.96)
Global Payments	0.85	0.70	3.7010	0.0824	16.00	(0.02)
Gen-Probe	0.85	0.76	4.0290	0.0897	13.50	(0.34)
Haemonetics Corp.	0.65	0.42	3.1695	0.0706	13.50	(0.34)
Hasbro, Inc.	0.80	0.62	3.3402	0.0744	21.00	0.60
HCC Insurance Hldgs.	0.85	0.71	3.1673	0.0705	12.00	(0.62)
Hewitt Associates A	0.75	0.58	3.2548	0.0725	18.00	0.22
Block (H&R)	0.90	0.78	3.7417	0.0833	29.50	1.68
Hospira Inc.	0.70	0.51	3.6472	0.0812	22.50	0.79
Heartland Express	0.85	0.72	3.9916	0.0889	23.00	0.85
IDEXX Labs.	0.85	0.77	3.2654	0.0727	18.00	0.22
Intuit Inc.	0.90	0.83	3.1749	0.0707	20.00	0.47
Investors Bancorp Inc	0.70	0.51	3.4584	0.0788	5.50	(1.34)
Intl Speedway A	0.90	0.82	3.4301	0.0764	9.00	(0.90)
J&J Snack Foods	0.75	0.57	3.4659	0.0772	11.50	(0.59)
Life Technologies	0.80	0.65	3.7722	0.0840	12.00	(0.52)
Lincare Holdings	0.65	0.41	3.2537	0.0724	25.00	1.10

Missouri-American Water Company
Comparable Earnings Analysis
for a Proxy Group of One Hundred Seventeen Non-Utility Companies Comparable to the
Proxy Group of Six AUS Utility Reports Water Companies (1)

