

Exhibit No.:
Issue: Capital Structure
Witness: Ahern
Exhibit: Direct Testimony
Sponsoring Party: Associated Natural Gas
Case No.: GR-97-272

ASSOCIATED NATURAL GAS
A DIVISION OF ARKANSAS WESTERN GAS COMPANY

CASE NO. GR-97-272

DIRECT TESTIMONY

OF

PAULINE M. AHERN, VICE PRESIDENT
AUS CONSULTANTS - UTILITY SERVICES

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1 I. INTRODUCTION

2 Q. Please state your name, occupation and business address.

3 A. My name is Pauline M. Ahern and I am a Vice President of AUS Consultants - Utility
4 Services. My business address is 155 Gaither Drive, P.O. Box 1050, Moorestown, New
5 Jersey 08057.

6 Q. Please summarize your educational background and professional experience.

7 A. I am a graduate of Clark University, Worcester, MA, where I received a Bachelor of Arts
8 degree with honors in Economics in 1973. During my senior year at Clark, I interned as
9 a research assistant in the Office of the Assistant Secretary for International Affairs, U.S.
10 Treasury Department, Washington, D.C., where I developed and maintained econometric
11 models which simulated the economy of the United States in order to study the effects
12 of various foreign trade policy alternatives. From 1973 through 1975, I was a research
13 assistant in the Research Department of the Regional Economics Division of the Federal
14 Reserve Bank of Boston, where I was involved in the development and maintenance of
15 econometric models to simulate regional economic conditions in New England to study
16 the effects of, among other things, the energy crisis of the early 1970s and property tax
17 revaluations.

18 In 1991, I received a Master of Business Administration with high honors from
19 Rutgers University.

20 In June 1988, I joined AUS Consultants - Utility Services as a Financial Analyst.
21 In August 1990, I was promoted to Senior Financial Analyst. In these positions, I assisted

1 principals of the firm in the preparation of fair rate of return studies including capital
2 structure determination, development of senior capital cost rates and the determination
3 of an appropriate rate of return on common equity which were filed before 30 state public
4 utility commissions and the Federal Energy Regulatory Commission. I also assisted in
5 the preparation of interrogatory responses; in the preparation of interrogatories directed
6 to other witnesses and areas of cross-examination of and testimony in rebuttal to those
7 witnesses.

8 In September 1994, I was appointed Assistant Vice President of AUS Consultants -
9 Utility Services. In this position, I continued to prepare fair rate of return and cost of
10 capital exhibits, respond to interrogatories relative to principals' testimonies, evaluate
11 opposing testimony, and assist in the preparation of interrogatories, areas of cross-
12 examination and testimony and exhibits in rebuttal to the opposition, as well as assist
13 clients' attorneys in the post-hearing process.

14 In April 1996, I was appointed Vice President of AUS Consultants - Utility Services.
15 In this position, I continue to perform the tasks described in the previous paragraph. In
16 addition, I am responsible for the preparation of all fair rate of return and capital structure
17 exhibits for the principals of AUS Consultants - Utility Services. A representative list of
18 the clients on whose behalf I have assisted in the preparation of rate of return studies or
19 submitted capital structure and/or rate of return testimony is contained in Appendix A.

20 I am also the Publisher of C. A. Turner Utility Reports, responsible for the
21 production, publication, distribution and marketing of these reports. C. A. Turner Utility
22 Reports provides financial data and related ratios covering approximately 200 public utility
23 companies on a monthly, quarterly, and annual basis including electric, combination gas
24 and electric, gas distribution, gas transmission, telephone and water utilities to about

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1 1,000 subscribers, which include utilities, well over half of the state utility commissions,
2 federal agencies, individuals, brokerage firms, attorneys and public and collegiate
3 libraries. C.A. Turner has continuously provided financial statistics on the utility industry
4 to subscribers since 1930.

5 I have co-authored an article with Frank J. Hanley, President, AUS Consultants -
6 Utility Services entitled "Comparable Earnings: New Life for an Old Precept" which was
7 published in the American Gas Association's Financial Quarterly Review, Summer 1994.
8 I also assisted in the preparation of an article authored by Frank J. Hanley and A. Gerald
9 Harris entitled "Does Diversification Increase the Cost of Equity Capital?" published in the
10 July 15, 1991 issue of Public Utilities Fortnightly.

11 I am a member of the Society of Utility and Regulatory Financial Analysts, formerly
12 the National Society of Rate of Return Analysts. In 1992, I was awarded the professional
13 designation "Certified Rate of Return Analyst" (CRRRA) by the National Society of Rate of
14 Return Analysts. This designation is based upon education, experience and the
15 successful completion of a comprehensive written examination.

16 I have sponsored testimony before the Washington Utilities and Transportation
17 Commission, the Pennsylvania Public Utility Commission and the Delaware Public Service
18 Commission regarding capital structure and senior capital cost rates, before the Arkansas
19 Public Service Commission regarding capital structure, and before the New Jersey Board
20 of Public Utilities regarding capital structure, senior capital cost rates and return on
21 common equity. In addition, I adopted AUS Consultants - Utility Services' Chairman of
22 the Board Joseph F. Brennan's direct testimony and sponsored rebuttal testimony
23 regarding capital structure and return on common equity before the Hawaii Public Utilities
24 Commission. I also adopted Joseph F. Brennan's direct testimony and sponsored

1 rebuttal testimony regarding the establishment of a self-insurance property damage
2 reserve before the Hawaii Public Utilities Commission.

3 Q. What is the purpose of your testimony?

4 A. The purpose of my testimony is to provide evidence on behalf of Associated Natural Gas
5 Company (ANG or the Company), a division of Arkansas Western Gas Company
6 (Arkansas Western) as to the reasonableness of its proposed capital structure ratios in
7 the instant docket and to testify to same. ANG is basing its requested overall rate of
8 return of 8.69% upon a proposed ratemaking capital structure for the test year ended July
9 31, 1996 (Adjusted) based upon Arkansas Western's capital structure. The proposed
10 ratemaking capital structure consists of 40.58% long-term debt (including the long-term
11 debt portion of accumulated deferred investment tax credits), 2.62% customer deposits,
12 45.25% common equity (including the common equity portion of accumulated deferred
13 investment tax credits), 11.48% accumulated deferred income taxes, and 0.07% other
14 interest bearing liabilities, company-provided embedded cost rates and Mr. Hanley's
15 recommended common equity cost rate, as shown on page 1 of SCHEDULE PMA-1. For
16 information purposes, on page 2 of SCHEDULE PMA-1, I have shown the Company's
17 overall rate of return of 9.94% using conventional capital structure ratios based upon
18 investor-provided capital, consisting of 47.27% long-term debt and 52.73% common
19 equity for the test year ending July 31, 1996 (adjusted).

20 Q. Have you prepared exhibits which support the conclusion of your study?

1 A. Yes, I have. They have been marked for identification as SCHEDULES PMA-1 through
2 PMA-3.

3 II. CAPITAL STRUCTURE RATIOS

4 Q. Do you believe that ANG's proposed ratemaking capital structure ratios based upon
5 Arkansas Western's capital structure are appropriate and reasonable?

6 A. Yes. I believe they are appropriate and reasonable for ratemaking purposes because
7 they result from a conventional capital structure and related ratios based upon the
8 investor-provided capital (long-term debt and common equity) of Arkansas Western,
9 which is reasonable vis-a-vis similar risk gas distribution companies. In my opinion, the
10 ratios of Arkansas Western are the appropriate starting point in any cost of capital
11 analysis for ANG, since ANG does not raise its external capital directly from investors in
12 the marketplace. All of its external capital comes from Arkansas Western. Since ANG's
13 capital structure is not established in the marketplace, it is appropriate to use the capital
14 structure ratios of Arkansas Western in determining an overall rate of return for ANG.

15 The investment community, i.e., analysts, investors and rating agencies, view all
16 companies on a comparative basis and Arkansas Western would be no exception.
17 Arkansas Western's capital structure is representative of how ANG will be financed in the
18 near-term future, the period of time when new rates set in this proceeding would be in
19 effect. As shown on SCHEDULE PMA-2, the investor-provided capital structure for the
20 test year ended July 31, 1996 (Adjusted), upon which ANG's proposed ratemaking capital
21 structure is based, consists of 47.27% long-term debt and 52.73% common equity.