Proxy Group of One Hundred Seventeen Non-Utility Companies Comparable to the Proxy Group of Six AUS Utility Reports Water Companies (1)	VL Adjusted *Beta*	Unadjusted *Beta*	Residual Standard Error of the *Regression*	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth, or Partner's Capital — 5-Year Projected (2): 5 Year Projection	Student's T Statistic
Mattel, Inc.	0.85	0.76	3.8864	0.0867	22.00	0.72
Matthews Intl	0.85	0.72	3.2537	0.0724	15.50	(0.09)
McKesson Corp.	0.80	0.64	3.6895	0.0821	14.00	(0.27)
Medtronic, Inc.	0.75	0.60	3.4569	0.0770	22.00	0.72
Medco Health Solutions	0.70	0.49	3.5992	0.0801	18.50	0.29
Markel Corp.	0.90	0.80	3.2875	0.0732	7.50	(1.09)
Magellan Midstream	0.90	0.83	3.3682	0.0760	22.00	0.72
MAXIMUS Inc.	0.80	0.64	3.3819	0.0753	14.00	(0.27)
National Instruments	0.90	0.81	3.6957	0.0823	15.00 (3)	(0.15)
Annaly Capital Mgmt.	0.80	0.63	3.9643	0.0883	15.00	(0.15)
Novo Nordisk ADR	0.80	0.69	3.1452	0.0700	31.00	1.85
Northwest Bancorp	0.85	0.70	3.2705	0.0728	8.50	(0.96)
New York Community	0.80	0.69	3.6327	0.0809	12.00	(0.52)
Realty Income Corp.	0.90	0.84	3.6316	0.0808	8.00	(1.02)
Owens & Minor	0.70	0.50	3.3588	0.0748	11.50	(0.59)
Oracle Corp.	0.90	0.83	3.1502	0.0701	34.00	2.22
Odyssey Re Hldgs.	0.70	0.52	3.2108	0.0715	5.50	(1.34)
OReilly Automotive	0.85	0.72	3.5748	0.0796	10.50	(0.71)
Plains All Amer. Pipe.	0.90	0.79	3.5972	0.0801	12.00	(0.52)
PepsiAmericas Inc.	0.80	0.66	3.4481	0.0768	12.00	(0.52)
Peoples United Finl	0.65	0.40	3.2451	0.0722	5.50	(1.34)
Pepsi Bottling Group	0.90	0.78	3.3408	0.0744	22.00	0.72
Patterson Cos.	0.90	0.80	3.7787	0.0841	13.00	(0.40)
Peets Coffee & Tea	0.80	0.63	3.9190	0.0872	12.00 (3)	(0.52)
PerkinElmer Inc.	0.90	0.79	3.8054	0.0847	10.00	(0.77)
Papa Johns Intl	0.85	0.77	3.9534	0.0880	20.00	0.47
Ruddick Corp.	0.60	0.38	3.5943	0.0800	10.50	(0.71)
Reinsurance Group	0.85	0.76	3.7769	0.0841	17.00	0.10
ResMed Inc.	0.75	0.57	3.9162	0.0872	13.50	(0.34)
Rollins, Inc.	0.80	0.65	3.2083	0.0714	27.00	1.35
Ross Stores	0.85	0.72	3.8069	0.0847	41.00	3.10
Sycamore Networks	0.85	0.77	3.6995	0.0824	1.50	(1.84)
Schulman (A.)	0.90	0.81	4.0352	0.0898	7.50	(1.09)
Sherwin-Williams	0.76	0.55	3.3228	0.0740	26.00	1.22
Silgan Holdings	0.80	0.64	3.1408	0.0699	18.50	0.29
Synopsys, Inc.	0.85	0.72	3.7319	0.0831	13.00	(0.40)
Suburban Propane	0.75	0.62	3.2843	0.0731	50.00	4.22
Stericycle Inc.	0.65	0.47	3.5458	0.0789	17.00	0.10
STERIS Corp.	0.90	0.81	3.6866	0.0821	15.50	(0.09)
St. Jude Medical	0.80	0.68	4.0412	0.0900	17.00	0.10
Constellation Brands	0.85	0.76	3.8445	0.0856	11.00	(0.65)
Stryker Corp.	0.80	0.66	3.3340	0.0742	17.00	0.10
Hanover Insurance	0.85	0.77	3.2090	0.0714	10.50	(0.71)
TEPPCO Partners L.P.	0.90	0.82	3.5151	0.0783	21.00	0.60
Total System Svcs.	0.90	0.80	3.4338	0.0764	16.00	(0.02)
Texas Instruments	0.90	0.81	3.6129	0.0804	15.50	(0.09)
Universal Health Sv. 'B	0.80	0.68	3.6443	0.0811	12.00	(0.52)
Universal Corp.	0.80	0.68	3.8708	0.0862	10.50	(0.71)
Varian Medical Sys.	0.80	0.69	3.8942	0.0867	23.00	0.85
WD-40 Co.	0.75	0.55	3.5149	0.0782	17.50	0.16
Werner Enterprises	0.90	0.82	3.9498	0.0879	17.00	0.10
Weis Markets	0.65	0.46	3.1192	0.0694	8.50	(0.96)
W.P. Carey & Co. LLC	0.90	0.80	3.5415	0.0788	15.00	(0.15)
Watson Pharmac.	0.75	0.58	3.2191	0.0717	10.50	(0.71)
Washington Post	0.80	0.67	3.4859	0.0776	8.00	(1.02)
Berkley (W.R.)	0.75	0.58	3.3727	0.0751	17.00	0.10
West Pharmac. Svcs.	0.80	0.65	3.9376	0.0877	13.50	(0.34)
Watson Wyatt	0.70	0.54	3.3237	0.0740	13.50	(0.34)
World Wrestling Ent.	0.80	0.68	3.3909	0.0755	31.50	1.91
Wolverine World Wide	0.80	0.65	3.9008	0.0868	16.50	0.04
Alleghany Corp.	0.85	0.72	3.2654	0.0727	6.50	(1.21)
Zimmer Holdings	0.95	0.85	3.7669	0.0839	13.00	(0.40)
Alleghany Corp.	0.85	0.72	3.2654	0.0727	6.50	(1.21)
Zimmer Holdings	0.95	0.85	3.7669	0.0839	13.00	(0.40)
Average	0.81	0.68	3.5548	0.0792		
Average for the Proxy Group of Six AUS Utility Reports Water Companies	0.77	0.61	3.5871 (4)	0.0799		
Median (5)					14.50%	
Conclusion (6)					13.50%	

See page 4 for notes.

Missouri-American Water Company
Comparable Earnings Analysis
for a Proxy Group of Twenty Five Non-Utility Companies Comparable to the
Proxy Group of Eight AUS Utility Reports Natural Gas Distribution Companies (7)

Proxy Group of Twenty Five Non-Utility Companies Comparable to the Proxy Group of Eight AUS Utility Reports Natural Gas Distribution Companies (7)	VL Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta	Rate of Return on Book Common Equity, Net Worth, or Partner's Capital: 5 Year Projection	Rate of Return on Book Common Equity, Net Worth, or Partner's Capital: Student's T Statistic
AmerisourceBergen	0.70	0.52	2.7517	0.0613	13.5 %	(0.81)
Automatic Data Proc.	0.70	0.54	2.2331	0.0497	16.0	(0.63)
Baxter Intl Inc.	0.60	0.35	2.4924	0.0555	34.0	0.64
Bard (C.R.)	0.55	0.31	2.4789	0.0552	21.0	(0.28)
Becton, Dickinson	0.65	0.40	2.5881	0.0576	19.0	(0.42)
Church & Dwight	0.60	0.35	2.6247	0.0584	15.5	(0.67)
Colgate-Palmolive	0.55	0.30	2.6663	0.0594	42.0	1.20
Clorox Co.	0.65	0.40	2.3441	0.0522	79.0 (8)	3.81
Campbell Soup	0.60	0.32	2.4069	0.0536	29.5	0.32
Erie Indemnity Co.	0.70	0.53	2.2086	0.0492	21.5	(0.25)
Hormel Foods	0.65	0.43	2.7259	0.0607	16.0	(0.63)
Hershey Co.	0.65	0.47	2.7933	0.0622	42.5	1.24
Intl Flavors & Frag.	0.75	0.58	2.4057	0.0536	24.0	(0.07)
Kraft Foods	0.70	0.48	2.4920	0.0555	10.5	(1.02)
Kinder Morgan Energy	0.75	0.61	2.5204	0.0561	24.5	(0.03)
Coca-Cola	0.60	0.33	2.2256	0.0495	22.5	(0.17)
Laboratory Corp.	0.65	0.42	2.6786	0.0596	20.5	(0.32)
McDonalds Corp.	0.70	0.47	2.4563	0.0547	27.0	0.14
McCormick & Co.	0.55	0.30	2.6807	0.0597	17.5	(0.53)
PepsiCo, Inc.	0.60	0.36	2.2579	0.0503	26.0	0.07
Raytheon Co.	0.75	0.57	2.6400	0.0588	17.0	(0.56)
Sysco Corp.	0.75	0.55	2.6244	0.0584	33.5	0.60
Tootsie Roll Ind.	0.70	0.52	2.5729	0.0573	8.0	(1.20)
Wal-Mart Stores	0.60	0.36	2.3459	0.0522	18.5	(0.46)
Exxon Mobil Corp.	0.75	0.60	2.4733	0.0551	25.5	0.04
Average	0.66	0.44	2.5075	0.0558		
Average for the Proxy Group of Eight AUS Natural Gas Distribution Companies	0.66	0.44	2.4773 (8)	0.0551		
Median (5)					21.25%	
Conclusion (6)					21.00%	

See page 4 for notes.

Missouri-American Water Company
Comparable Earnings Analysis

Notes:

(P) = Preliminary

(1) The criteria for selection of the proxy group of one hundred seventeen non-utility companies was that the non-utility companies be domestic and have a meaningful projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital 2012 – 2014 as reported in Value Line Investment Survey (Standard Edition). The proxy group of one hundred-fifteen non-utility companies was selected based upon the proxy group of six AUS Utility Reports water companies' unadjusted beta range of 0.37 – 0.85 and standard error of the regression range of 3.1143-4.0599. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

(2) 2012 - 2014.

(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 mean historical and projected returns as fully explained in Ms. Ahern's testimony.

(4) The standard deviation of the group of six AUS Utility Reports water companies' standard error of the regression is 0.1576. 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

$$\text{Thus, } 0.1576 = \frac{3.5871}{\sqrt{518}} = \frac{3.5871}{22.7596}$$

(5) Median five year projected rate of return on book common equity, shareholder's equity, net worth, or partners' capital including returns identified as outliers as outlined in Note (3) above.

(6) Median of the five year historical and five year projected return on book common equity, shareholder's equity, net worth or partner's capital excluding returns identified as outliers as outlined on Note (3) above.

(7) The criteria for selection of the proxy group of twenty-five non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on book common equity, shareholders' equity, net worth, or partners' capital projected 2012 -2014 as reported in Value Line Investment Survey (Standard Edition). The proxy group of twenty-five non-utility companies was selected based upon the proxy group of eight AUS Utility Reports natural gas distribution companies' unadjusted beta range of 0.27 – 0.61 and standard error of the regression range of 2.1508 – 2.8038. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.

(8) The Student's T-statistic associated with these returns exceeds 2.064 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper mean historical and projected returns as fully explained in Ms. Ahern's testimony.

(9) The standard deviation of the proxy group of six AUS Utility Reports water companies' standard error of the regression is 0.1088 (2.4773 / 22.7596).