22 It is management's prerogative to finance rate base in the manner it deems

1 appropriate so long as the ratios chosen by management are within the range of
2 reasonableness. To be reasonable for ratemaking purposes, the capital structure
3 management chooses to maintain needs to be acceptable in the marketplace as well as
4 consistent with the capital structures maintained by similar risk enterprises. Since a utility
5 has an obligation to serve all of the time, it is incumbent upon the utility to maintain
6 capital structure ratios which will support a capital attraction position all of the time.
7 Arkansas Western's investor-provided capital structure upon which ANG's proposed
8 regulatory capital structure is based accomplishes that objective.

9 Q. How does Arkansas Western's 52.73% common equity ratio based upon investor-
10 provided capital for the test year ending July 31, 1996 (adjusted) compare with the
11 common equity ratios maintained by the companies in Mr. Hanley's proxy groups.

12 A. Arkansas Western's common equity ratio of 52.73% based upon investor-provided capital
13 is consistent with the common equity ratios maintained by the companies in Mr. Hanley's
14 proxy groups of seven gas distribution companies (LDCs) and of twenty Value Line LDCs
15 upon which he bases his 11.70% common equity cost rate. Since the average Standard
16 & Poor's (S&P) bond rating of both of his LDC proxy groups is A (see page 3 of
17 SCHEDULE FJH-14 accompanying Mr. Hanley's prepared direct testimony), it is clear
18 that the common equity ratios maintained by these LDCs have found acceptance in the
19 marketplace. As shown on pages 1 and 4 of SCHEDULE PMA-3, the seven LDCs and
20 the twenty Value Line LDCs in his proxy groups have maintained, on average, common
21 equity ratios of 49.45% and 47.76%, respectively, for the year 1995. The common equity
22 ratios of the individual LDCs in the two proxy groups range from 38.85% to 60.59% for

1 the seven LDCs and 33.12% to 60.59% for the twenty Value Line LDCs. Consequently,
2 Arkansas Western's common equity ratio of 52.73% is reasonable, if not conservative,
3 given Arkansas Western's and ANG's small size as discussed by Mr. Hanley, vis-a-vis
4 the average common equity ratios maintained by both his proxy groups of LDCs upon
5 which his recommended common equity cost rate is based. Consequently, Arkansas
6 Western's capital structure ratios based upon total investor-provided capital can
7 appropriately be used to determine the cost of capital in this proceeding.

8 Q. How do Arkansas Western's capital structure ratios based upon investor-provided capital
9 compare with S&P's financial benchmark criteria?

10 A. They are consistent with S&P's financial benchmark ratios of total debt to total capital for
11 LDCs with long-term debt rated in the A category and of similar business position as Mr.
12 Hanley's two proxy groups, i.e., high average/average and average (see page 3 of
13 SCHEDULE FJH-14 accompanying Mr. Hanley's prepared direct testimony). As shown
14 on page 11 of SCHEDULE FJH-2, S&P's total debt to total capital financial benchmark
15 criterion requires a 46% total debt ratio for an LDC assigned an average business
16 position to obtain and maintain an A bond rating. A 46% total debt ratio implies the need
17 to maintain, on average, a total equity ratio of 54%. Arkansas Western's total debt ratio
18 based upon investor-provided capital for the test year ending July 31, 1996 (Adjusted)
19 is 47.27% as shown on SCHEDULE PMA-2. A total debt ratio of 47.27% is only slightly
20 higher than S&P's 46% total debt criteria for an A bond rating for an LDC in an average
21 business position and is clearly consistent with an A bond rating. Nonetheless, as Mr.
22 Hanley testifies, if Arkansas Western were to have bonds rated by S&P, they would be