Source of Information: Value Line, Inc., September 15, 2009
Value Line Investment Survey (Standard Edition)

Missouri-American Water Company
Yields on Moody's A and Baa Rated Public Utility Bonds
and Aaa Rated Corporate Bonds Since September 1989

Date	Aaa Corporate Bonds	Moody's A PU Bonds	Moody's Baa PU Bonds	Spread Between Aaa v A PU Bonds	Spread Between Aaa v Baa PU Bonds	Spread between A and Baa PU Bonds
Sep-89	9.01%	9.58%	9.70%	0.57%	0.69%	0.12%
Oct-89	8.92%	9.54%	9.64%	0.62%	0.72%	0.10%
Nov-89	8.89%	9.51%	9.64%	0.62%	0.75%	0.13%
Dec-89	8.86%	9.44%	9.60%	0.58%	0.74%	0.16%
Jan-90	8.99%	9.56%	9.74%	0.57%	0.75%	0.18%
Feb-90	9.22%	9.76%	9.96%	0.54%	0.74%	0.20%
Mar-90	9.37%	9.85%	10.06%	0.48%	0.69%	0.21%
Apr-90	9.46%	9.92%	10.13%	0.46%	0.67%	0.21%
May-90	9.47%	10.00%	10.16%	0.53%	0.69%	0.16%
Jun-90	9.26%	9.80%	9.96%	0.54%	0.70%	0.16%
Jul-90	9.24%	9.75%	9.92%	0.51%	0.68%	0.17%
Aug-90	9.41%	9.92%	10.12%	0.51%	0.71%	0.20%
Sep-90	9.56%	10.12%	10.32%	0.56%	0.76%	0.20%
Oct-90	9.53%	10.05%	10.28%	0.52%	0.75%	0.23%
Nov-90	9.30%	9.90%	10.12%	0.60%	0.82%	0.22%
Dec-90	9.05%	9.73%	9.96%	0.68%	0.91%	0.23%
Jan-91	9.04%	9.71%	9.96%	0.67%	0.92%	0.25%
Feb-91	8.83%	9.47%	9.68%	0.64%	0.85%	0.21%
Mar-91	8.93%	9.55%	9.74%	0.62%	0.81%	0.19%
Apr-91	8.86%	9.46%	9.64%	0.60%	0.78%	0.18%
May-91	8.86%	9.44%	9.64%	0.58%	0.78%	0.20%
Jun-91	9.01%	9.59%	9.79%	0.58%	0.78%	0.20%
Jul-91	9.00%	9.55%	9.69%	0.55%	0.69%	0.14%
Aug-91	8.75%	9.29%	9.47%	0.54%	0.72%	0.18%
Sep-91	8.61%	9.16%	9.34%	0.55%	0.73%	0.18%
Oct-91	8.55%	9.12%	9.32%	0.57%	0.77%	0.20%
Nov-91	8.48%	9.05%	9.28%	0.57%	0.80%	0.23%
Dec-91	8.31%	8.88%	9.07%	0.57%	0.76%	0.19%
Jan-92	8.20%	8.84%	8.98%	0.64%	0.78%	0.14%
Feb-92	8.29%	8.93%	9.09%	0.64%	0.80%	0.16%
Mar-92	8.35%	8.97%	9.16%	0.62%	0.81%	0.19%
Apr-92	8.33%	8.93%	9.11%	0.60%	0.78%	0.18%
May-92	8.28%	8.87%	9.01%	0.59%	0.73%	0.14%
Jun-92	8.22%	8.78%	8.90%	0.56%	0.68%	0.12%
Jul-92	8.07%	8.57%	8.69%	0.50%	0.62%	0.12%
Aug-92	7.95%	8.44%	8.58%	0.49%	0.63%	0.14%
Sep-92	7.92%	8.40%	8.54%	0.48%	0.62%	0.14%
Oct-92	7.99%	8.54%	8.76%	0.55%	0.77%	0.22%
Nov-92	8.10%	8.63%	8.86%	0.53%	0.76%	0.23%