1 In the BBB category, given the Company's recent poor earnings record and small size
2 vis-a-vis the companies in his proxy groups. Companies in the BBB bond rating category
3 are close to a speculative, i.e., below investment grade, bond rating (a BB or lower bond
4 rating). Bonds with below investment grade ratings are generally prohibited investments
5 for institutional investors who typically must comply with legislated portfolio quality
6 standards. Such institutional investors typically represent a large share of bond market
7 purchases. Thus, when they are precluded from purchasing bonds with speculative or
8 below investment grade ratings, the cost is not only much greater but there is the
9 danger that a utility with below investment grade bond ratings will not be able to raise all
10 of the capital it may require and certainly not on a reasonable cost rate basis compared
11 with other utilities with higher bond ratings. Logic would indicate that many such
12 institutional investors would also be reluctant to invest in bonds at the bottom of
13 investment grade, i.e., BBB, because further downgrading would render them below
14 investment grade and likely ineligible investment. Such a situation is not tenable for a
15 public utility with an obligation to serve all the time, not just when it is convenient or
16 when it may be able to raise all capital necessary for the successful performance of its
17 obligations. Consequently, it must have access to the capital markets on a reasonable
18 basis, at all times, by maintaining a capital structure which will afford it the opportunity
19 to obtain at least an A bond rating to place it above the floor of investment grade bond
20 ratings, i.e., the BBB bond rating category.

21 In view of the foregoing, it is my opinion that a ratemaking capital structure based
22 upon investor-provided capital comprised of 47.27% long-term debt and 52.73% common
23 equity is reasonable. It is consistent with both S&P's financial benchmark criteria for an
24 LDC to obtain and maintain an A bond rating and the capital structures maintained, on

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1 average, by the LDCs in Mr. Hanley's proxy groups of seven LDCs and twenty Value Line
2 LDCs.

3 Consequently, as stated previously, the proposed ratemaking capital structure upon
4 which the Company's requested overall rate of return of 8.77% is based is therefore
5 reasonable, because it is the end result of a reasonable and appropriate investor-provided
6 capital structure.

7 Q. Does this conclude your direct testimony?

8 A. Yes.

APPENDIX A
TO ACCOMPANY THE
DIRECT TESTIMONY
OF
PAULINE M. AHERN, VICE PRESIDENT
AUS CONSULTANTS - UTILITY SERVICES

PAULINE M. AHERN, VICE PRESIDENT
AUS CONSULTANTS - UTILITY SERVICES

List of Clients Served

Algonquin Gas Transmission Company
Arkansas-Louisiana Gas Company
Arkansas Western Gas Company
Artesian Water Company
Atlantic City Electric Company
Bridgeport-Hydraulic Company
Cambridge Electric Light Company
Carolina Power & Light Company
Citizens Gas and Coke Utility
Columbia Gas/Gulf Transmission Companies
Commonwealth Electric Company
Commonwealth Telephone Company
Conestoga Telephone & Telegraph Company
Connecticut Natural Gas Corporation
Consolidated Gas Transmission Company
Consumers Power Company
Delmarva Power & Light Company
East Honolulu Community Services, Inc.
Equitable Gas Company
Florida Power & Light Company
Equitrans, Inc.
Gary Hobart Water Company
Gasco, Inc.
GTE Alaska, Inc.
GTE Arkansas, Inc.
GTE California, Inc.
GTE Florida, Inc.
GTE Hawaiian Telephone Company
GTE North, Inc.
GTE Northwest, Inc.
GTE Southwest, Inc.
General Waterworks - Pine Bluff, Arkansas
Great Lakes Gas Transmission Limited Partnership
Hawaiian Electric Company
Hawaiian Electric Light Company
IES Utilities Inc.
Iowa Electric Light and Power Company
Iowa Southern Utilities Company
Kentucky-West Virginia Gas Company
Lockhart Power Company
Middlesex Water Company
Mountaineer Gas Company
National Fuel Gas Distribution Corp.
National Fuel Gas Supply Corp.