Dec-92	7.98%	8.43%	8.69%	0.45%	0.71%	0.26%
Jan-93	7.91%	8.27%	8.57%	0.36%	0.66%	0.30%
Feb-93	7.71%	8.04%	8.31%	0.33%	0.60%	0.27%
Mar-93	7.58%	7.90%	8.10%	0.32%	0.52%	0.20%
Apr-93	7.46%	7.81%	8.11%	0.35%	0.65%	0.30%
Apr-93	7.43%	7.86%	8.18%	0.43%	0.75%	0.32%
May-93	7.33%	7.75%	8.05%	0.42%	0.72%	0.30%
Jun-93	7.17%	7.54%	7.93%	0.37%	0.76%	0.39%
Jul-93	6.85%	7.25%	7.59%	0.40%	0.74%	0.34%
Aug-93	6.66%	7.04%	7.35%	0.38%	0.69%	0.31%
Sep-93	6.67%	7.03%	7.27%	0.36%	0.60%	0.24%
Oct-93	6.93%	7.30%	7.69%	0.37%	0.76%	0.39%
Nov-93	6.93%	7.34%	7.73%	0.41%	0.80%	0.39%
Dec-93	6.92%	7.33%	7.66%	0.41%	0.74%	0.33%
Jan-94	7.08%	7.47%	7.76%	0.39%	0.68%	0.29%
Mar-94	7.48%	7.47%	7.76%	-0.01%	0.28%	0.29%
Apr-94	7.88%	7.85%	8.11%	-0.03%	0.23%	0.26%
May-94	7.99%	8.33%	8.61%	0.34%	0.62%	0.28%
Jun-94	7.97%	8.31%	8.64%	0.34%	0.67%	0.33%
Jul-94	8.11%	8.47%	8.80%	0.36%	0.69%	0.33%
Aug-94	8.07%	8.41%	8.74%	0.34%	0.67%	0.33%
Sep-94	8.34%	8.64%	8.98%	0.30%	0.64%	0.34%
Oct-94	8.57%	8.86%	9.24%	0.29%	0.67%	0.38%
Nov-94	8.68%	8.98%	9.35%	0.30%	0.67%	0.37%
Dec-94	8.46%	8.76%	9.16%	0.30%	0.70%	0.40%
Jan-95	8.46%	8.73%	9.15%	0.27%	0.69%	0.42%
Feb-95	8.26%	8.52%	8.93%	0.26%	0.67%	0.41%
Mar-95	8.12%	8.37%	8.78%	0.25%	0.66%	0.41%
Apr-95	8.03%	8.27%	8.67%	0.24%	0.64%	0.40%
May-95	7.65%	7.91%	8.30%	0.26%	0.65%	0.39%
Jun-95	7.30%	7.60%	8.01%	0.30%	0.71%	0.41%
Jul-95	7.41%	7.70%	8.11%	0.29%	0.70%	0.41%
Aug-95	7.57%	7.83%	8.24%	0.26%	0.67%	0.41%
Sep-95	7.32%	7.62%	7.98%	0.30%	0.66%	0.36%
Oct-95	7.12%	7.46%	7.82%	0.34%	0.70%	0.36%
Nov-95	7.02%	7.43%	7.81%	0.41%	0.79%	0.38%
Dec-95	6.82%	7.23%	7.63%	0.41%	0.81%	0.40%
Jan-96	6.81%	7.22%	7.64%	0.41%	0.83%	0.42%
Feb-96	6.99%	7.37%	7.78%	0.38%	0.79%	0.41%
Mar-96	7.35%	7.73%	8.15%	0.38%	0.80%	0.42%
Apr-96	7.50%	7.89%	8.32%	0.39%	0.82%	0.43%
May-96	7.62%	7.98%	8.45%	0.36%	0.83%	0.47%
Jun-96	7.71%	8.06%	8.51%	0.35%	0.80%	0.45%
Jul-96	7.65%	8.02%	8.44%	0.37%	0.79%	0.42%
Aug-96	7.46%	7.84%	8.25%	0.38%	0.79%	0.41%
Sep-96	7.66%	8.01%	8.41%	0.35%	0.75%	0.40%
Oct-96	7.39%	7.77%	8.15%	0.38%	0.76%	0.38%
Nov-96	7.10%	7.49%	7.87%	0.39%	0.77%	0.38%

Missouri-American Water Company
Yields on Moody's A and Baa Rated Public Utility Bonds
and Aaa Rated Corporate Bonds Since September 1989

Date	Aaa Corporate Bonds	Moody's A PU Bonds	Moody's Baa PU Bonds	Spread Between Aaa v A PU Bonds	Spread Between Aaa v Baa PU Bonds	Spread between A and Baa PU Bonds
Dec-96	7.20%	7.59%	7.98%	0.39%	0.78%	0.39%
Jan-97	7.42%	7.77%	8.18%	0.35%	0.76%	0.41%
Feb-97	7.31%	7.64%	8.02%	0.33%	0.71%	0.38%
Mar-97	7.55%	7.87%	8.26%	0.32%	0.71%	0.39%
Apr-97	7.73%	8.03%	8.42%	0.30%	0.69%	0.39%
May-97	7.58%	7.89%	8.28%	0.31%	0.70%	0.39%
Jun-97	7.41%	7.72%	8.12%	0.31%	0.71%	0.40%
Jul-97	7.14%	7.48%	7.87%	0.34%	0.73%	0.39%
Aug-97	7.22%	7.51%	7.93%	0.29%	0.71%	0.42%
Sep-97	7.15%	7.47%	7.79%	0.32%	0.64%	0.32%
Oct-97	7.00%	7.35%	7.67%	0.35%	0.67%	0.32%
Nov-97	6.87%	7.25%	7.49%	0.38%	0.62%	0.24%
Dec-97	6.76%	7.16%	7.41%	0.40%	0.65%	0.25%
Jan-98	6.61%	7.05%	7.28%	0.44%	0.67%	0.23%
Feb-98	6.67%	7.12%	7.36%	0.45%	0.69%	0.24%
Feb-98	6.72%	7.16%	7.37%	0.44%	0.65%	0.21%
Mar-98	6.69%	7.16%	7.37%	0.47%	0.68%	0.21%
Apr-98	6.69%	7.16%	7.34%	0.47%	0.65%	0.18%
May-98	6.53%	7.03%	7.21%	0.50%	0.68%	0.18%
Jun-98	6.55%	7.03%	7.23%	0.48%	0.68%	0.20%
Jul-98	6.52%	7.00%	7.20%	0.48%	0.68%	0.20%
Aug-98	6.40%	6.93%	7.13%	0.53%	0.73%	0.20%
Oct-98	6.37%	6.96%	7.13%	0.59%	0.76%	0.17%
Nov-98	6.41%	7.03%	7.31%	0.62%	0.90%	0.28%
Dec-98	6.22%	6.91%	7.24%	0.69%	1.02%	0.33%
Jan-99	6.24%	6.97%	7.30%	0.73%	1.06%	0.33%
Feb-99	6.40%	7.09%	7.41%	0.69%	1.01%	0.32%
Mar-99	6.62%	7.26%	7.55%	0.64%	0.93%	0.29%
Apr-99	6.64%	7.22%	7.51%	0.58%	0.87%	0.29%
May-99	6.93%	7.47%	7.74%	0.54%	0.81%	0.27%
Jun-99	7.23%	7.74%	8.03%	0.51%	0.80%	0.29%
Jul-99	7.19%	7.71%	7.97%	0.52%	0.78%	0.26%
Aug-99	7.40%	7.91%	8.16%	0.51%	0.76%	0.25%
Sep-99	7.39%	7.93%	8.19%	0.54%	0.80%	0.26%
Oct-99	7.55%	8.06%	8.32%	0.51%	0.77%	0.26%
Nov-99	7.36%	7.94%	8.12%	0.58%	0.76%	0.18%
Dec-99	7.55%	8.14%	8.28%	0.59%	0.73%	0.14%
Jan-00	7.78%	8.35%	8.40%	0.57%	0.62%	0.05%
Feb-00	7.68%	8.25%	8.33%	0.57%	0.65%	0.08%