List of Clients Served
(Continued)

Newco Waste Systems of New Jersey, Inc.
New Jersey-American Water Company
New Jersey Natural Gas Company
New York-American Water Company
North Carolina Natural Gas Corp.
Oklahoma Natural Gas Company
Orange and Rockland Utilities
Paiute Pipeline Company
Penn-York Energy Corporation
Pennsylvania-American Water Company
PG Energy, Inc.
Philadelphia Electric Company
South Carolina Pipeline Company
Southwest Gas Corporation
Stamford Water Company
Tesoro-Kenai Pipeline Company
United Telephone of New Jersey
United Water Delaware, Inc.
United Water New Jersey, Inc.
United Water New York, Inc.
Virgin Islands Telephone Corporation
Vista-United Telecommunications Corp.
Washington Natural Gas Company
Washington Water Power Corporation
Waste Management of New Jersey -
Transfer Station A
Western Reserve Telephone Company

Exhibit No.:
Issue: Capital Structure
Witness: Ahern
Exhibit: Direct Schedules
Sponsoring Party: Associated Natural Gas
Case No.: GR-97-272

ASSOCIATED NATURAL GAS
A DIVISION OF ARKANSAS WESTERN GAS COMPANY

CASE NO. GR-97-272

DIRECT SCHEDULES

OF

PAULINE M. AHERN, VICE PRESIDENT
AUS CONSULTANTS - UTILITY SERVICES

ASSOCIATED NATURAL GAS COMPANY
A DIVISION OF ARKANSAS WESTERN GAS COMPANY

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of Pauline M. Ahern

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Associated Natural Gas Company
A Division of Arkansas Western Gas Company
 Summary of Cost of Capital and Fair Rate of Return
 Based on Total Capital (Incl. Customer Deposits and Other Capital)
for the Test Year Ended July 31, 1996 (Adjusted)

<u>Type of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt			
Intercompany Notes	40.08 %		
Accumulated Deferred Investment Tax Credits	<u>0.50</u>		
Total Long-Term Debt	40.58	7.97 % (2)	3.23 %
Customer Deposits			
Arkansas	2.14	5.50 (2)	0.12
Missouri	<u>0.48</u>	5.50 (2)	<u>0.03</u>
Total Customer Deposits	<u>2.62</u>		<u>0.15</u>
Total Long-Term Debt and Customer Deposits	<u>43.20</u>		<u>3.38</u>
Common Equity			
Common Stock and Retained Earnings	44.69		
Accumulated Deferred Investment Tax Credits	<u>0.56</u>		
Total Common Equity	<u>45.25</u>	11.70 (3)	5.30
Accumulated Deferred Income Taxes	11.48	0.00 (2)	0.00
Other Interest Bearing Liabilities	<u>0.07</u>	8.00 (2)	<u>0.01</u>
Total	<u>100.00 %</u>		<u>8.69 %</u>

Notes:

- (1) As developed on page 1 of SCHEDULE PMA-1.
- (2) Company-provided
- (3) As developed on page 3 of SCHEDULE FJH-1 of Company Witness Frank J. Hanley.

Associated Natural Gas Company
A Division of Arkansas Western Gas Company
 Summary of Cost of Capital and Fair Rate of Return
 Based on Investor-Provided Total Capital
for the Test Year Ended July 31, 1996 (Adjusted)

<u>Type of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt - Intercompany Notes	47.27 %	7.97 % (2)	3.77 %
Common Equity	<u>52.73</u>	11.70 (3)	<u>6.17</u>
Total	<u>100.00 %</u>		<u>9.94 %</u>

Notes:

- (1) As developed on page 1 of SCHEDULE PMA-1.
- (2) Company-provided.
- (3) As developed on page 3 of SCHEDULE FJH-1 of Company Witness Frank J. Hanley.

Associated Natural Gas Company
A Division of Arkansas Western Gas Company
Capital Structure and Related Ratios
for the Test Year Ended July 31, 1996 (Adjusted)

<u>Type of Capital</u>	<u>Amount Outstanding (1)</u>	<u>Ratios Based on Total Investor- Provided Capital</u>	<u>Ratios Based on Total Capital</u>
Long-Term Debt - (Intercompany Notes)	\$65,422,997	47.27 %	40.08 %
Common Equity	72,969,974	52.73	44.69
Total Capital	\$138,392,971	100.00 %	84.77
Customer Deposits			
Arkansas	\$3,491,604		2.14
Missouri	789,625		0.48
Total Customer Deposits	\$4,281,229		2.62
Total Investor-Provided Capital and Customer Deposits	<u>\$142,674,200</u>		<u>87.39</u>
<u>Other Capital</u>			
Accumulated Deferred Income Taxes	\$18,735,833		11.48
Accumulated Deferred Investment Tax Credits			
Debt Portion	813,660		0.50
Common Equity Portion	907,643		0.56
Total Accumulated Deferred Investment Tax Credits	1,721,303		1.06
Other Interest Bearing Liabilities	112,607		0.07
Total Cost-Free and Other Capital	<u>\$20,569,743</u>		<u>12.61</u>
Total Capital	<u>\$163,243,943</u>		<u>100.00 %</u>