Mar-00	7.68%	8.28%	8.40%	0.60%	0.72%	0.12%
Apr-00	7.64%	8.29%	8.40%	0.65%	0.76%	0.11%
May-00	7.99%	8.70%	8.86%	0.71%	0.87%	0.16%
Jun-00	7.67%	8.36%	8.47%	0.69%	0.80%	0.11%
Jul-00	7.65%	8.25%	8.33%	0.60%	0.68%	0.08%
Aug-00	7.55%	8.13%	8.25%	0.58%	0.70%	0.12%
Sep-00	7.62%	8.23%	8.32%	0.61%	0.70%	0.09%
Oct-00	7.55%	8.14%	8.29%	0.59%	0.74%	0.15%
Nov-00	7.45%	8.11%	8.25%	0.66%	0.80%	0.14%
Dec-00	7.21%	7.84%	8.01%	0.63%	0.80%	0.17%
Jan-01	7.15%	7.80%	7.99%	0.65%	0.84%	0.19%
Feb-01	7.10%	7.74%	7.94%	0.64%	0.84%	0.20%
Mar-01	6.98%	7.68%	7.85%	0.70%	0.87%	0.17%
Apr-01	7.20%	7.94%	8.06%	0.74%	0.86%	0.12%
May-01	7.29%	7.99%	8.11%	0.70%	0.82%	0.12%
Jun-01	7.18%	7.85%	8.02%	0.67%	0.84%	0.17%
Jul-01	7.13%	7.78%	8.05%	0.65%	0.92%	0.27%
Aug-01	7.02%	7.59%	7.95%	0.57%	0.93%	0.36%
Sep-01	7.17%	7.75%	8.12%	0.58%	0.95%	0.37%
Oct-01	7.03%	7.63%	8.02%	0.60%	0.99%	0.39%
Nov-01	6.97%	7.57%	7.96%	0.60%	0.99%	0.39%
Dec-01	6.77%	7.83%	8.27%	1.06%	1.50%	0.44%
Jan-02	6.55%	7.66%	8.13%	1.11%	1.58%	0.47%
Feb-02	6.51%	7.54%	8.18%	1.03%	1.67%	0.64%
Mar-02	6.81%	7.76%	8.32%	0.95%	1.51%	0.56%
Apr-02	6.76%	7.57%	8.26%	0.81%	1.50%	0.69%
May-02	6.75%	7.52%	8.33%	0.77%	1.58%	0.81%
Jun-02	6.63%	7.42%	8.26%	0.79%	1.63%	0.84%
Jul-02	6.53%	7.31%	8.07%	0.78%	1.54%	0.76%
Aug-02	6.37%	7.17%	7.74%	0.80%	1.37%	0.57%
Sep-02	6.15%	7.08%	7.62%	0.93%	1.47%	0.54%
Oct-02	6.32%	7.23%	8.00%	0.91%	1.68%	0.77%
Nov-02	6.31%	7.14%	7.76%	0.83%	1.45%	0.62%
Dec-02	6.21%	7.07%	7.61%	0.86%	1.40%	0.54%
Jan-03	6.17%	7.06%	7.47%	0.89%	1.30%	0.41%
Feb-03	5.95%	6.93%	7.17%	0.98%	1.22%	0.24%
Mar-03	5.89%	6.79%	7.05%	0.90%	1.16%	0.26%
Apr-03	5.74%	6.64%	6.94%	0.90%	1.20%	0.30%
May-03	5.22%	6.36%	6.47%	1.14%	1.25%	0.11%
Jun-03	4.97%	6.21%	6.30%	1.24%	1.33%	0.09%
Jul-03	5.49%	6.57%	6.67%	1.08%	1.18%	0.10%
Aug-03	5.88%	6.78%	7.08%	0.90%	1.20%	0.30%
Sep-03	5.72%	6.56%	6.87%	0.84%	1.15%	0.31%
Oct-03	5.70%	6.43%	6.79%	0.73%	1.09%	0.36%
Nov-03	5.65%	6.37%	6.69%	0.72%	1.04%	0.32%
Dec-03	5.62%	6.27%	6.61%	0.65%	0.99%	0.34%
Jan-04	5.54%	6.15%	6.47%	0.61%	0.93%	0.32%