Notes: (1) Company-provided

Associated Natural Gas Company
A Division of Arkansas Western Gas Company
Capital Structure Ratios Based upon Total Capital for the
Proxy Group of Seven Gas Distribution Companies
for the Years 1991 through 1995

	1995	1994	1993	1992	1991
<u>Bay State Gas Company</u>					
Long-Term Debt	44.02 %	42.97 %	41.92 %	38.53 %	42.83 %
Short-Term Debt	6.88	8.33	11.45	9.27	8.23
Preferred Stock	1.12	1.17	1.22	5.36	6.07
Common Equity	<u>47.98</u>	<u>47.53</u>	<u>45.41</u>	<u>48.84</u>	<u>42.87</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Cascade Natural Gas Co.</u>					
Long-Term Debt	44.30 %	48.97 %	44.91 %	45.31 %	45.01 %
Short-Term Debt	13.88	6.76	6.97	7.89	6.32
Preferred Stock	2.97	3.37	3.88	4.82	6.14
Common Equity	<u>38.85</u>	<u>40.90</u>	<u>44.24</u>	<u>41.98</u>	<u>42.53</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Connecticut Energy Corp.</u>					
Long-Term Debt	43.50 %	45.47 %	49.41 %	41.85 %	45.58 %
Short-Term Debt	8.78	7.09	9.59	16.92	9.91
Preferred Stock	0.00	0.00	0.26	0.31	0.38
Common Equity	<u>47.72</u>	<u>47.44</u>	<u>40.74</u>	<u>40.92</u>	<u>44.13</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Connecticut Natural Gas Corp.</u>					
Long-Term Debt	49.85 %	49.86 %	49.98 %	50.44 %	47.78 %
Short-Term Debt	1.36	5.84	3.40	4.76	8.31
Preferred Stock	0.29	0.28	0.32	0.37	0.39
Common Equity	<u>48.50</u>	<u>44.02</u>	<u>46.30</u>	<u>44.43</u>	<u>43.52</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Energex Corp.</u>					
Long-Term Debt	39.27 %	42.60 %	33.51 %	38.59 %	33.80
Short-Term Debt	9.51	1.99	14.75	8.10	15.55
Preferred Stock	0.00	0.00	0.00	0.73	0.73
Common Equity	<u>51.22</u>	<u>55.41</u>	<u>51.74</u>	<u>52.58</u>	<u>49.92</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Indiana Energy, Inc.</u>					
Long-Term Debt	38.11 %	34.22 %	40.74 %	36.45 %	41.99 %
Short-Term Debt	1.30	7.39	2.26	7.32	0.55
Preferred Stock	0.00	0.00	0.00	4.84	5.08
Common Equity	<u>60.59</u>	<u>58.39</u>	<u>57.00</u>	<u>51.39</u>	<u>52.38</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Laclede Gas Company</u>					
Long-Term Debt	34.83 %	38.11 %	43.09 %	44.27 %	47.26 %
Short-Term Debt	13.43	13.22	7.13	2.02	0.00
Preferred Stock	0.44	0.49	0.51	0.57	0.56
Common Equity	<u>51.30</u>	<u>48.18</u>	<u>49.27</u>	<u>53.14</u>	<u>52.18</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Proxy Group Average</u>					
Long-Term Debt	41.98 %	43.17 %	43.37 %	41.92 %	43.46 %
Short-Term Debt	7.88	7.23	7.94	8.04	6.98
Preferred Stock	0.69	0.76	0.88	2.43	2.77
Common Equity	<u>49.45</u>	<u>48.84</u>	<u>47.81</u>	<u>47.61</u>	<u>46.79</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II