Missouri-American Water Company
Yields on Moody's A and Baa Rated Public Utility Bonds
and Aaa Rated Corporate Bonds Since September 1989

Date	Aaa Corporate Bonds	Moody's A PU Bonds	Moody's Baa PU Bonds	Spread Between Aaa v A PU Bonds	Spread Between Aaa v Baa PU Bonds	Spread between A and Baa PU Bonds
Feb-04	5.50%	6.15%	6.28%	0.65%	0.78%	0.13%
Mar-04	5.33%	5.97%	6.12%	0.64%	0.79%	0.15%
Apr-04	5.73%	6.35%	6.46%	0.62%	0.73%	0.11%
May-04	6.04%	6.62%	6.75%	0.58%	0.71%	0.13%
Jun-04	6.01%	6.46%	6.84%	0.45%	0.83%	0.38%
Jul-04	5.82%	6.27%	6.67%	0.45%	0.85%	0.40%
Aug-04	5.65%	6.14%	6.45%	0.49%	0.80%	0.31%
Sep-04	5.46%	5.98%	6.27%	0.52%	0.81%	0.29%
Oct-04	5.47%	5.94%	6.17%	0.47%	0.70%	0.23%
Nov-04	5.52%	5.97%	6.16%	0.45%	0.64%	0.19%
Dec-04	5.47%	5.92%	6.10%	0.45%	0.63%	0.18%
Jan-05	5.36%	5.78%	5.95%	0.42%	0.59%	0.17%
Feb-05	5.20%	5.61%	5.76%	0.41%	0.56%	0.15%
Mar-05	5.40%	5.83%	6.01%	0.43%	0.61%	0.18%
Apr-05	5.33%	5.64%	5.95%	0.31%	0.62%	0.31%
May-05	5.15%	5.53%	5.88%	0.38%	0.73%	0.35%
Jun-05	4.96%	5.40%	5.70%	0.44%	0.74%	0.30%
Jul-05	5.06%	5.51%	5.80%	0.45%	0.74%	0.29%
Aug-05	5.09%	5.50%	5.81%	0.41%	0.72%	0.31%
Sep-05	5.13%	5.52%	5.83%	0.39%	0.70%	0.31%
Oct-05	5.35%	5.79%	6.08%	0.44%	0.73%	0.29%
Nov-05	5.42%	5.88%	6.19%	0.46%	0.77%	0.31%
Dec-05	5.37%	5.80%	6.14%	0.43%	0.77%	0.34%
Jan-06	5.29%	5.75%	6.06%	0.46%	0.77%	0.31%
Feb-06	5.35%	5.82%	6.11%	0.47%	0.76%	0.29%
Mar-06	5.53%	5.98%	6.26%	0.45%	0.73%	0.28%
Apr-06	5.84%	6.29%	6.54%	0.45%	0.70%	0.25%
May-06	5.95%	6.42%	6.59%	0.47%	0.64%	0.17%
Jun-06	5.89%	6.40%	6.61%	0.51%	0.72%	0.21%
Jul-06	5.85%	6.37%	6.61%	0.52%	0.76%	0.24%
Aug-06	5.68%	6.20%	6.43%	0.52%	0.75%	0.23%
Sep-06	5.51%	6.00%	6.26%	0.49%	0.75%	0.26%
Oct-06	5.51%	5.98%	6.24%	0.47%	0.73%	0.26%
Nov-06	5.33%	5.80%	6.04%	0.47%	0.71%	0.24%
Dec-06	5.32%	5.81%	6.05%	0.49%	0.73%	0.24%
Jan-07	5.40%	5.96%	6.16%	0.56%	0.76%	0.20%
Feb-07	5.39%	5.90%	6.10%	0.51%	0.71%	0.20%
Mar-07	5.30%	5.85%	6.10%	0.55%	0.80%	0.25%
Apr-07	5.47%	5.97%	6.24%	0.50%	0.77%	0.27%
May-07	5.47%	5.99%	6.23%	0.52%	0.76%	0.24%
Jun-07	5.79%	6.30%	6.54%	0.51%	0.75%	0.24%
Jul-07	5.73%	6.25%	6.49%	0.52%	0.76%	0.24%
Aug-07	5.79%	6.24%	6.51%	0.45%	0.72%	0.27%
Sep-07	5.74%	6.18%	6.45%	0.44%	0.71%	0.27%
Oct-07	5.66%	6.11%	6.36%	0.45%	0.70%	0.25%
Nov-07	5.44%	5.97%	6.27%	0.53%	0.83%	0.30%
Dec-07	5.49%	6.16%	6.51%	0.67%	1.02%	0.35%
Jan-08	5.33%	6.02%	6.35%	0.69%	1.02%	0.33%
Feb-08	5.53%	6.21%	6.60%	0.68%	1.07%	0.39%
Mar-08	5.51%	6.21%	6.68%	0.70%	1.17%	0.47%
Apr-08	5.55%	6.29%	6.81%	0.74%	1.26%	0.52%
May-08	5.57%	6.27%	6.79%	0.70%	1.22%	0.52%
Jun-08	5.68%	6.38%	6.93%	0.70%	1.25%	0.55%
Jul-08	5.67%	6.40%	6.97%	0.73%	1.30%	0.57%
Aug-08	5.64%	6.37%	6.98%	0.73%	1.34%	0.61%
Sep-08	5.65%	6.49%	7.15%	0.84%	1.50%	0.66%
Oct-08	6.28%	7.56%	8.58%	1.28%	2.30%	1.02%
Nov-08	6.12%	7.20%	8.98%	1.08%	2.86%	1.78%
Dec-08	5.05%	6.54%	8.13%	1.49%	3.08%	1.59%
Jan-09	5.05%	6.39%	7.90%	1.34%	2.85%	1.51%
Feb-09	5.27%	6.30%	7.74%	1.03%	2.47%	1.44%
Mar-09	5.50%	6.42%	8.00%	0.92%	2.50%	1.58%
Apr-09	5.39%	6.48%	8.03%	1.09%	2.64%	1.55%
May-09	5.54%	6.49%	7.76%	0.95%	2.22%	1.27%
Jun-09	5.61%	6.20%	7.30%	0.59%	1.69%	1.10%
Jul-09	5.41%	5.97%	6.87%	0.56%	1.46%	0.90%
Aug-09	5.26%	5.71%	6.36%	0.45%	1.10%	0.65%
Average	6.91%	7.47%	7.81%	0.56%	0.90%	0.34%
Median	6.95%	7.48%	7.96%	0.52%	0.76%	0.29%

Source of Information:

S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2009. (AUS Consultants - Utility Services, 2009).