Associated Natural Gas Company
A Division of Arkansas Western Gas Company
Capital Structure Ratios Based upon Total Capital for the
Proxy Group of Twenty Value Line Gas Distribution Companies
for the Years 1991 through 1995

	1995	1994	1993	1992	1991
<u>Atlanta Gas Light Co.</u>					
Long-Term Debt	45.39 %	45.85 %	42.32 %	44.46 %	44.52 %
Short-Term Debt	4.18	7.68	11.11	10.13	10.40
Preferred Stock	4.81	4.73	4.99	1.35	1.53
Common Equity	45.62	41.74	41.58	44.06	43.55
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Almos Energy Corp.</u>					
Long-Term Debt	41.90 %	45.91 %	37.92 %	44.21 %	49.57 %
Short-Term Debt	10.15	5.84	12.98	11.45	6.13
Preferred Stock	0.00	0.00	0.00	0.00	0.00
Common Equity	47.95	48.25	49.12	44.34	44.30
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Bay State Gas Co.</u>					
Long-Term Debt	44.02 %	42.97 %	41.92 %	38.53 %	42.83 %
Short-Term Debt	6.88	8.33	11.45	9.27	8.23
Preferred Stock	1.12	1.17	1.22	5.36	6.07
Common Equity	47.98	47.53	45.41	46.84	42.87
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Brooklyn Union Gas Co.</u>					
Long-Term Debt	46.37 %	47.29 %	48.60 %	51.58 %	51.21 %
Short-Term Debt	0.00	0.00	0.00	0.00	0.00
Preferred Stock	0.46	0.51	0.55	0.61	3.39
Common Equity	53.17	52.20	50.85	47.81	45.40
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Cascade Natural Gas Co.</u>					
Long-Term Debt	44.30 %	48.97 %	44.91 %	45.31 %	45.01 %
Short-Term Debt	13.88	6.78	6.97	7.89	6.32
Preferred Stock	2.97	3.37	3.88	4.82	6.14
Common Equity	38.85	40.90	44.24	41.98	42.53
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Connecticut Energy Corp.</u>					
Long-Term Debt	43.50 %	45.47 %	49.41 %	41.85 %	45.58 %
Short-Term Debt	8.78	7.09	9.59	16.92	9.91
Preferred Stock	0.00	0.00	0.26	0.31	0.38
Common Equity	47.72	47.44	40.74	40.92	44.13
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Connecticut Natural Gas Corp.</u>					
Long-Term Debt	49.85 %	49.86 %	49.98 %	50.44 %	47.78 %
Short-Term Debt	1.36	5.84	3.40	4.76	8.31
Preferred Stock	0.29	0.28	0.32	0.37	0.39
Common Equity	48.50	44.02	46.30	44.43	43.52
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Associated Natural Gas Company
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	1995	1994	1993	1992	1991
Energex Corp.					
Long-Term Debt	39.27 %	42.60 %	33.51 %	38.59 %	33.80 %
Short-Term Debt	9.51	1.99	14.75	8.10	15.55
Preferred Stock	0.00	0.00	0.00	0.73	0.73
Common Equity	51.22	55.41	51.74	52.58	49.92
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Indiana Energy, Inc.					
Long-Term Debt	38.11 %	34.22 %	40.74 %	38.45 %	41.99 %
Short-Term Debt	1.30	7.39	2.28	7.32	0.55
Preferred Stock	0.00	0.00	0.00	4.84	5.08
Common Equity	60.59	58.39	57.00	51.39	52.38
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Laclede Gas Company					
Long-Term Debt	34.83 %	38.11 %	43.09 %	44.27 %	47.26 %
Short-Term Debt	13.43	13.22	7.13	2.02	0.00
Preferred Stock	0.44	0.49	0.51	0.57	0.56
Common Equity	51.30	48.18	49.27	53.14	52.18
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
MCN Corporation					
Long-Term Debt	49.71 %	44.92 %	39.87 %	38.24 %	39.30 %
Short-Term Debt	12.24	14.90	22.30	22.04	19.83
Preferred Stock	4.93	6.88	0.62	1.09	2.50
Common Equity	33.12	33.30	37.41	40.63	38.37
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
New Jersey Resources Corp.					
Long-Term Debt	54.47 %	51.06 %	53.57 %	49.41 %	53.95 %
Short-Term Debt	2.52	6.54	3.55	0.00	3.49
Preferred Stock	3.23	3.44	3.79	6.27	6.59
Common Equity	39.78	38.96	39.09	44.32	35.97
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
NICOR, Inc.					
Long-Term Debt	36.68 %	35.14 %	30.93 %	30.94 %	32.95 %
Short-Term Debt	14.06	17.01	20.49	22.09	16.04
Preferred Stock	0.63	0.67	1.14	1.14	1.62
Common Equity	48.63	47.18	47.44	45.83	49.39
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Northwest Natural Gas Co.					
Long-Term Debt	43.41 %	44.10 %	42.14 %	42.68 %	43.17 %
Short-Term Debt	4.16	8.10	11.20	7.86	14.99
Preferred Stock	5.75	6.37	6.74	9.17	5.25
Common Equity	46.68	41.43	39.92	40.29	36.59
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

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	1995	1994	1993	1992	1991
<u>ONEOK Inc.</u>					
Long-Term Debt	44.56 %	46.74 %	49.86 %	51.98 %	39.73 %
Short-Term Debt	6.76	6.20	2.80	0.65	11.73
Preferred Stock	1.10	1.12	1.15	1.18	1.23
Common Equity	<u>47.58</u>	<u>45.94</u>	<u>46.19</u>	<u>46.19</u>	<u>47.31</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Peoples Energy Corp.</u>					
Long-Term Debt	49.34 %	49.52 %	43.17 %	42.70 %	47.65 %
Short-Term Debt	0.07	0.07	5.56	2.51	0.35
Preferred Stock	0.00	0.00	0.28	1.29	1.70
Common Equity	<u>50.59</u>	<u>50.41</u>	<u>50.99</u>	<u>53.50</u>	<u>50.30</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Piedmont Natural Gas Co.</u>					
Long-Term Debt	49.97 %	46.53 %	46.39 %	44.83 %	46.77 %
Short-Term Debt	1.83	9.29	6.89	6.11	5.41
Preferred Stock	0.00	0.00	0.00	0.00	0.00
Common Equity	<u>48.20</u>	<u>44.18</u>	<u>46.72</u>	<u>49.06</u>	<u>47.82</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>South Jersey Industries, Inc.</u>					
Long-Term Debt	43.71 %	40.62 %	40.31 %	39.33 %	35.84 %
Short-Term Debt	18.20	20.04	21.87	18.93	22.83
Preferred Stock	0.57	0.62	0.68	0.83	0.90
Common Equity	<u>37.52</u>	<u>38.72</u>	<u>37.14</u>	<u>40.91</u>	<u>40.43</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Washington Gas Light Co.</u>					
Long-Term Debt	41.34 %	38.23 %	41.86 %	39.16 %	40.88 %
Short-Term Debt	0.00	5.77	2.46	3.35	1.13
Preferred Stock	3.08	3.10	3.28	3.56	3.76
Common Equity	<u>55.58</u>	<u>52.90</u>	<u>52.42</u>	<u>53.93</u>	<u>54.23</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>WICOR, Inc.</u>					
Long-Term Debt	28.67 %	29.26 %	29.32 %	35.50 %	39.95 %
Short-Term Debt	16.80	19.57	23.53	15.20	6.72
Preferred Stock	0.00	0.00	0.00	0.00	0.00
Common Equity	<u>54.53</u>	<u>51.17</u>	<u>47.15</u>	<u>49.30</u>	<u>53.33</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Proxy Group Average</u>					
Long-Term Debt	43.47 %	43.37 %	42.48 %	42.33 %	43.49 %
Short-Term Debt	7.30	8.58	10.01	8.83	8.39
Preferred Stock	1.47	1.64	1.47	2.17	2.39
Common Equity	<u>47.76</u>	<u>46.41</u>	<u>46.04</u>	<u>46.67</u>	<u>45.73</u>
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II